



ITEM ID: 2023-360-0

TRANSMITTAL DATE: November 9, 2023

MEETING DATE: November 17, 2023

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY2023-24 Quarterly Accounts Receivable Status Report - Quarter Ended September 30, 2023

Issue

This report presents an update on the Authority’s Accounts Receivable for the quarter ended September 30, 2023. This item presents outstanding receivable balances and provides a status related to collection efforts.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair, investing in the development of our employees and maintaining fiscal sustainability.

Background

The Authority’s funding sources include passenger fares, revenues from dispatching and maintenance-of-way, operating and capital funding from Member Agencies, and grants through state and federal programs.

Accounts receivable categories detailed in this report are:

- Capital Contributions - Member Agencies and state and federal grantors, primarily capital billings
- Due from Other Agencies - Member Agencies and state and federal grantors, primarily operating billings
- Fares - Due from customers purchasing passenger fares, primarily Corporate Program Partners and Member Agencies
- Operating Subsidies - Billed quarterly to Member Agencies per the Operating Budget regardless of funding source
- Shared-Use Agreements (SUA) - Due from rail partners such as Amtrak and Union Pacific for shared rail lines
- Third Party Agreements (TPA) - Due from private companies and public agencies for projects such as special train services, construction of capital projects, and flagging services
- Other - One-time receivables, cash received pending application (temporary)

Discussion

Accounts Receivable (A/R) Balances

As of September 30, 2023, the total outstanding accounts receivable balance, as indicated in Attachment A, was \$44.3 million, of which \$9.9 million was current and \$34.4 million was past due. Invoices are considered past due if payment is not received by the stated invoice due date. This compares to a total outstanding A/R balance of \$57.1 million for the previous quarter, or an overall decline of \$12.8 million.

Current A/R balances declined \$31.6 million due to strong collections from other federal, state and local grantors.

Past due balances increased significantly by \$18.8 million from the prior quarter, primarily due to past due balances from OCTA, RCTC, and VCTC for unpaid Q1 FY24 operating subsidies and capital projects.

The following is a breakdown of the \$34.4 million past due amount:

- \$28.2 M (82%) - Operating Subsidies
- \$4.4 M (13%) - Other Receivables
- \$.2 M (.5%) - Capital Contribution
- \$.8 M (2%) - SUA
- \$.2 M (.5%) - Due From Other Agencies
- \$.6 M (2%) - Third Party Agreements (TPA)

Unbilled Balances/Pending Capital Billing

As of September, 2023, actual cash expenditures incurred on capital, rehabilitation, and TPA projects of approximately \$33.5 have not yet been billed to the appropriate grantor, and are therefore not reflected in the September 30, 2023, accounts receivable balances. The \$33.5 million represents funds expended that are eligible for reimbursement by federal, state and Member Agency funds. This total compares to the prior quarter's unbilled balance of \$36.9 million. Unbilled balances are invoiced upon compilation and reconciliation of required grantor documentation meeting SCRRRA financial policies and uniform grant guidance. The collection cycle time from SCRRRA's payment of vendor invoices to receipt of funds from the corresponding grantor varies significantly.

The \$33.5 million of unbilled balances breaks down to the following major projects/categories:

- State of Good Repair: \$18.2 M
- New Capital: \$8.8 M
- SCORE: \$6.5 M

Late Fees

The Board provided direction in February 2017 for a 1.5% one-time charge on Corporate Partners Program (CPP) monthly pass holders accounts receivable balances not paid within 30 days from the date of invoice. Late fee assessments were temporarily suspended between April 2020 and March 2021 due to low ridership resulting from the COVID-19 pandemic. In January 2022, the Authority moved toward a uniform CPP Agreement that includes clear language on late fee assessments, account suspension and transfer to collection agency when an account is delinquent for more than 90 days. Finance currently bills monthly late fees as standard practice on all eligible accounts.

Next Steps

The next Accounts Receivable quarterly report for the quarter ended December 31, 2023, will be provided to the Board in March of 2024.

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Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - FY2023-24 Quarterly AR Qtr Ended September 30 2023
Presentation - FY2023-24 Preliminary Quarterly Accounts Receivables Quarter Ended
September 30, 2023](#)