

**ITEM ID:** 2023-197-0

**TRANSMITTAL DATE:** June 2, 2023

**MEETING DATE:** June 9, 2023

**TO:** Audit and Finance Committee

**FROM:** Arnold Hackett, Chief Financial Officer

**SUBJECT:** FY2022-23 Quarterly Accounts Receivable Status Report -  
Quarter Ended March 31, 2023

**Issue**

This report presents an update on the Authority's Accounts Receivable for the quarter ended March 31, 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 sources of funds include passenger fares, revenues from dispatching and maintenance-of-way, operating and capital funding from Member Agencies, and grants through state and federal programs.

The accounts receivables comprise:

- Capital Contributions Receivable - Due from Member Agencies and other state and federal grantors such as the Federal Transit Administration
- Administration for capital and rehabilitation projects (e.g., construction and rehabilitation of rail infrastructure system).
- Due from Other Agencies - Such as the California Department of Transportation (Caltrans) for construction projects.
- Fares Receivable - Due from customers purchasing passenger fares for commuter rail services.
- Operating Subsidies Receivable - Due every quarter from the five Member Agencies relating to operating contributions.
- Shared-Use Agreement (SUA) Receivable - Due from other rail partners such as Amtrak and Union Pacific Railroad Company for sharing rail lines.
- Third Party Agreement (TPA) Receivable - Due from private and public agencies for projects such as special train services, construction of capital projects on behalf of third parties and flagging services.
- Other Receivables - Cash received pending application to the correct account (functions as a temporary holding account).

## **Discussion**

As of March 31, 2023, the total outstanding accounts receivable (A/R) balance, as indicated in the attached table, equaled \$7.1 million (\$26.5M lower vs. prior period), of which (\$11.7) million (\$23.4M lower vs. prior period) was current and \$18.8 million (\$3.1M lower vs. prior period) was past due beyond the 30-day period.

The following is a breakdown of the \$18.8 million past due amount:

- Approximately \$17.1 million (91.0%) pertains to Operating Subsidies from
  - VCTC \$8.9M (61-90 days late) & \$2.1M (1-30 days late),
  - OCTA \$5.9M (61-90 days late),
  - RCTC \$0.2M (91-180 days late).
- Approximately \$1.1 million (5.9%) pertains to
  - Shared-Use Agreements with Union Pacific Railroad Company \$0.9M (91- 180 days late),
  - National Railroad Passenger Corporation \$0.2M (1-30 days late).
- Approximately \$0.3 million (1.6%) pertains to receivables from Third-Party Agreements (TPA)
  - Legal \$0.3M (180+ days late)
- Approximately \$0.2 million (1.1%) pertains to Capital Contribution Receivable
  - SBCTA \$0.2M (1-30 days late).
- Approximately \$0.1 million (0.5%) pertains to receivables Due From Other Agencies
  - RCTC \$0.1M (61-90 days late).

A/R Aging as of March 31, 2023: (Attachment A)

A/R Aging as of March 31, 2023: Over 180 Days (Attachment A)

A/R Aging Report as of March 31, 2023: Details of Past Due Amount by Customer (Attachment A)

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. Between January 2022 and March 2023, a total of \$2,226 (22 customers) in late penalty charges were collected from CPP customers, which is lower than the \$5,275 (22 customers) collected pre-pandemic levels and can be attributed to close monitoring of individual accounts for compliance as more companies now participate in the program.

As of March 2023, cash expenditures on capital and rehabilitation projects at approximately \$36.8 million have not been billed and therefore not reflected in the March 31, 2023, A/R balance. Billed amount of \$14.8 million is awaiting payment and we anticipate remaining billing to be completed during the 4th quarter of the fiscal year and receiving reimbursement during the fourth quarter of fiscal year 2023 or first quarter of the fiscal year 2024.

Included in the \$36.8 million unbilled capital and rehabilitation expenditures are the following:

- \$4.8M in San Gabriel Sub Track Rehab
- \$4.3M in Rail Yard Rehabilitation & Modernization (RYRM)
- \$3.3M in System Bombardier (Sentinel) Overhaul
- \$2.7M in Track Rehab - Surfacing
- \$1.3M in San Gabriel Redlands Pass Rail PTC
- \$0.9M in San Gabriel Replace Turnouts
- \$0.9M in Train Control Systems Rehab
- \$0.9M in San Fernando Bike Path III
- \$0.7M in Valley Sub Track Rehab
- \$0.1M in PTC Upscaling Onboard
- \$16.9M consisting of hundreds of smaller capital and rehabilitation expenditures and SCORE.

### **Next Steps**

The next Quarterly Accounts Receivable status update will be provided to the Board in September 2023.

Prepared by: Edison Abrenica, Senior Finance Analyst

Approved by: Arnold Hackett, Chief Financial Officer

### **Attachment(s)**

[Attachment A - FY2022-23 Quarterly AR Status Q3 Presentation - FY2022-23 Quarterly Accounts Receivable Q3](#)