

ITEM ID: 2025-135-0

TRANSMITTAL DATE: February 21, 2025

MEETING DATE: February 28, 2025

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY2024-25 Quarterly Accounts Receivable Status Report - Quarter Ended December 31, 2024

Issue

This report presents an update on the Authority's Accounts Receivable for the quarter ended December 31, 2024. The report covers outstanding receivables, unbilled balances and provides a status related to billing and 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 primary funding sources include passenger fares, revenues from dispatching and maintenance-of-way, operating and capital funding support from Member Agencies, Federal, State and local funding grants.

In FY24, the Board approved funding advances for the Capital Program in the form of a \$50

million Working Capital Fund (WCF), in order to provide needed liquidity in the cost-reimbursement based grants collections cycle.

Discussion

Accounts Receivable (A/R) Balances

As of December 31, 2024, the total outstanding accounts receivables balance, as detailed further in Attachment A, was \$50.0 million, of which \$10.8 million was current and \$39.2 million was past due. This \$50 million compares to \$77 million for the previous quarter, or a decrease in receivables of \$27 million. The decrease was due to strong collections of Member Support and Capital Program billings.

84% of past due balances relate to unpaid Member Agency Working Capital Fund (WCF) balances. 15% relate to unpaid Member Support and Capital Program invoices. Less than 1% is attributable to non-related/third party accounts. Staff continues to work with Member Agencies and other grantors to address unpaid balances.

Unbilled Balances/Pending Capital Billing

On December 31, 2024, total expenses paid out by the Authority and subject to grantor reimbursement related to the Capital Program (unbilled balances) were estimated at \$27.8 million. This represents an increase of \$9.4 million from the prior quarter. The increase is related to slower billing activity as previously described, indirect cost billing holdback pending FTA rate approval, and an increase in overall capital and SGR program activity in FY25. The level of unbilled balances is informed by the: (1) volume and timing of Capital Program expenses, (2) existence of supporting documentation to bill grantors, (3) completion of all grant requirements, (4) and staff resources.

Staff has made excellent progress to eliminate aged unbilled balances as cited in Internal Audit's Report No. 2023-06-IA, dated April 30, 2024, regarding MS289-22 Work Directives.

San Clemente Unbilled Balances

San Clemente operating construction projects are tracked in a different manner versus Capital Program projects and are presented separately. Total unbilled balances on combined San Clemente projects were \$4.2 million on December 31, 2024, and are shown in Attachment A. The vast majority of these unbilled balances relate to the most recent San Clemente # 3 project; the state grant which serves as the project's reimbursement-based funding source has not yet been approved.

Next Steps

The next Accounts Receivable report for the quarter ended March 31, 2024, will be provided to the Board in May of 2025.

Prepared by: Vivien Avella, Assistant Director
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Approved by:

Arnold Hackett, Chief Financial Officer

Attachment(s)

Attachment A - FY2024-25 Quarterly AR Status-Qtr Ended December 31
Presentation - FY2024-25 Preliminary Quarterly Accounts Receivables Report - Quarter
Ended December 31, 2024