



ITEM ID: 2023-292-0

TRANSMITTAL DATE: September 1, 2023

MEETING DATE: September 8, 2023

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY2022-23 Quarterly Accounts Receivable Status Report - Quarter Ended June 30, 2023

Issue

This report presents an update on the Authority’s Accounts Receivable for the quarter ended June 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 Receivable - Member Agencies and state and federal grantors
- Due from Other Agencies - Member Agencies and state and federal grantors
- Fares Receivable - Due from customers purchasing passenger fares
- Operating Subsidies Receivable - Billed quarterly to Member Agencies relating to operating contributions
- Shared-Use Agreement (SUA) Receivable - Due from rail partners such as Amtrak and Union Pacific for shared rail lines
- Third Party Agreement (TPA) Receivable - Due from private companies and public agencies for projects such as special train services, construction of capital projects, and flagging services
- Other Receivables - One-time receivables, cash received pending application (temporary)

Discussion

A/R Balances

As of June 30, 2023, the total outstanding accounts receivable (A/R) balance, as indicated in Attachment A, was \$57.1 million, of which \$41.5 million was current and \$15.6 million was past due. Invoices are considered past due if not received by the stated invoice due date. This compares to a total outstanding A/R balance of \$52.8 M (adjusted for advance deposits) for the previous quarter. Past due balances declined by \$3.2 M from the prior quarter, primarily due to collection of operations subsidy past due amounts.

The following is a breakdown of the \$15.6 million past due amount:

- \$11.0 million (70.5%) pertains to Operating Subsidies
 - OCTA \$10.4M (61-90 days late) & \$.4M (91-180 days late)
 - RCTC \$0.2M (180+ days late)
- \$2.1 million (13.5%) pertains to Other Receivables
 - OCTA \$2.1M (91-180 days late)
- \$1.2 million (7.7%) pertains to Capital Contribution
 - SBCTA \$1.1M (1-30 days late)
 - VCTC \$0.1M (61-90 days late)
- \$0.6 million (3.8%) pertains to Shared-Use Agreements
 - Caltrans \$0.4M (31-60 days late)
 - Amtrak \$0.2M (1-30 days late)
- \$0.4 million (2.6%) pertains to Due From Other Agencies
 - VCTC \$0.4M (61-90 days late)
- \$0.3 million (1.9%) pertains to Third-Party Agreements
 - Legal \$0.3M (180+ days late)

Unbilled Balances/Pending Capital Billing

As of June 30, 2023, actual cash expenditures incurred on capital and rehabilitation projects of approximately \$36.9 million have not yet been billed to the appropriate grantor, and are therefore not reflected in the June 30, 2023, accounts receivable balances. The \$36.9 million represents funds expended on capital projects that are eligible for reimbursement by federal, state, and Member Agency funds. These amounts are billed upon compilation and reconciliation of required grantor documentation meeting SCRRA financial policies and uniform grant guidance. The collection cycle time from SCRRA's payment of vendor invoices to receipt of funds from the corresponding grantor varies significantly and is estimated at

approximately six months.

The \$36.9 million of unbilled balances include the following major projects/categories:

- \$7.6M Rail Yard Rehabilitation & Modernization (RYRM)
- \$6.0M SCORE
- \$2.2M System Bombardier (Sentinel) Overhaul
- \$1.8M Track Rehab - Surfacing
- \$1.6M FY22 Orange Sub Track Rehab
- \$1.2M San Gabriel Sub Track Rehab
- \$1.0M Ventura County - Structural Rehab
- \$0.8M San Gabriel Redlands Pass Rail PTC
- \$0.6M Valley Sub Track Rehab
- \$0.4M San Fernando Bike Path III
- \$0.4M PTC Upscaling Onboard

In addition to these specific projects, there is a consolidated total of approximately \$13.3 million of smaller capital and rehabilitation projects to be billed as of June 30, 2023.

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.

Next Steps

The next Quarterly Accounts Receivable status update as of September 30, 2023, will be provided to the Board in November 2023.

Prepared by: Vivien Avella, Senior Finance Manager
Edison Abrenica, Senior Finance Analyst

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - FY2022-23 Quarterly AR Status Qtr Ended June 30 2023 Presentation - FY2022-23 Preliminary Quarterly Accounts Receivables Report - Qtr Ended June 30, 2023](#)