



ITEM ID: 2024-269-0

TRANSMITTAL DATE: September 6, 2024

MEETING DATE: September 13, 2024

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY2023-24 Quarterly Accounts Receivable Status Report -
Quarter Ended June 30, 2024

Issue

This report presents an update on the Authority's Accounts Receivable for the quarter ended June 30, 2024. This item presents outstanding receivables and 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 funding support from Member Agencies, and capital funding through federal, state and local funding grants.

Discussion

Accounts Receivable (A/R) Balances

As of June 30, 2024, the total outstanding accounts receivables balance, as detailed further in Attachment A, was \$119.4 million, of which \$91.7 million was current and \$27.7 million was past due. This \$119.4 million compares to \$19 million for the previous quarter, or an increase in receivables of \$100.4 million. The significant increase was due primarily to: (1) \$50 million of invoicing for the Working Capital Fund (WCF) deposits with \$42.2 million remaining outstanding as of June 30th, (2) billing of the entirety of the FY24 FTA preventive maintenance grant of approximately \$27 million, and (3) significant yet typical end-of-year billing activity.

The past due balances primarily relate to Member Agency Support and Capital Program outstanding balances. The Member Agency Support past dues relate to the preventive maintenance grant funds as the payment source (\$19.3 million), which were subsequently received and applied against these past due balances in July. Other past due balances of approximately \$8.4 million primarily relate to isolated payment delays from selected Member Agencies (for SCORE, SGR projects) and Caltrans (for San Clemente #2). Over \$7 million of these past dues have been subsequently collected. Staff continues to reach out to Member Agencies and other grantors on a proactive basis to address occasional collections delays. SCRRA is also in process of implementing the newly approved Collections Escalation Policy FIN-9.2, in an effort to continuously improve collections experience and maximize SCRRA's liquidity.

Unbilled Balances/Pending Capital Billing

On June 30, 2024, total expenses paid out by the Authority and subject to grantor reimbursement related to the Capital Program (unbilled balances) were estimated at \$21 million. This represents a reduction of \$4.1 million from the prior quarter, resulting from on-going efforts to reduce aged unbilled backlog. As shown in Attachment A, as of June 30, 2024, approximately \$600 thousand of total Capital Program expenses paid by SCRRA more than one year ago remain unbilled. This is a significant reduction of \$1.06 million from the prior quarter. The level of unbilled balances is informed by: (1) volume of Capital Program expenses, (2) existence of supporting documentation to bill grantors, (3) complexity of grant billing, and (4) available staff resources.

Resolution of significantly aged unbilled expenses from one vendor is pending SCRRA's receipt of documentation. The amount of aged reimbursable expenses represented by the requested documents is estimated at approximately \$1 million, some dating back to 2021.

San Clemente Unbilled Balances

San Clemente operating construction projects are tracked in a different manner versus our standard Capital Program projects and are therefore presented separately in this report. Total unbilled balances on combined San Clemente projects were \$4.4 million on June 30, 2024, and are shown in Attachment A. This is an increase of \$1.2 million from the prior quarter. Of the total incurred costs of \$14.5 million to date on all three projects, 70% or \$10.1 million has been billed.

Billing of San Clemente invoices has presented challenges due to vendor documentation issues as well as dual funding sources and associated administrative complexity. Staff has scheduled billing of outstanding expenses on San Clemente projects #1 and #2 within Q1 FY25.

Next Steps

The next Accounts Receivable report for the quarter ended September 30, 2024, will be provided to the Board in November of 2024.

Prepared by: Vivien Avella, Assistant Director
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Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - FY2023-24 Quarterly AR Status-Qtr Ended June 30 2024 FINAL Presentation - FY2023-24 Preliminary Quarterly Accounts Receivables Report - Quarter Ended June 30, 2024](#)