



**METROLINK®**

SOUTHERN CALIFORNIA  
REGIONAL RAIL AUTHORITY

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



FISCAL YEARS ENDED  
**JUNE 30 2019 & 2018**

SERVING THE CALIFORNIA COUNTIES OF:  
LOS ANGELES, ORANGE, RIVERSIDE, SAN BERNARDINO & VENTURA

*This page intentionally left blank*



**SOUTHERN CALIFORNIA  
REGIONAL RAIL AUTHORITY**

A Joint Exercise of Powers Agreement Among:

Los Angeles County Metropolitan Transportation Authority  
Orange County Transportation Authority  
Riverside County Transportation Commission  
San Bernardino County Transportation Authority  
Ventura County Transportation Commission

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Years Ended June 30, 2019 and 2018

Prepared by:  
Finance Department

*This page intentionally left blank*

# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

For Fiscal Years Ended June 30, 2019 and 2018

## Table of Contents

### I Introductory

Letter of Transmittal.....	i
Metrolink System Map.....	ix
Board of Directors.....	xi
Management Team.....	xiv
Organizational Structure.....	xvi
Certificate of Achievement for Excellence in Financial Reporting.....	xviii
Mission Statement.....	xx

### II Financial

Report of the Independent Auditors.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	3
Basic Financial Statements:	
Balance Sheets.....	13
Statements of Revenues, Expenses and Changes in Net Position.....	14
Statements of Cash Flows.....	15
Notes to Basic Financial Statements.....	17
Required Supplementary Information.....	46

### III Statistical

Statistical Section Overview.....	57
Financial Trends:	
Changes in Net Position, Net Positions by Component and Percentages of Operating Costs Covered by Revenues.....	58
Table of Revenues, Expenses and Changes in Net Position.....	59
Sources of Capital Contributions.....	60
Revenue Capacity:	
Passenger Fares and Farebox Recovery Ratio.....	61
Subsidy/Passenger Mile.....	62
Demographic and Economic Information.....	63
Operating Information:	
Ridership, Annual and Average Weekday.....	64
Total Train Miles.....	65
Service Hours and On-Time Performance.....	66
Miscellaneous Statistics.....	67
Ticket Categories.....	68

### IV Supplementary Information (Unaudited)

Unearned Revenue and Advances on Capital Purchases.....	72
---	----

*This page intentionally left blank*

# INTRODUCTORY



**METROLINK**®

*This page intentionally left blank*





**METROLINK.**

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
900 Wilshire Blvd. Suite 1500 Los Angeles, CA 90017

[metrolinktrains.com](http://metrolinktrains.com)

December 31, 2019

The Board of Directors  
Southern California Regional Rail Authority  
900 Wilshire Boulevard, Suite 1500  
Los Angeles, CA 90017

Dear Board Members:

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the Southern California Regional Rail Authority (SCRRA) for the fiscal year ended June 30, 2019, with comparative information for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of SCRRA. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive system of internal controls that is designed to both protect SCRRA's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of SCRRA's basic financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh its benefits, SCRRA's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects. The enclosed data reports the financial position and results of operations of the business-type activity of SCRRA, an enterprise fund. Disclosures necessary to allow the reader to understand SCRRA's basic financial activities have been included.

Eide Bailly, LLP (formerly known as Vavrinek Trine, Day & Company), a firm of licensed certified public accountants, has audited SCRRA's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of SCRRA for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, the evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, Eide Bailly, LLP concluded that SCRRA's basic financial statements for the fiscal year ended June 30, 2019 are fairly presented in

conformity with GAAP. The report of independent auditors is presented as the first component of the financial section of this report.

The independent audit of SCRRA's basic financial statements was part of a broader, federally mandated Single Audit, under the guidelines of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), designed to meet the requirements of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements in accordance with GAAP, with a special emphasis on internal controls. Tests of transactions and account balances are performed to ensure that the information presented in the basic financial statements, and notes thereof, is accurate. In addition, SCRRA must prepare a Schedule of Expenditures of Federal Awards, which is considered supplementary financial information and is unique to recipients of federal assistance. It details all the federal assistance expended by the recipient during the year, categorized by federal program. The resulting schedules and audit results are available in SCRRA's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. SCRRA's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Agency**

During the late 1980s, several agencies conducted studies and developed plans for commuter rail transportation in the Southern California region. These efforts gained momentum with the passage of local sales tax measures for transportation in Riverside and San Bernardino counties, and in 1990, in Los Angeles and Orange counties. In June 1990, at the request of local officials, the California State Legislature enacted Senate Bill 1402, Chapter 4 of Division 12 of the Public Utilities Code. This bill required the county transportation commissions of Los Angeles, Orange, Riverside, and San Bernardino to jointly develop a plan for regional transit services within the multi-county region. Many of the supporters of commuter rail worked on State rail bond measures that passed in November 1990, and which, combined with local sources and other State funds, provided for the purchase of rail rights-of-way and construction of what was to become the Metrolink system.

In June 1991, following an eight-month cooperative planning effort, the four transportation commissions mentioned above, in conjunction with the Ventura County Transportation Commission, Los Angeles-San Diego Rail Corridor Agency, and Southern California Association of Governments, produced a report entitled, "Southern California Commuter Rail, 1991 Regional System Plan." The report outlined plans for a system to connect Southern California with six commuter rail lines comprised of more than 400 miles of track

and 60 stations by 1995. This ambitious plan would define what is now the nation's third largest commuter rail system.

In August 1991, SCRRA, a regional Joint Powers Authority (JPA), was formed. Voting members with their respective number of votes are the Los Angeles County Metropolitan Transportation Authority (LACMTA), four votes; Orange County Transportation Authority (OCTA), two votes; Riverside County Transportation Commission (RCTC), two votes; San Bernardino County Transportation Authority (SBCTA), two votes; and Ventura County Transportation Commission (VCTC), one vote. Ex-officio members of SCRRA include the Southern California Association of Governments (SCAG), the San Diego Association of Governments (SANDAG), and the State of California Department of Transportation (Caltrans).

SCRRA is a separate entity apart from any Member Agency, each of which has an independent board. The Member Agencies and other public entities provide transportation within the counties serviced by SCRRA. SCRRA is not considered to be a component unit of any other reporting entity.

SCRRA's purpose is to plan, design, construct, and administer the operation of regional commuter rail lines serving Los Angeles, Orange, Riverside, San Bernardino and Ventura counties. SCRRA named the regional commuter rail system "Metrolink." The first three lines (San Bernardino, Santa Clarita, and Ventura) started operation in October 1992. The Riverside Line was added in June 1993, and the Orange County Line that extends 19 miles into northern San Diego County was added in April 1994. The sixth line, Inland Empire-Orange County, the nation's first suburb-to-suburb commuter rail line, was added in October 1995. In May 2002, the 91 Line was added to provide an alternative to Inland Empire and western Orange County commuters traveling through Fullerton and into Los Angeles. During 2006/07, Metrolink carried its hundred-millionth passenger and opened its 55th station, maintaining its place as one of the fastest growing commuter rail systems in the nation.

In June 2016, the 91 Line was extended to Perris Valley to provide service to an additional section of the Inland Empire. In December 2017, the new San Bernardino Downtown station was added to increase regional mobility. In May 2018, the new Burbank Airport-North station (Antelope Valley Line) was opened which expanded Metrolink's train-to-plane connectivity by providing additional daily access directly to the Hollywood Burbank airport.

Metrolink continues to connect the Southern California region, giving people access to jobs and new housing opportunities, while providing significant benefits to improving the efficiency of the transportation system and air quality. Metrolink was the first passenger railroad in the nation to complete implementation of Positive Train Control (PTC) technology and submit for federal certification. Metrolink launched mobile ticketing in 2016 and modified its fare system to improve ridership. Metrolink also began replacing its aging locomotive fleet with emission-reducing Tier 4 locomotives. With these changes, SCRRA continues its role as the established leader for safety among commuter rail systems in the United States.

The Metrolink commuter rail system's six-county service area encompasses approximately 2,300 square miles, with a population of over 20 million, and provides service over 538 route miles. Each year, Metrolink trains travel 2.8 million miles, and 60% of Metrolink riders travel across county lines. Most notably, Metrolink takes cars off the freeways because 82% of Metrolink riders have an automobile, but choose to take the train, thereby helping to reduce congestion on the region's freeways.

## **Economic Condition and Outlook**

In a momentous year, FY 2019 saw ridership increase to an all-time high of 11.9 million passengers. Prior to FY 2019, SCRRA's five-year ridership average has been 11.6 million passengers and receives approximately 40% of its operations funding from fares and other operating revenues. The balance of its funding comes from its Member Agencies. The majority of sources for transportation funds in these counties are local sales taxes (with the exception of Ventura County), State Rail Bond funds, State Transit Assistance funds, State Highway Account funds, State Transit Capital Improvement funds, and Federal Transit Administration Capital funds.

SCRRA's revenue sources are sensitive to the economic conditions of the Southern California region, while State funding is influenced by statewide economic conditions. The toll of the recession in California has been most visible in the labor markets. However, the unemployment rate has trended down since the end of 2010. California's unemployment rate has decreased from 11.7% in June 2011 to 4.2% in June 2019. Similarly, the unemployment rate in the six counties SCRRA serves has dropped from a high of 12.2% in 2010 to 3.0% in 2019.

As one of the most desirable places to live, work, and travel, Southern California's population is expected to keep growing by approximately 25%, or four million people, in the next fifteen years. With some of the worst traffic congestion in the world and no end in sight, Southern California's transit needs provide an opportunity for new and improved regional rail services. The \$10 billion Southern California Optimized Rail Expansion (SCORE) Program responds to this growth opportunity with a series of transformative service recommendations to be implemented between 2023 and 2028, which are expected to have a dramatic impact in improving service recovery and reliability for existing service.

SCRRA will offer the only high speed, long-distance transit service to the Summer 2028 Los Angeles Olympic Games venues scattered across the region. These far-stretching attractions include: Los Angeles's Microsoft Theater for weightlifting, with the adjacent Staples Center for basketball; the Anaheim Honda Center for volleyball; Moreno Valley's Lake Perris for rowing and canoe sprints; Frank G. Bonelli Regional Park in San Dimas for mountain biking; and the Sepulveda Basin Sports Complex in Encino for archery, equestrian riding, and long-distance canoeing. SCRRA is working closely with its Member Agencies to successfully implement these projects to connect jobs, housing, and top destinations that will help our communities flourish

## **Long-term Financial Planning**

Proactive financial planning is a critical element for SCRRA's success as it builds for the future. SCRRA staff review revenue and expenditure projections to ensure expectations are realistic and goals are achievable. In today's economic environment, SCRRA, along with governmental agencies at all levels, continues to face a number of challenges with respect to funding. As an agency without a direct base of significant discretionary revenues, SCRRA must rely heavily on the contributions, both operating and capital, of its funding partners, each of which face multiple priorities. Thus, their challenges become SCRRA's challenges.

The Federal Government provides funding through various surface transportation programs. The Fixing America's Surface Transportation Act (FAST Act) was enacted in December 2015 and provides long-term funding for surface transportation. It will maintain current program structures and funding shares between highways and transit while increasing funding by eleven percent over five years.

In August 2018, SCRRA was awarded \$6.5 million from the California Transportation Commission (CTC) to begin preliminary efforts of design, rail operations modeling, and environmental assessments on the SCORE Program. This funding is the first down payment on an \$875.7 million grant provided by a Transit and Intercity Rail Capital Program (TIRCP) grant, which is the largest award ever allocated to SCRRA. It is derived from the Greenhouse Gas Reduction Fund and Senate Bill 1 (SB 1), which was a landmark transportation funding bill enacted in April of 2017 to generate revenues earmarked for the repair and maintenance of the state highway system and local roads, improvement of trade corridors, and support for public transportation. These funds can be leveraged to secure other local, state, and federal funding to achieve the full SCORE vision.

In October 2018, SCRRA was allocated another \$91.2 million in TIRCP funding to advance design and begin work on the first projects for the SCORE Program. This progress is a stepping stone towards meeting the current and future needs of the traveling public throughout Southern California, as well as, benefitting from a reduction in vehicle miles traveled to reduce greenhouse gas emissions by 51.6 million metric tons.

In June 2019, SCRRA was awarded a \$30 million grant from the U.S. Department of Transportation to improve rail safety and reduce delays on a portion of the \$130 million Fullerton Junction Interlocking Project (FJIP), which is one of the busiest rail corridors in Southern California. The funding come from the Consolidated Rail Infrastructure and Safety Improvements (CRISI) Grant Program, which is designed to improve the safety, efficiency, and reliability of intercity passenger and freight rail systems. The main benefit of the FJIP adding capacity is the improvement of train movement safety with fewer delays by facilitating the separation of freight and passenger trains.

At the regional level, SCRRA supports the South Coast Air Quality Management District's (SCAQMD) mission statement and strives to assist in the promotion of clean air in Southern California. In partnership with SCAQMD, SCRRA is working towards the

reduction of locomotive emissions through the acquisition of 40 Tier 4 locomotives, deliveries of which began in FY 2017, with the balance arriving through FY 2020.

At the County/Member Agency level, portions of their respective county sales taxes and state and federal grants are directed to SCRRA. Future renewals of sales taxes, new sales taxes, or additional new revenue beyond SB 1 may provide opportunities for funding. The continued pursuit of dependable, reliable, and predictable funding sources remains an ongoing and significant priority for SCRRA in order to ensure and improve both current and future operations and the necessary capital infrastructure.

Fare reduction subsidies of 25%, funded by the Los Angeles County Metropolitan Transportation Authority (Metro) and the San Bernardino County Transportation Agency (SBCTA), have proven successful outcomes in ridership growth. The San Bernardino Line experienced a ridership increase of 8.3%, while the Antelope Valley Line no longer offers a subsidy, but continued to see a ridership increase of 3.3% during FY 2019.

Driven by the increased ridership generated from the \$3.9 million marketing investment in FY 2019, FY 2020 efforts will focus on ridership retention by implementing a loyalty program that will reward, encourage, and incentivize repeat riders. The loyalty program aims to reduce churn by increasing customer loyalty and, in turn, increasing revenues. While currently at 27% rider churn, every 1% reduction in churn increases revenue by \$80k.

## **Major Initiatives**

During FY 2019, SCRRA achieved a number of significant milestones:

- Positive Train Control (PTC) is the centerpiece of Metrolink’s unwavering commitment to safety by providing protective collision avoidance through the detection of switch misalignments and prevention of both work zone incursion and over-speeding. Metrolink was the first commuter railroad in the nation to complete implementation of PTC, and the first to achieve interoperability with Burlington Northern Santa Fe Railway (BNSF), Union Pacific Railroad (UPRR), National Railroad Passenger Corporation (Amtrak), and North County Transit District (NCTD).
- Completed restoration of four platform canopies at Union Station.
- The Metrolink Marketing Department again earned AdWheel awards, as follows:
  - 1<sup>st</sup> Place – Festival of Lights Special Train (Special Service)
  - 1<sup>st</sup> Place – LA County Fair Special Service (Shoestring Tactic)
- Maximized utilization of newly available Federal Preventive Maintenance funds to supplement Member Agency subsidies through inter-Agency planning.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Southern California Regional Rail Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. To be awarded a Certificate of Achievement, SCRRA published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The CAFR is a collaborative effort by SCRRA staff and its independent auditors. We wish to acknowledge the willingness to expend the effort necessary to ensure the financial information contained herein reflects the highest professional standards. Special thanks are extended to the SCRRA Finance Department, in particular Senior Managers of Finance Alex Barber and Thelma Bloes, Manager II Roger Pak, Senior Accountants Jerri Stoyanoff and Alice Oh, Senior Finance Analyst Edison Abrenica, Accountant II Emily Truong, Finance Analysts II Rupa Parameswaran, and Grads on Career Track Anthony San Angelo, who are to be commended for their high level of performance. Special thanks also to our Internal and External Auditors, Executive Management, and staff for their assistance and continued support. Their commitment and support is vital for the final completion of the CAFR in a timely manner.

Special appreciation is extended to the Board of Directors for their leadership in providing a vision that will ensure SCRRA is prepared for the challenges and opportunities of the future.

Respectfully,



Stephanie N. Wiggins  
Chief Executive Officer



Ronnie Campbell  
Chief Financial Officer

*This page intentionally left blank*



# METROLINK COMMUTER RAIL SYSTEM



*This page intentionally left blank*

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
BOARD OF DIRECTORS**

*As of June 30, 2019*

**MEMBERS**

**ALTERNATES**

**Ventura County Transportation Commission (VCTC)**

Brian Humphrey (*Chair*)  
Citizen Representative  
VCTC Board

Vacant – currently awaiting appointment

**Los Angeles County Metropolitan Transportation Authority (Metro)**

Ara Najarian (*Vice-Chair*)  
Mayor  
City of Glendale  
Metro Board

Walter Allen III  
Council Member  
City of Covina  
Metro Appointee

Kathryn Barger  
Supervisor, 5<sup>th</sup> District  
Los Angeles County Board of Supervisors  
Metro Board

Roxana Martinez  
Metro Appointee

Paul Krekorian  
Council Member, 2nd District  
City of Los Angeles  
Metro Board

Pam O'Connor  
Metro Appointee

Hilda Solis  
Supervisor, 1st District  
Los Angeles County Board of Supervisors  
Metro Board

Paul Philips  
City Manager  
City of Bell  
Metro Appointee

**San Bernardino County Transportation Authority (SBCTA)**

Larry McCallon (*2<sup>nd</sup> Vice-Chair*)  
Mayor Pro Tem  
City of Highland  
SBCTA Board

Javier “John” Dutrey\*  
Mayor  
City of Montclair  
SBCTA Board

Alan Wapner  
Council Member  
City of Ontario  
SBCTA Board

Ray Marquez\*  
Council Member  
City of Chino Hills  
SBCTA Board

\*Alternate represents either member

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
BOARD OF DIRECTORS**

*As of June 30, 2019*

**MEMBERS**

**ALTERNATES**

**Orange County Transportation Authority (OCTA)**

Andrew Do  
Supervisor, 1st District  
Orange County Board of Supervisors  
OCTA Board

Doug Chaffee\*  
Supervisor, 4<sup>th</sup> District  
Orange County Board of Supervisors  
OCTA Board

Gregory Winterbottom  
Public Member  
OCTA Board

Joseph Muller\*  
Mayor  
City of Dana Point  
OCTA Board

**Riverside County Transportation Commission (RCTC)**

Andrew Kotyuk  
Mayor Pro Tem  
City of San Jacinto  
RCTC Board

Brian Berkson\*  
Mayor  
City of Jurupa Valley  
RCTC Board

Karen Spiegel  
Supervisor, 2<sup>nd</sup> District  
Riverside County Board of Supervisors  
RCTC Board of Directors

Vacant – currently awaiting appointment\*

**Ex-Officio Members**

**San Diego Association of Governments (SANDAG):**

Vacant – currently awaiting appointment

**Southern California Association of Governments (SCAG):**

Art Brown  
Mayor  
City of Buena Park

**State of California:**

John Bulinski  
District Director,  
Caltrans District 7

Paul Marquez  
Deputy District Director for Planning,  
Caltrans District 7

\*Alternate represents either member

*This page intentionally left blank*

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
MANAGEMENT TEAM**

*As of June 30, 2019*

**EXECUTIVE LEADERSHIP TEAM**

Chief Executive Officer	Stephanie Wiggins
Interim Chief, Safety, Security & Compliance	Don Fillippi
Chief Financial Officer	Ronnie Campbell
Interim Chief Operating Officer	Darrell Maxey
Interim Chief, Program Delivery	Justin Fornelli
Interim Chief, Strategy Officer	Anne Louise Rice
Interim Chief, Marketing & Communications	Sherita Coffelt
Chief, Human Resources	Patricia Francisco

**LEGAL COUNSEL**

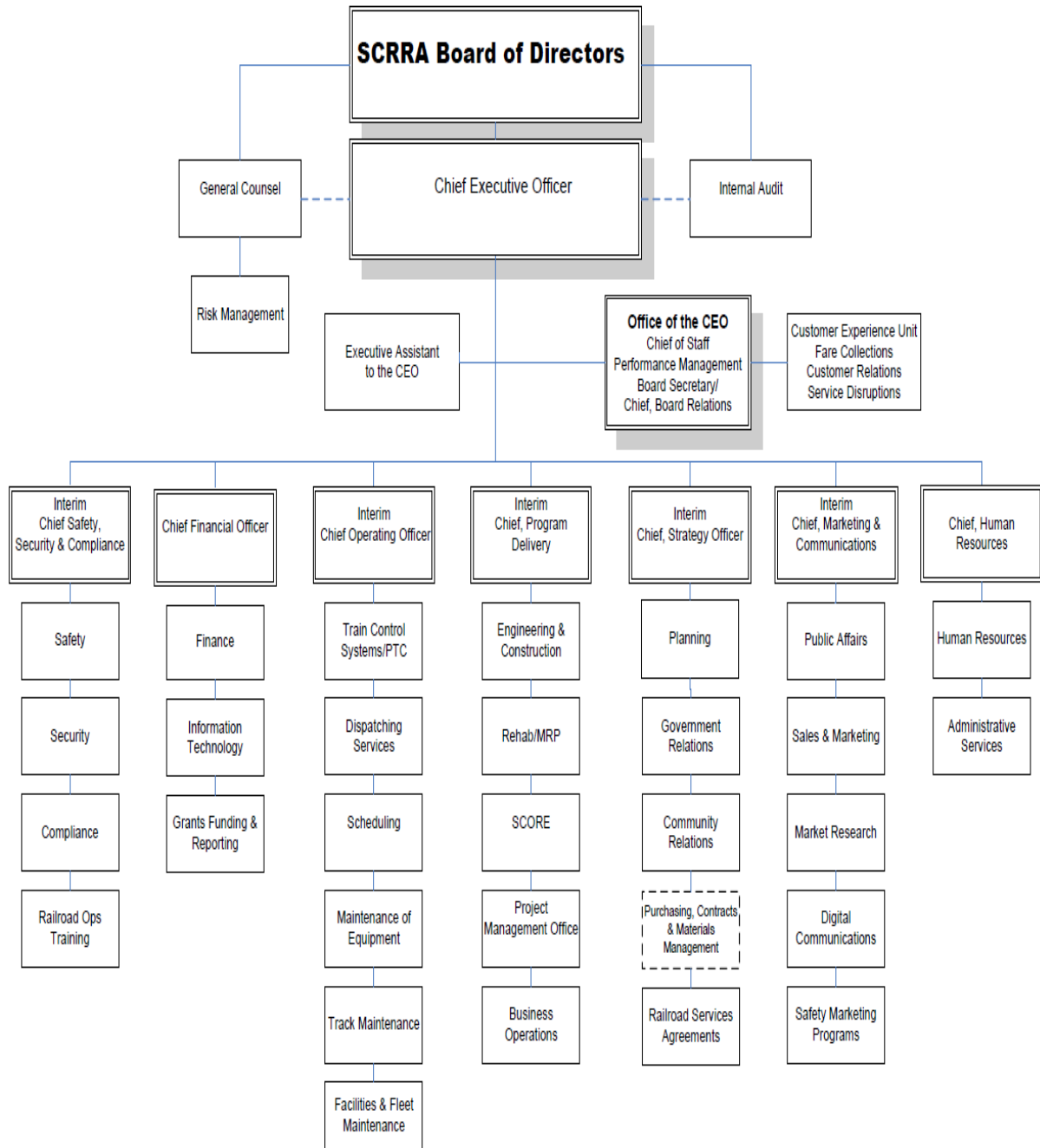
General Counsel	Don Del Rio
Associate General Counsel	Geoffrey Forgione
Senior Counsel, Risk Manager	William Garrett

**INTERNAL AUDIT**

Senior Manager, Audit	Elisabeth Lazuardi
-----------------------	--------------------

*This page intentionally left blank*

**Southern California Regional Rail Authority**  
**Organizational Chart**  
 New - March 2019





*This page intentionally left blank*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Southern California  
Regional Rail Authority**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

*This page intentionally left blank*



## **MISSION STATEMENT**

*Our mission is to provide safe, efficient, dependable and on-time transportation service that offers outstanding customer experience and enhances quality of life.*

### **Our Vision**

*Create Value and Exceed Expectations*

### **Our Vision Statement**

*Our vision is to be Southern California's preferred transportation system built upon safety, reliability, customer service, leading-edge technology and seamless connectivity.*

# FINANCIAL



**METROLINK**®

*This page intentionally left blank*



## Independent Auditor's Report

Board of Directors  
Southern California Regional Rail Authority  
Los Angeles, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Southern California Regional Rail Authority (SCRRA) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SCRRA's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCRRA, as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, basis for condition measurement under the modified approach for infrastructure; schedule of changes in net pension liability and related ratios, schedule of pension contributions, the schedule of changes in net OPEB liability and related ratios, and schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCRRA's basic financial statements. The introductory section, statistical section, and schedule of unearned revenue and advances on capital purchases are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of unearned revenue and advances on capital purchases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of unearned revenue and advances on capital purchases is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### *Prior-Year Financial Statements*

The financial statements of SCRRA as of June 30, 2018, were audited by other auditors whose report dated December 31, 2018, expressed an unmodified opinion on those statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019, on our consideration of SCRRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCRRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCRRA's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
December 31, 2019



# **SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

## **Management's Discussion and Analysis For the years ended June 30, 2019 and 2018**

### **INTRODUCTION**

The following discussion and analysis of the financial performance and activity of Southern California Regional Rail Authority (SCRRA) is offered to the reader to provide an introduction to and understanding of the basic financial statements of SCRRA for the years ended June 30, 2019 and 2018. This Management's Discussion and Analysis (MD&A) is presented in conjunction with the letter of transmittal, the basic financial statements, required supplementary information, and statistical information.

The basic financial statements include (1) the Balance Sheets, (2) the Statements of Revenues, Expenses and Changes in Net Position, (3) the Statements of Cash Flows, and (4) Notes to the Basic Financial Statements. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board (GASB).

The Balance Sheets provide information about the nature and amounts of investments in assets, liabilities, and deferred outflows and inflows of resources of SCRRA, with the residual of these elements being reported as net position.

The Statements of Revenues, Expenses and Changes in Net Position provide information about SCRRA's changes in net position and account for the current year's revenues and expenses. The statements present SCRRA's operations during the period, which can be used to determine how the agency funded its costs.

The Statements of Cash Flows provide information about SCRRA's cash receipts, disbursements, and net changes in cash resulting from operating, financing, and investing activities.

The notes to the basic financial statements provide information that is essential to understanding the financial statements, such as SCRRA's accounting methods and policies, details of cash and investments, employee benefits, lease transactions, and future commitments and contingencies of the Authority and information about other events or developing situations that could materially affect SCRRA's financial position.

The required supplementary information provides details concerning SCRRA's infrastructure assets and progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The supplementary information provides additional detail about unearned revenue and advances on capital purchases by Member Agencies.

### **FINANCIAL REPORTING ENTITY**

SCRRA is an independent entity created in August 1991 through a joint exercise of powers agreement (JPA). SCRRA began operating the "Metrolink" regional commuter rail system in October 1992. As part of the JPA, the Member Agencies (Los Angeles County Metropolitan Transportation Authority [LACMTA], Orange County Transportation Authority [OCTA], Riverside County Transportation Commission [RCTC], San Bernardino County Transportation Authority [SBCTA], and Ventura County Transportation Commission [VCTC]) acquired the rail network in existence at the time the JPA was established for use in Metrolink's commuter rail operations. This initial railroad network is

# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

## Management's Discussion and Analysis For the years ended June 30, 2019 and 2018

not included in SCRRA's railroad network capital assets as the Member Agencies retain title and ownership of those assets. As part of the JPA, however, SCRRA is responsible for related maintenance and operation of members' assets and rail right-of-way used in its operations.

In addition, certain members retain responsibility to maintain segments of their railroad network. Metrolink's railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects. Currently there are 538 route miles with 62 stations in the Metrolink system throughout Los Angeles, Orange, Riverside, San Bernardino, Ventura, and San Diego counties.

The governing body of SCRRA is a Board of Directors comprised of 11 members appointed by the voting members of the JPA. The Member Agencies with their respective number of votes are as follows:

Los Angeles County Metropolitan Transportation Authority (LACMTA)	4
Orange County Transportation Authority (OCTA)	2
Riverside County Transportation Commission (RCTC)	2
San Bernardino County Transportation Authority (SBCTA)	2
Ventura County Transportation Commission (VCTC)	1

SCRRA is not considered to be a component unit of any other reporting entity.

### CONDENSED FINANCIAL INFORMATION

The following sections discuss the significant changes in SCRRA's financial position for the fiscal years ended June 30, 2019, June 30, 2018, and June 30, 2017. An analysis of major economic factors and industry trends that have contributed to these changes is provided. For purposes of the MD&A, summaries of the financial statements and various exhibits presented are in conformance with SCRRA's financial statements. For more information regarding SCRRA's capital assets, please refer to Note 4 of the Notes to Basic Financial Statements.

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Current assets	\$ 178,685	11%	\$ 155,035	10%	\$ 115,621	7%
Capital assets, net	1,344,725	85%	1,349,335	84%	1,368,158	88%
Other noncurrent assets	46,818	3%	85,742	5%	65,369	4%
Total assets	<u>1,570,228</u>		<u>1,590,112</u>		<u>1,549,148</u>	
Deferred outflows of resources	<u>7,711</u>	<u>1%</u>	<u>8,358</u>	<u>1%</u>	<u>6,570</u>	<u>0%</u>
Total assets and deferred outflows of resources	<u>\$ 1,577,939</u>	100%	<u>\$ 1,598,470</u>	100%	<u>\$ 1,555,718</u>	100%

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

### Management's Discussion and Analysis For the years ended June 30, 2019 and 2018

The following is more detailed information about SCRRA's capital assets:

<u>ASSET TYPE</u>	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Land, easements, and infrastructure assets	\$ 676,117	50%	\$ 676,117	50%	\$ 670,345	49%
Construction in progress	<u>97,429</u>	7%	<u>76,385</u>	6%	<u>149,010</u>	11%
Total non-depreciable capital assets	<u>773,546</u>	57%	<u>752,502</u>	56%	<u>819,355</u>	60%
Rolling stock, net	313,826	23%	306,503	23%	295,895	22%
Building and improvements, net	87,932	7%	97,771	7%	102,424	7%
Positive train control, net	114,736	9%	138,125	10%	142,001	10%
Infrastructure assets	44,817	3%	44,451	3%	-	0%
Other, net	<u>9,868</u>	1%	<u>9,983</u>	1%	<u>8,483</u>	1%
Total depreciable capital assets, net	<u>571,179</u>	43%	<u>596,833</u>	44%	<u>548,803</u>	40%
Total capital assets, net	<u>\$ 1,344,725</u>	100%	<u>\$ 1,349,335</u>	100%	<u>\$ 1,368,158</u>	100%

***Fiscal Year 2019 Compared to 2018.*** At June 30, 2019, net capital assets totaled \$1,344.7 million and were \$4.6 million or 0.3% lower than the prior year. This decrease was primarily due to \$21.0 million in higher construction in progress (CIP) and \$7.3 million net additions in rolling stock that were offset by higher depreciation equaling \$23.4 million in positive train control systems, \$4.6 million in facility and \$5.2 million in station platform. The increase of \$21.0 million in CIP was due primarily from projects such as \$11.1 million in Tier 4 procurement, \$4.0 million in ticket vending machine replacement, \$3.2 million in station and platform security cameras, \$1.2 million in new tracks and \$1.0 million in signal and communication systems.

***Fiscal Year 2018 Compared to 2017.*** At June 30, 2018, net capital assets totaled \$1,349.3 million and were \$18.8 million or 1.4% lower than the prior year. This decrease was primarily due to \$72.6 million lower construction in progress (CIP) as completed projects were placed in service, which increased depreciable asset's base, \$4.7 million lower building and improvements and \$3.9 million lower positive train control (PTC), resulting from higher depreciation and amortization. These decreases were offset by \$44.5 million in new track and signal infrastructure assets, a net increase of \$10.6 million in rolling stock, \$5.8 million for a new radio frequency and \$2.0 million for new optic reader and mobile ticketing software.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Management's Discussion and Analysis  
For the years ended June 30, 2019 and 2018

**TOTAL LIABILITIES DISTINGUISHED BETWEEN CURRENT AND NON-CURRENT  
LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES (in thousands)**

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Current liabilities	\$ 178,265	81%	\$ 183,453	80%	\$ 130,698	78%
Noncurrent liabilities	<u>39,649</u>	18%	<u>42,163</u>	19%	<u>34,411</u>	21%
Total liabilities	217,914		225,616		165,109	
Deferred inflows of resources	<u>1,821</u>	1%	<u>1,433</u>	1%	<u>2,649</u>	1%
Total liabilities and deferred inflows of resources	<u>\$ 219,735</u>	100%	<u>\$ 227,049</u>	100%	<u>\$ 167,758</u>	100%

The following is more detailed information about liabilities and deferred inflows of resources by type:

**LIABILITIES AND DEFERRED  
INFLOWS OF RESOURCES BY  
TYPE (in thousands)**

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Accounts payable and accrued liabilities	\$ 69,873	32%	\$ 77,367	34%	\$ 48,406	29%
Advances for construction and retention payable	11,662	5%	14,619	6%	11,202	7%
Unearned revenue	88,060	40%	85,845	38%	67,619	40%
Other current liabilities	1,291	1%	845	0%	1,691	1%
Compensated absences	4,026	2%	3,671	2%	3,565	2%
Net pension liability	11,298	5%	11,773	5%	10,151	6%
Lease liability	571	0%	-	0%	-	0%
Other postemployment benefits liability	18,996	9%	17,496	8%	12,175	7%
Claims and judgments payable	<u>12,137</u>	5%	<u>14,000</u>	6%	<u>10,300</u>	6%
Total liabilities	217,914		225,616		165,109	
Pension deferred inflows	<u>1,821</u>	1%	<u>1,433</u>	1%	<u>2,649</u>	2%
Total liabilities and deferred inflows of resources	<u>\$ 219,735</u>	100%	<u>\$ 227,049</u>	100%	<u>\$ 167,758</u>	100%

**Fiscal Year 2019 Compared to 2018.** At June 30, 2019, total liabilities and deferred inflows of resources equaled \$219.7 million and were \$7.3 million or 3% lower than the prior year. This decrease was primarily due to \$7.5 million lower accounts payable and accrued liabilities, \$3.0 million lower advances for construction and retention payable for various projects and \$1.9 million lower claims and judgment resulting from SCRRA's periodic review of risk exposures. These decreases were offset by \$2.2 million higher unearned revenue resulting from increased advanced funding for operations, \$1.5 million higher other post-employment benefits payable due to less contribution being made in the current period.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Management's Discussion and Analysis  
For the years ended June 30, 2019 and 2018

**Fiscal Year 2018 Compared to 2017.** At June 30, 2018, total liabilities and deferred inflows of resources equaled \$227.0 million and were \$59.3 million or 35.3% higher than the prior year. This increase was primarily due to \$29.0 million higher accounts payable and accrued liabilities related to Tier 4 clean technology locomotive orders, ongoing rail rehabilitation projects, rent and security, \$18.2 million more unearned revenue resulting from receipt of advance funding from Member Agencies for budgeted operating expenditures which were partly paid from federal preventive maintenance funding and \$3.4 million higher advances for construction and retention payable for various projects with third-party vendors. Additional increases included \$5.4 million in liability for other postemployment benefits resulting from the implementation of GASB 75 and a \$3.7 million increase in higher claims and judgments payable based on SCRRA's periodic review of risk exposures.

**TOTAL NET POSITION DISTINGUISHED BETWEEN AMOUNTS INVESTED IN  
CAPITAL AND UNRESTRICTED (in thousands)**

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Net investment in capital assets	\$ 1,344,154	99%	\$ 1,349,335	98%	\$ 1,368,157	99%
Unrestricted	<u>14,050</u>	<u>1%</u>	<u>22,086</u>	<u>2%</u>	<u>19,803</u>	<u>1%</u>
Total net position	<u>\$ 1,358,204</u>	100%	<u>\$ 1,371,421</u>	100%	<u>\$ 1,387,960</u>	100%

Total net position this year decreased by \$13.2 million, or 1.0% lower from the prior year primarily due to changes in capital assets attributable to higher depreciation as completed CIP projects were placed in service such as the positive train control systems, facilities and station platforms.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Management's Discussion and Analysis  
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues and expenses:			
Operating revenues	\$ 130,850	\$ 124,657	\$ 115,674
Operating expenses	<u>366,836</u>	<u>352,050</u>	<u>314,324</u>
Operating loss	<u>( 235,986)</u>	<u>( 227,393)</u>	<u>( 198,650)</u>
Non-operating revenues and expenses:			
Subsidies and grants	133,369	142,400	129,498
Net (loss) gain in fair value of investments	151	(42)	(61)
Amortization of deferred gain on lease/leaseback	-	-	3,333
Interest income	131	12	61
Interest expense	(35)	-	(216)
Net gain (loss) on disposal of capital assets	<u>(446)</u>	<u>(8,330)</u>	<u>16</u>
Total non-operating revenues, net	<u>133,170</u>	<u>134,040</u>	<u>132,631</u>
Loss before capital grants and subsidies	(102,816)	(93,353)	(66,019)
Capital grants and subsidies	<u>89,599</u>	<u>82,311</u>	<u>71,836</u>
Change in net position	(13,217)	(11,042)	5,817
Net position, beginning of year	1,371,421	1,387,960	1,382,143
Cumulative effect of change in accounting principle	<u>-</u>	<u>(5,497)</u>	<u>-</u>
Net position, end of year	<u>\$ 1,358,204</u>	<u>\$ 1,371,421</u>	<u>\$ 1,387,960</u>

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

### Management's Discussion and Analysis For the years ended June 30, 2019 and 2018

The following information is about revenues and expenses by major source:

#### REVENUES AND EXPENSES BY MAJOR SOURCE (in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:			
Fares	\$ 82,157	\$ 82,676	\$ 83,398
Other operating revenues	48,693	41,981	32,276
Grants and subsidies	222,968	224,711	201,334
Other non-operating revenues	<u>131</u>	<u>12</u>	<u>3,410</u>
 Total revenues	 <u>\$ 353,949</u>	 <u>\$ 349,380</u>	 <u>\$ 320,418</u>
Expenses:			
Train operations	\$ 186,965	\$ 169,131	\$ 175,618
Maintenance-of-way	44,072	43,172	38,596
Rehabilitation and renovation - capital	33,694	39,598	20,815
Other operating expenses	102,105	100,149	79,295
Non-operating expenses	<u>330</u>	<u>8,372</u>	<u>277</u>
 Total expenses	 <u>\$ 367,166</u>	 <u>\$ 360,422</u>	 <u>\$ 314,601</u>

***Fiscal Year 2019 Compared to 2018:*** At June 30, 2019, revenues totaled \$353.9 million and were \$4.6 million or 1.3% higher than the prior year. This increase was primarily due to \$6.7 million higher other operating revenues resulting from increased third party projects earnings that were offset by \$1.7 million lower grants and subsidies. Fare revenue decreased by \$0.5 million, or 0.6% from the prior year.

Expenses totaled \$367.2 million and were \$6.7 million or 1.9% higher than the prior year. This increase was due to \$17.8 million higher train operations, \$1.9 million higher legal, insurance and bad debt expenses and \$0.9 million higher maintenance-of-way expenses that were offset by \$7.9 million lower loss on disposal of capital assets and \$5.9 million lower capital rehabilitation and renovation expenses.

***Fiscal Year 2018 Compared to 2017:*** At June 30, 2018, revenues totaled \$349.4 million and were \$29.0 million or 9.0% higher than the prior year. This increase is primarily due to \$23.4 million more in grants and subsidies, \$4.2 million in insurance recoveries and \$5.2 million higher revenues from third party projects that were offset by \$3.4 million lower other non-operating revenues resulting primarily from completion of amortization of deferred lease/lease back proceeds. Fare revenue decreased by \$0.7 million, or 0.9% from the prior year.

Expenses totaled \$360.4 million and were \$45.8 million or 14.6% higher than the prior year. This increase is primarily due \$20.9 million in higher other operating expenses resulting from insurance, bad debt and depreciation expenses, \$18.8 million in higher rehabilitation and maintenance costs on railcars and equipment and \$4.6 million higher maintenance-of-way expenses.

# **SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

## **Management's Discussion and Analysis For the years ended June 30, 2019 and 2018**

### **CAPITAL ASSETS**

#### *INFRASTRUCTURE ASSETS – MODIFIED APPROACH*

SCRRA elected to use the modified approach in reporting its railroad network (track, tunnel and bridge structures, and signals and communications). Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met. The first requirement is that the infrastructure assets are managed through a qualified asset management system. The second requirement is that the infrastructure be maintained at (or above) a government-established condition level.

As promulgated by the Governmental Accounting Standards Board, a full condition assessment must be performed on all infrastructure assets every three years in accordance with Generally Accepted Accounting Principles. SCRRA has elected to create a Metrolink Rehabilitation Plan (MRP), which thoroughly assesses the condition of SCRRA's key infrastructure assets to confirm that they are at a State of Good Repair (SOGR). The modified approach is disclosed in more detail in the accompanying basic financial statements and required supplementary information.

Management seeks to maintain infrastructure above the minimum required level approved by the Board and above minimum standards required by the Federal Railroad Administration. In FY 2019, SCRRA estimated the amount needed to maintain or preserve the infrastructure asset to be \$62.8 million. Actual expenses were \$35.5 million. In FY 2018, SCRRA estimated the amount needed to maintain or preserve the infrastructure asset to be \$56.6 million. Actual expenses were \$86.8 million. See Required Supplementary Information, Note 1 for more information.

### **OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS**

SCRRA ridership has reached a historic 27-year milestone of approximately 11.9 million in annual boardings as a result of stronger economic conditions, variability in vehicle fuel costs, and strong job markets. This milestone marks five consecutive years of ridership increases on the Metrolink system, which is in stark contrast to the trend of declining or flat ridership in public transportation nationwide.

SCRRA continues to seek additional funding to improve rail service and increase reliability in an effort to reduce both automotive congestion and the environmental impact of fuel emissions, while better connecting our communities. A commitment to provide a reliable commute that enhances quality of life is the cornerstone of its planned purchase of 40 low emission F125 locomotives at approximately \$280 million in projected costs. Delivery of 23 locomotives was made through June 2019, with the remainder expected to be delivered through FY 2020.

The FY 2019 budget included \$481.3 million in new and outstanding project authorization, with \$246.4 million allocated to rehabilitation projects and \$234.9 million allocated to new capital projects. SCRRA is responsible for ensuring the overall safety and dependable performance of its railroad network asset, the right-of-way, and everything that travels upon it. Projects are selected based on the principle of keeping infrastructure assets in a state of good repair to maximize safety by minimizing and managing risks associated with network system failure. SCRRA's future as a



# **SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

## **Management's Discussion and Analysis For the years ended June 30, 2019 and 2018**

customer-focused rail transportation provider is bright, with improved and increased service for the 2028 Olympics on the horizon.

### **CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

#### *FY 2020 ADOPTED BUDGET*

The FY 2020 budget includes \$507.4 million in new and outstanding project authority. Of this amount, \$281.1 million is allocated to rehabilitation projects and \$226.3 million is allocated to new capital projects.

#### *MEASURE M*

On November 8, 2016, Los Angeles County voters approved Measure M, a half-cent transportation sales tax measure placed on the ballot by the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors. This measure calls for a sustained funding approach for a variety of transit and highway projects, roadway improvements, pedestrian and bike paths, paratransit services for the disabled, and affordable fares for seniors. The passage of Measure M will provide billions of dollars for commuter rail and transit operations, and projects to keep buses, trains, and facilities in good repair. Metrolink will receive up to 2% of this half-cent sales tax over the life of the measure.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of SCRRA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Southern California Regional Rail Authority, 900 Wilshire Boulevard Suite 1500, Los Angeles, CA 90017.

*This page left intentionally left blank*

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Balance Sheets

June 30, 2019 and 2018

(Dollar Amounts in Thousands)

	<u>2019</u>	<u>2018</u>
<b>Assets and deferred outflows of resources:</b>		
Current assets:		
Cash and investments	\$ 86,896	\$ 97,162
Due from other agencies, net of allowance for uncollectible accounts of \$860 and \$2,264, respectively	67,716	29,285
Prepaid expenses	838	817
Trade and other receivables, net of allowance for uncollectible accounts of \$14,294 and \$3,747, respectively	7,678	12,495
Inventory	15,557	15,276
Total current assets	<u>178,685</u>	<u>155,035</u>
Noncurrent assets:		
Restricted cash and investments	46,818	51,430
Due from other agencies, net of current	-	34,312
Capital assets:		
Non-depreciable	773,546	752,502
Depreciable, net of accumulated depreciation of \$509,040 and \$468,803, respectively	571,179	596,833
Total noncurrent assets	<u>1,391,543</u>	<u>1,435,077</u>
Total assets	<u>1,570,228</u>	<u>1,590,112</u>
Deferred outflows from pension	4,922	5,574
Deferred outflows from OPEB	2,789	2,784
Total deferred outflows of resources	<u>7,711</u>	<u>8,358</u>
Total assets and deferred outflows of resources	<u>\$ 1,577,939</u>	<u>\$ 1,598,470</u>
<b>Liabilities, deferred inflows of resources and net position:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 69,873	\$ 77,367
Advances for construction	9,694	12,253
Retention payable	1,968	2,366
Unearned revenue and advances on capital purchases	88,060	85,845
Other current liabilities	1,291	845
Compensated absences	1,801	1,666
Claims and judgments payable	5,440	3,111
Lease liability	138	-
Total current liabilities	<u>178,265</u>	<u>183,453</u>
Noncurrent liabilities:		
Net pension liability	11,298	11,773
Lease liability	433	-
Other postemployment benefits liability	18,996	17,496
Compensated absences	2,225	2,005
Claims and judgments payable	6,697	10,889
Total noncurrent liabilities	<u>39,649</u>	<u>42,163</u>
Total liabilities	<u>217,914</u>	<u>225,616</u>
Deferred inflows from fuel hedge	481	32
Deferred inflows from pension	1,201	1,304
Deferred inflows from OPEB	139	97
Total deferred inflows of resources	<u>1,821</u>	<u>1,433</u>
Net position:		
Net investment in capital assets	1,344,154	1,349,335
Unrestricted	14,050	22,086
Total net position	<u>1,358,204</u>	<u>1,371,421</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,577,939</u>	<u>\$ 1,598,470</u>

See accompanying notes to basic financial statements.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2019 and 2018

(Dollar Amounts in Thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Fares	\$ 82,157	\$ 82,676
Dispatching	2,155	2,144
Third-party agreements	30,208	22,641
Maintenance of way	13,030	12,792
Public liability and property damage recovery	2,566	4,210
Miscellaneous	734	194
Total operating revenues	<u>130,850</u>	<u>124,657</u>
Operating expenses:		
Train operations	186,965	169,131
Maintenance-of-way	44,072	43,172
Rehabilitation and renovation - capital	33,694	39,598
Third-party agreements	27,136	24,508
Insurance	9,429	9,748
Provision for claims, judgments and other	(1,165)	3,893
Public liability and property damage	4,457	10,205
Depreciation	53,134	47,786
Bad debt expense	9,114	4,009
Total operating expenses	<u>366,836</u>	<u>352,050</u>
Operating loss	<u>(235,986)</u>	<u>(227,393)</u>
Non-operating revenues (expenses):		
Subsidies and grants - trains and maintenance of way	116,740	124,737
Subsidies and grants - public liability and property damage	16,629	17,663
Net change in fair value of investments	151	(42)
Interest income	131	12
Interest expense	(35)	-
Net (loss) gain on disposal of capital assets	(446)	(8,330)
Total non-operating revenues, net	<u>133,170</u>	<u>134,040</u>
Loss before capital grants and subsidies	(102,816)	(93,353)
Capital grants and subsidies	<u>89,599</u>	<u>82,311</u>
Change in net position	(13,217)	(11,042)
Net position at beginning of year	<u>1,371,421</u>	<u>1,382,463</u>
Net position at end of year	<u>\$ 1,358,204</u>	<u>\$ 1,371,421</u>

See accompanying notes to basic financial statements.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Statements of Cash Flows

For the years ended June 30, 2019 and 2018

(Dollar Amounts in Thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from fares	\$ 82,606	\$ 82,680
Cash received from dispatching and maintenance of way	19,644	8,203
Cash received from third-party agreements and public liability and property damage	23,052	25,502
Cash paid to employees	(42,963)	(41,127)
Cash paid to suppliers	(257,725)	(219,017)
Cash paid to / received from miscellaneous sources	734	195
Net cash used in operating activities	<u>(174,652)</u>	<u>(143,564)</u>
Cash flows from noncapital financing activities:		
Operating subsidies and grants - trains and maintenance of way	119,050	146,364
Operating subsidies and grants - public liability and property damage	16,629	17,663
Net cash provided by noncapital financing activities	<u>135,679</u>	<u>164,027</u>
Cash flows from capital and related financing activities:		
Capital grants and subsidies received	82,027	78,770
Construction and purchases of capital assets	(58,083)	(41,303)
Interest paid	(35)	-
Net cash provided by capital and related financing activities	<u>23,909</u>	<u>37,467</u>
Cash flows from investing activities:		
Net change in cash equivalents	35	(101)
Sale / maturity of investments	151	(42)
Net cash provided by / used in investing activities	<u>186</u>	<u>(143)</u>
Net increase (decrease) in cash and investments	(14,878)	57,787
Cash and investments at beginning of year	<u>148,592</u>	<u>90,805</u>
Cash and investments at end of year	<u>\$ 133,714</u>	<u>\$ 148,592</u>
Reconciliation to cash and investments on the Balance Sheets:		
Cash and investments	\$ 86,896	\$ 97,162
Restricted cash and investments	46,818	51,430
Total cash and investments on the Balance Sheet	<u>\$ 133,714</u>	<u>\$ 148,592</u>

See accompanying notes to basic financial statements.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Statements of Cash Flows, Continued  
For the years ended June 30, 2019 and 2018  
(Dollar Amounts in Thousands)

	<u>2019</u>	<u>2018</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (235,986)	\$ (227,393)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	53,134	47,786
Bad debt	9,114	4,009
(Increase) decrease in:		
Due from other agencies	2,963	5,857
Prepaid expenses	(21)	221
Trade and other receivables, net	4,911	(6,599)
Inventory	(281)	(404)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(7,494)	28,963
Compensated absences	355	107
Advances for construction	(2,559)	2,734
Claims and judgments payable	(1,863)	3,700
Unearned revenue	(1)	(140)
Other post employment benefits	1,500	(176)
Other liabilities	1,018	(847)
Fuel Hedge and related changes in deferred outflows and inflows of resources	(448)	(32)
Net pension liability and related changes in deferred outflows and inflows of resources	982	923
Net OPEB liability and related changes in deferred outflows and inflows of resources	24	(2,273)
Total adjustments	<u>61,334</u>	<u>83,829</u>
Net cash used in operating activities	<u>\$ (174,652)</u>	<u>\$ (143,564)</u>
Noncash investing, capital and financing activities:		
Net gain (loss) on disposal of capital assets	(446)	(8,330)

See accompanying notes to basic financial statements.

# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Southern California Regional Rail Authority (SCRRA) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. SCRRA's significant accounting policies are described below.

### A. Financial Reporting Entity

In June 1990, the California Legislature enacted Senate Bill 1402, Chapter 4 of Division 12 of the Public Utilities Code. This bill required the transportation commissions of the Counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura to jointly develop a plan for regional transit services within the multi-county region. The Southern California Regional Rail Authority (SCRRA) was established on August 1, 1991 through a Joint Exercise of Powers Agreement (JPA) among the following public agencies (Member Agencies):

- Los Angeles County Metropolitan Transportation Authority (LACMTA)
- Orange County Transportation Authority (OCTA)
- Riverside County Transportation Commission (RCTC)
- San Bernardino County Transportation Authority (SBCTA)
- Ventura County Transportation Commission (VCTC)

SCRRA's independent governing Board consists of 11 members appointed by the Member Agencies, as follows:

Los Angeles County Metropolitan Transportation Authority	4
Orange County Transportation Authority	2
Riverside County Transportation Commission	2
San Bernardino County Transportation Authority	2
Ventura County Transportation Commission	1

The purpose of SCRRA is to plan, design, construct, and administer the operation of regional commuter rail lines serving the counties of Los Angeles (L.A.), Orange, Riverside, San Bernardino, Ventura, and northern San Diego. The operation of the commuter rail lines is referred to as Metrolink. Its services include the operation of seven commuter rail passenger lines, as follows:

- San Bernardino Line – running from San Bernardino to L.A. Union Station
- Antelope Valley Line – running from Lancaster to L.A. Union Station
- Ventura County, Burbank Airport/Downtown Line – running from Oxnard to L.A. Union Station
- Orange County Line – running from Oceanside to L.A. Union Station
- Inland Empire-Orange County Line – running from San Bernardino to Oceanside
- 91/Perris Valley Line – running from South Perris to L.A. Union Station via Fullerton
- Riverside Line – running from Riverside to L.A. Union Station via City of Industry

Passenger fares, dispatching and maintenance-of-way revenues, Member Agency operating and capital subsidies, and State and federal grant programs fund the SCRRA. The Member Agencies and other public entities provide transportation within the counties served by SCRRA. SCRRA is not considered a component unit of any other reporting entity. As required by U.S. GAAP, the accompanying basic financial statements include all financial activities of SCRRA.

# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

## Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

In accordance with GAAP, SCRRA has considered all potential organizations for which the nature and significance of their relationships with SCRRA are such that exclusion would cause SCRRA's financial statements to be misleading or incomplete. The GASB has established criteria to be considered in determining financial accountability. These criteria include appointing the majority of an organization's governing body and (1) the ability of SCRRA to impose its will on that organization or (2) the potential for that organization to provide specific benefits or impose specific financial burdens on SCRRA. Based on these criteria, there are no other organizations or agencies that should be included in these basic financial statements.

### ***B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The accompanying basic financial statements of SCRRA have been prepared in conformity with GAAP as promulgated by GASB, the accepted standard setting body for establishing governmental accounting and financial reporting principles, and the State Controller's *Minimum Audit Requirements and Reporting Guidelines*.

SCRRA distinguishes operating revenues and expenses from non-operating items. All revenues and expenses not meeting the definitions noted below are reported as non-operating revenues and expenses.

### ***C. Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from those estimates and assumptions.

### ***D. Effects of New Accounting Pronouncements***

The following issued, but not yet effective GASB statements are being reviewed by management for the fiscal year June 30, 2019:

#### GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It establishes criteria for identifying fiduciary activities, the focus of which generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement is effective for periods beginning after December 15, 2018. This Statement is not expected to have a significant impact on SCRRA.

#### GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that



# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for periods beginning after December 15, 2019.

## GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. One of the objectives of this Statement is to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for reporting periods beginning after December 15, 2019.

## GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018. This Statement is not expected to have a significant impact on SCRRA.

## GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

## ***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position***

### **1. Cash and Investments**

Cash and investments consist of cash in demand deposit accounts and investments in the State Treasurer's Local Agency Investment Fund (LAIF), money market funds, and treasury reserves. Note 2 provides information about SCRRA's deposits and investments, interest sensitive investments, and the credit quality of the investments held at year-end. Investments are presented at fair value.

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits, and short-term investments with original maturities of three months or less from the date acquired by SCRRA.

### **2. Restricted Cash and Investments**

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

Restricted cash and investments represent advanced funds received whereby constraints have been either (1) imposed by the creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

### 3. Due from Other Agencies and Trade Receivables

SCRRA establishes an allowance for doubtful accounts, which reflects a reasonable estimate of accounts receivable that management deems uncollectible. Using the June 30<sup>th</sup> final accounts receivable aging report, SCRRA calculates a reserve balance equal to 50% of aged receivable amounts that are over 120 days outstanding.

### 4. Prepaid Expenses

Payments made to vendors for expenses that will benefit future periods beyond the fiscal year end are recorded as prepaid expenses.

### 5. Inventory

Inventory consists of railroad operating spare parts that are recorded when purchased and expensed when used. SCRRA maintains inventory for rolling stock, track, and signal maintenance. SCRRA's inventory is valued at cost. SCRRA continues to test its inventory for obsolescence and the reserve for obsolescence for FY19 was \$4.0M and for FY18 the reserve was \$3.9 million.

### 6. Capital Assets

Capital assets reported by SCRRA include land, buildings, vehicles, rolling stock, equipment, right-of-way easements, positive train control (PTC), fare collection equipment, and the Metrolink railroad network. As part of the JPA, the Member Agencies acquired the rail network in existence at the time of the creation of the JPA for use in SCRRA's commuter rail operations. The initial railroad network is not included as part of Metrolink's railroad network. The Member Agencies retained title and ownership to those assets.

As part of the JPA, SCRRA is responsible for the related maintenance and operation of members' assets and rail right-of-way used in operations. Additionally, certain agencies retain responsibility to maintain segments of their railroad network. SCRRA's railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects and are recorded in the financial statements as SCRRA infrastructure. Capital assets are defined by SCRRA as assets with an individual cost of at least \$5,000 and a minimum useful life of greater than one year.

Purchased or constructed capital assets are valued at cost where records are available and at estimated fair value where no records exist. Assets donated to SCRRA are valued at acquisition value on the date received. Costs related to the acquisition of easement rights are recorded as part of capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings and improvements, rolling stock, depreciable infrastructure/railroad network, vehicles, fare collection equipment, and computer and other equipment are depreciated using the straight-line method over the following useful lives:

# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

Asset Description	Useful Life
Building and improvements	10-30 years
Rolling stock	20-30 years
New railroad network	20 years
Fare collection systems and Positive Train Control	10 years
Computer and other equipment	3-10 years
Support vehicles	5-7 years

SCRRA defines historical infrastructure and new railroad network as basic physical assets that allow SCRRA to function. These assets constitute the Metrolink railroad network (tracks, tunnel and bridge structures, and communications signals). The new railroad network assets are depreciated on a straight-line basis, using a useful life of 20 years. On historical infrastructure, SCRRA has elected to use the modified approach as defined by GASB Statement No. 34.

Pursuant to the modified approach to accounting for infrastructure assets, SCRRA has committed to preserving and maintaining its railroad network at an appropriate condition level as determined by the Board of Directors. Consequently, no depreciation expense is reported for the capital assets comprising the historical railroad network, nor are amounts capitalized in connection with improvements that lengthen the lives of those capital assets, unless those improvements also increase their service capacity. SCRRA maintains an inventory of its railroad network infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. In addition, SCRRA makes annual estimates of the amount that must be expended to preserve and maintain the railroad network at the predetermined condition level.

## 7. Compensated Absences

Substantially all employees earn paid time-off (PTO) for vacation, illness, and certain other qualifying absences each pay period. The number of hours accrued is generally based on length of service not to exceed three times an employee's annual accrual. When employees reach their maximum accrual balance, they will not continue to accrue PTO hours until their PTO accounts are below the maximum accrual balance. A liability for compensated absences has been accrued in the accompanying basic financial statements.

## 8. Unearned Revenue and Advances on Capital Construction

Unearned revenues arise when SCRRA receives resources before it has a legal claim to them, such as when grant monies are received prior to the incurrence of the qualifying expenses or when advances on capital construction are received. In addition, Member Agencies contribute funds in advance for their annual operating subsidy. In subsequent periods, when SCRRA has met all eligibility requirements, the liability for unearned revenue is removed from the statement of balance sheets and the revenue is recognized.

## 9. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of SCRRA's California Public Employees' Retirement System (CalPERS) plan (Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

### 10. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the SCRRA Retiree Healthcare Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

### 11. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### 12. Components of Net Position

Net position is reported in one of three categories:

*Investment in Capital Assets* – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance of this category.

*Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, netting to zero dollars for the years ended June 30, 2019 and 2018.

*Unrestricted* – represents net position that is not restricted for any project or purpose.

### 13. Use of Restricted/Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, SCRRA's policy is to apply restricted resources first.

## F. Revenues and Expenses

### 1. Third-Party Agreements

SCRRA receives revenues from third-party agreements – items such as charter train services, construction of major capital facilities on behalf of third parties, and flagging services provided by SCRRA for the safety of non-SCRRA personnel accessing the rail right-of-way. SCRRA recognizes revenue in the period to the extent of eligible expenses incurred. Any fees determined to be nonrefundable are recognized as revenue upon receipt.

### 2. Operating and Maintenance Agreements

SCRRA operates Metrolink services through the use of several operating agreements with various vendors. Under these operating agreements, services are provided for the maintenance of track,

# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

structures, communications signals and equipment, and rolling stock maintenance, as well as outsourced staffing for the operation of passenger train services.

### 3. Operating and Non-operating Revenues and Expenses

Operating revenues are those revenues that are generated from SCRRA's primary operations and generally include passenger fares charged for commuter rail services, dispatching fees, third-party agreements, and maintenance-of-way revenues. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to SCRRA's primary operations. All other expenses are reported as non-operating expenses. Revenues are recognized when earned and expenses are recorded when incurred.

#### G. Reclassifications

Certain amounts presented in the 2018 financial statements have been reclassified to be consistent with the current year's presentation. Such reclassifications have no effect on the increase in net position as previously reported.

## 2. CASH AND INVESTMENTS

The Investment policy of SCRRA sets forth the guidelines for the investment of all funds, except retirement funds, and conforms to the California Government Code. The authority to manage SCRRA's investment program is granted to its Treasurer by the Board of Directors. Pursuant to Section 53607 of the California Government Code, the Board of Directors annually appoints the Chief Financial Officer as Treasurer and approves SCRRA's Investment Policy. The Treasurer is authorized to delegate this authority as deemed appropriate. No person may engage in investment transactions except as provided under the terms of the Investment Policy and the procedures established by the Treasurer.

The Investment Policy requires that investments be made with the prudent person standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer and designated staff will act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of SCRRA.

#### A. Authorized Investments

SCRRA's Investment Policy is adopted annually by the Board of Directors in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety of Principal:** Safety of principal is the foremost objective of SCRRA. Each investment transaction shall seek to ensure capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of market value of securities.
- **Liquidity:** Liquidity is the second most important objective of SCRRA. It is important the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- **Total Return:** SCRRA's portfolio shall be designed to attain a market-average rate of return through economic cycles.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

Under provisions of SCRRA’s Investment Policy, the Treasurer may invest in the following types of investments:

<b>U.S. Treasuries</b>	Direct obligations of the United States and securities that are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States; U.S. Treasury coupon and principal Separate Trading of Registered Interest and Principal of Securities (STRIPS).
<b>Federal Agencies and U.S. Government Sponsored Enterprises</b>	Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA or Fannie Mae), the Federal Farm Credit Bank (FFCB), the Student Loan Marketing Association (SLMA or Sallie Mae), the Government National Mortgage Association (GNMA or Ginnie Mae), the Small Business Administration (SBA), the Export-Import Bank of the United States, or the U.S. Department of Housing and Urban Development. Any federal agency or U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.
<b>State of California and Local Agency Obligations</b>	Registered state warrants, treasury notes, or bonds of the State of California and bonds, notes, warrants, or other forms of indebtedness of any local agency within California.
<b>Bankers Acceptances</b>	Bankers acceptances with a maximum term of 180 days.
<b>Commercial Paper</b>	Prime commercial paper with a maximum term of 180 days.
<b>Negotiable Certificates of Deposit</b>	Negotiable certificates of deposit with a maximum term of 270 days, issued by a nationally- or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank.
<b>Repurchase Agreements</b>	Repurchase agreements with a maximum term of one year that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counterparty’s bank’s trust department or safekeeping department.
<b>Medium-term Maturity Corporate Securities</b>	Corporate securities with a maximum term of 5 years, rated AA (the Government Code allows A ratings or better) or better by a nationally recognized rating service.
<b>Money Market Funds</b>	Shares of beneficial interest issued by diversified management companies (commonly called money market funds), subject to certain conditions and limitations.
<b>Other Mutual Funds</b>	Shares of beneficial interest issued by diversified management companies (commonly called mutual funds), subject to certain conditions and limitations.
<b>Mortgage or Asset-backed Securities</b>	Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment and other mortgage and consumer receivable pass-through certificates, or consumer receivable-backed bonds with a maximum stated final maturity of 5 years, subject to the credit rating of the issuer.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

<b>Investment Agreements</b>	Investment agreements are permitted with any bank, insurance company, or broker-dealer, subject to certain limitations.
<b>State of California Local Agency Investment Fund (LAIF)</b>	LAIF is a pooled fund maintained by the State of California and managed by the State Treasurer.
<b>Variable and Floating Rate Securities</b>	Variable and floating rate securities, which are restricted to investments in permitted Federal Agencies and U.S. Government Sponsored Enterprises securities, with a final maturity not to exceed 3 years.
<b>Derivatives</b>	Derivatives are to be used as a tool for bona fide hedging investments only where deemed appropriate.

All investments, unless otherwise specified, are subject to a maximum stated term of 5 years.

In accordance with Section 53651 of the California Government Code, SCRRA cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

The following is a summary of cash and investments as of June 30, 2019 and 2018 (in thousands):

	<u>2019</u>		<u>2018</u>
Cash with financial institution	\$ 88,686	\$	105,710
LAIF	41,424	\$	42,501
Fuel hedging derivative	3,604		3,747
			<hr/>
Total cash and investments	\$ 133,714	\$	<u>151,958</u>

Restricted cash and investments for the years ended June 30, 2019 and 2018 are summarized as follows (in thousands):

	<u>2019</u>		<u>2018</u>
Unexpended restricted funds (Note 6):			
Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA)	\$ 13,060	\$	15,032
California Transit Security Grant Program (CTSGP)	16,850		20,728
California State Transportation Agency State Rail Assistance (CalSTA SRA)	4,660		1,612
Low-Carbon Transit Operations Program (LCTOP)	2,553		1,763
			<hr/>
Total unexpended restricted funds	37,123		39,135
			<hr/>
Advances for construction	9,695		12,253
Other	-		42
			<hr/>
Total restricted cash and investments	\$ 46,818	\$	<u>51,430</u>

***B. Risk Disclosures – Deposits***

As of June 30, 2019, and 2018, the Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The California Government Code Section 53652 requires California financial institutions to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by governmental entities by pledging first trust deed mortgage notes having a value equal to 150% of a governmental unit's total deposit.

***C. Investment Valuation***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB Statement No. 72 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of



# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

## Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

unobservable inputs when measuring fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. The standard describes three levels of inputs that may be used to measure fair value, as follows:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

### ***D. Risk Disclosures – Investments***

Investments are subject to a number of risks, as follows:

#### **1. Interest Rate Risk**

Interest rate risk is the potential loss due to the fair value of an investment falling due to interest rates rising. At June 30, 2019 and 2018, SCRRA did not hold investments that are “highly sensitive to interest rate fluctuations,” as defined by GASB Statement No. 40. As a means of limiting exposure to fair value losses arising from increasing interest rates, SCRRA’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. For SCRRA’s LAIF investments, the weighted average maturity at June 30, 2019 and 2018 was 173 days and 193 days respectively.

#### **2. Credit Risk**

Credit risk is the risk that an issuer will not fulfill its obligation to the holder of the investment.

Money market funds and other mutual funds must be rated AAA (or equivalent highest rating) by two of the three largest nationally recognized rating agencies. Mortgage or asset-backed securities must be rated AAA (AA, according to the Government Code) by a nationally recognized rating agency. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. LAIF is not rated. SCRRA’s investment in LAIF is uncategorized as deposits and withdrawals are made on the basis of \$1 and not fair value. LAIF represents \$41.4 million and \$42.5 million of SCRRA cash balances at June 30, 2019 and 2018 respectively.

#### **3. Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, SCRRA will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. SCRRA has fuel hedging contracts held by Royal Bank of Canada.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

**4. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. SCRRA diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name to 5%. Investments in LAIF are not subject to this limit on credit concentration; however, SCRRA limits the percentage of the portfolio that can be invested in any one federal agency or government-sponsored enterprise security to 30%.

**E. External Investment Pool**

SCRRA follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the investments held in the California Local Agency Investment Fund (LAIF), a State of California external investment pool, that is not rated. The pool is valued using pricing models that maximize the use of observable inputs for similar securities that make up the investment pool, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

SCRRA reports its investment in LAIF at the fair value amount provided by LAIF. The fair value of LAIF was calculated by applying a factor of 1.00171179 and 0.998126869 at June 30, 2019 and 2018, respectively, to the total investments held by LAIF. As of June 30, 2019, and 2018, SCRRA had \$41.4 million and \$42.5 million invested in LAIF, respectively, with fair value at \$41.5 million and \$42.4 million, respectively.

**F. Fuel Hedge**

SCRRA partially hedges its diesel fuel cost exposure using financial hedges. The goal of the hedging program is to minimize the budget risk resulting from the purchase of fuel on a spot basis and to seek overall low fuel cost in the long-term while managing budget risk. Fuel-related derivative transactions are recorded at fair value on the Balance Sheet as either an asset or liability depending on their fair value; the related unrealized gains and/or losses for effective hedges are deferred. Realized gains and losses on these transactions are recognized as fuel expense in the specific period in which the instrument is settled. During the year ended June 30, 2019, realized settlement losses totaling \$0.6 million were recognized in fuel expense. During the year ended June 30, 2018, realized settlement gains totaling \$2.2 million were recognized in fuel expense.

SCRRA's fuel hedge program is classified as a level 3 asset under the fair value hierarchy.

The following is a summary of the derivative fuel instruments as of June 30, 2019, which have been deemed effective and are recorded as deferred outflows:

<b><u>Classification</u></b>	<b><u>Fair Value at June 30, 2019</u></b>			<b><u>Notional</u></b>	<b><u>Maturity</u></b>
	<b><u>2018</u></b>	<b><u>Change in Fair Value</u></b>	<b><u>2019</u></b>		
Deferred inflows	\$3,746,463	(\$ 110,510)	\$3,603,873	6,552,000 gallons	FY 2020

<b><u>Classification</u></b>	<b><u>Fair Value at June 30, 2018</u></b>			<b><u>Notional</u></b>	<b><u>Maturity</u></b>
	<b><u>2017</u></b>	<b><u>Change in Fair Value</u></b>	<b><u>2018</u></b>		
Deferred inflows	\$1,500,000	\$2,246,463	\$3,746,463	1,260,000 gallons	FY 2019

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

*Credit Risk.* Counterparties must have a minimum credit rating of BBB- issued by Standard and Poor's or Fitch's rating service or Baa3 issued by Moody's Investor Services. At June 30, 2019, the credit rating of each counterparty exceeded the minimum required rating.

*Basis risk.* All of the District's transactions are based on the same reference rates; thus there is no basis risk.

*Termination Risk.* The SCRRA oversees the derivative instrument activity and monitors the counterparties, who are required to maintain a minimum credit rating and present collateral at certain levels, which mitigates the chance of a termination event. To date, no termination events have occurred.

### 3. DUE FROM OTHER AGENCIES

The amounts due from other agencies consist of construction costs, capital grants and subsidized receivables, and operating subsidies based on expenses incurred on their behalf. The table below summarizes the total amounts due from other agencies as of June 30, 2019 and 2018 (in thousands):

	<u>2019</u>	<u>2018</u>
Third-party agreements	\$ 7,142	\$ 6,079
Subsidies and grants – federal, State, and local:		
Los Angeles County Metropolitan Transportation Authority (LACMTA)	11,762	13,972
Orange County Transportation Authority (OCTA)	256	546
Riverside County Transportation Commission (RCTC)	1,450	1,831
San Bernardino County Transportation Authority (SBCTA)	1,268	2,247
Ventura County Transportation Commission (VCTC)	419	28
California Department of Transportation (Caltrans)	18,115	19,787
California Office of Emergency Services (CAL OES)	-	63
South Coast Air Quality Management District (SCAQMD)	18,387	10,084
Federal Transit Administration (FTA)	8,972	11,054
Federal Railroad Administration (FRA)	794	170
Other	11	-
Total due from other agencies	68,576	65,861
Allowance for uncollectible accounts	(860)	(2,264)
Total due from other agencies, net	\$ 67,716	\$ 63,597
	<u>2019</u>	<u>2018</u>
Due in one year	\$ 67,716	\$ 29,285
Due in more than one year	-	34,312
Total due from other agencies, net	\$ 67,716	\$ 63,597

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

**4. CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2019 and 2018, is as follows (in thousands):

	June 30, 2018	Additions	Deletions	Transfer to/from CIP	Transfer between category	June 30, 2019
Non-depreciable capital assets:						
Land	\$ 168	\$ -	\$ -	\$ -	\$ -	\$ 168
Easement and intangible	8,185	-	-	-	-	8,185
Construction in progress	76,385	11,194	-	(2,921)	12,771	97,429
Railroad network	<u>667,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,764</u>
Total non-depreciable capital assets	<u>752,502</u>	<u>11,194</u>	<u>-</u>	<u>(2,921)</u>	<u>12,771</u>	<u>773,546</u>
Depreciable capital assets:						
Building and improvements	181,490	132	-	-	-	181,622
Positive train control (PTC)	191,526	-	-	-	-	191,526
Rolling stock	599,700	35,665	(12,162)	-	(12,771)	610,432
Fare collection systems	17,798	-	(816)	-	-	16,982
Computer and other equipment	18,904	1,298	-	-	308	20,510
Support vehicles	9,201	755	(426)	134	(308)	9,356
Railroad network, depreciable	<u>47,017</u>	<u>-</u>	<u>-</u>	<u>2,787</u>	<u>-</u>	<u>49,804</u>
Total depreciable capital assets	<u>1,065,636</u>	<u>37,850</u>	<u>(13,404)</u>	<u>2,921</u>	<u>(12,771)</u>	<u>1,080,232</u>
Less accumulated depreciation for:						
Building and improvements	(83,719)	(9,971)	-	-	-	(93,690)
Positive train control (PTC)	(53,401)	(23,389)	-	-	-	(76,790)
Rolling stock	(293,197)	(15,069)	11,660	-	-	(296,606)
Fare collection systems	(15,728)	(226)	817	-	-	(15,137)
Computer and other equipment	(12,155)	(1,693)	-	-	-	(13,848)
Support vehicles	(8,037)	(384)	426	-	-	(7,995)
Railroad network, depreciable	<u>(2,566)</u>	<u>(2,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,987)</u>
Less accumulated depreciation	<u>(468,803)</u>	<u>(53,153)</u>	<u>12,903</u>	<u>-</u>	<u>-</u>	<u>(509,053)</u>
Total depreciable assets, net	<u>596,833</u>	<u>(15,303)</u>	<u>(501)</u>	<u>2,921</u>	<u>(12,771)</u>	<u>571,179</u>
Capital assets, net of depreciation	<u>\$ 1,349,335</u>	<u>\$ (4,109)</u>	<u>\$ (501)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,344,725</u>

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

	June 30, 2017	Additions	Deletions	Transfer to/from CIP	June 30, 2018
Non-depreciable capital assets:					
Land	\$ 168	\$ -	\$ -	\$ -	\$ 168
Easement and intangible	2,413	-	-	5,772	8,185
Construction in progress	149,010	35,963	(8,072)	(100,516)	76,385
Railroad network	<u>667,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,764</u>
Total non-depreciable capital assets	<u>819,355</u>	<u>35,963</u>	<u>(8,072)</u>	<u>(94,744)</u>	<u>752,502</u>
Depreciable capital assets:					
Building and improvements	177,848	151	(7)	3,498	181,490
Positive train control (PTC)	176,661	-	-	14,865	191,526
Rolling stock	582,840	-	(8,753)	25,613	599,700
Fare collection systems	16,436	289	(127)	1,200	17,798
Computer and other equipment	19,011	426	(3,084)	2,551	18,904
Support vehicles	6,178	502	(156)	2,677	9,201
Railroad network, depreciable	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,017</u>	<u>47,017</u>
Total depreciable capital assets	<u>978,974</u>	<u>1,368</u>	<u>(12,127)</u>	<u>97,421</u>	<u>1,065,636</u>
Less accumulated depreciation for:					
Building and improvements	(75,424)	(8,298)	3	-	(83,719)
Positive train control (PTC)	(34,660)	(18,741)	-	-	(53,401)
Rolling stock	(286,945)	(14,715)	8,463	-	(293,197)
Fare collection systems	(14,268)	(1,587)	127	-	(15,728)
Computer and other equipment	(13,729)	(1,508)	3,082	-	(12,155)
Support vehicles	(5,145)	(371)	156	(2,677)	(8,037)
Railroad network, depreciable	<u>-</u>	<u>(2,566)</u>	<u>-</u>	<u>-</u>	<u>(2,566)</u>
Less accumulated depreciation	<u>(430,171)</u>	<u>(47,786)</u>	<u>11,831</u>	<u>(2,677)</u>	<u>(468,803)</u>
Total depreciable assets, net	<u>548,803</u>	<u>(46,418)</u>	<u>(296)</u>	<u>94,744</u>	<u>596,833</u>
Capital assets, net of depreciation	<u>\$ 1,368,158</u>	<u>\$ (10,455)</u>	<u>\$ (8,368)</u>	<u>\$ -</u>	<u>\$ 1,349,335</u>

SCRRA elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting for its original railroad network. As a result, no accumulated depreciation expense has been recorded for this original network. During FY18, SCRRA added additional railroad network, that is not a part of the GASB 34 original railroad network, and as such will be depreciable. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

**5. LONG-TERM OBLIGATIONS**

	June 30, 2018	Increases	Decreases	June 30, 2019	Current portion
Claims and judgments	\$ 14,000	\$ 1,800	\$ (3,663)	\$ 12,137	\$ 5,440
Compensated balances	3,671	736	(381)	4,026	1,801
Capital lease liability	-	768	(197)	571	138
Net pension liability	11,773	-	(475)	11,298	-
Other postemployment benefits	<u>17,496</u>	<u>1,500</u>	<u>-</u>	<u>18,996</u>	<u>-</u>
 Total	<u>\$ 46,940</u>	<u>\$ 4,804</u>	<u>\$ (4,716)</u>	\$ 47,028	<u>\$ 7,379</u>
Current portion				<u>(7,379)</u>	
 Total long-term obligations				<u>\$ 39,649</u>	

	June 30, 2017	Increases	Decreases	June 30, 2018	Current portion
Claims and judgements	\$ 10,300	\$ 3,870	\$ (170)	\$ 14,000	\$ 3,111
Compensated balances	3,565	1,054	(948)	3,671	1,666
Net pension liability	10,151	1,622	-	11,773	-
Other postemployment benefits	<u>17,672</u>	<u>-</u>	<u>(176)</u>	<u>17,496</u>	<u>-</u>
 Total	<u>\$ 41,688</u>	<u>\$ 6,546</u>	<u>\$ (1,294)</u>	\$ 46,940	<u>\$ 4,777</u>
Current portion				<u>(4,777)</u>	
 Total long-term obligations				<u>\$ 42,163</u>	

**6. UNEARNED REVENUE AND ADVANCES ON CAPITAL PURCHASES**

The SCRRA Member Agencies contribute the funds necessary to carry out its purposes consistent with the Board-adopted budget and cost sharing formula in addition to funds derived from operations and grants. A preliminary budget for the following fiscal year is submitted to Member Agencies by May 1 of each year and the SCRRA Board must adopt the final budget no later than June 30 of each year. Once SCRRA's annual budget is approved by the Board, each Member Agency pays the annual operating subsidy in advance and on a quarterly basis. An operating surplus indicates that Member Agencies' operating subsidies exceed their share of actual operating revenues earned and expenses incurred by SCRRA during the year. Conversely, an operating deficit indicates that operating subsidies are less than the Member Agencies' share of actual operating revenues earned and expenses incurred by SCRRA; however, an operating deficit does not result to a receivable from Member Agencies. Any operating surplus or deficit remains an unearned revenue, unless otherwise designated by the Member Agencies.

Unearned revenue also includes capital subsidies, which are advances from member agencies for capital-related projects. Capital subsidies are recognized to the extent of expenses incurred. Remaining subsidies are maintained in unearned revenue until such time as expenses are incurred. In addition, unearned revenue activities include funds such as Proposition 1B (Prop 1B), The Public Transportation Modernization,

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

Improvement, and Service Enhancement Account Program (PTMISEA), the California Transit Security Grant Program (CTSGP), the California State Transportation Agency State Rail Assistance Program (CalSTA SRA) and the Low Carbon Transit Operations Program (LCTOP), which for accounting purposes, are treated in the same manner as previously described. These funds are received through assignment from various Member Agencies or directly to SCRRA as the primary recipient. See the description of Proposition 1B, CTSGP, CalSTA SRA and LCTOP funds following the unearned revenue activity schedule.

Unearned revenue activity for the years ended June 30, 2019 and 2018, is as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Unearned revenue and advances on projects, beginning of year	\$ 85,845	\$ 67,619
Subsidies invoiced:		
Operating	133,920	124,587
Capital	16,032	30,065
Federal operating subsidies	20,017	22,284
Public liability and property damage	16,629	17,663
Subsidies recognized:		
Operating	(131,626)	(115,935)
Capital	(19,094)	(21,268)
Federal operating subsidies	(20,017)	(22,284)
Public liability and property damage	(11,324)	(18,883)
Other	-	(140)
Uses of operating surplus	(7,975)	2,664
Capital surplus	3,353	(1,820)
Interest allocation	1,053	524
Adjustment –VCTC/LACMTA swap	1,247	769
	<u>\$ 88,060</u>	<u>\$ 85,845</u>

Proposition 1B – The Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) is a part of the State of California’s Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion in general obligation bonds was authorized for issuance, the proceeds of which were deposited into the state’s PTMISEA fund for specified purposes, including grants for transit system safety, security, and disaster response projects. Of this amount, \$3.6 billion was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, or rolling stock procurement, rehabilitation or replacement.

California State Transportation Agency State Rail Assistance Program (CalSTA SRA)– The California State Transportation State Rail Assistance program funds projects that improve rail service for passengers on commuter rail and intercity rail systems in California. Funding for this program comes from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017, which directs a 0.5% portion of new diesel sales tax revenue and allocates half to commuter rail providers and the other half to intercity rail corridors. The majority

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

of program funding is directed by statutory formula to rail operators, with guidelines defining process and timeline for agencies to obtain funding. The SRA Guidelines currently permit commuter operators to apply for a cumulative total of \$10.5 million of funding through FY 2019-2020. SCRRA has received \$1.6 million in FY17-18 and \$4.2 million in FY18-19. The balance of \$4.7 million will be received in FY19-20 for a total allocation of 10.5 million.

*California Transit Security Grant Program (CTSGP)* – Senate Bill 88 of the 2007 Statutes appropriates funds from Proposition 1B to the California Transit Security Grant Program maintained by the California Governor’s Office of Emergency Services (Cal OES, formerly CalEMA), to fund grants for eligible purposes. Eligible activities include construction or renovation projects that are designed to enhance the security of public transit stations, tunnels, guideways, elevated structures, or other transit facilities and equipment.

*Low Carbon Transit Operations Program (LCTOP)* – The Low Carbon Transit Operations Program is one of several programs that is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill (SB) 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in the LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities. SB 862 (Statutes of 2014) appropriated \$25 million for LCTOP for FY 2015 and it continuously appropriates 5% of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP each year thereafter.

Proposition 1B (Prop 1B), CTSGP, CalSTA SRA and LCTOP activity during the fiscal years ended June 30, 2019 and 2018, was as follows (in thousands):

	<u>2019</u>			<u>2018</u>		
	<u>CalSTA</u>			<u>CalSTA</u>		
	<u>Prop 1B</u>	<u>SRA</u>	<u>LCTOP</u>	<u>Prop 1B</u>	<u>SRA</u>	<u>LCTOP</u>
Unexpended funds, beginning of year	\$ 35,759	\$ 1,611	\$ 1,765	\$ 29,010	\$ -	\$ 802
Funds collected	-	4,176	2,029	13,208	1,607	939
Expenses incurred	(6,726)	(1,215)	(1,328)	(6,953)	-	(2)
Interest revenue earned on unspent funds	878	88	87	494	4	26
	<u>878</u>	<u>88</u>	<u>87</u>	<u>494</u>	<u>4</u>	<u>26</u>
Unexpended funds, end of year	<u>\$ 29,911</u>	<u>\$ 4,660</u>	<u>\$ 2,553</u>	<u>\$ 35,759</u>	<u>\$ 1,611</u>	<u>\$ 1,765</u>

Additional information about unearned revenue and advances on capital purchases by Member Agency is presented as unaudited Supplementary Information following the Required Supplementary Information (RSI).

**7. LEASE/LEASEBACK**

In April 1996, SCRRA’s Board entered into an agreement to lease 94 coach and cab cars and 31 locomotives and simultaneously entered into a sublease agreement with the lessee to lease them back. SCRRA received proceeds of approximately \$193.9 million of which it used approximately \$152.3 million to prepay future lease payments and defease part of its obligation. This prepayment amount was sufficient to cover the loan amount taken by the lessee through the years 2012 and 2014 for the locomotives and the cars, respectively. In addition, the Board invested approximately \$21.2 million in U.S. Zero Coupon Treasury strips. The Treasury strips will mature at values sufficient to cover all remaining lease payments due under the lease agreement as well as amounts necessary to exercise the repurchase options. As a result, all obligations under this lease/leaseback transaction are



## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

deceased in substance. Accordingly, the related debt and investments have been excluded from SCRRA's financial statements.

In July 2003, SCRRA entered into a restructured agreement related to the 1996 transaction (1996-A). The restructuring included 92 coach and cab cars related to the original 1996 transaction; two of the cars in the original transaction were damaged beyond repair in previous years. As a result of this 1996-A restructuring, SCRRA received proceeds of approximately \$2.9 million. The total net gain of \$19.1 million recognized by SCRRA from this lease/leaseback agreement was fully amortized in FY 2013.

In August 2002, SCRRA entered into a lease agreement to lease 27 railcars and 4 locomotives and simultaneously entered into a sublease agreement with the lessee to lease them back. SCRRA received proceeds of approximately \$93.8 million, of which it used \$75.3 million and \$11.2 million for debt and equity defeasance, respectively. This amount was sufficient to cover all lease payments due under the agreements and to exercise the repurchase options. Accordingly, the related debt and investments have been excluded from SCRRA's financial statements. The debt and investments will mature in FY22. The gain recognized by SCRRA from the deceased lease financing agreement was approximately \$6.1 million for railcars and \$1.1 million for locomotives. This lease was terminated by agreement of all parties in June 2017. Therefore, the unamortized gain was fully recognized as of June 30, 2017.

Amortization for the years ended June 30, 2019 and June 30, 2018 was \$0 and \$0, respectively.

### **8. RISK MANAGEMENT**

SCRRA is exposed to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under SCRRA's risk management program, SCRRA retains risk for up to \$5.0 million for each public liability claim, up to \$100,000 for each property damage claim, with a special equipment retention of \$2.0 million per occurrence. Claims in excess of these amounts are covered by an insurance policy up to an annual aggregate of \$275.0 million. During the prior three years, no claims were incurred in excess of insurance coverage.

SCRRA is fully insured for workers' compensation claims through Liberty Mutual Insurance Co., consistent with applicable law. Construction-related accidental loss risk is transferred to SCRRA's contractors through contract agreements. During the past three years, no excess claims were incurred.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

Changes in the balances of claims liabilities for the years ended June 30, 2019, 2018, and 2017, are as follows (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 14,000	\$ 10,300	\$ 9,200
Claims incurred and changes in estimate for claims of prior periods	1,800	3,870	1,169
Claims payments	(3,663)	(170)	(69)
Balance, end of year	<u>\$ 12,137</u>	<u>\$ 14,000</u>	<u>\$ 10,300</u>
Due in one year	5,440	3,111	175
Due in more than one year	<u>6,697</u>	<u>10,889</u>	<u>10,125</u>
Total claims liabilities	<u>\$ 12,137</u>	<u>\$ 14,000</u>	<u>\$ 10,300</u>

**9. LEASES**

SCRRA is committed under various leases for building, office space, and equipment. These leases are considered for accounting purposes to be operating leases. Lease expense for the years ended June 30, 2019 and 2018, totaled \$2.9 million and \$3.0 million, respectively. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases are also recorded in the financial statements.

Following is a schedule of lease commitments for the next 5 years and thereafter (dollars in thousands):

<u>Year Ended June 30</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2020	\$ 145	\$ 1,345	\$ 1,490
2021	145	1,254	1,399
2022	145	1,296	1,441
2023	135	1,309	1,444
2024	17	1,100	1,117
2025-2029	-	5,749	5,749
2030-2034	-	6,560	6,560
2035-2039	<u>-</u>	<u>461</u>	<u>461</u>
Future minimum payments	587	<u>\$ 19,074</u>	<u>\$ 19,661</u>
Less: Interest	<u>16</u>		
Present value of future minimum payments	<u>\$ 571</u>		

In 1993, SCRRA entered into a cancelable easement agreement with Union Station providing permanent station access to pedestrians and Metrolink trains. The agreement requires SCRRA to pay a percentage of the station maintenance costs. The percentage share for 2019 and 2018 was 24% and 24% respectively.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

**10. RETIREMENT BENEFITS**

**A. General Information about the Pension Plan**

Plan Description – All qualified permanent and probationary employees are eligible to participate in the SCRRA Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers.

Benefits Provided – All regular SCRRA employees classified as full-time, as well as part-time regular employees and temporary SCRRA workers who work 1,000 or more hours per year, are required to participate in CalPERS. SCRRA’s pension plan provides retirement and disability benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members and beneficiaries through CalPERS. Benefits are based on years of credited service, equal to one year of full-time employment, and vest after five years of service. These benefit provisions and all other requirements are established by State statute and SCRRA Board action.

SCRRA employees are entitled to an annual retirement benefit, payable monthly for life, the amount of which is based on a formula which varies depending on the employee’s retirement plan, date of hire, and participation in a public retirement plan prior to SCRRA employment. On January 1, 2013, the Public Employees’ Pension Reform Act of 2013 (PEPRA) took effect. PEPRA distinguishes between so-called “classic” employees, who were in a public retirement plan (not necessarily CalPERS) prior to January 1, 2013, and “new” employees, who first became a member of a public retirement plan on or after January 1, 2013.

A summary of SCRRA’s benefits is provided below:

	<u>Miscellaneous</u>	
	Prior to January 1, 2013	On or After January 1, 2013
Retirement Age	60	62
Benefit Formula	2.0%	2.0%
Average Highest Compensation Period	36 months	36 months
Maximum % of Final Compensation	No max	No max
COLA	2.0%	2.0%

Covered Employees – At June 30, 2018, the most recent information available, the following employees were covered by the benefit terms for the plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	128
Inactive employees entitled to but not yet receiving benefits	222
Active employees	<u>232</u>
Total	<u>582</u>

Contribution Requirements – Section 20814(c) of the California Public Employees’ Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to fund the costs of benefits earned by

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

employees during the year, with an additional amount to pay down any unfunded accrued liability. SCRRA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The required employer contribution rates for fiscal years 2019 and 2018 were 10.271% and 10.341% of covered payroll, respectively, resulting in \$2.37 million and \$1.88 million, respectively, being recognized by CalPERS as employer contributions.

Pension Plan Financial Reports – SCRRA’s pension plan does not issue a stand-alone financial report; however, CalPERS issues an audited Schedule of Changes in Fiduciary Net Position by employer and plan, which is available at the following link: [www.calpers.ca.gov](http://www.calpers.ca.gov).

**B. Net Pension Liability**

SCRRA’s net pension liability for the plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

Assumptions and Other Inputs – A summary of significant assumptions and other inputs used to measure the total pension liability is shown below:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Retirement Age	Probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality Rate Table	The mortality table was developed based on CalPERS’ specific data and the CalPERS 2017 Experience Study. The table includes 20 years of projected mortality improvements using Society of Actuaries Scale BB15 years of mortality projection using 90 percent of Scale MP 2016 was built into the recommended rates to be consistent with findings from analysis of prost retirement mortality that demonstrated 15 years of mortality equivalent to fully generational mortality table.
Post-Retirement Increase	Benefit Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund (Public Employee’s Retirement Fund, or PERF) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Asset Allocation	Real Return 5 years (a)	Real Return 10 years (b)
Global Equity	50.0%	4.8%	6.0%
Fixed Income	28.0%	1.0%	2.6%
Inflation Assets	0.0%	0.8%	1.8%
Private Equity	8.0%	6.3%	7.2%
Real Assets	13.0%	3.8%	4.9%
Liquidity	1.0%	9.0%	-0.9%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

*Fiduciary Net Position* – SCRRA’s pension plan does not issue stand-alone financial reports. Information about the elements of the pension plan’s basic financial statements is not directly available. However, SCRRA’s plan constitutes a portion of the CalPERS PERF, for which a Statement of Fiduciary Net Position – Fiduciary Funds is included in the CalPERS Comprehensive Annual Financial Report, located at the following link: [www.calpers.ca.gov](http://www.calpers.ca.gov). The accompanying Notes to the Basic Financial Statements disclose information related to the basis of accounting, including the policies with respect to benefit payments and the valuation of pension plan investments.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

**C. Changes in Net Pension Liability**

A schedule of changes in the Net Pension Liability for the measurement period ended June 30, 2018 is presented below (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ (Asset)
<b>Balance as of June 30, 2017</b>	<b>\$ 68,999</b>	<b>\$ 57,226</b>	<b>\$ 11,773</b>
<b>Changes during the year:</b>			
Service cost	3,380	-	3,380
Interest on total pension liability	4,958	-	4,958
Changes of assumptions	(586)	-	(586)
Differences between expected and actual experience	531	-	531
Net Plan to Plan Resource Movement	-	-	-
Contributions – employer	-	2,370	(2,370)
Contributions – employees	-	1,691	(1,691)
Net investment income	-	4,957	(4,957)
Benefit payments, including refunds of employee contributions	(2,582)	(2,582)	-
Administrative expense	-	(259)	259
<b>Net changes</b>	<b>\$ 5,701</b>	<b>\$ 6,177</b>	<b>\$ (476)</b>
<b>Balance as of June 30, 2018</b>	<b>\$ 74,700</b>	<b>\$ 63,403</b>	<b>\$ 11,297</b>

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of SCRRA for the plan, calculated using the current discount rate for the plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

Discount rate 1% lower	6.15%
Net Pension Liability	\$ 21,659
<b>Current discount rate</b>	<b>7.15%</b>
<b>Net Pension Liability</b>	<b>\$ 11,298</b>
Discount rate 1% higher	8.15%
Net Pension Liability	\$ 2,742

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

Deferred Outflows of Resources and Deferred Inflows of Resources – For the years ended June 30, 2019 and 2018, SCRRA recognized pension expense in the amount of \$2.40 million and \$3.16 million, respectively. At June 30, 2019, SCRRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,370	\$ -
Changes of assumptions	2,148	(557)
Differences between expected and actual experience	404	(622)
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(22)</u>
 Total	 <u>\$ 4,922</u>	 <u>\$ (1,201)</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Measurement Period Ending	Deferred Outflows/(Inflows) of
<u>June 30</u>	<u>Resources</u>
2019	\$ 1,061
2020	769
2021	(311)
2022	(168)

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description and Benefits Provided – In addition to providing the retirement benefits described above, SCRRA provides postemployment healthcare benefits. The SCRRA Retiree Healthcare Plan (Plan), an agent multiple-employer defined benefit plan, provides healthcare benefits to eligible retirees and their dependents through the California Public Employees’ Retirement System healthcare program (PEMHCA), in accordance with agreements and memoranda of understanding between SCRRA, its management employees, and unions representing SCRRA employees, to employees who retire directly from SCRRA through CalPERS at the minimum age of 50 with at least 5 years of CalPERS service or disability. The Plan was created by action of the SCRRA Board of Directors to administer medical insurance benefits for eligible retirees and their dependents, and it can be amended through subsequent action of SCRRA’s Board of Directors.

SCRRA pays 80% of the medical premium for the most extensive plan and 90% of the medical premium for all other plans to eligible retirees who retire directly from SCRRA. SCRRA does not provide retiree dental, vision, or life insurance benefits.

Cost of living adjustment (COLA) –The SCRRA Board approved a 2% COLA increase for fiscal year 2020, effective on July 1, 2019.

Contributions – The benefit generally ceases upon death of the retiree or surviving spouse. The actuarially-determined contributions (ADC) for the fiscal years ended June 30, 2019 and 2018, were \$2.84 million and \$2.67

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

million, respectively, based on the June 30, 2017 actuarial valuations. The actual contributions for the years ended June 30, 2019 and 2018 were \$2.8 million and \$2.8 million, respectively.

*Employees Covered by Benefit Terms* – At June 30, 2018, the measurement date, the following numbers of participants were covered by the benefit terms:

	<u>Count</u>
Inactive employees or beneficiaries currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>258</u>
 Total	 <u>384</u>

*Net OPEB Liability* – SCRRA’s net OPEB liability was based on a measurement period of July 1, 2017 through June 30, 2018. The total OPEB liability used as a basis to calculate the net OPEB liability was based on actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018 using standard update procedures.

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.75%
Inflation	2.75% per annum
Salary Increases	Aggregate, 3%; merit, CalPERS 1997-2015 Experience Study
Investment Rate of Return	6.75%
Mortality Rate Table	The mortality table was developed based on CalPERS’ specific data and the CalPERS 2017 Experience Study. 15 years of mortality projection using 90 percent of Scale MP 2016 was built into the recommended rates to be consistent with findings from analysis of prost retirement mortality that demonstrated 15 years of mortality equivalent to fully generational mortality table.
Healthcare Cost Trends:	
Non-Medicare Cost Trend	7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
Medicare Cost Trend	6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.



**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

Expected Long-Term Rate of Return – CALPERS’ expected rate of return based on Strategy 1 is shown below:

<u>Asset class component</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Public Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed long-term rate of inflation		2.75%
Assumed long term investment expenses		n/a
Expected long-term rate of return, rounded		6.75%
Discount rate		6.75%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. The SCRRA Retiree Healthcare Plan is a funded plan because of its participation in the CalPERS California Employers’ Retiree Benefit Trust (CERBT), a Section 115 trust fund dedicated to prefunding other postemployment benefits for all eligible California public agencies. SCRRA’s plan constitutes a portion of the CERBT.

A schedule of changes in Net OPEB Liability for the period ended June 30, 2019, is presented below (in thousands):

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability/(Asset)</u>
<b>Balance as of June 30, 2018</b>	<b>\$ 24,265</b>	<b>\$ 6,769</b>	<b>\$ 17,496</b>
<b>Changes during the year:</b>			
Service cost	1,375	-	1,375
Interest on total OPEB liability	1,696	-	1,696
Contributions – employer*	-	1,045	(1,045)
Contributions – employees	-	-	-
Net investment income	-	539	(539)
Benefit payments and refunds*	(1,045)	(1,045)	-
Administrative expense	-	(13)	13
<b>Net changes</b>	<b>2,026</b>	<b>526</b>	<b>1,500</b>
<b>Balance as of June 30, 2019</b>	<b>\$ 26,291</b>	<b>\$ 7,295</b>	<b>\$ 18,996</b>

\* Includes \$1.1 million contribution to the trust, and consisting of \$0.9 million cash benefit payments and \$0.2 million implied subsidy benefit payments (both paid outside of the trust).

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Notes to Basic Financial Statements

For the years ended June 30, 2019 and 2018

Sensitivity of Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following present the net OPEB liability of SCRRA, as well as what SCRRA’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

Discount rate 1% lower	5.75%
Net OPEB Liability	\$ 22,602
<b>Current discount rate</b>	<b>6.75%</b>
Net OPEB Liability	<b>\$ 18,996</b>
Discount rate 1% higher	7.75%
Net OPEB Liability	\$ 16,023

The following presents the net OPEB liability of SCRRA, as well as what SCRRA’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate (in thousands):

Healthcare cost trend rate 1% lower	
Net OPEB Liability	\$ 15,801
<b>Current healthcare cost trend rate</b>	
Net OPEB Liability	<b>\$ 18,996</b>
Healthcare cost trend rate 1% higher	
Net OPEB Liability	\$ 22,890

OPEB Expense – For the year ended June 30, 2019 and 2018, SCRRA recognized an OPEB expense of \$2.6 million and \$2.5 million, respectively.

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ -	\$ (139)
Employer contributions made subsequent to measurement date	<u>2,789</u>	<u>-</u>
Total	<u>\$ 2,789</u>	<u>\$ (139)</u>

Measurement Period Ending <u>June 30</u>	Deferred Outflows/(Inflows) of <u>Resources</u>
2020	\$ (40)
2021	(40)
2022	(41)
2023	(18)
2024	-
Thereafter	-

OPEB fiduciary Net Position – Detailed information about the OPEB plan fiduciary net position is available in the separately issued CALPERS financial reports.

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Notes to Basic Financial Statements  
For the years ended June 30, 2019 and 2018

### **12. COMMITMENTS AND CONTINGENCIES**

Litigation – SCRRA is a defendant in various lawsuits. Although the ultimate outcome of each lawsuit is not presently determinable, in the opinion of SCRRA’s legal counsel, the resolution of these matters will not have a material adverse effect on SCRRA’s financial condition.

Grant Adjustments – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although SCRRA expects such amounts, if any, to be immaterial.

Service and Maintenance Agreements – SCRRA’s operator services are provided by National Railroad Passenger Corporation (Amtrak). The current agreement expires June 2020.

SCRRA’s rolling stock is maintained through the use of an equipment maintenance agreement with an independent contractor (Bombardier, Inc.). The eight-year agreement awarded to Bombardier, Inc., expires June 2025.

SCRRA maintains infrastructure through various maintenance agreements with independent contractors. The track and structures are maintained under an agreement with Veolia Transportation Maintenance and Infrastructure, Inc. (VTMI), which expires June 2020. Communications and signals are maintained under an agreement with Mass Electric Communications, which expires June 2020.

Tier 4 clean air locomotives – SCRRA is under contract to purchase 40 Tier 4 locomotives at a cost of approximately \$252.0 million through FY20.

### **13. RELATED PARTY TRANSACTIONS**

Member Agencies under the Joint Powers Agreement (LACMTA, OCTA, VCTC, RCTC, and SBCTA) contribute operating subsidies to SCRRA. SCRRA’s independent governing Board consists of 11 members appointed by the Member Agencies (see note 3).

The operating subsidies invoiced by SCRRA for the years ended June 30, 2019 and 2018, were \$133.9 million and \$124.7 million, respectively. Self-insurance reserve subsidies invoiced by SCRRA for the years ended June 30, 2019 and 2018, were \$16.6 million and \$17.6 million, respectively. Capital subsidies invoiced by SCRRA for the years ended June 30, 2019 and 2018, were \$2.7million and \$1.9 million, respectively.

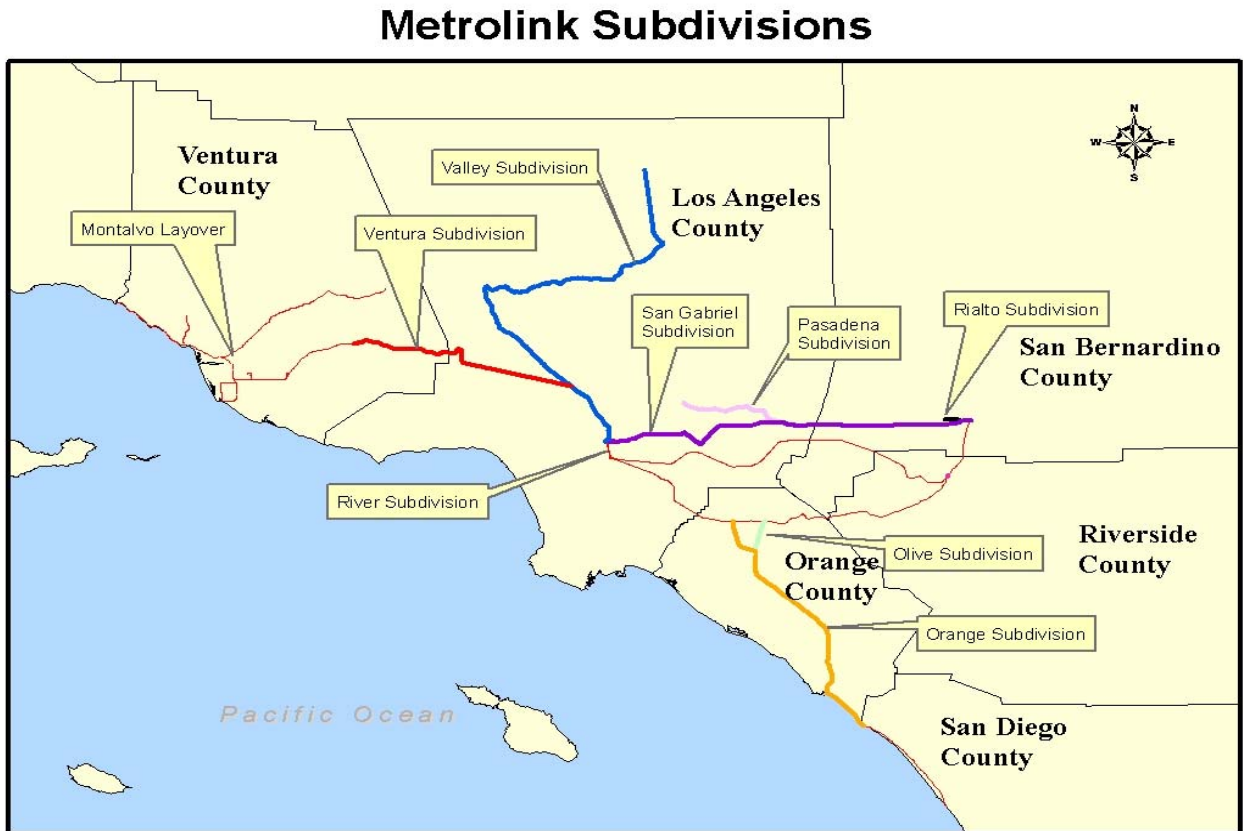
# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

## 1. THE METROLINK RAILROAD NETWORK

GASB 34 defines and distinguishes infrastructure assets as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. As part of the Joint Exercise of Powers Agreement (JPA), the Member Agencies acquired the rail network in existence at the time of the JPA for use in Metrolink commuter rail operations. This railroad network is not included as part of Metrolink's railroad network capital assets. The Member Agencies retain title and ownership to those assets. As part of the JPA, Metrolink is responsible for the related maintenance and operation of members' assets and rail right-of-way used in operations. In addition, certain members retain responsibility to maintain non-operating segments of their railroad network. Metrolink's infrastructure consists of capital assets created as a result of new capital construction and major capital improvement projects, and includes 538 miles of track, 893 bridges and tunnels, and 695 signal and communication devices. The service area for this network covers approximately 2,300 square miles with a population of more than 18 million.

As shown below, the Metrolink railroad network expands over a six-county Southern California area:



## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

### ***A. Modified Approach for Infrastructure***

Southern California Regional Rail Authority's (SCRRA) has elected to use the modified approach in reporting its Metrolink railroad network. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met. *First*, the government manages the eligible infrastructure assets using an asset management system that has the following characteristics:

- Have an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets every three years and summarize the results using a measurement scale
- Estimate each year the annual amount necessary to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government

*Second*, the government must document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

The condition of the railroad network is measured using the SCRRA Railroad Management System Assessment. The networks and subsystems are track, structures, bridges, tunnels, signals, and communications.

### ***B. Condition Assessment Data***

Governmental accounting standards require that a condition assessment be performed on all infrastructure assets every three years. As an approved alternative to conducting a system-wide assessment every three years, SCRRA has chosen to create a Metrolink Rehabilitation Plan (MRP) that thoroughly assesses the condition of SCRRA's key infrastructure assets. The MRP provides a "boots on the ground" approach to the scope and associated costs for both the current backlog and annual costs required to keep the railroad infrastructure at a state of good repair.

### ***C. Basis for Condition Measurement and Measurement Scale***

The SCRRA Board adopted the SCRRA Transit Asset Management Plan (TAM Plan) in 2016 with the following overarching goal; "To ensure that a transit agency's assets are maintained and operated in a consistent, measurable state of good repair. The TAM Plan provides guideposts by which an agency can track progress toward a mature, data driven asset management system. During 2018, Metrolink also introduced the Metrolink Rehabilitation Plan (MRP) which is an element of the TAM Plan to better define infrastructure rehabilitation needs.

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

A team of SCRRA staff and consultants completed a yearlong comprehensive analysis to thoroughly assess the condition of SCRRA's infrastructure assets. These assessments were compiled and documented in the MRP. Based on these assessments within the MRP, the team was able to determine when these assets must be rehabilitated or replaced to support safe, reliable, high-quality and efficient services across SCRRA's rail network.

The MRP is the first report commissioned by SCRRA's engineering department to thoroughly assess the condition of SCRRA's key infrastructure components. This plan focuses on structures, tracks, systems and maintenance vehicles, rolling stock, and facilities. It provides recommendations for the rehabilitation efforts required to ensure safe and reliable operation. SCRRA's major infrastructure assets include: Bridges, Tunnels, Culverts, Track, Turnouts, Grade Crossings, Non-revenue Maintenance of Way (MOW) Vehicles, Signal Control Points, Intermediate Signals, Stations, Communication Sites with Positive Train Control (PTC) Antennas, Train Control Centers with Computer-aided Dispatch/PTC, Maintenance Facilities, Pomona Campus Facilities, Layover Yards, Locomotives, and Passenger Cars.

At the direction of SCRRA, infrastructure rehabilitation work was broadly organized into the following rehabilitation categories:

**Backlog** – This rehabilitation category covers a wide range of deferred rehabilitation on assets that are currently obsolete, exceed the age of useful life or a condition assessment indicates is due for rehabilitation. The risks for continuing to defer backlog work are significant and could result in failure.

**State of Good Repair** – This rehabilitation category indicates the recommended level of normalized annual rehabilitation budgeting required to maintain the railroad in a state of good repair. An asset under State of Good Repair is able to perform its manufacture design function, not pose an unacceptable identified safety risk, and its life cycle investment needs are met.

**Special Projects** – In addition to backlog and annual rehabilitation expenditures, there's also special rehabilitation projects that are needed in order to keep assets in state of good repair. This includes future rolling stock procurements to replace current fleet, converting current locomotives to be low emissions compliant, major passenger car overhauls to extend the useful life, and large bridge and tunnel projects. These special projects are typically significant one-time expenditures.

The key findings of the MRP include the condition and cost estimates for existing infrastructure Backlog, recommended State of Good Repair, and Special Projects. SCRRA's MRP outlines four general approaches to estimating backlogs and state of good repair needs: (1) age, (2) condition, (3) performance, and (4) comprehensive assessment (age, condition, and performance).

Based on these four approaches, SCRRA was able to prioritize reinvestment and rehabilitation needs by tiers. Tier 1 as the highest priority, Tier 2, and Tier 3 as the lowest priority. Guideways and Bridges, Trackwork and Ballasts, PTC and Roadway Crossings have been designated as Tier 1 needs for the first draft of the MRP.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

***D. Estimated Maintenance and Preservation Costs***

To ensure consistency in reporting, effective 2012, management prepared a five-year strategic capital program plan to more discretely identify the minimum annual costs required to maintain or preserve its infrastructure assets.

The estimated and actual annual amounts of infrastructure maintenance and preservation costs needed to achieve the minimum railroad condition index standard, which include maintenance-of-way, rehabilitation, and renovation capital expenses, for the past 5 years are as follows (in thousands):

Year Ended <u>June 30</u>	Estimated <u>Amount</u>	Actual <u>Amount</u>
2019	\$62,800	\$35,529
2018	56,600	86,888
2017	67,643	55,817
2016	94,982	59,092
2015	73,220	45,681

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

**2. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Following is a schedule of changes in net pension liability (in thousands) and related ratios:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 3,380	\$ 3,461	\$ 2,990	\$ 2,930	\$ 2,687
Interest on total pension liability	4,958	4,563	4,233	3,904	3,572
Difference between expected and actual experience	531	(771)	(559)	(218)	-
Change in assumptions	(586)	3,938	-	(994)	-
Change in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,582)	(2,228)	(2,071)	(1,895)	(1,633)
<b>Net change in total pension liability</b>	5,701	8,963	4,593	3,727	4,626
<b>Total pension liability, beginning</b>	<u>68,999</u>	<u>60,036</u>	<u>55,443</u>	<u>51,716</u>	<u>47,090</u>
<b>Total pension liability, ending (a)</b>	<u>\$ 74,700</u>	<u>\$ 68,999</u>	<u>\$ 60,036</u>	<u>\$ 55,443</u>	<u>\$ 51,716</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	2,370	2,268	2,084	1,807	1,674
Contributions – employee	1,691	1,650	1,445	1,338	1,262
Net investment income	4,957	5,726	245	1,039	6,747
Benefit payments	(2,582)	(2,229)	(2,071)	(1,895)	(1,633)
Administrative expense	(259)	(74)	(29)	(54)	-
<b>Net change in plan fiduciary net position</b>	6,177	7,341	1,674	2,235	8,050
<b>Plan fiduciary net position, beginning</b>	<u>57,226</u>	<u>49,885</u>	<u>48,211</u>	<u>45,976</u>	<u>37,926</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 63,403</u>	<u>\$ 57,226</u>	<u>\$ 49,885</u>	<u>\$ 48,211</u>	<u>\$ 45,976</u>
<b>Net pension liability, ending (a) – (b)</b>	<u>\$ 11,298</u>	<u>\$ 11,773</u>	<u>\$ 10,151</u>	<u>\$ 7,232</u>	<u>\$ 5,740</u>
Plan fiduciary net position as a percentage of total pension liability	84.88%	82.94%	83.09%	86.96%	88.90%
Covered payroll	\$ 22,149	\$ 20,506	\$ 19,658	\$ 17,547	\$ 17,036
Net pension liability as a percentage of covered payroll	51.01%	57.41%	51.64%	41.22%	33.69%

*Benefit changes* – The amounts above do not include any liability impact that may have resulted from plan changes that occurred after June 30, 2016. This applies for voluntary benefit changes, as well as any offers of Two Years Additional Service Credits (a.k.a. Golden Handshakes).

*Change in assumptions* – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.65% used for the June 30, 2015 measurement date (for use in FY 2016) is without reduction of pension plan administrative expense. There were no changes in the rate for the June 30, 2016 measurement date (for use in FY 2017). The



**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

discount rate of 7.15% was used for the June 30, 2017 measurement date (for use in FY 2018). In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate (for use in FY 2019).

Because GASB Statement No. 68 was implemented in FY 2015, it is not possible to present a 10-year comparison of changes in net pension liability and related ratios.

**3. SCHEDULE OF PENSION CONTRIBUTIONS**

Following is a schedule of contributions (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially-determined employer contribution	\$ 2,300	\$ 1,884	\$ 2,084	\$ 1,806	\$ 1,674
Contributions in relation to the actuarially-determined contributions	<u>(2,300)</u>	<u>(1,884)</u>	<u>(2,084)</u>	<u>(1,806)</u>	<u>(1,674)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 25,314	\$ 22,149	\$ 20,505	\$ 19,658	\$ 17,546
Contributions as a percentage of covered payroll	9.09%	8.51%	10.16%	9.19%	9.54%

The actuarial methods and assumptions used to set the actuarially-determined contributions for fiscal year ended June 30, 2019 were from the June 30, 2016 actuarial valuation.

Information about that valuation is presented below:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age normal, level percentage of payroll
Amortization Method	Level percent of payroll
Remaining Amortization Period	20 years remaining for 2017/18
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	7.65%
General Inflation	2.75%
Retirement Age	Probabilities of retirement are based on the CalPERS Experience study for the period from 1997 to 2011
Mortality Rate Table	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**4. SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, SCRRA will present information for available years.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

A schedule of changes in total OPEB liability is presented below (in thousands):

	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,375	\$ 1,336
Interest	1,696	1,565
Difference between actual and expected experience	-	-
Assumption changes	-	-
Benefit payments, including refunds	(1,045)	(973)
Changes in benefit terms	<u>-</u>	<u>-</u>
Net Changes	<u>2,026</u>	<u>1,928</u>
Total OPEB liability, beginning of year	<u>\$ 24,265</u>	<u>\$ 22,337</u>
Total OPEB liability, end of year	<u>\$ 26,291</u>	<u>\$ 24,265</u>

A schedule of changes in plan fiduciary net position is presented below (in thousands):

	<u>2019</u>	<u>2018</u>
Contributions – employer	\$ 1,045	\$ 2,590
Contributions - employee	-	-
Net investment income	539	490
Benefit payments, including refunds	(1,045)	(973)
Administrative expenses	(13)	(3)
Other changes	<u>-</u>	<u>-</u>
Net Changes	<u>526</u>	<u>2,104</u>
Plan Fiduciary Net Position, beginning of year	<u>\$ 6,769</u>	<u>\$ 4,665</u>
Plan Fiduciary Net Position, end of year	<u>\$ 7,295</u>	<u>\$ 6,769</u>

Net OPEB Liability	<u>2019</u>	<u>2018</u>
	\$ 18,996	\$ 17,496
Fiduciary Net Position as a percentage of the Total OPEB Liability	27.7%	27.9%
Covered Employee Payroll*	\$ 24,746	\$ 23,691
Net OPEB Liability as a percentage of Covered Employee Payroll	76.8%	73.9%

\*Determined for the 12-month period ended June 30, 2018 (Measurement Date)

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Required Supplementary Information  
For the years ended June 30, 2019 and 2018

**5. SCHEDULE OF OPEB CONTRIBUTIONS**

Following is a schedule of employer contributions (in thousands):

	<u>2019</u>	<u>2018</u>
Actuarially-determined employer contribution	\$ 2,838	\$ 2,674
Contributions in relation to the actuarially-determined contributions	<u>(2,789)</u>	<u>(2,784)</u>
Contribution deficiency (excess)	<u>\$ 49</u>	<u>\$ (110)</u>
Covered employee payroll**	\$ 29,754	\$ 24,746
Contributions as a percentage of covered payroll	9.37%	11.25%

\*\*For the 12-month period ending on June 30, 2019 (fiscal year end).

The actuarial methods and assumptions used to set the actuarially determined contributions for the June 30, 2018 measurement date were from the June 30, 2017 actuarial valuation. Information about that valuation is presented below:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percentage of payroll
Amortization Method	Level percent of payroll
Amortization Period	19 year fixed period for 2018/19
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years. Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
Mortality Improvement	Mortality projection Scale MP-2017, modified to converge to ultimate rates in 2022.

Because GASB statement No. 75 was implemented in FY 2018, it is not possible to present a 10-year comparison of changes in net OPEB liability and related ratios.

*This page intentionally left blank*



**STATISTICAL**



**METROLINK®**

*This page intentionally left blank*

# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

## Statistical Section Overview

This section of the Southern California Regional Rail Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority’s overall financial health.

<b>Contents</b>	<b>Page</b>
<b>FINANCIAL TRENDS</b>	
These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.	58
<b>REVENUE CAPACITY</b>	
These schedules contain information to help the reader assess the Authority’s most significant revenue sources, capital contributions, fares, and member operating subsidies.	59
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	
This schedule offers demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place.	63
<b>OPERATING INFORMATION</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.	64

**Changes in Net Position Net Positions by Component and Percentages of Operating Costs Covered by Revenues  
Last Ten Fiscal Years**

(Dollar amounts in thousands)

	YEARS ENDED JUNE 30									
	2019*	2018*	2017*	2016*	2015*	2014*	2013*	2012*	2011	2010
Change in net position/net assets:										
Net position/net assets at beginning of year	\$ 1,371,421	\$ 1,387,960	\$ 1,382,143	\$ 1,363,761	\$ 1,362,880	\$ 1,315,972	\$ 1,240,785	\$ 1,122,909	\$ 1,003,971	\$ 883,540
Increase in net position/net assets	(13,217)	(16,539)	5,817	18,382	881	46,908	75,187	117,876	118,938	120,431
Net position/net assets at end of year	<u>\$ 1,358,204</u>	<u>\$ 1,371,421</u>	<u>\$ 1,387,960</u>	<u>\$ 1,382,143</u>	<u>\$ 1,363,761</u>	<u>\$ 1,362,880</u>	<u>\$ 1,315,972</u>	<u>\$ 1,240,785</u>	<u>\$ 1,122,909</u>	<u>\$ 1,003,971</u>
Net position/net assets by component:										
Net investment in capital assets	\$ 1,344,154	\$ 1,349,335	\$ 1,368,157	\$ 1,370,625	\$ 1,338,723	\$ 1,336,221	\$ 1,293,357	\$ 1,183,590	\$ 1,084,887	970,148
Unrestricted	14,050	22,086	19,803	11,518	25,038	26,659	22,615	57,195	38,022	33,823
% of operating costs covered by revenues and operating grants. Operating costs are net of depreciation, gas tax, third-party agreements, rehabilitation and renovation-capital and rolling stock lease.	41.29%	43.20%	42.65%	44.80%	48.41%	52.32%	52.49%	56.54%	56.87%	57.97%

\* Net assets replaced with net position as a result of GASB 63 implementation in fiscal year 2012-2013



**Statement of Revenues, Expenses, and Changes in Net Position**

**Last Ten Fiscal Years**  
(Dollar amounts in thousands)

	YEARS ENDED JUNE 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Operating revenues:</b>										
Fares	\$ 82,157	\$ 82,676	\$ 83,398	\$ 84,506	\$ 83,111	\$ 85,673	\$ 84,360	\$ 79,986	\$ 74,171	\$ 69,343
Dispatching	2,155	2,144	2,078	2,194	2,516	2,488	2,598	2,957	3,079	3,071
Third-party agreements	30,208	22,641	17,503	26,951	21,355	26,676	28,630	26,548	11,183	20,642
Maintenance of way revenues	13,030	12,792	12,387	12,437	12,991	11,726	14,299	13,432	12,902	11,875
Gas tax revenue	-	-	-	-	-	1,684	10,101	10,235	10,300	8,484
Public liability and property damage recovery	2,566	4,210	5	576	3,183	3,164	40	32	76	82
Interest and other income	734	194	303	568	2,172	393	352	375	368	823
<b>Total operating revenues</b>	<b>\$ 130,850</b>	<b>\$ 124,657</b>	<b>\$ 115,674</b>	<b>\$ 127,232</b>	<b>\$ 125,328</b>	<b>\$ 131,804</b>	<b>\$ 140,380</b>	<b>\$ 133,565</b>	<b>\$ 112,079</b>	<b>\$ 114,320</b>
<b>Nonoperating revenues:</b>										
Member agency operating subsidies	\$ 116,740	\$ 124,737	\$ 112,711	\$ 111,264	\$ 94,632	\$ 80,972	\$ 71,503	\$ 59,080	\$ 59,151	\$ 57,446
Member agency self insurance reserve	\$ 16,629	\$ 17,663	\$ 16,787	\$ 15,909	\$ 15,625	\$ 16,273	\$ 18,066	\$ 17,850	\$ 19,612	\$ 21,217
Insurance recoveries	-	-	-	-	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-	-	-	-	-
Net gain (loss) on disposal of capital assets	(446)	(8,330)	16	(256)	(1,895)	(603)	-	-	127	-
Interest and other income	247	(30)	3,117	(144)	727	1,771	1,202	1,068	1,285	2,512
<b>Total nonoperating revenues</b>	<b>\$ 133,170</b>	<b>\$ 134,040</b>	<b>\$ 132,631</b>	<b>\$ 126,773</b>	<b>\$ 109,089</b>	<b>\$ 98,413</b>	<b>\$ 90,771</b>	<b>\$ 77,998</b>	<b>\$ 80,175</b>	<b>\$ 81,175</b>
<b>Capital grants and subsidies</b>	<b>\$ 89,599</b>	<b>\$ 82,311</b>	<b>\$ 71,836</b>	<b>\$ 82,270</b>	<b>\$ 56,485</b>	<b>\$ 86,203</b>	<b>\$ 119,722</b>	<b>\$ 173,476</b>	<b>\$ 199,238</b>	<b>\$ 188,336</b>
<b>Operating expenses:</b>										
Train operations and support	\$ 186,965	\$ 169,131	\$ 175,618	\$ 172,310	\$ 158,796	\$ 151,575	\$ 147,556	\$ 129,860	\$ 120,297	\$ 115,248
Maintenance of way	44,072	43,172	38,596	39,558	34,230	29,867	29,313	24,127	30,687	24,289
Rehabilitation and renovation - capital	33,694	39,598	20,815	25,406	23,236	11,782	11,214	34,282	66,941	57,209
Gas tax expense	-	-	-	-	-	1,684	10,101	10,235	10,300	8,484
Third-party agreements	27,136	24,508	19,602	24,864	19,031	26,607	29,779	26,561	11,460	19,345
Insurance and liability claims	8,264	13,641	12,215	10,311	19,142	15,100	15,050	17,520	12,826	19,263
Public liability and property damage	4,457	10,205	3,775	1,686	2,600	1,173	1,746	1,848	1,466	2,130
Other	9,114	4,009	-	-	-	-	-	-	-	-
Depreciation & amortization	53,134	47,786	43,703	43,758	26,646	31,724	30,927	22,730	18,577	17,432
<b>Total operating expenses*</b>	<b>\$ 366,836</b>	<b>\$ 352,050</b>	<b>\$ 314,324</b>	<b>\$ 317,893</b>	<b>\$ 283,681</b>	<b>\$ 269,512</b>	<b>\$ 275,686</b>	<b>\$ 267,163</b>	<b>\$ 272,554</b>	<b>\$ 263,400</b>
<b>Increase (decrease) in net position</b>	<b>(13,217)</b>	<b>(11,042)</b>	<b>5,817</b>	<b>18,382</b>	<b>7,221</b>	<b>46,908</b>	<b>75,187</b>	<b>117,876</b>	<b>118,938</b>	<b>120,431</b>
<b>Cumulative effect of change in accounting principle**</b>	<b>-</b>	<b>(5,497)</b>	<b>-</b>	<b>-</b>	<b>(6,340)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fares as a percentage of total operating revenues</b>	<b>62.8%</b>	<b>66.3%</b>	<b>72.1%</b>	<b>66.4%</b>	<b>66.3%</b>	<b>65.0%</b>	<b>60.1%</b>	<b>59.9%</b>	<b>66.2%</b>	<b>60.7%</b>

\* In compliance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, capital grants are included as a separate component after nonoperating revenue.

\*\* The cumulative effect of change in accounting principle is due to the implementation of GASB 68 in 2015 and GASB 75 in 2018.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
**Sources of Capital Contributions**

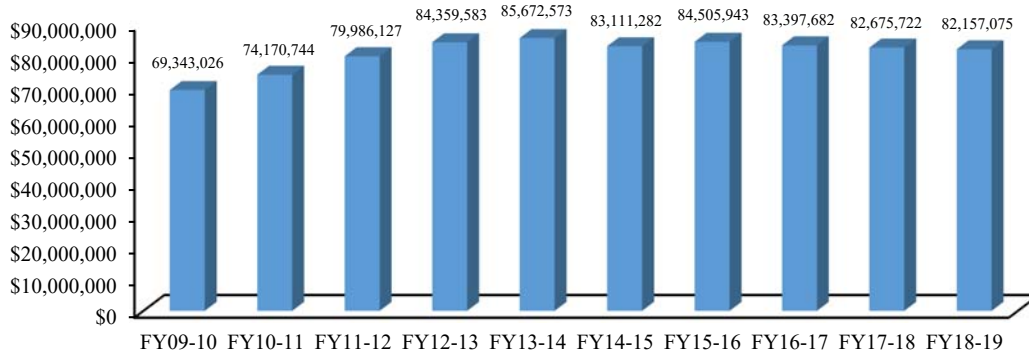
**Last Ten Fiscal Years**  
(Dollar amounts in thousands)

	YEARS ENDED JUNE 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Amtrak	418	-	-	-	-	-	-	-	-	-
FEMA, FHWA	14,774	(80)	80	(57)	3,400	6,518	12,513	4,435	5,389	164
Federal Transit Administration	24,158	26,875	15,758	31,734	15,862	15,700	9,669	26,800	16,968	34,999
State of California	13,836	21,472	37,213	29,997	28,620	43,594	70,046	86,062	40,767	25,674
L.A.C. Metropolitan Transportation Authority	(685)	21,810	16,066	10,264	4,127	14,601	20,442	8,507	16,631	37,597
Orange County Transportation Authority	(155)	961	656	119	1,331	2,495	(579)	41,599	104,915	83,223
Riverside County Transportation Commission	1,152	(31)	368	-	836	162	12,586	40	2,385	177
San Bernardino County Transportation Authority	112	1,677	907	426	631	348	539	1,059	4,161	1,841
Ventura County Transportation Commission	35,989	42	-	(1)	2	-	22	31	311	99
Other capital (CMAQ, AQMD, FRA)		9,585	788	9,788	1,676	2,785	847	4,943	7,711	4,563
<b>Total capital contributions</b>	<b>\$ 89,599</b>	<b>\$ 82,311</b>	<b>\$ 71,836</b>	<b>\$ 82,270</b>	<b>\$ 56,485</b>	<b>\$ 86,203</b>	<b>\$ 126,085</b>	<b>\$ 173,476</b>	<b>\$ 199,238</b>	<b>\$ 188,337</b>

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
Subsidy / Passenger Mile

**PASSENGER FARES: 2009-10 THROUGH 2018-19**

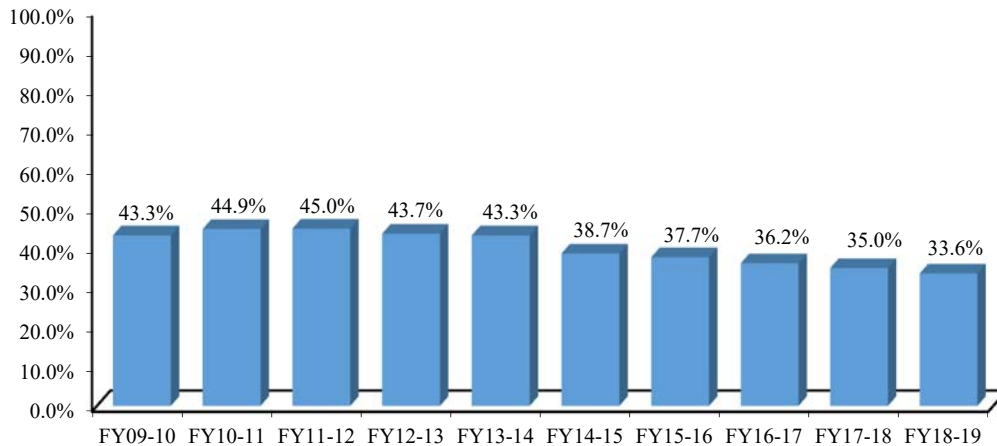
**PASSENGER FARES**



**FAREBOX RECOVERY RATIO: 2009-10 THROUGH 2018-19**

Farebox recovery is a ratio of fare revenue to direct operating expenses (train operations, maintenance-of-way, including extraordinary maintenance, claims and insurance; excludes gas tax exchange funds, rolling stock lease, third-party activity, and depreciation). The decrease in farebox recovery ratio is due to the decrease in passenger fares and increases in direct operating expenses.

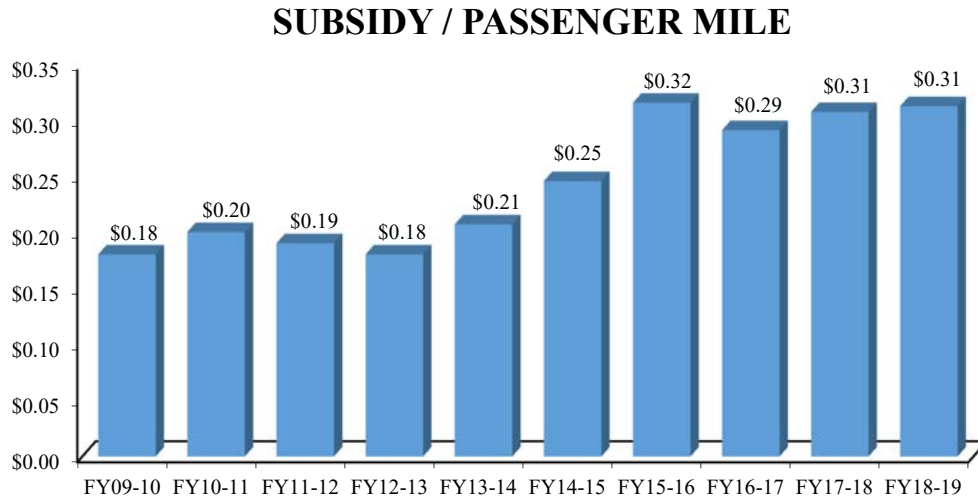
**FAREBOX RECOVERY RATIO**



**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
Subsidy / Passenger Mile

**SUBSIDY/PASSENGER MILE: 2009-10 THROUGH 2018-19**

Subsidy per passenger mile is a measure of public funding provided for each passenger mile of travel.



**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
Demographic and Economic Information

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>YEARS ENDED JUNE 30</b>										
<b>Population for Counties Served</b>										
Los Angeles County	10,105,518	10,118,759	10,120,540	10,097,037	10,048,408	9,998,105	9,938,436	9,876,727	9,822,433	9,787,400
Orange County	3,185,968	3,179,950	3,170,707	3,153,962	3,130,322	3,108,009	3,080,419	3,050,867	3,016,559	2,987,177
Riverside County	2,450,758	2,417,224	2,382,570	2,347,921	2,317,955	2,288,043	2,261,967	2,234,301	2,201,652	2,146,725
San Bernardino County	2,171,603	2,153,203	2,134,174	2,117,311	2,100,776	2,083,871	2,074,195	2,061,040	2,040,910	2,013,960
Ventura County	850,967	850,802	848,921	846,922	842,946	838,601	833,801	830,196	825,130	815,130
<b>Total Population for Counties Served</b>	<b>18,764,814</b>	<b>18,719,938</b>	<b>18,656,912</b>	<b>18,563,153</b>	<b>18,440,407</b>	<b>18,316,629</b>	<b>18,188,818</b>	<b>18,053,131</b>	<b>17,906,684</b>	<b>17,750,392</b>
<b>Unemployment Rates for Counties Served</b>										
Los Angeles County	4.7	4.7	5.2	6.6	8.2	9.8	10.9	12.2	12.5	11.6
Orange County	2.9	3.5	4	4.4	5.5	6.6	7.9	9.1	9.7	8.7
Riverside County	4.4	5.2	6.1	6.7	8.2	9.9	11.6	13.2	13.8	13.1
San Bernardino County	4	4.9	5.7	6.4	8	9.8	11.4	12.9	13.5	12.7
Ventura County	3.8	4.5	5.2	5.6	6.6	7.9	9.1	10.2	10.8	9.6
<b>Average Unemployment Rates for Counties Served</b>	<b>4.0</b>	<b>4.6</b>	<b>5.2</b>	<b>5.9</b>	<b>7.3</b>	<b>8.8</b>	<b>10.2</b>	<b>11.5</b>	<b>12.1</b>	<b>11.1</b>
<b>Per Capita Income for Counties Served</b>										
Los Angeles County	*	58,419	56,851	55,366	52,130	49,010	49,459	46,439	43,569	41,869
Orange County	*	65,400	62,763	61,178	57,110	54,594	55,296	51,469	49,740	46,813
Riverside County	*	39,261	37,827	36,603	34,732	33,383	32,707	32,179	30,685	30,451
San Bernardino County	*	38,816	37,514	36,245	34,218	32,404	31,703	31,051	29,557	29,122
Ventura County	*	59,178	56,846	55,594	52,925	50,363	49,937	48,025	45,885	44,479
<b>Average Per Capita Income for Counties Served</b>	<b>*</b>	<b>52,215</b>	<b>50,360</b>	<b>48,997</b>	<b>46,223</b>	<b>45,951</b>	<b>43,820</b>	<b>41,833</b>	<b>39,887</b>	<b>38,547</b>

\* Estimates for CY 2018 have not been released as of 10/2/2019  
Source: U.S. Census Bureau, U.S. Department of Economic Analysis, U.S. Department of Labor Bureau of Labor Statistics, and SCRRRA's Fact Sheet

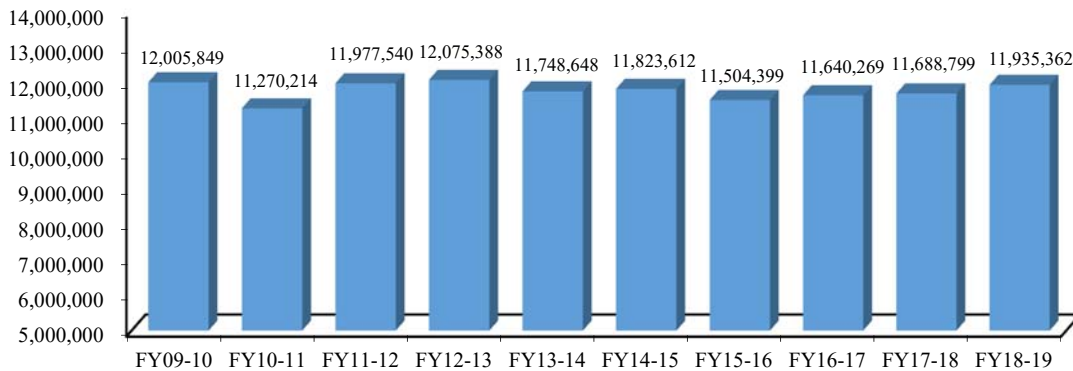
**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
Ridership, Annual and Average Weekday

**RIDERSHIP: 2009-10 THROUGH 2018-19**

During twenty-six years of Metrolink operations, ridership grew steadily with slight declines in FY 2007 and FY 2008 through FY 2011. In FY 2008, record fuel prices helped drive a significant increase in ridership. During the latter part of FY 2008 through FY 2011, ridership steadily declined, due in large part to the continued weakened economic conditions in the Southern California region as well as nationwide.

The following charts show the number of passengers carried for each of the last ten fiscal years and the average weekday ridership, based on unaudited conductor counts.

**ANNUAL RIDERSHIP**



**AVERAGE WEEKDAY RIDERSHIP**

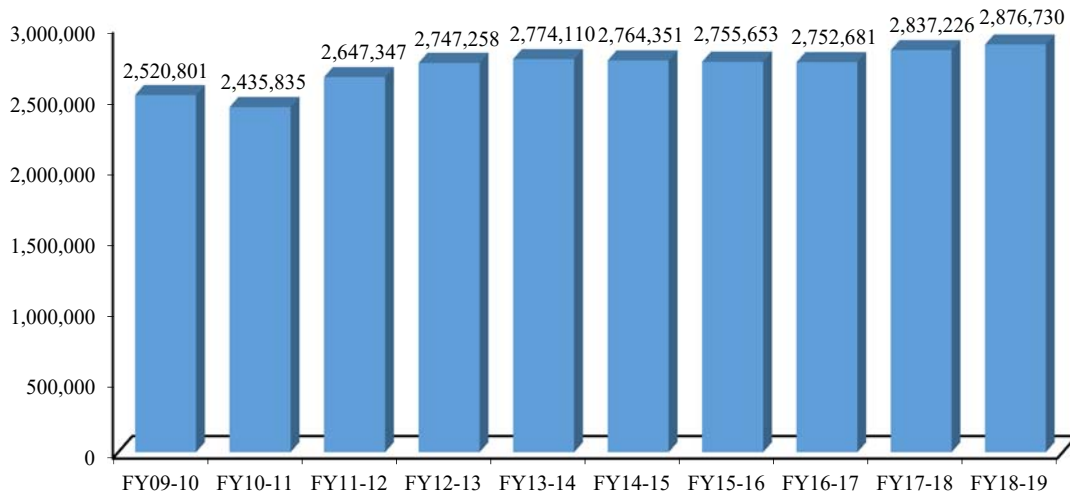


**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
Total Train Miles

**TOTAL TRAIN MILES: 2009-10 THROUGH 2018-19**

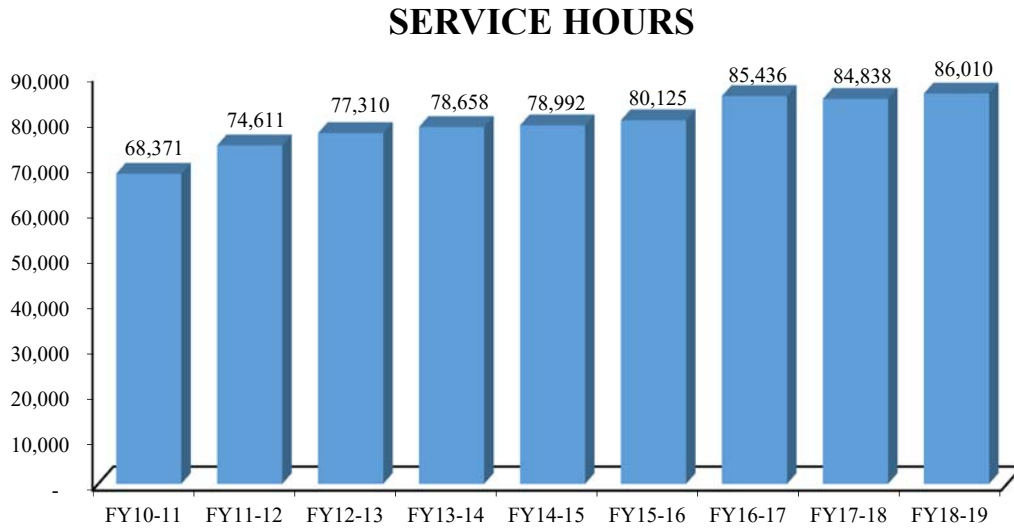
Until FY 2010, total train miles realized annual yearly increases due to additions of new trains, routes, and train schedules, as well as modifications to existing schedules. These modifications have enhanced overall service and efficiency. Several additional emergency services were started after the Northridge earthquake and many have been retained. In May 2002, the 91 Line was opened, linking Riverside, Fullerton, and downtown Los Angeles. In addition to the 91 Line, additional trains and extended service (including new weekend service) were added to the Antelope Valley line and San Bernardino line. As a result of the decline in ridership and increased operating costs, weekend service was reduced on the Inland Empire Orange County (IEOC) and Orange County lines.

**TOTAL TRAIN MILES**

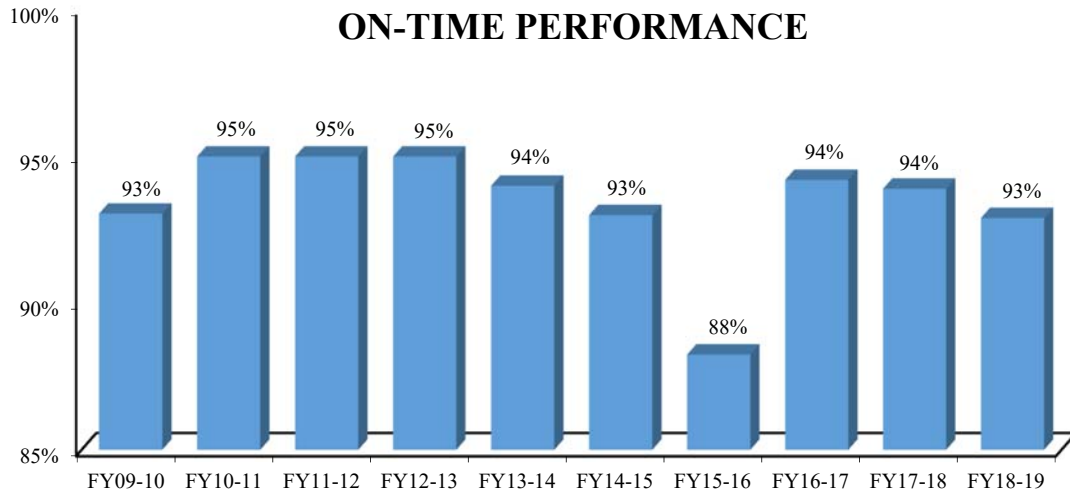


**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
Service Hours and On-Time Performance

**SERVICE HOURS: 2009-10 THROUGH 2018-19**



**ON-TIME PERFORMANCE: 2009-10 THROUGH 2018-19**





# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

## Miscellaneous Statistics

June 30, 2019

(Dollar Amounts in Thousands)

<b>Date of Formation</b>	August 1991	
<b>Form of Government</b>	Joint Powers Authority	
<b>Purpose</b>	To plan, design, construct and administer the operation of regional passenger rail lines.	
<b>Member Agencies</b>	Los Angeles County Metropolitan Transportation Authority Orange County Transportation Authority Riverside County Transportation Commission San Bernardino County Transportation Authority Ventura County Transportation Commission	
<b>Counties Served</b>	Los Angeles County Orange County Riverside County San Bernardino County Northern San Diego County Ventura County	
<b>Fleet and Other Infrastructure</b>	Locomotives	62
	Passenger Cars	258
	Ticket Vending Machines	129
	Public At-Grade Crossings	281
	Pedestrian At-Grade Crossings	111
	Undergrade Crossings	98
	Overgrade Crossings	156
<b>2019-20 Operating Budget</b>	Operations	\$214,729
	Maintenance-of-Way	<u>48,140</u>
	Total	\$262,869






Source: SCRRRA's FY19 Q3 Fact Sheet and FY20 Operating Budget

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**  
Ticket Categories

A variety of tickets and passes are available for Metrolink passengers. The type of ticket best suited for you will depend on how often you plan to ride Metrolink. All tickets are good for a free transfer from Metrolink to participating, directly connecting transit.

Round-Trip Tickets, 7-Day Passes, and Monthly Passes offer increasing discounts off the One-Way price.

**TYPES OF TICKETS**

 <p><b>One-Way Ticket</b> Valid for a single one-way trip from the origin station to the destination station. Trip must begin on the date and prior to the expiration time printed on the ticket. Expiration time is three hours from the time of purchase.</p>	 <p><b>Round-Trip Ticket</b> Valid for a round-trip on the same day between the origin and destination stations. Travel must begin within three hours from time of purchase and end that same day.</p>	 <p><b>7-Day Pass</b> Valid for unlimited travel during a consecutive seven-day period between station pairs, starting on the day the pass is purchased.</p>	 <p><b>Monthly Pass</b> Valid for unlimited travel between the origin and destination stations during the calendar month printed on the pass. Monthly Passes are sold from the 25th of the prior month, to the 14th of the current month.</p>	 <p><b>Weekend Day Pass</b> Valid for unlimited, system-wide travel either Saturday or Sunday. The \$10 Weekend Day Pass is only available on Saturday or Sunday.</p>
--	--	---	--	--

**Multi-Line Ticket Option**  
Some Metrolink tickets and Monthly Passes can be used on more than one line. This gives people who live or work near stations on two different lines more trains to choose from.

- Monthly Passes and tickets on the San Bernardino and Riverside Lines can be used to travel on either line (between stations of equal or lesser distance)
- Monthly Passes and tickets on the Riverside, 91, and Inland Empire-Orange County Lines can be used for travel on any of three lines (Between stations of equal or lesser distance, as long as the origin or destination station is in Riverside or San Bernardino County).

**Advance Purchase Ticket**  
You can now also buy One-Way or Round-Trip tickets for a future date, up to 1 year in advance. All you need to do is select the Advance Purchase option and choose the date you wish to travel and which ticket type you want. There is one difference between a ticket purchased for same-day travel and an Advance Purchase Ticket: the Advance Purchase Ticket will not have an expiration time printed on it, but it is still valid and can be used at any time on the day you chose to travel.

**TYPES OF FARES**

<p><b>Adult</b> Ages 19 to 64 Weekdays and weekends regular fare</p>	<p><b>Youth</b> Ages 6 to 18 Weekdays-Regular Fare Weekends-25% off One-Way and Round-Trip Tickets excluding Weekend Day Pass</p>	<p><b>Child</b> Ages 5 and under ride free Three children ride free with an adult using a valid ticket-each additional child pays Youth Fare</p>	<p><b>Senior</b> Ages 65 and over 50% off One-Way or Round-Trip Ticket 25% off Monthly/7-Day Pass Please present photo ID with date of birth</p>	<p><b>Disabled</b> 50% of One-Way or Round-Trip, and 25% off Monthly/7-Day Pass Access Services ID Card Holden ride at no cost Please present proof of eligibility upon request-LA County Transit Operators, Association ID, Medical ID, DMV/placard, Personal Care Attendants must have a valid Metrolink PCA card if assisting a person with disability.</p>	<p><b>Students</b> 15% off all Metrolink tickets available through Metrolink</p>	<p><b>School Group Travel</b> Discount fares for groups of 15 or more students, ages 5-18 One adult chaperone required per five children ages 5-13 Reservations required six weeks prior to travel date. Call 800-371-LINK(5465) Limited space available \$3 per person</p>	<p><b>Recreational Group Travel</b> For groups of ten or more people, max 50 Tickets cost \$12 per person, all ages Reservations must be made at least three weeks in advance. Call 800-371-LINK(5465) Limited space available</p>
--	---	--	--	--	--	---	--

*This page intentionally left blank*

# SUPPLEMENTARY INFORMATION (UNAUDITED)



**METROLINK**®

*This page intentionally left blank*

## **SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Supplementary Information (Unaudited)  
For the years ended June 30, 2019 and 2018

### ***UNEARNED REVENUE AND ADVANCES ON CAPITAL PURCHASES***

The SCRRA Member Agencies contribute the funds necessary to carry out its purposes consistent with the Board-adopted budget and cost sharing formula in addition to funds derived from operations and grants. A preliminary budget for the following fiscal year is submitted to Member Agencies by May 1 of each year and the SCRRA Board must adopt the final budget no later than June 30 of each year. Once SCRRA's annual budget is approved by the Board, each Member Agency pays the annual operating subsidy in advance and on a quarterly basis.

An operating surplus indicates that Member Agencies' operating subsidies exceed their share of actual operating revenues earned and expenses incurred by SCRRA during the year. Conversely, an operating deficit indicates that operating subsidies are less than the Member Agencies' share of actual operating revenues earned and expenses incurred by SCRRA; however, an operating deficit does not result to a receivable from Member Agencies. Any operating surplus or deficit remains an unearned revenue, unless otherwise designated by the Member Agencies.

Unearned revenue also includes capital subsidies, which are advances from member agencies for capital-related projects. Capital subsidies are recognized to the extent of expenses incurred. Remaining subsidies are maintained in unearned revenue until such time as expenses are incurred. Also included within unearned revenue activity are Proposition 1B (Prop 1B), California Transit Security Grant Program (CTS GP), California State Transportation Agency State Rail Assistance Program (CalSTA SRA) and Low Carbon Transit Operations Program (LCTOP) funds, which for accounting purposes, are treated in the same manner as previously described. These funds are received through assignment from various Member Agencies or directly to SCRRA as the primary recipient. See the description of Proposition 1B, CTS GP, CalSTA SRA and LCTOP funds following the unearned revenue activity schedule.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Supplementary Information (Unaudited)  
For the years ended June 30, 2019 and 2018

Unearned revenue activity for the years ended June 30, 2018 and 2019, is as follows (in thousands):

	<u>LACMTA</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SBCTA</u>	<u>VCTC</u>	<u>OTHER</u>	<u>TOTAL</u>
<b>Unearned revenue, June 30, 2017</b>	<b>\$ 16,875</b>	<b>\$ 9,830</b>	<b>\$ 2,210</b>	<b>\$ 6,877</b>	<b>\$ 858</b>	<b>\$ 30,969</b>	<b>\$ 67,619</b>
Subsidies invoiced:							
Operating	62,092	23,949	16,363	12,934	9,250	-	124,587
Public liability and property damage	9,418	4,290	1,342	2,026	586	-	17,663
Capital	-	-	-	-	-	30,065	30,065
Federal Subsidies	-	6,000	-	9,000	7,284	-	22,284
Subsidies recognized:							
Operating	(58,352)	(21,116)	(15,774)	(12,157)	(8,535)	-	(115,935)
Public liability and property damage	(10,069)	(4,587)	(1,434)	(2,166)	(627)	-	(18,883)
Capital	(221)	-	-	(190)	45	(20,900)	(21,268)
Other	-	-	-	-	-	(140)	(140)
Federal Subsidies	-	(6,000)	-	(9,000)	(7,284)	-	(22,284)
Operating surplus activity	(3,238)	(24)	(533)	7,133	(675)	-	2,664
Capital surplus activity	(1,132)	(1,149)	24	962	(41)	(485)	(1,822)
Interest allocation	21	-	-	2	2	499	524
Adjustment – FY18 VCTC/LACMTA swap	-	-	-	-	769	-	769
<b>Unearned revenue, June 30, 2018</b>	<b><u>\$ 15,394</u></b>	<b><u>\$ 11,193</u></b>	<b><u>\$ 2,198</u></b>	<b><u>\$ 15,421</u></b>	<b><u>\$ 1,632</u></b>	<b><u>\$ 40,008</u></b>	<b><u>\$ 85,845</u></b>
Subsidies invoiced:							
Operating	66,443	25,478	18,015	14,271	9,713	-	133,920
Public liability and property damage	8,676	3,925	1,645	1,840	543	-	16,629
Capital	-	-	-	-	-	16,032	16,032
Federal Subsidies	-	8,374	-	4,358	7,284	-	20,017
Subsidies recognized:							
Operating	(66,349)	(25,015)	(17,507)	(13,701)	(9,054)	-	(131,626)
Public liability and property damage	(5,908)	(2,673)	(1,120)	(1,253)	(370)	-	(11,324)
Capital	(173)	-	-	-	(17)	(18,904)	(19,094)
Other	-	-	-	-	-	-	-
Federal Subsidies	-	(8,374)	-	(4,358)	(7,284)	-	(20,017)
Operating surplus activity	(2,572)	1,482	(1,663)	(4,761)	(461)	-	(7,975)
Capital surplus activity	342	903	1,511	224	1,151	(777)	3,353
Interest allocation	23	-	-	-	2	1,028	1,053
Adjustment – FY18 VCTC/LACMTA swap	-	-	-	-	1,247	-	1,247
<b>Unearned revenue, June 30, 2019</b>	<b><u>\$ 15,876</u></b>	<b><u>\$ 15,293</u></b>	<b><u>\$ 3,079</u></b>	<b><u>\$ 12,041</u></b>	<b><u>\$ 4,386</u></b>	<b><u>\$ 37,386</u></b>	<b><u>\$ 88,060</u></b>
<b>Unearned revenue component:</b>							
Operating surplus/(deficit)	11,373	4,675	3,002	3,634	832	-	23,516
Preventive maintenance surplus	-	8,374	-	4,358	787	-	13,519
Capital projects and surplus	4,503	2,243	77	4,048	2,767	37,386	51,025
<b>Unearned revenue, June 30, 2019</b>	<b><u>\$ 15,876</u></b>	<b><u>\$ 15,293</u></b>	<b><u>\$ 3,079</u></b>	<b><u>\$ 12,040</u></b>	<b><u>\$ 4,386</u></b>	<b><u>\$ 37,386</u></b>	<b><u>\$ 88,060</u></b>

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Supplementary Information (Unaudited)  
For the years ended June 30, 2019 and 2018

Proposition 1B – The Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) is a part of the State of California’s Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion in general obligations bonds was authorized for issuance, the proceeds of which were deposited into the PTMISEA fund for specified purposes, including grants for transit system safety, security, and disaster response projects. Of this amount, \$3.6 billion was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, or rolling stock procurement, rehabilitation or replacement.

California Transit Security Grant Program (CTSGP)– Senate Bill 88 of the 2007 Statutes appropriates funds from Proposition 1B to the California Transit Security Grant Program maintained by the California Governor’s Office of Emergency Services (Cal OES, formerly CalEMA), to fund grants for eligible purposes. Eligible activities include construction or renovation projects that are designed to enhance the security of public transit stations, tunnels, guideways, elevated structures, or other transit facilities and equipment.

California State Transportation Agency State Rail Assistance Program (CalSTA SRA) – The California State Transportation Agency State Rail Assistance program funds projects that improve rail service for passengers on commuter rail and intercity rail systems in California. Funding for this program comes from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017, which directs a 0.5% portion of new diesel sales tax revenue and allocates half to commuter rail providers and the other half to intercity rail corridors. The majority of program funding is directed by statutory formula to rail operators, with guidelines defining process and timeline for agencies to obtain funding. The SRA Guidelines currently permit commuter operators to apply for a cumulative total of \$10.5 million of funding through FY 2019-2020

Low Carbon Transit Operations Program (LCTOP) – The Low Carbon Transit Operations Program is one of several programs that is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill (SB) 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in the LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities. SB 862 (Statutes of 2014) appropriated \$25 million for LCTOP for FY 2015 and it continuously appropriates 5% of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP beginning in FY 2016.



**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Supplementary Information (Unaudited)  
For the years ended June 30, 2019 and 2018

Proposition 1B (Prop 1B), CTSGP, CalSTA SRA and LCTOP activity during the fiscal years ended June 30, 2019 and 2018, was as follows (in thousands):

	PTMISEA						CalSTA		LCTOP	TOTAL
	LACMTA	OCTA	RCTC	SBCTA	VCTC	SCRRRA	CTSGP	SRA		
<b>Unexpended funds June 30, 2017</b>	<b>\$ 1,173</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 187</b>	<b>\$ 93</b>	<b>\$18,870</b>	<b>\$ 8,687</b>	<b>\$ -</b>	<b>\$ 802</b>	<b>\$ 29,812</b>
Funds collected	-	-	-	-	44	-	13,164	1,607	939	15,754
Costs incurred	(220)	-	-	(189)	-	(5,200)	(1,344)	-	(2)	(6,955)
Interest revenue on unspent funds	21	-	-	2	2	249	220	4	26	524
<b>Unexpended funds, June 30, 2018</b>	<b>974</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>13,919</b>	<b>20,727</b>	<b>1,611</b>	<b>1,765</b>	<b>\$ 39,135</b>
Funds collected	-	-	-	-	-	-	-	4,176	2,029	6,205
Costs incurred	(105)	-	-	-	(16)	(2,235)	(4,371)	(1,215)	(1,328)	(9,270)
Interest revenue on unspent funds	23	-	-	-	3	358	494	88	87	1,053
<b>Unexpended funds, June 30, 2019</b>	<b>892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126</b>	<b>12,042</b>	<b>16,850</b>	<b>4,660</b>	<b>2,553</b>	<b>37,123</b>