SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FISCAL YEARS ENDED JUNE 30 2020 & 2019

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

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METROLINK®

# 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, 2020 and 2019

Prepared by:
Finance Department

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# SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

For Fiscal Years Ended June 30, 2020 and 2019

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# INTRODUCTORY

METROLINK®

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

December 31, 2020

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, 2020, with comparative information for the fiscal year ended June 30, 2019. 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 both to 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). Given 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. SCRRA 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. This report includes the necessary disclosures to allow the reader to understand SCRRA's basic financial activities.

Eide Bailly, LLP (formerly known as Vavrinek Trine, Day & Company), a firm of licensed Certified Public Accountants, had been retained to perform an independent audit of 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, 2020, are free of material misstatements. 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; 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, 2020 are fairly presented in conformity with GAAP. The report of the independent audit is presented as the first component of the financial section within 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, are 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. The schedule details all the federal assistance expended by the recipient during the year and categorized by federal program. The 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 audit.

## 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 a State rail bond measure that passed in November 1990. The measure combined with local resources and other State funds provided the funding to purchase the rail rights-of-way and perform the construction for what was to become the Metrolink system.

In June 1991, following an eight-month cooperative planning effort, the four transportation commissions, 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 consisting of 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, known as Member Agencies, with their respective number of votes consist of 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, providing access to jobs and new housing opportunities, while providing significant benefits to improving the efficiency of the transportation system and improving air quality. SCRRA continues its role as the leader in safety and technology among commuter rail systems in the United States. Metrolink was the first passenger railroad in the nation to complete implementation of Positive Train Control (PTC) technology and submission for federal certification. Metrolink launched mobile ticketing in 2016 and modified its fare system to increase ridership. Also, Metrolink began replacing its aging locomotive fleet with emission-reducing Tier 4 locomotives.

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 travels over 2.8 million miles, and 60% of Metrolink riders travel across county lines. Most notably, Metrolink takes cars off the freeways because 85% of Metrolink riders have an automobile, but choose to take the train, thereby helping to reduce congestion on the region's freeways and improve air quality.

## Economic Condition and Outlook

The start of FY2020 continued the momentum of FY19. System-wide ridership was 1,013,757 (8.3% higher than the previous year) with most lines reporting their best ridership growth in many months. Metrolink was on track to have another banner year of record-breaking ridership. In February 2020, job growth and higher gasoline prices continued to create favorable economic conditions for Metrolink.

On March 11, the World Health Organization declared COVID-19 a pandemic. Metrolink ridership immediately began to decline. With the closing of K-12 schools, followed by the California stay-at-home orders on March 19, our ridership – and related fare revenue – drastically declined precipitously. As a result, service was temporarily reduced by 30% on March 26th. By April, monthly ridership and fare revenue had declined nearly 90% compared to the same month in 2019. Since then ridership has started to slowly recover on all lines. In September 2020 the decline in ticketed ridership had improved to 85% compared to the same month a year ago.

On March 27th, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the House and signed into law by the President. Federal CARES Act funding was available to reimburse operating revenue losses and additional costs incurred for additional personal protective equipment, enhanced cleanliness and social distancing measures implemented to protect the health and safety of our employees and riders. The Metrolink allocation of CARES Act funding was approximately $227 million. This total was based on the Member Agencies appropriation.

SCRRA receives approximately 35% 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. State funding is influenced by statewide economic conditions. The toll of the pandemic in California has been most visible in the labor markets. California's unemployment rate had decreased to 4.2% in June

2019, but jumped to 14.9% by June 2020. Similarly, the unemployment rate in the six counties served by SCRRA had dropped to 3.0% in 2019, but increased to 14.7% by June 2020.

As an essential business, SCRRA has continued to run during this worldwide pandemic, but has been greatly impacted by the decline in ridership which has been as low as 10% at the peak of Governor Newsom's "safer at home" orders. This past April, SCRRA conducted an online COVID-19 Customer Survey that received over 11,000 responses. The majority (71%) of riders during this pandemic are essential workers doing their part to keep Southern California running. Informed by the feedback from the survey, the Metrolink Board adopted a Recovery Plan Framework to guide the agency through the pandemic.

Prior to the COVID-19 pandemic, Metrolink was experiencing record numbers in ridership and the most significant strategic challenge at the time was overcoming Southern California's infamous "car culture" to appeal to the coming generations. The $10 billion Southern California Optimized Rail Expansion (SCORE) Program is set to make strides in providing alternatives to the worst traffic congestion in the world with a series of transformative service recommendations set to reduce greenhouse gas emissions; improve regional system integration through improved transit connectivity; increase rail service capacity; reduce train idling times; improve pedestrian and mobility access; and improve job and mobility benefits to disadvantaged communities.

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 financial 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, for both operating and capital, from our funding partners, each of which face multiple priorities. 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 2019, SCRRA was awarded $10 million in Congestion Mitigation Air Quality (CMAQ) funds from the Federal Transit Administration (FTA) for improvements at the Metrolink Anaheim Canyon station. The project includes construction and management of railroad signals, railroad communications, signage, grade crossings, messaging systems, and Positive Train Control (PTC).

In December 2019, SCRRA received $5.3 million from the FTA in Congestion Mitigation Air Quality (CMAQ) funds for signal work associated with a City of Los Angeles bike path project adjacent to San Fernando Road within the City of Los Angeles, City of Burbank, and in the community of Sun Valley. The project includes signal upgrades of five grade crossings intersecting the bike path located on Metrolink's Valley Subdivision, including related signal design, material procurement, construction/installation of signal systems and equipment, signal maintenance support throughout the project area during construction. The project also includes updates and integration to Metrolink's Positive Train Control (PTC) system.

In December 2019, SCRRA was allocated $500K from the California Transportation Commission (CTC) for construction of the signal respacing at the Anaheim Canyon Station, including a new intermediate signal installation at Lincoln Avenue and a PTC antenna tower installation. This funding is part of an $875.7 million Transit and Intercity Rail Capital Program (TIRCP) grant for the SCORE Program, 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 March 2020, SCRRA received another CTC allocation for $19.8 million, for early construction of Link US for Rail Yard Rehabilitation and Modernization (RYRM) to modernize tracks and signals in the throat segment leading into Los Angeles Union Station (LAUS) ensuring readiness for the later construction stages that reconfigure the passenger rail traffic at LAUS. This will be a stepping stone towards meeting the current and future needs of the traveling public throughout Southern California in addition to a reduction in vehicle miles traveled to reduce greenhouse gas emissions by 51.6 million metric tons.

In March 2020, SCRRA was awarded a $9.9 million grant from the U.S. Department of Transportation in 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 project is set to upgrade the PTC system to handle increased message loads, address performance issues, and support increased security and functionality related to systems management and crossing integration. This will be done by upgrading hardware technology in the Train Management Computer (TMC) and the Wayside System hardware, and developing and deploying Systems Management tools to provide substantial improvements to PTC system performance, reliability, resilience, and security.

At the 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 funding opportunities. 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 capital infrastructure.

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 2021.

## Major Initiatives

During FY 2020, SCRRA achieved a number of significant milestones:

- Significant strides in lowering emissions and increasing performance by retiring the last of the Tier 0 legacy fleet and reducing overall mechanical delays by 47% year over year, mechanical minutes of delay by 51%, and late trains at end point to mechanical failures by 51%.
- Completion of several projects focused on safety and efficiency, including the LA Union Station Canopy rehabilitation, Central Maintenance Facility drainage and redirection, and additional yard lighting at the Eastern Maintenance Facility. Also, the replacement of old diesel trucks with Tier 4 units with vehicles with better fuel economy.
- Technological advancements from the Train Control Systems Department include establishing live

alerts for Positive Train Control (PTC) enforcements on SCRRA territory; completing Phases 1 and 4 of the Security Data Network buildout; completing phase 1 of security enhancements for adding video systems and fencing at selected Metrolink Stations and critical facilities; building a PTC dashboard for performance; expanding interoperable partners to Norfolk Southern and Kansas City Southern; and completing the design for the LAUS Rail Yard Rehabilitation & Modernization project.

- Improved communications and marketing highlighted SCRRA's best efforts and received recognition in several avenues. SCRRA earned an American Public Transportation Association AdWheel Award for Best Marketing & Communications to Highlight Transit Needs/Funding – Social Media; Transportation Research Board's 14th Annual Competition and Call, Communicating Concepts with John and Jane Q. Public selected SCRRA as competition runner-up for: Emerging from a Global Pandemic: Smarter, Better and Essential. And, last, but not least, Metrolink received the Organization of the Year Award for 2019 from the California Transportation Foundation (CTF).
- Metrolink's sustainability efforts include being the first commuter rail system in the nation to operate new locomotives powered by Tier 4 clean technology, which reduces emissions by up to 85% compared to older locomotives. Additionally, Metrolink is currently conducting a study to analyze the future climate risks on Metrolink's systemwide infrastructure and facilities, including those impacts anticipated on surrounding populations and disadvantaged communities.
- Installed new state-of-the-art Ticket Vending Devices that improve accessibility and efficiency.

## 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, 2019. SCRRA published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements. The 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 award.

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, Senior Accountants Jerri Stoyanoff and Alice Oh, Senior Finance Analyst Edison Abrenica, Accountant II Emily Truong, Finance Analyst II Rupa Parameswaran, and Accountant I 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 are vital for the 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,

Arnold Hackett

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|---|---|
| Stephanie N. Wiggins | Arnold Hackett |
| Chief Executive Officer | Interim, Chief Financial Officer |

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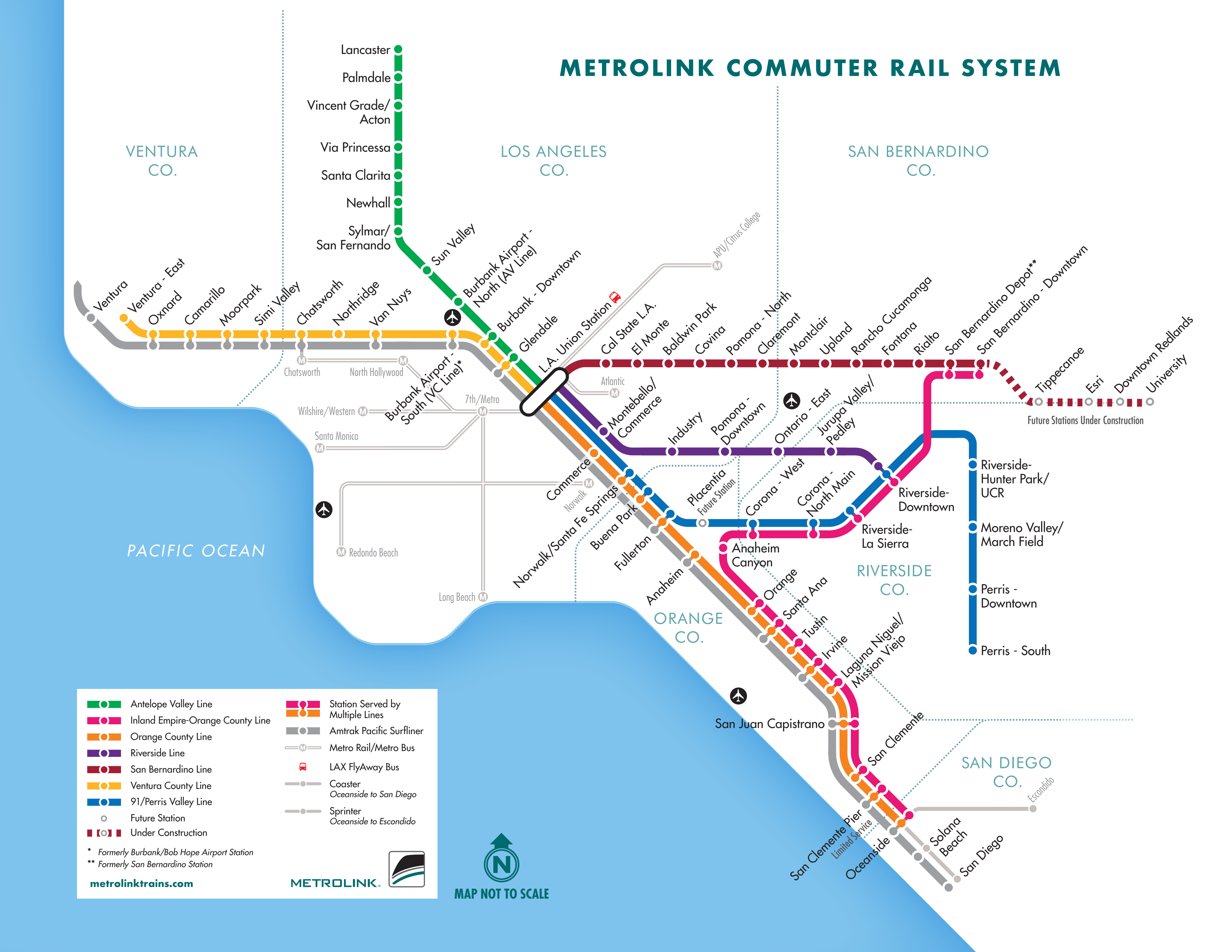

METROLINK COMMUTER RAIL SYSTEM
VENTURA CO.
LOS ANGELES CO.
SAN BERNARDINO CO.
RIVERSIDE CO.
ORANGE CO.
SAN DIEGO CO.
PACIFIC OCEAN
Lancaster
Palmdale
Vincent Grade/ Acton
Via Princessa
Santa Clarita
Newhall
Sylmar/ San Fernando
Sun Valley
Burbank Airport - North (AV Line)
Burbank - Downtown
Glendale
L.A. Union Station
Ventura
Ventura - East
Oxnard
Camarillo
Moorpark
Simi Valley
Chatsworth
Northridge
Van Nuys
Burbank Airport - South (VC Line)*
Chatsworth
North Hollywood
Wilshire/Western
7th/Metro
Santa Monica
Redondo Beach
Long Beach
Norwalk
APU/Citrus College
Atlantic
Cal State L.A.
El Monte
Baldwin Park
Covina
Pomona - North
Claremont
Montclair
Upland
Rancho Cucamonga
Fontana
Rialto
San Bernardino Depot**
San Bernardino - Downtown
Tippecanoe
Esri
Downtown Redlands
University
Future Stations Under Construction
Montebello/ Commerce
Industry
Pomona - Downtown
Ontario - East
Jurupa Valley/ Pedley
Riverside- Downtown
Riverside- Hunter Park/ UCR
Moreno Valley/ March Field
Perris - Downtown
Perris - South
Commerce
Norwalk/Santa Fe Springs
Buena Park
Fullerton
Placentia
Future Station
Corona - West
Corona - North Main
Riverside- La Sierra
Anaheim Canyon
Anaheim
Orange
Santa Ana
Tustin
Irvine
Laguna Niguel/ Mission Viejo
San Juan Capistrano
San Clemente
San Clemente Pier
Limited Service
Oceanside
Solana Beach
San Diego
Escondido
Antelope Valley Line
Inland Empire-Orange County Line
Orange County Line
Riverside Line
San Bernardino Line
Ventura County Line
91/Perris Valley Line
Future Station
Under Construction
Station Served by Multiple Lines
Amtrak Pacific Surfliner
Metro Rail/Metro Bus
LAX FlyAway Bus
Coaster
Oceanside to San Diego
Sprinter
Oceanside to Escondido
* Formerly Burbank/Bob Hope Airport Station
** Formerly San Bernardino Station
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MAP NOT TO SCALE

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

*As of June 30, 2020*

| **MEMBERS** | **ALTERNATES** |
|---|---|
| **Ventura County Transportation Commission (VCTC)** | |
| Brian Humphrey *(Chair)*<br>Citizen Representative<br>VCTC Board | Tony Trembley<br>Mayor<br>City of Camarillo<br>VCTC Board |
| **Los Angeles County Metropolitan Transportation Authority (Metro)** | |
| Ara Najarian (*Vice-Chair*)<br>Mayor<br>City of Glendale<br>Metro Board | Walter Allen III<br>Council Member<br>City of Covina<br>Metro Appointee |
| Kathyrn Barger<br>Supervisor, 5th District<br>Los Angeles County Board of Supervisors<br>Metro Board | Roxana Martinez<br>Metro Appointee |
| Paul Krekorian<br>Council Member, 2nd District<br>City of Los Angeles<br>Metro Board | Pam O’Connor<br>Metro Appointee |
| Hilda Solis<br>Supervisor, 1st District<br>Los Angeles County Board of Supervisors<br>Metro Board | Paul Philips<br>City Manager<br>City of Bell<br>Metro Appointee |
| **San Bernardino County Transportation Authority (SBCTA)** | |
| Larry McCallon (*2nd Vice-Chair)*<br>Mayor<br>City of Highland<br>SBCTA Board | Javier “John” Dutrey*<br>Mayor<br>City of Montclair<br>SBCTA Board |
| Alan Wapner<br>Council Member<br>City of Ontario<br>SBCTA Board | Ray Marquez*<br>Council Member<br>City of Chino Hills<br>SBCTA Board |
| **Orange County Transportation Authority (OCTA)** | |

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

Doug Chaffee
Supervisor, 4th District
Orange County Board of Supervisors
OCTA Board

Gregory Winterbottom*
Public Member
OCTA Board

Mark A. Murphy*
Mayor
City of Orange
OCTA Board

**Riverside County Transportation Commission (RCTC)**

Andrew Kotyuk
Mayor Pro Tem
City of San Jacinto
RCTC Board

Karen Spiegel
Supervisor, 2nd District
Riverside County Board of Supervisors
RCTC Board

Brian Berkson*
Mayor
City of Jurupa Valley
RCTC Board

Jeff Hewitt*
Supervisor, 5th District
Riverside County Board of Supervisors
RCTC Board

**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

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## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
## MANAGEMENT TEAM

*As of June 30, 2020*

### EXECUTIVE LEADERSHIP TEAM

| | |
|---|---|
| Chief Executive Officer | Stephanie Wiggins |
| Chief of Staff | Noelia Rodriguez |
| Chief Safety, Security, & Compliance Officer | Don Filippi |
| Interim Chief Financial Officer | Arnold Hackett |
| Chief Operating Officer | Eric Hosey |
| Chief Program Delivery | Justin Fornelli |
| Chief Strategy Officer | Todd McIntyre |
| Chief Customer Experience Officer | Jennifer Vides |
| Chief Mobilization, Transition, and Special Projects | Darrell Maxey |
| Chief Technology Officer | Melvin Lee |
| Interim Chief Human Resources | Roxanne Randolph |

**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 |

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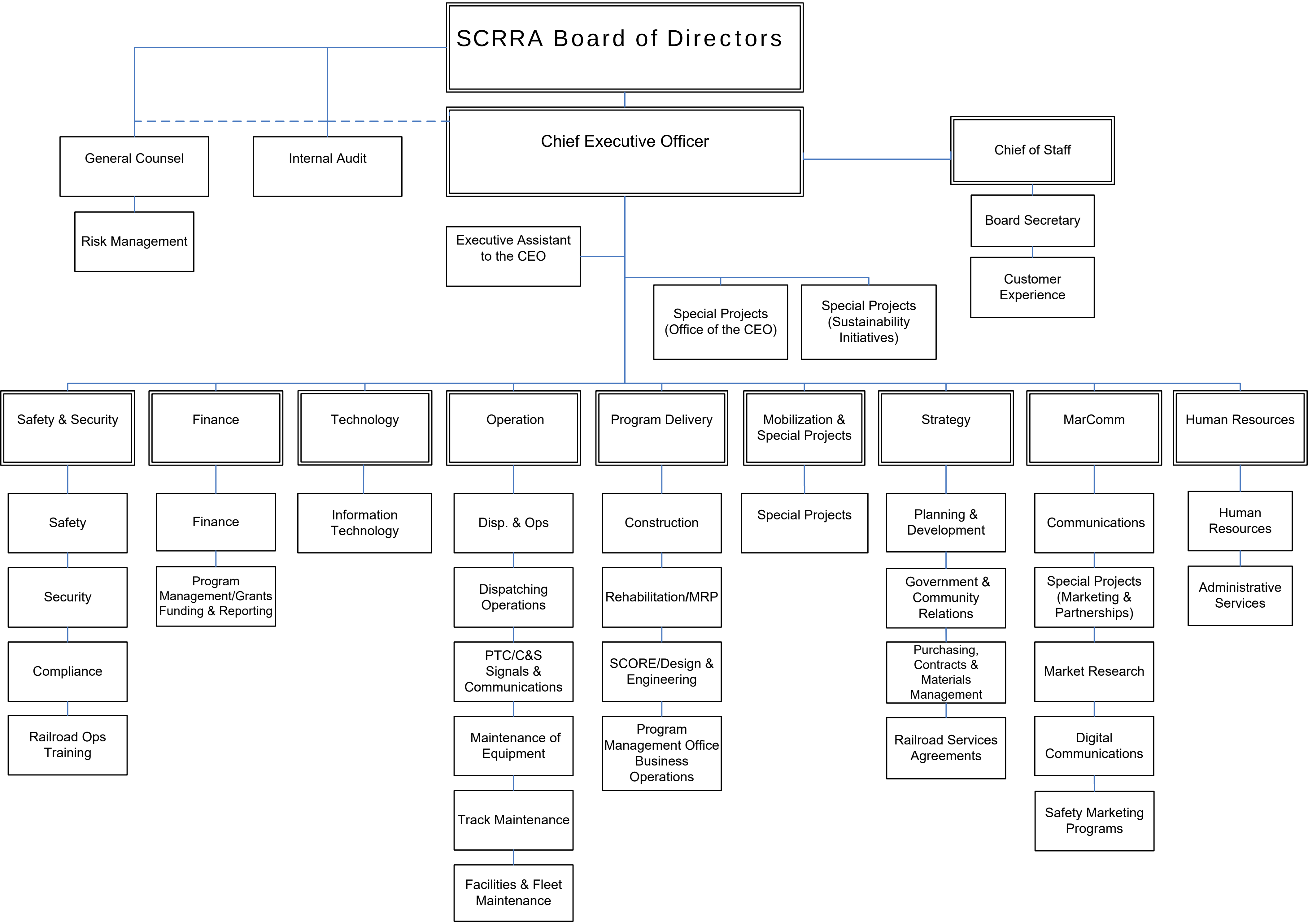
# Southern California Regional Rail Authority
# Organizational Chart



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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, 2019

Christopher P. Morrill

Executive Director/CEO

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METROLINK®

# 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.*

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# FINANCIAL

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CPAs & BUSINESS ADVISORS

**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 years ended June 30, 2020 and 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 audits. We conducted our audits 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 audits 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, 2020 and 2019, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

**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, 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.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 21, 2020

## 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, 2020 and 2019. 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 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, 2020, June 30, 2019, and June 30, 2018. 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.

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| Current assets | $ 186,093 | 11% | $ 178,685 | 11% | $ 155,035 | 10% |
| Capital assets, net | 1,393,198 | 85% | 1,344,725 | 85% | 1,349,335 | 84% |
| Other noncurrent assets | 51,778 | 3% | 46,818 | 3% | 85,742 | 5% |
| Total assets | 1,631,069 | | 1,570,228 | | 1,590,112 | |
| Deferred outflows of resources | 12,885 | 1% | 7,711 | 0% | 8,358 | 1% |
| Total assets and deferred outflows of resources | $ 1,643,954 | 100% | $ 1,577,939 | 100% | $ 1,598,470 | 100% |

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

| ASSET TYPE | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| Land, easements, and infrastructure assets | $ 676,117 | 49% | $ 676,117 | 50% | $ 676,117 | 50% |
| Construction in progress | 108,842 | 8% | 97,429 | 7% | 76,385 | 6% |
| Total non-depreciable capital assets | 784,959 | 56% | 773,546 | 58% | 752,502 | 56% |
| Rolling stock, net | 371,408 | 27% | 313,826 | 23% | 306,503 | 23% |
| Building and improvements, net | 79,489 | 6% | 87,932 | 7% | 97,771 | 7% |
| Positive train control, net | 28,737 | 2% | 114,736 | 9% | 138,125 | 10% |
| Infrastructure assets | 106,984 | 8% | 44,817 | 3% | 44,451 | 3% |
| Other, net | 21,621 | 2% | 9,868 | 1% | 9,983 | 1% |
| Total depreciable capital assets, net | 608,239 | 44% | 571,179 | 42% | 596,833 | 44% |
| Total capital assets, net | $ 1,393,198 | 100% | $ 1,344,725 | 100% | $ 1,349,335 | 100% |

***Fiscal Year 2020 Compared to 2019.*** At June 30, 2020, net capital assets totaled $1,393.2 million and were $48.5 million or 3.6% higher than the prior year. This increase was primarily due to $11.4 million additions in construction in progress (CIP), $57.6 million net additions in rolling stock, $62.2 million net additions in infrastructure assets attributable to signal and communication and $11.7 million net additions in equipment and computer software that were offset by $94.4 million in higher rolling stock and PTC depreciation. The increase of $11.4 million in CIP was due primarily from projects such as $6.7 million in San Juan Capistrano siding, SCORE and Redlands passenger rail, $2.5 million in Tier 4 procurement and $1.4 million in station improvements.

***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.

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

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| Current liabilities | $ 187,643 | 83% | $ 178,265 | 81% | $ 183,453 | 81% |
| Noncurrent liabilities | 35,568 | 16% | 39,649 | 18% | 42,163 | 19% |
| Total liabilities | 223,211 | | 217,914 | | 225,616 | |
| Deferred inflows of resources | 3,495 | 2% | 1,821 | 1% | 1,433 | 1% |
| Total liabilities and deferred inflows of resources | $ 226,706 | 100% | $ 219,735 | 100% | $ 227,049 | 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)** | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 84,657 | 37% | $ 69,873 | 32% | $ 77,367 | 34% |
| Advances for construction and retention payable | 26,128 | 12% | 11,662 | 5% | 14,619 | 6% |
| Unearned revenue | 72,359 | 32% | 88,060 | 40% | 85,845 | 38% |
| Other current liabilities | 1,479 | 1% | 1,291 | 1% | 845 | 0% |
| Compensated absences | 4,917 | 2% | 4,026 | 2% | 3,671 | 2% |
| Net pension liability | 13,100 | 6% | 11,298 | 5% | 11,773 | 5% |
| Lease liability | 433 | 0% | 571 | 0% | - | 0% |
| Other postemployment benefits liability | 14,327 | 6% | 18,996 | 9% | 17,496 | 8% |
| Claims and judgments payable | 5,811 | 3% | 12,137 | 6% | 14,000 | 6% |
| Total liabilities | 223,211 | | 217,914 | | 225,616 | |
| Pension deferred inflows | 3,495 | 2% | 1,821 | 1% | 1,433 | 1% |
| Total liabilities and deferred inflows of resources | $ 226,706 | 100% | $ 219,735 | 100% | $ 227,049 | 100% |

***Fiscal Year 2020 Compared to 2019***. At June 30, 2020, total liabilities and deferred inflows of resources equaled $226.7 million and were $7.0 million or 3.2% higher than the prior year. This increase was primarily due to $14.8 million higher accounts payable and accrued liabilities, $14.5 million higher advances for construction and retention payable associated with maintenance, safety, operations and rehabilitation projects with other agencies and $2.7 million higher compensated absences and net pension liability. These increases were offset by $15.7 million lower unearned revenue as significant decline in ridership resulted in fare revenue losses and operating deficit, $6.3 million lower claims and judgment as a result of SCRRA's periodic review of risk exposures and $4.7

million lower other post-employment benefits payable due to lower contribution being made in the current period.

***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 lower contribution being made in the current period.

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

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| Net investment in capital assets | $ 1,392,765 | 98% | $ 1,344,154 | 99% | $ 1,349,335 | 98% |
| Unrestricted | 24,483 | 2% | 14,050 | 1% | 22,086 | 2% |
| Total net position | $ 1,417,248 | 100% | $ 1,358,204 | 100% | $ 1,371,421 | 100% |

Total net position this year increased by $59.0 million, or 4.3% higher from the prior year primarily due to changes in capital assets attributable to higher construction in progress (CIP) and additions in rolling stock, infrastructure assets' signal and communication, equipment and software.

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Operating revenues and expenses: | | | |
| Operating revenues | $ 104,040 | $ 130,850 | $ 124,657 |
| Operating expenses | 384,011 | 366,836 | 352,050 |
| Operating loss | ( 279,971) | ( 235,986) | ( 227,393) |
| Non-operating revenues and expenses: | | | |
| Subsidies and grants | 162,395 | 133,369 | 142,400 |
| Net (loss) gain in fair value of investments | 119 | 151 | (42) |
| Interest income | 110 | 131 | 12 |
| Interest expense | (7) | (35) | - |
| Net gain (loss) on disposal of capital assets | (2,387) | (446) | (8,330) |
| Total non-operating revenues, net | 160,230 | 133,170 | 134,040 |
| Loss before capital grants and subsidies | (119,741) | (102,816) | (93,353) |
| Capital grants and subsidies | 178,785 | 89,599 | 82,311 |
| Change in net position | 59,044 | (13,217) | (11,042) |
| Net position, beginning of year | 1,358,204 | 1,371,421 | 1,387,960 |
| Cumulative effect of change in accounting principle | - | - | (5,497) |
| Net position, end of year | $ 1,417,248 | $ 1,358,204 | $ 1,371,421 |

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

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Revenues: | | | |
| Fares | $ 63,152 | $ 82,157 | $ 82,676 |
| Other operating revenues | 40,888 | 48,693 | 41,981 |
| Grants and subsidies | 341,180 | 222,968 | 224,711 |
| Other non-operating revenues | 110 | 131 | 12 |
| Total revenues | $ 445,330 | $ 353,949 | $ 349,380 |
| Expenses: | | | |
| Train operations | $ 187,647 | $ 186,965 | $ 169,131 |
| Maintenance-of-way | 44,248 | 44,072 | 43,172 |
| Rehabilitation and renovation - capital | 67,550 | 33,694 | 39,598 |
| Other operating expenses | 84,566 | 102,105 | 100,149 |
| Non-operating expenses | 2,275 | 330 | 8,372 |
| Total expenses | $ 386,286 | $ 367,166 | $ 360,422 |

***Fiscal Year 2020 Compared to 2019:*** At June 30, 2020, revenues totaled $445.3 million and were $91.4 million or 25.8% higher than the prior year. This increase was primarily due to $118.2 million higher grants and subsidies that can be attributed to approximately $65.0 million in State funding for new Tier 4 locomotives, old railcar overhaul and SCORE (Southern California Optimized Rail Expansion) program, $25.3 million in rehabilitation and preventive maintenance and $20.7 million in member agency operating subsidies that were offset by $7.8 million lower other operating revenues from operations and rehabilitation services that SCRRA performed on behalf of other agencies. Fare revenue significantly decreased by $19.0 million, or 23.1% from the prior year due to the coronavirus pandemic that adversely impacted ridership during second half of FY20.

Expenses totaled $386.2 million and were $19.1 million or 5.2% higher than the prior year. This increase was due to $33.9 million higher capital and rehabilitation expenses that were offset by $18.4 million in lower expenses on third-party construction, depreciation and bad debt.

***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.

## 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 2020, SCRRA estimated the amount needed to maintain or preserve the infrastructure asset to be $63.7 million. Actual expenses were $75.2 million. 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. See Required Supplementary Information, Note 1 for more information.

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

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 in FY19 and the remainder delivered in FY20 and FY21.

The FY 2020 budget included $507.4 million in new and outstanding project authorization, with $281.1 million allocated to rehabilitation projects and $226.3 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 customer-focused rail transportation provider is bright, with improved and increased service for the 2028 Olympics on the horizon.

SCRRA experienced strong growth in ridership during the first half of FY20 and was on track with another record year in its 28-year history until the coronavirus (Covid-19) pandemic hit during the second half of FY20. Metrolink ridership declined by approximately 90% and the economic impact of the pandemic forced SCRRA to make service cuts, suspended some routes and reduced operating costs.

SCRRA is positioning itself to ride out a long economic downturn for strong recovery that may be years away as the Covid-19 pandemic disruptions led to remote workforce, distance learning and closure of industries and commercial activities. Social distancing protocols, lower gas prices and reduced traffic congestion also have led to more people driving rather than taking public transportation. SCRRA is focused on attracting riders back through safety with its enhanced cleaning protocols and customer rewards program in addition to offering flexible fares.

## CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

### *FY 2021 ADOPTED BUDGET*

The FY 2021 budget includes $397.1 million in new and outstanding project authority. Of this amount, $238.0 million is allocated to rehabilitation projects and $159.2 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.

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## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Balance Sheets
June 30, 2020 and 2019
(Dollar Amounts in Thousands)

| | 2020 | 2019 |
|---|---|---|
| **Assets and deferred outflows of resources:** | | |
| Current assets: | | |
| Cash and investments | $ 53,586 | $ 86,896 |
| Due from other agencies, net of allowance for uncollectible accounts of $1,310 and $860, respectively | 111,137 | 67,716 |
| Prepaid expenses | 608 | 838 |
| Trade and other receivables, net of allowance for uncollectible accounts of $12,951 and $14,294, respectively | 4,378 | 7,678 |
| Inventory | 16,384 | 15,557 |
| Total current assets | 186,093 | 178,685 |
| Noncurrent assets: | | |
| Restricted cash and investments | 51,778 | 46,818 |
| Capital assets: | | |
| Non-depreciable | 784,959 | 773,546 |
| Depreciable, net of accumulated depreciation of $492,361 and $509,040, respectively | 608,239 | 571,179 |
| Total noncurrent assets | 1,444,976 | 1,391,543 |
| Total assets | 1,631,069 | 1,570,228 |
| Deferred outflows on fuel hedge | 4,874 | - |
| Deferred outflows from pension | 5,082 | 4,922 |
| Deferred outflows from OPEB | 2,929 | 2,789 |
| Total deferred outflows of resources | 12,885 | 7,711 |
| Total assets and deferred outflows of resources | $ 1,643,954 | $ 1,577,939 |
| **Liabilities, deferred inflows of resources and net position:** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 84,657 | $ 69,873 |
| Advances for construction | 14,984 | 9,694 |
| Retention payable | 11,144 | 1,968 |
| Unearned revenue and advances on capital purchases | 72,359 | 88,060 |
| Other current liabilities | 1,479 | 1,291 |
| Compensated absences | 2,184 | 1,801 |
| Claims and judgments payable | 696 | 5,440 |
| Lease liability | 140 | 138 |
| Total current liabilities | 187,643 | 178,265 |
| Noncurrent liabilities: | | |
| Net pension liability | 13,100 | 11,298 |
| Lease liability | 293 | 433 |
| Net other postemployment benefits liability | 14,327 | 18,996 |
| Compensated absences | 2,733 | 2,225 |
| Claims and judgments payable | 5,115 | 6,697 |
| Total noncurrent liabilities | 35,568 | 39,649 |
| Total liabilities | 223,211 | 217,914 |
| Deferred inflows from fuel hedge | - | 481 |
| Deferred inflows from pension | 935 | 1,201 |
| Deferred inflows from OPEB | 2,560 | 139 |
| Total deferred inflows of resources | 3,495 | 1,821 |
| Net position: | | |
| Net investment in capital assets | 1,392,765 | 1,344,154 |
| Unrestricted | 24,483 | 14,050 |
| Total net position | 1,417,248 | 1,358,204 |
| Total liabilities, deferred inflows of resources and net position | $ 1,643,954 | $ 1,577,939 |

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, 2020 and 2019
(Dollar Amounts in Thousands)

| | 2020 | 2019 |
|---|---|---|
| Operating revenues: | | |
| Fares | $ 63,152 | $ 82,157 |
| Dispatching | 2,306 | 2,155 |
| Third-party agreements | 24,543 | 30,208 |
| Maintenance of way | 13,294 | 13,030 |
| Public liability and property damage recovery | 525 | 2,566 |
| Miscellaneous | 220 | 734 |
| Total operating revenues | 104,040 | 130,850 |
| Operating expenses: | | |
| Train operations | 187,647 | 186,965 |
| Maintenance-of-way | 44,248 | 44,072 |
| Rehabilitation and renovation - capital | 67,550 | 33,694 |
| Third-party agreements | 23,904 | 27,136 |
| Insurance | 9,870 | 9,429 |
| Provision for claims, judgments and other | (2,520) | (1,165) |
| Public liability and property damage | 2,915 | 4,457 |
| Depreciation | 50,397 | 53,134 |
| Bad debt expense | - | 9,114 |
| Total operating expenses | 384,011 | 366,836 |
| Operating loss | (279,971) | (235,986) |
| Non-operating revenues (expenses): | | |
| Subsidies and grants - trains and maintenance of way | 148,237 | 116,740 |
| Subsidies and grants - public liability and property damage | 14,158 | 16,629 |
| Net change in fair value of investments | 119 | 151 |
| Interest income | 110 | 131 |
| Interest expense | (7) | (35) |
| Net (loss) gain on disposal of capital assets | (2,387) | (446) |
| Total non-operating revenues, net | 160,230 | 133,170 |
| Loss before capital grants and subsidies | (119,741) | (102,816) |
| Capital grants and subsidies | 178,785 | 89,599 |
| Change in net position | 59,044 | (13,217) |
| Net position at beginning of year | 1,358,204 | 1,371,421 |
| Net position at end of year | $ 1,417,248 | $ 1,358,204 |

See accompanying notes to  basic financial statements.

**SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY**

Statements of Cash Flows

For the years ended June 30, 2020 and 2019

(Dollar Amounts in Thousands)

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from fares | $ 63,165 | $ 82,606 |
| Cash received from dispatching and maintenance of way | 18,070 | 19,644 |
| Cash received from third-party agreements and public liability and property damage | 16,158 | 23,052 |
| Cash paid to employees | (53,822) | (42,963) |
| Cash paid to suppliers | (263,669) | (257,725) |
| Cash paid to / received from miscellaneous sources | 220 | 734 |
| Net cash used in operating activities | (219,878) | (174,652) |
| Cash flows from noncapital financing activities: | | |
| Operating subsidies and grants - trains and maintenance of way | 121,372 | 119,050 |
| Operating subsidies and grants - public liability and property damage | 14,158 | 16,629 |
| Net cash provided by noncapital financing activities | 135,530 | 135,679 |
| Cash flows from capital and related financing activities: | | |
| Capital grants and subsidies received | 156,897 | 82,027 |
| Construction and purchases of capital assets | (101,256) | (58,083) |
| Interest paid | (7) | (35) |
| Net cash provided by capital and related financing activities | 55,634 | 23,909 |
| Cash flows from investing activities: | | |
| Net change in cash equivalents | 245 | 35 |
| Sale / maturity of investments | 119 | 151 |
| Net cash provided by investing activities | 364 | 186 |
| Net increase (decrease) in cash and investments | (28,350) | (14,878) |
| Cash and investments at beginning of year | 133,714 | 148,592 |
| Cash and investments at end of year | $ 105,364 | $ 133,714 |
| Reconciliation to cash and investments on the Balance Sheets: | | |
| Cash and investments | $ 53,586 | $ 86,896 |
| Restricted cash and investments | 51,778 | 46,818 |
| Total cash and investments on the Balance Sheet | $ 105,364 | $ 133,714 |

See accompanying notes to basic financial statements.

## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Cash Flows, Continued
For the years ended June 30, 2020 and 2019
(Dollar Amounts in Thousands)

| | 2020 | 2019 |
|---|---|---|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | $ (279,971) | $ (235,986) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 50,397 | 53,134 |
| Bad debt | - | 9,114 |
| (Increase) decrease in: | | |
| Due from other agencies | (3,365) | 2,963 |
| Prepaid expenses | 230 | (21) |
| Trade and other receivables, net | 3,165 | 4,911 |
| Inventory | (827) | (281) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 14,784 | (7,494) |
| Compensated absences | 891 | 355 |
| Advances for construction | 5,290 | (2,559) |
| Claims and judgments payable | (6,326) | (1,863) |
| Unearned revenue | 2,169 | (1) |
| Other post employment benefits | (4,669) | 1,500 |
| Other liabilities | 49 | 1,018 |
| Fuel Hedge and related changes in deferred outflows and inflows of resources | 5,354 | (448) |
| Net pension liability and related changes in deferred outflows and inflows of resources | (3,778) | 982 |
| Changes in deferred outflows and inflows of resources related to OPEB | (3,271) | 24 |
| Total adjustments | 60,093 | 61,334 |
| Net cash used in operating activities | $ (219,878) | $ (174,652) |
| Noncash investing, capital and financing activities: | | |
| Net gain (loss) on disposal of capital assets | (2,387) | (446) |
| Capital lease | 433 | 571 |

See accompanying notes to basic financial statements.

## 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.

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*.

### *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*

SCRRA adopted the following GASB statements in the fiscal year ended June 30, 2020:

GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following issued, but not yet effective GASB statements are being reviewed by management for the fiscal year June 30, 2020:

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 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 June 15, 2021.

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, 2020.

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, 2019. 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. This Statement is effective for reporting periods beginning after December 15, 2021. This Statement is not expected to have a significant impact on SCRRA.

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either (a) changing the reference rate or (b) adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability. This Statement is effective for reporting periods beginning after June 15, 2020. This Statement is not expected to have a significant impact on SCRRA.

GASB Statement No. 94

In March 2020, GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. This Statement is not expected to have a significant impact on SCRRA.

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97

In June 2020, GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential components unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employment benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

## *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**

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 30th 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 FY20 was $4.2 million and for FY19 the reserve was $4.0 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:

| 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 balance sheet 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.

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, 2020 and 2019.

*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, 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 2019 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.

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

| | |
|---|---|
| **U.S. Treasuries** | 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). |
| **Federal Agencies and U.S. Government Sponsored Enterprises** | 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. |
| **State of California and Local Agency Obligations** | 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. |
| **Bankers Acceptances** | Bankers acceptances with a maximum term of 180 days. |
| **Commercial Paper** | Prime commercial paper with a maximum term of 180 days. |
| **Negotiable Certificates of Deposit** | 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. |
| **Repurchase Agreements** | 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. |
| **Medium-term Maturity Corporate Securities** | 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. |
| **Money Market Funds** | Shares of beneficial interest issued by diversified management companies (commonly called money market funds), subject to certain conditions and limitations. |
| **Other Mutual Funds** | Shares of beneficial interest issued by diversified management companies (commonly called mutual funds), subject to certain conditions and limitations. |
| **Mortgage or Asset-backed Securities** | 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. |

| | |
|---|---|
| **Investment Agreements** | Investment agreements are permitted with any bank, insurance company, or broker-dealer, subject to certain limitations. |
| **State of California Local Agency Investment Fund (LAIF)** | LAIF is a pooled fund maintained by the State of California and managed by the State Treasurer. |
| **Variable and Floating Rate Securities** | 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. |
| **Derivatives** | 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.

The following is a summary of cash and investments as of June 30, 2020 and 2019 (in thousands):

| | 2020 | 2019 |
|---|---|---|
| Cash with financial institution | $ 62,431 | $ 88,615 |
| LAIF | 38,864 | 41,495 |
| Fuel hedging derivative | 4,069 | 3,604 |
| Total cash and investments | $ 105,364 | $ 133,714 |

Restricted cash and investments for the years ended June 30, 2020 and 2019 are summarized as follows (in thousands):

| | 2020 | 2019 |
|---|---|---|
| Unexpended restricted funds (Note 6): | | |
| Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) | $ 8,926 | $ 13,060 |
| California Transit Security Grant Program (CTSGP) | 13,616 | 16,850 |
| California State Transportation Agency State Rail Assistance (CalSTA SRA) | 6,860 | 4,660 |
| Low-Carbon Transit Operations Program (LCTOP) | 4,756 | 2,553 |
| Total unexpended restricted funds | 34,158 | 37,123 |
| Advances for construction | 14,984 | 9,695 |
| Other | 2,636 | - |
| Total restricted cash and investments | $ 51,778 | $ 46,818 |

### *B. Risk Disclosures – Deposits*

As of June 30, 2020, and 2019, 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 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, 2020 and 2019, 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, 2020 and 2019 was 191 days and 173 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 $38.9 million and $41.4 million of SCRRA cash balances at June 30, 2020 and 2019 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.

**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 1.004912795 and 1.00171179 at June 30, 2020 and 2019, respectively, to the total investments held by LAIF. As of June 30, 2020, and 2019, SCRRA had $38.6 million and $41.4 million invested in LAIF, respectively, with fair value at $38.9 million and $41.5 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, 2020, realized settlement losses totaling $1.8 million were recognized in fuel expense. During the year ended June 30, 2019, realized settlement losses totaling $0.6 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, 2020, which have been deemed effective and are recorded as deferred outflows:

| | Fair Value at June 30, 2020 | | | | |
|---|---|---|---|---|---|
| Classification | 2019 | Change in Fair Value | 2020 | Notional | Maturity |
| Deferred outflows | $3,603,873 | $576,029 | $4,069,393 | 9,492,000 gallons | FY 2022 |

| | Fair Value at June 30, 2019 | | | | |
|---|---|---|---|---|---|
| Classification | 2018 | Change in Fair Value | 2019 | Notional | Maturity |
| Deferred inflows | $3,746,463 | ($ 110,510) | $3,603,873 | 6,552,000 gallons | FY 2020 |

For the year ended June 30, 2020, the fair market value of the fuel hedge investment is $4.1M and the accumulated loss is $4.8M. For the year ended June 30, 2019, the fair market value of the fuel hedge investment is $3.6M and the accumulated gain is $0.4M.

SCRRA uses Ultra-Low Sulfur Diesel futures contracts traded on the New York Mercantile exchange to partially hedge is diesel fuel purchases.

*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, 2020, 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, 2020 and 2019 (in thousands):

| | 2020 | 2019 |
|---|---|---|
| Third-party agreements | $ 7,135 | $ 7,142 |
| Subsidies and grants – federal, State, and local: | | |
| Los Angeles County Metropolitan Transportation Authority (LACMTA) | 27,479 | 11,762 |
| Orange County Transportation Authority (OCTA) | 3,445 | 256 |
| Riverside County Transportation Commission (RCTC) | 4,048 | 1,450 |
| San Bernardino County Transportation Authority (SBCTA) | 5,365 | 1,268 |
| Ventura County Transportation Commission (VCTC) | 1,821 | 419 |
| California Department of Transportation (Caltrans) | 28,842 | 18,115 |
| South Coast Air Quality Management District (SCAQMD) | 23,644 | 18,387 |
| Federal Transit Administration (FTA) | 10,418 | 8,972 |
| Federal Railroad Administration (FRA) | - | 794 |
| Other | 250 | 11 |
| Total due from other agencies | 112,447 | 68,576 |
| Allowance for uncollectible accounts | (1,310) | (860) |
| Total due from other agencies, net | $ 111,137 | $ 67,716 |

| | 2020 | 2019 |
|---|---|---|
| Due in one year | $ 111,137 | $ 67,716 |

## *4. CAPITAL ASSETS*

Capital asset activity for the years ended June 30, 2020 and 2019, is as follows (in thousands):

| | June 30, 2019 | Additions | Deletions | Transfer to/from CIP | Transfer between category | June 30, 2020 |
|---|---|---|---|---|---|---|
| Non-depreciable capital assets: | | | | | | |
| Land | $ 168 | $ - | $ - | $ - | $ - | $ 168 |
| Easement and intangible | 8,185 | - | - | - | - | 8,185 |
| Construction in progress | 97,429 | 12,010 | - | (597) | - | 108,842 |
| Railroad network | 667,764 | - | - | - | - | 667,764 |
| Total non-depreciable capital assets | 773,546 | 12,010 | - | (597) | - | 784,959 |
| Depreciable capital assets: | | | | | | |
| Building and improvements | 181,622 | - | (10) | - | - | 181,612 |
| Positive train control (PTC) | 191,526 | - | - | 60 | (141,901) | 49,685 |
| Rolling stock | 610,432 | 76,331 | (53,450) | - | (700) | 632,613 |
| Fare collection systems | 16,982 | 11,962 | (15,692) | - | - | 13,252 |
| Computer and other equipment | 20,510 | 745 | (1) | 537 | 59,771 | 81,562 |
| Support vehicles | 9,356 | 377 | (325) | - | 185 | 9,593 |
| Railroad network, depreciable | 49,804 | - | - | - | 82,645 | 132,449 |
| Total depreciable capital assets | 1,080,232 | 89,415 | (69,478) | 597 | - | 1,100,766 |
| Less accumulated depreciation for: | | | | | | |
| Building and improvements | (93,690) | (8,443) | 10 | - | - | (102,123) |
| Positive train control (PTC) | (76,790) | (6,268) | - | - | 62,109 | (20,949) |
| Rolling stock | (296,606) | (16,308) | 51,710 | - | - | (261,204) |
| Fare collection systems | (15,137) | (345) | 15,030 | - | - | (452) |
| Computer and other equipment | (13,848) | (12,445) | 1 | - | (47,757) | (74,049) |
| Support vehicles | (7,995) | (463) | 325 | - | (151) | (8,284) |
| Railroad network, depreciable | (4,987) | (6,278) | - | - | (14,201) | (25,466) |
| Less accumulated depreciation | (509,053) | (50,550) | 67,076 | - | - | (492,527) |
| Total depreciable assets, net | 571,179 | 38,865 | (2,402) | 597 | - | 608,239 |
| Capital assets, net of depreciation | $ 1,344,725 | $ 50,875 | $ (2,402) | $ - | $ - | $ 1,393,198 |

| | June 30, 2018 | Additions | Deletions | Transfer to/from CIP | | 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 | 667,764 | - | - | - | - | 667,764 |
| Total non-depreciable capital assets | 752,502 | 11,194 | - | (2,921) | 12,771 | 773,546 |
| 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 | 47,017 | - | - | 2,787 | - | 49,804 |
| Total depreciable capital assets | 1,065,636 | 37,850 | (13,404) | 2,921 | (12,771) | 1,080,232 |
| 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 | (2,566) | (2,421) | - | - | - | (4,987) |
| Less accumulated depreciation | (468,803) | (53,153) | 12,903 | - | - | (509,053) |
| Total depreciable assets, net | 596,833 | (15,303) | (501) | 2,921 | (12,771) | 571,179 |
| Capital assets, net of depreciation | $ 1,349,335 | $ (4,109) | $ (501) | $ - | $ - | $ 1,344,725 |

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.

## 5. *LONG-TERM OBLIGATIONS*

| | June 30, 2019 | Increases | Decreases | June 30, 2020 | Current portion |
|---|---|---|---|---|---|
| Claims and judgments | $ 12,137 | $ 250 | $ (6,576) | $ 5,811 | $ 696 |
| Compensated balances | 4,026 | 1,565 | (674) | 4,917 | 2,184 |
| Capital lease liability | 571 | - | (138) | 433 | 140 |
| Net pension liability | 11,298 | 1,802 | - | 13,100 | - |
| Other postemployment benefits | 18,996 | - | (4,669) | 14,327 | - |
| Total | $ 47,028 | $ 3,617 | $ (12,057) | $ 38,588 | $ 3,020 |
| Current portion | | | | (3,020) | |
| Total long-term obligations | | | | $ 35,568 | |

| | June 30, 2018 | Increases | Decreases | June 30, 2019 | Current portion |
|---|---|---|---|---|---|
| Claims and judgements | $ 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 | 17,496 | 1,500 | - | 18,996 | - |
| Total | $ 46,940 | $ 4,804 | $ (4,716) | $ 47,028 | $ 7,379 |
| Current portion | | | | (7,379) | |
| Total long-term obligations | | | | $ 39,649 | |

## 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, 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, 2020 and 2019, is as follows (in thousands):

| | 2020 | 2019 |
|---|---|---|
| Unearned revenue and advances on projects, beginning of year | $ 88,060 | $ 85,845 |
| Subsidies invoiced: | | |
| Operating | 142,420 | 133,920 |
| Federal operating subsidies | 17,044 | 20,017 |
| Public liability and property damage | 14,158 | 16,629 |
| Capital | 59 | 16,032 |
| Other | 9,748 | - |
| Subsidies recognized: | | |
| Operating | (153,789) | (131,626) |
| Federal operating subsidies | (19,436) | (20,017) |
| Public liability and property damage | (12,540) | (11,324) |
| Capital | (3,876) | (19,094) |
| Other | (671) | - |
| Operating surplus activity | (12,426) | (7,975) |
| Interest allocation | 857 | 1,053 |
| Capital surplus | 2,751 | 3,353 |
| Adjustment –VCTC/LACMTA swap | - | 1,247 |
| Unearned revenue and advances on projects, end of year | $ 72,359 | $ 88,060 |

*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 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 was 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, 2020 and 2019, was as follows (in thousands):

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Prop 1B | CalSTA SRA | LCTOP | Prop 1B | CalSTA SRA | LCTOP |
| Unexpended funds, beginning of year | $ 29,911 | $ 4,660 | $ 2,553 | $ 35,759 | $ 1,611 | $ 1,765 |
| Funds collected | - | 4,240 | 3,143 | - | 4,176 | 2,029 |
| Expenses incurred | (7,994) | (2,156) | (1,056) | (6,726) | (1,215) | (1,328) |
| Interest revenue earned on unspent funds | 625 | 116 | 116 | 878 | 88 | 87 |
| Unexpended funds, end of year | $ 22,542 | $ 6,860 | $ 4,756 | $ 29,911 | $ 4,660 | $ 2,553 |

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 defeased 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 defeased 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, 2020 and June 30, 2019 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.

Changes in the balances of claims liabilities for the years ended June 30, 2020, 2019, and 2018, are as follows (in thousands):

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance, beginning of year | $ 12,137 | $ 14,000 | $ 10,300 |
| Claims incurred and changes in estimate for claims of prior periods | 250 | 1,800 | 3,870 |
| Claims payments | (6,576) | (3,663) | (170) |
| Balance, end of year | $ 5,811 | $ 12,137 | $ 14,000 |
| Due in one year | 696 | 5,440 | 3,111 |
| Due in more than one year | 5,115 | 6,697 | 10,889 |
| Total claims liabilities | $ 5,811 | $ 12,137 | $ 14,000 |

## 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, 2020 and 2019, totaled $3.9 million and $2.9 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):

| Year Ended June 30 | Capital Leases | Operating Leases | Total |
|---|---|---|---|
| 2021 | $ 145 | $ 1,655 | $ 1,800 |
| 2022 | 145 | 1,418 | 1,563 |
| 2023 | 135 | 1,239 | 1,374 |
| 2024 | 17 | 1,252 | 1,269 |
| 2025 | - | 1,217 | 1,217 |
| 2026-2030 | - | 6,243 | 6,243 |
| 2031-2035 | - | 4,955 | 4,955 |
| 2036-2040 | - | 116 | 116 |
| Future minimum payments | 442 | $ 18,095 | $ 18,537 |
| Less: Interest | 9 | | |
| Present value of future minimum payments | $ 433 | | |

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 2020 and 2019 was 24% and 24% respectively.

## *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:

| | Miscellaneous | |
|---|---|---|
| | 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, 2019, the most recent information available, the following employees were covered by the benefit terms for the plan:

| | Miscellaneous |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 138 |
| Inactive employees entitled to but not yet receiving benefits | 240 |
| Active employees | 230 |
| Total | 608 |

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 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 2020 and 2019 were 9.31% and 10.271% of covered payroll, respectively, resulting in $2.60 million and $2.37 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.

### 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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 |
| Measurement Date | June 30, 2019 |
| 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 Benefit Increase | Contract COLA up to 2.50% 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.

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% | 0.0% | -0.9% |
| Total | 100.0% | | |

(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. 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.

### C. *Changes in Net Pension Liability*

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

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability/ (Asset) |
| **Balance as of June 30, 2018** | **$ 74,700** | **$ 63,402** | **$ 11,298** |
| **Changes during the year:** | | | |
| Service cost | 3,574 | - | 3,574 |
| Interest on total pension liability | 5,459 | - | 5,459 |
| Changes of assumptions | - | - | - |
| Differences between expected and actual experience | 1,269 | - | 1,269 |
| Net Plan to Plan Resource Movement | - | - | - |
| Contributions – employer | - | 2,599 | (2,599) |
| Contributions – employees | - | 1,747 | (1,747) |
| Net investment income | - | 4,199 | (4,199) |
| Benefit payments, including refunds of employee contributions | (2,817) | (2,817) | - |
| Administrative expense | - | (45) | 45 |
| **Net changes** | **$ 7,485** | **$ 5,683** | **$ 1,802** |
| **Balance as of June 30, 2019** | **$ 82,185** | **$ 69,085** | **$ 13,100** |

*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 | $ 24,481 |
| **Current discount rate** | **7.15%** |
| **Net Pension Liability** | **$ 13,100** |
| Discount rate 1% higher | 8.15% |
| Net Pension Liability | $ 3,728 |

*Deferred Outflows of Resources and Deferred Inflows of Resources* – For the years ended June 30, 2020 and 2019, SCRRA recognized pension expense in the amount of $4.2 million and $2.9 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):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 2,599 | $ - |
| Changes of assumptions | 1,253 | (307) |
| Differences between expected and actual experience | 1,230 | (296) |
| Net difference between projected and actual earnings on pension plan investments | - | (333) |
| Total | $ 5,082 | $ (935) |

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, 2021. 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 June 30 | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2020 | $ 1,162 |
| 2021 | 83 |
| 2022 | 226 |
| 2023 | 76 |

## 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)* – There was no cost of living increases approved for fiscal year 2021.

*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, 2020 and 2019, were $2.93 million and $2.84 million, respectively, based on the June 30, 2019 actuarial valuations. The actual contributions for the years ended June 30, 2020 and 2019 were $2.9 million and $2.8 million, respectively.

*Employees Covered by Benefit Terms* – At June 30, 2019, the measurement date, the following numbers of participants were covered by the benefit terms:

| | Count |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 117 |
| Inactive employees entitled to but not yet receiving benefits | 20 |
| Active employees | 260 |
| Total | 397 |

*Net OPEB Liability* – SCRRA's net OPEB liability was based on a measurement period of July 1, 2018 through June 30, 2019. The total OPEB liability used as a basis to calculate the net OPEB liability was based on actuarial valuation as of June 30, 2019, rolled forward to June 30, 2019 using standard update procedures.

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2019 |
| 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 | Mortality projected fully generational Scale MP-2019. |
| Healthcare Cost Trends: | |
| Non-Medicare Cost Trend | 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years. |
| Medicare Cost Trend | 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years. |

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

| Asset class component | Target Allocation | Expected Real Rate of Return |
|---|---|---|
| Public Equity | 59% | 4.82% |
| Fixed Income | 25% | 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, 2020, is presented below (in thousands):

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability/(Asset) |
| **Balance as of June 30, 2019** | **$ 26,291** | **$ 7,295** | **$ 18,996** |
| **Changes during the year:** | | | |
| Service cost | 1,416 | - | 1,416 |
| Interest on total OPEB liability | 1,835 | - | 1,835 |
| Actual vs expected experience | (2,656) | - | (2,656) |
| Assumption changes | (205) | - | (205) |
| Contributions – employer* | - | 4,528 | (4,528) |
| Contributions – employees | - | - | - |
| Net investment income | - | 533 | (533) |
| Benefit payments and refunds* | (1,069) | (1,069) | - |
| Administrative expense | - | (2) | 2 |
| **Net changes** | **(679)** | **3,990** | **(4,669)** |
| **Balance as of June 30, 2020** | **$ 25,612** | **$ 11,285** | **$ 14,327** |

* Includes $1.7 million contribution to the trust and consisting of $1.0 million cash benefit payments and $0.2 million implied subsidy benefit payments (both paid outside of the trust).

*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 | $ 17,851 |
| **Current discount rate** | **6.75%** |
| Net OPEB Liability | $ 14,327 |
| Discount rate 1% higher | 7.75% |
| Net OPEB Liability | $ 11,432 |

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 | $ 11,052 |
| **Current healthcare cost trend rate** | |
| **Net OPEB Liability** | **$ 14,327** |
| Healthcare cost trend rate 1% higher | |
| Net OPEB Liability | $ 18,395 |

*OPEB Expense* – For the year ended June 30, 2020 and 2019, SCRRA recognized an OPEB expense of $2.3 million and $2.6 million, respectively.

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Net difference between expected and actual experience | $ - | $ 2,324 |
| Changes in Assumptions | - | 179 |
| Net difference between projected and actual earnings on plan investments | - | 57 |
| Employer contributions made subsequent to measurement date | 2,929 | - |
| | $ 2,929 | $ 2,560 |

| Fiscal Year Ending June 30 | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2021 | $ (388) |
| 2022 | (389) |
| 2023 | (366) |
| 2024 | (346) |
| 2025 | (358) |
| Thereafter | (713) |

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

## *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 2025.

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 2021. Communications and signals are maintained under an agreement with Mass Electric Communications, which expires June 2021.

*Tier 4 clean air locomotives* – SCRRA is under contract to purchase 40 Tier 4 locomotives at a cost of approximately $252.0 million through FY21.

*Corona virus pandemic* - On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and Metrolink ridership began to decline. By April 2020, monthly ridership and fare revenue had declined nearly 90% compared to the same month in 2019. On March 27th, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the House and signed into law by the President. Federal CARES Act funding is available to reimburse operating revenue losses and additional costs incurred for additional personal protective equipment, enhanced cleanliness and social distancing measures implemented to protect the health and safety of our employees and riders.

## *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, 2020 and 2019, were $142.4 million and $133.9 million, respectively. Self-insurance reserve subsidies invoiced by SCRRA for the years ended June 30, 2020 and 2019, were $14.1 million and $16.6 million, respectively. Capital subsidies invoiced by SCRRA for the years ended June 30, 2020 and 2019, were $3.2 million and $2.7 million, respectively.

## *14. SUBSEQUENT EVENTS*

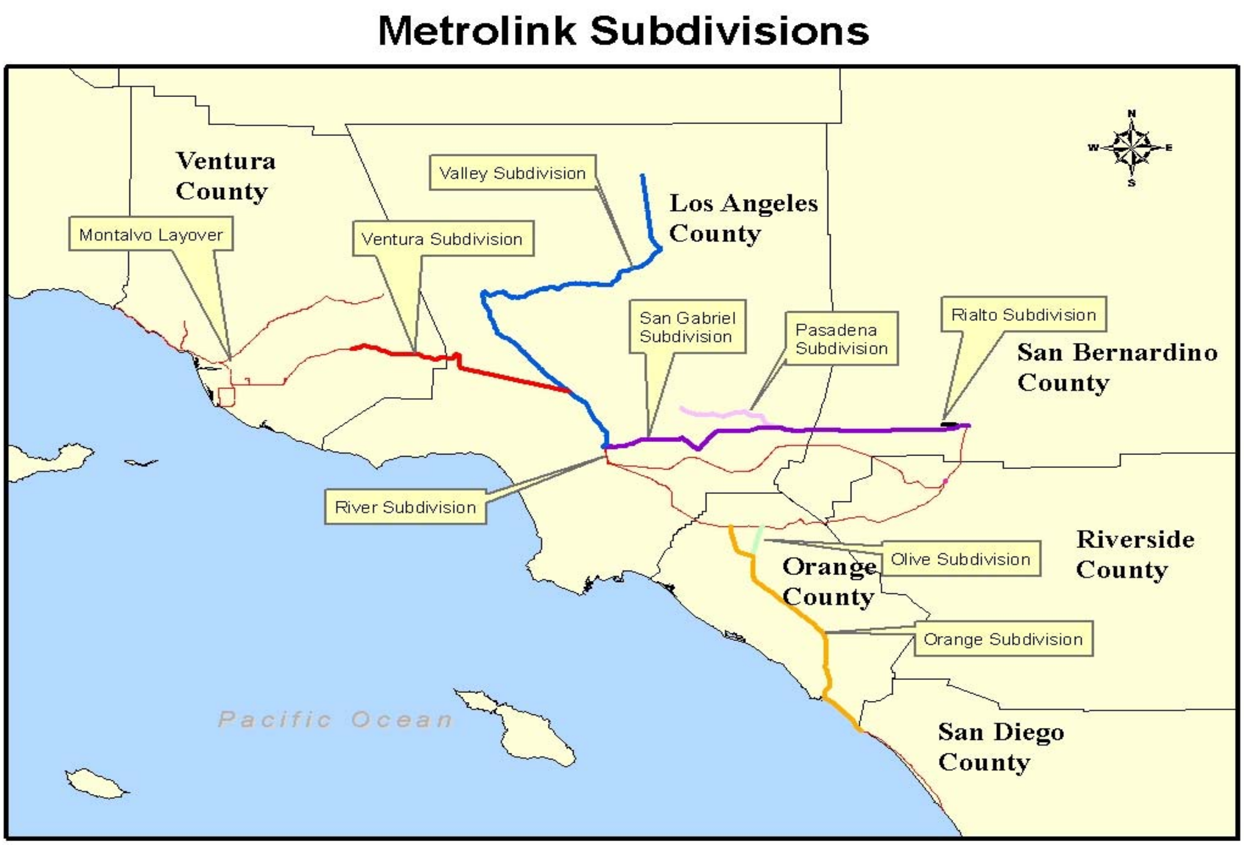
During Q3 of FY20, the coronavirus (COVID-19) pandemic unexpectedly hit Southern California and caused a decline in ridership of approximately 90%. Fare revenue generated from Metrolink's riders accounts for approximately 40% of total operating revenue needed to sustain operations. Due to this drop in ridership SCRRA has made the proactive measure to reduce its service to accommodate this drop in ridership.

On March 27th, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the House and signed into law by the President. Metrolink was awarded $170.6M in CARES Act funds to help sustain its operations for the current and future years. Beginning in August of FY21, Metrolink started to draw down on the CARES Act funds to help cover the $9.7M loss in FY20.

## 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:



### 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 sate 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.

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.

### *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 June 30 | Estimated Amount | Actual Amount |
|---|---|---|
| 2020 | $63,731 | $75,194 |
| 2019 | 62,800 | 35,529 |
| 2018 | 56,600 | 86,888 |
| 2017 | 67,643 | 55,817 |
| 2016 | 94,982 | 59,092 |

## *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:

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | |
| Service cost | $ 3,574 | $ 3,380 | $ 3,461 | $ 2,990 | $ 2,930 | $ 2,687 |
| Interest on total pension liability | 5,459 | 4,958 | 4,563 | 4,233 | 3,904 | 3,572 |
| Difference between expected and actual experience | 1,269 | 531 | (771) | (559) | (218) | - |
| Change in assumptions | - | (586) | 3,938 | - | (994) | - |
| Benefit payments, including refunds of employee contributions | (2,817) | (2,582) | (2,228) | (2,071) | (1,895) | (1,633) |
| **Net change in total pension liability** | 7,485 | 5,701 | 8,963 | 4,593 | 3,727 | 4,626 |
| **Total pension liability, beginning** | 74,700 | 68,999 | 60,036 | 55,443 | 51,716 | 47,090 |
| **Total pension liability, ending (a)** | $ 82,185 | $ 74,700 | $ 68,999 | $ 60,036 | $ 55,443 | $ 51,716 |
| **Plan Fiduciary Net Position** | | | | | | |
| Contributions – employer | 2,599 | 2,370 | 2,268 | 2,084 | 1,807 | 1,674 |
| Contributions – employee | 1,747 | 1,691 | 1,650 | 1,445 | 1,338 | 1,262 |
| Net investment income | 4,199 | 4,957 | 5,726 | 245 | 1,039 | 6,747 |
| Benefit payments | (2,817) | (2,582) | (2,229) | (2,071) | (1,895) | (1,633) |
| Administrative expense | (45) | (259) | (74) | (29) | (54) | - |
| **Net change in plan fiduciary net position** | 5,683 | 6,177 | 7,341 | 1,674 | 2,235 | 8,050 |
| **Plan fiduciary net position, beginning** | 63,403 | 57,226 | 49,885 | 48,211 | 45,976 | 37,926 |
| **Plan fiduciary net position, ending (b)** | $ 69,085 | $ 63,403 | $ 57,226 | $ 49,885 | $ 48,211 | $ 45,976 |
| **Net pension liability, ending (a) – (b)** | $ 13,100 | $ 11,298 | $ 11,773 | $ 10,151 | $ 7,232 | $ 5,740 |
| Plan fiduciary net position as a percentage of total pension liability | 84.06% | 84.88% | 82.94% | 83.09% | 86.96% | 88.90% |
| Covered payroll | $ 25,314 | $ 22,149 | $ 20,506 | $ 19,658 | $ 17,547 | $ 17,036 |
| Net pension liability as a percentage of covered payroll | 51.75% | 51.01% | 57.41% | 51.64% | 41.22% | 33.69% |

<u>*Change in assumptions*</u> – 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 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):

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Actuarially-determined employer contribution | $ 2,276 | $ 2,300 | $ 1,884 | $ 2,084 | $ 1,806 |
| Contributions in relation to the actuarially-determined contributions | (2,276) | (2,300) | (1,884) | (2,084) | (1,806) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 27,938 | $ 25,314 | $ 22,149 | $ 20,505 | $ 19,658 |
| Contributions as a percentage of covered payroll | 8.15% | 9.09% | 8.51% | 10.16% | 9.19% |

The actuarial methods and assumptions used to set the actuarially-determined contributions for fiscal year ended June 30, 2020 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 |
| Remaining Amortization Period | 20 years remaining for 2018/19 |
| Asset Valuation Method | Investment gains and losses spread over 5-year rolling period |
| Discount Rate | 7.25% |
| General Inflation | 2.625% |
| Retirement Age | Probabilities of retirement are based on the CalPERS Experience study for the period from 1997 to 2015 |
| Mortality Rate Table | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. The table includes 15 years of mortality improvements using Society of Actuaries Scale MP2016. |

## *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.

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Service cost | $ 1,416 | $ 1,375 | $ 1,336 |
| Interest | 1,835 | 1,696 | 1,565 |
| Difference between actual and expected experience | (2,656) | - | - |
| Assumption changes | (205) | - | - |
| Benefit payments, including refunds | (1,069) | (1,045) | (973) |
| Changes in benefit terms | - | - | - |
| Net Changes | (679) | 2,026 | 1,928 |
| Total OPEB liability, beginning of year | $ 26,291 | $ 24,265 | $ 22,337 |
| Total OPEB liability, end of year | $ 25,612 | $ 26,291 | $ 24,265 |

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Contributions – employer | $ 4,528 | $ 1,045 | $ 2,590 |
| Contributions - employee | - | - | - |
| Net investment income | 533 | 539 | 490 |
| Benefit payments, including refunds | (1,069) | (1,045) | (973) |
| Administrative expenses | (2) | (13) | (3) |
| Other changes | - | - | - |
| Net Changes | 3,990 | 526 | 2,104 |
| Plan Fiduciary Net Position, beginning of year | $ 7,295 | $ 6,769 | $ 4,665 |
| Plan Fiduciary Net Position, end of year | $ 11,285 | $ 7,295 | $ 6,769 |

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net OPEB Liability | $ 14,327 | $ 18,996 | $ 17,496 |
| Fiduciary Net Position as a percentage of the Total OPEB Liability | 44.1% | 27.7% | 27.9% |
| Covered Employee Payroll* | $ 29,754 | $ 24,746 | $ 23,691 |
| Net OPEB Liability as a percentage of Covered Employee Payroll | 48.2% | 76.8% | 73.9% |

*Determined for the 12-month period ended June 30, 2019 (Measurement Date)

## *5. SCHEDULE OF OPEB CONTRIBUTIONS*

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Actuarially-determined employer contribution | $ 2,925 | $ 2,838 | $ 2,674 |
| Contributions in relation to the actuarially-determined contributions | (2,929) | (2,789) | (2,784) |
| Contribution deficiency (excess) | $ (4) | $ 49 | $ (110) |
| Covered employee payroll** | $ 31,242 | $ 29,754 | $ 24,746 |
| Contributions as a percentage of covered payroll | 9.38% | 9.37% | 11.25% |

**For the 12-month period ending on June 30, 2020 (fiscal year end).

The actuarial methods and assumptions used to set the actuarially determined contributions for the June 30, 2019 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 | 18 year fixed period for 2019/20 |
| 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 – 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076.<br>Medicare – 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076. |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2017. |

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.

# STATISTICAL

METROLINK®

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**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.

**Contents** **Page**

## 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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020* | 2019* | 2018* | 2017* | 2016* | 2015* | 2014* | 2013* | 2012* | 2011 |
| Change in net position/net assets: | | | | | | | | | | |
| Net position/net assets at beginning of year | $ 1,358,204 | $ 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 |
| Increase in net position/net assets | 59,044 | (13,217) | (16,539) | 5,817 | 18,382 | 881 | 46,908 | 75,187 | 117,876 | 118,938 |
| Net position/net assets at end of year | $ 1,417,248 | $ 1,358,204 | $ 1,371,421 | $ 1,387,960 | $ 1,382,143 | $ 1,363,761 | $ 1,362,880 | $ 1,315,972 | $ 1,240,785 | $ 1,122,909 |
| Net position/net assets by component: | | | | | | | | | | |
| Net investment in capital assets | $ 1,392,765 | $ 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 |
| Unrestricted | 24,483 | 14,050 | 22,086 | 19,803 | 11,518 | 25,038 | 26,659 | 22,615 | 57,195 | 38,022 |
| % of operating costs covered by revenues and operating grants. Operating costs are net of depreciation, gas tax, third-party agreements, rehabiliation and renovation-capital and rolling stock lease. | 32.83% | 41.29% | 43.20% | 42.65% | 44.80% | 48.41% | 52.32% | 52.49% | 56.54% | 56.87% |

* 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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| **Operating revenues:** | | | | | | | | | | |
| Fares | $ 63,152 | $ 82,157 | $ 82,676 | $ 83,398 | $ 84,506 | $ 83,111 | $ 85,673 | $ 84,360 | $ 79,986 | $ 74,171 |
| Dispatching | 2,306 | 2,155 | 2,144 | 2,078 | 2,194 | 2,516 | 2,488 | 2,598 | 2,957 | 3,079 |
| Third-party agreements | 24,543 | 30,208 | 22,641 | 17,503 | 26,951 | 21,355 | 26,676 | 28,630 | 26,548 | 11,183 |
| Maintenance of way revenues | 13,294 | 13,030 | 12,792 | 12,387 | 12,437 | 12,991 | 11,726 | 14,299 | 13,432 | 12,902 |
| Gas tax revenue | - | - | - | - | - | - | 1,684 | 10,101 | 10,235 | 10,300 |
| Public liability and property damage recovery | 525 | 2,566 | 4,210 | 5 | 576 | 3,183 | 3,164 | 40 | 32 | 76 |
| Interest and other income | 220 | 734 | 194 | 303 | 568 | 2,172 | 393 | 352 | 375 | 368 |
| Total operating revenues | $ 104,040 | $ 130,850 | $ 124,657 | $ 115,674 | $ 127,232 | $ 125,328 | $ 131,804 | $ 140,380 | $ 133,565 | $ 112,079 |
| **Nonoperating revenues:** | | | | | | | | | | |
| Member agency operating subsidies | $ 148,237 | $ 116,740 | $ 124,737 | $ 112,711 | $ 111,264 | $ 94,632 | $ 80,972 | $ 71,503 | $ 59,080 | $ 59,151 |
| Member agency self insurance reserve | $ 14,158 | $ 16,629 | $ 17,663 | $ 16,787 | $ 15,909 | 15,625 | 16,273 | 18,066 | 17,850 | 19,612 |
| Net gain (loss) on disposal of capital assets | (2,387) | (446) | (8,330) | 16 | (256) | (1,895) | (603) | - | - | 127 |
| Interest and other income | 222 | 247 | (30) | 3,117 | (144) | 727 | 1,771 | 1,202 | 1,068 | 1,285 |
| Total nonoperating revenues | $ 160,230 | $ 133,170 | $ 134,040 | $ 132,631 | $ 126,773 | $ 109,089 | $ 98,413 | $ 90,771 | $ 77,998 | $ 80,175 |
| Capital grants and subsidies | $ 178,785 | $ 89,599 | $ 82,311 | $ 71,836 | $ 82,270 | $ 56,485 | $ 86,203 | $ 119,722 | $ 173,476 | $ 199,238 |
| **Operating expenses:** | | | | | | | | | | |
| Train operations and support | $ 187,647 | $ 186,965 | $ 169,131 | $ 175,618 | $ 172,310 | $ 158,796 | $ 151,575 | $ 147,556 | $ 129,860 | $ 120,297 |
| Maintenance of way | 44,248 | 44,072 | 43,172 | 38,596 | 39,558 | 34,230 | 29,867 | 29,313 | 24,127 | 30,687 |
| Rehabilitation and renovation - capital | 67,550 | 33,694 | 39,598 | 20,815 | 25,406 | 23,236 | 11,782 | 11,214 | 34,282 | 66,941 |
| Gas tax expense | - | - | - | - | - | - | 1,684 | 10,101 | 10,235 | 10,300 |
| Third-party agreements | 23,904 | 27,136 | 24,508 | 19,602 | 24,864 | 19,031 | 26,607 | 29,779 | 26,561 | 11,460 |
| Insurance and liability claims | 7,350 | 8,264 | 13,641 | 12,215 | 10,311 | 19,142 | 15,100 | 15,050 | 17,520 | 12,826 |
| Public liability and property damage | 2,915 | 4,457 | 10,205 | 3,775 | 1,686 | 2,600 | 1,173 | 1,746 | 1,848 | 1,466 |
| Other | - | 9,114 | 4,009 | - | - | - | - | - | - | - |
| Depreciation & amortization | 50,397 | 53,134 | 47,786 | 43,703 | 43,758 | 26,646 | 31,724 | 30,927 | 22,730 | 18,577 |
| Total operating expenses* | $ 384,011 | $ 366,836 | $ 352,050 | $ 314,324 | $ 317,893 | $ 283,681 | $ 269,512 | $ 275,686 | $ 267,163 | $ 272,554 |
| Increase (decrease) in net position | 59,044 | (13,217) | (11,042) | 5,817 | 18,382 | 7,221 | 46,908 | 75,187 | 117,876 | 118,938 |
| Cumulative effect of change in accounting principle** | - | - | (5,497) | - | - | (6,340) | - | - | - | - |
| Fares as a percentage of total operating revenues | 60.7% | 62.8% | 66.3% | 72.1% | 66.4% | 66.3% | 65.0% | 60.1% | 59.9% | 66.2% |

* 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.

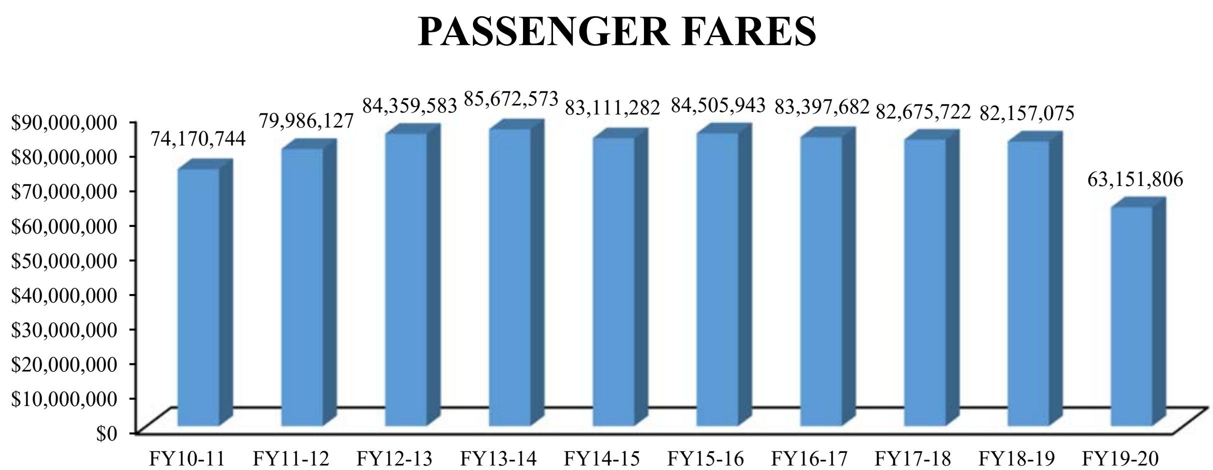
## Sources of Capital Contributions

**Last Ten Fiscal Years**

(Dollar amounts in thousands)

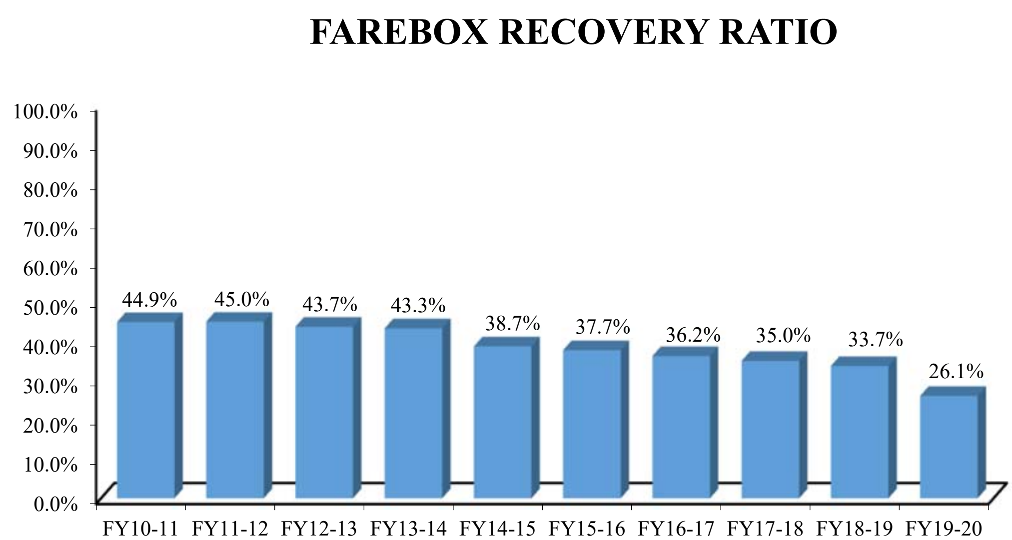
| | Years ended June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Amtrak | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| FEMA, FHWA | 2,485 | 418 | (80) | 80 | (57) | 3,400 | 6,518 | 12,513 | 4,435 | 5,389 |
| Federal Transit Administration | 26,952 | 14,774 | 26,875 | 15,758 | 31,734 | 15,862 | 15,700 | 9,669 | 26,800 | 16,968 |
| State of California | 78,798 | 24,158 | 21,472 | 37,213 | 29,997 | 28,620 | 43,594 | 70,046 | 86,062 | 40,767 |
| L.A.C. Metropolitan Transportation Authority | 24,473 | 13,836 | 21,810 | 16,066 | 10,264 | 4,127 | 14,601 | 20,442 | 8,507 | 16,631 |
| Orange County Transportation Authority | 156 | (685) | 961 | 656 | 119 | 1,331 | 2,495 | (579) | 41,599 | 104,915 |
| Riverside County Transportation Commission | 130 | (155) | (31) | 368 | - | 836 | 162 | 12,586 | 40 | 2,385 |
| San Bernardino County Transportation Authority | 2,564 | 1,152 | 1,677 | 907 | 426 | 631 | 348 | 539 | 1,059 | 4,161 |
| Ventura County Transportation Commission | 401 | 112 | 42 | - | (1) | 2 | - | 22 | 31 | 311 |
| Other capital (CMAQ, AQMD, FRA) | 42,826 | 35,989 | 9,585 | 788 | 9,788 | 1,676 | 2,785 | 847 | 4,943 | 7,711 |
| **Total capital contributions** | **$ 178,785** | **$ 89,599** | **$ 82,311** | **$ 71,836** | **$ 82,270** | **$ 56,485** | **$ 86,203** | **$ 126,085** | **$ 173,476** | **$ 199,238** |

**PASSENGER FARES: 2010-11 THROUGH 2019-20**



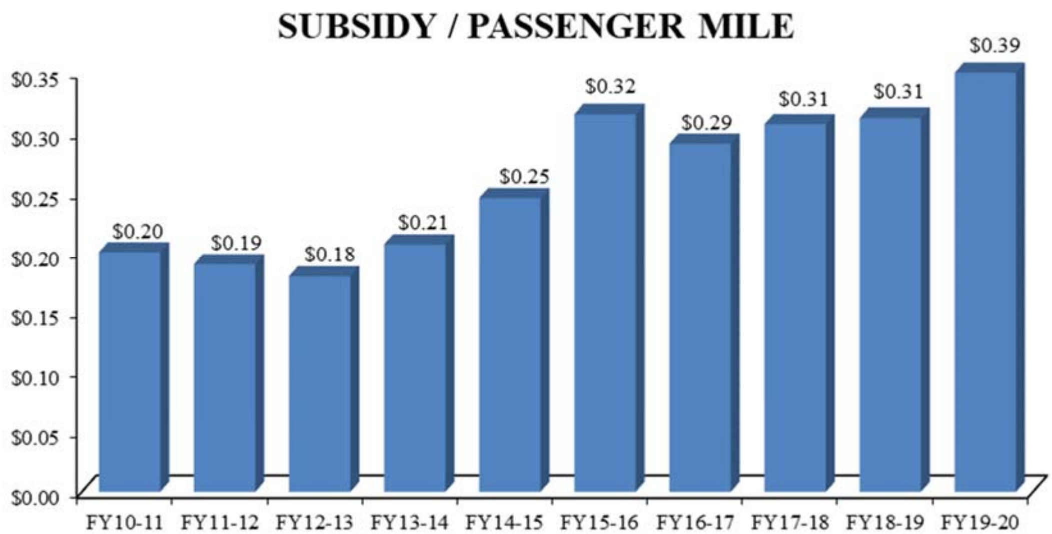

**FAREBOX RECOVERY RATIO: 2010-11 THROUGH 2019-20**

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. During FY20, our ridership – and related fare revenue – declined by nearly 90% during the last quarter of the year due to the COVID-19 pandemic as noted on page 66 under annual ridership.



## SUBSIDY/PASSENGER MILE: 2010-11 THROUGH 2019-20

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

| | YEARS ENDED JUNE 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| **Population for Counties Served** | | | | | | | | | | |
| Los Angeles County | 10,039,107 | 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 |
| Orange County | 3,175,692 | 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 |
| Riverside County | 2,470,546 | 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 |
| San Bernardino County | 2,180,085 | 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 |
| Ventura County | 846,006 | 850,967 | 850,802 | 848,921 | 846,922 | 842,946 | 838,601 | 833,801 | 830,196 | 825,130 |
| Total Population for Counties Served | 18,711,436 | 18,764,814 | 18,719,938 | 18,656,912 | 18,563,153 | 18,440,407 | 18,316,629 | 18,188,818 | 18,053,131 | 17,906,684 |
| **Unemployment Rates for Counties Served** | | | | | | | | | | |
| Los Angeles County | 4.4 | 4.6 | 4.7 | 5.2 | 6.6 | 8.2 | 9.8 | 10.9 | 12.2 | 12.5 |
| Orange County | 2.8 | 3 | 3.5 | 4 | 4.4 | 5.5 | 6.6 | 7.9 | 9.1 | 9.7 |
| Riverside County | 4.2 | 4.5 | 5.2 | 6.1 | 6.7 | 8.2 | 9.9 | 11.6 | 13.2 | 13.8 |
| San Bernardino County | 3.8 | 4.1 | 4.9 | 5.7 | 6.4 | 8 | 9.8 | 11.4 | 12.9 | 13.5 |
| Ventura County | 3.6 | 3.8 | 4.5 | 5.2 | 5.6 | 6.6 | 7.9 | 9.1 | 10.2 | 10.8 |
| Average Unemployment Rates for Counties Served | 3.8 | 4.0 | 4.6 | 5.2 | 5.9 | 7.3 | 8.8 | 10.2 | 11.5 | 12.1 |
| **Per Capita Income for Counties Served** | | | | | | | | | | |
| Los Angeles County | 65,094 | 62,224 | 59,058 | 57,127 | 55,470 | 52,233 | 49,132 | 49,510 | 46,469 | 43,597 |
| Orange County | 71,711 | 69,268 | 65,709 | 63,086 | 61,219 | 57,165 | 54,717 | 55,348 | 51,495 | 49,773 |
| Riverside County | 42,418 | 40,637 | 38,975 | 37,936 | 36,642 | 34,753 | 33,440 | 32,737 | 32,196 | 30,698 |
| San Bernardino County | 42,043 | 40,316 | 38,648 | 37,592 | 36,311 | 34,320 | 32,453 | 31,733 | 31,068 | 29,566 |
| Ventura County | 64,715 | 61,712 | 58,761 | 57,136 | 55,711 | 53,031 | 50,475 | 49,993 | 48,059 | 45,910 |
| Average Per Capita Income for Counties Served | 57,196 | 54,831 | 52,230 | 50,575 | 49,071 | 46,300 | 44,043 | 43,864 | 41,857 | 39,909 |

*Estimates for CY 2019 have not been released as of 11/23/2020

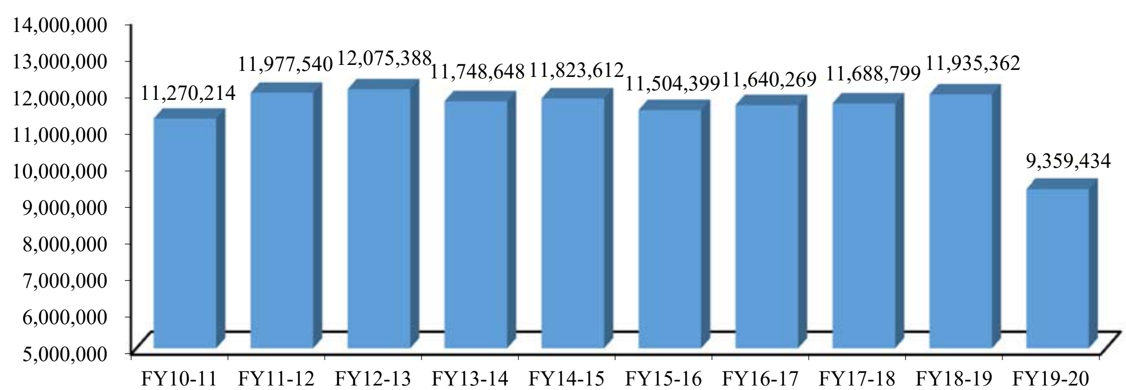
Source: U.S Census Bureau, U.S Department of Commerce Bureau of Economic Analysis, U.S Department of Labor Bureau of Labor Statistics, and SCRRA's Fact Sheet

**RIDERSHIP: 2010-11 THROUGH 2019-20**

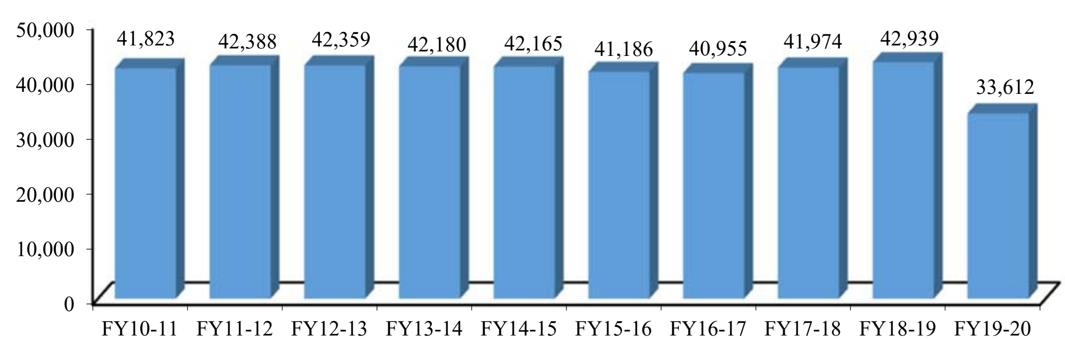
During twenty-six years of Metrolink operations, ridership grew steadily with slight declines in FY 2007 and FY 2008 through FY 2011. In FY 2008, record fuel prices helped drive a significant increase in ridership. During the latter part of FY 2008 through FY 2011, ridership steadily declined, due in large part to the continued weakened economic conditions in the Southern California region as well as nationwide. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and Metrolink ridership began to decline. With the closing of K-12 schools, followed by the California stay-at-home orders on March 19, our ridership – and related fare revenue – declined precipitously; by April, monthly ridership and fare revenue had declined nearly 90% compared to the same month in 2019. This has led to an overall decline of year over year ridership numbers.

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**

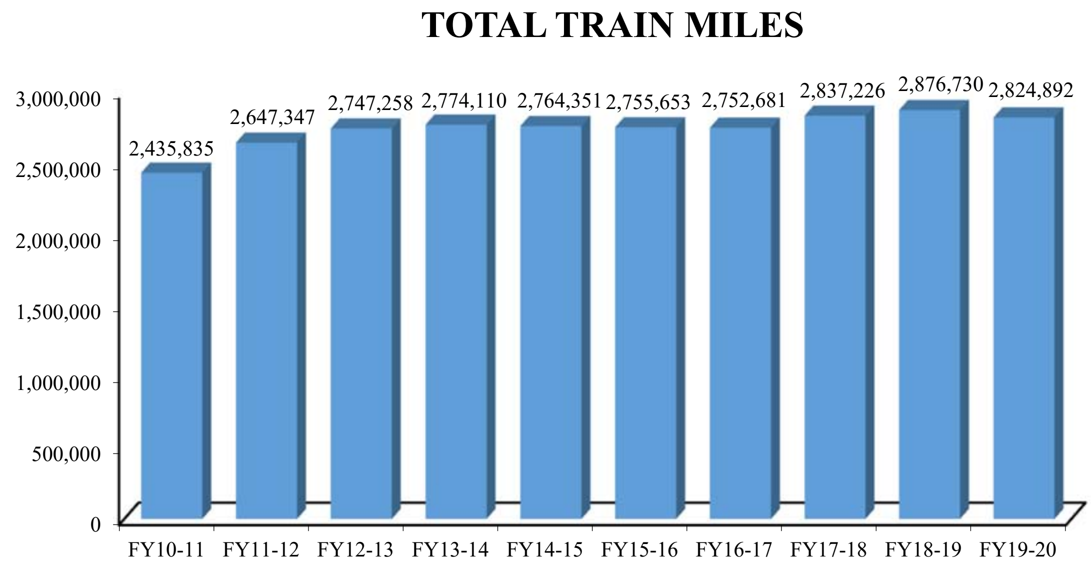



**AVERAGE WEEKDAY RIDERSHIP**

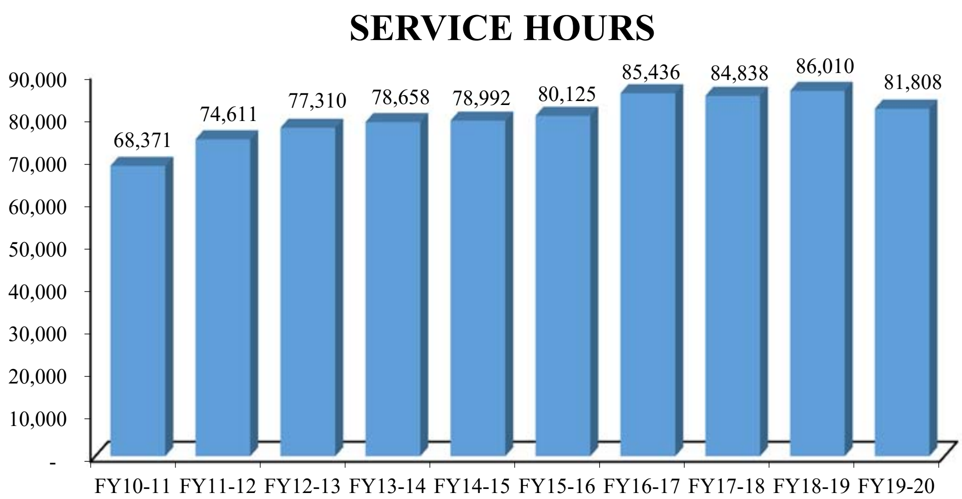


## TOTAL TRAIN MILES: 2010-11 THROUGH 2019-20

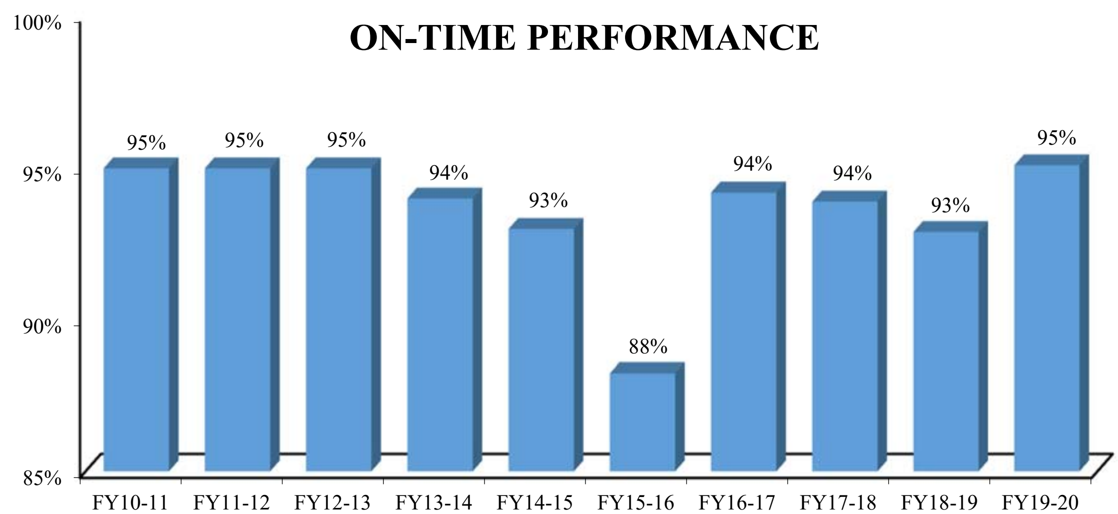
Until FY 2010, total train miles realized annual yearly increases due to additions of new trains, routes, and train schedules, as well as modifications to existing schedules. These modifications have enhanced overall service and efficiency. Several additional emergency services were started after the 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.



## SERVICE HOURS: 2010-11 THROUGH 2019-20




## ON-TIME PERFORMANCE: 2010-11 THROUGH 2019-20



## SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Miscellaneous Statistics

June 30, 2020
(Dollar Amounts in Thousands)

| | | | |
|---|---|---|---|
| **Date of Formation** | August 1991 | | |
| **Form of Government** | Joint Powers Authority | | |
| **Purpose** | To plan, design, construct and administer the operation of regional passenger rail lines. | | |
| **Member Agencies** | Los Angeles County Metropolitan Transportation Authority | | |
| | Orange County Transportation Authority | | |
| | Riverside County Transportation Commission | | |
| | San Bernardino County Transportation Authority | | |
| | Ventura County Transportation Commission | | |
| **Counties Served** | Los Angeles County | | |
| | Orange County | | |
| | Riverside County | | |
| | San Bernardino County | | |
| | Northern San Diego County | | |
| | Ventura County | | |
| **Fleet and Other Infrastructure** | Locomotives | | 62 |
| | Passenger Cars | | 258 |
| | Ticket Vending Machines | | 129 |
| | Public At-Grade Crossings | | 281 |
| | Pedestrian At-Grade Crossings | | 11 |
| | Undergrade Crossings | | 98 |
| | Overgrade Crossings | | 156 |
| **2019-20 Operating Budget** | Operations | $201,046 | |
| | Maintenance-of-Way | 44,239 | |
| | Total | $245,285 | |

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

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# METROLINK.

# TICKETS

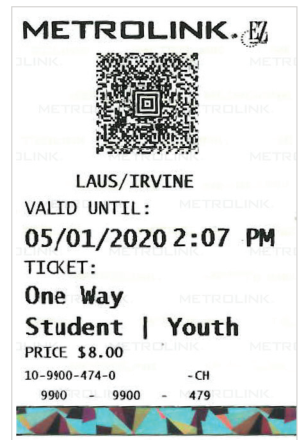
A variety of tickets and passes are available for Metrolink passengers. The type of ticket suited for you will depend on how often you plan to ride Metrolink. All tickets are good for a free transfer from Metrolink to participating, directly connecting transit. Round-Trip Tickets, 7-Day Passes, and Monthly Passes offer increasing discounts off the One-Way price.

## MONTHLY PASS


## 7-DAY PASS


## ROUND-TRIP TICKET

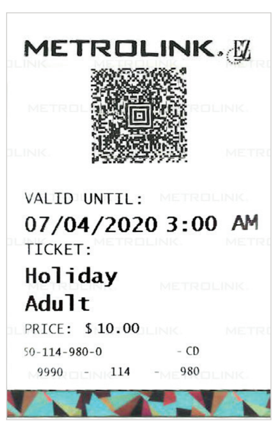

## ONE-WAY TICKET



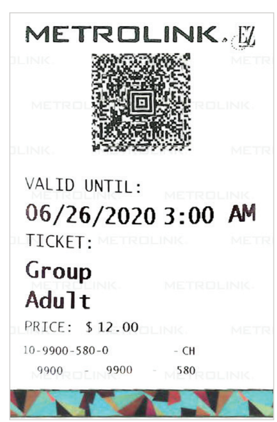

## SATURDAY WEEKEND DAY PASS


## SUNDAY WEEKEND DAY PASS

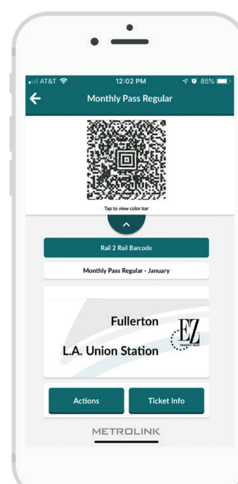

## HOLIDAY PASS




## GROUP TICKET




## MOBILE TICKET



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# SUPPLEMENTARY INFORMATION (UNAUDITED)

METROLINK

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## *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 (CTSGP), 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, CTSGP, 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, 2020 and 2019

Unearned revenue activity for the years ended June 30, 2019 and 2020, is as follows (in thousands):

| | LACMTA | OCTA | RCTC | SBCTA | VCTC | OTHER | TOTAL |
|---|---|---|---|---|---|---|---|
| **Unearned revenue, June 30, 2018** | **$ 15,394** | **$ 11,193** | **$ 2,198** | **$ 15,421** | **$ 1,632** | **$ 40,008** | **$ 85,846** |
| **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 | - | - | - | - | - | 16,031 | 16,031 |
| Federal Subsidies | - | 8,374 | - | 4,358 | 7,284 | - | 20,016 |
| **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) |
| Federal Subsidies | - | (8,374) | - | (4,358) | (7,284) | - | (20,016) |
| Operating surplus activity | (2,572) | 1,482 | (1,663) | (4,761) | (461) | - | (7,975) |
| Capital surplus activity | 342 | 903 | 1,511 | 224 | 1,151 | (778) | 3,353 |
| Interest allocation | 23 | - | - | - | 2 | 1,028 | 1,053 |
| Adjustment – FY18 VCTC/LACMTA swap | - | - | - | - | 1,247 | - | 1,247 |
| **Unearned revenue, June 30, 2019** | **$ 15,876** | **$ 15,293** | **$ 3,079** | **$ 12,041** | **$ 4,386** | **$ 37,385** | **$ 88,060** |
| **Subsidies invoiced:** | | | | | | | |
| Operating | 70,663 | 26,917 | 19,887 | 15,433 | 9,520 | - | 142,420 |
| Public liability and property damage | 7,326 | 3,370 | 1,398 | 1,616 | 448 | - | 14,158 |
| Capital | 59 | - | - | - | - | - | 59 |
| Other | 4,670 | 2,548 | 912 | 1,068 | 550 | - | 9,748 |
| Federal Subsidies | - | 7,947 | - | 2,591 | 6,506 | - | 17,044 |
| **Subsidies recognized:** | | | | | | | |
| Operating | (76,170) | (29,850) | (20,959) | (16,687) | (10,123) | - | (153,789) |
| Public liability and property damage | (6,489) | (2,985) | (1,238) | (1,431) | (397) | - | (12,540) |
| Capital | - | - | - | - | (2) | (3,874) | (3,876) |
| Other | - | - | - | - | - | (671) | (671) |
| Federal Subsidies | - | (8,373) | - | (4,357) | (6,706) | - | (19,436) |
| Operating surplus activity | (8,895) | (3,447) | (1,266) | 1,604 | (422) | - | (12,426) |
| Capital surplus activity | 1,736 | (541) | 711 | 139 | 201 | 505 | 2,751 |
| Interest allocation | 18 | - | - | - | 3 | 836 | 857 |
| **Unearned revenue, June 30, 2020** | **$ 8,794** | **$ 10,879** | **$ 2,524** | **$ 12,017** | **$ 3,964** | **$ 34,181** | **$ 72,359** |
| **Unearned revenue component:** | | | | | | | |
| Operating surplus/(deficit) | 2,478 | 1,230 | 1,736 | 5,238 | 410 | - | 11,092 |
| Preventive maintenance surplus | - | 7,947 | - | 2,591 | 586 | - | 11,124 |
| Capital projects and surplus | 6,316 | 1,702 | 788 | 4,188 | 2,968 | 34,181 | 50,143 |
| **Unearned revenue, June 30, 2020** | **$ 8,794** | **$ 10,879** | **$ 2,524** | **$ 12,017** | **$ 3,964** | **$ 34,181** | **$ 72,359** |

*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.

Proposition 1B (Prop 1B), CTSGP, CalSTA SRA and LCTOP activity during the fiscal years ended June 30, 2020 and 2019, was as follows (in thousands):

| | PTMISEA | | | | | | CTSGP | CalSTA SRA | LCTOP | |
|---|---|---|---|---|---|---|---|---|---|---|
| | LACMTA | OCTA | RCTC | SBCTA | VCTC | SCRRA | SCRRA | SCRRA | SCRRA | TOTAL |
| **Unexpended funds June 30, 2018** | **$ 974** | **$ -** | **$ -** | **$ -** | **$ 139** | **$ 13,919** | **$ 20,728** | **$ 1,611** | **$ 1,765** | **$ 39,136** |
| Funds collected | - | - | - | - | - | - | - | 4,176 | 2,029 | 6,205 |
| Costs incurred | (104) | | | | (16) | (2,235) | (4,371) | (1,215) | (1,328) | (9,269) |
| Interest revenue on unspent funds | 23 | - | - | - | 3 | 358 | 494 | 88 | 87 | 1,053 |
| **Unexpended funds, June 30, 2019** | **893** | **-** | **-** | **-** | **126** | **12,042** | **16,851** | **4,660** | **2,553** | **37,125** |
| Funds collected | - | - | - | - | - | - | - | 4,240 | 3,143 | 7,383 |
| Costs incurred | (12) | - | - | - | (4) | (4,386) | (3,593) | (2,156) | (1,056) | (11,207) |
| Interest revenue on unspent funds | 18 | - | - | - | 3 | 246 | 358 | 116 | 116 | 857 |
| **Unexpended funds, June 30, 2020** | **899** | **-** | **-** | **-** | **125** | **7,902** | **13,616** | **6,860** | **4,756** | **34,158** |