



ITEM ID: 2024-325-0

TRANSMITTAL DATE: November 1, 2024

MEETING DATE: November 8, 2024

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer
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SUBJECT: FY2024-25 Preliminary Quarterly Investment Report - Quarter Ended September 30, 2024

Issue

The Authority's Annual Investment Policy requires the Treasurer to make a quarterly investment report to the Board of Directors. Section 53646 of the California Government Code encourages local agencies to file this report and provides requirements for report content and disclosures. This report is for the quarter ended September 30, 2024, and contains estimated information published prior to the conclusion of the Authority's fiscal year close and is subject to adjustment.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair, investing in the development of our employees and maintaining fiscal sustainability.

Background

The objective of the Authority's investment strategy is to ensure that its funds are prudently

invested to preserve capital, provide necessary liquidity, and achieve a market-average rate of return through economic cycles.

The Authority's funds are held in a variety of qualified financial institutions as indicated in the table below. The Authority's main checking and operating accounts are maintained with U.S. Bank. The Authority also maintains savings and investment accounts with U.S. Bank, the State of California's Local Agency Investment Fund (LAIF), and Bank of Montreal (BMO).

Discussion

The Authority's total cash and investments increased approximately \$21.2 million from the prior quarter ending June 30, 2024. This is primarily attributable to the collection of approximately \$27 million of annual FTA preventive maintenance grant funds in July. The balance of \$177.5 million total cash and investments compares favorably to \$157.1 million in the prior year's comparable quarter. This is related to the impact of a higher estimated annual operating surplus and working capital management efforts.

Cash and Investment Portfolio as of September 30, 2024		
<i>(\$ in millions)</i>		
Restricted Funds		
Local Agency Investment Fund-Prop 1B	\$ 15.5	
Local Agency Investment Fund-CARES	<u>18.2</u>	<u>33.7</u>
Unrestricted Funds		
U.S. Bank Operating Accounts	63.9	
U.S. Bank Working Capital Fund	12.5	
BMO Money Market-Board Threshold	50.0	
U.S. Bank Money Market-Legal Reserve	<u>17.4</u>	<u>143.8</u>
Total Estimated Net Cash and Investments		\$ 177.5

Restricted Funds

Local Agency Investment Fund (LAIF) Prop 1B Account

LAIF is a pooled fund managed by the State Treasurer, an investment alternative for California's local governments.

The balance in the Authority's LAIF regular account of \$15.5 million is funded by Proposition 1B (Prop 1B) and accumulated interest earnings already earmarked in prior years for existing Capital and State of Good Repair projects. The active Prop 1B-funded projects are listed in Attachment B.

Local Agency Investment Fund (LAIF) CARES Account

The remaining balance in the LAIF CARES account as of September 30, 2024, was \$18.2 million. As of this date, all funds in the LAIF CARES account belong to VCTC.

Unrestricted Funds

U.S. Bank Operating Accounts

Approximately \$ 63.9 million in cash was available in U.S. Bank operating accounts as of September 30, 2024. This figure reflects the reported bank balance less estimated outstanding checks.

BMO Money Market Demand Account - Board Threshold

The Authority maintained a \$50.0 million principal balance in the BMO Money Market Demand Account (MMDA) for the quarter ending September 30, 2024.

U.S. Bank Money Market Demand Account - Legal Reserve

The Authority has set aside funds related to on-going legal exposure. Legal reserve funding plus accumulated interest totaled \$12.5 million as of September 30, 2024.

U.S. Bank Money Market Demand Account - Working Capital Fund

In FY24, the SCRRA Board approved a \$50 million Working Capital Fund (WCF) for the purpose of providing advance funding for Capital Program expenses. Member Agencies were invoiced for their respective WCF allocation deposits in June of 2024. As of September 30, 2024, \$17,245,000 had been collected and deposited in a newly established money market demand account at U.S. Bank. Interest of \$155,986.28 of interest has been paid out through September month end. Interest earned will be paid directly to Member Agencies after the conclusion of each fiscal year.

Available Cash Analysis

In addition to restricted LAIF funds and other reserved cash (legal reserves and Working Capital Funds), the Authority has pending liabilities against remaining cash balances. These particular liabilities are subject to refund and adequate liquidity must be kept available for that purpose. After consideration of both restricted/reserved funds and additional cash claims, SCRRA's net liquidity, or available cash as of September 30, 2024, was \$39.3 million. This is a decline of \$11.5 million as compared to the available cash balance of \$ 50.8 million for the previous quarter. This is due primarily to an increase in cash claims due to the reclassification as a liability of the estimated FY25 operating surplus. The September available cash balance is less than the requirement of \$ 50 million per the Investment Policy. No formal notification is required as the prior month's cash balance was over \$50 million. Staff monitors SCRRA liquidity on a daily basis and adjusts to address and properly fund operations as needed.

When the entirety of the Working Capital Funds deposits have been fully received and advance activity commences, quarterly Investment Reports will be expanded to include a summary of WCF activity and balances.

Available Cash Analysis as September 30, 2024

Does not include LAIF, reserve accounts

(\$ in millions)

Cash Category:

Net Operating Cash

\$ 113.9

Less Prior Claims on Cash:

Member Agency Preventive Maintenance	(5.6)
TPA Advance Deposits	(26.3)
Member Agency Operating Surplus	(38.2)
Member Agency Capital Surplus	<u>(4.5)</u>
Available Cash to Spend:	\$ 39.3

Interest Earned

Total interest earned and paid in Q1 FY25 was \$1,538,052, for a decrease of \$151,382 over the previous quarter. This represents a total weighted average yield on all accounts of 3.48 % versus the prior quarter of 3.90%. The dollar and % decline are related primarily to a change in the timing of the distribution of interest on the main checking account. As of September, this account will receive interest in the following month it was earned versus the last day of the month in which it was earned. This resulted in a one-time negative adjustment to interest received in the quarter. In addition, the effective interest rate on this account has declined. SCRRA has been notified that further decreases in interest rates may be forthcoming from both of its principal partner banks.

A detailed list of interest received in Q1 FY25 by account is shown in Attachment A. It should be noted that interest shown represents actual cash received on all funds in SCRRA custody, which will differ from those shown in the SCRRA accrual based operating statement and budget. LAIF and WCF interest do not accrue to SCRRA's operating statement and are not included in the budget.

Investment Portfolio Compliance

The composition of the investment portfolio complies with all provisions of both the Authority's Annual Investment Policy and California Government Code Section 53600, et sec.

Code Section 53646 requires all local agencies reporting on a quarterly basis indicate the sufficiency of available monies to fund expenses for the next six months or provide an explanation as to why sufficient money shall, or may, not be available. As of September 30, 2024, SCRRA cannot confirm sufficiency to adequately fund the next six months of its operations and capital program. While adequate operational funding is provided for in the Authority's annual budgeting process, these operational funds are concurrently leveraged to advance-fund capital projects. In addition, a portion of operations funding arrives through external Federal grants, the timing of which can be significantly delayed. These factors, along with a lack of reserve funding, creates liquidity concerns and impairs the Authority's ability to provide assurance that adequate funding exists for the next six-month period per Code Section 53646.

Next Steps

The next Investment Report for the quarter ended December 31, 2024, will be provided to the Board in February of 2025.

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Jeffrey Golfo, Finance Analyst I, Accounts Receivable

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - FY2024-25 Quarterly Investment Report - Investment Balances and Interest Earned](#)

[Attachment B - FY2024-25 Quarterly Investment Report - Prop 1 B Projects Presentation - FY2024-25 Preliminary Quarterly Investment Report - Quarter Ended September 30, 2024](#)