



ITEM ID: 2025-353-0

TRANSMITTAL DATE: November 7, 2025

MEETING DATE: November 14, 2025

TO: Board of Directors

FROM: Tom Schamber, Chief Financial Officer
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SUBJECT: FY2025-26 Preliminary Quarterly Investment Report - Quarter Ended September 30, 2025

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, 2025, 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 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 declined approximately \$10.1 million from the prior quarter. This is primarily due to delays in receiving Member Support payments due to the annual MOU process. The balance of \$192.9 million in total cash and investments compares favorably to \$177.5 million in the prior year's comparable quarter.

Cash and Investment Portfolio as of September 30, 2025		
<i>(\$ in millions)</i>		
Restricted Funds		
LAIF - State Funds	\$ 4.4	
LAIF - VCTC Local Funds	18.4	<u>22.8</u>
Unrestricted Funds		
U.S. Bank Operating Accounts	56.8	
U.S. Bank Working Capital Fund	50.4	
BMO Money Market-Board Threshold	50.0	
U.S. Bank Money Market-Reserved	<u>12.9</u>	<u>170.1</u>
Total Estimated Net Cash and Investments		\$ 192.9

Restricted Funds

Local Agency Investment Fund (LAIF) State Grant Funds Account

The balance in the Authority's LAIF state grant funds account of \$4.4 million is funded by various grants and accumulated interest earnings earmarked for existing Capital and State of Good Repair projects. The active projects are listed in Attachment B.

Local Agency Investment Fund (LAIF) Emergency Account

The remaining cash balance in this LAIF account as of September 30, 2025, was \$18.4 million. As of this date, all funds in this account belong to VCTC.

Unrestricted Funds

U.S. Bank Operating Accounts

Approximately \$56.8 million in cash was available for use in U.S. Bank operating accounts as of September 30, 2025. This figure will generally reflect the reported bank statement balance

less in-transit items, consistent with GAAP reporting. This estimated balance is preliminary and subject to year-end audit adjustments.

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, 2025.

U.S. Bank Money Market Demand Account - Reserved Funds

Management of the Authority has set aside funds related to legal exposure, liquidated balances formerly held in the Fuel Hedge account, and certain proceeds received from locomotive asset sales. Segregated funds plus accumulated interest totaled \$12.9 million at the end of the quarter. This represents a decline of \$12.2 million, primarily related to the transfer of formerly restricted legal reserves to available cash held within the main checking account due to the final resolution of legal matters related to those funds.

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. \$50,000,000 has been collected and deposited in a segregated money market demand account at U.S. Bank. The balance in this account as of September 30, 2025, was \$50,424,704. Annual interest earned for FY25 totaled \$994,617.90 and was paid to Member Agencies in Q1 FY26. Annual interest earned is paid directly to Member Agencies within 90 days after the conclusion of each fiscal year.

Available Cash Analysis

In addition to restricted LAIF funds and other reserved cash, 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, 2025, was \$39.3 million. This represents a decline of \$19.9 million as compared to \$59.2 million for the previous quarter end. This is primarily due to the in-progress Member Agency annual MOU process, upon conclusion of which delayed Q1 Member Support will be paid. The September available cash balance does not meet the requirement of \$50 million per the Investment Policy, however no formal notice is required at this time. Finance staff monitors SCRRA liquidity on a daily basis and adjusts to address and properly fund operations as needed.

Available Cash Analysis September 30, 2025

Does not include LAIF, reserved accounts

(\$ in millions)

Cash Category:

Net Operating Cash	\$ 106.8
<u>Less Prior Claims on Cash:</u>	
Member Agency Funds on Hand	(24.0)
TPA Advance Deposits	(17.0)
Member Agency Operating Surplus	(22.8)

Member Agency Capital Surplus

(3.7)

Available Cash to Spend:

\$ 39.3

Interest Earned

Total interest earned and paid in Q1 FY26 was \$1.8 million, for a decrease of \$160,326 versus the prior quarter. Interest earned is a function of cash balances held throughout the quarter as well as fluctuating yields on investments. The weighted average yield on investments in the quarter was 3.34%. The interest income decrease was primarily due to the impact of declining interest rates and lower overall cash balances.

A detailed list of interest received 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 for the direct benefit of external parties. All other interest received is considered income to SCRRA and is budgeted and reflected as such on the SCRRA Operating Statements.

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, 2025, SCRRA cannot confirm sufficiency to adequately fund the next six months of its operations and capital program. SCRRA heavily relies upon external subsidies to fund its ongoing operating expenses. While operational subsidies are provided for in the Authority's annual budgeting process, receipt of these subsidies can be delayed. While the Agency maintains operating reserves in the form of the \$50 M Board Threshold, this figure represents less than two months of operating expenses, per the Adopted FY26 Budget. In addition, operations funding can be concurrently leveraged to advance-fund grant reimbursable capital project expenses that may exceed \$200 million annually based upon current Program Management Office production forecasts. The cumulative effect of these factors creates ongoing liquidity concerns and impairs the Authority's ability to provide assurance that adequate funding exists for the next six-month period, a disclosure which is expressly required for governmental agencies by Code Section 53646.

Next Steps

The next Investment Report for the quarter ended December 31, 2025, will be provided to the Board in February of 2026.

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Jeffrey Golfo, Finance Analyst I, Accounts Receivable

Approved by: Tom Schamber, Chief Financial Officer

Attachment(s)

Attachment A - FY26 Q1 Quarterly Investment Report - Investment Balances and Interest Earned

Attachment B - FY26 Q1 Quarterly Investment Report - State Fund Projects

Presentation - FY2025-26 Preliminary Quarterly Investment Report Quarter Ended September 30, 2025