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ITEM ID:	**2026-357-0**
TRANSMITTAL DATE:	**November 6, 2026**
MEETING DATE:	**November 13, 2026**
TO:	**Board of Directors**
FROM:	**Tom Schamber, Chief Financial Officer**
	–
SUBJECT:	**FY2026-27 Preliminary Quarterly Investment Report - Quarter Ended September 30, 2026**

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, 2026, 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 decreased approximately $13.9 million from the prior quarter. The balance of $207.1 million in total cash and investments compares favorably to $192.9 million in the prior year's comparable quarter.

Cash and Investment Portfolio as of September 30, 2026
($ in millions)

Restricted Funds		
LAIF - State Funds	$5.3	
LAIF - VCTC Local Funds	17.7	**23.0**
Unrestricted Funds		
U.S. Bank Operating Account	91.7	
U.S. Bank WCF Account	23.0	
U.S. Bank Reserve Bank Account	19.4	
BMO Board Threshold Account	50.0	**184.1**
Total Estimated Net Cash and Investments		**$207.1**

Restricted Funds

Local Agency Investment Fund (LAIF) State Grant Funds Account
The balance in the Authority's LAIF state grant funds account of $5.3 million is funded by various grants and accumulated interest earnings earmarked for existing Operating, Capital, and State of Good Repair projects. The active projects are listed in Attachment B. These funds are not considered available until earned.

Local Agency Investment Fund (LAIF) Emergency Account
The remaining cash balance in this LAIF account as of September 30, 2026, was $17.7 million. As of this date, all funds in this account belong to VCTC and are not available to SCRRA unless directed by VCTC.

Unrestricted Funds

U.S. Bank Operating Account
The U.S. Bank operating account balance as of September 30, 2026 was $91.7 million. This

figure reflects the reported bank statement balance less in-transit items (outstanding check float). This estimated balance is preliminary and subject to completion of the monthly bank reconciliation. These funds include TPA deposits, Member Surpluses, and other unearned revenue that is not available to SCRRA. In 2024, SCRRA Finance Staff successfully negotiated with U.S. Bank to award interest on this main operational checking account, which has provided for additional income of approximately $2.5 million per year since that time and currently yields 2.53%.

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. $50,000,000 has been collected and deposited in a segregated interest-bearing money market demand account at U.S. Bank. The balance in this bank account as of September 30, 2026, was $23.0 million. Advances and repayments to the WCF account began in Q2 FY26 and are detailed in separate quarterly reports provided to the Board.

BMO Money Market Demand Account - Board Threshold
The Authority maintained a $50.0 million principal balance in the interest-bearing BMO Money Market Demand Account (MMDA) for the quarter ending September 30, 2026. These funds are available should liquidity concerns require their use.

U.S. Bank Money Market Demand Account - Reserved Funds
While these funds are not formally restricted, from time to time management of the Authority reserves funds for particular purposes. Currently, the funds in this interest-bearing account primarily relate to available excess funds liquidated from the Fuel Hedge account, and proceeds received from locomotive asset sales. These segregated funds totaled $19.4 million at the end of the quarter.

Available Cash Analysis
In addition to restricted bank/investment accounts (LAIF, BMO Board Threshold, US Bank WCF and Reserve), the Authority carries unearned revenue within its operating account cash balance. These deferred revenue liabilities are subject to refund and adequate liquidity must be kept available for that purpose. After consideration of both segregated bank accounts and these additional cash claims in the form of deferred revenue, SCRRA's net liquidity, or available cash as of September 30, 2026, was $66.9 million. This represents a decrease of $31.4 million as compared to $98.3 million for the previous quarter end. There’s an increase of $27.6 million from the comparable quarter of prior year and is generally attributable to the use of the WCF to fund Capital expenses versus the historical use of Operations funds, as well as the transfer of Fuel Hedge account to the Operating account.

The September available cash balance meets the requirement of $50 million per the Investment Policy. Finance staff monitors SCRRA liquidity on a daily basis and adjusts to address and properly fund operations as needed.

Available Cash Analysis September 30, 2026

Does not include LAIF, reserved accounts, other unearned revenue
($ in millions)

Cash Category:	
Operating Cash Account	91.7
Board Threshold Account	50
Total Operating Cash	141.7
Less Unearned Revenue:	
Member Agency Funds/(Grants)	(26.7)
TPA Advance Deposits	(24.7)
Member Agency Operating Surplus	(20.1)
Member Agency Capital Surplus	(3.3)
Available Cash to Spend:	**$66.9**

Interest Earned

Total interest earned and received in Q1 FY27 was $1,273,475, for a decrease of $175,992 versus the prior quarter. Interest earned is a function of cash balances held throughout the quarter as well as fluctuating interest rates. The weighted average yield on investments in the quarter was 2.7%, equal to the prior quarter as interest rates have stabilized.

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 is considered income to SCRRA and is budgeted and reflected as such on SCRRA Operating Statements. SCRRA is performing ahead of the Adopted Budget relative to interest income for FY27.

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 to 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, 2026, SCRRA cannot confirm sufficiency to adequately fund the next six months of expenses. SCRRA relies heavily upon external subsidies to fund its on-going operating expenses and has not yet gained approval for the FY27 Budget. While adequate operational subsidies are provided for in the Authority's annual budgeting process, receipt of these subsidies can be delayed for various reasons. While the Agency maintains operating reserves in the form of the $50M Board Threshold, this figure represents less than two months of operating expenses. In addition, operational funding may be needed in addition to the WCF to advance-fund grant reimbursable capital project expenses based on anticipated future growth in capital and rehabilitation costs. The cumulative effect of these factors impairs the Authority's ability to provide reasonable 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, 2026 will be provided to the Board in February 2027.

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Approved by:	Tom Schamber, Chief Financial Officer

Attachment(s)

Attachment A - FY27 Q1 Quarterly Investment Report - Investment Balances and Interest Earned
Attachment B - FY27 Quarterly Investment Report
Presentation - FY27 Q1 Preliminary Investment Report