



ITEM ID: 2025-211-0

TRANSMITTAL DATE: May 16, 2025

MEETING DATE: May 23, 2025

TO: Board of Directors

FROM: Tom Schamber, Interim Chief Financial Officer
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SUBJECT: FY2024-25 Preliminary Quarterly Investment Report - Quarter Ended March 31, 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 March 31, 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 increased approximately \$6.9 million from the prior quarter ending December 31, 2024. This is primarily attributable to the receipt of \$40.9 million in WCF deposits and segregated fuel hedge proceeds, offset by the use of operational and state funding in the amount of approximately \$34 million. The balance of \$232.6 million total cash and investments compares favorably to \$179.2 million in the prior year's comparable quarter.

Cash and Investment Portfolio as of March 31, 2025		
<i>(\$ in millions)</i>		
Restricted Funds		
LAIF - State Funds	\$ 18.0	
LAIF - VCTC Local Funds	<u>18.6</u>	<u>36.6</u>
Unrestricted Funds		
U.S. Bank Operating Accounts	73.7	
U.S. Bank Working Capital Fund	47.1	
BMO Money Market-Board Threshold	50.0	
U.S. Bank Money Market-Reserved	<u>25.1</u>	<u>196.0</u>
Total Estimated Net Cash and Investments		<u>\$ 232.6</u>

Restricted Funds

Local Agency Investment Fund (LAIF) State Grant Funds Account

The balance in the Authority's LAIF state grant funds account of \$18 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 balance in this LAIF account as of March 31, 2025, was \$18.6 million. As of this date, all funds in this account belong to VCTC.

Unrestricted Funds

U.S. Bank Operating Accounts

Approximately \$73.7 million in cash was available for use in U.S. Bank operating accounts as of March 31, 2025. This figure will generally reflect the reported bank statement balance less in-transit items, consistent with GAAP reporting. However, this quarter's report adjusts the balance for the post-month transfer of Fuel Hedge funds intended to be segregated in the U.S.

Bank reserved funds account. This estimated balance is preliminary and subject to year-end 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 March 31, 2025.

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

Management of the Authority has set aside funds related to on-going legal exposure, liquidated excess balances formerly held in the Fuel Hedge Program bank account, as well as proceeds received from locomotive asset sales. Segregated funds available plus accumulated interest totaled \$25.1 million as of March 31, 2025. The increase from the prior quarter is based upon a net transfer of \$11.2 million in liquidated proceeds from the Fuel Hedge account completed after the close of the month.

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 March 31, 2025, \$46,535,000 had been collected and deposited in a newly established money market demand account at U.S. Bank. Total interest of \$575,268 has been paid out through the end of March. 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, 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 March 31, 2025, was \$55.3 million. This is a decrease of \$24.5 million as compared to the available cash balance of \$79.8 million for the previous quarter end. This decline is generally reflective of the early collection of Q3 Member Support payments resulting in a higher-than-expected December month-end cash balance, as well as a higher capital expense trend observed year to date that has correspondingly increased unbilled balances. The March available cash balance exceeds the requirement of \$50 million per the Investment Policy. Staff monitors SCRRA liquidity on a daily basis and adjusts to address and properly fund operations as needed.

Available Cash Analysis March 31, 2025

Does not include LAIF, reserved accounts

(\$ in millions)

Cash Category:

Net Operating Cash	\$ 123.7
<u>Less Prior Claims on Cash:</u>	
Member Agency Preventive Maintenance	(5.6)
TPA Advance Deposits	(24.1)
Member Agency Operating Surplus	(33.4)
Member Agency Capital Surplus	<u>(5.3)</u>

Available Cash to Spend:

\$ 55.3

Interest Earned

Total interest earned and paid in Q3 FY25 was \$1,840,702, for an increase of \$245,525 versus the prior quarter. Interest earned is a function of cash balances held throughout the quarter as well as the fluctuating yields and interest rates.

A detailed list of interest received in Q3 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, are for the direct benefit of external parties.

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 March 31, 2025, 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 project spending. In addition, a portion of operations funding arrives through external grants, the timing of which can be significantly delayed or unknown. These factors, along with a lack of reserve funding, creates on-going 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 by Code Section 53646.

Next Steps

The next Investment Report for the quarter ended June 30, 2025, will be provided to the Board in September of 2025.

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Jeffrey Golfo, Finance Analyst I, Accounts Receivable

Approved by: Tom Schamber, Interim Chief Financial Officer

Attachment(s)

[Attachment A - Q3 Quarterly Investment Report - Investment Balances and Interest Earned](#)
[Attachment B - Q3 Quarterly Investment Report - State Fund Projects](#)
[Presentation - FY2024-25 Preliminary Quarterly Investment Report Quarter Ended March 31, 2025](#)