



**ITEM ID:** 2025-131-0

**TRANSMITTAL DATE:** February 7, 2025

**MEETING DATE:** February 14, 2025

**TO:** Audit and Finance Committee

**FROM:** Arnold Hackett, Chief Financial Officer  
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**SUBJECT:** FY2024-25 Preliminary Quarterly Investment Report - Quarter Ended December 31, 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 December 31, 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 \$48.3 million from the prior quarter ending September 30, 2024. This is primarily attributable to: strong and timely collection of Member Support invoices, strong grant collections, receipt of annual LCTOP funding, and the impact of FY24 and YTD FY25 operating surplus within cash balances. The balance of \$225.8 million total cash and investments compares favorably to \$183.4 million in the prior year's comparable quarter.

<b>Cash and Investment Portfolio as of December 31, 2024</b>		
<i>(\$ in millions)</i>		
<b>Restricted Funds</b>		
Local Agency Investment Fund-Prop 1B	\$ 20.4	
Local Agency Investment Fund-CARES	<u>18.4</u>	<u>38.9</u>
<b>Unrestricted Funds</b>		
U.S. Bank Operating Accounts	105.5	
U.S. Bank Working Capital Fund	17.6	
BMO Money Market-Board Threshold	50.0	
U.S. Bank Money Market-Reserved Funds	<u>13.8</u>	<u>186.9</u>
<b>Total Estimated Net Cash and Investments</b>		<b><u>\$ 225.8</u></b>

**Restricted Funds**

**Local Agency Investment Fund (LAIF) Prop 1B Account**

The balance in the Authority's LAIF regular account of \$20.4 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) Former CARES Account**

The remaining balance in this LAIF account as of December 31, 2024, was \$18.4 million. As of this date, all funds in this account belong to VCTC.

## **Unrestricted Funds**

### **U.S. Bank Operating Accounts**

Approximately \$105.5 million in cash was available in U.S. Bank operating accounts as of December 31, 2024. This figure reflects the reported bank balance less estimated in-transit items. This estimate is preliminary and is subject to completion of the detailed monthly bank reconciliation process.

### **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 December 31, 2024.

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

The Authority has set aside funds related to on-going legal exposure as well as proceeds received from locomotive sales. This reserve funding account plus accumulated interest totaled \$13.8 million as of December 31, 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 December 31, 2024, \$17,245,000 had been collected and deposited in a newly established money market demand account at U.S. Bank. Total interest of \$310,298 has been paid out through December 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, 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 December 31, 2024, was \$79.9 million. This is an increase of \$40.6 million as compared to the available cash balance of \$39.3 million for the previous quarter end. This is due primarily to strong collections of Member Support and grant receivables, including the early receipt of a portion of Q3 Member Support receivables not due until January. In addition, the Agency is accumulating surplus cash due to the FY25 Operating Budget surplus. The December 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 as December 31, 2024**

*Does not include LAIF, reserved accounts*

*(\$ in millions)*

#### **Cash Category:**

Net Operating Cash	\$ 155.5
<u>Less Prior Claims on Cash:</u>	
Member Agency Preventive Maintenance	(5.6)

TPA Advance Deposits	(25.3)
Member Agency Operating Surplus	(37.8)
Member Agency Capital Surplus	(6.9)
<b>Available Cash to Spend:</b>	<b>\$ 79.9</b>

### **Interest Earned**

Total interest earned and paid in Q2 FY25 was \$1,595,176, for a slight increase of \$57,125 over the previous quarter despite lower interest rates; this represents a total weighted average yield on all accounts of 3.06% versus the prior quarter of 3.48%.

A detailed list of interest received in Q2 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 December 31, 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 March 31, 2025, will be provided to the Board in May 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  
December 31, 2024