



ITEM ID: 2026-131-0

TRANSMITTAL DATE: February 20, 2026

MEETING DATE: February 27, 2026

TO: Board of Directors

FROM: Tom Schamber, Chief Financial Officer
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SUBJECT: FY2025-26 Preliminary Quarterly Investment Report - Quarter Ended December 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 December 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 \$42.6 million from the prior quarter. This is primarily due to the receipt of delayed Member Support payments due to the annual MOU process. The balance of \$235.5 million in total cash and investments compares favorably to \$225.7 million in the prior year's comparable quarter.

Cash and Investment Portfolio as of December 31, 2025		
<i>(\$ in millions)</i>		
Restricted Funds		
LAIF - State Funds	\$4.4	
LAIF - VCTC Local Funds	18.2	<u>22.6</u>
Unrestricted Funds		
U.S. Bank Operating Accounts	110.8	
U.S. Bank Working Capital Fund	39.2	
BMO Money Market-Board Threshold	50.0	
U.S. Bank Money Market-Reserved	<u>12.9</u>	<u>212.9</u>
Total Estimated Net Cash and Investments		<u>\$235.5</u>

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 December 31, 2025, was \$18.2 million. As of this date, all funds in this account belong to VCTC.

Unrestricted Funds

U.S. Bank Operating Accounts

Approximately \$110.8 million in cash was available for use in U.S. Bank operating accounts as of December 31, 2025. This figure reflects the reported bank statement balance less in-transit items (outstanding check float), 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 December 31, 2025.

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

From time to time, management of the Authority sets aside funds not to be used for general operations. These funds have typically related to legal settlement reserves, liquidated balances formerly held in the Fuel Hedge account, and proceeds received from locomotive asset sales. These segregated funds plus accumulated interest totaled \$12.9 million at the end of the quarter.

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 money market demand account at U.S. Bank. The balance in this account as of December 31, 2025, was \$39.2 million. Advances and repayments to the WCF account began in Q2 FY26 and are detailed in a separate quarterly report.

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, 2025, was \$91.0 million. This represents an increase of \$51.7 million as compared to \$39.3 million for the previous quarter end. The increase is primarily related to: (1) collection of Member Support receivables upon conclusion of annual MOU agreement processes, and (2) use of the WCF to fund Capital expenses versus the historical use of Operations funds; staff reasonably anticipates that on-going use of the WCF to front Capital expenses should improve Operations cash balances.

The December 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 December 31, 2025

Does not include LAIF, reserved accounts

(\$ in millions)

Cash Category:

Net Operating Cash	\$160.8
<u>Less Prior Claims on Cash:</u>	
Member Agency Funds on Hand	(24.5)
TPA Advance Deposits	(22.0)
Member Agency Operating Surplus	(19.2)
Member Agency Capital Surplus	<u>(4.1)</u>
Available Cash to Spend:	\$91.0

Interest Earned

Total interest earned and paid in Q2 FY26 was \$1,468,999, for a decrease of \$360,905 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 2.86%, a decline from the prior quarter's yield of 3.31%. The interest income decrease was due to two interest rate reductions imposed by SCRRA partner banks within the quarter.

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.

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, 2025, SCRRA cannot confirm sufficiency to adequately fund the next six months of its operations and capital program independently. SCRRA heavily relies upon external subsidies to fund its on-going 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 \$50M Board Threshold, this figure represents less than two months of operating expenses, per the Adopted FY26 Budget. In addition, operations funds and the Board's Threshold may be needed 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 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 for governmental agencies by Code Section 53646.

Next Steps

The next Investment Report for the quarter ended March 31, 2026, will be provided to the Board in May 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 Q2 Quarterly Investment Report - Investment Balances and Interest Earned

Attachment B - FY26 Q2 Quarterly Investment Report - List of State Funds
Presentation - FY2025-26 Preliminary Quarterly Investment Report - Quarter Ended Dec 31, 2025