



**ITEM ID:** 2024-118-0

**TRANSMITTAL DATE:** February 16, 2024

**MEETING DATE:** February 23, 2024

**TO:** Board of Directors

**FROM:** Arnold Hackett, Chief Financial Officer  
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**SUBJECT:** FY2023-24 Preliminary Quarterly Investment Report - Quarter Ended December 31, 2023

**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, 2023, 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 \$26.3 million from the prior quarter ending September 30, 2023. This is primarily attributable to the timing of cash collections versus expenditures. Specifically, the increase related to significant collections of past due Member Support receivables and final receipt of preventive maintenance grant funds which had been scheduled to occur in FY23.

<b>Cash and Investment Portfolio as of December 31, 2023</b>		
<i>(\$ in millions)</i>		
<b>Restricted Funds</b>		
Local Agency Investment Fund-Prop 1B	\$23.7	
Local Agency Investment Fund-CARES	<u>18.7</u>	<u>42.4</u>
<b>Unrestricted Funds</b>		
U.S. Bank Operating Accounts	82.0	
BMO Money Market-Board Threshold	50.0	
U.S. Bank Money Market-Legal Reserve	<u>9.0</u>	<u>141.0</u>
<b>Total Estimated Net Cash and Investments</b>		<b><u>\$183.4</u></b>

**Restricted Funds**

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

LAIF is a pooled fund managed by the State Treasurer in which the Authority is a voluntary participant. It is an investment alternative for California's local governments and offers local agencies the opportunity to participate in a major portfolio that totals over \$25 billion, using the investment expertise of the State Treasurer's office investment staff at no additional cost to the Authority.

The \$ 23.7 million balance in the Authority's LAIF regular account 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. This balance does not represent a source of immediately available funding. The active Prop 1B-funded projects are listed in Attachment B.

**Local Agency Investment Fund (LAIF) CARES Account**

Member agencies have and continue to use these funds to pay for their quarterly operating contributions, leaving a balance of \$18.7 million in the LAIF CARES account as of December 31, 2023.

### Bank of America Investment Account -- Rolling Stock Reserve

The leaseback agreements were officially terminated effective February 1, 2022, as the Authority exercised the existing purchase option of the associated rolling stock. SCRRA liquidated and closed this account in Q2 FY24, moving the proceeds to the U.S. Bank main operating account.

### Unrestricted Funds

#### U.S. Bank Operating Accounts

Approximately \$ 82.0 million in cash was on hand and available in the U.S. Bank operating accounts as of December 31, 2023. The \$82.0 million reported reflects the reported bank balance in U.S. Bank operating accounts less outstanding in-transit checks.

#### Board Threshold - BMO Money Market Demand Account

The Authority maintained a \$50.0 million principal balance in the BMO Money Market Demand Account (MMDA) for the quarter ending December 31, 2023. If the cash threshold balance is projected to fall below \$50.0 million for more than two consecutive months, staff will notify the Board. At the end of December, the available cash balance exceeded this threshold.

#### U.S. Bank Money Market Account - Legal Reserve

The Authority has set aside funds related to on-going legal exposure. Legal reserve funding reserves set aside totaled \$8.9 million as of December 31, 2023.

### Available Cash Analysis

In addition to restricted cash, the Authority has liabilities on existing cash balances. These liabilities are subject to potential refund, and adequate liquidity must be available for that purpose. After consideration of both restricted cash and these additional cash claims, SCRRA's net liquidity as of December 31, 2023, was \$52.0 million. Staff monitors SCRRA liquidity on a daily basis and adjusts to address and properly fund operations as needed.

<b>Available Cash Analysis as December 31, 2023</b>		
<i>Does not include LAIF, segregated reserve accounts</i>		
<i>(\$ in millions)</i>		
<b>Cash Category:</b>		
Net Operating Cash	\$132.0	
<u>Less:</u>		
Member Agency Preventive Maintenance	(14.2)	
TPA Advance Deposits	(31.7)	
Member Agency Operating Surpluses	(15.9)	
SCRRA/Member Agency Capital Surpluses	(14.0)	
Rolling Stock Reserve/BofA Proceeds	(4.2)	
<b>Available Cash to Spend:</b>	\$ 52.0	

## **Interest Earned**

Total interest earned and paid in Q2 FY24 was \$957,454, an increase of \$10,317 over the previous quarter. These earnings represent an approximate weighted average yield of 3.8% on balances outside of the non-interest-bearing checking account.

A detailed list of interest received in Q2 FY24 by account is shown in Attachment A.

## **Investment Portfolio Compliance**

The composition of the investment portfolio as of December 31, 2023, 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, 2023, 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 the projected capital program. In addition, a portion of operations funding arrives through external Federal grants, the timing of which cannot be assured. These factors create liquidity concerns and impair the Authority's ability to provide assurance that adequate funding exists for the next six-month period.

## **Next Steps**

The next Cash and Investments quarterly report for the quarter ended March 31, 2024, will be provided to the Board in May of 2024.

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Jeffrey Golfo, Finance Analyst I, Accounts Receivable

Approved by: Arnold Hackett, Chief Financial Officer

## **Attachment(s)**

[Attachment A - FY2023-24 Quarterly Investment Report - Investment Balances and Interest Earned](#)

[Attachment B - FY2023-24 Quarterly Investment Report - Prop 1B Projects Presentation - Preliminary Quarterly Investment Report Q2](#)