Cincinnati Southern Railway Trust Distributions

Detailed Chronology and Supporting Record | February 2025 - September 2026

Cincinnati Oversight Project | **September 9, 2026**

Purpose. This chronology traces the development of questions concerning the timing of Cincinnati Southern Railway Trust distributions, the City's deployment of those funds, and the treatment of investment earnings after distribution. It distinguishes established facts from unresolved questions.

February 11, 2025 - Initial concern

At the Railway Trust Board meeting, concern was raised about whether the City's capacity to execute infrastructure projects was keeping pace with Railway Trust distributions.

Significance: The original issue was a management question: should money leave the Trust substantially before Cincinnati is positioned to use it?

December 10, 2025 - Local 12 examines spending

Local 12 reported substantial Railway-funded infrastructure money remained unspent, reinforcing the concern that distributions were reaching the City substantially before deployment.

Significance: The concern raised in February now had public reporting showing a substantial gap between allocation and expenditure.

December 17, 2025 - Draw-down model proposed

A letter to the Trustees recommended considering a draw-down approach under which Railway money would remain invested in the Trust until the City was closer to actually needing it. The letter asked the Board and its investment professionals to quantify the financial effect rather than assume it was material.

The transmittal was also sent to the Mayor, City Council and Clerk, with the City Manager copied. It expressly explained that the letter recommended a draw-down approach.

Significance: This establishes both the proposed alternative and early notice to City policymakers.

January 23, 2026 - Finance Director explains City's investment practice

Finance Director Steve Webb explained that Railway distributions not immediately needed for project expenditures are included in the City's investment portfolio. He reported a 5.89% annual return for the preceding fiscal year, described investment income as the City's third-largest General Fund revenue source, and stated that investment returns from Railway funds are deposited in the General Fund pursuant to the Cincinnati Municipal Code.

Significance: The issue changed from whether money was literally idle to where it should remain invested while awaiting expenditure. It also introduced a separate question concerning disposition of earnings generated after transfer.

February 2, 2026 - Chairman Muething responds

Chairman Paul Muething responded that the City invests Railway distributions until needed and therefore the money is not idle. He acknowledged that the City's reported return was below the Trust's while noting different investment objectives and risk profiles. His response supported continuation of the quarterly distribution approach.

Significance: This provides the Board Chair's rationale for the existing arrangement and identifies an important limitation on a simple rate-of-return comparison.

February 4-5, 2026 - Accounting issue raised with Trustees

Follow-up correspondence shifted attention toward how Railway principal and attributable investment earnings are accounted for while the money is in the City's investment pool.

Notice: These communications went to the Trustees and were not copied to City officials.

Significance: The analysis now contained two distinguishable issues: (1) distribution timing and opportunity cost; and (2) accounting for investment earnings after distribution.

February 10, 2026 - Trust investment performance

The Trust's investment adviser reported that the Trust finished calendar 2025 up 13.45%, with approximately $1.86 billion at year-end after two $14 million distributions to Cincinnati. The Trust was up another 2.52% through February 9.

Significance: The City's reported 5.89% and Trust's 13.45% cover different periods and portfolios and should not be treated as an apples-to-apples performance comparison. The difference is nevertheless large enough to make quantifying opportunity cost reasonable.

February 10, 2026 - Status of Railway funds

The City reported that Railway funds were 100% appropriated, 30% encumbered and 12% spent as of February 9.

Significance: Appropriation, encumbrance and expenditure describe different stages. The figures do not by themselves establish that the City needed 100% of the distributed cash in hand.

February 10, 2026 - Distribution timing and differing Trustee perspectives

Chairman Muething asked whether the City could contract for projects without having the funds in hand. Assistant City Manager William Weber said funds must be in hand or determined to be "in collection." Muething then asked whether the Trust could approve distributions while the City delayed actual receipt until projects were encumbered. Weber said that was possible but not recommended because it would create a "large administrative burden" for both the City and the Trust.

Trustee Sylvester's questions were more exploratory. He questioned whether the City's implementation process was too annualized relative to its six-year planning horizon, asked whether road work could be accelerated through multi-year contracts, and observed that the September meeting would be an appropriate time for a more extensive discussion of "when and how to make distributions." He also raised a possible legal constraint: whether holding the money longer before distribution could conflict with the Ferguson Act.

Significance: The Board did not simply reject the draw-down issue. The discussion left unresolved the meaning of "in collection," the nature and magnitude of the administrative burden, and the legal parameters for altering distribution timing.

February 10, 2026 - Investment earnings and cash management

Weber explained that the City pools funds based on exact cash-flow needs and draws down its investments accordingly. He confirmed that interest on Railway funds goes to the General Fund under the Cincinnati Municipal Code.

Trustee Sylvester specifically asked whether the interest generated on the City's investment of Railway funds was allocated to the General Fund or specifically to infrastructure. He also asked about progress in reducing the City's deferred-maintenance backlog. Later, he suggested that improved efficiency might create opportunities for one-time additional Trust contributions for specific projects.

Chairman Muething made a fungibility argument: because Cincinnati spends substantial non-Railway resources on infrastructure, he was skeptical whether crediting Railway-generated investment earnings to the General Fund meant that infrastructure was being deprived of the benefit of those earnings.

As noted below, the City's August records response subsequently established that investment earnings attributable to Railway funds are not separately calculated and that General Fund expenditures are not tracked by individual revenue source.

Significance: A Trustee independently raised the destination of Railway-generated investment earnings months before the City's August records response. That later response would establish that attributable earnings are not separately calculated and General Fund expenditures are not tracked by individual revenue source.

May 2026 - Railway Trust Board meeting

Review of the meeting video identified little substantive additional discussion concerning the investment of unspent Railway distributions. Approved minutes were not yet available when this chronology was prepared.

Significance: No material advancement of the issue was identified from the video review.

June 8, 2026 - Public-records request

A public-records request sought the amount of investment earnings attributable to Railway money since January 2024, the methodology used to calculate those earnings, expenditures of those earnings, projects or accounts receiving them, and the accounting treatment if earnings were not separately tracked.

Significance: This attempted to determine through City accounting records what happened to the economic return generated by Railway funds.

July 9, 2026 - External auditor notified

A memorandum concerning the City's internal-control environment was submitted to Clark Schaefer Hackett, the City's external financial auditor. "Railroad Money" was one of seven areas specifically identified. Finance Director Steve Webb was copied on the transmittal.

Significance: The Railway accounting question was placed before the independent financial auditor as a potential accounting and internal-control matter.

July 10, 2026 - Trustees notified

The July 9 auditor submission was provided to the Trustees as a courtesy copy.

Significance: The Board was informed that the issue had been presented to the City's external auditor.

August 27, 2026 - City responds to records request

The City stated that investment earnings attributable to Railway money are not separately calculated. After allocations to funds specified by Cincinnati Municipal Code Section 301-15, remaining investment income goes to the General Fund. The City also stated that General Fund expenditures are not tracked according to individual revenue sources.

Significance: The City cannot use its existing records to state how much investment income Railway money generated or where that particular economic benefit was ultimately spent. This is distinct from the principal: the City's Fund 712 records preserve the Railway fund's accounting identity even though available cash may be pooled for investment.

August 28, 2026 - New information provided to external auditor

The August 27 City response was provided to Clark Schaefer Hackett as supplemental information concerning the potential internal-control issue identified in the July 9 submission. Finance Director Webb was again copied.

Significance: The auditor has both the original concern and the City's subsequent explanation of its accounting practice. No response from the auditor had been received as of September 9; no inference is drawn from the absence of a response.

September 2026 - Current status

The issue returns to City Council and the Railway Trustees with a more focused factual record.

Significance: The immediate draw-down questions are now narrow enough to be addressed directly with City Finance before the September Board meeting.

Where the Record Leaves Us - September 2026

1. Distribution timing

Why should Railway money leave the Trust substantially before Cincinnati needs the cash to execute eligible infrastructure projects? The principal financial question is the opportunity cost of early transfer: the incremental investment return reasonably forgone by moving money from the Trust to the City before it is needed, weighed against the operational requirements of the City and Trust. The Trust's and City's reported returns are not directly comparable benchmarks, but the difference is sufficient to warrant quantifying the potential cost rather than assuming it is immaterial.

2. Administrative feasibility

The City has said a more closely timed distribution mechanism is possible but would create a large administrative burden. Two questions need clarification: What does "in process of collection" mean for an approved CSRT distribution? What specifically constitutes the administrative burden, and can it reasonably be reduced? Before concluding that the existing distribution schedule is preferable, the administrative cost of an alternative should be compared with the potential financial benefit of keeping funds in the Trust until closer to the City's actual cash need.

3. Investment earnings after distribution

Pooling available cash for investment is not itself the issue. The City separately accounts for Railway principal through Fund 712 - Railway Trust Infrastructure Fund, even though available cash may be commingled with cash from other City funds in the pooled investment portfolio. The unresolved question concerns the economic benefit generated by that restricted principal. The City states that investment earnings attributable to Railway funds are not separately calculated and that residual pooled-investment earnings go to the General Fund.

This raises a question of consistent treatment: should Railway funds, whose principal is restricted by state law to qualifying existing infrastructure, receive investment-accounting treatment comparable to other City funds that are allocated a proportionate share of pooled-investment earnings? If Fund 712's principal interest can be maintained within a pooled-investment environment, the City should be able to explain why the earnings attributable to that principal are not calculated and credited to Fund 712.

The present arrangement also creates an incentive question. Earlier receipt of Railway distributions can generate General Fund investment income while the restricted principal awaits expenditure. That does not establish that the City delays projects or seeks early distributions for that purpose. It does mean the financial incentives created by the current system should be examined alongside the opportunity cost of removing money from the Trust before it is needed. Whether existing law requires Railway-attributable earnings to remain with Fund 712 is a separate legal question not resolved by this chronology.

Key Source Record

- Approved Minutes, Cincinnati Southern Railway Trust Board Meeting, February 10, 2026.
- December 17, 2025 letter recommending a draw-down model and related transmittal to City officials.
- January 23, 2026 memorandum from Finance Director Steve Webb regarding City investment of CSR funds.
- February 2, 2026 response from Chairman Paul V. Muething.
- June 8, 2026 public-records request and August 27, 2026 City response.
- July 9 and August 28, 2026 submissions to Clark Schaefer Hackett, with Finance Director copied.
- City Statement of Balances for Fund 712 - Railway Trust Infrastructure Fund.

Preparation Note: This chronology was prepared with organizational, analytical, and drafting assistance from OpenAI's ChatGPT (GPT-5.6 Sol). The underlying facts are drawn from the source records identified above.