

**March 22, 2018**

**TO: RAILS BOARD OF DIRECTORS**

**FROM: JIM KREGOR**

**SUBJECT: CAPITAL PROJECTS FUND**

At the February 23, 2018 RAILS Board Meeting, it was noted during the Financial Report discussion that RAILS, in addition to its \$9.9 million unassigned cash and investments balance in its General Fund, also has nearly \$3.1 million of cash and investments within its Capital Projects Fund. These amounts could fund approximately 10.6 and 3.3 months of operations, respectively.

Since the establishment of the Capital Projects Fund was several years ago, at the end of Fiscal Year 2015, it was requested that we review at the March Board meeting the establishment and use of this fund.

### History

RAILS began operations on July 1, 2011, following the merger of five legacy systems. During its first four years, RAILS built its cash and investment balances (\$25.8 Million as of May 31, 2015) through several sources. Cash balances carried over from the five legacy systems were \$5.5 million, and during RAILS' first fiscal year (2012) it received \$5.1 million of legacy system Area and Per Capita grant payments pertaining to the prior fiscal year. The sales of the Wheeling, Shorewood, East Peoria and Geneva facilities generated an additional \$4.2 million. An additional \$10.8 million of cash and investment balances was primarily the result of revenues exceeding expenditures over the first four years of operations.

The cash and investment balance as of May 31, 2015 would fund nearly 29 months of operations. The Board recognized, however, that the excess of revenues over expenditures was decreasing and could result in a deficit in Fiscal Year 2016, depending upon the amount of the Area and Per Capita Grant awarded. This concern ultimately became a reality, as RAILS General Fund incurred deficits of \$2.3 million and \$7.5 million in Fiscal Years 2016 and 2017, respectively, due to the State's budget impasses.

The Board, at its June 2015 meeting, authorized RAILS to use a portion (\$4,189,465) of its General Fund cash and investment balances to fund a Capital Project Fund, the funding of which would occur as of July 1, 2015. This amount funded was the amounts generated from

the sales of facilities noted above. Going forward, all RAILS capital expenditures would be from the Capital Projects Fund.

Since its establishment, we have recorded capital expenditures totaling \$1,133,427, bringing the fund balance to \$3,056,038. These expenditures were primarily for the Burr Ridge renovation project and for vehicles.

#### Future Use

Future expenditures from the Capital Projects Fund should primarily be for vehicles and Burr Ridge facility improvements. We have completed the major renovation project for the Burr Ridge facility. Additional expenditures should be for much lower costing projects, such as HVAC equipment, tuck-pointing or similar projects. Vehicle and other capital expenditures typically will total approximately \$.2-\$.4 million per year.

Capital Projects Fund Cash and Investments may be transferred at any time to the General Fund, if needed, to fund General Fund operations.