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**October 17, 2018**

**TO: RAILS BOARD OF DIRECTORS**

**FROM: JIM KREGOR**

**SUBJECT: REPORT ON EFFECTS OF DELAY OF APC GRANT FUNDS ON RAILS RESERVE FUNDS**

At last month's meeting, the Board, during the monthly financial report discussion, questioned the impact of the State's budget crises on RAILS' financial reserves. This report highlights key events and their impacts from fiscal years 2016, the first year the annual appropriation was reduced, through September 30, 2018.

During fiscal year 2016, because of the State's not adopting a budget, the Area and Per Capita (APC) appropriation was reduced to \$5,842,358, a reduction of \$4,036,752 from the \$9,879,110 normally granted. The full amount of the reduced appropriation was received in that fiscal year. Due primarily to the reduction of the APC appropriation, the General Fund balance decreased \$2,305,744 and the Capital Projects Fund, which had been established at the conclusion of fiscal year 2015 and which receives no appropriations, declined \$339,332, resulting in a total Governmental Funds decline of \$2,645,076.

In fiscal year 2017, the State also did not adopt a budget, and the APC appropriation was again at the reduced amount of \$5,842,358. Only \$1,880,238 of the appropriation was received in that fiscal year. Consequently, the General Fund balance decreased \$7,508,996 and the Capital Projects Fund \$197,876, resulting in a total Governmental Funds decline of \$7,706,872.

In fiscal year 2018, the State adopted a budget and RAILS APC appropriation was restored to \$9,879,110. However, RAILS received \$7,512,651 of APC revenues, \$3,962,121 of which pertained to the fiscal year 2017 award. As a result of this shortfall, the General Fund balance decreased \$1,186,291 and the Capital Projects Fund \$675,851, resulting in a total Governmental Funds decline of \$1,862,142.

During fiscal year 2019, through September 30, RAILS again was awarded an APC appropriation of \$9,879,110. Through September 30, it has received \$1,072,500 of APC revenues, all of which pertained to the fiscal year 2018 award. Through September 30, 2018, the General Fund balance has decreased \$693,092 and the Capital Projects Fund \$143,430, resulting in a total Governmental Funds decline of \$836,522.

In summary, from fiscal year 2016 through the first three months of fiscal year 2019, the General Fund balance has declined \$11,694,123 and the Capital Projects fund \$1,356,489, resulting in a total Governmental Funds decline of \$13,050,612.

RAILS cash balances during this period were \$27,064,759 as of June 30, 2015 and \$13,707,949 as of September 30, 2018, a decrease of \$13,356,810.

It would appear that the permanent effect of the State budget and payment situation is approximately \$8 million, due to the reduction of the APC awards in fiscal years 2016 and 2017, and the impacts of RAILS temporarily funding its operations because of slow payments from the State is approximately \$5 million.