

## FEATHER RIVER RAIL SOCIETY

DATE: December 2018  
ITEM: Old Business 1  
FROM: Bart Hansen and Eugene Vicknair

### 2019 BUDGET and FINANCIAL MANAGEMENT

In reviewing the proposed 2019 budget, Bart and Eugene were discussing some of the issues that have arisen in allocating and managing funds and accounts over the last few years.

While we as a Society have made big improvements in our handling of restricted funds, in managing and tracking our finances and other fiscal areas, there is still often confusion about funds available for bills, non-restricted projects, etc.

Bart and Eugene has discussed a proposal that could help with visibility on general fund needs. Basically, our general fund expenses break down into two broad categories:

- Program Expenses – costs that happen on a regular basis and are largely predictable, barring rate changes. Examples are: insurance payments, utilities, payroll, Train Sheet and Headlight printing, taxes and fees, etc.
- Discretionary Expenses – costs that happen irregularly or only in response to irregular or singular occurrences and are not predictable. Examples are: fuel purchases, event costs, tool purchases, parts costs, etc.

Note, these categories are not to be taken that one set of expenses are more important than another, but that we do have expenses that are expected on a schedule, are of a known amount and that must be addressed for business reasons. For example, we know we must pay X in insurance every Y months to operate. In contrast, we could raise or lower monies spent preparing for an event or could delay buying tools if needed.

The proposal is to split the general fund into two bank accounts, one of which will be for Program Expenses and the other for Discretionary Expenses. If this works as intended, it will prevent a lack of funding from compromising our ability to make required, deadline payments, while also clearly illustrating when funds are available for fuel, tools, parts, etc. without confusion about the periodic Program expenses.

Program Expenses account for about 70% of our annual budget, with Discretionary being about 30%. This idea proposes that we split income between these two accounts along these lines: for every \$10 that comes in, \$7 goes to the Program account and \$3 to the Discretionary account. How this would be managed would be worked out with Susan Scarlett's office. (And, of course, we would want Susan's input before this plan was adopted.)

We ask for the Board's input on this concept and, if they find it had merit, their approval to refine the plan in cooperation with Susan and her staff for final presentation to the Board for consideration and possible approval.

Final form would include:

- Designation of which accounts fall into which of the two areas
- Plan for how to divide income
- Answers to any questions or other details that arise during Board discussions and / or review with Susan.

Final report would be made to the Board at the February 2019 meeting. If adopted, goal would be to implement by April 2019 for season opening.