

Date: March 11, 2026
W.I.: N/A
Referred by: Admin. Committee

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MTC Resolution No. 4751
OPERATING RESERVE POLICY

I. PURPOSE

This Reserve Policy of the Metropolitan Transportation Commission (“MTC”) is intended to provide guidelines to establish reserve targets and ensure that sufficient financial resources are maintained for unanticipated expenditures or revenue shortfalls of MTC. This policy is also intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual operating and capital budgets.

II. OBJECTIVE

The primary objective of establishing and maintaining a Reserve Policy is for MTC to be in a strong financial position that will allow it to better weather negative economic and/or financial trends.

III. POLICY

Definitions:

“Fund Balance” is the difference between assets, liabilities and deferred balances of MTC (also referred to as “net position”). MTC’s net position has three components:

- Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted Fund Balance - these funds have constraints placed on their use externally by creditors, grantors, contributors, or laws/regulations and are not addressed in this policy due to the nature of their restrictions.

Unrestricted Fund Balance - these funds (which will include Operating Reserve described below), are available for the ongoing operation of MTC and are subject to limitations defined by this Policy.

MTC intends to establish and maintain an operating reserve as described below:

Operating Reserve:

Minimum: MTC will endeavor to maintain a minimum of six months of budgeted operating expenditures, or 50%, in the unrestricted fund balance. For the first fiscal year that the Operating Reserve is established, the amount will be based on the budgeted operating expenditures, as

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defined in Exhibit A, for that year. The unrestricted fund balance shall remain unspent and shall serve as the Operating Reserve in order to accommodate normal fluctuations in the timing of revenues and unforeseen operational costs. The Government Finance Officers Association best practice recommends a minimum of two months or 16.67%, reserve for available working capital. To the extent that Operating Reserve balances are budgeted in a given fiscal year such that the Operating Reserve balance would fall below this level or used in order to meet the needs of funding budgeted expenditures, Finance Department staff will work with MTC's Executive Team to consider budgeting for the replenishment of the Operating Reserve in the following fiscal year. Any use of the Operating Reserve shall be reported to the Commission with the following Monthly Financial Report.

IV. PROCEDURES

1. Available resources (as determined annually through the closing of the financial records and development of the next year's budget) will be used as a basis for funding the Operating Reserve targets. These available resources or available fund balances are generally one-time in nature as they are derived from one-time revenues or one-time expenditure savings. The Operating Reserve targets will be set annually based upon financial elements of the Annual Budget.

The annual calculation of the maximum reserve amount in the Operating Reserve is illustrated in Exhibit A.

2. An amount equal to six months of operating expenses, or 50% of annual operating expenditures, are expected to remain in the unassigned fund balance for the Operating Reserve.
3. Available fund balances in excess of the Operating Reserve amounts shall not be used for ongoing operating expenditures, unless (a) budgeted by the Board or (b) in order to meet the needs of funding budgeted expenditures that are unable to be funded through current revenue. In the event that there is a need to use such funds consistent with (b) above, Finance Department staff will work with the MTC Executive team to consider plans to address future operating and capital budget shortfalls.

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Exhibit A

Illustration of Minimum Amount in Operating Reserve Fund

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| METROPOLITAN TRANSPORTATION COMMISSION | |
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| FY 2025-26 OPERATING BUDGET EXPENDITURES | |
| SUMMARY | |
| BUDGETED OPERATING EXPENDITURES SUMMARY | |
| | FY 2025-26 |
| I. Salaries and Benefits | \$ 40,995,224 |
| II. Travel and Training | \$ 1,729,400 |
| III. Printing, Reproduction, and Graphics | \$ 174,500 |
| IV. Computer Services | \$ 8,992,816 |
| V. Commissioner Expense | \$ 150,000 |
| VI. Advisory Committees | \$ 30,000 |
| VII. General Operations | \$ 6,328,773 |
| Subtotal of Operating Expenses Before Contractual Service | \$ 58,400,713 |
| VIII. Contractual Services | \$ 17,716,127 |
| Total Operating Expense | \$ 76,116,840 |
| <i>Minimum:</i> | \$ 38,058,420 |