

Date: March 25, 2026
W.I.: N/A
Referred by: Commission

ABSTRACT

Resolution No. 4751

This resolution authorizes the establishment of an Operating Reserve Policy for the Metropolitan Transportation Commission (MTC).

The Operating Reserve Policy is intended to provide guidelines to establish reserve targets and ensure that sufficient financial resources are maintained for unforeseen expenditures and revenue shortfalls of MTC. The Policy defines the level of operating reserve, procedures for using and reporting of funds in the reserve, replenishment, and monitoring of the operating reserve.

Further discussion of this resolution is contained in the Executive Director's memoranda to the Administration Committee dated March 11, 2026.

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RE: Establishment of an Operating Reserve Policy.

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4751

WHEREAS, the Metropolitan Transportation Commission (MTC) is the Regional Transportation Planning Authority for the San Francisco Bay Area pursuant to Government Code §§ 66500 et seq.; and

WHEREAS, the MTC has the responsibility to ensure that sufficient financial resources are maintained for unanticipated expenditures or revenue shortfalls of MTC; now therefore, be it

RESOLVED, that MTC hereby adopts the Reserve Policy as set forth in Attachment A to this Resolution, attached hereto and incorporated herein as though set forth at length; and, be it further

RESOLVED, Attachment A shall be applicable to all funds delegated to MTC; and, be it further

RESOLVED, that MTC's Executive Director, Chief Financial Officer or designee, are directed to establish and maintain an operating reserve in conformance with said policy; and, be it further

RESOLVED, that this policy shall remain in effect unless modified by MTC; and, be it further

RESOLVED, that this Resolution shall take precedent over any prior MTC Resolutions to the extent that they may conflict herewith or with Attachment A.

METROPOLITAN TRANSPORTATION COMMISSION

Sue Noack Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a duly called and noticed meeting held in San Francisco, California and at other remote locations, on March 25, 2026.

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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.
4. Any use of the Operating Reserve shall be reported to the Commission through the next Monthly Financial Report following the usage of the Operating Reserve.

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Exhibit A

Illustration of Minimum Amount in Operating Reserve Fund

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METROPOLITAN TRANSPORTATION COMMISSION	
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