

**ATTACHMENT A
PAYMENT METHOD**

I. CALCULATION OF PARTNER ANNUAL NET DEFICIT

A. Method. The calculation to determine the PARTNER's Annual Net Deficit for METRO TRANSIT service will be as follows:

- 1) The PARTNER's total annual fixed route vehicle hours times total annual system operating expense per fixed route vehicle hour equals the PARTNER's share of total annual operating expenses.
In the case of a PARTNER that receives only fixed route commuter service (i.e. no paratransit service) the calculation will be to multiply the PARTNER's total annual fixed route vehicle hours by the annual fixed route operating expense per fixed route vehicle hour.
In the case of a Partner that receives only paratransit service the calculation will be to multiply the number of annual paratransit trips provided to the PARTNER by the annual paratransit operating expense per trip.
- 2) The PARTNER's share of total annual operating expenses less the PARTNER's share of annual operating revenue equals the PARTNER's annual gross deficit.
- 3) The PARTNER's annual gross deficit less the PARTNER's share of annual capital, Federal and State aid equals the PARTNER's annual net deficit. A PARTNER which applies for and receives State aid directly will not receive State aid as part of this contract.

B. Definitions. The following are definitions of the terms used above and the components of each of the calculation terms.

Total system fixed route vehicle hours: Actual vehicle hours (includes revenue service hours, scheduled time and recovery time at transfer points and deadhead hours) for all of METRO TRANSIT's fixed routes.

PARTNER's total fixed route vehicle hours: Actual vehicle hours (includes revenue service hours, scheduled time and recovery time at transfer points and deadhead hours) attributed to fixed route service provided to the PARTNER on the applicable routes.

Total system operating expense: All costs, including depreciation and interest expense, incurred by METRO TRANSIT for all transit services. Fixed asset purchases and principal debt repayment are not included.

Total system operating expense per fixed route vehicle hour: Total system operating expense divided by total system fixed route vehicle hours.

PARTNER's share of operating revenue: The sum of the PARTNER's share of fixed route passenger revenue, the PARTNER's share of paratransit service revenue and the PARTNER's share of other revenue. A PARTNER that does not receive paratransit service will not receive any paratransit service revenue and a PARTNER that is only charged for paratransit service will not receive any fixed route passenger revenue or other revenue.

PARTNER's share of fixed route passenger revenue: For each applicable fixed route the percentage of vehicle hours attributable to the PARTNER is multiplied by the passenger revenue associated with that route to arrive at the PARTNER's share of each route's revenue. The sum of these determines the PARTNER's share of fixed route passenger revenue.

Fixed route passenger revenue: Fares as recorded by fare collection equipment on fixed routes at the time of passenger boarding.

PARTNER's share of paratransit revenue: The percentage of total annual system fixed route vehicle hours attributable to the PARTNER multiplied by total paratransit revenue.

Total paratransit revenue: All passenger revenue associated with providing paratransit service plus Dane County paratransit subsidies including DDS Medicaid waiver.

PARTNER's share of other revenue: The percentage of total annual system fixed route vehicle hours attributable to the PARTNER multiplied by total other revenue.

Total other revenue: All non-service related revenue including sales of advertising, scrap metal, etc.

PARTNER's share of capital aid: The percentage of total operating expense attributable to the PARTNER multiplied by total capital aid.

Total capital aid: As noted above, depreciation expense on the full purchase price of all capital assets is included in the calculation of total system operating expense per vehicle hour. However, a portion of the purchase price of most capital assets is funded by Federal Capital Grants and so the benefit of that funding needs to be allocated to each PARTNER. Depreciation expense for each capital asset is multiplied by the percentage of the original purchase price funded by a Federal Capital Grant to arrive at the capital aid by asset and the sum of this figure for all assets yields total capital aid.

PARTNER's share of Federal aid: The percentage of total gross deficit attributable to the PARTNER multiplied by total Federal aid.

Total Federal aid: Federal government grant funding used for operating budget costs (i.e. grants for capital asset purchases are not included).

PARTNER's share of State aid: The percentage of total operating expense attributable to the PARTNER multiplied by total State aid.

Total State aid: Funding from any State of Wisconsin transportation assistance program.

II. **CALCULATION OF PARTNER CONTINGENCY RESERVE ACCOUNT CONTRIBUTION AND OFFSET**

- A. **Contribution.** The total amount due from the PARTNER to METRO TRANSIT in any given year will equal the PARTNER's annual net deficit (calculation shown in part I of attachment A) plus a contribution to the PARTNER's contingency reserve fund (described in Section II D of this agreement). The annual contribution to the contingency reserve fund will equal 4% of the PARTNER's annual net deficit. The balance in the PARTNER's fund will be capped at 15% of the PARTNER's annual net deficit.
- B. **Offset.** In years where the PARTNER's final calculated annual net deficit exceeds the total of the quarterly payments made by the PARTNER during the year, METRO TRANSIT shall apply the PARTNER's accumulated contingency reserve to the difference. If the difference exceeds the available reserve balance, then the remainder will be billed by METRO TRANSIT to the PARTNER. The ability to offset will only be allowed when, prior to the offset, the PARTNER's contingency reserve balance is at least 12% of the PARTNER's net deficit for the current year.