

## Contingent Reserve Summary

Metro includes in its annual budget a variety of revenue streams to fund operating expenditures (passenger fares, State transit aid, MA waiver reimbursement, Federal 5307 grant funds, advertising, etc.). Metro also receives a budgeted allocation of general fund revenue (primarily from property taxes) from the City to subsidize the shortfall between budgeted operating expenditures and third party revenue. If actual third party revenue exceeds budget or actual expenditures are less than budget then the result is an addition to Metro's contingent reserve. This has occurred in each of the past 5 years.

It is important to note that any addition to this reserve should actually be characterized as an excess of City subsidy allocated to Metro. These funds do not "belong" to Metro and the City can elect at any time to allocate them to other uses.

The current reserve balance was generated over the past 5 years for a number of different reasons. A history of that activity is attached along with a brief list of some of the major components to the change in reserve. The largest contributor to the reserve in the most recent years has been due to actual salaries and wages expense falling significantly under budget. The other attachment is an attempt to illustrate this for drivers' salaries and wages which make up 60% to 65% of the total.