

Date: May 24, 2017

To: Board of Directors

From: Neil McFarlane *Neil McFarlane*

Subject: **RESOLUTION 17-05-42 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2017-2018 ANNUAL BUDGET AND APPROPRIATING FUNDS**

1. Purpose of Item

The purpose of this Resolution is to request that the TriMet Board of Directors (Board) adopt the fiscal year 2017-2018 budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other: Adopt the Fiscal Year 2017-2018 Annual Budget and Appropriate Funds

3. Reason for Board Action

Pursuant to Oregon Local Budget Law (ORS 294.305 to 294.565) Board action is required to adopt the fiscal year 2017-2018 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of the fiscal year on July 1, 2017.

4. Type of Action:

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

In late 2016 staff worked with the Board to develop Fiscal Year 2017-2018 budget themes. The themes were:

- a. Safety;
- b. Implementing service enhancement plans;
- c. Maintaining and preserving the system;
- d. Improving system reliability;
- e. Building ridership through quality service and innovation; and
- f. Advancing regional corridor projects.

In response to these themes, departments prepared their operating and capital budget requests in January 2017 and submitted them to the General Manager and Leadership Team for review. After this review, budget recommendations were made and the Proposed Budget was developed and released to the Board and the public on March 8, 2017. At the same time, public input was solicited.

The Board approved the budget for submission to the Multnomah County Tax Supervising and Conservation Commission (TSCC) on March 24, 2017 and on April 26, 2017 the TSCC conducted a public hearing on the TriMet budget to confirm compliance with applicable laws and determine the adequacy of budget estimates. The TSCC judged TriMet's fiscal year 2017-2018 estimates to be reasonable and the Approved Budget in compliance with Local Budget Law.

The FY2018 Approved Budget is now before the Board for consideration and adoption.

Budget Assumptions

The FY2018 Budget is based on the following key revenue and expenditure assumptions:

- Tax revenues are forecast to grow 8.71% over FY2017.
- No fare increase.
- Passenger revenue is projected to decrease slightly over FY2017.
- TriMet's current labor contract continues as ratified in October 2014, even though it expired November 2016.

Budget Summary

The FY2018 Budget includes the cost of operating and maintaining the existing transit system; the costs of operating fixed route bus and rail service to maintain headways and capacity as the region grows; costs of ADA complementary paratransit service; capital and operating project expenditures from the Capital Improvement Program; debt service expense and continued commitment to strengthen pension reserves.

A general summary by key area follows:

• Day to day operating budget:	\$534.7 million
• MAX Orange Line FFGA Payment:	\$100 million
• Capital & Operating Projects:	\$203.1 million
• Pass Through:	\$6.6 million
• Fund Balance & Contingency:	<u>\$355 million</u>
Total	\$1,199.4 million

Key investments are summarized below:

Safety

Investments in safety are continued with grade crossing improvements at five locations. Enhanced training for rail operators, and training for the safety management system are emphasized. We also continue the program to upgrade the CCTV system.

Service

TriMet is proposing to expand bus service hours 3.42% in FY2018. TriMet will add service midday and weekends on frequent service lines, reducing time between buses, improve schedule reliability, and reduce crowding on rail and bus service. These investments are paid for by revenues generated by the increase in the payroll tax rate. The service improvements will occur throughout FY2018. The cost of the service improvements is approximately \$5 million, annualized.

In addition, the budget funds a number of initiatives focused on reliability, such as training, maintenance improvements, and technology.

Capital Investments

TriMet is budgeting continued funding for bus replacements and to meet expansion needs, light rail maintenance of way, light rail vehicle maintenance, and station maintenance.

Other major projects included in the Capital Improvement Program are the electronic fare system, safety improvements, Powell maintenance facility development, MAX Blue Line station elevators, the Blue Line station rehabilitation project, and the partnership with Prosper Portland for a new police precinct. With FTA support we will implement safety improvements in the vicinity of the MAX Orange Line.

Fiscal Stability

The budget was developed based on two key principles in the Board Strategic Financial Plan:

- Debt Service less than 6% of ongoing revenue
- One-time-only revenues segregated from continuing revenue.

The agency continues its focus on fiscal sustainability, in particular:

Pension Funding. TriMet continues to take steps to strengthen its union (72% funded) and non-union (86% funded) defined benefit pension reserves and follows its long-term horizon to pay unfunded liabilities by adhering to the pension funding policies within the Strategic Financial Plan Guidelines. The FY2018 Adopted Budget is consistent with the pension policies adopted by the Board on February 26, 2014.

Medical Benefits. Both union and non-union medical benefits premiums were trimmed as TriMet implemented a self-insured medical plan for both union and non-union employees effective January 1, 2017.

NOTE: Pursuant to ORS 294.333 TriMet published notice that it changed its budget basis of accounting beginning July 1, 2016 for Other Post Employment Benefit (OPEB) expenses from accrual to cash basis due to implementation of Government Accounting Standards Board (GASB) 74 and 75 in FY2017. This change was to meet the requirements of Oregon budget basis financial reporting only and will not affect financial statements as presented.

6. Financial/Budget Impact & Budget Changes from Approved Version

The FY2018 Approved Budget, which was certified by the TSCC, was developed in February and more recent financial performance and internal reviews identified desirable changes or updates. The net cumulative effect of all FY2018 budget changes results in an increase of Resources and Requirements totaling \$48,941,701. The changes are within the limit allowed by Local Budget Law (ORS 294.456). The list of changes is in the table attached as Exhibit A.

7. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2018 Approved Budget, but an Adopted Budget must be in place by July 1 before any money may be spent in the new fiscal year.

Resource Budget Changes: FY2018 Approved to Adopted Budget	
Increased the beginning fund balance restricted bond proceeds and other restricted due to eFare project carryover.	\$ 11,720,652
Increased debt service beginning fund balance for 2017 Revenue Bond interest payment change.	\$ 1,886,356
Increased the unrestricted beginning fund balance as a result of updated projections for FY2017 (capital and operating projects carryover).	\$ 8,444,153
Decreased Advertising to reflect current projection.	\$ (51,253)
Increased Accessible Transportation Contract to reflect current projection.	\$ 588,000
Decreased other federal/state/local operating grants for revised estimate in FY2018.	\$ (188,970)
Increased CIP resources by \$23.8 million for Milwaukee Light Rail Project and remaining \$2.8 million due to carryover changes.	\$ 26,607,142
Decreased pass through resources to reflect current projection.	\$ (64,379)
Total	\$ 48,941,701

Requirement Budget Changes: FY2018 Approved to Adopted Budget	
Increased funds to M&S for utilities and card reader upgrade.	\$ 263,664
Increased funds to reflect current OPEB and Pension UAAAL costs.	\$ 4,422
Increased debt service for 2017 Revenue Bond interest payment change and Capitalized Leases.	\$ 1,966,356
Increased CIP by \$25.7 million due to the timing of operating and capital improvement program expenses (rollover of FY2017 projects to FY2018).	\$ 25,670,678
Decreased pass through requirements to reflect current projection.	\$ (64,379)
Increased contingency to reflect 3% of revised Operating Requirements	\$ 67,033
Increased restricted bond proceeds & other restricted ending fund balance due to reflect remaining bond funds.	\$ 13,589,325
Decrease Restricted funds for Debt Service.	\$ (9,679,521)
Increased unrestricted ending fund balance \$17.1 million due to change in project resources due to carryover.	\$ 17,124,123
Total	\$ 48,941,701

RESOLUTION 17-05-42

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2017-2018 ANNUAL BUDGET AND APPROPRIATING FUNDS

WHEREAS, at a public meeting on March 24, 2017, the TriMet Board of Directors (Board) approved budget estimates for the period July 1, 2017 through June 30, 2018, for submission to the Multnomah County Tax Supervising and Conservation Commission (TSCC) for review and recommendations; and

WHEREAS, the TSCC held a public hearing on April 26, 2017, to review the TriMet budget with the directors and staff of TriMet and to provide the public an opportunity to ask questions and express views concerning such budget estimates and the TSCC certified the budget with no objections or recommendations; and

WHEREAS, the aggregate sum of budget requirements for all funds is \$1,199,397,787;

NOW, THEREFORE, BE IT RESOLVED:

1. TriMet's Budget Officer is authorized to make adjustments within, but not between, appropriations during the budget period.
2. The budget as approved on March 24, 2017, and certified by the Multnomah County Tax Supervising and Conservation Commission; and herein amended, is adopted; and that for the period July 1, 2017 through June 30, 2018, funds are appropriated as follows:

General Fund:

Office of the General Manager Division	\$1,834,723
Public Affairs Division	18,166,782
Safety & Security Division	46,216,912
Information Technology Division	24,768,856
Finance & Administration Division	35,710,344
Labor Relations & Human Resources Division	4,521,453
Legal Services Division	2,661,196
Operations Division	432,822,139
Capital Projects Division	77,575,800
OPEB & Pension UAAL	48,385,376
Regional Fund Exchanges	5,500,000
Debt Service	139,587,854
Pass Through Requirements	6,595,892
Contingency	23,880,963
Total General Fund Appropriation	\$868,228,289
Fund Balance	331,169,498
Total Adopted Budget	\$1,199,397,787

Dated: May 24, 2017

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department