

Date: June 26, 2019

To: Board of Directors

From: Doug Kelsey 

Subject: **RESOLUTION NO. 19-06-46 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2020 ANNUAL BUDGET AND APPROPRIATING FUNDS**

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (“Board”) adopt the Fiscal Year 2020 budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Adopt the Fiscal Year 2020 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 2020 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of its new fiscal year on July 1, 2019.

4. Type of Action

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

5. Background

In late 2018 staff worked with the Board to develop Fiscal Year 2020 budget strategies. These 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 Innovations
- f. Advancing Regional Corridor Projects

In response to these themes, and in conjunction with the requirements to meet TriMet’s 5-Year Business Plan goals and objectives, departments prepared their operating and capital budget requests in January 2019. Budget requests were submitted 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 April 10, 2019. 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 April 24, 2019 and on May 15, 2019 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 2020 estimates to be reasonable and the Approved Budget in compliance with Local Budget Law.

The FY2020 Approved Budget is now before the Board for consideration and adoption.

Budget Assumptions

The FY2020 Budget is based on the following key revenue and expenditure assumptions:

- Employer payroll tax revenue is forecast to grow 4.85% over FY2019.
- There will be no fare increase.
- Passenger revenue is projected to decrease 2.74% over FY2019.
- Continuation of Low Income Fare Program and early investments for State STIF Grants.

Budget Summary

The FY2020 Budget includes the cost of operating and maintaining the existing transit system and increasing service by 2.2%; 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:	\$ 685,195,256
• Capital & Operating Projects:	\$ 300,442,934
• Other Non-Operating Requirements	\$ 27,260,669
• Fund Balance & Contingency:	<u>\$ 515,981,227</u>
Total	\$1,528,880,086

Key investments are summarized below:

Transit Equity, Inclusion and Community Affairs. We continue to provide free fare grants to area community based organizations and nonprofits now totaling \$2 million in addition to the Hop Fastpass program, which provides fare equity for frequent riders through its innovative fare capping policy and State STIF Grant Low Income Fare Program. The reductions are realized through the fare relief grant program, low income youth high school program, social service agency outlet sales program and the fare assistance program.

Service

TriMet is proposing to expand bus service hours 2.2% in FY2020. TriMet will make a series of changes to bus service including increased frequency, route changes and extensions. These investments are paid for by revenues generated by the increase in the employer payroll tax rate and State STIF-Formula grant. The service improvements will occur throughout FY2020. The cost of the service improvements is approximately \$5.1 million.

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 fare system replacement, operating facilities including continued work on the Powell maintenance facility, MAX Blue Line station elevators, Steel Bridge transit improvements, MAX Red Line extension and the Southwest Corridor and Division Transit Projects as well as continued investment of State of Good Repair projects and design and development of the Columbia bus base.

Fiscal Stability

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

- Senior Lien Debt Service is no more than 6% of ongoing revenue
- One-time-only revenues are applied to one-time-only expenditures.

The agency continues its focus on fiscal sustainability, particular examples are:

Pension Funding. TriMet continues to take steps to strengthen its union (80.2% funded) and non-union (92.9% 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 FY2020 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.

6. Procurement Process

N/A

7. Diversity

See above discussion relating to Transit Equity, Inclusion and Community Affairs.

8. Financial/Budget Impact

Changes to the FY2020 Approved Budget, which the TSCC certified, were developed in May and more recent financial performance and internal reviews identified desirable changes or updates. The net cumulative effect of all FY2020 budget changes results in an increase of Resources and Requirements totaling \$85,927,796. The changes are within the limit allowed by Local Budget Law (ORS 294.456). The list of changes is in the attached table.

9. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2020 Approved Budget, but an Adopted Budget must be in place by July 1 before any money may be spent in the new fiscal year.

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TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING
THE FISCAL YEAR 2020 ANNUAL BUDGET AND APPROPRIATING
FUNDS**

WHEREAS, at a public meeting on April 24, 2019, the TriMet Board of Directors (Board) approved budget estimates for the period July 1, 2019 through June 30, 2020, 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 May 15, 2019, 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 \$1,528,880,086.

NOW, THEREFORE, BE IT RESOLVED:

1. That TriMet's Budget Officer is authorized to make adjustments within, but not between, appropriations during the budget period.
2. That the budget as approved on April 24, 2019, and certified by the Multnomah County Tax Supervising and Conservation Commission; and herein amended, is adopted; and that for the period July 1, 2019 through June 30, 2020, funds are appropriated as follows:

General Manager Division	\$952,880
Chief Operating Officer Division	13,319,625
Transportation Division	259,501,393
Safety & Security Division	39,311,682
Maintenance Division	298,427,179
Information Technology Division	20,947,411
Public Affairs Division	23,578,007
Finance & Administrative Services Division	37,089,609
Labor Relations & Human Resources Division	5,674,736
Legal Services Division	6,916,691
Engineering & Construction Division	124,523,426
Other Post Employment Benefits	50,839,019
Other Non-Operating Requirements	27,260,669
Debt Service	104,556,532
Contingency	24,019,235
Total Appropriation	\$1,036,918,094
Fund Balance	491,961,992
Total Adopted Budget	\$1,528,880,086

Dated: June 26, 2019

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department

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Resource Budget Changes: FY2020 Approved to Adopted Budget		
Increased the beginning fund balance restricted bond proceeds & restricted debt service due to change in accounting for debt service from GAAP/full accrual to cash basis	\$	101,623,983
Decreased the unrestricted beginning fund balance as a result of updated projections for FY2019 (capital and operating projects carryover).	\$	(4,411,578)
Decreased passenger revenue to reflect current projection.	\$	(1,100,000)
Decreased State STIF Formula and increased State STIF Discretionary Grants to reflect current State of Oregon projection.	\$	(9,894,440)
Decreased other federal/state/local operating grants for revised estimate in FY2019.	\$	(2,179,582)
Increased CIP resources due to deferral of some projects to FY2021.	\$	10,255,859
Decreased Other Non-Operating Resources to reflect Regional Fund Exchanges being accounted for as part of Federal Grants and ODOT Project Development: Highway/Arterial being accounted for a bond revenue.	\$	(8,366,446)
Total	\$	85,927,796

Requirement Budget Changes: FY2020 Approved to Adopted Budget		
Increased funds to M&S for accessibility service expenses.	\$	788,797
Increased funds to reflect increased staffing for regional corridor projects.	\$	240,948
Increased CIP due to the carryover of some projects into FY2020.	\$	28,699,515
Increased contingency to reflect changes in revised Operating Requirements.	\$	30,893
Increased other non-operating requirements due to advance funding of special payment to ODOT Project Development: Highway/Arterial project	\$	4,322,346
Increased restricted bond proceeds & other restricted ending fund balance due to 2018 bond proceeds.	\$	76,751,410
Decreased unrestricted ending fund balance due to unspent projected State STIF Formula Grant funds.	\$	(24,906,113)
Total	\$	85,927,796

