

Date: May 23, 2018

To: Board of Directors

From: Doug Kelsey

Subject: RESOLUTION 18-05-39 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2018-2019 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 2018-2019 budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
 Contract Modification
 Other: Adopt the Fiscal Year 2018-2019 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 2018-2019 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of the fiscal year on July 1, 2018.

4. Type of Action

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

5. Background

In late 2017 staff worked with the Board to develop Fiscal Year 2018-2019 budget themes. These were:

- a. Safety and security
- 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 2018. 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 March 14, 2018. 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 28, 2018 and on April 25, 2018 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 2018-2019 estimates to be reasonable and the Approved Budget in compliance with Local Budget Law.

The FY2019 Approved Budget is now before the Board for consideration and adoption.

Budget Assumptions

The FY2019 Budget is based on the following key revenue and expenditure assumptions:

- Employer payroll tax revenue is forecast to grow 7.20% over FY2018.
- There will be no fare increase.
- Passenger revenue is projected to decrease over FY2018.
- Terms of TriMet's current labor contract, which was ratified on November 28, 2017 and approved by the TriMet Board on December 13, 2017.
- Introduction of Low Income Fare Program and early investments for HB 2017.

Budget Summary

The FY2019 Budget includes the cost of operating and maintaining the existing transit system and increasing service by 4.7%; 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:	\$ 608.3 million
• MAX Orange Line FFGA Payment:	\$ 100.0 million
• Capital & Operating Projects:	\$ 265.8 million
• Pass Through:	\$ 11.0 million
• Fund Balance & Contingency:	<u>\$ 455.0 million</u>
Total	\$1,440.1 million

Key investments are summarized below:

Safety. Pedestrian safety improvement investments are planned at five locations to prevent/reduce hazards in areas with increasingly intensive land use. We also continue the program to upgrade the CCTV system. Increased presence on the system is planned to improve system safety and customer confidence.

Service

TriMet is proposing to expand bus service hours 4.7% in FY2019. TriMet will make a series of changes to bus service including increased frequency, route changes and extensions, and the addition of two new service lines. These investments are paid for by revenues generated by the increase in the employer payroll tax rate and the new employee payroll tax that commences July 1, 2018. The service improvements will occur throughout FY2019. The cost of the service improvements is approximately \$8 million, annualized.

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 positive train control, safety improvements, Powell maintenance facility development, MAX Blue Line station rehabilitation, the Southwest Corridor Project, and the Division Transit Project. With FTA support, we will implement safety improvements in the vicinity of the MAX Orange Line and continued investment of State of Good Repair projects as well as the acquisition of a 4th bus facility.

Fiscal Stability

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

- Senior Lien Debt Service is less 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 (79% funded) and non-union (89.2% 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 FY2019 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

Changes to the FY2019 Approved Budget, which the TSCC certified, were developed in February and more recent financial performance and internal reviews identified desirable changes or updates. The net cumulative effect of all FY2019 budget changes results in an increase of Resources and Requirements totaling \$145,164,380 (See Attachment A). The changes are within the limit allowed by Local Budget Law (ORS 294.456). The list of changes is in the attached table.

7. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2019 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: FY2019 Approved to Adopted Budget	
Increased the beginning fund balance restricted bond proceeds & other restricted due to 2018 bond proceeds.	\$ 165,937,720
Increased the unrestricted beginning fund balance as a result of updated projections for FY2018 (capital and operating projects carryover).	\$ 2,184,961
Decreased passenger revenue to reflect current projection.	\$ (4,240,000)
Decreased Accessible Transportation Contract to reflect current projection.	\$ (111,030)
Decreased Employee Payroll (HB 2017) to reflect current State of Oregon projection.	\$ (7,997,498)
Increased Self-Employed Tax to reflect current projection.	\$ 380,890
Increased State "In Lieu" Tax to reflect current projection.	\$ 93,719
Decreased other federal/state/local operating grants for revised estimate in FY2019.	\$ (176,003)
Decreased CIP resources by \$16.6 million due to deferral of some projects to FY2020.	\$ (16,629,898)
Increased pass through requirements to reflect regional HB 2017 coordination and ODOT Project Development: Highway/Arterial project.	\$ 5,721,519
Total	\$ 145,164,380

Requirement Budget Changes: FY2019 Approved to Adopted Budget	
Decreased funds to M&S for light rail vehicle component replacements and professional & technical expenses.	\$ (3,231,679)
Increased funds to reflect current Medicare Part B increase, retiree medical benefits and retiree life insurance premiums.	\$ 1,422,575
Decreased CIP by \$8.4 million due to the deferral of some projects to FY2020.	\$ (8,386,308)
Increased pass through requirements to reflect regional HB 2017 coordination and ODOT Project Development: Highway/Arterial project.	\$ 5,721,519
Decreased contingency to reflect 3% of revised Operating Requirements.	\$ (54,274)
Increased restricted bond proceeds & other restricted ending fund balance due to 2018 bond proceeds.	\$ 136,542,423
Increased unrestricted ending fund balance \$13.2 million to meet Board policy of 2.5 months of operating expenses.	\$ 13,150,124
Total	\$ 145,164,380

RESOLUTION 18-05-39

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2018-2019 ANNUAL BUDGET AND APPROPRIATING FUNDS

WHEREAS, at a public meeting on March 28, 2018, the TriMet Board of Directors (Board) approved budget estimates for the period July 1, 2018 through June 30, 2019, 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 25, 2018, 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 \$1,440,084,770;

NOW, THEREFORE, BE IT RESOLVED:

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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 March 28, 2018, and certified by the Multnomah County Tax Supervising and Conservation Commission; and herein amended, is adopted; and that for the period July 1, 2018 through June 30, 2019, funds are appropriated as follows:

General Fund:

Office of the General Manager Division	\$2,979,505
Public Affairs Division	16,818,981
Safety & Security Division	39,413,908
Information Technology Division	23,263,782
Finance & Administration Division	32,741,600
Labor Relations & Human Resources Division	5,291,774
Legal Services Division	4,001,950
Operations Division	509,603,910
Capital Projects Division	136,044,130
OPEB & Pension UAAL	51,066,768
Regional Fund Exchanges	4,786,635
Debt Service	148,093,957
Pass Through Requirements	10,976,449
Contingency	21,249,408
Total General Fund Appropriation	\$1,006,332,757
Fund Balance	433,752,013
Total Adopted Budget	\$1,440,084,770

Dated: May 23, 2018

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:


Legal Department