

Date: July 24, 2019

To: Board of Directors

From: Doug Kelsey, General Manager

Subject: **Report of Finances and Administrative Activities – FY2019
ORS 267.140(5) Requirement**

INTRODUCTION

Oregon Revised Statute 267.140(5) requires the TriMet General Manager to report to the Board of Directors on the finances and administrative activities of the district within 30 days after the end of each fiscal year. This statutory requirement is in addition to our regular reporting to the Board of Directors on the financial and administrative activities of the district.

The financial information contained in this report, for the fiscal year ending June 30, 2018, is based on unaudited year-end results. The agency's external auditor, Moss Adams LLP, will complete their annual audit in September. As in the past, our auditors will discuss their findings and any recommendations with the Finance and Audit Committee and the full Board in September.

I. TRIMET FINANCES AND ADMINISTRATIVE ACTIVITIES

A. SERVICE AND RIDERSHIP RESULTS

FY2019 annual fixed route boardings: In FY2019, TriMet's fixed route system carried 95.7 million boardings, which represented a decrease of (-0.4%) from FY2018. Boardings for each day type, with weekday boardings (305,245) were down (-0.4%) and weekend boardings (183,327 Saturday, 144,537 Sunday) (-0.8%) and (+0.3%), respectively. FY2019 ridership decreased due to inclement weather events, demographic shifts, fuels prices, alternative options (TNCs and others) and telework. However, the rate of decline appears to be moderate.

FY2019 annual MAX boardings: MAX carried 38.8 million boardings, down (-0.2%) from FY2018. MAX averaged 120,923 weekday (-0.1%), 81,886 Saturday (-0.8%) and 64,297 Sunday (-0.2%) rides.

FY2019 annual bus boardings: Buses carried 56.5 million boardings in FY2019, a decrease of (-0.4%) from FY2018. Buses averaged 182,837 weekday (-0.5%), 101,441 Saturday (-0.8%) and 80,240 Sunday (-0.7%) rides in FY2019.

FY2019 annual WES boardings: WES carried 377,695 boardings in FY2019 and averaged 1,485 daily rides (-8.9%). West trains run every 30 minutes on weekdays during morning and afternoon rush hours. The decline in WES ridership was largely attributable to changes in employer demographics in the Wilsonville, Tualatin areas.

LIFT/CAB: In FY2019, LIFT/Cab carried 962,215 rides, a decrease of (-4.6%) from the prior year. Inclement weather events and decreased supplemental cab use significantly affected FY2019 ridership.

B. REVENUES, EXPENSES AND NET POSITION

The following numbers represent preliminary, unaudited financial data for FY2019 compared to FY2018. The year-to-date activity for 2019 includes estimates for June based on the prior twelve months.



**Statement of Revenues, Expenses, and Changes in Net Position
For Fiscal Years Ending June 30, 2019 and 2018**

	<i>--Unaudited--</i> June 30, 2019**	<i>--Audited--</i> June 30, 2018
Operating revenues:		
Passenger revenue	\$ 115,170,736	\$ 113,836,174
Auxiliary transportation and other revenue	22,784,281	26,245,136
Total operating revenues	<u>137,955,018</u>	<u>140,081,310</u>
 Operating expenses:		
Labor	194,738,753	182,833,841
Fringe benefits	188,724,138	191,097,545
Materials and services	115,980,912	115,422,631
Utilities	10,321,740	9,985,882
Purchased transportation	30,742,147	30,950,645
Depreciation expense	132,138,942	131,914,088
Other operating expense	15,846,944	13,453,853
Total operating expenses	<u>688,493,576</u>	<u>675,658,485</u>
 Operating loss	<u>(550,538,558)</u>	<u>(535,577,175)</u>
 Nonoperating revenues and (expenses):		
Payroll and other tax revenue	378,798,440	359,043,191
Grant revenue	92,716,348	119,633,046
Interest income	13,801,752	5,972,142
Net leveraged lease income (expense)	913,786	741,275
Interest expense	(25,299,360)	(19,454,145)
Intergovernmental agreements	(7,095,000)	-
Total nonoperating revenues, net	<u>453,835,966</u>	<u>465,935,509</u>
 Loss before contributions	(96,702,593)	(69,641,666)
Capital contributions	66,859,846	113,869,744
Changes in net position	<u>(29,842,747)</u>	<u>44,228,077</u>
Total net position - beginning	1,900,419,610	2,024,504,510
Change in Accounting Principle (GASB #75)	-	(168,312,978)
Total net position - ending	<u>\$ 1,870,576,862</u>	<u>\$ 1,900,419,610</u>

II. ADMINISTRATIVE ACTIVITIES

A. OFFICE OF THE GENERAL MANAGER

In FY2019, the Office of the General Manager (OGM) provided overall organizational leadership and support to the Executive Team and the Board of Directors with the information needed to make decisions that advanced TriMet's vision, mission, values and fiscal stability. These included:

- The OGM ensured agency goals are on track and in accordance with the Business Plan.
- Led regional partner discussions on transportation funding to support statewide efforts, plans and partnerships. Examples include the SW Corridor and Division Transit projects.
- Led efforts to strengthen staff diversity, succession planning, training and continued advancing of safety, improving service, implementing Hop, capital improvement delivery, equity initiatives and a fiscally responsible labor agreement.
- The OGM also led and prepared for internal Executive Team meetings, conducted outreach to key agency stakeholders and represented the agency in regional, state and national forums.
- The OGM worked to ensure key initiatives were staffed and resourced to succeed and that agency efforts were coordinated.
- Conducted agency staffing realignment to better meet the mobility needs of our community, now and in the future, and prepared the agency to fully implement new customer-focused services and technologies, including share of the Keep Oregon Moving funds.
- Replaced key executive team members including the hiring of a new Chief Operating Officer, Executive Director of Safety & Security and an Executive Director of Human Resources & Labor Relations. This significantly improved the diversity of the leadership team.

Internal Audit

In FY2019, Internal Audit continued to maintain a dynamic risk based audit plan to allocate audit hours for coverage of significant and moderate risk areas, as well as required regulatory audits and management requests. The department completed the following audits:

- TriMet's Service Improvement Process focusing on Transit Equity
- Three audits to measure the effectiveness of the safety procedures established within TriMet's System Safety Program Plan (including the REM Apprenticeship Program, Elements 1 through 5 and Rules Compliance related to Rule Violations)
- Rail & Bus Operator training
- Two Buy America audits (Siemens and Norcal)
- Transit Police billing audit follow-up review
- Ride Connection - substantially complete

Internal Audit completed other audit follow-up verifications and reviews of management action plans to ensure corrective actions were completed and consistent with management's expectations. Additionally, the department consulted on various projects, continued to serve on TriMet's Accountability Committee, and investigated EthicsPoint Hotline reports of potential fraud, waste or abuse.

B. CHIEF OPERATING OFFICER (COO) DIVISION

In TriMet's FY2020 Budget, a new division was created called Chief Operating Officer Division, which was part of the Operations Division, which encompassed both Transportation and Maintenance. The COO oversees the strategy and management of the Transportation, Maintenance, Safety and Security and Information Technology Divisions and includes the following departments: Operations Planning & Development, Business Planning & Asset Management, and Operations Training & Planning.

Operations Planning & Development (OPD) Department

OPD includes the Service Performance & Analysis group. During FY2019, OPD delivered operations' submissions for development of the FY2020 budget, updated intergovernmental agreements with Portland Mall Management, Inc. to maintain the downtown transit mall and the City of Portland for streetcar operations and met FTA and FRA reporting requirements including the National Transit Database. OPD led cross-departmental planning and implementation of temporary service during the Hillsboro MAX Improvements in Fall 2018 and began advanced planning for MAX improvements at Rose Quarter/Lloyd Center and Gresham (FY2020) and the Steel Bridge improvements (FY2021). In FY2019, OPD also developed and prioritized projects that improved MAX train operation and incident response and coordinated operations planning efforts to support service and facility expansion projects. The Service Performance & Analysis group delivered regular performance reports and project based analyses to assist the Transportation and Maintenance Divisions to improve performance related to safety, service reliability and customer experience. Service Performance & Analysis also partnered with operations departments to modernize business processes to improve the quality of data collected, increase visualization of data and create process efficiencies.

Business Planning & Asset Management (BP&AM) Department

BP&AM includes the Mobility & Location Based Services (M&LBS) group. During FY2019, BP&AM delivered a complete, updated TriMet Business Plan for FY2020-FY2024 and met the FTA and internal requirements for asset management inventory, condition assessments and reporting deadlines for the National Transit Database and the annual reporting and budgeting cycle. BP&AM also organized efforts across many divisions and departments to be prepared to deliver expanded services funded with HB2017 funds, including the identification of the Columbia bus garage site as the best available option. The department continues to support bus electrification efforts, bus garage planning and other needs supporting delivery of HB2017 funded services. In FY2020 and beyond, BP&AM will deliver a new, updated TriMet Business Plan with a five-year planning horizon, coordinate the tracking of performance and the implementation of Key Strategic Actions from the Plan. BP&AM will also continue to coordinate the agency-wide asset inventory, condition assessments and reporting necessary to meet FTA and internal requirements. Also during FY2019, M&LBS delivered TriMet's next generation multi-modal trip planner, managed TriMet's location-based data and analyses supporting efforts across the agency and delivered e-surveys. For FY2020, M&LBS will improve and expand the multi-modal trip planner, integrating more Plan-Book-Pay functionality for our customers and continue to provide location-based data and analyses and e-survey implementation for a wide variety of customer information needs.

Operations Training & Planning Department (OT&PD)

For FY2020, OT&PD has been moved under the COO Division. OT&PD is responsible for managing and implementing all aspects of TriMet's in-house training in Transportation and Maintenance for both union and non-union staff as well as the State of Oregon Apprenticeship Programs. The department also establishes and implements standards and practices, which support TriMet's Safety Management System.

C. TRANSPORTATION DIVISION

For each of the service changes start dates listed below, the Transportation division prepared service change schedules and operator assignments and trained additional operators above training requirements for replacement of existing operators. The impacted routes included: Fall 2018 – Routes 2, 4, 20, 57, 61, 73, 81, 96, 272 and Spring 2019 – 24, 31, 79.

In addition, TriMet's FY2020 Adopted Budget will increase bus service 4.02% over FY2019 levels. This equates to service enhancements on lines 19, 20, 30, 32, 74, and 76 and route changes on lines 70 and 78.

Following up on the previous MAX Operating Rules audit issued December 12, 2016, a second MAX Operating Rules audit was conducted at the request of Operations. The audit report was issued January 16, 2018 and produced 53 recommendations with 51 of those deemed relevant for adoption. These recommendations were organized into three projects with the assistance of an outside consultant. Of the 51 recommendations, 19 have been approved for adoption in May 2019 and training of Operations staff will begin in July 2019. Full implementation of the recommendations and work on the remaining recommendations will begin in Fall 2019.

During FY2019, the Transportation and Maintenance divisions worked closely with other TriMet divisions on multiple, interrelated efforts pertaining to future fixed route bus operations:

- Electric buses - pilot project for initial 5, and planning for future fleet transition from diesel to electric
- Division Transit Project (DTP) - articulated buses
- Articulated buses for other than DTP lines
- Bus facilities planning for service expansion, as well as for future electric buses and articulated buses

In Fall 2018, construction began at Powell garage to completely remodel the facility and increase the yard capacity in anticipation of the Division Transit Project. In January 2019, TriMet purchased a property at NE Columbia Boulevard/NE 42nd Avenue in Portland, Oregon. Revenue service delivery operations will begin at the new site in September 2021.

During FY2019, 15 new replacement LIFT mini vans and 30 new LIFT (25 replacement and 5 expansion) mini buses were placed into service. In FY2019, 47 new LIFT (37 replacement and 10 expansion) mini buses were ordered to go into service in FY2020.

Operations division staff worked closely with TriMet's Finance and Capital Projects divisions to develop and implement state of good repair capital replacement projects across the TriMet system. Among these projects, a series of FY2015-2020 projects were done to reconstruct paved track and switches in central Portland for the original Eastside MAX Blue Line, which was 32 years old as of 2018. During FY2019, improvements were made from the Fair Complex at Hillsboro Airport to Hatfield Government Center (October 13-27, 2018).

During FY2019, TriMet received conditional certification from the Federal Railroad Administration for the Positive Train Control system. The system/technology that TriMet is utilizing for PTC is Enhanced Automatic Train Control (E-ATC). Due to wayside improvements made in FY2018 and FY2019, TriMet improved its hot weather operating policy for continuous welded rail operations to improve on-time performance in the heat. TriMet WES Maintenance Operations had no FRA reportable Accidents/Incidents, as per 49 CFR Part 225, in three consecutive years (FY2016-FY2019).

D. SAFETY & SECURITY DIVISION

The Safety Manager position was approved in the FY2020 budget cycle. This position will assist with the implementation and rollout of the Safety Management System agency-wide. The Director, Security & Emergency Management position was filled to assist with high-visibility security patrol and the development of the new Fare Enforcement program, which was moved from Transportation to Safety & Security in the December 2018 realignment.

Safety Management System. TriMet developed a Safety Management System (SMS) Plan that conforms to the Federal Transit Administration's SMS framework. Efforts in the next fiscal year will focus on converting the System Safety Program Plan to the Public Transportation Agency Safety Plan. The project will be completed by June 2020.

Environmental Services. The Environmental Services department continues to meet its regulatory compliance.

Roadway Worker Protection. TriMet continues to explore the use of technology to enhance the Roadway Worker Protection (RWP) program that provides for the protection of workers on and around the MAX light rail transit system and continues to search for a system that warns wayside workers of the approach of a train and what best fits TriMet's needs as new technology is introduced as research and testing continues.

Internal Safety and Security Audits. TriMet continues to participate in the internal Safety & Security audits.

Security & Emergency Management. A targeted BASE (Baseline Assessment and Security Evaluation) of TriMet's security and emergency management programs was conducted by the Transportation Security Administration (TSA) in FY2019. The findings and recommendations are expected to be delivered early FY2020.

Fare Enforcement. The Fare Enforcement program continues to be further developed and expanded to incorporate new strategies, training and technology tools.

Drills and Exercises - Emergency Management Training. The Emergency Manager continues to participate and coordinate drills and exercises. Emergency Management and Incident Command System training is included in the drills and exercises.

Operation RailSafe and Operation BusSafe. Transit Police continues to participate in Operation RailSafe and Operation BusSafe missions. These missions provided highly visible operations to deter and detect criminal activity and disrupt terrorist pre-attack surveillance and other suspicious activity on both bus and rail transit services.

Canine Teams. TriMet continues to maintain its canine teams through a DHS grant.

E. MAINTENANCE DIVISION

Bus Maintenance

During FY2019, a total of 64 new fixed route buses were placed into service, replacing 48 buses and expanding TriMet's bus fleet by 16 buses for service increases and enhancements. TriMet is also conducting emission testing on buses running on the renewable diesel to help evaluate the reduction of greenhouse gases. A pilot project to test renewable hydrocarbon diesel fuel (blend of 80% R-99 and 20% B-99) in a portion of buses based at Merlo Operations Facility was done. TriMet will produce an ROI on this test to support or deny changing over to Renewable Diesel. TriMet also received five New Flyer 40-foot Battery Electric Xcelsior buses with grant funding from FTA's Section 5339(b) FY2016 Low-No Emission Buses Program. A second Low-No grant was awarded in FY2018 to procure an additional five buses through a unique partnership between Gillig (bus manufacturer) and Cummins (propulsion manufacturer). These buses are anticipated for production and delivery in FY2021. A third grant application was submitted in FY2019 for three additional battery electric buses from Proterra.

Rail Equipment Maintenance (REM)

REM completed a major rewrite of their entire preventative maintenance program with a greater emphasis on higher quality and more timely inspections by modernizing past practices and thereby eliminating waste. REM also started an REM Technical Support Group, a group of engineers that work together to design and implement best practices across the discipline. Additionally, REM completed a major shop modification project to install two additional overhead cranes based on recommendations from a Lean/Six Sigma project. These additional cranes will reduce wait time on repairs, which currently represents 25% of non-productive labor on some repairs. Finally, a midlife overhaul contract was awarded to Siemens for the type 2 and 3 trains.

Facilities Maintenance (FM)

FM modified how work was assigned with limited staff resources by implementing a geographic zone-based maintenance program. One benefit of this program is the quick deployment of the best resource based on location and complexity of the task. Unproductive travel time has been significantly reduced and maintenance staff have developed familiarity and expertise with the assets located within their new zone assignments. In Fall 2018, construction began at Powell garage to completely remodel the facility and increase the yard capacity in anticipation of the Division Transit Project. In January 2019, TriMet purchased property at NE Columbia Boulevard/NE 42nd Avenue in Portland, Oregon. In early 2019, Facilities Maintenance began working with Engineering and Construction to plan out future uses in those buildings. Revenue service delivery operations will begin at the new site in September 2021.

Maintenance of Way (MOW)

MOW continued to make improvements to their overall operations with an emphasis on employee safety. Starting in FY2019, employees are required to have two persons present when working in high voltage environments. To supplement this, a new training curriculum was developed and will be implemented for the substations group in September 2019. Two additional Traction Power Supervisors positions were created in FY2019 for additional oversight. To date, only one position has been filled with the second vacancy to be filled no later than FY2020. To continue to meet state of good repair goals, six switch machines were replaced in the TriMet system and plans were developed to replace overhead contact wire and equipment in early FY2020.

F. INFORMATION TECHNOLOGY DIVISION

The Cyber Security Program made significant progress this year with the installation of endpoint detection and response (EDR) software. Installation of EDR software is an important milestone in improving the security posture of endpoints through advanced detection, cross-correlating data across the whole environment, combining whitelisting and blacklisting with behavioral analysis, and enhanced Incident Response and forensics capabilities. The Cyber Security team has begun conducting internal vulnerability assessments of major TriMet Systems. Work plans have been created to remove or mitigate the remaining vulnerabilities in a timely manner. Additionally, the Cyber Security team has implemented a Breach and Attack Simulation platform to continually test the efficacy of seven critical threat vectors in an effort to accurately gauge our security posture and remediate or improve on areas where threats have been successful in getting past our security controls.

Asset Management and Maintenance Management systems at TriMet were assessed by the an external consulting firm. The results of this assessment were presented to Executive Leadership where a decision was made to pursue an agency-wide asset management and maintenance system.

Oracle Enterprise Business Suite completed a major upgrade and implemented the Oracle Learning Management System (LMS). The LMS will provide a central repository for all employee training and certification tracking. Oracle inventory management was enhanced with the implementation of the Bill of Materials and Work in Progress (BOMWIP) module. This new Oracle module will greatly enhance agency efficiency.

A focus was placed on developing enhanced inter-departmental customer communications, including implementation of a WebexTeams/Meetings tool set. Significant progress has been made establishing an Information Technology System Management system (ITSM). TriMet is implementing the Atlassian suite of products; JIRA Ticket Tracking and Confluence collaboration software. In addition, a new Project Management Office (PMO) has been created for the first time with two project managers, analysts and a technical writer. The PMO, a first for TriMet IT will manage and report on all IT projects. An IT standards document was created to guide new capital projects, such as the 4th bus garage, Division Transit Project and SW Corridor. This new document streamlines the preliminary design process for new or remodeled facilities.

A formalized change management process and policy has been established using the new service desk platform and a Change Advisory Board. Ensuring effective change management within the agency's production, staging and development environments is extremely important in ensuring quality delivery of IT services as well as regulatory compliance.

Upgrades to desktop infrastructure that included completion of Windows 10 upgrade and continued expansion of mobile devices across the agency has been completed. This year a new team was established to manage the physical infrastructure of the agency including a Manager and three physical infrastructure engineers. They will be performing audits to document our entire communication network.

The MOD Sandbox project, which released a multimodal trip planner that incorporates a comprehensive list of shared-use mobility services is on schedule with software moving successfully from beta testing to production. In conjunction with Fare Revenue, the IT Department successfully launched Apple Pay for the Hop Fast pass program allowing customers to pay for their ride using Apple Pay.

G. PUBLIC AFFAIRS DIVISION

Enhanced Transit Concept (ETC). Division staff led the effort to plan and implement ETC projects across the region. Three ETC projects were approved within the City of Portland, speeding up transit service for 14 bus lines.

Statewide Transportation Improvement Fund (STIF). The division led regional discussions regarding the allocation of STIF funding as required under HB2017 and received approval from the Oregon Transportation Commission for the submitted plan. Staff, working with Legal Services, developed intergovernmental agreements with sub-recipients to provide for pass through of STIF funds.

Non-Diesel Bus Plan. The division led agency efforts to develop a Non-Diesel Bus Plan, which calls for the agency to complete conversion of its diesel fleet by 2040, or before. The plan recommended pursuing battery electric buses as the strategy for fleet conversion after an initial trial period lasting until 2024.

Fuels Strategy. The division led efforts to assess the viability of various alternative fuels to diesel. The analysis looked at renewable natural gas, hydrogen and electricity as potential sources of power. The report concluded that electric powered buses are the best option to pursue at this time.

Ridership Plan. The division developed a ridership improvement plan aimed at increasing TriMet ridership in the short- and long term. The plan recommends a number of strategies, including expanding frequent service lines, continuing to implement ETC investments, pursuing a customer loyalty program, targeted marketing and improving customer service.

Low Income Fare. The Transit Equity, Inclusion and Community Affairs department continued to expand the number of individuals qualified for the low income fare program. As of the end of the fiscal year, more than 17,000 applications had been approved through dozens of local community partner organizations.

Hop Fastpass. The division continued to promote the wide adoption of Hop Fastpass by increasing the number of employers using the Hop institutional platform; by implementing the launch of Hop on the Apple platform, allowing users to tap using their Apple phone or watch and by beginning the phase out of paper tickets and implementing a ticket exchange program.

Text to TriMet. The division spearheaded the implementation of text to TriMet capability, allowing customers to text TriMet's Customer Service department and receive responses in real time.

Customer Information. The division began the long planned transition from Solari customer information equipment, which uses proprietary software, to a new system that uses an open platform.

Station Consolidation. The division led planning and public outreach activities related to the proposed consolidation of light rail stations in the central city.

Regional Transportation Funding. The division participated in regional policy discussions regarding the development of a transportation funding measure anticipated for November 2020.

Gideon Crossing. The division led efforts to explore options for the construction of the replacement Gideon Pedestrian Crossing to reduce impacts on local businesses.

Grants Submittals. The division added a grants specialist position to identify, coordinate and submit grant applications for a wide range of state and federal funding opportunities.

H. FINANCE & ADMINISTRATIVE SERVICES DIVISION

Finance reaffirmed its bond rating of AAA, by Standard & Poor's, Aaa by Moody's, and AAA by Kroll, the three top bond rating agencies. TriMet has maintained the highest rating possible on its bonds. In fact, it is the only transit agency with three triple "A" ratings on revenue bonds like ours.

Budget & Grants Administration

The department developed and published the TriMet FY2020 Forecast in April 2019. In June 2019, the team completed the FY2020 budget cycle with the adoption of the budget totaling over \$1.5 billion in the midst of implementing (1) A personal services software module Hyperion, (2) the General Manager's reorganization and (3) major budget revisions. The team performed grant compliance monitoring over sub-recipients receiving funding from the federal or state government through TriMet. The team provided direct support to the Capital Projects Committee, monitoring activity across 101 capital/operating projects totaling over \$265 million. As a first, the team sold Clean Fuels Credits through the Department of Environmental Quality totaling an unanticipated \$1.7 million in FY2019.

Financial Services

Financial Services is responsible for the functions of accounting, payables, receivables, grants, Debt Management, Cash Management, Investments, Payroll Administration, Financial Close and Reporting and the annual financial audit. During FY2019, the department published monthly financial statements within a 3-week period after month end. For fiscal year end June 30, 2018, TriMet received an unmodified/clean audit opinion, posted here: <https://trimet.org/pdfs/publications/2018-audited-financial-report.pdf>

Risk Management

Risk Management administrates the agency's self-insurance programs for both liability claims and workers compensation claims, operating more efficiently and cost effectively. Feedback on the agency's loss experience and trending is provided in regular meetings with safety and other departments. In FY2019, TriMet paid a total of \$3,074,385 for workers compensation claims and received 268 new claims throughout the year. 67 injured employees took advantage of TriMet's light duty program, working in various capacities throughout the agency. Through the State of Oregon's Employer At Injury Program, TriMet was reimbursed \$136,755.88 for employees who worked in light duty roles in FY2019.

Fare Revenue and Administrative Services

In FY2019 the adoption of Hop Fastpass continued, reaching 46% of all TriMet Fare Revenue in late FY2019 as a result of Employer/Institutional programs converting to Hop, launch of the Transit Assistance Program and the conversion of Ticket Vending Machines to Hop Fastpass. This year saw Hop Fastpass become the first transit fare card in North America to launch in Apple Wallet. TriMet Ticket Office served over 150,000 customers, representing approximately \$4.5 million in fare sales and issued 15,000 Transit Assistance Program cards for eligible participants. Fare & Communication Equipment maintained 247 TVMs, processing approximately \$13.5 million in annual fare revenue. The Fare Revenue department also took on the additional responsibility due to the agency realignment.

Procurement & Supply Chain Management

FY2019 saw the addition of TriMet's inventory control function to this department through the agency-wide reorganization in December 2018, supporting the District from managing contracts, administering and purchasing of materials to managing inventory levels, to managing warranty programs for purchased goods and services. TriMet awarded 177 new contracts and executed 600 contract modifications and change orders during FY2019 for a total contractual commitment of about \$488 million (top five of new and mods accounted for about \$370 million). Also, this department administers the Purchasing Card (P-Card) program, allowing staff to make low-dollar purchases for repair and maintenance materials for vehicle, equipment and facility maintenance, as well as for other minor purchases in support of TriMet operations. The District had over 12,388 individual transactions during FY2019, which accounted for about \$3.2 million in purchases. For FY2019, the District had an inventory reduction of more than \$300,000 (30%) from FY2018 due to improved cycle-count management practices and extensive reconciliation to resolve inventory discrepancies. In collaboration and partnership with Utah Transit Authority and San Diego Metropolitan Transit System, the District conducted a joint procurement for vendor-managed inventory services. The objective was to secure a third party vendor who will stock parts, including long lead-time parts, for shipment upon demand. Long-term benefits include reduced lead-time for critical parts, lower inventory carrying costs and reduced downtime for buses and light rail vehicles.

I. LABOR RELATIONS & HUMAN RESOURCES DIVISION

Labor Relations and Human Resources Division (LRHR)

The LRHR division's mission is to create a workplace where diverse and talented people want to come, stay and thrive. To accomplish its mission, LR/HR has key strategic objectives around pursuing respectful labor and employee relations, recruiting a talented and diverse workforce, fulfilling its regulatory and statutory compliance obligations and enhancing workforce engagement.

Respectful Labor and Employee Relations. Labor Relations has partnered with Training & Development to develop four Labor Relations courses in the E3 program and presented eight E3 trainings on Labor Relations topics, including Labor Law overview, Investigations Best Practices, Employee Discipline and Grievance handling. During the year, LRHR resolved 27 grievances at the arbitration step, including three discharges. 11 of the 27 cases, including one discharge case, were withdrawn at no cost to the District. The parties have signed 14 MOAs to address midterm bargaining obligations, including the resolution of the long stalled camera and audio dispute with ATU, allowing for better investigation of assaults, passenger complaints and accidents. ATU and the District signed an agreement to start bargaining for the December 1, 2019 contract on October 10, 2019.

Managing Healthcare Costs. The new self-funded healthcare plan design is achieving the intended financial results while providing high quality care, continuing cost containment bargained with the ATU during the last labor contract. The District's aggregated PPO monthly medical insurance cost per covered employee is \$1,197 (through April 2019) compared to \$1,370 for calendar year 2014, a decrease of 12.6% over the period. Looking just at the represented employees' PPO plans, costs now are \$1,086 compared to \$1,561 for calendar year 2014, a 30.4% decrease over the period. The District's Other Post-Employment Benefits ("OPEB") liability decreased 7.7% to \$725,024,789 effective January 2019. Prior to bargaining changes to the collective bargaining agreement, that liability was \$949,592,434 in January 2014. The District has experienced incremental increases in the liability since 2014, but the rate of increase has slowed considerably.

Non-Represented Employees. Pursuant to Board approval, the District utilized a 3% salary pool in FY2019 to administer non-represented employee merit increases, promotions and market adjustments. The District awarded 475 employees a salary increase, with an annualized cost of approximately \$1,748,577, comprised of merit, PCM and market. Beginning in April 2018, TriMet began using the Predicted Compensation Model (PCM) to calculate compensation for TriMet employees, utilizing the factors outlined in Oregon's Equal Pay Act.

Recruitment and Turnover. FY2019 recruitment resulted in a record number of hires for the District, utilizing LinkedIn Recruiter and SkillSurvey. The District has increased its partnership efforts with Urban League of Portland, Centro Cultural, IRCO, Incight and Hacienda to promote employment opportunities. As of May 30, 2019, total union and non-union employee headcount totaled 3,291, up from 3,011 a year ago. Non-union headcount increased to 514, compared to 479 one year ago. As a result of a healthy economy and a competitive job market the District-wide turnover as of May 2019 stood at 9.54%, annualized, compared to 9.34% for the same period in FY2018. Non-represented employee turnover through May 2019 was 11.67%, compared to 11.26 % in 2018.

Employee Development and Succession Planning. In FY2019, the District continued to expand its training and professional development courses through the E3 learning and development program. Talent Management delivered over 115 E3 classes and learning events, continued the tuition reimbursement program, implemented in FY2018. The new onboarding initiative team has conducted research and surveys to further develop TriMet's onboarding process. In June 2019, TriMet launched Employee Resource

Groups, available to all interested employees and centered on aspects of identity. TriMet built the framework for a new mentoring pilot program to launch in July 2020. TriMet is continuing to consider succession planning. In FY2020 the District will be responsible for creating development plans for those key divisional staff members.

Regulatory and Statutory Compliance. The District is committed to a workplace that is free of harassment, discrimination and retaliation, distributes policies that inform the workforce about unlawful discrimination and harassment, including a policy that outlines the complaint procedure for employees to submit complaints of harassment and discrimination. LR/HR responds to and investigates all reports of alleged workplace harassment or discrimination.

Employee Engagement. The District continues to track results for progress in Employee Engagement. TriMet continues to use quarterly pulse surveys based on the biennial survey in order to monitor progress.

J. LEGAL SERVICES DIVISION

In FY2019, the Legal Services division continued to offer agency-wide legal support on complex issues of strategy, compliance, reduction of agency exposure, innovation, process improvement and ethical work practices. The General Counsel and division attorneys are integrated into all aspects of the agency, working directly with stakeholders to provide advice and coordinated agency response on a wide variety of contract, procurement, liability, employment, intellectual property and governmental issues. These include lawsuits, intergovernmental agreements, capital projects, real estate, public records and meetings, as well as legislative, administrative and regulatory matters. Legal Services includes an administrative and records governance group, a litigation group and, through a mid-fiscal year realignment, expanded to incorporate the real estate and Transit Oriented Development (TOD) group.

In FY2019 the TOD department engaged in numerous tasks to support the agency. These included significant assistance to the Division Transit Project and Southwest Corridor Project planning phases on estimating for expected property impacts, then providing design recommendations intended to minimize such impacts. The Real Estate team promoted transit oriented development in the region by disposing of excess real property in a way that required dense and active development while also bringing in revenue. The team also began work on a new TOD policy that will promote additional development near TriMet stations. Real Estate is finalizing the acquisition of the Columbia Bus Base site, as well as heading up a process aimed at meeting TriMet's administrative office staff needs at the conclusion of its current lease at Harrison Square.

The Records Governance team completed a thorough 6-month review and selection process for the procurement of an Enterprise Content Management (ECM) software solution and implementation services. Board approval was granted in January 2019 to OpenText (ECM software solution) and to Stellar Services (ECM implementation services) and in Spring 2019 TriMet launched work on the first two task orders. Records governance staff processed 702 public records requests in FY2019, a 22% increase in requests over FY2018 and the continuation of a 5-year upward trend in public record requests.

The Litigation team defended dozens of lawsuits this fiscal year, the highest profile of which was *Laing v. TriMet*, in which a jury verdict of \$8.7 million was successfully reduced through post-trial motions to the Oregon Tort Claims limit of \$682,800. In another case, a jury verdict in TriMet's favor was affirmed by the Oregon Court of Appeals. In a third case, partial summary judgment was granted on the grounds of discretionary immunity.

K. ENGINEERING & CONSTRUCTION DIVISION

The Engineering and Construction division plans, designs, remodels and constructs transit projects. Work includes in-street (bus) facilities, operations and administrative facilities, bus garages, light rail operations bases and extensions of the light rail system. The division also manages improvements to existing TriMet facilities, implements opportunities for transit-supportive developments and serves as the district's landlord in managing its real property. In FY2019, the division actively managed 64 projects and programs with a total budget of \$167 million. The division is split into four departments consisting of Program Management, Project Development and Permitting, Design and Construction and Major Projects.

Program Management Department

The Program Management department led the division in tracking costs, quality, scheduling and estimating to support the 64 projects in the Capital Improvement Plan (CIP). In addition, the department procured a consultant to help replace an aging, cost tracking piece of software that is no longer supported.

Project Development & Permitting Department

Project Development and Permitting worked with the agency to develop the Redline/Fairplex Light Rail Project. Design drawings were developed to a 30% level and TriMet submitted an application to the FTA for a Small Starts Grant Agreement. In addition, staff supported the conceptual development of projects feeding into the FY2020 CIP.

Design and Construction Department

The Design and Construction department managed numerous design and construction projects within the FY2019 CIP, including projects sponsored by other TriMet divisions. The department is organized into groups and the most notable accomplishments for the year include:

- Buildings: Columbia Bus Base, Powell Bus Yard Building Renovation and Remodel
- Stations & Guideway: Elevator Refurbishment, Blue Line Station Rehab
- Vehicles: Type 6 Light Rail Vehicle Procurement
- Systems: Positive Train Control

Major Projects Department

Three major projects continued to develop this fiscal year as follows:

Portland-Milwaukie Light Rail Project (Orange Line). TriMet continued to close-out remaining project work and began construction on the Gideon Pedestrian and Bicycle Overcrossing near SE Gideon and SE 14th Avenue.

Division Transit Project. TriMet advanced design to 90% plans and procured a Contractor and advance construction work is anticipated to begin early FY2020.

Southwest Corridor Light Rail Project. Design was advanced in order to allow the Region to select a Locally Preferred Alternative.