

Date: May 25, 2022

To: Board of Directors

From: Sam Desue, Jr.

Subject: **RESOLUTION NO. 22-05-31 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2023 ANNUAL BUDGET AND APPROPRIATING FUNDS**

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (Board) adopt the Fiscal Year 2023 (FY2023) budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Adopt the FY2023 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 FY2023 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of its new fiscal year on July 1, 2022.

4. Type of Action

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

5. Background

In late 2021, TriMet staff worked with the Board to develop a list of FY2023 strategic priorities and points of emphasis for the upcoming budget year. These strategic priorities and points of emphasis are intended to guide the decision-making process on both operating and capital budget requests for FY2023 and are set out below:

- a. Ridership and Recovery Strategies
- b. Reimagined Safety & Security
- c. Added Value to Customers Across the Region
- d. Implement IT Strategic Plan
- e. Enhance Equity for Employees
- f. Resource Management
- g. Financial Resiliency
- h. Capital Program

In January 2022, in response to these strategic priorities and points of interest and in conjunction with the requirements to meet TriMet's 5-Year Business Plan goals and objectives, all departments prepared their operating and capital budget requests and submitted them to the General Manager 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 9, 2022. At the same time, public input was solicited.

At its March 23, 2022 meeting, the Board approved the budget for submission to the Multnomah County Tax Supervising & Conservation Commission (TSCC). On April 27, 2022 the TSCC conducted a public hearing on the TriMet budget to confirm compliance with applicable laws and determine the adequacy of budget estimates. Many questions concerning TriMet's changed financial condition as a result of the COVID-19 pandemic were answered at the public hearing. Following the public hearing, the TSCC judged TriMet's Fiscal Year 2023 estimates to be reasonable and found the Approved Budget to be in compliance with Local Budget Law.

Following the TSCC hearing, TriMet held three public listening sessions regarding the Approved Budget, including one in Spanish.

This Resolution presents a revised FY2023 Approved Budget for the Board's consideration and adoption, effective July 1, 2022.

Budget Assumptions

The FY2023 Budget considers the effects of the COVID-19 pandemic and assumes a modest increase in passenger revenues and general increases in advertising and transit service. Key revenue and expenditure assumptions include:

- There will be no fare increase in FY2023.
- Operating revenues (fixed-route passenger revenue, LIFT paratransit revenue & advertising revenue) are projected to be \$1.70 million more than presented in the Proposed/Approved Budget, an increase from \$77.11 million to \$78.81 million.
- Federal American Rescue Plan funding of \$41.38 million will be available.
- Low-Income Fare Program and early investments for State STIF Grants will continue.
- Major capital projects, including the MAX Red Line Project and Division Transit Project will continue.
- State of Good Repair projects, including operating facility repairs and expansions at the Powell Maintenance Facility, the Columbia bus base, replacements of Ticket Vending Machines & Fixed-Route Bus Fareboxes, IT strategic review and IT infrastructure replacements will proceed.

Budget Summary

The FY2023 Budget includes the cost of operating and maintaining the existing transit system and beginning to restore service to pre-COVID-19 pandemic conditions, costs of operating fixed-route bus and rail service to maintain headways and capacity, costs of FTA-required LIFT 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 budget area follows:

• Day to day operating budget:	\$ 748,906,023
• Capital & Operating Projects:	\$ 304,059,046
• Other Non-Operating Requirements:	\$ 22,150,850
• Contingency:	\$ 35,687,909
• Fund Balance (restricted and unrestricted)	<u>\$ 820,419,152</u>
Total	\$1,931,222,980

Key Investments:

Transit Equity, Inclusion & Community Affairs. TriMet continues to provide over \$2 million in free fare grants to area community-based organizations and nonprofits. These grants are 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. Revenue reductions are anticipated from the fare relief grant program, low-income youth high school program, social service agency outlet sales program and the fare assistance program.

Transit Service

TriMet will continue services lines and begin restoring service to pre-pandemic conditions throughout FY2023, including increased frequency and route changes.

Capital Investments. TriMet is budgeting future funding for bus replacements, the MAX Red Line Project and to meet expansion needs, light rail maintenance of way, light rail vehicle maintenance and transit station maintenance.

Electrification: During FY2019, TriMet adopted a Non-Diesel Bus Plan that called for a transition from diesel-fueled buses toward battery-electric buses. In FY2020, TriMet began testing its first five battery electric buses and took delivery of four zero-emission rebuilt transit buses. In FY2021, TriMet began ordering more battery-electric buses and continued testing different models for efficiency and performance. In FY2022, the Board authorized the purchase of 24 zero-emission, battery-electric buses. TriMet will continue to pursue grant funding opportunities to offset the higher up-front costs of these buses. Electrification of the fixed-route bus system continues in FY2023 and beyond.

Other Major Projects: Included in the Capital Improvement Program are fare system component replacements, operating facilities projects, including the Powell maintenance facility, MAX Red Line extension, the Division Transit Project, design and development of the Columbia bus base, as well as continued investment of State of Good Repair projects.

Included in the Legal Division's FY2023 budget is the amount of approximately \$10 million for the one-time cost of the move of TriMet's administrative offices from Harrison Square to One Main Place, an amount which was not known at the time of the April 27 Board meeting.

Fiscal Stability & Sustainability

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

- Senior Lien Debt Service is no more than 7.5% of ongoing revenue
- One-time-only revenues are applied to one-time-only expenditures.
- Pension Plans and Other Post Employment Benefit Plan Funding:
TriMet has demonstrated our commitment to fund the defined benefit pension plans. As of July 1, 2021, the union pension plan is 94.6% funded and the non-union

pension plan is 108.8% funded. With both pension plans fully funded, TriMet can begin to fund the Other Post Employment Benefits (OPEB) plan and continue adhering to the funding policies outlined in the Strategic Financial Plan Guidelines.

Actuarial valuations for the pension plans and OPEB plans are posted to: [Transparency and Accountability \(trimet.org\)](https://www.trimet.org/transparency-and-accountability) The FY2023 Adopted Budget is consistent with the pension policies adopted by the Board

6. Financial/Budget Impact

Changes to the FY2023 Approved Budget, which the TSCC certified, were developed in May and more recent financial performance and internal reviews identified desirable changes or necessary updates. The net cumulative effect of all proposed FY2023 budget changes will result in an increase of Resources, Requirements, and fund balance totaling \$109,734,011, of which the FY2023 appropriation will increase by \$75,689,414. The proposed changes are within the limit allowed by Local Budget Law (ORS 294.456), and are shown in Attachment A to this Resolution.

The table below identifies the final organizational unit appropriations for FY2023.

Office of the General Manager Division	\$1,295,137
Chief Operating Officer Division	13,097,357
Transportation Division	285,690,455
Safety & Security Division	53,352,668
Maintenance Division	288,228,111
Information Technology Division	42,977,427
Public Affairs Division	16,885,885
Finance & Administrative Services Division	37,490,308
Labor Relations & Human Resources Division	8,850,450
Legal Services Division	18,009,684
Engineering & Construction Division	139,402,613
Other Post-Employment Benefits	84,544,748
Other Non-Operating Requirements	22,150,850
Debt Service	63,140,226
Contingency	35,687,909
Total Appropriation	\$1,110,803,828
Fund Balance	820,419,152
Total Adopted Budget	\$1,931,222,980

7. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2023 Approved Budget. However, an Adopted Budget must be in place by July 1, 2022 before any money can be spent in the coming fiscal year.

RESOLUTION NO. 22-05-31

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TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING
THE FISCAL YEAR 2023 ANNUAL BUDGET AND APPROPRIATING
FUNDS**

WHEREAS, at a public meeting on March 23, 2022, the TriMet Board of Directors (Board) approved budget estimates for the period July 1, 2022 through June 30, 2023 (FY20223), for submission to the Multnomah County Tax Supervising and Conservation Commission (TSCC) for its review and recommendations; and

WHEREAS, the TSCC held a public hearing on April 27, 2022, to review the TriMet FY2023 budget with the directors and staff of TriMet and to provide the public with an opportunity to ask questions and express views concerning such budget estimates; and

WHEREAS, the TSCC certified TriMet's FY2023 budget with no objections or recommendations; and

WHEREAS, the aggregate sum of the FY 2023 budget requirements for all funds is \$1,931,222,980.

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 TriMet's FY2023 budget, as approved by the Board on March 23, 2022, and certified by the Multnomah County TSCC on April 27, 2022, and herein amended, is hereby adopted.

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3. For the period July 1, 2022 through June 30, 2023, funds are appropriated as follows:

Office of the General Manager Division	\$1,295,137
Chief Operating Officer Division	13,097,357
Transportation Division	295,690,455
Safety & Security Division	53,352,668
Maintenance Division	288,228,111
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Dated: May 25, 2022



Presiding Officer

Attest:



Recording Secretary

Approved as to Legal Sufficiency:



Legal Department