

Date: March 28, 2018
To: Board of Directors
From: Doug Kelsey
Subject: RESOLUTION 18-03-27 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) APPROVING THE PROPOSED FISCAL YEAR 2019 ANNUAL BUDGET FOR SUBMISSION TO THE MULTNOMAH COUNTY TAX SUPERVISING AND CONSERVATION COMMISSION

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (Board) approve the proposed 2019 Fiscal Year Budget for submission to the Multnomah County Tax Supervising and Conservation Commission (TSCC).

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other: Submission of FY2019 Budget to TSCC

3. Reason for Board Action

Oregon Budget Law requires Board approval before a budget may be submitted to the TSCC.

4. Type of Action

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

5. Background

Budget Process. TriMet must propose and adopt a balanced budget where revenues are equal to expenditures.

Oregon Budget Law requires a process that all local governments must follow to adopt budgets. For TriMet, the first step required is for the Board to approve the Proposed Budget for submission to the TSCC. The TSCC will review the budget and then hold a public hearing on TriMet's Approved Budget on April 25, 2018, immediately prior to the Board's April meeting. The FY2019 Approved Budget will be returned to the Board for final consideration and adoption at the May 23, 2018, Board meeting. Amendments to the Approved Budget may occur up until Board adoption of the Final Budget on May 23, 2018. TriMet must adopt a budget before the July 1 start of the fiscal year.

The FY2019 Proposed Budget includes \$710.1 million for operations including \$148.1 million for debt service. An additional \$274.2 million is budgeted for General Fund capital and operating projects. Total funding requirements of \$1.29 billion also include all pass through requirements, contingency, and ending fund balances.

The FY2019 Proposed Budget focuses on implementing the requirements of House Bill 2017 (HB2017) including expanding service and operation of a Low Income Fare Program (LIF) as well as improving and increasing service.

The FY2019 Proposed Budget continues to address essential capital maintenance and replacements.

The FY2019 Proposed Budget is consistent with pension policies adopted by the Board on February 26, 2014. TriMet is continuing to strengthen its union defined benefit pension reserves and has set a 10-15 year horizon to pay unfunded pension liabilities and then transfer to focus on other post employment benefits obligations.

The proposed budget also meets Board Strategic Financial Plan policies in areas of fund balance, debt service, and service growth.

TriMet is committed to staying on course to achieve the fiscally stable future we need to keep our commitments to our employees, retirees, riders and payroll taxpayers.

Revenues. The FY2019 Proposed Budget includes the following major revenue assumptions:

- TriMet is projecting strong payroll tax revenue growth through FY2019. Underlying employer payroll tax revenues increased 5.7% by the end of FY2017, forecast to increase 6.3% by the end of FY2018 and increase 7.0% in FY2019. By comparison average annual growth of underlying employer payroll tax has been 5.0% over the last twenty years.
- No general fare increase is proposed.
- Federal formula funds constitute about 13.7% of TriMet's continuing resources for operations. In addition to approximately \$65.4 million of Section 5307 Urbanized Area and Section 5337 State of Good Repair funds, TriMet receives \$20.4 million dollars a year in federal highway program funds through the Surface Transportation Block Grant Program (STBG) and Congestion Mitigation & Air Quality (CMAQ) Program to pay for regional rail program debt service.
- Congress authorized additional funding through FY2020 by signing the Fixing America's Surface Transportation (FAST) Act. The FY2019 Proposed Budget includes projections as a result of the FAST Act authorization.

Expenditures. The FY2019 Proposed Budget incorporates the following major operating and capital expenditure proposals:

- *Service:* TriMet is proposing to expand bus service hours 4.7% in FY2019. This service, valued at \$7.2 million annualized, is largely paid for by revenues generated through the payroll tax rate increase.

- *Safety:* FY2019 continues the multi-year project (FY2015-FY2021) to replace analog CCTV technology on TriMet's buses and Type 1, 2, and 3 light rail vehicles with digital technology. TriMet's new buses and Type 4 and 5 light rail vehicles already have this technology. Additionally, pedestrian safety improvements to prevent/reduce hazards at areas with increasingly intensive land use including Main St (Gresham), 28th Avenue (Hillsboro), SW Merlo Road, SE 10th Ave/SE Washington St and 185th Ave are planned.

Capital repair and replacement.

The FY2019 Proposed Budget includes:

- *Buses:* TriMet is replacing 42 buses in FY2018 and anticipates replacing 39 in FY2019. The entire fleet will be low-floor, low emission, air conditioned, and at the desired industry standard average age of 8 years. FY2018 included 15 expansion buses for service coverage and similarly FY2019, includes 25 expansion buses.
- *Operating Facilities:* The FY2019 Proposed Budget funds a variety of operating facilities repairs, including final closeout of a full facility for LIFT operations (previously at Powell), phase 1 of the Powell Maintenance Facility, exploration of a fourth bus base, plus various major maintenance upgrades and refurbishments.
- *Customer Facilities:* The FY2019 Proposed Budget continues to provide funds to refurbish platforms and station finishes along various locations on the MAX Blue Line.
- *Future CIP Needs:* TriMet is in the process of meeting FTA requirements for a Transit Asset Management Plan and will submit the first plan in October 2018. As the plan matures, TriMet may need to reprioritize projects based on State of Good Repair needs.

The FY2019 Proposed Budget is balanced and complies with Oregon Budget Law.

6. Impact if Not Approved

The Board may choose to amend the 2019 Proposed Budget before sending it to the TSCC. The deadline for submission to the TSCC is April 5, 2018.

RESOLUTION 18-03-27

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) APPROVING THE PROPOSED FISCAL YEAR 2019 ANNUAL BUDGET FOR SUBMISSION TO THE MULTNOMAH COUNTY TAX SUPERVISING AND CONSERVATION COMMISSION

WHEREAS, TriMet develops and approves its budget pursuant to ORS chapter 294; and

WHEREAS, pursuant to ORS 294.423, TriMet's Board of Directors constitutes TriMet's Budget Committee (Committee); and

WHEREAS, pursuant to ORS 294.331, TriMet's Chief Financial Officer serves as Budget Officer and primary liaison with the Multnomah County Tax Supervising and Conservation Commission (TSCC); and

WHEREAS, ORS 294.428 provides that the Committee shall approve the budget as submitted by the Budget Officer or as revised by the Committee; and

WHEREAS, ORS 294.431 requires TriMet to submit its budget to the TSCC;

NOW, THEREFORE, BE IT RESOLVED:

That the Fiscal Year 2019 Proposed Budget as submitted, including technical corrections and revisions, is approved and shall be submitted to the Multnomah County Tax Supervising and Conservation Commission.

Dated: March 28, 2018

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department