

Date: May 25, 2016

To: Board of Directors

From: Neil McFarlane *Neil McFarlane*

Subject: RESOLUTION 16-05-32 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2016-2017 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 2016-2017 budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other: Adopt the Fiscal Year 2016-2017 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 2016-2017 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of the fiscal year on July 1, 2016.

4. Type of Action:

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

5. Background

Departments prepared their operating and capital budget requests in January 2016 and submitted them 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 9, 2016. 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 23, 2016 and on April 27, 2016 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 2016-2017 estimates to be reasonable and the Approved Budget in compliance with Local Budget Law.

The FY2017 Approved Budget is now before the Board for consideration and adoption.

Budget Assumptions

The FY2017 Budget is based on the following key revenue and expenditure assumptions:

- Tax revenues are forecast to grow 7.98% over FY2016.
- Passenger revenue is projected to increase 2.17% over FY2016.
- TriMet's current labor contract continues as ratified in October 2014 and will expire November 2016.

Budget Priorities

The FY2017 Budget focuses on payroll tax increases, changes in service, and the cost of operating and maintaining the existing transit system; the costs in fixed route bus and rail service to maintain headways and capacity as the region grows; the costs of ADA complementary paratransit service; operating cost of other service changes; capital and operating project expenditures from the Capital Improvement Program; debt service expense and continued commitment to strengthen pension reserves.

There continues to be funding for rail infrastructure to improve system reliability while maintaining long-term fiscal stability as outlined in the Strategic Financial Plan Guidelines previously approved by the Board.

Service

The demand for more bus and rail service continues. Customers, employers, and local governments in our region have always desired more service than TriMet is able to pay for. To help TriMet pay for service and expansion, the Oregon legislature has twice authorized TriMet to increase the payroll tax rate one-tenth of one percent over ten years (2003 and 2009).

TriMet is proposing to expand bus service hours 4.33% in FY2017. TriMet will add service midday and weekends on Frequent Service lines, reducing time between buses, improving schedule reliability, and reducing crowding on rail and bus service. These investments are paid for by revenues generated by the increase in the payroll tax rate. The service improvements will occur throughout FY2017. The cost of the service improvements is approximately \$6 million, annualized.

Fiscal Stability

Pension Funding. TriMet is taking steps to strengthen its union (75% funded) and non-union (86% funded) defined benefit pension reserves and set a long-term horizon to pay unfunded liabilities by adopting pension funding policies. The FY2017 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 are projected to increase 6% in FY2017.

Capital Investments. TriMet is budgeting continued funding for bus replacement and expansion, light rail maintenance of way, light rail vehicle maintenance and station maintenance.

Other major projects included in the Capital Improvement Program are the electronic fare system, safety improvements, Powell maintenance facility development, MAX Blue Line station elevators and the Blue Line station rehabilitation project.

NOTE: Pursuant to ORS 294.333 TriMet is publishing notice that it is changing 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 is to meet the requirements of Oregon budget basis financial reporting only and will not affect financial statements as presented.

6. Procurement Process

N/A - This is a requirement of Oregon Local Budget Law.

7. Financial/Budget Impact & Budget Changes from “Approved” Version

Changes to the FY2017 “Approved” Budget, which was certified by the TSCC, were developed in February and more recent financial performance and internal reviews identified desirable changes or updates. The net cumulative effect of all FY2017 budget changes results in an increase of Resources and Requirements totaling \$2,092,960. The changes are within the limit allowed by Local Budget Law (ORS 294.456). The list of changes is in the attached table.

8. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2017 Approved Budget, but an Adopted Budget must be in place by July 1 before any money may be spent in the new fiscal year.

DB/NY/AL/pc

Board Memo Resolution 16-05-32
Attachment A

Resource Budget Changes: FY2017 Approved to Adopted Budget	
Increased the beginning fund balance restricted bond proceeds and other restricted due to eFare project carryover.	\$ 13,028,540
Increased the unrestricted beginning fund balance as a result of updated projections for FY2016 (capital and operating projects carryover).	\$ 7,305,243
Reduced State "In Lieu" revenue based on actual results through March 2016 and projected to year end.	\$ (1,870,506)
Increased other federal/state/local operating grants by \$2.8 million for anticipated increase in FY2017.	\$ 2,759,466
Increased interest and miscellaneous revenue due to updated projections.	\$ 131,736
Reduced capital program resources by \$19.5 million due to bond proceed carryover for eFare project and buses.	\$ (19,539,606)
Increased pass through resources to reflect current projection.	\$ 278,087
Total	\$ 2,092,960

Requirement Budget Changes: FY2017 Approved to Adopted Budget	
Reduced capitalized labor to reflect projected capital program staffing	\$ (290,584)
Reduced operating cost of eFare program due to anticipated launch date.	\$ (1,371,413)
Increased capital program expenses by \$21.8 million due to the timing of operating and capital program expenses (rollover of FY2016 projects to FY2017).	\$ 21,811,198
Increased pass through requirements to reflect current projection.	\$ 278,087
Reduced funds to reflect current OPEB and Pension UAAL costs.	\$ (43,630)
Increased funds to reflect mid-year adjustments, non-union baseline adjustment, sick & vacation/holiday payout, miscellaneous staff changes, M&S adjustments.	\$ 141,281
Reduced funds to reflect adjustment to union health care projection.	\$ (1,493,445)
Reduced contingency to reflect 3% of revised Operating Requirements	\$ (115,929)
Materials & Services transferred back to Capital Program as a result of bus bridging considered Capital in lieu of the large scale track/switch replacement projects.	\$ (806,499)
Increased restricted bond proceeds & other restricted ending fund balance due to reflect remaining bond funds for eFare and buses.	\$ 3,095,667
Reduced unrestricted ending fund balance \$19.1 million due to bond proceed carryover for eFare project and buses.	\$ (19,111,773)
Total	\$ 2,092,960

RESOLUTION 16-05-32

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2016-2017 ANNUAL BUDGET AND APPROPRIATING FUNDS

WHEREAS, at a public meeting on March 23, 2016, the TriMet Board of Directors (“Board”) approved budget estimates for the period July 1, 2016 through June 30, 2017, 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 27, 2016, 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 \$1,048,367,914;

NOW, THEREFORE, BE IT RESOLVED:

1. TriMet’s Budget Officer is authorized to make adjustments within, but not between, appropriations during the budget period.
2. The budget as approved on March 23, 2016, and certified by the Multnomah County Tax Supervising and Conservation Commission, and herein amended, is adopted; and that for the period July 1, 2016 through June 30, 2017, funds are appropriated as follows:

General Fund:

Office of the General Manager Division	\$1,894,317
Public Affairs Division	23,178,292
Safety & Security Division	30,750,142
Information Technology Division	25,035,585
Finance & Administration Division	37,966,633
Labor Relations & Human Resources Division	3,773,785
Legal Services Division	2,398,171
Operations Division	400,831,836
Capital Projects Division	45,489,656
OPEB & Pension UAAL	49,637,303
Regional Fund Exchanges	3,063,139
Debt Service	265,482,503
Pass Through Requirements	6,465,101
Contingency	21,972,871
Total General Fund Appropriation	\$917,939,334
Fund Balance	130,428,580
Total Adopted Budget	\$1,048,367,914

Dated: May 25, 2016

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department