

Date: June 24, 2020

To: Board of Directors



From: Doug Kelsey

Subject: RESOLUTION NO. 20-06-26 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2021 ANNUAL BUDGET AND APPROPRIATING FUNDS

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (“Board”) adopt the Fiscal Year 2021 budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Adopt the Fiscal Year 2021 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 2021 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of its new fiscal year on July 1, 2020.

4. Type of Action

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

5. Background

In late 2019 staff worked with the Board to develop Fiscal Year 2021 budget strategies. These were:

- a. Safety
- 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 2020. Budget requests were submitted 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 11, 2020. At the same time, public input was solicited.

The Board approved the budget for submission to the Multnomah County Tax Supervising & Conservation Commission (TSCC) on March 25, 2020.

In mid-March, Governor Brown issued a stay-at-home order due to COVID-19. As a result, ridership and fare revenue declined and indications were that TriMet's Payroll Tax Revenue would also suffer losses in both FY2020 and the upcoming FY2021 Budget year. To assess the situation with as much clarity as possible and to revise the just approved budget, the TSCC hearing and the date of the budget adoption were both pushed out one month.

On May 27, 2020 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 on TriMet's changed financial condition as a result of the pandemic were asked and answered at the public hearing. Following the public hearing, the TSCC judged TriMet's Fiscal Year 2021 estimates to be reasonable and the Approved Budget in compliance with Local Budget Law. Following the TSCC hearing, TriMet held three public listening sessions, including one in Spanish.

The revised FY2021 Approved Budget is now before the Board for consideration and adoption effective July 1, 2020.

Budget Assumptions

The FY2021 Budget considers the effects of COVID-19 and includes reductions to passenger revenues, payroll taxes, and service reductions as well as the following key revenue and expenditure assumptions:

- Payroll tax revenues are projected to be \$67.7 million less than what was presented in the Proposed/Approved Budget, from \$429.7 million to \$362.0 million.
- There will be no fare increase in FY2021.
- Operating revenues (passenger revenue, Accessible Transportation Program service contracts & advertising revenue) are projected to be \$56.7 million less than what was presented in the Proposed/Approved Budget, from \$130.9 million to \$74.3 million.
- Federal CARES Act funding of \$126 million.
- Continuation of Low Income Fare Program and early investments for State STIF Grants.
- Continuation of major capital projects including the Red Line extension, Division Project, and the Southwest Corridor.
- State of Good Repair projects including a variety of operating facility repairs and expansions such as Powell Maintenance Facility and Columbia bus base; Steel Bridge MAX improvements; Ticket Vending Machine & Fixed-Route Bus Farebox replacements; and IT strategic review and IT infrastructure replacements for aging equipment.

Budget Summary

The FY2021 Budget includes the cost of operating and maintaining the existing transit system and beginning to slowly bringing back service to pre COVID-19 conditions; the costs of operating fixed route bus and rail service to maintain headways and capacity s; 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:	\$ 732,796,835
• Capital & Operating Projects:	\$ 377,791,889
• Other Non-Operating Requirements:	\$ 18,675,481
• Contingency:	\$ 39,583,905
• Fund Balance (restricted and unrestricted)	<u>\$ 471,261,376</u>
Total	\$1,640,109,486

Key investments are summarized below:

Transit Equity, Inclusion & Community Affairs. We continue to provide free fare grants to area community based organizations and nonprofits now totaling over \$2 million 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. The reductions are realized through the fare relief grant program, low income youth high school program, social service agency outlet sales program and the fare assistance program.

Service

TriMet will continue services lines and begin to add service back to pre-COVID-19 conditions throughout FY2021 including increased frequency and route changes.

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.

Electrification: During FY2019, TriMet adopted a Non-Diesel Bus Plan that called for a transition away from diesel fuel for buses and a move toward battery-electric buses. In FY2020, TriMet began testing its first fleet of five battery electric buses and will be taking delivery of four zero-emission repowered transit buses. In FY2021 and beyond, TriMet will be ordering more battery-electric buses, testing different manufacturer's products for efficiency and performance. The FY2021 Budget includes funding for the purchase of an additional 10 battery electric buses (5 new Gillig and 5 diesel to electric repowers) and related infrastructure. TriMet will also continue to pursue grant funding opportunities to offset the higher up-front costs of these buses.

Other major projects: Included in the Capital Improvement Program are fare system replacement, operating facilities including continued work on the Powell maintenance facility, MAX Blue Line station elevators, Steel Bridge transit improvements, MAX Red Line extension and the Southwest Corridor and Division Transit Projects as well as continued investment of State of Good Repair projects and design and development of the Columbia bus base.

Fiscal Stability

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.

The agency continues its focus on fiscal sustainability, particular examples are:

Pension Funding. TriMet continues to take steps to strengthen its union (80.5% funded) and non-union (93.1% 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 FY2021 Adopted Budget is consistent with the pension policies adopted by the Board on February 26, 2014.

6. Procurement Process

N/A

7. Diversity

See above discussion relating to Transit Equity, Inclusion & Community Affairs.

8. Financial/Budget Impact

Changes to the FY2021 Approved Budget, which the TSCC certified, were developed in May and more recent financial performance and internal reviews identified desirable changes or updates. The net cumulative effect of all FY2021 budget changes results in an increase of Resources and Requirements totaling \$71,514,913. The changes are within the limit allowed by Local Budget Law (ORS 294.456). The list of changes is in the attached table.

9. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2021 Approved Budget, but an Adopted Budget must be in place by July 1 before any money may be spent in the new fiscal year.

RESOLUTION NO. 20-06-26

**RESOLUTION NO. 20-06-26 OF THE TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING
THE FISCAL YEAR 2021 ANNUAL BUDGET AND APPROPRIATING
FUNDS**

WHEREAS, at a public meeting on March 25, 2020, the TriMet Board of Directors (Board) approved budget estimates for the period July 1, 2020 through June 30, 2021, 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 May 27, 2020, 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 \$1,640,109,486.

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 the budget as approved on March 25, 2020, and certified by the Multnomah County Tax Supervising and Conservation Commission; and herein amended, is adopted; and that for the period July 1, 2020 through June 30, 2021, funds are appropriated as follows:

Office of the General Manager Division	\$954,225
Chief Operating Officer Division	17,684,986
Transportation Division	262,207,061
Safety & Security Division	41,577,510
Maintenance Division	316,270,230
Information Technology Division	29,052,394
Public Affairs Division	26,983,170
Finance & Administrative Services Division	48,236,916
Labor Relations & Human Resources Division	6,186,648
Legal Services Division	7,073,544
Engineering & Construction Division	178,607,068
Other Post-Employment Benefits	53,158,366
Other Non-Operating Requirements	18,675,481
Debt Service	122,596,606
Contingency	39,583,905
Total Appropriation	\$1,168,848,110
Fund Balance	471,261,376
Total Adopted Budget	\$1,640,109,486

Dated: June 24, 2020

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:

Gregory E. Skillman

Legal Department