

Date: May 27, 2015

To: Board of Directors

From: Neil McFarlane *Neil McFarlane*

Subject: **RESOLUTION 15-05-23 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2015-2016 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 2015-2016 budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other Adopt the Fiscal Year 2015-2016 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 2015-2016 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of the fiscal year on July 1, 2015.

4. Type of Action:

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

5. Background

Departments prepared their operating and capital budget requests in January 2015 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 11, 2015. 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 25, 2015 and on April 22, 2015 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 2015-2016 estimates to be reasonable and the Approved Budget in compliance with Local Budget Law. The TSCC noted that TriMet’s budget was “excellent,” and that the

budget captures the momentum of changes – “the increased services, the focus on safety improvements, the expansion, the service to customers – that’s what we found when we were looking through the budget.”

The FY2016 Approved Budget is now before the Board for consideration and adoption.

Budget Assumptions

The FY2016 Budget is based on the following key revenue and expenditure assumptions:

- Tax revenues are forecast to grow 7.65% over FY2015.
- Passenger revenue is projected to increase 3.18% over FY2015.
- Congress reauthorizes the federal transportation program and continues funding this program at MAP-21 levels.
- TriMet’s current labor contract continues as ratified in October 2014.

Budget Priorities

The FY2016 Budget continues TriMet’s multi-year effort to improve and expand service, including opening the Portland Milwaukie Light Rail Transit Project and adding nearby bus connections. For the fourth year in a row, there is no general fare increase. 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

In FY2016 Portland Milwaukie Light Rail – MAX Orange Line – service will begin. With 96% of construction funding provided by federal, state and local partners, TriMet is in the final year of construction of the line and is completing hiring and training employees for the September 12, 2015 opening.

The FY2016 Adopted Budget also adds funding to increase bus service by 2%, completing the last portion of adding back Frequent Service cuts during the recession. This additional service will reduce wait times, improve schedule reliability and reduce overcrowding on TriMet’s highest ridership lines. Service related to the Orange Line includes bus and MAX increases from Downtown Portland to SE Portland and North Clackamas County. Much of the service changes in the corridor are funded by reallocating service hours that overlap with the Orange Line.

Additionally, TriMet is investing \$1.1 million for rail Frequent Service restoration; \$2.5 million for bus peak capacity, Frequent Service restoration and service enhancements; and \$730K from bus schedule reliability is dedicated for this additional service.

Fiscal Stability

Pension Funding. TriMet is taking steps to strengthen its union (73% funded) and non-union (87% funded) defined benefit pension reserves and set a long-term horizon to pay unfunded liabilities by adopting pension funding policies. The FY2016 Adopted Budget is consistent with the pension policies adopted by the Board on February 26, 2014.

Medical Benefits. The new labor contract has put TriMet on solid financial footing for the long-term. The contract makes changes to healthcare benefits and ends retiree healthcare benefits for new employees, reducing TriMet's future liability by 37 percent. Additionally, the contract changes to both healthcare and wages avoids \$50 million in costs over the four-year contract.

Capital Investments. With the recession behind us and a \$6 million increase in federal State of Good Repair revenues under MAP-21, TriMet is budgeting continued funding for bus replacement, light rail maintenance of way, light rail vehicle maintenance and station maintenance.

Other major projects included in the Capital Program are the electronic fare system, positive train control, safety improvements, MAX Blue Line station elevators and the Blue Line station rehabilitation project.

Budget Changes from "Approved" Version

Changes to the FY2016 "Approved" Budget, which was certified by the TSCC, was developed in February and more recent financial performance and internal reviews identified desirable changes or updates. The cumulative effect of all FY2016 budget changes results in an increase of Resources and Requirements totaling \$14,905,586. The changes are within the limit allowed by Local Budget Law (ORS 294.456). The list of changes is in the attached table.

6. Procurement Process

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

7. Financial/Budget Impact

- Pass Through Resources and Requirements are reduced by \$912,931, fiscal impact – net zero.
- Overall increase from the FY2016 Approved Budget of \$14,905,586 in Resources and Requirements.

8. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2016 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

**Resolution 15-05-23 Board Memo
Attachment 1**

Table: Budgeted Changes: ‘Approved’ to “Recommended for Adoption”

Budget Changes: FY2016 Approved to Adopted Budget	
Approved Budget	\$1,060,800,917
Increased the unrestricted beginning fund balance as a result of updated projections for FY2015 (\$3,000,000 diesel fuel reduction and \$10,658,411 in capital and operating projects carryover).	\$15,373,831
Reduced passenger revenue based on FY2015 projections through March 2015. We believe with the extended transfer time, and ridership ‘tamped down’ a bit due to low gas prices, this is a better estimate for FY2016. This is a little less than 3% reduction.	\$(3,642,534)
Reduced Capital Program resources as a result of a reduction of external funding.	\$(746,900)
Reduced Pass Through resources as a result of changes to the Elderly and Disabled Special Transportation Fund Formula Program.	\$(912,931)
Increased other federal/state/local operating grants by \$4,166,592 for Special Transportation funds and \$1,050,000 contribution for Powell-Division Corridor and \$(85,396) for other federal operating grants.	\$5,131,196
Increased bond proceeds reserved for refinancing in Resources for the refinancing of 2005, 2007, 2009 bonds. Any bonding or bond refinancing will be subject to review and additional approval from the Board – which will be discussed first with the Finance and Audit Committee and will eventually be on one of the Boards upcoming agendas.	\$74,969,820
Reduced the Portland Milwaukie Light Rail budget Resources to reflect updated cost estimates through the end of FY2015.	\$(75,266,896)
Total change in Resource	\$14,905,586
Reduced diesel fuel budget in Operations Division by \$(1,967,343) to account for the decrease in the price per gallon and fuel efficiency. The FY2016 cost of diesel fuel is budgeted at \$2.60 per gallon (excludes ATP and WES additional fueling costs of \$2.75 per gallon). FY2015 Adopted Budget diesel fuel was budgeted \$3.15 per gallon; projected bus fuel cost has averaged \$2.35 per gallon, and ATP and WES fuel cost has averaged \$2.50 per gallon through the end of FY2015.	\$(1,967,343)
Increased materials & services budget to the Operations Division due to reallocation of operating projects	\$4,079,393
Increased Operating Projects by \$4,737,974 and Capital Program by \$5,920,437 due to the timing of operating and capital program expenses (rollover of FY2015 projects to FY2016).	\$10,658,411
Reduced Debt Service to reflect updated payment amounts.	\$(2,295,821)
Reduced Pass Through requirements as a result of changes to the Elderly and Disabled Special Transportation Fund Formula Program.	\$(912,931)
Increased funds to reflect current OPEB and Pension UAAL costs.	\$353,677
Increase in personnel related costs: <ul style="list-style-type: none"> • Rose Quarter bus bridge: \$264,555 - a major track replacement project planned in FY2016 at the Rose Quarter, which will require an extended bus bridge. Bus operator wages and customer service staffing has been added to accommodate our customers during this construction. • Compression: frontline supervision: \$283,879 - compression of wages and fringe benefits between frontline supervisors and the union staff that they supervise. Generally, we would like to see frontline supervisors earn 3% to 5% above the total compensation of the staff they supervise. We recruit for these critical frontline supervisor positions from the union ranks. When supervisors earn less than the staff they supervise, it makes it difficult to attract and retain highly qualified union candidates. The average “compression adjustment” for each of these 68 positions will be \$3,263 annually. • Overtime added: \$150,000 – due to increased services. • Other additions and adjustments to personnel: \$99,259 - reflected current personnel costs and trued those up with the previously budgeted 3% increase in non-union salaries, adjusted some positions between the PMLR grant and the general fund, and finally, added a union buyer position due to work load. 	\$797,693
Increased Contingency to reflect 3% of Operating Requirements.	\$171,167
Increased bond proceeds reserved for refinancing in Requirements for the refinancing of 2005, 2007, 2009 bonds, as noted above.	\$74,969,820
Reduced the Portland Milwaukie Light Rail budget Requirements to reflect updated cost estimates, as noted above.	\$(75,266,896)
The net change to restricted and unrestricted fund balance is \$4,318,416 due to the reclassification of principal payments from the Approved Budget to the Adopted Budget, which will be paid in future years (i.e., a timing change).	\$4,318,416
Total change in Requirements	\$14,905,586
Recommended “Adopted” Budget	\$1,075,706,503

RESOLUTION 15-05-23

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2015-2016 ANNUAL BUDGET AND APPROPRIATING FUNDS

WHEREAS, at a public meeting on March 25, 2015, the TriMet Board of Directors (“Board”) approved budget estimates for the period July 1, 2015 through June 30, 2016, 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 22, 2015, 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 \$1,075,706,503;

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 25, 2015, and certified by the Multnomah County Tax Supervising and Conservation Commission; and herein amended, is adopted; and that for the period July 1, 2015 through June 30, 2016, funds are appropriated as follows:

General Fund:

Office of the General Manager Division	\$1,678,486
Public Affairs Division	\$20,324,303
Safety & Security Division	\$23,705,560
Information Technology Division	\$24,408,938
Finance & Administration Division	\$40,339,530
Labor Relations & Human Resources Division	\$3,494,151
Legal Services Division	\$2,257,172
Operations Division	\$396,853,005
Capital Projects Division	\$30,587,631
OPEB & Pension UAAL	\$51,120,134
Regional Fund Exchanges	\$3,021,148
Debt Service	\$40,648,000
Light Rail Program	\$153,451,994
Pass Through Requirements	\$4,396,589
Contingency	\$15,316,225
Total General Fund Appropriation	\$811,602,866
Fund Balance	\$264,103,637
Total Adopted Budget	\$1,075,706,503

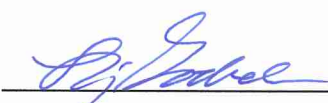
Dated: May 27, 2015

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department