

**Date:** March 23, 2016  
**To:** Board of Directors  
**From:** Neil McFarlane *Neil McFarlane*  
**Subject:** RESOLUTION 16-03-18 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) APPROVING THE PROPOSED FISCAL YEAR 2017 ANNUAL BUDGET FOR SUBMISSION TO THE MULTNOMAH COUNTY TAX SUPERVISING AND CONSERVATION COMMISSION

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**1. Purpose of Item**

The purpose of this Resolution is to request that the TriMet Board of Directors (“Board”) approve the proposed 2017 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 FY2017 Budget to the 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 1<sup>st</sup> Reading
- Ordinance 2<sup>nd</sup> 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 by Oregon Budget Law 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 27, 2016 immediately prior to the Board’s meeting. The FY2017 Approved Budget will be returned to the Board for final consideration and adoption at the May 25, 2016 Board meeting.

Amendments to the Approved Budget may occur up until Board adoption of the final Budget May 25. TriMet must adopt a budget before the July 1 start of the fiscal year.

The FY2017 Proposed Budget includes \$511 million for operations, \$225 million for PMLR debt service, and \$135.3 million for General Fund capital projects and operating projects. Total funding requirements of \$1.05 billion also include all pass through requirements, contingency and ending fund balances.

The FY2017 Proposed Budget adds service to address peak hour crowding, schedule reliability, and increase frequency on a number of important routes.

The FY2017 Proposed Budget continues to address essential capital maintenance and replacements.

The FY2017 Proposed Budget is consistent with Board adopted policy to fund the non-union unfunded liability over a closed 10 year period using a 6.5% investment rate of return assumption and funding the union pension unfunded liability over a closed 15 years to 5 years open assuming a 7% return on investments.

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 FY2017 Proposed Budget includes the following major revenue assumptions:

- TriMet is projecting strong payroll tax revenue growth through FY2019. In FY2015, underlying employer payroll tax revenues increased 7.1%. Underlying employer payroll tax revenues are forecast to increase 7.4% by the end of FY2016, 6.5% in FY2017 and 5.8% in FY2018. By comparison average annual growth of underlying employer payroll tax has been 5.2% over the last twenty years.
- TriMet increased the employer and self-employed payroll tax rates .01% starting January 1, 2016. The revenues from this tax rate increase will pay for additional services. The increase is projected to add \$5.7 million for new service in FY2017.
- No general fare increase is proposed.
- Federal formula funds constitute about 13% of TriMet's continuing resources for operations. In addition to approximately \$57.4 million of Section 5307 Urbanized Area and Section 5337 State of Good Repair funds, TriMet receives \$16.0 million dollars a year in federal highway program funds through the Surface Transportation Program (STP) 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 FY2017 Proposed Budget includes projections as a result of the FAST Act authorization.

*Expenditures.* The FY2017 Proposed Budget incorporates the following major operating and capital expenditure proposals:

- *Service:* TriMet is proposing to expand bus service hours 4.33% in FY2017. This service, valued at \$5.7 million, is largely paid for by revenues generated through the payroll tax rate increase.
- *Safety:* FY2017 continues the multi-year project (FY2015-FY2019) to replace analog CCTV technology on TriMet's buses and Type 1, 2, and 3 light rail vehicles with networked 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 more intensive land use including Holladay/7<sup>th</sup> Avenue, Holladay/2<sup>nd</sup> Avenue, 97<sup>th</sup>/Burnside, LRT/Main (Gresham), LRT/NE Hood Streets, and many other locations are budgeted.

*Capital repair and replacement.*

The FY2017 Proposed Budget includes:

- *Buses:* TriMet is replacing 60 buses in FY2016 and anticipates replacing 33 in FY2017. The entire fleet will be low-floor low emission, air conditioned, and at the desired industry standard average age of 8 years. In FY2016 and FY2017, 17 expansion buses (34 total) will be purchased to increase service and maintain spare ratios.
- *Operating Facilities:* The FY2017 Proposed Budget continues to fund an accumulation of operating facilities repairs including a full facility/site design at Powell Garage that will increase bus maintenance capacity.
- *Customer Facilities:* The FY2017 Proposed Budget provides funds to refurbish platforms and station finishes at various locations on the Blue Line MAX.

The FY2017 Proposed Budget is balanced and complies with Oregon Budget Law.

## **6. Impact if Not Approved**

The Board may choose to amend the 2017 Fiscal Year, Proposed Budget before sending it to the TSCC. The deadline for submission to the TSCC is April 7, 2016.

DB/NY/pc

**RESOLUTION 16-03-18**

**RESOLUTION OF THE TRI-COUNTY METROPOLITAN  
TRANSPORTATION DISTRICT OF OREGON (TRIMET) APPROVING  
THE PROPOSED FISCAL YEAR 2017 ANNUAL BUDGET FOR  
SUBMISSION TO THE MULTNOMAH COUNTY TAX SUPERVISING  
AND CONSERVATION COMMISSION**

**WHEREAS**, TriMet develops and approves its Budget pursuant to Oregon Revised Statutes (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 2017 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 23, 2016

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Presiding Officer

Attest:

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Recording Secretary

Approved as to Legal Sufficiency:

  
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Legal Department