

**Date:** April 24, 2019

**To:** Board of Directors

**From:** Doug Kelsey

**Subject:** **RESOLUTION NO. 19-04-30 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) APPROVING THE PROPOSED FISCAL YEAR 2020 ANNUAL BUDGET FOR SUBMISSION TO THE MULTNOMAH COUNTY TAX SUPERVISING AND CONSERVATION COMMISSION (TSCC)**

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**1. Purpose of Item**

This Resolution requests that TriMet’s Board of Directors (Board), acting as the TriMet Budget Committee, approve the proposed 2020 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 FY2020 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 1<sup>st</sup> Reading
- Ordinance 2<sup>nd</sup> Reading
- Other \_\_\_\_\_

**5. Background**

*Budget Process.* Oregon Budget Law requires TriMet to propose and adopt a balanced budget in which revenues are equal to expenditures. All local governments must follow a specified process to adopt budgets. For TriMet, the first step is for the Board to approve the Proposed FY2020 Budget for submission to the Multnomah County TSCC.

Then, on May 15, 2019, the TSCC will review TriMet’s FY2020 Proposed Budget, hold a public hearing and decide whether to approve it. The TSCC will return the FY2020 Approved Budget to the Board for final consideration and adoption at the June 26, 2019 Board meeting. Amendments to the FY2020 Approved Budget may occur up until Board adopts the Final Budget on June 26, 2019. TriMet must adopt a Final Budget before the July 1 start of each fiscal year.

The FY2020 Proposed Budget includes \$684.2 million for operations and \$104.6 million for debt service. An additional \$271.7 million is budgeted for capital and operating projects.

Total funding requirements of \$1.44 billion also include all pass-through requirements, contingency and ending fund balances.

The FY2020 Proposed Budget focuses on implementing the requirements of House Bill 2017 (HB2017), including expanding and improving service and operating a Low Income Fare (LIF) Program. The FY2020 Proposed Budget also continues to address essential capital maintenance and replacements.

The FY2020 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 to 15-year horizon to pay unfunded pension liabilities and then transfer its focus to 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 FY2020 Proposed Budget includes the following major revenue assumptions:

- TriMet is projecting strong payroll tax revenue growth through FY2020. Underlying employer payroll tax revenues increased 5.7% by the end of FY2018, forecast to increase 5.73% by the end of FY2019 and increase 5.7% in FY2020.
- No fare increase is proposed.
- Federal formula funds constitute about 13.8% of TriMet's continuing resources for operations. In addition to approximately \$68.7 million of Section 5307 Urbanized Area and Section 5337 State of Good Repair funds, TriMet receives \$21.4 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 FY2020 Proposed Budget includes projections as a result of the FAST Act authorization.

*Expenditures.* The FY2020 Proposed Budget incorporates the following major operating and capital expenditure proposals:

- *Service:* TriMet is proposing to expand bus service hours 2.1% in FY2020. This service, valued at \$5.1 million, is largely paid for by revenues generated through the payroll tax rate increase and the HB2017 employee payroll tax.

*Capital repair and replacement.*

The FY2020 Proposed Budget includes:

- *System Expansion/Enhancement:* TriMet is continuing engineering (design) and environmental impact work on the Southwest Corridor Project; completing design and beginning construction on the federally-approved Division Transit Project, which will provide high capacity transit from downtown Portland, across the Tilikum Crossing and along SE Division to the Gresham Transit Center; as well as continuing design work to allow extension of the Red Line west to Fair Complex and provide system-wide reliability improvements.
- *Operating Facilities:* The FY2020 Proposed Budget funds a variety of operating facilities repairs, including continued work on Powell Maintenance Facility overhaul, initial design and development of the Columbia bus base, plus various major maintenance upgrades and refurbishments.
- *Vehicle Purchases:* The FY2020 Proposed Budget includes \$18.7 million for continued design work and initial construction of the next generation of light rail vehicles, plus \$48.1 million for additional 40-foot buses and LIFT vehicles.

The FY2020 Proposed Budget is balanced and complies with Oregon Budget Law.

**6. Financial/Budget Impact**

TriMet must adopt a Final Budget prior to the July 1 date of the FY2020 fiscal year in order to comply with the Oregon Budget Law.

**7. Impact if Not Approved**

The Board may choose to amend the 2020 Fiscal Year Proposed Budget before sending it to the TSCC. However, because April 26, 2019, is the deadline for submission to the TSCC, any changes to the FY2020 Proposed Budget should be discussed during the April 24, 2019 Board meeting.

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TRANSPORTATION DISTRICT OF OREGON (TRIMET) APPROVING THE  
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THE MULTNOMAH COUNTY TAX SUPERVISING AND CONSERVATION  
COMMISSION (TSCC)**

**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 2020 Proposed Budget as submitted, including technical corrections and revisions, is approved by the Committee and shall be submitted to the Multnomah County Tax Supervising and Conservation Commission.

Dated: April 24, 2019

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Presiding Officer

Attest:

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Recording Secretary

Approved as to Legal Sufficiency:



Legal Department