

**Date:** June 23, 2021

**To:** Board of Directors

**From:** Sam Desue, Jr.

**Subject:** **RESOLUTION NO. 21-06-34 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2022 ANNUAL BUDGET AND APPROPRIATING FUNDS**

**1. Purpose of Item**

This Resolution requests that the TriMet Board of Directors (Board) adopt the Fiscal Year 2022 budget and appropriate funds.

**2. Type of Agenda Item**

- Initial Contract
- Contract Modification
- Other – Adopt the Fiscal Year 2022 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 2022 budget and appropriate funds. TriMet must also adopt a balanced budget before the start of its new fiscal year on July 1, 2021.

**4. Type of Action**

- Resolution
- Ordinance 1<sup>st</sup> Reading
- Ordinance 2<sup>nd</sup> Reading
- Other

**5. Background**

In late 2020, TriMet staff worked with the Board to develop a list of Fiscal Year 2022 strategic priorities and points of emphasis for the upcoming budget year. These strategic priorities and points of emphasis are intended to guide the decision-making process on both operating and capital budget requests for FY2022 and are set out below:

- a. Ridership and Recovery Strategies
- b. Reimagined Safety & Security
- c. Added Value to Customers Across the Region
- d. Implement IT Strategic Plan
- e. Enhance Equity for Employees
- f. Resource Management
- g. Financial Resiliency
- h. Capital Program

In January 2021, in response to these strategic priorities and points of interest and in conjunction with the requirements to meet TriMet's 5-Year Business Plan goals and objectives, all departments prepared their operating and capital budget requests and submitted them 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 10, 2021. At the same time, public input was solicited.

At its March 24, 2021 meeting, the Board approved the budget for submission to the Multnomah County Tax Supervising & Conservation Commission (TSCC). On April 28, 2021 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 concerning TriMet's changed financial condition as a result of the COVID-19 pandemic were answered at the public hearing. Following the public hearing, the TSCC judged TriMet's Fiscal Year 2022 estimates to be reasonable and found the Approved Budget to be in compliance with Local Budget Law.

Following the TSCC hearing, TriMet held three public listening sessions regarding the Approved Budget, including one in Spanish.

This Resolution presents a revised FY2022 Approved Budget for the Board's consideration and adoption, effective July 1, 2021.

### **Budget Assumptions**

The FY2022 Budget considers the effects of the COVID-19 pandemic and assumes a modest increase in payroll tax revenues and general reductions in passenger revenues and transit service. Key revenue and expenditure assumptions include:

- Payroll tax revenues are projected to be \$5.84 million greater than presented in the Proposed/Approved Budget, increased from \$409.16 million to \$415.00 million.
- There will be no fare increase in FY2022.
- Operating revenues (passenger revenue, Accessible Transportation Program service contracts & advertising revenue) are projected to be \$5.10 million less than presented in the Proposed/Approved Budget, reduced from \$68.16 million to \$63.06 million.
- Federal CRRSSA Act funding of \$157.18 million will be available.
- Low-Income Fare Program and early investments for State STIF Grants will continue.
- Major capital projects, including the Red Line extension and Division Project will continue.
- State of Good Repair projects, including operating facility repairs and expansions such as the Powell Maintenance Facility, the Columbia bus base, Ticket Vending Machine & Fixed-Route Bus Farebox replacements, IT strategic review, and IT infrastructure replacements for aging equipment will proceed.

### **Budget Summary**

The FY2022 Budget includes the cost of operating and maintaining the existing transit system and beginning to slowly bring back service to pre-COVID-19 pandemic conditions, the costs of operating fixed route bus and rail service to maintain headways and capacity, costs of FTA-required LIFT 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:	\$ 754,441,969
• Capital & Operating Projects:	\$ 367,904,700
• Other Non-Operating Requirements:	\$ 32,504,497
• Contingency:	\$ 22,633,259
• Fund Balance (restricted and unrestricted)	<u>\$ 741,705,510</u>
Total	\$1,919,189,935

### **Key Investments:**

*Transit Equity, Inclusion & Community Affairs.* TriMet continues to provide free fare grants to area community-based organizations and nonprofits now totaling over \$2 million. These grants are 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. Revenue reductions are anticipated from the fare relief grant program, low-income youth high school program, social service agency outlet sales program and the fare assistance program.

#### *Transit Service*

TriMet will continue services lines and begin to add service back to pre-pandemic conditions throughout FY2022 including increased frequency and route changes.

*Capital Investments.* TriMet is budgeting future funding for bus replacements and to meet expansion needs (Red Line Project), light rail maintenance of way, light rail vehicle maintenance and transit station maintenance.

*Electrification:* During FY2019, TriMet adopted a Non-Diesel Bus Plan that called for a transition from diesel fueled buses toward battery-electric buses. In FY2020, TriMet began testing its first five battery electric buses and soon will be taking delivery of four zero-emission repowered transit buses. In FY2021, TriMet began ordering more battery-electric buses, testing different manufacturer's products for efficiency and performance. TriMet will also continue to pursue grant funding opportunities to offset the higher up-front costs of these buses. Electrification of the system continues in FY2022 and beyond.

*Other major projects:* Included in the Capital Improvement Program are fare system component replacements, operating facilities projects, including the Powell maintenance facility, MAX Red Line extension, the Division Transit Project, design and development of the Columbia bus base, as well as continued investment of State of Good Repair projects.

### **Fiscal Stability & Sustainability**

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.
- Pension Funding:  
TriMet continues to take steps to strengthen its union (76% funded) and non-union (89% 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 FY2022 Adopted Budget is consistent with the pension policies adopted by the Board.

## 6. Financial/Budget Impact

Changes to the FY2022 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 FY2022 budget changes results in an increase of Resources and Requirements totaling \$278,727,019. The changes are within the limit allowed by Local Budget Law (ORS 294.456), and are shown in the Attachment A.

The table below identifies the organizational unit appropriations for FY2022.

Office of the General Manager Division	\$1,031,376
Chief Operating Officer Division	12,663,761
Transportation Division	271,706,176
Safety & Security Division	38,534,523
Maintenance Division	328,544,244
Information Technology Division	39,878,272
Public Affairs Division	15,583,029
Finance & Administrative Services Division	34,451,870
Labor Relations & Human Resources Division	7,115,468
Legal Services Division	10,935,788
Engineering & Construction Division	181,370,568
Other Post-Employment Benefits	54,022,404
Other Non-Operating Requirements	32,504,497
Debt Service	126,509,190
Contingency	22,633,259
<b>Total Appropriation</b>	<b>\$1,177,484,425</b>
<b>Fund Balance</b>	<b>741,705,510</b>
<b>Total Adopted Budget</b>	<b>\$1,919,189,935</b>

## 7. Impact if Not Approved

Within the limitations of Oregon Budget Law, the Board may choose to make changes to the FY2022 Approved Budget. However, an Adopted Budget must be in place by July 1, 2021 before any money may be spent in the coming fiscal year.

**RESOLUTION NO. 21-06-34**

**RESOLUTION NO. 21-06-34 OF THE TRI-COUNTY METROPOLITAN  
TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING  
THE FISCAL YEAR 2022 ANNUAL BUDGET AND APPROPRIATING  
FUNDS**

**WHEREAS**, at a public meeting on March 24, 2021, the TriMet Board of Directors (Board) approved budget estimates for the period July 1, 2021 through June 30, 2022, for submission to the Multnomah County Tax Supervising and Conservation Commission (TSCC) for its review and recommendations; and

**WHEREAS**, the TSCC held a public hearing on April 28, 2021, to review the TriMet budget with the directors and staff of TriMet and to provide the public with an opportunity to ask questions and express views concerning such budget estimates; and

**WHEREAS**, the TSCC certified the budget with no objections or recommendations; and

**WHEREAS**, the aggregate sum of budget requirements for all funds is \$1,919,189,935.

**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 by the Board on March 24, 2021, certified by the Multnomah County TSCC on April 28, 2021, and herein amended, is hereby adopted.

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3. For the period July 1, 2021 through June 30, 2022, funds are appropriated as follows:

Office of the General Manager Division	\$1,031,376
Chief Operating Officer Division	12,663,761
Transportation Division	271,706,176
Safety & Security Division	38,534,523
Maintenance Division	328,544,244
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Dated: June 23, 2021

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Presiding Officer

Attest:

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Recording Secretary

Approved as to Legal Sufficiency:

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Legal Department