


Date: May 24, 2023

To: Board of Directors

From: Sam Desue, Jr. 

Subject: **RESOLUTION NO. 23-05-21 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING THE FISCAL YEAR 2024 ANNUAL BUDGET AND APPROPRIATING FUNDS**

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (Board) adopt the Fiscal Year 2024 (FY2024) Budget and appropriate funds.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Adopt the FY2024 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 FY2024 Budget and appropriate funds. TriMet must also adopt a balanced budget before the start of its new fiscal year on July 1, 2023.

4. Type of Action

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

5. Background

In late 2022, TriMet staff worked with the Board to develop a list of FY2024 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 FY2024 and are set out below:

- a. Rebuild and earn new **Ridership**
- b. Enhance our focus on **Safety** for riders and employees
- c. Emphasize **Inclusion, Diversity, Equity and Access** for riders, employees and community members
- d. Create a welcoming environment for **Employees and Enhance the Employee Experience**
- e. Seek opportunities to earn trust with **Community and Partnerships**
- f. Support our priorities through **Financial Stewardship and Capacity**

In January 2023, guided by 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 8, 2023. At the same time, public input was solicited.

At its March 24, 2023 meeting, the Board approved the FY2024 Budget for submission to the Multnomah County Tax Supervising & Conservation Commission (TSCC). On April 26, 2023 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 proposed fare increase and Capital Program budget were answered at the public hearing. Following the public hearing, the TSCC judged TriMet's Fiscal Year 2024 estimates to be reasonable and found the Board's Approved FY2024 Budget to be in compliance with Oregon Local Budget Law.

This Resolution presents a revised Approved FY2024 Budget for the Board's consideration and adoption, effective July 1, 2023.

Budget Assumptions

The FY2024 Budget assumes a modest fare increase to the adult fares of \$0.30 and \$0.15 in honored citizen and student fares. Key revenue and expenditure assumptions include:

- A fare increase will become effective January 1, 2024.
- Operating revenues (fixed-route passenger revenue, LIFT paratransit revenue and advertising revenue) are projected to be \$0.49 million lower than presented in the Proposed/Approved Budget, a decrease from \$77.06 million to \$76.57 million.
- Low-Income Fare Program and early investments for State STIF Grants will continue.
- Major capital projects, including the MAX Red Line Project and Division Transit Project will continue.
- State of Good Repair projects, including light rail infrastructure (such as track repair and light rail station upgrades), IT infrastructure (to replace aging IT equipment) and fare infrastructure (farebox replacements and ticket vending machine replacements) will proceed.

Budget Summary

The FY2024 Budget includes the cost of operating and maintaining the existing transit system and beginning to restore service to pre-COVID-19 pandemic conditions, costs of operating fixed-route bus and rail service to maintain headways and capacity, costs of 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 budget area follows:

• Day to day operating budget:	\$ 825,358,449
• Capital & Operating Projects:	\$ 328,316,978
• Other Non-Operating Requirements:	\$ 20,917,200
• Contingency:	\$ 24,760,753
• Fund Balance (restricted and unrestricted)	<u>\$ 728,269,678</u>
Total	\$1,927,623,058

Key Investments:

Inclusion, Diversity, Equity & Accessibility. TriMet continues to provide over \$2 million in free fare grants to local community-based and nonprofit organizations. These free fare 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 free fare grant program, low-income youth high school program, social service agency outlet sales program and the fare assistance program.

Transit Service

TriMet will continue serving most existing lines and begin restoring service to pre-pandemic conditions throughout FY2024, including increased frequency and route changes.

Capital Investments. TriMet is budgeting future funding for light rail and bus replacements, the MAX Red Line Project and to meet expansion needs, 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 took delivery of four zero-emission rebuilt transit buses. In FY2021, TriMet began ordering more battery-electric buses and continued testing different models for efficiency and performance. In FY2022, the Board authorized the purchase of 24 zero-emission, battery-electric buses. TriMet will continue to pursue grant funding opportunities to offset the higher up-front costs of these battery-electric buses. Electrification of the fixed-route bus system will continue in FY2024 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, completion of the Division Transit Project, design and development of the Columbia bus base, as well as continued investment in State of Good Repair projects.

Included in the Legal Division's FY2024 Budget is the amount of approximately \$10 million for the Hollywood Transit Center Transit Oriented Development & Substation Replacement project.

Fiscal Stability & Sustainability

The budget was developed based on three 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.
- Commitment to funding Pension Plans and Other Post Employment Benefit Plan.

Actuarial valuations for the pension plans and OPEB plans are posted to: [Transparency and Accountability \(trimet.org\)](https://www.trimet.org). The FY2024 Adopted Budget is consistent with the pension policies adopted by the Board.

6. Financial/Budget Impact

Changes to the FY2024 Approved Budget, which the TSCC certified, were developed in May and reflect more recent financial performance and internal reviews that identified desirable changes or necessary updates. The net cumulative effect of all proposed FY2024 Budget changes will result in an increase in expenditures in the amount of \$10,617,306. The proposed changes are within the limit allowed by Oregon Local Budget Law (ORS 294.456), and are shown in Exhibit A to this Resolution.

The table below identifies the final organizational unit appropriations for FY2024.

Office of the General Manager Division	\$5,219,992
Chief Operating Officer Division	14,405,232
Transportation Division	310,996,421
Safety & Security Division	77,256,256
Maintenance Division	301,153,448
Transit System & Asset Support Division	17,572,915
Information Technology Division	45,451,531
Public Affairs Division	18,321,198
Finance & Administrative Services Division	44,224,975
Labor Relations & Human Resources Division	10,465,391
Legal Services Division	20,046,444
Engineering & Construction Division	135,335,929
Other Post-Employment Benefits	87,613,832
Other Non-Operating Requirements	20,917,200
Debt Service	65,611,863
Contingency	24,760,753
Total Appropriation	\$1,199,353,380
Fund Balance	728,269,678
Total Adopted Budget	\$1,927,623,058

7. Impact if Not Approved

Within the limitations of Oregon Local Budget Law, the Board may choose to make changes to the FY2024 Approved Budget. However, the FY2024 Adopted Budget must be in place by July 1, 2023, before any money may be spent in the coming fiscal year.

RESOLUTION NO. 23-05-21

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TRANSPORTATION DISTRICT OF OREGON (TRIMET) ADOPTING
THE FISCAL YEAR 2024 ANNUAL BUDGET AND APPROPRIATING
FUNDS**

WHEREAS, at a public meeting on March 24, 2023, the TriMet Board of Directors (Board) approved FY2024 Budget estimates for the period July 1, 2023 through June 30, 2024 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 26, 2023, to review the TriMet FY2024 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 TriMet's FY2024 Budget with no objections or recommendations; and

WHEREAS, as allowed by ORS 294.456, the FY2024 Budget was revised as shown on the attached Exhibit A to increase expenditures by \$10,617,306; and

WHEREAS, the aggregate sum of the FY2024 Budget requirements for all funds is \$1,927,623,058.

NOW, THEREFORE, BE IT RESOLVED:

1. That TriMet's FY2024 Budget, as approved by the Board on March 24, 2023, and certified by the Multnomah County TSCC on April 26, 2023, and herein amended, is hereby adopted.

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2. For the period July 1, 2023 through June 30, 2024, funds are appropriated as follows:

Office of the General Manager Division	\$5,219,992
Chief Operating Officer Division	14,405,232
Transportation Division	310,996,421
Safety & Security Division	77,256,256
Maintenance Division	301,153,448
Transit System & Asset Support Division	17,572,915
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Total Adopted Budget	\$1,927,623,058

3. That TriMet's Budget Officer is authorized to make adjustments within, but not between, appropriations during the budget period.

Dated: May 24, 2023



Presiding Officer

Attest:



Recording Secretary

Approved as to Legal Sufficiency:



Legal Department

Resource Budget Changes: FY2024 Approved to Adopted Budget	
Description of Change	Amount
Increased the beginning fund balance restricted bond proceeds & restricted debt service due to the final reconciliation of capital projects.	\$ 4,305,382
Increased the unrestricted beginning fund balance as a result of updated projections for FY2023 (capital and operating projects carryover).	\$ 8,449,753
Decreased transit advertising and ATP Service Contract Revenue to reflect most recent projection.	\$ (489,500)
Increased other federal/state/local operating grants to reflect most recent projection.	\$ 2,086,800
Decreased Other Non-Operating Resources using updated projection	\$ (6,400,200)
Increased CIP resources as a result of updated cash flows and adjustments to carryover projects.	\$ 2,790,666
Decreased light rail program resources (no capital carryover)	\$ (125,595)
Total	\$ 10,617,306
Requirement Budget Changes: FY2024 Approved to Adopted Budget	
Description of Change	Amount
Increased funds mainly due to addition of new positions and final adjustments to salary program.	\$ 2,671,392
Increased Materials & Services for updated PI/PD projection in Bus and Rail Transportation.	\$ 5,427,800
Increased CIP due to the carryover of some projects from FY2023 into FY2024.	\$ 5,969,907
Decreased Pass Through/Fund Exchanges/Special Payments using updated projection	\$ (6,400,200)
Increased contingency primarily to reflect changes in Personnel Services, Materials & Services and	\$ 240,949
Decreased Other Employment Benefits due to additional positions budgeted in capital program.	\$ (67,554)
Increased Restricted Bond Proceeds & Other Restricted primarily for Capital Program projects being pushed beyond FY2024.	\$ 2,477,905
Increased unrestricted ending fund balance due to increased expenses on Personnel Services, Materials & Services and Capital.	\$ 297,107
Total	\$ 10,617,306