

TSSC Budget Review 2017-18

TriMet

1. Introduction to the District:

The Tri-County Metropolitan Transportation District (TriMet) boundary covers about 575 square miles of the urban portions of Multnomah, Clackamas and Washington Counties.

A seven member board governs TriMet without compensation. The Board of Directors are appointed by the governor and are subject to confirmation by the State Senate.

The main sources of revenue for TriMet are employer payroll taxes, passenger revenues, and federal grants. Other permitted financing sources, not presently used, include business license fees and a 1% maximum income tax. TriMet does not have a permanent tax rate, so the district does not levy a property tax.



TriMet provides mass transit: bus, light rail, and LIFT door-to-door services. Passenger facilities include:

- 659 buses on 77 fixed route lines with 6,644 bus stops
- 253 LIFT buses and 15 vans that provide service to the elderly and disabled
- 145 MAX vehicles that run on 60 miles of track with 97 stations
- 15 mile Westside Express Service (WES) commuter rail to Wilsonville

TriMet also operates the City of Portland's Streetcar.

2. History:

Portland area was served by many transit companies prior to TriMet who began its service in December 1969. Since then TriMet has been instrumental in the following:

- Crafting an Action Plan to consolidate all bus services and expand number of buses (1973)
- Establishing Transit Mall in downtown Portland with buses only on 5th and 6th Avenues (1978)
- Bringing the Metropolitan Area Express (MAX) light rail transportation to the Portland area (1986)
 - Blue line from Portland to Gresham (1986), expanding to Hillsboro (1998)
 - Red Line to Portland Airport (2001)
 - Yellow Line to Expo (2004)
 - Green Line to Clackamas Town Center (2009)
 - Orange Line to Milwaukie (2015)

- Opening Westside Express Service (WES) which is a Commuter Rail line from Beaverton to Wilsonville (2009)
- Redesigning 5th and 6th Avenues to accommodate MAX trains, Buses, and private vehicles (2014)
- Constructing Tilikum Crossing, a multi-modal cable-stayed bridge which carries light rail, streetcar, buses, bicyclists, and pedestrians (but no private vehicles) across the Willamette River. (2015)

2016-17 Year in Review

In 2016-17 TriMet:

- Accomplished major MAX track improvements
- Increased rail reliability
- Expanded service on several bus lines
- Advanced HOP Fast pass system to the critical testing stage
- Entered a federally required environmental review process to produce a Draft Environmental Impact Statement for the South Corridor Light Rail Project
- Created the Eastside Service Enhancement Plan Final Report

Through fares, TriMet recovers a portion of the cost of operations for each service provided. The following chart shows fare cost and recovery as well as the percentage of operating costs that were paid by users of the system in 2016.

	BUS	LIGHT RAIL	WES	LIFT
System Cost Per Boarding	\$3.07	\$2.36	\$15.26	\$3.13
Average Fare Per Boarding	\$1.12	\$1.23	\$ 1.04	\$ 1.03
System Fare Recovery (Percentage)	36%	52%	7%	3%

3. Strategic Plan/Performance Objectives (Resolution 14-07-37)

1. Fiscal Policy

- A) One-time only money to support one-time only expenditures
- B) Continuing revenues support continuing expenditures and one-time expenditures
- C) When continuing revenues fall short of continuing expenditures, continuing expenditures must be reduced or continuing revenues raised.

2. Unrestricted Fund Balance and Contingency Policy

- A) Begin each fiscal year with an unrestricted fund balance equal to no less than 2.5 times average monthly operating expenditures.
- B) If unable to meet this expectation in a given year the agency must institute a plan to restore the unrestricted fund balance level within 1-3 years.

3. Debt Management Policy

- A) Debt service on senior lien payroll tax revenue bonds must be less than 6% of continuing revenues throughout the long-term forecast.
- B) Seek a Credit rating that achieves a balance between minimizing borrowing costs and maximizing financial flexibility.

4. Fare Policy

- A) Financial: Strive for financial growth in ridership and passenger revenue.
 - Pricing strategy keeps pace with cost of service
 - Encourage pre-payment of fares
 - Leverage electronic fare collection
 - Pursue industry standards in pricing for reduced fare categories

- B) Customer experience: improve customer experience while achieving operational efficiencies.
 - o Design fares to be simple to understand, easy to use and convenient to purchase.
 - o Consider impact on customers and equity when changing fares.
 - o Support simple and effective fare enforcement.
 - o Strike a balance between service quality and cost.
- C) Transit equity: Mitigate fare cost for low-income, transit-dependent riders.
 - o Reduce barriers that keep these riders from using transit.
- D) Public Engagement: Inform and engage communities in decision making.
- 5. Capital Asset Management (Capital Improvement Plan)
 - A) Maintaining Assets in a state of good repair.
 - o Present repair and replacement schedules annually
 - o Present investment priorities updates annually
 - o Present lifetime evaluation and maintenance plan for each asset class annually
- 6. Pension Funding Plans
 - A) Board approved pension funding plans for TriMet's two closed defined benefit pension plans which provide processes for determining appropriate contributions to the plans on a regular basis to achieve fully funded status within the approximate weighted average working life of the active participants in the plans.

2017-18 Budget Focus

- 1. Safety
 - A) Strengthening employee training
 - B) Implementing safety management plan
 - C) Working toward reducing operator assaults
 - D) Working toward reducing rail rule violations
- 2. Service enhancement plans
 - A) Using Payroll Tax increase (additional \$5.7 million annually) dedicated to new service
 - B) Implementing Enhancement Plan as roadmap for new investments in service based on demand, need, and equity
 - C) Reviewing Enhancement Plan with riders and stakeholders during budget process
- 3. System Maintenance and Preservation
 - A) Investing in infrastructure and facilities as well as replacing vehicles
 - B) Discovering the right balance between service and capital investments
- 4. System reliability improvements
 - A) Increasing service dependability
 - B) Improving customer experience through:
 - o Infrastructure upgrades
 - o Operator training
 - o Communications internally and with customers
 - o Transit traffic management
 - C) Using new technology
- 5. Ridership increases
 - A) Boosting off-peak ridership
 - B) Improving on-time performance
 - C) Implementing HOP Fastpass system
- 6. Regional Corridor Project
 - A) Partnering with local entities to advance solutions to meet needs in key corridors
 - B) Advancing design and funding work for Division bus corridor
 - C) Supporting Metro in advancing draft environmental impact statement and associated funding plan for Southwest Corridor light rail project

4. Analysis of the General Fund:

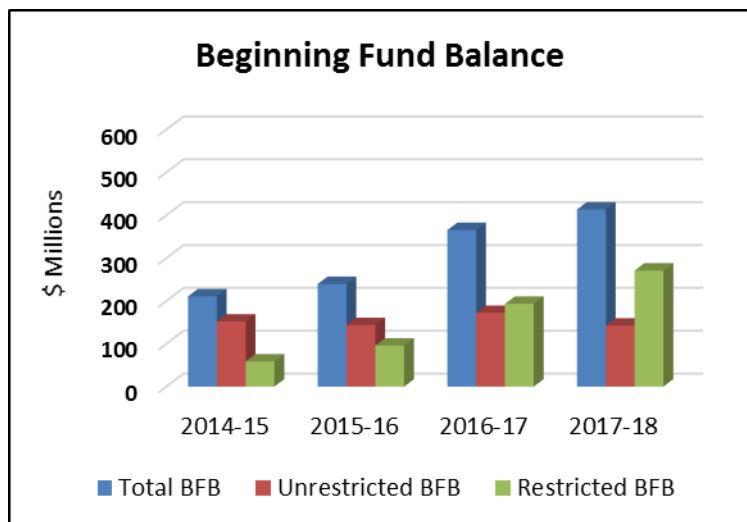
The General Fund is the district’s only fund, used to account for all revenues and expenditures. Payroll taxes makeup the largest percentage of TriMet’s operating revenues. In September 2015 TriMet’s board voted to increase this tax starting January 1, 2016 by 0.01% annually, through January 1, 2025. Payroll tax revenue will increase from 0.7337% to 0.7437% on July 1, 2017. With this increase, taxes are estimated to produce \$366 million in revenue compared to \$342 million in FY 2017. TriMet will use these additional payroll tax revenues to support the 4.1% increase in service in FY 18 which translates to an additional 1,652 hours a week traveled by trains/buses.

Resources

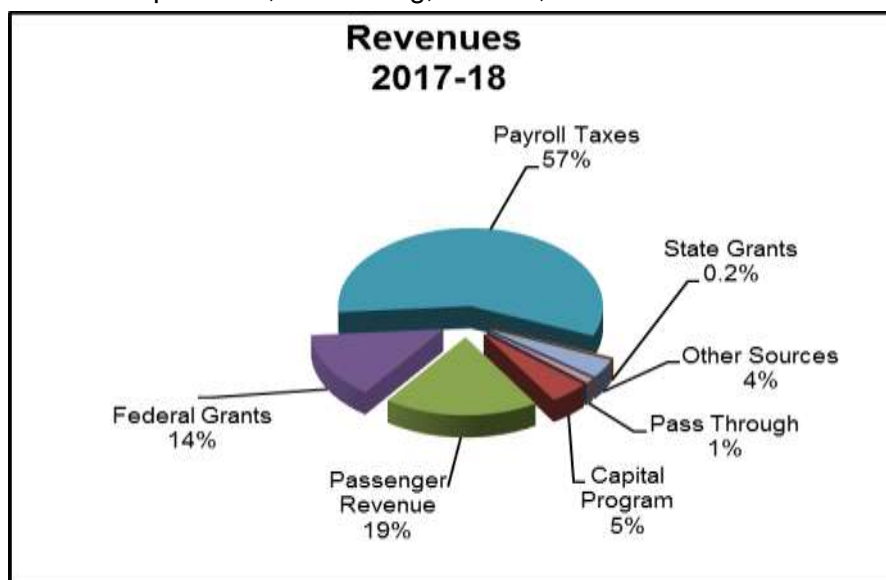
Beginning fund balance:

- \$413 million total BFB
- \$271 million is restricted
- \$143 million unrestricted
- The unrestricted beginning fund balance meets the board requirement of maintaining a minimum equal to of 2.5 months’ operating expenses.

The graph at the right shows the total beginning fund balance as well as unrestricted and restricted beginning fund balances using figures from two actual years, the current budget and the 2017-18 approved budget.

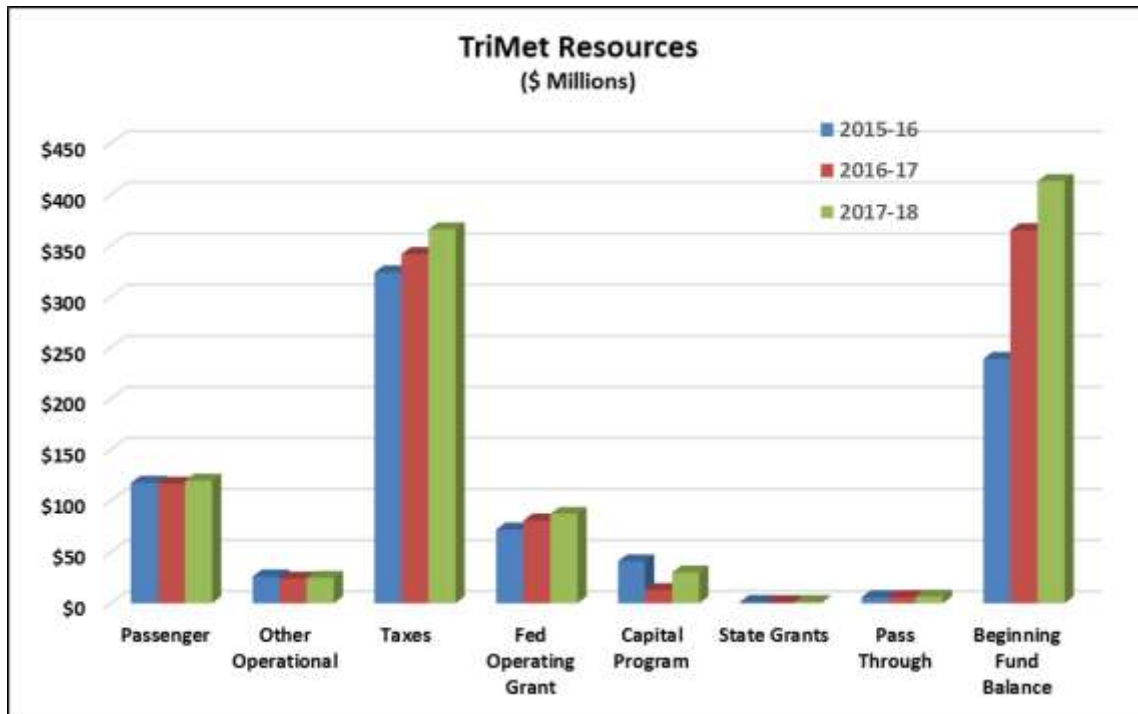


Payroll taxes make up 57% of TriMet’s *total revenues*¹, while passenger revenues contributes 19%. Federal Grants include \$24 million ear-marked for Preventative Maintenance. The category “Other” includes alternative transportation, advertising, interest, as well as miscellaneous income.



¹ Total revenues does not include \$100 million for Light Rail Funds Restricted for Debt Service.

The following chart shows the trends in resources for the last 3 fiscal years. The category “*Other Operational*” includes revenue from accessible transportation, contracted & special service as well as interest, advertising and miscellaneous local revenues.



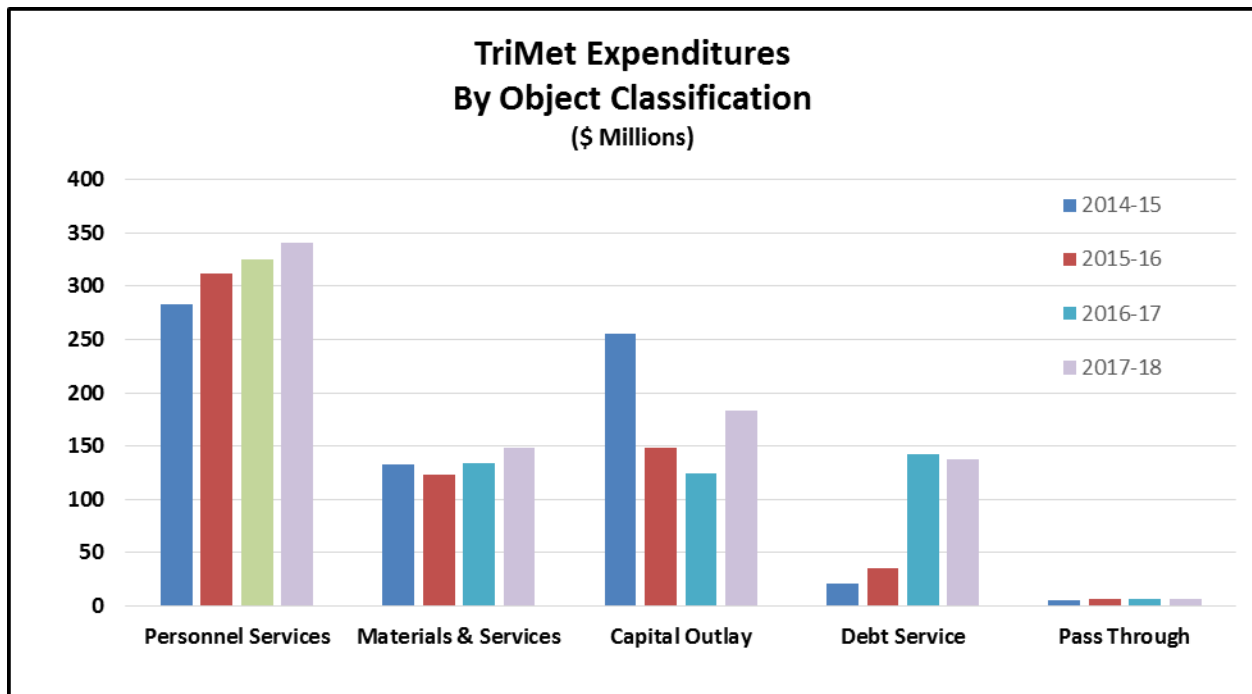
	2015-16 Actual	2016-17 Estimate	2017-18 Budget	Change		% of Total Resources
				\$	%	
Beginning Fund Balance	\$239	\$365	\$413	\$48	13%	35.9%
Operational Revenues:						
Passenger Revenue	\$118	\$117	\$120	\$3	3%	10.4%
Other Operating Revenues:						
Contracted & Special Services	\$8	\$8	\$8	\$0	2%	0.7%
Accessible Transportation	\$7	\$7	\$7	\$0	0%	0.6%
Transit Advertising	\$3	\$3	\$4	\$0	10%	0.3%
Local Sources	\$2	\$1	\$1	\$0	-1%	0.1%
Interest	\$1	\$1	\$1	\$0	1%	0.1%
Miscellaneous	\$5	\$4	\$4	\$0	1%	0.3%
Subtotal Other Operating Revenues	\$26	\$24	\$25	\$1	2%	2.2%
Non-operational Revenue						
Tax Revenue	\$324	\$342	\$366	\$24	7%	31.8%
Federal Operating Grants	\$72	\$81	\$88	\$7	8%	7.6%
Capital Program Grants	\$41	\$13	\$30	\$17	131%	2.6%
State Grants	\$1	\$1	\$1	\$0	10%	0.1%
Subtotal Non-Operational Revenues	\$439	\$437	\$485	\$48	11%	42.2%
Other Revenue Sources:						
Pass Through Revenue	\$6	\$6	\$7	\$0	7%	0.6%
Restricted Federal Grant	\$89	\$85	\$100	\$15	18%	8.7%
Debt Proceeds	\$73	\$110	\$0	-\$110	-100%	0.0%
Total Other Revenue	\$168	\$201	\$107	-\$95	-47%	9.3%
TOTAL ALL RESOURCES	\$990	\$1,145	\$1,150	\$5	0%	100%

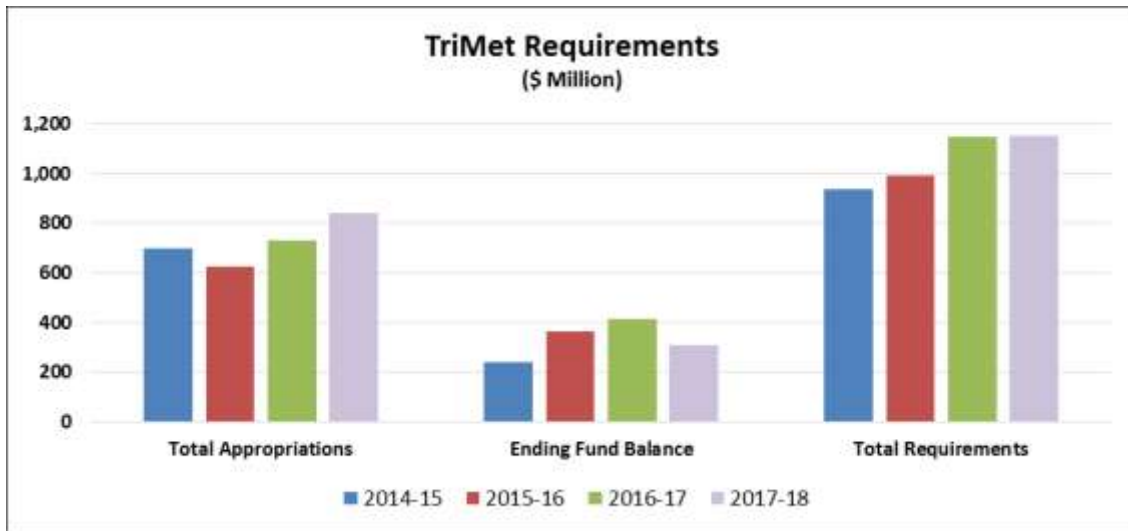
Requirements

Requirements increase by \$5 million to \$1,150 billion from the current year estimate of \$1,145 billion, an increase of less than 1%. Capital Program Requirements increased significantly.

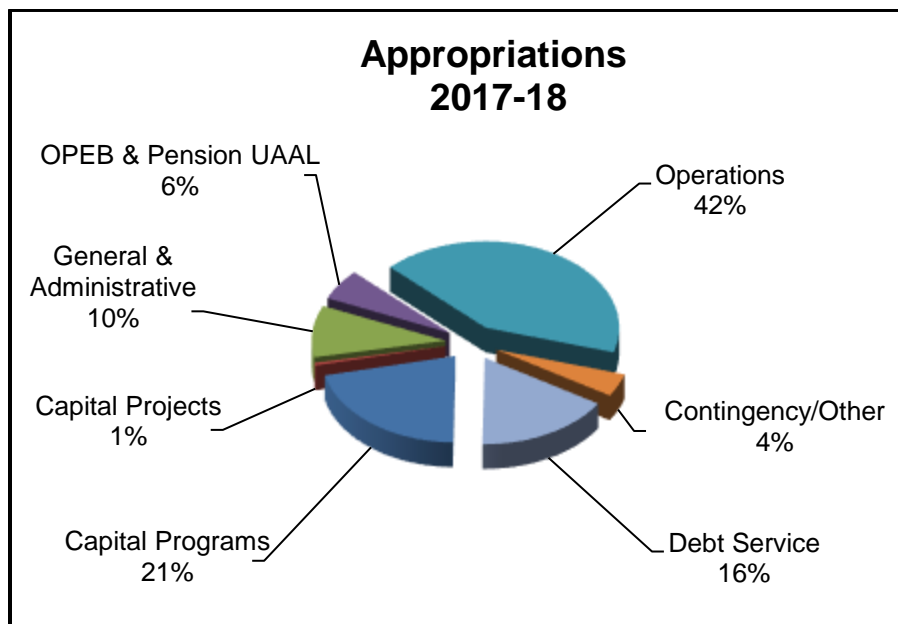
TriMet Approved Budget Requirements				
(\$Millions)				
	2014-15	2015-16	2016-17	2017-18
	Actual	Actual	Estimate	Budget
Personnel Services	\$ 283	\$ 311	\$ 325	\$ 340
Materials & Services	133	124	134	149
Capital Outlay	255	148	124	183
Debt Service	21	36	142	138
Pass-Through Funds	5	6	6	7
Contingencies	-	-	-	24
Total Appropriations	\$ 697	\$ 625	\$ 732	\$ 840
Ending Fund Balance	239	365	413	310
TOTAL REQUIREMENTS	\$ 936	\$ 990	\$ 1,145	\$ 1,150

The following graph shows expenditures by object classification. Details on the expenditures follow below.





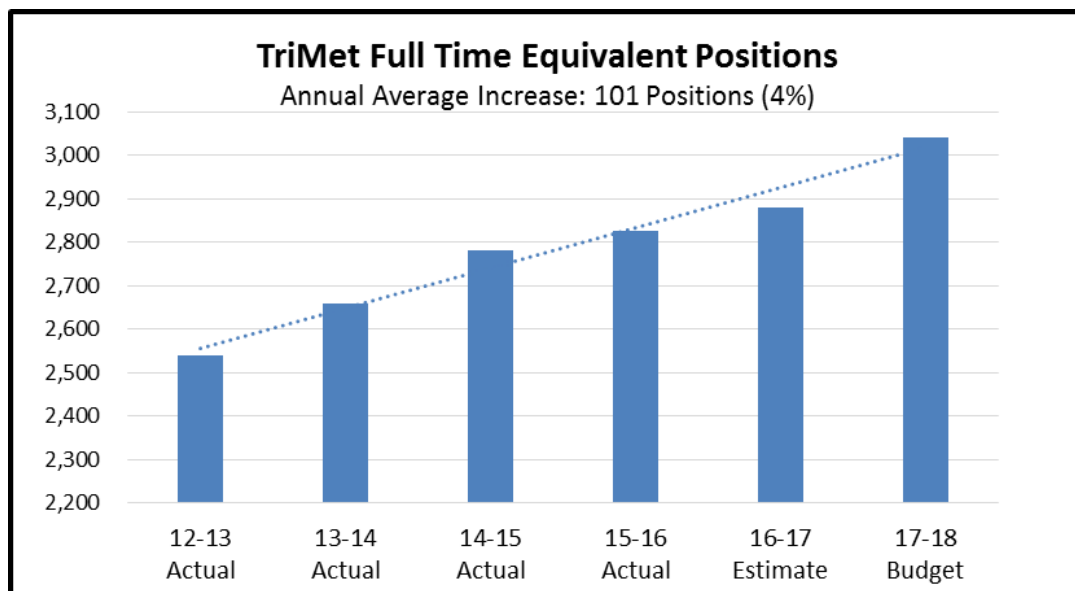
Transit Operations are the largest expenditure component of the budget (37% of expenditures). This is the funding for operating the buses, trains, street cars, and LIFT services. Capital Projects and Programs (22%) fund the capital purchases, construction and repairs required to keep those services functioning. General and Administrative costs amount to 10% of expenditures. TriMet has only one fund so those overhead costs are simply expensed in the General Fund and not allocated out.



Personnel Services

TriMet’s personnel services costs are increasing by \$15 million (5%) in 2017-18. The average annual personal services cost increase over the last three years has been 6.7%. Total budgeted personal services costs are \$340 million, 42% of expenditures. Total Full Time Equivalent (FTE) positions are increasing by 6%, from 2,884 to 3,043.

Approved TriMet Personnel Services Budget for 2017-18				
(\$ Thousands)				
	2016-17	2017-18	Increase/(Decrease)	
	Estimated	Budget	Dollars	Percent
General Manager	\$1,351	\$1,216	(\$135)	-10%
Public Affairs	\$7,437	\$8,032	\$595	8%
Safety and Security	\$6,149	\$7,200	\$1,051	17%
Information Technology	\$6,642	\$7,050	\$408	6%
Finance & Administration	\$10,161	\$10,948	\$787	8%
Labor Relations & HR	\$2,572	\$2,852	\$280	11%
Legal Services	\$1,827	\$1,958	\$131	7%
Operations	\$239,154	\$251,128	\$11,974	5%
Capital Projects	\$1,228	\$2,085	\$857	70%
OPEB and Pension UAAL	\$48,974	\$48,031	(\$943)	-2%
Total Personnel Services	\$325,495	\$340,500	\$15,005	5%



The budget includes a 3% increase for non-union merit and cost of living increases. The budget does not include wage increases for represented positions. TriMet has one employee union, the Amalgamated Transit Union Local 757. Eighty-four percent of employees (about 2,500) are in the union. Covered positions include bus and rail operators, mechanics, trainers, maintenance workers and dispatchers. The current ATU contract expired on Nov. 30, 2016 and negotiations are underway.

TriMet has authority from the Legislature to increase its payroll tax by 0.01% annually, with that increase dedicated new service. The district added 60 positions directly related to that new service in FY17 and is adding 79 in FY18. The following charts show the uniform increase in FTE (an average of 101 new positions annually) and the fairly constant percentage distribution of positions between functions.

TriMet Staffing By Functional Area (FTE)						
	12-13	13-14	14-15	15-16	16-17	17-18
	Actual	Actual	Actual	Actual	Estimate	Budget
Administration	223	226	246	300	324	346
Operations	2,173	2,274	2,372	2,450	2,477	2,598
Cap Projects & Light Rail	142	157	163	76	84	99
Total	2,538	2,657	2,781	2,826	2,884	3,043

TriMet Staffing By Functional Area (Percentage)						
	12-13	13-14	14-15	15-16	16-17	17-18
	Actual	Actual	Actual	Actual	Estimate	Budget
Administration	9%	9%	9%	11%	11%	11%
Operations	86%	86%	85%	87%	86%	85%
Cap Projects & Light Rail	6%	6%	6%	3%	3%	3%
Total	100%	100%	100%	100%	100%	100%

Retiree Benefits have historically been a challenge for the district, but in 2014-15 it adopted a policy of contributing \$30 million annual to eliminate the unfunded accrued actuarial liability (UAAL) of the pension system in 15 years.

- Union portion of the UAAL will receive \$25 million annually for 15 years
- Non-union program will receive \$5.5 million annually for ten years
- Union pension is 72% funded with \$183.6 million in unfunded liabilities
- Non-union pension is 86% funded with \$18.4 million in unfunded liabilities

This budget is consistent with the Board policy to fund union pension unfunded liability over a 15 years and funding the non-union unfunded liability over a 10 year period.

The post-employment life and health insurance benefit is funded on a pay-as-you-go basis. The FY17-18 budget includes \$19.2 million to pay these benefits. When the pension UAAL is eliminated, then TriMet will begin prefunding the post-employment insurance program.

Materials and Services

Materials and Services expenditures are budgeted to increase \$15 million (11%) in 2017-18.

Approved TriMet Materials & Services Budget for 2017-18				
(\$ Thousands)				
	2016-17	2017-18	Increase/(Decrease)	
	Estimated	Budget	Dollars	Percent
General Manager	\$566	\$602	\$35	6%
Public Affairs	\$7,576	\$8,118	\$542	7%
Safety and Security	\$10,881	\$17,108	\$6,227	57%
Information Technology	\$4,283	\$5,197	\$914	21%
Finance & Administration	\$7,673	\$9,066	\$1,393	18%
Labor Relations & HR	\$1,223	\$1,650	\$426	35%
Legal Services	\$191	\$269	\$78	41%
Operations	\$99,209	\$104,157	\$4,948	5%
Capital Projects	\$2,096	\$2,293	\$198	9%
OPEB and Pension UAAL	\$249	\$350	\$101	40%
Total Personnel Services	\$133,948	\$148,810	\$14,862	11%

Safety and Security division

- This is an area TriMet is continually improving so the increase is not surprising that the division's materials and services increased over \$6 million
- Line items *Security Services and Other Services* –*Security* increasing over \$6 million.
- *Other Materials* line item increased \$43k.

Information Technology division

- Increased close to a million dollars with *Microcomputer Software and Software License Fees* reaching \$1.1 million.
- *Professional & Technical* and *Systems Maintenance and Computer System Maintenance* increasing \$500 thousand.

Finance & Administration

- Increased by \$1.3 million (18%) with most of the increase in Commissions paid to fare revenue vendors (allows customers to purchase Hop Fastpass cards at over 500 stores).

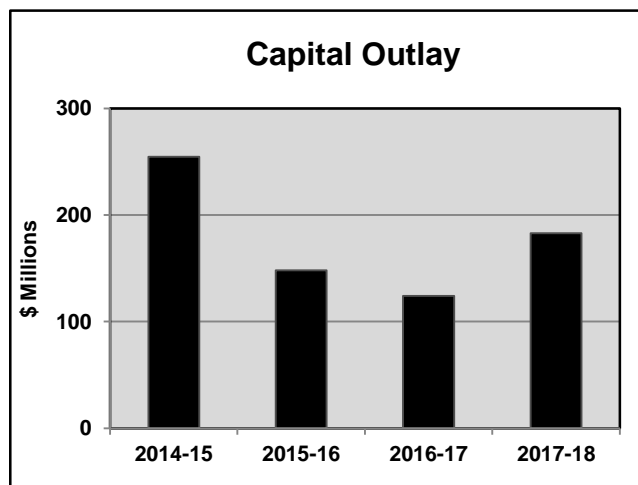
The Operations division

- Increased just under \$5 million, mainly from the Field Operations Department and Bus Maintenance Department; each increasing just over \$1 million.
- The increase for the Field Operations Department is due in part to a new line item *Professional & Technical* which is estimated at \$1.6 million.
- The Bus Maintenance Department increase is due to a combination of several line items including:
 1. *Diesel Fuel* (\$697K increase)
 2. *Maintenance Materials for Revenue Equipment* (\$473K increase)
 3. *Contracted Bus Maintenance* (\$90K increase).
- Cost of diesel fuel is budgeted at \$1.95 per gallon;
 1. \$0.10 drop per gallon over the previous budget.
 2. Diesel fuel expenditure will go from \$10 million to \$10.7 million due to the increase in service
 3. This is the fourth consecutive year the cost of a gallon of diesel fuel has decreased
 4. In FY2015 it was budgeted at \$3.15 per gallon.

Capital Outlay

Priorities in this budget are safety and security, facility upgrades, enhanced customer experience, bus replacement, and advancing regional corridor projects. To that end capital spending will include:

- \$31 million on replacement/expansion buses
- \$19 million on SW Corridor Project
- \$15 million on Powell Master Plan & LIFT Relocation
- \$10 million on Division Transit Project
- \$10 million to relocate Transit Police
- \$ 9 million for the electronic fare system
- \$ 5 million for security cameras
- \$ 4 million for Lift Vehicle Replacement
- \$ 3 million Positive Train Control
- \$ 1 million Rail Simulator



TriMet has budgeted a total of \$177 million for Capital Improvement Program expenditures.

Capital Improvement Expenditures By Division			
(\$ Thousands)			
Division	2015-16 Actual	2016-17 Estimate	2017-18 Budget
Public Affairs	\$2,446.3	\$5,012.3	\$1,297.9
Safety & Security	\$2,592.3	\$6,345.7	\$18,788.2
Information Technology	\$7,629.8	\$4,762.1	\$11,562.0
Finance & Administration	\$16,963.0	\$11,995.9	\$4,981.1
Legal Service	\$41.8	\$270.0	\$425.0
Operations	\$55,061.5	\$54,144.9	\$74,109.2
Capital Projects	\$15,417.3	\$38,503.1	\$66,251.4
Total Capital Program Requirements	\$100,152.1	\$121,033.9	\$177,414.9

5. Analysis of other Funds:

TriMet budgets all their resources and requirements in the General Fund.

6. Debt Status:

TriMet's outstanding debt is \$739 million. The 2017-18 debt service budget is \$138 million. This budget does not include any Debt proceeds compared to last year's \$23 million.

In previous years TriMet issued Revenue Bonds for:

- Adding MAX lines and various extensions to the light rail system,
- WES upgrades
- To finance the bus communication replacement.

TriMet uses Lease Purchase agreements for office equipment.

TriMet Outstanding Debt	6-30-2014	6-30-2015	6-30-2016	6-30-2017 est.
Revenue Bonds (includes interim financing)	683,315,000	664,860,000	854,935,000	739,200,000
Lease Purchase	145,876	61,537	27,884	0
Total Debt Outstanding	683,460,876	664,921,537	854,962,884	739,200,000

7. Is the Budget in Sync with Strategic Plan/Performance Objectives

Yes, this budget will:

- Restrict one-time only money to one-time only expenses
- Maintain adequate unrestricted fund balance
- Maintain debt service within defined parameters
- Increase service, improving schedule reliability and the customer experience
- Address essential capital maintenance and replacement which had been deferred
- Make contributions to the unfunded liability

8. Budget Process & Budget Compliance

Yes	No	Compliance Issue
x		Did district meet publication requirements?
x		Do resources equal requirements in every fund?
NA		Does the G.O. Debt Service Fund show only principle and Interest payments
x		Are contingencies shown only in operating funds?
x		Did budget committee approve the budget?
NA		Did Budget committee set the levy?
x		Does audit show the district complied with budget law (no over-expenditures or budget violations)?

9. Highlights of the 2017-18 Budget to be published in TSCC Annual Report:

- The total budget increased slightly, from \$1.145 billion to \$1.150 billion (0.4%).
- TriMet is implementing an increase of 0.01% in the payroll tax rate bringing it to 0.7437%.
- New busses will include 42 replacement buses and 15 expansion buses.
- A total of 30 LIFT vehicles will be purchased; 25 replacement and 5 expansion vehicles.
- TriMet has budgeted \$177 million for various Capital Program expenditures including the following items:
 - \$10 million for Division Transit Project
 - \$19 million for SW Corridor Project
 - \$19 million for Portland-Milwaukie Light Rail Project
 - \$10 million for Transit Police Relocation
- Included in this budget is \$9 million dedicated to the E-fare Project.
- TriMet will implement a Safety Management System (SMS).