TABLE OF CONTENTS

EXECUTIVE SUMMARY 1
Section 1 – ECONOMIC INDICATORS 5
Section 2 – LONG-TERM PROJECTIONS 11
Section 3 – FY2019 FINANCIAL FORECAST ASSUMPTIONS REPORT 15

A. Revenue Forecast Assumptions
   1. Payroll Tax Revenues (Employer and Municipal) 19
   2. Self-Employment Tax Revenues 21
   3. State-In-Lieu of Tax Revenues 21
   4. Employee Payroll Tax Revenues – Special Transportation Improvement Fund 22
   5. Passenger Revenues 23
   6. Ridership Forecasts 24
   7. Fare Agreements and Programs 25
   8. Fare Revenue Conclusions 27
   9. Other Operating Revenues 27
  10. Interest Earnings 28
  11. Grant and Capital Project Reimbursements 29
  12. Accessible Transportation Program (ATP) Funds 31
  13. Funding Exchanges 31
  14. Undistributed Budgetary Fund Balance 31
  15. Total Revenues 32

B. System Operating Maintenance and Capital Cost Assumptions
   16. Cost Inflation 33
   17. Wages and Salaries 33
   18. Health Plans 34
   19. Workers Compensation 34
   20. Pensions 35
   21. Retiree Medical (Other Post-Employment Benefits ["OPEB"]) 36
   22. Diesel Fuel 37
   23. Electricity and Other Utilities 37
   24. Other Materials and Services 38
   25. Bus Operations: Existing Services 38
   26. Accessible Transportation Program (ATP or “LIFT”) 38
   27. Light Rail Operations: Existing Services 40
   28. Commuter Rail Operations 41
   29. Streetcar Operations: Existing Services 41
Table of Contents (continued)

30. Facilities .................................................. 42
31. Security and Operations Support .................. 42
32. Engineering & Construction Division .......... 42
33. General & Administration .......................... 42
34. Capital Improvement Program .................... 43

C. Debt Service
   35. Outstanding Debt ................................ 46
   36. Projected Debt ...................................... 47

D. Future Service Assumptions
   37. Bus Operations: Service Reliability and Peak Demand 48
   38. Rail Operations: Blue, Red, Yellow, Green and Orange Lines Peak Demand 48
   39. WES Commuter Rail Operations: Peak Capacity 48
FY2020 FINANCIAL FORECAST - EXECUTIVE SUMMARY

The FY2020 Financial Forecast (Forecast) provides the financial outlook for the Tri-County Metropolitan Transportation District of Oregon (TriMet) based on the most current economic indicators, current and projected service levels, revenue and operating costs. The Forecast also provides long-term projections and in-depth analysis of the underlying revenue and operational assumptions that drive the FY2020 Operating Budget and projections into the near future. Based on current and proposed projects and service enhancements, descriptions of current debt obligations and projections for future debt service are provided.

Since the FY2019 Forecast report was issued in February 2018, TriMet has transitioned to a new General Manager, new Chief Operating Officer, three new executive directors, several state of good repair MAX improvements, a maturing Hop Fastpass implementation, transit center updates and further investments in safety and security. The Forecast includes the effect of HB2017, which imposes a 1/10th of 1% employee paid payroll tax specifically for transit that will benefit public transportation throughout the state. TriMet expects to realize about $40-$50 million annually, with funds becoming available starting Spring 2019.

With adoption of the Strategic Financial Plan (SFP), in July 2014 with modification in January 2019, and the Business Plan in June 2018, the TriMet Board of Directors continues to reaffirm its commitment to safety, maintenance, growing service, and ensuring the agency’s long-term financial health. TriMet staff has worked diligently to ensure that the Forecast aligns closely with the guidelines set forth in the plans.

The SFP provides a set of Financial Guidelines to ensure TriMet’s annual budgeting and long-term decision-making follows transit industry fiscal best practices and relies on sound financial policies that:

- Align with TriMet’s long-term Financial Forecast
- Address long-range financial issues
- Use realistic revenue and expenditure assumptions
- Realize sustainable cash flows
- Maintain consistent service levels year-to-year in line with resources
- Protect and maintain assets

Consistent with these goals, the Financial Forecast Model (FFM) is routinely refined with the most up-to-date information on changing economic conditions and is used to evaluate potential changes in expenditure levels in operations or service.

The Forecast also reflects the following FY2020 Board-directed Strategic Priorities:

- Improve system safety and security
- Enhance customer experience and become a connector of peoples’ lives and integrator for passenger transportation choices
• Increase the share of trips in the region on transit and other low-impact and/or healthy options such as walking, biking, telecommuting, bike share, and similar mobility options
• Reduce customer travel times significantly, improving people's access to the needs in their lives
• Help counter global climate change threat by reducing carbon emissions from transportation in our region, including converting to a non-diesel bus fleet
• Support the Regional Transportation Plan and regional transportation funding efforts
• Optimize internal systems and processes including information technology
• Improve farebox recovery, and increase use & return on TriMet assets & value capture
• Improve State of Good Repair (SGR) for TriMet assets
• Ensure TriMet is highly rated by the FTA and develop other 3rd party funding relationships to advance regional projects such as Southwest Corridor, Division Transit Project, Red Line Extension, and reliability investments.

In order to make real progress for FY2020, the Board has directed focus and emphasis on specific efforts in this Business Plan and in the TriMet Budget. Again, considering equity in all of our activities and continuing to build a culture of safety, TriMet’s points of emphasis for FY2020 are:

• New mobility opportunities and partnering to enhance mobility and connections to transit
• Implement near-term improvements that will increase ridership
• Reduce customer travel times and increase reliability
• Champion policies that give transit priority over single occupancy vehicles at cities, counties, Metro and ODOT
• Meaningful public engagement
• Safety and security presence on the system including fare enforcement
• Technology and process modernization, especially information technologies to make data more useful and our work more effective and efficient
• Personnel focus on the following issues: adequate staffing for operational excellence; implementing recommendations from employment diversity report; focus and investment in training; and workforce development
• Deliver HB2017-payroll-tax-funded services and benefits, including continuing to increase enrollment in the Low-Income Fare program
• Deliver capital program including design and funding steps for regional projects

Additional information on how this Forecast aligns with the SFP guidelines and budget priorities is found in Section 3 - FY2020 Financial Forecast Assumptions Report starting on page 15.

Economic Indicators: Section I – Economic Indicators provide a series of tables that depict the economic conditions in a historical context which change over time. The data is provided annually by ECONorthwest and TriMet utilizes their projections along with actual experience in forecasting, which is updated semi-annually. The latest data points are from December 2018, and the next update of these indicators will be received in April 2019.
Long-Term Planning:
Section 2 – Long-Term Projections provide a 10-year forward look at expected revenues, expenditures, unrestricted fund balance and the number of months of operating expenses in the unrestricted budgetary fund balance. It also provides a summary of the key assumptions that drive the FFM and this Forecast.

FY2019 Financial Forecast Assumptions Report:
Section 3 – FY2020 Financial Forecast Assumptions Report is TriMet’s in-depth report that touches on the budget process and financial guidelines. It also includes a discussion on significant revenue forecast assumptions, system operating maintenance and capital cost assumptions, debt service and future service assumptions.

Key assumptions reflect the expected increase in the employer payroll tax over the next six years, the new statewide employee payroll tax that went into effect July 1, 2018, fare revenue and ridership projections that are conservatively based on expectations of Hop Fastpass, and various service improvements. Fare revenue projections remain rather neutral in the Forecast with the addition of the Hop Fastpass and revenue sharing with both C-TRAN and Streetcar. Single fares are projected to increase $0.10 starting in FY2021 and every other year thereafter. Additionally, the forecast includes the effect of new TriMet services generating additional ridership.

Payroll tax revenues continue to increase at growth rates better than inflation and are favorable and consistent with projected increases in job growth and expansion in the region.

With the adoption of the Fixing America’s Surface Transportation (FAST) Act at the Federal level in 2015, and assuming no changes to the FAST Act under the new Administration, TriMet is expecting Federal funding to increase generally around 2% annually under the remaining year of the Act.

The Forecast has incorporated an expectation that diesel fuel prices will experience modest increases of 2% in FY2020 and is closely monitored throughout the year.

A full discussion of the current state of TriMet’s Retiree Medical cost and future (OPEB) liability is included in the Forecast starting on page 35.

The report also contains a section on Capital and Operating Projects funded from TriMet’s unrestricted general funds, bond proceeds, and federal, state and local grants. In October 2016, the FTA issued new guidance and standards for the development and implementation of a formal Transit Asset Management (TAM) Plan. While maintaining assets in a state-of-good repair is not new to TriMet, the rule changes enhance and inform TriMet’s efforts. Through the Capital Improvement Program (CIP) and review process, management sets the prioritization of projects so that they are positioned to match available resources of the five-year plan, the longer term 40-year plan and the ability to implement a full service operating environment.
Changes in the prioritization of projects through the CIP process may also change the structure of future debt issuances where specific projects are named.

**Conclusion:**
Generally, the 10-year Forecast projects a positive financial outlook for TriMet. There are some considerations to be addressed that relate primarily to the high dollar light rail vehicle replacements and related facility changes. However, even those variables will change as those years approach and funding solutions, such as Federal funding opportunities, are identified for those projects.

All expenditure projections are subject to available funding. TriMet staff works continuously to track and match revenues and expenditures throughout the budget year. Adjustments are recommended as they become necessary and the Board Finance and Audit Committee are regularly updated as conditions change.

Overall, the guidelines of the Strategic Financial Plan and the TriMet Business Plan provide parameters in which staff can work to formulate a strong financial forecast that is realistic and demonstrates a high level of financial responsibility to the public.
SECTION 1 – ECONOMIC INDICATORS
**FY2020 FINANCIAL FORECAST REPORT - ECONOMIC INDICATORS**

The following tables provide a look at the underlying economic conditions upon which the Forecast assumptions are based. All tables provide data through December 2018 which is the most current available as of the date of this report. If warranted, assumptions will be changed and the proposed budget, upon which the assumptions are based, will be adjusted and reported to the Board of Directors before the end of the FY2020 budget cycle.

Each of the following tables indicates that the region is in growth mode and anticipated to continue. Expectations are that revenues based on economic growth will also continue to grow.

Payroll revenue and job creation, through December 2018, show improvement and unemployment continues to decline surpassing its pre-recession peak rate. The Gross Domestic Product has been growing modestly through December 2018 since recovery from the last recession.

The Home Price Index, a lagging indicator of economic activity, through December 2018 also continues to increase, which is favorable for economic growth. Portland was ranked number 6 based on the S&P CoreLogic Case-Shiller 20-City Composite Home Price Index in the United States. Los Angeles was number one followed by San Francisco, San Diego, Seattle, and Miami.

*Source:* Oregon Employment Department

*Note:* Shaded area represent recession as determined by the National Bureau of Economic Research (NBER)
### Year over Year Change in Tri-County Nonfarm Employment

(Not Seasonally Adjusted)

![Graph showing year over year change in Tri-County nonfarm employment](image)

Source: Oregon Employment Department

### U.S. and Portland-Vancouver-Hillsboro MSA Unemployment Rate

Seasonally Adjusted (December 2000 to December 2018)

![Graph showing U.S. and Portland-Vancouver-Hillsboro MSA unemployment rate](image)

- **Portland-Vancouver-Hillsboro MSA**
- **U.S. Unemployment rate**

---

FY2020 Financial Forecast Report Economic Indicators
April 2019

TriMet
Page 8
### Gross Domestic Product (GDP) Percent Change Based on Chained 2009 Dollars

Source: U.S. Bureau of Economic Analysis

### S&P CoreLogic Case-Shiller Portland Home Price NSA Index Percent Change-December 2018

Source: S&P CoreLogic Case-Shiller Portland Home Price NSA Index-
SECTION 2 – LONG-TERM PROJECTIONS
### Table 1. Revenues and Expenditures (millions) and Key Assumptions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>744</td>
<td>745</td>
<td>785</td>
<td>831</td>
<td>875</td>
<td>925</td>
<td>974</td>
<td>1,021</td>
<td>1,065</td>
<td>1,117</td>
</tr>
<tr>
<td>Expenditures</td>
<td>737</td>
<td>702</td>
<td>741</td>
<td>793</td>
<td>831</td>
<td>883</td>
<td>928</td>
<td>969</td>
<td>1,022</td>
<td>1,059</td>
</tr>
<tr>
<td>Revenues over Expenditures</td>
<td>8</td>
<td>43</td>
<td>44</td>
<td>38</td>
<td>45</td>
<td>42</td>
<td>46</td>
<td>52</td>
<td>43</td>
<td>58</td>
</tr>
<tr>
<td>Beg./Unrestricted Budgetary Fund Balance</td>
<td>194</td>
<td>169</td>
<td>176</td>
<td>190</td>
<td>197</td>
<td>209</td>
<td>217</td>
<td>225</td>
<td>237</td>
<td>237</td>
</tr>
<tr>
<td>End./Unrestricted Budgetary Fund Balance</td>
<td>169</td>
<td>176</td>
<td>190</td>
<td>209</td>
<td>217</td>
<td>225</td>
<td>237</td>
<td>237</td>
<td>249</td>
<td></td>
</tr>
<tr>
<td>Months Unrestricted Budgetary Fund Balance^3</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

#### Key Assumptions

**Growth rate assumptions:**

- **Passenger Revenue**
  - FY2020 forecast compared to estimated FY2019 estimated actual (not displayed).
  - FY2021 and thereafter compared to prior year.
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Fixed Route Ridership**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Payroll Tax Base (underlying growth)**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Federal Formula Funds**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Federal Formula Funds (Increase due to MAX age - 8 yr)**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Personnel Services - Salary/Wages**
  - FY2020 increase anticipates filled vacant positions as compared to the estimated actual in FY2019.
- **Materials & Services**
  - FY2020 decline represents the One-Time-Only (OTO) request from prior year backed out.
- **Diesel Fuel & Utilities**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Sr. Lien Debt as a % of Revenue**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Fixed Route Service Hours (MAX & Bus)**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **MAX Service Hours (incl. PMLR)**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **LIFT Service**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **WES Service**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
- **Streetcar Service Hours**
  - Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.

---

^1 Forecast compares to estimated FY2019 estimated actual (not displayed).
^2 Forecast 2021 and thereafter compares to prior year.
^3 Months Unrestricted Budgetary Fund Balance is based on operating expenditures and does not include costs associated with capital and operating projects.
^4 Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
^5 Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
^6 Ridership projected to further decline in FY2020, however, expected to rebound as additional service is added through HB2017 and Employer Payroll Tax increases.
SECTION 3 – FY2020 FINANCIAL FORECAST ASSUMPTIONS REPORT
TriMet's budget process begins with a long-term forecast of revenues and expenditures. The forecast is an important feature of the budget process as it helps ensure current budget decisions are made in the context of the long-term financial picture and strategic goals of the district. The forecast can be thought of as a multi-year “budget guideline.”

TriMet’s forecast begins with projections that assume the current cost structures remain in place and cost trends continue. Projections (also known as baseline projections) are designed to serve as a benchmark that can be used to evaluate and adjust revenues and expenditures. This allows TriMet to balance accounts, add service, pay down debt service, and invest in capital projects or fund liabilities.

After the projections are updated, TriMet creates a proposed forecast that includes cost savings and revenues needed to achieve financial stability, meet requirements for TriMet’s State-of-Good-Repair needs and service commitments to the region, and aligns with the Strategic Financial Plan (SFP) and Business Plan. The proposed forecast addresses these guidelines toward maintaining fiscal stability:

1. One-Time-Only (OTO) revenues are used to support OTO expenditures.
2. Continuing Revenues (CR) are used to support Continuing Expenditures (CE) or OTO Expenditures and are in balance throughout the forecast.
3. Unrestricted ending fund balance meets the requirements of the SFP throughout the forecast by maintaining at least 2.5 times the appropriated average monthly operating expenditures for the upcoming fiscal year.
4. A plan is in place to maintain capital assets in a State-of-Good-Repair.
5. Actuarial assumptions for pension funding are realistic. TriMet ensures sufficient assets are available to pay benefits.
6. Retiree medical benefits for current employees are PAYGO affordable and provision has been made for trust funding.
7. Senior lien debt service is less than 6% of continuing revenues.
8. Control costs and fund the existing transit system over all business cycles with the current revenue base.

This forecast report focuses on FY2020-FY2029, although the expanded forecast has been extended to FY2049. This allows TriMet to incorporate State-of-Good-Repair considerations and future expansion such as the replacement of the Type I-III light rail vehicle fleets, purchase of articulated and electric buses, light rail expansion, bus service increases and achieve near 100% funding of the defined benefit pension unfunded liabilities, followed by like-size contributions to a retiree medical trust to fund its OPEB liability.
The Forecast includes the projected impacts of changes in revenues and expenditures as follows:

Revenues:
- Passenger revenue.
- Employer payroll tax increases/decreases.
- Self-employment tax increases/decreases.
- State-in-lieu tax increases/decreases.
- Federal, State and local grant revenue.
- HB2017 employee payroll tax implementation.
- Revenue changes due to Hop Fastpass and low-income fare program.
- Other revenues (advertising and interest earnings).
- The Forecast also includes the anticipated cash flow as a result of issuing bonds.

Expenditures:
- HB2017 costs currently associated with new service and implementation of a Low Income Fare Program.
- Changes due to maturity of Hop Fastpass such as the effect of fare-capping.
- Operating and maintaining the existing transit system and projected increases in those costs.
- Increases in fixed route bus and rail service to maintain headways and capacity as the region grows.
- Changes in utility and diesel fuel prices.
- Costs of ADA complementary paratransit service.
- Operating cost of other service changes.
- Capital and operating project expenditures from the Capital Improvement Program (CIP).
- Debt service expense.
- The forecast assumes no union collective bargaining agreement changes.
Revenue Forecast Assumptions

The sources of operating revenues and how they are forecast are described below.

1. Payroll Tax Revenues (Employer and Municipal)

Payroll tax, self-employment tax and state-in-lieu, are TriMet's primary source of revenue for operations. The tax rate is based on the gross payrolls of private businesses and municipalities within the district. The employer/municipal payroll tax accounts for 94.8% of all payroll tax revenues and approximately 55% of all operating resources.

In 2003, the Oregon Legislature (HB3037) gave the TriMet Board of Directors the authority to increase the payroll tax for employers and self-employed individuals over a 10-year period. The last increment under the 2003 legislation took effect January 1, 2014. The revenues received from this tax rate increase continue to pay for the Green and Orange Line MAX, WES, debt service and other operating costs.

On September 16, 2015, the TriMet Board of Directors approved, as authorized by ORS 267.385, an increase in the employer and self-employment tax rate by 1/10th of one percent, phased-in over 10-years, beginning January 1, 2016. The new rates were estimated to increase General Fund revenues by approximately $4.3 million in the first year, continuing over time to approximately $43 million by the tenth year, not adjusting for inflation. To date with inflation, the increment has yielded about $17 million through FY2018. The revenues received from this tax rate increase will partially pay for additional MAX and bus service such as the Division Bus Transit Project and other new service related projects identified in the TriMet Service Enhancement Plans and the CIP. The Forecast includes revenues from the third rate increase and the associated expenditures it will eventually pay. FY2019 revenues are estimated at $16.2 million and FY2020 are estimated at 22.4 million.

Payroll Tax Forecast

The payroll tax revenues in the Forecast are the cash receipts received between July 1 and June 30 of each year. These are different from what is reported on the Audited Financial Statements. Audit basis payroll tax revenues are recognized in the period they are earned (first quarter fiscal year cash receipts are earned/recognized in the fourth quarter of the prior fiscal year, etc.) and include an estimate of revenues earned but not received (receivables) during that period.

The payroll tax is a stable and growing revenue source. On average, payroll tax revenues escalate at a rate that exceeds the rate of inflation. During recessions payroll tax revenues decline as employment declines; however, in non-recessionary years this source has grown at a rate greater than inflation, supplying on average real growth in revenues.

The following table shows the payroll tax revenue, percentage change and dollar change since FY2008.
The underlying growth of payroll tax revenues is directly related to growth in employer payrolls within the district, which in turn is caused by employment growth and wage inflation.

ECONorthwest provides TriMet with a payroll tax revenue and economic forecast for the current fiscal year and the next three years. TriMet cross references their projections along with other economic data plus actual experience in forecasting future receipts.

The result of the payroll tax forecast is shown below. The adjusted Forecast for payroll tax revenue and inflation factors are used in TriMet’s Forecast. The tables below include revenues from all three payroll tax sources: employer/municipal tax, self-employment and State-in-lieu tax.

### Underlying Growth of Payroll Tax*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>October 2018 Forecast</th>
<th>Underlying Growth Rate</th>
<th>West Region Class-A CPI</th>
<th>Tax Rate Increase Effective 1-1-2016</th>
<th>October 2018 Real Growth Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Actual</td>
<td>6.94%</td>
<td>5.56%</td>
<td>3.49%</td>
<td>1.38%</td>
<td>2.07%</td>
</tr>
<tr>
<td>2018 Actual</td>
<td>7.07%</td>
<td>5.71%</td>
<td>3.31%</td>
<td>1.36%</td>
<td>2.40%</td>
</tr>
<tr>
<td>2019 Forecast</td>
<td>7.02%</td>
<td>5.68%</td>
<td>3.60%</td>
<td>1.34%</td>
<td>2.08%</td>
</tr>
<tr>
<td>2020 Forecast</td>
<td>6.98%</td>
<td>5.65%</td>
<td>3.14%</td>
<td>1.32%</td>
<td>2.51%</td>
</tr>
<tr>
<td>2021 Forecast</td>
<td>6.60%</td>
<td>5.29%</td>
<td>2.92%</td>
<td>1.31%</td>
<td>2.37%</td>
</tr>
<tr>
<td>2022 Forecast</td>
<td>6.69%</td>
<td>5.39%</td>
<td>2.91%</td>
<td>1.30%</td>
<td>2.48%</td>
</tr>
</tbody>
</table>

*Historical underlying annual payroll tax growth rates:
- 2004-2018 (15 years): 6.0% with 2.07% inflation
- 1999-2018 (20 years): 5.0% with 2.17% inflation
- Long-term rate of 5.0% with 2.70% inflation

## Payroll Tax Receipts and Percent of Change ($1,000s)

<table>
<thead>
<tr>
<th>Payroll Tax</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
<th>FY2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change</td>
<td>7.0%</td>
<td>7.0%</td>
<td>6.6%</td>
<td>6.7%</td>
<td>6.8%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
Compared to averages of the past 15 and 20 year periods, real growth (inflation and tax rate adjusted growth) projections in the Forecast are normal for a post-recession period. Revenue growth always reverts to the average over time. FY2024 and subsequent years average annual payroll tax revenue growth in the Forecast is 6.0%, which includes 2.9% inflation adjusted growth (real).

2. Self-Employment Tax Revenues

In addition to the payroll tax, TriMet levied a 0.7337% (as of January 1, 2016) tax on the net income earned within its district by self-employed individuals. TriMet has adopted the federal definition of net earnings from self-employment.

Revenues from this source were $16.6 million in FY2018, making up about 4.7% of total payroll tax revenues. Revenues from this tax are shown in the Forecast on a cash basis. These are different from what is reported in the Audited Financial Statements. Self-employment transit tax revenues tend to increase at very high rates during times of economic growth and decrease more than the employer payroll tax during recessions.

ECONorthwest is forecasting underlying growth of 7.5% in FY2019, 8.6% in FY2020, 8.6% in FY2021, and 9.1% in FY2022. Long-term growth rates are forecast to average 8.1%, which is a jump in expectations from last year’s Forecast compared, however, is based on more recent experience.

The following table shows the self-employment tax revenue, percentage change and dollar change since FY2008.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Self-Employment Tax Revenue</th>
<th>% Change</th>
<th>$ Change (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$11,200,216</td>
<td>-2.7%</td>
<td>-$311,000</td>
</tr>
<tr>
<td>2009</td>
<td>$10,340,256</td>
<td>-7.7%</td>
<td>-$869,000</td>
</tr>
<tr>
<td>2010</td>
<td>$10,518,411</td>
<td>1.7%</td>
<td>$178,000</td>
</tr>
<tr>
<td>2011</td>
<td>$10,445,965</td>
<td>-0.7%</td>
<td>-$72,000</td>
</tr>
<tr>
<td>2012</td>
<td>$11,314,638</td>
<td>8.3%</td>
<td>$869,000</td>
</tr>
<tr>
<td>2013</td>
<td>$12,400,424</td>
<td>9.6%</td>
<td>$1,086,000</td>
</tr>
<tr>
<td>2014</td>
<td>$13,063,291</td>
<td>5.3%</td>
<td>$663,000</td>
</tr>
<tr>
<td>2015</td>
<td>$13,779,166</td>
<td>5.5%</td>
<td>$716,000</td>
</tr>
<tr>
<td>2016</td>
<td>$15,336,186</td>
<td>11.3%</td>
<td>$1,557,000</td>
</tr>
<tr>
<td>2017</td>
<td>$16,284,718</td>
<td>6.18%</td>
<td>$949,000</td>
</tr>
<tr>
<td>2018</td>
<td>$16,627,433</td>
<td>2.10%</td>
<td>$342,715</td>
</tr>
</tbody>
</table>

3. State-In-Lieu of Tax Revenues

State of Oregon government offices located within TriMet’s district boundaries are not subject to the employer/municipal payroll tax. Instead, they make in-lieu-of tax payments to TriMet based on 0.6% of their gross payrolls. During FY1996 and FY1997, there were substantial decreases in these receipts due to the conversion of Oregon Health & Science University (OHSU), one of Oregon’s largest
employers, from a state agency paying in-lieu of tax to a local government employer paying payroll tax. In FY2015, the Oregon University System split into separate entities and changed from a state agency paying in-lieu of tax to a local government employer paying payroll tax.

ECONorthwest projects State-In-Lieu revenues will increase 4.2% in FY2019, 5.4% in FY2020, 5.0% in FY2021 and 5.0% in FY2022. In subsequent years, State-In-Lieu revenues are projected to grow about 3.0% per year.

State-In-Lieu revenues were 0.6% of total payroll tax revenues in FY2018. The following table shows the State-In-Lieu tax, percentage change, and dollar change since FY2008.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>State-In-Lieu Tax</th>
<th>% Change</th>
<th>$ Change (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$2,254,669</td>
<td>-0.2%</td>
<td>-$5,000</td>
</tr>
<tr>
<td>2009</td>
<td>$2,482,251</td>
<td>10.1%</td>
<td>$228,000</td>
</tr>
<tr>
<td>2010</td>
<td>$2,676,196</td>
<td>-7.8%</td>
<td>-$194,000</td>
</tr>
<tr>
<td>2011</td>
<td>$2,659,117</td>
<td>-0.6%</td>
<td>-$17,000</td>
</tr>
<tr>
<td>2012</td>
<td>$2,871,517</td>
<td>8.0%</td>
<td>$212,000</td>
</tr>
<tr>
<td>2013</td>
<td>$2,706,462</td>
<td>-5.7%</td>
<td>-$165,000</td>
</tr>
<tr>
<td>2014</td>
<td>$2,694,896</td>
<td>-0.4%</td>
<td>-$12,000</td>
</tr>
<tr>
<td>2015</td>
<td>$3,202,371</td>
<td>18.8%</td>
<td>$507,000</td>
</tr>
<tr>
<td>2016</td>
<td>$1,974,632</td>
<td>-38.3%</td>
<td>-$1,228,000</td>
</tr>
<tr>
<td>2017</td>
<td>$1,971,323</td>
<td>-0.2%</td>
<td>-$3,308</td>
</tr>
<tr>
<td>2018</td>
<td>$2,063,284</td>
<td>4.7%</td>
<td>$91,961</td>
</tr>
</tbody>
</table>

4. **Employee Payroll Tax Revenues – Special Transportation Improvement Funds**

In 2017 the Oregon Legislature passed HB2017, a large transportation bill to address many different transportation issues across Oregon. With the passage of the bill comes a statewide employee paid payroll tax that dedicates funds for public transportation. TriMet anticipates receiving a portion of the employee paid payroll tax revenue starting in May 2019 and then at the beginning of each quarter thereafter through a grant agreement with the Oregon Department of Transportation. The funding is currently dedicated to a low income fare program, new bus service, funding for electric buses and electrification infrastructure and transit enhancements in various locations. The slate of projects put forward is renewed every few years.

The current Forecast anticipates receiving approximately $20.0 million in May 2019, $46.2 million in FY2020 and $52.9 million in FY2021. From the amount received, approximately 13% is passed through to cities and counties. Future year projections are based on information received from the State of Oregon and increased by 5% per year thereafter based on similar growth that TriMet experiences in employer payroll tax receipts.
5. Passenger Revenues

At 18% of total revenue (FY2018 audited operating and non-operating revenues), passenger revenue is TriMet’s second largest revenue source. Over the last 10 years, passenger revenues grew at an average annual rate of 2.6%. This growth is the result of service restoration and multiple service improvements. During the last five years (FY2014 through FY2018), revenue growth has become stagnant and slightly declining at 0.2% with no rate increases during that time. With the implementation of the Hop Fastpass and Low Income Fare program, passenger revenues are expected to experience additional modest decreases, although some decreases will be neutralized overall through additional ridership and/or HB2017 funding.

The passenger revenue forecast is derived from forecasts of ridership and fares on bus, MAX, WES commuter rail, and LIFT paratransit services. Passenger revenue is estimated by multiplying the average boarding fare for each mode by the estimated ridership for that mode. In 1990, TriMet began a policy of increasing fares with inflation and has occasionally increased fares to offset high diesel fuel costs, increases in service, inflation and operating considerations. TriMet continued to keep fares steady through 2012, but has not increased fares since 2014. The Forecast includes a $0.10 fare increase every other year starting in FY2021 to keep up with increasing costs of services and operations.

The following table lists past actual (2008 to 2018) and expected future fare increases (2021) and classifies them as to whether they are (i) a regularly scheduled increase, (ii) a special increase to increase service levels or to address a revenue expenditure imbalance, or (iii) a special increase to offset a rise in diesel fuel costs.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Passenger Revenue 000s</th>
<th>Reason for Fare Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$80,815</td>
<td>Regularly Scheduled</td>
</tr>
<tr>
<td>2009</td>
<td>$90,017</td>
<td>Service Levels</td>
</tr>
<tr>
<td>2010</td>
<td>$93,729</td>
<td>Diesel Fuel</td>
</tr>
<tr>
<td>2011</td>
<td>$96,890</td>
<td>$0.20</td>
</tr>
<tr>
<td>2012</td>
<td>$102,240</td>
<td>$0.05</td>
</tr>
<tr>
<td>2013</td>
<td>$112,500</td>
<td>$0.00</td>
</tr>
<tr>
<td>2014</td>
<td>$114,618</td>
<td>$0.00</td>
</tr>
<tr>
<td>2015</td>
<td>$116,734</td>
<td>$0.00</td>
</tr>
<tr>
<td>2016</td>
<td>$118,069</td>
<td>$0.00</td>
</tr>
<tr>
<td>2017</td>
<td>$116,895</td>
<td>$0.00</td>
</tr>
<tr>
<td>2018</td>
<td>$113,836</td>
<td>$0.00</td>
</tr>
<tr>
<td>2019*</td>
<td>$109,900</td>
<td>$0.00</td>
</tr>
<tr>
<td>2020*</td>
<td>$111,100</td>
<td>$0.00</td>
</tr>
<tr>
<td>2021*</td>
<td>$115,600</td>
<td>$0.10</td>
</tr>
</tbody>
</table>

*2019, 2020 and 2021 are estimated passenger revenues whereas 2008 through 2018 are actuals.
With implementation of the Hop Fastpass system in July 2017, electronic payment of fares has lowered fare collection costs, improved financial controls, speedup boarding times, increased the number of retail outlets that sell TriMet fares, and brought TriMet into the next generation of electronic payment technology.

The Hop Fastpass system enhances equity through fare capping by providing a $5 daily cap and a $100 monthly cap to ride. Rather than purchasing a pass upfront, customers are able to buy a pass one ride at a time. Convenience will increase for customers, including unbanked or under banked customers, who are able to load fares onto their transit account with cash at retail stores, online, by phone, or with a mobile device. TriMet estimates that the continuing cost savings will help offset costs of the system over time. Initial analysis anticipates a modest decline in fare revenue as a result of fare capping, however, with the ease of use from the new system it is expected to attract additional ridership.

6. Ridership Forecasts

Ridership, regardless of mode, is affected by various components including fuel prices, economic conditions, reliability of service and other factors. The result of all factors has suppressed ridership growth in recent years. Reliability of service is affected by congestion, inclement weather, equipment downtime and other factors outside TriMet's control (i.e., emergency delays), which may be causing a return to other modes of transportation by some TriMet riders.

A. Ridership Growth: Existing MAX Service (Blue, Red, Yellow, Green and Orange Lines)

Since FY2010, MAX ridership has experienced an average annual increase of 0.2%, with a peak of 42 million rides in FY2012. Between FY2012 and FY2013 ridership declined 7.5% but stabilized around the FY2013 mark at 39 million rides through FY2018. In the first half of FY2019 (based on data through January 2019) compared to the first half of FY2018, ridership experienced a decline of 0.1%. With the current ridership flat, the Forecast remains conservative through the next decade with an average annual increase not more than 0.5% in ridership in any future year.
B. Ridership Growth: Bus Service

Fixed route bus ridership experienced a peak in ridership in FY2009, with over 66 million rides, amidst the Great Recession. Ridership has since fluctuated between 56 million and 62 million, with FY2018 representing the low point over the last nine years. Affected by a host of outside factors the agency continues to look to revise the trend by seeking ways to improve service, reduce effects of congestion and provide additional service.

In FY2019, fixed route bus ridership is estimated to come in around 57 million rides and remain relatively flat over the next ten years of the Forecast, only increasing with new service. Bus service hours are expected to increase 3.0% annually over the next decade, and combined with the anticipated increase of fares every other year, will increase passenger revenues.

C. Ridership Growth: Westside Express Service (WES)

While WES experienced greater than 10% growth in FY2014, and was projected to grow on average 2% thereafter, actual results show a decline in ridership. Actual growth in FY2014 was 15.9%, followed by four straight years of decline, -6.9% in FY2015, -4.1% in FY2016, -1.9% in FY2017 and -7.6% in FY2018. Ridership is expected to be flat in FY2019 and not increase in the forecast until FY2021 with very slight increases due to population changes. The WES service area has experienced the closure of significant employers in the Wilsonville area that has contributed to the decline in ridership.

Currently, no expanded services are projected for WES, and underlying ridership is not expected to grow significantly in the next few years.

D. Ridership Growth: ADA Complementary Paratransit or “LIFT”

LIFT Ridership has declined consecutively the last two years by an average of 2.6%. The Forecast projects that ridership will remain flat in FY2019, however, will pick up to more historic levels in future years increasing approximately 1.5% each year over the next decade due primarily to the increase in bus service in areas outside the existing service footprint.

The paratransit fare has remained equal to the regular fixed route full fare of $2.50 since April 2014. LIFT passes are priced at approximately 30 cash trips per month. LIFT passenger revenues align with ridership projections, although with no increases in expected service hours.

7. Fare Agreements and Programs

TriMet has a long history of creating programs to make transit more affordable for youth, seniors and riders with disabilities. Transit fares are already discounted relative to their true costs – all riders currently pay significantly less than the true cost of a ride, with the balance of costs borne by state, federal and payroll tax resources.
TriMet deeply discounts fares for youth, the elderly and individuals with disabilities. Under the direction of the Board of Directors, TriMet created the Access Transit programs which provide grants and discounted fares to non-profit organizations which in turn use these resources to assist low-income riders.

Through these programs, TriMet provides fares to non-profits and community-based organizations at a lower cost or at no cost, which they then distribute to their low-income clients. A total of $1.5 million has been set aside for these programs to mitigate impacts of fare increases on low-income riders.

The Access Transit initiative contains three distinct programs – **Fare Relief, Fare Assistance, and Access Transit High School Program.**

The **Fare Assistance Program** provides fares to eligible 501(c) (3) non-profit organizations serving low-income clients at a reduced cost.

The **Fare Relief Program** provides grants of up to $30,000 in the form of fares to eligible 501(c) (3) non-profit and community-based organizations. These grants are not to replace existing resources used to purchase fares through the program; rather, this program will increase the assistance an organization can provide to low-income recipients in need of short-term transit solutions. During the 2017-2018 funding cycle, over 100 agencies participated in TriMet’s Transit Access Programs.

The **Access Transit High School Program** is a new initiative using resources from the “Keep Oregon Moving” HB2017 legislation, TriMet is engaging in a pilot program to support an annual grant process of approximately $750,000 to provide fare assistance to the 18 qualifying school districts with high schools located in Tri-Met’s service district.

**Honored Citizen:** TriMet’s “Honored Citizen” program allows us to provide reduced fares to three qualifying populations. Riders can qualify for the Honored Citizen fare if they are one of the following:

- Seniors age 65 or older
- Medicare beneficiaries and or a person with mental or physical disabilities
- A low-income individual with a verified household income level of 200% or less than the Federal poverty rate

The Honored Citizen fare allows riders to purchase the adult fare at 50% off the normal single use and day ticket cost, and 72% off the cost for monthly pass.

With the passage of HB2017, TriMet is now able to provide a new “Low–Income Fare Program” as a long-term solution to support the cost of accessing public transportation for the regions low-income population.
Portland Public Schools: Until FY2018, TriMet, the City of Portland and Portland Public Schools (PPS) had a long partnership to provide free fares for PPS high school students during the school year by showing their student ID when boarding. Unlike other school districts, PPS does not provide regular yellow school bus service. Total annual cost of the program is $2.9 million annually, and each partner had contributed one-third. For the 2017-2018 School Year and going forward, the City of Portland is no longer a partner to the agreement. PPS will pay TriMet a full two-thirds ($1.933M annually) TriMet will subsidize the remaining $0.967 million.

Streetcar: TriMet began paying the City of Portland for the trips made on Streetcar with TriMet passes beginning in FY2016, which the City is recognizing as payment in fulfillment of the Master Agreement. Revenue sharing began with the launch of Hop Fastpass in July 2017 and is expected to reduce the Master Agreement payments to Streetcar.

8. Fare Revenue Conclusions

The result of the above assumptions is an average annual passenger revenue growth rate of 4.0% per year between FY2020 and FY2029. This growth rate reflects annual fare adjustments for inflation, fare increases, and annual increases in bus and rail service.

9. Other Operating Revenues

Other Operating Revenue includes a variety of smaller continuing funding sources. Most sources of Other Operating Revenue are estimated to increase 2.7% per year throughout the Forecast period. Notable revenue sources include:

C-TRAN: TriMet formerly had a reciprocal fare agreement with C-TRAN, the Vancouver, Washington transit agency, where C-TRAN paid TriMet 50% of its All Zone pass revenue. Revenue sharing based on an intergovernmental Agreement (IGA) began with the launch of Hop Fastpass in July 2017, replacing the previous fare reciprocity agreement.

Advertising Revenues: The Forecast incorporates revenues from a seven-year advertising contract with Lamar Advertising, which began October 2013. In FY2014, revenues from advertising decreased $2.3 million over the prior year to $3.4 million and further declined to $3.3 million in FY2015. However, advertising revenues increased to $3.4 million in FY2016, to $3.5 million in FY2017 and $3.7 million in FY2018. In FY2019, advertising revenue is estimated to remain at $3.7 million and increase an average of 3.0% through FY2029.

WES Operations: The City of Wilsonville contributes toward the WES operations under the Intergovernmental Funding Agreement, Wilsonville to Beaverton Commuter Rail Project. This contribution was capped at $300,000 a year for the first five years of operation and pro-rated for a partial first year; the contribution began to increase with the Consumer Price Index (CPI) in February 2014. The FY2018 contribution was $333,527 and is estimated to increase 2.0% per year throughout the Forecast.
Mall Maintenance: The City of Portland, under an Intergovernmental Agreement (IGA) with TriMet, reimburses TriMet for a portion of Mall Maintenance costs. The current IGA with the City of Portland expires this fiscal year and is in review by both parties. It is anticipated the FY2020 contribution from the City of Portland will be $757,761 and increase on average 0.5% throughout the Forecast. Costs are included in the Facilities Maintenance department.

Part D Drug Reimbursement: As an employer that provides a prescription benefit to Medicare eligible retirees, TriMet is eligible for Medicare Part D Drug reimbursement. Reimbursements for FY2019 are expected to be $278,000 and $495,000 in FY2020, and increase 1% annually thereafter.

Streetcar Costs: The City of Portland reimburses TriMet for payroll, fringe benefits, and overhead costs for TriMet employees working as Streetcar operators and Streetcar vehicle maintainers, as well as for services provided by TriMet’s light rail maintenance of way department for Streetcar overhead contact system, rail signals, and track maintenance. Such reimbursements by the City to TriMet in FY2019 are estimated to be $8.4 million, for personnel for maintenance of way services, and $8.8 million in FY2020.

Miscellaneous Revenues include a variety of revenues such as refunds, bike permits, transit guide sales, public art guides, license and permit revenues, rental income, fine and court fees, etc., from year-to-year, generating $3.0-$4.5 million a year on average. However, in FY2019, TriMet engaged in selling its energy fuel credits generated through use of electricity for traction power on its light rail system, resulting in an additional $1.5M in miscellaneous revenue. Miscellaneous revenues are estimated to be $5.1 million in FY2019 and $3.8 million in FY2020, increasing 1.0% per year thereafter.

10. Interest Earnings

Interest income (in thousands) for the following fiscal year is reported below:

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>Estimate for FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>$803</td>
<td>$1,388</td>
<td>$5,972</td>
<td>$5,195</td>
</tr>
</tbody>
</table>

Interest income includes income earned on TriMet’s investment portfolio for restricted and unrestricted investments. Interest income increased in fiscal year 2018 due to the increase in restricted investments from bond issues/unspent bond proceeds complemented with strong market conditions. Interest earnings on restricted investments are restricted to the projects. For example, interest earnings from unspent bond proceeds are contributed to the bonded project’s costs. Interest earnings do not include earnings on the local share of light rail project revenues, which are restricted in use for capital expenditures. The interest rate of return is a condition of the market. Interest income for fiscal year 2019 is expected to increase over fiscal year 2018 as a result of higher restricted investment balances related to bond issues, higher interest rates in the Local Government Investment Pool and 3-month Treasury Bill. FY2020 is estimated to mirror FY2019.
11. Grant and Capital Project Reimbursements

Various Federal and State agencies provide funding based on formula and discretionary programs to support TriMet’s capital and operating costs. A summary of the formula funding sources is described in more detail below.

**Federal Funds:**
A significant amount of TriMet’s federal revenues comes from the Federal Transit Administration (FTA), an agency within the U.S. Department of Transportation (DOT), to support public transit systems, including bus, light and commuter rails. The FAST Act, signed into law by the President in December 2015, provided predictable formula funding from DOT for federal fiscal years FY2016-2020 and enables TriMet to better manage long-term assets and State of Good Repair needs.

1. As a designated recipient, TriMet annually receives four types of FTA Formula funds: (1) Section 5307 (Urbanized Area Grants); (2) Section 5337 (State of Good Repair Grants); (3) Section 5310 (Enhanced Mobility of Seniors and Individuals with Disabilities); and Section 5339 (Grants for Buses and Bus Facilities).
   a. Of the four formula funds, Section 5307 funds is TriMet’s largest resource and is primarily used for Bus and Rail Preventive Maintenance;
   b. Section 5337 funds is used to maintain, replace and rehabilitate the fixed guideway and bus fleets in a State-of-Good Repair;
   c. Section 5339(a) funds purchases fixed guideway buses; and
   d. Section 5310 funds is used to meet the transportation needs of older adults and people with disabilities and improve mobility by removing barriers and expanding options.

2. **FTA Competitive Grant programs** – FTA’s Section 5309 discretionary grant program funds major transit capital projects and Section 5339(c) program funds bus and bus facilities, including low or no emission vehicles. TriMet has been successful in the past obtaining both of these discretionary funds to help pay for projects such as the Portland-Milwaukie Light Rail Transit (Orange Line MAX) and zero emission electric buses. While TriMet plans to apply for similar funding for the Powell-Division Transit and Southwest Corridor Light Rail Transit (LRT) projects as well as additional electric buses in the future, no funds have been awarded at this time.

3. **Flexible Funding (FHWA/FTA)** – TriMet regularly receives flexible Surface Transportation Block Grant (STBG, formerly STP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ) funding from the local Metropolitan Planning Organization (MPO).

STBG funds support TriMet’s Bus and Rail Preventive Maintenance as well as TriMet’s Regional Transportation Options (RTO) Program. This program promotes transportation services via outreach and marketing and educates employers about the range of commute options available to their employees. CMAQ funds pay bond related finance charges that were
used to construct and improve TriMet’s transit system, including the Portland/Milwaukie Light Rail (PMLR) Project.

4. **The Department of Homeland Security (DHS)** is another federal contributor to TriMet’s organization. The agency’s primary purpose is to protect our homeland and offer financial assistance to non-federal recipients. TriMet has received consistent funding to support our local law enforcement canine teams and provide a visible deterrent to terrorism directed towards transportation systems.

The table reflects reliable federal funding for the past five years, including project amounts for the FY2020 forecast (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section 5307</strong></td>
<td>$35,782</td>
<td>$37,186</td>
<td>$38,268</td>
<td>$40,113</td>
<td>$41,347</td>
<td>$42,588</td>
</tr>
<tr>
<td><strong>Section 5337 (HIFG)</strong></td>
<td>$17,609</td>
<td>$20,246</td>
<td>$23,193</td>
<td>$27,387</td>
<td>$26,441</td>
<td>$26,441</td>
</tr>
<tr>
<td><strong>Section 5337 (HIMB)</strong></td>
<td>$10</td>
<td>$14</td>
<td>$14</td>
<td>$17</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td><strong>Section 5339 (a)</strong></td>
<td>$2,742</td>
<td>$2,646</td>
<td>$2,770</td>
<td>$3,742</td>
<td>$3,515</td>
<td>$3,515</td>
</tr>
<tr>
<td><strong>Section 5310</strong></td>
<td>$1,145</td>
<td>$1,156</td>
<td>$1,196</td>
<td>$1,232</td>
<td>$1,418</td>
<td>$1,461</td>
</tr>
<tr>
<td><strong>STBG Transfers</strong></td>
<td>$8,435</td>
<td>$10,433</td>
<td>$8,951</td>
<td>$10,962</td>
<td>$14,684</td>
<td>$18,479</td>
</tr>
<tr>
<td><strong>CMAQ Transfers</strong></td>
<td>$10,000</td>
<td>$11,000</td>
<td>$11,000</td>
<td>$11,000</td>
<td>$11,000</td>
<td>$11,000</td>
</tr>
<tr>
<td><strong>NEDCTP</strong></td>
<td>$253</td>
<td>$202</td>
<td>$67</td>
<td>$337</td>
<td>$202</td>
<td>$202</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$75,976</td>
<td>$82,886</td>
<td>$85,459</td>
<td>$94,790</td>
<td>$98,622</td>
<td>$103,700</td>
</tr>
</tbody>
</table>

**State funds:**
TriMet receives significant revenues from the Oregon Department of Transportation (ODOT), particularly the Rail and Public Transit Division, through formula and discretionary programs.

1. **Special Transportation Fund (STF) Formula and Discretionary Program** – The Special Transportation Fund (STF) Program, created in 1985 by the Oregon Legislature, supports transportation services for seniors and people with disabilities, so that they may live as independently and productively as possible.

Every two years, STF Agencies (of which TriMet is designated as one), through a coordinated effort with the Special Transportation Fund Advisory Committee (STFAC), distributes funds to subrecipients through a competitive process to providers in the Multnomah, Washington and Clackamas county regions. Providers include, but are not limited to, TriMet, Ride Connection, SMART, Canby Area Transit, Sandy Area Metro and Clackamas County.

TriMet has partially funded its LIFT Operations (complementary paratransit service) with STF formula funds.

2. **ODOT Section 5310 (Enhanced Mobility of Seniors and Individuals with Disabilities) Formula Funds** – Through the same STF process as referenced above, ODOT passes-through FTA Section 5310 Formula and Discretionary Funds for eligible projects that meet the same FTA requirements as reflected above.
The table reflects reliable state funding for the past five years, including project amounts for the FY2020 forecast (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STF Formula (TriMet)</td>
<td>$783</td>
<td>$1,075</td>
<td>$1,075</td>
<td>$318</td>
<td>$318</td>
<td>$92</td>
</tr>
<tr>
<td>STF Formula (Pass-Thru)</td>
<td>$4,005</td>
<td>$4,009</td>
<td>$4,009</td>
<td>$3,902</td>
<td>$3,902</td>
<td>$4,197</td>
</tr>
<tr>
<td>5310 Formula (TriMet)</td>
<td>$1,754</td>
<td>$831</td>
<td>$831</td>
<td>$1,417</td>
<td>$1,417</td>
<td>$758</td>
</tr>
<tr>
<td>5310 Formula (Pass-Thru)</td>
<td>$421</td>
<td>$340</td>
<td>$340</td>
<td>$184</td>
<td>$184</td>
<td>$2,977</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$6,963</strong></td>
<td><strong>$6,255</strong></td>
<td><strong>$6,255</strong></td>
<td><strong>$5,821</strong></td>
<td><strong>$5,821</strong></td>
<td><strong>$8,024</strong></td>
</tr>
</tbody>
</table>

12. Accessible Transportation Program (ATP or “LIFT”) Funds

Funds incorporated in this line item come from state sources and are dedicated to ADA paratransit (LIFT). Through a contract with the Oregon Department of Human Services, TriMet receives federal matching funds for rides provided by LIFT to transport people with development disabilities in Washington, Clackamas and Multnomah counties.

13. Funding Exchanges

Occasionally, TriMet participates in funding exchanges that are approved by the region and the TriMet Board of Directors. Funding exchange revenues are not intended to have a financial impact on the district as funds are offset by a cost of the same amount. Funding exchanges, which primarily support Metro’s Transit Oriented Development (TOD) program, are assumed each year of the Forecast, as is the expenditure. Funding exchanges were $3 million in FY2016 and FY2017, and $5.4 million in FY2018. FY2019 is estimated at $4.8 million and $7.7 million for FY2020. In FY2020 and a part of the $7.7 million is a funding exchange with Metro for the TOD program in the amount of $3.3M that is exchanged between agencies for developments around transit stations, transit corridors and urban centers served by transit.

14. Undistributed Budgetary Fund Balance

The difference between budgeted revenues and expenditures accumulates in the budgetary fund balance, also known as undistributed net assets. The budgetary fund balance increases when revenues exceed expenditures and decreases when expenditures exceed revenues. Fund balance will fluctuate from year to year depending on a number of factors. For example, delays in capital and operating project completion, delays in the receipt of external funding or unanticipated increases in revenue. Budgetary fund balance undistributed at the end of one fiscal year flows through to the following fiscal year and may be available for new operating and capital needs if not already designated for existing projects. Based on the Board of Director’s adopted Strategic Financial Plan guidelines, it is TriMet’s policy to maintain 2.5 months day-to-day operating reserves in the fund balance at all times, as demonstrated in the Forecast.
15. **Total Revenues**

Based on the principles and assumptions described above, total continuing revenues, including increases from the employer payroll tax, employee payroll tax and passenger fare, are projected to grow at an average annual rate of 5.3% annually between FY2020 and FY2029.
System Operating, Maintenance, and Capital Costs Assumptions

The FY2019 Adopted Budget, with updates, provides the base year of the FY2020 Forecast. The Forecast of future year expenses start with the base year Forecast as explained below.

16. Cost Inflation

The Forecast utilizes ECONorthwest’s inflation rate forecast from October 2018, when reviewing various costs in addition to historical spending. In FY2017 actual inflation was 3.49% and in FY2018 the actual was 3.31%, going forward, ECONorthwest projects inflation to hover between 2.9% and 3.6% over the next five years.

Prior to FY2017, TriMet applied a general annual cost increase of 2.7% to materials and supplies (M&S) accounts. During FY2017 through FY2019, the assumed cost increase was set at 1% for M&S with some exceptions for utilities and contracted services. In FY2020, the assumed cost increase is set at 0.75% for M&S with exceptions for utilities and contracted services. Higher rates of inflation are also applied to health benefits costs and wages depending on the economy and affordability.

Healthcare rates for the Regence and Kaiser plans for active and pre-65 retirees have increased in the range of 5-7% in years past, however, since moving to self-insured in 2017, the overall medical and dental costs have been coming in lower. Table 1 reflects the projected changes in cost over time, ranging from relatively flat in FY2020 and resuming to 6% in FY2025.

17. Wages and Salaries

Non-union wages, on average, are annually increased around 3% and all increases are highly dependent on the availability of funding and the overall economic environment.

Union wages were increased 3% as negotiated in FY2015 (effective December 1, 2014), plus a $1.00 per hour wage adjustment for journey level workers. There was a 3% wage increase in FY2016 (Effective December 1, 2015). The Working and Wage Agreement, ratified by the TriMet Board of Directors in December 2017, extends through November 30, 2019 and includes three wage increases for union employees (3.0%, 3.25%, and 3.25%) each December 1 starting in 2016 (FY2017). All elements of the agreement are included in the Forecast and future wage increases must be negotiated. In the event of no contract or contract expiration the Forecast assumes a steady state of current staffing with minimal inflationary increases.

Table 1 on page 13 reflects the overall district-wide effect of total labor cost increases known at the time of the Forecast and anticipates full staffing where applicable. Changes in wages and salaries made, such as the potential increase to non-union employees noted above, are incorporated into the Forecast when they occur and projections are then updated.
18. Health Plans

Controlling healthcare costs remain a long-term challenge for the district. However, there has been meaningful progress during the last several years. TriMet achieved reductions through modest plan design changes and assertive vendor negotiations. TriMet implemented a self-insured medical plan for both union and non-union employees effective January 1, 2017. However, on a relative basis, annual premium levels for medical coverage at TriMet remain high compared to the market as a whole, which reflects a rich plan design and workforce demographics.

Except for a very small group of grandfathered non-union & union retirees, TriMet generally pays 94% and 95% of healthcare premiums for non-union and union employees respectively.

19. Workers Compensation

Workers Compensation amounts (in thousands) for FY2016 through FY2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual/Projected</td>
<td>$4,439</td>
<td>$3,180</td>
<td>$3,208</td>
<td>$4,337</td>
</tr>
<tr>
<td>Budget</td>
<td>$5,500</td>
<td>$5,200</td>
<td>$4,708</td>
<td>$5,665</td>
</tr>
</tbody>
</table>

Workers Compensation is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment. The Risk Management department has been able to achieve some significant reductions in the amount the agency spends on workers compensation claims over the last year. This has been accomplished primarily through increased claims oversight and more cost benefit analysis on litigated claims. In FY2018, TriMet hired a workers compensation attorney to assist with processing claims in litigation more efficiently and inexpensively. The budget
for Worker’s Compensation for FY2020 is $4,576. Future costs are projected to grow with healthcare inflation.

20. Pensions

TriMet is one of the few public agencies in Oregon not in PERS, the Public Employee Retirement System managed by the State of Oregon. It maintains both a closed Defined Benefit Plan and open Defined Contribution Plans.

The union DB plan payment to retirees is calculated based on years of service for all union employees, regardless of pay rate or earnings. The management DB plan payment to retirees is based on final average salary and years of service.

In 2003, TriMet closed its management defined benefit plan to new employees. Non-union employees hired after April 27, 2003 are part of a Defined Contribution Plan (DC), to which TriMet contributes 8.0% of salary.

As of August 1, 2012, the union DB plan was closed to new employees. Also as of August 1, 2012, the union DB plan annual pension payment increase is tied to inflation (CPI) for already retired employees and is 90% of CPI for new retirees (management retirees receive 90% of CPI). Union employees hired after July 31, 2012, receive 8.0% of salary in a DC plan, which has the same key features as non-union employees’ DC pension plan.

As management and union employees participating in the DB plans retire, their replacements are in the DC plan and DB plan normal costs decrease commensurately. The Forecast incorporates the transition of DB retirements of management employees to the DC plan over time. The costs of the DC plan are included in the Forecast.

The Forecast uses an actuarial forecast of union DB plan retirees and benefit payments. As union employees retire, they are replaced with a like number of employees in the union DC plan. The costs of the union DC plan are included in the Forecast for the replacement employees, and the normal costs to fund the pension benefits of the employees remaining in the DB plan are reduced.

Best practice pension funding is to pay unfunded pension liabilities over the remaining working life of employees in the plan to ensure there are sufficient assets in a trust when employees retiree and to preserve intergenerational equity of costs (i.e. that future generations of employees and taxpayers are not paying for benefits earned by former employees thus reducing essential services and compensation to pay benefits earned in the past).

In FY2014, the district adopted funding policies for both DB pension plans. As of June 30, 2018, the non-union plan is 93% funded with a net pension liability of $10.0 million (assumes long-term rate of return on the investment of 6.3%). The union plan is 80% funded, with a net pension liability
$138.1 million at June 30, 2018 (assumes long-term rate of return on investment of 6.75%, consistent with the 15 year average rate of return in the plan).

To ensure full funding of its defined benefit pensions, starting in FY2014 TriMet incorporated into the Forecast the cost of funding the union and non-union pension trusts fully over a 15-year span. As the pensions become fully funded, the same level of funding is first dedicated to funding the remaining pensions then annually dedicated to the OPEB funding until the OPEB liability is fully funded.

21. Retiree Medical (Other Post-Employment Benefits [“OPEB”])

The district’s OPEB liability is an amount actuarially determined in accordance with accounting standards as required under GASB Statement No. 75. TriMet is paying medical premiums of retired employees on a Pay-As-You-Go (PAYGO) basis.

TriMet non-union employees hired prior to April 27, 2003, are fully vested in retiree medical benefits after five years of service, and are eligible for retiree medical benefits upon retirement at 55+ years of age. Upon separation, retirees are eligible to receive the same healthcare benefits and cost-sharing received by active TriMet non-union employees until Medicare eligible and then are eligible to receive substantially similar benefits. The retiree must enroll in a Medicare Advantage Plan when Medicare eligible.

TriMet non-union employees hired from April 27, 2003 through April 30, 2009, are fully vested in retiree medical benefits after 10 years of service and are eligible for retiree medical benefits at 55+ years of age. Upon separation, retirees are eligible to receive the same healthcare benefits and cost-sharing received by active TriMet non-union employees until Medicare eligible and then are eligible to receive substantially similar benefits. The retiree must enroll in a Medicare Advantage Plan when Medicare eligible.

TriMet non-union employees hired on or after May 1, 2009 after 10 years of service and reaching age 55 or older are eligible for retiree health benefits at retirement but shall pay the entire cost of the coverage(s). Coverage ceases when the retiree becomes eligible for Medicare through age or disability.

TriMet union employees are provided certain retiree health benefits in TriMet’s 2016-2019 union contract and are now PAYGO affordable for the term of the contract.

TriMet union employees that retired prior to February 1, 1992 - TriMet will pay the full cost of healthcare premiums for the retirees and their dependents.

TriMet union employees who retired on or after February 1, 1992 and hired on or before October 24, 2014, and who retiree on or after that date - For pre-Medicare eligible retirees, TriMet pays 95% of the health care premium for union retirees in the 20% co-insurance PPO, $10 Kaiser HMO co-pay plan and dental plans. If the retiree elects the 10% co-insurance PPO plan or the HDHP/HSA, TriMet
will pay the same contribution amount as it would have paid had the employee elected the 20% co-insurance PPO plan. When the retiree elects the HDHP, TriMet will also contribute the difference between its contribution amount and the total HDHP premium amount to an HSA account. 2018 Regence premiums went up 3.7% while Kaiser Non-Medicare medical premiums decreased 2.4%, Kaiser Sr. Advantage Plan decreased 2.2%, Kaiser dental premiums increased 14%, United Healthcare decreased 3.3%, and Delta Dental (formally known as MODA) decreased 4.0%. The retiree must enroll in a Medicare Advantage Plan when Medicare eligible.

Employees hired on or after October 25, 2014, and who meet the qualifications for full retirement are eligible for a monthly stipend to age 65 only. The stipend is $800 per month, which is inflated by CPI-W West (B/C) effective with the 2016-19 contract.

22. Diesel Fuel

Diesel fuel costs decreased significantly in FY2016 with nearly a 40% decline from the year prior, however, over the last two years have steadily increased, due to a number of factors including congestion, fuel prices and service changes. Fixed route bus diesel fuel costs for FY2019 was budgeted at $2.15/gallon and currently thru January 2019 averages $2.13/gallon and expected to increase moderately by the fiscal year-end. In FY2020, bus diesel fuel costs forecast for $2.15 per gallon.

U.S. Energy Information Administration (EIA) forecasts world crude oil prices to rise gradually in 2020. Although EIA forecasts that oil prices will remain lower during most of 2018, the forecast includes some increase in prices from December 2018 levels in early 2019 in order to keep up with demand growth and support the increased need for global oil inventories to maintain five-year average levels of demand cover. EIA expects crude oil prices to continue to increase in late 2019 and early 2020 because of an increase in refinery demand for light-sweet crude oil, which is the result of regulations from the International Maritime Organization that will limit the sulfur content in marine fuels used by ocean-going vessels to 0.5% by volume, a reduction from the previous limit of 3.5%.

23. Electricity and Other Utilities

Electricity and other utility costs (not including propulsion power) were $3.5 million in FY2016 and $3.9 million in FY2017 and $3.6 million in FY2018. In FY2019, costs are expected to increase by 2% and progressively increase an average of 6% as the agency integrates electrification of the fleet.

Propulsion power provides the electricity for the light rail vehicles. Propulsion power costs were $5.1 million in FY2016, $5.3 million in FY2017 and $5.2 million in FY2018. Costs are projected to be $5.3 million in FY2019, $5.5 million in FY2020 and increase 2.0% thereafter. There are no increases for light rail expansion the Forecast at this time.
24. Other Materials and Services

Other materials and service costs are projected to increase with general cost inflation.

The result of all of the above Forecast assumptions is a weighted average personnel services and materials and services inflation rate each year. Excluding capital and debt service, this rate averages a 1.0% increase going forward for materials & services on expenses for which TriMet has discretion. TriMet decreased the rate from 2.7% in FY2016 to 1.0% for the last three years and further reducing the rate increase to 0.75% in FY2020. Increases for non-discretionary materials and services are entered on a zero-based budget (ZBB) method based on intergovernmental agreements and contracts.

25. Bus Operations: Existing Services

Existing Services include costs for Bus Transportation and Bus Maintenance, inclusive of diesel fuel. The FY2020 Bus Operations cost estimate is based on TriMet’s FY2019 Adopted Budget. To project expected Bus Operations costs (both increases and reductions) in personnel and materials and services costs based on the above described assumptions were made in the Forecast. This process is repeated for each year in the forecast period.

A multi-year Forecast of materials and services needed for the bus fleet component replacement (overhauls) is incorporated in the Bus Maintenance Department budget.

26. Accessible Transportation Program (ATP or “LIFT”)

ATP includes the eligibility, reservations, scheduling, dispatch, customer service, transportation and maintenance costs of complementary paratransit services provided for people with disabilities. LIFT Service Delivery and Eligibility costs (including diesel fuel) comprise 93.0% of the FY2020 $40.4 million budget. In LIFT Service Delivery, the majority of the budgeted costs are in fulfillment of service contracts: $2.49 million in the Central Dispatch contract, $2.8 million maintenance contract, $3.8 million supplemental private for-hire transportation services contract, and $25.9 million for transportation operations and delivery. In LIFT Eligibility, the majority of the budget is consumed by a $384,000 eligibility assessment contract, $210,000 transportation to eligibility, and $173,000 in office space lease.

LIFT is a requirement of the Americans with Disabilities Act (ADA), yet TriMet receives no federal funding for ADA paratransit. Transit agencies have to provide all ADA paratransit (origin-to-destination) rides requested by eligible individuals, without regard to the district’s financial situation. LIFT costs per ride are about 8-10 times the cost of a fixed route ride.

The ADA complementary paratransit (LIFT) Forecast includes the cost of current service levels and the cost of estimated service growth. LIFT provides origin-to-destination transportation for individuals who are unable to access fixed route services due to a disability.
Because ADA paratransit rides are individually scheduled, demand for paratransit is proportional to increases in costs. FY2020 and beyond, costs are the product of the resulting rate of growth of ridership, changes and challenges in service delivery, and the inflation rate applicable to the costs of such services.

LIFT costs grew at double digit rates annually until FY2008, when they began to moderate. TriMet has reduced the growth rate of LIFT with the following actions:

- **2003:** RideWise fixed route travel training began ($4 million annual savings)
- **2007-2009:**
  - Low-cost/no-cost services (donated vehicle, vehicle sharing, Ride Together programs) began
  - Additional neighborhood shuttles for seniors and disabled
- **2010:** In-person LIFT eligibility assessments began
- **2012:** LIFT fare increases $0.30 a year until it reached fixed route All Zone fare
- **2012:** TriMet reduced the evening and weekend LIFT ADA paratransit service (however, ADA paratransit service is required to meet the same hours and level of service as fixed route for the day/time of service for locations within ¾ mile of fixed route)
- **2017-2018:** A concerted effort will be made to limit cab usage

TriMet contracts with outside vendor(s) for operation of LIFT including eligibility assessments, scheduling, reservations, customer service, transportation services, dispatch service, and vehicle maintenance. As backup to the LIFT transportation services TriMet contracts for supplemental cab service. TriMet entered into new contracts effective July 1, 2016 for two years with four (4) one-year extensions for dispatch, maintenance and transportation costs. TriMet entered into a new supplemental cab services contract effective June 1, 2017 for two years with three (3) one-year extensions. TriMet entered into a new eligibility assessment contract effective December 16, 2017 for one year with four (4) one-year extensions

The following table displays the actual/budgeted costs of contract services over the past five years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Dispatch Costs</th>
<th>Maintenance Costs</th>
<th>Transportation Costs</th>
<th>Cab Services</th>
<th>Eligibility Assessments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019 - Budget</td>
<td>$2,390,352</td>
<td>$2,650,305</td>
<td>$25,988,027</td>
<td>$3,627,920</td>
<td>$366,995</td>
</tr>
<tr>
<td>FY2018 - Actual</td>
<td>$2,347,590</td>
<td>$2,396,825</td>
<td>$24,337,735</td>
<td>$4,211,529</td>
<td>$347,765</td>
</tr>
<tr>
<td>FY2017 - Actual</td>
<td>$1,848,801</td>
<td>$2,396,263</td>
<td>$23,902,758</td>
<td>$4,038,098</td>
<td>$330,577</td>
</tr>
<tr>
<td>FY2016 - Actual</td>
<td>$2,072,134</td>
<td>$2,379,046</td>
<td>$21,804,097</td>
<td>$3,971,723</td>
<td>$309,596</td>
</tr>
<tr>
<td>FY2015 - Actual</td>
<td>$2,076,860</td>
<td>$2,378,640</td>
<td>$20,527,727</td>
<td>$3,314,609</td>
<td>$341,321</td>
</tr>
</tbody>
</table>
In FY2020, department costs are estimated to be $40.4 million including personnel services and materials and services, then increasing based on above described assumptions for personnel services and materials and services.

27. Light Rail Operations: Existing Services

Light Rail Operations existing services budget includes costs for Field Operation, Rail Transportation, Equipment Maintenance, Maintenance of Way (MOW) and facilities. The FY2020 Rail cost estimate is based on TriMet’s FY2019 Adopted Budget. To calculate expected Rail Operations costs for future years, changes in personnel and materials and services costs based on the above-described inflation assumptions were made. This process is repeated for each year of the Forecast.

Light Rail Vehicle Rehabilitation and Overhaul Costs are also included in the Forecast. TriMet’s rail vehicles are maintained in State-of-Good-Repair throughout their life with a progressive overhaul program. Unlike most other rail agencies, TriMet’s rail vehicles are not removed from service for an extensive period for overhaul. The overall Light Rail Vehicle (LRV) maintenance program consists of a continual program of preventive maintenance, running repairs, component rebuilds, progressive overhaul, modifications (product improvements) and equipment engineering analysis and training. These six programs require about 1,100 labor hours per year per vehicle.

A multi-year Forecast of materials and services needed for LRV fleet component replacement (overhauls) is incorporated annually into the budget. In FY2016, $2.7 million was added to for overhauls, $3.3M was added in FY2017, $5.7 million was added in FY2018 and $13.7 was added in FY2019. For FY2020, $4.0 million is added for the light rail overhaul program. The increase in the overhaul program is mostly due to the age of the Type 2 and Type 3 light rail vehicles and includes a host of different vehicle parts. Additionally, the FY2020 forecast includes $10.5 million for mid-life rebuilds, also inclusive of Type 2 and Type 3 light rail vehicles, and are completed by a third party contractor.

Most of the MOW preventive maintenance, corrective maintenance, and overhaul needed to maintain the light railway in State-of-Good-Repair are included in the operating budget. Track is maintained per the Federal Railroad Administration (FRA) standards for a Class 4 railroad. Signal equipment is replaced and maintained to rules/regulations and ODOT requirements. The overhead catenary system is maintained to IEE (International Electrical Engineers), industry standards, and equipment manufacturer requirements. Substations are maintained to industry standards and equipment manufacturer requirements.

Light Rail MOW such as rail grinding and surfacing, maintenance and repair of rail operating and customer facilities that is not included in the Rail Maintenance operations budget is included in the Capital Improvement Program. Requirements are reviewed and the Forecast is updated annually.
28. Commuter Rail Operations

The Commuter Rail Operations budget includes the operations and MOW costs of the Commuter Rail line. Commuter Rail service is provided during a 3-hour morning and a 3-hour afternoon commute period each weekday, except for those weekdays designated as a holiday by TriMet.

Responsibility for operations of the Commuter Rail line is divided as follows between TriMet and the Portland & Western Railroad, a short-line rail operator providing freight service in the Commuter Rail corridor:

- **TriMet** maintains vehicles and facilities (i.e. stations, park and rides)
- **Portland & Western Railroad** operates Commuter Rail trains, provides dispatch functions and maintains the right-of-way

TriMet WES management and Portland & Western Railroad collaboratively provide the cost estimates for Maintenance of Way as the system ages. Those costs are included in the Forecast.

29. Streetcar Operations: Existing Services

TriMet and the City of Portland have entered into a Streetcar Master Agreement under which TriMet’s share of Streetcar operations funding increases as ridership increases over time, while the City’s funding share decreases. In return, the City is responsible for Streetcar capital maintenance as the system ages. The Streetcar operations budget includes the cost of TriMet operators, mechanics and superintendents for the Streetcar. It also includes TriMet’s annual funding contribution to the City for Streetcar operations. The City reimburses TriMet for personnel services costs. The reimbursement is included in Other Operating Revenue.

In FY2015, TriMet’s contribution was approximately $4.2 million. For FY2016, TriMet’s funding contribution increased to approximately $6.3 million reflecting increased ridership on the NS line, completion of the Close-the-Loop extension of the Streetcar system which opened September 2015, and $1 million contribution to reimburse the City for TriMet fares honored on Streetcar. In FY2017, TriMet’s contribution was $6.5 million plus a $1 million contribution to reimburse the City for TriMet fares. In FY2018, TriMet’s contribution was estimated to be $7.2 million plus a $.5 million contribution. In FY2019, TriMet’s contribution is estimated to be $8.8 million with no contribution. In FY2020, TriMet’s contribution is estimated to be $9.0 million.

TriMet’s fare survey provides the basis for an estimate that $1.2 million to $1.5 million in value of boardings are made on Streetcar with TriMet passes, tickets and transfers, annually.
30. **Facilities**

The Facilities Management budget includes costs associated with maintaining TriMet’s facility assets in a State-of-Good-Repair. To project expected Facilities costs for future years, increases and reductions in personnel and materials and services costs based on the above described assumptions were made in the Forecast. This process is repeated for each year in the Forecast period.

31. **Security and Operations Support**

The FY2020 cost estimate for Operations Administration, Operations Support, and Security is based on TriMet’s FY2019 Adopted Budget. To calculate expected Security and Operations Support costs for FY2020 (both increases and reductions), personnel, materials and services costs, and contract agreements for outside security services were made based on inflationary assumptions.

In FY2018, the Safety & Security Division budget increased to reflect the addition of six training supervisors and one manager of fare enforcement in addition to $1.3 million authorization for contracted security services. In FY2019, the Division added a Director of Safety and Emergency Management, a System Safety Specialists, additional training staff, and transit police officers. In FY2020, the Safety & Security division budget reflects an increase which includes additional Fare Inspectors, two Assistant Managers, and a System Safety Manager.

32. **Engineering & Construction Division**

The Engineering & Construction Division is responsible for major project planning, development and delivery of projects in the Capital Improvement Program (CIP). To calculate the expected Engineering & Construction Division costs for FY2020 (both increases and reductions) in personnel and materials and services costs were made based on inflationary assumptions and CIP. Starting in FY2017, all divisional staff were incorporated into the baseline budget with an offset for capitalized labor. Continuing in FY2020 and thereafter a partial offset for capitalized labor is incorporated into the Forecast.

33. **General & Administration**

General & Administrative costs include costs associated with the day to day administrative operations of TriMet and includes the Office of the General Manager, Finance and Administration, Labor Relations/Human Resources, Public Affairs, Legal Services, Information Technology and Safety & Security. To calculate expected General Administration costs for FY2020, changes in personnel and materials and services costs were made based on inflationary assumptions referenced above.
addition, increased costs due to service increases, the Low Income Fare Program, and other personnel changes are taken into account.

34. Capital Improvement Program

These projects include expenditures for TriMet’s Capital Improvement Program (CIP). CIP projects are focused on maintaining assets in a State-of-Good-Repair (SGR) and managing our asset portfolio to allow the expansion and enhancement of the various transportation services.

State of Good Repair

SGR projects are those focused on managing the replacement or rehabilitation of infrastructure, facilities, vehicles (Fixed Route Bus, LIFT, MAX, WES) and equipment. These programs factor in available industry and information technology improvements as they are available.

A schedule of specific improvements and vehicle and equipment replacements is included in TriMet’s CIP. TriMet’s FY2020 CIP budget dedicates approximately 52% of available funding to State-of-Good-Repair efforts. The following summarizes key elements of the SGR work reflected in the FY2020 CIP:

- **Buses:** 351 fixed route buses replaced FY2013-FY2018, resuming to an annual 1/16th (useful life) of the bus fleet in FY2017. An additional 39 and 46 buses will be replaced in FY2019 and FY2020 respectively.

- **ADA paratransit vehicles:** replace between 5 and 8 years, depending on the type of vehicle. In FY2020, 42 vehicles will be replaced.

- **Fare system replacement:** $41.3 million for Hop Fastpass payment system FY2013-FY2020. CCTV and fiber optic replacement/improvement effort is underway.

- **MOW engineers forecast annual track, signals and overhead catenary system capital maintenance and replacement as the system ages.**

- **LRVs are scheduled to be replaced at approximately 35 years of age or at 2 million miles. There is also a LRV rebuild program that is being piloted that will impact the replacement schedule, however, the specifics of that revised timeline are currently being determined.**

- **Operating facilities SGR rehabilitation (Center Maintenance, Merlo, Ruby, Powell, and Elmonica).**

- **Elevator overhauls enter the fourth year of the project which include replacing or overhauling eight elevators in FY2020.**

- **Blue line station rehabilitation project continues throughout the Forecast.**
- Steel Bridge Transit Improvements will be fully under way in FY2020.

- Signal and power asset management, as well as track rehab, continue at select locations on MAX.

**Vehicle & Equipment Acquisitions**

CIP projects are also focused on the acquisition of additional (non-replacement) fixed route buses, paratransit vehicles, light rail vehicles, and other equipment to meet the needs of forecast service and ridership increases. Expected acquisitions for FY2020 and beyond include:

- **Buses**: With significant service expansion tied to the HB2017 funding (in addition to the Division Transit Project), there are elevated purchase plans for expansion buses over the next several years. Additionally, a bus refurbishment program is being piloted in FY2020 to extend bus useful life while reducing maintenance & replacement costs.

- **LIFT Fleet**: Previously contracted expansions to the LIFT fleet continue in FY2020.

- **Positive Train Control (PTC)**: PTC systems on the WES cars as required by the Federal Railroad Administration, funded with TriMet General Funds totaling $12.7 million. The project started in FY2011 and is expected to be completed in FY2020.

**Long-Term Capital Needs**

Additionally, the FY2020 CIP portfolio has several other large projects that focus on continuing to: (1) expand service; (2) enhance existing service provided for riders & employees to ensure it is more safe, efficient, and reliable; and, (3) ensure we have all the facilities and assets required to support all of the SGR, enhancement, and expansion efforts. A few of the long-term capital projects include:

- **Service Expansion/Enhancement**
  - Division Transit Project – Currently awaiting Federal funding
  - Southwest Corridor Light Rail Project – Currently working toward a GO Bond Initiative and Federal funding
  - MAX Red Line extension to Fairplex – expecting to apply for Federal funding in FY2020

- **Facility Expansion/Enhancement**
  - Columbia Bus Base (fourth bus base)
  - Powell maintenance facility overhaul
  - Updates/reutilization/expansion of Ruby Junction site
On average, the General Fund has historically had the capacity to fund $50-$65 million per year for projects. However, with increased pressures on the demand for service, leveraging debt, and increases in operating costs, has decreased available capital contributions from the general fund. TriMet annually reviews the availability of general funds and debt capacity along with our own capacity to deliver when deciding on a financial strategy for the CIP.

In the years ahead, TriMet will need to continue to be strategic, fully analyzing the needs of the region and meeting its transportation demands. Full consideration in each year of the Forecast will be given to leveraging debt, finding efficiencies within the current structure, understanding elasticity of fare changes and exploring opportunities for federal and state funding to ensure the transit agency continues to operate at a high level.
Debt Service

35. Outstanding Debt

This line item addresses all debt service, both senior lien payroll tax revenue bonds and grant receipt backed bonds. On new debt, issuance costs and fees are a one-time cost in the year of issuance that is approximately 2% of the face value of the bonds issued. Interest rates to be paid are assumed at 3.0%-5.5%, with interest cost net of premium assumed at 2.0%-4.5%. TriMet has the following payroll tax and grant-backed revenue bonds:

2009 Revenue Bonds: Series A&B: $66.6 million senior lien payroll tax revenue bonds to reimburse the General Fund for Commuter Rail cost increases and the FY2009 bus order and to partially pay for the bus communications system replacement ($54.1 million tax-exempt bonds and $12.5 million Build America Bonds Direct Payment). The bond payments for FY2021-FY2030 were defeased with the issuance of bonds in FY2016. The last year of payment is FY2034.

2011 Capital Grant receipt Revenue Bonds: $142.4 million (issued with a $13.3 million premium) grant receipt backed revenue bonds, $119.0 million for Portland-Milwaukie Light Rail Project construction and $14.5 million for the bus replacement, $6 million tax exempt bonds for Lake Oswego and $6 million taxable bonds for Southwest Corridor Alternatives Analysis and $10.2 million for capitalized interest. Debt service is structured so that principal and interest can be fully paid with the multi-year commitment of MTIP funds, which began in FY2012. The scheduled payments due in October 2022 through 2027 have been refunded with the 2017 Series A Capital Grant Receipt Revenue Refunding Bonds.

2012 Payroll Tax Revenue Bonds: $93.3 million senior lien payroll tax revenue bonds for TriMet’s share of the Orange Line MAX, replacement of fixed route buses, to refurbish fareboxes and ticket vending machines, WES positive train control as mandated by the 2008 Rail Safety Act, the Maintenance of Way Central maintenance facility, and the remaining costs of the bus, rail and paratransit communications systems. TriMet’s Orange Line MAX share is paid for with increases in payroll tax revenue from the payroll tax rate increases. The bond payments for FY2023-FY2038 were defeased with the issuance of bonds in FY2016. The last year of payment is FY2023.

2013 Payroll Tax and Grant Receipt Revenue Bonds
Payroll Tax and Grant Receipt Revenue Bonds, Series 2013. TriMet issued $325 million in Payroll Tax and Grant Receipt Revenue Bonds to provide interim financing for the Orange Line MAX. Bond proceeds are being used to provide project cash flow in advance of federal grants. The bonds are payable from and secured by Section 5309 federal grant funds related to the Orange Line MAX, with interest payable from a pledge of the employer and self-employment taxes levied by the district, and debt service account. The last year of payment is FY2020.

2015 Payroll Tax Revenue Bonds: Series A&B: $134.6 million senior lien payroll tax revenue bonds. In this transaction, TriMet refunded certain outstanding Senior Lien Bonds from the 2005A, 2007A and 2009A Series, and provides approximately $80 million to pay costs of transit-related
capital projects including the Electronic Fare System and partial funding of replacement fixed route buses. Last year of payment for the Series A is FY2041 and Series B is FY2032.

**2016 Revenue Refunding Bonds**: Series A: $74.8 million senior lien payroll tax revenue bonds. In this transaction, TriMet refunded a portion of the 2009 and 2012 outstanding senior lien bonds. Last year of payment is FY2038.

**2017 Payroll Tax Revenue Bonds**: Series A: $97.4 million senior lien payroll tax revenue bonds. In this transaction, TriMet expects to finance all or a portion of the costs of certain transit-related capital projects including fixed route buses, electronic fare system, Powell LIFT relocation, land acquisitions and station/signal room renovations.

**2017 Capital Grant Receipt Revenue Refunding Bonds**: Series 2017A: $76 million grant receipt backed revenue bonds used to refund the Series 2011A payments due in 2022 through 2027.

**2018 Payroll Tax Revenue Bonds, Series A**: $148.3 million senior lien payroll tax revenue bonds to finance capital projects including Powell Garage, bus replacements, a fourth bus base and replacement of light rail vehicles.

**2018 Capital Grant Receipt Revenue Bonds**: $113.9 million Capital Grant Receipt Revenue Bonds to pay for a portion of the costs of capital projects, including the Southwest Corridor, Division Transit, and Powell Garage projects among others.

### 36. Projected Debt

The Forecast currently assumes that TriMet will issue debt every two years. TriMet may elect to issue debt more frequently depending on favorable market conditions. TriMet is in early consideration of issuing additional Revenue Bonds in FY2020 that would help support funding major projects including Columbia Bus Base, Division Transit Project,

Vehicle & Equipment Acquisitions/ Replacement. Vehicle additions or replacements (net of grants), light rail vehicles and line extensions.

Projects are subject to change based on TriMet’s Capital Improvement Program project prioritization. Debt service as a percent of net continuing revenues is below the 6% debt ceiling in TriMet’s Strategic Financial Plan and Debt Management Plan.
Future Service Assumptions

This section addresses changes to operating expenses associated with new bus and rail services during the Forecast period. The major expenses from future service are described below:

37. **Bus Operations: Service Reliability and Peak Demand**

Bus service is expected to increase each year to meet peak ridership demand and maintain schedule reliability on currently operating bus lines as the region grows. Increases in service are dependent upon available funding; however, Table 1 on page 13 anticipates a level of growth that may be adjusted on a year-to-year basis. Based on approved service increases (inclusive of the payroll tax increase and HB2017), the Forecast includes bus purchases every year for the next several years to support the currently estimated bus service increases and capacity/reliability elements of the service.

HB2017 service increases FY2019 by approximately 1.1%, while future years will increase by an additional 7.6% through FY2024. In addition, to HB2017 funded service the current employer tax increment will fund a 5.6% increase in service, which includes the Division Transit project.

38. **Rail Operations: Blue, Red, Yellow, Green and Orange Lines Peak Demand**

TriMet grew substantially with the opening of the Orange Line MAX in September 2015 and restoration of mid-day and evening service. Going forward, starting in FY2019, due to the flat ridership experienced on MAX, there is no planned additional expansion in service or operating hours. At this time, pending future FTA approval, the Forecast does anticipate a MAX Red Line Extension in FY2023.

39. **WES Commuter Rail Operations: Peak Capacity**

No additional service is included in the Forecast at this time due to the flat ridership on WES.