# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>1</td>
</tr>
<tr>
<td>Section 1 – ECONOMIC INDICATORS</td>
<td>5</td>
</tr>
<tr>
<td>Section 2 – LONG-TERM PROJECTIONS</td>
<td>11</td>
</tr>
<tr>
<td>Section 3 – FY2017 FINANCIAL FORECAST ASSUMPTIONS REPORT</td>
<td>15</td>
</tr>
</tbody>
</table>

## A. Revenue Forecast Assumptions
1. Passenger Revenues
2. Ridership Forecasts
3. Fare Agreements and Programs
4. Fare Revenue Conclusions
5. Other Operating Revenues
6. Payroll Tax Revenues (Employer and Municipal)
7. Self-Employment Tax Revenues
8. State-In-Lieu of Tax Revenues
9. Grant and Capital Project Reimbursements
10. Interest Earnings
11. Accessible Transportation Program (ATP) Funds
12. One-Time-Only Revenues
13. Undistributed Budgetary Fund Balance
14. Total Revenues

## B. System Operating Maintenance and Capital Cost Assumptions
15. Cost Inflation
16. Wages and Salaries
17. Health Plans
18. Workers Compensation
19. Pensions
20. Diesel Fuel
21. Electricity and Other Utilities
22. Other Materials and Services
23. Bus Operations: Existing Services
24. Light Rail Operations: Existing Services
25. Commuter Rail Operations
26. Streetcar Operations: Existing Services
27. Field Services: Road and Rail Supervision, Dispatch and Control, Fare Inspection
28. Facilities 38
29. Accessible Transportation Program (ATP or “LIFT”) 39
30. Security and Operations Support 40
31. Capital Projects Development 40
32. Funding Exchanges 40
33. General & Administration 40
34. Retiree Medical (Other Post Employment Benefits) 40
35. Capital and Operating Projects Program 42

C. Debt Service
36. Outstanding Debt 45
37. Projected Debt 46

D. Future Service Assumptions
38. Bus Operations: Service Reliability and Peak Demand 47
39. Rail Operations: Blue, Red, Yellow and Green Lines Peak Demand 47
40. Commuter Rail Operations: Peak Capacity 47
FY2017 FINANCIAL FORECAST - EXECUTIVE SUMMARY

The FY2017 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 FY2017 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 FY2016 Budget Forecast and Financial Analysis report was issued in February 2015, TriMet opened the Orange Line MAX, increased the employer/municipal payroll tax rate and implemented the labor agreement on a multi-year contract with terms that adjusted the long-term liability for Other Post Employment Benefits (OPEB) to a more fiscally sustainable level. Projections now indicate that revenues and expenditures are expected to be closely aligned over the long-term. Those terms are explained in the sections on Health Plans and Pensions.

Since July 2014, with the adoption of a Strategic Financial Plan, the TriMet Board continues to reaffirm its commitment to maintain and grow service and ensure 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 plan.

The Strategic Financial Plan 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:

- Are in alignment 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 FY2017 Budget Themes which include the following:

- Safety
- Implementing Service Enhancement Plans
- Maintaining and preserving the System
- Improving system reliability
- Building ridership
• Advancing regional corridor projects

Additional information on how this Forecast aligns with those guidelines and themes is found in the FY2017 Financial Forecast Assumptions Report section.

Economic Indicators:
Section I provides 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 October 2015, and the next update of these indicators will be received in April 2016. As shown on the tables, the economy of the region is on the upswing and real growth is indicated. Total Non-Farm Payroll Employment is up and unemployment is down.

Long-Term Planning:
Section 2 provides a 10-year forward look at expected revenues, expenditures, unrestricted fund balance and the number of months of unrestricted budgetary fund balance. It also provides a summary of the key assumptions that drive the FFM and this Forecast. The tables in the next section show visually how the projections look over time.

FY2017 Financial Forecast Assumptions Report:
Section 3 is TriMet’s in-depth report that touches on the budget process and financial guidelines. It also includes a discussion on all revenue forecast assumptions; system operating maintenance and capital cost assumptions; debt service and future service assumptions.

The Forecast includes employer payroll tax increases over the next 10 years, fare revenue and ridership projections that are conservatively based on expectations of growth following the opening of the Orange Line MAX in September 2015 and various service improvements. Fare revenue projections also reflect the pressure of the initiation of revenue sharing with the City of Portland for the trips made on Streetcar with TriMet passes and the fiscal impact of the 2015 action to extend transfer times from 2 hours to 2.5 hours.

Payroll tax revenues continue to increase at growth rates projected 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 last year, there is more certainty for transportation agencies over the next five years of Federal funding nationally and this is also true for TriMet. With the FAST Act in place TriMet can expect an approximate 4.8% increase in Federal funding for FY2017 and leveling out to around 2% annual increases thereafter.

The Forecast has incorporated a decline in Diesel Fuel projections in FY2017 and an expectation that fuel prices will remain flat in FY2018 with modest increases in later years. This is also a data point that is monitored closely.
A full discussion of the current state of TriMet’s Retiree Medical cost and future (OPEB) liability is included in the Forecast.

The report also contains a section on Capital and Operating Projects. Over the past two years management redesigned the Capital Improvement Program (CIP) and review process that has resulted in changes to the prioritization of some projects contained within the current program so that they are positioned to match available resources on the five-year plan and the longer term 40-year plan.

Changes in the prioritization of projects through this process may also change the structure of future debt issuances where specific projects are named.

**Conclusion:**
Generally, the Forecast for the periods covered projects a relatively positive financial future for TriMet. There are some touch points in the outer years that relate primarily to the high dollar light rail vehicle replacements. However, even those variables will change as those years approach and funding solutions are identified for those projects.

All expenditure projections are subject to available funding and 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 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
The following tables provide a look at the underlying economic conditions upon which the Forecast assumptions are based. All tables provide data through December 2015 which is the most current available as of the date of this report, except the Home Price Index indicator which provides data through November 2015. If warranted, assumptions will be changed and the proposed budget upon which the assumptions are based will be adjusted and reported to the Board before the end of the FY2017 budget cycle.

Each of the following tables indicate that the region is in growth mode which will likely continue. Expectations are that revenues based on economic growth will also continue to grow.

Payroll revenue and job creation, through December 2015, show significant improvement and unemployment continues to decline to its pre-recession peak rate. The Gross Domestic Product recovery from the last recession has been slower compared to the last 10 recessions.

The Home Price Index, a lagging indicator of economic activity, through November 2015 also continues to increase, which is favorable for economic growth. Portland continues to report the highest year over year gains among the 20 cities in the U.S. (with another month of double digit annual price increases experienced in November 2015).

### Seasonally Adjusted Total Nonfarm Payroll Employment Portland-Vancouver-Hillsboro MSA (June 2002-December 2015)

Source: Oregon Employment Department

Note: Shaded area represents recession as determined by the National Bureau of Economic Research (NBER)
Year over Year Change in Tri-County Nonfarm Employment
(Not Seasonally Adjusted)

Source: Oregon Employment Department

U.S. and Portland-Vancouver-Hillsboro MSA Unemployment Rate
Seasonally Adjusted (June 2000 to December 2015)

Note: Shaded areas represent recessions as determined by the National Bureau of Economic Research (NBER)
Gross Domestic Product (GDP) Percent Change Based on Chained 2009 Dollars

Source: U.S. Bureau of Economic Analysis

Case-Shiller Home Price Index Percent Change for Portland through November 2015

Note: Shaded area represent recession as determined by the National Bureau of Economic Research (NBER)
SECTION 2 – LONG-TERM PROJECTIONS
### Table 1. Revenues and Expenditures (millions) and Key Assumptions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>552</td>
<td>596</td>
<td>626</td>
<td>654</td>
<td>583</td>
<td>713</td>
<td>745</td>
<td>780</td>
<td>816</td>
<td>852</td>
</tr>
<tr>
<td>Expenditures</td>
<td>528</td>
<td>592</td>
<td>621</td>
<td>630</td>
<td>578</td>
<td>708</td>
<td>740</td>
<td>775</td>
<td>811</td>
<td>843</td>
</tr>
<tr>
<td>Revenues over Expenditures</td>
<td>25</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Beg./Unrestricted Budgetary Fund Balance</td>
<td>138</td>
<td>103</td>
<td>107</td>
<td>112</td>
<td>116</td>
<td>120</td>
<td>126</td>
<td>130</td>
<td>136</td>
<td>140</td>
</tr>
<tr>
<td>End./Unrestricted Budgetary Fund Balance</td>
<td>133</td>
<td>107</td>
<td>112</td>
<td>116</td>
<td>120</td>
<td>126</td>
<td>130</td>
<td>136</td>
<td>140</td>
<td>149</td>
</tr>
<tr>
<td>Months Unrestricted Budgetary Fund Balance *</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**: 2.7% 3.5% 2.0% 1.5% 1.6% 1.6% 1.7% 1.7% 1.7% 1.8%
- **Payroll Tax Base (underlying growth)**: 6.5% 5.7% 5.7% 4.7% 4.7% 4.7% 4.7% 4.7% 4.7% 4.7%
- **Payroll Tax Base (growth w/ increment)**: 7.6% 7.1% 6.1% 6.1% 6.0% 6.0% 6.0% 6.0% 6.0% 6.0%
- **Federal Formula Funds**: 4.8% 2.0% 2.1% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0%
- **Federal Formula Funds (MTIP for debt service)**: 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
- **Federal Formula Funds (increase due to MAX age - 8 yr)**: N/A N/A 2.1% 23.8% 2.0% 2.0% 2.0% 25.8% 2.0% 2.0%
- **Personnel Services**: 2.4% 3.5% 3.6% 3.5% 3.6% 3.6% 3.6% 3.5% 3.5% 3.7%
- **Materials & Services**: 1.0% 1.0% 1.0% 1.0% 1.0% 1.0% 1.0% 1.0% 1.0% 1.0%
- **Diesel Fuel & Utilities**: 0.0% 0.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0%
- **Funding of Pension OPEB UAAL (incl. Normal Cost)**: 4.5% 3.9% 3.5% 3.0% 3.3% 3.4% 3.3% 3.1% 3.0% 3.9%
- **Sr. Lien Debt as a % of Revenue**: 2.6% 2.1% 2.7% 2.1% 2.1% 2.1% 2.1% 2.1% 2.1% 2.1%
- **Fixed Route Service Hours (MAX & Bus)**: 3.0% 2.3% 2.1% 2.3% 2.3% 2.3% 2.3% 2.3% 2.3% 2.3%
- **Bus Service Hours**: 0.0% 0.8% 6.5% 0.8% 0.8% 0.8% 0.8% 0.8% 0.8% 0.8%
- **MAX Service Hours (incl. PMLR)**: 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0%
- **Streetcar Service Hours** **(PMLR)**: 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
- **Retiree Medical PAYGO**: 1.0% 8.7% 8.2% 7.6% 6.7% 6.2% 6.4% 6.2% 6.9% 5.9%
- **Active Health Benefits per FTE (excludes ACA Tax)**: 6.0% 6.0% 6.0% 6.0% 6.0% 6.0% 6.0% 6.0% 6.0% 6.0%

* Months Unrestricted Budgetary Fund Balance is based on operating expenditures and does not include costs associated with capital and operating projects.

** TriMet and City Share Streetcar Costs under Master Agreement.
FY2017 expenditures over revenues is due to the under spend in FY2016 of capital program projects which flow to fund balance. However, those same projects are committed in FY2017 and future years. Therefore, FY2017 draws on fund balance as the funding source for the projects while still maintaining required reserve levels.
SECTION 3 – FY2017 FINANCIAL FORECAST ASSUMPTIONS REPORT
(Page left intentionally blank)
**FY2017 FINANCIAL FORECAST - ASSUMPTIONS REPORT**

TriMet's budget process begins each fall 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 business plan or proposed plan Forecast that includes any 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. The proposed plan addresses these guidelines toward maintaining fiscal stability:

1. One-time-only (OTO) revenues are used to support one-time-only expenditures.
2. Continuing Revenues (CR) are used to support Continuing Expenditures (CE) or one-time Expenditures and are in balance throughout the Forecast.
3. Unrestricted ending fund balances meet the requirements of the Strategic Financial Plan (SFP) throughout the Forecast.
4. An achievable, funded 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. Able to control costs and fund the existing transit system on balance over all business cycles with the current revenue base.

This Forecast report focuses on FY2017-FY2026, although the expanded Forecast has been extended to FY2040. This allows TriMet to incorporate the replacement of the Type I-III light rail vehicle fleets, purchase articulated buses 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 expenditure Forecast includes:

1. Projected payroll tax increases and corresponding changes in service.
2. Cost of operating and maintaining the existing transit system and projected increases in those costs.
3. Projected increases in fixed route bus and rail service to maintain headways and capacity as the region grows.
4. Projected costs of ADA complementary paratransit service.
5. Operating cost of other service changes.
6. Capital and operating project expenditures from the Capital Improvement Program (CIP).
7. Debt service expense and projected increases.
Revenue Forecast Assumptions

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

1. Passenger Revenues

At about 22% of total revenue (FY2015 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 7.1%. This strong growth is the result of growing ridership, multiple service improvements and higher than usual fare increases during this period. During the last two years (FY2014 & FY2015), revenue growth has been relatively flat, just below 2% with no rate increases during that time.

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 fare for each mode by the estimated ridership for that mode. In 1990, TriMet began a policy of increasing fares with inflation. In addition, TriMet has occasionally increased fares to offset high diesel fuel costs or to increase service.

The following table lists past and expected future fare increases 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>Regularly Scheduled</th>
<th>Special</th>
<th>Diesel Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$59,487</td>
<td>$0.05</td>
<td></td>
<td>$0.05</td>
</tr>
<tr>
<td>2006</td>
<td>$68,464</td>
<td>$0.05</td>
<td></td>
<td>$0.05, $.15</td>
</tr>
<tr>
<td>2007</td>
<td>$75,856</td>
<td>$0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$80,815</td>
<td>$0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$90,017</td>
<td>$0.05</td>
<td></td>
<td>$0.20</td>
</tr>
<tr>
<td>2010</td>
<td>$93,729</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$96,890</td>
<td>$0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$102,240</td>
<td>$0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$112,500</td>
<td>$.10-.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$114,618</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$116,734</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$119,629</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$123,094</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*FY2018 and beyond, average fare is assumed to grow 2.0% per year with inflation.
In September 2012, TriMet eliminated Fareless Rail and fare zones and increased the former 2-Zone fare $.40 cash/$19.00 pass to generate an additional $8.7 million in fare revenue. In September 2015, TriMet increased the Honored Citizen Fare from $1.00 to $1.25 to equal the Youth 50% discounted rate or half of the standard adult rate. TriMet has continued to keep fares steady since 2012. However, consideration will be given to increasing the single fare in FY2018 by $0.05.

TriMet increased the transfer time per ticket from 2 hours to 2.5 hours as of March 1, 2015. The fiscal impact (cost) of this change is estimated to be $1.75 million in FY2017 and average $1.75 million per year over the next 10 years, increasing as ridership grows.

Simplifying the fare system by eliminating zones will help ensure a smooth implementation in FY2017-FY2018 of electronic fare payment (eFare), a project already underway. Electronic payment of fares are expected to lower fare collection costs, improve financial controls, increase revenue, speed boarding times, increase the number of retail outlets that sell TriMet fares, and bring TriMet into the mainstream of electronic payment technology.

The eFare system addresses equity with a $5 daily cap and a $100 monthly cap to ride. Rather than purchasing a pass upfront, customers will be able to “buy a pass one ride at a time.” Convenience will be increased for cash paying customers, including unbanked or under banked customers, who will be 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 and higher revenue captured from electronic fares will cover the costs of the system over time.

2. Ridership Forecasts

Ridership, regardless of mode, is affected by three main components including fuel prices, economic conditions and reliability of service. Starting in FY2015, fuel prices have continued to decline while economic conditions have improved resulting in suppressed ridership growth. Reliability of service is effected by congestion, inclement weather, equipment downtime and other factors outside TriMet’s control (i.e., emergency delays).

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

FY2016 is projected to experience a 5.63% increase in MAX service boardings mainly due to the Orange Line MAX, which opened in September 2015.

The Orange Line MAX is averaging close to 11,000 weekday boardings thus far through FY2016. Fares are projected to generate approximately $3.6 million in the first nine months of operations. Starting in FY2017, ridership is estimated to stay flat (due to suppressed fuel prices) at 11,000 average weekday boardings generating $4.4 million per year. Moving forward, an estimated 4,400 daily bus boardings will be diverted to the Orange Line MAX. The resulting bus passenger revenue shift is accounted for in the Forecast.
In future years, the Orange Line MAX ridership is expected to grow at the same rate as existing MAX Lines. The underlying ridership growth, the growth rate of ridership on current existing service, is projected to be 0.2% in FY2017, increasing an average of 0.5% over the next 20 years.

B. Ridership Growth: Bus Service

In FY2017, underlying ridership growth, the growth rate of ridership on current service is projected to be 0.6%, then increasing in even increments of 0.9% over the next 20 years.

Annual bus service increases are incorporated in the Forecast to meet peak hour ridership demand and maintain schedule reliability in FY2017. Bus service hours are projected to increase 1.1% per year, specifically for these purposes. The additional passenger revenue that results from the ridership, and the increased operating costs that result from the service increase, are included in the Forecast.

In September 2015, the TriMet Board approved a payroll tax increase of 1/10th of 1% over the course of 10 years, starting January 1, 2016. As a result of this increase, bus service hours are projected to increase an additional 1.9%. The service enhancements will be phased in over time with the first enhancement scheduled for March 2016.

Bus service growth in FY2018 and beyond is projected to increase at a rate of 2.1% through the latest payroll tax increase. The Forecast will be adjusted for the Powell-Division Bus Rapid Transit project once a preferred alternative is selected with operations beginning in FY2020/FY2021.

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% and -6.9% FY2015. Further decline is expected and estimated at -7.2% by the end of FY2016. WES was carrying standing loads on some trips; however, the decline in fuel prices may have resulted in decreased ridership.

Currently, no expanded services are projected for WES, although underlying ridership is expected to grow at a rate of 2% over the next 20 years.

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

Future LIFT ridership growth is based on the state's population forecast by age for the tri-county area. About 30% of LIFT trips are made by individuals who are over age 70; their ridership is assumed to increase at the same rate of growth in the senior population as forecast by the State of Oregon. About 70% of LIFT trips are made by riders who are under age 70. Their ridership is assumed to grow with the growth in total population as forecast by the State of Oregon through 2030.
Starting in April 2012, TriMet increased the LIFT ADA paratransit single-ride fare $0.30 per year with a final increase in April 2014 to $2.50 to equal the regular fixed route full fare. The paratransit fare has remained at $2.50. LIFT passes are priced at approximately 30 cash trips per month. LIFT revenues increase with CPI in future years. The additional revenue from the LIFT fare increases is incorporated into the Forecast.

3. Fare Agreements and Programs

Access to Transit Fare Programs: At the same time TriMet raised the Honored Citizen fare in FY2016, TriMet also increased the Access to Transit Fare Program from $1.3 million a year to $1.5 million a year. The increase is intended to provide fares to help low income individuals and families afford the fares. The Forecast of passenger revenues incorporates the adjustment to the program.

Portland Public Schools: TriMet, the City of Portland and Portland Public Schools (PPS) have a 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 cost of the program is $2.9 million. In FY2016, the City of Portland and PPS will each pay TriMet $0.967 million and TriMet will subsidize the remaining $0.967 million. The program is expected to continue in FY2017.

Streetcar: TriMet's 2012 fare survey data indicates that the value of boardings made on Streetcar with TriMet passes is about $1.2 to $1.5 million a year. 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 partial payment in fulfillment of the Master Agreement. eFare will simplify the Streetcar fare reciprocity calculations as well as ensure accuracy.

4. Fare Revenue Conclusions

The result of the above assumptions is an average annual passenger revenue growth rate of 2.2% per year between FY2017 and FY2026. This growth rate reflects annual fare adjustments for inflation, passenger revenue, electronic fare payment and annual increases in bus and rail service.

5. Other Operating Revenues

Other Operating Revenue includes a variety of smaller continuing funding sources.

Most sources of Other Operating Revenue are estimated to increase 1% per year throughout the Forecast period. Notable revenue sources include:

C-TRAN: TriMet has a reciprocal fare arrangement with C-TRAN, the Vancouver, Washington transit agency, where C-TRAN pays TriMet 50% of its All Zone pass revenue. Full reciprocity will begin
after eFare is implemented. FY2016 revenue was estimated to be $200,000, FY2017 is estimated to be $200,000 and to grow at an even rate of 1.0% thereafter until eFare is fully implemented.

**Advertising Revenues:** The Forecast incorporates revenues from a seven-year advertising contract with Lamar Advertising, which began October 2013. In FY2014, revenues from advertising were down $2.3 million and down another $124,899 in FY2015; however, these decreases were expected due to a new contract agreement. In FY2017, advertising revenue is estimated to be $3.5 million and increasing at an average of 0.8% through FY2026.

**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 CPI in February 2014. The FY2014 contribution was $303,750, the FY2015 contribution was $311,205, and it is estimated at $316,725 for FY2016 and beyond.

**Mall Maintenance:** The City of Portland reimburses TriMet for Mall Maintenance costs. In FY2017 estimated costs are $837,984. The City payments will increase 1% in FY2016 and every year thereafter. 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. FY2017 costs are estimated to be $534,000.

**Streetcar Costs:** The City of Portland reimburses TriMet for Streetcar personnel costs and materials and services costs. FY2017 costs are estimated to be $7.2 million which includes a 3% increase to personnel (the addition of two positions and an increase in fringe benefits) and a 1% increase in materials and services.

**Miscellaneous Revenues** include a variety of revenues from year-to-year, generating $1.5-$2.5 million a year on average. FY2017 miscellaneous revenues are estimated to be $1.6 million.

## 6. Payroll Tax Revenues (Employer and Municipal)

### A. Tax Rate

Payroll taxes 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% of all payroll tax revenues and approximately 61% of all revenues.

In 2003, the Oregon Legislature (HB3037) gave the TriMet Board the authority to increase the payroll tax for employers and self-employed individuals from 0.6218% to 0.7218% over a 10-year period. The TriMet Board approved the increase at their August 11, 2004 meeting. The payroll tax
rate has been increased 1/10th of one percent, phased-in over 10-years with the last increment January 1, 2014. The revenues received from this tax rate increase continue to pay for the Green Line MAX, WES, Orange Line MAX operations and debt service. These rates are partially paying for Streetcar to Riverplace, Gibbs, Lowell, OMSI and LIFT operations along with a portion of Frequent Service restoration. After the Orange Line MAX, no additional services are affordable with the revenues generated from this rate increase.

On September 16, 2015, the TriMet Board 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 are estimated to increase general fund revenues by approximately $4.3 million in the first year and approximately $43 million in the tenth year, not adjusting for inflation. The revenues received from this tax rate increase will pay for additional service such as the Red Line extension, the Powell-Division bus project, and other new service related projects identified in the TriMet Service Enhancement Plan and the CIP. The Forecast includes revenues from the second rate increase and the associated expenditures it will eventually pay for.

B. Payroll Tax Forecast

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, percentage change, and dollar change since FY2005.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Payroll Tax</th>
<th>% Change</th>
<th>$ Change (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$155,987,324</td>
<td>-4.4%</td>
<td>-$7,080,000</td>
</tr>
<tr>
<td>2006</td>
<td>$173,786,460</td>
<td>13.8%</td>
<td>$21,035,000</td>
</tr>
<tr>
<td>2007</td>
<td>$187,531,204</td>
<td>7.9%</td>
<td>$13,745,000</td>
</tr>
<tr>
<td>2008</td>
<td>$200,048,477</td>
<td>6.7%</td>
<td>$12,517,000</td>
</tr>
<tr>
<td>2009</td>
<td>$207,176,901</td>
<td>0.1%</td>
<td>$128,000</td>
</tr>
<tr>
<td>2010</td>
<td>$195,006,681</td>
<td>-2.6%</td>
<td>-$5,170,000</td>
</tr>
<tr>
<td>2011</td>
<td>$207,882,398</td>
<td>6.6%</td>
<td>$12,876,000</td>
</tr>
<tr>
<td>2012</td>
<td>$226,832,349</td>
<td>9.1%</td>
<td>$18,950,000</td>
</tr>
<tr>
<td>2013</td>
<td>$237,979,473</td>
<td>4.9%</td>
<td>$11,147,000</td>
</tr>
<tr>
<td>2014</td>
<td>$254,805,010</td>
<td>7.1%</td>
<td>$16,826,000</td>
</tr>
<tr>
<td>2015</td>
<td>$273,078,978</td>
<td>7.2%</td>
<td>$18,274,000</td>
</tr>
</tbody>
</table>

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 utilizes their projections along with actual experience in forecasting future receipts.

The results of the Forecasts are shown below. The adjusted forecast 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 2015 Forecast</th>
<th>Portland CPI-W</th>
<th>Tax Rate Increase Effective 1-1-2016</th>
<th>October 2015 Real Growth Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Actual</td>
<td>7.10%</td>
<td>0.84%</td>
<td>1.05%</td>
<td>5.21%</td>
</tr>
<tr>
<td>2016 Forecast</td>
<td>8.07%</td>
<td>1.48%</td>
<td>0.35%</td>
<td>6.24%</td>
</tr>
<tr>
<td>2017 Forecast</td>
<td>7.88%</td>
<td>1.73%</td>
<td>1.38%</td>
<td>4.77%</td>
</tr>
<tr>
<td>2018 Forecast</td>
<td>7.11%</td>
<td>1.93%</td>
<td>1.36%</td>
<td>3.82%</td>
</tr>
<tr>
<td>2019 Forecast</td>
<td>7.11%</td>
<td>2.13%</td>
<td>1.34%</td>
<td>3.64%</td>
</tr>
</tbody>
</table>

Historical underlying annual payroll tax growth rates:
- 2001-2015 (15 years): 4.0% with 2.17% inflation
- 1996-2015 (20 years): 5.2% with 2.36% inflation
- Long-term rate of 4.8% with 2.00% inflation

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Tax</td>
<td>$294,169</td>
<td>$313,290</td>
<td>$331,307</td>
<td>$350,421</td>
<td>$367,115</td>
<td>$384,604</td>
</tr>
<tr>
<td>% Change</td>
<td>7.4%</td>
<td>6.5%</td>
<td>5.8%</td>
<td>5.8%</td>
<td>4.8%</td>
<td>4.8%</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. FY2020 and subsequent years average annual payroll tax revenue growth in the Forecast is 4.8%, which includes 2% inflation adjusted growth (real).

7. **Self-Employment Tax Revenues**

In addition to the payroll tax, TriMet levied a 0.7218% (as of January 1, 2014) 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 $13.8 million in FY2015, making up about 4.8% 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, as demonstrated in the table on page 26.
### Fiscal Year 2005 - 2015: Self-Employment Tax Revenue

<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>2005</td>
<td>$7,917,586</td>
<td>5.0%</td>
<td>$376,000</td>
</tr>
<tr>
<td>2006</td>
<td>$9,485,857</td>
<td>19.8%</td>
<td>$1,568,000</td>
</tr>
<tr>
<td>2007</td>
<td>$11,510,937</td>
<td>21.3%</td>
<td>$2,025,000</td>
</tr>
<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>
</tbody>
</table>

ECONorthwest is forecasting underlying growth of 6.91% in FY2016, 4.87% in FY2017, 4.99% in FY2018 and 4.96% in FY2019. Long-term growth rates are forecast to average 3.7% consistent with the average growth rate of self-employment tax revenues for the last 20 years.

### 8. State-In-Lieu of Tax Revenues

State-In-Lieu revenues were 1.1% of total payroll tax revenues in FY2015. The following table shows the State-In-Lieu tax, percentage change, and dollar change since FY2005.

<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>2005</td>
<td>$1,970,868</td>
<td>6.2%</td>
<td>$116,000</td>
</tr>
<tr>
<td>2006</td>
<td>$1,990,090</td>
<td>1.0%</td>
<td>$19,000</td>
</tr>
<tr>
<td>2007</td>
<td>$2,259,404</td>
<td>13.5%</td>
<td>$269,000</td>
</tr>
<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>4.0%</td>
<td>$325,000</td>
</tr>
</tbody>
</table>

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 fiscal years 1996 and 1997, 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 fiscal year 2015, 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 decrease 13.8% in FY2016 due to a slightly less optimistic outlook over the next few years, increase 2.1% in FY2017, 3.2% in FY2018 and 3.2% in FY2019. In subsequent years, State-In-Lieu revenues grow 2.3% per year.

9. Grant and Capital Project Reimbursements

Grant and capital project reimbursements include a variety of grant reimbursements from local, state and federal sources.

Federal Funds: A large portion of this funding was received from the Federal Transit Administration (FTA) under the MAP-21 (Moving Ahead for Progress in the 21st Century) Act that expired September 30, 2015. Effective October 1, 2015, the United States President authorized the Fixing America's Surface Transportation (FAST) Act. The Federal government through the FTA will continue providing funds under the guidelines of the new FAST Act into FY2020. The FAST Act provides a new, longer term certainty of federal funding that is needed for planning and budgeting purposes. Unlike MAP-21 however, new funding is largely supported by Federal general fund dollars transferred from the Highway Trust Fund and longer term funding.

The most significant changes in this new transportation program are the re-introduction of a Discretionary Bus Program (eliminated by MAP-21) and programming that spans five years. The program phases-in increases with Buy America requirements, modifications to the Workforce Development Program, changes in funding sources for Transit Research, streamlining vehicle procurement and leasing and increased funding overall in the Transit Program, specifically in the State-of-Good-Repair and Bus Programs.

FAST Act continues to fund a variety of transportation programs that TriMet historically benefits from, such as: Section 5307 (Urbanized Area Formula Grants), 5309 (Capital Investment Grants), 5310 (Enhanced Mobility of Seniors and Disabled), 5337 (State-of-Good-Repair) and 5339 (Bus and Bus Facilities). Funding sources are described as follows:

Federal Formula Grants: Federal formula grants constitute about 13% of TriMet's continuing resources for operations.

In addition to the approximately $57.14 million of Section 5307 Urbanized Area Formula and Section 5337 State-of-Good-Repair funds received in FY2016, TriMet also received $16 million from the Federal Highway Administration (FHWA) through the Surface Transportation Program (STP) and Congestion Mitigation Air Quality (CMAQ). These programs preserve and improve conditions and performance of surface transportation, including highway, transit, bus, bicycle and pedestrian projects.

5307 Urbanized Area Formula Funds: Past history of Section 5307 funding to TriMet has been $34.6 million in FY2012, $34.9 million in FY2013, $36.1 million in FY2014 and $35.8 million in FY2015. The new FAST Act continues to appropriate the amounts authorized by MAP-21 but with increased
funding of approximately $80 million for FY2016 alone, then a 2% increase for each fiscal year thereafter. FAST Act also eliminated the Transit Improvement 1% requirement, now allowing TriMet to use those set-aside funds for much needed operations. Total expected in FY2017 is $39 million.

**State-of-Good-Repair Grants:** MAP-21 introduced a new formula-based program that dedicated funds to repairing and upgrading the nation’s rail transit systems along with high-intensity motor bus systems that use high-occupancy vehicle lanes, including Bus Rapid Transit (BRT). FAST Act not only modifies the eligibility in one tier to cover only vehicle State-of-Good-Repair costs, but increases funding for FY2016 by approximately $342 million or 21%. For each fiscal year through FY2020, funding increases by approximately 7%, for a total of $18.7 million.

**Bus and Bus Facilities:**
TriMet, along with other states and transit agencies, receives funds to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities for bus purchases. This funding was part of Section 5309; however, with the introduction of MAP-21, the program was given a separate section (5339). As noted above, the Bus Discretionary Program was re-established under this section setting aside $268 million in funding for FY2016, with an additional $55 million for Low or No Emission Bus Deployment. Both of these funding sources are competitively awarded with some restrictions on maximum amounts.

Formula based funding under Section 5339 will have slight increases over a five-year period through FY2020, with the exception of FY2016. Historical funding of this source to TriMet has been $2.7 million in FY2013, $2.8 million in FY2014, $2.7 million in FY2015, estimated at $3.2 million in FY2016 and $3.2 million in FY2017.

**Enhanced Mobility of Seniors and Disabled Program:**
Tri-Met also receives Section 5310 funds, which are used to improve mobility for seniors and individuals with disabilities by removing barriers to transportation service and expanding transportation mobility options. FAST Act continues to fund this program with a 2% annual increase through FY2020. FAST Act also introduced a new Pilot Program for Innovative Coordinated Access and Mobility which set aside $2 million of discretionary funds in FY2016 with small increases through FY2020 for eligible recipients awarded through a competitive process.

**Fixed Guideway Capital Investment Grant Program:**
This program was formally known as the Major Capital Investments program or New/Small Starts under Section 5309. Funding continues under this discretionary program for agencies wanting to provide new/expanded rail, bus rapid transit and ferry systems under now four different categories: New Starts, Small Starts, Core Capacity and Programs of Interrelated Projects. Significant changes from adoption of FAST Act include changes in project cost thresholds, reducing the period of funding availability from five years to four years, establishing a federal match for New Starts and eliminating the ability to pay for art and landscaping costs. Available funding under this section increased funding to $2.3 billion and continues at that level through FY2020. TriMet is
expected to receive these funds annually, through FY2019, to fund the federal share of the Orange Line MAX.

Job Access Reverse and Commute Program (JARC):
Section 5316, which allocated approximately $600,000 a year to TriMet via a formula grant to provide transportation for low-income individuals, was repealed by Congress under MAP-21. TriMet currently is spending down the remaining JARC funds and continues to assess whether programs funded by JARC are worth continuing. If so, these projects are now eligible to be funded under Section 5307 and 5311.

New Freedom Program:
New Freedom (previously funded under Section 5317) provided additional tools and funding to overcome existing barriers facing Americans with disabilities seeking integration into the workforce and full participation in society. In 2012, MAP-21 consolidated Section 5317 into Section 5310 since program objectives were similar to the Enhanced Mobility of Seniors and Disabled Program (5310) described above. Services have been provided by Ride Connection through an Agreement with TriMet.

In the past, TriMet received about $400,000 a year from New Freedom, but with the merging of programs, MAP-21 increased funding to about $1.2 million a year and as noted earlier under the Seniors and Disabled Program, the new FAST Act also increased funding through FY2020. Additional funds help maintain current service levels.

MTIP and STIP Funds:
TriMet also receives pass through funds from the Metropolitan Planning Organization (MPO) via the Metropolitan Transportation Improvement Program (MTIP). These funds were transferred from the Federal Highway Administration (FHWA) to FTA to provide “flexible” funding opportunities to state and local governments with the original passage of Intermodal Surface Transportation Efficiency Act of 1999 (ISTEA) and continued with TEA-21 and MAP-21. Obligated funds transferred under the Section 5307 Program are either related to the Congestion Mitigation and Air Quality Improvement Program (CMAQ) or the Surface Transportation Program (STP). Both sources are used in transit projects and come with federal restrictions.

In June 2011, TriMet issued $155.66 million Capital Grant Receipt Revenue Bonds. As provided by the “Revised and Restated Intergovernmental Agreement to Provide Flexible Funds for the Orange Line MAX, Commuter Rail, Portland-Lake Oswego Transit and Southwest Corridor Projects,” IGA, the bonds are secured by MTIP funds pledged to TriMet for selected projects.

CMAQ and STP funds are apportioned to States based on a formula method. For FY2016, FAST Act increased funding to the Federal Highway Administration by $860 million for the STP program, but decreased funding by $6 million for the CMAQ program. However, beginning FY2017 through FY2020, funding increased between 1% – 2% for both programs.
Buy America Bonds (BABs) Subsidy Payments:
TriMet issued $49.550 million of bonds in October 2009. Most of the bond proceeds were used to reimburse TriMet for past expenditures on Commuter Rail and the 2009 bus purchase. The bond proceeds will also be used to partially pay for the replacement of the bus and rail communications system.

For a portion of the borrowing, TriMet issued BABs. This new financing option is the product of the American Recovery and Reinvestment Act (ARRA). Unlike the tax-exempt interest associated with traditional municipal bonds, interest paid by issuers of BABs is treated as taxable income to holders of the bonds. But state and local government issuers can use one of two tax benefit options for their BABs. By issuing Direct Payment BABs, TriMet will receive periodic payments from the federal government in an amount equal to 35% of the interest paid to bondholders. The subsidy payments have been reduced 5.7% by Congress under the 2011 Debt Reduction Act.

TriMet uses its federal formula grants for preventive maintenance. However, there are many other grants that are awarded to TriMet expressly for capital improvements and purchases. A partial list includes:

Appropriations from the State of Oregon's Special Transportation Fund (STF) Formula and Discretionary Grant Programs for capital and service needs of seniors and disabled transportation programs throughout the State of Oregon. ODOT distributes the STF Formula funds statewide via a population based formula. For the FY2016 and FY2017 biennium, the tri-county area received $10.2 million in STF formula funds. The state STF funds can be used for service or for capital (such as buying new buses). As the state designated STF Agency, TriMet develops the Coordinated Transportation Plan for Seniors and People with Disabilities and coordinates a state-mandated process to distribute the STF funds.

Coordinated with the STF Advisory Committee (STFAC), these funds are distributed to urban, small urban, and rural providers in the Portland region who provide transit service for seniors and people with disabilities, including TriMet, Ride Connection and Ride Connection’s partner network, Wilsonville SMART, Canby Area Transit, Clackamas County Transportation Consortium, Sandy Area Metro, and South Clackamas Transportation District, and Clackamas County. These revenues support many private non-profit organizations under the Ride Connection umbrella that provide rides to seniors and people with disabilities. The great majority of these individuals would otherwise be eligible for the more expensive LIFT ADA paratransit service. TriMet has been awarded $2.15 million for the FY2016 and FY2017 biennium in state STF funds for funding LIFT operations.

Appropriations from Federal Section 5310 Grant Program for the Enhanced Mobility of Seniors and Individuals with Disabilities. For the FY2016 and FY2017 biennium, the Portland region received $10.7 million of federal Section 5310 funds for distribution to providers of service for seniors and persons with disabilities. The federal 5310 funds can only be used for capital, maintenance or contracted service. Through this STFAC regional grant process TriMet received
approximately $2.2 million for LIFT vehicle replacements for FY2016 and FY2017 from the federal Section 5310 funds.

STP grants for corridor safety improvements are received through the MTIP process. These funds are offset by the program's costs in delivering safety improvements.

**Department of Homeland Security (DHS):** These fund a series of TriMet system security improvements included in the Capital Improvement Program. Through FY2009, Department of Homeland Security funds did not require local match, but agencies electing not to match DHS funds were required to reduce their FY2008 and FY2009 DHS awards by 20%. TriMet elected to take the reduction. The security projects would be unaffordable for TriMet without the DHS funds.

**10. Interest Earnings**

TriMet earned 0.24% on investments (excluding pension and deferred compensation) in FY2011, 0.22% in FY2012, 0.10% in FY2013, 0.15% in FY2014, 0.29% in FY2015 with an average growth rate of 0.20% into FY2017 and subsequent years. Interest earnings do not include earnings on the local share light rail project revenues, which are restricted in use to capital expenditures. Interest earnings on bond revenues are contributed to the bonded project’s costs. The interest rate of return is a condition of the market.

**11. Accessible Transportation Program (ATP) Funds**

Funds incorporated in this line item come from state sources and are dedicated to ADA paratransit (LIFT). These revenues support many private non-profit organizations under the Ride Connection umbrella that provide rides to seniors and people with disabilities. The great majority of these individuals would otherwise be eligible for the more expensive LIFT ADA paratransit service.

Through the state's “local match project” TriMet receives federal matching funds for rides provided by LIFT to take individuals with development disabilities to work.

**12. One-Time-Only Revenues**

**Funding Exchanges:** Occasionally, TriMet participates in funding exchanges that are approved by the region and the TriMet Board. Funding exchange revenues have no 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. FY2017 funding exchanges are projected to be $3.1 million.

**Southwest Corridor Alternatives Analysis:** With Metro as the lead, TriMet staff provides planning and design services to the Southwest Corridor Project, for which Metro reimburses TriMet. For the
FY2016 - FY2017 reimbursements are projected to be approximately $1.7 million. Also included are various settlements and refunds.

13. 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’s adopted financial plan, 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.

14. Total Revenues

Based on the principles and assumptions described above, total continuing revenues, including the payroll tax rate increases, are projected to grow at an average annual rate of 4.8% annually between FY2017 and FY2026.
System Operating, Maintenance and Capital Costs Assumptions

The FY2016 Adopted Budget, with updates, provides the base year of the Forecast. The Forecast of future year expenses start with the base year Forecast as explained below.

15. Cost Inflation

The Forecast uses ECONorthwest's inflation rate in FY2014 (2.7%), FY2015 (0.84%), FY2016 (1.48%), and FY2017 (1.73%) for most expenses. It is important to use ECONorthwest's inflation estimate in the Forecast because the same inflation rates underlie ECONorthwest's payroll tax growth rates.

In FY2015-FY2016, a general annual cost increase of 2.7% was assumed. In FY2017 and thereafter, the cost increase will continue at 1% for materials and supplies with some exceptions for utilities and contracted services. Higher rates of inflation are also applied to health benefits costs.

Healthcare cost inflation has been lowered in the Forecast for active and retiree health. Plan design changes as well as lower health cost inflation nationally have reduced expected cost inflation. The Forecast assumes healthcare rates for the 80%/20% union plan for active and pre-65 retirees increase 6% year over year. Medicare supplement plan rates that provide coverage equivalent to the 80%/20% plan design increase 6% year-over year. Remaining increments of cost included in the percentages are the expected cost increases associated with future years.

16. Wages and Salaries

Non-union, unrepresented employee wages increased 0% in FY2014, on average 3% in FY2015 and FY2016. Future wage increases will depend on TriMet's financial situation and market conditions.

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 is a 3% wage increase in FY2016 (Effective December 1, 2015). The Working and Wage Agreement with the union will expire on November 30, 2016. Future union wage increases must be negotiated with the union. Therefore, no increases are included in the FY2017 Forecast.

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 movement through the ranges. 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.

17. Health Plans

Active and retiree healthcare costs increased 599% between 1993 and 2013; during the same period underlying payroll tax revenues grew just 167%. Between 2003 and 2013, active and
retiree healthcare costs per full time equivalent employee (FTE) increased at an annual rate of 9.4%, while underlying payroll tax revenues grew 3.8%.

Since January 2012, TriMet non-union employees and retirees have been eligible to enroll in a 20% co-insurance PPO plan through Regence or a lower cost Kaiser HMO plan with $10 co-pays (majority of services). The Regence PPO plan deductibles are $300 employee/$900 family when seeing a Preferred & Participating provider. Employees’ retail prescription costs for a 30 day supply are determined by using a three tier formula and are $10/$25 or 20/50% (whichever is greater). In 2014, TriMet began to offer an additional plan through Regence offering both non-union employees and retirees the option to enroll in a HDHP with HSA. This plan is similar to the 20% co-insurance PPO plan offered through Regence and has a higher deductible and is compatible with an HSA.

Union employees and retirees have been eligible to enroll in these same plans offered to non-union employees and retirees effective January 1, 2015, as well as the 10% co-insurance PPO plan offered since 2011.

Except for a very small group of grandfathered non-union & union retirees, TriMet pays 94% of healthcare premiums for non-union employees and retirees. TriMet pays 95% of the healthcare premium for union employees and retirees in the 20% co-insurance PPO or $10 Kaiser HMO co-pay plan. If the employee 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 an employee/retiree elects the HDHP, TriMet will also contribute the difference between its contribution amount and the total HDHP premium amount to an HSA account.

18. **Workers Compensation**

Workers Compensation costs were $5.0 million in FY2014 and FY2015, and projected to be $5.5 million in FY2016 and $5.2 million in FY2017. Future costs are projected to grow with healthcare inflation.

19. **Pensions**

TriMet is one of the few public sector agencies in Oregon not in PERS, the Public Employee Retirement System managed by the State of Oregon.

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 is 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). 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 Milliman, Inc.’s 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. The non-union plan is 86% funded with an outstanding obligation of $18.0 million at June 30, 2015 (assumes investments return 6.5%). The union plan is 75% funded, with an outstanding obligation of $159.4 million at June 30, 2015 (assumes investments return 7%, 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 non-union pension debt over a closed 10-year period assuming 6.5% return on investments; and the union pension debt over a closed 15 years, slowing to an open 5-year amortization assuming 7% return on investments.

20. Diesel Fuel

Diesel fuel costs have decreased over the past three years. Fixed route bus diesel fuel costs were reduced $.55/gallon in the FY2016 budget, from $3.15/gallon to $2.60/gallon. In FY2017, bus diesel fuel costs were reduced further to $2.05 per gallon. WES/ATP diesel fuel price per gallon was reduced by $.40/gallon in the FY2016 budget, from $3.15/gallon to $2.75/gallon. In FY2017, WES/ATP diesel fuel costs were reduced further to $2.22 per gallon. Overall, diesel fuel costs have been reduced by $5 million in FY2017, are projected to remain flat in FY2018, and increase 2% in FY2019 and thereafter.
The price volatility is attributable to non-commercial traders who believe OPEC production cuts are inevitable and then the next day decide that OPEC will not listen to any pleas from non-OPEC nations to cut production. In the meantime, U.S. production and oil inventories remain at record levels despite the continual closure of oil drilling rigs in several states. A number of the remaining oil rigs, primarily those in specific areas of Texas, can actually produce crude at a profit if oil prices fall below $20.00 bbl. Other U.S. producers have become more efficient and can continue to survive crude oil prices at $30.00 bbl.

21. Electricity and Other Utilities

Electricity consumption increased in FY2016 due to the Orange Line MAX however, PGE reduced their utility rates in January 2016. Electricity and other utility rates are projected to remain flat through FY2018 and then increase 2% thereafter. Historically, over the very long-term technology improvements have resulted in energy costs that increase at rates lower than inflation.

22. Other Materials and Services

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

The result of all of the above Forecast assumptions is a weighted average personal services and materials and services inflation rate each year. Excluding capital and debt service, this rate averages a 1% increase going forward for materials & services on expenses for which TriMet has discretion. TriMet decreased the rate from 2.7% in FY2016 to 1% based on overall economic factors such as CPI being so low.

23. Bus Operations: Existing Services

Existing Services include costs for Bus Transportation and Bus Maintenance, inclusive of diesel fuel. The FY2017 Bus Operations cost estimate is based on TriMet’s FY2016 Adopted Budget. To project expected Bus Operations costs for future years, increases and reductions in personnel and materials and services costs based on the above described assumptions were made for the Forecast. This process is repeated for each year in the Forecast period.

A multi-year Forecast of materials and services needed for bus component replacement (overhauls) is incorporated in the Capital and Operating Project Forecast.

24. Light Rail Operations: Existing Services

Light Rail Operations existing services budget includes costs for Rail Transportation, Equipment Maintenance, and Maintenance of Way (MOW). The FY2017 Rail cost estimate is based on TriMet’s FY2016 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 “as-new” condition 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 component replacement (overhauls) is incorporated in the Capital and Operating Project Forecast. In FY2016, $2.7 million was added to correct the backlog of overhauls and $3.3M is added in FY2017 to continue addressing the backlog.

Most of the Maintenance of Way (MOW) preventive maintenance, corrective maintenance, and overhaul needed to maintain the light railway in “as new” condition are included in the operating budget. Track is maintained as prescribed by the industry for a Class 4 Railroad. Signal equipment is replaced and maintained to Federal Railroad Administration rules/regulations and ODOT requirements. Overhead cantenary 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 maintenance of way such as rail grinding and surfacing, maintenance and repair of rail operating and customer facilities that is not included in the Rail Maintenance operations is included in the Capital Improvement Forecast. Requirements are reviewed and the Forecast is updated annually.

25. Commuter Rail Operations

Commuter Rail Operations budget includes the operations and capital maintenance 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.
Commuter Rail fuel costs are projected to decrease in FY2017 and remain flat in FY2018.

Portland & Western Railroad provides the cost estimates for maintenance as the system ages. Those costs are included in the Forecast.

26. **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 increases while maintaining ridership over time, while the City’s 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 operations, mechanics and superintendents for the Streetcar. It also includes TriMet’s annual 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. Going into FY2016, TriMet entered into a new Master Agreement with the City. As a result, the FY2016 contribution increased to approximately $6.3 million plus a $1 million contribution to reimburse the City for farebox revenues. Heading into FY2017, TriMet’s contribution is estimated to be $6.5 million plus a $1 million contribution to reimburse the City for farebox revenues.

TriMet’s fare survey indicates $1.2 million to $1.5 million annual value of boardings made on Streetcar with TriMet passes. About 40% of the increase in TriMet’s contribution year over year is fare reciprocity as a result of the City increasing fares on Streetcar from $1.00 to $2.00 in FY2016.

27. **Field Services: Road and Rail Supervision, Dispatch and Control, Fare Inspection**

Field Services budget combines bus dispatch, rail control, and bus and rail supervisors. To project expected Field Service costs for future years, increases and reductions in personnel and materials and services costs based on the above described assumptions were made for the Forecast. This process is repeated for each year in the Forecast period.

28. **Facilities**

The Facilities Management budget includes costs associated with planning, acquiring and allocating resources and maintaining assets. 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 for the Forecast. This process is repeated for each year in the Forecast period.
29. Accessible Transportation Program (ATP or “LIFT”)

ATP includes the transportation and maintenance costs of complementary paratransit services provided for people with disabilities.

The Americans with Disabilities act (ADA) complementary paratransit (LIFT) Forecast includes the cost of current service levels and the cost of estimated service growth. LIFT provides door-to-door 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. FY2016 and beyond, costs are the product of the resulting rate of growth of ridership and the inflation rate applicable to the costs of such services.

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

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

- 2003: RideWise fixed route travel training begins ($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.

Future LIFT growth is based on the state’s population forecast by age for the Tri-County area. About 30% of LIFT trips are made by individuals who are over age 70; their ridership is assumed to increase at the same rate of growth in the senior population as forecast by the State of Oregon. About 70% of LIFT trips are made by riders who are under age 70. Their ridership is assumed to grow with the growth in total population as forecast by the State of Oregon.

TriMet contracts with outside vendor(s) for operation of LIFT including transportation services, dispatch service, and vehicle maintenance. TriMet will enter into new contracts effective July 1, 2016 for two years with four (4) one-year extensions. FY2015 LIFT costs totaled $33.9 million. FY2016 was budgeted at $35.3 million and forecasted to remain flat in FY2017, then increasing based on above described assumptions for personnel services and materials and services.
30. Security and Operations Support

The FY2017 cost estimate for Operations Administration, Operations Support and Security is based on TriMet’s FY2016 Adopted Budget. To calculate expected Security and Operations Support costs for FY2017, increases and reductions in personnel and materials and services costs were made based on inflationary assumptions.

31. Capital Projects Division

The Capital Projects Division is responsible for major project planning, development and delivery of projects in the Capital Improvement Program. To calculate the expected Capital Project Division costs for FY2017, increases and reductions in personnel and materials and services costs were made based on inflationary assumptions and Capital Improvement Program projects. In FY2017, all divisional staff are incorporated into the baseline budget with an offset for capitalized labor.

32. Funding Exchanges

TriMet enters into funding exchanges with its transportation partners on occasion. For example, an exchange of federal STP funds for TriMet General Funds. The exchanges vary from year-to-year and are offset by a like amount of revenue. For FY2016-FY2017 funding exchanges are budgeted at $3 million.

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 FY2017, changes in personnel and materials and services costs were made based on inflationary assumptions referenced above.

34. Retiree Medical (Other Post Employment Benefits)

TriMet’s disbursements for retiree medical costs, also known as OPEB or Other Post Employment Benefits, increased at an average annual rate of 5% per year over the last five years (FY2010-FY2015). This rate of growth combines the rate of growth of retirees’ medical costs and includes union and non-union plans and pre and post age 65 benefits for retirees.

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.

TriMet union employees are provided certain retiree health benefits in TriMet’s 2012-2016 union contract and are now PAYGO affordable for the term of the contract and will reduce the unfunded liability an estimated 37% based upon the most recent OPEB valuation report published July 30, 2015:

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

**Employees who retired on or after February 1, 1992 and hired on or before October 24, 2014, and who retire on or after that date** - TriMet will pay 95% of the healthcare premium for retirees in the 20% co-insurance PPO or $10 Kaiser HMO co-pay plan. 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 retiree elected the 20% co-insurance PPO plan. When a retiree elects the HDHP, TriMet will also contribute the difference between its contribution amount and the total HDHP premium amount to an HSA account. The retiree must enroll in a Medicare Advantage Plan when Medicare eligible.

**Employees hire on or after October 25, 2014**, and who meet the qualifications for full retirement are eligible for a monthly stipend (currently $800) to age 65 only.

Union and non-union Medicare eligible retirees moved to a lower cost PPO or HMO Medicare supplement plan that, with Medicare, provides substantially similar coverage as the active employees. Non-union retirees are moved to the lower cost plan January 1, 2014 and union employees January 1, 2016. Annual cost savings compared to continuing the status quo grow substantially over time as more retirees turn 65 and are covered by the lower cost Medicare supplement plan.

The District’s OPEB liability is an amount actuarially determined in accordance with accounting standards as required under GASB Statement No. 45. TriMet is paying medical premiums of retired employees on a Pay-As-You-Go (PAYGO) basis.
35. Capital and Operating Projects Program

These are the General Fund monies required to support capital and operating projects. This line includes expenditures for TriMet’s Capital Improvement Program, which generally consists of committed improvements including:

- An on-going vehicle replacement program that replaces fixed route buses and paratransit vehicles and light rail vehicles that have exceeded their economic lives with new vehicles.

- An on-going program of fixed route bus, ATP and MAX system equipment and facilities and information technology improvements and replacements.

- The acquisition of additional (non-replacement) fixed route buses, paratransit vehicles, and light rail vehicles to meet the needs of forecast service and ridership increases.

A schedule of specific improvements and vehicle and equipment replacements is included in TriMet’s Capital Improvement Program (CIP). The following summarizes key elements of the CIP. The 20-year program is updated annually during the budget process.

A. Replacement Program:

Buses replaced: 276 fixed route buses replaced FY2013-FY2016, resuming to an annual 1/16th (useful life) of the bus fleet in FY2017.

ADA paratransit vehicles replaced at 9 years of age.

$12.1 million over FY2014-FY2017 for additional light rail vehicle overhaul components sufficient to reduce the vehicle maintenance backlog and insure reliable vehicle operations.

Fare system replacement: $35 million for eFare payment system FY2013-FY2019.

Maintenance of Way (MOW) capital maintenance requirements (rail grinding, ties, ballast, and signal materials) for Commuter Rail is included in the annual operating costs of the project. Portland & Western Railroad, the freight operator, has estimated these costs.

CCTV and fiber optic replacement/improvement effort is underway.

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

- LRV replacement:
  - Type 1s replaced in 2027 (26 vehicles $176.4 million)
• Type 2s replaced in 2034 (52 vehicles $438.0 million)
• Type 3s replaced in 2040 (27 vehicles $273.7 million)

MAX station renewals: including $2.2 million in FY2017 for Blue Line MAX; grows as subsequent lines age.

Evaluation of station platform infrastructure.

Operating facilities end of life rehabilitation (Center Maintenance, Ruby, Powell, Elmonica).

Light rail elevator overhauls begin. There is a two-year design and construction planning period followed by seven years of construction.

B. Additions:

Other additions, for FY2017 and beyond include:

An average of six expansion buses are added to the fleet every year beginning FY2017 to maintain schedules and add peak capacity.

New service expansion associated with the new payroll tax increment assumes an increase of 11 buses in FY2017.

LIFT fleet additions as needed for ridership growth.

Total project costs of $11 million for Positive Train Control systems on the WES cars as required by the Federal Railroad Administration, funded with TriMet General Funds. The project starting in FY2011 and is expected to be completed in FY2017.

Additional LRVs for ridership growth:

• 6 FY2027 ($39.5 million)
• 10 FY2034 ($84.2 million)

Signal and power, track rehab at select locations on MAX.

C. Long-Term Capital Needs

Looking long-term, TriMet has several large projects that will need to be considered and addressed to continue providing an efficient, reliable and safe service for riders and employees. A few of the long-term capital needs include:
• Replacement of light rail vehicles after reaching useful life of 40 years ($615 million between FY2027-FY2036)
• Expansion of maintenance facilities as current capacity levels have almost been reached (funding needs yet to be determined)
• Maintenance/replacement of elevators ($29 million over five years)
• Fixed route bus replacements ($190 million over ten years)
• Maintenance of Way track and structures ($29 million over ten years)

Preliminary planning and design work is underway for a number of potential future projects including:

• Powell-Division bus rapid transit
• Southwest Corridor
• Powell garage renovation
• Redline to Fairplex light rail extension

The general fund has the capacity to fund between $80 million and $110 million per year, depending on other operating considerations, over the next ten years for these projects.

In the years ahead TriMet will need to continue to be strategic, fully analyzing the needs of the region and meeting the demands it requires. 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 of federal and state funding to ensure the transit agency continues to operate at a high level.
Debt Service

36. 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:

2005 Revenue Refunding Bonds: $65.5 million in bonds used to defease future principal and interest payments on the 1999 and 2000 Revenue bonds, which were issued to finance a portion of the Airport Light Rail and Interstate MAX projects. The bonds were partially defeased in FY2014 and the remaining bond payments were defeased with the issuance of the bonds in FY2016.

2005 Capital Grant Receipt Revenue Bonds: $68.5 million of capital grant receipt backed revenue bonds to complete the Washington County Commuter Rail and I-205/Portland Mall Light Rail Project. This cost of debt service is offset by a like amount of STP or CMAQ revenues made available by Metro Council Resolution. An additional $10.8 million of debt, backed by Section 5307 grant receipts, for the FY2006 bus order and other capital, was issued at the same time. Last year of payment is FY2018.

2007 Revenue Bonds – Series A&B: $45.5 million senior lien payroll tax revenue bonds issued to pay for TriMet’s share of the I-205/Portland Mall Light Rail project and Commuter Rail. Debt was issued January 2007. The bond payments for FY2018-FY2032 were defeased with the issuance of bonds in FY2016. The last year of payment is FY2017.

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 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 and ends in FY2028.
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 last year of payment is FY2038.

2015 Payroll Tax Revenue Bonds: $134.6 million senior lien payroll tax revenues 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 is FY2041.

37. 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. A new debt issuance is planned for FY2017 to fund vehicles and various other capital projects. Debt may be issued for major projects such as these listed below:

- Bus maintenance facility replacements
- Vehicle additions or replacements (net of grants)
- Light rail vehicles
- 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% goal of TriMet’s Strategic Financial Plan throughout the Forecast.
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:

38. 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 anticipates a level of growth that may be adjusted on a year-to-year basis. Based on approved service increases, the Forecast includes, beginning in FY2017, an average of six additional bus purchases every year to support the currently estimated bus service increases.

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

The additional cost of meeting peak hour demand on the Blue, Red, Yellow, Green and Orange MAX Lines is included annually in the Forecast. TriMet grew substantially in FY2016 with the opening of the Orange Line MAX and restoration of mid-day and evening service. Forecast service increases are based on historic trends in MAX peak hour ridership growth. Going forward, an additional increase of 0.8% per year is planned to maintain capacity and reliability of service.

The Red Line extension is the only planned expansion of MAX for the foreseeable future, with an expected opening in FY2019, preceded by necessary capital.

40. Commuter Rail Operations: Peak Capacity

With the decline in WES Commuter Rail ridership, no additional service is included in the Forecast at this time.