

## TriMet Strategic Financial Plan

Restated as of June 25, 2025 – [pending approval by the Board]

### Section 1. Introduction

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#### **1.1 Agency Mission**

TriMet's mission is to connect people with valued mobility options that are safe, convenient, reliable, accessible and welcoming for all.

#### **1.2 Operational Overview**

TriMet operates a diverse network of transit services, including bus, light rail, commuter rail, streetcar and paratransit; providing flexible and affordable service for people in the Portland region. These services are essential for connecting people to jobs, schools, businesses and recreational activities.

#### **1.3 Objectives of this Financial Strategic Plan**

By adopting this Strategic Financial Plan, TriMet commits to adequately safeguarding District assets and managing District liabilities, to ensure a long-term financially sustainable organization.

#### **1.4 Challenges and Risks**

TriMet regularly faces financial challenges, including, but not limited to the following risks:

Economic Downturns – Downturns in the economy may reduce local employment which impacts revenue from payroll taxes and fares.

Federal Funding – Availability and stability of future federal funds may be uncertain at times.

Political Environment – Political decisions, priorities and funding mechanisms can influence transit operations.

Ridership Trends – Evolving ridership patterns impact demand and fare revenue. As ridership trends evolve, TriMet will aim to align transit planning and service delivery with changing realities of rider behavior.

Safety Concerns – Safety of riders and employees is a continuing priority that faces additional challenges in operating an open (without turnstiles) system.

Sustaining A State of Good Repair Across an Aging System – State of Good Repair (SOGR) presents a significant and ongoing financial challenge. The District’s infrastructure continues to age, with assets approaching or exceeding their useful life. Deferred maintenance can impact service reliability, safety, and ridership satisfaction and lead to significantly higher costs in the long run. Ensuring adequate and sustained funding for asset preservation, preventative maintenance, and capital replacement is critical to extending asset life, minimizing costly emergency repairs, and supporting long-term operational efficiency.

Public Expectations – Pressures include regional expectations for service expansion of all modes—including bus frequent service, service to new employment hubs and residential centers, and future high capacity or rapid service, as well as new technologies and fuels.

Other Factors – Unforeseen challenges that may arise from societal and technological changes. Pressures also stem from unmet needs to improve service quality; to invest in infrastructure and address deferred maintenance backlog including purchasing buses for service expansion and replacements; the move to a non-diesel alternative fuel powered fleet; light rail vehicle rehabilitation; and rail maintenance-of-way improvements.

## **1.5 Opportunities**

At the same time, opportunities exist to enhance financial sustainability:

Operational Efficiencies – Efficiencies can be realized by leveraging technology and process improvements to optimize service delivery, further develop regional partnerships for service delivery, and reduce hourly operating cost rates.

Community Collaboration – Strengthening partnerships with local governments, businesses, and community organizations can lead to additional financial support.

Innovative Funding – New revenue streams may include public-private partnerships, transit oriented development opportunities, tax increment financing and other State funding vehicles.

## Section 2. Fiscal Profile – **Note: This is a revised Section**

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### 2.1 *Major Resources Categories*<sup>1</sup>

In the District's annual adopted budget, approximately 75% of TriMet's total resources (excluding beginning fund balance) come from four sources: payroll tax revenues, passenger revenue, state & local operating grants and federal operating grants.

Payroll Tax Revenues: Payroll taxes are the largest and most stable source of ongoing revenue for TriMet (representing 48% of total resources). These revenues come from three types of payroll taxes:

- Employer/municipal payroll taxes – based on the gross payroll of private businesses and municipalities within the district
- Self-employment payroll taxes – levied on self-employed individuals within the district
- State-in-lieu payroll taxes – a flat rate paid by certain government entities in place of standard payroll taxes.

Payroll tax revenues fluctuate due to rate adjustments, employment growth, wage inflation and economic conditions. TriMet prioritizes long-term financial stability to sustain service levels, minimizing the need for sudden service reductions or fare increases in response to short-term payroll tax fluctuations.

Passenger Revenue: Passenger revenue accounts for approximately 7% of total revenues and is impacted by ridership growth and fare increases. Other impacts include the fare collection rates and the many factors influencing ridership such as service changes, safety and security of the systems, parking rates, convenience of service and fuel pricing. Passenger revenues are programmed to solely support operations.

State & Local Operating Grants: State and local operating grants represent 7% of total revenues with the Statewide Transportation Improvement Fund (STIF) representing the majority of the resources in this category. Through Oregon House Bill 2017, STIF is an employee Payroll (Transit) Tax aimed at improving, maintaining, and expanding public transportation for all users. Funding supports access to jobs, improved mobility, congestion relief, reductions in greenhouse gas emission across Oregon, and a required minimum 1.0% of revenues to be used towards transportation for students in grades 9-12; one exception is these funds cannot be used for light rail capital expenses. Similar to the district's Payroll Taxes, these funds are subject to local and State economic changes.

Federal Operating Grants: Federal Formula Funds are operating grants that come to TriMet from the Federal Transit Administration (FTA) and represent 13% of total revenues. The amount of funding received each year is based on national formulas applied to the annual amount of funds appropriated by Congress for these programs.

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<sup>1</sup> References in this section are based on the FY2026 Budget.

## **2.2 Major Requirement Categories<sup>2</sup>**

The District's expenses are categorized to ensure transparency, financial accountability, and alignment with operational and strategic priorities. Transportation, Maintenance and Administrative categories represent 63% of the total expenses (excluding ending fund balance), while Capital Expansion and Recapitalization, Debt Service and Pension and Other Post-Employment Benefits (OPEB) represent an additional 29% of total expenses.

Transportation Services – Represents 28% and includes all costs associated with vehicle operations, such as operator wages, fuel, traction power, rider safety and security, and contracted paratransit services.

Maintenance Services – Represents 16% and covers expenses related to the upkeep of bus fleet, light rail vehicles, commuter rail vehicles, guideways, and all transit facilities.

Administration – Represents 19% and includes finance, human resources, legal services, strategy & planning, public affairs, public access & innovation, and information technology expenses.

Capital Expansion and State-of-Good-Repair/Replacement – Represents 18% and encompasses costs for deferred maintenance and projects that expand, enhance or modernize the transit system.

Debt Service – Represents 6% and consists of principal and interest payments on outstanding bonds, as well as capital lease obligations.

Retirement Obligations - Pension and Other Post-Employment Benefits (OPEB) – Represents 5% and covers trust contributions and pay-as-you costs for retiree pension and healthcare benefits.

## **2.3 Capital Assets**

TriMet owns a vast amount of assets such as vehicles, buildings, land, and various infrastructure (collectively referred to as Capital Assets) that are used in directly providing and supporting its regional transit services.

Vehicles include over 1,000 rolling stock vehicles such as buses, light rail vehicles, accessibility transportation vehicles, and commuter rail (heavy rail) locomotives, and various maintenance type vehicles.

Buildings include over 10 facilities primarily used in providing transit operations, maintenance, and administrative functions.

Transit centers include 16 locations, many of which include parking garages for customer use.

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<sup>2</sup> References in this section are based on the FY2026 Budget.

Land consists of real property parcels and improvements made to real property in order to use the property for an intended purpose.

Infrastructure assets includes bridges and various equipment installed to carry transit services, such as track, overhead catenary wire, and electrical propulsion equipment, and passenger stations for light rail operations, shelters for bus stops, signaling and fail safe controls for vehicle operations, radio systems for operator communication, fare equipment for passenger fare collections, transit display equipment for customer information, fiber optic conduit for agency and regional computer networking, among many other types of equipment that support and enable transit services.

## **2.4 Retiree Liabilities - Long-term Liabilities**

TriMet is committed to responsibly managing long-term retiree liabilities including defined benefit pension and other postemployment benefit obligations.

Pension Obligations – TriMet administers two closed defined benefit pension plans – one for union employees and one for non-union employees. These employees do not participate in the defined contribution plans. Annual trust contributions and investment returns help sustain these legacy pension benefits. TriMet’s pension plans are currently stable but require continued funding to remain fully supported.

Other Post-employment Benefits (OPEB) Obligation – TriMet provides defined benefit healthcare for eligible union and non-union retirees. Although the OPEB plan is largely closed to new entrants, it does allow for new entrants insofar as TriMet continues to provide for healthcare from retirement through age 65 (or Medicare eligible age for select participants). The District funds these retiree healthcare benefits on a pay-as-you-go basis.

## **Section 3. Fiscal Guidelines** **Note: This is a revised Section**

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### **3.1 Grow and maintain revenues**

To ensure long-term financial sustainability, the District will pursue a diverse and stable revenue base that supports current operations and future growth.

Revenue Growth: TriMet actively seeks sustainable funding sources such as fare revenues, Federal and state grants, payroll tax revenues, cost recovery mechanisms and innovative financial resources that align with its long-term financial forecast to support service reliability.

Prioritization of Increased Revenues: Revenue growth from payroll tax increases due to regional employment growth and fare revenue increases from higher ridership will be prioritized as follows:

1. Maintaining Existing Service – Ensure sufficient funding to sustain current service levels and operational commitments, while maintaining capital assets in state of good repair.
2. Expanding Service – Allocate additional resources toward service expansion only once core service needs are met.

### **3.2 *Manage operations for cost efficiency***

Implement cost-saving measures and operational efficiencies to optimize resource utilization while maintaining service levels. Perform periodic reviews of operational costs and capital expenditures.

System Costs: Controlling operating costs is a vital aspect of maintaining public trust by demonstrating effective use of resources. This focus will help ensure revenues are allocated toward service enhancements and align with the District's long-term goals, including addressing the changes in ridership and the need for strategic service planning.

Current service costs should not grow faster than revenue growth year over year. In the event costs do exceed revenues those costs shall be paid by one-time revenues and cost overages shall be considered one-time.

### **3.3 *Manage capital assets for long-term sustainability***

To have a consistent and sustainable financial operating model, TriMet must perpetually maintain and replace capital assets by annually dedicating adequate resources to meet this objective. Continued investments in capital assets and infrastructure is essential to providing safe and reliable transit services while maintaining efficiency and financial sustainability. Proper maintenance and timely reinvestment ensures that assets remain in a state of good repair and functional for intended purpose throughout their useful life, thereby enhancing service quality for customers while minimizing excess long-term maintenance costs and avoiding unnecessary costs from early replacement.

#### Capital Asset Management Approach:

- Maintain a comprehensive inventory and condition assessment of capital assets.
- Develop and update repair and replacement schedules to ensure timely maintenance and upgrades.
- Establish investment priorities based on the asset condition, safety, operational needs and financial sustainability.
- Implement a lifecycle maintenance plan for each asset class to extend useful life and optimize performance.
- Only approve new projects and capital asset acquisitions after determining adequate availability of resources to meet future operational and maintenance costs necessary to operate and maintain the assets at a state of good repair level.
- Allocate adequate capital improvement program (CIP) resources through the annual budget process to ensure the District meets state of good repair requirements and maintenance for a safe and reliable system.

Within the guidelines of TriMet's Board adopted Debt Policy, new debt may be used when appropriate to fund major capital projects and spread the cost of major assets over the useful life of those assets.

### 3.4 *Manage economic risks*

Establish financial reserves and contingency plans to mitigate risks and ensure stability during economic downturns. Develop strategies to address external risks and unexpected changes to major revenue sources, such as Payroll Tax Revenues and Federal and state grants.

## Section 4. Financial Policies<sup>3</sup> **This section calls out existing, revised and new policy**

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### 4.1 *Fiscal Policy: One Time Only (OTO) Revenues and Continuing Expenditures (CE)*

**Note:** *This policy in substance did not change*

**Policy:** One-time-only revenues<sup>4</sup> will be used exclusively for one-time-only expenditures<sup>5</sup>, and ongoing expenditures will be supported by continuing revenues<sup>6</sup>.

#### One-Time-Only (OTO) Revenues & Expenditures

- OTO revenues include non-recurring fund sources, such as cash reserves, federal capital grants, project specific awards (discretionary grants). Since these revenues are not guaranteed in the future, they will not be used to fund ongoing operational costs.
- OTO expenditures include capital projects, startup costs, major one-time maintenance efforts and other costs that are non-recurring expenses.

#### Continuing Revenues & Expenditures

- Continuing revenues are stable, recurring sources of funding, including payroll taxes, fare revenue, federal formula assistance, and STIF formula grant awards. These revenues support both ongoing operational expenses and, when possible, one-time expenditures.
- Continuing expenditures include recurring costs necessary for transit operations, such as personnel, service delivery and maintenance.

#### Budget Balancing Approach

**Policy:** If continuing revenues fall short of continuing expenditures, in priority order, the agency will:

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<sup>3</sup> Financial Policies are posted to TriMet.org under [Accountability and Transparency](#)

<sup>4</sup> One-time-only revenues are all revenues that are not reasonably expected to be an ongoing source of revenue in future years.

<sup>5</sup> One-time-only expenditures are expenditures that are not routine in nature and not required for the ongoing operation of TriMet.

<sup>6</sup> Continuing operating revenue, defined in TriMet's debt policy, are all operating revenues not restricted by law or contract as to their use.

1. Adjust expenditures to align with available funding, and/or;
2. Identify other sustainable revenues or increase existing revenues, and/or;
3. Utilize reserves

**4.2 Use of Restricted Assets** *Note: This is a new policy but a policy this is stated in the notes to the financial statements*

Restricted assets are funds or resources designated for specific purposes by external, legal, or contractual obligations.

**Policy:**

- Restricted assets will be used strictly for their designated purpose, as required by external regulations, contracts or funding agreements.
- When both restricted and unrestricted resources are available for an expenditure, restricted funds will be used first.

**4.3 Unrestricted Minimum Fund Balance<sup>7</sup>** *Note: This policy in substance did not change, title change only*

**Policy:** TriMet should maintain an Unrestricted Fund Balance<sup>8</sup> greater than 2.5 but at a minimum of 2.0 times the average monthly budgeted operating expenditures. If unrestricted fund balance falls below 2.0 months, the agency will institute a plan to restore the unrestricted fund balance within 3 years.

Unrestricted Fund Balance: The primary objective of establishing and maintaining operating and cash reserves is for the district to be in a financial position to weather negative economic trends.

**4.4 Contingency** *Note: This policy in substance did not change*

**Policy:** TriMet will budget 3% for contingency in the annual budget. In addition, TriMet will make adjustments to the Contingency beyond the 3% for actions believed to be settled during the fiscal year but unknown at the time of adoption as to a final amount.

**4.5 Reserves** *Note: This is a new policy. Added as a result of TriMet building reserves in anticipation of a fiscal cliff*

**Policy:** When unrestricted revenues exceed operating expenditures in a fiscal year, Finance will evaluate funds in excess of the unrestricted minimum fund balance and set aside funds for future economic downturns or capital needs. Funds set aside in reserves will be invested in accordance with TriMet's Investment Policy. Reserves are a critical financial tool that function as

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<sup>7</sup> Resolution 19-10-81, October 23, 2019

<sup>8</sup> Unrestricted fund balance is an accounting construct of the difference between unrestricted assets and liabilities that do not have offsetting assets (not a cash reserve). For purposes of TriMet fund balance policy, unrestricted fund balance excludes the liabilities associated with Pension and OPEB

a safeguard against revenue volatility or unanticipated expenses and provide the District with stability, flexibility and resilience during uncertain times.

Reserves will be reviewed as part of the annual budget process and established through sound financial analysis to address evolving risks, operating conditions and changing external factors such as the economic outlook.

**4.6 Debt<sup>9</sup> *Note: This policy has been updated to reflect the changes in the full debt policy recently adopted by the Board.***

**Policy:** Debt service on senior lien payroll tax revenue bonds shall not exceed 7.5% of TriMet's projected continuing revenues over the long-term forecast. New capital projects financed by long term debt must each have an expected spend of at least \$10 million of debt proceeds within 24 months following the issuance of the debt.

**4.7 Fare Policy *Note: This policy has been significantly modified with direct input from Directors Kellogg & Kim.***

**Policy:** Ensure the financial sustainability of public transportation while balancing affordability and accessibility.

Financial: Strive for a sustainable balance of growth in ridership and passenger revenue by

- Not less than every two years, evaluating fares in light of rising costs of service and make a recommendation to the Board
- Except in exceptional circumstances, increasing fares at least every four years to help ensure pricing keeps pace with the cost of service and inflationary impacts, taking into consideration other economic factors
- Leveraging electronic fare collection to reduce costs and improve efficient fare enforcement
- Aligning with industry benchmarks and peer transit agencies to ensure competitive fare structures

Enforcing fare collection: Continuing with fare collection through professional and unbiased fare enforcement strategies to ensure riders are paying the appropriate fare. Examples of fare enforcement strategies include deploying personnel, fare gates, and electronic validation.

Customer experience: Provide a fare structure that is simple to understand and fares that are convenient to purchase and easy to use.

Customer impact: Consider impact on customers when raising fares, and mitigate fare cost for low-income riders.

Public Engagement: Inform and engage communities when considering a major adjustment in fares.

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<sup>9</sup> Resolution 25-02-05, February 26, 2025

**4.8 Investments<sup>10</sup>** *Note: This policy has been updated to reflect the changes in the full Investment policy recently adopted by the Board*

**Policy:** District funds will be invested in accordance with applicable federal, state and legal requirements.

The primary objectives of the District's investment activities, in priority order are:

- Preservation of Capital – Protect invested funds by mitigating credit risk and interest rate risk through diversification, maturity constraints and credit quality standards.
- Liquidity – Maintain sufficient liquidity to meet all anticipated operating and capital spending requirements.
- Return on investment – Structure the investment portfolio to achieve a market rate of return over economic cycles while prioritizing safety and liquidity.

**4.9 Pension & OPEB Funding<sup>11</sup>** *Note: This policy has been updated to reflect the changes in the full Pension/OPEB policy recently adopted by the Board.*

**Pension Policy:** Maintain a funded status between 80% and 90%. If a plan's funded percentage falls below 80%, contributions quickly increase to return to a minimum 80% funded level. If a plan's funded percentage exceeds 90%, contributions are scaled back to prevent trapped surplus.

**OPEB Policy:** Post-retirement healthcare benefits will continue to be budgeted and funded on a pay-as you-go basis while annually contributing to the OPEB Trust. As the OPEB trust grows in size, TriMet will transition to using a combination of pay-go and trust assets to pay for retiree health benefits.

## **Section 5. Monitoring & Compliance – Note: New section calling out monitoring & compliance. Revised and added language to reflect compliance requirements.**

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**5.1 Reporting to Management**

At the close of each financial reporting period, department cost statements and transactional general ledger data are posted monthly on TriNet for management and staff to review. The Chief Financial Officer will regularly update the General Manager and the Budget team will meet monthly with Divisional leadership on their budget to actual department cost statements.

**5.2 Reporting to the Board of Directors**

Annual Budget Process

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<sup>10</sup> Resolution 24-03-15, March 27, 2024

<sup>11</sup> Resolution 23-06-24, June 28, 2023 and Resolution 23-09-41, September 27, 2023.

- At the start of the annual budget process, staff will report to the Board of Directors for information, discussion, and direction on anticipated actions needed to maintain compliance with the Strategic Financial Plan.
- The presentation will include key metrics and analyses supporting the recommended actions.
- The Proposed Budget submitted to the Board will include a report or scorecard assessing compliance with these financial guidelines. This report or scorecard will be updated to reflect the Approved and Adopted Budgets.

#### Ongoing Financial Reporting

Monthly: The Board of Directors will receive a high level monthly financial summary, including the District's net position, changes in the net position, and components of unrestricted fund balance. The report will highlight compliance with the unrestricted minimum fund balance requirement of 2.5 months of operating expenses.

Quarterly: The Chief Financial Officer (CFO) will provide a quarterly year-to-date narrative to the Board of Directors, summarizing:

- Budget to actual performance, with explanations of divisional variances
- The District's investment portfolio performance
- An analysis of the Statement of Net Position
- An analysis of fund balance
- The financial impact to operations, debt ratio, and fund balance of any new revenue streams

Annually: In accordance with ORS 267.140(5), the General Manager via the CFO will report to the Board of Directors on the finances and administrative activities of the district within 30 days after the end of each fiscal year.