



Salem Area Mass Transit District Long-Range Forecasting Model



Presentation to
Board of Directors Work Session
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Ver. 1.15 Revised 8/14/25

Financial Sustainability Goals in Strategic Plan

FINANCIAL SUSTAINABILITY

1. Develop a Long Range Financial Plan
2. Establish an Employee Portal
3. Enhance the Capital Investment Plan
4. Complete the Triennial Review

- *Identify potential risks and stimulate “big picture thinking”*
- *Baker Tilly retained to develop payroll tax projections and a long-range forecasting model*

Goals Identified for 2025

- Achieve organizational alignment. This will be achieved by meeting with stakeholders in the District to ensure agreement regarding long term goals.
 - Update/create financial policies.
 - Forecast long-term revenues and expenses.
 - Analyze external economic environment and identify risks.
- Analyze fiscal environment and identify risks.
 - Determine long-term financial impact of priorities and goals.
 - Complete 5-year long range financial plan, complete with the assumptions used to develop the plan. Present to key District stakeholders to ensure alignment.

Forecast Model Overview



Background on Forecasting
and the Model

Forecasting 101

- A forecast is only as good as its assumptions
- The rest is just arithmetic
- Don't get wedded to one set of numbers because they are always subject to change
- New assumptions = new forecast
- A good model can easily change assumptions
- Forecasts aren't meant to be perfect: they show a likely future reality if you continue your present course, before any corrective actions
- Forecasts can point out potential opportunities and risks, and buy you time by warning of potential adverse trends, and time is your friend



How Forecast Model is Structured

- **Model Includes:**

- General Fund
- Transportation Programs Fund by service
- Capital Improvement Fund by project category

- **Service Indicators:** (*since FY05*)

- Demographics (population, payroll, unemployment rate)
- Ridership metrics (local fixed route, regional, demand response, vanpool)
- Staffing levels by program

- **Basis for Projections:**

- Data from financials back to FY12
- Estimate for FY25, budget for FY26
- Projections through FY34 (can extend to FY44)

- **Assumptions:**

- Control panel organizes key assumptions
- Can be changed on-the-fly to show impact on all funds

- **Charts:**

- Fund Balance, GF Shortfall, others
- Budget-to-actual comparison for any category or metric
- History and forecast in context of short and long-term trendlines
- Assumption Change Net Impact
- Comparison to a prior forecast

- **Special Focus:**

- Vehicle Replacement Plan
- Service Enhancement Plan
- Payroll Tax Impact

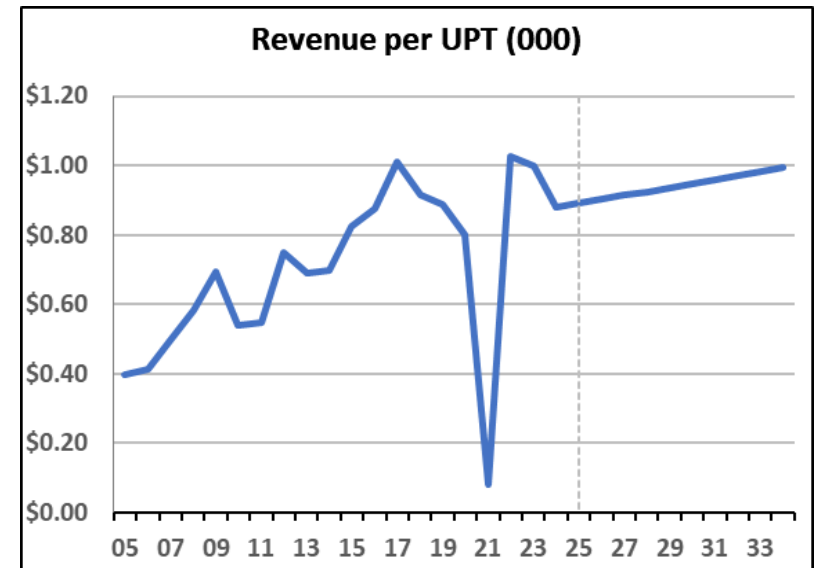
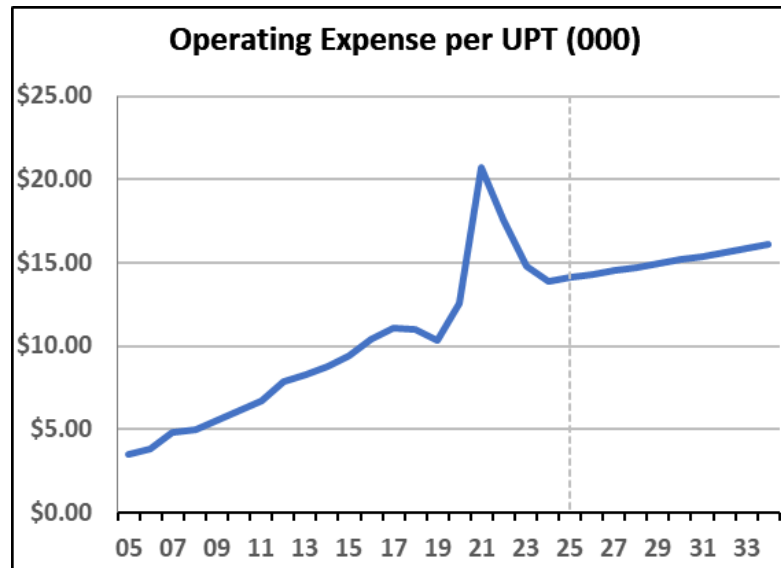
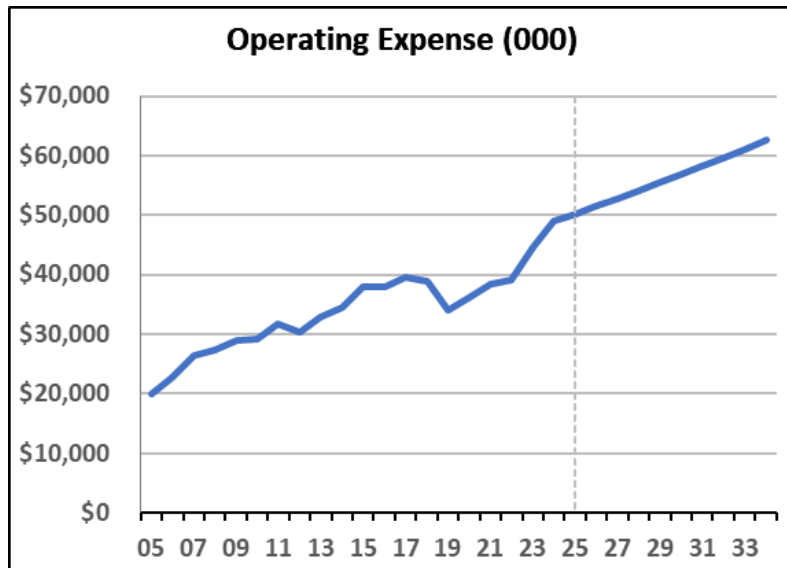
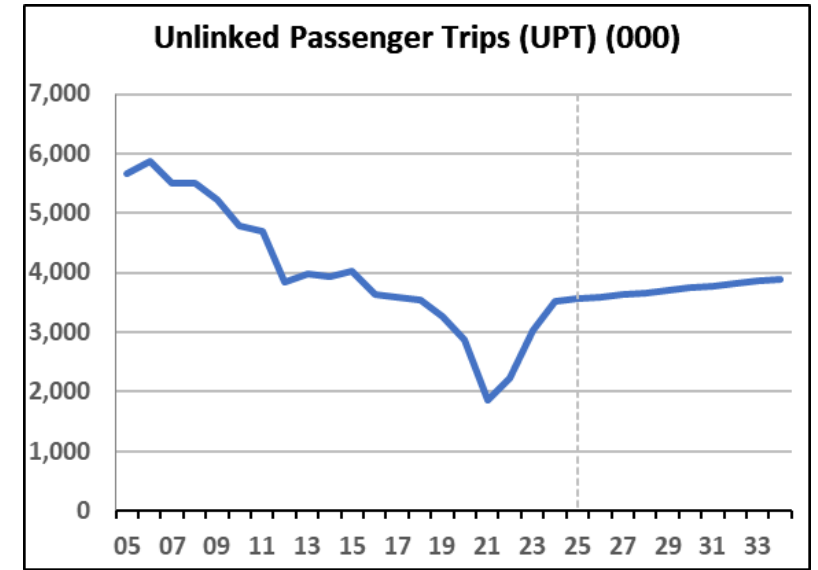
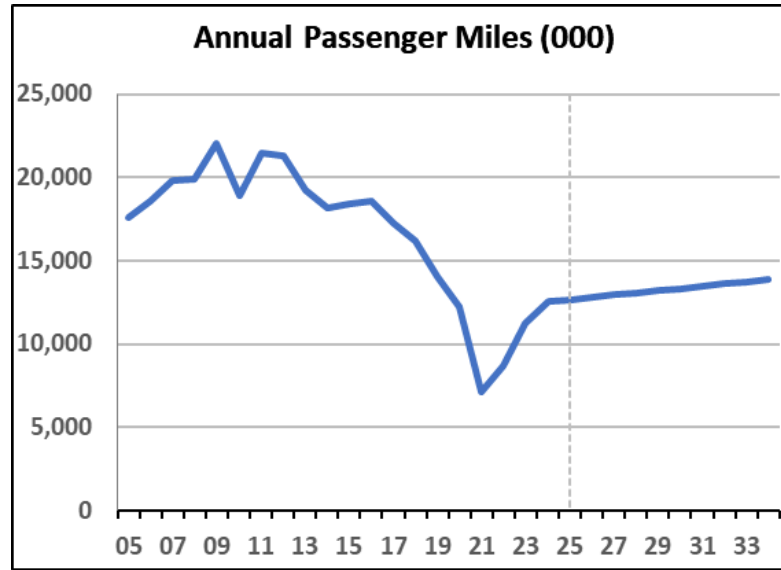
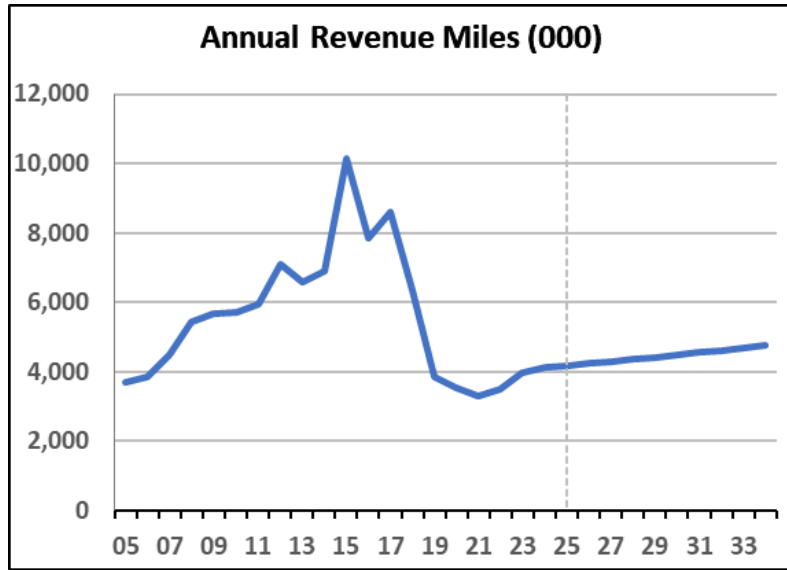
Forecast Shows Impacts of...

- COLAs by group by FY
- Adding staff
- Employee vacancy and material/supply savings rates
- Budget additions or reductions
- Growth in ridership and vehicle miles
- Growth rates for revenue and expense categories
- Changing levels of grant support for capital, vehicle purchases
- Timing and magnitude of future recessions
- Service Enhancements
- Payroll Tax



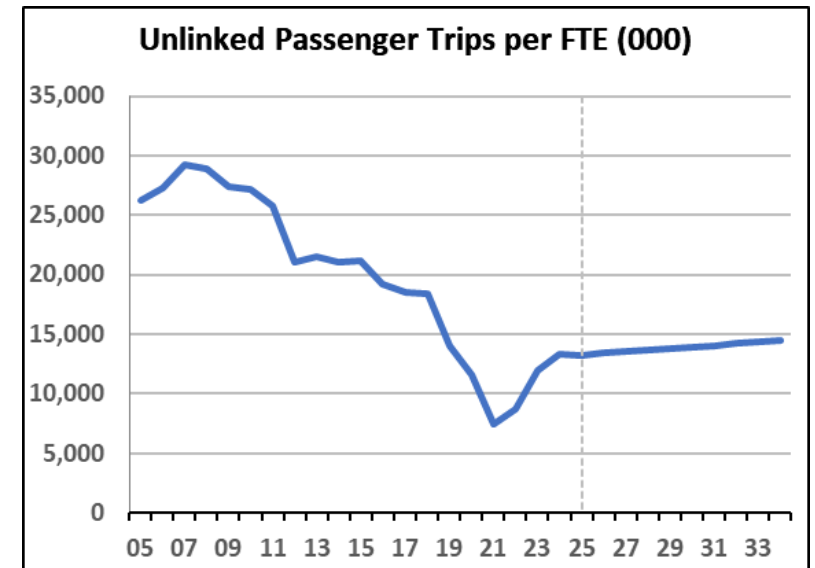
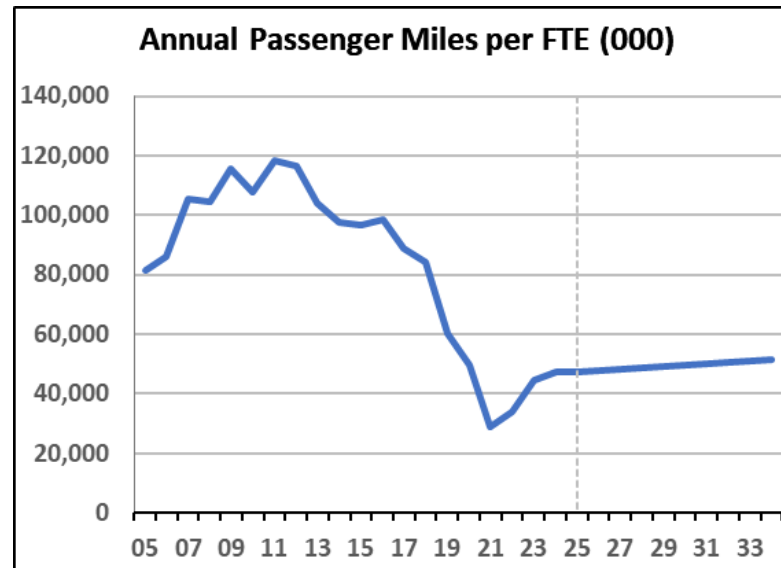
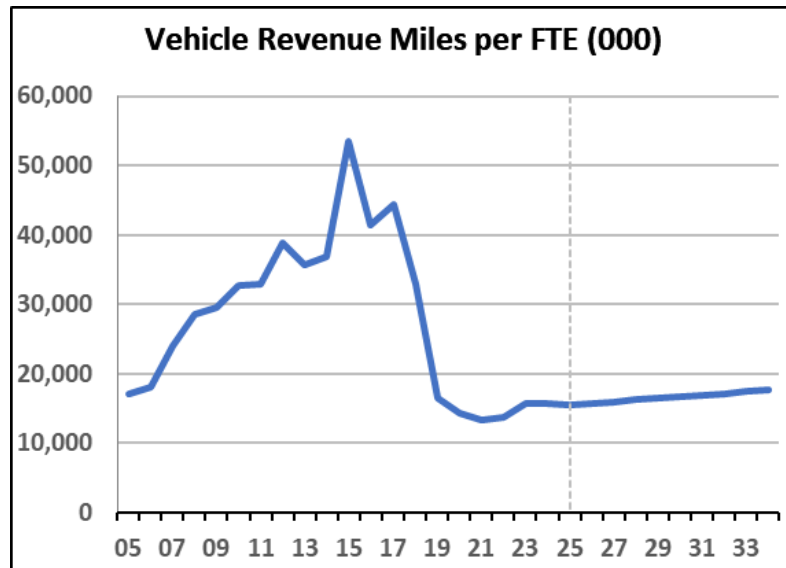
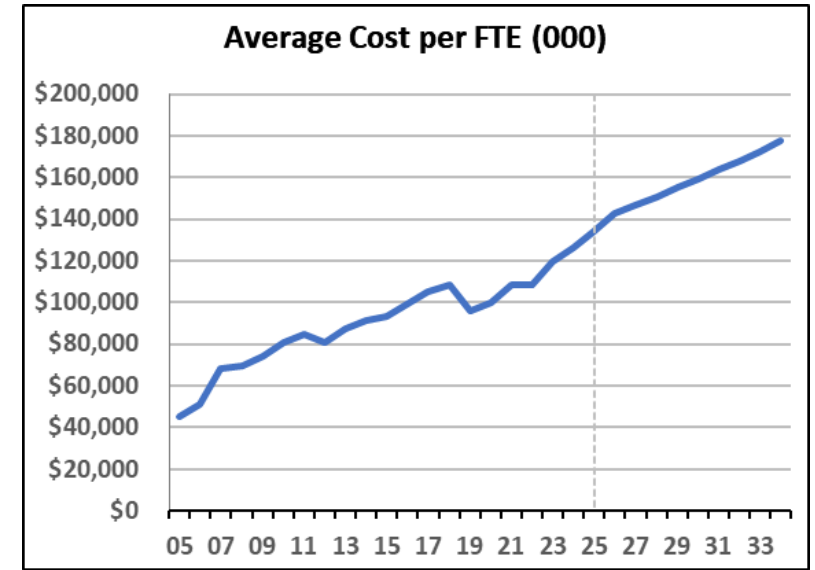
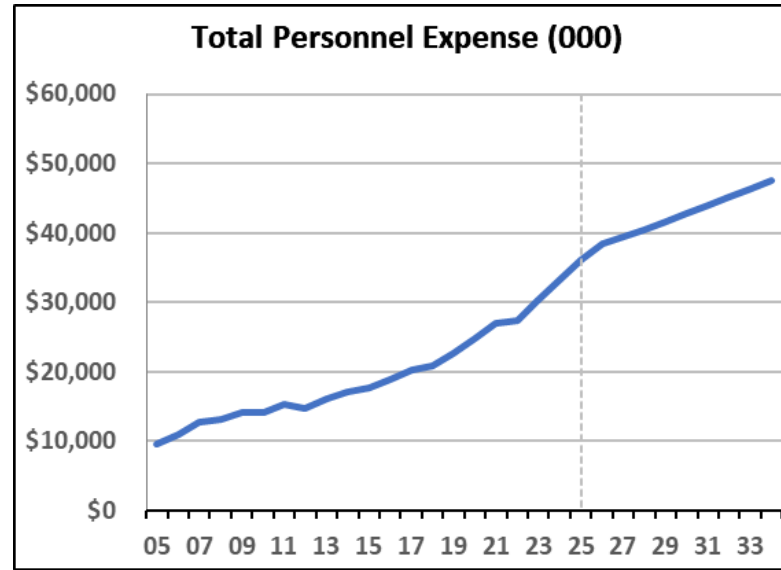
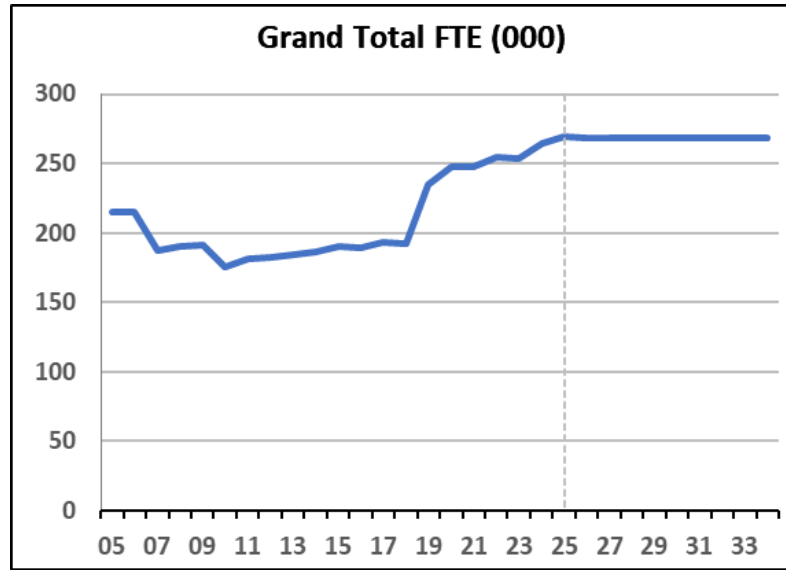
Composite Ridership Metrics for All Services

(Local Fixed Route, Regional Fixed Route, Demand Response, Vanpool)



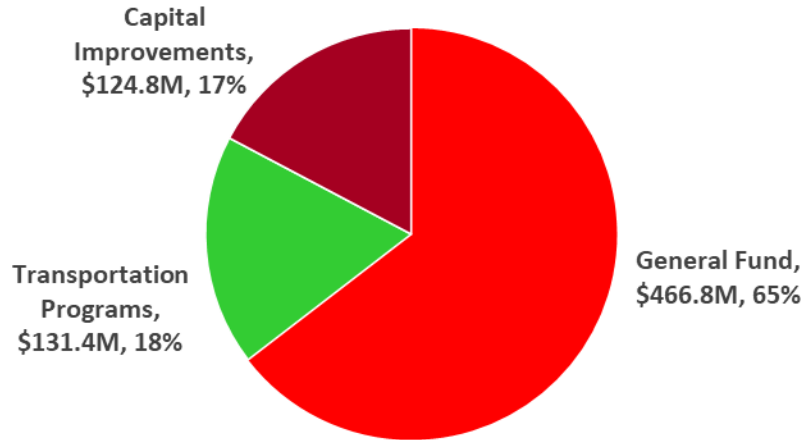
Personnel & Staffing Metrics for All Services

(Local Fixed Route, Regional Fixed Route, Demand Response, Vanpool)

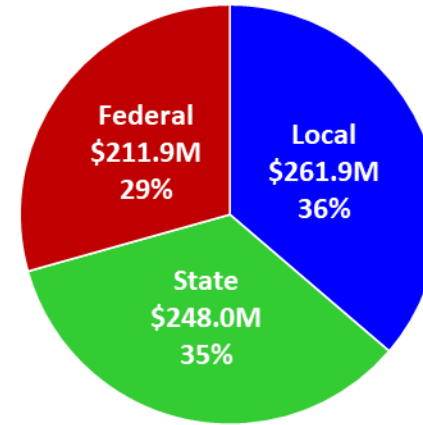


Spending & Revenue Sources – All Funds

Total Expense by Fund - FY26-34

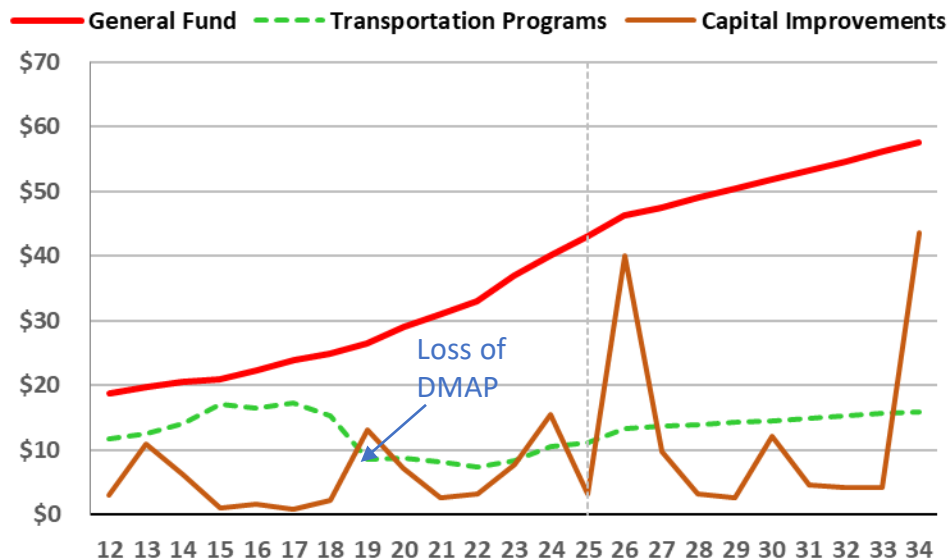


Revenue Sources - All Funds - FY26-34

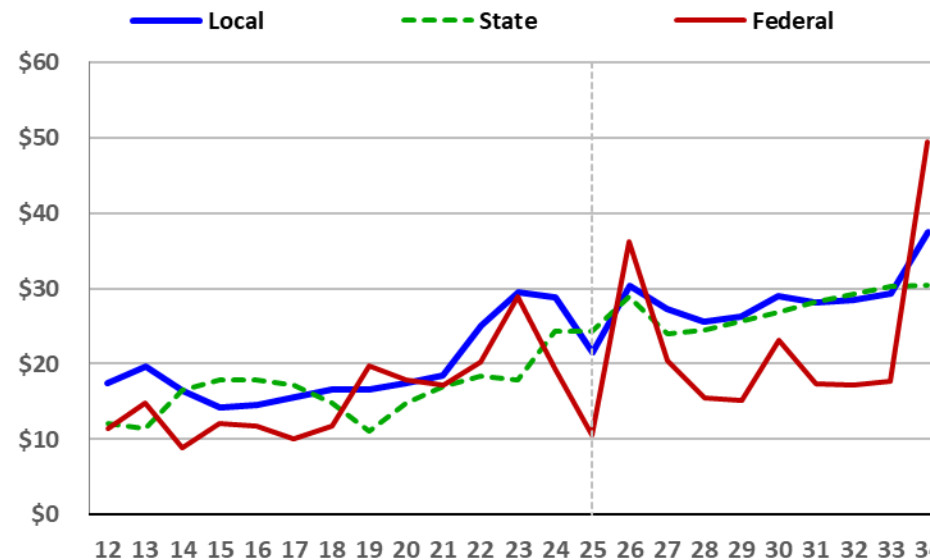


- Balanced sources of total funding over past 14 years
- But 29% of projected future funding is at risk due to federal budget uncertainties
- Securing capital funding likely the greatest challenge
- Model shows revenues and programs by detail (samples to follow)

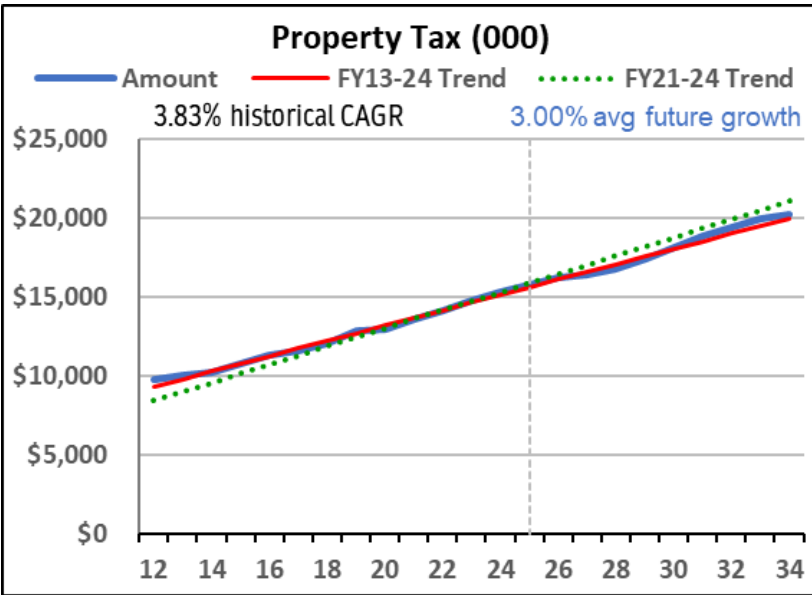
Expense by Fund (mil)



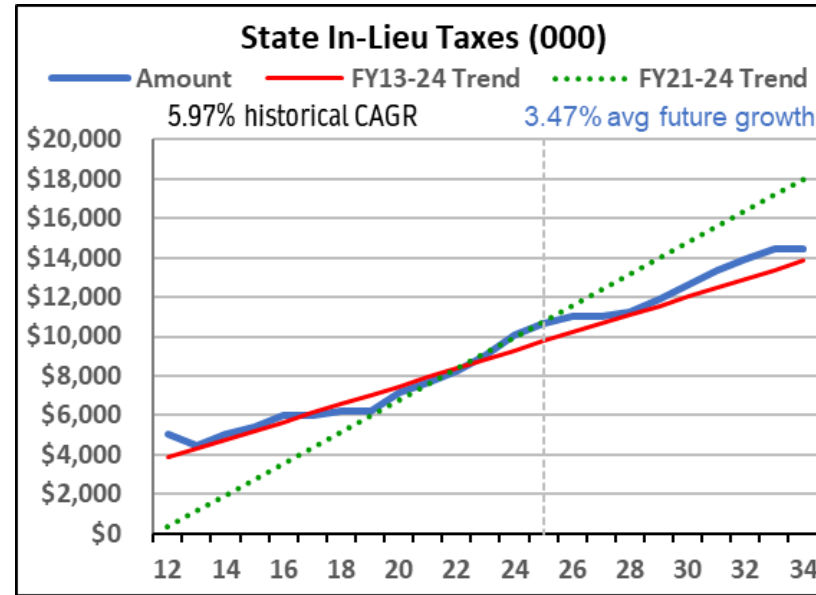
Revenue by Source - All Funds (mil)



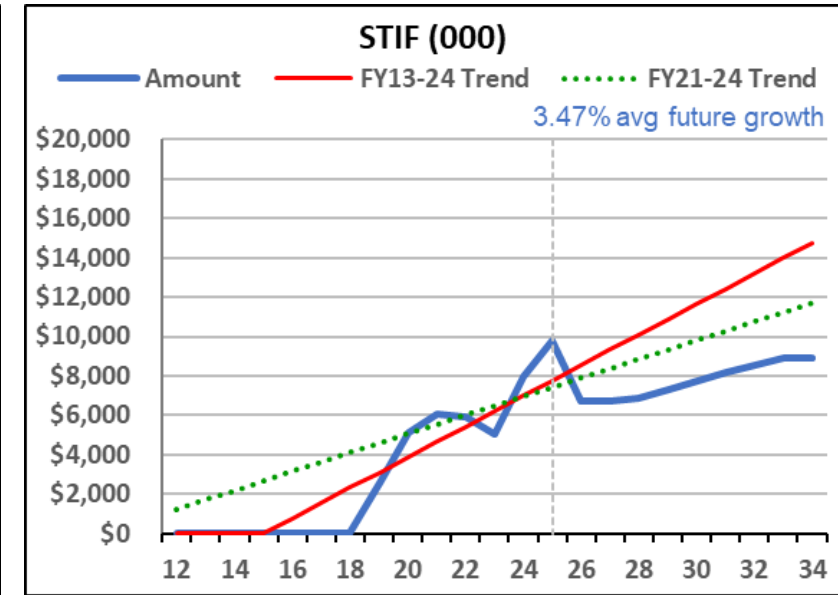
General Fund Revenues: Larger and/or Stable Sources



- Largest source, very stable, but limited in growth potential
- Assumes 3% future growth (3.8% historical growth)
- Minor recession impacts

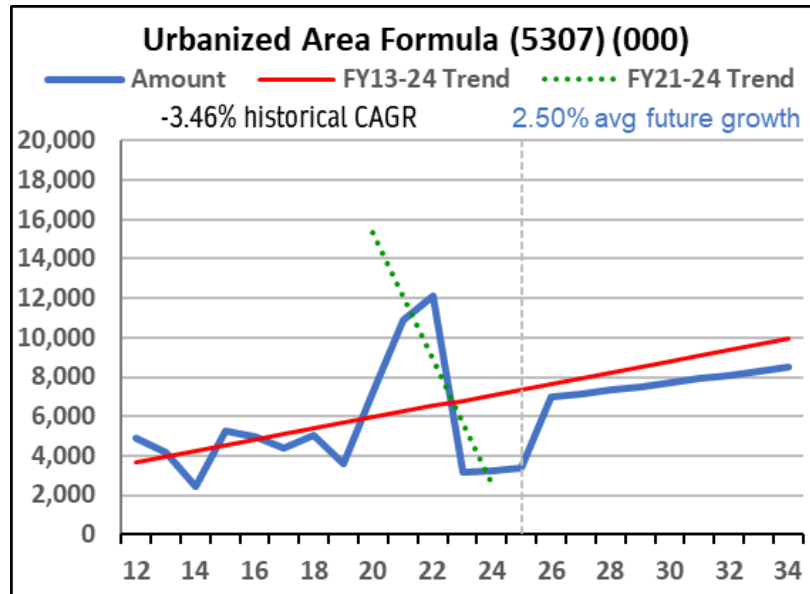


- Relatively stable over time
- Higher rate of growth over last 5 years
- Assumes 4% base growth, with recession impacts net growth is 3.5%

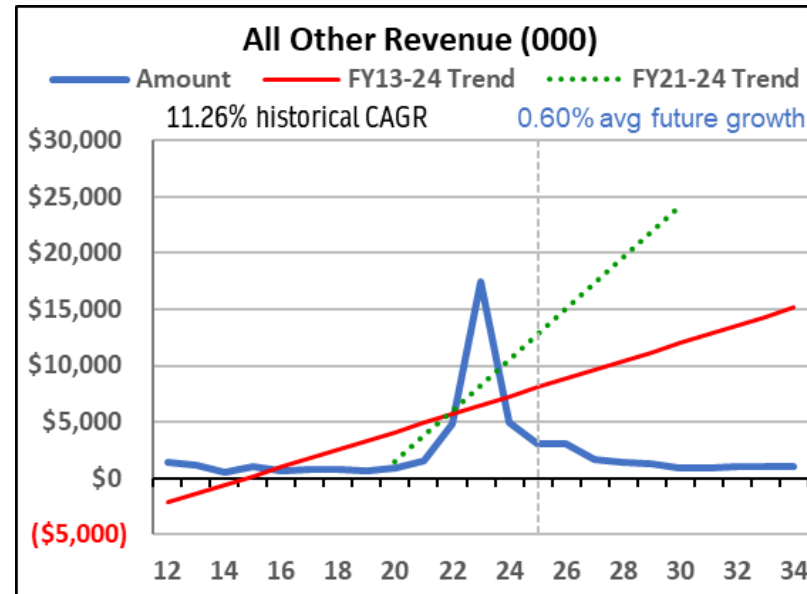


- Relatively new source, consolidated with STF in 2023
- Prior unspent revenues held as part of GF reserve
- Assumes 4% base growth, with recession impacts net growth is 3.5%

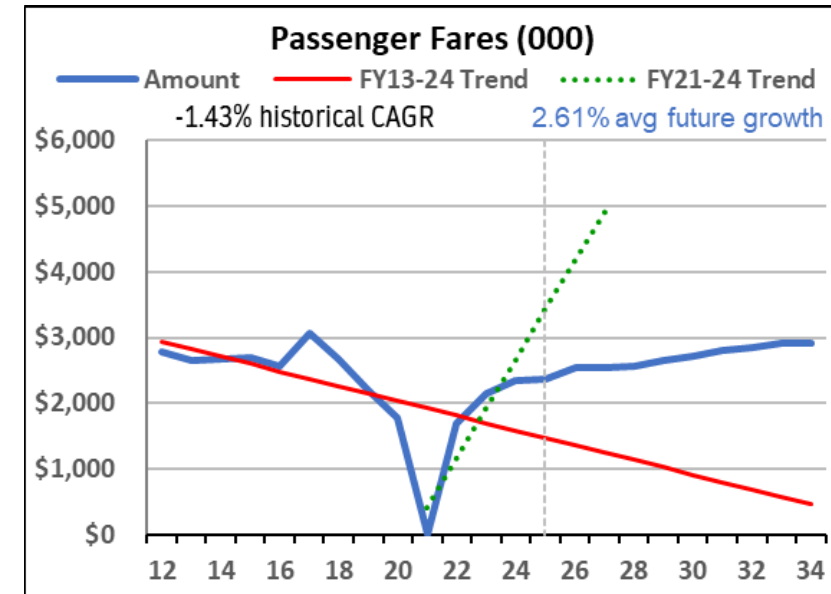
General Fund Revenues: Smaller and/or Less Stable Sources



- Amount has varied over time
- Operations vs. capital, federal funding uncertainties
- Assumes growth from FY26 budget is just below long-term trendline

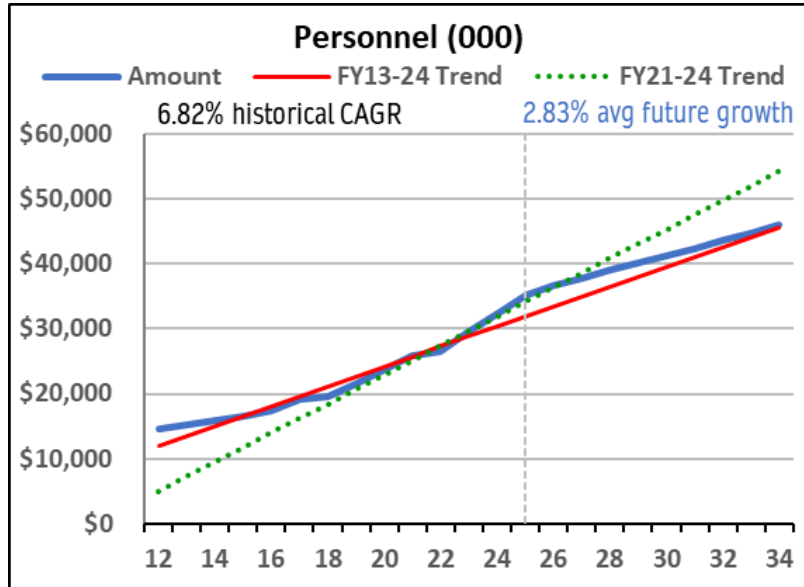


- Minor grants, interest, other income
- Peak was pandemic-related federal aid

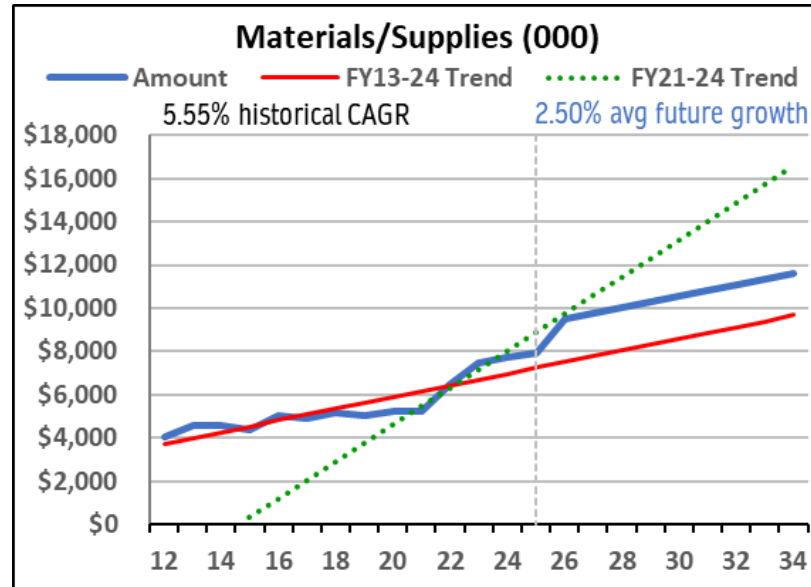


- ~\$2.5M except for period of pandemic
- Only pays for 5% of total GF operating expense
- Assumes 1% rate growth, 1% passenger growth

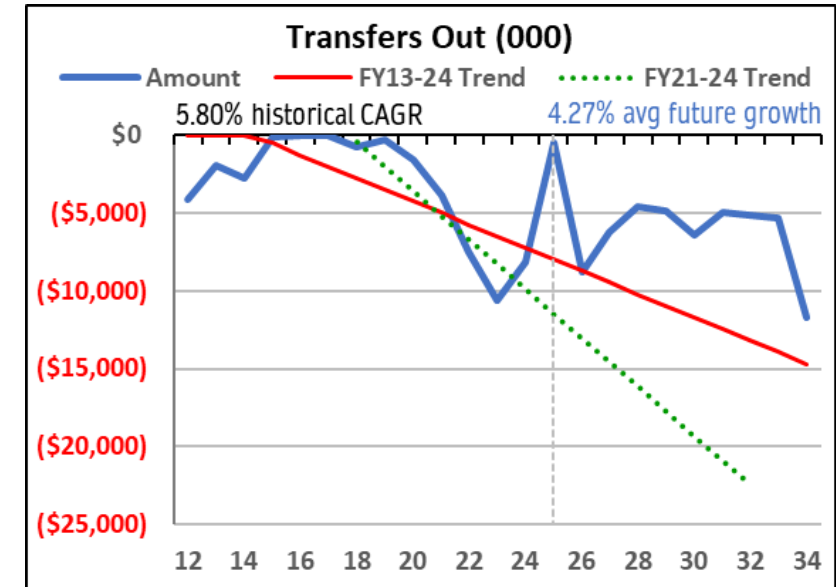
General Fund Expense Categories



- Assumes no added positions over time; costs move closer to long-term trend by FY34
- Net 94 FTE added since FY12 (+54% to 268.6 FTE)
- Adding FTE will increase trend toward short-term trendline
- Assumes 4% vacancy savings (historical savings of 4.7%)

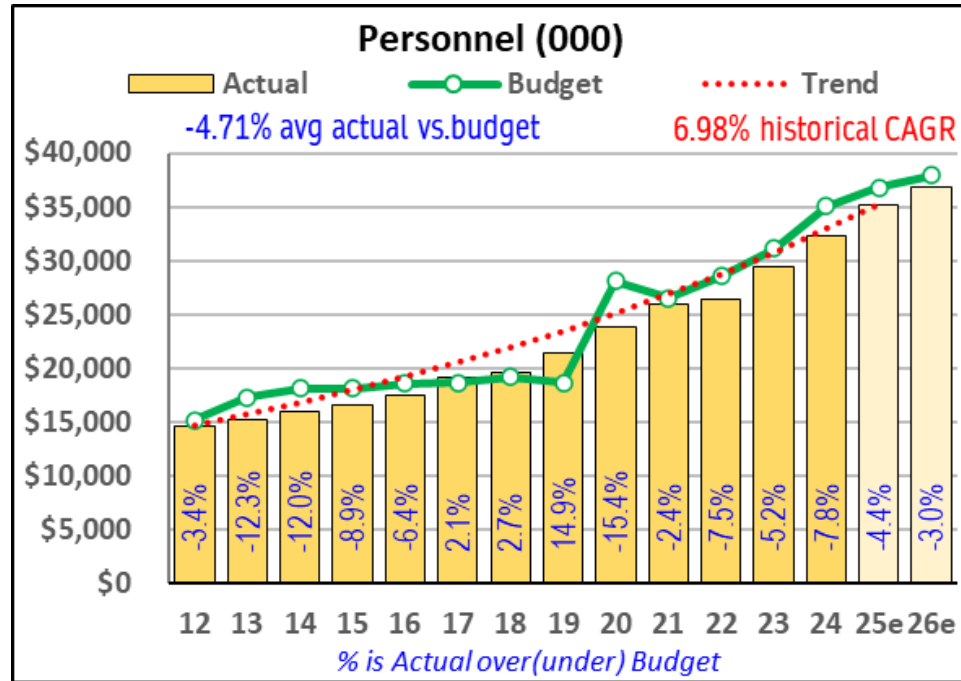


- Generally flat FY16-21 but grew significantly over next 3 years
- FY26 budget of \$10.6M up 1.5% from FY25 budget but is \$2.7M higher than FY25 estimate of \$7.9M
- Forecast assumes 10% savings from budget (historical savings of 20%)

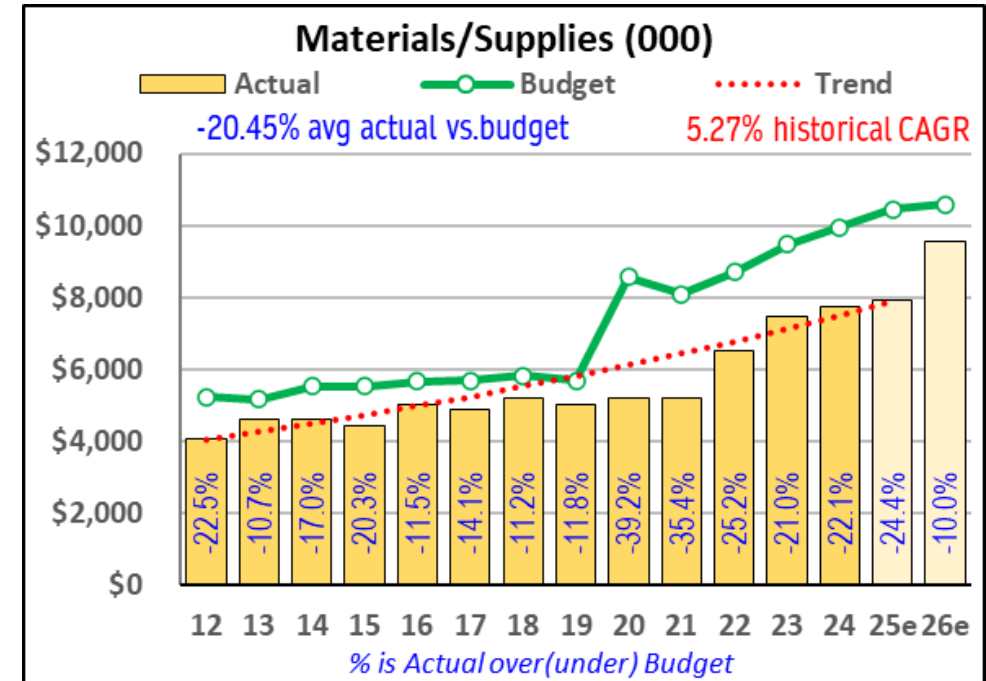


- Includes support for Transportation Programs plus Capital Improvements
 - Transportation Programs based on forecasts of individual programs
 - Capital contribution driven by vehicle replacement schedule, assumes feds cover 80%

General Fund Budget vs. Actual



- Personnel costs have averaged 4.71% under budget since FY12
- Savings averaged 6.8% FY22-24
- Net savings for FY26 estimated at 3%, and 4% going forward



- Materials/Supplies costs have averaged 20.45% under budget since FY12, much higher than personnel savings
- Savings especially high during pandemic and recent years
- Net savings for FY26 and after estimated at 10%

Baseline Forecast



Key Assumptions

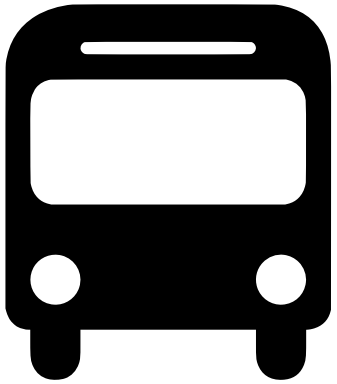
Forecast Before Service
Enhancements and
Special Session

Key Baseline Assumptions Drive Forecast

- 5% COLA in FY26, 3.5% next 2 years, 2.5% thereafter, plus 0.25% net impact of step increases less savings from employee turnover
- 4% personnel vacancy savings and 10% materials/supplies savings
- No change in vehicle miles or FY26 staffing levels
- FY26 is base for future costs and growth in state/federal funding
- Vehicle replacement plan defines future replacement costs, assumes 80% federal/state funding
- Assumes \$2M/year other capital excluding service enhancements and vehicle replacements, with 80% paid by state/federal funds
- *Before* payroll tax
- *Before* service enhancements
- Assumes moderate recession in FY27 and every 7 years thereafter— **economy faces great deal of uncertainty so this may change!**

Can easily show alternate payroll tax/service enhancement scenarios

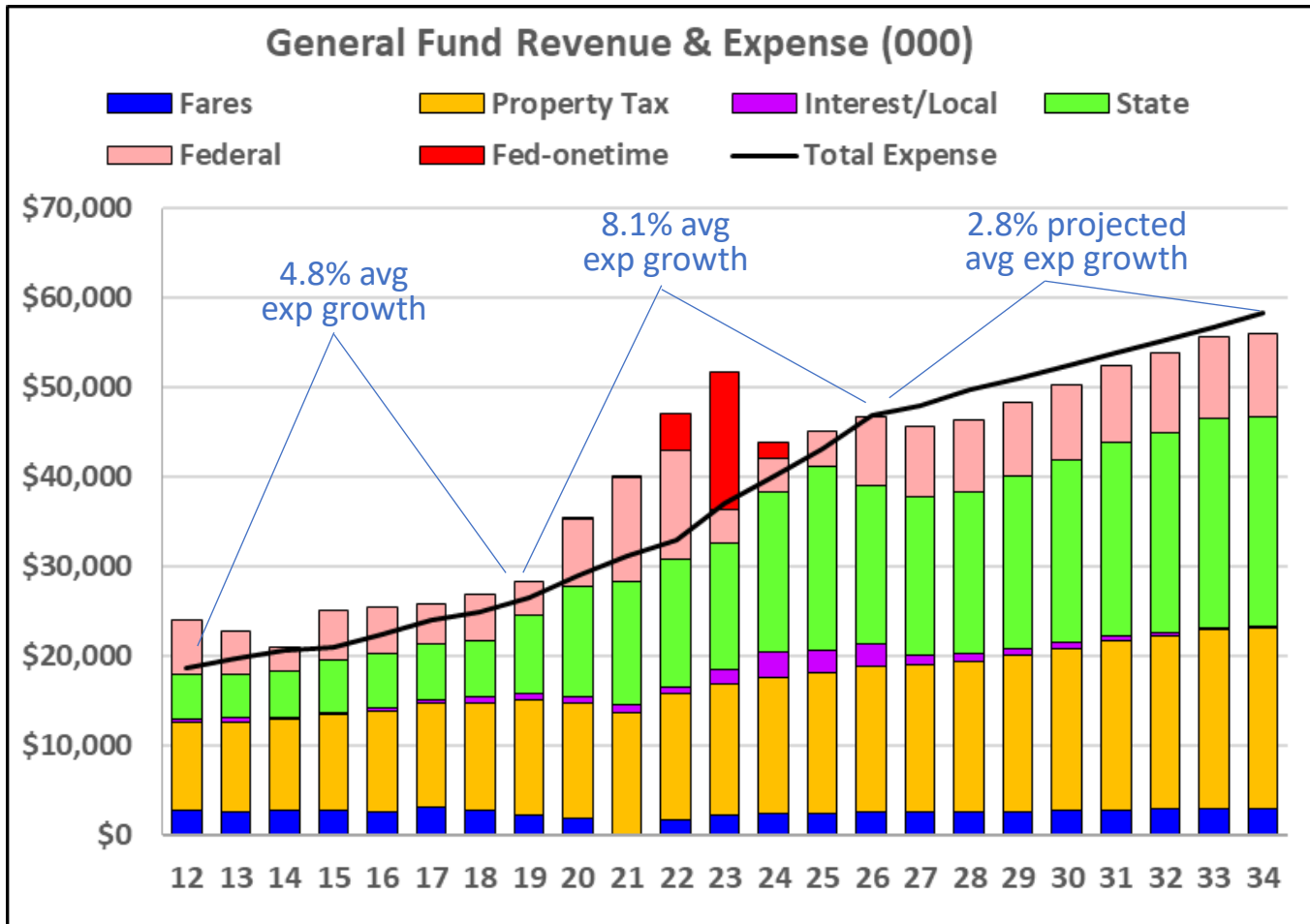
Major Investment in Buses & Other Vehicles



Service	Number	Replacement Cost
Fixed Route	70	\$105.0M
Regional	14	\$4.29M
LIFT	26	\$3.72M
Shop & Ride	3	\$0.41M
Non-Revenue Vehicles	23	\$1.41M
Grand Total	134	\$114.82M

- Forecast assumes 80% of replacement cost met by federal/state funds (20% of \$114.82M in 2026 is \$22.96M local matching requirement)
- If federal/state commitment dropped to 50%, this would increase local share by \$34.45M to \$57.41M

General Fund Revenue by Type vs. Expense

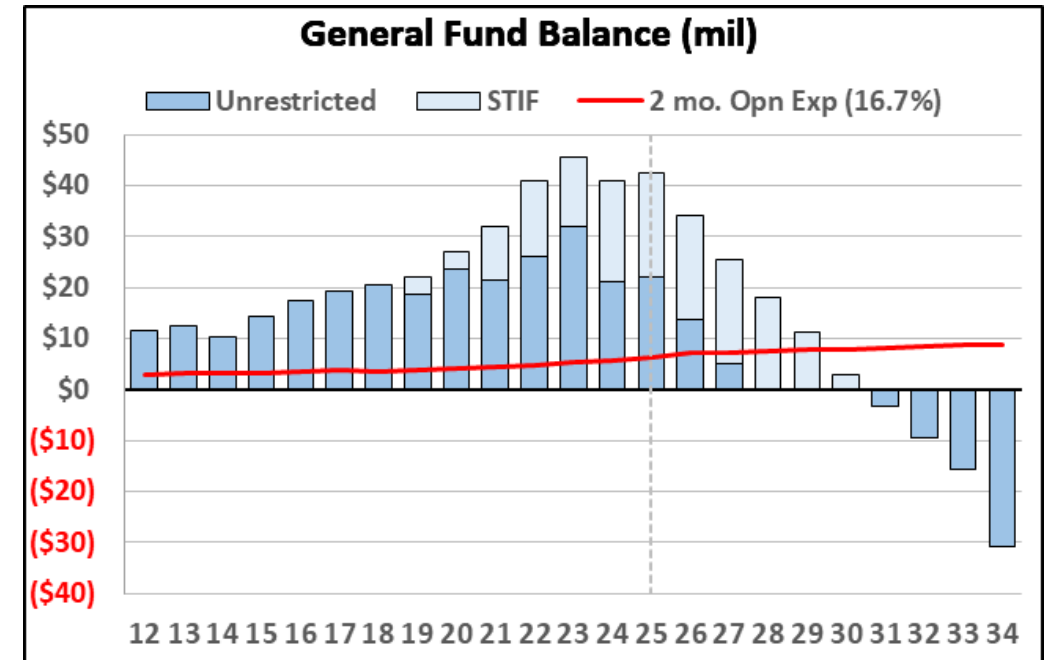
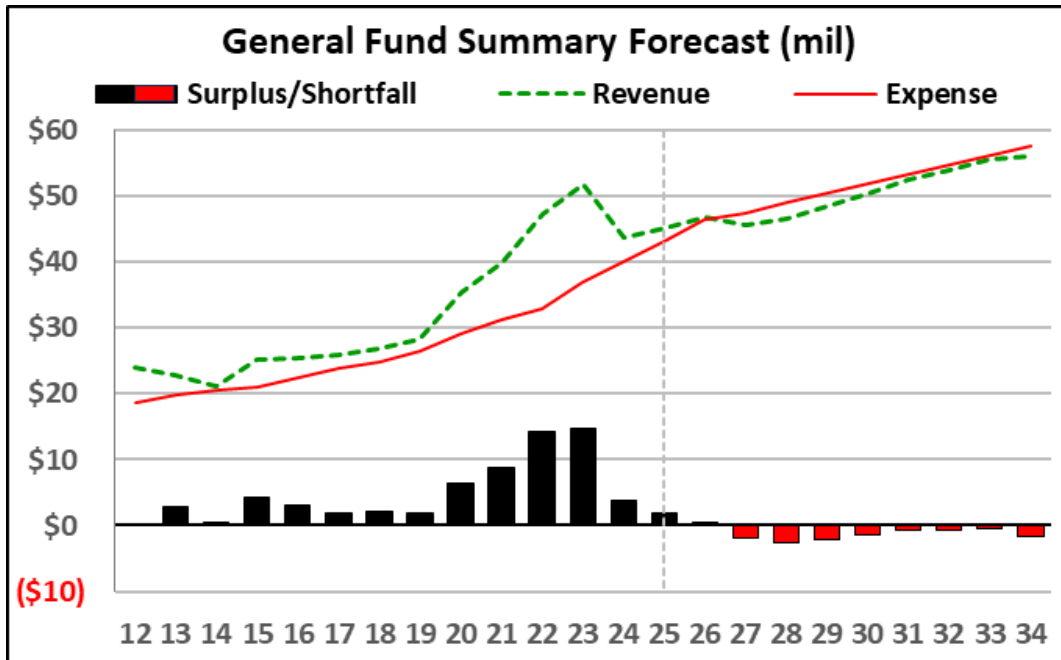


- Fares dropped from 14.9% of total expense in FY12 to 5.5% in FY25
- Property tax is consistent source, averaging 3.7% growth from FY12 to FY26
- Surge in state funding starting FY20
- Federal funding high in FY20-23, with large portion onetime only due to pandemic relief
- Federal funding dropped FY24-FY25; major uncertainty over level of federal support likely in future years
- Average expense growth of 4.8% FY12-18 compared to 8.1% FY19-26; assumes 2.8% future growth (with no staffing growth)

If staffing increased and/or future growth exceeds 2.8%, revenue gap will widen



FY26 Budget Causes Structural Shortfall



- Historically the General Fund has run surpluses, maintained comfortable fund balance
- Based on trended growth in FY26 revenue levels, even with vacancy and material/supply savings this will produce an ongoing annual shortfall averaging **\$1.3M**
- \$41M balance will be eroded until deficit occurs in **FY31**, **absent corrective budget actions**
- FY26 budget (prudently) **did not** assume passage of proposed state funding increase which failed in June 2025; other transit agencies in similar funding bind; pending Special Session will reconsider a funding increase for transit agencies (not included in this forecast)
- Large share of General Fund balance is STIF – available for general purposes, but involves approval process

Forecast Risks and Uncertainties

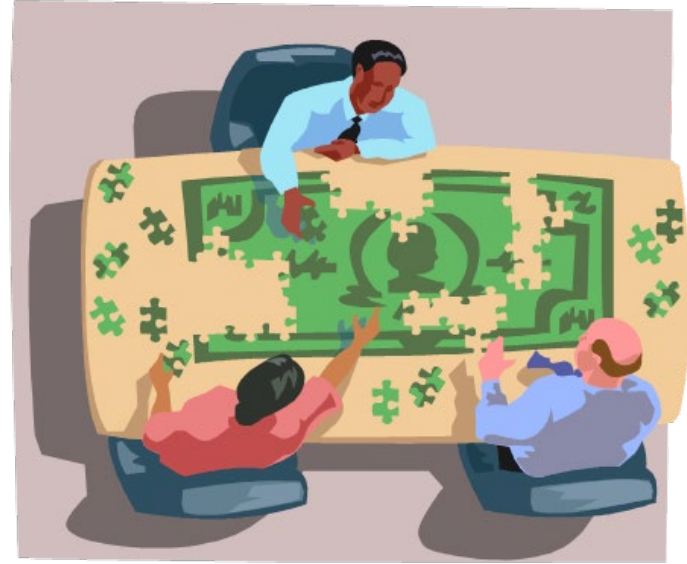
Favorable Impacts

- If savings in material & supply costs is closer to the 20% level experienced in recent years
- If there are increases in existing federal or state funding, or new programs created
- If federal or state funds can be used to pay for a portion of the proposed service enhancements (0% assumed in forecast)

Unfavorable Impacts

- If staffing levels are increased
- If COLAs average higher than 2.5%
- If health and pension costs grow faster than 2.5%
- If 10% savings in material & supply costs are not realized
- If there are cutbacks in federal and state funding levels for capital and/or operations
- If vehicle replacement costs grow faster than 5%
- If future recessions are more severe in magnitude than the “moderate” scale envisioned in the forecast

Alternate Forecast



Service Enhancements

Payroll Tax

Service Enhancements

Cherriots is working on ways to make riding the bus easier, quicker, and better for everyone

- Service Enhancement Plan being prepared by District with extensive public input
 - More frequency, extended service hours
 - Quicker bus rides, more comfortable bus stops
 - New ways to get around
 - Buses for events and downtown
 - Looking ahead: bus lanes and a combined campus
- Enhancements require payroll tax revenue for funding

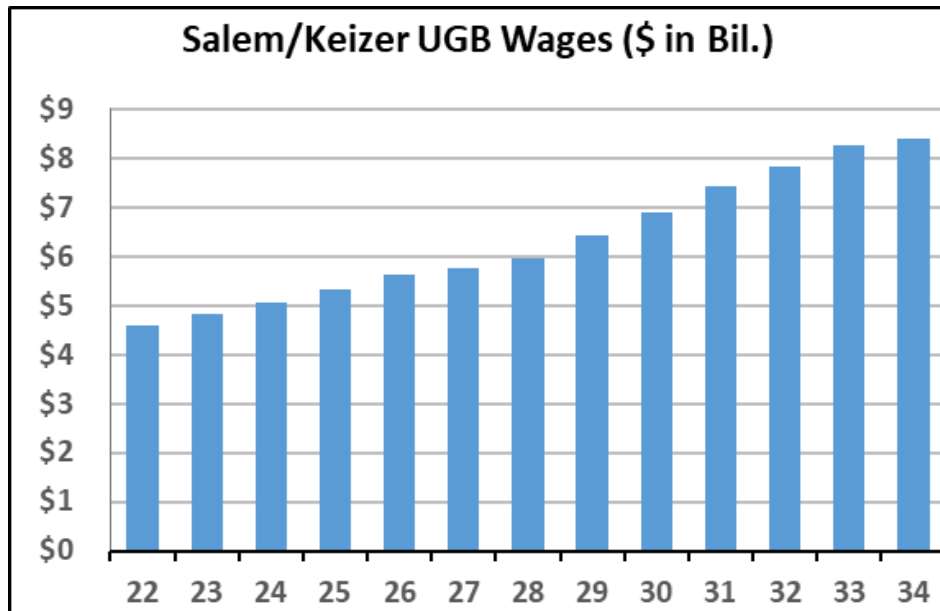
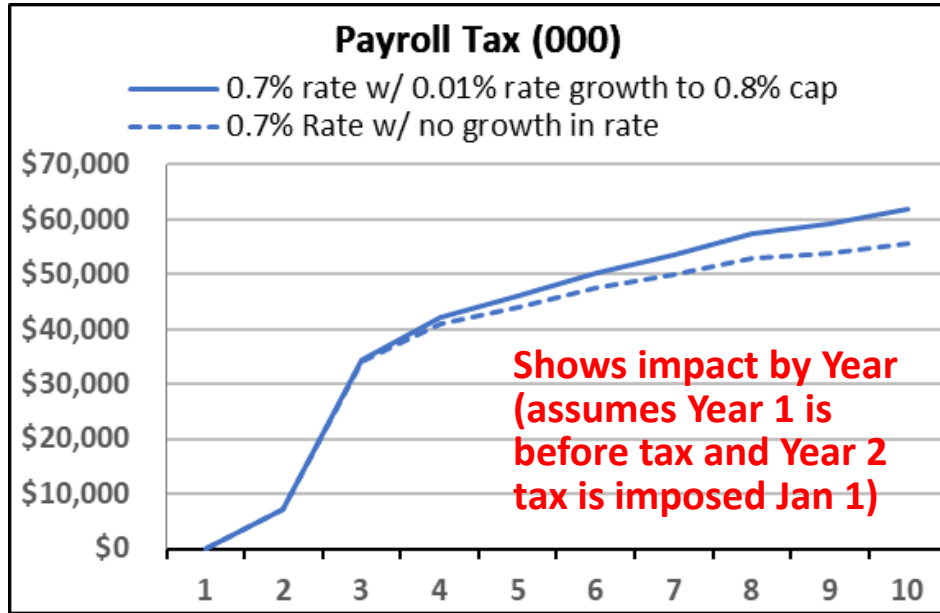
Updated Service Enhancement Plan

Service Enhancements/Expansion (000):				<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
Weekend and Holiday Service Enhancements						\$3,466	\$7,790	\$8,537	\$9,352
Implement Early Morning and Late Night Service						1,172	2,525	2,767	3,032
Conduct On-Demand (ie - microtransit) Pilot						1,975	395	-	-
Maintain On-Demand (ie - microtransit) Service						-	2,094	2,625	2,756
Weekday Service Enhancements-operating						-	2,220	9,728	10,656
Weekday Service Enhancements-capital						17,500	-	-	-
Final Design and Construct Transit Center Expansions (South & East)					1,500	3,833	3,833	3,833	3,833
Systemwide Bus Stop Improvement Project					420	441	463	486	511
Establish Business Community Advisory Council									
Implement/Operate Shared Micromobility Service/Salem-Keizer area						551	579	608	638
Introduce Special Events Service						21	45	50	55
Implement Downtown Salem Circulator Route-operating						-	-	1,174	1,286
Implement Downtown Salem Circulator Route-capital						2,000	-	-	-
Phase II: Traffic Signal Priority (TSP) project						-	-	-	-
Seamless Multimodal Payment System						-	-	-	-
Single Campus for Operating all Cherriots Service						600	1,000	1,000	1,000
Feasibility Study for BRT Corridors in Salem-Keizer Area						-	-	-	-
Design and Construct BRT Systems in Salem-Keizer Area						-	-	-	-
Totals		Capital		-	1,920	31,559	20,944	30,809	33,119

**Shows impact by Year
(assumes Year 1 is current FY,
with most costs starting in
two years)**

**Reduction of
Transit Center
Expansion
project from
\$49M in prior
draft to \$24.5M**

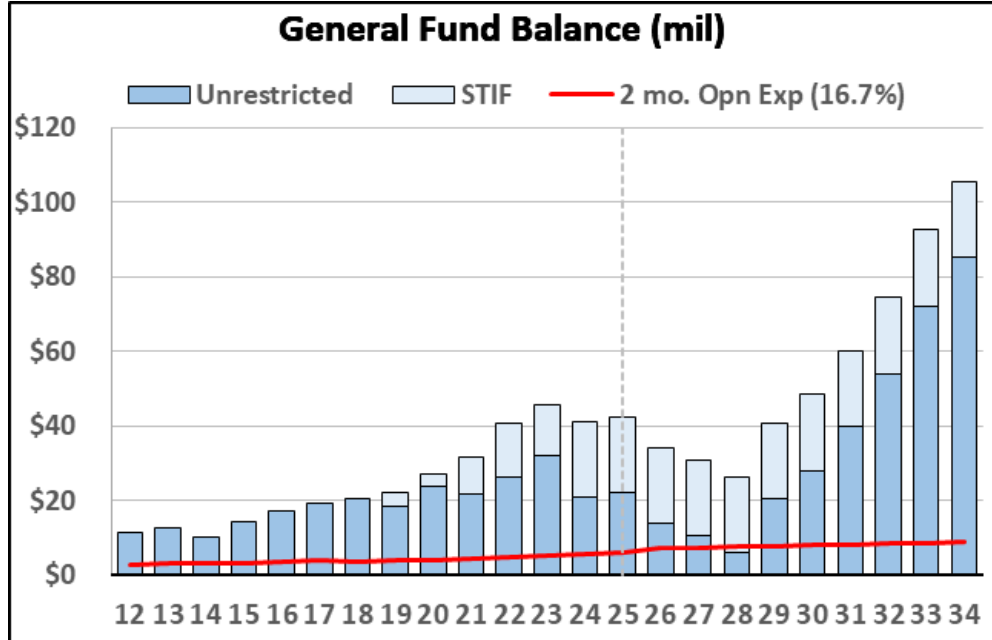
Payroll Tax Revenue



- Payroll tax base for Salem-Keizer urban growth boundary is defined by State Dept of Revenue
- Future growth uses average of range of growth scenarios defines by State for payroll growth (\$4.6B in 2022, projected to be \$6.0B by 2028)
- Assumes initial tax rate of 0.7% effective Jan 1 of Year 2, with 0.01% annual rate increase until reaching rate cap of 0.8%; **level of rate, timing of imposition and future increases are at the discretion of district board of directors**
- First year) reflects 25% of levy, with 100% in fiscal years thereafter
- Collection as percent of total levy starts at 75% and ramps up to 95% over three years, to be conservative
- Assumes 4% collection fee levied by the State

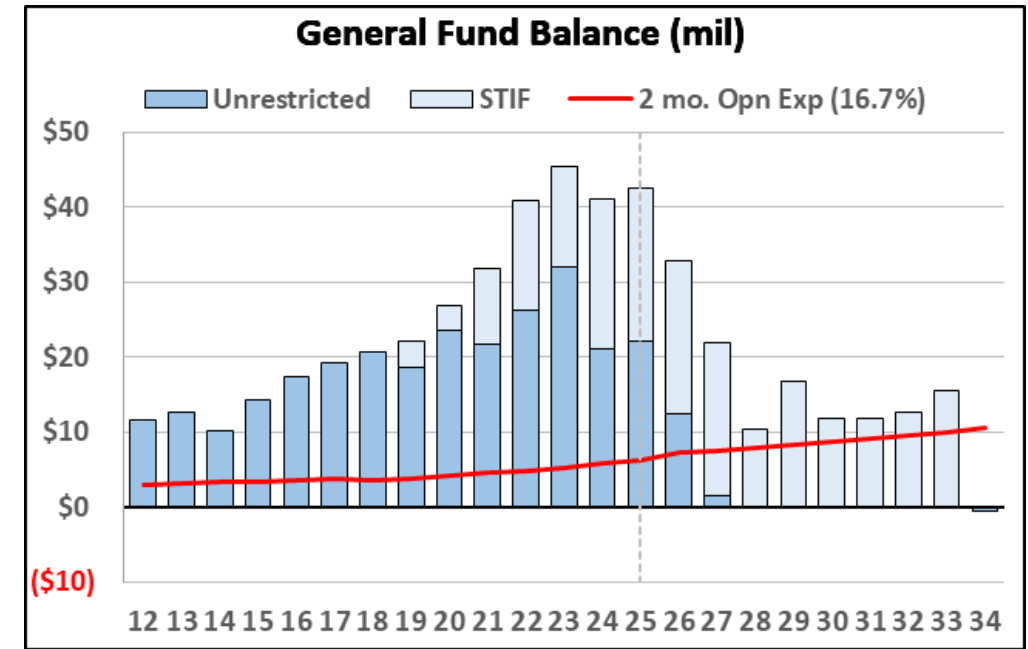
Baseline Forecast Adding Payroll Tax & Service Enhancements

BASELINE FORECAST



- COLAs = 2.5% (after FY28)
- Grant Share of Capital = 80%
- CIP Facilities = \$2M/year*
- Vehicle Mile Growth = 0%**
- State Revenue Growth = 4%
- Federal = growth from FY26 base

SAMPLE ALTERNATE FORECAST



Both scenarios assume tax imposed 1/1/27 with 0.01% tax rate growth per year to cap of 0.8%

Shows sensitivity to alternate assumptions

- COLAs = 3.0% (after FY28)
- Grant Share of Capital = 50%
- CIP Facilities = \$4M/year*
- Vehicle Mile Growth = 2%**
- State Revenue Growth = 2%
- Federal = 20% cut from FY26 base

*For facilities & equipment, excluding vehicle replacement plan and service enhancement plan

**Positive growth increases future FTE staffing levels by same percentage (2% is ~6 FTE growth/year)

Closing Observations

- Property tax is stable, provides 35% of General Fund revenue
- Fares provide only 5%, so remaining 60% of General Fund revenue is from federal and state sources
 - State sources have been relatively stable, but federal funding may not be going forward
- Trended growth of federal/state funding is insufficient to close projected General Fund revenue gap
 - Payroll tax is essential to fund service enhancement plan, but that tax (or higher federal/state funding) is also needed to offset pre-existing structural shortfall, absent more state/federal funding
- Issues:
 - Service Enhancement Plan timing and costs, Payroll Tax (Board review pending)
 - Transit Center Expansions (pay-as-you-go on phased basis vs. debt financing)
 - Vehicle Replacement Plan, update timing, replacement costs/rate of growth, impact of conversion to electric buses (work in progress)
 - Refine Capital Investment Plan for non-Service Enhancements (work in progress)
 - Options in event of loss of state or federal funding (TBD)
- Model will be a useful tool in projecting future financial scenarios, especially regarding service enhancements, vehicle replacement and payroll tax



Thank You! Questions?



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