**Statement in Opposition to SB 34-A**
**May 27, 2009**

TriMet was granted a payroll tax rate increase in 2003. That increase went into effect in January 2005 and will be implemented over a 10-year period. In looking at fiscal trends since 2004, it's clear that the agency has had a vast increase in funds, yet service has actually been reduced by some measures.

**Service measures for TriMet since 2004**

| | **July 04** | **July 05** | **July 06** | **July 07** | **August 08** | **Change** |
|---|---|---|---|---|---|---|
| **Total vehicles** | 734 | 714 | 720 | 720 | 736 | **+0.2** |
| **Peak hr vehicles** | 630 | 611 | 608 | 605 | 614 | **-2.53** |
| **Revenue Hours** | 145,864 | 138,482 | 137,493 | 141,496 | 151,735 | **+4%** |
| **Vehicle Miles** | 2,654,658 | 2,532,474 | 2,484,938 | 2,504,547 | 2,619,484 | **-2%** |

TriMet is currently planning even more service cuts for FY 10, despite the fact that the agency has been awash in new money. Between 2004 and 2008, TriMet's total annual revenue ***went up 60%*** *(from $527.6 million in 2004 to $842.2 million in 2008).*

**Problem # 1: TriMet's employee benefits structure is fiscally unsustainable.**

***Cost of TriMet benefits, 2001-2008***

| | **2001** | **2003** | **2005** | **2007** | **2008** |
|---|---|---|---|---|---|
| **Wages** | $97,100,000 | $107,800,000 | $113,900,000 | $121,100,000 | $128,600,000 |
| **Fringe benefits** | $59,200,000 | $74,100,000 | $92,900,000 | $98,500,000 | $151,800,000 |
| **Number of FTE** | 2,517 | 2,643 | 2,519 | 2,513 | 2,590 |
| **Cost p/FTE** | $62,023 | $68,901 | $82,063 | $87,490 | $108,262 |
| **Benefits as a % of Wages** | 61% | 69% | 82% | 81% | 118% |

According to the 2008 TriMet audit,***"In 2008 fringe benefits increased $53,366,000, or 54.2%, due to the increased cost of medical premiums, pension funding requirements, and the implementation of recording of postemployment medical benefit liabilities under GASB Statement No. 45."***

**How do these ratios compare with other major transit agencies?** According to the American Public Transit Association, the average cost of fringe benefits for **all transit districts** in the country in 2006 was 66% of salary/wages.

Within the benefits category, TriMet's pension costs have exploded over the past 25 years:

**Trends in pension obligations for TriMet's Bargaining Unit Plan**
***(in millions of dollars)***

| **Bargaining Unit Plan** | **1983** | **1987** | **1991** | **1995** | **2001** | **2005** | **2008** |
|---|---|---|---|---|---|---|---|
| Actuarial accrued liability | $17.5 | $23.6 | $33.1 | $113.1 | $194.9 | $345.4 | $427.3 |
| Annual cov. Payroll (CP) | $40.9 | $38.5 | $43.8 | $66.3 | $88.7 | $106.5 | $116.4 |
| Unfunded AAL | $7.1 | $17.7 | $22.7 | $61.1 | $94.6 | $189.6 | $188.4 |
| Unfunded AAL as a % of CP | 17% | 46% | 52% | 92% | 107% | 178% | 162% |
| Annual pension cost | -- | -- | $3.0 | $8.7 | $14.8 | $24.5 | $26.2 |
| Annual cost as a % of CP | -- | -- | 3.6% | 13.0% | 16.9% | 22.9% | 22.5% |

According to a report just released by TriMet's own Budget Advisory Committee:

- "TriMet's ***$1,932 monthly family healthcare premium is the highest reported*** in the 2008 US Transit Systems Survey."
- "TriMet's current health benefit plan for active and retired employees ***is unsustainable and its impact on the bottom line will worsen the longer it remains unaddressed."***

**Problem # 2: TriMet's expensive commitment to rail transit is not paying off.** TriMet has spent more than $2 billion on rail infrastructure serving downtown Portland, yet it is having no effect on mode preference among journey-to-work commuters, as noted below:

| | |
|---|---|
| ***Change in number of rail vehicles since 2002:*** | ***+35%*** |
| ***Change in light rail track mileage since 2002:*** | ***+33%*** |
| ***Change in rail stations since 2002:*** | ***+ 19%*** |
| ***Change in TriMet commute market share, downtown:*** | ***-1.6%**** |

****Source: Portland Business Alliance, annual business census, years 2001-2008***

**Alternatives to a tax increase:** The agency has other options for both increasing operating revenue and controlling costs, all of which should be pursued prior to another tax hike. Those strategies include:

**Eliminate fareless square in Portland.** There are 86,000 weekday riders in Fareless Square, and they should be expected to pay some kind of fare. TriMet estimates that it is losing between $2.72 - $3.26 million annually in revenue through the free ridership policy. If TriMet believes that it must show new sources of operating revenue in order to leverage future federal grants, this would be one such source.

**Negotiate the next union contract (which expires this year) to reduce health care costs for current and retired employees.** There is no reason that TriMet should be offering the most generous health care package in the country at a time when the state legislature is cutting virtually every program and Oregon has one the highest unemployment rates in the nation. At a minimum, the total cost of benefits should be less than the total cost of wages.