INSIDE:

Looking back: Budget challenges and choices re-cap • p.3
Where we’re at: Making transit better and more efficient • p.4
What’s next: Labor contract reform is critical to avoid service cuts • p.8
Dear Reader,

2012 was a year of big challenges and tough choices at TriMet. With ridership at an all-time high, we faced a $12 million budget shortfall—the result of a lagging economy, an expected reduction in federal funding, and skyrocketing employee health care costs.

The bulk of closing that gap came from a fare increase, the end of free MAX service downtown, some administrative cuts, and some cuts to service. But we’re not out of the woods, yet.

TriMet won’t be financially stable until we can rein in the cost of health care benefits for our union employees and retirees. Without a change to our labor contract, health care costs will consume nearly half of our operating revenue from payroll taxes by 2020. We have already cut $43 million in costs over the last three years, without any contribution from the union. The more we pay in health care, the less service we can provide. It’s that simple.

With this in mind, our priorities for 2013 are three-fold:

1. Achieve a financially sustainable labor contract that is fair to employees, riders and taxpayers,
2. Make smart investments that reduce costs and improve efficiency, and
3. Improve the quality of our existing service.

The bottom line: We must return the agency to a stable financial condition so we can focus on providing more service and better service that meets the needs of our growing region. It will take some time to get there, but I’m confident that we will get there.

Our region depends on TriMet. We provide 9 million rides each month, getting people where they want and need to go. Transit connects people to jobs and school, and brings shoppers to businesses. And it eliminates 211,000 car trips each day, which means less traffic congestion and less air pollution. All of this helps keep our local economy healthy and strong, and it’s one reason why the Portland area is consistently praised as one of the best places to live in the country.

We’re proud to help connect people with their community. Thank you for your continued support, and thank you for riding!

Sincerely,

Neil McFarlane, General Manager

Line 43, 12 and 17 Rider

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**Budget Challenges & Choices Re-Cap**

**Faced with a $12 million budget shortfall caused by declining payroll tax revenue, expected cuts in federal funding and increasing employee health care costs, we made some tough choices last year to keep buses and trains on the street.**

**Fare increase and “go-anywhere” fares:** Riders told us that they could tolerate a fare increase if it meant fewer cuts to service. In September 2012, the Adult All-Zone fare went up 10 cents, the Adult 2-Zone fare 40 cents and the Youth fare 15 cents. At the same time, we got rid of the obsolete fare zone system, making it simpler and easier for everyone to ride TriMet.

**Ending the Free Rail Zone:** We also ended the Free Rail Zone in September. Like many riders, we were sad to see it go, but this change helped us preserve essential bus and rail service.

**Administrative cuts:** We made further cuts to administrative programs and support staff, mostly non-union employees.

**Minor service cuts:** On 17 bus lines where service overlapped with other lines, we reconfigured the routes to make them more cost-effective. On eight lines, service now begins later in the morning and/or ends earlier in the evening, with reduced frequency at times of the day when ridership is lower.

**Discounts for low-income riders:** In addition to our existing reduced fares for seniors, youth and people with disabilities, we set aside $1 million for a low-income fare discount program.

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**2012 CHANGES HELPED PRESERVE SERVICE**

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**Did the fare and service changes affect ridership?**

MAX ridership decreased 7 percent in the last quarter of 2012 compared to the previous year, likely due to the fare increase and ending the Free Rail Zone. However, bus ridership increased 2.9 percent and WES increased 8.9 percent during that same period.

**Did it close the budget gap?**

Yes, for now. No additional service cuts or fare increases (other than a scheduled LIFT Paratransit fare increase) are expected in this fiscal year. But we’re still facing the ongoing threat of unsustainable health care benefits for our union employees and retirees. If we do not reform our labor contract, we will be forced to dramatically cut service and/or raise fares starting in 2016–17. See page 8.
Making Transit Better and More Efficient

Budget challenges will continue until we can reform our labor contract (see page 8), but we are taking steps now to ensure that TriMet remains an attractive choice for riders in the years to come.

- Improving **efficiency**
- Making service more **cost-effective**
- Making smart investments to **reduce long-term costs**
- Making transit **easier and more appealing** for riders

No more zones

**September 2012**

Fares went up in September 2012, but we also made some big improvements to the fare system. We got rid of the obsolete and confusing zone system and switched to simpler “go-anywhere” fares—making the system easier to use for everyone. This makes things easier for riders and operators, and better reflects how people use the transit system today (that is, regionally rather than Downtown-focused). Most other transit agencies have already moved to this so-called “flat fare” model.

Value pricing on day passes

**September 2012**

Also in September, we introduced new value pricing for 1-Day Passes at just twice the cost of a single ticket. The Adult day pass remains at a low $5, and there is a new day pass option for Honored Citizens ($2) and Youth ($3.30). It is convenient and affordable for round trips or all-day travel, and reduces the need to buy multiple tickets.

Better fare enforcement

**Ongoing**

In 2011, to address riders’ concerns about riders not paying their fares on MAX, we shifted our focus from education to enforcement. Riders caught without a fare now get a $175 citation and/or exclusion from the system—even first offenders. Our FY2013 budget provided for 10 more inspectors on top of the six we hired in FY2012. As of January 2013, we have the equivalent of 26 full-time employees checking fares, in addition to Transit Police officers.

Mobile ticketing for smartphones

**Summer 2013**

Riders with iPhones and Android phones will soon be able to buy and use TriMet tickets instantly on their phone—anywhere, at any time. With TriMet’s new mobile ticketing app, there are no paper fares to keep track of and no need to carry cash, count exact change or find a ticket machine. Plus, riders can store multiple tickets on their phone for future use.

TriMet is one of the first U.S. transit agencies to offer mobile ticketing on smartphones. It’s the first step toward a fully electronic fare collection system, where riders will be able to pay their fares using smartphones, smartcards, debit/credit cards, pre-paid cards, and possibly other contactless devices.

2-hour bus transfers

**Summer 2013**

We are improving the way we issue bus transfer receipts, so that all transfers are valid for a full two hours (like MAX and WES tickets). By summer 2013, all buses will be retrofitted with dash-mounted thermal printers, allowing operators to print out a two-hour transfer or day pass at the push of a button. The easy-to-read receipts will look more like other TriMet tickets, with an expiration time and foil security strip. This will make transfers consistent and predictable for riders, and more efficient for operators.

Ticket printer
In 2012, we began re-investing in our bus fleet by replacing 55 of our oldest buses. The new buses, made in California by Gillig, are designed for better comfort, reliability, efficiency and safety. We plan to replace 70 more buses in 2013, and about 40 more each year after that.

Improving pedestrian safety and access to transit stops
Ongoing
We are working with our regional partners to identify places where sidewalk and crosswalk investments will provide safer and more comfortable access to transit.

Enhancing service information with arrival screens at MAX stations
2013–2015
Over the next three years, we will install arrival screens at the remaining MAX stations that do not already have them. This will allow us to provide service and safety alerts to more riders and further increase access to real-time arrival information.

Making our bus tracking system more accurate and reliable
Spring 2013
New federal standards required an upgrade to our bus dispatch radio system, which tracks vehicle locations and provides a communications link between buses and our dispatch center. At 30 years old, the radios were unreliable and difficult to repair. The new system, which should be in place on all buses by spring 2013, is also expected to provide more frequent location updates and identify canceled trips. For riders, this should result in more reliable arrival times in TransitTracker, and fewer “ghost buses.”

New buses improve comfort and efficiency
2012–2017
In 2012, we began re-investing in our bus fleet by replacing 55 of our oldest buses. The new buses, made in California by Gillig, are designed for better comfort, reliability, efficiency and safety. We plan to replace 70 more buses in 2013, and about 40 more each year after that.

How can TriMet afford new buses if there’s a budget shortfall?
The buses we are replacing are well beyond their useful life of 35-16 years, and as such, they have higher maintenance costs. We delayed purchasing new buses as we weathered the last two recessions. We now have one of the oldest fleets in the country, and these buses are too costly and unreliable to maintain.

Planning for future high-capacity transit
When funding becomes available
Bus Rapid Transit (or “BRT” for short) is one of the high-capacity transit options being considered for the Powell-Division corridor and the Southwest Corridor (which runs north-south from Portland to Sherwood and east-west from Lake Oswego to Beaverton). These areas are priorities in Metro’s 30-year High-Capacity Transit System Plan.

BRT includes some of the same features as light rail, such as frequent service, traffic signal priority, fewer stops, faster travel times, and distinctive vehicles and stations. For Powell-Division, it could take the form of an “express” version of our existing Frequent Service bus lines, and be up and running within four to eight years. For the Southwest Corridor, we’re considering a more MAX-like treatment, with dedicated lanes for buses, and more substantial stations.

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Opening in 2015, the Portland-Milwaukie light rail line will travel 7.3 miles between Portland State University, inner Southeast Portland, Milwaukie and Oak Grove in north Clackamas County. As of February 2013, construction is 35 percent complete.

With 1 million new residents expected in the region and nearly 100,000 new jobs expected in the project corridor by 2030, the Portland-Milwaukie Light Rail Transit Project will provide an efficient high-capacity transit option to underserved communities in the congested McLoughlin Boulevard corridor.

Cost-effective and efficient: When complete, MAX Orange Line will cost $1.20 per ride (net of fares) to operate. For comparison, our bus service cost is $2.95 per ride overall and $1.57 per ride on Frequent Service lines.

Short-term economic benefits: The project is helping our economy now by creating jobs. To date, 4,970 jobs have been created. We estimate a total of 14,500 jobs will be created by the time the new line opens. Out of the 363 firms that are working or have completed work on the project, 105 are disadvantaged business enterprise (DBE) firms.

How can TriMet afford to build a new MAX line?
The federal government is paying half of the $1.49 billion project cost, with funding from state, regional and local partners making up the rest. TriMet will contribute less than 5 percent of the construction costs. No money is being taken away from existing bus and rail service to build the new MAX line.
LABOR CONTRACT REFORM IS CRITICAL

TriMet and its labor union, Amalgamated Transit Union Local 757 (ATU), have a responsibility to riders and taxpayers to bring employee and retiree health care costs under control so that we can restore—and eventually grow—transit service in the Portland area.

About 83 percent of TriMet employees belong to the Amalgamated Transit Union Local 757 (ATU). The next and subsequent labor contracts will largely determine TriMet’s long-term financial health, as skyrocketing benefit costs for union employees and retirees threaten our ability to maintain transit service at existing levels.

Other issues, such as absenteeism policies and outdated work rules, also need to be reformed to cut unnecessary costs and improve efficiency and service quality.

As we begin negotiations for a new labor contract with the ATU, we have proposed solutions to the union leadership that will help rein in these costs.

Our proposal would bring health care costs down while maintaining a fair and competitive benefit package that is more in line with that of other public employees.

We can all agree that our labor contract needs to be fair to employees, riders and taxpayers alike. Relatively small changes made now will make a big difference to TriMet’s long-term financial health.

The good news is that we have a brief window of time to address this problem before riders will feel its effects. But if we don’t act now to correct the course we’re on, we will be forced to cut more service or raise fares starting in 2016–17.

By 2020, health care benefits for employees and retirees will consume nearly half of our operating revenue from payroll taxes. TriMet and the ATU must bring these costs under control so that we can restore—and eventually grow—transit service in the Portland area to meet the rising demand.

Trimet in 2025: a bleak picture

On our current path, by 2025, we would need to either cut bus service by 70 percent (along with 1,100 union jobs and 125 non-union jobs over time), or raise the price of an Adult 2-Hour Ticket to $8.50 (versus $3.35 adjusted for inflation).

We anticipate a $15–17 million budget shortfall in FY2017, increasing annually to $195–$200 million in FY2030. The primary driver is the cost of union retiree health care benefits, which is growing at compound annual rates of 15–18 percent per year.

The maps above illustrate the magnitude of service cuts needed to balance revenues and expenditures if no changes are made to TriMet’s labor contract with the ATU. The cuts are based on ridership productivity. Lines with the lowest boarding rides per vehicle hour would be canceled first in this scenario. Actual proposals for service cuts would be developed in consultation with the public and would require public hearings before adoption.
Riders: Join our Rider Panel to add your voice!
You can help make your transit system better by previewing and testing new products and services, taking surveys and providing feedback on topics of interest to riders.
trimet.org/riderpanel

We want your feedback
Do you have questions or comments about the topics in this Annual Report?
We want to hear from you:
trimet.org/annualreport

Transit connects the dots
TriMet helps make the Portland area one of the best places to live in the country.