

# Challenges & Choices

A Budget Discussion Guide · *December 2011*

Tough budget choices are ahead, and we want to know **what's most important to you** when it comes to service on the street and the price you pay to ride.

We created this guide because we want riders and the community to be aware of the challenges TriMet is facing in the upcoming budget year, and the impacts our decisions will have.

We invite you to explore the issues presented in this guide, and weigh in by providing your feedback. You can use the online version at [trimet.org/choices](http://trimet.org/choices), or mail your feedback to the address on the back.

## INSIDE:

Why is there a budget shortfall? ▶

What are the options? ▶

What are other agencies doing? ▶

Tell us what you think. ▶

# WHY IS THERE A BUDGET SHORTFALL?

TriMet is facing a \$12–\$17 million shortfall in the next budget year<sup>1</sup> because of lower-than-expected revenue from payroll taxes, anticipated cuts in federal funding, and unsustainable health care costs for union employees. This funding instability comes at a time when there is increasing demand for transit service.

## 1 Due to a stalled economic recovery, projected revenue from payroll taxes is lower than expected.

**Impact: \$3 million**

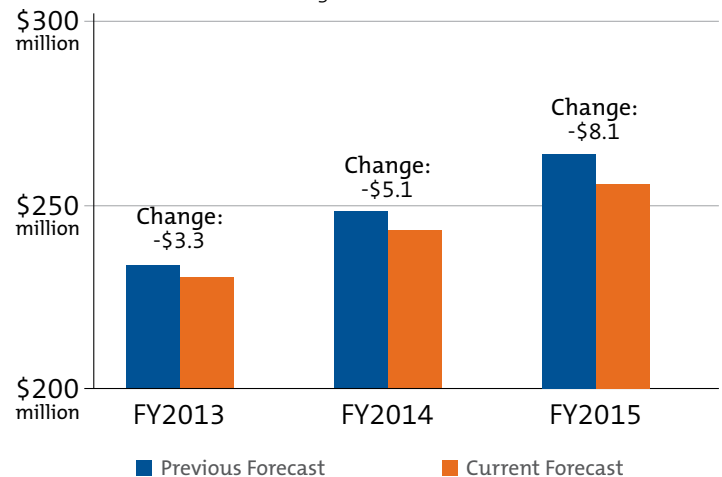
About half of our funding for operating buses and trains comes from a payroll tax paid by area businesses. Employers pay a portion of their employees' gross wages to TriMet (\$7.02 per \$1,000).

During extended periods of high unemployment, there are fewer workers, leaner payrolls and, as a result, less money for transit. As we slowly emerge from the deepest recession since 1929, employment is at 1999 levels in the Portland area and job growth is unusually slow.

The bottom line: Our incoming tax revenue is growing slower than expected, and it isn't keeping up with our increasing costs. We were expecting to see tax receipts grow 5% next year, but the lagging economic recovery has forced us to reduce our projected revenue by \$3 million.

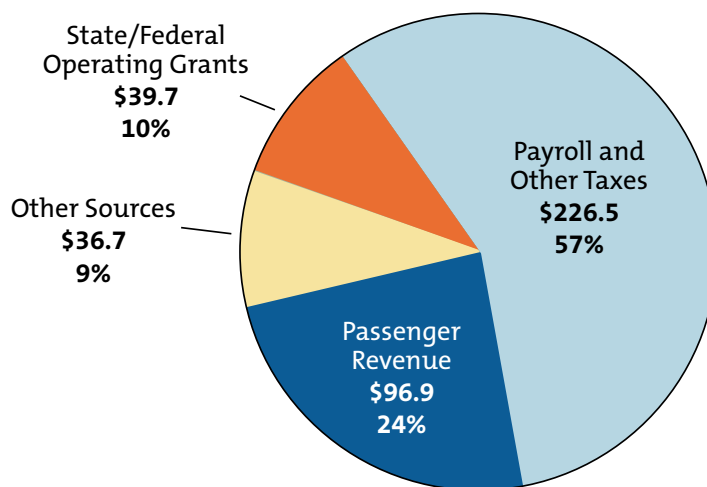
### Payroll Tax Revenue

Budget vs Forecast



### Operating Revenue Sources, in Millions

Audited financial data, Fiscal Year 2011



Our total operating budget is about \$400 million. About half of our funding comes from a payroll tax paid by area employers.

<sup>1</sup> Estimated as of December 14, 2011. TriMet's Fiscal Year 2013 begins July 1, 2012.

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## “Formula funding” from the federal government, which provides us with about \$40 million each year, is likely to be cut.

**Impact: \$4 million**

There is a great deal of uncertainty over the federal grant program that distributes money (“formula funds”) to state, regional and local governments.

These funds provide us with approximately \$40 million in revenue each year.

We are projecting a \$4 million reduction in federal formula funding in Fiscal Year 2013.

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## Negotiations with the transit union over health care benefits and other cost-cutting measures are at an impasse.

**Impact: \$5–10 million**

The current trend in the cost of wages and benefits for represented (union) employees is unsustainable, and we are at an impasse in collective bargaining with Amalgamated Transit Union Local 757. About 87% of our workforce are members of the union.

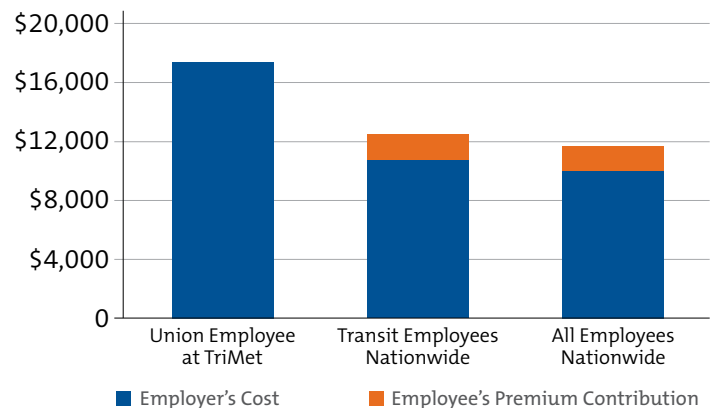
A recent Employment Relations Board decision removed certain cost-saving proposals from our final labor contract offer, so some measures we were hoping to implement—such as bringing wage and health care costs under control—likely will have to wait for a future negotiation (after interest arbitration, which is now delayed). Our contract with ATU expired in November 2009.

Because of a 2007 change in the law, we cannot unilaterally implement our final offer to the union. Instead we must engage in all-or-nothing interest arbitration, a forum in which it is extremely difficult to make significant changes no matter how out-of-line union wages and benefits are. Arbitration was scheduled for January 2012, but has been delayed until March, at the request of the union.

This could have an impact of between \$5 million and \$10 million on our FY13 budget, and even more in future years.

### Cost of Health Care Benefits

Average Annual Cost per Employee, 2011



Total Projected Shortfall for Fiscal Year 2013: **\$12–17 million**

# WHAT ARE THE OPTIONS?

We are looking in three areas to help close our budget gap: internal efficiencies, fares and service. Over the last three years, we have already made a number of administrative cuts, eliminated staff positions, and cut bus service by 13% and MAX service by 10%.

## What we have done so far



### Internal Efficiencies

To balance our budget during the recession, we have cut costs, cut administrative staff, delayed investments, used stimulus money and depleted our reserves. We made cuts to non-union employee and retiree benefits, eliminated 200 staff positions, and implemented executive furloughs and a non-union salary freeze (now in its fourth year). We have delayed replacing older buses and upgrading our fare collection system, and upkeep of facilities and offices has been kept at a minimum. We also reduced the growth in LIFT paratransit service costs, improved the fuel efficiency of our bus fleet, and reduced employee overtime costs.



In 2008, we raised fares 20 cents to cover increasing diesel prices, in addition to the regular 5-cent annual increase for inflation. In 2010, TriMet's fare-free zone was limited to MAX Light Rail and Portland Streetcar. And we recently added more fare enforcement staff to help reduce fare evasion.



In 2005, we increased the employer payroll tax rate to pay for new services such as WES Commuter Rail, MAX Green Line, Portland Streetcar extensions, LIFT service increases, and Portland-Milwaukie Light Rail.

In 2009 and 2010, we were forced to reduce bus and rail service to help address budget shortfalls caused by the ongoing recession. Planned service on MAX Green Line, which opened in 2009, was cut by 33%. These cuts affected nearly every part of the system, with reductions totalling 13% of bus service and 10% of MAX service.

# WHAT ARE OTHER TRANSIT AGENCIES DOING?

Like TriMet, transit providers around the country are facing similar budget challenges, and are taking action to preserve as much service as possible for riders. In the past year, many saw decreases in state and local funding and were forced to cut service, raise fares, lay off employees and implement hiring freezes.

## U.S. Transit Agencies

According to a recent American Public Transportation Association survey

71%

saw flat or decreased local funding

83%

saw flat or decreased state funding

80%

were forced to cut service and/or increase fares

As we develop our budget action proposal, we will strive to maintain a rider experience that is safe, dependable, responsive, inviting and easy.

## What are the options?

We continue looking for ways to do more with less, although a series of recent administrative cuts leaves few options remaining. Further reductions to non-union staff and salaries threatens our ability to deliver the high-quality service our region deserves and demands. The biggest opportunity for internal efficiency is in our labor contract, over which negotiations are at an impasse. TriMet remains committed to reaching a financially sustainable agreement with the union that brings wages and health care costs in line with other transit/government workers and with revenue growth.

### Internal Efficiencies

A fare increase would generate revenue and thereby help avoid more service cuts. But it would also create a hardship for many people—especially lower-income riders who depend on TriMet as their only means of transportation.



Service is our core business, and it's the last place we look to cut. Any proposed reductions will be addressed with care, taking into account ridership, the availability of alternative service, the use of service for work and school trips, and the operating efficiency of the proposed changes. We will also look at transit equity issues to ensure that changes do not disproportionately affect low-income populations and communities of color. But any consideration of additional service cuts will inevitably focus on some lower-ridership lines and the potential to reduce frequency, reduce hours of operation or eliminate the line altogether. We will also consider eliminating parts of routes that are relatively close to other routes.



Here are some examples of actions taken by other transit agencies:

#### Denver RTD

Fares: up from \$1.50 to \$2.25<sup>1</sup>

Service: will cut \$11 million in 2012

#### Sacramento RT

Fares: up from \$2 to \$2.50<sup>1</sup>

Service: cut 20% in 2010

#### King County Metro

Fares: up from \$1.25 to \$2.25<sup>1</sup> + \$0.25 peak surcharge

Service: faced 17% cuts in 2011

#### Salt Lake UTA

Fares: up from \$1.50 to \$2.25<sup>1</sup>

#### Dallas DART

Fares: up from \$1.25 to \$1.75<sup>1</sup>

#### St. Louis Metro

Fares: up from \$1.75 to \$2<sup>1</sup>

Service: cut bus by 44% and rail by 32% in 2009

<sup>1</sup> between May 2007 and November 2011

# COMMON QUESTIONS

## ***Why don't you just beef up fare inspection? A lot of people don't pay.***

We have increased the number of fare-enforcement staff and shifted to a policy of enforcement over education. Since the shift to enforcement, where a rider without a valid fare is given a \$175 citation, we have seen a 5- to 6-fold increase in the number of citations. That's resulted in more riders buying fares, and more revenue. We are evaluating whether we can hire more fare-enforcement staff to continue this trend.

## ***WES is expensive to run. Can't you cut it?***

For more than a year, we have been seeing double-digit ridership growth on WES Commuter Rail. We have agreements with our Washington County partners to maintain existing service at least through March 2013. We are looking to make the service more efficient, which could include eliminating a low-ridership trip such as the last trip of the day, but the savings are not significant.

## ***Why not just cut pay and benefits for employees like everyone else has?***

We're in our fourth year of salary freezes for administrative (non-union) employees, and non-union employees are paying more for their health benefits. We have also eliminated some 200 positions during the recession, and we continue to look for more internal efficiencies. Keep in mind that most TriMet employees (87%) are members of the transit union (Amalgamated Transit Union Local 757). We cannot unilaterally make changes to wages and benefits for union employees, but instead must bargain with the union or engage in all-or-nothing interest arbitration. TriMet's contract with ATU expired in 2009, and union leadership has refused to consider reasonable changes to wage increases and benefits that would bring them more in line with other transit/government workers. ATU has also been successful in its legal maneuvers to delay or exclude arbitration on TriMet's cost-saving wage and benefit proposals.

## ***Can't you stop the Portland-Milwaukie MAX Project to save money?***

A top transportation priority for the region, the Portland-Milwaukie Light Rail Transit Project is the result of a 20-year planning process involving many partnerships at the local, regional, state and federal level. All funds for the \$1.49 billion project have been committed, and we anticipate the federal government will pay for 50% of it, with money solely dedicated to building new rail lines. The region will gain a 7.3-mile MAX extension with more cost-effective service, while TriMet contributes less than 5 percent of the construction costs. To date, no TriMet funds have been spent on construction.

## ***How about eliminating the public art program?***

The Federal Transit Administration encourages transit agencies to include public art in large capital projects (such as building new MAX lines) because it discourages graffiti, provides wayfinding for riders and creates a sense of place for the community, among other things. TriMet's public art program is funded exclusively by restricted capital grants (the current program is part of the Portland-Milwaukie Light Rail Transit Project). If public art were eliminated, the money would have to be reinvested in the light rail project, as required by the grant.

## ***How can you afford new buses if you're having a budget shortfall?***

This year we are buying 55 buses, funded primarily through grants from the federal government. We have delayed bus purchases to offset the impacts of the last two recessions and minimize the effect on service. As a result, we have one of the oldest fleets in the country. Over the next few years, we will continue to replace our oldest buses through a combination of federal grants and debt service (loans).

# TELL US WHAT YOU THINK

With the possibility of a \$17 million budget gap to fill, what would you do? What are your priorities? Here are some of the options we're considering.

REVENUE-GENERATING MEASURES			
<input type="checkbox"/>	<b>\$6.0 million/yr</b> Increase fares by 20 cents	Increases all single fares (except Honored Citizen fares for seniors and people with disabilities) by 20 cents, in addition to regular 5-cent annual increase for inflation. Cost of Adult All-Zone ticket would be \$2.65. Likely to be a hardship for low-income riders.	Fares
<input type="checkbox"/>	<b>\$7.5 million/yr</b> Increase fares by 25 cents	Increases all single fares (except Honored Citizen fares for seniors and people with disabilities) by 25 cents, in addition to regular 5-cent annual increase for inflation. Cost of Adult All-Zone ticket would be \$2.70. Likely to be a hardship for low-income riders.	
<input type="checkbox"/>	<b>\$11.5 million/yr</b> Increase fares by 40 cents	Increases all single fares (except Honored Citizen fares for seniors and people with disabilities) by 40 cents, in addition to regular 5-cent annual increase for inflation. Cost of Adult All-Zone ticket would be \$2.85. Likely to be a hardship for low-income riders.	
<input type="checkbox"/>	<b>\$2.7 million/yr</b> Eliminate the Free Rail Zone	Requires standard 1-zone fare to ride MAX Light Rail and Portland Streetcar in Downtown Portland, the Rose Quarter and the Lloyd District. Removes long-standing symbol of the city's visitor-friendly downtown. May help reduce fare evasion and undesirable behavior on buses and trains.	
<input type="checkbox"/>	<b>\$3.0 million/yr</b> Eliminate transfers and round-trips on a single fare; add new day pass	Requires riders to purchase a day pass (priced at twice the single fare) in order to make transfers or travel round-trip. Reduces uncertainty of being able to make a connection/round-trip on a single fare. This change is being adopted at a number of other transit agencies.	
<input type="checkbox"/>	<b>\$0.3 million/yr</b> Sell ads on TriMet websites and TransitTracker by Phone	Places advertising messages on certain <i>trimet.org</i> and <i>m.trimet.org</i> pages, such as schedules, Trip Planner itineraries and TransitTracker arrival results pages. Places brief advertising messages prior to arrival times on TransitTracker by Phone at 503-238-RIDE.	Other
<input type="checkbox"/>	<b>\$0.1 million/yr</b> Charge for parking at high-use Park & Ride locations	Implements a nominal parking fee at high-traffic Park & Ride facilities.	
<input type="checkbox"/>	Other revenue-generating measures (your ideas):	_____	

SUBTOTAL	+
<input checked="" type="checkbox"/> \$	





1% cut in bus service = approx. \$1 million/yr  
 5-cent fare increase = \$1.7 million/year

## COST-SAVING MEASURES

<input type="checkbox"/>	<b>\$1.5 million/yr</b>	<b>Run MAX trains 3–5 minutes further apart at times when ridership demand is lower</b>	Reduces MAX service frequency from every 15-17 minutes to every 20 minutes midday, evenings and weekends. Friday night service would end at the same time as other weeknights. Reduces accessibility, comfort, convenience and reliability of service for riders.
<input type="checkbox"/>	<b>\$2.0 million/yr</b>	<b>Run Red Line between Airport and Gateway only (except rush hours)</b>	Eliminates direct airport service between Beaverton and Gateway outside of rush hours (airport travelers would need to transfer to/from Red Line at Gateway). Reduces east-west MAX service frequency between Beaverton and Gateway outside of rush hours.
OR			
<input type="checkbox"/>	<b>\$0.9 million/yr</b>	<b>Run Red Line between Airport and SW 11th Ave only (except rush hours)</b>	Eliminates direct airport service between Beaverton and Downtown Portland outside of rush hours (airport travelers would need to transfer to/from Red Line downtown at Library/SW 9th). Reduces east-west MAX service frequency between Beaverton and downtown outside of rush hours.
<input type="checkbox"/>	<b>\$1.3 million/yr</b>	<b>Eliminate lowest ridership bus service</b>	Discontinues 4–6 lines and reduces trips on another 10–12 lines with less than half the system average ridership effectiveness. Reduces service for seasonal events. Reduces accessibility, comfort, convenience and reliability of service for some riders who will be forced to use alternative service, if available. May severely limit transportation options for transit-dependent and vulnerable populations, and reduce access to employer worksites.
<input type="checkbox"/>	<b>\$1.8 million/yr</b>	<b>Eliminate redundant bus service</b>	Reconfigures overlapping or redundant bus routes to save costs, simplify routes or address directness of travel. Reduces accessibility, comfort, convenience and reliability of service for some riders who may be required to wait longer or make additional transfers.
<input type="checkbox"/>	<b>\$0.8 million/yr</b>	<b>Eliminate trips and run buses/trains less often on parts of routes with lower ridership</b>	Reduces service frequency on segments of routes or at times of day when ridership is low, and may reduce hours of operation. Reduces accessibility, comfort, convenience and reliability of service for some riders, particularly transit-dependent and vulnerable populations.
<input type="checkbox"/>	<b>\$0.4 million/yr</b>	<b>Adjust LIFT service to correspond with regular bus/MAX service</b>	Adjusts service boundary and hours for LIFT paratransit service (TriMet's shared-ride service for people who cannot use regular buses and trains due to a disability) to correspond with bus and MAX service, as defined by Americans with Disabilities Act regulations. LIFT rides would not be available during evenings and weekends to areas that are not served by regular bus lines at those times.
<input type="checkbox"/>	<b>\$0.3 million/yr</b>	<b>Reduce annual contribution to Portland Streetcar</b>	Reduces FY13 financial contribution toward operation of Portland Streetcar by 8%. (The Streetcar is owned by the City of Portland.) Likely to result in less frequent service.

Bus & Rail Service

SUBTOTAL
<input checked="" type="checkbox"/> \$

+
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## COST-SAVING MEASURES

Find ways to improve internal efficiency

Our management and employees will continue their efforts to identify greater savings through internal efficiencies in all departments, programs and functions. This may include reducing program hours, reducing printing and material costs, and finding ways to further maximize resources.

Internal

Other cost-saving measures (your ideas): \_\_\_\_\_



Ready to weigh in?  
Submit your  
feedback online:

*[trimet.org/choices](http://trimet.org/choices)*

Or, mail this worksheet to:

*Budget Feedback, TriMet MK2  
4012 SE 17th Ave., Portland, OR 97202*

SUBTOTAL

\$

=

TOTAL

\$

**\$17**  
million

## Tell us about yourself (optional)

We strive to preserve transit as an option for those who depend on it most. You can help by answering the optional questions below.

### Which best describes your TriMet ridership?

- Never ride TriMet
- Ride TriMet at least once a year

### Which statement is most accurate?

- I have a car but I prefer to take TriMet
- No car
- Can't/don't drive

### What is your annual household income from all sources?

- Less than \$20,000
- \$20,000-\$59,999
- \$60,000 or more

### Which best describes your racial or ethnic background?

- Black/African American
- Asian/SE Asian/Asian American
- Pacific Islander
- Caucasian/White
- Hispanic or Latino(a)
- Native American/Alaska Native
- Bi-Racial/Multi-Racial
- Other

ZIP Code: \_\_\_\_\_ Gender: \_\_\_\_\_ Age: \_\_\_\_\_



## Ready to weigh in?

Submit your feedback online:

[trimet.org/choices](https://trimet.org/choices)

Or, mail this worksheet to:

*Budget Feedback, TriMet MK2  
4012 SE 17th Ave., Portland, OR 97202*

## NEXT STEPS

Want to learn more and share your feedback in person? Join us at an open house in February. After we review and consider all the feedback we receive from riders and the public, we'll release a more detailed budget action proposal for public review.

### Saturday, February 11

Beaverton Library  
Conference Room  
12375 SW 5th St.  
Beaverton  
1-3 p.m.

### Monday, February 13

Multnomah County East  
County Health Center,  
Sharron Kelly A&B  
600 NE 8th St.  
Gresham  
4:30-6:30 p.m.

### Wednesday, February 15

Portland Building  
Room C  
1120 SW 5th Ave.  
Portland  
4:30-6:30 p.m.

### Thursday, February 16

Clackamas Town Center  
Community Room  
Lower Level  
12000 SE 82nd Ave.  
Clackamas  
4:30-6:30 p.m.

Available in other formats.  
503-238-7433 · [trimet.org](https://trimet.org)

