

TriMet General Manager's Budget Task Force

FY13 Budget Recommendations

February 6, 2012

TriMet General Manager's Budget Task Force

February 6, 2012

Mr. Neil McFarlane, General Manager
TriMet
4012 SE 17th Avenue
Portland, OR 97202

RE: Final FY13 Budget Recommendations

Dear Neil:

The General Manager's Budget Task Force came together to offer ideas for addressing TriMet's current fiscal challenges. We all recognize that TriMet plays a key role in promoting livability in the Metro area by providing effective and affordable transit services, reducing congestion and supporting sustainable development. TriMet services are also critical in meeting the needs of individuals who are transit-dependent.

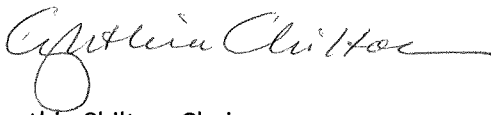
You charged the Budget Task Force with identifying potential strategies to bring projected FY13 revenues and expenditures into balance as well as offering long-term strategic advice. This report summarizes our suggestions for FY13 while a subsequent report will address longer-term challenges, including the urgent need for a fiscally viable labor agreement.

We faced tough choices between fare increases and service cuts in order to reach the short-term goal of finding \$17 million. Significant operational efficiencies had already been gained following ten years of budget tightening by TriMet. Our recommendations rely primarily on fare increases because TriMet has minimized them over the past three years while cutting service four times. That said, we are aware that TriMet has increased fares faster than the rate of inflation over the past decade. We selected a variety of mitigation strategies to lessen the needed fare increases including fare restructuring and limited modifications to rail and bus service.

As a diverse group of transit riders, both choice and transit-dependent, as well as business and community representatives, we have strived to maintain a broad focus in hopes of considering as many stakeholder groups as possible. We were able to achieve consensus on most, but not all recommendations. While the specific recommendations are reflective of the predominant view of the members, the report is intended to summarize the spirit of the discussion. Finally, our suggestions are conditioned upon TriMet vetting them with the community at large as well as with internal technical experts.

This has been, and continues to be, a strenuous and infinitely complex effort of sizable importance to our community. We hope that our perspectives and ideas will materially influence your budget proposal to the TriMet Board.

Sincerely,



Cynthia Chilton, Chair
TriMet General Manager's Budget Task Force

Background

In November of last year, TriMet's general manager Neil McFarlane appointed a 12-member General Manager's Budget Task Force (BTF) in response to TriMet's projected Fiscal Year 2013 (FY13) \$12 - \$17 million budget shortfall. Members represented a variety of community/business backgrounds and expertise including five members of TriMet's Citizens' Advisory Committee on the Budget.

Specifically, the BTF was charged *"to review TriMet's budget challenges and provide recommendations to the general manager on a budget plan that considers operating efficiencies, revenue enhancements and expense reductions for both the short and long-term."*

The BTF held four, three-hour work sessions, beginning on November 29, 2011, and ending on January 24, 2012, to discuss and make recommendations for TriMet's FY13 budget. Three additional work sessions will be held to focus on long-term financial strategies.

In between the second and third work sessions, Neil McFarlane held individual meetings with task force members to gain a better understanding of perspectives and issues. Throughout the process, TriMet staff provided background information to members and fielded questions on many topics under consideration.

Work Session Content

The first work session was spent providing the BTF with background and context. Staff outlined the three major reasons for TriMet's budget shortfall: the stalled economy (\$3 million); uncertain federal funding (\$4 million); and the higher healthcare costs associated with the current expired labor contract (\$5 – \$10 million).

Information was shared on TriMet's financial outlook and actions taken over the past ten years to cut costs and balance the budget. Staff also provided an overview of service. The majority of the BTF discussions over the next three sessions centered on cost savings options and the different ways to increase revenue.

Highlights of Work Session Discussions

With the magnitude of budget corrections TriMet has made over the past ten years, along with the delay in resolution of the union contract, it was clear to the BTF there were no easy decisions. Service cuts and fare increase options would be necessary to meet the worst-case scenario of a \$17 million shortfall in FY13. As these options were discussed, the BTF focused on solutions that would have the least impact on transit-dependent populations, and discussed mitigation strategies or 'safety nets' that might be available to help those who would suffer the greatest hardship from fare increases or service cuts.

To help guide decision-making, the BTF discussed TriMet's mission and role in the community. Although there remains the need for more discussion on this topic, the prevailing feeling of the BTF was that TriMet's role as the region's transit provider was to deliver high quality transit service. Woven into this underlying principle is the belief that the service design proposals and recommended new fare structure changes should not disproportionately harm transit dependent populations. This philosophy is reflected in the recommendations. The BTF feels it did its best to raise these issues and help TriMet gain a deeper understanding of the real-life scenarios that people face as they use transit to get to work, school and recreation.

The BTF also wanted to make sure that its short-term recommendations aligned with TriMet's long-term strategies. With that in mind, some items (e.g. paying to park at Park & Ride lots and WES) were deferred to the long-term discussions.

With a commitment to preserve service and a mindfulness of the cumulative impact of cutting service and raising fares at the same time, the recommendations fall into two categories: Revenue Generators and Cost-Saving Measures. The task force also made its recommendations to address a budget shortfall of \$17 million. If the shortfall is less, the BTF recommends that bus service cuts are taken off the table first. After review of a variety of options, the BTF offers the following ten recommendations. A summary with savings of these recommendations is attached.

REVENUE GENERATORS

1. **Eliminate Free Rail Zone with mitigation for conventioners. (Revenue gain: \$2.7 million)** The BTF recognized that although the Free Rail Zone has been a long-standing Portland tradition and a selling point for connecting downtown hotels to the Oregon Convention Center, it is an idea that is not sustainable in the current economic climate. That said, members also supported devoting a portion of the enhanced revenue resulting from the elimination of the Free Rail Zone to the convention center and hotel industry in order to facilitate transit for convention participants. This includes working with Travel Portland, the Oregon Convention Center and others to redirect Multnomah County's lodging tax for this convention pass program.

2. **Fare Structure Changes and Fare Increase**

Establish a "Flat Fare" of \$2.50 for one-way travel (Revenue gain: \$6 million)

One of the considerations regarding revenue generation was a review of TriMet's zone system. The system was originally set up so those who travelled shorter distances paid less and vice versa – those who traveled farther distances paid more. But the system was imperfect in that some riders traveled miles on a 2-zone fare while others needed an All-Zone fare to complete a short journey. The BTF also reviewed maps that showed demographic and income levels of people who take transit. The BTF realized that many low-income residents and communities of color were no longer living in the central city, but were commuting to jobs in the city

from areas on the fringe of the metropolitan area (Hillsboro/Gresham). The BTF concluded that a Flat Fare would be easier for all riders to understand, easier for operators to enforce therefore reducing fare evasion, and would help in the eventual migration to electronic fares.

Create a new Day Pass with unlimited rides for bus and MAX, and modify transfer policy to limit single fare tickets to one-way travel (Revenue gain from elimination of round-tripping \$3 million) The BTF reviewed the potential of a new Day Pass. TriMet staff described the problem of fare “leakage” resulting when riders use one fare for multiple trips (otherwise known as round-tripping). There was also the issue of an antiquated “tear off” paper transfer system which causes inconsistent time allowances for transfers. Information received from other transit agencies who have a Day Pass said it provided convenience to riders who could now buy their return trip at the same time. They said it made it a better value for those riders who predominantly use cash by giving them pass privileges to take multiple trips within a day. All of these factors led to ultimately endorsing a Day Pass with unlimited trips and a single fare ticket with a 2-hour one-way transfer.

- 3. No subsidy for Portland Public Schools’ Youth Pass. (No revenue gain as this is not assumed in the budget forecast. Providing a subsidy for PPS Youth Pass would have increased the estimated budget deficit by approximately \$2 million)** The BTF discussed how a free Youth Pass for all students in the Portland Public School (PPS) system has been available with funding from the state-funded Business Energy Tax Credit (BETC) program. However, that state tax credit ended last year. The Mayor of the City of Portland asked TriMet to contribute to the shortfall for the remainder of the 2011-2012 school year.

With additional funding from the State, City and PPS, TriMet applied a bulk purchase discount to allow the program to continue through the current school year at a one-time cost of \$375,000. However, the program is not funded for the school year beginning September 2012. If TriMet were to provide free passes to all PPS students, the net loss of revenue to TriMet would be nearly \$2 million.

When the BTF considered TriMet’s role in funding for the PPS Youth Pass, members concluded that doing so would not be equitable to other school districts in the tri-county region let alone East Portland. Members also questioned why it was TriMet’s responsibility to provide the subsidy when it was PPS’ decision to eliminate yellow school bus service. The BTF decided to recommend that no subsidy be provided to PPS for the 2012-13 school year.

- 4. Sell advertising on TriMet’s website and TransitTracker by Phone (Revenue gain: \$.3 million)** With increasing use of TriMet’s website and TransitTracker, the BTF felt there was opportunity to generate additional revenue by selling advertising.

COST SAVING MEASURES

The BTF discussed specific cost savings options in bus and rail service. Those ideas included restructuring service in areas that may have redundant or overlapping service, eliminating low performing trips/routes to reducing frequencies in non-peak hours on MAX. The BTF recommends the following adjustments.

- 5. Reduce MAX service frequency from every 15 – 17 minutes to every 20 minutes midday, evenings and weekends (Reduced costs: \$1.5 million)** The BTF recognized that even minor service adjustments can have an impact on riders. However, it was felt that this slight change in frequency in non-peak hours was a minor inconvenience to MAX riders for the significant savings it would yield.
- 6. Terminate Airport MAX Red Line at SW 11th in non-peak hours (Reduced costs: \$.9 million)** Members believed this would have a small impact to riders since it would only affect trains during non-peak hours. The BTF felt that with the redundancy in service to Beaverton with the Blue and Red Lines and the fact that downtown Portland is the destination for a large percentage of Airport MAX riders, the need to transfer at 11th Avenue would impact relatively few riders.
- 7. Implement Bus Service Efficiencies (Reduced costs: \$2 million)** The BTF believes it is critical to conduct a thorough analysis of the populations, stakeholders, job centers and riders that would be impacted by service changes. Although staff shared examples of where streamlining redundant service or reducing low performing service might be found, members felt more outreach needed to be done before any specific changes could be recommended, and agreed not to endorse any specific options for adjusting bus service. Furthermore, the BTF noted that bus service changes should be delayed if the budget shortfall came in below \$17 million.

The BTF was confident that staff could find \$2 million in savings from strategically crafted service adjustments and that the upcoming broader public review process would provide an appropriate opportunity to determine the most reasonable options. The members want to reinforce the importance of ongoing analysis of service and ridership and to make adjustments based on the most current and reliable data. The BTF recommends the following process before any bus service adjustments are made:

- Extensive outreach to the potentially affected parties.
- Verifications of the how transit dependent and job centers will be impacted.

- 8. Reduce Portland Streetcar Contribution (Reduced Costs: \$.4 million)** TriMet engages in a partnership with the City of Portland for the operation of the Portland Streetcar. That relationship has evolved over time and today, TriMet funds approximately 50 percent of the annual operating costs of the Portland Streetcar. As TriMet has had to reduce service to accommodate budget constraints over the past 3 years, TriMet has reduced its contribution to streetcar in the same proportion

to the TriMet service reductions. TriMet suggested that the FY13 contribution be reduced by ten percent, proportional to the FY13 shortfall and the BTF concurs.

- 9. Align LIFT boundaries with regular bus/MAX service (Reduced costs: \$.4million)** Currently, TriMet's LIFT paratransit service area exceeds the Americans with Disabilities Act (ADA) minimum standards resulting in added cost to the agency. The BTF supports aligning LIFT paratransit service boundaries (both time of day and day of week) with TriMet's current fixed route service so the two services begin to parallel each other. This recommendation recognizes that the new TriMet LIFT boundaries will still exceed ADA requirements and have extensive coverage compared to several other cities which strictly adhere to ADA minimum guidelines. LIFT will continue providing ADA paratransit along each individual fixed route when that particular route is operating.

The LIFT paratransit service is available to eligible persons with disabilities for \$1.85 fare per ride but at an average cost of \$29 per ride to TriMet. TriMet, with the Citizens for Accessible Transportation Committee's (CAT) endorsement, has already proposed to the TriMet Board that LIFT fares be increased over the course of two years to the level of TriMet's current All-Zone fare. The cost and design of LIFT service will be discussed more thoroughly in the BTF's long-term work sessions.

- 10. Implement Internal Efficiencies (Cost Reduction: \$.5 million)** The BTF recognizes and applauds TriMet for taking corrective budget actions over the past 10 years. Those actions have ranged from staff cuts, non-union wage freezes, non-union employees contributing more for health insurance, reduction/deferral of capital expenditures, and productivity improvements. The BTF was encouraged by TriMet's model of continuous improvement and felt even though some of the big savings have been implemented, there were still opportunities for internal efficiencies.

Some ideas shared with the members included: reducing print materials, saving storage space, streamlining internal practices, and increasing fees to cover shipping and handling costs for pass products. The BTF also acknowledged that additional, more lucrative opportunities might come from its discussion about long-term financial strategies such as the use of alternative fuels, contracting out services that are not core to TriMet's business, looking at LIFT and fixed route service design and fare policy.

The BTF believes that equally important to finding efficiencies is making strategic investments. One example might be increased expenditures on fare enforcement, which in turn result in increased fare collection and revenues.

Conclusion

These recommendations are submitted to the general manager recognizing that fare increases and service cuts are very difficult and will personally impact TriMet's riders, particularly those who are low-income and transit dependent.

The members certainly hope that TriMet prevails in the current arbitration of the labor contract which would result in a reduced budget shortfall, and looks forward to the day that TriMet can restore and resume expanding service. The BTF is anxious to discuss long-term strategies that will both ensure TriMet's financial stability and provide the critical transit service the region wants and needs.

General Manager's Budget Task Force Members

Jan Campbell

Aging & Disability Services and Oregon
Health Sciences University
Chair of TriMet's Committee on
Accessible Transportation

Cynthia Chilton, Chair

Retired Benefits Consultant/SHIBA
Volunteer

Sarah Dammen

Economist and Regulatory Analyst
NW Natural Gas

Peter Lizotte

Principal
ACME Business Consulting, LLC

Sandra McDonough

Executive Director
Portland Business Alliance

Charles McGee

Executive Director
The Black Parent Initiative

Luann Pelton

Corporate Accounting Manager
Integra Telecom

Craig Prosser

TriMet Board Member/Retired Manager
City of Tigard

Alejandro Queral

Program Officer
Northwest Health Foundation

Barbara Ramirez Spencer

Consultant
Leadership and Organizational
Development

Paul Schlesinger

Partner/Owner
Schlesinger Companies

Bob Williams

Former TriMet Board Member
Clackamas County

General Manager's Budget Task Force

FY13 Recommendations

With a projected budget shortfall of \$12-\$17 million for Fiscal Year 2013, TriMet General Manager Neil McFarlane appointed a 12-member Budget Task Force “to review TriMet’s budget challenges and provide recommendations to the general manager on a budget plan that considers operating efficiencies, revenue enhancements and expense reductions for both the short and long-term.” The Task Force represented a variety of community/business backgrounds and expertise. After careful deliberation, the Task Force adopted the following 10 short-term recommendations:

#	Revenue Generators	Qualifications	Amount
1	Eliminate Free Rail Zone	<ul style="list-style-type: none"> Confer with stakeholders Explore convention pass 	\$2,700,000
2	Increase Fares	<ul style="list-style-type: none"> Eliminate zones Flat Fare - \$2.50 one way/2-hour transfer \$5 Day Pass (unlimited rides) 	\$9,000,000
3	Sell Ads on Web Page & TransitTracker		\$300,000
4	PPS Youth Pass	<ul style="list-style-type: none"> Do not subsidize (would have increased shortfall by \$2M) 	_____
TOTAL Revenue Generators			\$12,000,000

#	Cost-Saving Measures	Qualifications	Amount
5	Increase MAX Headways to 20 minutes	<ul style="list-style-type: none"> Non-peak hours only 	\$1,500,000
6	Terminate MAX Red Line at SW 11th	<ul style="list-style-type: none"> Non-peak hours only 	\$900,000
7	Implement Bus Efficiencies	<ul style="list-style-type: none"> Outreach to affected parties Not tied to any particular bus line Consider transit dependent/jobs <i>Delay service cuts if shortfall less than \$17M</i> 	\$2,000,000
8	Reduce Streetcar Contribution		\$400,000
9	Align LIFT Boundaries to TriMet fixed route service per ADA guidelines		\$400,000
10	Implement Internal Efficiencies	<ul style="list-style-type: none"> In addition to what's being done Support reinvestment 	\$500,000
TOTAL Cost Saving Measures			\$5,700,000

GRAND TOTAL	\$17,700,000
--------------------	---------------------