Cascade Policy Institute
OREGON

Testimony before the House Rules Committee
Regarding HB 3316

John A. Charles, Jr.
President & CEO
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Mr. Chairman and members of the Committee, HB 3316 is needed because the TriMet governance model has failed. I call your attention to the following points, highlighted statistically in the attachments:

1. TriMet has more than $1.2 billion in unfunded actuarially accrued liabilities (UAAL) for its three retiree trust funds. This did not happen overnight; it is the result of decades of mismanagement.

2. TriMet's ratio of fringe benefits to wages -- 156% -- is the highest in the transit industry. The following offers some perspective:

   - New York MTA – Benefits equal 88% of wages
   - Washington, D.C. MTA – 86%
   - New Jersey Transit – 83%
   - Denver RTD – 34%
   - Miami-Dade Transit – 33%

3. When TriMet sought (and received) legislative authority in 2003 to raise the payroll tax rate, agency lobbyists promised legislators that every penny of new revenue would go to new service. Since that rate increase went into effect in 2005, TriMet's all-funds budget has gone up by 125%, but ***actual service has dropped by 14%.***

4. TriMet's General Manager predicts that on its current path, TriMet will essentially cease to exist by FY 25. So even if HB 3316 is killed, the problem will not be going away. It will simply be back next session, with a bigger crisis.

5. The agency admits -- to its credit – that the financial crisis is ***"not caused by TriMet's revenue base."*** According to TriMet's long-term financial forecast:

   - "TriMet's operating revenues per capita are 70% higher than peer agencies."
   - "The payroll tax is a reliable and growing source of revenue."

- "Passenger fares have grown by an average of 6.8% annually for the past 10 years."

6. TriMet's addiction to expensive rail construction projects is indefensible. Superior bus service could be provided at little cost to the general fund. TriMet's current and future capital projects do not compare well with either TriMet's earlier light rail projects, or bus projects implemented elsewhere in the country:

   - Light Rail to Vancouver: $321 million/mile
   - Milwaukie LRT project: $211 million per/mile
   - I-205 LRT (Green line): $69.3 million per/mile
   - North Portland LRT (Yellow line): $66.9 million per/mile
   - Eugene Bus Rapid Transit "Emerald Express": $6 million per/mile
   - Los Angeles Metro Rapid Bus system (369 miles of routes): **$ 335,000 per/mile**

For over 30 years, Oregon governors have either ignored TriMet or interfered for the wrong reason. For example, in August 1994, Gov. Roberts forced TriMet Board Chair Loren Wyss off the board due to his opposition to the new union contract. In December, Mr. Wyss wrote the following in a letter published in *The Oregonian:*

> *"...the contract just approved by Tri-Met union employees will protect all its members from additional contributions to their pensions for 10 years. It will also guarantee 3 percent minimum wage increases in the future, no matter what happens to the economy or to other public budgets."*
>
> *"And that's not all. Every single dollar of health, welfare, dental and vision plans will be paid for by the public employer; retirement age will decline to 58 within 10 years; and nonunion operators who have helped keep down the cost of shuttle lines will be forced to join the union, at large increases in wage expense."*
>
> ***"...If there is one predictable reason for transit to fail its mission, it is the burden of fixed costs, which this contract guarantees."***

Everything Mr. Wyss predicted 19 years ago has come true. Yet multiple governors and entire generations of new TriMet board members have stood by and done nothing to remedy the problem.

HB 3316 would be a modest step forward, but it's probably not enough. TriMet needs to shrink in order to survive. Therefore I'd suggest that you make it easier for jurisdictions inside the TriMet service district to leave. The experience of Wilsonville, Canby and Sandy has demonstrated that smaller is better in this industry.

Schedules of Funding Progress

(dollars in thousands)

Other postemployment benefits

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
January 1, 2012	$ -	$ 900,541	$ 900,541	0%	$ 151,448	595%
January 1, 2010	-	816,544	816,544	0%	137,869	592%
January 1, 2008	-	632,204	632,204	0%	130,726	484%

Management DB Plan

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2012	$ 76,728	$ 113,750	$ 37,022	67%	$ 14,869	249%
June 30, 2011	72,170	105,750	33,580	68%	15,099	222%
June 30, 2010	67,689	98,834	31,145	68%	15,626	199%
June 30, 2009	65,202	96,749	31,547	67%	17,130	184%
June 30, 2008	59,066	84,974	25,908	70%	17,842	145%
June 30, 2007	61,016	75,616	14,600	81%	19,644	74%
June 30, 2006	50,212	69,383	19,171	72%	19,920	96%
June 30, 2005	46,241	60,325	14,084	77%	19,355	73%
June 30, 2004	41,734	50,639	8,905	82%	19,642	45%

Bargaining Unit DB Plan

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2012	$ 290,642	$ 557,131	$ 266,489	52%	$ 125,142	213%
June 30, 2011	289,425	517,979	228,554	56%	119,166	192%
June 30, 2010	255,279	491,495	236,216	52%	121,124	195%
June 30, 2009	217,113	460,333	243,220	47%	123,784	196%
June 30, 2008	238,883	427,305	188,422	56%	116,418	162%
June 30, 2007	209,392	399,237	189,845	52%	111,877	170%
June 30, 2006	178,157	370,711	192,554	48%	106,705	180%
June 30, 2005	155,828	345,396	189,568	45%	106,578	178%
June 30, 2004	143,184	319,829	176,645	45%	104,778	169%

Annual Compensation Costs of TriMet Employees
2001-2012

	2001	2005	2009	2011	2012
Wages (millions)	$97.1	$113.9	$127.3	$123.5	$130.3
Benefits (millions)	$59.2	$92.9	$163.6	$200.9	$203.3
Total FTE	2,517	2,519	2,515	2,297	2,308
Average cost/FTE	$62,023	$87.490	$115,436	$141,053	$144,520
Benefits as a % of wages	**61%**	**82%**	**129%**	**163%**	**156%**

Source: Audited financial statements; monthly TriMet performance reports.

Trends in pension obligations for TriMet
1983-2012
(in millions)

Bargaining Unit Plan	**1983**	**1991**	**2001**	**2011**	**2012**
Actuarial accrued liability	$17.5	$33.1	$194.9	$518	$557.1
Unfunded AAL	$7.1	$22.7	$94.6	$228.5	$266.5
UAAL as % of payroll	**17%**	**52%**	**107%**	**192%**	**213%**

Source: TriMet audited financial statements

TriMet Financial Resources, 2004-2013 *(000s)*

	FY 04/05	FY 08/09	FY 10/11	FY 11/12 (est)	FY 12/13 (budget)	% Change 04/05-12/13
Passenger fares	$ 59,487	$ 90,016	$ 96,889	$ 104,032	$117,166	**+97%**
Payroll tax revenue	$171,227	$209,089	$224,858	$232,832	244,457	**+43%**
Total operating resources	$308,766	397,240	$399,641	$476,364	$465,056	**+51%**
Total Resources	$493,722	$888,346	$920,044	$971,613	$1,111,384	**+125%**

Note: TriMet payroll tax rate increased effective 1/1/05, and will rise .01% every January through 2014.

Annual Fixed Route Service Trends, 2004-2012

	FY 04	FY 06	FY 08	FY 10	FY 12	Change
Veh. revenue hours	1,698,492	1,653,180	1,712,724	1,682,180	1,561,242	**-8.1%**
Veh. revenue miles	27,548,927	26,830,124	26,448,873	25,781,480	23,625,960	**-14.2**
Average veh. speed - bus	15.8	15.8	14.9	14.7	14.6	**-7.6%**
Average veh. speed - L. Rail	20.1	19.4	19.3	19.4	18.4	**-11.5%**

Source: TriMet annual service and ridership report; TriMet budget documents and audited financial statements, various years.

Approaching TriMet's Service Crisis

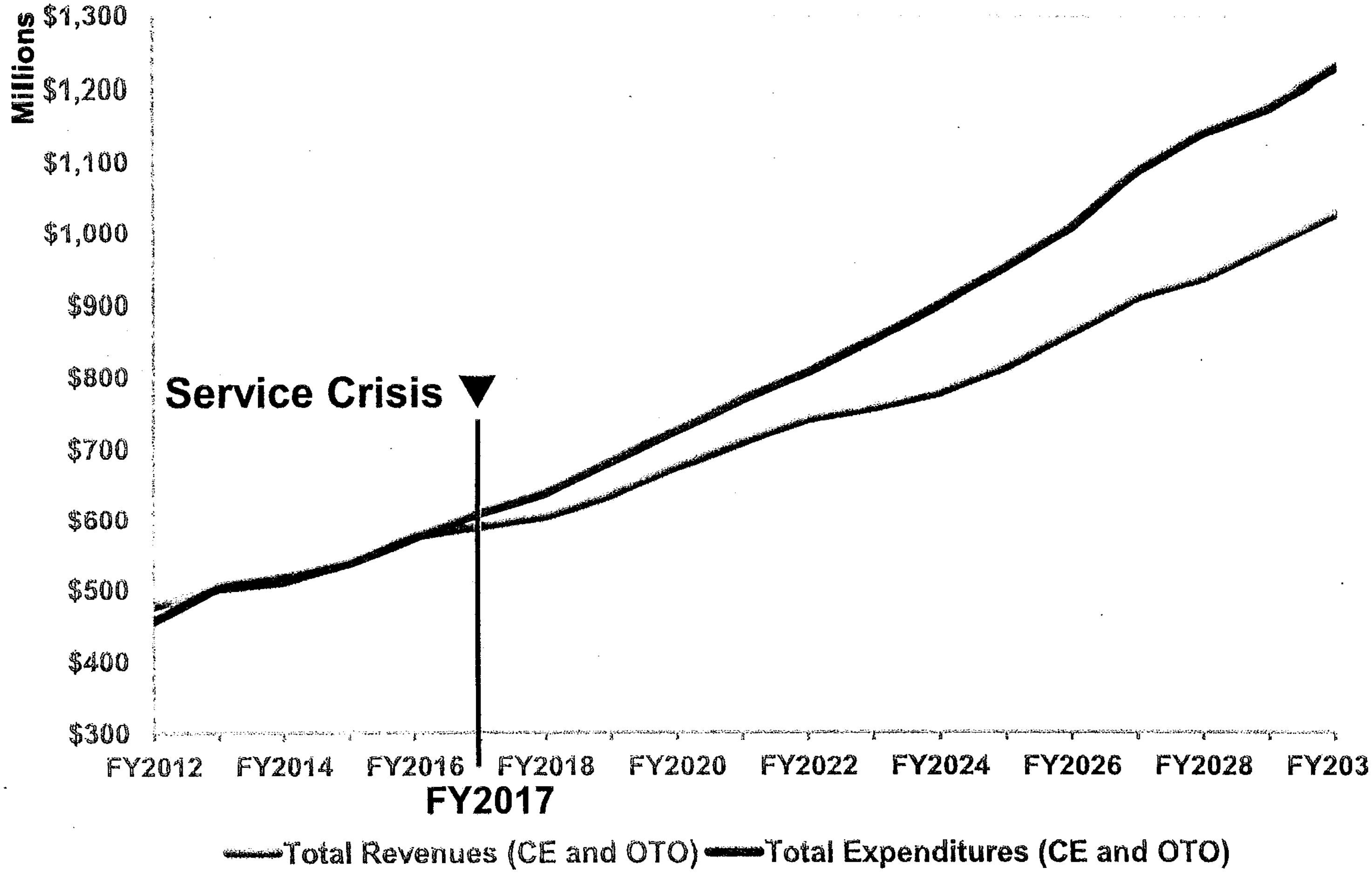
Projected Post Arbitration Revenue Expenditure Imbalance

Revenue-expenditure *imbalance:*

- ($19) million 2017
- ($48) million 2020
- ($142) million 2025
- ($200) million 2030

An Imbalance Ahead: Our expenditures are greater than our revenues.

Status Quo: Total Revenues and Expenditures



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