

**Testimony of John A. Charles, Jr.  
In support of HB 3405  
April 8, 2015**

My name is John Charles and I am President of Cascade Policy Institute. Cascade is a non-partisan policy research organization based in Portland.

HB 3405, Section 2 calls for the creation of a transit Task Force. I support this because there is currently no venue in Portland where new transit ideas can be discussed. Yet new ideas are needed, because transit costs are going up and productivity going down, especially for the largest Portland-area transit district, TriMet.

Last year I wrote a paper ([http://cascadepolicy.org/pdf/pub/1-6-14\\_trimetreport.pdf](http://cascadepolicy.org/pdf/pub/1-6-14_trimetreport.pdf)) comparing TriMet to other smaller transit districts in the Willamette Valley. Some of the comparisons are summarized below:

**Transit District Operating Data  
2013**

	<b>Sandy</b>	<b>Molalla</b>	<b>Wilsonville</b>	<b>Canby</b>	<b>TriMet</b>
Transit district population	17,483	16,687	21,394	15,829	1,489,796
Size of district territory (SM)	78.5	100	81	52	570
Population density	223/SM	167/SM	264/SM	306/SM	2,614/SM
<b>Payroll tax rate</b>	<b>0.006</b>	<b>0.005</b>	<b>0.005</b>	<b>0.006</b>	<b>0.007137</b>
System cost/vehicle mile	2.80	2.30	6.38	5.31	8.36
<b>Payroll tax per/capita</b>	<b>\$25.3</b>	<b>\$25.2</b>	<b>\$151.2</b>	<b>\$63.6</b>	<b>\$173.5</b>

TriMet is the highest-cost district with the highest tax rates in the region. It has systemic problems related to union contracts, deferred maintenance, depreciation of capital assets, and debt load that make it impossible for TriMet to significantly improve its operating performance. As a result, I have recommended to cities and counties within the TriMet district that they consider opting-out.



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While leaving is possible under existing law (it has been done six times previously by small jurisdictions), it would be very challenging for larger suburban cities to opt-out. If the Transit Task Force envisioned by this bill were created, one of the things that could be discussed is a way to provide more flexibility for cities and counties to provide their own transit service. Many other topics of mutual interest could also be discussed.

Attached are additional tables showing the depth of TriMet's financial problems. The agency itself will not solve them, because it is a monopoly. External pressure in the form of market competition is the only thing that will lead to institutional change. Formation of the Transit Task Force described in this bill would be modest step in the right direction.

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**Annual Compensation Costs of TriMet Employees  
 2001-2014**

	<b>2001</b>	<b>2005</b>	<b>2009</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Wages (millions)</b>	\$ 97.1	\$ 113.9	\$ 127.3	\$ 123.5	\$ 130.3	\$ 129.4	\$ 132.5
<b>Fringe benefits</b>	\$ 59.2	\$ 92.9	\$ 163.6	\$ 200.9	\$ 223.3	\$ 204.1	\$ 197.8
<b>Total FTE staff</b>	2,517	2,519	2,515	2,297	2,308	2,381	2,465
<b>Average cost/FTE</b>	\$ 62,023	\$ 87,490	\$ 115,436	\$ 141,053	\$ 153,018	\$ 140,085	\$ 133,734
<b>Ben as % of wages</b>	<b>61%</b>	<b>82%</b>	<b>129%</b>	<b>163%</b>	<b>156%</b>	<b>158%</b>	<b>149%</b>

*Source: TM financial statements, various years*

## TriMet Service Levels: Promises vs. Reality

During the 2003 session of the state legislature, TriMet sought an increase in the regional payroll tax rate. In public testimony, TriMet General Manager Fred Hansen said, “TriMet’s proposed payroll tax increase will be used exclusively to provide new or enhanced transit service.”<sup>1</sup> This was echoed by George Passadore, President of the TriMet Board of Directors: “I would like to reiterate the Board’s commitment to using any money created by the rate increase to pay for new and improved service.”<sup>2</sup>

The legislature approved TriMet’s request and authorized the payroll tax rate increase to be implemented over a 10-year period. Despite an 80% increase in annual operations revenue during the subsequent decade, TriMet reduced the miles of fixed-routes service by 14%.

**TriMet Financial Resources, 2004-2014 (000s)**

	2004	2006	2008	2010	2012	2014	% change 2004- 2014
<b>Passenger fares</b>	\$ 55,665	\$ 68,464	\$ 80,818	\$ 93,729	\$ 102,240	\$ 114,618	<b>+106%</b>
<b>Payroll + other tax revenue</b>	\$ 155,705	\$ 192,450	\$ 215,133	\$ 208,933	\$ 248,384	\$ 275,357	<b>+77%</b>
<b>Total operating/non-op. resources</b>	\$ 290,513	\$ 342,274	\$ 404,481	\$ 433,609	\$ 488,360	\$ 522,155	<b>+80%</b>

*Source: TriMet audited financial statements, various years*

**Annual Fixed Route Service Trends, 2004-2014**

	2004	2006	2008	2010	2012	2014	% chng. 2004- 2014
<b>Hours of revenue service</b>	1,698,492	1,653,180	1,712,724	1,682,180	1,561,242	1,608,090	<b>-5.3%</b>
<b>Miles of revenue service</b>	27,548,927	26,830,124	26,448,873	25,781,480	23,625,960	23,763,420	<b>-13.7%</b>

*Source: TriMet performance reports, <http://www.trimet.org/pdfs/publications/trimetridership.pdf>*

<sup>1</sup> Fred Hansen, testimony before the Senate Revenue Committee on SB 549, March 11, 2003, p. 3.

<sup>2</sup> George Passadore, TriMet Board President, before the Senate Revenue Committee, March 11, 2003, p. 1.