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Latest Audit Shows TriMet Continuing to Circle the Drain

Posted on October 5, 2011 by John Charles

While TriMet is busy building a cool new transit-only bridge over the Willamette River and seizing expensive private property for the Milwaukie light rail line, the latest outside audit shows that the agency's expenses are piling up at a much faster rate than its income, with no solution in sight.

Most notably, the tab for TriMet's best-in-class employee fringe benefits continues to skyrocket. For the fiscal year ending June 30, 2011, the agency spent $123 million on wages and an additional ***$201 million*** on benefits.

Over the past decade, the cost of benefits has gone from being 61% of wages (2001) to 163% in 2010. Among the 15 largest transit districts in the country, none spend more on benefits than wages except TriMet. The closest competitor is the New York MTA, which had a ratio of 89% in 2009. The tale of the tape is below.

Cost of TriMet Employee Benefits, 2001-2011

	2001	2003	2005	2007	2009	2011	Change in %
Wages *(mill.)*	$ 97.1	$ 107.8	$ 113.9	$121.1	$ 127.3	$123.0	+26.8%
Fringe Ben	$ 59.2	$ 74.1	$ 92.9	$ 98.5	$ 163.6	$201.0	+239.5%
FTE pos.	2,527	2,643	2,519	2,513	2,515	2,297	- 8.7%
Cost/FTE	$ 62,901	$ 68,901	$ 82,063	$ 87,490	$ 115,436	$ 141,053	+127.4%
Ben as % wa.	61%	69%	82%	81%	129%	163%	+167.2%

Source: TriMet audited financial statements; monthly performance reports

TriMet's workforce is shrinking, but the average cost per full-time equivalent employee has gone up from $63,000 to $141,000. TriMet management is in a protracted labor negotiation with the union, but even if management "wins," it will only slow these trends slightly. TriMet's own Budget Advisory Committee told the Board in April that the Board's position on reducing the cost of benefits "does not go far enough", and an internal forecast of financial conditions shows that within 20 years, the cost of just health insurance alone is likely to be almost as high as the annual cost of wages.

Not surprisingly, TriMet's operating losses are rising rapidly due to these trends. In 2001, the basic cost of providing transit service was $222 million ***in excess of operating revenue*** (passenger fares). By 2011, the annual operating loss was up to $401 million (an increase of 80%), despite 13 fare increases during the decade. These operating losses have to be made up from "non-operating" sources of income, of which the single largest is the regional payroll tax.

But even though the state legislature authorized the tax ***rate*** to go up beginning in 2005 and it will continue to go up every January through 2024, TriMet has had to reduce service by more than 11% over the past three years.

Also, TriMet's off-book debt for ***unfunded retirement obligations*** has swelled to $1.1 billion. The pension plan for union members is only 56% funded, the plan for management is 68% funded, and the liability for "other post-employment benefits" (mostly health care) is completely unfunded. As of January 1, 2010, the OPEB liability was $816 million, and that number will be much higher when the next valuation is performed in early 2012.

Despite the continued red ink, the agency is building the most expensive light rail line in its history (Milwaukie, at $205 million per mile) and is planning an even more costly rail line to Vancouver ($321 million per mile). In neither case will the trains add new service – both corridors already have express bus service that is superior to what light rail will offer, which is local-only service. The Milwaukie line will require $750 million in local match money, and roughly $500 million of that could be redirected to other needs if the light rail project were cancelled tomorrow.

TriMet has now firmly established itself as the "Animal House" of the transit industry. Clearly, an intervention is needed; but how will it occur when all seven TriMet board members are appointed by the governor and he is totally disengaged?

The legislature created TriMet, so perhaps it is time for individual legislators to reassert themselves. The Senate and House Revenue Committees have been the primary "enablers" of TriMet's continued dysfunction by approving the payroll tax rate increases in 2003 and 2009. Those rate increases could be revoked at any time. Without such action, the agency will continue to spend now and let taxpayers worry about the mess later.

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2 Responses to *Latest Audit Shows TriMet Continuing to Circle the Drain*

Bill Udy *says:*
October 7, 2011 at 4:45 am

Steps that could be taken immediately:
1. Fire the entire tri met board and replace with budget conscious, experienced managers.
2. Force changes in payroll and benefits by cancelling the payroll tax in 12 months.
3. Put all planned construction projects on ice. Existing projects should be reviewed on a case-by-case basis with a view to cancelling those that are in early stages, especially those that don't have the money in hand.
4. Because fares only cover a small fraction of operating costs, establish a higher percentage of costs that fares should cover. (No one would believe what the full cost is).
5. Eliminate the free zone.

Reply

Andy B *says:*
October 25, 2011 at 8:28 am

As I take my nightly walk through Cook Park, all I ever see is mostly empty Tri-met trains zooming by. The cost to get 6 ppeople from Beaverton to Tigard to Wilsonville; would be cheaper to get them a taxi then to pay for the remaining 46 seats