



Finance and Operations Committee Minutes
April 8, 2015

Attending Committee Members: Jeff Hawker Larry Ellertson Chris Sloan

Missing Committee Members: Greg Hughes

Other Board Members Present: Dannie McConkie H. David Burton Chris Bleak

Attending Staff:

Michael Allegra	Robert Biles	Jerry Benson	Lorin Simpson
Steve Meyer	Matt Sibul	Clair Fiet	Rebecca Cruz
Cathie Griffiths	Erika Shubin	Jacob Splan	Jennifer McGrath
Matt Sibul	Remi Barron	Jayne Blakesley	Andrea Packer
Alan Maughan	Monica Morton	Jerry Van Wie	Rick Hanzlik
Dean Klebenow	Alisha Garrett	Debbie Skeen	Sheryl Posey
Dave Goeres	Darin Francom	Kyle Brimley	Richard Swenson
Kenya Fail	Bob Leonard	Mark Dennis	Troy Walker
Cindy Medford			

Visitors: Brian Baker (Zions), Jason Lee (Deseret News), Lee Davidson (SL Tribune)

Committee Chair Jeff Hawker opened the meeting at 12:09 p.m.

Safety First Minute

Chair Hawker yielded the floor to Dave Goeres, UTA Chief Safety Officer, who presented the safety message for the month of April – *"Safety comes in a can. I can, you can, we can BE SAFE"*

Review of February Performance Dashboard & Financial Statements

Robert Biles, UTA Vice President and Chief Financial Officer, presented the February 2015 financials and performance dashboards, and specifically mentioned the following:

Board Goals:

- Ridership YTD is 1.14% higher than the same period in 2014. The goal is 3.3%.
- Customer satisfaction indicators will be discussed in the Planning and Development Committee Meeting this afternoon.
- Federal small starts revenue for the Provo/Orem BRT line are in the President's budget but have yet to be officially awarded to UTA.
- All other board goals are in line with where they need to be.

Financials:

- Sales tax growth over the last 12 months has been 5.5%. YTD Actual of \$15.8 million is below the goal of \$16.6 million. However, because sales tax revenue came in over budget last year, only 3.5% is needed for this year.
- YTD Fare Revenue of \$8.2 million is \$200,000 above the goal of \$8.0 million.
- YTD Operating Expenses of \$35.5 million is below budget of \$40 million; probably due to low fuel prices.
- YTD IPR of \$3.62 is better than the goal of \$4.01.
- YTD Diesel Price of \$1.79 is below the budget of \$3.30. CNG has been more expensive than Diesel for the past couple of months.

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A motion to forward the February performance dashboards and financial statements to the board was made by Trustee Chris Sloan and seconded by Trustee Larry Ellertson. The motion carried by unanimous vote.

Year-End Report on Performance Goals

Michael Allegra, UTA President and Chief Executive Officer presented.

- 2014 UTA Highlights
 - #1 transit system in the U.S.
 - Highest ridership in UTA history
 - More service miles per sales tax dollar
 - Best UTA on-time reliability, leading the nation
 - Strong financial portfolio
 - Major focus on outreach, transparency, and accountability
 - Only agency triple certified in organizational standards (Quality, Environmental, and Safety)
 - Broke ground on first FTA-partnered TOD
 - One of the largest CNG bus fleets in Utah
 - Best safety record to-date
 - Nearly 75% positive public approval rating
- Customer Focus
 - Enhanced social media efforts
 - Newsroom
 - Expansion to Instagram and Pinterest
 - Real-time service information to riders via Twitter
 - Implemented new customer comment system
 - Implemented UTA website redesign
 - Enhanced Trip Planner with added features
 - Launched Ride Time SMS texting service
 - Created new product and development sales department
 - Created Eco Trip Rewards and Ride Van Plus programs
 - Increased awareness and marketing of FAREPAY (presented by Andrea Packer, Vice President and Chief Communications Officer, and her staff)
 - FAREPAY 2014 Facts
 - Total retailers with FAREPAY: 291
 - Total FAREPAY cards sold: 20,525
 - Total funds loaded to FAREPAY cards: \$3 million
 - Percent of system boardings: 4%
 - Implemented real time passenger information on FrontRunner
 - Installed nearly 3,000 cameras in the UTA system
 - Installed cameras on highest 30 grade crossing accident and broken gate locations
 - Implemented a camera system throughout bus operations
 - Implementation of a system-wide radio system (presented by Clair Fiet, Chief Technology Officer and his staff)
 - Some of the original systems had been in service for 20+ years and past their normal operating life. The old systems were using analog technology and were not compatible with one another (each transportation mode was unable to communicate with one another).
 - Constructed 26 new communications sites
 - Coverage of over 4,000 square miles
 - Installation of new radios for:

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- 641 fixed route and paratransit
 - 102 FrontRunner
 - 315 TRAX
 - 225 support vehicles
 - 1,217 issued handhelds
 - Approximately 2,500 subscribers working in the system
- Over 30 apps available for customer use
- Accepted ApplePay
- New pedestrian treatments installed on existing rail lines
 - Old gray tactile on platforms replaced with new yellow standard
- Completed 115 customer amenity projects including installation of new bus shelters and other bike and pedestrian treatments (presented by Jacob Splan, Engineering and Construction Planner)
 - Bus Stops
 - Sidewalks
 - Matching Projects
 - Streamlined Process
- Finances / Funding
 - Operating expenses were \$6.7 million, or 2.9% under budget
 - Improved long-term forecasting through TDP
 - Increased amount designated as 'Available for State of Good Repair' by \$1.8 billion)
 - Negotiated Provo-Orem BRT financing for the interlocal agreement
 - Won \$820,000 TIGER grant for Pioneer Corridor Study
 - Increased investment earnings by \$2.3 million over what would have been earned through the state investment pool
 - Reduction in debt service
 - 2014 bond issue resulted in \$3.8 million reduction in debt service
 - 2015 refunding/restructuring resulted in a savings of \$77.7 million
 - Revenues and Savings Exceed 2014 Cost (presented by Kenya Fail, Sr. Human Resource Generalist)
 - 2014 Finance Department Operating Costs \$7.05 million
 - 2014 Finance Department Revenues and Savings \$8.3 million (2014 bond issue, Investment earnings, CFO staff saving actions, and 2013 on-going savings)
 - CareHere On-Site Facility (also presented by Ms. Fail)
- Accountability, Transparency & Outreach
 - More than a dozen audits performed in 2014
 - Includes federal, state, financial, safety, operations, organization standards, and others
 - Responded to all recommendations in the legislative audit
 - Six public hearings and one open house held
 - Open UTA supported 11 different outreach efforts
 - Met with all appointing authorities
 - Extensive interaction with legislators
 - Includes interim committee meetings, Transportation Task Force, in-person meetings, and more
 - Website and social media used to post information on budgets, public hearings, performance reports, and more
 - Increased outreach
 - Includes executive liaisons, Transit Bulletin, Making Connections
 - UTA participated with more than 50 community boards and service organizations

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- Allegra selected for APTA Executive Committee
 - Allegra recommended to serve on UITP Executive Committee
- Participated on the Utah Transportation Coalition
- Organized the 2014 Transit Academy
- Conducted bicycle-pedestrian-transit safety symposium with 150 local officials
- Hosted WRA annual conference
- Hosted active transportation and health summit
- Community outreach for Ogden and South Davis Transit Corridors, Murray-Taylorsville, and Provo-Orem BRT
- Media stories overall rated 87% positive or neutral
- Service/Ridership
 - Increased ridership by 2.17%
 - UTA's ridership growth more than double national average (2.17% vs. 0.95%)
 - Increased FrontRunner ridership by 15%
 - Record high TRAX and FrontRunner ridership on first full year of rail
 - Mode split
 - Downtown: 25%
 - University of Utah: 37%
 - An equivalent of 1.5-2 lanes of traffic removed from I-15 each day
 - Mode choice
 - Reliability rates:
 - TRAX: 94.57%
 - FrontRunner: 92%
 - Bus: 91.46%
 - UTA is the national leader in on-time performance
 - Surpassed IPR Goal
 - Service increases in 2014
 - Launched new service to Hill Air Force Base
 - Route 45 increased to 15 minute service
 - Routes 9 and 17 adjusted to 30 minute service all day
 - Route 612 has 15 minute service beginning two hours earlier
 - Launched distance based fare pilot in Utah County
 - Environmental Assessment approval on Provo-Orem BRT
 - State of Utah pass
 - Completed the following studies: Clearfield, Davis-SLC Connector, Sandy/South Jordan Circulator, Northern Utah County
 - Advanced transit and active transportation studies
 - Co-produced Shared Solution for West Davis Corridor
- Transit-Oriented Development
 - Sandy TOD
 - Historic groundbreaking
 - Phase 1 and 2 approval
 - Jordan Valley TOD
 - Approval from board and city of site and development plan
 - Approval of developer financing
 - Clearfield TOD
 - Approval from board and city of site master plan
 - Design underway
 - Partnered with West Jordan and West Valley to produce station area land use plans
 - Finalized and published TOD design guidelines

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- Planned and organized TOD roundtable event
- Sustainability
 - Spent \$30.5 billion on state of good repair (SOGR) in 2014
 - 2015-2024: \$650.8 million budgeted for SOGR, averaging \$60 million per year
 - 2025-2040: \$4.1 billion is budgeted for SOGR, averaging \$259 million per year
 - Nationwide leader in addressing and implementing transit asset management strategies
 - Ordered and will have one of the largest CNG fleets in Utah
 - Committed to future CNG purchases
 - UTA owns the largest Class 1 bike trail system in Utah
 - WAVE project successful "cord" cutting
 - Received Envision Utah's CAAT recommendation of "expanded public transportation"
 - Partnered with GREENbike
 - Performed an in-depth analysis of first and last mile solutions (presented by Jenny McGrath, Strategic Planner)
- Economic Development
 - Utah's economy is growing at 3.0%, compared to 1.8% in the U.S.
 - Utah has the second fastest growing population in the nation
 - Mountain Accord
 - The Bennett Institute
 - Completed station area plans
 - Keen support for chambers of commerce, EDCUtah, and GOED
 - Clean air ads promote transit use
 - Tourism component
 - Business initiatives and development near transit:
 - Overstock.com
 - Layton TOD (private)
 - Farmington station
 - Bridges residential
 - Depot District
 - Fireclay
 - Sugar House
 - Orem intermodal apartments
 - Provo intermodal apartments
 - Geneva
- Safety (presented by Darin Francom, Safety Administrator)
 - Restructured public safety department for increased outreach and better efficiency
 - Completed board-directed consultant review of UTA police department
 - First in the nation Transit Agency Safety Plan
 - Selected new software program for CAD and RMS (eForce)
 - Best safety record to-date
 - Zero accidental fatalities on system
 - All modes below accident goals
 - TRAX major accidents down 30%
 - Achieved a bus avoidable accident rate of 0.83, lowest ever
 - High severity incidents on buses reduced 65% since installing cameras
- Efficiencies
 - Administrative overhead was 12.5% of operating costs in 2014
 - Administrative overhead on the FrontLines 2015 program was 9%
 - CFO staff initiatives resulted in \$1.2 million in savings and revenues; ongoing savings from 2013 initiatives added another \$1 million in savings

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- Operations
 - Achieved \$756,440 in savings from in-house rebuilt parts
 - Built bus front-end cap mold to allow for in-house repairs
 - Implemented TRAX coupler and pantograph shop for in-house rebuilds saving approximately \$125,000
 - Collected \$3 million in warranty recovery from light rail car manufacturer
 - Right-sized light rail vehicle consist size; reduced miles by over 104,000, saving \$225,000
 - Implemented a new switch lubrication process saving \$8,360 labor hours per year
 - Created mobile restrooms to resolve end-of –line concerns for operators (presented by Lorin Simpson, Regional General Manager for the Salt Lake Business Unit and his staff)
- Other initiatives & Milestones
 - TRAX 15th anniversary
 - American Public Transportation Association’s 2014 Outstanding Public Transportation System
 - Salt Lake Chamber President’s Award for Excellence
 - 2015 APTA Rail Conference
 - Opened on-site health clinic, completing all phases of “Healthy UTA”
 - Developed Peak Performance Program and extended to all administrative employees
 - Made total compensation adjustments
 - Developed employee retention and succession strategy
 - Redesigned UTA’s strategic corporate training program
 - Supervisor redesign project
 - Delivered the “UTA Way” training to executives, managers, and supervisors
 - Conducted annual manager/supervisor retreat
 - Conducted employee engagement survey
 - NTD acceptance of automated passenger counter ridership reporting
 - Established mobility management function
 - Published Park-and-Ride Master Plan
 - Nearly 43.3 million spam email messages blocked
- 2014 Board Goals

Chair Hawker and the other Trustees present expressed how impressed they are with all UTA accomplished in 2014.

A motion to forward the 2014 Year-End Report on Performance Goals to the Executive Committee for action was made by Trustee Sloan and seconded by Trustee Ellertson. The motion carried by unanimous vote.

Outside Auditor Contract

Chair Hawker mentioned Alan Maughan, UTA Director of Audits reminded him that UTA’s Outside Auditor Contract (financial and pension auditors) needs to be renewed.

- Chair Hawker then distributed a list of those who have performed UTA’s audit service in years past.
- Since 2003, Deloitte and Touche have been UTA’s auditors. A new RFP was issued and the contract was awarded to them again in 2008.
- Mr. Maughan explained the contract UTA currently has with Deloitte was for five years with two 2-year extensions. UTA has utilized the first two year extension which expires at completion of

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the 2014 audit; so a decision needs to be made whether or not to take advantage of the second 2-year extension or send the contract out for a new RFP.

- Mr. Maughan and Mr. Biles explained since the contract was awarded, the partner over the job has since retired and the audit manager, audit senior, and audit staff has all changed so UTA can have assurance that fresh eyes are looking at UTA and the financials.
- Trustee Sloan expressed he has some concern about the length of time the same auditors are used. However, he went on to say he doesn't have concern continuing with Deloitte (even if they are awarded a new RFP) based on staff recommendations and the comments they made about there being fresh eyes doing the audits. Trustee Sloan just stated he feels it's something UTA needs to pay close attention to.
- Trustee Dannie McConkie expressed he favors changes (meaning going through an RFP process) because of perception. He feels it's helpful to ask the questions and healthy to go through the process.
- Trustee Ellertson expressed he's in favor of going out for a new RFP.

A motion to forward the Outside Auditor Contract being sent out for a RFP to the board for approval was made by Trustee Sloan and seconded by Trustee Ellertson. The motion carried by unanimous vote.

Approve March 11, 2015 Meeting Report

A motion to approve the March 11, 2015 meeting report was made by Trustee Ellertson and seconded by Trustee Sloan. The motion carried by unanimous vote.

Investment Policy Review

Richard Swenson, UTA Financial Services Manager and Deputy Director presented.

- The only change that has been made to the Investment Policy since it was originally instituted a little over a year ago was the amount allowed to be invested in corporate bonds was changed from 25% to 35%. The 5% cap on each issuer remains the same. It gives a little more flexibility to the investment manager who manages the 1-3 year portfolio of \$20 million.
- No other changes have been made to the Investment Policy.

Debt Management Review

Mr. Biles, Richard Swenson, UTA Financial Services Manager and Deputy Director, and Bryan Baker from Zions Bank presented.

- Debt Service Reserve and Rate Stabilization Fund Policy
 - This is a restricted reserve, established in 2012.
 - The reserve is funded when any of the following occur:
 - A refunding of existing debt creates interest expense savings
 - Variable rate interest is less than budgeted interest
 - Monies previously held in debt reserves are no longer required
 - The President/CEO authorizes one-time contributions
 - The reserve currently may be used as follows:
 - For the early retirement of existing debt
 - When actual interest on variable rate debt exceeds budgeted interest (UTA currently does not have any variable rate debt)
 - To pay debt service payments, when budgeted funds are insufficient
 - To be pledged as reserves for new debt, or as collateral for short term bank lines of credit
 - By majority vote of the Board of Trustees and other permitted purposes

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- As of December 31, 2014 the balance was \$4,866,866.
- A chart displaying weekly interest rates since January 1, 2014 showed they dropped from approximately 4.75% down to below 3.4% in January, 2015 when UTA bonds were sold. After the sale, rates went back up some and are now declining again.
- A simple summary chart of the sale was displayed and showed the following:
 - Par Amount - \$860,660,000
 - Cashflow Savings - \$85,199,817 (comparing old debt to new)
 - Present Value Savings - \$77,706,260
 - Present Value Savings (% of refunding) – 9.03%
 - Total Orders - \$1,679,320,000
 - Retail Orders - \$175,995,000
- The Debt Service Reserve & Rate Stabilization Fund balance, assuming no use of funds and only savings from 2014 to 2038, indicates that UTA will have some options for debt reduction after 2018.
- Options to Reduce Debt
 - Call outstanding bonds. Next call date is 2022.
 - Payoff a portion of outstanding short-term notes. \$80 million in 2017 and \$76 million in 2018.
 - Reduce or eliminate the 2018-2020 bond issues. \$65 million in current financial plan.
 - Reduce revenue service vehicle leasing. \$234 million in current financial plan.
- Next Steps
 - Revisit debt reduction opportunities in one year and every six months thereafter.
 - Next update: April 2016 (or as requested by F&O Committee)

CNG Update

Jacob Splan, UTA Engineering and Construction Planner stated the following:

- The pipeline was connected last week and has been energized. Gas meters and pressure regulators are being installed this week. Activating and commissioning will begin at the end of the month.
- Unless there are any unforeseen circumstances, the UTA CNG fueling station will be open and operational by June 1, 2015.

Input for May Committee Meeting Agenda

The following items were deferred this month due to time constraints:

- Audit Report
- Quarterly Investment Report
- Business Unit Overview – Salt Lake Business Unit
- Mobility Management Program Update
- APTA Rail Conference Update
- Liaison, Conference and External Committee Reports

Liaison, Conference and External Committee Reports

Mr. Allegra reminded the trustees of the combined UTA/UDOT meeting next week.

Adjourn

Trustee Sloan made a motion to adjourn this meeting at 2:00 pm; Trustee Ellertson seconded the motion. Meeting adjourned.

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