



669 West 200 South
Salt Lake City, UT 84101

August 15, 2014

John Schaff
Auditor General
Office of the Legislative Auditor General
State Capitol Complex, W315
Salt Lake City, UT 84114

Re: Management Response to the Performance Audit of the Utah Transit Authority

Dear Mr. Schaff,

On behalf of the Utah Transit Authority (UTA) Board of Trustees, we express our appreciation to the Office of the Legislative Auditor General for its recently completed review of UTA, and for working in cooperation with UTA trustees and management to conduct this Performance Audit. We understand the mission of the Office of the Legislative Auditor General is to provide objective information, in-depth analyses, and useful recommendations to help state-funded agencies and other organizations, such as UTA, improve and better serve the citizens of Utah.

The UTA Board of Trustees is proud of the many accomplishments achieved in recent years. Under our direction, the authority provides bus, light rail, commuter rail, paratransit and other services; all within budget. In fact, UTA services are among the lowest cost per mile of any in the country. Ridership continues to grow, reaching an all-time high of 44.2 million trips in 2013. Last year the agency finished building more than 70 miles of new rail two years ahead of schedule and \$300 million under budget. The administrative overhead on this \$2.5 billion dollar program was less than 10 percent, compared to an industry average of 30 percent. UTA's efficiencies saved taxpayers hundreds of millions of dollars.

In addition to developing and operating excellent transit services, UTA has pioneered many new customer service efforts that are transforming the transit industry. These efforts include new innovative technologies designed to improve the customer experience, such as, electronic and smart phone fare collections, customer communication systems, real-time trip information and more.

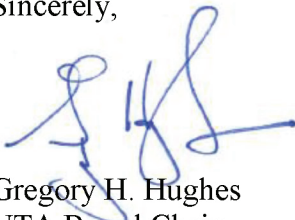
UTA has also been a national leader in developing a transit oriented development program. Although this is a relatively new function, UTA has successfully partnered with local cities and businesses to maximize existing resources for the purpose of enhancing the community, increasing transit ridership, and generating new revenue sources to fund transit operations.



UTA has again been recognized by the American Public Transportation Association as the best large transit system in the country. We believe this is due to the great accomplishments and dedication of all UTA employees.

This Management Response will provide additional information related to specific areas reviewed by the Performance Audit. We believe that our additions are necessary to provide full context and understanding of both past and current decisions and practices. Also included in the Management Response is a list of each recommendation of the Performance Audit and corresponding action taken by the board and management. The Performance Audit recognizes that recommendations have been addressed and we are pleased that UTA has already adopted or is in the process of adopting each recommendation.

Sincerely,



Gregory H. Hughes
UTA Board Chair



H. David Burton
UTA Board Vice-chair

Utah Transit Authority's Management Response to the 2014 Performance Audit

August 2014

This page left blank intentionally.

Table of Contents

Executive Summary	1
Auditor Recommendations and UTA Action Check List	5
Response to Chapter II: Development Projects	9
Response to Chapter III: Compensation	19
Response to Chapter IV: Financial Conditions	27
Response to Chapter V: Passenger Data Collection and Customer Focus	35

This page left blank intentionally.

Executive Summary

Utah Transit Authority (UTA) appreciates the thorough analysis conducted by the legislative auditors, and strongly supports the use of independent review to improve our organization. The Performance Audit focuses primarily on four areas, which will also be addressed in the Management Response:

1. Development projects
2. Employee compensation benchmarking
3. Financial conditions
4. Passenger data collection and customer focus

For nearly one year, legislative audit staff have been conducting an in-depth review of UTA, with their primary focus falling on the areas mentioned above. Following the direction of the Board of Trustees and UTA's General Manager, UTA has fully cooperated and provided all available information requested by legislative auditors. While the Performance Audit provides valuable recommendations, UTA believes that the report needs additional context and information, which will be provided in the Management Response.

While many recommendations were already being addressed prior to the Performance Audit, the UTA Board of Trustees and management agree with and have adopted all recommendations made in the Performance Audit.

The UTA Board of Trustees and management agree with and have adopted all recommendations made in the Performance Audit.

Chapter I: Introduction

The performance audit notes some recent highlights about UTA as well as changes and improvements since the 2008 and 2012 audits. Since those audits were concluded UTA completed the FrontLines 2015 capital program and developed a 2020 Strategic Plan. UTA is now transitioning from a major capital program toward a much greater focus on customer service, transit operations, economic development, transit oriented development and long term sustainability.

Chapter II: Development Projects

The Performance Audit recommended five changes with respect to future development projects. UTA has implemented all five recommendations.

UTA believes that all policies were followed in the development of both the Draper and Jordan Valley projects. UTA has always followed its Spending and Contracting Authority Policy, which requires at least two executives to sign every agreement (this means executives of different departments and segregated duties).

With respect to the Draper Station parking project, UTA's intention was to increase transit ridership and provide good access to the commuter rail line. Additionally, UTA helped support the initiative of the Governor's Office of Economic Development, Draper City, Salt Lake County and local legislators to attract a major employer (eBay) to the area. UTA

UTA has implemented all five recommendations regarding development projects.



agrees with the Performance Audit that our participation was necessary to what ultimately was a very successful outcome.

Regarding the Jordan Valley transit oriented development (TOD) project, UTA successfully sought and retained a well-qualified developer with the ability to facilitate high quality, mixed use TOD. UTA's procurement process was completely appropriate, and this Management Response provides additional context to support this position.

Chapter III: Compensation

The Performance Audit recommended three changes with respect to compensation benchmarking and reporting. UTA has implemented all three recommendations.

The UTA Board of Trustees strongly supports the organization's compensation policies and practices that are designed to encourage and reward efficiency and productivity, and have helped UTA find savings in an effort to put as much service on the street as possible. This has made UTA's administrative overhead cost one of the lowest in the country.

UTA uses credible market surveys to develop base pay compensation recommendations for all employees. For executive positions UTA uses public, non-profit and other transit agencies as the primary point of comparison. While the Performance Audit compares certain UTA executives' salaries and benefits to those of UDOT, Salt Lake City, and other state employees, it recommends UTA compare itself to similar transit agencies. UTA is currently conducting a total compensation survey of comparable transit agencies that will be presented to the board upon completion.

The Performance Audit reviews employee incentive payments that were awarded based on goals established in 2011 and implemented in 2012. Recognizing that UTA is making a significant shift from developing new projects to operating them, UTA management made significant changes to the employee incentive program in 2014. Changes include significantly reducing incentives, particularly for executives and top managers. Additionally, the board approved a policy requiring any award greater than \$8,000 be reviewed and approved by the board in a public meeting.

UTA has reported and updated all compensation to the transparent.utah.gov website.

Chapter IV: Financial Conditions

The Performance Audit recommended two changes with respect to financial conditions. UTA has implemented both recommendations.

The Performance Audit reports that UTA is financially constrained for future capital development projects. UTA agrees that new projects will require new funding. In 2006, the voters of Salt Lake and Utah Counties passed funding increases for the development of new projects and services. Despite the elimination of sales tax levied on food and major

UTA has implemented all three recommendations regarding compensation.

UTA has implemented both recommendations regarding financial conditions.

economic impacts of the Great Recession, UTA successfully delivered all voter approved projects—ahead of schedule and below budget. UTA has sufficient resources to operate and maintain its existing system.

The UTA Board of Trustees has directed staff to develop a state-of-good-repair program and refine the 30-year financial plan. Currently, more than \$2 billion is funded in UTA's state-of-good-repair projections.

Chapter V: Passenger Data Collection and Customer Focus

The Performance Audit recommended four changes with respect to passenger data collection and customer focus. UTA has implemented all four recommendations.

Following the direction of the Board of Trustees, UTA has developed a robust fare policy that provides equitable and consistent fares and pass programs designed to maximize ridership and farebox revenue. UTA believes its fare policy and structure have helped the organization achieve its highest ridership ever, over 44.2 million trips, and increase farebox revenue.

UTA employs a market-based philosophy to setting fares and establishing pass programs. Market-based fare strategies are considered a best practice in the transit industry, as they offer a choice of fare products and pricing based on several conditions including product characteristics, customer eligibility, specific customer markets and market opportunities. Market-based pricing charges what the market will bear by providing a variety of fare products designed to appeal to the needs of different rider segments.

The primary purpose of UTA's electronic fare collection (EFC) system is for fare collection, but EFC offers other benefits such as data collection. Currently, EFC provides an adequate sample size for planning purposes, but as more passengers convert to EFC products, UTA's use of that data will also increase. In addition to EFC, UTA utilizes other tools for data collection such as automatic passenger counters.

The UTA Board of Trustees developed the 2020 Strategic Plan that identifies customer focus as the organization's top priority. To stay apprised of this goal, UTA staff will increase its customer focus metrics reports to the board. Most notably, a compliance report on customer and public feedback is required annually. Additional reports of customer feedback from social media activities are also reported to the board's Stakeholder Relations Committee each month.

UTA has sufficient resources to operate and maintain its existing system.

UTA has implemented all four recommendations regarding passenger data collection and customer focus.

This page left blank intentionally.

Auditor Recommendations and UTA Action Check List

Chapter II: Development Projects

Action Taken	Audit Recommendation: We recommend that UTA management follow UTA internal policy and practice with development projects.
✓	UTA Action: The UTA Board of Trustees has approved a policy requiring the General Manager to ensure compliance with internal board and corporate TOD policies (Executive Limitations Policy No. 2.2.4).
Action Taken	Audit Recommendation: We recommend that UTA Board of Trustees require that all written agreements on development projects be subject to an external independent review before they are signed.
✓	UTA Action: The UTA Board of Trustees has approved a policy requiring management to establish an internal, multi-disciplinary team to review proposed TOD development and operating agreements and establish independent external reviews of proposed TOD development agreements and provide comments to the board's Planning and Development Committee (Executive Limitations Policy No. 2.2.4).
Action Taken	Audit Recommendation: We recommend that the UTA Board of Trustees establish clear policy directives, goals, and benchmarks for development projects.
✓	UTA Action: The UTA Board of Trustees established a 2020 Strategic Plan, which identified an increased role for TOD in the future. Additionally, a new TOD department at UTA has been formed which will develop more Board directives, goals, and benchmarks in addition to the currently approved TOD design guidelines.
Action Taken	Audit Recommendation: We recommend that UTA Board of Trustees ensure there is appropriate segregation of duties within UTA, including moving the TOD department out of the legal department.
✓	UTA Action: The UTA Board of Trustees has restructured TOD and General Counsel functions at UTA. This restructuring created an independent TOD department that reports directly to the General Manager. The General Counsel will continue to report directly to the Board of Trustees.
Action Taken	Audit Recommendation: We recommend that the UTA Board of Trustees direct its internal auditor to routinely review TOD processes, functions, and contracts, making written reports of its finding to the board.
✓	UTA Action: The UTA Board of Trustees has approved a policy requiring the Internal Auditor review development and operating agreements and provide an independent report to the board's Planning and Development Committee (Executive Limitations Policy No. 2.2.4).



Chapter III: Compensation

Action Taken	Audit Recommendation: We recommend that UTA Board of Trustees direct UTA staff to benchmark total compensation, including salary, benefits, and bonuses when comparing themselves to other agencies.
✓	UTA Action: The UTA Board of Trustees approved a new policy requiring staff to use total compensation and benefits for benchmarking and comparisons (Executive Limitations Policy No. 2.3.1). UTA will continue to use credible market surveys and follow best practices to develop compensation recommendations.
Action Taken	Audit Recommendation: We recommend that the UTA Board of Trustees direct UTA staff to discontinue the use of for-profit data in its compensation benchmarking policy and practice and instead limit comparisons to other appropriate transit and governmental entities.
✓	UTA Action: The UTA Board of Trustees approved a new policy requiring total compensation and benefits be used for comparison of appropriate transit, government, and non-profit sectors. Comparison may be expanded to private industry only when transit, government, and non-profit sector information is not available or adequate (Executive Limitations Policy No. 2.3.1).
Action Taken	Audit Recommendation: We recommend that UTA report all employees' compensation to transparent.utah.gov.
✓	UTA Action: The UTA Board of Trustees has reaffirmed its policy directing staff to comply with all state compensation-reporting requirements for transparency (Executive Limitations Policy No. 2.3.1). UTA has corrected all 2013 reported data on transparent.utah.gov.

Chapter IV: Financial Conditions

Action Taken	Audit Recommendation: We recommend that UTA management considers the total cost of ownership before embarking on new capital projects. This includes: a. Identifying ongoing funding for operations and maintenance costs b. Identifying funding for state-of-good-repair costs
✓	UTA Action: UTA management agrees and believes this recommendation is consistent with UTA policy and practice and with Federal Transit Administration requirements. UTA management will more clearly identify ongoing funding and state-of-good-repair costs for future capital projects.
Action Taken	Audit Recommendation: We recommend that UTA management include the current projected ongoing state-of-good-repair costs in its transit development plan
✓	UTA Action: UTA management agrees and is refining its 30-year financial plan to more clearly identify projected ongoing state-of-good-repair costs.

Chapter V: Passenger Data Collection and Customer Focus

Action Taken	Audit Recommendation: We Recommend that UTA Board of Trustees periodically review fare policy implementation. The review should include analyzing taxpayer subsidies provided to different customer groups and service modes as well as integrate public and stakeholder feedback.
✓	UTA Action: The UTA Board of Trustees received a fare policy and implementation update during its July 2014 board meeting. The board will continue to receive and review regular fare policy and investment updates before making fare increases or changes (Executive Limitations Policy No. 2.4.2).

Action Taken	Audit Recommendation: We recommend that the UTA Board of Trustees improve data practices by making better use of its internal auditor to periodically review and validate information it receives.
✓	UTA Action: The UTA Board of Trustees has directed its Internal Auditor to integrate data practices to present to the board with a proposed work plan, which will be reviewed by the board annually.
Action Taken	Audit Recommendation: We recommend that the UTA Board of Trustees direct UTA staff to provide them with regular and consistent customer feedback metrics.
✓	UTA Action: The UTA Board of Trustees developed a 2020 Strategic Plan establishing customer focus as the agency's top priority. UTA staff will enhance and incorporate additional customer feedback metrics to its monthly dashboard.
Action Taken	Audit Recommendation: We recommend that the UTA Board of Trustees direct UTA staff to begin providing them with regular and consistent transit market-share information.
✓	UTA Action: The UTA Board of Trustees has directed staff to partner with other planning organizations to provide regular and consistent transit market-share information.

This page left blank intentionally.

Response to Chapter II: Development Projects

The Draper FrontRunner transactions resulted in an excellent investment for UTA, complied with state law and UTA policy while facilitating broader state and local economic development initiatives.

The Draper Station transactions may be reasonably characterized as win-win. The Performance Audit highlights the value received by UTA at the Draper Station, while facilitating the broader state and local initiatives at the time, but also includes a number of concerns. In order to understand the Draper parking structure and Jordan Valley TOD referenced in the Performance Audit it is critical to view those events in context.

In this chapter is a timeline schedule that sets out events that guided UTA actions and decisions regarding both the Draper and Jordan Valley projects. The FrontRunner Provo to Salt Lake construction was commenced in 2009. During the 2008-2009, Draper City expressed interest in having a FrontRunner station located in its city and the State of Utah expended great efforts to attract potential employment centers to Utah, including eBay at the Draper site. UTA was also expending substantial sums in the construction of this commuter rail line. Being a design-build project, significant decisions were very time critical. Draper City requested of UTA some guidance as to the possibility of a FrontRunner station and the Draper site which lead to a Development Agreement between the City, UTA and the potential land owner. At that point, UTA did not own any property at the proposed site. UTA, for its part, expressed interest in the site, but confirmed that a process was required to make a station site selection. Included among the conditions for UTA's interest in the site were substantial infrastructure requirements, the cost of which was to be incurred by the City and the land owner.

In 2009, UTA completed its environmental process and selected the Draper site for the FrontRunner project. It was very time critical to the project to assure the potential station location and therefore, UTA entered into a Purchase and Sale Agreement (PSA) in December 2009 with Draper Holdings for the acquisition of the property and the potential construction of a parking facility. Draper Holdings was willing to convey property to UTA for the site and also offered UTA the opportunity to participate in the overall development as a limited liability partner. The concurrent agreements provided UTA the ability to choose between such an interest in the project, along with a parking structure, or to terminate the transaction. The price for the property and construction of the parking facility was \$10 million, to include up to 1,000 parking spaces. There is no dispute that the market cost of 1,000 parking spaces in a structured parking facility at that time far exceeded the price of \$10

UTA responded quickly to assist the state, county, and city to assist in getting eBay to locate in Draper.



million, and yet UTA negotiated the right to have both property and parking facility for this price, or to receive back its money plus interest. UTA determined it may have not had statutory authority to acquire an interest in the development and, in any event, that such an investment may violate the intentions of potential authorizing legislation, and therefore, UTA elected not to invest the \$10 million in the development, but wished to instead proceed with the acquisition of the property and planning for the parking facility. Because of the potential option to acquire an interest in the development venture, the PSA provided for the payment of for such investment in the amount of \$10 million. At the same time, the PSA permitted UTA to alternatively apply the \$10 million to the acquisition of the station site property and construction of the parking facility. UTA was desirous of securing its investment and required the land owner/developer to convey to UTA a deed of trust encumbering the entire 142 acre site (which had an appraised value of approximately \$36 million) as collateral for the obligation to either return the \$10 million to UTA or provide the property and parking facility, at the option of UTA.

In 2011, eBay purchased property at the site, to the excitement of the State of Utah, Salt Lake County, and the City of Draper. UTA received \$2.1 million from the developer at time of this transaction and also negotiated an agreement with the developer for \$1.5 million in grading and infrastructure costs to be paid by the developer, thus reducing the total amount expended by UTA from the initial \$10 million by a total of \$3.6 million. UTA did not know the precise number of acres of property that would be required for its station when it executed the PSA in December 2009, but provided for up to 20 acres to be conveyed to UTA, in addition to a parking facility. In 2011, the rail line project and the station plans had sufficiently progressed to reduce the number of acres required for the station to 10 acres, which was ultimately finalized with final specifications at approximately 6 acres. The value of the 6 acre parcel was \$1.5 million, using the conservative appraisal of 2009. Finally, by 2012, the developer had provided the \$5.6 million funds for the construction of structured parking facility. As a result, by 2013, UTA had received for its initial \$10 million purchase price the following:

Draper Station Financial Summary

Initial Purchase Price		\$10,000,000
Parking Structure	\$5,600,000	
Property	\$1,500,000	
Cash Payments	\$2,271,000	
Promissory Note	\$179,000	
Jordan Valley Capital Account	\$1,500,000	
Site Costs	\$1,500,000	
Total		\$12,550,000

The Performance Audit acknowledges that UTA received some \$2.5 million return on its initial investment. The findings of the Performance Audit should be put in context with the overall statewide and local initiatives at risk at the time. UTA accommodated the attraction and location of a major employer at the Draper Station site that provides 1,800 high-paying jobs and is the source of additional property and sales tax revenues that benefit the State, Salt Lake County and the City of Draper. The cost of the parking at the Draper site is the lowest cost per stall of all our station sites, as shown on a following page.

UTA was actively working to meet both the needs of UTA and support larger state economic goals with the implementation of the commuter rail station in Draper. UTA provided funds for the acquisition of property which ultimately included a parking structure; the funds were always secured with collateral worth several times the value of the funds. The course that UTA adopted at the site was both beneficial to UTA and essential to attract eBay to the site, which was the subject of a multi-million dollar infrastructure improvements bill passed by the Utah Legislature in 2009 that facilitated road improvements to access the Draper site, and a multi-million dollar tax incentive bill passed by the Utah Legislature, with cooperation and assistance from Salt Lake County in 2010.

While the Draper FrontRunner transaction may have been unique, UTA chose the course of dealing with the developer that would facilitate a major undertaking of many levels and departments of State government, Salt Lake County, as well as the City of Draper. As further described herein below, UTA had remedies available to it at all steps, but the remedy of foreclosure would have resulted in a delay and potential derailment of the location of a major employer at the Draper Station site.

UTA complied with its internal policies.

Rather than a pre-payment for a parking garage, the PSA provides that “the Purchaser [UTA] agrees to purchase, the “Property” (not merely a parking garage). As noted, the “Property” was defined to initially include approximately 20 acres, 10 of which was in excess of the acreage allotted under the Development Agreement. Under the PSA, the Seller was only obligated to construct a parking structure if UTA elected to close the transaction under the PSA, which UTA did not. The PSA did not authorize the procurement or the construction of the parking structure. The PSA specifically provided that the developer was required to comply with “all applicable federal and state procurement regulations” associated with the construction of the parking structure. Once it became clear that UTA was authorized to proceed with construction of both the Draper Station and parking structure, UTA took the steps necessary to procure the parking structure in accordance with both the Utah Code and UTA policy.

UTA does not believe either policy cited by the Report was violated in these transactions. The UTA policy relating to “progress payments,” forbids UTA from making “advance payments” without the approval of the Procurement Officer. UTA’s Chief Procurement Officer executed the

The Draper Station assisted in bringing 1,800 high-paying jobs to Draper.



UTA's procurement for the Draper parking structure was in compliance with UTA's policies and procedures.

PSA that advanced the funds that would both purchase real property and provide the funds necessary per policy to construct the parking structure.

The Performance Audit also cites UTA internal policy regarding writing specifications. The policy quoted in the Performance Audit states that clear and accurate description should be included in procurement documents, if possible. The policy further states "[t]he description may include a statement of the qualitative nature of the goods and services to be procured and may . . . set forth minimum essential characteristics. . ." Section 6 of the PSA satisfies this standard. Section 6 states the number of parking stalls, the number of floors of parking and the number of parking stalls per floor. Section 6 further states a qualitative statement of the manner in which the parking structure shall be completed ("commercially reasonable and according to plans and specifications for other transit station parking structures.") As such, UTA did not violate its procurement policy.

UTA obtained opinions from outside counsel to review the transaction; an opinion from Dan Egan at Ballard Spahr and a second opinion from Charles Brown at Clyde, Snow. These opinions attest that the Draper transactions were consistent with the terms of other large transactions reviewed and prepared.

Structured parking was always contemplated at the Draper Station to facilitate larger state and local initiatives for locating major employers at the Draper site.

While UTA has been cautious in the implementation of structured parking at many of its stations, UTA, in deference to the importance of this particular site and to the City of Draper's TOD overlay zoning implemented on the property surrounding the Draper Station, and in an effort to make the site more attractive to large employers (such as eBay), elected to construct structured parking at the Draper Station. As early as November 2008, the Development Agreement, entered into between UTA, the developer and the City of Draper, provides for the option to have structured parking at the site. Section 2.1.1 (d), the Development Agreement states:

"...contribution to UTA of appropriately located property for the construction of the FrontRunner Station within the TSD (referred to herein as the "Draper FrontRunner Station Site" (including without limitation the platform, signals utilities, sufficient acreage for a park and ride lot to consist of parking stalls for not less than one thousand (1,000) vehicles, ..."

Section 2.1.2 (g), the Development Agreement contemplates the option of structured parking:

"if structured parking is provided to UTA in connection with the Draper FrontRunner Station Site, (UTA will) contribute to the cost of developing the TSD System Improvements and/or such structured parking, an amount equal to what UTA would have otherwise spent

in constructing surface parking facilities for the Draper FrontRunner Station Site.”

UTA’s TOD Design Guidelines provide that parking structures should be constructed where feasible. The determination to construct structured parking also reflected the analysis conducted by Keith Bartholomew, a nationally recognized transit planning expert, University of Utah professor, and UTA board member, who preferred that parking structures be constructed where possible. The construction of a parking structure is a desirable attribute near a high capacity rail station (such as FrontRunner). The desire for parking structures, rather than surface parking, is limited only by the availability of funds for construction.

A cost benefit analysis was performed.

The Report is critical of UTA’s failure to perform a “cost benefit analysis” for constructing a parking structure. UTA supports the recommendation in the Report to perform a more formal cost benefit analysis, but also notes that it did perform an evaluation, including an analysis of various policy issues and facilitation of major state and local initiatives. UTA analysis also considered the overall context of the decision to construct a parking structure. A smaller UTA footprint (for parking and station) actually benefits UTA more than the developer because of the proximity of the parking structure to both the station and the remainder of the development, which would be much further away, if UTA had constructed surface parking.

UTA recouped funds in a manner that facilitated project and station construction while maintaining adequate collateral at all times that facilitated broader state and local initiatives.

The Performance Audit stated concerns that UTA did not immediately recoup funds from the developer. The remedy of UTA was to foreclose on the deed of trust. If UTA foreclosed on the deed of trust that secured its funds, UTA would have been involved in prolonged litigation with the most positive result being UTA owning property, not liquid funds. While UTA could have sold the property, the property had not yet been subdivided, so between the two processes – foreclosure and subdivision – it would have meant a long process to attempt to obtain the property that UTA needed for its station, all of which could have jeopardized the site work, including the platting and construction of roadways, the construction of the horizontal infrastructure to the site and ultimately, the location of eBay and the availability of property to be sold to eBay. Filing a lawsuit would have had a similar detrimental impact on the eBay project. Had UTA elected one of these options and jeopardized the location of eBay at the Draper Station site, it is likely that many other public and private parties would have attempted to prevent UTA from

Structured parking uses less land in valuable high-density transit-oriented developments.



doing so. Foreclosure was an important remedy of last resort, but not the preferred course of action under the circumstances. The desire to facilitate a major state-wide and local initiative – the location of eBay to the Draper Station site – was a factor in the determination of UTA to avail itself of the alternative course of action, while preserving its security.

UTA chose the course of working with the developer to accommodate both the construction of the Draper FrontRunner Station and parking, as well as the overall site and taking security for the funds advanced by UTA, in the form, initially, of a deed of trust and later, (to accommodate the transfer of property to eBay), a Covenant Not To Encumber and an Assignment of Membership Interests in another entity under joint ownership with the developer.

UTA received value in excess of the amount that UTA advanced at the Draper Station site.

As previously mentioned in the Management Response, UTA received more than \$12.5 million in value at the Draper Station. UTA undertook an analysis of all of its stations on the FrontRunner South project and ascertained that the Draper Station Parking Structure cost the least per parking stall than any other station on the FrontRunner South line. See table below, which demonstrates the excellent value received by UTA at the Draper Station site.

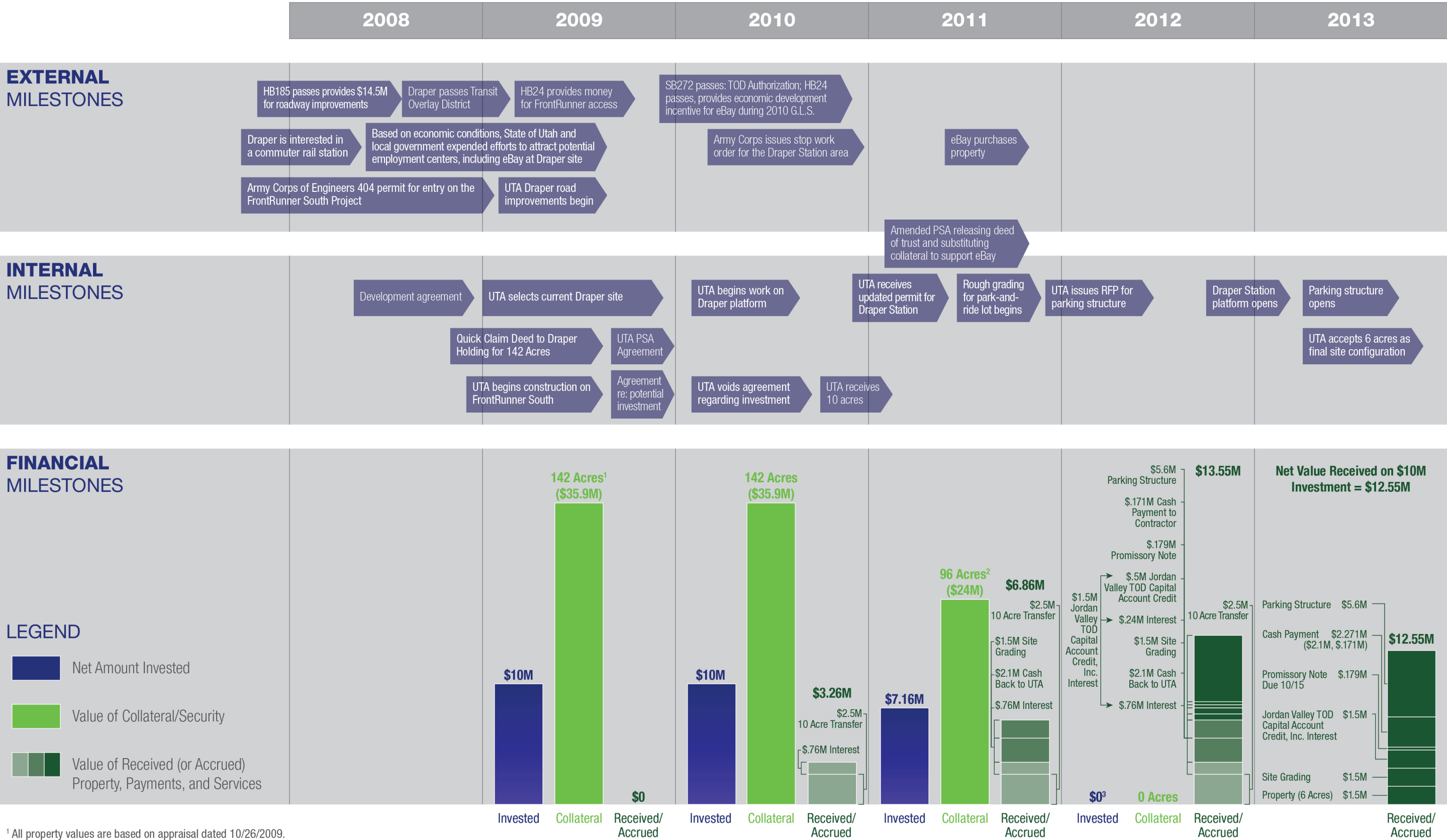
UTA Parking Cost per Stall

Station	Total Square Feet	Property Cost	Construction Cost	Design Cost	Stalls	Cost per Stall
Draper	197,600	\$0	\$6,219,492	\$0	622	\$9,999
Lehi	479,285	\$3,551,033	\$3,811,223	\$381,122	739	\$10,478
American Fork	343,954	\$2,042,115	\$3,869,215	\$386,922	553	\$11,389
South Jordan	367,962	\$10,555,817	\$2,780,533	\$278,053	703	\$19,366
Orem	398,877	\$4,609,022	\$4,114,000	\$966,000	498	\$19,456
Murray	220,735	\$4,529,595	\$2,516,694	\$251,669	357	\$20,442
Provo	612,523	\$14,063,616	\$6,432,000	\$1,558,000	791	\$27,881
Average						\$17,002

Note: Draper was design-build, design cost included in construction cost.

We feel that the Draper transaction was a win-win project. UTA was able to secure a station site in an excellent location and support the larger economic development goals of the State of Utah and Draper City. The parking structure was constructed at the lowest cost per stall of all the parking on the FrontRunner South project, \$7,000 per stall less than the average cost. UTA's funds were always well secured through the course of the transaction. UTA expects to fully recoup all funds associated with the Draper Station expenditure, pursuant to documented obligations that accrue and have specific due dates associated with payment.

The Draper Park-and-Ride Lot is the most cost-effective on the FrontRunner South Project.



¹ All property values are based on appraisal dated 10/26/2009.
² Collateral comprised of covenant not to encumber and assignment of membership interest. Amount of collateral reflects property security only.
³ Entire investment returned.
⁴ 622 stall parking structure which represents the most cost effective parking stalls constructed at \$9999/stall inclusive of property costs.

This page left blank intentionally.

Jordan Valley Operating Agreement is reasonable.

The legal opinion relied upon in the Performance Audit was drafted and signed by David Williams, a lawyer of counsel to Snell & Wilmer. In addition to assistance from outside counsel in the initial preparation of transaction legal documentation, UTA obtained an opinion from Charles Brown of Clyde Snow, a respected real estate and transactional lawyer in the State of Utah, attesting to the appropriateness and reasonableness of the Jordan Valley Operating Agreement.

Jordan Valley TOD project procurement was appropriate and complied with the requirements of the RFQ-FP.

The Performance Audit includes concerns regarding the Jordan Valley TOD procurement. The Performance Audit relies on “emails from UTA employees” about the award of the contract to Boulder Ventures. The specific concern was raised prior to receipt of the supplemental information provided by the developer, including a Zions Bank reference letter that attested to the substantial financial strength of the developer, a long-time client and borrower.

The Performance Audit further raises concerns about the Jordan Valley TOD procurement process. The Performance Audit was completed in accordance with the terms of the RFQ-FP; it was not protested by any of the unsuccessful proposers and was completed in conformity with all applicable laws, regulations and policies. To further attest to the rationality and reasonableness of the procurement, UTA obtained an opinion from attorney Ann-Therese Schmid, at Nossaman Law Firm, nationally recognized procurement legal expert. The UTA Selection Panel waived only minor irregularities that were actually associated with ALL of the proposals received, not just that of the proposal awarded. The waiver of such irregularities in proposals is done as a means of maximizing competition, so that the selection panel can maximize proposals to be competitively considered.

The legal review from this nationally recognized procurement expert and lawyer regarding the terms of the selection of Boulder Ventures under the RFQ-FP concludes that UTA acted reasonably and rationally in accordance with the terms of the RFQ-FP in awarding the proposal of Boulder Ventures, which is further evidenced by the fact that there were no protests to the award.

All members of the Selection Committee voted to award the RFQ-FP to Boulder Ventures, upon the receipt of the additional information from Boulder Ventures, which was submitted.

The Jordan Valley TOD procurement was in compliance with UTA's policies and procedures.



UTA retained some of the most respected law firms to document transactions.

The Performance Audit raises concerns about the legal work being casual. UTA, however, retained outside counsel for all of the referenced transactions. Perhaps, different lawyers would have documented the transactions differently, but the transactions went through extensive legal review, both internal and external. In any complex real estate transaction, there is always a certain level of uncertainty that must be accommodated by the parties and the transaction documents attempted to accomplish this goal.

Separation of functions and duties was retained on all projects.

The Performance Audit raises concerns that many functions and duties normally performed by departments outside of the Office of General Counsel were instead performed by staff within the Office of General Counsel. It is important to note that at the time of the Draper property acquisition and the selection of the developer for the Jordan Valley project, there was no TOD department at UTA and the Office of General Counsel provided only legal assistance. There was a segregation of duties. Certain tasks associated with TOD were performed by various UTA departments and then reviewed for legal compliance by the Office of General Counsel.

Under UTA's Spending and Contracting Authority policy, two executives are required to execute every agreement signed by UTA, and the Office of General Counsel is required to review and approve each agreement. UTA's procurement policy requires the Office of General Counsel to document transactions and agreements, as well as assign various other functions in the procurement process to other departments. A review of all executed documents evidences that all documents complied with all of these UTA policies. No UTA policy was violated regarding the segregation of duties.

It is also important to note that the UTA Board of Trustees authorized UTA staff to execute the documents evidencing the referenced transactions and at all times, UTA executive staff fully informed and sought the approval of the UTA Board of Trustees prior to selecting the course of dealing with the developer that it did.

UTA appreciates the recommendations from the Performance Audit. The UTA Board of Trustees has made significant policy changes with the adoption of the Executive Limitations Policy No. 2.2.4. This clarifies internal policy and practice with the development of projects. It also clarifies requirements for external reviews for TOD projects. As recommended by the Performance Audit, the board has restructured the TOD and General Counsel functions, with the TOD Department now reporting to the General Manager rather than General Counsel.

There was a segregation of functions and duties throughout the Draper and Jordan Valley projects.

Response to Chapter III: Compensation

UTA's Total Rewards Support Strategic Goals and Objectives.

UTA has created and designed a total reward package that focuses both on internal and external equity and supports the organization's strategic goals and objectives.

In order for UTA to successfully attract, retain, and motivate qualified high performing employees, it reviews the relevant labor market area in which it competes for talent. UTA considers the following factors: transit industry, not-for-profits, public sectors, national, regional, local, and peer companies that the organization hires from and loses employees to in order to gain the most comprehensive understanding of where the labor supply for the jobs is most likely found.

In 1978, the UTA Board of Trustees began providing goal-based performance compensation to the General Manager and authorized the organization to institute a performance compensation program for the agency directors. The board desired to implement private sector business management principles and practices in order to improve agency performance. Compensation has been one of those practices. Over time, the program was refined and formalized to include a set amount each year based on payroll and written goals approved by the board. In 1993, the program was extended to managers and strategic professionals. A few years later, supervisors were added to the program. In 2013, the performance compensation program was extended to all administrative employees.

UTA uses a performance compensation program that is aligned with its business strategy, vision and mission in order to achieve organizational results. Generally, organizations use a mix of total rewards that assist in attracting, motivating and retaining the talent needed to effectively contribute to organizational objectives.

The UTA Board of Trustees closely oversees performance compensation and establishes formal, written, measurable goals each year in conjunction with the budgeting process. The goals are monitored monthly by the Finance and Operations Committee of the board. In 2013, goals included ridership, investment per rider, revenue development, completion of several rail construction projects, expansion of transit-oriented development, plus goals related to improving customer service, safety and state of good repair. The performance compensation program is designed to maximize UTA's performance ultimately producing savings and efficiencies for the taxpayer.

UTA has developed well-balanced, effective executive compensation programs that not only reward the achievement of performance objectives, they also reward how results are achieved. The design and administration of this compensation program goes a long way toward attracting talent and achieving high standards of organizational

UTA has created and designed a total reward package that focuses both on internal and external equity and supports the organization's strategic goals and objectives.

UTA uses a performance compensation program that is aligned with its business strategy, vision and mission in order to achieve organizational results.

The UTA Board of Trustees closely oversees performance compensation.

The performance compensation program is designed to maximize UTA's performance ultimately producing savings and efficiencies for the taxpayer.



UTA is committed to developing a total compensation package for all of its employees which is market based and includes appropriate comparisons to transit agencies, local governments and non-profits.

performance. UTA is committed to developing a total compensation package for all of its employees which is market based and includes appropriate comparisons to transit agencies, local governments and non-profits.

In its meeting of June 25, 2014, the Board of Trustees updated UTA's Executive Limitations Policy No. 2.3.1 to better identify the market comparisons to be used. The policy states, the General Manager shall "...establish total compensation and benefits which represent market value for the skills employed within comparable industry labor markets made up of appropriate transit, government, and non-profit sectors. Comparisons may be expanded to include private industry when transit, government, and non-profit sector information is not available or adequate."

UTA has also contracted with the Employers Council to conduct an in depth study in order to benchmark benefits and total compensation with transit, public and private companies. UTA's consultant has designed a total rewards survey that has been issued to public, transit and private companies. A full report of this benchmarking survey is scheduled to be delivered to the board in November. The survey includes questions related to incentives and other executive benefits.

For several years, UTA has worked with its benefit consultant, GBS Benefits, to benchmark health and welfare benefits offered to employees. UTA benefits are benchmarked against the GBS Benefits' client's including cities, counties, school districts as well as private companies. The outcome of this comparison helps UTA determine benefit structures. Further, this annual comparison has determined UTA's benefits are on average equal to those provided by cities, counties and school districts across the Wasatch Front.

UTA is a Performance Driven Organization

According to Towers Watson, a leader in consulting service for Human Capital and Total Rewards, 59% of employers throughout the nation use performance incentive programs as part of their total rewards program. UTA's performance incentive program, encourages employees to meet goals, improves employee performance, increases productivity, and saves money through increased efficiency.

In the wake of completing the FrontLines 2015 program this year, and transitioning its focus to operations, UTA implemented a new performance incentive program. The new incentive program was expanded to include all administrative employees, and incentives were significantly reduced—particularly for executives and top managers.

UTA's performance incentive program, encourages employees to meet goals, improves employee performance, increases productivity, and saves money through increased efficiency.

Performance Incentive Outcomes

- Creates high-performance standards for all UTA departments, teams, and individuals that have a clear line of sight to Authority goals developed by UTA's Board of Trustees.
- Performance incentive program achieves:
 - » Higher productivity with better results
 - » Lower overall costs
 - » Lean processes
 - » Continuous improvement
 - » Innovative and creative workplace solutions
 - » High priority outcomes
 - » Teamwork
 - » Employee loyalty and engagement

Below are specific examples of outcomes from UTA's performance incentive program. As a result of these achievements, UTA is able to expand transit services and provide better bus and rail services to the Wasatch Front under budget every year.

Accomplishments: Direct Result of UTA's Performance Culture

- ✓ Completed 2015 capital projects ahead of schedule and \$300 million under budget
- ✓ Increased ridership to over 44 million trips in 2014, the highest in UTA history
- ✓ Increased farebox recovery
- ✓ Reduced investment per rider
- ✓ \$6.94 million, or 3%, under budget in 2012
- ✓ Developed an award-winning social media and customer information outreach program
- ✓ Developed real-time bus and train tracking data feeds
- ✓ Developed re-loadable pre-paid fare cards
- ✓ Partnered with Questar Gas to develop a fleet of CNG buses
- ✓ Developed fuel saving techniques to reduce consumption by more than 300,000 gallons per year

UTA Executive Compensation

UTA uses credible market surveys to develop base pay compensation recommendations. UTA includes not-for-profit, public data, and transit data when available in benchmarking base pay. Private sector data is also used when other data is not available or when data sources are limited. For executive positions, public, non-for-profit and transit data is used

UTA has used credible market surveys to develop base pay compensation recommendations.

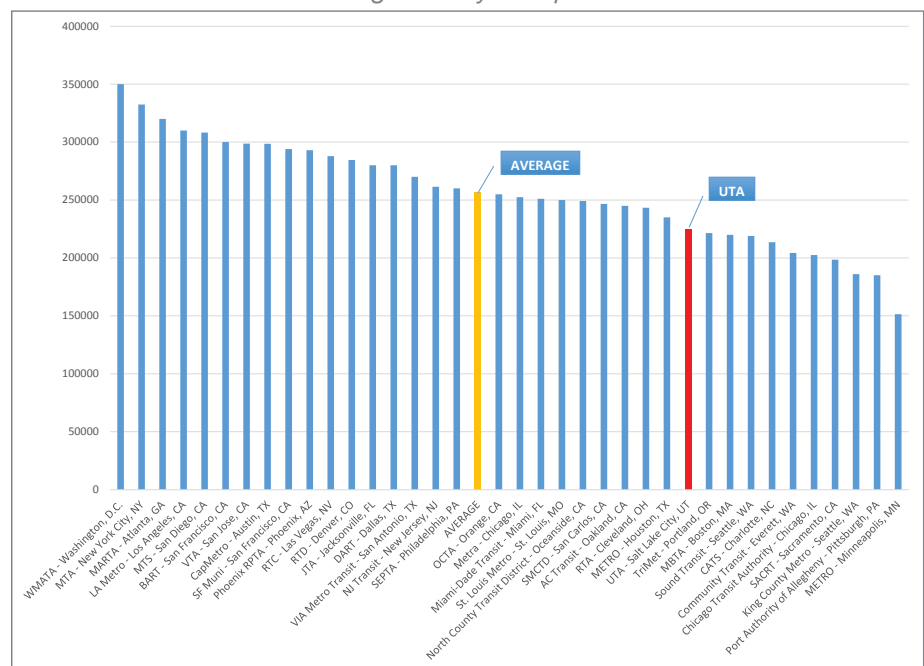


in each executive match. UTA's compensation consultant reviews UTA's data collection to verify the organization is following best practices.

UTA has benchmarked benefits offered to its employees, and to enhance this process the organization will ensure that compensation and all benefits will be included in future benchmarking. UTA always follows best practices and generally accepted compensation principles when making comparisons. UTA's consultant has designed a total rewards survey that has been issued to public, transit and private companies. A full report of this benchmarking survey is scheduled to be delivered to the Board in November.

As noted below, the base salary for the UTA General Manager is less than average when compared with other peer agencies. Specifically the average is \$256,000 vs. \$225,000. Similar relationships exist at the other executive positions as well.

2013 US Transit General Manager Salary Compensation



UTA Executives Benefits

A recent National Executive Compensation survey completed by the Employers Council shows that thirty-four percent of public executives receive long-term incentives and additional benefits as part of their compensation package. According to the survey, other benefits offered to public executives include, automobile, additional life, supplemental pensions, all-expense medical insurance, and legal and other financial benefits.

Both public and private sector employers offer additional benefits for executives. As executive leadership is critical to the overall success of an organization both public and private sector employers have recognized

the value of enhanced executive compensation as a tool for retention and organization performance.

Review of Other Transit Agency Executive Benefits

Although a comprehensive survey should be completed in order to draw any conclusions regarding executive benefits among transit agencies, UTA was able to gather the following information on the range and type of benefits seen in the transit industry. These benefits vary widely from transportation and living expenses to special pension plans and annuities. Many agencies reported bonuses for their General Manager. Transit agencies provided information on the following benefits:

Pension

Payments made to special pension plans on the executives' behalf ranging from 1.6% base pay to 11.98% of base pay. One transit agency contributed to a special pension plan after 8% defined contribution allowance was met.

Defined Contribution

Defined contribution payments vary by agency and included:

- Lump sum payments to plans ranging from \$6,000 (plus 3% of base pay) to \$46,000.
- 8% of salary toward contributions.
- 8% of salary up to the max allowed by IRS (\$23,000 over 50) then rolling to a special pension plan.
- Full contribution as allowed by IRS.
- 401A (employer only contributions) lump sum payments ranging from 50% of base pay to a \$30,000 flat payment amount.

Annuities

Some agencies provide annuities ranging from payment of \$5,000 monthly after retirement to an annual employer contribution of \$40,000.

Additional Benefits

- Life insurance ranging from \$200,000-\$650,000 with full premiums paid on their behalf.
- Full medical insurance premiums for the General Manager family, in addition to retiree medical insurance provided and premiums paid in full by the agencies.
- Car allowances and living expenses paid ranging from \$9,180-\$19,800 annually.

The Board has directed that salary and benefits be reviewed as part of the 2014 total compensation study which will be presented to the board in November. It should be noted that the board approved modification to its Executive Limitations Policy No. 2.3.1 at its April 2014 meeting. The modification requires "The General Manager to report to the board for approval in a public meeting any incentive pay awards that are not

The Board has directed that salary and benefits be reviewed as part of the 2014 total compensation study.



vested or contractually obligated as of January 1, 2014, in excess of \$8,000 annually.”

UTA Follows Generally Accepted Compensation Benchmarking Practices

Gaining and retaining high-performing employees is crucial to the success of any organization. Offering a competitive compensation package is one of several key factors these high-performing individuals consider when making their employment choices. As previously noted, UTA will be conducting survey of total compensation for its November 2014 compensation report to the Board of Trustees.

UTA follows Generally Accepted Compensation Practices and employs certified compensation and benefits professionals. UTA implemented a market-based pay system in 2006, which is considered to be the most common form of benchmarking for base pay among employers, with about 80% of employers in the public and private sector using this method to determine base pay for their employees. In addition, UTA contracts with an independent compensation professional, Ms. Kimberley Barton with the Utah Employers Council to audit UTA's Compensation Program. During the annual audit, Ms. Barton verifies that the market matches utilized are accurate, relevant and follow Generally Accepted Compensation Practices, and that UTA policies and standard operating procedures are followed. Again, these matches are made from credible market surveys available to UTA.

Best practices for administering a market-based pay system include using varied cuts of data to determine the appropriate market-based pay by position. According to UTA turnover data, the number one reason employees have left UTA over the last several years is due to retirement, with the second reason being to accept another job outside of the transit industry. For many positions, UTA finds itself competing for talent from labor markets which include private industry. The cuts of data outlined below are recommended for any organization trying to compete in a tight labor market:

Data from within the same geographic location. Data from larger organizations are collected from the same geographic location whether they be private, public or non-profit. As demonstrated in UTA's turnover data, UTA loses its employees to other organizations. This would justify UTA using some private sector data in determining its base rate of pay.

Data from similar industries. Annually, UTA conducts the largest industry wide Transit Salary Survey which provides UTA, as well as transit agencies across the country, market data that is used to benchmark “transit specific jobs”. Out of 265 administrative jobs at UTA approximately 90 jobs are considered “transit specific”.

Data from non-profits. UTA is considered a non-profit organization and routinely uses market data from non-profit organizations whenever available.

Data from direct competitors. UTA's competitors come from the public sector, private and non-profit sector. Data should reflect a good mix of where UTA is losing employees to or has a potential to lose employees.

UTA follows a methodical process in comparing jobs to the labor market. 83% of UTA jobs are matched to jobs in the labor market using credible market surveys. UTA compares jobs in the market that match 75% or more of the job duties for a UTA position. Generally Accepted Compensation Practices indicate that 3 or more data points should be used in order to determine the market value for a job and labor market data that has a disparity of more than 20% are removed. This means if a survey data point is very high or very low compared to the majority of surveys it is removed. The average market pay from each survey used is then averaged to determine the market pay for the UTA position.

The November 2013 independent audit report from the Employers Council affirmed that Human Resources' work met best practices. Additionally, the Employers Council provided several recommendations which have or are being implemented, and indicated that the base rates of pay of UTA employees were, on average, at 93% of market. A copy of this report was provided to the audit team during their review.

As shown above, UTA gathers a large amount of market compensation information. In accordance with the board's direction, the upcoming compensation report will establish total compensation and benefits which represent market value for the skills employed within comparable industry labor markets made up of appropriate transit, government, and non-profit sectors. Comparisons may be expanded to include private industry when transit, government, and non-profit sector information is not available or adequate."

UTA has Reported and Updated all Compensation to Transparent.utah.gov Required by Law and Policy

Transparency is very important to UTA's Board of Trustees and management. Whether through planning processes, community outreach, goal setting, public hearings, social media, white papers, and committee meetings, UTA strives to be open and available to the community.

Openness extends to providing information to the state transparency website. At the inception of the compensation reporting requirement, UTA staff met with transparency board personnel to define in detail the reporting requirements. UTA's understanding was that pension contributions should not be included in compensation reporting.

Although reporting requirements changed, UTA misunderstood that pension contributions were not to be included in our reports to the transparency website. UTA regrets the oversight and has corrected its 2013 compensation reporting to the state transparency website. The board changed executive limitations policy to ensure all transparency requirements are met.

UTA follows a methodical process in comparing jobs to the labor market.

Transparency is very important to UTA's Board of Trustees and management.

This page left blank intentionally.

Response to Chapter IV: Financial Conditions

UTA's Strong Financial Management Is Well-Recognized

UTA is expected to use its resources wisely to provide the most amount of service possible while maintaining prudent financial strength. Accordingly, UTA implemented long-term financial and service planning many, many years ago. UTA's knowledge and experience in these areas is a well-recognized strength. UTA is unique in having a 30-year financial plan. Few, if any, entities look ahead as far, or as well, as UTA. A copy of the 30-year financial plan has been provided to the audit team.

For example, the projects that became the 2015 Program were identified initially in the 1996 Transit Master Plan developed by the Wasatch Front Regional Council (WFRC). The plan envisioned the development of a backbone rail system that would be coordinated with an integrated bus network. UTA built the initial elements of the plan with the construction of the North/South LRT Line, University Line, Medical Center Extension and Commuter Rail in Salt Lake, Davis and Weber Counties. In 2006 voters in Utah and Salt Lake Counties voted to accelerate the original plan with the passage of a sales tax increase. As a result, UTA was able to save \$300 million in construction costs and placed all of the lines into service in 2013, two years ahead of schedule.

UTA Regularly Adjusts Cost and Revenue Projections

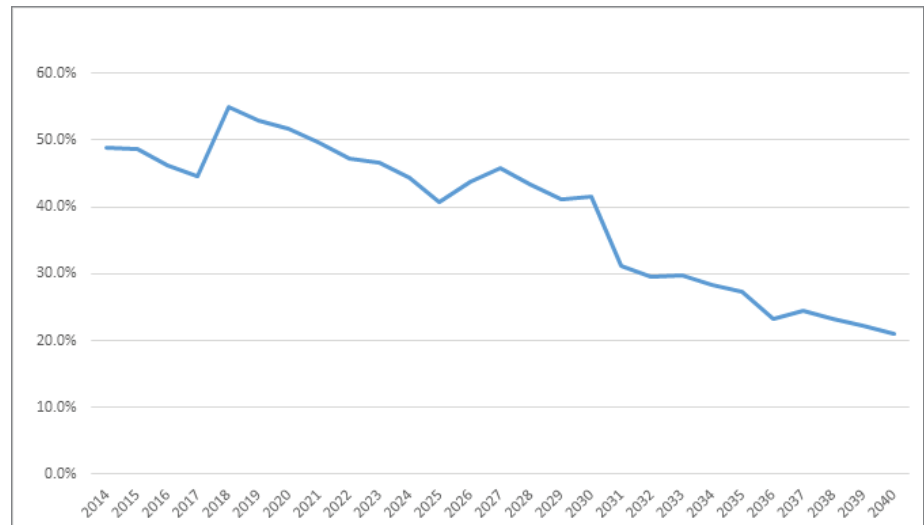
UTA regularly reviews its long-term financial forecasts and makes appropriate adjustments. As with other tax-supported enterprises, UTA was severely tested during the Great Recession. Because of UTA's ability to analyze long-term effects quickly, UTA was able to adjust to a reduction of \$50,000,000 plus of annual anticipated sales tax. UTA's fast, effective response to this shortfall minimized overall service reductions in 2011. Since then, miles of service provided have increased by almost 25%.

Payments for Construction Bonds Will Increase through 2018 and Decline Thereafter

Although debt service as a percentage of sales tax will increase over the next few years, as shown below, the percentage declines rapidly thereafter.

UTA is unique in having a 30-year financial plan.

UTA regularly reviews its long-term financial forecasts and makes appropriate adjustments.

*Percent of Debt Service to Sales Tax*

In conjunction with the April 2014 subordinate bond refunding, the three rating agencies, Moody's, S&P, and Fitch had the opportunity to closely analyze UTA's financial outlook. Moody's and Fitch confirmed their strong, stable ratings for UTA while S&P chose to upgrade its rating for UTA. These ratings and the strong demand to own UTA debt at low rates indicates that the financial community sees UTA as financially strong and well run.

UTA's Board of Trustees is diligent in managing debt and recently established a new debt service reserve to retire outstanding debt early. This reserve receives an annual budget appropriation (\$1 million in 2014) as well as debt service savings from refinancing bonds. An April 2014 refinancing will contribute \$5.4 million to this early bond retirement reserve account over the next four years.

UTA Uses Financial Reserves to Stabilize Service and to Make Capital Improvements

As shown in the summary of the April 2014 TDP below, in seven of the next ten years net cash flows from operations are positive with steady increases after 2019. In addition, in the next ten years, net cash flow from operations will contribute approximately \$182 million toward capital projects.

Prudent financial planning includes maintaining financial flexibility using reasonable reserves. Ultimately, the purpose of reserves is to maintain steady levels of service through challenging financial times. UTA believes that its good governance and good management of public funds has allowed UTA to maintain or slightly increase service levels as revenues continue to recover from the Great Recession. The Board of Trustees has established multiple long-term reserves that total \$85.2 million in 2014, or almost 26% of the 2014 operating budget. These reserves will grow every year and reach over \$94 million in 2023.

UTA's Board of Trustees is diligent in managing debt.

In the next ten years, net cash flow from operations will contribute approximately \$182 million toward capital projects.

The Board of Trustees has established multiple long-term reserves that total \$85.2 million in 2014, or almost 26% of the 2014 operating budget.

Operating and Capital Funding Overview Based on April 2014 TDP

Utah Transit Authority												
Operating and Capital Funding Overview												
Based on April 2014 TDP												
(thousands \$)												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		
Operating Funding												
Operating Revenue	\$ 328,971	\$ 340,783	\$ 357,649	\$ 386,433	\$ 403,859	\$ 419,650	\$ 446,366	\$ 474,475	\$ 504,575	\$ 529,419		
BAB interest subsidy	\$ 8,748	\$ 8,748	\$ 8,748	\$ 8,748	\$ 8,748	\$ 8,748	\$ 8,748	\$ 8,748	\$ 8,748	\$ 8,748		
Less: Debt Service	\$ 104,749	\$ 112,060	\$ 116,682	\$ 121,798	\$ 158,888	\$ 163,784	\$ 170,407	\$ 173,891	\$ 174,743	\$ 182,660		
Net Revenue Available for Operations	\$ 232,970	\$ 237,471	\$ 249,715	\$ 273,383	\$ 253,719	\$ 264,614	\$ 284,707	\$ 309,332	\$ 338,580	\$ 356,186		
Less: Operating Expense	\$ 235,740	\$ 239,276	\$ 245,365	\$ 251,011	\$ 256,786	\$ 262,695	\$ 268,740	\$ 274,924	\$ 281,250	\$ 287,721		
Net Cash Flow from Operations	\$ (2,770)	\$ (1,805)	\$ 4,350	\$ 22,372	\$ (3,067)	\$ 1,919	\$ 15,967	\$ 34,408	\$ 57,330	\$ 68,465		
Provided to Capital Funding				\$ 12,500	\$ 12,000	\$ 8,000	\$ 15,000	\$ 36,000	\$ 36,000	\$ 63,000		
Add: Beginning Balance	\$ 109,066	\$ 106,296	\$ 104,491	\$ 108,841	\$ 118,713	\$ 103,646	\$ 97,565	\$ 98,532	\$ 96,940	\$ 118,270		
Ending Cash Balance	\$ 106,296	\$ 104,491	\$ 108,841	\$ 118,713	\$ 103,646	\$ 97,565	\$ 98,532	\$ 96,940	\$ 118,270	\$ 123,735		
Capital Funding												
Capital Revenue Sources	\$ 42,179	\$ 104,538	\$ 120,867	\$ 33,421	\$ 62,231	\$ 60,443	\$ 57,621	\$ 38,064	\$ 22,519	\$ 33,887		
Available from Operating Sources				\$ 12,500	\$ 12,000	\$ 8,000	\$ 15,000	\$ 36,000	\$ 36,000	\$ 63,000		
Capital Spending	\$ 127,293	\$ 123,029	\$ 149,502	\$ 64,219	\$ 73,962	\$ 68,138	\$ 72,242	\$ 74,130	\$ 58,884	\$ 96,717		
Net Cash Flow from Current Year Capital	\$ (85,114)	\$ (18,491)	\$ (28,635)	\$ (18,298)	\$ 269	\$ 305	\$ 379	\$ (66)	\$ (365)	\$ 170		
Beginning Cash Balance	\$ 150,553	\$ 65,439	\$ 46,948	\$ 18,313	\$ 15	\$ 284	\$ 589	\$ 968	\$ 902	\$ 537		
Ending Cash Balance	\$ 65,439	\$ 46,948	\$ 18,313	\$ 15	\$ 284	\$ 589	\$ 968	\$ 902	\$ 537	\$ 707		
Total Cash												
Ending Cash Per TDP	\$ 171,735	\$ 151,439	\$ 127,154	\$ 118,728	\$ 103,930	\$ 98,154	\$ 99,500	\$ 97,842	\$ 118,807	\$ 124,442		
Required Reserves	\$ 85,201	\$ 85,857	\$ 86,882	\$ 87,846	\$ 88,832	\$ 89,840	\$ 90,871	\$ 91,925	\$ 93,003	\$ 94,105		
Ending Cash over Required Reserves	\$ 86,534	\$ 65,582	\$ 40,272	\$ 30,882	\$ 15,098	\$ 8,314	\$ 8,629	\$ 5,917	\$ 25,804	\$ 30,337		



These reserves are accounted and allocated for the following purposes:

- Debt Service Reserve
- Debt Rate Service Stabilization
- Service Sustainability Reserve
- Working Capital Reserve
- Risk Reserve

Net cash flow from operations will be used to fully fund UTA's ten-year \$908 million capital program. As shown above, from 2014 through 2023, net cash flow from operations will provide \$182 million for capital projects. That cash flow along with anticipated revenues of \$575 million and \$150 million of beginning cash balances completely fund the ten-year capital program. However, before starting each capital project, UTA will ensure revenues will be sufficient to construct and operate the project.

UTA's anticipated ending cash in 2021 is projected to be approximately \$98 million (36% of operating expense) with approximately \$6 million of unrestricted reserves. However, it is also true that UTA has a strong track record of generating annual operating savings. In the last two years, actual operating expense has been 3% (about \$6 million each year) below the adopted operating budget. UTA expects to be under its operating budget in 2014 as well.

Innovative leadership and strong management produce these kinds of results. Examples include:

- Saving \$2.2 million through 2013 efficiency reviews (LEAN management)
- Minimizing operating and capital administrative overhead (some of the lowest in the country) and saving approximately \$300 million on the 2015 capital projects
- Maximizing service by maintaining the lowest cost per vehicle revenue mile for rail and one of the lowest for bus

UTA also has a strong record of coming in under budget on capital projects as shown by the \$300 million of construction savings achieved through diligent and effective project management.

Finally, it may be useful to compare Figure 4.4 in the 2014 Performance Audit report to Figure 2.9 in the 2012 Performance Audit report. Even with its more conservative projections in 2014, UTA's long-term forecast projects reserves will be higher than those reported in the 2012 Performance Audit.

UTA Is Developing an Industry-Leading State of Good Repair System

State of Good Repair is a serious problem with all public infrastructures: www.dot.gov/sites/dot.gov/files/docs/Transit_DOT_Reauth_FINAL_%202014.pdf shows a summary just for transit.

UTA has a strong track record of generating annual operating savings.

UTA also has a strong record of coming in under budget on capital projects.

The American Society of Civil Engineers estimates that the nation faces a \$2.2 trillion infrastructure backlog. (See www.governing.com/columns/potomac-chronicle/The-Looming-Infrastructure-Crisis.html.) UTA is taking a proactive role in addressing this issue by analyzing and incorporating state of good repair into our management practices.

The Federal Transit Administration recognized the need for transit agencies to address long-term state of good repair planning with their 2008 State of Good Repair initiative. Although “State of Good Repair” is still being defined, FTA recognized UTA’s planning ability and invited UTA to be involved in development and testing on FTA’s state of good repair software product TERM-Lite. Others at the national and international level recognize UTA’s planning abilities and have invited UTA staff to share their expertise at national and international state of good repair conferences and to share UTA’s expertise with individual highway and transit agencies.

Work continues on the state of good repair software. New qualitative factors being developed and added to the software include rate of wear, asset condition, and planned maintenance. As a result of these enhancements, UTA will be able to optimize maintenance and capital expenditures, minimize overall costs, and maximize results.

For example, the normal life of a parking lot pavement is 15 to 20 years. Timely pothole patching, crack sealing and slurry seals can double the life of the parking at half the replacement cost, in much less time, with minimal service disruption. Vehicle maintenance efforts can yield the same results. For instance, as a result of timely overhauls and refurbishments, Berlin’s transit agency is still operating subway vehicles that were originally constructed in the 1960’s.

For many years, UTA has used its 30-year financial plan to balance service levels, new projects and service, and maintaining UTA infrastructure in a state of good repair. The April 2014 long-term financial forecast devotes over \$2.0 billion of funding from 2014 to 2033 to maintain a state of good repair.

Cumulative Capital Budget for 2014 through 2033

	Amount
Revenue Service Vehicles	\$857,607,000
Facilities, Maintenance & Admin Equipment	101,035,000
Major Strategic Projects	216,778,000
Rail Maintenance Projects	139,063,000
State of Good Repair	813,994,000
Total Funding	\$2,027,442,000
Estimated Capital Program Required	\$2,904,790,000
Funded Percentage	70%

For the assets currently covered in the database and the funding sources applicable to those assets, UTA’s 2040 Financial Plan has programmed capital expenditures to cover 70% of the cost of age-based needs through

Others at the national and international level recognize UTA’s planning abilities.

UTA’s 2040 Financial Plan has programmed capital expenditures to cover most of the cost of age-based needs.



the year 2033. This estimated cost is solely based on an expected life model of asset replacement.

Even with these sizable allocations, two additional matters deserve mention:

1. The Federal government has indicated new federal funding may become available through a future State of Good Repair allocation.
2. The April long-term financial plan assumes almost all capital projects will be paid for with cash. As noted in the Performance Audit (Figure 4.5, page 55), preliminary state of good repair estimates indicate large funding needs of over \$300 million in 2026, 2029, 2031, and 2033. Large expenditures of these amounts indicate the purchase of assets with long lives will most likely be financed through issue of bonds rather than through cash. As state of good repair needs become better defined, UTA will be in a better position to begin planning the method of funding all future capital needs.

UTA concurs with the auditors' statement that "SGR costs need to be fully considered before new rail lines are constructed" and will use its long-term financial planning process to include total cost of ownership for all, not just rail, systems.

UTA Balanced Service Volume, Service Quality, and Rail Expansion through the Recession

In 2006, voters of Salt Lake County chose, through a public sales tax initiative, to increase their transit tax rate in order to accelerate the construction of five rail lines by 2015. UTA bonded to construct the rail system, completing six lines (including Sugar House Streetcar), two years earlier than 2015 and hundreds of millions of dollars under budget. After voters directed UTA to accelerate the rail construction program, UTA quickly began securing financing and contractors. When the Great Recession began in 2008, UTA already had financing in place and contractors progressing on the projects. Faced with the decision to cancel or delay one or more of the projects in response to the recession, the UTA Board of Trustees wisely chose to take advantage of favorable finance rates and construction costs to finish the rail system.

With the addition of additional TRAX lines, commuter rail, and a streetcar line, UTA reviewed and adjusted bus service to avoid duplication of service. Although bus service declined, total service miles have increased by almost 25% over the last two years (Performance Audit, Figure 4.7, page 57). UTA actually improved service quality during the period from 2008 to the present. For example, on-time reliability of the bus system improved from 80% to 92% between 2008 and 2014.

Total service miles have increased by almost 25% over the last two years.

On-time reliability of the bus system improved from 80% to 92% between 2008 and 2014.

Future Capital Projects Depend on New Funding Sources

This section of the audit report refers to future transit projects and initiatives contained in the two documents, “Utah’s Unified Transportation Plan, 2011-2040”, and “UTA Network Study.” As correctly discussed in the audit, the transit development program reflected in these documents does not have identified funding for projects that are not currently in place. It is important to note that the transit component of the Unified Transportation Plan, as it is commonly referred to, is just one of four elements of the plan. The other components are state roads (i.e. UDOT roads), local roads, and active transportation (i.e. walking and biking). And while it is true that the future transit projects shown in this plan are predicated on future funding, it is also true that ALL future transportation projects in that same plan would require additional funding. In fact, the Unified Plan assumes that transit along the Wasatch Front would be funded at an equivalent of a one cent sales tax (or 1%). But this same document also includes assumptions for funding sources for the state and local roads components, which generally includes an increase in the statewide fuel tax.

UTA is working very closely with UDOT, WFRC, MAG, and the other MPOs in Utah to update the Unified Transportation Plan for the 2015-2040 time frame. In general, future funding needs are split evenly between transit, state roads, and local roads (which generally include the active transportation components). All of our transportation partners are in the same situation and realize that very little, if any, opportunity exists for more transportation projects, including transit, unless new resources are identified. It is very important to emphasize that the funding needs contained in the Unified Transportation Plan are not just based on capital costs of projects, but also the associated ongoing operations and maintenance (O&M) costs that are necessary to actually run and keep the system in a state of good repair. This is consistent with UTA’s constrained financial plan, as discussed in other portions of this response document.

As noted in the Performance Audit, the UTA Network Study from 2013 went into more detail than the Unified Transportation Plan, and took a closer look at projects and initiatives that should be a priority for the agency in the near term. The audit seemed to focus on capital projects that were outlined in the Network Study, but one of the main outcomes of the study, which has resonated with UTA stakeholders ever since, was the development of a “core” network of bus service. This bus service, which would be frequent, fast, and unchanging, is one of the tenets of the transit development plan going forward. It would better link together with all the rail projects just completed, as well as connect with neighborhoods, and markets that need additional transit service. In fact, this “core” network of bus service which stemmed from the Network Study, was used as a template for the plan for increased bus services associated with HB388. UTA deeply understands that bus ridership is paramount to

UTA is working very closely with UDOT, WFRC, MAG, and the other MPOs.

UTA deeply understands that bus ridership is paramount to mobility along the Wasatch Front.



mobility along the Wasatch Front, and we stand ready to quickly deliver more service and connectivity once additional funds are made available.

UTA does not plan on construction of the projects contained in the Unified Plan or the Network Study, without additional future resources. As noted in the audit, the UTA 2020 Strategic Plan includes supporting full funding of the Unified Transportation Plan. While UTA does not, and is statutorily prohibited from advocating for tax increases, the UTA board, just like our partners at a local and regional level do support the underlying funding increases that will make additional projects and service initiatives possible. As mentioned previously, when UTA was approached by lawmakers earlier this year who were exploring ways to increase funding for transit in order to help improve air quality, UTA was ready with a plan to quickly add more service and to get more cars off the roads.

The agency has been very open, transparent, and receptive to new ideas with our transit planning process, both from the standpoint of the suite of projects and services that are contained in the plans that the audit references, as well as the myriad ways to pay for them. In fact, UTA is one of a number of partners engaged with the Transportation Coalition (through the Salt Lake Chamber) working with the Legislature's Transportation Interim Committee on transportation funding options.

Response to Chapter V: Passenger Data Collection and Customer Focus

UTA's Market-Based Fare Philosophy Reflects Industry Best Practices

As directed by the UTA Board of Trustees, UTA's fare policies and practices are designed to maximize ridership as well as farebox revenue. UTA continues to actively work to maximize overall system ridership and revenue return through effective route and service planning, as well as through the fare products and pass programs offered.

Seeking to achieve the goal of maximizing both ridership and revenue is a delicate balancing act. To that end, UTA has a very structured program for fares and pass products based on business-minded principles of offering consistent, equitable pricing and discounts while maintaining the flexibility to respond to changing and evolving rider segments and market opportunities.

UTA employs a market-based philosophy to setting fares and establishing pass programs. Market-based fare strategies are considered a best practice in the transit industry, as they offer a choice of fare products and pricing based on several conditions including product characteristics, customer eligibility, specific customer markets and market opportunities. Market-based pricing charges what the market will bear by providing a variety of fare products designed to appeal to the needs of different rider segments.

Market-based fare strategies are considered a best practice in the transit industry.

UTA Board of Trustees Oversees Fare Policy and Pricing

UTA's fares are directly overseen by the Board of Trustees. Executive Limitations Policy No. 2.4.2 – “Review of Rates and Charges for Services” requires the board to approve all public fares following a public comment and outreach period. According to this policy, UTA:

...shall not disregard the legislative mandate that rates and charges shall be reasonable...

...shall not fail to solicit and consider public comments in advance of a fare increase...

...shall not fail to deviate from the board's priorities to encourage ridership, to fulfill important community needs, to be fair to transit users and taxpayers, and to sufficiently offset operating expenses...

...shall not fail to present to the Finance & Operations Committee, and to the full board, recommendations regarding adjustments to rates and charges for service in advance of the proposed implementation date...

The fare policy is also guided by UTA Corporate Policy No. 3.2.2, “Policy Regarding Fare Structure, Discount Transit Pass Programs, Fare Collection.” According to this policy, any recommended adjustments to the rate structure presented to the Board of Trustees must be designed to:



...encourage ridership; maximize revenue; fulfill important community needs; be fair to transit users and taxpayers with the district; and sufficiently offset operating expenses.

UTA's Fares and Pass Programs Reflect Structured and Consistent Pricing

UTA's public fares, promotions and pass programs all reflect market-based strategies, with pricing guided by the public fare policy and structure approved by the Board of Trustees.

UTA offers a variety of market-based fare products that differentiate among the price sensitivities of its riders, based upon affordability and the willingness of customers to pay more for higher service quality. Having the ability to set different rates for different customers is a standard practice in public transit.

Guided by the policy and structure approved by the Board of Trustees, UTA's fares and pass programs are equitable and consistent with respect to pricing and discounts. Fares and discount programs are reasonable and justifiable, consistent with market-based practices and other transit agencies, and in compliance with federal regulations and requirements.

Overview of Public Fares

UTA's public fare structure includes base cash fares with a variety of market-based fare products with pricing and products that differentiates among rider sensitivities, affordability, and service quality. Pricing is primarily driven by three factors - product, usage and eligibility - that provide a variety of discount opportunities for riders.

Product categories generally include regular and premium service. Supporting market-based principles, the base cash fare for each of these products categories is different due to the unique nature of the product offered to the customer. The base cash fare is intended for the single trip rider, not unlike common business practices where single use customers pay a higher rate and "regular" customers are rewarded.

Multiple discounts on the base cash fare are available to riders based on frequency of use and eligibility. Day Passes, Monthly Passes and Group Passes provide discounts as a reward for riders who are willing to pre-purchase multiple transit trips. In general, the price for a single ticket bought by an occasional rider is higher than the price for a pass bought by a more frequent rider.

Promotional offers are another market-based fare strategy commonly employed by UTA. Promotions represent temporary fares designed to support new product launches, specific rider markets and unique partnerships. As an example, we are currently featuring a 20% off introductory offer for the new FAREPAY card to drive awareness and adoption of this new product available to riders.

UTA's public fares and products, approved by the Board of Trustees, include base fares for regular and premium services with passes available

Guided by the policy and structure approved by the Board of Trustees, UTA's fares and pass programs are equitable and consistent with respect to pricing and discounts.

Multiple discounts on the base cash fare are available to riders based on frequency of use and eligibility.

to reward customers for more frequent usage. Reduced pricing on fares and products is available to a variety of eligible riders, with discounts at 25 percent and 50 percent, in addition to free fares. This fare structure and policy was approved by the Board in early 2011 following an extensive public hearing process.

Free Fares: Children five and under, Paratransit-eligible riders, homeless riders, Free Fare Zone

50% Discount: seniors, riders with disabilities, Medicaid, homeless service agencies

25% Discount: students, minors, low-income riders, Group Pass

Pre-Purchase Discount (% varies by usage): tokens, Day Pass, Monthly Passes

In accordance with the above pricing and discount levels embodied in the structure approved by the Board of Trustees, the following summarizes the fare products and discounts available:

Base Cash Fares: designed for occasional or single-trip use. Different fares for regular, premium and specialty services. Discounts available: Group Pass provides a minimum 25% discount; seniors, riders with disabilities, and valid Medicare card holders receive a 50% discount; children five and under, Paratransit-eligible riders, and those in the Free Fare Zone ride free.

Monthly Passes: discounted to reward frequent, regular use. Includes regular and premium monthly passes. Discounts available: students and minors receive a 25% discount; low-income riders receive a 25% discount with their Horizon card; seniors and disabled riders receive a 50% discount.

UTA's fare structure addresses equity by requiring the fare structure and fare collection system to comply with state and federal regulations, including but not limited to requirements under Title VI of the Civil Rights Act, the solicitation and review of public comments, and the FTA reduced fare requirements for senior citizens and persons with disabilities.

As federally mandated¹, UTA also offers a 50% discount to seniors and persons with disabilities. However, UTA goes above the federal requirement by providing the 50% discount to senior/disabled riders at all hours, instead of just during off-peak service hours, and by providing monthly passes at the same discount.

Overview of Pass Programs

In accordance with market-based pricing strategies, UTA also offers a variety of pass programs to eligible institutions, including private business organizations, government agencies and educational institutions. By design, these "bulk" pass products are designed to:

¹ Transit agencies that receive funds from the Federal Transit Administration (FTA) are required to offer half-fare discounts on fixed route cash fares to seniors and persons with disabilities during off-peak times.

Reduced pricing on fares and products is available to a variety of eligible riders, with discounts at 25 percent and 50 percent, in addition to free fares.

UTA goes above the federal requirement by providing the 50% discount to senior/disabled riders at all hours.



By accessing large employer and educational institutions with bulk pass products, UTA is able to provide the same service at the same operational costs while increasing ridership and revenue.

UTA's pass programs are structured after the pricing and discount thresholds (25 percent and 50 percent) in the public fare structure approved by the Board of Trustees.

Although the price ultimately paid by the end user/participant may vary, the price UTA charges to the organizations is consistent.

- Provide UTA with the flexibility to respond to market opportunities and unique partnerships
- Capture large ridership markets by leveraging the willingness of the partnering institution to invest in providing public transit passes for their employees and/or students
- By partnering with a third party, allowing UTA to access and attract new riders it would not be able to reach otherwise.

UTA's pass programs represent guaranteed annual revenue to the organization, which is usually paid in advance, depending on the product. UTA also benefits because, unlike a manufacturer that must produce more goods as demand builds, the organization's supply side is fixed. By accessing large employer and educational institutions with bulk pass products, UTA is able to provide the same service at the same operational costs while increasing ridership and revenue. This results in a lower operating cost per rider.

UTA's pass programs are similar to those around the country as profiled in "Unlimited Access" by the University of California Transportation Center². This report states that:

"Transit agencies report that Unlimited Access increases ridership, fills empty seats, improves transit service, and reduces the operating cost per rider."

To get the most value out of their transit investment, the institutions who contract with UTA on a pass product often heavily promote transit internally. Many distribute the transit pass free of charge, participate in a tax-reducing payroll deduction program, or provide subsidies to decrease the out-of-pocket cost to the rider. Sponsors may even adopt strategic policies that favor transit in the long run, such as pricing parking permits higher than a transit pass, integrating their transit pass with an employee or student ID card, and managing land use to facilitate transit, bicycle, and pedestrian access. All of these partner-driven actions add additional value to the pass program and help increase UTA ridership.

UTA's pass programs are structured after the pricing and discount thresholds (25 percent and 50 percent) in the public fare structure approved by the Board of Trustees. In addition, with the exception of a small number of unique, multi-year contracts and pilot programs, UTA offers standard pricing to institutions for its pass products. The institution has the ability to further subsidize the pass to the level they deem prudent for their business or to the level of benefit they wish to provide to their employees. Although the price ultimately paid by the end user/participant may vary, the price UTA charges to the organizations is consistent.

More recently, UTA has developed pass programs that promote pay-per-use concepts – with increased discounts available for greater use – and "pass in every pocket" concepts that capture the largest ridership market potential by providing a transit pass to every eligible participant.

2 <http://www.uctc.net/papers/525.pdf>

Annual Employer Pass Programs. Bulk pass programs designed for organizations that purchase annual passes for their employees. Requires minimum of 35 employees. The business can subsidize the passes at different levels – so employees from different businesses may pay different amounts – but the programs are structured as follows:

Eco Pass. Unlimited pass (regular or premium) for a fixed annual price. Employers are required to purchase passes for 100% of eligible employees. Pricing is determined by the employer’s location/service level:

2014 Cost Per Person Per Year

UTA Service Level	Regular Eco Pass	Premium Eco Pass
A-Rail	\$286.00	\$377.00
A	\$286.00	\$377.00
B	\$223.00	\$291.00
C	\$135.00	\$180.00
D	\$64.00	\$86.00

Eco Trip Rewards. Unlimited pass (regular or premium) and the employer is billed for actual trips taken. Discounts of 5-25% are available, based on annual boardings. The 5% discount achieved with 10,000 annual boardings; the maximum 25% discount achieved with 2 million annual boardings.

Co-op. Businesses can purchase monthly passes for a 20% discount, then the organization subsidizes it at least another 30%. Employees can then purchase monthly passes from the employer at a minimum 50% discount.

Student Consignment. 30-day or Semester Passes for students, faculty and staff sold only through participating schools. A 25% discount is provided to the institution. Schools can subsidize any amount reducing the student’s out-of-pocket cost.

Homeless Service Providers. Qualified social service can purchase UTA tokens, Day Passes and Regular Monthly Passes at a 50% discount, which they usually provide free of charge to their homeless clients.

Ed Pass. Unlimited annual pass for a fixed annual price. Individually negotiated pricing for large, multi-year contracts. Requires 100% participation with passes provided to every eligible rider. Pricing includes annual increases based on enrollment/participation and transit usage.

The Ed Pass program is a legacy program originally implemented decades ago. Most educational institutions have transitioned to other programs; the Ed Pass now represents just a few of UTA’s largest contract partners, such as the University of Utah. This program meets the unique needs and circumstances of very large partners that represent tens of thousands of participating riders.



As an example, the University of Utah program is a ten-year contract. With 44,000 transit passes provided to all students, faculty and staff, the University of Utah represents approximately 8 percent of UTA's annual ridership.

As stated in a document highlighting educational institutions and the University of Utah in particular³:

The University of Utah

“Today more than 10,000 people, or nearly one third of the campus population, use transit to commute to campus. The partnership between the University of Utah and UTA is largely responsible for this success.”

Source: “A Transit Success Story: The University of Utah & Utah Transit Authority Form a Partnership to Serve Campus & Community” (April 2006).

In addition to the university programs, in 2013-14 the State of Utah transitioned from a standard Eco Pass program - with dozens of individual state departments - to a consolidated agreement at introductory rate for one year. The consolidated program provides passes to all 19,000 state employees in UTA's service area. Similar to other negotiated programs, it aims to expand access to transit and increase ridership while maintaining UTA's fare revenue. As the Performance Audit highlights, ridership among state employees has doubled in just the first few months of the first year.

The Average Fare per Boarding Reflects a Market-Based Fare Structure

In the 2011 on-board rider survey, approximately half of riders said they paid a fare with a contract-based pass program such as an Eco Pass or a school-issued pass. About half of riders reported paying with a standard fare product, such as cash or paper monthly passes.

The following figure shows that about one- third of fare revenue was received from contract-based pass programs and approximately two-thirds from publicly available fare products. As described previously, UTA's fare structure provides discounted bulk pass programs to eligible institutions, which explains the different ratios.

The Performance also includes an analysis of the “average fare per boarding” for public pay riders (defined as those who pay fares through publicly available means) in comparison with the average fare per boarding for pass program riders (defined as those who have some kind of discounted pass through membership in a participating organization).

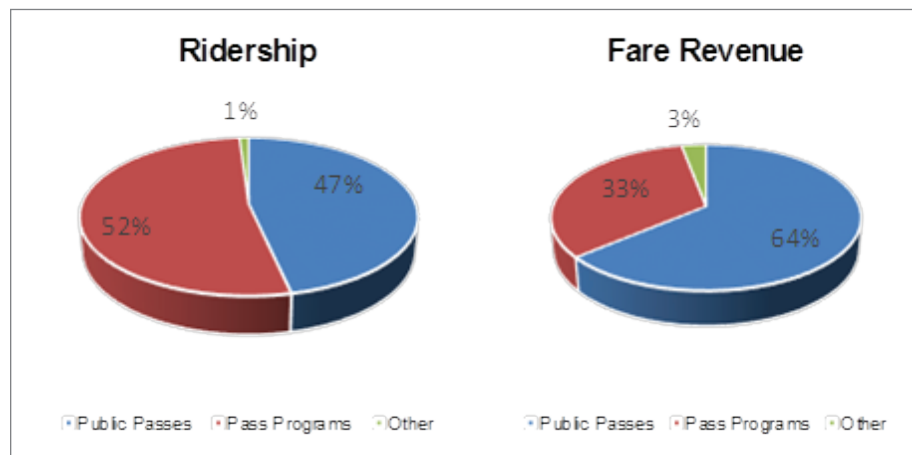
By design, public pay riders inherently pay more than those riders on a discounted pass program. This is inherent to a market-based pricing

As the Performance Audit highlights, ridership among state employees has doubled in just the first few months of the first year.

3 UTA / University Transportation Partnership, January 2012

structure that prices individual purchases at a higher rate, provides discounts for frequent use and other eligible customer markets, and offers discounted programs for bulk purchases.

Comparison of 2011 Ridership Data and 2013 Fare Data⁴



However, the average fare per boarding analysis contained in the Performance Audit is incomplete because it excluded the Free Fare Zone. The Free Fare Zone is a publicly available fare, as defined in the Performance Audit, and is not limited only to those riders on a discounted pass program.

With respect to the intended scope of this analysis, UTA believes a complete and equitable analysis should include the Free Fare Zone and accurately account for the ridership attributed to those who paid \$0, in addition to the boardings attributed to those who paid a regular or other discounted public fare.

Additionally, the average fare per boarding estimate is only one piece of the puzzle. While this number is useful for budgeting, UTA does not rely on it for fare strategy, because the average fare per boarding is not the same thing as cost per trip.

With a few minor exceptions, the base cash fare provides passengers with an unlimited amount of rides in a two-hour period. This does not reflect the actual cost of a single boarding or a complete trip. UTA believes that the market-based fare structure with a base price of \$2.50 with frequent use passes and discounts ranging from 25% to free is more relevant to strategy and to most fare-paying riders.

The Performance Audit points out variances in the average fare collected by mode and corresponding subsidy levels. Instead, in accordance with common practice in the transit industry, UTA recommends tracking system-wide average fare because its service strategy emphasizes a system approach to travel. Bus and rail work together as complementing, not competing services. Moreover, the fare policy and structure is focused on achieving system-wide revenue and ridership goals. UTA operates a multi-modal, unified system with an integrated fare system so

UTA believes a complete and equitable analysis should include the Free Fare Zone.

The average fare per boarding is not the same thing as cost per trip.

UTA recommends tracking system-wide average fare because its service strategy emphasizes a system approach to travel.

⁴ Figure 5.2 "Other" category is the State Department of Public Health Medicaid Bus Punch Pass Program



its riders have the convenience of traveling seamlessly across modes with a single fare payment.

UTA Transitioning Riders to Electronic Fare Payment

UTA has invested in its Electronic Fare Collection (EFC) system over the past several years, and has been strategically and systematically transitioning its riders to electronic fare media. As previously reported, most of UTA's bulk pass products have converted to EFC, represented approximately half of all riders. UTA continues to actively develop additional fare media products to replace cash and paper passes, in an effort to transition more riders to electronic fare payment.

In October 2013, to accelerate migration to electronic fares, UTA launched FAREPAY, a re-loadable electronic fare card. The organization also introduced "reduced fare" FAREPAY cards for seniors and persons with disabilities, and is currently offering a discounted promotional fare with FAREPAY. Future phases are in development and may include leveraging the value-based FAREPAY card charges according to ridership patterns, considering factors such as how far a rider travels, weekday or weekend trips, and time of day.

A quick review of peer agencies by CH2M HILL⁵ showed the following electronic fare market penetration rates:

- Los Angeles (LACMTA): 50%, electronic fare products include pass products, rail and BRT single ride fares, UPass, Employer Pass program
- Seattle (King County Metro): 62%, electronic fare products include monthly pass, UPass, Employer Pass program
- Seattle (Sound Transit): 69%, electronic fare products include transfer privileges, monthly pass, UPass, Employer Pass program
- Boston (still distributes cards for free): 70%, electronic fare products include fare differentials, transfer privileges, pass products, UPass, Employer Pass Program
- Chicago (CTA): 90%, electronic fare products include fare differentials, transfer privileges, pass products, UPass, Transit Benefits

The agencies with higher penetration rates have distributed cards copiously and for free (at least during a transition period), provide a discount on fares paid from stored value (relative to cash fares), and limit transfer privileges to EFC that have reached higher penetration rates. Other agencies (Seattle) attribute initial penetration rates to migrating robust employer programs to electronic fare as a first step.

UTA's current market penetration rate of approximately 50% is on par for a system that until last year has mostly relied on converting student and employer program fare payment to electronic cards.

UTA continues to actively develop additional fare media products to replace cash and paper passes, in an effort to transition more riders to electronic fare payment.

5 Cyndy Pollan, CH2M HILL, July 7, 2014

Electronic Fare Collection Promising; Provides New and Improved Data

With the implementation of EFC, UTA took another step toward its commitment to improve the way it collects, analyzes, and reports data. In 2012, UTA had a business need to transform its various data sources into a comprehensive information portal that could provide timely and accurate reports to leadership for decision making purposes. Additionally, EFC data has been extremely helpful to evaluate the usage and effectiveness of bulk pass programs.

As a result of this business need and in order to improve EFC data reporting systems, UTA committed funding in 2013 and 2014 to procure some of these tools. As part of this data initiative and to provide incremental improvements, UTA is currently working on procuring and deploying tools for EFC data reporting analysis.

The Performance Audit makes mention of issues with UTA's data infrastructure, specifically electronic fare collection (EFC) and a lack of customer-focused metrics. The EFC system is providing robust data which, combined with other data collection systems like automatic passenger counters, allow UTA far greater analysis of ridership and operational factors.

UTA agrees this data set is limited because about only half of its ridership uses EFC and noncompliance to tap on/tap off rules further reduce reliability. In the future months, UTA will be moving additional groups of riders onto the EFC system and additional marketing and enforcement efforts will help with compliance. UTA recognizes EFC data as the most detailed, complete record of system ridership and will continue to enhance fare offerings which support EFC system use.

Additional Metrics Can Help UTA's Board Realize its Customer Focus

The EFC system is primarily a fare collection system. UTA has other data collections systems in place such as automatic passenger counters. Over time EFC can evolve to be a data collection system, but inconsistencies in use by transit riders, such as passenger tap-on/tap-off rates, do not allow its use at this time. Through continued education and enforcement, UTA aims to achieve more accurate results and increased capability in using EFC as a data tool.

At present, EFC provides very insightful information along with the other data collection systems. At current levels, the data collected from EFC represents a more than adequate sample size. Statistically, only a small percentage of riders would need to be surveyed - fewer than 400 - to provide a valid sample. The data provided by the EFC system is more than adequate for transportation planning purposes. While UTA is continually working to improve data quality in EFC and other areas, it employs a rich variety of data sources and customer-focused metrics

The EFC system is providing robust data which, combined with other data collection systems like automatic passenger counters, allow UTA far greater analysis of ridership and operational factors.



to guide decision making, increase ridership, and improve the riding experience for all of its customers.

The success of a data gathering program comes from the use of many tools. To this end, UTA has worked diligently over the last several years to ensure that data quality is consistent across the organization. Recent data quality initiatives include the development of a web-based tool that a) unifies multiple data sources pertaining to operations performance, and b) provides quick, concise reporting for a variety of job responsibilities. Current plans include an enterprise-level data warehouse to unify all databases within the organization. UTA is justifiably recognized as an industry leader for these efforts.

The following screen shot is from the UTA performance management system. For the last several years UTA has been implementing an enterprise wide performance management system. UTA monitors safety, ridership, expense, revenue, efficiency, etc. This system allows UTA analysts and planners to monitor the performance of individual routes and business units.

UTA places a high value on process control. Recently the UTA was certified for ISO 9001 (Quality), ISO 14001 (Environmental), and SMS 18001 (Safety)—making it the only transit organization UTA is aware of that has achieved this level of certification. In addition, UTA recently began adopting principles from the Shingo Model of operational excellence and Lean Management. Using Lean tools and principles, UTA operations was able to save over \$2.2 million in 2013 from waste reduction and increased operational efficiency. These funds were used to maintain and increase service.

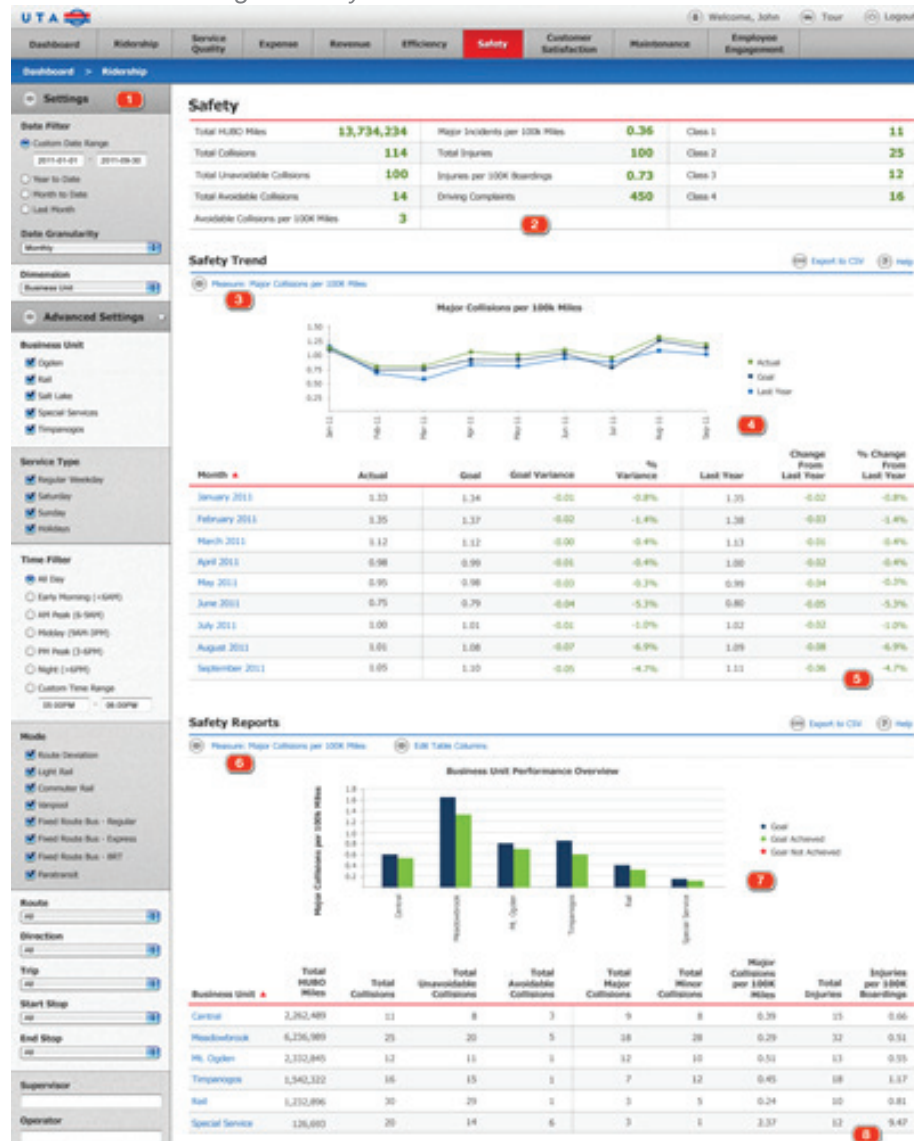
Internal measurements of operational performance are developed around the customer experience and fall into the areas of efficiency, effectiveness, service quality, and safety. These metrics are reported on a regular basis throughout operations and to other departments throughout the company.

UTA has used on-time performance data gathered from GPS units on board each bus to improve route schedules for better customer experience. Using frequency distributions based on trip and segment travel times for under performing routes, UTA planners and operations supervisors were able to increase on-time performance at bus stops from 61% in 2007 to almost 92% in 2014. UTA representatives will report on the results of this initiative at the American Public Transportation Association Multi-modal Operations Planning Workshop in August 2014.

Recently the UTA was certified for ISO 9001 (Quality), ISO 14001 (Environmental), and SMS 18001 (Safety)—making it the only transit organization UTA is aware of that has achieved this level of certification.

Using Lean tools and principles, UTA operations was able to save over \$2.2 million in 2013 from waste reduction and increased operational efficiency.

Performance Management System Screen Shot



UTA Pro-Actively Gathers Customer Feedback

UTA receives and tracks customer feedback in a number of ways via the customer service call center, website, social media, phone, email, and during formal public hearing processes. Per policy, comments are routed through the organization's Customer Comment System (CCM), which is managed by the customer service department, to ensure comments are appropriately logged, addressed, and tracked.

As an example, the comment form on the website goes to customer service for entry into the CCM and distribution to the appropriate department/business unit. On social media, UTA staff responds to simple questions but if a customer is commenting about something more in depth, they are sent a link to UTA's website comment form or provided with the customer service phone number so their concern can be recorded and addressed.

UTA receives and tracks customer feedback in a number of ways via the customer service call center, website, social media, phone, email, and during formal public hearing processes.



All comments are entered into the CCM, logged, and sent to the appropriate department or division for investigation, response to the customer, and closure in the system. To ensure a timely response, UTA Corporate Policy 5.1.1 – Customer Communications and SOP 5.1.1 – Customer Communication Process establishes guidelines and timelines for both routing comments to the appropriate division and for responding to and resolving customer comments.

UTA has also established standards, per ISO, for answering calls to customer service. In the call center, the standard for answering calls is to answer 80% of calls within 20 seconds. In Customer Concerns, the standard for answering calls is to answer 70% of calls within 40 seconds. These standards are reported monthly, but are tracked continually so the organization can plan for staffing and scheduling.

The CCM provides excellent capacity and flexibility in producing reports about customer comments. Reports about customer comments can be generated in a variety of formats. Each department/business unit receives a monthly report of the top fifteen comments in their area. These reports can be requested or viewed by additional parties at any time.

Customer-Focused Metrics Regularly Provided to the Board of Trustees

UTA staff is required to make reports to the Board of Trustees regarding customer feedback on a regular basis. Most notably, a compliance report on customer and public feedback is required annually, per Ends Policy 1.2.2, EL Policy 2.1.3, EL Policy 2.5.1 and Board Process Policy 4.1.1). The compliance report typically includes information regarding an annual benchmark survey conducted with riders and the public, as well as a summary of customer comments from the CCM. Monthly reports on social media activities are also reported to the Stakeholder Relations Committee each month.

In addition, UTA is required to hold public hearings for fare changes and for service changes according to Board of Trustees policies 2.4.2 – Review of Rates and Charges and 2.1.4 – Changes to Level of Service. The organization is also required to hold public hearings as part of the federal environmental process for new projects and planning studies, and is required to have a public comment period and hearing on the tentative budget as part of the annual budget process. Except for the comment period on the budget which happens annually, the frequency of public hearings varies depending on proposals for fare changes, service changes, etc.

Reports regarding these public comment periods are made to the Board of Trustees. After the comment period in question, a report is provided to the board's Finance & Operations Committee, along with any adjustments to the proposed service or fare changes. The board is required to approve all fare changes, so a report is also given in board meeting for approval after going through the Finance & Operations Committee.

UTA staff is required to make reports to the Board of Trustees regarding customer feedback on a regular basis.

UTA Uses Nationally-Recognized Customer Feedback Metrics

UTA employs the Net Promoter Score (NPS) to understand the level of customer satisfaction with its services. “Net Promoter Score” is a customer loyalty metric developed by (and a registered trademark of) Fred Reichheld, Bain & Company and Satmetrix. It was introduced by Reichheld in his 2003 *Harvard Business Review* article “One Number You Need to Grow.” NPS can be as low as –100 (everybody is a detractor) or as high as +100 (everybody is a promoter). An NPS that is positive (i.e., higher than zero) is felt to be good, and an NPS of +50 is excellent. Net Promoter Score (NPS) measures the loyalty that exists between a provider and a consumer.

Customers are asked how likely they are to recommend a UTA service to a family member or friend on a scale from 0 (low) to 10 (high). Scores classified as promoters (9-10), neutrals (7-8), and detractors (0-6). The percentage of promoters minus the percentage of detractors equals the net promoter score (P-D = NPS).

UTA began net promoter score research in 2008. The latest research was conducted in the fall of 2013. Over 3,400 randomly selected customers participated in this research. These customers gave UTA services positive net promoter scores. FrontRunner commuter rail service received a 59 net promoter score, TRAX light rail a 40, and fixed route bus service a 24.

In the fall of 2013, UTA also included an expanded customer satisfaction component to the NPS survey. Designed to complement the NPS scoring, the survey gauged the customer experience and satisfaction regarding several service quality characteristics, including on-time reliability, frequency, travel time, and cost-effectiveness. By capturing customer input as to what future service improvements they value highest, the improved survey tool can help determine service design and delivery improvements that could best increase the NPS and thereby increase customer satisfaction and ridership.

The NPS and Customer Satisfaction survey results are reported to the Board of Trustees, mostly recently in April 2014. As a certified ISO 9001 company committed to continual improvement, UTA is implementing strategies to improve service as indicated through this customer satisfaction research.

UTA Staff Will Provide the UTA Board of Trustees with Regular and Consistent Transit Market-Share Information

Understanding its modal market share has been and always will be a critically important element of transit planning at UTA. The Performance Audit refers to the WFRC 2012 market share analysis, which was a comprehensive home-based survey done statewide to gather and understand people’s travel patterns and mode choices. UTA was a very



involved partner in that process and has already been in discussions with WFRC and UDOT regarding follow-up surveys that will help it better understand its markets along the Wasatch Front.

The Performance Audit goes into detail regarding overall transit market share of trips as well as for specific travel markets, such as to downtown Salt Lake City and the University of Utah. It is important to note that the increase in transit market share from 1993 to 2012 can and should be depicted in another dimension. The Performance Audit states that the transit trips went from 0.7 percent to 1.8 percent or a 1.1 percent increase in those 19 years. In absolute numbers, the 1.1 percent increase is true, but when examined from the perspective of a *relative increase*, the percent increase is much higher; in fact it is a 157% increase. This is a compelling number considering that in 2012 there were an average of seven million trips taken each day along the Wasatch Front, and it is a very large difference when looking at a 0.7 percent or a 1.8 percent of that number (i.e. it is the difference between 49,000 daily linked trips carried by transit and 126,000 trips carried by transit).

In addition to using the data from the WFRC home-based survey, UTA analyzes market share with several other tools, and constantly evaluates the effectiveness of its transit service with its partners. One of the destination markets highlighted in the Performance Audit is the University of Utah. While the WFRC data indicates that the percent of transit trips during peak periods to the University is 20.8 percent, surveys conducted by the University of Utah Commuter Services Division indicate that this percentage is even higher; currently trending towards 35%. This has allowed the University to re-purpose parking lots into usable building space for classrooms and research facilities. In fact, the University has indicated that it has a goal of a 50% market share for transit; when combined with walking and biking trips to campus this will mean that a majority of students, faculty, and staff will not be driving to this major destination. Considering that just 20 years ago transit was carrying approximately 5% of trips to campus, this is a substantive evolution that underscores UTA's focus on markets and the best ways to serve them.

One important subset of travel to the University of Utah is special event service. During the fall of 2013, UTA and the University reached an agreement that allowed fans to use their game ticket as transit fare. During the Utes' first home football game on August 29, based on actual automated passenger counts on buses and TRAX trains, 20% of the sold-out crowd of 45,000 fans took transit to the Rice-Eccles Stadium, saving 7,500 car trips to the campus that evening.

Another tool that UTA uses to analyze market share is known as the Regional Travel Demand Forecasting Model. This tool - which like the home-based survey is owned and operated by WFRC - gives historical and future perspectives on how best to meet travel demand using any mode up and down the Wasatch Front. UTA has used this forecasting model extensively to analyze the Downtown Salt Lake City travel market, which is the largest overall trip generator in the state of Utah. This

provides another example where the organization's focus has helped reduce congestion and provide transportation alternatives that make a meaningful difference. UDOT and UTA are continually examining the best ways to meet travel demand to extend the overall capacity of shared corridors like I-15 and the Legacy Parkway. In January, 2013 UTA completed a study called "UTA's FrontLines 2015 Program: Measures of Success." This study, which was presented and discussed at a UTA Board of Trustees Planning and Development Committee meeting, showed that in specific markets like Sandy and West Jordan to downtown Salt Lake, transit is now carrying upwards of 37% of all work trips. This equates to the number of cars that can be carried by three lanes of traffic on I-15 during the morning and afternoon rush hours.

UTA staff will continue to analyze and develop strategic partnerships with key market organizations and institutions that carry UTA customers. In addition to service development planning, fare pricing strategies and pass programs have been key to establishing healthy transit market share goals for the organization. While transit market share percentage is significantly impacted by external factors not controlled by UTA, such as level of roadway congestion, fuel prices, parking costs, and the general state of the economy, the organization will continue to work closely with the board to set goals and track these important market share components in order to understand and improve the role of transit along the Wasatch Front.

One market that UTA is addressing is Hill Air Force Base. When combining government employees and contractors, Hill represents the largest single employer in the entire state. In April 2014, UTA began providing regular bus service to both the South Gate and West Gate entrances, connecting with FrontRunner at the Clearfield station. While still in the ramp-up process, both UTA and Hill Air Force are optimistic that this service will be a robust success. UTA is working with Hill officials to develop reasonable as well as "stretch" goals for market share of trips carried to the base by transit.

UTA also tracks and uses data from the National Transit Database (NTD). Currently, the Federal Transit Administration (FTA) requires ridership information be submitted monthly NTD using their Monthly Ridership Activity Form. Recipients or beneficiaries of grants from the FTA under the Urbanized Area Formula Program (§5307) or Other than Urbanized Area (Rural) Formula Program (§5311) are required by statute to submit data to the NTD. Over 660 transit providers in urbanized areas currently report to the NTD through the Internet-based reporting system. Each year, NTD performance data are used to apportion over \$5 billion of FTA funds to transit agencies in urbanized areas (UZAs). Annual NTD reports are submitted to Congress summarizing transit service and safety data. The methodology used by UTA to calculate ridership meets FTA and NTD requirements and is considered the industry standard.

Additionally, UTA works closely with the local metropolitan planning organizations (MPOs), WFRC and MAG, to update the regional travel demand model. The model is calibrated to represent 2005



travel conditions and patterns (and will be updated to 2012 shortly). Calibration is performed at all levels of the model and the model is calculated when various model generated outputs such as road volumes, trip lengths, mode shares and transit ridership are reasonable and closely represent reality.