Utah Transit Authority

Jerry Benson, Interim President/CEO

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July 27, 2016

UTA Equity Study

July 27, 2016

Debt Review Committee

Questions

- UTA Equity Analysis Model
- SLCo Revenues (from Equity Analysis)
- SLCo Expense (from Equity Analysis)
- Debt Service

History of UTA Equity Analysis Model

- Initial Equity Analysis completed by Booz/Allen/Hamilton in September 2005
- Allocates revenues and costs to each county
- Allocation methods thoroughly reviewed in June 2012.
- 80 revenue and expense line items allocated using 30 different methods
- Technical Team Review
- Annual presentation to WFRC, MAG, COGs, counties, cities, and others.
- Annually reviewed by Lewis, Young since 2012.

SLCo Revenues
UTA Equity Analysis Model

(in millions)

Op. Rev	2011	2012	2013	2014
Sales Tax (A)	$120.1	$129.2	$132.7	$140.7
MV Reg. (A)	1.7	1.7	1.6	1.7
Passenger	25.1	28.9	30.2	32.2
Fed Maint.	31.5	31.4	31.4	28.9
Advertising	1.2	1.2	1.2	1.5
Inv. Earnings	2.4	0.6	1.0	2.8
Other	2.2	2.3	2.1	2.4
Bonds	81.0	145.8	0.0	0.0
Other Cap.	202.7	190.0	5.2	18.0
Total	$467.9	$531.1	$205.4	$228.2

(A) – Actual amounts received from SLCo

SLCo Revenues
UTA Equity Analysis Model

(in millions)

	2011	2012	2013	2014
SLCo	$467.9	$531.1	$205.4	$228.2
Total	673.0	757.2	320.3	366.6
Percentage	69.5%	70.1%	64.1%	62.2%

Sales Tax Collections to UTA For 2011 Through 2015

(in millions)

	2011	2012	2013	2014	2015
SLCo	$120.1	$129.2	$132.7	$140.7	$148.5
Other Counties	63.0	67.5	71.1	74.0	79.2
Total	$163.1	$196.7	$203.8	$214.7	$227.7
Percentage	65.6%	65.7%	65.1%	64.8%	64.5%

SLCo Expense
UTA Equity Analysis Model

(in millions)

Op. Exp	2011	2012	2013	2014
Bus	$51.8	$49.4	$50.2	$48.6
Rail	21.9	30.6	40.4	47.8
Paratransit	11.7	13.3	14.1	14.2
Rideshare	0.0	0.1	0.1	0.3
Op. Support	14.2	17.9	18.6	18.5
Admin.	15.5	17.7	17.9	21.6
Debt Service	53.4	55.3	65.5	63.0
Capital	388.3	252.9	108.3	31.6
Total	$556.8	$437.2	$315.1	$245.6

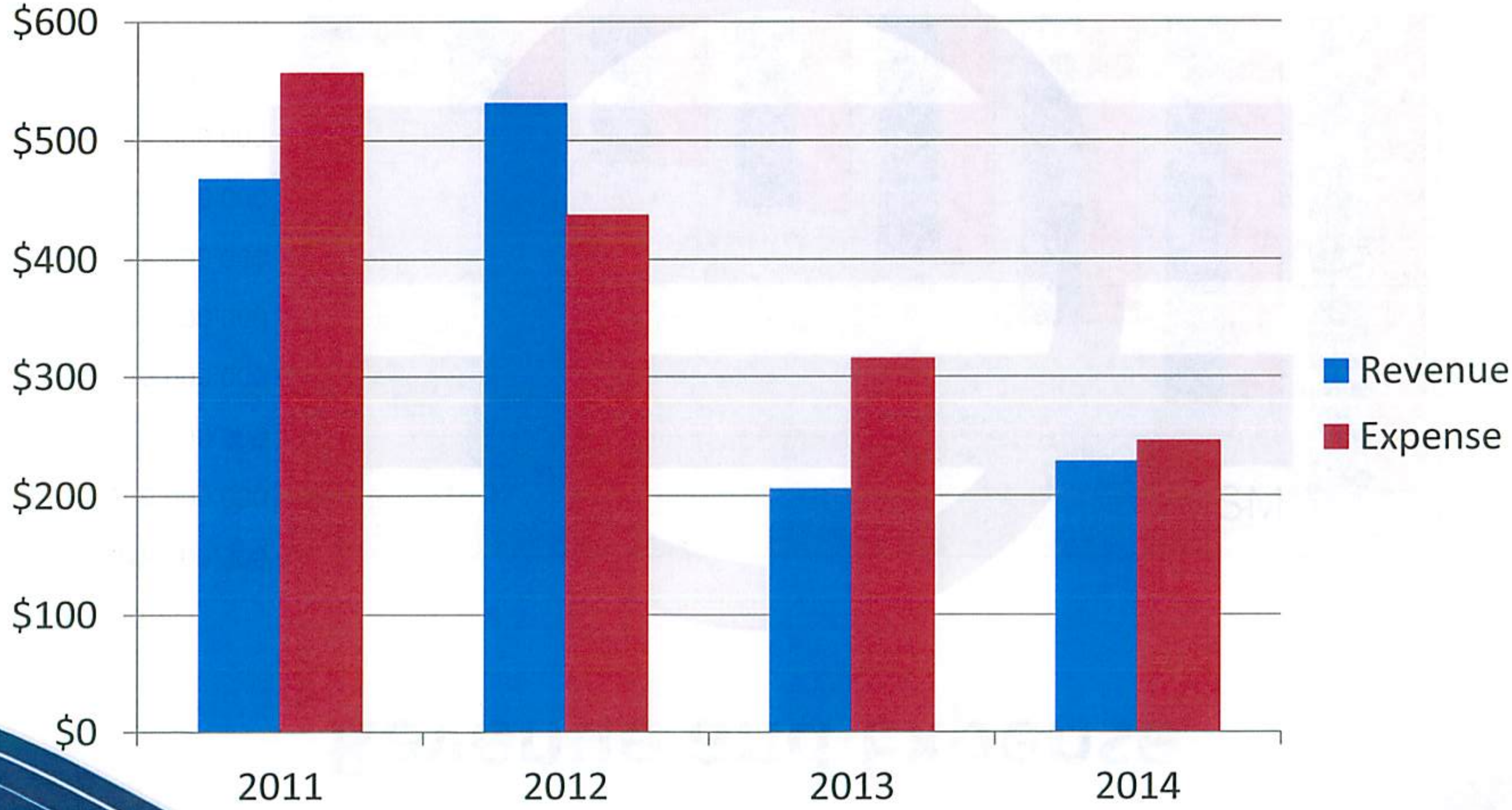
SLCo Expense
UTA Equity Analysis Model

(in millions)

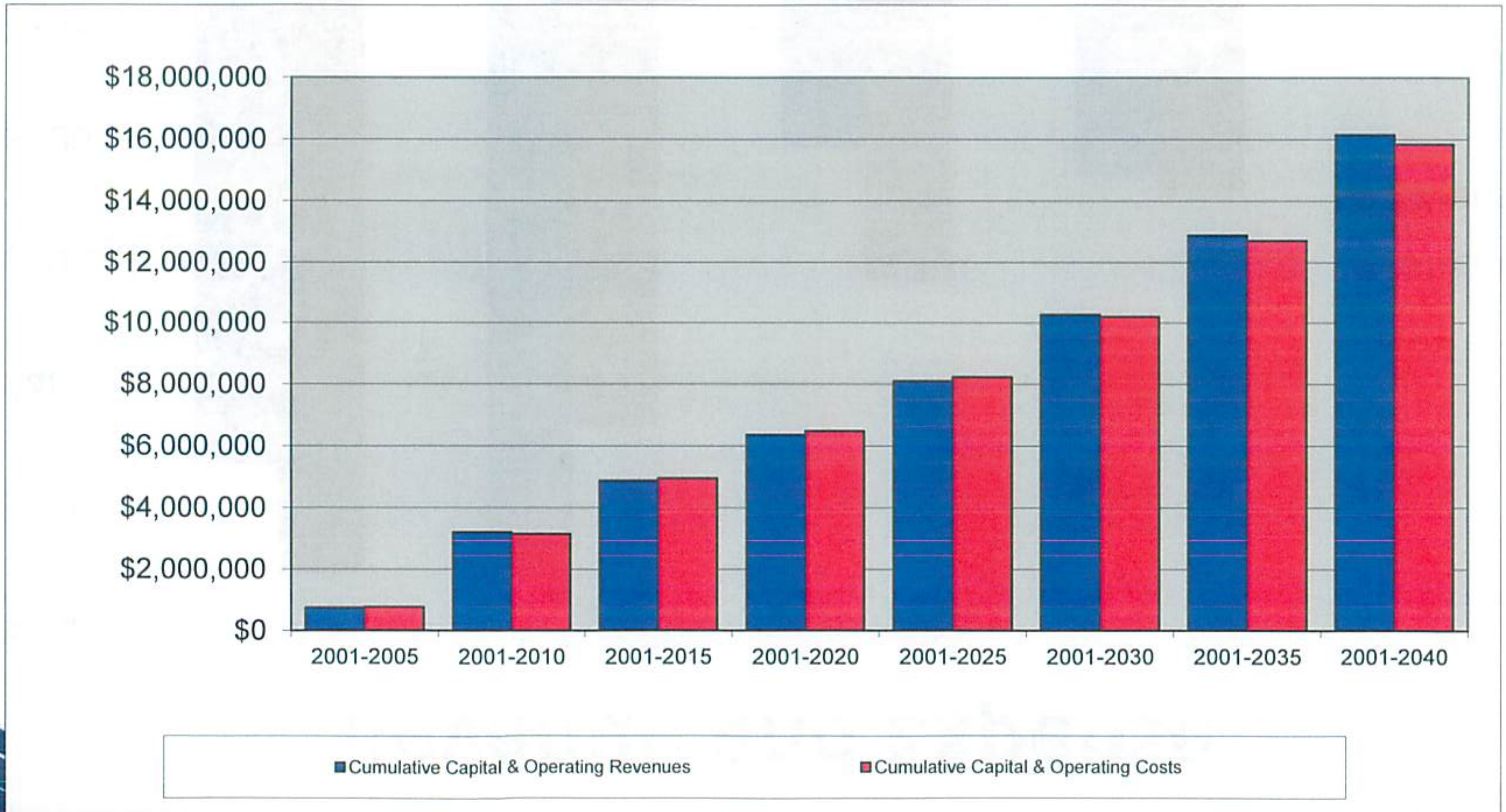
	2011	2012	2013	2014
SLCo	$556.8	$437.2	$315.1	$245.6
Total	764.6	573.7	484.3	380.4
Percentage	72.8%	76.2%	65.1%	64.6%
SLCo Sales Tax	$120.1	$129.2	$132.7	$140.7
ST/SLCo Op. Exp.*	71.3%	70.1%	64.2%	65.7%
ST/SLCo Total Exp.	21.6%	29.6%	42.1%	57.3%

* Excludes capital costs

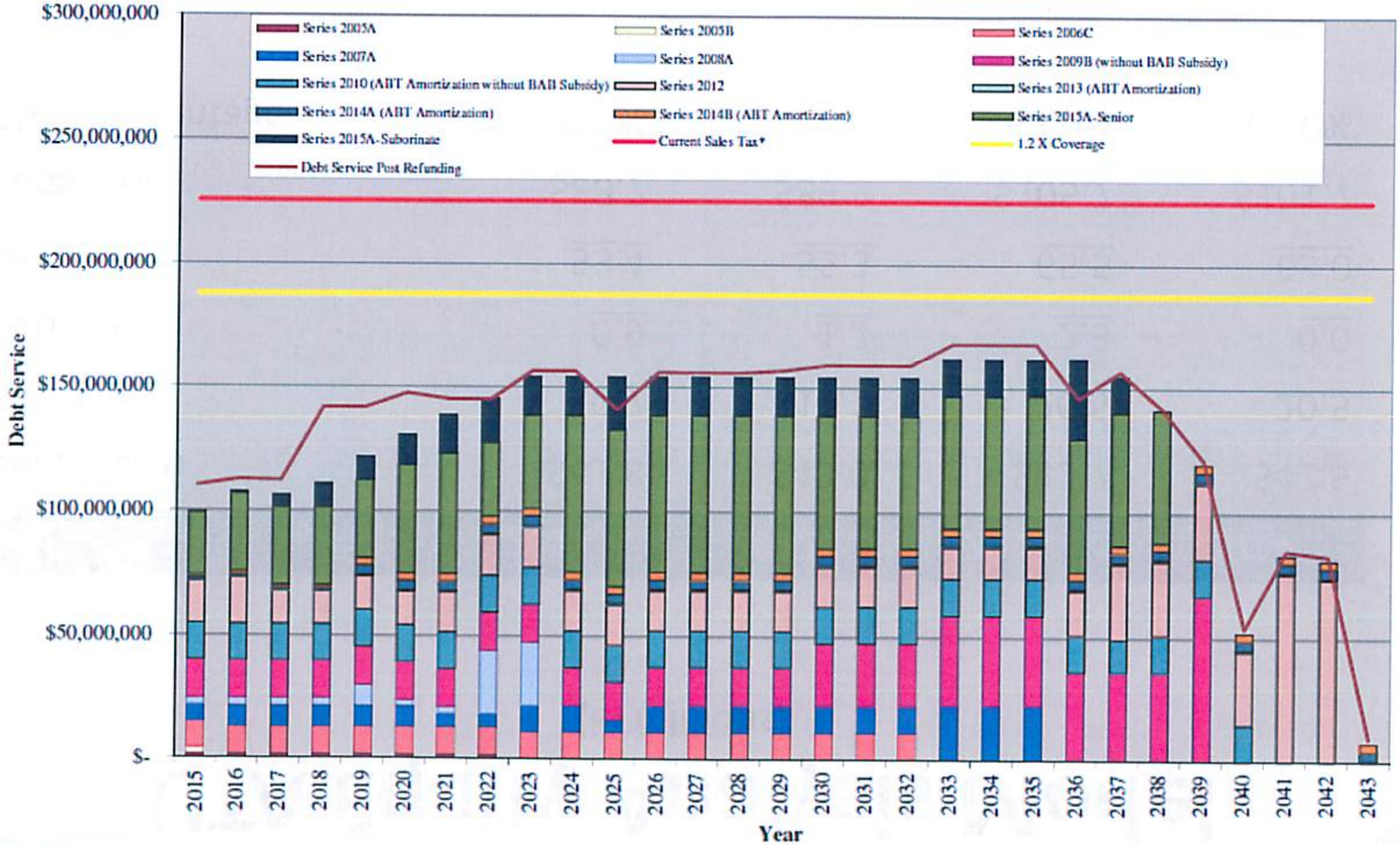
SLCo Allocated Revenue and Expense



SLCo Cumulative Allocated Revenue and Expense



Annual Debt Service



SLCo Debt Expense
UTA Equity Analysis Model

(in millions)

P&I	2011	2012	2013	2014
Senior Lien	$41.8	$43.0	$42.7	$42.5
Sub. Lien	10.7	11.1	20.5	20.5
Sub. Var.	0.9	1.2	2.3	0.0
Total SLCo	53.4	55.3	65.5	63.0
Total – All	$88.7	$89.2	$105.7	$101.7
SLCo Percentage	60.2%	62.0%	62.0%	62.0%

Salt Lake County Debt Review Committee Questions with UTA Answers
July 27, 2016

1. Please provide an overview of the sales tax and related revenue provided to UTA from SLCO residents.
    a. Please identify when each source began; the date of the election authorizing the tax; the related statutory provisions; and the end date of the authorization.

A. There are three sales taxes authorizations in Salt Lake County:

- Mass Transit Tax (59-12-2213) with UTA's rate being .3%
- Additional Mass Transit Tax (59-12-2214) with UTA's rate being .2%
- County Option Transportation Tax (59-12-2217) with UTA's rate being .1875%
- Total .6875%

Tax	Election Date	Date Tax Began	End Date
Mass Transit	11/1974	7/1975	n/a
Add'l Mass Transit	11/2000	4/2001	n/a
County Option	11/2006	7/2007	n/a

    b. Please identify any sources of money that may require reauthorization.

A. None of the above requires reauthorization.

    c. What is the reauthorization process from UTA's perspective?

A. N/A

2. What yardsticks are available to determine how sales tax and related revenues from SLCO have been used for the past five years and how they will be allocated through 2020?

   a. The CAFR (page 80) indicates that SLCO provides ~65% of annual sales tax revenue. That would be one yardstick. Are there any others that would help track how SCLO dollars were used or will be allocated between bus service and rail service?

A. UTA's Regional Equity Study allocates all UTA revenue (not just sales tax) and expense among the counties in UTA's service area. This study is performed on an annual basis and is shared with all of our stakeholders. The first table below indicates the various sources of revenues allocated to Salt Lake County for 2011 thru 2014. The second table indicates how expenses have been allocated to Salt Lake County. UTA's goal with the Regional Equity Study is that each county is within a 5% range of balancing revenues and expenditures.

Revenues

Salt Lake County (in millions)	2011	2012	2013	20[illegible]
Sales tax	120.1	129.2	132.7	140[illegible]
Motor Vehicle registrations	1.7	1.7	1.6	1.7
Total Taxes	121.8	130.9	134.3	142[illegible]
Passenger	25.1	28.9	30.2	32[illegible]
Federal Maintenance	31.5	31.4	31.4	28.[illegible]
Advertising	1.2	1.2	1.2	1[illegible]
Investment earnings	2.4	0.6	1.0	2.8
Miscellaneous	2.2	2.3	2.1	2.[illegible]
Total Operations	184.2	195.3	200.2	21[illegible]
Bonds	81.0	145.8	-	-
Other Capital Revenue	202.7	190.0	5.2	18.[illegible]
Total	467.9	531.1	205.4	22[illegible]
Total All Counties	673.0	757.2	320.3	366[illegible]
Salt Lake County Percentage	69.5%	70.1%	64.1%	62.2%

Expenses

Salt Lake County (in millions)	2011	2012	2013	2014
Operations				
Bus	51.8	49.4	50.2	48.6
Rail	21.9	30.6	40.4	47.8
Paratransit	11.7	13.3	14.1	14.2
Rideshare	-	0.1	0.1	0.3
Operations Support	14.2	17.9	18.6	18.5
Admin.	15.5	17.7	17.9	21.6
Total Operations	115.1	129.0	141.3	151.0
Debt Service	53.4	55.3	65.5	63.0
Capital	388.3	252.9	108.3	31.6
Total	556.8	437.2	315.1	245.6
Total All Counties	764.6	573.7	484.3	380.4
Salt Lake County Percentage	72.8%	76.2%	65.1%	64.6%

b. Has UTA made a conscious policy decision to move away from bus service in favor of mass transit? What are the economics that support this decision?

A. After the 2006 election, UTA began constructing rail improvements which were scheduled to be completed before 2030 in the Regional Transportation Plan. Projections indicated that sufficient revenues would be available to maintain all service levels and add the rail service. The great recession permanently lowered revenues (currently $90 million a year) from the 2006 projections. UTA undertook a three-pronged approach to deal with the great recession including construction management, debt management, and operational reductions. Service reductions were held to 6%. Some express routes, which mirrored new rail service, were eliminated. There has been not been a decision to move away from bus service. Rather UTA has added bus and rail service since the initial reductions were made with bus service increased by 5% in August 2015.

c. The CAFR indicates (page 72) that the additional transit sales tax approved by voters in Davis and Weber counties will be "dedicated to enhance service in those counties." How does that impact the use of SLCO revenues in those counties?

A. Some routes that are being improved by Proposition One funding in Davis, and Weber, County will also improve Salt Lake County service.

3. From UTA's perspective, what are the pros and cons of separating bus service and rail service such that UTA would provide rail services and newly established local entities would provide bus services?

A. It was the intent of the initial enabling legislation of 1969 (creating UTA in the first place) that there would be a regional transit district that was charged with providing transit service across the multitude of jurisdictional boundaries and avoiding the patchwork of bus systems that had been in existence before that. UTA operates a system of bus, rail, and vanpool services that is meant to serve the needs of all communities along the Wasatch Front, commensurate with the amount of resources invested by those communities. UTA currently contracts with municipalities' private nonprofits and private organizations to provide unique services; examples include – Lagoon shuttle, paratransit and the Park City connector. With that said, the pro argument would allow for complete local control of each jurisdictions transit system. However, below is just a brief list of the Cons:

1. UTA provides a regional system, connecting trip origins and destinations across our service area. In Salt Lake County, 80% of the existing bus routes cross one or more jurisdiction.
2. Each jurisdiction would have to procure bus services; either through contracting out to private companies or buying buses and hiring operators and mechanics. Local entities could choose to contract with UTA for services.
3. The local option sales tax for transit service is collected within the entire county and a distribution between the UTA rail service and each local jurisdiction would have to be developed.
4. Interlocal agreements would have to be created to cover fares, allocation of fare funds when a passenger transfers between systems, sale or removal of UTA infrastructure to each jurisdiction.

4. For each of the next 10 years, please provide a depreciation table that allocates the yearly depreciation estimates by type of service.

A. Assets within UTA's records are categorized by asset type rather than by service type. Some asset types can be placed into service type easily (e.g., motor bus) while others are not (e.g., passenger stations). Current estimates are annual depreciation will be in the $162 million range for the next ten years.

a. At what point will UTA begin to replace existing rail lines?

A. UTA has established a comprehensive asset management plan as required by the Federal Transit Association (FTA). Each year, UTA prioritizes and implements projects under that plan. UTA replaces rail lines as needed to maintain safety and travel speeds. Rail in straight sections of track between stations may last 30 or more years before replacement is needed. Areas with tight radius curves need more frequent replacement. For example, the curves on 700 South at Main Street and 300 West are scheduled for replacement in 2017.

b. How will that process impact passenger services?

A. UTA works to minimize the impacts of rail work to the passengers and the general public. For the 700 South curves mentioned previously, trains will run on single track through the area while work is performed on the adjacent track. Trains will be slowed through the area and some passengers may need to transfer to another train during construction. There may also be some periods of time with total rail closures when bus bridges would be operated through the construction area.

c. In 2015, UTA realized about $5.6 million by selling land.

i. How do you determine the land that is surplus versus land that could be swapped for TOD development?
ii. How is the market value of the land determined?

A. UTA Board of Trustee has required the staff to prepare an inventory of all UTA owned property classified by use and updated annually.

i. With the construction of our rail and bus rapid transit projects, UTA often needs to acquire land along the project corridors to widen roads and accommodated track, platforms and park and ride lots. Sometimes the exact amount of property needed is acquired. Other times an entire parcel, larger than the project needs, is required to be acquired because of the seller's desire or the remaining parcel is not of adequate size to meet the seller's needs. If the excess property is near a station it is considered for a potential transit oriented development. If the excess property is not considered appropriate for transit oriented development, the staff recommends for Board of Trustee approval that the property be categorized as surplus. UTA does not swap property for TOD development. UTA selects a developer through a procurement process and the developer creates an acceptable project on UTA property. UTA and the developer create a joint venture where UTA's contribution is the value.

ii. The value of the property is determined by appraisal and/or the value of the purchase proposals UTA receives for the property.

5. Please provide an overview of the trend statistics (specifically pages 85- 89) contained in your CAFR's Statistical Section.

a. Please help us understand the terminology and its relevance. For example, please define: revenue mile; total miles; cost/passenger.

A. Revenue miles - Miles that the bus or train are picking up passengers or "In Service." Total Miles are all of the miles needed to operate a bus or train. Total Miles include the miles needed to travel from the maintenance facility to the first stop on the route and the miles needed to travel between routes. Buses for example do not operate on one route per day they operate on many routes in a day. Cost/Passenger is calculated by adding up all of the costs required for UTA then divide by total boardings. This is UTA's estimate for how much it costs to have a boarding on transit service.

Total miles - Miles that vehicles travel while in revenue service (actual vehicle revenue miles (VRM) plus deadhead miles. Actual vehicle miles exclude: miles for charter service; school bus service; operator training; and vehicle maintenance testing. This is congruent with FTA's definition of "actual vehicle miles".

Cost per passenger – Calculated, Operating expense divided by Passengers

b. It appears that the marginal costs for adding customers exceed the average cost. Please explain.

A. Our system cost per passenger declined from 2014 to 2015.

c. The number of bus routes, FTEs devoted to bus operations and bus service passengers increased from 2014 to 2015; however, the total number of miles for bus service declined. What's the takeaway?

A. Small variances in FTE's and miles exist from year to year. Since 2010 total revenue miles have increased 4.5M and passengers have increased 8.3M.

6. Under current law and financing sources, what are UTA's assumptions for the next 10 years regarding revenue growth from local sales taxes?
   a. Please distinguish among the year-over-year sales tax increases by source (county-by-county; municipalities; & other).

A. UTA uses an overall sales tax growth estimate rather than using estimates by each county. The 2016 estimate is 4.25%; the long-term projection being used is 5% per year.

b. What criteria will UTA use to adjust fares through 2025?

A. In its long-term forecast model, UTA assumes a 7% increase in the base fare in 2018 and 2023. These are intended to approximate general inflation. UTA's enabling legislation requires UTA to charge a fare to transit riders, and the agency strives to set reasonable, competitive fares that balance the contribution from both riders and taxpayers. UTA also exceeds the federal "Reduced Fare" required discount of 50% to seniors and riders with disabilities, and works hard to accommodate the needs of student, low-income, minority and other populations. UTA's process for changing fares is very extensive and deliberate. The agency takes into account industry best practices, studies peer transit agency fares, conducts detailed fare elasticity analyses, and gathers rider information and input through regular on board surveys and pro-active public outreach and comment efforts. All changes to UTA's public fare structure are required to go through a formal public comment process and then must go to the Board of Trustees for review and approval.

c. Administrative expenses for 2015 (CAFR page 30) increased by 4.9 percent. Please define the activities included in administrative expenses and--if any--relevant changes. Please identify the amount and percentage of UTA's budget used to finance administrative expenses from 2011 through 2016, and the estimated amounts through 2020.

A. Activities included in administrative costs include:

- Finance department – CFO, Accounting, Budget, Procurement, and Human Resources
- Business Solutions – Technology network and applications
- Customer Focus – Public relations, marketing, labor relations, and training
- Executive – General Manager, government relations, operations administration, and operating contingencies
- Internal Audit
- Legal – Legal counsel, risk management, and Title VI

Budgeted administrative cost for 2016 is 6.9%. Future years are estimated to remain at similar levels. The chart below provides the actual administrative percentage for 2011 through 2015 and the estimated administrative percentage for 2016.

Year	Percentage
2011 – Actual	9.06%
2012 – Actual	7.77%
2013 – Actual	6.83%
2014 – Actual	8.26%
2015 - Actual	8.76%
2016 – Estimate	6.90%

7. If UTA anticipated receiving new revenue as of Jan. 2018, how would that money be allocated? Please distinguish how the amounts of $10 million; $50 million and $100 million would be allocated.

A. The answer depends upon the source of revenue and restrictions. For instance, three counties approved Proposition One funding and UTA is working with stakeholders in each county to determine how best to spend the new funds. In August of 2015, the Board of Trustees passed a resolution to dedicate revenues from Proposition One to service.

8. Explain current and future debt requirements and sources of funding for future debt service. Are Sales Tax Revenue Bonds issued based on expected future sales tax revenues? List future debt service by year for next ten years.

A. Certain revenues are pledged for payment of annual debt service with the two major revenues being sales taxes (except the Proposition One sales tax) and passenger revenues. Sales tax bonds are issued based upon current sales tax amounts. The debt service information below is total principal and interest and does not reflect the annual federal interest subsidy payments for the 2010 and 2009 bonds of $9,426,300. Anticipated lease payments have also been included.

Year	Bond Debt Service	Lease Payments	Total
2016	$104,009,314	$2,730,382	$106,739,696
2017	$102,595,959	$7,512,967	$111,438,924
2018	$105,929,843	$10,736,080	$122,532,245
2019	$111,076,962	$13,821,303	$132,567,415
2020	$119,960,880	$15,912,769	$143,976,799
2021	$127,692,880	$17,629,494	$153,565,374
2022	$134,635,437	$19,646,604	$160,025,041
2023	$143,179,318	$20,534,045	$168,380,063
2024	$143,175,343	$20,118,656	$167,960,699
2025	$143,182,255	$18,066,797	$165,915,753
2026	$143,189,555	$16,030,330	$163,886,586

Annual Regional Transit Equity Analysis

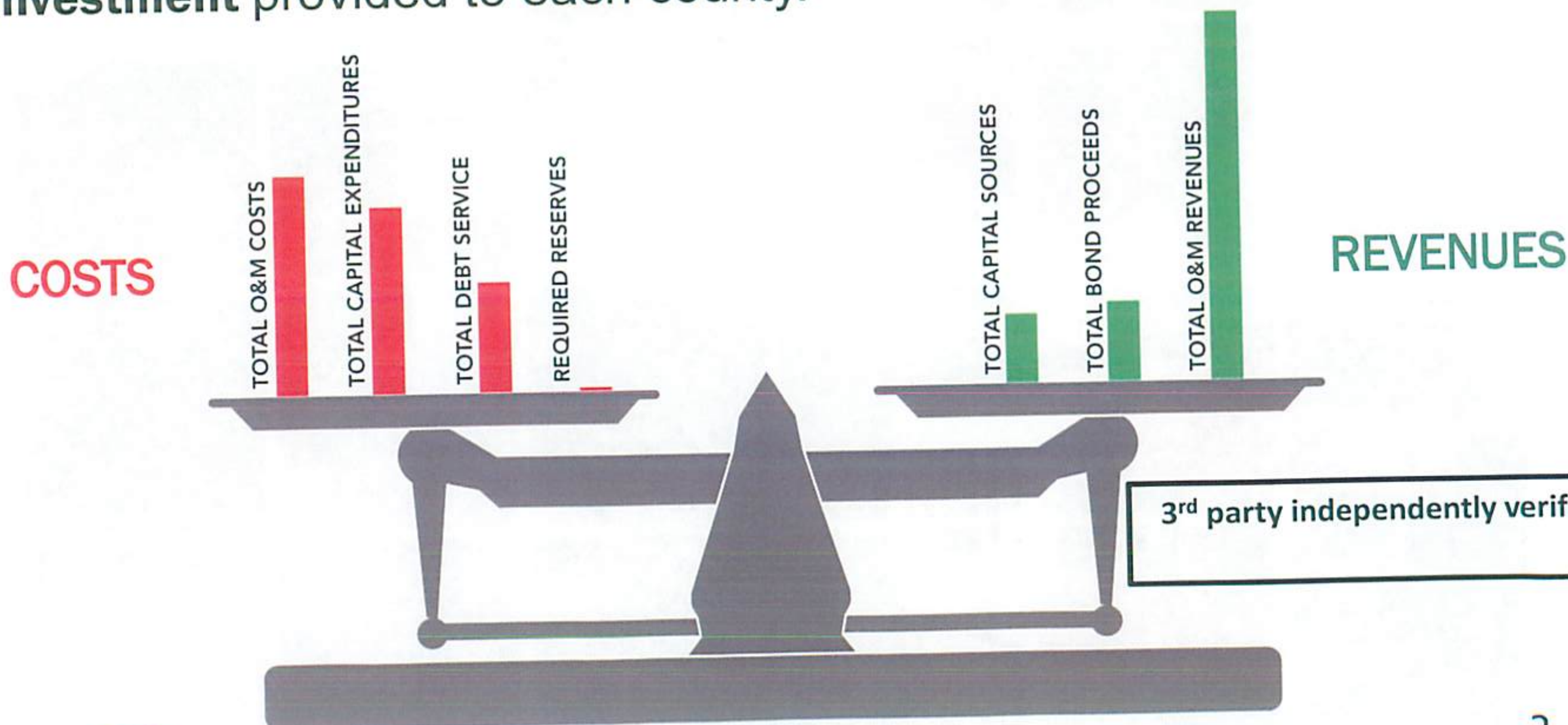
UTA

Year End 2014

June 26, 2015

What is Regional Transit Equity?

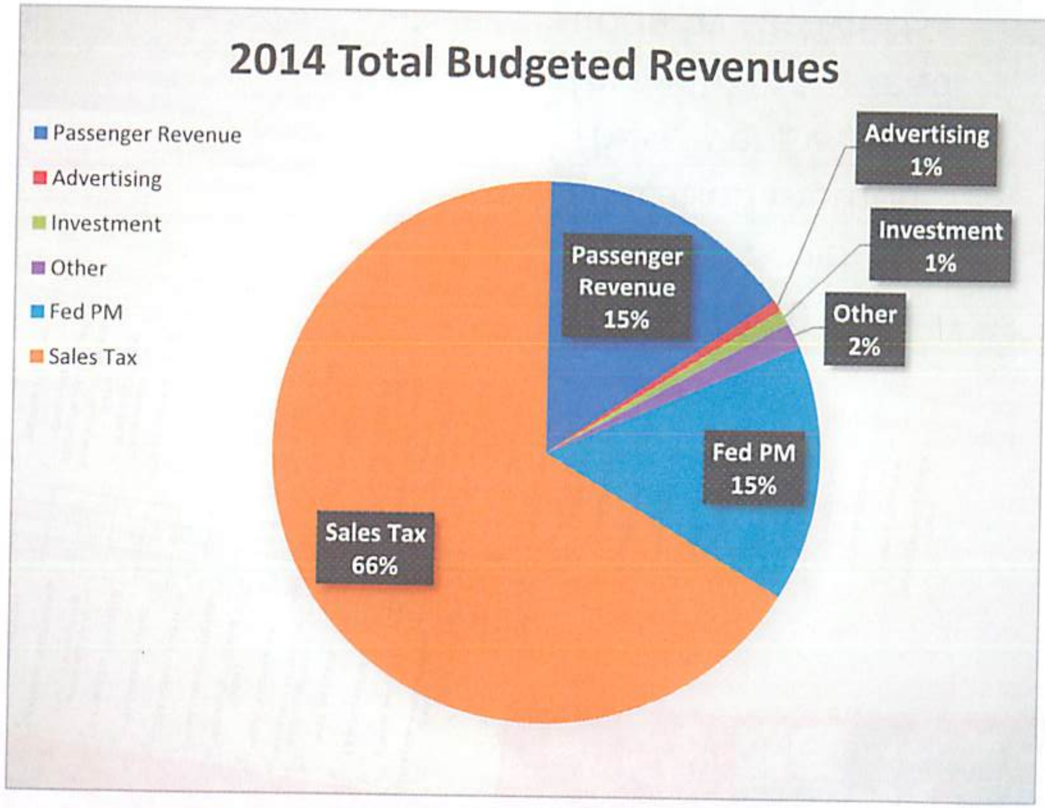
UTA's commitment is to provide **balance** between the **revenues** received from each county and the **level of service** and **capital investment** provided to each county.



3rd party independently verified

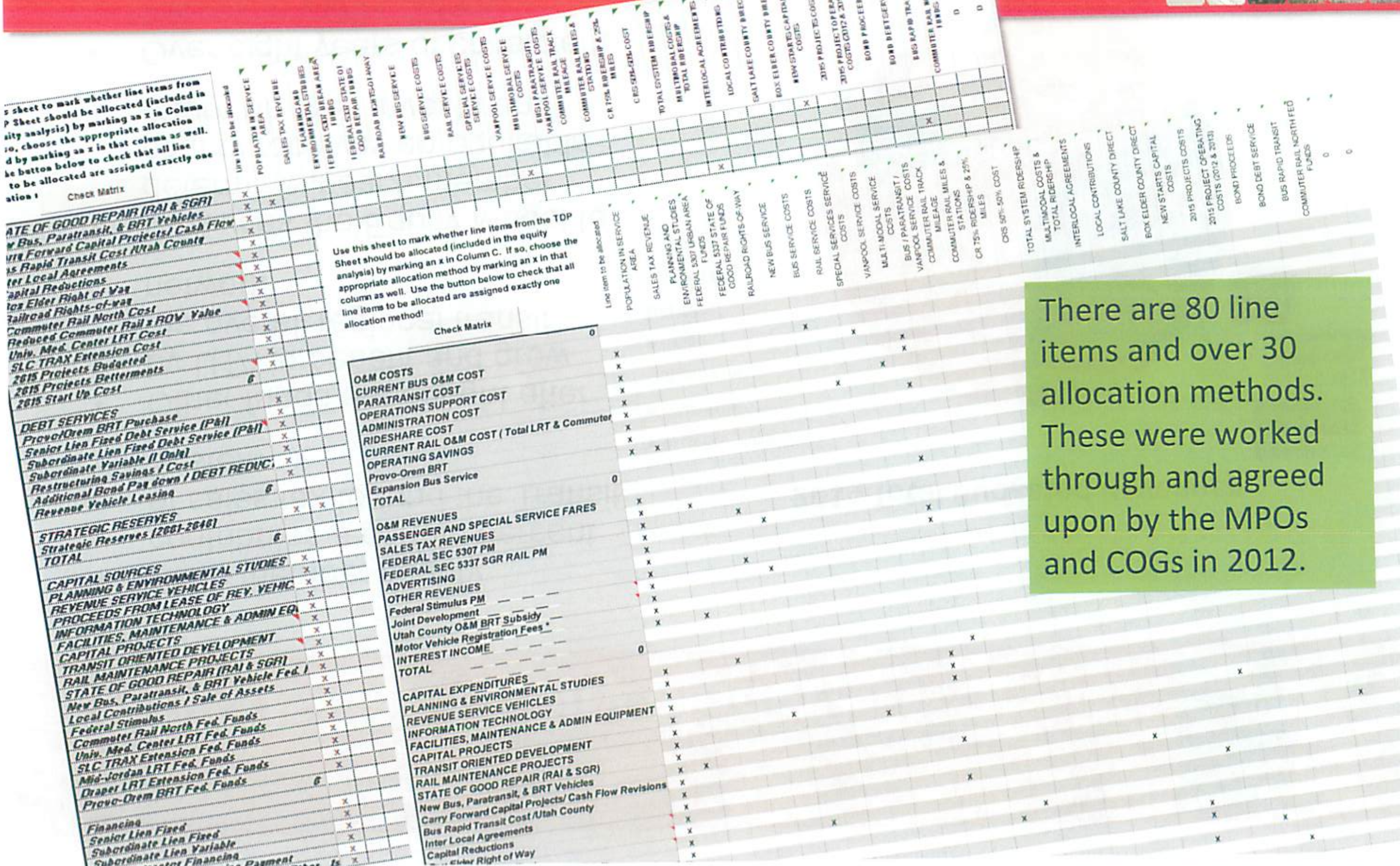
Why Use an Equity Model?

- Each member county contributes a certain percent of sales tax to fund the Transit System
- Other funds are sought after by UTA to benefit and grow the overall regional transit network
- UTA uses the Equity Model to determine if each member county receives an equitable return on their investment
- Over eight years of consistent allocation methodology



UTA

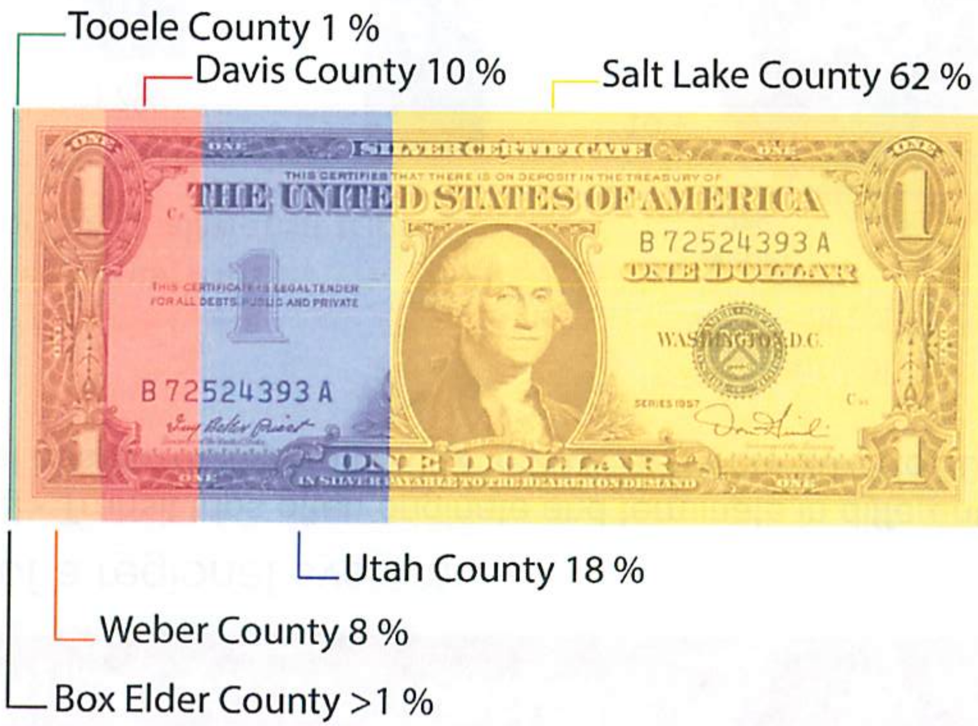
The Equity Model: Allocation Methods



There are 80 line items and over 30 allocation methods. These were worked through and agreed upon by the MPOs and COGs in 2012.

Why Use an Equity Model?

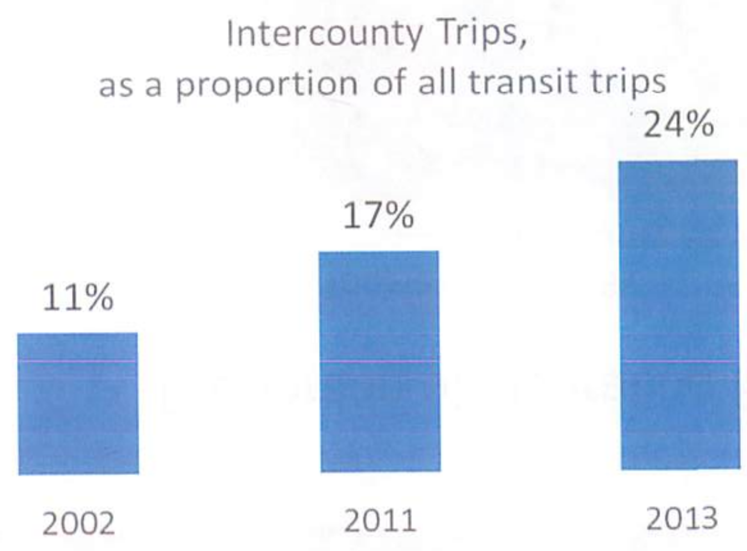
Proportion of Operating Revenues by County: 2014

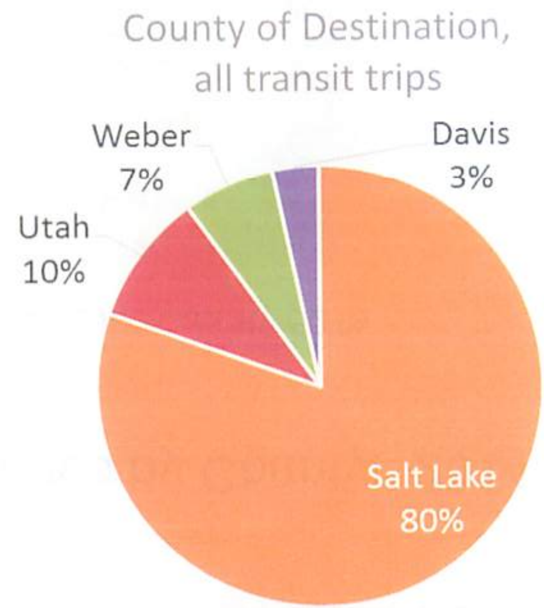


Why Use an Equity Model?

The importance of a regional system:

- Inter-county travel - Transit trips often originate and terminate in different counties. This inter-county travel has increased from 2002 to 2011 and from 2011 to 2013 on Transit.





-From 2013 On-Board Survey
-Box Elder and Tooele County were less than 1% of all destination trips

UTA

Updating the Equity Analysis Model

Steps

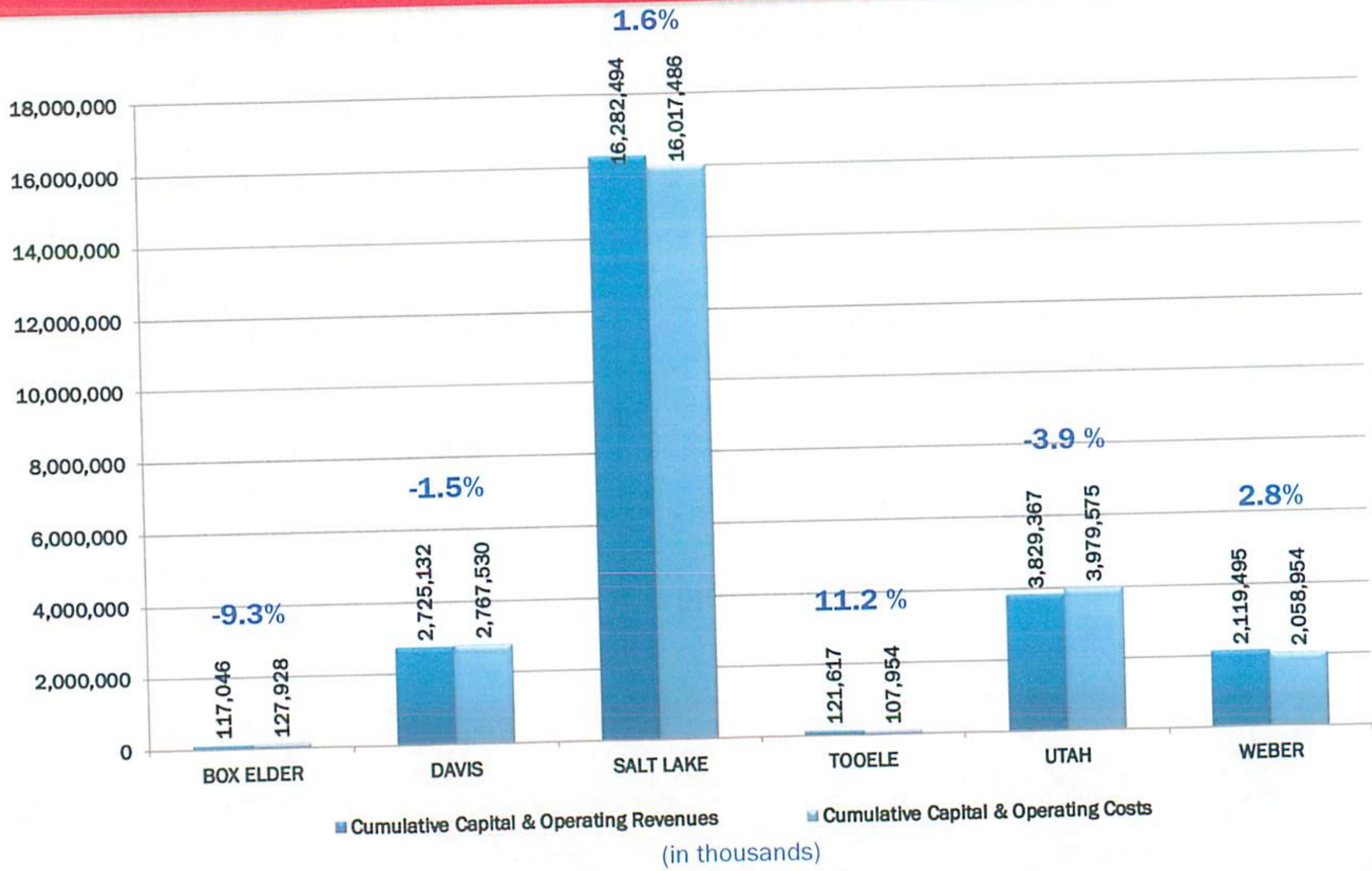
- Document
  - Actual operating revenues and costs from 2001 to 2014
  - Actual capital sources and expenditures from 2001 to 2014
- Projections
  - FY15 costs/revenues through 2040 (i.e.. according to the TDP financial plan)
- Allocate
  - Operating costs and revenues from 2001 to 2040
  - Capital sources and expenditures from 2001 to 2040
  - Allocation method agreed to in 2012 by MPOs and COG members

New for 2014

- Horizon year is now 2040
- Restructuring of debt resulted in savings of $77m: will be used to retire debt early
- "State of good repair" focus and added funds
- Sales tax base was reduced by $1.3 million in 2014 (Due to actual sales tax receipts in 2014)

UTA

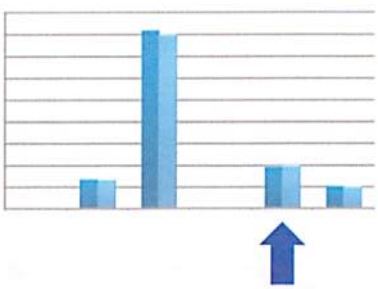
Overall Results

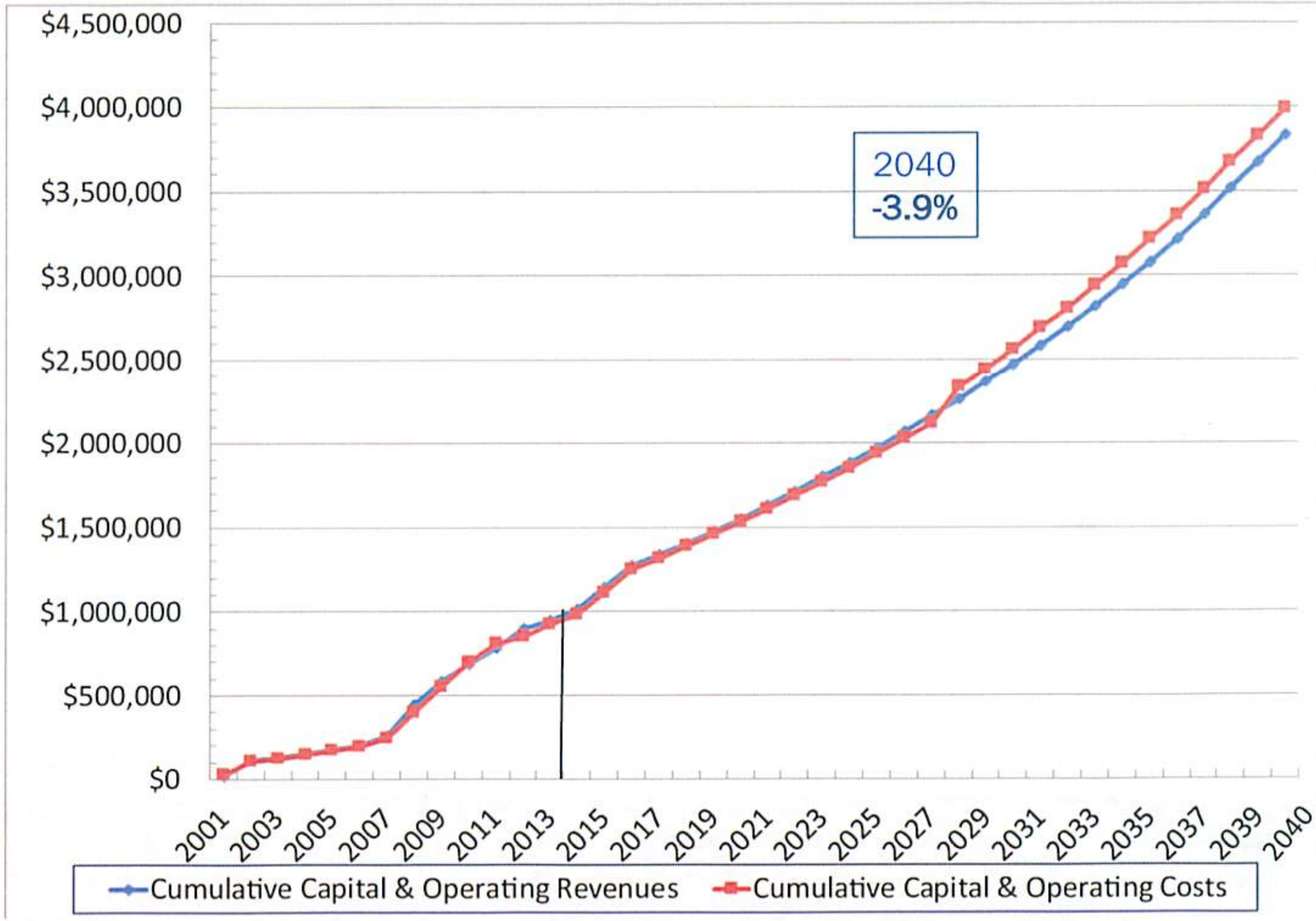


UIA

Utah County Results

Overall Results





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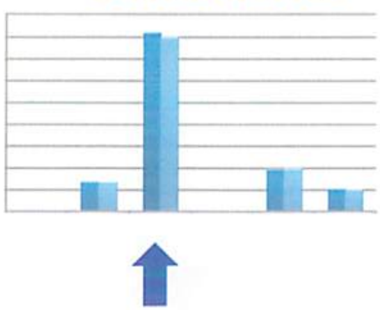
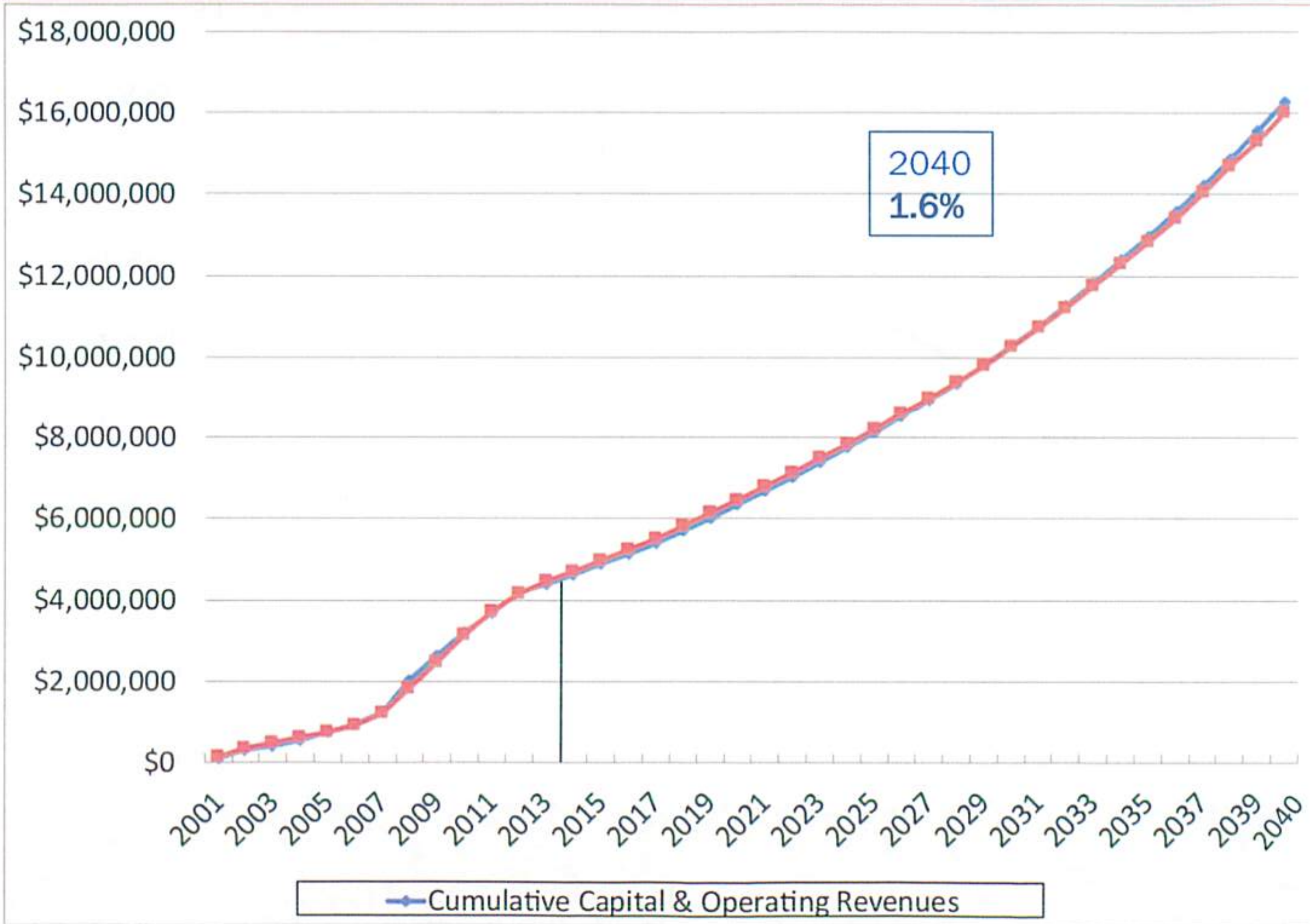
UTA

Salt Lake County Results

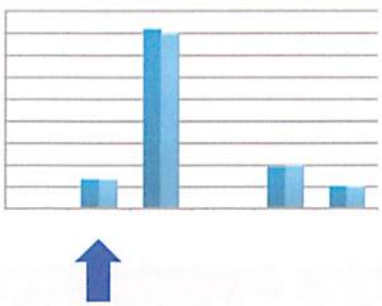


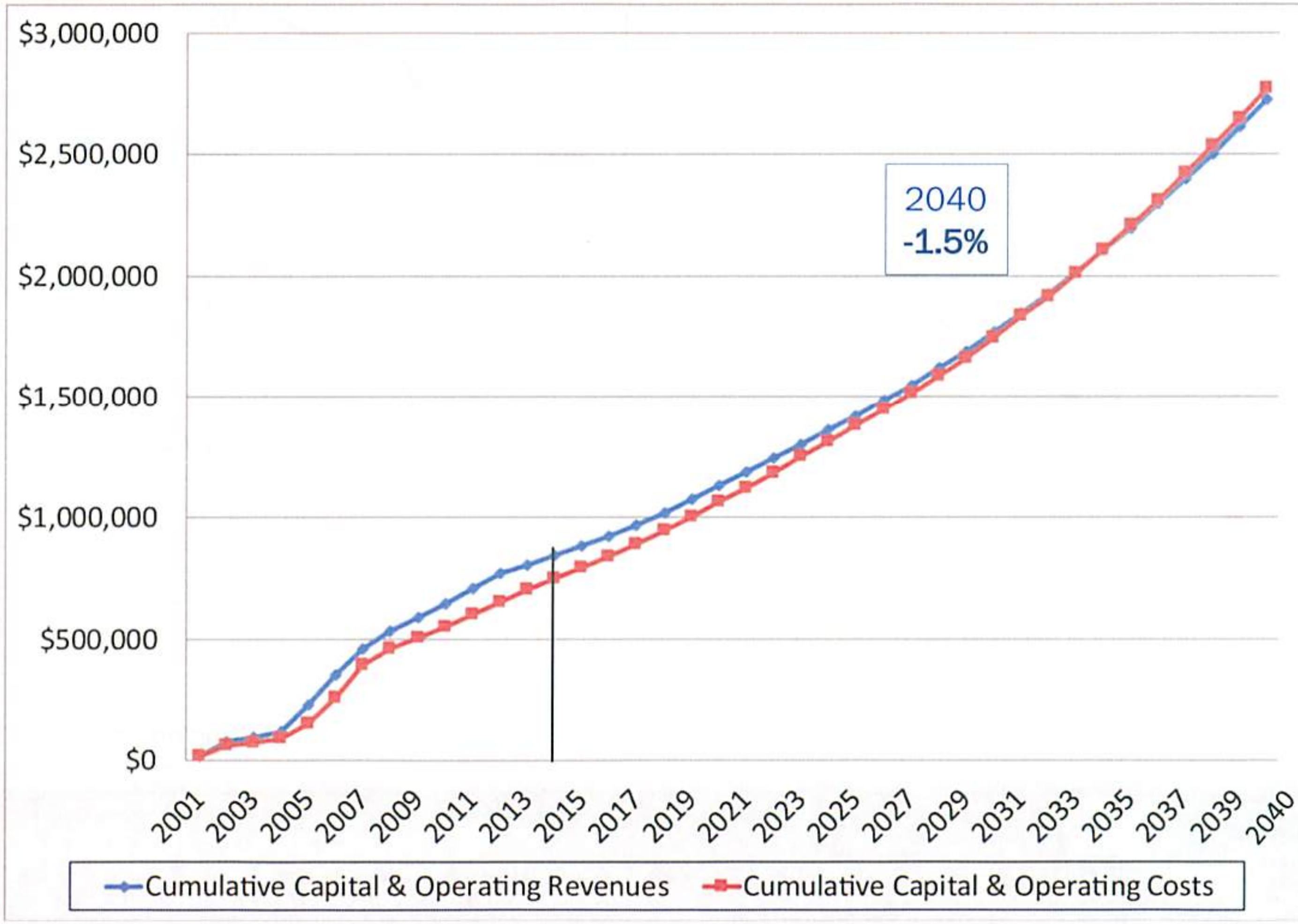


(in thousands)

UTA

Davis County Results





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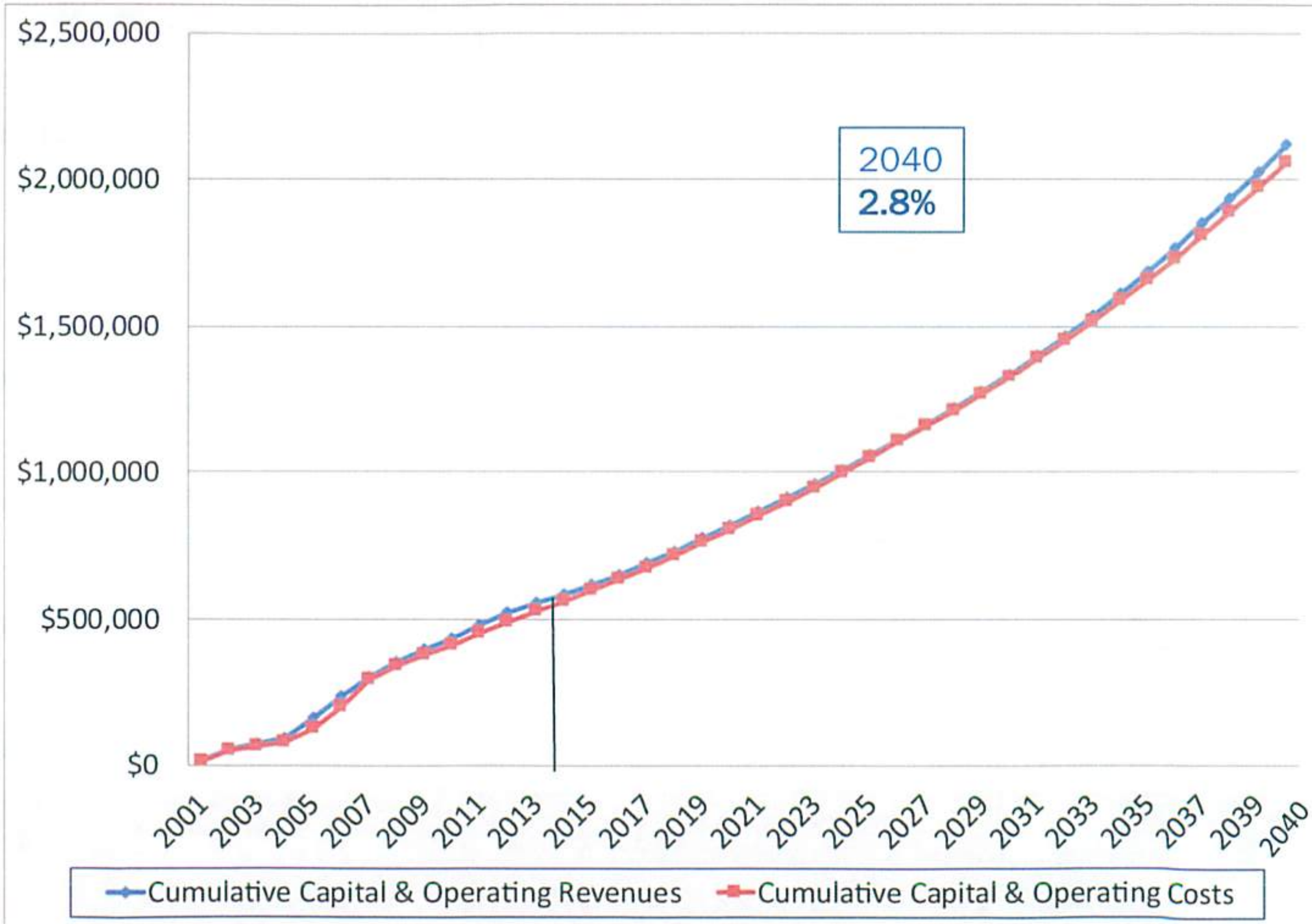
Weber County Results



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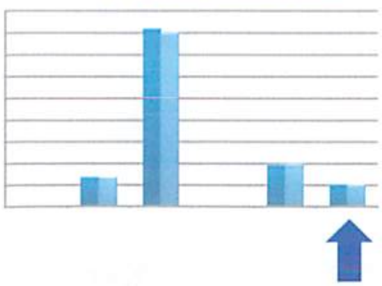
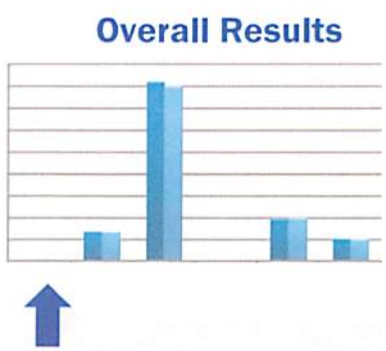
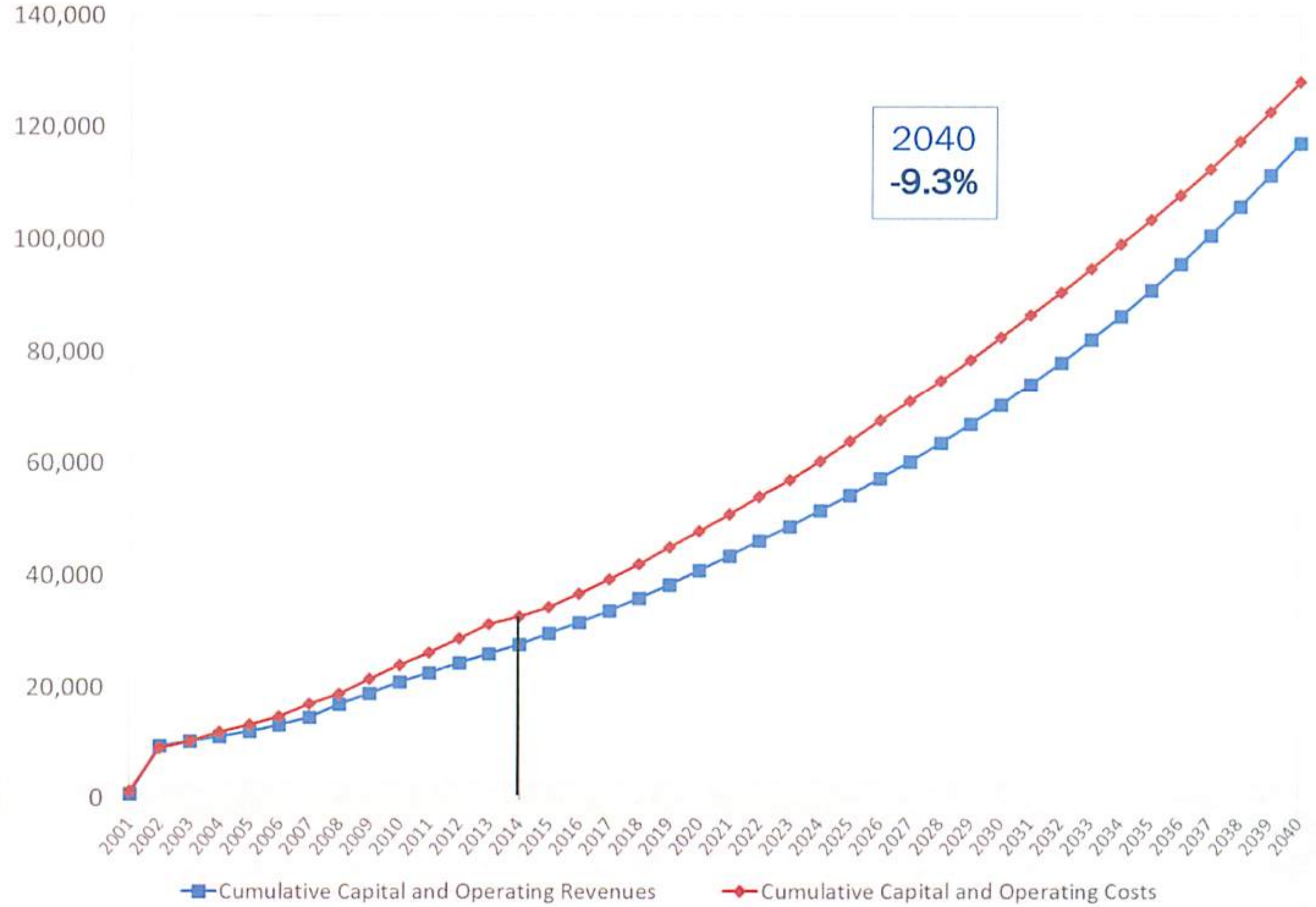
Overall Results



Box Elder County Results

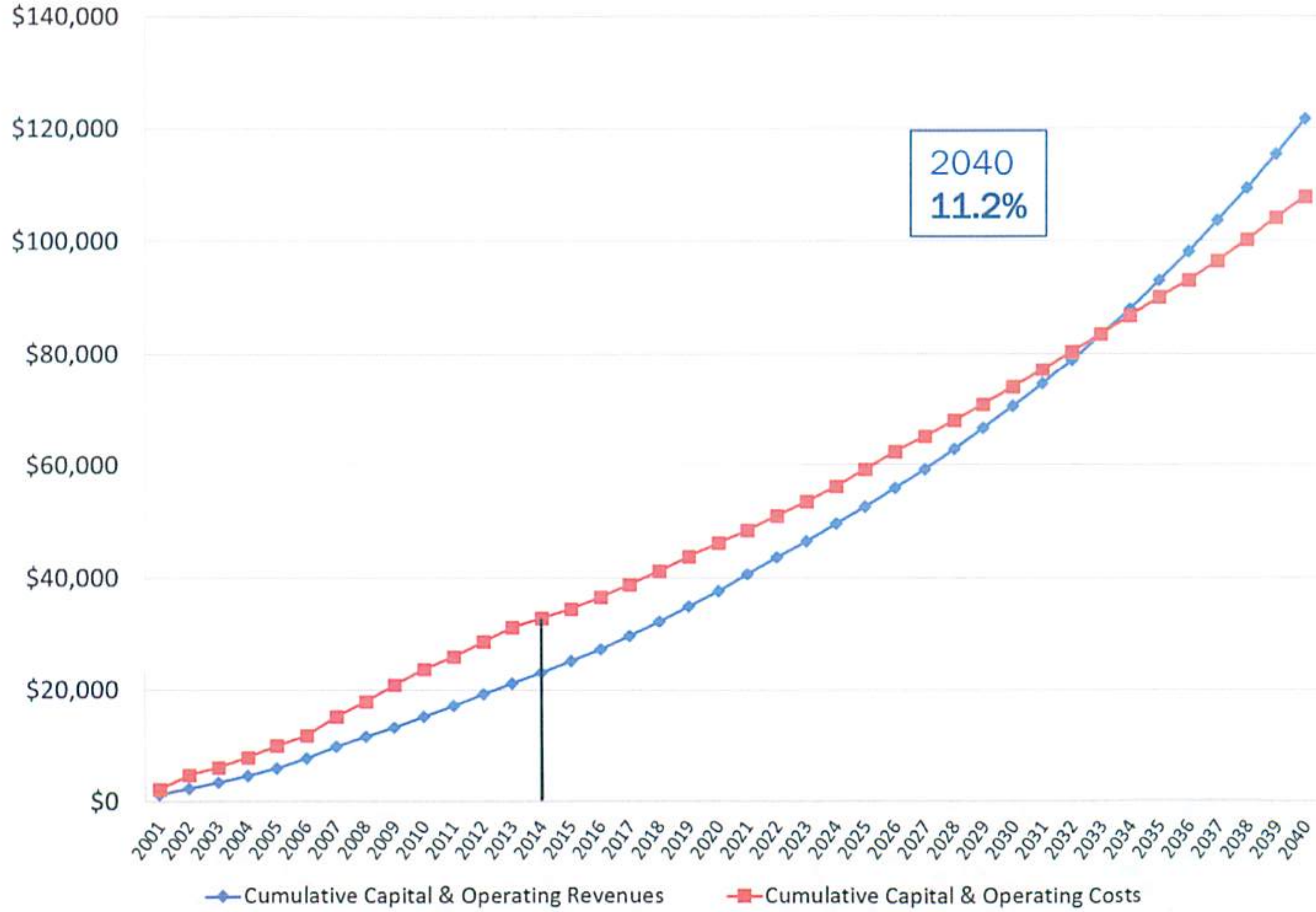




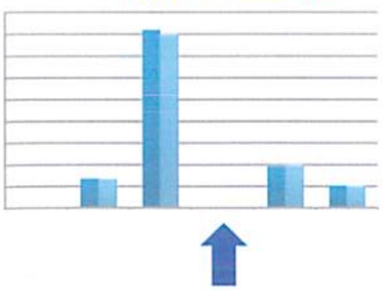
(in thousands)

UTA

Tooele County Results



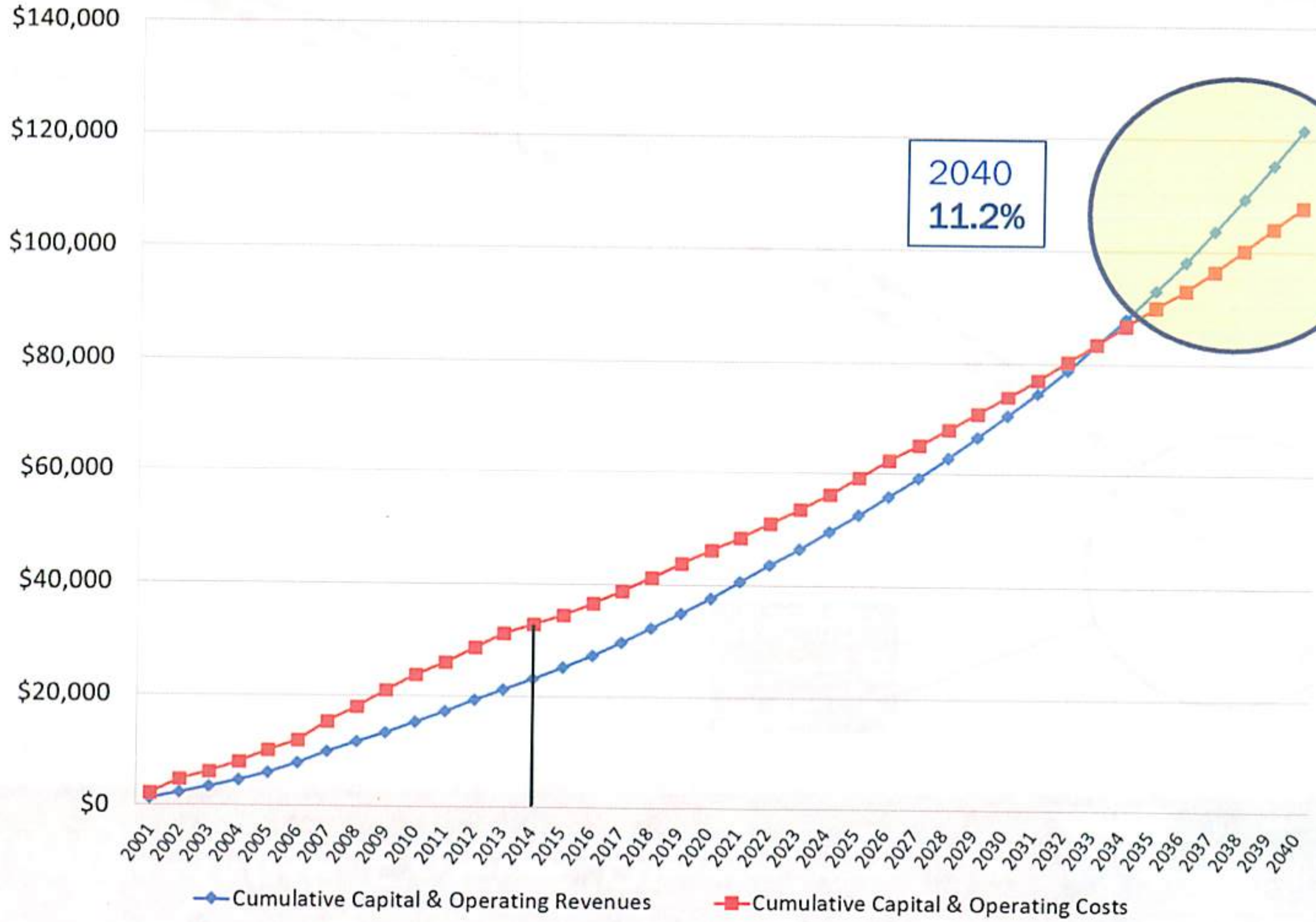
Overall Results



(in thousands)

UTA

Tooele County Results



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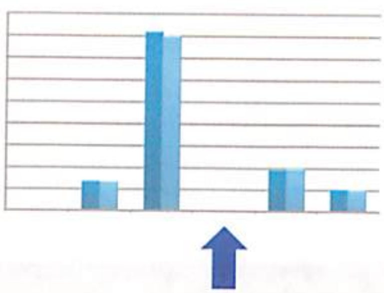
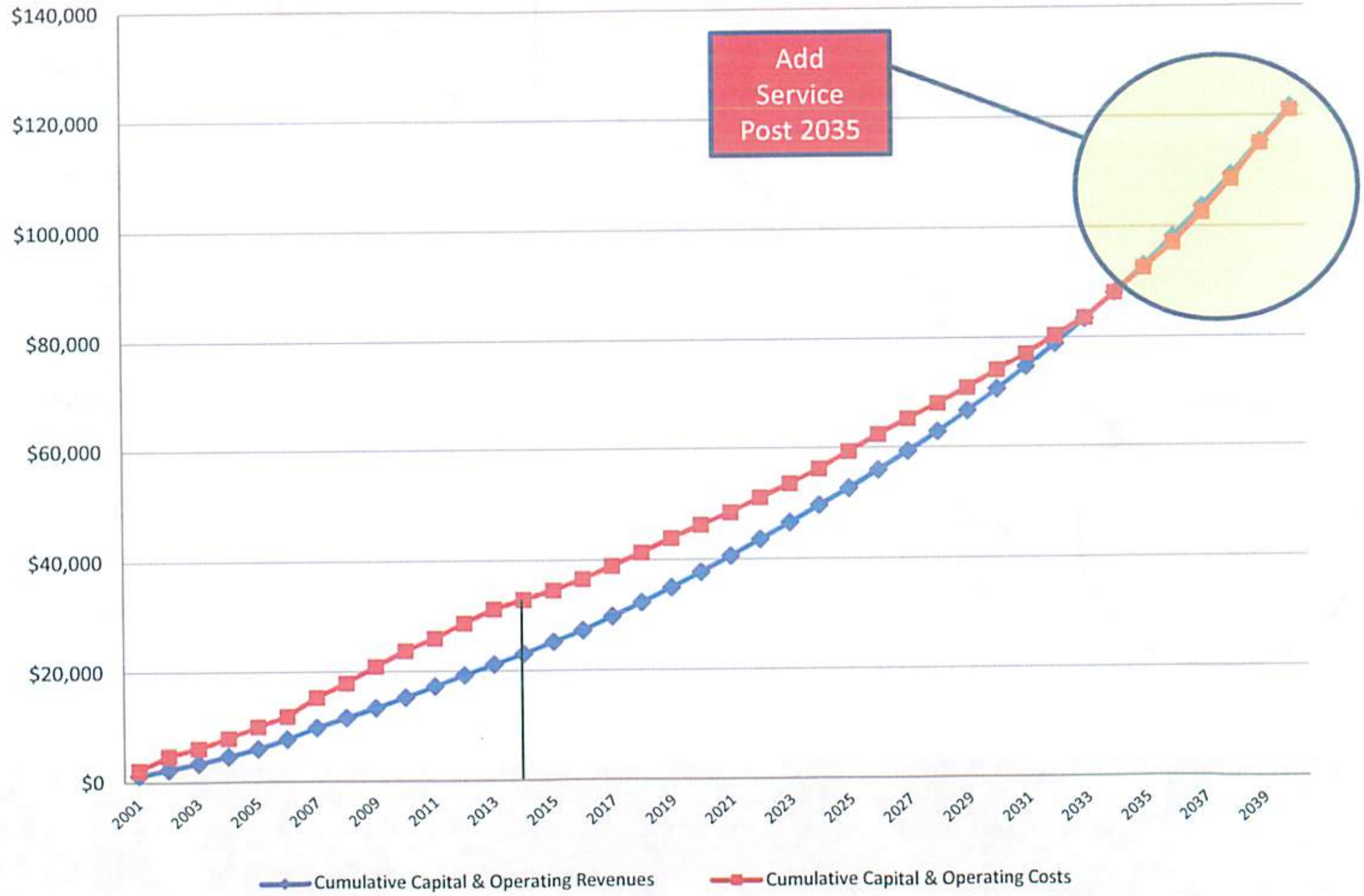
Overall Results



UTA

Tooele County: With Future Planning



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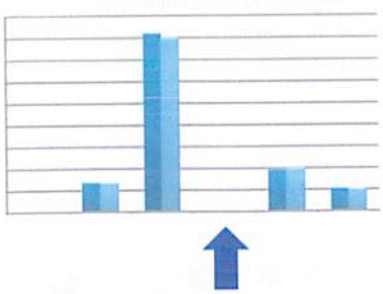
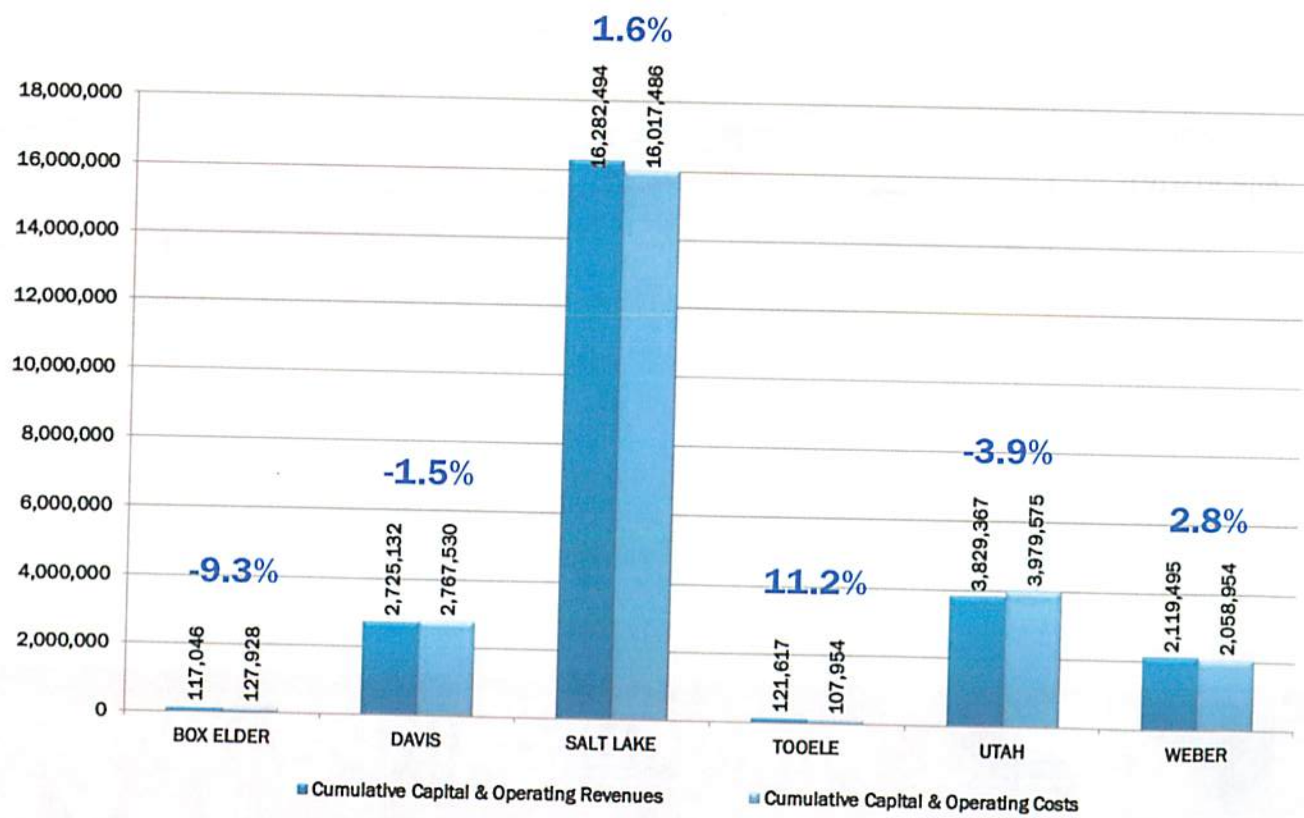
Overall Results



UTA

Results and Conclusions

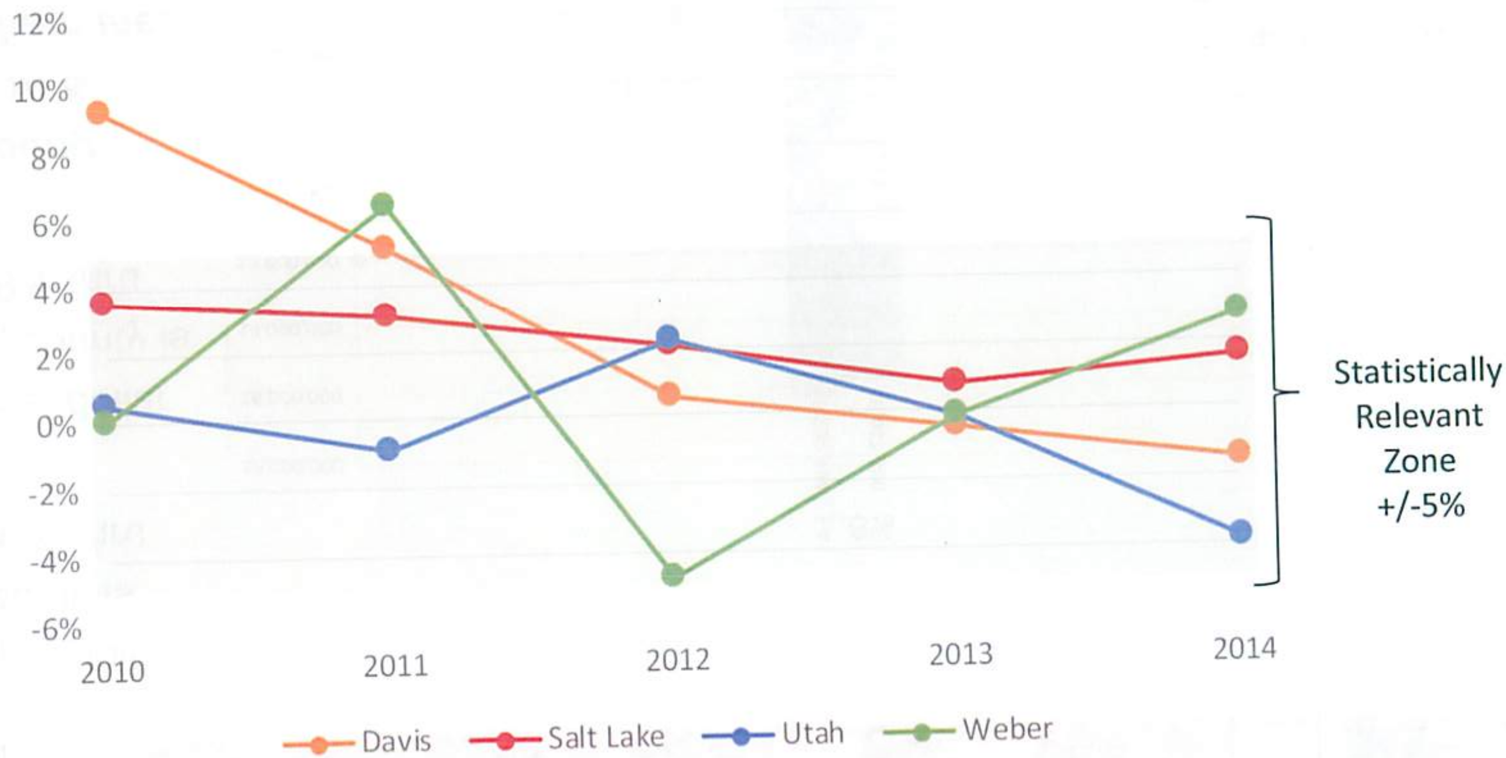
- The largest dollar donor county is within 1.6% thru 2040
- The largest dollar receiving county is within 3.9% thru 2040
- ***Lewis Young Robertson & Burningham Inc. validates equity analysis***



(in thousands)

UTA

Historical Regional Equity Analysis



UTA

Results and Conclusions

- <u>Think long-term</u>

  Multi-year analysis, rather than a year-by-year accounting of costs and revenues by county, is necessary.

- <u>Think regionally</u>

  Realize regional travel between counties and the regional nature of capital financing (federal dollars, long-term bonds).

- <u>Continue to monitor equity & Report Annually</u>

  Use the equity analysis as a Planning Tool to smooth out future bumps.