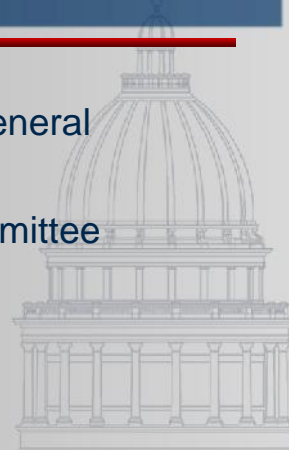


A Performance Audit of the Utah Transit Authority

Utah Legislative Auditor General
Report to the
Transportation Interim Committee
August 26, 2014



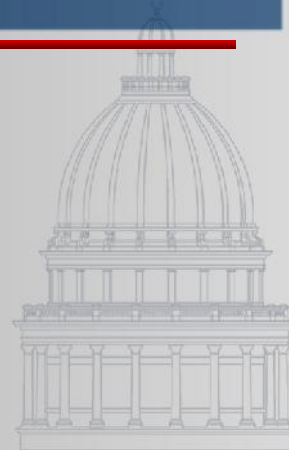
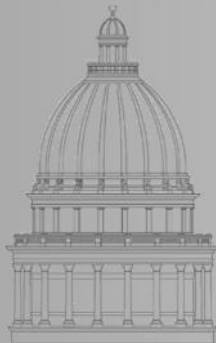
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Slide 1

Chapter I

Introduction

Chapter II – Development
Chapter III – Compensation
Chapter IV – Finance
Chapter V – Ridership

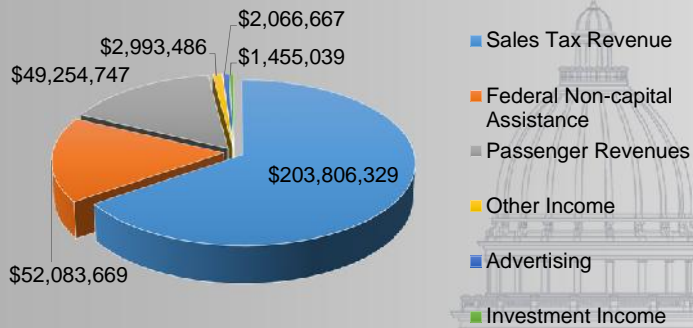


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Slide 2

Sales Taxes Comprise Most of UTA Revenues

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A



FOR MORE INFORMATION
See Page 3

UTA is a Multi-Modal Transit Entity

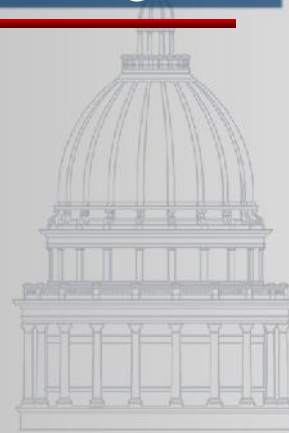
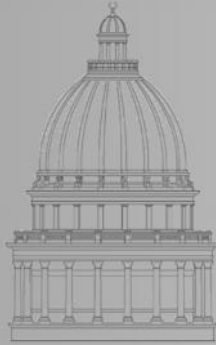
- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A



FOR MORE INFORMATION
See Pages 4 - 5

Development Projects Need Better Control and Oversight

Chapter II



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Slide 5

Questions Exist with Draper FrontRunner Parking Structure

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A

- ▶ UTA prepaid for parking structure
- ▶ No cost-benefit analysis conducted
- ▶ Improvements in process and legal documentation needed
- ▶ UTA has not recouped all prepaid funds

FOR MORE INFORMATION

See Pages 11 - 21

Office of the Legislative Auditor General

Slide 6

UTA Prepaid for Parking Structure

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ UTA prepaid \$10 million for a future garage
- ▶ This action is not consistent with normal UTA practice
- ▶ UTA acted like a banker



FOR MORE INFORMATION

See Pages 12 - 14

Office of the Legislative Auditor General

Slide 7

No Cost Benefit Analysis Conducted

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ Cost Benefit Analysis Should Have Been Conducted



FOR MORE INFORMATION

See Pages 12 - 14

Office of the Legislative Auditor General

Slide 8

UTA Legal Process Can Improve

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

▶ Independent Law Firm

- ◆ UTA's explanations were not supported by the documentation
- ◆ UTA gave up good collateral for questionable collateral
- ◆ Most troubling and out of market aspect of the deal was UTA's casual approach to documentation

FOR MORE INFORMATION

See Pages 15 - 18

Office of the Legislative Auditor General

Slide 9

UTA Has Not Recouped All Prepaid Funds

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ UTA still owed \$1.7 million
- ▶ UTA Had difficulty documenting \$1.5 million
- ▶ \$1.5 million Land Value – should not be counted

FOR MORE INFORMATION

See Pages 17 to 20 & Figure 2.6

Office of the Legislative Auditor General

Slide 10

Questions Exist with Jordan Valley TOD Site

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ Developer selection process was questionable
- ▶ Agreement unusually favored developer
- ▶ \$26 million local and federal funds have been spent



FOR MORE INFORMATION

See Pages 21 - 27

Developer Selection Process Is Questionable

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ UTA Staff Strongly Question Process
- ▶ Three UTA executives vote to not receive required financial information



FOR MORE INFORMATION

See Pages 21 - 24

Operating Agreement Unusually Favored Developer

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

► Independent Law Firm – Snell and Wilmer questions agreements with UTA and developer



FOR MORE INFORMATION

See Pages 24 - 26

Office of the Legislative Auditor General

Slide 13

\$26 Million Have Been Spent on Project

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A



FOR MORE INFORMATION

See Pages 26 - 27

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Chapter II – Recommendations

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

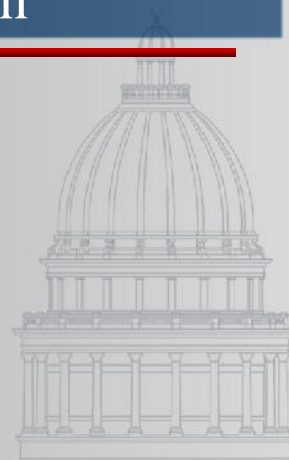
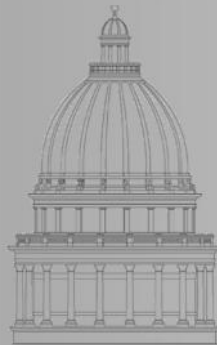
1. We recommend UTA follow UTA internal policy and practice with development projects.
2. We recommend that the UTA Board of Trustees require that all written agreements on development projects be subject to an external independent review before they are signed and enacted.
3. We recommend that the UTA Board of Trustees establish clear policy directives, goals, and benchmarks for development projects.
4. 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.
5. 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 findings to the board.

FOR MORE INFORMATION

See Pages 30 - 31

UTA Should Benchmark Total Compensation

Chapter III



Executive Compensation Includes Large Bonuses and Special Benefits

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A

- ▶ UTA executives receive additional benefits
 - ◆ Asset management plan
 - ◆ Maximum-allowed 457 contribution
 - ◆ Car allowance
 - ◆ Special life insurance
 - ◆ Special retirement benefit
- ▶ UTA executives receive large bonuses

FOR MORE INFORMATION

See Pages 34 - 37

Office of the Legislative Auditor General

Slide 17

UTA Compensation Higher than UDOT or SLC Department of Airports

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A

- ▶ UTA General Manger:
 - ◆ Compensated 82% more than UDOT executive director
 - ◆ Compensated 15% more than executive director of Salt Lake International Airport
- ▶ UTA executive's team earned 49% more in total compensation than UDOT

FOR MORE INFORMATION

See Pages 37 - 40

Office of the Legislative Auditor General

Slide 18

UTA Did Not Report All Compensation to Transparency Website

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A

- ▶ Fifteen percent of executive compensation not reported
 - ◆ \$260,702 in Pension Contribution (Retirement)
 - ◆ \$140,203 in Asset Management Plan (Deferred Compensation)

FOR MORE INFORMATION

See Pages 42 - 44

Chapter III – Recommendations

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A

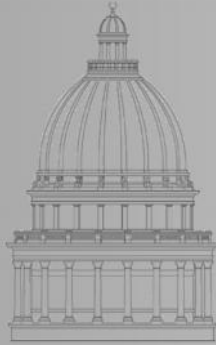
1. We recommend that the UTA Board of Trustees direct UTA staff to benchmark total compensation, including salary, benefits, and bonuses when comparing themselves to other agencies.
2. We recommend that the UTA Board of Trustees direct UTA staff to discontinue the use of for-profit data in its compensation benchmarking policy and practice and instead limit comparisons to other appropriate transit and government entities.
3. We recommend that UTA report all employees' compensation to transparent.utah.gov.

FOR MORE INFORMATION

See Pages 44 - 45

Financial Constraints Affect Asset Upkeep, Bus Service, and New Projects

Chapter IV



Office of the Legislative Auditor General

Slide 21

UTA Faces Major Financial Constraints

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ UTA has adjusted some cost and revenue projections
- ▶ Debt service will consume increasing revenue until 2018
- ▶ Operating and debt service costs will exceed revenues for three years
- ▶ UTA reserves will decrease until the end of the decade

FOR MORE INFORMATION

See Pages 48 - 53

Office of the Legislative Auditor General

Slide 22

Rail Upkeep Costs Are Significant and Underfunded

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ UTA will need to identify future funding sources for State-of-Good-Repair (SGR) costs
- ▶ SGR costs need to be fully considered before new lines are constructed

FOR MORE INFORMATION

See Pages 53 - 56

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Slide 23

Bus Service Continues to Be Reduced

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ Bus service has been cut because of tight funding
- ▶ New funding sought to increase bus service



FOR MORE INFORMATION

See Pages 56 - 58

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Slide 24

Chapter IV – Recommendations

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

1. We recommend that UTA management consider 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
2. We recommend that UTA management include the current projected ongoing state-of-good-repair costs in its transit development plan.

FOR MORE INFORMATION

See Page 61

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Transit Is Highly Subsidized; Better Data Can Aid UTA Board's Customer Focus

Chapter V

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Slide 26

Questions with Farebox Policy Still Exist

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A

- ▶ Fare prices vary significantly by fare type
- ▶ Taxpayer subsidies vary significantly by service type
- ▶ Farebox recovery by operating costs has increased

FOR MORE INFORMATION

See Pages 64 - 73

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Slide 27

UTA Still Needs to Improve Passenger Data

- ◆ Chapter I Introduction
- ◆ Chapter II Development
- ◆ Chapter III Compensation
- ◆ Chapter IV Finance
- ◆ Chapter V Ridership
- ◆ Q&A

- ▶ UTA's EFC system is promising but not yet adequate
- ▶ Improved data is needed to implement recommendations
- ▶ Board could better utilize its internal auditor

FOR MORE INFORMATION

See Pages 73 - 76

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Slide 28

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

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

- ▶ Customer-focused metrics should be provided to the board
 - ◆ Customer complaints
 - ◆ Customer satisfaction
 - ◆ Transfer rates
- ▶ Board should routinely review market share metrics

FOR MORE INFORMATION

See Pages 76 - 80

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Chapter V – Recommendations

- ◆ Chapter I
Introduction
- ◆ Chapter II
Development
- ◆ Chapter III
Compensation
- ◆ Chapter IV
Finance
- ◆ Chapter V
Ridership
- ◆ Q&A

1. We recommend the UTA Board of Trustees review taxpayer subsidies to all fare types and service modes, through data analysis and solicitation of public and stakeholder feedback.
2. 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.
3. We recommend that the UTA Board of Trustees direct UTA staff to provide them with regular and consistent customer feedback metrics.
4. We recommend that the UTA Board of Trustees direct UTA staff to begin providing them with regular and consistent transit market-share information.

FOR MORE INFORMATION

See Page 80

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A Performance Audit of the Utah Transit Authority

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August 26, 2014

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Slide 31

