

**AGENDA OF THE REGULAR MEETING
OF THE
BOARD OF TRUSTEES OF THE UTAH TRANSIT AUTHORITY**

PUBLIC NOTICE is hereby given of the
Regular Meeting of the
Board of Trustees of the Utah Transit Authority at
1:30 p.m. on Wednesday, July 26, 2017,
at the Utah Transit Authority Headquarters located at
669 West 200 South, Salt Lake City, Utah
Golden Spike Conference Rooms

www.rideuta.com/board

1. **Welcome to UTA Board Meeting** **Robert McKinley,**
Board Chair
2. **Pledge of Allegiance** **Rebecca Cruz,** Board of
Trustees Support
3. **Safety First Minute** **Dave Goeres,** Chief Safety,
Security & Technology Officer
4. **Swearing in of New Trustee** **Rebecca Cruz**
5. **Item(s) for Consent** **Robert McKinley**
 - a. [Approval of June 28, 2017 Meeting Report](#)
6. **General Public Comment Period** **Robert McKinley**

(The Board of Trustees invites brief comments or questions from the public. Please note, in order to be considerate of everyone attending the meeting and to more closely follow the published agenda times, public comments will be limited to two minutes per person per item. A spokesperson who has been asked by a group to summarize their comments may be allowed five minutes to speak.)
7. **President/CEO Report** **Jerry Benson,**
President/CEO
8. **Mid-Year President/CEO Performance Report** **Jerry Benson,**
President/CEO
9. **Committee Updates**
 - Audit Review Committee Trustee Troy Walker
 - a. [2016 Pension Audit Report](#)
 - b. [2016 Financial Audit Report](#)
 - c. [Q2 2017 Internal Audit Report](#)
 - Planning & Long-Term Vision Committee Trustee Charles Henderson
 - a. [2040 Long-Term Strategic Plan Update](#)

- a. Citizen's Advisory Board Update
- b. [Report on Customer & Public Feedback](#)
- c. Communications/Public Relations Update

10. Closed Session

Robert McKinley

- a. Discussion of the Purchase, Exchange, Lease or Sale of Real Property when Public Discussion would Prevent the Authority from Completing the Transaction on the Best Possible Terms.
- b. Strategy Session to Discuss the Character, Professional Competence, Physical or Mental Health of an Individual.
- c. Strategy Session to Discuss Collective Bargaining.
- d. Strategy Session to Discuss Pending or Reasonably Imminent Litigation.

11. Action Taken Regarding Matters Discussed in Closed Session

Robert McKinley

12. Other Business

Robert McKinley

- a. none

13. Adjourn

Robert McKinley

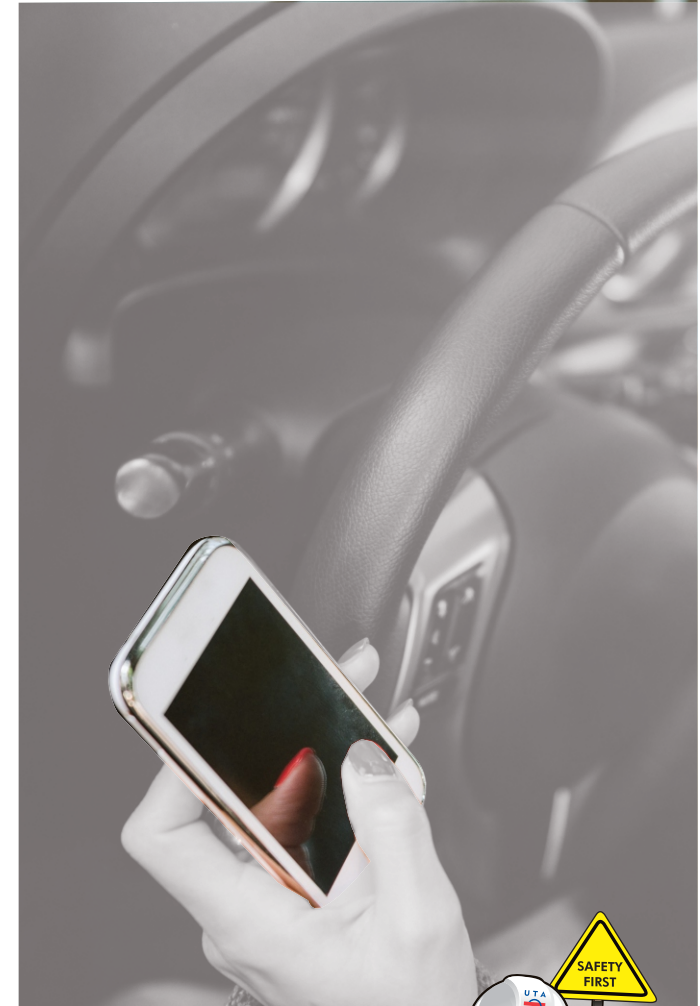
The Board Mission Statement

Utah Transit Authority strengthens and connects communities thereby enabling individuals to pursue a fuller life with greater ease and convenience by leading through partnering, planning, and wise investment of physical, economic, and human resources.

Contact Regarding this Agenda:

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Safety is a state of mind - accidents are an absence of mind



UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	July 26, 2017
CONTACT PERSON:	Robert McKinley, Chair
SUBJECT:	Minutes of the UTA Board Meeting
BACKGROUND:	The minutes were distributed to the Board and any revisions or changes have been incorporated. The minutes are presented for approval.
ALTERNATIVES:	<ul style="list-style-type: none">• Approve as presented• Amend and approve• No action
RATIONALE FOR PREFERRED ALTERNATIVE:	The minutes have been reviewed by the Board.
FINANCIAL IMPACT:	None
LEGAL REVIEW:	
EXHIBITS:	<ul style="list-style-type: none">• 06-28-17 Board Meeting Report



**Report of the Meeting
of the
Board of Trustees of the Utah Transit Authority (UTA)
held at UTA FrontLines Headquarters located at
669 West 200 South, Salt Lake City, Utah
June 28, 2017**

Board Members Present:

Robert McKinley, Chair

Sherrie Hall Everett, Vice Chair

Jeff Acerson

Cortland Ashton

Greg Bell

Necia Christensen

Babs De Lay

Charles Henderson

Dannie McConkie

Bret Millburn

Brent Taylor

Troy Walker

Board Members Excused/Not in Attendance: Karen Cronin and Jeff Hawker

Also attending were members of UTA staff, as well as interested citizens and media representatives.

Welcome and Call to Order. Chair McKinley welcomed attendees and called the meeting to order at 1:33 p.m. with ten voting board members present. Chair McKinley announced that today's meeting is the first live-streamed board meeting. He commended UTA's communications and information systems teams on completing the year-long live-streaming project. The board and meeting attendees then recited the Pledge of Allegiance.

Safety Minute. Chair McKinley yielded the floor to Dave Goeres, UTA Chief Safety, Security & Technology Officer, for a brief safety message.

Item(s) for Consent. Consent items consisted of the following:

- Approval of May 24, 2017 Meeting Report
- March/April 2017 Financial Reports and Dashboard

A motion to approve the consent agenda was made by Trustee De Lay and seconded by Trustee Millburn. The motion carried by unanimous consent.

Trustee Walker joined the meeting at 1:41 p.m.

General Public Comment Period. Public comment was given by George Chapman, representing the Utah Transit Riders Union.

President/CEO Report. Jerry Benson, UTA President/CEO, delivered a report on the following topics:

- Announcement to double track a segment of the S-Line from 300 East to 500 East
- Launch of Volunteer Driver Program pilot in Davis and Weber counties
- Completion of organizational standards audits for quality, environmental, and safety
- Grant award for positive train control on the commuter rail system

Trustee De Lay requested a monthly ridership update compared to goals. Trustee Millburn asked for information on property values along the S-Line corridor prior to construction compared with property values now that the S-Line is in operation.

Trustee Henderson joined the meeting at 1:57 p.m.

Presentations/Informational Items.

Benchmark Survey Report. Nichol Bourdeaux, UTA Vice President of External Affairs & Constituent Services, introduced Andrea Packer, UTA Communications Director, who delivered a presentation on UTA's annual benchmark survey, which is performed to gauge overall public perceptions of the organization. Throughout the presentation questions were posed by the board and answered by staff, Kjersten Adams from Dan Jones & Associates (the firm that conducted the survey), and Bob Henrie from R&R Partners (UTA's advertising agency). Trustee De Lay asked that questions be included in future surveys about awareness of ski service, fares, vanpool services, carpool services, and partner services like GREENbike. Ms. Packer responded that the current survey includes data for some of these services, but not all, and noted Trustee De Lay's suggestions. Trustee Taylor asked Ms. Adams to explain discrepancies between this survey conducted for the agency and a separate survey on UTA conducted for Utah

Policy by Dan Jones & Associates “within a few weeks of each other.” His questions were answered by Mr. Henrie and Ms. Adams. Mr. Henrie remarked that the specific results Trustee Taylor referenced were not a true comparison, with UTA’s survey measuring overall impression and Utah Policy’s survey measuring perceived performance. Ms. Adams said that the polling audiences were different, with UTA’s audience being residents along the Wasatch Front and Utah Policy’s audience being the entire state. She added that the Utah Policy audience was an audience of registered voters. Trustee Taylor suggested including some likely voting polling in UTA’s future surveys. Chair McKinley clarified that the UTA survey and the Utah Policy survey were conducted a year apart and added that UTA completed substantive reforms during the course of that year.

Operations Planning: Bus/Rail Presentation. Todd Provost, UTA Vice President of Operations, Capital & Assets, gave a presentation on bus and rail operations. He covered topics such as how service is managed, special event planning, continuous improvement efforts, and employee engagement. Trustee Ashton asked about advertising for special event service. Mr. Provost responded with a general explanation of UTA’s overall promotional efforts and Ms. Packer provided a detailed example of work that is done with the University of Utah to promote ticket-as-fare. Trustee Ashton then asked about the capacity of FrontRunner on snow days. Mr. Provost remarked that there is capacity on snow days for additional commuter rail trains as well as riders who are willing to stand.

Chair McKinley indicated the next item on the agenda was a Clearfield property decision and that his law firm has done some work for Stadler Rail (Stadler), one of the potential parties in the contemplated Clearfield transaction. He further stated that he had no personal involvement with his firm’s work for Stadler and no financial interest in it. He recused himself from discussion and voting on the matter and asked Vice Chair Everett to assume control of the meeting.

Resolution: R2017-06-01: Resolution to Conditionally: 1) Remove Property from TOD Designation; 2) Declare Property as Surplus; 3) Set Conditions for Possible Conveyance of Property; and 4) Describe Parameters for Purchase and Sale Agreement to Clearfield City.

Presentation of Item. Vice Chair Everett summarized the history of the UTA property located at Clearfield Station and the current proposal. Robert Biles, UTA Vice President of Finance, explained the need for a second resolution on the conditional approval of the property disposition. Paul Drake, UTA Senior Manager of Real Estate and Transit-

Oriented Development, outlined the details of the terms that would be effected with passage of the resolution.

Clearfield Mayor Mark Shepherd addressed the board and expressed support for the transaction and passing the resolution.

Mr. Drake distributed a summary of a third appraisal on the property and spoke about infrastructure needs at the site.

Discussion ensued. Trustee Taylor asked why there was a disparity between the first, second, and third appraisals on the infrastructure costs. Mr. Drake said infrastructure costs were not included in the first appraisal, a flat 20 percent of the property value was included for infrastructure costs in the second appraisal, and engineering projections from the Stadler site designs were used to inform the infrastructure costs for a lift station and forced sewer main in the third appraisal. Trustee Taylor then asked if the Community Development and Renewal Agency (CDRA) was asked to pay infrastructure costs. Mr. Drake responded in the negative and explained that the purpose of the appraisal was simply to establish a valuation of the land. Trustee Taylor asked about the five-year term of the 60 percent lease option. Mr. Drake replied that generally options are not that long, and that, according to conversations with appraisers, there is no industry standard for valuing an option but explained that the calculation was negotiated with Clearfield City based on the time and nature of what UTA was conceding in the transaction. Mr. Drake stated that a sale of this property in five years would be at future market value. Trustee Christensen asked whether the lift station being installed at the site would be for Stadler only or for the entire site. Mr. Drake responded that it would be for the entire site. Trustee Walker asked how the sizing of the lift station was determined without knowing the future density on the property. Mr. Drake replied that the sizing for the lift station was based on assumptions of the density of future occupancy and added that UTA will ensure the design of the lift station will accommodate future capacity. Trustee Bell asked about the conditions of the contract between UTA and Clearfield City regarding the property if the sale to Stadler is not completed. Mr. Drake responded that if the transaction between Clearfield City and Stadler does not occur, UTA has the right within the first two years to purchase the property back from the city. Mr. Blakesley added that Clearfield City intends to do a combined closing with UTA and Stadler on the property transaction, which would make any issues associated with the city's sale to Stadler unlikely. Trustee Henderson asked if costs for the lift station would be passed on to Thackeray Garn (a developer that owns a portion of the site). Mr. Drake replied that Thackeray Garn will not be charged because

it has installed its own facilities. Trustee Taylor asked if the [high-density] zoning on UTA's remnant parcels is guaranteed and if a development agreement has been pursued with the city. Mayor Shepherd responded in the negative regarding both the zoning and development agreement. Adam Lenhard, Clearfield City Manager, explained the city's process and stated that the council cannot act on a zoning request until a land use application has been completed. He said no application has been received by the city for this property. He then stated that Clearfield intends to put the station area plan into its general plan and will guarantee that through an already-drafted memorandum of understanding (MOU). Mr. Blakesley stated that the proposed MOU contains three requirements: 1) the creation of a station area plan jointly funded by UTA and Clearfield City, 2) the completion of a design process with the stated outcome of the process to be achieving maximum densities on the site, and 3) the inclusion by the city of the outcome of the process in its general plan with the general plan being referenced for any zoning change requests. Trustee Walker asked if the city would consider creating an overlay zone on its own. Mayor Shepherd responded that inclusion of the station area plan in the general plan should be sufficient. Trustee Taylor opined that a development agreement needs to be in place before the contemplated transaction is completed. Mayor Shepherd replied that no station area plan exists and since it is currently unknown what will be built on the site in the future, it does not make sense to rezone the property at the present time.

Further discussion ensued. Mr. Drake concluded by saying the process for developing UTA's remaining properties is in alignment with UTA's new TOD policy.

Public Input. Robert Biles, acting in his capacity as secretary of the board, indicated that no comments regarding the resolution were received online. In-person comment was given by George Chapman.

Board Discussion and Decision/Action. A request was made for a short break. Trustee Everett initially accepted a motion for a brief recess, but no recess was taken.

A motion to approve the resolution was made by Trustee Millburn and seconded by Trustee McConkie. Trustee Taylor stated he would not be voting in support of the motion for a number of reasons: the agency "gave away \$3.5 million in land" to settle a disagreement with Thackeray Garn regarding development of the site, there is no commitment from the city on zoning for UTA's remnant parcels on the site, the full appraisal report on the property is not yet available, and the most recent legislative audit on UTA raised concerns regarding the board's approval of contracts with missing

financial information and inadequate oversight. Trustee Millburn said he appreciates the robust discussion and tremendous amount of work that has been performed on this project. He added that the level of engagement “in the realm of transparency” on this property issue is apparent. Trustee Millburn said he respectfully disagrees with Trustee Taylor and opined that the board is doing what is in the best interest of the taxpayers by partnering with the communities it serves. Trustee Millburn stated the board did not “give away anything” with respect to the property that is now owned by Thackeray Garn. He explained that the board considered the value of what Thackeray Garn had invested in the property and weighed the risks of potential litigation and losing the community development agreement (CDA) before making a decision on the property disposition. He further remarked that there is value being received for the property in the current transaction. Trustee Millburn opined that UTA should move forward in good faith on the transaction for the benefit of the taxpayers of the State of Utah and Clearfield City. Vice Chair Everett observed that this project has undergone the most robust review of any project that has come before the board during her tenure. She said the process demonstrated a pattern of engagement to work through issues. Trustee Bell mentioned that the Clearfield Station property is excess property and was not originally purchased as a transit-oriented development (TOD) site. With regard to agreements in general, he opined that the board should operate on parameters but not details. He said he wants to know the main “points of the deal” (e.g., parameters on price, major terms, closing details, etc.) but let the executives manage the minutia. Trustee Bell said he does not need to see the entire appraisal for this transaction because he has the bottom line. He said that the timing and conditions are acceptable, but the zoning question on the remnant parcels of the site is an issue. He then expressed the need for a commitment from Clearfield City on the zoning issue and said he would not vote for the resolution unless the city provides some guarantees in that regard. Trustee Walker stated that he, too, would not vote for the resolution unless the city makes concessions on zoning. Trustee Bell asked to make a substitute motion. Vice Chair Everett requested Trustee Bell wait until the conclusion of the board discussion. Trustee Christensen said the resolution gives the board an opportunity to “back out” of the transaction if the terms are not met. Trustee Henderson opined that this project is not meeting all of his expectations for what a TOD should be and said he wants a zoning commitment from the city in writing. He added that as long as the board is informed throughout the transaction process, he is comfortable with moving forward. An amended motion to approve the resolution with the addition of a condition that a development agreement be established as to the zoning and use of the remainder parcels held by UTA or some other binding agreement obtained with counsel guaranteeing the conditions as much as is possible, was made by Trustee Bell and seconded by Trustee Walker. Vice Chair

Everett placed the amended motion for a vote. The amended motion carried by majority consent with seven aye votes from Trustees McConkie, Ashton, Everett, Henderson, Walker, Acerson, and Bell; four nay votes from Trustees Christensen, Taylor, Millburn, and De Lay; and one abstention from Chair McKinley. Trustee Millburn stated that he supports the project but his nay vote was made because he feels the original resolution was sufficient.

A motion to take a short break was made by Trustee De Lay and seconded by Trustee Christensen. The motion carried by unanimous consent and the board recessed its meeting at 4:13 p.m.

Trustee Bell left the meeting at 4:13 p.m.

The meeting resumed at 4:23 p.m.

Trustee Bell re-joined the meeting via telephone at 4:23 p.m.

Mr. Blakesley clarified a point of order on the vote taken just prior to the brief recess. He said it was unclear whether Trustee Bell offered a substitute motion or an amended motion and board members were unclear whether they were voting to accept the amendment or voting to accept the amended motion.

A motion to approve the resolution according to the parameters with an added condition that prior to closing, UTA management obtain from Clearfield City a development agreement relative to protecting the zoning and uses of the remnant parcels retained by UTA that will not be subject to change and will be as permanent and binding as possible, was made by Trustee Bell and seconded by Trustee Walker. The motion carried by majority consent with seven aye votes from Trustees McConkie, Ashton, Everett, Henderson, Walker, Acerson, and Bell (via telephone); four nay votes from Trustees Christensen, Taylor, Millburn, and De Lay; and one abstention from Chair McKinley. Millburn restated his reason for voting no, saying that while he was pleased the project will move forward, he preferred the original resolution without any additional conditions. He opined that by passing the resolution with additional conditions, the agency could be limiting itself in the future at the site and in its community partnerships. Trustee Christensen said she voted no because a back-out clause was included in the original resolution.

Trustees Everett, Bell, and Acerson left the meeting at 4:30 p.m.

Chair McKinley resumed control of the meeting at 4:30 p.m.

Resolution: R2017-06-02: Resolution to Approve Title VI Equity Analysis Related to August Change Day.

Presentation of Item. Mr. Blakesley provided a brief summary of the purpose of the Title VI analysis. Mr. Provost then delivered a presentation on major service changes for August change day. Erika Shubin, UTA Public Hearing Officer, summarized public outreach on the changes. Andrew Gray, UTA Title VI Compliance Officer, explained the Title VI analyses performed in relation to the service changes. Throughout the presentation questions were posed by the board and answered by staff. Trustee Taylor requested that the presentation in the meeting packet match the version presented in the meeting.

Public Input. Mr. Biles stated that no comments on this resolution were received online. In-person comment was given by George Chapman, representing the Utah Transit Riders Union.

Board Discussion and Decision/Action. Discussion ensued. Questions were posed by the board and answered by staff.

A motion to approve the resolution was made by Trustee Christensen and seconded by Trustee Henderson. The motion carried by unanimous consent with nine aye votes.

Closed Session. Chair McKinley indicated there was a need for a closed session to discuss matters related to collective bargaining and pending litigation.

(Due to the conflict with the employment of Trustee Taylor's father at UTA in a bargaining unit capacity as a FrontRunner operator, Trustee Taylor recused himself from the collective bargaining segment of closed session.)

A motion to move into closed session was made by Trustee De Lay and seconded by Trustee McConkie. The motion carried by unanimous consent and the board moved into closed session at 5:04 p.m.

Vice Chair Everett re-joined the meeting at 5:04 p.m.

Open Session. A motion to return to open session was made by Trustee De Lay and seconded by Trustee Millburn. The motion carried by unanimous consent and the board returned to open session at 5:28 p.m. for the purpose of taking action on the collective bargaining agreement.

Action Taken Regarding Matters Discussed in Closed Session.

Action Items.

R2017-06-03: Collective Bargaining Agreement. A motion to approve the resolution was made by Trustee Walker and seconded by Trustee Christensen. The motion carried by majority consent with eight aye votes and one abstention from Trustee Taylor.

Trustees Ashton and Millburn left the meeting at 5:31 p.m.

Closed Session. A motion to return to closed session to discuss pending litigation was made by Trustee De Lay and seconded by Trustee McConkie. The motion carried by unanimous consent and the board returned to closed session at 5:31 p.m.

Trustee De Lay left the meeting during closed session at 5:43 p.m.

Open Session. A motion to return to open session was made by Trustee Henderson and seconded by Trustee McConkie. The motion carried by unanimous consent and the board returned to open session at 5:55 p.m.

Other Business. No other business was discussed.

Transportation Governance and Funding Task Force Update. This item was deferred to a future board meeting.

Adjournment. The meeting was adjourned at 5:57 p.m. by motion.

Transcribed by Cathie Griffiths
Assistant to the President/CEO
Utah Transit Authority
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[Video](#) and [audio](#) recordings of this meeting are posted online.

**UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet**

DATE:	July 26, 2017
BOARD CONTACT PERSON:	Troy Walker
UTA EXECUTIVE/RESPONSIBLE STAFF MEMBER:	Robert Biles/Bryan Steele
SUBJECT:	2016 UTA Pension System Audit Report
BACKGROUND:	The audit firm of Keddington and Christensen has conducted the 2016 pension system audit in accordance with federal, state, and UTA Board requirements. Representatives from Keddington and Christensen will be in attendance at the meeting to present their audit report.
ALTERNATIVES:	Receive audit report.
PREFERRED ALTERNATIVE:	Receive audit report.
STRATEGIC GOAL ALIGNMENT:	Fiscal Management and Sustainability.
FINANCIAL IMPACT:	N/A
LEGAL REVIEW:	N/A
EXHIBITS:	<ul style="list-style-type: none"> a. 2016 Letter to Board Trustees b. 2016 Pension Financial Statements

AUDIT
REVIEW
COMMITTEE
UPDATE



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

Independent Auditor's Communication with Those Charged with Governance at Audit Conclusion

April 26, 2017

To the Board of Trustees of the
Utah Transit Authority Employee
Retirement Plan and Trust Agreement
Salt Lake City, Utah

We have audited the financial statements of the Utah Transit Authority Employee Retirement Plan and Trust Agreement (the Plan) for the year ended December 31, 2016, and have issued our report thereon dated April 17, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to management at the beginning of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Throughout the notes to the financial statements and the supplementary information reliance is placed on the estimates provided to management by the actuary. We evaluated the key factors and assumptions used to develop the estimates by the actuary in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2017

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, which is required by the Governmental Accounting Standards Board, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with auditing standards generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records and reports used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees of the Utah Transit Authority Employee Retirement Plan and Trust Agreement and management of the Plan and is not intended to be and should not be used by anyone other than these specified parties.

Keddington & Christensen, LLC

Utah Transit Authority Employee Retirement Plan and Trust Agreement

Financial Statements as of and for the Years
Ended December 31, 2016 and 2015, and
Independent Auditors' Report

UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT
For the Years Ended December 31, 2016 and 2015

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Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Participants in the
Utah Transit Authority Employee Retirement Plan:

We have audited the accompanying financial statements of Utah Transit Authority Employee Retirement Plan and Trust Agreement (the "Plan"), which comprise the comparative statements of fiduciary net position as of December 31, 2016 and 2015, and the related comparative statement of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of Utah Transit Authority Employee Retirement Plan and Trust Agreement as of December 31, 2016 and 2015, and the changes in its financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Changes in Net Pension Liability, of Net Pension Liability, of Employer Contributions, and of Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Keddington & Christensen

April 17, 2017

UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT
Comparative Statements of Fiduciary Net Position
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents ¹	\$ 4,208,109	\$ 5,803,033
Investments at fair value as determined by quoted market prices:		
Global equity funds	104,234,251	93,318,652
Fixed income funds	34,765,365	33,769,312
Liquid diversifier funds	13,567,952	1,756,331
Real asset funds	6,826,687	16,233,948
Money market funds	1,769,265	739,586
Total investments ²	<u>161,163,520</u>	<u>145,817,829</u>
Receivables:		
Contributions receivable	757,386	-
Dividends receivable	-	29,494
Interest receivable	352	-
Other receivables	15,252	19,283
	<u>772,990</u>	<u>48,777</u>
Total assets	<u>166,144,619</u>	<u>151,669,639</u>
LIABILITIES		
Accounts payable	109,362	37,712
Total liabilities	<u>109,362</u>	<u>37,712</u>
NET POSITION		
Net position restricted for pensions	<u>\$ 166,035,257</u>	<u>\$ 151,631,927</u>

¹ See Note 3A

² See Notes 3, 4, and 5

See accompanying notes to financial statements

UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT
Comparative Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
Contributions:		
Employer contributions	\$ 19,603,952	\$ 16,745,254
Member voluntary contributions	437,923	916,567
Total contributions	<u>20,041,875</u>	<u>17,661,821</u>
Investment income:		
Net (depreciation) appreciation in fair value of investments	6,289,587	(7,581,431)
Interest	32,340	22,088
Dividends	1,709,382	6,624,057
Other income	365	-
Total investment income	<u>8,031,674</u>	<u>(935,286)</u>
Less: Investment expense ¹	<u>440,463</u>	<u>150,172</u>
Net investment income	<u>7,591,211</u>	<u>(1,085,458)</u>
Total additions	<u>27,633,086</u>	<u>16,576,363</u>
DEDUCTIONS:		
Monthly benefits paid	8,491,594	7,171,082
Lump sum benefits paid	4,489,021	4,383,742
Administrative expense ²	249,141	244,011
Total deductions	<u>13,229,756</u>	<u>11,798,835</u>
NET INCREASE	<u>14,403,330</u>	<u>4,777,528</u>
 Net position restricted for pensions		
Beginning of year	<u>151,631,927</u>	<u>146,854,399</u>
End of year	<u>\$ 166,035,257</u>	<u>\$ 151,631,927</u>

¹ See Note 8

² See Note 2D

See accompanying notes to financial statements

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1 – DESCRIPTION OF PLAN

The following information includes a brief description of the Utah Transit Authority (the “Authority”) Employee Retirement Plan and Trust Agreement (the “Plan”). The Plan summary is provided for general information purposes only. Members should refer to the Plan agreement for more complete information.

A) General Information

The Plan is a single employer non-contributory defined benefit pension plan which includes all employees of the Authority who are eligible and who have completed six months of service. The Plan is a qualified government plan and is not subject to all of the provisions of ERISA.

As a defined benefit pension plan, the Authority contributes such amounts as are necessary, on an actuarially-sound basis, to provide assets sufficient to meet the benefits to be paid. Required employee contributions were discontinued effective June 1, 1992. Members may make voluntary contributions as described below. Interest on existing account balances is credited at 5% per year.

Although the Authority has not expressed any intention to do so, the Authority has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event the Plan terminates, the trustee will liquidate all assets of the Plan and will determine the value of the trust fund as of the next business day following the date of such termination. The trustee will allocate assets of the Plan among the members and beneficiaries as required by law.

As of February 2016, U.S. Bank began serving as the administrator and custodian of the Plan, with Cambridge Associates, LLC (CA) serving as a third-party investment manager. Prior to February 2016, Fidelity Investments served as the administrator and custodian of the Plan, with Soltis Investment Advisors serving as a third-party investment manager.

B) Reporting Entity

The Plan is administered by the Pension Committee that consists of nine (9) members, seven (7) appointed by the Authority and two (2) appointed by the Amalgamated Transit Union Local 382 in accordance with a collective bargaining agreement. The members of the Pension Committee may (but need not) be members in the Plan. In the absence of a Pension Committee, the Plan Administrator assumes the powers, duties and responsibilities of the Pension Committee with respect to the administration of the Plan.

C) Membership

The Plan’s membership consisted of:

	<u>January 1, 2016</u>	<u>January 1, 2015</u>
Active members:		
Fully vested	1,305	1,323
Partially vested	-	1
Not vested	668	654
Inactive members not receiving benefits	312	282
Members due refunds	12	12
Retirees and beneficiaries receiving benefits	515	448
Total	<u>2,812</u>	<u>2,720</u>

UTAH TRANSIT AUTHORITY EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1 – DESCRIPTION OF PLAN (continued)

D) Benefit Terms

Retirement Benefits

Employees with five or more years of service are entitled to annual pension benefits beginning at normal retirement age 65, or any age with 37.5 years of service in the Plan.

For members who began participating in the Administrative Plan prior to January 1, 1994, the annual benefit is based on a retirement benefit formula equal to:

- 2.3% of average compensation multiplied by the member's years of service (not exceeding 20 years), plus
- 1.5% of the average compensation multiplied by the member's years of service in excess of 20 years (but such excess not to exceed 9 years of service), plus
- 0.5% for one year plus 2.0% for years in excess of 30 years not to exceed 75% of average compensation.

For all other active members, the annual benefit is based on a retirement benefit formula equal to:

- 2.0% of average compensation multiplied by the member's years of service (not to exceed 37.5 years or 75% of average compensation)

Upon termination of employment, members may leave their retirement account intact for future benefits based on vesting qualification or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

If employees terminate employment before rendering five years of service, they forfeit the right to receive their non-vested accrued plan benefits.

Early Retirement Benefits

The Plan allows for early retirement benefits if the member has not reached the age of 65 but is at least age 55 with a vested benefit. Benefits under early retirement are equal to the value of the accrued pension, if the member had retired at the age of 65, reduced 5% per year if the payments begin before age 65.

Disability Benefits

The Plan allows for disability benefits. A member who becomes permanently disabled after 5 years of service will immediately receive the greater of the actuarially-reduced monthly accrued benefit or \$90 per month, reduced by any Authority sponsored disability plans. Payment of the disability benefit ends at age 65.

Death Benefits

If a member's death occurs before age 55, but after 5 years of service, the present value of the member's accrued vested benefit is payable to the member's beneficiary in the form of a single lump sum regardless of the amount.

UTAH TRANSIT AUTHORITY EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1 – DESCRIPTION OF PLAN (continued)

D) Benefit Terms (continued)

If a member's death occurs after age 55 and 5 years of service, the member's beneficiary can elect to receive a benefit equal to the greater of:

- 1) A survivor's pension as if the member had retired on the date before the death with a 100% joint and survivor annuity in effect, or
- 2) The present value of the survivor's pension, or
- 3) If a spouse of 2 or more years or a minor child, the member's contribution with interest, plus 50% of the average compensation, payable in the form of a lump sum, or
- 4) A 10-year term certain.

A member may elect a joint and survivor annuity with 100%, 75% or 50% to be continued to the beneficiary upon the death of the member.

Lump Sum Distributions

Payment in a lump sum, regardless of amount, may be made with the member's written consent. Effective September 1, 2012, a member who has not previously received benefits may elect a partial lump sum payment with the remaining part to be paid in the same manner as the traditional annuity.

During 2016 and 2015, 49 and 38 members in each respective year elected to receive their partial or full benefit in the form of lump sum distribution. Lump sum distributions collectively totaled \$4,489,021 and \$4,383,363 for 2016 and 2015, respectively. Individuals are removed from the Plan's membership if they choose to take all of their benefit as a lump sum distribution.

E) Contributions

Employer Contribution Requirements

Contributions are received from the Authority in amounts determined by the Pension Committee and approved by the Board of Trustees based on the current collective bargaining agreement and the minimum and maximum funding levels recommended by the Plan's actuary.

Member Voluntary Contributions

A member who is vested in the Plan may make voluntary contributions into the Plan, and transfer funds from the Employee 457 Deferred Compensation Plan, for the purpose of purchasing "permissive service credit" (as defined in Internal Revenue Code Section 415(N)(3)(A)), in the Plan. No more than 5 years of "permissive service credit" may be purchased. Any purchase of "permissive service credit" must be made in the final year of employment with the Authority.

F) Amendments

In 2015, the Plan was amended and restated to reflect the changes in the actuarial funding factors. Other minor changes included clarifying language. These changes did not significantly impact benefits or members in the Plan.

UTAH TRANSIT AUTHORITY EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 1 – DESCRIPTION OF PLAN (continued)

G) Change in Plan Custodian

As of February 2016, U.S. Bank began serving as the administrator and custodian of the Plan, with Cambridge Associates, LLC (CA) serving as a third-party investment manager. The Investment Policy Statement (IPS) was amended to clarify the roles and responsibilities of the investment manager and revise the long-term asset allocation policy for the Plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Method of Accounting

The Plan prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, under which benefits and expenses are recognized when due and payable and revenues are recorded in the accounting period in which they are earned and become measurable in accordance with the terms of the Plan. Accordingly, the valuation of investments is shown at fair value and both realized and unrealized gains (losses) are included in net appreciation and depreciation in fair value of investments.

B) Investments

All Plan investments are stated at market value. Most types of marketable or actively traded investments are priced by nationally known vendors. In the event that an investment is not priced by the primary vendor, the Custodian (US Bank) engages a secondary vendor or other source. See Note 4- Investments, Fair Value Measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment Policy

The Pension Committee has adopted an Investment Policy Statement (IPS). The IPS is reviewed by the Pension Committee once a year, and was amended effective February 2016 to revise the asset classes. A normal weighting is now indicated for each asset class. The IPS was also amended to provide a list of prohibited investments.

In setting the long-term asset policy for the Plan, the Committee has opted to provide a minimum and maximum allowable allocation to the major asset classes. The aggregate exposure to each of the asset classes is to remain within the following ranges:

	Policy Allocation Target Allocation	Range
Global Equity	63%	51% - 75%
Liquid Diversifiers	10%	0% - 15%
Real Assets	4%	0% - 8%
Alternatives	22%	12% - 32%
Cash & Equivalents	1%	0% - 5%

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B) Investments (continued)

Rate of Return

The long-term rate of return is selected by the Plan's Pension Committee after a review of the expected inflation and long term real returns, reflecting expected volatility and correlation. The assumption currently selected is 7.25% per annum, net of investment expenses.

C) Payment of Benefits

Benefit payments to members are recorded upon distribution.

D) Administrative Expenses

Expenses for the administration of the Plan are budgeted and approved by the Pension Committee. Administrative expenses are paid from investment earnings. Plan expenses are paid from Plan assets. For the years ended December 31, 2016 and 2015, the Plan paid \$249,141 and \$244,011 respectively, of administrative expenses.

E) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosure of contingent assets and liabilities as of the date of the financial statements. Accordingly, actual results could differ from those estimates.

F) Risks and Uncertainties

The Plan utilizes various investment vehicles which in general are exposed to various risks such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

G) Tax Status

The Plan operates under an exemption from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code as a defined benefit plan.

H) Mutual Fund Asset Coverage

The Securities and Exchange Commission requires mutual fund companies to obtain fidelity bond coverage for the assets under their control. The bond coverage varies in amounts depending on the mutual fund.

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I) Subsequent Events

The Plan has performed an evaluation of subsequent events through April 17, 2017, which is the date the basic financial statements were available to be issued.

NOTE 3 – DEPOSITS AND INVESTMENT RISK DISCLOSURES

A) Cash Deposits

Custodial credit risk for cash deposits is the risk in the event of a bank failure, the Plan's cash deposits may not be returned. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 per depositor per institution. Cash deposits and account balances in excess of \$250,000 are uninsured and uncollateralized. The Plan has no formal policy for cash deposit custodial credit risk. Cash deposits are presented in the financial statements at cost plus accrued interest, which is market or fair value.

Cash equivalents include amounts invested in the Utah Public Treasurer's Investment Fund. The Plan considers short-term investments with an original maturity of 3 months or less to be cash equivalents.

	<u>2016</u>	<u>2015</u>
Cash held in banking institution(s)	\$ 992,365	\$ 959,532
Cash held in Utah Public Treasurer's Investment Fund	3,216,317	4,843,955
	<u>\$ 4,208,682</u>	<u>\$ 5,803,487</u>

B) Custodial Credit Risk

Custodial credit risk for investments is in the risk that the counterparty to an investment will not fulfill its obligations. The Plan has no formal policy for custodial credit risk.

The Plan's rated investments are show below.

Fixed Income:			
2016	\$	34,765,365	AA/Aa Rated
2015	\$	33,769,312	A Rated

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 3 – DEPOSITS AND INVESTMENT RISK DISCLOSURES (continued)

C) Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Plan has no formal policy for investment interest rate risk. The table below shows the maturities of the Plan's investments.

Equity funds:			
2016	\$104,234,251	No maturity dates	
2015	\$ 93,318,652	No maturity dates	
Fixed Inc funds:			
2016	\$ 34,765,365	Average effective duration: 5.3 years	Average effective maturity: 7.5 years
2015	\$ 33,769,312	Average effective duration: 3.0 years	Average effective maturity: 5.1 years
Other funds:			
2016	\$ 22,163,904	Average effective duration/maturity: n/a	
2015	\$ 18,729,865	Average effective duration/maturity: n/a	

NOTE 4 – INVESTMENTS

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GASB No. 72 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 4 – INVESTMENTS (continued)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

	<u>2016</u>	<u>2015</u>
Investments:		
Global Equity Funds:		
1607 Capital International Equity Fund	\$ 6,289,980	\$ -
Adirondack Small Cap Fund	-	1,052,778
Arrowstreet International Equity	7,325,968	-
Artisan Global Value Institutional	6,509,491	-
Artisan Global Opportunities Trust	5,266,097	-
Artisan Mid Cap Inv	-	4,126,903
Causeway Emerging Markets Equity	4,580,108	-
Deutsche Global Infrastructure Fund Inst	-	2,027,701
Edgewood Growth Fund Institutional	6,253,986	13,259,313 ²
Grandeur Peak Global Opportunities	-	2,992,780
Grandeur Peak Global Reach Fund	-	5,409,116
Grandeur Peak International Opportunities	-	7,505,384
Harbor International Institutional Fund	-	4,357,722
Independent Franchise Partners US Equity	7,325,856	-
Iridian Private Business Value Mid Cap	5,154,076	-
John Hancock Disciplined Value I	5,647,827	4,955,342
JP Morgan Mid Cap Value Fund	-	3,418,087
Kiltearn Partners Global Equity Fund	6,810,259	-
Mahout Global Emerging Markets	1,892,263	-
Mathews ASIA Small Companies	-	2,703,348
Matthews Asia Dividend Institutional	-	3,990,908
Oakmark Fund I	-	13,726,924 ²
Oakmark International I	5,928,667	2,930,192
Overlook Partners Fund	2,091,858	-
RWC Horizon Equity Offshore Ltd.	4,269,052	-
RWC Horizon Equity Fund 97MSCLV	507,812	-
Two Sigma Active US All Cap & Investments	13,389,450 ²	-
Vanguard FTSE Developed Markets EFT	3,941,351	-
Vanguard S&P 500 EFT	5,268,871	-
Wasatch Emerging Markets Small Cap	-	1,111,407
Wasatch Microcap Value Fund	-	532,567
Wasatch Small Cap Growth	-	2,980,720
Wasatch Small Cap Value	-	1,894,778
Wells Fargo Premier Large Co Growth	-	7,265,648
William Blair International Growth I	5,781,279	2,765,546
William Blair Small Cap Fund Class I	-	1,349,093
William Blair Small Mid Cap Growth CL I	-	2,962,395
	<u>\$ 104,234,251</u>	<u>\$ 93,318,652</u>

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 4 – INVESTMENTS (continued)

	<u>2016</u>	<u>2015</u>
Fixed Income Funds:		
1607 Capital Tax Fixed Income Fund	\$ 3,097,740	\$ -
Goldman Sachs Strong Income Fund Inst	-	3,494,925
Hartford World Bond Y	-	5,749,870
IR+M Core Bond Fund II	17,253,079 ²	-
JP Morgan Strategic Income Opps Select	-	12,535,217 ²
Metropolitan West Total Return Class I	-	11,989,300 ²
PIMCO Income Fund Institutional	5,837,236	-
State Street Global Adv. 3-10 US Treasury Index	8,577,310 ²	-
	<u>\$ 34,765,365</u>	<u>\$ 33,769,312</u>
Liquid Diversifier Funds:		
AQR Style Premia Fund S 4	\$ 1,479,566	\$ -
AQR Style Premia Fund Ltd	1,971,096	-
CCP Core Macro Fund LP	3,471,949	-
Fort Global Offshore Fund	4,499,191	-
ISAM Systematic Trend	2,146,150	-
William Blair Macro Allocation Fund CL I	-	1,756,331
	<u>\$ 13,567,952</u>	<u>\$ 1,756,331</u>
Real Asset Funds:		
AEW Global Properties	\$ 1,490,696	\$ -
American Century Short Dur Inflation Prot Bond	-	3,496,354
Cohen & Steers Realty Shares	-	6,382,244
Fidelity Real Estate Income ¹	-	6,355,350
T. Rowe Price Global Natural Resources	3,818,430	-
Vanguard Short Term Inflation Protected Sec	1,517,561	-
	<u>\$ 6,826,687</u>	<u>\$ 16,233,948</u>
Cash & Equivalents:		
Fidelity Prime Money Market Select ¹	\$ -	\$ 477,715
Fidelity Cash Reserves ¹	-	261,871
US Bank Cash (First American US Money Mkt	1,769,265	-
	<u>\$ 1,769,265</u>	<u>\$ 739,586</u>
Total investments	<u>\$ 161,163,520</u>	<u>\$ 145,817,829</u>

¹ Party-in-interest

² Investment represents 5% or more of the total investments of the Plan.

2016

Level 1 – These funds are measured at fair value based on the quoted net asset value (NAV) in active markets.

Level 3 – These Investments are valued at fair value based on information obtained from the investment issuer.

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 4 – INVESTMENTS (continued)

2015

All Investments are Level 1.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2016.

Asset Class	Fair Value	Level 1	Level 3
Global Equities	\$104,234,251	\$51,237,436	\$52,996,815
Fixed Income	34,765,365	5,837,236	28,928,129
Liquid Diversifiers	13,567,952	-	13,567,952
Real Assets	6,826,687	5,335,991	1,490,696
Cash & Equivalents	1,769,265	1,769,265	-
Total	\$161,163,520	\$64,179,928	\$96,983,592

NOTE 5 – MONEY-WEIGHTED RATE OF RETURN

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the middle of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow each month. The money-weighted rate of return is calculated net of investment expenses.

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2016	4.90%
2015	-0.72%
2014	4.31%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

NOTE 6 – NET PENSION LIABILITY

A) Net Pension Liability

The net pension liability of the Authority is the Plan's total pension liability determined in accordance with GASB No. 67, less the Plan's fiduciary net position. A substantial portion of the Authority's net pension liability is attributed to significant plan changes made during 1999 and 2011, which resulted in benefit increases.

Information regarding the net pension liability is summarized below.

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

NOTE 6 – NET PENSION LIABILITY (continued)

A) Net Pension Liability (continued)

	December 31, 2016	December 31, 2015
Total pension liability	\$ 278,960,378	\$ 269,069,798
Fiduciary net position	166,035,257	151,631,927
Net pension liability	112,925,121	117,437,871
Fiduciary net position as a % of total pension liability	59.52%	56.35%

B) Actuarial Methods and Assumptions

Actuarial valuation of the Plan involves estimates of the reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed for the five consecutive calendar years ending December 31, 2008. The total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The significant actuarial assumptions and methods used in the January 1, 2016 valuation are as follows:

- Actuarial Cost Method – Entry Age Normal
- Inflation – 2.30%
- Employer Annual Payroll Growth Including Inflation – 3.40%
- Salary Increases – 5.4% for the first five years of employment; 3.4% per annum thereafter
- Mortality – RP 2014 Blue Collar Mortality Table, with MP-2014 projection scale
- Investment Rate of Return – 7.25%, net of investment expenses
- Retirement Age – Table of rates by age and eligibility
- Cost of Living Adjustments – None
- Percent of Future Retirements Electing Lump Sum – 20%

C) Target Allocations

The long-term rate of return is selected by the Plan's Pension Committee after a review of expected inflation and long-term real returns, reflecting expected volatility and correlation. Best estimates of the compound nominal rates of return for each major asset class included in the Plan's target asset allocations as of December 31, 2016, is summarized in the table below.

Asset Class	Target Asset Allocation	Long Term Expected Return
Global Equities	63%	6.7%
Fixed Income	22%	4.0%
Liquid Diversifiers	10%	5.1%
Real Assets	4%	6.1%
Cash & Equivalents	1%	2.8%
Total	100%	6.0%

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Notes to the Financial Statements

For the Years Ended December 31, 2016 and 2015

D) Discount Rate and Rate Sensitivity Analysis

The discount rate used to measure the total pension liability was 7.25%. The discount rate incorporates a municipal bond rate of 3.78% based on the Bond Buyer General, Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions will be made based on the actuarially determined rates. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all the projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
Total pension liability	\$ 318,014,666	\$ 278,960,378	\$ 246,700,715
Fiduciary net position	166,035,257	166,035,257	166,035,257
Net pension liability	151,979,409	112,925,121	80,665,458

NOTE 7 – EMPLOYER CONTRIBUTION REQUIREMENTS

The Authority’s contribution rate consists of (1) an amount for normal cost, the estimated amount necessary to finance benefits earned by members during the current year, and (2) an amount for amortization of the unfunded or excess funded actuarial accrued liability over the service life of the vested members per the Authority’s adoption of GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The rates are determined using the entry age actuarial cost method.

The Authority’s Board of Trustees adopted a contribution rate policy of 15% for 2015 and 16% for 2016 and subsequent years.

Employer contributions in 2016 and 2015 totaled \$19,603,952 (including an accrued contribution of \$757,386) and \$16,745,254 respectively, which represented 114.3% and 100.8% of the annual actuarial recommended contributions, respectively.

NOTE 8 – PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Fidelity Investments. Fidelity Investments was the custodian as defined by the Plan, and therefore, these transactions qualified as party-in-interest transactions. Soltis Investment Advisors served as a third-party investment manager. Cambridge Associates LLC (CA), replaced Soltis Investment Advisors as investment manager in February 2016. Fees paid by the Plan for the investment management services during the years ended December 31, 2016 and 2015 were \$440,463 and \$150,172, respectively.

* * * * *

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Required Supplementary Information

For the Years Ended December 31, 2016 and Previous Years (up to 10 years as available)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 7,711,706	\$ 7,545,807	\$ 7,284,379
Interest on total pension liability	19,604,345	18,717,411	17,623,248
Voluntary member contributions	437,923	916,567	275,663
Gains or losses	(927,077)	(1,973,177)	-
Assumption changes or inputs	(3,955,702)	7,725,363	-
Benefits paid	(12,980,615)	(11,554,824)	(10,181,732)
Net change in total pension liability	9,890,580	21,377,147	15,001,558
Total pension liability - beginning	269,069,798	247,692,651	232,691,093
Total pension liability - ending (a)	\$ 278,960,378	\$ 269,069,798	\$ 247,692,651
Plan Fiduciary Net Position			
Contributions - employer	\$ 19,603,952	\$ 16,745,254	\$ 15,366,694
Contributions - members	437,923	916,567	275,663
Net investment income	7,591,211	(1,085,458)	5,946,916
Benefits paid	(12,980,615)	(11,554,824)	(10,181,732)
Administrative expense	(249,141)	(244,011)	(219,504)
Net change in plan fiduciary net position	14,403,330	4,777,528	11,11,037
Plan fiduciary net position - beginning	151,631,927	146,854,399	135,666,362
Plan fiduciary net position - ending (b)	166,035,257	151,631,927	146,854,399
Net pension liability / (asset) - ending (a-b)	\$ 112,925,121	\$ 117,437,871	\$ 100,838,252
Plan fiduciary net position as a percentage of the total pension liability	59.5%	56.4%	59.3%
Projected covered employee payroll	\$ 115,430,618	\$ 110,727,134	\$ 106,004,057
Net pension liability as a percentage of covered employee payroll	97.83%	106.06%	95.13%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN AND TRUST AGREEMENT**

Required Supplementary Information

For the Years Ended December 31, 2016 and Previous Years (up to 10 years as available)

SCHEDULE OF NET PENSION LIABILITY

Date	Total Pension Liability	Plan Fiduciary Net Position	Employers Net Pension Liability/ (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	Projected Covered Employee Payroll	Net Position Liability as a Percentage of Covered Employee Payroll
12/31/2016	\$ 278,960,378	\$ 166,035,257	\$ 112,925,121	59.5%	\$115,430,618	97.8%
12/31/2015	269,069,798	151,631,927	117,437,871	56.4%	110,727,134	106.1%
12/31/2014	247,692,651	146,854,399	100,838,252	59.3%	106,004,057	95.1%
1/1/2014	232,691,093	135,666,362	97,024,731	58.3%	102,099,985	95.0%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year	Actuarial Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Projected Covered Employee Payroll	Contribution as Percentage of Covered Payroll
2016	\$ 17,147,568	\$ 19,603,952	\$ 2,456,384	\$ 115,430,618	16.98%
2015	16,609,070	16,745,254	(136,184)	110,727,134	15.12%
2014	14,757,446	15,366,694	(609,248)	106,004,057	14.50%
2013	14,352,279	13,338,052	1,014,227	102,099,985	13.06%
2012	12,206,257	11,645,982	560,275	96,750,285	12.04%
2011	10,114,755	10,114,755	-	91,265,129	11.08%
2010	10,047,874	10,047,874	-	93,259,215	10.77%
2009	10,658,339	10,658,339	-	88,834,546	12.00%
2008	7,679,956	7,679,956	-	75,324,187	10.20%
2007	7,466,273	7,466,273	-	69,571,444	10.73%

SCHEDULE OF INVESTMENT RETURNS

Year	Annual weighted-average rate of return (net of investment expense)
2016	4.90%
2015	-0.72%
2014	4.31%

Schedule is intended to show information for 10 years. Additional years will be displayed when available.

**UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet**

DATE:	July 26, 2017
BOARD CONTACT PERSON:	Troy Walker
UTA EXECUTIVE/RESPONSIBLE STAFF MEMBER:	Robert Biles/Bryan Steele
SUBJECT:	2016 UTA Financial Audit Report
BACKGROUND:	The audit firm of Keddington and Christensen has conducted the 2016 financial audit in accordance with federal, state, and UTA Board requirements. Representatives from Keddington and Christensen will be attendance at the meeting to present their audit report.
ALTERNATIVES:	Receive audit report
PREFERRED ALTERNATIVE:	Motion to accept receipt of audit reports
STRATEGIC GOAL ALIGNMENT:	Fiscal Management and Sustainability.
FINANCIAL IMPACT:	N/A
LEGAL REVIEW:	N/A
EXHIBITS:	<ul style="list-style-type: none"> a. 2016 Letter to Board Trustees b. 2016 CAFR with Audit Opinion Letter c. 2016 Single Audit Report d. 2016 Utah State Compliance Report e. 2016 NTD Agreed Upon Procedure Report

Note: To view the 2016 Comprehensive Annual Financial Report, please visit:
http://www.rideuta.com/-/media/Files/Annual-Reports/REPORT_2016_CAFR.ashx?la=en



July 3, 2017

Board of Trustees
Utah Transit Authority
669 West 200 South
Salt Lake City, Utah 84101

We have audited the financial statements of the business-type activities of Utah Transit Authority (the Authority) for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Authority's financial statements was:

Management's estimate of depreciation expense is based on the useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the Authority's reported depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, and Statement of Required Employer Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and management of Utah Transit Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Keddington & Christensen, LLC

Salt Lake City, Utah
July 3, 2017



**Here
to
Serve**

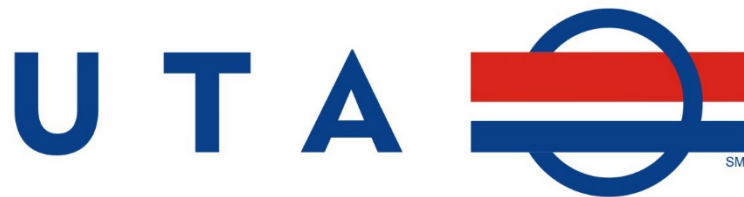
Note: To view this document in its entirety, go to:
http://www.rideuta.com/-/media/Files/Annual-Reports/REPORT_2016_CAFR.ashx?la=en

Comprehensive Annual Financial Report

For Fiscal Year Ended December 31, 2016 and 2015



UTAH TRANSIT AUTHORITY



Utah Transit Authority

Financial Statements for the Years Ended December 31, 2016 and 2015; Other Information as Required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

UTAH TRANSIT AUTHORITY
 SINGLE AUDIT REPORT
 Years Ended December 31, 2016 and 2015

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Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

We have audited the accompanying financial statements of Utah Transit Authority (the "Authority") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Utah Transit Authority, as of December 31, 2016 and 2015, and the respective changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and relation ratios, and the statement of required employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Utah Transit Authority's basic financial statements. The schedule of expenditure of federal awards for the year ended December 31, 2016, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards for the year ended December 31, 2016 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the Authority's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City
June 20, 2017



Financial



UTAH TRANSIT AUTHORITY

For Fiscal Year Ended December 31, 2016 and 2015

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

This section of Utah Transit Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended on December 31, 2016 and December 31, 2015.

Following this Management Discussion and Analysis are the basic financial statements of the Authority, together with the notes thereto, which are essential to a full understanding of the information contained in the financial statements.

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board. The Authority reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

FINANCIAL HIGHLIGHTS

In November 2015, voters in three (3) of the counties within the Authority's service area approved a transportation initiative (Prop 1) which increased sales tax by a quarter of one percent (.25%). Forty percent (40%) of this revenue is dedicated to support transit service and enhancements within those specific counties. The tax became effective in Davis and Weber counties on April 1, 2016 and in Tooele County on July 1, 2016.

On August 16, 2016, the Authority sold \$145.7 million of Subordinated Sales Tax Revenue Refunding Bonds. The purpose of these bonds was to eliminate interest-rate risk by reducing the Authority's exposure to short-term debt. This issuance was viewed favorably by the rating agencies and resulted in a rating upgrade for the Authority.

The Authority continues to recognize the importance of reserves. Reserves have been established for debt service, service stabilization, capital improvement, fuel and parts. These reserves were increased by \$7.15 million during the year and stood at \$58.54 million at the end of the year. Refunding savings of \$4.3 million were included in that increase and added to the Debt Rate Service Stabilization reserve bringing its December 31, 2016 balance to \$14.86 million.

In December 2016, the Authority was awarded federal funding in the amount of \$70.98 million dollars by the U.S. Department of Transportation and Federal Transit Administration for the design, right-of-way acquisition, and construction of a 10.52 mile bi-directional Bus Rapid Transit (BRT) line located in Utah County. The project begins at the Orem Intermodal Center and ends at the Provo Intermodal Center and includes a total of 18 stations and the purchase of 25 vehicles. The project also includes an aerial bridge replacement with BRT guideway, bicycle, trail and pedestrian access site improvements, and construction of an expanded bus maintenance facility.



Downtown Salt Lake City – Clean Air Initiative

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

CONDENSED STATEMENTS OF NET POSITION

	<u>2016</u>	<u>2015</u>	<i>Difference</i>	<i>Percent difference</i>	<u>2014</u>
Assets					
Current and other assets	\$ 238,290,698	\$ 231,099,087	\$ 7,191,611	3%	\$ 255,392,107
Restricted assets	67,679,065	79,953,763	(12,274,698)	-15%	63,186,315
Capital assets	3,104,597,334	3,210,158,029	(105,560,695)	-3%	3,329,090,423
Total assets	<u>3,410,567,097</u>	<u>3,521,210,879</u>	<u>(110,643,782)</u>	-3%	<u>3,647,668,845</u>
Deferred outflows of resources	<u>116,778,163</u>	<u>125,000,198</u>	<u>(8,222,035)</u>	-7%	<u>2,028,608</u>
Liabilities					
Current liabilities	71,620,455	66,390,159	5,230,296	8%	70,900,996
Long-term liabilities	2,387,091,356	2,392,487,053	(5,395,697)	0%	2,160,447,389
Total liabilities	<u>2,458,711,811</u>	<u>2,458,877,212</u>	<u>(165,401)</u>	0%	<u>2,231,348,385</u>
Deferred inflows of resources	<u>5,489,735</u>	<u>1,659,974</u>	<u>3,829,761</u>	231%	<u>1,153,885</u>
Net position					
Net investment in capital assets	924,260,135	1,031,142,715	(106,882,580)	-10%	1,217,298,938
Restricted	67,415,969	78,064,113	(10,648,144)	-14%	62,860,625
Unrestricted	71,467,610	76,467,063	(4,999,453)	-7%	137,035,620
Total net position	<u>\$ 1,063,143,714</u>	<u>\$ 1,185,673,891</u>	<u>\$ (122,530,177)</u>	-10%	<u>\$ 1,417,195,183</u>

2016 Results

In 2016, the Authority was awarded \$70.98 million in the form of a federal grant for the construction of the Provo-Orem Bus Rapid Transit system. This grant represented 50% of the cost of the project, with the remaining 50% funded by Utah County. This project increased receivables at year end by over \$17.7 million, and increased construction in progress by \$20 million.

In August 2016, the Utah Transit Authority sold its \$145,691,497 Subordinated Sales Tax Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"). This bond transaction was issued for a total par amount of \$145,691,497 and generated \$12,932,675 of Reoffering Premium, and refunded the Authority's bond issues for Series 2013 (Senior Bonds), Series 2014A (Subordinate Bonds), and Series 2014B (Subordinate Bonds) in full. This issuance represented a refunding of all of the Authority's variable rate short-term bond debt and reduced the Authority's interest rate exposure. The Series 2016 Bonds and the Series 2015 Bonds allowed the Authority to consolidate its restricted reserve requirements.

The Series 2015 bond issuance included \$20 million restricted for the payment of a portion of the outstanding principal and interest of the refunded bonds through 2017. This cash flow strategy is referred to as a crossover refunding. This restricted account contributed approximately \$8.5 million towards outstanding principal and interest in 2016 which explains the reduction of restricted assets from 2015 to 2016.

Capital assets decreased by \$105.5 million primarily due to depreciation expense of \$153.6 million exceeding capital asset additions of \$48.1 million. In addition, the Authority performed a comprehensive multi-year review of construction in progress reported under capital assets. This review identified many projects that no longer met the requirements for asset recognition and required restatement as expense. Restatement was applied beginning in 2014 for those projects under this criteria. The net effect was a reduction of capital assets in the amount of \$14.2 million in 2014 and \$9.5 million in 2015.

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

CONDENSED STATEMENTS OF NET POSITION (continued)

2016 Results (continued)

As the second year reporting the *Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27*, the Authority recorded a net pension liability decrease of \$4.5 million (3.8%) as a result of the Authority's continued dedication to contributing 16% of wages to the pension plan.

The Authority's Board remained steadfast in its dedication to building reserves for the stabilization of services and debt management. In 2016, the Board authorized an increase of almost \$7.2 million to these reserves. At year end, these reserves equaled \$58.5 million of cash and cash equivalents.

An increase in net position over time may serve as a useful indicator of a government entity's financial position. As of December 31, 2016, the Authority's net position decreased to \$1.06 billion from \$1.19 billion as of December 31, 2015. The majority of this change (96%) is directly attributed to the decrease in the net investment in capital assets due to depreciation and restatement, and the consolidation of the debt service reserve requirements.

2015 Results

In 2015, the Authority implemented the *Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27*. The effect of this Statement is the recording of the Authority's net pension liability as of December 31, 2015 which increased deferred outflows of resources by \$16.3 million, increased long-term liabilities by \$117.4 million, and increased deferred inflows of resources by \$1.7 million.

On January 26, 2015, Utah Transit Authority sold its \$668,655,000 Sales Tax Revenue Refunding Bonds, Series 2015A (the "2015A Senior Bonds") and \$192,005,000 Subordinated Sales Tax Revenue Refunding Bonds, Series 2015A (the "2015A Subordinate Bonds"). These two bond issues together are referred to as the "2015A Bonds". This major bond transaction was issued for a total par amount of \$860,660,000 and generated \$156,955,532 of Original Issue Premium, and involved the refunding of parts of four UTA bond issues, namely the 2008A (Senior Bonds), 2009A (Senior Bonds), 2007A (Subordinate Bonds), and the 2012 (Subordinate Bonds).

The primary purpose for issuing the 2015A Bonds, was for overall debt service savings. It should be noted that the True Interest Cost of the 2015A Bonds was 3.209%. This compares to the TIC for each of the refunded bond issues of 5.008%, 3.972%, 4.701%, and 4.048%, for the 2008A, 2009A, 2007A, and 2012 bonds, respectively.

This refunding resulted in total interest savings of \$85,201,883, with net present value savings of \$77,660,118, or 9.023% net savings of refunded principal. This represents average annual cash flow savings of \$3,550,078. The transaction closed on February 25, 2015.

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

CONDENSED STATEMENTS OF NET POSITION (continued)

2015 Results (continued)

Additional benefits to UTA as a result of this refunding are the following;

1. Elimination of Capital Appreciation Bonds.
2. A Rating upgrade on UTA's Subordinate Debt Portfolio by Standard & Poors, from A to A+.
3. A reaffirmation of all other prior bond ratings, as rated by Standard & Poors, Moody's, and Fitch.
4. A reshaping of the debt service schedule by smoothing out of the steep increase in debt service beginning in 2017.
5. Elimination of Bond specific Debt Service Reserve Fund for all Senior Debt.
6. This transaction also allowed us to make several changes to the Bond Indenture, adding important items to generate flexibility benefiting the overall bond program.



Rider using the UTA mobile app

The Authority's Board remained steadfast in its dedication to building reserves for the stabilization of services and debt management. In 2015, the Board authorized an increase of almost \$8.0 million to these reserves. At year end, these reserves equaled \$51.4 million of cash and cash equivalents.

Capital assets decreased by \$118.9 million primarily due to depreciation expense of \$161.0 million exceeding capital asset additions of \$48.6 million.

An increase in net position over time may serve as a useful indicator of a government entity's financial position. As of December 31, 2015, the Authority's net position decreased to \$1.21 billion from \$1.43 billion as of December 31, 2014 due to the increase in long-term liabilities from the implementation of the *GASB Statement No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27* which resulted in an increased long-term liability of \$117m, and the issuance of the Series 2015 bonds.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>	<i>Difference</i>	<i>Percent difference</i>	<u>2014</u>
Operating revenues	\$ 52,891,021	\$ 54,346,242	\$ (1,455,221)	-2.7%	\$ 53,761,223
Operating expenses	422,543,342	403,560,254	18,983,088	4.7%	412,835,043
Excess of operating expenses over operating revenues	(369,652,321)	(349,214,012)	(20,438,309)	-5.9%	(359,073,820)
Non-operating revenues	313,184,316	290,848,506	22,335,810	7.7%	274,965,988
Non-operating expenses	86,226,784	81,386,242	4,840,542	5.9%	92,122,756
Income (loss) before contributions	(142,694,789)	(139,751,748)	(2,943,041)	-2.1%	(176,230,588)
Capital contributions	20,164,612	9,068,708	11,095,904	122.4%	11,389,311
Change in net position	<u>\$ (122,530,177)</u>	<u>\$ (130,683,040)</u>	<u>\$ 8,152,863</u>	6.2%	<u>\$ (164,841,277)</u>
Total net position, January 1	\$ 1,185,673,891	\$ 1,417,195,183			\$ 1,577,104,903
Prior period adjustment		(100,838,252) ¹			4,931,557 ²
Total net position, December 31	\$ 1,063,143,714	\$ 1,185,673,891			\$ 1,417,195,183

¹ Effect of GASB Statement No. 68 implementation, net pension liability as of January 1, 2015.

² Recognition of represented employees trust in the amount of \$3.26m, restatement of \$1.67m of current liabilities to equity.

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

SUMMARY OF REVENUES FOR THE YEAR ENDED DECEMBER 31

	<u>2016</u>	<u>2015</u>	<i>Difference</i>	<i>Percent difference</i>	<u>2014</u>
Operating					
Passenger revenue	\$ 50,624,354	\$ 52,112,909	\$(1,488,555)	-2.9%	\$ 51,461,223
Advertising	2,266,667	2,233,333	33,334	1.5%	2,300,000
Total operating revenue	52,891,021	54,346,242	(1,455,221)	-2.7%	53,761,223
Non-operating					
Contributions from other gov'ts (sales tax)	245,008,417	227,703,023	17,305,394	7.6%	214,683,276
Federal noncapital assistance	63,334,769	52,000,012	11,334,757	21.8%	50,754,876
Interest income	1,732,939	2,831,406	(1,098,467)	-38.8%	5,803,226
Other	3,108,191	8,314,065	(5,205,874)	-62.6%	3,724,610
Total non-operating revenue	313,184,316	290,848,506	22,335,810	7.7%	274,965,988
Capital contributions	20,164,612	9,068,708	11,095,904	122.4%	11,389,311
Total revenues	<u>\$ 386,239,949</u>	<u>\$ 354,263,456</u>	<u>\$31,976,493</u>	9.0%	<u>\$ 340,116,522</u>

2016 Results

Passenger revenue showed a slight decrease of \$1.5 million (2.9%) in 2016. This can be attributed to the low price of fuel and milder weather patterns. In addition, the Authority extended its FarePay discount fare program as a continued support of the conversion campaign from 2015.

Since the Authority does not have the ability to tax, it relies on contributions dedicated by other governments for the purpose of mass transit in the form of sales tax as supplementary income to operations and development. As Utah's economy continues to improve and unemployment rates continue to decrease, this sales tax amount continues to increase. In 2016, the Authority recognized \$17.3 million (6.2%) in increased contributions of sales tax. Of that increase, \$6.4 million (37%) came from the quarter-cent sales tax of Prop 1.

Federal noncapital support increased by \$11.3 million (22%) in 2016. This funding is distributed by the Federal Transit Administration (FTA) to transit agencies based on the age and use of their systems. As much of the Authority's rail system reaches the threshold of eligibility for federal preventive maintenance support, it is expected this funding will increase as demand for maintenance increases.

Capital contributions increased by over \$11 million due to the federal and local participation in the construction of the Provo-Orem BRT line.

2015 Results

Passenger revenue showed a slight increase of \$585,000 (1.3%) in 2015. This year, the Authority began to focus on electronic fare media (FarePay) through increased consumer education campaigns and fare incentives for conversion. This conversion campaign has seen significant success in converting cash customers to FarePay, however, the incentives have had an impact on passenger revenue growth.



Riders board TRAX at University of Utah

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

SUMMARY OF REVENUES FOR THE YEAR ENDED DECEMBER 31 (continued)

2015 Results (continued)

Since the Authority does not have the ability to tax, it relies on contributions dedicated by other governments for the purpose of mass transit in the form of sales tax as supplementary income to operations and development. As Utah's economy continues to improve and unemployment rates continue to decrease, this sales tax amount continues to increase. In 2015, the Authority recognized \$13.0 million (6.2%) in increased contributions of sales tax.

In 2015, the investment market did not provide the same opportunities for short-term investments as 2014. With a decreased number of investment transactions, interest income decreased in 2015 by almost \$3.0 million.

With the completion of the major rail lines, the Authority has begun to assess property and liquidate land no longer needed to support the Authority's purpose. In 2015, the Authority sold approximately 37.5 acres of land which contributed approximately \$5.6m in other revenue.

SUMMARY OF EXPENSES FOR THE YEAR ENDED DECEMBER 31

	<u>2016</u>	<u>2015</u>	<i>Difference</i>	<i>Percent difference</i>	<u>2014</u>
Operating expenses					
Bus service	\$ 85,841,973	\$ 77,702,167	\$ 8,139,806	10.5%	\$ 79,141,904
Rail service	84,165,069	74,266,265	9,898,804	13.3%	83,558,762
Paratransit service	19,341,116	18,573,738	767,378	4.1%	18,748,699
Other services	2,949,643	2,971,534	(21,891)	-0.7%	3,183,892
Operations support	37,831,682	35,901,226	1,930,456	5.4%	28,949,480
Administration	37,636,519	32,443,603	5,192,916	16.0%	33,287,754
Major investment studies	1,204,124	658,400	545,724	82.9%	2,488,179
Depreciation	153,573,216	161,043,323	(7,470,107)	-4.6%	163,476,373
Total operating expenses	<u>\$ 422,543,342</u>	<u>\$ 403,560,256</u>	<u>\$ 18,983,086</u>	4.7%	<u>\$ 412,835,043</u>

2016 Results

Personnel cost for the Authority in 2016 was 66.2% of total operating expense less depreciation. Overall, personnel cost rose by \$11.5 million (7.0%) in 2016.

The operational cost for all direct service increased in 2016 by \$20.7 million as a result of increased system maintenance costs. These costs included the light rail vehicle mid-life overhaul project, pedestrian crossing upgrades, grade crossing replacements, tactile replacements, and other technology improvements to enhance the passenger experience.

Operating expense less personnel cost increased by \$11.6 million (19.6%), all of which is the result of increased system maintenance costs.



Warehouse parts clerk

Within operating expense, administration expense increased by \$5.1 million (16%), due to increased personnel and maintenance of the information systems infrastructure and increased risk management expense.

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

SUMMARY OF EXPENSES FOR THE YEAR ENDED DECEMBER 31 (continued)

2015 Results

Personnel cost for the Authority in 2015 was 68.7% of total operating expense less depreciation. Overall, personnel cost rose by \$7.1 million (4.4%) in 2015.

With this increase as a reference, the operational cost for all direct service decreased in 2015 as a result of lower fuel costs as well as continued operational efficiencies and resource utilization adjustments.

Operating expense less personnel cost decreased by \$13.9 million (15.4%) due to the decreased cost of fuel and reduced planning and studies cost.

Within operating expense, operational support increased by almost \$7.0 million (24.0%) directly attributed to an increased cost for facility maintenance and public safety.

CAPITAL ASSET ACTIVITY

	<u>2016</u>	<u>2015</u>	<i>Difference</i>	<i>Percent difference</i>	<u>2014</u>
Land and right of ways	\$ 444,428,115	\$ 444,484,721	\$ (56,606)	0.0%	\$ 445,737,902
Infrastructure	2,660,455,033	2,660,455,033	-	0.0%	2,659,779,176
Revenue vehicles	768,632,495	778,085,676	(9,453,181)	-1.2%	763,036,847
Other	420,530,145	420,778,076	(247,931)	-0.1%	411,580,491
Construction in process	98,584,168	52,277,885	46,306,283	88.6%	41,264,699
Depreciation	(1,288,032,621)	(1,145,923,364)	(142,109,257)	12.4%	(992,308,692)
Total capital assets, net	<u>\$ 3,104,597,335</u>	<u>\$ 3,210,158,027</u>	<u>\$ (105,560,692)</u>	-3.3%	<u>\$ 3,329,090,423</u>

2016 Results

The Authority expended approximately \$47.1 million for capital assets in 2016. Approximately \$34.7 million was expended for major capital projects, with \$20.6 million spent on the construction of the Provo-Orem BRT line and \$11.6 million on the federally-mandated positive train control system. Additional projects include revenue vehicle replacement purchases, a fuel storage tank, and transit enhancements funded through Prop 1 sales tax.

2015 Results

The Authority expended approximately \$34.6 million for capital assets in 2015. Approximately \$18.9 million was expended for revenue vehicle replacements. This program included twenty-three (23) buses, fifty-five (55) RideShare vans, and fifty-six (56) paratransit vans.

In 2015, the Authority expended \$15.7 million on major strategic projects. This included the Depot District (fueling and maintenance facility to support bus operations), the continued development of several Bus Rapid Transit (BRT) routes, and several other projects designed to enhance the system and passenger experience.

Readers wanting additional information should refer to Note 4 in the notes to the financial statements.

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

DEBT ADMINISTRATION

Bond rating agencies have rated the Authority based on the types of bonds issued and an analysis of several financial conditions and influencing factors. The following chart summarizes those ratings by bond and agency:

A. Ratings Summary

Effective: August 2016

	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
Senior Lien Bonds			
Current rating	AAA	AA	Aa2
Outlook	Stable	Stable	Stable
Subordinate Lien Fixed Rate Bonds			
Current rating	A+	AA	A1
Outlook	Stable	Stable	Stable

Effective: April 2015

	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
Senior Lien Bonds			
Current rating	AAA	AA	Aa2
Outlook	Stable	Stable	Stable
Subordinate Lien Fixed Rate Bonds			
Current rating	A	A+	A1
Outlook	Stable	Stable	Stable

B. 2016 Debt Issuance

During 2016, the Authority issued the following subordinated lien bonds:

Subordinated Sales Tax Revenue Refunding Bonds, Series 2016: \$147,691,497

Proceeds from the Series 2016 Subordinated Lien bond issue were used to refund the variable rate short-term refundable maturities of the Series 2013 revenue bonds (\$13.9 million), Series 2014A revenue bonds (\$80.4 million), and 2014B revenue bonds (\$62.0 million).

C. 2015 Debt Issuance

During 2015, the Authority issued the following senior lien bonds:

2015 Series Senior Lien revenue bonds: \$668,655,000

Proceeds from the Series 2015 Senior Lien bond issue were used to refund the remaining refundable maturities of the Series 2008A revenue bonds (\$645.7 million), and \$44.55 million of the refundable maturities of the Series 2009A revenue bonds.

2015 Series Subordinate Lien revenue bonds: \$192,500,000

Proceeds from the Series 2015 Subordinate Lien bond issue were used to refund the majority of refundable maturities of the Series 2007A capital appreciation revenue bonds (\$132.3 million), and a small portion (\$4.3 million) of the refundable maturities of the Series 2012A revenue bonds.

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

DEBT ADMINISTRATION (continued)

D. Interest Expense

Interest expense increased to \$85.4 million in 2016 from \$80.6 million in 2015. The majority of this increase was the effect of the full year's interest burden of the Series 2015 bonds (\$3.0 million), with the remaining amount attributed to the Series 2016 bonds and restructuring of the Authority's debt.

Readers wanting additional information should refer to Note 8 in the notes to financial statements.

SIGNIFICANT ACTIVITIES

2016 Results

Transit Service - UTA took advantage of multiple opportunities to improve service in 2016. Most notable were the changes made possible by the adoption of Proposition One in Davis, Weber, and Tooele counties. These funds allowed UTA to implement two new bus routes and provide seven others with more early, late, and weekend service, an overall increase of 15% in annual bus service in Davis and Weber counties. In addition, UTA worked aggressively on improving 70 bus stops by using Proposition One funds to add shelters and benches and improve access to stops for mobility-disadvantaged customers. Over 500 hours of service was added in Tooele County.



Ski bus service

In August, UTA was able to leverage federal grant money to add Saturday service to six flex routes, improving access to multiple destinations in Ogden and southwest Salt Lake County.

In December, UTA completed an overhaul of ski service that improved frequency on key corridors and added 35% more trips up Big and Little Cottonwood Canyons. This was a large effort that required cooperation among numerous internal and external stakeholders.

On time performance for 2016 was 93.66%.

Transit-oriented Development (TOD) - Jordan Valley TOD construction was completed and lease-up began on 270 residential units. Construction was also completed and lease-up began on 272 residential units at the Sandy East Village TOD. A fourth residential building started construction as well as a 150,000 square foot office building. At the South Jordan TOD, work commenced on the first of two 180,000 square foot office buildings as well as a full-service hotel.

Customer Service - UTA's redesigned website was launched. Signage and maps at UTA's TRAX and FrontRunner platforms were updated as were destination maps at the Airport station. Wayfinding signage was implemented at eight key stations.

The authority provided special event support for the Warriors over the Wasatch Air Show and the Veterans Administration Wheelchair Games as well as Utah Jazz games, University of Utah and Brigham Young University events, LDS Church General Conferences, the Salt Lake City Marathon, and other special events.

UTAH TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015

SIGNIFICANT ACTIVITIES (continued)

2016 Results (continued)

Environment - Adding 24 CNG buses raised the percentage of clean fuel vehicles in UTA's fleet to 62%. FrontRunner service eliminated 63.7 million commuter mile emissions and vanpooling reduced greenhouse gas emissions by 35.2 million pounds.

Stewardship - The Authority was awarded several grants including \$71 million in small starts funds for the Provo-Orem bus rapid transit system, \$20 million in TIGER funds for first/last mile solutions, and \$2.4 million in discretionary funds. Taking advantage of historically low borrowing costs, the Authority replaced \$156 million in short-term notes with \$146 million in long-term, fixed-rated debt. Net savings from the component rebuild shop totaled \$1.3 million and CNG fuel savings from UTA's CNG fueling station topped \$400,000.



Sandy TOD – East Village Apartments

2015 Results

In conjunction with Utah County, the Utah Department of Transportation, the cities of Provo and Orem, and the Mountainland Association of Governments, the Authority continued the development of the Provo Orem Transportation Improvement Project (TRIP) which includes a bus rapid transit system.

Two new transit-oriented development (TOD) groundbreakings occurred in 2015 for Phases 2 and 3 of the Sandy TOD site. Phase 2 includes a 60,000 square foot office building preleased to the Utah State Division of Child and Family Services. Phase 3 includes construction of 67 apartment units.

Transit access improvements included increasing capacity for safe bicycle storage on trains and buses as well as providing bus amenities at 104 bus stops. In addition, the Authority launched several mobility management programs including a shared and donated vehicle program, RidePilot scheduling and dispatch software, and the first phase of the One-Click transportation and referral system.

The Authority hosted the 2015 American Public Transit Association Rail Conference and International Rail Rodeo.

Voters approved Proposition 1 in Weber, Davis, and Tooele counties. The Proposition adds a one-tenth cent transit sales tax with the tax becoming effective in 2016. Through extensive pre-election public outreach efforts, the Authority discussed potential service changes with over 8,000 citizens.

Continuous improvement initiatives included launching and facilitating the Community Transit Advisory Committee and starting the Light Rail Benchmarking Group in conjunction with the Imperial College of London. Another continuous improvement project increased the miles per gallon for all transit modes resulting in annual savings of over \$600,000.

In August, the Authority added service to twelve bus routes, TRAX, and the S-line. Changes included increased frequency and extended hours of service.

The Authority continued design and construction of the federally-mandated positive train control system and completed construction of the Depot District CNG fueling facility.

UTAH TRANSIT AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended December 31, 2016 and 2015

RIDERSHIP COMPARISON

The following information provides an annual comparison of ridership by service for years 2016, 2015, and 2014.

Reported as passenger boardings in thousands

	<u>2016</u>	<u>2015</u>	<i>Difference</i>	<i>Percent difference</i>	<u>2014</u>
Bus service	20,495	20,377	118	0.6%	20,487
Light rail service	18,762	19,704	(942)	-4.8%	19,868
Commuter rail service	4,546	4,645	(99)	-2.1%	4,416
Paratransit service	424	427	(3)	-0.7%	427
Vanpools	1,346	1,424	(78)	-5.5%	1,401
Total ridership	<u>45,573</u>	<u>46,577</u>	<u>(1,004)</u>	-2.2%	<u>46,599</u>

2016 Results

In 2016, the Authority realized a 2.2% decrease in overall ridership from 2015. Bus service increased in 2016 as the Authority continued to evaluate the demand for service, including service to the ski resorts during the season and additional service enhancements funded through Prop 1 sales tax revenue. Light rail experienced a decrease in ridership which can be attributed to low fuel costs which directly affect ridership. Other services experience little change.

2015 Results

In 2015, the Authority realized no change in overall ridership from 2014. However, commuter rail's attraction to the business commuter community resulted in a 5.2% increase in ridership. Light rail and bus operations reduced ridership slightly.



UTAH TRANSIT AUTHORITY
 FINANCIAL STATEMENTS (Unaudited)
 Years Ended December 31, 2016 and 2015

COMPARATIVE STATEMENTS OF NET POSITION

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 103,689,945	\$ 123,456,952
Receivables		
Contributions from other governments (sales tax)	45,646,114	41,966,003
Federal grants	13,611,438	8,292,008
Other	20,837,335	8,450,195
Parts and supplies inventories	28,361,640	21,871,283
Prepaid expenses	2,627,731	2,735,237
Total Current Assets	<u>214,774,203</u>	<u>206,771,678</u>
Noncurrent Assets:		
Amount recoverable - interlocal agreement	23,516,495	24,327,409
Restricted assets (Cash equivalents and investments)		
Bonds funds	51,279,017	62,996,201
Interlocal agreements	5,663,895	6,476,298
Represented employee benefits	3,269,716	3,039,873
Escrow funds	34,837	81,091
Self-insurance deposits	7,431,600	7,360,300
Total restricted assets	<u>67,679,065</u>	<u>79,953,763</u>
Property, facilities and equipment:		
Land and improvements	130,401,281	130,457,888
Rights of way	314,026,833	314,026,833
Infrastructure	2,660,455,033	2,660,455,034
Revenue vehicles	768,632,495	778,085,676
Other property and equipment	420,530,145	420,778,076
Construction in progress	98,584,168	52,277,886
Total property, facilities and equipment	<u>4,392,629,955</u>	<u>4,356,081,393</u>
Less accumulated depreciation and amortization	<u>(1,288,032,621)</u>	<u>(1,145,923,364)</u>
Total Noncurrent Assets	<u>3,195,792,894</u>	<u>3,314,439,201</u>
TOTAL ASSETS	<u>3,410,567,097</u>	<u>3,521,210,879</u>
DEFERRED OUTFLOWS OF RESOURCES		
Advanced debt refunding	101,200,263	108,648,743
Assumptions changes related to pensions	15,577,900	16,351,455
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 116,778,163</u>	<u>\$ 125,000,198</u>

See accompanying notes to the financial statements.

UTAH TRANSIT AUTHORITY
 FINANCIAL STATEMENTS (Unaudited)
 Years Ended December 31, 2016 and 2015

COMPARATIVE STATEMENTS OF NET POSITION (continued)

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 26,979,344	\$ 18,445,210
Accrued liabilities, primarily payroll-related	19,533,949	18,980,139
Accrued interest	4,226,445	4,162,032
Accrued self-insurance liability	2,336,975	2,284,463
Current portion of long-term debt	11,733,893	15,048,301
Payable from restricted assets	263,096	1,889,650
Unearned revenue	6,546,753	5,580,364
Total Current Liabilities	<u>71,620,455</u>	<u>66,390,159</u>
Long-Term Liabilities:		
Long-term debt	2,269,803,569	2,272,615,756
Long-term accrued interest	1,603,827	1,203,331
Long-term self-insurance liability	2,758,839	1,230,095
Long-term net pension liability	112,925,121	117,437,871
Total Long-term Liabilities	<u>2,387,091,356</u>	<u>2,392,487,053</u>
TOTAL LIABILITIES	<u>2,458,711,811</u>	<u>2,458,877,212</u>
DEFERRED INFLOWS OF RESOURCES		
Changes to earnings on pension plan investments	5,489,735	1,659,974
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,489,735</u>	<u>1,659,974</u>
NET POSITION		
Net investment in capital assets	924,260,135	1,031,142,715
Restricted for:		
Debt service	51,279,017	62,996,201
Interlocal agreements	5,400,799	4,586,648
Represented employee benefits	3,269,716	3,039,873
Escrow funds	34,837	81,091
Self-insurance deposits	7,431,600	7,360,300
Unrestricted	71,467,610	76,467,063
TOTAL NET POSITION	<u>\$ 1,063,143,714</u>	<u>\$ 1,185,673,891</u>

See accompanying notes to the financial statements.

UTAH TRANSIT AUTHORITY
 FINANCIAL STATEMENTS (Unaudited)
 Years Ended December 31, 2016 and 2015

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Passenger fares	\$ 50,624,354	\$ 52,112,909
Advertising	2,266,667	2,233,333
Total operating revenues	<u>52,891,021</u>	<u>54,346,242</u>
OPERATING EXPENSES		
Bus service	85,841,973	77,702,167
Rail service	84,165,069	74,266,265
Paratransit service	19,341,116	18,573,738
Other service	2,949,643	2,971,534
Operations support	37,831,682	35,901,226
Administration	37,636,519	32,443,603
Major investment studies	1,204,124	658,400
Depreciation	153,573,216	161,043,323
Total operating expenses	<u>422,543,342</u>	<u>403,560,256</u>
Excess of operating expenses over operating revenues	<u>(369,652,321)</u>	<u>(349,214,014)</u>
NON-OPERATING REVENUES (EXPENSES)		
Contributions from other governments (sales tax)	245,008,417	227,703,023
Federal preventative maintenance grants	59,772,235	49,452,677
Federal planning grants	3,562,534	2,547,335
Investment income	1,732,939	2,831,406
Other	3,108,191	8,314,065
Interest expense	(85,415,870)	(80,575,328)
Recoverable sales tax - interlocal agreement	(810,914)	(810,914)
Net non-operating revenues	<u>226,957,532</u>	<u>209,462,264</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(142,694,789)</u>	<u>(139,751,750)</u>
Capital contributions:		
Federal grants	17,054,298	7,819,096
Local	3,110,314	1,249,614
Total capital contributions	<u>20,164,612</u>	<u>9,068,710</u>
Change in Net Position	(122,530,177)	(130,683,040)
Total Net Position, January 1 (as restated)	1,185,673,891	1,316,356,931
TOTAL NET POSITION, DECEMBER 31	<u>\$ 1,063,143,714</u>	<u>\$ 1,185,673,891</u>

See accompanying notes to the financial statements.

UTAH TRANSIT AUTHORITY
 FINANCIAL STATEMENTS (Unaudited)
 Years Ended December 31, 2016 and 2015

COMPARATIVE STATEMENTS OF CASH FLOWS

	2016	2015
Cash flows from operating activities:		
Passenger receipts	\$ 52,415,749	\$ 51,764,499
Advertising receipts	2,350,000	2,050,000
Payments to vendors	(89,435,633)	(82,746,969)
Payments to employees	(120,050,277)	(115,194,297)
Employee benefits paid	(57,292,584)	(52,988,743)
Other receipts (payments)	2,387,103	3,444,927
Net cash used in operating activities	(209,625,642)	(193,670,583)
Cash flows from noncapital financing activities:		
Contributions from other governments (sales tax)	241,328,306	225,556,379
Federal preventative maintenance grants	62,709,565	48,690,739
Federal planning assistance grants	3,562,534	2,547,335
Other receipts (payments)	(11,974,847)	-
Net cash provided by noncapital financing activities	295,625,558	276,794,453
Cash flows from capital and related financing activities:		
Contributions for capital projects		
Federal	8,797,538	12,599,212
Local	2,629,071	273,373
Proceeds from the sale of revenue bonds	181,796,975	1,028,019,422
Deposit into escrow for refunding bonds	(156,360,000)	(1,000,196,793)
Payment of bond principal	(15,416,104)	(12,054,502)
Interest paid on revenue bonds	(93,649,947)	(85,928,937)
Purchases of property, facilities, and equipment	(48,012,521)	(46,053,156)
Proceeds from the sale of property	477,031	10,975,741
Net cash used in capital and related financing activities	(119,737,957)	(92,365,640)
Cash flows from investing activities:		
Purchases of investments	(37,567,565)	(109,429,557)
Proceeds from the sales of investments	38,248,601	81,120,723
Interest on investments	694,709	1,965,924
Net cash provided by investing activities	1,375,743	(26,342,910)
Net increase in cash and cash equivalents	(32,362,298)	(35,584,680)
Cash and cash equivalents at beginning of year	174,272,793	209,857,474
Cash and cash equivalents at end of year	<u>\$ 141,910,495</u>	<u>\$ 174,272,793</u>

See accompanying notes to the financial statements.

COMPARATIVE STATEMENTS OF CASH FLOWS (continued)

	<u>2016</u>	<u>2015</u>
Reconciliation of cash to the Statement of Net Position:		
Cash and cash equivalents at year end from cash flows	\$ 141,910,495	\$ 174,272,793
Investments	29,458,515	29,137,922
Total cash and cash equivalents and investments	<u>171,369,010</u>	<u>203,410,715</u>
Cash and investments as reported on the Statement of Net Position		
Cash and cash equivalents	103,689,945	123,456,952
Restricted assets (Cash equivalents and investments)		
Bonds funds	51,279,017	62,996,201
Interlocal agreements	5,663,895	6,476,298
Represented employee benefits	3,269,716	3,039,873
Escrow funds	34,837	81,091
Self-insurance deposits	7,431,600	7,360,300
Total cash and cash equivalents and investments	<u>\$ 171,369,010</u>	<u>\$ 203,410,715</u>

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (369,652,321)	\$ (349,214,012)
Adjustments to reconcile excess of operating expenses over operating revenues to net cash used in operating activities:		
Pension expense	90,566	1,908,135
Depreciation	153,573,216	161,043,323
Other revenues	2,631,160	1,280,554
Changes in assets and liabilities:		
Receivables	(375,690)	232,832
Parts and supplies inventories	(6,490,357)	(1,802,544)
Prepaid expenses	107,506	2,471
Accounts payable - trade and restricted	6,907,580	(6,114,070)
Accrued liabilities	2,135,064	(1,848,366)
Unearned revenue	1,447,634	841,094
Advanced collections	-	-
Net cash used in operating activities	<u><u>\$ (209,625,642)</u></u>	<u><u>\$ (193,670,583)</u></u>

See accompanying notes to the financial statements.



NOTE 1 – DESCRIPTION OF THE AUTHORITY OPERATIONS AND DEFINITION OF THE ENTITY

A. Organization

The Utah Transit Authority (Authority) was incorporated on March 3, 1970 under authority of the Utah Public Transit District Act of 1969 for the purpose of providing a public mass transportation system for Utah communities.

The Authority's service area lies in the region commonly referred to as the Wasatch Front. The service area extends from the Wasatch Mountains on the east to the Great Salt Lake on the west, is approximately 100 miles long and 30 miles wide, and consists of an area of approximately 1,400 square miles that covers all or portions of six (6) principal counties (Box Elder, Davis, Salt Lake, Tooele, Utah and Weber). The service area also includes a small portion of Juab County. The total population within the six principal counties is approximately 2,400,000 which represents approximately 82% of the state's total population.

The Authority's operations include commuter rail service from Ogden to Provo, light rail service in Salt Lake County, and bus service, paratransit service for the transit disabled, rideshare and van pool programs system wide.

The Authority is governed by a 16 member Board of Trustees, which is the legislative body of the Authority and determines Authority policy. Twelve members of the Board of Trustees are appointed by each county municipality or combination of municipalities annexed to the Authority. In addition, one trustee is appointed by the Governor of Utah, one is appointed by the President of the State Senate, one is appointed by the Speaker of the State House of Representatives, and one is appointed by the State Transportation Commission.

B. Reporting Entity

The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - An Amendment of GASB Statement No. 14*. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statements No. 14 and No. 39, the Authority has no component units nor is it considered a component unit of any municipality or government. The Authority has, however, a slight connection with some municipalities by virtue of the fact that the Board of Trustees is appointed by the municipalities served by the Authority, and the municipalities serve as the taxing authority for sales tax contributed to support transit provided by the Authority.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organizations nor are any municipalities financially accountable for the Authority. Additionally, the Authority has considered the provisions of GASB No. 39 which follows the concept of economic independence. The Authority does not raise or hold economic resources for the direct benefit of a governmental unit and other governmental units do not have the ability to access economic resources held by the Authority. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provision of the Utah Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Authority reports as a single enterprise fund and uses the accrual method of accounting and the economic resources measurement focus. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

B. Standards for Reporting Purposes

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by GASB.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Federal Planning Assistance and Preventative Maintenance Grants

Federal planning assistance grants received from the Federal Transit Administration (FTA) and preventative maintenance grants are recognized as revenue and receivable during the period in which the related expenses are incurred and eligibility requirements are met. The FAST Act is a fully funded five-year authorization of surface transportation programs. This Act allows for the replacement and repair of aging infrastructure.

D. Federal Grants for Capital Expenditures

The U.S. Department of Transportation, through contracts between the Authority and the FTA, provides federal funds of 35% to 93% of the cost of property, facilities and equipment acquired by the Authority through federal grants. Grant funds for capital expenditures are earned and recorded as capital contribution revenue when the capital expenditures are made and eligibility requirements are met.

E. Classification of Revenues and Expenses

- *Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions such as passenger revenues and advertising revenues.
- *Operating expenses:* Operating expenses include payments to suppliers, employees, and third parties on behalf of employees and all payments that do not result from transactions defined as capital and related financing, non-capital financing, or investing activities.
- *Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. Examples of non-operating revenues would be the contributions from other governments (sales tax), federal grants and investment income.
- *Non-operating expenses:* Non-operating expenses include payments from transactions defined as capital and related financing, non-capital financing or investing activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Contributions from Other Governments

The counties and municipalities who receive transit services from the Authority have agreed to contribute a portion of sales tax to the Authority in exchange for service. These contributions are received by the Authority approximately 60 days after the collection of the sales tax, and as such are recorded as an accrual to revenue and receivable during that period.

The following percentage of sales have been authorized as Local Option Sales Tax and dedicated to support transit:

Salt Lake County	0.6875%
Davis County	0.6500%
Weber County	0.6500%
Box Elder County	0.5500%
Utah County	0.5260%
Tooele County	0.4000%

G. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and amounts invested in a repurchase agreement, a certificate of deposit and the Utah Public Treasurers' Investments Fund, including restricted cash equivalents. The Authority considers short-term investments with an original maturity of three (3) months or less to be cash equivalents (Note 3).

H. Investments

Cash in excess of operating requirements is invested by the Authority. The Authority's investments comply with the Utah Money Management Act, and are stated at fair value, which is primarily determined based upon quoted market prices at year end (Note 3).

Investment policy: The Authority's investment policy is established and may be amended by the President/CEO within the parameters established by the Board of Trustees and the Utah Money Management Act.

I. Receivables

Receivables consist primarily of amounts due to the Authority from sales tax collections, federal grants, local government partners, pass sales and investment income. Management does not believe any credit risk exists related to these receivables.

J. Parts and Supplies Inventories

Parts and supplies inventories are stated at the lower of cost (using the moving average cost method) or market. Inventories generally consist of fuel, lube oil, antifreeze and repair parts held for consumption. Inventories are expensed as used.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Property, Facilities and Equipment

Property, facilities and equipment are stated at historical cost. Expenditures which substantially improve or extend the useful life of property are capitalized. Routine maintenance and repair costs are expensed as incurred. Property, facilities and equipment are capitalized if they have individual costs of at least \$5,000 and a useful life of over one year.

Except for sales of assets in which the unit fair market value is less than \$5,000 from the sale of property, proceeds from facilities and equipment purchased with funds provided by federal grants for capital expenditures are remitted to the FTA on the same percentage basis that such funds were provided by grant contracts with the FTA, or used for similar capital expenses.

Depreciation is calculated using the straight-line method over the established useful lives of individual assets as follows:

Land and Rights of Way	Not depreciated
Infrastructure and Land Improvements	10-50 years
Revenue Vehicles	5-25 years
Other Property and Equipment	3-10 years

L. Amount Recoverable – Interlocal Agreement

In 2008, the Authority entered into an agreement with the Utah Department of Transportation (UDOT) which required the Authority to pay UDOT \$15 million in 2008 and \$15 million in 2009 for the rights to Salt Lake County's 2% of the 0.25% part 17 sales tax through the years 2045.

The Authority records such payments made to other entities for rights to future revenues as Amount Recoverable – Interlocal Agreement. This amount is amortized over the life of the agreement.

M. Compensated Absences

Vacation pay is accrued and charged to compensation expense as earned. Sick pay benefits are accrued as vested by Authority employees.

N. Risk Management

The Authority is exposed to various risks of loss related to torts; theft, damage and destruction of assets; environmental matters; worker's compensation self-insurance; damage to property; and injuries to passengers and other individuals resulting from accidents, errors and omissions.

Under the Governmental Immunity Act, the maximum statutory liability in any one accident is \$2,407,700 for incidents occurring after July 1, 2014. The Authority is self-insured for amounts up to this limit. The Authority has Railroad Liability Coverage of \$100 million per annum with \$5 million of risk retention. The Authority is self-insured for worker's compensation up to the amount of \$1 million per incident and has excess insurance for claims over this amount. The Authority has insurance for errors and omissions and damage to property in excess of \$100,000 per annum.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Risk Management (continued)

The Authority has insurance or retains the risk depending on what is in the Authority's best interest for all other matters. There has been no significant reduction in insurance coverage or settlements in excess of insurance coverage during the last three years.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable (Note 6).

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Transit Authority Employee Retirement Plan and Trust ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Net Position

The Authority's net position is classified as follows:

- *Net investment in capital assets:* This component of net position consists of the Authority's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted for debt service:* This component of net position consists of the amount restricted by bond covenants for debt service.
- *Restricted for interlocal agreement:* This component of net position consists of the amounts restricted by interlocal agreements with Mountain Accord and the municipalities of Willard, Perry and Brigham City in Box Elder County.
- *Restricted for represented employee benefits:* This component of net position consists of the amount restricted by the Utah Transit Authority Bargaining Unit Employees' Insurance Trust Account Agreement for the purpose of providing represented employee benefits.
- *Restricted for escrows:* This component of net position consists of the amount restricted by escrow agreement.
- *Unrestricted:* This component of net position consists of that portion of net position that does not meet the definition of restricted or net investment in capital assets. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Budgetary and Accounting Controls

The Authority's annual budgets are approved by the Board of Trustees, as provided for by law. Operating and non-operating revenues and expenditures are budgeted on the accrual basis, except for depreciation. Capital expenditures and grant reimbursements are budgeted on a project basis. Multi-year projects are approved in whole, but are budgeted based on estimated annual expenses.

The Authority adopts its annual budget in December of the preceding year based on recommendations of staff and the Board Planning and Development Committee.

The first step in developing the Authority's budget is a review of the Transit Development Program and Long Range Financial Plan. This plan then acts as a focus for the development of programs and objectives. Concurrent with the development of programs and objectives, revenues for the coming year are estimated. The estimates of the coming year's revenues are then used as a guide for the Authority to determine the amount of change in service to be provided in the following year. Once the level of service for the coming year is determined, each manager develops a departmental budget.

The departmental budgets are then combined to form a preliminary budget request.

The Executive staff reviews the programs, objectives and requests to balance the total budget with the project revenues and service requirements and priorities. Once the preliminary budget is balanced, the Board Finance and Operations Committee reviews the budget request.

Within 30 days after the tentative budget is approved by the Board, and at least 30 days before the Board adopts its final budget, the Board sends a copy of the tentative budget, a signature sheet and notice of the time and place for a budget hearing to the chief administrative officers and legislative bodies of each municipality and unincorporated county area within the district of the Authority.

Within 30 days after it is approved by the Board and at least 30 days before the Board adopts its final budget, the Board sends a copy of the tentative budget to the Governor and the Legislature for examination and comment.

Before the first day of each fiscal year, the Board adopts the final budget by an affirmative vote of a majority of all the trustees. Copies of the final budget are filed in the office of the Authority. If for any reason the Board has not adopted the final budget on or before the first day of any fiscal year, the tentative budget for such year, if approved by formal action of the Board, is deemed to be in effect for such fiscal year until the final budget for such fiscal year is adopted.

The Board may, by an affirmative vote of a majority of all trustees, adopt an amended final budget when reasonable and necessary, subject to any contractual conditions or a requirement existing at the time the need for such amendment arises.

Individual department budgets are monitored for authorized expenditures on a department total rather than on a department line-item basis.

The Board must approve all increases or decreases to the net operating expense line, total capital budget line and total operating revenue line of the Authority's operating and capital budgets.

The Authority's budgetary process follows Title 17B, Chapter 1, Section 702 of the Utah Code Annotated, as amended. The annual budget is submitted to the State Auditors' Office within 30 days of adoption.

UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Budgetary and Accounting Controls (continued)

The following table shows actual revenues, operating expenses, and capital expenses for 2016 compared to budget. (Depreciation expense is not a budgeted item.)

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>Difference</u>
Revenues			
Contributions from other gov'ts, sales tax	\$ 241,979,732	\$ 245,008,417	\$ 3,028,685
Federal non-capital assistance	57,588,000	63,334,769	5,746,769
Passenger revenues	53,257,967	50,624,354	(2,633,613)
Advertising	2,283,000	2,266,667	(16,333)
Investment income	2,237,000	1,732,939	(504,061)
Other income	5,179,704	3,108,191	(2,071,513)
Total revenues	\$ 362,525,403	\$ 366,075,337	\$ 3,549,934
Operating Expenses			
Bus services	\$ 87,683,183	\$ 82,476,517	\$ 5,206,666
Rail services	75,669,773	68,933,765	6,736,008
Paratransit services	20,851,218	19,172,673	1,678,545
Other services	2,416,343	2,796,086	(379,743)
Operations support	39,317,298	36,248,482	3,068,816
Administration	28,952,339	32,311,210	(3,358,871)
Planning and development	4,569,000	3,040,969	1,528,031
Major investment studies	850,000	1,204,124	(354,124)
Total operating expenses	\$ 260,309,154	\$ 246,183,826	\$ 14,125,328
Non-Operating Expenses (Revenues)			
Series 2015 Refunding Reserve	\$ (8,970,655)	\$ -	\$ -
Interest expense	94,630,655	80,575,328	14,055,327
Amortized charges	-	810,914	(810,914)
Disposition of real estate	-	(5,642,129)	5,642,129
Total non-operating expenses (revenues)	\$ 94,630,655	\$ 75,744,113	\$ 18,886,542
Capital Expenses (Revenues)			
Federal and local grants	\$ (56,178,370)	\$ (17,054,298)	\$ (39,124,072)
Local contributions	(66,139,321)	(3,110,314)	(63,029,007)
Sale of assets	(2,000,000)	-	(2,000,000)
Capital lease	(10,408,239)	-	(10,408,239)
State of good repair capital projects	73,459,127	30,341,181	43,117,946
Provo-Orem BRT	106,000,000	16,750,597	89,249,403
Other capital projects	22,432,260	22,786,301	(354,041)
Total capital expenses (revenues)	\$ 67,165,457	\$ 49,713,467	\$ 17,451,990

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Recent Accounting Pronouncements

GASB Statement 72
Fair Value Measurement and Application
Issued: February 2015

This statement addresses accounting and fair value reporting issues related to fair value measurements by clarifying the definition of fair value, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. This statement is effective for the Authority's fiscal year beginning January 1, 2016.

GASB Statement 71
Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68
Issued: November 2013

This statement addresses an issue regarding application of the transition provision of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is effective for the Authority's fiscal year beginning January 1, 2015.

GASB Statement 68
Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27
Issued: June 2012

This statement replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to government entities that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

This statement requires entities providing defined benefit pension to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This statement is effective for the Authority's fiscal year beginning January 1, 2015.

UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority maintains a cash, cash equivalents and investment pool of restricted, designated, and unrestricted amounts to be used to manage the daily cash requirements necessary to support the Authority. The Authority’s cash balance consisted of the following as of December 31, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents		
Restricted	\$ 58,138,257	\$ 50,815,841
Designated	58,546,501	51,399,708
Unrestricted	45,957,595	72,057,244
Investments		
Restricted	9,540,808	29,137,922
Total cash, cash equivalents, and investments	<u>\$ 172,183,161</u>	<u>\$ 203,410,714</u>

While the Authority’s carrying amount of cash and cash equivalents on December 31, 2016 was \$162,642,353, the balance of the Authority’s bank accounts and cash on-hand was \$171,940,932 with the difference being outstanding checks and deposits in transit.

A. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are defined as funds restricted by legal requirement(s) outside of the Authority. The Authority is required to maintain certain accounts in connection with the issuance of bonds which are restricted per the bond covenants.

The Authority is currently acting as the trustee of funds for use by a consortium of other governments called the Mountain Accord. In addition, the Authority is acting as the trustee of funds for a represented employee benefits trust.

B. Designated Cash and Cash Equivalents

Designated cash and cash equivalents are considered designated through action by the Authority’s Board of Trustees and have no outside legal restrictions. Designations include funds to stabilize operations and debt service in the case of changing economic environments. The following amounts were considered designated by the Board of Trustees as of December 31 of the respective years:

	<u>2016</u>	<u>2015</u>
Early Debt Retirement	\$ 14,858,258	\$ 10,535,764
Fuel Reserve	1,915,000	1,915,000
Operating Reserve	25,247,693	23,405,698
Parts Reserve	3,000,000	3,000,000
Stabilization Reserve	13,525,550	12,543,246
Total designated cash and cash equivalents	<u>\$ 58,546,501</u>	<u>\$ 51,399,708</u>

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. Designated Cash and Cash Equivalents (continued)

- *Designated for early debt retirement reserves* - This component of net position consists of savings experienced in the amount of actual variable interest expense from budgeted variable interest expense for the same time period, one-time contributions as determined by the President/CEO, and any unused monies from debt service reserve funds established for specific bonds when no longer encumbered for the initially reserved debt. Permitted use of these reserves is defined in the *Executive Limitations Policy No. 2.4.6 Debt Service Reserve and Rate Stabilization Fund Created*.
- *Designated for fuel reserves* - This component of net position consists of the amount designated by the Board of Trustees to mitigate the financial impact of unexpected and rapidly rising fuel prices. (*Executive Limitations Policy No. 2.3.3 Budgeting*)
- *Designated for operating reserves* - This component of net position consists of 9.33% (one month expense, plus 1%) of the annual budgeted operating expense, and is required by the Board of Trustees. (*Executive Limitations Policy No. 2.3.3 Budgeting*)
- *Designated for parts reserves* - This component of net position consists of the amount designated by the Board of Trustees to be accumulate funds in anticipation of a State of Good Repairs requirement. (*Executive Limitations Policy No. 2.3.3 Budgeting*)
- *Designated for stabilization reserves* - This component of net position consists of 5% of the Authority's annual budget for the purpose of preserving service levels when the Authority is facing a revenue shortfall or cost overrun due to extraordinary circumstances, such as an economic downturn or rapid rise in fuel prices or any combination of such events. (*Executive Limitations Policy No. 2.1.8 Service Stabilization Reserve Fund*)

C. Deposits and Investments

Deposits and investments for the Authority are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council (the Council). Following are discussions of the Authority's exposure to various risks related to its cash management activities.

- *Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of the Authority to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council.

At December 31, 2016 and 2015, the balances in the Authority's bank demand deposit accounts and certificate of deposit accounts according to the bank statements totaled \$17,940,932 and \$15,564,520, respectively, of which \$ 286,388 and \$ 277,847 were covered by Federal depository insurance.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

C. Deposits (continued)

- *Credit Risk* - Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Authority’s policy for limiting the credit risk of investments is to comply with the Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s investor Service or Standard & Poor’s; bankers acceptances; obligations of the U.S. treasury and U.S. government sponsored enterprise; bonds and notes of political subdivision of the state of Utah; fixed rate corporate obligations and variable rated securities rated “A” or higher by two nationally recognized statistical rating services as defined in the Act.

The Authority is authorized to invest in the Utah Public Treasurers’ Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to the participants on an amortized cost basis. The income, gains and losses, net of administration fees of the PTIF are allocated based upon the participants’ average daily balances.

The following are the Authority’s investment as of December 31, 2016:

		Investment Maturity (in years)		
		Less than 1	1-5	TOTAL
U.S. Agencies	AAA	\$ -	\$ 35,640,796	\$ 35,640,796
Corporate Bonds	A+/A1/A+	-	14,457,636	14,457,636
MM - Cash		33,029,467	-	33,029,467
PTIF		62,062,374	-	62,062,374
Total investments		\$ 95,091,841	\$ 50,098,432	\$ 145,190,273

- *Interest Rate Risk* - Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Authority manages its exposure by strictly complying with its Investment Policy which complies with the Act. The Authority’s policy relating to specific investment-related risk is to adhere to the Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the fund to be invested. The maximum adjusted weighted average maturity of the portfolio is 432 days, or 1.18 years.



NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

C. Deposits (continued)

- *Fair Value of Investments* – The Authority measures and records investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:
 - Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities where the Authority has direct access. Since valuations are based on quoted prices readily and regularly available in an active market, valuation does not require any significant degree of judgement. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.
 - Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include corporate and municipal bonds, and securitized certificates of deposit.
 - Level 3 – Valuations based on inputs that are unobservable and significant to overall fair value measurement.

The Authority invests with Zions Capital Advisors and the Utah Public Treasurers Investment Fund. Both of these organizations meet the requirements of the Utah Money Management Act. The following are the Authority’s investment as of December 31, 2016 by organization and by fair value measurement:

	12/31/2016	Fair Value Measurements		
		Level 1	Level 2	Level 3
Zions Capital Advisors				
Agency	\$ 35,640,796	\$ 35,640,796		
Corporate	14,457,636		14,457,636	
Currency	186,136	186,136		
Total Zions Capital Advisor investments	<u>50,284,568</u>	<u>35,826,932</u>	<u>14,457,636</u>	<u>-</u>
Zions Trustee Investments				
Money market	32,843,331	32,843,331		
Total Zions Trustee investments	<u>32,843,331</u>	<u>32,843,331</u>	<u>-</u>	<u>-</u>
Public Treasurers Investment Fund	62,062,374		62,062,374	
Total investments by fair value level	<u>\$145,190,273</u>	<u>\$ 68,670,263</u>	<u>\$ 76,520,010</u>	<u>\$ -</u>

UTAH TRANSIT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 4 – PROPERTY, FACILITIES, AND EQUIPMENT

Construction in progress of \$98,584,168 and \$52,277,885 December 31, 2016 and 2015, respectively, consists of costs incurred in connection with the Authority’s Provo/Orem Bus Rapid Transit (BRT) project, federally-mandated positive train control, and other bus and rail passenger enhancement projects. These costs consist of engineering, design, and construction.

	Balance 12/31/2015	Increases	Transfers	Decreases	Balance 12/31/2016
Capital assets not being depreciated					
Land	\$ 120,285,242	\$ -	\$ -	\$ (56,606)	\$ 120,228,636
Rights of way	314,026,833	-	-	-	314,026,833
Construction in process	52,277,885	47,091,778	(785,495)	-	98,584,168
Total capital assets not being depreciated	486,589,960	47,091,778	(785,495)	(56,606)	532,839,637
Capital assets being depreciated					
Infrastructure	2,660,455,034	-	-	-	2,660,455,034
Revenue vehicles	778,085,676	690,215	390,458	(10,533,854)	768,632,495
Other property and equipment	420,778,076	308,484	395,037	(951,452)	420,530,145
Land improvements	10,172,645	-	-	-	10,172,645
Total capital assets being depreciated	3,869,491,431	998,699	785,495	(11,485,306)	3,859,790,319
Less accumulated depreciation					
Infrastructure	(561,696,515)	(79,982,187)	-	-	(641,678,702)
Revenue Vehicles	(313,271,388)	(38,781,665)	-	10,528,218	(341,524,835)
Other property and equipment	(261,499,439)	(34,438,115)	-	951,452	(294,986,102)
Land improvements	(9,456,022)	(386,960)	-	-	(9,842,982)
Total accumulated depreciation	(1,145,923,364)	(153,588,927)	-	11,479,670	(1,288,032,621)
Capital assets being depreciated, net	2,723,568,067	(152,590,228)	785,495	(5,636)	2,571,757,698
Total capital assets, net	\$3,210,158,027	\$(105,498,450)	\$ -	\$ (62,242)	\$3,104,597,335
	Balance 12/31/2014	Increases	Transfers	Decreases	Balance 12/31/2015
Capital assets not being depreciated					
Land	\$ 121,638,389	\$ -	\$ 59,905	\$(1,413,052)	\$ 120,285,242
Rights of way	314,026,833	-	-	-	314,026,833
Construction in process	41,264,699	23,311,285	(11,187,229)	(1,110,870)	52,277,885
Total capital assets not being depreciated	476,929,921	23,311,285	(11,127,324)	(2,523,922)	486,589,960
Capital assets being depreciated					
Infrastructure	2,659,779,176	2,570,987	1,977,325	(3,872,454)	2,660,455,034
Revenue vehicles	763,036,847	18,903,834	482,413	(4,337,418)	778,085,676
Other property and equipment	411,580,491	3,769,441	8,567,621	(3,139,477)	420,778,076
Land improvements	10,072,680	-	99,965	-	10,172,645
Total capital assets being depreciated	3,844,469,194	25,244,262	11,127,324	(11,349,349)	3,869,491,431
Less accumulated depreciation					
Infrastructure	(481,956,454)	(79,740,968)	-	907	(561,696,515)
Revenue Vehicles	(278,895,209)	(38,642,743)	-	4,266,564	(313,271,388)
Other property and equipment	(222,568,671)	(42,091,947)	-	3,161,179	(261,499,439)
Land improvements	(8,888,358)	(567,664)	-	-	(9,456,022)
Total accumulated depreciation	(992,308,692)	(161,043,322)	-	7,428,650	(1,145,923,364)
Capital assets being depreciated, net	2,852,160,502	(135,799,060)	11,127,324	(3,920,699)	2,723,568,067
Total capital assets, net	\$3,329,090,423	\$(112,487,775)	\$ -	\$(6,444,621)	\$3,210,158,027

UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 5 – FEDERAL FINANCIAL ASSISTANCE

The Authority receives a portion of its funding from the through the U.S. Department of Transportation’s Federal Transit Administration (FTA) in the form of federal preventative maintenance, federal operating assistance, and federal capital assistance grants. The majority of these grants require the Authority to participate in the funding of the service and/or capital project. The FTA retains ownership in assets purchased with federal funds.

	2016	2015
Operating assistance		
Federal preventive maintenance grants	\$ 59,772,235	\$ 49,452,677
Federal operating assistance grants	3,562,534	2,547,335
	<u>63,334,769</u>	<u>52,000,012</u>
Capital projects		
Federal capital projects	17,054,298	7,819,096
	<u>17,054,298</u>	<u>7,819,096</u>
Total federal assistance	<u>\$ 80,389,067</u>	<u>\$ 59,819,108</u>

NOTE 6 – SELF-INSURANCE CLAIMS LIABILITY

Changes in the accrued claims liability in 2016 and 2015 were as follows:

	Beginning liability	Changes in estimates	Claim payments	Ending liability
2016	\$ 3,514,558	\$ 3,344,989	\$ (1,763,733)	\$ 5,095,814
2015	\$ 3,571,622	\$ 2,237,055	\$ (2,294,119)	\$ 3,514,558

NOTE 7 – PENSION PLANS

A. General Information about the Pension Plan

Plan description: The Utah Transit Authority Employee Retirement Plan (the “Plan”) is a single-employer defined benefit plan. The Plan’s provisions were adopted by a resolution of the Authority’s Board of Trustees, which appoints those who serve as trustees of the Plan. Any amendments to the Plan are adopted by a resolution of the Authority’s Board of Trustees.

Benefits provided: The Plan covers all eligible employees and provides retirement benefits to Plan members and their beneficiaries. The Plan also provides disability benefits to Plan members. Retirement benefits are as follows:

Final average salary	Years of service required	Age eligibility for benefit	Benefit percent per year
Highest 5 years	5 years	Must be age 55 or older	2% for every year of service. A year of service consists of 1,000 hours worked during a calendar year.

Participation: As of December 31, 2016, there were 1,973 active participants, 312 inactive participants, and 515 retirees and beneficiaries.

NOTE 7 – PENSION PLANS (continued)

A. General Information about the Pension Plan (continued)

- Contributions:* Through December 31, 2016, contributions to the Plan were recommended by an annual actuarial report and are approved by the Authority’s Board of Trustees. As of January 1, 2014, a contribution based on a percentage of payroll was approved by the Authority’s Board of Trustees. This percentage will be reviewed by the Board of Trustees annually as updated actuarial valuation reports become available. The Board of Trustees approved a contribution rate of 15% for 2015, and 16% for 2016 through 2034. This contribution rate is consistent with the Authority’s adopted Plan funding policy which is focused on restoring the Plan’s funding status to 100% within 20 years. Post 2034 contributions are assumed equal to the 8.2% of pay normal cost rate (including administrative expenses) from the 01/01/2015 plan funding valuation. The actual amount contributed by the employer during the 2016 fiscal year was \$19,603,952.



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- Reporting* - The Plan issues a publicly available financial report that includes financial statements and required supplementary information of that Plan. This report may be requested from the Authority’s Comptroller’s Office.

By mail: Utah Transit Authority
 Comptroller’s Office
 669 West 200 South
 Salt Lake City, UT 84101

By email: FEvans@rideuta.com

By phone: (801) 287-2523

B. Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

- Net pension liability* - At December 31, 2016, the Authority reported a net pension liability of \$112,925,121. The net pension liability was measured as of December 31, 2016, and was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures.
- Deferred outflows of resources and deferred inflows of resources* - At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred inflows of resources	Deferred outflows of resources
Differences between expected and actual experience	\$ (2,133,382)	\$ -
Changes of assumptions	(3,356,353)	5,272,867
Net difference between projected and actual earnings	-	10,305,033
Contributions made subsequent to measurement date	-	-
Total	<u>\$ (5,489,735)</u>	<u>\$ 15,577,900</u>

NOTE 7 – PENSION PLANS (continued)

B. Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

- *Pension expense* - For the year ended December 31, 2016, the Authority recognized pension expense of \$3,365,259. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended December 31	Deferred outflows (inflows) of resources
2017	\$ 3,365,259
2018	3,365,259
2019	3,365,259
2020	902,176
2021	(465,899)
Thereafter	(443,889)

- *Actuarial assumptions* - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	5.40% per annum for the first five (5) years of employment; 3.40% per annum thereafter
Investment rate of return	7.25%, net of investment expenses
Mortality	RP-2014 Blue Collar Mortality Table, with MP-2014 Project Scale (Pre-retirement; Employee Table; Post-retirement Annuitant Table)
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.78%

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2008.



NOTE 7 – PENSION PLANS (continued)

B. Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

- *Long-term rate of return:* The long-term rate of return is selected by the Plan’s Pension Committee after a review of expected inflation and long-term real returns, reflecting expected volatility and correlation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocations as of December 31, 2016, is summarized in the table below.

Asset Class	Target Asset Allocation	Long-term Expected Return
Global Equities	63%	6.7%
Fixed Income	22%	4.0%
Liquid Diversifiers	10%	5.1%
Real Assets	4%	6.1%
Cash & Equivalents	1%	2.8%
Total	100%	6.0%

The 7.25% assumed investment rate of return is comprised of an inflation rate of 2.3% and a real return of 4.90% net of investment expense.

- *Discount rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed contribution rates as recommended by the Authority’s Pension Committee and approved by the Board of Trustees. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive participants. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



UTA Dispatch Center

The following sensitivity analysis assumes rate volatility of plus and minus one percent of the discount rate of 7.25%.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Total pension liability	\$ 318,014,666	\$ 278,960,378	\$ 246,700,715
Fiduciary net position	166,035,257	166,035,257	166,035,257
Net pension liability	151,979,409	112,925,121	80,665,458

UTAH TRANSIT AUTHORITY
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NOTE 7 – PENSION PLANS (continued)

B. Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

- *Schedule of valuation change:* The following tables show the pension valuation change over the past five (5) years.

Actuarial valuation date	Actuarial value of assets	Actuarial liability (AAL) using entry age normal	Unfunded AAL (UAAL)	Funded ratio	Approximate covered payroll	UAAL as a % of covered payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/2016	\$ 166,035,257	\$ 278,960,378	\$ 112,925,121	59.52%	\$ 115,430,618	97.83%
12/31/2015	151,631,927	269,069,798	117,437,871	56.35%	110,727,134	106.06%
12/31/2014	146,854,399	247,692,651	100,838,252	59.29%	106,004,057	95.13%
1/1/2014	130,546,313	235,908,403	105,362,090	55.34%	106,590,548	98.85%
1/1/2013	118,878,693	222,734,287	103,855,594	53.37%	102,099,985	101.72%

- *Schedule of changes in total pension liability, plan fiduciary net position, and net pension liability:* The following table shows the change to the total pension liability, the plan fiduciary net position, and the net pension liability during the year.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2015	\$ 269,069,798	\$ 151,631,927	\$ 117,437,871
Changes for the year:			
Service cost	7,711,706		7,711,706
Interest on total pension liability	19,604,345		19,604,345
Effect of member voluntary contributions	437,923		437,923
Effect of economic/demographic gains or losses	(927,077)		(927,077)
Effect of assumptions changes or inputs	(3,955,702)		(3,955,702)
Benefit payments	(12,980,615)	(12,980,615)	
Employer contributions		19,603,952	(19,603,952)
Member contributions		437,923	(437,923)
Net investment income		7,591,211	(7,591,211)
Administrative expenses		(249,141)	249,141
Balances as of December 31, 2016	\$ 278,960,378	\$ 166,035,257	\$ 112,925,121

NOTE 7 – PENSION PLANS (continued)

C. Defined Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees on a voluntary basis and permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As part of its fiduciary role, the Authority has an obligation of due care in selecting the third party administrators. In the opinion of management, the Authority has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan. The deferred compensation assets are held by third party plan administrators and are generally invested in money market funds, stock or bond mutual funds or guarantee funds as selected by the employee.



Facilities employee



UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 8 – LONG TERM DEBT

The following provides detailed information about each of the Authority’s debt issuances along with a summary of the long-term debt activity for the year.

A. Series 2005A Revenue Bond

Purpose: Advanced refunding of the 1997 Series Revenue Bonds
 Interest rate: 3.25-5.25%
 Original amount: \$20,630,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 1,470,000	\$ 491,925	\$ 1,961,925
2018	1,550,000	412,650	1,962,650
2019	1,635,000	329,044	1,964,044
2020	1,720,000	240,975	1,960,975
2021	1,815,000	148,181	1,963,181
2022	1,915,000	50,269	1,965,269
	<u>\$ 10,105,000</u>	<u>\$ 1,673,044</u>	<u>\$ 11,778,044</u>

Defeasance of Debt - On August 10, 2005, the Authority defeased certain 1997 Series revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority’s financial statements. The 1997 Series revenue bonds relating to this issuance were defeased on December 15, 2007.

B. Series 2006C Revenue Bond

Purpose: Advanced refunding of the 2002A Series revenue bonds
 Interest rates: 5.00-5.25%
 Original amount: \$134,650,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 4,825,000	\$ 6,051,019	\$ 10,876,019
2018	5,085,000	5,790,881	10,875,881
2019	5,350,000	5,516,963	10,866,963
2020	5,635,000	5,228,606	10,863,606
2021	5,950,000	4,924,500	10,874,500
2022-2026	34,900,000	19,452,563	54,352,563
2027-2031	45,345,000	8,978,158	54,323,158
2032	10,580,000	277,725	10,857,725
	<u>\$ 117,670,000</u>	<u>\$ 56,220,415</u>	<u>\$ 173,890,415</u>

NOTE 8 – LONG TERM DEBT (continued)

B. Series 2006C Revenue Bond

Defeasence of Debt - On October 24, 2006, the Authority defeased certain 2002A Series revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. The 2002A Series revenue bonds relating to this issuance were defeased on December 15, 2012.

C. Series 2007A Capital Appreciation/Capitalized Interest Bond(s)

Purpose: Partial advanced refunding of the 2005B revenue bonds; construction and acquisition of improvements to the transit system.

Interest rates

Capital Appreciation Bonds: 4.55-5.05%
 Capital Interest Bonds: 5.00%

Original amount

Capital Appreciation Bonds: \$132,329,109
 Capital Interest Bonds: \$128,795,000

Debt service requirements to maturity, including interest:

Series 2007A Subordinate Lien Capital Appreciation Bond

Year ending December 31	Principal	Interest	Total
2017	\$ -	\$ 190,309	\$ 190,309
2018	-	200,002	200,002
2019	-	210,188	210,188
2020	-	220,894	220,894
2021	-	232,145	232,145
2022-2026	-	1,350,592	1,350,592
2027-2031	-	1,631,406	1,631,406
2032	2,332,069	197,982	2,530,051
	<u>\$ 2,332,069</u>	<u>\$ 4,233,518</u>	<u>\$ 6,565,587</u>

Series 2007A Subordinate Lien Capital Interest Bond

Year ending December 31	Principal	Interest	Total
2017	\$ 2,455,000	\$ 6,262,375	\$ 8,717,375
2018	2,565,000	6,136,875	8,701,875
2019	2,710,000	6,005,000	8,715,000
2020	2,850,000	5,866,000	8,716,000
2021	-	5,794,750	5,794,750
2022-2026	16,970,000	27,198,500	44,168,500
2027-2031	35,655,000	20,453,125	56,108,125
2032-2035	63,270,000	8,014,250	71,284,250
	<u>\$ 126,475,000</u>	<u>\$ 85,730,875</u>	<u>\$ 212,205,875</u>

Defeasence of Debt - On June 19, 2007, the Authority defeased certain 2005B Series revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. The 2005B Series revenue bonds relating to this issuance were defeased on December 15, 2015.

UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 8 – LONG TERM DEBT (continued)

D. Series 2008A Revenue Bond

Purpose: Cost of acquisition and construction of certain improvements to the Authority's transit system.
 Interest rates: 4.75-5.25%
 Original amount: \$700,000,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ -	\$ 2,850,488	\$ 2,850,488
2018	-	2,850,488	2,850,488
2019	5,885,000	2,696,006	8,581,006
2020	-	2,541,525	2,541,525
2021	-	2,541,525	2,541,525
2022-2023	48,410,000	2,574,863	50,984,863
	<u>\$ 54,295,000</u>	<u>\$ 16,054,895</u>	<u>\$ 70,349,895</u>

E. Series 2009B Federally Taxable-Issuer Subsidy "Build America Bonds"

The Authority has elected to treat the 2009B bonds as "Build America Bonds" for the purposes of the American Recovery and Investment Act of 2009 (the Recovery Act) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the Authority anticipated cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2009B bonds. However due to federal sequestration, the Authority's subsidy payments for 2016 were discounted by 6.8%, or \$369,430. The Authority has projected a continued discount of this subsidy in 2017 of 6.9%, or \$374,863.

Purpose: Cost of acquisition and construction of certain improvements to the Authority's transit system.
 Interest rates: 5.937%
 Original amount: \$261,450,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total	Scheduled Federal Subsidy Payment
2017	\$ -	\$ 15,522,287	\$ 15,522,287	\$ 5,057,937
2018	-	15,522,287	15,522,287	5,432,800
2019	-	15,522,286	15,522,286	5,432,800
2020	-	15,522,286	15,522,286	5,432,800
2021	-	15,522,286	15,522,286	5,432,800
2022-2026	-	77,611,433	77,611,433	27,164,002
2027-2031	21,005,000	76,383,512	97,388,512	26,734,229
2032-2036	114,120,000	56,576,642	170,696,642	19,801,825
2037-2039	126,325,000	13,342,962	139,667,962	4,670,037
	<u>\$ 261,450,000</u>	<u>\$ 301,525,981</u>	<u>\$ 562,975,981</u>	<u>\$ 105,164,663</u>

NOTE 8 – LONG TERM DEBT (continued)

F. Series 2010A Federally Taxable-Issuer Subsidy “Build America Bonds”

The Authority has elected to treat the 2010A bonds as “Build America Bonds” for the purposes of the American Recovery and Investment Act of 2009 (the Recovery Act) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the Authority anticipated cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2010A bonds. However due to federal sequestration, the Authority’s subsidy payments for 2016 were discounted by 6.8%, or \$271,558. The Authority has projected a continued discount of this subsidy in 2016 of 6.9%, or \$275,551.

Purpose: Cost of acquisition and construction of certain improvements to the Authority’s transit system.
 Interest rates: 5.705%
 Original amount: \$200,000,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total	Scheduled Federal Subsidy Payment
2017	\$ -	\$ 11,410,000	\$ 11,410,000	\$ 3,717,949
2018	-	11,410,000	11,410,000	3,993,500
2019	-	11,410,000	11,410,000	3,993,500
2020	-	11,410,000	11,410,000	3,993,500
2021	-	11,410,000	11,410,000	3,993,500
2022-2026	-	57,050,000	57,050,000	19,967,500
2027-2031	-	57,050,000	57,050,000	19,967,500
2032-2036	-	57,050,000	57,050,000	19,967,500
2037-2040	200,000,000	33,394,788	233,394,788	11,688,176
	<u>\$ 200,000,000</u>	<u>\$ 261,594,788</u>	<u>\$ 461,594,788</u>	<u>\$ 91,282,624</u>



Passengers waiting to board FrontRunner



UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – LONG TERM DEBT (continued)

G. Series 2012A Revenue Bond

Purpose: Refunding of \$32,020,000 of the 2006AB variable rate bonds; refunding of \$100,000,000 of the 2011AB variable rate bonds; and the cost of acquisition and construction of certain improvements to the Authority’s transit system.

Interest rates: 4.00-5.00%

Original amount: \$295,520,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ -	\$ 13,401,750	\$ 13,401,750
2018	-	13,401,750	13,401,750
2019	-	13,401,750	13,401,750
2020	-	13,401,750	13,401,750
2021	2,840,000	13,330,750	16,170,750
2022-2026	16,440,000	64,316,250	80,756,250
2027-2031	20,295,000	59,753,125	80,048,125
2032-2036	16,315,000	55,468,975	71,783,975
2037-2041	154,755,000	41,578,425	196,333,425
2042	72,110,000	1,802,750	73,912,750
	<u>\$ 282,755,000</u>	<u>\$ 289,857,275</u>	<u>\$ 572,612,275</u>

Defeasance of Debt - On November 28, 2012, the Authority defeased all of the 2011AB variable rate revenue bonds, and certain 2006AB Series variable rate revenue bonds. The 2006AB and 2011AB Series revenue bonds relating to this issuance were defeased on November 28, 2012.

H. Series 2015A Revenue Bonds

On February 25, 2015, the Authority issued \$668,655,000 in senior sales tax revenue bonds and \$192,005,000 in subordinate sales tax revenue bonds to provide resources to purchase qualifying open market securities that were placed in an irrevocable trust for the purpose of generating resources for the advanced refunding of certain 2008A revenue bonds, certain 2009A revenue bonds, certain 2007A capital appreciation revenue bonds, and certain 2012A revenue bonds. These resources are intended to provide all future debt payments of \$904,901,591 of senior and subordinate sales tax revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Authority’s financial statements. These advanced refundings were undertaken to reduce total debt service payments over the next 23 years by \$85,099,817, and resulted in an economic gain of \$77,660,118. As of December 31, 2016, no bonds have been defeased from the escrow fund.

The following represents the use of funds from this bond issuance:

Proceeds of refunding bonds	\$ 1,017,615,532
UTA contribution from existing debt service funds	5,805,640
Underwriters fees and other costs of issuance	(2,542,037)
Payment to refunded bond escrow agent	<u>\$ 1,020,879,135</u>

UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – LONG TERM DEBT (continued)

H. Series 2015A Revenue Bonds (continued)

Series 2015A Senior Lien Revenue Bond

Purpose: Advanced refunding of \$645,705,000 of the 2008A revenue bonds and \$44,550,000 of the 2009A revenue bonds; debt service reserve
 Interest rates: 4.00-5.00%
 Original amount: \$668,655,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ -	\$ 31,072,663	\$ 31,072,663
2018	-	31,072,663	31,072,663
2019	-	31,072,663	31,072,663
2020	12,425,000	30,769,238	43,194,238
2021	18,235,000	30,029,138	48,264,138
2022-2026	116,990,000	138,883,404	255,873,404
2027-2031	201,520,000	93,692,250	295,212,250
2032-2036	218,445,000	47,833,900	266,278,900
2037-2038	101,040,000	5,114,500	106,154,500
	<u>\$ 668,655,000</u>	<u>\$ 439,540,419</u>	<u>\$ 1,108,195,419</u>

Series 2015A Subordinate Lien Revenue Bond

Purpose: Advanced refunding of \$129,997,040 of the 2007A capital appreciation revenue bonds and associated accreted interest of \$80,404,551, and \$4,245,000 of the 2012A revenue bonds; debt service reserve
 Interest rates: 3.00-5.00%
 Original amount: \$192,005,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ -	\$ 9,543,250	\$ 9,543,250
2018	-	9,543,250	9,543,250
2019	-	9,543,250	9,543,250
2020	2,850,000	9,500,500	12,350,500
2021	5,840,000	9,311,750	15,151,750
2022-2026	44,035,000	40,564,625	84,599,625
2027-2031	46,825,000	29,200,375	76,025,375
2032-2036	78,310,000	15,417,500	93,727,500
2037	14,145,000	353,625	14,498,625
	<u>\$ 192,005,000</u>	<u>\$ 132,978,125</u>	<u>\$ 324,983,125</u>

NOTE 8 – LONG TERM DEBT (continued)

I. Series 2016 Revenue Bonds

On August 24, 2016, the Authority issued \$145,691,497 in subordinate sales tax revenue bonds with a reoffering premium of \$12,932,675 to provide resources to purchase qualifying open market securities that were placed in an irrevocable trust for the purpose of generating resources for the advanced refunding of the 2013 revenue bonds and 2014AB revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Authority’s financial statements. These advanced refundings were undertaken to remove the Authority’s short-term debt which reduced total debt service payments by \$156,360,000 over the next three (3) years. This issuance resulted in an economic loss of \$8,045,006. As of December 31, 2016, no bonds have been defeased from the escrow fund.

The following represents the use of funds from this bond issuance:

Proceeds of refunding bonds	\$ 158,624,173
Underwriters fees and other costs of issuance	(739,655)
Payment to refunded bond escrow agent	<u>\$ 157,884,518</u>

Series 2016 Subordinate Lien Revenue Bond

Purpose: Refunding of \$13,990,000 of the 2013 short-term bonds, and refunding of \$142,370,000 of the 2014AB short-term bonds.
 Interest rates: 3.00-4.00%
 Original amount: \$145,691,498

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ -	\$ 4,602,300	\$ 4,602,300
2018	-	4,602,300	4,602,300
2019	-	4,602,300	4,602,300
2020	-	4,602,300	4,602,300
2021	-	4,602,300	4,602,300
2022-2026	-	23,011,500	23,011,500
2027-2031	126,780,000	15,840,350	142,620,350
	<u>\$ 126,780,000</u>	<u>\$ 61,863,350</u>	<u>\$ 188,643,350</u>



NOTE 8 – LONG TERM DEBT (continued)

I. Series 2016 Revenue Bonds (continued)

Series 2016 Subordinate Lien Capital Appreciation Revenue Bond

Purpose: Refunding of \$13,990,000 of the 2013 short-term bonds, and refunding of \$142,370,000 of the 2014AB short-term bonds.
 Interest rates: 3.32004%
 Original amount: \$18,911,498

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ -	\$ 639,541	\$ 639,541
2018	-	660,950	660,950
2019	-	683,076	683,076
2020	-	705,943	705,943
2021	-	729,575	729,575
2022-2026	-	4,030,992	4,030,992
2027-2031	-	4,752,410	4,752,410
2032	18,911,498	1,048,031	19,959,529
	<u>\$ 18,911,498</u>	<u>\$ 13,250,518</u>	<u>\$ 32,162,016</u>

J. 2015 Issuance 12-Year Lease Financing

Purpose: Acquisition of 10 CNG buses and equipment
 Interest rates: 2.0908%
 Original amount: \$5,283,500

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 403,242	\$ 94,973	\$ 498,215
2018	411,755	86,460	498,215
2019	420,447	77,768	498,215
2020	429,322	68,893	498,215
2021	438,385	59,830	498,215
2022-2026	2,334,708	156,366	2,491,074
2027	288,610	2,015	290,625
	<u>\$ 4,726,469</u>	<u>\$ 546,304</u>	<u>\$ 5,272,773</u>



UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 8 – LONG TERM DEBT (continued)

K. 2015 Issuance 5-Year Lease Financing

Purpose: Acquisition of 20 flex/paratransit vehicles
 Interest rates: 1.3186%
 Original amount: \$3,583,370

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 702,133	\$ 29,514	\$ 731,647
2018	711,447	20,200	731,647
2019	720,885	10,762	731,647
2020	424,924	1,870	426,794
	<u>\$ 2,559,389</u>	<u>\$ 62,346</u>	<u>\$ 2,621,735</u>

L. 2015 Issuance 4-Year Lease Financing

Purpose: Acquisition of 50 RideShare vans
 Interest rates: 1.1778%
 Original amount: \$1,582,018

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 395,082	\$ 10,014	\$ 405,096
2018	399,765	5,332	405,097
2019	235,380	926	236,306
	<u>\$ 1,030,227</u>	<u>\$ 16,272</u>	<u>\$ 1,046,499</u>

M. 2016 Issuance 12-Year Lease Financing

Purpose: Acquisition of 5 buses and equipment for use in the canyons for ski service
 Interest rates: 1.6322%
 Original amount: \$2,480,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 189,405	\$ 38,302	\$ 227,707
2018	192,520	35,187	227,707
2019	195,686	32,021	227,707
2020	198,904	28,803	227,707
2021	202,175	25,532	227,707
2022-2026	1,061,854	76,680	1,138,534
2027-2028	392,586	5,901	398,487
	<u>\$ 2,433,130</u>	<u>\$ 242,426</u>	<u>\$ 2,675,556</u>

UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 8 – LONG TERM DEBT (continued)

N. 2016 Issuance 5-Year Lease Financing

Purpose: Acquisition of 33 flex/paratransit vehicles
 Interest rates: 1.3008%
 Original amount: \$4,546,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 888,597	\$ 50,983	\$ 939,580
2018	900,226	39,355	939,581
2019	912,006	27,575	939,581
2020	923,940	15,640	939,580
2021	700,881	3,804	704,685
	<u>\$ 4,325,650</u>	<u>\$ 137,357</u>	<u>\$ 4,463,007</u>

O. 2016 Issuance 4-Year Lease Financing

Purpose: Acquisition of 56 RideShare vans
 Interest rates: 1.2298%
 Original amount: \$1,647,000

Debt service requirements to maturity, including interest:

Year ending December 31	Principal	Interest	Total
2017	\$ 405,433	\$ 16,738	\$ 422,171
2018	410,448	11,724	422,172
2019	415,524	6,648	422,172
2020	315,012	1,616	316,628
	<u>\$ 1,546,417</u>	<u>\$ 36,726</u>	<u>\$ 1,583,143</u>

P. Capital Leased Assets

The following represents the assets acquired through the 2015 and 2016 series capital leases and the corresponding accumulated depreciation.

	2015 Series Leases	2016 Series Leases
Revenue vehicles		
12-year lease	\$ 4,859,620	\$ 2,409,786
5-year lease	3,626,139	-
4-year lease	1,587,375	1,107,052
Subtotal	10,073,134	3,516,838
Accumulated depreciation	(1,959,015)	(100,689)
Total capital assets (net)	\$ 8,114,119	\$ 3,416,149

UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 8 – LONG TERM DEBT (continued)

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Amount due within one year
Bonds					
Series 2005A Revenue Bond	\$ 11,505,000	\$ -	\$ (1,400,000)	\$ 10,105,000	\$ 1,470,000
Series 2006C Revenue Bond	122,240,000	-	(4,570,000)	117,670,000	4,825,000
Series 2007A Capital Appreciation	2,332,069	-	-	2,332,069	-
Series 2007A Current Interest Bond	128,795,000	-	(2,320,000)	126,475,000	2,455,000
Series 2008A Revenue Bond	54,295,000	-	-	54,295,000	-
Series 2009A Revenue Bond	-	-	-	-	-
Series 2009B Build America Bond	261,450,000	-	-	261,450,000	-
Series 2010A Build America Bond	200,000,000	-	-	200,000,000	-
Series 2012A Revenue Bond	288,030,000	-	(5,275,000)	282,755,000	-
Series 2013 Revenue Bond	13,995,000	-	(13,995,000)	-	-
Series 2014 Revenue Bond	142,370,000	-	(142,370,000)	-	-
Series 2015A Revenue Bond (Sr)	668,655,000	-	-	668,655,000	-
Series 2015A Revenue Bond (Sub)	192,005,000	-	-	192,005,000	-
Series 2016 Revenue Bond	-	126,780,000	-	126,780,000	-
Series 2016 Capital Appreciation	-	18,911,498	-	18,911,498	-
2015 12-Year Lease	5,121,375	-	(394,906)	4,726,469	403,242
2015 10-Year Lease	3,252,329	-	(692,941)	2,559,388	702,133
2015 4-Year Lease	1,420,682	-	(390,455)	1,030,227	395,082
2016 12-Year Lease	-	2,480,000	(46,871)	2,433,129	189,405
2016 10-Year Lease	-	4,546,000	(220,350)	4,325,650	888,597
2016 4-Year Lease	-	1,647,000	(100,582)	1,546,418	405,433
	<u>2,095,466,455</u>	<u>154,364,498</u>	<u>(171,776,105)</u>	<u>2,078,054,848</u>	<u>11,733,892</u>
Unamortized Premiums					
Series 2005A Revenue Bond	346,893	-	(92,525)	254,368	
Series 2006C Revenue Bond	8,670,588	-	(927,681)	7,742,907	
Series 2007A Current Interest Bond	7,247,623	-	(521,533)	6,726,090	
Series 2008A Revenue Bond	2,116,060	-	(332,679)	1,783,381	
Series 2012A Revenue Bond	26,000,208	-	(1,442,871)	24,557,337	
Series 2014 Revenue Bond	713,838	-	(713,838)	-	
Series 2015A Revenue Bond (Sr)	113,205,025	-	(9,085,303)	104,119,722	
Series 2015A Revenue Bond (Sub)	33,897,368	-	(2,738,465)	31,158,903	
Series 2016 Revenue Bond	-	12,932,675	(292,419)	12,640,256	
	<u>192,197,603</u>	<u>12,932,675</u>	<u>(16,147,314)</u>	<u>188,982,964</u>	
Total bonds	<u>\$ 2,287,664,058</u>	<u>\$ 167,297,173</u>	<u>\$(187,923,419)</u>	<u>\$ 2,267,037,812</u>	<u>\$ 11,733,892</u>



UTAH TRANSIT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Authority is a defendant in various matters of litigation and has other claims pending as a result of activities in the ordinary courses of business. Management and legal counsel believe that by reason of meritorious defense, by insurance coverage or statutory limitations, these contingencies will not result in a significant liability to the Authority in excess of the amounts provided as accrued self-insurance liability in the accompanying financial statements.

As of December 31, 2016, the Authority also has purchasing commitments of approximately \$28.63 million for revenue vehicles, and approximately \$141.8 million to be paid to other contractors.

On December 22, 2016, Utah County issued a \$65 million subordinated transportation sales tax revenue bond to be used for the construction of the Provo-Orem BRT. The Authority and Utah County have entered into an interlocal agreement that requires the Authority to reimburse Utah County for all bond costs (principal, interest, and cost of issuance) prior to 2029.

NOTE 10 – RESTATEMENT OF THE FINANCIAL STATEMENTS FROM PRIOR YEARS

A review of construction in progress as it was originally reported was performed in 2016. This review determined many of the projects no longer met the requirements of an asset in progress and required a restatement of net position as of the beginning of the year ending December 31, 2015 in the amount of \$14,209,015.

The following restatements have been made to the Authority's beginning net position for the year ending December 31, 2015.

	<u>2015</u>	
Total Net Position, January 1 as previously reported	\$ 1,330,565,946	
Restatements		
Construction in progress	<u>(14,209,015)</u>	
RESTATED TOTAL NET POSITION, JANUARY 1	<u>\$ 1,316,356,931</u>	

In addition, the financial activity which occurred during the year ending December 31, 2015 related to the above items required restatement of the 2015 financial statements.

Statements of Net Position	<u>2015</u>	
Noncurrent assets	<u>\$ (9,497,521)</u>	Reduce construction in progress
Change in Net Position	<u>(9,497,521)</u>	
Statement of Revenues, Expenses, and Changes in Net Position		
Expenses		
Operating expenses	<u>9,497,521</u>	Expense previously reported as construction in progress
Change in Net Position	<u>(9,497,521)</u>	

The following restatements have been made to the Authority's ending net position for the year ending December 31, 2015.

	<u>2015</u>	
Total Net Position, December 31 as previously reported	\$ 1,209,380,427	
Prior Year Restatements		
Construction in progress	(14,209,015)	
2015 Restatements		
Construction in progress	<u>(9,497,521)</u>	
RESTATED TOTAL NET POSITION, DECEMBER 31	<u>\$ 1,185,673,891</u>	

NOTE 11 – SUBSEQUENT EVENTS

On April 26, 2017, the Authority’s Pension Committee approved a reduction of the investment earnings interest rate for the January 1, 2017 actuarial valuation. The new approved interest rate is 7 percent, reduced from the previous assumed rate of 7.25 percent. In addition, the Pension Committee approved an adjustment of the pre-retirement turnover assumption rate. Both of these changes are anticipated to result in an increase in the net pension liability in 2017.

The Authority has performed an evaluation of subsequent events through May xxx, 2017 which is the date the basic financial statements were available to be issued.





Required Supplementary Information



UTAH TRANSIT AUTHORITY

For Fiscal Year Ended December 31, 2016 and 2015

UTAH TRANSIT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 Years Ended December 31, 2016 and 2015

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – 10 YEARS

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	\$ 7,711,706	\$ 7,545,804	\$ 7,284,379
Interest on total pension liability	19,604,345	18,717,411	17,623,248
Effect of member voluntary contributions	437,923	916,567	275,663
Effect of economic/demographic (gains) or losses	(927,077)	(1,973,177)	-
Effect of assumption changes or inputs	(3,955,702)	7,725,363	-
Benefit payments	(12,980,615)	(11,554,824)	(10,181,732)
Net change in total pension liability	<u>\$ 9,890,580</u>	<u>\$ 21,377,144</u>	<u>\$ 15,001,558</u>
Total pension liability, beginning	\$ 269,069,795	\$ 247,692,651	\$ 232,691,093
Total pension liability, ending (a)	\$ 278,960,375	\$ 269,069,795	\$ 247,692,651
FIDUCIARY NET POSITION			
Employer contributions	\$ 19,603,952	\$ 16,745,254	\$ 15,366,694
Member voluntary contributions	437,923	916,567	275,663
Investment income net of investment expenses	7,591,211	(1,085,458)	5,946,916
Benefit payments	(12,980,615)	(11,554,824)	(10,181,732)
Administrative expenses	(249,141)	(244,011)	(219,504)
Net change in plan fiduciary net position	<u>\$ 14,403,330</u>	<u>\$ 4,777,528</u>	<u>\$ 11,188,037</u>
Fiduciary net position, beginning	\$ 151,631,927	\$ 146,854,399	\$ 135,666,362
Fiduciary net position, ending (b)	\$ 166,035,257	\$ 151,631,927	\$ 146,854,399
Net pension liability, ending = (a) - (b)	\$ 112,925,118	\$ 117,437,868	\$ 100,838,252
Fiduciary net position as a % of total pension liability	59.52%	56.35%	59.29%
Covered payroll	\$ 115,430,618	\$ 110,727,134	\$ 106,004,057
Net pension liability as a % of covered payroll	97.83%	106.06%	95.13%

This schedule is intended to present 10 years of information. Subsequent years will be added as the information becomes available.

STATEMENT OF REQUIRED EMPLOYER CONTRIBUTION – 10 YEARS

Year	Actuarially determined contribution	Contributions in relation to actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2016	\$ 17,147,568	\$ 19,603,952	(2,456,384)	\$ 115,430,618	16.98%
2015	16,609,070	16,745,254	(136,184)	110,727,134	15.12%
2014	14,757,446	15,366,694	(609,248)	106,004,057	14.50%
2013	14,352,279	13,338,052	1,014,227	102,099,985	13.06%
2012	12,206,257	11,645,982	560,275	96,750,285	12.04%
2011	10,114,755	10,114,755	-	91,265,129	11.08%
2010	10,047,874	10,047,874	-	93,259,215	10.77%
2009	10,658,339	10,658,339	-	88,834,546	12.00%
2008	7,679,956	7,679,956	-	75,324,187	10.20%
2007	7,466,273	7,466,273	-	69,571,444	10.73%

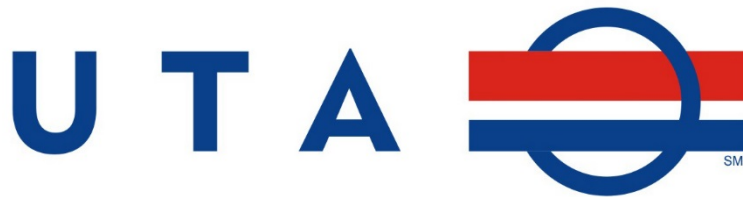
UTAH TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2016 and 2015

NOTE 1 – VALUATION DATE

The valuation date is January 1, 2016. This is the date as of which the actuarial valuation is performed. The measurement date is December 31, 2016. This is the date as of which the net pension liability is determined. The reporting date is December 31, 2016. This is the employer’s fiscal year ending date.

NOTE 2 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market less unrealized
Cost of Living Adjustments	None
Inflation	2.3%
Salary increases	5.40% per annum for the first five years of employment; 3.40% per annum thereafter
Investment rate of return	7.25%, net of investment expenses
Retirement age	Table of Rates by Age and Eligibility
Mortality	RP-2014 Blue Collar Mortality Table, with MP-2014 projection scale



SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS (SEFA)
For Years Ended December 31, 2016 and 2015

UTAH TRANSIT AUTHORITY
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Years Ended December 31, 2016 and 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit - Capital investment Grants	20.500		\$ (725,125)
Federal Transit - Capital investment Grants	20.500		188,376
Federal Transit - Capital investment Grants	20.500		1,915,058
Federal Transit - Capital investment Grants	20.500		(10,434)
Federal Transit - Capital investment Grants	20.500		61,212
Federal Transit - Capital investment Grants	20.500		-
Federal Transit - Capital investment Grants	20.500		75,463
Federal Transit - Capital investment Grants	20.500		41,097
Federal Transit - Capital investment Grants	20.500		19,936
Federal Transit - Capital investment Grants	20.500		<u>10,250,401</u>
			11,815,984
Federal Transit - Formula Grant	20.507		233,527
Federal Transit - Formula Grant	20.507		777,783
Federal Transit - Formula Grant	20.507		198,352
Federal Transit - Formula Grant	20.507		384,388
Federal Transit - Formula Grant	20.507		186,309
Federal Transit - Formula Grant	20.507		575,414
Federal Transit - Formula Grant	20.507		991,446
Federal Transit - Formula Grant	20.507		620,912
Federal Transit - Formula Grant	20.507		1,241,824
Federal Transit - Formula Grant	20.507		<u>46,141,985</u>
			51,351,940
Federal Transit - State of Good Repairs	20.525		761,750
Federal Transit - State of Good Repairs	20.525		<u>12,868,499</u>
			13,630,249
Federal Transit - Bus and Bus Facilities Formula Program	20.526		3,066,157
Total – Federal Transit Cluster			<u>79,864,330</u>
Federal Transit - Capital Assistance Program for Elderly Persons	20.513		288,534
Federal Transit - Public Transportation Research	50.514		<u>3,500</u>
			292,034

UTAH TRANSIT AUTHORITY
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Years Ended December 31, 2016 and 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (continued)			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		\$ 288,534
Job Access and Reverse Commute (JARC)	20.516	17-8233	31,194
Job Access and Reverse Commute (JARC)	20.516		40,286
New Freedom Program	20.521	11-8785	861
New Freedom Program	20.521		11,113
Total – Transit Services Program Cluster			<u>371,988</u>
Highway Planning and Construction (CMAQ)	20.205	17-8508	112,731
Public Transportation Research, Technical Assistance	20.514		3,500
Total - Other			<u>116,231</u>
Total U.S. Department of Transportation			<u>80,352,549</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
FEMA Transit Security Program	97.075		24,263
FEMA Transit Security Program	97.075		12,255
Total Federal Emergency Management Agency			<u>36,518</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 80,389,067</u>

UTAH TRANSIT AUTHORITY
NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

A. Basis of Accounting

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

B. Pass-Through Awards

The Authority receives certain expenditures of federal awards from pass through awards of various state and other governmental agencies. The total amount of such pass-through awards is included in the supplementary schedule of expenditures of federal awards.

C. Use of De Minimus Indirect Rate

The Authority does not have a negotiated indirect cost rate and did not use the 10% de minimus indirect rate in 2016. All reported costs were direct.





**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Transit Authority (the “Authority”) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City
June 20, 2017



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

Report on Compliance for Each Major Federal Program

We have audited the Utah Transit Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

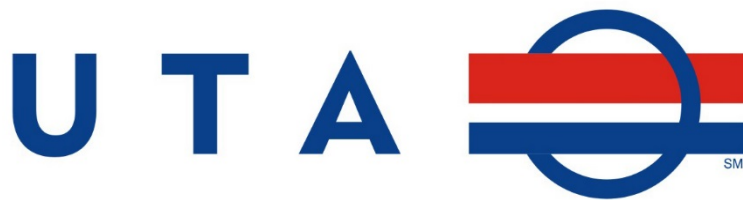
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen

Keddington & Christensen, LLC
Salt Lake City, Utah
June 20, 2017



SCHEDULE OF FINDINGS and QUESTIONED COSTS

For Years Ended December 31, 2016 and 2015

SUMMARY OF AUDITORS RESULTS

A. Financial Statements

1. The independent auditors’ report on the financial statements expressed an unmodified opinion.
2. No deficiencies were identified in internal control over financial reporting that were considered to be significant deficiencies or material weaknesses.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.

B. Federal Awards

4. No deficiencies were identified in internal control over compliance with requirements applicable to major award programs that were considered to be significant deficiencies or material weaknesses.
5. The independent auditors’ report on compliance for each major federal program expressed an unmodified opinion.
6. The audit discloses no compliance findings required to be reported by *Government Auditing Standards* and the Uniform Guidance.
7. The major programs of Utah Transit Authority (the Authority) were:

Federal Transit Cluster

CFDA #20.500	Federal Transit – Capital Investment Grants
CFDA #20.507	Federal Transit – Formula Grants
CFDA #20.525	Federal Transit – State of Good Repairs
CFDA #20.526	Federal Transit – Bus and Bus Facilities Formula Program

8. A threshold of \$2,411,672 was used to distinguish between Type A and Type B programs as those terms are defined in 2 CFR 200.516(a).
9. The Authority did not qualify as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



SUMMARY OF AUDITORS RESULTS

A. Financial Statements

1. The independent auditors' report on the financial statements expressed an unmodified opinion.
2. Significant deficiencies in internal control over financial reporting are identified in this schedule as findings 2015-2 and 2015-3. The deficiency in internal control over financial reporting is identified in this schedule as finding 2015-1, and is considered to be a material weakness.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.

B. Federal Awards

4. No deficiencies were identified in internal control over compliance with requirements applicable to major award programs that were considered to be significant deficiencies or material weaknesses.
5. The independent auditors' report on compliance for each major federal program expressed an unmodified opinion.
6. The audit discloses no compliance findings required to be reported by *Government Auditing Standards* and the Uniform Guidance.
7. The major programs of Utah Transit Authority (the Authority) were:

Federal Transit Cluster

CFDA #20.500	Federal Transit – Capital Investment Grants
CFDA #20.507	Federal Transit – Formula Grants
CFDA #20.525	Federal Transit – State of Good Repairs

8. A threshold of \$1,794,000 was used to distinguish between Type A and Type B programs as those terms are defined in 2 CFR 200.516(a).
9. The Authority did not qualify as a low-risk auditee.



UTAH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

FINANCIAL STATEMENT FINDINGS

A. Finding 2015-1: Improper Accounting Treatment (Material weakness)

Condition – General ledger accounts classified as equity reflected frequent use during the fiscal year. This treatment did not allow for equity evaluation and reconciliation for many years. Prior year audits recorded “report only” transactions transferring this activity from the Statement of Net Position to the Statement of Revenues, Expenses, and Change in Net Position to conform to the proper accounting treatment.

Since this treatment had been on-going for many years, a “report only” transaction in the amount of \$822,837,478 was required to reach the correct equity balance as of December 31, 2014.

Another “report only” transaction of this same type was required for activity recorded during 2015 in the following amounts:

- \$ 7,659,498 for federal contributions, and;
- \$ 4,464,930 for local contributions, and;
- \$ 161,043,323 for depreciation expense.

Criteria – Generally accepted accounting principles (GAAP), Governmental Standards Accounting Board (GASB) requirements

Recommendation – We recommend the Authority implement processes and controls to provide for proper accounting treatment and to ensure the Authority’s equity accounts remain in reconciliation with reported amounts.

Management’s Response – In an effort to increase transparency, the Authority will be redesigning its chart of accounts to provide for the proper recording of federal and local contributions, as well as depreciation expense. This project is expected to be complete prior to December 31, 2016. In addition, the Authority’s Comptroller will be providing training to staff on proper accounting treatment.

B. Finding 2015-2: Improper and/or lack of account reconciliations (Significant deficiency)

Condition – Reconciliations are an internal control process that identifies the difference between what should be the balance in an account and the current actual balance in the account. If differences are noted in the reconciliations, then adjustments are made to the balance.

The accounts payable group consists of nine (9) accounts (excluding sub-accounts). Of those nine (9) accounts, we noted six (6) of those accounts did not have proper reconciliations. Reconciliations performed at our request resulted in an adjusting entry reducing the accounts payable liability by \$2,000,000 at year end.

The accrued liabilities group consists of 37 accounts. Of those account, we noted eleven (11) did not have proper reconciliations. Reconciliations performed at our request resulted in an adjusting entry reducing the accrued liabilities by \$1,230,488 at year end.

Criteria – Generally accepted accounting principles (GAAP), Governmental Standards Accounting Board (GASB) requirements

UTAH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

FINANCIAL STATEMENT FINDINGS (continued)

B. Finding 2015-2: Improper and/or lack of account reconciliations (Significant deficiency) (continued)

Recommendation – We recommend the Authority implement monthly reconciliation and review processes for these account groups.

Management's Response – The Authority's Comptroller will create a month-end closing process which will include specific account assignments of responsibility for monthly reconciliation. In addition, the Comptroller will be providing additional training on the reconciliation process and requirements to the professional staff assigned to perform this task. Reconciliations will also require a reviewer's approval signature each month.

C. Finding 2015-3: Improper recording of expense and/or receivable (Significant deficiency)

Condition – During our audit of the capital assets we noted the Authority often enters into interlocal agreements for construction projects. These agreements are between the Authority and Utah Department of Transportation, county, or municipality. In these projects, the Authority is typically the lead entity in the construction and is responsible for then invoicing the interlocal agency to recover the cost of construction.

During our audit, we noted that accounting was often not informed of the agreement or the invoicing requirement, however, the capital development department managed these agreements and notified accounting when an invoice should be sent. The result of this process is an increased risk that the Authority would spend resources which are the responsibility of other government agencies. In addition, expenses which were not the responsibility of the Authority were recorded on the Authority's financial statements instead of recorded as an amount due the Authority.

During our testing, we also noted accounting was not notified in a timely manner when invoices should have been prepared and sent to the interlocal agency. As a result, an adjusting entry in the amount of \$1,110,870 reducing expense and recording funds due the Authority was recorded at year end. This amount was directly related to a project between the Authority and the Utah Department of Transportation.

Criteria – Generally accepted accounting principles (GAAP), Governmental Standards Accounting Board (GASB) requirements.

Recommendation – We recommend the Authority implement a process to ensure all invoices due the Authority are recorded in the accounting system in a timely manner and construction billings are coded to the correct account type.

Management's Response – The Authority's Comptroller will coordinate with the capital development department to create a process which will support the ability of the accounting staff to identify funds paid which require reimbursement from another entity (receivable).

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Utah Transit Authority

State Compliance Audit Report for the Year Ended
December 31, 2016

UTAH TRANSIT AUTHORITY

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Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE
WITH THE STATE COMPLIANCE AUDIT GUIDE ON
COMPLIANCE WITH GENERAL STATE COMPLIANCE
REQUIREMENTS AND INTERNAL CONTROL
OVER COMPLIANCE**

To the Board of Trustees,
Utah Transit Authority
Salt Lake City, Utah

Report on Compliance with General State Compliance Requirements

We have audited Utah Transit Authority's (the "Authority") compliance with the general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the Authority for the year ended December 31, 2016.

General state compliance requirements were tested for the year ended December 31, 2016 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management
- Special and Local Service District Board Members

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Authority occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on General State Compliance Requirements

In our opinion, Utah Transit Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Authority for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the compliance requirements that could have a direct and material effect on the Authority to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing, their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen

Keddington & Christensen, LLC
Salt Lake City, Utah
June 20, 2017



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

The Board of Trustees
Utah Transit Authority:

The Federal Transit Authority (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics form (FFA-10) of the Utah Transit Authority's (UTA) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about transit agency operations.

We have applied the procedures to the data contained in the accompanying FFA-10 form for the year ending December 31, 2016. Such procedures, which were agreed to and specified by FTA in Exhibit 65 of the Declarations section of the *2016 NTD Policy Manual* and were agreed to by UTA, were applied to assist you in evaluating whether UTA complied with the standards described in the first paragraph of this part and that the information included in the NTD report Federal Funding Allocation Statistics form for the year ending December 31, 2016 is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the *2016 NTD Policy Manual*. This report is intended solely for your information and for FTA and should not be used by those who did not participate in determining the procedures.

UTA's management is responsible for UTA's compliance with those requirements, including preparation of the NTD report FFA-10 form for the year ended December 31, 2016. This agreed-upon engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.

The procedures were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway directional route miles (FG DRM), passenger miles traveled (PMT), and operating expenses (OE) of UTA for the year ending December 31, 2016, for each of the following modes:

- Motor Bus—directly operated
- Motor Bus—purchased transportation
- Demand Response—directly operated
- Demand Response—purchased transportation
- Van Pool—directly operated
- Light Rail—directly operated
- Commuter Bus—directly operated
- Commuter Rail—directly operated

The following information and findings came to our attention as a result of performing the procedures described above as specified in the *2016 NTD Policy Manual*.

2016 NTD Policy Manual Exhibit 65 procedure 'g':

Procedure:

Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Findings:

During our testing, we noted that the VRM on the supporting documentation did not match the VRM reported on the FFA-10 form. The resulting difference in the report is understated by 200,000 VRM. This finding relates to the following mode:

- Demand Response—directly operated

2016 NTD Policy Manual Exhibit 65 procedure 'i':

Procedure:

Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually.

2016 NTD Policy Manual Exhibit 65 procedure ‘i’ (Continued):

Findings:

During our testing, it was noted that the statistical sampling did not meet the minimum 95 percent confidence level, and ± 10 percent precision requirements. This finding relates to the following modes:

- Motor Bus—purchased transportation

2016 NTD Policy Manual Exhibit 65 procedure ‘j’:

Procedure:

Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency’s working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

Findings:

During our testing, it was noted that the sample used for estimation of PMT data was not taken from the universe of runs, and did not result in a random selection of runs. This finding relates to the following modes:

- Motor Bus—directly operated
- Motor Bus—purchased transportation

2016 NTD Policy Manual Exhibit 65 procedure ‘k’:

Procedure:

Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summary.

Findings:

We obtained the January, March, and December 2016 accumulation documents and noted that the December amounts on the summary form did not agree to the Authority’s supporting documentation. The total December 2016 PMT amount on the Authority’s accumulation form was 525,519 PMT less than what was calculated on the supporting documentation. This finding relates to the following mode:

- Motor Bus—directly operated

We obtained the August, September, and December 2016 accumulation documents and noted that the Authority used a different estimated trip length when calculating the PMT for September and December. As a result, the PMT amounts for those two (2) months should have been 2,401 miles less than what was calculated on the Authority’s accumulation forms. This finding relates to the following mode:

- Motor Bus—purchased transportation

2016 NTD Policy Manual Exhibit 65 procedure ‘k’ (Continued):

Findings (Continued):

We obtained the August, September, and December 2016 accumulation documents and noted that the December amounts on the summary form did not agree to the Authority’s supporting documentation. The total December 2016 PMT amount on the Authority’s accumulation form was 85,186 PMT less than what was calculated on the supporting documentation. This finding relates to the following mode:

- Commuter Rail—directly operated

2016 NTD Policy Manual Exhibit 65 procedure ‘y’:

Procedure:

If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Findings:

The Authority could not provide documentation used for determining the allocation method. We were therefore unable to verify the allocation method between UZAs and non-UZAs. This finding relates to the following modes:

- Motor Bus—directly operated
- Commuter Bus—directly operated
- Commuter Rail—directly operated

Findings:

The Authority did not follow its stated policy of allocating statistics across UZAs using VRM. 697,151 VRM was not included in the computation of the UZA allocation percentages. This finding relates to the following mode:

- Van Pool—directly operated

2016 NTD Policy Manual Exhibit 65 procedure ‘z’:

Procedure:

Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

2016 NTD Policy Manual Exhibit 65 procedure ‘z’ (Continued):

Findings:

We compared the 2016 VRM, PMT, and OE, as well as FG DRM data to the information reporting in the prior year and determined there were changes in several modes’ OE of greater than 10 percent. Upon inquiry of Stephanie Martin (Accounting and Data Analyst): the changes in the operating expenses are due to Danyce Steck’s (Comptroller) restructuring of accounting codes. This forced UTA to reevaluate all lines as to actual NTD recording procedures. This explanation relates to the following modes:

- Motor Bus—directly operated: 20.49% increase
- Motor Bus—purchased transportation: 18.08% increase
- Demand Response—directly operated: 20.90% decrease
- Demand Response—purchased transportation: 18.78% decrease
- Light Rail—directly operated: 24.29% increase
- Commuter Rail—directly operated: 18.14% increase

We compared the 2016 VRM, PMT, and OE, as well as FG DRM data to the information reporting in the prior year and determined there was an increase in VRM of 10.29%. Upon inquiry of Eric Callison (Manager, Service Implementation & Analysis): the increase is due to money gained from operating and fuel efficiencies and a sales tax increase from passing Proposition One in Weber and Davis counties allowed UTA to improve 36 routes in late 2015 and 2016. This increase in VRM did not produce a corresponding increase in UPT because ridership is down slightly due to fuel prices, and UTA added VRM on weekends and at off-peak times, when ridership is lower.

- Motor Bus—directly operated

We compared the 2016 VRM, PMT, and OE, as well as FG DRM data to the information reporting in the prior year and determined there was an increase in VRM of 36.83%. Upon inquiry of Eric Callison (Manager, Service Implementation & Analysis): the increase is due to UPT increasing requiring increased VRM. There were also changes in the parameters used to schedule trips in the scheduling that required increased VRM. Lastly, when UTA upgraded to version 14 of Trapeze there was an issue with the reports used to run to get information for the NTD reports. This caused 2015 numbers to be understated compared with 2013, 2014, and 2016.

- Demand Response—directly operated

We compared the 2016 VRM, PMT, and OE, as well as FG DRM data to the information reporting in the prior year and determined there was a decrease in VRM of 13.37%. Upon inquiry of Eric Callison (Manager, Service Implementation & Analysis): the decrease is due to the reclassification of route 811 from Commuter Bus—directly operated (CB) to Motor Bus—directly operated (MB). Because CB runs fewer VRM per year than MB, this change had a significant impact on CB but was not noticeable in MB compared to the increase noted above.

- Commuter Bus—directly operated

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Also, we do not express an opinion on UTA's system of internal control taken as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above, and does not extend to UTA's financial statements taken as a whole, or the forms in UTA's NTD report other than the Federal Funding Allocation Statistics Form (FFA-10) for any date or period.

This report is intended solely for your information and the use of the board of trustees and management of UTA and of FTA and is not intended to be and should not be used by anyone other than the specified parties.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
June 30, 2017

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	July 26, 2017
AGENDA ITEM:	Internal audit update
CONTACT PERSON(S):	Trustee Troy Walker Riana de Villiers
SUBJECT:	Internal audit update
BACKGROUND:	Trustee Walker is updating the Board of Trustees on the internal audits performed during quarter 2, 2017.
ALTERNATIVES:	Motion to accept receipt of internal audit update
BOARD STRATEGIC FOCUS ALIGNMENT:	All
LEGAL REVIEW:	complete
EXHIBITS:	1. Q2 2017 Internal Audit Update.pptx To view the internal audit report, please visit: http://www.rideuta.com/About-UTA/UTA-Reports-and-Documents

Q2 2017 - Overview of Internal Audit Activities

Audit Name	Business Continuity/Disaster Recovery*	Data Centers Assessment*
Audit Scope	<ul style="list-style-type: none"> • Business Continuity Governance • Risk Assessment and Impact Analysis • Risk Based Plan Design • Plan Implementation and Integration • Training and Communication • Compliance Monitoring • Information Technology • Periodic Plan Testing and Maintenance 	<ul style="list-style-type: none"> • Physical Security • Data Center Administration • Environmental Control • Backup and Recovery
2016 Conclusion	<p>UTA lacked a business continuity plan based on a comprehensive risk assessment, ownership for the different plans were not defined and integrated across the organization</p>	<p>A disaster recovery site was not in place for the data center. Physical security and environmental control issues were identified with regards to two telecom closets</p>
2017 Follow-Up Conclusion	<p>Scope, role and authority of the business continuity plan has been assigned and documented, including incorporation of plans related to individual sites and modes. Management has agreed to perform a comprehensive risk assessment by November 2017</p>	<p>Governance and control findings were addressed based on the scope of the audit. Management has agreed to perform an environmental risk assessment for telecom closets and also to clarify responsibilities in regard to access control, which was outstanding at the time of the 2017 audit</p>

* For a copy of the internal audit report, please visit Rideuta.com/About-UTA/UTA-Reports-and-Documents/Audit-Reports/Internal-Audit-Reports

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	July 26, 2017
TITLE:	2040 Long-Term Strategic Plan Update
UTA EXECUTIVE/RESPONSIBLE STAFF MEMBER:	Nichol Bourdeaux Alisha Garrett/G.J. LaBonty
SUBJECT:	Agency Strategic Plan
BACKGROUND:	This update is a progress report on the status of the development of the UTA 2040 Strategic plan. It is being presented in order to keep the Board informed of the content and subject matter being included in the plan.
ALTERNATIVES:	Information for discussion
PREFERRED ALTERNATIVE:	Update only, no action/motion required
STRATEGIC GOAL ALIGNMENT:	These are the draft strategic focus areas
FINANCIAL IMPACT:	NA
LEGAL REVIEW:	NA
EXHIBITS:	a. UTA Board Strategic Plan_Draft v8 20170711.pdf

PLANNING &
LONG-TERM
VISION
COMMITTEE
UPDATE



UTA 2040 Strategic Plan

Draft Updated 7/11/2017

DRAFT

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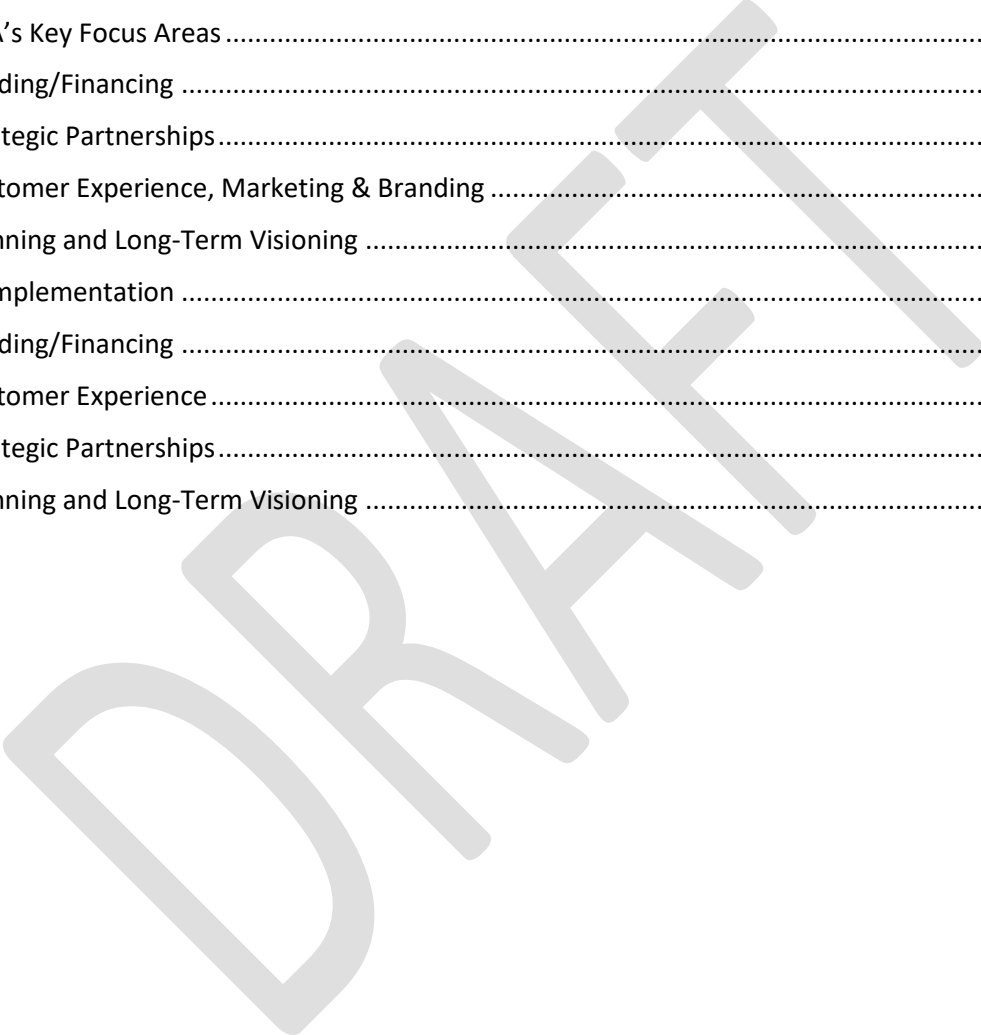
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A Message From the Chairman

In early June 2017 the UTA Board of Trustees met in a workshop setting to exchange ideas, discuss and strategize about areas of focus, objectives and goals that would guide resource allocation at UTA for the coming decade. A key goal in this workshop was to revisit the UTA's Vision and Mission as well as update the *2020 Strategic Plan* which was adopted in 2013. UTA fully embraces its role as a public, governmental entity funded largely by local tax dollars, and the associated duties owed to the taxpayers as such. Therefore, UTA is always looking for opportunities to continually improve and take a fresh look at the future in order to be the best steward of their tax dollars.

The primary focus areas of the workshop were:

- *Identifying issues, gaps and opportunities (i.e. innovative mobility solutions) to meet and exceed the transportation needs of the communities UTA serves;*
- *Bring clarity to the roles, responsibilities and accountability of the Agency to the public and other stakeholders;*
- *Identify opportunities to ensure continuing credibility, trust and transparency;*
- *Reconnect, re-energize and re-focus the board on their critical role in strategically guiding the Agency today and into the future;*

In the months leading up to the Board workshop, there was an important Board engagement effort. This engagement included several pre-work items including site visits, ride-alongs and interviews with each Board member's appointing authority. These pre-work activities ultimately produced for each Board member a uniquely intimate perspective on the dynamic service delivery teams who provide the best possible products for public transit users through innovation, critical thinking and great customer experiences. It was clear from this pre-work initiative that UTA Employees are putting the riders first and achieving desired outcomes, daily for more than 45 million boardings per year.

But *"what has got us to where we are today, will not take us to where our customers, stakeholders, and the Agency's employees expect us to be in the future"*, especially to meet the mobility needs of the burgeoning communities we serve across the Wasatch Front. *Taking Transit Forward – Integrated Mobility 2040* is our destination and this document provides context on how the Board of Trustees and UTA Executive Leadership and most importantly, UTA staff will position the Agency to deliver the best and most innovative mobility options in the region.

I am proud to be associated with my colleagues on the Board of Trustees here at UTA, and I would like to extend my sincere thanks to each of them as well as our appointing authorities, the supporting public and most of all the hardworking, dedicated employees of UTA. Together we will indeed be *"Taking Transit Forward"*.

Sincerely,

History of UTA

The Urban Mass Transportation Act of 1964 was passed to encourage local governments to initiate subsidized public transit systems. Up until that time, most transit services were provided by privately owned, independent bus lines whose ultimate responsibility was turning a profit, not helping society. As profits became less abundant, more and more private bus lines began turning to the government for assistance. By 1968, the Union Street Railway Company of Boston, Massachusetts had purchased Salt Lake City Bus Lines stock. The company had agreed to run the franchise for two years beginning in September of 1968 to allow time for transportation leaders to consider various options for the future of public transportation. This two-year agreement was subsidized by a \$210,000 donation from Salt Lake City Corporation. Before the two-year term was even over it became apparent that Salt Lake City would eventually follow other U.S. cities in seeking local, state and federal government assistance to keep its mass transit system alive.

During special legislative session in 1969, the Utah State Legislature considered legislation (the Utah Public Transit District Act) which would allow municipalities to meet local transportation issues by forming local transit districts. This legislation stated that public transit district boundaries could be defined and established with the approval of voters in the proposed districts. The act mandated that elections had to be held and approval received before the transit districts could be formed. The Act was approved by the legislature and on November 4, 1969, voters from Bingham, Midvale, Murray, Salt Lake City, and Sandy voted overwhelmingly to establish this public transit system in their respective communities.

UTA was incorporated on March 3, 1970 and officially began operation in August of that year. The transit authority started in very humble circumstances with a fleet that consisted of 67 buses. Between 1970 and 1978, the UTA received capital grants totaling more than \$18 million (\$113 M in 2017 dollars) from the Urban Mass Transportation Administration. These grants were used to purchase office space, new buses, shop equipment, new benches, shelters and signs. However, the grants were not a sustainable source of revenue for continuing operations. By 1974, another funding solution was needed to sustain the current public transit system. During the legislative sessions that same year, a bill was passed to provide an alternative method for funding UTA. The bill allowed, pending voter approval, for a .25% increase in sales tax to fund mass transit. The bill passed and this sales tax increase was proposed and approved in November, 1974 in both Salt Lake and Weber Counties.

Today UTA operates in seven counties along the Wasatch Front including Box Elder, Davis, Salt Lake, Tooele, Utah, Weber, and limited service in Summit County. The UTA service area covers 737 square miles and serves more than 77.8 percent of the state's population. UTA operates 522 buses, 164 paratransit vehicles, three light rail lines, a streetcar line and an 88-mile commuter rail system. In 2016 the Agency employed more than 2,400 people and had more than 45 million system boardings. UTA continues to be an invaluable member of the community by offering transportation choices each day that take more than 120,000 vehicles off the road, eliminate 850,000 automobile vehicle miles traveled and reduce mobile source emissions by 5 tons.

Executive Summary

[Brief description of what the strategic plan contains, why we have a strategic plan, what is integrated mobility]

Purpose/Mission & Vision Statement

The Board of Trustees is considered the body that is responsible for identifying the direction and guiding vision for UTA. One of the stated objectives of the workshop was to discuss and develop a concise mission and purpose for the Agency. This was done with the understanding that this vision and purpose/mission would then support the

development of the strategic areas of focus and strategic priorities that would become the driving elements of this plan. These focus areas and priorities would then become the foundation for the objectives and goals (i.e. specific goals, tasks, outcomes etc.). At the end of two days involving extensive discussions and the exchange of ideas the Board came to a consensus on two statements that would represent UTA's new Vision and Mission Statements.



[DRAFT] UTA's Vision

We move people.

[DRAFT] UTA's Mission

To provide integrated mobility solutions to service life's connections, improve public health and enhance quality of life.

Areas of Focus

The Board of Trustees believe that by identifying and focusing on these key areas, it will enable UTA to meet the challenges (i.e. ridership, funding, state-of-good repair etc.) head on and win, not just for the Agency but the communities UTA serves. To that end, the Board of Trustees has determined the following areas of focus critical in achieving our vision and mission.

UTA's Key Focus Areas

- Funding/Financing
- Strategic Partnerships
- Customer Experience
- Planning & Long Term Visioning

Below are some expanded definitions of the elements of these Key Focus Areas.

Funding/Financing

UTA relies heavily on sales tax funding from the residents within our service area but as the population continues to expand there will be increasing demand for more frequent, reliable service. In order to grow and expand our service offerings within our system, the agency will need to identify new and innovative funding strategies.

Strategic Partnerships

This focus area involves a concentrated and purposeful effort to work with stakeholders and the public to identify and address the needs and desires of the communities UTA serves.

Customer Experience, Marketing & Branding

This focus area targets the UTA customer. It is entirely oriented toward what UTA does every day and how the Agency is known and recognized around the region. UTA's Mission Statement sums up the purpose of this focus area, *"To provide integrated mobility solutions to service life's connections, improve public health and enhance quality of life."*

Planning and Long-Term Visioning

The Utah Transit Authority is uniquely positioned, as the regional transit provider, to focus on the links between expanding population growth and travel demand. UTA should be a partner in identifying and educating stakeholders and the public on the direct links between good transportation networks and good economic development, efficient land use and the general quality of life for people along the Wasatch Front. UTA should be prepared to explore and embrace (when appropriate) established technology trends to be able to better serve the communities within the UTA service area.

Plan Implementation

Now that the important elements of the business have been identified, the next section summarizes the Strategic Plan implementation process. This will be the "how". This implementation will have a long range, strategic approach along with a near term, operational program in order to begin recording "wins" immediately. This implementation process reflects UTA priorities and outlines the steps it will take to reach them. It will also contains our objectives and how UTA will go about achieving them.

Funding/Financing

Implementation strategies and objectives include but are not limited to:

- Developing reliable and realistic financial projections for long term sustainability of existing operations and assets
- Incorporating industry best practices for maintaining and replacing existing resources (i.e. State-of-Good-Repair)
- Clear demonstration of UTA's value proposition including return on investments and benefit/cost analyses
- Employing financial professionals (employees or consultants) who understand and can explore options and prepare various funding scenarios for decision making

Strategic Objectives in this Focus Area include but are not limited to:

- Strategic Objective 1
- Strategic Objective 2
- Strategic Objective 3

Customer Experience

Implementation strategies and objectives include but are not limited to:

- UTA employee development focused on customer facing service
- A visually recognizable brand with high perceived value
- A user-friendly and intuitive system
- Seamless, integrated movement across the system (including alternative mobility option)
- Connectivity and accessibility to key destinations (i.e school, work, medical care etc.)
- Convenient, reliable, clean and safe
- Universal understanding across the region of the services UTA provides

Strategic Objectives in this Focus Area include but are not limited to:

- Strategic Objective 1: Update our marketing and branding approach.
- Strategic Objective 2
- Strategic Objective 3

Strategic Partnerships

Implementation strategies and objectives include but are not limited to:

- Being educators and advocates about the benefits of public transit in the community
- Partnering with residents of our local community to address needs, gaps and opportunities
- Facilitate dialogue among and between communities in order to demonstrate that transportation issues do not stop at municipal boundaries
- Working as a key player with the State of Utah and regional planning organizations to develop "transportation" solutions, not just "transit" solutions. to the transportation challenges associated with growth along the Wasatch Front
- Look beyond traditional transportation solutions (i.e. UTA, UDOT etc.) and seek partnerships with alternative/innovative/disruptive transportation providers

Strategic Objectives in this Focus Area include but are not limited to:

- Strategic Objective 1
- Strategic Objective 2
- Strategic Objective 3

Planning and Long-Term Visioning

Implementation strategies and objectives include but are not limited to:

- Integrated planning with all modes, including active transportation, transportation network companies (TNC) such as UBER, Lyft etc.
- To the best of UTA's ability, evaluate growth trends and develop projections that anticipate what the future transportation landscape may look like for the generations to come
- UTA should plan to be able to demonstrate the value that transit adds in terms of economic development, improved air quality and more transportation choices in the region
- Understand current community accessibility and mobility needs in order to anticipate how and where those needs will begin to evolve

Strategic Objectives in this Focus Area include but are not limited to:

- Strategic Objective 1
- Strategic Objective 2
- Strategic Objective 3

DRAFT

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	July 26, 2017
AGENDA ITEM:	Compliance Report on Customer and Public Feedback
CONTACT PERSON:	Nichol Bourdeaux, VP of External Affairs and Constituent Services
SUBJECT:	Customer and Public Feedback
BACKGROUND:	<p>A report on 2016 customer and public feedback was given to the board at the joint committee meeting of the Stakeholder/Government Relations and Service & Customer Relations committees held on Wednesday, July 12th.</p> <p>The report included an overview of the customer service department as well as the specific number of calls and categories of comments received last year.</p> <p>The presentation is included for reference purposes.</p>
ALTERNATIVES:	Information for discussion
PREFERRED ALTERNATIVE:	N/A
STRATEGIC GOAL ALIGNMENT:	Customer Focus
LEGAL REVIEW:	N/A
EXHIBITS:	<ul style="list-style-type: none"> • Compliance report on Customer and Public Feedback FINAL. Ppt

SGRC &
SCRC
JOINT
COMMITTEE
UPDATE



Update on Customer Feedback *Stakeholder Relations Committee*

*Presented by Nichol Bourdeaux,
VP of External Affairs and Constituent Services
July 12, 2017*

Customer Service Mission Statement

- Customer Service department is committed to creating positive interactions with our customers in order to provide them with accurate information, helpful hints, and empathy to their situations and concerns.



Customer Service Contacts

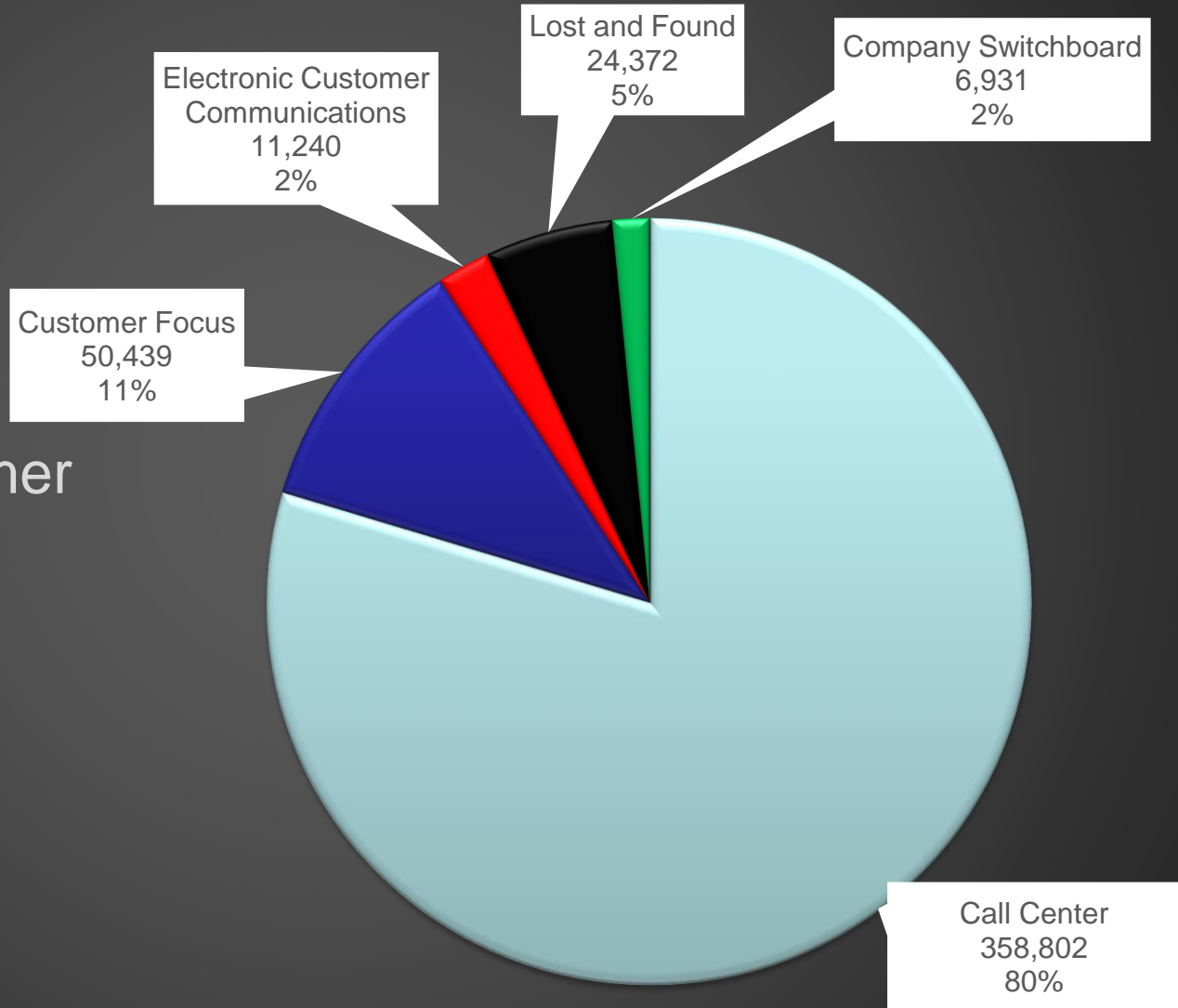
■ Call Center

■ Customer Focus

■ Electronic Customer Communications

■ Lost and Found

■ Company Switchboard

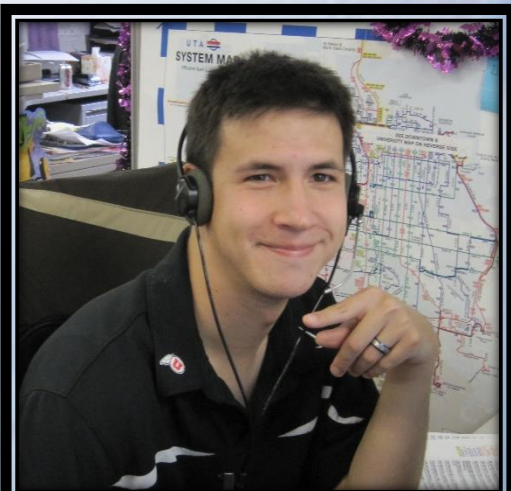


Customer Service Function

- 46 Employees (full and part time)
- Customer Focus Team
- Call Center Team
- Customer Relations Team
- Electronic Customer Communications Team

Quality in a service or product
is not what you put into it.
It is what the customer
gets out of it

Peter Drucker



Customer Call Center

<u>2015</u>	<u>2016</u>	<u>YTD</u>
432,705	442,518	150,128

- 2016 volumes reflect 17% reduction over previous year

2016 call
abandoned rate: 8%

YTD call abandoned
rate: 4%

Goal is 3% to 6%

New Tools & Technologies

Call volumes reduced due to additional tools

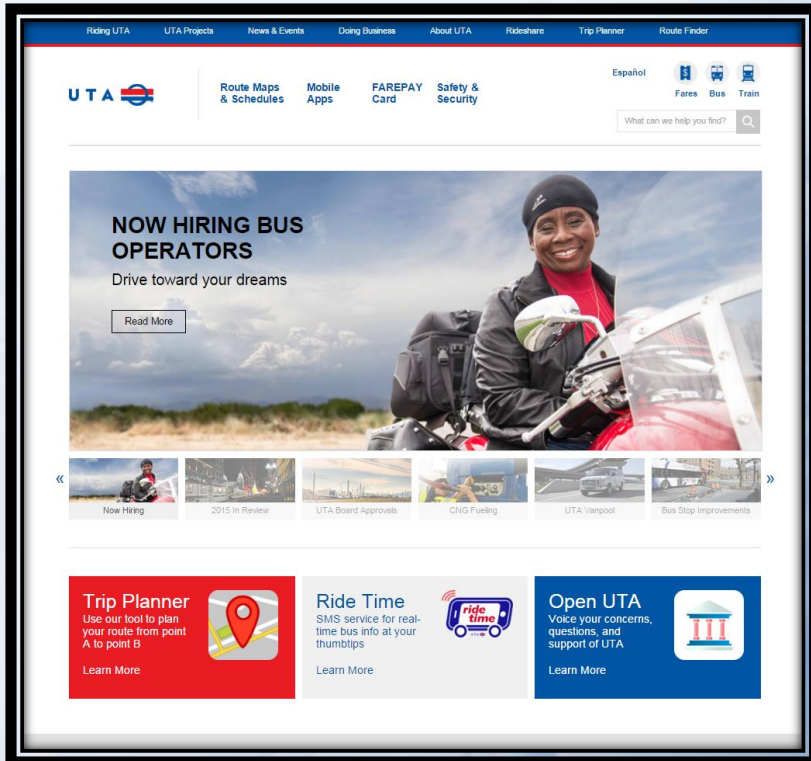
- Automated “next bus” phone system
 - 248,538 English
 - 13,360 Spanish

- *RideTime* Text— 1,388,376 in 2016
 - SMS texting of next bus departures
 - Signs being posted at all bus stops
 - Find my bus app locators

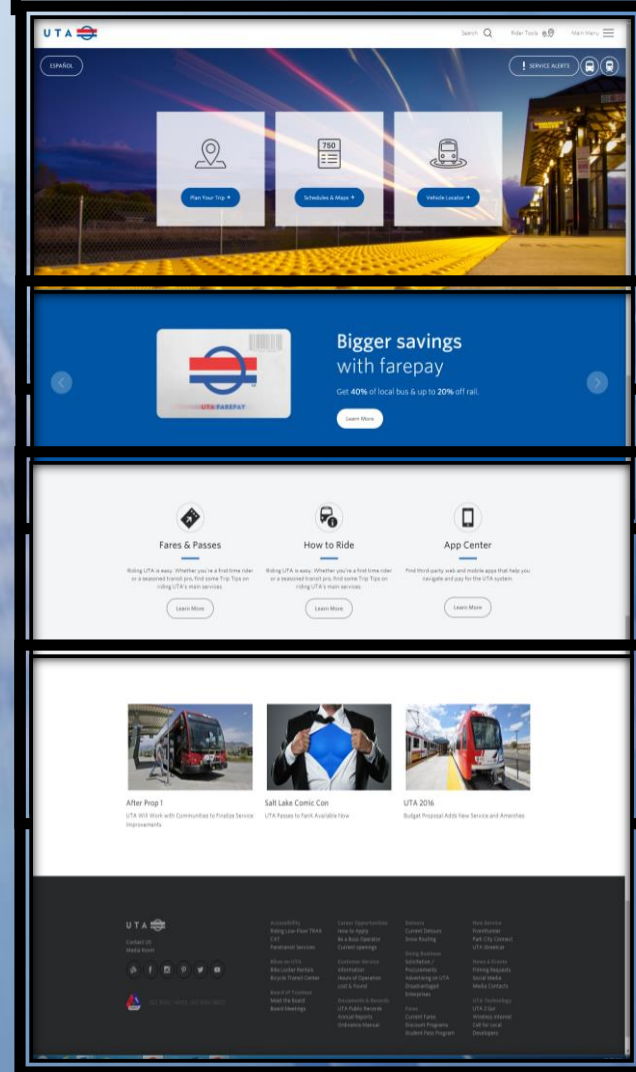
- Social Media
 - Electronic Customer Communications Specialists
 - Provide service info via Twitter 5 a.m. – 8 p.m.



Website Improvements



Old Version



NEW Version

Customer Feedback Calls

<u>2015</u>	<u>2016</u>	<u>YTD</u>
55,802	50,439	22,712

- 2016 volumes reflect 9% reduction over previous year
- 35,249 Comments Filed for 2016
 - Top 5 categories
 - Repairs
 - Customer Interactions
 - FAREPAY Card Balance
 - Unused Fare Media
 - Pass By

Customer Comments

2015

2016

YTD

TVM	18%	TVM	32%	TVM	24%
FAREPAY - card balance	8%	Negative Customer Interactions	7%	FAREPAY - card balance	8%
Negative Customer Interactions	8%	Fares- Unused FAREPAY	6%	Negative Customer Interaction	7%
Commendation	7%	Fares- Unused Pass	5%	Fares- Unused Pass	6%
Pass By	6%	Pass By	5%	Commendation	6%
Fares- Unused FAREPAY	5%	Commendation	4%	Pass By	5%

TVM Complaints



Customer Comment System

- Receive and log customer feedback, experience or observation about UTA services and employees via phone calls, email, website, mail, social media, etc.
- Understanding customer needs and experience, and how we can improve.
- Track and Trend for improvement
- Reports (Improved in 2017)

Responding to the Customer

Customer Service tries to resolve the customer's concerns or answer questions. If additional investigation is needed, the comment is sent to the responsible business unit or department to review, pull video, and respond to the customer.

- Maximum of 24 hour for processing*
- Seven (7) days investigation and handle*

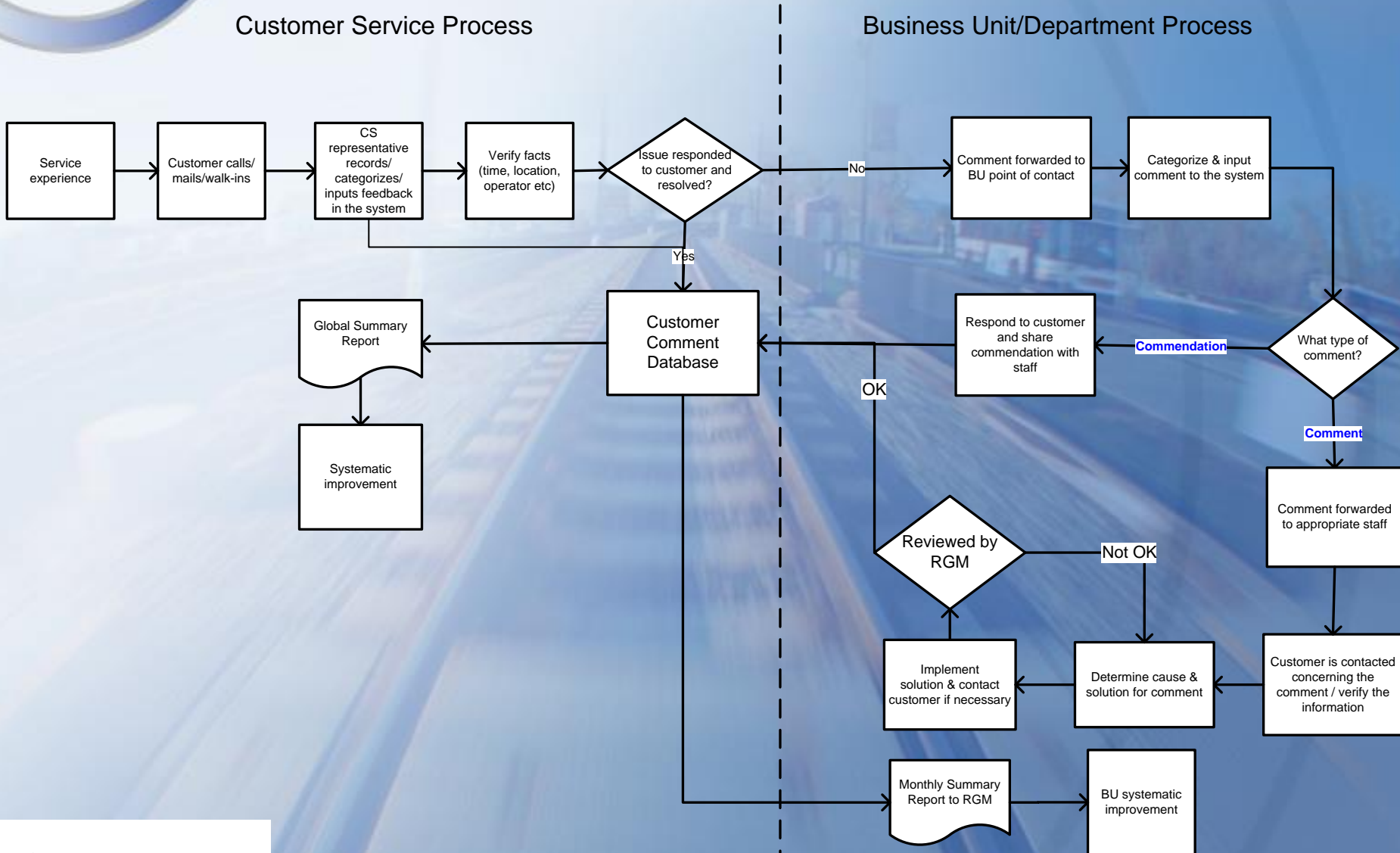
Customer Comment Process

Process Number: SP-1

06-05-2007
Version 3

Customer Service Process

Business Unit/Department Process



Process Executive: Chief Communications Officer

Process Owner: Manager of Customer Service

Documents:
SOPs, Customer Comment System
Records:
Customer Comment System
Global Summary Report
Business Unit Report

Continuous Improvement

- New Business Unit operations processes
 - UTAWay with employee interactions
- Point of Contacts for each Business Unit
 - True North for process improvement for roles and responsibilities
- Customer Focus Teams in Business Units
 - Customer Focus for solutions to customer communication and education

Customer Service

BU7.1 SOP

POC

No Fault

- Deal with Customer
- Remove Employee Name

Supv -Mgr

No Fault

- Deal with Customer
- Remove Employee Name

Not Verified (Rail) No Fault (BUS)

- Deal with Customer
- Remove Employee Name

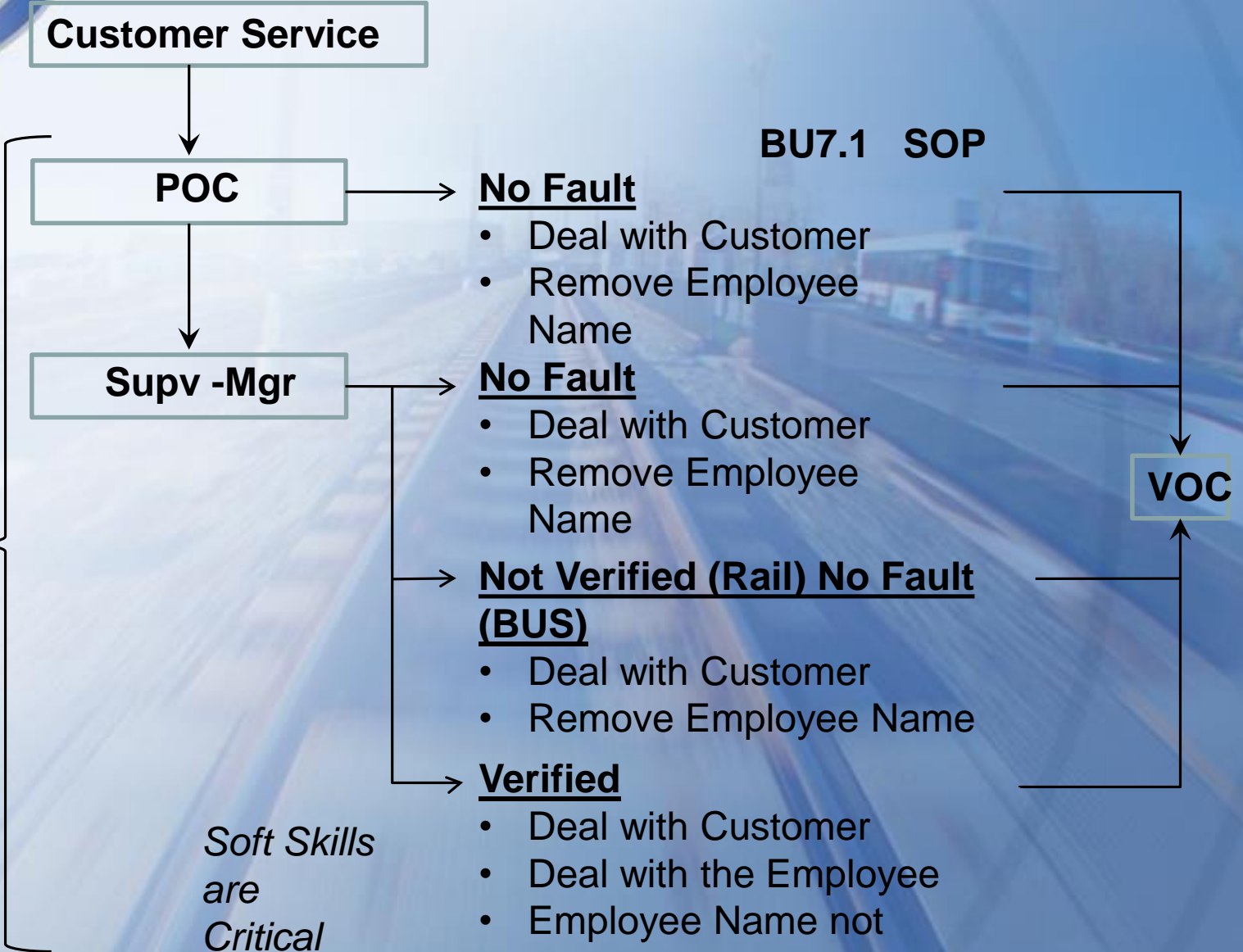
Verified

- Deal with Customer
- Deal with the Employee
- Employee Name not Removed

VOC

Mgr Audit

Soft Skills are Critical





Questions?