

SUBJECT: March Variance Analysis

DATE: May 12, 2023

FROM: CFO – Viola Miller

TO: Executive Director – Jay Fox

Highlights

Year to date UTA ridership is 14.9 percent above projections for 2023 and 11.9 percent above 2022 actual ridership for the same period.

Preliminary revenues YTD had a positive variance of \$11.6 million and operational expenses are \$6.2 million under budget.

Actual February 2023 Sales Tax revenues are \$35.0 million or 11.2 percent above budget. Year to date 2023 Sales Tax revenues is \$4.9 million above budget or 7.6 percent above budget and 2.8 percent, \$1.92 million above same period in 2022. (Note: UTA Sales Tax revenues are reported by the State with a one-to-two-month lag with current month numbers reflecting an accrued estimate).

Diesel fuel cost in March 2023 was 28.1 percent lower than budget. March 2023 diesel fuel cost averaged \$2.80 versus March 2022 average price of \$3.99. 2023 year to date diesel average price is \$3.21 compared to budget diesel price of \$3.90.

2023 ANALYSIS

Ridership

(Comparison of Year-To-Date 2023 Actual Ridership to 2023 Forecast and 2022 Actual results)

UTA System Ridership YTD March 2023

YTD	Mar 2023 Actual	Mar 2023 Forecast	Mar 2022 Actual	Variance '22 Var	Variance 'F23 Var	Vs 2022 %	Vs F2023 %
Bus	4,455,143	3,938,307	3,813,278	641,866	516,836	16.8%	13.1%
Salt Lake	2,736,244	2,308,890	2,447,039	289,205	427,355	11.8%	18.5%
Ogden	746,079	845,748	588,927	157,152	(99,669)	26.7%	-11.8%
Timp	972,821	783,669	777,312	195,508	189,151	25.2%	24.1%
Light Rail	2,469,252	2,339,683	2,572,357	(103,105)	129,569	-4.0%	5.5%
FrontRunner	861,294	574,792	682,209	179,085	286,502	26.3%	49.8%
Micro Transit ¹	91,970	73,774	33,315	58,655	18,196	176.1%	24.7%
Paratransit	207,895	168,238	184,188	23,707	39,657	12.9%	23.6%
Van Pool	267,463	173,349	176,407	91,056	94,114	51.6%	54.3%
Total Ridership	8,353,018	7,268,143	7,461,754	891,263	1,084,875	11.9%	14.9%

¹ Micro Transit was a pilot program in 2019 & 2020

Systemwide

Systemwide, total ridership 2023 year to date was 8.4 million compared to YTD ridership forecast of 7.3 million (14.9 percent above forecast). This amounted to 891,000 trips (11.9 percent) higher than in 2022. 2023 ridership was positively impacted by the Fare Free promotion occurring during the NBA Allstar weekend celebration in Salt Lake City.

Frontrunner carried 861,000 passengers YTD 2023 compared to a ridership forecast of 575,000 (49.8 percent above forecast). This figure is approximately 26.3 percent higher than 2022 ridership of 682,000.¹

TRAX ridership YTD in 2023 was 5.5 percent above the 2023 forecast with 130,000 more riders than projected. This is 4.0 percent lower than 2022 ridership of 2.57 million riders.

Bus ridership YTD in 2023 was 4.46 million as compared to a forecast of 3.94 million (13.1 percent above forecast) and higher than 2022 ridership of 3.81 million (16.8 percent).

Paratransit/Flex YTD 2023 ridership was above 2023 forecast of 168,000 by 23.6 percent, with UTA providing 208,000 trips. This is 12.9 percent higher than 2022 ridership of 184,000.

Microtransit YTD ridership in 2023 is above forecast by 18,000 or 24.7 percent. Microtransit started south Davis County and Tooele County service in August of 2022, so YTD March 2022 values are not comparable.

Van Pool ridership YTD for 2023 was 268,000 versus a forecast of 173,000, which is 54.3 percent above forecast. 2023 ridership is 51.6 percent higher than in 2022.

¹ Monthly forecasted ridership calculated using Planning 2023 monthly forecast by mode.

Operating Financial Results March 2023

MONTHLY RESULTS					FISCAL YEAR 2023 Dollars in Millions	YEAR-TO-DATE RESULTS				
Prior Year Actual	Current Year					Prior Year Actual	Current Year			
	Actual	Budget	Variance			Actual	Budget	Variance		
					Revenue					
\$ 44.2	\$ 43.5	\$ 42.1	\$ 1.4	3.4%	Sales Tax (Mar accrual)	\$ 101.1	109.0	\$ 107.6	\$ 1.4	1.3%
3.0	3.5	3.0	0.5	17.6%	Fares	28.5	8.6	8.6	(0.0)	-0.1%
110.0	-	-	-	0.0%	Federal	130.6	-	-	-	0.0%
1.4	10.2	1.8	8.4	474.8%	Other *	30.1	15.5	5.3	10.2	192.2%
\$ 158.5	\$ 57.2	\$ 46.9	\$ 10.4	22.1%	TOTAL REVENUE	\$ 290.3	\$ 133.1	\$ 121.5	\$ 11.6	9.6%
					Expense					
\$ 15.5	\$ 16.0	\$ 15.7	\$ (0.2)	-1.6%	Salary/Wages	\$ 42.0	\$ 45.2	\$ 46.6	\$ 1.3	2.9%
7.0	7.1	7.8	0.7	8.8%	Fringe Benefits	20.3	21.3	23.6	2.3	9.8%
2.0	3.7	3.3	(0.4)	-12.7%	Services	5.5	7.8	9.0	1.2	13.8%
0.9	2.0	2.0	0.0	1.9%	Parts	3.0	6.2	5.8	(0.4)	-6.2%
4.2	3.0	3.1	0.1	3.4%	Fuel	6.1	8.4	9.1	0.7	8.1%
0.7	1.7	0.5	(1.2)	-235.1%	Utilities	1.7	3.0	1.6	(1.5)	-96.0%
1.1	0.9	2.2	1.3	59.0%	Other	2.6	2.6	5.1	2.5	48.9%
(0.4)	(0.9)	(1.0)	0.1	-11.0%	Capitalized Cost	(0.8)	(2.8)	(2.9)	0.1	-3.3%
\$ 31.0	\$ 33.5	\$ 33.6	\$ 0.2	0.5%	TOTAL EXPENSE	\$ 80.4	\$ 91.6	\$ 97.8	\$ 6.2	6.3%
\$ 6.9	\$ 6.9	\$ 6.7	\$ (0.2)	-3.1%	Debt Service	\$ 20.5	\$ 20.2	\$ 20.0	\$ (0.2)	-1.0%
\$ 120.7	\$ 16.9	\$ 6.6	\$ 10.3	156.8%	Contrib. Capital/Reserves	\$ 121.0	\$ 21.3	\$ 3.7	\$ 17.6	471.8%

*Does not include Sale of Assets Favorable/(Unfavorable)

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Revenue

Sales Tax Revenue

Due to a lag in reporting from the State of Utah, actual sales tax revenues are reported with a one to two-month delay. The results shown above (from March financial statements) reflect accrued sales tax revenues through March.

As shown above, 2023 sales tax revenues (including accruals for March in the financial statements) were \$109 million, slightly above budget. Actual sales tax year-over-year growth in February 2023 for almost all counties in UTA's service Actual sarea appear to have dropped from double-digit growth rates that we have seen in prior periods.

Fare Revenue

Year-to-date passenger revenue was slightly below budget in March, with total fare revenue of \$8.6 million compared to a budget of \$8.6 million. The small negative variance can be attributed to the impact and timing of matching payments by UTA for terms of the Paratransit fare agreement with the State of Utah.

Federal Operating Revenue

Year-to-date Federal revenues were budgeted at \$0 million in recognition of delays related to labor issues impacting the award of federal grants. Federal operating revenues will be recognized when delays in grant approvals and processing are completed, which may take several additional months.

Other Revenue

Other revenue sources were \$10.2 million or 192.2% above budget. Higher than budgeted investment revenue, driven by higher rates of return on investments than expected, was \$10.4 million above budget. There were small negative variances that made up the difference in lease and fee revenues.

UTA has moved to a longer-term investment strategy paired with increasing PTIF interest rates, which represented an opportunity for investment returns on a cash basis to exceed budgeted targets for 2023.

Expenditures

Operating expenses year-to-date through March were under budget by \$6.2 million or 6.3 percent. The explanation of the underrun is described below along with adjusted expectations when taking delays into account.

Salary and Wages

Year-to-date salary and wages were \$1.3 million or 2.9 percent under budget, primarily due to vacancies. The positive variance would have been higher but for overtime costs driven by NBA Allstar weekend in February and labor shortages (primarily in operator labor) as discussed below.

Overtime

Overtime was \$1.52 million over budget year to date, relative to a total overtime budget of \$2.59 million.

Year-to-date operator overtime was \$890,000 or 52.2 percent over budget. Salt Lake Bus was over budget by \$527,000, Ogden by \$199,000, Light Rail by \$29,000, Riverside by \$47,000 and Timpanogos by \$72,000 with smaller differences elsewhere. This situation is primarily a function of business units use of overtime to compensate for operator shortages with impacts from higher overtime rates paid during NBA All Star Weekend as well.

Non-operator (primarily Bargaining maintenance) year to date overtime was \$632,000 (71.4 percent) over budget. Asset Management overtime was over budget by \$181,000 (121.0 percent) with employee vacancies impacting this number. Asset Management had significant vacancies in Facilities and MOW that necessitated more overtime in this category (regular wages were \$582,000 under budget). Also contributing was Salt Lake Bus maintenance at \$132,000 (96.7 percent above budget but reg wages under budget by \$95,000), Commuter Rail at \$64,000 (114.0 percent above budget), Public Safety at \$99,000 (\$34,000 budget) and Ogden Maintenance at \$72,000 (427.2% above budget). Other smaller amounts contributed to the balance.

Fringe

Year-to-date fringe benefit expenses were under budget by \$2.3 million (9.8 percent) primarily due to the impact of vacancies discussed above.

Vacancies

UTA's vacancy rate is 9.2 percent year to date at the end of March versus a vacancy rate of 8.2 percent the end of December 2022. Vacancies contribute to the positive wage variance but also contributes to the higher-than-expected overtime expense.

Non-Labor Summary

Year-to-date, non-labor categories were a net \$2.6 million favorable primarily due to positive variances of \$1.2 million in Services, \$700,000 in Fuel, and \$2.5 million in Other, with negative offsets in Parts \$(400,000) and \$(150,000) in Utilities.

Services

Services were favorable by \$1.2 million (13.8 percent) due to:

- Information Systems (under \$56,000 or 5.1 percent). Primarily caused by lower spending on projects than expected due to delays in implementation and delays in billing for services.
Paratransit (under \$149,000 or 44.1 percent). Associated primarily with impacts of accrual adjustments for outsourced paratransit services and delays in invoicing.
- Legal (under \$238,000 or 100%). Attorney General billings for January, February, and March have not yet been approved for payment but will be processed and included in the April update.
- Capital Development (under \$149,000 or 55.1%). Lower expenses in professional technical services (\$76,000) and special studies (\$73,000).
- Microtransit (under \$706,000 or 34%). Amount has dropped from January's balance and expectations are that they should be close to budget by the end of the April.
- Communications (under \$69,000 or 61.8%). Budgeted amounts are expected to be incurred later in the year than originally planned.
- Balance of items spread across other groups in organization.

Parts

Year-to-date, Parts were over budget by \$400,000 (on a \$5.8 million budget). The largest contributing operating unit was Commuter Rail at \$425,000 over budget (54.2 percent), with smaller amounts being both over and under budget in other operating units. Commuter Rail indicates they have been replacing higher cost components (14 traction motors) at a rate which is much higher than experience would have indicated.

Fuel and Power

Year-to-date, fuel and power expenses were about \$700,000 under budget. Diesel fuel expenses were \$1.2 million under budget and CNG fuel was \$213,000 over planned spend. Additionally, diesel gallon usage was under budget by 74,000 gallons. Propulsion power

was over budget \$393,000 but is expected to normalize by the end of May.

Other

Year-to-date Other expense has a positive variance of \$2.5 million or 48.9 percent.

Insurance related expense was \$967,000 under budget, 30.3 percent. Training, travel, and Other Miscellaneous expenses were under budget \$455,000, or 48.1 percent.

Supplies and related supplies expense were \$192,000 under budget, or 69.5 percent.

The balance of the variance is spread in smaller values among multiple categories across the organization.

Utilities

Year-to-date Utility expenses were \$1.5 million or 96.0 percent higher than budget. Primary cause of this variance is directly related to January's spike in natural Gas prices. Prices increased from approximately \$11 per MMBtu in December to \$50 per MMBtu in January. This increase was over 355 percent in one month. Since then, prices have declined, with the latest information showing April costs to approximately \$12 MMBtu. In addition, Summit Energy has some delayed invoicing from January and February. The Facilities group has also experienced additional Utility charges related directly to the extraordinary winter weather in March.

Capitalized Cost

Year-to-date Capitalized Cost are slightly under budget, with small amounts associated with Light Rail accruals. Variances in this area has improved with recent changes in process driven by the Comptroller's office and Operations.

March 2023 Results

Ridership

(Comparison of March 2023 Actual Ridership to 2023 Forecast and 2022 Actual results)

**UTA System Ridership
March 2023**

MTD	Mar 2023	Mar 2023	Mar 2022	Variance '22	Variance 'F23	Vs 2022	Vs F2023
	Actual	Forecast	Actual	Var	Var	%	%
Bus	1,542,765	1,422,610	1,369,121	173,644	120,156	12.7%	8.4%
Salt Lake	947,319	830,207	879,716	67,604	117,112	7.7%	14.1%
Ogden	254,609	302,567	212,198	42,411	(47,957)	20.0%	-15.9%
Timp	340,837	289,836	277,208	63,629	51,001	23.0%	17.6%
Light Rail	820,053	871,354	944,062	(124,008)	(51,301)	-13.1%	-5.9%
FrontRunner	299,627	234,400	248,844	50,783	65,227	20.4%	27.8%
Micro Transit ¹	34,410	30,085	14,121	20,289	4,325	143.7%	14.4%
Paratransit	76,051	65,525	71,049	5,002	10,526	7.0%	16.1%
Van Pool	95,016	58,443	59,887	35,129	36,573	58.7%	62.6%
Total Ridership	2,867,923	2,682,418	2,707,083	160,840	185,505	5.9%	6.9%

¹ Micro Transit was a pilot program in 2019 & 2020

March's total ridership was 2.9 million, which was 185,000 above forecast (6.9 percent), This was 161,000 (5.9 percent) higher than in 2022.

Frontrunner carried 299,000 passengers in March compared to a ridership forecast of 234,000 (27.8 percent higher). This figure is 20.4 percent higher than 2022 ridership of 249,000.²

TRAX ridership in March was down 5.9 percent from the March forecast of 871,000 riders. This is 13.1 percent below March 2022 ridership of 944,000 riders.

Bus ridership in March was 174,000 higher as compared to a forecast of 1.4 million (8.4 percent higher) and 12.7 percent higher than 2022 ridership of 1.37 million. ³

Paratransit/Flex ridership was above March forecast of 66,000 by 16.1 percent, with UTA providing 76,000 trips. This is 7.0 percent higher than 2022 ridership for the same period.

Microtransit ridership in March was above forecast by 20,000 or 14.4 percent. Microtransit started South Davis County and Tooele County service in August of 2022, March 2022 values are not comparable.

² Monthly forecasted ridership calculated using Planning 2023 yearly forecast by mode.

³ March 2023 Ridership report. UVX numbers included in total Bus ridership numbers.

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Vanpool ridership for March was 95,000 versus a forecast of 58,000, which is 62.6 percent above forecast. Ridership is 58.7 percent higher than the same month in 2022.

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\$ 31.0	\$ 33.5	\$ 33.6	\$ 0.2	0.5%	TOTAL EXPENSE	\$ 80.4	\$ 91.6	\$ 97.8	\$ 6.2	6.3%
\$ 6.9	\$ 6.9	\$ 6.7	\$ (0.2)	-3.1%	Debt Service	\$ 20.5	\$ 20.2	\$ 20.0	\$ (0.2)	-1.0%
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Revenue

For the month of March, sales tax revenues were \$43.5 million. Farebox revenue was 17.6% above budget, primarily related to the recognition of prepaid fare pass revenue.

There were no Federal payments recorded for the month as the formula grants are pending due to grant processing delays and delays related to labor issues. Once these grants are approved, UTA will be able draw down an estimated \$55 million in accrued eligible operational expenses dating back to 2022 and \$24 million in 2023 – which will be recorded as Federal income in 2023.

Other revenues came in higher than budget with a \$8.4 million variance. Positive variance was primarily driven by higher-than-expected investment returns, as discussed above.

Expenditures

The March expense variance of \$200,000 or 0.5 percent below budget is driven by negative variances in Wage costs of \$200,000 due to the payment of annual increases retroactively from January. An underspend of \$400,000 in Fringe expense is related to the Agency's vacancies. A over spend in Service of \$400,000 due to timing of services/invoices and a \$100,000 of underspend in Fuel due to lower than budgeted pricing also contributed to the positive variance. Other Expenses were below budget by \$1.3 million were related to the agency's contingency and insurance positive variances.

Comments on notable impacts to the variance are as follows:

Salary: \$200,000 over budget. In March the annual administrative salary increases (retroactively to January 1st) were processed accounting for an overspend in March. However, salaries year to date are under budget.

Parts: Basically, at budget for the month of March. Commuter Rail spending on parts was \$100,000 over budgeted plan but offset by an underspend in Light Rail of \$151,000. Other small variances in smaller amounts were experienced in other operating units.

Services: \$400,000 spend over budget, 12.7 percent over plan. Much of the overspend for the month was within the Training & Development group directly related to the timing of payments for training materials. This timing difference between actual and budget should be resolved by the end of the second quarter. IT in March was over budget by \$200,000 primarily due to budget timing of software and software related licensing.

Fuel/Power: Slightly under budget \$100,000 (3.4 percent), driven by a higher lingering CNG cost from the large price increase in January and February, \$224,000 over budget. This has been offset by lower diesel and fuel expenses, \$307,000 under budget.

Utilities: Over budget by 235 percent (\$1.2 million), primarily due to costs associated with the heavy and persistent winter weather and delayed invoicing from Summit Energy for CNG from January and February. Mostly related to platform heating, building heating, and lingering impact of the spike in the cost of natural gas.

Capitalized Cost: \$0.1 million under budget (11.0 percent variance) for March. Most of this variance is associated with Light Rail and Fleet Engineering. Accounting's continued work with Light Rail and Asset Management has helped this area to have more timely and accurate reporting.