

SUBJECT: August Variance Analysis

DATE: Sept 22, 2023

FROM: CFO – Viola Miller

TO: Executive Director – Jay Fox

Highlights

August 2023 UTA ridership was under forecast by 8.7% and exceeded August 2022 by 7.7%. 2023 YTD UTA ridership exceeds forecast by 5.1% and the same period in 2022 by 9.7%.

August revenue surpassed budget by \$3.3M / 5.1%. YTD revenue exceeds budget by \$28.1M / 7.0%. Operating expenses were under budget by \$0.9M / 2.6% in August. YTD operating expenses are \$18.9M / 7.0% under budget.

Actual accrued August 2023 Sales Tax revenue was \$42.6M which is \$1.2M / 3.0% above budget. YTD 2023 accrued Sales Tax revenue is \$315.9M which exceeds budget by \$8.9M / 2.9%. 2023 August YTD Sales Tax revenue is \$6.7M / 2.2% higher than the 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 per gallon in August 2023 was \$0.28 / 7.2% below budget. August 2023 diesel fuel cost/gal averaged \$3.62 vs. August 2022 average price of \$3.77. 2023 YTD diesel average price/gal is \$3.10 compared to budget diesel price of \$3.90.

2023 ANALYSIS

Ridership

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

**UTA System Ridership
YTD August 2023**

YTD	Aug 2023 Actual	Aug 2023 Forecast	Aug 2022 Actual	Variance '22 Var	Variance 'F23 Var	Vs 2022 %	Vs F2023 %
Bus	11,495,033	10,551,838	10,023,445	1,471,588	943,195	14.7%	8.9%
Salt Lake	7,160,405	6,142,787	6,324,226	836,179	1,017,618	13.2%	16.6%
Ogden	1,949,272	2,162,533	1,662,961	286,311	(213,261)	17.2%	-9.9%
Timp	2,385,355	2,246,518	2,036,257	349,098	138,837	17.1%	6.2%
Light Rail	6,916,280	7,275,054	7,195,031	(278,751)	(358,774)	-3.9%	-4.9%
FrontRunner	2,386,069	2,186,339	2,039,553	346,516	199,730	17.0%	9.1%
sit¹	257,369	280,614	123,922	133,447	(23,245)	107.7%	-8.3%
Paratransit	576,161	505,796	514,761	61,401	70,365	11.9%	13.9%
Van Pool	717,799	464,436	468,093	249,706	253,363	53.3%	54.6%
Total Ridership	22,348,711	21,264,078	20,364,804	1,983,907	1,084,633	9.7%	5.1%

¹ Micro Transit was a pilot program in 2019 & 2020

Systemwide

Systemwide, total ridership in August 2023 YTD was 22.4M which exceeded the YTD ridership forecast of 21.3M by 5.1%. This amounted to 2.0M / 9.8% more trips 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 2.4M passengers in August 2023 YTD compared to a ridership forecast of 2.2M which resulted in exceeding forecast by 9.1%. This is approximately 17.0% higher than 2022 ridership of 2.0M.¹

TRAX ridership YTD in August 2023 was 4.9% below the 2023 forecast with 358.8K fewer riders than projected. 2023 YTD amount is 3.9% lower than 2022 ridership of 7.2M riders.

Bus ridership August 2023 YTD was 11.5M compared to a forecast of 10.6M, so ridership exceeded forecast by 8.9%. August 2023 YTD ridership exceeded 2022 totals by \$1.5M / 14.7%.

Paratransit/Flex August YTD 2023 ridership exceeded 2023 forecast of 505.8K by 13.9%, with UTA providing 576.2K trips. This is 11.9% higher than 2022 ridership of 514.8K.

Micro Transit August 2023 YTD ridership was under forecast by 23.2K / 8.3%. Micro Transit started south Davis County and Tooele County service in August of 2022, so YTD August 2022 values are not comparable.

Van Pool ridership in August 2023 YTD was 717.8K versus a forecast of 464.4K, which is 54.6% above forecast. 2023 ridership is 53.3% higher than in 2022.

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

Operating Financial Results

August 2023



OPERATING FINANCIALS

August 2023

MONTHLY RESULTS					FISCAL YEAR 2023 Dollars in Millions	YEAR-TO-DATE RESULTS								
Prior Year Actual	Current Year			Variance		Prior Year Actual	Current Year			Variance				
	Actual	A Budget	Variance			Actual	A Budget	Variance	%					
					Revenue									
\$ 42.7	\$ 42.6	\$ 41.4	\$ 1.2	3.0%	Sales Tax (Aug accrual)	\$ 309.2	315.9	\$ 307.0	\$ 8.9	2.9%				
2.9	2.8	3.0	(0.3)	-8.3%	Fares	23.1	23.8	23.6	0.2	0.9%				
11.3	18.8	18.8	-	0.0%	Federal	217.4	57.6	57.3	0.3	0.6%				
2.0	4.1	1.8	2.3	132.4%	Other *	12.0	32.8	14.1	18.6	131.9%				
\$ 58.9	\$ 68.3	\$ 65.0	\$ 3.3	5.1%	TOTAL REVENUE	\$ 561.7	\$ 430.1	\$ 402.0	\$ 28.1	7.0%				
					Expense									
\$ 13.6	\$ 15.3	\$ 15.2	\$ (0.1)	-0.7%	Salary/Wages	\$ 101.8	\$ 116.5	\$ 121.8	\$ 5.2	4.3%				
1.1	1.1	0.9	(0.1)	-15.0%	Overtime	9.3	\$ 10.1	7.2	\$ (2.9)	-40.7%				
6.8	7.6	8.2	0.6	6.9%	Fringe Benefits	55.1	59.2	65.1	5.9	9.1%				
3.0	3.0	3.1	0.1	3.4%	Services	19.2	24.8	27.5	2.7	9.7%				
1.2	2.1	2.0	(0.1)	-6.5%	Parts	10.3	16.4	15.5	(0.9)	-5.7%				
2.9	2.7	3.0	0.3	10.2%	Fuel	21.5	19.3	23.8	4.4	18.6%				
0.3	0.4	0.5	0.1	15.3%	Utilities	3.6	5.4	4.1	(1.3)	-30.6%				
1.3	1.2	1.4	0.2	11.6%	Other	8.6	8.4	13.8	5.4	39.3%				
(0.4)	(1.0)	(1.0)	(0.0)	3.1%	Capitalized Cost	(4.2)	(8.2)	(7.9)	(0.3)	3.6%				
\$ 29.8	\$ 32.4	\$ 33.3	\$ 0.9	2.6%	TOTAL EXPENSE	\$ 225.3	\$ 252.0	\$ 270.8	\$ 18.9	7.0%				
6.6	6.5	6.4	(0.1)	-1.4%	Debt Service	55.0	53.2	52.7	(0.5)	-0.9%				
\$ 22.4	\$ 29.4	\$ 25.2	\$ 4.1	16.3%	Contrib. Capital/Reserves	\$ 281.5	\$ 124.8	\$ 78.4	\$ 46.3	59.1%				

*Does not include Sale of Assets

Favorable/(Unfavorable)

*Does not include Sale of Assets: \$5.14 M Favorable/(Unfavorable)

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 August financial statements) reflect accrued sales tax revenues through August 2023.

As shown above, 2023 YTD sales tax revenues (including accruals for August in the financial statements) were \$315.9M, \$8.9M / 2.9% above budget. Actual sales tax year-over-year growth in 2023 for almost all counties in UTA's service area appear to have dropped from double-digit growth rates that we have seen in prior periods.

Fare Revenue

Passenger revenue was slightly above budget in August YTD, with total fare revenue of \$23.8M compared to a budget of \$23.6M. The small positive variance can be attributed to the recognition of revenue from a sunset provision for a discontinued pass program.

Federal Operating Revenue

Federal operating revenues have reconvened after delays related to labor issues impacting the award of federal grants. \$18.8M was received in the month of August which matches the budgeted amount subsequently entered. We anticipate seeing funds from grant approvals to

arrive in Q3. The \$132.2K received in April and \$198.3K received in June are funds directly related to our 5310 FTA Grant Program. These funds are passed-through UTA and disbursed to the qualified agencies and communities in our service area. YTD, the total Federal Operating Revenue total is \$57.6M.

Other Revenue

Other revenue sources were \$18.6M / 131.9% above budget YTD. Actual investment revenue, driven by higher rates of return on investments than expected, made up \$23.8M of the total \$32.8M in revenue YTD.

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 YTD through August were under budget by \$18.9M / 7.0%. The explanation of the variance is detailed below along with adjusted expectations when accounting for delays.

Salary and Wages

YTD salary and wages were \$5.2M / 4.3% under budget. Overtime was included in this total previously which made the total closer to budget, overtime is now broken out separately.

Overtime

Overtime was \$2.9M / 40.7% over budget YTD, relative to an overtime budget of \$7.2M YTD.

YTD operator overtime was \$1.9 / 38.4% over budget. Salt Lake Bus was over budget by \$1.3M, Ogden by \$335.0K, Riverside by \$70.0K, Light Rail by \$52.3K, Commuter Rail by \$22.3K and Timpanogos by \$27.9K with smaller differences elsewhere. This situation is primarily a function of business units use of overtime to compensate for operator shortages. There were minimal impacts from higher overtime rates paid during NBA All Star Weekend.

Non-operator (primarily Bargaining maintenance) YTD overtime was \$1.1M / 45.4% over budget. Asset Management overtime was over budget by \$393.7K / 99.3% 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 \$1.1M under budget in Asset Management. Also contributing was Salt Lake Bus maintenance at \$153.1K / 42.1% above budget, Commuter Rail Maintenance at \$114.2K / 107.1% above budget, Public Safety at \$89.3K / 99.2% above budget and Ogden Maintenance at \$109.0K / 251.5% above budget.

Fringe

YTD fringe benefit expenses were under budget by \$5.9M / 9.1% primarily due to the impact of vacancies discussed above.

Vacancies

UTA's vacancy rate is 4.6% YTD at the end of August versus a vacancy rate of 8.2% at the end of December 2022. Administrative has a 5.9% vacancy rate and Bargaining Unit has a 3.9% vacancy rate. Vacancies contribute to the positive wage variance but also contributes to the higher-than-expected overtime expense.

Non-Labor Summary

YTD non-labor categories (all except Labor and Fringe) were favorable \$10.6M primarily due to positive variances of \$2.7M in Services, \$4.4M in Fuel, and \$5.5M in Other. There were negative offsets of \$1.3M in Utilities and \$0.9M in Parts.

Services

Services were favorable by \$2.7M / 9.7% due to:

- Legal under budget by \$182.3K / 13.6%. Attorney General billings are up to date. External Counsel support is under budget.
- IT under budget by \$915.9K / 18.9%. Budget timing is the primary reason for variance in contract services. IT produces its best estimate of when contracts will be due. IT is confident the \$696.6K in Information Technology variance will be used by year end. The \$123.3K of variance in Application Development stems from a pause of a development project due to issues with 3rd party contracts. This full variance amount will not be spent by year end, but IT is ensuring the services from 3rd parties are worth the budgeted contract amounts. Information Security is \$66.7K under budget due to bids being submitted and procurement still taking place on project. IT estimates 50% of variance will be spent by year end.
- Micro Transit under budget by \$985.5K / 17.8%. Principally due to an invoice timing, invoices and payments lag a month or two. \$600K - \$700K is normally spent each month, but August has not been paid yet.
- Planning under budget by \$877.4K / 55.2%. 50339 Services Prof & Tech is \$878.6K under budget YTD. Largely due to invoice timing, still plan on using the majority of budget. Will likely not spend full \$325.0K budgeted amount for "UTA On Board Survey" due to delay in the bidding process.
- Balance of items spread across other groups in organization.

Parts

August YTD parts were over budget by \$0.9M on a \$15.5M budget. The largest contributing operating unit was Commuter Rail at \$536.1K / 24.2% over budget, with smaller amounts being both over and under budget in other operating units. Commuter Rail indicates they have been replacing higher cost components at a rate much higher than experience would have indicated. Commuter Rail replaced 14 traction motors in Q1 of 2023 and an additional five in Q2. In addition, three battery tray sets were replaced, a turbocharger was replaced, and three brand new rail car axles. These were all unexpected failures that unfortunately are high-cost parts.

In addition, we have underperformed YTD on warranty recoveries by \$627.6K. Warranty recoveries are received when maintenance groups return a part that is within the warranty period. These credits offset parts expense. We have budgeted to receive \$1.1M through August YTD and we have only collected \$454.4K. Most of this variance is being driven by shortfalls totaling \$723.7K stemming out of 4300 JR Maintenance. The appropriate amount to budget for warranty recovery in 2024 has been reassessed.

Fuel and Power

August YTD fuel and power expenses were \$4.4M under budget; the bulk of which consisted of diesel fuel coming in \$4.1M under budget. YTD, UTA has purchased 147K fewer gallons of diesel fuel than budgeted. Those gallons multiplied by the \$3.90/gallon budgeted amount results in a savings (volume variance) of \$573.3K. The remaining \$3.8M is due to price variance. Volume variance makes up 13.0% of total variance and price variance produces the other 87.0%. So, savings due to lower fuel consumption compared to budget is 14.9% of the savings realized through lower diesel fuel prices YTD.

CNG fuel was \$103.8K / 28.9% over budget. CNG fuel over budget amount is directly related to a spike in natural gas prices in January and February, though the YTD total is approaching budgeted amounts more each month.

Propulsion power for light rail was \$269.9K / 6.1% under budget YTD, the variance has self-corrected over the last quarter.

Other

YTD Other expenses were under budget by \$5.4M / 39.3%. Insurance related expense was \$1.9M under budget. Training, travel, and employee awards were under budget \$934.2K. Other Miscellaneous and contingency expenses were under budget \$2.7M / 92.1%. This amount is primarily comprised of Operations contingency that is \$1.9M under budget. The balance of the variance is spread in smaller values among multiple categories across the organization.

Utilities

August YTD Utility expenses were \$1.3M / 30.6% higher than budget. Primary cause of this variance is directly related to January and February'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% in one month; since then, prices have declined. The Facilities group has also experienced additional Utility charges related directly to the extraordinary winter weather through March. For natural gas facility needs, we have recently changed providers and now purchase fuel directly from the primary local utility, Dominion Energy.

Capitalized Cost

YTD Capitalized Cost was under budget by \$0.3M, this is primarily associated with Light Rail accruals. Variances in this area has improved with recent changes in process driven by the Comptroller's office and Operations.

August 2023 Results

Ridership

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

UTA System Ridership August 2023

MTD	Aug 2023	Aug 2023	Aug 2022	Variance '22	Variance 'F23	Vs 2022	Vs F2023
	Actual	Forecast	Actual	Var	Var	%	%
Bus	1,532,548	1,517,845	1,379,371	153,177	14,703	11.1%	1.0%
Salt Lake	956,214	889,824	854,424	101,790	66,390	11.9%	7.5%
Ogden	273,560	306,774	232,483	41,077	(33,214)	17.7%	-10.8%
Timp	302,774	321,247	292,465	10,309	(18,473)	3.5%	-5.8%
Light Rail	933,860	1,164,171	957,086	(23,226)	(230,311)	-2.4%	-19.8%
FrontRunner	349,011	423,348	303,851	45,160	(74,337)	14.9%	-17.6%
Micro Transit ¹	35,611	54,336	23,112	12,499	(18,725)	54.1%	-34.5%
Paratransit	82,406	80,731	75,731	6,675	1,675	8.8%	2.1%
Van Pool	76,997	56,298	55,405	21,592	20,699	39.0%	36.8%
Total Ridership	3,010,433	3,296,730	2,794,556	215,877	(286,297)	7.7%	-8.7%

¹ Micro Transit was a pilot program in 2019 & 2020

August's total ridership was 3.0M, which was 286.3K / 8.7% below forecast. This amount exceeded August 2022 totals by 215.9K / 7.7% riders.

Frontrunner carried 349.0K passengers in August which was 74.3K / 17.6% lower than the forecast of 423.3K. This figure is 14.9% higher than 2022 ridership of 303.9K.²

TRAX ridership in August was down 19.8% from the August forecast of 1.2M riders. This is 2.4% below August 2022 ridership of 957.1K riders.

Bus ridership in August was 14.7K / 1.0% higher than the forecast of 1.52M and 11.1% higher than 2022 ridership of 1.4M.³

Paratransit/Flex ridership exceeded August forecast of 80.7K by 2.1%, with UTA providing 82.4K trips. This is 8.8% higher than 2022 ridership for the same period.

Micro Transit ridership in August was below forecast by 18.7K / 34.5%. Micro Transit started South Davis and Tooele County service in August of 2022.

Vanpool ridership for August was 77.0K versus a forecast of 56.3K, which is 36.8% above forecast.

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

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

MONTHLY RESULTS					FISCAL YEAR 2023 Dollars in Millions	YEAR-TO-DATE RESULTS				
Prior Year Actual	Current Year					Prior Year Actual	Current Year			
	Actual	A Budget	Variance			Actual	A Budget	Variance		
\$ 42.7	\$ 42.6	\$ 41.4	\$ 1.2	3.0%	Revenue	\$ 309.2	315.9	\$ 307.0	\$ 8.9	2.9%
2.9	2.8	3.0	(0.3)	-8.3%	Sales Tax (Aug accrual)	23.1	23.8	23.6	0.2	0.9%
11.3	18.8	18.8	-	0.0%	Fares	217.4	57.6	57.3	0.3	0.6%
2.0	4.1	1.8	2.3	132.4%	Federal	12.0	32.8	14.1	18.6	131.9%
					Other *					
\$ 58.9	\$ 68.3	\$ 65.0	\$ 3.3	5.1%	TOTAL REVENUE	\$ 561.7	\$ 430.1	\$ 402.0	\$ 28.1	7.0%
					Expense					
\$ 13.6	\$ 15.3	\$ 15.2	\$ (0.1)	-0.7%	Salary/Wages	\$ 101.8	\$ 116.5	\$ 121.8	\$ 5.2	4.3%
1.1	1.1	0.9	(0.1)	-15.0%	Overtime	9.3	10.1	7.2	(2.9)	-40.7%
6.8	7.6	8.2	0.6	6.9%	Fringe Benefits	55.1	59.2	65.1	5.9	9.1%
3.0	3.0	3.1	0.1	3.4%	Services	19.2	24.8	27.5	2.7	9.7%
1.2	2.1	2.0	(0.1)	-6.5%	Parts	10.3	16.4	15.5	(0.9)	-5.7%
2.9	2.7	3.0	0.3	10.2%	Fuel	21.5	19.3	23.8	4.4	18.6%
0.3	0.4	0.5	0.1	15.3%	Utilities	3.6	5.4	4.1	(1.3)	-30.6%
1.3	1.2	1.4	0.2	11.6%	Other	8.6	8.4	13.8	5.4	39.3%
(0.4)	(1.0)	(1.0)	(0.0)	3.1%	Capitalized Cost	(4.2)	(8.2)	(7.9)	(0.3)	3.6%
\$ 29.8	\$ 32.4	\$ 33.3	\$ 0.9	2.6%	TOTAL EXPENSE	\$ 225.3	\$ 252.0	\$ 270.8	\$ 18.9	7.0%
6.6	6.5	6.4	(0.1)	-1.4%	Debt Service	55.0	53.2	52.7	(0.5)	-0.9%
\$ 22.4	\$ 29.4	\$ 25.2	\$ 4.1	16.3%	Contrib. Capital/Reserves	\$ 281.5	\$ 124.8	\$ 78.4	\$ 46.3	59.1%

*Does not include Sale of Assets

Favorable/(Unfavorable)

*Does not include Sale of Assets: \$5.14 M Favorable/(Unfavorable)

Revenue

For the month of August, accrued sales tax revenues were \$42.6M, which was \$1.2M / 3.0% above budget. Farebox revenue was 8.3% below budget. August 2023 Farepay revenue is \$0.1M lower than the same period last year. Farepay revenue that was recognized in August 2023 dropped below normal, it was expected to be higher and will require investigation. ECO partner revenue, including pay per trip contracts, are not increasing as anticipated. New partners have not been added and the number of pass holders not tapping has negatively impacted the amount UTA can bill partners.

There was a total of \$18.8M in Federal / Preventative Maintenance payments recorded for the month. There have been two consecutive months of significant (>\$15M) Federal / Preventative Maintenance payments. Previously, the formula grants were pending due to grant processing delays and delays related to labor issues. As these grants are approved, UTA will be able draw down an estimated \$55M in accrued eligible operational expenses dating back to 2022 and \$35M in 2023 – which will be recorded as Federal income in 2023.

Other revenues came in higher than budget with a \$2.3M variance. Positive variance was primarily driven by higher-than-expected investment returns, as discussed above.

Expenditures

The August expense variance is \$0.9M / 2.6% below budget. Both Salaries / Wages and Overtime were each \$0.1M over budget. This is the first time Labor expenses (rolled-up) have exceeded budget since April when payments for the bargaining agreement were made. The overage was mainly within 50171 – Regular Wages (Non-Operators) where 6450 – Training & Development exceeded budget by \$193.8K. An underspend of \$0.6M /6.9% in Fringe expense is related to the Agency’s vacancies. Service, Parts, and Utilities were all close (within \$200K) to target. Fuel was \$0.3M below budget, the price per diesel gallon increased dramatically over prior months, but it is still lower than the budgeted amount. Other Expenses was \$.2M under budget was largely due to favorable variances within Insurance expenses. Lower spend in Computer Supplies and Travel/Meeting Expenses contributed to the favorable variance as well.

Comments on notable impacts to the variance are as follows:

Salary: \$0.1M over budget due to Regular Wages for Non-Operators. The largest driver was in Training & Development which was \$193.8K over budget in the month of August. Improving month-over-month on filling needed positions (19 additional heads compared to July). The headcount is still 4.6% under budget, but as a whole, UTA now sits above 95% of planned headcount.

Overtime: 15.0% above budget in August. As positions go unfilled and current employees work extra to fill in the holes, overtime increases. As headcount amounts stay under budget, Overtime will likely remain above budget.

Fringe: \$0.6M under budget in August. If full-time headcount is lower than budget, fringe will also remain below budget because the expenses (e.g., insurances, benefits, etc.) are tied to the actual number of heads.

Parts: \$129.4K over budget for the month of August. This is due to the Warranty Recoveries not meeting the budgeted amount. \$135.2K was budgeted to be credited in August, but only \$12.0K was credited resulting in a variance of \$123.2K.

Fuel/Power: Under budget \$0.3M / 10.2%, driven by a lower monthly average price of \$3.62/gal versus a budgeted diesel amount of \$3.90/gal. In August, the number of gallons purchased exceeded budget by 5087 gallons. Multiplying the variance of gallons by the month’s \$3.62/gal rate results in \$18.4K of unfavorable volume variance. Though August’s price per gallon was much closer to budget than the previous month, the impact of the price variance still caused actuals to be favorable to budget. Unleaded fuel price was higher than budget with a price of \$3.35/gal in August compared to \$3.10/gal budgeted.

Utilities: Under budget by \$79.0K / 15.3% in August primarily due to lower spend in Public MOW, Facilities, Safety, Network Support, and Commuter Rail Operations.