

SUBJECT: July Variance Analysis
 FROM: CFO – Viola Miller
 TO: Executive Director – Jay Fox

DATE: Aug 30, 2023

Highlights

July 2023 UTA ridership was under forecast by 6.6% and exceeded July 2022 by 5.5%.
 2023 YTD UTA ridership exceeds forecast by 7.6% and the same period in 2022 by 10.1%.

July revenue surpassed budget by \$4.3M / 5.4%. YTD revenue exceeds budget by \$24.8M / 7.3%. Operating expenses were under budget by \$2.5M / 7.6% in July. YTD operating expenses are \$18M / 7.6% under budget.

Actual accrued July 2023 Sales Tax revenue was \$40.6M which is \$3.4M / 9.1% above budget. YTD 2023 accrued Sales Tax revenue is \$273.3M which exceeds budget by \$7.7M / 2.9%. July 2023 accrued Sales Tax revenue was \$8.0M / 24.7% higher than July 2022 sales tax revenue. 2023 YTD Sales Tax revenue is \$6.8M / 2.5% 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 July 2023 was \$1.15 / 29.5% below budget. July 2023 diesel fuel cost/gal averaged \$2.75 vs. July 2022 average price of \$3.97. 2023 YTD diesel average price/gal is \$3.03 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 July 2023**

YTD	July 2023	July 2023	July 2022	Variance '22	Variance 'F23	Vs 2022	Vs F2023
	Actual	Forecast	Actual	Var	Var	%	%
Bus	9,962,485	9,033,993	8,644,073	1,318,412	928,492	15.3%	10.3%
Salt Lake	6,204,192	5,252,963	5,469,802	734,390	951,230	13.4%	18.1%
Ogden	1,675,711	1,855,758	1,430,478	245,233	(180,047)	17.1%	-9.7%
Timp	2,082,581	1,925,272	1,743,792	338,789	157,310	19.4%	8.2%
Light Rail	5,982,420	6,110,883	6,237,945	(255,525)	(128,463)	-4.1%	-2.1%
FrontRunner	2,037,058	1,762,990	1,735,703	301,355	274,068	17.4%	15.5%
Micro Transit ¹	221,758	226,278	100,810	120,948	(4,520)	120.0%	-2.0%
Paratransit	495,560	425,065	439,030	56,531	70,496	12.9%	16.6%
Van Pool	640,997	408,139	412,688	228,309	232,858	55.3%	57.1%
Total Ridership	19,340,278	17,967,348	17,570,248	1,770,030	1,372,930	10.1%	7.6%

¹ Micro Transit was a pilot program in 2019 & 2020

Systemwide

Systemwide, total ridership in July 2023 YTD was 19.3M which exceeded the YTD ridership forecast of 18.0M by 7.6%. This amounted to 1.8M / 10.1% 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 2.0M passengers in July 2023 YTD compared to a ridership forecast of 1.8M which resulted in exceeding forecast by 15.5%. This is approximately 17.4% higher than 2022 ridership of 1.7M.¹

TRAX ridership YTD in July 2023 was 2.1% below the 2023 forecast with 128.5K fewer riders than projected. 2023 YTD amount is 4.1% lower than 2022 ridership of 6.2M riders.

Bus ridership July 2023 YTD was 10.0M compared to a forecast of 9.0M, so ridership exceeded forecast by 10.3%. July 2023 YTD ridership exceeded 2022 totals by \$1.3M / 15.3%.

Paratransit/Flex July YTD 2023 ridership exceeded 2023 forecast of 425.1K by 16.6%, with UTA providing 495.6K trips. This is 12.9% higher than 2022 ridership of 439K.

Micro Transit July 2023 YTD ridership was under forecast by 4.5K / 2.0%. Micro Transit started south Davis County and Tooele County service in August of 2022, so YTD July 2022 values are not comparable.

Van Pool ridership in July 2023 YTD was 641K versus a forecast of 408.1K, which is 57.1% above forecast. 2023 ridership is 55.3% higher than in 2022.

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

Operating Financial Results

July 2023



OPERATING FINANCIALS

July 2023

Preliminary

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		
					Revenue					
\$ 32.6	\$ 40.6	\$ 37.2	\$ 3.4	9.1%	Sales Tax (Jul accrual)	\$ 266.5	273.3	\$ 265.6	\$ 7.7	2.9%
4.0	2.9	3.0	(0.2)	-5.1%	Fares	20.2	21.0	20.5	0.5	2.2%
33.4	38.5	38.5	-	0.0%	Federal	206.1	38.8	38.5	0.3	0.9%
2.0	2.9	1.8	1.1	62.1%	Other *	10.0	28.7	12.4	16.3	131.8%
\$ 71.9	\$ 84.9	\$ 80.5	\$ 4.3	5.4%	TOTAL REVENUE	\$ 502.8	\$ 361.8	\$ 337.0	\$ 24.8	7.3%
					Expense					
\$ 12.3	\$ 14.5	\$ 15.2	\$ 0.8	5.0%	Salary/Wages	\$ 88.2	\$ 101.2	\$ 106.5	\$ 5.3	5.0%
1.1	1.5	0.9	(0.6)	-70.8%	Overtime	8.2	9.1	6.3	(2.8)	-44.5%
6.5	7.6	8.2	0.5	6.4%	Fringe Benefits	48.3	51.6	57.0	5.3	9.4%
1.8	2.8	3.0	0.2	7.6%	Services	16.3	21.8	24.4	2.6	10.5%
1.1	1.8	1.9	0.1	4.8%	Parts	9.1	14.3	13.5	(0.8)	-5.6%
4.3	1.6	2.8	1.3	44.7%	Fuel	18.6	16.7	20.8	4.1	19.8%
0.2	0.4	0.5	0.1	24.2%	Utilities	3.2	5.0	3.6	(1.3)	-37.1%
1.1	0.9	1.4	0.5	33.2%	Other	7.3	7.2	12.4	5.3	42.3%
(0.4)	(0.6)	(1.0)	0.3	-34.9%	Capitalized Cost	(3.7)	(7.2)	(6.9)	(0.3)	3.7%
\$ 27.9	\$ 30.4	\$ 32.9	\$ 2.5	7.6%	TOTAL EXPENSE	\$ 195.5	\$ 219.6	\$ 237.6	\$ 18.0	7.6%
6.6	6.7	6.4	(0.3)	-4.2%	Debt Service	48.3	46.7	46.3	(0.4)	-0.9%
\$ 37.4	\$ 47.7	\$ 41.2	\$ 6.6	15.9%	Contrib. Capital/Reserves	\$ 259.0	\$ 95.5	\$ 53.2	\$ 42.4	79.7%

*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 July financial statements) reflect accrued sales tax revenues through July 2023.

As shown above, 2023 YTD sales tax revenues (including accruals for July in the financial statements) were \$273.3M, \$7.7M / 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 July YTD, with total fare revenue of \$21.0M compared to a budget of \$20.5M. 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. \$38.5M was received in the month of July which matched the budgeted amount. 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.

Other Revenue

Other revenue sources were \$16.3M / 131.8% above budget YTD. Actual investment revenue, driven by higher rates of return on investments than expected, made up \$20.7M of the total \$28.7M 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 July were under budget by \$18.0M / 7.6%. The explanation of the variance is detailed below along with adjusted expectations when accounting for delays.

Salary and Wages

YTD salary and wages were \$5.3M / 5.0% 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 \$2.8M / 44.5% over budget YTD, relative to an overtime budget of \$6.3M YTD.

YTD operator overtime was \$1.8 / 43.3% over budget. Salt Lake Bus was over budget by \$1.3M, Ogden by \$340.6K, Riverside by \$78.4K, Light Rail by \$62.0K, Commuter Rail by \$22.9K and Timpanogos by \$50.1K 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 \$972.8K / 47.1% over budget. Asset Management overtime was over budget by \$356.6K / 102.7% 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 \$985K under budget in Asset Management. Also contributing was Salt Lake Bus maintenance at \$146K / 45.8% above budget, Commuter Rail at \$81K / 87.2% above budget, Public Safety at \$89.1K / 113.1% above budget and Ogden Maintenance at \$93.8K / 247.3% above budget.

Fringe

YTD fringe benefit expenses were under budget by \$5.3M / 9.4% primarily due to the impact of vacancies discussed above.

Vacancies

UTA's vacancy rate is 5.3% YTD at the end of July versus a vacancy rate of 8.2% at the end of December 2022. Administrative has a 6.5% vacancy rate and Bargaining Unit has a 4.6% 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 \$10.1M primarily due to positive variances of \$2.6M in Services, \$4.1M in Fuel, and \$5.3M in Other. There were negative offsets of \$1.3M in Utilities and \$0.8M in Parts.

Services

Services were favorable by \$2.6M / 11.0% due to:

- Legal under budget by \$190.0K / 16.2%. Attorney General billings are up to date. External Counsel support is under budget.
- IT under budget by \$653.3K / 15.4%. Budget timing regarding software subscriptions and software maintenance primary reason for under budget.
- Micro Transit under budget by \$853K / 17.6%. Principally due to an invoice timing but expectations are that they should be close to budget by August.
- Planning under budget by \$930.3K / 58.6%. 50339 Services Prof & Tech is \$928.0K under budget YTD. Largely due to invoice timing, still plan on using the majority of budget amounts. 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

YTD, Parts were over budget by \$0.76M on a \$13.5M budget. The largest contributing operating unit was Commuter Rail at \$502.3K / 25.9% 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 are under performing YTD on warranty recoveries by \$504K. 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 \$947K through July YTD and we have only collected \$442K. Most of this variance is being driven by shortfalls in the Light Rail business unit, which is in the process of reassessing the appropriate amount to budget for warranty recovery in 2024.

Fuel and Power

YTD fuel and power expenses were about \$4.1M under budget. Diesel fuel is \$3.8M under

budget. YTD, UTA has purchased 152K fewer gallons of diesel fuel than budgeted. Those gallons multiplied by the \$3.90/gallon budgeted amount results in a savings (volume variance) of \$592.8K. The remaining \$3.2M is due to price variance. Volume variance makes up 15.6% of total variance and price variance produces the other 84.4%. So, savings due to lower fuel consumption compared to budget is 20.9% of the savings realized through lower diesel fuel prices YTD.

CNG fuel was \$87.5K 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 is \$255K / 6.7% under budget YTD, the variance has self-corrected over the last quarter.

Other

YTD Other expense are under budget by \$5.3M / 42.3%. Insurance related expense was \$1.76M under budget. Training, travel, and employee awards were under budget \$928K. Other Miscellaneous and contingency expenses were under budget \$2.65M / 93.6%. This amount is primarily comprised of Operations contingency that is \$1.94M under budget. The balance of the variance is spread in smaller values among multiple categories across the organization.

Utilities

YTD Utility expenses were \$1.3M / 37.1% 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 are 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.

July 2023 Results

Ridership

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

UTA System Ridership July 2023

MTD	July 2023	July 2023	July 2022	Variance '22	Variance 'F23	Vs 2022	Vs F2023
	Actual	Forecast	Actual	Var	Var	%	%
Bus	1,260,509	1,234,912	1,150,696	109,813	25,597	9.5%	2.1%
Salt Lake	790,167	707,207	720,380	69,787	82,960	9.7%	11.7%
Ogden	219,530	240,744	204,024	15,506	(21,214)	7.6%	-8.8%
Timp	250,812	286,961	226,292	24,520	(36,149)	10.8%	-12.6%
Light Rail	830,442	991,826	865,888	(35,446)	(161,384)	-4.1%	-16.3%
FrontRunner	278,489	333,628	262,473	16,016	(55,139)	6.1%	-16.5%
Micro Transit ¹	33,286	42,821	18,599	14,687	(9,535)	79.0%	-22.3%
Paratransit	65,194	66,667	60,066	5,128	(1,473)	8.5%	-2.2%
Van Pool	75,387	53,723	53,733	21,654	21,664	40.3%	40.3%
Total Ridership	2,543,307	2,723,576	2,411,455	131,852	(180,269)	5.5%	-6.6%

¹ Micro Transit was a pilot program in 2019 & 2020

July's total ridership was 2.5M, which was 180K / 6.6% below forecast. This amount exceeded July 2022 totals by 132K / 5.5% riders.

Frontrunner carried 278.5K passengers in July which was 55.1K / 16.5% lower than the forecast of 333.6K. This figure is 6.1% higher than 2022 ridership of 262.5K.²

TRAX ridership in July was down 16.3% from the July forecast of 991.8K riders. This is 4.1% below July 2022 ridership of 865.9K riders.

Bus ridership in July was 25.6K / 2.1% higher than the forecast of 1.23M and 9.5% higher than 2022 ridership of 1.15M.³

Paratransit/Flex ridership was below July forecast of 66.7K by 2.2%, with UTA providing 65.2K trips. This is 8.5% higher than 2022 ridership for the same period.

Micro Transit ridership in July was below forecast by 9.5K / 22.3%. Micro Transit started South Davis and Tooele County service in August of 2022, July 2023 values are not comparable.

Vanpool ridership for July was 75.4K versus a forecast of 53.7K, which is 40.3% above forecast.

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

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

Preliminary

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		
\$ 32.6	\$ 40.6	\$ 37.2	\$ 3.4	9.1%	Revenue	\$ 266.5	273.3	\$ 265.6	\$ 7.7	2.9%
4.0	2.9	3.0	(0.2)	-5.1%	Sales Tax (Jul accrual)	20.2	21.0	20.5	0.5	2.2%
33.4	38.5	38.5	-	0.0%	Fares	206.1	38.8	38.5	0.3	0.9%
2.0	2.9	1.8	1.1	62.1%	Federal	10.0	28.7	12.4	16.3	131.8%
					Other *					
\$ 71.9	\$ 84.9	\$ 80.5	\$ 4.3	5.4%	TOTAL REVENUE	\$ 502.8	\$ 361.8	\$ 337.0	\$ 24.8	7.3%
					Expense					
\$ 12.3	\$ 14.5	\$ 15.2	\$ 0.8	5.0%	Salary/Wages	\$ 88.2	\$ 101.2	\$ 106.5	\$ 5.3	5.0%
1.1	1.5	0.9	(0.6)	-70.8%	Overtime	8.2	9.1	6.3	(2.8)	-44.5%
6.5	7.6	8.2	0.5	6.4%	Fringe Benefits	48.3	51.6	57.0	5.3	9.4%
1.8	2.8	3.0	0.2	7.6%	Services	16.3	21.8	24.4	2.6	10.5%
1.1	1.8	1.9	0.1	4.8%	Parts	9.1	14.3	13.5	(0.8)	-5.6%
4.3	1.6	2.8	1.3	44.7%	Fuel	18.6	16.7	20.8	4.1	19.8%
0.2	0.4	0.5	0.1	24.2%	Utilities	3.2	5.0	3.6	(1.3)	-37.1%
1.1	0.9	1.4	0.5	33.2%	Other	7.3	7.2	12.4	5.3	42.3%
(0.4)	(0.6)	(1.0)	0.3	-34.9%	Capitalized Cost	(3.7)	(7.2)	(6.9)	(0.3)	3.7%
\$ 27.9	\$ 30.4	\$ 32.9	\$ 2.5	7.6%	TOTAL EXPENSE	\$ 195.5	\$ 219.6	\$ 237.6	\$ 18.0	7.6%
6.6	6.7	6.4	(0.3)	-4.2%	Debt Service	48.3	46.7	46.3	(0.4)	-0.9%
\$ 37.4	\$ 47.7	\$ 41.2	\$ 6.6	15.9%	Contrib. Capital/Reserves	\$ 259.0	\$ 95.5	\$ 53.2	\$ 42.4	79.7%

*Does not include Sale of Assets

Favorable/(Unfavorable)

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Revenue

For the month of July, accrued sales tax revenues were \$40.6M, which was \$3.4M / 9.1% above budget. Farepay revenue was 5.1% below budget. July 2023 Farepay revenue is \$1.1M lower than the same period last year due to an unusual booking of \$1.5M in 2022 that is being investigated by Fares. Farepay revenue that was recognized in July 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 \$38.5M in Federal / Preventative Maintenance payments recorded for the month. This month's payment makes up almost all (99%) of the payment amounts received in 2023. 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 \$1.1M variance. Positive variance was primarily driven by higher-than-expected investment returns, as discussed above.

Expenditures

The July expense variance is \$2.5M / 7.6% below budget. Salaries and Wages were under budget \$0.8M and Overtime was \$0.6M over budget. An underspend of \$0.5M in Fringe expense is related to the Agency's vacancies. Service, Parts, and Utilities were all close (within \$200K) to target. Fuel was \$1.3M below budget due to the lower than budgeted pricing which contributed to the positive variance. Other Expenses was \$0.5M 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: \$0.8M under budget. Improving month-over-month on filling needed positions (44 additional heads compared to June), but still 5.3% below budget.

Overtime: 70.8% above budget in July. As positions go unfilled and current employees work extra to fill in the holes, overtime increases. As Salary amounts stay under budget, Overtime will likely remain above budget.

Fringe: \$0.5M under budget in July. Fringe will follow the same pattern as Salary expenses.

Parts: \$90K below budget for the month of July. Large totals of credits for Warranty Recoveries in month surpassing budget and offsetting high expenses in Parts (specifically Light Rail Maintenance and SL Bus).

Fuel/Power: Under budget \$1.3M / 44.7%, driven by a lower monthly average price of \$2.74/gal versus a budgeted diesel amount of \$3.90/gal. Unleaded fuel price was right at target with a price of \$3.08/gal compared to \$3.10/gal budgeted.

Utilities: Under budget by \$124K / 24.2%, under budget in July primarily due to lower spend in Central Maintenance, Commuter Rail, Facilities and MOW. A credit of \$13K in Ogden Maintenance also contributed to the favorable variance.