



669 West 200 South
Salt Lake City, UT 84101

October 25, 2017

Re: Utah Transit Authority Tentative 2018 Budget

Dear Stakeholder,

This afternoon, I presented the Utah Transit Authority's tentative budget for 2018 to our Board of Trustees. As a valued community leader, I thought it would be helpful to briefly share with you a few key budget highlights, as well as inform you about the next steps in our budget process.

First off, though, I'd like to address concerns about UTA's debt, which has drawn interest from state officials, the news media, and others.

Debt Management and 2018 Bond Issue

To help address questions about UTA's financial situation, I asked Zions Public Finance to provide a third-party opinion about the agency's debt management efforts and bond ratings (now AAA for our senior debt) over the past decade. As you can see in the attached letter from Zions, UTA has been – and I can commit that we will continue to be – conservative and prudent when it comes to taking on and managing debt.

To fully understand UTA's debt and budget obligations, a brief history is in order.

UTA issued debt for the first time in 1997 to build Utah's first TRAX line, which has evolved into today's Blue Line between Draper and downtown Salt Lake City. After completing that line and a spur to the University of Utah for the 2002 Winter Olympic Games, UTA had an historic opportunity in 2002 to purchase approximately 175 miles of railroad corridor from Union Pacific Railroad. The corridor extends from the northern limit of the Authority's transit district in Brigham City to Payson at the southern limit. The purchase provided an unrivaled chance to create a cohesive rail network linking much of the Wasatch Front.

Voters throughout UTA's service area enthusiastically embraced our initial TRAX line and approved measures in 2006 to increase countywide sales tax rates to expand the rail network. The resulting FrontLines 2015 program added four new light rail lines, extensions of two others, the S-Line streetcar, and an extension of commuter rail service between Salt Lake City and Provo. Bonding was required to complete these projects within the short timeframe (six years) desired by public officials and voters. UTA's financial commitment to the \$2.3 billion overall budget was \$1.8 billion in sales-tax-backed bonds, while \$500 million was funded by federal grants. It's interesting to note, by the way, that the Great Recession hit shortly after construction began and the FrontLines program provided a fortuitous and much-needed boost to the region's economy during the downturn. The program was completed in late 2013, a year-and-a-half ahead of schedule, 17 years ahead of what was contemplated in the Regional Transportation Plan, and \$300



million under budget. Today, UTA's rail network is considered ahead of its time for a metropolitan area of our size, is the envy of other cities, and has provided untold economic value and mobility options to northern Utah communities.

In the years since incurring this significant debt, UTA has worked diligently to refinance debt and make early payments to reduce loan balances. We've contributed more than \$17 million to our debt-reduction fund over the past few years. Scheduled contributions the next four years will bring our debt-reduction fund to approximately \$98 million by the end of 2021.

Given our funding of a debt-reduction fund, it may seem counterintuitive that we anticipate a new bond issue for \$88.5 million, in the 2018 budget. But, additional bond revenue at this point has been planned since 2010, when we developed a long-range strategy to fund expected capital needs during a time of constrained cash flow. Two additional bond issues are anticipated in 2020 and 2028.

The \$88.5 million bond issue included in UTA's 2018 tentative budget will fund eight capital projects, including positive train control (a federal safety mandate), Salt Lake City International Airport TRAX Station relocation, replacement of TRAX rail infrastructure, completion of the Provo-Orem bus rapid transit line, and phase 1 of a replacement for our outdated and inadequate Salt Lake City bus depot. Key points about the bond issue include:

- Bond proceeds will be used **only** for capital projects. Despite recent comments to the contrary, bond proceeds ***will not pay for operations or maintenance.***
- A capital project is defined as costing more than \$5,000 and having a useful life of two years or more. ***Capital projects in this bond issue are estimated to have a useful life of over 20 years.***
- UTA has anticipated a \$65 million bond issue for 2018-19 capital projects since at least 2010. Seven of these capital projects require a total of \$63.2 million. Adding the Airport TRAX Station relocation of \$25.3 million, brought the total bond amount to \$88.5 million.

2018 Budget Initiatives

Here are some of the highlights about new and improved initiatives included in UTA's 2018 tentative budget:

Key 2018 Budget Initiatives – Service

Increasing service continues to be a focus. Bus service will increase by 3% through:

- Adding additional Prop 1 bus service in Davis and Weber counties.
- Starting Provo-Orem bus rapid transit service in August 2018.
- Increasing third-party-funded service to ski resorts and Park City.

Key 2018 Budget Initiatives – Customer Experience

We want our customers to have a great experience every time they use our transit system. Customer experience initiatives for 2018 include:

- Improving signage and wayfinding on the system, especially at key transfer points.



- Expanding our recently launched mobile-ticketing app, UTA GoRide. (*Download it today at your favorite app store!*)
- Updating our service standards and putting in writing what customers can expect from UTA.
- Seeking extensive public feedback on how to simplify our fare structure.
- Expanding voucher mobility (Davis County) and “dial-a-ride” mobility (Utah County) services.

Key 2018 Budget Initiatives – Partnerships

Creating positive community partnerships is one of the most important things we do. In addition to seeking new partnerships, we’ll continue work in 2018 on these efforts:

- Opening the Provo-Orem bus rapid transit project – ahead of schedule – in August 2018. Our partners include UDOT, Provo and Orem cities, Utah County, and Mountainland Association of Governments.
- Designing and implementing a plan to relocate the Airport TRAX Station, in association with Salt Lake City and airport staff.
- Increasing ski service along the Wasatch Front through the combined efforts of community partners, including local jurisdictions and ski resorts.

Key Budget Initiatives – Stewardship

Taking care of UTA’s transit system and keeping it in good working order is a must. For 2018, we are investing \$63.5 million toward what we call “state of good repair.” This includes:

- Replacing 29 buses, 29 paratransit vehicles, and 75 vans.
- Doing major overhauls of TRAX vehicles.
- Replacing rail switches at Main Street and 400 South in Salt Lake City, the most-critical junction on the TRAX system.

Financial Sustainability

Related to the bonding discussion, I have also been asked recently by government and community leaders about UTA’s long-term financial sustainability. For many years, UTA has used its long-term financial forecasting tool to evaluate proposed additional hours and miles of service. Since our customers want to know that service, once added, will be available for some time to come, we carefully evaluate new service additions in the light of our long-term financial sustainability. Along with UTA staff and our financial advisers, I am confident that UTA can maintain the service levels in the tentative 2018 budget for the long haul. However, if economic conditions change unexpectedly, we can, and will, move quickly to adjust to those changes. And, as you can see in the letter from Zions, UTA has a long and successful record of prudently managing the precious public resources entrusted to us for the benefit of the community.

Public Process and Board Consideration

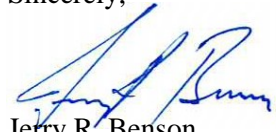
Our public process on the 2018 budget starts today with board approval of the tentative budget, which is required by state law to begin public review. Before November 1, we will send budget information to the 80+ cities and six counties in our service area, the Governor, the President of the Senate, the Speaker of the House, UDOT, metropolitan planning organizations, and numerous other interested parties. A formal public hearing will be held on November 15 at UTA’s offices and



public comments will be received through November 30. Comments may be provided online, by phone, by mail, or in person. The board's Finance and Operations Committee will review the public comments and the final 2018 budget on December 6, with final consideration and approval by the Board of Trustees on December 13. We encourage you to review the attached tentative budget (also available at rideuta.com) and provide any comments you may have.

In closing, I appreciate your interest in UTA and apologize for the lengthy letter, but I hope it has provided insight into the financial stewardship that we take very seriously. As always, I am available to answer any questions you might have. You can contact me at JBenson@rideuta.com or by calling (801) 237-2318.

Sincerely,



Jerry R. Benson
President/CEO

Attachments

