

**MINUTES OF THE
INFRASTRUCTURE AND GENERAL GOVERNMENT
APPROPRIATIONS SUBCOMMITTEE MEETING**

Room 445, State Capitol

February 8, 2012

Members Present: Sen. Stuart Adams, Co-Chair
 Rep. Gage Froerer, Co-Chair
 Rep. Derek Brown, House Vice-Chair
 Sen. Lyle W. Hillyard
 Sen. David Hinkins
 Sen. Mark B. Madsen
 Sen. Karen Mayne
 Sen. Aaron Osmond
 Rep. Fred C. Cox
 Rep. Janice M. Fisher
 Rep. Craig Frank
 Rep. Lynn N. Hemingway
 Rep. Neal B. Hendrickson
 Rep. Patrick L. Painter

Members Excused: Sen. Kevin T. Van Tassell
 Rep. Brad L. Dee
 Rep. Wayne A. Harper

Members Absent: Rep. Johnny Anderson
 Rep. David Butterfield

Staff Present: Mark Bleazard, Legislative Fiscal Analyst
 Gary Ricks, Legislative Fiscal Analyst
 Richard Amon, Legislative Fiscal Analyst
 Cami Deavila, Secretary

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Adams called the meeting to order at 8:10 a.m.

1. Minutes

The minutes were approved later in the meeting.

2. Department of Transportation

a. Region Management

Analyst Mark Bleazard gave an overview of the Region Management base budget. Region Management has a central office, four regional offices and three maintenance district offices, and are divided into six functional categories, which include administration, pre construction, materials lab, construction, maintenance and safety loss management. The recommended budget is

\$26,646,100, and includes an intent statement for non-lapsing authority. The recommended budgets for the regional offices are: Region 1, \$5,335,700; Region 2, \$9,872,500; Region 3, \$4,421,300; and Region 4, \$6,304,400. The recommended budget for the district offices are: the Richfield warehouse, \$69,400; Price Engineer and Warehouse, \$297,500; and Cedar City West, \$345,300. Region Management has a staff compliment of 264 full time equivalents (FTE).

b. Safe Sidewalk Construction Program

The Safe Sidewalk Construction Program allows the department to fund the cost of fixing pedestrian hazards. A formula to determine where sidewalk funds are placed is based on 25 percent population estimate, 25 percent school enrollment and pedestrian accidents at 50 percent. The recommended budget is \$500,000 with intent language included.

Rep. Hemingway stated that he is getting heat about 4500 south needing a crosswalk and asked would it be expensive to put one in? Assistant Executive Director, Carlos Braceres replied that the crosswalk itself is not expensive, but there are strict procedures that have to be followed in placing sidewalks in the right place. There is currently a field study going on for that location.

c. Support Services Program

Analyst Bleazard recommended a base budget of \$28,832,400 for the Support Services Program and he also recommended intent language for non-lapsing funds. The Administrative Services Program has a budget recommendation of \$2,452,600 and the Risk Management Program budget is recommended at \$2,733,300. Building and Grounds repairs and maintenance of the Calvin L. Rampton Complex has a recommended budget of \$987,500. The Human Resources Division, the personnel in the department have been transferred to the Department of Human Resources Management with a budget recommendation of \$1,268,300. Procurement of the Administrative Services Division provide purchasing and contracting, supply management, consultation warehousing and commodity distribution actives with a recommended budget of \$1,280,500. The Data Processing Program contracts with Department of Technology Services and has a recommended budget of \$9,036,500. The Comptroller which does accounting, budgeting and billing is recommended at \$2,540,000. The Internal Audit has a recommended budget of \$803,100, and the Community Relations Programs, which represent Utah Department Of Transportation (UDOT) to the public and the official state map has a recommended budget of \$592,100. The Ports of Entry protect and preserve the highway infrastructure with nine ports and a recommended budget of \$7,238,100. The total budget is \$28,832,400 and a compliment of 162 FTE. An intent statement and fees need approval. The Issue brief of current fee rates and recommended fee rates, reflect no changes.

MOTION: Rep. Hendrickson moved to approve the minutes of the January 27, 2012 meeting. The motion passed unanimously with Rep. Frank and Sen. Hillyard absent for the vote.

3. UTA Legislative Audit

Deputy Auditor General Rick Coleman and Audit Supervisor, Maria Stahla presented a Utah Transit Authority (UTA) audit. Ms. Stahla stated that UTA is in the midst of a costly expansion of its rail system which is paid mostly with local funds, and is uncertain that if there will be funds to operate the system. UTA has built 4 rail projects between 1999 and 2008 at \$1.1 billion. All of

those projects received federal funds, which was 78 percent of the cost. Currently, UTA is building new facilities at a cost of \$2.3 billion with only 24 percent coming from federal funds. Local funds will need to cover 76 percent of the cost, or \$1.7 billion. UTA debt has grown from \$300 million in 2002 to over \$2 billion in 2013. As a result their bond ratings have been downgraded. Local sales tax revenue must cover the capital and financing costs of UTA's projects. Even as sales tax revenue increases, the auditor projects that debt service will consume an increasing portion of sales tax and will impose a financial strain.

Revenue sources that help pay for operating costs are federal preventative maintenance grants and fares collected from transit users. Ms. Stahla stated that UTA revenue projections are optimistic and expenses are understated. Historically, UTA has had extensive amounts of revenues but they have all been consumed. UTA has ambitious plans for future projects but have many financial constraints that may delay or limit those projects. The auditors recommended that UTA find reliable ongoing operating funds before embarking on expansions. Comparing UTA 2010 data to 2006 data, which shows their costs have increased, ridership has not changed, and therefore their cost effectiveness has decreased. The total costs show an increase of 37 percent, the operating costs grew only by 24 percent, capitol costs grew by 66 percent, but transit usage has not grown. The farebox recovery rate is a standard industry measure used to show how much of the transit cost is paid by users and how much by taxpayers. In 2006 it was 17 percent of operating costs and 12 percent of total costs. In 2010 UTA collected \$35 million in fare revenue, which is an impressive increase over the 2006 revenue of \$24 million, however, it remains a small portion of the cost in providing service. Revenue per boarding is lower because of the use of transfers and passes.

The largest tax payer subsidy is for commuter rail. Because of the large tax subsidy and the subsidy provided to some transit services, it is recommended that UTA Board of Trustees develop a new fare pricing strategy, which was also recommended by the auditor in 2008. The board continues the practice of establishing an investment per rider (IPR) goal. The auditors believe the IPR is a flawed measure because increasing transfers improves the IPR while inconveniencing passengers. UTA projects an increase in fares from \$35 million to \$80 million in the next decade by revamping fare policy to pay for every trip by distance traveled and eliminating passes. UTA faces technical and data obstacles in implementing the new fare pricing. The transit use boarding data has improved since 2008, but they focus too narrowly on boarding as the principal measure of transit use. Transit use can be measured by passenger boardings, miles and trips; all three are useful together. They use boardings as its primary measure of ridership. The concern is that as more passengers are required to transfer to complete a trip, then boardings will increase even if the number of people using transit decreases or remains the same. The 2006 data shows no increase in boardings or passenger miles, but the auditor could not compute the number of trips made because UTA does not track the necessary information. A goal of UTA is to increase market share but they cannot calculate market share without this data. They need to have more accurate data on how frequently users transfer to complete a trip.

Rep. Cox asked if UTA did not add new lines and slowed the development of Frontrunner, would it change the debt structure. Mr. Coleman replied that is not feasible because they are in the midst of building and could not slow it down. A slowdown would need to be in future projects.

Sen. Madsen wanted clarification that there was no increase in ridership between 2006 and 2010 even with the Northern line coming on. Mr. Coleman stated that was correct based on boarding's and passenger miles. Frontrunner North does not carry as many passengers as Trax and buses. Ms.

Stahla added that annual boarding for commuter rail is a very small number. Sen. Madsen asked that to justify taxpayer subsidy, was the idea to take cars off the road and is there any measure that is taking place, is there an impact on drive time or congestion? Mr. Coleman replied that area was not covered in the audit, but was covered in the 2006 audit that showed that there was an impact in congestion, but not in pollution.

Co-Chair Froerer asked about the 24 percent increase in operating cost over four years, and what is causing those increases? Ms. Stahla stated where that information could be found in the report. Rep. Froerer asked how much would go to salary, and other operating expenses? Mr. Coleman replied that is not included in the report. Rep. Froerer asked how much harm could be done if the aggressive forecast does not take place? Mr. Coleman stated they will need other revenue or to cut back in expenses and the federal deficit gives the auditors great concern for federal funding. UTA stated they did not expect down turn in revenue, if tax revenue turns around they will be okay but there is not much margin for error. The solution will be going to tax payers, raising fares or cutting back on services but it is not known if riders would be willing to pay more for services. Rep. Froerer stated that most riders would rather take their car than pay more.

Co-Chair Adams stated it seems ridership is the issue, and asked what would boost ridership? Mr. Coleman replied convenience and cost, better service, and getting from here to there in a timely manner. Co-chair Adams stated that he thinks that the person who rides should pay the full fare, but on the other hand, the system has been built, the trains are running regardless and they should let the people use it. Mr. Coleman replied the audit suggests that there should be a fare pricing strategy and that distance-based fares are a good direction.

Rep. Fisher stated that the audit was clear in 2008 with instructions and recommendations, to UTA, but none have been implemented. Numerous bus routes that people depend on have been cut to save money. She asked who UTA answers to? General Manager of Utah Transit Authority, Mike Allegra, Legal Council, Bruce Jones and Director of Information Services, Clair Fiet addressed questions. Mr. Allegra answered Rep. Fisher's question stating that they have a 15-member board that review and oversee the organization. He continued that the audit had nine recommendations, which they will support and run through their continuous improvement process. The audit did not reflect 2011 data, which the department now has. The 2011 data reflects a different picture than what was just shown having only data up until 2010.

Co-Chair Adams asked how many districts are there in the state? Mr. Allegra replied three to four. Mr. Allegra continued with the UTA presentation and stated that they have always come in under budget, in their operating and capital budgets. Their estimates are conservative and that they are not projecting a future that will not happen. They are 90 percent complete with their 2015 project, opening 5 new lines and 70 new miles. Seventy-five to eighty percent of their bonds are AAA rated. They have received over \$500 million from the federal government in very competitive grants. They are not anticipating major growth and their projections are flat for future federal resources. They are aggressive about paying off their debt. They have \$80-\$90 million in debt reserve, which is thinner than hoped for in 2007.

Rep. Fisher wanted clarification on who UTA answers to, is it their board or some state agency? Mr. Jones stated that their bosses are the people who are appointed to their board. They answer to them through the board, frequently and in detail.

Sen. Mayne asked if they are labor heavy and wanted to know why bus service continues to get cut in the outlying communities. Mr. Allegra stated that in 2011 ridership was the highest in UTA history, 2010 was flat. Fare revenue has increased in 2011 about two percentage points. UTA elected officials have adopted a plan of using the bus network more in their future. They have built the backbone now they need to fill in the gaps where the rail lines don't go and busses will do that. Most of their costs are associated with labor and over the last two years they have trimmed labor costs. Mr. Jones added that administration costs are at a half or 1/3 that they are in other transit agencies. They can't take on new projects unless they can evidence the ability to complete and operate them.

Sen. Osmond stated that UTA could become a financial problem that the state will have to deal with if the forecasts don't take place. The committee would have peace if there is a five to ten year plan. He also asked if there is a business plan and because recommendations from the last audit were not followed what assurance does the committee have that these recommendations would be implemented? Mr. Allegra stated that they do have a business plan with an interactive spreadsheet that they look at daily. Sen. Osmond replied that the committee would like to have access to that data and the plan. Mr. Coleman added that the main concerns were taken seriously. The auditors are most concerned about the fare pricing strategy that the board was asked to establish, and looking at ridership more broadly, not just considering boardings but transfer rates. Mr. Jones stated that UTA intends to comply with all audit recommendations and are in the process of looking at fare prices.

Sen. Madsen asked what measure of the ridership is up, is it boarding miles traveled or transfers? Mr. Allegra stated that there is a dramatic increase over FY2010, about six to eight percent system wide. The standard measure across the country is boardings. UTA needs to understand transfers better, but they are not sensing transfers have increased. The fare box has gone up to 22 percent. Sen. Madsen asked if the revenue is entirely from fares and who backs the bonds. Mr. Allegra stated yes, from fares. Mr. Jones replied that the bonds are UTA bonds not state bonds, and that it is a pledge of revenue. Sen. Madsen asked if the taxpayers would be on the hook if UTA would default. Mr. Jones replied that it is directly related because of fares and sales tax that are their main revenue source, but it is not the state's credit. Sen. Madsen stated that he is concerned that no one is buying their product, that there seems to be a disconnect with UTA and what is really going on and they are exactly where they want to be, but he has a different conclusion after reading the audit. Mr. Jones replied that they are concerned, revenue is down half a billion dollars and they have adjusted accordingly. These decreases have been taken very seriously.

Co-Chair Adams asked that UTA stay after and answer questions.

Rep. Fisher asked how UTA is going to reimplement the important bus service that has been discontinued.

Co-Chair Adams adjourned the meeting at 9:53 a.m.

Minutes were reported by Cami Deavila, Senate Secretary