



**Finance Committee Minutes  
July 8, 2015**

Attending Committee Members:	Chris Sloan	Larry Ellertson	Matt Bell	Bret Millburn
Attending Staff:	Michael Allegra	Robert Biles	Jerry Benson	Steve Meyer
	Dave Goeres	Matt Sibul	Andrea Packer	Linda Knudsen
	Brad Armstrong	Stan de Jong	David Kallas	Richard Swenson
	Remi Barron	Rebecca Cruz	Cathie Griffiths	Steve Hampton

Visitors:

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Committee Chair Chris Sloan opened the meeting at 11:35 a.m.

**Safety First Minute**

UTA Chief Safety Officer, Dave Goeres presented the safety message for the month of July – *"Fun in the Sun! But beat the heat. Keep safety in all your summer activities."*

**Review of April & May Performance Dashboard**

Robert Biles, UTA Vice President and Chief Financial Officer, presented the April and May 2015 performance dashboards.

April

- YTD Ridership is 1.9% below than the same period in 2014 (based on the APC count)
- UTA is waiting for things to be processed to receive the \$75 million federal small starts grant for the Provo/Orem BRT
- YTD Sales Taxes of \$52.2 million is below the budget of \$52.7 million

May

- YTD Ridership is 1.8% below than the same period in 2014 (based on the APC count)
- YTD Revenue Development of \$13.62 million exceeds the goal of \$13.50 million
- YTD IPR of \$3.67 is below the goal of \$4.01
- Groundbreaking on the Sandy Phase II TOD site is complete. The Sandy Phase III TOD site is being relocated.
- Distance based fares technology is scheduled to be released followed by a 3-6 month required testing period.
- YTD Sales Taxes of \$70.1 million exceeds the budget of \$69.6 million. There's been a 6% trending growth over the past quarter and 5.28% over the past 12 months.
- YTD Fare Revenue of \$20.7 million exceeds the budget of \$20.4 million
- YTD Operating Expenses of \$90.2 million is below the budget of \$99.7 million due to the savings in fuel (which will help to fund the increase in service in August)
- YTD Diesel price of \$1.95 per gallon is under the budget of \$3.30 per gallon

All other goals are making progress and/or are in line with where they need to be

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A motion to forward the April and May, 2015 performance dashboards to the Board for approval was made by Trustee Bret Millburn and seconded by Trustee Matt Bell. The motion carried by unanimous vote.

### **Financial Advisor Request for Proposals Evaluation Criteria**

Mr. Biles presented.

- It's time to go out for an RFP for a financial advisor for bonds
- Zions has been the financial advisor for UTA for over 10 years
- Since UTA has just completed a major refinancing and won't be bonding for a while; now is an ideal time to be out selecting a financial advisor and UTA can take its time doing so
- In accordance with best practices, UTA uses a selection process for its financial advisor regarding debt management. In order to prepare the RFP, the evaluation criteria, selection committee, and timeline need to be established.
  - The proposed selection committee representatives include:
    - Two members of the Finance Committee
    - Deputy Treasurer
    - One staff member from Legal department
  - The recommended timeline for the selection is:
    - July 8 – Establish RFP criteria and selection committee members.
    - July 19 – RFP issued.
    - August 14 – RFP responses due.
    - August 28 – Selection committee completes selection process.
    - September 9 – Finance Committee affirms recommendation and forwards to the Board of Trustees.
    - September 23 – Board of Trustees approves Financial Advisor agreement.
  - The RFP criteria and weighting proposed is:
    - Firm Qualification; Regulatory Compliance, Cost Savings/Innovations, and Technical Expertise w/Official Statements/Post Issuance Compliance/Debt Policies, and Experience with Transit clients (Weighting = 35)
    - Assigned Personnel; Qualifications, Professional Achievements (Weighting = 30)
    - Public Sector Financial Advisory Experience and Knowledge (Weighting = 25)
    - Continuing Disclosure and Other Services (Weighting = 10)
    - There are a total of about 30 items that have been built into the four items listed above

Trustee Millburn asked how the RFP will be distributed. Mr. Biles stated the RFP will be distributed as follows:

- To firms that have contacted UTA expressing an interest
- To a list of firms Mr. Biles received at a national conference
- Published on UTA's website
- Published in the local papers

Trustees Ellertson and Bell have volunteered to be the selection committee representatives from the Finance Committee.

A motion to approve the Financial Advisor RFP (Request for Proposals) Evaluation Criteria, selection committee members, and timetable was made by Trustee Millburn and seconded by Trustee Bell. The motion carried by unanimous vote.

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UTA Chief Operating Office and Vice President, Jerry Benson wanted the Committee to be aware that the Pension Committee will also be issuing an RFP for an investment advisor for the pension fund at the same time. Mr. Benson went on to explain however, that the types of advisors and their roles are very different from each other.

Trustee Ellertson expressed concern about there being a potential conflict with those who may be interested in becoming UTA's financial advisor and Board members being on the selection committee. Mr. Biles explained that he didn't feel there is a conflict.

### **Retirement Health Savings Plans – Definition of Spouse**

Mr. Biles presented.

- UTA's retirement health savings plan administrator, ICMA-RC, recently notified the Authority that it needed to take action to update the definition of spouse for this plan.
- Resolution 2015-07-02 (for Administrative employees) and Resolution 2015-07-03 (for Bargaining Unit employees) changes the definition of spouse from "Spouse means the Participant's lawful spouse as determined under the laws of the state in which the Participant has his primary place of residence" to "Spouse means the Participant's lawful spouse as determined under the jurisdiction in which the Participant was married" for.

A motion to forward the Resolution 2015-07-02 and Resolution 2015-07-03 to change the Retirement Health Savings Plans Definition of Spouse to the Board for approval was made by Trustee Bell and seconded by Trustee Millburn. The motion carried by unanimous vote.

### **April & May Financial Statements**

A motion to approve the April and May, 2015 financial statements was made by Trustee Millburn and seconded by Trustee Bell. The motion carried by unanimous vote.

### **Quarterly Investment Report**

A motion to approve the Quarterly Investment Report was made by Trustee Millburn and seconded by Trustee Bell. The motion carried by unanimous vote

### **May 13, 2015 Finance & Operations Meeting Report**

A motion to approve the May 13, 2015 Finance & Operations Meeting Report was made by Trustee Millburn and seconded by Trustee Bell. The motion carried by unanimous vote.

### **January 1, 2015 Actuarial Valuation for UTA Pension System**

Mr. Biles presented.

- The Pension Committee has reviewed the Actuarial Valuation for the UTA Pension System and has approved the following changes:
  - Reducing the Investment Return (Discount Rate) from 7.50% to 7.25% for 2015
  - Decreasing the plan payroll growth assumption by 0.6% from 4.0% to 3.4%
  - Decreasing the future salary increase assumption for individual members by 0.6% across the board, to 5.4% for the first five years of employment and 3.4% thereafter
  - Changing the mortality assumption to the RP-2014 Blue Collar Mortality Table with MP-2014 projection scale

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Trustee Bell asked if UTA is being conservative, medium conservative or ultra conservative. Mr. Biles explained that UTA is being more conservative but not ultra conservative. Mr. Benson went on to explain that the Pension Committee was comfortable with what is being recommended here.

Trustee Bell asked if UTA was paying too high of a cost to those who manage the account. Mr. Benson explained UTA is going out for a competitive proposal for that issue but they're currently being paid based on performance. Mr. Biles stated that UTA is currently paying a 1% (or less) annual fee of the assets.

Trustee Ellertson asked if UTA has had any discussions about changing the pension plan from a benefit to a contribution plan. Mr. Biles said discussions are underway.

### **Revenue Development Policy Update**

Mr. Biles presented.

- On June 28, 2006, the Board of Trustees approved a definition of revenue development and established a monthly reporting schedule with Corporate Policy No. 3.1.3. Mr. Biles read through the approved definition which is:
  - "The Board of Trustees expects the staff to aggressively pursue sources of revenue for capital development and transit service. Revenues must come from discretionary grants, contributions, project partnerships, the initial net value of a joint development and any other sources except revenues from sales tax, passenger fares, advertising, formula funds, investments, and any other on-going sources.

Qualifying revenues will be reported and applied toward goal achievement upon receipt of an executed non-reversible instrument of obligation from the contributor or in the case of property, equipment or assets when the contribution is put in use. Year-to-date revenue development amounts will be reported monthly on a schedule with the financial statements."

- Mr. Biles then went on to read through the current policy which states:
  - A. In order to meet the revenue development test, an item must have a "yes" answer to the following questions:
    1. Is the item properly classified as revenue?
    2. Is the revenue from some other source beside sales tax, passenger fares, advertising, formula funds, investments, and any other on-going sources?
    3. Has UTA received an executed non-reversible instrument of obligation from the contributor or in the case of property, equipment or assets, have they been put into use?
  - B. Revenue recognition for the annual revenue development goal shall be as follows:
    1. Federal Grants – Recognize when awarded
    2. State or Local Grants – Recognize when awarded
    3. Property (real or personal) given to UTA – Recognize when placed in service and UTA net worth increases
    4. Tax Increment Finance – Recognize when received
    5. Transit Oriented Development – Recognized when all contingencies are moved; otherwise upon receipt.

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6. On-going Revenue Sources Resulting From Management Action – Recognized in the first calendar year.
  7. For any other types of revenue, the revenue should be recognized when earned.
- Mr. Biles then turned the time over to UTA Chief Planning Officer, Matt Sibul, to explain the Revenue Development goal setting process. Mr. Sibul distributed a scoresheet to the Committee which consisted of a list of approximate 50 grants:
    - Federal Grants – Discretionary monies UTA has to apply for every year
    - State/Local Funds – Various city, county, and state grants; as well as funds from the sale of UTA excess property, etc.
    - Private Funds – Local entities
    - Potential Amounts of all the grants total \$41,237,783
    - Goal Assumption (realistic potential that UTA can get the grants) total \$13,023,500
  - Mr. Biles explained the scoresheet is used during the budget process to determine what money UTA can count and then work towards setting a reasonable revenue development goal.

### **Liaison, Conference and External Committee Reports**

UTA President/CEO, Michael Allegra commented on HB362 stating that polls have been conducted, information was being compiled and UTA is continuing to coordinate its efforts.

### **Input for August Committee Meeting Agenda**

- Service Stabilization Reserve
- Risk Management Program
- Trustee Ellerston requested a Debt Service Picture. Mr. Biles stated it would be presented again next April but that he's happy to do an update before then.

### **Other Business**

- Trustee Ellertson asked for clarification of when the Committee Meetings will be. UTA Board of Trustees Support Manager, Rebecca Cruz said she would send out an updated schedule today.

### **Adjourn**

Trustee Bell made a motion to adjourn this meeting at 12:32 pm; Trustee Millburn seconded the motion. Meeting adjourned.

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