UTA Board of Trustees Meeting

June 3, 2020

Call to Order and Opening Remarks

Public Comment

Due to the format of the meeting, no in-person comment will be taken

Public comment was solicited prior to the meeting through alternate means, including email, telephone, and the UTA website

All comments received were distributed to the board before the meeting and will be attached as an appendix to the meeting minutes

In Memory of UTA Maintenance of Way Employee Martin "Marty" Beaver

Safety First Minute

Consent Agenda

a.   Approval of May 20, 2020 Board Meeting Minutes

Recommended Action
(by acclamation)

Motion to approve

Agency Report

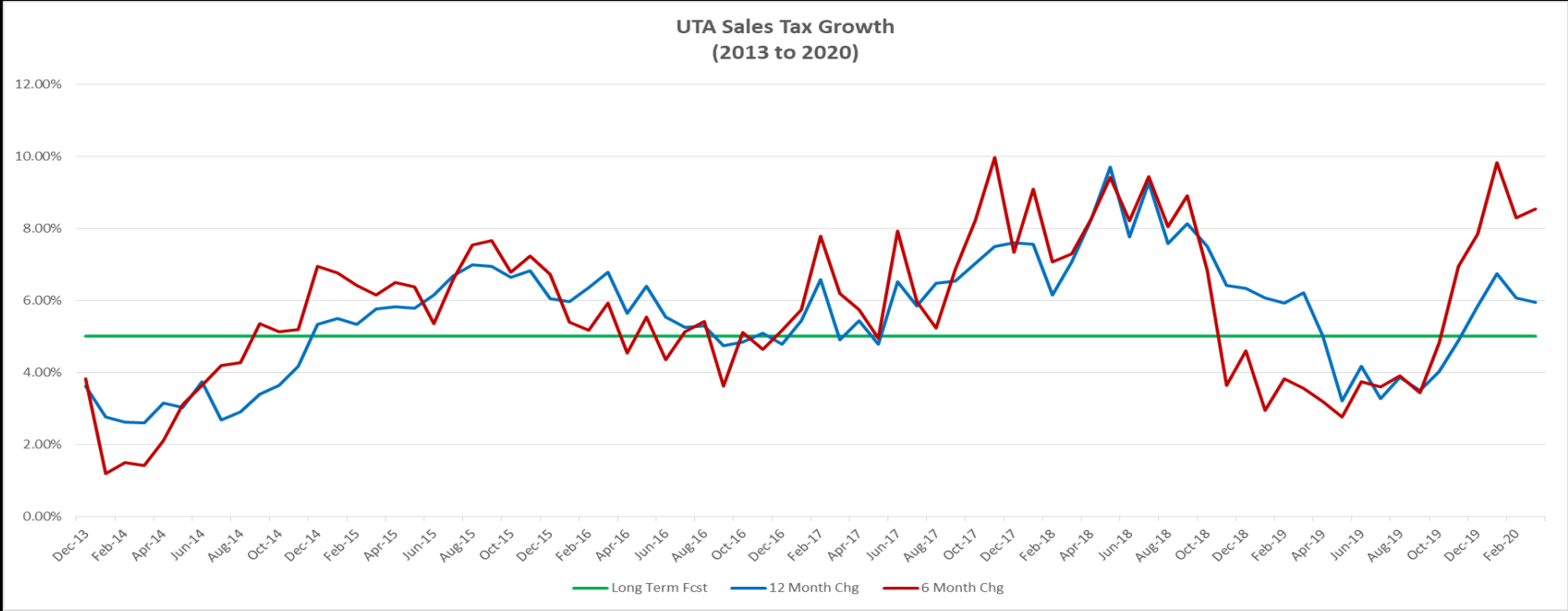a. FTA Allocation for Ogden WSU Bus Rapid Transit (BRT)
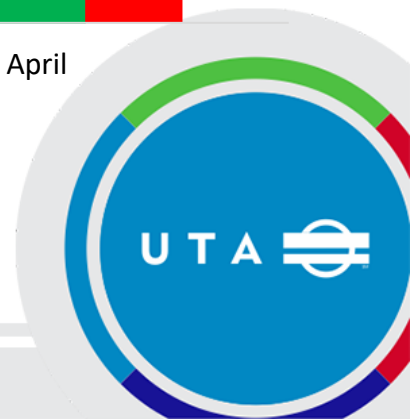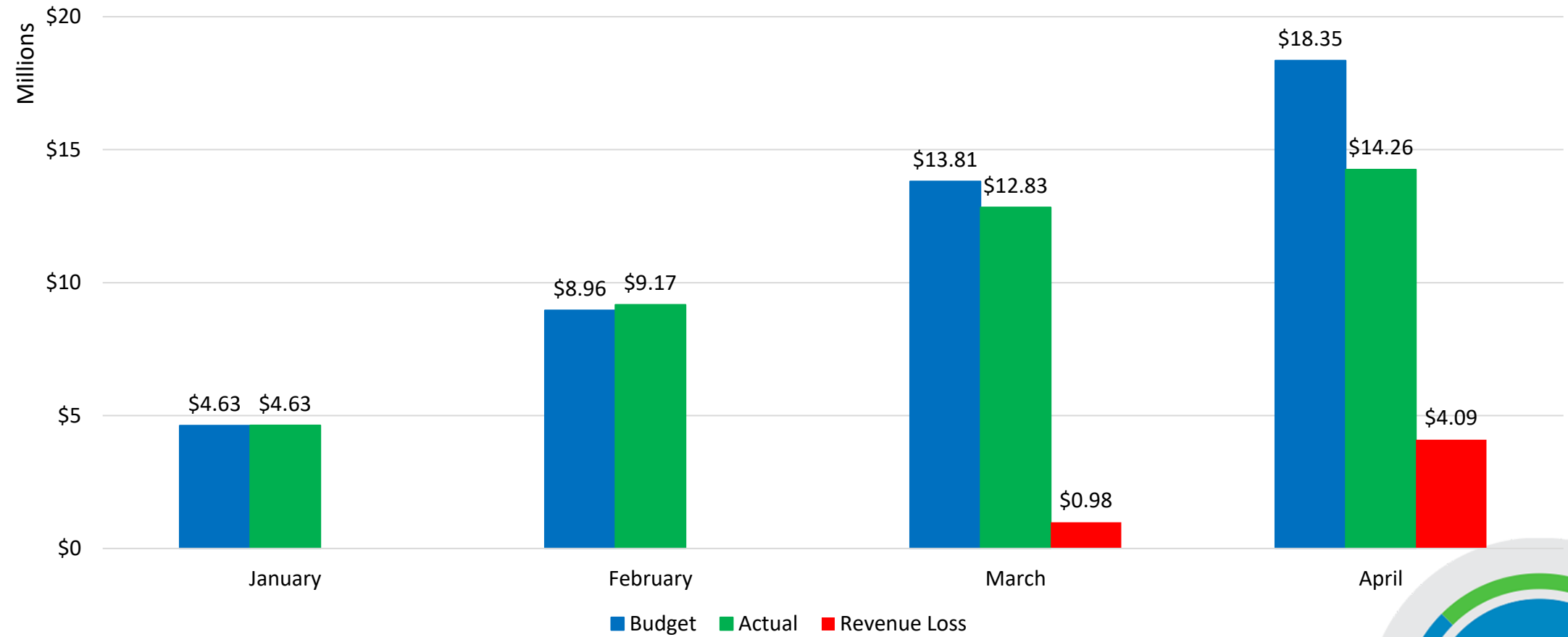
Financial Report – April 2020

April 2020 Dashboard

Financial Metrics	Apr Actual	Apr Budget	Fav/ (Unfav)	%	YTD Actual	YTD Budget	Fav/ (Unfav)	%
Sales Tax (Mar '20 mm $)	$ 30.4	$ 31.9	$ (1.50) 🔴	-4.7%	$ 80.8	$ 78.0	$ 2.78 🟢	3.6%
Fare Revenue (mm)	$ 1.4	$ 4.5	$ (3.11) 🔴	-68.5%	$ 14.3	$ 18.4	$ (4.09) 🔴	-22.3%
Operating Exp (mm)	$ 23.6	$ 26.0	$ 2.33 🟢	9.0%	$ 96.0	$ 104.8	$ 8.85 🟢	8.4%
Subsidy Per Rider (SPR)	$ 18.53	$ 5.88	$ (12.65) 🔴	-215.1%	$ 7.18	$ 5.88	$ (1.30) 🔴	-22.1%
UTA Diesel Price ($/gal)	$ 1.11	$ 2.50	$ 1.39 🟢	55.4%	$ 1.61	$ 2.50	$ 0.89 🟢	35.7%
Operating Metrics	Apr Actual	Apr-20	F/ (UF)	%	YTD Actual	YTD 2018	F/ (UF)	%
Ridership (mm)	1.20	3.79	(2.6) 🔴	-68.4%	11.39	14.84	(3.4) 🔴	-23.2%
Alternative Fuels	CNG Price (Diesel Gal Equiv)	$ 1.05						

UTA Sales Tax Growth
(2013 to 2020)

Long Term Fcst — 12 Month Chg — 6 Month Chg

2020 Passenger Revenues Thru April 30

Millions

	January	February	March	April
Budget	$4.63	$8.96	$13.81	$18.35
Actual	$4.63	$9.17	$12.83	$14.26
Revenue Loss			$0.98	$4.09

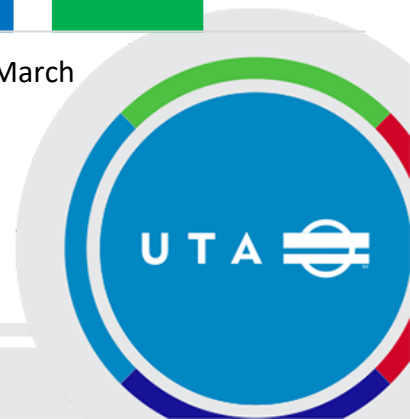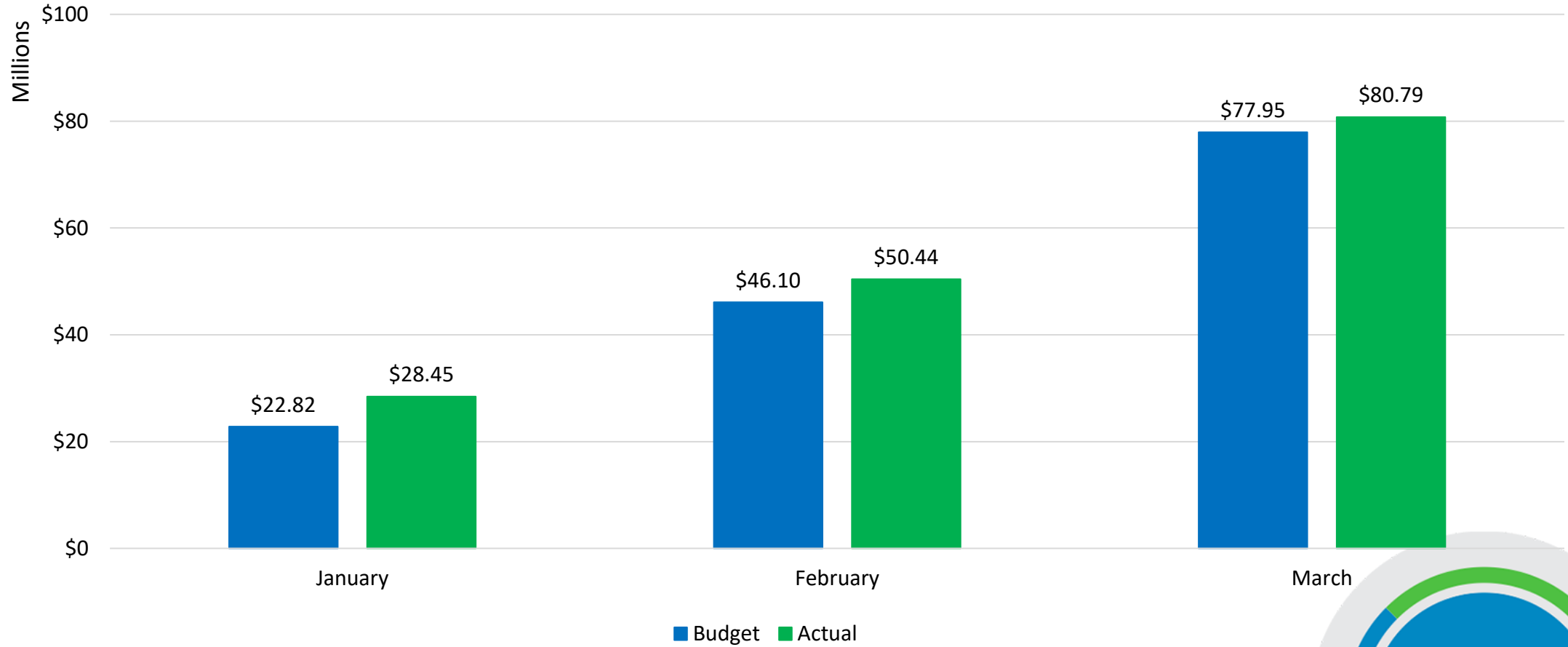■ Budget ■ Actual ■ Revenue Loss

UTAH TRANSIT AUTHORITY

UTA

Sales Tax Collections
(Percentage Growth 2020 over 2019 for 12 months ended May 31)
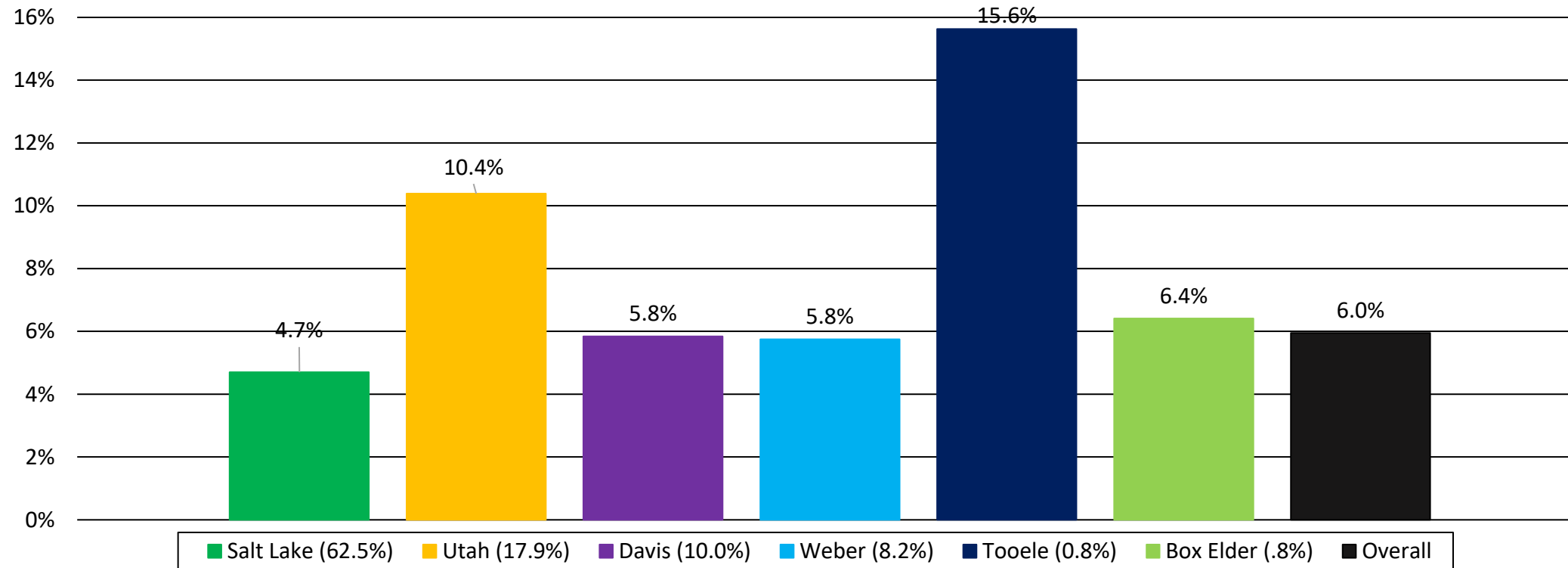
2020 Sales Tax Revenues Thru March

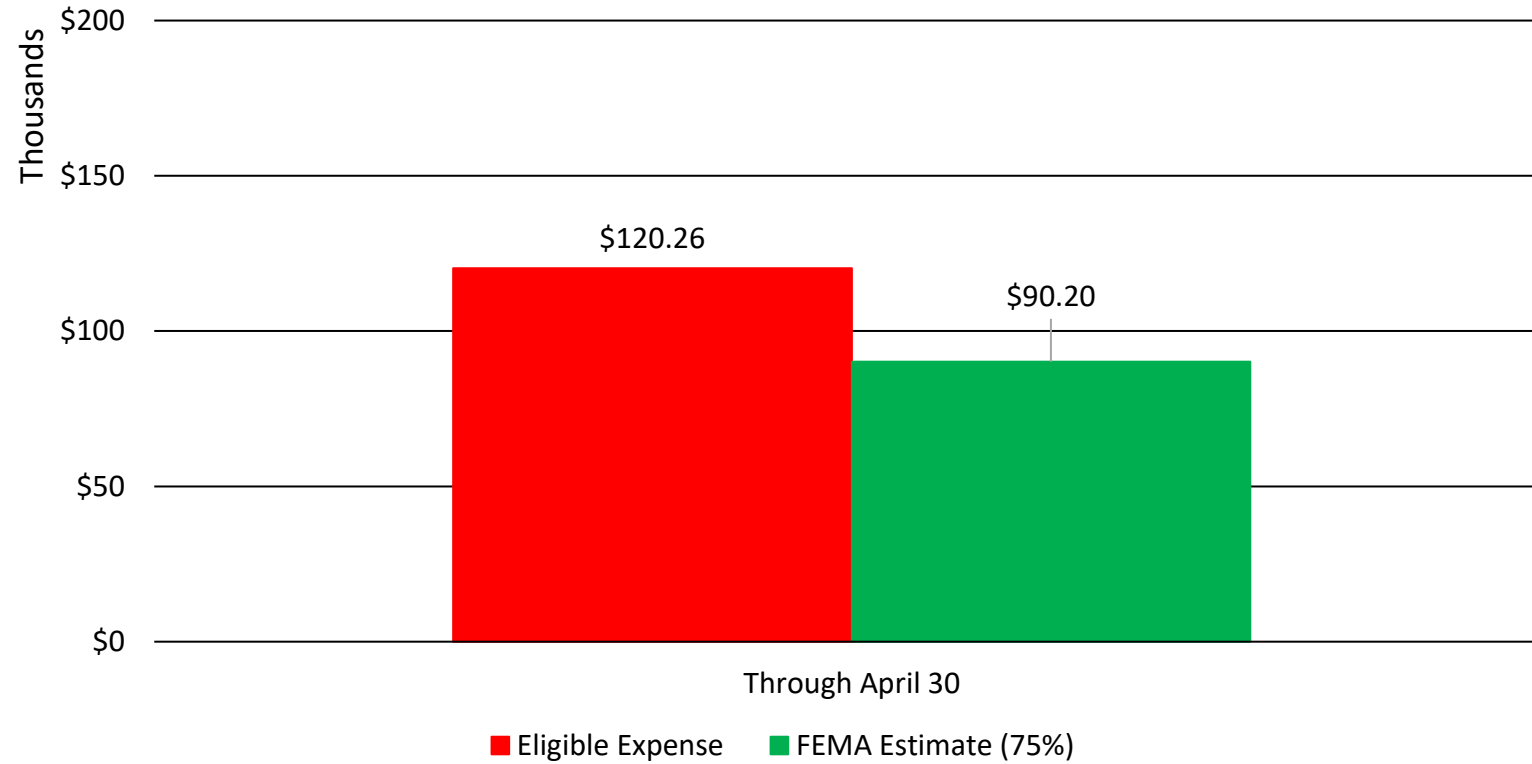Chart showing 2020 Sales Tax Revenues (in Millions) Budget vs Actual:
- January: Budget $22.82, Actual $28.45
- February: Budget $46.10, Actual $50.44
- March: Budget $77.95, Actual $80.79

Legend: ■ Budget ■ Actual
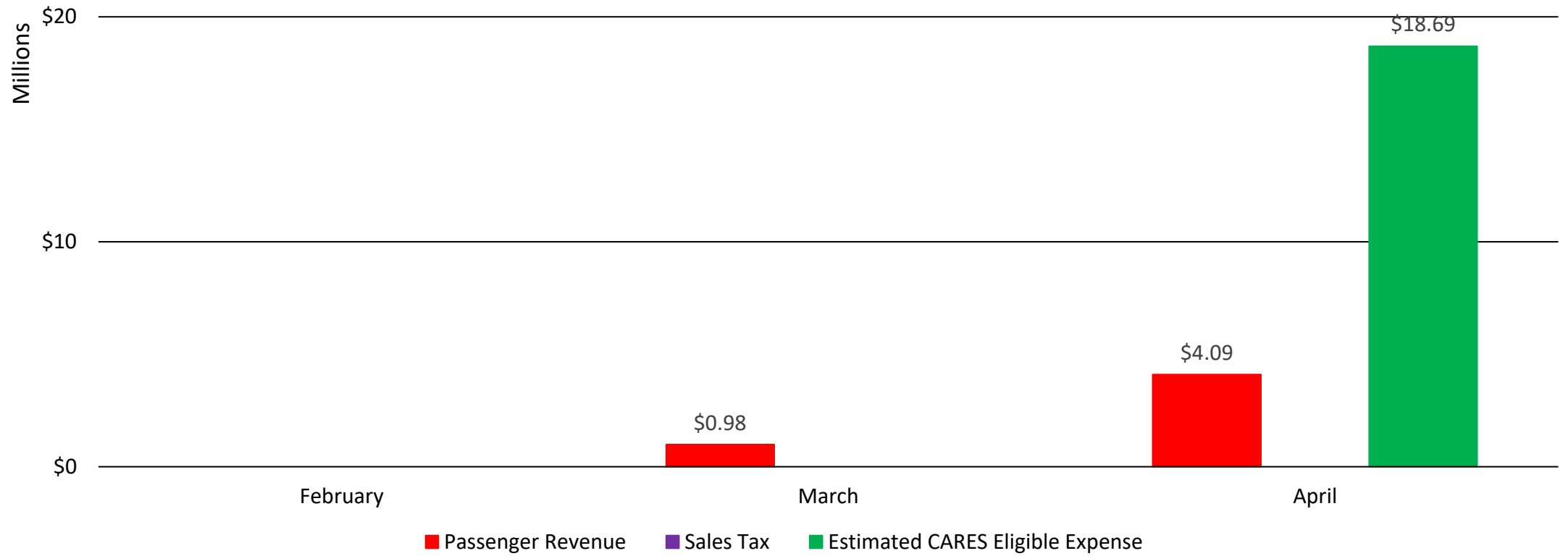
FEMA Eligible Expenses

UTAH TRANSIT AUTHORITY

2020 Expense Thru April 30 – Variance by Mode

Mode	Variance (Millions)
Administration	$3.78
Operations Support	$0.94
Paratransit	$1.09
Maint. Of Way	-$0.06
Light Rail	$0.78
Commuter Rail	$1.07
Bus	$1.24
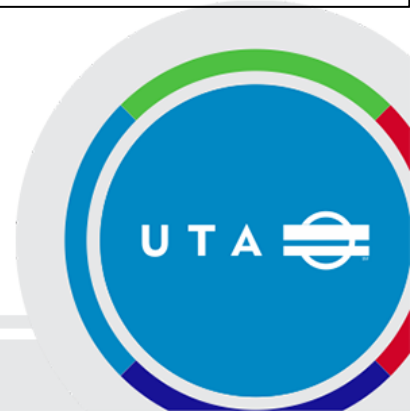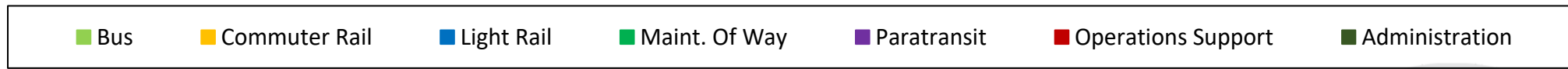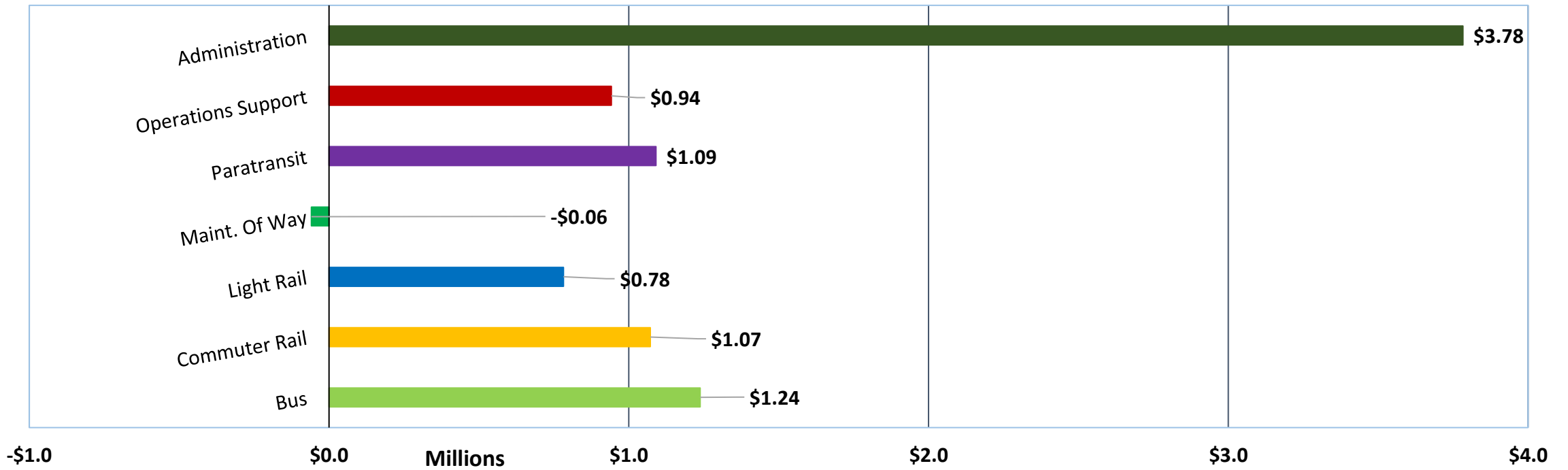
2020 Expense Thru April 30 - Variance by Chief Officer
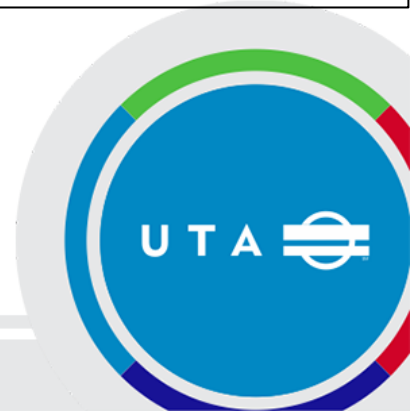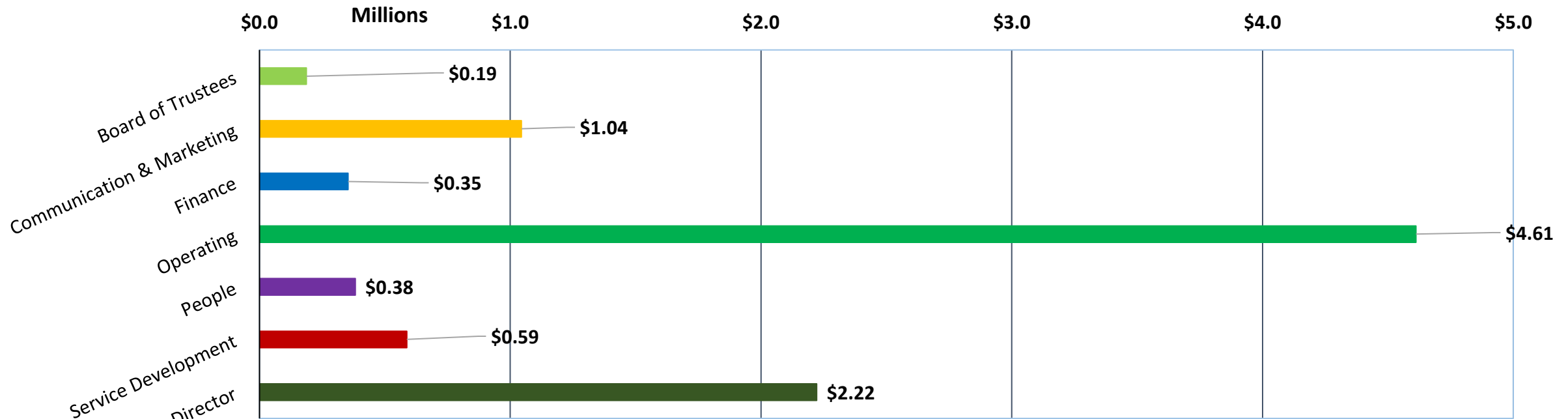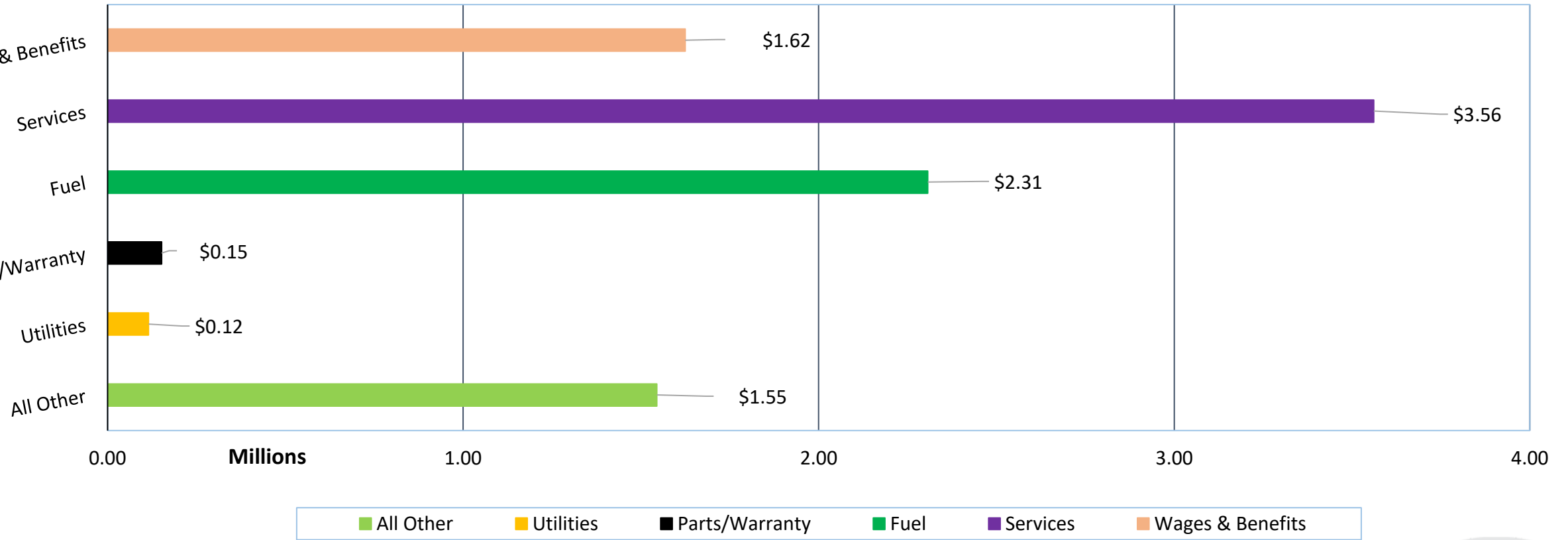
Resolutions

R2020-06-01

Resolution Approving the Second Amendment of the Authority's 2020 Budget

Recommended Action
(by roll call)

Motion to approve R2020-06-01

Resolution Approving the Second Amendment of the Authority's 2020 Budget

Service and Fare Approvals

ECO Trip Rewards Agreement
(Salt Lake City Corporation)

Recommended Action
(by acclamation)

Motion to approve as presented in meeting materials

Discussion Items

Enterprise Risk Management Plan

Agenda

1. Introduction

2. ERM Background

3. Recap of Previous Project Phases Reported

4. Current Project Phases and Next Steps

5. Conclusion

Q&A

Appendix A

Crowe

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Introduction

Today's Facilitators

- Mark Maraccini, Partner, Crowe LLP

- Bill Dykstra, Manager, Crowe LLP

ERM Background

Project Background

- UTA Internal Audit Department conducts an entity-wide Business Risk Assessment on an annual basis.

- In October 2019, UTA management engaged Crowe LLP to help develop the 2020 Enterprise Risk Assessment and develop a tailored ERM framework for management.

- Deliverable #1: Enterprise Risk Assessment
- Deliverable #2: ERM Program Framework

What is ERM and Why is it Important?

The Premise

- Every entity – whether for profit, not- for-profit, or governmental – exists to provide value for its stakeholders. All entities face risk in the pursuit of value.

- Risk is the possibility that events will occur and affect the achievement of strategy and business objectives, which may be positive or negative.

ERM Defined

- The culture, capabilities, and practices, integrated with strategy-setting and its performance, that organizations rely on to mange risk in creating, preserving, and realizing value. (COSO ERM)

- A process that allows organizations to identify, evaluate, and manage risks that could significantly disrupt the successful achievement of mission and objectives. (AFERM)

The Importance of a Risk Management Program

The benefits to UTA of establishing a risk management program include the following:

- Improves decision-making and supports the deployment of resources based on risk

- Integrates risk with strategy, objective setting and performance

- Encourages open communications about significant risks and reduces gaps and inconsistencies with the management of process level objectives

- Risk management enhances knowledge management and workforce development

- Enables benchmarking and collaboration with other mature transit agencies and similar organizations with a formal risk management structure

- Enables a collaborative approach to identifying and addressing the top UTA priorities from a risk-based perspective.

- Forms the basis for a sustainable, measurable risk management framework.

- Creates a common language for communicating and reporting on risk and risk management activities.

**Recap of Previous Project
Phases Reported**

Phase 1: Planning and Documentation Review

- We developed the project plan, including our scope, objectives, deliverables, and timeframe in collaboration with UTA management and our primary contacts.

- We conducted our own research and review of materials provided by UTA to develop a general understanding of the authority, it's operating environment, and the challenges it may face to achieving its objectives.

  - Materials reviewed included, but were not limited to UTA strategic planning documents, regional plans, policies and procedures, budget documents, and UTA's 2019 Business Risk Assessment.

- In addition to our research, we used UTA's 2019 Business Risk Assessment as the starting point for what risks were most pertinent to UTA.

Phase 2: On-Site Fieldwork and Interviews

- We interviewed various members of the management team and the three Board of Trustees members to gain additional insight on the risks and challenges that UTA faces in the pursuit of its operating and strategic objectives.

- Based on what was discussed in interviews and our research and review of UTA-provided documentation, we compiled a risk "register" of the top risks to UTA. This risk register was refined down to a top 11 risks to UTA.

Phase 3: Risk Assessment

- Crowe facilitated a risk assessment workshop ("Risk Forum") on December 11, 2019. The Forum included only members of UTA management and did not include members of the Board or Internal Audit

- During the Forum, we asked the participants to rate each of the 11 risks based on the potential impact and the probability of occurrence.
    1. If the event were to happen, what would be the *impact* to the Authority?
    2. How *likely* is it that the event will take place at the identified level of impact?

- We asked the Risk Forum participants to evaluate each risk in the context of the current operating environment without considering the effect that existing mitigation strategies and internal controls have on reducing risk levels.

Inherent vs. Residual Risk

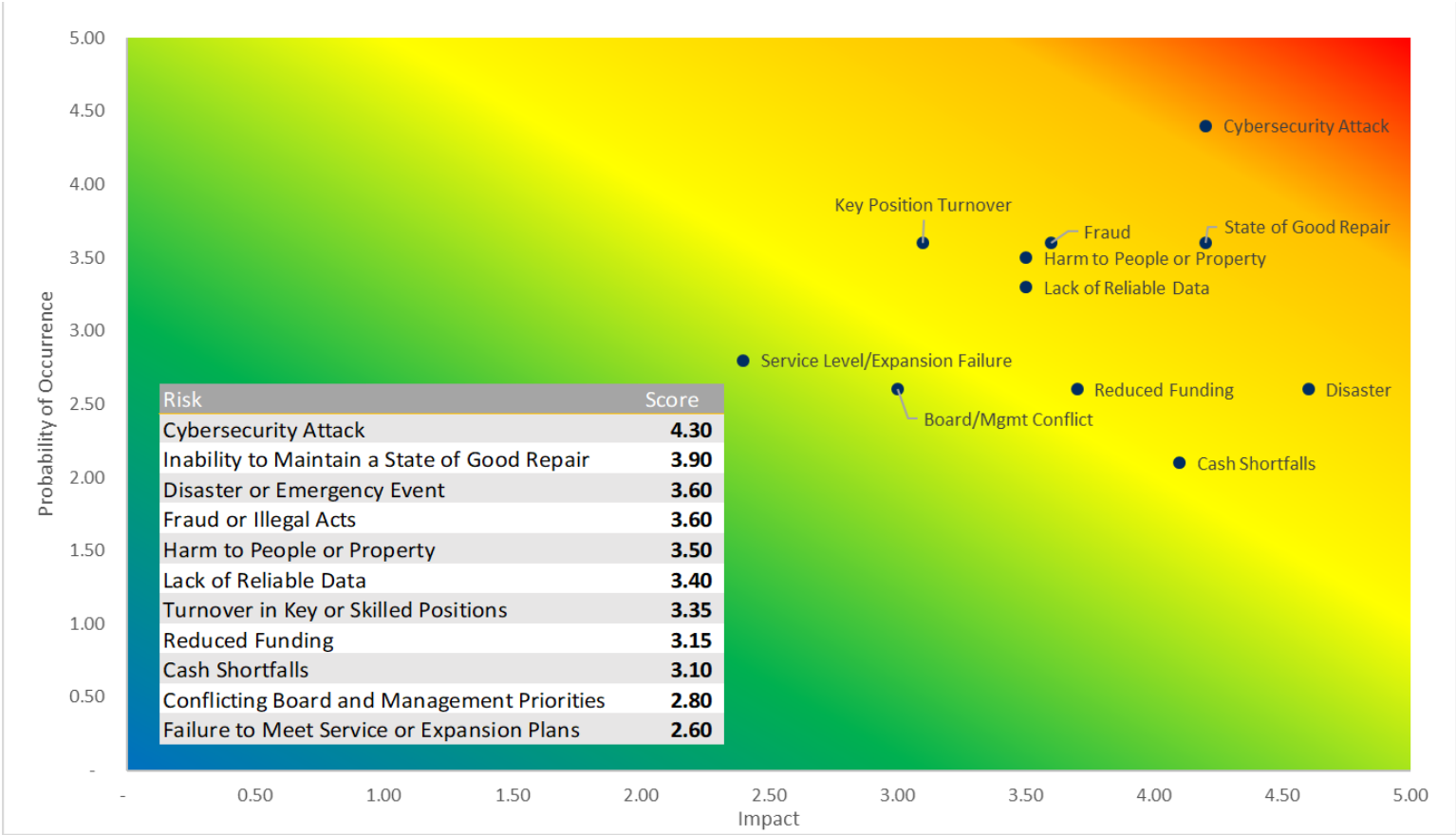There are two main perspectives on risk which we addressed in our evaluation.

Inherent Risk

The risk to an entity prior to considering management's response to the risk (e.g. risk without the mitigation effect of internal controls).

Residual Risk

The risk remaining after management takes action to reduce the impact and probability of occurrence of an adverse event, including control activities in responding to a risk.

Enterprise Risk Assessment Results

The risk heat map below plots each of the risk ratings from **all** participants of the Risk Forum on a chart, using the x-axis to plot the Probability of Occurrence and the y-axis for the Impact.

| Risk	Score
Cybersecurity Attack	4.30
Inability to Maintain a State of Good Repair	3.90
Disaster or Emergency Event	3.60
Fraud or Illegal Acts	3.60
Harm to People or Property	3.50
Lack of Reliable Data	3.40
Turnover in Key or Skilled Positions	3.35
Reduced Funding	3.15
Cash Shortfalls	3.10
Conflicting Board and Management Priorities	2.80
Failure to Meet Service or Expansion Plans	2.60

Enterprise Risk Assessment Results (continued)

Each risk and their corresponding ranking based on the impact and likelihood ratings voted on by all risk assessment participants, are listed below from greatest to least risk-level.

1. Cybersecurity Attack (High)
2. Inability to Maintain a State of Good Repair (High)
3. Disaster or Emergency Event (Elevated)
4. Fraud or Illegal Acts (Elevated)
5. Harm to People or Property (Elevated)
6. Lack of Reliable Data (Elevated)
7. Turnover in Key or Skilled Positions (Elevated)
8. Reduced Funding (Moderate)
9. Cash Shortfalls (Moderate)
10. Conflicting Board and Management Priorities (Moderate)
11. Failure to Meet Service or Expansion Plans (Moderate)

**Current Project Phases and
Next Steps**
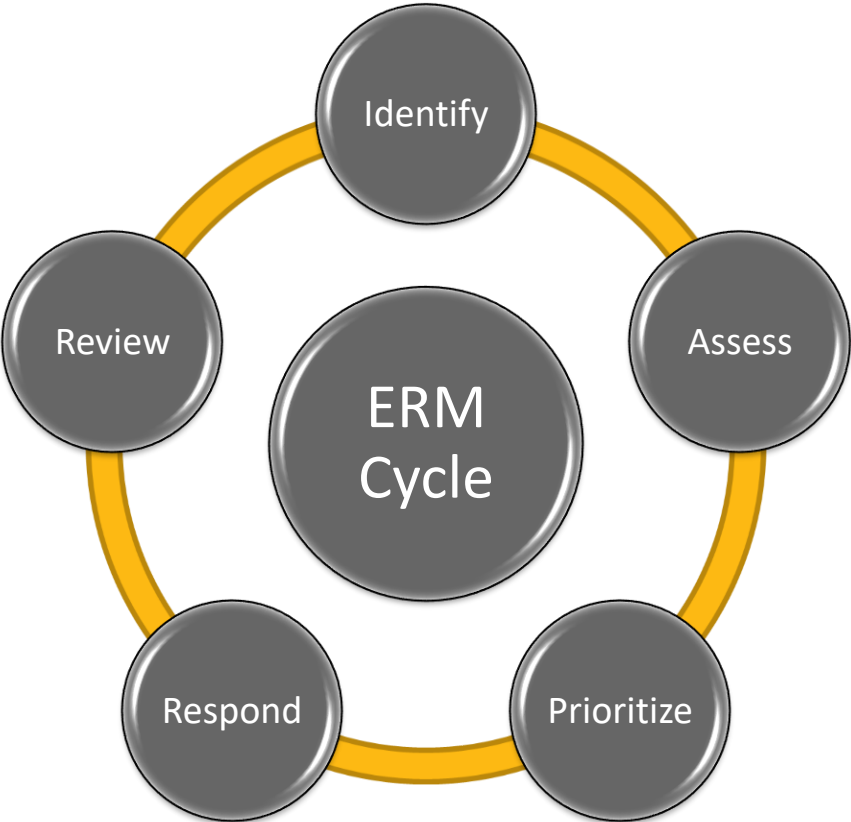
Crowe
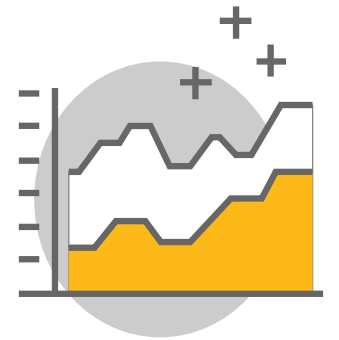
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Our Deliverables

- Deliverable #1: Enterprise Risk Assessment – Completed

- Deliverable #2: ERM Program Framework
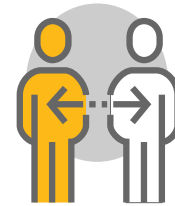
Enterprise Risk Management Program Cycle

1. Identify
2. Assess
3. Prioritize
4. Respond
5. Review

How do the Deliverables Relate?

- The Enterprise Risk Assessment identified, prioritized, and assessed the top risks to UTA. (Phases 1 – 3 of the ERM cycle)

- The ERM Program Framework will help management complete the ERM cycle (Phases 4-5) by:

  - Assigning risk owners

  - Developing action plans/risk mitigation strategies

  - Establishing oversight to monitor plan performance and adjust as needed

  - Develop common terminology for sharing information (break down silos)

  - Improve reporting for decision-making purposes (risk-informed decisions)

Phase 4: Risk Management Practices Evaluation

- Enterprise Risk Assessment results served as the focus for our evaluation,

- We performed a second round of interviews and research to identify existing controls and mitigation efforts,

- We analyzed the results and completed a gap analysis,

- We developed recommendations for management's consideration to address gaps or areas for improvement.

Phase 4: Risk Management Practices Evaluation

- Management may convert our recommendations into action plans and assign owners to manage their implementation. (ERM Cycle Phase #4).

- We drafted the components of the UTA ERM Program Framework to guide the reporting, monitoring, and adjustment to these plans (ERM Cycle Phase #5)

- Within the framework we drafted policies, procedures, templates, and an implementation guide to help management reinitiate the cycle, making it an iterative process.

- We drafted the framework based on best practices (e.g. COSO) to help management develop a sustainable program.
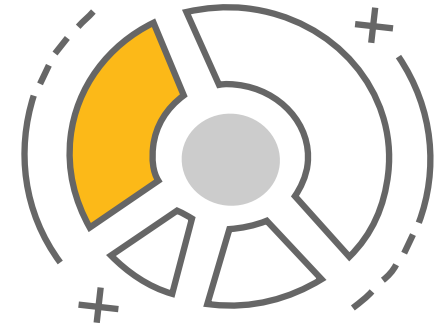
Phase 5: Reporting

- On April 30th we submitted the draft reporting package, which included the remaining deliverables:

  - ERM Program Report

  - Risk Profile and Analysis

  - UTA ERM Program Framework

    - Risk Management Committee Charter

    - Risk Appetite Statement

    - Risk Rating Methodology

    - Management Action Plan Template

    - Glossary of Key Terms

  - ERM Program Implementation Guide

UTA ERM Program Framework Key Components
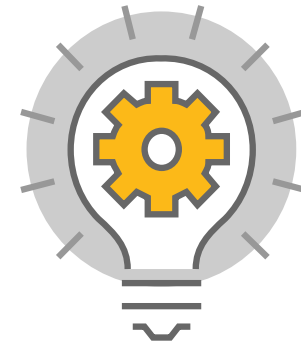
- **Sponsorship**

  - Who is driving this program? Is it funded? Who is responsible for its success?

- **Governance**

  - What is being done with this information? Who is it reported to? Who makes the decisions?

- **Shared Fundamentals**

  - The policy, structures, roles/responsibilities, common language/definitions

UTA ERM Program Framework Key Components

- **Repeatable Processes**

  - Is it truly a cycle which evolves and improves continuously, or is it just a checklist to complete?

- **Accountability and Transparency (not Punitive)**

  - How do we know if plans are working and who must take action if it isn't? Are people afraid to raise issues?

- **Flexibility and Modifications**

  - If something is not working (expected outcomes not achieved) how do we determine root cause and what actions are taken to "right the ship"?
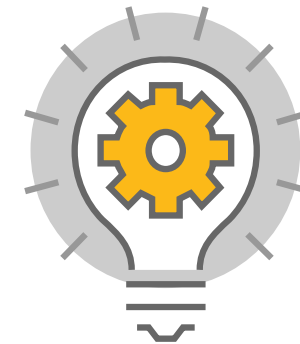
UTA ERM Program Framework Key Components

- **Embedded in Decision-Making**

  - It must be a mindset and a way of doing business (risks factor into decisions at all levels and through all functions)

- **Embedded in Existing Processes and Structures**

  - Instead of adding a layer of bureaucracy, build risk management into the existing strategic planning, budgeting, major projects, business process design, etc.
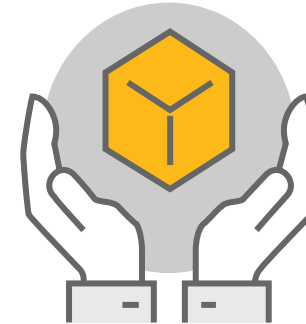
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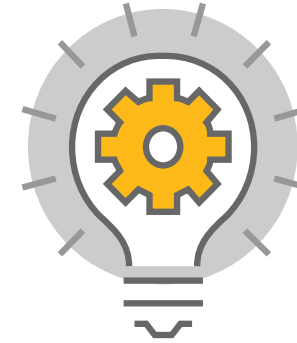
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Conclusion

Conclusion

- We have completed the engagement objectives:

  - Enterprise Risk Assessment

  - Enterprise Risk Management Program Framework

- We are happy to assist you further and/or answer questions during the ERM Program implementation

Questions

Appendix A

Appendix: Risk Scoring Methodology

		Potential Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Significant (4)	Major (5)
Probability of Occurrence	Almost Certain (5)	Low	Moderate	Elevated	High	High
	Likely (4)	Low	Low	Moderate	Elevated	High
	Possible (3)	Low	Low	Moderate	Elevated	Elevated
	Unlikely (2)	Insignificant	Low	Low	Moderate	Moderate
	Rare (1)	Insignificant	Insignificant	Low	Moderate	Moderate

Central Wasatch Commission Overview and Update

Central Wasatch Mountain Transportation System Initiative (Updated 3/26/2020)
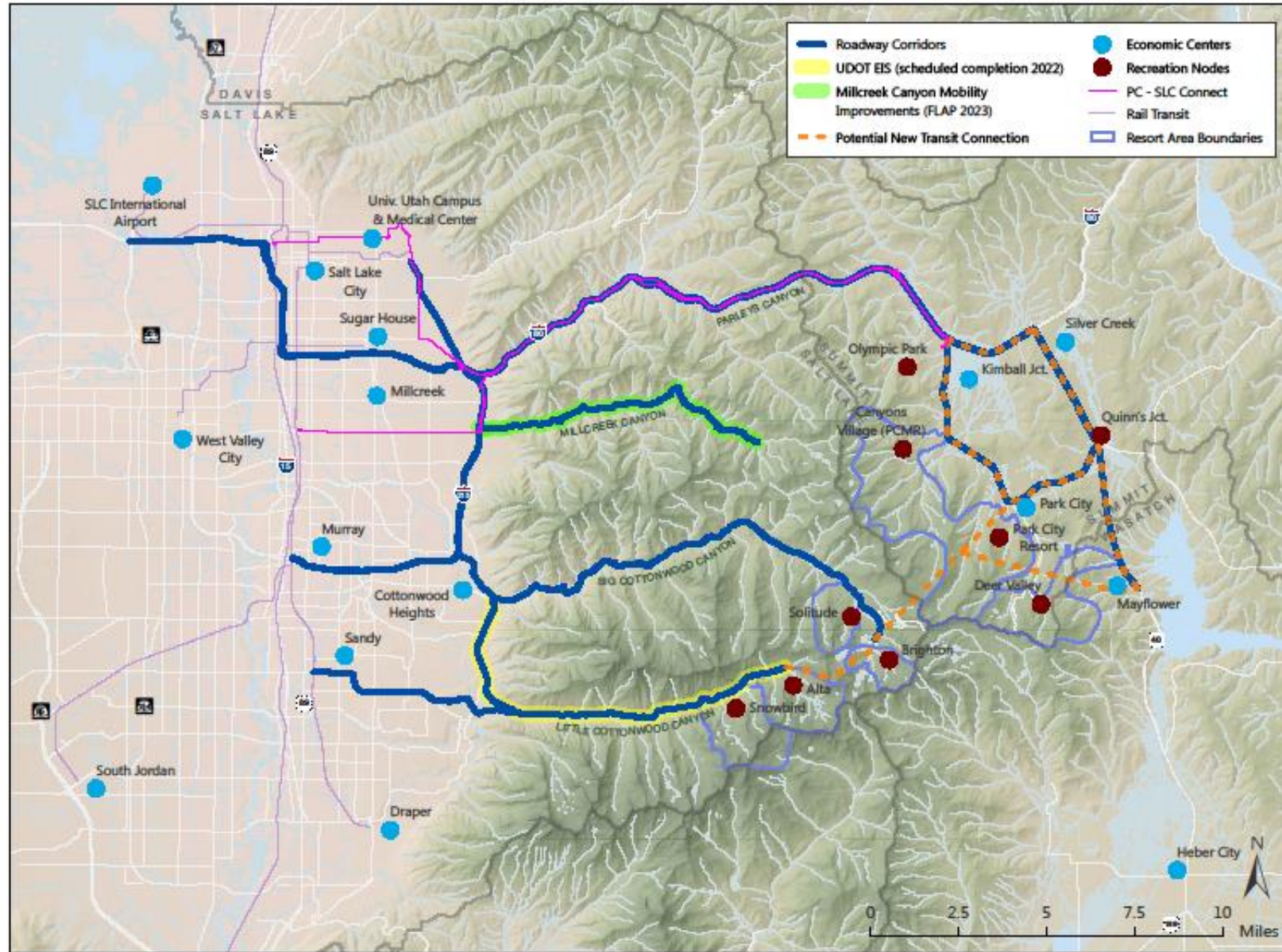
Other Business

a. Next meeting on June 17, 2020 at 10:30 a.m.

Adjourn

in memory of UTA Maintenance of Way Employee Martin "Marty" Beaver