MEETING OF THE

Audit and Finance Subcommittee

Date:
March 4, 2021

Starting Time
12:00 p.m.

Location:
Via WebEx/Phone

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Agenda

February 25, 2021

Audit and Finance Subcommittee
Thursday, March 4, 2021
Webex/Phone
12:00 p.m.

	Action Recommended
1. Public Comment (yellow card)	1. For Information
Public comment is being taken in written format and will be entered into the official minutes of the meeting.	
2. Chief Financial Officer's Update	2. For information
Paul Hodgins, CFO, will brief the Audit and Finance Subcommittee on current issues.	
3. Minutes	3. For action
Minutes from the February 4, 2021 Audit and Finance Subcommittee meeting are presented for approval.	
4. Internal Audit Update	4. For information
Sebrina Beckstrom, Chief Auditor, will provide an update on the actions taken in Internal Audit and external reviews.	
5. Internal Audit Exceptions Update	5. For information
The Internal Audit Exceptions log is presented for information.	
6. Valley Metro RPTA Fiscal Year 2022 (FY22) Preliminary Operating and Capital Budget	6. For information
Paul Hodgins, Chief Financial Officer, will provide an overview of the FY22 Preliminary Operating and Capital Budget.	

7. Valley Metro Rail, Inc. Fiscal Year 2022 (FY22) Preliminary Operating and Capital Budget — 7. For information

Paul Hodgins, Chief Financial Officer, will provide an overview of the FY22 Preliminary Operating and Capital Budget.

8. Intergovernmental Agreements, Contract Change Orders, Amendments and Awards — 8. For information

Paul Hodgins, Chief Financial Officer, will provide an overview on upcoming intergovernmental agreements, contract change orders, awards, amendments.

9. Future Agenda Items — 9. For information

Chair Arredondo-Savage will request future AFS Agenda items from members and members may provide a report on current events.

Bus Advertising	April 2021
FY22-26 Preliminary Five-Year Forecasts	April 2021
TLCP Update	April 2021
Valley Metro Regionally Operated Service	April 2021
FY22 Proposed Operating and Capital Budgets	May 2021
Farebox Recovery/Fare Enforcement	May 2021
FY22 Agency Internal Audit Plan	May 2021

The next meeting of the Audit and Finance Subcommittee is scheduled for **April 8, 2021 at 12:00 p.m.**

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Information Summary

DATE **AGENDA ITEM 1**
February 25, 2021

SUBJECT
Public Comment

PURPOSE
Public comment is being taken in written format and will be entered into the official minutes of the meeting.

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Paul Hodgins
Chief Financial Officer
602-262-7433

ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 2**
February 25, 2021

SUBJECT
Chief Financial Officer's Report

PURPOSE
Paul Hodgins, Chief Financial Officer, will brief the Audit and Finance Subcommittee on current issues.

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Paul Hodgins
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ATTACHMENT
None

Minutes

February 25, 2021 **AGENDA ITEM 3**

Audit and Finance Subcommittee
Thursday, February 4, 2021
Via WebEx/Phone
12:00 p.m.

Meeting Participants
Councilmember Robin Arredondo-Savage, City of Tempe, Chair
Mayor Kate Gallego, City of Phoenix
Councilmember Lauren Tolmachoff, City of Glendale
Vice Mayor Bill Stipp, City of Goodyear
Councilmember Francisco Heredia, City of Mesa

Chair Arredondo-Savage called the meeting to order at 12:05 p.m.

Chair Arredondo-Savage said thank you everybody. Hope everybody's doing well. Let's get this Audit and Finance Subcommittee started.

1. Public Comment

None.

2. Chief Financial Officer's Report

Mr. Hodgins said we thought it might be a good idea to just much as the CEO does a report to the Board that we add an item where I can give a report to the AFS on some of the financial activities, particularly how we work with our Financial Working Group which are all members of your staff. They're kind of the precursor, the staff level group, that reviews a lot of the material that comes then to the AFS. So, I thought it would be helpful to just share some of that information.

Our meeting last month with the Financial Working Group focused primarily on continuing the fiscal year 2022 budget. So, the key assumptions update that we will be providing today to the AFS, we went through with both of our Financial Working Groups for RPTA and Valley Metro Rail. We also go through some standard monthly budget variance reports. We have a quarterly report to the AFS today looking at where we stand through the second quarter, but we go through this information monthly with both of the Financial Working Groups. And with the RPTA we, specifically, dove into some of the PTF revenues for this fiscal year and where we stand and, again, we have some of that information as well in the AFS materials today. So, that's just a quick overview, but

we wanted to have an opportunity to, you know, at each of the meetings to kind of give you an update on how we're working with your staff.

Chair Arredondo-Savage said do we have any questions or anything for Paul? Thank you, Paul, for that information.

3. Minutes

Chair Arredondo-Savage said hopefully, everyone has had a chance to review the November 12,2020 minutes. If there's no changes or corrections. Do I have a motion and a second for approval?

IT WAS MOVED BY COUNCILMEMBER TOLMACHOFF, SECONDED BY MAYOR GALLEGO, AND UNANIMOUSLY CARRIED TO APPROVE THE NOVEMBER 12, 2020 AFS MEETING MINUTES.

4. Comprehensive Annual Financial Reports

Mr. Hodgins said thank you, Madam Chair. So, this item is for action. We're asking for the Audit and Finance Subcommittee to accept the Comprehensive Annual Financial Reports for both RPTA and VMR and the Federal Single Audit Reports for both RPTA and VMR. Those have been completed by our independent, external auditor, Clifton Larsen Allen, for both CAFRs they have found no weaknesses in our internal controls. They have a modified opinion that the financial statements fairly represent our financial position. They did find a couple of minor errors that were immaterial in nature on the RPTA CAFR, an item that wasn't capitalized in the proper fiscal year and then some expenses that were not accrued back to fiscal year 2020. Those were small dollar amounts that were immaterial that we will be working to ensure we don't make those same errors in the future. But overall good, solid reports or unmodified opinions from the external auditors and we are happy to present those and answer any questions.

Chair Arredondo-Savage said great, thank you, Paul. Do we have any questions for Paul? Negative.

IT WAS MOVED BY VICE MAYOR STIPP, SECONDED BY COUNCILMEMBER TOLMACHOFF, AND UNANIMOUSLY CARRIED TO ACCEPT THE RPTA AND VMR COMPREHENSIVE ANNUAL FINANCIAL REPORT AND SINGLE AUDIT REPORTING PACKAGES FOR FISCAL YEAR 2020.

5. Advertising on Buses

Chair Arredondo-Savage said this is one of the items that we have been talking about for a little bit to just get a little bit more information and that is the advertising on our buses. So, I think Hillary is here to have that discussion.

Hillary, I just want to preface it like I think it this is really great information. You did a really nice job and it was even helpful for the City of Tempe. I think you probably know I think we're one of the strictest when it comes to advertising, but we are actually evaluating our own processes and policies and your information will be helpful in our research too. So, anyway, with that, Hillary, I'm going to go ahead and turn it on over to you.

Ms. Foose said Madam Chair, Members of the committee, thank you for your time today. As was noted in the memo, we're looking for your guidance on how or if we should move forward with potential opportunities with advertising on our buses going forward.

As a region, as you may very well know, there exists bus advertising on the Phoenix operating fleet. There's also advertising at many municipal bus shelters. We also have advertising in the region on our Valley Metro Rail system both on the vehicles as well as at the stations. We asked OUTFRONT Media who is Valley Metro Rail's current advertising administrator to look at the opportunity with our buses, the RPTA operated bus fleet, to see what the potential could be. As you see from the spreadsheet in the memo, I think it's somewhat of a conservative viewpoint considering the market is very dynamic right now. They put this proposal together just before the end of last year and you while our market, generally, is performing well compared to the nation and our peers, it's still underperforming. We have less sales going and you probably see that in your personal lives as well.

So, what they offered us was, if they had about 50 percent, and that's an arbitrary number that was just a place to start to build a potential proposal, but if they had access to 50 percent of the RPTA operated fleet, you can see the products they are recommending there, full bus wraps, super kings and standard bus kings. Those are just different advertising types that you may see on other buses in the Valley. If they had 50 percent, they could generate about $1.3 million annually. Right now, our VMR contract revenue percentage is we get 65 percent of the net advertising revenue. Obviously, we would negotiate that approximately for taking on any opportunities with RPTA, but just for building the proposal they used that 65 percent. The region could generate between $800,000 to $900,000 a year that could be put towards offsetting operational costs.

Historically, Valley Metro RPTA, as you may very well know, does not advertise on its buses. It has had, in the past, a no advertising stance on that and, obviously, times are different economically and we wanted to give you the opportunity to take a look at it.

So, I'm happy to answer any questions and, Paul, if I missed anything, please, chime in.

Mr. Hodgins said so, what we're looking for today really is some direction on whether you feel like it's worth pursuing, identifying any issues that any of the cities might have with RPTA fleet having advertising running through their cities. So, just really a little

direction on whether we want to pursue it and bring back more information or just let it lie so that's really what we're asking.

Chair Arredondo-Savage said anyone got some questions or thoughts? A little direction.

Councilmember Tolmachoff said yes. I feel like it's at least worth, you know, considering and maybe getting in front of the Board. I mean, just looking at the summary here, looking at the number, I think that probably, almost covers the entire lease of the US Bank building doesn't it? Isn't our lease somewhere around that amount of money?

Mr. Hodgins said I think it's a little more than that, but it would certainly help to offset some of the operating costs, for sure.

Councilmember Tolmachoff said I mean, I don't know what the ins or out or, I mean, we don't do it in Glendale yet. I don't know what parameters Phoenix has as far as like what type of, you know, advertising is allowed? What type of advertising isn't allowed? All of that kind of stuff. You know, how they -- then should we have a -- how the consultant would manage all of that, but I feel like it's at least something that should be brought to the entire Board for discussion.

Mr. Hodgins said as far as the advertising that's allowed, I know Phoenix has a policy around that. Valley Metro Rail has a policy. I think those policies are fairly, consistent so that would certainly be part of what we would bring to the RPTA Board as a suggested policy that would guide what advertising would be allowed and what wouldn't be.

Councilmember Tolmachoff said I don't know whether you would want to bring a policy to the Board unless we knew for sure they were interested in pursuing advertising. You know, I wouldn't to want go to all that trouble and then find out that the Board's like, no, we don't know want to have advertising on the buses. So, I would at least maybe just -- even just this, you know, basically, the same presentation we just saw. Just saying is there any interest in pursuing this any further? And if there is then let's see what a policy would look like.

Chair Arredondo-Savage said is everybody else okay with that? You know, taking it to the next step.

You know I just want to comment on what you had said Lauren. And like I said, the City of Tempe is fairly strict when it comes to advertising, so we are evaluating that, right now, and I think, Hillary, you mentioned about incorporating and working with the cities. I mean, because everybody probably has different policies and ordinances. And I don't know if that's a barrier or something that we can overcome in the sense of, you know, creating like a comprehensive advertising policy moving forward especially in the region that everybody would agree to. Because I think Lauren's right. I don't want to make

you guys do all this work and then find out there's no way that's going to fly with maybe certain cities or some concerns. So, have you had that conversation, Hillary?

Ms. Foose said so, we have been talking a lot with City of Tempe staff to your point Madam Chair. They have in the region one of the, as you well know, a stricter, sign ordinances that has prohibited us from advertising like at light rail stations, for example, where it's less strict in Phoenix and Mesa along our rail alignment. So, that is something that we note in this memo that we would have to engage with each city to understand if there's a sign ordinance policy or other policies and might affect our opportunities here. So, that would be part of our next step is to really engage with city staff and understand any potential concerns and policy mitigations we may need to work through together.

Chair Arredondo-Savage said understood. Thank you for that. Anyoneelse?

Councilmember Heredia said I think it's something to look at. I would be supportive in looking at this and looking at the processes of consolidating what it will look like as far as policy, but also contracts. I don't know if it would be different contracts per the different advertising pieces that we currently have and adding this one so -- but just a question on, I guess, the next steps. If we do -- like how do we -- does Valley Metro ask each individual city? Or like what's the next step if we do want to pursue this?

Mr. Hodgins said I think the next step would be to present this information to the Board and get some feedback from the Board and if any Board members know the many issues in their own cities that we could start to address those. But if the Board feels that it's worthwhile to move forward then we would start digging into some of those details. How to overcome any ordinances? Sign ordinances? How to contract for this? If we buy off the Valley Metro Rail contractor, Phoenix's contract is a different company, you know, so did he we buy off an existing contract? Or do our own procurement? So, we would dig into those details a little bit more after a basic presentation to the Board to find out if there is interest from the full Board.

Madam Chair said okay. All right. Franky's good with that. Bill? Kate? Are you guys good with that approach?

Vice Mayor Stipp said Paul, what was the take of the Financial Working Group and some of the staff folks on their thought on how their city might react to this?

Mr. Hodgins said Vice Mayor, we haven't gotten into real details with the Financial Working Group. I think there's a consensus that it's worth looking into. Kind of what we're hearing from the AFS today to get into some of those details. I don't know that I've heard resistance per se from any individual cities, but it certainly something that I think they're open to moving forward to help offset some of the costs.
Vice Mayor Stipp said okay. I'm going to kind of go out on a limb here. I think the five of us on this Committee are probably the five most outspoken members of the Board.

And if we're pushing to, perhaps, do something I think that's going to have a lot of emphasis and sway with most of the Board. And since we are not meeting now until March, we're already a month behind, and so if we waited until March and say, oh, what do you think? And then everybody says, yes. We've lost an entire month's worth of activity and trying to move forward.

So, I don't know that it would be time wasted for the staff to kind of lean forward a little bit and get this farther down the road then a great idea. If the Board is -- if the AFS is kind of pointed in that direction. Obviously, we leave a million dollars on the table that's kind of a big deal and I don't think we would accept that on an expenditure side so we should be looking at it from the revenue side. But I would hate for us to just sit back for the next month and wait and not move this at least one or two steps forward and not getting -- and I'm not suggesting we get ahead of the Board, but I'm just saying, maybe we be ready in the starting blocks as opposed to standing around waiting to get into them.

Chair Arredondo-Savage said understood. Franky, did you have something?

Councilmember Heredia said just a -- I don't want to put you on the spot, Robin, but it is -- do you know like -- it seems like part of the discussion is Tempe based on what Hillary mentioned. So, do you all have a timeline or? Sorry to put you on the spot.

Chair Arredondo-Savage said no. No. I can handle it. I've been put on the spot before, Franky, that's nothing.

So, you know, I think there a is lot of interest, I mean, from Tempe's perspective to at least do some exploration and see what that looks like and maybe create some different types of policies. And I think Bill brings up a really, good point. Because I kind of had spaced the fact that we're not meeting in February so I'm not opposed to moving a bit little bit further down the road and getting a little bit more data and information so maybe when it is presented to the Board, we would have some of the details to share and to continue the process, but maybe not just wait to start the work then. I'm definitely open to lean in a little bit now, if you guys are comfortable with that.

I don't know what that would look like either. I mean, Hillary and Paul, I guess, you guys would have to answer that. You know, what would that look like to you? You know, Kate, I haven't heard from you, Mayor Gallego or Lauren if you want to get back in on that conversation and what your thoughts are.

Mayor Gallego said I would say Phoenix has had a good experience with advertising on our bus system. I think useful revenue and helps us keep cost a little bit lower for our public. We do have some parameters about some type of advertising that -- we do have parameters around what type of advertising we expect to see on our public property, and I think that makes sense. So, I would be comfortable forwarding a recommendation to the Board to pursue this, but happy to defer.

I do think we want consistency across the region as much as possible but want to respect individual cities as well. And I think Vice Mayor Stipp was the one who brought this forward so thank you for starting an important conversation.

Ms. Tameron-Kinsey said Madam Chair, we can start gathering the information and looking at ordinances and having those conversations and do that homework as you indicated so that we have more information when this goes before the Board in March for the discussion so it, as you mentioned, better informs the conversation moving forward since there is a no advertising policy on the books. So, it will help us in presenting more additional information for the Board to consider.

Councilmember Tolmachoff said well, I had totally forgotten that there is no Board meeting in February, as well, but I would imagine the other committees are meeting in February or are they not? I mean, there's no other meetings?

Chair Arredondo-Savage said I think we're the only ones that are meeting.

Ms. Dillon said we will have a meeting with RTAG that the will kick-off the March process and that meeting is February 16th. So, it could be included there as a discussion topic.

Councilmember Tolmachoff said I think it would probably be a good idea to at least put it out there at RTAG to kind of get a, you know, and then I would -- I agree with Mayor Gallego, I mean, I'm comfortable making a recommendation to the Board that we adopt a policy. You know, what that policy actually looks like because it's only a recommendation and, you know, I mean, and then we're that much further along once it actually gets in front of the Board as they're looking at it as the AFS has recommended that we move forward with this and then draft a policy so that that can be, you know,

Ms. Dillon said Madam Chair and Members of the committee, this item is not an official action item today, but we can -- there's no problem adding it to the Board agenda. We will just have to be careful of how we word how it's coming before them as a discussion and possible action item if you're expecting action at the Board on to make any changes or direct staff to investigate this item further. So, we will list it however you want on that agenda. There's just no action required today.

Madam Chair said understood.

Councilmember Tolmachoff said Madam Chair, could we list this as an action item for the March 4th AFS meeting and then we actually will have a formal recommendation prior to the Board meeting?

Ms. Dillon said yes, we can do that.

Chair Arredondo-Savage said we can certainly do that. Is everyone ok with that?
Mr. Hodgins said Madam Chair I think what we would do is ask -- so we do have a Financial Working Group meeting this month. So, we would ask everybody on that group to bring any issues that they feel might or obstacles that they might have in their specific cities to help us gather that information. We will get the current policies for both Valley Metro Rail and City of Phoenix and pull those together and look at, you know, where the common threads, where there might be differences so we'll be able to bring all that back to next month's AFS and then we could certainly then have that as an action for the AFS to recommend something to the Board.

Chair Arredondo-Savage said I think that's great. I think there's been a lot of really good points brought up and I think Mayor Gallego's with that consistency through the region is really important. I'd like to see that happen and I think Bill's, you know, you're absolutely right. I mean, we should be looking at maximizing all of our revenue options and this is one of them. So, I appreciate you bringing it up and I appreciate staff and Hillary and your work putting this all together. So, hopefully, we will talk about it in March, if everybody's okay with that? Okay.

This item presented for discussion.

6. Internal Audit Update

Chair Arredondo-Savage said and turn it over to the Internal Audit Update. Ms. Beckstrom. Day number seven, I believe this might be your day number seven. Welcome to Valley Metro. Great to see you again and this is your very first report so we will kind of let you go for it. Go ahead.

Ms. Beckstrom said all right. Thank you, Madam Chair and Members of the committee. I'm happy to be here with you today. We just have a quick update. I have been in the process this last week and a half of reviewing our audit plan, the last risk assessment, and our available resources to see where to go from here. Tentatively, we have opened back up the credit card transaction and travel expenses audit as the first one that I'm looking at proceeding with. And I just wanted to get some direction from the Committee on if you had a particular interest in any of the audits on schedule that are listed here? Or if there are any special requests? Anything that I should take into consideration as we're looking forward over the next couple of months.

Chair Arredondo-Savage said all right. I'll ask the Committee members. Anybody? Go ahead and speak up. I can't see you if you do. Chime in.

Vice Mayor Stipp said they're all important, but the travel and credit card is a constant, ongoing concern for not only this Committee, but also the Board over the years. So, that one I think is always near and dear to everyone's heart. In addition, to contract management, we spend a lot of money on contractual services so making sure that we are, you know, in compliance with the contract, that the contractor is in compliance with

it, that we are, you know, following those guidelines are critically important and then, obviously, federal grant compliance which is a driver of a lot of what we do. At least from my prospective, those are the top three that are on this list under the process rather as we go forward. And I think as you I've things that are getting in your way of staffing, etc. that we just need to know about that and see what we do with the timelines. So, I'm glad we're having this conversation and, again, welcome aboard.

Ms. Beckstrom said thank you.

Chair Arredondo-Savage said anybody else thoughts? No. I'm sorry. Did I hear somebody?

Mayor Gallego said I certainly agree with credit card transactions and travel expenses as the one that really requires particular diligence. Question about the federal safety audits and drug and alcohol programs. We at the City of Phoenix are updating our employee policies with the passage of the marijuana legalization for recreational. How does that work? My understanding is with the federal government, they are just clear that folks who are driving should not be engaged in recreational marijuana, but I was just sort of interested in what the focus of that audit is? And it is about compliance with just federal standards?

Ms. Beckstrom said Madam Chair, Mayor Gallego, I think Jen probably has information on that. She has been working pretty, heavily on these special projects with our Safety Group so we can move into that. Jen, are you there?

Ms. Davis said good afternoon, Mayor Gallego, Madam Chair, Members of the AFS Committee. Thank you for your time today. The drug and alcohol program audit was more focused on the safety side of it and the requirements of the FTA's testing requirements that it did not roll into the current legislation of the marijuana and how that was being reflected with the policy. It was more a requirement of the ADOT three-year audit requirements to make sure that we were in standing with the FTA and with OSHA requirements.

Mayor Gallego said thank you.

Chair Arredondo-Savage said excellent. Anybody else? Ms. Beckstrom, if anybody else needs to speak up go ahead. I just want to throw a couple things out there and I know we do the special projects and then we have these other ones on the top and regarding the process. How do you kind of prioritize, you know, how that works itself out? Do you have like a system in mind to? Or just going by completion dates of when things need to be completed?

Ms. Beckstrom said yes, Madam Chair, normally, what I would do is I take a look at the risk assessment and see what the higher risk areas were and what we want to look at more quickly. And then, you know, if we get a special project request that has a

deadline that would kind of supersede what the plan was. Because this plan started to be flushed out before -- or right at the beginning of COVID, I'm kind of taking a look at that to see if other things are rising in order of priority, but, definitely, the credit card transaction and travel expenses was the first thing on my list of things that we wanted to get done relatively quickly.

Chair Arredondo-Savage said okay. Awesome. And then wondering, in regard to fare inspection, I am not really sure of what all that consists of too, and it may be something that we've talked about before as AFS is the consistency about fare accountability, basically. I know that it's -- now, that we will eventually will be going back to front-door boarding, I don't know if that fare inspection is kind of relevant to when we -- we've been talking about fare enforcement so are fare inspection and fare enforcement, would they be similar or would that be part of it?

Ms. Beckstrom said I believe they would be related? Jen, do you recall what was on the plan?

Ms. Davis said I believe that yes, they both fare inspection and fare enforcement and I do believe that it was in preparation for the RFP that went out for fare inspection. Because that contract is coming due at the end of June this year, but I know that they went ahead and determined a scope of work, issued the RFP, and are already evaluating vendors. So, I'm not sure. I know that that was one of the goals of doing that contract management audit early on in the fiscal year and fare enforcement would also be part of this, yes.

Chair Arredondo-Savage said right. And, I guess, my thought was is as we come through COVID, hopefully, in a little bit more positive light and we're able to look at the front-door boarding and I mean, to me it would be really great to have the information in that data to ensure that if it does have to do with enforcement that we do have consistency throughout the region so it's not just -- I think Phoenix does a really great job and they do have a little bit different enforcement so it would be really good to just look for some of those consistencies and maximizing everything that we can to ensure process errors.

Ms. Tameron-Kinsey said the fare enforcement -- I just want to add a little bit of context for the contract management fare inspection and security services that is listed there is specific to our contract with Allied Unified Security. It's an AUS contract is what we would call it. And Jen is exactly right, we were looking at doing the audit on the that contract because it's a fairly large one and because we were going out to RFP because it was coming to a close. So, I just wanted to add that that is a very specific to the one we have with Allied Security.

Chair Arredondo-Savage said understood. Any other questions for Ms. Beckstrom from the -- our members? No. All right.

This item was presented for information only.

7. Internal Audit Exceptions Update

Ms. Davis said I'll go ahead and take over the audit exceptions update.

We still have the six open recommendations. Four will be reviewed as we look at that credit card transaction review coming up that we're kicking off shortly. One was delayed because of the Oracle changes and then one is due at the end of the fiscal year part of the ERPAM system.

This is more information about what the four are that are going to happen during the credit card and travel audits.

This one from Human Resources was that performance management procedure we were looking for them to put together and that they really have come into a couple more roadblocks with that Oracle system and making sure that they want the procedure to match what functionally is going to be happening with the system. But they do have an expected completion for early March so that we will have it for the next AFS meeting. She's optimistic of that.

And then progress continues to be made with the system to electronic forms additional flow as they continue with the ERP project that kicked off back in September.

Are there any questions on the exceptions that we presented for today for information?

Madam Chair said anyone? Ms. Davis said thank you very much for your time. That was very clear and precise so thank you so much for that. And that was for information.

This item was presented for information only.

8. Budget Assumptions

Mr. Hodgins said thank you, Madam Chair. We just have a brief update on kind of where our key assumptions are. I just to want to point out, you know, these are the key assumptions we started talking about back in October they help to drive some of the costs. What we have in this presentation it's not necessarily a full explanation of all costs that are changing, but hopefully, provides a foundation for the -- for next month when we present the budget that it gives some context on where some of those changes happened.

For instance, if fixed route costs go up three percent, you know, we have a three percent escalator in our contracts as part of our key assumptions that explains that. Anything that we would present next month where costs exceed some of these contractual or some of these key assumptions then we would provide further information

for the context on what those changes are. So, this is really just to get a good foundation and understanding of what those key drivers are.

For this presentation we have kept some of the slides from October but highlighted in red what some of the changes are. So, for instance, on revenue forecasts we are continuing. We still have those three alternatives, actually we have four, we have our official ADOT forecast plus the three alternative forecasts that we developed internally.

In looking at our fare revenues, we have updated some of our assumptions based on discussions with both the Financial Working Group and what we heard from the Board study session a couple of weeks ago. In looking at fiscal year 2022 to not be quite as ambitious in looking at -- in having fare revenues come back, we have kept that a little bit more conservative.

So, through our fiscal year 2021 average fares is at $0.13. You can see some people as still continuing to have a fare, but, obviously, not everybody driving the average fare down. Pre-pandemic, we would be in the $0.70 to $0.72 range on an average fare so for fiscal year 2022 assuming we get back to front door boarding, back to full fare enforcement, we have assumed then that average fare then goes back up, but not all the way to pre-pandemic levels so it's a little bit more conservative there.

On our federal revenues, no change on our standard revenue that we get for preventive maintenance, but as we mentioned at the study session, we do have the new CRRSAA funds and this is kind of the CARES Act 2 so we will be incorporating those. And I've got a slide on that or a couple of slides on that.

So, we received about $85.2 million coming to the Phoenix-Mesa urbanized area. That allocation process of taking that and distributing it out to the operators is happening through the MAG process. They will allocate those out on the next slide. Again, this is intended to support ongoing operations and support ongoing payroll costs related to operations. We realize it's one-time money and, you know, it was noted at the study session, we don't want to rely on one-time money for ongoing operations, but in this case, that is the intent from FTA is to have this one-time money to ensure that we can maintain service on the street.

I'm going to go back one. So, our estimate of how MAG may allocate those funds based on how they allocated the CARES funds. About $20.4 million for Valley Metro Rail, $19.8 million for Valley Metro RPTA. What we are doing to program for fiscal year 2022 and all this will be programmed for fiscal year 2022 not any used in fiscal year 2021. We're going to program about 90 percent of those amounts so we're going to hold back 10 percent. One, because we don't have the final amount because MAG won’t take it to regional council until the end of March so we won't know what those final allocations are, so we want to have a little buffer. But two, you know, we heard from the Board a couple of weeks ago that it would be important to hold back some of those funds in case there are unexpected expenses that come up that we don't know about.

So, that would give us approximately $2 million for each agency that we're holding back for anything that would be unexpected.

So, any questions or concerns about kind of what we're looking at for the CRRSAA funds, the federal funds for next year before I move on to talk about the Prop 400 funds?

Chair Arredondo-Savage said anyone? I don't hear anything, Paul, go ahead.

Mr. Hodgins said again, we presented this at the study session so just a quick reminder. Through the first six months of this year, we are well ahead of budget, well ahead of our fiscal year 2020 actuals. And those fiscal year 2020 actuals were all pre-pandemic so they don't include any impact from COVID in those and we're nearly $7 million ahead of budget through six months. With the additional stimulus funding through CRSAA and, you know, there's discussion in Congress about, potentially, another $1.9 trillion in stimulus, we feel comfortable that this trend will likely continue at least through the end of this year and into fiscal year 2022. So, as we look at -- actually, before I get there, next slide.

Just a to work through kind of what that trend is. So, if that trend continues for the first six months which given the additional stimulus, we believe is reasonable, we would end the year with about $178 million in Prop 400 revenues which is well above the official forecast and all of the alternate scenarios that we developed.

So, we feel comfortable that moving forward, you can go to the next slide, when we look at the fiscal year 2022 amounts in those different scenarios, that the scenario 1 which is a little more conservative than the ADOT forecast, is we feel that that is an appropriate scenario to move forward with. The $174 million revenue forecast is less than ADOT's forecast. It is less than we would collect in fiscal year 2021 assuming the trend continues. We feel that that is a conservative estimate to move forward with.

Are there any comments about PTF and kind of how we are moving forward on the scenarios?

Chair Arredondo-Savage said anybody have any comments? Thoughts?

Vice Mayor Stipp said just -- Paul, I know we have even had this discussion at our City Council level about really, I think, these unanticipated revenues being at the level that it is. Which, I think, if we all had bet money on it last year in March, we all would have lost big. But my question is in the event CARES money collectively, whatever that is, starts to dry up, go away, revenues don't rebound, what is the mechanism that you are going through on the finance side to buffer us, I guess, on the other side of this?

I agree with your assessment of, you know, we, obviously, don't want to use one-time money for ongoing things and that's what the CARES money was supposed to, you

know, split the difference for. But, at some point, the federal government is going to turn the spigot off and if we haven't returned to pre-pandemic levels on the revenue side but continue with pre-pandemic expenses. Can you walk us through just a little bit of without going through multiple budget scenarios, etc.? How does that look to you?
Mr. Hodgins said well, Vice Mayor, the first thing that I would say is that the trends we are seeing today really are pre-pandemic levels so if they continue then I don't think is a question as much of rebounding. I mean, the rebound has happened. We are seeing pre-pandemic level revenues right now. So, it's really what happens if that trend doesn't continue. With the additional stimulus we have, with the additional stimulus that Congress is discussing, I would see the trend continuing at least through probably fiscal year 2022. And when that stimulus dries up is really where the risk is that, I think, the revenues would start declining.

And so, when we are looking at our budget and we talked through a little bit kind of where the main expenses are in our operating budget at the study session. You know, 85% is focused on service. A large chunk is focused on our regional services such as our call center, the website, the marketing that supports service. When we look at kind of our administrative costs, our planning costs, it's a fairly small amount in the scheme of things, but as we budget in fiscal year 2022 and moving forward, we are going to try to remain very conservative with those, but should revenues decline, that's not an area that we can just simply trim and meet any declining revenues. So, we would have to look at service reductions. We would have to look at eliminating service and that's part of the contingency planning we are doing right now.

We are identifying specific routes where we would cut service. Where we would eliminate trips, where we would pull back, you know, our service span, early morning, late night trips. So, we will have kind of those identified and sitting off to the side so that if those revenues do start to decline that we would have plan in place to trim our internal administrative costs, but then also to look at what services we would have to eliminate to meet any declining revenues.

Vice Mayor Stipp said okay, so just to summarize what I think I heard. Obviously, the plan is not to, and forgive me for oversimplifying it, is really not to address it in 2022 which I kind of get, but really for late 2022, 2023, 2024 if those revenues don't rebound and the federal stimulus dries up then you will have sitting in a box somewhere these service reductions. Is that?

Mr. Hodgins said yes, basically. Certainly, if at any point during fiscal year 2022, if revenues start to decline, you know, we could certainly address it during fiscal year 2022 if we had to. But –

Vice Mayor Stipp said is that box going to contain only service reduction options or are there administrative options in there as well?

Mr. Hodgins said we will have administrative options as well. But my only point was if revenues decline drastically, we would not be able to address that just with the administrative reductions. We would have to –

Vice Mayor Stipp said oh, yeah. I totally get that. It's like, you know, it's like the expenses. Most of them are in employee expenses. You can't not address everything without cutting employee, I mean, I get that so. I appreciate the extra work. I know it's been stressful because of the pressure that we have put on, but understanding that I think we are all wearing multiple hats on this end of the boardroom and it's been difficult to try to safeguard it while at the same time some of us seeing that same reality of these revenues are just coming in much higher than we thought. So, I think ensuring that we have a plan and being able to produce a glimpse of it upon request will be important so thanks for the work.

Mr. Smith said Madame Chair, if I could add something to that. One of the complexities that we have -- this is Scott by the way. One of the complexities that we do have is that I think, as we have talked about in the past, the majority of our funding for the routes comes -- is a bottom-up approach. It comes from the cities. And so, a lot of discussions overall as far as service levels and what routes we would eliminate are in many ways are not defined at this level as much as they might be defined by cities who come to us and say, I have my own budget issues. I either can or cannot pay for this service.

So, we have to blend the regionally funded routes in what we -- what is impacted by our revenue, Prop 400, PTF funds that come in with the services we provide. And I think there is only six or seven routes that we pay for completely with regional funds other than local routes. All the other routes we have are either completely paid for by cities or are a blend of regional and city funding. So, as we look to these service cuts we are talking constantly with our city, your city staff, to try and figure out where the cites are at because this is going to be a combination of the bottom up cities desire and request on certain funding levels and our down, regionally down, as to what we have available to fund and those two will meet in the middle. But the majority of funding comes from the cities.

The other thing that factors into this is those CARES money don't stay at Valley Metro, they go back -- they go through to each of your cities through the intergovernmental agreements that we have. So, for example, if the City of Goodyear were going to buy $100 worth of services from Valley Metro this year for their portion of transit and we received CARES 2 money that would equate to $25 worth of subsidy that money goes back to you so that the City of Goodyear would only have to pay us $75 not $100. We would continue to provide $100 of service, but you would only have to pay us $75. So, a lot of the ability to go forward is also dependent upon each individual city and what they do with that credit, that windfall that they would receive because they no longer have to pay as much for transit as they did.

So, we are trying to bring all these factors together to come up with a plan and a contingency as Paul said that we can put off to the side recognizing that that could change. Because individual cities could come to us as they have and say, I either don't want to cut this service or I need to cut this service. And then we need to put that in and try to mold it and balance it out with all the regional impacts. I hope that clarified and didn't confuse the issue anymore. But Paul and Tyler, they do an amazing job of balancing these out and trying to look at the deck which is constantly shifting on them. But that's just to give you an idea. It's not quite as simple as just saying, oh, we are going to cut 15%, here are the routes. It becomes much more complex than that because of the interactions between us and your individual cities.

Vice Mayor Stipp said no, Scott, I think that was pretty clear throughout our conversations in the fall. It's just, you know, as we are -- as we are sitting here and I am staring at the screen with, you know, $175 million revenue forecast understanding how that gets peanut buttered out to everybody I get that. But I think we have this responsibility to the region for those that don't sit here and don't necessarily understand that. And a lot of the costs on that administrative side are the things that we do have control over so I think we would not be doing a service if we did not at least discuss how that was going to happen.

I have always appreciated Paul's input and I understand it and I don't have a problem with that and I'm pretty sure everybody on AFS does too. It's the other 14 members of the Board that may struggle with it, but I think we are all swimming in the same stream here.

Mr. Smith said great. And we appreciate that. Thank you.

Chair Arredondo-Savage said anybody else comments or thoughts? You know what? I just want to say, you know, Bill, I appreciate you bringing that up and trying to simplify things a little bit. I always kind of worry too like about the end game and I certainly don't want, you know, our expenses to outpace our revenues. And I think that the stimulus money is great, I just don't want that to be any false security when we do come out of it and those stimulus monies go away and what that looks like.

And, Scott, I do appreciate what you said too because, you know, Tempe obviously, has a lot more challenges in the sense of how many dollars we spend locally. And, you know, we are looking at service reductions right now. We have already, you know, submitted recommendations for service cuts and those do include the PTF-eligible routes. So, you know, from our perspective, you have got to be able to put that all together to come out with a comprehensive plan because we just are not in the same situation because we do so much of our local funding, you know, for transportation also, but even though we are just one city, with one cog, it certainly has an impact in the entire region. So, it's really important that we continue to take everybody's situation into account. So, I appreciate you bringing that up.

Is there anybody else that has anything that they wanted to add, in regard to the PTF forecast?

Councilmember Tolmachoff said the outlook is promising and that's great, but PTF is only, you know, I mean, it's a big source of revenue for, but it's only -- it's one revenue stream. We have other revenue streams. Cities have routes that are city-funded and then we also have, and I know we had this discussion as a Board a few weeks ago is fares. And we don't have any idea what the, you know, how that is going to recover whether people -- we are going to have a huge population of people who remain, you know, working from home, you know, you know, I'm sure a good portion of those people are or were transit users.

So, I mean, this recovery of and even for -- for entertainment, you know, how long is it going to take before people are willing to go, , hop on the light rail to go to a concert. Are they going to be more comfortable -- there is still a lot unknown. This -- and I appreciate the information, but PTF is only one revenue stream.

So, fiscal restraint is, I think, the mantra and I know we have said it at Audit and Finance, you know, for a while now. Is that there is still a lot of unknown about, you know, how this -- how this is all going to end and where we are going to be at revenue-wise when it does. Are we going to be able to recover, you know, completely and have all of the revenue streams recover like they were before the pandemic?

Chair Arredondo-Savage said I agree with that, Lauren, that's a really good point. And I think we said it in our last conversation about bus advertising that we need to be maximizing all of our revenues and fares is one of those too. So, we just cannot depend on this, this is just one piece of that so more important.

Mayor Gallego said I would just say that fare box recovery is a metric that we look at in the City of Phoenix. I look at this differently than our CEO. I would not use the word windfall. We have to be very careful with how we manage taxpayer funds when we are looking at data like you just showed us with $0.13 per average fare. That is a hit to our system. The federal government is partnering with us to get through a difficult time, but I would look at ridership trends, fare box recovery, and others and I'm not sure windfall is a word I would choose to use.

Chair Arredondo-Savage said understood. Thank you, ma'am. I agree. Anybody else? Franky? Do you have anything you wanted to add? Bill? Lauren? We are good?

Mr. Hodgins said thank you. I, certainly, appreciate the comments. We are concerned as well about ridership recover and the fare revenues so we -- you will see fare revenue estimate that is a little more conservative than what we came up with in October. So, what you see next month will be a lower amount there. We do have ridership recovery plan that we are working on so we hope to get revenue or, excuse me, ridership and subsequently, fare revenues back, but certainly, through next year, we will have to

monitor the progress and really get that ridership recovery plan in gear. So, thank you for those comments. Appreciate it.

So, the next slide just kind of shows some of the service levels. We did make some changes, some updates based on feedback from your staff through the Financial Working Group. So, we have updated those miles, revenue miles, that we use in the -- for the budget. I don't want to go into too much detail, but again -- you can go to the next slide.

So, again, kind of back to our contingency plans. The scenario 1 is kind of what we are using as our base. I just wanted to maybe give a little more detail about what this means. So, when we talk about deferring improvements. So, there are in the short-range transit program that exists, some improvements that were scheduled to be made next year. You know, for instance, a couple of routes in Scottsdale that we wanted to match the service levels that are in Phoenix. The revenue forecast in scenario 1 would not allow us to make those improvements. There are also some locally funded services for Prop 400 routes, routes that were identified on the Prop 400 map that were scheduled to become -- convert to regionally funded service. We have one of those in fiscal year 2022. We have several in fiscal year 2023.

They affect, you know, Mesa, Glendale, Peoria. So, this revenue forecast would not allow us to make any of those changes. We could only really fund the level of service that we have right now.

Moving on to the real contingency plan -- no, sorry, not moving on to slide. That scenario 2 where if revenues really start declining then not only would we not be able to make those changes that I just mentioned, you know, funding changes, any improvements, but we would, actually, be cutting the 30% of what the region funds, the PTF funds. We would have to cut up to 15% of those. That is eliminating actual service on the street today. So -- and that is scenario 2, those service cuts. Those are the ones we are identifying right now. We will kind of have in that box that we talked about that will have a specific list of what routes would be cut if revenues decline.

So, I just wanted to give a little more, you know, we kind of gloss over this slide the last couple of times we went through it, but just a little more context on how this impacts the cities.

So, moving on, you know, not really any change here. We will just kind of glide through these. We have our rates set for the East Valley contract through fiscal year 2023. Our West Valley contract on the next slide, as I mentioned, we have -- sorry, we have to catch up a little bit. We have a 10-year contract with TotalRide so our rates are set there.

We will just move through these really quickly. These are all -- nothing's really changed from what you saw at the study session. Our fuel prices are fairly stable. We are,

primarily, natural gas which are really stable right now. We have some additional costs for facilities and facilities maintenance. There is some improvements at the Tempe facility that will be happening, some additional state of good repair maintenance costs that you will see in the budget. And then, again, our demand rates, you know, these are the contract rates that are set. Beyond fiscal year 2023, we will have new contract in place that we are working with your staff to develop right now.

So, no real changes from what you saw on this slide at last and the last slide there really is the -- you can move on to the next one. Just that ridership recover plan that I mentioned, you know, we will be moving into that in full swing in fiscal '22. We have already started that front door boarding, hopefully, we will get to by June or July. That's RPTA in a nutshell. I really appreciate the discussion. I appreciate the comments from all of the AFS members particularly around fares and the PTF and the how we move forward. If there aren't any other questions about RPTA, we will move on talk a little bit about some of the VMR costs or key assumptions.

Madam Chair said anyone? Go ahead, Paul.

Mr. Hodgins said thank you. So, moving on the Valley Metro Rail. Again, kind of same format we are looking at our revenue forecast. Fares, our average fare for rail has been -- is a little bit hire higher than we saw on the bus side. We are at $0.13 per boarding on the bus for RPTA, we are about $0.24 on Valley Metro Rail because we still have security officers out looking at fares. They are doing visual enforcement. They're not actually handling fares, but we still do have some level of enforcement there.

Moving into fiscal year 2022. We do see that increasing, but certainly, not back to the level where we were pre-pandemic. Again, the addition of CRRSAA funds, the CARES Act 2 funds for fiscal year 2022. No change to our assumption on advertising. It's going to be fairly conservative given the environment that we are in.

Again, just on the slide on the fare revenues, you know, we're looking at a slight increase in our average fare, but based on, you know, some of the conversation we had at the Board study session, we're looking at ridership -- we're projecting now for the budget for ridership to be flat and not -- we're not budgeting for an increase, obviously, our ridership recovery plan will be in place and we hope to get an increase, but for budget purposes we're going to keep it flat from current levels just to not be overly optimistic.

Again, the CRRSAA allocations, this is how the roughly $20 million that we believe will be allocated to Valley Metro Rail would be allocated to each of the member cities. As I mentioned though, we're only going to program 90 percent of those. We will hold back 10 percent about $2 million for anything unforeseen. If we don't need it then, certainly, it would get applied against the operating costs in fiscal year 2022 for the members.

Again, no real change here. Streetcar operations, we do need some additional staff for maintenance. The operators and supervisors will come from our current ACI contract, the same contract that provides our operators and supervisors for light rail. Looking at a, right now, an October revenue start date, but we continue to work with our vehicle Brookville to -- they have had a lot of delays due to COVID and the pandemic and their supply of parts to build the vehicles so we are continuing to work with them to refine what that date might be. And as we have talked kind of free fares for a certain amount of time as we work through the new fare collection system and how that works with Tempe streetcar.

A couple of changes to our assumptions on the rail transportation costs. Our rail operator, ACI, we had a 6 percent in our preliminary budget, we have refined that down to 4 percent so a little bit lower there for those costs. Contingency, our preliminary budget, we do have a much higher amount just because it's so early in the process, but at this point, we have reduced that down to less than 1 percent. So, you will see a much lower number on the contingency, lower overall budget for rail transportation as a result.

And then just a couple of minor updates on some of the state of good repair, those major maintenance items, some water fountains and batteries at our traction power substations need to be replaced. So, you will actually see that on a Board meeting soon determine for those batteries so what we're looking at for some of our capital improvement programs.

So, in a nutshell that's kind of the basis of what's going into our Valley Metro Rail budget. Again, when we present the actual budget next month, we will talk through what any of the increases that are beyond some of kind of what we presented here and provide some rational there.

Any questions on any of those assumptions on Valley Metro Rail?

Vice Mayor Stipp said I realize I'm not a rail person, but I do have just an observation and it maybe because I'm sitting, you know, 20,000 feet away looking at this, but between these slides and then the second quarter review, it makes you wonder and, again, not being a member city so I am not intimate on the details, but it appears and we're going to reach a point that something isn't sustainable. Either the revenue source or the expenditures on operating rail is going to -- those two things are going to cross at one point. Have the Valley Metro and the rail cities, are you -- you guys monitoring that? Is there some concern? And, again, I'm seeing it so far away without many details, but it doesn't appear to be sustainable in to well in the future anyway. Can you talk to that, Paul, or? Is that a side bar conversation?

Mr. Hodgins said well, I think, we've certainly had that conversation, you know, Tempe, in particular, has expressed some concern about rising costs, but, you know, all of the cities -- we have that conversation ongoing. As you know, the rail operations are one

hundred percent funded by the cities. You know, we are not always privy to what their revenue forecasts are or what else they -- the cities spend their transit fund on. And so we, certainly, try to work with the cities to come up with budgets that are reasonable. We try to come up with budgets that meet their expectations for service. That meet their expectations for maintenance, you know, making sure that we are maintaining the fleet and maintaining the infrastructure to provide good service, but, you know, we do try to work with the cities the best we can to ensure that, you know, the service is affordable.

The one area that is the biggest concern for me is state of good repair this ongoing, you know, major overhauls that we may have on the system especially the infrastructure, stations, track work, special track work, our overhead power system. You know, that's really, I think, where the big crunch is going to come where there is going to be some demands for resources to do those major overhauls on the infrastructure and that would be my biggest concern. I know that the cites do have concern about the ongoing year-to-year maintenance, but I would probably defer some of that to the rail cities on whether they believe it is manageable within their fund.

Chair Arredondo-Savage said thank you, Paul. I throw it over to the other cities first. Mayor Gallego?

Councilmember Heredia? Did you want to respond at all? Okay. I will go. Are you there, Franky? Sorry. I don't want to step on anybody's toes. You know what? I will just go ahead and say a couple things. I mean, Bill, I would just say, thank you for noticing that. I think that is one thing that we have continued to talk about at least from Tempe's perspective of our concerns. I mean, over just the last year the overall rail increase was like 12%. That's a lot. That's a lot of dollars to anticipate especially in the middle of a pandemic so, absolutely, we are very concerned. The City of Tempe is already, you know, taking deep service cuts so we are pretty much doing everything that we can to continue the best service for our residents and throughout the region. But it is very concerning to us that these costs continue to increase where we just don't think our revenues are going to meet or match it like you said earlier.

So and I would say this, Paul, I would hope that the City of Tempe is not giving, I mean, that they are giving you the information that you ask for because I will say that we are probably one of the most transparent cities in when it comes to involvement with our community and feedback from our community. So, if you are not getting information that you believe that you need to have then please let me know because I really do find that hard to believe. I think that we try to voice our concerns in regard to the budget and some of those rail increases and us being able to meet that demand once we come out of the pandemic and what that possibly is going to look like. So, if there is something that I need to relay, please let me know and I am more than happy to do that.

But I, obviously, am not the only rail city and every city, you know, has different experiences so I don't know Mayor Gallego if you are there or Councilmember Heredia?

Councilmember Heredia said I agree. I think, you know, looking at the ongoing costs on operations is just trying to meet those costs. And as the system grows, I think it benefits out residents, but we have to make sure we keep on maintaining and I know costs will continue as our system grows into parts of the Valley and, hopefully, we can meet the demands needed but yeah. I think, you know, these dips in our system makes it, you know, concerning in how we, you know, price those out to the future. You know, we have been blessed to have some funds from the federal government that has provided some easement to as far as how we move forward, but I don't think these funds will last; right? And so if -- we are always monitoring because it comes from our general fund, most of our operations especially on light rail. And so, we, definitely, are concerned and, as Paul mentioned, when these big improvements happen as far as maintenance, you know, that additionally adds to the constraints that we sometimes have in our budget process moving forward.

Mayor Gallego said I, certainly, agree and as we ask our voters to support the extension of Prop 400, we will be asked what we are doing to control costs and prudent financial management strategies and it's valuable that we have good answers to those questions and are careful so.

Madam Chair said that's a good point and I agree. Okay, Paul. Back to you. Hopefully, that –

Mr. Hodgins said that was all for that item, Madam Chair. And you -- if you are ready to move on we have a report on our second quarter budget to actuals that I will ask our budget manager, Tyler Olson, to walk through because you are probably tired of listening to my voice.

This item was presented for information only.

9. <u>FY21 2nd Quarter Budget Review</u>

Mr. Olson said I am happy to walk you through our actuals through second quarter today starting with RPTA.

So here is a view of total operating sources. Since we are in our second quarter, our target would be 50% variance versus the annual budget. Overall, we have collected 53% of our planned funds. We are still below plan, as we mentioned, on fare revenues at 33%, however, we do have CARES monies in place that will fund that short fall so member cities are not affected. We are hopeful that with the install of the operator barriers and the return to front-door boarding, we will see a positive impact on this fare recover on the bus side.

We are slightly ahead of schedule on the CARES draw downs, pulling those monies down as fast as possible. PTF is ahead of plan at 64%. As we mentioned, we have had some positive year-to-date growth first plan.

Taking a look at sources of funds for our capital program. Revenues do tend to lag behind since they are on a reimbursement basis, so we do expect those to catch up as we approach the end of the year. Total sources of funds are at $122.7 million which includes the VMR passthroughs.

Moving on to expenditures. On the operations side of things, we are at 42% to date spent. You can see there are significant savings in regional services and administrative areas which I will get in further detail in the coming slides.

Overall, for fixed route, we are at 44% to date with operations services and facilities maintenance being slightly below plan. The administrative support is higher than year-to-date. I want to note that this, primarily, due to additional cleanings, fogging, sanitizing by our fixed route contractor as a result of the pandemic. These costs were not budgeted for in FY21 and we do have CARES monies in place to fund those. But I will note that really these costs should be included in the operation services line so we will be sure to correct that on future reports.

As far as paratransit operations, they are coming in around 35%. Of course, that is primarily due to the reduced number of trips that have occurred.

Moving on to regional services. This program includes regional support items like customer service, marketing, mobility services. We are at 38% to date. Operations services also include trips made to mobility center and ADA certification and so obviously, you know, there has been less activity, less ridership in demand services so that is down a bit. Administrative support is down due to savings from office improvements that were planned at the Mobility Center building.

Moving on to planning. They are at 47% to date. You can see a bit of a shift in efforts from plan since we have been putting more emphasis on systems development for some of the service planning that Paul mentioned. However, collectively this area is still within budget.

We have significant underrun in administration and finance. This can be attributed to savings in categories such as furniture and office reconfigurations, travel and meetings, training seminars, office supplies. Commute Solutions, they are looking good. They are 100% grant funded or I should say mostly grant funded coming in right at 42% and then van pool is right on track.

So, excluding the passthrough funds for VMR, RPTA has spent 11% to date on the capital program. Again, you know, all this work is really based on timing so we should see some of those expenses catch up toward the second half of the year.

Were there any questions on RPTA expenditures before we move on to Valley Metro Rail?

Chair Arredondo-Savage said I don't hear any, Tyler. Go ahead.

Mr. Olson said thank you. overall, our sources of funds for operating are at 35% year-to-date. I will note that member city contributions are billed upfront so we are a little ahead of plan at 58%, however, we will be right on target by the end of the year.
On the capital side of things. Really these funding sources, again, kind of lag based on construction projects. Our three biggest projects, right now, being South Central Extension, Northwest Phase II, and Tempe Streetcar so we have only collected 19% year-to-date. Federal funds, you can see, are under plan quite a bit year-to-date although we did recently receive the South Central grant extension, actually, just last month so we expect to see some significant drawdowns of those federal monies after the third quarter.

Getting into the operating expenses. We are at $28.7 million to date so far or 40% of the annual budget and I will get into each of these areas on the coming slides.

On the capital side of things, 23% so far, however, we really anticipate these expenses to ramp up over the next six months. I will say, particularly, for South Central/Downtown Hub and Northwest Phase II. Construction on the Downtown Hub has been ahead of plan really due to the significantly less traffic and activity downtown due to the pandemic so expect those to ramp up as we approach end of the year.

For light rail operations, we are currently at $20.7 million year-to-date. Operations itself is favorable at 45%. The majority of this line is for our transportation contractor. As you know, we have been running 15 minutes headways versus the 12 minutes planned and so that is creating some of that underrun you are seeing. Security is right on target at 50% although we are currently operating less frequent headways, we have not pulled back any of the planned security effort for that service.

Future project development is at $3.2 million so a little behind schedule on that at 27%. And then agency operating, we are seeing some underruns due to less travel and some other administrative expenses, we are at 36%.

Were there any further questions on Valley Metro Rail budget expenditures?

Mayor Gallego said I would like to just see some options for five percent and ten percent budget cuts without decreasing ridership. I mean, cities need to budget certainty and to control costs for our own budgeting and, obviously, we are looking at ridership and fare recovery numbers.

Madam Chair said all right. Mayor Gallego, did you say that you wanted to be outside of service cuts? Is that what I heard?

Mayor Gallego said without service cuts, I would like to see some options for budget reductions of five percent and for ten percent, what those options are for the Board.

Madam Chair said good idea. Thank you. Anybody else?

Vice Mayor Stipp said Tyler, I am not sure what the next series of slides are, but in our packet following those PowerPoint slides, were the actual report of the second quarter. I am assuming that you are not running through all of those. Is that correct?

Mr. Hodgins said that is correct. That was lots of detail for you to absorb. The PowerPoint was more of a high level, but we can, certainly, answer any questions you have on it.

Vice Mayor Stipp said okay. So, I have got a few and they are -- I am going to go by page number because I think you should have the same page number as well. So, page 4, fixed route operations, looks like this. Okay.

Contractual services is at 331% on administrative support. Now, I don't need answers to them today if you do not have them off the top of your head, but I think if we are 300% over budget at the end of the second quarter, we probably ought to have the detail on that.

Mr. Olson said Vice Mayor, thank you for the input and the question on the handout. I do have an answer for that. So, we actually have the cleaning costs for our fixed route contractors in that line item.

I had mentioned it earlier in the PowerPoint and I probably wasn't clear enough that that was a coding mistake. So, the majority of those costs, I want to say it is probably around $600,000, at least, I think higher than that, are actually going to be reprogrammed into the more accurate category of operation services under transit services.

Vice Mayor Stipp said okay. Is -- and can we get an asterisk and a line on that because those are clearly COVID-related expenses that are not normal, if that's possible.
Tyler said sure. Absolutely.

Vice Mayor Stipp said next question is on page 6, under planning. And I thought you talked about it, but I don't know that it clicked. Under systems development, we are 96% on personal services and allocated overhead is 75% expended.

Mr. Olson said yes, Vice Mayor. So, systems development really encompasses our Service Planning Group and with, you know, obviously, a lot of the uncertainty and, you

know, the level of detail that we are needing to review all these routes and services, we have applied some additional effort in that group. It is really a shift from corridor and facility planning. You can see that they are in total at 31% so we are under-running there in order to put some additional effort on the service planning side of things in systems development.

Vice Mayor Stipp said okay. Great. Page 7 and this is -- I am clearly nitpicking the daylights out of it, but we are 84% on supplies under administrative support. If we haven't been working in the office, what are we spending money on supplies for? And especially at $469,000.

Mr. Olson said Vice Mayor, that is a great question. I don't know that one off the top of my head. I apologize, but I can, certainly, look into it.

Vice Mayor Stipp said no, I am glad you don't. And then, finally, on page 9, regional facilities and administration, we are at 81% already and, again, that is $3.3 million. And we had this discussion earlier about watching administrative costs and some of these are -- they are, certainly, eye catching.

Mr. Hodgins said Vice Mayor, if I could address that. A lot of these, many of these costs are, you know, the capital-related are based on timing. I mean, we could, certainly, look at the specific detail of what goes into that, but I would think that most of those costs were just incurred in the first half of the year as opposed to an operating cost that you would expect to see pace down over the 12 months. I do not believe we will go over budget in that category. It is just a matter of the timing that those expenses happen in the first half of the year, but we can, certainly, get you detail on what those are.

Vice Mayor Stipp said well, I think just keeping an eye on it. Maybe someone else wants the detail, but -- because I totally get that too. If we spend it all upfront, there is no expense the rest of the year. It just caught my eye at $3.3 million at this point. I know overall the budget is under, but, again, I just trying to do some due diligence and, of course, I have nothing else to do so you get the benefit from that.

Mr. Hodgins said well, we can certainly look at what's planned, if anything, for the rest of the year and be sure that we are not going to be significantly over budget there. We will take a look at that.

Vice Mayor Stipp said I appreciate it. Thanks so much. Thanks for the time, Madam Chair.

Madam Chair said you got it. Is there anybody else that had any comments? No. Everybody good?

Mr. Hodgins said Madam Chair, if I could? I was a little bit remiss earlier. I meant to introduce our new controller.

You have not met her. So, I just wanted to let you know that Liz Rozzell is our new controller. She has been with us for a few months now and just wanted to give her an opportunity to say, hi so you can meet her.

Ms. Rozzell said thank you, Paul. Madam Chair, I appreciate the opportunity and I am thrilled to be at Valley Metro, so I am very much enjoying the environment and thank you for the opportunity.

Mr. Hodgins said it has been a trial by fire for her. We hired her and immediately had her in charge of our ERP/EAM implementation, so she has had to learn the business quickly.

Chair Arredondo-Savage said understood. Liz, welcome. Thank you so much. We appreciate you being here. Welcome to Valley Metro. Very nice. Okay. Are we done then on 9, Tyler and Paul?

Ms. Rozzell said thank you.

Mr. Hodgins said yes.

10. Future Agenda Items

Chair Arredondo-Savage said I just want to say, thanks to Pat because, you know, I always like to give her a hard time when we work on our agendas.

But one of the things I thought it would be important for us is to ensure that we are all on the same page with those items that we know are coming down the road. So, Pat and Stephanie kind of went through that for us to talk about some of those things and to put them on the actual agenda so you guys can see that. We just want to make sure that we are all on the same page. If we have missed something or maybe the dates are off whether we think something is a little more priority than others, let us know. But this is kind of a tentative look of some of those items that we have been wanting to get more information on and, hopefully, this is just a little bit clearer what we can see down the road.

All right, Pat. Did you have anything you wanted to add to that?

Ms. Dillon said no, ma'am.

Chair Arredondo-Savage said I did want to ask my colleagues. I thought there was some conversation at one point that we had about a market rate study for employees and, I guess, I got to go back and take a double, double look at that, but I thought that was something that we talked about. And I know that was a big discussion when we talked about some type of compensation pay and I do not really know where that landed. Does anybody remember any of that conversation at all? If not, that's okay. I can go back and look at the minutes. But I know we talked about it. It was either here

at the AFS or maybe the Board as a whole just to ensure that we were paying our employees fairly.

And, you know, I think it is good for us to know that. ll right. Nothing else?

Mayor Gallego said I would just love to see that budget control options on our next AFS Subcommittee.

Chair Arredondo-Savage said okay, yes, we will definitely add that. And, I guess, my -- you know, thank you, Mayor Gallego, for bringing that up. And I think what I have heard today, Paul. I certainly do appreciate the information and all of the data and I understand that the projected increases and the assumption presentation and all of the things that you brought to us seem fairly positive, but I think if you really listen to the Committee and some of the feedback that you have received, I think there is still a lot of concern and wanting to move forward very cautiously. And I think that we still have a lot of work to do just to make sure that we are addressing right strategies as we move forward.

I think Mayor Gallego brought up a really, good point about looking at scenarios with a 5 or 10% budget cuts that do not impact services. I think that is also one of the things that we need to do. I think that is important so, hopefully, we will be seeing that very soon.

And I think, Bill was talking about due diligence and we talk about taxpayer dollars and ensuring that we have your support now and in the future and in order for us to do that, we need to make sure that we are maximizing all of the revenues and reducing all of the costs that we possibly can so we need to be very consistent on that.

And I know, Paul, I feel like you have been giving us one message and I feel like we continue to push back with you just a little bit. So, hopefully, we can kind of understand each other and some of our concerns and our perspective on where we come from in the sense of not considering all of the stimulus money, the one-time money, being that windfall and I know that it has been mentioned before because I do not think any of us think of it that way.

So, hopefully, we can address some of these things in the very, near future and get through this pandemic the best that we possibly can with not having to eliminate services like, unfortunately, we are doing in the City of Tempe.

So, with that, is there anything else? Hopefully, I captured everything okay and we will be seeing some more information in the very near future.

Without further discussion, the meeting was adjourned at 1:36 p.m.

Information Summary

DATE **AGENDA ITEM 4**
February 25, 2021

SUBJECT
Internal Audit Update

PURPOSE
To update the Audit and Finance Subcommittee on current Internal Audit activities and external audits.

COST AND BUDGET
None

RECOMMENDATION
Item presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COMMITTEE ACTION
None

CONTACTS
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ATTACHMENT
None

Valley Metro
Audit and Finance Subcommittee
Internal Audit Update

March 2021

1

Update:

Fiscal Year 20/21 Audit Plan

Process	Status
Credit Card Transactions	02/23/2021 kick-off
Travel Expenses	02/23/2021 kick-off
Contract Mgmt.–Fare Inspection & Security Services	Reviewing Contract Docs
Contract Mgmt.–Rail Transportation Services	Reviewing Contract Docs
Mobility Center Cash Collection	Pending
Federal Grant Compliance	Pending
Special Projects	**Status**
External Audits:	
City of Phoenix – Vanpool Program.	Interviews 02/17/2021
AZ Auditor General – MAG RTP Audit.	Briefing meeting 02/18/2021
City of Phoenix – Contract Risk Assessment.	On-going quarterly meetings
ADOT – Rail Safety Audit. (Rail PTASP BoD Approved 10/22).	Submitted 12 of 38 CAPs for closure on 01/29/2021
Enterprise Resource Planning (ERP) System	Monitoring
Safety and Security Audits – ADOT 2020 ISSA Reviews	2020 reviews - Completed

2

2

Information Summary

DATE **AGENDA ITEM 5**
February 25, 2021

SUBJECT
Audit exceptions update

PURPOSE
Update the Audit and Finance Subcommittee on the progress of audit exceptions.

COST AND BUDGET
Funding for monitoring the progress of audit exceptions is included in the FY20/21 Valley Metro budget.

RECOMMENDATION
Items presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION
The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 2500 Monitoring Progress states:

> *The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.*

COMMITTEE ACTION
None

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ATTACHMENT
Audit exceptions log

Valley Metro
Audit and Finance Subcommittee
Audit Exception Log Summary

March 2021

1

Audit Exception Log Summary

- Six Open Recommendations
  - Four pending Travel & Credit Card Audits
    - Audit kicked-off 02/23/2021
  - One delayed – Oracle changes
  - One due by the end of FY20/21 – ERP/EAM System

2

2

Currently Being Reviewed:

Ref #	Management Response
1	Additional clarity is being added to the Travel Policy and procedures will be updated to ensure that travel documentation is proper and complete.
2	Annual refresher training will be provided to ensure compliance with the Travel Policy.
3	Management will revise the Credit Card policy to clarify that a management staff (Manager or Director level) must review and approve transactions. Finance staff will confirm that a management staff has approved the credit card packet and return unapproved packets to the cardholder.
4	Complete documentation for authorized travel or for local dining is the responsibility of the Travel Administrators as described in the Travel Policy, or the Controller (or designee) as described in the Local Dining Policy. Management will update the Local Dining Policy to clarify that standing committee meetings are exempt from the requirements.

3

3

Delayed:

Ref #	Management Action	Due Date	Responsible Parties	Current Actions
5	Performance Management Procedures	9/30	CAO and HR Director	Changes to the Oracle Perf. Mgmt. modular are delaying the final procedures. Expected completion early May 2021.

4

4

Future Due Date:

Ref #	Management Action	Due Date	Responsible Parties	Current Actions
6	Explore electronic form options for the Division Sponsored Professional Development form; a solution that includes a digital workflow approval process and payment through the Financial System.	6/30/2021	Learning & Development Manager and CFO	ERP Project kicked-off on 9/01/2020 and design meetings are on-going. Electronic forms and digital workflow processes will be considered within the scope of the project.

Valley Metro Internal Audit
Audit Exceptions Tracking Log
March 2021

Ref #	Finding Title	Department	Finding Description	Recommendations	Management Response	Report Date	Due Date	Responsible Party	AFS Notes
1	Travel Policy Clarification	Finance	The Travel policy: • Encourages individuals to stay at the conference or training host hotel site. If the host hotel nightly rate exceeds the GSA Lodging Rate Schedule, the excess host hotel rate is authorized. GSA §301-11.303 states: "The maximum amount that you may be reimbursed under actual expense is limited to 300 percent (rounded to the next higher dollar) of the applicable maximum per diem rate." 17 of 93 travel instances were identified where the daily rate for lodging was in excess of the GSA published rate but under the 300 percent cap. The rates ranged from $35 to over $100 per night above the allowed GSA rate. Total spending on lodging for travel during fiscal year 2017 was $59,551, of which a total of $2,539 was spent in excess of GSA	Management should align the Travel policy intent with associated forms and practices. If circumstances warrant travel to be completed in less than 21-day of the submission the Agency Travel, Conference and Out-of-County Training form, the policy should reflect such verbiage. The Travel Authorization form should be revised to include identification if the user is staying at the host hotel and the rate exceeds the GSA rate. Otherwise, revisions to verbiage related to "hotel expense are reimbursed up the to the maximum GSA hotel rate; and a traveler is responsible for the difference in the rates" should be considered. Further	Management concurs with the recommendation. Additional clarity is being added to the Travel Policy and procedures will be updated to ensure that documentation is proper and complete.	4/6/2018	05/31/2018	Chief Financial Officer	Pending Audit testing: 02/25/2021: Audit kicked-off on 02/23/2021 and testing will determine if CAP is addressed.
2	Travel Policy Exceptions	Finance	After reviewing 93 travel requests, 87 instances were in compliance. In six instances, documentation was insufficient to determine whether costs were appropriate. The six instances were: • One traveler requested to arrive at a more distant airport and rent a car to a different city where the conference was held. The traveler indicated on the Travel Authorization form the arrival city would be a savings. Additionally, a copy of the airfare cost comparison nor explanation was not included. Therefore evidence to verify the saving was not present. • One traveler used a more expensive vehicle option for transportation for a San Francisco hotel to the Oakland airport at the end of the conference. The cost was $96. An explanation as to why this vehicle was selected did not	Management should require travelers acknowledge review of the current Travel policy on an annual basis. Travel Administrators should document within the travel file any unusual requests for travel expenses and receive appropriate approval for such requests prior to booking. Travelers should be required to explain any unusual expenses incurred on the Expense form prior to being approved for reimbursement.	Management concurs with the recommendation. Annual refresher training will be provided to ensure compliance with the Travel Policy.	4/6/2018	05/31/2018	Chief Financial Officer	Pending Audit testing: 02/25/2021: Audit kicked-off on 02/23/2021 and testing will determine if CAP is addressed.
3	Policy Compliance – Documented Division Head Approvals Not Maintained	Finance & Procurement	Six cardholders did not have evidence of the Division Head's review/approval by means of a dated Division Head signature for 18 monthly credit card reconciliation packets. ▯ Four cardholders had sixteen credit card reconciliation packets that were not signed by the Division Head, but rather a Manager with no delegation of authority paperwork applicable ▯ One cardholder had one credit card reconciliation packet that did not have a Division Head signature. Although notations indicating the cardholder was no longer a Valley Metro employee, no Division Head review/approval signature was obtained ▯ One cardholder had one credit card reconciliation packet that did not have the required Audit and Finance Subcommittee	Management should expand the policy's training requirement beyond the cardholders to include applicable employees in the Agency's credit card transaction process. Additionally, management should include in the credit card transaction review process a method to track and return credit card packets to Division Heads who fail to complete all policy-required documentation.	Management disagrees with the recommendation. The intent of the credit card policy is to ensure that credit card transactions comply with the procurement policies and procedures. It is management's view that a cardholder's manager is responsible for reviewing and approving the cardholder's transactions. Management will revise the policy to clarify that a management staff (Manager or Director level) must review and approve transactions. Finance staff will confirm that a management staff has approved the credit card packet and return unapproved packets to the	2/21/2019	03/31/2019	Chief Financial Officer	Pending Audit testing: 02/25/2021: Audit kicked-off on 02/23/2021 and testing will determine if CAP is addressed.

Valley Metro Internal Audit
Audit Exceptions Tracking Log
March 2021

Ref #	Finding Title	Department	Finding Description	Recommendations	Management Response	Report Date	Due Date	Responsible Party	AFS Notes
4	Policy Compliance – Insufficient/Incomplete Documents within Cardholder Reconciliation Packets	Finance & Procurement	Credit card reconciliation packets were submitted and processed without all policy required signatures or documentation. One cardholder's Pre-Approval Local Dining and Refreshments form for a credit card transaction, totaling $113, was for a FTA meeting, did not have the CFO and CEO approval signatures, only the Division Head signature existed. Eight cardholders did not have the Pre-Approval Local Dining and Refreshments forms in their credit card reconciliation packets. Fifty-seven credit card transactions, totaling $16,237, were for committee/employee meetings and events. Evidence of a completed form could not be located. Although six cardholders obtained Pre-	Management should expand the cardholder's training requirements beyond the Credit Card, Acceptable Use policy to include other policies wherein credit card purchases maybe applicable, specifically the Agency Local Dining and Refreshments policy. Additionally, management should include in the credit card transaction review process a method to track and return credit card packets to Division Heads who fail to complete all policy-required documentation.	Management disagrees with the recommendation. Complete documentation for authorized travel or for local dining does not need to be included in the credit card packet, nor should the Credit Card Administrator review travel related charges to ensure that they are authorized. That is all the responsibility of the travel administrators as described in the travel policy, or the Controller as described in the Local Dining policy. Additionally, the Local Dining policy fails to acknowledge the accepted and longstanding practice of providing meals at Committee and Board meetings and inadvertently suggests	2/21/2019	04/30/2019	Chief Financial Officer	Pending Audit testing: 02/25/2021: Audit kicked-off on 02/23/2021 and testing will determine if CAP is addressed.
5	Established Performance Management Policies and Procedures Do Not Exist	Human Resources	Valley Metro does not have documented policies or procedures regarding performance management to address: • Job Descriptions (Creation, Minimum contents, Periodic reviews, Modifications) • Pay Ranges (Establishment, Evaluations and modifications, Guidance when an employee exceeds the range) • Performance Evaluations (Requirements to complete, Guidance for factors to consider, Timing, Documentation) • Performance Incentives (Reclassification, Market adjustments, Merit increases, Factors to consider, Necessary documentation)	Develop, document and implement comprehensive performance management policies and procedures.	Given that job descriptions and pay ranges are largely or entirely the responsibility of the HR Department, written HR procedures are more applicable for these topics than agency policies. In addition, steps will be taken to prevent the clerical error that resulted 17 merit increase forms being signed after the merit's implementation.	3/4/2020	9/30/2020	Human Resources Director & CAO	02/23/2021- Per the HR Director, procedures are pending final modifications to the Oracle Performance Management modular with an expected completion in early May 2021.
6	Process Efficiencies for Approving and Tracking Division Sponsored Development Opportunities	HR & Finance	Valley Metro's current systems do not support electronic request/approval/processing of professional development forms. Additionally, there is no electronic method to track and report, only the manually maintained Excel file. The professional development processes could be strengthened and more efficient if a centralized electronic approval and tracking system was utilized. This would allow, Divisions to enter and route their department's trainings for approvals and provide an electronic platform to track and report on the activities.	Valley Metro should include the electronic processing and tracking of Division Sponsored Development opportunities in the implementation of the new Enterprise Resource Planning (ERP) system or another electronic based workflow system.	Both Finance and HR concur with the recommendation. An electronic form that includes workflows would be more efficient than the current paper process. Action Plan: The Learning and Development Manager will work with Finance and IT to explore electronic form options for the Division Sponsored Professional Development form; a solution that includes a digital workflow approval process and payment through the Financial System.	4/2/2020	6/30/2021	Learning and Development Manager and CFO	Per the CFO, the ERP/EAM System project kicked-off 09/01/2020 and design meetings are on-going. Electronic forms and digital workflow processes will be considered within the scope of the project.

Information Summary

DATE **AGENDA ITEM 6**
February 25, 2021

SUBJECT
Valley Metro RPTA Fiscal Year 2022 (FY22) Preliminary Operating and Capital Budget

PURPOSE
To provide an overview of the FY22 Preliminary Operating and Capital Budget.

RECOMMENDATION
This item is presented for information.

BACKGROUND/DISCUSSION/CONSIDERATION
The Valley Metro Regional Public Transportation Authority (RPTA) FY22 combined operating and capital budget (the budget) is $343.7 million (M) and includes $88.7M of expenses for light rail/high capacity transit capital.

The preliminary FY22 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards and reserves when needed for capital projects. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on an accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

The RPTA budget includes a significant level of expenditures on behalf of Valley Metro Rail (VMR). RPTA is the official employer for all Valley Metro employees therefore all employee related expenses for VMR are include in the RPTA budget. VMR reimburses RPTA for its share of employee expenses. RPTA is also the recipient of all public transportation funds received from Proposition 400. Revenues to support the rail program are passed through to VMR on a reimbursement basis.

Public Transportation Fund (Prop 400) Revenues
The COVID-19 pandemic caused significant concern and uncertainty over the revenue forecast. To help plan for that uncertainty, staff developed three alternative forecast scenarios which are lower than the Arizona Department of Transportation (ADOT) Official Forecast, which is what Valley Metro has historically used for budget purposes. The

forecasts were developed in August 2020 and each anticipated a different level of impact to the revenues. ADOT updated its forecast in September 2020.

Fiscal Year	2020 Official Forecast	Scenario 1	Scenario 2	Scenario 3
2021	$170.82	$165.25	$158.48	$151.72
2022	$178.21	$173.94	$159.40	$144.70

The Audit and Finance Subcommittee has encouraged staff to be conservative amid the uncertainty. Staff has been using the Scenario 1 forecast to develop the base budget for FY22. Concurrently, planning staff has been working with the cities to develop contingency plans to meet Scenarios 2 and 3 revenues, to be implemented if necessary. Scenario 2 revenues were modeled based on how revenues were impacted post-9/11 and Scenario 3 revenues were modeled based on the impacts seen during the Great Recession. Staff is monitoring revenue trends through FY21 to guide which forecast will be used for the proposed budget to be presented in May for adoption.

Revenues through January 2021 are 8.4 percent, or $8.2 million, above budget. The current trend would result in revenues for the year being approximately $181 million, or $15 million above budget. If the current trend were to hold, the FY21 revenues would exceed all forecasts for FY21 revenues and would in fact exceed all FY22 forecasts. This continued trend, along with the prospect of additional economic stimulus from Congress, would allow a shift to the higher Official Forecast from ADOT for final budget adoption in May.

Local Revenues
Local revenues are a significant part of the regional transit system. Excluding fares and federal support, they account for approximately 70 percent of revenues for the system, with the remaining 30 percent from regional Prop 400 revenues. In Valley Metro's budget, local revenues support approximately 34 percent of fixed route and demand services.

Local revenues generally have shown a similar trend as Prop 400, with revenues in FY21 coming in above forecasted levels. However, there are some variations from city to city. For example, City of Phoenix T-2050 revenues are 7.2 percent above FY20 levels through December, but City of Tempe Transit Tax revenues are slightly, 0.2 percent, below FY20 levels. Valley Metro's service planning staff works closely with each city's transit staff to determine the service levels that Valley Metro operates on behalf of each city.

Budget Overview
The total operating budget of $211.8M, which includes pass-throughs, represents a $15.2M (8%) increase from the previous year's operating budget of $196.6M. The total capital budget of $131.9M, which includes pass-throughs, represents a $6.7M (5%) decrease from the previous year's capital budget of $138.6M.

The increases in the operating budget are primarily in the passenger services area, with net payments for demand services increasing the most as a result of decreased federal stimulus support. Specifically, Valley Metro reimburses Phoenix for ADA paratransit service

net of fares and federal support, so the FY22 amount reimbursed is higher since federal support is lower.

The revenue level forecasted in Scenario 1 does not require any cuts to Prop 400 funded fixed route service, but it does not allow for any increases in funding. The Short Range Transit Program included some improvements in Scottsdale on Phoenix operated routes to match service frequency in Phoenix. There is also a planned change in funding, from local to regional, planned for Mesa, Glendale and Peoria in the next 5 years. Therefore, the Scenario 1 forecast will have an impact on local budgets as a result. Should we shift to the ADOT official forecast these funding changes and service improvement commitments could be accommodated.

Valley Metro's regional services, planning, finance and administrative costs are also decreasing by 5 percent from FY21 budgeted levels.

The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY22 there are 451 employees budgeted in the integrated agency, with 246 FTE's budgeted to RPTA/Shared agency activities and 205 budgeted to VMR only activities.

COMMITTEE PROCESS
Preliminary Budget Review:
Financial Working Group: February 16, 2021 for information
TMC: March 3, 2021 for information
AFS: March 4, 2021 for information
Board of Directors: March 18, 2021 for information

Proposed Budget Adoption:
TMC: May 5, 2021 for action
AFS: May 6, 2021 for action
Board of Directors: May 20, 2021 for action

RECOMMENDATION
This item is presented for information.

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ATTACHMENT
None

RPTA

FY22 Preliminary Budget Overview

March 2021

1

Budget Development Progress

Committee/Boards/FWG	
Sep 15, 2020	Present Key Assumptions to FWG
Oct 15, 2020	Present Key Assumptions to AFS
February	Present annual budget to FWG
February	Present update of Key Assumptions to AFS
March	Present Annual Budgets to Committees/Boards for Info
March	Present 5-year plans to FWG
April	Present 5-year plans to AFS
May	Present Annual Budgets and 5-Year plans to Committees/Boards for action

2

2

PTF Forecasts

Fiscal Year	2020 ADOT Forecast	Scenario 1	Scenario 2	Scenario 3
2021	$170.82	$165.25	$158.48	$151.72
2022	$178.21	$173.94	$159.40	$144.70
2023	$188.53	$184.74	$163.50	$140.91
2024	$197.72	$196.11	$173.57	$143.00
2025	$207.98	$209.13	$185.09	$150.27
2026	$127.30	$130.41	$113.73	$92.52
TOTAL 22-26	$899.75	$894.33	$795.30	$671.40

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FY21 PTF Revenues

Month	FY 20 Actuals	FY 21 Budget	FY 21 Actuals	Budget Variance
July	13,247,508	13,572,827	14,716,415	1,143,588
August	13,123,348	13,095,124	14,644,448	1,549,324
September	13,343,646	13,372,281	14,439,173	1,066,892
October	13,174,681	13,343,325	14,728,743	1,385,418
November	13,846,014	13,615,463	14,378,010	762,547
December	14,071,530	13,902,679	14,886,458	983,779
January	16,332,324	16,089,598	17,379,249	1,289,651
Totals YTD	$97,139,051	$96,991,297	$105,172,496	$8,181,199
Totals Fiscal Year	$163,533,938	$166,800,000		

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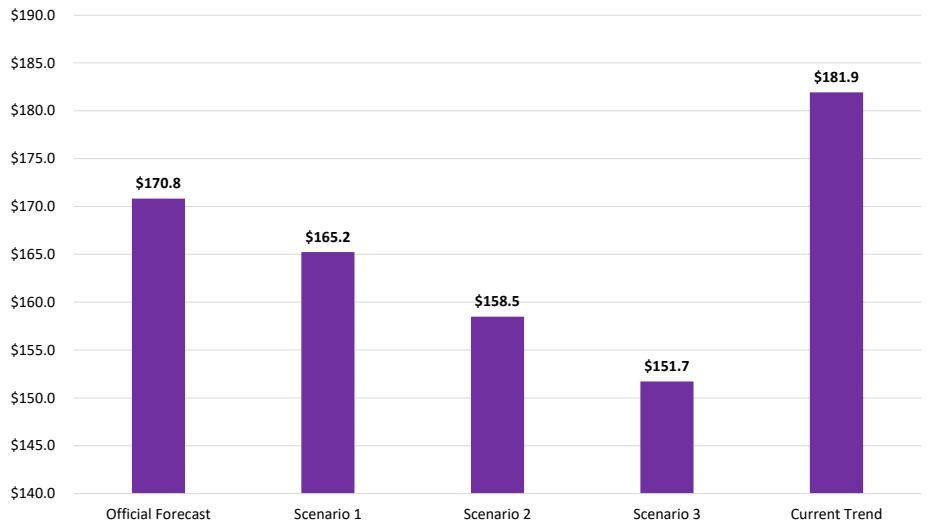
FY21 PTF Trend



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PTF Forecasts

FY22 Budget

Agency	FY20 Actual	FY21 Budget	Scenario 1	Scenario 2	Scenario 3
RPTA	$92.8	$94.7	$98.7	$90.5	$82.1
VMR	$70.7	$72.1	$75.2	$68.9	$62.6
Total	**$163.5**	**$166.8**	**$173.9**	**$159.4**	**$144.7**

ADOT Forecast *$178.2*

-2%

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Service Contingency Plans

- Scenario 1 – defer SRTP improvements beyond prop 400
- Scenario 2 – 15% services/operations cut and 5% cuts to fleet, regional services, and mobility services
- Scenario 3 – 30% services/operations cut and 10% cuts to fleet, regional services, and mobility services

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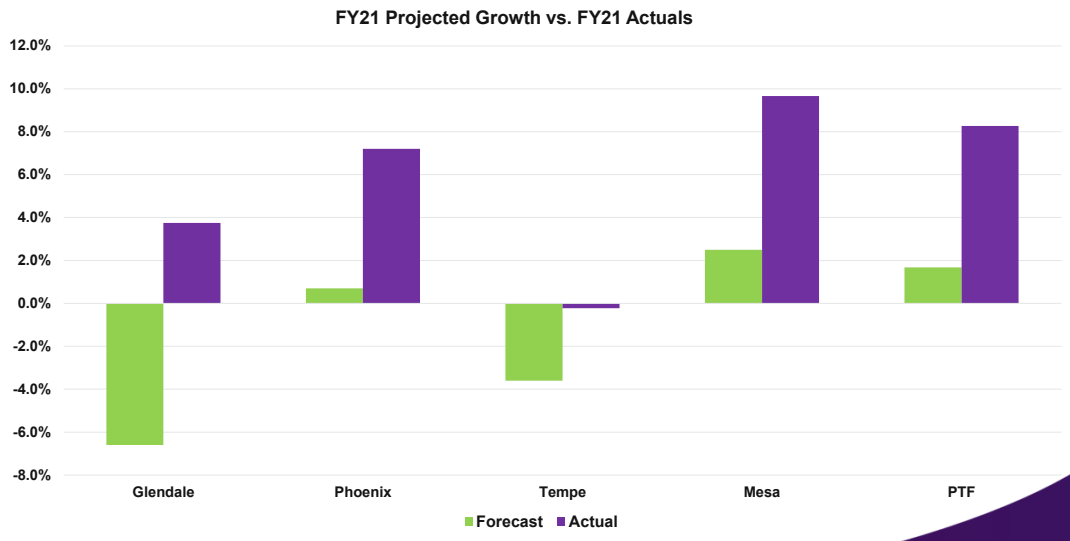
FY21 Local Revenue Trends



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Key Assumptions and Feedback

- **Conservative approach for revenues**
  - PTF – Scenario 1, more conservative than official ADOT Forecast
  - Ridership – Assume flat based on current (COVID) ridership levels
  - Fares – 34% of Pre-COVID levels
- **Additional relief funding program - CRRSAA**
  - Coronavirus Response and Relief Supplemental Appropriations Act
  - Appx $20M available for RPTA – Final amounts TBD by MAG
- **Return to front door boardings – regional operator barriers installation completed by June**

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Base Service Levels

	Locally Funded Service			PTF Funded Service			
Contractor	Circulator	Express	Local	Circulator	Express	Local	Total Revenue Miles
Phoenix	-	-	-	-	-	1,669,890	1,669,890
First Transit	1,645,270	41,749	4,000,181	-	433,855	5,469,831	11,590,886
Total Ride	806,329	27,563	-	-	225,522	-	1,059,414
Total	**2,451,599**	**69,312**	**4,000,181**	**-**	**659,377**	**7,139,721**	**14,320,190**

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Baseline: RPTA Operations

	FY20 Actual	FY21	FY22
BUS OPERATIONS			
Passenger boardings	11,127,000	3,501,000	5,557,000
Service miles delivered-RPTA operated	12,548,000	13,050,000	12,650,000
Gross Operating Costs	$ 85,846,000	$ 90,017,000	$ 92,412,000
Fare Revenues	$ 6,386,000	$ 2,179,000	$ 2,829,000
Fare Recovery	7%	2%	3%
Average Fare	$ 0.57	$ 0.62	$ 0.51

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Baseline: RPTA Operations

	FY20 Actual	FY21	FY22
PARATRANSIT OPERATIONS			
Trips	361,000	433,000	420,000
Gross Operating Costs	$ 19,684,000	$ 20,789,000	$ 20,597,000
Fare Revenues	$ 1,361,000	$ 1,768,000	$ 1,653,000
Fare Recovery	7%	9%	8%
Cost per Trip	$ 54.53	$ 48.01	$ 49.04
Average Fare per trip	$ 3.77	$ 4.08	$ 3.94

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Baseline: RPTA Operations

	FY20 Actual	FY21	FY22
RIDECHOICE OPERATIONS			
Trips	159,000	246,000	191,000
Gross Operating Costs	$ 3,682,000	$ 3,944,000	$ 3,524,000
Fare Revenues	$ 532,000	$ 798,000	$ 626,000
Fare Recovery	14%	20%	18%
Cost per Trip	$ 23.16	$ 16.03	$ 18.45
Average Fare per trip	$ 3.35	$ 3.24	$ 3.28

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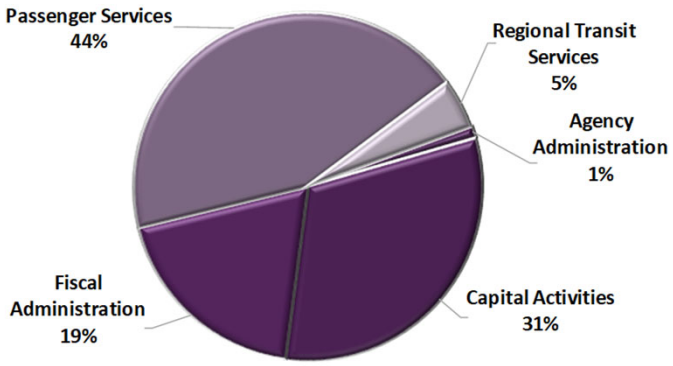
Uses of Funds: Operating & Capital



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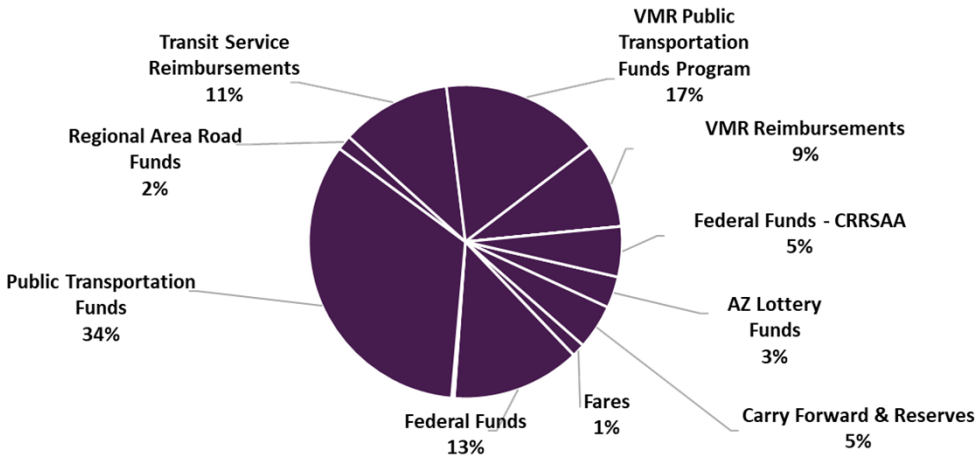
Sources of Funds: Operating & Capital



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Uses of Funds: Operating ($,000,000)

Uses of Funds	FY20	FY21	FY22	Change $	Change %
Fixed Route Operations	$97.0	$103.8	$106.7	$2.9	3%
Demand Service Operations	39.2	31.4	41.9	10.5	33%
Vanpool Operations	0.9	1.0	1.0	0.0	0%
Planning	1.8	2.0	2.1	0.1	3%
Commute Solutions	1.1	1.3	1.3	0.0	0%
Administration and Finance	3.6	4.1	4.0	(0.1)	-2%
Regional Services	11.0	13.9	12.9	(1.0)	-7%
RPTA Operating	**$154.6**	**$157.5**	**$169.9**	**$12.4**	**8%**

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Sources of Funds: Operating ($,000,000)

Source of Funds	FY20	FY21	FY22	Change $	Change %
Public Transportation Funds	$82.6	$62.5	$90.1	$27.6	44%
Regional Area Road Funds	4.6	4.7	4.8	0.1	3%
Transit Service Agreements	42.1	28.4	39.1	10.7	38%
MAG Funds	0.1	0.2	0.2	0.0	0%
Federal Grants	8.7	7.5	12.0	4.5	61%
Federal CARES Act	6.0	49.8	0.0	(49.8)	0%
Federal CRRSA Act	0.0	0.0	17.8	17.8	0%
Fare Revenues	8.4	2.9	4.7	1.8	61%
Other Revenues	2.1	0.4	0.4	0.0	0%
Carry forward and Reserves	0.0	0.8	0.7	(0.1)	-11%
RPTA Operating	**$154.6**	**$157.5**	**$169.9**	**$12.4**	**8%**

Uses of Funds: Capital ($,000,000)

Uses of Funds	FY20	FY21	FY22	Change $	Change %
Regional Fleet	$36.3	$49.4	$37.6	($11.8)	-24%
Regional Facilities	3.6	4.1	5.3	1.2	29%
Other Regional Projects	2.9	1.2	1.2	(0.0)	0%
Member Agency Disbursements	5.7	5.6	5.3	(0.3)	-5%
Debt Service	26.6	24.5	24.5	(0.0)	0%
RPTA Capital	**$75.1**	**$84.7**	**$73.9**	**($10.8)**	**-13%**

Sources of Funds: Capital ($,000,000)

Source of Funds	FY20	FY21	FY22	Change $	Change %
Public Transportation Funds	$42.0	$39.5	$25.9	($13.5)	-34%
Federal Funds	$32.4	43.4	33.6	(9.8)	-23%
Other	$0.8	0.2	0.2	0.0	0%
Carry Forward & Reserves	$0.0	1.6	14.2	12.6	781%
RPTA Capital	**$75.1**	**$84.7**	**$73.9**	**($10.8)**	**-13%**

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Pass-thru Funds: Uses ($,000,000)

Uses of Funds	FY20	FY21	FY22	Change $	Change %
VMR RARF Disbursements	$0.5	$0.5	$0.5	$0.0	0%
AZ Lottery Funds Disbursements	$11.5	11.2	11.2	0.0	0%
Valley Metro Rail	$23.3	27.5	30.2	2.7	10%
Rail Program Disbursements	$78.9	43.0	58.0	15.0	35%
VMR Reserve for Future Use	$0.0	11.0	0.0	(11.0)	-100%
RPTA Pass-Thru	**$114.2**	**$93.2**	**$99.9**	**$6.7**	**7%**

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Pass-thru Funds: Sources ($,000,000)

Source of Funds	FY20	FY21	FY22	Change $	Change %
Regional Area Road Funds	$0.5	$0.5	$0.5	$0.0	0%
VMR Reimbursements	22.7	27.5	30.2	2.7	10%
AZ Lottery Funds	11.5	11.2	11.2	0.0	0%
VMR Public Transportation Funds Program	$79.5	53.9	57.1	3.1	6%
Carry Forward & Reserves	$0.0	0.0	1.0	1.0	0%
RPTA Pass-Thru	**$114.2**	**$93.2**	**$99.9**	**$6.7**	**7%**

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RPTA/Shared Staff Changes from FY20 to FY22

	FY20 Budget	FY21 Budget	Mid-Year Additions	FY22 Additions	FY22 Budget
Positions by Division					
Agency Business, Technology & Services	62	51	2	1	54
Capital and Service Development	29	22	0	0	22
Communication & Strategic Initiatives	14	36	0	0	36
CEO Executive Office	6	6	0	0	6
Finance	35	36	0	0	36
Internal Audit Services	3	3	0	0	3
Legal	2	4	0	0	4
Operations and Maintenance	75	76	0	2	78
Safety, Security, and Quality Assurance	5	6	0	1	7
Total RPTA and Shared Positions by Division	**231**	**240**	**2**	**4**	**246**

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Recap of Important Dates

Committee/Boards/FWG	
Sep 15, 2020	Present Key Assumptions to FWG
Oct 15, 2020	Present Key Assumptions to AFS
February	Present annual budget to FWG
February	Present update of Key Assumptions to AFS
March	Present Annual Budgets to Committees/Boards for Info
March	Present 5-year plans to FWG
April	Present 5-year plans to AFS
May	Present Annual Budgets and 5-Year plans to Committees/Boards for action

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Information Summary

DATE **AGENDA ITEM 7**
February 25, 2021

SUBJECT
Valley Metro Rail, Inc. Fiscal Year 2022 (FY22) Preliminary Operating and Capital Budget

PURPOSE
To provide an overview of the FY22 Preliminary Operating and Capital Budget.

RECOMMENDATION
This item is presented for information.

BACKGROUND | DISCUSSION | CONSIDERATION
The Valley Metro Rail, Inc. (VMR) FY22 combined operating and capital budget (the budget) is $564.1 million (M) and includes $58.0M in projects funded with Proposition 400 Public Transportation Fund (PTF) revenues for light rail/high capacity transit capital.

The preliminary FY22 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards, reserves, and bond proceeds. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on a modified accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used, and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

Budget Overview
The total operating budget of $81.0M represents a $9.0M (13%) increase from the previous year's operating budget of $72.0M. The total capital budget of $483.0M represents a $38.4M (7%) decrease from the previous year's capital budget of $521.4M.

Light rail operations, maintenance and security is increasing by 7 percent, or $4.1 million. More than $1.1 million of that increase is for insurance premiums. Additionally, maintenance employees have been a challenge to recruit and retain. As a result, Human Resources (HR) staff worked with the maintenance managers to redefine

positions and job descriptions to better describe the duties. After positions were updated, HR conducted market surveys for comparable positions and updated pay and pay ranges for maintenance employees resulting in an 7% increase to base pay for maintenance staff which is reflected in this budget increase.

The Tempe Streetcar is expected to begin revenue service in FY22, and this accounts for $4.2 million of the $9.0 million increase from FY21 to FY22. Streetcar operations, for budget purposes, is assumed to begin revenue operations on October 1, 2021.

The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY22 there are 451 employees budgeted in the integrated agency, with 246 FTE's budgeted to RPTA/Shared agency activities and 205 budgeted to VMR only activities.

COMMITTEE PROCESS
Preliminary Budget Review:
Financial Working Group: February 16, 2021 for information
RMC: March 3, 2021 for information
AFS: March 4, 2021 for information
Board of Directors: March 18, 2021 for information

Proposed Budget Adoption:
RMC: May 5, 2021 for action
AFS: May 6, 2021 for action
Board of Directors: May 20, 2021 for action

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ATTACHMENT
None

Valley Metro Rail

FY22 Preliminary Budget Overview

March 2021

1

Budget Development Progress

Committee/Boards/FWG	
Sep 15, 2020	Present Key Assumptions to FWG
Oct 15, 2020	Present Key Assumptions to AFS
February	Present annual budget to FWG
February	Present update of Key Assumptions to AFS
March	Present Annual Budgets to Committees/Boards for Info
March	Present 5-year plans to FWG
April	Present 5-year plans to AFS
May	Present Annual Budgets and 5-Year plans to Committees/Boards for action

2

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Key Assumptions and Feedback

- **Conservative approach for revenues**
  - Ridership – Assume flat based on current (COVID) ridership levels
  - Fares – 24% of Pre-COVID levels
- **Additional relief funding program - CRRSAA**
  - Coronavirus Response and Relief Supplemental Appropriations Act
  - Appx $20M available for RPTA – Final amounts TBD by MAG

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Baseline: Light Rail Operations

	FY20 Actual	FY21 Budget	FY22 Budget
RAIL OPERATIONS			
Passenger boardings	12,826,000	3,783,000	6,304,000
Service miles delivered	3,401,000	3,539,000	3,539,000
Gross Operating Costs	$ 50,926,000	$ 57,716,000	$ 61,846,000
Fare Revenues	$ 8,340,000	$ 2,710,000	$ 2,521,000
Fare Recovery	16%	5%	4%

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Baseline: Streetcar Operations

	FY20 Actual	FY21 Budget	FY22 Budget
STREETCAR OPERATIONS			
Passenger boardings		71,000	306,000
Service miles delivered		24,000	145,000
Gross Operating Costs		$ 723,000	$ 4,951,000
Fare Revenues		$ 0	$ 0
Fare Recovery		0%	0%

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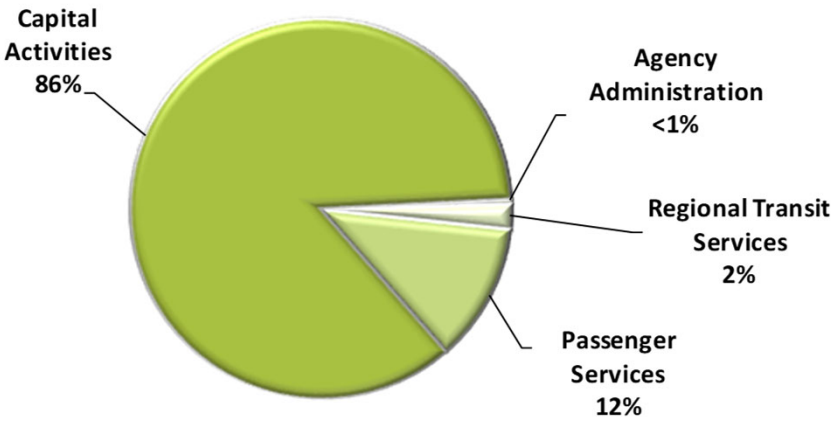
Uses of Funds: Operating & Capital



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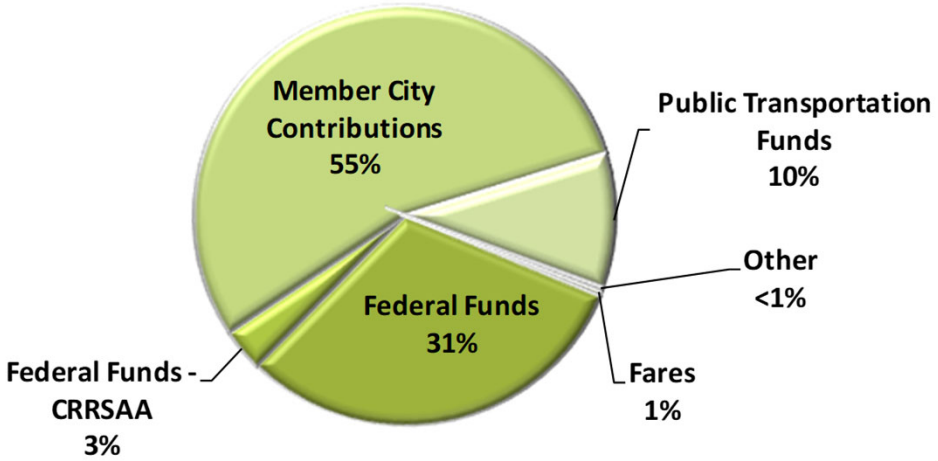
Sources of Funds: Operating & Capital



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Uses of Funds: Operating ($,000,000)

Uses of Funds	FY20 Actual	FY21	FY22	Change $	Change %
Light Rail Operations & Maintenance	$42.2	$49.2	$52.3	$3.1	6%
Light Rail Security	8.7	8.5	9.6	1.1	13%
Streetcar Operations & Maintenance	0.0	0.6	4.3	3.7	595%
Streetcar Security	0.0	0.1	0.7	0.6	533%
Future Project Development	8.3	11.7	12.2	0.5	4%
Agency Operating	1.6	1.9	2.1	0.2	12%
Total Operating Uses	**$60.9**	**$72.0**	**$81.0**	**$9.0**	**13%**

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Sources of Funds: Operating ($,000,000)

Sources of Funds	FY20 Actual	FY21	FY22	Change $	Change %
Advertising	$1.2	$0.3	$0.7	$0.4	140%
Fares	8.3	2.7	2.5	(0.2)	-7%
Federal Funds	3.2	1.5	4.5	2.9	190%
Federal Funds - CARES	0.0	43.0	0.0	(43.0)	-100%
Federal Funds - CRRSAA	0.0	0.0	18.5	18.5	-
Member City Contributions	41.2	12.9	45.5	32.6	253%
MAG Funds	0.5	0.5	0.5	0.0	0%
Public Transportation Funds	5.7	10.5	8.2	(2.2)	-21%
Regional Area Road Funds	0.5	0.5	0.5	0.0	0%
Other	0.2	0.1	0.1	0.0	0%
Total Operating Sources	**$60.9**	**$72.0**	**$81.0**	**$9.0**	**13%**

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Uses of Funds: Capital ($,000,000)

Uses of Funds	FY20 Actual	FY21	FY22	Change $	Change %
Tempe Streetcar	$67.9	$39.8	$5.6	($34.3)	-86%
South Central/Downtown Hub	60.2	316.3	291.5	(24.9)	-8%
Northwest Phase II	17.0	114.0	129.8	15.8	14%
OMC Expansion	32.6	27.9	5.2	(22.7)	-81%
Gilbert Road Extension	9.7	3.3	3.2	(0.1)	-2%
50th Street Station	0.6	0.0	0.0	0.0	-
Central Mesa Extension	0.4	0.0	0.0	0.0	-
Systemwide Improvements	14.5	11.5	35.0	23.5	205%
State of Good Repair	5.0	8.7	12.9	4.2	48%
Total Capital Uses	**$207.9**	**$521.4**	**$483.0**	**($38.4)**	**-7%**

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Sources of Funds: Capital ($,000,000)

Sources of Funds	FY20 Actual	FY21	FY22	Change $	Change %
Federal Funds	54.6	309.9	171.0	(138.9)	-45%
Member City Contributions	81.5	159.8	262.3	102.5	64%
Public Transportation Funds	71.8	51.8	49.8	(2.0)	-4%
Total Capital Sources	**$207.9**	**$521.4**	**$483.0**	**($38.4)**	**-7%**

VMR Only Staff Changes from FY20 to FY22

	FY20 Budget	FY21 Budget	Mid-Year Additions	FY22 Additions	FY22 Budget
Positions by Division					
Agency Business, Technology & Services	0	0	0	0	0
Capital and Service Development	28	20	0	0	20
Communication & Strategic Initiatives	0	8	0	0	8
CEO Executive Office	1	0	0	0	0
Finance	1	1	0	0	1
Internal Audit Services	0	0	0	0	0
Legal	0	0	0	0	0
Operations and Maintenance	161	170	0	1	171
Safety, Security, and Quality Assurance	5	4	0	1	5
Total VMR Only Positions by Division	**196**	**203**	**0**	**2**	**205**

Recap of Important Dates

Committee/Boards/FWG	
Sep 15, 2020	Present Key Assumptions to FWG
Oct 15, 2020	Present Key Assumptions to AFS
February	Present annual budget to FWG
February	Present update of Key Assumptions to AFS
March	Present Annual Budgets to Committees/Boards for Info
March	Present 5-year plans to FWG
April	Present 5-year plans to AFS
May	Present Annual Budgets and 5-Year plans to Committees/Boards for action

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Information Summary

DATE **AGENDA ITEM 8**
February 25, 2021

SUBJECT
Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

PURPOSE
To provide an update to the Audit and Finance Subcommittee on upcoming Intergovernmental Agreements, Contract Amendments and Awards that will be presented to the Boards of Directors for action. For additional background information, the Board Information Summaries are included.

The following items will be presented to the Boards of Directors for approval:

A. Temporary Accountant Consulting Services (ERP/EAM)

Purchase consulting services through Guidesoft Inc. dba Knowledge Services for an amount not to exceed $112,400; $89,400 for FY 2021 and $23,000 for FY2022.

B. Business Intelligence Software Subscription

Purchase Business Intelligence software subscriptions through CDW-G for an amount not to exceed $316,800 for FY 2021 – FY 2024.

C. New Fare Collection System Customer Service Network Contract Award

Execute a 10-year (5-year base contract with two extension options) Customer Service Network contract with Vix Technologies in an amount not to exceed $24,166,000 (contract value of $21,969,000 with a 10% contingency of $2,197,000).

D. Fare Collection System (FCS) – Retail Network Administration plus Smartcard Fare Media ("Retail Network Sales") Contract Award

Execute a 10-year (5-year base contract with two extension options) Retail Sales Network contract with InComm in an amount not to exceed $10,217,000 (contract value of $9,288,000 with a 10% contingency of $929,000).

E. Repair of Light Rail Vehicle (LRV) Hoists Contract Award

Execute a contract with Whiting Services, Inc. to repair two LRV hoists in an amount not to exceed $259,094.

F. Replacement Vehicles Purchase for Regional Paratransit Service

Purchase up to 26 Ford Transit vans from Creative Bus Sales under ADOA Contract ADSP016-102778 at combined federal and local cost not to exceed $1,755,286 for the Valley Metro regional paratransit program.

G. Security Operations Center as a Service (SOCaaS) Contract Award

Enter a five-year purchase agreement for Security Operations Center services through QCM Technologies for an amount not to exceed $1,281,700 for FY 2021 – FY 2026.

H. Traction Power Substation (TPSS) Batteries Contract Award

Execute a four-year contract for the supply of batteries for 15 traction power substation (TPSS) along the original 20-mile rail alignment with HBL America Inc. in an amount not to exceed $336,856.

I. Uninterruptable Power Supply (UPS) Replacements Purchase

Execute a cooperative agreement purchase order with Dell Marketing, L.P. for the supply of uninterruptible power supply (UPS) replacements for the communication cabinets at light rail passenger stations in an amount not to exceed $196,000 over a two-year period.

J. WorldWide Technologies Telecom & Network Equipment Purchase

Purchase telecom and networking equipment through WWT for an amount not to exceed $304,000 for FY 2021 – FY 2025.

RECOMMENDATION

For information only.

CONTACT

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602-262-7433

ATTACHMENT

Information Summaries for items listed above.

Information Summary

DATE **AGENDA ITEM 8A**
February 25, 2021

SUBJECT
Temporary Accounting Consulting Services (ERP/EAM)

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase Accounting Consulting Services through Guidesoft, Inc. dba Knowledge Services for an amount not to exceed $112,400; $89,400 for FY 2021 and $23,000 for FY 2022.

COST AND BUDGET
The total cost for these services is not to exceed $112,400. In aggregate the RPTA portion will be $89,920 (80%), and the VMR portion will be $22,480 (20%). The anticipated spend and cost allocation by fiscal year for RPTA and VMR are as follows:

FISCAL YEAR	ANTICIPATED SPEND	RPTA 80%	VMR 20%
2021	$ 89,400	$ 71,520	$ 17,880
2022	$ 23,000	$ 18,400	$ 4,600
TOTAL	**$ 112,400**	**$ 89,920**	**$ 22,480**

The FY 2021 cost is included in the RPTA and VMR Adopted FY 2021 Operating and Capital Budgets. The FY 2022 costs will be included in the proposed FY 2022 Operating and Capital Budget.

The services will be procured through Guidesoft, Inc. dba Knowledge Services using cooperative contract # ADSPO17-174599 awarded by the State of Arizona State Procurement Office. Purchasing under a cooperative contract saves Valley Metro resources due to the simplified acquisition process, cooperative purchasing power of multiple agencies and terms and conditions that have previously been negotiated.

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to purchase consulting services through Guidesoft Inc. dba Knowledge Services for an amount not to exceed $112,400; $89,400 for FY 2021 and $23,000 for FY2022.

BACKGROUND | DISCUSSION | CONSIDERATION
In FY 2021, Valley Metro is implementing a new Enterprise Resource Planning and Enterprise Asset Management system. When the Board of Directors awarded the contract, it was discussed that there would be a need for temporary staff support in accounting and finance during implementation. In anticipation of the need, costs for these services were included in the approved FY 2021 budget. Temporary services will be needed through the first quarter of FY22 as staff works to close FY21 in the legacy system while working in the new system for FY22.

COMMITTEE ACTION
RTAG: February 16, 2021 for information
TMC/RMC: March 3, 2021 for action
Boards of Directors: March 18, 2021 for action

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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 8B**
February 25, 2021

SUBJECT
Business Intelligence Software Subscription

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to continue Business Intelligence software subscriptions through CDW-G for an amount not to exceed $316,800 for FY 2021 – FY 2023.

COST AND BUDGET
The total cost for these services is not to exceed $316,800 over a three-year period[1]. The RPTA portion is $158,400 (50%), and the VMR portion is $158,400 (50%). The cost is included in the RPTA and VMR Adopted FY 2021 Operating and Capital Budgets.

The services will be procured through CDW-G using Arizona State Procurement Office cooperative contract #ADSPO17-149774 to ensure a competitively negotiated price and leverage the better volume discounts available through the contract.

FY	Keboola Data Warehouse Software	Tableau Reporting & Analysis Software	Total
2021	$52,000	$39,230	$91,230
2022	$59,780	$45,090	$104,870
2023	$68,800	$51,900	$120,700
Total	**$180,580**	**$136,220**	**$316,800**

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to continue Business Intelligence software subscriptions through CDW-G for an amount not to exceed $316,800 for FY 2021 – FY 2023.

BACKGROUND | DISCUSSION | CONSIDERATION
Business intelligence is IT functionality that allows organizations to capture, report, and analyze data to inform business decisions. Its uses in Valley Metro range from providing cities with detailed data on their citizen's paratransit usage and cost to the analysis of the financial impact of potential transit route changes.

[1] For comparison, in FY 2020, combined Keboola and Tableau costs were $78,400.

Valley Metro relies on two Software as a Service (SaaS) offerings as the backbone of its Business Intelligence efforts. Keboola aggregates data from different sources, Tableau is a reporting and analytics platform. Working in tandem they allow Valley Metro to:

- Create reports that integrate and analyze data from multiple sources – for example, bringing together financial data from the ERP system, maintenance data from EAM, trip data from Trapeze, into a single report.
- Minimize the cost of reporting by utilizing a single inexpensive Tableau viewing license rather than providing users with individual user licenses to each data system.
- Enable users to customize reports to meet their needs – Tableau's user interface allows users to tailor reports and export data to meet their needs. By comparison, IT staff are generally needed to create custom reports using the underlying data systems (e.g. Trapeze, or the ERP).

These subscriptions underlie various data collection efforts, reports, and dashboards developed by the IT department's Business Intelligence team for use by Accessible Transit Services, ATS partner cities, Finance, Service Planning, and Customer Service among others. Valley Metro's increased provision of data to cities and use of data driven decision making in daily operations has increased the demand for Keboola and Tableau licenses. Improved accessibility and use of data is anticipated to result in a 15% year-over-year growth in demand for licenses through FY 2023.

COMMITTEE ACTION
RTAG: February 16, 2021 for information
TMC/RMC: March 3, 2021 for action
Boards of Directors: March 18, 2021 for action

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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 8C**
February 25, 2021

SUBJECT
New Fare Collection System (FCS) Customer Service Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a 10-year contract consisting of a 5-year base contract with two extension options with Vix Technologies for Customer Service in an amount not to exceed $24,166,000 (contract value of $21,969,000 with a 10% contingency of $2,197,000).

COST AND BUDGET
For the Fiscal Year 2021, the RPTA contract obligation is $200,000, which is fully funded within the RPTA FY21 Operating and Capital Budget. Contract obligations beyond FY21 will be incorporated into the Valley Metro Five-Year Operating Forecast and Capital Program (FY2022 thru FY2025). The source of funding is Prop 400.

Contract Element	Base Contract (5-Year)	Option 1 (3-year)	Option 2 (2-year)	Total Contract Value
Implementation	$ 1,915,000	$ -	$ -	$ 1,915,000
Base Operations	$ 4,517,000	$ 3,740,000	$ 2,676,000	$ 10,933,000
Variable Costs	$ 3,025,000	$ 3,549,000	$ 2,547,000	$ 9,121,000
	$ 9,457,000	**$ 7,289,000**	**$ 5,223,000**	**$ 21,969,000**

The requested contract value includes three categories of costs:
1. Implementation – Fixed and variable costs not to exceed $1,915,000
2. Base Operations – Call Center location plus base staffing of $10,933,000
3. Variable Costs – Additional staffing, licensing, and card printing/packaging costs of $9,121,000 that may be incurred as smartcard adoption increases in the region

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a 10-year (5-year base contract with two extension options) Customer Service Network contract with Vix Technologies in an amount not to exceed $24,166,000 (contract value of $21,969,000 with a 10% contingency of $2,197,000).

BACKGROUND | DISCUSSION | CONSIDERATION

VM and the City of Phoenix (COP) are partners in the development of a new Fare Collection System (FCS) for the region. The COP awarded a contract to Vix Technologies for the system (hardware and software), and VM has the responsibility for the services portion of the new system. Those services consist of:

a) Third-party retail network administration for a "J-hook" gift card type retail network;
b) Smartcard fare media; and
c) Customer service support for smartcard sales, inquiries, refund processing, and reduced fare application processing.

While all three services will be included in the procurement, two contracts are coming to the Boards for award approval:

1) Customer Service (this item); and
2) Retail Network Administration plus Smartcard Fare Media (separate agenda item)

In February 2020, Valley Metro issued an RFP for the Retail Sales and Customer Service Networks and requested proposals from qualified providers of solutions whose product offering meet or exceeded current Valley Metro requirements. The solicitation included the following evaluation process:

Evaluation Criteria	
Workplan / Technical Approach	**45%**
Qualifications / Experience	**30%**
Pricing	**25%**
TOTAL	**100%**

One firm submitted a proposal.

A selection committee, comprised of Valley Metro and city staff evaluated the proposal including discussions, negotiations, and best and final offer. Based on the proposal and evaluation process Vix Technologies was selected for the Customer Service Network contract.

The following table shows the technical and price scores for the offeror:

Rank and Firm	Technical Score	Price Score	Combined Score
1. Vix Technology	666	250	916

A cost comparison and extensive price analysis have been completed.

Staff developed a rough order of magnitude (ROM) estimate of the cost for Valley Metro's Customer Service Department to manage the customer service in-house. This ROM estimate was used to evaluate the reasonability of the Vix proposal. While Valley Metro does provide customer service today, the types of calls and support required for the new fare collection system will be significantly different than those supported today, including payment processing, and will require more IT infrastructure than currently available in the Call Center.

Implementation costs include facilities, equipment, IT systems, hardware, lease space, furniture, and labor associated with the start-up/launch period of the new fare system customer service program. Ongoing operational costs include labor, rent, office supplies, IT systems support and operational costs, licensing, and insurance.

The cost analysis estimates that Valley Metro can launch and operate the fare collection system customer support center for about 85% of the cost proposed by the vendor. Primary areas of cost savings result from rent and physical infrastructure savings, and lower labor costs. However, the potential costs savings need to be considered in light of two primary risks:

- Implementation risk – The risk of Valley Metro successfully launching not only a new fare collection system with all its new features – smartcards, mobile ticketing, fare capping, websites – but also the customer service support of that system is significant. Third-party support for key aspects, like customer service, of an account-based fare collection system for Agencies who do not already have experience with a program like that envisioned for the metro-Phoenix region is a best practice.

- Payment Card Industry (PCI) risk – A major factor in the decision to release an RFP for fare collection customer service is the mitigation of risks with respect to payment processing which will be a key element of the call center support envisioned for the new system. Valley Metro staff estimates the PCI risk (defined as maximum financial impact) over the duration of the project (9 years) to be about $17 million. While IT systems and PCI insurance have been incorporated into the cost analysis as risk mitigation strategies, outsourcing the customer support functions to an experienced third party further minimizes this risk to Valley Metro.

The original pricing structure in the RFP was based on two phases:

1) a one-time ramp-up/implementation phase; and
2) an ongoing operations phase

The first phase was envisioned as a fixed price with the ongoing operations phase as a variable cost based on the level of support provided (e.g., number of calls and

applications). Through discussions with the proposing vendor, a hybrid pricing model has been developed that splits both phases into fixed and variable elements, providing Valley Metro with flexibility to adapt to the launch/rollout timeline of the greater fare collection system project and reducing the risk to the vendor (and therefore cost to Valley Metro). The contract, if awarded to Vix, would include provisions for adding/removing contractor staff as needed to meet regional demand, as well as overflow support options for temporary and hourly peak surges in customer support needs.

An alternative considered in the development of the contract cost structure for the RFP is for Valley Metro to out-source the initial implementation and operation of the fare collection customer service, with the option to bring the scope in-house when steady state operations have been achieved. As such, the contract structure in the RFP includes three operational periods, with the second and third phases as options:

1. Operational years 1 to 4 (Contract years 2 to 5 with first year being the Implementation period)
2. Operational years 5 to 7 (Contract years 6 to 8)
3. Operational years 8 to 9 (Contract years 9 to 10)

The proposed price has been deemed fair and reasonable based on the price analysis, and risk assessment.

COMMITTEE ACTION
RTAG: February 16, 2021 for information
TMC/RMC: March 3, 2021 for action
Boards of Directors: March 18, 2021 for action

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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 8D**
February 24, 2021

SUBJECT
New Fare Collection System (FCS) – Retail Network Administration plus Smartcard Fare Media ("Retail Network Sales") Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a 10-year contract consisting of a 5-year base contract with two extension options with InComm for the Retail Sales Network in an amount not to exceed $10,217,000 (contract value of $9,288,000 with a 10% contingency of $929,000).

COST AND BUDGET
For the Fiscal Year 2022, the RPTA contract obligation is approximately $80,000, which is included in the preliminary RPTA FY22 Operating and Capital Budget. Contract Obligations beyond FY22 will be incorporated into the Valley Metro Five-Year Operating Forecast and Capital Program (FY2022 thru FY2025). The source of funding is Prop 400.

Contract Element	Base Contract (5-Year)	Option 1 (3-year)	Option 2 (2-year)	Total Contract Value
Design & Integration	$ 80,000	$ -	$ -	$ 80,000
Media Production	$ 4,443,000	$ 3,215,000	$ 1,551,000	$ 9,208,000
	$ 4,523,000	**$ 3,215,000**	**$ 1,551,000**	**$ 9,288,000**

10% contingency	*$ 929,000*
Total Authority	**$ 10,217,000**

The requested contract value includes two categories of costs:

1. Design/Implementation – Fixed cost of $80,000 for integration into the new fare collection system.
2. Smartcard media Production – Variable amount based on needs to produce cards for distribution, estimated at $9.2M for the 10-year period.

Actual costs to be incurred will depend on the adoption rate of smartcards in the new account-based fare collection system and the popularity of the extensive retail network as a card distribution/reload channel.

In addition, InComm will be compensated through fees and commissions on the card sales and value added through the retail network. Commissions on card reloads will be

4%, retained by the retail outlets. A fixed fee of $1.10 for each card sold will be retained by Incomm to offset their costs of distribution and management. Net sales revenue will then be remitted to Valley Metro. Since Valley Metro will not be invoiced for these fees and commissions, they have not been included in the contract value. The 4% commission is consistent with the fee structure for the current retail network operated by City of Phoenix.

Phoenix currently pays $0.06 per magnetic stripe pass and $0.98 per smartcard pass with today's fare collection system. Phoenix spends approximately $600,000 per year on the current fare media. Phoenix' costs for fare media and fare handling are passed through to the operators of service. Staff proposes making this cost part of Valley Metro's Regional Services, funded with Prop 400 funds.

The cost of fare media though InComm ranges from $1.21 to $2.40 per card, depending on volume ordered. Magnetic stripe passes will be phased out with the new system, and we expect there to be a higher cost of fare media during the initial rollout of the new system. However we expect to see some savings over time as the cards are adopted by riders, with the expected useful life of the smartcards being 10 years. The equivalent cost of providing magnetic stripe monthly pass media for the same time period would be $7.20 without inflation.

Valley Metro and City of Phoenix are exploring alternative options to recover a portion of the cost of smart card media by charging customers a nominal fee for each card. Not only would this reduce the net cost of the media for the region, it would also serve to:

1) Assign monetary value to the card which would encourage customers to retain the card and keep bus stops and rail stations free of used passes that may be carelessly thrown away.
2) Incentivize customers to purchase the new media by crediting the nominal fee back as account value once registered online, which could also increase ridership. The online registration process allows additional benefits to customers: setting up autoloading, tying multiple smart media cards to one account, accessing transactional data, etc.

Any card fees collected would be used to offset the production, distribution, and mangment costs.

RECOMMENDATION

Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a 10-year (5-year base contract with two extension options) Retail Sales Network contract with InComm in an amount not to exceed $10,217,000 (contract value of $9,288,000 with a 10% contingency of $929,000).

BACKGROUND | DISCUSSION | CONSIDERATION

VM and the City of Phoenix (COP) are partners in the development of a new Fare Collection System (FCS) for the region. The COP awarded a contract to Vix Technologies

for the system (hardware and software); and VM has the responsibility for the services portion of the new system. Those services consist of:

a) Third-party retail network administration for a “J-hook” gift card type retail network; which replaces the existing City of Phoenix operated retail network.
b) Smartcard fare media production; and
c) Customer service support for smartcard sales, account inquiries, refund processing, and reduced fare application processing.

While all three services were included in the procurement, staff is recommending the award of two contracts:

1) Retail Network Administration plus Smartcard Fare Media production, distribution, and management (this item); and
2) Customer Service (separate agenda item)

In February 2020, Valley Metro issued an RFP for the Retail Sales and Customer Service Networks and requested proposals from qualified providers of solutions whose product offering meet or exceeded current Valley Metro requirements. The solicitation included the following evaluation process:

Evaluation Criteria	
Workplan / Technical Approach	**45%**
Qualifications / Experience	**30%**
Pricing	**25%**
TOTAL	**100%**

Three firms submitted proposals.

A selection committee, comprised of Valley Metro and city staff evaluated the proposals including discussions, negotiations, and best and final offer. Based on the proposals and evaluation process, InComm was selected for the Retail Sales Network contract.

The following table shows the technical, price and combined scores for three (3) proposers:

Rank and Firm	Technical Score	Price Score	Combined Score
1. InComm	670	250	920
2. Vix Technology	685	199	884
3. Ready Credit	656	137	793

A cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

COMMITTEE ACTION
RTAG: February 16, 2021 for information
TMC/RMC: March 3, 2021 for approval
Boards of Directors: March 18, 2021 for action

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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 8E**
February 25, 2021

SUBJECT
Repair of Light Rail Vehicle (LRV) Hoists Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract with Whiting Services, Inc. to repair two LRV hoists in an amount not to exceed $259,094 (contract award for $235,540 plus a contingency of $23,554).

COST AND BUDGET
The total cost for the repairs to the two LRV hoists is $259,094 which includes a $23,554 contingency for any unanticiapted costs that may occur during the repairs. The repairs will be completed over a two year period. The cost for the repair is included in the Valley Metro Rail Adopted FY 2021 Operating and Capital Budget. Contract obligations beyond FY2021 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2021 thru FY2025).

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a contract with Whiting Services, Inc. to repair two LRV hoists in an amount not to exceed $259,094.

BACKGROUND | DISCUSSION | CONSIDERATION
There are currently two LRV inground hoists located at the Operations & Maintenance Center (OMC). The current age of the LRV hoists is approximately 13 years and are in need of repair. LRV hoists raise the entire transit car to a height for maintenance access to underbody and side components. LRVs can be raised individually, articulated, or in married pairs with hoists positioned under each truck location.

The repairs performed will provide a complete change out procedure of the LRV hoist lifting nuts, perform horizontal alignment setting of nuts, and upon completion, perform live load lifting for review and verification of completion of procedure.

The recommended award of the contract to Whiting Services, Inc. is a non-competitive procurement due to the company being the original equipment manufacturer (OEM). They are the only supplier of the hoist lifting nuts that need replacement. They will not sell the hoist lifting nuts to another vendor to perform the services.

The proposed price has been deemed fair and reasonable based on a cost comparison and price analysis.

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance-based operation

COMMITTEE PROCESS
RTAG: February 16, 2021 for information
RMC: March 3, 2021 for action
Board of Directors: March 18, 2021 for action

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ATTACHMENTS
None

Information Summary

DATE **AGENDA ITEM 8F**
February 2021

SUBJECT
Replacement Vehicles for Regional Paratransit Service Purchase

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase up to 26 Ford Transit vans from Creative Bus Sales under ADOA Contract ADSP016-102778 at combined federal and local cost not to exceed $1,755,286 for the Valley Metro regional paratransit program ($1,404,229 is 80% in federal funding; $351,057 is 20% in local match/PTF funding).

COST AND BUDGET
Paratransit vehicles are eligible for 80% federal funding. The $1,404,229 of federal funding needed for these replacement vehicles has been identified. The 20% local match will utilize PTF funds requested in the FY 2022 budget. For FY 2022, the total local match is anticipated to be $351,057.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to purchase up to 26 Ford Transit vans from Creative Bus Sales under ADOA Contract ADSP016-102778 at combined federal and local cost not to exceed $1,755,286 for the Valley Metro regional paratransit program.

BACKGROUND | DISCUSSION | CONSIDERATION
Since July 2012, Valley Metro has not owned any paratransit fleet. In July 2017, Transdev began operating paratransit service under the current contract which required Transdev to provide dedicated vehicles. The cost of those vehicles was amortized over the life of each vehicle as part of the cost per trip rate. In July 2017, Transdev purchased a fleet of 51 wheelchair accessible Dodge Caravans (one wheelchair position per vehicle) with a three-year lifespan and 54 Traditional wide-body cutaway paratransit vans (three wheelchair positions per vehicle) with five-year lifespans. The Caravans reached their normal end of life on July 1, 2020. The wide-body cutaways will reach the end of their normal useful life on July 1, 2022.

In 2018, Valley Metro amended its contract with Transdev to address shortcomings in the original solicitation's trip number and length forecasts. To reduce the cost of the contract, Valley Metro took on replacement of the paratransit vehicles. As these vehicles are eligible for federal funds when purchased directly by Valley Metro, this shift saves the agency $2.8 million in vehicle replacements.

In fiscal year 2021, Valley Metro purchased 25 Ford Transit vans from Creative Bus Sales to begin replacing the Dodge Caravans. From a performance perspective, the first order of Ford Transit vehicles in 2021 have been a success -- customers have complemented the ride and accessibility and drivers have appreciated the ride quality and maneuverability. From a capacity perspective, the larger Transits have allowed for greater social distancing, however, the pandemic's impact on demand has forestalled any assessment of on-going fleet requirements.

This request for 26 Ford Transit vans is to replace the remaining 26 Dodge Caravans. Funding will be included in the FY 2023 and FY 2024 budgets to replace the cut-away vehicles as needed. By spreading the replacement of the paratransit fleet over four years, the capital costs are normalized, and large budget spikes avoided.

This purchase will utilize the state of Arizona's competitively procured cooperative contract for Ford Transit Vans. The state's contract was procured for the purchase of large quantities of vehicles and therefore provides more competitive pricing than Valley Metro could secure on its own. The current state contract expires in April 2021 and its replacement is anticipated to include a price increase. Therefore, this order will be placed under the current contact and pricing but, due to the build time for the vehicles, will be paid for upon their delivery in FY 2022.

STRATEGIC PLAN ALIGNMENT
This item relates to Valley Metro's draft FY 2021 strategic plan goal to "Enhance lives through regional mobility – Current system."

COMMITTEE PROCESS
RTAG: February 16, 2021 for information
TMC: March 3, 2021 for action
Board of Directors: March 18, 2021 for action

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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 8G**
February 25, 2021

SUBJECT
Security Operations Center as a Service (SOCaaS) Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to enter a five-year purchase agreement for Security Operations Center services through QCM Technologies for an amount not to exceed $1,281,700 for FY 2021 – FY 2026.

COST AND BUDGET
The total cost for these services is not to exceed $1,281,700 over five years / 60 months. The RPTA portion will be $640,850 (50%), and the VMR portion will be $640,850 (50%). The FY 2021 portion of the cost, $64,085, is included in the RPTA and VMR Adopted FY 2021 Operating and Capital Budgets.

Fiscal Year	Outlay
FY 2021 (Q4)	$64,085
FY 2022	$256,340
FY 2023	$256,340
FY 2024	$256,340
FY 2025	$256,340
FY 2026 (Q1 thru Q3)	$192,255

The services will be procured through QCM Technologies using Mohave Cooperative[1] contract #18N-QCM-0130 to ensure a competitively negotiated price and leverage the better volume discounts available through the contract.

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to enter a five-year purchase agreement for Security Operations Center services through QCM Technologies for an amount not to exceed $1,281,700 for FY 2021 – FY 2026.

[1] The Mohave Cooperative is a public procurement cooperative founded pursuant to A.R.S. §41-2632. Its original focus was the purchase of software for Mohave County schools. It has expanded to a range of products and services providing public entities across Arizona with greater volume discounts than they could obtain individually.

BACKGROUND | DISCUSSION | CONSIDERATION
Since FY 2019, Valley Metro has contracted with a vendor for a 24x7x365 Security Operations Center. This service provides information security monitoring, alerting, and incident response[2] for the agency's IT systems. Valley Metro's current contract is with Mosaic 451, however, as part of ongoing efforts to reduce costs staff have determined that contracting with Avertium through the QCM Technologies contract will reduce costs by $50,460 annually and improve service levels[3]. Avertium currently provides the same services to a number of customers in transportation, including Sound Transit in Seattle, Washington.

COMMITTEE ACTION
RTAG: February 16, 2021 for information
TMC/RMC: March 3, 2021 for action
Boards of Directors: March 18, 2021 for action

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ATTACHMENT
None

[2] An incident is an event that could lead to loss of, or disruption to, an organization's operations, services, or functions. Incident response is the process of identifying, analyzing, and addressing potential incidents.
[3] Avertium provides more accurate monitoring and alerting and more comprehensive analysis for security incidents.

Information Summary

DATE **AGENDA ITEM 8H**
February 25, 2021

SUBJECT
Contract Award for Traction Power Substation (TPSS) Batteries

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a four (4) year contract for the supply of batteries for fifteen (15) traction power substation (TPSS) along the original 20-mile rail alignment with HBL America Inc. in an amount not to exceed $336,856 (contract award of $306,233 plus a contingency of $30,623).

COST AND BUDGET
The cost for the supply of TPSS batteries over the four year term of the contract is in an amount not to exceed $336,856 which includes a $30,623 contingency for any unanticipated costs that may occur during the project. The cost for the TPSS batteries is included in the Valley Metro Rail Adopted FY 2021 Operating and Capital Budget. Contract obligations beyond FY 2021 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2021 thru FY2025).

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a four-year contract for the supply of batteries for 15 traction power substation (TPSS) along the original 20-mile rail alignment with HBL America Inc. in an amount not to exceed $336,856.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro Rail's 28-mile light rail line includes 43 passenger stations, 22 sub-stations, and park and ride lots. The batteries will be replaced at 15 traction power substations along the original 20-mile rail alignment. There are 31 batteries at each of the 15 traction power substations. The batteries are required as backup power for the controls at the substations in case of a power outage. The current batteries are over 13 years old, they are beginning to fail, and are recommended for replacement by the manufacturer.

The contractor will provide the supply of batteries over the 4-year contract period and provide training for Valley Metro technicians on installation, maintenance, and removal of the old batteries. This project is expected to last four years to complete installation. All labor for the installation will be done in-house by Valley Metro Rail staff.

Valley Metro issued a competitive solicitation on December 3, 2020. At the bid opening on January 21, 2021, there were four responses received from the following vendors:

1. HBL America Inc.
2. NGH Power Systems
3. Alcad Standby Batteries
4. Aviall Services

HBL America Inc. was determined to be the lowest, responsive, responsible bidder. A cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance-based operation

COMMITTEE PROCESS
RTAG: February 16, 2021 for information
RMC: March 3, 2021 for action
Board of Directors: March 18, 2021 for action

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ATTACHMENTS
None

Information Summary

DATE **AGENDA ITEM 8I**
February 25, 2021

SUBJECT
Uninterruptible Power Supply (UPS) Replacements Purchase

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a cooperative agreement purchase order with Dell Marketing, L.P. for the supply of uninterruptible power supply (UPS) replacements for the communication cabinets at light rail stations in an amount not to exceed $196,000 over a two-year period.

COST AND BUDGET
The cost for the supply of UPS replacements over the two years is not to exceed $196,000. The cost for the supply of UPS replacements is included in the Valley Metro Rail Adopted FY 2021 Operating and Capital Budget. Contract obligations beyond FY 2021 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2021 thru FY2025).

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a cooperative agreement purchase order with Dell Marketing, L.P. for the supply of uninterruptible power supply (UPS) replacements for the communication cabinets at light rail passenger stations in an amount not to exceed $196,000 over a two-year period.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro Rail's 28-mile light rail line includes 43 passenger stations, 22 sub-stations, and park and ride lots. The UPS units will be replaced in the CPEV communication cabinets at 33 light rail passenger stations. The UPS units are needed as a backup to maintain the communication system at stations in the event of a power outage.

The contractor will provide the supply of UPS units over a two year period. All labor for the installation will be completed in-house by Valley Metro Rail staff. It is estimated that 16 to 17 light rail stations will be completed with the UPS replacements each year.

Valley Metro issued a competitive solicitation on November 26,2020. At the bid opening on January 21, 2021, there were four responses received from the following vendors:

1. B&C Transit, Inc.
2. Dell Marketing L.P.

3. Falcon Electric
4. Go Power Battery

Dell Marketing L.P. was determined to be the lowest, responsive, responsible bidder. In Dells Marketing L.P. submittal, it stated in receipt of an award or purchase order, Valley Metro shall utilize the State Cooperative Purchasing Contract: NASPO Master Agreement WN01AGW. Valley Metro is issuing a cooperative agreement purchase order through the State of Arizona.

A cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance-based operation

COMMITTEE PROCESS
RTAG: February 16, 2021 for information
RMC: March 3, 2021 for action
Board of Directors: March 18, 2021 for action

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ATTACHMENTS
None

Information Summary

DATE **AGENDA ITEM 8J**
February 25, 2021

SUBJECT
WorldWide Technologies (WWT) Telecom & Networking Equipment

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase telecom and networking equipment through WWT for an amount not to exceed $304,000 for FY 2021 – FY 2025.

COST AND BUDGET
The total cost for these purchases is not to exceed $304,000 over a five-year period, at an anticipated annual outlay of $60,800. The RPTA portion will be $152,000 (50%), and the VMR portion will be $152,000 (50%). The FY2021 portion of the cost, $60,800, is included in the RPTA and VMR Adopted FY2021 Operating and Capital Budgets.

The equipment will be procured from WWT using Arizona State Procurement Office cooperative contract #ADSPO16-137345 to ensure a competitively negotiated price and leverage the better volume discounts available through the contract.

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to purchase telecom and networking equipment through WWT for an amount not to exceed $304,000 for FY 2021 – FY 2025.

BACKGROUND | DISCUSSION | CONSIDERATION
WWT is one of Valley Metro's primary sources for telecommunications & network equipment and licensing. Many telecommunication and networking products require licensing for support and software updates. In addition, a portion of the department's telecommunications and networking hardware requires normal end-of-life replacement each year. While major IT equipment purchases come individually to the board for approval, routine replacement of minor hardware is handled through corporative contracts with WWT and other vendors. On average, Valley Metro requires $60,800 per year for licensing and minor hardware replacement from WWT. As a result, staff requests authorization to continue Valley Metro's business with WWT to maintain its network.

COMMITTEE ACTION
RTAG: February 16, 2021 for information
TMC/RMC: March 3, 2021 for action
Boards of Directors: March 18, 2021 for action

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ATTACHMENT
None

Information Summary

DATE
February 25, 2021

AGENDA ITEM 9

SUBJECT
Future Agenda Items Request and Report on Current Events

PURPOSE
Chair Arredondo-Savage will request future agenda items from members and members may provide a report on current events.

Future Items

Item	Month
Bus Advertising	April 2021
FY22-26 Preliminary Five-Year Forecasts	April 2021
TLCP Update	April 2021
Valley Metro Regionally Operated Service	April 2021
FY22 Proposed Operating and Capital Budgets	May 2021
Farebox Recovery/Fare Enforcement	May 2021
Agency FY22 Internal Audit Plan	May 2021

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