MEETING OF THE
Audit and Finance Subcommittee

Date:
April 8, 2021

Starting Time
12:00 p.m.

Location:
Via WebEx/Phone

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Audit and Finance Subcommittee
Thursday, April 8, 2021
Webex/Phone
12:00 p.m.

1. Public Comment (yellow card)

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

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

3. Minutes

Minutes from the March 4, 2021 Audit and Finance Subcommittee meeting are presented for approval.

4. Bus Advertising

Hillary Foose, Director of Communications and Strategic Initiatives, will provide an overview of bus advertising.

5. Internal Audit Update

Sebrina Beckstrom, Chief Auditor, will provide an update on the actions taken in Internal Audit and external reviews.

6. Internal Audit Exceptions Update

The Internal Audit Exceptions log is presented for information.

Action Recommended

1. For Information

2. For information

3. For action

4. For information

5. For information

6. For information
7. **Valley Metro RPTA Fiscal Year 2022 (FY22) Preliminary Five-Year Forecast**

Tyler Olson, Budget Manager, will provide an overview of the FY22 Preliminary Five-Year Forecast.

8. **Valley Metro Rail, Inc. Fiscal Year 2022 (FY22) Preliminary Five-Year Forecast**

Tyler Olson, Budget Manager, will provide an overview of the FY22 Preliminary Five-Year Forecast.

9. **Intergovernmental Agreements, Contract Change Orders, Amendments and Awards**

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

10. **Future Agenda Items**

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

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The next meeting of the Audit and Finance Subcommittee is scheduled for **May 6, 2021 at 12:00 p.m.**

Qualified sign language interpreters are available with 72 hours’ notice. Materials in alternative formats (large print or flash drive) are available upon request. For further information, please call Valley Metro at 602-262-7433 or TTY at 602-251-2039. To attend this meeting via teleconference, contact the receptionist at 602-262-7433 for the dial-in-information. The supporting information for this agenda can be found on our web site at [www.valleymetro.org](http://www.valleymetro.org).
Information Summary

DATE
April 1, 2021

AGENDA ITEM 1

SUBJECT
Public Comment

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

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

STRATEGIC PLAN
None

COMMITTEE PROCESS
None

CONTACT
Paul Hodgins
Chief Financial Officer
602-262-7433

ATTACHMENT
None
Information Summary

DATE
April 1, 2021

AGENDA ITEM 2

SUBJECT
Chief Executive Officer’s Report

PURPOSE
Paul Hodgins, Chief Financial Officer, will provide an update on information share with the Financial Working Group.

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

CONTACT
Paul Hodgins
Chief Financial Officer
phodgins@valleymetro.org
602-262-7433

ATTACHMENT
None
Minutes

AGENDA ITEM 3

April 1, 2021

Audit and Finance Subcommittee
Thursday, March 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 the first item on the agenda is public comment.

1. Public Comment

None.

2. Chief Financial Officer’s Report

Mr. Hodgins gave a brief presentation which included the following:

- Project CORE
  - Oracle Financials
  - Oracle Financial Planning (Budgeting)
  - Oracle Payroll and Timekeeping
  - Trapeze

- Committee Meetings
  - Fare Policy Working Group
  - Future Issues
  - Financial Working Groups

Chair Arredondo-Savage said great. Thank you, Paul. Does anyone have any questions?

Chair Arredondo-Savage said the only thing I would mention is I noticed you had said that there was a working group for fare recovery, and I know that is one thing that we...
have always talked about, the Board has talked about, I think AFS has talked about and it's actually on our things that we are going to be talking about in the future when we talk about fare box recovery and fare enforcement. Will that working group also be addressing the same thing? Will there be an opportunity for us to share information? What does that look like?

Mr. Hodgins said yes. So that is our initial working group with the staff level working group to discuss all the fare policy issues so the reduced fare, the fare box recovery and anything that comes to the AFS or to the Board would have gone through that fare policy working group first.

Chair Arredondo-Savage said okay. Good. And hopefully, they are addressing the fact that too, right now, I know we are still working with a bit -- the pandemic and some of our policies, but as we move to front-door boarding, I think is going to be really important to make sure we have some consistencies when it comes to enforcement, you know, outside of waiting for the smart card.

Mr. Hodgins said yes, absolutely. So, those are all discussions that we have. That is why I wanted to give you an update on what the Fare Policy Working Group has been doing as well.

Chair Arredondo-Savage said great. Great. I appreciate that. That is good to know. Okay. Anybody else?

Councilmember Tolmachoff said I have heard that there have been some discussions on the replacement cost for the smart cards. Is that being, I mean, are those conversations ongoing? Or what is the status of those conversations?

Mr. Hodgins said so for the smart cards, one of the issues that we do need to work out is -- if and how we charge for those for the passengers? Right now, all of that cost for the current paper passes is absorbed by the system. Essentially, it comes off the top of fare revenues. Those paper passes are like six cents each so it's a fairly minimal cost although it does add up over time. The smart cards may be as much as $2 per card so we have discussed the possibility of charging an initial fee to get the smart card to provide an incentive to our customers to hang on to it because they can last up to 10 years, if properly cared for. There is an item on the Board agenda that awards a contract for the production of those cards and so, we are looking at ways to potentially charge to offset some of those costs. I am not sure if that answered your question.

Councilmember Tolmachoff said it does. Is this new fare system that you can also load it on to your phone?

Mr. Hodgins said yes. So, there will be a mobile option where you could have all of your stored value on your phone rather than having an actual smart card. There will be the two options -- phone or a smart card.
Councilmember Tolmachoff said right. So, I mean that would be probably a way to encourage people to -- if you don't want to have to hang on to the card or don't want to have to lose it and pay to have it replaced then you -- and you are much less likely to lose your phone. It's something at least to consider as we go forward is $2, I mean, there has got to be a reason for people not to throw them away and get a new card. Or it could rack up pretty, quickly.

Mr. Hodgins said agreed.

Chair Arredondo-Savage said thanks, Lauren. Good point. And so, hopefully, Paul, you guys could address that in your committee work too. When will you guys be meeting again did you say?

Mr. Hodgins said there should be another Fare Policy Working Group meeting later this month. We would expect fare policy changes to come to the Board probably by fall.

Councilmember Heredia said Paul, just curious. Based on the previous question on the phone option of the smart card, is that an integrated piece to like a larger app process? Or a larger app educational tool? Or is it just the smart kind of ticketing?

Mr. Hodgins said it would be integrated into a full app. The app will have trip planning, it will have rider alerts. So, we are looking at launching the mobile app this July with just that first functionality, kind of the trip planning and rider alerts. The mobile ticketing is about a year away, but that would all be in one integrated app.

Chair Arredondo-Savage said all right. Anybody else? Okay. Thank you, Paul.

This item presented for information only.

3. Minutes

The minutes from the February 4, 2021 meeting are presented for approval.

IT WAS MOVED BY VICE MAYOR STIPP, SECONDED BY COUNCILMEMBER TOLMACHOFF, AND UNANIMOUSLY CARRIED TO APPROVE THE FEBRUARY 4, 2021 AFS MEETING MINUTES.

4. Internal Audit Update

Ms. Beckstrom said good afternoon, Madam Chair, members of the committee. For our internal audit update today, we have opened up both the travel and credit card expense audits. We have selected a risk-based random sample for -- of transactions for both audits to determine whether appropriate internal controls are in place and working sufficiently. We have tentative estimated field work end dates of March 26th for the
credit card audit and April 9th for the travel audit. And if all goes well, we anticipate that we will present both of those reports to AFS in May.

In addition to these two audits, we are also scoping the two additional contracts management audits there as well, the fare inspection and the rail transportation services to get those started pretty quickly.

We are also beginning our audit planning for fiscal year 2022. As part of this audit planning, we will be reaching out to members of the AFS individually as well as management at Valley Metro over the next month to schedule risk assessment interviews. So, we will just come and meet with you individually to get an understanding of -- and to get you input on our audit planning process so that we can get that audit plan underway and have it through the process and approved before the end of June. Are there any questions about that portion of the update?

Vice Mayor Stipp said on the scope of the travel expenses audit, are you just looking at calendar year 2020? Are you looking at 2019?

Ms. Beckstrom said we are looking at fiscal year 2020 so there is going to be some COVID information in there so it kind of died off at the end in our sample. So, we are looking at that whole fiscal year.

Vice Mayor Stipp said I don't recall because this has been on this slide for some time. Can we push the audit information, the scope back into the later half of FY19? So that we can have a better look at that and a better understanding of that. I think we all know that there was very little travel in 2020. I think when this came up, we were probably worried about the travel that was occurring in 2019 calendar year, and then the first part of FY20. So, if we look at the calendar year of 2019 instead of the fiscal years, is that within the scope? Outside of the scope? Does anybody else care? I don't know.

Ms. Beckstrom said I have no problem adding to the scope if you would like to see that added in.

Chair Arredondo-Savage said I agree with that. I think that is a good idea. I mean, good catch, Bill. And as long as it is not too much more work, Sebrina. That would be great.

Ms. Beckstrom said all right.

Vice Mayor Stipp said historically, travel has been publicly and politically always an issue. If we are auditing a year that nobody travelled, we are going to look kind of foolish. That is all. I appreciate it if you can expand the scope.

Ms. Beckstrom said definitely. And we would still be looking at a risk-based stratified random sample if that is okay. Good. So, we can, for sure, expand that scope.
Chair Arredondo-Savage said is there any other questions for Sebrina?

This item was presented for information only.

5. Internal Audit Exceptions Update

Ms. Beckstrom said we can go ahead and move into the exceptions log. So, we have six open recommendations. Currently, there are four pending in travel and credit card. Those, because we have just started up those two audits for this fiscal year, we anticipate that these four pending travel and credit card recommendations -- we will review those. Preliminarily, it looks like all of them have been implemented, but we will finalize that as we go through our audit work on these two audits.

We have one delayed and one that should be completed at the end of the fiscal year, the ERP/EAM system.

And these next few slides are just more detail on that information that I just provided so unless there are any questions, we can just move forward through those. I believe that is all I have for today. Thank you.

Chair Arredondo-Savage said nice job, Sebrina. We really do appreciate your work so thank you so much for everything.

Ms. Beckstrom said thank you.

This item was presented for information only.

6. Valley Metro RPTA Fiscal Year 2022 (FY 22) Preliminary Operating and Capital Budget

Paul Hodgins, Chief Financial Officer, provided an overview of the Valley Metro RPTA FY22 Preliminary Operating and Capital Budget that included the following for discussion.

- Budget Development Progress
- PTF Forecasts
- FY21 PTF Revenues
- FY21 PTF Trend
- PTF Forecasts
- Service Contingency Plans
- FY21 Local Revenue Trends
- Key Assumptions and Feedback
- Base Service Levels
- Baseline: RPTA Operations
Chair Arredondo-Savage said great. Thank you, Paul. I appreciate that. Good information and it was a good recap. So, let me ask the Committee. Do you have any questions for Paul?

Councilmember Tolmachoff said first of all, I'm glad to see the revised fare recovery projections. I think that's a little more realistic, probably. I have said before, I don't see that bouncing back as quickly as, I mean, we can always be hopeful, but I would rather forecast more on the conservative side, so I am glad to see that that has been revised back down to a lower number.

I am a little curious. Seems to be a little bit maybe the opposite of how it works within city budgets is that hiring contractors to in-house positions saves money. So, I don't know if you could -- I know you can't tell me a dollar amount, but typically, like what percentage of salary do we save by putting a person as an in-house person where they get all the benefits of being an employee. So, just curious how that works.

Mr. Hodgins said I don't have a specific number off the top of my head, but typically, with a lot of our contractors, we are paying not only for their salary, benefits, and overhead that they have through the contractor, but there is a profit margin that the company charges us. So, we do generally see a savings when we convert those to a full time. Where you might not see savings is if you have temporary staff that may or may not have benefits through their company. I don't know if you have any specific numbers, Jim, from the IT positions?

Mr. Hillyard said I don't, but we could certainly provide them.

Mr. Hodgins said we could certainly look at what we were paying versus what we anticipate paying for the full-time staff. We could give you a comparison there.

Councilmember Tolmachoff said I was just curious if it was five percent, three percent, some percentage of it. Generally speaking, that is what the savings ends up being. So, the FTEs are all basically already here and going to be doing the same work. They are just going to be brought on board as actual employees.
Mr. Hodgins said for those IT positions, yes.

Councilmember Tolmachoff said okay. I just wanted to say, I'm fine with moving forward with the ADOT projection. I guess, thank goodness for Wayfair. It could not have come at a better time for our economy to be able to tax online sales. I think with the pandemic it was really fortunate timing that retail sales will kind of essentially come to the rescue for a lot of different things that are funded with sales tax.

We can always, if we have to, make changes later on. I know Glendale is going to be a good partner if we have to go back and make revisions. We are going to be good partners like we always are, but I think for moving forward and for the sake of being able to complete the budget, I think using the ADOT projections -- I understand they are on the conservative side anyway and I trust their projections move forward from here.

Councilmember Heredia said I would echo that piece. I know MAG is using ADOT projections and I think for us, you know, the (indiscernible) has given us some flexibility and I think I know it's looking at the trends and trying to figure out if this maintains. But I think based on what we are seeing, I think using the ADOT projections -- MAG is using those projections for their trends and so, I would echo using the ADOT projections.

Vice Mayor Stipp said so, Paul, on what I think is slide 17, the sources of funds operating. The transit service agreements, that's basically, the cities that are paying for additional transit, that is their source; correct?

Mr. Hodgins said yes, that's correct.

Vice Mayor Stipp said okay. The number of cities that actually have a tax which I think is seven? Does that sound about right?

Mr. Hodgins said some cities have dedicated transit taxes such as Tempe, others are more transportation. I know Phoenix, Glendale, Peoria, I believe, has a transportation tax. It could be six or seven in total if looking at transportation taxes.

Vice Mayor Stipp said so if there are 19 of us on the Board that means there are 12 of us that do not have any source of local tax that covers that. So, these service agreement amounts from a city's perspective are fairly flat or we would kind of like them to be. But every year we look at FY20 at $42 million. Obviously, 2021 that was offset by CARES and CRRSA. I think there is going to be some offset as you alluded to in FY22, but going forward for 2023, 2024 and 2025 presuming that Prop 400 extension passes and honestly, I think that maybe a big assumption. I'm looking three years down the road. How do we sustain this without continuing to say to the cities keep digging, keep digging, keep digging?

I mentioned it last month, there just seems to be some inability to sustain this. At the city side if anyone of our departments came to us and said, hey, we just need more
money. We reach a point where we just don't have the money and it seems pretty simple for Valley Metro to say, well, we just go to the cities and increase their service agreement amount. As opposed to, we are limited by the number of PTF funds that we get because that is just a variable as it goes. So, I appreciate that we are taking this conservative look for the next year, but I think, honestly, we are going to have to be looking at that very conservatively for the next three years. And if Prop 400 passes just as an extension at half a percent, there is no improvement anywhere on roads or transit in that Prop 400. There is no money to expand anything. It's going to be all about maintenance. So, we are going to do Prop 400 for a 20-year maintenance plan.

So, from a Valley Metro perspective if we keep talking about enhancing services, there is none. And Valley Metro as a brand is going to be carrying the burden of that even though we look to Tempe, we look to Mesa, and we look to Glendale and say, come up with more money. It makes it hard for me to say to my citizens at a Prop 400 extension not to mention a transit tax. Hey, we are going to be able to improve this for you when we are really not. So, how do we look three years down the road at this?

Chair Arredondo-Savage said Bill, I just want to say thank you for bringing that up. And before I throw it back at Paul. My concern is not only on this slide that you mentioned, if we look at the increases and especially where we are talking about the transit service agreements. If you go back to the slide 25 what I would say, I think from a city that is flat lining when it comes to revenues, it is super scary to be able to think about how in the heck are we going to sustain these increases for costs. When the reality of it is our actuals are not even going to meet what those increases are whether it's RPTA or for Rail. Rail, I know is, obviously, the next agenda item. For the city of Tempe it's very concerning for us and continuing to build on that gap. I don't know how we are going to be able to cover it.

So, I certainly, I just want to make sure everybody knows, and I appreciate the Vice Mayor for bringing that up and just acknowledging the fact that there is going to be some struggles, I think, for those cities that are local funding a lot of transportation costs. I certainly don't want to be a hindrance to the other cities that are using the PTF and really see how that continues to grow and that's great and that's really nice. I think Paul, when you mentioned it, you touched on it just a little bit that we really need to kind of be able to work together. Because the only way that we are going to be able to get through this is being able to collaborate and really understand how we work together as a region.

As you can see with the city of Tempe, obviously we are not even at one percent. So, it is going to be definitely a challenge for us, and we have to be able to find a way to get through it together and at the same time, we don't want to hinder any other cities for their possibilities with what they have got planned or to want to continue to plan as we want to continue to support them too.
So, I appreciate you Vice Mayor for bringing that up and really addressing a concern that was very, concerning to the city of Tempe and maybe to other cities too. So, Paul, I will throw that back at you and get your thoughts.

Mr. Hodgins said sure. As far as our costs, we do our best to try to contain as much as we can. Especially when we look at our fixed route contracts, a lot of the costs there are direct per mile costs to the contractors. They are set in the contract. Certainly, when we re-procure, we look for ways to be more efficient. We look for ways to adjust the scope to try to get better pricing and, certainly, when we look at our operations, we try to be as efficient as we can in how we operate the system to try to bring our costs down.

But really it is probably 93 percent of the cost of providing bus service is based on the service that we put on the street. So, it's a decision about how much service we want to put out so we try to work as closely as we can with all of the cities to determine what that appropriate level is, what service we will we want to put out.

As far as sustainability over time I totally get it that some cities are using general fund money, some cities are just using the lottery funds that we distribute which are generally flat, they don't grow. We don't get really an increased amount from the lottery funds. So, it is a challenge long term that some cities have made the commitment to do local taxes to support transportation and transit and that's a difficult choice to make. Some cities have made that choice, others have made the commitment out of their general funds such as the city of Mesa.

Mr. Smith said I'm sorry. I just wanted to add one thing. And when Paul says the service, one thing that's important to remember is that our service -- the definition of the service levels is really bottom-up approach. We work through the service planning groups and the city staff and cities in reality determine the level of service that they would like in their cities and that is a combination of the regional funds that are available and the city, as Paul said, the city commitment to funding if they want -- how active they would to be in that.

So, when he talks about service levels, I don't know that there is any decision that we at Valley Metro can make unilaterally. Every decision we make is in unison with a city or a series of cities as to what level they would like and -- both now and going forward and it is very inclusive, integrated process. So, and you raise a great point, Vice Mayor Stipp, I think one of the big things is that the cities since, what it is, over 70 percent of transit funding overall in the Valley is city funded not regionally funded. So, there is a lot of decisions that we need to make not only in the Prop 400 extension which will determine the amount of pool available for regional funds, but also on a city-by-city basis what ability and commitment the cities have both individually and jointly for funding transit-specific service within their city limits.
Vice Mayor Stipp said I appreciate that, and I think philosophically it's a huge question that maybe regionally we are never going to answer. If you look at this from a purely business perspective, which I know you are -- but if that particular revenue stream is finite, I think you make different decisions on the costs that you can control. We look at that particular line as perhaps the go to part. We have a certain limit in each one of our cities as far as what will go do for our property tax rate or our sales tax rate and there is a certain comfort level that will rise. At one point, we just stop, and we say look we can't go anymore. We can't add another body. We can't add any additional service. We have to close the library for one of the weekend days or we have to limit our parks programs.

So far, this year and during this very difficult financial discussion that we have been having since October, I don't know that I've necessarily heard that part. I have heard the rescue which came in the form of CRRSAA and CARES, and I think last month, and I think it was Mayor Gallego that said, hey, let's look at a budget that trims our nonservice level expenditures. I don't know that the answer to that lies in the FY22 budget, but I certainly think it needs to be answered in 2023, 2024, and 2025.

So, very philosophical, we can go on all day about where we are at. I guess, I'm hoping to plant a seed and get us thinking in that direction as far as the costs that we can control. What are we really doing with it because it seems every single month, we get a packet that says here is another IT contract worth $3 million, here is another something. Those costs just seem to be multiplying and it's that infinite tension between revenue and service delivery that I think it's always there, doesn't matter whether you are a public business or a private business and that's just our generic struggle. So, I'd like to hear in the future more conversation or more appearance as though that we are looking very strongly at that and see a few less expenditure requests and a few more discussions going farther.

Mr. Hodgins said if I could just make one comment on that. The transit service agreements that the way you say, is kind of a go to line. I'm not sure I agree with that entirely. The agreements we have with the cities are for specific service that the cities want us to provide on their behalf. So, it's not that oh, we need just extra money and so we will just throw it into a city's IGA and expect them to pay. It is for specific services that they have requested. So, our entire process, why we have a preliminary operations budget in October is to really provide information early to work with each of those cities to ensure that what we are providing meets their financial needs. So, there is a whole process in working with your staff to make sure that it's affordable and if the revenue source that the city is using is not sufficient then we would certainly work to ensure that we can trim cost, trim service, do whatever to meet the city's needs.

Vice Mayor Stipp said Paul, let me apologize because that was not what I intended to infer. I think my attempt to oversimplify the matter, obviously, drove us down that driveway. I think there is just for those that don't have it and then are not engaged in that process which if there is 12 of us on the Board that are in that realm, it just seems
that's how it could appear, I guess. Let me just say it that way. I certainly was not implying that it was okay, well, we will just ramp up these costs or this revenue source. That was not my intent and I think I was really wanting to focus on the stuff that we can control. The administrative costs and some of the other things that get applied across the board to everybody. It's great conversation. We should go and have lunch one day and talk about it. But I think just, collectively, as we emerge from this conservative conversation, we should not lose that momentum going into the next couple years. I think that probably was my only statement.

Mr. Smith said Vice Mayor Stipp, you make a great point and it's a concern that we certainly have looking forward. Since Paul cannot sort of brag on himself, I'm going to tell you that both as a participant and an observer, since Paul and Tyler carry the most load on this budget, I can assure you that Paul and Tyler, the discussion you just had about controlling our non-direct costs and those things that we can control, is something that he pushes for consistently, making sure that if there is any perceived fat that we justify it. I will just tell you that you do have an advocate in Paul and Tyler, they are task masters in many ways. I don't want you to think that somehow there is a lackadaisical or a laissez faire attitude from our Finance Department on the things that you just talked about because we see it.

On the other hand, I would like to go back to one thing that Paul did mention when you talk about the cost we can control. Paul you said over 90 percent of our costs for delivery and services are based on direct cost per mile. Those means are what we have gone out on the marketplace and got a bid for from a service provider that has said, here is what we will charge you for every mile of bus runs in a city. That means that even if Paul could work his magic and get rid of all the administrative costs, the mathematics is such that it's not going to have the kind of impact that I think some people might expect. I don't use that as an excuse, please, don't think that I do, but just to say that between the cost of driving buses and maintaining buses and fueling buses, it's over 90 percent of the cost to deliver each mile into your city. Which means we don't have a whole lot to work with. That which we do have to work with, once again, Paul and Tyler do a great job in my view in really riding herd over us and making sure that our asks and everything are justified and go directly or indirectly into providing that service to your cities.

Chair Arredondo-Savage said awesome. Is there anybody else who wants to say anything, in regard to, this? I don't hear anything.

Chair Arredondo-Savage said I just want to say, Paul, I think the one thing I just really want to point out one more time and I don't want to beat it up. I think we have talked about it and think Bill has made some really good points which I 100 percent agree with. Also, you talked about the Tempe rate -- you talked about the increase in our numbers which is true, right? That slide number 25. I just want to remind everybody the reason why that number is a little bit higher is because we did make service cuts in the City of Tempe and have made some internal cuts and frozen some positions when it comes to
transit. So that's really the only reason why that revenue forecast that you saw was a little bit different. I just want to make sure that is really, clear and the impact I think that we are really going to have really could impact the region, as a whole. So, we are very cognizant of that and are willing to work with Valley Metro and our sister cities just to make sure that we can continue to provide the very best regional system that we certainly can.

Right now even with the cuts that we have made, we are not where we need to be to cover that increase that we see before us whether it's bus or rail. So, something could definitely take to heart and to really understand how we can kind of combat that in the future and realize that we are in a unique situation. As any city, I would certainly support and understand that we need to work together as a region. We will continue to do that and that's my commitment to this region to make sure that we are able to provide the best service. Realize, though, we are going to have to make some hard decisions in the very near future at least from my perspective and my representation in Tempe.

So, with that, anybody else to want to beat it up some more? Let's go ahead and move on to Rail. It's going to be a lot of the same.

This item was presented for information only.

7. Valley Metro Rail Fiscal Year 2022 (FY22) Preliminary Operating and Capital Budget

Paul Hodgins, Chief Financial Officer, provided an overview of the Valley Metro Rail FY22 Preliminary Operating and Capital that included the following for discussion.

- Budget Development Progress
- Key Assumptions and Feedback
- Baseline: Light Rail Operations
- Baseline: Streetcar Operations
- Uses of Funds: Operating & Capital
- Sources of Funds: Operating & Capital
- Uses of Funds: Operating
- Sources of Funds: Operating
- Uses of Funds: Capital
- Sources of Funds: Capital
- VMR Only Staff Changes from FY20 to FY22
- Recap of Important Dates

Chair Arredondo-Savage said great. Thank you, Paul. Are there any questions from my colleagues?
Vice Mayor Stipp said Paul, you mentioned in both RPTA and the VMR budgets, the deputy directors are in the operations side?

Mr. Hodgins said yes.

Vice Mayor Stipp said so those are for approval in the FY22 budget, correct?

Mr. Hodgins said yes. Those are in the FY22 budget.

Vice Mayor Stipp said is it customary for us to recruit for those positions before they have been approved in the budget?

Mr. Hodgins said we are currently doing a recruitment so that we will have those positions available for the fiscal year. We had a conversation with everybody on AFS, we have had a conversation with the city managers about the need for those positions, so I believe that those are necessary and that we are moving forward with those and they are budgeted in fiscal 2022. We don’t, typically, ask the Board to approve specific positions, but the overall budget.

Councilmember Tolmachoff said a 33 percent increase in insurance premium. Just curious what was that attributed to? Or do we know? Was that industry wide? Was that a result of our record? That seems like a pretty, substantial increase in our premium. Just curious if we know what the reason for that is?

Mr. Hodgins said what we understood when we talked to our broker, several companies have gotten out of the business of providing insurance for public transit. The market is pretty much tightening. It really has nothing to do with our record. We have had a pretty, good record in terms of claims, but just industry wide it seemed that everybody was seeing significant increases in premiums. Every year, we have a meeting with what we call our Risk Management Committee. It's risk management staff from, basically, the rail cities. We get together and they all commented that they were seeing the same things with premiums in the cities.

So, I think it's more of an industry wide and we have heard that really some companies are getting out of the public transit business. So, we worked really hard to try to bring down some of the premiums, looking at changes in deductibles, looking at changes in coverages. We did what we thought was reasonable without taking on too much additional risk. We were able to bring the premium down a little bit, but it was still a significant increase which we don't see being able to bring down without a radical change in the coverages which were not prepared to do at this point.

Chair Arredondo-Savage said thank you, Lauren. I want to follow up on that. Paul, did the broker actually farm that out? Did we get proposals from other carriers besides the one that we currently work with?
Mr. Hodgins said yes. They go out and get proposals from as many carriers as they can and in some cases –

Chair Arredondo-Savage said how many did they get? Do you know how many they actually got? How many proposals were returned? Full proposals.

Mr. Hodgins said it depends on the line of coverage. Certain businesses proposed on some things like general liability. Others proposed on our rail fleet. So, it just depends. I don't have the number off the top of my head but could certainly get that to you. We have that. That's all documented.

Chair Arredondo-Savage said so do we have a contract with the consultant? Do we use a consultant?

Mr. Hodgins said yes.

Chair Arredondo-Savage said I'm sorry. I guess, I should know that we do.

Mr. Hodgins said yes. We have a contract with Alliant. They are our broker, and they do all the leg work for us.

Chair Arredondo-Savage said all the cities kind of have the same process with that too. It would probably be good. You know me just being in the insurance world and I certainly understand that and being on the trust board too for our own city, realize how important it is and when you need to go out and shop and look around and kind of see what else is out there beside what you have always known is probably a good time to be doing that. So, I will be curious to know. I don’t know how long we have had this consultant and what their process is for going out to see that. So, hopefully, the risk group is working on that and continues to ensure that happens.

Mr. Hodgins said yes, it happens every year. Absolutely. We would be happy to sit down and have more insurance talk with you if you are interested.

Chair Arredondo-Savage said I love it. Okay. Frankie, did you have something that you wanted to say?

Councilmember Heredia said yes. I wanted to ask Paul. You mentioned fare collection. I know we have had issues with fare collection. Do you think the new fare collection system will provide some growth in the fare collection trend in the future? Or what do you project on that?

Mr. Hodgins said I would say that the fare collection system, well, fare revenue is really going to be dependent on ridership coming back, but what the new fare collection system will do is provide much more control over the fare and the fare policy. Right now, as we have talked about the reduced fare, I will say pre-COVID right now, with the
rear-door boardings, that there is not a lot of enforcement. But pre-COVID, the biggest
issue we have had is the reduced fare abuse and people using reduced fares who are
not eligible. So, the new system will definitely provide much more control over the
reduced fare reducing the potential for that kind of abuse.

Now, if the ridership does not come back then there is only so much the system can do.
Certainly, if the ridership comes back, it should ensure that we get a fair return for the
ridership that we have.

Councilmember Heredia said so, we assume there will be a growth, but it depends on
the ridership, right? So just based on the new system that we are moving into.

Mr. Hodgins said yes. The new system should provide a much easier way for
passengers to obtain fare whether it is through their phone or through a smart card. It
will provide the fare capping which I talked about. So, instead of having to pay $64
upfront for a full monthly pass, they can add that incrementally to their smart card $5
today, $10 tomorrow and they would only be deducted up to a maximum of $64 in a
one-month period. So, it gives much, more flexibility for riders in how they buy their
fare. We are hopeful that the simplicity from a customer perspective of the new system
will not be a deterrent to ridership, but, again, the actual recovery is really going to be
dependent on riders coming back.

Chair Arredondo-Savage said anyone else? I agree with (indiscernible) thank you guys
for those comments I think it is important too. And I think, Frankie, that is one thing that
we have talked about so much is not only just when we are going to get the new system
and how great that is going to be, but also, make sure there is some consistency
throughout the region and accountability not only at the point of sale, but also the
ridership when they are boarding whether it is from the rear or now moving to the front
to just ensure that our post-COVID -- when we are in full recovery, that we are all on the
same page and look at this as an opportunity to continue to do things better.
The one thing I just want to point out one more time. I know we have already beat up a
dead horse and, Paul, you talked about the reduction of the increase. When it comes to
rail, we started at a 12% increase. Now, we are at a 7% increase which is still a very,
large increase from year to year and that certainly does concern me. I know Mayor
Gallego had asked at a previous meeting and I know you said you were going to talk
with her, in regard to, what reductions would look like if we didn't reduce services. I will
be interested to hear what that might entail and what that looks like and if we can still
continue to work on that 7% in the future to really help the region as a whole. I don't
know if anybody else had anything that they wanted to add?

Paul, did you say that was something that we are going to see in the future? I know you
had a meeting with Mayor Gallego.

Mr. Hodgins said yes. We will be working through some of those options. We will have
that back for the AFS next month.
Mayor Gallego said he did tell me it would be next month, so I am really looking forward to that as well.

Chair Arredondo-Savage said okay. Thank you. I think that is a really good suggestion. Paul, was there anything else?

Mr. Hodgins said not on the budget. Thank you.

This item was presented for information only.

8. Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

Paul Hodgins, Chief Financial Officer, provided an overview of upcoming Intergovernmental Agreements, Contract Change Orders Amendments and Awards that included the following for discussion.

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 substations (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.

Chair Arredondo-Savage said anyone have questions?

Councilmember Tomalchoff said yes. With this contract for the administration of the smart card fare media. I have a lot of concern about the cost of the card if we are not going to charge for it. I think the incentive to use load it on to your smart phone is charging for the card because everybody has different cards for everything else. People are just, I think, really, unlikely to keep the same card for one year, much less likely ten years, then the cost could become a problem for us. So, I am just curious how does it work in other cities? If you start out trying to encourage people to use the app and put it on their phone, you are not replacing a card every month or every couple of months for the customers.

Mr. Hodgins said yes. That is absolutely something we are looking at. That would be part of the fare policy discussion that we will bring forward and pricing of the card is one of the things we will be talking about. Certainly, if we charge a fee for the card upfront, that is an incentive to hang on to the card. It could also be more of an incentive to use the mobile app as opposed to getting a smart card, but that is absolutely something we are looking at that will be part of the fare policy discussion that comes to the Board.
Councilmember Tolmachoff said okay. So, does it have anything to do with this contract work for the administration of the smart card? My point is, if we issue fewer smart cards, does that have any effect on this contract?

Mr. Hodgins said yes. So, this is a not to exceed amount based on what we think the volume of cards might be. Certainly, if the smart cards are not adopted widely by our customers and they go more to mobile application, we would not pay for production of smart cards. So, we would not pay the full amount. So, this is really, dependent on how much fare media we use, how widely it is adopted by our passengers. This is, as I said, more of a not to exceed based on kind of our estimate of what that might look like.

Jacob's Engineering, our consultant, has looked at how other systems have adopted smart cards versus the mobile app and helped us make some estimates on what that looks like. But certainly, if we do not use that many, we will not pay this much.

Councilmember Tolmachoff said okay. So, our cost is actually going to be based on production. I am happy to hear that.

Mr. Hodgins said yes.

Councilmember Tolmachoff said we are not committing to an amount and my feeling anyway is that I do not know what anybody else thinks, is the more people who use their smart phone, the better off we are going to be. So, if it is based on production then that is great. Thank you.

Chair Arredondo-Savage said thanks. Bill, did you have something?

Vice Mayor Stipp said on this particular, subject, Paul, on the fare administration. Do they have a one-year lead time? Because we seem to have some unanswered questions and if we are not going to be starting. It is only March.

Mr. Hodgins said so for the retail network administration, certainly, the retail network portion of the distribution out to the retailers would not begin immediately. We expect to have some demand for cards before we, actually, roll out the whole smart card system because we want to roll out the reduced fare IDs and get those into people's hands sooner than later. So, there is an aspect of this that would start the production of the cards so we could have cards for the reduced fare IDs. But, certainly, the distribution network with the retail outlets would not begin for a little while that is true.

Vice Mayor Stipp said so does it make any sense for us to not award this contract now? Get closer to what we think it will be as opposed to tying up $10 million. Through the analysis process over the next few months, we identify that we only need $6 million, and we may not even need all of that then we have $4 million that we have tied up. There is a cost to the money as well so is there any value in waiting? I do not understand what the rush is.
Mr. Hodgins said we could wait –

Vice Mayor Stipp said just something to consider. I do not need an answer. I just –

Mr. Hodgins said we could wait. I do not necessarily see the value in waiting. We are only going to pay for production when we order cards. So, what we are really committing to next year, I think is $80,000 for them to work through some of the data integration to get their system tied into the Vix system. Then the rest of the $10 million is based on actual card stock that we order. If we do not order any, we are not committed to any expense.

Vice Mayor Stipp said you are not tying up real money, though?

Mr. Hodgins said not until we actually order cards.

Vice Mayor Stipp said okay.

Mr. Hodgins said this just gives us the authority to place those orders when we need them.

Vice Mayor Stipp said that I understand. It just seems like we are way ahead of the game on this one. My real question is in item C, the 10-year contract. Basically, $24 million. Is that for the full ten years or is that for the five years?

Mr. Hodgins said that is for the full ten years.

Vice Mayor Stipp said okay. So, and for a little bit more than $2 million per year, we do not think we can do it inhouse? I mean, we are committing to at least a five-year contract with somebody, again, with the uncertainty of what Prop 400 is going bring. It just seems like this might be one of those opportunities for us to (indiscernible).

Mr. Hodgins said we did look at what the cost would be to provide this inhouse. It could be a little bit cheaper for us to do it inhouse, but there are some risks. There is some payment card industry, the PCI compliance, that one of the advantages of using Vix is that the liability goes with them and the infrastructure and everything that they need, they already have this type of customer service network or customer service that they operate in other cities. They are PCI compliant already. They would not have the same type of expense. We would need to go through our systems to ensure PCI compliance and then there is always the risk of what happens if there is a breach, and somebody gets a hold of credit card numbers. This nice thing about having the contractor do it is the risk for that really goes with them. So, we may be paying a little bit of a premium over what we could do inhouse, but that premium really covers a lot of the risk that is inherent with this type of work.

Vice Mayor Stipp said okay. I look forward to the updated memos. Thanks.
Mr. Hodgins said thank you.

Chair Arredondo-Savage said thanks, Bill, Paul. Anybody else?

Councilmember Tolmachoff said actually, I mean, the more I keep thinking about what Vice Mayor Stipp said, the more I am wondering would it be prudent to make that customer service network contract like a three-year contract? Because we are going to be, hopefully, renewing our regional transportation tax, but we do not know that for sure. That we are not tied into a contract when we are going to have to be making a lot of cuts if it does not get renewed. Would that? I do not know if anybody else feels like that would make sense. We could always renew it for longer, but we are not under contract beyond 2025.

Mr. Hodgins said so the five-year base takes us, basically, through June of 2026 which is six months beyond the end of Prop 400, but it is essentially tied to the end of Prop 400. So, we would have a decision to make at that point based on Prop 400 extension whatever that looks like. So, we are trying to tie a lot of our contracts of this nature kind of towards the end of Prop 400.

Councilmember Tolmachoff said okay. So, I am confuse because the contract is immediate. The new fare system is rolling out when?

Mr. Hodgins said depends on which aspect. So, there is a phased implementation. So, we will have a new mobile app on July 1st of this year. It will not include the mobile ticketing yet, but it will be a mobile app. We want to roll out a lot of the reduced fare ID even though it will not be used as the fare media until the full smart card implementation. We want to get those IDs rolled out and supported so a lot of the customer service contract will help us in that roll out to get a lot of the cards out as quickly as we can so that those are in place when we launch the full smart card.

So, the mobile ticketing is scheduled for, I believe, September of 2022. So, that would be rolled into the mobile app and then the full smart card implementation is May of 2023. But there is support that these contracts would provide to us before that full launch.

Mr. Smith said if I could add a little bit. This can be confusing because we are taking one part of a much larger program. Remember, this is the companion to a huge contract to completely revamp our entire fare collection system that is being led by the City of Phoenix. So, all our ticket vending machines, all of the hardware and the base software that goes into that system are being handled by the City of Phoenix. We are handling the fare media. In other words, the cards, the tickets, and the servicing of those. Regardless of what happens with Prop 400, there will be bus service and we will have a fare collection system and you will still have the City of Phoenix regardless since they have T2050 that will be moving on. So, we are planning on this as though -- even if Prop 400 were not to be extended, the world is not going to end because we are still
going to have bus service funded not only by City of Phoenix, but by many other cities going back to what Vice Mayor Stipp pointed out and you will need this system to be working and functioning. The level that it is functioning, we will see, but we will still have a very, very vibrant City of Phoenix bus system and in those cities that can continue to fund even without Prop 400 extension, this system will still be needed. So, I think we need to keep it in, maybe it helps a little bit better if you look at the system, as a whole, which is the two giant components where we are actually the lesser component than the bigger one which is the system that the City of Phoenix is bringing on board.

Councilmember Tolmachoff said okay. So, it is confusing for me because it sounds like we are going to be scaling up over a period of the next 18 months or so. So, the amount of service we are going to be needing is going scaling up as we move into the full launch of the system. But is the cost of the contract going to be now as it will be when we actually literally launch the system?

Mr. Hodgins said the contract cost is entirely variable. So, we pay them based on the effort and the staff that they have in place. So, as we ramp up, the cost may increase. If we get to a point where the system is in place and we do not see the customer service call volumes there, we can pull back on the staffing needs for the customer service piece and reduce our costs. So, it is not like a set monthly fee. It is really based on the level of service that they are providing.

Councilmember Tolmachoff said okay. That is very, helpful. Thank you, Paul.

Chair Arredondo-Savage said okay. Any other good questions? Are we good to move forward? I understand and I agree with some of the concerns that I heard here today. Go ahead, Paul, we will let you keep going.

Mr. Hodgins said that was it unless there were any other questions about any of the other items or comments or additional information that you might think the Board would be interested in.

Chair Arredondo-Savage said well, I think that we are always interested in everything as a committee and –

Mr. Hodgins said related to these items I meant.

Chair Arredondo-Savage said got it. I agree too. This is a big deal for us. It is something that we have been talking about for a really long time and I think we want to make sure that we are getting it right and for the right reasons. So, I agree we want to take it careful. I do not know about timing because it is going to be a long-term rollout so we will see how it goes. Is there anything else?

This item was presented for information only.
9. **Future Agenda Items**

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

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Chair Arredondo-Savage said I just ask the Committee to just recognize those items that we have in the upcoming meetings and if we have missed anything, please let me know. Or if there is something that you do not want to see, changes, whatever it might be, just make sure you let Pat and myself know. Pat, thank you and thanks to Stephanie for putting those there and just making sure that we stay on track and we know what is coming down the pike and in the future. And the one thing I know that is not on there will be what we talked to Mayor Gallego about which was those reductions outside of service cuts so we will be expected to hear that next month, I believe. Right?

Mr. Hodgins said yes.

Without further discussion, the meeting was adjourned at 1:42 p.m.
DATE
April 1, 2021

SUBJECT
Valley Metro RPTA Fixed Route Bus Advertising

PURPOSE
To provide an informational update on the placement of advertising on RPTA-operated buses, focusing on the history, opportunities, and challenges.

RECOMMENDATION
This item is being presented for information and discussion.

BACKGROUND | DISCUSSION | CONSIDERATION
Since public agencies took over private transit operations and began operating them as a public service, there has been an ongoing debate over the placement of commercial advertising on transit vehicles. Today, many public transit agencies utilize advertising, with the primary reason of revenue generation to offset operating costs or possibly expand service. On the other hand, many public transit agencies do not allow advertisements on their vehicles, forgoing the revenue potential. The reasons for allowing or not allowing advertising are varied. Some believe advertising on public property is inappropriate or are concerned about problems should an offensive ad be placed on a public asset, such as a bus. Others feel that ads distract from the transit agency brand or create safety issues. However, attitudes have evolved with the successful use of advertising in many cities and the desire for additional revenue. As such, many agencies are taking a fresh look at their advertising policies believing that the benefit of revenue could possibly outweigh any challenges. Valley Metro RPTA is no different. During recent budget discussions, the RPTA Audit and Finance Subcommittee raised the issue with staff and requested an analysis and update on bus advertising.

The discussion of bus advertising is not new for Valley Metro RPTA. Over the years, the Valley Metro RPTA Board has taken a somewhat conservative view regarding advertising. The Board has taken two formal actions – in 1994 and 2000 – to prohibit ads on RPTA buses. Records show the Board based these actions largely on concerns related to negative impacts on system identity/image and the belief that ads were inappropriate on a public service. RPTA’s formal policy is also consistent with ordinances in some RPTA member cities that prohibit commercial advertising on public assets and/or within their communities. The current RPTA “no advertising” policy does create a natural conflict in the region as Valley Metro Rail and City of Phoenix Public Transit both allow advertising on some or all of their Valley Metro-branded vehicles.
This memo will discuss in some detail the region’s history with advertising, the costs and benefits of advertising in a transit environment and will analyze how our peers manage bus advertising within their communities. Staff will also provide information on the revenue potential, costs and considerations associated with the potential of expanding the advertising program.

In presenting this information, staff recommends proceeding with caution and evaluating all aspects and impacts that an expanded advertising program could create. The long-term impact of a change in policy could be significant and there are different options that could and should be evaluated. If the Board wishes to consider a bus advertising program, staff recommends exploring a program that balances brand/safety/customer experience along with revenue generation.

For the first time, Valley Metro and the City of Phoenix have agreed upon a common branding and paint scheme for new buses in the region. This branding philosophy is also being applied to Valley Metro Rail vehicles: the new Siemens light rail vehicles, Brookville streetcars as well as the re-painting of our existing 50-car light rail fleet. With these significant changes in regional branding, now is an ideal time to evaluate the future of advertising that could be placed on Valley Metro-operated vehicles.

**History of Transit Advertising in Metro Phoenix**

Primary bus advertising milestones and decision points:

- **1981** – City of Phoenix begins advertising on their bus benches
- **1994** – Valley Metro RPTA Board defers adoption of an advertising policy citing “image” and “clutter” concerns; City of Phoenix begins advertising on their buses
- **2000** – Valley Metro RPTA Board denies exterior advertising on buses citing sign ordinances, “system identity” and “safety” concerns as well as a lack of personal preference
- Several municipalities in the East and West Valleys initiate bus stop advertising programs in their communities
- Other communities continue to have sign ordinances that prohibit this type of advertising

Primary rail advertising milestones and decision points:

- **2003** – Valley Metro Rail (VMR) Board adopts the Light Rail System Advertising Policy that states that advertising opportunities should be built into system, but that no advertising should be allowed at this time
- **2008** – VMR Board approves of an advertising trial period, consisting of train and station advertising, for the 2009 NBA All-Star Game hosted in downtown Phoenix
- **2009** – VMR Board amends Advertising Policy to allow limited advertising on trains and at stations in Phoenix and Mesa (Tempe’s ordinance prohibits ads in
their city); approves Advertising Sales Services contract with CBS Outdoor, now OUTFRONT Media

- **2010 – 2014** – VMR Board progressively opens up Advertising Policy to allow more inventory and a less restrictive standard with regard to alcohol; extends contract with OUTFRONT Media to take advantage of Super Bowl 2015 hosted in metro Phoenix
- **2015** – VMR Board approves contract with incumbent, OUTFRONT Media, for continued Advertising Sales Services support
- Staff is preparing for future Board review potential expansion into new areas of the rail system (i.e. streetcar), while recommending to curtail the number of and exterior space available on the light rail fleet, due to safety concerns and branding emphasis with recent investments made in re-painting the existing fleet and with new fleet coming on board

**Challenges with Transit Advertising**

The challenges with transit advertising vary from being very tangible to intangible—from mitigating paint damage and coordinating access to secured facilities through third party contractors to system branding and customer safety and sentiment. One of the biggest balancing acts being that a bus or a train is a publicly-funded asset, built with the primary mission of service to the people of metro Phoenix, not as an advertising “vehicle.”

Breaking down a few of these elements, let’s dive into branding. At the Board and Management Committee’s urging, staff, at both Valley Metro and City of Phoenix, has worked collectively to build a regional brand for our fleet, bus and rail. This brand helps the public understand and appreciate the investment it’s making in transit and keeps the system looking in a state of cohesion and of high-quality. A clean, well-maintained and welcoming vehicle is one that passengers and even non-users want to board and ride and also recommend to their friends and colleagues. This could be especially important as regional voters will, once again, be asked to continue investing in our public transit system in just a few short years. Advertising clutters a vehicle, hides paint schemes and can be a detractor to the brand program. So, if choosing to pursue advertising, it’s an issue that needs to be carefully considered when developing the program.

As for maintenance issues, on the Valley Metro Rail side, we have experienced some damage to our fleet and stations from placing advertisements. While the contract language is clear that our Advertising Sales Service contractor is responsible for returning the vehicle and station platform infrastructure to its original condition and responsible for any associated costs, there is additional wear and tear on our assets. OUTFRONT has been responsive to these requests of the past; yet it is a cumbersome process and can generate labor hours to manage.
Another complexity that should be considered is the contract management and oversight as well on-site coordination at our operating facilities. Today, to manage the VMR Advertising Sales Program, we involve a project manager, contracts specialist and vehicle maintenance supervisory staff. The bulk of the coordination happens at the rail operations facility to coordinate the availability and scheduling of fleet – based on fleet maintenance schedules – and allocated, safe spaces in the shop for the installers to perform their work, as well as pre- and post-vehicle inspections. For the potential of bus advertising, some of this role would be performed by our contracted service provider(s), which would require updates and additional costs to their contract(s).

Last, but not least, are concerns about safety and rider comfort caused by covering vehicle windows from full-body advertising wraps. Law enforcement and emergency responders have voiced their concerns about advertising that covers windows and restricts sight lines from outside into the vehicle; particularly problematic during daylight hours when it’s lighter outside than inside. Passengers have also complained about the reduction in light and views on wrapped rail cars. We would expect the same issues with wraps on buses. This concern has historically been mitigated by a higher level of perforation on the window vinyl material to allow for more visibility. However, the concerns persist; and on the rail side, staff is pursuing advertising wrap options that cover less windows, such as center-section wraps. Safety should be another consideration if bus advertising is, in fact, pursued.

Opportunities with Transit Advertising

In FY19, pre-pandemic, the VMR advertising program generated $1.82 million, which was used to offset individual member city contributions for rail operating expenses. VMR’s contract with OUTFRONT Media is set up as a minimum annual (revenue) guarantee (or MAG) of $1.1 million or 65% of net advertising revenues, whichever is greater. During the pandemic, naturally, advertising sales have dropped. In FY20, we maintained our MAG; however, for FY21, the program has generated $227,500 through December 2020.

In CY19, the City of Phoenix bus advertising program generated $1.67 million. Phoenix also generates a significant amount from their transit furniture advertising program, totaling $2.25 million for the same period.

Staff asked OUTFRONT Media to prepare a proposal to illustrate what could be generated by the RPTA-operated fleet. The proposal reflects a conservative forecast due to the downward market and considering the timeline to ramp up interest in a new advertising program (~12 months). Please note: These are gross costs and do not include any additional expenses associated with maintenance, coordination and oversight (as noted above) to manage this program.
Assumptions

<table>
<thead>
<tr>
<th>Total Annual RPTA Revenue Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• OUTFRONT estimate based on standard</td>
</tr>
</tbody>
</table>

Other benefits of advertising have been the ability to push our own messages through bus and train advertising messages and the creation of interesting partnerships that build ridership or support community goodwill, including Rail Ride with PHX Arena, Polar Express and Farm Express mobile produce market.

Peer Agency Research

Of our six primary agency peers, most conduct bus advertising, interior and exterior. The range of revenue and products widely vary by agency.

<table>
<thead>
<tr>
<th>Peer City</th>
<th>Bus Advertising Y/N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas (DART)</td>
<td>Y</td>
</tr>
<tr>
<td>Denver (RTD)</td>
<td>Y</td>
</tr>
<tr>
<td>Houston (Metro)*</td>
<td>N</td>
</tr>
<tr>
<td>Portland (TriMet)</td>
<td>Y</td>
</tr>
<tr>
<td>San Diego (MTS)</td>
<td>Y</td>
</tr>
<tr>
<td>Salt Lake City (UTA)</td>
<td>Y</td>
</tr>
</tbody>
</table>

*Metro – Houston City Council passed an ordinance called “Keep Houston Beautiful” where they do not allow visual “clutter” such as moving billboards on buses and trains. However, they do have partnerships with large events, e.g. Super Bowl, where wraps are allowed. They must be bright and have minimal copy. They also do “tails” on buses, however, all messaging is transit service related.
Future Considerations

If the Valley Metro RPTA Board were to pursue fixed route bus advertising, staff would seek to develop an advertising approach that would balance the concerns raised in this memo with the opportunity of additional revenue. Importantly, necessary policy changes would also need to be considered. RPTA’s current “no advertising” policy would need to be repealed and an advertising policy would need to be created and adopted. The same standards that are used in the Valley Metro Rail (attached) and the City of Phoenix advertising policies would be used to develop the RPTA policy, so that advertising content is approved consistently across the region.

In addition, Valley Metro currently has a contract with OUTFRONT Media, LLC for Advertising Sale Services. This contract award was competitive and evaluated on both Valley Metro Rail fleet and the potential scope additions for Bus and Vanpool. Per our contractual relationship with OUTFRONT Media, LLC, a change order would need to be negotiated and exercised to include the addition in scope.

Lastly, any advertising on RPTA-operated fleet would need to conform with applicable municipal sign and/or advertising ordinances within the cities Valley Metro operates fixed route bus service. Thus far, in our research, the city sign ordinances brought to our attention would not preclude this type of advertising.

COST AND BUDGET
OUTFRONT Media estimates bus advertising on RPTA-operated fleet could potentially generate between $800,000 – $900,000/year in revenue. This is a forecast commensurate with the current advertising marketing and does not reflect any added costs associated with contract/program management.

COMMITTEE ACTION
AFS: February 4, 2021 for information
RTAG: February 16, 2021 for information
TMC/RMC: April 7, 2021 for information
AFS: April 8, 2021 for information
Boards of Directors: April 22, 2021 for information

CONTACT
Hillary Foose
Director, Communications & Strategic Initiatives
602-322-4468
hfoose@valleymetro.org

ATTACHMENT
Valley Metro Rail’s Advertising Policy
ADVERTISING POLICY

Valley Metro Rail, Inc. (VMR) believes that advertising on the light rail system is best performed using a standard set of established criteria. Therefore, the following criteria are established for advertising:

**Vehicle Advertising**
Advertising on the exterior of the articulated sections of the vehicle includes the entire fleet. Full exterior wraps are limited to a maximum of 25 vehicles; however, VMR staff has the flexibility to allow additional full wraps when advantageous to agency. VMR also reserves the right to wrap four (4) additional vehicles for the Community Train Wrap program.

Advertising on the interior of the vehicle includes ceiling decals. VMR staff will monitor the number of ceiling decals so as to avoid visual clutter.

Advertising on the interior of the vehicle also allows for the installation of LCD-TV in vehicles.

**Station Advertising**
Station advertising is limited to wraps and display case posters.

Station wrap advertising occurs in participating cities only and is limited to backdrop banners, vertical banners and wrapped beams; no floor decals. Any advertising at stations cannot be attached to, or obscure, station art.

Station display case advertising occurs in participating cities only and is limited to no more than 50% of the display cases at any given station.

Advertising at station platforms also allows for the installation of electronic or standard kiosks.

**Advertising Standards**
Any future VMR advertising policy will be consistent with the City of Phoenix Public Transit Department’s policy that establishes the following standard:

The subject matter of Valley Metro Rail, Inc. system advertising is limited to speech that proposes a commercial transaction.
VMR policy prohibits the display of advertising copy or graphics that:

1. Are false, misleading, or deceptive
2. Relate to an illegal activity
3. Advertise or depict the use of tobacco or smoking products
4. Represent, by language or graphics, violence or anti-social behavior
5. Advertise or depict language, gestures, conduct or graphical representations that are obscene, pornographic, vulgar, profane or scatological
6. Represent, by language or graphics, a “nude” or “seminude” person, as those terms are defined in Section 11-811, Arizona Revised Statutes, or the exposed buttocks of any person
7. Depict, relate to or reference a website or other medium that relates to “specified sexual activities” or “specified anatomical areas” as those terms are identified in Section 11-811, Arizona Revised Statutes

Alcohol content is permitted on vehicles and at stations not within 600 feet of a church, or similar structure of worship, or school building.

All advertising is subject to approval by VMR and/or its designated representatives.

Adopted by Valley Metro Rail Board of Directors on October 17, 2013.
RPTA Bus Advertising
History | Opportunities | Challenges
April 2021

Advertising Question

• Historically & nationally
• Locally with RPTA Board actions in 1994 & 2000
  • “Image,” “safety” concerns
  • Yet, RPTA policy runs in conflict with VMR & Phoenix Transit
• Today’s discussion:
  • History
  • Challenges/concerns
  • Opportunities/revenue forecast
  • Peer research
  • Potential next steps
Transit Vehicle Advertising History

Bus Milestones
• 1994 – RPTA defers advertising citing “image” & “clutter;” COP advances bus advertising
• 2000 – RPTA denies advertising citing sign ordinances, “system identity” & “safety”

Rail Milestones
• 2003 – VMR adopts policy, but not allowed at that time
• 2008 – VMR approves of trial period for NBA All-Star Game
• 2009 – VMR amends policy to advertise on trains and at select stations; approves contract with CBS Outdoor
• 2010 – 2014 – VMR progressively opens up policy
• 2015 – VMR approves contract with incumbent, OUTFRONT Media

Challenges | Concerns

• Public asset vs. advertising “vehicle”
  • Potential concerns with content
• High-quality, regional branding
  • First time, unified paint scheme
  • Supports “Excellent rider experience”
• Maintenance/wear and tear
  • Labor to manage scheduling/repairs
  • Future: Effort borne by our contractor(s)
• Public safety concerns
  • Lack of visibility presents risks and first responder concerns
Opportunity | Revenue Estimate

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Total Annual RPTA Revenue Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• OUTFRONT estimate based on standard access to RPTA-operated fleet</td>
<td>$865,000*</td>
</tr>
</tbody>
</table>

* Would require a ramp-up period to establish a new program
* Doesn’t include any additional costs associated with contract/program management

Peer Agency Research

- 5 out of 6 peers surveyed utilize bus advertising
  - Full range of products
- Houston Metro is exception
  - “Keep Houston Beautiful” ordinance
- UTA balances ads with branding
  - All ads must be designed around logo
Considering history, context, revenue potential and costs…

Should we advertise?
On the RPTA-operated fleet

If So, Next Steps?

- Develop advertising approach:
  - Seek to balance brand, costs and safety concerns with revenue potential
  - Use same Advertising Standards as VMR and COP
- Coordinate with bus contractor(s)
- Return to Board for action(s)
DATE
April 1, 2021

SUBJECT
Internal Audit Update

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

RECOMMENDATION
Item presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE ACTION
None

CONTACTS
Sebrina Beckstrom
Chief Auditor
sbeckstrom@valleymetro.org
602-256-5813

ATTACHMENT
None
# Valley Metro Audit and Finance Subcommittee Internal Audit Update

**April 2021**

## Update:

### Fiscal Year 20/21 Audit Plan

<table>
<thead>
<tr>
<th>Process</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Credit Card Transactions</td>
<td>Draft Report – Pending</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>Fieldwork In-Progress</td>
</tr>
<tr>
<td>Contract Mgmt.–Fare Inspection &amp; Security Services</td>
<td>Reviewing Contract Docs</td>
</tr>
<tr>
<td>Contract Mgmt.–Rail Transportation Services</td>
<td>Reviewing Contract Docs</td>
</tr>
<tr>
<td>Mobility Center Cash Collection</td>
<td>Pending</td>
</tr>
<tr>
<td>Federal Grant Compliance</td>
<td>Pending</td>
</tr>
<tr>
<td><strong>Special Projects</strong></td>
<td></td>
</tr>
<tr>
<td>External Audits:</td>
<td></td>
</tr>
<tr>
<td>City of Phoenix – Vanpool Program</td>
<td>Fieldwork In-Progress</td>
</tr>
<tr>
<td>AZ Auditor General – MAG RTP Audit</td>
<td>Briefing meeting 04/27/2021</td>
</tr>
<tr>
<td>City of Phoenix – Contract Risk Assessment</td>
<td>On-going quarterly meetings</td>
</tr>
<tr>
<td>ADOT – Rail Safety Audit. (Rail PTASP BoD Approved 10/22).</td>
<td>ADOT Closed 10 more CAPs</td>
</tr>
<tr>
<td>Enterprise Resource Planning (ERP) System</td>
<td>Monitoring</td>
</tr>
<tr>
<td>Safety and Security Audits – ADOT 2021 ISSA Reviews</td>
<td>2021 reviews-Starting in April</td>
</tr>
</tbody>
</table>
FY21/22 Audit Plan Process

• Risk Assessment Interviews
  • AFS Committee Members
  • RPTA Board Chairman
  • VM Leadership Team
  • Deputy Directors and applicable Managers
DATE
April 1, 2021

SUBJECT
Audit exceptions update

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

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.*

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

COMMITTEE ACTION
None

CONTACTS
Sebrina Beckstrom
Chief Auditor
sbeckstrom@valleymetro.org
602-256-5813

ATTACHMENT
Audit exceptions log
Valley Metro
Audit and Finance Subcommittee
Audit Exception Log Summary
April 2021

Audit Exception Log Summary

• Two Open Recommendations
• Four Remediated Recommendations
Delayed:

<table>
<thead>
<tr>
<th>Ref #</th>
<th>Management Action</th>
<th>Due Date</th>
<th>Responsible Parties</th>
<th>Current Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Performance Management Procedures</td>
<td>9/30</td>
<td>CAO and HR Director</td>
<td>Changes to the Oracle Perf. Mgmt. modular are delaying the final procedures. Expected completion early May 2021.</td>
</tr>
</tbody>
</table>

Future Due Date:

<table>
<thead>
<tr>
<th>Ref #</th>
<th>Management Action</th>
<th>Due Date</th>
<th>Responsible Parties</th>
<th>Current Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>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.</td>
<td>6/30/2021</td>
<td>Learning &amp; Development Manager and CFO</td>
<td>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.</td>
</tr>
</tbody>
</table>
### Remediated since last Meeting:

<table>
<thead>
<tr>
<th>Audit/Due Date</th>
<th>Management Response:</th>
<th>Management Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel Expenses</strong>&lt;br&gt;(Remed 1)&lt;br&gt;05/13/2018</td>
<td>Management will add clarity to the Travel Policy, and procedures will be updated to ensure that travel documentation is proper and complete.</td>
<td>Audit testing confirmed that clarity was added to the Travel Policy that addressed the prior audit concerns. (FIN-02.03: Management Policy Travel - effective 10/29/2019)</td>
</tr>
<tr>
<td><strong>Travel Expenses</strong>&lt;br&gt;(Remed 2)&lt;br&gt;05/13/2018</td>
<td>Management will provide annual refresher training to ensure compliance with the Travel Policy.</td>
<td>Audit testing confirmed that Travel Policy Training was attended by the Travel Administrators on 02/19/2020, and it was based on FIN-02.03: Management Policy Travel (effective 10/29/2019)</td>
</tr>
<tr>
<td><strong>Credit Card Transactions</strong>&lt;br&gt;(Remed 3)&lt;br&gt;03/31/2019</td>
<td>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.</td>
<td>Audit testing confirmed that clarity was added to the Credit Card Policy that addressed the prior audit concerns (FIN-01.03: Management Policy Credit Card, Acceptable Use - effective 02/13/2020)</td>
</tr>
<tr>
<td><strong>Credit Card Transactions</strong>&lt;br&gt;(Remed 4)&lt;br&gt;04/30/2019</td>
<td>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.</td>
<td>Audit testing confirmed that the Credit Card Administrator reviewed sampled transactions for applicable supporting documentation as required in the Credit Card Policy.</td>
</tr>
<tr>
<td>Ref #</td>
<td>Finding Title</td>
<td>Department</td>
</tr>
<tr>
<td>-------</td>
<td>---------------</td>
<td>------------</td>
</tr>
<tr>
<td>Remed 1</td>
<td>Travel Policy Clarification</td>
<td>Finance</td>
</tr>
<tr>
<td>Remed 2</td>
<td>Travel Policy Exceptions</td>
<td>Finance</td>
</tr>
<tr>
<td>Remed 3</td>
<td>Policy Compliance – Documented Division Head Approvals Not Maintained</td>
<td>Finance &amp; Procurement</td>
</tr>
<tr>
<td>Ref #</td>
<td>Finding Title</td>
<td>Department</td>
</tr>
<tr>
<td>-------</td>
<td>---------------</td>
<td>------------</td>
</tr>
<tr>
<td>Remed 4</td>
<td>Policy Compliance – Insufficient/Incomplete Documents within Cardholder Reconciliation Packets</td>
<td>Finance &amp; Procurement</td>
</tr>
<tr>
<td>1</td>
<td>Established Performance Management Policies and Procedures Do Not Exist</td>
<td>Human Resources</td>
</tr>
<tr>
<td>2</td>
<td>Process Efficiencies for Approving and Tracking Division Sponsored Development Opportunities</td>
<td>HR &amp; Finance</td>
</tr>
</tbody>
</table>
DATE
April 1, 2021

AGENDA ITEM 7

SUBJECT
Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY22 through FY26)

PURPOSE
To provide an overview of the Five-Year Operating Forecast and Capital Program (FY22 through FY26).

RECOMMENDATION
This item is presented for information.

BACKGROUND/DISCUSSION/CONSIDERATION
The Valley Metro Regional Public Transportation Authority (RPTA) FY22-FY26 operating forecast and capital program are $1,145.7 million (M) and $688.7M respectively. The capital program includes $398.3M of expenses for light rail/high capacity transit capital.

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

The RPTA forecast 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.

Forecast Overview
The total operating forecast of $1,145.7M, includes $798.4M for service (fixed route, demand and vanpool) which is almost 70 percent of forecasted operating expenses. The total capital program of $688.7M, includes $398.3M in disbursements to VMR for capital planning and construction. The remaining $290.4 million is primarily for fleet replacement and debt service.

The forecast assumes the official ADOT revenue forecast for Public Transportation Funds (PTF) from Prop 400. Prop 400 is set to expire on December 31, 2025, however because of the timing of revenues, there are 7 months included in FY26. For planning purposes, Prop 400 is assumed to be extended at the same rate and with the same revenue distribution. Therefore, the operating forecast does show a full year of revenues in FY26.
Federal COVID-19 support from CARES Act and CRRSAA are assumed to be fully spent in FY22. The current forecast does not include funds from the recently passed American Rescue Plan (ARP) Act, however, those will be included in the final budget and forecast presented for adoption in May.

Ridership is assumed to gradually return to pre-COVID levels in FY26. Likewise, fare revenues will gradually return with ridership. The new fare collection system currently being implemented will be fully operational in FY24. The additional options and controls over reduced fare is expected to increase the average fare collected and therefore a larger increase in fare revenues is anticipated.

The fixed route contract with First Transit will expire at the end of FY23. A new contract will be procured before that contract expires. For planning purposes, contract rates are estimated to increase by 5 percent in FY24, however actual contract rates will be determined through the procurement process.

Likewise, staff is currently developing a scope of work for paratransit and RideChoice services, to be effective in FY23. For planning purposes, costs per trip are assumed to decrease by 2%. Staff is working with member cities’ staff to develop the scope of work to incorporate efficiencies that should result in lower per trip costs.

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
AFS: April 8, 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

CONTACT
Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

ATTACHMENT
None
RPTA
FY22-26 Proposed Five-Year Forecast
March 2021

5-Year Operating Assumptions

Fixed Route Service Changes
• FY22-26 SRTP Changes as of February 2021

Demand Service
• Paratransit trips forecasted to increase 3% annually from FY22
• RideChoice trips forecasted to increase 3% annually from FY22

Fare Revenue
• Increase in average fare in FY22 to $0.51 for return to front door boarding; FY23, FY25 and FY 26 slight increases; FY24 50% increase due to replacement fare collection system and control of reduced fare at point of sale.
• Ridership increases 25% per year to return to pre-COVID level in FY 26.

Federal PM revenue
• FY22-26 increases 1.9% each year
## 5-Year Operating Assumptions

### Ridership (,000)

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPTA Fixed Route Service</td>
<td>5,557</td>
<td>6,946</td>
<td>8,683</td>
<td>10,854</td>
<td>13,567</td>
</tr>
<tr>
<td>Phoenix Fixed Route Service</td>
<td>1,191</td>
<td>1,215</td>
<td>1,822</td>
<td>1,859</td>
<td>1,952</td>
</tr>
<tr>
<td><strong>Total Ridership</strong></td>
<td>6,748</td>
<td>8,161</td>
<td>10,505</td>
<td>12,712</td>
<td>15,519</td>
</tr>
</tbody>
</table>

### Avg Fare - RPTA

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.51</td>
<td>$0.52</td>
<td>$0.78</td>
<td>$0.79</td>
<td>$0.83</td>
<td></td>
</tr>
</tbody>
</table>

### Avg Fare - Phoenix

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.56</td>
<td>$0.57</td>
<td>$0.85</td>
<td>$0.87</td>
<td>$0.91</td>
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</table>

## 5-Year Operating Assumptions (cont’d)

### Miles (.000)

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPTA Fixed Route Service</td>
<td>12,652</td>
<td>12,858</td>
<td>13,102</td>
<td>13,589</td>
<td>13,870</td>
</tr>
<tr>
<td>Phoenix Fixed Route Service</td>
<td>1,589</td>
<td>1,589</td>
<td>1,589</td>
<td>1,589</td>
<td>1,589</td>
</tr>
<tr>
<td><strong>Total Miles</strong></td>
<td>14,241</td>
<td>14,447</td>
<td>14,691</td>
<td>15,178</td>
<td>15,459</td>
</tr>
</tbody>
</table>

### Cost/Mile - RPTA

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7.30</td>
<td>$7.43</td>
<td>$7.62</td>
<td>$7.57</td>
<td>$7.64</td>
<td></td>
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### Cost/Mile - Phoenix

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8.23</td>
<td>$8.48</td>
<td>$8.74</td>
<td>$9.00</td>
<td>$9.27</td>
<td></td>
</tr>
</tbody>
</table>
## 5-Year Operating Assumptions (cont’d)

### Trips (.000)

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paratransit</td>
<td>413</td>
<td>426</td>
<td>438</td>
<td>451</td>
<td>465</td>
</tr>
<tr>
<td>Ridechoice</td>
<td>191</td>
<td>197</td>
<td>203</td>
<td>209</td>
<td>215</td>
</tr>
<tr>
<td><strong>Total Trips</strong></td>
<td><strong>604</strong></td>
<td><strong>622</strong></td>
<td><strong>641</strong></td>
<td><strong>660</strong></td>
<td><strong>680</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost/Trip - Paratransit</td>
<td>$50.00</td>
<td>$48.41</td>
<td>$49.74</td>
<td>$50.77</td>
<td>$51.82</td>
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<tr>
<td>Cost/Trip - Ridechoice</td>
<td>$18.46</td>
<td>$18.83</td>
<td>$19.20</td>
<td>$19.58</td>
<td>$19.90</td>
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</table>

## 5-Year Operating Sources and Uses

### Operating ($,000)

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Transportation Funds</td>
<td>$91,724</td>
<td>$103,511</td>
<td>$107,178</td>
<td>$110,746</td>
<td>$115,991</td>
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<td>Regional Area Road Funds</td>
<td>5,297</td>
<td>4,869</td>
<td>4,942</td>
<td>5,016</td>
<td>5,091</td>
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<tr>
<td>Transit Service Reimbursements</td>
<td>37,283</td>
<td>48,450</td>
<td>49,413</td>
<td>51,525</td>
<td>52,760</td>
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<tr>
<td>VMT Reimbursements</td>
<td>30,188</td>
<td>31,660</td>
<td>32,910</td>
<td>35,480</td>
<td>37,730</td>
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<td>AZ Lottery Funds</td>
<td>11,200</td>
<td>11,200</td>
<td>11,200</td>
<td>11,200</td>
<td>11,200</td>
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<tr>
<td>Federal Funds</td>
<td>11,982</td>
<td>12,210</td>
<td>12,442</td>
<td>12,678</td>
<td>12,919</td>
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<tr>
<td>Federal Funds - CARES Act</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Federal Funds - CRRSAA Fund</td>
<td>17,809</td>
<td>-</td>
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<td>17,809</td>
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<tr>
<td>Fares</td>
<td>4,737</td>
<td>5,333</td>
<td>9,382</td>
<td>11,336</td>
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<td>MAG Funds</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
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<tr>
<td>Other</td>
<td>355</td>
<td>362</td>
<td>369</td>
<td>377</td>
<td>384</td>
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<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>210,812</strong></td>
<td><strong>217,819</strong></td>
<td><strong>228,000</strong></td>
<td><strong>238,583</strong></td>
<td><strong>250,529</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
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<tbody>
<tr>
<td>Fixed Route Operations</td>
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<td>110,225</td>
<td>114,945</td>
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<td>43,637</td>
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<td>1,036</td>
<td>1,067</td>
<td>1,099</td>
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<td>Planning</td>
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<td>2,181</td>
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<td>1,331</td>
<td>1,358</td>
<td>1,385</td>
<td>1,413</td>
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<td>14,539</td>
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<td>500</td>
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<td>Pass-through Disbursements</td>
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<td>43,011</td>
<td>44,250</td>
<td>46,810</td>
<td>49,048</td>
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<td><strong>Total Uses of Funds</strong></td>
<td><strong>210,812</strong></td>
<td><strong>217,819</strong></td>
<td><strong>228,000</strong></td>
<td><strong>238,583</strong></td>
<td><strong>250,529</strong></td>
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</table>

5-Year Operating Sources and Uses
5-Year Capital Assumptions:

- **Bus Fleet - $102.0 Million**
  - 267 replacement units; 15 expansion units
  - 85% Federal / 15% PTF

- **Vanpool Fleet - $17.2 Million**
  - 218 replacement units; 125 expansion units 100% Federal STP

- **Paratransit Fleet - $8.6 Million**
  - Agency owned replacement fleet- 85% Federal / 15% PTF
  - Regional fleet replacements – Local match PTF

- **Facilities and Equipment - $13.6 Million**
  - North Glendale Park and Ride - Local match PTF
  - Fare Collection System Upgrade- Local match PTF
  - Mesa Bus Facility Upgrades- 100% PTF
  - Mid-Life Bus Engine Rebuilds (225 units) - 95% Federal / 5% PTF
  - IT Infrastructure Upgrades - 100% PTF

5-Year Capital Sources and Uses

<table>
<thead>
<tr>
<th>Capital ($,000)</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
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<tr>
<td>Public Transportation Funds</td>
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<td>Federal Funds</td>
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<td>31,451</td>
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<td>Other</td>
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<td>Carry Forward &amp; Reserves</td>
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<td>VMR Public Transportation Funds Program</td>
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<td>63,699</td>
<td>67,434</td>
<td>72,190</td>
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<td>VMR Public Transportation Funds Reserve</td>
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<td>-</td>
<td>39,094</td>
<td>63,942</td>
<td>10,360</td>
<td>113,396</td>
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<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>$132,765</td>
<td>$102,758</td>
<td>$170,269</td>
<td>$180,138</td>
<td>$102,817</td>
<td>$688,747</td>
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</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Fleet</td>
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<td>12,210</td>
<td>35,621</td>
<td>15,495</td>
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<td>127,825</td>
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<td>Regional Facilities</td>
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<td>609</td>
<td>515</td>
<td>486</td>
<td>312</td>
<td>7,202</td>
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<td>1,032</td>
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<td>816</td>
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<td>4,734</td>
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<td>Member Agency Disbursements</td>
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<td>3,359</td>
<td>4,374</td>
<td>5,456</td>
<td>5,428</td>
<td>23,928</td>
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<td>Debt Service</td>
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<td>21,753</td>
<td>21,685</td>
<td>112,087</td>
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<td>Rail Program Disbursements</td>
<td>58,012</td>
<td>49,921</td>
<td>106,528</td>
<td>136,132</td>
<td>47,713</td>
<td>398,306</td>
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<td>VMR Reserve for Future Use</td>
<td>887</td>
<td>13,778</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,665</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>$132,765</td>
<td>$102,758</td>
<td>$170,269</td>
<td>$180,138</td>
<td>$102,817</td>
<td>$688,747</td>
</tr>
</tbody>
</table>
## Budget Schedule

<table>
<thead>
<tr>
<th>Committee/Boards/FWG</th>
<th>Date</th>
<th>Action Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sep 15, 2020</td>
<td>Present Key Assumptions to FWG</td>
</tr>
<tr>
<td></td>
<td>Oct 15, 2020</td>
<td>Present Key Assumptions to AFS</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>Present annual budget to FWG</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>Present update of Key Assumptions to AFS</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>Present Annual Budgets to Committees/Boards for Info</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>Present 5-year plans to FWG</td>
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<tr>
<td></td>
<td>April</td>
<td>Present 5-year plans to AFS</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>Present Annual Budgets and 5-Year plans to Committees/Boards for action</td>
</tr>
</tbody>
</table>

### American Rescue Plan Act

![American Rescue Plan Act Logo]

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ARP Act Overview

• Provides $30.5 billion for public transportation
  • Formula funds intended to support on-going operations
    • Maintain workforce, fund additional expenses, address economic conditions and lost revenues
  • Allocated to regions by FTA using existing formulas
    • Urbanized areas have caps on amounts (132% of 2018 expenses)
  • $1.45 billion for CIG projects

• MAG allocates formula funds to local operators
  • Assumes same methodology as CARES Act funds
  • Phoenix-Mesa UZA: $208 million
  • Avondale-Goodyear UZA $477 thousand

Transit Funding Distribution

<table>
<thead>
<tr>
<th>MAG: Phoenix-Mesa UZA</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>ARPA Apportionment</td>
<td>$ 208.0</td>
</tr>
<tr>
<td>Rail sub-allocation</td>
<td>$ 49.8</td>
</tr>
<tr>
<td>Bus sub-allocation</td>
<td>$ 158.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operator</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valley Metro Rail</td>
<td>$ 49.8</td>
</tr>
<tr>
<td>City of Glendale</td>
<td>$  1.0</td>
</tr>
<tr>
<td>City of Peoria</td>
<td>$  0.6</td>
</tr>
<tr>
<td>City of Phoenix</td>
<td>$105.6</td>
</tr>
<tr>
<td>City of Scottsdale</td>
<td>$  2.5</td>
</tr>
<tr>
<td>Valley Metro RPTA</td>
<td>$ 48.5</td>
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</table>

Allocations estimated by Valley Metro staff
DATE
April 1, 2021

SUBJECT
Valley Metro Rail, Inc. Five-Year Operating Forecast and Capital Program (FY22 through FY26)

PURPOSE
To provide an overview of the Five-Year Operating Forecast and Capital Program (FY22 through FY26).

RECOMMENDATION
This item is presented for information.

BACKGROUND | DISCUSSION | CONSIDERATION
The Valley Metro Rail, Inc. (VMR) FY22-FY26 operating forecast and capital program is $452.8 million (M) and $1,435.9M respectively. The forecast includes $398.3M in projects funded with Proposition 400 Public Transportation Fund (PTF) revenues for light rail/high capacity transit planning and capital.

The preliminary forecast 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.

Forecast Overview
The total operating forecast of $452.8M assumes that several new extensions and services will become operational during the forecast period. Tempe Streetcar will begin revenue service during FY22, followed by the Northwest Extension Phase II in FY24 and South Central Extension/Downtown Hub in FY25. The total capital program of $1,435.9M assumes the completion of the new extensions, along with significant progress on the Capitol/I-10 West Phase I project.

Federal COVID-19 support from CARES Act and CRRSAA are assumed to be fully spent in FY22. The current forecast does not include funds from the recently passed American Rescue Plan (ARP) Act, however, those will be included in the final budget and forecast presented for adoption in May.

Ridership is assumed to gradually return to pre-COVID levels in FY26. Likewise, fare revenues will gradually return with ridership. The new fare collection system currently being implemented will be fully operational in FY24. The additional options and controls...
over reduced fare is expected to increase the average fare collected and therefore a larger increase in fare revenues is anticipated. For planning purposes, the Tempe Streetcar fare is assumed to be $1.00 for a single ride, with all regional fare media also accepted as payment. Fare collection on Streetcar is assumed to begin in FY23 after an initial free fare period. The Streetcar fare will be amended into the regional fare policy in fall 2021.

Operating costs, on a per revenue mile basis, are expected to increase by approximately 2 percent per year. Operating costs for Streetcar are based on 10 minute headways with similar security levels as on light rail. However, the service levels are currently being reviewed and discussed with Tempe staff and the budget and forecast will be updated based on the agreed upon service.

**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
AFS: April 8, 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

**CONTACT**
Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

**ATTACHMENT**
None
VMR

FY22-26 Proposed Five-Year Forecast
March 2021

5-Year Operating Assumptions:

New Service
• Tempe Streetcar (3.0 miles) - October 2021
• Northwest Ext. II (1.6 miles) – Jan 2024
• South Central (5.0 miles) – Dec 2024

Fare Revenue
• Minor increases in avg fare thru FY23, and FY 25 and 26; 15% increase in FY24 with replacement fare collection system and control of reduced fare at point of sale.
• Ridership increases 22% per year to return to pre-COVID level in FY26.

Federal PM revenue
• FY22-26 increases 1.5% each year
## 5-Year Operating Assumptions:

### FY22 FY23 FY24 FY25 FY26

<table>
<thead>
<tr>
<th>Ridership (,000)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>27.9 Miles</td>
<td>6,304</td>
</tr>
<tr>
<td>South Central</td>
<td>-</td>
</tr>
<tr>
<td>Northwest II</td>
<td>-</td>
</tr>
<tr>
<td>Tempe Streetcar</td>
<td>306</td>
</tr>
<tr>
<td><strong>Total Ridership</strong></td>
<td><strong>6,610</strong></td>
</tr>
</tbody>
</table>

*Streetcar included in ridership numbers, however fares not anticipated to be collected until FY23.*

### FY22 FY23 FY24 FY25 FY26

<table>
<thead>
<tr>
<th>Ridership (,000)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Phoenix</td>
<td>3,948</td>
</tr>
<tr>
<td><em>Tempe</em></td>
<td>1,531</td>
</tr>
<tr>
<td>Mesa</td>
<td>1,131</td>
</tr>
<tr>
<td><strong>Total Ridership</strong></td>
<td><strong>6,610</strong></td>
</tr>
</tbody>
</table>

| Avg Fare - Rail  | $0.40 | $0.42 | $0.86 | $0.90 | $0.92 |
| Avg Fare - Streetcar | $0.00 | $0.21 | $0.43 | $0.87 | $0.91 |

*Streetcar included in ridership numbers, however fares not anticipated to be collected until FY23.*
LRT Capital Project Schedule

<table>
<thead>
<tr>
<th>Project / Activity Fiscal Year</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
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<tbody>
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<tr>
<td>Northwest Phase I (3.2 miles)</td>
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<td>Gilbert Road (1.9 miles)</td>
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<td>Tempo Streetcar (2.0 miles)</td>
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<tr>
<td>South Central (5.5 miles)</td>
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<tr>
<td>Capital Extension (1.5 miles)</td>
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<tr>
<td>I-10 West Extension (8.5 miles)</td>
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</tbody>
</table>

LEGEND
- Green: Project Development
- Dark Green: Design
- Orange: Construction and Testing

5-Year Operating Sources and Uses

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
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</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$ 661</td>
<td>$ 671</td>
<td>$ 681</td>
<td>$ 691</td>
<td>$ 701</td>
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<td>Fares</td>
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<td>3,028</td>
<td>8,413</td>
<td>11,952</td>
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<td>Federal Funds</td>
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<td>1,993</td>
<td>1,618</td>
<td>1,920</td>
<td>1,666</td>
<td>11,679</td>
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<td>Federal Funds - CRSSA</td>
<td>18,530</td>
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<td>-</td>
<td>-</td>
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<td>18,530</td>
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<tr>
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<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
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<tr>
<td>Member City Contributions</td>
<td>45,481</td>
<td>68,805</td>
<td>65,163</td>
<td>72,130</td>
<td>77,160</td>
<td>328,738</td>
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<td>Other</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>650</td>
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<tr>
<td>Public Transportation Funds</td>
<td>8,243</td>
<td>9,970</td>
<td>10,059</td>
<td>7,526</td>
<td>7,710</td>
<td>43,508</td>
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<td>Regional Area Road Funds</td>
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<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>2,500</td>
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Total Sources of Funds: $ 81,048, 85,597, 87,064, 95,349, 103,761, 452,819

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
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<tbody>
<tr>
<td>Operations &amp; Maintenance</td>
<td>56,545</td>
<td>6,1040</td>
<td>62,491</td>
<td>71,346</td>
<td>78,483</td>
<td>329,905</td>
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<td>Security</td>
<td>10,252</td>
<td>11,029</td>
<td>11,291</td>
<td>12,907</td>
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<td>Future Project Development</td>
<td>12,156</td>
<td>11,370</td>
<td>11,059</td>
<td>8,806</td>
<td>8,710</td>
<td>52,101</td>
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<tr>
<td>Agency Operating</td>
<td>2,095</td>
<td>2,158</td>
<td>2,223</td>
<td>2,290</td>
<td>2,359</td>
<td>11,125</td>
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</table>

Total Uses of Funds: $ 81,048, 85,597, 87,064, 95,349, 103,761, 452,819
### 5-Year Operating by Segment

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations (,000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base 27.9 miles</td>
<td>$61,846</td>
<td>$64,420</td>
<td>$64,597</td>
<td>$67,278</td>
<td>$69,668</td>
<td>$327,809</td>
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<tr>
<td>South Central</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,613</td>
<td>11,435</td>
<td>17,049</td>
</tr>
<tr>
<td>Northwest 2</td>
<td>-</td>
<td>-</td>
<td>1,384</td>
<td>3,403</td>
<td>3,471</td>
<td>8,257</td>
</tr>
<tr>
<td>Tempe Streetcar</td>
<td>4,951</td>
<td>7,649</td>
<td>7,802</td>
<td>7,958</td>
<td>8,117</td>
<td>36,477</td>
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<tr>
<td><strong>Total Operations</strong></td>
<td>$66,797</td>
<td>$72,069</td>
<td>$73,783</td>
<td>$84,253</td>
<td>$92,691</td>
<td>$389,592</td>
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</table>

**Light Rail Cost per Mile**: $17.48, $17.83, $18.18, $18.55, $18.92

**Streetcar Cost per Mile**: $34.14, $36.60, $37.33, $38.08, $38.84

### 5-Year Capital Sources and Uses

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>Total</th>
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<td><strong>Capital (,000)</strong></td>
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<td><strong>Sources of Funds</strong></td>
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<tr>
<td>Federal Funds</td>
<td>$171,003</td>
<td>$230,654</td>
<td>$150,573</td>
<td>$109,681</td>
<td>$54,808</td>
<td>$716,718</td>
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<tr>
<td>Member City Contributions</td>
<td>262,258</td>
<td>137,573</td>
<td>67,626</td>
<td>(136,257)</td>
<td>33,188</td>
<td>364,388</td>
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<tr>
<td>Public Transportation Funds</td>
<td>49,768</td>
<td>39,951</td>
<td>96,469</td>
<td>128,606</td>
<td>40,003</td>
<td>354,797</td>
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<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>483,028</td>
<td>408,178</td>
<td>314,668</td>
<td>102,029</td>
<td>127,999</td>
<td>1,435,902</td>
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</table>

**Uses of Funds**

<table>
<thead>
<tr>
<th></th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Tempe Streetcar</td>
<td>5,568</td>
<td>4,680</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,249</td>
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<tr>
<td>South Central</td>
<td>291,461</td>
<td>311,181</td>
<td>227,000</td>
<td>5,725</td>
<td>-</td>
<td>835,426</td>
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<td>Northwest Phase II</td>
<td>129,754</td>
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<td>47,698</td>
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<td>242,377</td>
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<td>OMC Expansion</td>
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<td>5,161</td>
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<td>Gilbert Road Extension</td>
<td>3,232</td>
<td>465</td>
<td>-</td>
<td>-</td>
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<td>3,696</td>
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<tr>
<td>Capitol I-10 West Phase I</td>
<td>-</td>
<td>14,331</td>
<td>28,661</td>
<td>72,252</td>
<td>126,455</td>
<td>241,700</td>
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<td>Systemwide Improvements</td>
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<td>22,731</td>
<td>6,898</td>
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<td>292</td>
<td>71,272</td>
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<td>State of Good Repair</td>
<td>12,858</td>
<td>5,649</td>
<td>4,351</td>
<td>1,912</td>
<td>1,252</td>
<td>26,022</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>483,028</td>
<td>408,178</td>
<td>314,668</td>
<td>102,029</td>
<td>127,999</td>
<td>1,435,902</td>
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## 5-Year State of Good Repair

<table>
<thead>
<tr>
<th>State of Good Repair ($,000)</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PTF Funded</strong></td>
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<tr>
<td>Maintenance Buildings</td>
<td>$ 511</td>
<td>-</td>
<td>$ 95</td>
<td>-</td>
<td>-</td>
<td>$ 606</td>
</tr>
<tr>
<td>Passenger Stations</td>
<td>-</td>
<td>138</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>138</td>
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<tr>
<td>Revenue Vehicles - Overhaul (SOGR)</td>
<td>7,114</td>
<td>830</td>
<td>775</td>
<td>1,128</td>
<td>1,128</td>
<td>10,973</td>
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<td>Personal Service &amp; Overhead</td>
<td>757</td>
<td>97</td>
<td>87</td>
<td>112</td>
<td>124</td>
<td>1,178</td>
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<td><strong>Total PTF Funded</strong></td>
<td>8,382</td>
<td>1,065</td>
<td>957</td>
<td>1,240</td>
<td>1,252</td>
<td>12,894</td>
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<tr>
<td><strong>Federal Funded</strong></td>
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<td></td>
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<tr>
<td>Revenue Vehicles - Overhaul (SOGR)</td>
<td>1,320</td>
<td>1,362</td>
<td>1,141</td>
<td>-</td>
<td>-</td>
<td>3,822</td>
</tr>
<tr>
<td><strong>Total Federal Funded</strong></td>
<td>1,320</td>
<td>1,362</td>
<td>1,141</td>
<td>-</td>
<td>-</td>
<td>3,822</td>
</tr>
<tr>
<td><strong>Member City Funded</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Communication Systems</td>
<td>-</td>
<td>91</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>91</td>
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<tr>
<td>Guideway</td>
<td>106</td>
<td>106</td>
<td>-</td>
<td>233</td>
<td>-</td>
<td>445</td>
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<tr>
<td>Maintenance Buildings</td>
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<td>85</td>
<td>180</td>
<td>-</td>
<td>-</td>
<td>265</td>
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<tr>
<td>Passenger Stations</td>
<td>1,808</td>
<td>2,117</td>
<td>1,190</td>
<td>300</td>
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<td>5,415</td>
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<td>Revenue Vehicles - Overhaul (SOGR)</td>
<td>607</td>
<td>208</td>
<td>388</td>
<td>-</td>
<td>-</td>
<td>1,203</td>
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<td>Service Vehicles (non-revenue)</td>
<td>115</td>
<td>151</td>
<td>150</td>
<td>61</td>
<td>-</td>
<td>477</td>
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<tr>
<td>Personal Service &amp; Overhead</td>
<td>521</td>
<td>465</td>
<td>346</td>
<td>78</td>
<td>-</td>
<td>1,410</td>
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<td>3,223</td>
<td>2,254</td>
<td>672</td>
<td>-</td>
<td>9,305</td>
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<td><strong>Total State of Good Repair</strong></td>
<td>$ 12,858</td>
<td>$ 5,650</td>
<td>$ 4,352</td>
<td>$ 1,912</td>
<td>$ 1,252</td>
<td>$ 26,022</td>
</tr>
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</table>

## Budget Schedule

**Committee/Boards/FWG**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>Aug 29, 2019</td>
<td>Board Study Session</td>
</tr>
<tr>
<td>Oct 10, 2019</td>
<td>Present Key Assumptions to AFS</td>
</tr>
<tr>
<td>Feb 3, 2020</td>
<td>Present update of Key Assumptions to FWG</td>
</tr>
<tr>
<td>Feb 13, 2020</td>
<td>Present update of Key Assumptions to AFS</td>
</tr>
<tr>
<td>Feb 18, 2020</td>
<td>Present annual budget to FWG</td>
</tr>
<tr>
<td>March</td>
<td>Present 5-year plans to FWG</td>
</tr>
<tr>
<td>April</td>
<td>Present Annual Budgets to Committees/Boards for Info</td>
</tr>
<tr>
<td>May</td>
<td>Present 5-year plans to AFS</td>
</tr>
<tr>
<td></td>
<td>Present Annual Budgets and 5-year plans for action</td>
</tr>
</tbody>
</table>
American Rescue Plan Act

ARP Act Overview

- Provides $30.5 billion for public transportation
  - Formula funds intended to support on-going operations
    - Maintain workforce, fund additional expenses, address economic conditions and lost revenues
  - Allocated to regions by FTA using existing formulas
    - Urbanized areas have caps on amounts (132% of 2018 expenses)
  - $1.45 billion for CIG projects

- MAG allocates formula funds to local operators
  - Assumes same methodology as CARES Act funds
  - Phoenix-Mesa UZA: $208 million
  - Avondale-Goodyear UZA: $477 thousand
Transit Funding Distribution

MAG: Phoenix-Mesa UZA

<table>
<thead>
<tr>
<th>Operator</th>
<th>Amount</th>
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<tbody>
<tr>
<td>ARPA Apportionment</td>
<td>$208.0</td>
</tr>
<tr>
<td>Rail sub-allocation</td>
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</tr>
<tr>
<td>Bus sub-allocation</td>
<td>$158.2</td>
</tr>
<tr>
<td>Valley Metro Rail</td>
<td>$49.8</td>
</tr>
<tr>
<td>City of Glendale</td>
<td>$1.0</td>
</tr>
<tr>
<td>City of Peoria</td>
<td>$0.6</td>
</tr>
<tr>
<td>City of Phoenix</td>
<td>$105.6</td>
</tr>
<tr>
<td>City of Scottsdale</td>
<td>$2.5</td>
</tr>
<tr>
<td>Valley Metro RPTA</td>
<td>$48.5</td>
</tr>
</tbody>
</table>

Allocations estimated by Valley Metro staff

Capital Investment Grants

- **New Starts Projects**
  - Existing FFGAs
  - Received allocations in FY2019 and FY2020
  - Not yet in revenue service
  - SCE/DH estimated to receive $81.3 million

- **Small Starts Projects**
  - $250 million to allocate
  - FTA to determine methodology
Information Summary

DATE
April 1, 2021

AGENDA ITEM 9

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. Fare Inspection and Security Services (FISS) Contract Award

Execute a contract with Allied Universal Security Services for an amount not to exceed $52,332,000 for the total five-year contract (three-year base contract with two one-year renewal options), with a total contract value for VMR of $50,781,000 and $1,551,000 for the RPTA.

B. Compressed Natural Gas (CNG) Facility Maintenance Contract Award

Execute a contract with Clean Energy Fuels Corporation to provide CNG facility maintenance at the Mesa Bus Operations and Maintenance Facility effective July 1, 2021 for a total term of 7 years (5-year base contract plus one two-year renewal option). For the total term of the contract, the award amount is $1,611,200.

C. Purchase of Diesel and Unleaded Fuel

Execute a cooperative agreement purchase order with Senergy Petroleum LLC under Arizona State Contract for diesel and unleaded fuel for a not-to-exceed amount of $13,770,000 over a five-year period.

D. Central Processing Unit (CPU) Replacements Purchase

Execute a purchase order with Graymatter Systems, LLC over a two-year period for the supply of Central Processing Unit (CPU) replacements for traction power substations, signal houses, and communication cabinets at light rail passenger stations in an amount not to exceed $224,838.
RECOMMENDATION
For information only.

CONTACT
Paul Hodgins
Chief Financial Officer
phodgins@valleymetro.org
602-262-7433

ATTACHMENT
Information Summaries for items listed above.
Information Summary

DATE
April 1, 2021

AGENDA ITEM 9A

SUBJECT
Fare Inspection and Security Services (FISS) Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract with Allied Universal Security Services for fare inspection and security services (FISS) effective July 1, 2021, for a total of five years (three-year base contract with two one-year renewal options). For the total term of the contract, for an amount not to exceed $52,332,000.

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a contract with Allied Universal Security Services for an amount not to exceed $52,332,000 for the total five-year contract (three-year base contract with two one-year renewal options), with a total contract value for VMR of $50,781,000 and $1,551,000 for the RPTA.

BACKGROUND | DISCUSSION | CONSIDERATION
The fare inspection and security services contractor provides valuable services by ensuring fares are paid by light rail passengers along with helping to create a safe environment for passengers utilizing our bus and rail facilities, park-and-ride lots, and passenger stations along the light rail alignment. This service results in increased public confidence in their safety and well-being while using Valley Metro services. The scope of this contract also includes security at Valley Metro bus and rail maintenance facilities at two locations: Operations and Maintenance Center in Phoenix and the Greenfield Transit Bus Facility in Mesa.

Security Services Contract Milestones
Over the course of the last five years of the existing contract, Valley Metro worked, in coordination with member cities, to address ridership concerns regarding lack of visible security presence/fare inspection on the system, rider safety, increase in security incidents and a rise in customer service complaints. A summary of enhancement milestones is listed below:

- **April 2015:** A focus on customer service experience as an added minimum hiring requirement.
- **August 2016:** After conducting a push to inspect 20% of the ridership, fare compliance remained flat at 92-94%. Focus then turned to visible security presence and revenue recovery in lieu of civil citation or penalty. VM directed a renewed focus on “Presence Matters”, maintaining fare inspections of 15-17%, enhanced customer service and revenue recovery to reduce incidents and allow for more one-on-one time with ridership.
• **April 2017:** Change order initiated to the existing contract to increase presence on the system. Valley Metro coordinated with the member cities to implement the Transit Police Officer Program (TPOP) to supplement security services.

• **October 2017:** Code of Conduct refreshed and approved by the Board. Respect-the-Ride kicks off and is designed to support security services, refresh and correct station signage, clearly designate paid fare zones and add Right and Rong marketing for positive messaging.

• **August 2018:** Increase of the hourly rate to support a competitive wage market in security services.

• **November 2018:** Initiated “Alert VM” mobile application. This provided riders with the increased ability to report incidents at the initial stages.

• **May 2019:** Extension of the two option years to the existing contract included a 2% increase for staff for FY’20 but suspended for FY’21 (COVID environment)

• **October 2019:** New deployment model designed to split teams per consist. The two-person teams were split with one person per car. Standard Operating Procedures included how to provide for officer safety while also showing a presence on approximately 35-40% of the fleet. Plans were in place to staff up to 75% of the fleet with a security presence for the future (pre-COVID). Immediate results were seen through a reduction in customer service complaints and an increase in customer comments recognizing more presence on the system. Officer assaults reduced; incidents reduced.

• **Special Training to all contract employees (over 7 hours total training in the below categories):**
  - White Glove Customer Service
  - Ethics and Conduct
  - The Right of the People
  - Cultural Diversity
  - Behavioral Pattern Recognition
  - Management of Aggressive Behavior MOAB – 4-hour Verbal de-escalation

**Current Contract Award Background**

In August 2016, the RPTA and VMR Boards awarded a three-year contract with two one-year renewal options to Allied Barton Security for fare inspection and security services (FISS). The second one-year option expires on June 30, 2021. In October 2020, the RPTA and VMR jointly issued a “best value” Request for Proposals (RFP) for FISS. The RFP was advertised in accordance with Valley Metro’s Public Notice procedure.

For “best value” procurements, selection is made by evaluation of proposals containing price, qualitative and technical components:

- Qualifications and Experience of Firm – 400 points
- Qualifications and Experience of Assigned Personnel – 200 points
- Understanding/Approach to Scope of Work – 250 points
- Proposed Price – 150 points
In November 2020, eleven proposals were received which were determined to be responsive.

- Allied Universal Security Services
- G4S Secure Solutions
- HSS
- American Guard Services, Inc.
- Anderson Security Agency
- Canyon Security Specialist & Consulting
- GardaWorld
- InterCon Security
- S.A.F.E. Management
- Securitas Services
- Transcend Security

A selection committee comprised of representatives from Valley Metro and member agencies evaluated the eleven proposals. The selection committee has finalized its evaluations of each firm’s technical proposal, and the agency has finalized evaluation of each firm’s price proposal. The Selection Committee ranked proposals and arrived at its award recommendation using a “Best Value” process which allows for a contract award based on a combination of technical and cost factors. Based on this process, the selection committee has selected Allied Universal Security Services as the firm whose proposal offers the “best value” to the agency.

The following table shows the technical, cost, and combined scores for the eleven proposers:

<table>
<thead>
<tr>
<th>Rank and Firm</th>
<th>Technical Score</th>
<th>Price Score</th>
<th>Combined Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Allied Universal Security Services</td>
<td>808.40</td>
<td>135.24</td>
<td>943.64</td>
</tr>
<tr>
<td>2. HSS, Inc.</td>
<td>743.20</td>
<td>131.04</td>
<td>874.24</td>
</tr>
<tr>
<td>3. G4S Secure Solutions</td>
<td>755.80</td>
<td>109.73</td>
<td>865.53</td>
</tr>
<tr>
<td>4. GardaWorld</td>
<td>708.00</td>
<td>139.02</td>
<td>847.02</td>
</tr>
<tr>
<td>5. S.A.F.E. Management</td>
<td>713.20</td>
<td>126.38</td>
<td>839.58</td>
</tr>
<tr>
<td>6. InterCon Security</td>
<td>686.60</td>
<td>129.90</td>
<td>816.50</td>
</tr>
<tr>
<td>7. Transcend Security</td>
<td>674.60</td>
<td>138.03</td>
<td>812.63</td>
</tr>
<tr>
<td>8. American Guard Services, Inc.</td>
<td>693.20</td>
<td>114.24</td>
<td>807.44</td>
</tr>
<tr>
<td>9. Anderson Security Agency</td>
<td>671.00</td>
<td>127.90</td>
<td>798.90</td>
</tr>
<tr>
<td>10. Securitas Services</td>
<td>649.60</td>
<td>128.57</td>
<td>778.17</td>
</tr>
<tr>
<td>11. Canyon Security</td>
<td>534.80</td>
<td>150.00</td>
<td>684.8</td>
</tr>
</tbody>
</table>

A cost estimate was prepared prior to soliciting to assist with preplanning and with the evaluation review process. Additionally, the cost estimate in coordination with the price analysis assisted in the determination of fair and reasonable for this procurement.

This negotiated contract is a firm fixed price contract with no price escalation or adjustment based on the contractor’s cost experience while performing the contract. Additional staffing for fare inspection and security hours is provided related to growth and expansion of the system. The RPTA staffing model for the Greenfield Facility in Mesa will not change.
COST AND BUDGET
The fare inspection and security services for approval has a total contract value of $52,332,000 with funding as follows:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Option Year 1</th>
<th>Option Year 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPTA</td>
<td>$295,000</td>
<td>$302,000</td>
<td>$310,000</td>
<td>$318,000</td>
<td>$326,000</td>
<td>$1,551,000</td>
</tr>
<tr>
<td>VMR</td>
<td>$7,864,000</td>
<td>$8,060,000</td>
<td>$8,548,000</td>
<td>$9,065,000</td>
<td>$9,300,000</td>
<td>$42,837,000</td>
</tr>
<tr>
<td>Tempe SC</td>
<td>$539,000</td>
<td>$818,000</td>
<td>$838,000</td>
<td>$859,000</td>
<td>$880,000</td>
<td>$3,934,000</td>
</tr>
<tr>
<td>NWE</td>
<td>$</td>
<td>$</td>
<td>-</td>
<td>$228,000</td>
<td>$408,000</td>
<td>$1,053,000</td>
</tr>
<tr>
<td>SCE</td>
<td>$</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>$1,172,000</td>
<td>$2,957,000</td>
</tr>
<tr>
<td>Total</td>
<td>$8,698,000</td>
<td>$9,180,000</td>
<td>$9,924,000</td>
<td>$11,822,000</td>
<td>$12,708,000</td>
<td>$52,332,000</td>
</tr>
</tbody>
</table>

*The cost for the current contract year, excluding Tempe Street Car, is $8,055,000.

For the first year of the contract, the RPTA contract obligation is $295,000, which is funded within the Valley Metro RPTA Adopted FY22 Operating and Capital Budget. Contract Obligations beyond FY22 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2022 thru FY2026).

For the first year of the contract, the VMR estimated contract maximum, including Tempe Street Car, is $8,403,000, which is funded within the VMR Adopted FY22 Operating and Capital Budget. Contract Obligations beyond FY22 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2022 thru FY2026).

The Year 1 cost in this proposed contract remains flat when compared to Year 5 of the current security contract, while mainting the existing service levels. This contract shall be in effect starting July 1, 2021, with Board approval, for three years and two one-year options.

The sources of funding obtained from PTF and member city contributions.

COMMITTEE ACTION
RTAG: March 16, 2021 for information
RMC/TMC: April 7, 2021 for action
Board of Directors: April 22, 2021 for action

CONTACT
Adrian Ruiz
Director of Safety, Security and Quality Assurance (SSQA)
602-523-6054
aruiz@valleymetro.org

ATTACHMENT
None
AGENDA ITEM 9B

DATE
April 1, 2021

SUBJECT
Contract Award for Compressed Natural Gas (CNG) Facility Maintenance

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract with Clean Energy Fuels Corporation to provide CNG facility maintenance at the Mesa Bus Operations and Maintenance Facility effective July 1, 2021 for a total term of 7 years (5-year base contract plus one two-year renewal option). For the total term of the contract, the award amount is $1,611,200.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a contract with Clean Energy Fuels Corporation to provide CNG facility maintenance at the Mesa Bus Operations and Maintenance Facility effective July 1, 2021 for a total term of 7 years (5-year base contract plus one two-year renewal option). For the total term of the contract, the award amount is $1,611,200.

BACKGROUND | DISCUSSION | CONSIDERATION

Valley Metro’s current contract for CNG facility maintenance services expires June 30, 2021. Valley Metro continues to have a need for CNG facility maintenance services that includes preventative and corrective repair maintenance services on Valley Metro’s natural gas compression and vehicle fueling equipment located at the Mesa Bus Operations and Maintenance Facility. These services will include all scheduled and unscheduled repairs, as well as all maintenance, consumables, parts, and labor as required to maintain the performance of the equipment.

In November 2020, Valley Metro issued a Request for Proposals for this contract. Proposals were evaluated based on the following criteria: (1) Firm Qualifications & Experience, (2) Personnel Qualifications & Experience, (3) Understanding / Approach to the Scope of Services and (4) Price. Four contractors’ submitted proposals as follows:

1. Trillium Transportation Fuels, LLC
2. Clean Energy Fuels Corp.
3. Zeitenergy, LLC
4. TruStar Energy

A selection committee comprised of staff from Valley Metro evaluated technical proposals. The selection committee has finalized its evaluations of each firm’s technical proposal, and the agency has finalized evaluation of each firm’s price proposal. The
Selection Committee ranked proposals and arrived at its award recommendation using a “Best Value” process which allows for a contract award based on a combination of technical and cost factors. Based on this process, the selection committee has selected Clean Energy Fuels Corporation as the firm whose proposal offers the “best value” to the agency.

The following table shows the technical, cost, and combined scores for the four proposers:

<table>
<thead>
<tr>
<th>Rank and Firm</th>
<th>Technical Score</th>
<th>Price Score</th>
<th>Combined Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clean Energy Fuels Corp.</td>
<td>717</td>
<td>144</td>
<td>861</td>
</tr>
<tr>
<td>2. Trillium Transportation Fuels, LLC</td>
<td>605</td>
<td>200</td>
<td>805</td>
</tr>
<tr>
<td>3. Zeitenergy, LLC</td>
<td>495</td>
<td>124</td>
<td>619</td>
</tr>
<tr>
<td>4. TruStar Energy</td>
<td>470</td>
<td>71</td>
<td>541</td>
</tr>
</tbody>
</table>

A cost estimate was prepared prior to soliciting to assist with preplanning and with the evaluation review process. Additionally, the cost estimate in coordination with the price analysis assisted in the determination of fair and reasonable for this procurement.

**COST AND BUDGET**

The CNG facility maintenance services for approval has a total term of 7 years (5-year base contract plus one two-year option). For the total term of the contract, the total contract value is $1,611,200 with funding as follows:

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Option Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>$218,500</td>
<td>$222,300</td>
<td>$226,100</td>
<td>$229,900</td>
<td>$233,700</td>
<td>Year 1: $237,500 Year 2: $243,200 Total: $1,611,200</td>
</tr>
</tbody>
</table>

For the first year of the contract, the contract obligation is $218,500, which is funded within the Valley Metro RPTA Proposed FY22 Operating and Capital Budget. Contract Obligations beyond FY22 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2022 thru FY2026). The cost submitted by Clean Energy will result in a reduction for FY22 as the current annual cost of the CNG facility maintenance services is $248,000.
STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan FY 2016 – 2020:
• Goal 1: Advance performance-based operations

COMMITTEE PROCESS
RTAG: March 16, 2021 for information
TMC: April 7, 2021 for action
Board of Directors: April 22, 2021 for action

CONTACT
Ray Abraham
Chief Operations Officer
602-652-5054
rabraham@valleymetro.org

ATTACHMENT
None
DATE
April 1, 2021

SUBJECT
Purchase of Diesel and Unleaded Fuel

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a cooperative agreement purchase order with Senergy Petroleum LLC under Arizona State Contract for diesel and unleaded fuel for a not-to-exceed amount of $13,770,000 over a five-year period.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a cooperative agreement purchase order with Senergy Petroleum LLC under Arizona State Contract for diesel and unleaded fuel for a not-to-exceed amount of $13,770,000 over a five-year period.

BACKGROUND | DISCUSSION | CONSIDERATION
Cooperative Agreements are contracts that are solicited and awarded by other public entities and whose cooperative language allows Valley Metro to utilize these contracts for goods and services it requires. This cooperative contract for diesel and unleaded fuel was procured via the State of Arizona Procurement Office of the Department of Administration and is currently awarded to, Synergy Petroleum LLC. Valley Metro uses this contract to fulfill its diesel and unleaded fuel purchase needs. Valley Metro is looking for approval of a five-year term.

COST AND BUDGET
The diesel and unleaded fuel usage over five years has a total estimated value of $13,770,000. The five-year forecast for diesel and unleaded fuel for Mesa bus operations, West Valley bus operations, and Paratransit operations is in the chart below.

1 The Board approved Valley Metro’s direct purchase of bulk fuel for paratransit on March 12, 2020. Paratransit fuel was previously purchased by the contractor and reimbursed by Valley Metro. The direct purchase of bulk fuel is anticipated to result in an annual savings of approximately $120,000 once service levels return to pre-pandemic levels.
<table>
<thead>
<tr>
<th></th>
<th>FY 22</th>
<th>FY 23</th>
<th>FY 24</th>
<th>FY 25</th>
<th>FY 26</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mesa Diesel</td>
<td>$390,000</td>
<td>$400,000</td>
<td>$410,000</td>
<td>$420,000</td>
<td>$440,000</td>
<td>$2,060,000</td>
</tr>
<tr>
<td>West Valley Diesel</td>
<td>$750,000</td>
<td>$780,000</td>
<td>$800,000</td>
<td>$820,000</td>
<td>$850,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>West Valley Unleaded</td>
<td>$130,000</td>
<td>$134,000</td>
<td>$138,000</td>
<td>$142,000</td>
<td>$146,000</td>
<td>$690,000</td>
</tr>
<tr>
<td>Paratransit Unleaded</td>
<td>$1,322,000</td>
<td>$1,362,000</td>
<td>$1,403,000</td>
<td>$1,445,000</td>
<td>$1,488,000</td>
<td>$7,020,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,592,000</strong></td>
<td><strong>$2,676,000</strong></td>
<td><strong>$2,751,000</strong></td>
<td><strong>$2,827,000</strong></td>
<td><strong>$2,924,000</strong></td>
<td><strong>$13,770,000</strong></td>
</tr>
</tbody>
</table>

For FY22 the Valley Metro Mesa Bus Operations and Maintenance Facility needs are estimated to be $390,000, the West Valley Bus Operation and Maintenance Facility needs are estimated to be $880,000 and the Paratransit East Valley Facility needs are estimated to be $1,322,000. The total FY22 contract obligation is estimated to be $2,592,000 and is included in the RPTA Proposed FY22 Operating and Capital Budget. Contract obligations beyond FY22 are incorporated into the Proposed RPTA Five-Year Operating Forecast and Capital Program (FY2022 thru FY2026).

**STRATEGIC PLAN ALIGNMENT**
This item relates to the following goals and strategies in the Five-Year Strategic Plan FY 2016 – 2020:
- Goal 1: Advance performance-based operations

**COMMITTEE PROCESS**
RTAG: March 16, 2021 for information
TMC: April 7, 2021 for action
Board of Directors: April 22, 2021 for action

**CONTACT**
Ray Abraham
Chief Operations Officer
602-652-5054
rabraham@valleymetro.org

**ATTACHMENT**
None
AGENDA ITEM 09D

DATE
April 1, 2021

SUBJECT
Central Processing Unit (CPU) Replacements Purchase

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a purchase order with Graymatter Systems, LLC over a two-year period for the supply of Central Processing Unit (CPU) replacements for traction power substations, signal houses, and communication cabinets at light rail passenger stations in an amount not to exceed $204,338 plus a contingency of $20,500, for a total of $224,838.

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a purchase order with Graymatter Systems, LLC over a two-year period for the supply of Central Processing Unit (CPU) replacements for traction power substations, signal houses, and communication cabinets at light rail passenger stations in an amount not to exceed $224,838.

BACKGROUND | DISCUSSION | CONSIDERATION

Valley Metro Rail’s 28-mile light rail line is primarily street running and includes 43 passenger stations, 22 sub-stations, and park and ride lots. The CPU units are in need of replacement due to being the end of life with no factory support, need for security updates, and compatibility with the newer rail extensions. The CPU units will be replaced on the original 20-mile light rail alignment in the traction power substations, signal houses, and communication cabinets at light rail passenger stations. The CPU’s are used extensively on our light rail system. Collectively, these devices monitor over 1500 points and report back to our SCADA system monitored at OCC (Operations Control Center). Examples are:

- ECB (Emergency Call Box) activation.
- Network equipment.
- PAVMS (Public Address Video Messaging System) components.
- Wayside building, and cabinet intrusion alarms.
- Wayside building fire alarms.
- CCTV cameras (loss of video, tamper detection).

Upgrades are necessary for the following reasons:

1. Component End of Life - Our existing CPU’s on CPEV (Montebello to Sycamore) no longer have factory support.
2. Security - Because of the discontinuation of support, security updates are no longer available.
3. Compatibility - All extensions (CME, NWX, and GRE, as well as future projects) use the Emerson family of CPU’s. Upgrading CPEV will ensure compatibility for ease of spare parts and training.

The contractor will provide the supply of CPU units over a two year period. All labor for the installation will be done in house by Valley Metro Rail staff.

Valley Metro is issuing a sole source purchase order with Graymatter Systems, LLC for the supply of CPU’s. There are no approved aftermarket suppliers that were able to provide information or solutions for this need. Another manufacturer part may not fit or work with the same design as the Emmerson equipment. There were no other manufacturer that could provide like, similar or substitutions for Valley Metro to consider for replacement of the equipment.

An independent cost estimate including a cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

COST AND BUDGET
The cost for the supply of CPU replacements over the two years is in an amount not to exceed $224,838 which includes a $20,500 contingency for any unanticipated costs that may occur during the repairs. The cost for the supply of CPU 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).

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: March 16, 2021 for information
RMC: April 7, 2021 for action
Board of Directors: April 22, 2021 for action

CONTACT
Ray Abraham
Chief Operations Officer
rabraham@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
April 1, 2021

AGENDA ITEM 10

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Reduction Scenarios</td>
<td>May 2021</td>
</tr>
<tr>
<td>FY22 Proposed Operating and Capital Budgets</td>
<td>May 2021</td>
</tr>
<tr>
<td>Farebox Recovery/Fare Enforcement</td>
<td>May 2021</td>
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<tr>
<td>Agency FY22 Internal Audit Plan</td>
<td>May 2021</td>
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<tr>
<td>Agency Credit Card Audit Results</td>
<td>May 2021</td>
</tr>
<tr>
<td>Travel Audit Results</td>
<td>May 2021</td>
</tr>
<tr>
<td>TLCP Update</td>
<td>June 2021</td>
</tr>
<tr>
<td>Valley Metro Regionally Operated Service</td>
<td>June 2021</td>
</tr>
</tbody>
</table>

CONTACT
Paul Hodgins
Chief Financial Officer
602-262-7433
phodgins@valleymetro.org