



MEETING OF THE

# Audit and Finance Subcommittee

Date:

March 2, 2023

Starting Time

12:00 p.m.

Location:

Boardroom/Webex

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# Agenda

February 24, 2023

## Audit and Finance Subcommittee

**Thursday, March 2, 2023**

**Board Room/Webex  
101 N. 1<sup>st</sup> Avenue, 10<sup>th</sup> Floor**

**12:00 p.m.**

### Action Recommended

1. Public Comment

The public will be provided with an opportunity at this time to address the committees on **non-agenda items and all action agenda items**. Up to three minutes will be provided per speaker unless the Chair allows more at his/her discretion. A total of 15 minutes for all speakers will be provided.

1. For information

2. Chief Financial Officer's Update

Ken Kessler, Chief Financial Officer, will provide an update on current issues.

2. For information

3. Minutes

Minutes from the February 2, 2023 Audit and Finance Subcommittee meeting are presented for approval.

3. For action

4. Fiscal Year 2022 (FY22) Regional Public Transportation Authority (RPTA) and Valley Metro Rail, Inc. (VMR) Annual Comprehensive Financial Report (ACFR) and Single Audit Reporting Package (SARP)

Michael Mathews, Acting Controller, will request that the AFS accept the Annual Comprehensive Financial Reports and Single Audit Reporting Packages for the period ended June 30, 2022.

4. For action



5. Credit Card Transactions Review Memo

5. For information

Sebrina Beckstrom, Chief Auditor, will present the results of the credit card transactions review for the first two quarters of FY 2023.

6. Internal Audit Update

6. For information

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

7. FY 2024 Operating and Capital Budget Information for Valley Metro RPTA and Valley Metro Rail

7. For information

Ken Kessler, Chief Financial Officer, and Tyler Olson, Manager, Budget & Operations Financial Controls, will provide an overview of the FY 2024 Proposed Operating and Capital Budgets.

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

8. For information

Intergovernmental Agreements, contract change orders, amendments, and awards that will appear on the Board agendas are provided for information.

If AFS members have questions regarding this item, please contact Valley Metro staff.

9. Report on Current Events and Suggested Future Agenda Items

9. For information

Chair Stipp will provide members the opportunity to report on current events and suggest future agenda items for consideration.

The next meeting of the Audit and Finance Subcommittee is scheduled for **April 6, 2023, 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 website at [www.valleymetro.org](http://www.valleymetro.org).



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 1****SUBJECT**

Public Comment

**PURPOSE**

The public will be provided with an opportunity at this time to address the committees on **non-agenda items and all action agenda items**. Up to three minutes will be provided per speaker unless the Chair allows more at his/her discretion. A total of 15 minutes for all speakers will be provided.

**RECOMMENDATION**

This item is presented for information only.

**BACKGROUND | DISCUSSION | CONSIDERATION**

None

**COST AND BUDGET**

None

**COMMITTEE PROCESS**

None

**CONTACT**

Ken Kessler

Chief Financial Officer

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**ATTACHMENT**

None



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 2****SUBJECT**

Chief Financial Officer's Report

**PURPOSE**

Ken Kessler, Chief Financial Officer, will provide an update on current issues.

**RECOMMENDATION**

This item is presented for information only.

**BACKGROUND | DISCUSSION | CONSIDERATION**

None

**COST AND BUDGET**

None

**COMMITTEE PROCESS**

None

**CONTACT**

Ken Kessler

Chief Financial Officer

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602-262-7433

**ATTACHMENT**

None



# Minutes

February 24, 2023

**AGENDA ITEM 3**

Audit and Finance Subcommittee  
Thursday, February 2, 2023  
Via WebEx/Phone  
12:00 p.m.

## **Meeting Participants**

Councilmember Bill Stipp, City of Goodyear – **Chair**  
Councilmember Clay Goodman, City of Buckeye  
Mayor Brigitte Peterson, Town of Gilbert (phone)  
Vice Mayor Francisco Heredia, City of Mesa (phone)  
Councilmember Laura Pastor, City of Phoenix (phone)

Chair Stipp called the meeting to order at 12:03 p.m.

Chair Stipp said we'll go ahead and call to order the Audit and Finance Subcommittee meeting for Valley Metro and Valley Metro Rail for Thursday, February 2nd. Pat, can you take the roll, please?

Ms. Dillon said yes. Good afternoon, everyone.

Ms. Dillon said Councilmember Clay Goodman, City of Buckeye? Present  
Ms. Dillon said Councilmember Bill Stipp, City of Goodyear? Present.  
Ms. Dillon said Mayor Brigitte Peterson, Town of Gilbert? Present  
Ms. Dillon said Vice Mayor Francisco Heredia, City of Mesa?  
Ms. Dillon said Councilmember Laura Pastor, City of Phoenix?

Ms. Dillon said we can go ahead.

Chair Stipp said Mayor Peterson, thank you for being here virtually. Do you have any hard stops that we need to be aware of?

Mayor Peterson said I do not. Thank you for asking, Chair. It looked like it was going to be a very light agenda, so I opted to be here virtually if that's okay.

Chair Stipp said just making sure because you are the quorum so, thank you.

Mayor Peterson said oh, thank you.

Chair Stipp said not that you aren't important enough as it is, but. All right. So with that, we'll go to Item 1 on the agenda, which is Public Comment.



1. Public Comment

Chair Stipp said and I assume Mr. Crowley. Go ahead and speak your three minutes and then we'll just do it in reverse if you don't mind, Blue, thanks.

Mr. Crowley said you got it.

I forgot to do it at yesterday's meeting. And if you notice, it is color coordinated with my eyes. This Committee and what it does is important especially when it has to fix all the stuff that has been left in its wake before it got here. I requested the bus stop data to find out, you know, because it was news to me and to you when we found out that Mr. Smith and them had trashed anything about the system to where we would be getting stops covered, right?

And with the data that I got yesterday, it shows that 3,436 of the stops outside of Phoenix and stops with shelters 1100, with just a bench 860 and with just a sign 154, which is almost, you know, the same 1100 and I'm going. When they did the cutbacks, all the stuff from rail, you know, because you guys have nothing to do with that that's a separate committee that you're connected to, but with their cutbacks, I don't see where they were maintained or were that were sustained. They not only got back what they said they were cutting, they have advanced more and when I look at the bus, I go, well, what are you guys doing to make sure it's done right? That thing with the hopper that I brought up the last time.

What are you doing to make sure the legislation that's going to be governing you has the parts that need to be as in an infrastructure of the bus? If you look at the old plan, nothing exists below Van Buren and I believe, that's where Goodyear is, right? And Buckeye. So that with what they're putting forward, where are you covered in that?

I, at yesterday's meeting, submitted all of my minutes on agenda items to each one of their things because it covered everything that I had stated in the minutes. I didn't know that by turning in that written material that Pat had to read it into the record. And even though it stated that it was for all three meetings, and I was going to specific agenda action items that it was left out and the attorney said, hey, that's your fault. I turned the documents in. You have that all the minutes that needs to be in the document that you produce saying here's what we did because I did turn it in, I did state each of those action places and when you did the other two meetings, you're supposed to Pat, say, hey, I've got written material here. And I didn't know that you needed to read it into the minutes.

Chair Stipp said Blue.

Mr. Crowley said sorry for taking the extra 30.

Chair Stipp said thank you for your comments.



Ms. Dillon said Mr. Crowley has also provided a written comment for Agenda Item 4. This note says:

“I agree with the recommendations, and I hope that with the findings the Committee will be proactive with these recommendations and labor force.”

Chair Stipp said thank you. Michael, can we get some guidance later on how we're handling the written comment versus actual comment for future meetings.

Mr. Wawro said yes, not a problem.

Chair Stipp said because I think there's a difference between reading it into the record and just having it submitted so that it's part of the record.

Mr. Wawro said that's correct.

Chair Stipp said thanks. With that, I assume there's no other public comment unless Christine's going to say something so.

## 2. Chief Financial Officer's Update

Mr. Kessler said thank you, Chair, members of the Subcommittee. Just a couple of items I want to mention today. First of all, many of you know, hopefully all of you know, mobile fare was launched yesterday, effective yesterday morning for the general public. This culminates years of planning, months and months of development and design, several weeks of testing in recent weeks by agency staff, some of our member city staff as well as some public testers and we're thrilled to announce that we know have mobile fare here in the Phoenix metropolitan region. So that's an exciting moment here for us to celebrate. It's been a lot of work. More work ahead as we look to continue to modernize our fare collection system over the next year or so.

And the other item I want to mention is we have a ticket partnership in place for the Super Bowl events. It entails downloading the NFL OnePass app. This is an awesome partnership to sponsor fares for folks going to events at the Margaret T. Hance Park as well as the Phoenix Convention Center. Those tickets to those events will act as their fare on light rail for those event days and it works similar to how the existing Footprint Center ticket partnership works and we're just really thrilled to have this ticket partnership to allow folks attending those events to not have to buy a separate fare pass. It will help alleviate some of the crowding and so forth on the platforms as they ingress into the event as well as egress out of downtown after the events. So very excited for this partnership. Obviously, the Super Bowl event is big for the Phoenix area and having this available for our event attendees is great news that we are able to establish this partnership.

Councilmember Goodman said is that for the Super Bowl game ticket?



Mr. Kessler said not the Super Bowl game ticket. The NFL Experience basically is a free event at Margaret T. Hance, but they are having folks download this app. And then the NFL Experience events at the Convention Center is a paid, ticketed event. Certainly.

And that concludes my remarks for today.

Ms. Mefford-Miller said I would also just add. We have the Super Bowl music fest occurring at Footprint Center and with Footprint Center, those events and all events throughout the course of the year include light rail fare, so all of our light rail events or all of our Super Bowl events across three venues include light rail fare this year. It's very exciting.

Chair Stipp said awesome. Thank you. I do have one comment. And it may be my own ineptness, but I had no idea mobile fares started yesterday. So it may be something good to just blast out to the Board to just say, hey, we kicked this off and, you know, exciting time, just a little blurb. Because I'm sure we'll want to celebrate this same thing two weeks from now and it wouldn't hurt to kind of bring that forward, but very good news. And you said that ended your report?

Mr. Kessler said yes, that's it.

### 3. Minutes

The minutes from the January 5, 2023 Audit and Finance Subcommittee meeting are presented for approval.

Chair Stipp said so pending any questions, I'll go ahead and entertain a motion to approve.

Motion by Councilmember Goodman, second by Mayor Peterson.

Any discussion? Not seeing or hearing any. All in favor, say aye. Do I have Councilmember Pastor on?

Ms. Dillon said Councilmember Pastor has joined and so has Vice Mayor Heredia so we everyone is present.

Chair Stipp said so we have everybody, okay. So the motion passes.

**IT WAS MOVED BY COUNCILMEMBER GOODMAN, SECONDED BY MAYOR PETERSON AND UNANIMOUSLY CARRIED TO APPROVE THE JANUARY 5, 2023 AFS MEETING MINUTES.**

### 4. Paratransit Operator Certifications and Labor Audit

Ms. Beckstrom said thank you, Mr. Chair, members of the Subcommittee. Internal Audit has completed the last in the three-audit series of Operator Certifications and Labor. This last report focuses, as was mentioned, on paratransit. Though the criteria that was



tested for these three audits was different, the objectives for reviewing drug and alcohol testing, training, recertification, hours of duty and fitness for duty remained the same. So the report was assessed to be a low risk based on the likelihood and impact of events occurring. This report includes two low risk findings.

The first finding was related to enhancing oversight of the paratransit services providers drug and alcohol program. In that, Internal Audit recommended that Valley Metro require their contractor to make some modifications to their drug and alcohol policies to include annual federal filing requirements. And then implement a documented annual review process by Valley Metro staff to verify the accuracy and timeliness of the contractor's compliance with those federal requirements.

Valley Metro has concurred with this recommendation and the Safety Security and Quality Assurance division within Valley Metro is now spearheading the Valley Metro program for reviewing these drug and alcohol requirements for bus, rail and paratransit going forward. It's going to be consolidated into the one group.

The second finding noted that the Accessible Transit Services department within Valley Metro, has implemented a good periodic contract monitoring review process in the last few years where they review performance based on contract requirements. However, a standard operating procedure has not been created to formally document this review process including how staff ensure that contractors have required all applicable personnel to complete their annual retraining.

Due to changes in staffing that we observed for the contractor and internally with Valley Metro staff, it's a best practice to have a written standard operating procedure to ensure continuity in the review process going forward.

Valley Metro has concurred with this recommendation as well and you can see in the matrix at the end of the report the responses and the estimated completion dates for both of those actions.

And I'd be happy to answer any questions.

Chair Stipp said awesome. Thank you. Does anybody have any questions for Sebrina or anyone on the staff regarding the audit? Seeing and hearing none. I'll entertain a motion to accept the Paratransit Operator Certifications and Labor Audit.

Motion by Councilmember Goodman, second by Mayor Peterson.

Any discussion? Seeing none. All in favor, say aye. Any opposed? All right. The ayes have it.

**IT WAS MOVED BY COUNCILMEMBER GOODMAN, SECONDED BY MAYOR PETERSON AND UNANIMOUSLY CARRIED TO ACCEPT THE PARATRANSIT OPERATOR CERTIFICATIONS AND LABOR AUDIT.**



5. Internal Audit Update

Ms. Beckstrom said thank you, Mr. Chair. For the Internal Audit Update for the month of January, we have four audit projects in process at this time.

The Credit Card Transaction audit there at the beginning of the list in progress is nearly complete while Fare Process Controls Reduced Fare Review and the Contract Authority Monitoring audit projects are in the beginning stages.

Last month one of the IT audit recommendations relating to restricting the use of admin accounts was closed and auditors completed test work to verify that no individual user accounts are contained in the administrator group. So we were able to close that finding out or that recommendation out.

We are starting to receive some results from our contracted assessments for cybersecurity and we'll likely have information to share in Executive Session next month.

Those complete my remarks for today.

Chair Stipp said and is that the next month here or next month full Board? Because I think the last time, we did the cybersecurity it was the full Board.

Ms. Beckstrom said yes. We can do here, there, both.

Chair Stipp said it's just the audit?

Ms. Beckstrom said there are two. One is a cybersecurity resilience test completed by the federal agency, the Cybersecurity Information Security agency.

Chair Stipp said oh, yeah.

Ms. Beckstrom said and then one is an assessment of our SCADA system.

Chair Stipp said okay.

Ms. Dillon said so we should probably do that at the full Board because if we tell you then you can't tell anyone.

Ms. Beckstrom said yes, that's right.

Ms. Mefford-Miller said I would suggest the full Board in Executive Session since both items are safety and security sensitive.

Ms. Beckstrom said that was it.



Chair Stipp said before I turn this over. This item is presented for information only, so does anybody have any follow-up questions for Sebrina on the status of the audits? I have noticed that, and I just need to point it out, there are a number of them that we've pushed out to the 3rd quarter of 2023 and all of those are related to the procurement team, which I'm going to say currently doesn't exist, but is without a leader at this moment, I believe, so.

Mr. Kessler said that's correct. The recruitment for that position is currently underway.

Chair Stipp said and there is nothing in any of those that was a high risk. I just kind of want that on the record.

Ms. Beckstrom said correct. The recommendations that were in there were related to updating the manual to reflect processes that are in place, but not fully documented. As a result, a lot of them were pertaining to the system of record changing for the financial procurement system.

Chair Stipp said like I said, I just wanted it on the record that we pushed these things, but it's more paperwork than it is actual procedure so. Thank you for clarifying that.

#### 6. FY23 2<sup>nd</sup> Quarter Budget Review

Mr. Kessler said yes. Chair, members of the Subcommittee, Tyler Olson will provide the overview of this agenda item.

Mr. Olson said thank you very much. Good afternoon, Audit and Finance Subcommittee.

So just give you a brief overview on the 2nd quarter actuals, so year to date would be a 50% target for all the areas spent. And we'll start with the RPTA. So total sources of funds programmed for the year \$189.3 million, that's excluding the passthroughs for Valley Metro, which are really just the reimbursements of any staffing effort on Valley Metro, \$73.6 million spent to date so we're at 39% collected to date in revenues booked. So 39% there and 39% overall including the passthroughs.

On the capital side, things are a little bit slower, \$6.9 million recorded to date for RPTA. Primarily, federal funds, that tends to catch up as we get through the year and get some more deliveries and reimbursements and record the local match PTF requirement for those vehicles as we move through the year.

Moving on to uses of funds. So operating for RPTA at 45% spent to date. Most of those items are within plan. It looks like planning is right on target, 50%, a slight underrun in other areas, so collectively with passthroughs we're at 44% spent to date.

The capital side of things, as mentioned, some of the fleet and things like that tend to lag especially with some of the supply chain issues that have occurred in the past with those



orders, but 25% spent to date. Primarily, fleet \$10.3 million and then other regional projects \$7.8 million. That's the Fare Collection Modernization project that is currently underway. We've talked about the mobile app that's part of it. We budget the local match for that, City of Phoenix has the overall project with the federal funding.

So just some noteworthy comments, if you haven't had time to look through the handout. Fixed route operations slight line item overrun regarding City of Scottsdale's Valley Metro vehicle management tracker on their buses, it's a regional cost that they can have plenty of jurisdictional equity for in the TLCP to be reimbursed for that. Regional services rent payments are slightly ahead. And then our call center, of course, that we're implemented for the mobile app and future Fare Collection System

Modernization just some timing on the assumptions that we put in the budget, and we did a midyear increase to match that up as the Board approved last month. And then as mentioned before, some IT items were out of our -- not included in our base budget last year so we're seeing a little bit of overrun in those areas, but as mentioned, we're living within our existing plan, so all items are truly within the overall budget for RPTA.

Moving on to the capital side. Regional services facilities and administration. We had some of those core ERP final payments. This is another carryover from last quarter. Same thing. We had assumed that the project would be done in '22. There's just some trailing costs related to that. Overall, the capital budget is within plan.

Any questions with RPTA before I move into VMR?

Chair Stipp said does anyone have questions about the RPTA 2nd quarter budget?

Mr. Olson said alright.

Chair Stipp said and I just want to point out, Tyler, I think the little footnotes and whatnot seems to be working really well for us. Takes away a lot of the questions so.

Mr. Olson said excellent. Thank you.

Chair Stipp said thanks. So on to Valley Metro Rail.

Mr. Olson said alright. It's the same look sources of funds on Valley Metro Rail. The good thing and I forgot to mention this on VMR RPTA as well, but fares are trending higher than plan, higher than we budgeted so that's always a good side. And we look forward to the mobile app and those efforts and hopefully, attracting some new riders and increasing our fares further.

It's not reflected in this slide, we haven't recorded all the advertising yet, but we do anticipate exceeding the budget for advertising this year with all of the Super Bowl things going on as well as us growing back into our advertising program, so total recorded to date



is 31%, member cities contributions a little behind. We still have one member city that we're working with to get their IGA approved so we can get that funding in place.

Sources of funds on the capital side, \$113.5 million recorded to date. You see a bit of an overrun in member city contributions. If you remember from the January Board meeting, we did ask for a Valley Metro Rail capital increase adjustment based on the timing of those projects and the different activities that go on. And so, you'll see these numbers adjusted and we expect to be within the revised budget through the end of the year.

So uses of funds. I do want to note that we caught a error on this slide so it's a little bit different than you packet just caught that today so my apologies on that. We can send this back out, but there's a misallocation in some of the lines. Total expenses just under \$35 million collected. Expenses are at 37% to date, operations and maintenance at 40%, security at 44.

So basically, there was some formula errors so the actuals in your handout it looks like security is way over. That's not true. There is just some misallocation of those line items, so when we looked at the handout, we noticed that and we're like, oh, no. So just a formula error so sorry about that.

Chair Stipp said this slide 12 is different than the slide we have in our packet.

Mr. Olson said correct.

Chair Stipp said so you're showing FY23 actuals and security at 4.5.

Mr. Olson said correct.

Chair Stipp said and our packet has 6.3.

Mr. Olson said yes. It looks way over. That jumped out to me at the last minute, so I apologize for not catching that sooner. I didn't want to let that slide go and you think that security is way over so we just made a quick update.

Chair Stipp said is that the correlation to the difference in the charts that are not in PowerPoint? The one that's 600% or is that something different? Because I'll get to that later. I'll get to that later.

Mr. Olson said so uses of funds, 30% expense to date so \$402 million budget, we're at \$120.9 million. We do expect these costs to ramp up even more than our approved budget for the year. We did request that midyear adjustment increase primarily for South Central, Northwest two of our most active projects right now, so you'll see that in next quarter's budget.

So going to the notes. So light rail maintenance of way, obviously, fuel has been a little volatile so a little bit higher than planned. We also have a utilities entry that might be



miscoded. We're kind of looking into that, doing an audit of that, so we'll update that accordingly in the future. Security, there's some additional equipment charges that were budgeted in another line item so you can see an overrun and an underrun in that handout. But overall, the operating budget is well within the annual appropriation.

On the capital side of things. Again, we did request a midyear adjustment for these. I'm not going to hit on each one of these, but Tempe Streetcar, South Central were both increased at midyear and so that will be reflected in the next report. And our Fare Collection System Modernization, there was a huge lift to do the site work at all of the light rail stations to prepare for all those fare readers out there, so that we could use the new mobile app as well as our smart cards. And so it was a little higher than planned, but overall, we're well within the 50% target on that line item. Overall, the capital budget is within plan.

Chair Stipp, did you have another question regarding a reference?

Chair Stipp said we'll get to that in just a second. So this ends your presentation, right?

Mr. Olson said yes, sir.

Chair Stipp said okay, so does anybody have questions for Tyler on the Valley Metro RPTA FY23 2nd quarter? Okay. I guess it's me. In the packet, the line-by-line packet, page 13.

Mr. Olson said that would be the RPTA handout, I believe, page 13.

Chair Stipp said correct. So it's RPTA regional facilities administration, maintenance facilities personnel. It shows us 600% spent on that budget. I know we've already asked the question and got an answer, but I want it on the record so.

Mr. Olson said yes, you bet.

Chair Stipp said let's talk about 600% so when the rest of the Board reads this, they know what we're talking about.

Mr. Olson said sure. So personnel was budgeted just to put that in reference in case anybody doesn't have the handout, personnel for maintenance facilities was budgeted at \$2,000 for the year. Fiscal year 23 actuals are \$12,000 so it's showing an overage of \$10,000 or 600%. That is a formula error. We looked into that, in fact, your staff pointed that out which we truly appreciate looking into those things prior to the meeting so we do have a fix for that. So the actuals are around \$1,000 in reality. It's just the rolling up of the rolling up to the rounding to get in the nice format that you guys probably would like better than us showing you the pennies and we just missed that one so thank you.

Chair Stipp said you know, these things happen, but it's important to just call it out so when the Board members are actually reading this, if they happen to look at it they have the explanation so.



Mr. Olson said absolutely.

Chair Stipp said I appreciate that so thank you. If there are not any other questions, this item was also presented for our information only. Not hearing or seeing any.

## 7. FY24 Service Level Budget Assumptions Update

Mr. Kessler said thank you, Chair, members of the Subcommittee. I'm going to give a overview of the assumptions built into the FY24 budget that basically drives the member cities IGA's the cost to the member cities and then also kind of give some revenue information just for some context of where we're at overall.

So first, I want to talk about revenue forecasts. Previously, in October, we had given you and overview of these budget assumptions for FY24 and so some of that information has been updated in this presentation with updated new information. So back in October, we had provided FY22 information, and that was sort of a comparison to FY21. Now, we're providing with some more data for the current fiscal year in terms of we're six months in some of the current forecasts. And here is just some of the dedicated transportation taxes throughout the region. You can see by and large up over budget across the region, so that's good news for the sales tax revenues.

And next, this is just a depiction of the PTF funds showing FY22 actual revenues and the budget for '23 which is based on the ADOT forecast which was done in '21. So the FY24 here you see the 247.4 million is based on the fall of '22 ADOT forecast for PTF and you can see with the timing of those forecasts, the jump in the forecasted sales tax revenues for the region.

This is just a monthly view of the sales tax performance this year compared to prior year and compared to the budget and showing that we're about 10% over the budget and about 11% over the prior year actuals for the same period.

Just want to highlight that other important revenue forecasts, federal, right now, we are continuing to forecast about a 1.5 increase in the federal FTA preventive maintenance funding and operating assistance. That's consistent with the FTA formula programs in the bipartisan infrastructure law year over year increases. And also, just want to note that there's no COVID relief funds remaining into next fiscal year's budget, so that's a change from the prior years where we had that one-time money that was able to help offset some of the operational costs.

And then good news on the advertising front, you know, our fairly, new advertising program on the bus side is showing some very solid growth and we're projecting up to about \$750,000 in the current year. So that's good news on the advertising front.



Next, this is just a view of the forecasted fare revenues. This is updated with five months of actuals, and it shows that the forecast basically through the end of the fiscal year looks like we'll be about 600k over the budget for the current fiscal year.

Now, just want to talk a little bit about some of the forecast basic service levels that we're provided by the Service Planning Group. Just updated miles slightly from the October information that we had provided, very minor change from that October and this is based on our Service Planning Group working with the member cities in terms of planned miles of service for the next fiscal year.

And then here just some updated information on the service changes as compared to October's presentation on this subject. So, again, revenue miles, the Service Planning Working Group works with the cities to determine that, and we had sent the detailed mileage to the cities in December for their input and feedback to update that, which was provided to the Service Planning Working Group. And one thing I want to highlight here is the last bullet point, the cost shift to PTF, there are ongoing discussions with member cities as far as what potentially locally funded service may be shifted to PTF and I just want to note here this doesn't affect the expenditure side of the FY24 budget. It just impacts what revenue may be applied to fund that service.

So moving on. Just a quick overview just kind of depicting that we've got for East Valley bus known costs through FY23 and with the Board approved extension through December of this calendar year. Part of '24 is known, but there's a lot of uncertainty there and really, we'll have to relook at kind of those rates that go behind those bars that are soft of shaded into the future year when that procurement wraps up. So at that point, we'll have some known rates and then that will be key information to update our five-year plan as well. And just want to note that we do have rate contingency built in for the second half of the fiscal year knowing right now we don't have rates for East Valley bus service beyond December of the current calendar year.

So really the West Valley bus contract there were no updates since the October presentation of this information. Again, going beyond fiscal '24 when that contract expires there's uncertainty there and so as we move forward re-procuring that service, we'll update those numbers and build that into the five-year plan as well.

Just want to mention here, fuel, obviously, there's some uncertainty here and we've seen some spikes over the last couple years. Things are sort of slowing down, declining a little bit, but again, definitely, uncertainty regarding where fuel rates will be in the future. And just want to, you know, mention that, you know, there's costs associated with the O&M facility maintenance at Tempe and Mesa that are built into the budget as well.

And then just briefly on the demand services. As you know, Tom Young has been working towards, you know, a new service model for this and working through the procurement so, you know, at this point, his team and procurement are working through the evaluation of the proposals for that service.



On this slide just some general economic conditions data that our staff has kind of been tracking just to kind of highlight some things that, you know, are out there that may impact costs as we move into the future, some of those sorts of uncertainties in the economy.

And then next, just want to point out some other things going on and some other risks, as Tyler talked about, the fare collection system modernization project, you know, and I mentioned with the launch of the mobile app and mobile ticketing yesterday and then we have the smart card implementation which will be happening over the next year. And we hope to launch the full system by mid fiscal year '24. And then, obviously, working towards the West Valley bus facility location as with the new contract here that's a consideration we have to be mindful of. And then just a few risks that we look at in terms of, you know, where inflation is going and, you know, these Valley bus service contracts and the demand service procurement as well.

So that concludes my overview of the service level budget assumptions for RPTA, I'd be happy to take any questions.

Chair Stipp said does anybody have questions on the RPTA FY24 service level budget assumptions?

Ken, I have one question that you mentioned it during your presentation here. You talked about you have built in a contingency for rate increases.

Mr. Kessler said for the East Valley bus contract since the current contract only goes through the middle of next fiscal year. So there's uncertainty about what the rates will be for the second half of the year.

Chair Stipp said so you're building that in to the FY24 budget, correct?

Mr. Kessler said and especially for the IGA's that, you know, involved there because we want to make sure that when we have those rates, we don't come back and ask the member cities affected for, you know, increasing their IGA's and having to go back to council.

Chair Stipp said and I absolutely agree with that. I just want to make sure that we're farther ahead on that topic than we were last year so we don't have a oh, we shouldn't do contingency discussion in June. Tyler, correct me, is the contingency built into the budget or we just build it into the IGA's?

Mr. Olson said you know, last year was a very significant year in that there was a ton of labor market renegotiations. We didn't know what we didn't know.

This is not necessarily that same conversation. This is hey, we've got an RFP out there and we don't know what the market rates are. And so, does it make sense to put something in there based upon an independent cost estimate potentially and give that flexibility to the cities and their IGA. We can include that in the budget or if we don't, we



have to do a midyear. But, you know, I think the preference for most cities is to go to the council one time, instead of, you know, more than once so.

Chair Stipp said well, I think the reason that I asked the question is municipal wounds stay scabbed for a long time and when you come back and pick at it again, so if we just get ahead of that conversation and just kind of identify where we want to be, if we have that conversation in February then when it comes up in June, we're not battling it out on a budget discussion. And it may be a very simple solution. I just don't want it to materialize in the same fashion that it did last year. I mean, that's my personal preference and I'm sure everybody else who sat here through that painful process would agree with that so.

Mr. Kessler said agreed.

Ms. Mefford-Miller said if I may, Mr. Chair, on timing, it would be nice if we could include this contingency for the latter portion of FY24. We do anticipate coming to this Board with a recommendation to award a contract on East Valley bus operations and maintenance in June of this so at that point, we'll know rates.

Chair Stipp said so just, again, we start the conversation with our municipal partners I would assume that that's Financial Working Group and what not that we get everybody on board early and then this conversation really doesn't happen so.

Mr. Kessler said yes, absolutely, that's the intent.

Chair Stipp said thanks. So Valley Metro Rail.

Mr. Kessler said okay. On to the Valley Metro Rail side. so, obviously, we already talked about the sales tax and no need to repeat that here. On the federal side for the federal preventive maintenance funding for rail, similar, same thing looking at increases consistent with the FTA formula programs. And, again, COVID funding is being used up this year. It will be all used up on the VMR side, so there will be nothing going forward on that. Also, continued good news on the advertising front as we're ticking back up getting close to pre-COVID levels on our advertising program for VMR. As you may be aware, the VMR advertising program has been around for many, many years and COVID kind of caused a hit to that, but it's good news to see that we're growing back to previous levels. And similar to on bus, the forecasting out for the rest of the fiscal year based on what we've seen for the first five months of this year, fare revenues look to be trending positively compared to budget. We're looking to be about a million dollars over budget by the end of the year, which is good news and hopefully, as mobile fare is, you know, widely accepted out there hopefully, we'll see more increased ridership and more fare revenue increases resulting from that.

Next, just some of the basic assumptions building around the budget. Right now, we're building the budget with light rail headways as well as streetcar headways with 12 minutes for next year knowing at this point we're not operating at those levels. We want to start with sort of a not to exceed number at this point in the budget process to make sure that if



there's discussions around other headways that we would decrease and not have to increase if we started from a bigger headway standpoint at first.

Looking at ACI rate increases in the contract. Oh, I'm sorry.

Chair Stipp said what are they today?

Ms. Mefford-Miller said they're 20 minutes and, Mr. Chair, yesterday in Rail Management Committee, Chair Paniagua asked for a study session to discuss headways on light rail. We'll do the same for streetcar because we've got an active dialog with FTA on that topic.

Chair Stipp said I was just curious.

Councilmember Goodman said can you give me a laymen's definition of a headway?

Ms. Mefford-Miller said headway, sorry, it's such a wonky term. Headway is just the time between vehicles, so a 20-minute headway means every 20 minutes a train is coming.

Councilmember Goodman said got it. Thank you.

Mr. Kessler said again, just some of the rate increases in some of our key contracts and cost elements. And currently, again, building for those IGA's there's about a 3% contingency that previously with the preliminary budget that was provided in October it was at 5%, but this is something we're looking to refine all the cost estimates and hopefully, eliminate the contingency as we go through the budget process.

Next, just depicting some changes from the October update on this information so you can see some items are crossed out here on the state of good repair program and some new items in red. So these are just basically O&M re-prioritizing some of the items that are needed for the O&M program to maintain assets and make sure the priorities are in order. And then next slide, again, just some of the economic conditions tracked by the Finance team similar to what I showed on the RPTA side.

And then just some things going on, obviously, the major capital projects that are kind of underway. Looking towards the future, the study for the extension of streetcar, Phoenix west Phoenix high-capacity study as well as the progress of the Capital Extension towards construction as we're in project development design right now and looking towards the future of the I-10 West extension. And then, again, the risk sitting there is inflation causing the fed to increase rates and what they may do in the future, you know, who knows, you know, you hear different opinions on that, but obviously, that may have an impact on economic conditions as well.

So that's my presentation on the VMR side, be happy to take any questions.

Chair Stipp said awesome. Anybody have any additional questions on the VMR budget assumptions? Seeing and hearing none. Thank you, Ken.



Mr. Kessler said thank you.

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

Chair Stipp said this item is presented I'm going to say, literally, for information only. The information is contained in the packet. Board Subcommittee members are encouraged to reach out to staff if they have questions before these get to the formal Board meeting in two weeks.

Ken, I would just make one, I guess, observation and request that when these long term contracts are going to exceed the lifespan of Prop 400, there's a big difference between a five-year contract that is a five-year hard contract and a five-year contract that is on demand through task order. Can we just kind of call that out as we know progress through these next few years until we have some certainty about what's going to happen with Prop 400 Extension, so the Board members are aware of what is really happening. Is that? It should be a simple couple words here and there.

Mr. Kessler said certainly, yes, we can do that.

Chair Stipp said before it gets to the Board. I know it's a conversation nobody wants to have, but if we don't have it, we're not doing our job so.

9. Report on Current Events and Suggested Future Agenda Items

Chair Stipp said does anybody have anything they would like anybody here on the team to take a look at? Seeing and hearing none.

The next meeting of the Audit and Finance Subcommittee is scheduled for March 2, 2023, at 12:00 p.m.

Without further discussion, the meeting was adjourned at 12:52 p.m.



# Information Summary

**DATE**

February 23, 2023

**AGENDA ITEM 4**

**SUBJECT**

Fiscal Year 2022 (FY22) Regional Public Transportation Authority (RPTA) and Valley Metro Rail, Inc. (VMR) Annual Comprehensive Financial Report (ACFR) and Single Audit Reporting Package (SARP)

**PURPOSE**

To request acceptance of the Annual Comprehensive Financial Reports and Single Audit Reporting Packages for the period ended June 30, 2022.

**RECOMMENDATION**

Staff recommends that AFS accept the FY22 Annual Comprehensive Financial Reports and Single Audit Reporting Packages.

**BACKGROUND | DISCUSSION | CONSIDERATION**

CliftonLarsonAllen LLP (CLA), Certified Public Accountants, has completed the audits of RPTA and VMR financial statements and Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2022. Valley Metro has complied with both state and federal statutory audit requirements as well as adhered to Generally Accepted Accounting Principles in financial reporting. The Annual Comprehensive Financial Reports demonstrate Valley Metro's commitment to the highest standard of financial reporting for a governmental entity.

In performing the audit of the financial statements, CliftonLarsonAllen LLP considered internal controls in order to determine auditing procedures for the purpose of expressing opinions on the financial statements fair presentation, in all material respects, of the financial position of RPTA and VMR and not to provide an opinion on the organizations' internal controls.

RPTA's and VMR's Annual Comprehensive Financial Reports for FY22 received unmodified opinions. RPTA and VMR received the GFOA Certificate of Excellence in Financial Reporting for the FY21 CAFRs, which demonstrates the agency's commitment to the highest standard of financial reporting for a government entity. The RPTA and VMR full ACFRs, which include the Independent Auditor's Report and the Single Audit Reporting Package are attached.



**COST AND BUDGET**

None

**COMMITTEE ACTION**

AFS: March 2, 2023 for Action

**CONTACT**

Ken Kessler,  
Chief Financial Officer  
602-523-6043  
[kkessler@valleymetro.org](mailto:kkessler@valleymetro.org)

**ATTACHMENT**

Annual Comprehensive Financial Reports – RPTA and VMR  
Single Audit Reporting Package – RPTA and VMR

These documents will be available on the Valley Metro website at the following URL subsequent to acceptance by AFS:

<https://www.valleymetro.org/finance-budget-reports>

Valley Metro® Regional Public Transportation Authority-Phoenix, AZ

# Annual Comprehensive Financial Report

**FISCAL YEAR ENDED JUNE 30, 2022**





**Valley Metro**  
**Regional Public Transportation Authority**  
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Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2022

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**Valley Metro**  
**Regional Public Transportation Authority**

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Fiscal Year Ended June 30, 2022

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## ***Introductory Section***

*The Introductory Section includes the Authority's transmittal letter and the Certificate of Achievement for Excellence in Financial Reporting.*

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January 30, 2023

**To Chair and Members of the Valley Metro RPTA Board of Directors:**

The annual comprehensive financial report of the Valley Metro Regional Public Transportation Authority (the Authority) for the fiscal year ended June 30, 2022, is hereby submitted as mandated by state statute. The statute requires that the Authority annually issue a report on its financial position and activity, and that the Authority's records be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Authority on both a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the Authority's activities have been included.

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The Authority's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The independent certified public accounting firm of CliftonLarsonAllen LLP whose report is included herein, has audited the basic financial statements and related notes. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Authority for the fiscal year ended June 30, 2022, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial

statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the basic financial statements of the Authority as of and for the fiscal year ended June 30, 2022, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Authority is required to have an independent audit of expenditures of federal awards received (Single Audit) by the Authority directly from federal agencies or passed through to the Authority by other governmental entities during the fiscal year. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Authority's internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements involving the administration of major federal awards.

As a subrecipient of federal and state financial assistance, the Authority is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and by the Authority's independent audit firm. As part of the Authority's Single Audit, tests were made of the internal control structure and of its compliance with applicable laws and regulations, including those related to federal awards. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in a separately issued Single Audit Report.

## **PROFILE OF THE AUTHORITY**

The Authority was established in 1985 along with the passage of a one-half of one percent sales tax increase to fund regional highway and public transportation improvements in Maricopa County, Arizona (the County). The Authority was created to develop a regional transit plan and to develop and operate a regional transit system in the County. The financial reporting entity of the Authority includes all its funds and does not include any component units (i.e., legally separate entities for which the Authority is financially accountable).

In fiscal year 2022, the Authority was governed by a nineteen-member Board of Directors consisting of a member of the County Board of Supervisors and the mayors (or their designees) of the member cities and towns. The members included Maricopa County, the cities of Avondale, Buckeye, Chandler, El Mirage, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and Tolleson and the Towns of Fountain Hills, Gilbert, Queen Creek, Wickenburg, and Youngtown. Any municipality in the County

may join the Authority and have one elected official serve on the Board of Directors. A Chief Executive Officer, appointed by the Authority's Board of Directors, is responsible to carry out policy and plan, manage, supervise, and coordinate all day-to-day activities. The Authority procures regional bus, paratransit, and vanpool services, provides regional transit and capital planning support, coordinates the County's transportation demand management activities, and provides general operational and administrative support to its members.

The annual budget serves as a foundation for the Authority's financial planning and control. Activities of the general fund, special revenue funds and enterprise funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed appropriations) is the total annual appropriated budget. Costs greater than the total annual appropriated budget require approval of the Board of Directors. The Authority maintains budgetary control by conducting both monthly and quarterly evaluations of expenditures against appropriations and through close monitoring of revenues. As demonstrated by the statements included in the financial section of this report, the Authority continues to meet its responsibility for sound financial management.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

The Authority serves Maricopa County, which is in central Arizona and measures approximately 9,200 square miles. The metropolitan area is home to the state capitol and includes the City of Phoenix, making it Arizona's major center of political and economic activity. According to the Greater Phoenix Economic Council, population in the region is projected to grow at more than twice the national rate for the next few decades, growing from 4.0 million in 2010 to 6.5 million in 2030. Maricopa County is home to over 15 institutions of higher learning, including Arizona State University; various cultural attractions; professional baseball (Arizona Diamondbacks), basketball (Phoenix Suns and Phoenix Mercury), football (Arizona Cardinals) and hockey (Arizona Coyotes); and Sky Harbor International Airport, one of the top 15 busiest airports in the United States with over 1,200 daily flights.

Despite significant increases in consumer price inflation in the Phoenix area as compared to the national average, projections for the Phoenix area remain optimistic. Projections published in September 2022 by the University of Arizona, Economic and Business Research Center indicate personal income for the Phoenix area is forecasted to increase by 13.8%, retail sales growth of 11.3% and non-farm employment 4.4% from 2023 to 2025. Residential permits are projected to decrease 14.2% over the same period. Sales tax projections prepared by Arizona Department of Transportation forecast the revenues to grow by an average of 4.5% per year for the next four years.

## Major Initiatives

On November 2, 2004, the voters of Maricopa County approved Proposition 400, the continuation of the transportation tax, for a 20-year period, beginning in calendar year 2006. The approximate total vote in favor was 57.5 percent. This was a major milestone in transportation funding and service in the region. The Proposition had unanimous support from the Mayors of all the cities in the region and the Maricopa County Board of Supervisors, the Maricopa Association of Governments Regional Council, the Authority's Board of Directors, and the Arizona Department of Transportation (ADOT). It also had the support of nearly every major business and community agency in the region. With the passage of Proposition 400, a new era began for the Authority. For the 20-year period 2006 to 2025, a significant stream of regional funds has vitalized public transportation in the region. Valley Metro's mission is to continue to put those funds to work to serve our member agencies and their residents effectively and efficiently.

To implement the projects approved with the passage of Proposition 400, staff worked with member agencies and other stakeholders to develop the Transit Life Cycle Program (TLCP). This project included the development of three major program elements: guiding principles, financial models and policies and procedures. The TLCP is updated annually, with a thorough review by the member cities and the Board of Directors. The TLCP ensures that projects can be delivered with the revenues that are forecasted to be available through 2025.

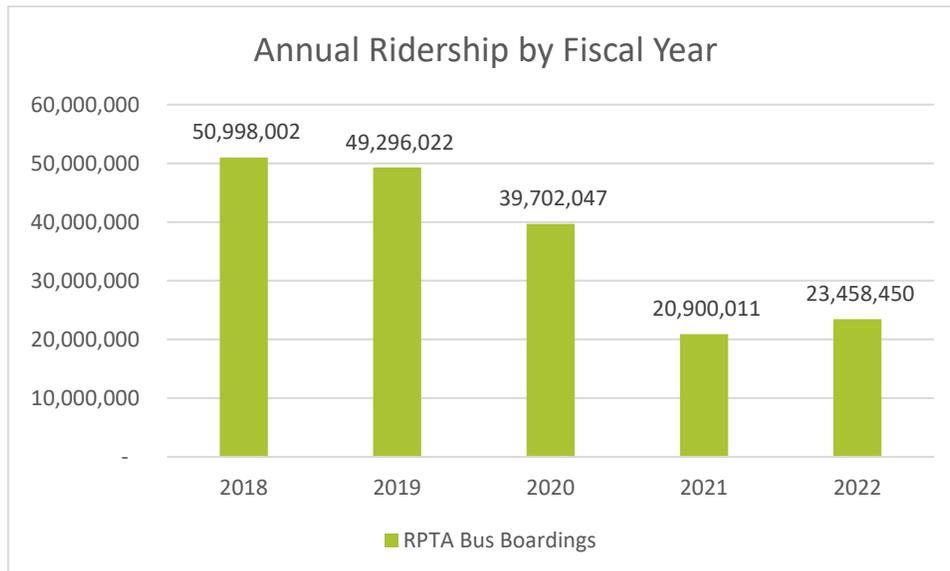
During fiscal 2022, the following major accomplishments were achieved:

- In June 2022, Valley Metro launched the Quality of Life Study website that shares how public transit in metro Phoenix intersects with daily life and the value that it brings to local communities and the region.
- Valley Metro was named one of the 2022 Best Workplaces for Commuters offering exceptional employee commuter benefits, including subsidized transit passes, extensive telework program, emergency ride home program, incentives, and trip tracking.
- In October 2021, bus riders resumed front door boarding. The practice of front door boarding had been suspended as part of the formal COVID-19 response plan. Resuming front door boarding increased fare collections in fixed route bus operations. The fare revenues provide funding to offset a portion of the regional fixed route bus transportation costs.
- Valley Metro was excited for riders to travel on a new MCI motorcoach fleet that are made for long distance travel. Passengers can expect a smooth ride with the enhanced air ride suspension system. These sleek, modern-designed buses include two stairwells ascending to elevated seating with mobility-device bays located in a low-entry vestibule. USB chargers, personal overhead lights, air vents and a signal stop button are just some of the features on the motorcoach fleet.

- Valley Metro celebrate those who travel with the environment in mind. In October 2021, the 34th Annual Clean Air Campaign recognized 18 valley commuters and organizations who are committed to promoting and using alternative modes of transportation.

## Improving Ridership

The number of customers choosing public transit is increasing from the reduced levels experienced during the COVID-19 pandemic. Ridership increased by 12.2% from fiscal year 2021 to 2022 from 20.9 million to 23.5 million, respectively. The Authority is forecasting that anticipated ridership may return to near pre-pandemic levels by fiscal year 2026. Increases in population and employment in the region will continue to drive increased demand for quality public transportation and improved air quality.



Source: Valley Metro's Annual Ridership Reports

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the 21<sup>st</sup> consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Authority's finance staff. As always, we are appreciative of the support provided by the Board of Directors.

Respectfully submitted,



Jessica Mefford-Miller  
Chief Executive Officer



Ken Kessler  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Regional Public Transportation Authority  
Arizona**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# Valley Metro Regional Public Transportation Authority

Phoenix Arizona

For the Fiscal Year Ended June 30, 2022

## Board of Directors

Chair, Councilmember Francisco Heredia, Mesa  
Vice Chair, Vice Mayor Laura Pastor, Phoenix  
Treasurer, Councilmember Bill Stipp, Goodyear  
Vice Mayor Veronica Malone, Avondale  
Councilmember Clay Goodman, Buckeye  
Mayor Kevin Hartke, Chandler  
Vice Mayor Monica Dorsey, El Mirage  
Councilmember Mike Scharnow, Fountain Hills  
Mayor Brigitte Peterson, Gilbert  
Councilmember Lauren Tolmachoff, Glendale  
Supervisor Jack Sellers, Maricopa County  
Councilmember Jon Edwards, Peoria  
Councilmember Leah Martineau, Queen Creek  
Councilmember Betty Janik, Scottsdale  
Councilmember Chris Judd, Surprise  
Councilmember Robin Arredondo-Savage, Tempe  
Councilmember Adolfo Gamez, Tolleson  
Mayor Rui Pereira, Town of Wickenburg  
Mayor Michael LeVault, Town of Youngtown

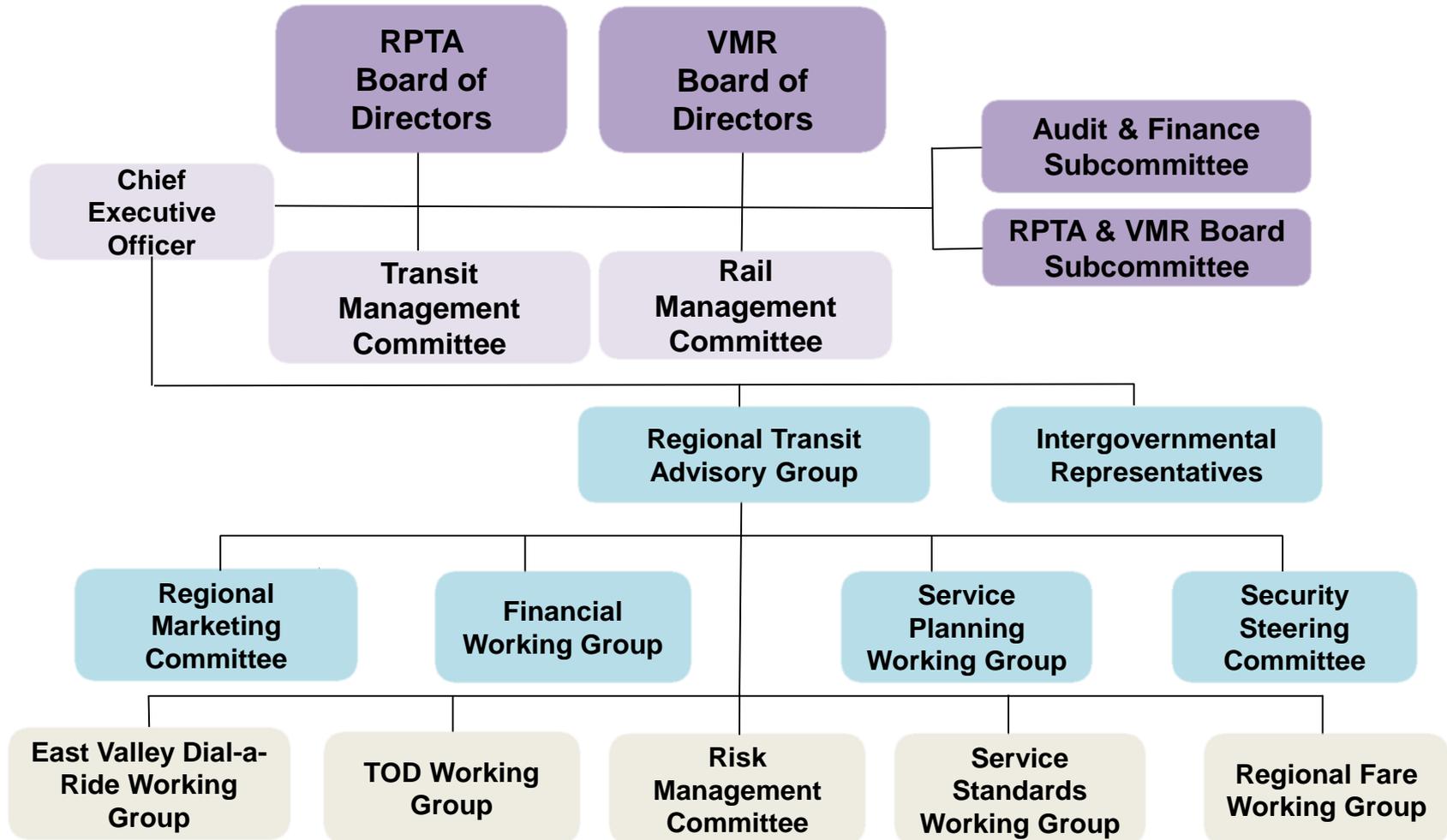
## Staff Leadership Team

Jessica Mefford-Miller, Chief Executive Officer  
Alexis Tameron Kinsey, Director, Government Relations  
Jim Hillyard, Chief Administrative Officer  
Michael Wawro, General Counsel, Interim  
Henry Ikwut-Ukwa, Director, Capital Development  
Hillary Foose, Director, Communication and Strategic Initiatives  
Penny Lynch, Director, Human Resources  
Ken Kessler, Chief Financial Officer  
Dan Filippino, Deputy Director, Transportation and Project Integration  
Rob Rosenberg, Deputy Director, Maintenance and State of Good Repair  
Adrian Ruiz, Director, Safety, Security, and Quality Assurance  
Sebrina Beckstrom, Director, Internal Audit

## Prepared By

Finance Division Staff

# Valley Metro Organization



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## ***Financial Section***

*The Financial Section includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements (government-wide statements and fund statements), notes to the financial statements, required supplementary information (RSI), other supplementary information (OSI) and other financial schedules.*



The much-anticipated Valley Metro Fiesta BUZZ launches in October 2022. It's a free neighborhood circulator that will connect populated districts such as Mesa Riverview, the Asian District, and the Fiesta District with central locations like Mesa Community College, Banner Desert Hospital, Mekong Plaza, and Sloan Park. Service has been designed to operate in neighborhoods and smaller streets in addition to arterial roadways. This route will also have "flag zones," which are areas off arterial roads where passengers can flag the bus to stop, like hailing at a taxi.



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Valley Metro Regional Public Transportation Authority  
Phoenix, Arizona

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Valley Metro Regional Public Transportation Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 to the financial statements, effective July 1, 2021, the Authority adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use asset and a corresponding lease liability for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension/OPEB (asset)/liability and schedule of pension/OPEB contributions and the budgetary comparison schedule for the General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Directors  
Valley Metro Regional Public Transportation Authority

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
January 30, 2023

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As management of Valley Metro Regional Public Transportation Authority (the Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Authority's financial activity, (3) identify changes in the Authority's financial position, (4) identify any material deviations from the financial plan (adopted annual budget) and (5) identify individual fund issues or concerns.

### **Financial Highlights**

- The Authority implemented GASB Statement No. 87, Leases, in fiscal year 2022. With this implementation, the Authority recorded right to use assets of \$9.0 million, accumulated amortization of \$0.6 million and lease liabilities of \$8.5 million. Further information on GASB No.87 can be found at Note 10.
- In July of 2021, phase 1 of the implementation of the Enterprise Resource System was completed when the new accounting system was placed into operation. In September of 2021, the Mesa Facility Bus Wash project was completed. \$3.1 million of costs capitalized as work in progress were reclassified as depreciable assets and depreciation costs increased by \$0.4 million because these projects were completed.
- In fiscal year 2022, the Authority received \$69.6 million as part of three federal programs, federal Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARP) to reimburse Valley Metro for eligible expenses and lost revenue associated with the COVID-19 pandemic.
- On the government-wide financial statements, the Authority's total net position increased by \$111.9 million or 204.3% as compared to June 30, 2021. Net position increased as a result of sales tax revenue increases and decreases in Lead agency disbursements for both the transit service operations and Valley Metro Rail funds.
- At the close of the fiscal year, the governmental activities revenues increased by approximately \$32.9 million (15.9%) over the previous year primarily due to increased sales tax revenue.
- Fare revenues increased by \$2.6 million from the previous fiscal year as ridership increased and starting in October 2021, bus riders resumed front door boarding resulting in increased fare collection in fixed route bus operations. The practice of front door boarding had previously been suspended as part of the formal COVID-19 response plan.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

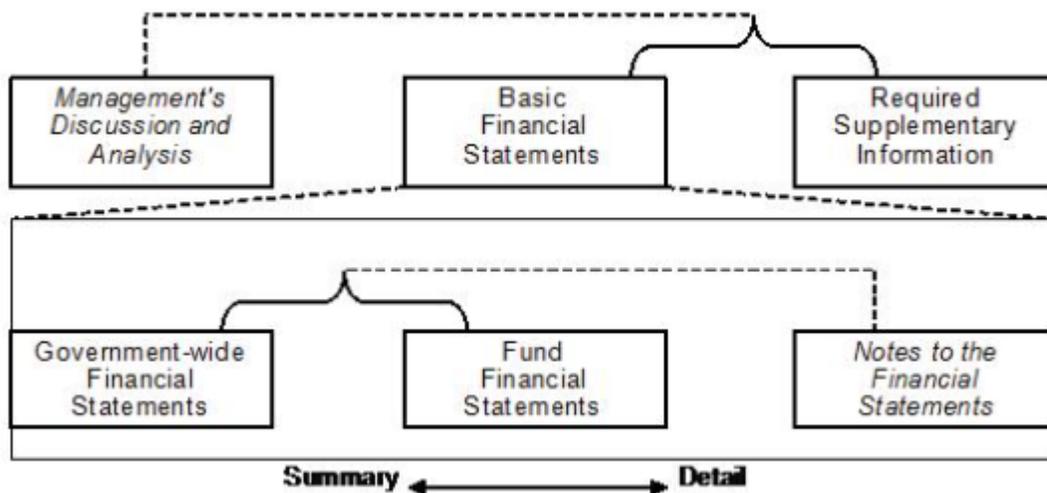
The financial statements are presented as follows:

- Government-wide reporting – presents financial statements on a government-wide basis.
- Fund financial statements – presents governmental and proprietary fund financial statements, with the focus on major funds within each fund type.
- Measurement focus for governmental activities – the government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. The current financial resources focus and modified accrual basis of accounting are followed for the governmental fund financial statements.
- Measurement focus for business type activities – the business type financial statements are reported using a flow of economic resources measurement focus and full accrual basis of accounting.

- Budgetary reporting – the display of both the original adopted budget and the revised budget in the budgetary comparison schedules is required by GAAP. These schedules are only required for the General Fund and major special revenue funds; the General Fund budget to actual statement is presented as required supplementary information. The Authority has presented this information for nonmajor governmental funds and the proprietary funds in Other Supplementary Information.
- Required narrative analysis – the financial statements are required to be accompanied by narrative introduction and analytical overview of the government’s financial activities in the form of “Management’s Discussion and Analysis” (MD&A).

As presented below, the financial section of the Annual Comprehensive Financial Report (ACFR) for the Authority consists of this discussion and analysis, the basic financial statements and required supplementary information (other than MD&A). There are also additional non-required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements.

**Required Components of the Annual Comprehensive Financial Report**



**Government-wide Financial Statements**

The government-wide financial statements (see pages 16 - 19) are designed to provide a broad overview of the Authority’s finances in a manner similar to those used by private businesses. All of the activities of the Authority, except those of a fiduciary nature, are included in these statements.

The activities of the Authority are broken down into two columns on these statements – governmental activities and business-type activities. A total column for the Authority is also provided.

- The *governmental activities* include the basic services of the Authority including general government (administration), regional planning, transportation demand management and regional customer services. Grants and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities which are transit service operations and light rail transit. These activities are partially supported by user charges and provide substantial benefits, both direct and indirect, to the public at large.

The *Statement of Net Position* presents information on all of the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. The

focus on net position is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. To assess the overall health of the Authority, other indicators, including non-financial indicators like the Authority's tax base and the condition of its capital assets, should also be considered.

The *Statement of Activities* presents information showing how the Authority's net position changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the Authority, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

### **Fund Financial Statements**

Also presented are more traditional fund financial statements for governmental funds and proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the Authority.

**Governmental funds** – Governmental funds are used to account for most of the Authority's basic services. Unlike the governmental activities column on the government-wide financial statement, these fund financial statements (pages 20 - 22) focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in looking at the Authority's near-term financial requirements. The governmental activities on the statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus. A reconciliation of the differences between the two statements is provided following the fund financial statements and is also provided in Note 2 (pages 37 - 41).

**Proprietary funds** – Proprietary funds are used to account for business-type activities of the Authority. Enterprise funds are used for activities that primarily serve customers outside the governmental unit. The proprietary fund financial statements (pages 23 - 27) are prepared using the same long-term focus as the government-wide financial statements. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detail and additional information (i.e., cash flows).

**Notes to the Financial Statements** – The notes to the financial statements (pages 28 – 62) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

**Required supplementary information other than MD&A** – Governments have an option of including the budgetary comparison statements of the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the footnotes. The Authority has chosen to present these budgetary statements as required supplementary information other than the MD&A.

The Authority's proportionate share of the net pension/OPEB liability/asset and contributions to the cost-sharing pension/OPEB plan are presented as required supplementary information other than MD&A.

**Valley Metro**  
**Regional Public Transportation Authority**  
**Management's Discussion and Analysis (Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following tables and analysis discuss the financial position and changes to the financial position for the Authority as a whole as of and for the year ended June 30, 2022, with comparative information for the previous year.

**Net Position**

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position as of June 30, 2022 compared to the prior year:

*Condensed Statement of Net Position*  
*As of June 30*  
*(in thousands of dollars)*

	Governmental		Business-type		Total		Percent
	Activities		Activities		Primary Government		
	2022	2021	2022	2021	2022	2021	Change
Current and other assets	\$ 120,038	\$ 43,375	\$ 180,225	\$ 105,966	\$ 300,263	\$ 149,341	101.1 %
Noncurrent assets							
Investments	16,638	15,491	—	—	16,638	15,491	7.4 %
Due from other governments	—	—	—	1,040	—	1,040	(100.0)%
Due from Rail - PTF advance bond proceeds	—	—	—	3,914	—	3,914	(100.0)%
Other postemployment benefits asset	326	48	793	111	1,119	159	603.8 %
Capital assets, net of accumulated depreciation	6,383	5,758	111,603	110,126	117,986	115,884	1.8 %
Lease assets, net of accumulated amortization	8,367	—	34	—	8,401	—	100.0 %
Total assets	151,752	64,672	292,655	221,157	444,407	285,829	55.5 %
Deferred outflows related to pensions and other postemployment benefits	2,414	2,476	5,974	5,822	8,388	8,298	1.1 %
Deferred charge on debt refunding	—	—	624	935	624	935	(33.3)%
Total deferred outflows of resources	2,414	2,476	6,598	6,757	9,012	9,233	(2.4)%
Other liabilities	1,562	2,097	144,051	86,573	145,613	88,670	64.2 %
Long-term liabilities	18,340	14,771	112,297	136,212	130,637	150,983	(13.5)%
Total liabilities	19,902	16,868	256,348	222,785	276,250	239,653	15.3 %
Deferred inflows related to pensions and other postemployment benefits	3,027	134	7,370	305	10,397	439	2,268.3 %
Deferred inflows for debt refunding	—	—	170	226	170	226	(24.8)%
Total deferred inflows of resources	3,027	134	7,540	531	10,567	665	1,489.0 %
Net position:							
Net Investment in capital assets,	6,090	5,605	89,894	85,817	95,984	91,422	5.0 %
Restricted	458	186	19,423	20,955	19,881	21,141	-6.0 %
Unrestricted	124,689	44,355	(73,952)	(102,174)	50,737	(57,819)	(187.8)%
Total net position	\$ 131,237	\$ 50,146	\$ 35,365	\$ 4,598	\$ 166,602	\$ 54,744	204.3 %

The Authority's total net position increased by \$111.9 million in FY 2022, comprised of a increase of \$81.1 million in governmental activities and a increase of \$30.8 million in business-type activities. Total net position of the Authority is \$166.6 million.

Of the \$166.6 million total net position, \$96.0 million are the Authority's net investment in capital assets. The Authority uses these capital assets to provide services to the region's citizens; consequently, it is not

**Valley Metro**  
**Regional Public Transportation Authority**  
**Management's Discussion and Analysis (Continued)**

the Authority's intention to sell these assets, and they are therefore not available for future spending. The capital assets are reported net of related debt; as discussed in the Debt Administration and Capital Assets section (pages 14 - 15). The Authority has pledged future transportation excise tax revenues to repay the outstanding debt obligations. The capital assets themselves are not intended to be used to liquidate these liabilities.

In fiscal year 2022 Business-type restricted assets include \$18.6 million for cash in escrow for debt service. There was a \$28.2 million increase in unrestricted net position over the prior year largely attributed to reductions in lead agency disbursements.

The governmental activities reported an increase of \$80.3 million of unrestricted net position over the prior year largely attributed to sales tax revenue increases of \$35.3 million and a reduction of the transfers out to the Transit Service Operations of \$31.9 million compared to the prior year.

**Changes in Net Position**

The following table compares the revenues and expenses of the Authority for the current and previous fiscal year. The increase (decrease) in net position for each year represents the extent to which revenues were over (under) expenses during the year (*in thousands of dollars*).

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2022	2021	2022	2021	2022	2021	
<b>REVENUES</b>							
Program revenues:							
Charges for services	\$ 345	\$ 282	\$ 46,668	\$ 48,246	\$ 47,013	\$ 48,528	(3.1)%
Operating grants and contributions	12,584	13,034	74,489	48,308	87,073	61,342	41.9 %
Capital grants and contributions	816	2,187	10,375	24,201	11,191	26,388	(57.6)%
General revenues:							
Sales taxes	226,630	191,337	—	—	226,630	191,337	18.4 %
Investment income (loss)	(549)	90	96	15	(453)	105	(531.4)%
Other	36	38	390	8	426	46	826.1 %
Total revenues	<u>239,862</u>	<u>206,968</u>	<u>132,018</u>	<u>120,778</u>	<u>371,880</u>	<u>327,746</u>	13.5 %
<b>EXPENSES</b>							
Governmental activities:							
Regional planning	1,915	2,190	—	—	1,915	2,190	(12.6)%
Transportation demand management	1,217	1,171	—	—	1,217	1,171	3.9 %
Regional customer services	10,724	10,262	—	—	10,724	10,262	4.5 %
Administration	4,404	5,157	—	—	4,404	5,157	(14.6)%
AZ Lottery fund disbursements	11,031	11,028	—	—	11,031	11,028	0.0 %
Business-type activities:							
Transit service operations	—	—	131,919	151,185	131,919	151,185	(12.7)%
Light rail transit	—	—	98,812	136,856	98,812	136,856	(27.8)%
Total expenses	<u>29,291</u>	<u>29,808</u>	<u>230,731</u>	<u>288,041</u>	<u>260,022</u>	<u>317,849</u>	(18.2)%
Excess (deficit) before transfers	210,571	177,160	(98,713)	(167,263)	111,858	9,897	1,030.2 %
Transfers in (out)	<u>(129,480)</u>	<u>(145,457)</u>	<u>129,480</u>	<u>145,457</u>	<u>—</u>	<u>—</u>	N/A
Increase (decrease) in net position	81,091	31,703	30,767	(21,806)	111,858	9,897	1,030.2 %
Net position - beginning	50,146	18,443	4,598	26,404	54,744	44,847	22.1 %
Net position - ending	<u>\$ 131,237</u>	<u>\$ 50,146</u>	<u>\$ 35,365</u>	<u>\$ 4,598</u>	<u>\$ 166,602</u>	<u>\$ 54,744</u>	204.3 %

The largest source of revenue for the Authority are sales taxes (60.9%). The major funding sources of governmental activities are sales taxes (94.5%) and federal and state grants (5.2%). The major funding sources for business-type activities in FY 2022 are operating grants and contributions (56.4%) and charges for services to member cities (35.3%). The Authority's overall revenues increased by \$44.1

**Valley Metro**  
**Regional Public Transportation Authority**  
**Management's Discussion and Analysis (Continued)**

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million, or 13.5%, compared to last fiscal year. Total revenues of governmental activities increased by \$32.9 million (15.9%) over the previous year primarily due to increased sales tax revenues, up \$35.3 million. Program revenues of business-type activities increased by \$10.8 million or 8.9%, compared to last fiscal year as a result of changes in charges for services, operating grants and contributions, and capital grants and contributions. Charges for services for business-type activities decreased by \$1.6 million or 3.3% as CARES, CRRSAA, and ARP federal funding of \$69.6 million offset a substantial amount of cost for services resulting in reduced member city contributions. Operating grants and contributions for business-type activities increased by \$26.2 million or 54.2% over the previous year due to CARES, CRRSAA and ARP federal funding received as funding for operations during the COVID 19 pandemic. Capital grants and contributions for business type activities decreased by \$13.8 million or 57.1% due to decreases in federally funded bus, vanpool fleet, and vehicle purchases caused by supply chain issues and reduced need for service expansion.

Spending of the Authority's sales tax revenues is limited to funding those activities necessary to implement the Proposition 400 Transit Life Cycle Program (TLCP). The Public Transportation Fund (PTF) revenues are restricted to the implementation of the transit element of the Regional Transportation Plan (RTP). Regional Area Road Fund (RARF) revenue is limited to fund planning and administration activities of the RTP.

Business-type activities are the largest users of resources for the Authority with \$230.7 million of expenses (88.7%) which include Transit Service operating expenses, Light Rail Transit staff and administration expenses, lead agency disbursements, and interest expense. Governmental activities expended \$29.3 million, with the largest being Regional Customer Services of \$10.7 million and AZ Lottery Fund Disbursements of \$11.0 million. Administration, Regional Planning, and Transportation Demand Management activities totaled \$7.5 million for the year.

Total Primary Government expenses decreased by \$57.8 million, or 18.2% compared to last fiscal year. Governmental expenses remained stable compared to the prior year only decreasing by \$0.5 million, or 1.7%, over the prior year.

Business-type activity expenses decreased by \$57.3 million, or 19.9%, compared to the prior year. The decrease in business-type activity expenses included a decrease of \$19.3 million for Transit Service Operations (TSO) and an decrease of \$38.0 million for Light Rail Transit (VMR).

For TSO, operating expenses increased by \$6.1 million. The change was primarily the result of bus service delivery costs increases of \$1.0 million, paratransit service costs increases of \$5.6 million, and depreciation expense decreases of \$0.7 million. Paratransit service costs in fiscal year 2022 included \$1.8 million paid to City of Phoenix for paratransit services provided by the City. In the prior fiscal year, the \$5.4 million paid to the City of Phoenix for the same purpose were instead reported as lead agency disbursements.

TSO non-operating expenses decreased by \$25.4 million. Lead agency disbursements decreased by \$17.2 million for two reasons. First, there was a reduction in the lead agency funded bus purchases and passenger facility upgrades by member cities during the fiscal year. Second, in FY2021 \$5.4 million in distributions to the City of Phoenix to pay for paratransit service provided by the City of Phoenix were classified as lead agency disbursements, however, in the current fiscal year these same distributions were classified as operating costs of paratransit service. Capital conveyance costs decreased by \$8.2 million as there were no vehicles purchased by the Authority that were conveyed to member cities during the fiscal year.

For VMR, non-operating expense activities decreased by \$39.0 million primarily due to changes in Lead Agency Disbursements, that decreased by \$38.8 million as a result of an decrease in the capital project costs by Valley Metro Rail that were funded by lead agency disbursements by the VMR fund compared to the prior fiscal year.

## **FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

As previously mentioned, the Authority maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

### **Governmental Funds**

The focus of the governmental funds financial statements (pages 20 -22) is to provide information on near-term inflows, outflows and balances of spendable resources. The fund balance of the governmental funds is \$135.2 million, an increase of \$78.5 million, or 138.2%, from the previous year. Of the \$135.2 million fund balance, \$132 thousand is restricted for transit planning and transportation demand management purposes. The remainder is either nonspendable or unassigned fund balance in the General Fund (see Note 7 - page 48). Unassigned fund balance may serve as a useful indicator of a government's net resources available for spending at the end of the year. Of the \$135.2 million fund balance, \$135.0 million is unassigned.

The General Fund accounts for activities that include regional customer service, financial management and agency administration. Excess General Fund revenues over expenditures were \$200.8 million for the year versus \$173.9 million in the prior year, up \$26.9 million or 15.5%. General Fund revenues increased \$34.4 million (16.9%) over the previous year. Public Transportation Fund (PTF) sales tax revenue increased by \$35.2 million (18.9%) in FY22 to \$221.4 million due to a substantial increase in amount of sales tax collected for retail sales, contracting, restaurant and bar, rental real property and personal property, see the Statistical section - Maricopa County Transportation Excise Tax Revenue Collections by Category for additional information. General Fund expenditures were \$36.9 million in the current year an increase of \$7.5 million (25.4%) compared to the prior year. The significant increase in expenditures for the General Fund was the result of the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, as amended which resulted in the recording of \$8.9 million regional customer service expenditures for the office space lease.

### **Proprietary Funds**

The proprietary fund financial statements (pages 23 - 27) are prepared on the same accounting basis and measurement focus as the government-wide financial statements, full accrual but provide additional detail since each enterprise fund is a major fund and is shown discretely on the fund statements.

The Transit Service Operations (TSO) Fund accounts for the activities related to the operations of local and express bus, paratransit and vanpool services for the region. In addition, the TSO Fund contains PTF bond financing activities to support the Transit Life Cycle Program (TLCP). The main activities are bus and paratransit capital financing activities shown in the TSO Fund.

The TSO Fund net position increased by \$5.2 million in the current year primarily as a result of two factors. First, transfers in of sales tax money of \$3.4 million was reported as restricted cash to make the principal payment for the 2019 revenue bonds due on July 1, 2022. Second, during the year the Authority received capital contribution funding for capital additions of \$10.4 million, however, these expenses were capitalized and will be recognized as expenses over the useful life of the capital assets.

Changes to the statement of revenues, expenses, and changes in Fund net position for the Transit service operations fund are described below.

- TSO operating revenues of \$19.1 million decreased by \$4.0 million mainly due to decreases in charges for services offset by increases in fare revenues. Charges for services decreased significantly by \$7.1 million or 32.8% as the \$69.6 million in funding received from as part of three federal programs, federal Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARP) to reimburse Valley Metro for eligible expenses and lost revenue

associated with the COVID-19 pandemic enabled the Authority to reduce charges for services to the member cities. The reduction in charges for services was partially offset by an \$2.6 million increase in fare revenues from the previous fiscal year as ridership increased and starting in October 2021, bus riders resumed front door boarding resulting in increased fare collection in fixed route bus operations. The practice of front door boarding had previously been suspended as part of the formal COVID-19 response plan.

- TSO operating expenses of \$130.2 million increased by \$6.1 million which were primarily the result of increases in bus service delivery costs of \$1.0 million and paratransit service costs of \$5.6 million.
  - There were a number of significant changes in the cost of bus service delivery. Increases in the price of natural gas and diesel and unleaded fuel resulted in an increase of \$3.1 million. Increases in the cost of bus service in the West Valley resulted in an increase of \$1.4 million. Facility and maintenance services and repair costs increased by \$1.0 million as upkeep costs increased for the East Valley bus facilities. Payments to City of Phoenix for bus service provided by the City decreased by \$1.9 million as the City used federal funding to reduce the Authority's portion of the costs. Costs of bus service in the East Valley decreased by \$1.0 million. The costs incurred in the fiscal year for COVID-19 response decreased by \$0.5 million. Other operational efficiencies accounted for the remaining reduction in operating costs.
  - There were a number of significant changes in the cost of paratransit service delivery. paratransit service costs in fiscal year 2022 included \$1.8 million paid to City of Phoenix for paratransit services provided by the City. In the prior fiscal year, payments to the City of Phoenix for the same purpose were instead reported as lead agency disbursements. Increased level of service resulted in an increase in paratransit and ridechoice contractor costs of \$3.3 million. Increases in the price of unleaded fuel resulted in an increase of \$0.3 million. Other programmatic changes accounted for the remaining Change in operating costs.
- Non-Operating revenues of \$74.4 million increased by \$26.1 million. This increase was due to an increase in federal grant revenues to reimburse Valley Metro for eligible expenses and lost revenue associated with the COVID-19 pandemic from the CARES, CRRSAA, and ARP programs.
- Non-operating expenses of \$1.8 million decreased by \$25.4 million. Lead Agency disbursements decreased by \$17.2 million for two reasons. First, there was a reduction in the Lead Agency funded bus purchases and passenger facility upgrades by member cities during the fiscal year. Second, in FY2021 \$5.4 million in distributions to the City of Phoenix to pay for paratransit service provided by the City of Phoenix were classified as lead agency disbursements, however, in the current fiscal year these same distributions were classified as operating costs of paratransit service. Capital conveyance costs decreased by \$8.2 million as there were no vehicles purchased by the Authority that were conveyed to member cities during the fiscal year.
- Capital Contributions of \$10.4 million were down \$13.8 million and net Transfers in from the General Fund of \$33.2 million decreased by \$31.9 million primarily due to decreased federal funding to support bus, vanpool, and other vehicle purchases caused by supply chain issues and reduced need for service expansion.

The Valley Metro Rail Fund accounts for staffing and administrative services that are contractually provided by the Authority to Valley Metro Rail, Inc. (VMR) and the PTF sales tax revenues and expenses of such funds related to the Regional Transportation Plan approved light rail projects. Valley Metro Rail, Inc. is a nonprofit corporation organized for the purpose of planning, designing, constructing, and operating the light rail transit project in metropolitan Phoenix (see Note 1(a) on page 28).

**Valley Metro**  
**Regional Public Transportation Authority**  
**Management's Discussion and Analysis (Continued)**

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The VMR Fund has a deficit net position of \$67.7 million as of June 30, 2022 as compared to a deficit net position of \$93.3 million at the end of the previous year. The GASB 68 and GASB 75 requirement to record pension/OPEB liability and deferred inflows of resources continues to reduce net position. At June 30, 2022, the net pension/OPEB liability was \$19.3 million for VMR and the deferred inflow related to pension and other postemployment benefits was \$6.8 million. In addition, transfers in of sales tax money of \$15.2 million was reported as restricted cash to make the principal payment for the 2014 revenue bonds (\$11.4 million) and 2019 revenue bonds (\$3.8 million) both due on July 1, 2022.

- The VMR Fund operating activities are primarily staffing services by RPTA employees performing work for Valley Metro Rail, Inc. In FY22 operating revenues were \$28.0 million and operating expenses were \$28.7 million. Total operating revenues increased by \$2.9 million and operating expenses increased by approximately \$1.0 million due to an increase of charges for services for light rail capital project development, design and construction. Net operating loss in FY22 was \$0.7 million.
- Non-Operating expenses include Lead Agency Disbursements to Valley Metro Rail, Inc. to fund light rail capital project development, design and construction, and disbursements. In FY22 Lead agency disbursements were \$69.1 million compared to \$107.9 million in FY21. This is primarily due to a decrease in construction costs by Valley Metro Rail, Inc., that were funded by lead agency disbursements of sales tax from the Authority. Bond Interest expense related to light rail bond funded activities was \$1.0 million in FY22. Total non-operating expense for the VMR Fund in FY22 was \$70.2 million.
- Net transfers into the VMR Fund of PTF from the General Fund totaled \$96.2 million for the year an increase of \$16.0 or 19.9% as a result the increase in sales taxes: public transportation funds received during the fiscal year.

**OVERALL AND GENERAL FUND BUDGETARY HIGHLIGHTS**

The Authority's adopted budget for the General Fund for FY2022 was \$195.0 million in revenues, \$31.4 million of expenditures, and \$164.8 million of transfers to other funds. The adopted budget was not revised.

The General Fund actual revenues were higher than the adopted budget by \$42.8 million or 21.9% due to more Sales Tax - Public Transportation Funds proceeds received than projected. General Fund expenditures were less than the adopted budget by \$2.8 million or 9.0% mainly due to less capital outlay purchases made than projected. Transfers out were \$33.5 million less than the adopted budget or 20.3% because transfers to the transit service operations fund were less than budgeted as the approved budget did not include \$48.2 million in federal ARP program revenues to reimburse Valley Metro for eligible expenditures and lost revenue associated with the COVID-19 pandemic which resulted in reduced need for PTF funding. In addition bus and paratransit and capital outlay costs were less than budgeted requiring less funding than budgeted.

**DEBT ADMINISTRATION AND CAPITAL ASSETS**

**Debt Administration**

At June 30, 2022, the Authority had total bonded debt outstanding (including unamortized premium) of \$85.8 million related to business-type activities. The Authority has pledged future transportation excise tax revenues to repay this outstanding debt. The Authority's current bond ratings on transportation excise revenue tax bonds are AA+ from Standard & Poor's and AA from Fitch.

<i>(in millions of dollars)</i>	<b>Business-type Activities</b>	
	<b>2022</b>	<b>2021</b>
Revenue bonds payable:		
2014 Bond Series	\$ 49.3	\$ 60.2
2016 Bond Series	8.2	15.6
2019 Bond Series	23.6	23.6
Plus unamortized premium:		
2014 Bond Series premium payable	3.0	4.9
2016 Bond Series premium payable	0.3	0.7
2019 Bond Series premium payable	1.4	2.2
Total	<u>\$ 85.8</u>	<u>\$ 107.2</u>

Additional information on the Authority's bonded debt and other long-term liabilities can be found in Note 11 on pages 52 - 54.

Long term debt also increased due to implementation of GASB Statement No. 87, Leases, in fiscal year 2022. Lease Liabilities of \$8.5 million were recorded with \$0.6 million of the total due in one year. Further information on GASB No. 87 can be found at Note 10 on pages 51 - 52.

**Capital Assets**

As of June 30, 2022, the Authority had \$126.4 million invested in various capital assets and leased assets, net of accumulated depreciation and amortization. Major capital asset events in the current year attributing to the increase included the following:

- In governmental activities, in July 2021, phase 1 of the Enterprise Resource System project was completed when the new accounting system was placed into operation. This caused a decrease in work in progress and an addition to computers and software. This also caused an increase of \$0.4 million in depreciation for computers and software.
- In business-type activities, in September 2021, the Mesa Facility Bus Wash project was completed. This caused a decrease in work in progress and an addition to site improvements. This also caused an increase of \$68 thousand in depreciation for site improvements.
- In business-type activities 10 MCI motorcoachs were added to the transit fleet. This caused a \$7.0 million increase in the transit fleet asset value. During the fiscal year new protective bus barriers for bus drivers were purchased and installed and that increased equipment value by \$761 thousand. The Authority also retired 36 buses, 1 shuttle van, and 16 vanpool vans from the transit fleet. This caused a \$16.3 million decrease in asset value and accumulated depreciation as almost all the disposed assets were fully depreciated.
- Work in progress increases in governmental activities were the result of costs associated with phase 2 and 3 of the enterprise resource system project, the enterprise asset management

**Valley Metro**  
**Regional Public Transportation Authority**  
**Management's Discussion and Analysis (Continued)**

system and payroll system, respectively. Increases in work in progress in the business-type activities were for the costs of the new fare collection system.

The table on the next page provides a breakdown of capital assets of the Authority at June 30, 2022 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 8 on pages 49 - 50.

*Capital Assets, Net of Accumulated Depreciation*  
*As of June 30*  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Percent Change</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	
Non-depreciable assets:							
Land	\$ —	\$ —	\$ 5,292	\$ 5,292	\$ 5,292	\$ 5,292	0.0 %
Work-in-progress	2,981	3,533	7,056	1,208	10,037	4,741	111.7 %
Depreciable assets:							
Transit fleet	—	—	82,385	87,357	82,385	87,357	(5.7)%
Vehicles	4	22	—	—	4	22	(81.8)%
Building	—	—	9,316	9,607	9,316	9,607	(3.0)%
Site improvements	17	20	2,764	2,098	2,781	2,118	31.3 %
Computers & software	3,165	1,875	—	—	3,165	1,875	68.8 %
Ticket Vending Machines	—	—	657	768	657	768	(14.5)%
Equipment	42	63	4,122	3,783	4,164	3,846	8.3 %
Furniture & fixtures	174	245	—	—	174	245	(29.0)%
Infrastructure	—	—	11	13	11	13	(15.4)%
Right-to use lease assets - Buildings	8,367	—	34	—	8,401	—	100.0 %
<b>Total assets</b>	<b>\$ 14,750</b>	<b>\$ 5,758</b>	<b>\$ 111,637</b>	<b>\$ 110,126</b>	<b>\$ 126,387</b>	<b>\$ 115,884</b>	<b>9.1 %</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

RPTA undertook a number of key initiatives during FY21 and FY22, as the agency continues the implementation of the TLCP operating and capital projects. Funding for these initiatives comes from a combination of regional sales tax revenues, member city service payments and federal grants.

The adopted FY23 combined operating and capital budget is \$446.7 million, which is a \$105.2 million increase from the FY22 budget of \$341.5 million. The adopted fiscal year 2023 budget includes \$235.9 million for operations, \$112.8 million to be passed through to Valley Metro Rail, and \$98.0 million for capital improvements and debt service payments.

**FINANCIAL CONTACT**

The financial report is designed to provide a general overview of the Authority's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the Authority's Chief Financial Officer, Valley Metro RPTA, 101 N. 1<sup>st</sup> Avenue, Suite 1300, Phoenix, AZ 85003.



The 35th annual Clean Air Campaign Awards and Luncheon held on Monday, October 17, 2022, at the JW Marriott Scottsdale Camelback Inn Resort & Spa was a great success with over 300 in attendance. Guests enjoyed music by He Said/She Said, a great keynote address by Dan Harkins, owner, Harkins Theatres and Sean McLaughlin from AZ Family was master of ceremonies.

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## **Basic Financial Statements**

- **Government-wide Financial Statements**
- **Fund Financial Statements**
- **Notes to the Financial Statements**

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Net Position  
June 30, 2022  
(In thousands of dollars)

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 18,424	\$ 102,012	\$ 120,436
Investments	88,165	3,497	91,662
Restricted cash and cash equivalents	—	20,719	20,719
Receivables	31	283	314
Interfund balances	(30,902)	30,902	—
Due from other governments	44,173	18,897	63,070
Due from Rail - PTF advance bond proceeds	—	3,914	3,914
Prepaid Items	147	1	148
Total current assets	<u>120,038</u>	<u>180,225</u>	<u>300,263</u>
Noncurrent Assets:			
Investments	16,638	—	16,638
Net other postemployment benefits asset	326	793	1,119
Capital assets, not being depreciated	2,981	12,348	15,329
Capital assets, net of accumulated depreciation	3,402	99,255	102,657
Lease assets, net of accumulated amortization	8,367	34	8,401
Total noncurrent assets	<u>31,714</u>	<u>112,430</u>	<u>144,144</u>
Total assets	<u>151,752</u>	<u>292,655</u>	<u>444,407</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions and other postemployment benefits	2,414	5,974	8,388
Deferred charge on debt refunding	—	624	624
Total deferred outflows of resources	<u>2,414</u>	<u>6,598</u>	<u>9,012</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	883	21,897	22,780
Accrued salaries and benefits	431	389	820
Due to other governments	93	119,676	119,769
Bond interest payable	—	2,089	2,089
Lease interest payable	10	—	10
Other liabilities	145	—	145
Total current liabilities	<u>1,562</u>	<u>144,051</u>	<u>145,613</u>
Noncurrent liabilities:			
Due within one year			
Compensated absences payable	989	2,254	3,243
Revenue bonds payable	—	18,630	18,630
Lease Liability	550	4	554
Total Due within one year	<u>1,539</u>	<u>20,888</u>	<u>22,427</u>
Due in more than one year			
Due to other governments	—	2,782	2,782
Net pension and other postemployment benefits liability	8,642	21,042	29,684
Compensated absences payable	259	352	611
Revenue bonds payable, including unamortized premium	—	67,203	67,203
Lease Liability	7,900	30	7,930
Total Due in more than one year	<u>16,801</u>	<u>91,409</u>	<u>108,210</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Net Position (Continued)  
June 30, 2022  
(In thousands of dollars)

Total noncurrent liabilities	18,340	112,297	130,637
Total liabilities	19,902	256,348	276,250
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions and other postemployment benefits	3,027	7,370	10,397
Deferred inflows for debt refunding	—	170	170
Total deferred inflows of resources	3,027	7,540	10,567
<b>Net Position</b>			
Net investment in capital assets	6,090	89,894	95,984
Restricted for OPEB benefits	326	793	1,119
Restricted for debt service	—	18,630	18,630
Restricted for transit planning	86	—	86
Restricted for transportation demand management	46	—	46
Unrestricted	124,689	(73,952)	50,737
Total Net Position	\$ 131,237	\$ 35,365	\$ 166,602

See accompanying notes to the financial statements.

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Activities  
Fiscal Year Ended June 30, 2022  
(In thousands of dollars)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Programs</b>				
Governmental activities:				
Regional planning:				
Corridor and facility planning	\$ 178	\$ —	\$ 49	\$ —
Systems and service development	1,203	—	185	—
Program support	534	—	—	—
Transportation demand management:				
Trip reduction	567	—	523	—
Ridesharing	613	—	534	—
Other programs	37	—	—	—
Regional customer services:				
Marketing	2,015	—	—	—
Call center	4,710	339	—	—
Other programs	3,999	6	133	—
AZ Lottery funds	11,031	—	11,160	—
Administration:				
Executive director's office	1,858	—	—	—
Finance & management services	2,546	—	—	816
Total governmental activities	<u>29,291</u>	<u>345</u>	<u>12,584</u>	<u>816</u>
Business-type activities:				
Transit service operations	131,919	18,696	74,404	10,375
Light rail transit	98,812	27,972	85	—
Total business-type activities	<u>230,731</u>	<u>46,668</u>	<u>74,489</u>	<u>10,375</u>
Total primary government	<u>\$ 260,022</u>	<u>\$ 47,013</u>	<u>\$ 87,073</u>	<u>\$ 11,191</u>

General revenues:  
Sales taxes:  
Public transportation funds  
Regional area road funds  
Investment income (loss)  
Other income  
Transfers in (out)  
Total general revenues & transfers  
Change in net position  
Net position - beginning  
Net position - ending

(Continued)

**Net (Expense) Revenues and  
Changes in Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (129)		\$ (129)
(1,018)		(1,018)
(534)		(534)
(44)		(44)
(79)		(79)
(37)		(37)
(2,015)		(2,015)
(4,371)		(4,371)
(3,860)		(3,860)
129		129
(1,858)		(1,858)
(1,730)		(1,730)
<u>(15,546)</u>		<u>(15,546)</u>
—	\$ (28,444)	(28,444)
—	<u>(70,755)</u>	<u>(70,755)</u>
—	<u>(99,199)</u>	<u>(99,199)</u>
\$ (15,546)	\$ (99,199)	\$ (114,745)
\$ 221,388	\$ —	\$ 221,388
5,242	—	5,242
(549)	96	(453)
36	390	426
<u>(129,480)</u>	<u>129,480</u>	<u>—</u>
<u>96,637</u>	<u>129,966</u>	<u>226,603</u>
81,091	30,767	111,858
50,146	4,598	54,744
<u>\$ 131,237</u>	<u>\$ 35,365</u>	<u>\$ 166,602</u>

See accompanying notes to the financial statements.

**Valley Metro**  
**Regional Public Transportation Authority**  
Balance Sheet  
Governmental Funds  
June 30, 2022  
(In thousands of dollars)

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 18,424	\$ —	\$ 18,424
Investments	104,803	—	104,803
Receivables	17	14	31
Due from other governments	43,786	387	44,173
Due from other funds	227	96	323
Prepaid Items	147	—	147
Total assets	<u>167,404</u>	<u>497</u>	<u>167,901</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	847	36	883
Accrued salaries and benefits	408	23	431
Due to other funds	30,998	227	31,225
Due to other governments	44	49	93
Other liabilities	—	30	30
Total liabilities	<u>32,297</u>	<u>365</u>	<u>32,662</u>
Fund balances:			
Nonspendable:			
Prepays	147	—	147
Restricted	—	132	132
Unassigned	134,960	—	134,960
Total fund balances	<u>135,107</u>	<u>132</u>	<u>135,239</u>
Total liabilities and fund balances	<u>\$ 167,404</u>	<u>\$ 497</u>	<u>\$ 167,901</u>

**Reconciliation of the balance sheet to the statement of net position**

Fund balances, total governmental funds balance sheet \$ 135,239

Amounts reported for governmental activities in the statement of net position are different because:

Governmental capital assets	13,029
Less accumulated depreciation	(6,646)
Governmental lease assets	8,959
Less accumulated amortization	(592)
Contingent Liability	(115)
Lease Liability	(8,450)
Lease interest payable	(10)
Governmental compensated absences	(1,248)
Net OPEB assets	326
Net pension/OPEB liability	(8,642)
Deferred outflows of resources related to pensions/OPEB liabilities	2,414
Deferred inflows of resources related to pensions/OPEB liabilities	(3,027)

Net position of governmental activities, statement of net position \$ 131,237

See accompanying notes to the financial statements.

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Fiscal Year Ended June 30, 2022  
(In thousands of dollars)

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Sales taxes:			
Public transportation funds	\$ 221,388	\$ —	\$ 221,388
Regional area road funds	5,242	—	5,242
Intergovernmental:			
AZ Lottery fund proceeds	11,160	—	11,160
State & county grants & federal pass through grants	—	424	424
Federal Transit Administration	133	10	143
CMAQ	—	857	857
Charges for services	345	—	345
Investment income (Loss)	(549)	—	(549)
Miscellaneous	8	28	36
Total revenues	<u>237,727</u>	<u>1,319</u>	<u>239,046</u>
<b>Expenditures:</b>			
Current:			
Regional planning:			
Corridor and facility planning	—	179	179
Systems and service development	—	1,213	1,213
Program support & administration	—	539	539
Transportation demand management:			
Trip reduction	—	571	571
Ridesharing	—	618	618
Other programs	—	37	37
Regional customer services:			
Marketing	2,026	—	2,026
Call center	5,319	—	5,319
Other programs	11,556	—	11,556
Administration:			
Executive director's office	1,871	—	1,871
Finance & management services	1,663	—	1,663
AZ lottery fund disbursements	11,031	—	11,031
Debt Service			
Principal	2,508	1	2,509
Interest	107	—	107
Capital outlay	816	—	816
Total expenditures	<u>36,897</u>	<u>3,158</u>	<u>40,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>200,830</u>	<u>(1,839)</u>	<u>198,991</u>
<b>Other financing sources (uses):</b>			
Transfers in	—	1,806	1,806
Transfers out	(131,286)	—	(131,286)
Leases	8,932	27	8,959
Total other financing sources (uses)	<u>(122,354)</u>	<u>1,833</u>	<u>(120,521)</u>
Net change in fund balances	78,476	(6)	78,470
Fund balance, beginning	56,631	138	56,769
Fund balance, ending	<u>\$ 135,107</u>	<u>\$ 132</u>	<u>\$ 135,239</u>

See accompanying notes to the financial statements.

**Valley Metro  
Regional Public Transportation Authority**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities

Fiscal Year Ended June 30, 2022

(In thousands of dollars)

Net change in fund balances, total governmental funds	\$ 78,470
The change in net position reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense.	
This is the amount by which depreciation expense was less than capital outlay expense, less work in progress at June 30, 2021 that was not capitalized but rather expensed in the current period.	(190)
2. The governmental funds, under the modified accrual basis of accounting, do not report revenue for donated capital assets. However, in the statement of activities, the value of donated capital assets are reported as capital contributions.	
	816
3. The governmental funds, under the modified accrual basis of accounting, do not report the unpaid compensated absences as an expenditure or liability, as they are not paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used.	
	(74)
4. The governmental funds, under the modified accrual basis of accounting, do not report contingent liabilities as an expenditure or liability, as they are not paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used.	
	(115)
5. Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net position/OPEB liability is measured a year before the Authority's report date.	
	976
6. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.	
	(698)
7. Debt Service Principal expenses for the agreement with Arizona Department of Environmental Quality to repay \$6 million in monies transferred by the Arizona State Legislature to RPTA, in 1994, by July 2021, were reported in statement of activities in FY19 but are reported in the governmental funds when the payment occurs. In FY22 there was a \$2 million payment.	
	2,000
8. With leases in which RPTA is the lessee, an expenditure is recorded in the governmental funds for the amount of the present value of the future lease payments; however, in the statement of activities, the present value of the future lease is recognized as an intangible asset and amortized over the lease term. The Debt Service principal payments related to leases was \$509 thousand. In addition, the amortization expense for the right-to-use lease assets was -\$592 thousand. Also, an accrued interest expense of -\$11 thousand was reported in the statement of activities but not in the governmental funds. This is the net difference amount amount for leases.	
	(94)
Change in net position of governmental activities, statement of activities	<u>\$ 81,091</u>

See accompanying notes to the financial statements.

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Net Position  
Proprietary Funds  
June 30, 2022  
(In thousands of dollars)

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Transit Service Operations</b>	<b>Valley Metro Rail</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 25	\$ 101,987	\$ 102,012
Investments	—	3,497	3,497
Restricted cash and cash equivalents	3,818	16,901	20,719
Accounts receivable	283	—	283
Due from other governments	18,897	—	18,897
Due from Rail - PTF advance bond proceeds	—	3,914	3,914
Due from other funds	22,676	8,236	30,912
Prepaid Items	1	—	1
Total current assets	<u>45,700</u>	<u>134,535</u>	<u>180,235</u>
Noncurrent assets			
Net other postemployment benefits asset	64	729	793
Capital assets, not being depreciated	12,348	—	12,348
Capital assets, net of accumulated depreciation	99,255	—	99,255
Lease assets, net of accumulated amortization	34	—	34
Total noncurrent assets	<u>111,701</u>	<u>729</u>	<u>112,430</u>
Total assets	<u>157,401</u>	<u>135,264</u>	<u>292,665</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions and other postemployment benefits	472	5,502	5,974
Deferred charge on debt refunding	297	327	624
Total Deferred Outflows of Resources	<u>769</u>	<u>5,829</u>	<u>6,598</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	21,897	—	21,897
Accrued salaries and benefits	50	339	389
Due to other funds	10	—	10
Due to other governments	14,087	105,589	119,676
Bond payable - current	3,440	15,190	18,630
Bond interest payable	378	1,711	2,089
Compensated absences payable	256	1,998	2,254
Lease liability	4	—	4
Total current liabilities	<u>40,122</u>	<u>124,827</u>	<u>164,949</u>
Noncurrent liabilities:			
Due to other governments	—	2,782	2,782
Net pension and other postemployment benefits liability	1,700	19,342	21,042
Compensated absences payable	40	312	352
Revenue bonds payable, including unamortized premium	12,505	54,698	67,203
Lease liability	30	—	30
Total noncurrent liabilities	<u>14,275</u>	<u>77,134</u>	<u>91,409</u>
Total liabilities	<u>54,397</u>	<u>201,961</u>	<u>256,358</u>

(Continued)

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Net Position (Continued)  
Proprietary Funds  
June 30, 2022  
(In thousands of dollars)

**Deferred Inflows of Resources**

Deferred inflows related to pensions and other postemployment benefits	596	6,774	7,370
Deferred inflows on debt refunding	81	89	170
Total Deferred Inflows of Resources	<u>677</u>	<u>6,863</u>	<u>7,540</u>

**Net Position**

Net investment in capital assets	89,894	—	89,894
Restricted for OPEB benefits	64	729	793
Restricted for debt service	3,440	15,190	18,630
Unrestricted	9,698	(83,650)	(73,952)
Total net position	<u>\$ 103,096</u>	<u>\$ (67,731)</u>	<u>\$ 35,365</u>

See accompanying notes to the financial statements.

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Fiscal Year Ended June 30, 2022  
(In thousands of dollars)

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Transit Service Operations</b>	<b>Valley Metro Rail</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 14,501	\$ 27,972	\$ 42,473
Fare Revenues	4,195	—	4,195
Miscellaneous	390	—	390
Total operating revenues	<u>19,086</u>	<u>27,972</u>	<u>47,058</u>
<b>Operating Expenses:</b>			
Local & express bus service	93,392	—	93,392
Light rail staff and administration	—	28,662	28,662
Paratransit service	22,250	—	22,250
Vanpool service	818	—	818
Safety and security	456	—	456
Administrative and general	142	—	142
Depreciation	13,100	—	13,100
Lease amortization	1	—	1
Total operating expenses	<u>130,159</u>	<u>28,662</u>	<u>158,821</u>
Operating income (loss)	<u>(111,073)</u>	<u>(690)</u>	<u>(111,763)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Lead agency disbursements	(1,403)	(69,110)	(70,513)
Federal Grants	74,395	—	74,395
IRS payroll tax credit	9	85	94
Interest income	3	93	96
Loss on disposal of capital assets	(13)	—	(13)
Interest expense	(344)	(1,040)	(1,384)
Total non-operating revenues (expenses)	<u>72,647</u>	<u>(69,972)</u>	<u>2,675</u>
Income (loss) before contributions and transfers	<u>(38,426)</u>	<u>(70,662)</u>	<u>(109,088)</u>
Capital contributions	10,375	—	10,375
Transfers in	33,251	96,238	129,489
Transfers out	(9)	—	(9)
Changes in net position	<u>5,191</u>	<u>25,576</u>	<u>30,767</u>
Net position, beginning	97,905	(93,307)	4,598
Net position, ending	<u>\$ 103,096</u>	<u>\$ (67,731)</u>	<u>\$ 35,365</u>

See accompanying notes to the financial statements.

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Cash Flows  
Proprietary Funds  
Fiscal Year Ended June 30, 2022  
(In thousands of dollars)

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Transit Service Operations</b>	<b>Valley Metro Rail</b>	<b>Total Proprietary Funds</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 21,109	\$ 27,972	\$ 49,081
Payments to suppliers	(101,201)	(21,806)	(123,007)
Payments to employees	(2,172)	(11,753)	(13,925)
Net cash used in operating activities	<u>(82,264)</u>	<u>(5,587)</u>	<u>(87,851)</u>
<b>Cash flows from noncapital and related financing activities</b>			
Transfers in - sales taxes	33,242	96,238	129,480
Receipts from federal operating grants	88,415	—	88,415
Lead agency disbursements	(3,688)	(6,679)	(10,367)
Due to other funds	(25,672)	(796)	(26,468)
IRS payroll tax credit	9	85	94
IRS fuel tax credit	271	—	271
Net cash provided by noncapital and related financing activities	<u>92,577</u>	<u>88,848</u>	<u>181,425</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	(10,561)	—	(10,561)
Proceeds from the sale of capital assets	683	—	683
Principal paid on long-term debt	(3,548)	(14,737)	(18,285)
Interest paid on capital debt	(843)	(3,802)	(4,645)
Capital contributions	3,782	—	3,782
Advance bond proceeds received	—	10,835	10,835
Payments on leases	(1)	—	(1)
Net cash used in capital and related financing activities	<u>(10,488)</u>	<u>(7,704)</u>	<u>(18,192)</u>
<b>Cash flows from investing activities</b>			
Interest received on investments	3	93	96
Net cash provided by investing activities	<u>3</u>	<u>93</u>	<u>96</u>
Net increase in cash and cash equivalents	(172)	75,650	75,478
Cash and cash equivalents, beginning of year	4,015	46,735	50,750
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,843</u>	<u>\$ 122,385</u>	<u>\$ 126,228</u>
<b>Cash and Cash Equivalents</b>			
Cash and Cash Equivalents	\$ 25	\$ 101,987	\$ 102,012
Investments	—	3,497	3,497
Restricted Cash	3,818	16,901	20,719
<b>Total Cash and Cash Equivalents</b>	<u>\$ 3,843</u>	<u>\$ 122,385</u>	<u>\$ 126,228</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ (111,073)	\$ (690)	\$ (111,763)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	13,100	—	13,100
Lease Amortization	1	—	1
(Increase) decrease in assets/deferred outflows:			
Accounts receivable	(144)	—	(144)
Due from other governments	1,002	2,924	3,926

(Continued)

**Valley Metro**  
**Regional Public Transportation Authority**  
Statement of Cash Flows (Continued)  
Proprietary Funds  
Fiscal Year Ended June 30, 2022  
(In thousands of dollars)

Net other postemployment benefits asset	(55)	(627)	(682)
Deferred outflows related to pensions and other postemployment benefits	(6)	(146)	(152)
Other assets	(1)	—	(1)
Increase (decrease) in liabilities/deferred inflows:			
Accounts payable	7,954	(11)	7,943
Accrued salaries and benefits	28	66	94
Due to other governments	6,726	(8,567)	(1,841)
Compensated absences payable	62	242	304
Net Pension and other postemployment benefits liability	(430)	(5,271)	(5,701)
Deferred inflows related to pensions and other postemployment benefits	572	6,493	7,065
Net cash provided by (used in) operating activities	<u>\$ (82,264)</u>	<u>\$ (5,587)</u>	<u>\$ (87,851)</u>
Noncash Transactions affecting Financial Position			
Amortization of deferred amount on refunding	\$ (121)	\$ (134)	\$ (255)
Amortization of premium	534	2,515	3,049

See accompanying notes to the financial statements.



On Wednesday, July 20, Valley Metro hosted its first Job Fair on at the Embassy Suites in Phoenix. The job fair saw a total of 152 attendees, with approximately 225 applications submitted and 59 offers of employment extended. Advertising was done via a variety of platforms including social media posts, Spotify ads, bus and train wraps, promotional flyers, press releases, light rail platform announcements. The job fair featured our open, frontline staff positions as well as the open positions of eight of our contractors, including First Transit, Transdev, Allied Universal, URW and DMS. Collectively, we had more than 400 open positions available to the community.

## **Notes to the Financial Statements**

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**1. Summary of Significant Accounting Policies**

The accounting policies of the Regional Public Transportation Authority (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For the year ended June 30, 2022, the Authority implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the Authority's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

All GASB issued statements that had an effective date for implementation for the year ended June 30, 2022 were considered in the preparation of the financial statements; however, there were no additional GASB statements that impacted the financial statements or presentation for the fiscal year ended June 30, 2022, with the exception of GASB 87.

The following summary of the more significant accounting policies of the Authority is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this financial report.

**a. Financial Reporting Entity**

The Authority was established under the laws of the State of Arizona in 1985 along with the passage of a one-half of one percent sales tax increase to fund regional highway and public transportation improvements. The Authority was charged with developing a regional transit plan and developing and operating a regional transit system for Maricopa County (the County). In 1993, the Authority's Board of Directors adopted Valley Metro as the identity for the regional transit system. Valley Metro was chosen to give the region's buses a more recognizable identity and to help unify public transit systems in the County.

The Authority is governed by a Board of Directors consisting of a member of the County Board of Supervisors and the mayors (or their designees) of the member cities and towns. For fiscal year 2022, the members included the cities of Avondale, Buckeye, Chandler, El Mirage, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and Tolleson, the towns of Fountain Hills, Gilbert, Queen Creek, Wickenburg, and Youngtown and Maricopa County. A municipality may have one elected official serve on the Authority's Board of Directors by adopting an ordinance declaring its participation.

In October 2002, the city councils of Glendale, Mesa, Phoenix and Tempe approved the formation of a public nonprofit corporation by the name of Valley Metro Rail, Inc. (VMR). The nonprofit corporation was organized for the purpose of planning, designing, constructing and operating the Light Rail Transit Project. In February of 2012, the Board of Directors for the Authority and VMR took action to appoint a single CEO to manage both financial entities under a single integrated agency. The Authority and VMR entered into an intergovernmental agreement providing for the single CEO to serve both organizations effective March 1, 2012.

VMR contracts with the Authority for certain administrative functions, including personnel, administration and financial and accounting services. This activity is recorded in the Authority's Valley Metro Rail Enterprise Fund. The Board of VMR is solely responsible for the governance of VMR, and the Authority's Board of Directors has no responsibility for VMR. VMR is not a component unit of the Authority because the economic resources received by VMR are entirely for the direct benefit of VMR, and the Authority is not entitled to and has no

ability to otherwise access any of the economic resources received or held by VMR. However, VMR is a related party of the Authority since the cities who are members of VMR's Board of Directors are also members of the Authority's Board of Directors.

**b. Basic Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the Authority as a whole. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide Statement of Net Position reports all financial and capital resources of the government. It is displayed in a format of assets and deferred outflows of resources less liabilities and deferred inflows of resources equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets 2) restricted and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net position is those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position that is not otherwise classified as restricted is shown as unrestricted. Generally, the Authority would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Internally imposed use of net position by the reporting government, whether by administrative policy or legislative action of the reporting government, are not shown on the government-wide financial statements. Note 7 discusses the internally imposed use of fund balance/net position in the various funds to demonstrate the government's intended use.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and the other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c. Basis of Presentation**

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund categories (further divided by fund type) are used by the Authority:

**Governmental Funds**

Governmental funds are used to account for the Authority's general government activities. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. The Authority reports the following major Governmental Funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other Non-major Governmental Funds are reported in a single column and combining statements are presented following the required supplementary information other than the MD&A.

**Proprietary Funds**

Proprietary funds account for activities of the Authority similar to those found in the private sector, where cost recovery and the determination of net income are useful or necessary for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Currently, enterprise funds are the only type of proprietary funds that the Authority uses.

Enterprise funds are used to account for those operations that provide services to the general public for a fee. Enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the Authority to establish activity fees or charges to recover the cost of providing services, including capital costs.

The Authority reports the following major enterprise funds:

The Transit Service Operations Fund accounts for the activities related to the operations of local and express bus, dial-a-ride and vanpool services for the region.

The Valley Metro Rail Fund accounts for the activities related to the staffing and administrative services that are contractually provided by the Authority to Valley Metro Rail, Inc. and transfers in of the Public Transportation Fund (PTF) and the Regional Area Road Funds (RARF) sales tax revenues and expenses of such funds related to the Regional Transportation Plan approved light rail projects.

**d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund types are presented, in the fund financial statements, using the flow of current financial resources measurement focus and modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unrestricted fund balance is a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon thereafter to pay liabilities of the current period. The Authority considers revenues available under modified accrual, if they are earned by June 30 (all eligibility requirements have been met) and the revenue is expected to be collected within 120 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under lease contracts are reported as other financing sources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority’s actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 2.

Receivables and revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred inflows of resources.

Interest income is recognized on the modified accrual basis. Changes in fair value of investments are recognized in investment income at the end of the year.

Sales taxes, entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. For the governmental fund statements, grant revenue earned but not expected to be received within 120 days of year end is recorded as deferred inflows of resources.

The flow of economic resources measurement focus emphasizes the determination of net income.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

**e. Budgetary Basis of Accounting**

An annual budget of revenues and expenditures is prepared and adopted by the Board of Directors each fiscal year for all funds. The legal level of budgetary control is the total annual appropriated budget. Costs in excess of the total annual appropriated budget require approval of the Board of Directors. Transfers of appropriations between departments require the approval of the Chief Executive Officer. The Authority prepares its annual budget on a basis which differs from generally accepted accounting principles (GAAP) for the governmental and proprietary funds. An explanation of differences between budgetary basis and GAAP basis is provided in each of the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual for governmental funds and in the Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual for proprietary funds. Encumbrance accounting is used and all appropriations lapse at year end. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

Budgetary comparison statements for the general fund and major special revenue funds must be presented as part of the basic financial statements or as required supplementary information.

The Authority has chosen to present this information as required supplementary information. These statements must display original budget, amended budget and actual results (on a budgetary basis). Budgetary comparisons for the major enterprise funds are presented after the combining statements following the notes to the financial statements. Where necessary, a reconciliation has been provided of the adjustments required to convert the budgetary revenues and expenditures or changes in net position on a budgetary basis to revenues and expenditures/expenses or change in net position on a GAAP basis.

**f. Deposits and Investments**

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit and the State of Arizona's Local Government Investment Pool (LGIP). Currently the Authority invests in the LGIP, which is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes §35-312 and §35-313 regulate authorized investments.

Local Government Investment Pool investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The Authority maintains pooled cash and investments. Income from pooled cash and investments is allocated to the individual funds based on the fund's month end cash balance in relation to the total pooled cash and investments. Authority management has determined that the investment income related to all funds except the Transit Service Operations Fund and Valley Metro Rail Enterprise Fund should be allocated to the General Fund.

Each fund's equity in the pooled cash and investments is tracked on an ongoing basis. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as due to other funds at year end.

**g. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The Authority uses the consumption method to report prepaid items when they are purchased. They are recorded as assets and the expenditure/expense is recognized when the assets are consumed or used.

**h. Capital Assets**

All capital assets, whether owned by governmental activities or business-type activities, must be recorded and depreciated in the government-wide and proprietary fund financial statements. No long-term assets or depreciation are shown in the governmental fund financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. The Authority has no public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Authority) or capital construction projects. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation has been provided using the straight-line method based on the estimated useful lives of the assets. Amortization of the leased assets has been provided using the straight-line method based on the shorter of the lease period or the estimated useful life the leased asset.

The estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Life (Years)</u>
Equipment	3-20
Vehicles	
Cars and vans	4
Buses less than 30 feet	10
Buses greater than 40 feet	20
Computers and software	3-5
Site improvements	15-30
Bus Shelter	7-10
Buildings	46-50

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

**i. Transactions Between Funds**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the fund financial statements as "due

to/from other funds". See Note 6 for further discussion of the interfund receivables/payables at June 30.

Certain transactions occurring between funds that are combined within the same fund type or displayed in the same financial statement column for presentation in these annual financial statements have been eliminated from the financial statements. In the government-wide financial statements, only the net interfund activity and balances between governmental activities and business-type activities are shown (reported as "internal balances").

**j. Receivables**

Receivables primarily result from accrued member city service billings and various grants awarded by the Federal Transit Administration and the Federal Highway Administration. The grant receivables are passed through to the Authority and are due from the City of Phoenix, Maricopa Association of Governments, Maricopa County, and the Arizona Department of Transportation as reimbursement for eligible grant expenditures/expenses associated with operating, capital projects and capital maintenance.

**k. Compensated Absences**

Employees of the Authority are entitled to 25.4 - 35.8 paid time off days (vacation and sick leave) per calendar year - based on an eight-hour workday, depending upon length of service. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. The current portion of the accrued compensated absences liability is based on the average annual amount of leave charged over the preceding three years. Generally, resources from the General Fund are used to liquidate the governmental funds liabilities for compensated absences.

**l. Long-term Obligation**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts, and the difference between the reacquisition price and the net carrying amount of the old debt, are amortized over the life of the bonds using a method that approximates the effective interest rate over the term of the related debt. Issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are expensed in the current period.

**m. Deferred Outflows and Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will be recognized as a revenue in future periods.

**n. Pension and Postemployment benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**o. Leases**

As lessee, the Authority recognizes lease liabilities with an initial, individual value of \$50,000 or more. The Authority uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Authority's estimated incremental borrowing rate is based on historical yields obtained from the Municipal Bond Information Service for investment grade tax-exempt governmental bonds plus 75 basis points.

As lessor, the Authority recognizes lease receivables with an initial, individual value of \$50,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Authority charges the lessee) and the implicit rate cannot be determined, the Authority uses its own estimated incremental borrowing rate as a discount rate to measure lease receivables. The Authority's estimated incremental borrowing rate is calculated as described above.

**p. Net Position**

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the Authority. Unrestricted net position is the remaining net position not included in the previous two categories.

**q. Fund Balances**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the Authority's Board of Directors, which is the highest level of decision-making authority within the Authority. Only RPTA's Board of Directors can remove or change the constraints placed on committed fund balances. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Directors at a Board of Directors meeting. The Board of Directors must commit fund balances before the end of the fiscal year. Assigned fund balances are resources constrained by the Authority's intent to be used for

Specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the Chief Executive Officer or designee to make assignments of resources for a specific purpose. The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications.

When an expenditure is incurred, it is the Authority's policy to use restricted fund balance first, then committed, assigned and unassigned fund balances as resources are available.

**q. Cash Equivalents**

The Authority considers short-term investments in the State of Arizona's Local Government Investment Pool, mutual fund-money market, U.S. Treasury bills and notes with maturities of three months or less at acquisition date to be cash equivalents.

**r. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting financial period. Actual results could differ from these estimates.

**s. Restricted Cash and Cash Equivalents and Investments**

The Authority considers restricted cash to be restricted in use by outside entities for specific purposes. Generally, cash set aside for debt service payments is restricted for the purpose of funding debt service payments. Also, any bond proceeds are considered restricted cash or investments to be used only for the purposes specified in bond covenants.

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

**2. Reconciliation of Governmental Fund Financial Statements to Government-Wide Statements (In thousands of dollars):**

	<b>Total Governmental Funds</b>	<b>Long-term Assets/ Liabilities</b>	<b>Reclassifications for Internal Balances and Eliminations</b>	<b>Statement of Net Position Totals</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 18,424	\$ —	\$ —	\$ 18,424
Investments	104,803	—	—	104,803
Receivables	31	—	—	31
Due from other funds	323	—	(31,225)	(30,902)
Due from other governments	44,173	—	—	44,173
Prepaid items	147	—	—	147
Net pension and other postemployment benefits asset	—	326	—	326
Capital assets (net)	—	6,383	—	6,383
Lease assets (net)	—	8,367	—	8,367
Total assets	167,901	15,076	(31,225)	151,752
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions and other postemployment benefits	—	2,414	—	2,414
Total Deferred Outflows of Resources	—	2,414	—	2,414
<b>Liabilities</b>				
Accounts payable	883	—	—	883
Accrued salaries and benefits	431	—	—	431
Due to other funds	31,225	—	(31,225)	—
Due to other governments	93	—	—	93
Other liabilities	30	115	—	145
Lease interest payable	—	10	—	10
Compensated absences	—	1,248	—	1,248
Lease Liability	—	8,450	—	8,450
Net pension and other postemployment benefits liability	—	8,642	—	8,642
Total liabilities	32,662	18,465	(31,225)	19,902
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions and other postemployment benefits	—	3,027	—	3,027
Total Deferred Inflows of Resources	\$ —	\$ 3,027	\$ —	\$ 3,027
<b>Fund Balance/Net Position</b>				
Total fund balance/net position	\$ 135,239	\$ (4,002)	\$ —	\$ 131,237

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

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When capital assets that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the Statement of Net Position includes those capital assets among the assets of the Authority as a whole (*In thousands of dollars*):

Cost of capital assets	\$ 13,029
Accumulated depreciation	<u>(6,646)</u>
Capital assets, net	<u><u>\$ 6,383</u></u>

When lease assets that are to be used in governmental activities are leased, the lease costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the Statement of Net Position includes those lease assets among the assets of the Authority as a whole (*In thousands of dollars*):

Lease assets	\$ 8,959
Accumulated amortization	<u>(592)</u>
Lease assets, net	<u><u>\$ 8,367</u></u>

Interfund transactions between governmental activities of \$323 thousand are eliminated in the consolidation of these activities for the Statement of Net Position.

Long-term liabilities applicable to governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Therefore, other contingent liabilities of \$115 thousand, lease interest payable of \$10 thousand, compensated absences payable of \$1,248 thousand, and lease liabilities of \$8,450 thousand are not reported as a liability in the funds.

Net other postemployment benefits (OPEB) asset is a long-term asset and therefore, is not reported as an asset in the funds. Net pension and OPEB liability is not due and payable in the current period and therefore, is not reported as a liability in the funds. Further, deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and therefore, are not reported in the funds.

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (*In thousands of dollars*):

	<u>Total Governmental Funds</u>	<u>Capital Purchases</u>	<u>Capital Contributions</u>	<u>Depreciation and Disposals</u>	<u>Work in Progress Expensed</u>	<u>Capitalized Assets Acquired through Leases</u>
<b>Revenues</b>						
Sales taxes	\$ 226,630	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental	12,584	—	816	—	—	—
Interest earnings	—	—	—	—	—	—
Charges for services	345	—	—	—	—	—
Investment income (loss)	(549)	—	—	—	—	—
Miscellaneous	36	—	—	—	—	—
Total revenues	<u>239,046</u>	<u>—</u>	<u>816</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Expenditures/Expenses</b>						
Current:						
Regional planning	1,931	—	—	—	—	(17)
Transportation demand management	1,226	—	—	—	—	(10)
Regional customer services	18,901	—	—	27	—	(8,908)
AZ Lottery fund disbursements	11,031	—	—	—	—	—
Administration	3,534	—	—	854	124	(24)
Capital outlay	816	(816)	—	—	—	—
Debt Service Principal	2,509	—	—	—	—	—
Debt Service Interest	107	—	—	—	—	—
Total expenditures/expenses and other uses	<u>40,055</u>	<u>(816)</u>	<u>—</u>	<u>881</u>	<u>124</u>	<u>(8,959)</u>
<b>Other financing uses/ changes in net position</b>						
Transfers in	1,806	—	—	—	—	—
Transfers out	(131,286)	—	—	—	—	—
Leases	8,959	—	—	—	—	—
Net transfers	<u>(120,521)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change for the year	<u>\$ 78,470</u>	<u>\$ 816</u>	<u>\$ 816</u>	<u>\$ (881)</u>	<u>\$ (124)</u>	<u>\$ 8,959</u>

(Continued on next page)

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance increases by the amount of the financial resources expended for capital outlay \$816 thousand, whereas net position decreases by the amounts of disposals and depreciation expense charged for the year \$881 thousand.

Capital asset donations from Valley Metro Rail, Inc., of \$816 thousand were not reported as revenue in the governmental funds as they do not represent current resources, however, they are reported in the governmental activities as capital contributions.

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

Amortization of Leases	Long-Term Debt Transactions	Compensated Absences	Pension Contributions	Pension Expense	Working Capital Advance	Statement of Activities Totals
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 226,630
—	—	—	—	—	—	13,400
—	—	—	—	—	—	—
—	—	—	—	—	—	345
—	—	—	—	—	—	(549)
—	—	—	—	—	—	36
—	—	—	—	—	—	239,862
1	—	—	—	—	—	1,915
1	—	—	—	—	—	1,217
587	117	—	—	—	—	10,724
—	—	—	—	—	—	11,031
3	117	74	(976)	698	—	4,404
—	—	—	—	—	—	—
—	(509)	—	—	—	(2,000)	—
—	(107)	—	—	—	—	—
592	(382)	74	(976)	698	(2,000)	29,291
—	—	—	—	—	—	1,806
—	—	—	—	—	—	(131,286)
—	(8,959)	—	—	—	—	—
—	(8,959)	—	—	—	—	(129,480)
\$ (592)	\$ (8,577)	\$ (74)	\$ 976	\$ (698)	\$ 2,000	\$ 81,091

In the current year, there were \$124 thousand of enterprise resource system and payroll system implementation project costs that were capitalized as work in progress in fiscal year 2021 but were not eligible to be capitalized and were therefore reported as administration expenses in fiscal year 2022. See paragraph above for capital assets reported in governmental funds vs. statement of activities.

When leases are entered into for the governmental activities, an expenditure is recorded in the governmental funds in the amount of the present value of the future lease payments; however, in the statement of activities, the present value of future lease payments are recognized as intangible assets and amortized over the lease term. Total lease expenditures for governmental funds are \$8,959 thousand.

Amortization expenses of \$592 thousand reported in the statement of activities does not require the use of current financial resources and are therefore not reported as expenditures in governmental funds.

Financing of leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from lease acquisitions in the amount of \$8,959 thousand. Further repayment of principal related to leases is reported as an expenditure in the governmental funds. These payments of \$509 thousand have the effect of reducing fund balance because current financial resources have been used. For the government-wide statements; however, these payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. Additionally, interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for accrued interest related to leases in the amount of \$11 thousand. Finally, the governmental funds, under the modified accrual basis of accounting, do not report contingent liabilities of \$115 thousand as an expenditure or liability, as they are not paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net of these items is \$8,577 thousand presented as Long-Term Debt Transactions in table above.

The governmental funds do not report the change in unpaid compensated absences in the amount of \$74 thousand as expenditures, as they are not paid with expendable available financial resources. However, the Statement of Net Position includes the change in unpaid compensated absences as accrued expenses regardless of when financial resources are used, and thus a reduction in net position.

Pension contributions of \$976 thousand are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Authority's report date. Pension expense of \$698 thousand, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

The governmental funds report payments of the working capital advance from the Arizona Department of Environmental Quality (ADEQ) as an expenditure when the monies are paid by the Authority. In FY22, \$2.0 million was paid by the Authority.

### **3. Deposits and Investments**

Arizona Revised Statutes (A.R.S.) authorize the Authority to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Authority may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

*Credit risk.* Statutes have the following requirements for credit risk: 1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency. 2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally

recognized rating agencies. 3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk.* Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

*Concentration of credit risk.* Statutes do not include any requirements for concentration of credit risk.

*Interest rate risk.* Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

*Foreign currency risk.* Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Authority maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide Statement of Net Position as "Cash and cash equivalents" or "Investments".

**a. Deposits**

The carrying amount of the Authority's deposits at June 30, 2022, was \$120.1 million and the bank ledger balance was \$121.9 million. The difference \$1.8 million represents deposits in transit and outstanding checks. Of the bank balance, \$1.5 million was covered by federal depository insurance and \$120.4 million was covered by collateral held by the pledging financial institution in the Authority's name. Further, cash held with the bond fund trustee was \$21.1 million which was held with the trustee in a commercial money market account. \$18.6 million held by the bond trustee is reported as restricted for debt service payments scheduled for July 1, 2022, the remaining \$2,455 thousand that will be used for future debt service payments is reported as cash and cash equivalents.

**b. Investments**

It is the policy of the Authority to invest public funds in a manner which will provide for the maximum security and preservation of principal and meet liquidity demands while achieving the highest rate of return possible. Additionally, it is the policy of the Authority to comply with all applicable State statutes governing the investment of public funds, including (without limitation) Title 35 of the Arizona Statutes ("Title 35"). Beginning in FY16, Valley Metro RPTA Investment Funds are the investment portfolio managed in conjunction with an Investment Adviser selected by the Authority with a Board-approved procurement, and held by an independent custodian. The adviser is required to follow state law, the Authority's investment policy, and such other written instructions as provided. The Valley Metro RPTA Investment Funds are managed within three categories for the purpose of allocation of interest income as RPTA PTF Investment Funds, Rail PTF Investment Funds, and RPTA RARF Investment Funds.

*Fair Value Reporting*

The Authority categorizes its fair value measurements for investments within the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.

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Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Level 1 debt and equity securities are valued based on prices quoted in active markets for those securities. Level 2 securities are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Level 3 securities, whose stated market prices are unobservable by the market place, are priced by the investment manager using discounted cash flow techniques.

The Authority has the following investments within the hierarchy framework as of June 30, 2022 *(In thousands of dollars)*:

	<b>Fair value measurement using</b>		
	<b>Amount</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>
<b>Investments by fair value level</b>			
US Treasury Notes/Bills	\$ 33,755	\$ 33,755	\$ —
US Agencies:			
Federal Home Loan Bank	330	—	330
Corporate bonds	2,953	—	2,953
	<u>\$ 37,038</u>	<u>\$ 33,755</u>	<u>\$ 3,283</u>

**External Investment pools measured at fair value**

State Investment Pool 5	<u>\$ 71,262</u>
Total investments	<u>\$ 108,300</u>

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Authority held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

*Credit Risk*

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit and the LGIP. The Authority’s investment policy does not further limit its investment choices. The LGIP is operated by the Arizona State Treasurer’s Office, as authorized by Arizona Revised Statutes §35-326. Arizona Revised Statutes §35-312 and §35-313 regulate authorized investments.

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

At June 30, 2022, credit risk for the Authority’s investments was as follows (In thousands of dollars):

Investments type	Rating							Total Amount
	AAA	AA+	AA	AA-	A+	A	A-	
US Agencies:								
Federal Home Loan Bank	\$ —	\$ 330	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 330
Corporate bonds	—	—	—	636	873	614	830	2,953
State Investment Pool 5	71,262	—	—	—	—	—	—	71,262
Total investments	\$ 71,262	\$ 330	\$ —	\$ 636	\$ 873	\$ 614	\$ 830	\$ 74,545

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. Without limiting the requirements of Title 35, the Authority’s policy is that collateralization is required on two types of investments: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is the greater of the requirements imposed by Title 35, or 102% of market value of principal and accrued interest. Collateral is to always be held by a designated third-party with whom a custodial agreement exists and a safekeeping receipt must be issued to the Authority. Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, provides for disclosures of custodial credit risk associated with investment securities. An exception is provided for investments in external investment pools and for investments in open-ended mutual funds.

*Concentration of Credit Risk.*

It is the policy of the Authority that no greater than 30% of the Authority’s total cash and investment assets may be invested in money market mutual funds. Further the total combined investment may not exceed 40% of the Valley Metro RPTA Investment Funds and no greater than 5% may be invested in any one issuer in the following security types:

Municipal Obligations as outlined in a. and b. as follows and rated “A” or better by a NRSRO.

- a. Bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts, including registered warrants that shall bear interest pursuant to section 11-635.
- b. Bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district of any state that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be

**Valley Metro**  
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Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

purchased nor any other obligations of the issuer within five years of the investment.

Commercial paper of prime quality that is rated within the top two ratings by a NRSRO. All commercial paper must be issued by corporations organized and doing business in the United States.

Medium-term corporate notes, which include bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry at a minimum an "A" or better rating, at the time of purchase, from at least two NRSROs.

Negotiable or brokered certificates of deposit issued by a nationally or state chartered bank or savings and loan association that are rated A-1/P-1 or "A" or better by a NRSRO.

The Authority had investments at June 30, 2022, of 5 percent or more in the State's investment pool. Total percentage of these securities is 65.80%. These security types have no maximum investment restrictions.

*Interest Rate Risk*

As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority's investment policy provides for matching investment maturities with anticipated cash flow requirements while maintaining an emphasis on liquidity. Unless matched to a specific cash flow requirement, the Authority will not directly invest in securities maturing more than two years from the date of purchase. Valley Metro RPTA Investment Funds may be invested in securities exceeding two years if the maturity of such investments are made to coincide as close as practicable with the expected use of the funds.

At June 30, 2022, the Authority had the following investments in debt securities (*In thousands of dollars*):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities</b>	
		<b>&lt; 1 yr</b>	<b>1-2 years</b>
US Treasury Notes/Bills	\$ 33,755	\$ 17,731	\$ 16,024
US Agencies:			
Federal Home Loan Bank	330	330	—
Corporate bonds	2,953	2,339	614
State Investment Pool 5	71,262	71,262	—
	<u>\$ 108,300</u>	<u>\$ 91,662</u>	<u>\$ 16,638</u>

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows (*In thousands of dollars*):

**Cash, deposits, and investments:**

Carrying amount of the Authority's deposits	\$ 120,070
Cash and investments with bond fund trustee - unrestricted	2,455
Cash and investments with bond fund trustee - restricted	18,630
Valley Metro RPTA Investment Funds	37,038
Investments in the LGIP	71,262
	<u>\$ 249,455</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Statement of net position:</b>			
Cash and cash equivalents	\$ 18,424	\$ 102,012	\$ 120,436
Investments	104,803	3,497	108,300
Restricted cash and cash equivalents	—	20,719	20,719
Total	<u>\$ 123,227</u>	<u>\$ 126,228</u>	<u>\$ 249,455</u>

**4. Receivables and Due from Other Governments**

Receivables primarily result from accrued member city service billings and various grants awarded by the Federal Transit Administration and the Federal Highway Administration. The grant receivables are passed through to the Authority and are due from the City of Phoenix, Maricopa Association of Governments, Maricopa County, and the Arizona Department of Transportation as reimbursement for eligible grant expenditures/expenses associated with operating, capital projects and capital maintenance. Due from Other Governments at June 30, 2022 consist of the following (*In thousands of dollars*):

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Total</b>
<b>Due from Other Governments</b>			
Arizona State Treasurer-PTF Funds	\$ 19,265	\$ —	\$ 19,265
AZ Dept of Transportation	—	230	230
City of Avondale	—	2	2
City of Goodyear	—	81	81
City of Phoenix	—	17,942	17,942
City of Surprise	—	130	130
City of Tempe	—	33	33
Internal Revenue Service	—	293	293
Maricopa Association of Governments	219	—	219
Maricopa County Air Quality Dept - TRP	150	—	150
Maricopa County Human Services Department	—	79	79
Town of Fountain Hills	—	100	100
Town of Youngtown	—	7	7
Valley Metro Rail, Inc.	24,539	—	24,539
Total Due from Other Governments	<u>\$ 44,173</u>	<u>\$ 18,897</u>	<u>\$ 63,070</u>

5. **Due from VMR/Note Receivable for Advance Bond Proceeds**

During FY15, RPTA and VMR Boards amended the interagency LRT Program Agreement, whereby RPTA will hold an inter-agency receivable from VMR for the advance of bond proceeds in the original amount of \$69.6 million. In order to accelerate planning, design and construction of the Light Rail Capital Projects as identified in the Regional Transportation Plan, RPTA advances bond proceeds prior to the collection of sales tax proceeds necessary to fund the debt service payments.

The inter-agency receivable from VMR of the Advance Bond Proceeds shall be paid from the collection of PTF Sales Taxes and payment of related debt principal. As debt service payments are made, RPTA will record lead agency disbursements expense and reduce the note receivable.

As of June 30, 2022, PTF Advance Bond Proceeds balance remaining totaled \$3.9 million. Principal and interest payments follow the Series 2014 Debt Service schedule as shown in table below (*In thousands of dollars*).

<u>Fiscal Year End</u>	<u>Interest Debt Service Payments</u>	<u>Principal Debt Service Payments</u>
2023	\$ 1,331	\$ 3,914

\* Note A portion of the total Series 2014 Bond Issue interest expense is allocated to the Series 2014 Advance. The allocation is based on the ratio of Series 2014 Advance Note Payable \$69.6 million versus the Total Series 2014 Bond Proceeds \$135.4 million.

6. **Interfund Receivables/Payables and Interfund Transactions**

Interfund receivables and payables within the governmental activities and business-type activities are eliminated for the government-wide financial statements at June 30, 2022. The following interfund receivables and payables are included in the fund financial statements at June 30, 2022 (*In thousands of dollars*):

	<u>Due from other Funds</u>				
	<u>General</u>	<u>Non-major Governmental</u>	<u>Transit Service Operations</u>	<u>Valley Metro Rail</u>	<u>Total</u>
<u>Due to other funds</u>					
Governmental funds:					
General Fund	\$ —	\$ 86	\$ 22,676	\$ 8,236	\$ 30,998
Non-major Governmental funds	227	—	—	—	227
Total governmental funds	<u>227</u>	<u>86</u>	<u>22,676</u>	<u>8,236</u>	<u>31,225</u>
Enterprise funds:					
Transit Service Operations	—	10	—	—	10
Total enterprise funds	—	10	—	—	10
Grand totals	<u>\$ 227</u>	<u>\$ 96</u>	<u>\$ 22,676</u>	<u>\$ 8,236</u>	<u>\$ 31,235</u>

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The Authority received the June 2022 PTF revenue distribution in July 2022. Therefore, the Valley Metro Rail allocation of PTF revenue is reported as due from the General Fund to the Valley Metro Rail fund.

A Due from Non-major Governmental Funds and Transit Service Operations to the General Fund is recorded for transfers to cover negative cash balances at June 30.

A Due from the General Fund to Non-Major Governmental Funds is recorded for monies due to funds for earmarked sales tax revenue.

Interfund transfers are primarily used for transfers of sales tax revenues from the General Fund to the various funds that receive earmarked sales tax revenues.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2022 (*In thousands of dollars*).

	<b>Transfers Out</b>		
	<b>General</b>	<b>Service Operations</b>	<b>Total</b>
<b>Transfers In</b>			
Non-major Governmental funds	\$ 1,806	\$ —	\$ 1,806
Total governmental funds	<u>1,806</u>	<u>—</u>	<u>1,806</u>
Enterprise funds:			
Transit Service Operations	33,251		33,251
Valley Metro Rail	96,229	9	96,238
Total enterprise funds	<u>129,480</u>	<u>9</u>	<u>129,489</u>
Grand totals	<u>\$ 131,286</u>	<u>\$ 9</u>	<u>\$ 131,295</u>

Net transfers from governmental activities to business-type activities on the government-wide statement of activities are in the amount \$129,480 thousand.

**7. Fund Balance Classifications**

Fund Balance classifications reported in the governmental funds include the following (*In thousands of dollars*):

	<b>General</b>	<b>Non-major Governmental Funds</b>	<b>Total</b>
	Nonspendable		
Prepays	\$ 147	\$ —	\$ 147
Restricted for			
Transit planning	—	86	86
Transportation demand management	—	46	46
Unassigned	134,960	—	134,960
	<u>\$ 135,107</u>	<u>\$ 132</u>	<u>\$ 135,239</u>

The Restricted for Clean Air activities are for monies contributed by vendors for use on the Annual Clean Air Campaign Awards and Luncheon. The restricted balance for Corridor and facility planning are for monies from the Maricopa Association of Governments for use on Corridor and facility planning activities.

**Valley Metro**  
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Notes to the Financial Statements (Continued)  
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**8. Capital Assets**

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2022 (*In thousands of dollars*):

	<u>Balance,</u> <u>7/1/2021</u>	<u>Increases*</u>	<u>Decreases</u>	<u>Balance,</u> <u>6/30/2022</u>
<b>Governmental activities:</b>				
Non-depreciable assets:				
Work in progress	\$ 3,533	\$ 1,465	\$ (2,017)	\$ 2,981
Total non-depreciable assets	3,533	1,465	(2,017)	2,981
Depreciable/Amortizable assets:				
Site improvements	624	—	—	624
Computers & software	5,636	2,045	—	7,681
Equipment	604	13	—	617
Vehicles	286	—	—	286
Furniture & fixtures	840	—	—	840
Right-to-use lease assets - Buildings	—	8,959	—	8,959
Total depreciable/amortizable assets at historical cost	7,990	11,017	—	19,007
Less accumulated depreciation/amortization for:				
Site improvements	(604)	(3)	—	(607)
Computers & software	(3,761)	(755)	—	(4,516)
Equipment	(541)	(34)	—	(575)
Vehicles	(264)	(18)	—	(282)
Furniture & fixtures	(595)	(71)	—	(666)
Right-to-use lease assets - Buildings	—	(592)	—	(592)
Total accumulated depreciation/amortization	(5,765)	(1,473)	—	(7,238)
Total Governmental activities capital assets being depreciated/amortized, net	2,225	9,544	—	11,769
Governmental activities capital assets, net	<u>\$ 5,758</u>	<u>\$ 11,009</u>	<u>\$ (2,017)</u>	<u>\$ 14,750</u>
<b>Business-type activities:</b>				
Non-depreciable assets:				
Land	5,292	—	—	5,292
Work in progress	1,208	7,078	(1,230)	7,056
Total non-depreciable assets	6,500	7,078	(1,230)	12,348
Depreciable/Amortizable assets:				
Transit fleet	154,082	6,995	(16,272)	144,805
Vehicles	328	—	—	328
Building	13,391	—	—	13,391
Site improvements	8,998	1,230	—	10,228
Computers & software	94	—	—	94
Ticket vending machines	1,663	—	—	1,663

(Continued)

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Equipment	9,491	761	—	10,252
Furniture & fixtures	127	—	—	127
Infrastructure	29	—	—	29
Right-to-use lease assets - Buildings	—	35	—	35
<b>Total depreciable/amortizable assets at historical cost</b>	<b>188,203</b>	<b>9,021</b>	<b>(16,272)</b>	<b>180,952</b>
Less accumulated depreciation/amortization for:				
Transit fleet	(66,725)	(11,710)	16,015	(62,420)
Vehicles	(328)	—	—	(328)
Building	(3,784)	(291)	—	(4,075)
Site improvements	(6,900)	(564)	—	(7,464)
Computers & software	(94)	—	—	(94)
Ticket vending machines	(895)	(111)	—	(1,006)
Equipment	(5,708)	(422)	—	(6,130)
Furniture & fixtures	(127)	—	—	(127)
Infrastructure	(16)	(2)	—	(18)
Right-to-use lease assets - Buildings	—	(1)	—	(1)
<b>Total accumulated depreciation/amortization</b>	<b>(84,577)</b>	<b>(13,101)</b>	<b>16,015</b>	<b>(81,663)</b>
<b>Total Business-type capital assets being depreciated/amortized, net</b>	<b>103,626</b>	<b>(4,080)</b>	<b>(257)</b>	<b>99,289</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 110,126</b>	<b>\$ 2,998</b>	<b>\$ (1,487)</b>	<b>\$ 111,637</b>

\*Increases include adjustments for the implementation of GASB Statement No. 87.

Depreciation/Amortization expense was charged to the following functions in the basic financial statements (*In thousands of dollars*):

	<b>Governmental</b>	<b>Business-Type</b>
Regional planning	\$ 2	\$ —
Transportation demand management	1	—
Regional customer services	614	—
Administration	856	—
Transit service operations	—	13,101
<b>Total depreciation/amortization expense</b>	<b>\$ 1,473</b>	<b>\$ 13,101</b>

**Valley Metro**  
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Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

**9. Due to Other Governments**

Payables to other governments primarily result from accrued member city billings for transportation services and lead agency disbursements for capital transportation projects which are funded by the Authority.

Due to Other Governments at June 30, 2022 consist of the following (*In thousands of dollars*):

	<b>Due to Other Governments By Fund Type</b>		
	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Total</b>
Arizona State University Foundation for A New American University	\$ 3	\$ —	\$ 3
City of Avondale	—	145	145
City of Chandler	—	63	63
City of El Mirage	—	23	23
City of Glendale	—	1,132	1,132
City of Mesa	—	449	449
City of Peoria	—	562	562
City of Phoenix	41	1,264	1,305
City of Scottsdale	—	34	34
City of Surprise	—	5	5
City of Tempe	—	5,652	5,652
City of Tolleson	—	115	115
Gila River Indian Community	—	25	25
Federal Transit Administration	—	3,183	3,183
Maricopa County	—	169	169
Town of Fountain Hills	—	81	81
Town of Youngtown	—	4	4
Valley Metro Rail, Inc.	49	109,552	109,601
	<u>\$ 93</u>	<u>\$ 122,458</u>	<u>\$ 122,551</u>

**10. Leases payable**

The Authority has several leasing arrangements, summarized below.

**Lessee activities**

Beginning on January 1, 2011, the Authority entered into a new contract to lease office space for a 15 year term which included 22,250 square feet of building space. Further, beginning on March 1, 2022, the Authority entered into a new contract to lease additional office space on the 3rd Floor of the same building for a 3.5 year term (with two five year extension option) which included 1,680 square feet of building space. The remaining liability for this lease is \$8.3 million as of June 30, 2022. Right to use assets, net of amortization for these leases is \$8.3 million as of June 30, 2022. Interest expense recognized on these leases was \$106 thousand for fiscal year ended June 30, 2022 (all recorded as governmental activities). Principal payments totaling \$501 thousand were recognized in year ended June 30, 2022 (all recorded as governmental activities). Final payment on these leases is expected in fiscal year 2036.

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Beginning on November 1, 2021, the Authority entered into a new contract to lease data center space for five years (with a three year extension option). The remaining liability for this lease is \$144 thousand as of June 30, 2022. Right to use assets, net of amortization for these leases is \$142 thousand as of June 30, 2022. Interest expense recognized on these leases was \$1 thousand for fiscal year ended June 30, 2022 (all recorded as governmental activities). Principal payments totaling \$11 thousand were recognized in year ended June 30, 2022 (\$8 thousand was recorded as governmental activities and \$3 thousand was recorded as business-type activities). Final payment on these leases is expected in fiscal year 2030.

The Authority's future minimum payments under lease agreements are as follows (*in thousands of dollars*):

Fiscal Year ending June 30:	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 550	\$ 120	\$ 670	\$ 4	\$ —	\$ 4
2024	570	112	682	4	—	4
2025	590	103	693	4	—	4
2026	606	95	701	5	—	5
2027	616	86	702	5	—	5
2028 - 2032	3,178	291	3,469	12	—	12
2033 - 2036	2,340	62	2,402	—	—	—
	<u>\$ 8,450</u>	<u>\$ 869</u>	<u>\$ 9,319</u>	<u>\$ 34</u>	<u>\$ —</u>	<u>\$ 34</u>

**11. Long-Term Liabilities**

**a. Transportation Excise Tax Revenue Bonds**

Bonds have been issued to advance-refund previously issued bonds. In April 2016, Series 2016 Bonds were issued to advance refund certain Series 2009 maturities (\$23.6 million). In June 2019, Series 2019 Bonds were issued to refund certain Series 2009 maturities (\$26.3 million). The Authority has pledged future transportation excise tax revenues to repay the outstanding transportation revenue bonds for the 2016 and 2019 Refunding Bonds. The bonds are payable solely from excise tax revenues and are payable through July 1, 2025.

In November 2013, the Board approved the issuance of the Series 2014 transportation revenue bonds which are specifically for the purpose of payment or reimbursement of the costs of light rail capital projects expenditures in the regional transportation plan. The bonds were issued on January 14, 2014 in the amount of \$115.0 million and sold at a premium of \$20.4 million. The 2014 Series Bonds are payable solely from the revenues received by the Authority from the transportation excise tax revenues collected by the Arizona Department of Revenue. The bonds are payable through July 1, 2025. Annual installments of \$2.5 million to \$14.0 million will be made through 2025; coupon interest rates range from 3.00 to 5.25 percent with average True Interest Cost at 2.43 percent. As of June 30, 2022, 2014 Series Bond expenditures to date for the light rail program totaled \$135.4 million on an accrual basis.

For the fiscal year ended June 30, 2022, the revenues available for service of all Bond debt were \$221.4 million while total debt service requirements were \$4.2 million interest and \$18.3 million principal. Interest expense of \$1.4 million on the Statement of Revenues, Expenses and Changes in Fund Net Position, Proprietary Funds, includes interest of \$4.2 million, bank charges and fees of \$2 thousand, annual amortization of the deferred amount

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on the refunding of \$255 thousand and a reduction for the annual amortization of premium expense of \$3.0 million.

Transportation Excise Revenue Bonds annual debt service requirements at June 30, 2022 were as follows (*In thousands of dollars*):

**2014 Revenue Bonds Series:**

Year Ending			Total	Premium
June 30	Principal	Interest	Debt Service	Amortization
2023	\$ 11,405	\$ 1,991	\$ 13,396	\$ 1,483
2024	12,000	1,361	13,361	1,014
2025	12,630	698	13,328	521
2026	13,295	—	13,295	—
Total	<u>\$ 49,330</u>	<u>\$ 4,050</u>	<u>\$ 53,380</u>	<u>\$ 3,018</u>

**2016 Refunding Revenue Bonds Series:**

Year Ending			Total	Premium
June 30	Principal	Interest	Debt Service	Amortization
2023	\$ —	\$ 408	\$ 408	\$ 325
2024	8,155	—	8,155	—
Total	<u>\$ 8,155</u>	<u>\$ 408</u>	<u>\$ 8,563</u>	<u>\$ 325</u>

**2019 Refunding Revenue Bonds Series:**

Year Ending			Total	Premium
June 30	Principal	Interest	Debt Service	Amortization
2023	\$ 7,225	\$ 820	\$ 8,045	\$ 551
2024	—	820	820	551
2025	8,005	420	8,425	283
2026	8,390	—	8,390	—
Total	<u>\$ 23,620</u>	<u>\$ 2,060</u>	<u>\$ 25,680</u>	<u>\$ 1,385</u>

**b. Summary of all Long-Term Liabilities**

The net pension liability, compensated absences payable, and revenue bonds liability activity for the fiscal year ended June 30, 2022 was as follows (*In thousands of dollars*):

	<u>Balance,</u> <u>July 1, 2021</u>	<u>Additions*</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Net Pension and other postemployment benefits liability	\$ 11,597	\$ 2,568	\$ (5,523)	\$ 8,642	\$ —
Direct Borrowing - Working Capital Advance from Arizona Department of Environmental Quality	2,000	—	(2,000)	—	—
Compensated absences payable	1,174	1,021	(947)	1,248	989
Lease Liability	—	8,959	(509)	8,450	550
Long-term Liabilities	<u>\$ 14,771</u>	<u>\$ 12,548</u>	<u>\$ (8,979)</u>	<u>\$ 18,340</u>	<u>\$ 1,539</u>
<b>Business-type Activities</b>					
Due to Other Governments	\$ —	\$ 2,782	\$ —	\$ 2,782	\$ —
Net Pension and other postemployment benefits liability	26,743	6,642	(12,343)	21,042	—
Compensated absences payable	2,302	2,360	(2,056)	2,606	2,254
Revenue bonds payable:					
2014 Revenue bonds payable	60,165	—	(10,835)	49,330	11,405
2014 Bond premium	4,947	—	(1,929)	3,018	—
2016 Revenue bonds payable	15,605	—	(7,450)	8,155	—
2016 Bond premium	651	—	(326)	325	—
2019 Revenue bonds payable	23,620	—	—	23,620	7,225
2019 Bond premium	2,179	—	(794)	1,385	—
Lease Liability	—	37	(3)	34	4
Long-term Liabilities	<u>\$ 136,212</u>	<u>\$ 11,821</u>	<u>\$ (35,736)</u>	<u>\$ 112,297</u>	<u>\$ 20,888</u>

\*Additions include adjustments for the implementation of GASB Statement No. 87.

**12. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority purchases insurance coverage for property, general liability, automobile liability, umbrella liability, commercial crime, public entity employment practices liability, public entity management liability and excess liability. In addition, the Authority purchases workers' compensation, employee life insurance and health and dental insurance coverage for full-time employees. Settled claims for these risks

have never exceeded commercial insurance limits and there were no significant changes in insurance coverage from the prior year. Insurance coverage for transit operations is carried by the contracted operators of service; the operators indemnify the Authority for all liability arising from transit operations.

**13. Contractual and Other Commitments**

**a. Underground Storage Tank Revolving Fund Replenishment**

In fiscal year 1994, the Arizona State Legislature allocated \$6.0 million to the Authority from the Arizona Area A portion of the underground storage tank revolving fund. Beginning with the first fiscal year and in each subsequent fiscal year that the Authority is allocated at least \$2.0 million from the Lottery, the amount allocated to the Authority will be reduced by a maximum of \$2.0 million each fiscal year until a total of \$6.0 million has been withheld to replenish the underground storage tank revolving fund. In the event the Authority does not receive at least \$2.0 million from the Lottery in a given year, no amounts will be withheld from the respective year's allocation. The Authority received a Lottery distribution of \$1.8 million in fiscal year 1998 which is the only year the Authority has received a Lottery distribution.

During fiscal year 2019, the Authority entered into an agreement with the ADEQ requiring the repayment of the full \$6.0 million dollar working capital advance by July of 2021. The agreement states that in the event the amounts cannot be repaid as scheduled, ADEQ will work with the Authority to establish a mutually agreeable amendment and a revised fiscal repayment plan. In event of default there are no finance related consequences. There are no subjective acceleration clauses contained the agreement. On July 1, 2021, in accordance with this agreement the last payment of \$2.0 million payment was made to ADEQ. A debt service principal expenditure of \$2.0 million was recorded in the governmental funds statement of revenues, expenditures and changes in fund balances for this payment.

**b. Commitments**

The Authority has entered into various contracts for the administration and operation of transit services, travel demand management services, marketing services and regional transit planning. Commitments under these contracts exist only to the extent that services are requested or provided, and all contracts provide for cancellation without cause.

As of June 30, 2022 (In thousands of dollars):

<u>Contract Type</u>	<u>Commitment</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Bus Operations Contracts	\$ 958,062	\$ 648,495	\$ 309,567
Paratransit & Mobility Center Contracts	129,630	93,076	36,554
Communications & Marketing Contracts	1,318	950	368
Vanpool Contracts	38,961	21,766	17,195
Various Human Resources, Finance, Planning, Information Technology Contracts	7,521 2,449	5,390 1,696	2,131 753
	<u>\$ 1,137,941</u>	<u>\$ 771,373</u>	<u>\$ 366,568</u>

In addition, the outstanding Intergovernmental commitments for FY 2022 were for the following projects: the City of Phoenix Park-and-Ride at Laveen and 59<sup>th</sup> Avenue, City of Phoenix Bus fleet, City of Phoenix Computer Aided Dispatch/Automated Vehicle Locator System, and City of Phoenix Fare Collection system. At June 30, 2022, the Authority had remaining contractual commitments for these services aggregating to \$28.6 million. These commitments have not been recorded in the accompanying financial statements because the

member cities either had not incurred the related expenses or had not requested reimbursement for the related expenses. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements.

**c. Coronavirus Relief / CARES, ARP, and CRRSAA funding**

During FY22, the Authority received FTA funding of \$69.3 million and \$0.2 million from the City of Phoenix and the Arizona Department of Transportation (ADOT), respectively. The funding was provided from the FTA as part of three federal programs, federal Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARP) to provide financial relief from the effects of the COVID-19 pandemic for transit service providers.

**14. Contingencies**

As a sub-recipient of federal and state grant monies, amounts passed through or receivable from other agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

**15. Lawsuits**

The Authority is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, Authority management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

**16. Related Party Transactions**

As mentioned in Note 1 (a), all of the five member cities of VMR's Board of Directors are also member cities of the sixteen-member Authority's Board of Directors. The Board members of the cities of Chandler, Mesa, Phoenix, and Tempe represent their cities on both Boards. VMR contracts with the Authority for certain administrative functions, including personnel, administration, financial and accounting services, purchasing and computer support services. All VMR staff is hired and employed by the Authority but work solely under the direction of the VMR and its Board of Directors, through a contractual agreement with the Authority. For the period ended June 30, 2022, VMR incurred costs of \$28.3 million for services provided by the Authority. At June 30, 2022, the Authority reported \$24.5 million receivable from VMR and \$109.6 million payable to VMR; Net payable is \$85.1 million.

**17. Pension and Other Postemployment Benefits (OPEB)**

The Authority contributes to the Arizona State Retirement System (ASRS) plan described below. All VMR staff are employees of Regional Public Transportation Authority (RPTA) who contributes to the ASRS on VMR's behalf. The plan is a component unit of the State of Arizona.

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At June 30, 2022, the Authority reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) related to the ASRS pension plan to which it contributes (*In thousands of dollars*):

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ (326)	\$ (793)	\$ (1,119)
Net pension and OPEB liability	8,642	21,042	29,684
Deferred outflows of resources related to pensions and OPEB	2,414	5,974	8,388
Deferred inflows of resources related to pensions and OPEB	3,027	7,370	10,397
Pension and OPEB expense	698	3,002	3,700

The Authority reported \$976 thousand of pension and OPEB contributions as expenditures in the governmental funds related to the ASRS pension plan to which it contributes.

**A. Arizona State Retirement System**

**Plan Description** - All Authority employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium supplement (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits Provided.** The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit plan option chosen determines the survivor benefit. For all other members, the beneficiary is

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entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for monthly long-term disability equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions** - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the Authority to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. In addition, the Authority was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement, 0.09 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Authority in positions that an employee who contributes to the ASRS would typically fill.

The Authority's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were \$3,342 thousand, \$58 thousand, and \$53 thousand, respectively.

During the fiscal year 2022, the Authority paid for ASRS pension and OPEB contributions as follows: 24.2% from the general fund, 71.7% from major enterprise funds, and 4.1% from other funds.

**Liability.** At June 30, 2022, the Authority reported the following asset and liabilities for its proportionate share of the net pension/OPEB asset or liability (*In thousands of dollars*).

<b>ASRS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Pension	\$ 8,628	\$ 21,009	\$ 29,637
Health insurance premium benefit	(326)	(793)	(1,119)
Long-term disability	14	33	47

The net asset and net liabilities were measured as of June 30, 2021. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

decreasing the discount rate from 7.5 percent to 7.0 percent, changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

The Authority's proportion of the net asset or net liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The Authority's proportion measured as of June 30, 2021, and the change from its proportion measured as of June 30, 2020, were:

<b>ASRS</b>	<b>Proportion June 30, 2021</b>	<b>Increase (decrease) from June 30, 2020</b>
Pension	0.22554%	0.00524%
Health insurance premium benefit	0.22972%	0.00618%
Long-term disability	0.22798%	0.00556%

**Expense.** For the year ended June 30, 2022, the Authority recognized pension and OPEB expense (*In thousands of dollars*):

<b>ASRS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Pension	\$ 724	\$ 3,067	\$ 3,791
OPEB - Health insurance premium benefit	(36)	(93)	(129)
OPEB - Long-term disability	10	28	38

**Deferred outflows/inflows of resources.** At June 30, 2022, the Authority reported outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (*In thousands of dollars*):

	<b>Pension</b>		<b>Health insurance premium benefit</b>		<b>Long-term disability</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 452	\$ —	\$ —	\$ 388	\$ 14	\$ 4
Changes of assumptions or other inputs	3,857	—	55	45	15	59
Net difference between projected and actual earnings on pension plan investments	—	9,392	—	415	—	33
Changes in proportion and differences between contributions and proportionate share of contributions	530	58	—	2	12	1
Contributions subsequent to the measurement date	3,342	—	58	—	53	—
<b>Total</b>	<b>\$ 8,181</b>	<b>\$ 9,450</b>	<b>\$ 113</b>	<b>\$ 850</b>	<b>\$ 94</b>	<b>\$ 97</b>

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2022

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows (*In thousands of dollars*):

<u>Year Ending June 30</u>	<u>Pension</u>	<u>Health insurance premium benefit</u>	<u>Long-term disability</u>
2023	\$ 338	\$ (185)	\$ (8)
2024	357	(179)	(6)
2025	(2,070)	(196)	(7)
2026	(3,236)	(217)	(12)
2027	—	(18)	(4)
Thereafter	—	—	(19)

**Actuarial Assumptions.** The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

**ASRS**

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Discount rate	7.0%
Projected salary increases	2.9-8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent base increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class of ASRS are summarized in the following table:

<u>ASRS Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected geometric real rate of return</u>
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real Estate	20%	5.70%
Total	<u>100%</u>	

**Discount Rate.** At June 30, 2021, the discount rate used to measure the total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Sensitivity of the Proportionate Share of the Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate.** The following table presents the Authority’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0 percent, as well as what the Authority’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate (*In thousands of dollars*):

<b>Authority’s proportionate share of the</b>	<b>1% Decrease (6.0%)</b>	<b>Current discount rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Net pension liability	\$ 46,613	\$ 29,637	\$ 15,480
OPEB - Net insurance premium benefit liability (asset)	(741)	(1,119)	(1,441)
OPEB - Net long-term disability liability	61	47	33

**Pension Plan Fiduciary Net Position.** Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at [www.azasrs.gov](http://www.azasrs.gov).

## **Required Supplementary Information**

**Valley Metro  
Regional Public Transportation Authority**

Required Supplementary Information

Schedule of proportionate share of the net pension/OPEB (asset)/liability for Cost-Sharing Plan

Fiscal Year Ended June 30, 2022

(In thousands of dollars)

**Schedule of the Authority's Proportionate Share of the Net Pension/OPEB Liability**

**ASRS - Pension**

	Reporting Fiscal Year (Measurement Date)								2014 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Authority's proportion of the net pension liability	0.226%	0.220%	0.221%	0.203%	0.185%	0.189%	0.184%	0.175%	NA
Authority's proportionate share of the net pension liability	\$ 29,637	\$ 38,170	\$ 32,228	\$ 28,339	\$ 28,871	\$ 30,442	\$ 28,687	\$ 25,911	
Authority's covered payroll	\$ 25,537	\$ 23,823	\$ 23,391	\$ 20,564	\$ 18,039	\$ 17,659	\$ 16,963	\$ 15,755	
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	116.06%	160.22%	137.78%	137.81%	160.05%	172.38%	169.11%	164.47%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

**ASRS - Health insurance premium benefit**

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Authority's proportion of the net OPEB (asset)	0.230%	0.223%	0.224%	0.208%	0.187%	NA
Authority's proportionate share of the net OPEB (asset)	\$ (1,119)	\$ (158)	\$ (62)	\$ (75)	\$ (102)	
Authority's covered payroll	\$ 25,537	\$ 23,823	\$ 23,391	\$ 20,564	\$ 18,039	
Authority's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(4.38)%	(0.66)%	(0.27)%	(0.36)%	0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	

**Valley Metro  
Regional Public Transportation Authority**

Required Supplementary Information

Schedule of proportionate share of the net pension/OPEB (asset)/liability for Cost-Sharing Plan

Fiscal Year Ended June 30, 2022

*(In thousands of dollars)*

**ASRS - Long-term  
disability**

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Authority's proportion of the net OPEB liability	0.228%	0.223%	0.224%	0.205%	0.185%	NA
Authority's proportionate share of the net OPEB liability	\$ 47	\$ 169	\$ 146	\$ 107	\$ 67	
Authority's covered payroll	\$ 25,537	\$ 23,823	\$ 23,391	\$ 20,564	\$ 18,039	
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.18%	0.71%	0.62%	0.52%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	72.85%	77.83%	84.44%	

NA - Not Available. Pension schedules in the Required Supplementary Information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Valley Metro**  
**Regional Public Transportation Authority**  
Schedule of Pension/OPEB Contributions  
Fiscal Year Ended June 30, 2022  
(In thousands of dollars)

**ASRS - Pension**

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$3,342	\$2,971	\$2,777	\$2,613	\$2,242	\$1,945	\$1,916	\$1,847	\$1,686	NA
Authority's contributions in relation to the statutorily required contribution	3,342	2,971	2,777	2,613	2,242	1,945	1,916	1,847	1,686	
Authority's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Authority's covered payroll	\$27,512	\$25,537	\$23,823	\$23,391	\$20,564	\$18,039	\$17,659	\$16,963	\$15,755	
Authority's contributions as a percentage of covered payroll	12.15%	11.63%	11.66%	11.17%	10.90%	10.78%	10.85%	10.89%	10.70%	

**ASRS - Health insurance premium benefit**

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 58	\$ 99	\$ 119	\$ 106	\$ 90	\$ 101	NA
Authority's contributions in relation to the statutorily required contribution	58	99	119	106	90	101	
Authority's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Authority's covered payroll	\$27,512	\$25,537	\$23,823	\$23,391	\$20,564	\$18,039	
Authority's contributions as a percentage of covered payroll	0.21%	0.39%	0.50%	0.45%	0.44%	0.56%	

**ASRS - Long-term disability**

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 53	\$ 46	\$ 41	\$ 37	\$ 33	\$ 25	NA
Authority's contributions in relation to the statutorily required contribution	53	46	41	37	33	25	
Authority's contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Authority's covered payroll	\$27,512	\$25,537	\$23,823	\$23,391	\$20,564	\$18,039	
Authority's contributions as a percentage of covered payroll	0.19%	0.18%	0.17%	0.16%	0.16%	0.14%	

NA - Not Available. Pension schedules in the Required Supplementary Information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**Valley Metro  
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

General Fund

Fiscal Year Ended June 30, 2022

(in thousands of dollars)

	Budgeted Amounts		Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final		
<b>Revenues:</b>				
Sales taxes:				
Public transportation funds	\$ 178,211	\$ 178,211	\$ 221,388	\$ 43,177
Regional area road funds	5,297	5,297	5,242	(55)
Intergovernmental:				
AZ Lottery fund proceeds	11,200	11,200	11,160	(40)
Federal Transit Administration	100	100	133	33
Charges for services	—	—	345	345
Investment income (loss)	160	160	(549)	(709)
Miscellaneous	—	—	8	8
Total revenues	<u>194,968</u>	<u>194,968</u>	<u>237,727</u>	<u>42,759</u>
<b>Expenditures:</b>				
Current:				
Regional Customer Services:				
Marketing	2,700	2,700	2,015	685
Call Center	5,008	5,008	4,689	319
Other Programs	4,677	4,677	3,901	776
AZ Lottery Fund Disbursements	11,200	11,200	11,031	169
Administration:				
Executive director's office	1,721	1,721	1,858	(137)
Finance & management services	2,474	2,474	2,274	200
Debt Service				
Principal	2,000	2,000	2,001	(1)
Capital Outlay	1,627	1,627	816	811
Total expenditures	<u>31,407</u>	<u>31,407</u>	<u>28,585</u>	<u>2,822</u>
Excess of revenues over expenditures	<u>163,561</u>	<u>163,561</u>	<u>209,142</u>	<u>45,581</u>
Other financing sources (uses):				
Transfers out	(164,752)	(164,752)	(131,286)	33,466
Total other financing sources (uses)	<u>(164,752)</u>	<u>(164,752)</u>	<u>(131,286)</u>	<u>33,466</u>
Net change in fund balance	(1,191)	(1,191)	77,856	79,047
Fund balance, beginning	56,631	56,631	56,631	—
Fund balance, ending	<u>\$ 55,440</u>	<u>\$ 55,440</u>	<u>\$ 134,487</u>	<u>\$ 79,047</u>

**Explanation of differences between budgetary basis and GAAP basis**

Change in Fund Balance - Budgetary basis	\$ 77,856
Lease related items - Expenditures - previous deferred rent written off	620
Lease related items - Expenditures (all other items)	(8,932)
Lease related items - Other financing sources (uses)	8,932
Net change in Fund Balance - GAAP basis	<u>\$ 78,476</u>



On March 17, 2022 the Valley Metro Board of Directors announced Jessica Mefford-Miller as the agency's new Chief Executive Officer. Mefford-Miller joins Valley Metro with 15 years of experience connecting people and places through transit in the St. Louis, MO region. She joins the agency after coming out on top of an extensive, nationwide search following CEO Scott Smith's retirement announcement in summer 2021.

## **Combining Statements**

# Combining Statements

## Nonmajor Governmental Funds

The Transit Planning Fund is a special revenue fund and accounts for the receipt and expenditure of U.S. Department of Transportation, Federal Transit Administration, Federal Transit Technical Studies grant monies, regional area road fund sales taxes and member cities local match restricted for various planning studies.

The Transportation Demand Management Fund is a special revenue fund and accounts for the receipt and expenditure of various grant monies restricted for activities related to the countywide ridesharing program, trip reduction program and clean air campaign.

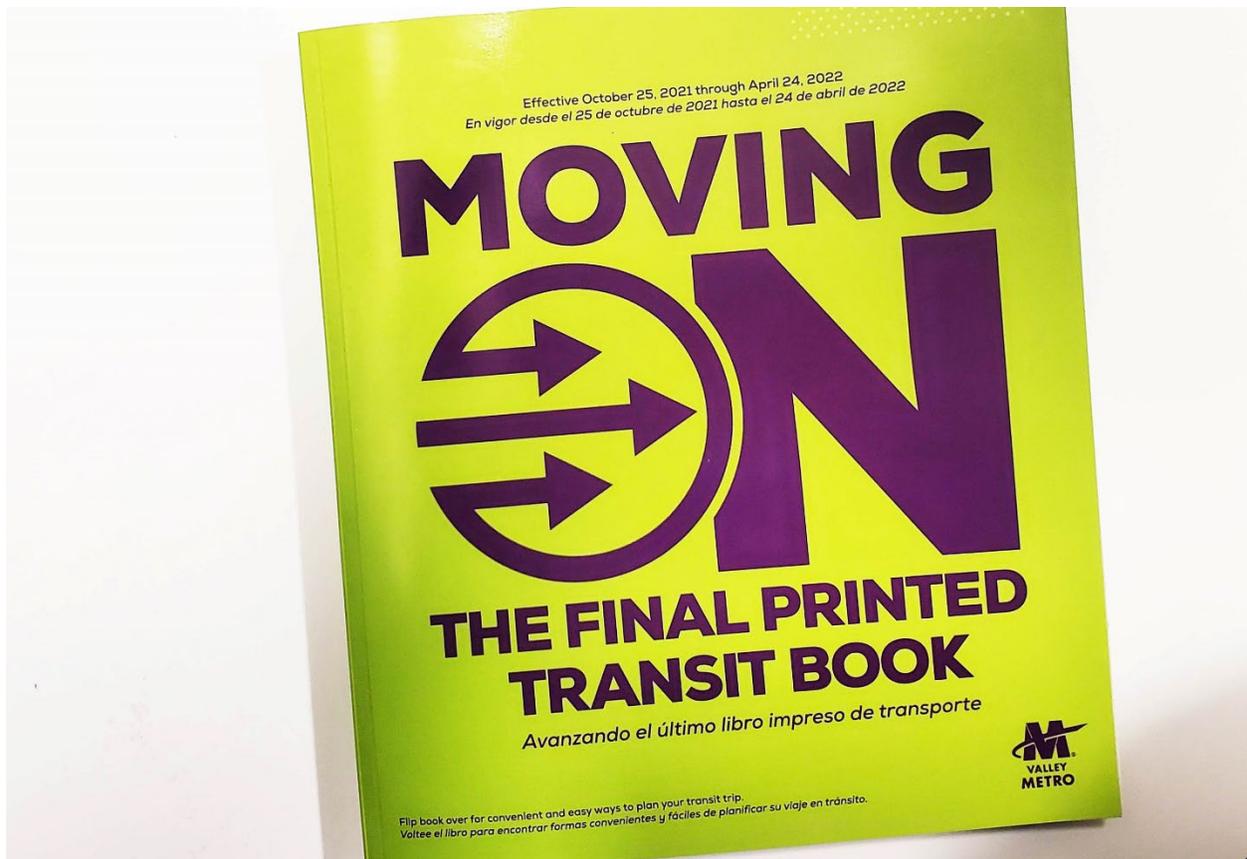
**Valley Metro**  
**Regional Public Transportation Authority**  
 Combining Balance Sheet  
 Non-major Governmental Funds  
 June 30, 2022  
*(In thousands of dollars)*

	<b>Transit Planning</b>	<b>Transportation Demand Management</b>	<b>Total Special Revenue Funds</b>
<b>Assets</b>			
Receivables	\$ 5	\$ 9	\$ 14
Due from other governments	90	297	387
Due from other funds	96	—	96
Total assets	<u>\$ 191</u>	<u>\$ 306</u>	<u>\$ 497</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 23	\$ 13	\$ 36
Accrued salaries and benefits	15	8	23
Due to other funds	—	227	227
Due to other governments	37	12	49
Other liabilities	30	—	30
Total liabilities	<u>105</u>	<u>260</u>	<u>365</u>
Fund balances:			
Restricted	86	46	132
Total fund balances	<u>86</u>	<u>46</u>	<u>132</u>
Total liabilities and fund balances	<u>\$ 191</u>	<u>\$ 306</u>	<u>\$ 497</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
Fiscal Year Ended June 30, 2022  
*(In thousands of dollars)*

	<u>Transit Planning</u>	<u>Transportation Demand Management</u>	<u>Total Special Revenue Funds</u>
<b>Revenues:</b>			
Intergovernmental:			
State & county grants & federal pass through grants	\$ 224	\$ 200	\$ 424
Federal Transit Administration	10	—	10
CMAQ	—	857	857
Miscellaneous	—	28	28
Total revenues	<u>234</u>	<u>1,085</u>	<u>1,319</u>
<b>Expenditures:</b>			
Current:			
Regional planning:			
Corridor and facility planning	179	—	179
Systems and service development	1,213	—	1,213
Program support & administration	539	—	539
Transportation demand management:			
Trip reduction	—	571	571
Ridesharing	—	618	618
Other programs	—	37	37
Debt Service			
Principal	1	—	1
Total expenditures	<u>1,932</u>	<u>1,226</u>	<u>3,158</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,698)</u>	<u>(141)</u>	<u>(1,839)</u>
Other financing sources (uses):			
Transfers in	1,681	125	1,806
Leases	18	9	27
Total other financing sources (uses)	<u>1,699</u>	<u>134</u>	<u>1,833</u>
Net change in fund balances	1	(7)	(6)
Fund balance, beginning	85	53	138
Fund balance, ending	<u>\$ 86</u>	<u>\$ 46</u>	<u>\$ 132</u>

## **Other Supplementary Information**



Valley Metro is going digital and saying goodbye to the Transit Book. The switch to digital provides riders access to their schedules their way. The Valley Metro app is providing real-time information to more than 75K riders and growing daily.

**Valley Metro  
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Transit Planning Fund

Fiscal Year Ended June 30, 2022

(in thousands of dollars)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance between Final Budget and Actual Amounts</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental:				
State & county grants & pass through grants	\$ 225	\$ 225	\$ 224	\$ (1)
Federal Transit Administration	—	—	10	10
Miscellaneous	50	50	—	(50)
Total revenues	<u>275</u>	<u>275</u>	<u>234</u>	<u>(41)</u>
<b>Expenditures:</b>				
Current:				
Regional planning:				
Corridor and facility planning	425	425	178	247
Systems and service development	1,389	1,389	1,202	187
Program support & administration	533	533	534	(1)
Total expenditures	<u>2,347</u>	<u>2,347</u>	<u>1,914</u>	<u>433</u>
Excess of revenues over expenditures	<u>(2,072)</u>	<u>(2,072)</u>	<u>(1,680)</u>	<u>392</u>
Other financing sources (uses):				
Transfers in	1,350	1,350	1,681	331
Total other financing sources (uses)	<u>1,350</u>	<u>1,350</u>	<u>1,681</u>	<u>331</u>
Net change in fund balance	(722)	(722)	1	723
Fund balance, beginning	85	85	85	—
Fund balance, ending	<u>\$ (637)</u>	<u>\$ (637)</u>	<u>\$ 86</u>	<u>\$ 723</u>

**Explanation of differences between budgetary basis and GAAP basis**

Change in Fund Balance - budgetary basis	\$ 1
Lease related items - Expenditures	(18)
Lease related items - Other financing sources (uses)	18
Net change in Fund Balance - GAAP basis	<u>\$ 1</u>

**Valley Metro  
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Transportation Demand Management Fund

Fiscal Year Ended June 30, 2022

(in thousands of dollars)

	Budgeted Amounts		Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final		
<b>Revenues:</b>				
Intergovernmental:				
State grants & pass through grants	\$ 150	\$ 150	\$ 200	\$ 50
CMAQ	951	951	857	(94)
Miscellaneous	45	45	28	(17)
Total revenues	<u>1,146</u>	<u>1,146</u>	<u>1,085</u>	<u>(61)</u>
<b>Expenditures:</b>				
Current:				
Transportation Demand Management:				
Trip reduction	578	578	567	11
Ridesharing	683	683	613	70
Other programs	45	45	37	8
Total expenditures	<u>1,306</u>	<u>1,306</u>	<u>1,217</u>	<u>89</u>
Excess of revenues over expenditures	<u>(160)</u>	<u>(160)</u>	<u>(132)</u>	<u>28</u>
Other financing sources (uses):				
Transfers In	160	160	125	(35)
Total other financing sources (uses)	<u>160</u>	<u>160</u>	<u>125</u>	<u>(35)</u>
Net change in fund balance	—	—	(7)	(7)
Fund balance, beginning	<u>53</u>	<u>53</u>	<u>53</u>	<u>—</u>
Fund balance, ending	<u>\$53</u>	<u>\$ 53</u>	<u>\$ 46</u>	<u>\$ (7)</u>

**Explanation of differences between budgetary basis and GAAP basis**

Change in Fund Balance - budgetary basis	\$ (7)
Lease related items - Expenditures	(9)
Lease related items - Other financing sources (uses)	9
Net change in Fund Balance - GAAP basis	<u>\$ (7)</u>

**Valley Metro  
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual

Transit Service Operations Fund

Fiscal Year Ended June 30, 2022

(in thousands of dollars)

	Budgeted Amounts		Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final		
<b>Operating Revenues:</b>				
Charges for services	\$ 39,195	\$ 39,195	\$ 14,501	\$ (24,694)
Fare revenues	4,498	4,498	4,195	(303)
Federal Operating Grants	32,187	32,187	74,395	42,208
Miscellaneous	127	127	390	263
Total operating revenues	<u>76,007</u>	<u>76,007</u>	<u>93,481</u>	<u>17,474</u>
<b>Operating Expenses:</b>				
Local & express bus service	111,118	111,118	93,392	17,726
Paratransit service	37,229	37,229	22,250	14,979
Vanpool service	1,006	1,006	818	188
Safety and security	387	387	456	(69)
Contingency	628	628	—	628
Capital outlay	38,965	38,965	9,021	29,944
Total operating expenses	<u>189,333</u>	<u>189,333</u>	<u>125,937</u>	<u>63,396</u>
Operating income (loss)	(113,326)	(113,326)	(32,456)	80,870
<b>Non-Operating Revenues (Expenses):</b>				
Lead agency disbursements	(5,102)	(5,102)	(1,403)	3,699
Interest income	—	—	3	3
IRS payroll tax credit	—	—	9	9
Gain on disposal of capital asset	—	—	(13)	(13)
Debt Service	(5,538)	(5,538)	(3,892)	1,646
Total nonoperating revenues (expenses)	<u>(10,640)</u>	<u>(10,640)</u>	<u>(5,296)</u>	<u>5,344</u>
Income (loss) before transfers	(123,966)	(123,966)	(37,752)	86,214
Capital Contributions	33,502	33,502	10,375	(23,127)
Transfers in	86,942	86,942	33,251	(53,691)
Transfers out	—	—	(9)	(9)
	<u>120,444</u>	<u>120,444</u>	<u>43,617</u>	<u>(76,827)</u>
Change in net position budgetary basis	<u>\$ (3,522)</u>	<u>\$ (3,522)</u>	<u>\$ 5,865</u>	<u>\$ 9,387</u>

**Explanation of differences between budgetary basis and GAAP basis**

Change in net position - budgetary basis	\$ 5,865
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes	9,021
Depreciation is not a budgeted expense, but is an expense for GAAP purposes	(13,100)
Lease amortization is not a budgeted expense, but is an expense for GAAP purposes	(1)
Debt service principal payments are recorded for budgetary purposes, but are not recorded for GAAP purposes	3,548
Compensated absence expenses is not recorded for budgetary purposes, but is an expense for GAAP purposes.	(62)
Pension expense is not recorded for budgetary purposes, but is an expense for GAAP purposes	(269)
Pension contributions are recorded for budgetary purposes, but are not recorded for GAAP purposes	189
Changes in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 5,191</u>

**Valley Metro  
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual

Valley Metro Rail Fund

Fiscal Year Ended June 30, 2022

(in thousands of dollars)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance between Final Budget and Actual Amounts</b>
	<b>Original</b>	<b>Final</b>		
<b>Operating Revenues:</b>				
Charges for services	\$ 30,157	\$ 30,157	\$ 27,972	\$ (2,185)
Total operating revenues	30,157	30,157	27,972	(2,185)
<b>Operating Expenses:</b>				
Light rail staff and administration	30,157	30,157	27,973	2,184
Total operating expenses	30,157	30,157	27,973	2,184
Operating income (loss)	—	—	(1)	(1)
<b>Non-Operating Revenues (Expenses):</b>				
Lead agency disbursements	(41,226)	(41,226)	(69,110)	(27,884)
IRS payroll tax credit	—	—	85	85
Interest income	25	25	93	68
Debt service	(16,926)	(16,926)	(15,777)	1,149
Total nonoperating revenues (expenses)	(58,127)	(58,127)	(84,709)	(26,582)
Income (loss) before transfers	(58,127)	(58,127)	(84,710)	(26,583)
Transfers in	76,300	76,300	96,238	19,938
Change in net position - budgetary basis	\$ 18,173	\$ 18,173	\$ 11,528	\$ (6,645)

**Explanation of differences between budgetary basis and GAAP basis**

Change in net position - budgetary basis	\$ 11,528
Debt Service principal payments are recorded for budgetary purposes, but are not recorded for GAAP purpose	14,737
Compensated absence expenses is not recorded for budgetary purposes, but is an expense for GAAP purposes.	(242)
Pension expense is not recorded for budgetary purposes, but is an expense for GAAP purposes	(2,733)
Pension contributions are recorded for budgetary purposes, but are not recorded for GAAP purposes	2,286
Changes in net position per the statement of revenues, expenses and changes in fund net position	<u>\$ 25,576</u>

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## ***Statistical Section***

*The Statistical Section includes selected financial and demographic information regarding the Authority.*



Contest winner, Mountain View High School senior Jocelyn Hernandez. More than 120 high school students from across the Valley entered the 2022 Design a Transit Wrap Contest. Jocelyn Hernandez's winning design will be featured on a bus and light rail vehicle for an entire year.

## Statistical Section

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Authority's overall financial health.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the Authority's most significant local revenue source, the sales tax.

### **Debt Capacity**

These schedules contain information to help the reader assess the affordability of the Authority's current levels of outstanding debt, the Authority's ability to issue additional debt in the future. There is no statute on the Authority's debt limit on the issuance of bonds. The only limitation is the ability to secure the debts with available excise tax monies.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Valley Metro**  
**Regional Public Transportation Authority**  
Net Position By Component  
Last Ten Fiscal Years  
(accrual basis of accounting) (In thousands of dollars)

	<u>FY 2012/13 (1)</u>	<u>FY 2013/14 (2)</u>	<u>FY 2014/15</u>	<u>FY 2015/16 (3)</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 1,309	\$ 1,970	\$ 1,905	\$ 1,917
Restricted	2,118	2,791	3,121	2,549
Unrestricted	46,828	48,703	49,712	70,340
<b>Total governmental activities net position</b>	<b>\$ 50,255</b>	<b>\$ 53,464</b>	<b>\$ 54,738</b>	<b>\$ 74,806</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 8,438	\$ 43,206	\$ 34,551	\$ 21,963
Restricted	8,286	14,100	23,461	21,946
Unrestricted	61,618	(33,320)	(43,169)	(68,017)
<b>Total business-type activities net position</b>	<b>\$ 78,342</b>	<b>\$ 23,986</b>	<b>\$ 14,843</b>	<b>\$ (24,108)</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 9,747	\$ 45,176	\$ 36,456	\$ 23,880
Restricted	10,404	16,891	26,582	24,495
Unrestricted	108,446	15,383	6,543	2,323
<b>Total primary government net position</b>	<b>\$ 128,597</b>	<b>\$ 77,450</b>	<b>\$ 69,581</b>	<b>\$ 50,698</b>

- (1) Total business-type activities net position was restated as of 7/1/13 due to a change in accounting principle (GASB 65).
- (2) Total governmental activities and business-type activities net position was restated as of 7/1/14 due to a change in accounting principle (GASB 68) and in Debt service presentation.
- (3) Total business-type activities net position was restated as of 7/1/16 due to changes in asset categories and depreciation expense that was not previously recorded for prior year activity.

<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>
\$ 1,282	\$ 1,676	\$ 1,166	\$ 1,778	\$ 5,605	\$ 6,090
2,023	625	47	149	186	458
50,218	36,673	24,392	16,516	44,355	124,689
<u>\$ 53,523</u>	<u>\$ 38,974</u>	<u>\$ 256,065</u>	<u>\$ 18,443</u>	<u>\$ 50,146</u>	<u>\$ 131,237</u>
\$ 20,272	\$ 54,557	\$ 58,587	\$ 77,550	\$ 85,817	\$ 86,532
22,955	20,155	19,704	20,436	20,955	19,423
(91,764)	(70,579)	(50,695)	(71,582)	(102,174)	(70,590)
<u>\$ (48,537)</u>	<u>\$ 4,133</u>	<u>\$ 27,596</u>	<u>\$ 26,404</u>	<u>\$ 4,598</u>	<u>\$ 35,365</u>
\$ 21,554	\$ 56,233	\$ 59,753	\$ 79,328	\$ 91,422	\$ 92,622
24,978	20,780	19,751	20,585	21,141	19,881
(41,546)	(33,906)	(26,303)	(55,066)	(57,819)	54,099
<u>\$ 4,986</u>	<u>\$ 43,107</u>	<u>\$ 53,201</u>	<u>\$ 44,847</u>	<u>\$ 54,744</u>	<u>\$ 166,602</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting) (In thousands of dollars)

	<u>FY 2012/13 (1)</u>	<u>FY 2013/14 (2,3)</u>	<u>FY 2014/15</u>	<u>FY 2015/16 (4)</u>
<b>Expenses</b>				
Governmental activities:				
Regional planning:				
Long range	\$ 148	\$ —	\$ —	\$ —
Short range	298	—	—	—
Capital	139	—	—	—
Corridor and Facility Planning	—	231	699	1,046
Systems and Service Development	—	818	1,767	1,061
Program support	660	302	257	292
Transportation demand management:				
Trip reduction	777	682	601	661
Ridesharing	667	589	579	577
Other programs	143	201	180	270
Regional customer services:				
Marketing	2,049	1,863	2,320	2,122
Call center	3,547	3,713	3,776	3,639
Other programs	2,604	2,661	2,721	2,799
AZ Lottery Fund Disbursements	10,200	10,795	10,534	10,768
Administration:				
Executive director's office	906	995	1,094	947
Finance & management services	1,083	1,175	1,412	1,497
Total governmental activities expenses	<u>23,221</u>	<u>24,025</u>	<u>25,940</u>	<u>25,679</u>
Business-type activities:				
Transit service operations	91,327	148,885	119,341	130,327
Light rail transit	50,687	108,938	55,243	84,324
Total business-type activities expenses	<u>142,014</u>	<u>257,823</u>	<u>174,584</u>	<u>214,651</u>
Total primary government expenses	<u>\$ 165,235</u>	<u>\$ 281,848</u>	<u>\$ 200,524</u>	<u>\$ 240,330</u>

- (1) Total business-type activities net position was restated as of 7/1/13 due to a change in accounting principle (GASB 65).
- (2) In FY14, Regional Planning Program activities and titles were changed as part of the budget process to realign the Planning department. Long range, short range and capital activities were replaced by Corridor and Facility Planning and Systems and Service Development.
- (3) Total governmental activities and business-type activities net position was restated as of 7/1/14 due to a change in accounting principle (GASB 68) and in Debt Service presentation.
- (4) Total business-type activities net position was restated as of 7/1/16 due to changes in asset categories and depreciation expense that was not previously recorded for prior year activity.

<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
345	466	545	200	836	178
1,094	1,112	1,859	1,314	717	1,203
334	307	371	476	637	534
611	606	436	497	525	567
582	560	472	603	638	613
145	24	48	35	8	37
2,311	2,197	2,119	2,082	2,193	2,015
4,330	4,206	4,654	4,905	4,451	4,710
2,926	2,830	3,893	3,951	3,618	3,999
10,366	10,670	16,299	10,227	11,028	11,031
1,050	1,471	1,565	1,709	1,421	1,858
2,359	2,276	3,297	3,508	3,736	2,546
<u>26,453</u>	<u>262,725</u>	<u>35,558</u>	<u>29,507</u>	<u>29,808</u>	<u>29,291</u>
153,066	157,724	160,084	166,362	151,185	131,919
101,890	63,137	69,453	115,830	136,856	98,812
<u>254,956</u>	<u>220,861</u>	<u>229,537</u>	<u>282,192</u>	<u>288,041</u>	<u>230,731</u>
<u>\$ 281,409</u>	<u>\$ 247,586</u>	<u>\$ 265,095</u>	<u>\$ 311,699</u>	<u>\$ 317,849</u>	<u>\$ 260,022</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(accrual basis of accounting) (In thousands of dollars)

	<u>FY 2012/13 (1)</u>	<u>FY 2013/14 (2)</u>	<u>FY 2014/15</u>	<u>FY 2015/16 (3)</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services	\$ 176	\$ 168	\$ 174	\$ 192
Operating grants and contributions	13,103	13,147	13,929	13,328
Capital grants and contributions	—	—	—	54
Total governmental activities program revenues	<u>13,279</u>	<u>13,315</u>	<u>14,103</u>	<u>13,574</u>
Business-type activities:				
Charges for services				
Transit service operations:				
Local & express bus service	9,173	31,041	31,474	30,670
Paratransit service	2,101	4,418	4,410	4,701
Vanpool service	177	411	287	323
Other activities	2,121	5,421	4,873	4,615
Light rail transit	12,294	14,035	14,950	15,641
Operating grants and contributions	10,717	9,868	11,990	5,420
Capital grants and contributions	19,661	22,996	2,223	10,587
Total business-type activities program revenues	<u>56,244</u>	<u>88,190</u>	<u>70,207</u>	<u>71,957</u>
Total primary government program revenues	<u>\$ 69,523</u>	<u>\$ 101,505</u>	<u>\$ 84,310</u>	<u>\$ 85,531</u>
Net (Expense)/Revenue				
Governmental activities	\$ (9,943)	\$ (10,710)	\$ (11,837)	\$ (12,106)
Business-type activities	(85,770)	(169,633)	(104,377)	(142,695)
Total primary government net expense	<u>\$ (95,713)</u>	<u>\$ (180,343)</u>	<u>\$ (116,214)</u>	<u>\$ (154,801)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Sales taxes	\$ 118,336	\$ 126,416	\$ 132,029	\$ 136,039
Interest earnings	114	146	162	288
Other income	127	633	279	404
Transfers in (out)	(106,156)	(113,275)	(109,916)	(104,556)
Total governmental activities	<u>12,421</u>	<u>13,920</u>	<u>22,554</u>	<u>32,175</u>
Business-type activities:				
Interest earnings	137	139	186	133
Other income	9	2,498	1,596	1,289
Transfers in (out)	106,156	113,275	109,916	104,556
Total business-type activities:	<u>106,302</u>	<u>115,912</u>	<u>111,698</u>	<u>105,978</u>
Total primary government	<u>\$ 118,723</u>	<u>\$ 129,832</u>	<u>\$ 134,252</u>	<u>\$ 138,153</u>
Change in net position:				
Governmental activities	\$ 2,478	\$ 3,210	\$ 10,717	\$ 20,069
Business-type activities	20,532	(53,721)	7,321	(36,717)
Total primary government net expense	<u>\$ 23,010</u>	<u>\$ (50,511)</u>	<u>\$ 18,038</u>	<u>\$ (16,648)</u>

- (1) Total business-type activities net position was restated as of 7/1/13 due to a change in accounting principle (GASB 65).
- (2) Total governmental activities and business-type activities net position was restated as of 7/1/14 due to a change in accounting principle (GASB 68) and in Debt service presentation.
- (3) Total business-type activities net position was restated as of 7/1/16 due to changes in asset categories and depreciation expense that was not previously recorded for prior year activity.

<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>
\$ 192	\$ 193	\$ 199	\$ 199	\$ 282	\$ 345
13,371	13,134	12,968	13,045	13,034	12,584
—	—	—	—	2,187	816
13,563	13,327	13,167	13,244	15,503	13,745
33,526	36,763	39,225	37,182	17,223	13,415
6,737	7,496	9,079	8,245	3,100	3,196
325	334	314	337	176	117
4,832	5,272	5,723	5,231	2,627	1,968
14,730	18,712	20,904	22,999	25,120	27,972
1,867	11,631	8,698	13,095	48,308	74,489
16,923	39,972	14,778	32,484	24,201	10,375
78,940	120,180	98,721	119,573	120,755	131,532
<u>\$ 92,503</u>	<u>\$ 133,507</u>	<u>\$ 111,888</u>	<u>\$ 132,817</u>	<u>\$ 136,258</u>	<u>\$ 145,277</u>
\$ (12,890)	\$ (13,398)	\$ (22,391)	\$ (16,265)	\$ (14,305)	\$ (15,546)
(176,017)	(100,681)	(130,816)	(162,620)	(167,286)	(99,199)
<u>\$ (188,907)</u>	<u>\$ (114,079)</u>	<u>\$ (153,207)</u>	<u>\$ (178,885)</u>	<u>\$ (181,591)</u>	<u>\$ (114,745)</u>
\$ 141,792	\$ 150,066	\$ 160,461	\$ 168,626	\$ 191,337	\$ 226,630
423	765	1,426	1,032	90	(549)
80	591	65	297	38	36
(150,691)	(152,573)	(152,930)	(160,854)	(145,457)	(129,480)
(8,396)	(1,151)	9,022	9,101	46,008	96,637
346	219	656	241	15	96
550	559	693	334	8	390
150,691	152,573	152,930	160,854	145,457	129,480
151,587	153,351	154,279	161,429	145,480	129,966
<u>\$ 143,191</u>	<u>\$ 152,200</u>	<u>\$ 163,301</u>	<u>\$ 170,530</u>	<u>\$ 191,488</u>	<u>\$ 226,603</u>
\$ (21,286)	\$ (14,549)	\$ (13,369)	\$ (7,164)	\$ 31,703	\$ 81,091
(24,429)	52,670	23,463	(1,190)	(21,806)	30,767
<u>\$ (45,715)</u>	<u>\$ 38,121</u>	<u>\$ 10,094</u>	<u>\$ (8,354)</u>	<u>\$ 9,897</u>	<u>\$ 111,858</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>
General fund:				
Nonspendable:				
Prepaid Items	\$ 8	\$ —	\$ 86	\$ 195
Restricted	1,887	2,527	2,820	2,224
Unassigned	47,545	49,385	59,916	80,587
Total general fund	<u>\$ 49,440</u>	<u>\$ 51,912</u>	<u>\$ 62,822</u>	<u>\$ 83,006</u>
All other governmental funds:				
Nonspendable:				
Prepaid Items	\$ —	\$ —	\$ —	\$ —
Restricted	231	263	301	325
Unassigned	—	—	—	—
Total all other governmental funds	<u>\$ 231</u>	<u>\$ 263</u>	<u>\$ 301</u>	<u>\$ 326</u>

<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>
\$ 334	\$ 363	\$ 212	\$ 103	\$ 139	\$ 147
1,967	506	—	—	—	—
60,628	46,417	39,597	30,023	56,492	134,960
<u>\$ 62,929</u>	<u>\$ 47,286</u>	<u>\$ 39,809</u>	<u>\$ 30,126</u>	<u>\$ 56,631</u>	<u>\$ 135,107</u>
\$ —	\$ 8	\$ —	\$ —	\$ —	\$ —
56	74	22	130	138	132
—	—	—	(23)	—	—
<u>\$ 56</u>	<u>\$ 82</u>	<u>\$ 22</u>	<u>\$ 107</u>	<u>\$ 138</u>	<u>\$ 132</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting) (In thousands of dollars)

	<u>FY 2012/13</u>	<u>FY 2013/14 (1)</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>
<b>Revenues</b>				
Sales taxes	\$ 118,336	\$ 126,416	\$ 132,029	\$ 136,039
Intergovernmental:				
AZ Lottery Proceeds	11,225	11,263	11,444	11,502
State & county grants & pass through grants	480	681	852	117
Federal Transit Administration	365	230	718	302
CMAQ	1,033	974	915	1,461
Charges for services	176	168	174	192
Interest earnings	114	146	162	288
Miscellaneous	127	633	279	404
Total revenues	<u>131,856</u>	<u>140,511</u>	<u>146,573</u>	<u>150,305</u>
<b>Expenditures</b>				
Governmental activities:				
Regional planning:				
Long range	148	—	—	—
Short range	298	—	—	—
Capital	139	—	—	—
Corridor and Facility Planning	—	231	699	1,046
Systems and Service Development	—	818	1,767	1,061
Program support	660	302	257	292
Transportation demand management:				
Trip reduction	777	682	601	661
Ridesharing	667	589	579	577
Other programs	143	201	180	270
Regional customer services:				
Marketing	2,049	1,863	2,320	2,122
Call center	3,547	3,713	3,776	3,639
Other programs	2,604	2,661	2,475	2,630
Administration:				
Executive director's office	906	976	1,094	947
Finance & management services	693	756	987	1,004
AZ Lottery Fund Expenditures	10,200	10,795	10,534	10,768
Debt Service (2)				
Principal				
Interest				
Loss on investments				
Capital outlay	576	1,142	441	522
Total expenditures	<u>23,407</u>	<u>24,730</u>	<u>25,710</u>	<u>25,539</u>
Excess of revenues over expenditures	<u>108,449</u>	<u>115,780</u>	<u>120,863</u>	<u>124,766</u>
Other financing sources (uses)				
Transfers in	1,093	1,029	1,721	2,098
Transfers out	(107,249)	(114,304)	(111,636)	(106,654)
Financing of Leases (2)				
Total other financing sources (uses)	<u>(106,156)</u>	<u>(113,275)</u>	<u>(109,916)</u>	<u>(104,556)</u>
Net change in fund balances	<u>\$ 2,293</u>	<u>\$ 2,507</u>	<u>\$ 10,948</u>	<u>\$ 20,210</u>

(1) Commencing in FY2013/14, the Budget categories for Regional Planning changed from Long range and Short range to Corridor and Facility Planning and Systems and Service Development.

(2) In FY2021/22, Valley Metro implemented GASB Statement 87 resulting in reporting Debt Service Principal and Interest and Financing of Leases.

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
\$	141,792	\$ 150,066	\$ 160,461	\$ 168,626	\$ 191,337	\$ 226,630
	11,529	11,529	11,464	11,473	11,477	11,160
	270	245	448	301	430	424
	297	194	183	163	178	143
	1,275	1,166	873	1,108	949	857
	192	193	199	199	282	345
	423	765	1,426	1,032	90	—
	82	592	65	296	38	36
	155,860	164,750	175,119	183,198	204,781	239,595
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	345	466	545	200	836	179
	1,094	1,112	1,859	1,314	717	1,213
	334	307	371	476	637	539
	611	606	436	497	525	571
	582	560	472	603	638	618
	145	24	48	35	8	37
	2,311	2,197	2,119	2,082	2,193	2,026
	4,330	4,214	4,654	4,905	4,451	5,319
	2,809	2,795	3,880	3,951	3,605	11,556
	1,050	1,471	1,565	1,709	1,421	1,871
	1,282	2,229	2,930	3,102	2,429	1,663
	10,366	10,670	10,299	12,227	13,028	11,031
						2,509
						107
						(549)
	258	1,139	550	842	2,300	816
	25,517	27,790	29,728	31,943	32,788	39,506
	130,343	136,960	145,391	151,255	171,993	200,089
	1,310	1,555	2,223	1,714	1,929	1,806
	(152,001)	(154,127)	(155,153)	(162,567)	(147,386)	(131,286)
						8,959
	(150,691)	(152,572)	(152,930)	(160,853)	(145,457)	(120,521)
\$	(20,348)	\$ (15,612)	\$ (7,539)	\$ (9,598)	\$ 26,536	\$ 79,568

**Valley Metro**  
**Regional Public Transportation Authority**  
Sales Tax Revenues by Component  
Last Ten Fiscal Years  
(accrual basis of accounting) (In thousands of dollars)

	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>
Governmental activities				
Regional area road funds	\$ 4,560	\$ 4,641	\$ 4,711	\$ 4,780
Public transportation funds	113,776	121,774	127,318	131,259
Total governmental activities sales taxes	<u>\$ 118,336</u>	<u>\$ 126,415</u>	<u>\$ 132,029</u>	<u>\$ 136,039</u>
Business-type activities				
Regional area road funds	\$ —	\$ —	\$ —	\$ —
Public transportation funds	—	—	—	—
Total business-type activities sales taxes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Primary government				
Regional area road funds	\$ 4,560	\$ 4,641	\$ 4,711	\$ 4,780
Public transportation funds	113,776	121,774	127,318	131,259
Total primary government sales taxes	<u>\$ 118,336</u>	<u>\$ 126,415</u>	<u>\$ 132,029</u>	<u>\$ 136,039</u>

<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>
\$ 4,828	\$ 4,891	\$ 4,979	\$ 5,092	\$ 5,180	\$ 5,242
136,764	145,174	155,482	163,534	186,157	221,388
<u>\$ 141,792</u>	<u>\$ 150,065</u>	<u>\$ 160,461</u>	<u>\$ 168,626</u>	<u>\$ 191,337</u>	<u>\$ 226,630</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
<u>\$ —</u>					
\$ 4,828	\$ 4,891	\$ 4,979	\$ 5,092	\$ 5,180	\$ 5,242
136,964	145,174	155,482	163,534	186,157	221,388
<u>\$ 141,792</u>	<u>\$ 150,065</u>	<u>\$ 160,461</u>	<u>\$ 168,626</u>	<u>\$ 191,337</u>	<u>\$ 226,630</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
 Maricopa County Transportation Excise Tax Revenue Distributions  
 Last Ten Fiscal Years  
 (accrual basis of accounting) (In thousands of dollars)

	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16 (3)</u>
Regional area road funds				
Freeways	\$ 182,806	\$ 196,106	\$ 205,305	\$ 212,021
Regional Public Transportation Authority / Maricopa Association of Governments (1)	9,119	9,283	9,423	9,560
Arterial streets	35,875	38,397	40,145	41,388
Total regional area road fund distributions	<u>227,800</u>	<u>243,786</u>	<u>254,873</u>	<u>262,969</u>
Public transportation funds	113,776	121,774	127,318	131,259
Department of Revenue administrative fee	—	—	—	2,582
Total Maricopa County transportation excise tax revenue distributions	<u>\$ 341,576</u>	<u>\$ 365,560</u>	<u>\$ 382,191</u>	<u>\$ 396,810</u>

Source: The Maricopa County Transportation Excise Tax Tables for FY 2022 provided by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

Note: The Maricopa County Transportation Excise Tax, often referred to as the “1/2 cent sales tax,” is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300 (passed by the voters in 1985 becoming effective on January 1, 1986), the transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal sources of funding for the Regional Freeway System in Maricopa County and the Regional Public Transportation Authority and are dedicated through December 31, 2005. In November 2004, Maricopa County’s voters approved Proposition 400, Maricopa County Transportation Excise Tax, which became effective on January 1, 2006, and extends the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high-capacity transit services such as light rail. The collections of the Maricopa County Transportation Excise Tax are as follows: Freeways 56.2%, Public Transportation Fund 33.3%, and Arterial Streets 10.5%.

- (1) The Authority received a portion of the RARF excise tax funds for transit costs through December 31, 2005. On January 1, 2006 these funds are distributed evenly to the Authority and the Maricopa Association of Governments to be used for administrative and planning purposes per Proposition 400. These funds are netted from the Freeway funds.
- (2) Distributions are a mix of both Proposition 300 and Proposition 400 collections.
- (3) In FY2015/16, the Arizona Department of Revenue assessed a fee of \$2.58 million on Regional Transportation Authorities per Laws 2015, 1<sup>st</sup> Regular Session, Chapter 323 (HB 2617) to recover a portion of administrative, program, and other operating costs incurred.

<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>
\$ 221,710	\$ 235,390	\$ 252,203	\$ 264,782	\$ 302,950	\$ 363,170
9,656	9,783	9,959	10,184	10,361	10,485
43,187	45,776	49,026	51,404	58,536	69,807
<u>274,553</u>	<u>290,949</u>	<u>311,188</u>	<u>326,370</u>	<u>371,847</u>	<u>443,462</u>
136,964	145,172	155,482	163,023	185,644	221,388
2,554	2,531	1,950	1,534	1,539	—
<u>\$ 414,071</u>	<u>\$ 438,652</u>	<u>\$ 468,620</u>	<u>\$ 490,927</u>	<u>\$ 559,030</u>	<u>\$ 664,850</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
 Maricopa County Transportation Excise Tax Revenue Collections by Category  
 Last Ten Fiscal Years  
 (in thousands of dollars)

<b>Fiscal Year (1)</b>	<b>Retail Sales</b>	<b>Contracting</b>	<b>Utilities</b>	<b>Restaurant and Bar</b>	<b>Rental Real Property</b>	<b>Rental Personal Property</b>	<b>Other</b>	<b>Total</b>
2012/13	\$ 172,934	\$ 32,660	\$30,976	\$ 36,429	\$ 38,097	\$ 12,130	\$ 18,350	\$ 341,576
2013/14	186,406	37,243	31,271	38,532	38,547	12,091	21,470	365,560
2014/15	201,843	36,624	31,087	41,865	40,162	12,876	17,734	382,191
2015/16	214,340	34,543	31,929	44,262	41,794	13,574	16,368	396,810
2016/17	224,240	36,715	31,751	47,478	43,934	14,967	14,985	414,070
2017/18	236,060	40,952	32,895	50,443	46,278	16,229	15,795	438,652
2018/19	251,482	47,599	32,746	53,725	49,672	17,521	15,874	468,619
2019/20	272,930	55,563	31,467	50,533	47,742	17,984	14,883	491,102
2020/21	333,799	59,032	33,800	52,775	49,570	16,523	13,531	559,030
2021/22	385,609	72,465	34,995	69,009	60,330	22,625	19,817	664,850

Source: The Maricopa County Transportation Excise Tax Tables for FY 2022 provided by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

Note: The Maricopa County Transportation Excise Tax, often referred to as the “1/2 cent sales tax,” is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300 (passed by the voters in 1985 becoming effective on January 1, 1986), the transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal sources of funding for the Regional Freeway System in Maricopa County and the Regional Public Transportation Authority and are dedicated through December 31, 2005. In November 2004, Maricopa County’s voters approved Proposition 400, Maricopa County Transportation Excise Tax, which became effective on January 1, 2006, and extends the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high-capacity transit services such as light rail. The collections of the Maricopa County Transportation Excise Tax are as follows: Freeways 56.2%, Public Transportation Fund 33.3%, and Arterial Streets 10.5%.

Note: Information for individual taxpayers is confidential, and state statutes prohibit releasing the information.

(1) Fiscal year collections are a mix of both Proposition 300 and Proposition 400 collections.

**Valley Metro**  
**Regional Public Transportation Authority**  
Maricopa County Transportation Excise Tax Revenue Collections by Category  
Last Ten Fiscal Years  
(in thousands of dollars)

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**Revenue Category Definitions:**

<b>Retail Sales</b>	Includes retail sales of automobiles, durable goods and other general merchandise, apparel, building materials, furniture and other tangible personal property. The tax on food was repealed in July 1980.
<b>Contracting</b>	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
<b>Utilities</b>	Includes producing and/or furnishing to consumers electricity, natural or artificial gas, and
<b>Restaurant and Bar</b>	Includes leasing or renting real property, hotels and motels.
<b>Rental of Real Property</b>	Includes leasing or renting real property, hotels and motels.
<b>Rental of Personal Property</b>	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment
<b>Other</b>	Includes intrastate transportation of persons, freight or operations of property, intrastate telecommunication services, intrastate operation of pipelines for oil or natural or artificial gas, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, operations of amusement places and miscellaneous other revenues.

**Valley Metro**  
**Regional Public Transportation Authority**  
**Arizona Transaction Privilege Tax Excise Tax Rates by Category**  
**Last Ten Fiscal Years**

	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>	<u>FY 2016/17</u>
<b>Retail sales</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	50.630%	50.990%	52.810%	54.020%	54.150%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Contracting</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	9.560%	10.190%	9.580%	8.710%	8.870%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.512%	0.500%	0.500%
<b>Rental of Real Property (including hotels and motels) (1)</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	11.150%	10.540%	10.510%	10.530%	10.610%
Transaction Privilege Tax Rate	1.820%	1.820%	1.820%	1.820%	1.820%
Transportation Excise Tax Rate	0.512%	0.512%	0.512%	0.512%	0.512%
<b>Restaurants and Bars</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	10.670%	10.540%	10.950%	11.150%	11.470%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Utilities</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	9.070%	8.550%	8.130%	8.050%	7.670%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Rental of Personal Property</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	3.550%	3.310%	3.370%	3.420%	3.610%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Communications</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	2.970%	2.660%	2.170%	1.850%	1.580%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Amusements</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	1.140%	1.090%	1.220%	1.280%	1.190%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Publishing and Printing</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	0.470%	0.350%	0.380%	0.330%	0.300%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Other</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	0.790%	1.770%	0.880%	0.670%	0.560%
Transaction Privilege Tax Rate	5.000%	5.000%	5.000%	5.000%	5.000%
Transportation Excise Tax Rate	0.500%	0.500%	0.500%	0.500%	0.500%
<b>Mining</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	0.000%	0.000%	0.000%	0.000%	0.000%
Transaction Privilege Tax Rate	3.125%	3.125%	3.125%	3.125%	3.125%
Transportation Excise Tax Rate	0.313%	0.313%	0.313%	0.313%	0.313%

Source: The Maricopa County Transportation Excise Tax Tables are provided by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>	<u>FY 2021/22</u>
53.810 %	53.660 %	55.570 %	59.710 %	58.000 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
9.340 %	10.160 %	11.310 %	10.560 %	10.899 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
10.550 %	10.600 %	9.720 %	8.570 %	9.074 %
1.820 %	1.820 %	1.807 %	1.386 %	2.122 %
0.512 %	0.512 %	0.509 %	0.507 %	0.511 %
11.500 %	11.460 %	10.290 %	9.440 %	10.380 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
7.500 %	6.990 %	6.410 %	6.050 %	5.264 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
3.700 %	3.740 %	3.660 %	3.250 %	3.403 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
1.580 %	1.360 %	1.180 %	0.820 %	0.622 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
1.230 %	1.160 %	0.980 %	0.540 %	1.040 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
0.270 %	0.240 %	0.170 %	0.140 %	0.147 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
0.520 %	0.630 %	0.700 %	0.920 %	1.171 %
5.000 %	5.000 %	5.000 %	5.000 %	5.000 %
0.500 %	0.500 %	0.500 %	0.500 %	0.500 %
0.000 %	0.000 %	0.000 %	0.000 %	0.000 %
3.125 %	3.125 %	3.125 %	3.125 %	3.125 %
0.313 %	0.313 %	0.313 %	0.313 %	0.313 %

**Valley Metro**  
**Regional Public Transportation Authority**  
Transportation Excise Tax Revenue Bonds  
Bond Coverage  
Last Ten Fiscal Years (In thousands of dollars)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Pledged Revenue</b>	<b>Coverage</b>
2013	\$ 5,085	\$ 4,951	\$ 10,036	\$ 113,776	11.34
2014	5,290	7,140	12,430	121,774	9.80
2015	5,555	10,219	15,774	127,318	8.07
2016	14,020	9,265	23,285	131,259	5.64
2017	14,515	8,959	23,474	136,764	5.83
2018	15,230	8,207	23,437	145,174	6.19
2019	15,985	6,541	22,526	155,482	6.90
2020	16,805	6,029	22,834	163,534	7.16
2021	17,385	5,120	22,505	186,157	8.27
2022	18,285	4,179	22,464	221,388	9.86

Source: The source of this information is the Authority's financial records.

Note: On June 30, 2009, the Authority raised \$100,075,000 on bonds issued secured by its portion of the Transportation Excise Tax revenues collected by the Arizona Department of Revenue.

Note: On January 14, 2014, the Authority raised \$115,000,000 on bonds issued secured by its portion of the Transportation Excise Tax revenues collected by the Arizona Department of Revenue.

Note: The pledged revenues of the Authority represent future sales taxes to be collected and used to repay the debt outstanding.

**Valley Metro**  
**Regional Public Transportation Authority**  
 Outstanding Debt by Type  
 Last Ten Fiscal Years (In thousands of dollars)

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<b>Fiscal Year Ended June 30</b>	<b>Business-type Activities</b>		
	<b>Transportation Excise Tax Revenue Bonds (includes Premium)</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2013	\$ 96,870	0.06%	24.63
2014	226,572	0.14%	57.43
2015	220,602	0.13%	54.29
2016	207,124	0.11%	49.88
2017	189,979	0.10%	44.88
2018	169,990	0.08%	39.39
2019	149,594	0.07%	34.26
2020	128,323	0.05%	29.38
2021	107,167	0.04%	23.83
2022	85,833	0.03%	19.04

Source: The source of this information is the Authority's financial records.

**Valley Metro**  
**Regional Public Transportation Authority**  
 Transportation Excise Tax Revenue Bonds  
 Debt Service Revenue and Cost Per Capita  
 Last Ten Fiscal Years (In thousands)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Cost</b>	<b>Revenue</b>	<b>Maricopa County Population (1)</b>	<b>Cost Per Capita</b>	<b>Revenue Per Capita</b>
2013	5,085	4,951	10,036	113,776	3,934	3	29
2014	5,290	7,140	12,430	121,774	3,945	3	31
2015	5,555	10,219	15,774	127,318	4,064	4	31
2016	14,020	9,265	23,285	131,259	4,153	6	32
2017	14,515	8,959	23,474	136,964	4,233	6	32
2018	15,230	8,207	23,437	145,174	4,316	5	34
2019	15,985	6,541	22,526	155,482	4,367	5	36
2020	16,805	6,029	22,834	163,534	4,368	5	35
2021	17,385	5,120	22,505	186,157	4,497	5	41
2022	18,285	4,179	22,464	221,388	4,507	5	49

(1) Source: Authority's Financial Records and Workforce Informer Arizona for population

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**Valley Metro**  
**Regional Public Transportation Authority**  
Regional Population Statistics  
Last Ten Fiscal Years (In thousands)

	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>
Maricopa County	3,885	3,934	3,945	4,064	4,153
Avondale	77	78	80	81	83
Buckeye	54	56	59	62	65
Chandler	241	246	254	261	247
El Mirage	32	32	34	34	35
Gilbert	220	228	239	248	237
Glendale	229	231	238	240	246
Goodyear	69	72	76	79	77
Mesa	445	450	465	472	485
Peoria	158	161	167	164	164
Phoenix	1,465	1,486	1,537	1,563	1,615
Queen Creek	27	30	32	35	36
Scottsdale	220	222	231	237	247
Surprise	120	122	126	128	133
Tempe	165	165	173	176	182
Tolleson	7	7	7	7	7

Source: Workforce Informer Arizona and U.S. Census Bureau

The Regional Public Transportation Authority (“Authority”) was established in 1985 to develop a regional transit plan and to develop and operate a regional transit system in Maricopa County, Arizona. The Authority is governed by a nineteen-member Board of Directors consisting of a member of the Maricopa County Board of Supervisors, and the mayors (or their designees) of the cities of Avondale, Buckeye, Chandler, El Mirage, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and Tolleson and the towns of Fountain Hills, Gilbert, Queen Creek, Wickenburg and Youngtown. Any municipality in Maricopa County may join the Authority and have one elected official serve on the Board of Directors by committing a portion of its Arizona Lottery funds to local public transportation.

Note: The information for FY 2022 was not available.

<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>	<u>FY 2020/21</u>
4,233	4,316	4,367	4,368	4,497
84	86	88	89	91
68	74	80	92	101
253	257	261	276	279
35	36	36	36	36
242	248	254	268	273
247	251	252	248	250
80	83	87	95	102
496	509	518	504	509
168	172	176	191	195
1,626	1,660	1,681	1,608	1,625
39	43	51	60	66
250	255	258	241	243
134	138	142	143	149
185	192	196	181	184
7	7	7	7	7

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**Valley Metro**  
**Regional Public Transportation Authority**  
 Top Ten Employers for Maricopa County  
 For the Year 2021 and Nine Years Ago

<b>Employer</b>	<b>2021</b>			<b>2012</b>		
	<b>Employees</b>	<b>Rank</b>	<b>% of Total</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total</b>
Banner Health	45,918	1	2.01%	24,825	3	1.48%
State of Arizona	41,606	2	1.82%	49,800	1	2.97%
Wal-Mart Stores, Inc.	36,995	3	1.62%	30,634	2	1.83%
Arizona State University	35,474	4	1.55%	11,185	9	0.67%
Fry's Food Stores	20,235	5	0.89%			
City of Phoenix	16,432	6	0.72%	15,100	4	0.90%
University of Arizona	16,021	7	0.70%			
Wells Fargo & Co	16,000	8	0.70%	13,308	5	0.79%
Dignity Health Arizona	15,403	9	0.67%			
Maricopa County	13,648	10	0.60%	12,792	7	0.76%
Bank of America				13,300	6	0.79%
Raytheon Co.				11,500	8	0.69%
Apollo Inc.				11,000	10	0.66%
<b>Total for Principal Employers</b>	<b><u>257,732</u></b>		<b><u>11.29%</u></b>	<b><u>193,444</u></b>		<b><u>11.55%</u></b>
<b>Total Employment in Maricopa County</b>	<b>2,282,100</b>			<b>1,674,300</b>		

Source: Greater Phoenix Economic Council at [www.gpec.org](http://www.gpec.org) for major employers

Workforce Informer Arizona at [www.workforce.az.gov](http://www.workforce.az.gov) for total employed in Maricopa County

Note: The information for FY 2022 was not available.

**Valley Metro**  
**Regional Public Transportation Authority**  
 Arizona Lottery Funds  
 Last Ten Fiscal Years (In thousands of dollars)

	FY 2012/2013	FY 2013/2014	FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018
Avondale						
Local transportation assistance funds received	\$ 224	\$ 225	\$ 229	\$ 230	\$ 224	\$ 225
Buckeye						
Local transportation assistance funds received	150	150	153	153	149	177
Chandler						
Local transportation assistance funds received	694	697	708	712	693	693
El Mirage						
Local transportation assistance funds received	94	94	95	96	93	95
Gilbert						
Local transportation assistance funds received	613	615	625	628	612	661
Glendale						
Local transportation assistance funds received	667	669	680	683	665	668
Goodyear						
Local transportation assistance funds received	192	193	196	197	192	214
Maricopa County						
Local transportation assistance funds received	284	839	853	857	834	842
Mesa						
Local transportation assistance funds received	1,291	1,295	1,316	1,323	1,288	1,319
Peoria						
Local transportation assistance funds received	453	455	462	464	452	458
Phoenix						
Local transportation assistance funds received	4,251	4,265	4,334	4,356	4,242	4,344
Queen Creek						
Local transportation assistance funds received	—	76	78	78	76	93
Scottsdale						
Local transportation assistance funds received	639	641	652	655	638	660
Surprise						
Local transportation assistance funds received	346	346	352	354	345	357
Tempe						
Local transportation assistance funds received	476	477	485	487	475	492
Tolleson						
Local transportation assistance funds received	19	19	20	20	19	20
Wickenburg						
Local transportation assistance funds received	6	19	19	—	—	—

Source: State of Arizona, Office of the Treasurer and Authority's financial records

- (1) Percentages of proceeds designated for expenditures have been revised according to the reported population starting FY 2005. Former State legislation designated that 100% of the proceeds received by participating municipalities with 300,000 or more in population from the Arizona State Lottery, known as local transportation assistance funds, must be expended for public transportation in the respective municipalities to maintain a position on the Authority's Board of Directors. For all other municipalities, the requirement is 33.3% for cities with a population between 60,000 and 300,000 and 75% for cities with less than 60,000 population. Local transportation assistance funds ("LTAF") and minimum public transportation expenditures for participating municipalities for the last ten years are shown above.

<u>FY</u> <u>2018/2019</u>	<u>FY</u> <u>2019/2020</u>	<u>FY</u> <u>2020/2021</u>	<u>FY</u> <u>2021/2022</u>
218	218	218	225
172	172	172	236
674	674	674	697
92	92	92	90
643	643	643	676
649	649	649	626
208	208	208	243
818	818	818	801
1,282	1,282	1,282	1,271
445	445	445	483
4,220	4,220	4,220	4,053
—	—	—	—
642	642	642	608
347	347	347	363
478	478	478	457
19	19	19	18
18	18	18	17

**Valley Metro**  
**Regional Public Transportation Authority**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1,6)</b>	<b>Income (1,6) (in thousands)</b>	<b>Per Capita Income (1,6)</b>	<b>Median Age (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (2,6)</b>
2013	3,933,712	160,497,824	40,801	35.6	701,842	7.1%
2014	3,944,859	167,439,604	42,445	35.8	713,323	6.4%
2015	4,063,700	175,437,829	43,172	36.1	723,452	5.3%
2016	4,152,800	185,111,698	44,575	36.3	731,673	5.3%
2017	4,233,300	196,779,825	46,484	36.5	744,816	4.5%
2018	4,315,600	209,719,687	48,596	34.0	732,996	4.1%
2019	4,366,583	223,097,349	51,092	36.9	759,457	4.5%
2020	4,367,835	245,077,753	56,110	36.9	765,415	4.3%
2021	4,506,505	249,677,860	55,404	37.3	746,829	6.6%
2022	4,507,419	268,713,717	59,616	(5)	756,508	3.3%

- (1) Source: Workforce Informer Arizona at [www.workforce.az.gov](http://www.workforce.az.gov) for Maricopa County
- (2) Source: U.S. Department of Commerce Bureau of Economic Analysis
- (3) Source: U.S. Census Bureau, by calendar year. Data was adjusted for fiscal year 2013 for Median age to be consistent with U.S. Census Bureau.
- (4) Source: Arizona Department of Education, Accountability and Research Section. School enrollment is based on the census at the start of the school year. Data was adjusted for fiscal years 2013 thru 2015.
- (5) Median age was not yet available for the fiscal year 2022.
- (6) Data was adjusted for fiscal year 2013 for Population and Income to be consistent with Workforce Informer Arizona for Maricopa County. Data was adjusted for fiscal year 2013 for Unemployment Rate to be consistent with U.S. Department of Commerce Bureau of Economic Analysis.

**Valley Metro**  
**Regional Public Transportation Authority**  
 Full-time Equivalent Employees (FTE) by Function/Program  
 Last Ten Fiscal Years

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Regional planning	7.1	8.1	8.9	8.3	7.3	9.0	8.6	6.8	7.3	8.5
Transportation demand management	7.3	7.3	7.2	6.1	16.6	6.8	5.8	5.7	5.7	5.7
Regional customer services	78.2	68.2	66.8	64.4	54.8	75.6	75.4	76.1	76.9	77.1
Administration	15.5	31.6	32.4	33.3	34.1	41.1	40.5	46.5	50.0	52.3
Total governmental activities FTE	<u>108.1</u>	<u>115.2</u>	<u>115.3</u>	<u>112.1</u>	<u>112.8</u>	<u>132.5</u>	<u>130.2</u>	<u>135.1</u>	<u>139.9</u>	<u>143.6</u>
Business-type activities:										
Transit service operations	11.9	11.8	15.8	16.7	18.3	21.3	21.1	20.8	24.0	25.6
Light rail transit (1)	153.0	161.0	165.2	183.2	179.1	210.3	224.8	271.2	279.2	281.9
Total business-type activities FTE	<u>164.9</u>	<u>172.8</u>	<u>181.0</u>	<u>199.9</u>	<u>197.4</u>	<u>231.6</u>	<u>245.9</u>	<u>292.0</u>	<u>303.2</u>	<u>307.5</u>
Total primary government FTE	<u>273.0</u>	<u>288.0</u>	<u>296.3</u>	<u>312.0</u>	<u>310.2</u>	<u>364.1</u>	<u>376.0</u>	<u>427.0</u>	<u>443.0</u>	<u>451.1</u>

Source: Adopted Valley Metro RPTA and Valley Metro Rail, Inc. Operating Budgets for the applicable years.

(1) Light rail transit staff report to the Valley Metro Rail, Inc. Board of Directors.

**Valley Metro**  
**Regional Public Transportation Authority**  
Operating Indicators by Program – Fixed Route System  
Last Ten Fiscal Years

	<u>FY 2011/2012 (4)</u>	<u>FY 2012/2013</u>	<u>FY 2013/2014 (5)</u>	<u>FY 2014/2015</u>	<u>FY 2015/2016</u>
<b>Fixed Route System (1)</b>					
City of Phoenix Transit System					
Total boardings	37,122,975	37,713,203	36,218,582	35,657,045	32,985,667
Revenue miles	16,013,826	15,306,424	15,807,220	15,789,798	16,117,459
Revenue hours	1,225,077	1,110,556	1,288,260	1,233,609	1,327,885
Operating cost	\$ 138,046,662	\$ 137,800,189	\$ 137,009,877	\$ 141,260,727	\$ 145,727,588
Operating cost per boarding	\$ 3.72	\$ 3.65	\$ 3.78	\$ 3.96	\$ 4.42
Farebox recovery ratio	25.1 %	24.4 %	24.8 %	23.5 %	19.3 %
Regional Public Transportation Authority (2)					
Total boardings	8,803,900	9,326,130	14,660,186	14,393,943	12,905,511
Revenue miles	5,738,650	5,954,546	9,831,917	9,744,135	9,753,676
Revenue hours	433,301	439,516	719,979	721,629	728,762
Operating cost	\$ 40,845,490	\$ 43,378,047	\$ 63,991,098	\$ 66,927,052	\$ 67,265,366
Operating cost per boarding	\$ 4.64	\$ 4.65	\$ 4.36	\$ 4.65	\$ 5.21
Farebox recovery ratio	19.4 %	22.2 %	22.6 %	20.4 %	18.3 %
City of Tempe					
Total boardings	5,435,181	5,814,968	NA	NA	NA
Revenue miles	3,803,757	3,753,634	NA	NA	NA
Revenue hours	285,591	233,981	NA	NA	NA
Operating cost	\$ 24,989,805	\$ 25,892,432	NA	NA	NA
Operating cost per boarding	\$ 4.60	\$ 4.45	NA	NA	NA
Farebox recovery ratio	20.0 %	22.6 %	NA	NA	NA
City of Glendale - Luke Link (3)					
Total boardings	NA	NA	NA	NA	NA
Revenue miles	NA	NA	NA	NA	NA
Revenue hours	NA	NA	NA	NA	NA
Operating cost	NA	NA	NA	NA	NA
Operating cost per boarding	NA	NA	NA	NA	NA
Farebox recovery ratio	NA	NA	NA	NA	NA
Total fixed route system					
Total boardings	51,362,056	52,854,301	50,878,768	50,050,988	45,891,178
Revenue miles	25,556,233	25,014,604	25,639,137	25,533,933	25,871,135
Revenue hours	1,943,969	1,784,053	2,008,239	1,955,238	2,056,647
Operating cost	\$ 203,881,957	\$ 207,070,668	\$ 201,000,975	\$ 208,187,779	\$ 212,992,954
Operating cost per boarding	\$ 3.97	\$ 3.92	\$ 3.95	\$ 4.16	\$ 4.64
Farebox recovery ratio	23.3 %	23.8 %	24.1 %	22.5 %	19.0 %

Source: Reports prepared by the Regional Public Transportation Authority (RPTA).  
Annual Transit Performance Report.

- (1) Fixed route systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.
- (2) The Regional Public Transportation Authority statistics include the City of Mesa fixed route system and the City of Scottsdale fixed route system that were separately managed through fiscal year 2004 and fiscal year 2001, respectively.
- (3) NA - City of Glendale and City of Tempe did not run a fixed route during these fiscal years.
- (4) In FY12, operating costs were reported under a new accounting standard to be consistent with the National Transit Database-NTD. The NTD reporting standard includes additional costs such as regional customer services and planning.
- (5) Commencing FY14, Fixed Route Transit services operated by City of Tempe were united with fixed route services operated by RPTA.

NR Not reported

Note: Information for fiscal year 2022 was not available at the time the ACFR was drafted.

	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021
	32,702,214	34,426,360	32,966,322	27,834,446	14,815,259
	18,331,497	20,952,046	20,364,814	21,658,242	19,643,184
	1,527,352	1,748,833	1,671,183	1,756,631	1,740,595
\$	155,973,115	\$ 175,762,917	\$ 176,208,018	\$ 189,074,196	\$ 176,014,208
\$	4.77	\$ 5.11	\$ 5.34	\$ 6.79	\$ 11.88
	17.3%	16.0%	14.9%	10.8%	0.7%
	11,867,741	11,923,532	10,412,260	11,137,195	4,633,940
	10,083,832	10,383,049	9,381,977	12,810,181	9,764,173
	758,197	793,202	756,164	1,025,213	776,863
\$	69,590,174	\$ 75,480,664	\$ 71,199,775	\$ 98,915,328	\$ 78,407,669
\$	5.86	\$ 6.33	\$ 6.84	\$ 8.88	\$ 16.92
	15.7%	13.0%	11.1%	6.5%	0.8%
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA
	44,569,955	46,349,892	43,378,582	38,971,641	19,449,199
	28,415,329	31,335,095	29,746,791	34,468,423	29,407,357
	2,285,549	2,542,035	2,427,347	2,781,843	2,517,458
\$	225,563,289	\$ 251,243,581	\$ 247,407,793	\$ 287,989,524	\$ 254,421,877
\$	5.06	\$ 5.42	\$ 5.70	\$ 7.39	\$ 13.08
	16.8%	15.0%	15.0%	9.4%	0.7%

**Valley Metro**  
**Regional Public Transportation Authority**  
 Operating Indicators by Program – Dial-a-Ride System  
 Last Ten Fiscal Years

	<u>FY 2011/2012 (2)</u>	<u>FY 2012/2013</u>	<u>FY 2013/2014</u>	<u>FY 2014/2015</u>	<u>FY 2015/2016</u>	<u>FY 2016/2017</u>
<b>Dial-a-Ride System (1)</b>						
Phoenix Dial-a-Ride						
Total boardings	337,182	336,318	328,170	355,948	370,720	313,603
Revenue miles	3,485,711	3,467,247	3,710,650	3,823,261	3,924,032	3,394,545
Revenue hours	308,915	255,835	263,459	271,807	260,845	263,622
Operating cost	\$ 16,848,817	\$ 17,299,362	\$ 17,330,044	\$ 16,947,935	\$ 17,083,365	\$ 18,301,279
Operating cost per boarding	\$ 49.97	\$ 51.44	\$ 52.81	\$ 47.61	\$ 46.08	\$ 58.36
Farebox recovery ratio	5.8%	5.3%	5.7%	6.0%	6.2%	4.6%
Phoenix Reserve-a-Ride						
Total boardings	NR	NR	NR	NR	NR	NR
Revenue miles	NR	NR	NR	NR	NR	NR
Revenue hours	NR	NR	NR	NR	NR	NR
Operating cost	NR	NR	NR	NR	NR	NR
Operating cost per boarding	NR	NR	NR	NR	NR	NR
Farebox recovery ratio	NR	NR	NR	NR	NR	NR
Phoenix Taxi						
Total boardings	NR	18,821	37,892	58,966	55,074	51,952
Revenue miles	NR	101,096	125,513	238,675	242,412	228,480
Revenue hours	NR	NR	NR	NR	NR	NR
Operating cost	NR	\$ 844,264	\$ 852,299	\$ 665,592	\$ 657,377	\$ 631,530
Operating cost per boarding	NR	\$ 44.86	\$ 22.49	\$ 11.29	\$ 11.94	\$ 12.16
Farebox recovery ratio	NR	17.9%	20.4%	25.8%	26.1%	26.1%
East Valley Dial-a-Ride						
Total boardings	215,536	279,597	316,618	343,411	358,484	315,518
Revenue miles	1,299,371	2,141,137	2,530,142	2,674,048	2,818,955	2,354,948
Revenue hours	117,381	79,573	89,164	88,551	104,079	88,720
Operating cost	\$ 12,339,120	\$ 10,973,348	\$ 11,035,889	\$ 10,802,255	\$ 12,453,370	\$ 11,743,510
Operating cost per boarding	\$ 57.25	\$ 39.25	\$ 34.86	\$ 31.46	\$ 34.74	\$ 37.22
Farebox recovery ratio	4.5%	7.1%	9.3%	11.3%	10.3%	9.6%
Maricopa County STS						
Total boardings	NR	NR	NR	NR	NR	NR
Revenue miles	NR	NR	NR	NR	NR	NR
Revenue hours	NR	NR	NR	NR	NR	NR
Operating cost	NR	NR	NR	NR	NR	NR
Operating cost per boarding	NR	NR	NR	NR	NR	NR
Farebox recovery ratio	NR	NR	NR	NR	NR	NR
Sun Cities Area Transit						
Total boardings	NR	NR	NR	NR	NR	NR
Revenue miles	NR	NR	NR	NR	NR	NR
Revenue hours	NR	NR	NR	NR	NR	NR
Operating cost	NR	NR	NR	NR	NR	NR
Operating cost per boarding	NR	NR	NR	NR	NR	NR
Farebox recovery ratio	NR	NR	NR	NR	NR	NR
Valley Metro Northwest Dial-a-Ride (3)						
Total boardings	33,058	59,260	81,761	89,275	101,919	122,739
Revenue miles	263,092	451,977	589,846	602,238	720,661	919,294
Revenue hours	8,841	12,373	17,979	18,385	22,760	28,885
Operating cost	\$ 792,405	\$ 1,817,524	\$ 2,353,161	\$ 2,671,905	\$ 3,449,893	\$ 4,119,872
Operating cost per boarding	\$ 23.97	\$ 30.67	\$ 28.78	\$ 29.93	\$ 33.85	\$ 33.57
Farebox recovery ratio	6.2%	4.1%	4.3%	4.3%	3.7%	3.5%

Source: Reports prepared by the Regional Public Transportation Authority:  
 Annual Transit Performance Report for fiscal years beginning FY 2012.

- (1) Dial-a-ride systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.
- (2) In FY12, operating costs were reported under a new accounting standard to be consistent with the National Transit Database-NTD. The NTD reporting standard includes additional costs such as regional customer services and planning.
- (3) In FY19 EVDAR and NWDAR combined to become Valley Metro Paratransit

NR - Not Reported

Note: Information for fiscal year 2022 was not available at the time the ACFR was drafted



**Valley Metro**  
**Regional Public Transportation Authority Operating**  
**Indicators by Program – Dial-a-Ride System (Continued)**  
**Last Ten Fiscal Years**

	<b>FY 2011/2012 (2)</b>	<b>FY 2012/2013</b>	<b>FY 2013/2014</b>	<b>FY 2014/2015</b>	<b>FY 2015/2016</b>	<b>FY 2016/2017</b>
<b>Dial-a-Ride System (1)</b>						
Valley Metro Ridechoice						
Total boardings	65,168	144,299	48,834	51,850	48,675	44,075
Revenue miles	NR	NR	NR	NR	NR	NR
Revenue hours	NR	NR	NR	NR	NR	NR
Operating cost	\$ 1,521,274	\$ 2,374,019	\$ 1,148,091	\$ 1,104,528	\$ 1,028,574	\$ 1,062,949
Operating cost per boarding	\$ 23.3	\$ 16.5	\$ 23.5	\$ 21.3	\$ 21.1	\$ 24.1
Farebox recovery ratio	8.4%	5.1%	15.3%	12.6%	13.3%	12.6%
Scottsdale Taxi						
Total boardings	53,476	54,538	63,113	51,170	37,094	33,817
Revenue miles	NR	NR	NR	NR	NR	NR
Revenue hours	NR	NR	NR	NR	NR	NR
Operating cost	\$ 431,037	\$ 460,760	\$ 568,054	\$ 472,515	\$ 331,436	\$ 335,245
Operating cost per boarding	\$ 8.1	\$ 8.4	\$ 9.0	\$ 9.2	\$ 8.9	\$ 9.9
Farebox recovery ratio	20.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Glendale Dial-a-Ride						
Total boardings	96,683	93,305	85,649	84,819	80,114	76,879
Revenue miles	404,838	388,368	389,372	391,406	354,503	293,920
Revenue hours	29,957	28,975	35,216	37,076	34,386	25,995
Operating cost	\$ 2,620,334	\$ 2,622,120	\$ 2,427,706	\$ 2,344,055	\$ 2,419,238	\$ 2,814,669
Operating cost per boarding	\$ 27.10	\$ 28.10	\$ 28.34	\$ 27.64	\$ 30.20	\$ 36.61
Farebox recovery ratio	4.0%	1.7%	3.1%	3.3%	3.1%	2.6%
Peoria Dial-a-Ride						
Total boardings	30,943	24,201	25,281	23,861	22,637	21,016
Revenue miles	141,596	98,999	101,211	86,519	81,683	79,174
Revenue hours	7,652	6,935	7,912	6,679	7,317	7,758
Operating cost	\$ 903,468	\$ 955,554	\$ 1,104,216	\$ 777,579	\$ 866,278	\$ 775,743
Operating cost per boarding	\$ 29.20	\$ 39.48	\$ 43.68	\$ 32.59	\$ 38.27	\$ 36.91
Farebox recovery ratio	3.0%	2.7%	2.6%	3.8%	4.0%	3.5%
El Mirage Dial-a-Ride						
Total boardings	NR	NR	NR	NR	NR	NR
Revenue miles	NR	NR	NR	NR	NR	NR
Revenue hours	NR	NR	NR	NR	NR	NR
Operating cost	NR	NR	NR	NR	NR	NR
Operating cost per boarding	NR	NR	NR	NR	NR	NR
Farebox recovery ratio	NR	NR	NR	NR	NR	NR
Surprise Dial-a-Ride						
Total boardings	24,301	5,926	NR	NR	NR	NR
Revenue miles	84,636	17,880	NR	NR	NR	NR
Revenue hours	8,955	1,976	NR	NR	NR	NR
Operating cost	\$ 661,287	\$ 127,252	NR	NR	NR	NR
Operating cost per boarding	\$ 27.21	\$ 24.03	NR	NR	NR	NR
Farebox recovery ratio	3.7%	3.8%	NR	NR	NR	NR
Total Dial-a-Ride System						
Total boardings	856,347	997,444	987,318	1,059,300	1,074,717	1,142,308
Revenue miles	5,679,244	6,565,608	7,446,734	7,816,147	8,142,246	9,622,006
Revenue hours	481,701	385,667	413,730	422,498	429,387	478,822
Operating cost	\$ 36,117,742	\$ 36,629,939	\$ 36,819,460	\$ 35,786,364	\$ 35,786,364	\$ 49,855,716
Operating cost per boarding	\$ 42.18	\$ 36.72	\$ 37.29	\$ 33.78	\$ 33.30	\$ 43.64
Farebox recovery ratio	5.4%	5.9%	7.0%	7.7%	7.6%	6.2%

Source: Reports prepared by the Regional Public Transportation Authority:  
Annual Transit Performance Report for fiscal years beginning FY 2012.

- (1) Dial-a-ride systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.
- (2) In FY12, operating costs were reported under a new accounting standard to be consistent with the National Transit Database-NTD. The NTD reporting standard includes additional costs such as regional customer services and planning.

NR Not reported

Note: Information for fiscal year 2022 was not available at the time the ACFR was drafted.



**Valley Metro**  
**Regional Public Transportation Authority**  
Operating Indicators by Program – Shuttle / Circulator System  
Last Ten Fiscal Years

	<u>FY 2011/2012 (7)</u>	<u>FY 2012/2013</u>	<u>FY 2013/2014 (8)</u>	<u>FY 2014/2015</u>	<u>FY 2015/2016</u>
<b>Shuttle/Circulator System</b>					
City of Phoenix (1)					
Total boardings	1,325,435	1,876,635	2,679,891	2,669,161	1,631,035
Revenue miles	518,763	671,245	786,672	724,333	598,183
Revenue hours	39,210	48,686	71,356	62,471	57,138
Operating cost	\$ 3,849,920	\$ 5,337,126	\$ 6,228,762	\$ 5,270,763	\$ 3,188,246
Operating cost per boarding	\$ 2.90	\$ 2.84	\$ 2.32	\$ 1.97	\$ 1.95
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%	0.0%
City of Tempe (2)					
Total boardings	3,490,934	3,081,111	NR	NR	NR
Revenue miles	1,506,444	1,449,887	NR	NR	NR
Revenue hours	168,166	145,472	NR	NR	NR
Operating cost	\$ 9,404,570	\$ 10,001,270	NR	NR	NR
Operating cost per boarding	\$ 2.69	\$ 3.25	NR	NR	NR
Farebox recovery ratio	0.0%	0.0%	NR	NR	NR
City of Scottsdale (3) (4)					
Total boardings	969,718	897,167	955,627	880,858	864,534
Revenue miles	480,480	552,033	629,453	631,772	729,748
Revenue hours	60,857	171,339	57,547	59,377	64,851
Operating cost	\$ 2,645,244	\$ 2,581,006	\$ 2,687,328	\$ 3,555,556	\$ 4,709,528
Operating cost per boarding	\$ 2.73	\$ 2.88	\$ 2.81	\$ 4.04	\$ 5.45
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%	0.0%
City of Glendale (5)					
Total boardings	120,642	120,885	119,248	103,538	91,245
Revenue miles	98,668	95,244	93,981	90,554	93,335
Revenue hours	8,713	8,498	8,562	8,001	7,829
Operating cost	\$ 812,589	\$ 812,589	\$ 802,959	\$ 654,692	\$ 689,665
Operating cost per boarding	\$ 6.74	\$ 6.72	\$ 6.73	\$ 6.32	\$ 7.56
Farebox recovery ratio	3.3%	3.3%	3.3%	3.7%	3.1%
Regional Public Transportation Authority (6)					
Total boardings	204,176	293,613	3,172,246	2,752,254	3,278,149
Revenue miles	279,762	369,149	1,814,134	1,851,992	1,898,958
Revenue hours	22,045	28,723	180,374	200,237	204,012
Operating cost	\$ 1,533,426	\$ 1,920,057	\$ 10,913,672	\$ 11,196,470	\$ 12,075,097
Operating cost per boarding	\$ 7.51	\$ 6.54	\$ 3.44	\$ 4.07	\$ 3.68
Farebox recovery ratio	2.9%	4.2%	0.7%	0.7%	0.5%
<b>Total Shuttle/Circulator System</b>					
Total boardings	6,110,905	6,269,411	6,927,012	6,405,811	5,864,963
Revenue miles	2,884,117	3,137,558	3,324,240	3,298,651	3,320,224
Revenue hours	298,991	402,718	317,839	330,086	333,830
Operating cost	\$ 18,245,749	\$ 20,652,048	\$ 20,632,721	\$ 20,677,481	\$ 20,662,536
Operating cost per boarding	\$ 2.99	\$ 3.29	\$ 2.98	\$ 3.23	\$ 3.52
Farebox recovery ratio	0.4%	0.4%	0.5%	0.5%	0.4%

Source: Reports prepared by the Regional Public Transportation Authority:  
Annual Transit Performance Report for fiscal years beginning FY 2012.

- (1) City of Phoenix - Alex, Dash, Mary & Smart
- (2) City of Tempe - FLASH, Orbit-Earth, Jupiter, Mars, Mercury & Venus
- (3) City of Scottsdale - Neighborhood Trolley, Miller Road Trolley, and Downtown Trolley
- (4) City of Glendale - GUS
- (5) RPTA- Mesa BUZZ
- (6) In FY12, operating costs were reported under a new accounting standard to be consistent with the National Transit Database-NTD. The NTD reporting standard includes additional costs such as regional customer services and planning.
- (7) Commencing in FY14 Circulator transit services operated by City of Tempe were unified with RPTA circulator transit services.

Note: Information for FY 2022 was not available at the time the ACFR was drafted.

	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021
	1,022,887	938,187	841,375	700,522	306,278
	533,418	531,586	519,355	533,050	527,690
	50,595	50,525	49,053	50,526	48,365
\$	3,430,970	\$ 3,456,011	\$ 4,219,496	\$ 3,735,879	\$ 3,679,542
\$	3.35	\$ 3.68	\$ 5.02	\$ 5.33	\$ 12.01
	0.0%	0.0%	0.0%	0.0%	0.0%
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	894,633	798,825	771,902	645,431	179,671
	834,136	843,559	1,053,495	942,649	565,631
	70,174	69,801	77,717	69,183	39,644
\$	5,144,000	\$ 4,446,308	\$ 3,387,145	\$ 3,423,581	\$ 1,624,927
\$	6.05	\$ 5.57	\$ 4.39	\$ 5.30	\$ 9.04
	0.0%	1.0%	0.0%	0.0%	0.0%
	84,440	104,385	125,033	108,532	61,704
	98,046	98,756	94,565	91,418	94,875
	8,581	8,902	8,745	8,691	8,712
\$	890,261	\$ 966,039	\$ 1,093,323	\$ 983,186	\$ 666,032
\$	10.54	\$ 9.25	\$ 8.74	\$ 9.06	\$ 10.79
	2.3%	1.0%	0.0%	0.0%	0.0%
	2,899,066	2,790,091	2,844,489	2,292,727	794,266
	1,901,805	2,156,795	2,423,094	2,459,095	2,304,207
	203,069	212,809	231,833	229,552	220,741
\$	12,212,501	\$ 14,340,518	\$ 16,663,099	\$ 18,178,099	\$ 17,360,584
\$	4.21	\$ 5.14	\$ 5.86	\$ 7.93	\$ 21.86
	0.5%	2.0%	0.7%	0.6%	4.7%
	4,856,026	4,631,488	4,582,799	3,723,655	1,341,919
	3,367,405	3,630,696	4,090,509	4,026,212	3,492,403
	332,419	342,038	367,348	357,951	317,462
\$	21,677,732	\$ 23,208,876	\$ 25,363,063	\$ 25,291,229	\$ 23,331,085
\$	4.46	\$ 5.01	\$ 5.53	\$ 6.79	\$ 17.39
	0.4%	1.0%	0.7%	0.4%	0.2%

**Valley Metro**  
**Regional Public Transportation Authority**  
 Capital Asset Statistics by Function/Program  
 Revenue Vehicles for Transit Service Operations  
 Last Ten Fiscal Years

---

<b>Fiscal Year</b>	<b>Local and Express Bus</b>	<b>Paratransit / Dial-a-Ride</b>	<b>Vanpool</b>
2012/13	207	25	419
2013/14	225	2	433
2014/15	223	1	431
2015/16	223	0	435
2016/17	230	0	438
2017/18	278	0	440
2018/19	253	0	420
2019/20	278	0	435
2020/21	275	25	291
2021/22	248	25	275

Source: Reports prepared by the Regional Public Transportation Authority





Valley Metro® Rail Inc.-Phoenix, AZ

# Annual Comprehensive Financial Report

**FISCAL YEAR ENDED JUNE 30, 2022**





# **VALLEY METRO RAIL, INC.**

Phoenix, Arizona

## **Annual Comprehensive Financial Report**

**For the fiscal year ended**

**June 30, 2022**

**Prepared by:  
Finance Division**

# Valley Metro® Rail System Fact Sheet

## ABOUT VALLEY METRO RAIL

Valley Metro Rail is responsible for the planning, design, construction and operations of the region's light rail and streetcar system, serving more than eight million total passengers in Fiscal Year 2022. In May of 2022, the rail system added a new mode with the opening of the streetcar. Traveling along a three-mile route in Tempe, the streetcar makes 14 stops.

The initial 20-mile light rail line opened on December 27, 2008. Two extensions began service by spring 2016, adding six more miles and connecting downtown Mesa to northwest Phoenix. In 2019, the line extended 1.9 miles east to the new Gilbert Rd/Main St light rail station, where there are additional transit connections. The 50th St/Washington station also opened in 2019 with enhanced accessibility features, including advanced pedestrian detection crosswalk signals, wider platforms and gently sloped entries.

The 38 stations were designed with significant consideration given to the desert sun and heat. Eleven park-and-rides provide 4,488 parking spaces along 28 miles. Artwork is also an integral part of the urban system, reflecting the history and culture of local neighborhoods. Each light rail vehicle has a comfort capacity of 175 passengers and features state-of-the-art technology designed for the urban desert climate.

The system is expanding, with two extensions under construction: Northwest Extension Phase II and South Central Extension/Downtown Hub. The Capitol Extension, which will extend light rail west to the State Capitol from downtown Phoenix, is currently in the planning phase.



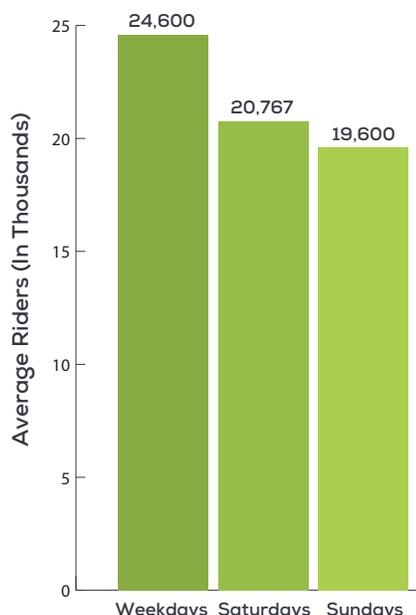
### LIGHT RAIL SYSTEM OVERVIEW

- Number of miles: 28
- Number of stations: 38
- Number of vehicles: 56
- Number of parking spaces: 4,488
- Total travel time: 90 minutes
- Cost to ride: \$2.00 per ride  
\$4.00 1-Day Pass



## FY22 Light Rail Ridership 8.3 million rail riders

### Daily Average Riders



### STREETCAR SYSTEM OVERVIEW

- Number of miles: 3
- Number of stops: 14
- Number of vehicles: 6 (when fleet is complete)
- Total travel time: 43 minutes
- Cost to ride: Free until May 19, 2023 and then \$1.00 per ride

While ridership declined by 50 percent in FY21 due to the COVID-19 pandemic, light rail continued to provide essential trips for commuters traveling to medical facilities, construction jobs and critical retail businesses.



## TEN BUSIEST STATIONS

- 19th Ave/Dunlap
- Gilbert Rd/Main St
- University Dr/Rural
- Montebello/19th Ave
- 44th St/Washington
- 19th Ave/Camelback
- Veterans Way/College Ave
- Thomas/Central Ave
- Glendale/19th Ave
- McClintock/Apache Blvd

## OPERATIONS

Valley Metro Rail operates 365 days a year, with trains arriving every 15 minutes during peak travel hours. Operations' costs are supported by rail member cities, passenger fares and advertising.

Rail service is coordinated with bus service to provide a seamless transit network for customers. Transit passes can be purchased at fare vending machines located at each station, online or from retail outlets valley-wide. In early 2023, customers will have the ability to purchase fares directly through the Valley Metro app. Security officers regularly patrol the system and ask passengers at random for proof of payment. Violators are subject to fines ranging from \$50 to \$500 and can even lose their transit privileges. Ten Customer Experience Coordinators help riders throughout the rail system, providing a welcoming presence and aiding with wayfinding and purchasing correct fare.

The Valley Metro Rail system connects the region to the cities of Phoenix, Tempe and Mesa. It provides connections to work, education and entertainment. There are many sports, shopping, restaurants and arts and culture destinations along the line. Valley Metro Rail also connects to Phoenix Sky Harbor International Airport with PHX Sky Train® at the 44th St/Washington station.

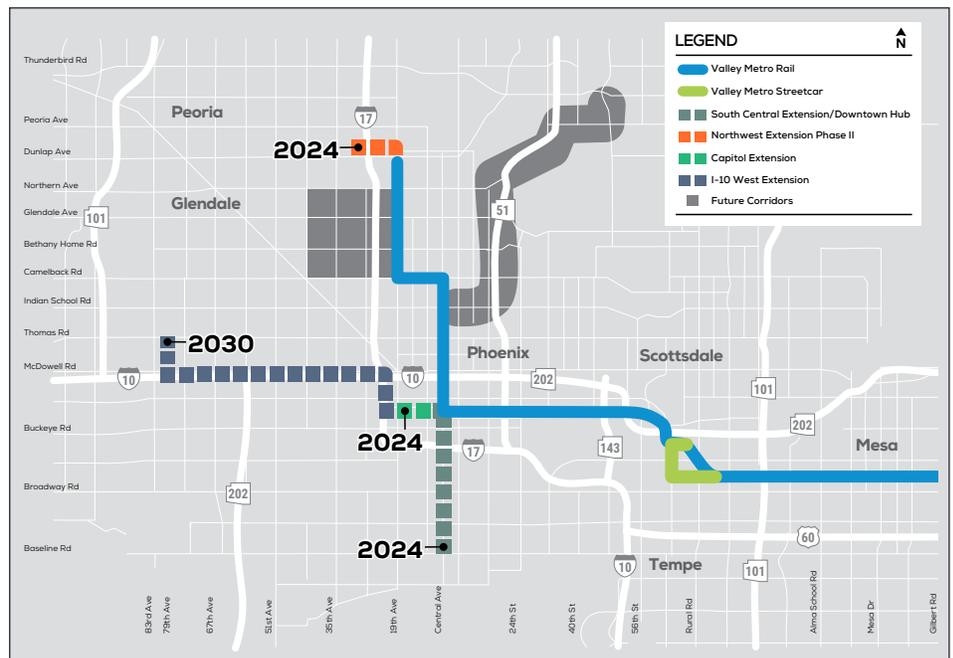
Rail is a catalyst for jobs and economic development with \$16.1 billion in public and private sector investment since 2008 along the light rail and streetcar corridors.

## FUNDING SOURCES\*



## FUTURE EXPANSION

Five high-capacity extensions are planned or under construction to create a 50-mile system by 2030. The Valley Metro Rail Board of Directors sets the policy direction for the system with the intent of advancing regional public transit in the Valley.



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**Valley Metro Rail, Inc.**

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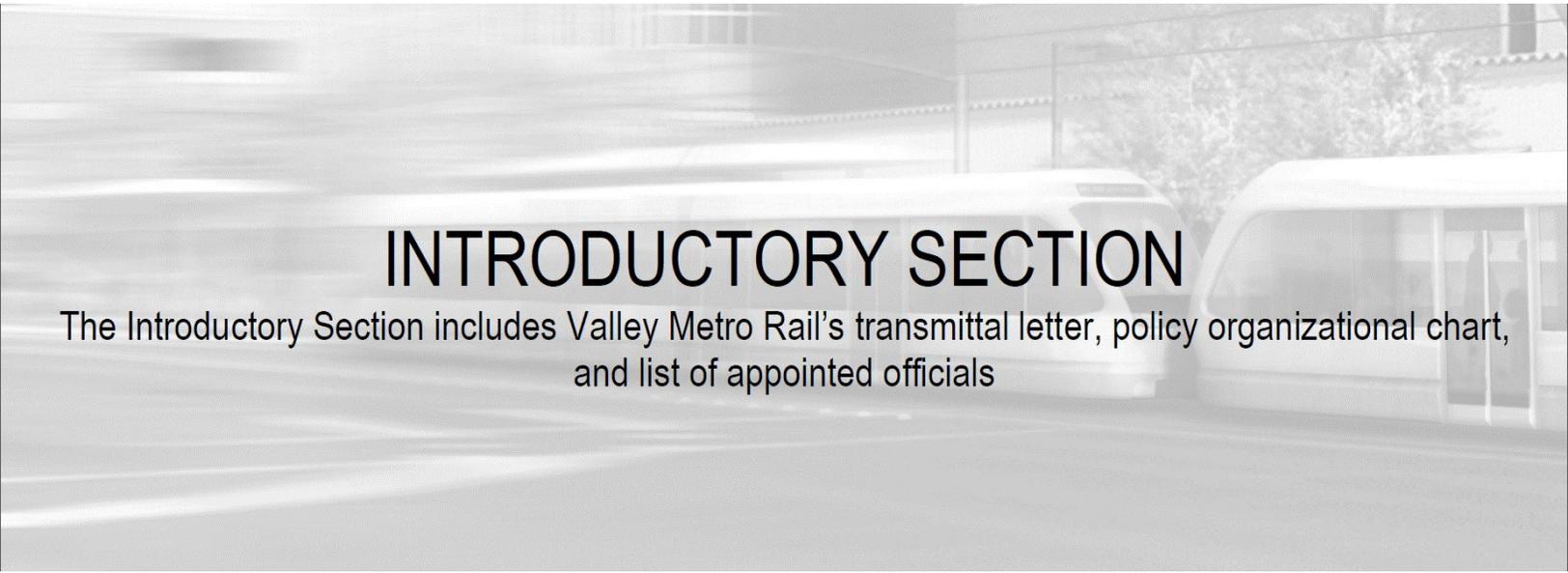
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# INTRODUCTORY SECTION

The Introductory Section includes Valley Metro Rail's transmittal letter, policy organizational chart, and list of appointed officials



The much-anticipated Valley Metro Fiesta BUZZ launches in October 2022. It's a free neighborhood circulator that will connect populated districts such as Mesa Riverview, the Asian District, and the Fiesta District with central locations like Mesa Community College, Banner Desert Hospital, Mekong Plaza, and Sloan Park. Service has been designed to operate in neighborhoods and smaller streets in addition to arterial roadways. This route will also have "flag zones," which are areas off arterial roads where passengers can flag the bus to stop, like hailing at a taxi.



November 28, 2022

To Chairman and Members of the Valley Metro Rail, Inc. Board of Directors:

The annual comprehensive financial report of Valley Metro Rail, Inc. (VMR) for the fiscal year ended June 30, 2022, is hereby submitted in accordance with the requirements of the Bylaws and Board directives. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position, results of operations and cash flows of VMR. All disclosures necessary to enable the reader to gain an understanding of VMR's activities have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The independent auditors, CliftonLarsonAllen LLP., whose report is included herein, have audited the basic financial statements and related notes. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the basic financial statements of VMR as of and for the fiscal year ended June 30, 2022, are free from material misstatement. The independent audit involved examining, on a test basis; evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that the basic financial statements of VMR for the fiscal year ended June 30, 2022, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Additionally, VMR is required to have an independent audit of expenditures of federal awards received (Single Audit) by VMR directly from federal agencies or passed through to VMR by other governmental entities during the fiscal year. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on VMR's internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements

involving the administration of major federal awards. The results of VMR's Single Audit for the fiscal year ended June 30, 2022, found no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations with respect to major programs. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in a separately issued Single Audit Report.

The financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America. More information about the presentation can be found in Management's Discussion and Analysis (MD&A) beginning on page 5 and discussed in the notes to the financial statements beginning on page 16. This transmittal letter is designed to complement MD&A and should be read in conjunction with it.

### **THE FINANCIAL REPORTING ENTITY**

VMR was established in October 2002 as a public nonprofit corporation to manage the design, construction and operation of the Light Rail Transit (LRT) System within the Phoenix Metropolitan Area. Membership is governed by a Joint Powers Agreement and the By-Laws of the corporation. Current membership consists of the cities of Phoenix, Tempe, Mesa, and Chandler.

During the fiscal year 2022, a four-member Board of Directors governed VMR, consisting of the mayors or the designated representatives from each member city. The Board of Directors establishes overall policies for management and administration of the LRT System, provides oversight over the design, construction and operation of light rail, and receives and disburses funds and grants from federal, state, local, and other funding sources. A Chief Executive Officer, appointed by the Board of Directors, is responsible for the day-to-day management of the organization.

### **Funding Milestones**

On November 2, 2004, the voters of Maricopa County approved Proposition 400, the continuation of the transportation excise tax, for a twenty-year period, beginning in calendar year 2006 and ending December 2025. A major milestone in transportation funding and service in the region, the proposition had unanimous support from the mayors of all the cities in the region and the Maricopa County Board of Supervisors, the Maricopa Association of Governments Regional Council, and the Arizona Department of Transportation.

In August 2015, Phoenix voters approved Proposition 104, which extended the dedicated transportation tax sunset from 2020 to 2050. In addition, it raised the tax rate from 0.4% to 0.7%. The revenues are intended to support a variety of transportation projects in the City of Phoenix, including many light rail transit projects.

## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

VMR serves the cities of Phoenix, Tempe, Mesa and Chandler that are centrally located in Maricopa County, Arizona. These cities collectively encompass approximately 760 square miles. Together they form a significant portion of the greater metropolitan Phoenix area, which is the economic, political, and population center of Arizona.

The combined four cities have grown from 2.35 million residents in the year 2012 to 2.60 million residents in 2021, an increase of approximately 10.6% in the last nine years. The four cities' population represents over 58% of the total Maricopa County population. According to the Greater Phoenix Economic Council, population in the region is projected to grow at more than twice the national rate for the next few decades, growing from 4.0 million in 2010 to 6.5 million in 2030.

Despite significant increases in consumer price inflation in the Phoenix area as compared to the national average economic projections for the Phoenix area remain optimistic. Projections published in September 2022 by the University of Arizona, Economic and Business Research Center indicate personal income for the Phoenix area is forecasted to increase by 13.8%, retail sales growth of 11.3% and non-farm employment of 4.4% from 2023 to 2025. Residential permits are projected to decrease by 14.2% over the same period.

Sales tax projections prepared by Arizona Department of Transportation forecast revenues to grow by an average of 4.5% per year for the next four years.

## **FINANCIAL CONTROLS**

### **Accounting and Administrative Controls**

As previously noted, VMR's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of VMR are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. VMR's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a sub-recipient of federal financial assistance, VMR is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and by VMR's independent auditors. As part of VMR's Single Audit, tests were made of the internal control structure and of its compliance with applicable laws and regulations, including those related to federal awards.

Although this testing is limited in scope and is not sufficient to support an opinion on VMR's internal control system or its compliance with laws and regulations, the audit for the year ended June 30, 2022, disclosed no material internal control weaknesses or material violations of laws and regulations. The audit of VMR's compliance with requirements applicable to each major federal program and internal control over compliance resulted in an unmodified opinion of compliance and noted no material weaknesses in internal controls.

## **Budgetary Systems and Controls**

The objective of the budgetary controls maintained by VMR is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors. The by-laws require a balanced budget to be adopted by the VMR Board each fiscal year. The level of budgetary control, i.e., the level at which expenditures cannot legally exceed appropriations, is the total operating budget. VMR maintains budgetary control by conducting quarterly evaluations of expenditures against appropriations and through close monitoring of revenues. Encumbrance accounting is not utilized.

In addition to the annual budget, VMR also prepares a Five-Year Capital Program and Operating Forecast and the Transit Life Cycle Plan (TLCP) update. The five-year forecast uses the annual budget information as a base and extends it an additional four years to provide information about the anticipated schedule, costs, and revenues. The TLCP gives a longer-term perspective by outlining the sources and uses of funds for specific regionally supported planning and capital projects through fiscal year 2026.

For each major capital construction project, VMR regularly reports the project budget status showing by project element the budget amount versus actual expenditures, and forecasted cost at completion. Should anticipated contractual costs appear to exceed the Board approved project budget, VMR staff will seek Board action to adjust project scope or approve additional funding. During construction, significant issues are addressed in narrative reports included in the project progress report submitted to the Board on a quarterly basis.

## **Current Rail Passenger Operations**

The total LRT System encompasses approximately 27.3 miles with the cities of Phoenix, Tempe, and Mesa sharing the responsibility for funding the operating and maintenance (O&M) costs. Costs are currently shared based on the proportion of track miles constructed within each city.

## **Current Streetcar Operation**

The total Streetcar System encompasses 3 miles within the City of Tempe. City of Tempe is responsible for funding the operating and maintenance (O&M) costs.

## **MAJOR INITIATIVES – Design/Construction of Light Rail and Modern Streetcar**

### **Tempe Streetcar Project**

In May of 2022, Valley Metro completed and began operating Tempe Streetcar. A 3-mile modern streetcar, including 14 stops and two connections to existing light rail, traveling the Mill Avenue corridor and along Rio Salado Parkway and Apache Boulevard in the City of Tempe. The Streetcar provides service to one of the highest transit ridership centers in the region. The streetcar route passes by Arizona State University which has over 70,000 students and continues through downtown Tempe.

### **Northwest Extension-Phase II**

The 1.6-mile Northwest Extension-Phase II will extend light rail west on Dunlap Avenue from 19th Avenue, north on 25th Avenue and across I-17 on Mountain View Road with a terminus on the west side of the freeway near Metrocenter Mall. The project also includes three new stations, including the system's first elevated station, and a park-and-ride transit center. Valley Metro and City of Phoenix continue to provide direct financial assistance to locally owned, small businesses immediately adjacent to construction activities along the corridor with the Small Business Financial Assistance Program(SBFAP).The project is expected to open for revenue service in 2024.

### **South Central/Downtown Hub Extension**

The 5.5-mile South Central Light Rail Extension project will connect with the current light rail system in downtown Phoenix and operate south on Central avenue to Baseline road. The project will contain 8 stations and two park-and-rides. The South-Central corridor is one of the seven project areas identified by the U.S. Department of Transportation for inclusion in its Ladders of Opportunity Transportation Empowerment Pilot (LadderSTEP) program. The LadderSTEP pilot program aims to build and restore connections, develop workforce capacity and catalyze neighborhood revitalization through planned transportation projects. Valley Metro and City of Phoenix continue to provide direct financial assistance to locally owned, small businesses immediately adjacent to construction activities along the corridor with the SBFAP. The project is expected to open for revenue service in 2024.

### **Capitol Extension**

The 1.4-mile Capitol Extension will connect the existing light rail system to downtown Phoenix to the Arizona State Capitol. The capitol extension was approved by the Phoenix City Council and the VMR Board in 2016. Preliminary engineering and preparations for federally required environmental assessments are in progress.

## **I-10 West Extension**

In 2016, the Phoenix City Council and the Valley Metro Board of Directors approved a phased approach to what was then known as the Capitol/I-10 West Extension. Phase I, is now known as the Capitol Extension. Phase II, is now known as the I-10 West Extension. The I-10 West Extension is a 9.4-mile extension project that will connect the greater west valley with the current light rail system. The I-10 West Extension will extend light rail along I-10 to Desert Sky Transit Centers. The project will include 8 stations and 3 park-and-rides

## **OTHER INFORMATION**

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Metro Rail, Inc. for its annual comprehensive financial report for the fiscal year ended June 30, 2021.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine eligibility for another certificate.

### **Acknowledgments**

The preparation of this report could not have been accomplished without the dedicated service of VMR's Finance staff. Support provided by the Board of Directors is invaluable and appreciated.

Respectfully submitted,



Jessica Mefford-Miller  
Chief Executive Officer



Jim Hillyard  
Chief Administrative Officer  
and Acting Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Valley Metro Rail, Inc.**  
**Arizona**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO



**VALLEY METRO RAIL, INC.**  
**List of Appointed Officials**  
**Fiscal Year Ended June 30, 2022**

**Board of Directors**

Board Chairman	Councilmember Francisco Heredia, Mesa
Vice Chairman	Councilmember Robin Arredondo-Savage, Tempe
Board Member	Vice Mayor Laura Pastor, Phoenix
Board Member	Mayor Kevin Hartke, Chandler

**Executive Management Team**

Chief Executive Officer	Jessica Mefford-Miller
Director, Government Relations	Alexis Tameron Kinsey
General Counsel, Interim	Michael Wawro
Chief Administrative Officer	Jim Hillyard
Director, Capital Development	Henry Ikwut-Ukwa
Director, Communication and Strategic Initiatives	Hillary Foose
Director, Human Resources	Penny Lynch
Chief Financial Officer, Interim	Jim Hillyard
Director, Safety, Security, and Quality Assurance	Adrian Ruiz
Director, Internal Audit	Sebrina Beckstrom
Deputy Director of Transportation and Project Integration	Dan Filippino
Deputy Director of Maintenance and State of Good Repair	Rob Rosenberg

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## FINANCIAL SECTION

The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to the financial statements.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Valley Metro Rail, Inc.  
Phoenix, Arizona

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities of Valley Metro Rail, Inc. (VMR), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VMR's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Valley Metro Rail, Inc., as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VMR and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter – Change in Accounting Principle*

As discussed in Note 3 of the financial statements, effective July 1, 2021, VMR adopted new accounting guidance for leases. The guidance requires lessees to recognize a right to use asset and lease liability for all leases with lease terms greater than twelve months. The recognition of the lease liability resulted in the elimination of a deferred rent liability previously reported and a restatement of beginning net position. Our opinions are not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VMR's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VMR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VMR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise VMR's basic financial statements. The Schedule of Operations – Budget to Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Operations – Budget to Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Directors  
Valley Metro Rail, Inc.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of VMR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VMR's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VMR's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 28, 2022





The 35th annual Clean Air Campaign Awards and Luncheon held on Monday, October 17, 2022, at the JW Marriott Scottsdale Camelback Inn Resort & Spa was a great success with over 300 in attendance. Guests enjoyed music by He Said/She Said, a great keynote address by Dan Harkins, owner, Harkins Theatres and Sean McLaughlin from AZ Family was master of ceremonies.

## Valley Metro Rail, Inc.

### Management's Discussion and Analysis

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As management of Valley Metro Rail, Inc. (VMR), we offer this narrative overview and analysis of the financial activities of VMR for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – vi of this report. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of VMR's financial activity, (3) identify changes in VMR's financial position, (4) identify any material deviations from the financial plan (adopted annual budget), and (5) identify other issues or concerns.

#### Financial Highlights

- VMR implemented GASB Statement No. 87, Leases, in fiscal year 2022. The cumulative effect on net position due to leases was a decrease of \$0.2 million. With this implementation, VMR recorded a net right to use assets of \$17.5 million at June 30, 2022. Lease liabilities of \$17.7 million were also recorded as of June 30, 2022. Further information on GASB No. 87 can be found at Note 8.
- In July of 2021, the Operations and Maintenance Center expansion was completed. In May of 2022, the Tempe Streetcar began revenue service. In addition, during the year 5 new LRV vehicles were conditionally accepted from the supplier. \$282.0 million of construction in progress was reclassified as depreciable assets and depreciation increased by \$5.3 million because these projects were completed.
- Construction costs associated with Northwest Extension-Phase II and South Central Extension/Downtown Hub projects, payments to suppliers for one streetcar vehicle and four light rail vehicles that were not conditionally accepted, and capital improvements to the Tempe Streetcar project have resulted in a \$349.0 million increase in construction in progress. In addition, advance funding provided by the City of Phoenix for construction costs for Northwest Extension-Phase II and South Central Extension/Downtown Hub have resulted in an increase in unearned revenue.
- VMR's operating revenues for FY 2022 were \$9.4 million compared to \$5.2 million for the prior period, an increase of \$4.2 million, or 80.1%. Fare revenues of \$5.2 million were up over the prior period due to increased ridership. In FY 2022, regional revenues were \$3.1 million for the regional capital rebuild program. As the system is now over 13 years old, the regional revenues for the capital rebuild program pay for maintenance of the light rail vehicles that is necessary to keep them in a state of good repair.
- VMR's non operating receipts of federal grant funding for operations in FY 2022 were \$36.3 million compared to \$45.8 million in the prior year. The current year monies were received as part of three federal programs, federal Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARP) to reimburse Valley Metro for eligible expenses and lost revenue associated with the COVID-19 pandemic. As a result of a reduction in federal aid the contributions from the member cities increased by \$13.4 million compared to the prior year.
- Capital contributions totaled \$377.8 million consisting of public transportation funds of \$55.5 million, Federal Transit Administration capital grants totaling \$307.5 million and \$14.8 million in city contributions. Capital contributions federal assistance increased in FY2022. In FY22, \$98.7 million were received in ARP monies for the South Central Extension and Tempe Street Car

capital projects. In addition, \$173.1 Million in FTA section 5309 monies for South Central Extension and phase II of the Northwest Extension capital projects. Finally, \$22.2 of Congestion Mitigation and Air Quality Improvement monies were received for the Operation and Maintenance Center expansion.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

VMR's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP requires that the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). The financial section of the Annual Comprehensive Financial Report for VMR consists of this discussion and analysis and the basic financial statements. This report also contains other supplementary schedules presented after the basic financial statements. VMR's basic financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and the notes to the financial statements. VMR's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

**Fund Financial Statements** – VMR is presented as an enterprise fund. Enterprise funds are used for activities that primarily serve customers outside the governmental unit. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of VMR.

The statement of net position presents information on all of VMR's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of VMR is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected grant revenues).

**Notes to the Financial Statements** – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements and should be read with the financial statements. The notes can be found beginning on page 16.

**Enterprise Operations** – VMR was formed in October 2002 by the cities of Glendale, Mesa, Phoenix and Tempe as a public nonprofit corporation to manage design, construction and operation of the Light Rail Transit (LRT) System within the Metropolitan Area. The City of Chandler became the fifth contributing member in April of 2007. During Fiscal Year 2020 the City of Glendale elected to discontinue its membership in VMR reducing the total member cities from five to four. The member cities pay for their share of VMR's operating expenses based on expense allocation methods approved in the by-laws of VMR. See Note 1 for a summary of VMR's significant accounting policies.

**FINANCIAL ANALYSIS OF VMR**

The following tables and analysis discuss the financial position and changes to the financial position for VMR as a whole as of and for the year ended June 30, 2022, with comparative information for the previous period.

**Net Position** – Net position may serve over time as a useful indicator of VMR's financial position. The following table reflects the condensed Statement of Net Position as of June 30, 2022, compared to the prior period.

**VMR's Condensed Statement of Net Position**  
**As of June 30, 2022 and 2021**  
*(in thousands of dollars)*

	2022	2021	Change	Percent Change
Current and other assets	\$ 384,466	\$ 184,719	\$ 199,747	108.1 %
Noncurrent assets	2,278,933	1,983,461	295,472	14.9 %
Total assets	<u>2,663,399</u>	<u>2,168,180</u>	<u>495,219</u>	<u>22.8 %</u>
Current Liabilities	101,690	182,337	(80,647)	(44.2)%
Noncurrent Liabilities	280,098	7,001	273,097	3,900.8 %
Total liabilities	<u>381,788</u>	<u>189,338</u>	<u>192,450</u>	<u>101.6 %</u>
Net Investment in Capital Assets	2,254,849	1,946,769	308,080	15.8 %
Unrestricted	<u>26,762</u>	<u>32,073</u>	<u>(5,311)</u>	<u>-16.6 %</u>
Total Net Position	<u><u>\$ 2,281,611</u></u>	<u><u>\$ 1,978,842</u></u>	<u><u>\$ 302,769</u></u>	<u><u>15.3 %</u></u>

Total net position represents the sum of VMR's unrestricted net position plus net investment in capital assets. The largest portions of the investment are the light rail system capital assets. It is not VMR's intention to sell these assets and they are therefore not available for future spending. In FY 2022 net position increased \$302.8 million largely due to the addition of the construction in progress for South Central/Downtown Hub Extension (\$237.4 million), Northwest Extension-Phase II (\$89.4 million), and ongoing payments for one streetcar and four light rail vehicles (\$1.5 million) that have not yet been received. In addition, the current year costs associated with the Tempe Streetcar project, operations and maintenance center expansion project, and five light rail vehicles, were capitalized along with prior year costs that were transferred from CIP. Funding sources for the new capital investments include federal grants, public transportation funds and city local match funding.

The 108.1% increase in current and other asset is primarily the result of an increase in cash of \$106.1 million or 539.4%. This is due to the City Member Advances for capital project expenses that are recorded as unearned revenue because they will not be earned until capital project completion. There was also a significant increase in the amount of due from other governments of \$90.9 million or 64.4%. This is mostly due to large increases in due from RPTA for Public Transportation Funds and City of Phoenix FTA Funds for capital project expenses.

The 44.2% decrease in current liabilities is primarily the result of a decrease of \$12.8 million in accounts payable and the movement of unearned revenue of \$43.7 million to noncurrent liabilities. Accounts payable decreased as a result of a slight decrease in construction costs compared to the prior year as the South Central Extension project has passed the halfway point. This resulted in a decreased amount of unpaid invoices at June 30. The change in unearned revenue is explained the next paragraph.

The 3,900.8% increase in noncurrent Liabilities is the result of a \$210.5 million increase of unearned revenue. This includes a prior year balance of \$43.7 movement to noncurrent liabilities as these advances, that were paid by City of Phoenix for the South Central Extension and Northwest Extension, will not be earned until the capital projects are near completion (estimated completion years are FY25 and FY24, respectively). In FY22, the City of Phoenix contributed \$175.2 million and \$44.7 million in advance for the construction of the South Central Extension Project and the Northwest Extension II Project, respectively. The Due to RPTA Advance Bond Proceeds decreased per the debt service schedule shown in Note 10 - Due to RPTA PTF Advance Bond proceeds. Further, Lease Liability of \$15.9 million was recorded per the implementation of the new GASB Statement No. 87, *Leases* (see Note 8).

### **CHANGES IN NET POSITION**

Total operating revenues, which consist of passenger fares and other revenues (advertising), increased by \$4.2 million, or 80.1%. The passenger fare revenues increased by \$3.6 million or 230.9% due to ridership slowly increasing back to pre-pandemic levels. Other revenues, mostly consisting of advertising revenues, increased by \$677.0 thousand or 143.1% due to an increase in advertising sales that is gradually returning back to pre-pandemic levels. Declines in operating revenues as a result of the COVID-19 pandemic continued to be supplemented by FTA funding received as part of three federal programs, federal Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARP). These revenues are reported as non-operating revenues.

Operating expenses increased by \$11.9 million to \$126.7 million or 10.4%. Administrative expenditures increased by \$2.1 million to \$3.7 million or 124.2%. The increase was due to a IT support costs for new Enterprise Resource Planning system of \$606.7 thousand. In the current year, there were \$500.4 thousand of South Central extension project costs that were not eligible to be capitalized and were therefore reported as administrative expenses. In FY2021, operating expenses were reduced by \$0.6 million for costs of the Bus Interface facility reported as capital conveyance to the City of Mesa, in FY 2022 no such adjustment was made to administrative expenses. In FY 2022, passenger operations service expenses increased by \$1.1 million from \$53.3 million to \$54.4 million or 2.0%. The slight increase was a result of Tempe Street car operating costs beginning in May of 2022. Costs of operating light rail service also increased slightly due to inflation and liability insurance increases. The regional capital rebuild program increased to \$5.2 million as the effort continued to maintain the light rail vehicles which are now over ten years old. Depreciation expense was \$61.4 million, an increase of \$5.3 million or 9.5% over the previous year. Depreciation expense increased due to the completion and addition of Tempe Streetcar assets, the Operations and Maintenance Expansion Project, and the conditional acceptance of 5 light rail vehicles.

Non-operating revenues and expenses: An increase of \$14.2 million or 51.8% in net position was reported. There was an increase of \$13.4 or 93.1% for contributions from member cities as a result of increases in passenger operations costs and reduction in federal grant aid. Receipts from federal grants decreased by \$9.5 million or 20.7% due to challenges in meeting federal procurement requirements necessary to utilize FTA funding from CARES, CRRSAA, and ARP COVID-19 relief monies. Further, there was an increase of \$6.9 million or 5,973.3% for concurrent non project activities due to an increase in utility relocations performed as part of the south central extension and northwest phase II project. Also, there was decrease of \$15.1 million in capital conveyance of real estate to member cities, with the largest decrease in south central light rail extension real estate costs.

**Valley Metro Rail, Inc.**
**Management's Discussion and Analysis (Continued)**

The following table compares the revenues and expenses of VMR for the current fiscal year and the previous period.

**VMR's Changes in Net Position**  
**Fiscal year ended June 30, 2022 and 2021**  
*(in thousands of dollars)*

	2022	2021	Change	Percent Change
Operating Revenues:				
Passenger Fares	\$ 5,158	\$ 1,559	\$ 3,599	230.9 %
Regional Capital Rebuild Revenue	3,104	3,194	(90)	-2.8 %
Other Revenues	1,150	473	677	143.1 %
Operating Revenues	9,412	5,226	4,186	80.1 %
Operating Expenses:				
Administrative	3,746	1,671	2,075	124.2 %
Passenger Operations Service	54,396	53,336	1,060	2.0 %
Regional Capital Rebuild Program	5,208	3,679	1,528	41.5 %
Depreciation	61,408	56,090	5,319	9.5 %
Lease amortization	1,939	—	1,939	100.0 %
Operating expenses	126,697	114,776	11,921	10.4 %
Operating Loss	(117,285)	(109,550)	(7,735)	7.1 %
Non-operating revenues (expense)	41,548	27,372	14,176	51.8 %
Deficiency before Capital Contributions	(75,737)	(82,178)	6,441	-7.8 %
Capital Contributions	377,782	396,698	(18,916)	-4.8 %
Increase in Net Position	302,045	314,520	(12,475)	-4.0 %
Net Position, July 1	1,979,566	1,664,322	315,244	18.9 %
Net Position, June 30	\$ 2,281,611	\$ 1,978,842	\$ 302,769	15.3 %

Capital contributions totaling \$377.8 million consist of FTA capital grants of \$307.5 million, Public Transportation Funds of \$55.5 million and capital member contributions of \$14.8 million. Capital projects funded include the Gilbert Road Extension, Tempe Streetcar Project, South Central light rail extension, Northwest Phase II and LRV Expansion vehicles construction projects. The \$18.9 million decrease versus prior year capital contributions were primarily related to the \$41.0 million decrease in Public Transportation Funds (PTF) contributions for capital projects, a \$120.3 million increase in federal capital grants and a \$98.2 million decrease in capital contributions from member cities.

**CAPITAL ASSETS AND LONG TERM DEBT****Capital Assets:**

The following table provides a breakdown of capital assets of VMR at June 30, 2022, with comparative information for the previous period. Additional information on VMR's capital assets may be found in Note 6.

**VMR's Capital Assets, Net of Depreciation or Amortization**  
**As of June 30, 2022 and 2021**  
*(in thousands of dollars)*

	2022	2021	Change	Percent Change
Buildings	\$ 64,289	\$ 66,852	\$ (2,563)	-3.8 %
Guideway	765,550	692,720	72,830	10.5 %
Bridges	33,834	35,885	(2,051)	-5.7 %
Operation Control Center	7,410	7,846	(436)	-5.6 %
Passenger Stations and Facilities	114,586	109,278	5,308	4.9 %
Park and Ride Facilities	10,819	14,138	(3,319)	-23.5 %
Bus Shelter	257	334	(77)	-23.1 %
Electric Power Substations	200,705	137,224	63,481	46.3 %
Signal and Communication System	89,760	76,778	12,982	16.9 %
Computers and Software	53	80	(27)	-33.8 %
Revenue Vehicles	155,722	115,154	40,568	35.2 %
Non-Revenue Vehicles	501	694	(193)	-27.8 %
Site Improvements	40,545	1,585	38,960	2,458.0 %
Tenant Improvements	164	207	(43)	-20.8 %
Equipment	11,821	7,039	4,782	67.9 %
Construction in Progress	765,008	713,605	51,403	7.2 %
Leased Asset - Office Space	16,993	—	16,993	100.0 %
Leased Asset - Parking	481	—	481	100.0 %
Net Capital Assets	<u>\$ 2,278,498</u>	<u>\$ 1,979,419</u>	<u>\$ 299,079</u>	<u>15.1 %</u>

As of June 30, 2022, VMR had \$2.3 billion in capital assets, net of accumulated depreciation. There was a large increase in capital assets of \$281.6 million and \$17.5 million in leased assets. Construction in progress had a net change of \$51.4 million for current year costs for ongoing construction projects, a decrease mainly for assets converted from construction in progress to capital assets completion of the Tempe Streetcar Extension and the Operations and Maintenance Center Expansion and conditional acceptance of 5 light rail vehicles. Increases in capital assets was also due to purchases of computers and software, non-revenue vehicles and equipment during the fiscal year. Reductions in capital assets were due to disposal of various assets reaching their useful lives, and annualized depreciation of added and existing VMR assets. Refer to Note 6 on page 22 for more information regarding the capital assets.

**Long Term Debt:**

In April 2015, the VMR and RPTA Boards amended the interagency LRT Program Agreement whereby RPTA holds an interagency receivable for PTF bond proceeds advanced to VMR to fund LRT capital projects. In FY 2022, the PTF Advance Bond Proceeds due from VMR to RPTA totaled \$3.9 million as the last payment expected to be made is in FY23. See Note 10 on page 25 for details.

**Valley Metro Rail, Inc.**

Management's Discussion and Analysis (Continued)

Long term debt also increased due to implementation of GASB Statement No. 87, Leases, in fiscal year 2022. Lease liabilities of \$17.7 million were recorded with \$1.8 million of the total due in one year. Further information on GASB No. 87 can be found at Note 8.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

VMR's adopted fiscal year 2023 capital budget is \$402.1 million, down \$64.6 million from fiscal year 2022's adopted budget. The primary cause for the decrease are changes to the major construction projects budgets; OMC Expansion decreased by \$5.0 million as it was completed in FY 2022. Some residual costs for this project are expected in FY 2023. Tempe Streetcar budget increased by \$19 thousand as concurrent non project activities are in progress and forecasted to be \$5.6 million. Further, South Central budget decreased by \$31.3 million and Northwest Phase II decreased by \$23.5 million. Both of these projects are in the middle of the construction phase in FY 2022. Background on the capital projects may be found in the Statistical Section commencing on page 39.

On the operating side, VMR's FY 2023 budget is \$94.3 million, up \$15.3 million versus FY 2022 adopted budget. Revenue operations costs are up \$11.2 million to \$66.6 million in FY 2023 due to streetcar revenue operations starting in FY 2022, significant increase in liability insurance, and potential contractual increases with labor market changes. Security is \$10.3 million, up from \$9.5 million primarily due to the streetcar service operating for a full year and annual contractual increases. Future project development is \$15.1 million, up by \$3.1 million primarily due to increase in planning activities related to future corridors and system planning.

**Comparison of Annual Expenditure Budgets  
Fiscal Year 2023 vs. 2022**

<b>Uses of Funds</b>	<b>FY 2023 Adopted (\$,000)</b>	<b>FY 2022 Adopted (\$,000)</b>	<b>Change (\$,000)</b>
<b>Operating</b>			
Revenue Light Rail Operations & Maintenance	\$ 60,788	\$ 51,669	\$ 9,119
Revenue Streetcar Operations & Maintenance	5,821	3,732	2,089
Light Rail Security	9,342	8,915	427
Streetcar Security	966	578	388
Future Project Development	15,107	11,979	3,128
Agency Operating	2,234	2,071	163
<b>Total Operating</b>	<b>\$ 94,258</b>	<b>\$ 78,944</b>	<b>\$ 15,314</b>
<b>Capital Projects:</b>			
South Central	\$ 260,094	\$ 291,436	\$ (31,342)
Northwest Phase II	106,276	129,740	(23,464)
Tempe Streetcar	5,566	5,547	19
Gilbert Road Extension	2,027	3,354	(1,327)
OMC Expansion	149	5,159	(5,010)
Systemwide Improvements	12,890	18,570	(5,680)
State of Good Repair	15,074	12,846	2,228
<b>Total Capital</b>	<b>\$ 402,076</b>	<b>\$ 466,652</b>	<b>\$ (64,576)</b>
<b>Total Uses of Funds</b>	<b>\$ 496,334</b>	<b>\$ 545,596</b>	<b>\$ (49,262)</b>

**FINANCIAL CONTACT**

The financial report is designed to provide a general overview of VMR's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to Valley Metro's Chief Financial Officer, Valley Metro Rail, Inc., 101 North 1st Avenue, Suite 1400, Phoenix, Arizona 85003.

**Valley Metro Rail, Inc.**  
Statement of Net Position  
June 30, 2022  
*(in thousands of dollars)*

**Assets**

Current Assets:	
Cash and Investments	\$ 125,738
Receivables	260
Due from Other Governments	232,190
Inventory	23,306
Other Assets	2,972
Total Current Assets	<u>384,466</u>
Noncurrent Assets:	
Restricted Cash and Investments	435
Capital Assets, not being depreciated	765,008
Capital Assets, net of accumulated depreciation	1,496,016
Leased Assets, net of accumulated amortization	17,474
Total Noncurrent Assets	<u>2,278,933</u>
Total Assets	<u>2,663,399</u>

**Liabilities**

Current Liabilities:	
Accounts Payable	84,632
Lease Liability	1,772
Insurance Reserves	922
Due to Other Governments	652
Due to RPTA PTF Advance Bond Proceeds	3,914
Member Cities Deposits	9,342
Retainage Payable	435
Lease Interest Payable	21
Total Current Liabilities	<u>101,690</u>
Noncurrent Liabilities:	
Unearned Revenue	210,536
Due to Other Governments	53,648
Lease Liability	15,914
Total Noncurrent Liabilities	<u>280,098</u>
Total Liabilities	<u>381,788</u>

**Net Position**

Net Investment in Capital Assets	2,254,849
Unrestricted	26,762
Total Net Position	<u>\$ 2,281,611</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Valley Metro Rail, Inc.**

## Statement of Revenues, Expenses, and Changes in Fund Net Position

Fiscal Year Ended June 30, 2022

*(in thousands of dollars)***Operating Revenues:**

Passenger Fares	\$	5,158
Regional Capital Rebuild Revenue		3,104
Other Revenues		1,150
Total Operating Revenues		<u>9,412</u>

**Operating Expenses:**

Administrative		3,746
Passenger Operations Service		54,396
Regional Capital Rebuild Program		5,208
Depreciation		61,408
Lease Amortization		1,939
Total Operating Expenses		<u>126,697</u>

**Operating Income (Loss)**(117,285)**Non-Operating Revenue / (Expense):**

Contributions from Member Cities		27,696
Public Transportation Funds		11,649
Receipts from Federal Grants		36,270
Other Planning Revenues		1,000
Future Project Development		(8,815)
Private Utilities Relocations		(9,291)
Small Business Assistance Program		(570)
Capital Conveyance to Member Cities		(5,320)
Capital Conveyance to RPTA		(3,018)
Concurrent Non Project Activities		(7,045)
PTF Interest Expense		(1,623)
Gain (loss) on Disposal of Capital Assets		(3)
Other Non-Operating Revenues		618
Total Non-Operating Revenues/ (Expense)		<u>41,548</u>

**Deficiency Revenues under Expenses**(75,737)**Capital Contributions:**

Capital Contributions from Member Cities		14,826
Public Transportation Funds Capital		55,481
Federal Transit Administration Capital Grants		307,475
Total Capital Contributions		<u>377,782</u>

**Changes in Net Position**

302,045

**Net Position, Beginning of Period, as restated**1,979,566**Net Position, End of Period**\$ 2,281,611

The accompanying notes to the financial statements are an integral part of this statement.

**Valley Metro Rail, Inc.**  
**Statement of Cash Flows**  
**Fiscal Year Ended June 30, 2022**  
*(in thousands of dollars)*

<b>Cash Flows from Operating Activities</b>	
Receipts from Fare Revenues	\$ 5,219
Receipts from Regional Capital Rebuild Program	3,104
Other Revenues	1,141
Payments for Payroll Related Expenses	(29,497)
Payments to Suppliers	(17,178)
Net Cash Provided by Operating Activities	<u>(37,211)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Receipts from Member Cities	19,163
Receipts from Regional Public Transportation Authority	1,000
Receipts from Federal Non-Capital Grants	36,436
Receipts from Maricopa Association of Governments	349
Payments for Concurrent Non Project Activities	(6,461)
Payments for Future Project Development	(9,325)
Payments for Small Business Assistance	(214)
Payments for Private Utility Relocations	(9,296)
Capital Conveyance to Member Cities	(17)
Capital Conveyance to RPTA	(2,592)
Net Cash Used in Non-Capital Financing Activities	<u>29,043</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital Contributions from Member Cities	21,177
Receipts from FTA Capital Grants	223,812
Receipts from Regional PTF for Capital	7,868
South Central Extension Advance Funding Obligation	51,599
Advances received for South Central Extension Project	123,606
Advances received for Northwest Extension II Project	44,714
Repayment of Advances for Tempe Street Car Project	(1,494)
Payments for Capital Assets	(360,284)
(Payments) receipts on leases	(363)
Net Cash Provided by Capital and Related Financing Activities	<u>110,635</u>
<b>Net Increase in Cash and Cash Equivalents</b>	102,467
Cash and Cash Equivalents, Beginning of Year	<u>23,706</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 126,173</u>
<b>Cash and Cash Equivalents</b>	
Cash and Investments	\$ 125,738
Restricted Cash and Investments	<u>435</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 126,173</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	\$ (117,285)
Depreciation	61,408
Lease Amortization	1,939
Capital conveyance of capital assets recorded in operating expenses	457
(Increase) Decrease in Assets:	
Accounts Receivable	(35)
Due from Other Governments	27,486
Inventory	(4,797)
Other Assets	(1,872)
Increase (Decrease) in Liabilities	
Accounts Payable	(2,153)
Due to Other Governments	(2,360)
	<u>—</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$ (37,211)</u>
<b>Noncash Transactions affecting Financial Position</b>	
Capital Contributions from Member Cities	\$ 13,362
Advance PTF Revenue and Bond interest payment	12,458
Capital Conveyance removed from Construction in Progress	5,810

The accompanying notes to the financial statements are an integral part of this statement.

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## **1. Summary of Significant Accounting Policies**

The accounting policies of Valley Metro Rail, Inc. (VMR) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

For the year ended June 30, 2022, VMR implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, VMR's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

All GASB issued statements that had an effective date for implementation for the year ended June 30, 2022 were considered in the preparation of the financial statements; however, there were no additional GASB statements that impacted the financial statements or presentation for the fiscal year ended June 30, 2022.

### **a. Financial Reporting Entity**

In October 2002, the city councils of Glendale, Mesa, Phoenix and Tempe approved the formation of a government entity with a nonprofit status by the name of Valley Metro Rail, Inc. The nonprofit corporation was organized under A.R.S. 11-952 and 40-1152. The initial members entered into a Joint Powers Agreement which provides that this corporation be organized as the instrumentality to plan, design, construct, and operate the Light Rail Transit Project ("LRT"). Prior to October 2002, the Regional Public Transportation Authority (RPTA) performed these roles.

VMR contracts with the RPTA for certain administrative functions, including personnel, HR administration, and computer support services. All VMR staff is hired and employed by RPTA but works solely under the direction of Valley Metro Rail, Inc., and its Board of Directors, through a contractual arrangement with RPTA.

The Board of Directors of VMR is solely responsible for the governance of LRT and VMR is not a component unit of RPTA; economic resources received by VMR are entirely for the direct benefit of VMR, and RPTA is not entitled to and has no ability to otherwise access any of the economic resources received or held by VMR.

### **b. Financial Statements**

These financial statements are presented in accordance with Government Accounting Standards Board (GASB) and all applicable GASB Statements. VMR is engaged only in business-type activities and is required to present the financial statements required for enterprise funds which are part of proprietary funds. VMR does not report any component units.

### **c. Basis of Presentation**

Proprietary funds account for activities of VMR similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Currently, the VMR is classified as a stand-alone Enterprise fund.

**d. Measurement Focus and Basis of Accounting**

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position are reported using the flow of economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

All of VMR's activities are accounted for in a single proprietary or business-type fund. Proprietary funds distinguish operating revenues and expenses from non-operating items and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connecting with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as either non-operating revenues and expenses or capital contributions.

**e. Cash and Investments**

State statutes authorize VMR to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit, and the Local Government Investment Pool. VMR's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

VMR considers short-term investments in mutual fund-money markets, U.S. Treasury bills and notes with maturities of three months or less at acquisition date to be cash equivalents.

**f. Receivables**

Management analyzes receivables periodically to determine the adequacy of the allowance for doubtful accounts. There is no current provision required for possible bad debts.

**g. Inventory**

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the average cost method. Inventories are expensed when the resources are used.

**h. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaids are recorded as assets and the expense is recognized when the assets are consumed or used. The prepaid items are included in Other Assets on the Statement of Net Position.

**i. Capital Assets**

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

VMR capitalizes all costs incurred in connection with the construction of capital projects. The costs for the non-federal agency operating, Rail Operations, and the LRV Regional Capital Rebuild program (considered maintenance for capitalization purposes) costs are recorded as annual operating expenses.

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

VMR is not the legal owner of any land. The land required for the LRT system is acquired and owned by the Member Cities and is the subject of a long-term use agreement between each City and VMR. Land, subject to the above agreement, is recorded on the books of member cities. If a member city submits a reimbursement for real estate purchases, the cost is paid to the city through federal and regional sources. At fiscal year end, the cost is removed from the books and “conveyed” back to the member city.

The costs included as construction in progress consist primarily of project administration, engineering, construction management, utilities relocation, facility construction, equipment procurement, and other costs related to construction. No depreciation is provided on construction in progress until construction is completed and the assets are placed in service.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Useful Life (Years)</b>
Buildings	40
Guideway	50
Bridges	30
Operation Control Center	30
Passenger Stations and Facilities	15-30
Park and Ride Facilities	15
Electric Power Substations	25
Signal and Communication System	10-20
Revenue Vehicles	25-30
Equipment	5-15
Furniture and Fixtures	7
Non-Revenue Vehicles	4
Computers and Software	3
Tenant Improvements	5-10
Site Improvements	5-15
Bus Shelter	10

**j. Leases**

As lessee, VMR recognizes lease liabilities with an initial, individual value of \$50,000 or more. VMR uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. VMR's estimated incremental borrowing rate is based on historical yields obtained from the Municipal Bond Information Service for investment grade tax-exempt governmental bonds plus 75 basis points.

As lessor, VMR recognizes lease receivables with an initial, individual value of \$50,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate VMR charges the lessee) and the implicit rate cannot be determined, VMR uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. VMR's estimated incremental borrowing rate is calculated as described above.

**k. Allocation of Costs to Member Cities**

Design and construction costs for the Light Rail Extensions that comprise the System are allocated to the member cities as follows:

- i) Regional design and construction costs are allocated based upon the Design and Construction Miles percentage method as stated in the bylaws of the corporation. The components of the LRT that are currently classified as “regional” are light rail vehicles, the maintenance and storage facility, operations control center, bridge structures, and regional park-and-ride lots.
- ii) Local design and construction costs are allocated to the member cities within whose boundaries the LRT Component designed or constructed will be located. Design and construction costs that are not classified as regional are deemed to be local.
- iii) Design and construction costs for future LRT extensions are funded based upon Design and Construction Agreements which are executed in accordance with the adopted Regional Transit Life Cycle Plan (TLCP). Each construction project of a light rail extension has a different funding structure based on the TLCP. Under the Design and Construction project agreement for each extension, a Member City may be required to fund a local match as part of project funding, if the project is located within its jurisdiction. The remaining funding comes from Federal and regional monies.

If a member city’s share of the LRT costs for a fiscal year is determined to be less than \$50,000, such member city’s share of the LRT costs shall be \$50,000. The purpose of the Minimum Cost is so that all member cities will contribute to payment of the overhead expense of the Corporation for matters such as the cost of meetings of the Board of Directors, administrative support to the Board of Directors, and support to member cities by the Rail Program Staff.

Passenger Operations Service Expenses for Light Rail Operations are funded by the Member Cities according to the ratio of LRT route mileage currently in service. Costs related to fare inspection, on-board security and park-and-ride security are considered regional costs. Member Cities may also contribute amounts to fund local security within their respective jurisdictions. Passenger Service Operations Expenses, including on board security, for Tempe StreetCar are funded by the City of Tempe.

**l. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting financial period. Actual results could differ from these estimates.

**m. Net Position**

VMR’s net position consists of unrestricted net position and net investment in capital assets. Net investment in capital assets, which is capital assets, net of related debt, is separately reported because capital assets make up a significant portion of net position.

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

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**2. Budgetary Basis of Accounting**

An annual budget of revenues and expenses is prepared and adopted by the Board of Directors each fiscal year. According to the By-Laws of Valley Metro Rail, Inc. annual operating and capital budget is required. The legal level of budgetary control is the total annual appropriated budget. The annual budget is adopted on the accrual basis. Encumbrance accounting is not used and all appropriations lapse at year end. Depreciation expense is not included in the annual budget. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

A schedule of actual operating revenues and expenses versus original budget and final budget is presented as other supplementary information. See Page 30.

**3. Change in Accounting Principle**

Net position balance as of July 1, 2021, has been restated as follows for the implementation of GASB Statement No. 87, *Leases*, as amended (*in thousands of dollars*).

	<b>Business-type Activities</b>
Net position as previously reported at June 30, 2021	\$ 1,978,842
Restatement - implementation of GASB 87:	
Change in payable for Deferred rent liability	724
Net position as restated, July 1, 2021	<u>\$ 1,979,566</u>

**4. Cash and Investments**

Cash deposits and investments at June 30, 2022, consisted of the following (*in thousands of dollars*):

Cash on Hand and in Bank	\$ 124,789
Insurance Trust Fund	949
Restricted:	
Cash with Escrow Agent	435
Total Cash and Investments	<u>\$ 126,173</u>

VMR has deployed Ticket Vending Machines (TVM's) which contain coin and bill vaults to accommodate the purchase of fares. At June 30, 2022, the total cash contained in the coin and bill vaults totaled \$227 thousand.

VMR's bank deposits at June 30, 2022, had a carrying value of \$124.6 million and the bank ledger balance was \$124.8 million. The difference of \$257 thousand represents deposits in transit and outstanding checks. Of the bank balance, \$750 thousand is covered by federal depository insurance and \$124.1 million is collateralized 102% by securities held by the pledging financial institution in VMR's name.

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

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The Self Insurance Reserve Trust Account totaling \$949 thousand was covered by collateral held by the pledging financial institution in VMR’s name. It is invested within Money Market Funds with Wells Fargo that are measured at amortized cost.

The Cash with Escrow Agent Accounts totaling \$0.4 million for retainage payable for construction contracts. The money is invested in Money Market Funds with US Bank that are measured at amortized cost.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of bank failure VMR’s deposits may not be returned. VMR does not have a deposit policy for custodial credit risk. All of VMR’s bank deposits, except the restricted cash with bank, are in non-interest bearing accounts.

*Interest Rate Risk* – VMR’s formal investment policy limits the type of investment as a means of managing its exposure to fair value losses arising from increasing interest rates. During FY 2022 all investment durations were shorter than 90 days.

*Credit Risk* – State Statutes and VMR’s Investment Policy authorize VMR to invest in bank demand deposit accounts and obligations of the U.S. Treasury.

*Concentration of Credit Risk* – VMR’s Investment Policy limits the total investments by type of account including, General Operating, Imprest Fund, Self-Insurance Reserve and TVM Credit Card. At June 30, 2022, VMR maintains all available cash in these accounts.

**5. Accounts Receivable and Due From Other Governments**

All receivable balances at June 30, 2022 are displayed on the financial statements and are expected to be collected in full; therefore, an allowance for uncollectibles has not been recorded.

Due from other governments consists of Federal receivables due from the City of Phoenix as Grantee of Federal Funds, PTF receivable due from Regional Public Transportation Authority (RPTA), project funding receivables due from cities of Mesa, Phoenix and Tempe and miscellaneous receivables due from Arizona State University and Maricopa Association of Governments (*in thousands of dollars*).

City of Phoenix (Grantee of Federal Funds)	\$	139,285
Public Transportation Funding		85,103
City of Mesa		51
City of Phoenix		7,540
City of Tempe		6
Arizona State University		5
Maricopa Association of Governments		200
Total Due from Other Governments	\$	<u>232,190</u>

Public Transportation Funding is discussed more fully in Note 16.

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

**6. Capital Assets**

Capital asset and construction in progress activity for the year ended June 30, 2022 were as follows  
(in thousands of dollars):

	<b>Balances, June 30, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, June 30, 2022</b>
Nondepreciable assets:				
Construction in progress	\$ 713,605	\$ 349,105	\$ (297,702)	\$ 765,008
Depreciable assets:				
Buildings	102,532	—	—	102,532
Guideway	863,670	90,775	—	954,445
Bridges	61,516	—	—	61,516
Operation Control Center	13,104	—	—	13,104
Passenger Stations and Facilities	158,369	10,651	—	169,020
Park and Ride Facilities	49,791	—	—	49,791
Bus Shelter	772	—	—	772
Electric Power Substations	198,340	72,871	—	271,211
Signal and Communication System	123,615	19,554	—	143,169
Computers and Software	2,071	—	—	2,071
Furniture and Fixtures	898	—	—	898
Revenue Vehicles	224,700	50,206	—	274,906
Non-Revenue Vehicles	4,042	100	(64)	4,078
Site Improvements	3,750	41,044	—	44,794
Tenant Improvements	342	—	—	342
Equipment	22,456	6,413	(37)	28,832
Total depreciable assets at historical cost	<u>1,829,968</u>	<u>291,614</u>	<u>(101)</u>	<u>2,121,481</u>
Less accumulated depreciation for:				
Buildings	(35,680)	(2,563)	—	(38,243)
Guideway	(170,950)	(17,945)	—	(188,895)
Bridges	(25,631)	(2,051)	—	(27,682)
Operation Control Center	(5,257)	(437)	—	(5,694)
Passenger Stations and Facilities	(49,091)	(5,343)	—	(54,434)
Park and Ride Facilities	(35,653)	(3,319)	—	(38,972)
Bus Shelter	(438)	(77)	—	(515)
Electric Power Substations	(61,116)	(9,390)	—	(70,506)
Signal and Communication System	(46,837)	(6,572)	—	(53,409)
Computers and Software	(1,992)	(26)	—	(2,018)
Furniture and Fixtures	(898)	—	—	(898)
Revenue Vehicles	(109,547)	(9,637)	—	(119,184)
Non-Revenue Vehicles	(3,347)	(294)	64	(3,577)
Site Improvements	(2,165)	(2,084)	—	(4,249)
Tenant Improvements	(135)	(43)	—	(178)
Equipment	(15,417)	(1,627)	33	(17,011)
Total accumulated depreciation	<u>(564,154)</u>	<u>(61,408)</u>	<u>97</u>	<u>(625,465)</u>
Total capital assets being depreciated	<u>1,265,814</u>	<u>230,206</u>	<u>(4)</u>	<u>1,496,016</u>
Business-type activities, capital assets, net	<u>\$ 1,979,419</u>	<u>\$ 579,311</u>	<u>\$ (297,706)</u>	<u>\$ 2,261,024</u>

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

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**7. Member Cities' Deposits**

The member cities advance monies to cover the cost of operations plus the federal and local share of project costs. In addition, unpaid expenses to be funded by member contributions are accrued for each city. A summary of member cities' deposits at June 30, 2022 follows (*in thousands of dollars*):

City of Chandler	\$	146
City of Glendale		142
City of Mesa		684
City of Peoria		37
City of Phoenix		5,781
City of Tempe		2,552
	\$	<u>9,342</u>

**8. Leases**

Valley Metro Rail, Inc. (VMR) has several leasing arrangements, summarized below.

**Lessee activities**

Beginning on July 1, 2014, VMR entered into a new contract to lease office space for a 12 year term which included 57,007 square feet of building space including parking. Further, beginning on December 1, 2017, VMR entered into a new contract to lease additional office space for the 14th Floor of the building for a 8.5 year term (with a five year extension option) which included 13,242 square feet of building space. The remaining liability for this lease is \$17.5 million as of June 30, 2022. Right to use assets, net of amortization for these leases is \$17.3 million as of June 30, 2022. Interest expense recognized on these leases was \$269 thousand for fiscal year ended June 30, 2022. Principal payments totaling \$1.7 million were recognized in year ended June 30, 2022. Final payment on these leases is expected in fiscal year 2031.

Beginning on November 1, 2021, VMR entered into a new contract to lease data center space for five years (with a three year extension option). The remaining liability for this lease is \$144 thousand as of June 30, 2022. Right to use assets, net of amortization for these leases is \$142 thousand as of June 30, 2022. Interest expense recognized on these leases was \$1 thousand for fiscal year ended June 30, 2022. Principal payments totaling \$11 thousand were recognized in year ended June 30, 2022. Final payment on these leases is expected in fiscal year 2030.

On the next page is a schedule of the changes in the right to use assets with the accumulated amortization for the fiscal year ended June 30, 2022 (*in thousands of dollars*).

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

**Right to use assets**

<b>For fiscal year-end June 30, 2022</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Lessee leases:				
Office space	\$ 18,879	\$ —	\$ —	\$ 18,879
Parking	534	—	—	534
<b>Total right to use assets</b>	<b>\$ 19,413</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 19,413</b>

**Accumulated amortization**

<b>For fiscal year-end June 30, 2022</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Lessee leases:				
Office space	\$ —	\$ (1,886)	\$ —	\$ (1,886)
Parking	—	(53)	—	(53)
<b>Total accumulated amortization</b>	<b>\$ —</b>	<b>\$ (1,939)</b>	<b>\$ —</b>	<b>\$ (1,939)</b>
<b>Total right to use assets, net</b>	<b>\$ 19,413</b>	<b>\$ (1,939)</b>	<b>\$ —</b>	<b>\$ 17,474</b>

VMR's schedule of future payments included in the measurement of the lease liability is as follows (*in thousands of dollars*):

<b>Fiscal Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 1,772	\$ 247	\$ 2,019
2024	1,834	221	2,055
2025	1,896	194	2,090
2026	1,959	165	2,124
2027	1,992	137	2,129
2028 - 2031	8,233	248	8,481
	<b>\$ 17,686</b>	<b>\$ 1,212</b>	<b>\$ 18,898</b>

**Summary of Long-Term Lease Liability**

	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2022</b>	<b>Due within 1 year</b>
Lease payable - Office Space	\$ 18,879	\$ —	\$ (1,677)	\$ 17,202	\$ 1,721
Lease payable - Parking	534	—	(50)	484	51
<b>Total lease liability</b>	<b>\$ 19,413</b>	<b>\$ —</b>	<b>\$ (1,727)</b>	<b>\$ 17,686</b>	<b>\$ 1,772</b>

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

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**9. Due to Other Governments**

The \$652 thousand due to City of Phoenix in current liabilities is mostly for reimbursement of city expenses related to the fare collection system modernization project.

On May 20, 2015, Valley Metro Rail entered into an agreement with the City of Phoenix for funding for the South Central Extension/Downtown Hub. The agreement was amended on January 6, 2021 for the City of Phoenix to provide advance Federal Transit Administration (FTA) funding to Valley Metro Rail. The terms specify the amount to advance in an amount not to exceed \$248.5 million. At June 30, 2022, the total amount due to City of Phoenix is \$51.6 million. This amount is due after the completion of the capital project (estimated completion year is 2024). There are no finance charges associated with the advance funding. For this agreement, VMR did not pledge assets as collateral for the debt. There are no terms specified in the agreement related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

The \$2.0 million due to the Federal Transit Administration is for disposal proceeds recognized prior to FY22 that may be applied to offset future federally eligible purchases. The fiscal year 2023 Board approved budget did not include usage of the disposal proceeds. Therefore, it is a noncurrent liability.

Total Due to Other Governments is as follows (*in thousands of dollars*):

Due to City of Phoenix (Current liability)	<u>\$ 652</u>
Due to City of Phoenix	\$ 51,599
Due to Federal Transit Administration	2,049
Total Due to Other Governments (Noncurrent liabilities)	<u>\$ 53,648</u>

**10. Due to RPTA PTF Advance Bond Proceeds**

During FY15, VMR and RPTA Boards amended the inter-agency LRT Program Agreement, whereby RPTA will hold an inter-agency receivable from VMR for the advance of bond proceeds. In order to accelerate planning, design and construction of the Light Rail Capital Projects as identified in the Regional Transportation Plan, RPTA advances bond proceeds prior to the collection of sales tax proceeds necessary to fund the debt service payments.

The inter-agency payable to RPTA of the Advance Bond Proceeds shall be paid from the collection of PTF Sales Taxes by RPTA on VMR's behalf. As the debt service payments are made, VMR will record PTF revenue-capital contributions and reduce the note payable. In addition, VMR will record each fiscal year, the VMR portion of the bond interest expense of the 2009 bond issue and the 2014 bond issue according to the debt service schedules. For FY22, the PTF bond interest expense was \$1.6 million.

As of June 30, 2022, PTF Advance Bond Proceeds totaled \$3.9 million. Principal and interest payments follow the Series 2014 Debt Service schedule as shown in table below (*in thousands of dollars*).

**Valley Metro Rail, Inc.**

## Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

## Advance Bond Proceeds:

Year Ending June 30	Principal	Interest	Total Debt Service
2023	\$ 3,914	\$ 1,331	\$ 5,245

\*Note A portion of the total Series 2014 Bond Issue interest expense is allocated to the Series 2014 Advance. The allocation is based on ratio of Series 2014 Advance Note Payable \$69,583,715 versus the Total Series 2014 Bond Proceeds \$135,406,165.

The beginning balance of this debt at July 1, 2021 was \$14.7 million. During the year there was a \$0 increase and \$10.8 million decrease in Advance Bond proceeds debt. The balance at June 30, 2022 is \$3.9 million. For this agreement, PTF sales taxes received by RPTA on VMRs behalf are collateral for the debt. There are no terms specified in the debt agreement related to the significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses. This advance is a direct borrowing from RPTA.

**11. Contractual and Other Commitments**

VMR has entered into various contractual agreements for engineering services, project management, construction administration, light rail vehicles, construction, operations services, legal information technology, legal, marketing, government relations and finance services and artists. At June 30, 2022, VMR had remaining contractual commitments for these services aggregating approximately \$871.9 million. These commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements.

**As of June 30, 2022:  
(in thousands of dollars)**

Contract	Commitment	Spent-to-date	Remaining
Operations and Maintenance	\$ 180,873	\$ 85,568	\$ 95,305
Northwest Ext II Construction Manager	257,149	133,464	123,685
South Central Extension Construction Manager	804,528	415,859	388,669
Tempe Streetcar Construction Manager	119,114	118,292	822
Public Art Program	4,753	1,578	3,175
Northwest Extension II Utilities	12,492	5,440	7,052
South Central Extension Utilities	48,648	14,765	33,883
Light Rail Vehicles	135,529	79,422	56,107
Streetcar Vehicles	36,187	28,029	8,158
Planning, Construction, and Design	268,402	122,419	145,983
Information Technology Contracts	12,054	6,181	5,873
Legal, Marketing, Government Relations, and Finance Contracts	4,899	1,664	3,235
	<u>\$ 1,884,628</u>	<u>\$ 1,012,681</u>	<u>\$ 871,947</u>

## **12. Risk Management**

VMR is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted labor; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. VMR purchases insurance coverage for property, general liability, excess liability, automobile liability, umbrella liability, public entity employment practices liability, public entity management liability, boiler and machinery, crime, inland marine, owner's protective professional indemnity, environmental site protection, contractor's environmental protection and excess liability. In addition, the RPTA purchases workers' compensation, employee life insurance, health and dental insurance coverage for all LRT full-time employees. Settled claims for these risks have never exceeded commercial insurance limits.

VMR has received notice of general liability claims related to its operations. VMR's commercial insurance policies provide coverage against losses arising from the claims subject to policy deductible amounts. Such claims are evaluated and specific reserves are established to cover VMR's contingent risk of loss pending settlement with the parties involved. At June 30, 2022 the Reserve for General Liability Claims totaled \$0.9 million.

## **13. Contingencies**

As a subrecipient of federal grant monies, amounts passed through or receivable from other agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although VMR expects such amounts, if any, to be immaterial.

## **14. Lawsuits**

VMR is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, VMR management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

## **15. Related Party Transactions**

All of the four member cities of VMR's Board of Directors are also member cities of the sixteen-member RPTA Board of Directors. The Board members of the cities of Chandler, Mesa, Phoenix, and Tempe represent their cities on both Boards. VMR has entered into contracts with the RPTA for certain administrative functions, including personnel, administration, financial and accounting services, purchasing, and computer support services. All VMR staff is hired and employed by RPTA but works solely under the direction of the VMR and its Board of Directors, through a contractual arrangement with RPTA. All payroll related expenses (excluding pension related expenses) are paid by RPTA and RPTA charges VMR for all contracted payroll related expenses (excluding pension related expenses). For the period July 1, 2021 through June 30, 2022, VMR incurred costs of \$28.3 million for services provided by RPTA. At June 30, 2022 VMR recorded a receivable from RPTA in the amount of \$85.1 million.

In September 2010, the VMR Board authorized the Chief Executive Officer (CEO) to enter into a sublease with the Regional Public Transportation Authority (RPTA) for a portion of the office space

## Valley Metro Rail, Inc.

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2022

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currently leased and occupied by VMR. See Note 8. The sublease contract commenced in December 2010 and ended in 2016. Office space lease costs were paid by VMR monthly to the landlord and then prorated and charged to RPTA based on square footage used by RPTA. In July 2014, a new contract with the landlord was made for a 12 year period and in December 2017, another contract to add square footage space was made for an 8.5 year period. In both of these contracts, RPTA continues to make payments based on square footage per the RPTA Board approval. However as there is no additional sublease agreement, the payments from RPTA to VMR do not meet the GASB 87 criteria and are therefore recorded as revenues during the year. The total RPTA payments over the 144-month period is estimated to equal \$7.5 million. During the fiscal year 2022 RPTA payments for the space, including additional storage fees, taxes common area maintenance and parking totaled \$1.0 million.

### **16. Public Transportation Funding**

In November 2004, the voters of Maricopa County approved Proposition 400, the continuation of the transportation tax, for a twenty-year period beginning in calendar year 2006. On August 14, 2006, VMR and RPTA executed an intergovernmental agreement (IGA) that formally designated VMR as Lead Agency to plan, design, and construct the light rail transit (LRT) program. Among other things, the IGA specifies that RPTA will reimburse VMR, from the Public Transportation Fund, for eligible incurred expenses.

Valley Metro Rail began receiving Public Transportation Funding (PTF) in March 2006. These monies are used to reimburse private utility companies for costs incurred in the relocation of non-prior rights utilities, to reimburse Member Cities for their share of local costs incurred in connection with the acquisition of certain regional transportation assets, and to fund the local share of future light rail extensions as designated in the Regional Transportation Plan.

The Regional Public Transportation Authority (RPTA) manages the PTF which is held in a Savings Account designated for LRT program expenses. RPTA also sells bonds as needed to fund LRT program expenses and uses this PTF Savings Account for Debt Service.

In June 2009, the RPTA issued Transportation Excise Tax Revenue Bonds in the amount of \$100.1 million. A portion of the 2009 Series Bonds will pay or reimburse LRT capital expenditures as designated in the Regional Transportation Plan. As of June 30, 2022, the 2009 Series Bond expenditures to date for the LRT program totaled \$55.0 million on a cash basis.

In January 2014, the RPTA issued Transportation Excise Tax Revenue Bonds in the amount of \$115.0 million. The 2014 Series Bonds will pay or reimburse LRT capital expenditures as designated in the Regional Transportation Plan. As of June 30, 2022, the 2014 Series Bond expenditures to date for the LRT program totaled \$135.4 million on a cash basis.

In April 2016, the RPTA issued Transportation Excise Tax Revenue Refunding Bonds in the amount of \$22.6 million. The 2016 issue will advance refund part of the tax-exempt portion of the 2009 Series Bonds.

In June 2019, RPTA issued Refunding bonds in the amount of \$22.7 million. The 2019 issue will refund part of the taxable portion of the 2009 Series Bonds.

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Concluded)

Fiscal Year Ended June 30, 2022

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**17. Unearned revenues**

In FY20, the City of Tempe contributed \$13 million of monies in advance for the construction of the Tempe Street Car Project. This amount has been repaid. Further, in FY21, the City of Phoenix contributed \$42.2 million of monies in advance for the construction of the South Central Extension Project. Additionally, in FY22, the City of Phoenix contributed \$175.2 million and \$44.7 million in advance for the construction of the South Central Extension Project and the Northwest Extension II Project, respectively.



# OTHER SUPPLEMENTARY INFORMATION

This Section includes the Schedule of Operations – Budget and Actual.



On Wednesday, July 20, Valley Metro hosted its first Job Fair on at the Embassy Suites in Phoenix. The job fair saw a total of 152 attendees, with approximately 225 applications submitted and 59 offers of employment extended. Advertising was done via a variety of platforms including social media posts, Spotify ads, bus and train wraps, promotional flyers, press releases, light rail platform announcements. The job fair featured our open, frontline staff positions as well as the open positions of eight of our contractors, including First Transit, Transdev, Allied Universal, URW and DMS. Collectively, we had more than 400 open positions available to the community.

**Valley Metro Rail, Inc.**  
**Schedule of Operations - Budget and Actual**  
**Fiscal Year Ended June 30, 2022**  
*(in thousands of dollars)*

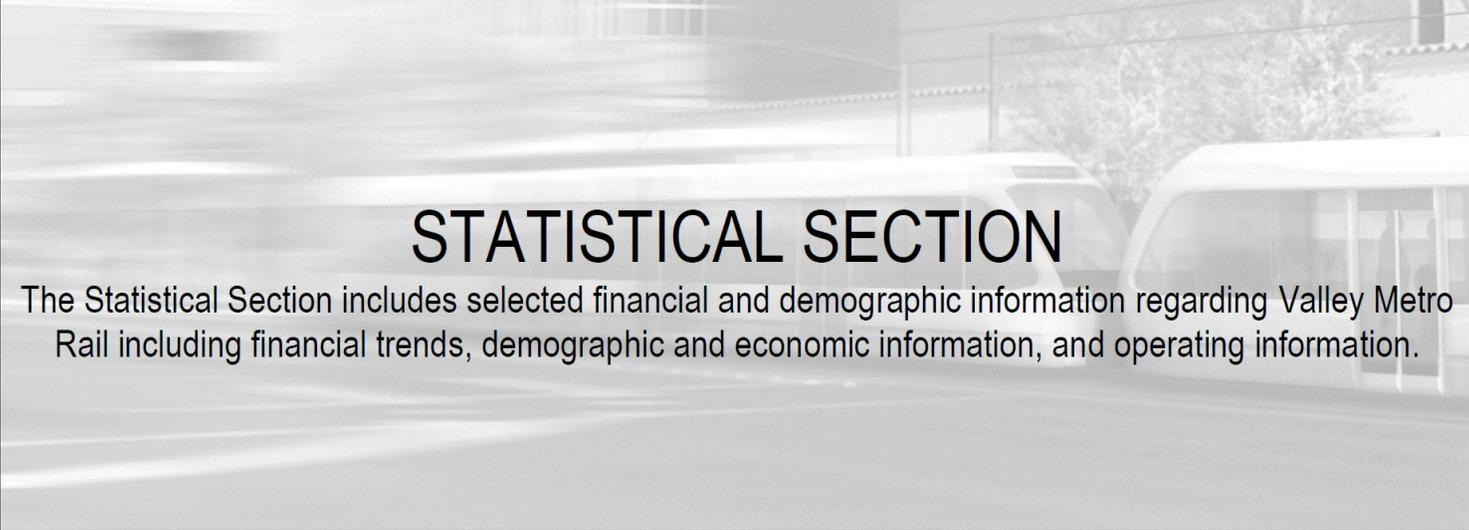
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Sources of Funds:</b>				
Net Contributions From Member Cities	\$ 306,389	\$ 322,528	\$ 42,522	\$ (280,006)
Passenger Fares	2,521	2,521	5,158	2,637
Federal Transit Administration Grants	194,169	230,984	343,745	112,761
Public Transportation Funds - Sales Tax	40,726	39,032	57,775	18,743
MAG/RPTA Grants	1,000	1,000	1,000	—
Other Revenues	791	791	801	10
Total Sources of Funds	545,596	596,856	451,001	(145,855)
<b>Uses of Funds:</b>				
Operating Activities				
Revenue Operations	60,584	61,654	54,364	(7,290)
Streetcar Operations	4,310	4,310	543	(3,767)
Regional Capital Rebuild Program	1,290	1,290	1,750	460
Future Project Development	11,979	11,979	8,995	(2,984)
Agency Operations	2,071	2,071	1,805	(266)
Sub Total Operating Activities Use of Funds	80,234	81,304	67,457	(13,847)
Capital Projects:				
South Central	291,016	316,749	237,794	(78,955)
Northwest Extension Phase II	129,175	136,488	89,365	(47,123)
Gilbert Road Capital Project	3,354	3,354	1,706	(1,648)
Tempe Streetcar Extension	5,547	21,457	19,035	(2,422)
State of Good Repair - Capital Maintenance	11,556	11,556	4,207	(7,349)
Non-Prior Rights Utilities Relocations	—	44	9,291	9,247
Systemwide Improvements	18,570	18,570	9,257	(9,313)
Operations & Maintenance Center Expansion	5,159	5,159	3,847	(1,312)
Concurrent Non Project Activities	985	2,175	8,031	5,856
Sub Total Capital Projects Use of Funds	465,362	515,552	382,533	(133,019)
Total Uses of Funds	545,596	596,856	449,990	(146,866)
Excess of sources of funds over uses of funds Budgetary Basis	\$ —	\$ —	\$ 1,011	\$ 1,011

**Explanation of Differences between Budgetary Basis and GAAP Basis**

Total Uses of Funds - Budgetary Basis	\$ 449,990
Total Operating Expenses - GAAP Basis	(126,697)
Budgetary Operating Expenses in Excess of GAAP Operating Expenses	\$ 323,293
Capital Projects Before Debt Service (Budgeted expenses not recorded to expense for GAAP basis)	\$ 382,533
Future Project Development (Budgeted expenses in Operating above but in Non-operating expenses in the Financial Statements)	8,995
State of Good Repair - Capital Maintenance (Budgeted expenses above but in Operating expenses in the Financial Statements)	(3,457)
Rail Operations Capital Assets (GAAP expenses not included in budgetary basis)	330
Systemwide Improvements operating expenses (Budgeted expenses in Capital projects above but in Operating expenses in the Financial Statements)	(1,575)
OMC Expansion Capital adjustments made in FY22 (GAAP expenses not included in budgetary basis)	172
South Central Capital adjustments made in FY22 (GAAP expenses not included in budgetary basis)	(456)
Tempe Streetcar Capital adjustments made in FY22 (GAAP expenses not included in budgetary basis)	6
GASB Statement No. 87, Leases, lease adjustment (GAAP expenses not included in budgetary basis)	93
Depreciation (GAAP expenses not included in budgetary basis)	(61,409)
Leases Amortization (GAAP expenses not included in budgetary basis)	(1,939)
Total Reconciling Items	\$ 323,293

\* Public Transportation Funds - Sales Tax, as presented in this schedule, excludes Public Transportation Funds revenue received for Advance Bond Proceeds principal reduction and interest expenses of \$10.8 million and \$1.6 million respectively. See Note 10 for details.

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## STATISTICAL SECTION

The Statistical Section includes selected financial and demographic information regarding Valley Metro Rail including financial trends, demographic and economic information, and operating information.

## Statistical Section

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022

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This part of Valley Metro Rail, Inc. (VMR) comprehensive financial report presents information as a context for understanding what the information in the financial statements, footnotes, and supplementary information says about VMR's overall financial condition. VMR's principal activities consist of planning, designing constructing and operating light rail transit system in Maricopa County, Arizona.

### Contents

**Page**

#### Financial Trends

32

These schedules contain trend information to help the reader understand how VMR's financial performance and well-being have changed over time.

#### Revenue Capacity

N/A

VMR's principal source of operating revenues are contributions from Member Cities. With respect to capital projects, VMR receives federal grants and utilizes Public Transportation Funds administered by the Regional Public Transportation Authority (RPTA). (Refer to Note 16 on Page 28 in the Notes to the Financial Statements section.)

#### Debt Capacity

35

These schedules include outstanding debt by type and percentage of debt to income and population in Maricopa County. There are not specific pledged revenues and not debt limits so these schedules have not been included.

#### Demographic and Economic Information

37

These schedules offer demographic and economic indicators to help the reader understand the environment within which VMR's financial activities take place.

#### Operating Information

40

These schedules contain service and infrastructure data to help the reader understand how the information in VMR's financial report relates to the services VMR provides and the activities it performs.

**Valley Metro Rail, Inc.**  
**Net Position by Component**  
**FY 13 through FY 22**  
*(in thousands of dollars)*

<b>Business -type Activities</b>	<b>FY13</b>	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>
Investment in Capital Assets										
Construction in Progress (1)	\$ 76,374	\$ 141,245	\$ 198,400	\$ 12,781	\$ 62,358	\$ 304,085	\$ 322,989	\$ 367,046	\$ 713,605	\$ 765,442
Buildings	\$ 87,358	\$ 84,795	\$ 82,231	\$ 79,668	\$ 77,105	\$ 71,978	\$ 71,978	\$ 69,415	\$ 66,852	\$ 64,289
Guideway (2)	514,647	503,337	492,026	602,666	656,197	632,526	622,567	681,300	660,070	741,467
Bridges	52,289	50,238	48,188	46,137	44,087	39,986	39,986	37,935	35,885	33,834
Operation Control Center	11,340	10,903	10,466	10,030	9,593	8,719	8,719	8,719	7,847	7,410
Passenger Stations & Facilities	86,657	83,259	79,861	98,895	94,734	86,413	100,661	114,626	109,278	114,586
Park and Ride Facilities	28,574	25,907	23,239	26,981	23,870	17,649	17,649	17,457	14,138	10,819
Bus Shelter	—	—	—	720	643	488	488	411	334	257
Electric Power Substations	72,760	69,210	65,661	115,394	109,694	98,217	98,217	145,158	137,224	200,705
Signal and Communication System	37,590	35,165	32,739	73,140	68,439	59,167	68,817	82,796	76,778	89,760
Computers & Software	168	131	—	601	455	(125)	76	58	80	53
Furniture & Fixtures	—	—	—	—	—	—	—	—	—	—
Site Improvements	13	11	3,173	2,952	2,807	2,637	2,343	1,964	1,585	40,545
Tenant Improvements	—	—	—	—	—	670	292	249	207	164
Revenue Vehicles	167,304	170,655	161,863	151,451	144,205	126,621	126,540	117,666	115,153	155,722
Non-Revenue Vehicles	813	824	719	943	840	729	710	645	694	501
Equipment	7,139	5,969	5,079	9,767	9,120	8,061	8,237	8,319	7,039	11,821
Leased Asset - Office Space (3)	—	—	—	—	—	—	—	—	—	16,993
Leased Asset - Parking (3)	—	—	—	—	—	—	—	—	—	481
Subtotal Investment in Capital Assets	\$1,143,026	\$1,181,649	\$1,203,645	\$1,232,126	\$1,304,147	\$1,457,821	\$1,490,269	\$1,653,764	\$1,946,769	\$2,254,849
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	2,398	12,654	12,102	12,737	14,438	(3,720)	20,871	10,558	32,073	26,762
<b>Total business-type activities net position</b>	<b>\$1,145,424</b>	<b>\$1,194,303</b>	<b>\$1,215,747</b>	<b>\$1,244,863</b>	<b>\$1,318,585</b>	<b>\$1,454,101</b>	<b>\$1,511,140</b>	<b>\$1,664,322</b>	<b>\$1,978,842</b>	<b>\$2,281,611</b>

Source: Valley Metro Rail, Inc. Finance Division

- (1) In FY 13, FY 14, and FY15 Construction In Progress is shown net of the Northwest Extension Advance Funding Obligation. Further, in FY15 Construction in Progress is shown net of the RPTA PTF Advance Bond Proceeds. In FY20 Construction in Progress is shown net of Retainage Payable, restricted cash with escrow agent, construction related payables and receivables.
- (2) Starting in FY 16 Guideway is shown net of the Northwest Extension Advance Funding Obligation and the RPTA PTF Advance Bond Proceeds. In FY 19, and FY20 Guideway is shown net of City of Mesa FTA advance obligation. In FY21 and FY22 Guideway is shown net of balance sheet accounts included in the calculation of net investment in capital assets.
- (3) In FY22, Valley Metro Implemented GASB Statement 87 resulting in reporting of leased asset, so leased assets were reported net of amortization.
- (4) In FY17, the FY16 balances by asset category were adjusted between categories but there was no impact to the overall total.

**Valley Metro Rail, Inc.**  
**Changes in Net Position**  
**FY 13 through FY 22**  
*(in thousands of dollars)*

	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>
<b>Operating Revenues</b>										
Contributions from Member Cities	\$ 11,615	\$ 16,804	\$ 16,591	\$ 20,011	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Passenger Fares	12,792	12,505	12,832	13,461	13,363	9,370	11,071	8,340	1,559	5,158
Federal Transit Administration Operating Grants	5,383	2,400	2,135	258	—	—	—	—	—	—
Public Transportation Funds	—	—	—	—	—	—	—	—	—	—
Regional Capital Rebuild Revenue	—	—	305	—	—	646	222	3,586	3,194	3,104
Other Revenues	1,253	1,731	3,272	1,157	1,144	1,112	1,113	1,082	473	1,150
<b>Total Operating Revenues</b>	<b>31,043</b>	<b>33,440</b>	<b>35,135</b>	<b>34,887</b>	<b>14,507</b>	<b>11,128</b>	<b>12,406</b>	<b>13,008</b>	<b>5,226</b>	<b>9,412</b>
<b>Operating Expenses</b>										
Administration and Planning Services	8,287	8,840	9,129	43,987	479	124,848	2,930	4,577	1,671	3,746
Passenger Operations Service	28,712	31,260	31,289	—	41,487	41,601	47,150	50,292	53,336	54,396
Private Utilities Relocations	—	—	—	—	—	—	—	—	—	—
Regional Capital Rebuild Program	—	—	881	678	—	646	762	3,192	3,679	5,208
Depreciation	38,978	38,912	39,014	45,679	48,010	—	50,550	56,053	56,090	61,408
Lease amortization (1)	—	—	—	—	—	—	—	—	—	1,939
<b>Total Operating Expenses</b>	<b>75,977</b>	<b>79,012</b>	<b>80,313</b>	<b>90,344</b>	<b>89,976</b>	<b>167,095</b>	<b>101,392</b>	<b>114,114</b>	<b>114,776</b>	<b>126,697</b>
<b>Operating Income (Loss)</b>	<b>(44,934)</b>	<b>(45,572)</b>	<b>(45,178)</b>	<b>(55,457)</b>	<b>(75,469)</b>	<b>(155,987)</b>	<b>(88,986)</b>	<b>(101,104)</b>	<b>(109,550)</b>	<b>(117,285)</b>
<b>Non-Operating Revenues (Expense)</b>										
Contributions from Member Cities	—	—	—	1,283	29,836	44,573	37,626	45,892	14,340	27,696
Public Transportation Funds	10,111	6,626	10,527	—	6,139	8,131	15,835	10,014	9,659	11,649
Federal Transit Administration Non-Operating Grants	799	454	—	1,345	2,894	464	14,026	5,462	45,762	36,270
Other Planning Revenues	—	—	—	644	503	920	1,000	1,000	1,000	1,000
Future Project Development	—	—	—	—	(11,190)	(10,867)	(12,434)	(8,282)	(8,887)	(8,815)
Private Utilities Relocations	(5,500)	(14,877)	(5,120)	(1,475)	(39)	(463)	(2,030)	(4,437)	(9,811)	(9,291)
Small Business Assistance Program	—	—	—	—	—	—	—	—	—	(570)
Capital Conveyance to Member Cities	(11,488)	(9,950)	(3,883)	(1,277)	(4,030)	—	(1,658)	(4,238)	(20,399)	(5,320)
Capital Conveyance to RPTA	—	—	—	—	—	—	—	—	(2,187)	(3,018)
Concurrent Non Project Activities	—	—	—	—	—	(617)	(1,381)	(3,552)	(116)	(7,045)
Interest on Capital Funding Obligation	(2,231)	(1,642)	(552)	—	—	—	(42)	(239)	(17)	—
PTF Interest expense	—	—	(8,120)	—	(2,860)	(2,416)	(2,416)	(2,165)	(1,901)	(1,623)
Gain (loss) on disposal of capital assets	—	—	—	—	—	—	—	—	(248)	(3)
Other Non-Operating Revenues (Expenses)	25	16	—	—	—	—	—	—	177	618
<b>Total Non-Operating Revenues (Expense)</b>	<b>(8,284)</b>	<b>(19,373)</b>	<b>(7,148)</b>	<b>520</b>	<b>21,253</b>	<b>39,725</b>	<b>48,526</b>	<b>39,455</b>	<b>27,372</b>	<b>41,548</b>

**Valley Metro Rail, Inc.**  
**Changes in Net Position**  
**FY 13 through FY 22**  
*(in thousands of dollars)*

**Capital Contributions**

Contributions from Member Cities	4,268	51	25	731	45,250	26,554	50,225	77,065	113,069	14,826
Public Transportation Funds Capital	27,766	86,209	29,895	62,601	5,609	31,836	32,848	77,308	96,492	55,481
Federal Transit Administration Capital Grants	27,742	27,564	43,849	20,721	76,984	39,893	68,890	60,391	187,137	307,475
Other Capital Contributions	—	—	—	—	95	—	—	69	—	—
<b>Total Capital Contributions</b>	<u>59,776</u>	<u>113,824</u>	<u>73,769</u>	<u>84,053</u>	<u>127,938</u>	<u>98,283</u>	<u>151,963</u>	<u>214,833</u>	<u>396,698</u>	<u>377,782</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 6,558</u>	<u>\$ 48,879</u>	<u>\$ 21,443</u>	<u>\$ 29,116</u>	<u>\$ 73,722</u>	<u>\$ (17,959)</u>	<u>\$ 111,503</u>	<u>\$ 153,182</u>	<u>\$ 314,520</u>	<u>\$ 302,045</u>

Source: Valley Metro Rail, Inc Finance Division

(1) In FY21/22, Valley Metro Implemented GASB Statement 87 resulting in reporting of lease amortization, lease income, and lease interest income.

**Valley Metro Rail, Inc.**

RPTA Advance Bond Proceeds

Debt Service Cost per Capita

Last Ten Fiscal Years

(in thousands of dollars)

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**Business-type Activities**

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<b>Fiscal Year Ended June 30</b>	<b>Due to RPTA PTF RPTA Advance Bond Proceeds</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2015 (1)	69,584	0.04%	17
2016	61,399	0.03%	15
2017	52,969	0.03%	13
2018	44,119	0.02%	10
2019	34,824	0.02%	8
2020	25,044	0.01%	6
2021	14,749	(2)	(2)
2022	3,914	(2)	(2)

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**Business-type Activities**

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<b>Fiscal Year Ended June 30</b>	<b>Direct Borrowing from City of Phoenix</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2022	51,599	(2)	(2)

**Source:** The source of this information is Valley Metro Rail's financial records for debt data by year. The source for personal income and population in Maricopa County is the audited FY2021 Maricopa County Annual Comprehensive Financial Report.

(1) The first year for Due to RPTA PTF Advance Bond Proceeds did not exist before fiscal year 2015.

(2) Personal income data for Maricopa County was not yet available for 2021 thru 2022. Population estimates were not yet available for 2021 and 2022. Therefore, Percentage of Personal Income and Per Capita could not be calculated for these periods.

**Valley Metro Rail, Inc.**

RPTA Advance Bond Proceeds

Debt Service Cost per Capita

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended June 30	Due to RPTA PTF Advance Bond Proceeds				Maricopa County		
	Principal	Interest	Total Cost	Percentage of Personal Income	Per Capita	Population (1)	Income (1,6)
2015 (1)	\$ —	1,261	\$ 1,261	0.00%	—	4,064	\$ 175,438
2016	8,185	2,986	11,171	0.01%	3	4,153	185,112
2017	8,430	2,860	11,290	(2)	3	4,233	196,780
2018	8,850	2,643	11,493	(2)	3	4,316	209,720
2019	9,295	2,416	11,711	(2)	3	4,367	223,097
2020	9,780	2,165	11,945	(2)	3	4,368	245,078
2021	10,295	1,901	12,196	(2)	(2)	(2)	(2)
2022	10,835	1,623	12,458	(2)	(2)	(2)	(2)

Fiscal Year Ended June 30	Direct Borrowing from City of Phoenix				Maricopa County		
	Principal	Interest	Total Cost	Percentage of Personal Income	Per Capita	Population (1)	Income (1,6)
2022	\$ 51,599	—	\$ 51,599	(2)	(2)	(2)	(2)

**Source:** The source of this information is Valley Metro Rail's financial records for debt data by year. The source for personal income and population in Maricopa County is the audited FY2021 Maricopa County Annual Comprehensive Financial Report.

(1) The first year for Due to RPTA PTF Advance Bond Proceeds did not exist before fiscal year 2015.

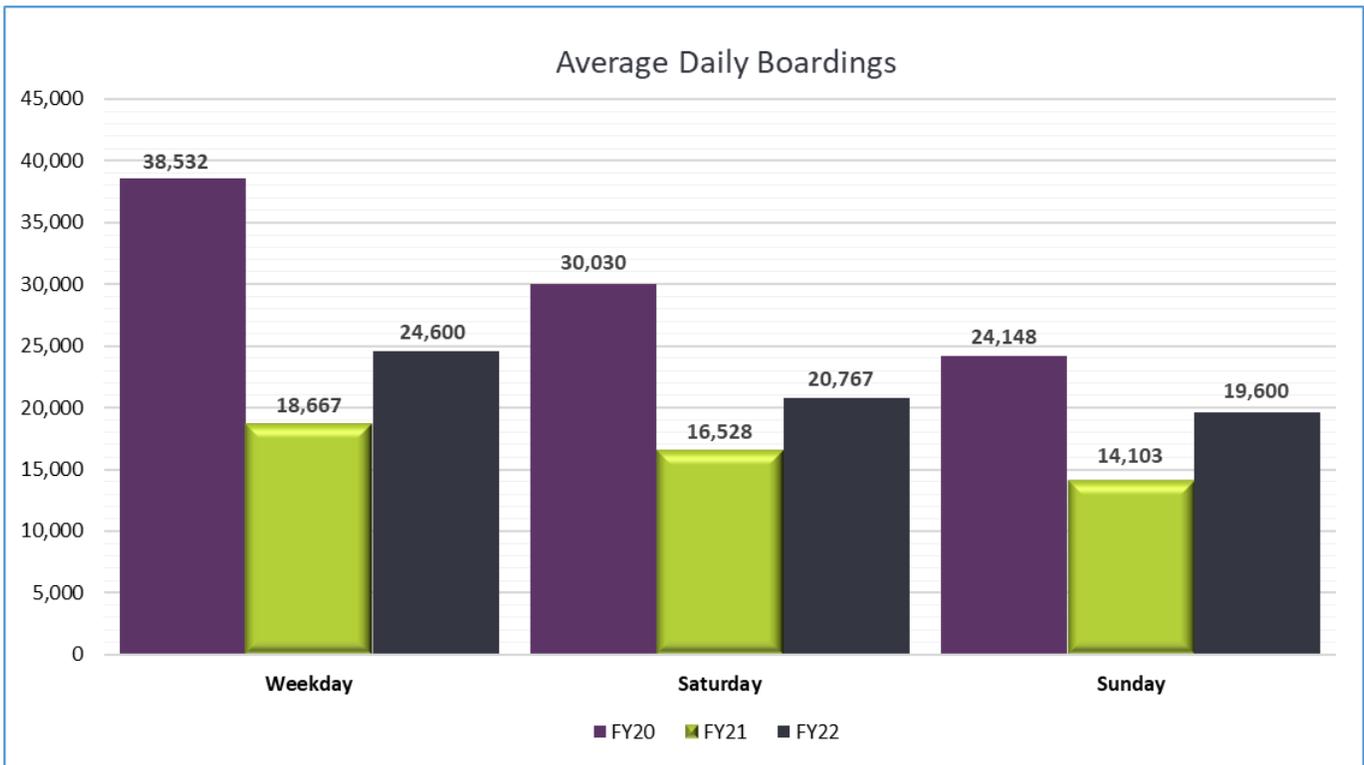
(2) Personal income data for Maricopa County was not yet available for 2021 thru 2022. Population estimates were not yet available for 2021 and 2022. Therefore, Percentage of Personal Income and Per Capita could not be calculated for these periods.

**Valley Metro Rail, Inc.**  
 Growth in Regional Transit Usage  
 Last Ten Fiscal Years

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**Valley Metro Rail, Inc.**  
 Growth in Regional Transit Usage  
 Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Boardings</b>	<b>Change</b>
2013	73,409,805	3.3%
2014	72,137,268	-1.7%
2015	70,759,847	-1.9%
2016	67,352,825	-4.8%
2017	65,958,074	-2.1%
2018	66,784,913	1.3%
2019	64,380,334	-3.6%
2020	52,528,517	-18.4%
2021	27,337,550	-48.0%
2022	31,854,221	16.5%



Source: Regional Public Transportation Authority

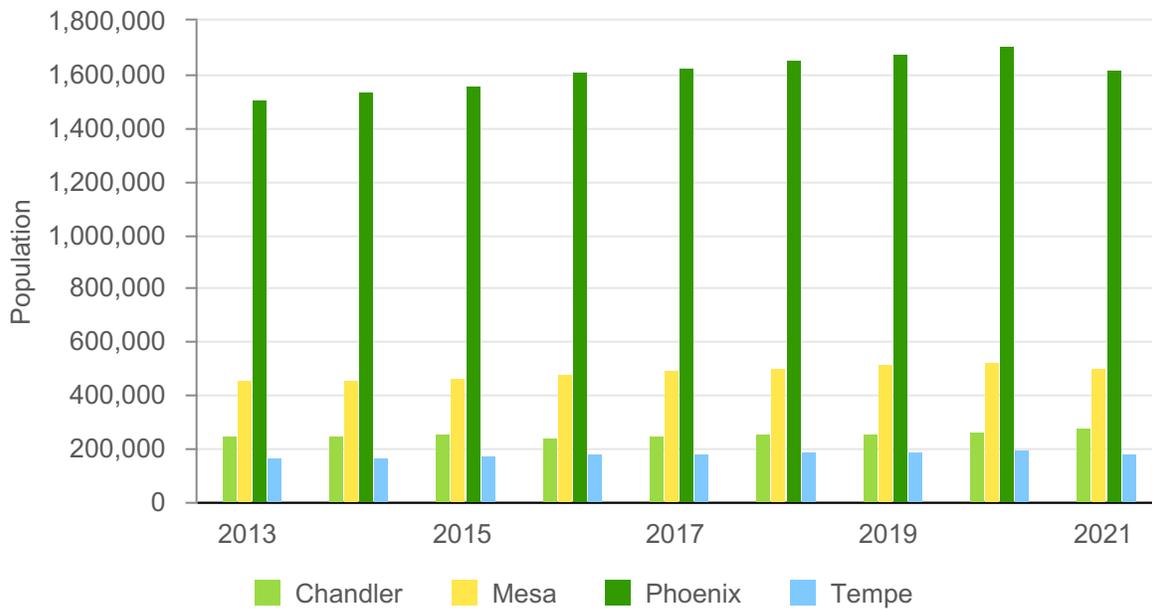
**Valley Metro Rail, Inc.**

Population Growth

Ten Years from 2012 to 2021

<u>Year</u>	<u>Chandler</u>	<u>Mesa</u>	<u>Phoenix</u>	<u>Tempe</u>
2013	250,394	458,347	1,512,442	168,883
2014	254,276	464,704	1,537,058	172,816
2015	260,828	471,825	1,563,025	175,826
2016	247,477	484,587	1,615,017	182,498
2017	253,458	496,401	1,626,078	185,038
2018	257,165	508,958	1,660,272	192,364
2019	261,165	518,012	1,680,992	195,805
2020	265,398	528,159	1,708,127	200,402
2021	279,458	509,475	1,624,569	184,118

Valley Metro Rail, Inc  
Member Cities' Population Growth



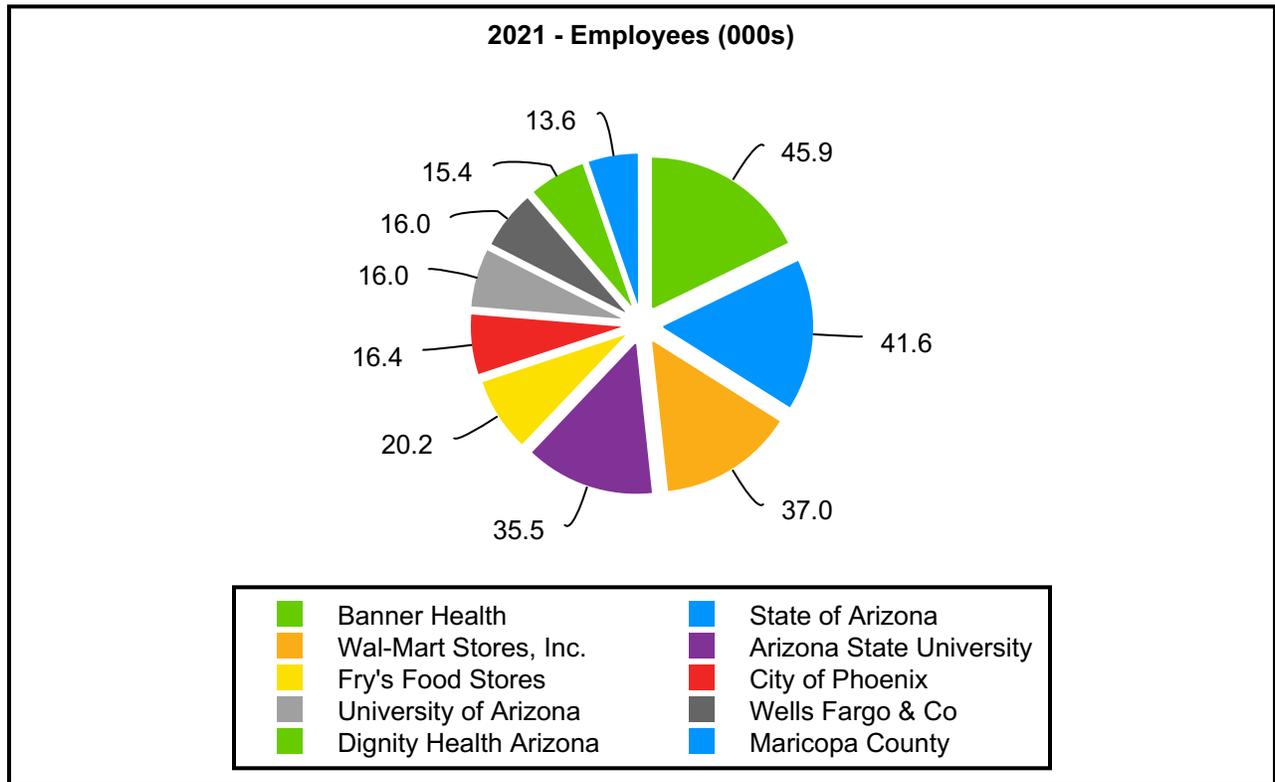
Sources: Maricopa Association of Governments  
US Census Bureau

Year 2021 is the most current year available.

**Valley Metro Rail, Inc.**

Top Employers in Maricopa County  
For the Year 2021 and Nine Years Ago

Employer	2021			2012		
	Employees	Rank	% of Total	Employees	Rank	Total
Banner Health	45,918	1	2.01 %	24,825	3	1.48 %
State of Arizona	41,606	2	1.82 %	49,800	1	2.97 %
Wal-Mart Stores, Inc.	36,995	3	1.62 %	30,634	2	1.83 %
Arizona State University	35,474	4	1.55 %	11,185	9	0.67 %
Fry's Food Stores	20,235	5	0.89 %			
City of Phoenix	16,432	6	0.72 %	15,100	4	0.90 %
University of Arizona	16,021	7	0.70 %			
Wells Fargo & Co	16,000	8	0.70 %	13,308	5	0.79 %
Dignity Health Arizona	15,403	9	0.67 %			
Maricopa County	13,648	10	0.60 %	12,792	7	0.76 %
Bank of America				13,300	6	0.79 %
Raytheon Co.				11,500	8	0.69 %
Apollo Inc.				11,000	10	0.66 %
<b>Total for Principal Employers</b>	<b>257,732</b>		<b>11.28 %</b>	<b>193,444</b>		<b>11.56 %</b>
<b>Total Employment in Maricopa County</b>	<b>2,282,100</b>			<b>1,674,300</b>		



Source: The Phoenix Business Journal, Book of Lists  
Workforce Informer Arizona at [www.workforce.az.gov](http://www.workforce.az.gov) for total employed in Maricopa County

Note: The information for FY 2022 was not available.



# SOUTH CENTRAL EXTENSION/ DOWNTOWN HUB



## PROJECTS

TITLE  
LIGHT RAIL EXTENSION  
TYPE

FACT SHEET / Q4 2022  
valleymetro.org/southcentral

## About the Project

The South Central Extension/ Downtown Hub will connect with the current light rail system in downtown Phoenix and operate south on Central Avenue to Baseline Road. The project also includes a light rail transit hub in downtown Phoenix, new stations and public art.

Light rail has proven to generate economic prosperity for historically underserved communities in metro Phoenix. Light rail makes the unique offerings of South Phoenix more accessible to others, attracting new customers, businesses and jobs to the area.



### SOUTH CENTRAL EXTENSION/DOWNTOWN HUB COMMUNITY OFFICE

5040 S. Central Avenue | Phoenix, AZ 85040  
602.687.8585

Monday - Friday 9 a.m. - 5 p.m.

Saturday by appointment

### PROJECT STATUS

- The SCE/DH project hit the 50% completion milestone in August.
- Construction activities continue throughout the entire corridor. Bus and rail riders, pedestrians and motorists may need to adjust their regular trips due to construction.
- Detailed construction activity descriptions and schedule information are available at [valleymetro.org/southcentral](http://valleymetro.org/southcentral) or through the Construct VM app.
- Free business consulting and marketing opportunities continue to be offered to businesses affected by construction, including the community celebration Fiesta on Central and a holiday direct mail flyer sent to area residents. Qualifying businesses can apply for grant funding at [prestamosloans.org/valleymetro](http://prestamosloans.org/valleymetro). More information on all the programs is available at [valleymetro.org/southcentral](http://valleymetro.org/southcentral) under the Business Assistance section.



### NEXT STEPS

- Continue track installation in the downtown area through 2022.
- Continue relocation of utilities along Central Ave.

### COST FORECAST\*

	PROGRAMMED	EXPENDED	% EXPENDED	FORECAST
Construction	\$871,174,828	\$449,922,286	52%	\$871,174,828
Utilities	\$47,813,442	\$9,071,666	19%	\$47,813,442
Right of Way	\$52,800,000	\$13,894,361	26%	\$52,800,000
Design/Management	\$297,459,210	\$117,144,492	39%	\$297,459,210
Vehicles	\$75,840,855	\$29,772,540	39%	\$75,840,855
<b>TOTAL</b>	<b>\$1,345,088,335</b>	<b>\$619,805,345</b>	<b>46%</b>	<b>\$1,345,088,335</b>

\*Estimated as of September 2022

To receive weekly email updates, contact your Community Outreach Coordinator. For more information, please visit [valleymetro.org/southcentral](http://valleymetro.org/southcentral).

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# PROJECTS

# SOUTH CENTRAL EXTENSION/ DOWNTOWN HUB

TITLE

LIGHT RAIL EXTENSION

TYPE



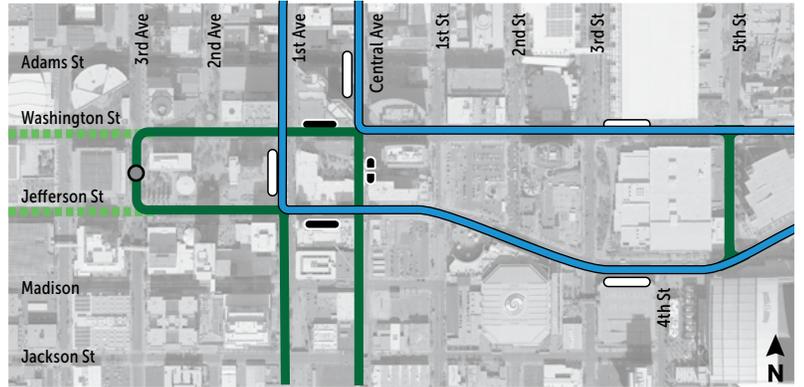
FACT SHEET / Q4 2022

valleymetro.org/southcentral

## ROUTE MAP

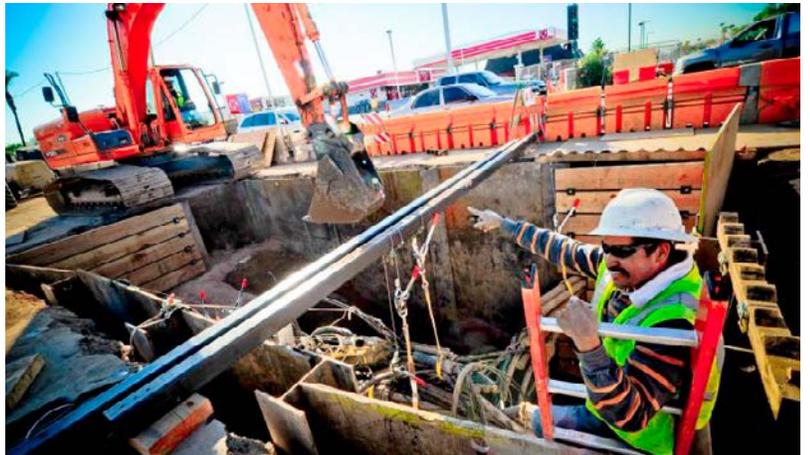


## Downtown Phoenix



### LEGEND

- Valley Metro Rail/Station Platform
- South Central Light Rail Extension/Station Platform
- Special Use Platform (no regular service)
- Park-and-Ride
- Capitol Extension
- I-10 West Extension
- Traction Power Substation (TPSS)
- Signal Building



## PROJECT SCHEDULE\*



2012 - 2017

PLANNING



2017 - 2019

DESIGN



2019 - 2024

CONSTRUCTION



2024

COMPLETION

\*Dates are approximate and subject to change.



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Download the **Construct VM** app for real-time construction information.



PROJECTS

# NORTHWEST PHASE II

TITLE

## LIGHT RAIL EXTENSION

TYPE



FACT SHEET / Q4 2022

[valleymetro.org/northwest2](http://valleymetro.org/northwest2)

# About the Project

Phase II of the Northwest Extension will extend light rail west on Dunlap Avenue from 19th Avenue, then north on 25th Avenue and across I-17 on Mountain View Road with a terminus on the west side of the freeway near Metrocenter Mall.

At the end-of-line, the Metrocenter Station will be the first elevated station in Valley Metro's light rail system. The existing Transit Center will relocate to below the elevated station. A four-story park-and-ride garage adjacent to the transit center will provide access to the station.



Northwest Extension Phase II crew securing structural steel at the Dunlap Avenue Station.

Voter approved:



### PROJECT STATUS

- Two-way traffic continues on the north side of Dunlap Avenue to accommodate utility relocations, road widening and track/station infrastructure.
- Utility relocations in the project corridor will be completed by the end of October 2022.
- Trackwork and station construction will continue through 2023.
- Bridge construction on 25th Avenue over the Arizona Canal and Diversion Channel is completed; 25th Avenue road, rail and station work will continue through 2023.
- Interstate 17 light rail bridges work, which includes track and station infrastructure, will continue through 2023.
- Coordination and collaboration continues with local area community groups, business owners and residents.

### NEXT STEPS

- Overhead Catenary System (OCS) poles and wiring construction will begin in late 2022.
- Trackwork is estimated to be completed in early 2023.
- Station construction is estimated to be completed in mid-2023.
- Construction of the light rail bridges over I-17 will continue into 2023. Expect overnight freeway restrictions in this area throughout 2022 and 2023. It is anticipated there will be no more full closures.



### COST FORECAST\*

Description	Programmed	Expended	%Expended	Forecast
Construction	\$285,939,210	\$135,209,889	47%	\$285,939,210
Utilities	\$19,640,600	\$5,433,091	28%	\$19,640,600
Right-of-Way	\$27,973,550	\$8,835,798	32%	\$27,973,550
Design/Mgmt	\$67,771,435	\$43,816,056	65%	\$67,771,435
<b>TOTAL</b>	<b>\$401,324,795</b>	<b>\$193,294,834</b>	<b>48%</b>	<b>\$401,324,795</b>

\*Estimated as of August 2022.



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Northwest Extension Phase II construction hotline: 602.254.RAIL (7245)

To subscribe to weekly email updates, contact Michael Book. For more information, please visit [valleymetro.org/northwest2](http://valleymetro.org/northwest2).

### ROUTE MAP



### PROJECT SCHEDULE



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**Download the *Construct VM* app for real-time construction information.**



# CAPITOL EXTENSION

TITLE



## PROJECTS

## LIGHT RAIL EXTENSION

TYPE

FACT SHEET / Q3 2022  
valleymetro.org/capex

# About the Project

The 1.4-mile Capitol Extension will connect the existing Valley Metro Rail system in downtown Phoenix to the Arizona State Capitol.

In 2016, the Phoenix City Council and Valley Metro Rail Board of Directors approved a phased approach to what was then known as the Capitol/I-10 West Extension. The Capitol Extension, originally known as "Phase I" of the Capitol/I-10 West Extension, was approved by the Phoenix City Council and Valley Metro Rail Board of Directors in 2021.

Phase II, called the I-10 West Extension, will extend west from the Capitol, primarily running along Interstate-10. For additional information on the I-10 West Extension visit: [valleymetro.org/10west](http://valleymetro.org/10west).

### PROJECT STATUS

- Preliminary engineering (PE) work is underway to develop initial construction plans and technical specifications for the light rail extension. PE work will produce a cost estimate, identify any technical issues that may occur during construction and provide a basis for the final design phase.
- The project team, all the work on the project is in partnership with Phoenix staff; additionally, the "project team" includes Phoenix staff, has begun drafting initial designs focusing on the location of the guideway and configuration of the street along the project corridor. Additional details, like station locations and streetscape components, will be developed after the configuration of the street is determined.
- Underground utility investigation is ongoing.

### NEXT STEPS

- Continue preparations for the federally-required environmental assesment that will begin in 2022.
- Continue meeting with stakeholders and the community to refine project elements.

### COST FORECAST\*

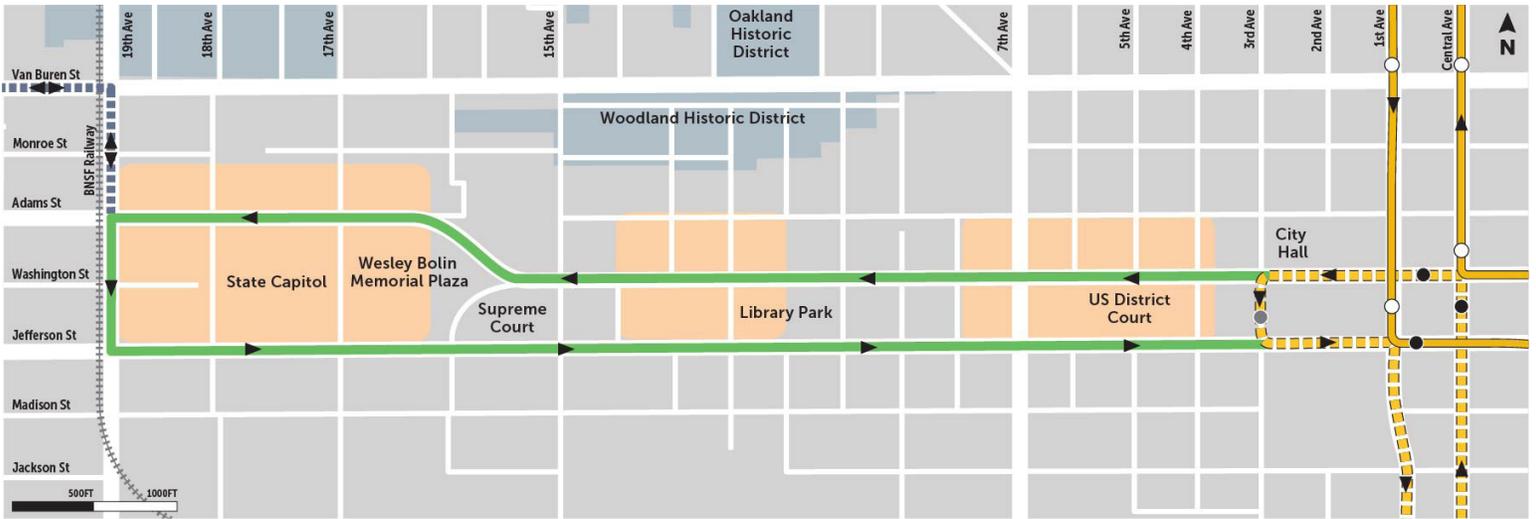
	Programmed	Expended
Preliminary Engineering/ Environmental Assessment	\$7.2 million	\$1,651,242.90

\*Estimated as of June 2022.

1.4 MILES

3 STATIONS

### ROUTE MAP



### LEGEND

- Valley Metro Rail
- South Central Extension/Downtown Hub
- Capitol Extension
- I-10 West Extension
- Existing Station
- South Central Station
- Station Area
- South Central Special Use Platform

### PROJECT SCHEDULE





# PROJECTS

## I-10 WEST EXTENSION

TITLE

## LIGHT RAIL EXTENSION

TYPE



FACT SHEET / Q3 2022  
valleymetro.org/10west

# About the Project

The 9.4-mile corridor along Interstate 10 (I-10) will connect the existing Valley Metro Rail system in central Phoenix to the greater West Valley.

In 2016, the Phoenix City Council and Valley Metro Rail Board of Directors approved a phased approach to what was then known as the Capitol/I-10 West Extension. Phase I, now known as the the Capitol Extension, will connect downtown Phoenix to the Arizona State Capitol. Phase II, now known as the I-10 West Extension, will extend light rail along I-10 to Desert Sky Transit Center. For more information on both projects, please visit the project web pages at [valleymetro.org/capex](http://valleymetro.org/capex) and [valleymetro.org/10west](http://valleymetro.org/10west).

### PROJECT STATUS

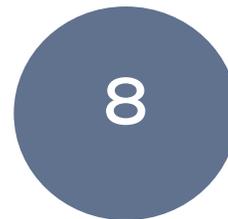
- The project team is refining the conceptual design of the project, with a focus on incorporating the extension to Desert Sky Transit Center into the overall project design.

### NEXT STEPS

- Valley Metro and City of Phoenix will evaluate opportunities to accelerate delivery of the project and investigate capital funding opportunities.
- The project team will continue engagement with key stakeholders, including West Valley communities and the Arizona Department of Transportation (ADOT).



MILES



STATIONS



PARK-AND-RIDES

### ROUTE MAP



#### LEGEND

- I-10 West Extension/Station
- Existing Park-and-Ride
- Transit Center
- Capitol Extension
- Proposed Park-and-Ride
- Station Target Areas

### COST FORECAST\*

	Programmed	Expended
Planning	\$800,000	\$138,750.58

\*Estimated as of June 2022.

### PROJECT SCHEDULE



**Valley Metro Rail, Inc.**  
**Full-Time Equivalent Positions**

Source: Valley Metro Rail, Inc. Finance and Administration Division

Grade	RPTA Position Titles	Authorized FTEs (1)									
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
I	Cleaner	9.0	10.0	10.0	10.0	3.0	3.0	3.0	3.0	3.0	3.0
III	Administrative Assistant I	0.5	0.5	1.5	1.5	1.4	0.5	0.0	0.0	0.0	0.0
	Document Control Clerk	0.0	1.9	0.9	0.9	1.0	0.9	3.9	0.9	0.9	0.9
	LRV Yard Operator	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	0.0
	Stockroom Clerk	2.0	2.0	2.0	2.0	2.0	2.0	0.0	4.0	4.0	4.0
	Transit Distribution and Signage Assistant	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.0	0.0	0.0
IV	Lead Document Control Clerk	1.0	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9
	LRV Inspector	9.0	9.0	9.0	12.0	13.0	13.0	13.0	17.0	17.0	18.0
	Materials Handler	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0
V	Accounting Technician	1.0	0.0	0.0	0.6	1.0	0.8	0.9	0.9	0.9	0.9
	Administrative Assistant II	8.0	6.4	6.4	5.7	5.3	7.5	10.1	9.4	8.5	8.7
	Contracts Specialist	1.0	0.8	0.5	0.0	0.5	0.5	0.5	0.0	0.7	0.0
	LRV Lead Inspector/Cleaner	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0
VI	Project Assistant	0.0	0.0	0.0	1.0	1.0	1.6	0.8	0.9	0.9	0.9
	LRV Lead Inspector/Cleaner	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Rail Vehicle Mechanic	11.0	11.0	13.0	17.0	17.0	17.0	0.0	22.0	21.0	27.0
	Technician	0.0	0.0	0.0	0.0	0.0	0.0	18.0	0.0	0.0	0.0
	Track Maintainer	6.0	6.0	5.0	7.0	7.0	7.0	8.0	10.0	12.0	12.0
VII	Accountant I	2.0	0.9	0.9	0.5	0.0	0.5	0.5	0.5	0.5	0.5
	Administrative Assistant III	0.0	0.0	0.0	1.0	1.5	1.3	1.6	1.9	1.9	1.9
	Contracts Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
	Communications Systems Technician	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	10.0
	Customer Experience Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0
	Document Control Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
	Electro-Mechanical Technician	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0
	Electro-Mechanical Technician (Rail Vehicle)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	15.0
	Internal Audit Specialist	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0
	IT Administrative Specialist	1.0	1.5	0.5	0.6	0.6	0.5	0.0	0.2	0.2	0.2
	LRV Lead Maintenance Technician	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

Grade	RPTA Position Titles	Authorized FTEs (1)									
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	LRV Maintenance Technician II	10.0	10.0	11.0	12.0	12.0	12.0	13.0	22.0	2.0	0.0
	Marketing Production Program Representative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0
	Marketing Program Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
	MOW Parts Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Operations Communications Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2	3.5
	Paralegal	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.0	0.0
	Planner I	0.0	0.8	0.3	0.7	0.8	2.0	1.8	0.0	0.0	0.0
	Planning Program Specialist	0.0	0.0	0.0	0.7	0.5	0.0	0.0	0.0	0.0	0.0
	Program Representative	0.0	0.0	0.0	0.0	1.1	0.8	0.5	0.5	0.0	1.0
	Rail Vehicle Mechanic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0
	Signal & Comm Systems Maintainer	6.0	6.0	6.0	9.0	9.0	9.0	9.0	9.0	0.0	0.0
	Signal Systems Technician	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	10.0
	Specialist	0.0	0.0	0.0	0.0	0.0	0.0	2.4	4.8	0.0	0.0
	Lead Truck Shop Mechanic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Utility Relocation Specialist	1.0	1.0	0.9	0.9	0.9	1.0	0.0	0.9	1.0	0.0
	Vehicle Parts Coordinator	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
VIII	Cleaning Maintenance Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
	Communications Systems Technician	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	0.0
	Customer Experience Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	9.0	0.0
	Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	2.9	1.0	0.0	0.0
	Engineering Technician	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.8	0.9	1.0
	Executive Administrative Coordinator	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.5	0.5	0.0
	Facilities Maintenance Coordinator	0.0	0.0	0.0	0.0	0.0	0.6	0.0	1.9	2.0	1.0
	Facilities Maintenance Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Graphics Designer	0.0	1.4	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
	Lead Customer Experience Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Lead Operations Communications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
	Legal & Risk Management Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
	Legal Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
	LRV Lead Maintenance Technician	3.0	3.0	3.0	3.0	3.0	3.0	0.0	3.0	3.0	3.0
	Non-Revenue Vehicle Maintenance Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
	Materials/Warranty Coordinator	2.0	2.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
	Project Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.9
	Public Art Specialist	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	1.0	1.0
	Public Records Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

Grade	RPTA Position Titles	Authorized FTEs (1)									
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Signal & Communications Syst Tech	7.0	9.0	9.0	8.0	8.0	8.0	0.0	11.0	4.0	0.0
	Specialist	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.0	0.0
	Technician	0.0	0.0	0.0	0.0	0.0	0.0	28.9	0.0	0.0	0.0
	Traction Power Systems Technician	13.0	13.0	13.0	15.0	15.0	15.0	0.0	19.0	21.0	20.0
	Utility Relocation Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
IX	Accountant II	0.0	0.0	0.2	0.2	0.5	1.5	1.5	0.0	1.3	1.6
	Area Coordinator	4.0	5.8	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Budget Analyst	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.3	1.0	1.0
	Community Outreach Program Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
	Construction Inspector	0.0	0.0	0.0	0.0	0.0	1.0	2.0	1.0	2.0	2.0
	Contract Administrator	1.0	0.2	2.7	2.5	1.3	1.6	1.6	2.0	2.3	2.3
	Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	12.0	2.5	0.0	0.0
	Customer Service Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0
	Executive Administrator Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	GIS Coordinator	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
	LRV Maintenance Supervisor	4.0	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	LRV Systems/Equipment Specialist	0.0	0.0	1.0	1.0	1.0	1.0	0.0	0.0	1.0	1.0
	Management Analyst	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0
	Network Support Analyst	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Office and Business Services Administrator	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.2	0.5	0.5
	Planner I	0.0	2.1	1.6	1.7	2.1	2.4	2.7	0.0	1.9	0.4
	Program Coordinator	0.0	0.0	0.0	6.1	6.4	11.5	0.0	1.9	8.8	11.1
	Public Information Specialist	1.0	0.5	0.5	1.2	1.5	1.0	0.0	8.8	1.5	1.5
	Regulatory Administrator	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
	Safety Specialist	1.0	0.6	0.5	0.6	0.5	0.0	0.0	0.0	0.0	0.0
	Senior Internal Auditor	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.5	0.5	0.0
	Service Analyst II	0.0	0.0	0.0	0.7	0.6	0.6	0.0	0.0	0.0	0.0
	Specialist	0.0	0.0	0.0	0.0	0.0	0.0	3.2	0.0	0.0	0.0
	Sustainability Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0
	Supervisor, Facility Maintenance	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Supervisor, Track Maintenance	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TAM Program Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.8
	Training Safety Specialist	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	1.0	2.0
	Transit Bus Safety Security Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0
	Transit Security Coordinator	0.0	0.0	0.6	0.6	0.5	0.8	0.0	1.0	0.9	0.8

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

Grade	RPTA Position Titles	Authorized FTEs (1)									
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Web Developer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0
X	Asset Management System Administrator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.8
	Administrator	0.0	0.0	0.0	0.0	0.0	0.0	5.1	0.0	0.0	0.0
	Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Database Administrator	0.0	0.0	0.7	0.6	0.6	0.6	0.0	0.7	0.7	0.7
	Deputy Manager, Community Relations	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.0
	Digital Comm/Marketing Program Lead	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0
	Engineer (Civil)	0.0	0.0	0.0	0.0	0.0	1.0	1.5	0.9	0.9	0.0
	GIS Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.3	0.3
	Info Tech Systems Specialist - Systems Analyst	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.5	0.0
	Lead	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0
	Lead Graphic Designer	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3	0.0	0.3
	LRV Maintenance Supervisor	0.0	3.0	3.0	3.0	3.0	3.0	0.0	3.0	4.0	4.0
	Maintenance of Way Supervisor	0.0	0.0	0.0	2.9	3.0	3.0	0.0	5.0	5.0	0.0
	Marketing Creative Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0
	Network Administrator	0.0	0.0	0.6	0.6	0.6	0.6	0.0	0.5	0.5	0.5
	Network Systems Engineer	2.0	1.8	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Planner II	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	1.9	1.4
	Production Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0
	Program Control Lead	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
	Program Control Specialist	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	1.0
	Program Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Quality Assurance Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	SCADA Network Administrator	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
	Senior Contract Administrator	2.0	2.3	0.8	1.6	2.2	2.9	0.0	3.1	3.0	3.0
	Server Administrator	0.0	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.0	0.0
	Signals/Communications Maintenance Supervisor	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.0	5.0
	Systems Administrator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5
	Systems Analyst	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	TES Supervisor	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Vmware/Storage Administrator	0.0	0.0	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0
XI	Accountant III	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0
	Administrator	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

Grade	RPTA Position Titles	Authorized FTEs (1)									
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Assistant Manager, Community Relations	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0
	Budget Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5
	Business Intelligence Analyst	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5
	Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0
	Engineer (Civil)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
	GIS Administrator	0.0	0.5	0.5	0.5	0.3	0.0	0.0	0.0	0.0	0.0
	Information Security Analyst	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	IT Project Manager	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.5	0.5	0.5
	Labor Compliance Officer	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.8	0.8	0.8
	Light Rail Technical Trainer	0.0	0.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0
	Maintenance Engineer	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	0.0
	Maintenance of Way Technical Trainer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Maintenance Planner/Scheduler	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Manager	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0
	Planner III	3.0	1.0	0.7	0.0	0.0	0.0	0.7	2.8	2.8	3.2
	Project Administrator, Government Relations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	Program Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
	Project Manager	0.0	1.5	1.0	1.2	0.8	0.8	0.0	0.5	0.5	0.5
	Public Arts Administrator	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0
	Public Information Officer	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Quality Assurance Administrator	1.0	1.0	0.9	1.0	0.9	0.9	0.0	1.0	1.0	1.0
	Rail Community Relations Lead	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	SCADA System Administrator	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
	Senior Construction Project Coordinator	1.0	1.0	1.0	0.9	0.9	0.0	0.0	3.3	0.0	0.0
	Senior Information Technology Systems Engineer	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
	Senior Internal Auditor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.0
	Senior Management Analyst	0.0	0.3	0.3	0.8	1.5	1.3	1.4	1.5	1.3	1.3
	Senior Network Engineer	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
	Senior Project Certification Coordinator	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0
	Senior Project Compliance Coordinator	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	1.0	0.0
	Senior Server/Exchange Administrator	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
	Technical Trainer	0.0	0.0	0.0	0.0	0.0	0.0	3.0	1.0	1.0	1.0
	Track Allocation Administrator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
XII	Admin Support Services & Project Management	0.0	0.0	0.0	0.5	0.5	0.5	0.0	0.0	0.5	0.5

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

<u>Grade</u>	<u>RPTA Position Titles</u>	<u>Authorized FTEs (1)</u>									
		<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
	Architect / Urban Designer	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.8	0.8	0.9
	Assistant Manager, LRT System	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
	Assistant Manager, Maintenance of Way	0.0	0.0	0.0	0.0	0.0	0.0	2.0	1.0	1.0	1.0
	Assistant Manager, Rail Operations	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	1.0	1.0
	Assist. Superintendent LRV Maintenance	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
	Business Manager	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Communications Manager	0.0	0.5	0.5	0.5	0.6	0.6	0.0	0.0	0.6	0.6
	Community Relations Manager	0.0	0.7	0.7	0.7	0.7	0.8	0.0	0.0	0.9	0.0
	Customer Service Manager	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Engineer	0.0	0.0	0.0	0.0	0.0	0.0	2.3	0.0	0.0	0.0
	Environmental Program Manager	0.0	0.0	0.0	0.0	0.9	0.9	0.0	0.0	0.0	0.0
	Executive & Board Initiatives Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
	Facilities Maintenance Manager	0.0	0.0	0.0	0.9	1.0	0.9	0.0	0.0	1.0	1.0
	General Accounting Manager	0.0	0.0	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0
	Geographic Services Manager	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
	Human Resources Support Services Manager	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
	LRT Systems Manager	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Lead Procurement Officer	0.0	1.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Manager	0.0	0.0	0.0	0.0	0.0	0.0	7.8	6.9	0.0	0.0
	Marketing Manager	0.0	0.5	0.5	0.0	0.5	0.5	0.0	0.0	0.5	0.5
	Office Engineer	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0
	IT Operations Lead Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
	Procurement Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9
	Program Manager, Safety & Security	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Quality Assurance Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Rail Community Relations Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
	Rail Public Involvement Manager	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Senior Internal Auditor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0
	Senior Transportation Engineer	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Security Engineer	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.5	0.5	0.0
	Senior Application Developer	0.0	0.0	0.0	0.0	0.6	0.6	0.6	0.4	0.4	0.4
	Senior GIS Administrator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.4
	Service Planning Manager	0.0	0.0	0.0	0.1	0.3	0.2	0.0	0.0	0.0	0.0
	Stakeholder Affairs Manager	0.0	0.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
	Track & Facilities Manager	0.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
	Utility Manager	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

Grade	RPTA Position Titles	Authorized FTEs (1)									
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
XIII	Accessible Transit Services Manager	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0
	Business Intelligence Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
	Capital Planning Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8
	Corridor & Facility Development Manager	0.0	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Enterprise Systems Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5
	Field Safety & Security Manager	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Financial Reporting Manager	0.0	0.4	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.0
	Information Technology Manager	0.0	0.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	IT Operations Lead Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	LRT Systems Manager	0.0	0.0	0.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
	Maintenance Engineer	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
	Maintenance of Way Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
	Maintenance of Way Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0
	Manager	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.6	0.0	0.0
	Office Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0
	Operations Support and Analysis Manager	0.0	0.0	0.7	0.7	0.7	0.7	0.0	0.0	0.7	0.7
	Procurement & Risk Management Manager	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Project Controls Manager	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Quality Assurance Manager	0.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
	Rail Design & Construction Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Rail Project Manager, Transit Planning	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Safety and Security Manager	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0
	SCADA System Administrator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	2.0
	Senior Project Engineer	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	0.9	0.0
	Service Planning Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
	System & Service Development Manager	0.0	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Systems Engineer	0.0	0.0	1.0	1.0	1.0	1.0	0.0	0.9	0.0	0.0	
Transit Safety Manager	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.8	0.8	
Transit Security Manager	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.9	0.8	
Utility Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	
XIV	Budget & Operations Financial Controls Manager	0.0	0.5	0.5	0.5	0.5	0.5	0.0	0.0	0.5	0.5
	Business Performance Improvement Manager	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
	Capital Planning Manager	0.0	0.0	0.0	0.0	0.9	0.9	0.0	0.0	1.0	0.0
	Chief Information Officer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

<u>Grade</u>	<u>RPTA Position Titles</u>	<u>Authorized FTEs (1)</u>									
		<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
	Chief Maintenance Engineer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	Contracts & Procurement Manager	0.0	0.5	0.5	0.5	0.6	0.6	0.0	0.0	0.6	0.6
	Construction Manager	1.0	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.0	0.0
	Corridor & Facility Development	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0
	Chief Transportation Officer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Chief System Engineering Officer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Design Manager	0.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
	Engineer	0.0	0.0	0.0	0.0	0.0	0.0	2.7	2.0	0.0	0.0
	Environmental Program Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.9
	Government Relations Officer	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.0
	Info Tech Sys Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0
	Information Technology Manager	0.0	0.0	0.0	0.6	0.0	0.5	0.0	0.0	0.5	0.0
	Lead IT Project Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	Manager	0.0	0.0	0.0	0.0	0.0	0.0	5.0	4.1	0.0	1.0
	Manager, Start up & Activation	0.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
	Project Controls Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Rail Systems Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Rail Systems Manager	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0
	Resident Engineer	1.0	1.0	1.0	0.9	1.0	1.7	0.0	2.0	2.0	1.0
	Revenue Generation & Financial Planning Manager	0.0	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
	Senior Civil Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Senior Database Architect	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.0
	Senior Project Manager	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
	Superintendent, LRV Maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
XV	Administration & Organizational Development Director	0.0	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
	Capital Development Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	1.0
	Capital Projects Project Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Chief Auditor	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.5	0.5	0.5
	Chief, Safety and Security	1.0	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Chief Procurement Officer	0.0	0.0	0.0	0.0	0.0	0.6	0.7	0.7	0.7	0.7
	Construction and Utilities Manager	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	1.0	1.0
	Design Manager	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
	Full Stack Developer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
	Information Security Lead Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	Manager	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.9	0.0	0.0

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Continued)

Grade	RPTA Position Titles	Authorized FTEs (1)									
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Program Manager	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0
	Rail Chief Operations Officer	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Rail Operations Manager	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	1.0
	Service Planning & Accessible Transit Deputy Director	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
	T2050 Program Manager	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
XVI	Assistant General Counsel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	Capital Development Assistant Director	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
	Capital Program Deputy Director	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
	Chief Engineer	0.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
	Chief Operating Officer	0.0	0.6	0.6	0.6	0.6	0.7	0.0	0.0	0.5	0.0
	Construction Deputy Director	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Deputy Director, Planning	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.7	0.0	0.0
	Director	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0
	Jr Attorney	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
	Planning and Accessible Transit Director	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0
	Planning Deputy Director	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7
	Planning/Development Director	1.0	0.9	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0
	Rail Design & Construction Director	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Rail Operations & Maintenance Director	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Rail Operations Deputy Director	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Safety, Security and Quality Assurance Director	0.0	0.0	0.0	0.6	0.5	0.8	0.0	0.9	0.9	0.9
	Senior Advisor, Office of the CEO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
	Service Planning and Accessible Transit Deputy Director	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
XVII	Chief Financial Officer	1.0	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5
	Chief Officer	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.8	0.0	0.0
	Chief of Staff, Director Government Relations	0.0	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.0	0.5
	Chief Operating Officer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	Chief Operations Officer	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.8	0.7
	Chief Technology Officer	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.0	0.0	0.0
	Communication and Strategic Initiatives Director	1.0	0.5	0.5	0.5	0.5	0.5	0.0	0.8	0.7	0.7
	Deputy Director, Corridor Development	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.0	1.0	0.0
	Deputy Director, Corridor Planning	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	0.0

Valley Metro Rail, Inc.

Full-Time Equivalent Positions (Concluded)

<u>Grade</u>	<u>RPTA Position Titles</u>	<u>Authorized FTEs (1)</u>									
		<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
	Senior Project Manager	0.0	0.0	0.0	0.0	0.0	0.5	0.0	1.0	1.0	1.0
XVIII	Chief Administrative Officer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.3	0.3
	Capital Development Director	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8	0.8
NC	General Counsel	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Chief Executive Officer	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
		<u>150.0</u>	<u>158.6</u>	<u>163.5</u>	<u>182.9</u>	<u>179.1</u>	<u>209.3</u>	<u>224.8</u>	<u>271.2</u>	<u>279.0</u>	<u>281.8</u>

## Valley Metro Rail, Inc.

### Design & Construction Milestones

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#### PRE-INCORPORATION ACTIVITIES

**November 2000** - Final light rail alignment approved

**February 2001** - Project opens community office for the public

**September 2001** - City of Phoenix purchases first property for the light rail system at Camelback Road and 3rd Avenue.

**December 2001** - Project receives first recommended rating from the Federal Transit Administration (FTA) in its New Starts Report.

**October 2002** - Valley Metro Rail, Inc. is incorporated.

#### VALLEY METRO RAIL, INC. ACTIVITIES

**July 2003** - METRO receives formal approval from the FTA for the light rail project to enter the Final Design phase. The approval allows designers to finalize the construction plans during the coming months, begin utility relocation, and request early approval to begin purchasing light rail vehicles and construction materials.

**August 2004** - The METRO board approves the METRO Business Outreach Plan to help minimize the impacts of light rail construction on businesses located along the light rail transit alignment.

**November 2004** - A groundbreaking ceremony is held for the reconstruction of an access bridge over the Grand Canal at 48th Street that leads to the light rail Maintenance and Storage Facility.

**January 2005** - Full Funding Grant Agreement signed for the Central Phoenix East Valley (CPEV) Light Rail Project. (20 mile initial operating segment)

**April 2005** - METRO Max program launched, business support program encouraging residents to patronize businesses impacted by light rail construction.

**March 2007** - Phoenix City Council approves funding for Northwest Extension.

**December 2008** - Central Phoenix East Valley Light Rail Project (Initial 20 Mile Segment) construction completes on-time and within budget.

**January 2009** - Rail Passenger Operations commence; ridership planned for 26,000 passengers per day reaches over 40,000 daily passengers in April 2009.

**March 2010** - Mesa City Council approves a 3.1-mile extension of the LRT system.

**October 2010** - Tempe City Council approves Mill Avenue Alignment for modern streetcar.

**October 2011** - Valley Metro receives a \$1.0 million federal grant to conduct an Alternatives Analysis on the South Central Phoenix Corridor.

**June 2012** - Phoenix City Council approves funding plan to accelerate Northwest Extension Project.

**July 2012** - Phoenix City Council approves the 11-mile Phoenix West Extension Project light rail alignment.

**October 2012** - Project Construction Grant Agreement signed for the Central Mesa Extension Project.

**January 2013** – Groundbreaking of the Northwest Extension light rail construction adding 3.2 miles to existing 20 mile system.

**November 2013** – Valley Metro received the Finding of No Significant Impact (or FONSI) from the FTA completing the federal environmental assessment for the 1.9-mile Gilbert Road light rail extension.

**April 2015** – Valley Metro Rail completes solar panel installation at the Operations and Maintenance Center, reducing electrical costs and dependence on the metropolitan grid.

**January 2015** – On Saturday, January 31, Valley Metro Rail served the 2015 Superbowl activities reaching a historic ridership record with 126,000 boardings.

**August 2015** - Valley Metro opens the 2.81 mile Central Mesa LRT Extension, serving downtown Mesa and extending the light rail line to nearly 23 miles.

**March 2016** - Valley Metro opens the 3.28 mile Northwest LRT Extension, serving North Phoenix and extending the light rail line to 25.4 miles.

**April 2019** - Valley Metro opens 50th Street Station the first completed project using Phoenix voter-approved Transportation 2050 funds. This is the first new station within the 26 mile Valley Metro Rail corridor. It is also the first station to have enhanced accessibility features, as well as a permanent tribute to Arizona Congressman Ed Pastor.

**May 2019** - Valley Metro opens the 1.9 mile Gilbert Road LRT Extension, serving Mesa and extending the light rail line to 28 miles.

## Valley Metro Rail, Inc.

### Design & Construction Milestones

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**July 2021** - The Valley Metro Operations and Maintenance Center expansion project was substantially completed providing additional capacity to properly operate and maintain light rail and streetcar as the system expands and new revenue vehicles are added to the fleet.

**May 2022**- Valley Metro opens the first modern streetcar line in Tempe. The 3-mile streetcar line serves one of the highest transit ridership centers in the region and connects riders to neighborhoods, major business centers, and regional events and destinations.

Source: Valley Metro Rail, Inc. Finance Division





**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION  
AUTHORITY**

**SINGLE AUDIT ACT REPORTS FOR THE  
FISCAL YEAR ENDED JUNE 30, 2022**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Valley Metro Regional Public Transportation Authority  
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Valley Metro Regional Public Transportation Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 30, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
January 30, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Valley Metro Regional Public Transportation Authority  
Phoenix, Arizona

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Valley Metro Regional Public Transportation Authority (the Authority)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2022. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal program.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We have issued our report thereon, dated January 30, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
January 30, 2023

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2022**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal Control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,500,338

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2022

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***Section II—Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III—Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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***Section IV—Summary Schedule of Prior Audit Findings***

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None noted.

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor Agency and Program / Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Transportation</b>					
<b>Federal Transit Administration</b>					
<b>Federal Transit Program Cluster:</b>					
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-90-X137	\$ 8,490	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2018-025	9,695	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2019-014	74,516	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2019-015	781,162	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2020-008	3,780,659	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2020-009	2,700,857	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2020-052	3,612,250	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2022-003	717,547	-
COVID-19 Federal Transit - Formula Grants (Section 5307) (CARES)	20.507	City of Phoenix	AZ-2020-015	708,697	-
COVID-19 Federal Transit - Formula Grants (Section 5307) (CARES)	20.507	City of Phoenix	AZ-2020-016	574,335	-
COVID-19 Federal Transit - Formula Grants (Section 5307) (CRRSAA)	20.507	City of Phoenix	AZ-2021-026	19,788,385	-
COVID-19 Federal Transit - Formula Grants (Section 5307) (ARPA)	20.507	City of Phoenix	AZ-2021-028	48,265,469	-
<b>Subtotal Federal Assistance Listing Number 20.507</b>				<b>81,022,062</b>	<b>-</b>
<b>Total Federal Transit Cluster Assistance Listing Number 20.507</b>				<b>81,022,062</b>	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MAG	822	224,717	-
<b>Subtotal Federal Assistance Listing Number 20.505</b>				<b>224,717</b>	<b>-</b>
Formula Grants for Rural Areas (Section 5311)	20.509	ADOT	AZ-2019-022	103,582	-
Formula Grants for Rural Areas (Section 5311)	20.509	ADOT	AZ-2020-021	65,987	-
Formula Grants for Rural Areas (Section 5311)	20.509	ADOT	AZ-2020-049	321,905	-
COVID-19 Federal Transit- Formula Grants (ARPA)	20.509	ADOT	AZ-2021-046	227,677	-
<b>Subtotal Federal Assistance Listing Number 20.509</b>				<b>719,151</b>	<b>-</b>
<b>Transit Services Program Cluster:</b>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	City of Phoenix	AZ-2021-044	522,150	-
<b>Total Transit Services Programs Cluster</b>				<b>522,150</b>	<b>-</b>
<b>Federal Assistance Listing Number 20.513</b>				<b>522,150</b>	<b>-</b>
<b>Total Federal Transit Administration</b>				<b>82,488,080</b>	<b>-</b>
<b>Federal Highway Administration</b>					
<b>Federal Highway Planning and Construction Cluster</b>					
Highway Planning and Construction (Federal Aid Highway Program)	20.205	MAG	1025-1	136,339	-
Highway Planning and Construction (Federal Aid Highway Program)	20.205	MAG	1025-2	397,444	-
Highway Planning and Construction (Federal Aid Highway Program)	20.205	Maricopa County	C-85-21-014-X-00	93,160	-
Highway Planning and Construction (Federal Aid Highway Program)	20.205	Maricopa County	C-85-18-019-3-00	229,574	-
<b>Total Highway Planning and Construction Cluster Federal Assistance Listing Number 20.205</b>				<b>856,517</b>	<b>-</b>
<b>Total Federal Highway Administration</b>				<b>856,517</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 83,344,597</b>	<b>\$ -</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 1 GENERAL**

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all federal awards of the Authority. The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements for the year ended June 30, 2022. All federal awards received from federal agencies are included in the schedule. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST RATE**

The Authority did not elect the 10 percent de minimus indirect cost rate as covered in 2CFR 200.414.

**NOTE 4 PASS-THROUGH GRANTOR'S REFERENCE**

The Authority receives all federal awards as pass-through from other governmental and nonprofit agencies. Abbreviations are as follows:

ADOT Arizona Department of Transportation  
MAG Maricopa Association of Governments

**NOTE 5 FEDERAL ASSISTANCE NOT INCLUDED**

Expenditures related to assistance not considered federal awards in accordance with the Uniform Grant Guidance have not been presented in this schedule as follows:

Capital Reinvestment:

Beginning Balance	\$ 3,188,697
Proceeds from the Sale of Federally Funded Assets	439,864
Federally Funded Proceeds Reinvested	<u>(445,388)</u>
Ending Balance	<u>\$ 3,183,173</u>



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**VALLEY METRO RAIL, INC.**  
**SINGLE AUDIT ACT REPORTS**  
**FISCAL YEAR ENDED JUNE 30, 2022**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Valley Metro Rail, Inc.  
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Valley Metro Rail, Inc. (VMR), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VMR's basic financial statements, and have issued our report thereon dated November 28, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered VMR's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VMR's internal control. Accordingly, we do not express an opinion on the effectiveness of VMR's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of VMR's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether VMR’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VMR’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VMR’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 28, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Valley Metro Rail, Inc.  
Phoenix, Arizona

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Valley Metro Rail, Inc. (VMR)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of VMR's major federal programs for the year ended June 30, 2022. VMR's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, VMR complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of VMR and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of VMR's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to VMR's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on VMR's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about VMR's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding VMR's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of VMR's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of VMR's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities of Valley Metro Rail, Inc. as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VMR's basic financial statements. We have issued our report thereon, dated November 28, 2022, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 28, 2022

**VALLEY METRO RAIL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2022**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

Type of auditor’s report issued:

*Unmodified*

Internal control over financial reporting:

• Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

• Significant deficiency(ies) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes   X   no

***Federal Awards***

Internal Control over major programs:

• Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

• Significant deficiency(ies) identified not  
considered to be material weaknesses?

\_\_\_\_\_ yes   X   none reported

Type of auditor’s report issued on compliance  
for major programs:

*Unmodified*

Any audit findings disclosed that are  
required to be reported in accordance  
with 2 CFR 200.516(a)?

\_\_\_\_\_ yes   X   no

Identification of major federal programs:

Assistance Listing Number(s)  
20.500, 20.507 and 20.525

Name of Federal Program or Cluster  
Federal Transit Cluster

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

  X   yes \_\_\_\_\_ no

**VALLEY METRO RAIL, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FISCAL YEAR ENDED JUNE 30, 2022**

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***Section II—Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

---

***Section III—Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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***Section IV—Summary Schedule of Prior Audit Findings***

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None noted.

**VALLEY METRO RAIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor Agency and Program / Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor	Pass-Through Identifying Number	FY2022 Awards Expended	Passed Through to Subrecipients
<b><u>U.S. Department of Transportation:</u></b>					
<b>Federal Transit Program Cluster:</b>					
Federal Transit- Capital Investment Grants	20.500	City of Phoenix	AZ-2019-031-00	\$ 3,722,918	\$ -
Federal Transit- Capital Investment Grants	20.500	City of Phoenix	AZ-2021-001-00	107,498,927	-
Federal Transit- Capital Investment Grants	20.500	City of Phoenix	AZ-2021-056-00	65,560,030	-
COVID-19 Federal Transit- Capital Investment Grants (ARP)	20.500	City of Phoenix	AZ-2021-055-00	17,406,412	-
COVID-19 Federal Transit- Capital Investment Grants (ARP)	20.500	City of Phoenix	AZ-2022-005-00	81,294,942	-
Total Federal Transit Administration (20.500)				275,483,229	-
Federal Transit- Formula Grants	20.507	City of Phoenix	AZ-95-X111-00	2,152,632	-
Federal Transit- Formula Grants	20.507	City of Phoenix	AZ-2020-003-00	3,625,676	-
Federal Transit- Formula Grants	20.507	City of Phoenix	AZ-2020-027-00	1,609,045	-
Federal Transit- Formula Grants	20.507	City of Phoenix	AZ-2022-011-00	24,893,861	-
COVID-19 Federal Transit- Formula Grants (CARES)	20.507	City of Phoenix	AZ-2020-015-00	1,467,918	-
COVID-19 Federal Transit- Formula Grants (CRRSAA)	20.507	City of Phoenix	AZ-2021-026-00	20,589,007	-
COVID-19 Federal Transit- Formula Grants (ARP)	20.507	City of Phoenix	AZ-2021-028-00	12,108,474	-
Total Federal Transit Administration (20.507)				66,446,613	-
State of Good Repair Grants Program	20.525	City of Phoenix	AZ-2018-007-00	1,405,433	-
State of Good Repair Grants Program	20.525	City of Phoenix	AZ-2020-041-00	115,218	-
State of Good Repair Grants Program	20.525	City of Phoenix	AZ-2019-006-00	294,971	-
Total Federal Transit Administration (20.525)				1,815,622	-
Total Federal Transit Cluster (20.500, 20.507 and 20.525)				343,745,464	-
Total Expenditures of Federal Awards				\$ 343,745,464	\$ -

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**VALLEY METRO RAIL, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE 1 GENERAL**

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all federal awards of Valley Metro Rail, Inc. (VMR). VMR's reporting entity is defined in Note 1 to VMR's basic financial statements for the year ended June 30, 2022. All federal awards received from federal agencies are included in the schedule. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of VMR, it is not intended to and does not present the financial position, changes in net position, or cash flows of VMR.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST RATE**

VMR did not elect the 10 percent de minimus indirect cost rate as covered in 2CFR 200.414.

**NOTE 4 PRIOR YEAR GRANT FUNDING**

The schedule of expenditures of federal awards (SEFA) includes all federally funded expenditures incurred from July 1, 2021 through June 30, 2022. However, certain Federal Transit – Capital Investment Grant (Assistance Listing Number 20.500), Federal Transit – Formula Grant (Assistance Listing Number 20.507), and State of Good Repair Grants (Assistance Listing Number 20.525) project expenditures, passed through the City of Phoenix, were awarded to VMR subsequent to June 30, 2021. Total federal expenditures approved for reimbursement for the FTA Cluster was \$343,745,464. Of the total, \$162,503,091 was recorded on the June 30, 2022 SEFA for expenditures that were incurred in prior fiscal years through a pre-award authorization.



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# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 5****SUBJECT**

Credit Card Transactions Review Memo

**PURPOSE**

To update the Audit and Finance Subcommittee on the results of the credit card transactions review for the first two quarters of Fiscal Year 2023 (FY23).

**RECOMMENDATION**

Item presented for information only.

**BACKGROUND/DISCUSSION/CONSIDERATION**

Valley Metro's FY23 Audit Plan includes the ongoing monitoring of credit card transactions for compliance with established policies. This review focused on transactions from the first two quarters of FY23 (July 1, 2022 through December 31, 2022).

**COST AND BUDGET**

None

**COMMITTEE ACTION**

AFS: March 1, 2023 for information

**CONTACTS**

Sebrina Beckstrom

Chief Auditor

[sbeckstrom@valleymetro.org](mailto:sbeckstrom@valleymetro.org)

602-256-5813

**ATTACHMENT**

Credit Card Transactions Review Memo – Feb 2023



February 23, 2023

**To:** Valley Metro Audit and Finance Subcommittee (AFS)  
**Through:** Sebrina Beckstrom, Chief Auditor  
**From:** Jennifer Davis, Senior Internal Auditor  
**Subject:** Fiscal Year 2023 Credit Card Transactions Review – Quarters 1 and 2

Valley Metro's Fiscal Year 2023 (FY23) Audit Plan includes the ongoing monitoring of credit card transactions for compliance with established policies.

This memo summarizes the results of the review in six sections:

- I. Background
- II. Objective
- III. Prior Audit Results
- IV. Current Testing Results
- IV. Suggested Actions for Improvement
- VI. Appendix – Cardholder YTD Spend by Division/Department

## **Background:**

Valley Metro uses Wells Fargo Bank to facilitate credit card purchases for its FY23 cardholders. Internal Audit (IA) determined that for FY23, 28 cardholders had net credit card expenditures year-to-date (YTD) of approximately \$365,600. IA obtained the Wells Fargo transaction report from the General Accounting Supervisor for two sets of testing dates (1) July 1, 2022 through September 30, 2022 and (2) October 1, 2022 through December 31, 2022. IA was also granted access to the G drive to review currently applicable policies, the cardholder credit card reconciliation packets, and monthly review documentation.

## **Objective:**

Determine whether credit card activities for FY23 adhered to applicable policies<sup>1</sup> and if management has addressed the prior audit recommendations.<sup>2</sup> (In FY23, credit card transactions will be reviewed at least quarterly).

## **Prior Audit Results:**

### **Audit Report No. 23-01<sup>2</sup> Recommendations:**

Recommendation 1: Internal Audit recommends that Valley Metro should ensure that Procurement reviews a minimum of 20 percent of all credit card transactions every month. *Completed. Per IA testing, procurement reviewed 29, 28, 32, 39, 26, and 23 percent of the monthly transactions (July 2022 through December 2022).*

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<sup>1</sup> FIN-01.03 Management Policy Credit Card Acceptable Use (02.13.2020) and FIN-01.04 Management Policy Credit Card Acceptable Use (12.02.2022)

<sup>2</sup> Report No. 23-01 Annual Credit Card Transactions Audit-October 2022

**Recommendation 2:** Internal Audit recommends that Valley Metro should strengthen the Credit Card, Acceptable Use Policy to include guidance on the types of forms that must be used as supporting documentation.

*Completed, the policy was updated in December 2022 and provided recommended guidance.*

**Recommendation 3:** Internal Audit recommends that Valley Metro should ensure dining and food expenditures are supported by required Pre-Approved Local Dining and Refreshments forms or amend the Credit Card Acceptable Use and Agency Local Dining and Refreshments policies to explicitly state the exceptions to the pre-approval form requirement.

*Completed, policies were updated in October 2022 and December 2022 and provided recommended guidance.*

## **Current Testing Results:**

### **For FY23 Testing, IA reviewed:**

- 61 cardholder credit card packets listing 565 transactions totaling approximately \$186,600 for all divisions from the 1<sup>st</sup> quarter.
- 55 cardholder credit card packets listing 559 transactions totaling approximately \$179,000 for all divisions from the 2<sup>nd</sup> quarter.

### Testing determined:

- No cardholders exceeded their established monthly credit limit.
- All packets had documented approval by the cardholders' management personnel.
- Monthly documentation contained evidence of:
  - General ledger coding review by the budget team and the Budget Supervisor/Manager, and
  - Greater than 20 percent of transactions were reviewed by the procurement team. Those transactions varied by cardholder, were chosen at random, and included a sample of information technology (IT) purchases.

IA also reviewed a sample of 127 1<sup>st</sup> quarter and 129 2<sup>nd</sup> quarter transactions for compliance with policy requirements for single transaction limits, IT purchases, local dining and gift card purchases, and refunded transactions.<sup>3</sup>

Overall, the transactions reviewed were supported by receipts and complied with policy requirements. However, there were minimal instances where, within the cardholder monthly packets, receipts did not contain details of the purchased items, and approval forms in the packets were not the finalized signed copies. Upon IA's request, this information was available and provided to IA.

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<sup>3</sup> Travel and training expenses will be reviewed during the Travel Expenses Audit

Additionally, IT purchases conducted by non-IT cardholders did not consistently have documented IT management approval. However, the policy does not clarify which IT purchases require IT management approval.

**Suggested Actions for Improvement:**

Internal Audit offers the following actions for consideration to improve the controls. Valley Metro should consider providing ongoing refresher training for cardholders on acceptable transaction support and should consider providing additional clarification in the training and/or the policy on which IT purchases require IT management approval.

**Appendix – Cardholder YTD Spend by Division/Department:**

**Cardholder YTD Spend by Division/Department**

Division/Department	FY23 YTD Spend	% of Total	# of Cardholders	Monthly Limits
Operations and Maintenance	\$ 104,534	28.6%	5	\$ 45,000
Information Technology	\$ 56,746	15.5%	3	\$ 45,000
Communications and Strategic Initiatives	\$ 51,379	14.1%	3	\$ 35,000
Finance	\$ 47,045	12.9%	2	\$ 50,000
Executive	\$ 43,536	11.9%	3	\$ 30,000
Capital and Service Development	\$ 34,691	9.5%	4	\$ 40,000
Human Resources	\$ 20,391	5.6%	2	\$ 25,000
Agency Business, Technology, and Services	\$ 5,963	1.6%	2	\$ 23,000
Safety, Security, and Quality Assurance	\$ 792	0.2%	1	\$ 5,000
Legal	\$ 409	0.1%	2	\$ 10,000
Accessible Transit Services	\$ 98	0.0%	1	\$ 5,000
<b>Totals</b>	<b>\$ 365,585</b>	<b>100.00%</b>	<b>28</b>	<b>\$ 313,000</b>

***This memo provides the results of reviewing the credit card transaction packets and supporting documentation. A review of annual acknowledgment forms and applicable training will be conducted at the end of the fiscal year.***



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 6****SUBJECT**

Internal Audit Update

**PURPOSE**

To update the Audit and Finance Subcommittee on current Internal Audit activities, external audits, and recommendation implementation.

**RECOMMENDATION**

Item presented for information only.

**BACKGROUND/DISCUSSION/CONSIDERATION**

None

**COST AND BUDGET**

None

**COMMITTEE ACTION**

AFS: March 2, 2023, for information

**CONTACTS**

Sebrina Beckstrom

Chief Auditor

[sbeckstrom@valleymetro.org](mailto:sbeckstrom@valleymetro.org)

602-256-5813

**ATTACHMENT**

Schedule of Prior Audits Findings and Recommendations (SPAF)

Schedule of Prior Audits Findings and Recommendations  
March 2023

No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date
<b>Paratransit Operator Certifications and Labor Audit</b>				Report No. 23-05	Dated: 01/25/2023	Finding Status:
<b>Open In Progress</b>						
<b>Finding 2 – Valley Metro should enhance oversight of the paratransit services provider’s retraining program</b>						
2	Internal Audit recommends that Valley Metro should create a standard operating procedure to enhance the contract monitoring process to ensure the contractor has completed the required annual retraining for all required personnel.	Low	Concur	Management will address the finding by working with the Valley Metro planning and operations teams and applicable contractors on developing a written performance management and reporting plan to complement the quarterly contract review process and spreadsheet already developed for ATS contract oversight.	Tom Young, Manager of Accessible Transit Service, tyoung@valleymetro.org	4/30/2023
<b>2/21/23 Update: This report was presented to the AFS at the 2/02/23 meeting.</b>						
<b>Bus Operator Certifications and Labor Audit</b>				Report No. 23-04	Dated: 12/27/2022	Finding Status:
<b>Open In Progress</b>						
<b>Finding 3 – Valley Metro should improve oversight of contractor retraining programs for bus operators</b>						
3	Internal Audit recommends that Valley Metro should (1) require contractors to establish/update their retraining procedures, (2) establish a template and cadence for contractors to report ongoing training efforts to a designated Valley Metro staff member, and (3) implement a review process where designated Valley Metro staff verifies training efforts are current and records are maintained.	Medium	Concur	SSQA Bus Safety will work with Bus contractors and Ops to oversee and review Bus contractors’ proper application and implementation of proper policies/procedures ensure training efforts are current and records maintained. (Jake Owens, Safety Specialist)	Adrian Ruiz Director, SSQA  Daniel Filippino Deputy Director, Transportation Services and Project Integration	07/01/23
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>						
<b>Rail Operator Certifications and Labor Audit</b>				Report No. 23-03	Dated: 12/27/2022	Finding Status:
<b>Open In Progress</b>						
<b>Finding 4 – Valley Metro should enforce and follow the established contractor training oversight process</b>						
4	Internal Audit recommends that Valley Metro should (1) require ACI to conduct and document the requirements established in SOP 100.30 and (2) conduct and document an annual audit to ensure training efforts are current and records are maintained.	Low	Concur	SSQA Rail Safety will work with ACI and Operations to oversee and review ACI’s proper application and implementation of SOP 100.30 and ensure training efforts are current and records maintained. (Larry Barlow, Safety Specialist).	Adrian Ruiz Director, SSQA	07/01/23
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>						

Schedule of Prior Audits Findings and Recommendations  
March 2023

No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date	
<b>Paratransit Operator Certifications and Labor Audit</b>				Report No. 23-05	Dated: 01/25/2023	Finding Status:	Open In Progress
<b>Finding 1 – Valley Metro should enhance oversight of the paratransit services provider’s Drug and Alcohol Program</b>							
1	Internal Audit recommends that Valley Metro should (1) require the contractor to update their drug and alcohol policy to include the annual federal filing requirements, and (2) implement a documented annual review process where designated Valley Metro staff verify the accuracy and timeliness of the contractor’s compliance with federal drug and alcohol program requirements.	Low	Concur	Management will address the finding by, conducting an annual review of the contractor policy to include federal filing requirements, and implementing a documented review process to verify the accuracy and timeliness of the compliance with federal D&A program requirements.	Ben Browning, QAM for Valley Metro bbrowning@valleymetro.org	07/01/23	
<b>2/21/23 Update: This report was presented to the AFS at the 2/02/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>							
<b>Bus Operator Certifications and Labor Audit</b>				Report No. 23-04	Dated: 12/27/2022	Finding Status:	Open In Progress
<b>Finding 1 – Valley Metro should improve oversight of contractor Drug and Alcohol Program</b>							
1	Internal Audit recommends that Valley Metro should (1) provide contractors with the federal requirements for drug and alcohol testing programs, (2) require contractors to update their drug and alcohol policies to reflect the federal requirements, and (3) implement an annual review process where designated Valley Metro staff verifies documentation of federal requirements are maintained.	Medium	Concur	SSQA Quality Assurance Department (lead by Ben Browning) will work with Bus Contractors and Ops to oversee and review of the contractors’ 2021 and 2022 (after January 1 but before March 15th) program year to include a copy of the 2021 MIS report submitted to NTD and/or VM.	Adrian Ruiz Director, Safety, Security, and Quality Assurance 602-523-6054 aruiz@valleymetro.org  Daniel Filippino Deputy Director, Transportation Services and Project Integration 602-652-5058 dfilippino@valleymetro.org	07/01/23	
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>							
<b>Rail Operator Certifications and Labor Audit</b>				Report No. 23-03	Dated: 12/27/2022	Finding Status:	Open In Progress
<b>Finding 3 – Valley Metro’s oversight of ACI’s Drug and Alcohol Program could be strengthened</b>							
3	Internal Audit recommends that Valley Metro should complete their review of ACI’s 2021 program year to include a copy of the 2021 MIS report submitted to the FTA with the checklist. Going forward, Valley Metro should complete their review of ACI’s 2022 program year after January 1 <sup>st</sup> but before the March 15 <sup>th</sup> due date and include a copy of the 2022 MIS report.	Low	Concur	Operations to review submission of 2021 MIS report.  SSQA Quality Assurance Department (led by Ben Browning) will work with ACI and Operations to oversee reviews of ACIs 2021 and 2022 (after January 1 but before March 15th) program year to include a copy of the 2021 MIS report submitted to the FTA.	Daniel Filippino Deputy Director, Transportation Services and Project Integration  Adrian Ruiz Director, SSQA	07/01/23	
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>							

Schedule of Prior Audits Findings and Recommendations  
March 2023

No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date
<b>Bus Operator Certifications and Labor Audit</b>				Report No. 23-04	Dated: 12/27/2022	Finding Status:
<b>Open In Progress</b>						
<b>Finding 2 – Valley Metro should improve fitness for duty oversight</b>						
2	Internal Audit recommends that Valley Metro should enhance their oversight of the bus contractors to ensure that operator files are current and contain all the required fitness for duty documentation	Medium	Concur	SSQA Bus Safety will work with bus contractors and Ops to oversee and review the compliance with fitness for duty standards. (Jake Owens, Safety Specialist)	Adrian Ruiz Director, SSQA  Daniel Filippino Deputy Director, Transportation Services and Project Integration	07/01/23
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>						
<b>Rail Operator Certifications and Labor Audit</b>				Report No. 23-03	Dated: 12/27/2022	Finding Status:
<b>Open In Progress</b>						
<b>Finding 1 – Fitness for duty monitoring needs improvement</b>						
1	Internal Audit recommends that Valley Metro should (1) ensure that ACI improves their fitness for duty monitoring and tracking processes, such as using an automated management tool to monitor and track compliance with fitness for duty standards, and (2) monitor ACI's compliance with fitness for duty program standards.	Medium	Concur	Valley Metro will work with ACI management to enhance fitness for duty monitoring and tracking processes. We will work with ACI to create SOP documenting how and when fitness for duty program standards will be monitored.  SSQA Rail Safety will work with ACI and Ops to oversee and review the compliance with fitness for duty standards. (Larry Barlow, Safety Specialist)	Daniel Filippino Deputy Director, Transportation Services and Project Integration  Adrian Ruiz Director, Safety, Security, and Quality Assurance	07/01/23
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>						
<b>Bus Operator Certifications and Labor Audit</b>				Report No. 23-04	Dated: 12/27/2022	Finding Status:
<b>Open In Progress</b>						
<b>Finding 4 – Valley Metro should improve operator hours of duty oversight</b>						
4	Internal Audit recommends that Valley Metro should enhance their oversight of the bus contractors to ensure that operators are not exceeding hours of duty requirements.	Low	Concur	SSQA Bus Safety will work with bus contractors and Ops to oversee and review the development and implementation of written standards that define hours of duty requirements as well as annual review for compliance of established standards. (Jake Owens, Safety Specialist)	Adrian Ruiz Director, SSQA  Daniel Filippino Deputy Director, Transportation Services and Project Integration	07/01/23
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>						
<b>Rail Operator Certifications and Labor Audit</b>				Report No. 23-03	Dated: 12/27/2022	Finding Status:
<b>Open In Progress</b>						
<b>Finding 2 – Operator hours of duty standards need to be strengthened</b>						
2	Internal Audit recommends that Valley Metro should (1) solicit ACI's input and develop and implement written standards that define hours of duty requirements, and (2) monitor compliance with the written standards.	Low	Concur	Valley Metro Operations will work with ACI in conjunction with SSQA to develop and implement APTA recommended hours of duty standards and monitor compliance with these standards. SSQA Rail Safety will work with ACI and Ops to oversee and review the development and implementation of written standards that define hours of duty requirements as well as annual review for compliance of established standards. (Larry Barlow, Safety Specialist).	Daniel Filippino Deputy Director, Transportation Services and Project Integration  Adrian Ruiz Director, SSQA	07/01/23
<b>2/21/23 Update: This report was presented to the AFS at the 1/05/23 meeting. Applicable management/staff met on 1/19/23 to determine next steps in implementing the recommendations.</b>						

Schedule of Prior Audits Findings and Recommendations  
March 2023

No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date
<b>IT Identity &amp; Access Control Management Audit</b>				Report No. 22-08	Dated: 7/25/2022	Finding Status: Open In Progress
<b>Finding 1 – Access Management Controls Need to be Strengthened</b>						
1	Internal Audit recommends that Valley Metro should strengthen its access management controls for:					
b.	conducting and documenting periodic formal reviews of user access rights that are completed by appropriate management to ensure that access rights remain commensurate with user job responsibilities.	High	Concur	IT will develop a user permissions confirmation form and process for supervisors, then work with HR to include this assessment into the existing annual employee performance review process.	Phil Ozlin (602) 495-8253	July 31, 2023
<b>2/21/23 Update:</b> Valley Metro IT has reduced risk by initiating the development of processes to address access rights that will be included in the annual employee reviews.						
<b>Contract Management - FGCS Audit</b>				Report No. 22-05	Dated: 2/09/2022	Finding Status: Closed - Pending Validation
<b>Finding – Valley Metro policy did not require that Valley Metro inform the Board of contract utilization changes with the potential to prematurely exhaust the contract's expenditure authority.</b>						
1	IA recommends that Valley Metro should ensure they adhere to the new policy to timely notify the Board when changes in contract utilization may result in prematurely exhausting the Board-approved contract authority.	Low	Concur	Staff has adopted the Contract Authority Monitoring and Reporting (FIN-05.01) Management Policy and will implement it, as required.	Alexis Tameron Kinsey (602) 322-4450	January 2022 <b>Procedure issued 01/18/22 verification pending FY23 Audit</b>
<b>2/21/23 Update:</b> The initial risk identified was reduced through issuance and implementation of the Management Policy FIN-05.01. IA will follow up to determine if the new policy is being adhered to during FY23.						

Schedule of Prior Audits Findings and Recommendations  
March 2023

No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date
<b>2/21/23 Update for the following four Procurement Manual/ SOP related recommendations:</b>						
Final versions of applicable SOPs will be incorporated by reference in Procurement Manual updates. Hire date for new CPO is forecasted to be end of February 2023-early March 2023. Anticipated revised Joint Procurement Manual completion timeframe is end of 3rd Qtr. 2023.						
<b>Contract Management - TS Audit</b>				<b>Report No. 22-03</b>	<b>Dated: 12/28/2021</b>	<b>Finding Status: Open</b>
<b>Finding 1 – The procurement manual does not reflect all the current procurement practices for professional services contracts.</b>						
1	Internal Audit recommends that Valley Metro continue in the process to develop standard operating procedures (SOPs) to specify contract practices for the various types of contracts entered into by Valley Metro and include references to SOPs in the manual. Additionally, Valley Metro should provide regular refresher training to applicable staff on the procedures.	Medium	Concur	Procurement will develop SOP for contract administration for the various types of contracts entered by Valley Metro and will also provide training for each SOP.	Patty Clark Procurement Team	June 2022 4th Qtr. 2022 1st Qtr. 2023 End of 3rd Qtr. 2023
<b>Contract Management - PCRSS Audit</b>				<b>Report No. 22-02</b>	<b>Dated: 11/17/2021</b>	<b>Finding Status: Open</b>
<b>Finding 1 – The procurement manual does not reflect all the current procurement practices for professional services contracts.</b>						
1	Internal Audit recommends that Valley Metro develop standard operating procedures (SOPs) to specify contract practices for the various types of contracts entered into by Valley Metro and include references to SOPs in the manual. Additionally, Valley Metro should provide regular refresher training to applicable staff on the procedures.	Medium	Concur	Procurement will develop SOP for contract administration for the various types of contracts entered into by Valley Metro and will also provide training for each SOP.	Patty Clark Procurement Team	June 2022 4th Qtr. 2022 1st Qtr. 2023 End of 3rd Qtr. 2023
<b>Contract Management - PCRSS Audit</b>				<b>Report No. 22-02</b>	<b>Dated: 11/17/2021</b>	<b>Finding Status: Open</b>
<b>Finding 2 – Valley Metro's contract performance monitoring processes were generally effective, but enhancements can be made.</b>						
2	Internal Audit recommends Valley Metro should revise the Valley Metro Internal Procurement Manual with criteria for which types of contracts require milestones or benchmarks and include language in the task orders that establish defined benchmarks, when applicable. Additionally, Valley Metro should create standard operating procedures for establishing benchmarks and provide training to Valley Metro staff on the procedures.	Medium	Concur	Revision to Procurement Manual will be made to define criteria for the different types of contracts and Task orders that will require milestones, benchmarks and deliverables when applicable. SOP will be developed, and training will be provided.	Patty Clark Procurement Team	June 2022 4th Qtr. 2022 1st Qtr. 2023 End of 3rd Qtr. 2023
<b>Contract Management - PCRSS Audit</b>				<b>Report No. 22-02</b>	<b>Dated: 11/17/2021</b>	<b>Finding Status: Closed - Pending Validation</b>
<b>Finding 4 – To strengthen internal controls Valley Metro should update the Valley Metro Internal Procurement Manual to require maintenance of contract documentation in a central location.</b>						
4	Internal Audit recommends that Valley Metro: (1) updates the Valley Metro Internal Procurement Manual to reflect the processes to save finalized documents in the CORE system, (2) implement a review process to verify the correct documents are maintained (in CORE or Aconex), and (3) provide regular refresher training to applicable staff on the requirements.	Low	Concur	Revisions to the Procurement manual will be made to reflect the documentation is kept in the system of record for CORE and Aconex. SOP will be developed and training will be provided.	Patty Clark Procurement Team	March 2022 Procedure issued- 03/22/22 1st Qtr. 2023 for Procurement Manual End of 3rd Qtr. 2023



# Information Summary

## DATE

February 24, 2023

## AGENDA ITEM 7A

## SUBJECT

Valley Metro RPTA Fiscal Year 2024 (FY24) Preliminary Operating and Capital Budget

## PURPOSE

To provide an overview of the FY24 Preliminary Operating and Capital Budget.

## RECOMMENDATION

This item is presented for information.

## BACKGROUND/DISCUSSION/CONSIDERATION

The Valley Metro Regional Public Transportation Authority (RPTA) FY24 combined operating and capital budget (the budget) is \$467.7 million (M) and includes \$60.0M of expenses for light rail/high-capacity transit capital.

The preliminary FY24 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards and reserves when needed for capital projects. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

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

The RPTA budget includes a significant level of expenditures on behalf of Valley Metro Rail (VMR). RPTA is the official employer for all Valley Metro employees therefore all employee related expenses for VMR are included 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.

### *Budget Overview*

The total operating budget of \$228.8M represents a \$33.3M (17%) increase from the previous year's operating budget of \$195.5M. The total capital budget of \$99.1M, which includes debt service, represents a \$1.1M (1%) increase from the previous year's capital budget of \$98.0M.



The increase in the operating budget is primarily driven by fixed route operations, demand service operations, and regional services. Fixed route operations is increasing by 17 percent, or \$20.5M mainly due to annual contract rate increases, a full year of the Board-approved operator wage rate increases, Phoenix-operated bus service, and Phoenix regional support services. Demand service operations is increasing by 14%, or \$6.5M, primarily due to a forecasted increase in RideChoice trips of 27%, combined with increased ADA service operated by other entities which is funded with PTF. Regional services is increasing 23%, or \$4.3M due to a full year of operation of the new fare services call center and increased maintenance service levels for fareboxes on regional fixed route fleet.

The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY24 there are 484 employees budgeted in the integrated agency, with 254 FTE's budgeted to RPTA/Shared agency activities and 230 budgeted to VMR only activities.

### **COMMITTEE PROCESS**

Preliminary Budget Review:

Financial Working Group: February 21, 2023 for information

RMC: March 1, 2023 for information

AFS: March 2, 2023 for information

Board of Directors: March 16, 2023 for information

Proposed Budget Adoption:

AFS: June 1, 2023 for action

RMC: June 7, 2023 for action

Board of Directors: June 22, 2023 for action

### **CONTACT**

Ken Kessler

Chief Financial Officer

602-523-6043

[kkessler@valleymetro.org](mailto:kkessler@valleymetro.org)

### **ATTACHMENT**

None



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 7B****SUBJECT**

Valley Metro Rail, Inc. Fiscal Year 2024 (FY24) Preliminary Operating and Capital Budget

**PURPOSE**

To provide an overview of the FY24 Preliminary Operating and Capital Budget.

**RECOMMENDATION**

This item is presented for information.

**BACKGROUND | DISCUSSION | CONSIDERATION**

The Valley Metro Rail, Inc. (VMR) FY24 combined operating and capital budget (the budget) is \$428.5 million (M). The preliminary FY24 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

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

***Budget Overview***

The total operating budget of \$108.7M represents a \$14.4M (15%) increase from the previous year's operating budget of \$94.3M. The total capital budget of \$319.8M represents a \$188.7M (37%) decrease from the previous year's capital budget of \$508.4M.

Light rail operations, maintenance and security is increasing by 13 percent, or \$9.0M. More than \$2.1M of that increase is due to Northwest Extension Phase II commencing revenue service operations in January of 2024. Over \$1.0M of the increase is for operations mainly due to annual contract rate escalations and a full year of the Board-approved operator wage rate increases. Additionally, maintenance of way increased by \$3.3M due non-revenue vehicle replacements, increases in parts, and contract rate



escalations for contractors and a full year of board-approved cleaner wage rate increases. Security costs are up by almost \$1.5M due to annual contract rate escalations and a full year of the Board-approved wage rate increases. Support costs are up by \$1.0M primarily due to increases in rail system maintenance planning needs.

Streetcar operations, maintenance, and security is increasing 7%, or \$0.5M. This is primarily due to increases in maintenance of way and vehicle maintenance. Vehicle maintenance is increasing by \$353,000 due to additional staff support, combined with increased labor rates. Maintenance of way is increasing by \$394,000 due to increased labor rates, additional parts needs, and increases in contractual services.

Agency Operating is increasing \$0.9M due to labor rate increases, related indirect cost allocations, combined with additional effort by executive leadership positions including Chief of Staff and Chief of Innovation. Also contributing to the increase is an increase in consulting to support Valley Metro's strategic planning.

The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY24 there are 484 employees budgeted in the integrated agency, with 254 FTE's budgeted to RPTA/Shared agency activities and 230 budgeted to VMR only activities.

### **COMMITTEE PROCESS**

Preliminary Budget Review:

Financial Working Group: February 21, 2023 for information

RMC: March 1, 2023 for information

AFS: March 2, 2023 for information

Board of Directors: March 16, 2023 for information

Proposed Budget Adoption:

AFS: June 1, 2023 for action

RMC: June 7, 2023 for action

Board of Directors: June 22, 2023 for action

### **CONTACT**

Ken Kessler

Chief Financial Officer

602-523-6043

[kkessler@valleymetro.org](mailto:kkessler@valleymetro.org)

### **ATTACHMENT**

None

# FY24 Preliminary Budget Overview



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# RPTA



2

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## Baseline: RPTA Operations



	FY23 Budget	FY24 Budget
<b>BUS OPERATIONS</b>		
Passenger boardings	6,547,000	7,470,000
Service miles delivered-RPTA operated	12,556,000	12,633,000
Gross Operating Costs	\$ 102,424,000	\$ 119,494,000
Fare Revenues	\$ 4,263,000	\$ 4,706,000
Fare Recovery	4%	4%

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## Baseline: RPTA Operations



	FY23 Budget	FY24 Budget
<b>PARATRANSIT OPERATIONS</b>		
Trips	412,000	320,000
Gross Operating Costs	\$ 23,357,000	\$ 22,232,000
Fare Revenues	\$ 1,649,000	\$ 1,228,000
Fare Recovery	7%	6%
Cost per Trip	\$ 54.15	\$ 69.48

4

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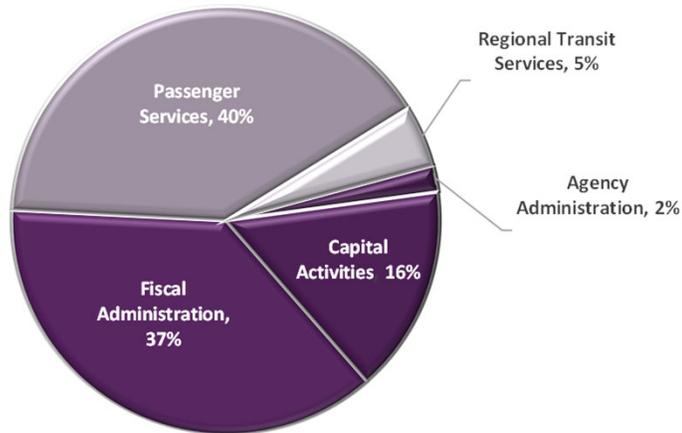


# Baseline: RPTA Operations

	FY23 Budget	FY24 Budget
<b>RIDECHOICE OPERATIONS</b>		
Trips	175,000	222,000
Gross Operating Costs	\$ 4,797,000	\$ 10,310,000
Fare Revenues	\$ 583,000	\$ 749,000
Fare Recovery	14%	7%
Cost per Trip	\$ 23.98	\$ 46.44

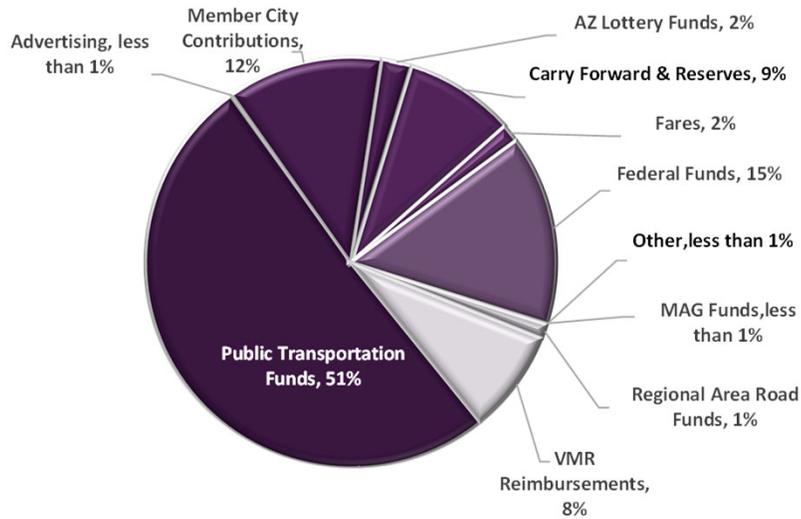


# Uses of Funds: Operating & Capital





## Sources of Funds: Operating & Capital



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

Uses of Funds	FY23	FY24	Change \$	Change %
Fixed Route Operations	\$120.8	\$141.3	\$20.5	17%
Demand Service Operations	46.0	52.5	6.5	14%
Vanpool Operations	1.0	1.2	0.2	20%
Planning	3.7	4.4	0.7	19%
Commute Solutions	1.4	1.6	0.2	12%
Administration and Finance	4.2	5.2	1.0	23%
Regional Services	18.3	22.6	4.3	23%
<b>RPTA Operating</b>	<b>\$195.5</b>	<b>\$228.8</b>	<b>\$33.3</b>	<b>17%</b>

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

Source of Funds	FY23	FY24	Change \$	Change %
Public Transportation Funds	\$118.0	\$140.4	\$22.4	19%
Regional Area Road Funds	5.6	5.1	(0.5)	-9%
Member City Contributions	50.2	59.3	9.1	18%
Bus Advertising	0.6	0.8	0.2	25%
Federal Funds	11.9	13.1	1.1	9%
Federal Funds - COVID Relief	0.5	0.0	(0.6)	-119%
Fares	5.9	6.9	1.0	17%
MAG Funds	0.6	0.2	(0.4)	-65%
Other	0.2	0.1	(0.1)	-60%
Carry Forward & Reserves	2.0	3.0	1.0	53%
<b>RPTA Operating</b>	<b>\$195.5</b>	<b>\$228.8</b>	<b>\$33.3</b>	<b>17%</b>

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

Uses of Funds	FY23	FY24	Change \$	Change %
Regional Fleet	\$48.5	\$68.4	\$19.9	41%
Regional Facilities	5.7	1.6	(4.1)	-71%
Other Regional Projects	17.1	6.2	(10.9)	-64%
Member Agency Disbursements	4.4	0.0	(4.4)	-100%
Debt Service	22.3	22.9	0.5	2%
<b>RPTA Capital</b>	<b>\$98.0</b>	<b>\$99.1</b>	<b>\$1.1</b>	<b>1%</b>

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

Source of Funds	FY23	FY24	Change \$	Change %
Public Transportation Funds	\$28.1	\$0.0	(\$28.1)	-100%
Member City Contributions	0.2	0.0	(0.2)	-1
Federal Funds	56.9	59.4	2.5	4%
Other	0.3	0.2	(0.1)	-41%
Carry Forward & Reserves	12.6	39.5	26.9	214%
<b>RPTA Capital</b>	<b>\$98.0</b>	<b>\$99.1</b>	<b>\$1.1</b>	<b>1%</b>

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

Uses of Funds	FY23	FY24	Change \$	Change
VMR RARF Disbursements	\$0.5	\$0.5	\$0.0	0%
AZ Lottery Funds Disbursements	11.2	11.2	\$0.0	0%
VMR Personnel	34.9	39.6	4.7	14%
VMR PTF Capital Funding	112.8	60.0	(52.8)	-47%
VMR PTF Capital Reserve for Future Use	0.0	28.5	28.5	0%
<b>RPTA Pass-Thru</b>	<b>\$159.3</b>	<b>\$139.8</b>	<b>(\$19.6)</b>	<b>-12%</b>

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



Source of Funds	FY23	FY24	Change \$	%
AZ Lottery Funds	\$11.2	\$11.2	\$0.0	0%
Regional Area Road Funds	0.5	0.5	0.0	0%
VMR Personnel Reimbursements	34.9	39.6	4.7	14%
VMR PTF Capital Funding Allocation	112.8	88.5	(24.3)	-22%
<b>RPTA Pass-Thru</b>	<b>\$159.3</b>	<b>\$139.8</b>	<b>(\$19.6)</b>	<b>-12%</b>

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## FY24 Operating Budget Format



**Base Budget** – FY 2023's approved services less efficiencies identified by Valley Metro.



### **Obligations**

- **Inflation/Market & Ridership** – price, wage, and ridership changes.
- **Continuing Commitments** – continued implementation of actions or contractual terms previously approved by the Board.



**Valley Metro Recommendations** – changes Valley Metro recommends the Board make for FY 2024



**FY 2024 Total Operating Budget**

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# Operating Budget Overview (\$ millions)

RPTA									
	FY 2023 Budget	FY 2024 Base	Change v FY23	Obligations		Total Obligations	VM Recommend	FY 2024 Budget	Total Change
				Inflation & Ridership	Cont Commit				
Total	\$ 195.5	\$ 194.9	\$ (0.5)	\$ 14.5	\$ 17.4	\$ 31.9	\$ 1.9	\$ 228.8	\$ 33.3

VMR



## Baseline: Light Rail Operations



FY23 Budget    FY24 Budget

### ***LIGHT RAIL OPERATIONS***

Passenger boardings	6,727,000	9,449,000
Service miles delivered	3,539,000	3,648,000
Gross Operating Costs	\$ 70,130,000	\$ 79,046,000
Fare Revenues	\$ 5,000,000	\$ 5,883,000
Fare Recovery	7%	7%

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## Baseline: Streetcar Operations



FY23 Budget    FY24 Budget

### ***STREETCAR OPERATIONS***

Passenger boardings	408,000	408,000
Service miles delivered	163,000	163,000
Gross Operating Costs	\$ 6,787,000	\$ 7,285,000
Fare Revenues	\$ 38,000	\$ 135,000
Fare Recovery	1%	2%

18

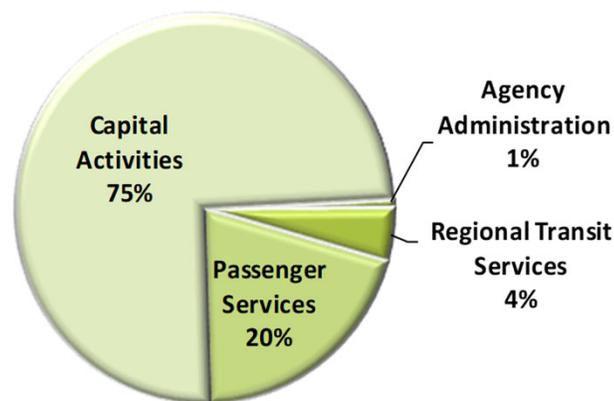
18

## Uses of Funds: Project Development (\$,000)

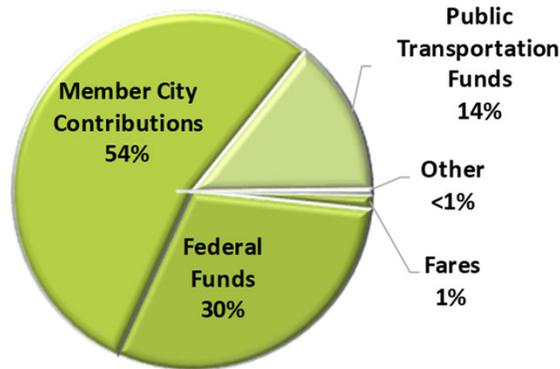


Uses of Funds	FY24
Capitol Extension	\$1,707
I-10 West Extension	6,599
Rio East/Dobson Streetcar	1,223
West Phoenix	7,300
Northwest Phoenix	838
Capital Project Development Administration	527
Systems Planning & Project Development	1,000
<b>Total Uses</b>	<b>\$19,194</b>

## Uses of Funds: Operating & Capital



# Sources of Funds: Operating & Capital



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



Uses of Funds	FY23	FY24	Change \$	Change %
Light Rail Operations & Maintenance	\$60.8	\$66.9	\$6.1	10%
Light Rail Security	9.3	12.2	2.9	31%
<i>Subtotal Light Rail</i>	<i>70.1</i>	<i>79.1</i>	<i>9.0</i>	<i>13%</i>
Streetcar Operations & Maintenance	5.8	6.3	0.5	8%
Streetcar Security	1.0	1.0	0.0	4%
<i>Subtotal Streetcar</i>	<i>6.8</i>	<i>7.3</i>	<i>0.5</i>	<i>7%</i>
Future Project Development	15.1	19.2	4.1	27%
Agency Operating	2.2	3.1	0.9	38%
<b>Total Operating Uses</b>	<b>\$94.3</b>	<b>\$108.7</b>	<b>\$14.4</b>	<b>15%</b>

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



Sources of Funds	FY23	FY24	Change \$	Change %
Advertising	\$0.4	\$0.9	\$0.4	93%
Fares	5.0	6.0	1.0	19%
Federal Funds	5.9	1.6	(4.3)	-73%
Federal Funds - Covid Relief	33.0	0.0	(33.0)	-100%
MAG Funds	0.5	0.5	0.0	0%
Member City Contributions	40.7	83.1	42.5	104%
Public Transportation Funds	8.1	15.9	7.8	97%
Regional Area Road Funds	0.5	0.5	0.0	0%
Other	0.1	0.1	0.0	0%
<b>Total Operating Sources</b>	<b>\$94.3</b>	<b>\$108.7</b>	<b>\$14.4</b>	<b>15%</b>

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



Uses of Funds	FY23	FY24	Change \$	Change %
South Central/Downtown Hub	\$313.3	\$224.2	(\$89.0)	-28%
Northwest Phase II	153.5	55.7	(97.8)	-64%
Tempe Streetcar	10.6	0.1	(10.5)	-99%
Capital Extension	0.0	12.9	12.9	-
Gilbert Road Extension	2.0	1.3	(0.7)	-35%
OMC Expansion	1.1	0.0	(1.1)	-100%
Systemwide Improvements	12.9	8.9	(4.0)	-31%
State of Good Repair	15.1	16.5	1.5	10%
<b>Total Capital Uses</b>	<b>\$508.4</b>	<b>\$319.8</b>	<b>(\$188.7)</b>	<b>-37%</b>

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



Sources of Funds	FY23	FY24	Change \$	Change %
Federal Funds	306.9	127.6	(179.2)	-58%
Member City Contributions	73.8	148.0	74.2	101%
Public Transportation Funds	127.8	44.1	(83.7)	-65%
<b>Total Capital Sources</b>	<b>\$508.4</b>	<b>\$319.8</b>	<b>(\$188.7)</b>	<b>-37%</b>

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## Operating Budget Overview (\$ millions)



	VMR								
	FY 2023 Budget	FY 2024 Base	Change v FY23	Obligations		Total Obligations	VM Recommend	FY 2024 Budget	Total Change
				Inflation & Ridership	Cont Commit				
Total	\$ 94.3	\$ 93.4	\$ (0.9)	\$ 0.1	\$ 9.1	\$ 9.2	\$ 6.1	\$ 108.7	\$ 14.4

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## Budget Schedule Dates



### Committee/Boards/FWG

February 21, 2023	Present High Level Budget to City Staff (FWG)
→ March	Present High Level Budget to Committees & Boards - for Information
March 21, 2023	Detailed Initiative Discussion with City Staff (FWG )
April 6, 2023	Detailed Initiative Discussion with AFS
April 18, 2023	Detailed Initiative Discussion & Present 5-Year Plans to City Staff (FWG )
May 3, 2023	Present Initiative Details to TMC/RMC
May 4, 2023	Detailed Initiative Discussion & Present 5-Year Plans to AFS
May 18, 2023	Present Initiative Details to Board
June	Present Annual Budget and 5-Year Plans to Committees/Boards - for Action

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# Thank You



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# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 8**

**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 Information Summaries are included.

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

**Joint Agenda**

- A. Request for Authorization to Issue a Request for Proposals for Facility Maintenance Services** - authorization for the Chief Executive Officer (CEO) to issue a Joint Request for Proposals (RFP) to perform Facility Maintenance Services under a two-year base contract with three one-year options.
- B. Request for Miscellaneous Construction Services (Job Order Contracts – JOC) Increase in Contract Authority** - approval for the Chief Executive Officer (CEO) to provide additional contract expenditure authority for the Miscellaneous Construction Services contracts with Builders Guild, Inc and J. Banicki Construction. in the amount of \$3.7 million.
- C. Request for Authorization to Issue a Competitive Solicitation for Miscellaneous Construction Services (Job Order Contracts – JOC)** - authorization for the Chief Executive Officer (CEO) to issue a federally compliant competitive solicitation to hire multiple contractors to provide miscellaneous construction services for existing and proposed bus and rail facilities.

**RPTA Agenda**

- D. ADA Paratransit DriverMate Tablets (Mobile Data Terminals) Purchase and Installation** - authorization for the Chief Executive Officer (CEO) to procure and install ADA Paratransit DriverMate Tablets (Mobile Data Terminals) in Valley Metro owned vehicles to support Valley Metro’s ADA Paratransit services.
- E. Accessible Content Coordination Services Contract Award** - authorization for the Chief Executive Officer (CEO) to execute a cooperative agreement with Acro Service Corporation for Accessible Content Coordination Services in an amount not to exceed \$283,400 for the rest of FY23, FY24 and FY25.



- F. Administrative Broker Services (Demand Response) Contract Award -** authorization for the Chief Executive Officer (CEO) to execute IGA amendments with City of Phoenix extending the term of grant pass-through IGA's.
- G. ADA Paratransit Operations and Maintenance Services Contract Award -** authorization for the Chief Executive Officer (CEO) to execute a three-year base with three one-year options for a federally compliant contract with MTM Transit for ADA Paratransit Operations and Maintenance Services.
- H. Request for Authorization to Issue a Request for Proposals (RFP) for West Valley Transit Services -** authorization for the Chief Executive Officer (CEO) to issue a Request for Proposals (RFP) to perform Transit Services (express, fixed route, and demand response) in the West Valley for a five-year base period with five one-year options for a total of 10 Years.

#### **VMR Agenda**

- I. Light Rail Vehicle (LRV) Steel Tires and Tire Block Kits Five-Year Supply Contract Award -** authorization for the Chief Executive Officer (CEO) to execute a five-year supply contract for LRV steel tires and tire block kits with Penn Machine Company in an amount not to exceed \$1,800,000.
- J. Streetcar Vehicle Parts Supply Contract Award -** authorization for the Chief Executive Officer (CEO) to execute a five-year supply contract for Streetcar Vehicle parts requirements from Brookville Equipment Corporation in an amount not to exceed \$1,000,000.
- K. Light Rail Vehicle (LRV) Traction Motor Repairs Contract Award -** authorization for the Chief Executive Officer (CEO) to execute a contract with Integrated Power Services for a term of three years to provide Light Rail Vehicle (LRV) traction motor repairs in an amount not to exceed \$450,000.

#### **RECOMMENDATION**

For information only. If there are questions regarding these items, please reach out to Valley Metro staff.

#### **ATTACHMENT**

Information Summaries for items listed above.



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 8A****SUBJECT**

Authorization to Issue a Request for Proposals for Facility Maintenance Services

**PURPOSE**

To request authorization for the Chief Executive Officer (CEO) to issue a Joint Request for Proposals (RFP) to perform Facility Maintenance Services under a two-year base contract with three one-year options.

**RECOMMENDATION**

Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to issue a Joint Request for Proposals (RFP) to perform Facility Maintenance Services under a two-year base contract with three one-year options.

**BACKGROUND | DISCUSSION | CONSIDERATION**

Valley Metro's current contract with DMS Facility Services for Facility Maintenance Services expires January 31, 2024. Valley Metro continues to have a need for maintenance of facilities, park and rides, and maintenance of passenger stations along the light rail and streetcar alignments. This work also covers Valley Metro's Mesa Bus Operations and Maintenance Facility.

The contractor shall provide all necessary vehicles, tools, supplies, materials and other related equipment required to perform the facility maintenance services defined in this contract. Services performed under this contract include a full range of facility maintenance services related to bus and light rail include:

- Mesa Bus Operations and Maintenance Facility;
- Light Rail Operations and Maintenance Center;
- Light rail park-and-ride lots and security offices located on the lots;
- Light rail operator facilities at end-of-line stations;
- Passenger stations, substations and signal stations
- Streetcar alignment

This contract will start February 1, 2024 for a two-year base period.



## **COST AND BUDGET**

The estimated annual cost for facility maintenance services is as follows:

- RPTA \$77,000
- VMR \$1,300,000

Contract obligations for FY24 will be included in the Valley Metro FY24 Operating and Capital Budgets. Contract obligations beyond FY24 will be incorporated into the Valley Metro Five-Year Operating Forecast and Capital Program (FY2024 thru FY2028). Source of funds for RPTA include Prop 400 and Member City Contributions. Sources of funds for VMR are Member City Contributions.

## **COMMITTEE ACTION**

RTAG: February 21, 2023 for information

TMC/RMC: March 1, 2023 for action

Board of Directors: March 16, 2023 for action

## **CONTACT**

Rob Rosenberg

Deputy Director of Rail Maintenance and State of Good Repair

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[rosenberg@valleymetro.org](mailto:rosenberg@valleymetro.org)

## **ATTACHMENT**

None



# Information Summary

## DATE

February 24, 2023

## AGENDA ITEM 8B

## SUBJECT

Request for Miscellaneous Construction Services (Job Order Contracts – JOC) Increase in Contract Authority

## PURPOSE

To request approval for the Chief Executive Officer (CEO) to provide additional contract expenditure authority for the Miscellaneous Construction Services contracts with Builders Guild, Inc and J. Banicki Construction. in the amount of \$3.7 million.

## RECOMMENDATION

Staff recommends that the TMC/RMC forward to the Boards of Directors authorize the CEO to provide additional contract expenditure authority for the Miscellaneous Construction Services contracts with Builders Guild, Inc. and J. Banicki Construction. in the amount of \$3.7 million. This action would provide an overall contract authority of \$15.7 million.

## BACKGROUND | DISCUSSION | CONSIDERATION

The Miscellaneous Construction Services Contracts, also known as Job Order Contracts (JOC), provide a wide range of specialty construction expertise to assist Valley Metro with project implementation. The JOC contractors support projects of various sizes to support bus and rail operations and maintenance.

To date, the current JOC Contractors have provided services on multiple efforts including:

- Civil site preparation for the installation of station platform mobile fare validators
- Bus and rail operations and maintenance facility upgrades
- Bus stop improvements
- Public art maintenance
- Light rail station painting
- Light rail stray current testing and corresponding repairs
- Light rail station safety and security railing installation
- Traction power substation transformer replacement
- Civil site work to maintain driveway access to light rail facilities
- Civil site work to rehabilitate concrete and paved surface areas
- Emergency repair and replacement of damaged railing
- Repair and rehabilitation of track guideway curbing
- Structural bridge repairs



In October 2019, the RPTA and VMR Boards of Directors authorized the CEO to execute a three-year Miscellaneous Construction Services Contract with Builders Guild, Inc. and J. Banicki Construction to provide construction services for Valley Metro’s transit capital and operating needs for a combined amount not to exceed \$12 million for a three-year contract period. In June 2022, the Boards of Directors authorized the CEO to award a one-year extension option for these contracts to continue to provide construction services through December 31, 2023 with no requested change to contract authority. Since this extension request, a number of projects have been advanced with estimated construction costs that would exceed the existing contract authority.

These projects include but are not limited to:

- Civil site preparation work for Phase II of the Fare Collection System Modernization project to install new fare vending machines
- Installation of the Operations and Maintenance Facility Guard House and Shade Canopies
- Avondale Transit Center
- Rehabilitation of the HVAC system at the Maintenance of Equipment Building at the Operations and Maintenance Center

### **COST AND BUDGET**

The JOC contracts are task order based. The source of funding will be determined on a task order by task order basis specific to a project. Typical sources of funding for the projects will be from the regional Public Transportation Fund (Prop 400/PTF), federal funding, and/or Member cities. Prior to any task orders being issued, funding sources are verified and will be accounted for in the appropriate VMR and/or RPTA budgets. The table below summarizes the current and anticipated expenditures for the existing JOC contracts:

<b>Description</b>	<b>Amount</b>
Current Contract Authority (NTP January 2020)	\$12,000,000
Contract Expenditures (January 2020-December 2022)	\$7,015,000
Anticipated Expenditures (January 2023-December 2023)	\$8,305,000
Additional Contract Authority Needed	\$3,320,000
10% Contingency	\$332,000
Total	<b>\$3,652,000</b>
<b>Total Additional Contract Authority Requested</b>	<b>\$3,700,000</b>



**COMMITTEE ACTION**

RTAG: February 21, 2023 for information

TMC/RMC: March 1, 2023 for action

Boards of Directors: March 16, 2023 for action

**CONTACT**

Henry Ikwut-Ukwa

Chief, Capital and Service Development

[hukwa@valleymetro.org](mailto:hukwa@valleymetro.org)

**ATTACHMENT**

None



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 8C****SUBJECT**

Authorization to Issue a Competitive Solicitation for Miscellaneous Construction Services (Job Order Contracts – JOC)

**PURPOSE**

To request authorization for the Chief Executive Officer (CEO) to issue a federally compliant competitive solicitation to hire multiple contractors to provide miscellaneous construction services for existing and proposed bus and rail facilities.

**RECOMMENDATION**

Staff recommends that the TMC/RMC forward to the Board of Directors authorize the CEO to issue a federally compliant competitive solicitation to hire multiple contractors to provide miscellaneous construction services for existing and proposed bus and rail facilities.

**BACKGROUND | DISCUSSION | CONSIDERATION**

RPTA and VMR often need construction support for small capital projects, including new facilities, routine modernizations, and emergency rail construction/repair activities. Valley Metro currently has two job order contracts with J. Banicki Construction and Builders Guild, Inc. These contracts have a combined existing authority of \$12 million and contract terms of a three-year base with two one-year extension options. This was a joint procurement involving RPTA and VMR. Projects are assigned on a task order basis and typically range from \$50,000 to no more than \$2.5 million each. The existing contracts expire on December 31, 2023 and approximately \$7M has been expended through December 31, 2022. Additional authority will be needed to fund future planned projects through the expiration of these contracts and a separate memo to request additional contract authority has been provided for consideration (See Agenda Item 3C).

The list of anticipated small construction projects for RPTA and VMR is continuing to grow. While support is needed to construct new or expanded facilities, the greater need is to modernize and maintain aging bus and rail facilities. The attached list identifies potential projects that will be needed over the next three years with estimate in the range of \$15 million to \$20 million. It is anticipated that this list would grow and may include small transit facility needs for member cities. It is proposed, as was done before, to issue a joint RPTA/VMR procurement to allow RPTA to take advantage of administrative efficiencies and economies of scale.



The number of contractors selected will depend upon the number of proposals received and their responsiveness to meeting Valley Metro's needs. In combination, the total authority for the contracts will not exceed \$20 million. Specific construction assignments and their budgets will be negotiated and issued on a task order basis. Contractors will be selected for individual tasks based upon their expertise, with a goal to balance work amongst the contractors selected. Recommendations for the contract awards will be presented to the Boards for approval.

### **COST AND BUDGET**

The combined contract authority needed for the new contracts is estimated to be \$20 million over three years, with an estimated 25% of the work attributed to RTPA and 75% to VMR. The final request for contract authority will be presented to the Boards with the request to award these contracts.

The JOC contracts are task order based. The source of funding will be determined on a task order by task order basis specific to a project. Typical sources of funding for the projects will be from the regional Public Transportation Fund (Prop 400/PTF), federal funding, and/or Member cities. Prior to any task orders being issued, funding sources are verified and will be accounted for in the appropriate VMR and/or RTPA budgets.

### **COMMITTEE ACTION**

RTAG: February 21, 2023 for information

TMC/RMC: March 1, 2023 for action

Boards of Directors: March 16, 2023 for action

### **CONTACT**

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### **ATTACHMENT 1**

Examples of Miscellaneous Construction Projects

## ATTACHMENT 1

### EXAMPLES OF MISCELLANEOUS CONSTRUCTION PROJECTS

- Light Rail Station improvements
  - Repainting light rail station facilities
  - Replace light rail station platform pavers with concrete surface
  - Repair or replace landscaping systems
  - Installation or repair of fencing and/or railing
  - Remove, repair and/or replacement of rail switches
  - Remove and replace existing bridge joints
  - Replace or upgrade existing security cameras
  - Repair or replace ADA tactile pavers
  - Repair property damage to bus and rail facilities due to incident/accidents
  - Emergency service for track repair, switch replacement, traction power, communication or other assistance to rail operations
  
- Bus and Rail Operations and Maintenance Facility improvements
  - Removal and replacement of PCCP and subsurface restoration
  - Installation of support infrastructure equipment for electric bus fleet
  - Replacement and rehabilitation of HVAC systems and other mechanical/plumbing equipment
  - Replacement of existing lighting with LED lighting
  
- Bus Stop improvements
  - Installation of bus bays and shelters
  - Repair or replacement of expanded bus shelter pads
  
- Park-and-Ride and Transit Center improvements
  - Replace or upgrade existing security cameras
  - Repainting parking canopies
  - Repair, reseal, and restripe asphalt surfaces



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 8D****SUBJECT**

ADA Paratransit DriverMate Tablets (Mobile Data Terminals) Purchase and Installation

**PURPOSE**

To request authorization for the Chief Executive Officer (CEO) to procure and install ADA Paratransit DriverMate Tablets (Mobile Data Terminals) in Valley Metro owned vehicles to support Valley Metro's ADA Paratransit services.

**RECOMMENDATION**

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to procure and install ADA Paratransit DriverMate Tablets (Mobile Data Terminals) in the paratransit vehicles to electronically transmit customer pick-up and drop off trip information to and from drivers in an amount not to exceed \$113,287 plus a 5% contingency of \$5,664, for a total not-to-exceed authorization amount of \$118,951.

**BACKGROUND | DISCUSSION | CONSIDERATION**

In June 2020, Valley Metro entered into a Software License and Maintenance Agreement with Trapeze for the scheduling and dispatch software necessary to operate Regional ADA Paratransit services (Trapeze Pass). Previously, the licenses were owned by Transdev, our ADA Paratransit Contractor.

On September 17, 2020, the Board of Directors authorized the CEO to develop and issue a RFP to combine the reservation and scheduling functions for the Regional ADA Paratransit and RideChoice programs to better match customers with the most cost-effective service meeting their needs and to develop a separate Operations and Maintenance RFP to separate the administrative and operating functions.

As a term of the solicitation, Valley Metro has committed to provide the successful proposer ADA Paratransit vehicles and scheduling and dispatching software which includes mobile data terminals. Working through Trapeze, the principal owner and proprietor of the dispatch and scheduling technology, we reviewed the mobile data terminal technology currently available and determined the Samsung Galaxy Tablets with Trapeze software and Flex II Cradle Kit, which provides device cooling during extreme heat met the requirements Valley Metro required and was substantially less costly than their industry developed mobile data terminal. In addition, the device provides the driver automatic navigation to all scheduled stops. Ongoing maintenance



and device replacement is a requirement to the successful proposer as part of the contract.

Item	Total
109 – Samsung Galaxy Tablets Active 3 T577 LT	\$60,790
105 – Flex II Cradle Kit	\$19,130
Installation Services on 105 Vehicles	\$25,507
Project Management	\$7,860
<b>Total:</b>	<b>\$113,287</b>

### **COST AND BUDGET**

The funds for the mobile data terminals outlined in this memo will be included in the RPTA FY 2024 Operating and Capital Budgets as part of the RideChoice & ADA Paratransit Administrative Broker Services initiative. The requested authorization is not to exceed \$118,951.

*Trapeze is the principal owner and proprietor of the technology in the suite Valley Metro is expanding. Trapeze is the sole-source distributor of the suite as well as any services and maintenance required to support the suite.*

### **COMMITTEE ACTION**

RTAG: February 21, 2023, for information

TMC: March 1, 2023, for action

Board: March 16, 2023, for action

### **CONTACT**

Tom Young

Manager of Accessible Transit Services

[tyoung@valleymetro.org](mailto:tyoung@valleymetro.org)

### **ATTACHMENT**

None



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 8E****SUBJECT**

Accessible Content Coordination Services Contract Award

**PURPOSE**

To request authorization for the Chief Executive Officer (CEO) to execute a cooperative agreement with Acro Service Corporation for Accessible Content Coordination Services in an amount not to exceed \$283,400 for the rest of FY23, FY24 and FY25.

**RECOMMENDATION**

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a cooperative agreement with Acro Service Corporation for Accessible Content Coordination Services in an amount not to exceed \$283,400 for the rest of FY23, FY24 and FY25.

**BACKGROUND/DISCUSSION/CONSIDERATION**

Accessible Content Coordinators are professionals trained to ensure the agency website, online modules, mobile applications, documents, and videos comply with federal agency Section 508 and WCAG 2.0 requirements. This federally-mandated accessibility requirement for government agencies allows our customers to access and utilize our services, documents, marketing materials, defining policies and guidelines by providing them in an accessible, easy-to-view format, essentially creating equal accessibility for all.

Valley Metro has historically purchased these services through Knowledge Services, a state cooperative contract, since September 2019, spending approximately \$100,000/year. Valley Metro continues to have an ongoing need and legal requirement for these services to ensure accessibility compliance for all user experiences.

Moving forward, Accessible Content Coordination Services will be provided by Acro Service Corporation utilizing a cooperative contract awarded by the Arizona State Procurement Office. Purchasing under a cooperative contract saves Valley Metro resources due to the simplified acquisition process, the cooperative purchasing power of multiple agencies, and the use of terms and conditions that have previously been negotiated. And while the rates are strongly negotiated by the State, market rates for this niche service have increased, also based on the limited resources proficient in this specialized and skilled trade.



### **COST AND BUDGET**

Staff is seeking a multi-year, cooperative agreement with Acro Service Corporation cooperative for Accessible Content Coordination Services in an amount not to exceed \$283,400.

The costs for April – June 2023 are included in the FY23 Valley Metro RPTA adopted budget. Contract obligations beyond FY23 will be incorporated into the Valley Metro RPTA Operating Budgets and Five-Year Forecast.

The source of funding is regional Public Transportation Funds.

<b>Purchase</b>	<b>Vendor</b>	<b>Contract</b>	<b>Cost<sup>1</sup></b>
<b>Accessible Content Coordination Services</b>	Acro Service Corporation	State Contract: <b>CTR060284</b>	\$283,400
		<b>FY23 Total</b>	<b>\$33,800</b>
		<b>FY24 Total</b>	<b>\$124,800</b>
		<b>FY25 Total</b>	<b>\$124,800</b>

### **COMMITTEE PROCESS**

RTAG: February 21, 2023 for information

TMC: March 1, 2023 for action

Board of Directors: March 15, 2023 for action

### **CONTACT**

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Marketing Manager

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### **ATTACHMENT**

None

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<sup>1</sup> Cost is based on 520 work hours for April – June in FY23; 1,920 work hours in FY24; and 1,920 work hours in FY25 at a contract rate of \$65 per hour.



# Information Summary

## DATE

February 24, 2023

## AGENDA ITEM 8G

## SUBJECT

ADA Paratransit Operations and Maintenance Services Contract Award

## PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a three-year base with three one-year options for a federally compliant contract with MTM Transit for ADA Paratransit Operations and Maintenance Services.

## RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a three-year base contract with three one-year options with MTM Transit for ADA Paratransit Operations and Maintenance Services for a total contract value not to exceed \$132,319,410 plus a 10 percent contingency of \$13,231,941 in an amount not to exceed a total of \$145,551,351.

## BACKGROUND | DISCUSSION | CONSIDERATION

On September 17, 2020, the Board of Directors authorized the CEO to develop and issue a RFP to combine the reservation and scheduling functions for the Regional ADA Paratransit and RideChoice programs to better match customers with the most cost-effective service meeting their needs and to develop a separate Operations and Maintenance RFP to separate the administrative and operating functions.

Representatives from four jurisdictions (Mesa, Tempe, Chandler, and Surprise) along with representatives from Valley Metro developed the scope of work and the RFP was published on September 12, 2022. The term of the contract is for a base of three years with three one-year options for extension.

In accordance with the solicitation instructions, the proposals were evaluated based on the following published evaluation criteria: (1) Firm Qualifications & Experience (2) Personnel Qualifications & Experience, (3) Understanding / Approach to the Scope of Services, which make up the Technical Scoring and (4) Price, which is solely reserved for price scoring.

Out of four firms that submitted proposals, three were deemed responsive. A selection committee comprised of qualified staff from the cities of Tempe, Chandler, Mesa, Surprise and Valley Metro Staff, 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 MTM Transit as the firm whose proposal offers the best value to the agency. The selection committee evaluation of these proposals is summarized as follows:

PROPOSER POINTS (1000 Possible Points)							
Proposer	Technical Points	Tech Rank	Price Points	Combined Tech & Price	% Total Score	Original Pricing Year 1	BAFO Pricing Year 1
<b>MTM</b>	709	1	199.5	908.7	90.8%	\$22,732,300	\$22,200,600
<b>First Transit</b>	684	2	140.3	824.3	82.4%	\$29,777,710	\$30,968,886
<b>Transdev</b>	648	3	147.6	795.8	79.6%	\$30,473,432	
<b>Bio Janitorial</b>	Non-Responsive						

The selection committee determined that the three firms, MTM Transit, First Transit and Transdev all met the requirements of the solicitation and although these three were technically qualified, the selection committee had the highest degree of confidence and fewest risk concerns with MTM Transit. MTM's proposed price was considered fair and reasonable based on competitive comparisons between the offerors, and comparisons with the Independent Cost Estimate (ICE).

**COST AND BUDGET**

The cost for ADA Paratransit Operations and Maintenance Services is \$145,551,351 which includes a 10 percent contingency in the amount of \$13,231,941. The project is included in the Valley Metro RPTA FY24 Operating and Capital Budget. Contract Obligations beyond FY24 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2025 thru FY2030).

**COMMITTEE PROCESS**

RTAG: February 21, 2023, for information  
 TMC: March 1, 2023, for action  
 Board: March 16, 2023, for action

**CONTACT**

Tom Young  
 Manager, Accessible Transit Services  
[tyoung@valleymetro.org](mailto:tyoung@valleymetro.org)

**ATTACHMENT**

None



# Information Summary

## DATE

February 24, 2023

## AGENDA ITEM 8H

## SUBJECT

Authorization to Issue a Request for Proposals (RFP) for West Valley Transit Services

## PURPOSE

To request authorization for the Chief Executive Officer (CEO) to issue a Request for Proposals (RFP) to perform Transit Services (express, fixed route, and demand response) in the West Valley for a five-year base period with five one-year options for a total of 10 Years.

## RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to issue a federally compliant Request for Proposals (RFP) to perform Transit Services which include express, local fixed route, and demand response in the West Valley for a five-year base period with five one-year options for a total of 10 Years.

## BACKGROUND/DISCUSSION/CONSIDERATION

Valley Metro's current contract five-year base period for West Valley fixed route bus service expires June 30, 2024. The current contractor, National Express dba Total Ride provides fixed route bus operation for the following routes:

- Express Routes 562, 563, 571, 573, 575
- Grand Avenue Limited
- Avondale Zoom circulator routes
- Peoria POGO circulator routes

Valley Metro will not be exercising the option years in the current contract and is seeking authorization to issue an RFP to solicit a contractor to operate fixed route bus service, express service, and demand response services including micro transit in the West Valley. The contract term will be for a five-year base period with five one-year options for a total of 10 Years. beginning July 1, 2024. This RFP will include operating bus routes, demand response, and micro transit service and maintaining Valley Metro owned revenue vehicles.

The contractor shall be responsible for all facets of provision of services including selection and hiring of personnel qualified for the operation and maintenance of equipment and services.



**COST AND BUDGET**

The cost to Valley Metro for the first year of the contract is estimated to be \$7,000,000. Funds are accounted for annually in the agency's operating budget.

**COMMITTEE PROCESS**

RTAG: February 21, 2023 for information

TMC: March 1, 2023 for action

Board of Directors: March 16, 2023 for action

**CONTACT**

Dan Filippino

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**ATTACHMENT**

None



# Information Summary

## DATE

February 24, 2023

## AGENDA ITEM 8F

## SUBJECT

Administrative Broker Services (Demand Response) Contract Award

## PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a five-year base with three one-year options Federally compliant contract with Creative Software Solutions, LLC (dba MJM Innovations) for Administrative Broker Services (Demand Response).

## RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a contract with Creative Software Solutions, LLC (dba MJM innovations) for Administrative Broker Services (Demand Response) for a total contract value not to exceed \$49,404,000 plus a 10 percent contingency of \$4,940,400 for a total of \$54,344,400. In addition, ADA Paratransit Overflow provider and RideChoice provider services is reimbursed through this contract as a direct pass through cost without mark-up or profit at a not to exceed cost of \$64,100,193; totaling \$118,444,593.

## BACKGROUND | DISCUSSION | CONSIDERATION

On September 17, 2020, the Board of Directors authorized the CEO to develop and issue a RFP to combine the reservation and scheduling functions for the Regional ADA Paratransit and RideChoice programs to better match customers with the most cost-effective service meeting their needs and to develop a separate Operations and Maintenance RFP to separate the administrative and operating functions.

Representatives from four jurisdictions (Mesa, Tempe, Peoria, Goodyear, and Glendale) along with representatives from Valley Metro developed the scope of work and the RFP was published on September 19, 2022. The term of the contract is for a base of five years with three one-year options for extension.

In accordance with the solicitation instructions, the proposals were evaluated based on the following published evaluation criteria: (1) Firm Qualifications & Experience (2) Personnel Qualifications & Experience, (3) Understanding / Approach to the Scope of Services, which make up the Technical Scoring and (4) Price, which is solely reserved for price scoring.

Out of three firms that submitted proposals, all were deemed responsive. A selection committee comprised of qualified staff from the Cities of Tempe, Mesa, Glendale, Maricopa County, and Valley Metro Staff, 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. The selection committee evaluation of these proposals is summarized as follows:

PROPOSER POINTS (1000 Possible Points)							
Proposer	Technical Points	Tech Rank	Price Points	Combined Tech & Price	% Total Score	Original Pricing Mid tier Year 1	BAFO Pricing Mid tier Year 1
<b>MJM Innovations</b>	724	1	200	924	92.4%	\$4,348,255	\$4,248,255
<b>IntelliRide Transdev</b>	651	2	160	812	81.2%	\$5,482,578	
<b>Medstar Cabulance</b>	267	3					

The selection committee determined that two of three firms that submitted, Creative Software Solutions, LLC dba MJM Innovations and IntelliRide, LLC subsidiary of Transdev, met the requirements of the solicitation. Although both of these two firms were technically qualified, the selection committee had the highest degree of confidence and fewest risk concerns with MJM Innovations. MJM’s proposed price was considered fair and reasonable based on competitive comparisons between the offerors, and comparisons with the Independent Cost Estimate (ICE).

**COST AND BUDGET**

The cost for Administrative Broker Services (Demand Response) Services for a total contract term of maximum 8 years, is \$118,444,593 which includes a 10 percent contingency for the administrative broker in the amount of \$4,940,400 The project is included in the Valley Metro RPTA FY23 and FY24 Operating and Capital Budget. Contract Obligations beyond FY24 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2025 thru FY2030).

**COMMITTEE PROCESS**

RTAG: February 21, 2023, for information  
 TMC: March 1, 2023, for action  
 Board: March 16, 2023, for action

**CONTACT**

Tom Young  
 Manager, Accessible Transit Services  
[tyoung@valleymetro.org](mailto:tyoung@valleymetro.org)

**ATTACHMENT**

None



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 8I****SUBJECT**

Light Rail Vehicle (LRV) Steel Tires and Tire Block Kits Five-Year Supply Contract Award

**PURPOSE**

To request authorization for the Chief Executive Officer (CEO) to execute a five-year supply contract for LRV steel tires and tire block kits with Penn Machine Company in an amount not to exceed \$1,800,000.

**RECOMMENDATION**

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a five-year supply contract for LRV steel tires and tire block kits with Penn Machine Company in an amount not to exceed \$1,800,000.

**BACKGROUND | DISCUSSION | CONSIDERATION**

The lifecycle of a light rail vehicle is approximately 30 years. There are currently 49 Kinkisharyo light rail vehicles (LRVs) in the total fleet which have been in revenue service for 15 years

LRV wheels are manufactured by Penn Machine Company. The wheel consists of a steel hub, steel tire and rubber blocks. The design of the wheel allows for the removal and replacement of the steel tire without having to replace the entire wheel assembly. The tires are designed with steel that is softer than the tracks to minimize track wear. The LRV wheels are a normal wear component based on mileage and wear patterns.

The contractor will provide 160 LRV steel tires and tire block kits per year over the 5-year contract period. This is a materials/parts only requirements contract. All labor will be done in house by Valley Metro Rail staff.

The recommended vendor to purchase the tires from is Penn Machine Company and is a non-competitive procurement due to the company being the original equipment manufacturer (OEM). Valley Metro light rail vehicles are using Bochum tires which is a German design and Penn Machine Company is the only company in the US licensed to make and sell the Bochum products. The Bochum tires are manufactured in such a way that the entire tire is not of the same hardness and is designed around safety, ride quality and wear. This construction in combination with the type of rails that Valley Metro is running on with flange lubrication is what is giving Valley Metro the above



average wear in the industry. They are also the only company with the knowledge and technical drawings to manufacture tires with the Valley Metro Rail tire profile.

An independent cost estimate and a non-competitive procurement justification 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 LRV steel tires and tire block kits being purchased from Penn Machine Company is an amount not to exceed \$1,800,000 over the 5-year term of the contract. The cost for the purchase of the tires and tire block kits is included in the Valley Metro Rail Adopted FY 2023 Operating and Capital Budget. Contract obligations beyond FY 2023 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2023 thru FY2027).

### **COMMITTEE PROCESS**

RTAG: February 21, 2023 for information

TMC/RMC: March 1, 2023 for action

Board of Directors: March 16, 2023 for action

### **CONTACT**

Rob Rosenberg

Deputy Director of Rail Maintenance and State of Good Repair

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### **ATTACHMENT**

None



# Information Summary

## DATE

February 24, 2023

## AGENDA ITEM 8J

## SUBJECT

Streetcar Vehicle Parts Supply Contract

## PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a five-year supply contract for Streetcar Vehicle parts requirements from Brookville Equipment Corporation in an amount not to exceed \$1,000,000.

## RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a five-year supply contract for Streetcar Vehicle parts requirements from Brookville Equipment Corporation in an amount not to exceed \$1,000,000.

## BACKGROUND | DISCUSSION | CONSIDERATION

On April 20, 2017, the Board of Directors authorized the CEO to execute a contract with Brookville Equipment to manufacture and supply six Off-Wire Battery Propulsion Streetcar Vehicles, plus related spare parts for the Tempe Streetcar Project. Valley Metro currently has five vehicles in revenue service and the sixth vehicle to be delivered in the near future. The Streetcar contract does not include an adequate spare parts inventory after the vehicles are in service and warranty has expired. Therefore, a parts supply contract is needed to maintain the fleet moving forward.

The recommended award of the contract to Brookville Equipment Corporation is a non-competitive procurement due to the company being the original equipment manufacturer (OEM). The contractor will provide the supply of streetcar vehicle parts and components over the five-year contract period. This is a inventory replenishment contract. All labor will be done in house by Valley Metro Rail staff.

As Brookville Equipment is the Original Equipment Manufacturer (OEM) and provider of the six streetcar vehicles, they are the OEM/supplier of related spare parts needed for continued operation. The design of the vehicles and related parts are proprietary to Brookville. This in conjunction with manufacturing agreements that are in place make Brookville the only source Valley Metro can use for spare parts.

An independent cost estimate and a non-competitive procurement justification 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 streetcar vehicle parts being purchased from Brookville Equipment Corporation is an amount not to exceed \$1,000,000 over the five-year term of the contract. The cost for the purchase of the streetcar vehicle parts is included in the Valley Metro Rail Adopted FY 2023 Operating and Capital Budget. Contract obligations beyond FY 2023 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2023 thru FY2027).

### **COMMITTEE PROCESS**

RTAG: February 21, 2023 for information

TMC/RMC: March 1, 2023 for action

Board of Directors: March 16, 2023 for action

### **CONTACT**

Rob Rosenberg

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### **ATTACHMENT**

None



# Information Summary

## DATE

February 24, 2023

## AGENDA ITEM 8K

## SUBJECT

Contract Award for Light Rail Vehicle (LRV) Traction Motor Repairs

## PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a contract with Integrated Power Services for a term of three years to provide Light Rail Vehicle (LRV) traction motor repairs in an amount not to exceed \$450,000.

## RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a contract with Integrated Power Services for a term of three years to provide Light Rail Vehicle (LRV) traction motor repairs in an amount not to exceed \$450,000.

## BACKGROUND | DISCUSSION | CONSIDERATION

Valley Metro Maintenance of Equipment (MOE) has specialized light rail vehicle (LRV) electrical components to be repaired. The required service is electrical repairs to traction motors. This work is not overhauls but repairs on an as needed basis. The motors are used by both Kinkisharyo and Siemens LRV's.

Valley Metro requires an experienced electrical repair shop that has successfully completed repair work. The recommended award of the contract to Integrated Power Services is a non-competitive procurement due to being the only company that we have found that can correctly perform the repairs and, in the timeframe, needed. Integrated Power Services has the specialized training, necessary equipment, expertise, and capabilities to make these repairs. There are 19 motors for which Integrated Power Services has received and evaluated for repairs.

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 repairs over the three-year term of the contract is an amount not to exceed \$450,000. The cost for the LRV traction motor repairs is included in the Valley Metro Rail Adopted FY2023 Operating and Capital Budget. Contract obligations beyond FY2023 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2023 thru FY2027).



The source of funding is from member cities.

**COMMITTEE PROCESS**

RTAG: February 21, 2023 for information

RMC: March 1, 2023 for action

Board of Directors: March 16, 2023 for action

**CONTACT**

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Deputy Director of Rail Maintenance and State of Good Repair

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**ATTACHMENT**

None



# Information Summary

**DATE**

February 24, 2023

**AGENDA ITEM 9**

**SUBJECT**

Report on Current Events and Suggested Future Agenda Items

**PURPOSE**

Chair Stipp will provide members the opportunity to report on current events and suggest future agenda items for consideration.

**CONTACT**

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**ATTACHMENT**

None.

**Future Items**

