MEETING OF THE
Audit and Finance Subcommittee

Date:
May 14, 2020

Starting Time
12:00 p.m.

Location:
Via WebEx/Phone

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Action Recommended

1. For Information

1. Public Comment (yellow card)

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

2. Minutes

Minutes from the March 12, 2020 Audit and Finance Subcommittee meeting are presented for approval.

3. Professional Development Audit

Jennifer Davis, Sr. Internal Auditor, will present the results of the Professional Development Audit to the Audit and Finance Subcommittee (AFS) for acceptance.

4. Internal Audit Update

Jennifer Davis, Sr. Internal Auditor, will provide an update on the actions taken in Internal Audit.

5. Internal Audit Exceptions Update

The Internal Audit Exceptions log is presented for information.

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

Paul Hodgins, Chief Financial Officer, will provide an overview on upcoming intergovernmental agreements, contract change orders, awards, amendments.
7. **Fiscal Year 2021 Budget Update**

Paul Hodgins, Chief Financial Officer, will provide an overview of the FY21 Budgets for RPTA and VMR.

8. **Fiscal Year 2021 Agency Internal Audit Plan**

Scott Smith, Chief Executive Officer, will present the FY21 Agency Internal Audit Plan for discussion and possible action.

9. **Draft Internal Audit Charter**

Alexis Tameron Kinsey, Chief of Staff, will present the draft charter of the Internal Audit Office for discussion and possible action.

10. **Draft Audit and Finance Subcommittee Charter**

Alexis Tameron Kinsey, Chief of Staff, will present the draft charter of the AFS for discussion and possible action.

11. **Future Agenda Items**

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

The next meeting of the Audit and Finance Subcommittee is scheduled for **Thursday, June 11, 2020 at 12:00 p.m.**

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

DATE
May 11, 2020

AGENDA ITEM 1

SUBJECT
Public Comment

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

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Scott Smith
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ATTACHMENT
None
Minutes

May 11, 2020

AGENDA ITEM 2

Audit and Finance Subcommittee
Thursday, March 12, 2020
Lake Powell Conference Room
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Meeting Participants
Mayor Kate Gallego, City of Phoenix
Councilmember Lauren Tolmachoff, City of Glendale
Vice Mayor Bill Stipp, City of Goodyear
Councilmember Francisco Heredia, City of Mesa

Chair Gallego called the meeting to order at 12:06 p.m.

Chair Gallego said good afternoon. Welcome to our Thursday, March 12th Audit and Finance Subcommittee meeting. I will serve as acting chair as our chairwoman is not with us today. We do not have any public comment cards so we will go to the minutes from the February 13th, 2020, Audit and Finance Subcommittee meeting.

1. Public Comment

None.

2. Minutes

Chair Gallego said is there a motion for approval or any comments for the February 13, 2020 AFS minutes?

IT WAS MOVED BY COUNCILMEMBER TOLMACHOFF, SECONDED BY VICE MAYOR STIPP AND UNANIMOUSLY CARRIED TO APPROVE THE FEBRUARY 13, 2020 AFS MEETING MINUTES.

3. Performance Management Audit

Chair Gallego said we will next turn to Vickie Murphy, Interim Director of Internal Audit for a Performance Management Audit Update.

Ms. Murphy said thanks. So, basically, we had been requested to do an audit of the Performance Management process. There is no specific policy or procedure in place, but they do have a standard practice, so we audited to that standard practice.

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Just a quick overview, basically, an employee gets a performance evaluation at the end of the year. Once that evaluation is completed then the supervisor would fill out an annual adjustment form to identify what percentage of a merit increase they would receive. And they either receive a rate increase or if they're paid in excess of the market then they would get a lump sum payout.

Ms. Murphy said during our review, we identified eight individuals in 2018 and six individuals in 2019 that did not have performance evaluations performed. We identified seven individuals in 2019 that had performance evaluations performed, but they were not documented. They were given verbally. We identified seven performance evaluations that were missing dates and some signatures. Nothing real significant, but, you know, we're – us auditors we like to look for everything.

Of the 66 evaluations we reviewed, eight of them had inconsistent ratings from the performance evaluation versus the annual adjustment form. Now, whatever was on the annual adjustment form is what they were paid and so we did confirm that everybody got the raises that they were intended to have, but we did note some inconsistencies between those two forms. And any of the merit increases that are greater than three percent must be signed by the Chief Executive Officer. And we identified 17 of those that were – that were signed after evaluations all been processed and all of the pay increases were provided to the employees, so it was just late, it still was approved. I understand that there are verbal discussions that occur prior to that so the verbal discussions had occurred, but it was not signed and dated. Any questions on the audit?

Ms. Murphy said we did have one recommendation that they implement policies and procedures so that they can formalize this process.

Chair Gallego said do committee members have any questions? This item is submitted for action. Do we have a motion?

IT WAS MOVED BY COUNCILMEMBER TOLMACHOFF, SECONDED BY COUNCILMEMBER HEREDIA AND UNANIMOUSLY CARRIED TO ACCEPT THE PERFORMANCE MANAGEMENT AUDIT.

4. Hardware and Software Management Audit

Chair Gallego said we next move to agenda Item 4, Hardware and Software Management Audit.

Ms. Murphy said an audit was requested for hardware and software. We hired REDW to come in and do the audit. I would like to turn it over for Jessica Bundy to provide a brief summary of the audit.
Ms. Bundy said thank you. Good afternoon, my name is Jessica Bundy. I'm a principle with REDW and I lead our Internal Audit Group.

So, with this internal audit it focused on the internal controls of hardware and software making sure that those were adequate and, also followed up on our corrective action plans and making sure that they were implemented and addressed the prior findings from 2017. So, with this audit, our audit period was November 1, 2017, through October 31, 2019. We performed our testing in December. With that testing, we looked at policies and procedures over hardware and software, hardware and software tracking, and software license compliance. We tested warranty expiration, equipment rotation and replacement, and then Microsoft patch and protection software update installations.

Going through our 2017 recommendations and whether those were resolved or unresolved, the first finding that we had for that was over outdated policies and procedures over Information Technology. There were three policies that were reapprroved and issued and two of them were outstanding and approved as of January 10th, so we left that one open. Finding number two was decentralized IT environment and that is closed. Finding number three hardware tracking is open. Finding number four tracking of software, we consider that closed and we have a new finding with just some improvements in that process. Finding number five inconsistencies in packing and monitoring of hardware purchases is closed. Oversight of patch management and testing is and then the last one finding number seven operating systems nearing or past the end of support is open.

So, talking through briefly the recommendations that we have. The first one on the operating systems near the end of support. This was a finding in 2017 and as of our testing in December, there were still machines that were operating on Windows 2007. Management has addressed that as of January. They purchased the extended Windows 7 support and they're working through getting all of those machines updated, but they have that extended support for the year. In their management response, they think that within that year they'll be able to get everything updated.

The second one on software license tracking. This is replacing our previous observation and really what we found with this that ITAM software inventory system is used for tracking devices for the software licenses and then these are reconciled and there's an annual true-up. So, during our testing we found the Windows 10 Enterprise was installed on 340, 334 machines and the licenses were for 180. There were installations of PDF Editor that were installed by employees. There were 105 unsupported versions of another PDF editor that were installed on the machines and then there were other softwares that the employees had installed on their own. So, there was no communicated policy in place prohibiting employees from installing nonbusiness software on their machines. And our recommendations related to this were, regularly reviewing the report and identifying and remediating software device license discrepancies, ensuring machines are being re-imaged before they're being reissued to employees to eliminate the risk of unsupported software installed on those machines.
And then consider defining the acceptable use of software in the draft policy and limit
the ability of employees to download and install software on their Valley Metro
computers. And then make sure to communicate and acknowledge – communicate the
policy and have the employees acknowledge it. The response from management is that
they agreed with the recommendations. They are going to create an addendum to the
Acceptable Use Policy. They're going to re-image and reissue machines to eliminate the
old software versions and then they're going to create a procedure to uninstall inactive
software to make the license tracking cleaner.

The third one related to inaccurate hardware inventory. With this one, the inventory
tracking that's a repeat finding from 2017. We had a variety of situations where the – the
information wasn't matching up between the inventory report. Most of these were
corrected once a new version of the ITAM was installed so out of the 35, 24 were able
to be uploaded and identified on that report. So, our recommendation was to conduct a
semi-annual full inventory not just the annual one to identify where all the computers
are. And then also to make sure that the computer is issued and it should be entered
into the ITAM to ensure the Valley Metro has accurate record of who has the computer
assigned to them and also the detailed location of where that computer is physically
located to keep that – to make it easier to track.

In the management response, they point out that this is a dramatic improvement from
what was found in mid-2017 report of 32 percent that was found to be unaccounted for.
And once that bug was fixed with the software it was able to significantly reduce those
that were missing. So, they do not agree that a more frequent physical inventory
account is warranted, but they did agree that there is benefit to adding the asset
location and where the computer is located. And so those will be implemented.

Item number four, the Information Technology policies and procedures, as of our testing
this hadn't been the Acceptable Use and Access Controls hadn't been approved and
communicated. On January 10th, they were approved and in February employees were
provided that policy. They have to go in and acknowledge the policy and now HR is
communicating that through onboarding.

The last observation, number five, on printer inventory. What we found on this one is
that a third party is maintaining the printer inventory, but the listing isn't accurate. The
listing contains printers were no longer in service and then inaccurate locations. So, we
had a recommendation to develop a process to regularly review the listing of printers
and make sure that it's what is actually in-house. And then also create an inventory
listing to capture specialized machines that weren't included in the other one. And
management agreed they're going to reconcile the listing. For the items that were
identified, they were able to go back and recoup that cost, but it was pretty minimal. And
they're going to create a list to track those other – those other printers.

That completes my report is there any questions on any of the observations?
Chair Gallego said questions?

Mr. Hillyard said Madam Chair, my name is Jim Hilliard. I'm Valley Metro Chief Administrative Officer. And, I guess, we'd like to make just a couple of comments. First, we'd like to thank Jennifer and Jessica – I'm sorry, Vickie and Jessica. Jennifer was the person who actually wrote and worked the field work with us for the audit. We'd also like to just briefly highlight a couple of the points of progress between the 2017 audit and this year's audit.

Some of those are really telling and Jessica called one of them out. I'd like to kind of highlight two others. First, in the case of updating and patching. I think the test work found that we have a very strong process. In 2017 only 66 percent of machines were being patched in any given month. Their test work found that over 95 percent of machines were being – were initially being patched. The less than five percent that were failing on the automated patch push were being addressed within several weeks by IT staff.

And then the fact that they were addressed being captured in automated vulnerability scans by the IT security team independent of the techs, you know, doing the patching themselves so a fairly strong process. As Jessica mentioned with respect to software license tracking, you know, the test work in fact found there were no cases of noncompliance with our software licensing agreements.

Whereas in 2017, there were five cases of noncompliance. And then with respect to hardware inventory, as Jessica mentioned, our commercial inventory tracking system had a bug. Once we got the patch from the provider, a 100 percent of the machines in the sample were located as compared to 2017 when 32 percent of the machines in the sample were unlocated. And so, you know, we just wanted to highlight the before and after since we think that's progress to note.

Vice Mayor Stipp said so Jim, thanks for the update. I think one of the things that you take away from this that is somewhat concerning is the ability for employees to download software which is an invitation for virus and other cyber-attack portal. Do we have a, you know, I kind of went on the assumption that we had a very strong cybersecurity component, but if we're able to just download software randomly off the Internet, I'm concerned about that.

Mr. Hillyard said Vice Mayor, we agree. So that capability is one of an employee that is the administrator of their own machine. We took that capability away from everyone.

Mr. Ozlin said a week before the audit started, we finally cleared the technical hurdles for that.
Mr. Hillyard said yes. And so, for the test period there were still some user downloaded software on the machines. We're now in the process of going back and identifying any of that software that's not business-related. We're going to create an addendum to our policy that identifies what's appropriate and what's inappropriate and then taking all of that off, but that folks are no longer able to do that.

Mr. Ozlin said, and I'd like to add that even when they did have that capability, we had a vulnerability security scanner running on our internal network that if it did detect a malicious program or a program that was vulnerable to malicious activity, we would get notified by Information Security and be able to address it.

Vice Mayor Stipp said okay. That's awesome. Then the last question that I had on this is, we've got a lot of dates in here that move forward and my standard question is, are we going to be able to meet them?

Mr. Ozlin said we believe so. We thought, based on the previous audit and the dates given, we thought long and hard before placing those.

Chair Gallego said if there's no further questions, I would entertain a motion to accept the audit report.

IT WAS MOVED BY COUNCILMEMBER TOLMACHOFF, SECONDED BY VICE MAYOR STIPP AND UNANIMOUSLY CARRIED TO ACCEPT THE HARDWARE AND SOFTWARE MANAGEMENT AUDIT.

5. Internal Audit Update and Revision of Fiscal Year 2019-2020 (FY20) Audit Plan

Chair Gallego said. we will next move to Item 5, Internal Audit Update and Revision of Fiscal Year Audit Plan.

Ms. Murphy said basically, in our audit plan we initially had nine audits and to date we have completed four of those. Two of them were presented today. We have two that are in process, the professional development audit and the paratransit audit, and we have three that we have not yet started. With the change in audit staff, we're kind of behind the eight ball at this point in time so I looked at the ones we have left and one of them was a contract management audit, a specific one. The one we had identified as the next possible audit was the marketing and advertising contract. And the objective of that would be to ensure that we're monitoring those contracts and that the vendor is in compliance with the contract. I think that would be a very good audit and I do recommend continuing forward with that one. At this point in time it would start first part of June and it would carry us into the next year's audit plan when the AFS will have the new audits and figure out what we need to do.

Ms. Murphy said the next one is the credit card transaction audit. The prior audit went through June of 2018 since that time they issued a new policy in October of 2018 and
another new policy in February of 2020. To try and fit that in at the end of this year given
the staff and the fact that we wouldn't have enough months under the new policies to
give you a good perspective of whether or not they've been implemented, I am
recommending that we move this to next year's audit plan and that we scope it for July
1, 2019 through June 30, 2020, so that we could get a good coverage of everything that
has occurred in that year. And then the other one is the travel expense audit. Of
course, it was also done in June of 2018. They had new policies issued on travel as well
for July 2018 and October 2019. And so again I don't feel that we would have enough
time to rush in and I don't believe we'd have enough coverage so I would recommend
that we move this one again to next year and cover July 1, 2019 through June 30, 2020.

The other thing that we're in the process of doing right now is planning for the next
year's audit plan. I am meeting with management and going through the risk
assessment to identify what areas of risk we have, and I would like to bring that to the
AFS in the April meeting. So that's my recommendations and with your approval I would
like to move those two audits off the plan for this year and start the new one for the
marketing and advertising contract.

Chair Gallego said wonderful. Any discussion from our committee members?

Vice Mayor Stipp said when you talk about - I just want to make sure I'm using the same
terminology - the audit scope, you're talking about reviewing the period of July 1 through
June 30, we wouldn't see this until the fall of '20?

Ms. Murphy said yes. If we started it in July, you would be seeing it in September.
That would be the plan, is you'd get it early fall, but I would just wait until we had a
whole fiscal year under their belt so that we could really look at some good transactions.

Vice Mayor Stipp said that all makes a lot of sense. Thanks for looking forward on that.

Councilmember Tolmachoff said thank you, Mayor. So, I guess, basically what you're
saying is that what's going to get completed the remainder of this fiscal year is the
professional development audit and the paratransit contract management and that's it?

Ms. Murphy said and then we would start the marketing and advertising contract.

Councilmember Tolmachoff said okay, that's how you're going to prioritize it then. Thank
you.

Chair Gallego said do we need a motion on this? Actually, just how far along are we on
the professional development to management?

Ms. Murphy said we are in the process of pulling the last information together. With you
moving the April meeting up to April 2, we are not going to have it ready for that one, but
we will have it done for the May committee meeting. I’d say we’re just about to writing the report.

Chair Gallego said so it is maybe halfway through?

Ms. Murphy said I’d say three quarters.

Chair Gallego said okay. I do not know if the councilwoman meant to imply that, but it did make me think that that was not my top priority, but if, I guess, if we’re three quarters of the way through.

Ms. Murphy said yes. We’re three quarters of the way through so it will be done definitely by the May meeting.

Councilmember Tolmachoff said and, Mayor, if I could. If you're able to complete, before the end of the fiscal year which sounds like that's going to happen, both audits that are in progress. What is the Marketing audit?

Ms. Murphy said the marketing audit. It's on the list as a contract management specific and we identified a risk with our contract management and so we were doing specific contract audits. Paratransit was the first one in there and the next one on the list was the marketing and advertising contract.

Councilmember Tolmachoff said all right. So, these are being prioritized by risk?

Ms. Murphy said yes. And it's going based on the risk assessment that was done last year. And so, I'm just kind of picking up where it – that was the next one in the list for risk. We're re-looking at the risk for next year's plan to see if that's an area we want to continue going down or if there's something that's a higher risk to do with our audit plan.

Chair Gallego said so we did want to leave the travel audit in what would be a recommended way to do that?

Ms. Murphy said we could probably get it through the end of May and start it in June so that we would have a report to you within a month or so after that, but, I mean, we'd be pushing it. Because I moved out of the other senior audit position. We're basically down a staff so it would be difficult to get the work done. We could try. If you'd want to put that ahead of marketing and advertising, we could do that. If that would be more of interest for you. My only concern with the travel one is, like I said, they had several policy changes. So, to see any changes, you know, from October, November, December, you know, you're not getting as much of a view as if we were to wait and start it after the 1st of July.

Chair Gallego said okay. I guess that does seem reasonable. I just want to express that that remains a priority for us – in making sure that we bring the travel audit to our public.
Ms. Murphy said yes. Right. I recognized it was a priority, but I also recognize that with the policy changes you're not getting a full view if we don't have as many months to audit. We'd be doing a lot of anything before October if it was wrong, well, the policy’s changed. It’s not going to really give you a good perspective.

Chair Gallego said okay. Then I would entertain a motion to accept the audit revised audit plan.

**IT WAS MOVED BY VICE MAYOR STIPP, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO ACCEPT THE REVISION OF THE FISCAL YEAR 2019-2020 (FY20) AUDIT PLAN.**

6. **Internal Audit Exceptions Update**

Ms. Murphy said so as far as the audit exception log. Management has worked very hard on trying to get these removed. At this point in time, we only have one item that's overdue and that has to do with the relocation process development. Part of that is delayed because of illnesses with one of the key players that needed to implement this process so we're giving them a little bit of the slack on that one.

Mr. Hodgins said well, to be fair, we've implemented a process. We just haven't fully documented what that process is. So, it's not written down on paper, but we have changed the way we're dealing with those.

Ms. Murphy said okay. And then upcoming, we have the Inventory Management policy which isn’t due until the end of August. And then we have the other four recommendations that would be covered through the credit card and the travel audit that are still sitting out there. In the last month, they have completed a Credit Card Acceptable Use policy, it has been updated and training was held. And on the full-time additions audit, IT completed the process to include terminating access for contractors when they leave the building as well. So those two have both been implemented this previous – this month. Do you have any questions on the exception logs?

Chair Gallego said any questions? Councilwoman.

Councilmember Tolmachoff said thank you. I do have a question on the recommendation for the credit card. In order to hold cardholders accountable for approved and timely submissions of their credit card transactions, the policy should clearly define the required approval documentation, form name, submission deadlines, and reference other Valley Metro policies. So, was there any change – I mean, is there some sort of accountability? Does the person lose their procard privileges? Or what happens if somebody's a consistent violator of the policy?
Mr. Hodgins said that could be an ultimate result is to revoke the credit card privileges. There would be, you know, but that would be kind of for repeated offenses. Depends on the offense. I mean, there would be ongoing training, retraining if necessary. But for anything that would be egregious then certainly we would remove their privileges.

Councilmember Tolmachoff said okay. So, I guess, what I'm asking is though is that written into the policy?

Mr. Hodgins said it's not prescriptive in the policy itself. The policy talks about that you could potentially have it revoked, but we really want to deal with that on a case-by-case basis.

Councilmember Tolmachoff said okay. Thank you.

Chair Gallego said any additional questions? All right. Thank you.

Ms. Murphy said thank you.

This item was presented for information only.

7. Valley Metro RPTA Fiscal Year 2021 (FY21) Preliminary Operating and Capital Budget

Chair Gallego said next we move to an update from our Chief Financial Officer.

Paul Hodgins, Chief Financial Officer, provided a brief presentation overview of the Valley Metro RPTA Fiscal Year 2021 (FY21) Preliminary Operating and Capital Budget that included the following items:

- Baseline: RPTA Operations
  - Bus Operations
  - Paratransit Operations
  - RideChoice Operations
- Uses of Funds: Operating and Capital
- Sources of Funds: Operating and Capital
- Uses of Funds: Operating
- Sources of Funds: Operating
- Uses of Funds: Capital
- Sources of Funds: Capital
- Pass-thru Funds: Uses
- Pass-thru Funds: Sources
- Operations & Maintenance Handout
- RPTA Only Staff Changes from FY20 to FY21
- Shared Staff Changes from FY20 to FY21
- Professional Development
Division sponsored
Organization sponsored
Tuition Assistance

- Employee Development
- Travel
- Travel by Category
- Travel by Purpose
- Budget Schedule

Mr. Hodgins said as you know, we've been talking about the fiscal 2021 budget since probably September looking at assumptions, talking about the key assumptions on the revenue, on the staffing so this is kind of the culmination of that effort. I shouldn't say culmination. The next step in that effort is the preliminary budget. It incorporates all of the assumptions and items we've discussed. Obviously, it's not final. There are still some things we're working on. I'll point those out as we go along.

Chair Gallego said could you remind us our total employee count?

Mr. Hodgins said as of right now the total employee count is between the two agencies, 427 sticks in my head, but is that for this year or next year? I believe 427, I believe is the current year and then we're looking at up to 15 new positions for next year and that's combined across the two agencies.

Chair Gallego said so I'm sorry. We're looking at 15 new positions?

Mr. Hodgins said potentially 15 total between the two agencies. So, there are some on the VMR side that are 100 percent VMR that are part of the Valley Metro Rail budget.

Chair Gallego said okay. So, I misread the 113 represent under – 113 on the RPTA only staff. That represents?

Mr. Hodgins said right. So, there are 113 that are RPTA only or next year 126 that are shared, but then there will be a number in the VMR budget that are Valley Metro Rail only and so those three together would be, I think, 442 for next year.

Chair Gallego said okay. And do we expect with what's happening with COVID-19 choice riders to diminish?

Mr. Hodgins said I think it's entirely possible. I don't know that we've seen it yet that I know of, but it sure could be a possibility.

Chair Gallego said yesterday, I think, was a sort of water shed day for a change in how people are responding.

Mr. Hodgins said yes.
Mr. Smith said and just so you know we're accumulating data on a weekly ridership which was hoping to have for this meeting, but it wasn't available – to try and give you – and we'll have it available for the board meeting to show the changes in weekly ridership. And we would fully be expecting that over the last week or so you'd see a drop. We know other agencies that I've talked to in the last week or two have seen a drop in ridership which can only be explained by the COVID issue. But we don't know exactly what our numbers are, but I should have that information for your staff --

Chair Gallego said well, many employers and I would include the City of Phoenix in that are really looking at who can be telecommuting and -

Mr. Smith said yes. And we'll talk to you a little bit later about what we're doing. I think we'll end up this meeting and give you an idea of what we've already done because we've started to implement some items on our end also. But we'll have that information for you. It's a big subject, it's a big issue as to what that will mean to public transportation. People telecommuting, but also, you know, it's going to be a double whammy because with, in addition to the virus, one of the other big financial shocks is the gas wars. The oil wars that are going on where, you know, the price of crude is been cut by like 50 percent which means they’re saying we could have gas possibly under $2 a gallon. We know that from past experience when gas gets low, people get back in their cars. If you are – if you're concerned about a virus and you're (indiscernible) and gas is low. We're fully expecting that there could be a significant hit to our ridership. Whether that will -- how long that will last? You know, that's yet to be seen. Just don't know.

Chair Gallego said I certainly don't envy anyone who is a CFO in this changing time because it really is hard to do a responsible budget.

Mr. Smith said it's tough. And I think one of the things that we continue to state is that, you know, we’re operating in a business manner, but we're a public service. And, you know, ridership obviously is important to us, we want to provide a service that is high quality that meets the needs of the riding public, but we don't define our success or failure based on how many people ride. Just like we don't on city parks or anything else that is really a public service. I don't want to over simplify it because obviously we seek to increase our ridership, but we're going to move to provide that experience regardless, but we're also going to be mindful of if there are significant changes in ridership we have to look at where we provide service and how often we provide service and that's what we'll start looking at if it looks like some of these changes are – become more permanent.

Chair Gallego said I guess, from my perspective it might be helpful to have two tiers of budget: one is that trends continue, I mean, maybe there's that the COVID-19 continues. What are the first things we – not add –
Mr. Smith said absolutely. We, when we get to the point where we start looking at either whether we decide, or outside authorities decide, that we will change our service model meaning, we're going to reduce routes or reduce service there will be a whole different budget scenario. That because our cost scenario will be much different. We're not there yet and I don't know, you know, hopefully if we're thinking right. This thing will blow through in the next month or so and when we get warmer weather, it will be a thing we'll look back on. But there's no guarantees. We're certainly planning for that contingency and looking to see what a revised service would look like. We have not come up with that answer yet. We're actually getting together with City of Phoenix staff early next week to have these specific discussions cause obviously we're not going to do anything are that's not in conjunction or in chorus with City of Phoenix since our service is so interconnected and overlaps each other. But it's something we are looking at very carefully.

Chair Gallego said I appreciate what you've done on enhanced cleanings and I think that's something we should assume we will continue.

Mr. Smith said we're actually going to step up the enhanced cleanings both on our bus and our rail and on platforms and stations and TVMs and, I guess, since we're already talking about it. We spent all morning our leadership team in this very meeting talking about nothing but the – about what our responses would be and how we would deal with staffing issues. We have a service that depends upon essential employees to provide and so we're already looking at alternative scenarios of what happens if we get below a certain level of our essential employees. Those that are maintenance. Those that are operators things like that. And what would that look at and we're already starting to plan that and once again working with Phoenix with our contract providers in doing that.

We're also looking at what we can do internally to promote telecommuting, to reduce the number of meetings we have, committee meetings. This will probably be for at least a little while the last regular meeting you'll see. Even next week and I haven't talked to the committee chairs yet, but probably next week for our board meeting, we will limit the menu. To limit the menu, the agenda. We'll limit the agenda and you'll probably see certainly a very active call-in ability if not proposal that would become a telephonic meeting because we only have about three or four action items. We're going to delay the meeting that we were going to have on Prop 400 to a later date. We've put travel on hold for at least the next two to three weeks. And we've cancelled all of our public outreach or we will be cancelling our public outreach and other meetings for at least the next two to three weeks. That seems to be the mode that people are following. Let's give it two or three weeks see what it is and then revisit it. And if we need to extend further, we'll do that. We're taking this in two-week blocks at a time. We also have set up protocol inside our agency to define what is essential. What are essential employees? What are nonessential employees? To see what our risk scenario is and how that will impact our service. At the end of the day, we are essential not only to us, we're essential to, the 200,000 people that ride our system every day between us and
the City of Phoenix. We are the lifeline for many of these riders. And so we're going to
do whatever we can to work within the bounds of safety, but to recognize that we can't
simply say, gee, we're not going to show up today because it's not convenient because
that has a huge impact on people's livelihoods and everything so we're doing the best
we can to keep as safe as environment as we can to clean, but also to maintain the
level of services that we have now. Because it's not only the people, but it's the type of
people that are impacted the most are the people that can least afford to be impacted in
that way.

I heard somebody say in an ominous term that, you know, that when this thing clears,
we may find that the financial death through bankruptcy and lost jobs and lost revenue
is going to far exceed anything medical and I believe that. It's just horrible whenever you
cancel these things what the ripple effect that has. So, we're going to do the very best
we can to continue to provide our level of services that we have right now. But, you
know, as I was sitting there in our meeting this morning between 8 and 11, during that
time, let me see the PAC-12 and other conferences cancelled their tournaments. The
NHL went suspended. The MLB went suspended. I mean, it was just amazing the things
that were happening just in that two or three hours so we have no idea what tomorrow
will bring. So, we're going to take a wait and see. So next week on the board meeting
then I think you can plan on having a probably a telephone meeting. If you want to come
in, that's fine. We clean down, for example, after we leave this, this room will be
completely cleaned down.

All the desks and all the chairs, we will clean those down with a solution. And we do that
every time we have a meeting in a room. The RTAG will not take place as we said,
we're trying to figure out what things we have to do. That will also be telephone
attendance will be encouraged and then from then on anything else that's – any
committees or anything else for Valley Metro will be either delayed or cancelled outright
the next few weeks. Does that answer all your questions that you might have about
what we're doing?

Councilmember Tolmachoff said thank you. In light of how rapidly things are changing,
are we measuring ridership in smaller increments than normal?

Mr. Smith said yes, we are. We used to get ridership on a monthly basis. We're now
looking at it on a weekly basis and we can do it on a daily basis also. But, you know,
that raw data's available. They're just accumulating into reports going back a few weeks
and looking at it on a weekly basis to see how this has changed week-by-week. If we
need to, we'll go down to daily it's better than monthly. So that's the information I was
hoping to have before this meeting, but they just didn't have a chance to be able to go
back and reconfigure the data into weekly. And we look at it on a, for example, on a
station and on area, on a route. If it's bus, we track it by route. If it's on a light rail, we
track it by station. So, we're trying to get all that information down on a week-to-week
basis to see the trends.
Mayor Gallego said probably way better than monthly anyway and it's probably helpful if you're jurisdictions remind people to check the website and social media for changes and wherever possible post on the bus or rail.

Mr. Smith said yes. Hillary and our communications team will make sure that everything that we do is broadcast out. We have a very aggressive social media presence. We work hand-in-hand with City of Phoenix transit to make sure and we, you know, cross-pollinate our messaging to make sure that all, any changes because out on the street all Valley Metro branded buses and so we recognize that we need to be able to present a clear message.

Councilmember Tolmachoff said yes. The riders don't know the difference.

Mr. Smith said they don't know the difference.

Chair Gallego said right.

Mr. Smith said that's why we work carefully with them when it comes to messaging, when it comes to routes, when it comes to customer service, so we'll make sure that's there. These are weird times. And, you know, I've never been in a situation like this where we are a critical service.

Chair Gallego said we are access to health care.

Mr. Smith said we are as critical as public safety and others and if you really look at it. And we take that role very seriously. And, you know, it's not something we take lightly, and we recognize also that there are things completely out of our control that are working these. I mean, I think on the service levels, we are monitoring what comes out of the WHO, CDC. Locally, there's a daily meeting I know at the emergency center. We have representatives that attend along with City of Phoenix and so we're getting daily updates and daily information. We're monitoring all that very, very, very carefully.

Chair Gallego said wonderful. Thank you.

Councilmember Tolmachoff said has there been any change to protocol if a passenger that becomes ill? Are you looking at that?

Mr. Smith said we have not. One of the things we’ve brought up that we haven’t yet done is of the passenger. It's not a scenario we've been placed with. We're focusing first on internal. What happens if one of our employees or contractors becomes ill? Because that's most critical to our ability to provide service so we're looking at that.

Obviously, if a passenger becomes ill and we find out about it. We have our cleaning protocol in place. If anyone is identified as being ill, then it kicks up to the public health. And, basically, the ball's in their court at that time. So what we are trying to do is making
sure that if we have that kind of information, do we all know what the up flow is and that's why meeting together every day in these emergency centers because that's what they really work on is the protocol upstream as to what happens if you get this situation? But we're focusing primarily on identifying the risks to our ability to give service right now. That's our top priority. And we're not quite there yet it. Like I said, things happen pretty quickly.

Vice Mayor Stipp said to close the COVID-19 discussion, any of the changes that occur system-wide will the board be notified of those? If there's a decrease or?

Mr. Smith said Vice Mayor, the board will be notified before we announce it publicly. There will only be two situations that will cause us to adjust service downward. We are unable to provide internally due to own situations where we simply can't maintain or put buses and trains on the street. Or we are directed by some higher authority to reduce service. Those would be the two scenarios I can see where we do that. Previous, if we receive that information from a third party, from the government.

Vice Mayor Stipp said the Governor?

Mr. Smith said CDC or whatever. We'll let you know we've received that. And if we do reduce service, we will also let the board know as I'm sure City of Phoenix will let the Mayor and her Council know so we won't get ahead of each other. It'll be a joint discussion and a joint decision that will be made and we'll let you know before it goes public.

Vice Mayor Stipp said okay. Great. Thanks. Now, I do have two budget questions. I'll start backward first. Travel by category, under combined required went down significantly, but essential went up significantly. And based on their definitions of what's required and what's essential. Understand why the required is down because of, you know, we're not inspecting, et cetera, but I think it would be helpful if we got an explanation on why essential has more than doubled. Based on this, the previous slide which is the definition.

Mr. Hodgins said yes, and that's actually something we're still looking at. The first pass at identifying required essential comes from the divisions that submit the information. We're still drilling down through that. That will likely change before the final budget comes through, but we are looking at that a little more closely. I don't have a good answer for you yet, but we will.

Vice Mayor Stipp said okay. Thanks. And then the second question is RPTA operations, bus operations slide two which is passenger boardings. We're using $14.2 million for FY20, when the actuals for 2013 was only – or I'm sorry. For FY19 was only $13.8 million and then we're going to increase the assumption for FY21 when we have historically seen a decrease in ridership. I'm afraid if we're getting ourselves too far ahead from a boarding perspective what we think that going to do in a fare recovery
piece and how that affects the budget. It goes up slightly every year so I'm worried that we may be overextending especially now with what's happened. If we see a dramatic decrease for the rest of this fiscal year, how does that carry over into next year?

Mr. Hodgins said right. Well, certainly this doesn't account for what's happening now.

Vice Mayor Stipp said yes and I didn't think it would.

Mr. Hodgins said but I think the difference between FY19 and FY20 is there is some additional service. I want to say the POGO, circulator in Peoria, which was kind of helping to drive the, a bit of an increase in passenger boardings. We had been seeing year-over-year some decreases. This year that's somewhat flattened out so based on some of the trends we are seeing we're kind of predicting a flattening of that, but obviously, given what's happening now that may change our thinking a little bit, but yeah. We'll continue to take a closer look at that.

Vice Mayor Stipp said okay. That's all I had. Thanks.

Chair Gallego said any additional? All right. Are we ready for the Rail update then?

This item was presented for information only.

8. Valley Metro Rail, Inc. Fiscal Year 2021 (FY21) Preliminary Operating and Capital Budget

Paul Hodgins, Chief Financial Officer, provided a brief presentation overview of the Valley Metro RPTA Fiscal Year 2021 (FY21) Preliminary Operating and Capital Budget that included the following items:

- Baseline: Light Rail Operations
  - Rail Operations
  - Streetcar Operations
- LRT Capital Project Schedule
- Uses of Funds: Project Development
- Uses of Funds: Operating & Capital
- Sources of Funds: Operating & Capital
- Uses of Funds: Operating
- Sources of Funds: Operating
- Uses of Funds: Capital
- Sources of Funds: Capital
- Operations & Maintenance Handout
- VMR Only Staff Changes from FY20 to FY21
- Shared Staff Changes from FY20 to FY21
- Budget Schedule
Councilmember Tolmachoff said thank you. You said you're still looking at it, but on the use of funds operating, slide four under agency operating, do you have at least an idea of what the increase is based on?

Mr. Olson said Mayor, members of the committee, we have some additional audit costs in there for cybersecurity, some other controls that were recommended for the year so. Again, small increase however we'll look into some of the other areas too. We definitely want to move forward with anything that's recommended.

Councilmember Tolmachoff said okay. Thank you. I was just curious.

Chair Gallego said thank you. Seeing no additional questions. Thank you for that update.

Mr. Hodgins said thank you.

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

Chair Gallego said we will move to Intergovernmental Agreements, Contract Change Orders, Amendments and Awards.

Mr. Hodgins said there's really just one of significance in terms of dollar amounts. It's on the board agenda for next week. So, we currently purchase paratransit fuel through Transdev. We reimburse them for the actual casts, but we've recently installed a fuel facility at their location. So, we're going to shift the burden or shift the expense from the Transdev contract, we're going to purchase the fuel directly off a state contract. So we are already purchasing fuel from this contract for the fix route operations so we just want to increase that contract by about $1.8 million. That actually saves us about $100,000, probably about $120,000 a year versus paying that through Transdev. So that's really the only item of note in terms of the financial impact. I'd be happy to answer questions on that if there are any.

Chair Gallego said any questions? Thank you.

This item was presented for information only.

10. Future Agenda Items

Chair Gallego said we next move to Item 10, Future Agenda Items.

Mr. Hodgins said so I'll note we've tried to put some dates on some of these pending items, so we have a list there. Some of the items in April that we're looking at there's some audits presented, we'll have our five-year plans, we'll have a discussion of the reduced fare and fare collection system that we talked about briefly last month. We'll
have some more information on that and the steps we're taking to mitigate the reduce fare abuse. So, we've tried to put some dates on some of the other items just so that we don't lose track and, you know, get to them at some point, but if you have any questions or any suggestions on different dates or anything, you know, let us know.

Chair Gallego said and our City of Phoenix Audit Committee meets quarterly so I'm certainly open to especially while we're in this period of uncertainty with the virus looking at the meeting schedule and seeing if nonessential.

Mr. Smith said completely up to you. We don't have – since this is not a – it's an advisory except for on certain items. There is certain time sensitive, but not overriding number of time sensitive so we can stretch this and make it quarterly, bimonthly. There are some, Paul, I'll let you know if there are some time-sensitive, critical things like budget and things like that, but other than that there's no absolute need to have it on a monthly basis.

Mr. Hodgins said and some of the items on here are really more for information not for action. We could certainly send information out and just answer questions if you have any as opposed to meeting, so we'll look at those options.

Chair Gallego said we do not know what the future holds, but I think it is important to have options.

Mr. Hodgins said yes, exactly.

Mr. Smith said April 2 is pretty close and it's within our two-week time frame so I would say that unless there's a compelling reason to physically meet here, we would or meet under telephonic-types considerations and just take care of the business we have to take care of. We'll let you know.

Chair Gallego said right. It's, I mean, great sympathy to anyone trying to do on budget during this period. The only thing we know is it won't be accurate. We just have to be realistic. This is a time of great change and just between yesterday and today we have significant economic indicators so I think we need to show Valley Metro's taking this very, very seriously, but essential links to people to health care and key services and we want to do our best, but we want to focus on the essential right now.

Mr. Hodgins said yes absolutely and we will definitely look at the revenue forecast and see if we think there's some risk there to what we're estimating for next year and come up with a plan to deal with that if we do see reduced revenues. That's probably my biggest concern at this point.

Chair Gallego said I think you are spot on and we just need to think about what do we not add or what do we wait until we have a more clear economic picture before making commitments. Anyone to want end us on a positive note?
Councilmember Tolmachoff said. I was very happy to see hand sanitizer in your kitchen. People are having a horrible time even getting it so whoever got that thank you. I have one in my car.

Mr. Smith said Pat and her staff do a great job. Pat is sort of our -- our Radar, you know, our Radar O'Reilly. She seems to bring things – get things out of nowhere. We don't know how or where.

Mr. Smith said we don't ask questions. We just thank her for it.

Chair Gallego said wonderful. Well, thank you. We are adjourned.

11. Next Meeting

The next meeting of the Audit and Finance Subcommittee is April 9, 2020 at 12:00 p.m.

With no further discussion, the meeting adjourned at 1:13 p.m.
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To: Councilmember Robin Arredondo-Savage, Chair, Tempe
    Mayor Kate Gallego, Phoenix
    Vice Mayor Bill Stipp, Goodyear
    Councilmember Lauren Tolmachoff, Glendale
    Councilmember Francisco Heredia, Mesa

This report communicates the results of the Professional Development Audit. The audit was part of Valley Metro’s Fiscal Year 2019/20 Internal Audit Plan.

The report includes the following sections: Objective, Scope and Methodology, Background, Audit Recommendation, and Observations.

The scope of this audit was to compile professional development information. During our review we identified one recommendation to improve efficiencies within Valley Metro’s employee development programs by moving to an electronic based system for the request/approval and tracking/reporting of Division Sponsored Development opportunities.

During the audit, individuals from Human Resources and Finance assisted by providing information on how professional development opportunities were requested and approved, and the tracking, payment, and reporting of those opportunities. They also supplied evidence for testing. Their support is greatly appreciated.

If you have any questions or would like further clarification, please contact me at 602-322-4454.

Vickie Murphy
Interim Internal Audit Director
April 2, 2020

Performed by:
Jenn Davis
Senior Internal Auditor

Distribution
Scott Smith, Chief Executive Officer
Alexis Tameron Kinsey, Chief of Staff
Jim Hillyard, Chief Administrative Officer
Michael Minnaugh, General Counsel
Paul Hodgins, Chief Financial Officer
Penny Lynch, Human Resources Director
Objective
Determine the process for offering, granting, and tracking internal and external professional development opportunities. Summarize and report on the opportunities utilized by employees and contractors, by division, to include financial responsibilities and any other matters that may rise to the level of attention.

Scope
We reviewed items from July 1, 2018 through December 31, 2019. Items incurred prior to or carried over from this timeframe and that fall into the scope timeframe or assist with achieving the audit objectives were included.

Methodology
The review focused on the following areas:

- Policies and procedures over professional development, to include internal and external training opportunities,
- Documentation maintained of professional development requests, approvals, and justifications, and
- Financial records for Valley Metro payments for professional development opportunities.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed key individuals in the organization to gain an understanding of the processes and existing internal controls.
- Obtained applicable policies, procedures, and forms.
- Reviewed forms for appropriate and timely approvals along with justifications.
- Summarized and analyzed the professional development opportunities by type (i.e., required, certifications, development, etc.) and noted if travel was involved.
- Obtained Abila reports and supporting documents for Valley Metro monies spent.
- Reviewed, summarized, and analyzed by individual (employee/contractor), job title, department, and division, as applicable.
- Reviewed and summarized any tracking/monitoring reports maintained.

Background
Valley Metro’s Fiscal Year 19/20 Internal Audit Plan included the Professional Development Audit. The Audit Plan was approved by the Audit and Finance Subcommittee (AFS) on June 18, 2019. Professional development was managed in part by the Learning and Development function within Human Resources and in part by the employee’s Division Directors.
Learning and Development Staff and Reporting Structure
During the time of our review, the Learning and Development function was part of the Human Resources Division (HR), and HR reported to the Chief Executive Officer (CEO). The Learning and Organizational Development Manager reported to the HR Director and had one vacancy for a Senior Learning and Development Specialist.

As of January 21, 2020, the Human Resources Division reporting structure was modified, and HR began operating as part of the Agency Business, Technology & Services Division, managed by the Chief Administrative Officer (CAO). Additionally, a Senior Learning and Development Specialist position was filled, started on January 27, 2020.

![Diagram of Learning and Development Staff and Reporting Structure]

Professional Development Programs
Per the Valley Metro’s training intranet site, Valley Metro believes in the power of a Learning Culture and had a three-pronged approach to employee development.

(1) Organization Sponsored Development opportunities were funded and coordinated through the Learning and Development function of Human Resources.

(2) Division Sponsored Development opportunities were funded and approved by the employee’s division or department.

(3) Tuition Assistance Program for higher education opportunities were funded through the Learning and Development function of Human Resources and approved by the division and Human Resources.

Audit reviewed the Training History Excel files maintained by the Learning and Organizational Development Manager and summarized the Organization Sponsored Development opportunities by category and division. Audit also reviewed the Professional Development Request Forms and Travel Authorization Forms filed in Finance’s credit card records to summarize the Division Sponsored Development opportunities. Tuition Assistance transactions were not included in this review.
Organization Sponsored Development

The Learning and Development function within Human Resources managed Valley Metro’s Organization Sponsored Development opportunities. The Learning and Organizational Development Manager consulted with Division leaders to evaluate their employees’ developmental needs, to prepare the learning plan for each year.

The Learning and Organizational Development Manager either taught or coordinated a total of 110 on-site trainings from July 1, 2018 through December 31, 2019. These trainings incorporated 40 different courses that fell into one of nine developmental categories. Valley Metro invested $148,543 in providing 1,181 attendees on-site development opportunities, at an average cost of $125 per attendee per class. See the table below for a breakdown.

<table>
<thead>
<tr>
<th>Development Category</th>
<th># of Courses</th>
<th># of Offerings</th>
<th>Costs</th>
<th>Total Attendees</th>
<th># of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving Results</td>
<td>5</td>
<td>13</td>
<td>$23,509</td>
<td>155</td>
<td>96</td>
</tr>
<tr>
<td>Written Communication</td>
<td>3</td>
<td>7</td>
<td>$11,743</td>
<td>72</td>
<td>63</td>
</tr>
<tr>
<td>Team Player</td>
<td>2</td>
<td>6</td>
<td>$13,051</td>
<td>78</td>
<td>73</td>
</tr>
<tr>
<td>Creating and Delivering Presentations</td>
<td>2</td>
<td>7</td>
<td>$4,069</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Computer Skills</td>
<td>9</td>
<td>16</td>
<td>$19,767</td>
<td>130</td>
<td>68</td>
</tr>
<tr>
<td>Emerging Valley Metro Leaders</td>
<td>3</td>
<td>4</td>
<td>$8,746</td>
<td>40</td>
<td>32</td>
</tr>
<tr>
<td>Leadership Foundations Certificate Program</td>
<td>6</td>
<td>31</td>
<td>$42,710</td>
<td>367</td>
<td>78</td>
</tr>
<tr>
<td>Leadership Essentials Certificate Program</td>
<td>5</td>
<td>13</td>
<td>$13,811</td>
<td>213</td>
<td>60</td>
</tr>
<tr>
<td>On-site Department Training</td>
<td>5</td>
<td>13</td>
<td>$11,139</td>
<td>97</td>
<td>87</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>40</strong></td>
<td><strong>110</strong></td>
<td><strong>$148,543</strong></td>
<td><strong>1,181</strong></td>
<td></td>
</tr>
</tbody>
</table>

Some employees attended multiple classes within and across categories.

The first six categories were available to all employees and below is a breakdown by Division of the 181 employees that participated in the on-site classes.

<table>
<thead>
<tr>
<th>Division</th>
<th># of Employees</th>
<th># of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Business, Technology &amp; Services</td>
<td>37</td>
<td>19 13 16 4 16 4</td>
</tr>
<tr>
<td>Capital &amp; Service Development</td>
<td>36</td>
<td>27 12 11 12 13 5</td>
</tr>
<tr>
<td>Communications &amp; Strategic Initiatives</td>
<td>11</td>
<td>4 7 5 3 2 1</td>
</tr>
<tr>
<td>Finance &amp; Procurement</td>
<td>20</td>
<td>11 5 6 1 10 1</td>
</tr>
<tr>
<td>Human Resources</td>
<td>8</td>
<td>3 2 3 2 4 1</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>58</td>
<td>24 19 27 3 21 18</td>
</tr>
<tr>
<td>Safety, Security &amp; Quality Assurance</td>
<td>10</td>
<td>7 5 5 2 2 1</td>
</tr>
<tr>
<td>Legal Division</td>
<td>1</td>
<td>1 0 0 0 0 1</td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td><strong>96</strong></td>
<td><strong>63</strong></td>
</tr>
</tbody>
</table>
The next two categories were part of the Leadership Certificate Program. Leaders attended courses to establish best practices across the organization for consistent managing and leading skills. Below is a breakdown by Division of the 80 employees that participated in the certificate program courses.

<table>
<thead>
<tr>
<th>Division</th>
<th># of Employees</th>
<th>Leadership Foundations</th>
<th>Leadership Essentials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Business, Technology &amp; Services</td>
<td>13</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Capital &amp; Service Development</td>
<td>14</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Communications &amp; Strategic Initiatives</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Finance &amp; Procurement</td>
<td>8</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Human Resources</td>
<td>9</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>25</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Safety, Security &amp; Quality Assurance</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Legal Division</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Internal Audit Services</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td><strong>78</strong></td>
<td><strong>60</strong></td>
<td></td>
</tr>
</tbody>
</table>

An additional $20,400 per year was invested in an all-access pass for the Leadership Essentials Certificate program for 70 people-leaders, at an average cost of under $300 per user. Leaders had access to an online library with over 1,000 articles, videos, and high-quality learning content on a wide range of management and leadership topics delivered in bite-sized formats.

The last development category, “On-site Department Trainings,” captures the five courses wherein the Learning and Organizational Development Manager coordinated the following department requested trainings for 87 employees.

<table>
<thead>
<tr>
<th>Division</th>
<th>Coaching for Excellence</th>
<th>De-escalating Calls</th>
<th>Difficult Calls</th>
<th>Reporting Workplace Injuries</th>
<th>Taking Meeting Minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Business, Technology &amp; Services</td>
<td>10</td>
<td>3</td>
<td>8</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Capital &amp; Service Development</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Finance &amp; Procurement</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>72</td>
<td>5</td>
<td>12</td>
<td>38</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td><strong>8</strong></td>
<td><strong>20</strong></td>
<td><strong>38</strong></td>
<td><strong>20</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

The Learning and Organizational Development Manager manually maintained a Training History Excel file for the Organization Sponsored Development opportunities. Starting in July 2020, the Learn Module of Oracle will be used to electronically request and track these opportunities.
**On-site Courses Offered**

The following on-site courses were offered:

<table>
<thead>
<tr>
<th>Development Category/ Courses</th>
<th>Offerings</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Achieving Results</strong></td>
<td>13</td>
<td>155</td>
</tr>
<tr>
<td>Creative Problem-Solving Techniques</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Effectively Managing Your Time and Multiple Priorities</td>
<td>5</td>
<td>72</td>
</tr>
<tr>
<td>Introduction to Project Management Principles</td>
<td>3</td>
<td>40</td>
</tr>
<tr>
<td>Manage Your Time Using Advanced Features in Microsoft Outlook</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td>Productive Meeting Skills</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td><strong>Written Communication</strong></td>
<td>7</td>
<td>72</td>
</tr>
<tr>
<td>Advanced Business Writing</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Reader Focused Business Writing</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Tips for Improving Your Grammar, Editing &amp; Proofing</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td><strong>Team Player</strong></td>
<td>6</td>
<td>78</td>
</tr>
<tr>
<td>Healthy Conflict Workshop</td>
<td>5</td>
<td>64</td>
</tr>
<tr>
<td>Interpersonal Skills: Increasing Your Personal Effectiveness</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td><strong>Creating and Delivering Presentations</strong></td>
<td>7</td>
<td>29</td>
</tr>
<tr>
<td>Advanced Presentation Design Skills</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Presentation Advantage: Essential Skills for Creating and Delivering Presentations</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td><strong>Computer Skills</strong></td>
<td>16</td>
<td>130</td>
</tr>
<tr>
<td>Adobe Pro (Intro and Advanced)</td>
<td>6</td>
<td>46</td>
</tr>
<tr>
<td>Excel (1, 2, and 3)</td>
<td>4</td>
<td>35</td>
</tr>
<tr>
<td>Power Point (1 and 2)</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Word (1 and 2)</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td><strong>Emerging Valley Metro Leaders</strong></td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Is Supervision in Your Future</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Strategies for Those Who Train and/or Mentor New Employees or Interns</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Transition Strategies for New and Emerging Leaders</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td><strong>Leadership Foundations Certificate Program</strong></td>
<td>31</td>
<td>367</td>
</tr>
<tr>
<td>Achieve Fact-based Decisions Using Effective Performance Documentation Skills</td>
<td>5</td>
<td>57</td>
</tr>
<tr>
<td>Build Trust by Managing for a Respectful Work Environment</td>
<td>5</td>
<td>55</td>
</tr>
<tr>
<td>Build Your Leadership Credibility by Understanding Legal issues in Managing</td>
<td>6</td>
<td>68</td>
</tr>
<tr>
<td>Improve Productivity and Accountability to Deliver Results by Analyzing &amp; Coaching for Performance Improvement</td>
<td>5</td>
<td>58</td>
</tr>
<tr>
<td>Strengthen Your Leadership Communication and Expectations through Effective Performance Management</td>
<td>4</td>
<td>54</td>
</tr>
<tr>
<td>Your Role in Supporting the Needs of Employees through ADA and FMLA</td>
<td>6</td>
<td>75</td>
</tr>
<tr>
<td><strong>Leadership Essentials Certificate Program</strong></td>
<td>13</td>
<td>213</td>
</tr>
<tr>
<td>Develop a Leader's Mindset and Hold Effective 1-on-1 Meetings</td>
<td>4</td>
<td>56</td>
</tr>
<tr>
<td>Get Results through Alignment &amp; Delegation and Create a Culture of Feedback</td>
<td>3</td>
<td>51</td>
</tr>
<tr>
<td>Lead your Team through Change and Manage Your Time and Energy</td>
<td>4</td>
<td>46</td>
</tr>
<tr>
<td>The 4 Essential Roles of Leaders Part 1: Build Trust and Create Vision</td>
<td>1</td>
<td>30</td>
</tr>
<tr>
<td>The 4 Essential Roles of Leaders Part 2: Execute Strategy and Coach Potential</td>
<td>1</td>
<td>30</td>
</tr>
<tr>
<td><strong>On-Site Department Training</strong></td>
<td>13</td>
<td>97</td>
</tr>
<tr>
<td>De-escalating Calls with CARE</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Handling Difficult Calls with CARE</td>
<td>5</td>
<td>38</td>
</tr>
<tr>
<td>Reporting Workplace Injuries</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Taking Effective Meeting Minutes</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Coaching for Service Excellence</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

Overall, the on-site and online resources provided to the employees were offered at a per attendee cost that was less than the off-site and non-local training options.
Division Sponsored Development

From July 1, 2018 through December 31, 2019, Valley Metro invested $190,361 in Division Sponsored Development opportunities. These opportunities were either on-site department trainings, within Maricopa County, or outside of Maricopa County which required travel.

Four divisions invested $51,204 in ten on-site courses for 84 participants, for an average of $610 per attendee. Below is a breakdown by division [Agency Business, Technology & Services (ABTS), Capital & Service Development (CSD), Communications & Strategic Initiatives (CSI), and Operations & Maintenance (Ops)] for 27 employees.

<table>
<thead>
<tr>
<th>Courses</th>
<th># of Offerings</th>
<th># of Participants</th>
<th>Costs</th>
<th># of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adobe Accessibility Training and MS Office</td>
<td>1</td>
<td>3</td>
<td>$2,783</td>
<td>0</td>
</tr>
<tr>
<td>Adobe Accessibility Training w/InDesign</td>
<td>1</td>
<td>0</td>
<td>$3,479</td>
<td>0</td>
</tr>
<tr>
<td>Adobe Google Analytics Intro &amp; Advanced</td>
<td>2</td>
<td>20</td>
<td>$11,538</td>
<td>0</td>
</tr>
<tr>
<td>Adobe Illustrator Essentials 1 &amp; 2</td>
<td>2</td>
<td>0</td>
<td>$5,957</td>
<td>0</td>
</tr>
<tr>
<td>Adobe InDesign Essentials Skills 1 &amp; 2</td>
<td>2</td>
<td>0</td>
<td>$5,957</td>
<td>0</td>
</tr>
<tr>
<td>Adobe Lightroom</td>
<td>1</td>
<td>0</td>
<td>$1,723</td>
<td>0</td>
</tr>
<tr>
<td>Adobe Photoshop Essentials 1 &amp; 2</td>
<td>2</td>
<td>9</td>
<td>$8,340</td>
<td>0</td>
</tr>
<tr>
<td>Adobe Premier Pro</td>
<td>2</td>
<td>4</td>
<td>$5,633</td>
<td>2</td>
</tr>
<tr>
<td>Adobe Spark</td>
<td>1</td>
<td>4</td>
<td>$3,015</td>
<td>3</td>
</tr>
<tr>
<td>Crystal Reports Introduction</td>
<td>1</td>
<td>1</td>
<td>$2,780</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>15</td>
<td>70</td>
<td>$51,204</td>
<td>5</td>
</tr>
</tbody>
</table>

Valley Metro also invested $108,757 in off-site development opportunities both within and outside of Maricopa County. Within Maricopa County, $61,336 was devoted to send 96 employees to 262 trainings and industry meetings, at an average cost of $234 per opportunity. Likewise, $47,421 was used to send 45 employees to 83 trainings outside of Maricopa County (average registration cost of $571 per opportunity). See the breakdowns by division below.

<table>
<thead>
<tr>
<th>Division</th>
<th># of Participants</th>
<th># of Events</th>
<th>Costs</th>
<th># of Participants</th>
<th># of Events</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Business, Technology &amp; Services</td>
<td>21</td>
<td>56</td>
<td>$28,303</td>
<td>8</td>
<td>9</td>
<td>12,745</td>
</tr>
<tr>
<td>Capital &amp; Service Development</td>
<td>17</td>
<td>51</td>
<td>$5,263</td>
<td>18</td>
<td>27</td>
<td>13,054</td>
</tr>
<tr>
<td>Communications &amp; Strategic Initiatives</td>
<td>9</td>
<td>21</td>
<td>$4,221</td>
<td>2</td>
<td>2</td>
<td>1,250</td>
</tr>
<tr>
<td>Finance &amp; Procurement</td>
<td>27</td>
<td>59</td>
<td>$12,687</td>
<td>7</td>
<td>14</td>
<td>7,125</td>
</tr>
<tr>
<td>Human Resources</td>
<td>4</td>
<td>4</td>
<td>$949</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>5</td>
<td>7</td>
<td>$1,020</td>
<td>2</td>
<td>2</td>
<td>755</td>
</tr>
<tr>
<td>Safety, Security &amp; Quality Assurance</td>
<td>7</td>
<td>20</td>
<td>$1,520</td>
<td>2</td>
<td>3</td>
<td>1,080</td>
</tr>
<tr>
<td>Legal Division</td>
<td>1</td>
<td>12</td>
<td>$2,540</td>
<td>1</td>
<td>1</td>
<td>675</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>2</td>
<td>2</td>
<td>$174</td>
<td>3</td>
<td>9</td>
<td>7,245</td>
</tr>
<tr>
<td>Internal Audit Services</td>
<td>3</td>
<td>30</td>
<td>$4,660</td>
<td>2</td>
<td>6</td>
<td>3,492</td>
</tr>
<tr>
<td>Totals</td>
<td>96</td>
<td>262</td>
<td>$61,336</td>
<td>45</td>
<td>83</td>
<td>47,421</td>
</tr>
</tbody>
</table>
As of July 2019, Finance maintained a *Division Sponsored Training Seminars - Tracking Log* Excel file. Finance manually recorded the Division, Employee ID, Training Start Date, and Description from the approved Professional Development Request forms or the Travel Authorization Forms. The tracking log was formatted to also identify the employee’s name and category (leader or contributor). The Learn Module of Oracle is not configured to support the Division Sponsored Development opportunities. Therefore, Finance will continue to use this manual tracking process.

**Tuition Assistance Program**

The detailed transactions within the Tuition Assistance Program were not included as part of this review. However, we reviewed a current policy, procedure, and applicable forms available on the training intranet site. Valley Metro invested $84,450 in FY 18/19 and $41,205 in FY19/20 for a total of $125,655 in supporting the higher education of fifteen employees.
Audit Recommendation

Process Efficiencies for Approving and Tracking Division Sponsored Development Opportunities

For the Division Sponsored Development opportunities the following process was followed:

- Print and complete a request form:
  - Professional Development Request form for activities within Maricopa County
  - Travel Authorization Form for activities requiring travel outside Maricopa County
- Print the registration information and other supporting documents
- Obtain approval signatures from:
  - Supervisor
  - Division Head
  - Chief Financial Officer
  - And if costs exceed $100, the Chief Executive Officer
- Forward approved packet to a Travel Administrator (TA) or the Division Administrative Assistant (AA) for registration and payment via the Valley Metro issued credit card
- The TA or AA manually recorded the opportunity on a tracking log Excel file (as of July 2019)
- The TA or AA maintained the approved packet for inclusion in their credit card reconciliation
- Travel Authorization Form packets were scanned to use for Travel Expense Report support
- The TA or AA notified the employee of registration status

Valley Metro’s current systems do not support electronic request/approval/processing of professional development forms. Additionally, there is no electronic method to track and report, only the manually maintained Excel file. The professional development processes could be strengthened and more efficient if a centralized electronic approval and tracking system was utilized. This would allow, Divisions to enter and route their department’s trainings for approvals and provide an electronic platform to track and report on the activities.

The agency should have a platform to gather information on the personal and professional development opportunities provided, to demonstrate a transition to excellence. Valley Metro’s Core Values promote a transition to excellence.

Valley Metro cannot easily demonstrate to its stakeholders or self-analyze that the Division Sponsored Development opportunities are meeting the personal and professional needs of the employees and the organization. Additionally, reliance on a paper-based system, may waste time, resources, and potentially money.

Recommendations:
Valley Metro should include the electronic processing and tracking of Division Sponsored Development opportunities in the implementation of the new Enterprise Resource Planning (ERP) system or another electronic based workflow system.
Concurrence with the Recommendation:
Both Finance and HR concur with the recommendation.

Responsible Officials’ Comments:
An electronic form that includes workflows would be more efficient than the current paper process.

Action Plan:
The Learning and Development Manager will work with Finance and IT to explore electronic form options for the Division Sponsored Professional Development form; a solution that includes a digital workflow approval process and payment through the Financial System.

Responsible Party:
Learning and Development Manager and CFO

Due Date:
Electronic option identified by end of FY21
Audit Observations
Audit identified two areas of concern that are minor in nature and are provided for your information.

Observation_01

The agency updated the Travel Policy in July 2018 and the Travel Authorization Form in October 2018. The update removed the requirement to complete a Professional Development Request form for Division Sponsor Development opportunities, that required travel outside of Maricopa County. The training intranet site did not reflect the process change.

The Learning and Organizational Development Manager was unaware that the changes removed the Professional Development Request form requirement for opportunities outside of Maricopa County. When it was brought to her attention, she updated the Travel Policy link.

Observation_02

The Organization Sponsored Development process requires employees to obtain a verbal approval from their supervisor before they register for classes. The Sign-Up Genius process does not have a workflow to document supervisor approval. However, the Learning and Organizational Development Manager emails the attendees’ supervisors before the class, providing notification of their sign-up.

Although prior verification would provide a better internal control, the process followed does provide the supervisor an opportunity to identify unapproved courses.
Information Summary

DATE
May 11, 2020

SUBJECT
Professional Development Audit

PURPOSE
Present the results of the Professional Development Audit to the Audit and Finance Subcommittee (AFS) for acceptance.

COST AND BUDGET
None

RECOMMENDATION
Staff recommends the Audit and Finance Subcommittee accept the Professional Development Audit.

BACKGROUND/DISCUSSION/CONSIDERATION
The Fiscal Year 2019/2020 Internal Audit Plan approved by the AFS on June 18, 2019, included a review of Professional Development. The objective of the audit was to document the process for offering, granting, and tracking internal and external professional development opportunities. Additionally, to summarize and report on the opportunities utilized by employees.

COMMITTEE ACTION
AFS: May 14, 2020

CONTACT
Jennifer Davis
Senior Internal Auditor
jdavis@valleymetro.org
602-322-4452

ATTACHMENT
Professional Development Audit
DATE
May 11, 2020

SUBJECT
Internal Audit Update

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

COST AND BUDGET
None

RECOMMENDATION
Item presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COMMITTEE ACTION
None

CONTACT
Jennifer Davis
Senior Internal Auditor
jdcas@valleymetro.org
602-322-4452

ATTACHMENT
None
## Update:

**Fiscal Year 19/20 Audit Plan**

<table>
<thead>
<tr>
<th>Process</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card transactions</td>
<td>Moved to FY 20/21 Audit Plan</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>Moved to FY 20/21 Audit Plan</td>
</tr>
<tr>
<td>Professional Development</td>
<td>Complete</td>
</tr>
<tr>
<td>Full-Time Employee Additions</td>
<td>Complete</td>
</tr>
<tr>
<td>Contract Management (specific)</td>
<td>Not started</td>
</tr>
<tr>
<td>Paratransit Contract Management</td>
<td>In progress</td>
</tr>
<tr>
<td>OMC Non-Capitalized Rail Parts and Tools Inventory</td>
<td>Complete</td>
</tr>
<tr>
<td>Hardware/Software Management</td>
<td>Complete</td>
</tr>
<tr>
<td>Performance Evaluation</td>
<td>Complete</td>
</tr>
<tr>
<td>Internal Safety and Security Audit Review</td>
<td>Not started</td>
</tr>
<tr>
<td>CSD Invoice Processing</td>
<td>Monitoring</td>
</tr>
<tr>
<td>HR Information Management System (HRMIS) Implementation</td>
<td>Monitoring</td>
</tr>
<tr>
<td>ERP Implementation</td>
<td>Monitoring</td>
</tr>
<tr>
<td>External Audits – anticipated:</td>
<td></td>
</tr>
<tr>
<td>Maricopa Co. – Paratransit</td>
<td>Complete</td>
</tr>
<tr>
<td>City of Phoenix – Fare Revenue</td>
<td>Complete</td>
</tr>
<tr>
<td>City of Phoenix – Contract Risk Assessment</td>
<td>Report May</td>
</tr>
<tr>
<td>ADOT – Rail Safety Audit</td>
<td>Report May</td>
</tr>
</tbody>
</table>

In progress: Comptroller/Financial Management

Complete:
- Travel expenses
- Professional Development
- Full-Time Employee Additions
- Performance Evaluation
- Paratransit Contract Management
- OMC Non-Capitalized Rail Parts and Tools Inventory
- Hardware/Software Management
- Contract Management (specific)
- Credit card transactions

Not started: Internal Safety and Security Audit Review

Monitoring: ERP Implementation, CSD Invoice Processing, HR Information Management System (HRMIS) Implementation
DATE
May 11, 2020

AGENDA ITEM 5

SUBJECT
Audit exceptions update

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

COST AND BUDGET
Funding for monitoring the progress of audit exceptions is included in the FY 2019/20 Valley Metro Budget.

RECOMMENDATION
Items presented for information only.

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

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

COMMITTEE ACTION
None

CONTACT
Jennifer Davis
Senior Internal Auditor
jdavis@valleymetro.org
602-322-4452

ATTACHMENT
Audit exceptions log
Valley Metro Audit and Finance Subcommittee
Audit Exception Log Summary
May 2020

Audit Exception Log Summary

• Nine Open Recommendations
  • One was past due - due date has been extended
  • Four with upcoming due dates
  • Four pending next the Travel and Credit Card audit review
• Five Remediated Recommendations
  (From the IT Audit issued in March 2020)
### Overdue Item – Extended the Due Date:

<table>
<thead>
<tr>
<th>Ref #</th>
<th>Management Action</th>
<th>Due Date</th>
<th>Responsible Parties</th>
<th>Current Actions</th>
<th>Due Date Extended</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Relocation Process Development</td>
<td>1/31/2020</td>
<td>CFO and HR Director</td>
<td>Finance is reviewing a draft AR Collection procedure</td>
<td>5/31/2020</td>
</tr>
</tbody>
</table>

### Upcoming Due Dates:

<table>
<thead>
<tr>
<th>Ref #</th>
<th>Management Action</th>
<th>Due Date</th>
<th>Responsible Parties</th>
<th>Current Actions</th>
<th>Estimated Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Performance Management Procedures</td>
<td>6/30</td>
<td>HR Manager</td>
<td>COVID pandemic delaying full implementation of the HR system</td>
<td>Extended to 9/30/2020</td>
</tr>
<tr>
<td>9</td>
<td>Uninstall Inactive Software Procedures</td>
<td>6/30</td>
<td>IT Manager</td>
<td>On track</td>
<td>6/30/2020</td>
</tr>
<tr>
<td>6</td>
<td>Inventory Management Policy and update applicable procedures</td>
<td>8/31</td>
<td>CFO and COO</td>
<td>On track</td>
<td>8/31/2020</td>
</tr>
<tr>
<td>8</td>
<td>Create an Addendum to the Acceptable Use Policy for Approved Software</td>
<td>10/31</td>
<td>IT Manager</td>
<td>On track</td>
<td>10/31/2020</td>
</tr>
</tbody>
</table>

Note, the exceptions for the Travel Audit and the Credit Card Audit (Ref #s 1-4) will be evaluated during the FY 2020/2021 reviews of those areas.
Reported as Remediated this Month:

<table>
<thead>
<tr>
<th>Audit</th>
<th>Audit’s Recommendation</th>
<th>Management Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware Software</td>
<td>Management should either convert all remaining active Windows 7 machines to Windows 10</td>
<td>Audit was presented to and accepted by the AFS on 03/12/2020, which reported that IT obtained Microsoft extended security support for Windows 7 machines in January 2020.</td>
</tr>
<tr>
<td>Mgmt. (Remed 1)</td>
<td>to Windows 10 by January 14, 2020, or take advantage of the additional support purchase option being offered by Microsoft at $50 per computer/year.</td>
<td></td>
</tr>
</tbody>
</table>

Reported as Remediated this Month:

<table>
<thead>
<tr>
<th>Audit</th>
<th>Audit’s Recommendation</th>
<th>Management Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware Software</td>
<td>Management should:</td>
<td>Re-issued machines were re-imaged.</td>
</tr>
<tr>
<td>Mgmt. (Remed 2)</td>
<td>-Ensure machines are being re-imaged before being re-issued to employees to eliminate any risks of unsupported software installed on the machine.</td>
<td></td>
</tr>
</tbody>
</table>
### Reported as Remediated this Month:

<table>
<thead>
<tr>
<th>Audit</th>
<th>Audit’s Recommendation</th>
<th>Management Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware Software Mgmt.</td>
<td>Management should conduct semi-annual full inventory counts to ensure all computers are captured and data is correct in the inventory system. The employee or contractor name to whom the computer is issued should also be entered into ITAM to ensure Valley Metro has an accurate record of who is assigned to a computer. Detailed location information such as suite, office, conference room, and/or department should be populated in ITAM for each active computer to make physical asset tracking more efficient.</td>
<td>Changes were made to the annual inventory process to clarify locations. The annual inventory of Desktops, Laptops, and Tablets – 979 and Multi-Function Printers, Desktop Printers, Plotters, Braille Embossers, and Label Printers – 155 was completed by 04/30/2020.</td>
</tr>
</tbody>
</table>

94.5% of users with network access have acknowledged the Acceptable Use Policy. Monthly, Directors are provided completion reports.
Reported as Remediated this Month:

<table>
<thead>
<tr>
<th>Audit</th>
<th>Audit’s Recommendation</th>
<th>Management Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware</td>
<td>Management should develop a process to regularly review the Laser Options printer list to ensure the printer inventory is accurate and communicate timely any disposed devices to Laser Options to avoid paying for devices that are no longer in service. Management should also have Laser Options review and update both the employee names and/or locations of the devices they manage, as well as ensure all devices managed by Laser Options are tagged accordingly. Management should create an inventory list to capture specialized or peripheral devices that are still in service so that these devices are not overlooked during any routine inventory reviews.</td>
<td>Changes were made to the annual inventory process to clarify printer locations. The annual inventory was completed by 04/30/2020, and the reconciliation of 103 Laser Options printers disclosed only a 5.8% count variance and a 0.5% cost variance.</td>
</tr>
<tr>
<td>Software Mgmt.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Remed 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ref #</td>
<td>Finding Title</td>
<td>Department</td>
</tr>
<tr>
<td>-------</td>
<td>-------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>5</td>
<td>Relocation Process</td>
<td>Finance Division</td>
</tr>
<tr>
<td>6</td>
<td>No Established Inventory Management Policy</td>
<td>OMC &amp; Finance</td>
</tr>
<tr>
<td>7</td>
<td>Established Performance Policies and Procedures Do Not Exist</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Ref #</td>
<td>Finding Title</td>
<td>Department</td>
</tr>
<tr>
<td>-------</td>
<td>---------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Remed 1</td>
<td>Operating Systems nearing end of support</td>
<td>IT</td>
</tr>
<tr>
<td>Remed 2</td>
<td>Software License Tracking</td>
<td>IT</td>
</tr>
<tr>
<td>Remed 3</td>
<td>Inaccurate Hardware Inventory Report</td>
<td>IT</td>
</tr>
<tr>
<td>Ref #</td>
<td>Finding Title</td>
<td>Department</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Remed 4</td>
<td>Information Technology Policies have not been communicated</td>
<td>IT</td>
</tr>
<tr>
<td>Remed 5</td>
<td>Printer Inventory Tracking</td>
<td>IT</td>
</tr>
</tbody>
</table>
Information Summary

DATE
May 11, 2020

AGENDA ITEM 6

SUBJECT
Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

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

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

A. **Information Technology Contract Staffing Renewal**

Extend IT staffing contracts to maintain one Full Stack Developer and two Business Analysts through FY 2021. The period of service will cover July 2020 through June 2021 with a total cost of $590,000.

B. **Alesig Consulting, LLC Contract Renewal**

Renew a contract with Alesig Consulting, LLC for one year with two one-year extension options. The period of service will cover July 2020 through June 2023 with a total cost of $450,000.

C. **Information Technology Infrastructure Refresh**

Purchase server and networking capital equipment and associated licensing not to exceed $1,675,000.

D. **Security Log Collector Maintenance and Support Purchase**

Purchase three years of Elastic's maintenance and support plan. The period of service will cover from July 2020 through June 2023 with a total cost of $207,600.

E. **Replacement Bus Wash System Contract Award**

Execute a contract with Westmatic Corporation for an amount not to exceed $957,200 for the purchase and installation of bus washer equipment to replace the bus wash system at the Mesa Bus Operations and Maintenance facility.

F. **Transportation Planning Software Contract Renewal**

Purchase three years of Remix’s Transit SaaS offering. The period of service will cover from September 2020 through August 2023 with a total cost of $187,000.
G. **Paratransit Eligibility, Scheduling, and Dispatch Software Purchase**

Purchased the Trapeze software modules currently owned and operated by Valley Metro contractors Transdev and MTM. The period of service will cover from May 2020 through May 2024 with a total cost of $880,700.

H. **Fare Collection Software Maintenance and Support Contract Award**

Execute a three-year base contract and a one-year option with Scheidt & Bachmann USA, Inc. (S & B) for fare collection software support and maintenance agreement for an amount not to exceed $726,644.

I. **Town of Queen Creek Park-and-Ride Study Intergovernmental Agreement**

Execute an IGA with the Town of Queen Creek to reimburse Valley Metro for the cost of conducting a park-and-ride study not to exceed $125,000.

J. **Northwest Extension Phase II (NWEII) Design Services Contract Amendment**

Increase the NWEII Light Rail Extension design contract with Jacobs Engineering Group Inc. by up to $4,586,700 to include DSDC, assistance to the city of Phoenix during the real estate acquisition process, CNPA scope of work, and contingency to the contract.

K. **South Central Extension/Downtown Hub Construction Manager at Risk Contract Amendment**

Execute a contract amendment with the South Central Extension/Downtown Hub CM@Risk contractor, Kiewit Infrastructure West Co., to construct the remainder of the project for an amount up to $719,779,803.

**RECOMMENDATION**

For information only.

**CONTACT**

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Chief Financial Officer  
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602-262-7433

**ATTACHMENT**

Information Summaries for items listed above.
### Information Summary

**DATE**  
May 11, 2020

**AGENDA ITEM 6A**

**SUBJECT**  
Information Technology Contract Staffing Renewal

**PURPOSE**  
To request authorization for the Chief Executive Officer (CEO) to extend IT staffing contracts to maintain one Full Stack Developer and two Business Analysts through FY 2021.

**COST AND BUDGET**  
Maintaining the three current contractors will not to exceed $590,000, which is evenly divided between RPTA and VMR, and included in the Proposed RPTA/VMR FY 2021 Operating and Capital Budgets. Each contract will utilize a workforce management vendor through the cooperatives noted below to ensure a competitively negotiated price and the larger volume discounts available through cooperative procurement.

<table>
<thead>
<tr>
<th>Position</th>
<th>Vendor</th>
<th>Contract</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Stack Developer</td>
<td>nVision Networking</td>
<td>Mohave: 18K-NVIS2-1109</td>
<td>$252,000</td>
</tr>
<tr>
<td>Business Analyst</td>
<td>Knowledge Services</td>
<td>State Contract: ADSPO17-174599</td>
<td>$175,200</td>
</tr>
<tr>
<td>Business Analyst</td>
<td>Acro Service Corporation</td>
<td>SAVE (Maricopa): 16111</td>
<td>$162,800</td>
</tr>
</tbody>
</table>

**Total Cost:** $590,000

**RECOMMENDATION**  
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to extend IT staffing contracts to maintain one Full Stack Developer and two Business Analysts through FY 2021. The period of service will cover July 2020 through June 2021 with a total cost of $590,000.
BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro’s staffing for software maintenance and development uses a combination of full-time staff for day-to-day work and a contractor to provide additional manpower for large projects or crunch times. The contract was extended in August 2019 through FY 2020. As a result, to maintain access to this developer, the contract must be continued through FY 2021. This will allow Valley Metro to maintain and improve valleymetro.org.

Valley Metro is modernizing its information systems, improving processes, and automating processes where feasible to increase efficiency. Business Analysts are critical to these activities. They engage with subject matter experts to document business processes and determine the functional requirements for information systems. For information system procurements, these requirements become the scope of work for bidders and the evaluation criteria for the solutions they propose. For in-house development projects, they provide the design requirements guiding developers. As a result, the Project Management Institute has found that poor requirements are the leading cause of project failure and directly correlate with project cost over-runs. Therefore, it is critical for Valley Metro to establish accurate requirement for all projects.

Valley Metro has no Business Analysts positions. In the November 2019 Board meeting, agenda item #4D authorized the engagement of two contract Business Analysts through the remainder of FY 2020. The recommended contract continuation would maintain these two Business Analysts through FY 2021 to support implementation of a security incident management system, an updated document management system, a marketing project management system, a Paratransit eligibility and trip management system, and improvement and automation of the Board packet generation process. Their support is critical to the success and cost-effectiveness of these improvements.

COMMITTEE ACTION
RTAG: April 21, 2020 for information
TMC/RMC: May 6, 2020 for action
Boards of Directors: May 21, 2020 for action

CONTACT
Phil “Oz” Ozlin
Manager, Information Technology
(602)495-8253
pozlin@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
May 11, 2020

AGENDA ITEM 6B

SUBJECT
Alesig Consulting, LLC. Contract Renewal

PURPOSE
To request authorization for the CEO to renew a contract with Alesig Consulting, LLC for one year with two one-year extension options. The period of service will cover July 2020 through June 2023 with a total cost of $450,000.

COST AND BUDGET
The total cost for the licensing and three years of maintenance & support is an amount not to exceed $450,000. The renewal will be conducted through the General Services Administration’s contract GS-35F-0576W with Alesig Consulting for general purpose commercial Information Technology equipment, software, and services. The use of a cooperative contract will ensure a competitively negotiated price and allow access to the larger volume discounts available through cooperative procurement.

The cost per year is shown below. It is divided equally between RPTA and VMR and is included in the proposed RPTA and VMR FY 2021 Operating and Capital Budgets. Costs beyond FY 2021 have been incorporated into the RPTA and VMR Proposed Five-Year Operating Forecast and Capital Program (FY 2022 – FY 2025).

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$150,000</td>
</tr>
<tr>
<td>2022 (1st option)</td>
<td>$150,000</td>
</tr>
<tr>
<td>2023 (2nd option)</td>
<td>$150,000</td>
</tr>
<tr>
<td>Total Cost:</td>
<td>$450,000</td>
</tr>
</tbody>
</table>

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to renew a contract with Alesig Consulting, LLC for one year with two one-year extension options. The period of service will cover July 2020 through June 2023 with a total cost of $450,000.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro uses a Customer Assistance System provided by Alesig Consulting, LLC to track customer complaints, share them with other member agencies, and maintain complaint response service levels. Alesig also provides the interface that connects
Twilio’s SMS services and Valley Metro’s real-time vehicle location data to provide customers with the next arrival time at their stop when they text the NextRide short code.

The contract was previously renewed by the Board at its April 2018 meeting for two years. Staff is requesting this renewal be for one year with two one-year options as Valley Metro will be investigating the potential for replacing CAS with a full-service Customer Relationship System as part of a broader review of the technology to improve the rider experience.

**COMMITTEE ACTION**
RTAG: April 21, 2020 for information
TMC/RMC: May 6, 2020 for action
Boards of Directors: May 21, 2020 for action

**CONTACT**
Phil “Oz” Ozlin
Manager, Information Technology
(602)495-8253
pozlin@valleymetro.org

**ATTACHMENT**
None
Information Summary

DATE
May 11, 2020

AGENDA ITEM 6D

SUBJECT
Security Log Collector Maintenance and Support Purchase

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase three years of software maintenance and technical support for security log collection and analysis software.

COST AND BUDGET
Software maintenance and support costs $69,200 per year for a total three-year cost of $207,600. These costs are divided equally between RPTA and VMR and are included in the proposed RPTA and VMR FY 2021 Operating and Capital Budgets. Costs for FY 2022 and FY 2023 have been incorporated into the RPTA and VMR Proposed Five-Year Operating Forecast and Capital Program.

Elastic software maintenance and support will be purchased through an Arizona State Procurement Office’s cooperative contract for Managed Security Services to ensure a competitively negotiated price and to leverage the larger volume discounts available through the contract.

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to purchase three years of Elastic’s maintenance and support plan. The period of service will cover from July 2020 through June 2023 with a total cost of $207,600.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro uses of an open-source technology stack known as ELK (Elastic, Logstash, Kibana) as part of its Information Security measures. ELK is used to collect system logs from all networked devices throughout the agency, collate them in a single place, and run queries against the logs looking for malicious or unwanted activity.

The initial configuration of the system was simple enough that Valley Metro internal IT staff were able to manage and support it with the assistance of online documentation. As more devices are added and our cybersecurity posture grows more sophisticated, the system has increased in complexity and outgrown Valley Metro’s internal capabilities.
Elastic, the company behind the ELK technology stack, offers plans that provide technical support and unlock additional features including centralized management of the log collection agents installed on networked devices, secure single sign-on capability, an audit trail for changes made within the system, automated log retention/disposal policies, and improved alerting among other features. The plan also provides unlimited technical support during business hours with a response time of four hours for critical issues.

The maintenance and support plan would be procured using the State of Arizona Procurement Office cooperative contract with Mosaic 451 as the reseller.

**COMMITTEE ACTION**
RTAG: April 21, 2020 for information  
TMC/RMC: May 6, 2020 for action  
Board of Directors: May 21, 2020 for action

**CONTACT**
Phil "Oz" Ozlin  
Manager, Information Technology  
(602)495-8253  
pozlin@valleymetro.org

**ATTACHMENT**
None
DATE AGENDA ITEM 6E
May 11, 2020

SUBJECT
Replacement Bus Was System Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract with Westmatic Corporation for an amount not to exceed $914,000 plus a 5% contingency of $43,200 for a total of $957,200 for the purchase and installation of bus washer equipment to replace the bus wash system at the Mesa Bus Operations and Maintenance facility.

COST AND BUDGET
The cost for the replacement of the bus wash system is included in the RPTA Proposed FY21 Operating and Capital Budget. Contract obligations beyond FY21 will be incorporated into the Proposed RPTA Five-Year Operating Forecast and Capital Program (FY2022 thru FY2026). A breakdown of these costs is listed below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Remove and Dispose of Existing Wash Equipment (2 bays; 1 equip. room)</td>
<td>$19,500</td>
</tr>
<tr>
<td>2</td>
<td>Building permits from City of Mesa Development Services Department</td>
<td>$8,000</td>
</tr>
<tr>
<td>3</td>
<td>Furnish and Install New Bus Wash Equipment (2 bays; 1 equip room)</td>
<td>$832,000</td>
</tr>
<tr>
<td>4</td>
<td>Provide Temporary Bus Wash Solution During Construction</td>
<td>$4,500</td>
</tr>
<tr>
<td></td>
<td>TOTAL BASE BID PRICE (Items 1-4)</td>
<td>$864,000</td>
</tr>
<tr>
<td>5</td>
<td>Annual Maintenance and Support (5 Years)</td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>TOTAL PROJECT COSTS (Sum of items 1-5)</td>
<td>$914,000</td>
</tr>
</tbody>
</table>

In addition, a 5% project contingency of $43,200 is included for any unforeseen issues or obstacles during installation, which brings the total not to exceed amount of $957,200.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a contract with Westmatic Corporation for an amount not to exceed $957,200 for the purchase and installation of bus washer equipment to replace the bus wash system at the Mesa Bus Operations and Maintenance facility.
BACKGROUND | DISCUSSION | CONSIDERATION

The current bus washing equipment at the Mesa Greenfield Bus Maintenance facility has exceeded its useful life. The current wash equipment is 17 years old and needs replacement to restore to a state of good repair. Replacement of this equipment is consistent with the approved Transit Asset Management (TAM) Plan.

In April 2018, the Valley Metro Board of Directors authorized the CEO to issue a competitive solicitation for the facility improvements at the Mesa Bus Operations and Maintenance Facility. On November 25, 2019, Valley Metro issued a Request for Proposals (RFP) solicitation with proposals due on January 24, 2020. A total of three proposals were received from the following offerors:

- Air and Lube Systems Inc.
- N/S Corporation
- Westmatic

As part of the evaluation process, the evaluation panel conducted Best and Final Offers (BAFO) with Westmatic. Final evaluations resulted in the following scores and recommendation:

<table>
<thead>
<tr>
<th>Proposer</th>
<th>Technical Points</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westmatic</td>
<td>858</td>
<td>1</td>
</tr>
<tr>
<td>Air and Lube Systems Inc.</td>
<td>811</td>
<td>2</td>
</tr>
<tr>
<td>N/S Corporation</td>
<td>794</td>
<td>3</td>
</tr>
</tbody>
</table>

The Selection Committee 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 Westmatic as the firm whose proposal offers the “best value” to the agency. The results of the technical review resulted in Westmatic scoring the highest amount of points. In addition, Westmatic had the lowest overall price.

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.

STRATEGIC PLAN ALIGNMENT

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

- Goal 1: Advance performance-based operations
COMMITTEE PROCESS
RTAG: April 21, 2020 for information
TMC: May 6, 2020 for action
Board: May 21, 2020 for action

CONTACT
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ATTACHMENT
None
Information Summary

DATE
May 11, 2020

AGENDA ITEM 6E

SUBJECT
Transportation Planning Software Contract Renewal

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase three additional years of Remix’s Transit Software as a Service (SaaS) offering to aid Valley Metro’s service planning group in designing and managing the regional transit network.

COST AND BUDGET
The total cost for the three-year SaaS agreement is an amount not to exceed $187,000. The Remix Transit SaaS product will be from a reseller through an Arizona State Procurement Office cooperative contract to ensure a competitively negotiated price and leverage the better volume discounts available through the contract.

Cost per year is $62,333 and is included in the RPTA Proposed FY 2021 Operating and Capital Budget. Costs beyond FY 2021 have been incorporated into the RPTA Proposed Five-Year Operating Forecast and Capital Program (FY 2022 – FY 2025).

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to purchase three years of Remix’s Transit SaaS offering. The period of service will cover from September 2020 through August 2023 with a total cost of $187,000.

BACKGROUND | DISCUSSION | CONSIDERATION
Regional Public Transportation Authority (RPTA) executed a contract with Remix Software, Inc. in September 2017 utilizing a sole source procurement. The current contract expires August 31, 2020.

Over the past three-year contract period Remix Transit has acted as a force multiplier, allowing service planning staff to work more efficiently and use the saved time to add additional projects to their portfolio, as well as more in-depth context to such projects.

Remix Transit allows for on-the-fly route design as well as the modification of existing transit routes in order to create complex service planning scenarios and communicate those scenarios visually, quickly, and simply to elected officials, member agency staff, stakeholders, and the public. As routes are designed or modified in Remix Transit the
software immediately provides updated route maps, draft cost estimates, demographic ridership impacts, rider travel time impacts, and fleet estimates. Route designs can be shared between teams and modified easily through shared web links. Outputs from the Remix Transit sketch planning platform or a live display of the tool can be used as visuals for stakeholder and public outreach on planning projects or route detours.

At the November session of the RPTA Board, item 03B approved the issuance of an RFP for a Transit Planning Software package. Simultaneous to the progress of that RFP request, a collaborative review of competing commercial products was conducted by staff from Service Planning and Information Technology and found that no competitor provided the same functionality set as the Remix Transit software. The determination was made to pursue a commercial off-the-shelf product rather than consider a bespoke custom software in order to reduce the initial time and cost of deployment and ongoing maintenance development and resulting technical debt. Based on that determination, the decision was made to forgo a formal RFP in favor of procuring an extension of the Remix Transit software through a cooperative contract. The renewal would thus be conducted using the State of Arizona NASPO Software VAR cooperative agreement contract CTR046099 (formerly ADSPO16-130651) with SHI International Corp. as the reseller.

Based on the procurement through cooperative State of Arizona contract, any of our municipal partners wishing direct interaction with the system may purchase licenses to allow their employees access to Remix Transit and the ability to directly access Valley Metro’s Remix Transit data.

COMMITTEE ACTION
RTAG: April 21, 2020 for information
TMC: May 6, 2020 for action
Board of Directors: May 21, 2020 for action

CONTACT
Phil “Oz” Ozlin
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(602)495-8253
pozlin@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
May 11, 2020

AGENDA ITEM 6G

SUBJECT
Paratransit Eligibility, Scheduling, and Dispatch Software Purchase

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase the Trapeze software modules currently owned and operated by Valley Metro contractors Transdev and MTM in order to reduce operational costs.

COST AND BUDGET
The total cost for the licensing and five years of maintenance & support is an amount not to exceed $880,700. The existing licensing will be transferred from Transdev and MTM to Valley Metro, and Valley Metro will begin paying annual maintenance to Trapeze directly.

The table below shows the gross annual and five-year costs for this software. It is important to recognize that the current Transdev and MTM contracts pass-through to Valley Metro approximately $218,000 of annual Trapeze costs. As a result, the purchase of this licensing will reduce total licensing costs by $120,000 per year. The initial outlay is included in the Adopted RPTA FY 2020 Operating and Capital Budget. The net cost reductions for FY 2021 have been incorporated into the Proposed RPTA FY 2021 Operating and Capital Budget and the RPTA Proposed Five-Year Operating Forecast and Capital Program (FY 2022 – FY 2025).

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$496,300</td>
</tr>
<tr>
<td>2021</td>
<td>$96,100</td>
</tr>
<tr>
<td>2022</td>
<td>$96,100</td>
</tr>
<tr>
<td>2023</td>
<td>$96,100</td>
</tr>
<tr>
<td>2024</td>
<td>$96,100</td>
</tr>
<tr>
<td>Total Cost:</td>
<td>$880,700</td>
</tr>
</tbody>
</table>

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to purchase the Trapeze software modules currently owned and operated by Valley Metro contractors Transdev and MTM. The period of service will cover from May 2020 through May 2024 with a total cost of $880,700.
BACKGROUND | DISCUSSION | CONSIDERATION
Trapeze is the leading paratransit transportation technology company in the world. Regional Public Transportation Authority (RPTA) uses Trapeze for managing eligibility through a contract with MTM, and for the scheduling and dispatching of trips through a contract with Transdev. Currently the software is owned by the contractors, and Valley Metro leases the software as part of the contract.

An assessment of the costs of continuing to lease the software through the current contracts versus the costs of direct ownership of the software found that by assuming ownership of the software Valley Metro can save approximately $120,000 per year. With the initial outlay required to assume ownership of the software, Valley Metro would begin to realize a return on the investment starting in FY 2023. The $880,800 investment over five years will result in a total cost savings to Valley Metro of $207,300.

COMMITTEE ACTION
RTAG: April 21, 2020 for information
TMC: May 6, 2020 for action
Board of Directors: May 21, 2020 for action

CONTACT
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(602)495-8253
pozlin@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
May 11, 2020

AGENDA ITEM 6H

SUBJECT
Fare Collection Software Maintenance and Support Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a three-year base contract and a one-year option with Scheidt & Bachmann USA, Inc. (S & B) for fare collection software support and maintenance agreement for an amount not to exceed $726,644.

COST AND BUDGET
The total contract amount for the three-year base and one-year option software support and maintenance agreement is an amount not to exceed $726,644. Cost for the first year of the contract is $181,123 and is included in the RPTA Proposed FY21 Operating and Capital Budget. Contract obligations beyond FY21 are incorporated into the RPTA Proposed Five-Year Operating Forecast and Capital Program (FY2021 thru FY2025).

This contract will be funded with a combination of member city funds and Regional Proposition 400 funds.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a three-year base contract and a one-year option with Scheidt & Bachmann USA, Inc. (S & B) for fare collection software support and maintenance agreement for an amount not to exceed $726,644.

BACKGROUND | DISCUSSION | CONSIDERATION
The S & B farebox system was purchased in Fiscal Year 2005. The annual cost of the software maintenance includes software upgrades, tariff maintenance, statistical reporting, help desk support, and allows for transfer of data from the farebox to Valley Metro’s fare revenue systems. This contract is for Valley Metro’s operations and fareboxes installed on the East Valley buses being operated by First Transit and the West Valley buses being operated by Total Ride.

The award of a three-year base contract and a one-year option is for the period of July 1, 2020 through June 30, 2024. Due to the proprietary nature of the software, there is no other vendor that can supply the software support. Staff negotiated a three-year and one-year option fixed fee agreement with S & B. The proposed price has been deemed fair and reasonable based on the independent cost estimate and price analysis.
STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan FY 2016 – 2020:
- Goal 1: Advance performance-based operations

COMMITTEE PROCESS
RTAG: April 21, 2020 for information
TMC: May 6, 2020 for action
Board of Directors: May 21, 2020 for action

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

ATTACHMENT
None
Information Summary

DATE
May 11, 2020

SUBJECT
Town of Queen Creek Park-and-Ride Study Intergovernmental Agreement

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute an Intergovernmental Agreement (IGA) with the Town of Queen Creek to reimburse Valley Metro for the cost of conducting a park-and-ride study not to exceed $125,000.

COST AND BUDGET
The IGA is based on the estimated cost not to exceed $125,000 to complete the park-and-ride study. TOQC will pay for these services with the Town’s Arizona Lottery Funds.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute an IGA with the Town of Queen Creek to reimburse Valley Metro for the cost of conducting a park-and-ride study not to exceed $125,000.

Approval of this IGA is contingent upon Town of Queen Creek Council action.

BACKGROUND/DISCUSSION/CONSIDERATION
The goal of the Town of Queen Creek (TOQC) Park-and-Ride Study is to conduct a needs-based assessment to identify a site for a new park-and-ride facility. To understand the requirements for the park-and-ride site, future express bus concepts will be developed with considerations of the existing conditions and travel markets in the TOQC and San Tan Valley.

The outcome of this study will be an understanding of the potential market for future express bus services, a preliminary park-and-ride site plan and an implementation strategy to inform the TOQC of the next steps necessary to develop the park-and-ride.

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

- Goal 2: Advance performance based operation
- Goal 3: Grow transit ridership

COMMITTEE PROCESS
RTAG: April 21, 2020 for information
TMC: May 6, 2020 for action
Board of Directors: May 21, 2020 for action
CONTACT
Wulf Grote, P.E.
Director, Capital and Service Development
602-322-4420
wgrote@valleymetro.org

ATTACHMENT
None

A copy of the intergovernmental agreement with the Town of Queen Creek is available upon request.
Information Summary

DATE
May 11, 2020

AGENDA ITEM 6J

SUBJECT
Northwest Extension Phase II (NWEII) Design Services Contract Amendment

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to amend the NWEII Light Rail Extension design services contract with Jacobs Engineering Group Inc. to add up to $4,586,700 for Design Services During Construction (DSDC), assistance to the city of Phoenix during the real estate acquisition process and a potential Concurrent Non-Project Activity (CNPA) scope of work.

COST AND BUDGET
Jacobs Engineering Group’s current total design contract authority is $16,300,000. Staff recommends that an additional $4,586,700 be allocated to the Jacobs design contract for DSDC, assistance to the city of Phoenix during the real estate acquisition process and CNPA work for a total authorization of $20,886,700. This additional authority includes $469,700 for use as a contingency and a deduction of $580,000 by using remaining funds from Jacobs’ original design contract. This contract authority includes DSDC, real estate assistance, CNPA, and contingency. See below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>Contingency</th>
<th>Total Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design Services During Construction</td>
<td>$4,345,000</td>
<td>$434,500</td>
<td>$4,779,500</td>
</tr>
<tr>
<td>Real Estate Assistance</td>
<td>$300,000</td>
<td>$30,000</td>
<td>$330,000</td>
</tr>
<tr>
<td>CNPA Work (Dunlap 48” Waterline)</td>
<td>$52,000</td>
<td>$5,200</td>
<td>$57,200</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$4,697,000</strong></td>
<td><strong>$469,700</strong></td>
<td><strong>$5,166,700</strong></td>
</tr>
<tr>
<td>Remaining NWEII Design Funds</td>
<td></td>
<td></td>
<td>($580,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$4,586,700</strong></td>
</tr>
</tbody>
</table>

This project is funded by the City of Phoenix, the regional Public Transportation Fund (PTF) and the Federal Transit Administration. Funding is included in the Valley Metro Rail adopted FY20 Operating and Capital Budget. Contract obligations beyond FY20 are incorporated into the Five-Year Operating Forecast and Capital Program (FY20 thru FY24).
RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to increase the NWEII Light Rail Extension design contract with Jacobs Engineering Group Inc. by up to $4,586,700 to include DSDC, assistance to the city of Phoenix during the real estate acquisition process, CNPA scope of work, and contingency to the contract.

BACKGROUND | DISCUSSION | CONSIDERATION
To date, the Board has authorized $16,300,000 in contract authority for design services. A total of $15,720,000 in contract commitments leaves a balance of $580,000 to be used for this DSDC contract amendment as summarized below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
<th>Cost</th>
<th>Contingency</th>
<th>Total Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2018</td>
<td>Board Award for Design Services</td>
<td>$14,800,000</td>
<td>$1,500,000</td>
<td>$16,300,000</td>
</tr>
<tr>
<td></td>
<td>Contract Commitments</td>
<td></td>
<td></td>
<td>$15,720,000</td>
</tr>
<tr>
<td>Total Remaining</td>
<td></td>
<td></td>
<td></td>
<td>$580,000</td>
</tr>
</tbody>
</table>

Design Services During Construction (DSDC) scope of services will include review of contractor submittals, responses to requests for information, design changes, final as-builds, and performance of all special inspections during project construction. DSDC was included in the initial advertisement for this contract. In addition to DSDC, Jacobs will assist the city of Phoenix during the real estate acquisition process. Services include, but are not limited to: relocation services, preparing waiver evaluations, and assisting the city with the acquisition of 33 parcels. These services will add valuable real estate administrative resources that will help the overall project schedule as parcel acquisitions are critical to all project schedules. Lastly, NWEII has the potential for one CNPA scope of work for a 48” waterline on Dunlap that will increase the design authorized funding. This CNPA is being coordinated with the City of Phoenix for approval and funding authorization as identified in the Funding, Design, and Construction Agreement between the City of Phoenix and Valley Metro.

Board authorization is required to increase funding for Jacobs to allow them to continue with services needed during the construction period.

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and in the Five-Year Strategic Plan, FY 2016 – 2020:
- Goal 2: Advance performance based operation
- Goal 3: Grow transit ridership
COMMITTEE PROCESS
RTAG: April 21, 2020 for information
RMC: May 6, 2020 for action
Board of Directors: May 21, 2020 for action

CONTACT
Wulf Grote, P.E.
Director, Capital & Service Development
602-322-4420
wgrote@valleymetro.org

ATTACHMENTS
None
DATE
May 11, 2020

AGENDA ITEM 6K

SUBJECT
South Central Extension/Downtown Hub Construction Manager at Risk Contract Amendment

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract amendment with the South Central Extension/Downtown Hub Construction Manager at Risk (CM@Risk) contractor, Kiewit Infrastructure West Co., to construct the remainder of the project for an amount up to $719,779,803.

COST AND BUDGET
The South Central Extension/Downtown Hub project will be funded by the Federal Transit Administration (FTA), the City of Phoenix T2050 funding, and regional Public Transportation Funds (PTF). The table below summarizes the negotiated price with the CM@Risk contractor for this contract amendment. In addition, a 10% contingency is identified to address unforeseen circumstances that may arise during construction.

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase A: Utility &amp; Materials Package</td>
<td>$195,423,082</td>
</tr>
<tr>
<td>Phase B: Downtown Hub</td>
<td>$145,722,303</td>
</tr>
<tr>
<td>Phase C: Remaining Construction</td>
<td>$313,199,890</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>$654,345,275</strong></td>
</tr>
<tr>
<td>Contingency (10%)</td>
<td>$65,434,528</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$719,779,803</strong></td>
</tr>
</tbody>
</table>

All costs identified herein are within the South Central Extension/Downtown Hub’s project cost forecast and expenses expected within FY20 are included in the Valley Metro Rail Adopted FY20 Operating and Capital Budget. Contract obligations beyond FY20 are incorporated into the Five-Year Operating Forecast and Capital Program (FY21 thru FY25).

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a contract amendment with the South Central Extension/Downtown Hub CM@Risk contractor, Kiewit Infrastructure West Co., to construct the remainder of the project for an amount up to $719,779,803.
BACKGROUND | DISCUSSION | CONSIDERATION
The South Central Extension/Downtown Hub is approximately 5.5 miles in length, and includes light rail construction within Downtown Phoenix and extends south along Central Avenue to Baseline Road.

Kiewit Infrastructure West Co. initially entered into a CM@Risk contract with Valley Metro in June 2017. This contract involves two primary phases: pre-construction services, which occurred parallel to the project’s design process, and the construction phase. Kiewit Infrastructure West Co. has worked continuously with the design consultant to reach the Issued for Construction design to minimize risks and assure constructability.

To date, the Board has authorized $124,906,955 in CM@Risk contract authority for South Central Extension/Downtown Hub preconstruction services, early procurement, and early construction activities as summarized below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
<th>Cost</th>
<th>Contingency</th>
<th>Total Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-2017</td>
<td>Preconstruction Services</td>
<td>$2,400,000</td>
<td>$240,000</td>
<td>$2,640,000</td>
</tr>
<tr>
<td>Oct-2017</td>
<td>Preconstruction Services for Downtown Changes</td>
<td>$400,000</td>
<td>$40,000</td>
<td>$440,000</td>
</tr>
<tr>
<td>Dec-2018</td>
<td>Potholing/Archaeological investigation, 7th St/7th Ave Improvements &amp; Procurement of Special Trackwork</td>
<td>$20,000,000</td>
<td>$2,000,000</td>
<td>$22,000,000</td>
</tr>
<tr>
<td>June-2019</td>
<td>Extend Preconstruction Services work by 75 work days</td>
<td>$411,777</td>
<td>$41,178</td>
<td>$452,955</td>
</tr>
<tr>
<td>Sept-2019</td>
<td>Downtown Utility Relocations</td>
<td>$90,340,000</td>
<td>$9,034,000</td>
<td>$99,374,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$113,551,777</strong></td>
<td><strong>$11,355,178</strong></td>
<td><strong>$124,906,955</strong></td>
</tr>
</tbody>
</table>

Full construction for the remainder of this project will be separated into three phases with individual Notices to Proceed at each phase. The phases are defined as:

**Phase A: Utility & Materials Package**
Phase A includes utility relocations south of Lincoln Street and procurement of long lead materials, including track, special trackwork (non-Downtown Hub related), traction power equipment and signaling equipment. These early procurements are allowed with the receipt of Entry into Engineering by the FTA received in April 2019. Phase A will start in late spring of 2020 with utility relocation work south of Lincoln Street to the
terminus of the project at Baseline Road.

**Phase B: Downtown Hub**
Phase B includes work in Downtown, advancing the portion of the project to assure readiness for Super Bowl LVII in February 2023. A Letter of No Prejudice (LONP) will be submitted to the FTA in late spring of 2020 with acceptance anticipated in September 2020. The LONP will request early completion of the 5th Street junction, critically needed to efficiently provide single track light rail operations prior to the completion of the McKinley Loop and subsequent track tie-ins to the existing system to minimize service delays.

**Phase C: Remaining Full Construction**
Phase C will include all remaining construction activities of the project to be awarded upon receipt of the Full Funding Grant Award (FFGA) from the FTA. Award of the FFGA for the remaining work including trackwork, roadway, sidewalk and stations is currently anticipated in early 2021.

Valley Metro and City of Phoenix staff actively communicate with downtown Phoenix stakeholders, businesses, Phoenix City Councilmembers and Downtown Phoenix, Inc. to raise awareness regarding these work activities and schedule to assure successful and efficient execution of these construction activities.

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

- Goal 2: Advance performance based operation
- Goal 3: Grow transit ridership

**COMMITTEE PROCESS**
RTAG: April 21, 2020 for information
RMC: May 6, 2020 for action
Board of Directors: May 21, 2020 for action

**CONTACT**
Wulf Grote, P.E.
Director, Capital and Service Development
602-322-4420
wgrote@valleymetro.org

**ATTACHMENTS**
None
DATE
May 11, 2020

AGENDA ITEM 7

SUBJECT
Valley Metro RPTA Fiscal Year 2021 (FY21) Preliminary Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY21 thru FY25)

PURPOSE
To provide an overview of the FY21 Preliminary Operating and Capital Budget and the Five-Year Operating Forecast and Capital Program (FY21 thru FY25).

RECOMMENDATION
This item is presented for information.

BACKGROUND/DISCUSSION/CONSIDERATION
The Valley Metro Regional Public Transportation Authority (RPTA) FY21 combined operating and capital budget (the budget) is $334.5 million (M) and includes $80.8M of expenses for light rail/high capacity transit capital.

The preliminary FY21 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards and reserves when needed. The budget was developed in compliance with Board of Directors’ adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

As a result of the anticipated economic impacts of the COVID-19 pandemic, we have made some reductions to the operating budget in the areas of administration as well as deferred some fleet purchases for service expansion. The updated preliminary budget also incorporates Federal Funding from the CARES Act as well as more conservative estimates for Prop 400 funding and fares. The full impact of the pandemic may not be known for six months or more.

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.

The total operating budget of $195.6M, which includes pass-throughs, represents a $8.9M (4%) decrease from the previous year's operating budget of $204.5M. The total capital budget of $139.0M, which includes pass-throughs, represents a $29.4M (17%) decrease from the previous year's capital budget of $168.4M.

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. As a result of the current economic uncertainty, all staffing has been re-evaluated for criticality and the proposed staffing levels have decreased thru a combination of removing most new positions and deferring some unfilled positions. For FY21 there are 412 employees budgeted in the integrated agency, with 218 FTE's budgeted to RPTA/Shared agency activities and 194 budgeted to VMR only activities.

The compensation merit increase in the preliminary budget has been removed, however based on input received during the April Board Study Session, we have included some additional details on compensation options in the presentation. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

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

- Goal 2: Advance performance-based operation

**COMMITTEE PROCESS**
Preliminary Budget Review:
Financial Working Group: February 18, 2020 for information
RTAG: February 18, 2020 for information
TMC: March 4, 2020 for information
AFS: March 12, 2020 for information
Boards of Directors Study Session: April 16, 2020 for information
AFS: May 14, 2020 for information
Board of Directors: May 21, 2020 for information

Proposed Budget Adoption:
TMC: June 3, 2020 for action
AFS: June 11, 2020 for action
Board of Directors: June 18, 2020 for action

RECOMMENDATION
This item is presented for information.

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

ATTACHMENT
None
RPTA
FY21 Preliminary Budget Overview and 5-Year Forecast
May 2020

FY21 Budget Update

Changes from March version
- Deferred most new FY21 staff and some vacant positions
- Reduced administrative costs and deferred some capital activities
- Reduced planned travel
- Reduced Prop 400 forecast and fare revenues
- Added CARES Act funding to operations
### Uses of Funds: Operating ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Route Operations</td>
<td>$103.2</td>
<td>$103.8</td>
<td>$0.6</td>
<td>1%</td>
</tr>
<tr>
<td>Demand Service Operations</td>
<td>43.4</td>
<td>31.4</td>
<td>(12.0)</td>
<td>-28%</td>
</tr>
<tr>
<td>Vanpool Operations</td>
<td>0.9</td>
<td>1.0</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Planning</td>
<td>2.6</td>
<td>2.0</td>
<td>(0.6)</td>
<td>-22%</td>
</tr>
<tr>
<td>Commute Solutions</td>
<td>1.3</td>
<td>1.3</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Administration and Finance</td>
<td>5.0</td>
<td>4.1</td>
<td>(0.9)</td>
<td>-19%</td>
</tr>
<tr>
<td>Regional Services</td>
<td>15.4</td>
<td>13.8</td>
<td>(1.6)</td>
<td>-11%</td>
</tr>
</tbody>
</table>

| Sub Total RPTA Operating             | $171.9 | $157.3| $(14.6)  | -8%      |
| VMR Personnel Costs                  | $28.2  | $26.6 | $(1.6)   | -6%      |
| VMR RARF Disbursements               | 0.5    | 0.5   |          | 0%       |
| AZ Lottery Funds Disbursements       | 11.2   | 11.2  |          | 0%       |

| Sub Total Pass Through Funds         | $39.9  | $38.3 | $(1.6)   | -4%      |

| Total Operating Uses                 | $211.8 | $195.6| $(16.2)  | -8%      |

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

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Transportation Funds</td>
<td>$95.9</td>
<td>$62.4</td>
<td>$(33.5)</td>
<td>-35%</td>
</tr>
<tr>
<td>Regional Area Road Funds</td>
<td>5.2</td>
<td>5.2</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Transit Service Agreements</td>
<td>47.5</td>
<td>28.4</td>
<td>(19.1)</td>
<td>-40%</td>
</tr>
<tr>
<td>MAG Funds</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>AZ Lottery Funds</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0%</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>8.8</td>
<td>7.5</td>
<td>(1.3)</td>
<td>-15%</td>
</tr>
<tr>
<td>CARES ACT federal funding</td>
<td>0.0</td>
<td>49.8</td>
<td>49.8</td>
<td>-</td>
</tr>
<tr>
<td>Fare Revenues</td>
<td>11.4</td>
<td>2.9</td>
<td>(8.5)</td>
<td>-74%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>0.4</td>
<td>0.4</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Carry forward and Reserves</td>
<td>2.6</td>
<td>0.8</td>
<td>(1.8)</td>
<td>-69%</td>
</tr>
</tbody>
</table>

| Sub Total RPTA Operating          | $171.9 | $157.5| $(14.4)  | -8%      |
| VMR Reimbursements                | 28.7   | 26.8  | (1.9)    | -7%      |
| AZ Lottery Funds                  | 11.2   | 11.2  |          |          |

| Sub Total Pass Through Funds      | $39.9  | $38.0 | $(1.9)   | -5%      |

| Total Operating Revenues          | $211.8 | $195.6| $(16.2)  | -8%      |
### Uses of Funds: Capital ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Fleet</td>
<td>$54.7</td>
<td>$49.4</td>
<td>($5.4)</td>
<td>-10%</td>
</tr>
<tr>
<td>Regional Facilities</td>
<td>4.2</td>
<td>4.2</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Other Regional Projects</td>
<td>1.4</td>
<td>1.4</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Member Agency Disbursements</td>
<td>7.6</td>
<td>5.6</td>
<td>(2.0)</td>
<td>-27%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>24.5</td>
<td>24.5</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Sub-Total RPTA Capital</strong></td>
<td>$92.4</td>
<td>$85.0</td>
<td>($7.4)</td>
<td>-8%</td>
</tr>
<tr>
<td>Rail Program Disbursements</td>
<td>$58.2</td>
<td>$44.1</td>
<td>($14.1)</td>
<td>-24%</td>
</tr>
<tr>
<td>Reserved for Future Use</td>
<td>0.0</td>
<td>9.8</td>
<td>9.8</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Sub-Total VMR Capital</strong></td>
<td>$58.2</td>
<td>$53.9</td>
<td>($4.3)</td>
<td>-7%</td>
</tr>
<tr>
<td><strong>Total Capital Uses</strong></td>
<td>$150.7</td>
<td>$139.0</td>
<td>($11.7)</td>
<td>-8%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Transportation Funds</td>
<td>$28.7</td>
<td>$35.0</td>
<td>$6.3</td>
<td>22%</td>
</tr>
<tr>
<td>Member Agency</td>
<td>0.0</td>
<td>0.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>49.4</td>
<td>43.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>0.2</td>
<td>0.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Carry forward and Reserves</td>
<td>14.1</td>
<td>6.5</td>
<td>(7.6)</td>
<td>-54%</td>
</tr>
<tr>
<td><strong>Sub Total RPTA Capital</strong></td>
<td>$92.4</td>
<td>$85.0</td>
<td>($14.4)</td>
<td>-1%</td>
</tr>
<tr>
<td>VMR PTF Rail Program</td>
<td>57.7</td>
<td>53.9</td>
<td>(3.8)</td>
<td>-7%</td>
</tr>
<tr>
<td>VMR PTF Reserve Funds</td>
<td>0.5</td>
<td>0.0</td>
<td>(0.5)</td>
<td>-</td>
</tr>
<tr>
<td>Carry forward and Reserves</td>
<td>0.0</td>
<td>0.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub Total VMR Capital</strong></td>
<td>$58.2</td>
<td>$53.9</td>
<td>($4.3)</td>
<td>-7%</td>
</tr>
<tr>
<td><strong>Total Capital Sources</strong></td>
<td>$150.7</td>
<td>$139.0</td>
<td>($11.7)</td>
<td>-8%</td>
</tr>
</tbody>
</table>
### FY21 Staffing

<table>
<thead>
<tr>
<th>FTE</th>
<th>March</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPTA/Shared Agency Activities</td>
<td>124</td>
<td>118</td>
<td>(6)</td>
</tr>
<tr>
<td>RPTA only Activities</td>
<td>114</td>
<td>100</td>
<td>(14)</td>
</tr>
<tr>
<td>VMR only Activities</td>
<td>204</td>
<td>194</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Total FTE</strong></td>
<td><strong>442</strong></td>
<td><strong>412</strong></td>
<td><strong>(30)</strong></td>
</tr>
</tbody>
</table>

**RPTA/Shared Agency Activities**

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPTA</td>
<td>50</td>
<td>47</td>
<td>(3)</td>
</tr>
<tr>
<td>VMR</td>
<td>74</td>
<td>71</td>
<td>(3)</td>
</tr>
</tbody>
</table>

### Historical Staffing – Total RPTA Effort

![Graph showing historical staffing data](image)
Historical Staffing – Costs as % of Budget

Potential Merit Adjustments

<table>
<thead>
<tr>
<th>Merit Adjustment</th>
<th>Increase Amount</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>$270,957</td>
<td>0.03%</td>
</tr>
<tr>
<td>2%</td>
<td>$541,913</td>
<td>0.07%</td>
</tr>
<tr>
<td>3%</td>
<td>$812,870</td>
<td>0.10%</td>
</tr>
<tr>
<td>4%</td>
<td>$1,083,826</td>
<td>0.13%</td>
</tr>
<tr>
<td>5%</td>
<td>$1,354,783</td>
<td>0.16%</td>
</tr>
</tbody>
</table>
## FY21 Travel

### Combined

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$66,000</td>
<td>$59,800</td>
<td>$(6,200)</td>
</tr>
<tr>
<td>Essential</td>
<td>$99,000</td>
<td>$48,100</td>
<td>$(50,900)</td>
</tr>
<tr>
<td>Professional Development</td>
<td>$238,000</td>
<td>$79,300</td>
<td>$(158,700)</td>
</tr>
<tr>
<td><strong>CONTROL</strong></td>
<td>$403,000</td>
<td>$187,200</td>
<td>$(215,800)</td>
</tr>
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</table>

### RPTA

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$13,000</td>
<td>$9,100</td>
<td>$(3,900)</td>
</tr>
<tr>
<td>Essential</td>
<td>$65,000</td>
<td>$23,400</td>
<td>$(41,600)</td>
</tr>
<tr>
<td>Professional Development</td>
<td>$133,000</td>
<td>$59,800</td>
<td>$(73,200)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$211,000</td>
<td>$92,300</td>
<td>$(118,700)</td>
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</table>

### VMR

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$53,000</td>
<td>$50,700</td>
<td>$(2,300)</td>
</tr>
<tr>
<td>Essential</td>
<td>$34,000</td>
<td>$24,700</td>
<td>$(9,300)</td>
</tr>
<tr>
<td>Professional Development</td>
<td>$105,000</td>
<td>$19,500</td>
<td>$(85,500)</td>
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<tr>
<td><strong>Total</strong></td>
<td>$192,000</td>
<td>$94,900</td>
<td>$(97,100)</td>
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</tbody>
</table>

---

## RPTA

**FY21-25 Proposed Five-Year Forecast**

**May 2020**
5-Year Operating Assumptions

Fixed Route Service Changes
- FY21-24 SRTP Changes as of May 2020

Demand Service
- Paratransit trips forecasted to increase 1% annually
- RideChoice trips forecasted to increase 6% in FY22, increase 5% each year after

Fare Revenue
- FY21-FY24 adjusted revenues for phased return of pre-Covid levels, 15% increase in FY25 with replacement fare collection system and control of reduced fare at point of sale

Federal PM revenue level per MAG forecast
- FY22 up 1.8%, increase 1.9% each year after

5-Year Operating Sources and Uses

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Transportation Funds</td>
<td>$63,153</td>
<td>$100,563</td>
<td>$102,089</td>
<td>$104,590</td>
<td>$106,794</td>
<td>$477,189</td>
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<tr>
<td>Regional Area Road Funds</td>
<td>5,180</td>
<td>5,258</td>
<td>5,337</td>
<td>5,417</td>
<td>5,497</td>
<td>26,689</td>
</tr>
<tr>
<td>VMR Reimbursements</td>
<td>28,286</td>
<td>45,801</td>
<td>47,616</td>
<td>48,587</td>
<td>50,274</td>
<td>220,664</td>
</tr>
<tr>
<td>AZ Lottery Funds</td>
<td>26,836</td>
<td>29,703</td>
<td>30,594</td>
<td>31,512</td>
<td>34,101</td>
<td>152,746</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>49,774</td>
<td>1,211</td>
<td>12,090</td>
<td>11,200</td>
<td>11,200</td>
<td>56,000</td>
</tr>
<tr>
<td>Federal Funds - CARES Act</td>
<td>40,903</td>
<td>4,111</td>
<td>4,111</td>
<td>4,111</td>
<td>4,111</td>
<td>20,555</td>
</tr>
<tr>
<td>Fares</td>
<td>2,942</td>
<td>8,842</td>
<td>9,920</td>
<td>10,999</td>
<td>13,127</td>
<td>45,829</td>
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<tr>
<td>MAG Funds</td>
<td>225</td>
<td>225</td>
<td>225</td>
<td>225</td>
<td>225</td>
<td>1,125</td>
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<tr>
<td>Other</td>
<td>413</td>
<td>370</td>
<td>378</td>
<td>385</td>
<td>393</td>
<td>1,939</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>195,568</td>
<td>211,229</td>
<td>216,140</td>
<td>222,486</td>
<td>232,043</td>
<td>$1,077,465</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Route Operations</td>
<td>103,816</td>
<td>105,287</td>
<td>108,348</td>
<td>111,559</td>
<td>116,379</td>
<td>545,389</td>
</tr>
<tr>
<td>Transit Service Reimbursements</td>
<td>31,374</td>
<td>42,460</td>
<td>42,952</td>
<td>44,693</td>
<td>46,354</td>
<td>207,832</td>
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<td>Vanpool Operations</td>
<td>951</td>
<td>980</td>
<td>1,009</td>
<td>1,039</td>
<td>1,070</td>
<td>5,049</td>
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<td>Planning</td>
<td>2,031</td>
<td>2,072</td>
<td>2,113</td>
<td>2,155</td>
<td>2,198</td>
<td>10,569</td>
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<tr>
<td>Commute Solutions</td>
<td>1,283</td>
<td>1,309</td>
<td>1,335</td>
<td>1,362</td>
<td>1,389</td>
<td>6,677</td>
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<tr>
<td>Regional Services and Administration</td>
<td>13,786</td>
<td>14,062</td>
<td>14,343</td>
<td>14,630</td>
<td>14,922</td>
<td>71,743</td>
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<td>Administration and Finance</td>
<td>3,571</td>
<td>3,642</td>
<td>3,715</td>
<td>3,790</td>
<td>3,865</td>
<td>18,584</td>
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<tr>
<td>Operating Contingency</td>
<td>500</td>
<td>515</td>
<td>530</td>
<td>546</td>
<td>563</td>
<td>2,655</td>
</tr>
<tr>
<td>Pass-through Disbursements</td>
<td>38,256</td>
<td>40,903</td>
<td>41,795</td>
<td>42,712</td>
<td>45,301</td>
<td>208,968</td>
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<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>195,568</td>
<td>211,229</td>
<td>216,140</td>
<td>222,485</td>
<td>232,043</td>
<td>$1,077,465</td>
</tr>
</tbody>
</table>
5-Year Capital Assumptions:

- **Bus Fleet - $118.4 Million for 5 years**
  - Only replacement units in FY21; Deferred all FY21 expansion units to FY22
  - 85% Federal / 15% PTF

- **Vanpool Fleet - $17.1 Million**
  - 45 replacement units; 25 expansion units annually - 100% Federal STP

- **Facilities and Equipment - $13.2 Million**
  - Laveen Park and Ride - Local match PTF
  - Fare Collection System Upgrade - Local match PTF
  - Mesa Bus Facility Upgrades - 100% PTF
  - Mid-Life Bus Engine Rebuilds (249 units) - 80% Federal / 20% PTF
  - IT Infrastructure Upgrades - 100% PTF

---

### 5-Year Capital Sources and Uses

<table>
<thead>
<tr>
<th>Capital ($,000)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources of Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>$38,780</td>
<td>$36,654</td>
<td>$31,271</td>
<td>$28,922</td>
<td>$28,210</td>
<td>$163,837</td>
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<tr>
<td>Federal Funds</td>
<td>43,365</td>
<td>18,890</td>
<td>25,429</td>
<td>14,605</td>
<td>19,986</td>
<td>122,275</td>
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<tr>
<td>Other</td>
<td>225</td>
<td>114</td>
<td>116</td>
<td>117</td>
<td>143</td>
<td>715</td>
</tr>
<tr>
<td>Carry Forward &amp; Reserves</td>
<td>2,656</td>
<td>2,270</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>7,926</td>
</tr>
<tr>
<td>VMR Public Transportation Funds Program</td>
<td>53,930</td>
<td>56,248</td>
<td>60,419</td>
<td>64,985</td>
<td>70,802</td>
<td>306,384</td>
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<tr>
<td>VMR Public Transportation Funds Reserves</td>
<td>-</td>
<td>41,933</td>
<td>52,305</td>
<td>73,047</td>
<td>-</td>
<td>167,345</td>
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<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>$138,956</td>
<td>$156,169</td>
<td>$170,540</td>
<td>$182,676</td>
<td>$120,141</td>
<td>$768,482</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Fleet</td>
<td>49,372</td>
<td>24,011</td>
<td>30,256</td>
<td>17,632</td>
<td>23,969</td>
<td>145,240</td>
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<td>Regional Facilities</td>
<td>4,191</td>
<td>3,110</td>
<td>2,134</td>
<td>2,312</td>
<td>1,406</td>
<td>13,153</td>
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<td>Other Regional Projects</td>
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<td>1,098</td>
<td>1,098</td>
<td>882</td>
<td>882</td>
<td>5,351</td>
</tr>
<tr>
<td>Member Agency Disbursements</td>
<td>5,563</td>
<td>5,246</td>
<td>2,479</td>
<td>1,483</td>
<td>1,329</td>
<td>16,100</td>
</tr>
<tr>
<td>Debt Service</td>
<td>24,509</td>
<td>24,463</td>
<td>21,849</td>
<td>22,335</td>
<td>21,753</td>
<td>114,909</td>
</tr>
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<td>Rail Program Disbursements</td>
<td>44,140</td>
<td>98,241</td>
<td>122,724</td>
<td>138,032</td>
<td>42,209</td>
<td>435,346</td>
</tr>
<tr>
<td>VMR Reserve for Future Use</td>
<td>9,790</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,593</td>
<td>38,383</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>$138,956</td>
<td>$156,169</td>
<td>$170,540</td>
<td>$182,676</td>
<td>$120,141</td>
<td>$768,482</td>
</tr>
</tbody>
</table>
### Budget Schedule

<table>
<thead>
<tr>
<th>Committee/Boards/FWG</th>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aug 29, 2019</td>
<td>Board Study Session</td>
</tr>
<tr>
<td></td>
<td>Oct 10, 2019</td>
<td>Present Key Assumptions to AFS</td>
</tr>
<tr>
<td></td>
<td>Feb 3, 2020</td>
<td>Present update of Key Assumptions to AFS</td>
</tr>
<tr>
<td></td>
<td>Feb 13, 2020</td>
<td>Present annual budget to FWG</td>
</tr>
<tr>
<td></td>
<td>Feb 18, 2020</td>
<td>Present 5-year plans to FWG</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>Present Annual Budgets to Committees/Boards for Info</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>Board Study Session</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>Present Annual Budgets and 5-Year plans to AFS and Board for Info</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>Present Annual Budgets and 5-Year plans for action</td>
</tr>
</tbody>
</table>
DATE
May 11, 2020

AGENDA ITEM 7

SUBJECT
Valley Metro Rail, Inc. Fiscal Year 2021 (FY21) Preliminary Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY21 thru FY25)

PURPOSE
To provide an overview of the FY21 Preliminary Operating and Capital Budget and the Five-Year Operating Forecast and Capital Program (FY21 thru FY25).

RECOMMENDATION
This item is presented for information.

BACKGROUND | DISCUSSION | CONSIDERATION
The Valley Metro Rail, Inc. (VMR) FY21 combined operating and capital budget (the budget) is $506.9 million (M) and includes $42.8M in projects funded with Proposition 400 Public Transportation Fund (PTF) revenues for light rail/high capacity transit capital.

The preliminary FY21 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards, reserves and bond proceeds. The budget was developed in compliance with Board of Directors’ adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

As a result of the anticipated economic impacts of the COVID-19 pandemic, we have made some reductions to the operating budget in the areas of administration as well as deferred some state of good repair activities. The updated preliminary budget also incorporates Federal Funding from the CARES Act as well as more conservative estimates for Prop 400 funding and fares. The full impact of the pandemic may not be known for six months or more.

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.
The total operating budget of $71.6M represents a $1.3M (2%) increase from the previous year’s operating budget of $70.3M. The total capital budget of $435.3M represents a $26.0M (6%) increase from the previous year’s capital budget of $409.3M.

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. As a result of the current economic uncertainty, all staffing has been re-evaluated for criticality and the proposed staffing levels have decreased thru a combination of removing most new positions and deferring some unfilled positions. For FY21 there are 412 employees budgeted in the integrated agency, with 218 FTE’s budgeted to RPTA/Shared agency activities and 194 budgeted to VMR only activities.

The compensation merit increase in the preliminary budget has been removed, however based on input received during the April Board Study Session, we have included some additional details on compensation options in the presentation. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

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

- **Goal 2:** Advance performance based operation

**COMMITTEE PROCESS**

Preliminary Budget Review:
Financial Working Group: February 18, 2020 for information
RTAG: February 18, 2020 for information
RMC: March 4, 2020 for information
AFS: March 12, 2020 for information
Boards of Directors Study Session: April 16, 2020 for information
AFS: May 14, 2020 for information
Board of Directors: May 21, 2020 for information

Proposed Budget Adoption:
RMC: June 3, 2020 for action
AFS: June 11, 2020 for action
Board of Directors: June 18, 2020 for action

**RECOMMENDATION**
This item is presented for information.
CONTACT
Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

ATTACHMENT
None
Valley Metro Rail
FY21 Preliminary Budget Overview and 5-Year Forecast
May 2020

FY21 Budget Update

Changes from March version

• Deferred most new FY21 staff and some vacant positions
• Reduced administrative costs and deferred some capital activities
• Reduced planned travel
• Reduced Prop 400 forecast and fare revenues
• Added CARES Act funding to operations
### Uses of Funds: Operating ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Rail O&amp;M</td>
<td>$49.3</td>
<td>$49.0</td>
<td>$(0.3)</td>
<td>-1%</td>
</tr>
<tr>
<td>Streetcar O&amp;M</td>
<td>0.6</td>
<td>0.6</td>
<td>(0.0)</td>
<td>-1%</td>
</tr>
<tr>
<td>Security</td>
<td>9.4</td>
<td>8.6</td>
<td>(0.8)</td>
<td>-8%</td>
</tr>
<tr>
<td>Future Project Development</td>
<td>13.0</td>
<td>11.6</td>
<td>(1.4)</td>
<td>-11%</td>
</tr>
<tr>
<td>Agency Operating</td>
<td>2.4</td>
<td>1.8</td>
<td>(0.5)</td>
<td>-22%</td>
</tr>
<tr>
<td><strong>Total Operating Uses</strong></td>
<td><strong>$74.7</strong></td>
<td><strong>$71.6</strong></td>
<td><strong>($3.1)</strong></td>
<td><strong>-4%</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$1.1</td>
<td>$0.3</td>
<td>($0.8)</td>
<td>-75%</td>
</tr>
<tr>
<td>Fares</td>
<td>10.8</td>
<td>2.7</td>
<td>(8.1)</td>
<td>-75%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>1.5</td>
<td>1.5</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Federal Funds - CARES</td>
<td>0.0</td>
<td>43.0</td>
<td>43.0</td>
<td>-</td>
</tr>
<tr>
<td>Member City Contributions</td>
<td>48.3</td>
<td>12.6</td>
<td>(35.7)</td>
<td>-74%</td>
</tr>
<tr>
<td>Regional Planning Funds</td>
<td>1.0</td>
<td>1.0</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>11.8</td>
<td>10.4</td>
<td>(1.4)</td>
<td>-12%</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Operating Sources</strong></td>
<td><strong>$74.7</strong></td>
<td><strong>$71.6</strong></td>
<td><strong>($3.1)</strong></td>
<td><strong>-4%</strong></td>
</tr>
</tbody>
</table>
## Uses of Funds: Capital ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tempe Streetcar</td>
<td>$40.1</td>
<td>$39.7</td>
<td>($0.4)</td>
<td>-1%</td>
</tr>
<tr>
<td>South Central/Downtown Hub</td>
<td>253.2</td>
<td>253.0</td>
<td>(0.2)</td>
<td>0%</td>
</tr>
<tr>
<td>Northwest Phase II</td>
<td>91.6</td>
<td>91.3</td>
<td>(0.3)</td>
<td>0%</td>
</tr>
<tr>
<td>OMC Expansion</td>
<td>27.9</td>
<td>27.8</td>
<td>(0.1)</td>
<td>0%</td>
</tr>
<tr>
<td>Gilbert Road Extension</td>
<td>3.3</td>
<td>3.3</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Systemwide Improvements</td>
<td>18.1</td>
<td>11.5</td>
<td>(6.6)</td>
<td>-37%</td>
</tr>
<tr>
<td>State of Good Repair</td>
<td>10.0</td>
<td>8.7</td>
<td>(1.3)</td>
<td>-13%</td>
</tr>
<tr>
<td><strong>Total Capital Uses</strong></td>
<td><strong>$444.1</strong></td>
<td><strong>$435.3</strong></td>
<td><strong>($8.9)</strong></td>
<td><strong>-2%</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Funds</td>
<td>$291.1</td>
<td>$282.5</td>
<td>($8.6)</td>
<td>-3%</td>
</tr>
<tr>
<td>Member City Contributions</td>
<td>106.6</td>
<td>120.4</td>
<td>13.8</td>
<td>13%</td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>46.4</td>
<td>32.3</td>
<td>(14.1)</td>
<td>-30%</td>
</tr>
<tr>
<td><strong>Total Capital Sources</strong></td>
<td><strong>$444.1</strong></td>
<td><strong>$435.3</strong></td>
<td><strong>($8.9)</strong></td>
<td><strong>-2%</strong></td>
</tr>
</tbody>
</table>
# FY21 Staffing

<table>
<thead>
<tr>
<th>FTE</th>
<th>March</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPTA/Shared Agency Activities</td>
<td>124</td>
<td>118</td>
<td>(6)</td>
</tr>
<tr>
<td>RPTA only Activities</td>
<td>114</td>
<td>100</td>
<td>(14)</td>
</tr>
<tr>
<td>VMR only Activities</td>
<td>204</td>
<td>194</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Total FTE</strong></td>
<td><strong>442</strong></td>
<td><strong>412</strong></td>
<td><strong>(30)</strong></td>
</tr>
</tbody>
</table>

**RPTA/Shared Agency Activities**

- **RPTA**
  - March: 50
  - May: 47
  - Change: (3)

- **VMR**
  - March: 74
  - May: 71
  - Change: (3)

---

# Historical Staffing – Total Staff Effort

![Graph showing historical staffing effort from FY09 to FY21](chart.png)

- **Y-Months:** FY09, FY10, FY11, FY12, FY13, FY14, FY15, FY16, FY17, FY18, FY19, FY20, FY21
- **Legend:** VMR

---
Historical Staffing – Costs as % of Budget

FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21

VMR

FY21-25 Proposed Five-Year Forecast
May 2020
5-Year Operating Assumptions:

New Service
- Tempe Streetcar (3.0 miles) - May 2021
- South Central (5.0 miles) – Dec 2024
- Overlay – Central Station to Sycamore (13.5 miles) – Dec 2024
- Northwest Ext. II (1.6 miles) – Jan 2025

Fare Revenue
- Ridership is forecasted to decrease from previous years due to Covid-19
- FY22 fare revenue is 75% of pre-covid19 forecast, with 10% increase each year.

Federal PM revenue
- FY22 up 1.5% and each year after.

5-Yr Uses of Funds: Operating ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations &amp; Maintenance</td>
<td>$294.4</td>
<td>$292.6</td>
<td>$(1.9)</td>
</tr>
<tr>
<td>Security</td>
<td>51.8</td>
<td>50.7</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Future Project Development</td>
<td>50.3</td>
<td>46.3</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Agency Operating Budget</td>
<td>12.6</td>
<td>9.8</td>
<td>(2.8)</td>
</tr>
<tr>
<td><strong>Total Operating Uses</strong></td>
<td><strong>$409.1</strong></td>
<td><strong>$399.3</strong></td>
<td><strong>$(9.8)</strong></td>
</tr>
</tbody>
</table>
## 5-Yr Uses of Funds: Capital ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tempe Streetcar</td>
<td>$41.6</td>
<td>$41.2</td>
<td>$(0.4)</td>
</tr>
<tr>
<td>South Central/Downtown Hub</td>
<td>1,285.4</td>
<td>1,285.2</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Northwest Phase II</td>
<td>331.8</td>
<td>331.3</td>
<td>(0.5)</td>
</tr>
<tr>
<td>OMC Expansion</td>
<td>29.7</td>
<td>29.7</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Gilbert Road Extension</td>
<td>3.3</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>Capitol I-10 West Phase I</td>
<td>282.2</td>
<td>282.2</td>
<td>-</td>
</tr>
<tr>
<td>Systemwide Improvements</td>
<td>42.6</td>
<td>27.4</td>
<td>(15.2)</td>
</tr>
<tr>
<td>State of Good Repair</td>
<td>34.6</td>
<td>34.5</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Total Capital Uses</strong></td>
<td>$2,051.2</td>
<td>$2,034.8</td>
<td>$(16.4)</td>
</tr>
</tbody>
</table>

## 5-Yr Sources of Funds: Operating ($,000,000)

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$5.5</td>
<td>$4.0</td>
<td>$(1.5)</td>
</tr>
<tr>
<td>Fares</td>
<td>61.4</td>
<td>42.8</td>
<td>(18.6)</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>8.9</td>
<td>8.8</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Federal Funds - CARES</td>
<td>-</td>
<td>43.0</td>
<td>43.0</td>
</tr>
<tr>
<td>MAG Funds</td>
<td>2.5</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>Member City Contributions</td>
<td>283.4</td>
<td>254.8</td>
<td>(28.6)</td>
</tr>
<tr>
<td>Other</td>
<td>0.7</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>44.3</td>
<td>40.3</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Regional Area Road Funds</td>
<td>2.5</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Sources</strong></td>
<td>$409.1</td>
<td>$399.3</td>
<td>$(9.8)</td>
</tr>
</tbody>
</table>
## 5-Yr Sources of Funds: Capital ($,000,000)

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>March</th>
<th>May</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Funds</td>
<td>$918.8</td>
<td>$910.0</td>
<td>$(8.8)</td>
</tr>
<tr>
<td>Member City Contributions</td>
<td>734.1</td>
<td>741.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>398.3</td>
<td>383.3</td>
<td>(15.0)</td>
</tr>
<tr>
<td><strong>Total Capital Sources</strong></td>
<td><strong>$2,051.2</strong></td>
<td><strong>$2,034.8</strong></td>
<td><strong>$16.4)</strong></td>
</tr>
</tbody>
</table>

## LRT Capital Project Schedule

| Project / Activity Fiscal Year    | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 |
|-----------------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Central Mesa (3.1 miles)         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Northwest Phase I (3.2 miles)    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Gilbert Road (1.9 miles)         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 50th Street LRT station          |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Tempe Streetcar (3.0 miles)      |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| OMC Expansion                    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| South Central (5.5 miles)        |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Northwest Phase II (1.6 miles)   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Capital/I-10 West Phase I (1.5 miles) |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Capital/I-10 West Phase II (8.5 miles) |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |

**LEGEND**
- Green: Project Development
- Purple: Design
- Orange: Construction and Testing
## 5-Year Operating Sources and Uses

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$275</td>
<td>$660</td>
<td>$879</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$4,014</td>
</tr>
<tr>
<td>Fares</td>
<td>2,710</td>
<td>8,130</td>
<td>9,212</td>
<td>10,296</td>
<td>12,463</td>
<td>42,811</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>1,546</td>
<td>1,569</td>
<td>1,593</td>
<td>2,457</td>
<td>1,641</td>
<td>8,806</td>
</tr>
<tr>
<td>Federal Funds - CARES</td>
<td>42,961</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>MAG Funds</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>2,500</td>
</tr>
<tr>
<td>Member City Contributions</td>
<td>12,593</td>
<td>56,559</td>
<td>57,860</td>
<td>56,654</td>
<td>71,144</td>
<td>254,810</td>
</tr>
<tr>
<td>Other</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>130</td>
<td>650</td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>10,424</td>
<td>6,948</td>
<td>7,587</td>
<td>7,642</td>
<td>7,685</td>
<td>40,286</td>
</tr>
<tr>
<td>Regional Area Road Funds</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>2,500</td>
</tr>
</tbody>
</table>

**Total Sources of Funds**

71,639 | 74,996 | 78,261 | 79,279 | 95,163 | 399,338

### Uses of Funds

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations &amp; Maintenance</td>
<td>49,589</td>
<td>55,529</td>
<td>57,719</td>
<td>57,773</td>
<td>71,944</td>
<td>292,554</td>
</tr>
<tr>
<td>Security</td>
<td>8,576</td>
<td>9,617</td>
<td>9,996</td>
<td>10,006</td>
<td>12,455</td>
<td>50,650</td>
</tr>
<tr>
<td>Future Project Development</td>
<td>11,627</td>
<td>7,948</td>
<td>8,587</td>
<td>9,482</td>
<td>8,685</td>
<td>46,329</td>
</tr>
<tr>
<td>Agency Operating</td>
<td>1,847</td>
<td>1,902</td>
<td>1,959</td>
<td>2,018</td>
<td>2,079</td>
<td>9,805</td>
</tr>
</tbody>
</table>

**Total Uses of Funds**

$71,639 | $74,996 | $78,261 | $79,279 | $95,163 | $399,338

---

## 5-Year Operating by Segment

<table>
<thead>
<tr>
<th>Operations ($,000)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base 27.9 miles</td>
<td>$57,443</td>
<td>$58,591</td>
<td>$61,030</td>
<td>$60,959</td>
<td>$64,428</td>
<td>$302,451</td>
</tr>
<tr>
<td>South Central</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,093</td>
</tr>
<tr>
<td>Overlay</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,636</td>
</tr>
<tr>
<td>Northwest 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,288</td>
</tr>
<tr>
<td>Tempe Streetcar</td>
<td>722</td>
<td>6,554</td>
<td>6,685</td>
<td>6,819</td>
<td>6,955</td>
<td>27,735</td>
</tr>
</tbody>
</table>

**Total Operations**

$58,165 | $65,145 | $67,715 | $67,778 | $84,400 | $343,203

<table>
<thead>
<tr>
<th>Cost per Mile</th>
<th>Light Rail</th>
<th>Streetcar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Rail Cost per Mile</td>
<td>$16.23</td>
<td>$30.08</td>
</tr>
<tr>
<td>Streetcar Cost per Mile</td>
<td>$16.56</td>
<td>$31.36</td>
</tr>
</tbody>
</table>

---

5/11/2020
## 5-Year Capital Sources and Uses

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources of Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$282,496</td>
<td>$164,799</td>
<td>$168,312</td>
<td>$220,004</td>
<td>$74,358</td>
<td>$909,969</td>
</tr>
<tr>
<td>Member City Contributions</td>
<td>$120,442</td>
<td>$201,695</td>
<td>$211,704</td>
<td>$164,529</td>
<td>$43,163</td>
<td>$741,534</td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>$32,343</td>
<td>$90,605</td>
<td>$98,078</td>
<td>$129,193</td>
<td>$33,124</td>
<td>$383,343</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>$435,282</td>
<td>$457,099</td>
<td>$478,094</td>
<td>$513,726</td>
<td>$150,645</td>
<td>$2,034,846</td>
</tr>
<tr>
<td>Uses of Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tempe Streetcar</td>
<td>39,700</td>
<td>1,543</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41,243</td>
</tr>
<tr>
<td>South Central</td>
<td>253,033</td>
<td>293,590</td>
<td>302,953</td>
<td>340,973</td>
<td>94,674</td>
<td>1,285,223</td>
</tr>
<tr>
<td>Northwest Phase II</td>
<td>91,306</td>
<td>86,217</td>
<td>82,542</td>
<td>65,345</td>
<td>5,933</td>
<td>331,343</td>
</tr>
<tr>
<td>OMC Expansion</td>
<td>27,808</td>
<td>1,888</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,696</td>
</tr>
<tr>
<td>Gilbert Road Extension</td>
<td>3,296</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,296</td>
</tr>
<tr>
<td>Capitol I-10 West Phase I</td>
<td>-</td>
<td>47,614</td>
<td>83,175</td>
<td>103,424</td>
<td>47,952</td>
<td>282,165</td>
</tr>
<tr>
<td>Systemwide Improvements</td>
<td>11,452</td>
<td>14,404</td>
<td>990</td>
<td>277</td>
<td>240</td>
<td>27,363</td>
</tr>
<tr>
<td>State of Good Repair</td>
<td>8,687</td>
<td>11,843</td>
<td>8,434</td>
<td>3,707</td>
<td>1,846</td>
<td>34,517</td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>$435,282</td>
<td>$457,099</td>
<td>$478,094</td>
<td>$513,726</td>
<td>$150,645</td>
<td>$2,034,846</td>
</tr>
</tbody>
</table>

## 5-Year State of Good Repair

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Good Repair ($,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PTF Funded</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance Buildings</td>
<td>$3,950</td>
<td>$273</td>
<td>$100</td>
<td>-</td>
<td>-</td>
<td>$4,323</td>
</tr>
<tr>
<td>Revenue Vehicles - Overhaul (SOGR)</td>
<td>2,203</td>
<td>8,025</td>
<td>6,251</td>
<td>3,242</td>
<td>1,490</td>
<td>21,211</td>
</tr>
<tr>
<td>Pesimal Service &amp; Overhead</td>
<td>236</td>
<td>292</td>
<td>237</td>
<td>121</td>
<td>54</td>
<td>940</td>
</tr>
<tr>
<td>Total PTF Funded</td>
<td>6,389</td>
<td>8,590</td>
<td>6,588</td>
<td>3,363</td>
<td>1,544</td>
<td>26,474</td>
</tr>
<tr>
<td>Member City Funded</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guideway</td>
<td>139</td>
<td>106</td>
<td>106</td>
<td>-</td>
<td>233</td>
<td>584</td>
</tr>
<tr>
<td>Maintenance Buildings</td>
<td>-</td>
<td>50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Passenger Stations</td>
<td>1,200</td>
<td>2,163</td>
<td>1,450</td>
<td>-</td>
<td>-</td>
<td>4,813</td>
</tr>
<tr>
<td>Revenue Vehicles - Overhaul (SOGR)</td>
<td>683</td>
<td>676</td>
<td>208</td>
<td>324</td>
<td>-</td>
<td>1,891</td>
</tr>
<tr>
<td>Service Vehicles (non-revenue)</td>
<td>169</td>
<td>106</td>
<td>-</td>
<td>-</td>
<td>56</td>
<td>331</td>
</tr>
<tr>
<td>Other</td>
<td>29</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29</td>
</tr>
<tr>
<td>Pesimal Service &amp; Overhead</td>
<td>78</td>
<td>152</td>
<td>82</td>
<td>20</td>
<td>13</td>
<td>345</td>
</tr>
<tr>
<td>Total Member City Funded</td>
<td>2,298</td>
<td>3,253</td>
<td>1,846</td>
<td>344</td>
<td>302</td>
<td>8,043</td>
</tr>
<tr>
<td>Total State of Good Repair</td>
<td>$8,687</td>
<td>$11,843</td>
<td>$8,434</td>
<td>$3,707</td>
<td>$1,846</td>
<td>$34,517</td>
</tr>
</tbody>
</table>
**FY21 Travel**

<table>
<thead>
<tr>
<th>Combined</th>
<th>March</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$66,000</td>
<td>$59,800</td>
<td>$(6,200)</td>
</tr>
<tr>
<td>Essential</td>
<td>99,000</td>
<td>48,100</td>
<td>$(50,900)</td>
</tr>
<tr>
<td>Professional Dev.</td>
<td>238,000</td>
<td>79,300</td>
<td>$(158,700)</td>
</tr>
<tr>
<td><strong>CONTROL</strong></td>
<td>$403,000</td>
<td>$187,200</td>
<td>$(215,800)</td>
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</table>

<table>
<thead>
<tr>
<th>RPTA FY21</th>
<th>FY21</th>
<th>FY21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$13,000</td>
<td>$9,100</td>
<td>$(3,900)</td>
</tr>
<tr>
<td>Essential</td>
<td>65,000</td>
<td>23,400</td>
<td>$(41,600)</td>
</tr>
<tr>
<td>Professional Dev.</td>
<td>133,000</td>
<td>59,800</td>
<td>$(73,200)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$211,000</td>
<td>$92,300</td>
<td>$(118,700)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VMR FY21</th>
<th>FY21</th>
<th>FY21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$53,000</td>
<td>$50,700</td>
<td>$(2,300)</td>
</tr>
<tr>
<td>Essential</td>
<td>34,000</td>
<td>24,700</td>
<td>$(9,300)</td>
</tr>
<tr>
<td>Professional Dev.</td>
<td>105,000</td>
<td>19,500</td>
<td>$(85,500)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$192,000</td>
<td>$94,900</td>
<td>$(97,100)</td>
</tr>
</tbody>
</table>

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**Budget Schedule**

**Committee/Boards/FWG**

- **Aug 29, 2019** - Board Study Session
- **Oct 10, 2019** - Present Key Assumptions to AFS
- **Feb 3, 2020** - Present update of Key Assumptions to AFS
- **Feb 13, 2020** - Present annual budget to FWG
- **Feb 18, 2020** - Present 5-year plans to FWG
- **March** - Present Annual Budgets to Committees/Boards for Info
- **April** - Board Study Session
- **May** - Present Annual Budgets and 5-Year plans to AFS and Board for Info
- **June** - Present Annual Budgets and 5-Year plans for action
DATE
May 11, 2020

AGENDA ITEM 8

SUBJECT
Fiscal Year 2020/2021 Audit Plan

PURPOSE
Request authorization for Internal Audit to execute the proposed Fiscal Year 2020/2021 Audit Plan.

COST AND BUDGET
Funding for the Fiscal Year 2020/2021 Audit Plan is included in the Fiscal Year 2020/2021 Valley Metro Budget and in the Five-Year Operating Forecast and Capital Program (FY2019 thru FY2024).

RECOMMENDATION
Staff recommends that the Audit and Finance Subcommittee authorize Internal Audit to proceed with the proposed Fiscal Year 2020/2021 Audit Plan.

BACKGROUND/DISCUSSION/CONSIDERATION
The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 2010 states:

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.

2010.A1 – The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2 – The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value, and improve the organization’s operations. Accepted engagements must be included in the plan.
Internal Audit performed an Internal Audit Risk Assessment over the organization in March 2020, meeting with each Division Head and General Counsel. Attached is the proposed Fiscal Year 2020/2021 Audit Plan.

This plan is subject to change based upon resource availability and request for additional assistance with other projects, such as consultation on policy revisions, training, and enhancement to internal controls.

COMMITTEE ACTION
AFS: May 14, 2020

CONTACT
Scott Smith
Chief Executive Officer
ssmith@valleymetro.org
602-262-7433

ATTACHMENT
Fiscal Year 2020/2021 Audit Plan
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Purpose
Valley Metro’s Annual Audit Plan for Fiscal Year 2021 (July 2020 – June 2021) is provided to management for informational purposes only. Internal Audit Services reports to the Chief Executive Officer. The Audit and Finance Subcommittee (AFS) is responsible for reviewing and approving the Annual Audit Plan, along with any changes to the plan that occur throughout the year.

The primary purpose of this plan is to convey the audits that will be performed during the fiscal year. The plan is a living document that requires continual monitoring and revisions as conditions change, resource needs change and to meet the needs of the Valley Metro.

Audit Goals and Objectives
Audit Services developed three main goals:

1. Compliance – Ensure Valley Metro staff are complying with established policies and procedures.
2. Contract Compliance – Ensure consultants, and contractors comply with contract requirements and federal cost principles when performing work for or on behalf of Valley Metro; and
3. Add Value – Provide management with independent, objective assurance and consulting services designed to add value and improve the effectiveness of the Valley Metro’s operations and internal controls.

General Office Administration, Development and Training
As with any office there are certain hours that are needed to perform administrative duties. Audit Services strives to spend between 85 and 90% of our total staff hours on audit projects. The remaining time is spent on Training, Staff Development and Administrative Duties.

Training
Training is provided to our staff to maintain their proficiency in the audit standards as well as the areas that they work in. Under the audit standards, the internal audit group is required to have continuing professional education to further develop their knowledge in various audit areas each year. We try to provide them at least 40 hours per year.

Staff Development
In addition to technical training, we provide the staff training in soft skills and team building. We try to provide staff up to 40 hours of professional development training each year.
Audit Types
To provide management with independent, objective assurance and consulting services designed to add value and improve the effectiveness of the department operations and internal controls, there are two types of Internal Audits that may occur:

- **Operational audits** which are concerned with the effectiveness and efficiency of operational units within MDT. Effectiveness is measured by how successfully an organization achieves its goals and objectives. Efficiency is measured by how well an entity uses its resources to achieve its goals.
- **Compliance audits** which measures the compliance of the process with some established department, federal, or state laws, regulations, and/or policies/procedures.

Audit Services also participates in consulting engagements for Valley Metro. These engagements are not audits, but they help management manage risk, improve department’s operations, and/or add value. Typically, these are small projects, or participation in a committee.

Audit Strategy
We will accomplish our goals by performing internal audits designated by the AFS. The audits will address areas of risks within the department as well as areas that will provide added value to management.

Prior Year Wrap-up
At the end of fiscal year 2020, Internal Audit will have one internal audit still in process. This audit will be completed during fiscal year 2021. The audit is:

- **Contract Management Audit – Marketing & Advertising**
Risk Assessment
The International Professional Practices Framework established by the Institute of Internal Auditors requires Internal Audit to establish a risk-based plan to develop the priorities of the internal audit activity and to ensure such activity is consistent with the organization’s goals.

Internal Audit performed an Internal Audit Risk Assessment over the organization in March 2020, meeting with each Division Head and General Counsel. The overall areas of high-risk identified at Valley Metro are related to developing policies and ensuring funds are collected on-time. These are both areas that management is working on.

For the Internal Audit Risk Assessment, Internal Audit focused on other high-risk areas identified by management and areas of interest identified by the AFS. For each area identified, Internal Audit identified an audit to address the risk. Each of the areas of risk are listed below:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Risk Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide safe, reliable, and efficient rail services.</td>
<td>The operation of the light rail is contracted out to ensure operations are maintained. Valley Metro relies heavily on contracted services to manage this risk.</td>
</tr>
<tr>
<td>Maintaining a safe and secure transit experience for Light Rail passengers.</td>
<td>The security unit utilizes a private security contractor to provide customer service, highly visible preventative transit security, fare inspection, and special event coordination. Valley Metro relies heavily on contracted services to manage this risk.</td>
</tr>
<tr>
<td>Manage grants to ensure funds are spent according to the grant agreements.</td>
<td>There are two individuals that manage grant compliance in Finance, but staff are starting to cross train the functions in case the individuals leave Valley Metro. The majority of compliance requirements are managed at the program level. Decentralization of the compliance management increases the risk of inconsistency and not meeting all federal requirements.</td>
</tr>
</tbody>
</table>
| Ensure accountability to the Board of Directors and AFS. | The Board of Directors and AFS are concerned about accountability in various areas. The main areas of concern are:  
  - Travel Expenses  
  - Credit Card Transactions |
Audit Plan
Based on review and discussion, the AFS decided to perform the following audits to help reduce the risks noted above:

- **Operational Audit – Federal Grant Compliance:** The audit will focus on overall internal controls for federal grant tracking and reporting. It will review the internal controls in Finance and identify the internal controls in the various program areas. The audit will leverage the risk assessment performed by the City of Phoenix.

- **Operational Audit – Mobility Center Cash Collection:** The audit will focus on the ticket sales and cash collections at the Mobility Center. It will review the process followed to ensure it is effective, efficient, and internal controls are established to safeguard ticket sales.

- **Operational Audit – Contract Management – Rail Transportation Services:** The audit will focus on the contract management process over the Rail Operations contract. It will review contract monitoring and financial payments for the last two fiscal years.

- **Operational Audit – Contract Management – Fare Inspection and Security Services:** The audit will focus on the contract management processes over the Allied Services contract. We will review contracting monitoring and financial payments for the last two fiscal years.

- **Compliance Audit – Travel Expenses:** The audit will focus on whether travel expenses requested, incurred, and reimbursed; adhered to Valley Metro policies and any other matters that raise to a level of attention. It will cover all expenses incurred in Fiscal Year 2019-2020.

- **Compliance Audit – Credit Card Transactions:** The audit will focus on whether credit card activities adhered to applicable policies and if management has addressed prior audit recommendations. It will cover all transactions in Fiscal Year 2019-2020.

Special Projects
Other areas that the management has requested assistance from Internal Audit:

**Enterprise Resource Planning (ERP) System**
Valley Metro is in the process of developing an ERP system. Internal Audit will participate in the implementation to assist in identifying internal controls, best practices, and providing feedback.

**Safety and Security Audit**
Arizona Department of Transportation performed an audit over Safety and Security. Internal Audit will assist Safety and Security in addressing recommendations that resulted from that audit.
Information Summary

DATE
May 11, 2020

SUBJECT
Internal Audit Charter

PURPOSE
Present the Internal Audit Charter to the Audit and Finance Subcommittee (AFS) for discussion and approval.

COST AND BUDGET
None

RECOMMENDATION
Staff recommends that the AFS approves the Internal Audit Charter.

BACKGROUND/DISCUSSION/CONSIDERATION
The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 1000 (Purpose, Authority, and Responsibility) states:

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

With the Chief of Staff/Senior Advisor’s assistance, Internal Audit drafted the charter to align with the requirements of the Standards.

COMMITTEE ACTION
AFS: May 14, 2020 for discussion and action

CONTACT
Alexis Tameron Kinsey
Chief of Staff/Senior Advisor
ATameronKinsey@valleymetro.org
602-322-4450

ATTACHMENT
Internal Audit Charter
Purpose and Mission

The purpose of Valley Metro’s Internal Audit activity is to provide independent, objective assurance and consulting services designed to add value and improve Valley Metro’s operations. The mission of internal audit is to assist Valley Metro in providing a safe, efficient and reliable transit network by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps Valley Metro accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Director, Internal Audit (“Chief Auditor”) will report periodically to the Chief Executive Officer, senior management and the Audit and Finance Subcommittee regarding the internal audit activity’s conformance to the Code of Ethics and the Standards.

Authority

In accordance to the Administrative Code of the Regional Public Transportation Authority, the Chief Auditor will report both functionally and administratively (i.e., day-to-day operations) to the Chief Executive Officer or designee. To establish, maintain, and assure that Valley Metro’s internal audit activity has sufficient independence and authority to fulfill its duties, the Audit and Finance Subcommittee, in consultation with the Chief Executive Officer, shall also:

- Approve the internal audit activity’s charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit activity’s budget and resource plan.
- Receive communications from the Chief Auditor on the internal audit activity’s performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Chief Auditor to determine whether there is inappropriate scope or resource limitations.
- Review the annual performance evaluation of the Chief Auditor prepared by the CEO, discuss with the Chief Auditor and CEO the evaluation and provide input and feedback as desired.

The Chief Auditor shall have unrestricted access to, and communicate and interact directly with the Chief Executive Officer and the Audit and Finance Subcommittee, which may include a request for private meetings without senior management present.
By approving this Charter, the Audit and Finance Subcommittee, in consultation with the Chief Executive Officer, authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all Valley Metro functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information, except when prohibited by law.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Valley Metro, as well as other specialized services from within or outside Valley Metro, in order to complete the engagement.

**Independence and Objectivity**

The Chief Auditor will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the Chief Executive Officer and the Audit and Finance Subcommittee.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Valley Metro or its affiliates.
- Initiating or approving transactions external to the internal audit activity.
- Directing the activities of any Valley Metro employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the Chief Executive Officer and the Audit and Finance Subcommittee.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Auditor shall report periodically, but no less than each calendar quarter, to the Chief Executive Officer, senior management and the Audit and Finance Subcommittee regarding:

- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Auditor will confirm to the Chief Executive Officer and Audit and Finance Subcommittee, at least annually, the organizational independence of the internal audit activity and will disclose any difficulties or issues related to completing engagements, performing work, or communicating results.

**Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Chief Executive Officer and Audit and Finance Subcommittee, senior and department management, and outside parties (as applicable) on the adequacy and effectiveness of governance, risk management, and control processes for Valley Metro. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Valley Metro’s strategic objectives are appropriately identified and managed.
- The actions of Valley Metro’s officers, directors, employees, and contractors are in compliance with Valley Metro’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Valley Metro.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Auditor shall report periodically, but no less than each calendar quarter, to the Chief Executive Officer, senior management and the Audit and Finance Subcommittee regarding:

- The internal audit activity’s plan and performance relative to its plan.
- The internal audit activity’s conformance with The IIA’s Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Chief Executive Officer or the Audit and Finance Subcommittee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any decisions by management to accept an identified risk that internal audit deems may be unacceptable to Valley Metro.
The Chief Auditor may also coordinate activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Chief Auditor has the responsibility to:

- Submit, at least annually, to the Chief Executive Officer, senior management and the Audit and Finance Subcommittee a risk-based internal audit plan for review and approval.
- Communicate to the Chief Executive Officer, senior management and the Audit and Finance Subcommittee the impact of resource limitations on the internal audit plan or any significant interim changes to the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Valley Metro’s business, risks, operations, programs, systems, and controls.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Chief Executive Officer, senior management and the Audit and Finance Subcommittee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact Valley Metro are considered and communicated to senior management and the Audit and Finance Subcommittee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit activity.
- Ensure adherence to Valley Metro’s relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Chief Executive Officer, senior management and the Audit and Finance Subcommittee as appropriate.
- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
Quality Assurance and Improvement Program and Peer Review

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply The IIA’s Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Chief Auditor will communicate to the Chief Executive Officer and the Audit and Finance Subcommittee on the internal audit activity’s quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments (peer review) conducted every five years (or more often if deemed necessary) by a qualified, independent assessor or assessment team from outside Valley Metro.

Approval/Signatures

_________________________________  _________________
Audit and Finance Subcommittee Chair Date

_________________________________  _________________
General Counsel Date

_________________________________  _________________
Chief Executive Officer Date
Information Summary

DATE
May 11, 2020

AGENDA ITEM 10

SUBJECT
Audit and Finance Subcommittee Charter

PURPOSE
Present the Audit and Finance Subcommittee (AFS) Charter to the AFS for discussion, approval, and recommendation to forward to the Board of Directors for final approval.

COST AND BUDGET
None

RECOMMENDATION
Staff recommends that the AFS approve the Audit and Finance Subcommittee Charter and forward it to the Board of Directors for final approval.

BACKGROUND/DISCUSSSION/CONSIDERATION
The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 1000 (Purpose, Authority, and Responsibility), requires an audit function charter. In addition to an audit function charter, the IIA Audit Standards recommend the governing body also have a charter.

Therefore, based on the Board of Directors documents that established the AFS and with the Chief of Staff/Senior Advisor’s assistance, Internal Audit drafted a charter for Valley Metro’s Audit and Finance Subcommittee to align with the requirements of the Standards.

COMMITTEE ACTION
AFS: May 14, 2020 for discussion and action

CONTACT
Alexis Tameron Kinsey
Chief of Staff/Senior Advisor
ATameronKinsey@valleymetro.org
602-322-4450

ATTACHMENT
Audit and Finance Subcommittee Charter
Audit and Finance Subcommittee Charter

Background
The Audit and Finance Subcommittee (AFS) was originally formed by Valley Metro Regional Public Transportation Authority (RPTA) Board of Directors (Board) as the Budget and Finance Subcommittee (BFS) in 2006 after the passage of Proposition 400 to provide policy oversight of the expanded financial activities of the RPTA. The RPTA and Valley Metro Rail (VMR) Boards renamed the Subcommittee to the AFS in 2016 and expanded the scope of the AFS to add oversight of internal audit functions and to oversee financial and audit functions of VMR.

Purpose
The purpose of the AFS is to provide oversight of the organization's governance, risk management, and internal control practices. The committee assists the Boards by providing advice and guidance on:

1. Annual operating and capital budget process of the agency
2. Preparation of budget inputs and assumptions
3. Oversight of the compilation of financial reports for the Boards and member agency review
4. Preparation of the annual Transit Life Cycle Program and its financial model
5. Development of the five-year operating and capital plan
6. Oversight and review of internal and external audit activity

In broad terms, the AFS reviews each of the items noted above and provides the Boards with independent advice on the adequacy and effectiveness of management's practices. Advice and guidance also may include suggestions and recommendations to strengthen these processes.

Mandate
The mandate for the establishment of the AFS was derived from a vote from the Board of Directors on March 17, 2016.

Authority
The authority of the AFS to perform its work is established within the scope of its charter. In discharging its responsibilities, the AFS shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties.

The committee is entitled to receive explanations from management and staff of the organization that it deems necessary to discharge its responsibilities. The AFS may engage independent counsel and/or other advisers as it deems necessary to carry out its duties.

Composition of the Audit and Finance Subcommittee
The AFS will consist of up to five (5) members. A member's financial background will be considered, along with geographic representation. One of the five members will always be the elected official representing the City of Phoenix. Two (2) of the members will represent both RPTA
and VMR (with the Phoenix member always being one of the two). No more than two members of the AFS will be from the VMR Board due to quorum requirements.

**The Chair of the Audit and Finance Subcommittee**
The Chair of the AFS will be appointed by the Chairs of the RPTA and VMR Boards.

**Terms of Office**
Terms of membership are for two years, with the ability to be re-elected by the Board. No member shall serve more than four years, except the member representing the City of Phoenix. Membership is structured so that two members are elected in even numbered years and two members elected in odd numbered years. Elections will occur at the last meeting of the fiscal year with membership to begin at the beginning of the following fiscal year.

In the event a vacancy occurs on the AFS, the Board(s) will conduct an election to fill the vacant seat as soon as practicable.

**Quorum**
The quorum for the AFS is defined as a majority of the total authorized membership of the AFS.

**Operational Principles of the Audit and Finance Subcommittee values**
The AFS will conduct itself in accordance with the Valley Metro’s core of values and ethics policy LGL – 01.02. The AFS expects that management and staff of the organization will adhere to these requirements.

**Communications**
The AFS expects that communications with management and staff of the organization as well as with any external assurance providers will be direct, open, and complete.

**Work plan**
The AFS chair, in concert with the Chief Executive Officer (CEO), Chief Financial Officer and Chief Auditor, will establish a [finance/budget] work plan, in addition to a risk-based audit plan, to ensure that the responsibilities of the AFS are scheduled and will be carried out.

**Meeting agenda**
The chair shall establish meeting agendas in consultation with AFS members, Chief Financial Officer (CFO), and the Chief Auditor.

**Information requirements**
The AFS shall establish and communicate its information requirements. This shall include the nature, extent, and timing of such information requirements. Information shall be provided to the AFS at least one week prior to the meeting.

**Executive sessions**
Executive sessions of the AFS may be held for purposes of discussing/considering personnel issues; non-public records; legal advice; the Board’s position on contract negotiations, litigation or claim settlement; and any other purpose authorized by A.R.S. Title 38, Chapter 3, Article 3.1. At least annually, the AFS shall hold a private session with the CEO, the CFO, the Chief Auditor, external assurance providers, and with any other officials that the AFS may deem appropriate.
Preparation and attendance
AFS members have an obligation to prepare for and participate in committee meetings.

Conflict(s) of interest
Members of the AFS and all employees and agents of the Regional Public Transportation Authority shall comply with the State Conflict of Interest Law, A. R. S. Sections 38-501, et seq.

Orientation and training
AFS members should receive formal orientation training on the purpose and mandate of the committee and on the organization’s objectives. A process of continuing education may be established at the discretion and under the direction of the AFS.

Operational Procedures Meetings
The AFS shall meet no less than once each calendar quarter or as frequently as the committee deems necessary.

Minutes
The AFS shall comply with the State Open Meeting Law, shall keep regular meeting minutes of the proceedings, and shall report their proceedings to the Board.

Access to officials
The AFS shall have unrestricted access to officials of the organization as may be required to discharge their duties.

Required attendance
The CFO and the Chief Auditor are required to attend all committee meetings.

Chair Responsibilities
It is the responsibilities of the AFS Chair include the following:

- Chair the meetings of the AFS
- Review agency expenses related to credit cards, travel and entertainment, specifically:
  - Approve credit card expenditures for the CEO
  - Approve travel expense reports for CEO
  - Review monthly expenditure activity for Agency credit cards
    - AFS Chair, at their discretion, may defer to the AFS members for review
  - Review a summary of Local Dining and Refreshments expenditures incurred by the Agency on a quarterly basis
    - AFS Chair, at their discretion, may defer to the AFS members for review
  - Review, approve and sign any Relocation over $25,000 prior to offer letter being sent to Candidate
    - AFS Chair, at their discretion, may defer to the AFS members for review
- Provide general guidance to CFO and Chief Auditor
**Risk management**

To obtain reasonable assurance with respect to the organization’s risk management arrangements, the AFS, in consultation with the CEO and CFO, shall:

- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.
- Review and provide advice on the risk management arrangements established and maintained by management and the procedures in place to ensure that they are operating as intended.
- Annually review the organization’s risk profile.
- Obtain from the Chief Auditor an annual report on management’s implementation and maintenance of an appropriate integrated risk management process.

**Fraud**

To obtain reasonable assurance with respect to the organization’s procedures for the prevention and detection of fraud, the AFS, in consultation with the CEO and CFO, shall:

- Take an active role in the prevention and deterrence of fraud.
- Challenge management and the auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.
- Ensure that appropriate action is taken against known perpetrators of fraud.

**Oversight of Internal and External Audit and Other Assurance Providers Internal audit**

To obtain reasonable assurance with respect to work of the audit activity, the AFS, in consultation with the CEO, should:

- Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it is consistent with changes in the financial, risk management, and governance arrangements of the organization and reflects developments in internal audit professional practices.
- Review and approve proposed risk-based internal annual audit work plans and make recommendations concerning internal audit projects.
- Review and consult with the CEO and the Chief Auditor on the annual performance evaluation prepared by the CEO of the Chief Auditor.
- Review the budget, expertise, and staffing levels of the internal audit program.
- Review internal audit reports and other communications to management.
- Review and advise management on the results of any special investigations.
- Inquire of the Chief Auditor whether any evidence of fraud has been identified during internal audits and further action to be taken.
- Review and track management’s action plans to address internal audit recommendations.
- Inquire of the Chief Auditor whether any internal audit engagements or tasks have been carried out that did not result in a report to the committee. If there have been, inquire as to the matters of significance, if any, arising from such work.
- Review and provide input on internal audit’s strategic plan, program goals, performance measures, and outcomes.
• Inquire of the Chief Auditor about steps taken to ensure that the audit activity is consistent with The IIA’s *International Standards for the Professional Practice of Internal Auditing (Standards)*.

• Ensure that the internal audit function has an external quality assurance (peer) review every five years or more often if deemed necessary.

• Review the results of the independent external quality assurance (peer) review and monitor the implementation of the action plans to address recommendations raised.

• Advise the Board of any recommendations concerning the continuous improvement of the audit activity.

**External audit**

To obtain reasonable assurance with respect to work of the external assurance providers, the AFS, in consultation with Chief Executive Office and senior management, may meet with the external assurance providers during planning of the audit, the presentation of the audited financial statements, and the discussion of the letter to management on recommendations.

**Follow up on management action plans**

To obtain reasonable assurance that management has acted on the observations and recommendations from internal and external audit, the AFS may review regular reports on the progress of implementing agreed upon management action plans and audit recommendations included in completed audits.

**Oversight of Chief Financial Officer**

To obtain reasonable assurance with respect to work of the CFO, the AFS, in consultation with the CEO, should:

• Provide oversight over annual operating and capital budget process of the agency.

• Review budget inputs and assumptions.

• Provide oversight of the compilation of financial reports for the Boards and member agency review.

• Review the annual Transit Life Cycle Program and its financial model

• Review the five-year operating and capital plan

• Provide, in consultation with the CEO, the annual performance evaluation of the CFO

• Review and provide input on budget, contracts and procurement management goals, performance measures, and outcomes.

**Financial statements and public accountability reporting**

The AFS is responsible for oversight of the independent audit of the government entity’s financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.
Other responsibilities
In addition, the AFS, in consultation with the CEO, may:

- Perform other activities related to this charter as requested by the governing body.
- Institute and oversee special investigations as needed.

Reporting on Audit and Finance Subcommittee performance
The AFS should:

- Report periodically to the Board summarizing the committee’s activities and recommendations or less frequently as the committee deems necessary. The report should be delivered at the regularly scheduled meeting of the Board.
- The report may include:
  - A summary of the work the committee performed to fully discharge its responsibilities during the preceding year.
  - A summary of management units’ progress in addressing corrective actions on the findings and recommendations made in internal and external audit reports.
  - An overall assessment of the management units’ risk, control, and compliance framework, including details of any significant emerging risks or legislative changes impacting the governing organization.
  - Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.

The committee may, at any time, report to the governing body any other matter it deems of sufficient importance.

Approval/Signatures

_________________________  _________________
RPTA Board Chair                  Date

_________________________  _________________
VMR Board Chair                   Date

_________________________  _________________
Audit and Finance Subcommittee Chair  Date

_________________________  _________________
CEO                               Date
## DATE
May 11, 2020

## AGENDA ITEM 11

## SUBJECT
Future Agenda Items Request and Report on Current Events

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

## Future Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Month</th>
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<tbody>
<tr>
<td>Audit Exceptions Update</td>
<td>Ongoing</td>
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<tr>
<td>o Management status for overdue/past due items</td>
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<tr>
<td>Draft Audit Plan for information</td>
<td>May 2020</td>
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<tr>
<td>Professional Development Audit</td>
<td>May 2020</td>
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<tr>
<td>Contract Management (Specific) Paratransit</td>
<td>June 2020</td>
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<td>Enterprise Resource Planning contract award</td>
<td>June 2020</td>
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<td>External Audits:</td>
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<td>o City of Phoenix Contract Management Risk Assessment</td>
<td>June 2020</td>
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<tr>
<td>Present Annual Budgets and 5-Year Plans for Action</td>
<td>June 2020</td>
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<tr>
<td>Present 5-Year Operating and Capital Forecast</td>
<td>June 2020</td>
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<tr>
<td>Proposed Audit Plan for FY21</td>
<td>June 2020</td>
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<tr>
<td>Update on Reduced Fare program</td>
<td>June 2020</td>
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<tr>
<td>TLCP Update – Bus</td>
<td>August 2020</td>
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<tr>
<td>TLCP Update – Rail</td>
<td>August 2020</td>
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<tr>
<td>Agency Credit card Audit</td>
<td>Moved to next year’s audit plan</td>
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<td>Travel Audit</td>
<td>Moved to next year’s audit plan</td>
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<td>Budget – Position Justifications</td>
<td>TBD</td>
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<td>Travel Data</td>
<td>TBD</td>
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## CONTACT

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