



MEETING OF THE

Audit and Finance Subcommittee

Date:
April 7, 2022

Starting Time
12:00 p.m.

Location:
Boardroom/Webex

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Agenda

April 1, 2022

Audit and Finance Subcommittee

Thursday, April 7, 2022

Boardroom/Webex

101 N. 1st Avenue, 10th Floor

12:00 p.m.

Action Recommended

1. Public Comment

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

1. For Information

2. Chief Financial Officer's Update

Jim Hillyard, Acting Chief Financial Officer, will brief the Audit and Finance Subcommittee on current issues.

2. For information

3. Minutes

Minutes from the March 3, 2022 Audit and Finance Subcommittee meeting are presented for approval.

3. For action

4. Travel Expenses-Review #1

Sebrina Beckstrom, Chief Auditor, will present the results of the Travel Expenses-Review #1 Audit for acceptance.

4. For action

5. Credit Card Transactions Audit

Sebrina Beckstrom, Chief Auditor, will present the results of the Credit Card Transactions Audit for acceptance.

5. For action

6. Internal Audit Update

Update on the actions taken in Internal Audit, external reviews and prior audit findings and recommendations.

6. For information



7. FY 2023 Operating and Capital Budget Information for Valley Metro RPTA and Valley Metro Rail

7. For information

Jim Hillyard, Acting Chief Financial Officer, and Tyler Olson, Manager, Budget & Operations Financial Controls, will provide an overview of the FY 2023 Proposed Operating and Capital Budgets.

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

8. For information

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

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

9. Report on Current Events and Suggested Future Agenda Items

9. For information

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

The next meeting of the Audit and Finance Subcommittee is scheduled for **May 5, 2022 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.



Information Summary

DATE

April 1, 2022

AGENDA ITEM 1**SUBJECT**

Public Comment

PURPOSE

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

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

COMMITTEE PROCESS

None

CONTACT

Jim Hillyard
Acting Chief Financial Officer
602-262-7433

ATTACHMENT

None



Information Summary

DATE

April 1, 2022

AGENDA ITEM 2**SUBJECT**

Chief Financial Officer's Report

PURPOSE

Jim Hillyard, Acting Chief Financial Officer, will provide an update on information shared with the Financial Working Group and Fare Policy Working Group.

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

COMMITTEE PROCESS

None

CONTACT

Jim Hillyard

Acting Chief Financial Officer

jhillyard@valleymetro.org

602-262-7433

ATTACHMENT

None



Minutes

April 1, 2022

AGENDA ITEM 3

Audit and Finance Subcommittee
Thursday, March 3, 2022
Via WebEx/Phone
12:00 p.m.

Meeting Participants

Councilmember Bill Stipp, City of Goodyear, Chair
Councilmember Lauren Tolmachoff, City of Glendale (phone)
Councilmember Francisco Heredia, City of Mesa (phone)
Vice Mayor Laura Pastor, City of Phoenix
Councilmember Robin Arredondo-Savage, City of Tempe (phone)

The Chair called the meeting to order at 12:02 p.m.

Chair Stipp said we will go ahead and call to order the Audit and Finance Subcommittee meeting of March 3, 2022. Pat, can you do a roll?

Ms. Dillon said:

Councilmember Lauren Tolmachoff, City of Glendale? Present.
Councilmember Bill Stipp, City of Goodyear? Present.
Councilmember Francisco Heredia, City of Mesa? Here.
Councilmember Laura Pastor, City of Phoenix? Present.
Councilmember Robin Arredondo-Savage, City of Tempe? Here, ma'am.

Chair Stipp said Great. Thanks everyone for being here today virtually or in person.

1. **Public Comment**

Chair Stipp said we will start the meeting with Public Comment. The public will be provided an opportunity to address the Committee on non-agenda items and all action items. We have up to three minutes to provide per speaker and Mr. Crowley is in the building.

Mr. Crowley said good afternoon. Less infrastructure is something that when I see all your planning and such that we're doing that it's not there. When we were putting it together, well, we tried to find out what the industry standard is and it's every quarter mile. And in this community, it needs to also have a shelter. With our killer heat in the summertime, if you've got to be out there for 15 minutes waiting between buses and there's no shelter, you can die. But it's a responsibility I believe that you guys should do.



I also don't see where you're really doing any of the rural route planning, reestablishing Wickenburg or doing to Tonapah or Queen Creek. The I-10 tunnel, there's a structure in there. Why didn't it get finished or completed, Phoenix? You know. And since it is -- there's three-story structure inside of there supposedly for transit. If it's not being used for what it should be, why aren't we getting something out of it as in storage because you are always looking where are we going to put our vehicles and such.

With the planning that you're doing with the rail, I don't see it being intermodal and as in the minutes that you have last month, I have showed that there are five routes that are crossing this new construction and there is no stop there. You're not doing it multi-modal from not even having a stop there, but where are the Park and Ride? Where are other parts of the equation to do what you're supposed to be doing?

Cleaning the air and keeping the mobility safe and right.

With the progress that you guys are doing and what is happening, I know that Spring Training is something that is on all of your minds. Well, it's on mine too so if any -- if it does happen and any of you have extra tickets, the system knows how to get in touch with me. Give me a call. I'll come to any of your communities to pick them up and hopefully, to be able to do it on transit. But as we know, there's difficulties there so hopefully, that gets taken care of. You guys start doing things multi-modally as in the new hire that you're going to do. If they are not servicing multi-modal, who is the master? Because when I look at what you've got now, it's rail, rail, rail so I rail against it and have a pleasant. Enjoy your confab.

Chair Stipp said Thank you, Mr. Crowley. Are there any other speaker cards? No, there are none. Okay.

2. Executive Session

Chair Stipp said I entertain a motion to go into Executive Session for the -- pursuant to A.R.S. Sections 38-431.03A1 for the purpose of discussion concerning the performance evaluation of the Chief Auditor and A3 discussion or consultation for legal advice with the attorney or the attorneys of the public body. May I have a motion?

Motion by Vice Mayor Pastor, second by Councilmember Tolmachoff.

Any discussion? Seeing none. All in favor, say aye. Any opposed?

IT WAS MOVED BY VICE MAYOR PASTOR, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO ENTER INTO EXECUTIVE SESSION.

The regular meeting adjourned for Executive Session at 12:07 p.m.
The regular meeting reconvened at 12:41 p.m.



Chair Stipp said we will go ahead and reconvene the Audit and Finance Subcommittee meeting.

There is no action and nothing on the agenda as a result of the Executive Session so we'll move on to item number 3.

3. Chief Financial Officer's Update

Mr. Hillyard said good afternoon, Mr. Chairman, members. I don't have an update for you this afternoon. Tyler and I are simply very heads down on the budget in preparation for our study session in March. We will, however, note that the dates of the study session the Board will hold in March changed to make way for the National Conference of Cities and Towns and is now scheduled for March 24, a study session at 10:00 a.m. and the Board meeting at 11:15 a.m.

Chair Stipp said great. Thank you.

This item was presented for information only.

4. Minutes

Chair Stipp said minutes from the February 3, 2022, Audit and Finance Subcommittee meeting are presented for approval. Those have been submitted in the packet. Barring any changes, I'll accept a motion to approve the minutes as presented.

Motion by Vice Mayor Pastor, second by Councilmember Tolmachoff.

Any discussion? All in favor, say aye. Any opposed? Ayes have it.

IT WAS MOVED BY VICE MAYOR PASTOR, SECONDED BY COUNCILMEMBER TOLMACHOFF, AND UNANIMOUSLY CARRIED TO APPROVE THE FEBRUARY 3, 2022 AFS MEETING MINUTES.

5. Contract Management – Federal Government Consulting Services (FGCS) Audit

Chair Stipp said that was included in our packet. Sebrina is going to the podium.

Ms. Beckstrom said all right. Thank you, Mr. Chair. As you said, at the request of this Committee, Internal Audit has completed an audit of the Federal Government Consulting Services contract.

The audit assessed risks related to exceeding Board contract authority, the risk of needing to terminate contracted services due to prematurely exhausting contract



authority and the risk of the Board not receiving sufficient notification of a need to increase contract authority prior to those increases being requested.

The audit found that Valley Metro currently has implemented mostly effective controls over contract management in this area. The audit contains one finding and recommendation associated with this risk identified, finding area was calculated to be low risk.

We'll start talking about that. So this finding, specifically, prior to this audit, there were no internal policies or procedures that required staff to notify the Board of contract utilization changes with a potential to prematurely exhaust the contract expenditure authority.

During the audit, Valley Metro implemented a policy and associated process. As this policy and process has been implemented, the risk calculation reduced down to a low risk rating, however, as this is a new policy and procedure in this area and it is an interest to some Board members -- Board members expressed interest, Internal Audit plans to conduct a follow-up audit during the next fiscal year to ensure that Valley Metro continues to adhere to its new policy and that information is appropriately presented to the Board.

Lastly, in addition to the finding areas, we included an area of information that did not rise to the level of a finding but provides answers to questions that were presented by the Audit and Finance Subcommittee.

This concludes my summary of the audit. Are there any questions?

Chair Stipp said are there any questions on Webex? No. Seeing blank stares. Sebrina, I did have one question. Do you have the audit in your hand? So on page 7.

Ms. Beckstrom said yes.

Chair Stipp said so on page 7 of the audit, Sebrina goes through the timeline under Figure 4 and it goes through November 30th, October 8th, November 12th, et cetera. Did -- what I couldn't glean from this was did any of these actions or did all of these actions have Board approval or require Board approval?

Mr. Kondrat said contract award on November 30th of 2017 and then the request to increase the contract authority on September the 1st of 2021 and, finally, the final approval is granted on October 21st of 2021. The change orders did not require Board approval nor did the task order which extended the contract for one year.

Chair Stipp said and that was all allowed within the parameters of the contract, correct?

Mr. Kondrat said yes.



Chair Stipp said okay.

Mr. Kondrat said yes, sir.

Chair Stipp said okay. That was the only question that I had as a result of that. The action for us today then is to accept the Federal Consulting Services audit.

Councilmember Tolmachoff said is there a policy because I think maybe sometimes these things are connected to exceeding the spending authority of the contract. Is there a policy for document -- for what happens if you add to the scope of work? Is there a policy in place for that? The audit does refer to that, but it's not super specific as to whether or not that was addressed or is there -- is that something that needs to be addressed? But I think that the explanation that we were given in this particular contract was that the scope of work was increased which was the reason for the spend increase. But I -- so I'm just curious if Sebrina could give us just a quick answer there.

Ms. Beckstrom said it would be based on the contract language in the actual contracts. So I don't believe there is a specific policy. There's not a specific policy about -- well --

Councilmember Tolmachoff said no, the contract, would it speak to the amount of scope that could be changed within the contract? Or -- I mean, does the contract just generally allow for scope of work change which could result in, you know, a different spend, different cost?

I'm just curious how that works because I think that's kind of what the issue at heart here was. You can increase the scope of work and then -- I mean, now, the Board would be notified when the scope is increased or just when the spend is increased?

Ms. Clark said Councilmember Tolmachoff, this is Patty Clark, Chief Procurement Officer here for Valley Metro. If I may try to answer your question.

Ms. Clark said so your question that you're asking kind of goes hand in hand so if the contract, right, has some authority that allows some additional increase such as increasing revenue, right, for the revenue miles, the number of miles that are being reimbursed, right, so that would be an increase in scope, but it's also allowable. If it's something that -- and there's a cost that would be associated with that as well. We would be working within that existing contract authority that was approved by the Board. If there was something that we would be looking to add an exercise such as option years with LRVs, we have always taken those back to the Board because we are adding additional scope, meaning additional LRV vehicles and then with that comes additional authorization that we're seeking for authority.

Councilmember Tolmachoff said okay. Thank you. That makes sense. And I



think it's when you're talking about services where it gets a little wonky. When you're -- I think that's where you -- and I don't know how you write a contract where you say, these are the services we're contracting for and then does that contract allow for saying, we want more services, we're just going to change the scope and change the amount we're spending. I mean, I'm just not sure how that works when -- I mean, I -- obviously, if you're ordering more LRVs or you're ordering more, you know, things that are more tangible things, it's much easier, but when you're talking about expanding services that we're asking for, is there a process for doing that or it's just an administrative thing and it doesn't get brought to the Board until there's a need for more money?

Mr. Hillyard said Mr. Chairman, Councilmember Tolmachoff, so I think what Patty's describing is what the terms of the contract the Board approved permitted in terms of whether there can be changes in either the quantity of service purchased which might not actually change the scope, it's just more hours than were initially anticipated or the kinds of services or goods that were purchased so there's a procurement response and I think Patty just gave that beautifully that we comply with the contract as approved by the Board.

But then there's also a dove tail into the policy that we promulgated as a result of this issue that Sebrina mentioned in her audit and that is whether a procurement action is necessary with regard to a contract or not because maybe you're not changing the scope, you're just buying more hours, whether a procurement action is required or not, if the agency is taking an action that we believe is either possibly going to cause us to utilize the expenditure authority faster than we thought or definitely is going to cause us to use the expenditure faster than we thought then that will be included in the quarterly report that you will receive along with sort of when that happened, why it happened and sort of what we're doing about it.

So we will be highlighting that to the Board as part of that quarterly report -- you'll -- that first quarterly report is being compiled for April of this year and so, it will be front and center for you and if you have questions about it then we'll be able to sort of follow up and answer those questions.

Councilmember Tolmachoff said okay. Very good. So the documentation of additional scope of work is still going to be part of what's included in that report?

Mr. Hillyard said yes. That report will note why we think that contract is at risk of exhausting its expenditure authority prematurely so you'll know what's driving it and can follow up if you have questions about that.

Councilmember Tolmachoff said okay. Very good. Thank you.

Vice Mayor Pastor said now, I'm completely confused. I want to break it down. So there is a written scope of work, that item comes to the Board or whatever -- the whole



piece, we put an expenditure amount, it's not to exceed the amount and then we vote on it.

My question is if the scope of work changes or there's a new scope added to that contract, does that come back to the Board?

Mr. Smith said I can answer that. Yes.

Vice Mayor Pastor said okay.

Mr. Smith said and there is a -- as Jim said, there is a scope and then there is a quantity. And so, the contract and what is assigned by the Board is the definition of the work to be approved and to be performed by staff. And then there is dollar amount, a place to that and a time frame. We operate within that dollar amount based on the Board authorization, but we also operate within the scope. If there is a material change to scope, that would need to come back to the Board.

In this case and in many services, the definition of the scope and I think what the audit found is that it was for lobbying expenditures. Our changes were primarily not because we had them doing things other than lobbying. It's just that we had-- it was a quantity issue, more hours and more time not a difference in the services that were provided. So this stayed within the scope that was approve it just was for a different quantity of service hours that were presented. That was the purpose for the change.

But if we had, for example, said, we not only want you to lobby, we want you to also do some other type of work, that would not be allowed because it would be outside the terms and the approval on the contract.

Vice Mayor Pastor said okay. I had a follow up. So knowing that, so I'm going to go to the lobbying one, don't now really much about it, but the lobbying one, it says, the scope of work says, we are here to lobby duh, duh, duh, ta, duh. And this is the amount. If they exceed the amount, what I understand is we now have a policy that then has to come back to the Board to be able to expand or add to that contract.

Mr. Hillyard said Mr. Chairman, if I might. So we have always had a policy that says you can't exceed the approved amount, however, sometimes in a five-year contract, it will take you a long time -- you can make a change in year one, it will be many years before you run out of money even if you've sort of increased the burn rate.

Mr. Hillyard said so what the policy now says is, in additional to the fact that we were never allowed to exceed the amount, if you've made a change that's going to cause you to exhaust that amount faster than was assumed then you have to notify the Board of that through this quarterly report process.



Vice Mayor Pastor said okay. So that's key to me. You can notify the Board through the quarterly process. I want to be able to vote on it to say, yes, we can add more to the -- so I don't know if I'm now off in la la land or in the sense of trying to understand that piece.

Mr. Smith said no, Vice Mayor, you're not. And that's exactly what came before the Board is that we cannot exceed that amount, we're limited. I think what happens is in a -- as Jim said, in a five-year contract there are ebbs and flows. You may have, for example, have to purchase -- and let's use fuel, for example. You can buy more fuel or more these services this year and therefore, if you assume that you were going to buy the same amount of excess fuel for five years, it would exceed the amount. But let's say -- that's only a one-year deal. And next year you expect or can manage it to where you do less.

The new policy says, we need to come before the Board and say, listen, you're -- this contract might exceed it, you need to know that and we're going to explain to you why we think it may or may not. And then if we do think that it will then it would require Board action to increase the amount. If not, then staff will have to explain to the Board that this is a temporary issue, over the five years, we don't expect to ever exceed the full amount, but at least, the Board is informed and is along all the way.

Vice Mayor Pastor said okay. So now, my understanding is because this is where I get -- need clarity, is that year one I'm only allowed 24, I'm just guessing, for the amount.

I'm assuming there's a five-year contract so I can ebb and flow, it's 30 this year then next year you can't spend 30. Just as long as I don't exceed my amount, but I will go with the example, fuel, I purchase this much fuel this year and it's costing and it's rising at a rapid rate. Then the following year I realize, you know what, I'm going to spend more and it's doubling, I'm going to notify the Board that this is the reason why we are spending at a rapid rate because of these needs and purposes or what is happening. However, if we exhaust the \$10,000 that was on the contract and we're getting close to exhausting that and we need to add additional dollars then you will come to the Board and say, we need an authorization for additional dollars.

Mr. Hillyard said correct.

Mr. Smith said that's correct.

Vice Mayor Pastor said okay.

Mr. Hillyard said we can never spend more than was authorized.

Vice Mayor Pastor said okay. That's what I wanted to make clear.

Mr. Hillyard said yeah.



Chair Stipp said the quarterly report is basically a warning.

Vice Mayor Pastor said it's just a warning.

Chair Stipp said it's a warning flag.

Mr. Smith said right.

Vice Mayor Pastor said got you.

Mr. Smith said and it forces the discussion.

Chair Stipp said right. Which we didn't have in this case so.

Vice Mayor Pastor said right.

Chair Stipp said okay. So I still need a motion to accept the results of the Contract Management Federal Consulting Services audit.

Motion by Vice Mayor Pastor, second by Councilmember Arredondo.

Any other discussion? All in favor, say aye. Any opposed? The ayes have it.

IT WAS MOVED BY VICE MAYOR PASTOR, SECONDED BY COUNCILMEMBER TOLMACHOF AND UNANIMOUSLY CARRIED TO ACCEPT THE CONTRACT MANAGEMENT – FEDERAL GOVERNMENT CONSULTING SERVICES (FGCS) AUDIT.

6. Continuous Monitoring – Contract Change Orders First Audit Review

Ms. Beckstrom said and Senior Auditor Jen Davis will provide the summary for this audit.

Chair Stipp said Jen.

Ms. Davis said good afternoon. Thank you, Sebrina. Thank you, Chairman. Thank you, Members of the AFS Committee. Appreciate your time today.

This is the first audit conducted in a series of change order reviews because we understand that this is important, and we wanted to keep an eye on it and provide transparency. We will be continuing these audits quarterly picking different samples each time.



The objective of this audit was to review the sample of contracts to determine Valley Metro's established internal controls and verify that they were effective, efficient and provided adequate monitoring and monitoring contract authority that was approved by the applicable Board directors.

Next slide, please. Thank you. Based on our review, this report just contains audit observations. We did not find any items that were out of compliance with the established policies and have no findings or recommendations so overall, the report risk is low.

So we did include our scope and methodology, we went ahead and when to the new system of CORE and pulled an active portfolio listing as of December to see which contracts were out there and we chose a sample of ten that did have monetary changes to them and we went ahead and looked at whether or not those were contract value changes of it they were administrative changes. We did also look at contract payments through the end of December of '21.

For the ten contracts, we did look at 32 total change orders. Fourteen of them increased the contract values and they were done, we noticed by three different methods. Either we did -- Valley Metro did bring the item back to the Board to seek new approval, that the CEO used the original Board approval to exercise the change order, basically, if the contingency was approved or the CEO approved based on the CEO's signing authority granted by the procurement manual. The other 18 change orders that we reviewed are considered administrative and were properly signed by the vendor, the contract and procurement staff and then the CEO or his designee.

So I think for our first review we really were to kind of looking to see, is this the format that you guys were looking for? Is this the information that you guys would like us to be investigating -- no investigating, looking into and then reporting on? Is there additional information that you guys might want to see in the next quarterly reports? We haven't kicked that one off yet but wanted to see if there's any questions on this report and if there's any advice you can give us your expectations for future reports. Thank you.

Chair Stipp said Okay. Councilmember Tolmachoff or Arredondo-Savage, questions? No.

Councilmember Tolmachoff said I didn't have any.

Chair Stipp said okay.

Councilmember Arredondo-Savage said no, I'm good. Thank you.

Chair Stipp said All right. So Vice Mayor Pastor does not have questions either. I have one and it's kind of, I guess, you could consider it ticky tacky, but perhaps not. Is



the third bullet under the 14, increase contract values, so if a contract -- if the Board approves a contract for \$100,000 to buy tires, if that contract value needs to increase to \$125,000 just -- and the CEO's signing authority is \$25,000 or it's \$50,000, let's just say. The CEO has the ability to increase that Board approved contract by \$25,000 without Board approval?

Ms. Davis said because there are established thresholds. RPTA's threshold for the CEO is \$50,000. Valley Metro is \$150,000. So Tempe asked a question and we replied to them last night on this as well so the one contract that we are referring to here was for brake repair for \$2.2 million and so that was approved by the Board. What had happened was that Board memo did not include any contingency so then there was two instances where additional \$30,000 was needed for each change order. Those are underneath the 10% of the original contract value so he was able to -- so the procurement manual gives him that 10% authority when contingency is not already approved by the Board. Is that making that clearer or am I making that not so clear? So yes, but he's never going -- the manual does not provide him authority to ever go over the 10% of contingency and does not allow him to go over if you've already approved contingency.

Chair Stipp said so if we are approving a whole bunch of contracts without contingency, we are basically signing over the authority for the CEO to add contingency upon his or her discretion?

Ms. Davis said up to 10%, but it's not just at --

Chair Stipp said yeah. That's what I mean it's up to 10%.

Ms. Davis said but not just purely at the CEO's discretion. It definitely still goes through the procurement process. It goes through procurement review. But at this point, how it's written, I'm not understanding -- my understanding is that it doesn't have to go back to the Board depending on the --

Chair Stipp said but the original contract had to go back to the -- had to start from the Board.

Ms. Davis said correct. Yes.

Mr. Smith said and our understanding is also that if something gets through that doesn't have contingency in it then the process is -- has messed up because every contract should have some contingency in it either built in or in addition to that so that's one of the controls that we have. And I would say if a contract gets to the Board that does not have either a stated, embedded or an additional contingency that's probably something that should not be included in the Board approval. There should always be contingency in it.



Chair Stipp said so if you're looking for -- to kind of piggyback with that thought in mind then if the collective "you" is looking for how do we want to look at these in the future, I think paying closer attention to that aspect of it may be important so that we -- we put thresholds in place for a reason and then we don't want to have embedded within our rules the ability to -- I'm going to use the word circumvent and there's probably a much better word because I don't -- that implies there's nefarious intent, but we -- I think we want to make sure that -- so if you're looking at them, if the occurrence is one out of a hundred contracts, maybe it's not worth the effort. But if it's ten or fifteen out of a hundred, it's probably worth the effort and we don't know that until you guys look at it. I think is collectively what I'm trying to suggest.

Mr. Smith said and Councilmember Stipp, just so you know, how we operate is if we have that situation, technically, the way it's written, yes, I can sign off on something that was less than \$50,000. Practically, we don't do that. We would bring it back to the Board because it's part of an original -- that's not in purpose the intent of that signing authority. If it were \$300 or even \$3,000 then I would probably sign off on it because it's not worth going back, but the reality is that the Board approval was there for a reason.

The contract amounts are in it for a reason. It may be something you may want to clarify through procurement manual or through something else that states that if there is a -- first of all, it should be an issue that all contracts should have some sort of contingency built in to protect the agency and the process.

The second thing though is to clarify for my successor that if there is a contract that was approved by the Board and you may want to define what a material excess is or whatever that it does need to come back before the Board. I'm not -- I don't recall any time that I have ever signed off on anything that exceeded that. I don't recall it. So it's never been an issues that I know that we haven't come back to the Board. Because usually when you're exceeding it, it's not just an exceeding of the contingency, there's some sort of change in scope or other that requires coming back to the Board to get approval. But there is a little bit of an area that probably needs to be tightened up there.

Chair Stipp said and that's what I'm suggesting is we need to -- we have these checks and balances in place for reasons so let's make sure that the checks and balances are there and they're active making sure that, you know, the process is there whether it's on the procurement side upfront within the procurement rules or it's based on this authority. We won't know it unless you guys are looking at it and, again, the collective.

Mr. Smith said and just so you know, I think on this month's Board memo, for example, you have some increases in contract authority on projects. You know, those fall within this case where you approve something, the situation's changed and we're outside the contingency on that, we're bringing it back to the Board.

That's our normal process, but I'm not sure that that is explicit in the procurement policy.



Ms. Davis said so the other comment that we had sent over to Tempe last night was that we did not have a good way to gauge how often that was occurring before, but that with the new policy that Jim spoke of earlier and with our commitment to do a follow up next year that we will have more transparency, we will have more availability to tracking and monitoring those type of things as they are -- if they would occur in the future. But like Scott was saying, making contingency part of the contracts is probably a good foundation to start with. Vice Mayor.

Vice Mayor Pastor said you answered my question because then -- in the sense that we will be building a mechanism in to be able then to do the checks and balances. That's what I'm hearing.

Ms. Davis said yes, with the establishment of the policy and then the report that is coming out in April that's my understanding.

Vice Mayor Pastor said okay.

Ms. Davis said and we're going to follow up to make sure.

Chair Stipp said and then this CEO signing authority thing, is that rolled into that? Ms. Beckstrom said We can look at that in next change order review process, add it in to the sample.

Chair Stipp said okay. Perfect. Sorry.

Ms. Davis said anything additional?

Vice Mayor Pastor said I would assume in the mechanism of going to three that there would -- if there is a contingency then maybe just for our sake as Board members to build in saying, a line saying CEO approval based on CEO signing authority and then the items that got signed. I mean, if we're really checking and balancing and someone is really following it at least we have the info.

Ms. Davis said yes, definitely.

Vice Mayor Pastor said and that way protection of the CEO is able to say, on such and such date, I did notify -- for me it's documentation, on such and such date, I did notify the Board on these following items that I have the authority to do. It's just protection, I think.

Councilmember Arredondo-Savage said Chair, I don't have a question. You did great. You guys did great. And thank you for answering my questions earlier. I guess, now, with the new tool that's going to be in place, do you think maybe we can just do a quick check-in maybe in six months just to make sure it's covering all the basis and all the concerns that I think you heard here today that might not -- might just be a wise thing to



do just to do a recalculation, a recheck just to make sure we are getting the outcomes that we want. Is that possible, Chair?

Ms. Beckstrom said yes. We plan on completing a follow-up audit in fiscal year '23 so we can do that at the beginning or the middle of the fiscal year to ensure that the policy has been implemented sufficiently.

Chair Stipp said perfect. Thank you. Thank you for the follow up. Any other questions? Okay. There is no -- there is action. I'm sorry. So I need a motion to accept the results of the Contract Change Order audit.

Motion by Vice Mayor Pastor, second by Councilmember Tolmachoff.

Any further discussion? All in favor, say aye. Any opposed? All right.

IT WAS MOVED BY VICE MAYOR PASTOR, SECONDED BY COUNCILMEMBER TOLMACHOFF, AND UNANIMOUSLY CARRIED TO ACCEPT THE CONTINUOUS MONITORING – CONTRACT CHANGE ORDERS FIRST AUDIT REVIEW.

7. Internal Audit Update

Ms. Beckstrom said thank you, Mr. Chair. For the Internal Audit update this month, the IT Department worked with the Mobility Center and Finance teams to implement an electronic transaction platform on February 22nd and Internal Audit will verify sales reporting and reconciliation processes in the next couple of months since that system has just been implemented recently.

And the Operations and Maintenance Department implemented Recommendation 4 related to pre-approval of overtime and they're in the process of implementing Recommendation 3 which is to add some of their procedures into contract language for their contract management rail transportation related to the Contract Management Rail Transportation Services audit.

For our Internal Audit work, we plan to present both the Credit Card and Travel Reimbursement audit reports in the April Audit and Finance Subcommittee meeting and we're in the planning stages for an Identity and Access Control audit as well as an audit of bus purchases for federal grant compliance. The bus purchases, we're scoping that now. We understand that the triennial reviewers that are working through the City of Phoenix are going to be reviewing the contract for heavy duty bus purchases so we're going to scope that out, but we'll be looking at some other areas.

We're also in the process of conducting our annual risk assessment for the upcoming audit plan year and so, I will be reaching out to each of you this month for input into that process.



That concludes my remarks. Are there any questions?

Chair Stipp said any questions for Sebrina? Now, again, just, Sebrina, for you and the team, you guys have really crushed it this year. A lot has gotten done and a lot of very heavy lifts have occurred and for a small team, you've done a lot of work so I think if I could speak on behalf of the entire Committee, I really want to express our appreciation for everything that has gone on so far.

Ms. Beckstrom said thank you.

This item was presented for information only.

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

Chair Stipp said this is for information. Does anybody have questions besides me on this?

And since this is only for information, I guess, we'll talk about it at the Board meeting on the 24th, but it appears as though item 8A the Enterprise Resource Planning, the ERP and the EAM contract, that is based on this policy change that we just talked about. Is that how I'm reading this? We've exceeded the original contract authority and need additional funding?

Mr. Hillyard said yes, Mr. Chairman. So this is a contract implementing the ERP and EAM system. What we have discovered in recent months was we weren't ready to go live with payroll. We had some staff illnesses, and some things came out of the woodwork and that needed to be delayed because, of course, payroll really, really, really needs to be right.

And so, this isn't seeking additional authority to accommodate that extension. It's also a perfect case study in some respects of the policy that we've just talked about because should the Board approve this authority increase this month, you will still see it on the April report as a contract at risk when that April report comes out because we've also discovered along the way that the original scope of work for the system didn't include a time clock for OMC and the OMC has to have a time clock. Like, it's not possible for them to log in on computers. They have a 15-minute line of people trying to clock in and clock out. It also included more complex rules for shift differential than the law requires and that's creating administrative overhead for the managers at the OMC, and we really need to simplify those rules, but those can't be simplified before we go live so we'll come back even after go live to incorporate a new -- a time clock and to make some modest changes.

And so, this will be a perfect example of how that new policy is intended to keep the Board apprised of changes even when we don't have an exact number for what the time



clock is going to cost. It's not going to be a big number, but it's going to have to be added. And so, the Board will be aware that those things are coming and that they will be seeing them even though we can't bring them to you now because we don't have a firm estimate from our contractor yet.

Chair Stipp said so is this going to be an agenda item or is this a consent kind of thing because I think a presentation to the Board on this would be probably important?

Mr. Hillyard said yeah. I think, you know, I think this has been consent through the process heretofore, but I would sure be happy to speak to it if that would be helpful. Chair Stipp said I think from an Audit and Finance Subcommittee perspective given what we just went through in the audit and what we've just gone through with this other thing, it's probably behooved all of us to get that out in front of the Board.

Mr. Hillyard said you bet.

Chair Stipp said I don't know if anyone would like to disagree with that or not, but that's how I'm going to run this.

Mr. Smith said no, we'll put it on the record, again, but it's easy.

Councilmember Arredondo-Savage said would I ever want to disagree with you, Chair? Never.

Councilmember Tolmachoff said I thought we weren't allowed to disagree with him.

Councilmember Arredondo-Savage said you set the rules much earlier. We got this.

Chair Stipp said hey, look, for having an Executive Session, et cetera we are only at 1:20 so if you would like we can drag this out or we can – or we can kill this thing right now.

This item was presented for information only.

9. Future Agenda Items

Chair Stipp said you'll see that we have finally settled on May for the rare recovery update with everything that is going on with the budget, I had suggested to Jim and Tyler that we push that piece. As we talk about fare recovery and revenue, it's a perfect budget item. Let's get the budget started and then we'll talk about that in May as we roll through so.

Any other requests for future agenda items? Seeing none.



The next meeting of the Audit and Finance Subcommittee is scheduled for April 7, 2022, at 12:00 p.m.

This meeting is adjourned.

Without further discussion, the meeting was adjourned at 1:20 p.m.



Information Summary

DATE

April 1, 2022

AGENDA ITEM 4**SUBJECT**

Travel Expenses, Review #1

PURPOSE

To present the results of the Travel Expenses audit review to the Audit and Finance Subcommittee (AFS) for acceptance.

COST AND BUDGET

None

RECOMMENDATION

Staff recommends the AFS accept the Travel Expenses, Review #1 audit report.

BACKGROUND/DISCUSSION/CONSIDERATION

A series of travel expense audits was included in the Fiscal Year 2022 (FY22) audit plan and was approved by the Audit and Finance Subcommittee (AFS) on June 3, 2021. The audits seek to determine whether controls over the travel processes are effective and if management has addressed prior audit recommendations. This audit was the first audit conducted in a series of semiannual reviews and covers travel from July 1, 2020 through December 31, 2021.

COMMITTEE ACTION

AFS: April 7, 2022 for acceptance

CONTACT

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Chief Auditor

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ATTACHMENT

No. 22-06_Travel Expenses Review #1 - March 2022

March 14, 2022

Travel Expenses-Review #1

INTERNAL AUDIT REPORT No. 22-06



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To: Councilmember Bill Stipp, Chair, Goodyear
Vice Mayor Laura Pastor, Phoenix
Councilmember Francisco Heredia, Mesa
Councilmember Robin Arredondo-Savage, Tempe
Councilmember Lauren Tolmachoff, Glendale

Internal Audit has completed an audit of the travel expenses from July 1, 2020 through December 31, 2021. This was the first review in a newly developed process to continuously audit travel expenses semi-annually. The review was to assess whether controls over the travel processes are effective and if management has addressed prior audit recommendations. The audit was part of Valley Metro's Fiscal Year 2022 Internal Audit Plan.

The report includes the following sections: Executive Summary, Introduction and Background (that includes Objective, Scope, and Methodology), Audit observations, and conclusions.

Based on Internal Audit's review, this report contains audit observations. However, Internal Audit found no areas during the review that appear to be out of compliance with applicable criteria.

We appreciate the support and assistance provided by Valley Metro staff throughout the audit process.

If you have questions or would like further clarification, please contact me at 602-256-5813.



Sebrina Beckstrom, CIG, CFE, CIGA
Chief Auditor
March 14, 2022

Performed by:
Jennifer Davis, CIA
Senior Internal Auditor

Distribution

Scott Smith, Chief Executive Officer
Alexis Tameron Kinsey, Chief of Staff
Jim Hillyard, Chief Administrative Officer &
Acting Chief Financial Officer
Elizabeth Rozzell, Controller
Michael Minnaugh, General Counsel

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Executive Summary

A series of travel expense audits was included in the Fiscal Year 2022 (FY22) audit plan and was approved by the Audit and Finance Subcommittee (AFS) on June 3, 2021. The audits seek to determine whether controls over the travel processes are effective and if management has addressed prior audit recommendations. This audit was the first audit conducted in a series of semi-annual reviews.

This Executive Summary provides an overview of the audit along with the associated categorization of risks identified throughout the review. Report risk is calculated based on likelihood and impact. As indicated below in Figure 1, the overall report risk is determined to be **Low**.

Figure 1. Report Risk Ratings

Low	Medium	High	Critical
An overall report risk rating of Low indicates the processes/controls supporting business unit operations and addressing associated risks are mostly effective.	An overall report risk rating of Medium indicates the processes/controls supporting business unit operations and addressing associated risks are somewhat effective.	An overall report risk rating of High indicates the processes/controls supporting business unit operations and addressing associated risks are somewhat ineffective.	An overall report risk rating of Critical indicates the processes/controls supporting business unit operations and addressing associated risks are mostly ineffective.

Internal Audit concluded that Valley Metro's established internal controls were effective, efficient, and provided adequate monitoring of travel expenses. Furthermore, testing determined that Valley Metro staff adhered to the controls (pages 4 – 7).

Additionally, Internal Audit concluded that Valley Metro addressed prior audit recommendations and that the FY22 reporting of travel expenses to the Board of Directors was accurate (pages 6 – 7).

Introduction and Background

Audit plan

A series of travel expense audits was included in the FY22 audit plan approved by the AFS on June 3, 2021. This audit was the first audit conducted in a series of semi-annual reviews.

Objective and Scope

The objective of the audit was to determine whether controls over the travel processes are effective and if management has addressed prior audit recommendations. The AFS requested that Internal Audit continuously review travel expenses as part of the travel expense and reimbursement reporting process.

This first audit focused on travel transactions from July 1, 2020 through December 31, 2021. Activities around this timeframe that assisted with the audit objective were included in the review.

Methodology

Valley Metro's Travel policy (v. 10/29/19)¹ and the annual Travel Control Lists were reviewed and used as criteria to determine compliance with travel requirements. The Travel Control List is a spreadsheet listing the anticipated travel expenses requested on an annual basis during the budget process.

The FY21 Travel Control List itemized an anticipated 81 required/essential travel trips for a total budgeted expense of \$103,500. Due to the pandemic, the Agency limited travel to required trips only. These required trips included site visits to the manufacturers of light rail vehicles (LRV) and streetcars (TSC) for various inspections.

Anticipating the return of professional development/discretionary travel for FY22, the FY22 Travel Control List itemized 159 travel trips for a total budgeted expense of \$251,600. However, as of this report, professional development and discretionary travel is still at a reduced level.

Internal Audit determined there were 30 total travel trips during the audit scope and reviewed all 30 trips for compliance with Valley Metro policies.

Internal Audit focused on the following areas:

- Travel expenses:
 - Compliance with Valley Metro policies
 - Completeness of documentation and supporting receipts
 - Accurate general ledger postings
 - Documented reviews for appropriateness and authorization
- Accuracy of travel expenses reported to the Board of Directors
- Travel policy training

To meet the audit objectives, Internal Audit interviewed applicable staff, reviewed applicable general ledger postings, and tested travel and training documents.

¹ FIN-02.03_Management_Policy_Travel (10.29.2019)

Requesting travel

During July 2020 through December 2021, travelers used the *Travel Authorization Form* to process all authorized and budgeted Agency travel. This form required the signature approval of the Division Head, the Chief Financial Officer (CFO), and the Chief Executive Officer (CEO). Travel Administrators then booked travel based on the approved forms.

Travel Administrators

After the *Travel Authorization Form* was routed for appropriate approvals, it was submitted to one of five Valley Metro employees known as "Travel Administrators" to book the individual's travel and/or registration request.

The five Agency employees designated as Travel Administrators utilized a Valley Metro Wells Fargo credit card issued in their name to book travel-related expenses:

- Executive Administrative Coordinator
- Administrative Assistant III, Capital and Service Development
- Administrative Assistance III, Operations/Maintenance Center
- Administrative Assistance III, Finance
- Accounting Technician, Finance

The Travel Administrators received refresher training on the Travel policy (v. 10/29/19) on July 20, 2021. Internal Audit reviewed the training materials and the sign-in sheet and determined all five Travel Administrators attended the training.

Travel Expense Reports

The *Travel Expense Report* (TER) was used to record all estimated expenses before travel and then reported actual expenses that occurred while the traveler was on travel status. Travelers should have completed and submitted a TER within 10 business days after the traveler returns to work.

Allowable expenses, as defined in the Travel policy, can include, air travel, lodging, meals and incidental expenses allowance (per diem), ground transportation, business communication expenses, laundry services, and business entertainment.

Non-allowable expenses continue to include first-class airfare, expenses related to companion travel, alcoholic beverages, and personal entertainment expenses.²

Over the past two fiscal years, Valley Metro has had fewer travel expenses than the approved travel budget. Table 1 below shows a comparison of the budgeted and actual travel expenses.

Table 1: Travel Expense to Budget Comparison

Fiscal Year	Budgeted Travel Expenses	Actual Travel Expense	Actual as a % of Budgeted
FY20*	\$ 408,400	\$ 146,692	36%
FY21**	\$ 103,500	\$ 18,028	17%
Totals	\$ 511,900	\$ 164,720	32%

*In response to the COVID-19 pandemic, Valley Metro suspended travel in March 2020, reducing the actual travel expenditures for FY20.

**Limited required travel trips were completed for FY21.

² FIN-02.03_Management_Policy_Travel (10.29.2019) Section V. Non-allowable Expenses

Audit observations

Travel expenses

Internal Audit reviewed the travel authorization and travel expense documentation for July 1, 2020 through December 31, 2021 (FY21 and FY22) and determined a total of 30 travel trips (20 in FY21 and 10 in FY22) were completed, totaling \$30,880 in travel expenses. Table 2 below summarized the travel expenses. See the Appendix at the end of the report for a full listing of the travel trips.

Table 2: Travel Expenses

Traveler's Job Title	# of Trips	Airfare	Rental Cars Fuel	Lodging	Meals Per Diem	Total Travel Cost
Superintendent LRV Maintenance	8	\$ 2,363	\$ 1,595	\$ 2,555	\$ 1,482	\$ 7,994
Chief Maintenance Engineer	6	\$ 2,337	\$ 889	\$ 1,714	\$ 1,120	\$ 6,061
LRV Maintenance Supervisor	2	\$ 668	\$ -	\$ 523	\$ 336	\$ 1,527
LRV Mechanic	1	\$ 550	\$ -	\$ 209	\$ 140	\$ 899
Rail Operations Asst. Manager	1	\$ 339	\$ -	\$ 314	\$ 196	\$ 849
Rail Operations Manager	1	\$ 264	\$ -	\$ 105	\$ 140	\$ 508
Chief Operations Officer	1	\$ -	\$ -	\$ 105	\$ 84	\$ 189
FY21 Totals	20	\$ 6,521	\$ 2,484	\$ 5,525	\$ 3,498	\$ 18,028
Deputy Director Maintenance/State of Good Repair Previous: Superintendent LRV Maintenance	3	\$ 2,257	\$ 1,036	\$ 1,270	\$ 668	\$ 5,230
Chief Executive Officer	2	\$ 533	\$ 270	\$ 1,476	\$ 450	\$ 2,728
Manager, Operations Support and Analysis	1	\$ 770	\$ -	\$ 449	\$ 196	\$ 1,415
Labor Compliance Specialist	1	\$ 155	\$ 323	\$ 766	\$ 148	\$ 1,391
Chief Administrative Officer	1	\$ 521	\$ 54	\$ 566	\$ 173	\$ 1,313
Manager, Construction and Utilities	1	\$ -	\$ 123	\$ 215	\$ 111	\$ 449
Project Manager	1	\$ -	\$ -	\$ 215	\$ 111	\$ 326
FY22 Totals	10	\$ 4,235	\$ 1,807	\$ 4,957	\$ 1,854	\$ 12,852
Totals	30	\$ 10,756	\$ 4,290*	\$ 10,482	\$ 5,352	\$ 30,880

*Figures were rounded to the nearest dollar, therefore causing a \$1 variance in the totals.

For FY21, the Board of Directors approved Valley Metro's budget that included \$105,300 for travel expenses, with an estimated cost per trip of \$1,300. Internal Audit determined only 17 percent of the budget was spent with an average trip cost of \$901. Testing verified that per diem expenses (for meals and incidentals) and the lodging rates complied with the applicable U.S. General Service Administration (GSA) rates for the travel locations. Additionally, the airfare fees were determined to be reasonable.

Travel expense reporting to the Board of Directors

Internal Audit reviewed the travel expenses that were reported to the Board of Directors during the audit scope and determined that the revised processes to report travel expenses, implemented in August 2021 were effective.

Internal Audit's FY20 Travel Expense Audit was issued in April 2021 and noted reporting accurate travel expenses to the Board of Directors as a finding. Management concurred and committed to revising the process to report travel expenses in August 2021. Understandably since the process had not been updated, the auditors realized errors in the process still existed for FY21.

In August 2021, Finance did implement a robust reconciliation process for FY22 travel expenses. Based on the TERs, there were ten travel trips for FY22 with expenses totaling \$12,852. However, Board reporting was not required for the two in-state trips (\$775). Additionally, one trip will be reported on the January 2022 Board Travel Report (\$1,739). Therefore, IA reviewed Finance's reconciliation documentation, tested the reporting accuracy for the remaining seven trips, and determined all expenses were accurately reported to the Board of Directors as \$10,338.

Prior audit findings and recommendations

Valley Metro Internal Audit performed the Travel Expenses Audit for FY20, and the report was issued in April 2021 with two recommendations. Testing for reporting travel expenses to the Board of Directors and discussions with management confirmed the recommendations have been addressed.

Audit: Travel Expenses	Report Date: 4/27/2021	Finding Status:	Remediated
Finding: Efforts to maintain transparency in travel expense reporting has improved but should continue to be enhanced			
(1) IA recommends the Valley Metro Finance Division enhance the travel expense reporting process.			
Testing determined FY22 travel expenses were accurately reported to the Board of Directors, and that a review/reconciliation process was in effect to ensure accuracy. The finding and recommendation were addressed and implemented.			
(2) IA recommends the Valley Metro Finance Division explore the options of a system-supported process to facilitate travel expense processes and tracking.			
In coordination with Plante Moran, Valley Metro management teams explored Oracle's expense reporting module (iExpense). However, management did not select to implement iExpense due to the relatively low volume of expense-related reimbursements. The finding and recommendation were addressed, and management decided not to implement a system-supported process.			

Review conclusions

Internal Audit reviewed the *Travel Authorization Forms* from July 1, 2020 through December 31, 2021 and the supporting *Travel Expense Report* documentation for the 30 travel trips completed. There were no findings or recommendations associated with the documents reviewed. Therefore, the conclusions of the audit have been provided.

Internal Audit determined that per the requirements of the Travel policy (v. 10/29/19):

- *Travel Authorization Forms* were properly approved and submitted with supporting documentation
- *Travel Expense Reports* were submitted timely, documented proper approvals, and maintained supporting receipts for the expenses incurred and the reimbursements requested

Additionally, Internal Audit verified that the Travel Administrators received refresher training on the Travel policy (v. 10/29/19) on July 20, 2021. Internal Audit reviewed the training materials and the sign-in sheet and determined all five Travel Administrators attended the training.

Finally, in August 2021, Finance implemented a robust reconciliation process for FY22 travel expenses to address prior audit recommendations. Internal Audit determined FY22 travel expenses were accurately reported to the Board of Directors and the new review processes are proving effective.

Appendix - Travel listing (FY21 and FY22)

Trip #	Job Title	Division	Purpose of Travel	Location	Date Travel Started	Date Travel Ended	Airfare	Other Transport	Lodging	Meals/Per Diem	Total Travel Cost
1	LRV Maintenance Supervisor	Ops	FAI at Brookville	Pittsburg, PA	7/28/2020	7/31/2020	\$ 322		\$ 314	\$ 196	\$ 832
2	Superintendent LRV Maintenance	Ops	FAI at Brookville	Pittsburg, PA	7/28/2020	7/31/2020	\$ 322	\$ 305	\$ 314	\$ 196	\$ 1,137
3	Chief Maintenance Engineer	Ops	FAI at Brookville	Pittsburg, PA	7/28/2020	7/31/2020	\$ 322		\$ 314	\$ 196	\$ 832
4	Superintendent LRV Maintenance	Ops	FAI at Brookville	Pittsburg, PA	8/30/2020	9/2/2020	\$ 322	\$ 240	\$ 314	\$ 196	\$ 1,072
5	Chief Maintenance Engineer	Ops	FAI at Brookville	Pittsburg, PA	8/30/2020	9/2/2020	\$ 322		\$ 314	\$ 196	\$ 832
6	LRV Mechanic	Ops	LRV Truck FAI	Pittsburg, PA	9/23/2020	9/25/2020	\$ 550		\$ 209	\$ 140	\$ 899
7	Chief Maintenance Engineer	Ops	LRV Truck FAI	Pittsburg, PA	9/23/2020	9/25/2020	\$ 550	\$ 285	\$ 209	\$ 140	\$ 1,184
8	LRV Maintenance Supervisor	Ops	FAI at Brookville	Pittsburg, PA	10/19/2020	10/21/2020	\$ 346		\$ 209	\$ 140	\$ 695
9	Rail Operations Manager	Ops	FAI at Brookville	Pittsburg, PA	10/19/2020	10/21/2020	\$ 264		\$ 105	\$ 140	\$ 508
10	Superintendent LRV Maintenance	ACI-Ops	FAI at Brookville	Pittsburg, PA	10/19/2020	10/21/2020	\$ 264		\$ 237	\$ 140	\$ 641
11	Superintendent LRV Maintenance	Ops	FAI at Brookville	Pittsburg, PA	10/19/2020	10/21/2020	\$ 376	\$ 214	\$ 209	\$ 140	\$ 939
12	Chief Maintenance Engineer	Ops	FAI at Brookville	Pittsburg, PA	10/19/2020	10/21/2020	\$ 396		\$ 209	\$ 140	\$ 745
13	Superintendent LRV Maintenance	Ops	Crash Testing for LRV	Indianapolis, IN	2/1/2021	2/5/2021	\$ 445	\$ 229	\$ 354	\$ 252	\$ 1,279
14	Chief Maintenance Engineer	Ops	Crash Testing for LRV	Indianapolis, IN	2/1/2021	2/5/2021	\$ 407		\$ 354	\$ 252	\$ 1,013
15	Rail Operations Asst. Manager	Ops	LRV Inspections Brookville	Pittsburg, PA	2/15/2021	2/18/2021	\$ 339		\$ 314	\$ 196	\$ 849
16	Chief Operations Officer	Ops	LRV Inspections Brookville	Pittsburg, PA	2/15/2021	2/17/2021	\$ -		\$ 105	\$ 84	\$ 189
17	Superintendent LRV Maintenance	Ops	FAI at Brookville	Pittsburg, PA	2/15/2021	2/17/2021	\$ 188		\$ 314	\$ 154	\$ 656
18	Superintendent LRV Maintenance	Ops	LRV Inspections	Newark, NJ	2/18/2021	2/19/2021	\$ 126	\$ 218	\$ 145	\$ 107	\$ 596
19	Chief Maintenance Engineer	Ops	LRV Inspections Brookville	Pittsburg, PA	2/15/2021	2/18/2021	\$ 339	\$ 604	\$ 314	\$ 196	\$ 1,454
20	Superintendent LRV Maintenance	Ops	Siemens Discussions	Sacramento, CA	6/7/2021	6/11/2021	\$ 320	\$ 388	\$ 668	\$ 297	\$ 1,673
21	Superintendent LRV Maintenance	Ops	FAI at Brookville	Pittsburg, PA	8/22/2021	8/25/2021	\$ 659	\$ 333	\$ 449	\$ 196	\$ 1,638
22	Manager, Operations Support and Analysis	Ops	FAI at Brookville	Pittsburg, PA	8/22/2021	8/25/2021	\$ 770		\$ 449	\$ 196	\$ 1,415
23	Chief Executive Officer	Executive	APTA Nominating Committee	Chicago, IL	9/15/2021	9/16/2021	\$ 227	\$ 28	\$ 245	\$ 114	\$ 614
24	Manager, Construction and Utilities **	Capital Development	2021 AZ Conf on Roads & Streets	Tucson, AZ	10/6/2021	10/8/2021	\$ -	\$ 123	\$ 215	\$ 111	\$ 449
25	Project Manager **	Capital Development	2021 AZ Conf on Roads & Streets	Tucson, AZ	10/6/2021	10/8/2021	\$ -	\$ -	\$ 215	\$ 111	\$ 326
26	Superintendent LRV Maintenance	Ops	Climate Room Testing	Elmira, NY	10/12/2021	10/16/2021	\$ 719	\$ 455	\$ 430	\$ 248	\$ 1,852
27	Chief Administrative Officer	Executive	APTA TRANSform Conf & Expo	Orlando, FL	11/7/2021	11/9/2021	\$ 521	\$ 54	\$ 566	\$ 173	\$ 1,313
28	Chief Executive Officer	Executive	APTA TRANSform Conf & Expo	Orlando, FL	11/5/2021	11/10/2021	\$ 306	\$ 242	\$ 1,231	\$ 336	\$ 2,114
29	Labor Compliance Specialist	Capital Development	LCP Tracker Ignite 2021	San Diego, CA	11/15/2021	11/18/2021	\$ 155	\$ 323	\$ 766	\$ 148	\$ 1,391
30	Deputy Director Maintenance/State of Good Repair Previous: Superintendent LRV Maintenance	Ops	Brookville Visit	Pittsburg, PA	12/19/2021	12/22/2021	\$ 878	\$ 247	\$ 390	\$ 224	\$ 1,739
Totals							\$ 10,756	\$ 4,291	\$ 10,482	\$ 5,352	\$ 30,880

*LRV – Light Rail Vehicle, FAI – First Article Inspection, ACI – Alternate Concepts, Inc., APTA – American Public Transportation Association, and LCPTracker – Labor Compliance software program

**In-State trips (Reporting of in-state travel expenses to the Board of Directors is not required)



Information Summary

DATE

April 1, 2022

AGENDA ITEM 5**SUBJECT**

Credit Card Transactions Audit

PURPOSE

To present the results of the Credit Card Transactions audit review to the Audit and Finance Subcommittee (AFS) for acceptance.

COST AND BUDGET

None

RECOMMENDATION

Staff recommends the AFS accept the Credit Card Transactions audit report.

BACKGROUND/DISCUSSION/CONSIDERATION

The Credit Card Transactions audit was included in the Fiscal Year 2022 (FY22) audit plan and was approved by the Audit and Finance Subcommittee (AFS) on June 3, 2021. The audit seeks to determine whether controls over credit card usage are effective and if management has addressed prior audit recommendations. Auditors also assessed staff compliance with established credit card requirements and best practices for transactions conducted from July 1, 2020 through June 30, 2021 (FY21).

COMMITTEE ACTION

AFS: April 7, 2022 for acceptance

CONTACT

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602-256-5813

ATTACHMENT

No. 22-07_ Credit Card Transactions Audit - March 2022

March 28, 2022

Credit Card Transactions Audit

INTERNAL AUDIT REPORT No. 22-07



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To: Councilmember Bill Stipp, Chair, Goodyear
Vice Mayor Laura Pastor, Phoenix
Councilmember Francisco Heredia, Mesa
Councilmember Robin Arredondo-Savage, Tempe
Councilmember Lauren Tolmachoff, Glendale

Internal Audit has completed an audit of the credit card transactions from July 1, 2020 through June 30, 2021 (FY21). The review was to assess whether controls in place over credit card usage are effective and if management has addressed prior audit recommendations. Auditors also assessed staff compliance with established credit card requirements and best practices. The audit was part of Valley Metro's Fiscal Year 2022 Internal Audit Plan.

The report includes the following sections: Executive Summary, Introduction and Background (that includes Objective, Scope, and Methodology), Prior Audit Finding/Recommendation, current Audit Finding/Recommendation, and an Appendix with Management's Response Matrix.

Based on Internal Audit's review, this report contains one finding and recommendation to improve the process to obtain annual acknowledgments to align with the policy.

We appreciate the support and assistance provided by Valley Metro staff throughout the audit process.

If you have questions or would like further clarification, please contact me at 602-256-5813.



Sebrina Beckstrom, CIG, CFE, CIGA
Chief Auditor
March 28, 2022

Performed by:
Jennifer Davis, CIA
Senior Internal Auditor

Distribution

Scott Smith, Chief Executive Officer
Alexis Tameron Kinsey, Chief of Staff
Jim Hillyard, Chief Administrative Officer &
Acting Chief Financial Officer
Patty Clark, Chief Procurement Officer
Elizabeth Rozzell, Controller
Michael Minnaugh, General Counsel

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Executive Summary

The Credit Card Transactions audit was included in the Fiscal Year 2022 (FY22) audit plan and was approved by the Audit and Finance Subcommittee (AFS) on June 3, 2021. The audit seeks to determine whether controls over credit card usage are effective and if management has addressed prior audit recommendations. Auditors also assessed staff compliance with established credit card requirements and best practices.

The Valley Metro Credit Card, Acceptable Use Policy (FIN 01.03) was issued in February 2020. This policy is designed to help ensure that Valley Metro staff have documented guidance and that the organization has instituted appropriate oversight and controls to reduce the risk of improper credit card transactions.

This Executive Summary provides an overview of the audit along with the associated categorization of risks identified throughout the review. Report risk is calculated based on likelihood and impact. As indicated below in Figure 1, the overall report risk is determined to be **Low**. Internal Audit (IA) determined that Valley Metro has made significant improvements in its credit card processes over the years and continues to maintain those controls.

Figure 1. Report Risk Ratings

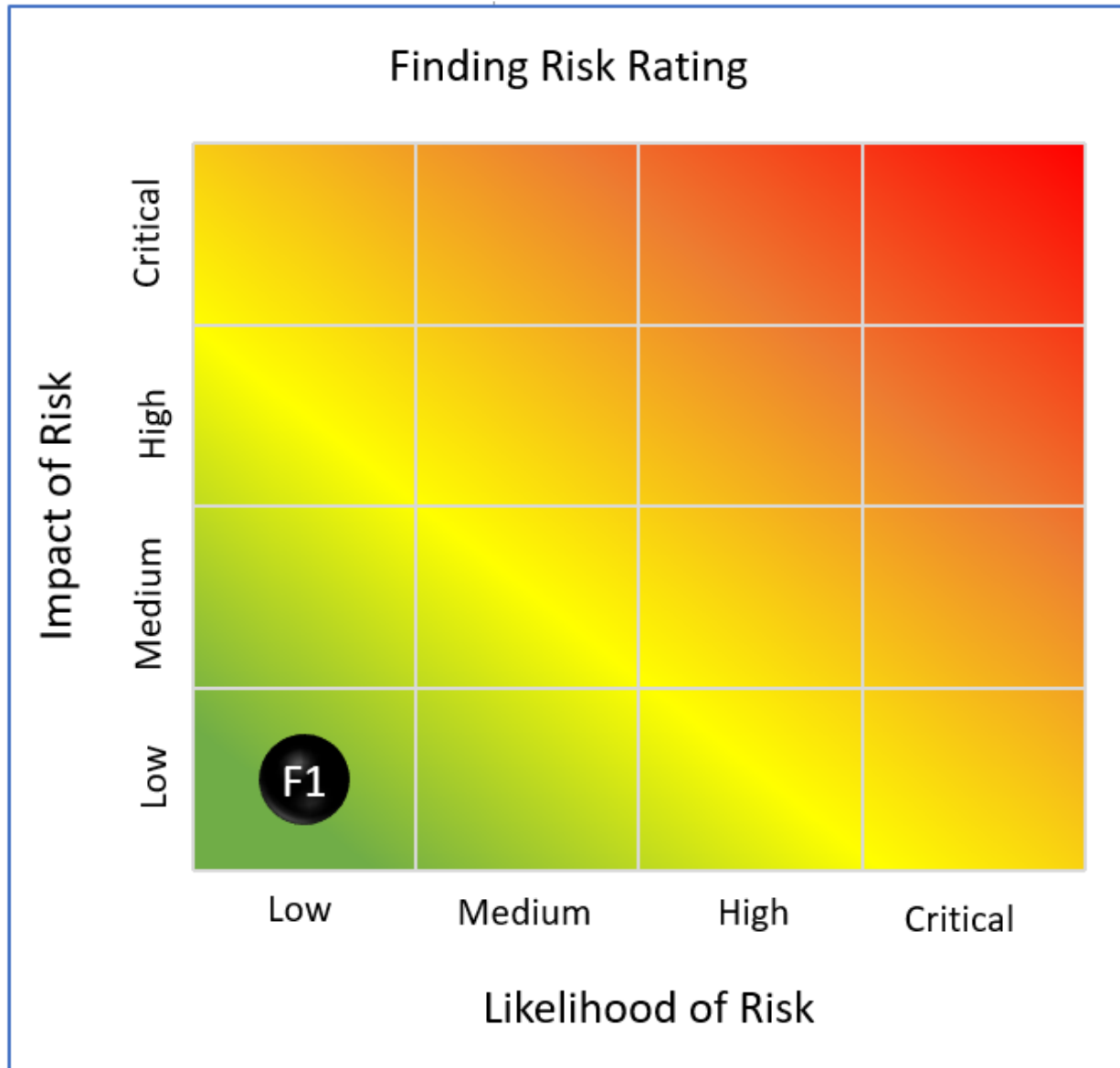
Low	Medium	High	Critical
An overall report risk rating of Low indicates the processes/controls supporting business unit operations and addressing associated risks are mostly effective.	An overall report risk rating of Medium indicates the processes/controls supporting business unit operations and addressing associated risks are somewhat effective.	An overall report risk rating of High indicates the processes/controls supporting business unit operations and addressing associated risks are somewhat ineffective.	An overall report risk rating of Critical indicates the processes/controls supporting business unit operations and addressing associated risks are mostly ineffective.

Conclusions pursuant to the audit objective are presented as one finding and an associated recommendation in this report. IA rated the risk of the finding, assigning a “risk rating” that reflects the likelihood and impact of negative events occurring in the audited area. Below is a description of the risk ratings, a heat map showing the rating for the finding (labeled F1), and a summary.

Figure 2. Finding Risk Ratings

Low	Medium	High	Critical
A finding with a low risk rating indicates little or minimal negative impact to the audited area. Action is recommended.	A finding with a medium risk rating indicates a negative impact to the audited area. Action is required.	A finding with a high risk rating indicates a substantial negative impact to the audited area. Some immediate action is required.	A finding with a critical risk rating indicates a serious negative impact to the audited area. Immediate action is required.

Figure 3. Finding Heat Map



Finding Summary:



Finding 1 – Annual *Agency Credit Cardholder Agreement and Request Change Forms* should be signed at the beginning of the fiscal year

Internal Audit confirmed that the Credit Card Administrator had all twenty fiscal year 2022 Annual Agency Credit Cardholder Agreement and Request Change Forms signed in February 2022. However, the Credit Card, Acceptable Use policy, requires the forms to be signed at the beginning of the fiscal year. (page 10)

Introduction and Background

Audit plan

The Credit Card Transactions audit was included in the FY22 audit plan approved by the AFS on June 3, 2021.

Objective and Scope

The objective of the audit was to determine whether controls over credit card usage were effective and if management addressed the prior audit recommendations. Auditors also assessed staff compliance with established credit card requirements and best practices.

This audit focused on credit card activities from July 1, 2020 through June 30, 2021. Activities around this timeframe that assisted with the audit objective were included in the review.

Methodology

Internal Audit determined that, based on results of prior year audits, Valley Metro had improved upon credit card practices/controls, and as a result, we only selected a sample of credit card transactions for review. Auditors used a stop-or-go sampling¹ approach starting with a sample of 10 percent of the FY21 Wells Fargo credit card transactions. Based on the error rate found in the first 10 percent, the sampling percentage was not increased beyond 10 percent.

Internal Audit focused on the following areas:

- Credit card issuance and cardholder training
- Cardholder transactions for:
 - Compliance with Valley Metro policies
 - Completeness of documentation supporting monthly reconciliations
- Documented reviews by Division Heads/Managers, Credit Card Administrator, and Finance for appropriateness and authorization
- Policies align with current processes

The following policies were used as the basis for our review of evidence to determine compliance with Valley Metro policies:

- *Credit Card, Acceptable Use policy* (v. 2/13/20)
- *Joint Internal Procurement Manual* (v. 5/08/19)
- *Travel policy* (v. 10/29/19)
- *Agency Local Dining and Refreshments policy* (v. 9/30/17)

To meet the audit objectives, Internal Audit interviewed applicable staff, reviewed applicable general ledger postings, and tested credit card transaction and reconciliation documents.

¹ Stop-or-go sampling involves the evaluation of each sample taken from a population to see if it fits a desired conclusion. The auditor stops evaluating samples as soon as there is sufficient support for the conclusion. If the initial evaluation does not support the conclusion, the person conducting the test incrementally increases the sample size and continues to test, trying to reach the desired outcome that supports the desired conclusion. <https://www.accountingtools.com/articles/2017/5/16/stop-or-go-sampling>

Audit Observations

Cardholders spend summary

Valley Metro uses Wells Fargo Bank to facilitate credit card purchases for its 22 cardholders. Internal Audit (IA) determined that for FY21, 22 cardholders had a net credit card spend of \$500,527. Table 1 below provides a divisional breakdown of cardholder spend, the number of cardholders, and the total monthly limits for the Division's cardholders. Testing of the monthly credit card packets confirmed the division head or manager reviewed and approved the cardholder packets.

Table 1: Divisional Breakdown of Credit Card Spend

Division	FY21 Spend	% of Total	# of Cardholders	Monthly Limits
Operations and Maintenance	\$ 177,053	35%	5	\$ 45,000
Agency Business, Technology and Services	\$ 128,591	26%	4	\$ 43,000
Communications and Strategic Initiatives	\$ 67,119	13%	2	\$ 25,000
Human Resources	\$ 53,441	11%	1	\$ 15,000
Finance	\$ 29,650	6%	2	\$ 50,000
Executive	\$ 29,288	6%	3	\$ 30,000
Capital and Service Development	\$ 11,960	2%	3	\$ 35,000
Legal	\$ 1,809	0%	1	\$ 5,000
Safety, Security, and Quality Assurance	\$ 1,616	0%	1	\$ 5,000
Totals	\$ 500,527	100%	22	\$253,000

Table 2 below presents a summary, by general ledger coded activity, of the credit card paid expenses with more than \$25,000 in annual spend for FY21 and the figures for FY20. Testing of the monthly credit card packets confirmed members of the budget and finance teams reviewed and approved the cardholder packets for general ledger coding.

Table 2: Annual Credit Card Expenses by Activity Title (Greater than \$25,000)

Activity	Activity Code	FY21	FY20
Local meetings & mileage	7815	\$ 26,605	\$ 32,897
Vehicle Maintenance Labor & Materials	6204	\$ 28,358	\$ 13,460
SFM Materials Supplies ODC	6206	\$ 29,953	\$ 41,053
Training & Seminars	7305	\$ 38,987	\$ 79,137
Equipment Unit Cost under \$5k	7807	\$ 45,350	\$ 36,702
HR/Employee Expense	6308	\$ 53,039	\$ 41,632
Other direct expenditures ²	7800	\$ 66,102	\$137,136
Sub-totals		\$288,394	\$382,018
Additional Activity Codes	Varies	\$212,133	\$390,819
Totals		\$500,527	\$772,837

Overall expenses paid by credit cards decreased 35 percent from FY20 to FY21. Travel and training expenses (paid by credit cards) accounted for 50 percent of the annual decrease, noting expenses decreased from \$189,784 in FY20 to \$52,471 in FY21.

² Other Direct Expenditures contained a variety of purchase categories such as: marketing, advertising, video service, local dining, and gift cards.

Credit card transactions

Procurement review

A review of the credit card packets determined the monthly procurement review included an average of 24 percent of the FY21 transactions. The transactions reviewed appeared random and varied monthly by the cardholders. The reviewer also verified that technology purchases had approvals from the Information Technology (IT) department and reviewed credits/returns following the *Credit Card Standard Work* (08/2021) process. Also included with the reviews was documentation evidencing communication with cardholders for clarifications and questions.

Internal Audit testing

Internal Audit transaction testing confirmed existing controls over credit card activities remain effective. Auditors used a stop-or-go sampling approach starting with a sample of 10 percent of the FY21 Wells Fargo credit card transactions. Transactions were chosen at random but did include purchases for gift cards, local dining/meals, information technology items, and those that exceed \$1,000³. Transactions were reviewed for supporting documents to include receipts and invoices. As applicable, we reviewed for IT approval of technology purchases and signed authorization forms: FIN 04.02 (professional development), MGMT-02.04 (local dining), or MGMT 07.02 (gift card purchase).

Prior Audit Finding/Recommendation

In April 2021, Internal Audit issued their report for the Credit Card Transactions Audit for activities from January 1, 2019 through June 30, 2020. The report had a recommendation to document the standard work process for the credit card transaction review process. In August 2021, the procurement team created the *Credit Card Standard Work* document. Testing of FY21 credit card reviews determined the review process followed the *Credit Card Standard Work* process. IA verified this recommendation was implemented and the finding is remediated.

³ Travel related expense testing during the recent Travel Expenses Audit (March 2022) resulted in no findings.

Audit Finding and Recommendation

Annual Agency Credit Cardholder Agreement and Request Change Forms should be signed at the beginning of the fiscal year

Internal Audit confirmed that the Credit Card Administrator had all twenty fiscal year 2022 *Annual Agency Credit Cardholder Agreement and Request Change Forms* signed in February 2022. However, the Credit Card, Acceptable Use policy, requires the forms to be signed at the beginning of the fiscal year.

The Credit Card Administrator had the fiscal year 2021 forms signed in March 2021 and thought the requirement was for annual sign-offs rather than sign-offs at the beginning of each fiscal year. As a result, the administrator did not have the required forms signed at the beginning of the fiscal year 2022 because the previous year's forms had been signed in March.

The Credit Card, Acceptable Use policy (v. 02/13/2020) Section III (3)states:

"The Agency Credit Cardholder Agreement and Request Change Form will be sent to each cardholder with updated information at the beginning of the fiscal year. It is required to follow the signature process above and return to the Credit Card Administrator within ten (10) business days."

In lieu of periodic credit card training, signing the *Agency Credit Cardholder Agreement and Request Change Form* has the cardholder reaffirm their agreement to comply with applicable policies and provides a refresher of the listing of prohibited purchases. Additionally, signing this form at the beginning of the fiscal year allows management the opportunity to reevaluate credit levels considering the upcoming year's budgets and expected expenditures.

Recommendation:

Internal Audit recommends the Valley Metro Procurement Department implement a monitoring process to ensure the forms are signed at the beginning of the fiscal year as the policy requires or update the policy to reflect the current practice of having the forms signed annually.

Appendix – Management’s Response Matrix

No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response/ Comments	Responsible Person(s)	Estimated Implementation Date
Finding 1 – Annual <i>Agency Credit Cardholder Agreement and Request Change Forms</i> should be signed at the beginning of the fiscal year						
1	Internal Audit recommends the Valley Metro Procurement Department implement a monitoring process to ensure the forms are signed at the beginning of the fiscal year as the policy requires or update the policy to reflect the current practice of having the forms signed annually.	Low	Concur	Management commits to verifying timely completion of the Agency Credit Cardholder Agreement and Request Change Form.	Patty Clark Chief Procurement Officer pclark@valleymetro.org	August 2022



Information Summary

DATE

April 1, 2022

AGENDA ITEM 6**SUBJECT**

Internal Audit Update

PURPOSE

To update the Audit and Finance Subcommittee on current Internal Audit activities, external audits, and recommendation implementation.

COST AND BUDGET

None

RECOMMENDATION

Item presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION

None

COMMITTEE ACTION

None

CONTACTS

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602-256-5813

ATTACHMENT

Schedule of Prior Audits Findings and Recommendations (SPAF)

Valley Metro

Audit and Finance Subcommittee

Internal Audit Update

April 2022



1

Findings and Recommendations Remediation Summary



- Added the FGCS Audit recommendation to the tracking log.
–IA will follow up on the Contract Authority Monitoring and Reporting Management Policy (FIN-05.01) (v. 1/18/22)
- Operations & Maintenance implemented recommendation 3 from the Contract Management – Rail Transportation Services Audit
- Procurement issued Management Procedure- Centralized Documents (v. 3/22/22) and conducted training on 3/24 which addresses PCRSS Audit recommendation 4

2

2

Update:

Fiscal Year 21/22 Audit Plan



Process	Status
Travel Reimbursement (Continuous)	Completed – Reporting in April
Credit Card Transactions	Completed – Reporting in April
IT Identity and Access Control	In-Progress
Federal Grant Compliance (Multiple Areas)	In-Progress (Bus Purchases)
Mobility Center Cash Collection (FY21 carry-over)	Completed
Contract Mgmt. – Rail Transportation Services	Completed
Contract Mgmt. – Professional Services Contract (PCRSS)	Completed
Contract Change Orders (Continuous)	1st Review – Completed
Special Projects	Status
Federal Government Consulting Services (FGCS) Contract	Completed
IT Risk Management	On-going
Safety and Security Audits – ADOT 2022 ISSA Reviews	CY22 reviews started in March
External Audits:	
FTA's FY22 review of City of Phoenix– FTA-funded procurements.	Additional documents were provided to City of Phoenix
City of Phoenix – Vanpool Program.	Completed
ADOT – 2019 3-year Rail Safety Audit.	2 Open CAPs closing June '22

Contract Management - FGCS Audit				Report No. 22-05	Dated: 2/09/2022	Finding Status:	Open
No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date	
Finding – Valley Metro policy did not require that Valley Metro inform the Board of contract utilization changes with the potential to prematurely exhaust the contract's expenditure authority.							
1	IA recommends that Valley Metro should ensure they adhere to the new policy to timely notify the Board when changes in contract utilization may result in prematurely exhausting the Board-approved contract authority.	Low	Concur	Staff has adopted the Contract Authority Monitoring and Reporting (FIN-05.01) Management Policy and will implement it, as required.	Alexis Tameron Kinsey (602) 322-4450	January 2022	
IA presented the report at the March AFS meeting and will follow up to determine if the new policy is being adhered to.							
Contract Management - TS Audit				Report No. 22-03	Dated: 12/28/2021	Finding Status:	Open
Finding 1 – The procurement manual does not reflect all the current procurement practices for professional services contracts.							
1	Internal Audit recommends that Valley Metro continue in the process to develop standard operating procedures (SOPs) to specify contract practices for the various types of contracts entered into by Valley Metro and include references to SOPs in the manual. Additionally, Valley Metro should provide regular refresher training to applicable staff on the procedures.	Medium	Concur	Procurement will develop SOP for contract administration for the various types of contracts entered by Valley Metro and will also provide training for each SOP.	Patty Clark	June 2022	
IA presented the report at the January AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.							
Contract Management - TS Audit				Report No. 22-03	Dated: 12/28/2021	Finding Status:	Open
Finding 2 – Valley Metro's contractor payment processes were generally effective, but enhancements can be made.							
2	Internal Audit recommends that Valley Metro should create written standard operating procedures (SOPs) and monitor open pay applications to ensure payments of approved invoices are made within 30 days after receipt.	Medium	Concur	Finance will develop SOP to ensure payments are made within 30 days after receipt. Procurement will work with the customer to ensure POs are entered into CORE to allow for prompt payment.	Liz Rozzell and Patty Clark	June 2022	
IA presented the report at the January AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.							
Contract Management - PCRSS Audit				Report No. 22-02	Dated: 11/17/2021	Finding Status:	Open
Finding 1 – The procurement manual does not reflect all the current procurement practices for professional services contracts							
1	Internal Audit recommends that Valley Metro develop standard operating procedures (SOPs) to specify contract practices for the various types of contracts entered into by Valley Metro and include references to SOPs in the manual. Additionally, Valley Metro should provide regular refresher training to applicable staff on the procedures.	Medium	Concur	Procurement will develop SOP for contract administration for the various types of contracts entered into by Valley Metro and will also provide training for each SOP.	Patty Clark	June 2022	
IA presented the report at the December AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.							
Contract Management - PCRSS Audit				Report No. 22-02	Dated: 11/17/2021	Finding Status:	Open
Finding 2 – Valley Metro's contract performance monitoring processes were generally effective, but enhancements can be made.							
2	Internal Audit recommends Valley Metro should revise the Valley Metro Internal Procurement Manual with criteria for which types of contracts require milestones or benchmarks and include language in the task orders that establish defined benchmarks, when applicable. Additionally, Valley Metro should create standard operating procedures for establishing benchmarks and provide training to Valley Metro staff on the procedures.	Medium	Concur	Revision to Procurement Manual will be made to define criteria for the different types of contracts and Task orders that will require milestones, benchmarks and deliverables when applicable. SOP will be developed, and training will be provided.	Patty Clark	June 2022	
IA presented the report at the December AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.							

Schedule of Prior Audits Findings and Recommendations

April 2022

Contract Management - TS Audit				Report No. 22-03	Dated: 12/28/2021	Finding Status:	Closed
No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date	
Finding 3 – Contract monitoring is controlled and managed, but improvements can be made to increase monitoring effectiveness.							
3	Internal Audit recommends that Valley Metro should either revise the contract language to reflect their current review processes or ensure that the contractor submits monthly performance reports with the invoices, as required, then review the reports and document the results of the reviews.	Low	Concur	Complete a change order to the Rail Transportation Services contract to revise language to reflect current review processes. Valley Metro Operations personnel monitors the contractor’s performance daily and meets with them daily.	R. Abraham	Feb. 2022	
Update 03/07/22: IA reviewed the approved Change Order #6 that was finalized on 03/04/22 and verified that it included the recommended revisions. The recommendation is implemented and closed. Prior Update 02/23/22: Updated contract language has been provided to Procurement for inclusion in the upcoming change order that is planned to be finalized by 03/01/22. IA presented the report at the January AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.							
Contract Management - PCRSS Audit				Report No. 22-02	Dated: 11/17/2021	Finding Status:	Closed - Pending Validation
Finding 4 – To strengthen internal controls Valley Metro should update the Valley Metro Internal Procurement Manual to require maintenance of contract documentation in a central location							
4	Internal Audit recommends that Valley Metro: (1) updates the Valley Metro Internal Procurement Manual to reflect the processes to save finalized documents in the CORE system, (2) implement a review process to verify the correct documents are maintained (in CORE or Aconex), and (3) provide regular refresher training to applicable staff on the requirements.	Low	Concur	Revisions to the Procurement manual will be made to reflect the documentation is kept in the system of record for CORE and Aconex. SOP will be developed and training will be provided.	Patty Clark	March 2022	
Update 03/22/22: The <i>Management Procedure- Centralized Documents</i> was finalized and issued on 03/22/22. Additionally on 3/24, the procurement staff was trained on this procedure. IA will verify language or reference to this procedure is included in the June 2022 update of the Procurement Manual. Prior Update 02/23/22: The Contracts and Procurement team is on track for creating an SOP to identify the applicable systems of record. Applicable language will be added to the June 2022 update of the Procurement Manual. IA presented the report at the December AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.							

Mobility Center Cash Collections Audit				Report No. 22-01	Dated: 08/27/2021	Finding Status:	Closed - Pending Validation
No.	Internal Audit Recommendation	Severity of Issue	Response	Audit Client Response Comments	Responsible Person(s)	Estimated Implementation Date	
Finding 3 - Mobility Center has implemented some controls over cash collections, but enhancements should be made							
3	Internal Audit recommends the Valley Metro Mobility Center management team establish written processes and procedures to: *Utilize a system-generated method, such as a cash register, for capturing sales data *Use the system sales reporting to periodically reconcile the varying assets *Verify/reconcile the safe contents to the sales reports *Provide the sales reports to Finance Division to support their bank reconciliation. The procedures should include the identification of the team members' roles to ensure segregation of duties.	Medium	Concur	Mobility Center staff and management will draft internal procedures as recommended. We will also coordinate with Finance on the reconciliation process and related procedures.	Alex Potter and Steve Henry and new to be hired Admin. Assistant and Finance designee.	February 28, 2022	An electronic transaction platform was implemented February 22, 2022
Update 03/22/22: The Mobility Center continues to use the electronic transaction platform; making adjustments to processes as needed. IA will verify sales reporting and reconciliation processes in a couple of months. Prior Updates- 02/23/22: An electronic transaction platform was implemented at the Mobility Center on 02/22/22. IA will verify sales reporting and reconciliation processes in a couple of months. 01/26/22: IT has worked with the Mobility Center and Finance teams to determined a suitable electronic transaction platform. The purchasing process has initiated. 12/29/21: Internal procedures have been drafted and coordination with Finance on the reconciliation process began in November. However, the existing cash register has proven to be ineffective for the Mobility Center needs, and IT is researching other electronic sales options. Associated procedures will be adjusted accordingly.							
City of Phoenix - Public Transit Department (PTD) Contract Audit - Valley Metro Vanpool				Report No. Phx- 1210056	Dated: 09/10/2021	Finding Status:	Pending City Auditor review
No.	Phoenix City Auditor Department Finding Details	Phoenix City Auditor Department Recommendation	PTD Response Comments	Responsible Person(s)	Target Date		
Section 2 – Vehicle Disposal and Maintenance							
2.2	For the 8 disposals due to accidents we found the following: *VM sent memos to PTD to approve the disposal for seven of the eight vans. One van was over four years old, so FTA approval was not required. We also verified that the repair estimates were conducted by external entities. * PTD could not locate five of the seven letters they sent to the FTA for approval, or five of the seven letters that showed FTA concurred with the disposal requests. * We reviewed the RPTA Asset Disposal documents and found that proceeds for the vans sold through Sierra Auction, or from insurance payouts, were submitted to VM. VM disposed of vehicles without notification from PTD of the FTA's approval.	Public Transit Department – Require Valley Metro to develop a process to ensure that vans are not disposed of until proper authorization from the FTA is obtained.	Public Transit will require Valley Metro to develop a process to ensure that vans are not disposed of until proper authorization from the FTA is obtained.	Public Transit Department	November 1, 2021		
Update 03/22/22: There have been no questions by the Phoenix City Auditor Department for the submitted procedures. Prior Updates 02/23/22, 01/26/22, & 11/24/21: Phoenix City Auditor Department has not submitted any questions or changes to the submitted procedures. On 10/20/21, Valley Metro submitted to the City of Phoenix PTD, the <i>Early Disposal Procedures - Vanpool Program</i> (approved 10/20/2021). Valley Metro's Internal Auditor verified these procedures include a process to obtain FTA's authorization prior to vehicle disposal (Section 2). Closure of this recommendation is at the discretion of the Phoenix City Auditor Department and is pending their review.							

Valley Metro® Budget

FY 2023 Issues & Recommendations



Memo

To: Valley Metro Boards of Directors

From: Jim Hillyard, Interim Chief Financial Officer

Date: March 17, 2022

Re: FY 2023 Budget Recommendation

I am pleased to share with you Valley Metro's FY 2023 Operating Budget & Recommendations. In response to feedback from Board members and in an effort to better serve the Boards in their responsibility to make budgetary policy for Valley Metro, the Valley Metro staff have made changes to the presentation of the FY 2023 budget. This memo will briefly explain those changes and provide an executive summary of the FY 2023 Budget Recommendations.

New Presentation Format

Valley Metro's annual budget books provide an excellent reference for each year's adopted budget for the two agencies – detailing the approved amounts by function and line item. That format may be less accessible, however, to a Board member seeking to understand the specific issues and decision points impacting the proposed budget. As a result, to provide clarity regarding the changes from the FY 2022 budget that result in the recommended FY 2023 budget, Valley Metro has reformatted its presentation to highlight issues causing a change. The Issue Summary document that follows includes revenue and expenditures summary tables for each agency followed by a brief description and the amount of each issue impacting the FY 2023 budget.

To ensure transparency, Valley Metro identifies every issue impacting the FY 2023 budget. Some of these issues, however, (e.g., increases in the price of fuel) provide for relatively little discretion for the Board and the agency – it's important to identify the assumptions that were made in forecasting fuel prices in FY 2023 but, ultimately, we'll have to pay what the market demands. Other items are decision points for the Board's policy making responsibilities. To help Board members distinguish between them, items with limited discretion driven by inflation, market conditions, and ridership changes are colored **green** and those that reflect the continued implementation of contracts or other initiatives previously approved by the Boards are colored **blue**. Decision points for the Board's policy making responsibilities are categorized as "Valley Metro Recommendations" are in a **black** font.

Finally, each issue summary ends with a white "issue number" on a grey background. This number corresponds to a more detailed description and Valley Metro's cost estimate in the second, "Issue Detail," section of this document.

FY 2023 Operating Budget Executive Summary

Revenues

For the Regional Public Transportation Authority (RPTA), the revenue picture is both good and bad news. The good news is the continued strong growth in Proposition 400 Revenue (also referred to as “Public Transportation Fund (PTF) revenue.”) PTF revenue grew much faster than expected in FY 2021 and has continued to grow by 20% in FY 2022. Valley Metro forecasts total PTF collections of \$222 million in FY 2023. When combined with conservative budgets and spending in FY 2021 and FY 2022 and the influx of COVID relief funding, a \$109 million PTF fund balance has resulted.

The bad news is the exhaustion of COVID relief funding. Pre-COVID, city reimbursements made up approximately 26% of the RPTA operating budget. In FY 2021 and 2022, COVID relief funds temporarily off-set city costs reducing city reimbursements. In FY 2022, \$26.7 million dollars of COVID relief funding was utilized lowering city funding to 23% of the RPTA operating budget. With RPTA’s exhaustion off these funds, city reimbursement return to pre-COVID levels resulting in a \$6.6 million increase.

For Valley Metro Rail (VMR), the news is all good. Not only are COVID relief funds still available -- \$33 million are utilized in FY 2023 – the return of ridership and to normal fare enforcement has resulted in a significant increase in fare revenues. As a result, VMR fare revenue are forecasted to double in FY 2023 to \$5 million.

RPTA Expenditures

Valley Metro began the FY 2023 budget process by carefully reviewing its operations to identify efficiencies and other reductions. This resulted in a proactive reduction of the RPTA’s budget’s starting point, the “FY 2023 Base Budget,” of \$2.7 million dollars. As described above, however, the exhaustion of COVID relief funding requires city contributions to return to pre-pandemic levels resulting in an increase in city funding of \$6.6 million.

From this starting point, ridership, economic factors outside the agency’s control, contractual commitments, and the continued implementation of previously approved Board actions must be incorporated. For FY 2023, these non-discretionary items total \$23.7 million. Of this amount, five issues -- City of Phoenix’s regional service costs, bus fuel costs, increased Paratransit ridership and fuel costs, implementation of the new fare collection system, and contractually require bus rate increases – comprise 95% of the total. From a funding perspective, 25% of these costs (\$6 million) are city funded. The remaining 75% (\$17.7 million) are allocated to Proposition 400 funding and other sources.

Finally, Valley Metro recommends the Board adopt \$5.4 million of increased spending. Eighty-two percent of this amount is included in two items – the establishment of an Operations contingency to address potential labor market increases in current transit operations contracts and the renegotiation of the West Valley bus contract, and labor market increases for Valley Metro staff. If fully funded, 20% of these costs (\$1.1 million) would be city funded. The remaining 80% (\$4 million) would be funded by Proposition 400 funding and other sources.

In total, these changes would result in an FY 2023 RPTA operating budget increase of \$26.4 million dollars (16%) over FY 2022. Of this amount, 80% (\$21 million) is non-discretionary changes caused by inflation, ridership, or continuing commitments less Valley Metro's base spending reductions. A further 17% (\$4.5 million) is discretionary responses to current labor market conditions for contractors and staff needed to maintain service levels. The remaining 3% (\$947,700) is anticipated cost increases (e.g., legal and recruiting costs), needed staffing changes, and outreach to riders and the public. From a funding perspective, city costs are increased \$7.2 million by the issues above and \$6.6 million by the loss of COVID relief funds for a total increase of \$13.8 million. Proposition 400 and other sources account for the remaining \$12.6 million.

Valley Metro Rail (VMR) Expenditures

As described above, Valley Metro began the FY 2023 budget process by proactively identifying efficiencies and other reductions. For VMR, these reductions total \$487,000. In addition to this reduction, the continuing availability to COVID relief funds results in a net reduction in city funded cost in the FY 2023 base budget of \$8 million.

For VMR, economic factors outside the agency's control, contractual commitments, and the continued implementation of previously approved actions result in an increase of \$8.7 million. Of this amount, four issues – agreements with cities for rail project planning, implementation of the streetcar in Tempe, vehicle and station cleaning costs – comprise 79% of the total.

In addition, Valley Metro recommends the Board of adopt \$10.9 million of increased spending. Eighty-three percent of this amount is comprised of four issues – contingency funding for further insurance premium increases, the establishment of an operations contingency to address potential labor market increases in contracts, labor market increases for Valley Metro staff, and light rail vehicle replacement parts.

In total, these changes would result in an FY 2023 operating budget increase of \$19 million dollars (24%) over FY 2022. Of this amount, 42% (\$8 million) is non-discretionary changes caused by inflation, ridership, or continuing commitments less Valley Metro's base spending reductions. A further 47% (\$9 million) are discretionary responses to current labor market conditions for contractors and staff needed to maintain service levels, a contingency for insurance premium increases, and rail vehicle parts. The remaining 17% (\$1.9 million) are anticipated cost increases (e.g., legal and recruiting costs), needed staffing changes, and outreach to riders and the public, and costs associated with growth in the VMR transit system. Despite this significant change in total expenditures, the use of COVID relief funds and increase fare revenues results in a total increase in city costs of \$897,000.

The Valley Metro staff looks forward to supporting you and working with your city staff to answer your questions, incorporate your feedback, and develop a final proposed budget for consideration at the May Board meeting. Following our March 24th study session, we will present the FY 2023 Issues & Recommendations through the full April and May committee processes to ensure ample time for discussion at every level. Please don't hesitate for your or your staff to contact me personally with any question or feedback.

Operating Revenues

RPTA

Source of Funds	FY22	FY23	Change \$	Change %
Bus Advertising	\$0.0	\$0.6	\$0.6	0%
Public Transportation Funds	84.0	118.7	34.7	41%
Regional Area Road Funds	4.8	4.6	(0.2)	-4%
Transit Service Agreements	39.2	51.8	12.6	32%
MAG Funds	0.1	0.0	(0.1)	-100%
Federal Grants	11.0	11.3	0.3	3%
Federal COVID Relief	22.2	0.5	(21.7)	-98%
Fare Revenues	4.5	4.0	(0.5)	-11%
MAG Funds	0.2	0.2	0.0	0%
Other Revenues	0.4	0.4	0.0	0%
Carry forward and Reserves	0.7	1.5	0.8	109%
RPTA Operating	\$167.0	\$193.7	\$26.7	16%

VMR

Sources of Funds	FY22	FY23	Change \$	Change %
Advertising	\$0.7	\$0.4	-\$0.2	-33%
Fares	2.5	5.0	2.5	98%
Federal Funds	5.1	5.7	0.6	12%
Federal Funds - COVID Relief	18.5	33.0	14.5	78%
MAG Funds	0.5	0.5	0.0	0%
Member City Contributions	44.6	45.5	0.9	2%
Public Transportation Funds	7.4	8.2	0.8	11%
Regional Area Road Funds	0.5	0.5	0.0	0%
Other	0.1	0.1	0.0	0%
Total Operating Sources	\$80.0	\$99.0	\$19.0	24%

Operating Expenditures

RPTA									
All Funds				Obligations				Total	
	FY 2022	FY 2023	Change	Inflation/Market	Continuing	Base + Ob	VM	FY 2023	Total
	Budget	Base	v FY 22	& Ridership	Commitments	Change	Recommendations	Budget	Change
Support Services	\$ 18,644,000	\$ 17,747,000	\$ (897,000)	\$ 419,000	\$ 3,517,000	\$ 3,936,000	\$ 1,733,000	\$ 23,416,000	\$ 4,772,000
Transit Services	148,354,000	146,526,000	(1,828,000)	16,635,000	3,156,000	19,791,000	3,690,000	170,007,000	21,653,000
Total	\$ 166,998,000	\$ 164,273,000	\$ (2,725,000)	\$ 17,054,000	\$ 6,673,000	\$ 23,727,000	\$ 5,423,000	\$ 193,423,000	\$ 26,425,000
City Funded									
	FY 2022	FY 2023	Change	Inflation/Market	Continuing	Base + Ob	VM	FY 2023	Total
	Budget	Base	v FY 22	& Ridership	Commitments	Change	Recommendations	Budget	Change
Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transit Services	37,955,000	44,578,000	6,623,000	5,061,000	960,000	6,021,000	1,123,000	51,722,000	13,767,000
Total	\$ 37,955,000	\$ 44,578,000	\$ 6,623,000	\$ 5,061,000	\$ 960,000	\$ 6,021,000	\$ 1,123,000	\$ 51,722,000	\$ 13,767,000
PTF & All Other									
	FY 2022	FY 2023	Change	Inflation/Market	Continuing	Base + Ob	VM	FY 2023	Total
	Budget	Base	v FY 22	& Ridership	Commitments	Change	Recommendations	Budget	Change
Support Services	\$ 18,644,000	\$ 17,747,000	\$ (897,000)	\$ 419,000	\$ 3,517,000	\$ 3,936,000	\$ 1,733,000	\$ 23,416,000	\$ 4,772,000
Transit Services	110,399,000	101,948,000	(8,451,000)	11,574,000	2,196,000	13,770,000	2,567,000	118,285,000	7,886,000
Total	\$ 129,043,000	\$ 119,695,000	\$ (9,348,000)	\$ 11,993,000	\$ 5,713,000	\$ 17,706,000	\$ 4,300,000	\$ 141,701,000	\$ 12,658,000

VMR									
All Funds				Obligations				Total	
	FY 2022	FY 2023	Change	Inflation/Market	Continuing	Base + Ob	VM	FY 2023	Total
	Budget	Base	v FY 22	& Ridership	Commitments	Change	Recommendations	Budget	Change
Support Services	\$ 23,724,000	\$ 22,670,000	\$ (1,054,000)	\$ 465,000	\$ 4,011,000	\$ 4,476,000	\$ 2,535,000	\$ 29,681,000	\$ 5,957,000
Transit Services	56,290,000	56,857,000	567,000	\$ 924,000	\$ 3,257,000	4,181,000	\$ 8,315,000	69,353,000	13,063,000
Total	\$ 80,014,000	\$ 79,527,000	\$ (487,000)	\$ 1,389,000	\$ 7,268,000	\$ 8,657,000	\$ 10,850,000	\$ 99,034,000	\$ 19,020,000
City Funded				Obligations				Total	
	FY 2022	FY 2023	Change	Inflation/Market	Continuing	Base + Ob	VM	FY 2023	Total
	Budget	Base	v FY 22	& Ridership	Commitments	Change	Recommendations	Budget	Change
Support Services	\$ 13,231,000	\$ 11,442,000	\$ (1,789,000)	\$ 200,000	\$ 1,046,000	\$ 1,246,000	\$ 1,561,000	\$ 14,249,000	\$ 1,018,000
Transit Services	31,393,000	25,168,000	(6,225,000)	439,000	2,300,000	2,739,000	3,434,000	31,272,000	(121,000)
Total	\$ 44,624,000	\$ 36,610,000	\$ (8,014,000)	\$ 639,000	\$ 3,346,000	\$ 3,985,000	\$ 4,995,000	\$ 45,521,000	\$ 897,000
All Other				Obligations				Total	
	FY 2022	FY 2023	Change	Inflation/Market	Continuing	Base + Ob	VM	FY 2023	Total
	Budget	Base	v FY 22	& Ridership	Commitments	Change	Recommendations	Budget	Change
Support Services	\$ 10,493,000	\$ 11,228,000	\$ 735,000	\$ 265,000	\$ 2,965,000	\$ 3,230,000	\$ 974,000	\$ 15,432,000	\$ 4,939,000
Transit Services	24,897,000	31,689,000	6,792,000	485,000	957,000	1,442,000	4,881,000	38,081,000	13,184,000
Total	\$ 35,390,000	\$ 42,917,000	\$ 7,527,000	\$ 750,000	\$ 3,922,000	\$ 4,672,000	\$ 5,855,000	\$ 53,513,000	\$ 18,123,000

FY 2023 Changes

REGIONAL PUBLIC TRANSPORTATION AUTHORITY ONLY

Inflation/Market & Ridership

Paratransit and RideChoice Inflation & Ridership \$3,525,200

Paratransit and RideChoice ridership continues to slowly rebound as the pandemic wanes. Of the total noted, \$1,382,000 reflects an estimated 9% increase in ADA Paratransit trips and 4% increase in the cost per trip related to subcontractor cost increases. \$1,116,200 reflects an increase in the cost of fuel from \$0.28 per mile to \$0.45 per mile, and \$315,000 funds the increase in Platinum Pass billings caused by the return to front door boarding. Finally, the RideChoice contract will be rebid in FY 2023. Given the current labor market, a \$712,000 contingency has been included for likely cost increases. ¹

City of Phoenix Regional Services \$9,656,200

Valley Metro funds a portion of both bus and ADA service operated by City of Phoenix with Prop400 funding. Most of the increase in services for FY23 are resulting from the significantly reduced federal COVID relief funding available for FY23.

The City of Phoenix also provides the regional bus fleet with a number of services. For example, the Hastus Scheduling System, the vehicle management system, wireless connectivity, and fare revenue administration. The region pays for these services using Public Transportation Fund (PTF) funds. For FY 2023, Phoenix has increased the cost by 25%. ²

Bus Fuel \$3,453,900

Valley Metro utilizes 3.3 million gallons of compressed natural gas (CNG) and 630,400 gallons of diesel fuel annually. The price of both CNG and diesel have increased significantly year

to date. Given the current conditions, there is no reason to believe these trends will be reversed. As a result, for FY 2023, Valley Metro forecasts fuel price increases by yard of: \$626,900 for Mesa, \$2, 697,300 for Temps, \$100,700 for the West Valley, and \$29,000 for Ajo. ³

Continuing Commitments

Autonomous Vehicle Pilot \$100,000

At its August 2021 meeting, the Board approved Valley Metro soliciting for a new autonomous vehicle (AV) pilot program to explore the use of AVs for micro-transit and as first-mile/last-mile connector to transit at a cost not to exceed \$250,000. This contract is expected to be awarded in FY 2023. ⁴

Bus Service & Rate Increase \$2,887,200

The FY 2023 budget includes the addition of 104,600 miles to East Valley service and a decrease of 201,700 miles in West Valley service. This includes miles added on a partial basis in FY 2022 and now annualized to represent a full year of service and changes recommended by the cities through the service planning process in the Short Range Transit Plan (S RTP) for FY 2023. In addition, the bus service contracts include annual rate adjustments. East Valley bus service increases an average of \$0.17 per mile for FY 2023. The West Valley rate increases an average of \$1.24 per mile. ⁵

Paratransit and RideChoice Combined Reservations & Scheduling \$261,200

In September 2020, the Board approved Valley Metro issuing a solicitation to combine the reservations and scheduling functions for ADA Paratransit and RideChoice to eliminate the duplication of this function and allow Valley Metro to help customers select the service that met their needs in the most cost-effective way. In August 2021, the Board approved Valley Metro hosting this function in space no longer needed by VM's Customer Service division.

Market conditions have delayed implementation of that consolidation to the second quarter of FY 2024. As a result, the equipment (\$170,800) and software (\$73,200) for the function must be purchased in late FY 2023 for installation in early FY 2024. ⁶

Valley Metro Recommendations

Bus Security Coordinator \$97,400

Valley Metro lacks a dedicated point of contact for security issues and incidents on the bus system. As a result, when local law enforcement responds to an issue, there is no one to provide them with context for the transit security environment, connections to related issues in other jurisdictions, or a liaison to Valley Metro's bus service contractors. To address this gap, this recommendation adds one Bus Security Coordinator Full Time Equivalent (FTE) position and its associated equipment. ⁷

Super Bowl Special Event Support \$150,000

Super Bowl Central will be in downtown Phoenix. To help Valley Metro effectively serve this surge, this campaign will acquaint riders with the multiple solutions for trip planning, streamlined fare collection options (including the new mobile ticketing solution), provide wayfinding signage and transit guides using strategic print advertising, digital advertising, social media, and promotional items. Additional campaign elements will include informing current riders of special service offered and detours during the Super Bowl event timeframe. The previous Superbowl resulted in major short-term increases in ridership and corresponding fare revenue as well as third party advertising. ⁸

RPTA AND VMR JOINT COSTS

Inflation/Market & Ridership

Employee Benefit Premiums	\$239,500 R
	\$464,800 V

Year to date, Valley Metro's insurance provider has paid out 31% more in claims than the premium revenue collected. The driving force in these claims has been an unusual number of high cost cases that are anticipated to continue into the next plan year. As a result, CIGNA is requiring a 17% premium increase upon renewal. To ensure the best rates, Valley Metro is going to market and will have competitive before the April Board meeting. Therefore, this item will be adjusted if a more cost-effective bid is received. ⁹

LRV and Facility Cleaning Costs \$10,000 R **\$805,000 V**

Valley Metro contracts for the cleaning of light rail vehicles (LRV) and facilities. This contract was approved by the Board in November 2020 and includes a fixed labor rate. Recent changes in the labor market have made the contract's labor rates uncompetitive. As a result, in January and February 2022, 67% of line cleaner and pressure washer shifts were unfilled. Current starting hourly wage for these positions are \$14.59 and \$15.75 respectively. Valley Metro recommends a \$3 per hour increase for cleaning positions to recruit and retain labor for this critical function. ¹⁰

Software License Inflation & Ridership Return **\$179,000 R** **\$119,300 V**

Valley Metro makes use of many commercial software products: for rider communication, trip planning, data analysis, IT security, and project management to name only a few. Between FY 2022 and FY 2023, the license costs for these products will increase \$291,100 or 5%. In addition, as ridership rebounds, the AlertVM and NextRide services are anticipated to see greater use increasing their costs by \$7,200. ¹¹

Continuing Commitments

Fare Collection System Implementation

\$3,122,400 R

\$75,000 V

In FY 2023, the region will begin utilization of the new fare collection system. There are five aspects to this implementation:

First, at its March 2021 meeting, the Board approved the contract with VIX to operate the call center for the new Fare Collection System. The total contractual fixed and variable start-up cost for the call center will be \$1,341,000. In addition, FY 2023 call center operations costs are estimated to be \$943,000.

Second, fares are currently inspected using proprietary handheld devices. Under the new fare system, less costly mobile phones using fare inspection software will be used. The phones were purchased in FY 2022. The fare inspection software (\$22,400) and cellular data plans (\$50,000) must be added in FY 2023.

Third, the new smart card fare media must be purchased for use with the InComm retail network. \$515,000 is estimated to procure this fare media.

Fourth, mobile ticketing and new ticket validators in late 2022 with the implementation on busses and trains. This will be followed in 2023 with the installation of new ticket vending machines (TVM) and the implementation of reloadable smart cards. As a result, not only will the new system need to be communicated to riders, for 18 months, the new mobile tickets and smartcards will co-exist with the existing TVMs, requiring extra rider education to avoid confusion. \$139,000 is included for this communication.

Finally, in FY 2023 Valley Metro will implement a new reduced fare identification card. All riders

who are eligible for Reduced Fares will need to obtain the new card to purchase Reduced Fare tickets. While this requirement will decrease reduced fare abuse, its implementation will require a significant amount of outreach to ensure riders know how/why to get the new card; and how to use it in the future mobile and smartcard environments. \$112,000 is included for this outreach. ¹²

Origin & Destination Study

\$75,000 R

\$75,000 V

Valley Metro conducts a federally required study of the origin and destination of riders every three to four years to inform service planning. The study's data is collected using contracted rider intercept surveys. As this study was last conducted in 2019, it must be added to the budget for FY 2023. ¹³

ERP and EAM Support

\$184,300 R

\$184,200 V

Valley Metro will complete implementation of its new CORE Enterprise Resource Planning (ERP) and Enterprise Asset Management (EAM) systems in early FY 2023. As a result, technical support subscriptions will be needed with Oracle and Denovo for the ERP (\$132,000 and \$213,000 respectively) and with Trapeze for the EAM (\$23,500). ¹⁴

Rent Changes

\$109,900 R

\$57,500 V

Valley Metro has entered into lease agreements for space in several sites across the Valley. These fixed term agreements include small year to year increases in the cost per square foot. Between FY 2022 and FY 2023, the average lease cost increases are 2%. ¹⁵

Security Contract Rate Increase \$8,000 R
\$244,000 V

In April 2021, the Board approved Valley Metro's contract with Allied Universal Security for security at Valley Metro facilities and for light rail fare inspection and security services. This contract includes an annual rate increase of 2.2% effective July 1 of each year. 16

Valley Metro Recommendations

Operations Contingency \$3,585,800 R
\$3,970,400 V

There is a significant risk of additional cost increases for transit operations and rail security in FY 2023. These include the volatile labor market that has created operator shortages nationwide and is impacting Valley Metro in the following ways:

- Allied Security is unable to staff one-third of shifts due to security officer vacancies,
- Canceled trip are increasing in both the East and West Valley due to operator vacancies,
- ADA Paratransit on-time performance has fallen to 85% due to the contractor's 48% vacancy rate reservation and scheduling agents and a lack of subcontract drivers.

In addition, Avondale's 50% reduction in ZOOM miles is likely to trigger a renegotiation of the West Valley bus contract increasing rates as fixed costs are spread across fewer total miles.

As a result, Valley Metro recommends the inclusion contingency funding for these issues to ensure cities aren't faced with significant mid-year cost increases. As these issues relate to labor and operating contracts subject to negotiation, Valley Metro will not discuss the estimated cost of individual issue in public to avoid biasing any future negotiations. These issues will be discussed in private with both Board members and staff. Any contractual changes utilizing these funds would require Board approval. 17

VM Staff Labor Market Adjustments \$886,900 R
\$1,877,700 V

Like all cities in the region, Valley Metro is feeling the impact of a tight labor market and a 7% national rate of inflation. As a result, Valley Metro surveyed the region's cities to see how they were responding to labor market pressures. This survey found that in FY 2022 cities increased compensation through a combination of base increases and bonuses between 5% and 10%, often using mid-year adjustments to address the rapid changes of the last five months. Valley Metro provided staff a 1.5% merit increase in FY 2021 and a 3% merit increase in FY 2022. As a result, Valley Metro recommends implementing a 5% cost of living adjustment in FY 2022 and the 3% merit in FY 2023. The FY 2022 adjustment can be funded without a budget increase using vacancy savings.

In addition, vacancy rates have reached critical levels in many key operational roles. For example, Light Rail Vehicle Inspectors: 44% vacancy rate and Communication System Technicians: 40% vacancy rate. As a result, Valley Metro plans to implement FY 2022 retention and hiring strategies using funds within its existing FY 2022 budget. One of these strategies, a \$2,000 hiring bonus for Operations positions, is recommended to continue in FY 2023 at an estimated cost of \$163,000. 18

Administrative Support for Deputy Directors \$6,400 R
\$128,200 V

In recognition of the increased scope and complexity of Valley Metro's operations, in FY 2021, Deputy Director of Transportation & Project and Deputy Director of State of Good Repair & Maintenance positions were created. While the pandemic slowed hiring for these positions, they are now filled and required

administrative support for maximum effectiveness. This recommendation provides that support by adding a 2 FTE Administrative Assistant II position and their associated equipment to support the two Deputy Directors. ¹⁹

Asset Management System Administrator

\$20,800 R

\$86,200 V

In early FY 2023, Valley Metro will complete implementation of its Enterprise Asset Management System and will disengage for the company that has led the implementation. From that point forward, Valley Metro will be responsible for creating needed reports, managing access control, testing software updates, and working with Trapeze and Oracle to address issues – functions typically handled by a system administrator. This recommendation adds an Asset Management System Administrator FTE position and its associated equipment to fulfill that role. ²⁰

Senior Internal Auditor

\$59,000 R

\$58,900 V

Valley Metro’s Internal Audit team is currently comprised of the Chief Auditor and two Senior Internal Auditors. This staffing level has struggled to keep pace with the Board’s demand for audits. As a result, Valley Metro recommends adding one additional Senior Internal Auditor FTE position and associated equipment. ²¹

Increased Recruiting Costs

\$70,000 R

\$70,000 V

Increased turn-over and a tighter labor market will require additional efforts to fill key positions. This includes more advertising (\$70,000), greater participation in job fairs (\$10,000), the increased use of recruitment videos (\$10,000), and the potential to pay for out-of-state candidate travel

(\$10,000) and relocations (\$40,000) for high-level roles. ²²

Increased Legal Defense Costs

\$99,700 R

\$241,500 V

Valley Metro expects to be sued nine times or more in the next month as a result of the March 14, 2021 derailment. Fees and costs associated with defending against those litigations will be incurred in FY 2023. Due to volume alone, even if all the derailment cases are favorably settled, the combined legal costs to resolve them will be substantial.

In addition, increased legal costs follow increased fleet size and system expansion. From a risk standpoint, every additional vehicle that goes into service represents an increase in exposure for both property and injury. Finally, as we raise insurance deductibles, Valley Metro covers outside legal fees for longer periods until the dollar threshold is met for insurers to take over the costs. As a result, it is prudent to protect the region’s interests. ²³

Operations Employee Relations

\$41,500 R

\$65,500 V

Valley Metro currently has one Employee Relations Specialist who works with managers and employees to address performance and disciplinary issues. It is virtually impossible, however, for this single staff member to provide the level of support needed by the over 200 employees stationed at the Operations and Maintenance Center (OMC). This recommendation adds a 1 FTE Employee Relations Analyst position, and associated equipment, to provide full-time, on-site support to the OMC. ²⁴

Junior Systems Engineer

\$58,900 R

\$59,000 V

Since September 2019, Valley Metro has contacted a Junior Systems Engineer to maintain

servers and storage. As there is an on-going need for this position, Valley Metro recommends converting it from a contractor to an FTE. This conversion will reduce net costs by \$26,100 per year. ²⁵

**Market Research \$35,000 R
\$35,000 V**

Market research (or surveys) is necessary to assess rider satisfaction with bus and light rail services and to understand rider perceptions to help us strategically address ridership recovery from the pandemic. Ad hoc surveys are also necessary for additional data and market analyses for key initiatives across this year, including the new fare system and associated outreach as well as to new communities as part of the capital program. ²⁶

**Driver/Pedestrian Safety Promotion \$50,000 R
\$50,000 V**

In 2020, there were 37 light rail and 266 bus collisions with pedestrians or other vehicles. These incidents impact the lives of those involved, incur millions of dollars in repair costs, and contributed to the 48% increase in Valley Metro's liability insurance. As a result, Valley Metro recommends a Driver/Pedestrian Safety Campaign targeted at the key causes of light rail and bus collisions. Collision data shows the primarily causes of light rail collisions are improper left/u-turns and jaywalking. For buses, the campaign would focus on rear-end collision prevention. ²⁷

**Value of Transit Communications \$25,000 R
\$25,000 V**

The Value of Transit campaign is critical to sharing Valley Metro's contributions to providing safe and reliable public transportation, which also supports the local economy, healthy lifestyles and overall community well-being. This recommendation would fund the use of social and other media to promote the awareness of

these impacts at a time when the public's understanding of transit's value is particularly important. ²⁸

**Ridership Recovery Marketing \$70,000 R
\$50,000 V**

As the pandemic wanes and valley residents re-evaluate their transportation options, Valley Metro recommends using market research and ridership analyses provided by WestGroup, to create targeted advertising that (re)emphasizes the benefits of using transit and highlights the access it can provide to leisure and entertainment. ²⁹

**Classification & Compensation Study
\$166,000 R
\$166,000 V**

Valley Metro last conducted an agencywide classification and compensation study in 2006. As a result, its classification and compensation structures were already outdated. This fact has been exacerbated by the recent changes in the labor market. As a result, an agencywide classification and compensation study is needed to use its salary funding efficiently to recruit and retain a qualified workforce. ³⁰

VALLEY METRO RAIL ONLY

[Continuing Commitments](#)

New LRV Communication Systems \$387,800

In FY 2023, Valley Metro will be operating three different rail platforms: the original Kinkisharyo vehicles, the new Siemens vehicles, and the Brookville streetcars. Software is needed for their three different passenger counting systems and diagnostic systems to interoperate. In addition, the WiMax communications protocol used for the original LRV fleet has become unreliable due to crowding of the 5MHz spectrum. Therefore, the entire fleet will be configured to use 5G cellular signals for communication and location. ³¹

Rail Project Planning \$3,629,000

This item reflects agreements with the cities of Phoenix, Tempe, and Mesa for continued design work on rail and streetcar expansion projects. The City of Phoenix projects are the Capitol Expansion (\$1,155,000), I-10 West (\$1,574,000), and West Phoenix (\$845,000). In total, the planning for Phoenix projects is funded by 63% grant funds, 20% City of Phoenix funds, and 17% regional PTF. Also included is planning for the Rio East/Dobson corridor (\$550,000) that is fully funded by the cities of Mesa and Tempe. This item also includes \$65,000 for community engagement in support of these projects. ³²

OMC Expansion Facility Maintenance \$204,000

In November 2021, the Board approved a modification to the DMS contract to provide facility cleaning for the new portions of the OMC. As this change was implemented mid-year, full year funding must be added in FY 2023. ³³

Streetcar Operations \$2345,800

The Streetcar project has completed construction of 3 miles of expanded rail line in Tempe and will begin operations in April 2022. Streetcar Operations are funded for a partial year in FY22 and need to be annualized for a full year in FY 2023. ³⁴

Valley Metro Recommendations

Insurance Cost Contingency \$2,134,500

From FY 2021 to FY 2023, Valley Metro's insurance costs increased 76%. Preliminary estimates from Valley Metro's insurance broker anticipates that the market will continue to impose premium increases. Further, Valley Metro continues to expand, adding assets, value, and risk. As a result, the anticipated increase should be accounted for in the budget. As part of this recommendation, Valley Metro will spend \$16,000 to contract for a one-time actuarial study to evaluate the financial and risk feasibility

of self-insurance for major lines of insurance coverage to reduce exposure to future premium increases. ³⁵

Maintenance of Way Planning & Supervision \$256,900

Growth in the VMR system has increased the number of assets that must be inspected and maintained to the point where 24/7 maintenance of way is required. However, Valley Metro lacks the supervision capacity to cover 24 hours per day. This recommendation adds one Maintenance of Way Supervisor FTE position, and its associated vehicle and equipment, to provide that coverage. In addition, the planning and scheduling of maintenance of way work has historically been done as a group by the Supervisors, further reducing the time available for overseeing work. As a result, this recommendation also adds a Maintenance Planner FTE position, and its associated equipment, for planning and scheduling to maximize supervisor effectiveness. ³⁶

Grounds Maintenance Coordinator \$145,200

Growth in the VMR system has increased the grounds and facilities footprint that must be maintained. Direct groundskeeping is performed by a contractor (or the City of Tempe for streetcar). However, Valley Metro lacks dedicated oversight of this contractor to ensure contractual compliance and that the contractor has clear priorities. This recommendation addresses that gap by adding 1 FTE Grounds Maintenance Coordinator, a vehicle and its associated equipment. ³⁷

Facilities Maintenance Technician \$77,900

Valley Metro directly staffs the maintenance of the OMC. The OMC expansion project added 33% to the facility. As a result, an additional Facilities Maintenance Technician FTE position is needed. ³⁸

RailPod Software \$102,000

A RailPod is a piece of equipment that can be pulled through the alignment to collect data on OCS height and stagger, rail geometry, rail wear, and can be used for GIS tagging of assets. These assessments are critical to maintaining the safety of the rail corridor – for example, “curve analysis” analyzes rail wear to determine the highest safe speed a curve can accommodate. As the Valley Metro system moves from young to middle aged, the need for these assessments has exceeded what can be done by staff requiring the addition of this equipment. The RailPod itself is requested in the Capital Budget. This issue funds the analytical software it utilizes. ³⁹

Two Line System Wayfinding Design \$93,500

With the openings of the Northwest Extension Phase II and South Central Extension/Downtown Hub light rail projects in FY 2024 and FY 2025 respectively, we will move from a single line system to a two-line system, operating with a "north-south line" and an "east-west line." The future multi-line system will use the strategy, reviewed by the Board in early 2017, of primary letters and secondary colors to help people navigate between lines. In FY 2023, the design of wayfinding at stations, on maps, on trains, etc. must occur for the two-line system to enable customers to transfer easily and effectively between lines. ⁴⁰

Respect the Ride \$50,000

Coming out of the pandemic, as ridership rebounds, it is important for returning riders to feel safe and secure and to understand the rules of riding (for all). Respect the Ride encompasses a code of conduct, messages reinforcing positive behaviors, and safety education on light rail vehicles and station platforms. This recommendation will update the Respect the Ride educational campaign featuring Right and Rong for current behavioral and safety issues to

educate our riders and encourage positive behaviors. ⁴¹

Non-Revenue Fleet \$107,000

Adds three non-revenue vehicles and their associated tools/equipment. Two vehicles provide operator relief and line supervision for the streetcar alignment. A third enables Customer Experience Coordinators to maintain their presence on the alignment during shift changes. ⁴²

LRV Replacement Parts \$1,000,000

Adds three non-revenue vehicles and their associated tools/equipment. Two vehicles provide operator relief and line supervision for the streetcar alignment. A third enables Customer Experience Coordinators to maintain their presence on the alignment during shift changes. ⁴³

1	ADA Paratransit and RideChoice Inflation & Ridership	
	RPTA Only	Inflation/Market & Ridership

Description
<p>Complementary Paratransit service is a Federally required service for agencies operating regular fixed route and rail service. The service must be a complement to Fixed Route bus and rail service for people with disabilities, operating the same days, same time, and within $\frac{3}{4}$ of a mile radius of the route and/or station. It provides next-day, door-to-door service. Valley Metro must meet 100% of the requested trip demand within the minimum requirements. Paratransit is operated through a Board approved contract by TransDev. In FYTD 2022, the average cost of a paratransit trip is \$54.63.</p> <p>RideChoice was established by Valley Metro as an optional lower cost service to cities providing riders with a same day, curb-to-curb alternative to ADA Paratransit. RideChoice has been adopted by 11 cities. RideChoice is managed by the contractor MJM with transportation provided by subcontractors. The average cost of a RideChoice trip is \$22.34.</p> <p>ADA Paratransit and RideChoice costs are expected to increase in FY 2023 due to a combination of ridership growth and cost inflation. Specifically:</p> <ul style="list-style-type: none"> • Ridership Growth – Based on ridership changes from FY 2021 to FY 2022, Valley Metro forecasts 9% increase in the number of ADA Paratransit trips and a 13% increase in the number of RideChoice trips. RideChoice's greater convenience has resulted in riders choosing it over paratransit resulting in slower paratransit growth and faster RideChoice growth. • Fuel Costs – Valley Metro directly purchases the fuel for ADA Paratransit. In FY 2021, fuel costs were \$0.28/mile. Currently, fuel costs are \$0.45/mile. • Front Door Boarding – ADA Paratransit riders are provided complementary Platinum Pass cards to encourage their use of fixed route transit. During the pandemic, Valley Metro halted front door bus boarding to protect riders and operators. As a result, ADA Platinum Pass users were frequently unable to validate their passes and monthly usage fell to approximately \$2,500. With the return of front door boarding, ADA Platinum Pass usage has jumped to \$23,000 per month in January 2022. • RideChoice Resolicitation – In mid-2021, Valley Metro's RideChoice contractor refused to extend their contract without unjustified price increases. As a result, Valley Metro was forced to enter into a sole source contract with the current contractor, MJM. As procurement rules prohibit the extension of a sole source contract, RideChoice will be resolicited in 2022 and a new contract executed by in December 2022. Given the current inflation for labor and fuel, a rate increase can be expected.
<p>Alternatives Considered</p> <p>Options to reduce cost include:</p> <ul style="list-style-type: none"> • Eliminating paratransit beyond the minimum requirements of the federal ADA regulations – a number of jurisdictions opt to provide services beyond the federal requirements. Should they opt to curtail this service, costs would be reduced. • Increased use of RideChoice – while 11 jurisdictions have chosen to offer RideChoice, in many cases in place of paratransit service outside federal requirements, others have not.

Item	Cost	Fund Source	Note
Paratransit Ridership & Inflation	\$1,382,000	Member City Regional PTF	In addition to the 9% trip growth noted above, Valley Metro forecasts at 4% increase in the cost per trip as paratransit subcontractors raise their rates in response to fuel costs.

Item	Cost	Fund Source	Note
Paratransit Fuel	\$1,116,200	Member City Regional PTF	457,000 trips with an average length of 11 miles. As a result, the increase in fuel cost from \$0.28/mile to \$0.45/mile equates to an \$854,600 increase. A 10% contingency (\$226,200) is also included.
ADA Platinum Pass	\$315,000	Regional PTF	January 2022 usage was \$23,000. Valley Metro estimates average FY 2023 usage of \$30,000.
RideChoice Contingency	\$712,000	Member City Regional PTF	Contingency funding should the current resolicitation of the RideChoice contract result in higher rates.
Total	\$3,525,200		

2	City of Phoenix Regional Service	
	RPTA Only	Inflation/Market & Ridership

Description
<p>Valley Metro funds a portion of both bus and ADA service operated by City of Phoenix with Prop400 funding. Most of the increase in City of Phoenix regional services is due to Phoenix exhausting nearly all COVID relief funding for Phoenix-operated bus and ADA services in FY 2022. This results in a significantly reduced federal funding credit applied to those services in FY 2023, and therefore, an increased net cost. A small amount of COVID relief funding is in Phoenix's FY 2023 budget for bus service in the Avondale-Goodyear Urbanized Area.</p> <p>The City of Phoenix provides the region with a number of services. For example, Clever Devices, Hastus Scheduling System, and fare revenue administration. The region pays for these services using Public Transportation Fund (PTF) funds. For FY 2023, Phoenix has increased the cost by 25%.</p>
Alternatives Considered

Item	Cost	Fund Source	Note
City of Phoenix Regional Services	\$417,000	Member City, Regional PTF	
City of Phoenix fixed route bus service	\$2,787,100	Regional PTF	Increase of 294,00 or 17% in estimated miles mostly due to more PTF funded routes in the west valley, and 2% inflation rate increase.
City of Phoenix ADA service	\$6,452,100	Regional PTF	Increased need of COP ADA services and loss of COVID Relief funding (\$5M).
Total	\$9,656,200		

3	Bus Fuel	
	RPTA Only	Inflation/Market & Ridership

Description

The cost of fuel for fixed route bus service has increased substantially over this past year. For FY23, Valley Metro is estimating a continued rise in fuel costs as geo-political conflict aggravates existing inflation and supply chain issues.

Alternatives Considered

Fuel costs are outside Valley Metro's control. In FY 2023, Valley Metro is seeking federal funds to conduct a bus electrification proof of concept, purchasing buses and installing charging infrastructure. The local match for this proof of concept is sought in the FY 2023 capital budget.

Item	Cost	Fund Source	Note
Mesa fuel change	\$626,900	Member City Regional PTF	Fuel (diesel and natural gas) prices have risen dramatically (55%) in recent months compared to FY22 budgeted rates. VM uses approximately 180,000 gallons of Diesel fuel and 1.2M gallons of natural gas (CNG – directly piped to the Mesa facility.)
Tempe fuel change	\$2,697,300	Member City Regional PTF	Fuel (diesel and natural gas) prices have risen significantly (25%) in recent months compared to FY22 budgeted rates. The Tempe facility, owned by the City, provides approximately 200,000 gallons of Diesel and unleaded fuel, and 2.4M gallons of natural gas (LNG & CNG, which is trucked to the facility).
West fuel change	\$100,700	Member City Regional PTF	Fuel (diesel and Unleaded gas) prices have risen significantly (46%) in recent months compared to FY22 budgeted rates. VM uses approximately 323,000 gallons of fuel (Diesel and Unleaded) provided by the VM contractor.
Ajo fuel change	\$29,000	Member City Regional PTF Federal	Fuel (diesel and Unleaded gas) prices have risen significantly (42%) in recent months compared to FY22 budgeted rates. VM utilizes approximately 44,000 gallons of fuel (Diesel and Unleaded) charged at the point of service and billed to VM.
Total	\$3,453,900		

4	Autonomous Vehicle Pilot	
	RPTA Only	Continued Commitments

Description
<p>At its August 2021 meeting, the Board approved Valley Metro soliciting for a new autonomous vehicle (AV) pilot program to explore the use of AVs for micro-transit and as first-mile/last-mile connector to transit. This contract is expected to be awarded in FY 2023.</p> <p>Given the Valley's rapid growth and low density in many areas, Valley Metro sees a great need for micro-transit and as a first-mile/last-mile connector to transit. The metro Phoenix region was one of the few metropolitan areas to explore on-demand AV pilot with our RideChoice customers and are therefore leading in this area. We would like to build on that experience to pilot the use of AVs for micro-transit and as first-mile/last-mile connector to transit. This will allow Valley Metro both better understand the this use of AVs and to provide input to FTA and FHWA on AV policies.</p>
Alternatives Considered
<p>This issue was approved by the Board in August 2021.</p>

Item	Cost	Fund Source	Note
AV Operator	\$50,000	Regional PTF	
Evaluation Contractor	\$50,000	Regional PTF	Obtain a firm or academic partner to obtain passenger demographics, first mile/last mile, and data collection with a final report.
Total	\$100,000		

5	Bus Service & Rate Increase	
	RPTA Only	Continued Commitments

Description
<p>The Board approved bus operations contracts on a cost per revenue mile basis. These multi-year contracts include a year-to-year inflation factor designed to offset normal inflation in labor contracts and other costs. In FY 2023, the East Valley rate increases an average of \$0.17 per mile and the West Valley rate increases an average of \$1.24 per mile.</p> <p>The FY 2023 budget includes the addition by the Board of 104,600 miles to East Valley service and a decrease of 201,700 miles in West Valley service. This includes miles added on a partial basis in FY 2022 and now annualized to represent a full year of service and changes recommended by the cities through the service planning process in the Short Range Transit Plan (SRTP) for FY 2023.</p>
Alternatives Considered

Item	Cost	Fund Source	Note
East Valley Rate	\$2,190,600	Member City Regional PTF	
East Valley Service Change	\$592,700	Member City Regional PTF	
West Valley Rate	\$1,318,300	Member City Regional PTF	
West Valley Service Change	\$(1,214,600)	Member City Regional PTF	
Total	\$2,887,200		

6	Paratransit and RideChoice Combined Reservations & Scheduling	
	RPTA Only	Continued Commitments

Description
<p>In September 2020, the Board approved Valley Metro issuing a solicitation to combine the reservations and scheduling functions for ADA Paratransit and RideChoice to eliminate the duplication of this function and allow Valley Metro to help customers select the service that best meets their needs in the most cost effective way.</p> <p>In August 2021, the Board approved Valley Metro hosting this function in space no longer needed by Valley Metro's Customer Service department. Market conditions have delayed implementation of that consolidation to the second quarter of FY 2024. As a result, the equipment (\$170,800) and software (\$73,200) for the function must be purchased in late FY 2023 for installation in early FY 2024.</p>
Alternatives Considered

Item	Cost	Fund Source	Note
Call Center Monitors	\$2,000	Member City Regional PTF	Provide visible real-time status readouts on the call center floor.
Microsoft Licenses	\$19,100	Member City Regional PTF	Operating system and productivity software for call center computers.
VoIP Phones	\$17,500	Member City Regional PTF	Telephone handset for call center staff.
Computer Kits	\$106,300	Member City Regional PTF	Computers, monitors, keyboards, etc.
Noise Canceling Headsets	\$18,100	Member City Regional PTF	Ensures call quality in a noisy environment
Trapeze Licensing	\$53,200	Member City Regional PTF	License and maintenance for IVR, PASS Web, PASS App, and eWallet modules
Total	\$261,200		

7	Bus Security Coordinator	
	RPTA Only	Continued Commitments

Description
<p>Valley Metro lacks a dedicated point of contact for security issues and incidents on the bus system. As a result, when local law enforcement responds to an issue, there is no one to provide them with context for the transit security environment, connections to related issues in other jurisdictions, or a liaison to Valley Metro's bus service contractors.</p> <p>Secondly, there also needs to be a more coordinated effort in working with local prosecutors in charging and convicting persons who commit criminal acts against the bus system, passengers, and employees.</p> <p>Finally, this position will also expand Valley Metro's emergency preparedness/management capabilities by increasing the subject matter expertise in emergency drills, exercises and training for All Hazard incident response, mitigation and recovery.</p> <p>To address these gaps, this recommendation adds one Bus Security Coordinator FTE position and its associated equipment.</p>
Alternatives Considered
<p>Continue to rely on reactive reporting from contractors with no potential to develop a police transit ambassador program to more pro-actively assess and address security incidents on the bus system. Continue to have a lack of coordinated communication between cities regarding criminal behavior on the regional bus system.</p>

Item	Cost	Fund Source	Note
Salary and Benefits	\$94,300	Regional PTF	
Equipment	\$3,100	Regional PTF	Laptop, monitor, keyboard, etc
Total	\$97,400		

8	Super Bowl Special Event Support	
	RPTA Only	VM Recommendations

Description
<p>The initiative is designed to encourage football fans to plan ahead and ride transit to Super Bowl LVII events in downtown Phoenix and Glendale. Emphasis will be placed on providing multiple solutions for trip planning, streamlined fare collection (including the new mobile ticketing solution), wayfinding signage, transit guides, strategic print advertising, digital advertising, and promotional items. Additional campaign elements will include informing current riders of special service offered and detours during the Super Bowl event timeframe. The expected outcomes are fan awareness and increased ridership prior to, during, and after events in downtown Phoenix and Glendale; as well as current riders understanding the impacts affecting their transit services.</p> <p>Valley Metro Rail, in particular, has been a linchpin in helping the region bid on and win these regionally significant, mega events that are economically impactful to the entire region and are reputation-building for our cities and our system. The positive experience provided by transit is made possible by these investments in planning, advertising and event support. Valley Metro also sees significant revenue come in from this event by way of advertising and fare revenue, which does offset some of these costs.</p>
Alternatives Considered
<p>The impact/risk of not funding this initiative is having an influx of visitors and locals to downtown without having adequate information available to assist them in how to navigate the transit system, leaving them confused, frustrated and having a negative rider experience. Also, the success of the Super Bowl LVII events is on our operating plan, which is contingent upon successful communications, volunteer planning, event infrastructure, etc., which is also included in this plan.</p>

Item	Cost	Fund Source	Note
Special Event Support	\$150,000	Regional PTF	
Total	\$150,000		

9	Employee Benefit Premiums	
	Joint RPTA & VMR	Inflation/Market & Ridership

Description
<p>Year to date, Valley Metro’s insurance provider has paid out 31% more in claims than the premium revenue collected. The driving force in these claims has been an unusual number of high cost cases with claims ranging from \$178,000 to \$1.2 million. While an insurance company would typically discount a statistically atypical year, most of these cases are anticipated to continue into the next plan year. As a result, CIGNA is requiring a 17% premium increase upon renewal. To ensure the best rates, Valley Metro is going to market and will have competitive bids in the next month. Therefore, this item will be adjusted if a more cost effective bid is received.</p>
Alternatives Considered
<p>Valley Metro has explored changes in plan design to mitigate the premium increase, however, because the cost increase is driven by high cost claims, changes in co-pays and deductibles have little to no effect. Valley Metro’s employer/employee premium sharing is typical of our public sector peers. As a result, changing it would both aggravate existing labor market challenges and put Valley Metro at a disadvantage for future hiring.</p>

Item	Cost	Fund Source	Note
Health Premium Increase	\$692,500	All funding sources	17% increase
Dental Premium Increase	\$11,800	All funding sources	5% increase
Total	\$704,300		

10	LRV and Facility Cleaning Costs	
	Joint RPTA & VMR	Inflation/Market & Ridership

Description
<p>Valley Metro contracts with DMS for the cleaning of light rail vehicles (LRV) and facilities. This contract was approved by the Board in November 2020 and includes a fixed labor rate. Recent changes in the labor market have made the contract's wages uncompetitive. As a result, in January and February 2022, 67% of Line Cleaner and Pressure Washer shifts were unfilled. During the same period, 25% of all cleaning shifts were unable to be filled. This results in riders encountering dirty stops and stations just as many seek to return to transit.</p> <p>Valley Metro recommends a contract amendment to increase labor rates for key positions within the DMS contract by approximately \$3.00 per hour to recruit and retain labor for this critical function. For example, this will move the Line Cleaner starting rate from \$14.59 to \$17.59.</p>
Alternatives Considered

Item	Cost	Fund Source	Note
DMS Contract Adjustment for Labor Rates	\$815,000	Member City	Increase contract cleaning wages by approximately \$3 per hour.
Total	\$815,000		

11	Software License Inflation and Ridership Return	
	Joint RPTA and VMR	Inflation/Market & Ridership

Description
<p>Valley Metro makes use of many commercial software products: for rider communication, trip planning, data analysis, IT security, and project management to name only a few. Between FY 2022 and FY 2023, the license costs for these products will increase \$291,100 or 5%. In addition, as ridership rebounds, the AlertVM and NextRide services are anticipated to see greater use increasing their costs by \$7,200.</p>
Alternatives Considered

Item	Cost	Fund Source	Note
Software License Cost	\$291,100	Member City Regional PTF	Reflects a year over year increase of approximately 5%.
Increased rider usage	\$7,200	Member City Regional PTF	Reflect a 12% usage increase
Total	\$298,300		

Fare Collection System Implementation

Joint RPTA and VMR

Continuing Commitments

Description

Valley Metro and the City of Phoenix are partners in the development of a new Fare Collection System (FCS) for the region. The new fare collection system will have many long-term benefits:

- Reduced fare fraud is will be decreased as all Reduced Fare participants will have a vetted application and card in order to purchase reduced fares.
- The addition of mobile tickets and reloadable smart cards will greatly increase the convenience of using transit.
- In the new fare collection system, fares will be inspected using a standard mobile phone running software that can read tickets, smartcards, and mobile ticket codes. These replace much more costly proprietary devices.

The City of Phoenix awarded a contract to VIX Technologies for the system (hardware and software), and Valley Metro has the responsibility for the services portion of the new system. As detailed in the line items below, this change:

- Sets-up the VIX staffed call center that supports smart card sales, inquiries, refund processing, and Reduced Fare application processing;
- Begins purchasing of the required smartcard fare media in preparation for the retail network provided by InComm;
- Purchases the new (and less expensive) devices and software for fare inspection;
- Funds rider communication and education about the new system; and
- Funds outreach and education for riders who will require the new Reduced Fare identification card.

Alternatives Considered

Implementation of the new fare collection system has been approved by the Board

Item	Cost	Fund Source	Note
Vix Call Center Implementation	\$1,341,000	Regional PTF	Fixed and variable implementation costs for local call center start-up.
Vix Call Center Operations	\$943,000	Regional PTF	Operations charges include fixed base costs and variable overages based on level of call volume.
Incomm Retail Network Implementation	\$515,000	Regional PTF	Fare media costs will be re-couped when riders purchase the cards.
Mobile fare inspection data plans & software	\$74,400	Member City Federal	Mobile fare inspection data plans (\$50,000) and software (\$22,400).
New Fare Collection System Rider Education & Advertising	\$139,000	Regional PTF	Mobile ticketing and new ticket validators in late 2022 with the implementation of on busses trains. This will be followed in 2023 with the installation of new ticket vending machines (TVM) and the implementation of reloadable smart cards. As a result, not only will the new system need to be communicated to riders, for 18 months, the new mobile tickets and smartcards will co-exist with the existing TVMs, requiring extra rider education to avoid confusion.
Reduced Fare ID Outreach	\$112,000	Regional PTF	Outreach to ensure riders know how/why to get the new reduced fare ID; and how to use it in the future mobile and smart card environments
Total	\$3,122,400		

13	Origin & Destination Study	
	Joint RPTA and VMR	Continuing Commitments

Description

The Origin & Destination Study (also known as the Transit On-Board Survey) collects data about passenger travel patterns on fixed route bus and light rail. Valley Metro has conducted similar studies every three to five years since 1986, most recently in 2019. The study results are essential to Valley Metro and partner agencies for the following purposes:

- To collect data on customer travel patterns and demographics which enables Valley Metro and member agencies to better plan transit routes and service
- To calibrate and validate the Maricopa Association of Governments (MAG) regional transportation travel demand model for long-range planning and to inform the discussion of the extension of Proposition 400
- To provide data for the “After” study for Gilbert Road Light Rail Extension and the “Before” study for the South Central and Northwest Phase II Light Rail Extensions, as required by the Federal Transit Administration
- Data collection for this study will take place in spring 2023. The consultant will collect 17,500 completed intercept survey responses.

Alternatives Considered

The impact of not funding the initiative would be noncompliance with FTA requirements for the grants received, lack of data on post-COVID travel patterns and demographics, and inability of MAG to update their regional transportation model.

Item	Cost	Fund Source	Note
Origin & Destination Study	\$150,000	RARF Regional PTF	Complete FTA and regional planning requirements
Total	\$150,000		

14	ERP and EAM Support	
	Joint RPTA and VMR	Continuing Commitments

Description
Valley Metro will complete implementation of its new CORE Enterprise Resource Planning (ERP) and Enterprise Asset Management (EAM) systems in early FY 2023. As a result, technical support subscriptions will be needed with Oracle for ERP software maintenance (\$132,000), with Denovo for on-going technical support (\$213,000) and with Trapeze for the EAM technical support (\$23,500).
Alternatives Considered
Without software maintenance and technical support, Valley Metro would be unable to utilize the ERP and EAM systems.

Item	Cost	Fund Source	Note
Oracle	\$132,000	Regional PTF	
Denovo	\$213,000	Regional PTF	
Trapeze	\$23,500	Regional PTF	
Total	\$368,500		

15	Rent Changes	
	Joint RPTA and VMR	Continuing Commitments

Description
Valley Metro has entered into lease agreements for space at several sites across the Valley. These fixed term agreements include small year-to-year increases in the cost per square foot. Between FY 2022 and FY 2023, the average lease cost increases 2%.
In addition, at its August 2021 meeting, the Board authorized Valley Metro to lease an additional 1,680 square feet at the Mobility Center to allow Valley Metro to house the combined ADA Paratransit and RideChoice scheduling and reservations functions in the space no longer needed by Customer Service. This lease began in June 2022. As a result, it's cost must be annualized in the FY 2023 budget.
Alternatives Considered

Item	Cost	Fund Source	Note
101 Building Rent Change	\$108,000	All funding sources	1.8% year over year increase
Mobility Center Rent Change	\$11,100	Regional PTF	2% year over year increase
Annualization of Additional Mobility Center Space	\$48,300	Regional PTF	Allow Valley Metro to house the Paratransit and RideChoice Scheduling and Reservation Functions
Total	167,400		

16	Security Contract Rate Increase	
	Joint RPTA and VMR	Continuing Commitments

Description
In April 2021, the Board approved Valley Metro’s contract with Allied Universal Security for security at Valley Metro facilities and for light rail fare inspection and security services. This contract includes an annual rate increase of 2.2% effective July 1 of each year.
Alternatives Considered

Item	Cost	Fund Source	Note
RPTA Security Cost Change	\$8,000	Member City Regional PTF	
VMR Security Cost Increase	\$244,000	Member City	
Total	\$252,000		

17	Operations Contingency	
	Joint RPTA and VMR	VM Recommendations

Description
<p>Several issues create a substantial risk of operational costs increases in FY 2023. As these issues relate to labor and operating contacts subject to negotiation, the descriptions below describe the issue but do not estimate specific costs to avoid biasing any future negotiations. The estimated cost of individual issues will be discussed in private with both Board members and staff. Any contractual changes utilizing these funds would require Board approval.</p> <p><u>Security Staffing</u></p> <p>Recent changes in the labor market have had a major impact of the ability of Allied Universal Security to hire and retain qualified staff. Between September 2019 and February 2020, Allied Security had an average of seven Field Security Officer vacancies. Between September 2020 and February 2022, Allied Security averaged 37 Field Security Officer vacancies -- a 455% vacancy increase. As a result, during this period a third of security shifts were unable to be filled. February 2022 vacancies have continued to climb to 40. This lack of security presence on the light rail system has had a direct impact on acts of violence, on the system. Between September 2019 and February 2020, the rate of assaults against passengers was 0.52 per 100,000 boardings. Between November 2021 and February 2022, the rate was 1.2, an increase of 129%, and Allied Security personnel themselves were subject to an even greater increase in violence. Between September 2019 and February 2020, the rate of assaults against security was 0.35 per 100,000 boardings. Between September 2021 and February 2022, the assault rate was 0.84 per 100,000 boardings, an increase of 140%. This increase in violence can be expected to have a direct impact on ridership -- rider surveys have consistently shown the perception of safety is a key factor in whether a person chooses to use transit.</p> <p>In addition, Allied's inability to staff shifts will have an impact on fare collections. Pre-pandemic, when Allied was fully staffed and conducting normal fare inspections, VMR fare recovery per rider was \$0.71. During the pandemic, when VMR fare enforcement was dramatically reduced, fare recovery per rider fell to \$0.25. At current vacancy levels Allied can only cover between 1 in 4 and 1 in 5 cars. As a result, a return to pandemic level fare inspections and per trip fare recovery can be expected. In FY 2023, this would be expected to reduce fare revenues by \$3.2 million.</p> <p>Allied's inability to hire and retain qualified staff is caused by the recent changes in the labor market. Their current starting rate of \$16.15 per hour is simply no longer sufficient to attract qualified individuals to a role that requires a high degree of rider interaction and the potential de-escalation and for violence. As a result, Valley Metro will either need to amend the contract to include more competitive wages or accept a significantly smaller security presence and its affect on the safety and fare revenue implications.</p> <p><u>West Valley Bus Contract</u></p> <p>The Board approved contract for bus service in the West Valley incorporates the contractor's fixed and variable costs into a single cost per revenue mile. As a result, this contract includes a clause that allows that cost per revenue mile to be renegotiated if total revenue miles change by more than 30%. In March 2020, the Avondale City Council voted to reduce ZOOM miles by more than 50% starting in October 2022. As a result, this change can be expected to trigger a renegotiation of the contract's cost per revenue mile that increases rates for West Valley cities remaining service.</p> <p><u>Transit Operator Labor Rates</u></p> <p>Valley Metro's transit service contractors are also being impacted by the recent changes in the labor market. Over the last four months, operator vacancy rates have averaged 15% in the East Valley and 17% in the West Valley. These vacancies are impacting the contractor's ability to provide service: during that same period the number of missed trips has grown from 425 to 3,836 in the East Valley and from 10 to 28 in the West Valley. Should these trends continue, a decision will need to be made to either adjust wages to allow for adequate staffing or reduce service to the staffing level available. However, service reductions do not mitigate the larger market conditions affecting the</p>

ability to hire and retain this workforce and, therefore, are likely only a short-term stop-gap that could send a negative message in a consequential year.

Finally, the ADA Paratransit program is also experiencing these pressures. In January and February 2022, TransDev's vacancy rate for its reservations and scheduling staff was 48%. This fact, combined with a staffing related decreased reliability of the subcontractors (e.g., AAA, non-emergency medical transport, and Lyft) who handle approximately one-third of Paratransit trips have led to a continued degradation of on-time performance from 95%% in the fourth quarter of FY 2020 to 85% in the second quarter of FY 2022.

Item	Cost	Fund Source	Note
Security Staffing			Potential wage adjustments to address security officer vacancies
West Valley Contract Changes			Potential contract changes to address the reduction in revenue miles.
Bus Operator Staffing			Potential wage adjustments to address operator vacancies
Paratransit Staffing			Potential wage adjustment to address operator and scheduling and reservation agent vacancies.
Total	7,556,200		Member City, Regional PTF

VM Staff Labor Market Adjustment

Joint RPTA and VMR

VM Recommendations

Description

Like all cities in the region, Valley Metro is feeling the impact of a tight labor market and a 7% national rate of inflation. As a result, Valley Metro surveyed the region's cities to see how they were responding to labor market pressures. This survey found that in FY 2022, cities increased compensation through a combination of base increases and bonuses between 5% and 10%, often using mid-year adjustments to address the rapid changes of the last five months. Valley Metro provided staff a 1.5% merit increase in FY 2021 and a 3% merit increase in FY 2022. As a result, Valley Metro recommends implementing a 5% cost of living adjustment in FY 2022 and the 3% merit in FY 2023. The FY 2022 adjustment can be fund without a budget increase using vacancy savings.

Valley Metro's greatest turn-over and hiring problems are in the Operation's Division where vacancies have reached critical levels. For example, vacancy rates as of February 2022: *Light Rail Vehicle Inspectors: 44%, Customer Service Agents: 43%, Communication System Technicians: 40%, Electro-Mechanics: 40%, Traction Power System Technicians: 30%.*

Therefore, Valley Metro plans to implement immediate (FY 2022) retention and hiring strategies, including:

- A \$2,500 retention bonus to all Operations staff below the Deputy Director level;
- A \$2,000 hiring bonus for Operations new hires;
- An increase in shift differential from \$0.80 to \$1.25 per hour for the evening shift and an increase from \$1.60 to \$2.00 for the night shift.

These changes can be implemented in FY 2022 using vacancy savings within Valley Metro's approved budget. Valley Metro recommends continuing the \$2,000 hiring bonus in FY 2023 at an estimated cost of \$163,000.

Survey Results

City	<u>FY 2022</u>	<u>FY 2023</u>
Avondale	7.5%	TBD
Chandler	4.75%	TBD
Goodyear		"in line with recent CPI"
Mesa	8% + 2,000 bonus	3%
Peoria	"the consensus among finance directors is around 3-5% COLA this year and another 5% merit on top of it."	

Alternatives Considered

Item	Cost	Fund Source	Note
Annualization of FY 2022 5% COLA	\$554,300 R \$1,072,700 V	All funding sources	
3% FY 2023 Merit Adjustment	\$332,600 R \$643,000 V	All funding sources	
Hiring Bonus	\$163,000 V	All Funding Sources	\$2,000 hiring bonus for Operations positions.
Total	\$2,764,600		

19	Administrative Support for Deputy Directors	
	Joint RPTA and VMR	VM Recommendations

Description
In recognition of the increased scope and complexity of Valley Metro's operations, in FY 2021, a Deputy Director of Transportation & Project Integration and a Deputy Director of State of Good Repair & Maintenance positions were created. While the pandemic slowed hiring for these positions, they are now filled and required administrative support to maximize effectiveness. This recommendation provides that support by adding a 2 FTE Administrative Assistant II positions and their associated equipment to support the two Deputy Directors.
Alternatives Considered
Reduced effectiveness by either sharing or foregoing administrative support for the leadership role.

Item	Cost	Fund Source	Note
Benefits & Salary	\$128,500	Member City Regional PTF	2 Administrative Assistant II positions
Equipment	\$6,100	Member City Regional PTF	2 standard computing kits
Total	134,600		

20	Asset Management System Administrator	
	Joint RPTA and VMR	VM Recommendations

Description
In early FY 2023, Valley Metro will complete implementation of its Enterprise Asset Management System and will disengage with the company that has led the implementation. From that point forward, Valley Metro will be responsible for creating needed reports, managing access control, testing software updates, and working with Trapeze and Oracle to address issues – functions typically handled by a system administrator. This recommendation adds an Asset Management System Administrator FTE position and its associated equipment to fulfill that role.
Alternatives Considered

Item	Cost	Fund Source	Note
Salary and Benefits	\$20,800 R \$83,100 V	Member City Regional PTF	
Equipment	\$3,100	Member City Regional PTF	Laptop, monitor, keyboard & mouse, web cam, software licenses
Total	\$107,000		

21	Senior Internal Auditor	
	Joint RPTA and VMR	VM Recommendations
Description		
Valley Metro's Internal Audit team is currently comprised of the Chief Auditor and two Senior Internal Auditors. This staffing level has struggled to keep pace with the Board's demand for audits. As a result, Valley Metro recommends adding one additional Senior Internal Auditor FTE position and associated equipment.		
Alternatives Considered		
An auditor could be obtained through a staffing contract; however, the contract's overhead would increase the net cost of the role. As this is assumed to be an on-going need, that isn't the best use of resources.		

Item	Cost	Fund Source	Note
Salary & Benefits	\$57,400 R \$57,400 V	RARF, Member City	
Equipment	\$3,100	All funding sources	Laptop, monitor, keyboard & mouse, web cam, software licenses
Total	\$117,900		

22	Increased Recruiting Costs	
	Joint RPTA and VMR	VM Recommendations
Description		
The increased competitiveness of the labor market requires Valley Metro to expand its recruitment activities to attract and hire qualified candidates. This includes expanding advertising using print, web, and social media channels; increasing in-person recruitment at trade schools and career fairs; and creating engaging content (e.g., videos) to reach and educate potential candidates on career opportunities with Valley Metro. The small size of Arizona's transit sector also makes it more likely that out-of-state recruitment will be needed for specialized roles. As a result, funding is need for candidate travel and relocation for high-level positions.		
Alternatives Considered		

Item	Cost	Fund Source	Note
Advertising	\$70,000	All Funding Sources	
Job Fairs	\$10,000	All Funding Sources	
Recruitment Videos	\$10,000	All Funding Sources	
Candidate Travel	\$10,000	All Funding Sources	Travel for out-of-state candidates
Relocation	\$40,000	All Funding Sources	Relocation allowance funding for high-level roles
Total	\$140,000	All Funding Sources	

23	Increased Legal Defense Costs	
	Joint RPTA and VMR	VM Recommendations

Description

Increased legal costs follow increased fleet size and system expansion and are necessary to protect Valley Metro's interests. From a risk standpoint, every additional vehicle that goes into service represents a substantial increase in exposure for both property and injury. Additionally, as we raise insurance deductibles, Valley Metro covers outside legal fees for longer periods until the dollar threshold is met for insurers to take over the costs. Outside legal services, particularly specialized services, are becoming more expensive. Provided the volume and variety of business and service performed by Valley Metro, unforeseen circumstances often arise and will continue to increase, where the budget is best served when set to prepare us to address these unforeseen events over the next year.

Specifically, Valley Metro expects to be sued around 9 times or more in the next month with respect to litigation arising from the March 14, 2021 derailment. Fees and costs associated with defending against those litigations will be incurred over the next 12 months and beyond. Valley Metro anticipates that some of the derailment claims may turn into lengthy litigation, with considerable fees and expert costs. Due to volume alone, even if all the derailment cases are favorably settled, the combined legal costs to resolve them will be substantial and take many months.

Alternatives Considered

If there is an insufficient budget for legal costs, Valley Metro would either need to request additional mid-year funding or not be able to pay for necessary legal support.

Item	Cost	Fund Source	Note
Increased Legal Costs	\$341,200	All Funding Sources	
Total	\$341,200	All Funding Sources	

24	Operations Employee Relations Analyst	
	Joint RPTA and VMR	VM Recommendations

Description

Valley Metro currently has one Employee Relations Specialist who works with managers and employees to address performance and disciplinary issues. It is virtually impossible, however, for this single staff member to provide the level of support needed by the over 200 employees stationed at the Operations and Maintenance Center (OMC). This recommendation adds a 1 FTE Employee Relations Analyst position, and associated equipment, to provide full-time, on-site support to the OMC.

Alternatives Considered

Item	Cost	Fund Source	Note
Salary and Benefits	\$103,900	All funding sources	
Equipment	\$3,100	All funding sources	Laptop, monitor, keyboard, etc.
Total	\$107,000		

25	Junior Systems Engineer	
	Joint RPTA and VMR	VM Recommendations

Description

Since September 2019, Valley Metro has contacted for a Junior Systems Engineer to maintain servers and storage. As there is an on-going need for this position, Valley Metro recommends converting it from a contractor to an FTE. This conversion will reduce net costs by \$26,100 per year.

Alternatives Considered

Maintain the role as a contractor resulting in a \$26,100 increase in Valley Metro's base budget.

Item	Cost	Fund Source	Note
Salary & Benefits	\$114,800	All funding sources	
Equipment	\$3,100	All funding sources	Laptop, monitor, keyboard, etc.
Total	\$117,900		

26	Market Research	
	Joint RPTA and VMR	VM Recommendations

Description

Market research (or surveys) is necessary to assess rider satisfaction with bus and light rail services and to understand rider perceptions to help us strategically tackle ridership recovery from the pandemic. Ad hoc surveys are also necessary for additional data and market analyses for key initiatives across this year, including the new fare system and associated outreach as well as to new communities as part of capital projects.

Rider satisfaction will be assessed and followed through on as a result of this survey and analysis. The following topics/issues will be included in the survey instrument: loyalty segments based on environment and demographic variables as well as attitude and behavioral variables, satisfaction with communication materials (especially important as we transition away from the printed Transit Book), profile comparison of rider groups, needs of current riders, needs of future/potential riders, and transit dependency and access to alternate forms of transportation. Current and former transit users will be surveyed to understand public perceptions of transit overall. Survey data will be compared and contrasted to previous studies identifying trends used to develop marketing, communication, planning efforts and campaigns seeking to grow support for public transit in the region.

Alternatives Considered

Item	Cost	Fund Source	Note
VMR Research	\$35,000	Member City	
RPTA Research	\$35,000	Regional PTF	
Total	\$70,000		

27	Driver/Pedestrian Safety Promotion	
	Joint RPTA and VMR	VM Recommendations

Description
The Driver/Pedestrian Safety Campaign initiative seeks to address issues relating to light rail and bus collision data and create messages for drivers and pedestrians urging them to obey the rules of the road, respect transit vehicles (and their inability to move or stop quickly), no jaywalking and other pertinent messages relative to encouraging safer behaviors around transit. In 2020, there were 37 light rail collisions. Based on the data, the types of collisions primarily impacting the light rail system are improper left/u-turns across the tracks and jaywalking. For buses, in 2020 there were 266 collisions involving vehicles or pedestrians. The biggest cause of collision for buses are sideswipes and mirror clip accidents. As a result, the campaign would seek to address giving buses space on roadways, especially while at stops. The campaign would also focus on rear-end collision prevention. The expected outcomes are driver/pedestrian education and a decrease in incidents.
Alternatives Considered

Item	Cost	Fund Source	Note
VMR Advertising	\$50,000	Member City	
RPTA Advertising	\$50,000	Regional PTF	
Total	\$100,000		

28	Value of Transit Communications	
	Joint RPTA and VMR	VM Recommendations

Description
The Value of Transit campaign is critical to sharing Valley Metro's contributions to providing safe and reliable public transportation, which also supports the local economy, healthy lifestyles and overall community well-being. The expected outcomes are an increased understanding of how your transit investments are critical to the community and that continued investment is crucial to our future. This effort is particularly timely across this year. And will share the community impacts from our regional bus, light rail and paratransit systems.
Education throughout 2022 is critical as it relates to key, regional funding initiatives. Without a well-informed public, the critical nature of this funding may not have the emphasis that it deserves.
Alternatives Considered

Item	Cost	Fund Source	Note
VMR Advertising	\$24,000	Member City	
RPTA Advertising	\$25,000	Regional PTF	
Total	\$50,000		

29	Ridership Recovery Marketing	
	Joint RPTA and VMR	VM Recommendations

Description
As the pandemic wanes and Valley residents re-evaluate their transportation options, Valley Metro recommends using market research and ridership analyses provided by WestGroup, to create targeted advertising that (re)emphasizes the benefits of using transit and highlights the access it can provide to work, leisure, and entertainment.
Alternatives Considered

Item	Cost	Fund Source	Note
VMR Advertising	\$50,000	Member City	
RPTA Advertising	\$70,000	Regional PTF	
Total	\$120,000		

Classification & Compensation Study

Joint RPTA and VMR

VM Recommendations

Description

Valley Metro last conducted an agencywide classification and compensation study in 2006. As a result, its classification and compensation structures were already outdated. This fact has been exacerbated by the recent changes in the labor market. As a result, an agencywide classification and compensation study is needed to use its salary funding efficiently to recruit and retain a qualified workforce.

This will enable Valley Metro to:

- Ensure salary funding is utilized effectively,
- Reduce turn-over related recruiting, training, and over-time costs,
- Improve agency effectiveness by hiring and retaining qualified staff

Functions of Classification and Compensation Study include:

- To ensure market/internal structure alignment;
- To create new, up-dated and revised job descriptions that accurately reflect job duties, KSA's and job minimum qualifications;
- Ensure legal compliance with the Fair Labor Standards Act & Americans with Disabilities Act;
- To update and simplify Classification System, Pay Plan and Compensation Philosophy and also provide administration guidelines for Human Resources to manage comp structure;
- To identify paths for career progression;
- Address recruitment and retention needs.

The results of this study will be used as a decision-making tool to update our current structure

Alternatives Considered

Valley Metro can continue with an outdated classification and compensation structure, addressing individual classifications with staffing become untenable. This approach is inefficient, ineffective, and will ultimately lead to inequities and thereby legal exposure.

Item	Cost	Fund Source	Note
Class & Comp study Consulting	\$332,000	Regional PTF, Member City	
Total	\$332,000		

31	New LRV Communication Systems	
	VMR Only	Continuing Commitments

Description
<p>In FY 2023, Valley Metro will be operating three different rail platforms: the original Kinkisharyo vehicles, the new Siemens vehicles, and the Brookville streetcars. Software is needed for their three different passenger counting systems and diagnostic systems to interoperate.</p> <p>In addition, the WiMax communications protocol used for the original LRV fleet has become unreliable due to crowding of the 5MHz spectrum. Therefore, the entire fleet will be configured to use 5G cellular signals for communication and location.</p>
Alternatives Considered

Item	Cost	Fund Source	Note
Passenger Counting and Maintenance Software	\$209,800	Member City	Purchase Citisense to consolidate passenger counting data and OMIS to consolidate LRV diagnostic and maintenance data
Communications Hardware	\$128,000	Member City	
Cellular Service for LRVs	\$50,000	Member City	
Total	\$387,800		

Description

This item reflects agreements with the cities of Phoenix, Tempe, and Mesa for continued design work on rail and streetcar expansion projects. Specifically:

Rio Dobson - The purpose of this study is to evaluate alternatives, develop the purpose and need for the project and conclude with a locally preferred alternative (LPA). In FY 2023 Valley Metro expects to complete the project management plan, conduct community outreach efforts, complete the existing and future conditions, complete the purpose and need, and narrow the alternatives down to the best contenders for further analysis.

Capitol Extension - This is to continue with preliminary engineering to get us to 30% and to prepare the required environmental assessment. Valley Metro will also be requesting entry into Project Development of FTA's Capital Investment Program.

I-10 West Extension - In FY 2023 Valley Metro will be conducting sub-surface engineering and survey work in preparation for starting preliminary engineering and the environmental review process. In FY 2023 Valley Metro expects to complete the project management plan, conduct community outreach efforts, complete the existing and future conditions, complete the purpose and need, and narrow the alternatives down to the best contenders for further analysis.

West Phoenix - This is an alternatives analysis study to identify and evaluate alternatives for high capacity transit to improve transit in the corridor. This analysis will get us to an LPA and set the stage to enter the next phase of the project.

Alternatives Considered

Valley Metro conducts this work at the request of and with the funding of the cities involved.

Item	Cost	Fund Source	Note
Capitol Extension	\$1,155,000	Phoenix Funds, Grant Funds, PTF	
I-10 West Extension	\$1,574,000	Phoenix Funds, Grant Funds	
Rio Dobson	\$400,000	Tempe & Mesa Funds	
West Phoenix	\$500,000	Phoenix Funds, Grant Funds	
Community Engagement	\$65,000		For the Capitol Extension and I-10 West projects.
Total	\$3,694,000		

33	OMC Expansion Facility Maintenance	
	VMR Only	Continuing Commitments

Description

The OMC Expansion project increased the OMC's footprint by approximately 33% to accommodate the additional vehicles, maintenance of equipment and maintenance of way capacity needed for system expansion occurring between 2023 and 2025.

In November 2021, the Board approved a modification to the DMS contract to provide facility maintenance for the new portions of the OMC. As this change was implemented mid-year, full year funding must be added in FY 2023.

Alternatives Considered

Item	Cost	Fund Source	Note
DMS Facility Maintenance service for the OMC Expansion	\$204,000	City Funds	
Total	\$204,000		

34	Streetcar Operations	
	VMR Only	Continuing Commitments

Description

The Streetcar project has completed construction of 3 miles of expanded rail line in Tempe and will begin operations in April 2022. Streetcar Operations are funded for a partial year in FY22 and need to be annualized for a full year in FY 2023.

Alternatives Considered

Item	Cost	Fund Source	Note
Streetcar Operations	\$1,945,800	City of Tempe Funds	
Streetcar Security	\$400,000	City of Tempe Funds	
Total	\$2,345,800		

35	Insurance Cost Contingency	
	VMR Only	VM Recommendations

Description
<p>In FY 2022 the Board approved a 48% insurance premium increases. Preliminary estimates from Valley Metro's insurance broker anticipates that the market and economy will continue to impose premium increases next year that should be accounted for in the budget to adequately protect Valley Metro. Valley Metro continues to expand, adding assets, value and risk. In addition, insurance rates, on a national level and particularly for governments providing public transportation services, continue to escalate for several reasons.</p> <p>It is in Valley Metro's best interest to review and evaluate available cost saving options that may be available for future insurance renewals. Per Valley Metro's insurance broker, the first step in this process should begin with a one-time actuarial study to evaluate the financial and risk feasibility on the extent and amount of self-insurance for major lines of insurance coverage, which is included in this initiative.</p>
Alternatives Considered

Item	Cost	Fund Source	Note
FY 2023 Premium Contingency	\$2,118,500	City Funds	Will accommodate an additional 68% premium increase from FY 2022.
Actuarial Study	\$16,000	City Funds	Assessing the viability of self-insurance
Total	\$2,134,500		

36	Maintenance of Way Planning & Supervision	
	VMR Only	VM Recommendations

Description

Growth in the VMR system has increased the number of assets that must be inspected and maintained to the point where 24/7 maintenance of way is required. Valley Metro lacks, however, the supervision capacity to cover 24 hours per day. This recommendation adds one Maintenance of Way Supervisor FTE position, and its associated vehicle and equipment, to provide that coverage.

In addition, the planning and scheduling of maintenance of way work has historically been done as a group by the Supervisors, further reducing the time available for overseeing work. As a result, this recommendation also adds a Maintenance Planner FTE position, and its associated equipment, for planning and scheduling to maximize supervisor effectiveness.

Alternatives Considered

Item	Cost	Fund Source	Note
Maintenance of Way Supervisor Salary & Benefits	\$103,900		
Vehicle & Equipment	\$35,100		Includes a vehicle and standard computer package
Maintenance of Way Planner Salary & Benefits	\$114,800		
Equipment	\$3,100		Standard computer package
Total	256,900		

37	Grounds Maintenance Coordinator	
	VMR Only	VM Recommendations

Description

Growth in the VMR system has increased the grounds and facilities footprint that must be maintained. Direct groundskeeping is performed by a contractor (or the City of Tempe for streetcar). Valley Metro lacks, however, dedicated oversight of this contractor to ensure contractual compliance and that the contractor has clear priorities. This recommendation addresses that gap by adding a 1 FTE Grounds Maintenance Coordinator, a truck for the position's use, and its associated equipment.

Alternatives Considered

Item	Cost	Fund Source	Note
Salary & Benefits	\$86,100		
Vehicle & Equipment	\$59,100		Ford F-250 and standard computer package
Total	\$145,200		

38	Facilities Maintenance Technician	
	VMR Only	VM Recommendations

Description

Valley Metro directly staffs the maintenance of the OMC. The OMC expansion project added 33% to the facility. As a result, an additional Facilities Maintenance Technician FTE position is needed.

Alternatives Considered

Item	Cost	Fund Source	Note
Salary & Benefits	\$77,900		
Total	\$77,900		

39	RailPod Software	
	VMR Only	VM Recommendations

Description

A RailPod is a piece of equipment that can be pulled through the alignment to collect data on OCS height and stagger, rail geometry, rail wear, and can be used for GIS tagging of assets. These assessments are critical to maintaining the safety of the rail corridor – for example, “curve analysis” analyzes rail wear to determine the highest safe speed a curve can accommodate. As the Valley Metro system moves from young to middle aged, the need for these assessments has exceeded what can be done by staff requiring the addition of this equipment. The RailPod itself is requested in the Capital Budget. This issue funds the analytical software it utilizes.

Alternatives Considered

RailPod software is proprietary and required for its use.

Item	Cost	Fund Source	Note
RailPod Software	\$102,000	Member City	
Total	\$102,000		

40	Two Line System Wayfinding Design	
	VMR Only	Valley Metro Recommendations

Description
With the openings of the Northwest Extension Phase II and South Central Extension/Downtown Hub light rail projects in FY 2024 and FY 2025 respectively, we will move from a single line system to a two-line system, operating with a "north-south line" and an "east-west line." The future multi-line system will use the strategy, reviewed by the Board in early 2017, of primary letters and secondary colors to help people navigate between lines. In FY 2023, we need to design how the wayfinding will take shape at the stations, on maps, on trains, etc. for the two-line system and how customers will transfer easily and effectively between lines.
Alternatives Considered

Item	Cost	Fund Source	Note
Two Line System Wayfinding Consulting	\$93,500	Member City, Regional PTF, Federal	
Total	\$93,500		

41	Respect the Ride	
	VMR Only	VM Recommendations

Description
Coming out of the pandemic, as ridership continues to rebound, it is important for returning riders to feel safe and secure and to understand the rules of riding (for all). Respect the Ride encompasses a code of conduct, messages reinforcing positive behaviors, and safety education on light rail vehicles and station platforms. This recommendation will update the Respect the Ride educational campaign featuring Right and Rong for current behavioral and safety issues to educate our riders and encourage positive behaviors.
Alternatives Considered

Item	Cost	Fund Source	Note
Respect the Ride Advertising	\$50,000	Member City	
Total	\$50,000		

42	Non-Revenue Fleet	
	VMR Only	VM Recommendations

Description
Adds three non-revenue vehicles and their associated tools/equipment. Two vehicles, a Chevy Traverse and Ford Explorer, provide operator relief and line supervision for the Tempe Streetcar alignment. A third enables Customer Experience Coordinators to maintain their presence on the alignment during shift changes.
Alternatives Considered

Item	Cost	Fund Source	Note
TSC Operator Relief	\$29,000		
TSC Line Supervision	\$36,000		
CEC Shift Change	\$29,000		
Tool & Equipment	\$13,400		
Total	\$107,000		

43	LRV Replacement Parts	
	VMR Only	VM Recommendations

Description
Additional funding is needed for LRV replacement part. Several factors are driving this need: <ul style="list-style-type: none"> An increase in the number of annual LRV/Car accidents is requiring more LRV bumper replacements The addition of the Siemens vehicles requires the stocking of additional replacement parts Supply chain issues have increased replacement part prices approximately 20%.
Alternatives Considered

Item	Cost	Fund Source	Note
LRV Bumpers	\$280,000		4 at \$70,000 each
New Fleet Spare Parts	\$380,000		Establishing a spare part inventory for the Siemens fleet.
Part Price Inflation	\$340,000		
Total	\$1,00,000		

FY 2023 Preliminary Budget

Audit and Finance Subcommittee
April 2022



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Valley Metro Recommendations Operations Division



RPTA Only			RPTA Cost			Joint RPTA & VMR			RPTA Cost			VMR Cost			VMR Only			VMR Cost		
Superbowl Special Event	8	\$	150,000			Operations Contingency	17	\$	3,585,800	\$	3,970,400	Insurance Cost Contingency	35	\$	2,134,500					
Bus Security Coordinator	7	\$	97,400			VM Staff Labor Market Adjustment	18	\$	886,900	\$	1,877,700	LRV Replacement Parts	43	\$	1,000,000					
						Increased Legal Defense Costs	23	\$	99,700	\$	241,500	Maint of Way Planning & Sup	36	\$	256,900					
						Class & Comp Study	30	\$	166,000	\$	166,000	Grounds Maintenance Coord	37	\$	145,200					
						Increased Recruiting Costs	22	\$	70,000	\$	70,000	Non-Revenue Fleet	42	\$	107,000					
						Admin Support for newOps DDs	19	\$	6,400	\$	128,200	RailPod	39	\$	102,000					
						Ridership Recovery Outreach	29	\$	70,000	\$	50,000	Two Line System Wayfinding	40	\$	93,500					
						Senior Internal Auditor	21	\$	59,000	\$	58,900	Facilities Maintenance Tech	38	\$	77,900					
						Junior Systems Engineer	25	\$	58,900	\$	59,000	Respect the Ride	41	\$	50,000					
						Operations Employee Relations	24	\$	41,500	\$	65,500									
						EAM Sys Admin	20	\$	20,800	\$	86,200									
						Driver/Pedestrian Safety Promotion	27	\$	50,000	\$	50,000									
						Market Research	26	\$	35,000	\$	35,000									
						Value of Transit Communications	28	\$	25,000	\$	25,000									
Category Total			\$	247,400					\$	5,175,000	\$	6,883,400							\$	3,967,000

RPTA = 30% City Funded, 70% PTF & Other
VMR = 41% City Funded, 59% Other

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Valley Metro Recommendations

Communications & Strategic Initiatives



RPTA Only			RPTA Cost		Joint RPTA & VMR		RPTA Cost		VMR Cost		VMR Only		VMR Cost	
Superbowl Special Event	8	\$	\$ 150,000	Operations Contingency	17	\$	\$ 3,585,800	\$ 3,970,400	Insurance Cost Contingency	35	\$	\$ 2,134,500		
Bus Security Coordinator	7	\$	\$ 97,400	VM Staff Labor Market Adjustment	18	\$	\$ 886,900	\$ 1,877,700	LRV Replacement Parts	43	\$	\$ 1,000,000		
				Increased Legal Defense Costs	23	\$	\$ 99,700	\$ 241,500	Maint of Way Planning & Sup	36	\$	\$ 256,900		
				Class & Comp Study	30	\$	\$ 166,000	\$ 166,000	Grounds Maintenance Coord	37	\$	\$ 145,200		
				Increased Recruiting Costs	22	\$	\$ 70,000	\$ 70,000	Non-Revenue Fleet	42	\$	\$ 107,000		
				Admin Support for newOps DDs	19	\$	\$ 6,400	\$ 128,200	RailPod	39	\$	\$ 102,000		
				Ridership Recovery Outreach	29	\$	\$ 70,000	\$ 50,000	Two Line System Wayfinding	40	\$	\$ 93,500		
				Senior Internal Auditor	21	\$	\$ 59,000	\$ 58,900	Facilities Maintenance Tech	38	\$	\$ 77,900		
				Junior Systems Engineer	25	\$	\$ 58,900	\$ 59,000	Respect the Ride	41	\$	\$ 50,000		
				Operations Employee Relations	24	\$	\$ 41,500	\$ 65,500						
				EAM Sys Admin	20	\$	\$ 20,800	\$ 86,200						
				Driver/Pedestrian Safety Promotor	27	\$	\$ 50,000	\$ 50,000						
				Market Research	26	\$	\$ 35,000	\$ 35,000						
				Value of Transit Communications	28	\$	\$ 25,000	\$ 25,000						
Category Total			\$ 247,400			\$ 5,175,000	\$ 6,883,400					\$ 3,967,000		

RPTA = 0% City Funded, 100% PTF & Other

VMR = 62% City Funded, 38% Other

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Valley Metro Recommendations

Legal Division



RPTA Only		RPTA Cost	Joint RPTA & VMR		RPTA Cost	VMR Cost	VMR Only	VMR Cost	
Superbowl Special Event	8	\$ 150,000	Operations Contingency	17	\$ 3,585,800	\$ 3,970,400	Insurance Cost Contingency	35	\$ 2,134,500
Bus Security Coordinator	7	\$ 97,400	VM Staff Labor Market Adjustment	18	\$ 886,900	\$ 1,877,700	LRV Replacement Parts	43	\$ 1,000,000
			Increased Legal Defense Costs	23	\$ 99,700	\$ 241,500	Maint of Way Planning & Sup	36	\$ 256,900
			Class & Comp Study	30	\$ 166,000	\$ 166,000	Grounds Maintenance Coord	37	\$ 145,200
			Increased Recruiting Costs	22	\$ 70,000	\$ 70,000	Non-Revenue Fleet	42	\$ 107,000
			Admin Support for newOps DDs	19	\$ 6,400	\$ 128,200	RailPod	39	\$ 102,000
			Ridership Recovery Outreach	29	\$ 70,000	\$ 50,000	Two Line System Wayfinding	40	\$ 93,500
			Senior Internal Auditor	21	\$ 59,000	\$ 58,900	Facilities Maintenance Tech	38	\$ 77,900
			Junior Systems Engineer	25	\$ 58,900	\$ 59,000	Respect the Ride	41	\$ 50,000
			Operations Employee Relations	24	\$ 41,500	\$ 65,500			
			EAM Sys Admin	20	\$ 20,800	\$ 86,200			
			Driver/Pedestrian Safety Promotion	27	\$ 50,000	\$ 50,000			
			Market Research	26	\$ 35,000	\$ 35,000			
			Value of Transit Communications	28	\$ 25,000	\$ 25,000			
Category Total		\$ 247,400			\$ 5,175,000	\$ 6,883,400			\$ 3,967,000

RPTA = 0% City Funded, 100% PTF & Other

VMR = 62% City Funded, 38% Other

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Valley Metro Recommendations

Human Resources



RPTA Only		RPTA Cost	Joint RPTA & VMR		RPTA Cost	VMR Cost	VMR Only		VMR Cost
Superbowl Special Event	8	\$ 150,000	Operations Contingency	17	\$ 3,585,800	\$ 3,970,400	Insurance Cost Contingency	35	\$ 2,134,500
Bus Security Coordinator	7	\$ 97,400	VM Staff Labor Market Adjustment	18	\$ 886,900	\$ 1,877,700	LRV Replacement Parts	43	\$ 1,000,000
			Increased Legal Defense Costs	23	\$ 99,700	\$ 241,500	Maint of Way Planning & Sup	36	\$ 256,900
			Class & Comp Study	30	\$ 166,000	\$ 166,000	Grounds Maintenance Coord	37	\$ 145,200
			Increased Recruiting Costs	22	\$ 70,000	\$ 70,000	Non-Revenue Fleet	42	\$ 107,000
			Admin Support for newOps DDs	19	\$ 6,400	\$ 128,200	RailPod	39	\$ 102,000
			Ridership Recovery Outreach	29	\$ 70,000	\$ 50,000	Two Line System Wayfinding	40	\$ 93,500
			Senior Internal Auditor	21	\$ 59,000	\$ 58,900	Facilities Maintenance Tech	38	\$ 77,900
			Junior Systems Engineer	25	\$ 58,900	\$ 59,000	Respect the Ride	41	\$ 50,000
			Operations Employee Relations	24	\$ 41,500	\$ 65,500			
			EAM Sys Admin	20	\$ 20,800	\$ 86,200			
			Driver/Pedestrian Safety Promotion	27	\$ 50,000	\$ 50,000			
			Market Research	26	\$ 35,000	\$ 35,000			
			Value of Transit Communications	28	\$ 25,000	\$ 25,000			
Category Total		\$ 247,400			\$ 5,175,000	\$ 6,883,400			\$ 3,967,000

RPTA = 0% City Funded, 100% PTF & Other
 VMR = 62% City Funded, 38% Other

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Valley Metro Recommendations

Safety Security & Quality Assurance



RPTA Only		RPTA Cost	Joint RPTA & VMR		RPTA Cost	VMR Cost	VMR Only	VMR Cost	
Superbowl Special Event	8	\$ 150,000	Operations Contingency	17	\$ 3,585,800	\$ 3,970,400	Insurance Cost Contingency	35	\$ 2,134,500
Bus Security Coordinator	7	\$ 97,400	VM Staff Labor Market Adjustment	18	\$ 886,900	\$ 1,877,700	LRV Replacement Parts	43	\$ 1,000,000
			Increased Legal Defense Costs	23	\$ 99,700	\$ 241,500	Maint of Way Planning & Sup	36	\$ 256,900
			Class & Comp Study	30	\$ 166,000	\$ 166,000	Grounds Maintenance Coord	37	\$ 145,200
			Increased Recruiting Costs	22	\$ 70,000	\$ 70,000	Non-Revenue Fleet	42	\$ 107,000
			Admin Support for newOps DDs	19	\$ 6,400	\$ 128,200	RailPod	39	\$ 102,000
			Ridership Recovery Outreach	29	\$ 70,000	\$ 50,000	Two Line System Wayfinding	40	\$ 93,500
			Senior Internal Auditor	21	\$ 59,000	\$ 58,900	Facilities Maintenance Tech	38	\$ 77,900
			Junior Systems Engineer	25	\$ 58,900	\$ 59,000	Respect the Ride	41	\$ 50,000
			Operations Employee Relations	24	\$ 41,500	\$ 65,500			
			EAM Sys Admin	20	\$ 20,800	\$ 86,200			
			Driver/Pedestrian Safety Promotion	27	\$ 50,000	\$ 50,000			
			Market Research	26	\$ 35,000	\$ 35,000			
			Value of Transit Communications	28	\$ 25,000	\$ 25,000			
Category Total		\$ 247,400			\$ 5,175,000	\$ 6,883,400			\$ 3,967,000

RPTA = 0% City Funded, 100% PTF

6

Valley Metro Recommendations

Internal Audit & IT



RPTA Only		RPTA Cost	Joint RPTA & VMR		RPTA Cost	VMR Cost	VMR Only	VMR Cost	
Superbowl Special Event	8	\$ 150,000	Operations Contingency	17	\$ 3,585,800	\$ 3,970,400	Insurance Cost Contingency	35	\$ 2,134,500
Bus Security Coordinator	7	\$ 97,400	VM Staff Labor Market Adjustment	18	\$ 886,900	\$ 1,877,700	LRV Replacement Parts	43	\$ 1,000,000
			Increased Legal Defense Costs	23	\$ 99,700	\$ 241,500	Maint of Way Planning & Sup	36	\$ 256,900
			Class & Comp Study	30	\$ 166,000	\$ 166,000	Grounds Maintenance Coord	37	\$ 145,200
			Increased Recruiting Costs	22	\$ 70,000	\$ 70,000	Non-Revenue Fleet	42	\$ 107,000
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			Senior Internal Auditor	21	\$ 59,000	\$ 58,900	Facilities Maintenance Tech	38	\$ 77,900
			Junior Systems Engineer	25	\$ 58,900	\$ 59,000	Respect the Ride	41	\$ 50,000
			Operations Employee Relations	24	\$ 41,500	\$ 65,500			
			EAM Sys Admin	20	\$ 20,800	\$ 86,200			
			Driver/Pedestrian Safety Promotion	27	\$ 50,000	\$ 50,000			
			Market Research	26	\$ 35,000	\$ 35,000			
			Value of Transit Communications	28	\$ 25,000	\$ 25,000			
Category Total		\$ 247,400			\$ 5,175,000	\$ 6,883,400			\$ 3,967,000

RPTA = 0% City Funded, 100% PTF & Other

VMR = 62% City Funded, 38% Other

7

Next Steps



8

8

Recap of Budget Timeline



Dates	Description
April 19	RTAG: Discussion
April 21	Board: Presentation & Discussion
May 4	TMC/RMC: Presentation & Discussion
May 5	AFS: Discussion
May 17	RTAG
May 19	Board: Action or Discussion
June 1	TMC/RMC: Presentation & Discussion (if needed)
June 16	Board: Action (if needed)



Information Summary

DATE

April 1, 2022

AGENDA ITEM 8

SUBJECT

Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

PURPOSE

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

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

Joint Boards Agenda

- 8A. Planning and Community Relations Support Services (PCRSS) Contract Extension and Additional Funding** - authorization for the CEO to increase contract expenditure authority with HDR Engineering Inc. for a not to exceed amount of \$1.5 million in FY22 and \$3.5 million for a six-month extended period through December 2022 for a total not to exceed amount of \$5 million.

RPTA Board Agenda

- 8B. Compressed Natural Gas (CNG) Detection System Replacement Contract Award** - authorization for the CEO to execute a contract with RMS Life Safety to replace the CNG Gas Detection System at the Mesa Bus Operations and Maintenance Facility for an amount not to exceed \$214,248.

VMR Board Agenda

- 8C. Northwest Extension Phase II Light Rail Extension Project (NWEII)- Construction Manager at Risk (CMAR) Contract Authority** - authorization for the CEO to provide additional contract authority for the NWEII CMAR contract with KMJV for an amount not to exceed \$15,290,000 to complete construction of the NWEII Project.
- 8D. Northwest Extension Phase II Light Rail Extension Project (NWEII) Design Services Contract Authority** - authorization for the CEO to increase the NWEII Light Rail Extension design contract with Jacobs Engineering Group Inc. by up to \$1,100,000 to support DSDC, associated tasks, and contingency.



8E. South Central/Downtown Hub Design Services Three-Year Extension -

Authorization for the CEO to award a three-year extension option in accordance with AECOM's design services contract terms.

8F. Tempe Depot Development- Design and Construction Agreement -

authorization for the CEO to execute the Design and Construction Agreement for the Tempe Depot Development.

RECOMMENDATION

For information only. If there are questions regarding these items, please reach out to Valley Metro staff.

CONTACT

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Acting Chief Financial Officer
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602-262-7433

ATTACHMENT

Information Summaries for items listed above.

Information Summary

DATE

April 1, 2022

AGENDA ITEM 8A

SUBJECT

Planning and Community Relations Support Services (PCRSS) Contract Extension and Additional Funding

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a six-month extension to the current contract with HDR Engineering, Inc. for provide additional funding to complete project activities and allow an appropriate transition period for the current contractor and future on-call consultant awards.

RECOMMENDATION

Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to increase contract expenditure authority with HDR Engineering Inc. for a not to exceed amount of \$1.5 million in FY22 and \$3.5 million for a six-month extended period through December 2022 for a total not to exceed amount of \$5 million.

BACKGROUND | DISCUSSION | CONSIDERATION

Planning and community relations support contracts provide consultant staff who serve as an extension of Valley Metro staff. The consultant staff is utilized to bring in specialized planning, environmental, engineering and community relations expertise as needed to aide Valley Metro Rail (VMR) and RPTA. Consultant staff work with Valley Metro staff to develop transit corridors, facilities and services, that include the following:

- conducting corridor and facility planning studies and preliminary engineering.
- conducting environmental assessments and archaeological monitoring.
- supporting transit service planning for local communities.
- supporting federal grant applications.
- community relations support.
- other project development activities as necessary to further regional transit goals.

Three planning and community relations support contract services are executed or under an active competitive procurement (Table 1).

Table 1: Planning and Community Relations Support Contract Services

Contract	Services	Status
Planning and Community Relations Support Services (PCRSS)	Planning, engineering, environmental, community relations	HDR Engineering, Inc. <i>FY 2017 to FY 2022</i>
Planning Support Services (PSS)	Planning, engineering, environmental	Active Procurement Anticipated award June 2022, <i>FY 2023 to FY 2025</i>
Community Relations Support Services (CRSS)	Community relations	Active Procurement Anticipated award June 2022, <i>FY 2023 to FY 2025</i>

In June 2016, following a competitive procurement, the CEO was authorized to execute a contract with HDR Engineering, Inc. for the PCRSS contract. The contract includes a five-year base with three, one-year extension options, for up to eight years. Task orders are issued on an annual fiscal year basis with a \$35 million expenditure limit for the base contract period. Board approval is required to exceed the limit and to extend the contract. Since services under the PCRSS contract are also utilized by RPTA, a Memorandum of Understanding between VMR and RPTA was executed in August 2016, and this contract provides annual support to both VMR and RPTA. The five-year base period for this contract ended in June 2021.

In November 2020, the VMR Board of Directors authorized the CEO to exercise the first of the three, one-year extension options through June 2022 and amend the contract to add up to \$9 million for the extension (a total expenditure limit of \$44 million). Increased authority for an amount not to exceed an additional \$1.5 million to the approved one-year extension is needed due to an unanticipated level of archeological analysis, community relations and other planning activities for the South Central Extension/Downtown Hub (SCE/DH); additional route analysis and community relation activities for the Capitol Extension (CAPEX); and staffing and program management support.

In August 2021, the Board of Directors authorized the CEO to issue a competitive solicitation for two on-call consultant services to replace the existing contract. The first is the Planning Support Services (PSS) to provide transit planning, transit corridor and facility development, environmental assessments support and other planning services as necessary. The second is the Community Relations Support Services (CRSS) to provide community relations coordination, business assistance program development and specialized public relations support. The PSS and CRSS solicitations are underway. Staff anticipates bringing a recommended list of on-call consultants for Board approval to execute the PSS and CRSS contracts in spring-summer 2022. If authorized, the PSS and CRSS contracts would begin in July 2022 for three base years and an option for two one-year extensions.

Extending the PCRSS contract will provide up to six-month coverage to transition from the current PCRSS to the new contract awards for PSS and CRSS. There are currently three activities fully underway under the PCRSS contract that would need to continue to allow for a successful transition:

- Archeological monitoring, data recovery, analysis of collected artifacts and report preparation during construction of South Central Extension/Downtown Hub (SCE/DH).
- Preliminary engineering and environmental assessment for Capitol Extension (CAPEX).
- Community relations for active projects (Northwest Extension Phase II, SCE/DH and CAPEX) and transit service planning.

The contract extension and authorization to increase contract authority (not to exceed \$3.5 million) will ensure the successful continuity of these current projects by using the established staff who have been supporting these multi-year projects. It will ensure a successful transition to the new contracts and mitigate risks to the projects' schedule and budget. Moving these activities to the new contracts without this transition period could potentially delay these major capital projects as well as increase the cost of these services. An immediate, abrupt change in the consultant staff support on these projects would not be in the best interest of the public investment in these major capital projects.

The six-month period will allow time for transition to the PSS and CRSS contracts. The duration for each project is to be determined based on the complexity of the project task, but the period

would be limited to six months. It is not anticipated that there would be any overlap or duplication of efforts with the transition to the new contract.

COST AND BUDGET

The current request is to modify the contract authorization by \$5 million. An amount of \$1.5 million will be expended in Fiscal Year 2022 (FY22), and \$3.5 million will be incurred in FY23. The \$3.5 million and additional authority for up to six months in FY23 will allow the transition of ongoing project activities from the current PCRSS contract to the new PSS and CRSS contracts.

These projects supported by the PCRSS contract are funded by a mix of federal, regional, and local dollars. Funding is included in the VMR and RPTA adopted FY22 Operating and Capital Budgets. Contract obligations beyond FY22 are incorporated into the Five-Year Operating Forecast and Capital Programs (FY22 thru FY26).

Table 2 provides a summary of the total contract authority and the current request.

TABLE 2: SUMMARY OF PCRSS CONTRACT AUTHORITY

Period	Description	Not-to-Exceed Amount
Approved Base 5-Years <i>July 2016 – June 2020</i>	Annual task orders to support various regional transit planning needs. <i>Approved June 2016</i>	\$35,000,000
Approved 1-Year Extension <i>July 2021 – June 2022</i>	Single annual task order to support various regional transit planning needs. <i>Approved November 2020</i>	\$9,000,000
Current Request*		\$5,000,000
<i>July 2021 – June 2022</i>	Additional authority to the approved 1-year extension due to an unanticipated level of archeological analysis, community relations and other planning activities for the South Central Extension/ Downtown Hub (SCE/DH); additional route analysis and community relation activities for the Capitol Extension (CAPEX); and staffing and program management support.	\$1,500,000
<i>July 2022 – December 2022</i>	Additional authority and extension to allow up to six months to transition current projects from this contract to the new contracts: <ul style="list-style-type: none"> • SCE/DH archeological monitoring and reporting during construction. • CAPEX preliminary engineering and environmental assessment. • Community relations for Northwest Extension Phase II, SCE/DH and CAPEX, Business Assistance Program, RPTA Service Changes and Reduced Fare ID. 	\$3,500,000
Total Contract Authority		\$49,000,000

**COMMITTEE PROCESS**

RTAG: March 15, 2022 for information

TMC/RMC: April 6, 2022 for action

Boards of Directors: April 21, 2022 for action

CONTACT

Henry Ikwut-Ukwa

Director, Capital Development

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602-262-7433

ATTACHMENT

None



Information Summary

DATE

April 1, 2022

AGENDA ITEM 8B**SUBJECT**

Compressed Natural Gas (CNG) Detection System Replacement Contract Award

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a contract with RMS Life Safety to replace the CNG Gas Detection System at the Mesa Bus Operations and Maintenance Facility for an amount not to exceed \$214,248.

RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a contract with RMS Life Safety to replace the CNG Gas Detection System at the Mesa Bus Operations and Maintenance Facility for an amount not to exceed \$214,248.

BACKGROUND | DISCUSSION | CONSIDERATION

Maintenance facilities such as the Mesa Bus Operations and Maintenance Facility (MBOM) that repair, and store compressed natural gas buses must have a functioning gas detection system in order to protect employees and agency assets and meet city code requirements. The MBOM was constructed in 2003 and the current gas detection system at this location has reached its useful life. In addition, parts are no longer available to support this system. A new gas detection system is needed to keep the maintenance building up to code and avoid any interruption to bus maintenance activities at this location.

In June 2021, the Valley Metro Board of Directors authorized the CEO to issue a competitive solicitation to replace the CNG Gas Detection System at the Mesa Bus Operations and Maintenance Facility. On December 1, 2021, Valley Metro issued a Request for Proposals (RFP) solicitation with proposals due on January 7, 2022. The RFP included the following criteria: (1) Firm Qualifications & Experience, (2) Personnel Qualifications & Experience, (3) Understanding / Approach to the Scope of Services and (4) Price.

A single responsive proposal was received from RMS Life Safety. An evaluation committee was formed and evaluated the proposal using the criteria in the RFP and the final scores are listed in the table.



PROPOSER POINTS		
Proposer	Technical Points	Price Points
RMS Life Safety	650	200

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.

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

COST AND BUDGET

The cost for the CNG Gas Detection System is \$214,248 which includes a bi-annual maintenance service for a 5-year period. The project is included in the Valley Metro RPTA Adopted FY22 Operating and Capital Budget. Contract Obligations beyond FY22 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2022 thru FY2026).

COMMITTEE PROCESS

RTAG: March 15, 2022 for information

TMC: April 6, 2022 for action

Board: April 21, 2022 for action

CONTACT

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Chief Operations Officer

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ATTACHMENT

None

Information Summary

DATE

April 1, 2022

AGENDA ITEM 8C**SUBJECT**

Northwest Extension Phase II Light Rail Extension Project (NWEII)-Construction Manager at Risk (CMAR) Contract Authority

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to provide additional contract authority for the NWEII CMAR contract with Kiewit-McCarthy, A Joint Venture (KMJV), for an amount not to exceed \$15,290,000 to complete additional construction scope on the NWEII project.

RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to provide additional contract authority for the NWEII CMAR contract with KMJV for an amount not to exceed \$15,290,000 to complete additional construction scope on the NWEII Project.

BACKGROUND/DISCUSSION/CONSIDERATION

The Northwest Extension Phase II project is approximately 1.6 miles in length and includes light rail construction within Phoenix and extends northwesterly from 19th Avenue and Dunlap to Metrocenter.

In September 2017, the Valley Metro Rail Board of Directors (Board) authorized the CEO to award a CMAR contract to KMJV for an amount not to exceed \$1,760,000 for pre-construction services. Pre-construction services occurred parallel to the project's design process and allowed KMJV to participate in the project during design development by providing input on matters including constructability and value and engineering.

In May 2019, the Board authorized the CEO to increase the KMJV contract authority by up to \$1,659,708 to further augment the pre-construction services effort. This included additional potholing to verify the location of existing utilities and overall additional work required in the pre-construction phase.

In July 2020, when the project was ready to enter the construction phase, the Board authorized the CEO to execute a contract amendment with KMJV to construct the project for an amount not to exceed \$257,302,932. KMJV bid the project scope and developed a Guaranteed Maximum Price (GMP) proposal based on 90%-level design



documents. This contract authorization included Concurrent Non-Project Activities (CNPA) costs as follows:

- Art: \$407,336 (to be funded by regional Public Transportation Funds)
- City of Phoenix Water: \$4,933,208 (to be funded by the City of Phoenix)

To date, the Board has authorized \$260,722,640 in CMAR authority for NWEI preconstruction and construction services activities as summarized below.

CMAR Current Contract Authority				
Date	Action	Cost	Contingency	Total Authority
Sep-2017	Preconstruction Services	\$1,600,000	\$160,000	\$1,760,000
May-2019	Preconstruction Services Amendment	\$1,508,825	\$150,883	\$1,659,708
July-2020	CMAR Guaranteed Maximum Price (GMP)	\$233,911,756	\$23,391,176	\$257,302,932
Total		\$237,020,581	\$23,702,059	\$260,722,640

COST AND BUDGET

The NWEI project is funded by the Federal Transit Administration (FTA), the City of Phoenix T2050, and regional Public Transportation Funds (PTF). The initial authorization established for KMJV will be exceeded due to increased scope added to the project after establishment of the GMP including quantity adjustments associated with the issuance of the final construction drawings and addenda, unknown conflicts, necessary field adjustments, and changes due to permit review comments. Major design changes made to the scopes of work from the 90% design to final design and subsequent design addenda include but are not limited to the following:

- Two new escalators at the EOL elevated station with weathering protection screening
- Change from guardrail fence to stainless steel cable railing for MSE Wall and elevated track
- Design modifications to the I-17 bridge/elevated track lighting package
- Additional drainage work including storm drain mainline and laterals
- Modifications made to retaining walls on 25th Avenue
- Various concrete flatwork, asphalt, and roadway improvement modifications/additions
- Additional traffic control allowances including off duty officers
- Allowance for third party utility pole bracing
- Systems Scope Modifications including bridge intrusion detection system, additional cameras for the parking garage, modifications for TPSS, modifications



for OCS, modifications for train controls, and communications at existing 19th Avenue/Dunlap Avenue station

- Permit review design modifications
- Field conflict resolutions
- City of Phoenix 48" Waterline CNPA expanded scope
- Parking garage shade canopies

As noted in the list above, this additional contract authority request includes Concurrent Non-Project Activities (CNPA) costs as follows:

- City of Phoenix Water: Additional \$1,978,070 (funded by City of Phoenix) bringing the total for the City of Phoenix 48-inch waterline CNPA project to \$6,911,278 for the KMJV contract, as summarized below.

City of Phoenix Water CNPA Work	Cost
City of Phoenix Water (included in July 2020 GMP authorization)	\$4,933,208
City of Phoenix Water (This authorization request)	\$1,978,070
TOTAL	\$6,911,278

The additional base amount needed for KMJV's construction services is \$13,900,000. An additional 10% contingency, to be held by staff, in the amount of \$1,390,000 is also needed to address unforeseen changes and circumstances that may arise during construction and project closeout. The additional expenditure authorization requested herein, including contingency, is for \$15,290,000.

The total expenditure authorization requested for the CMAR contract, including previous Board authorizations, will be \$276,012,640, as summarized below.

Items for Authorization	Cost
Existing Contract Authority	\$260,722,640
Additional Authorization Requested	\$13,900,000
10% Contingency	\$1,390,000
TOTAL	\$276,012,640

This Board authorization request is for additional contract authority necessary to finalize construction change orders for scope adjustments outlined above, increases to the CNPA scope of work, and unforeseen future change orders during the construction phase.



All costs identified herein are within the NWEI project cost forecast and expenses expected within FY22 are included in the Valley Metro Rail Adopted FY22 Operating and Capital Budget. Contract obligations beyond FY22 are incorporated into the Five-Year Operating Forecast and Capital Program (FY23 thru FY27).

This action will increase the total budget for the CMAR contract from \$260,722,640 to \$276,012,640. The additional contract authority is within the NWEI project budget forecast.

COMMITTEE PROCESS

RTAG: March 15, 2022 for information

RMC: April 6, 2022 for action

Board of Directors: April 21, 2022 for action

CONTACT

Henry Ikwut-Ukwa

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ATTACHMENT

None

Information Summary

DATE

April 1, 2022

AGENDA ITEM 8D
SUBJECT

Northwest Extension Phase II Light Rail Extension Project (NWEII) Design Services
Contract Authority

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to provide additional contract authority for the NWEII project design services contract with Jacobs Engineering Group, Inc. and to add up to \$1,100,000 for Design Services During Construction (DSDC).

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 \$1,100,000 to support DSDC, associated tasks, and contingency.

BACKGROUND | DISCUSSION | CONSIDERATION

To date, the Board has authorized \$20,886,700 in contract authority for the NWEII project design services contract with Jacobs Engineering Group, Inc. A total of \$20,361,171 in contract commitments leaves a balance of \$525,529 before additional funds are needed. Existing change orders and future known potential change orders are projected to exceed the remaining Board Authorization funding of \$525,529 in August 2022.

The previous actions of the Board related to this contract are summarized below:

Design Current Contract Authority				
Date	Action	Cost	Contingency	Total Authority
June 2018	Board Award for Design Services	\$14,800,000	\$1,500,000	\$16,300,000
May 2020	Board Action for Design Services During Construction			\$4,586,700
Total				\$20,886,700

COST AND BUDGET

NWEI project is funded by the Federal Transit Administration (FTA), the City of Phoenix T2050, and regional Public Transportation Funds (PTF). The total authorization established for Jacobs Engineering Group's design contract authority is \$20,886,700, which includes \$4,586,700 for DSDC. Staff recommends that an additional \$1,100,000 be allocated to the Jacobs contract, for additional funds to complete DSDC services for a total authorization of \$21,986,700. The initial DSDC services cost authorization did not account for unforeseen conditions:

- Major redesign efforts after 100% design documents for the following scopes work:
 - Drainage, sanitary sewer, water, traffic signals, architectural, general civil, electrical, and plumbing.
- CNPA 48-inch new waterline updates after 100% design documents due to additional review comments, cathodic protection system for the waterline pipe and material changes to the waterline pipe.
- Secure building permits for the site facilities such as stations, traction power substations, signal building, and Rose Mofford Park.

As a result of these scope updates and coordination efforts, Jacobs has provided three addendums to date after the 100% design documents were issued. This additional authority includes \$100,000 for use as a contingency. This contract authority includes DSDC, CNPA, and contingency, as shown in the table below.

Items for Authorization	Cost
Existing Contract Authority	\$20,886,700
Additional Authorization Requested	\$1,000,000
10% Contingency	\$100,000
TOTAL	\$21,986,700

DSDC scope of services includes review of contractor submittals, responses to requests for information, design changes, final as-builts, and performance of all special inspections during project construction. DSDC was included in the initial advertisement for this contract. Due to three unforeseen addendums after the established DSDC authorization costs these additional funds will allow Jacobs to complete DSDC services initially expected.

The additional base amount needed for Jacob's design services is \$1,000,000. An additional 10% contingency, to be held by staff, in the amount of \$100,000 is also needed to address unforeseen changes and circumstances that may arise during



construction and project closeout. The additional expenditure authorization requested herein is for \$1,100,000.

The total expenditure authorization requested for the CMAR contract, including previous Board authorizations, will be \$21,986,700. This action will increase the total budget for the NWEI project design services contract with Jacobs Engineering Group, Inc. from \$20,886,700 to \$21,986,700.

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 FY22 Operating and Capital Budget. Contract obligations beyond FY22 are incorporated into the Five-Year Operating Forecast and Capital Program (FY23 thru FY27).

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

COMMITTEE PROCESS

RTAG: March 15, 2022 for information

RMC: April 6, 2022 for action

Board of Directors: April 21, 2022 for action

CONTACT

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ATTACHMENTS

None

Information Summary

DATE

April 1, 2022

AGENDA ITEM 8E**SUBJECT**

South Central/Downtown Hub Design Services Three Year - Extension

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to award a three-year extension option for the South Central Light Rail Extension Design Services Contract with AECOM Technical Services, Inc. (AECOM).

RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to award a three-year extension option in accordance with AECOM's design services contract terms.

BACKGROUND | DISCUSSION | CONSIDERATION

On May 18, 2017, the Valley Metro Board of Directors authorized the CEO to award a contract for South Central Light Rail Extension design services with AECOM for an amount not to exceed \$32,383,580 plus an additional \$3,238,358 contingency for unforeseen circumstances. The contract was awarded to AECOM with a base term of five years that expires June 6, 2022. The contract includes an option for an additional three year extension subject to approval by Valley Metro's Board of Directors. The maximum contract term is eight years.

On October 19, 2017, the Valley Metro Board of Directors authorized the CEO to approve contract amendments to facilitate downtown changes that would provide a two-line system configuration. The contract amendments included additional contract authority for AECOM in the amount of \$2,487,000 with an additional \$248,700 in contingency.

On May 16, 2019, the Valley Metro Board of Directors authorized the CEO to increase the South Central/Downtown Hub Light Rail Extension Design Services contract with AECOM by \$13,253,749 and add Design Services During Construction (DSDC).

During the design process, several additional work efforts (included in the May 9, 2019 Information Summary) extended the duration of the design phase and affected the start of construction. These additional work efforts, the need to retain AECOM for Design Services During Construction, and the total construction duration will extend beyond AECOM's base term of five years, which expires June 6, 2022. However, construction is scheduled to continue through the end of 2024.



For these reasons, this request is to approve the additional three-year extension to AECOM's design services contract. This will extend the contract term through June 6, 2025 to cover the full construction duration and allow for contract closeout.

COST AND BUDGET

AECOM's current total design contract authority is \$51,611,387. This request does not modify AECOM's total design contract authority.

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 FY22 Operating and Capital Budget. Contract obligations beyond FY22 are incorporated into the Five-Year Operating Forecast and Capital Program (FY23 thru FY27).

This action will have neutral budget impact. It does not modify AECOM's total design contract authority.

COMMITTEE PROCESS

RTAG: March 15, 2022 for information

RMC: April 6, 2022 for action

Board of Directors: April 21, 2022 for action

CONTACT

Henry Ikwut-Ukwa

Director, Capital and Service Development

602-322-4420

hukwa@valleymetro.org

ATTACHMENTS

None

Information Summary

DATE

April 1, 2022

AGENDA ITEM 8F**SUBJECT**

Tempe Depot Development- Design and Construction Agreement

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a Design and Construction Agreement with 3rd and Ash Owner, LLC to recover the cost and expenses of Valley Metro staff time assisting the developer of this property, and its impacts on Valley Metro infrastructure necessary for development of the Tempe Depot project.

RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute the Design and Construction Agreement for the Tempe Depot Development:

BACKGROUND | DISCUSSION | CONSIDERATION

3rd and Ash Owner, LLC is the owner of Tempe Depot Development located in downtown Tempe at the northwest and southwest corners of S. Ash Avenue and the W. 3rd Street. This approximate 2.5-acre development includes improvements adjacent to and over the existing Valley Metro light rail alignment.

3rd and Ash Owner, LLC is performing a commercial redevelopment project that includes a 17-story office and 18-story hotel tower with street level retail and restaurant spaces. These two commercial buildings will be connected by a shared parking structure, a portion of which is proposed to be constructed over the existing light-rail alignment. The existing overhead contact system may require modifications for continued operations. The nearest light-rail station is located at Mill/3rd Street, just over 500 feet east of the site. The Tempe Streetcar's alignment will have a station in front of the property along Ash Avenue.

Valley Metro staff will work with the developer to review proposed designs to assure safe operations as well as safeguard Valley Metro infrastructure. Unlike other projects in our recent history where Valley Metro is the project initiator/sponsor and staff time is covered within the project budget, Valley Metro staff time on this project will need to be covered by the developer. The agreement will establish the relationship between Valley Metro and the developer, as well as cover responsibilities and liabilities on the impact of the development on Valley Metro infrastructure.



3rd and Ash Owner, LLC completed the entitlement process for the project in January 2021 and are utilizing the design-build delivery method for this project. They have begun construction on the approved portions of the development. 3rd and Ash Owner, LLC has now approached Valley Metro seeking to establish the necessary agreements and gain the design approvals to move forward with the construction affecting the existing light-rail alignment. 3rd and Ash Owner, LLC desires to begin this construction work in mid-2022. In order to move forward with the next phase of project construction, it is necessary for Valley Metro and 3rd and Ash Owner, LLC to formalize an agreement to proceed with project work that interfaces with Valley Metro rail infrastructure.

- Design and Construction Agreement – This agreement outlines the relationship between Valley Metro and 3rd and Ash Owner, LLC during the design and construction phases of the project. The agreement also identifies the roles and responsibilities of project staff related to design and construction support.

COST AND BUDGET

There is no direct cost to the Agency for all work identified in the Design and Construction Agreement. Any costs incurred by Valley Metro staff and Valley Metro consultants will be reimbursed by 3rd and Ash Owner, LLC.

COMMITTEE PROCESS

RTAG: March 15, 2022 for information

RMC: April 6, 2022 for action

Board of Directors: April 21, 2022 for action

CONTACT

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Director, Capital and Service Development

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ATTACHMENTS

None.

A copy of the draft agreement is available upon request.



Information Summary

DATE

April 1, 2022

AGENDA ITEM 9**SUBJECT**

Report on Current Events and Suggested Future Agenda Items

PURPOSE

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

CONTACT

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ATTACHMENT

None.

Future Items