

VALLEY METRO RPTA FY17 Budget EXECUTIVE SUMMARY

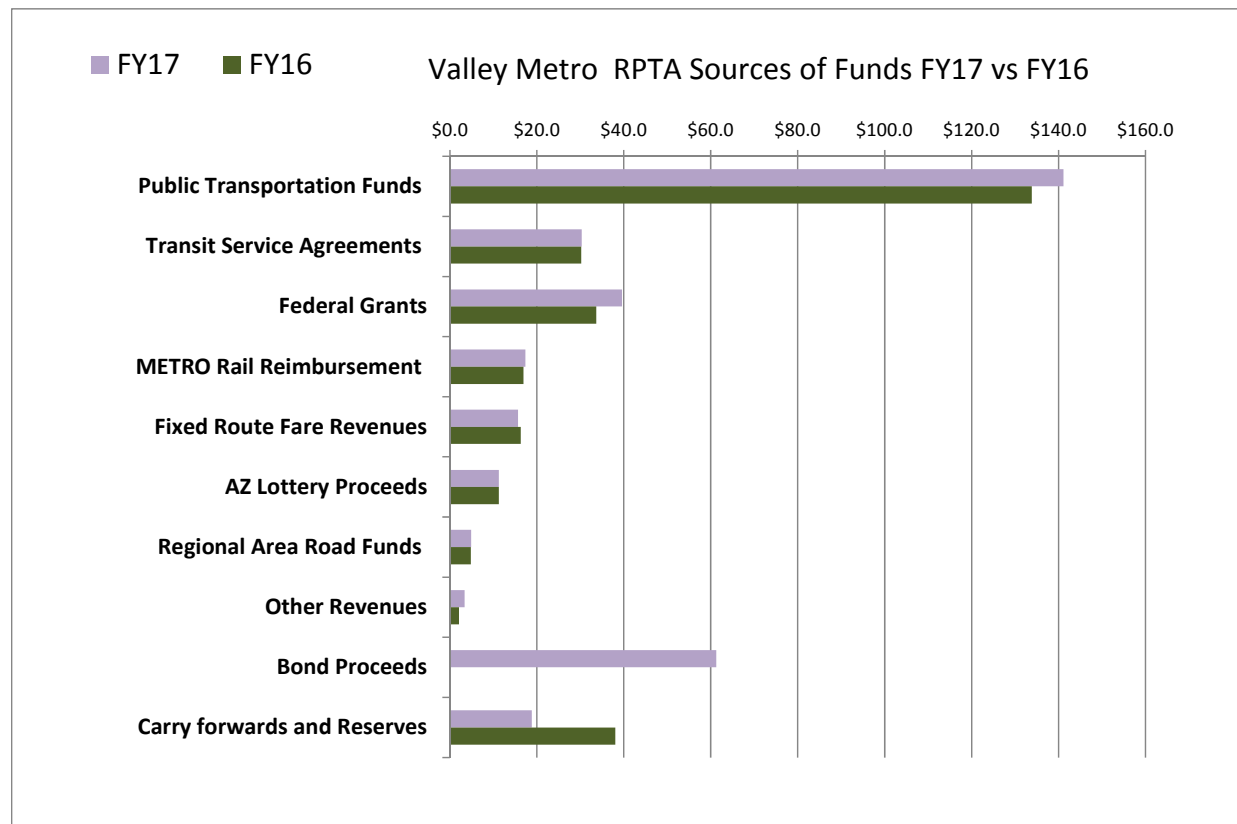


FY17 ADOPTED ANNUAL OPERATING AND CAPITAL BUDGET

Valley Metro Regional Public Transportation Authority (RPTA) provides public transportation services for Maricopa County located in the metro Phoenix, Arizona. The FY17 Adopted Budget covers the 12-month period between July 1, 2016 and June 30, 2017. Services include fixed route bus, paratransit, Dial-a-Ride, vanpool, regional planning, marketing, customer service, alternative transportation, trip reduction and fiscal management of regional Public Transportation Funds (PTF).

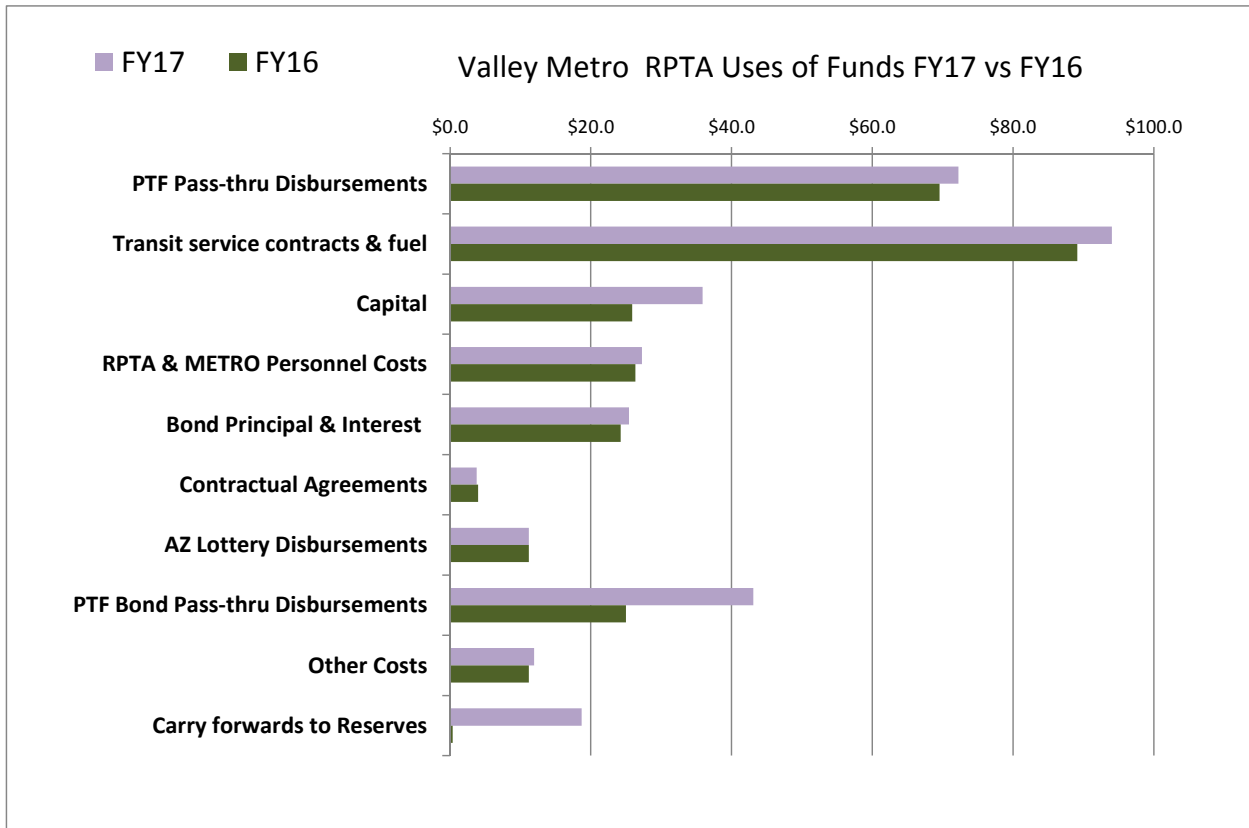
FY17 Sources of Funds

Total sources of funds for FY17 are \$344.3M, an increase of \$57.4M or 20% from FY16. For FY17, PTF sales tax revenues are increasing by \$7.3M or 5% above last year. Federal grant revenues are increasing by \$6.1M (18%) primarily due an increase in 5307 funding used to purchase bus fleet. It is anticipated that RPTA will issue \$61.3M in new series 2017 bonds to support rail capital projects in the spring of 2017.



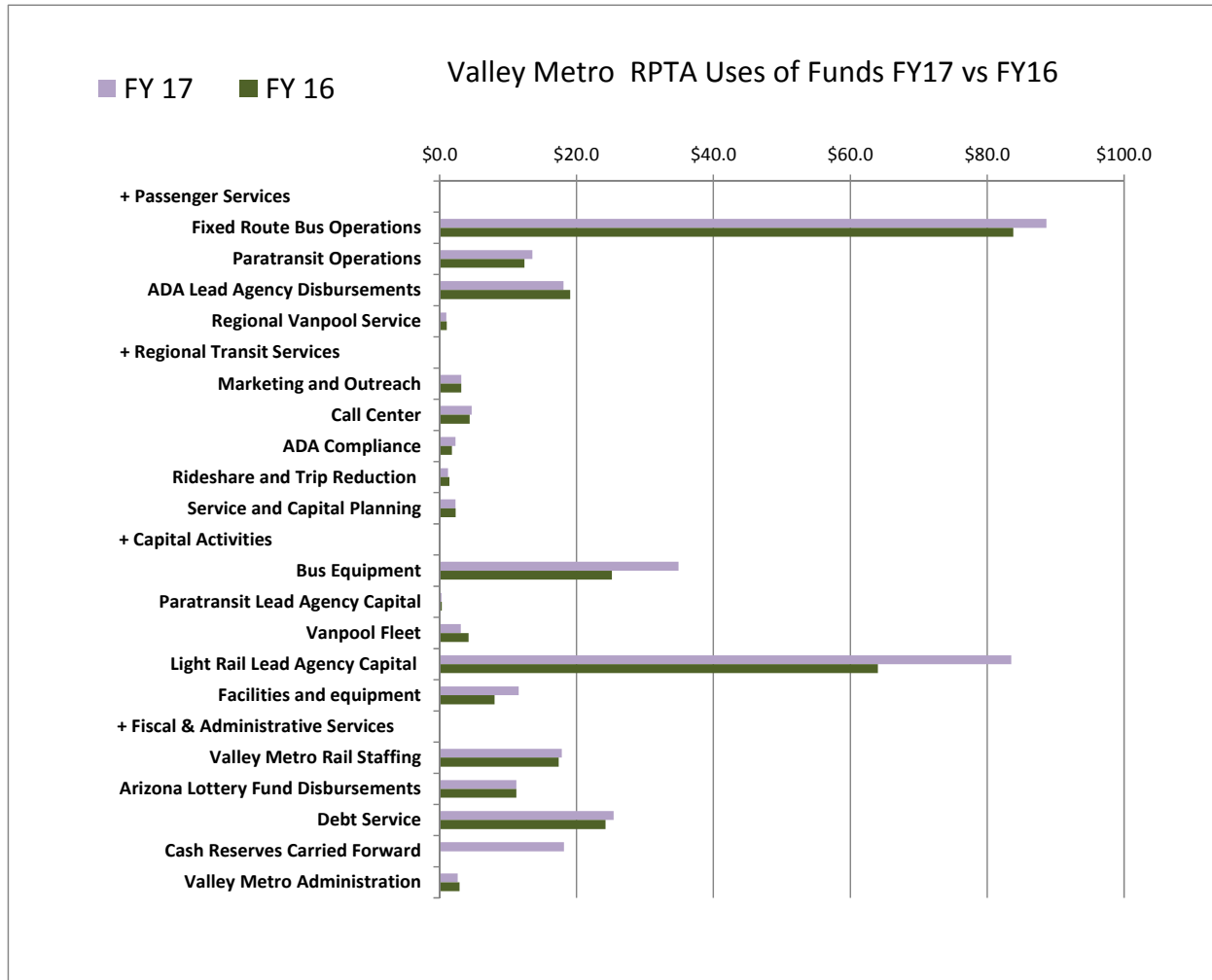
FY17 Uses of Funds

Total uses of funds for FY17 are \$344.3M, an increase of \$57.4M or 20% from FY16. PTF Pass-thru Disbursements are increasing by \$2.8M due to increased light rail construction and purchases of regional bus fleet. Transit service contracts and fuel are increasing by \$5.5M or 6% primarily due to increases in contract rates and paratransit ridership. Capital expenditures are up \$11.0M primarily due to regional fleet additions and land acquisition. PTF Bond Pass-thru Disbursements are increasing by \$18.1M due to increased light rail construction. In FY17, carry forwards to reserves include \$18.4M in capital reserve increases.



FY17 Uses of Funds – Comparisons of Services Provided

Valley Metro RPTA's primary activities include passenger services, regional services and capital funding. The table below depicts changes in the FY17 plan versus FY16.



FY17 Budget Baseline Service Assumptions

Fixed Route Bus Services

- East and West Valley routes operated by Valley Metro will increase revenue miles vs. FY16 service levels; fleet of 279 units to deliver 12.0 million vehicle revenue miles serving 17.9 million passenger trips in the coming year.
- Bus service includes a combination of local, express, circulator, and rural route service.

Dial-a-Ride and Paratransit Services

- East and West Valley demand response ADA and non-ADA services operated by Valley Metro will continue to serve portions of Maricopa County and the cities of El Mirage, Peoria, Sun City, Surprise and Youngtown in the West Valley and Chandler, Gilbert, Mesa, Scottsdale and Tempe in the East Valley.

- New for FY17 is seamless Regional ADA Dial-a-Ride service enabling qualified passengers to cross municipal boundaries without transfers, estimated at 47,000 trips.
- For eligible ADA passengers, level of service is based on passenger reservation demand within service areas and hours of operation covered by fixed route bus routes.
- For non-ADA passengers, service levels are set by member cities.
- Services are provided on a shared-ride basis by a mixed fleet comprised of taxi cabs, vans and accessible vehicles; estimated at 522,000 annual passenger trips.

Vanpool Services

- Service levels are anticipated to increase over FY16 with 440 vehicles delivering 1.2 million passenger trips.

Regional Call Center and ADA Compliance Center

- Customer Service levels anticipated to remain similar to FY16 for fixed route bus and light rail.
- ADA paratransit eligibility certification levels are anticipated to rise to 5,550 as a result of increasing numbers of seniors, persons with disabilities applying for service and as current customers go through eligibility recertification. Travel training will continue to be provided for individuals with disabilities who wish to take advantage of Valley Metro's expanding light rail and bus network.

Capital Procurement

- 101 standard bus replacements (81 units Phoenix, 8 units Scottsdale, 12 units RPTA) and 6 circulator replacements for RPTA
- 21 expansion buses (8 RPTA for Scottsdale Rd Service, 13 for RPTA) and 7 expansion circulators for RPTA
- 25 lead agency paratransit fleet vehicles for Phoenix
- 67 vanpool replacement units
- \$6.7M in park-and-rides, bus stop amenities and facilities
- \$3.7M in vehicle communication systems, camera bus upgrade and fare collection system upgrades
- 48 mid-life rebuilds of engines and transmissions

FY17 Goals and Initiatives

In January 2015, the Valley Metro RPTA and Valley Metro Rail Boards adopted the Valley Metro Strategic Plan for FY16 through FY20. The Strategic Plan provides clear definition of the purpose of the organization and establishes realistic goals and objectives for a five-year period. This plan ensures the most effective use of the organization's resources by focusing those resources on key priorities. Below are the five, overarching goals identified in the Strategic Plan:

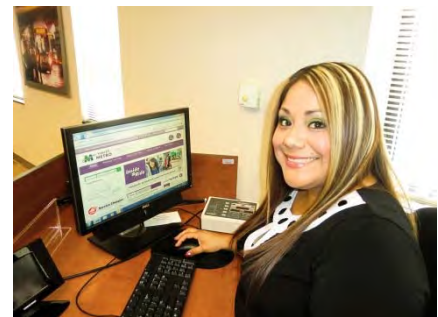
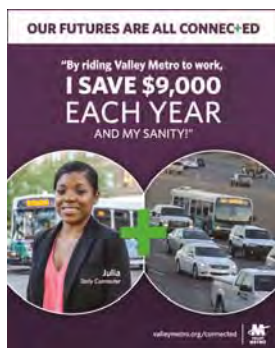
1. Increase customer focus
2. Advance performance based operation
3. Grow transit ridership
4. Focus on economic development, regional competitiveness and financial resources
5. Advance the value of transit

With the initiation of the FY17 budget process, staff has developed a number of initiatives that align with the Strategic Plan and will be incorporated into the FY17 budget, as summarized below.

1. Increase Customer Focus:	FY17 Initiatives	Valley Metro FY17 Investment \$ Thousands	
		RPTA Investment	Total Investment
Improve Customer Satisfaction Integration of greater, more effective technology, improving passenger information systems with real time data, such as the website, facility signage and a Ridekick mobile application, and implementation of an enhanced fare media solution, including smart cards and mobile ticketing.	Develop smart card fare program/mobile ticketing	\$ 430.0	\$ 860.0
	Renovate website & mobile site	\$ 200.0	\$ 300.0
Enhance services & facilities for seniors & people with disabilities.	Develop a more seamless, cost-effective ADA Dial-a-Ride network with cities as partners	\$ 2,500.0	\$ 2,500.0



2. Advance Performance Based Operation:	FY17 Initiatives	Valley Metro FY17 Investment \$ Thousands	
		RPTA Investment	Total Investment
Operate an effective, reliable, high performing transit system.	Develop an asset management plan for Valley Metro in conjunction with member agencies	\$ 25.0	\$ 100.0
Maintain a culture to recruit and retain a qualified and diverse workforce.	Develop a program to recruit and retain a qualified and diverse workforce. Consultant engagement to for comprehensive training assessment and new employee orientation programs	\$ 20.0	\$ 40.0
Maintain strong fiscal controls to support Valley Metro's long-term sustainability.	Establishing Internal Audit Department with dual reporting responsibility to the Board of Directors and VM Executive Office	\$ 94.5	\$ 189.0
3. Grow Transit Ridership:	FY17 Initiatives	RPTA Investment	Total Investment
Communicate availability, attractiveness and safety of transit service	Conduct discretionary ridership campaigns to continue to attract riders	\$ 105.0	\$ 210.0
4. Focus on Economic Development, Regional Competitiveness and Financial Resources:	FY17 Initiatives	RPTA Investment	Total Investment
Work with local communities to leverage transit oriented development (TOD) to increase investment in transit	Research and monitor and report regional trends regarding TOD implementation and successes - Support to TOD working group and PNR utilization study: \$100,000	\$ 100.0	\$ 100.0
Pursue all available funding opportunities for transit projects and services	Aggressively pursue federal transit funding opportunities at the regional level - Conducting region-wide ITS study for federal funds: \$100,000	\$ 100.0	\$ 100.0
5. Advance the Value of Transit:	FY17 Initiatives	RPTA Investment	Total Investment
Develop and implement a communications plan to inform and educate the public on the value of transit	Continue media campaign to raise greater awareness of the value of transit	\$ 63.0	\$ 126.0



Agency Staff Overview

Valley Metro RPTA and Valley Metro Rail budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. For FY17, there are 310 employees budgeted in the integrated agency; 131 FTE's are budgeted to RPTA activities; 179 to VMR activities. Staffing levels are reviewed on an annual basis with zero-base analysis of level of effort requirements to fulfill work requirements in the five-year period commencing with the beginning of the new fiscal year. Salary and fringe benefit compensation levels are measured against comparable regional agencies, member cities and peer transit agencies located in the western U.S.

FY17 Compensation and Fringe Benefit Assumptions

Total compensation budget is based on a 2.5% increase. For staff salary changes, merit increases are based on employee performance. Division level control is in place to contain total salary and fringe costs within budget.

Agency health care costs will increase. Program design adjustments are in place to hold total agency fringe benefit cost increases to within 3% of FY16 levels.

Staffing cost analysis

	FY 17	FY 16	change	pct change
	\$ million			
Salaries	19.6	18.8	0.8	4%
Fringe Benefits	7.6	7.5	0.1	2%
Total Salary and Fringe Benefits	27.2	26.3	0.9	3%

Analysis of changes

	Salary	Fringe	Total	
Base Compensation FY16	18.8	7.5	26.3	
Base increase	0.5	-	0.5	
Position Changes	0.3	0.1	0.4	
New Base Compensation FY17	19.6	7.6	27.2	
Change FY17 Adopted Budget vs. FY16 Adopted Budget			0.9	\$ million

Five new agency positions are planned to improve agency internal controls and strengthen fixed route bus and accessible transit contractor performance, as noted below.

Title	Division	Scope of Work
Manager, Internal Audit	Chief Executive Office	Agency Internal Controls with primary reporting to Board
Internal Audit Specialist	Chief Executive Office	Internal Control testing and compliance
Program Representative	Planning & Accessible Transit	Support East Valley, West Valley, and regional paratransit
Scheduler	Operations and Maintenance - RPTA	Fixed Route Bus schedule analysis and management
Program Coordinator	Operations and Maintenance - RPTA	Fixed Route Bus contractor performance management

FY17 Adopted Budget Financial Summary

In the table below, detailed revenues and expenses are shown with comparisons to the prior year's adopted and revised budgets. Amounts of increase or (decrease) are shown from the adopted budget. The "Note" column (on the far right side) indicates reference to explanations which are provided in the following table.

Valley Metro
Regional Public Transportation Authority
FY17 Adopted Operating & Capital Budget
Comparison to FY16 Adopted Budget
(In thousands)

	FY17 Adopted Budget	FY16 Adopted Budget	FY16 Revised Budget	Amount Increase/ Decrease	Percent*** Increase/ (Decrease)	Note
Sources of funds						
Revenues:						
Public transportation funds (PTF)	\$ 141,162	\$ 133,866	\$ 132,121	\$ 7,296	5%	(1)
Transit service agreements	30,868	30,181	29,695	687	2%	
Federal grants	39,773	33,644	18,114	6,129	18%	(2)
VMR staff & administration reimbursement	17,137	16,889	16,889	248	1%	(3)
Regional area road funds (RARF)	4,864	4,782	4,782	82	2%	
Interest & other revenues	3,020	1,377	3,911	1,643	119%	(4)
Local participation	297	199	199	98	49%	
State & local grants	260	449	449	(189)	-42%	
Fixed Route Fare Revenues	15,664	16,265	16,347	(601)	-4%	(5)
AZ Lottery Proceeds	11,250	11,250	11,250	-	0%	
Total revenues	264,295	248,902	233,758	15,393	6%	
Bond proceeds	61,257	-	-	61,257	100%	(6)
Carryforwards & reserves	18,705	37,986	33,768	(19,281)	-51%	(7)
Total revenues & other sources of funds	344,257	286,888	267,526	57,369	20%	
Uses of funds by category						
Expenses:						
Lead agency PTF disbursements	\$ 72,365	\$ 69,532	\$ 91,127	\$ 2,833	4%	(8)
Transit service contracts and fuel	94,622	89,150	91,751	5,472	6%	(9)
Capital outlay	36,858	25,882	7,783	10,976	42%	(10)
Salary & fringe benefits	27,231	26,342	26,363	889	3%	(11)
Bond principal & interest expense	25,433	24,235	24,235	1,198	5%	(12)
Consultants & Maintenance contracts	3,771	3,992	3,754	(221)	-6%	
Contingency	1,946	1,668	1,418	278	17%	(13)
Rent & facility costs	4,988	5,063	5,063	(75)	-1%	
Advertising	528	530	530	(2)	0%	
Transit book, outreach mat. & online serv.	893	746	746	147	20%	
Insurance & risk management	205	266	266	(61)	-23%	
Lead agency RARF disbursements	500	500	500	-	0%	
Other administrative costs	1,915	2,432	2,440	(517)	-21%	
AZ lottery Disbursements	11,200	11,200	11,200	-	0%	
Lead agency bond disbursement	43,098	25,000	-	18,098	72%	(14)
Total expenses	325,553	286,538	267,176	39,015	14%	
Carryforwards & contributions to reserves	18,704	350	350	18,354	5244%	(15)
Total expenses & other uses of funds	\$ 344,257	\$ 286,888	\$ 267,526	\$ 57,369	20%	
Operating Budget	\$ 166,417	\$ 160,891	\$ 163,020	\$ 5,526	3.4%	
Capital Budget	177,840	125,997	104,496	51,843	41.1%	
Total Operating & Capital Budget	\$ 344,257	\$ 286,888	\$ 267,526	\$ 57,369		

*** Percentage change is compared to the FY16 Adopted Budget

Sources of Funds

Note	Explanation
1	Public Transportation Funds from the Maricopa County Transportation Excise Tax are forecasted to grow by 5%. Forecast is provided by ADOT. In FY17 the AZ Department of Revenue assessment charge is estimated at \$900K, which is a reduction to PTF revenue forecasted by ADOT. Adequate reserves are in place should collections fall short of ADOT forecast projections.
2	Federal Grants overall are up by \$6.1M from \$33.7M to \$39.8M. Primary cause for change is an increase in 5307 funding used to purchase bus fleet. Planned bus fleet purchases for FY16 were rescheduled to arrive in FY17.
3	Contributions from Valley Metro Rail for staff are \$0.2M higher in FY 17 primarily due to VMR staff additions to maintain the 26 mile rail service for the full 12 months. In FY16, VMR operated partial year service for the Central Mesa and Northwest Extensions. Added 2 FTEs internal audit staff.
4	Interest and other revenues are expected to increase \$1.6M over FY16. Revenues programmed include alternative fuel tax credit (\$1.2M), increases in proceeds form disposing revenue vehicles (\$0.2M), and interest earnings (\$0.2M).
5	Fixed route farebox revenue is forecasted to be approximately 4% less than what was budgeted in FY16. Fare revenue decrease is due to ridership losses attributed to low gas prices and transfers from bus to rail.
6	It is anticipated that RPTA will issue \$61.3M in new series 2017 bonds to support rail capital projects in the spring of 2017.
7	Consumption of carryforwards & reserves are down by \$19.3M due to decreased amount of sales tax fund balance spending needed in FY17 for LRT capital construction activity



Uses of Funds by Category

Note	Explanation
8	Lead Agency Disbursements are Public Transportation Funding (PTF) amounts to Member Agencies and VMR for eligible operating and capital transit expenditures. Increase in PTF Lead Agency Disbursements of \$2.8M is primarily due to an increase in project development and construction activity for light rail projects and lead agency disbursements for regional bus fleet.
9	Fixed route bus service levels operated by Valley Metro have increased with approximately 138,000 additional service miles added. Transit service contracts increases primarily reflect contractual rate increases from fixed route service providers. Paratransit demand is forecasted to increase by 7%.
10	Capital Outlay was increased by \$11.0M primarily due to land acquisition \$2.2M and regional fleet \$7.0M; and \$1.1M related to computers/software and site improvements \$0.3M.
11	Overall staff cost in FY17 of \$27.2M is 8% of total budget. 3% Overall Salary and Fringe increase \$0.9M, broken down as follows: 2.5% base salary and fringe increase \$0.5M, net cost increase of position changes \$0.3M Salary and \$0.1M Fringe.
12	Bond principal and interest expense is up 5% to \$25.4M due to the series 2017 bond issue to support funding for increased LRT capital construction activity.
13	Contingency is up from \$1.7M to \$1.9M. Primary contingency relates to fixed route bus contract rates, fuel rates, and paratransit demand.
14	Lead Agency Bond Disbursements are Public Transportation Funding (PTF) amounts derived from bond proceeds to Member Agencies and VMR for eligible capital transit expenditures. Lead Agency Bond Disbursements are up by \$18.1M due to increased LRT capital construction activity.
15	Carryforwards & contributions to reserves increased by \$18.4M primarily due to the issuance of bonds to support funding for increased LRT capital construction activity.



FY17 – FY21 ADOPTED FIVE-YEAR OPERATING FORECAST AND CAPITAL PROGRAM

Valley Metro RPTA has the primary responsibility of implementing the operating and capital components of the transit element identified in the 20-year Regional Transportation Plan (RTP). The operating component includes the expansion of regional fixed route services, high-capacity transit alternatives, vanpools and paratransit services throughout the region. The capital component of the transit element of the RTP includes fleet replacement and expansion as well as the development of new park-and-rides, transit centers, passenger facilities and maintenance and operations facilities over the life of the plan. Construction of the light rail RTP components has been designated to Valley Metro Rail by Valley Metro RPTA and expenditures are shown as Rail Capital Funding in the Operating Forecast.

For the Five-Year Operating Forecast, the operations revenues and expenditures are based on current costs, as used for the development of the adopted FY17 operating budget, with an annual inflation escalation of three percent (3%) for the remaining four years. Other assumptions in the Five-Year Operating Forecast are as follows:

- The Public Transportation Fund (PTF) grows by approximately 5.4% annually
- Fixed route fares grow by 5% in FY18 with reduction of discounted fares and base fare increase in FY20
- Paratransit ridership drives an 7% increase in number of trips delivered
- Planning, Administration, Safety & Security, and Regional Services costs have been inflated two percent (2%) for the last four (4) years of the forecast

The proposed service changes within the five-year time period that have been incorporated into the plan as proposed by the Transit Life Cycle Program are as follows:

FY17

- No service changes

FY18

- Begin Route 104 Saturday service in Chandler
- Begin PTF funding of Route 104 in Mesa

FY19

- Begin PTF funding of Route 50 in Scottsdale

FY20

- Begin PTF funding of Route 30 in Tempe
- Begin PTF funding of Route 77 in Mesa

FY21:

- Begin PTF funding of Route 30 in Mesa

FY17 – FY21 Operating Forecast

	(thousands)
	5-Year Total
Revenues	
Public Transportation Fund (ADOT)	\$ 793,606
Less: AZDOR Assessment	(4,973)
PTF Bond Proceeds	61,257
Less: Debt Service Bus & Rail	(157,971)
Less: Rail Capital Funding (current)	(268,669)
Net PTF for Operations	\$ 423,250
Other Regional Funds	\$ 24,716
Federal Funds	41,973
Transit service reimbursements	182,574
Fare Revenues	92,008
Alternative Fuel Tax Credit	1,228
Interest and other revenue	160
Total revenues	\$ 765,910

	(thousands)
	5-Year Total
Expenditures	
Operations	
Fixed Route	\$ 458,136
Paratransit - EVDAR	48,046
Paratransit - NWDAR	10,736
Paratransit - Regional Trips	13,580
Paratransit - RideChoice	4,703
Vanpool Service	5,128
ADA	108,312
Total operations expenditures	\$ 648,642
Transportation Demand Management	\$ 5,903
Planning & Administration	24,548
Regional Services	42,003
Safety & Security	1,984
Operations Contingency	18,993
Total expenditures	\$ 742,073

Excess/(deficiency) of revenues over expenditures - operations	
	\$ 23,836
Less: Bus Capital Funding	\$ (67,596)
Undesignated fund balance, July 1, 2015	\$ 85,950
Excess/(deficiency)	(43,759)
Undesignated fund balance, June 30, 2021	\$ 42,191

The Five Year revenue operating forecast begins with PTF sales tax funds, which are estimated by ADOT team of economists.

One Bond Issue is anticipated in FY17.

Debt Service and Rail Capital Funding requirements are deducted to derive PTF available for operations.

Operations expenditures for the five-year period are impacted by service contract increases and paratransit demand ridership.

Due to aging population, paratransit ridership is forecasted to grow significantly.

Regional Services, Planning, Safety & Security and Admin costs are forecasted to grow about 2% per year.

A \$24.0M operating surplus is projected, which will be used to fund bus capital purchases along with existing fund balance. The current \$86.0M balance has been built to support the cyclical bus capital drawdown.

Projected Operating Fund Balance is \$42.2M in FY21

FY17 – FY21 Capital Program

	(thousands)
	5-Year Total
Revenues	
Public transportation funds	\$ 46,967
FTA - Section 5307	161,448
FTA - Section 5311	456
FTA - Section 5337	1,046
FTA - Section 5339	8,245
FHWA - STP	17,159
Member local match	100
Vehicle/parts proceeds	1,929
Capital assets reserve applied	1,740
Vanpool reserve applied	741
Undesig. Fund Balance Applied (PTF)	20,631
Total Revenues	\$ 260,462

Capital program funding sources include new PTF sales tax and PTF fund balance that has been accumulated for cyclical bus fleet replacement.

Total PTF funding over the five years is \$67.6M or 26% of capital revenue.

Federal funding will provide \$188.4M or 72% of capital revenue.

	(thousands)
	5-Year Total
Expenditures by Project	
IT Infrastructure	\$ 2,750
Standard Bus - Replacement	154,347
Standard Bus - Expansion	50,308
Express/BRT - Expansion	3,168
Rural Fleet - Replacement	1,173
Paratransit Fleet - Replacement	1,915
Vanpool Fleet - Replacement	13,462
Vanpool Fleet - Expansion	4,438
Fleet - Other	1,957
Transit Centers (4-Bay)	2,376
Bus Stop Passenger Amenities	535
Park & Rides	9,233
Vehicle Management/Communications Systems	6,546
Fare Collection Systems	505
State of Good Repair - Fleet Rebuild	7,749
Total Expenditures	\$ 260,462

Capital program expenditures for the upcoming five years are primarily for fleet replacement and expansion.

A total of 475 bus units are planned for replacement and 93 for expansion.

Vanpool fleet replacements total 301 units, with 100 expansion units planned.

Paratransit fleet replacements total 164 units.

New transit center and park-and-ride facilities are planned in the West Valley. Vehicle communications and fare collection systems are also planned.