

Meeting of the Audit and Finance Subcommittee



AUDIT AND FINANCE SUBCOMMITTEE

Date:

April 3, 2025

Starting Time

12:00 p.m.

Location:

Valley Metro

Boardroom/Webex

101 N. 1st Avenue, 10th Floor

Phoenix, AZ

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Agenda

March 26, 2025



Audit and Finance Subcommittee
Thursday, April 3, 2025
Board Room/Webex
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Action Recommended

1. Public Comment

1. For information

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.

2. Chief Financial Officer's Update

2. For information

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

3. Minutes

3. For action

Minutes from the March 6, 2025 Audit and Finance Subcommittee meeting are presented for approval.

4. FY 2026 Operating and Capital Budget Information for Valley Metro RPTA and Valley Metro Rail

4. For Information

Ken Kessler, Chief Financial Officer, will provide budget details for the FY 2026 Proposed Operating and Capital Budgets and will provide the FY 2026-2030 Preliminary Five-Year Operating and Capital Forecast.\

5. Internal Audit Update

5. For information

Larry Kondrat, Audit Manager, will provide an update on the actions taken in Internal Audit, external reviews, and prior audit findings and recommendations.



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

7. Report on Current Events and Suggested Future Agenda Items 7. For information

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

The next meeting of the AFS is scheduled for Thursday, May 8, 2025 at 12:00 p.m.

Qualified sign language interpreters are available with 72 hours' notice. Materials in alternative formats are available upon request. For further information, please call Valley Metro at 602-262-7433. To attend this meeting via YouTube, contact the receptionist at 602-262-7433. The supporting information for this agenda can be found on our web site at www.valleymetro.org.

Executive Summary



DATE

March 26, 2025

AGENDA ITEM 1

SUBJECT

Public Comment

PURPOSE

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

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

COMMITTEE PROCESS

None

CONTACT

Ken Kessler

Chief Financial Officer

kkessler@valleymetro.org

ATTACHMENT

None

Executive Summary



DATE

March 26, 2025

AGENDA ITEM 2

SUBJECT

Chief Financial Officer's Report

PURPOSE

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

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

COMMITTEE PROCESS

None

CONTACT

Ken Kessler

Chief Financial Officer

KKessler@valleymetro.org

ATTACHMENT

None

Meeting Minutes



AGENDA ITEM 3

Audit and Finance Subcommittee
Thursday, March 6, 2025
Via WebEx/Phone
12:00 p.m.

Meeting Participants

Councilmember Max White, City of Avondale – **Chair** (phone)
Councilmember Peggy McMahon, Town of Fountain Hills (phone)
Councilmember Laura Pastor, City of Phoenix
Councilmember Jennifer Adams, City of Tempe (phone)
Councilmember Jimmy Davis, City of Tolleson (phone)

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

Chair White said I'd like to call the March 6th, 2025, Audit and Finance Subcommittee meeting for Valley Metro to order.

Ms. Dillon said good afternoon, members of the AFS.

City of Avondale, Councilmember Maxine White? Present.
Town of Fountain Hills, Councilmember Peggy McMahon?
City of Phoenix, Councilmember Laura Pastor? Present.
City of Tempe, Councilmember Jennifer Adams?
City of Tolleson, Vice Mayor Jimmy Davis? Present.

Ms. Dillon said thank you. Chair, we are ready to proceed.

Chair White said thank you very much. I appreciate everyone being here for our meeting.

1. Public Comment

Chair White said item number 1 is public comment.

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

Pat, do we have any speakers in the room with you for public comment?

Ms. Dillon said no ma'am, not today.



Chair White said and have we received any public comment online?

Ms. Dillon said no.

Chair White said thank you so much. This closes our public comment period.

2. Chief Financial Officer's Report

Chair White said we'll move to Item number 2. Good afternoon, Mr. Ken Kessler, our Chief Financial Officer. I'd like to turn it over for him to provide us an update.

Mr. Kessler said thank you, Madam Chair, members of the Subcommittee. Give us a moment. There you go.

So actually, hot off the presses only received this about an hour ago. So last month we only had revenues for the Public Transportation Fund sales tax through December. We did receive January's number a few days after last month's AFS meeting and we just received this morning the February numbers so we're able to update this through February. But don't expect it every month because the numbers vary when they arrive here.

So we're still about 2% over prior year. Still between 1% and 2% under the current year budget so the sales tax revenue flow has kind of stabilized pretty similar for the last several months.

So with that, I'm happy to take any questions if any members have any.

Chair White said thank you. You're right, it's awesome that we got this information. I'll open up the floor to any questions. I don't see any questions online or in the audience. Thank you so much, Mr. Kessler.

3. Minutes

Chair White said I'd like to move to Item number 3, our meeting minutes. The meeting minutes from February 6th Audit and Finance Subcommittee meeting have been presented for approval.

Can we just take a couple moments to review those minutes.

Councilmember Pastor said I move Item number 3 the minutes for February 6, 2025, as presented for approval.

Chair White said there's a motion on the floor by Councilmember Pastor. May we have a second?

Vice Mayor Davis said I'll second the motion.



Chair White said we have a second from Vice Mayor Davis. All those in favor, aye? Any opposition, nay?

The motion carries. Thank you very much.

IT WAS MOVED BY COUNCILMEMBER PASTOR, SECONDED BY VICE MAYOR DAVIS, AND UNANIMOUSLY CARRIED TO APPROVE THE FEBRUARY 6, 2025, AUDIT AND FINANCE SUBCOMMITTEE MEETING MINUTES.

4. Fiscal Year 2024 (FY24) Regional Public Transportation Authority (RPTA) Annual Comprehensive Financial Report (ACFR) and Single Audit Reporting Package (SARP)

Chair White said moving to item 4 on our agenda, fiscal year 2024 Regional Public Transportation Authority Annual Comprehensive Report and Single Audit Reporting Package. Our CFO Ken Kessler will introduce this item and once this item is presented, we can take a look at it. This is an action item. So I'll turn it back over to Mr. Kessler.

Mr. Kessler said thank you, Madam Chair. Members of the subcommittee.

So we do not have an actual presentation on this today. The RPTA Annual Comprehensive Financial Report or ACFR and the Single Audit Reporting Package are in the packets. It's a brief couple hundred-page document or something like that. So this is the complete package of our audit and financial reporting. We do want to mention we received a clean, unmodified opinion on the financial statements and no findings to report.

With that, I'm happy to take any questions.

Chair White said do we have any questions in regards to the FY24 RPTA Annual Comprehensive Financial Report and Single Audit Report Package?

Councilmember Pastor said I'm glad to know there's no findings.

Councilmember Adams said me too.

Councilmember Pastor said I'm going to move, oh, I'm going to accept the staff recommendations.

Chair White said we have a motion on the floor to accept the staff recommendations.

Second by Councilmember Adams.

Motion by Councilmember Pastor, second by Councilmember Adams. Is there any discussion? I just want to accept this report with commendations. Thank you so much. I appreciate having no findings as well.

All those in favor, aye. Any opposed? Any opposition? The motion carries.



IT WAS MOVED BY COUNCILMEMBER PASTOR, SECONDED BY COUNCILMEMBER ADAMS, AND UNANIMOUSLY CARRIED TO ACCEPT THE REGIONAL PUBLIC TRANSPORTATION AUTHORITY FY24 ANNUAL COMPREHENSIVE FINANCIAL REPORT AND SINGLE AUDIT REPORTING PACKAGE.

I do want to acknowledge we have had Councilmember Adams and Councilmember McMahon join the call. Thank you so much for joining us. We have our entire committee with us.

5. Fiscal Year 2024 (FY24) Valley Metro Rail (VMR) Annual Comprehensive Financial Report (ACFR) and Single Audit Reporting Package (SARP)

Chair White said moving to Item number 5 Fiscal Year 2024 Valley Metro Rail ACFR and Single Audit Reporting Package. Mr. Kessler, I think we're going through the same routine just for the other half of the agency.

Mr. Kessler said yes. Thank you, Madam Chair. Members of the subcommittee. The same with Valley Metro Rail. Our annual report received unmodified, clean opinion and no findings to report.

Happy to answer any questions.

Chair White said hearing no questions I'd like to open the floor for a motion to accept the report.

Motion by Councilmember Pastor said I accept. Second by Councilmember Adams.

All those in favor, aye. Any opposition a nay. This motion passes as well. Thank you so much, Mr. Kessler.

IT WAS MOVED BY COUNCILMEMBER PASTOR, SECONDED BY COUNCILMEMBER ADAMS, AND UNANIMOUSLY CARRIED TO ACCEPT THE VALLEY METRO RAIL FY24 ANNUAL COMPREHENSIVE FINANCIAL REPORT AND SINGLE AUDIT REPORTING PACKAGE.

Mr. Kessler said thank you, Madam Chair. I do want to interject here real quick before we move on. A big thank you to our accounting folks who work tirelessly to put together the financial statements and the single audit report package and coordinate with the auditors. It's an extensive amount of work shortly after year end to get this done and to meet the deadlines too. We also receive a GFOA, a Government Finance Officers Association, certificate for excellence in reporting each year, so I just do want to recognize those folks that do all the hard work to put this together and earn that certificate for the agency every year.

Councilmember Pastor said congratulations. Thank you.



Chair White said that's amazing. Congratulations. Excellence in reporting is a great thing. The attention to detail which is wonderful which is why I even suggested that we should be accepting these reports with commendations. Very great work to the accounting team and all those hands that contributed to this. I really appreciate that.

Any additional commentary from our Subcommittee?

6. Fiscal Year 2025 Valley Metro RPTA and Valley Metro Rail Preliminary Operating and Capital Budgets

Chair White said we're ready to move to Item number 6 Fiscal Year 2026 Valley Metro RPTA and Valley Metro Rail Preliminary Operating and Capital Budgets. We are going to go to Mr. Kessler to present this item to our Subcommittee. I'll turn it back to you.

Mr. Kessler said thank you, Madam Chair and members of the Subcommittee. Today, I'm going to be providing first the RPTA FY26 preliminary budget. At this time we're providing a high-level overview of the budget and as you may recall from those who were around for prior years, we start with this high-level view of the budget and then we next month will be going to your staff to provide all the details behind the budget, detailed budget initiatives and so forth to go through that and get their feedback and input, to answer any questions. And so that same detail will be coming to this body in next month's process as well as the Board in April.

So that said, so taking a look at bus operations first for RPTA. FY26 budget is about \$139 million and fare revenues forecast to be about \$4.7 million. Fairly flat forecast on the revenues over the current year. We did forecast very conservatively because we're still working towards getting data from the new fare collection system that's been fully operational now for a couple of months. So there's not a lot of data to really work with at this point. So we wanted to be conservative because the revenue forecast does impact what we bill member cities for their share of the cost of service. So and, obviously, as we move forward if we have better data we'll update this before the final budget is adopted targeted for May. And then, of course, at the end of each fiscal year we do reconcile all the costs and revenues so the -- what the member cities contribute will be based on those actual revenues as well as actual expenditures when we complete the reconciliations each year.

Now moving on to paratransit operations. Just under a \$27 million budget for gross operating costs and a little bit of growth shown there in the fare recovery, fare revenues. Do want to mention it may look a little odd, we do have a little lower budget next year than this year. One thing to mention there is in the current year budget there's about a million-dollar item for some software to support paratransit that really upon further look at this with our accounting team is a capital cost and additionally, that purchase is not happening in the current fiscal year so that cost is actually in the FY26 capital budget. So that's why there's a bit of a reduction in year or year gross operating costs for paratransit.



Moving on to Ride Choice. About \$16.4 million estimated cost for the FY26 budget and a little bit of increase in the fare revenues forecasted for next year as well as \$1.3 million.

Now taking a look at the total RPTA operating and capital program. Looking at the use of funds. Predominantly a passenger services in the operating budget make up nearly half of the overall operating and capital budget followed secondly by VMR capital program. As you recall, RPTA administers all of the regional public transportation funds and those funds that flow through to Valley Metro Rail for those capital projects do show up here as part of the RPTA budget.

Now looking at the source of funds for the total operating and capital program. Public transportation funds making up the majority of the overall program and then member city contributions being the -- the second most impactful source for our operating and capital program.

Now looking at the operating budget specifically by program here. So fixed route operations about \$170 million in next year's budget. There's a decrease there. The large portion of the decrease is really City of Phoenix operated service that they have been funding with public transportation funds the last couple years with Prop 400 coming to a close here they're pulling back on that as they were just basically using up a portion of their jurisdictional equity, PTF, for a couple years there to kind of bring their -- their subregion in balance.

And then demand response overall program about \$63 million and then regional services being the next category about 25.9. But looking really at as we fine tune these numbers as we go from month to month through this process, regional services next month, we'll probably be about a half million dollars less than what we've seen for this current version of the budget.

And now on the sources for the operating budget. Again, you can see here, as I mentioned, in the overall program public transportation funds a big part of the operating budget for RPTA followed by member city contributions.

Now on the capital program. For the capital uses, regional fleet being the predominant in terms of projects. Debt service also a significant category here within the capital program but I do want to note in FY26 we'll be paying off this debt. Our debt was structured to be through the life of the Prop 400 sales tax so that debt will be paid off next year. And so we'll see debt service come off the books going forward with no plans for RPTA issuing any additional debt in the future.

And then sources that fund our capital program. Again, public transportation funds, a big part of that, and as well federal funds are a big part of the capital program.

And lastly, we have our passthrough. We have Arizona Lottery disbursements. RPTA administers the Arizona Lottery funds that come to the region about \$11.2 million dollars each year and we distribute those to the members for various transit purposes. And then there's a number of VMR line items here and passthrough as you recall all employees of the agency are



technically RPTA employees although there are many employees that are dedicated to Valley Metro Rail work. And then as well some employees who do partial work for each agency. And so this is just a passthrough of those costs to VMR and as well the capital program passing through the public transportation funds to VMR for those capital programs.

And then on the sources side, again obviously, the Arizona Lottery funds are the source of the funds that we distribute for Arizona Lottery to our members. And then we have a little bit of regional area road fund. That's the other side of the regional transportation tax for highways and streets. There's about a \$500 million a year set aside to come to transit for planning purposes on our side. And then there's the VMR personnel reimbursements where VMR reverses for those personnel costs that are incurred on behalf of the VMR agency. And, of course, the capital funding allocation that goes to funding the capital projects directly.

And then here's just a recap of the various dates for the budget presentations. We're not here in February. That was for your staff who we met with a couple weeks ago on this level the budget but we're March presenting the high-level to AFS today. Yesterday we presented the same information to TMC/RMC and we'll also be going to the Board later this month with this presentation.

And then you can see the dates going down the line here target a May adoption of the FY26 budget. And next month, as I mentioned, we'll really be getting into all those details, actually later this month starting with RTAG and Financial Working Group and then those same details will be shared with the various TMC/RMC, AFS and Board in April.

So that concludes my presentation on the RPTA FY26 preliminary budget, happy to take any questions.

Chair White said I'd like to open the floor for any questions for our CFO Mr. Kessler.

Councilmember Adams said this is Councilmember Adams. Is it okay if I talk right now?

Chair White said yes. Go right ahead, Councilmember Adams.

Councilmember Adams said I'm just getting some feedback, that's why I was wondering. Thank you for meeting with our staff to discuss financial impacts of the upcoming security contract. However, we're concerned about the very significant increase in streetcar security costs. The information presented to the management committees regarding rail security indicated a reduction in hourly security rates. We're hopeful this will yield minimum growth in light rail and streetcar security costs in Tempe. We'd like to work with you to ensure the proposed growth in cost does not exceed the growth of our local transit fund, which is not experiencing significant growth at this time. In fact, we're bracing for a slight reduction in revenue.

Mr. Kessler, if you could address that, please. Thank you.



Mr. Kessler said yes. Madam Chair, members of the Subcommittee. I do want to let folks know the security cost split between rail and streetcars is being further looked at. As you mentioned, Councilmember Adams, you know, we met with your staff, I believe it was week. Reached out for a little future clarification to your staff yesterday on some additional information that they would like to see to kind of help lay this out for them. Got that clarification. Our team is working to compile the information and we're going to work to put that together and share that with Tempe staff and then meet with them to kind of review that and go over it.

I do want to mention that as we're refining budget numbers as we typically do throughout this process at this point the streetcar security year over year increase currently is moved in the budget that's in today presentation it's a \$500 million dollars that's been moved on a bit to \$400,000 so that number has been brought down a bit and we're going to go through those details with Tempe staff here in the coming days or week or so to review that and go through that with them.

Chair White said Councilmember Adams was that good?

Councilmember Adams said I mean, just like I said, we're feeling a crunch so just whatever we can do to minimize the increase would be great. So thank you, thank you, Mr. Kessler. Thank you, Madam Chair.

Chair White said thank you so much for the input and thank you, Mr. Kessler. Opening up again additional questions? I know that we have Councilmember Pastor in the room, but we do have additional participants online.

Councilmember Pastor said I'm fine.

Vice Mayor Davis said no questions for me at this time.

Councilmember McMahon said I don't have any questions. Thank you for asking.

Chair White said thank you so much. So we'll move into the VMR?

Mr. Kessler said so again, high-level overview of the VMR budget just like we provided for RPTA. Just going through some of the high-level information here.

So light rail operations about \$107 million FY26 preliminary operating budget much of that year over year change from FY25 is due to a full year operation of the South Central Extension project. And again, on the fare revenues we did forecast for budget purposes very conservatively because we want to be sure we have a little more data from our new fare system before we adjust that to something, you know, a little more aggressive. Just be mindful that, you know, the rail cities are billed for the operating costs net of fare revenues, and we want to make sure we don't overstate the fare revenues in the budget and have to come back asking for more money from the cities at the end of the year.



In terms of streetcar operations, about an \$8.3 million budget and as I mentioned, that's -- in the next round of the budget presentations that number will come down slightly as I mentioned. Fare revenues, we're looking at implementing fare collection with the new ticket vending machines this summer, so we expect a full year of fare collection on Streetcar for FY26.

Now moving into the project development program. A number of projects here about a \$22 million budget for FY26, I-10 West, Rio Dobson East Streetcar, systems planning and capital project development administration being the components of this program.

And taking a visual look at the total operating and capital program uses of funds. A pretty even split between passenger services and capital activities at nearly half of the overall total budget for both. Again, capital continues to be fairly large on the VMR side because we do have a growing, expanding system putting a lot of efforts into adding to the system and that will continue into the coming years as we continue to add extensions to our rail program.

And then on the source of funds. Federal funds being a very large part of the overall operating and capital program as well as the public transportation funds and then member city contributions at 8 percent, the bulk of that being the funding the operations of VMR.

So looking at it by program for VMR. So light rail, as I mentioned, \$106.9 million budget. Again, most of that increase due to South Central coming on board for a full year of operations and a number of other smaller items that make up that change year over year. And as I mentioned, on streetcar about a \$0.9 million increase but that should come down to about \$0.8 as we refine those numbers. And then agency operating at \$3.7 million for the year.

Councilmember Pastor said Chairwoman, can I ask a question?

Chair White said please yes, absolutely. Mr. Kessler, can you take the question?

Mr. Kessler said certainly.

Councilmember Pastor said so I'm looking operating and when we say light rail security and streetcar security please define that with me because I think of security in two different ways. So the security we're speaking about is who's on the platform currently on light rail and I'm assuming streetcar versus our member cities of police.

Mr. Kessler said yes, that's correct. The police efforts by the local cities are not reflected in this budget. Those are in your respective cities' budgets. So what really the security line items for both light rail and streetcar are comprised of is largely the contract for the fare inspection and security services as well as Adrian's team, the Safety and Security Team that manage all of that and security beyond the fare inspection contract. And their share here is specifically related to rail and streetcar.

Councilmember Pastor said so you're talking about the agency operating, that's their team?



Mr. Kessler said no. Agency operating down at the bottom that's general kind of administrative efforts of the agency, if you will. Like the executive office and things like that.

Ms. Mefford-Miller said so if I may, Mr. Kessler, Madam Chair. If we could have streamlined this and think about all of the teams that are included in this line item it is the tiny but mighty agency security team that is Adrian Ruiz and her staff which include Don Schneidmiller, our manager of Security, Anthony Haller, our supervisor of Security. On the bus side we have Dave Munley, our manager of Bus Security. And then we have our current fare inspection and security contract in the coming year, of course, this is going to be a new contract. So that is from the ground up all of our fare inspectors and security guards who are present across the system. It is also our security presence at our rail Operations and Maintenance Center. And then it is the supervisory structure for that contract. Have I missed anything, Mr. Kessler?

Mr. Kessler said no, I think that covers it.

Councilmember Pastor said I know I'm going totally off, Chair. I'm going ask another question, please.

Chair White said go ahead. Yes, please proceed.

Councilmember Pastor said I'm trying to process where the maintenance center is and where all our security and camera, I don't know what we call that area, is that included in here or is that in another piece?

Ms. Mefford-Miller said this is included here. That's called our Dispatch Control Center which happens to be located within the control center at the Operations and Maintenance Center. Today that is staffed by contract personnel and that is included in this figure.

Councilmember Pastor said and where would it fall under? The agency operating?

Ms. Mefford-Miller said no. Light rail security and streetcar security.

Councilmember Pastor said oh, so you do separate it out? Meaning the dispatch.

Ms. Mefford-Miller said it's part of that fare inspection security services contract and then it's separated by light rail and streetcar just as a proportion of track miles within each mode and then for light rail we do separate out between the member cities, Mesa, Tempe and Phoenix according also to track miles.

Chair White said thank you so much. Any other questions on this slide up to this point? Mr. Kessler, you can proceed for us. Thank you.

Mr. Kessler so now moving on to the sources that fund our operating budget. Member city contributions making up the lion's share for funding operations with also fare revenues



supporting operations. And a little bit of federal funds that's basically funding preventative maintenance costs.

Now moving on to the capital side. So FY26 about \$114.5 million budget for the VMR capital program, a large decrease over the current year as especially South Central wraps up. You can see the big year over year decrease for South Central. Our next year we just have some trailing costs to close out the project and in the current year we had some very substantial costs to -- to wrap up the majority of the construction and all the work to get the project operational.

And on the sources of funds. Again, on capital program federal funds a very important part of that, big piece of the source for the capital program as well as the public transportation funds.

And again, this is the same chart from RPTA showing the timeline of all the budget presentations to the various bodies.

So that concludes my presentation, happy to take any additional questions.

Chair White said thank you so much, Mr. Kessler. Yes, go ahead with any additional questions.

Councilmember Pastor said my question is that we have some federal funds. The federal funds that we currently have are secured right now and what I mean is they've been allocated, they're here.

Ms. Mefford-Miller said I can take that, Mr. Kessler.

So for the purposes of the operating budget which is what we're, and then I'll address capital budget separately, if I may.

The figures that are shown here for operating budget is typically federal formula funding which is a function our regional population and population of our service area and the miles and hours of service that we deliver and those are indeed allocated. We also have that preventative vehicle maintenance that Ken mentioned that is part of the bus and rail systems and those also have been allocated.

Now capital funding is a little bit separate. We do have a number of capital formula funding programs. Those have been allocated. The funds for the projects shown here on the use of funds table, South Central Extension/Downtown Hub which is, of course, in progress. Those funds have been allocated, and we have been able to continue actively drawing down those resources. Same is true of Northwest Extension, Tempe Streetcar, Gilbert Road Extension and state of good repair. This is another formula fund on the federal side of things as well as systemwide improvements.

Now I do want to draw a line in contrast for a capital extension and then future project development. We're continuing on current phases of project which are funded. What is not funded and is not shown in this budget either, by the way, is capital funding for final design and



construction of the Capital Extension as we have not yet submitted a capital investment grant for that project.

So our current larger grants for capital projects are active, I'll say, and we're able to draw it down. Future projects is where there's a little bit of uncertainty. But again, we have not yet submitted those applications.

Councilmember Pastor said the reason why I'm asking because we may have to prepare that some projects may be placed on hold.

Ms. Mefford-Miller said it is always a possibility.

The federal funding process, the capital investment grant process which happens to be the largest discretionary program is part of the U.S. Department of Transportation. It is a very competitive process. We have enjoyed tremendous success here at Valley Metro over the years and across several different presidential administrations, so we are hopeful. We are continuing our due diligence and moving forward post haste in the development of those programs but once we submit the application it really does come down to available funding, competition, the merits of our particular project and then the federal support that we have in both Congress as well as the White House for our projects.

Councilmember Pastor said that's what I was going to ask for clarity. I was going to ask for clarity on that piece. Does it come out of the Department of Transportation or is it allocated through Congress?

Ms. Mefford-Miller said the capital investment grant program, and now I'm looking for a lifeline with Alexis, is appropriated through Congress, I believe. It is an important program. It's a popular program and as I mentioned, it is Department of Transportation's largest discretionary program.

Alexis, would you like to add?

Ms. Tameron-Kinsey said Chair, members of AFS. I do want to just to clarify the federal formula funds are appropriated by Congress as well as the grant programs are also appropriated by Congress. But what happens with the discretionary funds it's a competitive program in which then the Department of Transportation calls for projects through their notice of funding availability and that's the competitive portion of which the DOT has a little bit more authority to award or not award. But ultimately, what is in budget that is passed by Congress is a large, if not all, of our federal formula funds including what gets appropriated for CIG, for example.

Chair White said I appreciate that clarification. Councilmember Pastor, was that what you need to hear for clarity?

Councilmember Pastor said yes. And I think Councilwoman McMahon has her hand up.



Councilmember McMahon said thank you for recognizing me. I appreciate it. And this may not be the right forum for this but as a Councilmember, et cetera there was a discussion about DEI and our council is voting against grants that may have that in it et cetera. So when we talk about federal grants I'm concerned how Valley Metro may handle that if there's any opposition to accepting federal grants. Because it is a really hot topic and I'm wondering how you guys are going to handle that. Now if this is not the proper forum for that question then is a question for our next board meeting that's fine too. But I want to bring it up because last, you know, Tuesday night we had a council meeting, and it was a really hot topic and they've been denying grants based on their perception that there's DEI issues in grants. So could you either say one thing or just want to wait until the board meeting.

Chair White said Councilmember McMahon, I really appreciate that inquiry. I think during our last board meeting I had shared a couple of the executive orders and asked that CEO Mefford-Miller take a look at this and follow up with us.

I know that she sent us an email in preparation for the National League of Cities, but I think that right now the agency is pulling back and taking a look at everything in preparation. I would like to give it back to Ms. Mefford-Miller to just give us an update on where we are if that's appropriate in this moment.

Ms. Mefford-Miller said thank you, Madam Chair, Councilmember McMahon. When we submit grant applications whether that's to Department of Transportation or to another entity, we are responding to a notice of funding availability or NOFA and the NOFA's for those particular grant programs lay out requirements of the program. So we are responsive to that. So if, for example, to answer your question if DEI were a requirement of that program then we would be responding to that within our application. If it were not, then we would not be responsive to that.

So I cannot speak to the perception but I can speak to the facts of how NOFA's are issued, how we respond to them and what we are proposing and I think it's really important that as we move through this journey with our new administration we really do focus on what those requirements are and we will be responsive to that and I think for us I'm always reminding our team and our communities we have been very successful with our federal funding applications. We've developed strong applications. We have been responsive. Our current capital investment grant funded South Central Extension project was funded by the Trump administration in the first term and I believe it will be the first large capital investment grant project opened in the second term. So we are nimble and we'll be ever responsive so that we can maximize federal participation in our programs.

Councilmember McMahon said thank you and I appreciate that, and I appreciate you taking a moment Chair White and Ms. Mefford-Miller. I appreciate it because I know that it came up a little bit but I just wanted to make a mention of it since it just seems to like having this momentive wave and making sure we were addressing it. So thank you.



Chair White said absolutely, Councilmember McMahon. Thank you for keeping it at the top of mind. I also want to just remind everybody who's listening to us and we'll listen to this in the future. Public transit is a non-partisan issue. It's a connected communities issue and I just want to thank Valley Metro for being nimble because yes, funding has come through in the past from the former Trump administration we answer the call. We will be able to move and be able to turn in the direction that we need to get the funding that we need to support the communities. And I think about all the member cities that are involved. So I know that's a focus.

This is an item that's for information only. So I just want to see if there's any additional questions before we take it to our next item on the agenda.

Ms. Mefford-Miller said if I may Madam Chair. Ms. Tameron-Kinsey is at the podium, and I think would like to provide some additional information regarding federal funding.

Ms. Tameron-Kinsey said thank you, Jessica. Madam Chair, members of the Committee. The one thing I wanted to point out with regard to some of the initiatives or at least some of the instructions coming from the DOT administration in particular the executive orders related to DEI. Specifically, that is geared towards federal agencies.

So there have been other orders such as the one that we're seeing play out particularly with our community college district here in Maricopa County where it was very specific for educational institutions receiving federal funds. You've seen probably in the last couple of days articles come out from the

Arizona Republic and others kind of breaking down what is happening at the community college level simply because there was an executive order specifically calling out educational institutions with regard to some of the DEI practices and/or initiatives they had going on.

There has not been that level of direction provided to the Department of Transportation that we are aware of currently, but we keep an eye out for those executive orders and how they may implicate or affect transit agencies across the country, obviously Valley Metro being one.

But I wanted to point out that in terms of a lot of the EO's and the lawsuits that have come have created confusion of who it's affecting, how it's affecting them, et cetera. So we're keeping a close eye on that and as we learn more information I'm sure Jessica will provide that to members of board but I just wanted to provide that little bit of a clarity simply because we're seeing a lot of that in the news play out this week specifically with our community college districts and some of our educational institutions such as the University of Arizona.

Happy to answer any other questions you may have.

Chair White said excellent information. Thank you for being timely and looking across other industries to kind of get some indicators of what we need to be on our toes for. Thank you so much.



Hearing no additional questions online or in the room. This again, Item number 6, was for information only.

7. Internal Audit Update

Chair White said moving on to Item number 7 Internal Audit Update. Our Chief Auditor Sebrina Beckstrom will introduce this item for us. I believe we're going to be hearing from Larry Kondrat, Audit Manager, providing an update. Sebrina. Ms. Beckstrom.

Ms. Beckstrom said thank you, Madam Chair. Members of the Committee. Yes, Larry Kondrat has come to the podium, he's going to give our update this month for us.

Mr. Kondrat said thank you, Madam Chair and members of the Subcommittee. I'm going to present the March Internal Audit update.

We currently have six internal audits in progress right now and additionally we have 27 internal safety and security audits that we're required to complete every three years from ADOT. And we recently started preliminary work in the first of nine scheduled for this year.

And additionally, we are coordinating the responses to several City of Phoenix compliance reviews and the fiscal year 2025 FTA triennial review which kicked off in mid-January. And so far, we've reviewed and submitted over 200 documents for the initial request.

Are there any questions on the audits in progress?

Chair White said thank you so much, Mr. Kondrat. I'll open up the floor for questions. Hearing no questions. We will receive this reporting for information only. Thank you to our audit team.

Mr. Kondrat said you're welcome. And Madam Chair, I also want to report out on the audit recommendations, the outstanding ones.

There are currently 11 outstanding recommendations that are in progress, and I'm satisfied to report that 3 recommendations have been implemented and closed since our last meeting. The first two have to do with compliance with drug and alcohol program requirements for both paratransit and bus. And then the last recommendation that was closed has to do with conflict-of-interest disclosure requirements.

And two of the recommendations that are in progress are related to IT and that's why they weren't listed in the summary that was included in the packet because the sensitivity of the recommendations.

So that concludes my presentation. Are there any questions at all?



Chair White said I don't have any questions, but I do want to make sure that our committee members know that if they have any questions about the IT audits that were not included that they do have to reach out to directly to get that sensitive information.

Otherwise, I would like to open up the floor for any question. Any additional questions? Hearing no questions. This is for information only. Thank you so much, Chief Auditor Beckstrom and Mr. Kondrat. We appreciate this.

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

Chair White said moving on the Item number 8. Intergovernmental Agreements, Contract Change Orders, Amendments, and Awards that appeared in the board agenda and the information is provided in the packet.

If any member of our committee has questions regarding this item or any specific details in this information, please reach out directly to Valley Metro staff and you might want to shape to purpose your questions with your staff so that we can ensure that Valley Metro can give you the details that you need.

This item is for information only.

9. Report on Current Events and Suggested Future Agenda Items

Chair White said moving on to Item number 9 Report on Current Events and Suggested Future Agenda Items. I do want to open up the floor to our committee members to share any current events and make any recommendation for items you'd like hear on future Audit and Finance Subcommittee meeting agendas.

Councilmember Pastor said I'm looking forward to March 8th of South Central light rail. Hoping to see people there. It's 10:00 on Central and Baseline. Thank you.

Chair White said we are excited as well. I will be heading out of town to attend National League of Cities, and I will be starting my commitment to that conference on Saturday so I will miss it, but I will be there in spirit with you Councilmember Pastor. And I'm just so grateful to see South Central continue to develop and open up so I know everybody's going to have a great time. Any additional current events folks want to share?

Ms. Mefford-Miller said Madam Chair, if I may announce a couple of upcoming events?

Members of the Committee, in addition to the celebration of our first rail cars running down to Central and Baseline on Saturday, on Saturday evening the Northwest Extension Phase II light rail project is being considered for an award at Arizona Forwards annual awards event. We look forward to that.



And then I also want to remind this committee that the board will have a retreat on Thursday, March the 20th. We will be meeting here at Valley Metro's 101 building and that will be an extended time period to include both the board meeting for March and we have tried to keep the agenda as light as possible as well as the retreat itself. And that will be from 10:15 a.m. until 2 p.m. To the extent you are available we strongly encourage in-person attendance and member city staff, as always, are welcome to attend.

Chair White said thank you so much, CEO Mefford-Miller. We appreciate all the hard work, and I hope that we're the award winner, so hopefully you'll come back with some hardware to share with Valley Metro.

Any additional announcements? Hearing no additional announcements or current events.

The next meeting of the AFS is scheduled for Thursday, March 6, 2025, at 12:00 p.m.

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

Executive Summary



DATE

March 26, 2025

AGENDA ITEM 4

SUBJECT

Valley Metro RPTA Fiscal Year 2026 (FY26) Preliminary Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY26 through FY30)

COST AND BUDGET

See the information below.

RECOMMENDATION

This item is presented for information.

STRATEGIC PLAN ALIGNMENT

This item relates to the following goals and strategies in the Five-Year Strategic Plan:
Goal 9: Financial Sustainability

COMMITTEE PROCESS

Preliminary Budget Review:

Financial Working Group: February 18, 2025 for information

TMC: March 5, 2025 for information

AFS: March 6, 2025 for information

Board of Directors: March 20, 2025 for information

Budget Review with Initiatives:

RTAG/FWG: March 18, 2025 for information

TMC: April 2, 2025 for information

AFS: April 3, 2025 for information

Board of Directors: April 17, 2025 for information

Proposed Budget Adoption:

AFS: May 1, 2024 for information

TMC: May 7, 2025 for action

Board of Directors: May 22, 2025 for action

CONTACT

Ken Kessler

Chief Financial Officer

kkessler@valleymetro.org

ATTACHMENT

None



Background Information

BACKGROUND DISCUSSION

The Valley Metro Regional Public Transportation Authority (RPTA) FY26 preliminary combined operating and capital budget (the budget) is \$491.6 million and includes \$85.4 million of expenses for light rail/high-capacity transit capital. The preliminary FY26 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

Valley Metro began the FY26 budget process by carefully reviewing its operations to identify efficiencies and other potential reductions to the FY26 base operating budget. This resulted in a proactive reduction in the RPTA base operating budget of \$14.7 million. The largest areas of reduction include one-time items in the FY25 budget not continuing into FY26, reductions in service in the City of Phoenix operated bus service funded with PTF, shifting of demand services replacement software to the capital budget, and reduced costs for the Ajo bus route and City of Phoenix Regional Support Services.

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 FY26, these non-discretionary items total \$12.6 million, comprising 82% of the total increase, excluding base change, in the FY26 operating budget. Of this amount, four issues – contract rate increases (including Board-approved contract adjustments), inflationary changes in cost of service, volume of service provided changes, and increasing bus fuel costs – comprise 97% of the total non-discretionary increase.

Additionally, Valley Metro recommends the Board adopt \$2.7 million of increased spending for new initiatives in FY26. This includes funding for ten initiatives, listed below.

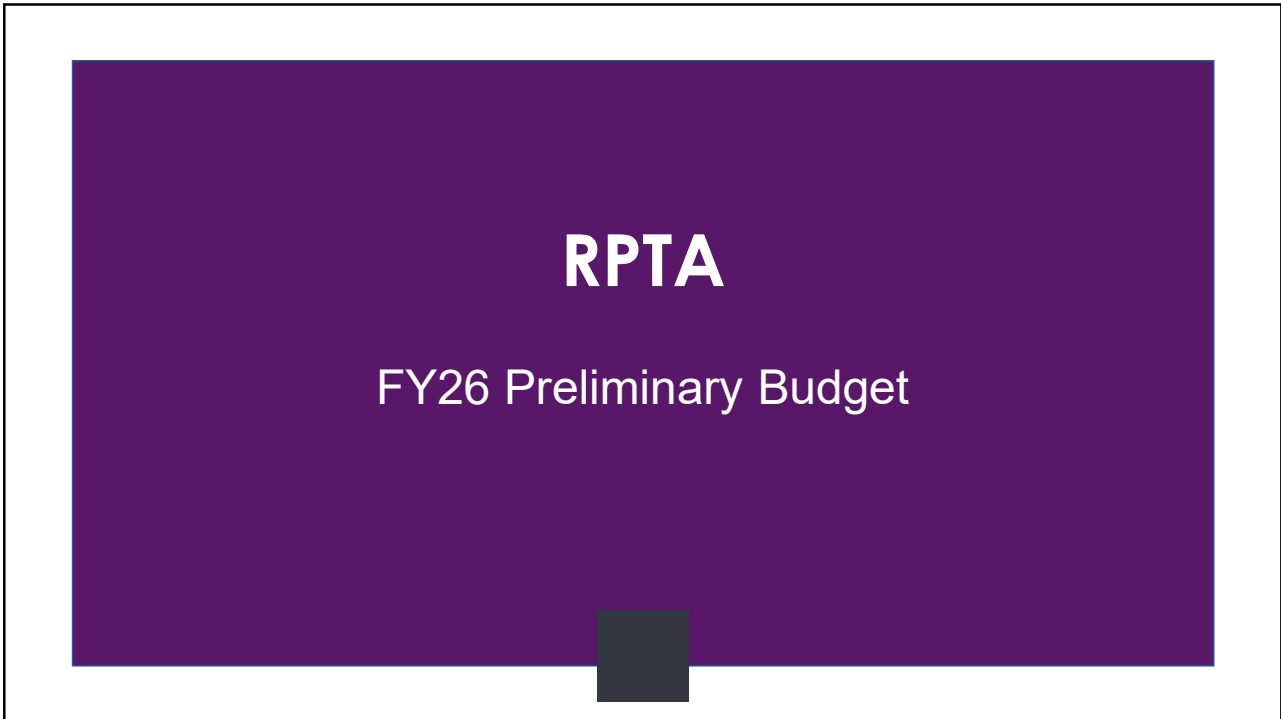


| Initiative# | Description | Amount |
|--------------|--|---------------------|
| 1 | Passenger Engagement & Education | \$ 178,000 |
| 2 | Agency Staff Compensation | \$ 1,208,000 |
| 3 | HR Infrastructure for Growing Organization | \$ 496,000 |
| 4 | Safety & Security Management | \$ 121,000 |
| 5 | Service Planning Enhancement | \$ 76,000 |
| 6 | End of Useful Life System Replacements | \$ 253,000 |
| 7 | Internal Communications Enhancement | \$ 54,000 |
| 8 | External Stakeholder Engagement | \$ 34,000 |
| 11 | Financial Planning & Analysis Enhancement | \$ 231,000 |
| 12 | Grants Coordinator | \$ 71,000 |
| Total | | \$ 2,722,000 |

*Initiative numbers are not sequential as some initiatives pertain to RPTA only, some VMR only, and some both RPTA and VMR. Initiatives listed here are those pertaining to RPTA only and the RPTA portion of those pertaining to both RPTA and VMR.



1



2



3

Detailed Initiative Write-Ups

Initiative # → 8

Agency →

Improve Enterprise Asset Management (EAM) System Utility

Leverage Data and Technology

Combined | **VM Recommended**

Description

In support of strategic plan goal to "Leverage Industry Best Practices and Innovations on Data and Technology" this initiative will enhance the Enterprise Asset Management (EAM) system to improve system utility. An enhanced EAM system will reduce time, error rates, and associated cost of rework of manual processes entering and transferring data between the EAM and associated systems. This will result in optimized maintenance strategies, increased operational reliability and efficiency of Valley Metro assets, and minimized asset downtimes. This translates into substantial cost savings over the asset lifecycle. Furthermore, compliance management will improve, helping ensure alignment with regulatory standards, mitigating risks and fostering a safer operational environment. Implementation and customization development support will be required from various vendors, however, \$55,300 in annual Ellipse system maintenance costs will be eliminated once data transition is completed.

Strategic Plan Goal

Category

| Item | RPTA | VMP | Note |
|------------------------|------------------|------------------|--|
| EAM System Improvement | \$169,000 | \$122,000 | Trapeze and third-party professional services and customized development |
| Total | \$169,000 | \$122,000 | |

4

FY26 Operating Budget Format

Base Budget – FY 2025's approved services less efficiencies identified by Valley Metro.



Obligations

- Inflation/Market & Ridership – price, wage, and ridership changes.
- Continuing Commitments – continued implementation of actions or contractual terms previously approved by the Board.



Valley Metro Recommendations – changes Valley Metro recommends the Board make for FY 2026



FY 2026 Total Operating Budget

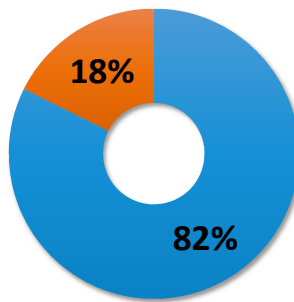
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5

Operating Budget Overview (\$ millions)

| RPTA | | | | | | | | | |
|-------|-------------------|-----------------|------------------|----------------|--------------------------|----------------------|-----------------|-------------------|-----------------|
| | FY 2025 Budget | FY 2026 Base | Change v FY25 | Obligations | | Total Obligations | VM Recommend | FY 2026 Budget | Total Change |
| | | | | Cont Commit | Inflation & Ridership | | | | |
| Total | \$ 279.0 | \$ 264.2 | \$ (14.7) | \$ 7.4 | \$ 5.2 | \$ 12.6 | \$ 2.7 | \$ 279.5 | \$ 0.5 |



■ Obligations ■ VM Recommended

6



6

Uses of Funds: Operating (\$,000,000)

| Uses of Funds | FY25 | FY26 | Change \$ | Change % |
|----------------------------|----------------|----------------|--------------|-------------|
| Fixed Route Operations | \$175.8 | \$170.1 | (\$5.7) | -3% |
| Demand Service | 62.9 | 63.7 | 0.8 | 1% |
| Vanpool Operations | 6.4 | 9.2 | 2.8 | 44% |
| Commute Solutions | 1.7 | 1.6 | (0.1) | -6% |
| Planning | 4.3 | 4.0 | (0.3) | -7% |
| Regional Services | 22.3 | 24.9 | 2.6 | 12% |
| Administration and Finance | 5.4 | 5.9 | 0.5 | 10% |
| RPTA Operating | \$279.0 | \$279.5 | \$0.5 | 0.2% |

7



7

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

| Source of Funds | FY25 | FY26 | Change \$ | Change % |
|-----------------------------|----------------|----------------|--------------|-------------|
| Public Transportation Funds | \$164.9 | \$182.4 | \$17.5 | 11% |
| Regional Area Road Funds | 5.4 | 5.1 | (0.3) | -5% |
| Member City Contributions | 59.8 | 62.6 | 2.8 | 5% |
| Bus Advertising | 0.8 | 0.8 | 0.0 | 0% |
| Federal Funds | 15.4 | 15.5 | 0.1 | 1% |
| Fares | 11.5 | 13.0 | 1.5 | 13% |
| MAG Funds | 0.2 | 0.2 | 0.0 | 0% |
| Other | 0.1 | 0.1 | 0.0 | 3% |
| Carry Forward & Reserves | 21.1 | 0.0 | (21.1) | -100% |
| RPTA Operating | \$279.0 | \$279.5 | \$0.5 | 0.2% |

8



8

RPTA Recommended Initiatives

9

Deliver Excellent Customer Experience

VM Recommended

| Initiative # | Name | VM Recommended |
|-----------------------|----------------------------------|-------------------|
| 1 | Passenger Engagement & Education | \$ 178,000 |
| Category Total | | \$ 178,000 |



10

10

Invest In Our Talent

VM Recommended

| Initiative # | Name | VM Recommended |
|----------------|--|----------------|
| 2 | Agency Staff Compensation | \$ 1,208,000 |
| 3 | HR Infrastructure for Growing Organization | \$ 496,000 |
| Category Total | | \$ 1,704,000 |

11



11

Prioritize Security on Transit

VM Recommended

| Initiative # | Name | VM Recommended |
|----------------|------------------------------|----------------|
| 4 | Safety & Security Management | \$ 121,000 |
| Category Total | | \$ 121,000 |

12



12

Leverage Data and Technology

VM Recommended

| Initiative # | Name | VM Recommended |
|-----------------------|--|-------------------|
| 5 | Service Planning Enhancement | \$ 76,000 |
| 6 | End of Useful Life System Replacements | \$ 253,000 |
| Category Total | | \$ 329,000 |

13



13

Deliver on Stakeholder Collaboration

VM Recommended

| Initiative # | Name | VM Recommended |
|-----------------------|-------------------------------------|------------------|
| 7 | Internal Communications Enhancement | \$ 54,000 |
| 8 | External Stakeholder Engagement | \$ 34,000 |
| Category Total | | \$ 88,000 |

14



14

Financial Sustainability

VM Recommended

| Initiative # | Name | VM Recommended |
|-----------------------|---|-------------------|
| 11 | Financial Planning & Analysis Enhancement | \$ 231,000 |
| 12 | Grants Coordinator | \$ 71,000 |
| Category Total | | \$ 302,000 |

15



15

RPTA Obligations

16

Deliver Excellent Customer Experience *Obligations*

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|----------------|------------------------------------|-----------------------|-------------------------------|-------------|
| 13 | Comprehensive Operational Analysis | \$ 200,000 | \$ - | \$ 200,000 |
| | Rail & Bus Facility Maintenance | \$ 79,000 | \$ - | \$ 79,000 |
| Category Total | | \$ 279,000 | \$ - | \$ 279,000 |

17



17

Prioritize Security on Transit *Obligations*

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|----------------|---------------------------------|-----------------------|-------------------------------|-------------|
| 14 | Security Contract Rate Increase | \$ 196,000 | \$ - | \$ 196,000 |
| Category Total | | \$ 196,000 | \$ - | \$ 196,000 |

18



18

Operational Excellence Obligations

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|-----------------------|--|--------------------------|----------------------------------|----------------------|
| 15 | Bus Service and Rate Increase | \$ 4,652,000 | \$ - | \$ 4,652,000 |
| | Insurance Premium | \$ 58,000 | \$ - | \$ 58,000 |
| | Demand Service Rate Increase | \$ 1,877,000 | \$ - | \$ 1,877,000 |
| | Vanpool Program - Contract Rate Change | \$ 371,000 | \$ - | \$ 371,000 |
| 17 | City of Phoenix Regional Service | \$ - | \$ 134,000 | \$ 134,000 |
| | Demand Service Ridership Increase | \$ - | \$ 961,000 | \$ 961,000 |
| | Bus Fuel Increase | \$ - | \$ 1,597,000 | \$ 1,597,000 |
| | Vanpool Van Type Cost and Ridership Increase | \$ - | \$ 2,421,000 | \$ 2,421,000 |
| | West Valley Service and Rate Increase | \$ - | \$ 48,000 | \$ 48,000 |
| Category Total | | \$ 6,958,000 | \$ 5,161,000 | \$ 12,119,000 |

19



19

Obligations Summary

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|----------------------------|--|--------------------------|----------------------------------|----------------------|
| 13 | Comprehensive Operational Analysis | \$ 200,000 | \$ - | \$ 200,000 |
| | Rail & Bus Facility Maintenance | \$ 79,000 | \$ - | \$ 79,000 |
| 14 | Security Contract Rate Increase | \$ 196,000 | \$ - | \$ 196,000 |
| 15 | Bus Service and Rate Increase | \$ 4,652,000 | \$ - | \$ 4,652,000 |
| | Insurance Premium | \$ 58,000 | \$ - | \$ 58,000 |
| | Demand Service Rate Increase | \$ 1,877,000 | \$ - | \$ 1,877,000 |
| | Vanpool Program - Contract Rate Change | \$ 371,000 | \$ - | \$ 371,000 |
| 17 | City of Phoenix Regional Service | \$ - | \$ 134,000 | \$ 134,000 |
| | Demand Service Ridership Increase | \$ - | \$ 961,000 | \$ 961,000 |
| | Bus Fuel Increase | \$ - | \$ 1,597,000 | \$ 1,597,000 |
| | Vanpool Van Type Cost and Ridership Increase | \$ - | \$ 2,421,000 | \$ 2,421,000 |
| | West Valley Service and Rate Increase | \$ - | \$ 48,000 | \$ 48,000 |
| Category Total | | \$ 7,433,000 | \$ 5,161,000 | \$ 12,594,000 |
| Category % of Total | | 59% | 41% | |

20



20

Uses of Funds: Capital (\$,000,000)

| Uses of Funds | FY25 | FY26 | Change \$ | Change % |
|----------------------------|---------------|---------------|----------------|------------|
| Regional Fleet | \$18.1 | \$20.7 | \$2.6 | 14% |
| Regional Facilities | 6.2 | 9.3 | \$3.1 | 50% |
| Other Regional Projects | 8.4 | 4.4 | (\$4.0) | -48% |
| Debt Service | 22.3 | 22.2 | (\$0.1) | -1% |
| Member Agency Disbursement | 12.3 | 9.7 | (\$2.6) | -21% |
| RPTA Capital | \$67.3 | \$66.3 | (\$1.0) | -1% |

21



21

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

| Source of Funds | FY25 | FY26 | Change \$ | Change % |
|-----------------------------|---------------|---------------|----------------|------------|
| Public Transportation Funds | \$0.1 | \$43.0 | \$42.9 | 34297% |
| Carry Forward & Reserves | 43.8 | 0.0 | (43.8) | -100% |
| Federal Funds | 23.3 | 22.1 | (1.2) | -5% |
| Other | 0.1 | 1.2 | 1.1 | 1264% |
| RPTA Capital | \$67.3 | \$66.3 | (\$1.0) | -1% |

22



22

Pass-thru Funds: Uses (\$,000,000)

| Uses of Funds | FY25 | FY26 | Change \$ | Change % |
|--|----------------|----------------|----------------|------------|
| VMR RARF Disbursements | \$0.5 | \$0.5 | \$0.0 | 0% |
| AZ Lottery Funds Disbursements | 11.2 | 11.2 | 0.0 | 0% |
| VMR Personnel | 44.5 | 48.7 | 4.2 | 9% |
| VMR PTF Capital Funding | 71.6 | 85.4 | 13.8 | 19% |
| VMR PTF Capital Reserve for Future Use | 23.0 | 0.0 | (23.0) | -100% |
| RPTA Pass-Thru | \$150.8 | \$145.8 | (\$5.0) | -3% |

23



23

Pass-thru Funds: Sources (\$,000,000)

| Source of Funds | FY25 | FY26 | Change \$ | Change % |
|------------------------------------|----------------|----------------|----------------|------------|
| AZ Lottery Funds | \$11.2 | \$11.2 | \$0.0 | 0% |
| Regional Area Road Funds | 0.5 | 0.5 | 0.0 | 0% |
| VMR Personnel Reimbursements | 44.5 | 48.7 | 4.2 | 9% |
| VMR PTF Capital Funding Allocation | 94.6 | 85.4 | (9.2) | -10% |
| RPTA Pass-Thru | \$150.8 | \$145.8 | (\$5.0) | -3% |

24



24

RPTA

FY26-30 Five-Year Forecast

25

5-Year Operating Sources and Uses

| | FY26 | FY27 | FY28 | FY29 | FY30 | Total |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Operating (\$,000) | | | | | | |
| Sources of Funds | | | | | | |
| Advertising | \$ 750 | \$ 825 | \$ 908 | \$ 999 | \$ 1,100 | \$ 4,582 |
| Public Transportation Funds | 182,392 | 184,941 | 189,610 | 221,564 | 201,280 | 979,787 |
| Regional Area Road Funds | 5,598 | 5,174 | 5,252 | 5,331 | 5,411 | 26,766 |
| Member City Contributions | 62,563 | 65,274 | 68,039 | 45,774 | 72,980 | 314,631 |
| VMR Reimbursements | 48,658 | 50,368 | 51,879 | 53,435 | 55,038 | 259,378 |
| AZ Lottery Funds | 11,200 | 11,200 | 11,200 | 11,200 | 11,200 | 56,000 |
| Federal Funds | 15,462 | 16,756 | 18,574 | 18,927 | 19,287 | 89,006 |
| Carry Forwards & Reserves | - | - | - | - | - | - |
| Fares | 13,011 | 13,655 | 14,361 | 14,934 | 15,530 | 71,490 |
| MAG Funds | 175 | 175 | 175 | 175 | 175 | 875 |
| Other | 82 | 200 | 200 | 200 | 200 | 882 |
| Total Sources of Funds | 339,891 | 348,568 | 360,198 | 372,539 | 382,201 | 1,803,397 |
| Uses of Funds | | | | | | |
| Fixed Route Operations | 170,131 | 175,235 | 180,493 | 185,906 | 191,484 | 903,249 |
| Demand Service Operations | 63,749 | 65,077 | 67,714 | 71,987 | 73,494 | 342,021 |
| Vanpool Operations | 9,184 | 10,484 | 11,984 | 12,344 | 12,714 | 56,709 |
| Planning | 4,036 | 4,117 | 4,199 | 4,283 | 4,369 | 21,004 |
| Commute Solutions | 1,635 | 1,668 | 1,701 | 1,735 | 1,770 | 8,509 |
| Regional Services and Administration | 24,944 | 25,406 | 25,928 | 26,461 | 26,856 | 129,595 |
| Administration and Finance | 5,354 | 4,951 | 5,050 | 5,151 | 5,254 | 25,760 |
| Operating Contingency | 500 | 500 | 500 | 500 | 500 | 2,500 |
| Pass-through Disbursements | 60,358 | 61,131 | 62,629 | 64,172 | 65,761 | 314,051 |
| Total Uses of Funds | \$ 339,891 | \$ 348,568 | \$ 360,198 | \$ 372,539 | \$ 382,201 | \$ 1,803,397 |

26



26

5-Year Capital Sources and Uses

| | FY26 | FY27 | FY28 | FY29 | FY30 | Total |
|---|-------------------|------------------|------------------|------------------|------------------|-------------------|
| Capital (\$,000) | | | | | | |
| Sources of Funds | | | | | | |
| Public Transportation Funds | \$ 42,996 | \$ 10,222 | \$ 16,313 | \$ 16,577 | \$ 17,591 | \$ 103,699 |
| Federal Funds | 22,069 | 29,700 | 32,441 | 32,058 | 36,141 | 152,409 |
| Other | 1,200 | 117 | 120 | 111 | 115 | 1,663 |
| Carry Forward & Reserves | - | - | - | - | - | - |
| VMR Public Transportation Funds Program | 85,417 | 11,050 | 11,590 | 12,190 | 12,800 | 133,047 |
| VMR Public Transportation Funds Reserve | - | 16,855 | - | - | - | 16,855 |
| Total Sources of Funds | 151,682 | 67,944 | 60,464 | 60,936 | 66,647 | 407,673 |
| Uses of Funds | | | | | | |
| Regional Fleet | 20,667 | 29,784 | 33,012 | 33,603 | 39,137 | 156,203 |
| Regional Facilities | 9,314 | 2,917 | 2,978 | 1,982 | 1,608 | 18,799 |
| Other Regional Projects | 4,390 | 3,915 | 3,915 | 3,925 | 3,715 | 19,860 |
| Member Agency Disbursements | 9,650 | 3,423 | 8,969 | 9,236 | 9,387 | 40,665 |
| Debt Service | 22,244 | - | - | - | - | 22,244 |
| Rail Program Disbursements | 85,417 | 27,905 | 4,964 | 5,123 | 5,277 | 128,685 |
| VMR Reserve for Future Use | - | - | 6,627 | 7,067 | 7,523 | 21,217 |
| Total Uses of Funds | \$ 151,682 | \$ 67,944 | \$ 60,464 | \$ 60,936 | \$ 66,647 | \$ 407,673 |

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Recap of Important Dates

Committee/Boards/FWG

| | |
|----------------|--|
| February | Present High Level Budget to City Staff (FWG & RTAG) |
| March | Present High Level Budget to Committees & Boards for Information |
| March 18, 2025 | Detailed Initiative Discussion & 5-year Plans with City Staff (FWG & RTAG) |
| → April Cycle | Present Annual Budget with Initiatives and 5-year Plans for information |
| April 3, 2025 | Detailed Initiative Discussion with AFS |
| May Cycle | Present Annual Budget with Initiatives and 5-Year Plans for Action |

28



28

1

Passenger Engagement & Education Deliver Excellent Customer Experience

Combined

VM Recommended

Description

In support of Strategic Plan goal to “Deliver Excellent Customer Experience,” this initiative will enhance Valley Metro’s engagement and communication with passengers by adding resources to interact with customers on the system, develop and manage a comprehensive wayfinding and signage system, and leverage the new fare system investment with a marketing and outreach program to create awareness of the programs, benefits and features of the new system.

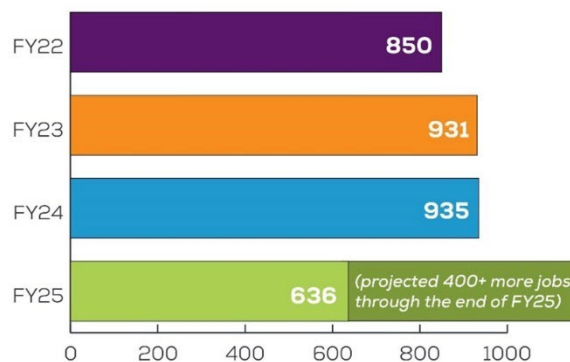
Customer Experience Coordinators (CECs)

Adding two CECs will provide additional customer assistance resources and presence on Valley Metro Rail system. CECs serve as the "eyes and ears" on the system, interacting with and educating customers and the public while also working with operations and security to monitor, report and help make decisions on service, security and maintenance activities to support a positive customer experience.

Supervisor, Passenger Information Systems

On-system signage is critical for helping our customers navigate the system, and sharing important information about what’s happening across Valley Metro and their community. This position in the Marketing Department would develop and manage a comprehensive and growing wayfinding and signage system , agency print production, delivery and installation. The position would supervise two staff and oversee the agency printing (seven vendors) and wayfinding (one vendor) contracts. The position would conduct audits of current system signage (bus and rail), build quality assurance and maintenance programs, execute long-range planning for future system signage needs, incorporating passenger feedback, and better leverage current system signage offerings (car cards, kiosk posters, stop/vehicle/facility signage, etc.) to expand education and communication with riders, and be more responsive to changes. Our current system has ~4,000 wayfinding/signage pieces (which will grow with the opening of the two-line rail system) that are updated at least annually, and up to quarterly and as needed. We know we need to be more nimble to support regional bus and rail service changes and customer feedback. In the past year, we have increased service change signage updates from two times a year to now four so that we can deliver excellent service that meets our customers’ needs. The Marketing Department has seen a steady increase in the number of jobs executed by internal staff and managed by the production and delivery team members (who, in the future, would be managed by this position), as demonstrated in the chart below. (Note: Service change jobs are lumped together as a single project for each service change period.)

Number of Jobs Completed



The expected outcome with this position is to provide higher-quality, consistent and more effective signage systems, providing clear, easy to understand directions and information for all passengers, regardless of language or ability. A well-designed and maintained wayfinding/signage system provides enhanced customer experience and helps us grow ridership, through ease and understanding as well as overall system aesthetics. This position would also manage all print production, material distribution and installation across the region and on behalf of member cities. Today, this function, in part, is supported by a contractor; in-housing the role in full would save the agency approximately \$140,000 annually. Supporting a dedicated Passenger Information resource has become an industry best practice; many of our peers, including LA Metro, TriMet (Portland), DART (Dallas), RTD (Denver) and Sound Transit (Seattle), have this function, dedicated to signage and production, in house.

Ridership Development through Fare Collection System Modernization (FCSM)

This effort would develop a marketing and outreach campaign and further expand partnerships to create continued adoption of our new fare system and, ultimately, encourage greater ridership through this investment. This effort would further advertise the benefits, programs and features of the new system to on-board new riders, ultimately expanding Valley Metro's reach and ridership. The effort would seek to increase usage in our new fare programs and attract new markets through continued education and partnership with new user groups, highlighting the benefits, ease-of-use and cost savings. Staff would continue engagement at key transit/community locations and partner with community organizations to reach diverse audiences, including reduced fare audiences. We would identify new target markets, including new residential, employers, visitor groups, etc., who would benefit from the new tools/programs within FCSM. We would also seek to grow our participation in existing fare programs and develop new partnerships, making our service an integral part of events, conferences, with organizations and/or new developments.

| Item | RPTA | VMR | Note |
|---|------------------|------------------|-------------------------------|
| Customer Experience Coordinator (2) | \$0 | \$271,000 | Salary, fringe, equipment |
| Supervisor, Passenger Information Systems (*) | \$78,000 | \$77,000 | Salary, fringe, and equipment |
| Ridership Development through FCSM | \$100,000 | \$100,000 | |
| Total | \$178,000 | \$448,000 | |

() This position will in-source existing work being performed under contract.*

| | | |
|---|--|-----------------------|
| 2 | Agency Staff Compensation Invest in Our Talent | |
| | Combined | VM Recommended |

| Description |
|---|
| <p>In support of Strategic Plan goal to “Invest in our Talent” this initiative will allow Valley Metro to continue to be competitive within the labor market to attract and retain employees critical to effectively and efficiently managing the provision of regional transit service.</p> <p>The region has experienced substantial inflation in past years, but the inflation rate has recently slowed. Year-over-year inflation in the region was 1.6% for December 2024. The December 2024 unemployment rate of 3.1% is still well below the 30-year average of 4.9% in the Valley. To remain competitive within the labor market Valley Metro staff recommends budgeting funds to provide performance merits and implement the classification and compensation study.</p> <ul style="list-style-type: none"> Valley Metro staff recommends an overall 3.5% performance merit. In reviewing the actual performance merits issued during FY25, staff on average was awarded 3.5%, therefore the budgeted merit for FY26 is in-line with FY25. To support the implementation of the classification and compensation study, Valley Metro staff proposes a budget allocation of \$980,000. These funds will be used to address necessary adjustments to align employee compensation with the study's findings, ensuring internal equity and market competitiveness. |

| Item | RPTA | VMR | Note |
|----------------------|--------------------|--------------------|------|
| 3.5% Merit | \$837,000 | \$1,371,000 | |
| Class & Compensation | \$371,000 | \$609,000 | |
| Total | \$1,208,000 | \$1,980,000 | |

HR Infrastructure for Growing Organization

Invest in Our Talent

RPTA

VM Recommended

Description

In support of Strategic Plan goal “Invest in Talent,” this initiative will enable Valley Metro’s Human Resources Department to deliver on strategic plan activities related to recruitment, retention, and advancement; workplace culture; professional development; and workforce development. The Human Resources Department plays a critical role in delivering not only the Invest in Talent strategic initiatives but also in ensuring that Valley Metro’s ten divisions have the talent necessary to meet the agency’s evolving needs. With over four hundred and fifty employees, Valley Metro’s turn-over rate for calendar year 2024 is 14.2%. Between turnover and new positions, Human Resources typically facilitates the filling of approximately 100 vacancies per year. The department is also responsible for supporting administration of total rewards programs, growth and development of staff including benefits renewals and administration, performance management, personnel actions, learning and development, and wellness programs.

Senior Learning and Development Specialist

This position would be responsible for aligning Learning and Development opportunities to support staff training, staff retention and advancement, and partnering with regional partners to initiate and facilitate robust workforce development activities.

Benefits Administrator

This position would be responsible for managing benefits administration for our 450+ employees, retirement plans, and ensuring compliance and effective employee support. It would also be responsible for managing Wellness Program activities emphasizing mental and physical health, ensuring employees are educated and can access Wellness benefits, and managing the Wellness Working Group activities.

Human Resources Generalist (Recruiter)

This position would join Valley Metro’s recruiting team currently comprised of one recruiter and one Talent Manager. The position will assist with Position Requisitions, job postings, advertising with industry and job boards, pre-screening applicants, facilitating the interview process, supporting hiring managers through the offer-and-acceptance phase, and supporting new employees through orientation and on-boarding activities.

HR Specialist (Support Staff)

This position would support completion of administrative tasks, employee engagement activities, scheduling, and special Human Resources projects to free senior staff for high-impact work.

Investing in these roles ensures HR can meet the agency’s growing needs, deliver high-quality service, and support long-term workforce success.

| Item | RPTA | VMR | Note |
|--|------------------|------------|-------------------------------|
| Senior Learning & Development Specialist | \$142,000 | \$0 | Salary, fringe, and equipment |
| Benefits Administrator | \$142,000 | \$0 | Salary, fringe, and equipment |
| Human Resources Generalist (Recruiter) | \$120,000 | \$0 | Salary, fringe, and equipment |
| Human Resources Specialist (Support Staff) | \$92,000 | \$0 | Salary, fringe, and equipment |
| Total | \$496,000 | \$0 | |

Safety & Security Management

Prioritize Security on Transit

Combined

VM Recommended

Description

In support of Strategic Plan goal to “Prioritize Safety & Security on Transit,” this initiative will add two critical management positions: Deputy Chief of Security, and Deputy Chief of Safety, seeking to enhance Valley Metro’s management and oversight of the local and federal safety and security programs, practices and procedures. With the current Division Chief split over multiple modes and areas of responsibility, this initiative will allow for more focused management of the safety and security programs and provide a safer and more secure transit system for our riders, staff and the general public.

As the Arizona Department of Transportation State Safety Oversight Agency (ADOT SSOA) and the FTA, recommended standard, the roles and functions of safety and security should be independent to allow for effective management and oversight of an agency’s safety and security procedures, practices and programs. Federal priorities and regulations require more of the safety and security team. By increasing the capability, scope and support of the Security and Safety Departments, the goal is to enhance the rider experience, helping to increase in ridership and grant eligibility through reduced incidents and lower claims. A more robust and required focus, as stipulated through the addition of Risk Based Inspections (by the SSOA) and FTA direction, the role of Safety Rail oversight at an executive level, separate from security, is necessary.

Deputy Chief, Security

The Deputy Chief, Security will work to ensure compliance with the processes in the Rail and Non-Rail Security/Emergency Preparedness Plans (SEPP), support the Security Department for bus and rail/streetcar, play a vital role in capital project development and will be key to the effective oversight and deployment of the new Fare Inspection & Security Services contract. Adding this position will provide a more thorough, strategic capability and program/project development for the growing and changing needs of system security and increase the agency’s capability to collaborate with law enforcement partners.

Deputy Chief, Safety

The Deputy Chief, Safety will work to ensure compliance with the processes and procedures outlined in the Public Transit Agency Safety Plans (PTASP) for both bus and rail and will be identified as the Safety Management System (SMS) Administrator for the agency as required by the ADOT SSOA and as recommended by the FTA. This position will play a vital role in the support of future capital project development and will be better resourced to assess risk and mitigations. By allowing for a more strategic, higher-level focus on both bus and rail safety for our ridership as well as employee safety, the goal is to improve safety metrics, maintain positive compliance with FTA regulations and SSOA requirements, reduce claims and workplace injuries and damage.

Without this position the agency remains vulnerable to delays in SMS implementation, risk of future funding or possible penalties from SSOA if mitigations and hazards are not addressed effectively. As the system continues to grow and age, more hazards and risks are being introduced and not having focused management support could impact incident rates, future funding and higher claims/rates.

| Item | RPTA | VMR | Note |
|------------------------|------------------|------------------|---|
| Deputy Chief, Safety | \$61,000 | \$173,000 | Salary, fringe, and equipment |
| Deputy Chief, Security | \$60,000 | \$173,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$34,000 | Share of cost allocated to the capital budget |
| Total | \$121,000 | \$312,000 | |

| | | |
|---|-------------------------------------|-----------------------|
| 5 | Service Planning Enhancement | |
| | Leverage Data & Technology | |
| | Combined | VM Recommended |

| Description |
|--|
| <p>In support of Strategic Plan goal to “Leverage Data & Technology,” this initiative will add a Service Planner position to improve Valley Metro’s service planning data analysis and quality control to help ensure timely, high quality data analysis, supporting the development of a more effective, higher-performing service plan and customer experience.</p> <p>Service Planner</p> <p>This new Service Planner/Analyst position will enhance Valley Metro’s ability to take a more proactive approach to service planning by analyzing system performance trends, customer insights, and operational data to drive better decision-making. Currently, the Service Planning team—consisting of two Service Planners and one Service Planning Manager—faces growing demands for data analysis and quality control. With limited resources, the team is often reactive, responding to requests rather than strategically identifying opportunities to optimize service. This new position will help shift the agency toward a more data-driven and forward-looking planning model. By adding this position, Valley Metro gains the capacity to evaluate key performance metrics, identify inefficiencies, and anticipate service needs before they become challenges. This proactive approach will enable the agency to refine route performance, improve service reliability, and enhance the customer experience. Additionally, by bringing this analytical expertise in-house, the agency eliminates a more costly \$100,000 contract expense while increasing its ability to conduct ongoing performance assessments and strategic planning.</p> |

| Item | RPTA | VMR | Note |
|-----------------|-----------------|-----------------|---|
| Service Planner | \$76,000 | \$50,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$30,000 | Share of cost allocated to the capital budget |
| Total | \$76,000 | \$20,000 | |

| | | |
|---|---|-----------------------|
| 6 | End of Useful Life System Replacements | |
| | Leverage Data & Technology | |
| | Combined | VM Recommended |

| Description |
|---|
| <p>In support of Strategic Plan goal to “Leverage Data & Technology,” this initiative ensures that the components identified below function appropriately and are supported by the respective manufacturer, keeping our equipment healthy and agency productivity high.</p> <p>End of Useful Life System Replacements</p> <p>Responsible management of the organization’s technology assets requires periodically replacing hardware and software as the manufacturer or developer ceases to support it or it reaches the end of its useful life, and the cost of maintenance and replacement parts exceeds the cost of replacement. Without this initiative, Valley Metro will experience mounting maintenance costs and increased downtimes for these systems, which, in the case of the security camera system, could result in liability issues. This initiative will reduce or even eliminate, in the near-term, the ongoing cost of maintenance, and in the case of the security camera system and application delivery controllers (ADCs), will help prevent inflation of the agency’s cybersecurity insurance premium.</p> <ul style="list-style-type: none"> • The Network Video Recorders (NVRs) for the non-OT security camera system storing security footage • The audio-visual and teleconferencing equipment in three key conference rooms • The application delivery controllers (ADCs) protecting the agency’s applications and remote connections • The oldest and most heavily used Multi-Function Printers (MFP) • The software used to control the content displayed on agency monitors, an internal communications tool |

| Item | RPTA | VMR | Note |
|--|------------------|------------------|------|
| End of Useful Life System Replacements | \$253,000 | \$285,000 | |
| Total | \$253,000 | \$285,000 | |

7

Internal Communications Enhancement**Deliver on Stakeholder Collaboration****Combined****VM Recommended****Description**

In support of Strategic Plan goal to “Deliver on Stakeholder Collaboration,” this initiative will add an Internal Communications Specialist focused on enhancing internal communications, encouraging engagement and feedback, and aligning messaging across the organization, and with contracted teams.

Specialist, Internal Communications

This position in the Communications Department would be responsible for crafting and implementing a comprehensive internal communications strategy to engage a diverse workforce, with a specific focus on frontline teams, across various locations, including many who lack access to traditional communication channels. This role would focus on enhancing clarity, consistency and alignment with the agency’s goals, values and as referenced in the Strategic Plan (Stakeholder Collaboration). Key responsibilities would include creating and executing high-quality internal communication plans, developing engaging content, providing critical updates and fostering two-way feedback loops to encourage employee input and agency follow-through. The role would involve collaborating with key stakeholders, internal Divisions and contract partners, managing internal communication tools and resources (e.g., hands-on outreach, leave-behind material, newsletters, social media, podcasts and possibly new solution(s)), and ensuring message transparency and understanding across the organization and its contractors. Additionally, the position would support morale-building efforts, promote employee engagement and contribute to internal campaigns, such as Safe Place and workplace safety promotion (as part of our agency’s Public Transportation Agency Safety Plans). The specialist would also travel to multiple locations to gather input, hear ideas/concerns and build relationships with employees and contractors, while measuring the effectiveness of communications through surveys, metrics and data analysis. This role would regularly and consistently communicate with more than 1,400 individuals at various Valley Metro locations: Mesa, Tempe and West Valley bus operations & maintenance teams (~700); rail/streetcar operations & maintenance teams at the Operations & Maintenance Center (~185); field security personnel (~200); Mobility Center/ADA/Customer Service staff (~110); and agency administration (~215); in addition to partnering with city of Phoenix and other member communities to communicate vital information and updates with their frontline teams. Generally, a highly engaged and informed workforce is more productive, loyal and committed to organizational goals, including Customer Experience.

| Item | RPTA | VMR | Note |
|-------------------------------------|-----------------|-----------------|-------------------------------|
| Specialist, Internal Communications | \$54,000 | \$53,000 | Salary, fringe, and equipment |
| Total | \$54,000 | \$53,000 | |



External Stakeholder Engagement
 Deliver on Stakeholder Collaboration

Combined

VM Recommended

Description

In support of Strategic Plan goal to “Deliver on Stakeholder Collaboration,” this initiative will add one position: Supervisor, Community Engagement and Manager, who will seek to enhance Valley Metro’s engagement with external stakeholders to better collaborate with the community, build relationships, and more effectively share information and obtain input and feedback.

Supervisor, Community Engagement (Capital Planning Projects)

This position in the Community Relations Department would replace a consultant resource and serve as the outreach lead for all future capital planning projects, both rail and bus, working under the Manager, Community Engagement (Future Projects). The position would be responsible for creating public involvement plans for the particular corridors or projects in planning, building relationships with and gathering feedback from stakeholders to meet project goals and collaborating with the technical teams and the respective cities/towns to effectively share information and garner input. This supervisor would lead teams of Community Engagement professionals, often embedded in these project areas, to help shape the future project with community feedback. With a dedicated, in-house role to lead community engagement (future capital projects), the community’s voice will be more effectively heard, and we will build up our internal capacity and institutional know-how to develop more innovative, tailored and thoughtful public involvement plans, as this is a consultant-conversion position, saving the agency approximately \$400,000+ in annual contractor costs.

| Item | RPTA | VMR | Note |
|---|-----------------|------------------|---|
| Supervisor, Community Engagement (Capital Planning Projects)(*) | \$34,000 | \$121,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$89,000 | Share of cost allocated to the capital budget |
| Total | \$34,000 | \$932,000 | |

() This position will in-source existing work being performed under contract.*

| | | |
|---|---|-----------------------|
| 9 | System Enhancements and Improvements in Project Management | |
| | Deliver on Stakeholder Collaboration | |
| | VMR | VM Recommended |

| Description |
|--|
| <p>In support of Strategic Plan goal to “Deliver on Stakeholder Collaboration,” this initiative will add a Capital Development Project Manager position to more effectively manage the increasing workload regarding state of good repair, system improvements, studies, and agency initiatives. This initiative will provide a deeper and dedicated focus on projects that will improve and optimize the transit system with a more consistent and timely delivery on these efforts.</p> <p>Project Manager, Capital Development</p> <p>Currently, there are project managers assigned to large rail extension projects and job order contracts. While system expansion is a continuing priority, there is also a need to make continued enhancements and improvements to the existing system, and that need is growing as our rail infrastructure ages, now in operation for more than 16 years. There is a need for a project manager to oversee the longer-term study, scope definition and implementation and oversight of these improvement projects. Without a dedicated role to lead these initiatives, they will continue to be assigned to other staff members as workload allows, or they would be assigned on a task order basis to consultant resources. This is not efficient, nor financially prudent, as we lose institutional knowledge with consultant-led initiatives once the projects are completed or handed off to the agency.</p> <p>A dedicated project manager overseeing agency infrastructure improvements to the existing system will provide for a more efficient approach to these projects, creating a more consistent and efficient approach to problem-solving, balancing and prioritizing initiatives, resulting in more consistent and timely implementation. The projects are inclusive of maintenance programs, overhauls, Security initiatives, and IT projects, identified via agency/Board priorities and Valley Metro’s Transit Asset Management (TAM) program, mandated by FTA. There is also a long-term cost benefit to bring in-house resources that have been perpetual consultant-provided labor, saving the organization money as well as in-housing the talent and expertise.</p> |

| Item | RPTA | VMR | Note |
|--|------------|------------|---|
| Project Manager, Capital Development (*) | \$0 | \$208,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$208,000 | Share of cost allocated to the capital budget |
| Total | \$0 | \$0 | |

(*) This position will in-source existing work being performed under contract.

| | | |
|----|--|----------------|
| 10 | Rail Maintenance Program Enhancements | |
| | Operational Excellence | |
| | VMR | VM Recommended |

Description

In support of Strategic Plan goal to provide “Operational Excellence,” this initiative will increase the art maintenance program, add a Utility Worker position and Traction Power Manager and three additional Traction Power Supervisors to strengthen Valley Metro Rail’s maintenance program.

Art Maintenance

The art maintenance budget supports regular maintenance and upkeep/repair work needed from damage due to vandalism and long-term rehabilitation or replacement of parts due to age. From FY22 to the end of FY25, Valley Metro’s public art collection has increased from 49 to 70 art installations, a growth of 43% with the completion of the Tempe Streetcar and Northwest Extension Phase II, and soon to be complete South Central Extension / Downtown Hub project. The requested increase to the art maintenance budget represents a 38% increase over the same period. The additional funds will be used for art maintenance supplies and contracted services when necessary.

Artwork along the rail alignments provides interest and beauty to the transit network and are reflective of the communities it serves, building pride and connectivity with the local community and ridership. Additionally, Valley Metro artwork is often used in promotion of Valley Metro and the metro Phoenix region, helping to build a strong, positive visual aesthetic, also helpful to creating a welcoming environment across the transit system. Like maintaining the rest of the system, maintaining art is crucial to the representation of our values and characteristics as well as upholding basic crime prevention through environmental design (CPTED) principles. Fully functioning and well-maintained public art would continue as a point of pride for Valley Metro and for the Valley. In addition, a continued increase in funds to match rising costs and system growth allows staff to focus more on preventative maintenance to mitigate future costs to cure.

Utility Worker (Pressure Washer)

This initiative would add one team to maintain our current levels of service and provide timely response to graffiti removal, station cleanliness and improved customer experience. As part of Valley Metro’s maintenance cleaning program, all agency properties are frequently pressure washed to provide safe and comfortable spaces for our riders and staff. Currently, we have three pressure washer teams that replaced contract workers – each team consisting of one full-time employee, one light duty truck and one pressure washer trailer. The pressure washer teams’ main responsibility is to pressure wash passenger stations, traction power substations, park-and-rides, security buildings, operator facilities and the Operations & Maintenance Center and Mesa Bus Operations & Maintenance Facility. In addition, each night prior to starting pressure washing services, they will perform other cleaning duties as assigned, including graffiti removal, debris removal, encampment removal, biohazard/drug paraphernalia response and removal along with many other types of cleaning maintenance.

The addition of the South Central Extension / Downtown Hub will increase system size, adding 12 passenger stations, 5 traction power substations, 2 signal buildings, and one park-and-ride, along with increased ridership, creating the need for this new team.

Traction Power Labor Resources

Valley Metro’s traction power system provides power to light rail and streetcar vehicles via an overhead catenary system (OCS). Growth in the Valley Metro rail system requires additional labor and expertise in the traction power space. At this stage in the evolution of the rail system, it is prudent to adequately resource this critical function.

This budget item proposed making Traction Power its own work unit within the Maintenance of Way Department, which is an industry standard practice. This unit would be comprised of a Traction Power Manager and three additional Traction Power Supervisors, which will benefit the agency by adding technical expertise to the Maintenance of Way function, and creating adequate supervision to support this 24/7 operation. It is critical that we provide improved reliability of our traction power system and quicker emergency response and recovery time when accidents or incidents occur resulting in catenary power disruptions. The long-term benefits of investing in this specialized discipline include creating an expert supervisory/management group experienced in high voltage, direct current substations, and overhead catenary. This investment also provides growth and promotion opportunities for our traction power staff, creating career paths for now difficult to fill positions.

Without this specialized work unit, the agency faces vulnerability due to our limited capacity to support our high-voltage system dependent on the overhead catenary system and substations. We must continue to expand our coverage and expertise as our system matures and requires reinvestment to maintain system reliability.

| Item | RPTA | VMR | Note |
|----------------------------------|------------|------------------|-------------------|
| Art Maintenance | \$0 | \$50,000 | |
| Utility Worker (Pressure Washer) | \$0 | \$62,000 | Salary and fringe |
| Traction Power Supervisor (3) | \$0 | \$367,000 | Salary and fringe |
| Traction Power Manager | \$0 | \$147,000 | Salary and fringe |
| Truck/Trailer/Equipment | \$0 | \$181,000 | |
| Total | \$0 | \$807,000 | |

Description

In support of Strategic Plan goal to provide “Financial Sustainability,” this initiative will enhance Valley Metro’s financial planning and analysis capabilities by adding a Management Analyst position, a Contract Performance Financial Analyst position and new financial forecasting software.

Financial Forecasting Software

Valley Metro’s Transit Life Cycle Program (TLCP) is currently managed through a pair of financial models built over a decade ago. The Bus model was developed through an Access database in 2011, and the Rail model was developed in 2005 and re-engineered in 2012 using an Excel spreadsheet. These aging tools present multiple hurdles to Finance staff, including:

- Inability to implement all new rules and requirements introduced by Prop 479
- Difficulty finding qualified personnel to maintain and update the tools
- Inability to drill down through levels of detail within a report
- Inability to provide route/city-level details
- Inability to provide direct, anytime visibility to city partners

The financial modeling software being proposed would allow Valley Metro to consolidate its Financial Planning & Analysis (FP&A) processes and reporting into a unified tool that is capable of:

- Providing a comprehensive view of the agency’s financial information
- Adapting to the changes introduced by Prop 479
- Allowing the data to be collated and reported at various levels from various perspectives
- Providing self-service access to member city partner staff and internal stakeholders for improved availability and transparency
- Handling new transit modes (e.g. streetcar, microtransit, etc.) and new funding sources as they are adopted
- Saving an estimated 30 person-hours per month spent on maintaining the current models and manual reporting processes

Management Analyst, Financial Planning Support

This new position in the Budget & Operations Financial Controls Department would provide support and redundancy in managing and administering the remaining Prop 400 sales tax as well as the future Prop 479 sales tax and overall financial forecasting for the agency. This work is currently being done by one Senior Management Analyst and there is no support or redundant staff resources. Without this position the agency would be at a continued and possibly increased risk of not being able to complete core functions around the long-range tax revenue program, including but not limited to making updates to the MAG Transportation Improvement Program (TIP), the Transit Life Cycle Program (TLCP), Prop 400/479 analysis, etc. This position will help our team maintain productivity, continuity and organizational resiliency. Having redundancy for this responsibility will further benefit the agency by reducing bottlenecks, supporting institutional knowledge retention, and enhancing team flexibility to provide coverage during peak workloads or emergencies.

Financial Analyst, Contract Performance

This position in the Procurement Department would partner with internal customers to coordinate quarterly and annual reviews of the agency’s key contracts. These reviews would include contractor performance, invoice analysis to the price schedule, and annually benchmark the contracted price to the market. In addition, they would support business model development by contributing the required contract actions and process improvement to more closely achieve best practice timelines. Anticipated benefits include increased vendor

oversight, performance analysis and management, and the ability to regularly touch strategically and economically impactful contracts.

| Item | RPTA | VMR | Note |
|--|------------------|-----------------|---|
| Financial Forecasting Software | \$50,000 | \$50,000 | Software |
| Management Analyst, Financial Planning Support | \$122,000 | \$0 | Salary, fringe, and equipment |
| Financial Analyst, Contract Performance | \$59,000 | \$60,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$23,000 | Share of cost allocated to the capital budget |
| Total | \$231,000 | \$87,000 | |

| | | |
|-----------|---|-----------------------|
| 12 | Grants Coordinator Financial Sustainability | |
| | Combined | VM Recommended |

| Description |
|---|
| <p>In support of Strategic Plan goal to provide “Financial Sustainability” this initiative will add a Grants Coordinator position to provide better grant seeking coordination efforts both internally to Valley Metro, as well as with member agencies.</p> <p>Grants Coordinator An in-house grant function in the Policy and Intergovernmental Relations Department will position Valley Metro and its member agencies to be more competitive for grant funding opportunities, providing sufficient lead time to plan and coordinate activities prior to any grant submittal. This position would coordinate activities relating to the development of Valley Metro’s new grants function, which includes strategic pursuit of federal, state and/or other available formula, discretionary or congressionally-directed grant funding opportunities when they are made available.</p> <p>This position will develop an annual needs assessment, be responsible for identifying potential grant funding opportunities to support existing, planned or desired agency projects and maintain a grants inventory with timelines, recommendations and compliance with applicable laws and/or regulations. This includes working with MAG (MPO) and the City of Phoenix (designated recipient) to coordinate, collaborate and review inclusion of Agency federally funded and regionally significant transit projects in the Regional Transportation Improvement Program (RSTIIP) and annual program of projects; and coordinate with member cities and Agency project managers to ensure timely accounting and reporting.</p> <p>Not maximizing funding opportunities when eligible and available, can delay project(s) implementation and further place a financial burden on member agencies to fully fund capital, program or planning projects not otherwise budgeted for. This puts Valley Metro at a competitive disadvantage among its peers by lacking the in-house knowledge and experience of transit or transportation-related grant programs, requirements and regulations relative to Notice of Funding Opportunities (NOFOs), grant proposals and application procedures and funding eligibility guidelines and timelines.</p> |

| Item | RPTA | VMR | Note |
|--------------------|-----------------|-----------------|-------------------------------|
| Grants Coordinator | \$71,000 | \$70,000 | Salary, fringe, and equipment |
| Total | \$71,000 | \$70,000 | |

| | | |
|-----------|---------------------------------------|------------------------------|
| 13 | Continuing Commitments | |
| | Deliver Excellent Customer Experience | |
| | Combined | Continuing Commitment |

Description

Rail Landscaping Contract Rate Increase
 Valley Metro contracts with URW to provide landscaping for light rail. This contract has an annual escalation rate defined in the existing contract.

Comprehensive Operational Analysis
 The Valley Metro Board of Directors previously approved the solicitation for a Comprehensive Operational Analysis (COA) of the existing regional transit network to evaluate the service area in Maricopa County for the purpose of increasing mobility value, effectiveness, resource efficiency and equity for residents and riders. This effort will support recommendations to improve transit service with a focus on productivity, regional travel, and emerging transit markets, in addition to future improvements aimed at addressing unmet transit needs and regional transit priorities. This effort will be led by Valley Metro, in coordination with MAG and in partnership with the City of Phoenix. It will provide the most efficient and effective service with available resources and help induce ridership across our communities. This is a continuation of the previously approved FY25 Continuing Commitment.

Rail and Bus Facility Maintenance
 Valley Metro contracts with DMS to provide maintenance for rail facilities for both light rail, streetcar, OMC, and the Mesa Bus Operations facility. This contract has an annual escalation rate defined in the existing contract.

| Item | RPTA | VMR | Note |
|---|------------------|------------------|------|
| Rail Landscaping Contract Rate Increase | \$0 | \$15,000 | |
| Comprehensive Operational Analysis | \$200,000 | \$0 | |
| Rail & Bus Facility Maintenance | \$79,000 | \$121,000 | |
| Total | \$279,000 | \$136,000 | |

| | | |
|-----------|---|------------------------------|
| 14 | Continuing Commitments Prioritize Security on Transit | |
| | Combined | Continuing Commitment |

Description

Security Contract Rate Increase
 Valley Metro currently contracts its fare inspection and security for rail modes and Valley Metro transit facilities to Allied Universal. This contract was recently reprocured and awarded to a new contractor, Inter-Con, by the Board in March of 2025, with an effective start date around early May. Based upon the new contract, the FY26 cost is estimated to be an increase of \$2.2M from the FY25 budget.

| Item | RPTA | VMR | Note |
|---------------------------------|------------------|--------------------|------|
| Security Contract Rate Increase | \$196,000 | \$2,039,000 | |
| Total | \$196,000 | \$2,039,000 | |

Description**Light Rail (SCE/DH) South Central Extension/Downtown Hub Operations**

The South Central Extension/Downtown Hub is anticipated to start revenue service in May 2025. The FY25 budget included the need for positions related to the new extension, however the costs were born by the capital project. In FY26, with the start of revenue operations, the full operations costs, including transportation, maintenance, insurance, and security for FY26 are estimated to be \$11.8M

Bucket Trucks

In February 2023, the Board approved the purchase of the four bucket trucks for rail maintenance activities. Due to long delivery lead times, the trucks are estimated to arrive in FY26 (\$1.1M).

Insurance Premium

The annual renewal of Valley Metro's property and liability coverage was authorized by the Board of Directors in November 2024. Staff recommend a budget increase to account for the Valley Metro Insurance program to ensure Valley Metro's assets are adequately protected. Insurance impacts both VMR and RPTA.

Bus Service and Rate Increase

Valley Metro contracts its local, express, and circulator bus service out to two different providers. Keolis provides service for the East Valley and the current contract has previously defined annual escalation rates. National Express provides service for the West Valley, however that contract is currently under procurement and rates for FY26 are unknown (additional details provided in inflationary section). Based on annual escalations and service mileage changes, increases for FY26 are as follows:

- East Valley (Keolis), \$4.7M

Demand Service Rate Increase

Valley Metro contracts its Paratransit service delivery out to one provider (MTM). The Administration of trip assignment and brokerage is done by another contractor, MJM. RideChoice trips are delivered by local vendors who contract with MJM. Both MTM and MJM provide services for eligibility determination, travel training and transportation to the Mobility Center. Each Valley Metro contract has annual rate escalation defined in the existing contracts. The annual contract rate increases result in the following increases:

- Paratransit Services (MJM/MTM), \$0.5M
- RideChoice Services (MJM), \$0.8M
- Mobility Center (MJM/MTM), \$0.6M

Vanpool Program - Contract Rate Change

Valley Metro's contract for vanpool covers the cost of operations and leasing of vendor vehicles. Under the current contract the annual increase for FY26 is 5% above FY25 (\$0.4M).

Rail Transportation Service Rate Increase

Valley Metro contracts its operations of both light rail and streetcar to Alternate Concepts, Inc. (ACI). The ACI contract includes a standard annual wage increase effective July 1, 2025. For FY26, the increase for ACI includes \$1.5M for the annual increase of the base contract.

| Item | RPTA | VMR | Note |
|---|--------------------|---------------------|------|
| Light Rail SCE/DH Operations | \$0 | \$11,816,000 | |
| Bucket Trucks | \$0 | \$1,106,000 | |
| Insurance Premium | \$58,000 | \$100,000 | |
| Demand Service Rate Increase | \$1,877,000 | \$0 | |
| Vanpool Program - Contract Rate Change | \$371,000 | \$0 | |
| Bus Service and Rate Increase | \$4,652,000 | \$0 | |
| Rail Transportation Service Rate Increase | \$0 | \$1,455,000 | |
| Total | \$6,958,000 | \$14,477,000 | |

| | | |
|-----------|---|--|
| 16 | Inflationary/Market & Ridership Deliver Excellent Customer Experience | |
| | VMR | Inflationary/Market & Ridership |

Description

Rail Vehicle and Facility Cleaning Contractual Increase
 Valley Metro contracts with DMS to provide cleaning services for rail vehicles and facilities for both light rail, and streetcar. This contract expires 12/31/25 and will be procured through a competitive solicitation and rates are not yet known for FY26. The FY26 budget amount is based on historical trends in rates for the current contract.

| Item | RPTA | VMR | Note |
|---|------------|-----------------|------|
| Rail Vehicle and Facility Cleaning Contractual Increase | \$0 | \$34,000 | |
| Total | \$0 | \$34,000 | |

Description

Light Rail Operations Utility and Propulsion Power Increase

Based on historical usage trends and anticipated utility provider rate increases, the FY26 increase is estimated to be \$1.2M.

Demand Service Ridership Increase

In FY26, Valley Metro Demand Services programs anticipate an increase in regular trips of 4% for Paratransit, along with an offset of reduced overflow trips (\$0.1M), and 7% for RideChoice (\$0.9M), for a total increase in costs \$1.0M.

Bus Fuel Increase

Tempe fuel (diesel and natural gas) prices continue to fluctuate. The Tempe facility, owned by the City of Tempe, 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). The anticipated increase in cost for FY26 is estimated to be \$1.6M. Prices at the Mesa Facility have remained relatively stable.

West Valley Service and Rate Increase

The West Valley bus contract is currently under procurement and rates for FY26 are not known at this point. The estimated cost of service for FY26 was determined using an independent cost estimate, resulting in an increase of \$48,000 compared to FY25.

Vanpool Van Type Cost and Ridership Increase

The vanpool program under the new contract with leased vehicles continues to have rapid increased participation. For FY26 Valley Metro estimates an increase in participating vans of 24%, for an increase of \$1.4M. In addition, the vans assigned to riders have been changing based on the size of the van and number of miles used. As the program is evolving, Valley Metro estimates the total increase cost due to the van utilization is \$1.0M

City of Phoenix Regional Service

City of Phoenix also provide regional services for fixed route operations through contracts that they have, seeking reimbursement from other transit agencies for their relative share of these services. These services include but are not limited to scheduling services and related software, CLEVER vehicle location management services, fare collection system operational costs, etc.

| Item | RPTA | VMR | Note |
|--|--------------------|--------------------|------|
| Light Rail Operations Utility Increase | \$0 | \$1,154,000 | |
| Demand Service Ridership Increase | \$961,000 | \$0 | |
| Bus Fuel Increase | \$1,597,000 | \$0 | |
| Vanpool Van Type Cost and Ridership Increase | \$2,421,000 | \$0 | |
| City of Phoenix Regional Service | \$134,000 | \$496,000 | |
| West Valley Service and Rate Increase | \$48,000 | \$0 | |
| Total | \$5,161,000 | \$1,650,000 | |



Executive Summary

DATE

March 26, 2025

AGENDA ITEM 4

SUBJECT

Valley Metro Rail, Inc. Fiscal Year 2026 (FY26) Preliminary Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY26 through FY30)

COST AND BUDGET

See information below.

RECOMMENDATION

This item is presented for information.

STRATEGIC PLAN ALIGNMENT

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

- Goal 9: Financial Sustainability

COMMITTEE PROCESS

Preliminary Budget Review:

Financial Working Group: February 18, 2025 for information

RMC: March 5, 2025 for information

AFS: March 6, 2025 for information

Board of Directors: March 20, 2025 for information

Budget Review with Initiatives:

RTAG/FWG: March 18, 2025 for information

RMC: April 2, 2025 for information

AFS: April 3, 2025 for information

Board of Directors: April 17, 2025 for information

Proposed Budget Adoption:

AFS: May 1, 2024 for information

RMC: May 7, 2025 for action

Board of Directors: May 22, 2025 for action

CONTACT

Ken Kessler

Chief Financial Officer

kkessler@valleymetro.org

ATTACHMENT

None



Background Information

The Valley Metro Rail, Inc. (VMR) FY26 combined operating and capital budget (the budget) is \$233.5 million. The preliminary FY26 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

Valley Metro began the FY26 budget process by carefully reviewing its operations to identify efficiencies and other potential reductions to the FY26 base operating budget. This resulted in a proactive reduction in the VMR base operating budget of \$1.4 million. The largest areas of reduction include one-time items in the FY25 budget not continuing into FY26, reductions in regional fees by City of Phoenix, reductions in IT software costs and outside contracted repair costs.

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 FY26, these non-discretionary items total \$18.3 million, comprising 82% of the total increase, excluding base change, in the FY26 operating budget. Of this amount, five issues – contract rate increases (including Board-approved contract adjustments), SCE/DH revenue service, insurance and utilities increases, approved non-revenue vehicle purchases and security enhancements – comprise 99% of the total non-discretionary increase.

Additionally, Valley Metro recommends the Board adopt \$4.1 million of increased spending for new initiatives in FY26. This includes funding for eleven initiatives, listed below.

FY26 Valley Metro Staff Recommended Initiatives

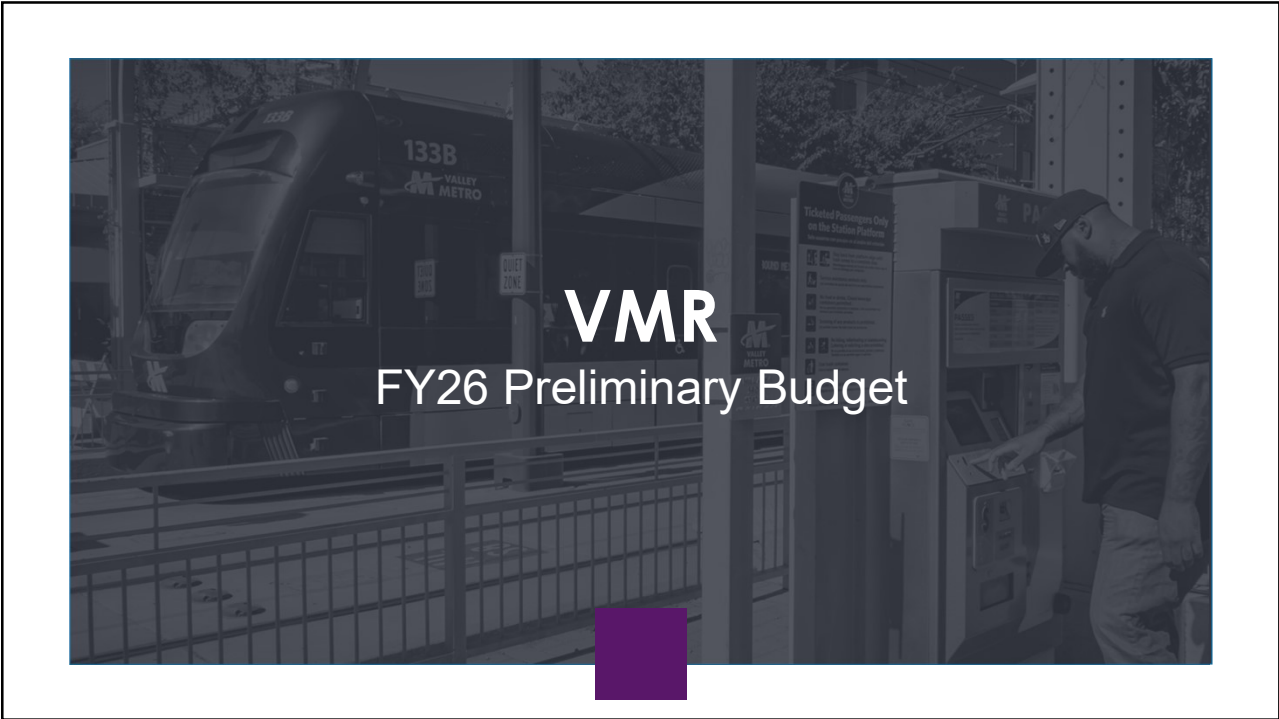
| Initiative# | Description | Amount |
|--------------|--|---------------------|
| 1 | Passenger Engagement & Education | \$ 448,000 |
| 2 | Agency Staff Compensation | \$ 1,980,000 |
| 4 | Safety & Security Management | \$ 312,000 |
| 5 | Service Planning Enhancement | \$ 20,000 |
| 6 | End of Useful Life System Replacements | \$ 285,000 |
| 7 | Internal Communications Enhancement | \$ 53,000 |
| 8 | External Stakeholder Engagement | \$ 32,000 |
| 9 | System Enhancements & Improvements in Project Management | \$ - |
| 10 | Rail Maintenance Program Enhancements | \$ 807,000 |
| 11 | Financial Planning & Analysis Enhancement | \$ 87,000 |
| 12 | Grants Coordinator | \$ 70,000 |
| Total | | \$ 4,094,000 |



*Initiative numbers are not sequential as some initiatives pertain to VMR only, some RPTA only, and some both VMR and RPTA. Initiatives listed here are those pertaining to VMR only and the VMR portion of those pertaining to both VMR and RPTA.

Valley Metro VMR Fiscal Year 2026 (FY26) Preliminary Operating and Capital Budget & 5-Year Forecast

1



2



3

Detailed Initiative Write-Ups

Initiative #

8

Improve Enterprise Asset Management (EAM) System Utility
 Leverage Data and Technology

Strategic Plan Goal

Agency

Combined

VM Recommended

Category

Description

In support of strategic plan goal to "Leverage Industry Best Practices and Innovations on Data and Technology" this initiative will enhance the Enterprise Asset Management (EAM) system to improve system utility. An enhanced EAM system will reduce time, error rates, and associated cost of rework of manual processes entering and transferring data between the EAM and associated systems. This will result in optimized maintenance strategies, increased operational reliability and efficiency of Valley Metro assets, and minimized asset downtimes. This translates into substantial cost savings over the asset lifecycle. Furthermore, compliance management will improve, helping ensure alignment with regulatory standards, mitigating risks and fostering a safer operational environment. Implementation and customization development support will be required from various vendors, however, \$55,300 in annual Ellipse system maintenance costs will be eliminated once data transition is completed.

| Item | RPTA | VMP | Note |
|------------------------|------------------|------------------|--|
| EAM System Improvement | \$169,000 | \$122,000 | Trapeze and third-party professional services and customized development |
| Total | \$169,000 | \$122,000 | |

4

FY26 Operating Budget Format

Base Budget – FY 2025's approved services less efficiencies identified by Valley Metro.



Obligations

- Inflation/Market & Ridership – price, wage, and ridership changes.
- Continuing Commitments – continued implementation of actions or contractual terms previously approved by the Board.



Valley Metro Recommendations – changes Valley Metro recommends the Board make for FY 2026



FY 2026 Total Operating Budget

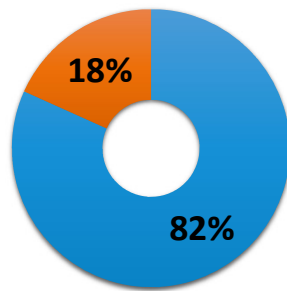
5



5

Operating Budget Overview (\$ millions)

| VMR | | | | | | | | | |
|-------|---------|---------|------------------|----------------|--------------------------|----------------------|-----------------|-------------------|-----------------|
| | FY 2025 | FY 2026 | Change v FY25 | Obligations | | Total Obligations | VM Recommend | FY 2026 Budget | Total Change |
| | Budget | Base | | Cont Commit | Inflation & Ridership | | | | |
| Total | \$ 97.9 | \$ 96.5 | \$ (1.4) | \$ 16.7 | \$ 1.7 | \$ 18.3 | \$ 4.1 | \$ 118.9 | \$ 21.0 |



■ Obligations ■ VM Recommended

6

6

Uses of Funds: Operating (\$,000,000)

| Uses of Funds | FY25 | FY26 | Change \$ | Change % |
|-------------------------------------|---------------|----------------|---------------|------------|
| Light Rail Operations & Maintenance | \$71.7 | \$86.5 | \$14.7 | 20% |
| Light Rail Security | 15.3 | 20.7 | 5.4 | 35% |
| <i>Subtotal Light Rail</i> | <i>87.1</i> | <i>107.1</i> | <i>20.1</i> | <i>23%</i> |
| Streetcar Operations & Maintenance | 6.4 | 6.7 | 0.3 | 5% |
| Streetcar Security | 1.0 | 1.4 | 0.4 | 40% |
| <i>Subtotal Streetcar</i> | <i>7.4</i> | <i>8.1</i> | <i>0.7</i> | <i>10%</i> |
| Agency Operating | 3.4 | 3.7 | 0.3 | 8% |
| Total Operating Uses | \$97.9 | \$118.9 | \$21.0 | 21% |

7



7

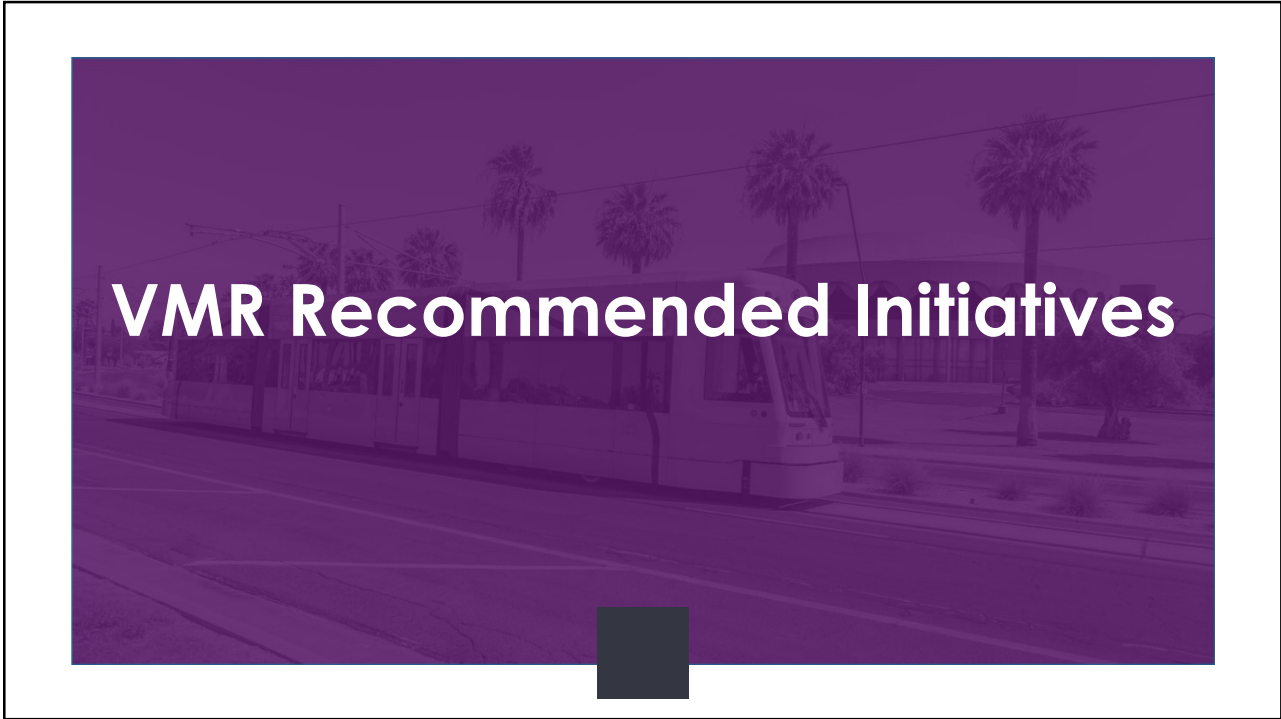
Sources of Funds: Operating (\$,000,000)

| Sources of Funds | FY25 | FY26 | Change \$ | Change % |
|--------------------------------|---------------|----------------|---------------|------------|
| Advertising | \$1.3 | \$1.3 | \$0.0 | 0% |
| Fares | 6.8 | 7.1 | 0.3 | 4% |
| Federal Funds | 2.5 | 2.8 | 0.3 | 11% |
| Member City Contributions | 87.2 | 107.7 | 20.5 | 23% |
| Other | 0.1 | 0.1 | 0.0 | 0% |
| Total Operating Sources | \$97.9 | \$118.9 | \$21.0 | 21% |

8



8




9

Deliver Excellent Customer Experience

VM Recommended

| Initiative # | Name | VM Recommended |
|-----------------------|----------------------------------|-------------------|
| 1 | Passenger Engagement & Education | \$ 448,000 |
| Category Total | | \$ 448,000 |



10

10

Invest In Our Talent

VM Recommended

| Initiative # | Name | VM Recommended |
|-----------------------|---------------------------|---------------------|
| 2 | Agency Staff Compensation | \$ 1,980,000 |
| Category Total | | \$ 1,980,000 |

11



11

Prioritize Security on Transit

VM Recommended

| Initiative # | Name | VM Recommended |
|-----------------------|------------------------------|-------------------|
| 4 | Safety & Security Management | \$ 312,000 |
| Category Total | | \$ 312,000 |

12



12

Leverage Data and Technology

VM Recommended

| | | VM |
|-----------------------|--|-------------------|
| Initiative # | Name | Recommended |
| 5 | Service Planning Enhancement | \$ 20,000 |
| 6 | End of Useful Life System Replacements | \$ 285,000 |
| Category Total | | \$ 305,000 |

13



13

Deliver on Stakeholder Collaboration

VM Recommended

| | | VM |
|-----------------------|--|------------------|
| Initiative # | Name | Recommended |
| 7 | Internal Communications Enhancement | \$ 53,000 |
| 8 | External Stakeholder Engagement | \$ 32,000 |
| 9 | System Enhancements & Improvements in Project Management | \$ - |
| Category Total | | \$ 85,000 |

14



14

Operational Excellence

VM Recommended

| Initiative # Name | | VM Recommended |
|-----------------------|---------------------------------------|-------------------|
| 10 | Rail Maintenance Program Enhancements | \$ 807,000 |
| Category Total | | \$ 807,000 |

15



15

Financial Sustainability

VM Recommended

| Initiative # Name | | VM Recommended |
|-----------------------|---|-------------------|
| 11 | Financial Planning & Analysis Enhancement | \$ 87,000 |
| 12 | Grants Coordinator | \$ 70,000 |
| Category Total | | \$ 157,000 |

16



16



17

Deliver Excellent Customer Experience *Obligations*

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|-----------------------|---|--------------------------|-------------------------------------|-------------------|
| 13 | Rail Landscaping Contract Rate Increase | \$ 15,000 | \$ - | \$ 15,000 |
| | Rail & Bus Facility Maintenance | 121,000 | - | 121,000 |
| 16 | Rail Vehicle and Facility Cleaning Contractual Increase | - | 34,000 | 34,000 |
| Category Total | | \$ 136,000 | \$ 34,000 | \$ 170,000 |

18



18

Prioritize Security on Transit Obligations

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|-----------------------|---------------------------------|--------------------------|-------------------------------------|---------------------|
| 14 | Security Contract Rate Increase | \$ 2,039,000 | \$ - | \$ 2,039,000 |
| Category Total | | \$ 2,039,000 | \$ - | \$ 2,039,000 |

19



19

Operational Excellence Obligations

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|-----------------------|---|--------------------------|-------------------------------------|----------------------|
| 15 | Light Rail SCE/DH Operations | \$ 11,816,000 | \$ - | \$ 11,816,000 |
| | Bucket Trucks | 1,106,000 | - | 1,106,000 |
| | Insurance Premium | 100,000 | - | 100,000 |
| | Rail Transportation Service Rate Increase | 1,455,000 | - | 1,455,000 |
| 17 | Light Rail Operations Utility Increase | - | 1,154,000 | 1,154,000 |
| | City of Phoenix Regional Service | - | 496,000 | 496,000 |
| Category Total | | \$ 14,477,000 | \$ 1,650,000 | \$ 16,127,000 |

20



20

Obligations Summary

| Initiative # | Name | Continuing Commitment | Inflation/ Market & Ridership | Grand Total |
|----------------------------|---|--------------------------|-------------------------------------|----------------------|
| 13 | Rail Landscaping Contract Rate Increase | \$ 15,000 | \$ - | \$ 15,000 |
| | Rail & Bus Facility Maintenance | 121,000 | - | 121,000 |
| 14 | Security Contract Rate Increase | 2,039,000 | - | 2,039,000 |
| 15 | Light Rail SCE/DH Operations | 11,816,000 | - | 11,816,000 |
| | Bucket Trucks | 1,106,000 | - | 1,106,000 |
| | Insurance Premium | 100,000 | - | 100,000 |
| | Rail Transportation Service Rate Increase | 1,455,000 | - | 1,455,000 |
| 16 | Rail Vehicle and Facility Cleaning Contractual Increase | - | 34,000 | 34,000 |
| 17 | Light Rail Operations Utility Increase | - | 1,154,000 | 1,154,000 |
| | City of Phoenix Regional Service | - | 496,000 | 496,000 |
| Category Total | | \$ 16,652,000 | \$ 1,684,000 | \$ 18,336,000 |
| <i>Category % of Total</i> | | <i>91%</i> | <i>9%</i> | |

21



21

Uses of Funds: Capital (\$,000,000)

| Uses of Funds | FY25 | FY26 | Change \$ | Change % |
|--------------------------------|----------------|----------------|------------------|-------------|
| Future Project Development | \$16.5 | \$21.9 | \$5.4 | 33% |
| South Central Ext/Downtown Hub | 297.2 | 18.8 | (278.4) | -94% |
| Capitol Extension | 20.8 | 32.1 | 11.3 | 54% |
| Northwest Extension Phase II | 12.6 | 2.6 | (10.0) | -79% |
| Tempe Streetcar | 8.3 | 6.7 | (1.6) | -19% |
| Gilbert Road Extension | 2.2 | 0.0 | (2.2) | -100% |
| Systemwide Improvements | 11.7 | 4.3 | (7.4) | -63% |
| State of Good Repair | 22.2 | 28.2 | 6.0 | 27% |
| Total Capital Uses | \$391.7 | \$114.5 | (\$277.3) | -71% |

22



22

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

| Sources of Funds | FY25 | FY26 | Change \$ | Change % |
|------------------------------|----------------|----------------|------------------|-------------|
| Federal Funds | \$128.9 | \$110.8 | (\$18.1) | -14% |
| MAG Funds | 0.5 | 0.5 | 0.0 | 0% |
| Member City Contributions | 168.6 | (86.7) | (255.3) | -151% |
| Public Transportation Funds | 93.1 | 85.4 | (7.7) | -8% |
| Regional Area Road Funds | 0.5 | 0.5 | 0.0 | 0% |
| Carry Forward & Reserves | 0.0 | 4.0 | 4.0 | - |
| Total Capital Sources | \$391.7 | \$114.5 | (\$277.3) | -71% |

23



23



24

5-Year Operating Sources and Uses

| | FY26 | FY27 | FY28 | FY29 | FY30 | Total |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating (\$,000) | | | | | | |
| Sources of Funds | | | | | | |
| Advertising | \$ 1,250 | \$ 1,288 | \$ 1,326 | \$ 1,366 | \$ 1,407 | \$ 6,637 |
| Fares | 7,104 | 7,904 | 8,653 | 9,668 | 10,776 | 44,105 |
| Federal Funds | 2,828 | 2,869 | 2,913 | 2,956 | 2,999 | 14,565 |
| Member City Contributions | 107,665 | 110,355 | 114,437 | 118,064 | 120,837 | 571,358 |
| Other | 100 | 100 | 100 | 100 | 100 | 500 |
| Total Sources of Funds | 118,947 | 122,516 | 127,429 | 132,154 | 136,119 | 637,165 |
| Uses of Funds | | | | | | |
| Operations & Maintenance | 93,096 | 95,890 | 100,004 | 103,906 | 107,023 | 499,919 |
| Security | 22,143 | 22,807 | 23,491 | 24,196 | 24,922 | 117,559 |
| Agency Operating | 3,708 | 3,819 | 3,934 | 4,052 | 4,174 | 19,687 |
| Total Uses of Funds | \$ 118,947 | \$ 122,516 | \$ 127,429 | \$ 132,154 | \$ 136,119 | \$ 637,165 |

25



25

5-Year Capital Sources and Uses

| | FY26 | FY27 | FY28 | FY29 | FY30 | Total |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Capital (\$,000) | | | | | | |
| Sources of Funds | | | | | | |
| Federal Funds | \$ 110,784 | \$ 53,413 | \$ 62,005 | \$ 57,731 | \$ 63,773 | \$ 347,706 |
| MAG Funds | 500 | - | - | - | - | 500 |
| Member City Contributions | (86,682) | 128,161 | 129,476 | 139,054 | 219,628 | 529,637 |
| Public Transportation Funds | 85,405 | 27,903 | 4,964 | 5,123 | 5,277 | 128,672 |
| Regional Area Road Funds | 500 | - | - | - | - | 500 |
| Reserves/Carryforward | 4,000 | 4,200 | 4,409 | 22 | - | 12,631 |
| Total Sources of Funds | 114,507 | 213,677 | 200,854 | 201,930 | 288,678 | 1,019,646 |
| Uses of Funds | | | | | | |
| Future Project Development | 21,867 | 28,046 | 19,336 | 13,301 | 47,318 | 129,868 |
| South Central Ext./Downtown Hub | 18,786 | 3,328 | - | - | - | 22,114 |
| Capitol Extension | 32,050 | 110,490 | 103,588 | 59,517 | 32,074 | 337,719 |
| Northwest Extension Phase II | 2,637 | 21,562 | - | - | - | 24,199 |
| Tempe Streetcar | 6,691 | 522 | - | - | - | 7,213 |
| Rio East-Dobson extension | - | 23,250 | 48,250 | 97,820 | 178,520 | 347,840 |
| Systemwide Improvements | 4,307 | 5,480 | 2,646 | 2,679 | 2,707 | 17,819 |
| State of Good Repair | 28,169 | 20,999 | 27,034 | 28,613 | 28,059 | 132,874 |
| Total Uses of Funds | \$ 114,507 | \$ 213,677 | \$ 200,854 | \$ 201,930 | \$ 288,678 | \$ 1,019,646 |

26



26

Recap of Important Dates

Committee/Boards/FWG

| | |
|----------------|--|
| February | Present High Level Budget to City Staff (FWG & RTAG) |
| March | Present High Level Budget to Committees & Boards for Information |
| March 18, 2025 | Detailed Initiative Discussion & 5-year Plans with City Staff (FWG & RTAG) |
| → April Cycle | Present Annual Budget with Initiatives and 5-year Plans for information |
| April 3, 2025 | Detailed Initiative Discussion with AFS |
| May Cycle | Present Annual Budget with Initiatives and 5-Year Plans for Action |

27



27

1

Passenger Engagement & Education Deliver Excellent Customer Experience

Combined

VM Recommended

Description

In support of Strategic Plan goal to “Deliver Excellent Customer Experience,” this initiative will enhance Valley Metro’s engagement and communication with passengers by adding resources to interact with customers on the system, develop and manage a comprehensive wayfinding and signage system, and leverage the new fare system investment with a marketing and outreach program to create awareness of the programs, benefits and features of the new system.

Customer Experience Coordinators (CECs)

Adding two CECs will provide additional customer assistance resources and presence on Valley Metro Rail system. CECs serve as the "eyes and ears" on the system, interacting with and educating customers and the public while also working with operations and security to monitor, report and help make decisions on service, security and maintenance activities to support a positive customer experience.

Supervisor, Passenger Information Systems

On-system signage is critical for helping our customers navigate the system, and sharing important information about what’s happening across Valley Metro and their community. This position in the Marketing Department would develop and manage a comprehensive and growing wayfinding and signage system , agency print production, delivery and installation. The position would supervise two staff and oversee the agency printing (seven vendors) and wayfinding (one vendor) contracts. The position would conduct audits of current system signage (bus and rail), build quality assurance and maintenance programs, execute long-range planning for future system signage needs, incorporating passenger feedback, and better leverage current system signage offerings (car cards, kiosk posters, stop/vehicle/facility signage, etc.) to expand education and communication with riders, and be more responsive to changes. Our current system has ~4,000 wayfinding/signage pieces (which will grow with the opening of the two-line rail system) that are updated at least annually, and up to quarterly and as needed. We know we need to be more nimble to support regional bus and rail service changes and customer feedback. In the past year, we have increased service change signage updates from two times a year to now four so that we can deliver excellent service that meets our customers’ needs. The Marketing Department has seen a steady increase in the number of jobs executed by internal staff and managed by the production and delivery team members (who, in the future, would be managed by this position), as demonstrated in the chart below. (Note: Service change jobs are lumped together as a single project for each service change period.)

Number of Jobs Completed



The expected outcome with this position is to provide higher-quality, consistent and more effective signage systems, providing clear, easy to understand directions and information for all passengers, regardless of language

or ability. A well-designed and maintained wayfinding/signage system provides enhanced customer experience and helps us grow ridership, through ease and understanding as well as overall system aesthetics. This position would also manage all print production, material distribution and installation across the region and on behalf of member cities. Today, this function, in part, is supported by a contractor; in-housing the role in full would save the agency approximately \$140,000 annually. Supporting a dedicated Passenger Information resource has become an industry best practice; many of our peers, including LA Metro, TriMet (Portland), DART (Dallas), RTD (Denver) and Sound Transit (Seattle), have this function, dedicated to signage and production, in house.

Ridership Development through Fare Collection System Modernization (FCSM)

This effort would develop a marketing and outreach campaign and further expand partnerships to create continued adoption of our new fare system and, ultimately, encourage greater ridership through this investment. This effort would further advertise the benefits, programs and features of the new system to on-board new riders, ultimately expanding Valley Metro's reach and ridership. The effort would seek to increase usage in our new fare programs and attract new markets through continued education and partnership with new user groups, highlighting the benefits, ease-of-use and cost savings. Staff would continue engagement at key transit/community locations and partner with community organizations to reach diverse audiences, including reduced fare audiences. We would identify new target markets, including new residential, employers, visitor groups, etc., who would benefit from the new tools/programs within FCSM. We would also seek to grow our participation in existing fare programs and develop new partnerships, making our service an integral part of events, conferences, with organizations and/or new developments.

| Item | RPTA | VMR | Note |
|---|------------------|------------------|-------------------------------|
| Customer Experience Coordinator (2) | \$0 | \$271,000 | Salary, fringe, equipment |
| Supervisor, Passenger Information Systems (*) | \$78,000 | \$77,000 | Salary, fringe, and equipment |
| Ridership Development through FCSM | \$100,000 | \$100,000 | |
| Total | \$178,000 | \$448,000 | |

() This position will in-source existing work being performed under contract.*

| | | |
|---|--|-----------------------|
| 2 | Agency Staff Compensation Invest in Our Talent | |
| | Combined | VM Recommended |

| Description |
|---|
| <p>In support of Strategic Plan goal to “Invest in our Talent” this initiative will allow Valley Metro to continue to be competitive within the labor market to attract and retain employees critical to effectively and efficiently managing the provision of regional transit service.</p> <p>The region has experienced substantial inflation in past years, but the inflation rate has recently slowed. Year-over-year inflation in the region was 1.6% for December 2024. The December 2024 unemployment rate of 3.1% is still well below the 30-year average of 4.9% in the Valley. To remain competitive within the labor market Valley Metro staff recommends budgeting funds to provide performance merits and implement the classification and compensation study.</p> <ul style="list-style-type: none"> Valley Metro staff recommends an overall 3.5% performance merit. In reviewing the actual performance merits issued during FY25, staff on average was awarded 3.5%, therefore the budgeted merit for FY26 is in-line with FY25. To support the implementation of the classification and compensation study, Valley Metro staff proposes a budget allocation of \$980,000. These funds will be used to address necessary adjustments to align employee compensation with the study's findings, ensuring internal equity and market competitiveness. |

| Item | RPTA | VMR | Note |
|----------------------|--------------------|--------------------|------|
| 3.5% Merit | \$837,000 | \$1,371,000 | |
| Class & Compensation | \$371,000 | \$609,000 | |
| Total | \$1,208,000 | \$1,980,000 | |

HR Infrastructure for Growing Organization

Invest in Our Talent

RPTA

VM Recommended

Description

In support of Strategic Plan goal “Invest in Talent,” this initiative will enable Valley Metro’s Human Resources Department to deliver on strategic plan activities related to recruitment, retention, and advancement; workplace culture; professional development; and workforce development. The Human Resources Department plays a critical role in delivering not only the Invest in Talent strategic initiatives but also in ensuring that Valley Metro’s ten divisions have the talent necessary to meet the agency’s evolving needs. With over four hundred and fifty employees, Valley Metro’s turn-over rate for calendar year 2024 is 14.2%. Between turnover and new positions, Human Resources typically facilitates the filling of approximately 100 vacancies per year. The department is also responsible for supporting administration of total rewards programs, growth and development of staff including benefits renewals and administration, performance management, personnel actions, learning and development, and wellness programs.

Senior Learning and Development Specialist

This position would be responsible for aligning Learning and Development opportunities to support staff training, staff retention and advancement, and partnering with regional partners to initiate and facilitate robust workforce development activities.

Benefits Administrator

This position would be responsible for managing benefits administration for our 450+ employees, retirement plans, and ensuring compliance and effective employee support. It would also be responsible for managing Wellness Program activities emphasizing mental and physical health, ensuring employees are educated and can access Wellness benefits, and managing the Wellness Working Group activities.

Human Resources Generalist (Recruiter)

This position would join Valley Metro’s recruiting team currently comprised of one recruiter and one Talent Manager. The position will assist with Position Requisitions, job postings, advertising with industry and job boards, pre-screening applicants, facilitating the interview process, supporting hiring managers through the offer-and-acceptance phase, and supporting new employees through orientation and on-boarding activities.

HR Specialist (Support Staff)

This position would support completion of administrative tasks, employee engagement activities, scheduling, and special Human Resources projects to free senior staff for high-impact work.

Investing in these roles ensures HR can meet the agency’s growing needs, deliver high-quality service, and support long-term workforce success.

| Item | RPTA | VMR | Note |
|--|------------------|------------|-------------------------------|
| Senior Learning & Development Specialist | \$142,000 | \$0 | Salary, fringe, and equipment |
| Benefits Administrator | \$142,000 | \$0 | Salary, fringe, and equipment |
| Human Resources Generalist (Recruiter) | \$120,000 | \$0 | Salary, fringe, and equipment |
| Human Resources Specialist (Support Staff) | \$92,000 | \$0 | Salary, fringe, and equipment |
| Total | \$496,000 | \$0 | |

Safety & Security Management

Prioritize Security on Transit

Combined

VM Recommended

Description

In support of Strategic Plan goal to “Prioritize Safety & Security on Transit,” this initiative will add two critical management positions: Deputy Chief of Security, and Deputy Chief of Safety, seeking to enhance Valley Metro’s management and oversight of the local and federal safety and security programs, practices and procedures. With the current Division Chief split over multiple modes and areas of responsibility, this initiative will allow for more focused management of the safety and security programs and provide a safer and more secure transit system for our riders, staff and the general public.

As the Arizona Department of Transportation State Safety Oversight Agency (ADOT SSOA) and the FTA, recommended standard, the roles and functions of safety and security should be independent to allow for effective management and oversight of an agency’s safety and security procedures, practices and programs. Federal priorities and regulations require more of the safety and security team. By increasing the capability, scope and support of the Security and Safety Departments, the goal is to enhance the rider experience, helping to increase in ridership and grant eligibility through reduced incidents and lower claims. A more robust and required focus, as stipulated through the addition of Risk Based Inspections (by the SSOA) and FTA direction, the role of Safety Rail oversight at an executive level, separate from security, is necessary. **Deputy Chief, Security**

The Deputy Chief, Security will work to ensure compliance with the processes in the Rail and Non-Rail Security/Emergency Preparedness Plans (SEPP), support the Security Department for bus and rail/streetcar, play a vital role in capital project development and will be key to the effective oversight and deployment of the new Fare Inspection & Security Services contract. Adding this position will provide a more thorough, strategic capability and program/project development for the growing and changing needs of system security and increase the agency’s capability to collaborate with law enforcement partners.

Deputy Chief, Safety

The Deputy Chief, Safety will work to ensure compliance with the processes and procedures outlined in the Public Transit Agency Safety Plans (PTASP) for both bus and rail and will be identified as the Safety Management System (SMS) Administrator for the agency as required by the ADOT SSOA and as recommended by the FTA. This position will play a vital role in the support of future capital project development and will be better resourced to assess risk and mitigations. By allowing for a more strategic, higher-level focus on both bus and rail safety for our ridership as well as employee safety, the goal is to improve safety metrics, maintain positive compliance with FTA regulations and SSOA requirements, reduce claims and workplace injuries and damage.

Without this position the agency remains vulnerable to delays in SMS implementation, risk of future funding or possible penalties from SSOA if mitigations and hazards are not addressed effectively. As the system continues to grow and age, more hazards and risks are being introduced and not having focused management support could impact incident rates, future funding and higher claims/rates.

| Item | RPTA | VMR | Note |
|------------------------|------------------|------------------|---|
| Deputy Chief, Safety | \$61,000 | \$173,000 | Salary, fringe, and equipment |
| Deputy Chief, Security | \$60,000 | \$173,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$34,000 | Share of cost allocated to the capital budget |
| Total | \$121,000 | \$312,000 | |

| | | |
|---|-------------------------------------|-----------------------|
| 5 | Service Planning Enhancement | |
| | Leverage Data & Technology | |
| | Combined | VM Recommended |

| Description |
|--|
| <p>In support of Strategic Plan goal to “Leverage Data & Technology,” this initiative will add a Service Planner position to improve Valley Metro’s service planning data analysis and quality control to help ensure timely, high quality data analysis, supporting the development of a more effective, higher-performing service plan and customer experience.</p> <p>Service Planner</p> <p>This new Service Planner/Analyst position will enhance Valley Metro’s ability to take a more proactive approach to service planning by analyzing system performance trends, customer insights, and operational data to drive better decision-making. Currently, the Service Planning team—consisting of two Service Planners and one Service Planning Manager—faces growing demands for data analysis and quality control. With limited resources, the team is often reactive, responding to requests rather than strategically identifying opportunities to optimize service. This new position will help shift the agency toward a more data-driven and forward-looking planning model. By adding this position, Valley Metro gains the capacity to evaluate key performance metrics, identify inefficiencies, and anticipate service needs before they become challenges. This proactive approach will enable the agency to refine route performance, improve service reliability, and enhance the customer experience. Additionally, by bringing this analytical expertise in-house, the agency eliminates a more costly \$100,000 contract expense while increasing its ability to conduct ongoing performance assessments and strategic planning.</p> |

| Item | RPTA | VMR | Note |
|-----------------|-----------------|-----------------|---|
| Service Planner | \$76,000 | \$50,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$30,000 | Share of cost allocated to the capital budget |
| Total | \$76,000 | \$20,000 | |

| | | |
|----------|---|-----------------------|
| 6 | End of Useful Life System Replacements | |
| | Leverage Data & Technology | |
| | Combined | VM Recommended |

| Description |
|---|
| <p>In support of Strategic Plan goal to “Leverage Data & Technology,” this initiative ensures that the components identified below function appropriately and are supported by the respective manufacturer, keeping our equipment healthy and agency productivity high.</p> <p>End of Useful Life System Replacements</p> <p>Responsible management of the organization’s technology assets requires periodically replacing hardware and software as the manufacturer or developer ceases to support it or it reaches the end of its useful life, and the cost of maintenance and replacement parts exceeds the cost of replacement. Without this initiative, Valley Metro will experience mounting maintenance costs and increased downtimes for these systems, which, in the case of the security camera system, could result in liability issues. This initiative will reduce or even eliminate, in the near-term, the ongoing cost of maintenance, and in the case of the security camera system and application delivery controllers (ADCs), will help prevent inflation of the agency’s cybersecurity insurance premium.</p> <ul style="list-style-type: none"> • The Network Video Recorders (NVRs) for the non-OT security camera system storing security footage • The audio-visual and teleconferencing equipment in three key conference rooms • The application delivery controllers (ADCs) protecting the agency’s applications and remote connections • The oldest and most heavily used Multi-Function Printers (MFP) • The software used to control the content displayed on agency monitors, an internal communications tool |

| Item | RPTA | VMR | Note |
|--|------------------|------------------|------|
| End of Useful Life System Replacements | \$253,000 | \$285,000 | |
| Total | \$253,000 | \$285,000 | |

7

Internal Communications Enhancement**Deliver on Stakeholder Collaboration****Combined****VM Recommended****Description**

In support of Strategic Plan goal to “Deliver on Stakeholder Collaboration,” this initiative will add an Internal Communications Specialist focused on enhancing internal communications, encouraging engagement and feedback, and aligning messaging across the organization, and with contracted teams.

Specialist, Internal Communications

This position in the Communications Department would be responsible for crafting and implementing a comprehensive internal communications strategy to engage a diverse workforce, with a specific focus on frontline teams, across various locations, including many who lack access to traditional communication channels. This role would focus on enhancing clarity, consistency and alignment with the agency’s goals, values and as referenced in the Strategic Plan (Stakeholder Collaboration). Key responsibilities would include creating and executing high-quality internal communication plans, developing engaging content, providing critical updates and fostering two-way feedback loops to encourage employee input and agency follow-through. The role would involve collaborating with key stakeholders, internal Divisions and contract partners, managing internal communication tools and resources (e.g., hands-on outreach, leave-behind material, newsletters, social media, podcasts and possibly new solution(s)), and ensuring message transparency and understanding across the organization and its contractors. Additionally, the position would support morale-building efforts, promote employee engagement and contribute to internal campaigns, such as Safe Place and workplace safety promotion (as part of our agency’s Public Transportation Agency Safety Plans). The specialist would also travel to multiple locations to gather input, hear ideas/concerns and build relationships with employees and contractors, while measuring the effectiveness of communications through surveys, metrics and data analysis. This role would regularly and consistently communicate with more than 1,400 individuals at various Valley Metro locations: Mesa, Tempe and West Valley bus operations & maintenance teams (~700); rail/streetcar operations & maintenance teams at the Operations & Maintenance Center (~185); field security personnel (~200); Mobility Center/ADA/Customer Service staff (~110); and agency administration (~215); in addition to partnering with city of Phoenix and other member communities to communicate vital information and updates with their frontline teams. Generally, a highly engaged and informed workforce is more productive, loyal and committed to organizational goals, including Customer Experience. .

| Item | RPTA | VMR | Note |
|-------------------------------------|-----------------|-----------------|-------------------------------|
| Specialist, Internal Communications | \$54,000 | \$53,000 | Salary, fringe, and equipment |
| Total | \$54,000 | \$53,000 | |



External Stakeholder Engagement
 Deliver on Stakeholder Collaboration

Combined

VM Recommended

Description

In support of Strategic Plan goal to “Deliver on Stakeholder Collaboration,” this initiative will add one position: Supervisor, Community Engagement and Manager, who will seek to enhance Valley Metro’s engagement with external stakeholders to better collaborate with the community, build relationships, and more effectively share information and obtain input and feedback.

Supervisor, Community Engagement (Capital Planning Projects)

This position in the Community Relations Department would replace a consultant resource and serve as the outreach lead for all future capital planning projects, both rail and bus, working under the Manager, Community Engagement (Future Projects). The position would be responsible for creating public involvement plans for the particular corridors or projects in planning, building relationships with and gathering feedback from stakeholders to meet project goals and collaborating with the technical teams and the respective cities/towns to effectively share information and garner input. This supervisor would lead teams of Community Engagement professionals, often embedded in these project areas, to help shape the future project with community feedback. With a dedicated, in-house role to lead community engagement (future capital projects), the community’s voice will be more effectively heard, and we will build up our internal capacity and institutional know-how to develop more innovative, tailored and thoughtful public involvement plans, as this is a consultant-conversion position, saving the agency approximately \$400,000+ in annual contractor costs.

| Item | RPTA | VMR | Note |
|---|-----------------|------------------|---|
| Supervisor, Community Engagement (Capital Planning Projects)(*) | \$34,000 | \$121,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$89,000 | Share of cost allocated to the capital budget |
| Total | \$34,000 | \$932,000 | |

() This position will in-source existing work being performed under contract.*

| | | |
|---|---|-----------------------|
| 9 | System Enhancements and Improvements in Project Management | |
| | Deliver on Stakeholder Collaboration | |
| | VMR | VM Recommended |

| Description |
|--|
| <p>In support of Strategic Plan goal to “Deliver on Stakeholder Collaboration,” this initiative will add a Capital Development Project Manager position to more effectively manage the increasing workload regarding state of good repair, system improvements, studies, and agency initiatives. This initiative will provide a deeper and dedicated focus on projects that will improve and optimize the transit system with a more consistent and timely delivery on these efforts.</p> <p>Project Manager, Capital Development</p> <p>Currently, there are project managers assigned to large rail extension projects and job order contracts. While system expansion is a continuing priority, there is also a need to make continued enhancements and improvements to the existing system, and that need is growing as our rail infrastructure ages, now in operation for more than 16 years. There is a need for a project manager to oversee the longer-term study, scope definition and implementation and oversight of these improvement projects. Without a dedicated role to lead these initiatives, they will continue to be assigned to other staff members as workload allows, or they would be assigned on a task order basis to consultant resources. This is not efficient, nor financially prudent, as we lose institutional knowledge with consultant-led initiatives once the projects are completed or handed off to the agency.</p> <p>A dedicated project manager overseeing agency infrastructure improvements to the existing system will provide for a more efficient approach to these projects, creating a more consistent and efficient approach to problem-solving, balancing and prioritizing initiatives, resulting in more consistent and timely implementation. The projects are inclusive of maintenance programs, overhauls, Security initiatives, and IT projects, identified via agency/Board priorities and Valley Metro’s Transit Asset Management (TAM) program, mandated by FTA. There is also a long-term cost benefit to bring in-house resources that have been perpetual consultant-provided labor, saving the organization money as well as in-housing the talent and expertise.</p> |

| Item | RPTA | VMR | Note |
|--|------------|------------|---|
| Project Manager, Capital Development (*) | \$0 | \$208,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$208,000 | Share of cost allocated to the capital budget |
| Total | \$0 | \$0 | |

(*) This position will in-source existing work being performed under contract.

Rail Maintenance Program Enhancements

Operational Excellence

VMR

VM Recommended

Description

In support of Strategic Plan goal to provide “Operational Excellence,” this initiative will increase the art maintenance program, add a Utility Worker position and Traction Power Manager and three additional Traction Power Supervisors to strengthen Valley Metro Rail’s maintenance program.

Art Maintenance

The art maintenance budget supports regular maintenance and upkeep/repair work needed from damage due to vandalism and long-term rehabilitation or replacement of parts due to age. From FY22 to the end of FY25, Valley Metro’s public art collection has increased from 49 to 70 art installations, a growth of 43% with the completion of the Tempe Streetcar and Northwest Extension Phase II, and soon to be complete South Central Extension / Downtown Hub project. The requested increase to the art maintenance budget represents a 38% increase over the same period. The additional funds will be used for art maintenance supplies and contracted services when necessary.

Artwork along the rail alignments provides interest and beauty to the transit network and are reflective of the communities it serves, building pride and connectivity with the local community and ridership. Additionally, Valley Metro artwork is often used in promotion of Valley Metro and the metro Phoenix region, helping to build a strong, positive visual aesthetic, also helpful to creating a welcoming environment across the transit system. Like maintaining the rest of the system, maintaining art is crucial to the representation of our values and characteristics as well as upholding basic crime prevention through environmental design (CPTED) principles. Fully functioning and well-maintained public art would continue as a point of pride for Valley Metro and for the Valley. In addition, a continued increase in funds to match rising costs and system growth allows staff to focus more on preventative maintenance to mitigate future costs to cure.

Utility Worker (Pressure Washer)

This initiative would add one team to maintain our current levels of service and provide timely response to graffiti removal, station cleanliness and improved customer experience. As part of Valley Metro’s maintenance cleaning program, all agency properties are frequently pressure washed to provide safe and comfortable spaces for our riders and staff. Currently, we have three pressure washer teams that replaced contract workers – each team consisting of one full-time employee, one light duty truck and one pressure washer trailer. The pressure washer teams’ main responsibility is to pressure wash passenger stations, traction power substations, park-and-rides, security buildings, operator facilities and the Operations & Maintenance Center and Mesa Bus Operations & Maintenance Facility. In addition, each night prior to starting pressure washing services, they will perform other cleaning duties as assigned, including graffiti removal, debris removal, encampment removal, biohazard/drug paraphernalia response and removal along with many other types of cleaning maintenance.

The addition of the South Central Extension / Downtown Hub will increase system size, adding 12 passenger stations, 5 traction power substations, 2 signal buildings, and one park-and-ride, along with increased ridership, creating the need for this new team.

Traction Power Labor Resources

Valley Metro’s traction power system provides power to light rail and streetcar vehicles via an overhead catenary system (OCS). Growth in the Valley Metro rail system requires additional labor and expertise in the traction power space. At this stage in the evolution of the rail system, it is prudent to adequately resource this critical function.

This budget item proposed making Traction Power its own work unit within the Maintenance of Way Department, which is an industry standard practice. This unit would be comprised of a Traction Power Manager and three additional Traction Power Supervisors, which will benefit the agency by adding technical expertise to the Maintenance of Way function, and creating adequate supervision to support this 24/7 operation. It is critical that we provide improved reliability of our traction power system and quicker emergency response and recovery time when accidents or incidents occur resulting in catenary power disruptions. The long-term benefits of investing in this specialized discipline include creating an expert supervisory/management group experienced in high voltage, direct current substations, and overhead catenary. This investment also provides growth and promotion opportunities for our traction power staff, creating career paths for now difficult to fill positions.

Without this specialized work unit, the agency faces vulnerability due to our limited capacity to support our high-voltage system dependent on the overhead catenary system and substations. We must continue to expand our coverage and expertise as our system matures and requires reinvestment to maintain system reliability.

| Item | RPTA | VMR | Note |
|----------------------------------|------------|------------------|-------------------|
| Art Maintenance | \$0 | \$50,000 | |
| Utility Worker (Pressure Washer) | \$0 | \$62,000 | Salary and fringe |
| Traction Power Supervisor (3) | \$0 | \$367,000 | Salary and fringe |
| Traction Power Manager | \$0 | \$147,000 | Salary and fringe |
| Truck/Trailer/Equipment | \$0 | \$181,000 | |
| Total | \$0 | \$807,000 | |

Description

In support of Strategic Plan goal to provide “Financial Sustainability,” this initiative will enhance Valley Metro’s financial planning and analysis capabilities by adding a Management Analyst position, a Contract Performance Financial Analyst position and new financial forecasting software.

Financial Forecasting Software

Valley Metro’s Transit Life Cycle Program (TLCP) is currently managed through a pair of financial models built over a decade ago. The Bus model was developed through an Access database in 2011, and the Rail model was developed in 2005 and re-engineered in 2012 using an Excel spreadsheet. These aging tools present multiple hurdles to Finance staff, including:

- Inability to implement all new rules and requirements introduced by Prop 479
- Difficulty finding qualified personnel to maintain and update the tools
- Inability to drill down through levels of detail within a report
- Inability to provide route/city-level details
- Inability to provide direct, anytime visibility to city partners

The financial modeling software being proposed would allow Valley Metro to consolidate its Financial Planning & Analysis (FP&A) processes and reporting into a unified tool that is capable of:

- Providing a comprehensive view of the agency’s financial information
- Adapting to the changes introduced by Prop 479
- Allowing the data to be collated and reported at various levels from various perspectives
- Providing self-service access to member city partner staff and internal stakeholders for improved availability and transparency
- Handling new transit modes (e.g. streetcar, microtransit, etc.) and new funding sources as they are adopted
- Saving an estimated 30 person-hours per month spent on maintaining the current models and manual reporting processes

Management Analyst, Financial Planning Support

This new position in the Budget & Operations Financial Controls Department would provide support and redundancy in managing and administering the remaining Prop 400 sales tax as well as the future Prop 479 sales tax and overall financial forecasting for the agency. This work is currently being done by one Senior Management Analyst and there is no support or redundant staff resources. Without this position the agency would be at a continued and possibly increased risk of not being able to complete core functions around the long-range tax revenue program, including but not limited to making updates to the MAG Transportation Improvement Program (TIP), the Transit Life Cycle Program (TLCP), Prop 400/479 analysis, etc. This position will help our team maintain productivity, continuity and organizational resiliency. Having redundancy for this responsibility will further benefit the agency by reducing bottlenecks, supporting institutional knowledge retention, and enhancing team flexibility to provide coverage during peak workloads or emergencies.

Financial Analyst, Contract Performance

This position in the Procurement Department would partner with internal customers to coordinate quarterly and annual reviews of the agency’s key contracts. These reviews would include contractor performance, invoice analysis to the price schedule, and annually benchmark the contracted price to the market. In addition, they would support business model development by contributing the required contract actions and process improvement to more closely achieve best practice timelines. Anticipated benefits include increased vendor

oversight, performance analysis and management, and the ability to regularly touch strategically and economically impactful contracts.

| Item | RPTA | VMR | Note |
|--|------------------|-----------------|---|
| Financial Forecasting Software | \$50,000 | \$50,000 | Software |
| Management Analyst, Financial Planning Support | \$122,000 | \$0 | Salary, fringe, and equipment |
| Financial Analyst, Contract Performance | \$59,000 | \$60,000 | Salary, fringe, and equipment |
| Less capital | \$0 | -\$23,000 | Share of cost allocated to the capital budget |
| Total | \$231,000 | \$87,000 | |

| | | |
|----|---|-----------------------|
| 12 | Grants Coordinator Financial Sustainability | |
| | Combined | VM Recommended |

| Description |
|--|
| <p>In support of Strategic Plan goal to provide “Financial Sustainability” this initiative will add a Grants Coordinator position to provide better grant seeking coordination efforts both internally to Valley Metro, as well as with member agencies.</p> <p>Grants Coordinator</p> <p>An in-house grant function in the Policy and Intergovernmental Relations Department will position Valley Metro and its member agencies to be more competitive for grant funding opportunities, providing sufficient lead time to plan and coordinate activities prior to any grant submittal. This position would coordinate activities relating to the development of Valley Metro’s new grants function, which includes strategic pursuit of federal, state and/or other available formula, discretionary or congressionally-directed grant funding opportunities when they are made available.</p> <p>This position will develop an annual needs assessment, be responsible for identifying potential grant funding opportunities to support existing, planned or desired agency projects and maintain a grants inventory with timelines, recommendations and compliance with applicable laws and/or regulations. This includes working with MAG (MPO) and the City of Phoenix (designated recipient) to coordinate, collaborate and review inclusion of Agency federally funded and regionally significant transit projects in the Regional Transportation Improvement Program (RSTIIP) and annual program of projects; and coordinate with member cities and Agency project managers to ensure timely accounting and reporting.</p> <p>Not maximizing funding opportunities when eligible and available, can delay project(s) implementation and further place a financial burden on member agencies to fully fund capital, program or planning projects not otherwise budgeted for. This puts Valley Metro at a competitive disadvantage among its peers by lacking the in-house knowledge and experience of transit or transportation-related grant programs, requirements and regulations relative to Notice of Funding Opportunities (NOFOs), grant proposals and application procedures and funding eligibility guidelines and timelines.</p> |

| Item | RPTA | VMR | Note |
|--------------------|-----------------|-----------------|-------------------------------|
| Grants Coordinator | \$71,000 | \$70,000 | Salary, fringe, and equipment |
| Total | \$71,000 | \$70,000 | |

| | | |
|----|---------------------------------------|------------------------------|
| 13 | Continuing Commitments | |
| | Deliver Excellent Customer Experience | |
| | Combined | Continuing Commitment |

Description

Rail Landscaping Contract Rate Increase
 Valley Metro contracts with URW to provide landscaping for light rail. This contract has an annual escalation rate defined in the existing contract.

Comprehensive Operational Analysis
 The Valley Metro Board of Directors previously approved the solicitation for a Comprehensive Operational Analysis (COA) of the existing regional transit network to evaluate the service area in Maricopa County for the purpose of increasing mobility value, effectiveness, resource efficiency and equity for residents and riders. This effort will support recommendations to improve transit service with a focus on productivity, regional travel, and emerging transit markets, in addition to future improvements aimed at addressing unmet transit needs and regional transit priorities. This effort will be led by Valley Metro, in coordination with MAG and in partnership with the City of Phoenix. It will provide the most efficient and effective service with available resources and help induce ridership across our communities. This is a continuation of the previously approved FY25 Continuing Commitment.

Rail and Bus Facility Maintenance
 Valley Metro contracts with DMS to provide maintenance for rail facilities for both light rail, streetcar, OMC, and the Mesa Bus Operations facility. This contract has an annual escalation rate defined in the existing contract.

| Item | RPTA | VMR | Note |
|---|------------------|------------------|------|
| Rail Landscaping Contract Rate Increase | \$0 | \$15,000 | |
| Comprehensive Operational Analysis | \$200,000 | \$0 | |
| Rail & Bus Facility Maintenance | \$79,000 | \$121,000 | |
| Total | \$279,000 | \$136,000 | |

| | | |
|-----------|---|------------------------------|
| 14 | Continuing Commitments Prioritize Security on Transit | |
| | Combined | Continuing Commitment |

Description

Security Contract Rate Increase
 Valley Metro currently contracts its fare inspection and security for rail modes and Valley Metro transit facilities to Allied Universal. This contract was recently reprocured and awarded to a new contractor, Inter-Con, by the Board in March of 2025, with an effective start date around early May. Based upon the new contract, the FY26 cost is estimated to be an increase of \$2.2M from the FY25 budget.

| Item | RPTA | VMR | Note |
|---------------------------------|------------------|--------------------|------|
| Security Contract Rate Increase | \$196,000 | \$2,039,000 | |
| Total | \$196,000 | \$2,039,000 | |

Description**Light Rail (SCE/DH) South Central Extension/Downtown Hub Operations**

The South Central Extension/Downtown Hub is anticipated to start revenue service in May 2025. The FY25 budget included the need for positions related to the new extension, however the costs were born by the capital project. In FY26, with the start of revenue operations, the full operations costs, including transportation, maintenance, insurance, and security for FY26 are estimated to be \$11.8M

Bucket Trucks

In February 2023, the Board approved the purchase of the four bucket trucks for rail maintenance activities. Due to long delivery lead times, the trucks are estimated to arrive in FY26 (\$1.1M).

Insurance Premium

The annual renewal of Valley Metro's property and liability coverage was authorized by the Board of Directors in November 2024. Staff recommend a budget increase to account for the Valley Metro Insurance program to ensure Valley Metro's assets are adequately protected. Insurance impacts both VMR and RPTA.

Bus Service and Rate Increase

Valley Metro contracts its local, express, and circulator bus service out to two different providers. Keolis provides service for the East Valley and the current contract has previously defined annual escalation rates. National Express provides service for the West Valley, however that contract is currently under procurement and rates for FY26 are unknown (additional details provided in inflationary section). Based on annual escalations and service mileage changes, increases for FY26 are as follows:

- East Valley (Keolis), \$4.7M

Demand Service Rate Increase

Valley Metro contracts its Paratransit service delivery out to one provider (MTM). The Administration of trip assignment and brokerage is done by another contractor, MJM. RideChoice trips are delivered by local vendors who contract with MJM. Both MTM and MJM provide services for eligibility determination, travel training and transportation to the Mobility Center. Each Valley Metro contract has annual rate escalation defined in the existing contracts. The annual contract rate increases result in the following increases:

- Paratransit Services (MJM/MTM), \$0.5M
- RideChoice Services (MJM), \$0.8M
- Mobility Center (MJM/MTM), \$0.6M

Vanpool Program - Contract Rate Change

Valley Metro's contract for vanpool covers the cost of operations and leasing of vendor vehicles. Under the current contract the annual increase for FY26 is 5% above FY25 (\$0.4M).

Rail Transportation Service Rate Increase

Valley Metro contracts its operations of both light rail and streetcar to Alternate Concepts, Inc. (ACI). The ACI contract includes a standard annual wage increase effective July 1, 2025. For FY26, the increase for ACI includes \$1.5M for the annual increase of the base contract.

| Item | RPTA | VMR | Note |
|---|--------------------|---------------------|------|
| Light Rail SCE/DH Operations | \$0 | \$11,816,000 | |
| Bucket Trucks | \$0 | \$1,106,000 | |
| Insurance Premium | \$58,000 | \$100,000 | |
| Demand Service Rate Increase | \$1,877,000 | \$0 | |
| Vanpool Program - Contract Rate Change | \$371,000 | \$0 | |
| Bus Service and Rate Increase | \$4,652,000 | \$0 | |
| Rail Transportation Service Rate Increase | \$0 | \$1,455,000 | |
| Total | \$6,958,000 | \$14,477,000 | |

| | | |
|-----------|---|--|
| 16 | Inflationary/Market & Ridership Deliver Excellent Customer Experience | |
| | VMR | Inflationary/Market & Ridership |

Description

Rail Vehicle and Facility Cleaning Contractual Increase
 Valley Metro contracts with DMS to provide cleaning services for rail vehicles and facilities for both light rail, and streetcar. This contract expires 12/31/25 and will be procured through a competitive solicitation and rates are not yet known for FY26. The FY26 budget amount is based on historical trends in rates for the current contract.

| Item | RPTA | VMR | Note |
|---|------------|-----------------|------|
| Rail Vehicle and Facility Cleaning Contractual Increase | \$0 | \$34,000 | |
| Total | \$0 | \$34,000 | |

Description**Light Rail Operations Utility and Propulsion Power Increase**

Based on historical usage trends and anticipated utility provider rate increases, the FY26 increase is estimated to be \$1.2M.

Demand Service Ridership Increase

In FY26, Valley Metro Demand Services programs anticipate an increase in regular trips of 4% for Paratransit, along with an offset of reduced overflow trips (\$0.1M), and 7% for RideChoice (\$0.9M), for a total increase in costs \$1.0M.

Bus Fuel Increase

Tempe fuel (diesel and natural gas) prices continue to fluctuate. The Tempe facility, owned by the City of Tempe, 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). The anticipated increase in cost for FY26 is estimated to be \$1.6M. Prices at the Mesa Facility have remained relatively stable.

West Valley Service and Rate Increase

The West Valley bus contract is currently under procurement and rates for FY26 are not known at this point. The estimated cost of service for FY26 was determined using an independent cost estimate, resulting in an increase of \$48,000 compared to FY25.

Vanpool Van Type Cost and Ridership Increase

The vanpool program under the new contract with leased vehicles continues to have rapid increased participation. For FY26 Valley Metro estimates an increase in participating vans of 24%, for an increase of \$1.4M. In addition, the vans assigned to riders have been changing based on the size of the van and number of miles used. As the program is evolving, Valley Metro estimates the total increase cost due to the van utilization is \$1.0M

City of Phoenix Regional Service

City of Phoenix also provide regional services for fixed route operations through contracts that they have, seeking reimbursement from other transit agencies for their relative share of these services. These services include but are not limited to scheduling services and related software, CLEVER vehicle location management services, fare collection system operational costs, etc.

| Item | RPTA | VMR | Note |
|--|--------------------|--------------------|------|
| Light Rail Operations Utility Increase | \$0 | \$1,154,000 | |
| Demand Service Ridership Increase | \$961,000 | \$0 | |
| Bus Fuel Increase | \$1,597,000 | \$0 | |
| Vanpool Van Type Cost and Ridership Increase | \$2,421,000 | \$0 | |
| City of Phoenix Regional Service | \$134,000 | \$496,000 | |
| West Valley Service and Rate Increase | \$48,000 | \$0 | |
| Total | \$5,161,000 | \$1,650,000 | |

Executive Summary



DATE

March 26, 2025

AGENDA ITEM 5

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

CONTACT

Sebrina Beckstrom

Chief Auditor

sbeckstrom@valleymetro.org

602-256-5813

ATTACHMENT

Schedule of Prior Audits Findings and Recommendations (SPAF)

| No. | Internal Audit Recommendation | Severity of Issue | Response | Audit Client Response Comments | Responsible Person(s) | Estimated Implementation Date |
|---|---|-------------------|----------|--|-------------------------------------|-------------------------------|
| Bus Operator Certifications and Labor Audit | | | | Report No. 23-04 | Dated: 12/27/2022 | Finding Status: |
| Open In Progress | | | | | | |
| Finding 2 – Valley Metro should improve fitness for duty oversight | | | | | | |
| 2 | Internal Audit recommends that Valley Metro should enhance their oversight of the bus contractors to ensure that operator files are current and contain all the required fitness for duty documentation | Medium | Concur | SSQA Bus Safety will work with bus contractors and Ops to oversee and review the compliance with fitness for duty standards. (Jake Owens, Safety Specialist) | Frank Sottile Bus Safety Manager | 5/25/25 |
| April AFS Update: Internal Audit met with SSQA Bus Safety staff and is in the process of finalizing oversight processes to address the recommendation. Once finalized, on-site reviews will take place to ensure bus contractor compliance with requirements. | | | | | | |
| Bus Operator Certifications and Labor Audit | | | | Report No. 23-04 | Dated: 12/27/2022 | Finding Status: |
| Open In Progress | | | | | | |
| Finding 3 – Valley Metro should improve oversight of contractor retraining programs for bus operators | | | | | | |
| 3 | Internal Audit recommends that Valley Metro should: (1) require contractors to establish/update their retraining procedures, (2) establish a template and cadence for contractors to report ongoing training efforts to a designated Valley Metro staff member, and (3) implement a review process where designated Valley Metro staff verifies training efforts are current and records are maintained. | Medium | Concur | SSQA Bus Safety will work with Bus contractors and Ops to oversee and review Bus contractors' proper application and implementation of proper policies/procedures ensure training efforts are current and records maintained. (Jake Owens, Safety Specialist) | Frank Sottile Bus Safety Manager | 5/25/25 |
| April AFS Update: Internal Audit met with SSQA Bus Safety staff and is in the process of finalizing oversight processes to address the recommendation. Once finalized, on-site reviews will take place to ensure bus contractor compliance with requirements. | | | | | | |
| Bus Operator Certifications and Labor Audit | | | | Report No. 23-04 | Dated: 12/27/2022 | Finding Status: |
| Open In Progress | | | | | | |
| Finding 4 – Valley Metro should improve operator hours of duty oversight | | | | | | |
| 4 | Internal Audit recommends that Valley Metro should enhance their oversight of the bus contractors to ensure that operators are not exceeding hours of duty requirements. | Low | Concur | SSQA Bus Safety will work with bus contractors and Ops to oversee and review the development and implementation of written standards that define hours of duty requirements as well as annual review for compliance of established standards. (Jake Owens, Safety Specialist) | Frank Sottile Bus Safety Manager | 5/25/25 |
| April AFS Update: Internal Audit met with SSQA Bus Safety staff and is in the process of finalizing oversight processes to address the recommendation. Once finalized, on-site reviews will take place to ensure bus contractor compliance with requirements. | | | | | | |

| No. | Internal Audit Recommendation | Severity of Issue | Response | Audit Client Response Comments | Responsible Person(s) | Estimated Implementation Date |
|---|---|-------------------|----------|--|--|----------------------------------|
| Conflict of Interest Oversight Audit | | | | Report No. 24-06 | Dated: 8/27/2024 | Finding Status: Open In Progress |
| Finding 1 – Communication of the Ethics Policy, including Conflict of Interest, can be enhanced. | | | | | | |
| 1 | Valley Metro should strengthen its conflict of interest internal controls by: | | | | | |
| b. | incorporating annual ethics, including conflict of interest, training for all employees. | Medium | Concur | Legal and HR will coordinate to provide an annual training update. | Penny Lynch Director, Human Resources Michael Wawro Chief Legal Officer | 2/28/2025 |
| April AFS Update: | | | | | | |
| Credit Card Transactions Audit | | | | Report No. 25-03 | Dated: 1/3/2025 | Finding Status: Open In Progress |
| Finding 1 – Some credit card purchases were not in compliance with Valley Metro Policy | | | | | | |
| 1.1 | The Finance Division should expand on management policy FIN-01.04 to include specific steps to take when unauthorized or prohibited purchases occur. | Medium | Concur | Management will address the finding by meeting with Valley Metro leadership to recommend policy changes that include more specific disciplinary actions to take, and/or recommend more consistent enforcement procedures, when unauthorized or prohibited purchases occur. | Ken Kessler Chief Financial Officer | 4/30/2025 |
| April AFS Update: The Finance Division is developing a recommended process to present to Valley Metro leadership. | | | | | | |
| Credit Card Transactions Audit | | | | Report No. 25-03 | Dated: 1/3/2025 | Finding Status: Open In Progress |
| Finding 1 – Some credit card purchases were not in compliance with Valley Metro Policy | | | | | | |
| 1.2 | The Finance Division should add the requirement for mandatory annual refresher training for all cardholders and their authorized approvers to management policy FIN-01.04 | Medium | Concur | Management will address the finding by updating management policy FIN-01.04 to add a requirement for mandatory annual training for all cardholders and their authorized approvers. | Ken Kessler Chief Financial Officer | 5/15/2025 |
| April AFS Update: Mandatory quarterly P-Card training was held on 3/24/25 for all cardholders. The requirement for mandatory P-Card refresher training is being added to the policy. | | | | | | |

April AFS Update for the following three Procurement Manual/ SOP related recommendations:

The new Joint Procurement Manual is still circulating through Valley Metro divisions for comments and undergoing slight revisions based on the comments. Then, the revised manual will go through the approval process before becoming finalized.

| No. | Internal Audit Recommendation | Severity of Issue | Response | Audit Client Response Comments | Responsible Person(s) | Estimated Implementation Date |
|---|--|-------------------|----------|--|--|-------------------------------|
| Contract Management - TS Audit | | | | Report No. 22-03 | Dated: 12/28/2021 | Finding Status: |
| 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. | Jonathan Thatcher Director, Contracts and Procurement | 5/15/2025 |
| Contract Management - PCRSS Audit | | | | Report No. 22-03 | Dated: 12/28/2021 | Finding Status: |
| 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. | Jonathan Thatcher Director, Contracts and Procurement | 5/15/2025 |
| Contract Management - PCRSS Audit | | | | Report No. 22-03 | Dated: 12/28/2021 | Finding Status: |
| 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. | Jonathan Thatcher Director, Contracts and Procurement | 5/15/2025 |



1

Fiscal Year 2025 Audits

In Progress:

- Operator Fitness for Duty
 - Rail
 - Bus
 - Paratransit
- VM Employee Mileage Reimbursement Process
- IT Change Management
- IT Patch Management
- Construction Management Contract
- ISSA and FTA Triennial Review

2



2

Audit Recommendations Update

- 12 recommendations are in progress

3



3



4

Executive Summary



DATE

March 26, 2025

AGENDA ITEM 6

SUBJECT

Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

PURPOSE

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

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

Joint Agenda

Job Order Contracts – Expenditure Authority Increase - authorization for the Chief Executive Officer to provide additional contract expenditure authority for the Job Order Contracts with SDB, Inc, Stacy and Witbeck, Inc., and J. Banicki Construction. in the amount of \$19.7 million. This action would provide an overall contract authority of \$39.7 million.

TMC Agenda

Proposed October 2025 Service Changes - authorization for the Chief Executive Officer to amend member agency FY25 IGAs as necessary, and to execute change orders to the Keolis fixed route contract to accommodate the recommended October 2025 service changes.

Transportation Demand Management Platform Contract Award - authorization for the Chief Executive Officer to enter into a contract with Right Click Solutions, Inc., dba Ride Amigos, for a Transportation Demand Management Platform for a one-year base term and four, one-year options for an aggregate total contract value of \$519,750.

Gilbert Park-and-Ride Design, Construction, and Funding Agreement - authorization for the CEO to execute the Design, Construction, and Funding Agreement with the Town of Gilbert for the park-and-ride project.

RMC Agenda

Federal Transit Administration Pass-Through Grant Amendment - authorization for the Chief Executive Officer to execute an IGA amendment with the City of Phoenix for the listed grant.



Light Rail Alignment Camera Replacements Contract Award - authorization for the Chief Executive Officer to execute a cooperative contract with Applied Business Communications of Arizona (ABCOM) to purchase 206 of the 760 cameras to replace cameras along the alignment in the amount of \$212,322 plus a 5% contingency of \$10,616, for an aggregate amount of \$222,938.

RECOMMENDATION

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

ATTACHMENT

Information Summaries for items listed above.

Executive Summary



DATE

March 26, 2025

AGENDA ITEM 4

SUBJECT

Job Order Contracts – Expenditure Authority Increase

COST AND BUDGET

This request is for approval for the Chief Executive Officer (CEO) to provide additional contract expenditure authority for the Job Order Contracts (JOC) with J. Banicki Construction, Stacy and Witbeck, Inc., and SDB, Inc. in the amount of \$19.7 million.

The JOC contracts are task order based. The source of funding will be determined on an individual task order basis specific to a project. Typical sources of funding for the projects will be from the regional Public Transportation Fund (PTF), federal funding, and/or Member cities. It is estimated that 90% of the contract work will support VMR and 10% will support RPTA.

RECOMMENDATION

Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the Chief Executive Officer to provide additional contract expenditure authority for the Job Order Contracts with SDB, Inc, Stacy and Witbeck, Inc., and J. Banicki Construction. in the amount of \$19.7 million. This action would provide an overall contract authority of \$39.7 million.

STRATEGIC PLAN ALIGNMENT

This item relates to the following goals and strategies in the Five-Year Strategic Plan,

- Goal 1: Deliver excellent customer experience
 - Initiative 1.2: Prioritize a unified customer experience across various modes and services, moving from transactional to relational interactions.
- Goal 3: Prioritize security on transit
 - Initiative 3.4: Evaluate the physical infrastructure and security of regional transit assets and stations and make necessary improvements (e.g., crime prevention through environmental design (CPTED); better lighting, restrict hiding places, enhance security monitoring systems).
- Goal 5: Deliver on stakeholder collaboration and unify efforts from diverse interests
 - Initiative 5.3: Engage and diversify third-party contractors and consultants for collaborative success on shared projects, setting clear expectations, priorities, and ensuring responsiveness.

COMMITTEE PROCESS

RTAG: March 18, 2025 for information

TMC/RMC: April 2, 2025 for action

Boards of Directors: April 17, 2025 for action



CONTACT

Trevor Collon, PE
Chief of Capital Development
tcollon@valleymetro.org

ATTACHMENT

None



Background Information

Job Order Contracts – Expenditure Authority Increase

BACKGROUND DISCUSSION

In October 2023, the Joint Boards of Directors authorized the CEO to execute Job Order Contracts (JOCs) with J. Banicki Construction, Stacy and Witbeck, Inc., and SDB, Inc to provide construction services for Valley Metro’s transit capital and operating needs for a combined amount not to exceed \$20 million for a three-year base term. These three task-order-based, FTA-compliant contracts were executed on January 2, 2024. The contract includes two one-year options, for a total potential contract term of five years. This request does not involve the exercising of contract option years, which would be considered separately at a later date.

The JOC Contractors perform construction projects of various sizes to support bus and rail operations and maintenance. Valley Metro’s rail system is transitioning to a mature operating service with many assets having been in continual service for over fifteen years. In order to maintain Valley Metro’s critical assets in a state of good repair, it is important to begin rehabilitating or replacing assets that have reached end-of-life with no available replacement parts, have become obsolete due to new technology, or have been replaced by new standards as design criteria have evolved over time.

Valley Metro’s recent efforts in improving its transit asset management processes have helped to identify the assets that need to be addressed in future years. Historical costs were used to estimate anticipated spend during the solicitation of the JOCs and did not accurately reflect the volume of work and the costs of these types of asset repairs (e.g., track, traction power, rail, signal/communications equipment).

As of March 2025, 87% of the \$20 million contract authority has been obligated through over 50 task orders. The project needs have outpaced originally forecasted demand. To date, 96% of the task orders by dollar value have been in support of VMR with the remaining 4% supporting RPTA. With upcoming efforts on a bus park-and-ride and Valley Metro’s bus fleet electrification initiative, it is anticipated that those percentages will be closer to approximately 90% VMR and 10% RPTA at the completion of the 3-year base term of the contract. This request is solely for additional contract expenditure authority through the base term of the contract, through January 2027.

Table 1 provides a summary of actual and anticipated expenditures through the end of the three-year base contract term (January 2027).



Table 1. Summary of JOC Contract Obligations

| Description | Amount |
|--|---------------------|
| Existing Contract Expenditure Authority | \$20,000,000 |
| Executed Task Orders (January 2024-March 2025) | \$17,400,000 |
| Anticipated Task Orders (April 2025-December 2026) | \$20,500,000 |
| TOTAL | \$37,900,000 |
| Deduct Existing Contract Authority | -\$20,000,000 |
| Additional Contract Authority Needed | \$17,900,000 |
| 10% Contingency | \$1,790,000 |
| TOTAL | \$19,690,000 |
| Total Additional Contract Authority Requested | \$19,700,000 |

To date, the current JOCs have provided support services on multiple efforts including:

- Civil site preparation for the installation of station platform mobile fare validators and ticket vending machines
- Rail operations and maintenance center facility rehabilitation and improvements
- Member Agency transit center construction
- Public art maintenance
- Rail station painting and station safety railing
- Rail alignment repairs
- Accident repairs (property damage)
- Two-line wayfinding signage installation at rail stations and streetcar stops
- Civil site preparation for ticket vending machines at streetcar stops


In addition, future projects are also anticipated to include:


- Member Agency bus park-and-ride construction
- Electric bus charging infrastructure construction
- Rail system fiber installation
- Rail alignment repairs
- Facilities rehabilitation
- Traffic signal optimization
- Crime prevention through environmental design (CPTED) improvements
- Emergency services


This item serves the Agency’s strategic plan by ensuring Valley Metro can continue to deliver excellent customer service, prioritize security, and deliver on stakeholder collaboration to unify efforts from diverse interests.



1








Contracts Summary

- Contracts executed in January 2024
- Term: 3-year base + two option years*
- Current contract expenditure authority is \$20 million total over three contracts
- Task-order, FTA-compliant, cooperative contract available to Member Agencies
- Requesting additional \$19.7 million over the 3-year base term
 - *Exercising option years are not included in this Board action and would be brought for consideration at a later date.



2

2

Completed Projects



FCSM Support



HVAC Rehabilitation



Mesa Bus Yard Concrete Repairs



Avondale Transit Center



19th Ave/Dunlap Retention Basin Fencing

3

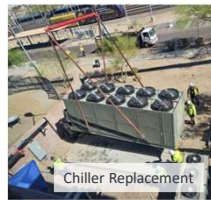
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Completed Projects



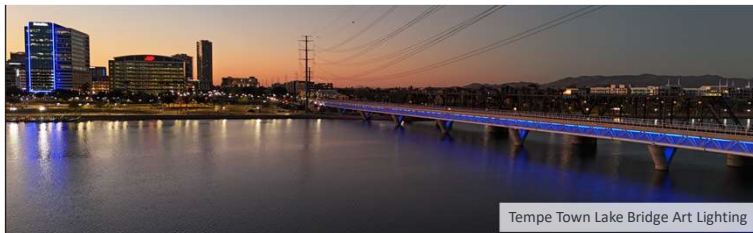
Tenant Improvements



Chiller Replacement



Station Painting



Tempe Town Lake Bridge Art Lighting

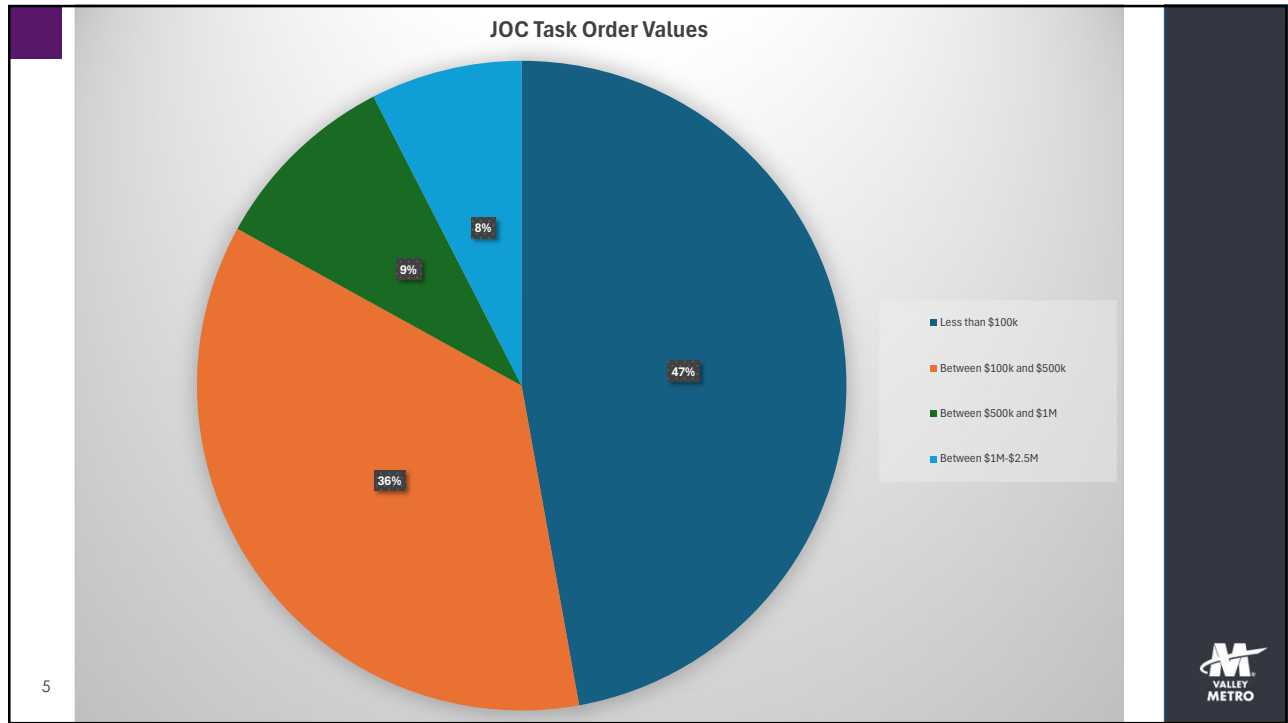


Rail Repairs

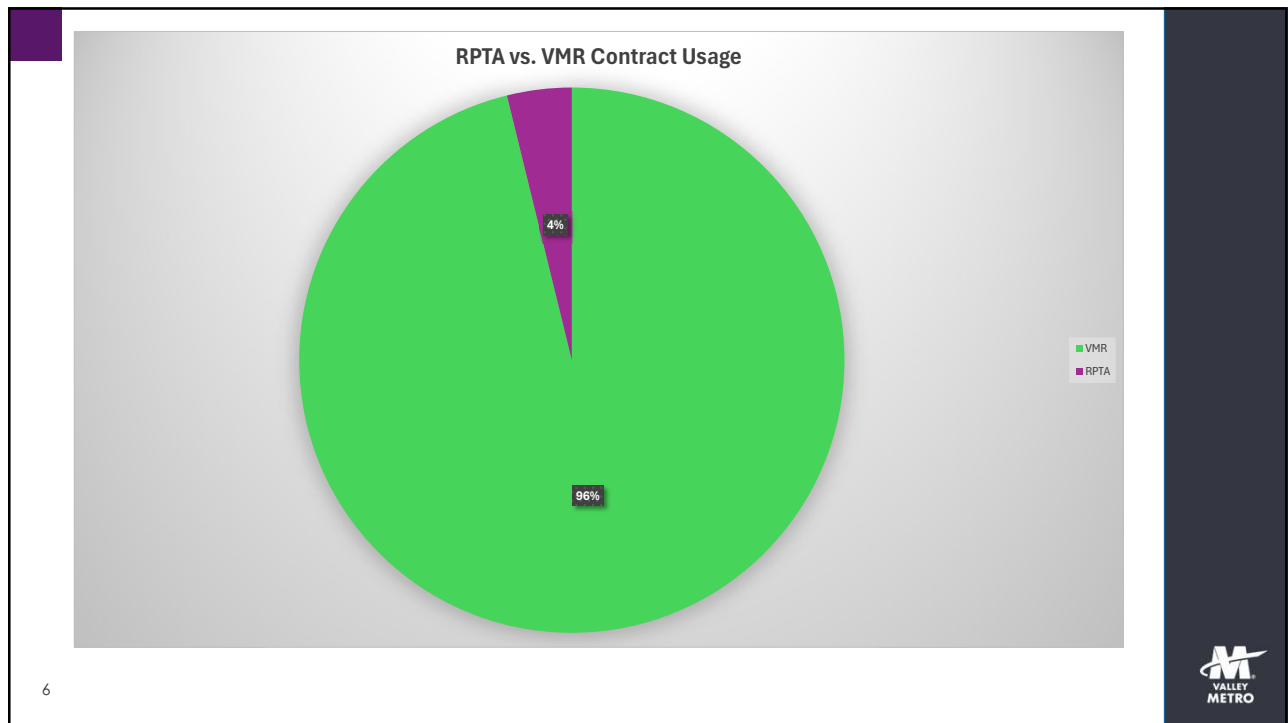
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| Description | Amount |
|--|---------------------|
| Existing Contract Expenditure Authority | \$20,000,000 |
| Executed Task Orders (January 2024-March 2025) | \$17,400,000 |
| Anticipated Task Orders (April 2025-December 2026) | \$20,500,000 |
| TOTAL | \$37,900,000 |
| Deduct Existing Contract Authority | -\$20,000,000 |
| Additional Contract Authority Needed | \$17,900,000 |
| 10% Contingency | \$1,790,000 |
| TOTAL | \$19,690,000 |
| Total Additional Contract Authority Requested | \$19,700,000 |

7



7

Anticipated Future Projects

- Rail station painting and canopy replacements
- Rail station surface paver replacement to concrete
- Town of Gilbert Park-and-Ride
- Electric Bus Charging Infrastructure Installation
- Crime Prevention Through Environmental Design (CPTED) Improvements
- Collision Reduction/Travel Time Optimization efforts
- Facilities maintenance (e.g., HVAC, roof)
- Public art maintenance
- Accident Repairs and Emergency Services
- Overall Anticipated Expenditures: 90% VMR and 10% RPTA

8



8

Recommendation

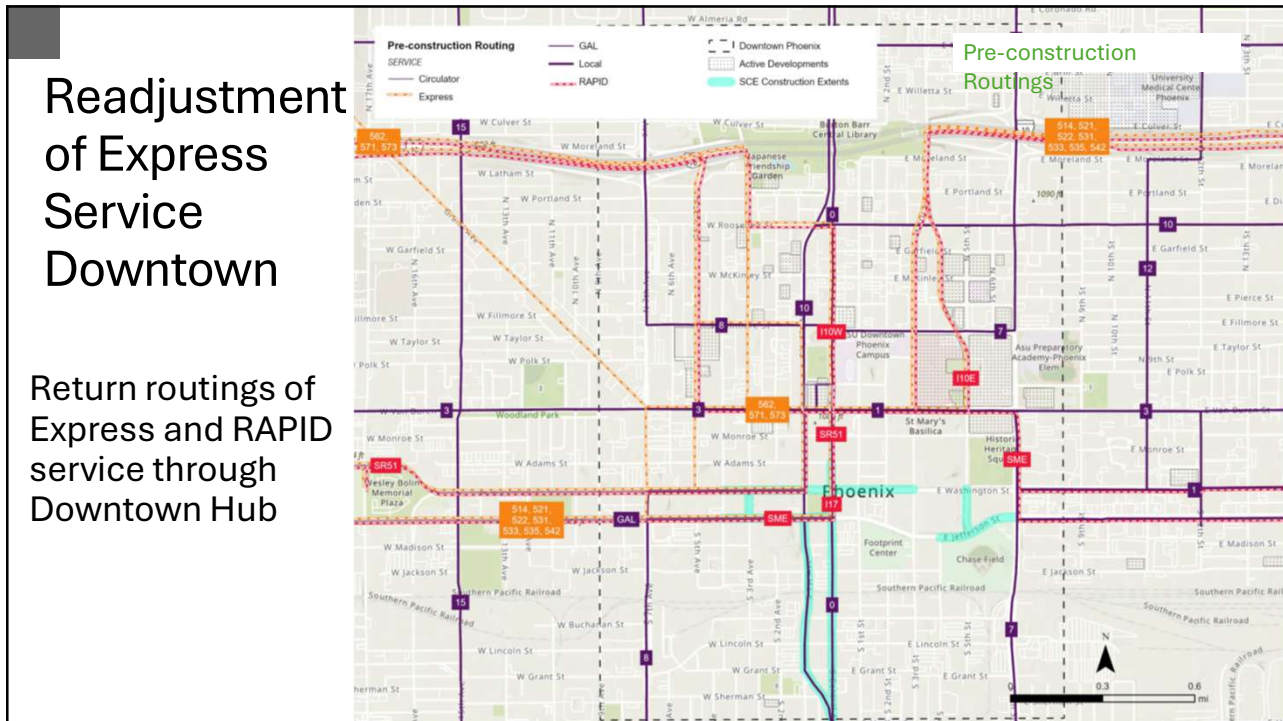
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to provide additional contract expenditure authority for the Job Order contracts with SDB, Inc, Stacy and Witbeck, Inc., and J. Banicki Construction in the amount of \$19.7 million. This action would provide an overall contract authority of \$39.7 million.

9





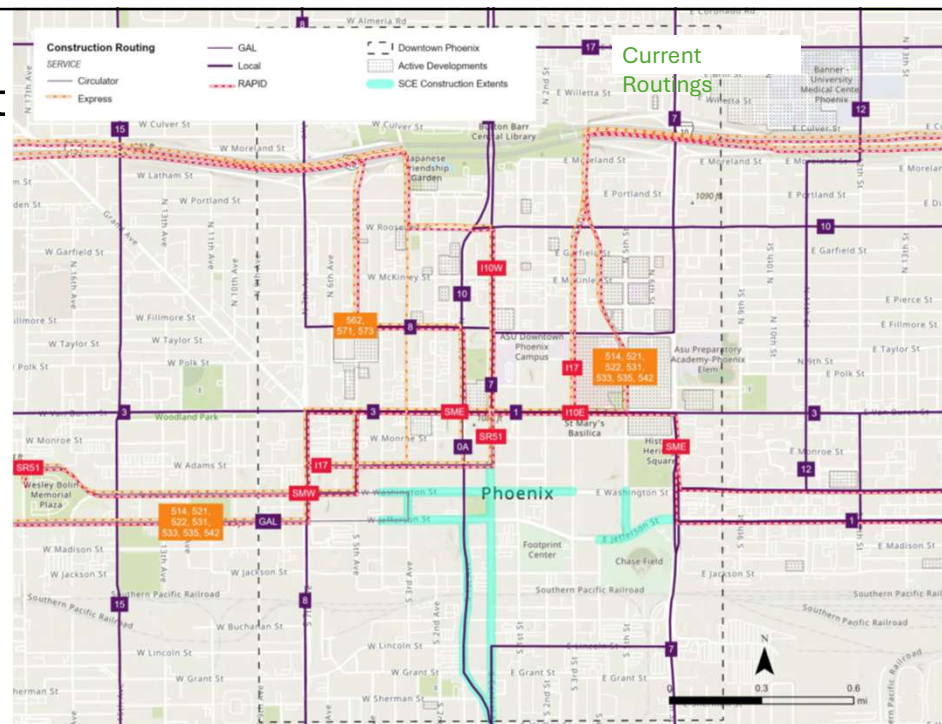
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2

Readjustment of Express Service Downtown

Return routings of Express and RAPID service through Downtown Hub



3

Other Notable Service Changes

- **Route 104 Alma School:** The local bus service on Alma School is proposed to have an expansion of evening span, with Saturday service extended until 9 PM in Chandler.
- **Route 112 Country Club/Arizona Ave:** Route extension, extended to Hamilton High School or Snedigar Sports Center, starting October 2025.
- **Route 136 Gilbert Rd:** The local bus service on Gilbert Rd is proposed to have a span expansion with extended evening service on weekdays and Saturdays to Chandler.
- **Route 156 Chandler Blvd:** The local bus service on Chandler Blvd is proposed to have a peak frequency increase to 15 minutes from the western end of line to Gilbert Rd.
- **Route 542 Chandler Express:** The Express bus service from Chandler PNR to downtown Phoenix is proposed to add one additional morning and evening trip.



4

Recommendation

Staff recommends that the TMC forward to the Board of Directors authorization for the Chief Executive Officer to amend member agency FY25 IGAs as necessary, and to execute change orders to the Keolis fixed route contract to accommodate the recommended October 2025 service changes.



Executive Summary



DATE

March 26, 2025

AGENDA ITEM 1B

SUBJECT

Proposed October 2025 Service Changes

COST AND BUDGET

Items here include only service changes for Valley Metro-operated services and routes, and routes funded through the regional Public Transportation Fund (PTF). Costs for changes that do not impact Valley Metro-operated routes and routes not funded through PTF are excluded from this memorandum. Contract adjustments for minor bus service changes that do not require an amendment to the IGAs will be made through the year-end reconciliation process.

RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the Chief Executive Officer to amend member agency FY25 IGAs as necessary, and to execute change orders to the Keolis fixed route contract to accommodate the recommended October 2025 service changes.

STRATEGIC PLAN ALIGNMENT

This item relates to the following goals and strategies in the Five-Year Strategic Plan,

- Goal 4: Data Collaboration and Technology
 - Tactic 4.2 Understand customer interaction through the enterprise capture, integration and data analysis to better serve riders.
- Goal 5: Stakeholder Collaboration
 - Tactic 5.2 Incorporate member agency and stakeholder input into action plans to build the future regional transit system.
- Goal 8: Operational Excellence
 - Tactic 8.3: Improve service quality through enhanced planning, performance management and continuous process improvement.

COMMITTEE PROCESS

RTAG: March 18, 2025 for information

TMC/RMC: April 2, 2025 for information

Board of Directors: April 17, 2025 for information

CONTACT

Aaron Xaevier

Service Planning & GIS Manager

axaevier@valleymetro.org

ATTACHMENT

None



Background Information

October 2025 Proposed Service Changes

BACKGROUND

Effective October 27, 2025 Valley Metro the following transit service change is proposed for the region. Changes were coordinated and analyzed through the five-year Short Range Transit Program as well as the Board adopted Transit Standards and Performance Measures. In addition, the fixed route service changes are proposed and reviewed in coordination with the Valley Metro Service Planning Working Group, comprising representatives from Valley Metro member agencies. Valley Metro also worked with each affected member agency regarding the proposed changes and funding impacts prior to arriving at recommendations. Extensive public outreach will also be conducted.

This summary includes the one recommended bus service change for Valley Metro-operated services and routes, and routes funded through the regional Public Transportation Fund (PTF). Changes that only affect locally funded service operated by other agencies (e.g. Phoenix) are not addressed herein. Overall, the proposed changes include fixed route service elimination.

Service Changes

Regional Express Route Realignment: Valley Metro Express services provide commuter-oriented services to downtown Phoenix during weekday peak hours. These routes were realigned in the downtown Phoenix area to accommodate the construction of the South Central Extension, the Downtown Hub, and Central Station. With construction ending for the rail work in the summer, and Central Station in the fall, these routes are proposed to be rerouted to an alignment closer to pre-construction routing. A study is currently being conducted to determine the best alignment for these reroutings which will be completed at the end of March, and shared when available. The routes listed below will be rerouted as noted:

- Route 514 Scottsdale Express
- Route 521 Central Tempe Express
- Route 522 South Tempe Express
- Route 531 Mesa/Gilbert Express
- Route 533 Mesa Express
- Route 535 Northeast Mesa Express
- Route 542 Chandler Express
- Route 562 Goodyear Express
- Route 563 Avondale/Buckeye Express
- Route 571 Surprise Express
- Route 573 West Glendale Express
- Route 575 North Glendale Express



Route 104 Alma School: The local bus service on Alma School is proposed to have an expansion of evening span, with Saturday service extended until 9 PM in Chandler.

Route 112 Country Club/Arizona Ave: Route extension, extended to Hamilton High School or Snedigar Sports Center, starting October 2025.

Route 136 Gilbert Rd: The local bus service on Gilbert Rd is proposed to have a span expansion with extended evening service on weekdays and Saturdays to Chandler.

Route 156 Chandler Blvd: The local bus service on Chandler Blvd is proposed to have a peak frequency increase to 15 minutes from the western end of line to Gilbert Rd.

Route 542 Chandler Express: The Express bus service from Chandler PNR to downtown Phoenix is proposed to add one additional morning and evening trip.

Public Outreach

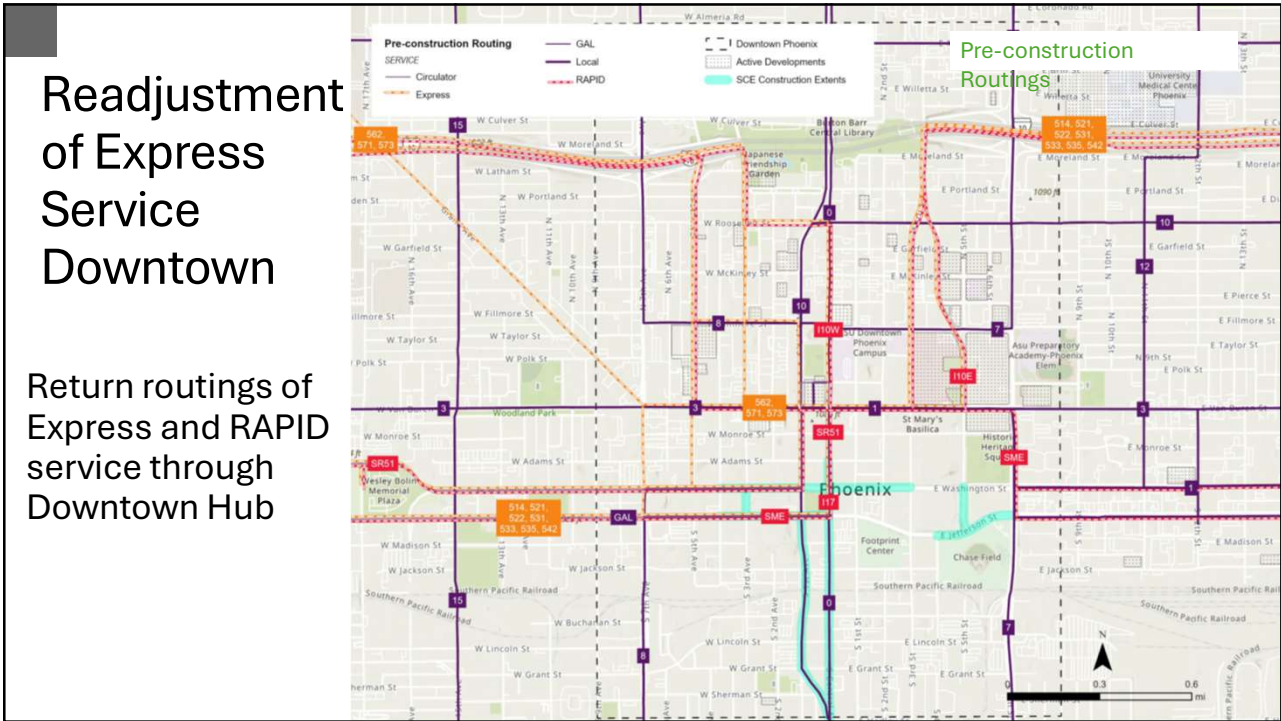
An extensive public outreach will be conducted during May 2025, via online comment, email, social media and a remote public hearing via webinar. The outreach covered all proposed service changes regardless of funding source or operator.

- **Input Opportunities:**
 - Virtual public hearing conducted mid-May 2025
 - Online comment card
 - Via email at input@valleymetro.org
 - Social media

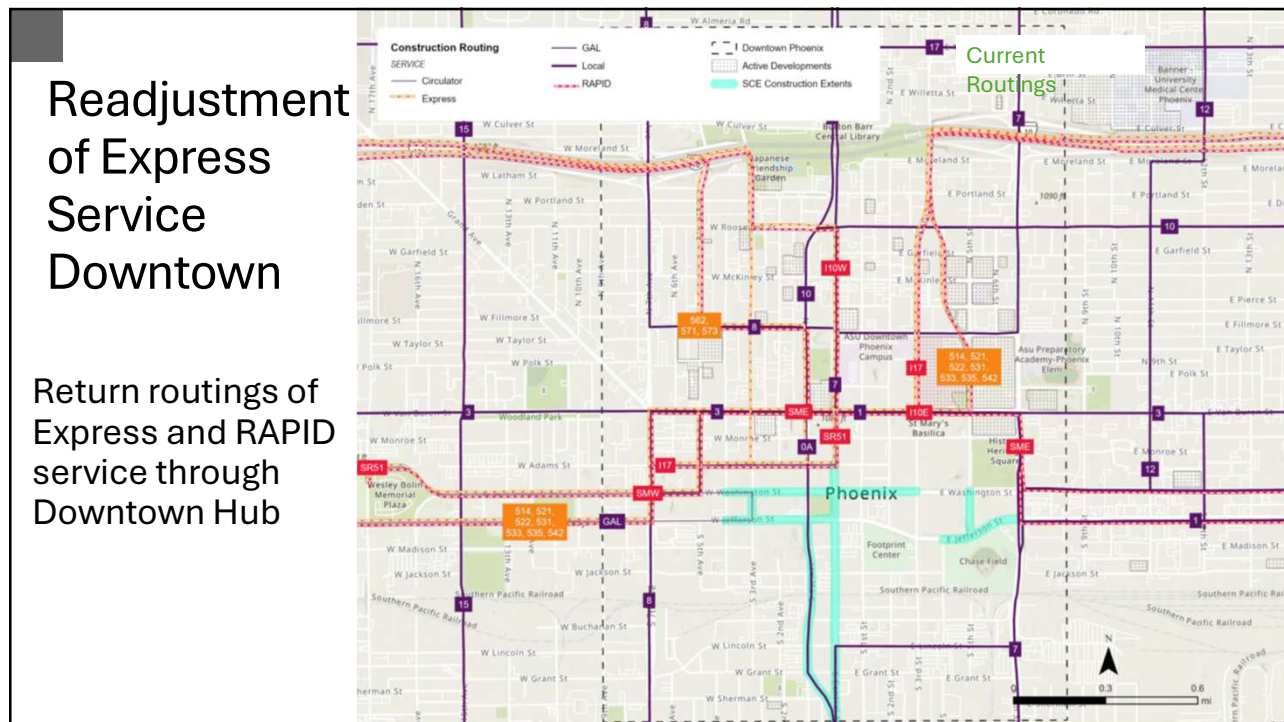
- **Communication Channels:**
 - Advertisements will be placed in the *Arizona Republic*, *East Valley Tribune*, *La Prensa Hispana*, *La Voz* and *Arizona Informant*. They included information regarding the proposed route changes, public comment period and public hearing.
 - Transit vehicle announcements (Route Scout)
 - A-frame signage at key transit locations
 - Email notices to riders and Trip Reduction Program employers
 - Press release resulting in news coverage
 - Social media posts
 - Website (valleymetro.org/service-changes)
 - Internal communication to staff and contractors



1



2



3

Other Notable Service Changes

- **Route 104 Alma School:** The local bus service on Alma School is proposed to have an expansion of evening span, with Saturday service extended until 9 PM in Chandler.
- **Route 112 Country Club/Arizona Ave:** Route extension, extended to Hamilton High School or Snedigar Sports Center, starting October 2025.
- **Route 136 Gilbert Rd:** The local bus service on Gilbert Rd is proposed to have a span expansion with extended evening service on weekdays and Saturdays to Chandler.
- **Route 156 Chandler Blvd:** The local bus service on Chandler Blvd is proposed to have a peak frequency increase to 15 minutes from the western end of line to Gilbert Rd.
- **Route 542 Chandler Express:** The Express bus service from Chandler PNR to downtown Phoenix is proposed to add one additional morning and evening trip.

4

Recommendation

Staff recommends that the TMC forward to the Board of Directors authorization for the Chief Executive Officer to amend member agency FY25 IGAs as necessary, and to execute change orders to the Keolis fixed route contract to accommodate the recommended October 2025 service changes.





Executive Summary

DATE

March 26, 2025

AGENDA ITEM 1C

SUBJECT

Transportation Demand Management Platform Contract Award

COST AND BUDGET

Cost for the full contract term is \$472,500, plus a contingency of \$47,250 or 10%, for an aggregate value of \$519,750 for up to five years.

For FY25, the Agency contract obligation is \$94,500, which is fully funded within the adopted FY25 Operating and Capital Budget. Contract obligations beyond FY25 are incorporated into the Agency's Five-Year Operating Forecast and Capital Program (FY26 through FY31).

The source of funds are federal grants.

RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the Chief Executive Officer to enter into a contract with Right Click Solutions, Inc., dba Ride Amigos, for a Transportation Demand Management Platform for a one-year base term and four, one-year options for an aggregate total contract value of \$519,750.

STRATEGIC PLAN ALIGNMENT

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

- Goal 1: Delivering excellent customer experience
 - Initiative 1.2: Prioritize a unified customer experience across various modes and services, moving from transactional to relational interactions
- Goal 8: Operational excellence
 - Initiative 8.1: Optimize service performance to meet current and evolving regional transit needs

COMMITTEE PROCESS

RTAG: March 18, 2025, for information

TMC: April 2, 2025, for action

Board of Directors: April 17, 2025, for action

CONTACT

Abigail Cooksey-Williams

Manager, TDM/Commute Solutions

acwilliams@valleymetro.org

ATTACHMENT

A copy of the contract is available upon request.



Background Information

BACKGROUND DISCUSSION

Valley Metro Commute Solutions assists employers in the Maricopa County Travel Reduction Program (TRP), as well as the public, in finding commuting alternatives to driving alone.

A key element of this program is ShareTheRide.com. ShareTheRide is Valley Metro's free, online commute-matching system. The tool connects Maricopa County commuters to a secure matching platform that displays carpooling, vanpooling, transit, and/or bicycle options. The homepage of ShareTheRide includes links to additional information for various modes. For commuters, in addition to creating commute matches, the new and enhanced system will:

- Manage online contests and challenges to reward alternative mode users.
- Offer gamification and perks via a user-friendly branded mobile app.
- Calculate pollution, fuel, and financial savings from alternative mode use.
- Provide results and reporting on an individual or aggregated basis.
- Provide real-time information on traffic, transit routes, and more.

ShareTheRide also allows companies to manage their Travel Reduction Programs (TRP) online, streamlining tracking efforts. Employers can manage their internal TRP contests and obtain reports of their employees using ShareTheRide and alternative modes. Employers can also create ShareTheRide accounts for employees without internet access.

In 2020, the Board authorized the CEO to enter into a contract with Right Click Solutions Inc., dba Ride Amigos, to implement, host, maintain and administer the current ride-matching software platform supporting ShareTheRide.com. The current service will expire on May 5, 2025.

This contract is needed to meet our contractual obligations with our federally funded partners and associated agreements.

This item has been reviewed and approved by all necessary parties, including Valley Metro IT and the Maricopa County Air Quality Department.

PROCUREMENT INFORMATION

A Request for Proposal procurement was processed in accordance with the Agency's Joint Procurement Manual.



Three offerors submitted proposals deemed responsive and responsible. An evaluation committee made up of Agency staff and a program partner/funder evaluated those offers on the following criteria with a maximum possible point total of 1,000:

- Functional Requirements (0 – 400 points)
- Implementation Plan and Timeline (0 – 200 points)
- Qualifications and Experience (0 – 200 points)
- Price (0 – 200 points)

After reaching consensus, the evaluation committee recommends an award to Right Click Solutions Inc., dba Ride Amigos, based on the following results:

- Right Click Solutions, Inc. dba Ride Amigos 864.30 points
- Agile Mile, Inc. 835.67 points
- CelWell Services, LLC 651.78 points

CONTRACT TYPE AND TERM

The contract is fixed-price with economic adjustment contract. The contract will begin on or about May 11, 2025, for an initial one-year term with four, one-year options to extend, for a maximum term of up to five years.

Transportation Demand Management Platform Contract Award



1

Background Information

- Agency sought a vendor to provide a transportation demand management platform to assist employers in the Travel Reduction Program, as well as the public, in finding commuting alternatives to driving alone.
 - This platform is required as part of a grant funded program and is paid for through federal funds.
- Through competitive solicitation, received 3 proposals.
- Contract award is for an initial one-year term with four, one-year options to extend, for a maximum term up of five years.

2



2

Recommendation

- Staff recommends that the TMC forward to the Board of Directors authorization for the Chief Executive Officer to enter into a contract with Right Click Solutions, Inc., dba Ride Amigos, for a Transportation Demand Management Platform for a one-year initial term and four, one-year options to extend for an aggregate contract value of \$519,750.

3





Executive Summary

DATE

March 26, 2025

AGENDA ITEM 2

SUBJECT

Gilbert Park-and-Ride Design, Construction, and Funding Agreement

COST AND BUDGET

The capital cost estimate to design and construct the Gilbert Park-and-Ride (GPNR) project is \$5.2 million. The GPNR project is eligible for regional funding and is approved in the Regional Transit Life Cycle Plan (TLCP). For Fiscal Year 2025, the Agency obligation is \$1.7 million, which is fully funded within the adopted FY2025 Operating and Capital Budget. Contract obligations beyond FY2025 are incorporated into the Agency's Five-Year Operating Forecast and Capital Program (FY2024 thru FY2028). The source of funds is PTF.

RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute the Design, Construction, and Funding Agreement with the Town of Gilbert for the park-and-ride project.

STRATEGIC PLAN ALIGNMENT

This item relates to the following goals and strategies in the Five-Year Strategic Plan,

- Goal 1: Deliver excellent customer experience
 - Initiative 1.5: Continue to expand transit availability and equity
- Goal 5: Stakeholder collaboration
 - Initiative 5.2: Incorporate member agency and stakeholder input into action plans to build the future regional transit system
- Goal 8: Operational Excellence
 - Initiative 8.1: Optimize service performance to meet current and evolving regional travel needs

COMMITTEE PROCESS

RTAG: March 18, 2025 for information

TMC: April 2, 2025 for action

Board of Directors: April 17, 2025 for action

CONTACT

Trevor Collon, PE

Chief, Capital Development

tcollon@valleymetro.org

ATTACHMENT

None.

A draft of the agreement is available upon request.



Background Information

BACKGROUND DISCUSSION

In February 2023, Valley Metro initiated a park-and-ride relocation study at the request of the Town of Gilbert. Transit operations at an existing park-and-ride facility are scheduled to end in 2025 with the redevelopment of the existing site. The park-and-ride relocation study included scope to provide professional services to the Town of Gilbert to complete an assessment of potential sites to develop a new park-and-ride facility.

The study included:

- (1) Public involvement
- (2) Express Service Market Analysis on service in the East Valley
- (3) Facility needs assessment
- (4) Site analysis selection
- (5) Express service scenario planning
- (6) Conceptual design of the new park-and-ride facility
- (7) Title VI Analysis
- (8) Capital cost estimate
- (9) Final report summarizing completed work

The study includes recommendations to provide a park-and-ride facility with up to 100 parking stalls, with options for future expansion. Title VI outreach was performed in Fall 2024 to review the study recommendations, including a review of the preferred site for the new park-and-ride facility.

The intent of this Design, Construction, and Funding Agreement (DCFA) is to finalize preliminary engineering, design, and construct a new park-and-ride facility at the preferred site location as recommended by the park-and-ride relocation study. The DCFA also defines the relationship between Regional Public Transportation Authority (RPTA) and Town of Gilbert relating to the administration, management, and funding of the project. All project procurements required to complete the project will be the responsibility of RPTA, except procurements related to property rights acquisition services. No property acquisition services are expected to be required. The project is anticipated to be completed in 2026.

The Gilbert Town Council will took action to approve this agreement in February 2025.



1

Gilbert Park-and-Ride (GPNR) Design, Construction, and Funding Agreement

- Agreement between Town of Gilbert and Valley Metro to define design, construction, and funding roles, responsibilities, expectations, and obligations
- Currently programmed in the Regional Transit Life Cycle Plan (TLCP), project funded with PTF
- Capital cost estimate of \$5.2M with project completion in 2026
- No property acquisition anticipated

2

2

Conceptual Design – Gilbert Park-and-Ride (GPNR)



3



3

Recommendation

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute the Design, Construction, and Funding Agreement with the Town of Gilbert for the park-and-ride project.

4



4

Executive Summary

**DATE**

March 26, 2025

AGENDA ITEM 1B**SUBJECT**

Federal Transit Administration Pass-Through Grant Amendment

COST AND BUDGET

All expenses will be included in FY 2026 Capital Budget and 5-Year Capital Program that will be submitted separately for board approval. The grant funds will offset expenses, reducing the net cost to the Public Transportation Fund budgets.

RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the Chief Executive Officer to execute an IGA amendment with the City of Phoenix for the listed grant.

STRATEGIC PLAN ALIGNMENT

- Goal 9: Financial sustainability
 - Initiative 9.3: Maximize revenue generation, including advertising, farebox recovery, and discretionary/competitive grant opportunities.

COMMITTEE PROCESS

RTAG: March 18, 2024 for information

RMC: April 2, 2025 for approval

Board of Directors: April 17, 2025 for action

CONTACT

Ken Kessler

Chief Financial Officer

kkessler@valleymetro.org

ATTACHMENT

None



Background Information

Federal Transit Administration Pass-Through Grant Amendment

BACKGROUND DISCUSSION

Valley Metro is being provided federal funds through the Federal Transit Administration (FTA) for Tempe Streetcar capital project. The pass-through grant agreement AZ-2019-031 with the City of Phoenix will expire on June 30, 2025. An extension until June 30, 2026 is needed as additional time is needed to pay the final capital project costs and drawdown the remaining federal funding.

| <i>Grant</i> | FTA Program | Federal Share (Remaining) | Local Share (Remaining) | Regional (Remaining) | Total (Remaining) |
|--------------|--------------------------|----------------------------------|--------------------------------|-----------------------------|--------------------------|
| AZ-2019-031 | Capital Investment Grant | \$676,021 | - | \$837,494 | \$1,513,515 |

The City of Phoenix is the designated recipient of all FTA grant funds for the region. Valley Metro undertakes projects approved for FTA grant funding, then submits requests to Phoenix for reimbursement of actual expenses incurred. Phoenix then executes a drawdown of funds from FTA to pass through the reimbursement to Valley Metro.

This item serves the Agency's strategic plan by providing financial sustainability by offsetting expenses and reducing the net cost to the Public Transportation Fund budgets.




1

FTA Pass-Through Agreements

Grant Extension until June 30, 2026

| Grant | FTA Program | Federal Share | Remaining Funding | | Total |
|-------------|--------------------------|---------------|-------------------|-----------|-----------|
| | | | Local Share | Regional | |
| AZ-2020-027 | Capital Investment Grant | \$676,021 | - | \$837,494 | 1,513,515 |

- Grant agreement for AZ-2019-031 will expire on 6/30/25
- Extension needed to provide additional time is needed to pay the final capital project costs and drawdown the remaining funding



2

Recommendation

Staff recommends that the RMC forward to the Board of Directors authorization for the Chief Executive Officer to execute an IGA amendment with the City of Phoenix for the listed grant.

3



Executive Summary



DATE

March 26, 2025

AGENDA ITEM 1C

SUBJECT

Light Rail Alignment Camera Replacements Contract Award

COST AND BUDGET

Cost for the full term is \$212,322 plus a 5% contingency of \$10,616, for an aggregate amount of \$222,938.

For FY25, the Agency contract obligation is fully funded within the adopted FY25 Operating and Capital Budget. Contract obligations beyond FY25 are incorporated into the Agency's Five-Year Operating Forecast and Capital Program (FY26 through FY30).

The source of funds is member cities.

RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the Chief Executive Officer to execute a cooperative contract with Applied Business Communications of Arizona (ABCOM) to purchase 206 of the 760 cameras to replace cameras along the alignment in the amount of \$212,322 plus a 5% contingency of \$10,616, for an aggregate amount of \$222,938.

STRATEGIC PLAN ALIGNMENT

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

- Goal 1: Increase customer focus
 - Tactic A: Improve customer satisfaction
- Goal 2: Advance performance-based operation
 - Tactic A: Operate an effective, reliable, high-performing transit system

COMMITTEE PROCESS

RTAG: February 18, 2025 for information

RMC: April 17, 2025 for action

Board of Directors: April 20, 2025 for action

CONTACT

Darren Curry

Chief Maintenance Officer

dcurry@valeymetro.org

ATTACHMENT

None

Background Information

Alignment Cameras Replacements – Request for Award

BACKGROUND DISCUSSION

The cameras along the Central Mesa Extensions (CME) and Central Phoenix East Valley (CPEV) extension that were not updated during the last upgrade in 2017 have become outdated and new upgrades are programmed in FY25. The Signals and Communication team along with the SCADA Administrators selected three different types of cameras to give adequate coverage at the passenger stations.

The three camera types are:

- **Fixed mount box cameras:** These cameras are used mainly to view Fare Vending Machines. They are enclosed in weatherproof housing to protect them from the elements and heat.
- **Fixed mount dome cameras:** These cameras have a transparent dome cover. Although they are aimed in one direction, they have a wide viewing angle. The camera module can be rotated for the area needing monitoring.
- **PTZ (Pan, Tilt, Zoom) dome cameras:** These cameras have a motorized camera module that can be remotely rotated to the viewing area needed.

Contract authority requested is for the purchase of the camera hardware only. The installation will be completed by Valley Metro staff. Also, the cameras will have no impact on the proprietary software.

PROCUREMENT INFORMATION

In accordance with the Agency's Joint Procurement Manual, standard competition was waived as a result of an approved Determination Memo based upon the following reason: Special Circumstances – Alternative Competition. The Applied Business Communications of Arizona, LLC (ABCOM) Security and Protection Systems contract (CTR056378) was awarded using a competitive process consistent with the Agency's procurement processes.




CONTRACT TYPE AND TERM

The contract is a firm fixed-price contract. The contract will begin on or about March 24, 2025, and shall be co-terminus with the Cooperative Contract, as amended.



1

Light Rail Alignment Camera Replacement Contract Award

- Fixed Mount Camera – These cameras are used mainly to view Fare Vending Machines. They are enclosed in weatherproof housing to protect them from the elements and heat.
 
- Fixed Mount Dome Camera - These cameras have a transparent dome cover. Although they are aimed in one direction, they have a wide viewing angle. The camera module can be rotated for the area needing monitoring.
 
- PTZ (Pan, Tilt and Zoom) Camera – These cameras have a motorized camera module that can be remotely rotated to the viewing area needed.
 

2



2

Recommendation

Staff recommends that the RMC forward to the Board of Directors authorization for the Chief Executive Officer to execute a cooperative contract with Applied Business Communications of Arizona (ABCOM) to purchase 206 of the 760 cameras to replace cameras along the alignment in the amount of \$212,322 plus a 5% contingency of \$10,616, for an aggregate amount of \$222,938.

3



Executive Summary



DATE

March 26, 2025

AGENDA ITEM 7

SUBJECT

Report on Current Events and Suggested Future Agenda Items

COST AND BUDGET

There are no costs associated with this item

RECOMMENDATION

This item is presented for information only.

CONTACT

Jessica Mefford-Miller
Chief Executive Officer

jmeffordmiller@valleymetro.org

ATTACHMENT

None

Pending Items Request

| Item Requested | Date Requested | Planned Follow-up Date |
|----------------|----------------|------------------------|
| | | |
| | | |