MEETINGS OF THE

Boards of Directors

Joint Meeting of Valley Metro RPTA and Valley Metro Rail	Valley Metro RPTA	Valley Metro Rail

Date:

June 16, 2022

Starting Time

11:15 a.m.

Meetings to occur sequentially

Location:

Valley Metro

Boardroom/Webex

101 N. 1st Avenue, 10th Floor

If you require assistance accessing the meetings on the 10th floor, call 602.262.7433.

Agenda

June 9, 2022

Joint Meeting Agenda
Valley Metro RPTA
And
Valley Metro Rail
Thursday, June 16, 2022
Valley Metro, 101 N. 1st Avenue, 10th Floor
Boardroom/Webex
11:15 a.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 16 minutes for all speakers will be provided.	
2. Chief Executive Officer's Report	2. For information
Jessica Mefford-Miller, CEO, will brief the Joint Boards on current issues.	
3. Audit and Finance Subcommittee Update	3. For information
Councilmember Stipp, AFS Chair, will provide an update on the discussions and actions taken at the AFS meeting.	
CONSENT AGENDA	
4A. Minutes	4A. For action
Minutes from the May 19, 2022 Joint Board meeting are presented for approval.	
4B. Fiscal Year 2023 (FY23) Intergovernmental Agreements (IGA)	4B. For action
Staff recommends that the Boards of Directors authorize the CEO to execute the FY23 IGAs and IGA amendments as listed and for the periods of performance.	

4C. Authorization to Continue the Purchase of IT Hardware and Maintenance Agreements for FY 2023 — 4C. For action

Staff recommends that the Boards of Directors authorize the CEO to continue procuring necessary IT hardware and maintenance agreements. The period of authorization will cover FY 2023 – FY 2026 in an amount not to exceed $608,800, plus a 10% contingency of $60,880, for a total not-to-exceed authorization amount of $669,680.

4D. Authorization to Continue the Purchase of IT Professional Services for FY 2023 — 4D. For action

Staff recommends that the Boards of Directors authorize the CEO to continue procuring necessary IT professional services. The period of authorization will cover FY 2023 – FY 2026 in an amount not to exceed $1,994,900, plus a 16% contingency of $299,300, for a total not-to-exceed authorization amount of $2,294,200.

4E. Authorization to Continue the Purchase of Software Subscriptions and Maintenance Agreements in FY 2023 — 4E. For action

Staff recommends that the Boards of Directors authorize the CEO to continue procuring necessary software subscriptions and maintenance agreements. The period of authorization will cover FY 2023 – FY 2026 in an amount not to exceed $2,422,500, plus a 10% contingency of $242,300, for a total not-to-exceed authorization amount of $2,664,800.

4F. Authorization to Issue a Request for Proposals (RFP) for the 2023 Origin and Destination Study — 4F. For action

Staff recommends that the Boards of Directors authorize the CEO it issue an RFP for the 2023 Origins and Destinations Study.

4G. Authorization to Issue a Request for Proposals for Federal Legislative Consulting Services — 4G. For action

Staff recommends that the Boards of Directors authorize the CEO to issue a request for proposals (RFP) to retain federal legislative consultant services for a two-year base period with three one-year options for a total of five years.

4H. Authorization to Issue a Request for Proposals for State Legislative Consulting Services — 4H. For action

Staff recommends that the Boards of Directors authorize the CEO to issue a request for proposals (RFP) for state legislative consultant services for a two-year base period with three one-year options for a total of five years.

4I. Enterprise Resource Planning (ERP)/Enterprise Resource Management (EAM) Contract Authority Increase for EAM — 4I. For action

Staff recommends that the Boards of Directors authorize the CEO to increase the contract expenditure authority for the ERP/EAM System Implementation contract with Denovo Ventures, LLC by $612,196.

4J. Public Transportation Safety Agency Plan (PTASP) Annual Review — 4J. For action

Staff recommends that the Boards of Directors approve the Public Transportation Safety Agency Plan (PTASP) Annual Review.

4K. Executive Search Firm(s) Contract Awards — 4K. For action

This item will be provided under separate cover.

REGULAR AGENDA

5. Fiscal Year 2023 Valley Metro RPTA and Valley Metro Rail Proposed Operating and Capital Budgets — 5. For information

Jim Hillyard, Acting Chief Financial Officer, will highlight the recommended elimination of the Operating Contingency from both the proposed RPTA and VMR Operating budgets and to summarize the purpose of the June Executive Session.

Official action for the Valley Metro RPTA and Valley Metro Rail FY23 budgets will be taken on the individual agency agendas.

6. <u>Travel, Expenditures and Solicitations</u>	6. For information

The monthly travel, expenditures and solicitations for Valley Metro RPTA and Valley Metro Rail are presented for information.

7. <u>Report on Current Events and Suggested Future Agenda Items</u>	7. For information

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

8. <u>Executive Session</u>	8. For action

The Boards will consider a request to adjourn the Regular Meeting and hold an executive session pursuant to Ariz. Rev. Stat. § 38-431.03(A)(4) for discussion with the General Counsel or attorneys for the organization for legal advice concerning the following contracts that are the subject of negotiations and to instruct the General Counsel and attorneys for the organization in such negotiations: First Transit, Total Transit. ACI, Allied Universal Security, DMS, and TransDev.

9. <u>Next Meeting</u>	9. For information

The next meeting of the Joint Boards is scheduled for **Thursday, August 18, 2022 at 11:15 a.m.**

Qualified sign language interpreters are available with 72 hours notice. Materials in alternative formats (large print or flash drive) are available upon request. For further information, please call Valley Metro at 602-262-7433 or TTY at 602-261-2039. To attend this meeting via teleconference, contact the receptionist at 602-262-7433 for the dial-in-information. The supporting information for this agenda can be found on our web site at www.valleymetro.org.

Information Summary

DATE
June 9, 2022

AGENDA ITEM 1

SUBJECT
Public Comment

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

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Jessica Mefford-Miller
Chief Executive Officer
602-262-7433
jmeffordmiller@valleymetro.org

ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 2**
June 9, 2022

SUBJECT
Chief Executive Officer's Report

PURPOSE
Jessica Mefford-Miller, Chief Executive Officer, will brief the Joint Boards of Directors on current issues.

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Jessica Mefford-Miller
Chief Executive Officer
602-262-7433
jmeffordmiller@valleymetro.org

ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 3**
June 9, 2022

SUBJECT
Audit and Finance Subcommittee (AFS) Update

PURPOSE
Councilmember Stipp, AFS Chair, will provide an update on the discussions and actions taken at the AFS meeting.

BACKGROUND | DISCUSSION | CONSIDERATION
The draft minutes from the June 2, 2022 AFS meeting are attached for further details of the meeting.

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
This item is presented for information only.

CONTACT
Jim Hillyard
Acting Chief Financial Officer
602-262-7433
jhillyard@valleymetro.org

ATTACHMENT
Draft June, 2022 AFS meeting minutes

Minutes

June 9, 2022 **AGENDA ITEM 3**

Audit and Finance Subcommittee
Thursday, June 2, 2022
Via WebEx/Phone
12:00 p.m.

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

Chair Stipp called the meeting to order at 12:05 p.m.

1. Public Comment

Chair Stipp said so with that we'll go ahead and begin with our Public Comment. Mr. Crowley has submitted a card and as gift to both Councilmember Arredondo-Savage and Councilmember Tolmachoff, I have granted Blue's request for double the amount of time to speak today.

Mr. Crowley said well, thank you because I really appreciate them being -- I communicated it to you before. Their intelligence, wit and sensitivity to the problems of the entire system amaze me that you guys do what you do. Appreciate that.

All right. I'll start with my favorite part of the document. I'm going to be covering a couple in here. Is that we're going to be cutting 97,000 miles of bus. It says -- that will be on page 8 and the budget of -- the RPTA budget and it's number 11. Overall, fixed bus route service levels are planned to decrease by 97,000 miles. I keep on trying to find out where you spent the PTF funds and I keep on asking why you haven't, you know done what the plan that we put together said you needed to do, and I'd like to document that your new exec got me -- said that you only cut back two of the super grid routes. And as I've shown you with the document from '06, if you only cut back two of the routes, where's the 25 that aren't there? Because if you only cut back two and that was what the document said so I wonder about those things.

And when it said that there were $140 million of PTF funds going to bus. Well, I'm looking through here and I looked for that number and I don't see it. I don't see it anywhere that that's the amount that were projected and done. In fact, it says in here on page 10 of that. You've got the operating and the capital, and this is for the bus. How come it says VMR public transit funds program $451 million and VMR public transportation reserve another $57 million. And I just have a hard time figuring if there was a cent as aggressively consuming as rail is anywhere that they'd have a reserve from last year.

And then when I look at see the amounts that you're going to be spending on the bus and I don't see any of the expansion. Like I said, $140 million, I know that -- what is it? Close to 97 we have to spend on the operating cost of it. It's -- I've been told before, but that doesn't all PTF. Where is the expansion.

And that's one of the things I'd like to cover in here. It says about how you guys are buying next year -- how many buses was it? 43. Well, over the last 10 years, how many years did you not do that? Because our fleet size should be -- because what we put together for you guys to do it should be immense. As I was saying to your staff person, we had it in there that you had circulators within the smaller communities to be hooked to the bus because back then Surprise, Goodyear were in the hinter lands.

In fact, we didn't realize that when we made the plan that there are Indian reservations right on the other side and why aren't we including them since they are a part of MAG and a part of the region that the bus stops right there next to the Rez. They're a part that does pay taxes if they come to any of our communities and if they are paying for the service both the rail and the bus it would be nice if at least of them made it out onto the Res. Now, we do have one route that is 51st Avenue that goes down to the casino, but that's not the only reason we need to have communities of communication on this.

And my favorite one, you guys had to do how much with the lobbyists, and you've got it on here that we're going to play with them again because they did such an effective job and communicated as well and did what? And remember, don't use convoluted funds.

And then the one for the State. That's interesting too. Not that any of your cities doesn't right now lobby the legislature, but when it comes to bus and even rail transit, you know what they feel being with that Republican mindset that's socialism and they can't support it especially if it's taxed. But those are a quote from the right honorable ex-mayor of Surprise, and I won't say who he is just that his wife is very much into education so.

With what you're doing, you need to do it better. When it comes to making things multi-modal, you need to re-evaluate your entire route along -- the one going to 79th Avenue especially with what I've shown the Chair when it comes to the weather that we're having every week for the next six weeks it's going to go up one degree in average temperature and this week it's 101. So when you have a stop with the rail, it needs to be seamless and convenient not 3/8ths of a mile away. Come on. Do planning.

Chair Stipp said thank you, Mr. Crowley. Are there any other comment cards, Pat?

2. Chief Financial Officer's Update

Mr. Hillyard said thank you, Mr. Chairman. No formal update for the Committee today, but I did want to say quickly thank you to your city's Chief Human Resources Officer (CHRO) who has agreed to serve on the evaluation committee for staffing firms that we'll be selecting to help us with a number of the high profile hirings in the months to come including the CFO role. So thanks to him for taking one for the team.

Chair Stipp said great. I'll have to acknowledge that as well at our -- in our next meeting.

1. Minutes

Minutes from the May 5, 2022, Audit and Finance Subcommittee meeting are presented for approval.

Chair Stipp said Pat, I'm just looking at the screen. There are no members online, correct?

Ms. Dillon said no.

Chair Stipp said okay. No offense to the rest of you that are watching, I just want to make sure I'm not missing anybody that -- that I need to formally recognize up there. So with that, I will acknowledge that I have lost absolute control of this meeting. And will entertain a motion to approve the minutes from the May 5th meeting that I was not at.

Motion by Councilmember Arredondo-Savage, second by Councilmember Tolmachoff.

I'm not even sure why I'm saying it.

Any other discussion? If not, all in favor, say aye. Any opposed? The ayes have it.

IT WAS MOVED BY COUNCILMEMBER ARREDONDO-SAVAGE, SECOND BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO APPROVE THE AFS MINUTES FROM MAY 5, 2022.

4. Fiscal Year 2023 Valley Metro RPTA and Valley Metro Rail Proposed Operating and Capital Budgets and Five-Year Operating Forecast and Capital Program (FY23 through FY27)

Chair Stipp said the day has finally arrived. We're finally ready to push it over the finish line. Jim? Tyler? I'm not sure who's doing it.

Mr. Hillyard said thank you, Mr. Chairman. So Tyler and I both will present to you briefly and believe it or not, mine will actually be brief this time.

So we have two things going on, what I'd like to do is simply to make sure that we're clearly connecting the dots between the decision making format that we've been using heretofore. That we're showing all the different issues going from '22 to '23 in the various categories and breaking out what was city funded and what wasn't. We thought that was the best format for you in understanding what was changing and being able to make decisions on that. You'll see in your packet attached to the memos is our more traditional budget document, which is laid out like our accounting system, right. So it breaks things out by -- by function and by year.

And so, all I wanted to do today for you and then with the Board in the weeks to come is just to make -- to highlight that those two things are consistent. That the numbers crosswalk between them so because they're two different formats, I want to make sure there isn't any concern that anything has changed in the process.

Then I'll hand it off to Tyler and he will share with you our five-year forecast. As you know, the five-year forecast is something we're required to do, however, it has no implications for our budget or authority. It's simply a way for us to communicate to cities what we think is coming down the road. So it's -- it's not something that -- while you take action on it, it's not something that gives us any authority to do. That's granted in each year's individual budget. It's sort of a (indiscernible) way of communicating what we think is down the road.

Okay. So very quickly then on my end. A couple things that have changed since our last meeting. First, we've incorporated the revisions that were discussed in the May Board meeting, reducing the overall requests for the two budgets combined by $2 million. We've also scheduled an executive session as part of the June budget -- I'm sorry, the June Board meeting. And the purpose of that session will be to present to the Board privately the ranges that we think are probably appropriate for solving the staffing problems for the key positions that we've talked about, bus operators, security staff, cleaners. Both individually so you have a sense of those ranges and can give us your feedback on that and therefore, if you think that they are too high or too low, you can tell us that and we'll incorporate that before we have any outreach with -- with vendors.

And then secondly, so that you can see them lined up next to each other to make sure there seems to be some internal equity and logic and we're not, you know, paying an easier role a higher wage than a harder role, per se.

So we'll cover that in the June Board meeting and that will set the stage for then us to begin doing outreach to those -- having negotiations with those vendors to the degree that you deem that's appropriate.

And then, lastly, I just wanted to point out that in both of the budget memos, we have explicit language requiring any use of any operations contingency that's ultimately funded to be pre-approved by the Board before it can be implemented. So this is the sort of fire wall language that we've talked about and we want it so it's explicit in both -- in both budget memos and in the motion that we're recommending that be used to pass the budget so that it's clear and in force.

Okay. So with that –

Chair Stipp said Pat, I just got a message from Councilmember -- or is she Vice Mayor?

Vice Mayor Pastor -- okay. She's trying to join. Okay. All right. Go ahead.

Mr. Hillyard said so with that, here's the Executive Summary format that we've been working with since March and, you know, the very top line is the RPTA budget total funding and you'll see that the total number including the reductions that we've incorporated for May is $191.9 million. So translating that to the more accounting-oriented format that's in the formal budget documents attached to your memo for adoption is this table which is the uses for RPTA and I just wanted to highlight there's the $191.9 million. So the totals tie across the two.

Secondarily, looking to the funding component of this, you'll see in our Executive Summary document we've got $50 million of city contribution to the RPTA budget and when we go to the sources table attached to your memo, you have $50 million of city funding. So the totals tie and the funding by amounts tie and we just wanted to highlight since they're two different formats.

Similarly, on the VMR side, total funding for VMR is $97.7 million. Flipping to the table attached in the formal budget documents, attached you see that $97.7 million.

Then lastly, in terms of city funding, the city participation is $44.2 million in VRM and in the formal budget documents you have that same $44.2 million in the sources and uses table.

So that's really all I wanted to do was make sure because we were changing formats and going from our discussion-based documents and going these formal documents for adoption that break it out by service and division that it was clear that these were the same. We faithfully translated the work that's been done heretofore.

Are there any questions I can answer before I hand it off to Tyler to give you a quick overview of the five-year plan? Thank you very much. Take it away, Tyler.

Mr. Olson said alright. Thank you, Jim. Chair Stipp, members of the Subcommittee, I will quickly take you through our five-year forecast. As Jim mentioned, we have no authority to spend beyond FY23, '24 through '27 is really, just based on our best estimate at the time and we know that can change as economic conditions change. One thing we do include are known contract rates, so we've included those. We do know that we have on the RPTA side at least two bus contracts expiring in the next two to three years so there's certainly some uncertainty in those years going forward until we get real market rates.

Jumping into it. For fixed route, we work with your member cities to include the Short Range Transit Program changes so those are included in there. Demand service really looking at '24 through '27 just a, you know, 3% increase on trips so far in the period. Average fare, as we've talked about, has improved quite a bit with a return to front-door boardings so positive trend there. It will continue to improve through the five-year window and, you know, I think we're all really excited about the replacement of the fare collection system so that will certainly put a true Point of Sale control on the purchase of reduced fare which we don't have today. Really looking forward to that. I'm optimistic that numbers will be even better by the time we get there. So ridership will increase, our assumption at least, to pre-pandemic levels by the end of the five-year window.

This is what that ridership looks like for RPTA service as well as demand service so fixed route and demand and the average fare there. Again, I'm hoping that the fare collection project will actually help these even further.

Total source and uses -- yup.

Chair Stipp said I think just given the speed at which we're speaking and whatnot if we could just stop for each -- each (inaudible)

Mr. Olson said sure.

Chair Stipp said how do these numbers line up to pre-pandemic levels?

Mr. Olson said so pre-pandemic as far as fixed route service our ridership would be around, you know, close to $14 million. That's kind of where we're hitting at the end of the five-year window. Same thing with the demand service below that. Average fare is going to be the same, you know, pre-pandemic it was around $0.70, but again, I think with the tighter controls that we'll have over reduced fare, we don't know what we don't know yet. And again, very optimistic that that will be even better. Just don't want to over commit without having the data.

Chair Stipp said yeah. And I think the ridership numbers are probably the bigger key for that and really trying to set expectations that we won't return to that full ridership for yet a number of years. I think going back to 2020 the calendar year, I think we would have thought we might have been there already, but I think we are all seeing the reality of what's coming forward so. I think having a conversation as we talk about this with the full Board it's just kind of pointing -- using that as a point to remind everybody that full pre-pandemic ridership probably won't occur until FY28.

Mr. Olson said we can definitely hit on that at the Board meeting. Absolutely.

Chair Stipp said okay. Thank you. Anybody else? All right.

Mr. Olson said okay. So those assumptions and numbers, total sources and uses. Again, we've got a couple contracts expiring over this period, so we've included some estimates there, but really won't know until we get those rates. Total operating plan over the five-year window is $1.3 million. I do want to note that we do have the advertising in there that the Board approved earlier this fiscal year. I want to say at the beginning of the fiscal year if I remember right. So we're excited to grow into that program. Want to start out a little conservative $600,000 for '23 and hopefully, do better than that depending on, you know, how that program goes.

Moving on to capital. By far the largest component of our capital program is the replacement of existing fleet as well as some placeholders for expansion within the five-year window. So over the five year period, bus fleet $106.2 million, but these are not just RPTA buses. These are buses operated by other cities. We provide the local match and PTF through the Transit Lifecycle Program on the capital side of that working with your cities based on a regional fleet plan.

Second largest category is facilities and equipment. Almost $26 million over that period. I want to point out that the largest driver of that is the fare collection system project that we've invested in as a region. That we're partially through that project right now. That's over $16 million for the fare collection system modernization project local match that we provide that Phoenix has the grant for. And then, of course, the full fare box replacement that will align with that larger project in which we have the grant as well as the local match for.

I'm sorry. Any questions on this slide?

So just taking a look at those assumptions by number, $792 million over the five-year window. Any questions on this slide? Okay.

Alright. Any questions before we jump into the Valley Metro Rail operating capital forecast? Alright.

Chair Stipp said Vice Mayor Pastor, thank you for joining us. We are -- as we run through this just announce any questions that you have as Tyler and Jim are going through these budget things if you've got any. Just jump right in.

Mr. Olson said all right. So Valley Metro Rail. I'm sorry. You want me to wait? Okay.

All right. So five year operating assumptions for Valley Metro Rail, obviously, Tempe Streetcar kicked off this month so super excited about that. We included 12 months in FY23 and thereafter. Upcoming extensions, service that we have in place at this point.

January of '24, we'll have Northwest Extension another just under two miles of light rail. And the South Central coming on in FY25 partway through the year. That's another five miles.

So same trend on fare revenue, if you remember, light rail fare revenue has done a little bit better even during the non-inspection period I think due to the additional security that's there to help enforce that, but essentially, same trend. Ridership by the end of the five-year period back to pre-pandemic levels as well as average fare.

Here's a look at ridership -- estimated ridership over that period for each of the alignments so $11.3 million would be close to our pre-pandemic level. Ridership by city so just breaking those numbers out a little more transparent by city. You can see that average fare for rail is about double streetcar. That's primarily due to -- directly due to the fact that streetcar is a cheaper fare as far as being a shorter route, very much in line with other systems, other agencies as we brought forward the fare policy in March on that topic.

Councilmember Tolmachoff said thank you. Tyler, what are you basing those increases on? On historical data? Or like what datasets are you using to those assumptions for increased ridership year by year?

Mr. Olson said good question, Councilmember Tolmachoff. So really, you know when it comes to historical data, we'd like to rely on that. It's pre-pandemic has reset everything so really based around the phasing of the fare collection project. So we know that mobile ticketing will be coming on partway through the fiscal year '23. The larger launch is really going to be around fall of FY25 so that's where you'll see a big bump there from $0.74 to $0.86. Really getting, you know, a full year under our belts going to $0.90. That's really what we're estimating and some of the growth as far as ridership, you know, what have we seen, you know, in the last 12 months and, you know, even month by month we look at all the detail on that.

Councilmember Tolmachoff said the revenue makes sense to me, but the increase in the number of riders I -- I mean, I know we have to estimate -- provide estimates, but I mean, how are you getting, you know, from fiscal year '23 to -- number to fiscal year '27 number of that, you know, based on what do you believe the ridership increase is going to be that significant?

Mr. Olson said the biggest thing with light rail is really the additional service that is coming on so that will bring folks that, you know, obviously, didn't have light rail in their community. Having access to that and hopefully –

Councilmember Tolmachoff said okay. That makes sense.

Mr. Olson said you know, taking advantage and really enjoying the system and being a new passenger for us so.

Councilmember Tolmachoff said so the biggest bump actually really is coming from Phoenix and that's when South Central probably comes online?

Mr. Olson said yes, yes.

Councilmember Tolmachoff said okay. That makes sense.

Mr. Olson said the next two extensions are both for City of Phoenix so that's yeah a great observation.

Councilmember Tolmachoff said all right. Very good. Thank you.

Mr. Olson said any other questions on ridership?

Councilmember Arredondo-Savage said I think that Councilmember Stipp mentioned it a little bit earlier, but in regard to being able to see the comprehensive picture of it, it would be really good to see these numbers pre-pandemic. I mean, we've always struggled with ridership. That's been something that we've talked about a lot at least since I've been on the Board and part of the AFS so is there a way as we talk about a better way to present the budget to the future especially to the Board of maybe incorporating some of those years, you know, pre-pandemic. At least a couple so we can see that trend. Not only just for ridership, but also for our budget numbers. I always catch myself having to go back or ask my staff and like okay, wait, wait, where were we back in '19? Because to me that's a little bit clearer picture than basing it on jut starting fresh and moving forward and not really taking into account where we've been.

Mr. Olson said sure. No, absolutely. That's something I could easily incorporate say, into the board presentation if that's helpful.

Okay. So operating sources and uses. Taking a look at this and I'm just reiterating a bit what Jim said about the COVID relief. We still have some money based on timing of those drawdowns and eligible funds on Valley Metro Rail. Drawing that down as fast as we can. Of $33 million in there of COVID relief money remaining. You can see the big shift in member city contributions. When that money goes away, you see a big bump there from $44 million to $82 million. That COVID relief directly offsets the member city contributions while we have it so that's the biggest takeaway for this slide.

And then, of course, for the partial years that I mentioned in which Northwest II comes on and South Central, you'll see a bump in member city contributions there and that is really City of Phoenix contributions for that additional service.

Any questions on this slide? Alright.

Taking a look at five-year operations by segment. Really, again, just the cost for each year and you can see the partial years there. Northwest II, you know $1.7 million for FY24 about halfway through that year and the same thing with South Central $6.8 million full year after that.

So as far as the capital projects. In FY23, we'll have two active construction projects which we've talked about, Northwest and South Central. Capital extension would be the next one that would fall within the five-year window and I-10 being further out then that. So here's a look at the expenses and revenues for the capital projects over the five year plan. You can see that, you know, we're, obviously, winding down to the end of our program through the end of Prop 400. $402 million in FY23 reducing further as we get closer to operating South Central as well as Northwest Extension. And then some continued effort on the Capital Extension that I mentioned and some preliminary construction there.

Taking a look at state of good repair. So some of these elements are PTF funded for regional assets. We also have federal funds available. Over the five-year window, looking at $27 million for light rail infrastructure, vehicles and the, of course, the personnel to support those efforts.

So next steps, as you all know, taking this to the Board in two weeks and we'll add some additional data to the slides to help emphasize some of the pre-pandemic boarding levels both on RPTA as well as VMR. And with that, that concludes my presentation.

Happy to answer any questions that you may have.

Chair Stipp said great. Vice Mayor Pastor, did you have any questions regarding the overall budget, any of the material you happened to catch while you were on or anything prior to that or do you want to wait until the end?

Vice Mayor Pastor said I'll wait until the end.

Chair Stipp said that's what I figured. Okay. Any other questions or comments? Okay.

The -- just a couple of generic comments. First of all, the road has been very long to get here and -- but I think we have a really strong product here at the end and thanks not only to you two who take all the glory and the punishment, but to everybody who is sitting around the table as well. How many questions did we end up with regionally? Do you have an idea off the top of your head?

Mr. Hillyard said Mr. Chairman, I haven't counted the latest. We just responded to some new questions from Tempe. I did, however, tally our current page count across all budget documents is 167 pages so.

Chair Stipp said so I think we've shown the benefit of doing that and then getting that out to everybody and if we are able to track that differently next year as we go forward perhaps, we can get some of the repeats out of the loop, but that was I think very helpful. It brings us to basically no questions, no discussion here at AFS going forward which -- which is kind of a big deal. Hopefully, the Board meeting goes very similarly so thank you to everybody for going through that. I know that the Management Committee met yesterday, had a very robust discussion about the contingency, et cetera and ways to reduce it -- kind of reduce it by size not necessarily by scope is I think a good way to describe that.

And I would just encourage the members of the Audit and Finance Subcommittee to check in with your city manager and hope that Jim and Tyler you guys come back during that executive session when we talk about the contingency, how we look at scoping that -- I'm sorry, sizing that correctly. There were several ideas that came out from the managers about ways to limit the size of it using unexpended expenses and, you know, just kind of making sure that it's right sized.

Keeping in mind and I think there's support for we don't want there to be a surprise six or eight months from now. I think that's an important piece and I don't think it's lost on the managers either. So trying to thread the needle on that so to speak, but I wanted everybody to kind of be -- be aware of that going forward.

So with that, I'll go back to Vice Mayor Pastor see if she has any closing comments before we move on to the next agenda item.

Vice Mayor Pastor said I do on item -- yes, item 4. I do have concerns -- can you hear me?

Chair Stipp said yeah, go ahead.

Vice Mayor Pastor said okay. I do have concerns about the operation contingency piece. I think that there's other ways to address potential needs to increase contracts that don't involve operation contingency. And so those are -- that's just one of my concerns. My understanding from the past is that there has -- this has never -- an operation contingency funding has never happened in the past and so I'm questioning that. So that's just it.

Chair Stipp said okay. And I think Councilmember Arredondo-Savage has a similar concern.

Councilmember Arredondo-Savage said yeah. And I -- just a couple of things too and Jim, thank you for responding to these, but you gave them to me right when I was driving here so I just -- I'm trying to read through your answers really, quick. And I think there was some really, good follow-up that you provided and I'm hoping that you'll be able to share it with not only the AFS people, but you know the one of the things too like the Vice Mayor mentioned is a big concern for Tempe is the contingency amount and how we work through that.

And then part of me was starting to think -- and based on your response which I haven't really had a change to dig in and I would like to is what I asked was how have we dealt with emergency needs of funding in the past? How is that looked like? What have we done? And your response was, basically, that it kind of falls on the city’s shoulders. Did I get that right? Because I'm trying to read through this fairly quickly.

Mr. Hillyard said sure. No. Yeah.

Councilmember Arredondo-Savage said it's something around that, right? That that's fine. I'm not saying that's wrong. As I'm thinking to myself is well, you know, and probably every city does it a little bit differently, you know, we have reserves for that reason. So our -- if we go forward with this contingency plan, I just -- for myself wanted to ensure that I'm not kind of creating a double contingency bucket, you know, one at Valley Metro and then one within our own transportation budget because we do that already.

Mr. Hillyard said sure.

Councilmember Arredondo-Savage said I think that should be really -- I need to look into that a little bit more. So that is a concern with me too and I -- I just don't want it to be a pocketbook really when it comes to our contractors which I hope it won't and I don't think it will get to that point either.

But another question I -- we asked was just about efficiencies. Is how are we ensuring that the efficiencies are happening before they're asking for more money? Right. Like, how do we ensure that they are doing their due diligence to make sure that they're as streamlined as they possibly can be providing the best services that they can and it's not just about the dollar. I don't want it to always just be about the dollar either. So that was one of the other questions too.

And I like how you answered the question about the set aside monies. We talked about wage increases and the set aside monies, but you actually met -- listed on here in your response about what the contractors are doing on their own which I thought to me that was like kind of really eye opening. So for some of you that might not know, they're doing like sign-on bonuses, referral bonuses, recruitment advertising. Same with the cleaner. Same with the paratransit and the East Valley bus so I think we have to know those things for us to be able to make really good decisions about what this contingency may go towards. Because I really do feel like that's kind of one of the things that kind of is giving me some -- a little bit of reason to pause.

And then lastly, as we are putting on these new positions -- which I want to say thank you first and foremost, because I think you guys have done a really good job of addressing our 167 questions and I love that platform to give us the ability to do that. I think that's a really good thing for everybody to be able to see that and know that we really care and we're being as transparent as possible. But as we add those new positions and, I guess, this is kind of probably more for our CEO, for Jessica, is how are we ensuring our employee structure is where it needs to be? And I think that as we bring on our new CEO, we'll probably see a little bit more organization change and shift. I would expect that to happen and just to really ensure that those employee's efficiencies are happening internally as I would expect them to be with our contractors too. So I don't know, Jessica, you can answer that a little bit later if you'd like.

And then for me the last thing that I -- I'm going to continue to talk about it and say it is when we talk about a 22% increase of funding, that is outpacing what we do. Our -- we are at 17% and I do not know how we are going to survive to be able to catch up with that 22%. And so, to me that is something that is continually just red flag, red flag that 22% to me is just not -- not something that we can sustain for the future so I -- I just want to throw out those thoughts.

I want to say thank you for, you know, always being responsive and getting me this information and I apologize I haven't had a chance to -- I guess, I could have done it while

I was driving, but that probably wouldn't have been a great thing to do. So anyway, Chair, those are some of my thoughts.

Unidentified Speaker said take the light rail.

Councilmember Arredondo-Savage said whoa. Listen, I would but I have to hurry back to my city quickly. And then plus Sam needs a ride. I got to (inaudible)

Councilmember Tolmachoff said where is Mr. Sunshine today?

Councilmember Arredondo-Savage said yeah. What happened to Sunshine? Who are you? You are a rose right now.

Chair Stipp said were there questions in –

Councilmember Arredondo-Savage said I don't know. Maybe it was more of a statement.

Vice Mayor Pastor said I'm not there. I'm not there so then he'd be Sunshine.

Councilmember Arredondo-Savage said that could be it. He obviously needs you. Thank you, Vice Mayor. I do have a question though.

Chair Stipp said okay. Before we go to the -- before I lose absolute complete control, did you put any questions from that, Jim, that you can respond to today? And I don't mean that -- I don't mean that negatively.

Councilmember Arredondo-Savage said that's fine. You said comments for questions.

Chair Stipp said correct. And I was trying to –

Councilmember Arredondo-Savage said so maybe it was a little bit of both.

Chair Stipp said and I was trying to see if Jim had anything he wanted to respond to.

Mr. Hillyard said thank you, Mr. Chairman. In fact, I think a lot of the points that Rep. Arredondo-Savage was hitting are things that were incorporated into the questions we received from Tempe yesterday and responded to today. And so, we'll just post those out to the question log. We'll highlight them so everybody can see the changes and I think -- I don't know that it bears taking the Committee's time to talk about something we're just going to provide in written format.

Chair Stipp said okay.

Mr. Hillyard said they're all good points and I think -- I think some of them are spoken to in our response, but you know, clearly these are unusual times with unusual costs, and we all hope they don't continue.

Chair Stipp said so if -- I think based on what -- the questions that came out of TMC yesterday, the questions from Tempe which seem to -- which seem to be driven toward the contingency piece, if we can pull those together to talk about when we talk about contingency, that might help. I think with 160 some questions or however many pages there are we're going to get blur in that -Mr. Hillyard said yup. Yup.

Chair Stipp said -- and if the central focus seems to be solely on the contingency –

Mr. Hillyard said yes.

Chair Stipp said -- maybe we pull those out and talk about that separately. And I know the plan is to talk about that in an executive session –

Mr. Hillyard said yes.

Chair Stipp said -- at the Board meeting so again, I think if we get that information ahead of time that may help –

Mr. Hillyard said absolutely.

Chair Stipp said -- at least generate more questions or answer some.

Mr. Hillyard said yes.

Chair Stipp said and with that, I'll shut up and go to –

Mr. Hillyard said and Mr. Chairman, just to the contingency point. I think the key discussion in TMC/RMC yesterday that you alluded to and if everybody else hasn't had a chance to touch base with their staff yet, was a question of whether particularly in the RPTA side could we use savings for missed trips to sort of buy down the amount we're putting in the contingency. So there would still be a contingency available, it's just that some of it would be in this contingency line and the other would be in the standard service line for underrun because you were missing trips.

And so we did some analysis of the degree to which that's possible. We're only under running when you account for the increase in the cost of fuel, we're only under running in bus transit services by maybe 3% so it's not a wide margin and so I think the challenge is we could, however, you then run the risk of if we solve the problem a little faster than we thought, we're hitting you for additional money mid-year. And so it's really just a question of risk tolerance. If we think there's benefit in accepting a little more risk of a mid-year hit, we can make the contingency line a little smaller and bank on using those savings, but if we miss the mark then we'll be hitting you up mid-year.

And so, it's -- from a Valley Metro perspective, quite honestly, we don't care. This is really a question of to what degree do the cities want to take a chance of getting hit with a mid-year bill. I think we're putting in place the protections to ensure the contingency cannot be a slush fund, it can only be used with the express consent of the Board, and we will only even start to negotiate with contractors with the express consent of the Board from the executive session. So I think we have a control on the front end and a control on the backend and then the question is just in the middle how much risk the cities want to take and we're okay either way.

Chair Stipp said sure. Is there -- is there room within a -- within any of the reserves to cushion that? Because our reserve amount is pretty, substantial as well.

Mr. Hillyard said you know, it too comes down to a question or risk. So the reason that we maintain a reserve and I think it -- Tyler, do you remember the -- the agency level reserve number for '23? Our agency -- not reserve, but our agency sort of overall -- no, no. Oh, I'm sorry. Were you talking about could we use like PTF reserves? Is that the question?

Chair Stipp said yeah. PTF reserve.

Mr. Hillyard said I was misunderstanding the question. On the RPTA side, the answer is to a very significant degree, but not entirely. And that's really important because anything that is PTF -- that has PTF funding involved in it could use PTF balances as that contingency, but that precludes things like circulators. Right? They're not PTF funded, they wouldn't qualify. So -- it's a very, very significant portion of the RPTA side could be PTF funded. It starts in the West Valley to put you guys closer to your JE limit and so depending on what policy decision the Board decides to make with JE, that could come back to haunt you two years from now if we don't get quite the level of revenue we've expected, et cetera, et cetera. So there's little bit of risk involved in that, not a tremendous amount depending on whether the Board decides to maintain its historic JE policy or not.

But so the answer is yes, but not entirely and the entirely is really important. In fact, Kathy Colbath, I'm thinking of you. Kathy has been very concerned that we make that very clear that things like circulators that aren't PTF funded couldn't be in the contingency either. So mostly.

Chair Stipp said well, I think the real, you know, part of this discussion is we're talking about actual money today.

Mr. Hillyard said right.

Chair Stipp said as opposed to potential money tomorrow.

Mr. Hillyard said right.

Chair Stipp said and I think that -- the takeaway that I'm getting from this information is that that the concerns. It's today's dollars –

Mr. Hillyard said right.

Chair Stipp said -- 22% versus 17% today versus what may occur FY24, 25 which are potentials.

So I think between now and the Board meeting, we've really got to kind of solve that -- solve that question going forward as we go. And before I go to Councilmember Tolmachoff, I see Jessica actually raised her hand. How polite of you in this very informal meeting.

Ms. Mefford-Miller said thank you, Chair Stipp. I'm trying to interact in this strange hybrid environment and thank you to Councilmembers for allowing me to attend virtually today. I am midway between St. Louis and Arizona and look forward to arriving back in Arizona with the family in tow this weekend.

So just a couple of quick responses. So one of my thoughts, we've heard a number of different pieces of feedback from member cities that are not entirely consistent yet between member cities that really comes down to the issue of risk tolerance and whether or not we would like to include a contingency in the budget versus coming back with a potential mid-year adjustment. So in advance of our full Board meeting and that executive session in which we might be discussing some of this on June 16, I would encourage Board members maybe to touch base with your city managers or other staff because I think we're all budgeting a little bit differently and

Councilmember Arredondo-Savage, for instance, I know you reference a contingency that's included within the transit budget for the City of Tempe. I'm not sure if all of the member cities have such a contingency, but it's that risk tolerance that we'll need to kind of ascertain for the Board as a whole. And I think that will be helpful in informing how we proceed moving forward whether that's contingency or potential mid-year adjustment if we do avail ourselves of some of the savings that we're experiencing in the current fiscal year due to vacancies and missed trips and other things, we just have to recognize that as we move to FY24 that will look like a bigger jump than '23 because we were -- we were realizing those savings from '22. So just a thought there.

And then I wanted to respond just briefly, Councilmember Arredondo-Savage to your question on a personnel review. So this is certainly something that we need to undertake. It's not -- a full scale personnel review is not typically something that happens organization-wide every single year which is why it's not included in the budget process. But things that we've already done is -- we don't have a hiring freeze per se, but I am reviewing all of our vacant positions and helping make determinations regarding whether or not we're going to fill them or repurpose the perhaps for some of these other needs. So that's happening on a per position basis.

We're also have a couple of programs coming up. We'll be doing an operations and a maintenance peer review looking at our organizational structure and resourcing. And then there are a few other key functional areas that we're going to be reviewing in the year to come.

I look very much forward to repopulating our leadership team including those several key positions and tasking those individuals in assisting in that personnel review. So it's coming. It's coming and we'll be having a lot of active conversations about team composition and resourcing in the coming year. Thank you.

Chair Stipp said so that's all you're going to be doing?

Ms. Mefford-Miller said I mean, no.

Vice Mayor Pastor said if only.

Chair Stipp said yeah. Exactly. That was my point so. Vice Mayor Pastor, you want to join in on this conversation as well.

Vice Mayor Pastor said yes. And I would prefer a mid-year request to a budget adjustment as needed because there is significant savings from vacancies and I think that is a bigger discussion that we can have as -- as well stated by Jessica of the conversation beforehand and I think bigger cities prepare and -- and I'm not saying smaller cities don't, but have a larger conversation regarding contingencies and have a -- if they have more of the rail and the bus lines and what that looks like and we prepare for the future. And so, I think that is a bigger conversation that we need to have, but I would prefer more mid-year than -- than just starting to put -- build a contingency piece so. Those are my comments.

Chair Stipp said great. Thank you. I appreciate that. Councilmember Tolmachoff.

Councilmember Tolmachoff said yeah. I just wanted to ask staff how do you anticipate this -- moving forward with this topic? Because we're going to be approving -- we should be approving the budget at the next -- so how do you see this all playing -- because this is part of the budget, but there seems to be a lot of work to be done and discussion to be had around this topic. So how do you see this playing out at the Board meeting?

Mr. Hillyard said that's a great question, Councilmember. So my thought was, you know, the purpose of the special session would be to give Valley Metro guidance on the degree to which we are free to begin negotiations with contractors around addressing these issues and kind of some parameters in terms of the range. So we think this is an appropriate range for bus driver salaries and you guys can go negotiate and then the company can go negotiate with the unions and then something will come out the back end of that that we would bring to the Board. So -- so I think that -- that guidance we think is important to make sure that we have the confidence that we're going forward with the consensus of the Board in having those discussions at all. Right.

So -- and we're going to do our best to kind of put some numbers to what we think here's what the low end of that range would be and here's what the high end of that range would be which then sort of becomes that's the amount you would have to have in your contingency bucket wherever that bucket resides. So that bucket could reside in a separate line item like we have it as now. Or -- or if the consensus was we don't want to have it in a separate line item, every city will just be ready for a mid-year and when you come to us, we won't be surprised. We can do either one.

So what I was planning on doing was in the memo that you have for the two budgets now, the motion says we approve the budget including a contingency of and there's an amount. It's like $3.6 million now with a requirement for Board approval to use, et cetera. I was planning on having a motion sheet ready for the Board where that amount was just a blank line.

And then --- and then based upon the decision that's made in the executive session, we will fill in a number in that blank line and whether that number is what it is now or that number is zero, we'll fill it in. And so, there's a ready motion sheet that would allow us to adjust the budget on the fly for any decisions that are made in -- in executive session so that -- and then we'll go back and incorporate an update our documents on the backend to reflect that decision.

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

Chair Stipp said Jim, let me, with a follow-up question. So if we end up with -- let's just say we end with a full 3.6 and we go through the year and we end up not using a dime of that. What happens to the $3.6 million that we put in there?

Mr. Hillyard said nothing. So it is not spent and -- and wouldn't be billed to the cities as part of your IGAs and so, it would just be unused, extra -- it would just be a number on a page. It would not be drawn down, it would not be spent, it would not be billed to you so it wouldn't even be that we were reverting the money back to you at the end because -- because we won't start to bill for that until the Board makes a decision that the Board wants to utilize it.

Chair Stipp said so that 3.6 is not billed periodically -- I mean, the whole package –

Mr. Hillyard said yeah.

Chair Stipp said -- obviously is, but –

Mr. Hillyard said so we –

Chair Stipp said -- if IGAs are already built, they're already built with numbers.

Mr. Hillyard said yeah. And we have those and we have the 3.6 in those numbers right now because we wanted to send a clear message about here's what we're doing, but I think our thought internally was we sort of know what the contingency amount in those are and -- and we can bill for the non-contingency amount until you guys make a decision to pull the trigger on any contract changes and then incorporate that. Right?

Because -- and so that money would essentially sit in your budgets waiting to be drawn down until you make a decision and then it would get billed for. That's more complicated for our team to do, but these are unusual circumstances. We don't usually have this level of unknown in a budget and so, I think it warrants the additional work.

Mr. Olson said just to add to that, our IGA process every year, you know, it's all an estimate. We bill based on that estimate so 12, you know, monthly installments based on that and anything that wasn't spent is returned. We have an annual reconciliation process for every mode so, you know, whether -- if you paid for that in your IGA and we didn't spend the money, you get a hundred percent of that back. So very standard every year.

Mr. Hillyard said yes.

Mr. Olson said but it can also go the other way around. If we tighten up the IGAs too much, there's still actuals out there and that's where you would exceed, you know, your IGA at your council potentially and some cities can't go to their council for mid-year adjustments.

Chair Stipp said yeah. We get another invoice. Right. Yeah.

Mr. Olson said yes.

Chair Stipp said so I think it's really important for us to make sure we get the message out to figure out how we want to do that. The -- what I heard from Councilmember -- or I'm sorry, Vice Mayor Pastor was cities generally have that already set aside internally, we don't need to do it twice and perhaps run the -- run the risk of paying it later. I think the real important piece is going to be for Board members to have that conversation with their cities before they show up on the 16th. Because the 16th that's decision day so.

Councilmember Pastor, your hand is still up. Did you have another question or is that a leftover?

Vice Mayor Pastor said it's a leftover, but I agree with what you just said so.

Chair Stipp said yeah. Because I have no idea what I just said.

Vice Mayor Pastor said I just find –

Chair Stipp said yeah. Everybody's got to know.

Vice Mayor Pastor said what is it June 16th? I believe.

Chair Stipp said yeah.

Vice Mayor Pastor said I think there needs to be a bigger discussion in between that date with all of us because I'm not comfortable, but I may get -- become comfortable to build a contingency and if we don't have it and it's sitting in there and meanwhile my city has there contingency and, you know, people then will start questioning why are you putting money in both areas and building a contingency in both areas when, you know, our city needs this. So I think that's a bigger conversation we need to have.

Chair Stipp said okay. So it sounds like we need to make sure that the staff here at Valley Metro is planning for a very robust executive session and discussion on this matter. And then we'll -- I think it's up to us to make sure that the other Board members understand what they need to have done before they show up on the 16th. Yeah. Go ahead.

Councilmember Arredondo-Savage said Thank you, Chair. Yeah. And I think what the Vice Mayor said is to me one of the things I want to research too and I think it would be really good to know, Jim, is, you know, we talk about the contingency. Obviously, that's one of Tempe's biggest concerns. I'm not really a fan of seeing that contingency built in because I believe we already have a contingency in our reserves for transportation already so I think it -- I want to do my due diligence and really work through that and really understand what that looks like because I don't really feel like I need to put two pockets of extra money somewhere.

With that said, like I said, I still do a little bit deeper dive, but I know Councilmember Tolmachoff mentioned it about what this next meeting is going to look like and I think the Chair has too. I'm still not really, clear. I would really like to somehow ensure that we're all on the same page going forward if there's going to be different options that people are comfortable or not comfortable with or how you're going to be able update the budget and incorporate all this feedback and make sure that the Board has ample time to digest it before that next meeting. So I don't know, Chair or Jim, what that looks like. I just -- I've heard a lot of -- of talk. I think we're going in the right direction. I just don't want to pigeonhole anybody into one particular take.

Mr. Hillyard said Mr. Chair, Councilmember. Yes. I will work with Jessica and we'll think through how we do our best to both, you know, make sure that the -- that we have a forum that facilitates the discussion that needs to be had and to provide sort of advance materials to -- to the Boards so that folks have a chance to sort of think it through and, you know, talk with their -- with their city finance staff, you know, as appropriate.

So we'll -- the presentation that we have been preparing for really kind of went back to Councilmember Tolmachoff's request previously which was I want to know that what we're talking about for these key positions makes sense individually and that they make sense as a whole. That when you line them up, we're not creating disincentives for people to do the jobs we want them to do because we're paying other jobs more and less. So we've been sort of focused on that contract negotiation piece because, of course, it's the contract negotiations that appropriate for an executive session. We've got -- I think we'll want to be a little bit mindful about not getting -- letting the executive session stray too deep into a more budgetary discussion since budgetary discussions aren't appropriate for an executive session.

And so, we've been really focused on the contract negotiation piece and that preparation. It may be that outside of executive session we need to have an agenda item that allows us to talk more deeply about simply how we fund any contingency once there's some consensus on whether we should be negotiating at all. And so, maybe we split those two into two separate discussions. Have one publicly and one privately.

And then the other thing that I need to have some conversations with Tyler about is the degree to which this has to be a one-size fits all approach. So we can't do anything without budget authority. So there's a question of the budget has to say you have the authority to do this or we have to come back to you and ask for more. But as to where that money sits, if there's some cities that hey, just let it sit in my treasury until you ask for it where other cities are like no, I don't want to run the risk of getting caught short, I want to go ahead and put that up upfront. We might be able to handle that differently for different cities. And so, we need to have some conversation about the mechanics of that and whether we could manage it from an accounting and a budgeting perspective. But that may be another way to do this where we let cities decide. Some cities say I want to maintain that funding in my own budget, and I'll pay you once you -- the Board decides what it wants to do. And other cities don't so. So we'll look into that as well.

Councilmember Arredondo-Savage said just a quick follow-up, Jim. In regard to this contingency, are you envisioning this being a one-time deal? Just one and done and then, but that contingency of 3.6 would remain forever? Some way or another. Or you're -- because you mentioned that, you know, these are trying times and they are for everybody, absolutely, I don't doubt that.

Mr. Hillyard said right.

Mr. Hillyard said I can't -- if we're still seeing the level of wage inflation next year that we are today than I think all bets are off, right. This is -- this has been -- I've been doing budgets for 27 years now and I've never seen anything like this. And I think -- I think, in fact, there was an NPR story just the other day about how the public sector, in general, is really hurting in this environment because the private sector can make fairly dynamic changes to its wages and to its contracts, but the whole public procurement process and salary process is designed to be more slower and more deliberate and as a result, you have all this vacancy in the public sector from the federal government to local governments. So I have never seen anything like this again. I can't imagine that we would ever be in this situation again, but I didn't see this one coming either. So dear God, I hope we're not doing this again next year because that would be a much larger issue. This should be a one and done. And it really is just in response to this unprecedented labor market.

Chair Stipp said okay.

Councilmember Tolmachoff said okay. Thank you. So I guess, what I was gleaning from what you just said about the contingency discussion is are you anticipating then that's going to be a separate item on the agenda prior to the adoption of the budget? Or? I think that at least, based on what you said, I think that might be the only way to actually do it.

Mr. Hillyard said I think that's what I'm hearing, but I really should talk with both Michael and Jessica and not sort of make those kinds of calls on the fly because there's legal issues here and then there's also sort of what's the appropriate way to engage the whole Board. And so -- so just -- that is me thinking out loud about how we can have both of these discussions in the right forum, but I should defer to the experts before making any decisions.

Councilmember Tolmachoff said right. And then the other thing I want to -- go ahead, Jessica.

Ms. Mefford-Miller said we have a meeting actually scheduled this afternoon that will include Jim and Michael Wawro our interim General Counsel so I'm seeking Michael's assistance in helping us structure this kind of evolving conversation in such a way that we are appropriately observing open meeting laws while trying to get the business done. And I think that the how to pay for whatever it is belongs in open session very likely and then I think a discussion of specific wages rates and identifying some of the challenges at hand might belong in executive session, but, again, we'll seek Michael's counsel. And what I'd like to do is to respond to the Board with a proposed agenda or a structure of this conversation after that meeting today.

Councilmember Tolmachoff said if I could then.

Chair Stipp said yes.

Councilmember Tolmachoff said and I understand that, but my point was are we -- would we -- would the contingency issue be basically calling for a separate vote which obviously would be in open session? Aside and separate from the vote how to move forward. And I -- and I need to talk to my staff. I haven't to anybody -- I talked to them before the meeting yesterday, but I haven't talked to them after the meeting so. But I don't know whether even as a Board we want to have all these different things happening whether that, you know, creates a lot more work on your end and a lot more uncertainty all around. If some cities say, we want contingency and you're -- and so you're doing contingency and you're not doing contingency. I don't know whether -- it sounds like that might need to be part of the discussion. It's like this is our policy. This is how we do it either we do, or we don't rather than have a bunch of scattered, you know, this city does this, this city does this so I think that probably needs to be part of the conversation as well. Is that -- at least my feeling is is that we act as a Board, we act as a region and the policies work for everyone or the -- or whoever has the majority. So -- but I -- I foresee that probably being even a bigger problem. And a way more staff consumption of time of staff trying to figure out, you know, all these different dynamics that we have with all these different member cities so. That's kind of what I think anyway.

Chair Stipp said yeah. I would absolutely agree that whatever decision it is it's good for one, one for all and that's that so. All right. I think staffs got a good idea about what they need. I think they've heard our concerns so this will be last call for any last-minute comments and then I'm going to move to item 5. I'm going to try to move it through, but. Seeing none. All right. Jim, Tyler, everybody, thank you.

6. Internal Audit Update

Ms. Beckstrom said thank you, Mr. Chair, members of the Committee. Internal Audit has a quick review for -- of our work this last month for you today.

We've reviewed the audit recommendations that remain open from our audits completed in fiscal year '22 so far. The Valley Metro staff responsible for implementation of these recommendations have indicated that all but one of these recommendations are on track to be implemented before their agreed upon due dates.

The one recommendation in question is the recommendation that addresses three medium risk and one low risk concern related to needed changes to the Valley Metro procurement manual. It was originally estimated to be completed on June 30th -- by June 30th of this year. Updates to the procurement manual are ongoing, however, there have been several management changes in the Finance and Procurement divisions and the manual is not expected to be finalized until the 4th quarter of 2022.

This additional time will allow the incoming leadership the opportunity to review and provide feedback to this manual and its updates. During the course of the audit, we found no errors in the procurement steps taken, but rather the issue lied with the manual being vague, outdated in some areas and in some instances not reflecting the current procurement practices that were being utilized that those needed to be added into the manual. These updates to the manual will reduce potential risk in the future, however, it is important, and we understand that it's very important for management to be able to review the changes before they become officially implement and as a result, IA accepted the request for the additional time extension.

Are there any questions to this point?

Move onto the next slide. I think I can do that. Work has been completed on the three remaining audit reports for fiscal -- for the fiscal year '22 audit plan and it's -- all three reports are currently going through our quality control process. These three audits are the IT Identity Access Control Management audit, the Grant Compliance Audit of Medium Bus Size Purchases and another audit in our series of Continuous Review for Change Orders.

We've also completed the risk assessment for fiscal year -- for the fiscal year '23 audit plan and I will be discussing the -- that plan with our CEO, our Valley Metro CEO in June and will present the plan for acceptance to the Audit and Finance Subcommittee in August at our next August board meeting which I think is August 4th. Again, although I'm creating an annual audit plan, I will evaluate the plan at least once a quarter based on risk and current trends in audit and transportation and ensure that we're prioritizing our work appropriately and will bring any necessary changes to the Audit and Finance Subcommittee for approval throughout the year.

And at this time, I'd just like to thank the Committee for a successful audit year. We've had a great year and also, particularly, Councilmember Arredondo-Savage and Tolmachoff, thank you so much for all of your support throughout this audit year and best wishes just because. Bill's still going to be with us. Sorry. Councilmember Stipp is still going to be with us and Vice Mayor Pastor and our new members. We're excited to work with you, but again, thank you all for all of your support.

Chair Stipp said all right, Sebrina. Thank you. Does anybody have any questions, et cetera before we move on? All right. Seeing none.

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

Chair Stipp said Item 6 is presented for information. The intergovernmental agreements, contract change orders and amendments.

I have two questions -- usually, we don't do questions, but Jim, I want to throw these your way before we get to the meeting. The first one was on item C which is the authorization to continue the purchase of IT professional services. In the discussion for the FY21 budget, we -- the Board approved a motion for IT services for the period to cover '22 through '26 in an amount not to exceed $6.6 million plus a 5% contingency.
How does this differ or add to that?

Mr. Hillyard said Mr. Chairman, do you know what the particular issue was that was being funded in that amount?

Chair Stipp said I don't.

Mr. Hillyard said okay. Maybe I could work with you and your staff offline to -- to understand that and get you an answer.

Chair Stipp said yeah. I just want to figure that out and I think going forward with the purchase of IT professional services we should probably evaluate that. Throw that on Jessica's to do list for the end of this fiscal year. But let's figure out what we're doing IT-wise.

And then the second question that I had was real quick and I think you can answer it today was on the origin and destination study item E. There's a reference in here to MAG participating in the funding of that, but the sentence doesn't make sense to me. Mr. Hillyard said Mr. Chairman, I think probably Henry would be the best person to speak to that. Henry, would you mind?

Chair Stipp said $1.2 million for the study given that it will provide significant new data to MAG transportation demand model MAG has programmed funding for this study into the FY23 United Planning Working Program. The United Planning Working Program as anticipated to be to be approved by regional council. So are we paying 1,2, are they paying or is it each of us paying 1.2?

Mr. Ikwut-Ukwa said I don't have that answer off the top of my head.

Chair Stipp said okay.

Mr. Ikwut-Ukwa said and I don't if Carol is on –

Chair Stipp said Oh, we can get it at the Board meeting.

Mr. Ikwut-Ukwa said I will, yeah, I will provide you that information.

Chair Stipp said that's all I need. Yeah. I just wanted to give you guys a heads up that that was coming forward.

Mr. Ikwut-Ukwa said Okay.

Chair Stipp said does anybody else have anything for the intergovernmental agreements? All right.

7. <u>Report on Current Events and Suggested Future Agenda Items</u>

Chair Stipp said all right. Any reports on current events, suggested future agenda items?

Mr. Hillyard said Mr. Chairman.

Chair Stipp said yes, sir.

Mr. Hillyard said if I could quickly. In our last meeting, there were three agenda items that were suggested for further discussion with the Board and Sam noted that they weren't shown as in the list of future agenda items. We didn't include them here because, you know, we see this as identifying those things that were specific to the AFS and we didn't want to make it seem like those were being downgraded to AFS conversations rather than being whole Board conversations. But we appreciate that they're important not to lose track of it and go forward and so I think our intent would be in our next deck -- we didn't have time to make it this morning, to have a recommended for the Board and then to list them there so that it's clear that the AFS has put these forward and that the Board is considering that and finding time on its agenda to do so. We didn't want to make it seem like we had forgotten about those but didn't also want to make it seem like we were downgrading them.

Chair Stipp said great. But it's for the full Board not for the AFS?

Mr. Hillyard said precisely, yes,

Chair Stipp said got it. Okay. No, that makes complete sense.

So the closing comments, I guess, are this is our last meeting with my two esteemed colleagues here.

Councilmember Arredondo-Savage said yes, esteemed.

Chair Stipp said one who is leaving the Board entirely and one who's just leaving AFS so and Jim. This is your last AFS meeting so congratulations. But for Lauren and Robin, from me personally, I came onto AFS when I was a very new board member and your guidance and assistance along the way has certainly made me a much smarter individual and a much stronger board member and I really appreciate both of your guidance and your leadership. Robin, you served a number of years as Chair while I was here. I think, Lauren, you did as well. You Chaired this?

Councilmember Tolmachoff said no, I don't think so.

Chair Stipp said you never Chaired this. Oh, my gosh. Now, she's termed out.

Councilmember Tolmachoff said I know. Ha, ha.

Chair Stipp said that is messed up big time.

Councilmember Arredondo-Savage said that is so messed up.

Chair Stipp said but with that, I just -- I personally want to thank you and certainly, I get to speak tonight -- today as a chance on behalf of the entire Board, thank you very much for both of your service. Thank you for your service on the Board. So Jim, and you had a heck of a year acting CFO, et cetera so you'll go out on top with one.

Mr. Hillyard said thank you, Mr. Chairman and thanks to all of you for your leadership.

Chair Stipp said thank you for everything you've done. I know it's been a trying year, but you've done a great job so thank you for that. And if there are no other --

Councilmember Arredondo-Savage said oh, I've got something.

Councilmember Tolmachoff said I do too.

Chair Stipp said darn it.

Councilmember Arredondo-Savage said and no party -- but other than to say, you know, I just want to make sure that, Pat, you caught all those really nice things that Mr. Sunshine said because I was like (indiscernible) and I want to make those in bold print in the minutes.

But, you know what -- me too. I just want to say thank you to everybody. Not only to my colleagues that have been great, it's a thank you for joining AFS. I think together we've really come a long way. We've evolved AFS and what our role is and really taken a deep dive and obviously, to Jim and team. I mean, we couldn't have done it if you weren't receptive to be able to be flexible and open-minded and really helping us get the information, I think that we need so we can be, you know, the good -- the board members that we want to be so it's really, important that we work together on that.

And just to the Valley Metro staff. I mean, I might call myself a headache and I just do appreciate everything that you guys continue to do in always answering our questions and just know we asked these questions not to challenge anybody in that sense, but or take it personally just because we want to make sure that we are doing due diligence and ensuring that we are making the best choices not only for Tempe, but also for the region as a whole. So that -- your thoughts and I would say your patience has been much appreciated. So thank you so very much for that.

I have certainly learned a lot. I had no idea that I would be this engaged and involved in transportation ever, so it has just been really rewarding in a lot of ways, a little challenging at times, but rewarding overall and working with these two and Vice Mayor, it has really been a lot of fun actually. I just feel like we've -- we've come a long way together and that's really how you make things happen so I'm very grateful and really appreciative. Thank you.

Chair Stipp said thank you.

Councilmember Tolmachoff said thank you. I just want to say thank you, first of all, I guess, thank you to Robin. Because I had been asked to serve on AFS and I had said no, and Robin changed my mind so -- and I -- but I feel like we've done some really good work as a group. I have learned a whole lot. I think -- hopefully, we've left an imprint on the organization with some of the things that we've done, and I appreciate staff's patience. I know it can be really trying dealing with, you know, a bunch of different elected officials, but I know -- I hope you're aware that we have the interests of the organization at heart and this provides a vital service to residents of our community and that's why we care. I think that's why we're all here is because we all care. So thank you for your patience with us. Thank you for allowing me to serve it's really been a real pleasure. And it's kind of nice to be serving on a committee where you're actually kind of move the needle and I think we've done that here. So thank you everybody.

Chair Stipp said thank you.

Councilmember Tolmachoff said yeah. I've done my time and whoever is up next good luck.

Chair Stipp said I've done my time. Vice Mayor, did you have any closing comments?

Vice Mayor said I do. I'm actually very sad to hear two members are leaving from AFS who embrace me as I entered AFS midway. I was just told I was on this committee and that I was going to serve this way. And I think us as -- us four or any -- I think we work great as a team so I'm very sad that the team is breaking up, but open arms for new -- adventures and new teammates. But you're not going very far and we will keep in touch. We just won't be doing the great work that we're doing currently together. And so, it just -- just a little sad.

Chair Stipp said well, I agree. So before we turn this –

Vice Mayor said (Inaudible)

Chair Stipp said thank you. With that, I will go ahead and close this meeting with a reminder that with a big smile I say we have the month of July off and we will come back new board members on August 4th, 2022, at 12:00 p.m.

The next meeting of the Audit and Finance Subcommittee is scheduled for August 4, 2022, at 12:00 p.m.

The meeting was adjourned at 1:24 p.m.

Minutes

June 9, 2022 **AGENDA ITEM 4A**

Joint Boards of Directors
Thursday, May 19, 2022
Lake Powell Conference Room/Webex
101 N. 1st Avenue, 10th Floor
11:15 a.m.

RPTA Meeting Participants
Councilmember Francisco Heredia, City of Mesa **- Chair**
Councilmember Bill Stipp, City of Goodyear- **Treasurer**
Councilmember Clay Goodman, City of Buckeye (phone)
Mayor Kevin Hartke, City of Chandler (phone)
Vice Mayor Monica Dorcey, City of El Mirage (phone)
Councilmember Mike Scharnow, Town of Fountain Hills (phone)
Mayor Brigette Peterson, Town of Gilbert
Councilmember Lauren Tolmachoff, City of Glendale
Supervisor Jack Sellers, Maricopa County (phone)
Councilmember Jon Edwards, City of Peoria
Councilmember Leah Martineau, Town of Queen Creek (phone)
Councilmember Chris Judd City of Surprise
Councilmember Robin Arredondo-Savage, City of Tempe
Mayor Rui Pereira, Town of Wickenburg (phone)
Mayor Michael LeVault, Town of Youngtown (phone)

Members Not Present
Vice Mayor Veronica Malone, City of Avondale
Vice Mayor Laura Pastor, City of Phoenix
Councilmember Aldofo Gamez, City of Tolleson
Councilmember Betty Janik, City of Scottsdale

Valley Metro Rail Participants
Councilmember Francisco Heredia, City of Mesa - **Chair**
Councilmember Robin Arredondo-Savage, City of Tempe - **Vice Chair**
Mario Paniagua for Vice Mayor Laura Pastor, City of Phoenix (phone)
Mayor Kevin Hartke, City of Chandler (phone)

Chair Heredia called the meeting to order at 11:18 a.m.

Convening the meeting of May 19, 2022, of Valley Metro RPTA and Valley Metro Rail. Before we start, just want to welcome Councilmember Leah Martineau. She is a new board member from the town of Queen Creek. So welcome Councilmember Martineau. I will have Pat do the roll call.

Ms. Dillon said good morning, everyone.

City of Avondale, Vice Mayor Veronica Malone?
City of Buckeye, Councilmember Clay Goodman? Present.
City of Chandler, Mayor Kevin Hartke? Here.
City of El Mirage, Vice Mayor Monica Dorsey? Here.
Town of Fountain Hills, Councilmember Mike Scharnow? Here.
Town of Gilbert, Mayor Brigette Peterson? Here.
City of Glendale, Councilmember Lauren Tolmachoff? Here.
City of Goodyear, Councilmember Bill Stipp? Present.
Maricopa County, Supervisor Jack Sellers? Here.
City of Mesa, Councilmember Francisco Heredia? Here.
City of Peoria, Councilmember Jon Edwards? Here.
City of Phoenix, Mario Paniagua representing Valley Metro Rail for the City of Phoenix today? I'm here only for the Valley Metro Rail board.
Town of Queen Creek, Councilmember Leah Martineau? I'm here.
City of Scottsdale, Councilmember Betty Janik?
City of Surprise, Councilmember Chris Judd? Here.
City of Tempe, Councilmember Robin Arredondo-Savage? Here, ma'am.
City of Tolleson, Councilmember Adolfo Gomez?
Town of Wickenburg, Mayor Rui Pereira?
Town of Youngtown, Mayor Michael LeVault? I'm here.

Ms. Dillon said Chair, we're ready to go.

Chair Heredia said thank you, Pat. Again, we're still doing hybrid meetings so folks on the Webex, please mute your microphone if you're not speaking. If you do have a question, put it in the chat box and we'll come back to you and call on you for that question.

1. Public Comment

Chair Heredia said the Public provided an opportunity at this time to address the Committee on non-agenda items and all action agenda items. Folks have three minutes.

I'll call on Marvin Loften.

Mr. Lofton said good morning, Chair, everyone. First, I want to thank the Chairman for responding to the last meeting of my importance of getting in contact with someone here to move forward to my concerns. And that person now happens to be Steve Kataris (sp). I don't know if he's here today or not because we haven't met personally, but we have met over the phone.

I still have questions about when does the current contract agreement with the drivers end? If there can be improvements on communications with -- when it comes to discipline with the contractors and if there's going to be anything done about the past of their unlawful acts and that part of it?

I'm still experiencing no shows. Been three this month so that's one a week and I've already discussed that so I'm sure that's going to move forward too as well.

I'm now looking at what possibly can be done, whoever else would be involved in our homeless taking up residency at our bus stops. And I have discussed this with Steve and so, he's looking into that. 7th Street, northwest side at Bell is very bad. I mean, we've got people that's living there 24/7 and the smell that you smell there because they're staying is not someone's pumpkin pie on the windowsill. But what I would like for it to happen is whatever Steve, Steven and I discuss or come up with goes as forward to the top as possible with some kind of feedback. That would help me out a lot. I do my best to make sure that whatever I see out there gets reported. And this is a personal thing and usually, when it's personal for me somebody else benefits as well and in this instance, it would be you guys. Thank you.

Chair Heredia said thank you, Mr. Loften. Next person, we have Mr. Blue Crowley.

Mr. Crowley said a few things here to discuss with you. One of them is agenda item 6 and in it they're requesting $30 million over the next five years for planning and with the -- and it says support transit planning for local communities. All right. Well, if you go to the back page and it says, the amount that RPTA is going to be using is at the maximum $1.5 million of the overall contract and that this year's portion $9.1 million will go to rail and $212,000 will go for bus. And I'm wondering, we're spending $9.1 with the rail for their planning and part of it is planning where they're going to be dealing with buses. Why -- they're not paying that dime? Why they're bringing the RPTA Board into this to say, hey, you guys need to spend up to $1.5 mil to get this done and accomplished, but then when I extrapolate the $212,000 to the five-year contract, I come up with just about $100,000. What percentage of $30 million is a $100,000? Just about 1%. So why have it in there that way? Why aren't you paying your part of the share?

I also have the document that I'd asked for -- or not the document I asked for, but another one -- the one I've asked for you're going to try to produce again. But it has in here about jurisdictional equity and that of the supergrid that 400 proposed, 32 routes but our current plan only has 24 and I count up these that I've been showing to you, and I go, all right, well, start 32 of them. That would have been in '08 and you haven't done any. You know, there are little bits and parts that did get done and accomplished, but if you're reduction was what it was then where is your production.

And it also says in here about jurisdictional equity and having the different entities work on the cities rather than the region and I look at the 2018 one and it's the 303 Shea to Frank Lloyd Wright and I go, all right so Scottsdale, Phoenix, Surprise, Peoria, Glendale and that little bit of county island that's out there. Why did you guys' input into these gentlemen to have them be doing the planning correctly and get it done? Because according to this, they're supposed to still be there and have gotten done.
Thank you for your time. Sorry for running over on that one.

Chair Heredia said thank you, Blue.

Ms. Dillon said Chair, I have a written comment submitted by Dianne Barker. She wanted to let everyone know that the ADOT Board of Directors is meeting tomorrow morning at 9:00 and she asked ADOT to consider more innovative multi-modal transportation options. The price of gas is headed to $6 a gallon negatively impacting the single occupancy vehicular travel.

Chair Heredia said thank you. The next item is the Chief Executive Officer's Report. Jessica.

2. Chief Executive Officer's Report

Ms. Mefford-Miller said good morning, Directors, staff and guests. I've got a few things to update you on this morning.

First, I want to take a step back and just give you an overview of some items that we have been working on over the last few weeks. It is my 7th week there. It's hard to believe, time is flying. We're continuing to meet with our member cities and your respective staffs and this has been incredibly helpful for giving the Valley Metro team and I a better understanding of how we're performing, areas where we might need to improve, but also, to get a deeper understanding of the current state and the aspirations of each of our member cities so that we can deliver the transit system and the mobility services that are going to meet those cities' needs today and into the future.

We're beginning to identify some immediate needs that require action as well as some larger priorities that are going to help us improve our delivery of projects, services and deepen our relationships across the region. You'll see us begin to pivot in some ways in the coming months. Some of those initiatives and behaviors that you will see include strengthening and rebuilding relationships, working with the Board, member cities and stakeholders to develop a strategic plan and we look forward to your guidance in that. This is something that I hope that we can begin in earnest when we return after the July recess.

We'll also be delving into some new areas including evaluating the performance and the design of our system, taking a deep dive at our operations and maintenance programs including our internal organization, staffing, the performance of our contractors and the interaction between Valley Metro, our contractors and our -- Valley Metro and our contractors and our member cities and our customers.

We'll also be creating more strategic approaches to delving into some new areas for Valley Metro that includes exploring zero emissions vehicles which will be new to us and then in a more formal and effective way, strengthening our diversity, equity and inclusion program both within Valley Metro and as it pertains to how and with whom we do business within the community.

There are just a few areas of focus that I would love you to begin thinking about and I look forward to those conversations in the future.

So now, I'd like to give you an update on ridership. Overall, our ridership continues to grow as we try to rebound from the pandemic. I'm reporting April to you today. April was a little bit slower in growth for rail system recovery. I think that's largely due to the construction that we're experiencing downtown. We did have a crossover last week and it's going I think as well as it can. I marvel at the progress of that construction team every day, but dirt certainly does have an impact on our ridership.

Our bus resurgence has slowed a little bit. I expect that bus growth is probably not going to come in a big way until fall. I'm given to understand it gets a little hot here in the summer and so, it doesn't seem to be a strong -- just a little, just a little bit. So I look forward and we will be preparing to make sure that we're delivering consistently reliable service in the fall so that that ridership can return. So we're still down about half overall system-wide relative to pre-pandemic figures.

So I want to give you an update on our small business financial assistance program. This is one of several initiatives that we have that is intended to really ameliorate the impact of light rail construction in our communities. In the pilot year, which was 2021, 62 different small businesses participated along our construction corridors for a total award amount of $376,000. These programs are focusing on the South Central Extension and Downtown Hub and the Northwest Extension Phase II.

Our second year just launched in April and 19 businesses have already been awarded $80,000 and we've got 30 plus applications in process right now and we look forward to making additional awards in the very near future. I want to thank our Community Engagement team for administering this important project and in working with those businesses to deepen our relationships. We're also working with members of the Phoenix City Council. Councilwoman Ansari is pictured here actually with one of our local dry-cleaning businesses. They're conducting a great deal of outreach from within Phoenix to these businesses.

On a really exciting note, we have a streetcar opening tomorrow. I know that you have all heard about this. Our congratulations, Councilmember Arredondo-Savage. This is a much-awaited event and the region especially our partners within the City of Tempe have been looking forward to this for some time. On April 28th, we actually had a preview event for our partners within Tempe and the business community that has been so instrumental in bringing this project to fruition. So tomorrow morning we'll meet at 8:30, I invite all of our Board members to participate to celebrate the beginning of passenger service on the streetcar. We'll be joined by representatives also from the Federal Transit Administration and our congressional delegation.

Between the kick-off and the weeks ahead, we'll also be present out on the system so starting as soon as that event ends tomorrow, we'll welcome passengers, and we'll have teams out across the streetcar system helping our customers way find and navigate around it. So I hope that you'll join us and for our members of the public and guests who are joining us today at 10:30 tomorrow we invite you to take your first ride on the streetcar and just a reminder, it will be fare free for the first year.

I also want to pause and recognize the tremendous work by the entire project team that includes our contractors and also Valley Metro staff, our operations, our communications, our construction and strategic initiative teams, our safety, security and quality assurance teams. These teams have been working day and night for a long time and we'll be working today and tonight to pull this together for successful launch tomorrow. So team, well done and thank you.

One item I want to give you an update on verbally today is our workforce shortage. You have a -- an update, a written update. It's the last item in your packet under tab 8. In the future, this is an update I'd like to just be able to provide to you in writing in your packet, but as this is our first deep discussion about it, I think it bears a little conversation. So one of our most immediate challenges and you've heard this bear our in our public comments this morning, is our workforce shortage which is impacting our ability to deliver service as we've promised to our customers every day.

I'll give you an overview of where we're at and I want to talk about recent progress that we've made and where we're going. This is a high priority for Valley Metro as a team as well as our contract service providers. The impact to our operations i think is most felt in our paratransit and our Ride Choice programs and within our East Valley bus contract. You see the current status of operations from the month of April. That's the data before you today. In East Valley, we missed 10% of our trips and that number by the way is improving every week as we restore that critical workforce. Field security is another area where we have come a long way. We just missed 5% of our scheduled trips last month. And on the right, you see on the slide here, this is a summary of Valley Metro only employees so not our contracted operations, maintenance, cleaning or field security teams.

So here's what we're doing about it and this is really the beginning of some larger efforts to right this workforce shortage situation. To create a better work/life balance and make the work more attractive for some of our operations team members, we shifted to 4/10s. These are jobs that people can't do virtually, but 4/10s as opposed to 5/8s for some of our teams is more tenable.

Thanks to the action of this Board last month, we have implemented a 5% cost of living adjustment for Valley Metro employees. Thank you. This has been a great moment for our team. It is well received so on behalf of that staff, I thank you.

We have also been working with our contracted staff and our partners at First Transit. That's our East Valley bus contract. They've implemented a $5,000 hiring bonus that's paid over the course of six months so you can ensure some retention through that trancing and that initial performance months and that's helping us really move the needle on that East Valley contract.

Our cleaning workforce that's our contractor DMS. They have implemented a sign on bonus. This is one of those areas we've touched on before where we're going to have to address the wage rate so we ensure that we've got sufficient contract service to maintain our system in a fashion that our customers have come to and should expect it to be maintained.

Allied Universal has implemented a $1,000 or $500 signing bonus depending on the credentials of our candidates. The impact of that signing bonus and some of the changes that Allied is making within the contract, next slide, is palpable and I've noticed just in the last couple of months the increase and presence of the Allied staff across the system so Adrian congratulations to the work of you and your team and Allied.

So here's what our progress looks like. Since the last time we discussed it, we have decreased our vacancy rate for traction power technicians. These are the technical teams that work on our overhead catenary systems for light rail and now streetcar. Our customer service vacancy rate has gone down, and we'll be looking at some things we can do for the work environment and the structure of that work for those customer service teams. And then field security was previously at a 35% vacancy so this is an area where we have made notable progress. We have gone from 35% vacancy to 14% vacancy in the last month or so.

Where we're stagnant is light rail vehicle inspectors, electro-mechanics and communications systems technicians so there are some short team strategies that we're going to have to address. This needs long term strategies too including workforce development and pipelining to these skilled trade positions that we're going to continue to rely on to support our rail system.

Take a look at our calendar ahead so as we approach the month of June, we hope to bring that budget across the finish line for our fiscal year that begins this July 1. We'll meet TMC/RMC and then AFS the week of June -- the week of May 30th, later in that week and then we'll come together again in this form June 16th. And we've got a couple of items that will be on the agenda for approval in June that are going to help us begin to pivot in some ways including with a composition of our team here at Valley Metro. And then as I'm also given to understand, the much-awaited recess of meetings in the month of July and we'll come back together in August. It seems to be the trend in Phoenix right. Everybody leaves -- yeah.

And one last item, I want to leave you with -- Directors, some of you may be aware that Mike Minnaugh, our General Counsel, is actually leaving Valley Metro effective tomorrow. Mike has been our General Counsel at Valley Metro for seven years and we're grateful for Mike's leadership, his stable hand and his good judgment to both staff and the Board over this period. Mike has become a trusted advisor even in our short time working together he has become a trusted and valued advisor. In his role as General Counsel, Mike, of course, handles all of our litigation. He helps to mitigate risk through guidance to staff and review of all of our contracts and that is just an essential function of the General Counsel. And, of course, he's reviewing all of our agreements inside and outside the organization and as we move through updating some of our contracts, this is going to be especially important as we look ahead and we're going to need great involvement between our new General Counsel and our new Chief Procurement Officer and our new Chief Financial Officer. So we look forward -- a new a lot of people and I look forward to rebuilding this team with a really deliberate focus.

I wish Mike well in his new endeavor. Mike, do you just want to take a moment to give a few words to the Board?

Mr. Minnaugh said yes, thank you, Jessica. I'm trying to figure out who that guy is in that picture. I think that was taken a couple years ago when I had -- hey, hey, when I had some hair and a little bit darker facial hair. Yeah. Wow.

You know this is recorded so we have to be a little careful. Thank you, Jessica. It has really been an outstanding honor and privilege to serve as General Counsel here for just shy of seven years. I'm really, grateful for the incredible personal and professional experience that I've had here to be sure. To the Board, to the full Board of Directors, we have had an opportunity to tackle some exciting, innovative and tough issues over the years together and you've always done so with so much respect for the surrounding circumstances and environment, such grace and credibility for our critical public service mission and I've always been grateful for that. I can say with great emphasis that in serving as General Counsel, I have the greatest admiration for you.

I'm pleased to know that Valley Metro is in a better and improved position now then it was before. Jessica, the Board did one heck of an excellent job in selecting you as the next Chief Executive Officer. Having worked very closely with you over the last -- I was going to say two months, but I guess, it has been seven weeks, very closely with you over the last seven weeks now, you have incisively shown all of us the forward-looking leadership, the vision and that get back to work and get it done style that is exactly what Valley Metro needed and is really positively resonating in the hallways and I will certainly miss that.

To the greater Valley Metro family, I cannot thank you enough for the experiences together. I am tremendously optimistic about the future of transit in our region and I deeply value each and every relationship that I've had the privilege of building over my time here. Thank you.

Ms. Mefford-Miller said Mike, thank you for everything you've done to advance our shared mission of moving transit forward across the Valley. Now, we'll get back to work.

Back to you Chair Heredia.

Chair Heredia said perfect. And I think some folks want to have just quick comments on your departure, Mike so. Go ahead, Councilmember Stipp.

Councilmember Stipp said you know I look back at the short -- the theoretical short time that I've been here if you look at that. I didn't want to call out how long others have been on the Board, but they sit on the other side of the table. But, you know, Mike, I think one of the things that we all really experienced was the Board's confidence in your leadership ability and your ability to help us through this transitional period that we were in which is completely different than the last transitional period that you were here for. But at the end of the day, you've been a very steady hand in everything and as a Board member, it's been -- it's been reassuring to have somebody with your -- with your demeanor and your experience here as a General Counsel. So I know we are going to miss you, but certainly, in an opportunity to develop yourself, excited for what the future has so good luck.

Councilmember Tolmachoff said Mike and I actually I think my very first meeting was the day that we had a very big news breaking story happen at Valley Metro and I think it was Mike's first meeting as well. And I think neither one of us even knew where the restrooms we're thinking what are we even doing here? And then the next meeting, we had a process server walk in the door and serve every single Board member and Mike's just his skill and his kind of low-key way in dealing with -- with some really difficult circumstances that we've navigated our way through as an organization, I mean, I had every confidence in him being able to go and deliver what the Board is saying is negotiate this, these are the results that we want and he's able to get it done.

So I've appreciated your leadership, the way you handled, definitely handled some very delicate situations to try to move the organization forward, always the eye on moving forward and putting these, you know, nuisances behind us. And I'm very happy for you. I wish you well and hope to cross paths with you sometime in the future. Thank you, Mike.

Mayor Peterson said thank you, Chair. Boy, Councilmember Stipp and Tolmachoff just did a great job, Mike. I just want to say that since the time I've been here -- which oh, my gosh, that' now a long time ago, 2016, I guess, minus a few months, you have always just been so calm and so clear in your message and I think that's what we most appreciate about you and appreciate all of what you have seen here at Valley Metro over the past seven plus years and wish you just the best in the future. I was very shocked to see that there was a list of positions that need to be filled and that General Counsel was one of them. And so was looking to hear what that story was today and I'm sad to see you go but wish you the very best of luck.

Councilmember Arredondo-Savage said I've got nothing left, Mike. I mean, they pretty much -- they just like stole my thunder and the Chair just wasn't really getting to me so I'm last, but. You know what, I just got to say thank you, you know, so much. You've just been really the calm steady presence at least through my journey on this Board and the leadership things that I've been doing here, you've just been really solid, and it's just been so appreciative for myself. I mean, we've gone through some really rocky times, but it's nice to have that calm presence that is always looking to do what is right for the organization and to be able to move us forward in a really good positive professional manner and you have always carried yourself incredibly professionally and I couldn't be more grateful, not only for just the relationship that we've built, but I think for the friendship that we're going to have forever. I just say thank you so much to you and, you know, maybe rumor has it that you might be working out of Tempe, just sayin', but maybe. Anyway, good luck to you. Thank you so much for everything that you've given to Valley Metro because I mean, you have. You've given so much to us and I think to every individual Board member and staff member. Your professionalism I said goes unchallenged by me so thank you so much for everything, Mike.

Chair Heredia said thank you. Anybody -- do we have anybody online? Well, appreciate, Mike, and best of luck and look forward to hearing from you soon. So thank you.

3. <u>Audit and Finance Subcommittee Update</u>

Chair Heredia said usually, this is Councilmember Stipp's role, but we'll push it onto Councilwoman Arredondo-Savage.

Councilmember Arredondo-Savage said pushing it on to me.

Chair Heredia said yeah. The hot seat.

Councilmember Arredondo-Savage said thank you. Well, you know what we did our best. We did our best at the Audit and Finance Subcommittee without the sunshine leadership that we had from Mr. Stipp and we do continue to do really good work and spend a lot of time and energy not only -- mostly just really focusing on what we're doing in the budget and so, I think you Tyler and Jim for always indulging us in our questions and really trying to get us in a really good place moving forward.

And so some of you that haven't noticed there have been over a 100 questions asked in regards to this budget moving forward and I think that just really speaks volumes to how much we care, how much we're engaged and we really want to do what's right for this organization and public finances and making sure that we're doing everything right.

So this last meeting, we had a really good opportunity to look a little bit more and, of course, the third quarter so thank you, Tyler, for that. And also, we spent most of the time really just looking at the inflationary and the continuing commitments section of the budget that will be presented. So we had a lot of good conversations, we talked a lot about some of the challenges and i think Jessica mentioned that today especially in the labor market and some of the things that we're going to endure and then what we can do to be creative and flexible to overcome those. We know that there will be probably more discussions to be had on that also too. And I think one of the things that we're learning is is when you don't live and breathe it, it's really, good to make sure that the data that we're receiving is put together in some type of context so we can really understand it. And I really appreciate them being so receptive to giving us some more inclusive information so we can really see a comprehensive picture, it really does speak volumes I think to what we want to do so I certainly, do appreciate that.

And a few things that we decided that we really wanted to continue to focus a little bit more on, hopefully, have a study session on RideChoice in the near future. That was definitely one of the things that had come up and then we want to take a little deeper look in regards to our electric vehicles and what we're doing for the non-revenue fleets and for our fleet vehicles too and kind of what that looks like and really feel that needs a bigger discussion too. And also, to talk about bus service contracts in the very near future.

So those are the few things that we have on the radar in the future and I'm not sure if I missed anything so I will ask Frankie and Lauren, if you think I did?

Councilmember Tolmachoff said you didn't miss anything.

Chair Heredia said that’s good.

Councilmember Arredondo-Savage said thank you, Chair.

4. Consent Agenda

Chair Heredia said this item is presented for action. Anyone have any comments or questions? If none, request a motion and a second to approve the Consent Agenda.

IT WAS MOVED BY COUNCILMEMBER STIPP, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO APPROVE THE CONSENT AGENDA.

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

Ms. Medford-Miller said good morning, again, Directors. I'm going to actually ask Robert Forrest to come to the podium and address this contract extension and funding really focusing on what has changed.

Mr. Forrest said thank you, Jessica. Good morning, Chair Heredia and members of the Board. So the item before you today is to request an extension of our current planning and community support contract up to no more than eight months and also increase the contract authority by about $5.1 million. And that's to allow us to -- the opportunity to continue working on the items that are listed in the packet or are they actually in the memo, to also allow us the time frame to transition from the existing contract to the new planning support services contract. So with that, I'd be happy to answer any questions.

Chair Heredia said any questions from the Board? Any online, Pat? Okay. All right. Request a motion and a second to authorize the CEO to increase contract expenditure authority with HDR Engineering, Inc. to a not to exceed amount of $1.5 million in fiscal year '22 to allow for an extension not to exceed eight months and $3.6 million in FY23 for a total not to exceed amount of $5.1 million.

IT WAS MOVED BY COUNCILMEMBER ARREDONDO-SAVAGE, SECONDED BY MAYOR PETERSON AND UNANIMOUSLY CARRIED TO AUTHORIZE THE CEO TO INCREASE CONTRACT EXPENDITURE AUTHORITY WITH HDR ENGINEERING, INC. TO A NOT TO EXCEED AMOUNT OF $1.5 MILLION IN FISCAL YEAR '22 TO ALLOW FOR AN EXTENSION NOT TO EXCEED EIGHT MONTHS AND $3.6 MILLION IN FY23 FOR A TOTAL NOT TO EXCEED AMOUNT OF $5.1 MILLION.

6. Planning Support Services (PSS) On-call Contract Awards

Ms. Medford-Miller said the last item number 5 was an extension of existing contract until we are ready to being full implementation of this item number 6 which is the new contract. So Robert, again, to you, Mr. Forrest.

Mr. Forrest said thank you, Jessica. So again, this one -- the item before you is to request the authorization to be able to be enter into contracts with ten of the firms that are all listed on the second to last page in the table. Ten firms, for a base year of -- a three-year base year contract with two one-year extensions. The total contract is not to exceed $30 million over the course of the five years.

Table 1 gives you a list of all the firms that we have gone through and evaluated and scored and are recommending that we enter contracts. Also, that table also identifies the categories whether it's planning -- our service planning, project development, environmental services or graphics and visualization. So it also gives you the numbers there are the scores. The ones that are highlighted or bolded that are in the purple, light purple are the firms that we are recommending for continuing with the contract.

So I'd be happy to answer any questions.

Chair Heredia said any questions from Board members? Online, Pat? Nope. All right. Request a motion and a second to authorize the CEO to execute three-year based contracts with two one-year extension options with ten firms for on-call consulting services in a total amount not to exceed $30 million.

IT WAS MOVED BY MAYOR PETERSON, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO AUTHORIZE THE CEO TO EXECUTE THREE-YEAR BASED CONTRACTS WITH TWO ONE-YEAR EXTENSION OPTIONS WITH TEN FIRMS FOR ON-CALL CONSULTING SERVICES IN A TOTAL AMOUNT NOT TO EXCEED $30 MILLION.

7. Fiscal Year 2021 (FY21) Transit Performance Report (TPR)

Ms. Medford-Miller said I want to invite Mary Ziech and team to the podium to provide a presentation on our FY21 Performance Report. And while we transitioned, I just want to give a little foreshadowing of where we're going from here. We've been having a great many conversations about performance management within our organization and communication of performance management of our service back out to our member cities. So data and performance (indiscernible) in particular, timely specific performance data is something that you'll be seeing more of and hearing more about as we move forward. But this is an annual performance report that has been historically provided to the Board. This is for FY21 so we're looking at -- at the fiscal year that ended last year. We'll provide more frequent and timely updates I think on a quarterly basis to this Board moving forward.

Mr. Ziech said thank you, Jessica. Just with the last few minutes of morning, good morning, Chair Heredia and members of the Board. I would like to introduce Erin Kuneyl, a planner with the agency who will be taking over this report starting next year. So she will start it out and then I will go into some more details to finish it off.

Ms. Kuneyl said thanks, Marty. Chair and Board members, I'm here to present to you the TPR for fiscal year '21. As a reminder, fiscal year '21 spans from July 1st, 2020, through June 30th of 2021. Some system highlights include seeing an almost 48% decrease in total boardings from fiscal year '20. We see year on year about three quarters of all system boardings are found on bus. Valley Metro Rail has a 2.16 boardings per mile which is the highest of any mode and ADA paratransit trips are at an all time high on-time performance of 91.5% and the average van pool user pays $4.69 per trip which covers the vast majority of that program.

As I mentioned in the last slide, ridership is down a little under 50%. It is important to remember here that COVID impacts were present for the entirety of FY21 and only four months of fiscal year '20. And operating costs per vehicle revenue mile, we saw 4.7% increase from fiscal year '20. It is important to mention that inflation was increasing at that time. And from there, I'll hand it back to Marty to talk about all modes.

Mr. Ziech said thank you, Erin. So starting out looking specifically at just our bus system.

As had been mentioned, our ridership is down about half year on year from fiscal year '20 to fiscal year '21. As was reported in the CEO's report earlier today, we are seeing that start to rebound on the bus system. Omicron did take a bit of a hit later in the end of calendar year 2021, but we are seeing that rebound especially come the spring in 2022.

Looking at it by service day for our bus network, this is specifically, only weekday service. The key to remember here this is where we saw the largest decrease year on year down about half and the agency took the approach as did many agencies around the country of continuing to provide service to serve those essential workers. So although we did see ridership drop, we did see a lot of retention in terms of the types of riders that were using the service to access jobs and essential services.

Looking at Saturday boardings. An important note to mention on this one is in fiscal year '19, the City of Phoenix added a significant amount of service to weekends so that's why we were seeing that increase in Saturday boardings where across the nation ridership was actually already starting to trend down in fiscal year '19. In fiscal year '20, if COVID would not have hit, we would have seen a continue increase in overall Saturday boardings. That trend does continue into FY21. We see the drop of about 38%, but as compared to weekdays, we are retaining a lot more of that weekend ridership.

And with Sunday ridership, a very similar trend. We see only about a 34% decrease year on year meaning that that service that we put out to the community on our weekends is really utilized and people continued to use it even during the pandemic.

In terms of the average fare collected per trip on our bus network, it is down significantly to about $0.09 per trip in fiscal year '21. In the beginning of fiscal year '21 so right in July, the agency started installing the different operating doors to keep the operators safe. As that installation was taking place, customers were not allowed to board on the front of the bus, so they had no access to the fare box. What we saw because of that is the vast majorities of types of fares were not able to be accepted on the service as safety was prioritized for both the operators and customers. That in FY22 has been reversed. We have operator doors now installed and customers are back returning to using the fare box.

In terms of on-time performance, the last piece I'll mention on the bus, in fiscal year '20, we did not record on-time performance as the entirety of the bus fleet was being outfitted with new tracking mechanisms from Clever Systems. Now that we have those systems all installed, we see a very similar trend to fiscal year '19, pre-COVID, that we're providing the majority of our trips on-time just under 90%.

Moving onto the rail network. Similar to bus, we saw a drop of about 50% year on year in overall ridership from fiscal year '20 to fiscal year '21. Starting in the fall of 2021 so the beginning of fiscal year '22, we started to track that increase in ridership. Overall, right now, we're about 30% year on year up compared to fiscal year '21 taking the entirety of all of those months into account. So when Erin is presenting next year's TPR, it will be a positive story when it comes to ridership.

In terms of the average fare collected per trip, the rail system was not affected in the same way as the bus systems in terms of not allowing customers to show fare as they board, but we did take the approach as an agency of really focusing on quality of life on the trains having our security staff focus on making sure people were wearing masks, marking sure social distancing was being enforced, where possible. And so, because of that we did see the fare decrease. In fiscal year '22 with COVID becoming less of a burden on the agency, the shift is returning back towards fare enforcement so we should expect to see that number rise as well.

I apologize for this. The last piece I'll mention on rail in terms of the on-time performance. In fiscal year '20, there were new technologies being installed on the trains so we did not record on-time performance. Looking year on year from fiscal year '19 jumping across to fiscal year '21, we do see a decrease, but the rail on-time performance is still above 90%.

Looking at the paratransit just a couple key points that I'd like to bring up. Our ADA on-time performance has held high even with all of the new challenges brought on by the pandemic at over 90%. And our operating costs per revenue hour, we have very much been able to adapt to the new normal. After seeing a much higher increase in fiscal year '20, it has come back down. An important note on this as well is that the operating costs per revenue hour only focuses on traditional paratransit services. RideChoice is growing in this region significantly and is taking trips that would have otherwise been served by traditional paratransit so we both see the operating costs per revenue hour decrease year on year for that traditional service as well as the overall service provision is becoming more fiscally responsible as well as the lower cost RideChoice is supplanting some of these trips.

And finally, the last piece I'll mention is just looking at a peer agency comparison. We find it important to bring this to the Board each year. Just to make sure that we're able to provide the best and most recent information possible, we did not look at the federal databases as we have in past years, but instead reached out directly to our peers to get information from them. That is why you don't see our entire peer list in front of you just a selected group. These are the agencies that volunteered to give us information.

Looking at ridership as we compare it to our peers, we're just about in there with the agencies that you see up on the board. Pretty much everyone in our peer group has been experiencing that between 40 and 50% decline in ridership from fiscal year '20 to fiscal year 21.

One other thing I'll mention on this. In terms of how the systems operated, the system most similar to us in terms of the bus side especially is MTS San Diego. They were also installing operator doors so they did not allow front-door boarding either.

So we're right in the mix of everyone, but as you can see, it's not necessarily the exact same trend per each system.

And with that, I would like to open it up for questions.

Chair Heredia said perfect. Thank you for the information. Any questions from the Board members?

Councilmember Stipp said I'm going to start with this slide and then we're going to go back almost to the beginning. But this is a really, good dataset for us so next year, let's do the 2021 and then the '21/'22 side by side so we can see that progression. It just kind of gives us a good frame of mind -- framework I think to know where we're at, but not forgetting where we've been to where we're going. I think that part is important.

Operating costs per vehicle revenue mile. We started seeing an increase in those costs back in FY18. That obviously pre-dates pandemic-related things so how -- after having sustained a pretty good period of cost per mile, what do we think is the -- what's the explanation for that as we go forward? I think it's easy for us to go, yeah, pandemic cost us, but this was pre-pandemic so how do we -- is there an explanation? Have you guys done any look at that? Does anybody have any idea?

Mr. Ziech said no. Thank you very much for that question. And I can give a brief answer and I'll turn to our Finance team if they would like to be any additional information.

Essentially, the way to read this. There were changes in service provision especially with adding -- when the City of Phoenix added more trips to the weekends which typically see just different costs in terms of bringing people in so that has a slight explanation, but the other important things to note here especially in that pre-COVID period, it was going up by 3-4% per year. So it was maintaining kind of that slight increase, but not necessarily jumping up. And then as you had mentioned, once we entered into the pandemic period, we saw, again, another huge change in service provision and just costs increasing both in terms of labor as well as other costs that get associated with putting service out on the road in a safe way. And then, of course, now, it continues to go up with inflation and all of the concerns around with that.

Councilmember Stipp said I don't want to belabor the discussion going back, you know, as far as ten years almost, but I think a chart like this can be misleading in some way, not intentionally, I mean, I just I think when we talk about statistics that always you can bend them in any direction, but.

When we talk about this, there are influences that affect that so when we use a simple line graph to display it, I think it can tell a negative story or a positive story so we should always put context I think to Councilmember Arredondo-Savage's point that we should put some context in there.

The other thing that we should be looking at going into the future is really what happened in '18, what happened in '18 and '19 before we got into that era of, you know, pandemic kinds of pieces and what can we do to start peeling that -- peeling that back. Because if you just look at the historical of this, you know, we're in that FY10, 11, 12 kind of trend again, but then we flattened out so.

Mr. Olson said Councilmember Stipp, Chair Heredia, the Board. That's a great question. So what I'd offer is that we can do some additional analysis to look into what would be causing that other than obviously the inflation that we've all been experiencing. This is all modes across the entire region so there's different contractor rates, operated at different jurisdictions so I'd suggest that we come back, do a little analysis, look at, you know, the modes by jurisdiction, figure out kind of what may be driving that a little bit more. It could be, you know, one mode more than the other based on contracts or different, you know, cost factors.

Councilmember Stipp said well, let me throw it this way so that we're not wasting a lot of staff effort to go back in time that perhaps I look to you the budget team, I look to the CEO to say utilize this in your internal analysis as you're going forward so that we -- because we don't want to -- we don't want to rehash the past, but we need to know that somebody has seen the same picture going forward. So I don't want to burn a lot of additional staff time on a deep analysis of it, but I think this needs to inform us in that strategic plan and that piece moving forward. I think this needs to be part of that -- informing that component is kind of where I'm at so. Great. I appreciate the analysis and look forward to seeing this on a more often than annual basis especially a year later so thank you.

Chair Heredia said thank you. We have Councilwoman Tolmachoff and Councilmember Edwards on the line.

Councilmember Tolmachoff said thank you, Mr. Chair. I like the idea of weaving this into the strategic plan. I think that's really, critical that we're thinking that way as okay, we have the data, now, what are we going to do.

The thing I wanted to bring up and I'm not going to give the employee's name or the route or anything, but we had a manager level employee of our city who rides the bus at least a couple of times a month just because he wants to be informed on, you know, what the bus service is like which I think is great. And he was basically waved onto -- he had the money in his hand, and he was waved to board the bus without paying. I'd be happy to share the details of who that was, where that was offline with whoever wants that, but I was pretty, alarmed to hear that.

That I don't know -- I mean, I -- now, like, I could see if it was -- and he was dressed business casual. Obviously, not in distress. I could understand maybe somebody letting somebody board a bus if the individual was -- looked -- appeared to be in some sort of distress and really just -- I could understand that, but that wasn't the case here, so I think that's something that we need to be aware of and I'll share that with Jessica -- whoever wants the information. But I think that's something we need to dig into and make sure that these operators understand that nobody rides for free and that, you know, we've got a lot at stake here to be able to offer this service that -- and maybe the fare box is broken. He wasn't told that the fare box was broken, but he had the money in hand and was just told just get on. So I'll share those details with whoever would like to have them, but I think that needs to be part of the conversation moving forward. Thank you.

Ms. Mefford-Miller said thank you, Councilmember Tolmachoff. I'd like that and we can certainly look into that. Thank you.

Chair Heredia said Councilmember Edwards.

Councilmember Edwards said thank you, Mr. Chair. So I put my question out there, Pat, do you want to go ahead and read it or do you want me to read it?

Ms. Dillon said I can if you want me to.

Councilmember Edwards said yes, if you don't mind.

Ms. Dillon said we know COVID has a greatly reduced patronage in revenue over the last couple of years as reflected in the FY21 TPR. As FY22 ends on June 30th, I would like to request that preparation of the FY22 Transit Performance Report by October of this year rather than May of next year to help guide us in the conversation and development of more strategic customer service goals. We need to proactively address these service reductions and develop reasonable strategies to reclaim the market share pre-COVID.

Ms. Medford-Miller: Thank you, Director Edwards. So I can speak to that and this is consistent with what we're targeting. We've come together. We've got a multidisciplinary group of team members who are working to pull together performance data so that it can be actionable for our internal team and for it to be actionable, of course, it's got to be timely.

We're also pulling some of this data from peer properties and from other partners within the region so some of that's going to be lagging, but we don't have to wait until it's all done done, if you will, to bring that to the Board. And certainly, in a strategic planning process and we'll touch on this a little bit later I think in the meeting, when we prepare a budget, we've got to have already done this analysis. And even though we're looking at passing the budget here in the month of June, it's just a matter of months before we actually have to begin that program, again, for the next fiscal year and making those strategic decisions and recommendations based on recent -- especially given the volatility of this system and revenues of late, we've got to have this out on a timely basis so noted and we will comply.

Councilmember Edwards said thank you so much.

Chair Heredia said Councilmember Arredondo-Savage.

Councilmember Arredondo-Savage said thank you, Chair. Just one of the things just for reference and one of the things that we've been talking about in the Audit and Finance Subcommittee is when we have referenced fare enforcement, on of the things we discussed was the role of the operator. And just making sure that there was consistency throughout the whole line, and we realized back then it's probably been a couple of years that we've had this discussion that there was some -- Phoenix was doing it one way with a little bit heavier hand with enforcement and then the rest of the line was not so just one of those things to look at. I believe there was a recommendation coming back to incorporate some different training in the future, so we did have that consistency. So just wanted to give that consistency so I appreciate Lauren for bringing that up because obviously, if that training is happening, it's not working or maybe it hasn't happened quite yet.

Ms. Medford-Miller said I think that training is happening now, but it is up to the contractors and, of course, we've got multiple different contractors providing bus service across the region, but we have customers who are interacting with multiple contracts as they move about their day. And so, consistency and creating that standard is certainly a direction that we're heading, not just for fare enforcement, but a number of other aspects of our operation including customer service and courtesy.

Chair Heredia said the other -- provide a comment to Councilmember Stipp's question on this line graph, maybe also providing content on the various points of time. I think like 18 we also in Mesa opened the Gilbert extension around that time and so, there's different timelines of what's happening. I think we don't operate in a vacuum so there's various, different, you know, of course, COVID, right. Putting -- make notes of -- in things like these -- this information to pinpoint what's happening around us that is affecting us maybe on the cost per mile or as we look at -- in the future as we move to mobile payment, you know, things like that that we can pinpoint as why there may be increasing or decreasing that provides a little bit more content -- context to those -- that information.

Mr. Ziech said thank you.

Chair Heredia said perfect. This information -- this is presented for information only. If no questions, we'll move on to item number 8

8. Fiscal Year 2023 Valley Metro Operating and Capital Budget Goals

Ms. Medford-Miller said Mr. Hillyard is going to provide a quick update, Mr. Olson as well, I think. We're going to focus this conversation on what's new and what we've been working on of late with respect to the FY23 budget. As Councilmember Arredondo-Savage mentioned, we have received I think over a hundred different comments and questions from our member cities. We've been working to be responsive to that. We appreciate the level of input and engagement. We've taken that feedback as well as the feedback of this Board and the AFS Subcommittee and we have had some changes to the budget. That includes striking some of those items that were originally included. Also, includes reducing some of those items in scope. You'll see that reflected here.

At our last AFS meeting, we presented a revised framing of budget really trying to focus on the strategic goals we're trying to accomplish was those items that are new or significant increases or inflationary costs in some of those areas. And what I'm trying to do is shift us -- what we're trying to do is shift us to a greater coordination between that which we hope to accomplish, our strategic goals and objectives translating that into operating and capital programs which are then execute through our budget vehicles. So we're backing into it a little bit now for our FY23 budget.

For our FY24 budget, what we would love to do is to engage this Board and our member cities and other stakeholders in a strategic planning process that's going to have to really begin in earnest in the month of August so that we can get going.

Because we've really got to begin that FY24 budget in November so it doesn't give us a great deal of time, but in a sense I actually do appreciate that urgency because it really forces the conversations and it will be a natural continuation of the discussions that we've been having in these forums about FY23 budget and then the discussions of late with the member cities and with the Board members about what your goals and aspirations are and how you'd like to see Valley Metro adjust to better meet your needs. So this is one part of a much larger conversation and I'd like to see budget really fit in as one component of our overall service program.

So without further ado, Mr. Hillyard, will you walk us through today's presentation.

Mr. Hillyard said thank you, Jessica. Mr. Chairman, members. Well, in probably the best news of the whole day as Jessica said, I will not be going through the inch and a half of budget materials in your packet today. They're there, however, because we continue to update them for the discussions that we've had with you and your staff. And so, let me touch on a couple of those changes just so that you can get the most out of them when you look at them.

So first, you have the budget goals document. That was developed feedback from our first meeting with AFS on the budget. It takes the recommendations in our budget, those items that are discretionary in nature and it groups them by the five major goals we're trying to accomplish. So you saw a prototype of that in our previous board meeting. We've prettied it up considerably.

We also received feedback from TMC/RMC that they would like to see us add some prioritization to that document. And so, if you open that document, you'll see at the end of each section for each goal there's a little table that, you know, runs the numbers and we've added a priority category or column to the very beginning of each of those tables that groups all of the recommendations in one of four tiers with number one being the most important. And so, we hope that's a useful addition to you in having a sense of both what those recommendations relate to in terms of outcome, but also, not everything is as important as everything else and it gives you a sense of how we see those internally in any case.

The second thing to touch on quickly the budget details document which is the one that has essentially a little form for each of the changes between '22 and '23. That continues to be updated based upon the questions that your staff ask us where we think there's something that needs to be clarified or new information. You can tell what's changed because it's in italics, so you don't have to read through and try to remember back.

Thirdly, based on some feedback from Councilmember Stipp, you know, our budget question logs and as you know, we have one for RPTA and for VMR, those are starting to become tomes. And so, to make it a little bit easier to see what's a new question versus what's a carryover question from previous, we're bolding the new contact in that document. So as you flip through, you can see what's new versus what's a carryover from prior months and we're going to be updating those -- all of those documents for each budget cycle going forward. So this is the May version and you'll have a June version for you for our next -- for our next cycle and we'll indicate the new stuff in the same way.

So for today's presentation, there's really two things I'd like to cover. The first one as Councilmember Arredondo-Savage mentioned, the major focus for the May board cycle was inflation and continuing commitments. As you recall, we focused really on the recommendations really in the April board cycle and as the AFS will tell you, I inflicted on them probably about a one-hour deep dive into those topics at the AFS meeting two weeks ago and then similarly punished RTAG just last Tuesday and I think they can all tell you, you know, that was not the most exciting presentation that they ever received.

It is important, however, because as you'll see in a minute, the vast majority of the funding change from FY21 to FY22 is in this category. That's really what's driving this budget, you know, more than 90% of the change that we're seeing. So it's important we think to make sure that you've got some clarity into what's been put into those categories and some confidence that it's appropriate and that the numbers that we're calculating are reasonable. And so, we wanted to deep dives both with the subcommittee of the board and with your staff so they would have that sense of detail.

I'm going to spare you that pain today and I'm just going to touch very quickly on the eight issues that comprise the vast, majority of change. In the decks that AFS and RTAG saw, we had slides on each issue. I'm not doing that here. I want to just speak quickly to them, answer any questions that are top of mind or obvious for you, but as Jessica mentioned, I think the most important part of our meeting today is the second item which are the revisions that we're suggesting to the '23 budget and we wanted to make sure we had time to cover those because they're really, more substantive, more meaningful.

So with that, let me run into the boring bit. I'm going to talk as quickly as I can, please stop me if you have a question, but I want to make best use of your time on this.
So as I mentioned a minute ago, this category is the vast majority of the change in the budget, $23 million in RPTA, $8.2 million in Valley Metro Rail, across I think 17 different issues. The good news is, you know, about 93% of that dollar value is actually in eight issues. So I'm going to talk to quickly about those eight issues today. At the end of the presentation, I'll pause a second and if there's any other issues you want to hear about, I'm more than happy to answer those questions. Okay.

I'll go through these in the same fashion that we've done other issues where first, we'll talk about those that are RPTA only and you see that on this table then we'll have one for those that are RPTA and VMR both and then lastly, ones that are VMR only.
So the top four issues in this category comprise the vast majority of this funding and you can see them highlighted in the table before you. I've added some notations here because these are really the boringist of the boring. Those with red arrows are just basically, math. We have a number that's in a contract, we have a number of miles the Board has approved for service, we multiply those against each other and that's the new number. So I will talk about each of them just very briefly, but they're pretty straight forward. Then on the right-hand side, we see a couple arrows indicating those that involve estimates and the thing, I guess, I want to stress about wherever you're seeing estimates in our budget is the estimate actually doesn't matter to Valley Metro.

Because your cities are going to pay the actual not the estimate. Where the estimate matters is telling cities how much money they should set aside in their city budgets for that bill that Valley Metro is going to send you.

So what we hear from your staff with respect to estimates are, don't wildly over estimate because we don't want to set aside money that could be used for something else. On the other hand, if you're going to err on one side or the other, it's better to overestimate a little than to under estimate because having to come back to my city council mid-year and say oh, by the way, I need $100,000 is a serious problem. And so, again, that's the point of the estimate is to get a good clear signals to your cities, but you're going to pay the actual.

So if the estimate is a little high you're not inflating Valley Metro's budget in a way that allows us to spend more money because we only spend the actual.

Walking through these very quickly then the first year of the City of Phoenix regional services so you may be aware Phoenix provides a number of services to the region.

There's some West Valley bus routes they operate. We fund a number of their -- a portion of their paratransit service. They also provide things like the software that's used for scheduling buses called HASTUS and Clever the CAT AVL that's used for bus location. And so, we reimburse Phoenix for that service to the region. This year you've got a larger than average increase there of $9.6 million and that's because just as Valley Metro received COVID relief money and used it to reduce what cities were paying for service, Phoenix received COVID relief money and used it to reduce what it was charging the region for service. So that COVID relief money got all spent on the RPTA side in 2022 and so, now, in '23, you're having to backfill that COVID relief money, you're making up for about $5 million. So what you really are seeing here is about $4 million and change of actual increased service costs from the City of Phoenix to the region and about $5 million of backfilling one-time COVID relief funds.

Moving right down the list. The next issue is paratransit and Ride Choice inflation in ridership. So we're projecting about a 9% increase in paratransit ridership and a 13% increase in Ride Choice ridership which in aggregate will take the two services back to just about where they were pre-pandemic. The difference being you'll notice the bigger increase in Ride Choice and that's because A, more jurisdictions have adopted Ride Choice as a way of reducing their overall paratransit costs, and B, more riders have then chosen to use it because it's more flexible. It doesn't require you to make a reservation ahead of time. And so, the overall -- what AFS saw was a graph sort of showing the overall combined ridership of those two services comes back to, basically, where we were in 2019, however, a bigger proportion of that is Ride Choice and a little smaller proportion of that is paratransit than were in years previous.

So this increase in ridership also has impacts for gas prices. We think -- we were at $0.28 per gallon in the current fiscal year for gas. We're now at $0.45 per gallon and we think that will continue. And then a couple other more minor things involved there. As you know, we subsidize the use of regular transit for paratransit users and those bills went almost to zero during the pandemic because, of course, we were doing back-door boarding so nobody was tapping their Platinum Pass when they got on the bus. Now that we're back to front-door boarding, we're seeing those bills come back so that about a -- about a $300,000 increase that is really, simply taking us back to where we were pre-pandemic in terms of the use of Platinum Pass.

And then lastly, toward the end of this calendar year, we'll have a new contract for our Ride Choice broker service. We're operating right now under a one-year sole source. We can't extend that because it's a sole source so that RFP will be coming out in the months to come. And so, going into the end -- I'm sorry, going to the end of fiscal '23 we'll have a change in vendors there. We're anticipating about a 25% increase in rates just because of the price of gas and labor and everything else we've talked about.
So that's driving the paratransit number you see.

Bus fuel you'll notice has arrows for both math and estimates. That's because the vast majority of the fuel for the bus fleet we get for the Tempe yard, Tempe actually has the contract with the fuel contractor there. So we call Tempe staff up, they tell us what the number is, we multiply that against the number of miles and that's the number. It's math.

On the Mesa and West Valley yards, we estimate those costs, but they're both telling the same story which is that, you know, diesel has gone up about $1.60 a gallon and we think it's going to stay there over its previous price which is about a 50% increase.

Fortunately, CNG, LNG is only up about $0.60 a gallon and 86% of our fleet is CNG and LNG so while this increase that you're seeing there of over $3 million is substantive, it could be a lot worse because our largely CNG fleet is protecting us from the worst of the cost increases. Okay.

And then lastly, you've got bus services rate increase. This one is straight up math. So our contract with our East Valley bus provider has a 3% increase in mile -- cost per mile rates for '23. Our West Valley contract has $1.24 increase in the cost per mile for FY23. We had about 100,000 new miles in the East valley. We had a reduction of 200,000 miles in the West Valley. We just multiply those against each other and that's that number. So it's simply implementing the contract and the service changes that the Board has approved.

In our next category, we've got one straight forward one, one that's slightly more interesting. The top one here new fare collection system for about $3.1 million is the implementation of the new fare collection system that we've met on many times here.

As you may recall, there's a number of aspects to that new TVMs, new validators, et cetera. One aspect is setting up the call center to service customers who have questions about their fares because, you know, we're going to be providing a lot more service, but that all -- and a lot more value, but that also means a little more complexity for riders to deal with. So the Board about a year ago approved us contracting with VIX the company that's doing the larger mobile ticket, et cetera to operate that call center, but that contract requires us to set it up initially. And so, what you have here are the initial setup costs of that call center.

And then some advertising costs associated with education for riders about the new system, so they'll understand how to use the new tickets and some outreach to paratransit users because one of the exciting things about this new fare system is we're going to require every reduced fare user to have a photo I. D. Card that they present when they buy that reduced fare. So right now, I can walk into a Circle K and say, please give me reduced fare and they give me reduced fare and as a result, we have a lot of reduced fare abuse so that new card will prevent that from happening. If you can't show a card with your picture on it, but, of course, that means we've got to contact and engage and take pictures of and print cards for a whole lot of people to implement that system, so we need to be doing some outreach to make that happen. So that is that issue.

The next issue LRV and facility cleaning costs. This is the one odd duck in this bunch. This is the one that is not boring, and I had intended actually to include a couple slides on this one and I did in RTAG and I screwed it up here so I apologize.

So we have talked in our previous discussions about the operations contingency and the need -- the potential need to adjust wages in some of our bid contracts and we had those in a contingency because we said, you know, there's negotiations with the union and negotiations with the vendor and we don't know what those numbers are just yet. Okay. This is one where there isn't a union to negotiate and we know what the numbers are, okay? And that is for the company called DMS that does the cleaning of both our LRVs and also, all of our rail stations.

And so, they right now have a 67% vacancy in the folks that clean, that power wash rail stations and that clean our LRVs at night. Okay. That is completely untenable, right? And absolutely not the image that we want to be presenting to our public as we go into Prop 400 extension, so we know we have to do something with that. We've look at wages in the industry and it's pretty, clear why that the case because you're paying someone who's working third shift outdoor in the summertime $14.59 an hour to power wash a station and they can make $16 an hour working at Chick-Fil-A so.

So what we propose in this item is providing a $3 an hour raise to those folks and then, you know, up through the ranks because there's other promotional opportunities for those people within this contract, supervisors and such. Now, when we presented this issue to AFS, one of the questions that Councilmember Tolmachoff asked is how confident are you that $3 an hour is going to fix this problem? Because we had a table, essentially, showing current job postings for janitors and landscapers and such and when you looked at the rates that were being posted as entry level for, you know, outdoor jobs on third shift, they weren't -- $17.50 wasn't especially competitive. So she asked us -- so our answer was, basically, you know, four months ago when we were putting the budget together, that seemed like a reasonable balance of fixing the problem and being fiscally conservative, but things continue to move and today we're not especially confident that will fix the problem. It might, but it might not.

So she asked us to work up a second scenario. We looked at a second scenario that instead of taking those folks from $14.50 to $17.50 would take them to $19.50 which is about in the middle of that third shift outdoor that we were seeing for jobs posted, you know, for fill right now. So at $3 an hour change, you have the roughly $900,000 that you see here. If we were to go to closer to $5 an hour, it comes up $1.3 million. And so, that's a decision that we'll need to make in the coming month over whether, you know, whether we start conservative and run the risk of not fixing the problem or whether -- or whether we're a little more aggressive at the cost of an additional $400,000, you know, go forward.

So this is the one substantive issue in our discussion here today that I wanted to kind of stress. I'll just tell you that when we presented the same information to RTAG, I think there was a general consensus that yes, this is a problem you have to fix, but RTAG also wanted to make sure that we weren't talking about bus operators and cleaners and security folks like they were in isolation. That we were able to look at the wages that we were proposing for those in a holistic way and make sure that they made sense across the way. And so, I think what Jessica has suggested is that we come back to you in a, you know, assuming Mr. Chair that you're comfortable with this, in a special session, an executive session in June and sort of provide behind closed doors, here's the ranges that we think are realistic for these positions. We haven't negotiated them yet so we can't tell you exactly what they'll be, but this is kind of what we would be targeting in those discussions. And then have an opportunity for you to both see how they relate to each other and then to get your feedback on whether that's, you know, desirable and realistic.

So I think we're taking that as a next step to work internally on laying that out and being able to come back to you in private and get your feedback.

Lastly, in the VMR only category, there's really only two significant issues here. The first is rail project planning. These are the agreements that we make with cities to do future planning for expansions. They're negotiated individually with each city, so this is comprised of, for example, the capital extension, I-10 West, we'll go Dobson, a West Phoenix potential route. And so, they're negotiated with the cities involved, they're paid for by the cities involved, they don't impact the budgets of any city that isn't already a party to the agreement. And so, this is simply having that money in our budget so we can fulfill our half of the agreement.

And then lastly, we've got the first-year operations of the streetcar system which really only impacts Tempe and I think Councilmember Arredondo-Savage, we're delighted to sit back down with your team and have any additional dialogue that we need there go forward. We're all excited to be out tomorrow rooting for the new machine.

So I rushed through the eight issues that are like 93% of those dollars. Are there any questions that I was talking too fast for you to slip in? Or on issues that I didn't talk about?

Chair Heredia said any questions, comments? Councilmember Stipp.

Councilmember Stipp said I just want to make the generic comment and I said this back in April and I apologize for being redundant, but the pain of building this while we fly it has been very evident on staff, but I really appreciate your resiliency and willingness to just keep plugging away and getting this to the point that we're comfortable. I know it hasn't been without suffering and I wanted that at least acknowledged not only for Jim, but for everybody sitting here to know that I know, and I think we all do that you're going through a lot of effort to get through this budget process and it's only to get better. So I look forward to our final meeting in AFS in June and then budget adoption at that following meeting, but I just wanted to acknowledge that and say thank you.

Mr. Hillyard said well, thank you very much and I'll just say on behalf of the whole team we feel like it's been a great collaboration. You know, certainly, there's been work, but that's what we're here for and we think it's all been worth it so thank you.

Chair Heredia said are there any other questions? Sorry. Nope. Go ahead.

Mr. Hillyard said I'll move into sort of the more interesting part of this presentation. So as Jessica mentioned, you know, I think this is our eighth presentation to either you or your staff since the study session in May -- or in March rather. And as

Councilmember Stipp mentioned, I think we're up to a hundred pages or maybe that was Councilmember Arredondo-Savage, a hundred individual questions in our question log so we've had a lot of opportunity to both hear your feedback, gather new information and reflect on what's in our budget. And based upon that, we think that there are some changes that we would like to make going forward.

So heretofore, we've been talking about the preliminary budget. We would like to present to you some revisions to that which then we would bring back as part of our formal documentation and -- in June as the revised budget for your consideration. So what I'll do today is all start out sort of down at the grass roots talking about each of the individual issues that we think bear changing and then I'll pull up a level to what does that mean in terms of the total change in the budget and then I'll pull up another level to what does that mean in terms of the cost for cities. Right? So we'll start low and then work our way back up and please, stop me at any moment if there's a thing you'd like to -- if its not making sense or you'd like to hear more about.

So you might need to look at this in your packet because it's a bit of an eye chart, but what you have here on the left is the one issues that we think bears changing that's RPTA only then in the middle you've got several issues that are RPTA and VMR both and then on the right-hand side, those that are VMR only. So I'm going to walk you through each of these nine issues. I'll just -- spoiler alert. In total, they would reduce our fiscal '23 budget by about $2.8 million versus what you've been seeing heretofore. Some of them are based on the feedback you received, some of them are based on new information we've received, and we'll just walk you through them accordingly.

So starting on the left-hand side with ADA paratransit and Ride Choice. So I just talked about how we were expecting about a 9% increase in paratransit, about a 13% increase in Ride Choice so those are estimates and we always engage in a robust dialogue with your staff about -- okay, this is what we think, what do you think? And what came out the back of that conversation was a decision to pare back the paratransit increase a bit in the belief that more of those folks are shifting to Ride Choice. And that we might not be fully recovered from the pandemic this year, right?

So that reduction in ridership results in about a million dollar decrease in the contractor cost for paratransit trips and then a couple hundred thousand dollar decrease in what we think would be required for fuel for that. So you see a $1.2 million reduction on the RPTA side associated with that dialogue.

Moving over to the middle column for RPTA and VMR together. The top issue is our operations contingency which we've had lots of dialogue about. So one of the things that the City of Phoenix raised in TMC/RMC last month was a question about hey, we're looking at your budget versus actual for the current year and you guys are hiving a fair amount of underrun in transit services so couldn't you just -- like if those savings continue in '23 couldn't you just use those instead of having a contingency. Which I thought was a great question because if we could that would simplify all this (indiscernible).

So we did some time digging in to what was the cause of that underrun and what we learned on the RPTA side that, in fact, most of that underrun was COVID relief funding. So when we built the budget for '22, we didn't know about all of the COVID relief funding that was still in the pipeline. Phoenix ended up getting an extra $17 million in COVID relief funding that we didn't know about at the time that we passed the budget. And so, as a result, Phoenix reduced its billing to us and we talked about that in our first issue a minute ago about the Phoenix regional services. They reduced their billings to us by a total of $17 million or $13 million year to date, it will be $17 or close to it by the end of the year and that's really the major driver of sort of underrun on the RPTA side.

As I mentioned earlier, we don't pay the bus contractors for trips they don't deliver and so, there is a little bit of vacancy savings -- vacancy is the wrong thing to say. There is a little bit of missed trip savings associate with that vacancy, but it's not actually that great. As Jessica's staffing sheet showed, our East Valley bus contractor really only has about and 18% vacancy right now and they're missing about 10% of trips so they would probably only have to close their vacancy rate by about 8 or 10% in order to not be missing any trips. So trying to use those savings to sort of fund the pay increase is probably not a risk worth taking because there's pretty good chance that the pay increase solves the problem and now, you don't have a way to finance it any more.

So you'll see there's no number under RPTA there because we think that one's probably not a risk worth taking.

The situation is a little different on the VMR side. As you know, you know, we have a 40% vacancy rate in a number of Ray's critical team members like inspectors and electro-mechanics, et cetera. Now, the COLA that was provided and the hiring bonuses that we're in the process of implementing, we believe those are going to help, but they are not a magic wand. They're not going to help overnight. And so, there's a pretty good chance that we're going to still be playing catchup in hiring those positions because they're just kind of few and far between for the first couple months of the fiscal year. And so in that case, of course, we're going to spend some overtime filling those shifts, but we're not going to spend as much in overtime as we probably have in vacancy. So we did some math and we think that we can probably count on about $500,000 of vacancy savings associated with the time it takes to fill those shifts to buy down the cost of the -- of the contingency on the VMR side. And so, that's what you see there is a reduction in the VMR contingency betting that we'll be able to use vacancy in the first quarter.

Next, you've got employee benefit premiums. You'll notice that one struck out and that's because when we originally built this budget, we had just received our benefits quote from Cigna. They wanted about a 16% year over year increase for our employee health and dental benefits. We had a number of high-cost claims and this year due to folks with more severe illnesses or injuries. You know, we thought that was too big a pill to swallow so we went back out to the market and got bids. And fortunately, one of those bids, United Healthcare, said, you know, we want your business bad enough we're willing to take a loss on you. So we went back to Cigna and said, hey, Cigna, either you match United's offer or we're moving to United. And Cigna said, okay, we want your business too, we'll take a loss on you. And so, as a result, we're not going to have to increase our budget for employee benefits year over year and that issue drops out saving us about a $700,000 from the budget for the two.

Next down, you see Value of Transit struck out. This was one of the marketing and outreach campaigns that we talked about last month intended really to build on the work we did around Railversary articulating the impact of transit even on those that don't ride transit, you know, through improved development, air quality, et cetera.

So if you looked at our budget goals document, you'll notice that we actually put this one in the lowest tier of important of the things that we're seeking. We did that not because we don't think it's really, important to articulate the value of transit, but because we think we're in kind of a unique period. You know, we're right here in the run up to Prop 400 and while on the one hand that makes this kind of communication more important, on the other hand, we know there's all kinds of folks about there that are going to be singing that song on our behalf. And so, we think that we can provide them with the information about the impact that we've had and let them buy the ad space and let them do the printing associated with that rather than having that in our budget. And as a result, we think we can drop this one out of our budget without really, meaningful impacting our ability to have the public recognize the importance for transit in the region. So we suggest dropping that one entirely at a savings of $50,000.

Next on the list, driver pedestrian safety is another one of our marketing and outreach campaigns. So this one isn't struck out, we're not eliminating it completely, but it was -- but we're giving it a 50% haircut, cutting $50,000 out of the $100,000 campaign. So as you recall, one of the reasons we had a 48% increase in our insurance rates this year was because we're seeing an increasing incidents of people running into trains. And so, we really want to be able to do something to try to impact people's awareness of the transit environment and try to reduce those costs, but, you know, we think we can do that with a little bit less money and therefore, we're cutting that one by half.

Last on the list for both is decreased recruiting costs. So you may recall, we were seeking I think $140,000 in recruiting costs to deal with the weird labor market that we're in. Big pieces of that like attending more job fairs, putting together a video that acquaints people with what cool place the OMC is to work and things like that. We're committed to those; we think we're really going to have to have them. Increased advertising, we know we're going to have to do that that's the world that we're living in right now.

There was an aspect of that budget that we thought we could pare back and that was, you know, as you talked about earlier, we have a General Counsel, a CAO, a CFO, a CPO that we're all going to have to hire in the next year. So a number of high-level positions and because Phoenix isn't exactly a center of transit some of those folks may come from out of state, they may require travel to come out and interview and they may require relocation costs to be able to come from wherever they are now. So we had included, you know, money for those relocation and travel costs in this line. We think we can pare that back by $30,000.

Moving onto the last column of VMR only. There’s two issues here. The first is the insurance contingency cost. So as you may -- as I mentioned a minute ago, we had a giant increase in our insurance last year over the prior year. We talked to our insurance broker. They've said yeah, you guys are onboarding new Tempe streetcar vehicles, new Siemens light rail vehicles for your extended miles, you know, Tempe streetcars are running in traffic with traffic in a way that your current vehicles don't, like, we think you ought to bank on another increase this year. When we asked them what that was, initially, they said 25% and that's the number that was in the original budget was that increase. We've talked to them again more recently and said, do you really think it's going to be 25%? And they said, you can probably get away with 20. So that's what you have here, $180,000 reduction reflecting going from a 25% contingency for insurance cost increases this year to a 20%. He thought we might maybe sort of could possibly do 15% and we were like we don't want to surprise you guys in mid-year with -- with (inaudible) so we think this is reasonable without being, you know, creating additional risk.

So those are the nine individual issues. As I said a minute ago, they get us $2.8 million in total. Let me know pull up a level and illustrate how they impact the request that we've been talking about thus far. This is another one where you've probably got to look at your materials because this slide is just a little too small.

So this tri-color chart you saw in the original study session and this one is for RPTA alone which means issues that are in both RPTA and VMR are on this one and the next one you'll see because they reflect the portion of costs spread between the two. Green is inflation, blue is continuing commitments, black were our recommendations. So anything that's red on here is something we're changing. And so, just at a high level without going through that in any more depth, you may -- I've said before that inflation and continuing commitments are the vast drivers of this budget and you certainly see that here with the numbers, totals at the bottom of the columns. And, in fact, as you recall, our top two recommendations, the operations contingency and the Valley Metro staff labor market, I mean, those are inflation too we just wanted to have more opportunity to talk about them.

So if you were to set aside the inflation and continuing commitments in the Valley Metro RPTA budget, our total increase with the changes that we've talked about today would be less than $900,000 year over year. And, in fact, as Councilmember Stipp pointed out in our conversation of the COLA last month, we started the year with a $2.7 million base reduction and so then if you take about $2.7 million from the get go, you're only adding in $896, 000 if it were not for the issues that we just talked about in inflation and continuing commitments, we would be looking at a $1.8 million year over year reduction about a 1.8% reduction in this budget. So the point being here this budget started out pretty conservative except for the giant inflation numbers and we've just made it significantly more conservative.

On the Valley Metro Rail side, it's a pretty, similar story. You'll notice, once again, the top three issues in recommendations: insurance, operations contingency and VM labor market staff, you know, are also, in effect, inflationary in nature. And so, if you set those aside, the total discretionary increase for Valley Metro Rail is just $2.6 million. Valley Metro Rail starts out with about $500,000 base reduction so if it weren't for inflation, the Valley Metro Rail budget would be going up $1.2 million or 2.7% which, you know, again, with a system that moving from being a young system to an aging system, you know, we think is also quite conservative.

So that's how it changes that request picture. Now, let me pull up yet another level and highlight how these proposals would change the cost to cities going forward. Once again, I apologize, an eye chart. So you may recall this from the budget study session as well, the top row is total costs, the middle row is city costs only and the bottom one is, basically, everything that isn't a city cost so that you can see what's happening in total and how it's impacting the IGAs to cities.

So the quick picture here is, as we talked about just a minute ago, the total RPTA budget request would go down another $1.5 million based upon the revisions we've talked about. The impact of that on city budgets would be reducing the cost to cities by about $500,000 so the total cost to cities -- increased costs to cities for fiscal '23 would be an increase of $13.3 million. Bear in mind, however, that $6.5, almost $7 million of that is backfill of lost COVID relief money, right? So that's just the backfill of lost federal funds.

On the Valley Metro Rail side, a similar story. We've got a $1.3 million decrease in the total change from year to year, but an even bigger decrease in the impact to cities. So previously, we were at about a $900,000 year over year increase for cities. With the changes that we're making here, that drops to $400,000, but remember that we've still go COVID relief funding in this budget so next year that number is going to go up because we're -- once -- because we have to backfill those lost COVID relief funds.

So I think the major piece of feedback that we would appreciate from the Board is are there any of the nine changes that we went over a minute ago and now, have sort of zoomed back out on that you're uncomfortable with that you'd like us not to incorporate with the budget? If there aren't, we'll incorporate that additional $2.8 million of reductions into the budget documents that we bring back through the whole cycle starting with AFS for June. And then that becomes, essentially, our new starting point going forward.

Chair Heredia said are there any questions, comments? Nope. All right. Councilmember Stipp.

Councilmember Stipp said I don't have any issues with the reductions. I think they're probably appropriate given the concern based on the hundred questions, but I do want to just -- it may be a matter of semantics, but I think it's important to point out that I think everyone on the Board is not solely concerned with the city funded portions. And we keep -- and this has come up a number of times in the last year or so, we keep talking about well, the city portion, the city portion. And I think we're really looking at this in its entirety even those of us that are non-Valley Metro Rail cities are still concerned about what's happening on Valley Metro Rail just kind of in its totality. So I think it's important for the staff to understand that it's not just what -- the checks we're writing, but it's all of the checks that are being written which is why I think we start getting into this complicated philosophy of the budget going forward.

So as the staff is looking to kind of rebuild the process and think strategically, I think it's important to understand that -- that many of the Board members are not just worried about their own city portion. I mean, look at -- look at the amount of conversation that I'm having about the budget, and I have two bus lines and a rapid transit and that's it. But -- what do you mean yeah? Yeah. I have no business having any conversation in this, but I think in the overall view of it we as a Board have a responsibility for PTF funds, for city funds, for all of it. So I think as we're moving forward, losing that phrase in our lexicon and moving on to something else is probably going to be very beneficial going forward.

But again, I'll reiterate, the work that everybody has done has been tremendous. Based on the feedback you've been getting from the Board and I'm looking forward to supporting this in June.

Mr. Hillyard said thank you for both.

Chair Heredia said all right. Any other questions, comments? All right. Thank you.

9. Quarterly Reports

Chair Heredia said this item is presented for information only. Is there any questions, comments? Thank you.

10. Next Meeting

The next meeting of the Boards of Directors is scheduled for Thursday, May 19, 2022, at 11:15 a.m.

With no further discussion the meeting adjourned at 12:58 p.m.

Information Summary

DATE **AGENDA ITEM 4B**
June 9, 2022

SUBJECT
Fiscal Year 2023 (FY23) Intergovernmental Agreements (IGA)

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute FY23 IGAs and IGA amendments for projects in the approved Valley Metro RPTA FY23 Operating and Capital Budget.

RECOMMENDATION
Staff recommends that the Boards of Directors authorize the CEO to execute the FY23 IGAs and IGA amendments as listed and for the periods of performance.

BACKGROUND | DISCUSSION | CONSIDERATION
There are a number of IGAs and IGA amendments that require Board approval prior to the start of FY23. The attachment provides a list of the FY23 RPTA required IGAs and renewals.

The IGAs are based on the latest estimates of costs and services funded by each member. IGA changes that are required as a result of service changes in October 2022 and April 2023 will be brought to the Board for approval after the final list of service changes is determined.

COST AND BUDGET
Please see the attached spreadsheet.

COMMITTEE ACTION
RTAG: May 17, 2022 for information
TMC/RMC: June 1, 2022 approved
Boards of Directors: June 16, 2022 for action

CONTACT
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ATTACHMENT
Attachment 1 - List of FY23 IGAs

Expense/ Revenue	Member Agency/Jurisdiction Intergovernmental Agreement No.	Brief Description	FY 2022 Amount	FY 2023 Amount	Change from FY 2022 to FY 2023
PTF Reimbursement	City of Avondale 106-75-2023	ADA Allocations	$273,885	$297,000	$23,115
PTF Reimbursement	City of Avondale 106-75-2023	Fixed Route Transit Services	$375,674	$791,833	$416,159
PTF Reimbursement	City of Avondale 106-75-2023	RideChoice	$19,109	$0	($19,109)
PTF Reimbursement	City of Avondale 106-75-2023	Paratransit	$206,006	$297,000	$90,994
Revenue	City of Avondale 106-75-2023	RideChoice	$0	$45,840	$45,840
Revenue	City of Avondale 106-75-2023	Paratransit	$0	$78,024	$78,024
Revenue	City of Avondale 106-75-2023	Fixed Route Transit Services	$1,391,682	$1,512,906	$121,224
PTF Reimbursement	City of Buckeye 166-75-2023	ADA Allocations	$0	$0	$0
Revenue	City of Buckeye 166-75-2023	Fixed Route Transit Services	$29,000	$41,092	$12,092
PTF Reimbursement	City of Chandler 118-75-2023	ADA Allocations	$1,689,515	$1,949,629	$260,114
PTF Reimbursement	City of Chandler 118-75-2023	Fixed Route Transit Services	$5,501,259	$7,568,362	$2,067,103
PTF Reimbursement	City of Chandler 118-75-2023	Paratransit	$1,689,515	$1,949,629	$260,114
Revenue	City of Chandler 118-75-2023	Paratransit	$104,670	$29,161	($75,509)
Revenue	City of Chandler 118-75-2023	Fixed Route Transit Services	$1,523,879	$1,884,605	$360,726
Revenue	City of Chandler 118-75-2023	RideChoice	$248,748	$367,606	$118,858
PTF Reimbursement	City of El Mirage 121-48-2023	ADA Allocations	$26,885	$29,100	$2,215
PTF Reimbursement	City of El Mirage 121-48-2023	Paratransit	$26,885	$29,100	$2,215
Revenue	City of El Mirage 121-48-2023	Paratransit	$47,583	$54,358	$6,775

Expense/ Revenue	Member Agency/Jurisdiction Intergovernmental Agreement No.	Brief Description	FY 2022 Amount	FY 2023 Amount	Change from FY 2022 to FY 2023
PTF Reimbursement	City of Glendale 133-75-2023	ADA Allocations	$780,383	$835,084	$54,701
PTF Reimbursement	City of Glendale 133-75-2023	Fixed Route Transit Services	$3,085,020	$5,685,248	$2,600,228
Revenue	City of Glendale 133-75-2023	Paratransit	$1,335,286	$2,086,949	$751,663
PTF Reimbursement	City of Goodyear 136-75-2023	ADA Allocations	$14,535	$15,700	$1,165
PTF Reimbursement	City of Goodyear 136-75-2023	Paratransit	$14,535	$15,700	$1,165
PTF Reimbursement	City of Goodyear 136-75-2023	Fixed Route Transit Services	$34,443	$474,139	$439,696
Revenue	City of Goodyear 136-75-2023	Fixed Route Transit Services	$194,447	$71,391	($123,056)
Revenue	City of Goodyear 136-75-2023	Paratransit	$110,718	$140,148	$29,430
Revenue	City of Goodyear 136-75-2023	RideChoice	$22,628	$128,493	$105,865
Revenue	City of Mesa 145-75-2023	Paratransit	0	0	$0
PTF Reimbursement	City of Mesa 145-75-2023	ADA Allocations	$3,872,770	$4,198,900	$326,130
PTF Reimbursement	City of Mesa 145-75-2023	Fixed Route Transit Services	$11,175,909	$18,137,487	$6,961,578
PTF Reimbursement	City of Mesa 145-75-2023	Paratransit	$3,337,071	$2,791,417	($545,654)
PTF Reimbursement	City of Mesa 145-75-2023	RideChoice	$535,699	$1,079,315	$543,616
Revenue	City of Mesa 145-75-2023	Fixed Route Transit Services	$4,693,748	$5,423,349	$729,601
Revenue	City of Mesa 145-75-2023	RideChoice	$320,307	$0	($320,307)
PTF Reimbursement	City of Peoria 151-75-2023	ADA Allocations	$247,665	$267,700	$20,035
PTF Reimbursement	City of Peoria 151-75-2023	Fixed Route Transit Services	$1,659,896	$3,119,935	$1,460,039

Expense/ Revenue	Member Agency/Jurisdiction Intergovernmental Agreement No.	Brief Description	FY 2022 Amount	FY 2023 Amount	Change from FY 2022 to FY 2023
PTF Reimbursement	City of Peoria 151-75-2023	Paratransit	$0	$0	$0
Revenue	City of Peoria 151-75-2023	Paratransit	$811,141	$903,153	$92,012
Revenue	City of Peoria 151-75-2023	Fixed Route Transit Services	$744,443	$1,493,449	$749,006
Expense	City of Phoenix 150638-2023	Fixed Route Transit Services - RPTA Buys	$6,845,417	$15,421,986	$8,576,569
PTF Reimbursement	City of Phoenix 143071-2023	Fixed Route Transit Services	$1,688,009	$3,257,815	$1,569,806
PTF Reimbursement	City of Phoenix 143071-2023	Paratransit	$3,145,346	$7,498,649	$4,353,303
PTF Reimbursement	City of Phoenix 143071-2023	ADA Allocations	$21,128,500	$22,185,000	$1,056,500
Revenue	City of Phoenix 143071-2023	Paratransit	$0	$0	$0
Revenue	City of Phoenix 143071-2023	Fixed Route Transit Services - Phx Buys	$7,750,547	$10,567,317	$2,816,770
Revenue	City of Phoenix 154-55-2023	AZ-2022-003 -RPTA	$0	$17,942,207	$17,942,207
Revenue	City of Phoenix 154-55-2023	AZ-2022-003-VMR	$0	$2,228,934	$2,228,934
Revenue	City of Phoenix 154-55-2023	AZ-2022-011-VMR CMAQ 5307	$0	$2,106,125	$2,106,125
Revenue	City of Phoenix 154-55-2023	AZ-2019-006 AZ-2019-014 EXP DEC 2025	$0	$2,265,685	$2,265,685
Revenue	City of Phoenix 154-55-2023	AZ-2021-001	$0	$598,652,148	$598,652,148
Revenue	City of Phoenix 154-55-2023	AZ-2019-031 EXP APR 2024	$0	$75,000,000	$75,000,000
Revenue	City of Phoenix 154-55-2023	AZ-2020-027 EXP FEB 2025	$0	$9,976,423	$9,976,423
Revenue	City of Phoenix 154-55-2023	AZ-2020-003 AZ-2020-008 EXP AUG 2024	$0	$34,475,280	$34,475,280

Expense/ Revenue	Member Agency/Jurisdiction Intergovernmental Agreement No.	Brief Description	FY 2022 Amount	FY 2023 Amount	Change from FY 2022 to FY 2023
Rarf Reimbursement	City of Phoenix 155-56-2023	Disparity Study	$500,000	$0	($500,000)
PTF Reimbursement	City of Scottsdale 160-75-2023	ADA Allocations	$1,411,320	$1,530,200	$118,880
PTF Reimbursement	City of Scottsdale 160-75-2023	Fixed Route Transit Services	$8,464,735	$9,951,432	$1,486,697
PTF Reimbursement	City of Scottsdale 160-75-2023	Paratransit	$1,148,874	$1,032,111	($116,763)
Revenue	City of Scottsdale 160-75-2023	Paratransit	$0	$0	$0
Revenue	City of Scottsdale 160-75-2023	RideChoice	$0	$0	$0
PTF Reimbursement	City of Scottsdale 160-75-2023	RideChoice	$178,184	$186,890	$8,706
PTF Reimbursement	City of Surprise 166-75-2023	ADA Allocations	$52,820	$57,200	$4,380
PTF Reimbursement	City of Surprise 166-75-2023	Paratransit	$52,820	$57,200	$4,380
PTF Reimbursement	City of Surprise 166-75-2023	Fixed Route Transit Services	$168,119	$270,570	$102,451
Revenue	City of Surprise 166-75-2023	Fixed Route Transit Services	$173,112	$278,606	$105,494
Revenue	City of Surprise 166-75-2023	RideChoice	$439,370	$408,193	($31,177)
Revenue	City of Surprise 166-75-2023	Paratransit	$128,569	$291,745	$163,176
Expense	City of Tempe 169-75-2023	EVBOM	$6,845,417	$5,845,417	($1,000,000)
Revenue	City of Tempe 169-31-2023	Paratransit	$29,471	$311,680	$282,209
Revenue	City of Tempe 169-31-2023	RideChoice	$247,677	$341,593	$93,916
PTF Reimbursement	City of Tempe 169-31-2023	Fixed Route Transit Services	$5,509,035	$7,540,005	$2,030,970
Revenue	City of Tempe 169-53-2023	Reduced Fare	$0	$0	$0

Expense/ Revenue	Member Agency/Jurisdiction Intergovernmental Agreement No.	Brief Description	FY 2022 Amount	FY 2023 Amount	Change from FY 2022 to FY 2023
Revenue	City of Tempe 169-31-2023	Fixed Route Transit Services	$16,370,788	$21,128,714	$4,757,926
PTF Reimbursement	City of Tempe 169-31-2023	ADA Allocations	$1,153,490	$1,250,600	$97,110
PTF Reimbursement	City of Tempe 169-31-2023	RideChoice	$0	$0	$0
PTF Reimbursement	City of Tempe 169-31-2023	Paratransit	$1,153,490	$1,250,600	$97,110
PTF Reimbursement	City of Tolleson 172-75-2023	ADA Allocations	$11,495	$12,500	$1,005
PTF Reimbursement	City of Tolleson 172-75-2023	Fixed Route Transit Services	$317,056	$410,124	$93,068
PTF Reimbursement	City of Tolleson 172-75-2023	Paratransit	$11,495	$12,500	$1,005
PTF Reimbursement	City of Tolleson 172-75-2023	RideChoice	$0	$0	$0
Revenue	City of Tolleson 172-75-2023	Paratransit	$29,382	$87,687	$58,305
Revenue	City of Tolleson 172-75-2023	Fixed Route Transit Services	$357,179	$255,095	($102,084)
Revenue	City of Tolleson 172-75-2023	RideChoice	$1,186	$14,790	$13,604
Revenue	Gila River Indian Community 128-75-2023	Fixed Route Transit Services	$109,789	$148,322	$38,533
Revenue	Maricopa Association of Governments (MAG) #822-2023 AMD 5	Transit Planning Services	$724,720	$724,720	$0
Revenue	Maricopa Association of Governments (MAG) #1025-2023 AMD 3	Regional Rideshare/Telework	$594,000	$594,000	$0
Revenue	Maricopa Association of Governments (MAG) #1204-2023-ODS-MAG	Origin and Destination Study	$0	$200,000	$200,000
PTF Reimbursement	Maricopa County 215-75-2019-04	Paratransit	$143,640	$71,820	($71,820)
Revenue	Maricopa County 215-75-2019-04	RideChoice	$768,825	$384,413	($384,412)
Revenue	Maricopa County 215-75-2019-04	Paratransit	$565,353	$282,677	($282,676)

Expense/ Revenue	Member Agency/Jurisdiction Intergovernmental Agreement No.	Brief Description	FY 2022 Amount	FY 2023 Amount	Change from FY 2022 to FY 2023
PTF Reimbursement	Maricopa County 215-75-2019-04	ADA Allocations	$143,640	$71,820	($71,820)
Revenue	Maricopa County 215-15-2023	Trip Reduction Expansion	$356,000	$356,000	$0
Revenue	Maricopa County 215-14-2023	Trip Reduction	$150,000	$200,000	$50,000
PTF Reimbursement	Town of Fountain Hills 124-75-2023	ADA Allocations	$15,800	$0	($15,800)
PTF Reimbursement	Town of Fountain Hills 124-75-2023	Fixed Route Transit Services	$23,935	$0	($23,935)
PTF Reimbursement	Town of Fountain Hills 124-75-2023	RideChoice	$10,539	$0	($10,539)
Revenue	Town of Fountain Hills 124-75-2023	RideChoice	$0	$34,189	$34,189
Revenue	Town of Fountain Hills 124-75-2023	Fixed Route Transit Services	$35,315	$93,088	$57,773
PTF Reimbursement	Town of Gilbert 130-75-2023	Fixed Route Transit Services	$3,474,245	$4,656,026	$1,181,781
PTF Reimbursement	Town of Gilbert 130-75-2023	Paratransit	$1,328,670	$1,540,600	$211,930
Revenue	Town of Gilbert 130-75-2023	Paratransit	$536,273	$470,475	($65,798)
Revenue	Town of Gilbert 130-75-2023	RideChoice	$240,639	$372,365	$131,726
PTF Reimbursement	Town of Guadalupe 139-75-2023	Fixed Route Transit Services	$182,742	$261,187	$78,445
PTF Reimbursement	Town of Youngtown 172-75-2023	Paratransit	$1,663	$1,800	$137
Revenue	Town of Youngtown 172-75-2023	Paratransit	$42,790	$89,732	$46,942

Information Summary

DATE **AGENDA ITEM 4C**
June 9, 2022

SUBJECT
Authorization to Continue the Purchase of IT Hardware and Maintenance Agreements for FY 2023

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to continue procuring Information Technology (IT) hardware and maintenance agreements to maintain Valley Metro's IT operations.

RECOMMENDATION
Staff recommends that the Boards of Directors authorize the CEO to continue procuring necessary IT hardware and maintenance agreements. The period of authorization will cover FY 2023 – FY 2025 in an amount not to exceed $608,800, plus a 10% contingency of $60,880, for a total not-to-exceed authorization amount of $669,680.

BACKGROUND | DISCUSSION | CONSIDERATION
Historically, the IT department has presented to the Board with individual memos for IT hardware and maintenance agreements throughout the year when contractual authorization was needed. Three shortcomings of this approach have become apparent. First, it fails to provide the Board with a holistic view of the IT Department's use of professional services. Secondly, it makes it difficult for the Board to differentiate new services from continuing operations. Finally, it takes up valuable time on Board agendas. Based on the success of issuing two consolidated annual memos in FY 2022, one for professional services and a second for software licensing and maintenance, staff is issuing a third in FY 2023 for hardware and maintenance agreements as there are three items up for re-authorization this upcoming fiscal year.

As IT goods and services are purchased by virtually all Arizona public entities, Valley Metro obtains the best volume discounts by utilizing statewide cooperative contracts. In many cases, these contracts can be utilized on a year-to-year basis. In a few cases, however, multi-year agreements are necessary to obtain the best prices. As a result, to provide the Board with a holistic view of Valley Metro's use of hardware, this memo includes both hardware for which new single- or multi-year authorization is needed and hardware with existing previous Board authorizations. All three categories are detailed in the tables below:

Single-Year Authorization Request	FY 2021 Actuals	FY 2022 Actuals[1]	FY 2023 Budget
Cisco SmartNET	$32,200	$115,100	$194,500
Dell End User Equipment	$318,000	*$261,900*	$321,300
Single-Year Subtotal	**$350,000**	**$377,000**	**$515,800**

Multi-Year Authorization Request	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Budget	FY 2024 Request	FY 2025 Request
Cohesity Maintenance	Triennial	Triennial	$93,000	$0	$0
Multi-Year Subtotal	**$0**	**$0**	**$93,000**	**$0**	**$0**

Existing Authorization	FY 2021 Actuals	FY 2022 Actuals	FY 2023	FY 2024	FY 2025
Telecommunications & Networking Equipment	$19,100	$28,700	$60,800	$60,800	$60,800
Existing Subtotal	**$19,100**	**$28,700**	**$60,800**	**$60,800**	**$60,800**

	FY 2023	FY 2024	FY 2025
Authorization Requested	**$608,800**	**$0**	**$0**
Combined Total Authorization	*$669,600*	*$60,800*	*$60,800*

<u>Single-Year Authorization</u>

Cisco SmartNET
Cisco's SmartNET provides ongoing operating and security updates for Valley Metro's network and telephone equipment, next-business-day hardware replacement if a component or device fails, 24x7x365 access to the engineers in Cisco's Technical Assistance Center (TAC), and access to the extensive Cisco.com online knowledgebase, resources, and tools. SmartNET equipment maintenance plans have covered Valley Metro's routers, switches, firewalls, video conferencing equipment, and telephony equipment for over a decade. SmartNET is renewed annually through HyeTech Network and Security Solutions, LLC. and is anticipated to increase by 69% in FY 2023 due to pricing increases and a number of devices purchased in 2020 to replace end-of-life equipment requiring maintenance agreements after the initial three-years of free SmartNET service expires.

Dell End User Equipment
Valley Metro's IT department purchases most end-user equipment through Dell, Inc. This includes desktops, laptops, tablets, docking stations, monitors, keyboards and mice, headsets, and web cameras. In October 2018, the Board authorized a Dell Bulk

[1] Items in italics are actuals for FY 2022 Q1 – Q3 plus estimates for Q4

Contract[2] for $1,880,450 through October 2023. During the recent audits of contract authority, it was determined that due to multiple factors this authorization would be almost completely expended by the end of FY 2022. Contributing factors to this early exhaustion include the COVID-19 pandemic driving a vastly accelerated shift from desktops to laptops, an unanticipated shift by Operations to using tablets in the field for various maintenance tasks, and purchases by the Capital & Service Development and Maintenance of Way groups being applied against the authorization which was calculated only to cover anticipated IT department usage. Based on this early exhaustion, and since volume discounts are determined by the State contract rather than multi-year commitments, staff intends to roll the end user equipment purchases from Dell into the annual hardware renewal and requests that the remainder of the original authorization be cancelled and replaced by the authorization requested above. The end user equipment will be purchased annually from Dell directly. Increased authorization is needed in FY 2023 due to start-up equipment purchases for the Paratransit and RideChoice Reservations and Scheduling Center.

Multi-Year Authorization

Cohesity Maintenance
This maintenance agreement covers ongoing operating and security updates, next-business-day hardware replacement for failed equipment, and 24x7x365 access to technical support engineers for Valley Metro's secondary data storage. These storage devices are used to hold data for systems that are used regularly but where responsiveness is less of a factor such as vehicle incident videos, service planning modelling data, and information security logs. In December 2019 the Board of Directors authorized the purchase of additional secondary Network Attached Storage (NAS)[3] as a low-cost alternative to expanding our primary Storage Area Network (SAN). The initial purchase included three years of maintenance & support coverage, and the time has come to extend those agreements for another three years. The maintenance is renewed triennially through Transource Services Corp., with the cost expected to increase 5% due to pricing increases.

Existing Authorization

Telecommunications & Networking Equipment[4]
This authorizes funds for the purchase, maintenance, support, and software licensing for VoIP phones and minor networking equipment, due primarily to the establishment of the VIX and Paratransit/RideChoice contact centers and end-of-life replacement. These funds were originally authorized with WWT as the intended vendor but use of HyeTech and GMI for some of this equipment has allowed for better pricing and reduced lead

[2] October 2018 Joint agenda item #04A
[3] December 2019 Joint agenda item #04C
[4] March 2021 Joint agenda item #04A

times. Accordingly, staff requests a $0 change to the existing authorization to specify HyeTech and GMI in addition to WWT for these expenditures.

COST AND BUDGET

The funds for the professional services outlined in this memo are already included in the RPTA and VMR FY 2023 Operating and Capital Budget requests. The currently requested authorization is not to exceed $669,680 in FY 2023. The RPTA portion is $334,840 and the VMR portion is $334,840.

The hardware and maintenance agreements will be procured through various cooperative contracts to ensure a competitively negotiated price and leverage the better volume discounts available through the contracts. If a different vendor on the below list, or a different Procurement-approved cooperative vehicle provided by one of the vendors listed below offers a more advantageous price, that vendor/cooperative vehicle combination may be used to realize those savings.

Vendor	Cooperative Vehicle	Contract #
Dell	Arizona State Procurement Office	CTR030308-3
Global Market Innovators (GMI)	Mohave Educational Services Cooperative	21G-GMI-0724
HyeTech	1 Government Procurement Alliance	22-02PV-08
Transource Services Corp.	Arizona State Procurement Office	CTR030311-2
WorldWide Technologies (WWT)	Arizona State Procurement Office	CTR031229-9

COMMITTEE ACTION

RTAG: May 17, 2022 for information
TMC/RMC: June 1, 2022 approved
Boards of Directors: June 16, 2022 for action

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ATTACHMENT

None

Information Summary

DATE **AGENDA ITEM 4D**
June 9, 2022

SUBJECT
Authorization to Continue the Purchase of IT Professional Services for FY 2023

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to continue procuring Information Technology (IT) professional services to maintain Valley Metro's IT operations.

RECOMMENDATION
Staff recommends that the Boards of Directors authorization for the CEO to continue procuring necessary IT professional services. The period of authorization will cover FY 2023 – FY 2026 in an amount not to exceed $1,994,900, plus a 15% contingency of $299,300, for a total not-to-exceed authorization amount of $2,294,200.

BACKGROUND | DISCUSSION | CONSIDERATION
In FY 2022 the IT department began presenting all on-going professional services contracts that require authorization in a single annual memo. This approach frees up valuable time on Board agendas, allows the Board to easily differentiate new services from continuing operations, and provides the Board with a holistic view of the Valley Metro IT Department's use of professional services. New initiatives involving professional services requiring authorization continue to be brought to the board individually.

As IT goods and services are purchased by virtually all Arizona public entities, Valley Metro obtains the best volume discounts by utilizing statewide cooperative contracts. In many cases, these contracts can be utilized on a year-to-year basis. In a few cases, however, multi-year agreements are necessary to obtain the best prices. As a result, in order to provide the Board with a holistic view of the IT Department's use of professional services, this memo includes both services for which new single- or multi-year authorization is needed and services with existing previous Board authorizations. All three categories are detailed the tables below:

Single-Year Authorization Request	FY 2021 Actuals	FY 2022 Actuals[1]	FY 2023 Budget
Information Security Program Support	$299,100	*$490,000*	$490,000
Project Management Services	$348,100	*$230,900*	$444,600
Development Services	$195,000	*$310,400*	$285,100
Short-Term Vacancy Mitigation	$244,000	*$231,100*	$545,900
Single-Year Subtotal	**$1,086,200**	**$1,262,400**	**$1,765,600**

Multi-Year Authorization Request	FY 2021 Actuals	FY 2022 Actuals[1]	FY 2023 Budget	FY 2024 Request	FY 2025 Request	FY 2026 Request
SOC and IR Services	See below	See below	$41,300	$41,300	$41,300	$105,400
Multi-Year Subtotal	**$0**	**$0**	**$41,300**	**$41,300**	**$41,300**	**$105,400**

Existing Authorization	FY 2021 Actuals	FY 2022 Actuals[1]	FY 2023	FY 2024	FY 2025	FY 2026
Managed Audio/Visual Services	$36,600	*$16,900*	$77,800	$100,200	Re-auth	
Managed Print Services	$74,900	*$113,400*	$133,000	Re-auth		
Managed Unified Communications Services	Triennial	*$149,100*	$0	$0	Re-auth	
Service Desk, NOC, and Data Center Colocation	$964,600	*$802,300*	$981,200	$986,700	$1,036,100	$1,043,800
SOC and IR Services	$329,300	*$231,600*	$256,400	$256,400	$256,400	$192,300 & Re-auth
Plante Moran	$560,400	*$473,100*	$0	$0	$0	$0
Existing Subtotal	**$1,965,800**	**$1,786,400**	**$1,448,400**	**$1,343,300**	**$1,292,500**	**$1,341,500**

	FY 2023	FY 2024	FY 2025	FY 2026
Requested Authorization	**$1,806,900**	**$41,300**	**$41,300**	**$105,400**
Combined Total Authorization	*$3,255,300*	*$1,384,600*	*$1,333,800*	*$1,341,500*

Information Technology uses professional services in three circumstances:

- When specific technical skills are needed on a less than a full-time basis
- When the service required benefits from economies of scale and can therefore be provided more cost effectively by a larger firm than in-house
- When the need for a service is expected to vary and the use of a contract enables the Valley Metro to match the supply to the demand.

[1] Actuals in this instance includes fiscal year Q1 – Q3 actual spend, but estimated spend for Q4

Single-Year Authorization

Information Security Program Support

Valley Metro contracts with New Genesis Solutions to provide highly specialized IT security architecture, assessment, and higher-tier support services, allowing the agency to mature our Information Security Program to meet evolving federal cybersecurity compliance requirements tied to FTA funding grants. These services include National Institute of Standards and Technology Cybersecurity Framework (NIST-CSF)[2] alignment assessment and road mapping, supporting the identification and mitigation of organizational risks, and penetration testing and security assessments (network access, cloud services, web applications, etc.). These services are procured annually through QCM Technologies with rates anticipated to remain flat.

Project Management Services

Project management consulting more efficiently meets the Valley Metro's project management needs because IT project management requires specific technical experience and Valley Metro's needs vary. Contract project managers assist Valley Metro in defining and managing the cost, schedule, and scope of a constantly evolving portfolio of technology projects. These services are currently procured through Acro Service Corporation on an annual basis. For FY 2023 the requested authorization for this item is $231,700 higher than FY 2022 because the IT team will take over the remainder of the Enterprise Resource Planning (ERP) and Enterprise Asset Management (EAM) implementation from Plante Moran, eliminating a $339,600 contract.

Development Services

This service allows Valley Metro to optimize costs for web and application development by maintaining a small internal team of two developers (one application and one web developer) augmented by development services as needed. These services are currently procured through GMI, with an anticipated 8% reduction cost reduction from FY 2022 anticipated as the upgrade to the technology underlying the website is completed.

Short-Term Vacancy Mitigation

IT continues to be a hot job market and competes directly with the private sector. As a result, some turn-over is inevitable, and the Great Resignation has only exacerbated this. In FY 2022 the IT department experienced a 26% turnover rate, an average time-to-fill of a little over 6 months, and an average vacancy rate over the period of 22%. When a vacancy occurs in a key technical role, Valley Metro's small IT team frequently lacks the depth to cover for that vacancy internally. As a result, a contractor must be engaged to maintain operations while a replacement is recruited and hired. Based on

[2] In 2020 alignment to the NIST-CSF standard became a federal requirement for agencies that wish to receive federal monies from the Federal Transit Administration (FTA).

the Great Resignation driving up both the average time required to backfill a position and the contracting rates to temporarily fill a vacancy as staffing firms seek to retain their own talent, this item would allow Valley Metro to cover up to two high- and three low-level vacancies for six months in FY 2023. These services would be procured as needed through existing cooperative contracts with Knowledge Services, QCM Technologies, or Acro Service Corporation.

<u>Multi-Year Authorization</u>

Security Operations Center (SOC) and Incident Response (IR) Services
Recording IT device security log data is necessary to identify and defend against attempted intrusions and to assess and remediate any successful intrusions. Valley Metro seeks to incorporate security log collection into its existing SOC contract with Avertium, resulting in a net savings of $27,900 per year over the existing solution. Doing so will decrease Avertium's response time to security incidents by replacing Valley Metro's current stand-alone security log collection product with Avertium's system giving them faster access to the data and improved analytical abilities. Eliminating the current stand-alone product saves $69,200 per year. Staff also seeks to extend the 2026 authorization three additional months so that the contract renewal aligns with Valley Metro's fiscal year budget.

<u>Existing Authorization</u>

Managed Audio/Visual Services[3]
Immedia provides design, sourcing and installation services for agency A/V equipment, along with monitoring, proactive maintenance, and priority repair services with a guaranteed two-hour response time. Valley Metro has contracted with Immedia Integrated Technologies for support of the agency's audio/visual systems for the better part of a decade.

Managed Print Services[4]
Valley Metro contracts with Imagine Technologies for maintenance and repair services, parts, and supplies needed to operate the Agency's fleet of printers and copiers. Valley Metro also procures new units through this partnership, along with installation and configuration services for large multi-function printers.

Managed Unified Communications Services[5]
Valley Metro contracts with GMI for specialized expertise in support of the agency telephone systems including the regional call center and light rail alignment emergency call boxes, the call center management applications (scheduling, quality assurance,

[3] August 2019 Joint agenda item #04A
[4] May 2018 Joint agenda item #06
[5] May 2021 Joint agenda item #06

etc.), the Interactive Voice Response (IVR) system, the agency collaboration and instant messaging system, and the video conferencing system. This service includes 24x7x365 break/fix support with a 30-minute response and four-hour onsite guarantee, 24x7x365 proactive remote monitoring, maintenance, upgrades, and warranty management and facilitation.

Plante Moran[6]
Plante Moran was retained in 2018 to assist with the ERP software needs assessment, the RFP development, and the vendor evaluation and selection. In 2020 a change order was executed to allow for Plante Moran to provide Project Management Office support for the implementation of the selected Oracle ERP and Trapeze EAM systems. This engagement will end in FY 2023 and Valley Metro will take over ERP and EAM project management internally.

Service Desk, Network Operations Center (NOC), and Data Center Colocation[5]
The Service Desk provides the primary point of contact for all IT incidents and service requests for more than 520 users and 2,000 devices at 11 sites across the valley. This service currently includes 24x7x365 on-call service with a one-hour response time guarantee, 24x7x365 remote status monitoring and alerting for servers and end-user devices, a suite of tools for remote access and diagnostics for all end user devices, and server space at the Aligned Energy data center in north Phoenix. Valley Metro has contracted with AcountabilIT (AIT), formerly Enterprise Technology Services (ETS), for the above services for over a decade.

Security Operations Center (SOC) and Incident Response (IR) Services[7]
Valley Metro contracts with Avertium to provide 24x7x365 cybersecurity monitoring, alerting, and first-tier incident response for the agency's IT systems.

COST AND BUDGET
The funds for the professional services outlined in this memo are already included in the RPTA and VMR FY 2023 Operating and Capital Budget requests and the accompanying five-year budget projections (FY 2024 – FY 2027). The currently requested authorization is not to exceed $2,294,200 over the next five years. A larger than usual 15% contingency has been included due to the volatile nature of the current job market. Valley Metro, along with the majority of organizations nation-wide, is experiencing a higher vacancy rate than usual and a broad uptick in compensation by companies to retain skilled talent is driving up hourly contracting rates. The RPTA portion is $1,147,100 and the VMR portion is $1,147,100.

The professional services will be procured through various cooperative contracts to ensure a competitively negotiated price and leverage the better volume discounts

[6] December 2018 Joint agenda item #04A and September 2020 Joint agenda item #06
[7] March 2021 Joint agenda item #04C

available through the contracts. If a different vendor on the below list, or a different Procurement-approved cooperative vehicle provided by one of the vendors listed below offers a more advantageous price, that vendor/cooperative vehicle combination may be used to realize those savings.

Vendor	Cooperative Vehicle	Contract #
Knowledge Services	Arizona State Procurement Office	ADSPO17-174599
QCM Technologies	Mohave Education Service Cooperative	18N-QCM-0130
Acro Service Corporation	Strategic Alliance for Volume Expenditures	201713916111

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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 4E**
June 9, 2022

SUBJECT
Authorization to Continue the Purchase of Software Subscriptions and Maintenance Agreements in FY 2023

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to continue procuring software subscriptions and maintenance agreements to maintain Valley Metro's operations.

RECOMMENDATION
Staff recommends that the Boards of Directors authorize the CEO to continue procuring necessary software subscriptions and maintenance agreements. The period of authorization will cover FY 2023 – FY 2025 in an amount not to exceed $2,422,500, plus a 10% contingency of $242,300, for a total not-to-exceed authorization amount of $2,664,800.

BACKGROUND | DISCUSSION | CONSIDERATION
In FY 2022 the IT department began presenting all on-going software subscriptions and maintenance agreements that require authorization in a single annual memo. This approach frees up valuable time on Board agendas, allows the Board to easily differentiate new services from continuing operations, and provides the Board with a holistic view of Valley Metro's use of software. New initiatives involving software subscriptions or software maintenance agreements requiring authorization continue to be brought to the board individually.

As IT goods and services are purchased by virtually all Arizona public entities, Valley Metro obtains the best volume discounts by utilizing statewide cooperative contracts. In many cases, these contracts can be utilized on a year-to-year basis. In a few cases, however, multi-year agreements are necessary to obtain the best prices. As a result, to provide the Board with a holistic view of Valley Metro's use of software, this memo includes both software for which new single- or multi-year authorization is needed and software with existing previous Board authorizations. All three categories are detailed in the tables below:

Single-Year Authorization Request	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Budget
Adobe Suite	$47,000	$39,600	$47,200
Asana	$22,100	$26,800	$30,200
LastPass	$30,900	$31,000	$31,900
Manage Engine	$32,100	$38,900	$62,300
Oracle Primavera[VMR]	$32,400	$32,600	$32,400
Tenable.io	$2,000	$43,200	$49,700
Veeam	$40,400	$39,200	$40,400
VMware	$37,900	$38,100	$39,600
Workfront	$23,200	$24,400	$25,800
Workiva	$34,600	$36,900	$36,900
Single-Year Subtotal	**$302,600**	**$350,700**	**$396,400**

Multi-Year Authorization Request	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Budget	FY 2024 Request	FY 2025 Request
Calabrio[RPTA]	Triennial	Triennial	$113,900	$0	$0
Cisco Collab. Flex Plan	Triennial	Triennial	$196,700	$0	$0
Demisto	Triennial	Triennial	$241,900	$0	$0
Microsoft EA	$244,390	$261,800	$467,400	$490,800	$515,400
Multi-Year Subtotal	**$244,390**	**$261,800**	**$1,019,900**	**$490,800**	**$515,400**

Existing Authorization	FY 2021 Actuals	FY 2022 Actuals[1]	FY 2023	FY 2024	FY 2025
Alesig CAS & NextRide[RPTA,2]	$115,200	*$100,000*	$150,000	*Re-auth*	
Cisco Security EA	$229,500	$229,500	$243,400	$250,700	$258,300
Citisense[VMR]	N/A	*$196,800*	$41,500	*Drops off*	
Esri GIS EA	$82,300	$82,300	$84,000	$84,000	*Re-auth*
Google Maps APIs[2]	$49,300	*$56,800*	$179,100	*Re-auth*	
Keboola[3]	$48,700	$49,200	$68,800	*Re-auth*	
Oracle Aconex[VMR]	$343,700	*$309,300*	$378,900	*Re-auth*	
Oracle ERP	$234,400	$300,100	$303,600	$303,600	*Re-auth*
Remix	$62,200	$62,200	$62,400	*Re-auth*	
Tableau[3]	$39,100	$36,700	$51,900	*Re-auth*	
Trapeze ATIS[RPTA]	$109,300	$105,900	$120,100	*Replace*	

[1] Numbers in italics in the FY 2022 Actuals column are Q1 – Q3 actuals plus Q4 estimates
[2] Usage remains below projections due to lower ridership and reduced demand due to the new mobile app
[3] Usage remains below projections due to the shift of the Enterprise Asset Management go-live date to FY 2023

Trapeze EAM[VMR]	$345,800	$322,600	$322,600	$322,600	*Re-auth*
Trapeze PASS[RPTA]	$96,000	$102,700	$96,100	$96,100	*Re-auth*
Existing Subtotal	**$1,755,500**	**$1,954,100**	**$2,102,400**	**$1,057,000**	**$258,300**

	FY 2023	FY 2024	FY 2025
Authorization Requested	**$1,416,300**	**$490,800**	**$515,400**
Combined Total Authorization	*$3,518,700*	*$1,547,800*	*$773,700*

Single-Year Authorization

Adobe Suite

The Adobe Suite is a collection of 20+ applications and services used by staff in various departments[4] to create print and digital media (photos, videos, digital documents, web content, social media content, brochures, posters, signage, advertising, etc.). One component, Adobe Document Cloud, is used agency-wide for creating and editing PDF files, publishing digital forms, and signing documents electronically. Adobe recently consolidated all of its previous separate product line licensing under a single Enterprise Licensing subscription model. The Adobe Suite is procured annually through SHI International Corp., with costs anticipated to increase 19% in FY 2023 due to price increases and additional licensing as the transition to fillable digital forms and electronic signatures continues.

Asana

Asana is used by staff in various departments[5] to assign, track, and manage tasks and projects. Originally implemented by the IT department to manage internal department workloads in 2019, the demonstrated effectiveness of the tool has led to wide-spread adoption resulting in the anticipated FY 2023 renewal exceeding the $50,000/two-year authorization limit. Asana is procured annually through SHI International Corp., with a 13% anticipated increase due to utilization growth and inflation.

LastPass

Valley Metro's enterprise password manager, staff use LastPass to create, store, and organize their logins to websites, applications, and services that do not support single-sign-on with their Valley Metro credentials. This solution also allows IT to monitor password policy compliance, reset and update third-party passwords, and manage shared accounts that have multiple users in support of maintaining compliance with the FTA-mandated NIST-CSF[6] Access Management standards. LastPass is procured annually through SHI International Corp., with FY 2022 renewal costs anticipated to increase 3% due to a combination of pricing increase and additional users.

[4] Marketing, Communications, Community Relations, and Graphic Design

[5] IT, Administrative Support Services & Project Management, Human Resources, Community Relations, and the Transit Asset Management group in Operations among others

[6] National Institute of Standards and Technologies Cyber-Security Framework

Manage Engine
ManageEngine is a suite of tools used by IT for various service management tasks including to assign and track service requests, trouble tickets, and changes, identify underlying problems driving multiple tickets, manage assets, mobile devices, user accounts, and user access, monitor networks, deploy and update software automatically and remotely, secure third-party browsers like Chrome and Firefox, and perform security auditing. ManageEngine is procured annually through Northwind Ventures, Inc., with FY 2023 costs anticipated to be 60% higher due to price increases and additional user- and device-based licensing across four modules as all IT functions consolidate around these tools where feasible.

Oracle Primavera
Capital Development uses Oracle's P6 Enterprise and Primavera Cloud solutions' project management, scheduling, risk analysis, resource management and program management capabilities to manage Valley Metro's portfolio of capital projects. Oracle Primavera is procured annually through Oracle Corporation, with FY 2022 renewal costs anticipated to be flat.

Tenable.io
Valley Metro's Information Security team has used Tenable products to detect, track, and confirm remediation of vulnerabilities across Valley Metro's information systems since 2019. As the pandemic accelerated the adoption of mobile computing solutions to the point that more than half of Valley Metro's end-user devices were in the field or home offices, the existing Tenable Nessus on-premises product was no longer able to monitor most of the fleet. In FY 2022 Nessus was replaced with the cloud-based Tenable.io equivalent product to restore full visibility to end-user devices, placing the anticipated FY22/FY23 spend above the $50,000/two-year Joint Board authorization limit. Tenable.io is procured annually through CDW-G, with FY 2023 renewal costs anticipated to increase 15% due to a combination of price increases and the need to expand coverage to additional systems.

Veeam
Veeam is Valley Metro's backup and disaster recovery solution. Veeam is procured annually through CDW-G, with FY 2023 renewal costs anticipated to increase by 3% due to pricing increases.

VMware
VMware is Valley Metro's server virtualization platform, allowing the IT department to run 206 virtual servers and appliances while only needing to procure and maintain 14 physical machines. VMware is procured annually through CDW-G, with renewal costs anticipated to increase by 4% in FY 2022.

Workfront
Workfront is the job management software used by Valley Metro's Marketing team to intake, track, assign, collaboratively proof, and measure the cycle time of its production tasks and campaigns. Workfront was implemented in FY 2020, and the anticipated 6% renewal price increase due to inflation will push it over the $50,000/two-year approval limit for the first time in FY 2023.

Workiva
Finance uses this software to produce the Comprehensive Annual Financial Reports (CAFR) for both RPTA and VMR. Workiva is procured annually through SHI International Corp, with renewal costs anticipated to be flat in FY 2023.

<u>Multi-Year Authorization</u>

Calabrio
Valley Metro's Customer Service team uses Calabrio in the regional call center for agent scheduling, quality assurance, and performance reporting. Several other groups[7] also make use of Calabrio for quality assurance and call recording in situations where the conversation may become relevant in law enforcement or legal actions. Calabrio is procured and paid triennially, with the current renewal to be performed through HyeTech due to the previous vendor (Extreme Integrations) having been acquired. The triennial renewal is anticipated to increase 20% from the previous three-year cost of $94,600 due to pricing increases and the expansion of call recording beyond the regional call center.

Cisco Collaboration Flex Plan
Cisco's Collaboration Flex Plan covers the licensing for Valley Metro's phone system, Webex Meetings teleconferencing platform, and the Webex Teams instant messaging and collaboration platform. The Cisco Flex Plan is procured triennially, with the current renewal to be performed through HyeTech due to the previous vendor (Extreme Integrations) having been acquired. The triennial renewal is anticipated to increase 25% from the previous three-year cost of $157,300 due to pricing increases and growth in user- and device-based licensing.

Demisto
Valley Metro's Information Security team uses Demisto as their ticketing system to track incident and investigation status. Demisto also allows the automation of various tasks such as threat intelligence lookup that significantly reduce the man-hours required each month for certain repetitive processes such as reviewing and assessing reported phishing emails. Demisto is procured triennially through CDW-G, and the renewal is anticipated to increase 15% over the previous three-year cost of $210,300 due to pricing increases.

[7] Accessible Transit Services, Transit Security, and the Bus Operations Control Centers at EVBOM and MTF

Microsoft Enterprise Agreement (EA)
This three-year software agreement provides Valley Metro with office productivity software (Microsoft Office), project management software, flowcharting and diagramming software, email and calendaring software, database system software, online document collaboration, secure file sharing, secure public-facing application publishing, application single-sign-on, long-term off-site backup storage, and desktop and server operating systems. The Microsoft EA is procured triennially, paid annually though CDW-G, with FY2023 costs anticipated to increase 79% due to factors that include a 20% across-the-board pricing increase occurring in March 2022, the replacement of the Office 365 product offering with Microsoft 365 which has an 81% higher unit price, and both additional user- and usage-based licensing.

Existing Authorization

Alesig Customer Assistance System (CAS) & NextRide[8]
Valley Metro's Customer Service team uses Alesig's CAS software to record, track, share, process, and report on customer complaints. The NextRide platform provides customers with real-time next arrival times for any selected station via SMS text, phone (IVR), and is integrated into the website and RideKick mobile app.

Cisco Security Enterprise Agreement[9] *(EA)*
Valley Metro uses the following Cisco products as part of its "defense in depth" cybersecurity stance: firewalls, advanced endpoint detection and response, virtual private network, multi-factor authentication, network access policy enforcement, enterprise network security for remote users and sites, web security and content management, email security and malware threat defense, and threat intelligence and analysis.

Citisense[10]
Valley Metro's Service Planning and Finance groups use this software to collect, collate, and present accurate passenger counting data from the various models of LRV that make up the VMR fleet. This data is used to calculate city fare revenue allocations and to complete National Transportation Database (NTD) reporting that the Federal Transit Administration (FTA) uses to apportion funding. Ongoing costs for this software will fall below the $150,000/two-year board authorization level in FY2024.

[8] May 2020 Joint agenda item #8B
[9] October 2020 Joint agenda item #6B
[10] March 2022 VMR agenda item #2B

Esri Geographical Information Systems (GIS) Enterprise Agreement[11]
GIS is a suite of software programs for organizing and displaying information on maps. Valley Metro uses GIS throughout its processes from planning and design through survey and construction management to operations and maintenance to facilitate greater efficiency and informed decision making. GIS is used to inform, monitor, and manage transportation planning. It aids in determining capacity enhancements, operational improvements, and identifying strategic investments to keep the transit system running optimally. In addition, essential economic, demographic, and cost estimate data can be quickly provided and analyzed for planning new routes or analyzing existing routes.

Google Maps APIs[12]
Google Maps APIs are the core technology behind the trip planning features of our website.

Keboola[13]
Valley Metro's Business Intelligence team uses Keboola to identify, locate, and pull together all data relevant to the agency's business from both Valley Metro and third-party sources, manage the data load and organize it into a standard structure, and then push that data into the agency's data warehouse.

Oracle Aconex[14]
Capital Development uses Aconex as their project control, process control, document management, and backup solution for Valley Metro's capital projects.

Oracle Enterprise Resource Planning (ERP)[15]
Oracle ERP is Valley Metro's tool for managing day-to-day business activities including accounting, budget, capital project management, human resources, learning management, payroll, and procurement.

Remix[16]
Remix allows Service Planning to perform on-the-fly route design as well as the modification of existing transit routes in order to create complex service planning scenarios and communicate those scenarios visually, quickly, and simply to elected officials, member agency staff, stakeholders, and the public.

[11] May 2021 Joint agenda item #5
[12] August 2018 RPTA agenda item #3E
[13] March 2021 Joint agenda item #4B
[14] January 2021 VMR agenda item #3C
[15] October 2018 RPTA agenda item #03B (HRIS) & June 2020 Joint agenda item #9 (ERP, EAM)
[16] May 2020 RPTA agenda item #3B

Tableau[10]
Tableau is a reporting and analytics platform used by Valley Metro's Business Intelligence team to produce custom reports, dashboards, and data visualizations, and share those with external partner agency staff.

Trapeze Automated Transit Information System (ATIS)[17]
Customer Service utilizes ATIS to provide over-the-phone trip planning and information services to customers. The current ten-year contract with Trapeze expires at the end of FY 2023, at which point a new solution will be procured.

Trapeze Enterprise Asset Management (EAM)[12]
Trapeze EAM is Valley Metro's tool for managing the maintenance of the agency's physical assets (e.g., buses, light rail vehicles, facilities, track, etc.) throughout each asset's lifecycle.

Trapeze PASS[18]
PASS is used by Accessible Transit Services to manage Paratransit eligibility certification, as well as the scheduling and dispatch of trips.

COST AND BUDGET
The funds for the software licensing and support outlined in this memo are already included in the RPTA and VMR FY 2023 Operating and Capital Budget requests and are included in the accompanying five-year budget projections (FY 2024 – FY 2027). A 10% contingency is included due to the unusually high rate of inflation, as most of the quotes this memo is based will no longer be valid when the renewals occur. The currently requested authorization is not to exceed $2,664,800 over the next three years. The RPTA portion is $1,373,200 and the VMR portion is $1,291,600.

The software subscriptions and maintenance agreements will be procured through the vendors and cooperative contracts listed below to ensure a competitively negotiated price and leverage the better volume discounts available through the contracts. If a different vendor on the below list, or a different Procurement-approved cooperative vehicle provided by one of the vendors listed below offers a more advantageous price, that vendor/cooperative vehicle combination may be used to realize those savings.

Vendor	Cooperative Vehicle	Contract #
CDW-G	Arizona State Procurement Office	CTR031739-2
HyeTech	1 Government Procurement Alliance	22-02PV-08
Northwind Ventures, Inc.	GSA Schedule 70	47QTCA19D009H
Oracle Corporation	Arizona State Procurement Office	CTR031342-5
SHI International Corp.	Arizona State Procurement Office	CTR046099

17 June 2013 RPTA agenda item #4B
18 May 2020 RPTA agenda item #3C

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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 4F**

June 9, 2022

SUBJECT

Authorization to Issue a Request for Proposals (RFP) for the 2023 Origin and Destination Study

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to issue an RFP for the 2023 Origins and Destinations Study.

RECOMMENDATION

Staff recommends that the Boards of Directors authorize the CEO it issue an RFP for the 2023 Origins and Destinations Study.

BACKGROUND | DISCUSSION | CONSIDERATION

The Origins and Destinations Study (also known as the Transit On-Board Survey) will collect data about passenger travel patterns on fixed bus routes and light rail. Valley Metro has been conducting this study every three to five years since 1986. The last Origins and Destinations Study was conducted in 2019. The study results will be beneficial to Valley Metro and partner agencies for several purposes:

1) Gain market research insights to enable better understanding of customer travel patterns and demographic characteristics
2) Calibrate and validate the regional transportation demand model network simulation for air quality forecasting and long-range planning by Maricopa Association of Governments (MAG);
3) Meet Title VI requirements per the latest Federal Transit Administration guidance.

It is anticipated that this study will be conducted in spring 2023.

COST AND BUDGET

The estimated budget for this study is $1,200,000. Given that it will provide significant new data to update the Maricopa Association of Governments (MAG) regional transportation demand model, MAG has programmed funding for this study into the FY23 Unified Planning Work Program (UPWP). The UPWP is anticipated to be approved by the MAG Regional Council.

COMMITTEE ACTION
RTAG: May 17, 2022 for information
TMC/RMC: June 1, 2022 approved
Board of Directors: June 16, 2022 for action

CONTACT
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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 4G**
June 9, 2022

SUBJECT
Authorization to Issue a Request for Proposals for Federal Legislative Consulting Services

PURPOSE
To request authorization to issue a Request for Proposals (RFP) to retain consultant services to assist Valley Metro achieve specific federal legislative, lobbying and funding objectives with the U.S. Congress, Executive Branch and associated federal agencies that may impact Valley Metro.

RECOMMENDATION
Staff recommends that the Boards of Directors authorize the CEO to issue a request for proposals (RFP) to retain federal legislative consultant services for a two-year base period with three one-year options for a total of five years.

BACKGROUND | DISCUSSION | CONSIDERATION
The current federal legislative consulting contract was issued in January 2018 with Cardinal Infrastructure, Inc. as a five-year contract (two initial years, with three one-year options). This contract will expire on December 31, 2022.

As illustrated during the last two years, the federal role in transit system operations has taken on greater importance. We anticipate Valley Metro needing sustained federal engagement on an ongoing basis. And with the reductions in farebox revenue, it is critical that federal funding opportunities continue and offer maximum flexibility while we work to recover ridership across the region – at the same time the region considers extending Prop 400.

The Bipartisan Infrastructure Law (Infrastructure Investment and Jobs Act), authorized $1.2 trillion for transportation and infrastructure spending with $550 billion going toward "new" investments and programs. This includes select funding provisions important to region, including not limited to grant funding for Bus and Bus Facilities, Low or No Emission Vehicles (electric buses & infrastructure), fleet transition planning and innovative mobility solutions demonstration and deployments such as autonomous vehicles projects. Our ability to continue obtaining federal funding for projects in development will be determined in large part by taking part in the deliberations and negotiations in Congress, keeping the region informed of grants and pending legislation, coordinating multi-agency lobbying efforts and providing strategies to secure discretionary funding.

Staff requests the authorization to solicit a RFP for this service and will seek a five-year contract (two-year base period with three one-year options) beginning January 1, 2023. The timing of this RFP is to ensure we do not have any gap in our federal coverage and account for a potentially new Congressional makeup after the midterms.

COST AND BUDGET

The estimated cost is to be $180,000 to $240,000 each year, on average, for a total contract award not-to-exceed $1,200,000 over a five-year period. The source of RPTA funding comes from the Regional Area Road Fund and from member city contributions for VMR, evenly divided between both agencies. Funds are accounted for annually in each agency's operating budget.

COMMITTEE ACTION

RTAG: May 17, 2022 for information
TMC/RMC: June 1, 2022 approved
Boards of Directors: June 16, 2022 for action

CONTACT

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ATTACHMENT

None

Information Summary

DATE **AGENDA ITEM 4H**
June 9, 2022

SUBJECT
Authorization to Issue a Request for Proposals for State Legislative Consulting Services

PURPOSE
To request authorization to issue a Request for Proposals (RFP) to retain consultant services to assist Valley Metro with activities at the Arizona State Legislature, Governor's Office and associated state agencies that may impact Valley Metro.

RECOMMENDATION
Staff recommends that the Boards of Directors authorize the CEO to issue a request for proposals (RFP) for state legislative consultant services for a two-year base period with three one-year options for a total of five years.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro's current contract for state legislative consulting services will expire on December 31, 2022.

Valley Metro continues to have a need for government relations consulting support to successfully address activities at the state level. Consulting services may include but are not limited to:

- Governmental Relations – The primary duty of the state legislative consultant will be to monitor, track, and lobby public transit issues at the state legislature, the Governor's office, and/or associated state agencies.

- Strategic Planning – Assist with strategic planning by identifying challenging or potentially challenging issues, proactively advising Valley Metro on issues which may impact public transit policies or programs or other emerging long-range issues and providing practical plans/initiatives to respond.

The current contract was issued in January 2018 to a joint venture with Highground Public Affairs Consultants and The Kruse Group as a five-year contract (two initial years, with three one-year options).

Staff requests the authorization to solicit a RFP for this service and will seek a five-year contract (two-year base period with three one-year options) beginning January 1, 2023. The timing of this RFP is to ensure we do not have any gap in our state coverage and account for a new state legislative makeup, a new Governor and any executive agency changes after the midterms.

COST AND BUDGET
The estimated cost is to be $60,000 to $90,000 each year for a total contract award not-to-exceed $450,000 over a five-year period. The source of RPTA funding comes from the Regional Area Road Fund and from member city contributions for VMR, evenly divided between both agencies. Funds are accounted for annually in each agency's operating budget.

COMMITTEE ACTION
RTAG: May 17, 2022 for information
TMC/RMC: June 1, 2022 approved
Boards of Directors: June 16, 2022 for action

CONTACT
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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 4I**
June 9, 2022

SUBJECT
Enterprise Resource Planning (ERP)/Enterprise Resource Management (EAM) Contract Authority Increase for EAM.

PURPOSE
To request an increase to the contract expenditure authority for the ERP/EAM System Implementation contract with Denovo Ventures, LLC by $612,196 for Bus Contractor interfaces, timeclocks, and cost allocation integration.

RECOMMENDATION
Staff recommends that the Boards of Directors to authorize the CEO to increase the contract expenditure authority for the ERP/EAM System Implementation contract with Denovo Ventures, LLC by $612,196.

BACKGROUND | DISCUSSION | CONSIDERATION
In June 2020, the Board approved a contract with Denovo Ventures, LLC to implement a new ERP/EAM system. This approval included $5,223,838 for system implementation and $1,889,232 for 47 months of licensing, support, and cloud hosting. Implementation of the new system was to be phased over a two-year period with functional modules entering utilization at different times. The purchasing and accounting modules went live in July 2021. The budget planning module followed in September 2021. The payroll module is now scheduled for implementation in December 2022 and EAM is planned for implementation in August 2022.

EAM User Acceptance Testing found that the entry of cost allocation coding for requisitions was prone to errors resulting in delays and rework. As a result, this change order will pull in the cost allocation structure from ERP system and allow users to select the correct coding for a list, avoiding entry of an invalid coding. The cost of this change is $26,650.

When the ERP/EAM system implementation was originally specified, it was intended that Operations forgo the use of a time clock and instead use Oracle's web-based interface through laptops or tablet-based kiosks. Subsequent testing of this solution found that while it was fine for office workers, it was too slow for mass shift changes where the delay associated with dozens of staff logging in and out would create impractical shift-change delays. As a result, this change order includes the purchase and integration of a timeclock system. This change has a one-time hardware and implementation cost of $156,800 and an annual cost covering licensing, support, and maintenance. The annual cost for FY 2023 is $29,300, with the total recurring cost over five years anticipated to be $150,700. The use of this timeclock in conjunction with the ERP will replace the current ADP/Workforce Now contract eliminating $172,600 in annual costs.

Valley Metro’s bus contractors maintain Valley Metro assets using their own maintenance management systems. For Valley Metro to ensure its assets are being appropriately maintained and to track costs and performance, contractor’s asset maintenance data must be interfaced into our work management system, Trapeze. The most effective way to complete this work is through the configuration of an Application Programing Interface (API) to be used by contractors who choose to use their own system rather than Trapeze. This change has a one-time implementation cost of $30,096 and an annual licensing cost. The licensing cost for FY 2023 is $46,703. The total licensing cost over five years is $247,950. Valley Metro’s future operator contracts will include a provision requiring contractors using the API to pay Valley Metro for the licensing costs.

COST AND BUDGET
This increase in implementation costs will be shared equally between RPTA and Valley Metro Rail (VMR). The RPTA portion will be from Regional Area Road Funds (RARF). VMR will utilize regional Public Transportation Funds. No member city funds are used in the system’s implementation.

COMMITTEE PROCESS
RTAG: May 17, 2022, for information
TMC/RMC: June 1, 2022, approved
Boards of Directors: June 16, 2022, for action

CONTACT
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ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 4J**
June 9, 2022

SUBJECT
Public Transportation Safety Agency Plan (PTASP) Annual Review

PURPOSE
To provide information regarding the federal requirement to conduct an annual review of the previously approved Public Transit Agency Safety Plan (PTASP).

RECOMMENDATION
Staff recommends that the Boards of Directors approve the Public Transportation Safety Agency Plan (PTASP) Annual Review.

BACKGROUND | DISCUSSION | CONSIDERATION
In 2018, the Federal Transit Administration (FTA) published the Public Transportation Agency Safety Plan (PTASP) Final Rule, 49 Code of Federal Regulations Part 673. The rule requires public transportation agencies receiving federal funds to develop and certify compliance of a PTASP by December 31, 2020. Valley Metro's Agency Safety Plan (ASP) was approved and signed by the Board of Directors and certified by the State Safety Oversight Agency (SSOA) in October 2020.

The PTASP Final Rule requires that ASPs be reviewed annually, and all updates be approved and signed by the Accountable Executive (Chief Executive Officer) and the transit agency's Board of Directors.

Staff is providing this information to inform and prepare the Board for the requirement to review and approve updates to the ASP.

COST AND BUDGET
There are no costs associated with this item.

COMMITTEE ACTION
RTAG: May 17, 2022 for information
TMC/RMC: June 1, 2022 approved
Boards of Directors: June 16, 2022 for action

CONTACT
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ATTACHMENT
Executive Summary of Changes – Valley Metro Non-Rail and Valley Metro Rail Agency Safety Plan

Complete copies of the Agency Safety Plans are available upon request.

Public Transportation Agency Safety Plan (PTASP)
Executive Summary

The Public Transportation Agency Safety Plan (PTASP) Final Rule, 49 Code of Federal Regulations Part 673 requires that ASPs be reviewed annually, and all updates be approved and signed by the Accountable Executive (Chief Executive Officer) and the transit agency's Board of Directors. The following detail changes made to the Valley Metro Rail and Non-Rail Public Transportation Agency Safety Plans.

Summary of Changes to the Rail PTASP:

- Title of document changed from *Public Transportation Agency Safety Plan* to *Valley Metro Rail Agency Safety Plan.*
    - PTASP acronym replaced with ASP throughout document
- Removed light rail specific language to be inclusive of Tempe Streetcar where applicable
- Updated *Approval/Signature* page to reflect change in management and executive leadership
- Updated Safety Performance Targets
- Updated Safety Accountabilities and Responsibilities
- Appendix D: Updated FTA Event Notification Thresholds
- Appendix E: Updated Organization Charts
- Appendix F: Updated Implementation activity dates & responsibilities
- Appendix G: Updated to include preventative maintenance schedule for streetcars

Summary of Changes to the Non-Rail PTASP:

- Title of document changed from *Public Transportation Agency Safety Plan* to *Valley Metro Non-Rail Agency Safety Plan.*
    - PTASP acronym replaced with ASP throughout document
- Updated *Approval/Signature* page to reflect change in management and executive leadership.
- Updated Safety Performance Targets
- Updated Safety Accountabilities and Responsibilities

Complete copies of the ASP documents (formerly PTASP) are available upon request.

Information Summary

DATE **AGENDA ITEM 5**
June 9, 2022

SUBJECT
Fiscal Year 2023 Valley Metro RPTA and Valley Metro Rail Proposed Operating and Capital Budgets

PURPOSE
To highlight the recommended elimination of the Operating Contingency from both the proposed RPTA and VMR Operating budgets and to summarize the purpose of the June Executive Session.

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

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ATTACHMENT
None

FY 2023 Budget

June 2022

1

FY 2023 Revised Budget

One outstanding issue – how to handle the potential for contract changes to service problems caused by labor shortages.

- Lack of consensus on use of "Operations Contingency"

Therefore, Valley Metro recommends eliminating the "Operations Contingency."

- Handle any contract changes are mid-year adjustments
- City IGAs include estimated impacts – will defer billings until any changes are approved by the Boards.

2

Executive Session

To address contact labor shortages, Valley Metro needs to engage with contractors to wholistically review the causes of recruitment and retention problems.

- As wages will be one issue discussed, Valley Metro first wants the Board's feedback on the discussion's parameters.

➢ Today's Executive Session will share wage ranges and costs for each potentially impacted contract.

3

Questions?

4

Thank You

VALLEY METRO RAIL | VALLEY METRO

5

5

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

Description

Complementary Paratransit service is a Federally required service for agencies operating regular fixed route and rail service. The service must be a complement to Fixed Route bus and rail service for people with disabilities, operating the same days, same time, and within ¾ of a mile radius of the route and/or station. It provides next-day, door-to-door service. Valley Metro must meet 100% of the requested trip demand within the minimum requirements. Paratransit is operated through a Board approved contact by TransDev. In FYTD 2022, the average cost of a paratransit trip is $54.63.

RideChoice was established by Valley Metro as an optional lower cost service to cities providing riders with a same day, curb-to-curb alternative to ADA Paratransit. RideChoice has been adopted by 11 cities. RideChoice is managed by the contractor MJM with transportation provided by subcontractors. The average cost of a RideChoice trip is $22.34.

ADA Paratransit and RideChoice costs are expected in increase to FY 2023 due to a combination of ridership growth and cost inflation. Specifically:

- **Ridership Growth** – Based on ridership changes from FY 2021 to FY 2022, Valley Metro forecasts 9% increase in the number of ADA Paratransit trips and a 13% increase in the number of RideChoice trips. RideChoice's greater convenience has resulted in riders choosing it over paratransit resulting in slower paratransit growth and faster RideChoice growth. *Update: based on guidance from cities, paratransit growth has been reduced to 5% and RideChoice to 11%.*
- **Fuel Costs** – Valley Metro directly purchases the fuel for ADA Paratransit. In FY 2021, fuel costs were $0.28/mile. Currently, fuel costs are $0.45/mile.
- **Front Door Boarding** – ADA Paratransit riders are provided complementary Platinum Pass cards to encourage their use of fixed route transit. During the pandemic, Valley Metro halted front door bus boarding to protect riders and operators. As a result, ADA Platinum Pass users were frequently unable to validate their passes and monthly usage fell to approximately $2,500. With the return of front door boarding, ADA Platinum Pass usage has jumped to $23,000 per month in January 2022.
- **RideChoice Resolicitation** – In mid-2021, Valley Metro's RideChoice contractor refused to extend their contract without unjustified price increases. As a result, Valley Metro was forced to enter into a sole source contract with the current contractor, MJM. As procurement rules prohibit the extension of a sole source contract, RideChoice will be resolicited in 2022 and a new contract executed by in December 2022. Given the current inflation for labor and fuel, a rate increase can be expected.

Alternatives Considered

Options to reduce cost include:

- Eliminating paratransit beyond the minimum requirements of the federal ADA regulations – a number of jurisdictions opt to provide services beyond the federal requirements. Should they opt to curtail this service, costs would be reduced.
- Increased use of RideChoice – while 11 jurisdictions have chosen to offer RideChoice, in many cases in place of paratransit service outside federal requirements, others have not.

Item	Cost	Fund Source	Note
Paratransit Ridership & Inflation	~~$1,382,000~~ *$382,000*	Member City Regional PTF	In addition to the ~~9%~~ *5%* trip growth noted above, Valley Metro forecasts at 4% increase in the cost per trip as paratransit subcontractors raise their rates in response to fuel costs.

Item	Cost	Fund Source	Note
Paratransit Fuel	$~~1,116,200~~ *$916,200*	Member City Regional PTF	~~457,000~~ *421,200* trips with an average length of 11 miles. As a result, the increase in fuel cost from $0.28/mile to $0.45/mile equates to an ~~$1,116,200~~ *$916,200* increase.
ADA Platinum Pass	$315,000	Regional PTF	January 2022 usage was $23,000. Valley Metro estimates average FY 2023 usage of $30,000.
RideChoice Contingency	$712,000	Member City Regional PTF	Contingency funding should the current resolicitation of the RideChoice contract result in higher rates.
Total	$3,525,200		

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

Description

Valley Metro funds a portion of both bus and ADA service operated by City of Phoenix with Prop400 funding. Most of the increase in City of Phoenix regional services is due to Phoenix exhausting nearly all COVID relief funding for Phoenix-operated bus and ADA services in FY 2022. This results in a significantly reduced federal funding credit applied to those services in FY 2023, and therefore, an increased net cost. A small amount of COVID relief funding is in Phoenix's FY 2023 budget for bus service in the Avondale-Goodyear Urbanized Area.

The City of Phoenix provides the region with a number of services. For example, Clever Devices, Hastus Scheduling System, and fare revenue administration. The region pays for these services using Public Transportation Fund (PTF) funds. For FY 2023, Phoenix has increased the cost by 25%.

Alternatives Considered

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

3	Bus Fuel	
	RPTA Only	Inflation/Market & Ridership

Description

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

Alternatives Considered

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

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

4	Autonomous Vehicle Pilot	
	RPTA Only	**Continued Commitments**

Description

At its August 2021 meeting, the Board approved Valley Metro soliciting for a new autonomous vehicle (AV) pilot program to explore the use of AVs for micro-transit and as first-mile/last-mile connector to transit. This contract is expected to be awarded in FY 2023.

Given the Valley's rapid growth and low density in many areas, Valley Metro sees a great need for micro-transit and as a first-mile/last-mile connector to transit. The metro Phoenix region was one of the few metropolitan areas to explore on-demand AV pilot with our RideChoice customers and are therefore leading in this area. We would like to build on that experience to pilot the use of AVs for micro-transit and as first-mile/last-mile connector to transit. This will allow Valley Metro both better understand the this use of AVs and to provide input to FTA and FHWA on AV policies.

Alternatives Considered

This issue was approved by the Board in August 2021.

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

5	Bus Service & Rate Increase	
	RPTA Only	**Continued Commitments**

Description

The Board approved bus operations contracts on a cost per revenue mile basis. These multi-year contracts include a year-to-year inflation factor designed to offset normal inflation in labor contracts and other costs. In FY 2023, the East Valley rate increases an average of $0.17 per mile and the West Valley rate increases an average of $2.48 per mile.

The FY 2023 budget includes the addition by the Board of 104,600 miles to East Valley service and a decrease of 202,100 miles in West Valley service. This includes miles added on a partial basis in FY 2022 and now annualized to represent a full year of service and changes recommended by the cities through the service planning process in the Short Range Transit Plan (SRTP) for FY 2023.

As noted above, West Valley service miles for the ZOOM were decreased by 36% on direction from Avondale and Goodyear. Previously, this issue included the savings associated with the reduction in miles but did not include the potential cost increase resulting from the contractor's need to renegotiate rates to re-amortize their fixed costs over the reduced number of revenue miles. Because the amount of that increase was unknown, it was included in the Operations Contingency (#17). Those negotiations have now been completed. On October 24, 2022, the ZOOM's cost per revenue mile will increase from $6.03 to $10.69. Therefore, the impact of that change is being eliminated from the Operations Contingency and reflected in this issue. The impact of this change is that the West Valley's bus service for FY 2023 goes from a savings of $(516,700) versus FY 2022 to an increase of $468,800 versus FY 2022. This change only affects Avondale and Goodyear and is fully reflected in the current IGAs.

Alternatives Considered

Item	Cost	Fund Source	Note
East Valley Rate	$2,190,600	Member City Regional PTF	
East Valley Service Change	$592,700	Member City Regional PTF	
West Valley Rate	$2,857,600	Member City Regional PTF	
West Valley Service Change	$(1,770,300)	Member City Regional PTF	
Total	$3,870,600		

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

Description

In September 2020, the Board approved Valley Metro issuing a solicitation to combine the reservations and scheduling functions for ADA Paratransit and RideChoice to eliminate the duplication of this function and allow Valley Metro to help customers select the service that best meets their needs in the most cost effective way.

In August 2021, the Board approved Valley Metro hosting this function in space no longer needed by Valley Metro's Customer Service department. Market conditions have delayed implementation of that consolidation to the second quarter of FY 2024. As a result, the equipment ($170,800) and software ($73,200) for the function must be purchased in late FY 2023 for installation in early FY 2024.

Alternatives Considered

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

7	Bus Security Coordinator	
	RPTA Only	**Continued Commitments**

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

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

8	Super Bowl Special Event Support	
	RPTA Only	VM Recommendations

Description

The initiative is designed to encourage football fans to plan ahead and ride transit to Super Bowl LVII events in downtown Phoenix and Glendale. Emphasis will be placed on providing multiple solutions for trip planning, streamlined fare collection (including the new mobile ticketing solution), wayfinding signage, transit guides, strategic print advertising, digital advertising, and promotional items. Additional campaign elements will include informing current riders of special service offered and detours during the Super Bowl event timeframe. The expected outcomes are fan awareness and increased ridership prior to, during, and after events in downtown Phoenix and Glendale; as well as current riders understanding the impacts affecting their transit services.

Valley Metro Rail, in particular, has been a linchpin in helping the region bid on and win these regionally significant, mega events that are economically impactful to the entire region and are reputation-building for our cities and our system. The positive experience provided by transit is made possible by these investments in planning, advertising and event support. Valley Metro also sees significant revenue come in from this event by way of advertising and fare revenue, which does offset some of these costs.

During the last Super Bowl in 2015, Valley Metro was integral to allowing fans to reach downtown events, with 389,500 boardings over five days (a 79% increase over typical ridership). To serve this surge, Valley Metro Valley Metro spent $230,000 in wayfinding, signage, advertising, a volunteer program, and event infrastructure (like queue lines and additional pass sales locations). Fortunately, these enhanced efforts were offset by a $1.2 million increase in advertising revenue and a $184,000 increase fare revenue during the period.

Alternatives Considered

The impact/risk of not funding this initiative is having an influx of visitors and locals to downtown without having adequate information available to assist them in how to navigate the transit system, leaving them confused, frustrated and having a negative rider experience. Also, the success of the Super Bowl LVII events is on our operating plan, which is contingent upon successful communications, volunteer planning, event infrastructure, etc., which is also included in this plan.

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

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

Description

In March, after receiving a 17% premium increase from its existing employee health and dental insurance provider, Valley Metro sought competitive bids from other insurers. One of the bids received was very competitive. As a result, Valley Metro informed CIGNA that the agency would move to another provider unless CIGNA matched the offer. CIGNA opted to do so. As a result, no budget increase is needed in FY 2023.

~~Year to date, Valley Metro's insurance provider has paid out 31% more in claims than the premium revenue collected. The driving force in these claims has been an unusual number of high cost cases with claims ranging from $178,000 to $1.2 million. While an insurance company would typically discount a statistically atypical year, most of these cases are anticipated to continue into the next plan year. As a result, CIGNA is requiring a 17% premium increase upon renewal. To ensure the best rates, Valley Metro is going to market and will have competitive bids in the next month. Therefore, this item will be adjusted if a more cost effective bid is received.~~

Alternatives Considered

~~Valley Metro has explored changes in plan design to mitigate the premium increase, however, because the cost increase is driven by high-cost claims, changes in co-pays and deductibles have little to no effect. Valley Metro's employer/employee premium sharing is typical of our public sector peers. As a result, changing it would both aggravate existing labor market challenges and put Valley Metro at a disadvantage for future hiring.~~

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

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

Description

Valley Metro contracts with DMS for the cleaning of light rail vehicles (LRV) and facilities. This contract was approved by the Board in November 2020 and includes a fixed labor rate. Recent changes in the labor market have made the contract's wages uncompetitive. As a result, in January and February 2022, 67% of Line Cleaner and Pressure Washer shifts were unfilled. During the same period, 25% of all cleaning shifts were unable to be filled. This results in riders encountering dirty stops and stations just as many seek to return to transit.

Valley Metro recommends a contract amendment to increase labor rates for key positions within the DMS contract by approximately $3.00 per hour to recruit and retain labor for this critical function. For example, this will move the Line Cleaner starting rate from $14.59 to $17.59.

Alternatives Considered

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

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

Description

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

Alternatives Considered

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

12	Fare Collection System Implementation	
	Joint RPTA and VMR	**Continuing Commitments**

Description

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

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

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

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

Alternatives Considered

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

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

13	Origin & Destination Study	
	Joint RPTA and VMR	Continuing Commitments

Description
The Origin & Destination Study (also known as the Transit On-Board Survey) collects data about passenger travel patterns on fixed route bus and light rail. Valley Metro has conducted similar studies every three to five years since 1986, most recently in 2019. The study results are essential to Valley Metro and partner agencies for the following purposes: • To collect data on customer travel patterns and demographics which enables Valley Metro and member agencies to better plan transit routes and service • To calibrate and validate the Maricopa Association of Governments (MAG) regional transportation travel demand model for long-range planning and to inform the discussion of the extension of Proposition 400 • To provide data for the "After" study for Gilbert Road Light Rail Extension and the "Before" study for the South Central and Northwest Phase II Light Rail Extensions, as required by the Federal Transit Administration • Data collection for this study will take place in spring 2023. The consultant will collect 17,500 completed intercept survey responses.
Alternatives Considered The impact of not funding the initiative would be noncompliance with FTA requirements for the grants received, lack of data on post-COVID travel patterns and demographics, and inability of MAG to update their regional transportation model.

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

14	ERP and EAM Support	
	Joint RPTA and VMR	**Continuing Commitments**

Description

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

Alternatives Considered

Without software maintenance and technical support, Valley Metro would be unable to utilize the ERP and EAM systems.

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

15	Rent Changes	
	Joint RPTA and VMR	**Continuing Commitments**

Description

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

In addition, at its August 2021 meeting, the Board authorized Valley Metro to lease an additional 1,680 square feet at the Mobility Center to allow Valley Metro to house the combined ADA Paratransit and RideChoice scheduling and reservations functions in the space no longer needed by Customer Service. This lease began in June 2022. As a result, it's cost must be annualized in the FY 2023 budget.

Alternatives Considered

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

16	Security Contract Rate Increase	
	Joint RPTA and VMR	**Continuing Commitments**

Description

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

Alternatives Considered

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

17	Operations Contingency	
	Joint RPTA and VMR	VM Recommendations

Description

This issue is being eliminated. Any contract changes approved by the Boards will be handled as mid-year adjustments.

~~Several issues create a substantial risk of operational costs increases in FY 2023. As these issues relate to labor and operating contacts subject to negotiation, the descriptions below describe the issue but do not estimate specific costs to avoid biasing any future negotiations. The estimated cost of individual issues will be discussed in private with both Board members and staff. Any contractual changes utilizing these funds would require Board approval.~~

~~Security Staffing~~

~~Recent changes in the labor market have had a major impact of the ability of Allied Universal Security to hire an retain qualified staff. Between September 2019 and February 2020, Allied Security had an average of seven Field Security Officer vacancies. Between September 2020 and February 2022, Allied Security averaged 37 Field Security Officer vacancies -- a 455% vacancy increase. As a result, during this period a third of security shifts were unable to be filled. February 2022 vacancies have continued to climb to 40. This lack of security presence on the light rail system has had a direct impact on acts of violence, on the system. Between September 2019 and February 2020, the rate of assaults against passengers was 0.52 per 100,000 boardings. Between September 2021 and February 2022, the rate was 1.2, an increase of 129%, and Allied Security personnel themselves were subject to an even greater increase in violence. Between September 2019 and February 2020, the rate of assaults against security was 0.35 per 100,000 boardings. Between September 2021 and February 2022, the assault rate was 0.84 per 100,000 boardings, an increase of 140%. This increase in violence can be expected to have a direct impact on ridership -- rider surveys have consistently shown the perception of safety is a key factor in whether a person chooses to use transit.~~

~~In addition, Allied's inability to staff shifts will have an impact on fare collections. Pre-pandemic, when Allied was fully staffed and conducting normal fare inspections, VMR fare recovery per rider was $0.71. During the pandemic, when VMR fare enforcement was dramatically reduced, fare recovery per rider fell to $0.25. At current vacancy levels Allied can only cover between 1 in 4 and 1 in 5 cars. As a result, a return to pandemic level fare inspections and per trip fare recovery can be expected. In FY 2023, this would be expected to reduce fare revenues by $3.2 million.~~

~~Allied's inability to hire and retain qualified staff is caused by the recent changes in the labor market. Their current starting rate of $16.15 per hour is simply no longer sufficient to attract qualified individuals to a role that requires a high degree of rider interaction and the potential de-escalation and for violence. As a result, Valley Metro will either need to amend the contract to include more completive wages or accept a significantly smaller security presence and its affect on the safety and fare revenue implications.~~

~~West Valley Bus Contract~~

~~The Board approved contact for bus service in the West Valley incorporates the contactor's fixed and variable costs into a single cost per revenue mile. As a result, this contract includes a clause that allows that cost per revenue mile to be renegotiated if total revenue miles change by more than 30%. In March 2020, the Avondale City Council voted to reduce ZOOM miles by more than 50% starting in October 2022. As a result, this change can be expected to trigger a renegotiation of the contract's cost per revenue mile that increases rates for West Valley cities remaining service.~~

~~Transit Operator Labor Rates~~

~~Valley Metro's transit service contactors are also being impacted by the recent changes in the labor market. Over the last four months, operator vacancy rates have averaged 15% in the East Valley and 17% in the West Valley. These vacancies are impacting the contractor's ability to provide service: during that same period the number of missed trips has grown from 425 to 3,836 in the East Valley and from 10 to 28 in the West Valley. Should these trends continue, a decision will need to be made to either adjust wages to allow for adequate staffing or reduce service to~~

~~the staffing level available. However, service reductions do not mitigate the larger market conditions affective the ability to hire and retain this workforce and, therefore, are likely only a short-term stop-gap that could send a negative message in a consequential year.~~

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

Item	Cost	Fund Source	Note
~~Security Staffing~~			~~Potential wage adjustments to address security officer vacancies~~
~~West Valley Contract Changes~~			Moved to Bus Service & Rate Increase (#5)
~~Bus Operator Staffing~~			~~Potential wage adjustments to address operator vacancies~~
~~Paratransit Staffing~~			~~Potential wage adjustment to address operator and scheduling and reservation agent vacancies.~~
~~Total~~	~~7,556,200~~		~~Member City, Regional PTF~~

18	VM Staff Labor Market Adjustment	
	Joint RPTA and VMR	VM Recommendations

Description

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

The tightening labor market has impacted Valley Metro's ability to retain staff and fill vacancies. Turnover in the first quarter of FY 2021 was 14% on an annual basis. In the first quarter of 2022, turn-over was 19% on an annual basis – an increase of over one-third. At the same time, the quality and quantity of applicants have fallen significantly. As result, at present, Valley Metro has 74 vacancies out of 376 funded positions for a vacancy rate of 20%. These vacancies are disproportionately (65% or 48 positions) in the Operations & Maintenance Division where the highest vacancy classifications are in crisis, directly affecting our ability to provide reliable, clean, and safe service. For example, vacancy rates as of February 2022: Light Rail Vehicle Inspectors: 44%, Customer Service Agents: 43%, Communication System Technicians: 40%, Electro-Mechanics: 40%, Traction Power System Technicians: 30%.

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

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

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

Survey Results

City	FY 2022	FY 2023
Avondale	7.5%	TBD
Chandler	4.75%	TBD
Goodyear		"in line with recent CPI"
Mesa	8% + 2,000 bonus	3%

Peoria "the consensus among finance directors is around 3-5% COLA this year and another 5% merit on top of it."

Alternatives Considered

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

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

Description

In recognition of the increased scope and complexity of Valley Metro's operations, in FY 2021, a Deputy Director of Transportation & Project Integration and a Deputy Director of State of Good Repair & Maintenance positions were created. While the pandemic slowed hiring for these positions, they are now filled and require administrative support to maximize effectiveness. This recommendation provides that support by adding a 2 FTE Administrative Assistant II positions and their associated equipment to support the two Deputy Directors *and their teams. This support cannot be obtained through existing positions – the Operations Division has 224 staff and only seven existing administrative assistants.*

Alternatives Considered

Reduced effectiveness by either sharing or foregoing administrative support for the leadership role.

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

20	Asset Management System Administrator	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

21	Senior Internal Auditor	
	Joint RPTA and VMR	VM Recommendations

Description

Valley Metro's Internal Audit team is currently comprised of the Chief Auditor and two Senior Internal Auditors. *Neither of the Senior Auditor positions has the experience to conduct IT audits*. As a result, Valley Metro recommends adding one additional Senior Internal Auditor FTE position and associated equipment to allow Internal Audit *to ensure Valley Metro's Information Technology division is utilizing best operational practices and safeguarding the region's transit systems.*

Alternatives Considered

An auditor could be obtained through a staffing contract; however, the contract's overhead would increase the net cost of the role. As this is assumed to be an on-going need, that isn't the best use of resources.

Item	Cost	Fund Source	Note
Salary & Benefits	$33,650 R $100,950 V	RARF, Member City	
Equipment	$3,100	All funding sources	Laptop, monitor, keyboard & mouse, web cam, software licenses
Total	$117,900		

22	Increased Recruiting Costs	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

23	Increased Legal Defense Costs	
	Joint RPTA and VMR	VM Recommendations

Description

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

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

Alternatives Considered

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

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

24	Operations Employee Relations Analyst	
	Joint RPTA and VMR	VM Recommendations

Description

Valley Metro currently has one Employee Relations Specialist who works with managers and employees to address performance and disciplinary issues. It is virtually impossible, however, for this single staff member to provide the level of support needed by the 224 employees stationed at the Operations and Maintenance Center (OMC), *many of whom work at night*. This recommendation adds a 1 FTE Employee Relations Analyst position, and associated equipment, to provide full-time, on-site support to the OMC.

Alternatives Considered

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

25	Junior Systems Engineer	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

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

26	Market Research	
	Joint RPTA and VMR	VM Recommendations

Description

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

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

Alternatives Considered

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

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

Description

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

Alternatives Considered

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

28	Value of Transit Communications	
	Joint RPTA and VMR	VM Recommendations

Description

The Value of Transit campaign is critical to sharing Valley Metro's contributions to providing safe and reliable public transportation, which also supports the local economy, healthy lifestyles and overall community well-being. The expected outcomes are an increased understanding of how your transit investments are critical to the community and that continued investment is crucial to our future. This effort is particularly timely across this year. And will share the community impacts from our regional bus, light rail and paratransit systems.

Education throughout 2022 is critical as it relates to key, regional funding initiatives. Without a well-informed public, the critical nature of this funding may not have the emphasis that it deserves.

Alternatives Considered

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

29	Ridership Recovery Marketing	
	Joint RPTA and VMR	VM Recommendations

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

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

30	Classification & Compensation Study	
	Joint RPTA and VMR	VM Recommendations

Description

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

This will enable Valley Metro to:

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

Functions of Classification and Compensation Study include:

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

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

Alternatives Considered

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

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

31	New LRV Communication Systems	
	VMR Only	Continuing Commitments

Description

In FY 2023, Valley Metro will be operating three different rail platforms: the original Kinkisharyo vehicles, the new Siemens vehicles, and the Brookville streetcars. Software is needed for their three different passenger counting systems and diagnostic systems to interoperate.

In addition, the WiMax communications protocol used for the original LRV fleet has become unreliable due to crowding of the 5MHz spectrum. Therefore, the entire fleet will be configured to use 5G cellular signals for communication and location.

Alternatives Considered

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

32	Rail Project Planning	
	VMR Only	**Continuing Commitments**

Description

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

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

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

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

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

Alternatives Considered

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

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

33	OMC Expansion Facility Maintenance	
	VMR Only	Continuing Commitments

Description

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

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

Alternatives Considered

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

34	Streetcar Operations	
	VMR Only	Continuing Commitments

Description

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

Service levels are determined by City of Tempe

- *FY22 assumptions: 10 min headways, same service span as Light Rail, 9 months operations*
- *FY23 assumptions: 12 min headways, reduced service span, 12 months operations*
- *VM staff reviewed the FY23 Annual Streetcar Budget and updated assumptions with Tempe staff on 4/15/22*

Alternatives Considered

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

35	Insurance Cost Contingency	
	VMR Only	VM Recommendations

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

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

36	Maintenance of Way Planning & Supervision	
	VMR Only	VM Recommendations

Description

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

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

Alternatives Considered

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

37	Grounds Maintenance Coordinator	
	VMR Only	VM Recommendations

Description

Growth in the VMR system has increased the grounds and facilities footprint that must be maintained. Direct groundskeeping is performed by a contactor, DMS (or the City of Tempe for streetcar*). In FY 2023, Valley Metro anticipates spending $584,500 with DMS.* Valley Metro lacks, however, dedicated oversight of this contractor to ensure contractual compliance and that the contactor has clear priorities. This recommendation addresses that gap by adding a 1 FTE Grounds Maintenance Coordinator, a truck for the position's use, and its associated equipment.

Alternatives Considered

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

38	Facilities Maintenance Technician	
	VMR Only	VM Recommendations

Description

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

Alternatives Considered

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

39	RailPod Software	
	VMR Only	VM Recommendations

Description

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

Alternatives Considered

RailPod software is proprietary and required for its use.

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

40	Two Line System Wayfinding Design	
	VMR Only	Valley Metro Recommendations

Description

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

Alternatives Considered

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

41	Respect the Ride	
	VMR Only	VM Recommendations

Description

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

In 2018 and 2019, a combination of enhanced security presence and the Respect the Ride campaign proved extremely effective in helping to reduce security incidents on the rail system. Over that period, incidents per 100,000 boardings fell from 50.7 in January 2018 to 8.3 in October 2019.

Alternatives Considered

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

42	Non-Revenue Fleet	
	VMR Only	VM Recommendations

Description
Adds one non-revenue vehicle. The vehicle enables Customer Experience Coordinators to maintain their presence on the alignment during shift changes. *The original recommendation included two vehicles for streetcar operator transport and line supervision. These items have been moved to the streetcar capital budget.*
Alternatives Considered

Item	Cost	Fund Source	Note
CEC Shift Change	$42.400		
Total	$42,400		

43	LRV Replacement Parts	
	VMR Only	VM Recommendations

Description
Additional funding is needed for LRV replacement part. Several factors are driving this need: • An increase in the number of annual LRV/Car accidents is requiring more LRV bumper replacements • The addition of the Siemens vehicles requires the stocking of additional replacement parts • Supply chain issues have increased replacement part prices approximately 20%.
Alternatives Considered

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

Questions Asked
FY23 RPTA Preliminary Budget

Valley Metro FY 2023 Preliminary Budget Questions (June 2022)

Recommendation Questions

1. **<u>Item #17 - Operations Contingency:</u>** Overall, Tempe has concerns about signaling to contractors that funding has been set aside and is available for contract increases. Would it be possible to have a refresher on how any unanticipated/additional costs are currently addressed using reserve funds and/or fund balance? (Tempe)

   The budgets approved by the Boards include modest amounts of contingency funding to protect cities from mid-year funding requests due to unanticipated issues (e.g. FY 2022's insurance and fuel cost increases). In FY 2022, the RPTA operating budget includes $500,000 in contingency. The VMR operating budget includes $4.5 million (as PTF funding is not available to RPTA).

   Valley Metro's FY 2023 budgets recommend $3.6 million for RPTA and $4 million for VMR to provide the Boards flexibility should they decided to adjust provider rates to address recent labor market inflation. To be available for the Boards' use, any amount must be included in the approved FY 2023 budget. That said, any funding approved could be included in a budget line with other items to mask the amount.

   a. What are the current trends observed by the agency regarding contract increases during/within contract terms?
   The current dramatic tightening in the labor market began to manifest itself as the Omicron wave ebbed in November/December. Given that collective bargaining agreements (CBAs) and contract amendments typically require months for completion, data is just starting to become available on labor rate changes. To fill this gap, in March, the American Public Transportation Association (APTA) surveyed 117 member agencies regarding the impact of the labor market. This survey found that 92% of transit agencies were having trouble hiring new employees and that bus operators were the most difficult to fill. Rail Mechanics were fourth most difficult nationally). Forty-nine percent of agencies reported cutting service as a result. To address the staffing shortfalls, 52% had increased starting pay. Therefore, it is clear this a nationwide issue that virtually every transit operator is being forced to address.

   b. Is this something that can be better addressed during contract inception/renewal?

      When and how address contractor labor issues are entirely at the Boards discretion. However, the lack of staffing has already had significant impacts on our ability to meet *our service commitments to our riders. Between November and February, the number of missed trips in the East Valley grew from 425 to 3,836. Similarly, the rate of assaults on VMR passengers increased 129% in the period September through February of FY 2022 as compared to the same period in FY 2021. As there is no evidence of labor rate increases reversing themselves, it is likely service quality will continue to deteriorate until labor rates are addressed. The current East Valley Bus contract continues through June 30, 2023. Allied Universal Security is in the first year of a five-year contract. Therefore, to delay addressing labor rate issues until contract renewal would mean accepting years of seriously degraded service during the period Proposition 400 extension is considered by voters.*

2. **Item #17 - Operations Contingency:** Is there any opportunity to fund requested contingency amounts with fund balance (ie. slide 12) or agency reserve funds? If contingency amounts are approved, can you please elaborate on any policy considerations that may need to be developed to ensure the contingency funding is utilized only for the expenditures noted in the memo. (Tempe)

   Slide 12 references the amount of PTF revenues that have been programmed vs. unprogrammed. PTF cannot be used for VMR operations which represents about half of the recommended contingency funding. It can be used on RPTA operations which accounts for the other half. On-hand, unprogrammed PTF would be sufficient to fund the proposed FY 2023 RPTA operational contingency. If these funds were used to modify transit service contracts, under existing board policy (February 2011), that spending would be included in Jurisdictional equity calculations (as you know, thresholds are set at +/- 2.5% for each sub-region [West, East, Central] and no city can be underallocated by $7.5 million). The amounts we're talking about are unlikely to breach JE thresholds in the near term but, for the West Valley in particular, future spending or significant PTF revenue changes could make their threshold relevant.

3. **Item # 17 – Operations Contingency: Tempe has concerns regarding the approach to allocate funding to operations contingency. Have there been instances in the past in which the agency has needed to seek emergency funding mid-year, and if so, how has that been addressed? (Tempe)**

   Valley Metro strives to avoid mid-year budget adjustments that require additional city funds as we know this is difficult and disruptive for our city partners. As a result, over the last five years (FY 2018 – 2022), two operating budget mid-year adjustments required city funding, FY 2018 and FY 2020. In FY 2018, greater than anticipated paratransit demand required a $1.3 million adjustment in the RPTA budget. In FY 2020, a $4.1 million mid-year adjustment to the RPTA budget was required to address an unanticipated $2 million bill from the City of Phoenix, a $500,000 Board approved East Valley bus service change, and $1.7 million in higher than forecast Paratransit and RideChoice ridership.

   In FY 2018 adjustments were made to the VMR budget and in FY 2022 adjustments were made to both the VMR and RPTA budget using Board approved contingency funds, savings from other areas, and regional PTF. These adjustments did not impact city budgets.

   If the Boards opt not to include contingency funding for potential contract changes in the FY 2023 budget and subsequently decide to make contract changes, cities will be required

identify the funding for those changes mid-year. Therefore, the purpose of the proposed Operations Contingency is to minimize the potential disruption to cities.

4. **<u>Item #17 - Operations Contingency:</u> The concern regarding the proactive set-aside is rooted in the preemptive identification of additional funds which may be used for contractor wage increases. What are the expectations of the contractors in the context of talent recruitment and retention, and how can we ensure we are being as efficient as possible in tackling the workforce issue? (Tempe)**

Actions taken to date by contactors at their own expense include:
<u>East Valley Bus</u>

- ***Sign On Bonuses:***
  - ***Operators -$3,000***
  - ***Technicians – $3,000***
  - ***Lot Attendants (Fleet Care)- $1,000***
  - ***Increase in training wage for Operators from $14.00/hr. to $15.00/hr.***
- ***Referral Bonuses:***
  - ***Non CDL holders- $1,000***
  - ***CDL holders – $2,500***
  - ***Cleaners - $250***
- ***Recruitment Advertising:***
  - ***Bumper Stickers on Relief Cars, Supervisor Vans, Car Cards inside the Buses***
  - ***Radio Ads***
  - ***Recruiting Website – Programmatic (Utilizes different job boards), AZ Workforce Center, InDeed.com***
  - ***Transit Talent***
  - ***Job Fair – East Valley Bus & Maintenance Facility (Tempe)***

<u>Cleaners</u>

- ***$750.00 sign on bonus***
- ***Referal bonus: $250***
- ***PTO***
- ***Health Insurance***
- ***1st, 2nd and 3rd shifts***
- ***$13.90 - $16.00 to start***

<u>Paratransit Recruitment Actions:</u>

- ***Updated Driver Wages***
- ***Eliminated the training rate and updated starting rate to $14.50 (formerly $13.50) – as of 6/23/21***
- ***Wages were increased by $1.00 across the wage progression – Effective 10/1/21***
- ***Sign-on/Referral Bonuses***
- ***Drivers: $1,000 Sign-on/$1,000 Referral Bonus, effective 5/4/21 (formerly $500)***
- ***Reservationist: $500 Sign-on/$500 Referral Bonus***
- ***Referral cards are available to employees***
- ***"Now Hiring" Car Magnets on fleet***
- ***Regional & Corporate Recruiter provide support in sourcing candidates***

- *Job Openings are shared with Maricopa County Human Services Department (LinkedIn & state-wide job board) – Arizona@Work, Veteran Readiness and Employment Depart (Dept of Veterans Affairs)*
- *Onsite Job Fairs (1 – 2 times per month)*
- *Subcontractor AAA Taxi has implemented $500 sign-on and referral bonuses*
- *Reduced lease rates for independent contractors*

5. **<u>Item #17 - Operations Contingency:</u> How can we ensure the agency is not "over stepping" while being a partner in addressing the labor shortage, while also being cognizant of any collective bargaining agreements in place and the effects on the front line transit workforce as a whole? (Tempe)**

   The Board can be sure the Agency isn't "over stepping" because the (a) in the June Executive Session, Valley Metro will seek the Board guidance on the parameters of the negotiations with contractors. To do so, Valley Metro will present to the Board the salary ranges and the associated costs its thinks are necessary to address the staffing issues. The Board will be asked to modify or concur with these parameters prior to any negotiations. (b) In addition, the proposed budget includes an explicit requirement that the Board approve any use of the Operations Contingency funding prior to implementation.

6. **<u>Item #17 - Operations Contingency:</u> Can you explain how the contingency amount was identified and if it is from "extra" or unallocated ptf, or will be created through the IGA'S paid by the city? I think I heard the higher amount of any contract increase is already included in the FY23 amounts. I'm trying to understand how this amount was identified to begin with. I looked in the list of questions and didn't see this question. If it is there I'm sorry for asking again but I have been asked to explain this and I'm not sure of the answer. (Peoria)**

   Happy to help. The Operations Contingency is the one issue where our document is deliberately vague on how the number we arrived at.

   The sole purpose of the proposed Operations Contingency is to give the Board a means to fund any contract adjustment they choose to make. As we developed the FY 23 budget, we were seeing contractors missing service because they couldn't hire and keep people at the wages they're contracts were bid. We suspected the Board would want to address that in some cases but also knew those negotiations would not be complete in time for the FY 23 budget. Therefore, it seemed prudent to set funding aside and further to lump it together to no single vendor could tell what we were estimating from public documents. So, if its not clear what the number is comprised of – mission accomplished ;).

   The estimates in the current budgets and iGAs were created in January by looking at the staffing situations for the relevant contracts (EV bus, WV bus, ACI, Security, PT, and cleaning) and basically guessing at the amount to salary change needed to allow them to hire competitively. These amounts were then included in the Operations Contingency lines in the RTPA and VMR budgets and in each cities' IGA. From a fund source perspective, we assumed the contingency would be comprised of the mix of local and PTF funding currently used for each contract and reflected in the TLCP. If cities would like to change that (e.g. to use more PTF where allowable), those decision can be made in the sub-region panning meetings.

Whether to include a contingency for these contract adjustment or not is the one issue that doesn't seemed to be settled in the FY 23 budget. As a result, we're working now on a process for the June Board Meeting to resolve the issue. It basically boils down the three questions:

1. *Does the Board want to address contracts that, due to wage changes in the last 8 months can't hire staff to fulfill their obligations? If the answer is "no" the region will need to live with crappie service for the next year and the message that sends to the public as they consider whether to continue to give tax money for transit. If the answer is "yes" then we must answer the second question:*
2. *How does the board want to fund any contract changes? There are two options:*
   a. *Have cities set-aside funding for potential changes in their budgets and include the authority to use that funding in Valley Metro's budget – This is what's proposed in our current budget. The IGAs include the estimated cost of adjusting contracts. When the Boards approve a change to a contract, we'll bill each city for the cost of that change through their IGA. We'll then match those city funds with PTF and use the budget authority granted by the Operations Contingency in VM's budget to make the payments to the vendor.*
   b. *Treat each contract adjustment as a mid-year adjustment – Some cities say they recognize some contracts need to be adjusted but don't want to include a Operations Contingency in VM's budget. Doing so would require us to handle each contract change like a mid-year adjustment. Meaning, neither the IGAs nor VMs budget would include any Operations Contingency. Each time the Boards decide to modify a contract, they'd also need to increase VM's budget and amend all the impacted IGAs to include those costs. Since contracts will likely get resolved at different speeds, we can assume 2-5 budget and IGA amendments in FY 23 using this approach. If going back to your city council for 2-5 budget changes and IGA amendments this year seem like a bad idea, we agree. That's why we include option "a" in our proposed budget.*
3. *What degree of wage change does the Board think is appropriate to address staffing issues? Before we start discussing contract changes with vendors, we'd like the Boards' guidance on the parameters of those negotiations. In addition, things have changed since January – vacancy and service has gotten worse in the East Valley and has gotten better for ACI and Security. Therefore, in a Executive Session in June, we plan to share with the Boards the salary ranges we propose for key positions. The Board can then agree with or modify those ranges, If they change them (up or down), the estimated cost of contract changes will need to be adjusted.*

Once those four decisions have been made, we can pass the FY 23 budgets. If the answer to question 1 is "no," the contingency is struck for the VM budget and all IGAs. If the answer to 1 is "yes," and approach 2b is selected, it's the same – no contingency in budgets or IGA and lots of changes through the year. If the 2a is selected, the contingency stays in both VM's budget and the IGAs and reflects the amounts the Boards ID in question 3. We'll have a motion sheet drafted for each budget that says "I move the approval of the FY 2023 budget with (or without) a operations contingency of $___..." allowing the budgets to reflect the Board's decisions.

7. **<u>Item #17 - Operations Contingency:</u> You said you will provide the Board members with ranges for key positions to help decide if they want to provide some amount of contingency funding to increase contracts. Would it be accurate to say that you have a plan of which contracts you would be addressing to give a higher wage to? It seems that is the case as you mention the current IGA's have already been adjusted for some amount of increase. I'd just like to verify that. (Peoria)**

   First, an update. Since my response below [now above], Valley Metro has decided to recommend to the Board a compromise approach that blends 2a and 2b below (see Jessica's attached memo). Because there appears to be Board consensus that poor service caused by labor shortages should be addressed but disagreement on whether an "Operations Contingency" is the right mechanism, in the June Board Meeting, we will recommend leaving city IGAs as they are (i.e. including the estimated cost to adjust contracts identified in January) but eliminating from Valley Metro's budget the "Operations Contingency." As a result, should the Boards decide during FY 2023 to adjust one or more contacts to address the labor shortage, their approval of that contract change will also need to include an adjustment to Valley Metro's budget to implement the change.

8. **<u>Item #17 - Operations Contingency:</u> You said you will provide the Board members with ranges for key positions to help decide if they want to provide some amount of contingency funding to increase contracts. Would it be accurate to say that you have a plan of which contracts you would be addressing to give a higher wage to? It seems that is the case as you mention the current IGA's have already been adjusted for some amount of increase. I'd just like to verify that. (Peoria)**

   Yes. When Valley Metro finalized its proposed FY 2023 budget in January, we included estimates of the wage changes needed to address the labor issues that existed at that time. That was how the Operations Contingency amount was determined. Subsequently, those same amounts were included in city IGA. As a result, the elimination of the Operations Contingency strips the Valley Metro's budget the ability to implement any contract adjustment without a mid-year budget adjustment but the IGA amounts provided to cities continue to include those amounts for planning purposes.

   In the information provided will you also be able to tell the Board members the impacts to local dollars as again, not all of the Valley Metro contracts use just PTF funds? As I mentioned previously, cities would need to know the potential budgetary impact beyond PTF to local dollars to make an informed decision. This is a tricky situation as one council member cannot authorize an increase to payments using local city funds.

   In next week's Executive Session, Valley Metro will share the wage adjustments and corresponding costs for each contract as estimated in January and that is included in each cities' current IGA. We will also share our assessment of the current situation and highlight any changes in wages and potential costs that we believe have occurred. We will then seek the Board's feedback on the appropriate wage ranges for our negotiations with contractors. This feedback will guide our subsequent discussion with contractors but is not a decision as no decisions can be made in Executive Session.

The local funding required to implement the wage adjustments estimated in January have already been provided to each city – they're included in your current IGA. If the Board advises Valley Metro to target a different wage (higher or lower) in negotiations, Valley Metro will communicate the potential local cost implications of that change to each city.

Using the parameters set by the Board in the Executive Session, Valley Metro will work with contactors on solutions to address their labor issues. If those solutions require a contract change, Valley Metro will bring that proposed change to the full board for approval in a subsequent meeting. The proposed change will include the impact on local costs for each city.

9. **Item #17 - Operations Contingency: Can you further explain the highlighted item "a" below where you say you will match city funds with PTF. (Peoria)**

   The highlighted text simply reiterates how all service is funded. That is, in the TLCP planning process, each sub-region determines the use of PTF for eligible routes (as we've discussed, some routes are eligible some are not). Each cities' annual IGA reflects the total local cost of all the service they consume (which is the total cost of that service minus the applicable PTF, fare revenue, etc). Valley Metro bills cities for their IGA amounts. It then combines those city payments with the PTF, fare revenue, etc and pays the vendor. I included the highlighted statement because in AFS it became apparent that some cities thought the Operations Contingency was giving Valley Metro some additional funding duplicative of what was in their IGAs. That's not the case – it was simply giving Valley Metro the ability to use the money paid through the IGAs (in addition any applicable PTF) to pay the contractor.

10. **Item #17 - Operations Contingency: If the expected increases are already in the FY23 IGA's for PTF funded service, you would issue a bill to the cities for the increased amount? Or you would just charge the higher amount to our PTF usage in the TLCP? Of course for non-PTF funded service you would issue a bill, but there would not be a match available, is that correct? (Peoria)**

    As noted above, the increases expected in January for all services (those eligible for PTF and those not eligible) are included in the current IGAs. If the Board directs Valley Metro to remain within the January estimates, no changes will be needed. If the Board directs and approves contact changes above the January estimates, city IGA amounts will need to be correspondingly increased. If a sub-region wants to increase its use of PTF for eligible services thereby reducing any increase in local funds associated with contract changes, those decision would be made this fall in the TLCP planning process. Valley Metro would then adjust its IGA billings to reflect the change.

11. **Item #17 - Operations Contingency: As you mention in "b" cities would not want to go back to Council with repeated budget adjustments. However, if the amount is in the IGA's already would this be something that would need to be done? (Peoria)**

    That's correct – item 2b below was describing a "pure" mid-year adjustment approach which would have struck any contact adjustment amounts from the IGAs. As noted above, we're now recommending leaving the estimates in the IGAs so changes wouldn't necessarily be needed.

12. **<u>Item #17 - Operations Contingency:</u> Our IGA is already submitted for Council approval with some amount of contingency included. Do you see a need that we would then need to again change our IGA this fiscal year? If so, I might need to pull the item from the Council agenda for later this month. (Peoria)**

    It depends on what the Board directs Valley Metro to do in next week's Executive Session. As noted in our detailed description of the Operating Contingency (#17), our January estimate for the West Valley only included costs for paratransit and the loss of Zoom miles. As you know, the final agreement with Total Transit only impacted costs for Avondale and Goodyear so we took that out of the Peoria IGA. We think the January paratransit estimate is good. That means the West Valley IGAs don't include any estimate for Total Transit wage changes – in January, they're vacancy wasn't significant. It is now MUCH higher but they're only missing 4% of trips. So, if the Board directs us not to consider contract changes for Total Transit, your IGA is solid. If they want to explore wage changes for Total Transit, we should be able to give you an estimate of how that would impact your IGA amount after the Executive Session.

13. **<u>Item #17 - Operations Contingency:</u> Can you also explain how this would impact the TLCP? The last model showed the West Valley within tolerances. Would this proposal affect that in any way? (Peoria)**

    While I have mentioned that cities could use additional PTF to reduce costs in some cases, that's not a decision for Valley Metro to make – each sub-region has to decide how it wants to use its available PTF. Therefore, this budget maintains the existing TLCP use of PTF. Our current plan is to start the TLCP planning process late summer/early fall with the usual sub-reginal meetings. The first step in that process will be providing a current accounting of available JE for each sub-region.

14. **<u>Item #17 - Operations Contingency RPTA: $3,585,800 / VMR $3,970,400:</u>** Now that we have published the contingency reserves and our vendors know what capacity have set aside to use for their advantage, we should be looking at a different way to address the potential contract changes. These contingency funds should be restricted to contract changes and require Board approval for use. (Goodyear)

    To be available for the Boards use, funding for potential contract labor adjustments had to be included in the budget. By combining the funding for five different contracts into a single contingency line, Valley Metro believes it has sufficiently obscured the potential funding for any single contract. That said, any amount approved by the Boards could be combined with other issues to further mask the approved amount.

    Existing Board policy requires material change to contracts, include to rates, to be approved by the Boards. In addition, any rate changes will require the Boards to approve adjustments in the impacted contracts expenditure authority. As a result, before the use of these funds, the Boards will have to approve both the specific contractual change and the estimated fiscal impact over the life of the contract.

    Follow-up Question: As I mentioned during the meeting, perhaps there is a way to "firewall" these funds from being added to base budgets or turning into a "slush fund" without Board oversight. I think the Board should also understand the entirety of all of the contingency funds within the existing budget – Inflationary Contingency.

Re: Firewall – Certainly. The simplest way to accomplish this objective is probably for the Board to include explicit language in the budget requiring Board approval for any use of the Operations Contingency funds. Then, to have Internal Audit verify Valley Metro's compliance with that requirement at the end of FY 2023.

The RPTA budget has a general contingency amount of $500,000 that is funded by PTF while the VMR budget has $2.1M for Light Rail and $201K for Streetcar, both funded by member city contributions.

15. **Item #17 - Operations Contingency:** [AFS agenda] item 4 [FY 2022 Budget versus Actuals Report] shows operating expenses trending well below budgeted levels through the 3rd quarter – ($27.3M) for RPTA and ($15.2M) for VMR. It's safe to assume these trends will continue through the end of the fiscal year, and well into FY23 due to various factors (contract savings, vacancy/salary savings, lower service levels of operations, etc.). Phoenix suggests that VM consider foregoing the inclusion of the $7.6M Operations Contingency in the FY23 budget and, if necessary, utilize the budget capacity afforded by these savings, which well exceed the recommended contingency. This approach could be supported by the fact that FT East Valley successfully negotiated a new CBA with the ATU as of last week (as have our paratransit and our larger fixed route contractor within the last year). (Phoenix)

    A review of the sources of the FY 2022 transit operations underrun finds that comparable underrun is unlikely for RPTA in FY 2023 but could be used to partially offset contingency funding for VMR. First, since the sources of funding differ for the overall operating budget versus transit operations, only transit operations could reduce the need for the Operations Contingency. With respect to RPTA, the majority of its FY 2022 underrun is the result of the City of Phoenix applying $17 million of COVID relief funding to reduce it billings to Valley Metro for ADA Paratransit and other regional services. Since these funds will be exhausted in FY 2022, savings are not anticipated in FY 2023. For VMR, underrun is being driven by vacancy in both Valley Metro positions and those of key contractors (e.g., Allied Universal Security). If the Board approves actions to address hiring and retention problems (via the Operations Contingency for contracts and VM Staff Labor Market Adjustment for staff) and these actions are successful, those vacancy savings will be eliminated. That's unlikely to happen immediately, however. As a result, Valley Metro estimates approximately $500,000 of vacancy savings for the first quarter of FY 2023 could be used to reduce the need for Operations Contingency funding.

16. **Item #18 - VM Staff Labor Market Adjustments:** Are the market adjustments expected to be applicable to all current staff, or reserved for "hard to fill" positions? (Tempe)
    All current staff

    a. Has any consideration been given to conducting a market study first, to establish the justification/need? (Tempe)

       The need for the recommended COLA is clearly established by several factors:

- *The Bureau of Labor Statistics (BLS) reported in February 2022 that inflation for the metro Phoenix area was 11% for the trailing 12 months and that employer's compensation costs increased 5% for calendar year 2021.*
- *Valley Metro's turn-over rate increased from 14% in the first quarter of 2021 to 20% in the first quarter of 2022. Total vacancy now averages 20% for the agency and is as high as 44% in some classifications.*

The conduct of a market study before the provision of a COLA is impractical for the following reasons:

- *Market studies compare the salary ranges for existing classifications to the relevant labor market. Given that Valley Metro's classification structure is 16 years old, a market study would be at a serious disadvantage in matching outdated classifications to current market comparators.*
- *Classification & Compensation structures ensure position descriptions align with the market for effective recruitment, that career paths exist to grow and retain staff, and that equity is maintained between classifications. As Valley Metro can't hope to be competitive with a 16 year-old classification & compensation structure, a classification & compensation update is needed. It will likely take 8-12 months to complete. The last step in the process is a market study to determine the pay ranges for the new classifications. Therefore, doing a market study before providing the recommended COLA will require either:*
    - *That Valley Metro wait 8-12 months before providing a COLA to staff – which is untenable, or*
    - *Paying for two market studies in less than an year, an initial study using current classifications and a second study for new classifications – that would almost certainly be a waste of money given the broad-based impact documented inflation is having on labor rates.*

17. **<u>Item #18 - VM Staff Labor Market Adjustments:</u>** Is there a high level of confidence that the outlined approach (COLA and retention bonus to identified positions) will address the issues of filling and retaining staff? (Tempe)

No. The outlined approach is our best estimate based upon the actions of peer cities/agencies and the labor market data available to us. The market, however, is moving quickly and our approach may or may not be adequate.

18.

19. **<u>Item #18 - VM Staff Labor Market Adjustments RPTA: $886,900 / VMR $1,877,700</u>:** VM surveyed member cities and found that in FY22 compensation was increased through a combination of base increases and bonuses between 5% and 10%. Thus, VM wants to implement a 5% cost of living adjustment in FY 2022 and 3% merit in FY 2023. (Goodyear)

a. I would like to understand the breakdown, by percentages, how last year's increases were dispersed in the organization.

The two tables below breakdown the allocation of the FY 2022 3% merit increases (awarded in July based on FY 2021 evaluations). The table on the left shows a comparison between the proportion of each division's salary to the proportion of the merit funding it utilized. The table on the right show the average merit awarded by salary level.

Division	% Salary	% Merit
ABTS	14%	15%
CSD	16%	15%
CSI	5%	5%
Exec	3%	3%
Finance	10%	11%
HR	3%	4%
IA	0%	0%
Legal	0%	0%
Ops	44%	43%
SSQA	3%	4%

		Avg
Annual Range	Number	% Merit
$29,120 -- 50,000	74	3%
$50,000-70,000	100	3%
$70,000-100,000	72	3%
>$100,000	37	3%

These two tables illustrate essentially the same fact – that that vast majority of Valley Metro staff received a 3% merit increase in FY 2022. No division's merit awards varied by more than 1% from its proportion of salary and there were no significant differences by salary range.

b. Our major "labor problem" is in the lower paying positions and I would like to understand how we can better boost the pay ranges for these positions while avoiding another increase to the top of the organization that creates further separation between "management and labor".

Valley Metro relies on its whole team to serve the region. While Valley Metro's reports to the Boards have focused on operational vacancies because these pose the most immediate threat to service, the impact of vacancies is being felt agency wide. For example, the agency's ability to fill operational positions is hampered by the fact that the only Recruiting Manager and two out of three Human Resources Generalists are vacant. Other losses in critical roles include: Chief Procurement Officer, Deputy Chief Procurement Officer, Architect, Business Intelligence Lead, Full Stack Developer, Capital Planning Manager, Recruitment Manager, Rail Systems Engineer, Senior Civil Engineer, Senior Contract Administrators, Senior Human Resources Analyst, and Payroll Manager. Filling and retaining these functions is critical to Valley Metro's effectiveness.

That said, Valley Metro recognizes that inflation hits our frontline staff the hardest and, therefore, is implementing a $2,500 retention bonus for all Operations staff below Deputy Director in FY 2022. For the average Operations employee, this equates to 4% of base pay. That increase comes in addition starting salary and compression adjustment for LRV Inspectors, Electro-Mechanics, Traction Power Technicians, and Communication System Technicians.

c. Follow-up Question: While I appreciate the "whole team" emphasis we have to start acknowledging that an average 3% merit for those in the $29-50K range is much different than 3% for the >$100K range. The supplied charts were very informative.

Understood. Some of the strategies we are pursuing to ensure we are competitively compensating our front-line and near front-line employees is to 1) conduct a market study, and 2) pursue opportunities to increase wage rates for contracted employees through the wage rate reserve referenced above.

Merit increases are performance-based and those individuals who are the top performers generally receive a larger increase while low-performers receive a lower increase or nothing at all. We will continue to monitor labor trends in FY23 and beyond by reviewing VM labor rates for all areas to ensure that wages continue to be competitive across the agency.

20. **Item #19 - Administrative Support for Deputy Directors ($6,400 R/$128,200 V):** This one is just more of a clarification. Why so little cost allocated to RPTA? I'm assuming it's because the 2 new Deputy's are mainly VMR specific? (Glendale)

    Correct. Of the 174 FTE reporting to the two Deputy Directors, approximately 5% are RPTA and 95% are VMR. As a result, we assumed this split in the funding for their support positions.

21. **Item #19 - Administrative Support for Deputy Directors:** Per the discussion at AFS last week, it seems that these additional support positions were not anticipated and communicated proactively. How are these duties currently being handled, and how would the additional resources improve the current workflow? (Tempe)

    The requested Administrative support positions are to support the entire maintenance team and transportation team as well as the two Deputy Directors. Currently, the Deputy Directors are working out of several different locations performing complex tasks and is imperative that they and their staff have strong administrative support. Administrative support would include managing their day-to-day calendars, their scheduling, assist them in setting up meetings, develop agendas, and procedures. This will allow the Deputy Directors to focus on the larger tasks with the Management team and focus on the more critical Valley Metro objectives. (Org Chart Attached)

22. **Item #19 - Administrative Support for Deputy Directors:** Was the need for additional support resources anticipated and communicated to member agencies as the new deputy director positions were discussed with leadership from member agencies, or are these costs in addition to those discussions? The "FY2023 Changes" summary document (page 10) attributes $6,400 of this request to RPTA, and $128,200 to VMR. Is the VMR allocation entirely funded through member agency contributions? How was the cost share between agencies determined for this request? (Tempe)

    Administrative support was not anticipated nor discussed at that time, (which was in/around Sept 2020). Funding is a mix of member city and other. Each year, Directors and Managers review each position on their team and determine the level of effort by project and agency based on planned work for the upcoming year. Tyler will reach out to Ray and team to doublecheck the effort for this position and let you know if we make any modifications.

23. **Item#19 - Administrative Support for Deputy Directors: RPTA $6,400 / VMR $128,200:** It was stated that these positions would support the Deputy Director of Transportation & Project and

Deputy Director of State of Good Repair & Maintenance in addition to the other managers in the Operations Division. Please provide the organizational chart for the division highlighting the new positions and the existing Admin. Support positions and who they provide support to. It appears that a number of support positions exist already. (Goodyear)

The Operations Division currently has seven Administrative Assistant Positions in support of 244 staff. Although these seven positions are titled Administrative Assistants, they are in actuality positions that have specific job duties not associated with traditional administrative work. These positions perform specialized functions associated with their specific departments. As examples; purchasing LRV parts, processing of purchase orders, requisitions, document control, invoice processing, data entry relating to work orders, and support maintenance staff related to generating daily reports. They do not have the resources and time to give the two departments within Operations the administrative support needed. The two requested positions are to support the Deputy Directors directly and their Managers in their departments. (Org Chart Attached)

24. **<u>Item #20 - Asset Management System Administrator</u>:** Per the Operations and Maintenance Org Chart, there appears to be three staff assigned to asset management; is the intent for the new EAM system to streamline asset management activities? Considering this is an additional FTE to maintain the EAM data, what savings are reflected elsewhere, if any? (Tempe)

    The EAM System will allow Bus/vanpool/Paratransit and Asset Management staff to optimize Valley Metro's asset maintenance efforts by capturing and analyzing data on the relationship between maintenance effort, cost, and component failures --which we cannot do now. In the maintenance of over $2 billion of depreciating assets and systems, a clear picture of the regions status, priorities, and opportunities for improvements is critical. The need for the position is to help manage the front-end data and to support the reporting and analysis of that data. In addition, bus, vanpool and paratransit vehicles have not previously been managed in this type of system and will require additional support as this is a requirement that must be included in our Transit Asset Management Plan for FTA.

25. **<u>Item #21 - Senior Internal Auditor ($59,000 R/$58,900 V):</u>** Glendale's current IA is a department of 1. In FY23, his audit plan calls for 12 total audits, 8 of which will be contracted, with the remaining 4 being conducted by him (annual number depends on budget and scope of the engagements on the plan). This might be by AFS direction, but has VM considered or did an analysis comparing the cost of contracting out audits on a task-order basis vs. bringing on additional FTE(s)? (Glendale)

    A contracted IT auditor is useful for determining compliance at a specific moment in time. A staff IT auditor will allow for both the compliance check and to establish a continuous improvement baseline and be a part of the long-term strategy. They will be hands-on to check for IT improvements in all areas IA reviews and immediately available if urgent risks emerge. Contract auditors are also not cost effective. In 2022, Valley Metro contracted with REDW for an audit of management IT hardware and software. That single audit cost $26,152 at $160/hour. The fully-loaded cost for the staff auditor proposed is $55/hour.

26. **<u>Item #21 - Senior Internal Auditor: RPTA $59,000 /VMR $58,900</u>:** It is stated that this is a result of the current staffing level struggling to keep pace with the Board's demand for audits.

According to the Senior Auditor, the new position is for IT specific audits with a specialty in that field, please clarify. (Goodyear)

The issue description has been corrected to read: "Valley Metro's Internal Audit team is currently comprised of the Chief Auditor and two Senior Internal Auditors. Neither of the Senior Auditor positions has the experience to conduct IT audits. As a result, Valley Metro recommends adding one additional Senior Internal Auditor FTE position and associated equipment to allow Internal Audit to ensure Valley Metro's Information Technology division is utilizing best operational practices and safeguarding the region's transit systems."

27. **<u>Item #22 - Increased Recruiting Costs:</u>** What jobs specifically are referred to as the "key positions"? What "out of the box" recruitment strategies are being pursued? (Tempe)

Key positions are those critical for the agency to meet its commitment to the region and require a skill set that makes them more difficult to recruit. Examples include Traction Power Technicians, the Chief Financial Officer, the Chief Procurement Officer, transit engineers, etc.

In a hypercompetitive labor market, we are competing with not only the local market for talent but with our transit peers for talent to fill these "key" positions. Our transit peers are traveling to Phoenix career fairs to attract our employees. HR needs to have funds to ***expand our recruitment outreach*** *through a variety of mediums to attract key positions:*

- *Educational Recruitment Videos: (Video Job Description/Employee Testimonials, Company Culture/Showcase Work)*
- *Direct Advertisements (Career sites, job boards, social media)*
- *Marketing to talent pool in existing applicant database*
- *Outreach Events: Attend Career Fairs, Host VM Career Fairs, Trade Schools*
- *Modify recruitment processes and updating career page and materials*

28. **<u>Item #22 - Increased Recruiting Costs RPTA $70,000 /VMR $70,000</u>:** Can you please expand upon the overall strategy for 1. identifying and 2. hiring/retaining any positions considered to be highest risk/most difficult to staff? (Tempe)

As described in response to your April 14th questions, Valley Metro's recruitment activities include:
"In a hypercompetitive labor market, we are competing with not only the local market for talent but with our transit peers for talent to fill these "key" positions. Our transit peers are traveling to Phoenix career fairs to attract our employees. HR needs to have funds to expand our recruitment outreach through a variety of mediums to attract key positions:

- *Educational Recruitment Videos: (Video Job Description/Employee Testimonials, Company Culture/Showcase Work)*
- *Direct Advertisements (Career sites, job boards, social media)*
- *Marketing to talent pool in existing applicant database*
- *Outreach Events: Attend Career Fairs, Host VM Career Fairs, Trade Schools*
- *Modify recruitment processes and updating career page and materials"*

Valley Metro's ability to participate in outreach events is limited by the fact that we have 3 FTE dedicated to recruitment and two are vacant.

In addition, as described in the detail sheet for VM Staff Labor Market Adjustment (#18):

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

Finally, addition actions include:

- *Use of a 4/10 schedule for operations staff to mitigate the impact of mandatory shift work*
- *Starting Salary adjustment for Customer Service Agents (complete), LRV Inspectors (complete), Electro-Mechanics (pending), and Traction Power Technicians (pending)*
- *Adjustment to address wage compression where applicable for existing staff in the classifications noted above.*

29. **<u>Item #22 - Increased Recruiting Costs RPTA $70,000 /VMR $70,000</u>:** advertising ($70,000), greater participation in job fairs ($10,000), the increased use of recruitment videos ($10,000), and the potential to pay for out-of-state candidate travel ($10,000) and relocations ($40,000) for high level roles. This items seems to capable of being absorbed in the base budgets within the "Other" categories or set aside within the new Contingency Fund above and an increase in line item authority. (Goodyear)

HR's total annual budget less salaries and benefits is less than $500,000. As a result, this team simply can't absorb $140,000 into the base budget. This issue could be added into the Operations Contingency provided the Board made that intent clear.

Follow-up Question: Thank you for the additional explanation, we should consider these costs as part of the greater Inflationary Contingency. My follow up question is this, do we truly recruit 50/50 for the positions that the costs should be spilt by RPTA/VMR in that manner. I don't believe that we have as many positions in RPTA as we do in VMR.

In fact, we don't allocate recruiting costs on a per position basis – the accounting associated with doing so would be inefficient for a relatively small cost. Instead, Human Resource expenditures (and all other administrative functions that support both agencies, e.g., IT, the CEO's office, etc.) are allocated using the FTA approved shared-agency indirect costs pool. This pool allocates costs between RPTA and VMR based on the relative direct salary expenditures for each agency. That said, you point stands, the typical direct salary split for the two agencies is approximately 35% RPTA and 65% VMR. We will update the presentation & documents to reflect this split.

30. **<u>Item #23 - Increased Legal Defense Costs ($99,700 R/$241,500 V)</u>:** Completely understand the VMR increase. Just would like a little more background on the RPTA increase. There is no mention of any impending lawsuits in the worksheet. And as far as any expansion of service on the bus side in FY23, that will be pretty limited (if any) just due to the operator situation. Additionally, with Avondale's reduction of the ZOOM this fall, that will drastically reduce the number of revenue miles and buses on the road. (Glendale)

Complaints aren't always tied to revenue miles. They're also a function of increased ridership on Bus and Rail, which we would expect to increase post-pandemic over the next year, especially as people faced with increasing fuel costs turn to alternative means of transportation. Valley Metro updates the member cities with a confidential report of ongoing claims and litigation on a quarterly basis. Avondale has not left service yet, and because of the one-year statute of limitations, we will continue to see and be impacted by Avondale claims even after they reduce service. We are currently monitoring a $6M claim that occurred in Avondale (Nazari). Nazari involves a bus/pedestrian incident with Ajo Transportation, and the medical bills currently total over $1.2M.

31. **<u>Item #23 - Increased Legal Defense Costs:</u>** Have budget amounts for these costs been exceeded in the past? Regarding legal defense increases – what are we doing to continue to learn about our risk trends and how are we minimizing risk? (Tempe)

Legal does not typically exceed its budget allocation because estimates have been fairly accurate. This year's request is estimated to keep pace with fleet growth, current caseload, future anticipated caseload, and inflation – which effects legal services as well as everything else.

Valley Metro actively tracks and makes constant improvements to mitigate against risk. We previously provided information on this topic. A review of our previous answers should be helpful, so we've shared that information here for you, as follows:

<u>On November 17th, Tempe asked</u>:
Can you please elaborate on any ongoing efforts to monitor, track and identify risks to address our loss ratio moving forward?

1) *Valley Metro has ADOT and FTA compliant Agency Safety Plans that received Board approval in October 2020 and March 2021. The Agency Safety Plans track performance metrics which includes a goal of reducing safety related incidents by 5% each year. Valley Metro is in compliance with each performance metric and currently exceeds the 5% incident reduction goal. Additionally, Valley Metro's Safety and Security team maintains three separate incident tracking logs to comply with State regulations, makes quarterly safety reports to ADOT, and participates in quarterly ADOT safety meetings. Valley Metro staff, the light rail operating contactor and other key stakeholders meet monthly to discuss potential improvements to Valley Metro's safety culture and evaluate any system hazards. Since the derailment incident, Valley Metro Safety and Security has updated several practices to continually elevate safety for single track events, including: improving coordination on track closures; increasing on duty Line Controllers; enhancing communication; adding signage; and conducting internal audits. These efforts have all contributed to considerable decreases (at least 5%) in overall safety-related incidents.*

<u>On January 4th, Tempe asked</u>:
Regarding increased insurance costs – Has there been an analysis performed to identify any trends in insurance claims being made and trends related to the agency's loss ratio? Have any internal adjustments been made in attempt to address any trends identified? Is there any information available regarding the agency's ability to self-insure, and any related benefits or trade-offs?

Valley Metro has:

> *1) An FTA compliant and Board approved Agency Safety Plan which tracks and continuously monitors and addresses all safety matters, not just insurance claims. As stated above, we have reduced safety related incidents at least 5%;*
>
> *2) Valley Metro tracks and reports all claims and comprehensively and confidentially reports and evaluates all lawsuits and significant claims to the Board on a quarterly basis. There are no identifiable trends in claims except for the fact that claims tend to increase along with increases in stock, system growth and service expansion, which is to be expected. Each claim/incident is reviewed and evaluated for improvements that can be made to reduce similar future incidents, if possible;*
>
> *3) Every year, Valley Metro's broker fulfills their fiduciary duty by presenting claims information to insurance providers to secure insurance and has not reported unusual concerns regarding claims trends from the industry;*

Loss claims are not the sole, or even major, driver of premium cost increases, but Valley Metro is constantly monitoring and acting to minimize and reduce claims.

32. **Item #24 - Operations Employee Relations ($41,500 R/$65,500 V):** Understand the need. According to the worksheet, this FTE will be 100% dedicated to providing on-site support to the OMC. With that being the case, why the cost allocation to RPTA? (Glendale)

In addition to supporting the staff stationed at the OMC, this ER specialist will support the RPTA funded Operation's Division's Customer Service Department and the Bus Operations staff working out of Tempe and Mesa Bus Operations Yards.

33. **Item #24 - Operations Employee Relations:** Are there currently discipline/performance issues that are not being addressed? For perspective, how frequently do these issues occur each month? Are employee evaluations performed? (Tempe)

The Human Resources Division is focused on employee-employer relations with the goal of supporting the well-being, safety and engagement of our staff as well as increasing productivity and reducing turnover. An additional Employee Relations position will allow HR to proactively support both staff and managers throughout the entire Agency, including various locations and shifts. Scope of duties for Employee Relations includes:

- *Oversee Safety-Sensitive FTA Drug & Alcohol Testing Program/Compliance*
- *Workers Compensation Program, ADA, FMLA and Return to Work*
- *Investigating, mediating and resolving employee complaints*
- *Administers the Performance Management Program including annual performance evaluations for all staff and on-going performance improvement plans.*
- *Documenting formal progressive discipline (e.g. letters of reprimand, suspensions, terminations)*
- *Conducts exit Interviews, data review, and identification of improvements*

- *Increased HR Communication and response to employee inquiries, policy questions and resources*
- *As a result, Employee Relations is working with 15-25 employees/supervisors at any given time. The combination of disparate locations and different shifts reduces both the timeliness and effectiveness of this support.*

34. **Item #24 - Operations Employee Relations Analyst RPTA $41,500 /VMR $65,500:** VM has one Employee Relations Specialist to address performance and disciplinary issues for over 200 employees at the Operations & Maintenance Center. They want another to provide more support. What role does the Supervisor play in these employment actions that we need specialized HR employees on-site? Since the majority of the employees at the OMC are VMR employees, the division of costs seems lop-sided, please explain. (Goodyear)

To clarify, VM currently has one Employee Relations Specialist to cover all 464 Valley Metro employees agency-wide. Our supervisors are trained to develop, coach, and address performance improvement opportunities for their direct reports on a day-to-day basis. They are not trained to handle more complex personnel issues such as:

- *Safety-Sensitive FTA Drug & Alcohol Testing Program/Compliance*
- *Workers Compensation Program, ADA, FMLA and Return to Work*
- *Investigating, mediating, and resolving employee complaints*
- *Documenting formal progressive discipline (e.g. letters of reprimand, suspensions, terminations)*
- *Conducting exit Interviews, data review, and identification managerial areas for improvement*

In these cases, an Employee Relations Specialist partners with the supervisor to ensure issues are handled and documented in compliance with Agency policy and state and federal law. The combination of disparate locations and different shifts reduces both the timeliness and effectiveness of this support. As a result, Valley Metro seeks to add a dedicated Employee Relations Specialist at the OMC.

While the majority of OMC staff are VMR employees, this position will also support 47 Customer Service staff and 11 Bus Operations Staff. This results in an allocation of costs to RPTA.

35. **Item #25 - Junior Systems Engineer:** Recognizing this is a shift in resources from contract to in-house, please identify the place within the FY23 budget where the savings from FY22 to FY23 are reflected. (Tempe)

This reduction was included in the RPTA and VMR FY 2023 base budget reductions.

36. **Item# 26 - Market Research ($35K R/$35K V):** Is there any funding for this type of research in the base budget? Or is this an additional funding request? I just assumed there was funding allocated each year for this type of activity. (Glendale)

There is small amount ($15,000) in the base budget, which is similar to our spend in a COVID fiscal year and it would allow us to do one baseline, intercept survey. The effort being recommended is that in order to understand our path forward for ridership recovery, we need to *get feedback from our changing ridership across this changing fiscal year, likely requiring more than one touchpoint. And we know there will be survey/focus group needs for the upcoming changes in our fare collection system modernization project and the associated fare policy changes, some of these efforts being Title VI-required.*

37. **<u>Item #26 - Market Research RPTA $35,000 /VMR $35,000</u>:** to assess rider satisfaction with bus and light rail services, understand rider perceptions to strategically address ridership recovery from the pandemic, Ad hoc surveys for additional data and market analyses for key initiatives across this year, including the new fare system and associated outreach as well as to new communities as part of the capital program. We've been doing these studies for the past couple of years. How much have we spent to date and what is the overall strategy? How will we measure success? (Goodyear)

The WestGroup Research contract for Market Research Services was executed in February 2020 and expires in February 2025 for a Board-authorized amount of $587,617. Thus far, we've spent $144,132 on surveys and focus groups related to rider satisfaction, rider safety, fare design, rider recovery and fare policy outreach. In FY23, we recognize the need for greater surveying on ridership recovery and satisfaction to understand where we/the region should prioritize and focus efforts to see a continued return in ridership. We also know there will be a need for rider feedback and outreach regarding future changes to our fare collection system and regional fare policy. The success of our research efforts is determined through survey participation, providing sufficient data for statistical validity and an accurate representation of the population as well as how the region is able to put to use the recommendations that come forward from current and future rider feedback data.

Follow-up Question: We have $443,485 remaining on the current contract, can we push this request to FY24 when we have more data from their current efforts? Perhaps it's just me that needs a more comprehensive understanding of what our actual plan is with the various promotions and how they are different.

There are no current activities underway with WestGroup Research. In FY 2022, Valley Metro's only use of West Group was in gathering rider preferences on the fare collection system for Tempe Streetcar.

In FY 2023, we are recommending research activities totaling $70,000. As mentioned above, we have more than sufficient contract authority, with more than $410,000 remaining on the contract as of 5/1/22; our request is for funding in the budget to use this authority. Our FY 2023 activities include:

- *1 – 2 surveys to understand sentiment in order to (a) gauge the effectiveness of the Ridership Recovery communications done in FY 2021 and (b) develop the Ridership Recovery campaign for FY 2023.*
- *1 – 2 surveys and/or focus groups for the required outreach associated with the fare collection system modernization and related fare policy adjustments*

Again, this item is for research only. The marketing campaigns, as noted below, will use the data this research produces to effectively develop the goals, audiences and ultimately the creative for these efforts.

Additionally, I'm not sure that we have thought about the "how we measure success" question when it comes to these projects beyond the answer of, "if we make changes, then we'll know". More to come below…

Campaigns are developed using a process that starts with identifying Valley Metro's objective. Then, market research data is often utilized to identify the target audiences with the most impact on that goal, what those target audiences care about, and how the campaign's outcome will be measured. This information is distilled by internal marketing staff into a creative brief that also includes the campaign's budget and timeline. This creative brief is then provided to our Marketing & Advertising contract vendors (OH and Magnetry) for campaign development.

Showing you an example of this process is likely must clearer than describing it in text. If you have 15-20 minutes after AFS, Hillary and Jim could walk you through an example.

For many campaigns, such as Ridership Recovery, the most obvious measure of impact – ridership -- is too affected by exogenous factors (e.g., increases in remote work, the price of gas, etc.) to be useful. Therefore, a finer grained analysis is needed. This analysis often starts and ends with market research. For example, research data is used to identify which rider segments are most "persuadable" to return to transit use. Research data is then used to identify the factors that have the most impact on those riders' decisions to use transit. A campaign is then developed to reach those riders with messages about the factors they care about. Finally, post-campaign research is conducted to see if those rider's perspectives were impacted and whether their propensity to ride changed. As a result, market research provides both the strategy and the outcome measure for the campaign.

The table below outlines the recommended campaigns, their goals, audiences and a sample set of measurements we would consider for each campaign:

FY 2023 Campaign	**Purpose/Goal(s)**	**Audience(s)**	**Sample Measurement(s)**
Super Bowl 2022 ($150,000)	• Promote transit as the best travel option • Educate on how to use the system • CALL TO ACTION (CTA): Take transit to SB events + activities	• Visitors for SB events • Regular riders impacted by service adjustments	• App downloads • Website traffic • Social media sentiment • Event ridership • Event revenue
Driver/Pedestrian Safety ($100,000)	• Reinforce a safety culture across system • Increase awareness of safe driver/ped practices • CTA: Learn more about driver/ped safety	• Drivers/peds adjacent to higher-volume incident locations	• Incident rate • Advertising impressions/ engagement
Ridership Recovery ($70,000)	• Continue proactive push for ridership returns	• Based on data (#26), develop target markets, including	• Rider sentiment on key factors

	• CTA: Stay with/get back with transit	current + potential riders	• Propensity to ride for the target segment. • Ridership
Value of Transit ($50,000)	• Educate on value/impact of Prop 400 transit investment • CTA: Learn more about your transit investment	• General public	• Quality of Life website traffic • Social media sentiment • Polling data
Respect the Ride ($50,000)	• Reinforce code of conduct on rail to help with ridership returns • CTA: Improve behavior on light rail; see/say something through AlertVM	• Rail riders, current + potential	• Rider sentiment on key factors • Social media sentiment • Incident rates

38. **Item #27 - Driver/Pedestrian Safety Promotion:** Will this project allow opportunity to work with transit operators – can they be included in this effort, as a way to even better ascertain the risk trends and address biggest risk factors. (Tempe)

    YES! We have existing avenues through Safety & Security and their operator working groups to garner that kind of important feedback. But if you have other ideas, we welcome them. This audience will be critical to ensuring our messaging is focused on the most prevalent and pressing issues.

39. **Item #27 - Driver/Pedestrian Safety Promotion RPTA $50,000 /VMR $50,000:** In 2020, there were 37 light rail and 266 bus collisions with pedestrians or other vehicles. Position is targeted at the key causes of light rail and bus collisions. Their data shows the primary causes of light rail collisions are improper left/u-turns and jaywalking. For buses, the campaign would focus on rear-end collision prevention. As stated previously, there seems to be an opportunity to combine campaigns for efficiency. How will we measure success and the results of this effort? (Goodyear)

    This campaign will be very data driven and is motivated by direct feedback and a request from Safety, Security & Quality Assurance based on trends and feedback they've received from our frontline teams. Based on data, we know where the "hot spots" and issue areas for both bus and light rail. We can target particular geographic areas and demographics with focused safety messaging helping to curb some of these issues and, ultimately, create a greater safety culture along our transit system. We feel it's critically important for a transit agency to continually speak in safety-focused manner and to be regularly pushing out messaging to our riders and those around our system. We also feel it's important to be focused on both modes and to serve their unique needs and issues. The measures for success will be both qualitative, in terms of re-instilling a safety mindset in/around our system and giving support/visibility to the messages important to our frontline teams; as well as quantitative relative to the response to our targeted media buy(s) and a decrease in the severity and the overall number of accidents and incidents on our system.

40. **Item #28 - Value of Transit Communications:** Is this item in any way related to Item 29: Ridership Recovery Marketing? (Tempe)

Value of Transit is focused on communicating to the broader, voting public about the value and impact of their transit investment and sharing the results of our most recent Quality of Life Study update, now including all modes. Ridership Recovery is focused on returning riders—how do we bring them back to the system, what do they need to see from us to in order to get back (and stay) on board? So, the audiences are distinct, which is why we've separated the various campaigns. They each have their own distinct purpose, goal(s) and target audience(s).

41. **Item #28 - Value of Transit Communications RPTA $25,000 /VMR $25,000:** critical to sharing Valley Metro's contributions to providing safe and reliable public transportation, which also supports the local economy, healthy lifestyles and overall community well-being. This appears to be a redundant request for the "return to ridership" program as well as the basic function of the Communication Division. Please explain how this different and how it adds value. The question was asked at the technical level "why aren't we promoting the rapid transit buses?" The answer provided by VM staff was that they didn't want to promote services with missed trips but use data provided shows zero missed trips. We need a more coordinated/strategic communication effort. (Goodyear)

This campaign is particularly focused on communicating the updated Quality of Life Study, which benchmarks the impact of our regional transit investment and how it has benefitted our overall quality of life and mobility. The audience here is unique from the other campaigns, focused on the general, voting public to ensure they understand and/or can become educated on how transit impacts our growing community and ultimately help them say "yes" to continued transit investment. This campaign is particularly timed across the next few years of critical community discussion on the value of transit/transportation in our community.

Regarding "why aren't we promoting the rapid transit buses," is a question that will be more tackled by the Ridership Recovery campaign and efforts. We also feel commuter patterns continue to be in a state of flux, with companies, much like our own, making changes about hybrid and in-person work throughout this year. Yet, we are seeing positive indicators, with ridership increasing year over year, vanpools returning to service, more state employees seeking Platinum Passes and, overall, we have yet to see the lagging impact of gas prices on ridership. We will continue to monitor, survey, be responsive within our resources, in conjunction with our member cities, and, ultimately, be proactive with regard to the labor market challenges as an initial element of this ridership recovery response.

42. **Item #29 - Ridership Recovery Marketing ($70K R/$50K V):** Just wondering if this effort can be combined with the above request? I guess we're just looking for a little clarification for this item; will this be mainly a marketing effort or will this funding be used to fund the research done by WestGroup? (Glendale)

The above request is specific to costs with WestGroup Research, our Board-approved market research firm. They are costs of conducting the actual rider surveys, focus groups and their associated analysis. The Ridership Recovery campaign will then take this data from WestGroup, and other market-based factors, and build a promotional campaign consisting of creative, media *buys, social media content and possibly display advertising seeking to persuade riders to return and continue with their use of public transportation—whether it be for work, play or otherwise.*

43. **Item #29 - Ridership Recovery Marketing:** Does this funding include the capacity to implement any strategies derived from the analysis? (Tempe)

    This item is just implementing the strategies. The analysis is being recommended as part of Item 26 – Market Research. We will use our market research firm, WestGroup, to deliver ridership trends, feedback and analysis that will, in turn, drive the Ridership Recovery campaign and associated efforts.

44. **Item #29 - Ridership Recovery Marketing RPTA $70,000 /VMR $50,000:** VM recommends using market research and ridership analyses provided by WestGroup, to create targeted advertising that (re)emphasizes the benefits of using transit and highlights the access it can provide to leisure and entertainment. Please see my comments above on redundancy and strategic efforts. (Goodyear)

    Addressed in the response above.

    Follow-up Question: I'm still seeing redundancy here with the other efforts. If we are promoting the benefits of public transit as it relates to Prop 400 and have an existing return to ridership strategy, how are these funds different? This also appears to be one year ahead of its time. Additionally, the Board should understand the Big Picture of the marketing program before we start adding contracts to the division. Is this something we can add to the Inflationary Contingency for use should it become clearer?

    Addressed above.

45. **Item #30 - Classification & Compensation Study:** Can you please expand on the strategy for future studies; ie. is the intent to be consistent in revisiting this task? Furthermore, is there any opportunity to complete this work using in-house resources? (Tempe)

    It is best practice to conduct a Classification & Compensation update every 5-7 years and more limited Market Studies every 3-4 years. Valley Metro does not have the capacity to conduct a classification & compensation study in-house. With a 20% turn-over rate and increased recruiting demands, the small team is struggling to keep up with day-to-day requirements. In addition, firms that maintain databases of compensation data and classification job families are much more efficient in updating classification systems.

46. **Item #34 – Streetcar Operations:** Change detail sheet #34 indicates that the $1.9M increase to operations and $0.4m increase to security is due to the costs being annualized from a partial year of operations in FY22 to a full year in FY23. However, the FY22 budget book indicates that the FY22 budget was developed to anticipate an October, 2021 opening for streetcar – 9 months of operations in FY22, with $3.7m attributed to streetcar operations costs and $0.6m attributed to security. With that in mind, we'd expect to see around a 33% increase as the costs are annualized from a 9-month operating period to a 12-month operating period. However, the costs listed on change detail sheet #34 represent a 51% increase in operations costs and 66%

increase in security costs. This doesn't make sense to us from the standpoint of annualizing the planned, 9-month partial year in FY22 to a full year in FY23. (Tempe)

Item #34 is intended to explain the majority of the budget increase from FY22 to FY23. The increase is not only due to operating an additional 3 months in FY23, but also inflationary market conditions that we can't control related to insurance premium escalation & unknown escalation for renewal in Dec 2022, contingency for potential Allied Universal labor market adjustment, increased cost of parts due to market conditions, and anticipated increase in legal defense costs based on recent trends. The other complicating factor is that the FY22 budget was based on 10 min headways while FY23 is based on 12 min with reduced span of service. Since the service level assumptions are different from year to year, it's best that we sit down with Tempe staff to review the FY23 budget based on 12 min frequency and reduced span of service.

47. **Item #35 - Insurance Cost Contingency:** Regarding potential insurance cost increases – what are we doing to continue to learn about our risk trends and how are we minimizing risk? (Tempe)

Valley Metro has:

1) An FTA compliant and Board approved Agency Safety Plan which tracks and continuously monitors and addresses all safety matters, not just insurance claims. As stated above, we have reduced safety related incidents at least 5%;

2) Valley Metro tracks and reports all claims and comprehensively and confidentially reports and evaluates all lawsuits and significant claims to the Board on a quarterly basis. There are no identifiable trends in claims except for the fact that claims tend to increase along with increases in stock, system growth and service expansion, which is to be expected. Each claim/incident is reviewed and evaluated for improvements that can be made to reduce similar future incidents, if possible;

3) Every year, Valley Metro's broker fulfills their fiduciary duty by presenting claims information to insurance providers to secure insurance and has not reported unusual concerns regarding claims trends from the industry;

Loss claims are not the sole, or even major, driver of premium cost increases, but Valley Metro is constantly monitoring and acting to minimize and reduce claims.

48. **Item #37 - Grounds Maintenance Coordinator:** Please provide additional context regarding any data or metrics used to determine the need for additional support in this area. (Tempe)

The oversight of the Grounds Maintenance contract has always been handled by the Facilities Manager and the Facilities Technicians. As the system grows, we have determined that this $2.8 million contract needs a dedicated position to provide oversight. Because existing staff do not have the time needed to provide consistent oversight of this contract, deficiencies are noted and reported inconsistently or based on customer complaints. As a result, the best measure of this contract's need for oversight is the lack of consistent metrics on the contract's performance.

Therefore, it's important to establish this oversight before the deficiencies create a negative experience for the community.

49. <u>Item #40 - Two Line System Wayfinding Designs:</u> Please provide insight as to how the board has been, or will be, engaged with regards to the two line system wayfinding designs to allow for this strategy to be shaped by regional input. (Tempe)

In 2017, following a nationwide assessment of system naming and signage strategies, the Valley Metro Rail Board received a presentation on the recommended rail system identity using a primary letter/secondary color as the industry best practice and local best fit for our future system. Continued feedback will be sought from the Board and the community on how, why, where this concept takes shape—on the stations, trains, in maps, etc. For the local community, in particular those groups closest to the Downtown Transfer Hub, where the wayfinding will be its most impactful, we will need their input and participation in workshops and on-site walk-throughs for how the rail identity effectively transfers riders between the two, future lines—our A and B lines.

50. <u>Item #41 - Respect the Ride:</u> Please provide additional context as to how the requested additional funding compares to any existing or past funding allocated towards this campaign. (Tempe)

In FY20 and FY21, our marketing focus and use of Respect the Ride/Right & Rong shifted to communicating and being responsive to the COVID-19 environment, including signage, health messages, etc. and pushing out tools, such as the VM real-time app, which was expedited as a result of the pandemic and rider feedback. In the past two fiscal years, we spent a total of $13,000 specific to Right & Rong and this campaign. However, as you might recall, during the start-up years of this effort (FY18 and FY19), we spent close to $250,000 on launch of the overarching campaign. The amount being recommended by this item is to reinvigorate the safety and security mindset on light rail as we emerge from the pandemic. We feel the amount is appropriate with setting the tone necessary to help attract and maintain riders and sense of "right & rong" at this critical juncture.

51. <u>Item #41 - VMR - Respect the Ride $50,000</u>: This will update the Respect the Ride educational campaign featuring Right and Rong for current behavioral and safety issues to educate our riders and encourage positive behaviors. Please see my comments above on redundancy and strategic efforts. (Goodyear)

As was noted, each campaign has a particular focus and target audience. Respect the Ride is focused on educating rail riders on the acceptable and positive behaviors on board the light rail system. We feel this campaign is critical as we emerge from the pandemic and begin to see returns in ridership. As riders return, setting an effective and strong safety culture is important to seeing that ridership maintain and grow. If applicable and as resources allow, we're open to exploring key Respect the Ride principles for our bus system and riders.

52. <u>Item #42 - Non-Revenue Fleet:</u> As non-revenue vehicles are replaced, are electric vehicles being taken into consideration? This is an item that has been brought up before during AFS. (Tempe)

In FY 2023, Valley Metro is seeking federal funds to conduct a bus electrification proof of concept, purchasing buses and installing charging infrastructure. The local match for this proof of concept is sought in the FY 2023 capital budget. At this time in time, however, we do not have the infrastructure in place for the charging of an electrical vehicle fleet at most locations. As a result, Valley Metro considered hybrid vehicles rather than plug-in electric vehicles for its non-revenue fleet. The vehicles requested in FY 2023, are trucks, vans, and SUV. When assessing the hybrid vehicles vs. non-hybrid costs for these vehicle types, we didn't find enough cost-benefit over the life of the vehicle based on pricing and other factors. Comparable hybrid vehicles to those being requested cost 53% more, or $18,000 more per vehicle, yet the increased average MPG is only 2.5 miles better or 11%. If Tempe would like VM to purchase hybrids for Streetcar use, we could pursue that option.

Inflation, Ridership, and Continuing Commitment Questions

1. On slide 2 [of the May AFS presentation], can you please augment this information with some additional context in terms of growth - recognizing that these figures represent increases to these projects/initiatives, can you include some information to show % increase/growth when compared to the existing budget.

   Prior year budget amounts were provided in the original FY 2023 Budget Summary document, in the March Financial Working Group presentation, and in the March Study Session Presentation. For each agency, they are:

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

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

RPTA's total inflation and continuing commitments of $23.5 million dollars represents a 14% increase over FY 2022. VMR's total inflation and continuing commitments of $8.2 million dollars represents a 10% increase over FY 2022.

2. On slides 4, 6, 7, 8, 10, 12 & 14 [of the May AFS presentation], can you please include FY2019 to provide the pre-pandemic perspective.

   We can provide FY 2019 amounts, however, there isn't time to do so before AFS. Therefore, we'll send them separately as soon as possible. Update: they have been included in the May RTAG presentation.

3. Can you please identify which costs are associated with inflation vs. continuing commitments. While we recognize the intent to categorize these within the "new and continuing commitments" group, can you please confirm if any of these initiatives are new (ie. funded for the first time) during FY23?

   The presentation differentiates issues driven by inflation or ridership versus continuing commitments. In the tables on slides 3, 9, and 13 the names of the issue are color coded – blue indicates a continuing commitment and green indicates inflation or ridership. The Issue Detail Sheet (attached) provided to RTAG, TMC/RMC, and Board members also include this distinction in the upper right corner of each detail description.

   For issues highlighted in the presentation, the prior year funding table for each slide shows whether an issue is new or on-going by the presence or absence of a prior year amount. Of the issues in the presentation, only Fare Collection System Implementation (#12) is new. For the issues not detailed in the presentation, three are new:

   a. *ERP and EAM Support (#14) – The Board approved the implementation of the ERP and EAM systems on June 11, 2020. With the completion of implementation in FY 2023, technical support agreements are needed.*

   b. *Paratransit & RideChoice Reservations and Scheduling – In September 2020, the Board approved Valley Metro combining these functions. In August of 2021, the Board approved Valley Metro hosting the combined functions at the Mobility Center. In March 2022, the Board approved extending the paratransit contract* *and re-soliciting RideChoice to allow for the implementation of the combined Reservations and Scheduling Center on December 1, 2024. As a result, start-up equipment must be purchases late in FY 2023 for instalation in the first quarter of FY 2024.*

c. New LRV Communications System (#31) – new software is needed for the current three rail platforms to communicate.

4. Can you please expand upon on the expected outcomes of the budgetary increases identified within the packet?

   The purpose for each of the issues is provided in the attached Issue Detail document. Please don't hesitate to share specific questions not covered in these descriptions.

6. What are the expected outcomes if these items do not receive the outlined funding increases into FY23?
   - *City of Phoenix Regional Services (#2) – Valley Metro would violate it's IGA with City of Phoenix.*
   - *Paratransit & RideChoice Inflation and Ridership (#1) – Valley Metro would be unable to provide paratransit services beyond that funded in FY 2022, violating federal law and causing the loss of federal funds for the region.*
   - *Bus Fuel Costs (#3) – East and West Valley bus service would need to be reduced to the level supported by FY 2022 fuel funding.*
   - *Bus Service & Rate Increase (#5) – Valley Metro would default on its contracts for bus service causing the East and West Valley's to lose all service.*
   - *Paratransit & Reservations Scheduling (#6) – this Board approved initiative would be canceled. The functions would remain separate resulting in a loss of future efficiencies and savings.*
   - *Autonomous Vehicle Pilot (#4) – the Board approved pilot would be canceled.*
   - *New Fare Collection System (#12) – The new fare collection system would be canceled putting Valley Metro in default on its contract with VIX, combined with not fulfilling our commitment to the region, our Boards, and our customers.*
   - *LRV and Facility Cleaning Costs (#10) – Up to 67% of cleaning shifts would remain vacant resulting in dirty trains and platforms as the public considers Prop 400 extension.*
   - *ERP and EAM Support (#14) – without technical support for the Oracle ERP and Trapeze EAM systems, the systems will be used ineffectively and the $7.1 million used for their implementation will be wasted.*
   - *Software Inflation and Ridership (#16) – Valley Metro will need to eliminate the use of some software products hurting productivity, increasing cyber-security vulnerabilities, and impacting customer service.*
   - *Rent Changes (#15) – Valley Metro will be in breach of its leases.*

- *Origin and Destination Study (#13) -- The impact of not funding the initiative would be noncompliance with FTA requirements for the grants received, lack of data on post-COVID travel patterns and demographics, and inability of MAG to update their regional transportation model.*
- *Rail Project Planning (#32) – Valley metro would default on its agreements with the involved cities ceasing planning on all system expansions.*
- *Street Car Operations (#34) – Operation of the Tempe street car would be canceled.*
- *New LRV Communication Systems (#31) – three different systems would have to be maintained for passenger count data, vehicle maintenance data, and vehicle performance data. Staff would need to be added to merge this information of daily use.*
- *OMC Expansion Facility Cleaning (#33) – Valley Metro would have insufficient staff to clean the expanded OMC.*

General Budget Questions

1. For FY22, was there a COLA in addition to merit? Or was it only in FY21, or both? (Peoria)

Historically, Valley Metro has not requested any type of COLA, just the standard 3% merit increase. In FY21, we included a 3% merit increase, however the Board approved a 1.5% merit increase.

2. Can you elaborate on any examples of measures the agency is pursuing to operate any more efficiently/streamlining operations in the wake of the requested cost increases? (Tempe)

Valley Metro's first step in developing the FY 2023 budget was to search its operations for reductions and efficiencies. This resulted in $3.2M in reductions. Examples include:

- *Travel – 41% reduction*
- *Non-Revenue Vehicle Replacement – 79% reduction*
- *Facility Building Maintenance – 45% reduction, mostly TBOM*
- *Transit Books – 60% reduction*
- *Computer Replacements – 33% reduction*
- *Furniture & Fixtures – 100% reduction*
- *Office Expense – 18% reduction*

3. Tempe remains concerned that the budget increases – 16% for RPTA (March Study Session slide #23) and 24% for VMR (March Study Session slide #25) – outpace the growth of Tempe's local transit tax revenue. The memo describes that COVID relief funds remain available to offset VMR expenditures; however, is it anticipated that member agency contributions would be required to offset the increased operating amounts for VMR outlined in the document beyond FY23? (Tempe)

Based on the previous direction received from member cities, we are drawing COVID relief funds down as fast as possible, reducing member city contributions. For VMR, all remaining COVID relief funding have been programmed in FY23. Unless we receive a different direction on programming from VMR cities, member city contributions will return to pre-pandemic levels, increased by any shortfalls in fare revenues, increased inflationary factors, and costs for additional service that has been requested (ex/ Streetcar for Tempe).

4. With regard to the FY23 budget what are the number of new positions being requested vs. existing vacant positions that remain needing to be filled for FY23? (Gilbert)

There are 74 current vacancies — a higher rate than normal for VM due to the current labor market pressures. All of these positions are actively being recruited for.
In FY 2023, we're requesting 11 new positions (a 2% increase). 9 of those positions are in or supporting operations. Of those positions, about (I'm doing this from memory but can confirm the numbers tomorrow) 75% of the costs are VMR Of the 25% that are RPTA, about half (1/8 of total) is funded by regional PTF and half (1/8 of the total) is city funded.
Two of the new positions requested are support positions (an additional auditor and conversion of an IT contractor to an FTE which saves $26,000/ year). These two are funded by 50% VMR and 50% RPTA. The RPTA portion is entirely funded by regional PTF and don't impact city costs.

5. Over the past year, Valley Metro service metrics have declined (i.e. - on-time performance and missed trips). How will the new positions and other proposed increases help move the needle on these key metrics? (Peoria)

The root cause of FY 2022's decrease in on-time performance and increase in missed trips is the inability of transit service contractors to maintain the staffing needed to provide the required level of service. These staffing shortages are the result in rapid, recent shifts in the labor market that have made the wages in Valley Metro's contracts uncompetitive. The Operations Contingency (#17) seeks to address this issue by giving the Board the financial flexibility to adjust contractor wages. In the April Board meeting, Valley Metro shared the following information on this request:

> *Operations Contingency (#17)*
> *Goal: Give the Boards flexibility to address contract labor rates to maintain service quality.*
> *<u>Components</u>*
> - *East Valley Bus Service*
> - *West Valley Bus Service*
> - *ACI LRV Operators*
> - *Allied Universal Security*
>
> *Governance: Contract & Expenditure changes require prior Board Approval*
>
> *<u>What do we know</u>*
> 1. *This is a nationwide issue (APTA survey of 117 agencies)*
>   - *92% of transit agencies report staffing problems*
>   - *Agencies report operators are the hardest to fill*
>   - *49% have reduced service due to staffing shortages*

- *52% have increased starting wages to fill positions*

2. *The dramatic tightening in the labor market began to manifest itself as the Omicron wave ebbed in November/December – contract changes are just starting to happen nationwide.*
3. *Valley Metro's Operator wages are average for <u>current</u> contracts*

Property	Max Wage	Next Increase Date	Contract/CBA End Date	Total Future Increases	% Increase Over Prior Year	BLS Cost of Living Index	Cost of Living Adjusted Wage
Atlanta, GS	$ 25.08	1/1/2023	1/1/2023	$ 0.27	2.0%	100.3	$ 25.00
Dallas, TX	$ 28.17	10/1/2022	10/1/2022	none	4.0%	98.5	$ 28.60
Denver, CO	$ 30.24	1/1/2023	1/1/2025	$ 2.48	16.6%	112.1	$ 26.98
Phoenix, AZ	$ 28.19	7/1/2022	7/1/2025	$ 2.62	2.7%	104.3	$ 27.03
Valley Metro, AZ	**$ 27.26**	**7/1/2022**	**6/30/2026**	**$ 4.68**	**4.0%**	**104.3**	**$ 26.14**
Portland, OR	$ 33.65	12/1/2022	12/1/2022	$ 2.30	2.2%	116.5	$ 28.88
San Diego, CA	$ 30.04	7/1/2022	1/1/2025	$ 3.75	3.5%	136.2	$ 22.06
Seatle, WA	$ 37.22	5/1/2022	11/1/2022	$ 0.74	2.0%	124.6	$ 29.87
Salt Lake City, UT	$ 25.19	6/26/2022	12/21/2022	$ 0.50	3.0%	105.9	$ 23.79
Average							$ 26.48

3. *Advertised starting wages for local CDL operators surpass Valley Metro's maximum wage*

Local CDL Postings	Advertised Starting Wage	Incentive
Hensley Beverage	$ 23.00	
Sparkletts Water	$ 28.00	
SPEC	$ 28.00	
Diamondback Materials	$ 30.00	
West Coast Sand & Gravel	$ 30.29	
Penske	$ 35.00	$10,000 Sign-on Bonus
Jacksons Food Stores	$ 36.06	Sign-on Bonus up to $15,000

<u>What we don't know</u>

1. *The changes our peers will make – we're in communication but they're also in progress*
2. *What changes will be needed to maintain service levels*

<u>Recommendation</u>

Include contingency funding in the FY 2023 budget to give the Boards flexibility to address labor rates when appropriate adjustments can be determined.

.

6. Which of these items contribute to an increase in cost of services provided paid by cities or PTF? (Peoria)

The following issues will have an impact on Peoria's local or PTF costs:

Issue Title	#	RPTA Total
City of Phoenix Regional Service	2	$9,646,200
Paratransit & RideChoice Inflation and Ridership	1	$3,525,200
Bus Fuel Costs	3	$3,453,900
Bus Service & Contract Rate	5	$2,887,200
Operations Contingency	17	$3,585,800
VM Staff Labor Market Adjustment	18	$886,900
EAM System Administrator	20	$20,800

Admin Support for Deputy Directors	19	$6,400

Peoria funds approximately 2% of the RPTA Transit Services budget and about 1% of the total RPTA Operating Budget through their local contributions. These proportions can provide reasonable estimates of Peoria's share of the issues above-(e.g., Bus Fuel Costs can be expected to increase Peoria's cost by $69,078 as compared to $64 for the Admin Support for Deputy Directors). This approach shouldn't be used to estimate Paratransit and RideChoice costs, City of Phoenix Regional Costs, or Bus Service and Contract Rate as these have specific drivers (e.g., PT trips, bus revenue mile changes, and bus rate changes).

7. Which affect the overhead rate charged for service by Valley Metro? (Peoria)

The following issues will impact Valley Metro's indirect costs which are, in part, allocated to services consumed by Peoria:

Issue Title	#	RPTA Total
Software Inflation & Ridership	11	$179,000
Rent Changes	15	$109,900
VM Staff Labor Market Adjustments	18	$886,900

Here too, a 1% allocation of total costs to Peoria is a reasonable estimate.

The Valley Metro Labor Market Adjustments are listed in both categories because pay increases to transit service staff impact the cost of transit serviced paid for by Peoria. Increases in the pay of staff supporting transit services (e.g. HR and IT) are, in part, allocated as indirect costs to services paid for by Peoria. The likely total impact to cost paid by Peoria is $8,869 for both categories combined.

8. How do you track employee costs and overhead and reconcile with the amount of PTF used to pay salaries and benefits? (Peoria)

All financial data is captured through our financial system in accordance with Generally Accepted Accounting Principals (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and is reviewed for conformance by an external auditing firm on an annual basis. All employee costs are captured through bi-weekly timesheets that identify the hours and costs charged to specific projects (EV Service, WV service, Marketing, etc.) for each employee, which flows into our financial system. Indirect Costs (overhead) are captured and allocated to projects each month based on direct labor charges by project (relative share vs. total labor costs). Our indirect Cost Allocation Plans (CAP) are submitted to and approved by the City of Phoenix each year, and conform to the computation and allocation methodologies, meeting the requirements of 2 CFR Part 200 Appendix V. Through the annual budgeting process, revenues are assigned to each project based on availability and the level of service requested by our members and approved by the Boards. The Prop400 guidelines and VM Board policies determine how Public Transportation Fund (PTF) is allocated to each agency and project. Annual use of PTF funds are reconciled through a combination of those policies, our financial system, and the Transit Life

Cycle Program (20-year financial model documenting actual use, future use, and fund balance of Prop400 PTF monies).

9. For items approved and not expended, do these remaining funds then contribute to "budget authority" which results in the ability to fit unforeseen costs next year into the budget? Or, are these identified as savings and not expended on other items? (For example, items that were not planned but were able to be fit into the budget such as the recent increases for the ERP system and a number of other items over the last few years.) (Peoria)

There are three constraints on Valley Metro's ability to spend money. All three must be satisfied for spending to be possible:
Budget Authority – When the Board approves Valley Metro's annual budget it established a maximum level of spending authority for each agency. As this authority is established in total, cost reductions in one area can be used to address cost increases in another provided the other two constraints noted below are met. For example, in FY 2022, VMR insurance costs jumped $1 million (48%). Valley Metro didn't have to seek additional funds from cities, however, because this increase was offset by savings associated with maintaining 15-minute rail headways rather than returning to 12-minute headways.
Cash – Transit services make up 89% of the RPTA operating budget and 70% of the VMR operating budget. Cities pay for the actual cost of the transit services they utilize through their IGAs. As a result, a reduction in transit costs can't be used to fund a support service because, while there would be excess budget authority there wouldn't be any cash to spend (as the cities only pay actual transit costs). Therefore, transit savings in one area can be used to address transit costs in another area (as illustrated in the insurance example above) and support savings can be used to address other support costs but transit and support costs can't offset each other.
Contract Authority – The vast majority of Valley Metro spending occurs through contracts approved by the Boards. This approval includes a cap on the level of spending allowed for that contact. As a result, unanticipated issues almost always require Board approval to adjust the contact authority for the impacted contracts (as occurred in FY 2022 to address the increase in insurance costs).

Because all three of these conditions must be met, Valley Metro's ability to use savings in one are to address cost increases in another is fairly limited and generally requires Board approval for any significant amount.

10. Per the Staffing Overview on Pg. 9, 11 new positions are added for FY23. Aside from the 11 new positions named in this section, has consideration been given to reviewing the structure and assignment of any positions that may be vacant within the existing 451 FTE's? If so, is that level of detail visible within the budget document? (Tempe)

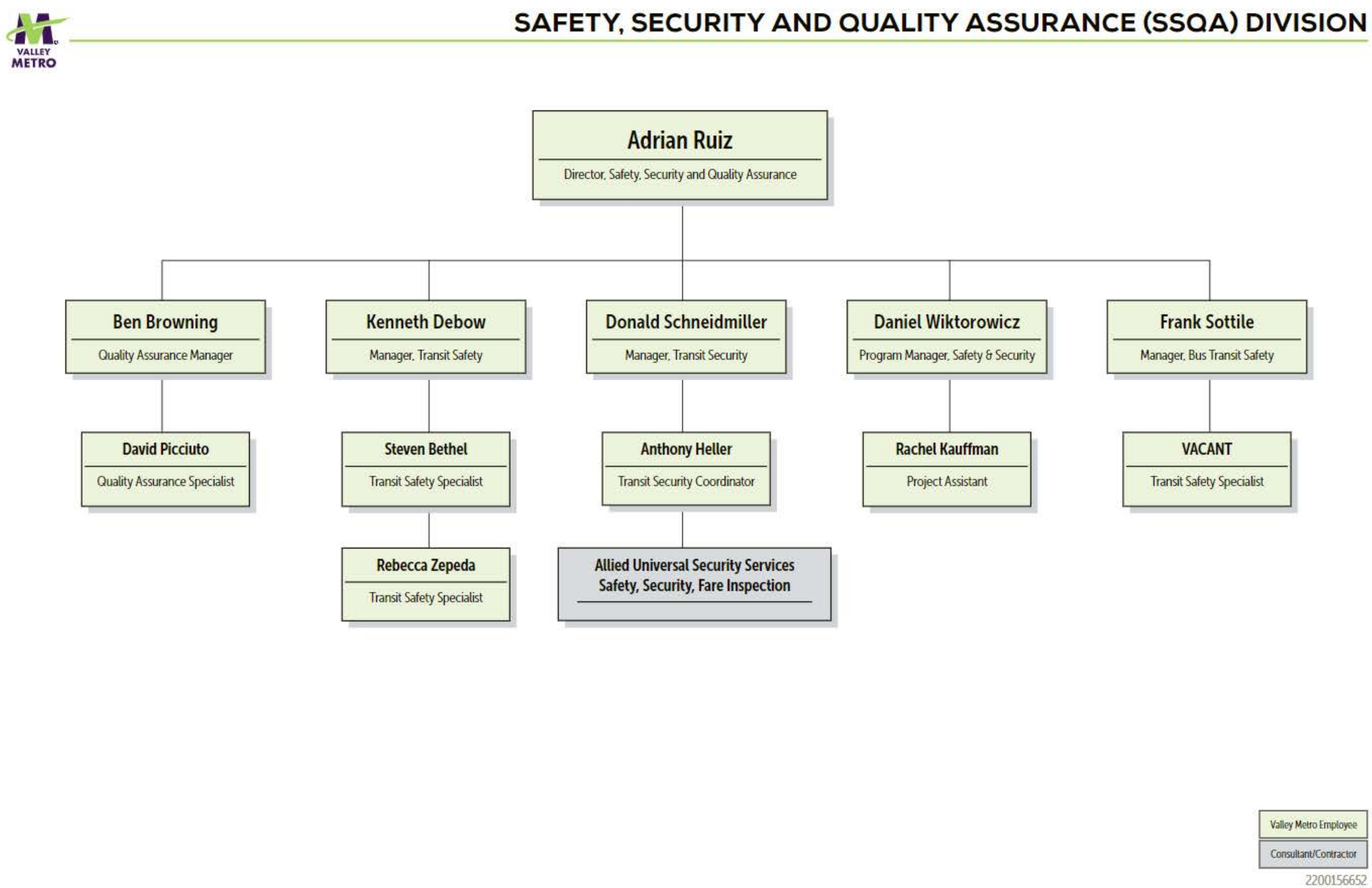
Yes, Valley Metro reviewed all of its vacant positions prior to finalizing its budget request to determine whether any could be repurposed to meet the needs requested the in the FY 2023 budget request. There were 74 positions vacant at that time. That review found that all of the then vacant positions were needed and actively being recruited for. Specifically, 52 (70%) were operations positions required to provide transit services and maintenance. Eight were capital development or community relations specialists necessary for completion of the current development projects. The remaining 14 were critical support positions (e.g. Chief

Financial Officer, Contracts Administrator, Recruiting Manager, Recruiter, Information Security Lead Engineer, Marketing Manager) needed for the agency to function effectively, serving riders and cities. Since that review did not relate directly to the FY 2023 request, it was not included in the 167 pages of budget documentation provided to date.

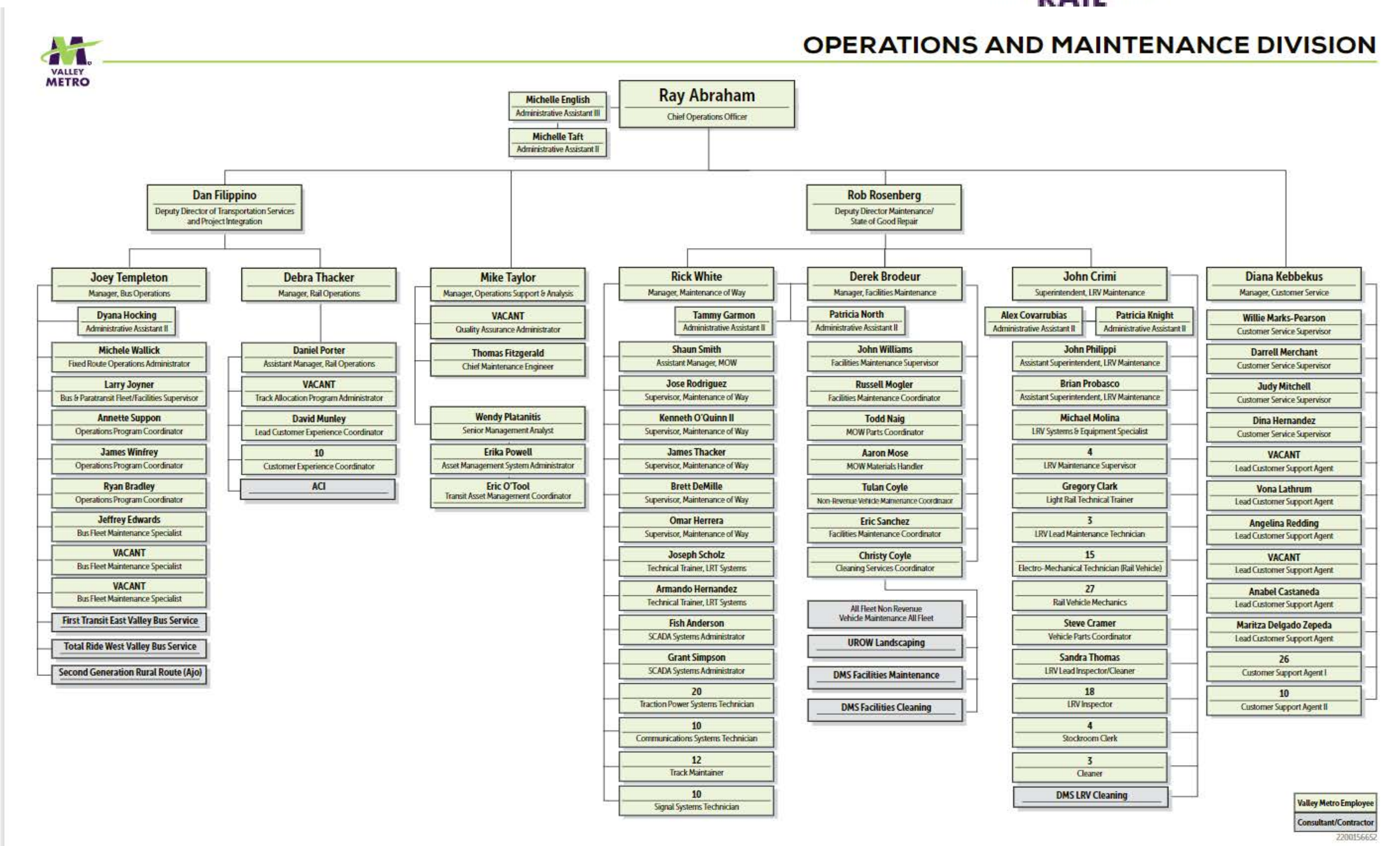
11. For the requested positions for FY23, could we see an organization chart overview highlighting where these positions fit in the organization? (Peoria)

Org Charts Attached

Attachments



The new Bus Security Coordinator (#7) will report to Don Schneidmiller as a peer of Anthony Heller (the Rail Security Coordinator)

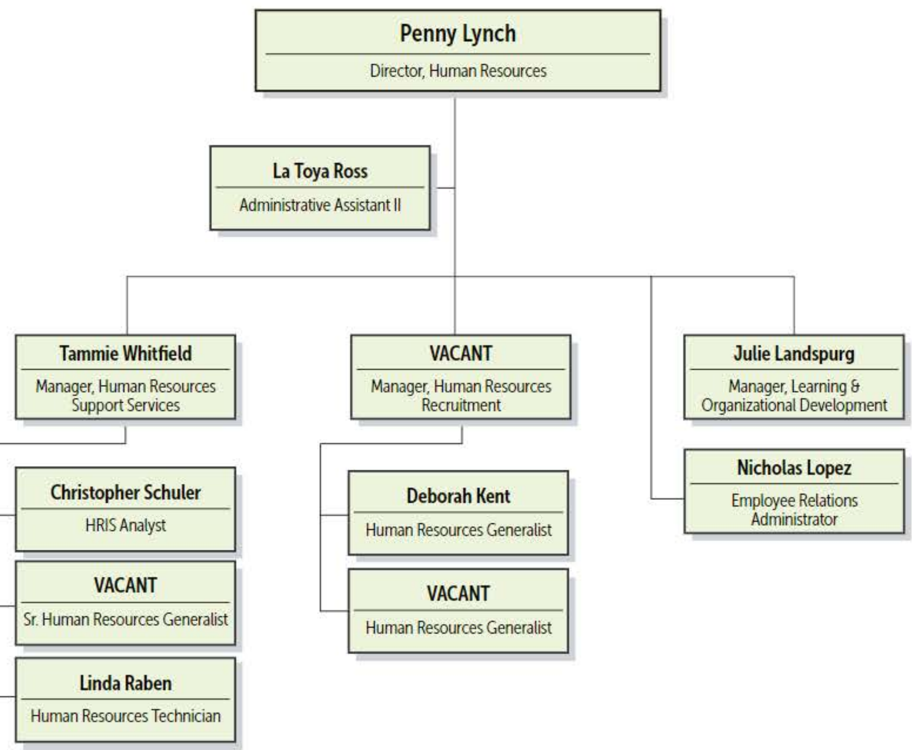


The Administrative Support for Deputy Directors (#19) adds on Administrative Assistant under Dan Filipino and a second under Rob Rosenberg.
The EAM System Administrator (#20) will report to Erica Powell.
The Maintenance of Way Planner and Supervisor (#36) will both report to Rick White.
The Grounds Maintenance Coordinator (#37) will report to Derek Brodeur.
The Facilities Maintenance Tech (#38) will report to John Williams.

VALLEY METRO RAIL

VALLEY METRO

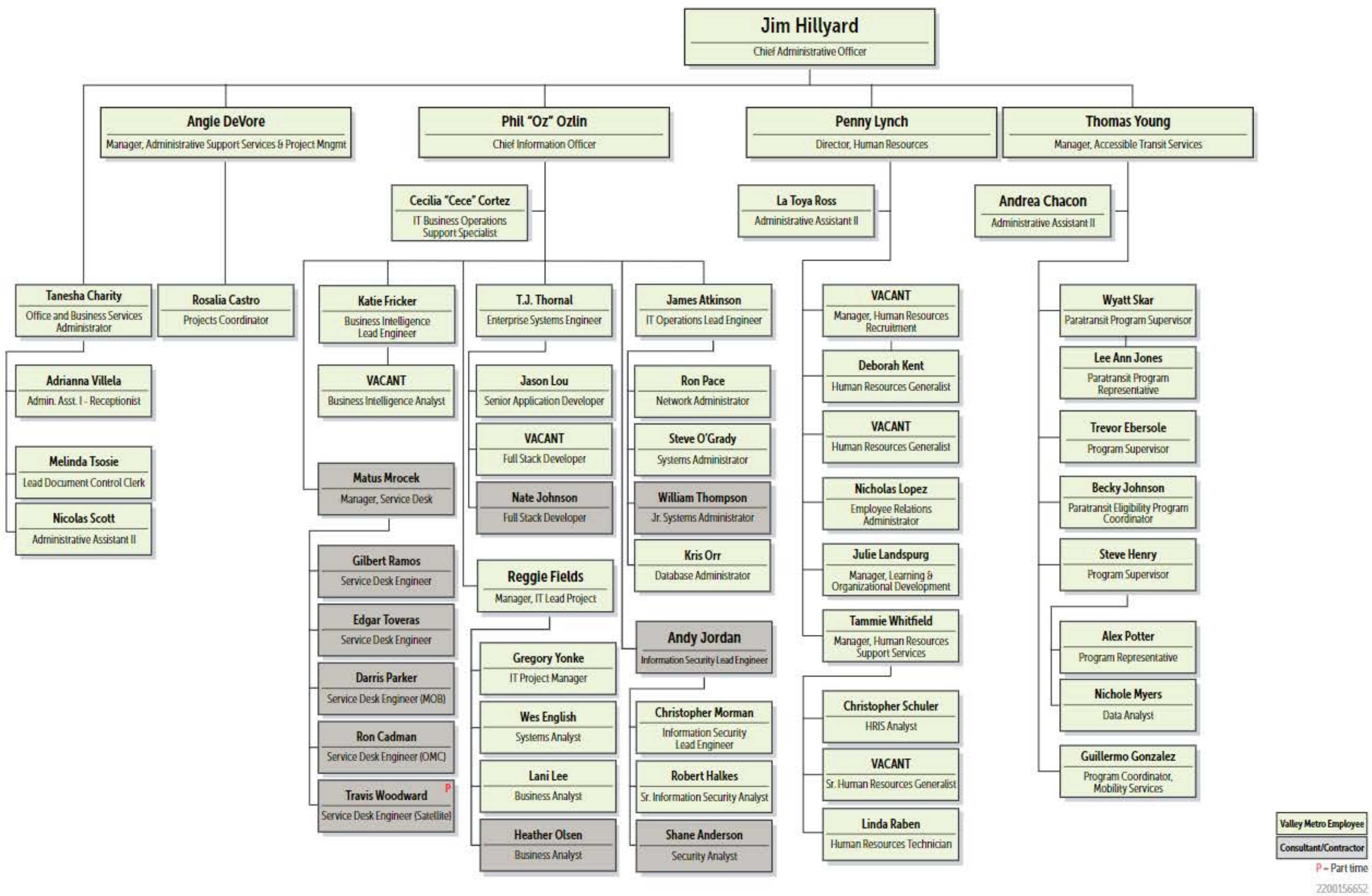
HUMAN RESOURCES DIVISION



Valley Metro Employee
Consultant/Contractor
P - Part time
2200167451

The Operations Employee Relations Specialist (#24) will report to Penny Lynch as a peer of Nicholas Lopez the single current ER Specialist.

AGENCY BUSINESS, TECHNOLOGY AND SERVICES DIVISION



The Junior Systems Engineer (#25) is William Thompson, reporting to James Atkinson on the chart above.

Questions Asked
FY23 RPTA Preliminary Budget

Valley Metro FY 2023 Preliminary Budget Questions (June 2022)

Recommendation Questions

1. **<u>Item #1 – Paratransit Increases ($3,525,200</u>): Are any other budget items expected to impact these costs, such as an increase in Valley Metro overhead costs? (Peoria)**

   The increases reflected in this issue relate to contractor and fuel costs. As described in your previous question regarding overhead costs, three issue [VM Staff Labor Market Adjustments (#18), Software Inflation & Ridership (#11), and Rent Changes (#15)] will impact indirect costs attributed to Peoria. In total, these issues will likely increase Peoria's IGA for all services (bus and paratransit) by approximately $11,800.

2. **<u>Item #5 – Bus Service Increases ($2,887,200):</u> Are the rates submitted in the recent IGA's final and do they include what is outlined in this increase? (Peoria)**

   The rates submitted in the recent IGA were the worst-case-scenario as discussions with the contractor were ongoing due to Avondale, Goodyear, and Tolleson requesting a significant decrease in ZOOM miles which required a renegotiation of rates. The IGA has since been updated with final rates, resulting in a lower cost than the first IGA, and shared with Peoria staff. Item 5 does not include the impact of any contractor wage adjustments the Board may make associated with the Operations Contingency (#17) as this issue is being handled separately.

3. **<u>Item #7 - Bus Security Coordinator ($97,400):</u>** Understand the need. Our question – we just want to verify that there isn't currently anyone on Adrian's staff that can absorb this role, such as the current Transit Security Coordinator? And just for our information, what are the duties of the TSC? (Glendale)

   We've reviewed existing workloads and determined that there is no one able to cover this current full-time need. (Org Chart Attached)

   The current rail Transit Security Coordinator is entirely focused on managing the Allied Universal Contract, serving as liaison to the three rail cities police departments, and supporting the prosecution of serious incidents. This workload will clearly increase with the operation of the Streetcar.

   The Bus Security Coordinator will initially be focused on serving as the point of contact for the bus contractors regarding police incidents and for local law enforcement responding to incident. By doing so, the Bus Security Coordinator will build a network of local police contacts and help them *develop an understanding the bus system security environment. This, in turn, will allow the Bus Security Coordinator to gain visibility into the incidents we do "not know about" (assaults at bus stops etc.. where the contractor would never be advised or aware is occurring) to support local law enforcement on these incidents.*

4. **Item #7 - Bus Security Coordinator ($97,400):** How is this responsibility being handled currently? Would these additional resources improve customer service and timeliness related to security incidents? Per the Safety Security and Quality Assurance Org Chart, a vacant "transit safety specialist" position exists below the bus transit safety manager – for how long has that position been vacant and are both positions necessary (the vacant position and the requested bus security coordinator). (Tempe)

The Bus Security Coordinator will initially be focused on serving as the point of contact for the bus contractors regarding police incidents and for local law enforcement responding to incident. By doing so, the Bus Security Coordinator will build a network of local police contacts and help them develop an understanding the bus system security environment. This, in turn, will allow the Bus Security Coordinator to gain visibility into the incidents we do "not know about" (assaults at bus stops etc.. where the contractor would never be advised or aware is occurring) to support local law enforcement on these incidents. Together this improved coordination with local law enforcement will result in better coordinated and more consistent responses to incidents on and around the bus system.

The Security Manager will manage both the bus and rail Security Coordinators. The Rail Security Coordinator is fully occupied overseeing the Fare Inspection & Security contract and providing coordination with local law enforcement on rail incidents.

The Bus Safety Coordinator handles safety not security – i.e. ensuring Valley Metro's bus operations protect riders and staff accidental harm (e.g. vehicle brakes are maintained, OSHA standards are complied with, etc). This position is fully utilized and requires a different expertise than the Security Coordinator (e.g. safety standard versus law enforcement). The Bus Safety Coordinator position was only been vacant for a matter of weeks -- a new hire started on 4/18/22. (Org Chart Attached)

5. **Item #7 - Bus Security Coordinator ($97,400):** proposing one person as a dedicated point of contact for security issues and incidents on the bus system. According to the Org. Chart, a bus coordinator already exists, please explain how this new position will complement the existing structure. (Goodyear)

The Bus Security Coordinator will initially be focused on serving as the point of contact for the bus contractors regarding police incidents and for local law enforcement responding to incidents. By doing so, the Bus Security Coordinator will build a network of local police contacts and help them develop an understanding the bus system security environment. This, in turn, will allow the Bus Security Coordinator to gain visibility into the incidents we do "not know about" (assaults at bus stops etc.. where the contractor would never be advised or aware is occurring) to support local law enforcement on these incidents. Together, this improved coordination with local law enforcement will result in better coordinated and more consistent responses to incidents on and around the bus system.

A Bus Safety Coordinator position exists. This position focuses on ensuring Valley Metro's bus operations protect riders and staff accidental harm (e.g. vehicle brakes are maintained, OSHA standards are complied with, etc). This position is fully utilized and requires a different expertise than the Security Coordinator (e.g. safety standards versus law enforcement experience). (Org Chart Attached)

6. **Item #7 – Bus Security Coordinator ($97,400): How does this position fit into the existing staffing in this area? (Peoria)**

   The Bus Security Coordinator will initially be focused on serving as the point of contact for the bus contractors regarding police incidents and for local law enforcement responding to incident. By doing so, the Bus Security Coordinator will build a network of local police contacts and help them develop an understanding the bus system security environment. This, in turn, will allow the Bus Security Coordinator to gain visibility into the incidents we do "not know about" (assaults at bus stops etc.. where the contractor would never be advised or aware is occurring) to support local law enforcement on these incidents.

   We do have an existing Rail Security Coordinator, however their efforts are entirely focused on managing the Allied Universal Contract, serving as liaison to the three rail cities police departments, and supporting the prosecution of serious incidents. This workload will clearly increase with the operation of the Streetcar.

7. **Item #8 - Super Bowl Special Event Support ($150,000):** What is the anticipated return on investment? For context, how much funding was budgeted for super bowl special event support during the last local super bowl event? (Tempe)

   During the last Super Bowl in 2015, Valley Metro was integral to allowing fans to reach downtown events, with 389,500 boardings over five days (a 79% increase over typical ridership). To serve this surge, Valley Metro Valley Metro spent $230,000 in wayfinding, signage, advertising, a volunteer program, and event infrastructure (like queue lines and additional pass sales locations). Fortunately, these enhanced efforts were offset by a $1.2 million increase in advertising revenue and a $184,000 increase fare revenue during the period.

8. **Item #8 - Super Bowl Special Event Support ($150,000):** When combined with the existing approved "return to ridership" campaigns and the additional "marketing" requests, this totals over $500K in new initiatives. It would seem that some economy of scales and combination of Super Bowl and return to ridership efforts, when combined, could be performed at a reduced cost. (Goodyear)

   The rationale behind looking at the campaigns distinctly vs. together is to give transparency to the various messages and audiences Valley Metro actively seeks to message across FY 2023. Each campaign has a unique purpose, set of goals as well as audiences. Super Bowl, as an example, is targeted at visitors traveling in for this event as well as local residents who will take advantage of the event opportunities in downtown Phoenix and Glendale. The Super Bowl campaign budget also includes actual infrastructure costs, such as station signage and crowd queuing strategies.

a. What revenues were realized from the last Super Bowl and will we see an off-set in expenditures? Will the Board be informed of the plan before execution? Once the monies are approved, staff has the ability to "move" sources. (Goodyear)

Valley Metro Rail generated $1.2 million more in advertising revenue in 2015 than it did in the prior year. In FY23, we can expect an uptick in advertising revenue, in the $1 million range, as the program rebounds from the pandemic. Fare revenues also increased $184,000 during the period. As a result, the region can expect to achieve well more than cover the costs associated with this wayfinding and promotional campaign targeted at riders visiting our community and those impacted by Super Bowl service.

For the Super Bowl in 2015, Valley Metro spent $230,000 in wayfinding, signage, advertising, volunteer program and event infrastructure (like queue lines and additional pass sales locations). The amount being recommended in FY 2023 is $150,000, which recognizes lessons learned from the prior Super Bowl, yet represents an adequate investment in the infrastructure and communications for a positive rider and visitor experience.

Yes, the Board receives an overall Super Bowl operations plan briefing—sharing the highlights of the operations and communications plans supporting an event of this magnitude.

9. **<u>Item #8 - Super Bowl Special Event Support ($150,000)</u>: What is the Volunteer Program? $150,000 seems to be a lot. Is this event support in coordination with the Super Bowl Planning Committee? (Peoria)**

   For Super Bowl 2015, Valley Metro established a robust volunteer effort to provide education and assistance to riders from the Wednesday before through Super Bowl Sunday. Volunteers were located at park-and-rides and the downtown Phoenix rail stations helping riders board/de-board, buy fare, answer their questions and generally provide excellent customer service to our visiting and everyday riders. In total, we had 101 agency staff participate as volunteers, working 284 individual shifts, across the five-day period.

   The $150,000 request is less than our actual spend in 2015 and represents costs associated with signage, advertising, print materials and actual event infrastructure such as queue lines and additional pass sales locations. This cost will be more than covered by event-based revenues from third-party advertising and additional fare revenue.

   Lastly, yes, we coordinate very closely with the Arizona Super Bowl Host Committee. Our plan will be put together based on their planning and across regular meetings between our teams. The first meeting has already occurred.

10. **<u>Item #9 – Employee Benefit Premiums ($704,300):</u> Has there been consideration that employees will be expected to help absorb a portion of the expected 17% medical and 5% dental increases as often happens in other organizations? (Peoria)**

    In March, Valley Metro sought bids from other insurance providers. These bids were very competitive. As a result, Valley Metro let CIGNA know we intended to switch insurers unless *they' matched the offer. CIGNA chose to match the best offer. As a result, a Valley Metro will no longer need an increase for this issue.*

11. **<u>Item #10 – LRV and Facility Cleaning Increase ($815,000)</u>: How much is allocated to bus? How was the $3 an hour amount determined? (Peoria)**

    As noted in the issue summary, $10,000 is allocated to RPTA. This is for cleaning at the Mesa bus facility. The $3/hour recommendation was arrived at through a combination of reviewing market data for comparable positions (see below) and discussion with the contractor regarding their experience in working to fill vacancies. In recent months, the contractor began offering up to $16/hour, at its own expense, to fill positions. While this helped, particularly for first shift roles, it has been insufficient for the larger number of second/third shift positions. $3/hour increase the starting wage for Line Cleaners from $14.59 to $17.59.

Position	Employer	Wage	Notes
Janitor	Swipe Jobs	$16.00	Indoor. 1st shift available
Janitor/Custodian	Express Employment	$16 -- $19	Indoor
Janitor/Custodian	Centers for Habilitation	$17.85	Indoor
Landscaper	Pointe Tapito Clifs	$16.00	Outdoor, 1st shift
Landscaper	Shasta Pools	$16 -- $17	Outdoor 1st shift
Landscaper	CareScape	$15 -- $22	Outdoor, 1st shift
Landscaping Driver	Catalina Lawn Care	$18 -- $20	Outdoor, 1st shift
Property Maintenance Tech	PhoenixNAP	$18 -- $20	In/Out, multiple shifts

12. **<u>Item #14 – ERP and EAM Support ($368,500):</u> Were these items built into the estimate for the project? Are these on-going costs? (Peoria)**

    These technical support subscriptions are on-going costs. It was always recognized that on-going technical support would be needed for these systems. The initial contract approval (June 2020), only included licensing and implementation services from Denovo as the amount and source of on-going support was not known. Valley Metro now anticipates purchasing on-going support directly from Oracle and Trapeze rather than through the Denovo contract. Both Oracle and Denovo support costs are funded entirely with PTF, while the Trapeze cost is funded by Member Cities.

13. **<u>Item #16 – Security Contract Rate Increase ($252,000):</u> Is this only a rail cost? If not, how much is allocated to bus? (Peoria)**

    As noted on the issue summary, this is a shared cost between both agencies, with 3% of the costs funded by RPTA ($8,000) and the remainder 97% of the costs funded by VMR ($244,000).

14. **<u>Item #17 - Operations Contingency:</u>** Overall, Tempe has concerns about signaling to contractors that funding has been set aside and is available for contract increases. Would it be possible to have a refresher on how any unanticipated/additional costs are currently addressed using reserve funds and/or fund balance? (Tempe)

    The budgets approved by the Boards include modest amounts of contingency funding to protect cities from mid-year funding requests due to unanticipated issues (e.g. FY 2022's insurance and *fuel cost increases). In FY 2022, the RPTA operating budget includes $500,000 in contingency. The VMR operating budget includes $4.5 million (as PTF funding is not available to RPTA).*

Valley Metro's FY 2023 budgets recommend $3.6 million for RPTA and $4 million for VMR to provide the Boards flexibility should they decided to adjust provider rates to address recent labor market inflation. To be available for the Boards' use, any amount must be included in the approved FY 2023 budget. That said, any funding approved could be included in a budget line with other items to mask the amount.

a. What are the current trends observed by the agency regarding contract increases during/within contract terms?
The current dramatic tightening in the labor market began to manifest itself as the Omicron wave ebbed in November/December. Given that collective bargaining agreements (CBAs) and contract amendments typically require months for completion, data is just starting to become available on labor rate changes. To fill this gap, in March, the American Public Transportation Association (APTA) surveyed 117 member agencies regarding the impact of the labor market. This survey found that 92% of transit agencies were having trouble hiring new employees and that bus operators were the most difficult to fill. Rail Mechanics were fourth most difficult nationally). Forty-nine percent of agencies reported cutting service as a result. To address the staffing shortfalls, 52% had increased starting pay. Therefore, it is clear this a nationwide issue that virtually every transit operator is being forced to address.

b. Is this something that can be better addressed during contract inception/renewal?

When and how address contractor labor issues are entirely at the Boards discretion. However, the lack of staffing has already had significant impacts on our ability to meet our service commitments to our riders. Between November and February, the number of missed trips in the East Valley grew from 425 to 3,836. Similarly, the rate of assaults on VMR passengers increased 129% in the period September through February of FY 2022 as compared to the same period in FY 2021. As there is no evidence of labor rate increases reversing themselves, it is likely service quality will continue to deteriorate until labor rates are addressed. The current East Valley Bus contract continues through June 30, 2023. Allied Universal Security is in the first year of a five-year contract. Therefore, to delay addressing labor rate issues until contract renewal would mean accepting years of seriously degraded service during the period Proposition 400 extension is considered by voters.

15. Item #17 - Operations Contingency: Is there any opportunity to fund requested contingency amounts with fund balance (ie. slide 12) or agency reserve funds? If contingency amounts are approved, can you please elaborate on any policy considerations that may need to be developed to ensure the contingency funding is utilized only for the expenditures noted in the memo. (Tempe)

Slide 12 references the amount of PTF revenues that have been programmed vs. unprogrammed. PTF cannot be used for VMR operations which represents about half of the recommended contingency funding. It can be used on RPTA operations which accounts for the other half. On-hand, unprogrammed PTF would be sufficient to fund the proposed FY 2023 RPTA operational *contingency. If these funds were used to modify transit service contracts, under existing board policy (February 2011), that spending would be included in Jurisdictional equity calculations (as you know, thresholds are set at +/- 2.5% for each sub-region [West, East, Central] and no city can be underallocated by $7.5 million). The amounts we're talking about are unlikely to breach JE thresholds in the near term but, for the West Valley in particular, future spending or significant PTF revenue changes could make their threshold relevant.*

16. **<u>Item #17 - Operations Contingency</u>:** Now that we have published the contingency reserves and our vendors know what capacity have set aside to use for their advantage, we should be looking at a different way to address the potential contract changes. These contingency funds should be restricted to contract changes and require Board approval for use. (Goodyear)

    To be available for the Boards use, funding for potential contract labor adjustments had to be included in the budget. By combining the funding for five different contracts into a single contingency line, Valley Metro believes it has sufficiently obscured the potential funding for any single contract. That said, any amount approved by the Boards could be combined with other issues to further mask the approved amount.

    Existing Board policy requires material change to contracts, include to rates, to be approved by the Boards. In addition, any rate changes will require the Boards to approve adjustments in the impacted contracts expenditure authority. As a result, before the use of these funds, the Boards will have to approve both the specific contractual change and the estimated fiscal impact over the life of the contract.

    Follow-up Question: As I mentioned during the meeting, perhaps there is a way to "firewall" these funds from being added to base budgets or turning into a "slush fund" without Board oversight. I think the Board should also understand the entirety of all of the contingency funds within the existing budget – Inflationary Contingency.

    Re: Firewall – Certainly. The simplest way to accomplish this objective is probably for the Board to include explicit language in the budget requiring Board approval for any use of the Operations Contingency funds. Then, to have Internal Audit verify Valley Metro's compliance with that requirement at the end of FY 2023.

    The RPTA budget has a general contingency amount of $500,000 that is funded by PTF while the VMR budget has $2.1M for Light Rail and $201K for Streetcar, both funded by member city contributions.

17. **<u>Item #17 - Operations Contingency</u>:** [AFS agenda] item 4 [FY 2022 Budget versus Actuals Report] shows operating expenses trending well below budgeted levels through the 3rd quarter – ($27.3M) for RPTA and ($15.2M) for VMR. It's safe to assume these trends will continue through the end of the fiscal year, and well into FY23 due to various factors (contract savings, vacancy/salary savings, lower service levels of operations, etc.). Phoenix suggests that VM consider foregoing the inclusion of the $7.6M Operations Contingency in the FY23 budget and, if necessary, utilize the budget capacity afforded by these savings, which well exceed the recommended contingency. This approach could be supported by the fact that FT East Valley successfully negotiated a new CBA with the ATU as of last week (as have our paratransit and our larger fixed route contractor within the last year). (Phoenix)

A review of the sources of the FY 2022 transit operations underrun finds that comparable underrun is unlikely for RPTA in FY 2023 but could be used to partially offset contingency funding for VMR. First, since the sources of funding differ for the overall operating budget versus transit operations, only transit operations could reduce the need for the Operations Contingency. With respect to RPTA, the majority of its FY 2022 underrun is the result of the City of Phoenix applying $17 million of COVID relief funding to reduce it billings to Valley Metro for ADA Paratransit and other regional services. Since these funds will be exhausted in FY 2022, savings are not anticipated in FY 2023. For VMR, underrun is being driven by vacancy in both Valley Metro positions and those of key contractors (e.g., Allied Universal Security). If the Board approves actions to address hiring and retention problems (via the Operations Contingency for contracts and VM Staff Labor Market Adjustment for staff) and these actions are successful, those vacancy savings will be eliminated. That's unlikely to happen immediately, however. As a result, Valley Metro estimates approximately $500,000 of vacancy savings for the first quarter of FY 2023 could be used to reduce the need for Operations Contingency funding.

18. ***<u>Item #17 - Operations Contingency</u>*: Since Valley Metro is billed on bus miles delivered by their contractors, couldn't VM utilize expense underrun due to missed trips to offset the need for contingency to renegotiate the contracts and increase labor rates? (Phoenix)**

    Although the contractor is underrunning due to missed miles, the cost of fuel is higher than we had planned ($695K over YTD) so the net underrun for contractor and fuel through April is $972K, or 1% of the combined cost of both programs (EV and WV service).

Missed Miles & Contract Deductions

Bus Fixed Route Service

East Valley Fixed Route Service				West Valley Fixed Route Service			
Month	Scheduled Miles	Missed Miles	Contract Deduction	Month	Scheduled Miles	Missed Miles	Contract Deduction
July-21	948,061	1,181	$ 6,458	July-21	108,114	106	$ 748
August-21	961,308	996	$ 5,458	August-21	71,463	129	$ 893
September-21	929,084	1,124	$ 6,160	September-21	68,786	140	$ 967
October-21	949,718	6,567	$ 35,976	October-21	70,174	213	$ 1,338
November-21	913,456	10,033	$ 54,922	November-21	104,653	512	$ 3,079
December-21	932,986	23,473	$ 128,452	December-21	107,805	1,001	$ 5,964
January-22	938,629	69,252	$ 378,868	January-22	107,530	723	$ 4,285
February-22	862,765	41,488	$ 226,673	February-22	98,407	819	$ 4,817
March-22	966,986	63,673	$ 347,694	March-22	110,336	394	$ 2,353
April-22	923,742	81,661	$ 446,583	April-22	85,945	788	$ 4,652
May-22				May-22			
June-22				June-22			
Total	**9,326,735**	**299,448**	**$ 1,637,244**	**Total**	**933,214**	**4,823**	**$ 29,095**
	YTD Budget	**YTD Actual**	**Variance Under / (Over)**		**YTD Budget**	**YTD Actual**	**Variance Under / (Over)**
Fuel	$ 3,581,667	$ 4,321,000	$ (739,333)	Fuel	$ 736,667	$ 692,000	$ 44,667
Combined Total			**$ 897,910**				**$ 73,762**

19. ***<u>Item #17 - Operations Contingency</u>*: When it comes to eligibility for these funds it can only go to RPTA funded or RPTA operated contracts? This is a point as Avondale has regionally funded PTF service operated by a Phoenix contractor on McDowell and Van Buren. Would those routes be eligible or not? (Avondale)**

The contingency amount includes expenses for both RTPA and VMR. For RPTA, PTF can fund regional bus routes (local and express) and ADA services, regardless of the operator. Services funded by PTF are determined by member cities through the Service Planning Working Group and Subregional meetings and is contingent upon existing availability and board policy. Board policy requires that each subregion be within +/- 2.5% of its total allocation. Circulators cannot be funded with PTF.

How do we go about allocating this operational contingency? By contractor, by route, by revenue miles? I know we have a number but how did we get to that number.

The contingency amounts recommended in the budget were developed by internal subject matter experts, utilizing data they have regarding vacancy challenges, missed service, information from the contractor, and peer agency information. The true amount that will be needed will be based on direction from the Board and negotiations with contractor and any labor unions. As mentioned during Board and Committee meetings, the continency will be discussed in more detail during an E-Session. The recommended contingency has been built into member city IGAs. Should the Boards approve the use of the Operations Contingency to adjust contractor labor rates, those amounts will be incorporated into the all-in cost-per-mile that cities pay for bus service. Should the Board not approve a contract adjustment or approve an amount less than included in the contingency, any unused contingency will be returned to members at the end of the year through the annual reconciliation process.

It now sounds like RPTA operated but non-PTF funded routes or types of services like circulators are not eligible (Zoom, Orbit, etc.)? I'm going to assume that if that is the case that anything remotely related to LRT operations is a non-eligible expense? It sounds like there will be a rail operations contingency but that was going to be wholly funded by rail operating cities.

Circulators have never been an eligible expense for PTF (see answer to question #1 for more detail on funding/programming process). As we've previously presented, state statute prevents PTF from being used for any light rail operations expenses. Light rail expenses are 100% city funded after revenues (federal, fares, advertising) are applied.

Will RPTA operated but non-PTF funded routes be eligible for contingency? I think the answer is no but I'm not quite sure.

The Operations Contingency is intended to fund any contract adjustments the Board approved. If the Board approves an adjustment to a service not eligible for PTF, cities will be responsible for funding that change with local resources.

You mentioned today that anything regarding operational contingency would be reflected in our draft IGA's. Seeing nothing in the draft Avondale IGA I'm going to gander that nothing is eligible or am I looking at it wrong? See my reasoning for this on the next question.

All contingencies have been included in the IGAs, not specifically called out as a separate line item.

Is the Peoria POGO not considered a "circulator" for operational contingency purposes anymore? For instance, and in the last decade of service operation for Zoom and POGO under the same provider, the rates for these two services have always been the same and classified as circulators. In speaking with Peoria their POGO rate under the new contract has now diverged from its CPM rate with Zoom. In previous years when POGO stopped operating for a few years and then came back, they followed the same CPM rate at Zoom. When VM renegotiated the new CPM rate coming into FY22 due to the contractor needing a new rate as they were losing money both services (Zoom and POGO) were on the same CPM. I believe now the Peoria CPM rate charged by Valley Metro for the upcoming year is a little over $8/mile and the Zoom rate is about $10.50/mile leading to two separate rates for circulators under the same contract which is nothing that we have seen before and honestly I can't point to any contract in the Valley that has that same contractor but two different circulator rates. I can only think that this discrepancy is due to POGO having operational contingency added? If so, can someone explain how POGO is eligible and ZOOM is not eligible?

The POGO and ZOOM routes are both considered circulators and not eligible for PTF funding. When Total Ride proposed the new rates regarding the reduced ZOOM miles, they only changed the rate for the ZOOM service due to such a significant decrease in miles for that service.

20. **<u>Item #17 - Operations Contingency: Item # 17 – Operations Contingency</u>: Tempe has concerns regarding the approach to allocate funding to operations contingency. Have there been instances in the past in which the agency has needed to seek emergency funding mid-year, and if so, how has that been addressed? (Tempe)**

    Valley Metro strives to avoid mid-year budget adjustments that require additional city funds as we know this is difficult and disruptive for our city partners. As a result, over the last five years (FY 2018 – 2022), two operating budget mid-year adjustments required city funding, FY 2018 and FY 2020. In FY 2018, greater than anticipated paratransit demand required a $1.3 million adjustment in the RPTA budget. In FY 2020, a $4.1 million mid-year adjustment to the RPTA budget was required to address an unanticipated $2 million bill from the City of Phoenix, a $500,000 Board approved East Valley bus service change, and $1.7 million in higher than forecast Paratransit and RideChoice ridership.

    In FY 2018 adjustments were made to the VMR budget and in FY 2022 adjustments were made to both the VMR and RPTA budget using Board approved contingency funds, savings from other areas, and regional PTF. These adjustments did not impact city budgets.

    If the Boards opt not to include contingency funding for potential contract changes in the FY 2023 budget and subsequently decide to make contract changes, cities will be required identify the funding for those changes mid-year. Therefore, the purpose of the proposed Operations Contingency is to minimize the potential disruption to cities.

21. **<u>Item #17 - Operations Contingency:</u> The concern regarding the proactive set-aside is rooted in the preemptive identification of additional funds which may be used for contractor wage increases. What are the expectations of the contractors in the context of talent recruitment and retention, and how can we ensure we are being as efficient as possible in tackling the workforce issue? (Tempe)**

Actions taken to date by contactors at their own expense include:
East Valley Bus

- ***Sign On Bonuses:***
  - ***Operators -$3,000***
  - ***Technicians – $3,000***
  - ***Lot Attendants (Fleet Care)- $1,000***
  - ***Increase in training wage for Operators from $14.00/hr. to $15.00/hr.***
- ***Referral Bonuses:***
  - ***Non CDL holders- $1,000***
  - ***CDL holders – $2,500***
  - ***Cleaners - $250***
- ***Recruitment Advertising:***
  - ***Bumper Stickers on Relief Cars, Supervisor Vans, Car Cards inside the Buses***
  - ***Radio Ads***
  - ***Recruiting Website – Programmatic (Utilizes different job boards), AZ Workforce Center, InDeed.com***
  - ***Transit Talent***
  - ***Job Fair – East Valley Bus & Maintenance Facility (Tempe)***

Cleaners

- ***$750.00 sign on bonus***
- ***Referal bonus: $250***
- ***PTO***
- ***Health Insurance***
- ***1st, 2nd and 3rd shifts***
- ***$13.90 - $16.00 to start***

Paratransit Recruitment Actions:

- ***Updated Driver Wages***
- ***Eliminated the training rate and updated starting rate to $14.50 (formerly $13.50) – as of 6/23/21***
- ***Wages were increased by $1.00 across the wage progression – Effective 10/1/21***
- ***Sign-on/Referral Bonuses***
- ***Drivers: $1,000 Sign-on/$1,000 Referral Bonus, effective 5/4/21 (formerly $500)***
- ***Reservationist: $500 Sign-on/$500 Referral Bonus***
- ***Referral cards are available to employees***
- ***"Now Hiring" Car Magnets on fleet***
- ***Regional & Corporate Recruiter provide support in sourcing candidates***
- ***Job Openings are shared with Maricopa County Human Services Department (LinkedIn & state-wide job board) – Arizona@Work, Veteran Readiness and Employment Depart (Dept of Veterans Affairs)***
- ***Onsite Job Fairs (1 – 2 times per month)***
- ***Subcontractor AAA Taxi has implemented $500 sign-on and referral bonuses***
- ***Reduced lease rates for independent contractors***

22. **<u>Item #17 - Operations Contingency:</u> How can we ensure the agency is not "over stepping" while being a partner in addressing the labor shortage, while also being cognizant of any collective bargaining agreements in place and the effects on the front line transit workforce as a whole? (Tempe)**

    The Board can be sure the Agency isn't "over stepping" because the (a) in the June Executive Session, Valley Metro will seek the Board guidance on the parameters of the negotiations with contractors. To do so, Valley Metro will present to the Board the salary ranges and the associated costs its thinks are necessary to address the staffing issues. The Board will be asked to modify or concur with these parameters prior to any negotiations. (b) In addition, the proposed budget includes an explicit requirement that the Board approve any use of the Operations Contingency funding prior to implementation.

23. **Item #17 - Operations Contingency: <u>Item #17 - Operations Contingency:</u> Can you explain how the contingency amount was identified and if it is from "extra" or unallocated ptf, or will be created through the IGA'S paid by the city? I think I heard the higher amount of any contract increase is already included in the FY23 amounts. I'm trying to understand how this amount was identified to begin with. I looked in the list of questions and didn't see this question. If it is there I'm sorry for asking again but I have been asked to explain this and I'm not sure of the answer. (Peoria)**

    Happy to help. The Operations Contingency is the one issue where our document is deliberately vague on how the number we arrived at.

    The sole purpose of the proposed Operations Contingency is to give the Board a means to fund any contract adjustment they choose to make. As we developed the FY 23 budget, we were seeing contractors missing service because they couldn't hire and keep people at the wages they're contracts were bid. We suspected the Board would want to address that in some cases but also knew those negotiations would not be complete in time for the FY 23 budget. Therefore, it seemed prudent to set funding aside and further to lump it together to no single vendor could tell what we were estimating from public documents. So, if its not clear what the number is comprised of – mission accomplished ;).

    The estimates in the current budgets and iGAs were created in January by looking at the staffing situations for the relevant contracts (EV bus, WV bus, ACI, Security, PT, and cleaning) and basically guessing at the amount to salary change needed to allow them to hire competitively. These amounts were then included in the Operations Contingency lines in the RTPA and VMR budgets and in each cities' IGA. From a fund source perspective, we assumed the contingency would be comprised of the mix of local and PTF funding currently used for each contract and reflected in the TLCP. If cities would like to change that (e.g. to use more PTF where allowable), those decision can be made in the sub-region panning meetings.

    Whether to include a contingency for these contract adjustment or not is the one issue that doesn't seemed to be settled in the FY 23 budget. As a result, we're working now on a process for the June Board Meeting to resolve the issue. It basically boils down the three questions:

    1. ***Does the Board want to address contracts that, due to wage changes in the last 8 months can't hire staff to fulfill their obligations? If the answer is "no" the region will***

need to live with crappie service for the next year and the message that sends to the public as they consider whether to continue to give tax money for transit. If the answer is "yes" then we must answer the second question:

2. *How does the board want to fund any contract changes? There are two options:*
   a. *Have cities set-aside funding for potential changes in their budgets and include the authority to use that funding in Valley Metro's budget – This is what's proposed in our current budget. The IGAs include the estimated cost of adjusting contracts. When the Boards approve a change to a contract, we'll bill each city for the cost of that change through their IGA. We'll then match those city funds with PTF and use the budget authority granted by the Operations Contingency in VM's budget to make the payments to the vendor.*
   b. *Treat each contract adjustment as a mid-year adjustment – Some cities say they recognize some contracts need to be adjusted but don't want to include a Operations Contingency in VM's budget. Doing so would require us to handle each contract change like a mid-year adjustment. Meaning, neither the IGAs nor VMs budget would include any Operations Contingency. Each time the Boards decide to modify a contract, they'd also need to increase VM's budget and amend all the impacted IGAs to include those costs. Since contracts will likely get resolved at different speeds, we can assume 2-5 budget and IGA amendments in FY 23 using this approach. If going back to your city council for 2-5 budget changes and IGA amendments this year seem like a bad idea, we agree. That's why we include option "a" in our proposed budget.*
3. *What degree of wage change does the Board think is appropriate to address staffing issues? Before we start discussing contract changes with vendors, we'd like the Boards' guidance on the parameters of those negotiations. In addition, things have changed since January – vacancy and service has gotten worse in the East Valley and has gotten better for ACI and Security. Therefore, in a Executive Session in June, we plan to share with the Boards the salary ranges we propose for key positions. The Board can then agree with or modify those ranges, If they change them (up or down), the estimated cost of contract changes will need to be adjusted.*

Once those four decisions have been made, we can pass the FY 23 budgets. If the answer to question 1 is "no," the contingency is struck for the VM budget and all IGAs. If the answer to 1 is "yes," and approach 2b is selected, it's the same – no contingency in budgets or IGA and lots of changes through the year. If the 2a is selected, the contingency stays in both VM's budget and the IGAs and reflects the amounts the Boards ID in question 3. We'll have a motion sheet drafted for each budget that says "I move the approval of the FY 2023 budget with (or without) a operations contingency of $___..." allowing the budgets to reflect the Board's decisions.

24. **Item #17 - Operations Contingency: You said you will provide the Board members with ranges for key positions to help decide if they want to provide some amount of contingency funding to increase contracts. Would it be accurate to say that you have a plan of which contracts you would be addressing to give a higher wage to? It seems that is the case as you mention the current IGA's have already been adjusted for some amount of increase. I'd just like to verify that. (Peoria)**

First, an update. Since my response below [now above], Valley Metro has decided to recommend to the Board a compromise approach that blends 2a and 2b below (see Jessica's attached memo). Because there appears to be Board consensus that poor service caused by labor shortages should be addressed but disagreement on whether an "Operations Contingency" is the right mechanism, in the June Board Meeting, we will recommend leaving city IGAs as they are (i.e. including the estimated cost to adjust contracts identified in January) but eliminating from Valley Metro's budget the "Operations Contingency." As a result, should the Boards decide during FY 2023 to adjust one or more contacts to address the labor shortage, their approval of that contract change will also need to include an adjustment to Valley Metro's budget to implement the change.

25. **<u>Item #17 - Operations Contingency:</u> You said you will provide the Board members with ranges for key positions to help decide if they want to provide some amount of contingency funding to increase contracts. Would it be accurate to say that you have a plan of which contracts you would be addressing to give a higher wage to? It seems that is the case as you mention the current IGA's have already been adjusted for some amount of increase. I'd just like to verify that. (Peoria)**

    Yes. When Valley Metro finalized its proposed FY 2023 budget in January, we included estimates of the wage changes needed to address the labor issues that existed at that time. That was how the Operations Contingency amount was determined. Subsequently, those same amounts were included in city IGA. As a result, the elimination of the Operations Contingency strips the Valley Metro's budget the ability to implement any contract adjustment without a mid-year budget adjustment but the IGA amounts provided to cities continue to include those amounts for planning purposes.

    In the information provided will you also be able to tell the Board members the impacts to local dollars as again, not all of the Valley Metro contracts use just PTF funds? As I mentioned previously, cities would need to know the potential budgetary impact beyond PTF to local dollars to make an informed decision. This is a tricky situation as one council member cannot authorize an increase to payments using local city funds.

    In next week's Executive Session, Valley Metro will share the wage adjustments and corresponding costs for each contract as estimated in January and that is included in each cities' current IGA. We will also share our assessment of the current situation and highlight any changes in wages and potential costs that we believe have occurred. We will then seek the Board's feedback on the appropriate wage ranges for our negotiations with contractors. This feedback will guide our subsequent discussion with contractors but is not a decision as no decisions can be made in Executive Session.

    The local funding required to implement the wage adjustments estimated in January have already been provided to each city – they're included in your current IGA. If the Board advises Valley Metro to target a different wage (higher or lower) in negotiations, Valley Metro will communicate the potential local cost implications of that change to each city.

    Using the parameters set by the Board in the Executive Session, Valley Metro will work with contactors on solutions to address their labor issues. If those solutions require a contract *change, Valley Metro will bring that proposed change to the full board for approval in a subsequent meeting. The proposed change will include the impact on local costs for each city.*

26. **<u>Item #17 - Operations Contingency:</u> Can you further explain the highlighted item "a" below where you say you will match city funds with PTF. (Peoria)**

    The highlighted text simply reiterates how all service is funded. That is, in the TLCP planning process, each sub-region determines the use of PTF for eligible routes (as we've discussed, some routes are eligible some are not). Each cities' annual IGA reflects the total local cost of all the service they consume (which is the total cost of that service minus the applicable PTF, fare revenue, etc). Valley Metro bills cities for their IGA amounts. It then combines those city payments with the PTF, fare revenue, etc and pays the vendor. I included the highlighted statement because in AFS it became apparent that some cities thought the Operations Contingency was giving Valley Metro some additional funding duplicative of what was in their IGAs. That's not the case – it was simply giving Valley Metro the ability to use the money paid through the IGAs (in addition any applicable PTF) to pay the contractor.

27. **<u>Item #17 - Operations Contingency:</u> If the expected increases are already in the FY23 IGA's for PTF funded service, you would issue a bill to the cities for the increased amount? Or you would just charge the higher amount to our PTF usage in the TLCP? Of course for non-PTF funded service you would issue a bill, but there would not be a match available, is that correct? (Peoria)**

    As noted above, the increases expected in January for all services (those eligible for PTF and those not eligible) are included in the current IGAs. If the Board directs Valley Metro to remain within the January estimates, no changes will be needed. If the Board directs and approves contact changes above the January estimates, city IGA amounts will need to be correspondingly increased. If a sub-region wants to increase its use of PTF for eligible services thereby reducing any increase in local funds associated with contract changes, those decision would be made this fall in the TLCP planning process. Valley Metro would then adjust its IGA billings to reflect the change.

28. **<u>Item #17 - Operations Contingency:</u> As you mention in "b" cities would not want to go back to Council with repeated budget adjustments. However, if the amount is in the IGA's already would this be something that would need to be done? (Peoria)**

    That's correct – item 2b below was describing a "pure" mid-year adjustment approach which would have struck any contact adjustment amounts from the IGAs. As noted above, we're now recommending leaving the estimates in the IGAs so changes wouldn't necessarily be needed.

29. **<u>Item #17 - Operations Contingency:</u> Our IGA is already submitted for Council approval with some amount of contingency included. Do you see a need that we would then need to again change our IGA this fiscal year? If so, I might need to pull the item from the Council agenda for later this month. (Peoria)**

    It depends on what the Board directs Valley Metro to do in next week's Executive Session. As noted in our detailed description of the Operating Contingency (#17), our January estimate for

the West Valley only included costs for paratransit and the loss of Zoom miles. As you know, the final agreement with Total Transit only impacted costs for Avondale and Goodyear so we took that out of the Peoria IGA. We think the January paratransit estimate is good. That means the West Valley IGAs don't include any estimate for Total Transit wage changes – in January, they're vacancy wasn't significant. It is now MUCH higher but they're only missing 4% of trips. So, if the Board directs us not to consider contract changes for Total Transit, your IGA is solid. If they want to explore wage changes for Total Transit, we should be able to give you an estimate of how that would impact your IGA amount after the Executive Session.

30. **<u>Item #17 - Operations Contingency:</u> Can you also explain how this would impact the TLCP? The last model showed the West Valley within tolerances. Would this proposal affect that in any way? (Peoria)**

    While I have mentioned that cities could use additional PTF to reduce costs in some cases, that's not a decision for Valley Metro to make – each sub-region has to decide how it wants to use its available PTF. Therefore, this budget maintains the existing TLCP use of PTF. Our current plan is to start the TLCP planning process late summer/early fall with the usual sub-reginal meetings. The first step in that process will be providing a current accounting of available JE for each sub-region.

31. **<u>Item #18 - VM Staff Labor Market Adjustments:</u>** Are the market adjustments expected to be applicable to all current staff, or reserved for "hard to fill" positions?
    All current staff

    a. Has any consideration been given to conducting a market study first, to establish the justification/need? (Tempe)

       The need for the recommended COLA is clearly established by several factors:
       - *The Bureau of Labor Statistics (BLS) reported in February 2022 that inflation for the metro Phoenix area was 11% for the trailing 12 months and that employer's compensation costs increased 5% for calendar year 2021.*
       - *Valley Metro's turn-over rate increased from 14% in the first quarter of 2021 to 20% in the first quarter of 2022. Total vacancy now averages 20% for the agency and is as high as 44% in some classifications.*

       The conduct of a market study before the provision of a COLA is impractical for the following reasons:
       - *Market studies compare the salary ranges for existing classifications to the relevant labor market. Given that Valley Metro's classification structure is 16 years old, a market study would be at a serious disadvantage in matching outdated classifications to current market comparators.*
       - *Classification & Compensation structures ensure position descriptions align with the market for effective recruitment, that career paths exist to grow and retain staff, and that equity is maintained between classifications. As Valley Metro can't hope to be competitive with a 16 year-old classification & compensation structure, a classification & compensation update is needed. It will likely take 8-12 months to complete. The last step in the process is a market study to determine the pay ranges for the new classifications. Therefore, doing a market study before providing the recommended COLA will require either:*

- *That Valley Metro wait 8-12 months before providing a COLA to staff – which is untenable, or*
- *Paying for two market studies in less than an year, an initial study using current classifications and a second study for new classifications – that would almost certainly be a waste of money given the broad-based impact documented inflation is having on labor rates.*

32. **<u>Item #18 - VM Staff Labor Market Adjustments:</u>** Is there a high level of confidence that the outlined approach (COLA and retention bonus to identified positions) will address the issues of filling and retaining staff? (Tempe)

    No. The outlined approach is our best estimate based upon the actions of peer cities/agencies and the labor market data available to us. The market, however, is moving quickly and our approach may or may not be adequate.

33. **<u>Item #18 - VM Staff Labor Market Adjustments RPTA: $886,900 / VMR $1,877,700</u>:** VM surveyed member cities and found that in FY22 compensation was increased through a combination of base increases and bonuses between 5% and 10%. Thus, VM wants to implement a 5% cost of living adjustment in FY 2022 and 3% merit in FY 2023. (Goodyear)
    a. I would like to understand the breakdown, by percentages, how last year's increases were dispersed in the organization.

       The two tables below breakdown the allocation of the FY 2022 3% merit increases (awarded in July based on FY 2021 evaluations). The table on the left shows a comparison between the proportion of each division's salary to the proportion of the merit funding it utilized. The table on the right show the average merit awarded by salary level.

Division	% Salary	% Merit
ABTS	14%	15%
CSD	16%	15%
CSI	5%	5%
Exec	3%	3%
Finance	10%	11%
HR	3%	4%
IA	0%	0%
Legal	0%	0%
Ops	44%	43%
SSQA	3%	4%

Annual Range	Number	Avg % Merit
$29,120 -- 50,000	74	3%
$50,000-70,000	100	3%
$70,000-100,000	72	3%
>$100,000	37	3%

These two tables illustrate essentially the same fact – that that vast majority of Valley Metro staff received a 3% merit increase in FY 2022. No division's merit awards varied by more than 1% from its proportion of salary and there were no significant differences by salary range.

b. Our major "labor problem" is in the lower paying positions and I would like to understand how we can better boost the pay ranges for these positions while avoiding another increase to the top of the organization that creates further separation between "management and labor".

   Valley Metro relies on its whole team to serve the region. While Valley Metro's reports to the Boards have focused on operational vacancies because these pose the most immediate threat to service, the impact of vacancies is being felt agency wide. For example, the agency's ability to fill operational positions is hampered by the fact that the only Recruiting Manager and two out of three Human Resources Generalists are vacant. Other losses in critical roles include: Chief Procurement Officer, Deputy Chief Procurement Officer, Architect, Business Intelligence Lead, Full Stack Developer, Capital Planning Manager, Recruitment Manager, Rail Systems Engineer, Senior Civil Engineer, Senior Contract Administrators, Senior Human Resources Analyst, and Payroll Manager. Filling and retaining these functions is critical to Valley Metro's effectiveness.

   That said, Valley Metro recognizes that inflation hits our frontline staff the hardest and, therefore, is implementing a $2,500 retention bonus for all Operations staff below Deputy Director in FY 2022. For the average Operations employee, this equates to 4% of base pay. That increase comes in addition starting salary and compression adjustment for LRV Inspectors, Electro-Mechanics, Traction Power Technicians, and Communication System Technicians.

c. Follow-up Question: While I appreciate the "whole team" emphasis we have to start acknowledging that an average 3% merit for those in the $29-50K range is much different than 3% for the >$100K range. The supplied charts were very informative.

   Understood. Some of the strategies we are pursuing to ensure we are competitively compensating our front-line and near front-line employees is to 1) conduct a market study, and 2) pursue opportunities to increase wage rates for contracted employees through the wage rate reserve referenced above.

   Merit increases are performance-based and those individuals who are the top performers generally receive a larger increase while low-performers receive a lower increase or nothing at all. We will continue to monitor labor trends in FY23 and beyond by reviewing VM labor rates for all areas to ensure that wages continue to be competitive across the agency.

34. Item #18 – VM Staff Labor Market Adjustments ($2,764,600): In FY22 – 3% merit increase, $2,500 retention bonus, hiring bonuses, and shift differential increases. Valley Metro is asking for an additional 5% COLA in FY22 and a 3% merit in FY23. Would the additional 5% be for certain positions or for all Valley Metro staff? General Counsel received a 3% merit and 3% base pay increase in FY22 – would this position receive the same 5% COLA? In FY23, $163,000 is budgeted for $2,000 hiring bonuses which equates to 81.5 positions, how many positions would receive this bonus? (Peoria)

In the April meeting, the Boards of Directors approved the 5% COLA for all current Valley Metro Staff including those who receive Board performance evaluations.

The hiring bonuses are limited to operations staff. The bonus will be paid to all Operations new hires in FY 2023. Valley Metro estimates this number to be approximately 82 positions based on 48 current vacancies and a normal turn-over rate of 15% across 224 Operations positions. Higher levels of turn-over or greater difficulty filling positions could result in higher or lower actual payments.

35. **Item #19 - Administrative Support for Deputy Directors ($6,400 R/$128,200 V):** This one is just more of a clarification. Why so little cost allocated to RPTA? I'm assuming it's because the 2 new Deputy's are mainly VMR specific? (Glendale)

    Correct. Of the 174 FTE reporting to the two Deputy Directors, approximately 5% are RPTA and 95% are VMR. As a result, we assumed this split in the funding for their support positions.

36. **Item #19 - Administrative Support for Deputy Directors:** Per the discussion at AFS last week, it seems that these additional support positions were not anticipated and communicated proactively. How are these duties currently being handled, and how would the additional resources improve the current workflow? (Tempe)

    The requested Administrative support positions are to support the entire maintenance team and transportation team as well as the two Deputy Directors. Currently, the Deputy Directors are working out of several different locations performing complex tasks and is imperative that they and their staff have strong administrative support. Administrative support would include managing their day-to-day calendars, their scheduling, assist them in setting up meetings, develop agendas, and procedures. This will allow the Deputy Directors to focus on the larger tasks with the Management team and focus on the more critical Valley Metro objectives. (Org Chart Attached)

37. **Item #19 - Administrative Support for Deputy Directors:** Was the need for additional support resources anticipated and communicated to member agencies as the new deputy director positions were discussed with leadership from member agencies, or are these costs in addition to those discussions? The "FY2023 Changes" summary document (page 10) attributes $6,400 of this request to RPTA, and $128,200 to VMR. Is the VMR allocation entirely funded through member agency contributions? How was the cost share between agencies determined for this request? (Tempe)

    Administrative support was not anticipated nor discussed at that time, (which was in/around Sept 2020). Funding is a mix of member city and other. Each year, Directors and Managers review each position on their team and determine the level of effort by project and agency based on planned work for the upcoming year. Tyler will reach out to Ray and team to doublecheck the effort for this position and let you know if we make any modifications.

38. **Item#19 - Administrative Support for Deputy Directors: RPTA $6,400 / VMR $128,200:** It was stated that these positions would support the Deputy Director of Transportation & Project and Deputy Director of State of Good Repair & Maintenance in addition to the other managers in the Operations Division. Please provide the organizational chart for the division highlighting the new positions and the existing Admin. Support positions and who they provide support to. It appears that a number of support positions exist already. (Goodyear)

The Operations Division currently has seven Administrative Assistant Positions in support of 244 staff. Although these seven positions are titled Administrative Assistants, they are in actuality positions that have specific job duties not associated with traditional administrative work. These positions perform specialized functions associated with their specific departments. As examples; purchasing LRV parts, processing of purchase orders, requisitions, document control, invoice processing, data entry relating to work orders, and support maintenance staff related to generating daily reports. They do not have the resources and time to give the two departments within Operations the administrative support needed. The two requested positions are to support the Deputy Directors directly and their Managers in their departments. (Org Chart Attached)

39. **<u>Item #19 – Administrative Support for Deputy Directors ($134,600):</u>** How does this fit into existing staff and are there opportunities to condense efforts using only one additional staff person? (Peoria)

    As shown in the attached Operations org chart, the entire 224 FTE Operations division currently has seven administrative support positions. Two support Ray Abraham. Five others are dedicated to ordering and receiving for the Maintenance of Equipment, Maintenance of Way, Facilities Maintenance, and Bus Operations Departments. The two requested Administrative support positions will provide administrative support to all nine managers of the maintenance and transportation teams including the two Deputy Directors. That volume of work is too great for a single position.

    The two Deputy Directors and their managers work out of multiple locations daily –the Transportation Team spends time weekly at all three bus yards and the OMC and the State of Good Repair and Maintenance Team visits the new alignment construction sites on a regular basis. As a result, strong administrative support is critical for them to be effective. Administrative support would include managing their day-to-day calendars, their scheduling, assist them in setting up meetings, develop agendas, and procedures. This will allow the Deputy Directors to focus on the larger tasks with the Management team and focus on the more critical Valley Metro objectives.

40. **<u>Item #20 - Asset Management System Administrator</u>:** Per the Operations and Maintenance Org Chart, there appears to be three staff assigned to asset management; is the intent for the new EAM system to streamline asset management activities? Considering this is an additional FTE to maintain the EAM data, what savings are reflected elsewhere, if any? (Tempe)

    The EAM System will allow Bus/vanpool/Paratransit and Asset Management staff to optimize Valley Metro's asset maintenance efforts by capturing and analyzing data on the relationship between maintenance effort, cost, and component failures --which we cannot do now. In the maintenance of over $2 billion of depreciating assets and systems, a clear picture of the regions status, priorities, and opportunities for improvements is critical. The need for the position is to help manage the front-end data and to support the reporting and analysis of that data. In addition, bus, vanpool and paratransit vehicles have not previously been managed in this type of system and will require additional support as this is a requirement that must be included in our Transit Asset Management Plan for FTA.

41. **<u>Item #20 – Asset Management System Administrator ($107,000):</u>** Was this position expected as a result of the switch to the new system? (Peoria)

Yes. In the FY 2020 five-year forecast, Operations anticipated the need for a "Maintenance Management Specialist" in FY 2023. This was before the system's implementation and our adoption of the terminology "Enterprise Asset Management" for the function.

This request includes the FTE position and "associated equipment to fulfill that role". Does this request overlap with item #14 that allocates funds to EAM subscriptions?

No -- The EAM and ERP Support (#14) item are technical support subscriptions with Oracle and Trapeze to address programming bugs, develop new functionality, and address system performance issues for these cloud hosted applications. This issue funds an on-site EAM system expert to provide day to day support for EAM users by managing system access rights, report development, training of new users, etc. The two will interface – when "back-end" fixes or development needs are identified, this position will interface with Trapeze Technical Support to communicate the need and text the fix – but don't overlap.

With the new system, can savings to be found in other areas once the system if fully implemented?

The EAM System will allow Bus/vanpool/Paratransit and rail asset management staff to optimize Valley Metro's asset maintenance efforts by capturing and analyzing data on the relationship between maintenance effort, cost, and component failures --which we cannot do now. In the maintenance of over $2 billion of depreciating assets and systems, a clear picture of the regions status, priorities, and opportunities for improvements is critical and will improve the cost effectiveness of managing our increasing maintenance burden.

42. **<u>Item #21 - Senior Internal Auditor ($59,000 R/$58,900 V):</u>** Glendale's current IA is a department of 1. In FY23, his audit plan calls for 12 total audits, 8 of which will be contracted, with the remaining 4 being conducted by him (annual number depends on budget and scope of the engagements on the plan). This might be by AFS direction, but has VM considered or did an analysis comparing the cost of contracting out audits on a task-order basis vs. bringing on additional FTE(s)? (Glendale)

A contracted IT auditor is useful for determining compliance at a specific moment in time. A staff IT auditor will allow for both the compliance check and to establish a continuous improvement baseline and be a part of the long-term strategy. They will be hands-on to check for IT improvements in all areas IA reviews and immediately available if urgent risks emerge. Contract auditors are also not cost effective. In 2022, Valley Metro contracted with REDW for an audit of management IT hardware and software. That single audit cost $26,152 at $160/hour. The fully-loaded cost for the staff auditor proposed is $55/hour.

43. **<u>Item #21 - Senior Internal Auditor: RPTA $59,000 /VMR $58,900</u>:** It is stated that this is a result of the current staffing level struggling to keep pace with the Board's demand for audits. According to the Senior Auditor, the new position is for IT specific audits with a specialty in that field, please clarify. (Goodyear)

The issue description has been corrected to read: "Valley Metro's Internal Audit team is currently comprised of the Chief Auditor and two Senior Internal Auditors. Neither of the Senior Auditor positions has the experience to conduct IT audits. As a result, Valley Metro recommends adding one additional Senior Internal Auditor FTE position and associated equipment to allow Internal Audit to ensure Valley Metro's Information Technology division is utilizing best operational practices and safeguarding the region's transit systems."

44. **<u>Item #21 - Senior Internal Auditor ($117,900):</u>** Will this person only do IT audits or be able to work on non-IT audits? (Peoria)

The auditor will only complete IT-related audit work and consulting. Information Technology is a high enough risk area to have a dedicated resource. That being said, they may work on portions of non-IT audits (with other team members) that have an IT component.

45. **<u>Item #22 - Increased Recruiting Costs:</u>** What jobs specifically are referred to as the "key positions"? What "out of the box" recruitment strategies are being pursued? (Tempe)

Key positions are those critical for the agency to meet its commitment to the region and require a skill set that makes them more difficult to recruit. Examples include Traction Power Technicians, the Chief Financial Officer, the Chief Procurement Officer, transit engineers, etc.

In a hypercompetitive labor market, we are competing with not only the local market for talent but with our transit peers for talent to fill these "key" positions. Our transit peers are traveling to Phoenix career fairs to attract our employees. HR needs to have funds to ***expand our recruitment outreach*** *through a variety of mediums to attract key positions:*

- *Educational Recruitment Videos: (Video Job Description/Employee Testimonials, Company Culture/Showcase Work)*
- *Direct Advertisements (Career sites, job boards, social media)*
- *Marketing to talent pool in existing applicant database*
- *Outreach Events: Attend Career Fairs, Host VM Career Fairs, Trade Schools*
- *Modify recruitment processes and updating career page and materials*

46. **<u>Item #22 - Increased Recruiting Costs RPTA $70,000 /VMR $70,000</u>:** Can you please expand upon the overall strategy for 1. identifying and 2. hiring/retaining any positions considered to be highest risk/most difficult to staff? (Tempe)

As described in response to your April 14th questions, Valley Metro's recruitment activities include:
"In a hypercompetitive labor market, we are competing with not only the local market for talent but with our transit peers for talent to fill these "key" positions. Our transit peers are traveling to Phoenix career fairs to attract our employees. HR needs to have funds to expand our recruitment outreach through a variety of mediums to attract key positions:

- *Educational Recruitment Videos: (Video Job Description/Employee Testimonials, Company Culture/Showcase Work)*
- *Direct Advertisements (Career sites, job boards, social media)*
- *Marketing to talent pool in existing applicant database*
- *Outreach Events: Attend Career Fairs, Host VM Career Fairs, Trade Schools*

- *Modify recruitment processes and updating career page and materials"*

Valley Metro's ability to participate in outreach events is limited by the fact that we have 3 FTE dedicated to recruitment and two are vacant.

In addition, as described in the detail sheet for VM Staff Labor Market Adjustment (#18):

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

Finally, addition actions include:

- *Use of a 4/10 schedule for operations staff to mitigate the impact of mandatory shift work*
- *Starting Salary adjustment for Customer Service Agents (complete), LRV Inspectors (complete), Electro-Mechanics (pending), and Traction Power Technicians (pending)*
- *Adjustment to address wage compression where applicable for existing staff in the classifications noted above.*

47. **Item #22 - Increased Recruiting Costs RPTA $70,000 /VMR $70,000:** advertising ($70,000), greater participation in job fairs ($10,000), the increased use of recruitment videos ($10,000), and the potential to pay for out-of-state candidate travel ($10,000) and relocations ($40,000) for high level roles. This items seems to capable of being absorbed in the base budgets within the "Other" categories or set aside within the new Contingency Fund above and an increase in line item authority. (Goodyear)

HR's total annual budget less salaries and benefits is less than $500,000. As a result, this team simply can't absorb $140,000 into the base budget. This issue could be added into the Operations Contingency provided the Board made that intent clear.

Follow-up Question: Thank you for the additional explanation, we should consider these costs as part of the greater Inflationary Contingency. My follow up question is this, do we truly recruit 50/50 for the positions that the costs should be spilt by RPTA/VMR in that manner. I don't believe that we have as many positions in RPTA as we do in VMR.

In fact, we don't allocate recruiting costs on a per position basis – the accounting associated with doing so would be inefficient for a relatively small cost. Instead, Human Resource expenditures (and all other administrative functions that support both agencies, e.g., IT, the CEO's office, etc.) are allocated using the FTA approved shared-agency indirect costs pool. This pool allocates costs between RPTA and VMR based on the relative direct salary expenditures for each agency. That said, you point stands, the typical direct salary split for the two agencies is approximately 35% RPTA and 65% VMR. We will update the presentation & documents to reflect this split.

48. **Item #22 - Increased Recruiting Costs ($140,000):** What is budget now? Will this be an on-going cost? What is the breakdown of the $70,000 for advertising and $40,000 for relocation? (Peoria)

HR's FY 2022 budget for all staffing and recruitment costs is $49,000. The recruitment videos and relocation costs are likely one-time. The advertising, job fairs and candidate travel will continue until the job market becomes less competitive.

In FY 2022, Valley Metro has a turn-over rate of approximately 14%. Valley Metro will start FY 2023 with 78 vacant position and a turn-over rate of 19%. This combination will likely result in the need to increase the recruiting effort by 155%. In addition, the job market has become more competitive requiring greater outreach to obtain qualified candidates. As a result, Valley Metro believes advertising need to increase from $42,000 in FY 2022 to $112,000 (an increase of $70,000) in FY 2023.

FY 2023 relocation costs anticipated for several positions including the CEO, CFO, CPO, and CAO.

49. **Item #23 - Increased Legal Defense Costs ($99,700 R/$241,500 V):** Completely understand the VMR increase. Just would like a little more background on the RPTA increase. There is no mention of any impending lawsuits in the worksheet. And as far as any expansion of service on the bus side in FY23, that will be pretty limited (if any) just due to the operator situation. Additionally, with Avondale's reduction of the ZOOM this fall, that will drastically reduce the number of revenue miles and buses on the road. (Glendale)

Complaints aren't always tied to revenue miles. They're also a function of increased ridership on Bus and Rail, which we would expect to increase post-pandemic over the next year, especially as people faced with increasing fuel costs turn to alternative means of transportation. Valley Metro updates the member cities with a confidential report of ongoing claims and litigation on a quarterly basis. Avondale has not left service yet, and because of the one-year statute of limitations, we will continue to see and be impacted by Avondale claims even after they reduce service. We are currently monitoring a $6M claim that occurred in Avondale (Nazari). Nazari involves a bus/pedestrian incident with Ajo Transportation, and the medical bills currently total over $1.2M.

50. **Item #23 - Increased Legal Defense Costs:** Have budget amounts for these costs been exceeded in the past? Regarding legal defense increases – what are we doing to continue to learn about our risk trends and how are we minimizing risk? (Tempe)

Legal does not typically exceed its budget allocation because estimates have been fairly accurate. This year's request is estimated to keep pace with fleet growth, current caseload, future anticipated caseload, and inflation – which effects legal services as well as everything else.

Valley Metro actively tracks and makes constant improvements to mitigate against risk. We previously provided information on this topic. A review of our previous answers should be helpful, so we've shared that information here for you, as follows:

On November 17th, Tempe asked:
Can you please elaborate on any ongoing efforts to monitor, track and identify risks to address our loss ratio moving forward?

1) *Valley Metro has ADOT and FTA compliant Agency Safety Plans that received Board approval in October 2020 and March 2021. The Agency Safety Plans track performance metrics which includes a goal of reducing safety related incidents by 5% each year. Valley Metro is in*

compliance with each performance metric and currently exceeds the 5% incident reduction goal. Additionally, Valley Metro's Safety and Security team maintains three separate incident tracking logs to comply with State regulations, makes quarterly safety reports to ADOT, and participates in quarterly ADOT safety meetings. Valley Metro staff, the light rail operating contactor and other key stakeholders meet monthly to discuss potential improvements to Valley Metro's safety culture and evaluate any system hazards. Since the derailment incident, Valley Metro Safety and Security has updated several practices to continually elevate safety for single track events, including: improving coordination on track closures; increasing on duty Line Controllers; enhancing communication; adding signage; and conducting internal audits. These efforts have all contributed to considerable decreases (at least 5%) in overall safety-related incidents.

<u>On January 4th, Tempe asked</u>:
Regarding increased insurance costs – Has there been an analysis performed to identify any trends in insurance claims being made and trends related to the agency's loss ratio? Have any internal adjustments been made in attempt to address any trends identified? Is there any information available regarding the agency's ability to self-insure, and any related benefits or trade-offs?

Valley Metro has:

1) An FTA compliant and Board approved Agency Safety Plan which tracks and continuously monitors and addresses all safety matters, not just insurance claims. As stated above, we have reduced safety related incidents at least 5%;

2) Valley Metro tracks and reports all claims and comprehensively and confidentially reports and evaluates all lawsuits and significant claims to the Board on a quarterly basis. There are no identifiable trends in claims except for the fact that claims tend to increase along with increases in stock, system growth and service expansion, which is to be expected. Each claim/incident is reviewed and evaluated for improvements that can be made to reduce similar future incidents, if possible;

3) Every year, Valley Metro's broker fulfills their fiduciary duty by presenting claims information to insurance providers to secure insurance and has not reported unusual concerns regarding claims trends from the industry;

Loss claims are not the sole, or even major, driver of premium cost increases, but Valley Metro is constantly monitoring and acting to minimize and reduce claims.

51. **<u>Item #23 - Increased Legal Defense Costs ($341,200):</u>** Is this mostly a rail cost? If not, are there costs for RPTA bus? Is this expected to be an on-going cost? (Peoria)

    As noted in the issue summary, $241,500 are VMR costs related to increased collisions and cases related to the March 2021 derailment. $99,700 are RPTA costs. Legal claims tend to be a function of ridership, which we would expect to increase post-pandemic over the next year, especially as people faced with increasing fuel costs turn to alternative means of transportation.

52. **<u>Item #24 - Operations Employee Relations ($41,500 R/$65,500 V):</u>** Understand the need. According to the worksheet, this FTE will be 100% dedicated to providing on-site support to the OMC. With that being the case, why the cost allocation to RPTA? (Glendale)

In addition to supporting the staff stationed at the OMC, this ER specialist will support the RPTA funded Operation's Division's Customer Service Department and the Bus Operations staff working out of Tempe and Mesa Bus Operations Yards.

53. **<u>Item #24 - Operations Employee Relations:</u>** Are there currently discipline/performance issues that are not being addressed? For perspective, how frequently do these issues occur each month? Are employee evaluations performed? (Tempe)

The Human Resources Division is focused on employee-employer relations with the goal of supporting the well-being, safety and engagement of our staff as well as increasing productivity and reducing turnover. An additional Employee Relations position will allow HR to proactively support both staff and managers throughout the entire Agency, including various locations and shifts. Scope of duties for Employee Relations includes:

- *Oversee Safety-Sensitive FTA Drug & Alcohol Testing Program/Compliance*
- *Workers Compensation Program, ADA, FMLA and Return to Work*
- *Investigating, mediating and resolving employee complaints*
- *Administers the Performance Management Program including annual performance evaluations for all staff and on-going performance improvement plans.*
- *Documenting formal progressive discipline (e.g. letters of reprimand, suspensions, terminations)*
- *Conducts exit Interviews, data review, and identification of improvements*
- *Increased HR Communication and response to employee inquiries, policy questions and resources*
- *As a result, Employee Relations is working with 15-25 employees/supervisors at any given time. The combination of disparate locations and different shifts reduces both the timeliness and effectiveness of this support.*

54. **<u>Item #24 - Operations Employee Relations Analyst RPTA $41,500 /VMR $65,500</u>:** VM has one Employee Relations Specialist to address performance and disciplinary issues for over 200 employees at the Operations & Maintenance Center. They want another to provide more support. What role does the Supervisor play in these employment actions that we need specialized HR employees on-site? Since the majority of the employees at the OMC are VMR employees, the division of costs seems lop-sided, please explain. (Goodyear)

To clarify, VM currently has one Employee Relations Specialist to cover all 464 Valley Metro employees agency-wide. Our supervisors are trained to develop, coach, and address performance improvement opportunities for their direct reports on a day-to-day basis. They are not trained to handle more complex personnel issues such as:

- *Safety-Sensitive FTA Drug & Alcohol Testing Program/Compliance*
- *Workers Compensation Program, ADA, FMLA and Return to Work*
- *Investigating, mediating, and resolving employee complaints*

- *Documenting formal progressive discipline (e.g. letters of reprimand, suspensions, terminations)*
- *Conducting exit Interviews, data review, and identification managerial areas for improvement*

In these cases, an Employee Relations Specialist partners with the supervisor to ensure issues are handled and documented in compliance with Agency policy and state and federal law. The combination of disparate locations and different shifts reduces both the timeliness and effectiveness of this support. As a result, Valley Metro seeks to add a dedicated Employee Relations Specialist at the OMC.

While the majority of OMC staff are VMR employees, this position will also support 47 Customer Service staff and 11 Bus Operations Staff. This results in an allocation of costs to RPTA.

55. **Item #24 – Operations Employee Relations ($107,000):** What is the split between rail and bus? (Peoria)

    As noted in the item summary, the costs for this position are allocated $65,500 to VMR and $41,500 to RPTA as the position will be supporting all Operations staff including the Customer Service Department and Bus Operations team.

    What is the level of HR staffing, and what benchmarks were used to identify appropriate levels of HR support for the size of the organization?

    VM currently has one Employee Relations Specialist to cover all 464 Valley Metro employees agency-wide. Our supervisors are trained to develop, coach, and address performance improvement opportunities for their direct reports on a day-to-day basis. They are not trained to handle more complex personnel issues such as:

    - *Safety-Sensitive FTA Drug & Alcohol Testing Program/Compliance*
    - *Workers Compensation, ADA, FMLA and Return to Work*
    - *Investigating, mediating, and resolving employee complaints*
    - *Documenting formal progressive discipline (e.g. letters of reprimand, suspensions, terminations)*
    - *Conducting exit Interviews, data review, and identification managerial areas for improvement*

    As a result, of the 224 OMC Staff, Valley Metro's single current Employee Relations Specialist is working with 15-25 employees/supervisors at any given time. The combination of disparate locations and different shifts reduces both the timeliness and effectiveness of this support. As a result, an Employee Relations Specialist stationed at the OMC is needed. (Org Chart Attached)

    What is the current makeup/organizational chart for the HR department?

    Attached

56. **Item #25 - Junior Systems Engineer:** Recognizing this is a shift in resources from contract to in-house, please identify the place within the FY23 budget where the savings from FY22 to FY23 are reflected. (Tempe)

    This reduction was included in the RPTA and VMR FY 2023 base budget reductions.

57. **<u>Item #25 - Junior Systems Engineer ($117,000):</u>** How does this fit in department overall? What happens to $26K savings? (Peoria)

    This position has been part of the IT Department since 2019. It is simply converting from a contractor to a lower-cost FTE. The associated savings were included in Valley Metro's $3.2 million of FY 2023 base budget reductions.

58. **<u>Item# 26 - Market Research ($35K R/$35K V):</u>** Is there any funding for this type of research in the base budget? Or is this an additional funding request? I just assumed there was funding allocated each year for this type of activity. (Glendale)

    There is small amount ($15,000) in the base budget, which is similar to our spend in a COVID fiscal year and it would allow us to do one baseline, intercept survey. The effort being recommended is that in order to understand our path forward for ridership recovery, we need to get feedback from our changing ridership across this changing fiscal year, likely requiring more than one touchpoint. And we know there will be survey/focus group needs for the upcoming changes in our fare collection system modernization project and the associated fare policy changes, some of these efforts being Title VI-required.

59. **<u>Item #26 - Market Research RPTA $35,000 /VMR $35,000</u>:** to assess rider satisfaction with bus and light rail services, understand rider perceptions to strategically address ridership recovery from the pandemic, Ad hoc surveys for additional data and market analyses for key initiatives across this year, including the new fare system and associated outreach as well as to new communities as part of the capital program. We've been doing these studies for the past couple of years. How much have we spent to date and what is the overall strategy? How will we measure success? (Goodyear)

    The WestGroup Research contract for Market Research Services was executed in February 2020 and expires in February 2025 for a Board-authorized amount of $587,617. Thus far, we've spent $144,132 on surveys and focus groups related to rider satisfaction, rider safety, fare design, rider recovery and fare policy outreach. In FY23, we recognize the need for greater surveying on ridership recovery and satisfaction to understand where we/the region should prioritize and focus efforts to see a continued return in ridership. We also know there will be a need for rider feedback and outreach regarding future changes to our fare collection system and regional fare policy. The success of our research efforts is determined through survey participation, providing sufficient data for statistical validity and an accurate representation of the population as well as how the region is able to put to use the recommendations that come forward from current and future rider feedback data.

    Follow-up Question: We have $443,485 remaining on the current contract, can we push this request to FY24 when we have more data from their current efforts? Perhaps it's just me that needs a more comprehensive understanding of what our actual plan is with the various promotions and how they are different.

    There are no current activities underway with WestGroup Research. In FY 2022, Valley Metro's only use of West Group was in gathering rider preferences on the fare collection system for Tempe Streetcar.

In FY 2023, we are recommending research activities totaling $70,000. As mentioned above, we have more than sufficient contract authority, with more than $410,000 remaining on the contract as of 5/1/22; our request is for funding in the budget to use this authority. Our FY 2023 activities include:

- *1 – 2 surveys to understand sentiment in order to (a) gauge the effectiveness of the Ridership Recovery communications done in FY 2021 and (b) develop the Ridership Recovery campaign for FY 2023.*
- *1 – 2 surveys and/or focus groups for the required outreach associated with the fare collection system modernization and related fare policy adjustments*

Again, this item is for research only. The marketing campaigns, as noted below, will use the data this research produces to effectively develop the goals, audiences and ultimately the creative for these efforts.

Additionally, I'm not sure that we have thought about the "how we measure success" question when it comes to these projects beyond the answer of, "if we make changes, then we'll know". More to come below…

Campaigns are developed using a process that starts with identifying Valley Metro's objective. Then, market research data is often utilized to identify the target audiences with the most impact on that goal, what those target audiences care about, and how the campaign's outcome will be measured. This information is distilled by internal marketing staff into a creative brief that also includes the campaign's budget and timeline. This creative brief is then provided to our Marketing & Advertising contract vendors (OH and Magnetry) for campaign development.

Showing you an example of this process is likely must clearer than describing it in text. If you have 15-20 minutes after AFS, Hillary and Jim could walk you through an example.

For many campaigns, such as Ridership Recovery, the most obvious measure of impact – ridership -- is too affected by exogenous factors (e.g., increases in remote work, the price of gas, etc.) to be useful. Therefore, a finer grained analysis is needed. This analysis often starts and ends with market research. For example, research data is used to identify which rider segments are most "persuadable" to return to transit use. Research data is then used to identify the factors that have the most impact on those riders' decisions to use transit. A campaign is then developed to reach those riders with messages about the factors they care about. Finally, post-campaign research is conducted to see if those rider's perspectives were impacted and whether their propensity to ride changed. As a result, market research provides both the strategy and the outcome measure for the campaign.

The table below outlines the recommended campaigns, their goals, audiences and a sample set of measurements we would consider for each campaign:

FY 2023 Campaign	**Purpose/Goal(s)**	**Audience(s)**	**Sample Measurement(s)**
Super Bowl 2022 ($150,000)	• Promote transit as the best travel option	• Visitors for SB events	• App downloads • Website traffic

	• Educate on how to use the system • CALL TO ACTION (CTA): Take transit to SB events + activities	• Regular riders impacted by service adjustments	• Social media sentiment • Event ridership • Event revenue
Driver/Pedestrian Safety ($100,000)	• Reinforce a safety culture across system • Increase awareness of safe driver/ped practices • CTA: Learn more about driver/ped safety	• Drivers/peds adjacent to higher-volume incident locations	• Incident rate • Advertising impressions/ engagement
Ridership Recovery ($70,000)	• Continue proactive push for ridership returns • CTA: Stay with/get back with transit	• Based on data (#26), develop target markets, including current + potential riders	• Rider sentiment on key factors • Propensity to ride for the target segment. • Ridership
Value of Transit ($50,000)	• Educate on value/impact of Prop 400 transit investment • CTA: Learn more about your transit investment	• General public	• Quality of Life website traffic • Social media sentiment • Polling data
Respect the Ride ($50,000)	• Reinforce code of conduct on rail to help with ridership returns • CTA: Improve behavior on light rail; see/say something through AlertVM	• Rail riders, current + potential	• Rider sentiment on key factors • Social media sentiment • Incident rates

60. **<u>Item 26 – Market Research ($70,000):</u>** How often does this occur? Is this an on-going budget increase or a one-time? (Peoria)

Across this upcoming fiscal year, we foresee the need for 2 – 3 surveys related to understanding the market around Ridership Recovery and other survey(s) and/or focus group(s) around the changes in fare policy associated with the fare collection system modernization project. We also continue with our annual Transit Demand Management (TDM) phone survey each year. This recommendation is a bit above our pre-pandemic baseline, which typically included a rider or non-rider survey (we did one for each audience every other year), the TDM phone survey and approx. two ad hoc surveys.

This year's request is higher than average in order to have the data and trends for effective Ridership Recovery efforts, as we emerge from the pandemic, and the one-time upgrades to our fare collection system. The upgrades will require changes to our fare policy, prompting requisite *outreach; as well, market research will be a helpful tool to garner feedback and to communicate the changes ahead.*

61. **<u>Item #27 - Driver/Pedestrian Safety Promotion:</u>** Will this project allow opportunity to work with transit operators – can they be included in this effort, as a way to even better ascertain the risk trends and address biggest risk factors. (Tempe)

    YES! We have existing avenues through Safety & Security and their operator working groups to garner that kind of important feedback. But if you have other ideas, we welcome them. This audience will be critical to ensuring our messaging is focused on the most prevalent and pressing issues.

62. **<u>Item #27 - Driver/Pedestrian Safety Promotion RPTA $50,000 /VMR $50,000</u>:** In 2020, there were 37 light rail and 266 bus collisions with pedestrians or other vehicles. Position is targeted at the key causes of light rail and bus collisions. Their data shows the primary causes of light rail collisions are improper left/u-turns and jaywalking. For buses, the campaign would focus on rear-end collision prevention. As stated previously, there seems to be an opportunity to combine campaigns for efficiency. How will we measure success and the results of this effort? (Goodyear)

    This campaign will be very data driven and is motivated by direct feedback and a request from Safety, Security & Quality Assurance based on trends and feedback they've received from our frontline teams. Based on data, we know where the "hot spots" and issue areas for both bus and light rail. We can target particular geographic areas and demographics with focused safety messaging helping to curb some of these issues and, ultimately, create a greater safety culture along our transit system. We feel it's critically important for a transit agency to continually speak in safety-focused manner and to be regularly pushing out messaging to our riders and those around our system. We also feel it's important to be focused on both modes and to serve their unique needs and issues. The measures for success will be both qualitative, in terms of re-instilling a safety mindset in/around our system and giving support/visibility to the messages important to our frontline teams; as well as quantitative relative to the response to our targeted media buy(s) and a decrease in the severity and the overall number of accidents and incidents on our system.

63. **<u>Item #28 - Value of Transit Communications:</u>** Is this item in any way related to Item 29: Ridership Recovery Marketing? (Tempe)

    Value of Transit is focused on communicating to the broader, voting public about the value and impact of their transit investment and sharing the results of our most recent Quality of Life Study update, now including all modes. Ridership Recovery is focused on returning riders—how do we bring them back to the system, what do they need to see from us to in order to get back (and stay) on board? So, the audiences are distinct, which is why we've separated the various campaigns. They each have their own distinct purpose, goal(s) and target audience(s).

64. **<u>Item #28 - Value of Transit Communications RPTA $25,000 /VMR $25,000</u>:** critical to sharing Valley Metro's contributions to providing safe and reliable public transportation, which also supports the local economy, healthy lifestyles and overall community well-being. This appears to be a redundant request for the "return to ridership" program as well as the basic function of the

Communication Division. Please explain how this different and how it adds value. The question was asked at the technical level “why aren’t we promoting the rapid transit buses?” The answer provided by VM staff was that they didn’t want to promote services with missed trips but use data provided shows zero missed trips. We need a more coordinated/strategic communication effort. (Goodyear)

This campaign is particularly focused on communicating the updated Quality of Life Study, which benchmarks the impact of our regional transit investment and how it has benefitted our overall quality of life and mobility. The audience here is unique from the other campaigns, focused on the general, voting public to ensure they understand and/or can become educated on how transit impacts our growing community and ultimately help them say “yes” to continued transit investment. This campaign is particularly timed across the next few years of critical community discussion on the value of transit/transportation in our community.

Regarding “why aren’t we promoting the rapid transit buses,” is a question that will be more tackled by the Ridership Recovery campaign and efforts. We also feel commuter patterns continue to be in a state of flux, with companies, much like our own, making changes about hybrid and in-person work throughout this year. Yet, we are seeing positive indicators, with ridership increasing year over year, vanpools returning to service, more state employees seeking Platinum Passes and, overall, we have yet to see the lagging impact of gas prices on ridership. We will continue to monitor, survey, be responsive within our resources, in conjunction with our member cities, and, ultimately, be proactive with regard to the labor market challenges as an initial element of this ridership recovery response.

65. **Item #28 – Value of Transit Communications ($50,000):** Is this a one-time cost or on-going? (Peoria)

    Valley Metro has, in the past, allocated dollars for value of transit marketing. This year’s request is especially highlighted as we’re heading into a critical funding year for public transit and ensuring the level of education is high, across our community, is critical.

66. **Item #29 - Ridership Recovery Marketing ($70K R/$50K V):** Just wondering if this effort can be combined with the above request? I guess we’re just looking for a little clarification for this item; will this be mainly a marketing effort or will this funding be used to fund the research done by WestGroup? (Glendale)

    The above request is specific to costs with WestGroup Research, our Board-approved market research firm. They are costs of conducting the actual rider surveys, focus groups and their associated analysis. The Ridership Recovery campaign will then take this data from WestGroup, and other market-based factors, and build a promotional campaign consisting of creative, media buys, social media content and possibly display advertising seeking to persuade riders to return and continue with their use of public transportation—whether it be for work, play or otherwise.

67. **Item #29 - Ridership Recovery Marketing:** Does this funding include the capacity to implement any strategies derived from the analysis? (Tempe)

    This item is just implementing the strategies. The analysis is being recommended as part of Item 26 – Market Research. We will use our market research firm, WestGroup, to deliver ridership *trends, feedback and analysis that will, in turn, drive the Ridership Recovery campaign and associated efforts.*

68. **<u>Item #29 - Ridership Recovery Marketing RPTA $70,000 /VMR $50,000</u>:** VM recommends using market research and ridership analyses provided by WestGroup, to create targeted advertising that (re)emphasizes the benefits of using transit and highlights the access it can provide to leisure and entertainment. Please see my comments above on redundancy and strategic efforts. (Goodyear)

    Addressed in the response above [in question 45].

    Follow-up Question: I'm still seeing redundancy here with the other efforts. If we are promoting the benefits of public transit as it relates to Prop 400 and have an existing return to ridership strategy, how are these funds different? This also appears to be one year ahead of its time. Additionally, the Board should understand the Big Picture of the marketing program before we start adding contracts to the division. Is this something we can add to the Inflationary Contingency for use should it become clearer?

    Addressed above [in question 45].

69. **<u>Item #29 – Ridership Recovery Marketing ($120,000):</u>** Is this one-time or on-going? How does this item overlap with item #26 that allocated funding to market research that notes addressing ridership recovery? (Peoria)

    We hope it's more one-time than ongoing; however, the pandemic and our overall "emergence" has straddled more than one fiscal year. Our efforts started in FY 2021 and continue with our request into FY 2023. We feel we have work to do while ridership continues at a lower rate--marketing can assist with communicating to existing and potential riders as well as with efforts that help with the current workforce and service challenges.

    We will use the data from Market Research (#26) to build an effective Ridership Recovery promotional campaign that will consist of creative, media buys, social media content and possibly display advertising seeking to persuade riders to return and continue with their use of public transportation—whether it be for work, play or otherwise. #26 is the research arm; #29 is the campaign or the creative use of that research and data.

70. **<u>Item #30 - Classification & Compensation Study:</u>** Can you please expand on the strategy for future studies; ie. is the intent to be consistent in revisiting this task? Furthermore, is there any opportunity to complete this work using in-house resources? (Tempe)

    It is best practice to conduct a Classification & Compensation update every 5-7 years and more limited Market Studies every 3-4 years. Valley Metro does not have the capacity to conduct a classification & compensation study in-house. With a 20% turn-over rate and increased recruiting demands, the small team is struggling to keep up with day-to-day requirements. In addition, firms that maintain databases of compensation data and classification job families are much more efficient in updating classification systems.

71. **<u>Item #30 – Classification & Compensation Study ($332,000):</u>** Who completes this study? What is the breakdown of the cost of this study? (Peoria)

The Classification and Compensation Study will be completed by an HR consulting firm that specializes in Classification & Compensation. These firms maintain databases of job descriptions and career paths for common classifications. They also have access to compensation data to more effectively complete the market study component of the project. The $332,000 is an estimate. The actual pricing and any associated breakdown will be determined by the procurement process.

Inflation, Ridership, and Continuing Commitment Questions

1. On slide 2 [of the May AFS presentation], can you please augment this information with some additional context in terms of growth - recognizing that these figures represent increases to these projects/initiatives, can you include some information to show % increase/growth when compared to the existing budget.

Prior year budget amounts were provided in the original FY 2023 Budget Summary document, in the March Financial Working Group presentation, and in the March Study Session Presentation. For each agency, they are:

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

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

RPTA's total inflation and continuing commitments of $23.5 million dollars represents a 14% increase over FY 2022. VMR's total inflation and continuing commitments of $8.2 million dollars represents a 10% increase over FY 2022.

2. On slides 4, 6, 7, 8, 10, 12 & 14 [of the May AFS presentation], can you please include FY2019 to provide the pre-pandemic perspective.

   We can provide FY 2019 amounts, however, there isn't time to do so before AFS. Therefore, we'll send them separately as soon as possible. Update: they have been included in the May RTAG presentation.

3. Can you please identify which costs are associated with inflation vs. continuing commitments. While we recognize the intent to categorize these within the "new and continuing commitments" group, can you please confirm if any of these initiatives are new (ie. funded for the first time) during FY23?

   The presentation differentiates issues driven by inflation or ridership versus continuing commitments. In the tables on slides 3, 9, and 13 the names of the issue are color coded – blue indicates a continuing commitment and green indicates inflation or ridership. The Issue Detail Sheet (attached) provided to RTAG, TMC/RMC, and Board members also include this distinction in the upper right corner of each detail description.

   For issues highlighted in the presentation, the prior year funding table for each slide shows whether an issue is new or on-going by the presence or absence of a prior year amount. Of the issues in the presentation, only Fare Collection System Implementation (#12) is new. For the issues not detailed in the presentation, three are new:

   a. *ERP and EAM Support (#14) – The Board approved the implementation of the ERP and EAM systems on June 11, 2020. With the completion of implementation in FY 2023, technical support agreements are needed.*

   b. *Paratransit & RideChoice Reservations and Scheduling – In September 2020, the Board approved Valley Metro combining these functions. In August of 2021, the Board approved Valley Metro hosting the combined functions at the Mobility Center. In March 2022, the Board approved extending the paratransit contract* *and re-soliciting RideChoice to allow for the implementation of the combined Reservations and Scheduling Center on December 1, 2024. As a result, start-up equipment must be purchases late in FY 2023 for instalation in the first quarter of FY 2024.*

c. *New LRV Communications System (#31) – new software is needed for the current three rail platforms to communicate.*

4. Can you please expand upon on the expected outcomes of the budgetary increases identified within the packet?

   The purpose for each of the issues is provided in the attached Issue Detail document. Please don't hesitate to share specific questions not covered in these descriptions.

6. What are the expected outcomes if these items do not receive the outlined funding increases into FY23?
   - *City of Phoenix Regional Services (#2) – Valley Metro would violate it's IGA with City of Phoenix.*
   - *Paratransit & RideChoice Inflation and Ridership (#1) – Valley Metro would be unable to provide paratransit services beyond that funded in FY 2022, violating federal law and causing the loss of federal funds for the region.*
   - *Bus Fuel Costs (#3) – East and West Valley bus service would need to be reduced to the level supported by FY 2022 fuel funding.*
   - *Bus Service & Rate Increase (#5) – Valley Metro would default on its contracts for bus service causing the East and West Valley's to lose all service.*
   - *Paratransit & Reservations Scheduling (#6) – this Board approved initiative would be canceled. The functions would remain separate resulting in a loss of future efficiencies and savings.*
   - *Autonomous Vehicle Pilot (#4) – the Board approved pilot would be canceled.*
   - *New Fare Collection System (#12) – The new fare collection system would be canceled putting Valley Metro in default on its contract with VIX, combined with not fulfilling our commitment to the region, our Boards, and our customers.*
   - *LRV and Facility Cleaning Costs (#10) – Up to 67% of cleaning shifts would remain vacant resulting in dirty trains and platforms as the public considers Prop 400 extension.*
   - *ERP and EAM Support (#14) – without technical support for the Oracle ERP and Trapeze EAM systems, the systems will be used ineffectively and the $7.1 million used for their implementation will be wasted.*
   - *Software Inflation and Ridership (#16) – Valley Metro will need to eliminate the use of some software products hurting productivity, increasing cyber-security vulnerabilities, and impacting customer service.*
   - *Rent Changes (#15) – Valley Metro will be in breach of its leases.*

- *Origin and Destination Study (#13) -- The impact of not funding the initiative would be noncompliance with FTA requirements for the grants received, lack of data on post-COVID travel patterns and demographics, and inability of MAG to update their regional transportation model.*
- *Rail Project Planning (#32) – Valley metro would default on its agreements with the involved cities ceasing planning on all system expansions.*
- *Street Car Operations (#34) – Operation of the Tempe street car would be canceled.*
- *New LRV Communication Systems (#31) – three different systems would have to be maintained for passenger count data, vehicle maintenance data, and vehicle performance data. Staff would need to be added to merge this information of daily use.*
- *OMC Expansion Facility Cleaning (#33) – Valley Metro would have insufficient staff to clean the expanded OMC.*

General Budget Questions

1. What amount of pay increase did Valley Metro staff get in FY22? (Peoria)

3% merit increase was included in the FY22 budgets.

2. How many positions are being requested in the RPTA proposed budget? (Peoria)

Division	Position	RPTA
ABTS	Junior Systems Engineer	50%
ABTS	Employee Relations Analyst	40%
IA	Senior Internal Auditor	50%
SSQA	Transit Security Coordinator	100%
O&M	Asset Management System Administrator	20%
O&M	Administrative Assistant II	10%
Total		**2.7**

3. For FY22, was there a COLA in addition to merit? Or was it only in FY21, or both? (Peoria)

Historically, Valley Metro has not requested any type of COLA, just the standard 3% merit increase. In FY21, we included a 3% merit increase, however the Board approved a 1.5% merit increase.

4. Can you elaborate on any examples of measures the agency is pursuing to operate any more efficiently/streamlining operations in the wake of the requested cost increases? (Tempe)

Valley Metro's first step in developing the FY 2023 budget was to search its operations for reductions and efficiencies. This resulted in $3.2M in reductions. Examples include:

- *Travel – 41% reduction*
- *Non-Revenue Vehicle Replacement – 79% reduction*
- *Facility Building Maintenance – 45% reduction, mostly TBOM*
- *Transit Books – 60% reduction*
- *Computer Replacements – 33% reduction*
- *Furniture & Fixtures – 100% reduction*
- *Office Expense – 18% reduction*

5. Tempe remains concerned that the budget increases – 16% for RPTA (March Study Session slide #23) and 24% for VMR (March Study Session slide #25) – outpace the growth of Tempe's local transit tax revenue. The memo describes that COVID relief funds remain available to offset VMR expenditures; however, is it anticipated that member agency contributions would be required to offset the increased operating amounts for VMR outlined in the document beyond FY23? (Tempe)

Based on the previous direction received from member cities, we are drawing COVID relief funds down as fast as possible, reducing member city contributions. For VMR, all remaining COVID relief funding have been programmed in FY23. Unless we receive a different direction on programming from VMR cities, member city contributions will return to pre-pandemic levels, increased by any shortfalls in fare revenues, increased inflationary factors, and costs for additional service that has been requested (ex/ Streetcar for Tempe).

6. With regard to the FY23 budget what are the number of new positions being requested vs. existing vacant positions that remain needing to be filled for FY23? (Gilbert)

There are 74 current vacancies — a higher rate than normal for VM due to the current labor market pressures. All of these positions are actively being recruited for.
In FY 2023, we're requesting 11 new positions (a 2% increase). 9 of those positions are in or supporting operations. Of those positions, about (I'm doing this from memory but can confirm the numbers tomorrow) 75% of the costs are VMR Of the 25% that are RPTA, about half (1/8 of total) is funded by regional PTF and half (1/8 of the total) is city funded.
Two of the new positions requested are support positions (an additional auditor and conversion of an IT contractor to an FTE which saves $26,000/ year). These two are funded by 50% VMR and 50% RPTA. The RPTA portion is entirely funded by regional PTF and don't impact city costs.

7. Over the past year, Valley Metro service metrics have declined (i.e. - on-time performance and missed trips). How will the new positions and other proposed increases help move the needle on these key metrics? (Peoria)

The root cause of FY 2022's decrease in on-time performance and increase in missed trips is the inability of transit service contractors to maintain the staffing needed to provide the required level of service. These staffing shortages are the result in rapid, recent shifts in the labor market that have made the wages in Valley Metro's contracts uncompetitive. The Operations Contingency (#17) seeks to address this issue by giving the Board the financial flexibility to adjust contractor wages. In the April Board meeting, Valley Metro shared the following information on this request:

Operations Contingency (#17)
Goal: Give the Boards flexibility to address contract labor rates to maintain service quality.
<u>Components</u>
- *East Valley Bus Service*
- *West Valley Bus Service*
- *ACI LRV Operators*
- *Allied Universal Security*

Governance: Contract & Expenditure changes require prior Board Approval

<u>What do we know</u>
1. *This is a nationwide issue (APTA survey of 117 agencies)*
    - *92% of transit agencies report staffing problems*
    - *Agencies report operators are the hardest to fill*
    - *49% have reduced service due to staffing shortages*
    - *52% have increased starting wages to fill positions*
2. *The dramatic tightening in the labor market began to manifest itself as the Omicron wave ebbed in November/December – contract changes are just starting to happen nationwide.*
3. *Valley Metro's Operator wages are average for <u>current</u> contracts*

Property	Max Wage	Next Increase Date	Contract/CBA End Date	Total Future Increases	% Increase Over Prior Year	BLS Cost of Living Index	Cost of Living Adjusted Wage
Atlanta, GS	$ 25.08	1/1/2023	1/1/2023	$ 0.27	2.0%	100.3	$ 25.00
Dallas, TX	$ 28.17	10/1/2022	10/1/2022	none	4.0%	98.5	$ 28.60
Denver, CO	$ 30.24	1/1/2023	1/1/2025	$ 2.48	16.6%	112.1	$ 26.98
Phoenix, AZ	$ 28.19	7/1/2022	7/1/2025	$ 2.62	2.7%	104.3	$ 27.03
Valley Metro, AZ	**$ 27.26**	**7/1/2022**	**6/30/2026**	**$ 4.68**	**4.0%**	**104.3**	**$ 26.14**
Portland, OR	$ 33.65	12/1/2022	12/1/2022	$ 2.30	2.2%	116.5	$ 28.88
San Diego, CA	$ 30.04	7/1/2022	1/1/2025	$ 3.75	3.5%	136.2	$ 22.06
Seatle, WA	$ 37.22	5/1/2022	11/1/2022	$ 0.74	2.0%	124.6	$ 29.87
Salt Lake City, UT	$ 25.19	6/26/2022	12/21/2022	$ 0.50	3.0%	105.9	$ 23.79
Average							$ 26.48

3. *Advertised starting wages for local CDL operators surpass Valley Metro's maximum wage*

Local CDL Postings	Advertised Starting Wage	Incentive
Hensley Beverage	$ 23.00	
Sparkletts Water	$ 28.00	
SPEC	$ 28.00	
Diamondback Materials	$ 30.00	
West Coast Sand & Gravel	$ 30.29	
Penske	$ 35.00	$10,000 Sign-on Bonus
Jacksons Food Stores	$ 36.06	Sign-on Bonus up to $15,000

<u>What we don't know</u>
1. *The changes our peers will make – we're in communication but they're also in progress*
2. *What changes will be needed to maintain service levels*

<u>Recommendation</u>

Include contingency funding in the FY 2023 budget to give the Boards flexibility to address labor rates when appropriate adjustments can be determined.

8. Which of these items contribute to an increase in cost of services provided paid by cities or PTF? (Peoria)

The following issues will have an impact on Peoria's local or PTF costs:

Issue Title	#	RPTA Total
City of Phoenix Regional Service	2	$9,646,200
Paratransit & RideChoice Inflation and Ridership	1	$3,525,200
Bus Fuel Costs	3	$3,453,900
Bus Service & Contract Rate	5	$2,887,200
Operations Contingency	17	$3,585,800
VM Staff Labor Market Adjustment	18	$886,900
EAM System Administrator	20	$20,800
Admin Support for Deputy Directors	19	$6,400

Peoria funds approximately 2% of the RPTA Transit Services budget and about 1% of the total RPTA Operating Budget through their local contributions. These proportions can provide reasonable estimates of Peoria's share of the issues above-(e.g., Bus Fuel Costs can be expected to increase Peoria's cost by $69,078 as compared to $64 for the Admin Support for Deputy Directors). This approach shouldn't be used to estimate Paratransit and RideChoice costs, City of Phoenix Regional Costs, or Bus Service and Contract Rate as these have specific drivers (e.g., PT trips, bus revenue mile changes, and bus rate changes).

9. Which affect the overhead rate charged for service by Valley Metro? (Peoria)

The following issues will impact Valley Metro's indirect costs which are, in part, allocated to services consumed by Peoria:

Issue Title	#	RPTA Total
Software Inflation & Ridership	11	$179,000
Rent Changes	15	$109,900
VM Staff Labor Market Adjustments	18	$886,900

Here too, a 1% allocation of total costs to Peoria is a reasonable estimate.

The Valley Metro Labor Market Adjustments are listed in both categories because pay increases to transit service staff impact the cost of transit serviced paid for by Peoria. Increases in the pay of staff supporting transit services (e.g. HR and IT) are, in part, allocated as indirect costs to services paid for by Peoria. The likely total impact to cost paid by Peoria is $8,869 for both categories combined.

10. How do you track employee costs and overhead and reconcile with the amount of PTF used to pay salaries and benefits? (Peoria)

All financial data is captured through our financial system in accordance with Generally Accepted Accounting Principals (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and is reviewed for conformance by an external auditing firm on an annual basis. All employee costs are captured through bi-weekly timesheets that identify the hours and costs charged to specific projects (EV Service, WV service, Marketing, etc.) for each employee, which flows into our financial system. Indirect Costs (overhead) are captured and allocated to projects each month based on direct labor charges by project (relative share vs. total labor costs). Our indirect Cost Allocation Plans (CAP) are submitted to and approved by the City of Phoenix each year, and conform to the computation and allocation methodologies, meeting the requirements of 2 CFR Part 200 Appendix V. Through the annual budgeting process, revenues are assigned to each project based on availability and the level of service requested by our members and approved by the Boards. The Prop400 guidelines and VM Board policies determine how Public Transportation Fund (PTF) is allocated to each agency and project. Annual use of PTF funds are reconciled through a combination of those policies, our financial system, and the Transit Life Cycle Program (20-year financial model documenting actual use, future use, and fund balance of Prop400 PTF monies).

11. For items approved and not expended, do these remaining funds then contribute to "budget authority" which results in the ability to fit unforeseen costs next year into the budget? Or, are these identified as savings and not expended on other items? (For example, items that were not planned but were able to be fit into the budget such as the recent increases for the ERP system and a number of other items over the last few years.) (Peoria)

There are three constraints on Valley Metro's ability to spend money. All three must be satisfied for spending to be possible:
Budget Authority – When the Board approves Valley Metro's annual budget it established a maximum level of spending authority for each agency. As this authority is established in total, cost reductions in one area can be used to address cost increases in another provided the other two constraints noted below are met. For example, in FY 2022, VMR insurance costs jumped $1 million (48%). Valley Metro didn't have to seek additional funds from cities, however, because this increase was offset by savings associated with maintaining 15-minute rail headways rather than returning to 12-minute headways.
Cash – Transit services make up 89% of the RPTA operating budget and 70% of the VMR operating budget. Cities pay for the actual cost of the transit services they utilize through their IGAs. As a result, a reduction in transit costs can't be used to fund a support service because, while there would be excess budget authority there wouldn't be any cash to spend (as the cities only pay actual transit costs). Therefore, transit savings in one area can be used to address transit costs in another area (as illustrated in the insurance example above) and support savings can be used to address other support costs but transit and support costs can't offset each other.
Contract Authority – The vast majority of Valley Metro spending occurs through contracts approved by the Boards. This approval includes a cap on the level of spending allowed for that contact. As a result, unanticipated issues almost always require Board approval to adjust the contact authority for the impacted contracts (as occurred in FY 2022 to address the increase in insurance costs).

Because all three of these conditions must be met, Valley Metro's ability to use savings in one are to address cost increases in another is fairly limited and generally requires Board approval for any significant amount.

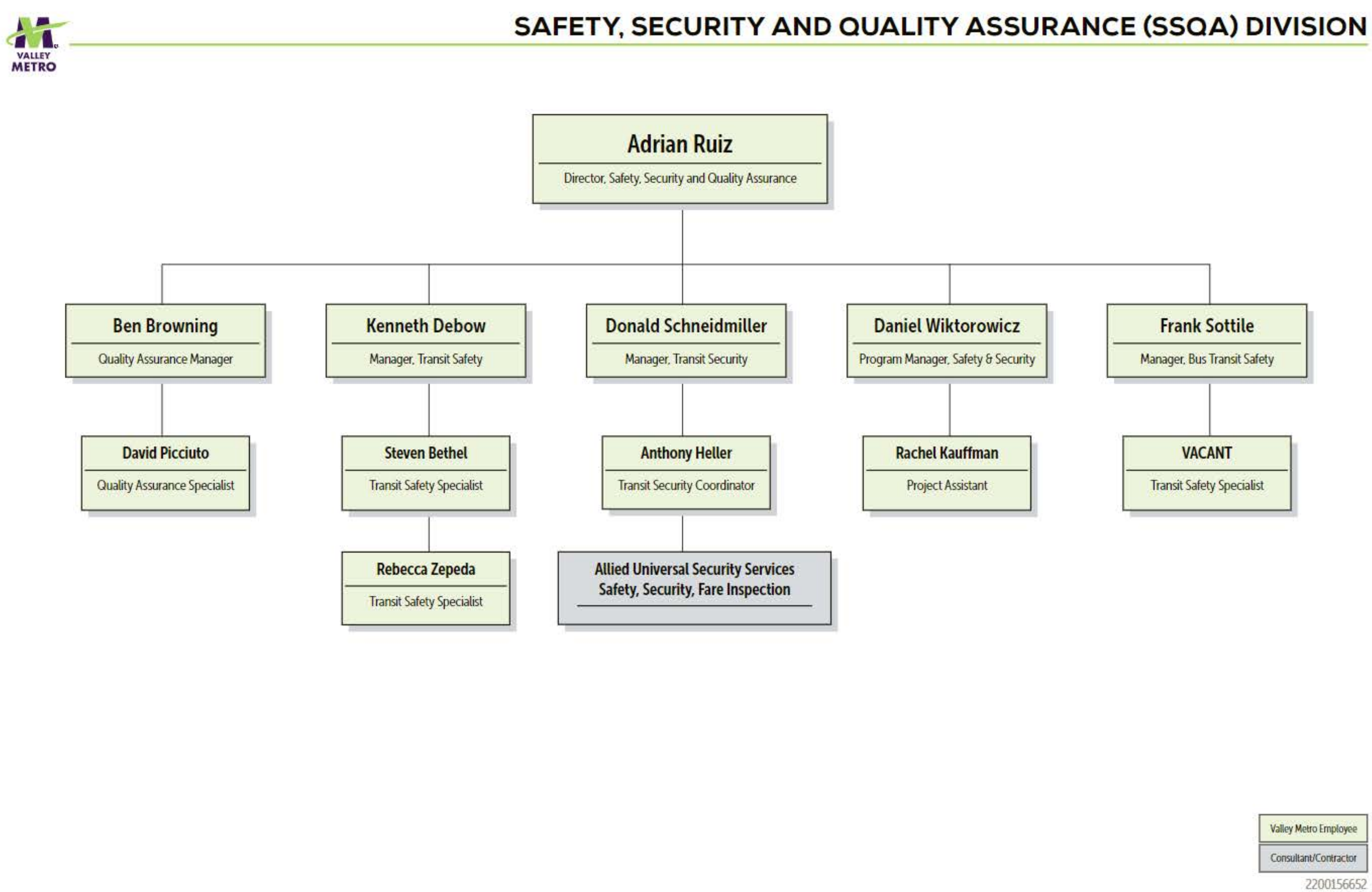
12. Per the Staffing Overview on Pg. 9, 11 new positions are added for FY23. Aside from the 11 new positions named in this section, has consideration been given to reviewing the structure and assignment of any positions that may be vacant within the existing 451 FTE's? If so, is that level of detail visible within the budget document? (Tempe)

Yes, Valley Metro reviewed all of its vacant positions prior to finalizing its budget request to determine whether any could be repurposed to meet the needs requested the in the FY 2023 budget request. There were 74 positions vacant at that time. That review found that all of the then vacant positions were needed and actively being recruited for. Specifically, 52 (70%) were operations positions required to provide transit services and maintenance. Eight were capital development or community relations specialists necessary for completion of the current development projects. The remaining 14 were critical support positions (e.g. Chief Financial Officer, Contracts Administrator, Recruiting Manager, Recruiter, Information Security Lead Engineer, Marketing Manager) needed for the agency to function effectively, serving riders and cities. Since that review did not relate directly to the FY 2023 request, it was not included in the 167 pages of budget documentation provided to date.

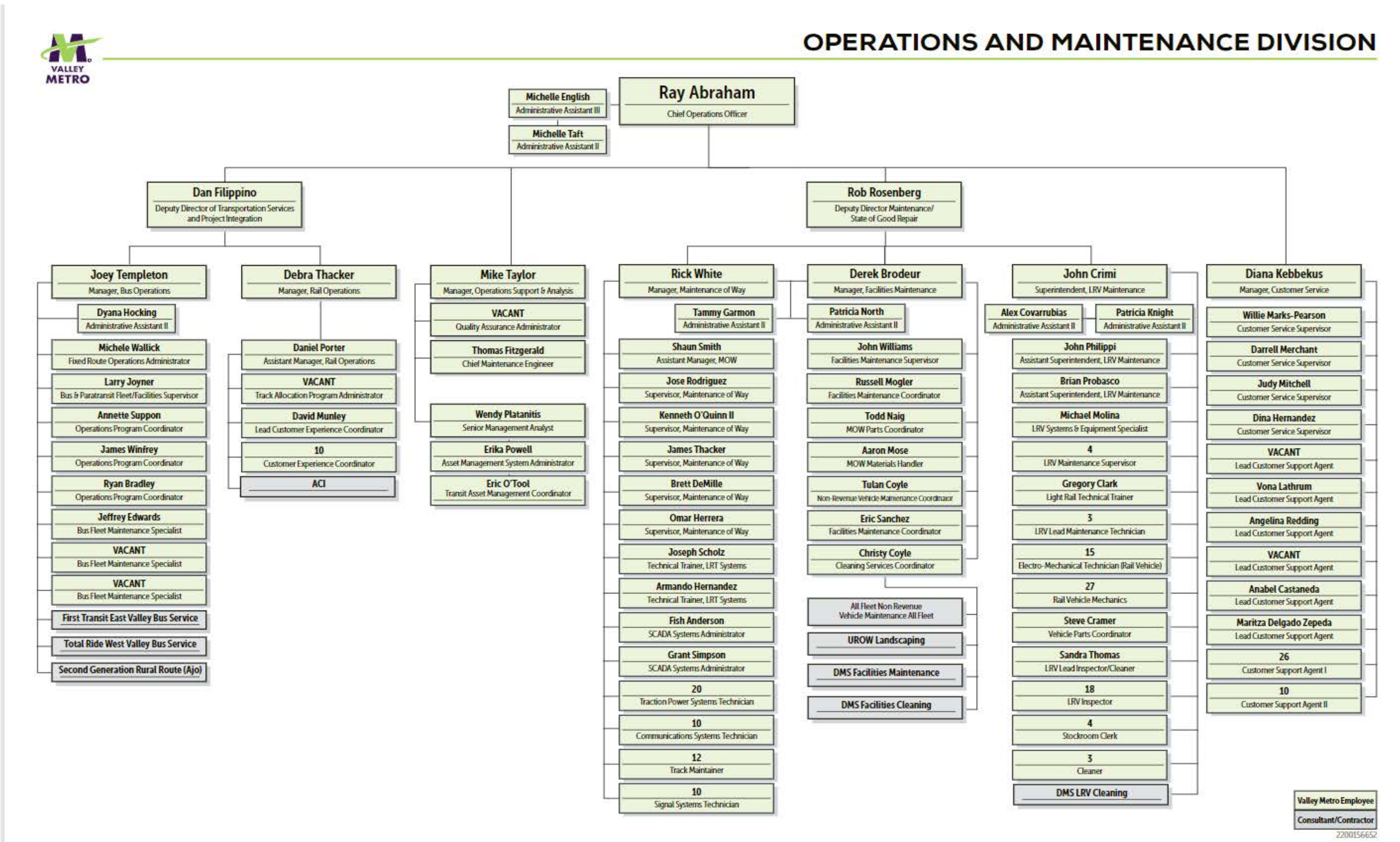
13. For the requested positions for FY23, could we see an organization chart overview highlighting where these positions fit in the organization? (Peoria)

Org Charts Attached

Attachments

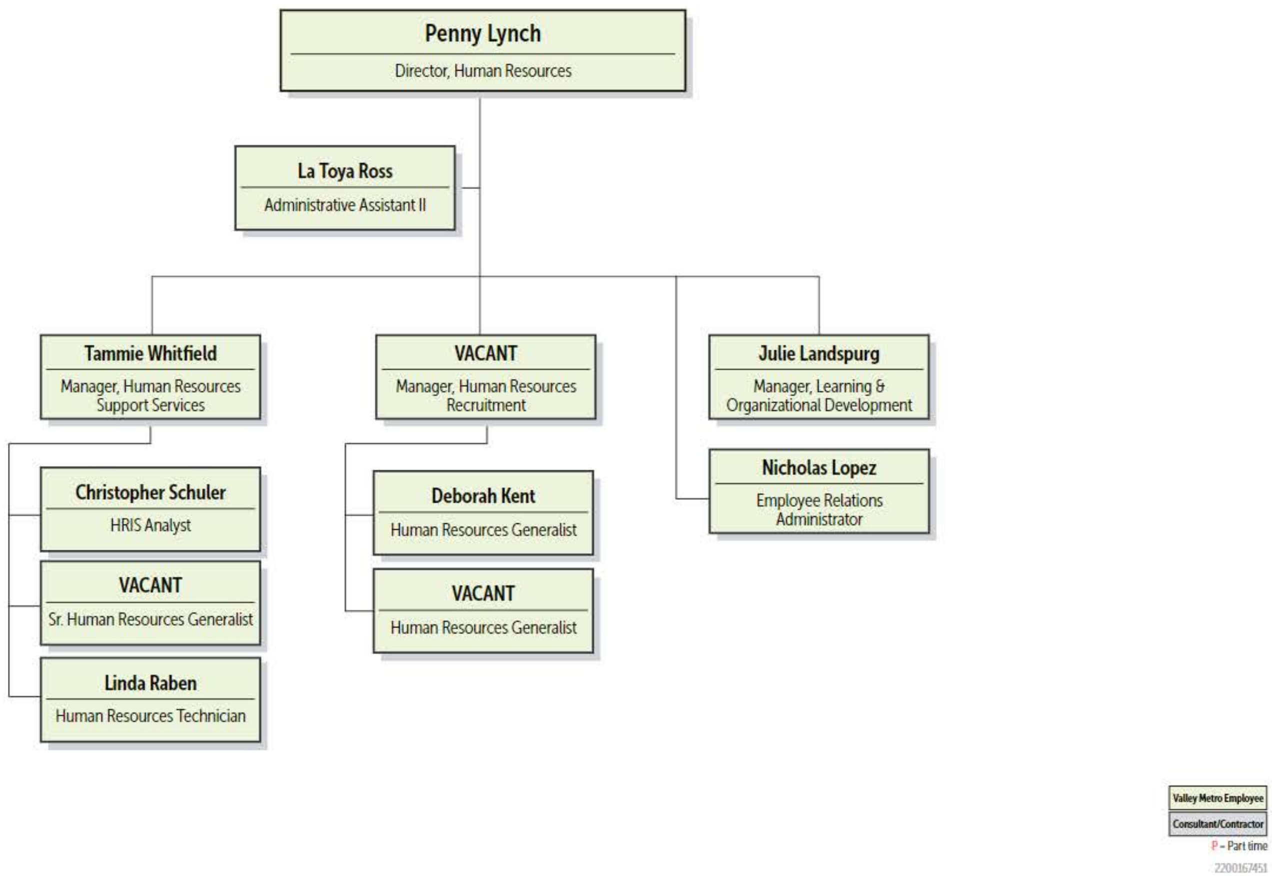


The new Bus Security Coordinator (#7) will report to Don Schneidmiller as a peer of Anthony Heller (the Rail Security Coordinator)

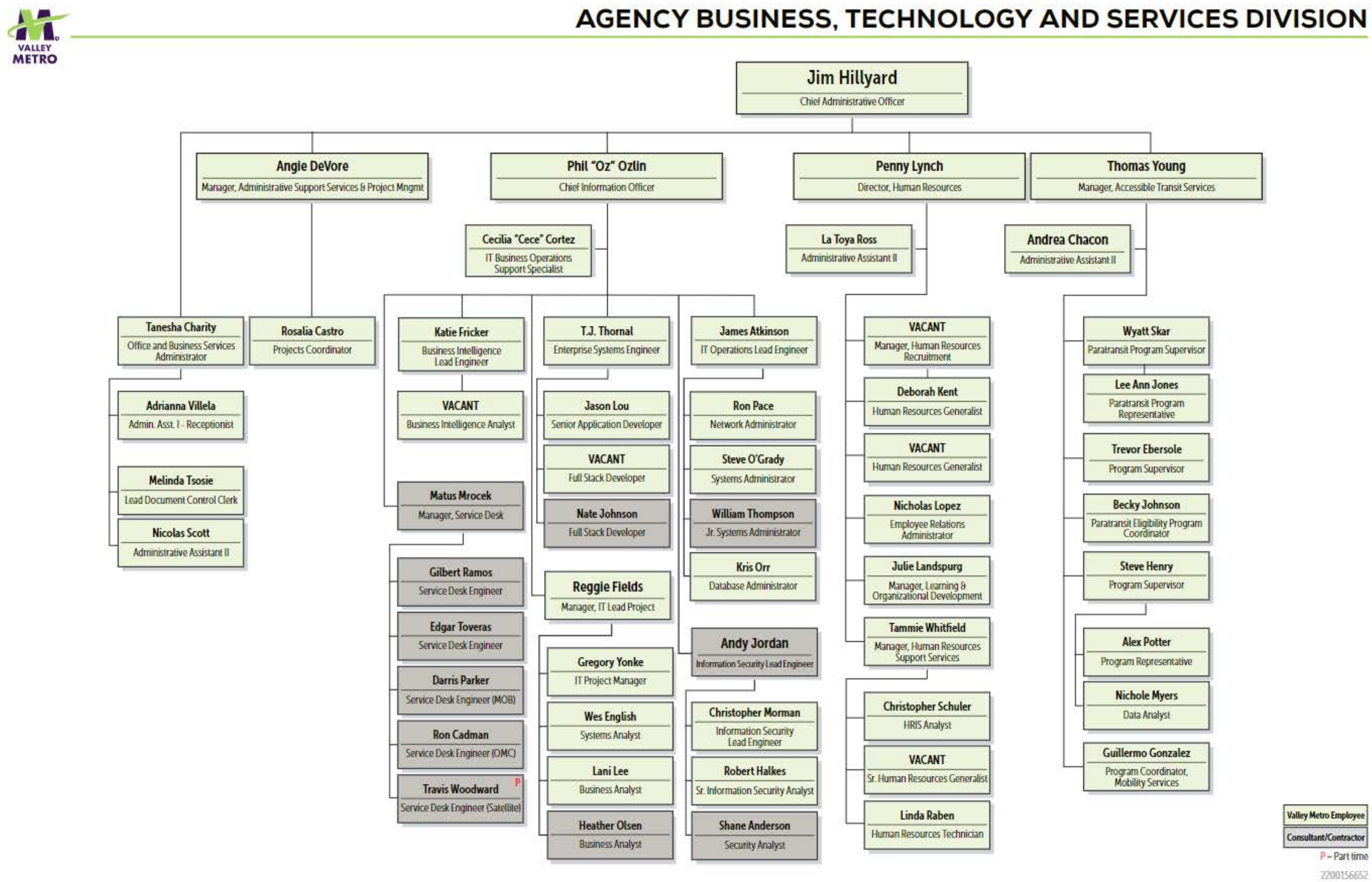


The Administrative Support for Deputy Directors (#19) adds on Administrative Assistant under Dan Filipino and a second under Rob Rosenberg.
The EAM System Administrator (#20) will report to Erica Powell.
The Maintenance of Way Planner and Supervisor (#36) will both report to Rick White.
The Grounds Maintenance Coordinator (#37) will report to Derek Brodeur.
The Facilities Maintenance Tech (#38) will report to John Williams.

HUMAN RESOURCES DIVISION



The Operations Employee Relations Specialist (#24) will report to Penny Lynch as a peer of Nicholas Lopez the single current ER Specialist.



The Junior Systems Engineer (#25) is William Thompson, reporting to James Atkinson on the chart above.

Information Summary

DATE **AGENDA ITEM 6**
June 9, 2022

SUBJECT
Travel, Expenditures and Solicitations

PURPOSE
The monthly travel, expenditures and solicitations are presented for information.

Non-essential travel has been suspended at this time.

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

CONTACT
Jim Hillyard
Acting Chief Financial Officer
602-262-7433
jhillyard@valleymetro.org

ATTACHMENTS
Valley Metro Travel Report
Valley Metro RPTA and Valley Metro Rail Monthly Accounts Payable over $25,000
Active Requests for Proposals, Qualifications and Invitations for Bids

Valley Metro
Travel Reimbursement Report
For Travel Completion Dates
4/1/22 through 4/30/22

Job Title	Purpose of Travel	Location	Dates Traveled	Total Travel Cost	Airfare	Other Transport	Lodging	Meals	Misc.
Office and Business Services Administrator	National Forum of Black Public Administrators	Grand Rapids, MI	03/30/22-04/3/2022	$1,624.78	$246.28	$170.00	$885.50	$323.00	$0.00
Total this reporting period				$1,624.78					
Year to Date				**$21,144.16**					

Report reflects Out of State (AZ) Travel

Valley Metro Regional Public Transportation Authority
Monthly AP Payments over $25,000
April 2022

Payment Number	Date	Supplier or Party Name	Transaction Description	Amount
10000507	4/22/2022	First Transit Inc	March 2022 Transit Services	5,613,897.72
10000465	4/1/2022	First Transit Inc	Feb 2022 Transit Services	5,222,673.58
10000531	4/28/2022	Transdev Services Inc	March 2022 General Paratransit Service	1,230,303.55
10000475	4/1/2022	Transdev Services Inc	Feb 2022 General Paratransit Service	1,151,172.59
90000067	4/22/2022	ADP LLC	PPE 4/17/2022 Payroll Liabilities	1,005,618.82
90000062	4/8/2022	ADP LLC	PPE 4/03/2022 Payroll Liabilities	933,988.21
10000477	4/8/2022	Allied Universal Security Services	VMR - March 2022 Fare Inspection and Security Services	599,421.92
10000511	4/22/2022	Total Transit Enterprises LLC	March 2022 West Valley Contracted Fixed Route	539,070.08
10000491	4/8/2022	City of Phoenix	FR Bus Service, DAR, FR Svc Op Supp	404,684.18
90000066	4/22/2022	Cigna Health and Life Insurance Company	April 2022 Health Insurance Premiums	374,336.52
10000479	4/8/2022	ARCADIS	VMR - Dec 2021 - Mar 2022 Consulting Support Services	352,104.17
10000464	4/1/2022	Creative Software Solutions LLC	Ridechoice Mgmt Svcs + EZT SetupImplementation Fee	347,507.72
10000498	4/14/2022	Creative Software Solutions LLC	Ridechoice Mgmt Svcs + EZT SetupImplementation Fee	272,685.36
90000065	4/22/2022	ASRS	PPE 04/17/22 ASRS Contributions & LTD	259,719.02
90000061	4/8/2022	ASRS	PPE 04/03/22 ASRS Contributions & LTD	256,650.91
10000506	4/22/2022	DMS Facility Services Inc	VMR - March 22 Facilities Maintenance Services	190,754.66
10000500	4/14/2022	DMS Facility Services Inc	VMR - Feb & March 22 Facilities Maintenance Services	145,677.58
90000076	4/30/2022	Surepays	RPTA April 2022 Utilities	122,289.22
10000503	4/14/2022	Medical Transportation Management Inc	Mar 2022 Paratransit Eligibility Assessment and Fixed-Route Travel Training Services	96,730.73
10000485	4/8/2022	Medical Transportation Management Inc	Feb 2022 Paratransit Eligibility Assessment and Fixed-Route Travel Training Services	94,531.44
10000495	4/8/2022	Senergy Petroleum LLC	Bulk Fuel	86,455.62
10000472	4/1/2022	Senergy Petroleum LLC	Bulk Fuel	69,492.01
10000489	4/8/2022	Second Generation Inc, dba Ajo Transpor	March 2022 Rural Connector Services	69,175.71
1000547	4/1/2022	City of Scottsdale, Remittance Processi	Juy 2021 - Feb 2022 PTF Expenditure Reimbursement	66,707.96
90000075	4/30/2022	Wells Fargo Bank	March 2022 Credit Card Charges	63,283.94
10000488	4/8/2022	Plante & Moran PLLC	Consultant Services for ERP/EAM Implemention	60,146.25
1000604	4/28/2022	CopperPoint Insurance Company	May 2022 Rent for Mobility, Call Center and Parking	59,371.08
90000073	4/30/2022	Cigna Health and Life Insurance Company	April 2022 Health Insurance Premiums	57,494.98
1000600	4/22/2022	Hye Tech Network & Security Solutions L	IP Address Space and Professional Services	47,150.00
10000512	4/22/2022	URW LLC	Landscape Maintenance Services	46,241.16
90000069	4/4/2022	Wells Fargo Bank	Feb 2022 Credit Card Charges	45,808.96

100089	4/22/2022	CHK America Inc	Wayfinding Map Design Services	42,650.00
10000469	4/1/2022	Vehicle Technical Consultants	In-Plant Vehicle Inspections	41,705.00
10000532	4/28/2022	City of Phoenix	Platinum Pass Program and Service Charges	37,421.50
10000518	4/22/2022	Krauthamer & Associates LLC	Professtional Services-Recruitment Fee	36,957.35
10000508	4/22/2022	Guidesoft Inc	Managed Services Provider	28,849.60
10000520	4/22/2022	Senergy Petroleum LLC	Bulk Fuel	27,486.14
10000505	4/14/2022	Senergy Petroleum LLC	Bulk Fuel	25,890.76
1000560	4/8/2022	WEX Bank	Fleet Card Services	25,320.36
				20,151,426.36

Valley Metro Rail, Inc
Monthly AP Payments over $25,000
April 2022

Payment Number	Date	Supplier or Party Name	Transaction Description	Amount
50000395	4/1/2022	Kiewit Infrastructure West Company	Jan 2022 CMAR Services for South Central-Downtown Hub	17,226,961.70
50000427	4/14/2022	Kiewit-McCarthy, a Joint Venture	Jan 2022 CMAR Services for Northwest Phase II	15,471,554.31
50000441	4/22/2022	Kiewit-McCarthy, a Joint Venture	Feb 2022 CMAR Services for Northwest Phase II	5,370,478.50
50000414	4/8/2022	Hensel Phelps Construction Co	Release of Retention	1,000,000.00
50000400	4/1/2022	Stacy and Witbeck Inc	Dec 2021 & Jan 2022 CMAR Services for Tempe Street Car	525,200.01
50000407	4/1/2022	SRP	NWEII Irrigation Engineering	452,162.00
90000010	4/30/2022	Surepays	VMR April 2022 Utility	279,354.39
5000678	4/22/2022	SHI International Corp	APC Reporting Software	197,124.47
5000702	4/28/2022	PGH Wong Engineering Inc	System Design Services	172,924.76
50000450	4/28/2022	101 North First Ave LLC	May 2022 Rent + Storage Room Leases	168,846.91
50000419	4/8/2022	TransTech of South Carolina Inc	Pantograph Over Haul Kit	161,456.90
5000628	4/8/2022	United Safety and Survivability Corp	LRV Operator Seats	120,510.67
5000664	4/14/2022	PGH Wong Engineering Inc	System Design Services	114,173.62
50000412	4/8/2022	DLT Solutions LLC	Aconex Project Control System	77,306.10
5000684	4/22/2022	Moon Valley Country Club Inc	NWEII Water reimbursement from Intake Line Relocation	70,352.40
5000677	4/22/2022	PGH Wong Engineering Inc	System Design Services	47,252.46
5000643	4/8/2022	Portable Air LLC	Portable Power and HVAC	47,159.36
50000403	4/1/2022	Zarco Guerrero	Public Art Services-Fabrication / Install	42,390.00
50000389	4/1/2022	Award Winning Restorations	Light Rail Vehicle Painting	35,040.00
50000434	4/14/2022	Award Winning Restorations	Light Rail Vehicle Painting	35,040.00
5000681	4/22/2022	Courtesy Chevrolet	New Vehicles	31,731.26
50000424	4/14/2022	Brookville Equipment Corp	Street Car Vehicles	30,313.92
50000390	4/1/2022	Barbara Grygutis Sculpture LLC	Public Art Services-Fabrication / Install	30,000.00
5000636	4/8/2022	Magnetry LLC	Marketing & Advertising Streetcar Safety Video	29,998.80
50000457	4/28/2022	Penn Machine Company LLC	Tire Mounting Kits	29,011.20
				41,766,343.74

VALLEY METRO

Procurement Report
for June Board Month

Contract Administrator	Agency	Procurement Type	Procurement Title	FTA Funding	Release Date	Proposal Due Date	Targeted Board Award Date	Estimated Contract Value	Term of Contract	Comments
RECENTLY COMPLETED PROCUREMENTS										
Rick W	RPTA	RFP	CNG Gas Detection System	No	November 2021	January 2022	April 2022	$200,000.00	one time purchase	Executed
ACTIVE PROCUREMENTS										
Contract Administrator	Agency	Procurement Type	Procurement Title	FTA Funding	Release Date	Proposal Due Date	Targeted Board Award Date	Estimated Contract Value	Term of Contract	Comments
Barb H	Joint	RFQ	Planning Support Services	Yes	December 2021	February 2022	May 2022	$30,000,000.00	3 years + 2 options	Pending Board Approval
Barb H	VMR	RFP	LRV Electrical Repairs	Yes	March 2022	April 2022	June 2022	$450,000.00	3 years + 2 options	Pending Board Approval
Susanna H	Joint	RFP	Community Relations Support Services	Yes	January 2022	June 2022	August 2022	$6,500,000.00	3 years + 2 options	Solicitation Issued
Rick W	RPTA	RFP	Rural Connector Service	Yes	January 2022	February 2022	June 2022	$9,000,000.00	5 years + 3 options	Pending Board Approval
Christian J	RPTA	RFP	RideChoice Management Services	Yes	March 2022	April 2022	August 2022	$10,804,731.00	1 year + 1 option	In Evaluation
Christian J	Joint	RFP	Non-Revenue Fleet Maintenance Services	No	March 2022	April 2022	August 2022	$700,000.00	5 years	In Evaluation
Susanna H	Joint	RFQ	Executive Search Firms	No	May 2022	June 2022	June 2022	$150,000.00	1 year + 2 options	Initiating Documents
FUTURE PROCUREMENTS										
Contract Administrator	Agency	Procurement Type	Procurement Title	FTA Funding	Release Date	Proposal Due Date	Targeted Board Award Date	Estimated Contract Value	Term of Contract	Comments
Rick W	VMR	RFP	East Valley Fixed Route Bus Services	Yes	May 2022	August 2022	November 2022	$400,000,000.00	5 yrs + 3yr/2yr opt	SOW Development
Barb H	VMR	RFP	LRV Electronic Repairs	Yes	TBD	TBD	August 2022	$210,000.00	3 years + 2 options	SOW Development
Jennifer H	RPTA	RFP	Autonomous Vehicle Research	Yes	May 2022	TBD	TBD	$250,000.00	5 years	SOW Development
Christian J	Joint	RFP	Regional ADA Paratransit Services Operations & Maintenance	Yes	TBD	TBD	TBD	TBD	TBD	SOW Development
Christian J	VMR	Sole Source	Time Management Solution	No	May 2022	N/A	TBD	$65,000.00	5 years	SOW Development
Christian J	RPTA	COOP	Electric Vehicles - Vans	No	TBD	TBD	TBD	TBD	1	Evaluating the potential use of a co-operative contract
Susanna H	Joint	COOP	Managed Services Provider-Accessible Coordinator	No	April 2022	TBD	TBD	$700,000.00	5 years	Initiating Documents
Susanna H	RPTA	RFP	Origin and Destination Survey	Yes	July 2022	TBD	November 2022	$800,000.00	2 years	SOW Development

IFB - Invitation For Bids
RFP - Request for Proposals
RFQ - Request for Qualifications
COOP - Cooperative Contract
TBD - To Be Determined

Information Summary

DATE **AGENDA ITEM 7**
June 9, 2022

SUBJECT
Report on Current Events and Suggested Future Agenda Items

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

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Jessica Mefford-Miller
Chief Executive Officer
602-262-7433
jmeffordmiller@valleymetro.org

ATTACHMENT
None.

Pending Items Request

Item Requested	Date Requested	Planned Follow-up Date
RideChoice – Study Session	May 2022	TBD
Electric Vehicles – Study Session	May 2022	TBD
Strategic Plan – Study Session		Possible August

Information Summary

DATE
June 9, 2022

AGENDA ITEM 8

SUBJECT
Executive Session

PURPOSE
The Boards will consider a request to adjourn the Regular Meeting and hold an executive session pursuant to Ariz. Rev. Stat. § 38-431.03(A)(4) for discussion with the General Counsel or attorneys for the organization for legal advice concerning the following contracts that are the subject of negotiations and to instruct the General Counsel and attorneys for the organization in such negotiations: First Transit, Total Transit. ACI, Allied Universal Security, DMS, and TransDev.

COST AND BUDGET
None

RECOMMENDATION
Staff recommends that the Boards of Directors vote to enter into Executive Session

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Michael Wawro
Interim General Counsel
602-262-7433
mwawro@valleymetro.org

ATTACHMENT
None

Agenda

June 9, 2022

Board of Directors
Thursday, June 16, 2022
Boardroom/Webex
Valley Metro, 101 N. 1st Avenue, 10th Floor
11:15 a.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.

CONSENT AGENDA

2A. Minutes	2A. For action

Minutes from the May 19, 2022 Board meeting are presented for approval.

2B. Transportation Services to Operate the Rural Connector Service Contract Award	2B. For action

Staff recommends that the Board of Directors authorize the CEO to execute a 5-year base contract with one 3-year option with Second Generation, Inc. dba AJO Transportation to provide transportation services to operate Route 685 (Ajo/Gila Bend) Rural Connector Service and short trip bus service within the City of Buckeye for an amount not to exceed $5,625,000 for the 5-Year base contract plus a 5% contingency of $263,000 for the period of November 1, 2022 to October 31, 2027, for a total of $5,888,000.

REGULAR AGENDA

3.	Valley Metro RPTA Fiscal Year 2023 (FY23) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY23 thru FY27)	3.	For action

Staff recommends that Board of Directors approve the Valley Metro RPTA FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY 2023 thru 2027).

4.	Fiscal Year 2023 (FY23) Election of Valley Metro RPTA Board Officers and Subcommittee Positions	4.	For action

The Board will vote to elect Board officers and Board subcommittee positions for FY 2023.

5.	Report on Current Events and Suggested Future Agenda Items	5.	For information

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

6.	Next Meeting	6.	For information

The next Board meeting is scheduled for **Thursday, August 18, 2022 at 11:15 a.m.**

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

Information Summary

DATE **AGENDA ITEM 1**
June 9, 2022

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.

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Jessica Mefford-Miller
Chief Executive Officer
602-262-7433
jmeffordmiller@valleymetro.org

ATTACHMENT
None

Minutes

June 9, 2022 **AGENDA ITEM 2A**

Board of Directors
May 19, 2022
Boardroom/Webex
11:15 a.m.

RPTA Meeting Participants

Councilmember Francisco Heredia, City of Mesa **- Chair**
Councilmember Bill Stipp, City of Goodyear- **Treasurer**
Councilmember Clay Goodman, City of Buckeye (phone)
Mayor Kevin Hartke, City of Chandler (phone)
Vice Mayor Monica Dorcey, City of El Mirage (phone)
Councilmember Mike Scharnow, Town of Fountain Hills (phone)
Mayor Brigette Peterson, Town of Gilbert
Councilmember Lauren Tolmachoff, City of Glendale
Supervisor Jack Sellers, Maricopa County (phone)
Councilmember Jon Edwards, City of Peoria
Councilmember Leah Martineau, Town of Queen Creek (phone)
Councilmember Chris Judd City of Surprise
Councilmember Robin Arredondo-Savage, City of Tempe
Mayor Rui Pereira, Town of Wickenburg (phone)
Mayor Michael LeVault, Town of Youngtown (phone)

Members Not Present

Vice Mayor Veronica Malone, City of Avondale
Vice Mayor Laura Pastor, City of Phoenix
Councilmember Aldofo Gamez, City of Tolleson
Councilmember Betty Janik, City of Scottsdale

Chair Heredia called the meeting to order at 12:58 p.m.

1. Public Comment

Chair Heredia said we will start with item number 1 Public Comment, Mr. Crowley. You have three minutes.

Mr. Crowley said I have statements in here that say that they changed on the amount of funding and how it was going from systemwide to each of the cities so that the supergrid and that is having to be dealt with by ya'll. The two last on the document that I like to refer from '06, for 2022, it's 83rd Avenue and 75th Avenue you know your cities that it passes through, but then the next one is Litchfield. So Goodyear, could you ask and get them to be dealing with it and all the ones all the way going up to RH Johnson which would include the county too so that, you know, you've said you've dropped eight of them. Are these two of the ones you're still going to be dropped and not doing?

On your budget revisions and where it looks -- it says, the RPTA on page 30, I note that all of this is funding from you guys, right? And it says there, operating contingencies for the rail. You don't pay any operating cost whatsoever. Those are the -- each of the individual cities so what's 3.5 million for contingencies for operating out of your budget because it's Tempe, it's Phoenix, it's Mesa that pay for the operating of the rail. And I'd like that you guys would show it and, you know, show which ones paying how much and what, but when it's in here like this I -- you're juggling. It's smoke and mirrors.

With what each of your cities has done when it comes to getting the supergrid and the rest of the expansion and that the documents I know see say that one of the things that we've had to cut back on was facilities like for the bus and for the rural and the DAR and the van maintenance. And I go, that little area there in the middle of the freeway that we spent $28 million to construct and have never used as a transit facility, aren't some of these facilities able to be used and done? And then we could be getting more into what it says that you were going to be doing so.

I look at what you say and what you're doing, and my favorite part is well, we're not going to be here in July because elitist and pretentious individuals are not here, but I don't know how to tell you, but 80% of the population doesn't go to San Diego for the summer. Can't. And you need to be dealing with that as in where are all the bus stops with shade? You can kill a person here in ten minutes. And could you make sure on the rail that all of those drinking fountains are working this summer?

Chair Heredia said thank you, Blue.

2. Consent Agenda

Chair Heredia said the consent agenda is presented for action. Anyone have any questions or comments on the Consent Agenda? Hearing none. Request a motion and a second to approve the Consent Agenda.

IT WAS MOVED BY MAYOR PETERSON, SECONDED BY COUNCILMEMBER STIPP AND UNANIMOUSLY CARRIED TO APPROVE THE CONSENT AGENDA.

3. Report on Current Events and Suggested Future Agenda Items

Chair Heredia said are there any events or items? No.

Just a note, next month we'll have RPTA Board meeting -- board officer and AFS elections will be held. Pat will be distributing a memo with the details and deadlines for letters of interest submittal so. Do you know when -- by when, Pat?

Ms. Dillon said probably Monday.

Chair Heredia said Monday. Okay. So check your emails for that information.

4. Next Meeting

The next Board meeting is scheduled for Thursday, June 16, 2022, at 11:15 a.m.

With no further discussion the meeting adjourned at 1:03 p.m.

Information Summary

DATE **AGENDA ITEM 2B**
June 9, 2022

SUBJECT
Transportation Services to Operate the Rural Connector Service Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a 5-year base contract with one 3-year option with Second Generation, Inc. dba AJO Transportation to provide transportation services to operate Route 685 (Ajo/Gila Bend) Rural Connector Service and short trip bus service within the City of Buckeye for an amount not to exceed $5,625,000 for the 5-Year base contract plus a 5% contingency of $263,000 for the period of November 1, 2022 to October 31, 2027, for a total of $5,888,000.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a 5-year base contract with one 3-year option with Second Generation, Inc. dba AJO Transportation to provide transportation services to operate Route 685 (Ajo/Gila Bend) Rural Connector Service and short trip bus service within the City of Buckeye for an amount not to exceed $5,625,000 for the 5-Year base contract plus a 5% contingency of $263,000 for the period of November 1, 2022 to October 31, 2027, for a total of $5,888,000.

BACKGROUND/DISCUSSION/CONSIDERATION
The Route 685 Ajo/Gila Bend Regional Connector operates along State Highway 85 and provides bus service to the communities of Ajo, Gila Bend, Buckeye, Goodyear, Avondale, Tolleson and Phoenix. Route 685 offers five round-trips each weekday and two round trips on Saturdays. Also, four short trips are provided each weekday in the City of Buckeye. AJO Transportation is the third-party contractor operating the service on behalf of Valley Metro. RTA of Pima County also contracts for connecting service between Tucson and Ajo using the same contractor.

The Second Generation, Inc. dba AJO Transportation contract with Valley Metro for Route 685 will end on October 31, 2022, as will its contract with the RTA of Pima County.

In November 2021, Valley Metro issued a federally compliant joint Request for Proposal (RFP) with the RTA of Pima County to seek the economies of scale and competition that a joint procurement between the two agencies can provide. The RFP included the following criteria: (1) Qualifications & Experience of the Firm, (2) Qualifications &

Experience of Assigned Personnel (3) Understanding / Approach to the Scope of Services and (4) Price.

A single responsive proposal was received from Second Generation, Inc. dba AJO Transportation. An evaluation committee was formed and evaluated the proposal using the criteria in the RFP and the final scores are listed in the table.

PROPOSER POINTS		
Proposer	Technical Points	Price Points
Second Generation, Inc.	694	200

The Selection Committee arrived at its award recommendation using a "Best Value" process which allows for a contract award based on a combination of technical and cost factors. The award to the contractor will consist of two separate contracts, one with Valley Metro and the other with RTA of Pima County. Valley Metro will oversee and manage its contract and portion of the service.

A cost estimate was prepared prior to soliciting to assist with preplanning and with the evaluation review process. Additionally, the cost estimate in coordination with the price analysis assisted in the determination of fair and reasonable for this procurement.

COST AND BUDGET

The five-year base contract cost for Valley Metro's portion of the service is $5,625,000 plus a 5% contingency of $263,000. Service costs over the five-year base period are included in the following table.

Contractor Service Costs

Five-Year Contract Base Period							
	Current	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**
Annual Costs	$820,000	$1,027,000	$1,063,000	$1,119,000	$1,177,000	$1,239,000	**$5,625,000**
% Increase		**25%**	**4%**	**5%**	**5%**	**5%**	

The increase of 25% for the first year of the contract as compared to the current annual cost is due to substantial increases in maintenance costs related to tires, bus parts, diesel exhaust fluid system (DEF) parts, and liability insurance premiums. Also, included in the costs are additional staffing for safety training for operators, cyber security IT position and administrative support. Additionally, Operators and other staff will receive a $2.00/hour wage increase in the first year of the contract and cost of living (COLA) increase each year after that.

Cost for the first year of the five-year contract base period is $1,027,000 and will be included in the RPTA Proposed FY23 Operating and Capital Budget. Contract obligations beyond FY20 will be incorporated into the Proposed RPTA Five-Year Operating Forecast and Capital Program (FY2023 thru FY2027). A contract contingency of $263,000 is also requested for unanticipated costs such as additional revenue service.

For the current federal fiscal year, the funding is as follows:

- Federal Transit Administration (FTA) Section 5311 (Rural Transit) and CARES funding administered by ADOT provides approximately 56 percent
- The remaining 44 percent is funded from Public Transportation Funds (PTF) allocated to Maricopa County, City of Buckeye funds and RTA funding.

Future funding is anticipated to approximate current year allocation.

COMMITTEE PROCESS
RTAG: May 17, 2022, for information
TMC: June 1, 2022, approved
Board of Directors: June 16, 2022, for action

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

ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 3**

June 9, 2022

SUBJECT

Valley Metro RPTA Fiscal Year 2023 (FY23) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY23 thru FY27)

PURPOSE

To request approval of the FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY23 thru FY27).

RECOMMENDATION

Staff recommends that Board of Directors approve the Valley Metro RPTA FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY 2023 thru 2027).

BACKGROUND/DISCUSSION/CONSIDERATION

The Valley Metro Regional Public Transportation Authority (RPTA) FY23 combined operating and capital budget (the budget) is $446.7 million (M) and includes $112.8M of expenses for light rail/high capacity transit capital.

The Proposed FY23 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards and reserves when needed. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on an accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

The RPTA budget includes a significant level of expenditures on behalf of Valley Metro Rail (VMR). RPTA is the official employer for all Valley Metro employees therefore all employee related expenses for VMR are include in the RPTA budget. VMR reimburses RPTA for its share of employee expenses. RPTA is also the recipient of all public transportation funds received from Proposition 400. Revenues to support the rail program are passed through to VMR on a reimbursement basis.

The total operating budget of $235.9M represents a $27.0M (13%) increase from the previous year's operating budget of $208.9M. The total capital budget of $210.8M represents a $78.2M (58.9%) increase from the previous year's capital budget of $132.6M.

The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY23 there are 464 employees budgeted in the integrated agency, with 173 FTE's budgeted to RPTA activities and 291 budgeted to VMR activities. Compensation budget is based on a 3.0% increase. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

COMMITTEE PROCESS
Preliminary Budget Review:
Financial Working Group: March 22, 2022 for information
Board of Directors: March 24, 2022 for information (Study Session)
RMC: April 6, 2022 for information
AFS: April 7, 2022 for information
RTAG: April 19, 2022 for information
Board of Directors: April 21, 2022 for information
RMC: May 4, 2022 for information
RTAG: May 17, 2022 for information
AFS: May 5, 2022 for information
Board of Directors: May 19, 2022 for information

Proposed Budget Adoption:
TMC: June 1, 2022 approved
AFS: June 2, 2022 for information
Board of Directors: June 16, 2022 for action

CONTACT
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Interim Chief Financial Officer
602-495-8234
jhillyard@valleymetro.org

ATTACHMENT
FY23 Proposed Operating and Capital Budget & Five-Year Plan

RPTA

FY23-27 Proposed Five-Year Forecast

June 2022

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5-Year Operating Assumptions

Fixed Route Service Changes

- FY23-27 SRTP Changes as of February 2022

Demand Service

- Paratransit trips forecasted to increase 3% annually from FY24-27
- RideChoice trips forecasted to increase 3% annually from FY24-27

Fare Revenue

- FY23 average fare forecasted at $0.57, with slight increases in FY24, FY26 and FY 27; FY25 increase (13%) due to replacement fare collection system and control of reduced fare at point of sale.
- Ridership increases 19% per year to return to pre-COVID level in FY27.

Federal PM revenue

- FY23-27 increases 1.5% each year

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5-Year Operating Assumptions:

	FY19 Actual	FY23	FY24	FY25	FY26	FY27
Ridership (,000)						
RPTA Fixed Route Service	13,863	6,821	8,096	9,634	11,465	13,643
Avg Fare - RPTA	$ 0.65	$ 0.57	$ 0.58	$ 0.66	$ 0.69	$ 0.71

	FY19 Actual	FY23	FY24	FY25	FY26	FY27
Trips (,000)						
Demand Service	365,562	587,000	646,944	666,352	686,342	692,243
Avg Fare - Demand Service	$ 3.72	$ 4.08	$ 3.87	$ 3.87	$ 3.81	$ 3.80

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5-Year Operating Sources and Uses

	FY23	FY24	FY25	FY26	FY27	Total
Operating ($,000)						
Sources of Funds						
Advertising	$ 600	$ 660	$ 726	$ 799	$ 880	$ 3,665
Public Transportation Funds	115,775	127,824	130,150	130,388	131,575	635,710
Regional Area Road Funds	6,400	4,522	4,590	4,658	4,728	24,898
Member City Contributions	48,750	58,608	59,688	61,825	62,881	291,753
VMR Reimbursements	34,871	35,614	38,265	40,597	44,255	193,604
AZ Lottery Funds	11,200	11,200	11,200	11,200	11,200	56,000
Federal Funds	11,334	-	-	-	-	11,334
Federal Funds - COVID Relief	527	-	-	-	-	527
Fares	5,857	6,779	8,726	10,477	12,264	44,103
MAG Funds	225	5,857	5,857	5,857	5,857	23,653
Other	350	621	1,685	2,770	3,877	9,304
Total Sources of Funds	**235,889**	**251,685**	**260,886**	**268,572**	**277,518**	**1,294,551**
Uses of Funds						
Fixed Route Operations	117,683	126,570	130,837	134,764	138,807	648,661
Demand Service Operations	46,031	52,080	52,872	53,564	54,208	258,754
Vanpool Operations	967	1,015	1,046	1,077	1,110	5,215
Planning	2,430	2,479	2,528	2,579	2,630	12,646
Commute Solutions	1,407	1,435	1,464	1,493	1,523	7,322
Regional Services and Administration	16,558	16,476	17,782	18,327	18,735	87,878
Adminstration and Finance	3,742	3,817	3,893	3,971	4,050	19,474
Operating Contingency	500	500	500	500	500	2,500
Pass-through Disbursements	46,571	47,314	49,965	52,297	55,955	252,102
Total Uses of Funds	**$ 235,889**	**$ 251,685**	**$ 260,886**	**$ 268,572**	**$ 277,518**	**$ 1,294,551**

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5-Year Capital Assumptions:

- **Bus Fleet - $106.2 Million**
  - 434 replacement units; 18 expansion units 85% Federal /15% PTF
  - 8 Electric Buses/Charger/Infrastructure; 87% Federal/ 13% PTF match
- **Vanpool Fleet - $18.0 Million**
  - 217 replacement units; 125 expansion units 100% Federal STP
- **Paratransit Fleet - $13.0 Million**
  - Agency owned replacement fleet- 85% Federal / 15% PTF
  - Regional fleet replacements – Local match PTF
- **Facilities and Equipment - $25.8 Million**
  - North Glendale/59th Ave Laveen/Avondale Park & Rides - Local match PTF
  - Regional Fare Collection System Upgrade- Local match PTF
  - Regional Farebox Upgrade – 80% Federal / 20% PTF
  - Mesa Bus Facility Upgrades- 100% PTF
  - Mid-Life Bus Engine Rebuilds (225 units) - 80% Federal / 20% PTF
  - IT Infrastructure Upgrades - 100% PTF

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5-Year Capital Sources and Uses

Capital ($,000)	FY23	FY24	FY25	FY26	FY27	Total
Sources of Funds						
Public Transportation Funds	$ 28,088	$ 31,559	$ 32,049	$ 35,196	$ 7,619	$ 134,511
Federal Funds	56,886	20,989	14,561	35,785	5,972	134,193
Member City Contributions	150	-	-	-	-	150
Other	306	68	139	243	104	860
Carry Forward & Reserves	12,587	318	-	-	-	12,905
VMR Public Transportation Funds Program	77,564	81,603	86,330	91,226	114,471	451,194
VMR Public Transportation Funds Reserve	35,201	22,793	-	-	-	57,994
Total Sources of Funds	**210,782**	**157,330**	**133,079**	**162,450**	**128,166**	**791,807**
Uses of Funds						
Regional Fleet	48,491	23,025	15,596	41,693	6,462	135,267
Regional Facilities	5,743	1,546	412	439	465	8,605
Other Regional Projects	17,094	1,120	882	-	-	19,096
Member Agency Disbursements	4,360	4,389	7,575	6,848	6,768	29,940
Debt Service	22,329	22,854	22,284	22,244	-	89,711
Rail Program Disbursements	112,765	104,396	43,328	31,432	33,568	325,489
VMR Reserve for Future Use	-	-	43,002	59,794	80,903	183,699
Total Uses of Funds	**$ 210,782**	**$ 157,330**	**$ 133,079**	**$ 162,450**	**$ 128,166**	**$ 791,807**

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Budget Timeline - June

Dates	Description
June 1	TMC/RMC: Presentation & Discussion
June 2	AFS Discussion
June 16	Board: Action

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Recommendation

Staff recommends that Board of Directors approve the Valley Metro RPTA FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY 2023 thru 2027).

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Regional Public Transportation Authority

FY23 Budget

VALLEY METRO

Valley Metro
Regional Public Transportation Authority

PHOENIX, ARIZONA

OPERATING AND CAPITAL BUDGET

FISCAL YEAR 2023

(JULY 1, 2022 THROUGH JUNE 30, 2023)

FIVE-YEAR OPERATING FORECAST AND CAPITAL PROGRAM

FISCAL YEAR 2023 THROUGH FISCAL YEAR 2027

(JULY 1, 2022 THROUGH JUNE 30, 2027)

BOARD OF DIRECTORS

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Francisco Heredia
Councilmember
Mesa

Vice Chair
Laura Pastor
Councilmember
Phoenix

Treasurer
Bill Stipp
Councilmember
Goodyear

Veronica Malone
Vice Mayor
Avondale

Clay Goodman
Councilmember
Buckeye

Kevin Hartke
Mayor
Chandler

Monica Dorcey
Vice Mayor
El Mirage

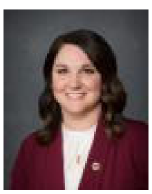
Mike Scharnow
Councilmember
Fountain Hills

Brigette Peterson
Mayor
Gilbert

Lauren Tolmachoff
Councilmember
Glendale

Jack Sellers
Supervisor
Maricopa County

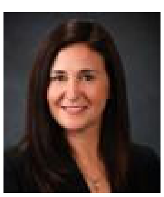
Jon Edwards
Councilmember
Peoria



Leah Martineau
Councilmember
Queen Creek

Betty Janik
Councilmember
Scottsdale

Chris Judd
Councilmember
Surprise



Robin Arredondo-Savage
Councilmember
Tempe

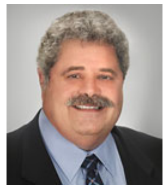
Adolfo Gamez
Councilmember
Tolleson

Rui Pereira
Mayor
Wickenburg

Michael LeVault
Mayor
Youngtown

EXECUTIVE MANAGEMENT TEAM

Jessica Mefford-Miller
Chief Executive Officer



Ray Abraham
Chief Operations Officer

Sebrina Beckstrom
Chief Auditor

Hillary Foose
Director, Communication & Strategic Initiatives

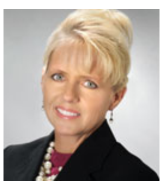
Jim Hillyard
Chief Administrative Officer

Jim Hillyard
Interim Chief Financial Officer

Henry Ikwut-Ukwa
Director, Capital Development

Penny Lynch
Director, Human Resources

Michael Wawro
Interim General Counsel



Adrian Ruiz
Director, Safety, Security and Quality Assurance

Alexis Tameron Kinsey
Director, Government Relations

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

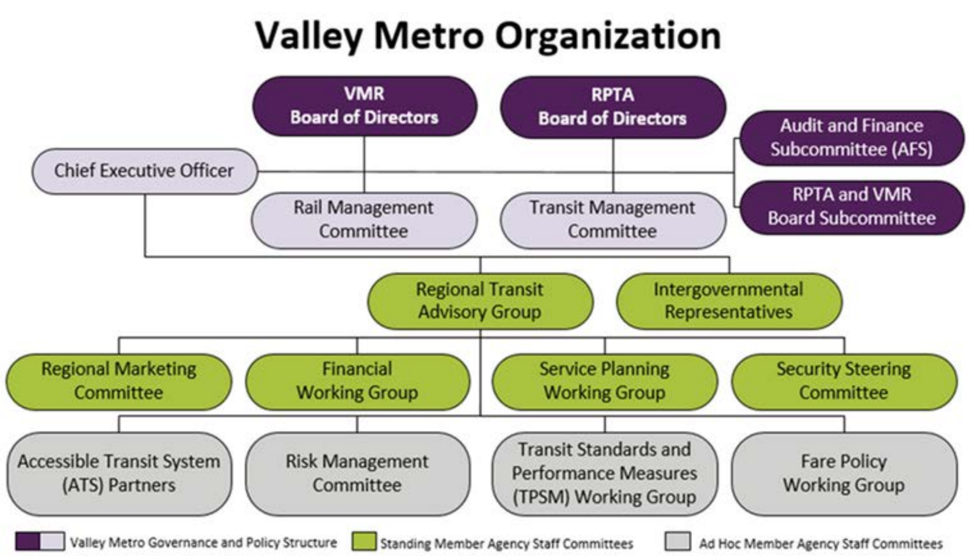
AGENCY OVERVIEW

Valley Metro is comprised of two separate legal entities, the Regional Public Transportation Authority (RPTA) and Valley Metro Rail, Inc. (VMR). The two agencies operate jointly with one Chief Executive Officer and one organizational structure. Intergovernmental agreements between the agencies define the responsibilities of each agency in meeting the overall strategic mission, vision, and goals for Valley Metro. Valley Metro is governed by two boards of directors. The RPTA Board consists of 19 public agencies that set the policy direction for all modes of transit except light rail. The VMR Board consists of four cities that set the policy direction for light rail and streetcar high-capacity transit (HCT). The boards and the agency work to improve and regionalize the public transit system.

RPTA is the regional transit agency for Maricopa County. Created in 1985 with the passage of Proposition 300, RPTA is a political subdivision of the State of Arizona overseen by a 19-member board of elected officials. Membership is open to all municipalities in Maricopa County and to the County government. The current Valley Metro RPTA Board comprises Avondale, Buckeye, Chandler, El Mirage, Fountain Hills, Gilbert, Glendale, Goodyear, Maricopa County, Mesa, Peoria, Phoenix, Queen Creek, Scottsdale, Surprise, Tempe, Tolleson, Wickenburg, and Youngtown. With the passage of Proposition 400 in November 2004, RPTA is the recipient of the transit portion of the twenty-year countywide 0.5% sales tax fund commencing in 2006 and running through 2025.

VMR was formed in 2002 to design, construct, and operate a high-capacity transit system. The current VMR Board comprises Chandler, Mesa, Phoenix, and Tempe. VMR is responsible for administration and oversight of the design, construction and operation of light rail and streetcar, and for receipt and disbursement of funds from federal, state, local, and other funding sources. The VMR Board is empowered to enter into contracts for design and construction, hire or contract for staff and undertake extensions to the system. The member cities of VMR retain power of eminent domain and ownership of real estate with agreements established for property use by VMR. The cities are responsible for providing annual funding for the light rail and streetcar projects through their annual or biannual budgets, in addition to recommending light rail corridors within their city boundaries.

The following chart depicts the policy organization for Valley Metro and the relationships to key stakeholders:



SERVICE CHARACTERISTICS

RPTA operates fixed route bus (local, express, neighborhood circulators, and rural), demand services, and vanpool services within the Phoenix Metropolitan area, excluding the rural route.

Fixed route bus usually operates an average weekday ridership of over 46,000 boardings; however, due to COVID, the average dropped to 17,000 in FY21. Weekday service begins approximately 3:30 a.m. and ends approximately 3:00 a.m. the following day. RPTA operates a fleet of 400 buses traveling over 18 communities in the Phoenix Metropolitan area. RPTA's fixed route service area encompasses 665 square miles within the Phoenix Metropolitan area.

Demand services usually operates an average of 10,500 trips per week; however due to COVID, the average dropped to 7,030 in FY21. Paratransit service is provided, at a minimum, in all areas that are within three-quarters of a mile of local fixed-route bus routes or light rail stations. Contractors operated a fleet of approximately 240 vehicles traveling over 13,800 miles each weekday in FY21. RPTA's paratransit service area encompasses approximately 1,000 square miles within the Phoenix Metropolitan area.

Vanpool operates with an average weekday ridership of pre-pandemic levels at 2,600 commuters. RPTA usually operates a fleet of approximately 372 vans traveling over 26,000 miles each weekday; however due to COVID that has decreased to 200 vans traveling over 16,000 miles each weekday in FY21. RPTA's vanpool service area encompasses the area that the vanpool commuters live or work in Maricopa County.

FARE POLICY

Effective March 24th, 2022, the current Regional Fare Policy is as follows:

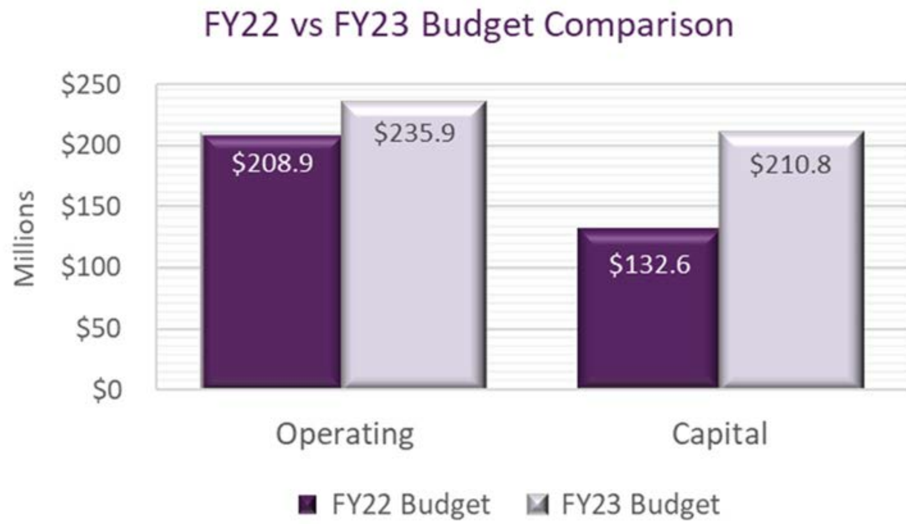
LOCAL BUS / LIGHT RAIL				EXPRESS / RAPID BUS	
Full Fare		*Reduced Fare**		*Full Fare*	
1-Ride	$2.00	1-Ride	$1.00	1-Ride	$3.25
All-Day	$4.00	All-Day	$2.00	All-Day	$6.50
7-Day	$20.00	7-Day	$10.00	31-Day	$104.00
15-Day	$33.00	15-Day	$16.50		
31-Day	$64.00	31-Day	$32.00		
STREETCAR					
Full Fare		*Reduced Fare**			
1-Ride	$1.00	1-Ride	$0.50		

*Available for youth ages 6 through 18, seniors 65 and older, persons with disabilities and Medicare card holders. Qualified persons may obtain a Valley Metro Reduced Fare Identification Card as proof of eligibility. Seniors and youth may show any valid photo ID indicating a birth date issued by a governmental agency. Children ages 5 and younger ride free when accompanied by a fare-paying caretaker or guardian.

Visit Valley Metro's website at https://www.valleymetro.org for details regarding the fare structure for Rural, Demand services, as well as Vanpool program.

BUDGET OVERVIEW

The total operating and capital budget for FY23 is $446.7 million(M), an increase of $105.2M from the FY22 budget.



SOURCES OF FUNDS

Operating sources of funds are $235.9M, an increase of $27.0M or 13% from the FY22 budget. The primary sources are detailed below:

- Public Transportation Funds (PTF) use is forecasted at $115.8M, up by $31.8M from FY22 primarily due to the elimination of available federal COVID relief funds in FY23.
- Member city contributions are $48.8M, up $9.6M from $39.2M in FY22 due to the elimination of available federal COVID-related funding in FY23.

Capital sources of funds are $210.8M, an increase of $78.2M or 59% from the FY22 budget. The primary sources are detailed below:

- Programmed PTF funds of $28.1M are down $7.3M, while carry forwards & reserves are up $7.9M to cover local match requirements for fleet purchases.
- Federal funding of $56.9M is increasing $23.4M or 70% from FY22 due to a larger number of bus and demand service fleet replacements scheduled in FY23.
- Total VMR capital PTF program funds of $112.8M are up by $53.9M or 91% over FY22. These are pass through PTF funds for VMR’s capital construction program requirements.

	FY21 Actual	FY22 Budget	FY23 Budget	
Sources of Funds				
Operating				***Note**
Public Transportation Funds	$ 52,645,000	$ 83,953,000	$ 115,775,000	1
Regional Area Road Funds	4,873,000	4,797,000	4,455,000	
Member City Contributions	21,573,000	39,195,000	48,750,000	2
Advertising	-	-	600,000	3
AZ Lottery Funds	-	50,000	-	
Federal Funds	5,599,000	11,014,000	11,334,000	
Federal Funds - COVID Relief	43,836,000	22,224,000	527,000	4
Fares	1,289,000	4,498,000	5,857,000	5
MAG Funds	237,000	225,000	225,000	
Other	365,000	355,000	350,000	
Carry Forward & Reserves	-	722,000	1,445,000	6
Sub-Total Operating	**130,417,000**	**167,033,000**	**189,318,000**	
Pass Through				
Regional Area Road Funds	500,000	500,000	500,000	
VMR Reimbursements	25,648,000	30,157,000	34,871,000	7
AZ Lottery Funds	11,028,000	11,200,000	11,200,000	
Sub-Total Pass-Through	**37,176,000**	**41,857,000**	**46,571,000**	
Total Operating	**167,593,000**	**208,890,000**	**235,889,000**	
Capital				
Public Transportation Funds	37,324,000	35,359,000	28,088,000	8
Member City Contributions	-	-	150,000	
Federal Funds	24,162,000	33,502,000	56,886,000	9
Federal Funds - COVID Relief	936,000	-	-	
Other	216,000	152,000	306,000	
Carry Forward & Reserves	-	4,713,000	12,587,000	8
Sub-Total Capital	**62,638,000**	**73,726,000**	**98,017,000**	
Pass Through				
VMR Public Transportation Funds Program	61,375,000	58,899,000	77,564,000	
VMR Public Transportation Funds Reserve	36,787,000	-	35,201,000	
Sub-Total Pass-Through	**98,162,000**	**58,899,000**	**112,765,000**	10
Total Capital	**160,800,000**	**132,625,000**	**210,782,000**	
Total Sources of Funds	**$ 328,393,000**	**$ 341,515,000**	**$ 446,671,000**	

*** Explanations for significant changes from prior year are included in the Budget Analysis section of this document**

USES OF FUNDS

Operating uses of funds are $235.9M, an increase of $27.0M or 13% from the FY22 budget. The primary uses are detailed below:

- Fixed Route operations costs are increasing by $9.9M or 9% in FY23, primarily due to necessary increases in service contracts and rising fuel costs.
- Demand service costs are increasing by $8.2M to $46.0M in FY23. The primary reason for the large increase is a result of the reduction of federal COVID relief funding applied to the City of Phoenix ADA service. This service is reimbursed with Public Transportation Funds.

Capital uses of funds are $210.8M, an increase of $78.2M or 59% from the FY22 budget. The primary uses are detailed below:

- Regional Fleet planned purchases are $48.5M, an increase of $10.6M from the FY22 budget.
- VMR capital pass through expenses of $112.8M are up by $53.9M or 91% over FY22. These are pass through PTF funds for VMR's capital construction programs.

	FY21 Actual	FY22 Budget	FY23 Budget	
Uses of Funds				
Operating				***Note**
Fixed Route Operations	$ 90,178,000	$ 107,798,000	$ 117,683,000	11
Demand Service Operations	22,051,000	37,857,000	46,031,000	12
Vanpool Operations	945,000	1,006,000	967,000	
Planning	1,990,000	2,098,000	2,430,000	
Commute Solutions	1,171,000	1,306,000	1,407,000	
Regional Services	10,535,000	12,967,000	16,558,000	13
Administration and Finance	3,547,000	4,001,000	4,242,000	
Operating Total	**130,417,000**	**167,033,000**	**189,318,000**	
Pass-Through				
VMR RARF Disbursements	500,000	500,000	500,000	
AZ Lottery Funds Disbursements	11,028,000	11,200,000	11,200,000	
Valley Metro Rail	25,648,000	30,157,000	34,871,000	14
Pass-Through Total	**37,176,000**	**41,857,000**	**46,571,000**	
Total Operating	**167,593,000**	**208,890,000**	**235,889,000**	
Capital				
Regional Fleet	23,124,000	37,845,000	48,491,000	15
Regional Facilities and Administration	4,585,000	5,283,000	5,743,000	16
Other Regional Projects	2,071,000	1,888,000	17,094,000	17
Member Agency Disbursements	7,906,000	4,246,000	4,360,000	
Debt Service	24,952,000	24,464,000	22,329,000	18
Capital Total	**62,638,000**	**73,726,000**	**98,017,000**	
Pass-Through				
Rail Program Disbursements	98,162,000	40,726,000	112,765,000	
VMR Reserve for Future Use	-	18,173,000	-	
Pass-Through Total	**98,162,000**	**58,899,000**	**112,765,000**	19
Total Capital	**160,800,000**	**132,625,000**	**210,782,000**	
Total Uses of Funds	**$ 328,393,000**	**$ 341,515,000**	**$ 446,671,000**	

*** Explanations for significant changes from prior year are included in the Budget Analysis section of this document**

BUDGET ANALYSIS

The following is an analysis of the major changes in the FY23 Budget versus the FY22 Budget. The number in the "Note" column corresponds to the "Note" column in the "Sources of Funds" and "Uses of Funds" tables.

	Note	Analysis Comment Sources of Funds
OPERATING	1	Public Transportation Funds are currently programmed at $115.8M, a 38% increase or $31.8M over FY22, primarily due to no RPTA COVID relief funding remaining in FY23.
	2	Member city contributions are currently up $9.6M to $48.8M in FY23 mainly due to the elimination of federal COVID relief funding. Contractor rates also reflect increases required to maintain necessary staffing and service levels.
	3	Bus Advertising revenue of $0.6M is planned for FY23. This program started in the second half of FY22.
	4	No RPTA Federal COVID relief funds remain in FY23 (a reduction of $21.7M from FY22), except for the $0.5M remaining for bus service operated by and purchased from the City of Phoenix.
	5	Fare revenues are anticipated to increase from $4.5M to $5.9M in FY23 based on most recent trends since front door boardings resumed.
	6	Use of carry forward and reserves has increased by $0.7M mostly due to the elimination of federal Covid relief funding for FY23.
	7	Pass through expenses paid by VMR are up $4.7M or 16% over FY22. This is due to a 5% COLA for all staff effective 5/2/22, new positions, and hiring incentives for essential workers. A 3% merit increase is also included in the FY23 budget.
CAPITAL	8	Public Transportation Funds, along with Carry forwards & reserves, are increasing $0.6M to a total of $40.7M in FY23. The increase is primarily due to more PTF being used in operations with the reduction in COVID relief funding. With less PTF available for capital projects, more reserves are needed this year.
	9	Federal funding for capital activities is increasing $23.4M in FY23 to a total of $56.9M, resulting from an increased number of capital fleet replacements. Federal funding is the primary source of capital fleet purchases (typically 80% of cost).
	10	Capital pass through PTF is up $53.9M to $112.8M in FY23 due to the increased amount of VMR capital construction activities, systemwide improvements, and state of good repair projects.

	Note	Analysis Comment Uses of Funds
OPERATING	11	Overall fixed route bus service levels are planned to decrease by approximately 97,000 miles. The fixed route operations increase of $9.9M, or 9%, primarily reflects contractual rate increases for service providers and rapidly rising fuel costs.
	12	Demand Service operations are increasing $8.2M or 22% up from FY22. This is primarily due to the reduction of COVID relief funding applied to the City of Phoenix ADA service which is reimbursed with PTF. The remainder of the growth is due to the increased service levels on both Paratransit and RideChoice programs combined with increases in the price of fuel.
	13	Regional Services are increasing $3.6M or 28% to $16.6M in FY23. This is mostly due to the Fare Collection System Modernization project call center implementation, increased use of platinum passes, and marketing initiatives such as a Ridership Recovery Campaign.
	14	Valley Metro Rail staff costs of $34.9M are up by $4.7M or 16% over FY22 due to new maintenance and other key support positions, as well as, a 5% COLA (effective 5/2/22) and a 3% FY23 merit increase.
CAPITAL	15	Regional fleet purchases are increasing by $10.6M to $48.5M in FY23 - 48 standard buses, 8 electric buses, 3 circulator buses, 6 coach buses, 70 vanpool vans, and 80 paratransit vehicles are scheduled for FY23.
	16	Regional Facilities needs are increasing $0.5M or 9% mostly due to the electric bus charging station and infrastructure planned in FY23.
	17	Other Regional projects are increasing $15.2M from FY22 due to new cash-only fareboxes required as part of the Fare Collection system modernization project. The project is funded with 80% federal and 20% PTF.
	18	Debt Service shows a $2.1M reduction due to the completion of a loan repayment to ADEQ in FY22.
	19	Capital pass through funds to VMR are $112.8M in FY23, or $53.9M higher than FY22 due to increased amount of capital construction activities and systemwide improvements.

STAFFING OVERVIEW

RPTA and VMR budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. For FY23, there are 464 employees budgeted: 173 Full Time Equivalent (FTE) positions are budgeted to RPTA activities and 291 FTEs to VMR activities. Staffing levels are reviewed on an annual basis to fulfill work requirements for the coming year. Salary and fringe benefit compensation levels are measured against comparable regional agencies, member cities, and peer transit agencies located in the western U.S.

FY23 COMPENSATION AND FRINGE BENEFIT ASSUMPTIONS

Total compensation budget is based on a 3% merit increase. For staff salary changes, merit increases are based on employee performance. In response to the Consumer Price Index (CPI) in the Phoenix metropolitan area reaching 11% growth over a 12 month period (February 2021 compared to February 2022), the Valley Metro Joint Board approved (April 21, 2022) a 5% Cost of Living Adjustment (COLA) for all agency staff effective May 2, 2022. The fringe benefits plan offered to employees, including Arizona State Retirement System and health insurance, remains flat for FY23.

FY23 STAFFING NEEDS

Valley Metro and our partners are committed to delivering an excellent customer experience across the system now and into the future. Eleven key positions have been added to the FY23 budget in order to assist in the areas of system maintenance, fiscal stewardship, safety, and regional transit service.

RPTA only

- Transit Security Coordinator

VMR only

- Administrative Assistant II
- Maintenance Planner/Scheduler
- Supervisor, Maintenance of Way
- Landscape/Grounds Maintenance Coordinator
- Facilities Maintenance Technician

Shared Agency

- Junior Systems Engineer
- Employee Relations Analyst
- Senior Internal Auditor
- Asset Management System Administrator
- Administrative Assistant II

Agency	FY22 Budget	Mid-Year Additions	FY23 Additions	FY23 Budget
RPTA	169.7	0.7	3.1	173.5
VMR	281.4	1.3	7.9	290.6
Total Agency	**451.0**	**2.0**	**11.0**	**464.0**

FIVE-YEAR OVERVIEW

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

SOURCES OF FUNDS

	5 Year Total
Five-Year Sources of Funds ($,000)	
Operating	
Advertising	$ 3,665
Public Transportation Funds	635,710
Regional Area Road Funds	24,898
Member City Contributions	291,753
VMR Reimbursements	193,604
AZ Lottery Funds	56,000
Federal Funds	11,334
Federal Funds - COVID Relief	527
Fares	44,103
MAG Funds	23,653
Other	9,304
Total Operating	**1,294,551**
Capital	
Public Transportation Funds	134,511
Member City Contributions	150
Federal Funds	134,193
Other	860
Carry Forward & Reserves	12,905
VMR Public Transportation Funds Program	451,194
VMR Public Transportation Funds Reserve	57,994
Total Capital	**791,807**
Total Sources of Funds	**$ 2,086,358**

USES OF FUNDS

Five Year Uses of Funds ($,000)		5 Year Total
Operating		
Fixed Route Operations	$	648,661
Demand Service Operations		258,754
Vanpool Operations		5,215
Planning		12,646
Commute Solutions		7,322
Regional Services and Administration		87,878
Adminstration and Finance		19,474
Operating Contingency		2,500
Pass-through Disbursements		252,102
Total Operating		**1,294,551**
Capital		
Regional Fleet		135,267
Regional Facilities		8,605
Other Regional Projects		19,096
Member Agency Disbursements		29,940
Debt Service		89,711
Rail Program Disbursements		325,489
VMR Reserve for Future Use		183,699
Total Capital		**791,807**
Total Uses of Funds	**$**	**2,086,358**

Information Summary

DATE **AGENDA ITEM 4**
June 9, 2022

SUBJECT
Fiscal Year 2023 (FY23) Election of Valley Metro RPTA Board Officers and Subcommittee Positions

PURPOSE
The Board will vote to elect Board officer and Board subcommittee positions for FY23.

RECOMMENDATION
Based upon the letters of interest received, it is recommended that the RPTA Board of Directors elect officers and subcommittee members to serve from July 1, 2022 to June 30, 2023 for the following positions:

<u>Board Officers</u>
- RPTA Board Chair – Vice Mayor Laura Pastor, City of Phoenix
- RPTA Board Vice Chair – Councilmember Bill Stipp, City of Goodyear
- RPTA Board Treasurer – Mayor Kevin Hartke, City of Chandler

<u>Audit and Finance Subcommittee</u>
- Councilmember Clay Goodman, City of Buckeye
- Open Position

<u>Valley Metro RPTA and Valley Metro Rail Joint Board Subcommittee</u>
- Mayor Kevin Hartke, City of Chandler – for RPTA
- Councilmember Bill Stipp, City of Goodyear – for RPTA

BACKGROUND/DISCUSSION/CONSIDERATION
RPTA Board officer and subcommittee elections are scheduled for June of each year. On May 23, 2022 a memo was distributed to Board members announcing that election of officers and subcommittee appointments would be brought forward at the June meeting for the following positions:

- Chair of the Board of Directors:
- Vice Chair of the Board of Directors;
- Treasurer of the Board of Directors;
- Audit and Finance Subcommittee member (two RPTA positions, expiring June 2022); and
- RPTA/VMR Joint Board Subcommittee members (two RPTA positions).

The May 23, 2022 memo requested letters from Board members interested in filling the positions above for FY23. The letters were due June 8, 2022. As of the due date, one letter of interest was received for each of the open positions and are available upon request for your information.

COST AND BUDGET
There is no fiscal impact.

COMMITTEE PROCESS
Board of Directors: June 16, 2022 for action

CONTACT PERSON
Chair Heredia, Councilmember City of Mesa

ATTACHMENT
None

Letters of Interest are available upon request.

Information Summary

DATE **AGENDA ITEM 5**
June 9, 2022

SUBJECT
Report on Current Events and Suggested Future Agenda Items

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

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

STRATEGIC PLAN ALIGNMENT
None

COMMITTEE PROCESS
None

CONTACT
Jessica Mefford-Miller
Chief Executive Officer
602-262-7433
jmeffordmiller@valleymetro.org

ATTACHMENT
None

Pending Items Request

Item Requested	Date Requested	Planned Follow-up Date

Agenda

June 9, 2022

Board of Directors
Thursday, June 16, 2022
Boardroom/Webex
Valley Metro, 101 N. 1st Avenue, 10th Floor
11:15 a.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.

CONSENT AGENDA

2A. Minutes	2A. For action

Minutes from the May 19, 2022 Board meeting are presented for approval.

2B. Light Rail Vehicle Electrical Repairs Contract Award	2B. For action

Staff recommends that the Board of Directors authorize the CEO to execute contracts with Integrated Power Services (Delta Electric) and Sherwood Electromotion for a term of three years with one two-year option to provide Light Rail Vehicle (LRV) electrical repairs for a combined amount not to exceed $450,000.

REGULAR AGENDA

3.	Fiscal Year 2023 Valley Metro VMR Operating and Capital Budget and Five-Year Operating and Capital Forecast (FY23-27)	3.	For action

Staff recommends that the Board of Directors approve the FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY23 thru FY27).

4.	Fiscal Year 2023 (FY23) Election of Valley Metro Rail (VMR) Board Officers and Subcommittee Positions	4.	For action

The Board will vote to elect Board officers and Board subcommittee positions for FY 2023.

5.	Report on Current Events and Suggested Future Agenda Items	5.	For action

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

6.	Next Meeting	6.	For information

The next meeting of the Board is scheduled for **Thursday, August 18, 2022 at 11:15 a.m.**

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

Information Summary

DATE **AGENDA ITEM 1**
June 9, 2022

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.

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COMMITTEE PROCESS
None

CONTACT
Jessica Mefford-Miller
Chief Executive Officer
602-262-7433
jmeffordmiller@valleymetro.org

ATTACHMENT
None

Minutes

June 9, 2022 **AGENDA ITEM 2A**

Board of Directors
May 19, 2022
Boardroom/Webex
11:15 a.m.

Valley Metro Rail Participants
Councilmember Francisco Heredia, City of Mesa **Chair**
Councilmember Robin Arredondo-Savage, City of Tempe **– Vice Chair**
Mayor Kevin Hartke, City of Chandler (phone)
Jesus Sapien for Vice Mayor Laura Pastor, City of Phoenix

Chair Heredia called the meeting to order at 1:04 p.m. welcomed members to the Valley Metro Rail meeting.

Chair Heredia said all right. We'll get started. Valley Metro Rail.

Ms. Dillon said Chair, Jesus Sapien is representing the City of Phoenix. Mario Paniagua had to go to another meeting.

1. Public Comment

Chair Heredia said Blue Crowley.

Mr. Crowley said I'd like to point out to you your security on the rail and such and the amount -- what is it? Three million dollars that we're spending for them and on here, I've got the breakdown of everything, and I've asked if you could break down the code of conduct violations that you've been showing and thank goodness we got it this year.

And it says that 799 were open container and then 59 were code of conduct which I understand is not having the right fare. And speaking of such when I go to buy a discount ticket, I believe my 74 years qualifies me for it and I don't need to get a new I. D. I believe that under the federal regs all I need to do is show them my Medicare card so that's something I'm finding you guys to be playing with and going with.

So we have 59 code of conduct violations in this last quarter and that's what their job is is fare inspection. So 59 code enforcements that's -- that's less than like a hundred bucks that we got burned for and we're spending three million. That's not getting the bang for the buck.

And then you want to get a new part of this for the bus. Would it have done anything for that person that was murdered by having your new police for the bus? Now, I do notice that with the facial recognition stuff that the picture of the individual that was on the bus was very clear and they shouldn't have had a problem getting and dealing with it.

But I still have a problem that you do destination that people can't be at the station and looking at the art. I have a problem with the amount of rail infusion into the funding for the bus. On that item 5 in the last one, how much of that was RPTA? It's one of the questions you're going to need to answer for me because when I see the stuff at the dual meeting, all you're doing is getting them to rubber stamp what you're doing, and you can do that on your own using your own funds.

Both of these agencies until you get to being multi-modal need to be bifurcated and have each one doing its thing because right now, you're not multi-modal. And as I said to you, 3/8ths of a mile. It's the machine not the man that needs to be dealt with and you don't have somebody walking almost a half mile every day for the use of transit. It needs to be right there at the stop.

Chair Heredia said thank you, sir.

2. Consent Agenda

Chair Heredia said the Consent Agenda is presented for action. Any questions or comments? I request a motion and a second to approve the Consent Agenda.

IT WAS MOVED BY COUNCILMEMBER ARREDONDO-SAVAGE, SECONDED BY MAYOR HARTKE AND UNANIMOUSLY CARRIED TO APPROVE THE CONSENT AGENDA.

3. Report on Current Events and Suggested Future Agenda Items

Chair Heredia said are there any events? Any future agenda items? Hearing none.

Again, the note on Board officer and AFS elections will be held in the next meeting. Pat will be distributing that information by next week, early next week so.

4. Next Meeting

The next meeting of the Board is scheduled for Thursday, June 16, 2022, at 11:15 a.m.

With no further discussion the meeting adjourned at 1:09 p.m.

Information Summary

DATE **AGENDA ITEM 2B**
June 9, 2022

SUBJECT
Light Rail Vehicle Electrical Repairs Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute contracts with Integrated Power Services (Delta Electric) and Sherwood Electromotion for a term of three years with one two-year option to provide Light Rail Vehicle (LRV) electrical repairs for a combined amount not to exceed $450,000.

RECOMMENDATION
Staff recommends that the Board of Directors authorize the CEO to execute contracts with Integrated Power Services (Delta Electric) and Sherwood Electromotion for a term of three years with one two-year option to provide Light Rail Vehicle (LRV) electrical repairs for a combined amount not to exceed $450,000.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro Maintenance of Equipment (MOE) has specialized light rail vehicle (LRV) electrical components to be repaired. The required service is electrical repairs to traction motors, line filter chokes, and APSE output transformers, or other similar wound electrical components. This work is not overhauls but repairs on an as needed basis. The equipment components are from our Siemens and Kinkisharyo light rail vehicles.

Valley Metro requires an experienced electrical repair shop that has successfully completed repair work for transit agencies. Contractor's responsibilities will include:

- Expertise with transit electrical repairs
- Capability to receive and diagnose the equipment and complete a repair within 90 days
- Utilize a vacuum pressure impregnation process
- Complete work in the Contractor's own shop

In March 2022, Valley Metro issued a Request for Proposals for this contract. Proposals were evaluated based on the following criteria: (1) Firm Qualifications & Experience, (2) Methodologies, Processes and Manufacturing Skills, (3) Approach to Scope of Service and Project Organization and (4) Price. There were two firms that proposed as follows:

1. Integrated Power Services (Delta Electric)

2. Sherwood Electromotion Inc.

At the conclusion of the evaluation process, the selection committee identified both firms qualified to perform the repairs and deemed the “best value” to the agency.

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

COST AND BUDGET
The cost for the LRV electrical repairs over the 3-year base contract and one 2-year option is in an amount not to exceed $450,000. The cost for the LRV electrical repairs is included in the Valley Metro Rail Proposed FY2023 Operating and Capital Budget. Contract obligations beyond FY2023 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2023 thru FY2027).

The source of funding is from member cities.

COMMITTEE PROCESS
RTAG: May 17, 2022 for information
RMC: June 1, 2022 aprpoved
Board of Directors: June 16, 2022 for action

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

ATTACHMENT
None

Information Summary

DATE **AGENDA ITEM 3**

June 9, 2022

SUBJECT

Valley Metro Rail, Inc. Fiscal Year 2023 (FY23) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY23 thru FY27)

PURPOSE

To request approval of the Valley Metro Rail FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY23 thru FY27).

RECOMMENDATION

Staff recommends that the Board of Directors approve the FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY23 thru FY27).

BACKGROUND | DISCUSSION | CONSIDERATION

The Valley Metro Rail, Inc. (VMR) FY23 combined operating and capital budget (the budget) is $496.3 million (M) and includes $112.8M in projects funded with Proposition 400 Public Transportation Fund (PTF) revenues for light rail/high capacity transit capital.

The Proposed FY23 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards, reserves and bond proceeds. The budget was developed in compliance with Board of Directors' adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on a modified accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

The total operating budget of $94.3M represents a $14.2M (18%) increase from the previous year's operating budget of $80.0M. The total capital budget of $402.1M represents a -$114.7M (22%) decrease from the previous year's capital budget of $516.8M.

The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY23 there are 464 employees budgeted in the integrated agency, with 173 FTE's budgeted to RPTA activities and 291 budgeted to VMR activities. Compensation budget is based on a 3.0% increase. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

COMMITTEE PROCESS

Preliminary Budget Review:
Financial Working Group: March 22, 2022 for information
Board of Directors: March 24, 2022 for information (Study Session)
RMC: April 6, 2022 for information
AFS: April 7, 2022 for information
RTAG: April 19, 2022 for information
Board of Directors: April 21, 2022 for information
RMC: May 4, 2022 for information
RTAG: May 17, 2022 for information
AFS: May 5, 2022 for information
Board of Directors: May 19, 2022 for information

Proposed Budget Adoption:
RMC: June 1, 2022 approved
AFS: June 2, 2022 for information
Board of Directors: June 16, 2022 for action

CONTACT

Jim Hillyard
Interim Chief Financial Officer
602-495-8234
jhillyard@valleymetro.org

ATTACHMENT

FY23 Proposed Operating and Capital Budget & Five-Year Plan

VMR

FY23-27 Proposed Five-Year Forecast

June 2022

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5-Year Operating Assumptions:

New Service

- Tempe Streetcar (3.0 miles) - May 2022
- Northwest Ext. II (1.6 miles) – Jan 2024
- South Central (5.0 miles) – Dec 2024

Fare Revenue

- Significantly improved average fare in FY23, increase in FY24 with replacement fare collection system and control of reduced fare at point of sale; modest increases in FY25-27.
- Ridership increases 7% in FY23, and 5% per year for FY24-27.

Federal PM revenue

- FY23-27 increases 1.5% each year

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5-Year Operating Assumptions:

	FY19 Actual	FY23	FY24	FY25	FY26	FY27
Ridership (,000)						
27.9 Miles	15,084	6,727	7,063	7,417	7,787	8,177
Tempe Streetcar	-	408	428	450	472	496
Northwest II	-	-	399	958	1,006	1,057
South Central	-	-	-	725	1,451	1,523
Total Ridership	**15,084**	**7,135**	**7,890**	**9,550**	**10,716**	**11,253**

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5-Year Operating Assumptions:

	FY19 Actual	FY23	FY24	FY25	FY26	FY27
Ridership (,000)						
Phoenix	9,845	4,213	4,823	6,328	7,334	7,701
Tempe*	2,958	1,715	1,800	1,891	1,985	2,085
Mesa	2,281	1,207	1,267	1,331	1,397	1,467
Total Ridership	**15,084**	**7,135**	**7,890**	**9,550**	**10,716**	**11,253**
Avg Fare - Rail	$0.73	$0.74	$0.76	$0.86	$0.90	$0.92
Avg Fare - Streetcar	-	$0.37	$0.38	$0.43	$0.45	$0.46

**Streetcar included in ridership numbers, however fares not anticipated to be collected for 12 months after passenger service start date.*

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5-Year Operating Sources and Uses

	FY23	FY24	FY25	FY26	FY27	Total
Operating ($,000)						
Sources of Funds						
Advertising	$ 440	$ 459	$ 530	$ 585	$ 592	$ 2,606
Fares	5,000	5,851	8,032	9,477	10,150	38,510
Federal Funds	5,900	1,602	1,627	1,650	1,676	12,455
Federal Funds - COVID Relief	33,000	-	-	-	-	33,000
MAG Funds	500	500	500	500	500	2,500
Member City Contributions	40,703	78,636	88,152	97,148	99,869	404,508
Other	130	130	130	130	130	650
Public Transportation Funds	8,085	7,863	7,383	7,635	7,894	38,860
Regional Area Road Funds	500	500	500	500	500	2,500
Total Sources of Funds	**94,258**	**95,541**	**106,854**	**117,625**	**121,311**	**535,589**
Uses of Funds						
Operations & Maintenance	66,609	71,563	82,841	92,285	95,188	408,486
Security	10,308	11,073	12,810	14,265	14,716	63,172
Future Project Development	15,107	10,604	8,833	8,634	8,893	52,071
Agency Operating	2,234	2,301	2,370	2,441	2,514	11,860
Total Uses of Funds	**$ 94,258**	**$ 95,541**	**$ 106,854**	**$ 117,625**	**$ 121,311**	**$ 535,589**

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5-Year Operating by Segment

	FY23	FY24	FY25	FY26	FY27	Total
Operations (,000)						
Base 27.9 miles	$ 70,130	$ 73,886	$ 77,487	$ 80,861	$ 83,287	$ 385,651
Tempe Streetcar	6,787	7,126	7,483	7,857	8,250	37,502
Northwest 2	-	1,623	4,031	4,152	4,277	14,083
South Central	-	-	6,650	13,681	14,091	34,422
Total Operations	**$ 76,917**	**$ 82,635**	**$ 95,651**	**$ 106,551**	**$ 109,905**	**$ 471,658**
Light Rail Cost per Mile	$19.82	$20.81	$21.43	$22.07	$22.74	
Streetcar Cost per Mile	$41.64	$43.72	$45.91	$48.20	$50.61	

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LRT Capital Project Schedule

*Capitol Extension and I-10 West Extension are in project development phases. Project schedules will be refined as development continues.

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5-Year Capital Sources and Uses

	FY23	FY24	FY25	FY26	FY27	Total
Capital ($,000)						
Sources of Funds						
Federal Funds	$ 266,869	$ 148,889	$ 90,091	$ 63,485	$ 35,000	$ 604,334
Member City Contributions	30,527	58,792	(14,637)	(19,775)	63,446	118,354
Public Transportation Funds	104,680	96,533	35,945	23,797	25,674	286,629
Total Sources of Funds	**402,076**	**304,214**	**111,399**	**67,507**	**124,120**	**1,009,317**
Uses of Funds						
Tempe Streetcar	5,566	-	-	-	-	5,566
South Central	260,094	237,414	78,089	-	-	575,597
Northwest Phase II	106,276	40,194	3,654	-	-	150,124
OMC Expansion	149	-	-	-	-	149
Gilbert Road Extension	2,027	294	-	-	-	2,321
Capitol Extension	-	18,331	25,661	65,252	122,428	231,673
Systemwide Improvements	12,890	2,111	914	-	1,015	16,930
State of Good Repair	15,074	5,870	3,081	2,255	677	26,957
Total Uses of Funds	**$ 402,076**	**$ 304,214**	**$ 111,399**	**$ 67,507**	**$ 124,120**	**$ 1,009,317**

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5-Year State of Good Repair

State of Good Repair ($,000)	FY23	FY24	FY25	FY26	FY27	Total
PTF Funded						
Maintenance Buildings	$ 2,631	$ 100	$ 250	$ -	$ -	$ 2,981
Passenger Stations	1,300	-	-	-	-	1,300
Personnel & Overhead	235	54	45	37	21	392
Revenue Vehicles - Overhaul (SOGR)	2,520	1,825	1,128	1,128	638	7,239
Total PTF Funded	6,686	1,979	1,423	1,165	659	11,912
Federally Funded						
Revenue Vehicles - Overhaul (SOGR)	3,621	1,141	-	-	-	4,762
Total Federally Funded	3,621	1,141	-	-	-	4,762
Member City Funded						
Communication Systems	440	92	-	-	-	532
Maintenance Buildings	98	-	-	-	-	98
Passenger Stations	3,044	2,207	1,533	984	-	7,768
Revenue Vehicles - Overhaul (SOGR)	341	65	7	6	15	434
Service Vehicles (non-revenue)	198	124	59	61	-	442
Other	350	116	-	-	-	466
Personnel & Overhead	296	146	60	40	2	543
Total Member City Funded	4,767	2,750	1,659	1,091	17	10,283
Total State of Good Repair	**$ 15,074**	**$ 5,870**	**$ 3,082**	**$ 2,256**	**$ 676**	**$ 26,957**

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Budget Timeline - June

Dates	Description
June 1	TMC/RMC: Presentation & Discussion
June 2	AFS Discussion
June 16	Board: Action

10

10

Recommendation

Staff recommends that Board of Directors approve the Valley Metro Rail FY23 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY 2023 thru 2027).

Valley Metro® Rail

FY23 Budget

Valley Metro Rail, Inc.

PHOENIX, ARIZONA

OPERATING AND CAPITAL BUDGET

FISCAL YEAR 2023

(JULY 1, 2022 THROUGH JUNE 30, 2023)

FIVE-YEAR OPERATING FORECAST AND CAPITAL PROGRAM

FISCAL YEAR 2023 THROUGH FISCAL YEAR 2027

(JULY 1, 2022 THROUGH JUNE 30, 2027)

BOARD OF DIRECTORS

Chair
Francisco Heredia
Councilmember
Mesa

Vice-Chair
Robin Arredondo-Savage
Councilmember
Tempe

Kevin Hartke
Mayor
Chandler

Laura Pastor
Councilmember
Phoenix

EXECUTIVE MANAGEMENT TEAM

Jessica Mefford-Miller
Chief Executive Officer

Ray Abraham
Chief Operations Officer

Sebrina Beckstrom
Chief Auditor

Hillary Foose
Director, Communication & Strategic Initiatives

Jim Hillyard
Chief Administrative Officer

Jim Hillyard
Interim Chief Financial Officer

Henry Ikwut-Ukwa
Director, Capital Development

Penny Lynch
Director, Human Resources

Michael Wawro
Interim General Counsel

Adrian Ruiz
Director, Safety, Security and Quality Assurance

Alexis Tameron Kinsey
Director, Government Relations

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

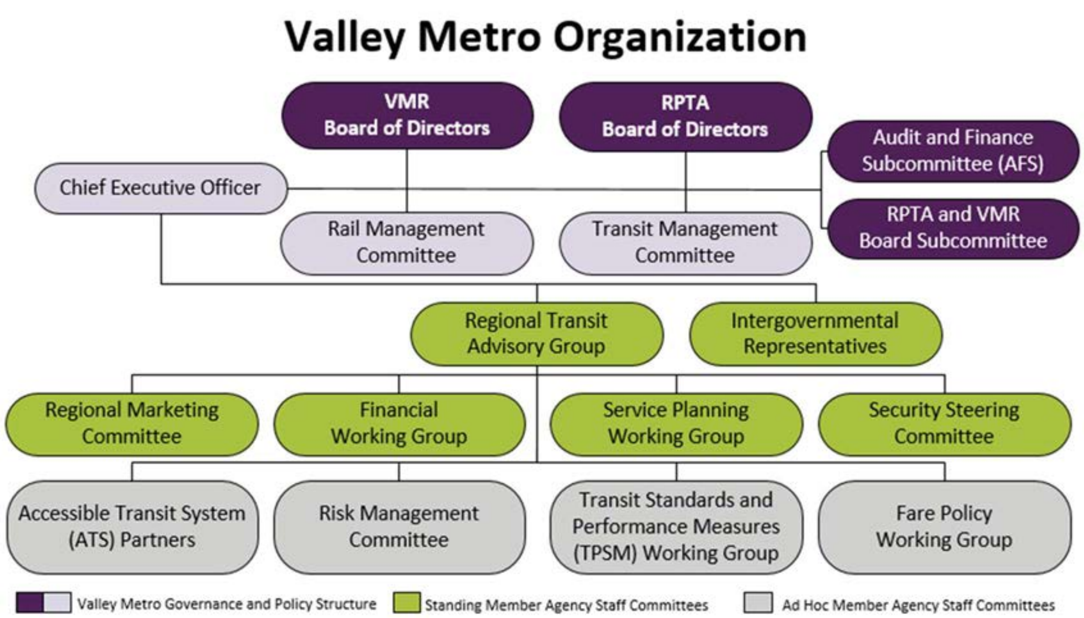
AGENCY OVERVIEW

Valley Metro is comprised of two separate legal entities, the Regional Public Transportation Authority (RPTA) and Valley Metro Rail, Inc. (VMR). The two agencies operate jointly with one Chief Executive Officer and one organizational structure. Intergovernmental agreements between the agencies define the responsibilities of each agency in meeting the overall strategic mission, vision, and goals for Valley Metro. Valley Metro is governed by two boards of directors. The RPTA Board consists of 19 public agencies that set the policy direction for all modes of transit except light rail. The VMR Board consists of four cities that set the policy direction for light rail and streetcar high-capacity transit (HCT). The boards and the agency work to improve and regionalize the public transit system.

RPTA is the regional transit agency for Maricopa County. Created in 1985 with the passage of Proposition 300, RPTA is a political subdivision of the State of Arizona overseen by a 19-member board of elected officials. Membership is open to all municipalities in Maricopa County and to the County government. The current Valley Metro RPTA Board comprises Avondale, Buckeye, Chandler, El Mirage, Fountain Hills, Gilbert, Glendale, Goodyear, Maricopa County, Mesa, Peoria, Phoenix, Queen Creek, Scottsdale, Surprise, Tempe, Tolleson, Wickenburg, and Youngtown. With the passage of Proposition 400 in November 2004, RPTA is the recipient of the transit portion of the twenty-year countywide 0.5% sales tax fund commencing in 2006 and running through 2025.

VMR was formed in 2002 to design, construct, and operate a high-capacity transit system. The current VMR Board comprises Chandler, Mesa, Phoenix, and Tempe. VMR is responsible for administration and oversight of the design, construction, and operation of light rail and streetcar, and for receipt and disbursement of funds from federal, state, local, and other funding sources. The VMR Board is empowered to enter into contracts for design and construction, hire or contract for staff and undertake extensions to the system. The member cities of VMR retain power of eminent domain and ownership of real estate with agreements established for property use by VMR. The cities are responsible for providing annual funding for the light rail and streetcar projects through their annual or biannual budgets, in addition to recommending light rail corridors within their city boundaries.

The following chart depicts the policy organization for Valley Metro and the relationships to key stakeholders:



SERVICE CHARACTERISTICS

VMR operates the only light rail and streetcar systems within the Phoenix Metropolitan area.

Light rail usually operates with an average weekday ridership of 46,000 boardings; however, due to COVID, the average dropped to 19,000 in FY21. Weekday trains run with two cars at 12-minute intervals during peak hours and 15-20-minute intervals off-peak. VMR operates a fleet of 54 light rail vehicles traveling over 10,000 miles each weekday, on a 27-mile alignment, serving 43 stations within the cities of Phoenix, Tempe, and Mesa. VMR's light rail service area encompasses 39.1 square miles within the Phoenix Metropolitan area.

Streetcar is projected to start revenue service in Spring 2022. Anticipated weekday service will operate at 12-minute intervals during peak hours and 15-20-minute intervals off-peak. There will be a fleet of six streetcar vehicles, operating on a 3-mile alignment, serving 14 stops within the city of Tempe, with two connections to light rail. Streetcar service area encompasses 5.7 square miles within the city of Tempe.

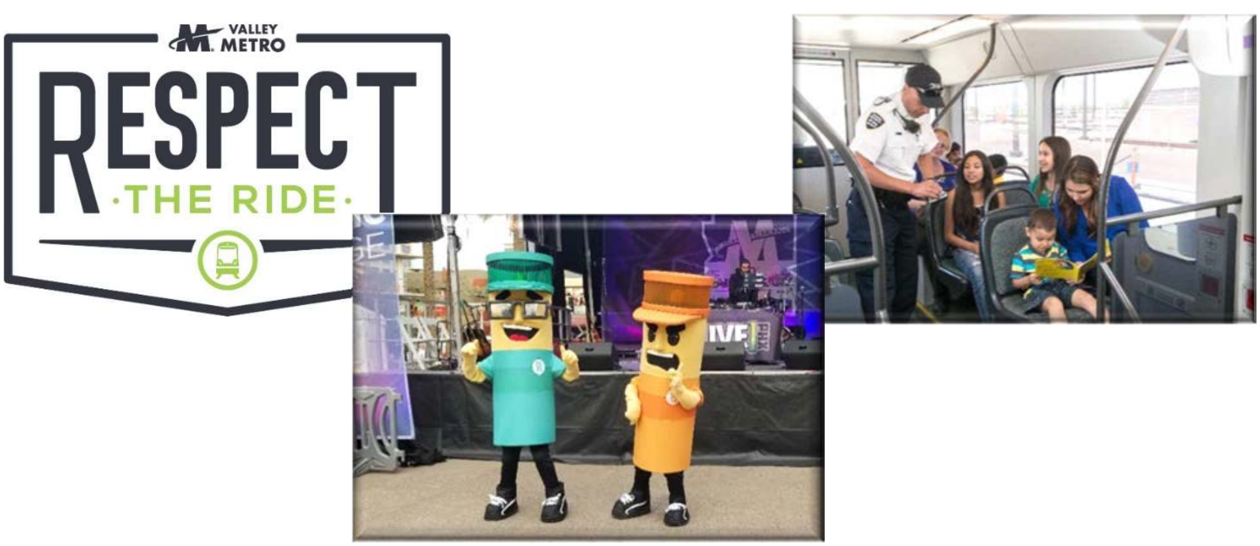
FARE POLICY

Effective March 24, 2022, the current Regional Fare Policy is as follows:

LOCAL BUS / LIGHT RAIL				EXPRESS / RAPID BUS	
Full Fare		*Reduced Fare**		*Full Fare*	
1-Ride	$2.00	1-Ride	$1.00	1-Ride	$3.25
All-Day	$4.00	All-Day	$2.00	All-Day	$6.50
7-Day	$20.00	7-Day	$10.00	31-Day	$104.00
15-Day	$33.00	15-Day	$16.50		
31-Day	$64.00	31-Day	$32.00		
STREETCAR					
Full Fare		*Reduced Fare**			
1-Ride	$1.00	1-Ride	$0.50		

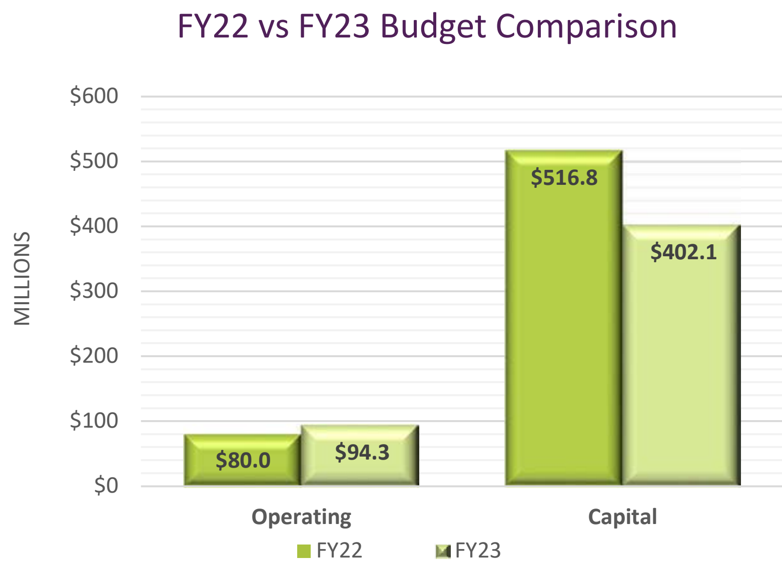
*Available for youth ages 6 through 18, seniors 65 and older, persons with disabilities and Medicare card holders. Qualified persons may obtain a Valley Metro Reduced Fare Indentification Card as proof of eligibility. Seniors and youth may show any valid photo ID indicating a birth date issued by a govermental agency. Children ages 5 and younger ride free when accompanied by a fare-paying caretaker or guardian.

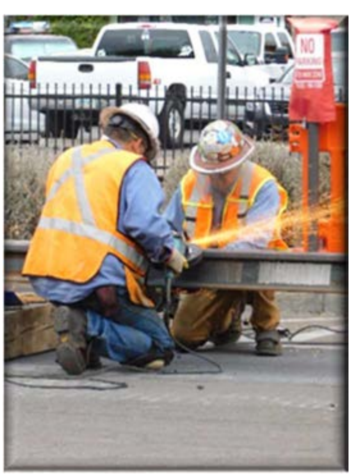
Visit Valley Metro's website at https://www.valleymetro.org for details regarding the fare structure.



BUDGET OVERVIEW

Total operating and capital budget for FY23 is $496.3 million (M), a decrease of $100.5M or 17% from the FY22 budget.





SOURCES OF FUNDS

Operating sources of funds are $94.3M, an increase of $14.2M or 18% from the FY22 budget. The primary sources are detailed below:

- Fare revenue is forecasted at $5.0M, which is up from FY22, based on current trends in average fare and ridership, with pandemic recovery in mind.
- Federal funds – American Rescue Plan Act of 2021 (ARPA) is $33.0M. This funding reduces the regional and local commitments for operations funding. The funds are allocated to the member cities by track miles.
- Public Transportation Fund (PTF) sales tax revenue is $8.1M, up $0.7M from FY22. PTF funding requirements for project development activities are also up from FY22.

Capital sources of funds are $402.1M, a decrease of $114.8M or 22% from the FY22 budget. The primary sources are detailed below:

- Member city contributions are $30.5, down from $277.9M. This funding is used to support capital construction activities, systemwide improvements, and state of good repair projects.
- Federal funds are programmed at $266.9M to support South Central, Northwest Phase II, Gilbert Road Extension, Tempe Streetcar, and Operations & Maintenance Center (OMC) expansion projects' design and construction activities, as well as systemwide improvements and State of Good Repair.
- PTF sales tax revenue is $104.7M, up from $31.6M in FY22 primarily due to increased funding requirements for South Central project.

	FY21 Actual	FY22 Budget	FY23 Budget	
Sources of Funds				
Operating				***Note**
Advertising	$ 438,000	$ 661,000	$ 440,000	
Fares	1,559,000	2,521,000	5,038,000	1
Federal Funds	2,107,000	5,131,000	5,900,000	2
Federal Funds - COVID Relief	43,655,000	18,530,000	33,000,000	3
MAG Funds	500,000	500,000	500,000	
Member City Contributions	9,445,000	44,624,000	40,665,000	4
Public Transportation Funds	5,721,000	7,417,000	8,085,000	5
Regional Area Road Funds	500,000	500,000	500,000	
Other	1,558,000	130,000	130,000	
Total Operating	**65,483,000**	**80,014,000**	**94,258,000**	
Capital				
Federal Funds	181,486,000	189,916,000	266,869,000	6
Federal Funds - COVID Relief	-	17,406,000	-	7
Member City Contributions	117,967,000	277,905,000	30,527,000	8
Public Transportation Funds	91,424,000	31,615,000	104,680,000	9
Other	28,000	-	-	
Total Capital	**390,905,000**	**516,842,000**	**402,076,000**	
Total Sources of Funds	**$ 456,388,000**	**$ 596,856,000**	**$ 496,334,000**	

**Explanations for significant changes from prior year are included in the Budget Analysis section of this document.*

USES OF FUNDS

Operating sources of funds are $94.3M, an increase of $14.2M or 18% from the FY22 budget. The primary sources are detailed below:

- Revenue Operations and Maintenance (O&M) is $66.6M, up from $56.5M due to streetcar revenue operations operating for a full year, significant increase in liability insurance, and potential contractual increases with labor market challenges.
- Security is $10.3M, up from $9.5M primarily due to the streetcar service operating for a full year and annual contractual increases with Allied Universal.
- Future project development is $15.1M, up by $3.1M primarily due to increase in planning activities related to future corridors and system planning.

Capital uses of funds are $402.1M, a decrease of $114.8M or 22% from the FY22 budget. The primary sources are detailed below:

- Both South Central and Northwest Phase II projects are in the middle of the construction phase in FY23. Tempe Streetcar has related project activities (CNPA) in progress
- OMC Expansion are scheduled to be completed in FY22. Residual costs are expected in FY23.
- Systemwide Improvements is $12.9M, down from $18.6M primarily due to powering track switches removal and lower revenue vehicle progress payments.

	FY21 Actual	FY22 Budget	FY23 Budget	
Uses of Funds				
Operating				***Note**
Light Rail O&M	$ 46,666,000	$ 52,739,000	$ 60,788,000	10
Streetcar O&M	19,000	3,732,000	5,821,000	11
Light Rail Security	8,487,000	8,915,000	9,342,000	12
Streetcar Security	-	578,000	966,000	
Future Project Development	8,886,000	11,979,000	15,107,000	13
Agency Operating	1,425,000	2,071,000	2,234,000	
Total Operating	**65,483,000**	**80,014,000**	**94,258,000**	
Capital				
Tempe Streetcar	34,782,000	21,638,000	5,566,000	14
South Central/Downtown Hub	265,999,000	318,222,000	260,094,000	15
Northwest Phase II	67,196,000	137,053,000	106,276,000	16
OMC Expansion	8,357,000	5,159,000	149,000	17
Gilbert Road Extension	592,000	3,354,000	2,027,000	18
Systemwide Improvements	5,800,000	18,570,000	12,890,000	19
State of Good Repair	8,179,000	12,846,000	15,074,000	20
Total Capital	**390,905,000**	**516,842,000**	**402,076,000**	
Total Uses of Funds	**$ 456,388,000**	**$ 596,856,000**	**$ 496,334,000**	

**Explanations for significant changes from prior year are included in the Budget Analysis section of this document.*

BUDGET ANALYSIS

The following is an analysis of the major changes in the FY23 Budget versus the FY22 Budget. The number in the "Note" column corresponds to the "Note" column in the "Sources of Funds" and "Uses of Funds" tables.

	Note	Analysis Comment - Sources of Funds
OPERATING	1	Fare revenue is forecasted at $5.0M, up $2.5M from the FY22 Budget primarily due to the return to full fare inspection in October 2021 along with slight increases in ridership. FY22 ridership is estimated at 6.7 million with an average fare forecast of $0.74 per ride.
	2	Federal funds (non COVID relief) increase by $0.8M, primarily due to the future project development projects funding.
	3	Federal funds - COVID Relief funding is up from $18.5M to $33.0M in FY23 due to American Rescue Plan Act monies received at the end of FY21. This funding will be used to reduce local agency contributions for operations funding.
	4	Member city contributions for operating projects are down from $44.6M to $40.7M in FY23 mainly due to the increased amount of Federal COVID Relief funding as mentioned in note number three.
	5	PTF sales tax funding requirements for future project development are up by $0.7M, primarily due to an increased amount of pre-capital activities related to Capitol Extension and I-10 West light rail expansions.
CAPITAL	6	Federal funding for capital is up from $189.9M to $266.9M. The large increase is primarily due to the timing of available federal grant drawdowns increasing in FY23.
	7	Federal funds - COVID Relief funding, in the form of ARPA Capital Investment Grant Program, has been fully drawn down with no funding remaining for FY23.
	8	Member city contributions for capital projects are down by $247.4M in FY23, programmed at $30.5M, primarily due to the timing of federal grant drawdowns for South Central and Northwest Phase II Extensions and the winding down of construction activity for the capital program.
	9	PTF sales tax funding requirement is increasing from $31.6M to $104.7M, primarily for South Central and Northwest Phase II extensions. PTF sales tax revenues are used to provide regional funding for light rail capital construction projects as well as systemwide improvement activities.

	Note	Analysis Comment - Uses of Funds
OPERATING	10	Light Rail Operation and Maintenance costs are increasing over FY22 primarily due to significant increases in liability insurance, personnel, contractual services, and parts.
	11	Streetcar revenue service commenced in May of 2022. The FY23 budget is based on a full year of revenue service.
	12	Light Rail Security costs are increasing over FY22 primarily due to significant contractual increases caused by current labor market conditions.
	13	Planned future project development costs are up by $3.1M due to a increase in planning activities related to future corridors and system planning. This is primarily due to West Phoenix, Capitol Extension, I-10 West, and Rio East/Dobson Streetcar studies.
CAPITAL	14	Tempe Streetcar related project activities (CNPA) are in progress. Annual expenditures are forecasted at $5.6M.
	15	South Central/Downtown Hub project construction activities continue in FY23. Annual expenditures are planned at $260.1M, which includes revenue vehicle payments of $20.4M and related project activities (CNPA) costs of $6.8M.
	16	Northwest Phase II project construction activities continues in FY23. Annual expenditures are forecasted at $106.3M, down by $30.8M from prior year.
	17	OMC Expansion project construction activities were completed in FY22 with residual costs in FY23. Annual expenditures are forecasted at $0.1M.
	18	Gilbert Road Extension project costs are forecasted at $2.0M, down $3.4M from FY22. FY23 expenditures represent final payments for additional light rail fleet.
	19	Systemwide Improvements are forecasted at $12.9M, down by $5.7M. The main projects are: fare collection system modernization ($4.7M), station fencing ($1.0M), OMC guard station ($0.6M), Railpod track equipment ($0.6M), IT maintenance agreements ($0.3M), and additional light rail fleet vehicles, ($5.4M).
	20	State of good repair needs are $15.1M. Projects include: vehicle communication system replacement ($4.5M), chiller replacement ($2.0M), passenger stations painting ($1.6M), mid-life overhaul of the LRVs ($1.1M), paver separation correction ($2.3M), personnel with indirect costs ($0.5M), and fourteen other projects ($3.1M).

STAFFING OVERVIEW

RPTA and VMR budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. For FY23, there are 464 employees budgeted: 173 Full Time Equivalent (FTE) positions are budgeted to RPTA activities and 291 FTEs to VMR activities. Staffing levels are reviewed on an annual basis to fulfill work requirements for the coming year. Salary and fringe benefit compensation levels are measured against comparable regional agencies, member cities, and peer transit agencies located in the western U.S.

FY23 COMPENSATION AND FRINGE BENEFIT ASSUMPTIONS

Total compensation budget is based on a 3% merit increase. For staff salary changes, merit increases are based on employee performance. In response to the Consumer Price Index (CPI) in the Phoenix metropolitan area reaching 11% growth over a 12-month period (February 2021 compared to February 2022), the Valley Metro Joint Board approved (April 21, 2022) a 5% Cost of Living Adjustment (COLA) for all agency staff effective May 2, 2022. The fringe benefits plan offered to employees, including Arizona State Retirement System and health insurance, remains flat for FY23.

FY23 STAFFING NEEDS

Valley Metro and our partners are committed to delivering an excellent customer experience across the system now and into the future. Eleven key positions have been added to the FY23 budget in order to assist in the areas of system maintenance, fiscal stewardship, safety, and regional transit service.

RPTA only

- Transit Security Coordinator

VMR only

- Administrative Assistant II
- Maintenance Planner/Scheduler
- Supervisor, Maintenance of Way
- Landscape/Grounds Maintenance Coordinator
- Facilities Maintenance Technician

Shared Agency

- Junior Systems Engineer
- Employee Relations Analyst
- Senior Internal Auditor
- Asset Management System Administrator
- Administrative Assistant II

Agency	FY22 Budget	Mid-Year Additions	FY23 Additions	FY23 Budget
RPTA	169.7	0.7	3.1	173.5
VMR	281.4	1.3	7.9	290.6
Total Agency	**451.0**	**2.0**	**11.0**	**464.0**

FIVE-YEAR OVERVIEW

VMR currently has a number of transit projects in various phases of planning, design, or construction. The sources and uses of funds associated with these projects and activities are projected to be $1.5 billion (B) through the five-year planning horizon of FY23 through FY27. These uses and sources of funds are summarized as follows:

SOURCES OF FUNDS

	5-Year Total
Sources of Funds ($,000)	
Operating	
Advertising	$ 2,606
Fares	38,510
Federal Funds	12,455
Federal Funds - COVID Relief	33,000
MAG Funds	2,500
Member City Contributions	404,508
Other	650
Public Transportation Funds	38,860
Regional Area Road Funds	2,500
Total Operating	**535,589**
Capital	
Federal Funds	604,334
Member City Contributions	118,354
Public Transportation Funds	286,629
Total Capital	**1,009,317**
Total Sources of Funds	**$ 1,544,906**

USES OF FUNDS

	5-Year Total
Uses of Funds ($,000)	
Operating	
Operations & Maintenance	$ 408,486
Security	63,172
Future Project Development	52,071
Agency Operating Budget	11,860
Total Operating	**535,589**
Capital	
Tempe Streetcar	5,566
South Central/Downtown Hub	575,597
Northwest Phase II	150,124
OMC Expansion	149
Gilbert Road Extension	2,321
Capitol I-10 West Phase I	231,673
Systemwide Improvements	16,930
State of Good Repair	26,957
Total Capital	**1,009,317**
Total Uses of Funds	**$ 1,544,906**

Information Summary

DATE **AGENDA ITEM 4**
June 9, 2022

SUBJECT
Fiscal Year 2023 (FY23) Election of Valley Metro Rail (VMR) Board Officers and Subcommittee Positions

PURPOSE
The VMR Board will vote to elect Board officers and subcommittee positions for FY23.

RECOMMENDATION
Based on letters of interest received, it is recommended that the VMR Board of Directors elect officers and subcommittee members to serve from July 1, 2022 to June 30, 2023 for the following positions:

<u>Board Officers</u>
- VMR Board Chair – Councilmember Robin Arredondo-Savage, City of Tempe
- VMR Board Vice Chair – Vice Mayor Laura Pastor, City of Phoenix

<u>Audit and Finance Subcommittee</u>
- Councilmember Francisco Heredia, City of Mesa

<u>Valley Metro RPTA and Valley Metro Rail Joint Board Subcommittee</u>
- Vice Mayor Laura Pastor, City of Phoenix
- Councilmember Francisco Heredia, City of Mesa

BACKGROUND/DISCUSSION/CONSIDERATION
Board officer and Board subcommittee elections are scheduled for June of each year. At the May 2022 Board meeting, it was announced that election of officers and subcommittee appointments would be brought forward at the June meeting for the following positions:

- Chair of the Board of Directors:
- Vice Chair of the Board of Directors; and
- RPTA/Valley Metro Rail Board Subcommittee members
- Audit and Finance Subcommittee

Following the May 2022 Board meeting, the Chair distributed a memorandum requesting letters from Board members interested in filling the above positions for FY21. The letters were due June 8, 2022.

COST AND BUDGET
There is no fiscal impact.

COMMITTEE PROCESS
Board of Directors: June 16, 2022 for action

CONTACT PERSON
Chair Francisco Heredia
Councilmember, City of Mesa

ATTACHMENT
None

Letters of Interest are available upon request.

Information Summary

DATE **AGENDA ITEM 5**
June 9, 2022

SUBJECT
Report on Current Events and Suggested Future Agenda Items

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

COST AND BUDGET
None

RECOMMENDATION
This item is presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COMMITTEE ACTION
None

CONTACT
Jessica Mefford-Miller
Chief Executive Officer
602-262-7433
jmeffordmiller@valleymetro.org

ATTACHMENT
None

Pending Items Request

Item Requested	Date Requested	Planned Follow-up Date