PUBLIC MEETING NOTICE

Boards of Directors
Study Session

Date:
March 24, 2022

Starting Time
10:00 a.m.

Location:
Valley Metro
101 N. 1st Avenue
10th Floor Boardroom
Webex and You Tube
Phoenix, AZ

If you require assistance accessing the Study Session please call 602.262.7433.

Joint Boards Study Session Notice & Agenda

March 17, 2022

Joint Boards Study Session
Valley Metro RPTA and Valley Metro Rail
Thursday, March 24, 2022
10:00 a.m.
Boardroom/Webex and You Tube

Study sessions provide a less formal setting for the Boards of Directors to discuss specific topics, at length, with each other and Valley Metro staff members. Study sessions also provide an opportunity for staff to receive direction from the Boards and for the public to observe the discussions.

This study session will focus on the FY 2023 Operating and Capital Budget information.

1. FY 2023 Opearting and Capital Budget Information for Valley Metro RPTA and Valley Metro Rail

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

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.

Valley Metro® Budget

FY 2023 Issues & Recommendations

VALLEY METRO

Memo

To: Valley Metro Boards of Directors

From: Jim Hillyard, Interim Chief Financial Officer

Date: March 17, 2022

Re: FY 2023 Budget Recommendation

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

New Presentation Format

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

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

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

FY 2023 Operating Budget Executive Summary

Revenues

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

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

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

RPTA Expenditures

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

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

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

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

Valley Metro Rail (VMR) Expenditures

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

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

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

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

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

Operating Revenues

RPTA

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

VMR

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

Operating Expenditures

RPTA									
All Funds				**Obligations**				Total	
	FY 2022 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

FY 2023 Changes

REGIONAL PUBLIC TRANSPORTATION AUTHORITY ONLY

Inflation/Market & Ridership

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

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

City of Phoenix Regional Services $9,656,200

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

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

Bus Fuel $3,453,900

Valley Metro utilizes 3.3 million gallons of compressed natural gas (CNG) and 630,400 gallons of diesel fuel annually. The price of both CNG and diesel have increased significantly year to date. Given the current conditions, there is no reason to believe these trends will be reversed. As a result, for FY 2023, Valley Metro forecasts fuel price increases by yard of: $626,900 for Mesa, $2, 697,300 for Temps, $100,700 for the West Valley, and $29,000 for Ajo. 3

Continuing Commitments

Autonomous Vehicle Pilot $100,000

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

Bus Service & Rate Increase $2,887,200

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

Paratransit and RideChoice Combined Reservations & Scheduling $261,200

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

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

Valley Metro Recommendations

Bus Security Coordinator $97,400
Valley Metro lacks a dedicated point of contact for security issues and incidents on the bus system. As a result, when local law enforcement responds to an issue, there is no one to provide them with context for the transit security environment, connections to related issues in other jurisdictions, or a liaison to Valley Metro's bus service contractors. To address this gap, this recommendation adds one Bus Security Coordinator Full Time Equivalent (FTE) position and its associated equipment. 7

Super Bowl Special Event Support $150,000
Super Bowl Central will be in downtown Phoenix. To help Valley Metro effective serve this surge, this campaign will acquaint riders with the multiple solutions for trip planning, streamlined fare collection options (including the new mobile ticketing solution), provide wayfinding signage and transit guides using strategic print advertising, digital advertising, social media, and promotional items. Additional campaign elements will include informing current riders of special service offered and detours during the Super Bowl event timeframe. The previous Superbowl resulted in major short-term increases in ridership and corresponding fare revenue as well as third party advertising. 8

RPTA and VMR Joint Costs

Inflation/Market & Ridership

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

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

LRV and Facility Cleaning Costs $10,000 R
$805,000 V
Valley Metro contracts for the cleaning of light rail vehicles (LRV) and facilities. This contact was approved by the Board in November 2020 and includes a fixed labor rate. Recent changes in the labor market have made the contract's labor rates uncompetitive. As a result, in January and February 2022, 67% of line cleaner and pressure washer shifts were unfilled. Current starting hourly wage for these positions are $14.59 and $15.75 respectively. Valley Metro recommends a $3 per hour increase for cleaning positions to recruit and retain labor for this critical function. 10

Software License Inflation & Ridership Return
$179,000 R
$119,300 V
Valley Metro makes use of many commercial software products: for rider communication, trip planning, data analysis, IT security, and project management to name only a few. Between FY 2022 and FY 2023, the license costs for these products will increase $291,100 or 5%. In addition, as ridership rebounds, the AlertVM and NextRide services are anticipated to see greater use increasing their costs by $7,200. 11

Continuing Commitments

Fare Collection System Implementation
$3,122,400 R
$75,000 V

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

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

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

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

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

Finally, in FY 2023 Valley Metro will implement a new reduced fare identification card. All riders who are eligible for Reduced Fares will need to obtain the new card to purchase Reduced Fare tickets. While this requirement will decrease reduced fare abuse, its implementation will require a significant amount of outreach to ensure riders know how/why to get the new card; and how to use it in the future mobile and smartcard environments. $112,000 is included for this outreach. 12

Origin & Destination Study
$75,000 R
$75,000 V

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

ERP and EAM Support **$184,300 R**
$184,200 V

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

Rent Changes **$109,900 R**
$57,500 V

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

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

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

Valley Metro Recommendations

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

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

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

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

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

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

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

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

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

In recognition of the increased scope and complexity of Valley Metro's operations, in FY 2021, Deputy Director of Transportation & Project and Deputy Director of State of Good Repair & Maintenance positions were created. While the pandemic slowed hiring for these positions, they are now filled and required administrative support for maximum effectiveness. This recommendation provides that support by adding a 2 FTE Administrative Assistant II position and their associated equipment to support the two Deputy Directors. 19

Asset Management System Administrator
$20,800 R
$86,200 V

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

Senior Internal Auditor
$59,000 R
$58,900 V

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

Increased Recruiting Costs $70,000 R
$70,000 V

Increased turn-over and a tighter labor market will require additional efforts to fill key positions. This includes more advertising ($70,000), greater participation in job fairs ($10,000), the increased use of recruitment videos ($10,000), and the potential to pay for out-of-state candidate travel ($10,000) and relocations ($40,000) for high-level roles. 22

Increased Legal Defense Costs $99,700 R
$241,500 V

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

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

Operations Employee Relations $41,500 R
$65,500 V

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

Junior Systems Engineer $58,900 R
$59,000 V

Since September 2019, Valley Metro has contacted a Junior Systems Engineer to maintain servers and storage. As there is an on-going need for this position, Valley Metro recommends converting it from a contractor to an FTE. This conversion will reduce net costs by $26,100 per year. 25

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

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

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

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

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

The Value of Transit campaign is critical to sharing Valley Metro's contributions to providing safe and reliable public transportation, which also supports the local economy, healthy lifestyles and overall community well-being. This recommendation would fund the use of social and other media to promote the awareness of these impacts at a time when the public's understanding of transit's value is particularly important. 28

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

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

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

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

VALLEY METRO RAIL ONLY

Continuing Commitments

New LRV Communication Systems $387,800

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

Rail Project Planning $3,629,000

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

OMC Expansion Facility Maintenance $204,000

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

Streetcar Operations $2345,800

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

Valley Metro Recommendations

Insurance Cost Contingency $2,134,500

From FY 2021 to FY 2023, Valley Metro's insurance costs increased 76%. Preliminary estimates from Valley Metro's insurance broker anticipates that the market will continue to impose premium increases. Further, Valley Metro continues to expand, adding assets, value, and risk. As a result, the anticipated increase should be accounted for in the budget. As part of this recommendation, Valley Metro will spend $16,000 to contract for a one-time actuarial study to evaluate the financial and risk feasibility of self-insurance for major lines of insurance coverage to reduce exposure to future premium increases. 35

Maintenance of Way Planning & Supervision $256,900

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

Grounds Maintenance Coordinator $145,200

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

Facilities Maintenance Technician $77,900

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

RailPod Software $102,000

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

Two Line System Wayfinding Design $93,500

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

Respect the Ride $50,000

Coming out of the pandemic, as ridership rebounds, it is important for returning riders to feel safe and secure and to understand the rules of riding (for all). Respect the Ride encompasses a code of conduct, messages reinforcing positive behaviors, and safety education on light rail vehicles and station platforms. This recommendation will update the Respect the Ride educational campaign featuring Right and Rong for current behavioral and safety issues to educate our riders and encourage positive behaviors. 41

Non-Revenue Fleet $107,000

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

LRV Replacement Parts $1,000,000

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

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

Description

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.
- **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	Member City Regional PTF	In addition to the 9% trip growth noted above, Valley Metro forecasts at 4% increase in the cost per trip as paratransit subcontractors raise their rates in response to fuel costs.

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

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

Description

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 $1.24 per mile.

The FY 2023 budget includes the addition by the Board of 104,600 miles to East Valley service and a decrease of 201,700 miles in West Valley service. This includes miles added on a partial basis in FY 2022 and now annualized to represent a full year of service and changes recommended by the cities through the service planning process in the Short Range Transit Plan (SRTP) for FY 2023.

Alternatives Considered

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

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

Description

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.

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.
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

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 the system (hardware and software), and Valley Metro has the responsibility for the services portion of the new system. As detailed in the line items below, this change:

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

Alternatives Considered

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

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

13	Origin & Destination Study	
	Joint RPTA and VMR	**Continuing Commitments**

Description

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

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

Alternatives Considered

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

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

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

Description

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

Alternatives Considered

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

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

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

Description

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

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

Alternatives Considered

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

16	Security Contract Rate Increase	
	Joint RPTA and VMR	Continuing Commitments

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

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

17	Operations Contingency	
	Joint RPTA and VMR	VM Recommendations

Description

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 November 2021 and February 2022, the rate was 1.2, an increase of 129%, and Allied Security personnel themselves were subject to an even greater increase in violence. Between September 2019 and February 2020, the rate of assaults against security was 0.35 per 100,000 boardings. Between September 2021 and February 2022, the assault rate was 0.84 per 100,000 boardings, an increase of 140%. This increase in violence can be expected to have a direct impact on ridership -- rider surveys have consistently shown the perception of safety is a key factor in whether a person chooses to use transit.

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			Potential contract changes to address the reduction in revenue miles.
Bus Operator Staffing			Potential wage adjustments to address operator vacancies
Paratransit Staffing			Potential wage adjustment to address operator and scheduling and reservation agent vacancies.
Total	7,556,200		Member City, Regional PTF

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.

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

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

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

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

Survey Results

City	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 required administrative support to maximize effectiveness. This recommendation provides that support by adding a 2 FTE Administrative Assistant II positions and their associated equipment to support the two Deputy Directors.

Alternatives Considered

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

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

20	Asset Management System Administrator	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

21	Senior Internal Auditor	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

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

22	Increased Recruiting Costs	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

23	Increased Legal Defense Costs	
	Joint RPTA and VMR	VM Recommendations

Description

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

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

Alternatives Considered

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

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

24	Operations Employee Relations Analyst	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

25	Junior Systems Engineer	
	Joint RPTA and VMR	VM Recommendations

Description

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

Alternatives Considered

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

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

26	Market Research	
	Joint RPTA and VMR	VM Recommendations

Description

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

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

Alternatives Considered

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

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

Description

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

Alternatives Considered

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

28	Value of Transit Communications	
	Joint RPTA and VMR	VM Recommendations

Description

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

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

Alternatives Considered

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

29	Ridership Recovery Marketing	
	Joint RPTA and VMR	VM Recommendations

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

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

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.
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 (or the City of Tempe for streetcar). 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.
Alternatives Considered

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

42	Non-Revenue Fleet	
	VMR Only	VM Recommendations

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

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

43	LRV Replacement Parts	
	VMR Only	VM Recommendations

Description

Additional funding is needed for LRV replacement part. Several factors are driving this need:

- 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		

FY23 Preliminary Budget

Board Study Session
March 2022

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Study Session Agenda

I. **Budget Process Timelines & Overview**
II. **Revenue Background**
III. **Budget Expense Background**
IV. **FY 2023 Budget Operating Budget**
    a. Revenues
    b. Presentation Format
    c. RPTA and VMR Highlights & Key Issues
V. **Capital Budget: Revenues and Expenditures**
VI. **Next Steps**

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Budget Process

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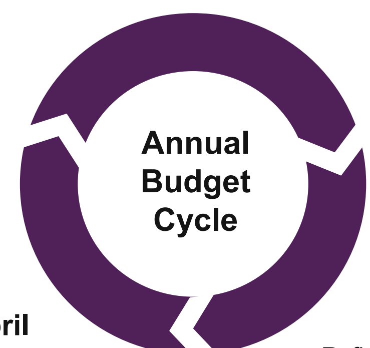
Budget Development Cycle

September
Departments begin developing budgets

October 31st
Deliver Preliminary Transit Service (City Funded) to members

May/June
Board Adopts Annual Budget



March/April
Present Prelim Annual Budget through Committees and Board

Nov-Feb
Refine estimates based on updated info, prep documents/presentations

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Budget-Focused Committees

- **Financial Working Group**
  - Staff from member cities, typically finance or transit staff
  - Provide detailed review of assumptions
- **Audit and Finance Subcommittee**
  - Oversight and guidance to staff on budget assumptions and development
  - Recommendation to Boards
- **Board of Directors**
  - Study Sessions for discussion, clarifying questions, and gathering info
  - Review and approve annual operating and capital budget

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Purpose of Preliminary Transit Service Budget

- **Define Inputs/Assumptions**
  - Planned service
    - Miles, boardings, fare revenues
  - Operations & Maintenance Staffing
  - Strategic Initiatives
  - Contingency
- **Goals**
  - Provide "not-to-exceed" amount
  - Fit within your budget process

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Revenue Background

7

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Primary Sources of Funding

- **Prop400**
  - Public Transportation Funds
  - Regional Area Road Funds
- **Federal**
- **Fares**
- **Member Cities**

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Prop 400 Funds

Voters approved in 2004

- ½ cent sales tax, 20 year life, Jan 2005 – Dec 2025
  - Public Transportation Funds (PTF) – 33%
  - Regional Area Road Fund (RARF) – 67%

- **Allowable use per state statute:**
  - Bus (RPTA): "Capital costs, maintenance and operation of public transportation classifications."
  - Rail (VMR): "Capital costs and utility relocation costs associated with a light rail public transit system."

PTF allocations to bus and rail programs (Board Policy - 2005) :

- 56.76% annually to bus (RPTA) program
- 43.24% annually to rail (VMR) program
- Each program has a financial model to ensure balanced revenues and expenditures

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PTF Revenue Trends

Month	FY 21 Actuals	FY 22 Budget	FY 22 Actuals	Budget Variance	Comparison to Prior Year
July	14,716,415	14,542,861	17,746,586	3,203,725	3,030,171
August	14,644,448	14,031,017	16,769,088	2,738,071	2,124,640
September	14,439,173	14,327,982	17,870,729	3,542,747	3,431,555
October	14,728,743	14,296,957	17,224,113	2,927,156	2,495,370
November	14,378,010	14,588,544	17,396,552	2,808,008	3,018,542
December	14,886,458	14,896,287	18,149,627	3,253,340	3,263,169
January	17,379,249	17,239,503	21,298,871	4,059,368	3,919,622
February	14,246,747	14,628,726	17,171,698	2,542,972	2,924,951
Totals YTD	**$119,419,242**	**$118,551,877**	**$143,627,263**	**$25,075,386**	**$24,208,021**
Difference				**21%**	**20%**

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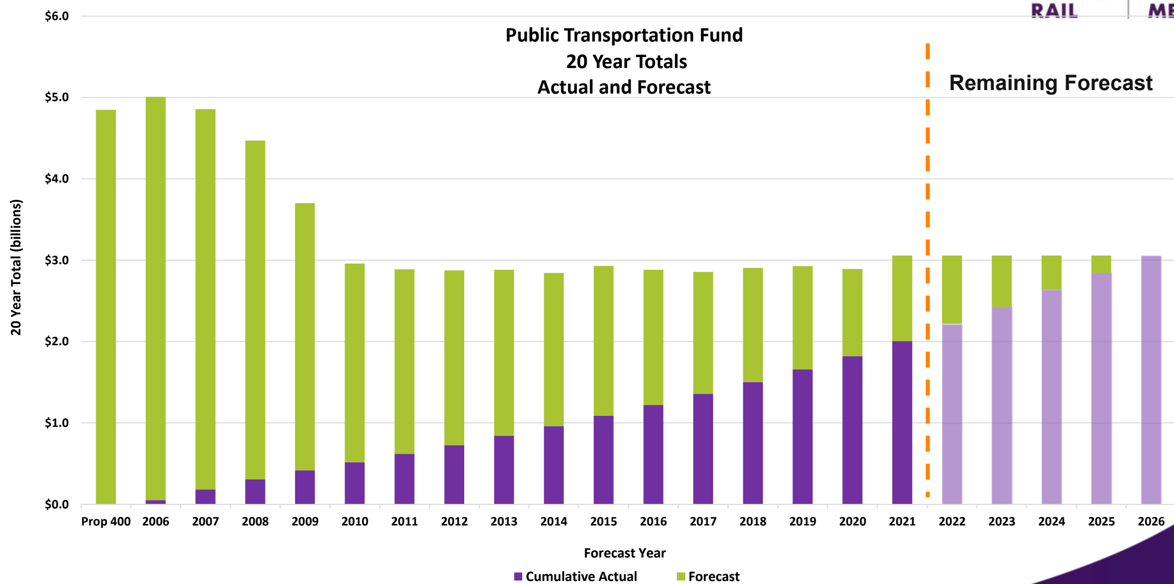
PTF Revenue Trends (cont'd)



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Projected PTF Fund Balance

- Since the pandemic, revenues have far exceeded projections

Prop 400 PTF Summary 20-Year Plan				
(millions of dollars)				
Agency	Total Revenue Allocation	Total Costs Allocated	Allocation Under (Over)	Percent Under (Over)
RPTA	$1,735.0	$1,614.8	$120.2	6.9%
VMR	$1,321.8	$1,194.5	$127.3	9.6%
Total	**$3,056.8**	**$2,809.3**	**$247.4**	**8.1%**

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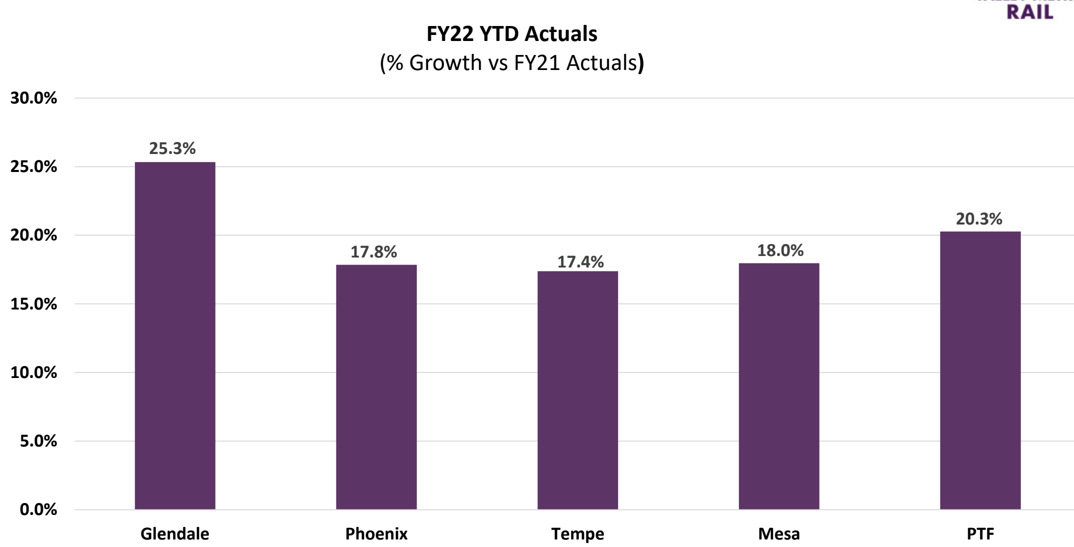
Local Revenue Trends



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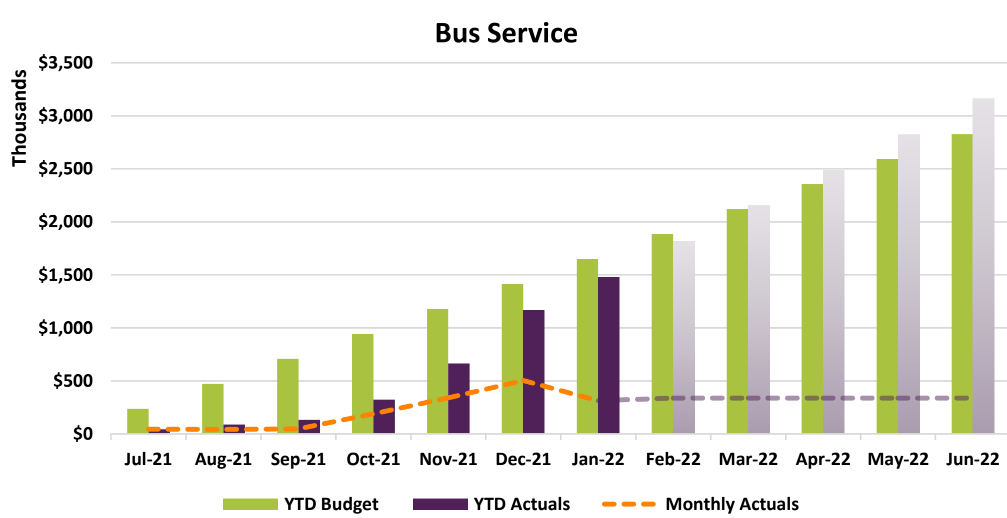
Bus Fare Revenues



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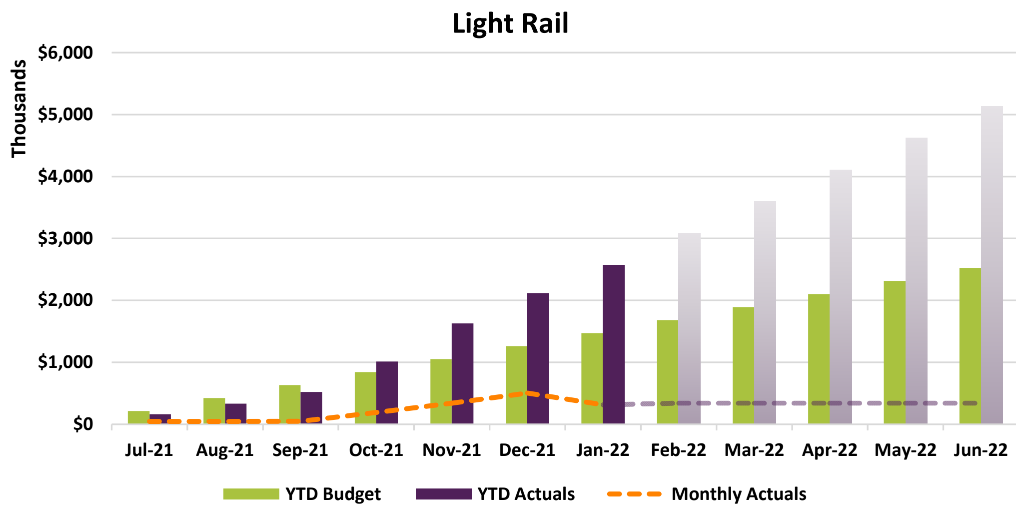
Light Rail Fare Revenues



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Budget Expense Background

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Operating Budget

Two Main Categories

1. **Transit Services**
   - Transit services operated on behalf of member cities
2. **Support Services**
   - Customer Service, Mobility Services, Marketing, Information Technology, Finance, Procurement, other Admin

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Transit Services

- **Bus Service**
  - Service levels determined by member cities
- **Demand Service**
  - Service levels determined by demand and member city input
  - ADA service is required within ¼ mile of fixed route (bus and rail service) per FTA
- **Vanpool Service**
  - Service levels determined by participants

RPTA Services

- **Light Rail & Streetcar**
  - Service levels determined by member cities

VMR Services

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Support Services

Regional Call Center
Assist customers with questions about fares, schedules routes, policies, trip planning, compliments and complaints.

Mobility Service Center
Provide ADA certification, reduced fare IDs, fixed route travel training for disabled and senior passengers.

Marketing
Provide regional marketing & advertising program promoting transit, rider education, and transit books, systems maps, etc.

Communications/Community Outreach
Provide outreach activities in the community including business, school, senior, and community events.

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Support Services (contd)

Planning
Assist members with service planning, Title VI analysis, Origin & Destination data, ongoing evaluation of service metrics and route performance. Transit system and corridor planning, and preliminary engineering for capital construction.

Commute Solutions
Management of the regional transportation demand management (TDM) program, trip reduction, marketing and promotion of alternative transportation modes.

Administration and Finance
Support in the areas of finance, accounting, budgeting, procurement, data management, office management, financial reporting, and information technology.

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FY 2023 Operating Budget

VALLEY METRO RAIL | VALLEY METRO

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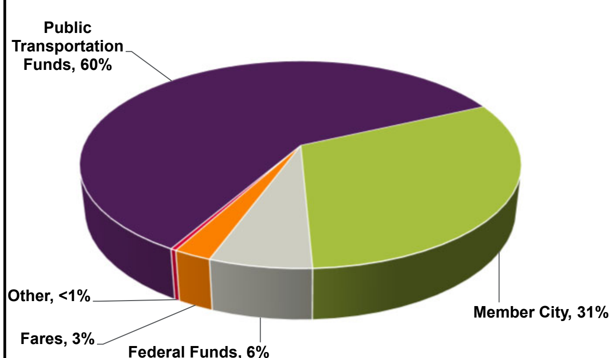
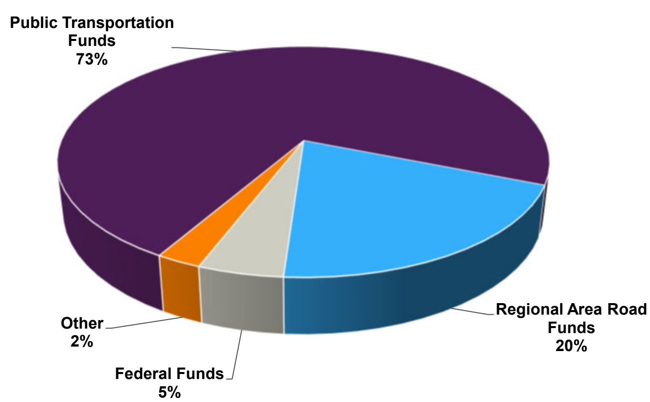
RPTA Operating Budget Funding

Transit Services



Support Services



** For Transit Services, other include bus advertising. For Support Service, other revenues include ADEQ and interest earnings.*

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RPTA Sources & Uses

OPERATIONS

Source of Funds	FY22	FY23	Change $	Change %
Bus Advertising	$0.0	$0.6	$0.6	0%
Public Transportation Funds	84.0	118.7	34.7	41%
Regional Area Road Funds	4.8	4.6	(0.2)	-4%
Transit Service Agreements	39.2	51.8	12.6	32%
MAG Funds	0.1	0.0	(0.1)	-100%
Federal Grants	11.0	11.3	0.3	3%
Federal COVID Relief	22.2	0.5	(21.7)	-98%
Fare Revenues	4.5	4.0	(0.5)	-11%
MAG Funds	0.2	0.2	0.0	0%
Other Revenues	0.4	0.4	0.0	0%
Carry forward and Reserves	0.7	1.5	0.8	109%
RPTA Operating	**$167.0**	**$193.4**	**$26.4**	**16%**

Uses of Funds	FY22	FY23	Change $	Change %
Fixed Route Operations	$107.8	$120.3	$12.5	12%
Demand Service Operations	37.9	48.0	10.1	27%
Vanpool Operations	1.0	1.0	0.0	0%
Planning	2.1	2.5	0.4	17%
Commute Solutions	1.3	1.4	0.1	9%
Administration and Finance	4.0	4.2	0.2	5%
Regional Services	13.0	16.4	3.4	26%
RPTA Operating	**$167.0**	**$193.4**	**$26.7**	**16%**

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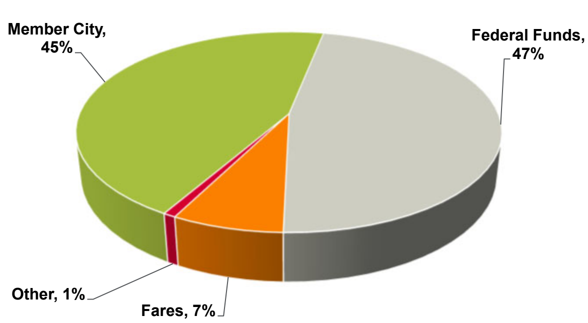
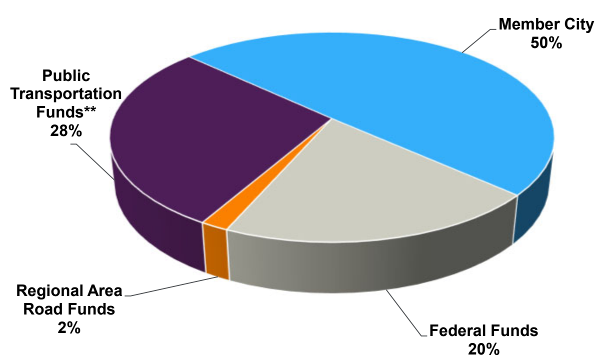
VMR Operating Budget Funding

Transit Services



Support Services



** Other revenue includes advertising on rail vehicles and stations.*

*** PTF is used for systems planning, design, and pre-engineering activities associated with the Rail capital program.*

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VMR Sources & Uses

OPERATIONS

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

Uses of Funds	FY22	FY23	Change $	Change %
Light Rail Operations & Maintenance	$52.7	$63.1	$10.4	20%
Light Rail Security	8.9	11.2	2.3	26%
Streetcar Operations & Maintenance	3.7	5.9	2.2	59%
Streetcar Security	0.6	1.0	0.4	67%
Future Project Development	12.0	15.6	3.6	30%
Agency Operating	2.1	2.2	0.1	7%
Total Operating Uses	**$80.0**	**$99.0**	**$19.0**	**24%**

FY 2023 Presentation Format

The presentation of the FY 2023 budget has been changed to:

- Improve clarity by identifying the specific changes from FY 2022 to FY 2023
- Better facilitate the Board's decision-making responsibilities by:
  - Identifying non-discretionary changes associated with inflation, ridership, and continued implementation of previously approved issues
  - Providing detailed descriptions of each of the Valley Metro staff's recommended changes for FY 2023
  - Clearly identify how city costs are effected by individual changes and in total

Reading the New Format

Nomenclature

Base Budget – FY 2022's approved services less efficiencies identified by Valley Metro.

Obligations

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

Valley Metro Recommendations – changes Valley Metro recommends the Board make for FY 2023

FY 2023 Total Budget

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Reading the New Format

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

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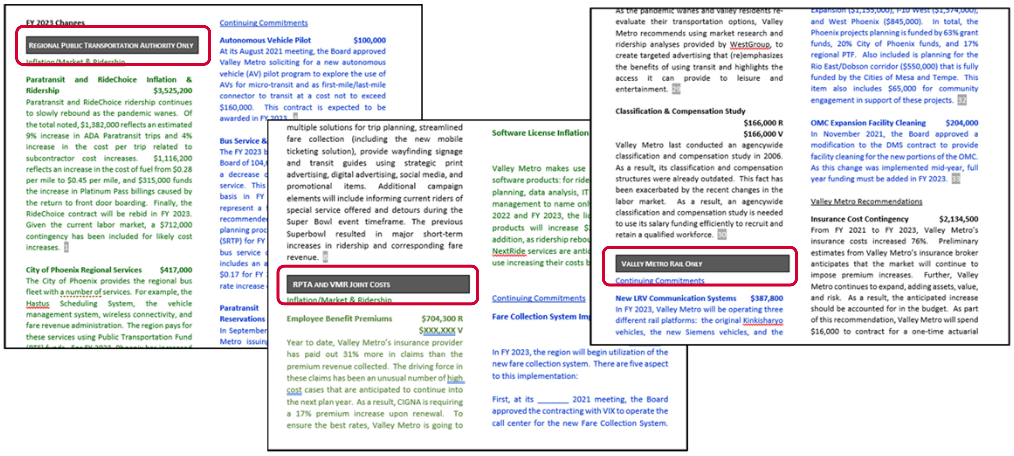
Change Summaries

3 Sections: RPTA Only, Joint Costs, and VMR Only



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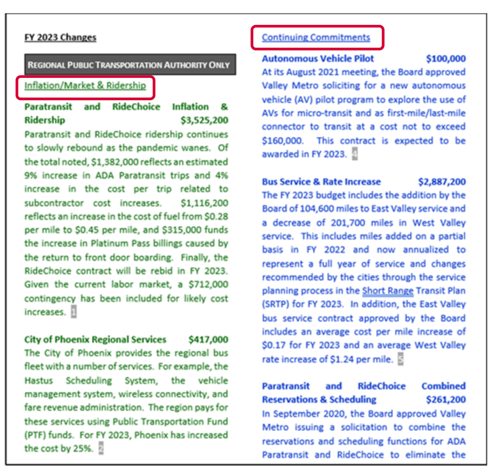
Executive Summary

3 Categories of Changes

Green = Inflation/Market & Ridership



FY 2023 Changes

REGIONAL PUBLIC TRANSPORTATION AUTHORITY ONLY

Inflation/Market & Ridership

Paratransit and RideChoice Inflation & Ridership $3,525,200
Paratransit and RideChoice ridership continues to slowly rebound as the pandemic wanes. Of the total noted, $1,382,000 reflects an estimated 9% increase in ADA Paratransit trips and 4% increase in the cost per trip related to subcontractor cost increases. $1,116,200 reflects an increase in the cost of fuel from $0.28 per mile to $0.45 per mile, and $315,000 funds the increase in Platinum Pass billings caused by the return to front door boarding. Finally, the RideChoice contract will be rebid in FY 2023. Given the current labor market, a $712,000 contingency has been included for likely cost increases.

City of Phoenix Regional Services $417,000
The City of Phoenix provides the regional bus fleet with a number of services. For example, the Hastus Scheduling System, the vehicle management system, wireless connectivity, and fare revenue administration. The region pays for these services using Public Transportation Fund (PTF) funds. For FY 2023, Phoenix has increased the cost by 25%.

Continuing Commitments

Autonomous Vehicle Pilot $100,000
At its August 2021 meeting, the Board approved Valley Metro soliciting for a new autonomous vehicle (AV) pilot program to explore the use of AVs for micro-transit and as first-mile/last-mile connector to transit at a cost not to exceed $160,000. This contract is expected to be awarded in FY 2023.

Bus Service & Rate Increase $2,887,200
The FY 2023 budget includes the addition by the Board of 104,600 miles to East Valley service and a decrease of 201,700 miles in West Valley service. This includes miles added on a partial basis in FY 2022 and now annualized to represent a full year of service and changes recommended by the cities through the service planning process in the Short Range Transit Plan (SRTP) for FY 2023. In addition, the East Valley bus service contract approved by the Board includes an average cost per mile increase of $0.17 for FY 2023 and an average West Valley rate increase of $1.24 per mile.

Paratransit and RideChoice Combined Reservations & Scheduling $261,200
In September 2020, the Board approved Valley Metro issuing a solicitation to combine the reservations and scheduling functions for ADA Paratransit and RideChoice to eliminate the

Blue = Continuing Commitments

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Executive Summary

3 Categories of Changes

Black = Valley Metro Recommendations

Valley Metro Recommendations

VM Staff Labor Market Adjustments

$886,900 R
$1,714,700 V

Like all cities in the region, Valley Metro is feeling the impact of a tight labor market and a 7% 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 funding without a budget increase using vacancy savings.

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

Joint changes display the RPTA (R) and VMR (V) amounts separately

Change Number

31

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Change Detail Sheets

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.

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

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

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

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

Survey Results

City	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		

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RPTA Overview

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
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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	
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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

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RPTA Key Issues

Inflation/Market & Ridership	Amount	Continuing Commitment	Amount	VM Recommendations	Amount
City of Phoenix Regional Service	$ 9,646,200	New Fare Collection System	$ 3,047,400	Operations Contingency	$ 3,585,800
ADA Paratransit & RideChoice	$ 3,525,200	Bus Service & Contract Rate	$ 2,887,200	VM Staff Labor Market	$ 886,900
Bus Fuel Costs	$ 3,453,900	PT & RC Combined Scheduling	$ 261,200	Class & Comp Study	$ 166,000
Employee Benefit Premiums	$ 239,500	ERP and EAM Support	$ 184,300	Super Bowl Special Event	$ 150,000
Software Inflation & Ridership	$ 179,000	Rent Changes	$ 109,900	Increased Legal Defense Costs	$ 99,700
LRV and Facility Cleaning Costs	$ 10,000	Autonomous Vehicle Pilot	$ 100,000	Bus Security Coordinator	$ 97,400
		Origin and Destination Study	$ 75,000	Increased Recruiting Costs	$ 70,000
		Security Contract Rate	$ 8,000	Ridership Recovery Outreach	$ 70,000
				Senior Internal Auditor	$ 59,000
				Junior Systems Engineer	$ 58,900
				Driver/Ped Safety Promotion	$ 50,000
				Operations Employee Relations	$ 41,500
				Market Research	$ 35,000
				Value of Transit Communications	$ 25,000
				EAM System Administrator	$ 20,800
				Admin Support for DD	$ 6,400
Category Total	**$ 17,053,800**		**$ 6,673,000**		**$ 5,422,400**
Category % of Total	**59%**		**23%**		**19%**
All Categories Total					**$ 29,149,200**

$949,700

Excluding Inflation and Continuing Commitments, the total increase requested in this budget is $949,700, a **0.05%** increase from FY 2022

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RPTA Sources & Uses

PASS-THROUGH

Source of Funds	FY22	FY23	Change $	Change %
Regional Area Road Funds	$0.5	$0.5	$0.0	0%
VMR Reimbursements	30.2	35.2	5.0	17%
AZ Lottery Funds	11.2	11.2	0.0	0%
VMR Public Transportation Funds Program	58.9	106.1	47.2	80%
RPTA Pass-Thru	**$100.8**	**$153.0**	**$52.2**	**52%**

Uses of Funds	FY22	FY23	Change $	Change %
VMR RARF Disbursements	$0.5	$0.5	$0.0	0%
AZ Lottery Funds Disbursements	11.2	11.2	0.0	0%
Valley Metro Rail	30.2	35.2	5.0	17%
Rail Program Disbursements	40.7	106.1	65.4	161%
VMR Reserve for Future Use	18.2	0.0	(18.2)	-100%
RPTA Pass-Thru	**$100.8**	**$153.0**	**$52.2**	**52%**

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VMR Overview

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

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VMR Key Issues

Inflation/Market & Ridership	$	Continuing Commitment	$	VM Recommendations	$
LRV and Facility Cleaning Costs	$ 805,000	Street Car Operations	$ 2,345,800	Insurance Cost Contingency	$ 2,134,500
Employee Benefit Premiums	$ 464,800	Rail Project Planning	$ 3,694,000	Operations Contingency	$ 3,970,400
Software Inflation & Ridership	$ 119,300	New LRV Communicatins	$ 387,800	VMStaff Labor Market	$ 1,877,700
		Security Contract Rates	$ 244,000	LRV Replacement Parts	$ 1,000,000
		OMC Expansion Cleaning	$ 204,000	MOW Planning and Supv	$ 256,900
		ERP and EAM Support	$ 184,200	Increased Legal Costs	$ 241,500
		New Fare Collection System	$ 75,000	Class & Comp Study	$ 166,000
		Origin and Destination Study	$ 75,000	Grounds Maintenance Coord	$ 145,200
		Rent Changes	$ 57,500	Admin Support for DDs	$ 128,200
				Non-Revenue Fleet	$ 107,000
				RailPod Software	$ 102,000
				Two Line System Wayfinding	$ 93,500
				EAM Systems Admin	$ 86,200
				Facilities Maintenance Tech	$ 77,900
				Increased Recruiting Costs	$ 70,000
				Ops Employee Relations	$ 65,500
				Junior Systems Engineer	$ 59,000
				Senior Internal Auditor	$ 58,900
				Ridership Recovery Marketing	$ 50,000
				Driver/Ped Safety Promotion	$ 50,000
				Respect the Ride	$ 50,000
				Market Research	$ 35,000
				Value of Transit	$ 25,000
Category Total	**$ 1,389,100**		**$ 7,267,300**		**$ 10,850,400**
Category % of Total	**7%**		**37%**		**56%**
All Categories Total					**$ 19,506,800**

$2,867,700

3.5%
increase from
FY 2022

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FY 2023 Capital Budget

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RPTA Capital Budget

- **Fleet replacements**
  - Bus, paratransit, vanpool, rural
- **Regional facilities**
- **Regional Projects**
  - Fare Collection System Modernization
- **State of Good Repair**
- **Debt Service**

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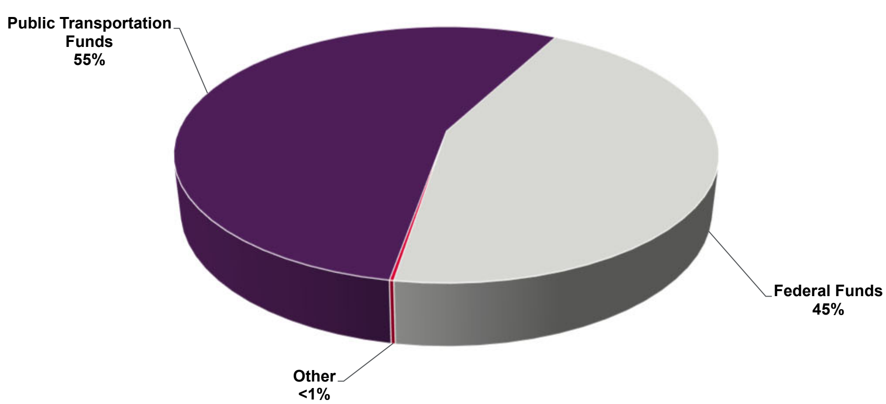
RPTA Capital Budget Funding



** Other revenues include proceeds from the sale of vehicle disposals and interest earnings..*

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RPTA Sources & Uses

CAPITAL

Source of Funds	FY22	FY23	Change $	Change %
Public Transportation Funds	$35.4	$34.7	($0.7)	-2%
Federal Funds	33.5	49.2	15.7	47%
Federal Funds - COVID Relief	0.0	0.0	0.0	0%
Other	0.2	0.2	0.0	26%
Carry Forward & Reserves	4.7	5.1	0.4	9%
RPTA Capital	**$73.7**	**$89.2**	**$15.5**	**21%**

Uses of Funds	FY22	FY23	Change $	Change %
Regional Fleet	$37.8	$41.9	$4.1	11%
Regional Facilities	5.3	3.5	(1.8)	-34%
Other Regional Projects	1.9	17.1	15.2	805%
Member Agency Disbursements	4.2	4.4	0.1	3%
Debt Service	24.5	22.3	(2.1)	-9%
RPTA Capital	**$73.7**	**$89.2**	**$15.5**	**21%**

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VMR Capital Budget

Corridor Projects and Studies

- Capitol Extension, I-10 West, West Phoenix, Rio East/Dobson Streetcar

Capital Construction

- South Central/Downtown Hub, Northwest Extension Phase II, Capitol Extension

Systemwide Improvements

State of Good Repair

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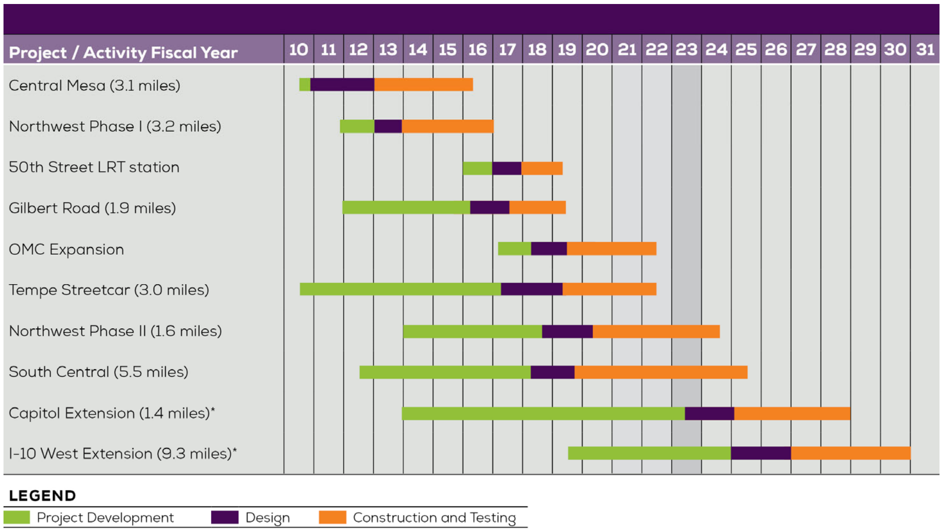
VMR Capital Budget – Projects



*Capitol Extension and I-10 West Extension are in project development phases. Project schedules will be refined as development continues.

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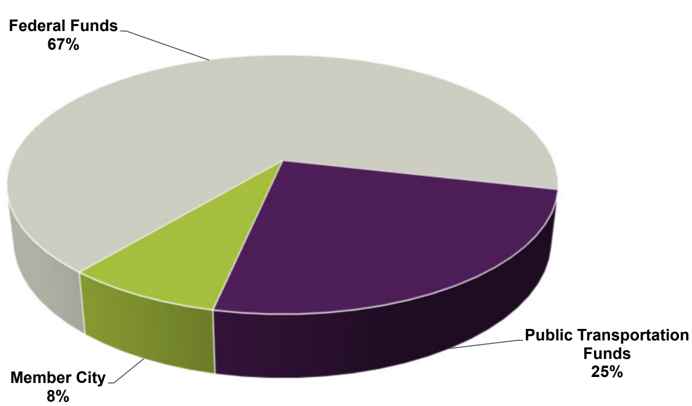
VMR Capital Budget Funding



*** Other includes….***

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VMR Sources & Uses

CAPITAL

Sources of Funds	FY22	FY23	Change $	Change %
Federal Funds	189.9	266.1	76.2	40%
Federal Funds - COVID Relief	17.4	0.0	(17.4)	-100%
Member City Contributions	277.9	31.3	(246.6)	-89%
Public Transportation Funds	31.6	98.1	66.5	210%
Total Capital Sources	**$516.8**	**$395.6**	**($121.3)**	**-23%**

Uses of Funds	FY22	FY23	Change $	Change %
Tempe Streetcar	$21.6	$5.5	($16.1)	-75%
South Central/Downtown Hub	318.2	255.1	(63.2)	-20%
Northwest Phase II	137.1	106.2	(30.9)	-23%
OMC Expansion	5.2	0.1	(5.0)	-98%
Gilbert Road Extension	3.4	2.0	(1.3)	-40%
Systemwide Improvements	18.6	12.9	(5.7)	-31%
State of Good Repair	12.8	13.8	0.9	7%
Total Capital Uses	**$516.8**	**$395.6**	**($121.3)**	**-23%**

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Next Steps

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Recap of Budget Timeline

Dates	Description
April 6	TMC/RMC: Presentation
April 7	AFS: Discussion
April 19	RTAG: Discussion
April 21	Board: Presentation & Discussion
May 4	TMC/RMC: Presentation & Discussion
May 5	AFS: Discussion
May 19	Board: Action of Discussion
June	Committee cycle for Budget Action (if needed)

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