Information Summary

DATE **AGENDA ITEM 4**
January 13, 2022

SUBJECT
Valley Metro Rail Fiscal Year 2022 (FY22) Mid-Year Budget Adjustment

PURPOSE
To request authorization for the Mid-Year Budget Adjustment update to the Valley Metro Rail Operating and Capital Budget for FY22.

RECOMMENDATION
Staff recommends the Board of Directors authorize the Mid-Year Budget Adjustment update to the Valley Metro Rail Operating and Capital Budget for FY22.

BACKGROUND | DISCUSSION | CONSIDERATION
In June of 2021, the Board approved the FY22 Operating and Capital Budget. The cost factors used to develop the budget have changed and adjustments are warranted to update the expenditures planned for the remainder of the fiscal year. Adjustments are being requested on both the operating and capital budgets.

Annual expenditures for light rail operations will increase based on the recent commercial property and liability insurance renewal, approved by the Boards during the Joint Meeting in November 2021. The overall premium cost increase is a function of multiple factors, including increased exposures associated with the expanding transportation network; light rail vehicle incidents and loss history; the implications of a continued hardening insurance market; and limited opportunities for transit risk coverage because of the declining number of insurers willing to offer coverage to transit service providers and public entities.

Annual expenditures will increase for three capital projects in FY22 due to timing of scheduled work. Total project costs for both remain within the overall project budgets.

The upward adjustment for Tempe Streetcar is primarily due to realigning vehicle milestone payments for the new fleet to more accurately reflect the updated delivery schedule. The remainder of the increase is due to various project elements including signals, drainage, safety, operational improvements that will be funded with Capital Improvement Grant money from the American Rescue Plan Act (ARP Act).

Project increases for the South Central Extension/Downtown Hub are primarily for work the construction contractor is completing, increased utility work, and additional archeologic support.

The adjustment for Northwest Extension Phase II is a result of receiving an updated cash flow forecast from the contractor, as well as to address quantity differences in the finalized design.

Operating Activities:

Budget Item	Description	Increase (Decrease) Amt	Funding Source
Operations - Light Rail	Increase insurance liability costs based on new premium	$ 1,070,000	Member City
	Operations Total:	**$ 1,070,000**	

Capital Activities:

Budget Item	Description	Increase (Decrease) Amt	Funding Source
Tempe Streetcar	No change to total project budget. FY22 annual costs increased due to timing of scheduled work along with programmed payments for revenue vehicles.	$ 16,091,000	PTF Federal
South Central	No change to total project budget. FY22 annual costs increased due to timing of scheduled work.	$ 26,786,000	PTF Federal City of Phoenix
Northwest Ext II	No change to total project budget. FY22 annual costs increased due to timing of scheduled work.	$ 7,313,000	Federal City of Phoenix
	Capital Total:	**$ 50,190,000**	
	Total Budget Adjustment	**$ 51,260,000**	

COST AND BUDGET

Changes proposed are incorporated into overall agency uses and sources of funds below:

SOURCES OF FUNDS ($000,000)

Operating Revenues

Sources of Funds	FY22	FY22 Amended	Change $	Change %
Advertising	$0.7	$0.7	$0.0	0%
Fares	2.5	2.5	0.0	0%
Federal Funds	5.1	5.1	0.0	0%
Federal Funds - COVID Relief	18.5	18.5	0.0	0%
MAG Funds	0.5	0.5	0.0	0%
Member City Contributions	43.6	44.7	1.1	3%
Public Transportation Funds	7.4	7.4	0.0	0%
Regional Area Road Funds	0.5	0.5	0.0	0%
Other	0.1	0.1	0.0	0%
Total Operating Sources	**$78.9**	**$80.0**	**$1.1**	**1%**

USES OF FUNDS ($000,000)

Operating Expenditures

Uses of Funds	FY22	FY22 Amended	Change $	Change %
Light Rail Operations & Maintenance	$51.7	$52.8	$1.1	2%
Light Rail Security	8.9	8.9	0.0	0%
Streetcar Operations & Maintenance	3.7	3.7	0.0	0%
Streetcar Security	0.6	0.6	0.0	0%
Future Project Development	12.0	12.0	0.0	0%
Agency Operating	2.1	2.1	0.0	0%
Total Operating Uses	**$78.9**	**$80.0**	**$1.1**	**1%**

SOURCES OF FUNDS ($000,000)

Capital Revenues

Sources of Funds	FY22	FY22 Amended	Change $	Change %
Federal Funds	170.5	189.9	19.4	11%
Federal Funds - COVID Relief	0.0	17.4	17.4	-
Member City Contributions	262.8	277.9	15.1	6%
Public Transportation Funds	33.3	31.6	(1.7)	-5%
Total Capital Sources	**$466.7**	**$516.8**	**$50.2**	**11%**

VALLEY METRO RAIL

USES OF FUNDS ($000,000)

Capital Expenditures

Uses of Funds	FY22	FY22 Amended	Change $	Change %
Tempe Streetcar	$5.5	$21.6	$16.1	290%
South Central/Downtown Hub	291.4	318.2	26.8	9%
Northwest Phase II	129.7	137.0	7.3	6%
OMC Expansion	5.2	5.2	0.0	0%
Gilbert Road Extension	3.4	3.4	0.0	0%
Systemwide Improvements	18.6	18.6	0.0	0%
State of Good Repair	12.8	12.8	0.0	0%
Total Capital Uses	**$466.7**	**$516.8**	**$50.2**	**11%**

COMMITTEE PROCESS
Financial Working Group: December 14, 2021 for information
RTAG: December 14, 2021 for information
RMC: January 5, 2022 for action
Board of Directors: January 20, 2022 for action

CONTACT
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ATTACHMENTS
None

Valley Metro Rail FY22 Mid-Year Budget Adjustment

January 2022

1

Changes – Operating Activities

Budget Item	Description	Increase (Decrease) Amt	Funding Source
Operations - Rail	Increase insurance liability costs based on new premium	$ 1,070,000	Member City
	Operations Total:	**$ 1,070,000**	

2

2

Sources of Funds - Operating ($000,000)

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5

5

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6

6

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7

7

Recommendation

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8

8