Joint Boards of Directors
STUDY SESSION

Joint Study Session of
Valley Metro RPTA and Valley Metro Rail
Boards of Directors

Date:
February 19, 2026

Starting Time
11:15 a.m.

Location:
Valley Metro
Boardroom/Webex
101 N. 1st Avenue, 10th Floor

If you require assistance accessing the meetings on the 10th floor, please go to the 14th floor or call 602.262.7433.

Study Session Notice & Agenda

February 12, 2026

Joint Study Session Agenda
Valley Metro RPTA and Valley Metro Rail
Thursday, February 19, 2026
Boardroom/You Tube
101 N. 1st Avenue, 10th Floor
11:15 a.m.

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 provide an opportunity for staff to receive input from the Boards and for the public to observe the discussions. Public comment will not be sought at this session. Staff may be directed to bring matters back to the Boards for future consideration, but no action will be taken at the Study Session.

At the request of the Boards of Directors, this study session will provide context, clarity, and visibility into the transition of the Proposition 400-era Transit Life Cycle Program (TLCP) administered and managed by Valley Metro RPTA, to the development of the Proposition 479 TLCP that will be administered and managed by MAG.

1. Proposition 400 Transit Life Cycle Transition; Update on the Development of Proposition 479 TLCP

Executive Summary

DATE
February 12, 2026

SUBJECT
Joint Study Session: Update on Proposition 479 Transit Life Cycle Program (TLCP) Development

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

RECOMMENDATION
This item is presented for information only.

SUMMARY
Valley Metro is hosting a joint study session with the Maricopa Association of Governments (MAG) to provide an overview of Proposition 400, its status, and the transition to Proposition 479. The intent of the study session is to provide context, clarity, and visibility into the transition of the Proposition 400-era Transit Life Cycle Program (TLCP) administered and managed by Valley Metro RPTA, to the development of the Proposition 479 TLCP that will be administered and managed by MAG.

Under Proposition 400, the administration and management of the TLCP was the responsibility of Valley Metro RPTA, operating under a Jurisdictional Equity funding model, per RPTA Board policy. Valley Metro will continue to administer, manage, and close out the Proposition 400-era TLCP. With the passage of SB 1102, the enabling legislation for Proposition 479, all regional transportation life cycle programs (arterial, freeway, and transit), including their administration and management, have been consolidated at MAG. RPTA remains the statutory authority of the Public Transportation Fund and recipient of the half-cent sales tax revenues allocated to transit.

The regional transportation plan (RTP) planning process, led by MAG, began in earnest in 2018/2019. The RTP serves as a long-term blueprint for the transportation system over 20-plus years, inclusive of regional transit throughout Maricopa County. The Regional Strategic Transportation Infrastructure Investment Plan (RSTIIP), adopted by MAG's Regional Council in 2021, guides investments supported by Proposition 479, along with other revenue sources available to the region for the next 20 years.

Transition to the Proposition 479 TLCP represents the most significant regional policy shift among the three life cycle programs between Proposition 400 and Proposition 479. Over the past year, Valley Metro, in close partnership with MAG, has contributed to the development of the Proposition 479 TLCP and has collaborated closely with MAG to update cost estimates and assist in the establishment of a long-range financial plan and modeling framework.

Since the RSTIIP's original development seven years ago, there have been significant economic and contractual shifts, some related to the pandemic, as well as substantive changes to market conditions and operating costs, including labor and wage adjustments, workforce challenges, contract changes, and escalations in paratransit demand.

This study session will focus on the regional bus transit program, including the region's new funding policy framework. Staff will provide an update on program revenues and costs, as well as detailed information on economic conditions and cost drivers that challenge the FY2019 financial assumptions.

Policy makers from Valley Metro and MAG are uniquely positioned to maximize the Prop 479 transit investments as they were envisioned. This includes work on cost containment strategies, efficiencies, and performance drivers, some of which, like the Bus Network Redesign, are currently underway at Valley Metro or being reviewed by Valley Metro's Ad-Hoc Subcommittee on Procurement and Business Practices.

STRATEGIC PLAN ALIGNMENT

Goal 7: Board Governance

- Initiative 7.4: Emphasize shared duties, responsibilities and facilitate work across regional bodies (e.g., RPTA, member cities, MAG) to be effective advocates for transit and mobility solutions across the Valley.

Goal 8: Operational Excellence

- Initiative 8.1: Optimize service performance to meet current and evolving regional travel needs.

Goal 9: Financial Sustainability

- Initiative 9.1: Develop and maintain short and long-term financial forecasts and cash reserve policies to ensure an ongoing financially balanced program.
- Initiative 9.2: Support effective transit system design by identifying opportunities to improve or pursue resource allocation, fare collection enhancements, alternative service delivery models, and innovative mobility technologies to ensure sustainable lifecycle costs.
- Initiative 9.3: Maximize revenue generation, including advertising, farebox recovery, and discretionary/competitive grant opportunities.

COMMITTEE PROCESS

Joint Boards Study Session: February 19, 2026, for information

CONTACT

Jessica Mefford-Miller
Chief Executive Officer
jmeffordmiller@valleymetro.org

ATTACHMENT

February 4, 2026, MAG Management Committee Information Summary

Management Committee

INFORMATION SUMMARY

Agenda Item # 6

DATE

February 4, 2026

SUBJECT

Update on Development of the Proposition 479 Transit Life Cycle Program

CONTACT

Arminta Syed, Transportation Policy and Initiatives Manager, (602) 254-6300

SUMMARY

On June 23, 2021, the MAG Regional Council approved the Regional Strategic Transportation Infrastructure Investment Plan (RSTIIP) to guide investments funded through Maricopa County's dedicated half-cent sales tax for transportation, authorized by voters through Proposition 479, as well as other revenues available to the region. Management of the transit investments within the RSTIIP occurs through the Proposition 479 Transit Life Cycle Program (TLCP). Over the past year, MAG, in close partnership with Valley Metro, has advanced development of the Proposition 479 TLCP. This agenda item provides an update on those efforts.

Transition to the Proposition 479 TLCP

The transition to the Proposition 479 TLCP represents the most significant policy shift among the three life cycle programs between Proposition 400 and Proposition 479. Under Proposition 400, Valley Metro was responsible for administering and managing the TLCP. Valley Metro will continue to oversee and close out the Proposition 400-era TLCP. Under Proposition 479, administration and management of the TLCP has transitioned to MAG.

Transit in the region is funded through a combination of local, regional, and federal sources. Within Maricopa County's urbanized areas, federal funds – aside from one-time COVID relief – generally cannot be used for transit operations, leaving operations primarily dependent on local and regional revenues. Historically, and going forward, local sources provide the majority of operating funds. Valley Metro's FY 2022–2025 Transit Service Inventory indicates that approximately 71 percent of FY 2024 operating funding came from local sources, a dynamic that significantly influenced RSTIIP policy development.

During the Proposition 400-era, the Proposition 400 TLCP operated under a fixed allocation-based funding model. Under this approach, agencies received a fixed proportion of total sales tax revenue allocated to the bus program over the twenty-year period. Agencies then determined how to distribute their share among various transit components (e.g., fixed route, paratransit, express) and in which year(s) the funding would be applied. In 2010, in response to the economic downturn and subsequent reduction in forecasted Proposition 400 revenues, the Valley Metro Board of Directors approved additional policies that the fixed allocation-based funding model be maintained within the bus program which required that funding remained balanced over the twenty-year period at the subregional level (east, central, and west).

While this approach provided stability, its rigidity created inefficiencies and subsequently did not evolve with market conditions. This encouraged jurisdiction-focused investments rather than cross-jurisdictional or regional services, such as express routes, and limited the region's ability to respond to shifts in growth and ridership. These shortcomings led policymakers, during RSTIIP development, to emphasize prioritization of limited regional funds on regional operations while recognizing the central role of local funding in sustaining and expanding the transit network.

Overview of the Proposition 479 Transit Program

The Proposition 479 TLCP represents a multifaceted transit funding structure consisting of four primary components, each with its own subcomponents:

1. Bus Operating Assistance
    a. Base Allocation
    b. Formula Funding/Seed Funding
2. Regional Services
    a. Express bus
    b. ADA service

    c. Regional Services Support
3. Bus Capital Investments
    a. Bus Purchases
    b. Bus Transit Asset Management
    c. Preventive Maintenance
    d. Regional Transit Facilities
4. High-Capacity Transit
    a. Bus Rapid Transit
    b. Rail Improvement Projects
    c. Light Rail Capital Rehabilitation
    d. Light Rail and Streetcar (note: sales tax cannot be used)

The first three components collectively fund the regional bus transit system, while the fourth supports large-scale, high-capacity transit projects such as BRT and capital rehabilitation of the existing light rail network.

As part of the Proposition 479 TLCP development process, MAG has collaborated closely with Valley Metro to update cost estimates and establish a long-range financial plan and modeling framework. Formula funding is designed as the variable portion of the bus program—equal to the half-cent sales tax allocation for bus operations minus the base allocation, express service, ADA service, regional services support, and part of bus capital investments (which are primarily federally funded).

October 2025 Transit Program Updates

In October 2025, MAG presented updated cost estimates to its policy committees for key transit program components: the base allocation (within Bus Operating Assistance), express bus (within Regional Services), and regional services support (also within Regional Services). Those updates showed a sharp decline in projected formula funding relative to RSTIIP assumptions, driven primarily by growth in base allocation and regional services support costs. ADA estimates, which were underway at the time, have since been finalized and reflect substantial additional increases.

As a result, current estimates indicate formula funding will total approximately $5 million in FY 2027, as shown in the table below (updated February 2025). If ADA costs continue to rise, formula funding could be eliminated entirely, requiring reductions elsewhere in the program. Adjustments will therefore be necessary to preserve the RSTIIP's foundational principles—maintaining formula funding to reward productive service, encouraging local investment, and allowing flexibility over time—while strengthening the program's long-term financial sustainability. Additional details on the cost increases are provided in the following sections.

	DRAFT RSTIIP UPDATE ($2027)
REVENUES	
Prop 479 Sales Tax: Bus Transit	$191.8
EXPENDITURES	
Bus Transit Operations:	
Fleet & Facilities – Match	$6.5
Ops Assistance - Base	$86.0
Express Bus	$10.3
ADA	$56.3
Regional Services Support	$28.2
Subtotal	$187.3
PTF Balance: Formula Funds	**$4.5**

Base Allocation

The base allocation functions as a funding "floor" intended to maintain the region's financial commitment to ongoing fixed route service supported under Proposition 400. Once calculated, the amount will be decoupled from the service and eligible to fund any fixed route operations on the regional transit network.

The base allocation is calculated through a formula that multiplies the FY 2025 regionally-funded revenue miles (as in the September 19, 2019, Valley Metro approved TLCP) by FY 2025 contractor rates, net of the average FY 2024 fare recovery percentage across all regionally funded routes. There are two drivers for the increase in the base allocation: the increase in contractor rates between FY 2020 (when the RSTIIP was developed) and FY 2025 as well as the decrease in the fare recovery ratio.

In the MAG region, fixed route service is provided by either Valley Metro, which manages one local fixed route service contract, and the City of Phoenix, which operates two fixed route contracts. Multiyear contracts are typically signed to lock in rates for several years, with increases occurring when contracts are re-solicited. During the pandemic, labor and other market costs rose sharply. At the same time, Valley Metro reprocured its local fixed route service contract, placing greater emphasis on improving on-time performance and reducing missed trips. Prior to the pandemic, when the RSTIIP was developed, it was assumed that contract rates would track closely with inflation, as had historically been the case in the MAG region. However, because of the factors noted above, contract rates increased far above traditional inflationary projections.

The weighted average rate increase across all three local fixed route providers in FY 2025 equaled roughly 42.2 percent since the development of the RSTIIP in FY 2020, compared to a 23 percent increase in inflation over the same period. It should be noted that because the base allocation will be decoupled from the service it was originally tied to, and will only increase annually by inflation, continued contractor rate increases that outpace inflation will require additional local funding or service reductions. This is particularly relevant because the FY 2025 contract rate for City of Phoenix-operated service used to update the base allocation does not reflect the re-solicitation increase that occurred between FY 2025 and FY 2026.

Conversely, the farebox recovery ratio has declined since the RSTIIP was developed in 2020. At that time, the estimated farebox recovery ratio across the thirty-five regionally funded routes included as part of the base allocation calculation averaged 12.6 percent. Based on FY 2024 actuals, the updated farebox recovery ratio is 5.3 percent. This reduction equates to an estimated $6.6 million (2027 dollars) increase in the base allocation.

<u>ADA</u>

In accordance with the RSTIIP, regional funding is limited to use on the strict, federal definition of ADA service, although jurisdictions may use local funds for trips served beyond the federal ADA definition. To further incentivize the management of program costs, reimbursement for ADA eligible trips on services like RideChoice, which have a lower average cost per trip, were made eligible for regional funding as part of the RSTIIP. The updated cost of ADA service was not yet completed at the time of the October 2025 presentation to MAG policy committees.

Since then, MAG has worked with Valley Metro to develop updated ADA cost estimates. Current projections indicate that ADA service will cost $56.3 million (2027 dollars), a 41.1 percent increase over the original RSTIIP estimate. This increase is driven by two primary factors: growth in the number of trips and longer trip lengths. Specifically, between FY 2021 and 2024, overall paratransit ridership (which is inclusive of ADA and non-ADA trips) increased by 32.1 percent, making paratransit the only service type where ridership now exceeds pre-COVID levels. In addition to ridership growth, average trip length has also risen—from 7.7 miles in FY 2020 to 10.5 miles in FY 2024.

RideChoice, which is inclusive of some ADA eligible trips as well as general paratransit trips, has driven most of the recent growth in paratransit trips. While regional ADA trips have remained relatively flat over the past five years, RideChoice has experienced steady increases. It is important to note that passengers currently call one number for ADA paratransit and a separate number for RideChoice, allowing each passenger to choose their preferred service. The significant increase in RideChoice trips suggests the program's popularity is accelerating ADA ridership growth greater than historic patterns for ADA paratransit. While the average cost per trip on RideChoice is less than an ADA paratransit trip, the quick growth in total trips is negatively impacting the ability to manage ADA program costs as originally intended.

Regional Services Support

The original RSTIIP allocated $12.7 million annually (2020 dollars) for regional transit operations support, which included regional services, planning and administration, and safety/security. Updated estimates now place this cost at $28.2 million (2027 dollars), driven by three main factors: (1) expenses previously allocated elsewhere or omitted, such as fare vending machine operations and mobility service center costs; (2) new expenses introduced since RSTIIP approval, such as fares administration tied to the new fare collection system; and (3) regionwide cost increases that have outpaced inflation, reflecting higher labor and material expenses. It is important to note that the regional services support item reflects the updated contractual obligations and operational needs identified and adopted by the Valley Metro Board of Directors during the annual budget process.

Next Steps and Policy Considerations

As previously stated, transit service in the MAG region is funded through a combination of local and regional sources. As a result, the decrease in estimated available funding through the formula program could impact local budgets at a time when agencies have already begun developing their FY 2027 budgets. To mitigate near-term impacts on local budgets, a temporary FY 2027 strategy is proposed: increase bus operating assistance so agencies receive the greater of their FY 2026 allocation (representing a continuation of Proposition 400-era funding) or an amount based on a $23.7 million formula pool (the total previously presented to MAG policy committees). FY 2027 bus operating assistance would be limited to sustaining existing local fixed-route service and could not be used to expand service. Funding for this increase would come from deferred Proposition 479 capital projects and other potential funding sources; the exact breakdown would be presented in subsequent months. This approach would be implemented in combination with longer term solutions to address the financial stability of the program that would be put in place by FY 2028.

Additionally, it is recommended that the Proposition 479-era ADA funding policy take effect in FY 2027, limiting regional funding to the strict federal definition of ADA service, with provisions to ensure a smooth transition from Proposition 400 funded programs (e.g., compliance with Title VI requirements). Additional details on these provisions will be provided in the coming months.

In addition to developing a strategy for FY 2027, consideration is needed to ensure the program remains aligned with the foundational principles of the RSTIIP – maintaining formula funding to incentivize productive service, encouraging local investment in transit, and accommodating changes over time – while strengthening the program's overall financial position. As a result, potential strategies have been developed to grow the formula allocation over time. These strategies include revising the base allocation calculation and modifying the ADA program. It should be noted that these strategies are not mutually exclusive and could be implemented in combination. In addition, Valley Metro is developing operational strategies that will be presented through its committee process for consideration, such as findings from the Valley Metro Bus Network Redesign, which will include a series of recommendations for enhancing regional mobility and increasing the efficiency and performance of transit service in Maricopa County.

Potential Base Allocation Calculation Revisions

As previously noted, the updated farebox recovery ratio used to calculate the base allocation is 5.3 percent, significantly lower than the 12.6 percent assumed during RSTIIP development. One option would phase in a higher assumed fare recovery ratio for base-allocation calculations—such as increasing from 5.3 percent in FY 2027 to 20 percent by FY 2031—reducing the base allocation and redirecting savings to formula funding while allowing time to improve service efficiency and revenues. The rationale behind this methodology is that service funded through the base allocation is expected to become more efficient over time, reducing the need for a higher base allocation.

ADA Cost Containment Strategies

As previously noted, the estimated cost for ADA service has increased significantly since the RSTIIP was developed. This cost escalation is primarily driven by growth in the demand for RideChoice trips and longer trip lengths. During RSTIIP development, services like RideChoice were deemed eligible for regional funding as long as the trip met ADA requirements under the strict, federal definition of ADA, intended as a measure to manage costs since the per trip cost is typically less than the cost of a regional ADA trip. However, the substantial increase in number of RideChoice trips suggests inclusion of the program may not support the originally intended purpose, as current data shows that the volume of annual regional ADA paratransit trips are remaining relatively flat whereas RideChoice trips are growing at a rate greater than historically observed for ADA paratransit service in the region. MAG, in partnership with Valley Metro, is analyzing historical ADA and RideChoice data to inform potential cost-containment strategies. These strategies may include requiring a local match, limiting eligible service types for regional funding, and introducing a paratransit broker.

PUBLIC INPUT

None.

TECHNICAL & POLICY IMPLICATIONS

TECHNICAL: The Proposition 479 TLCP establishes allocations, budgets, and schedules for regional transit investments through the dedicated half-cent sales tax for transportation and other revenues available to the region.

POLICY: Arizona Revised Statutes 28-6352 requires that MAG adopt a budgeting process to ensure that estimated costs do not exceed the amount of total revenues estimated to be available.

ACTION REQUESTED

Information and discussion.