



METRO

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Valley Metro Rail, Inc., Phoenix, AZ
COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR
ENDED JUNE 30**

2015

VALLEY METRO RAIL, INC.

Phoenix, Arizona

Comprehensive Annual Financial Report

For the fiscal year ended

June 30, 2015

**Prepared by:
Finance Division**



VALLEY METRO RAIL SYSTEM



FY15 Facts and Figures



Top five busiest stations

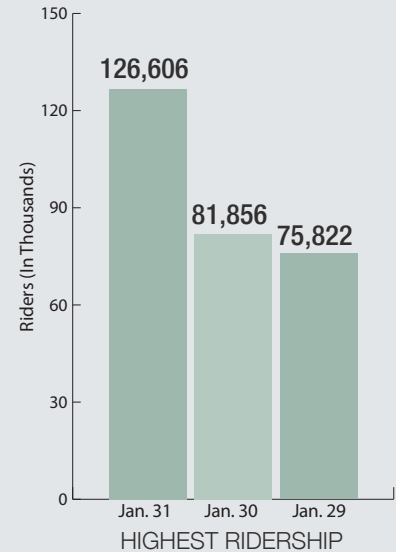
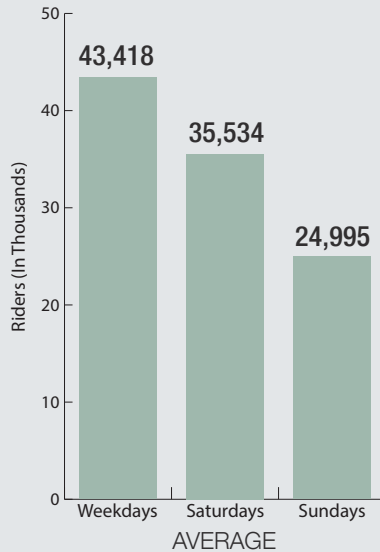
- 19th Ave/Montebello
- Sycamore/Main St
- University Dr/Rural
- Veterans Way/College Ave
- 19th Ave/Camelback

Ridership

- 14.3 million rail riders
- 71 million bus and rail riders

Highest ridership days

- January 31, 2015 – NFL Experience/Super Bowl Central
- January 30, 2015 – NFL Experience/Super Bowl Central
- January 29, 2015 – NFL Experience/Super Bowl Central



System Overview

- Number of miles: 23
- Number of stations: 32
- Number of vehicles: 50
- Number of parking spaces: 4,073
- Total travel time: 76 minutes
- Cost to operate: \$31.3 million in FY15
- Cost to ride: \$2.00 per ride;
\$4.00 for all day

Valley Metro Rail is responsible for the development and operation of the region's light rail/high-capacity transit system, which served 14.3 million total passengers in fiscal year 2015.

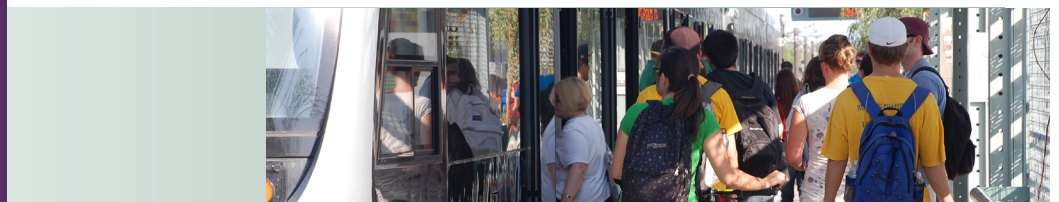
Design and Construction

The initial 20-mile light rail line opened on December 27, 2008. On August 22, 2015, the Valley's first light rail extension opened adding three more miles and connecting downtown Mesa.

There are 32 stations, primarily in the center of the roadway and designed with significant consideration given to the desert heat. Artwork is an integral part of the system and incorporated into each station.

Ten park-and-rides serve the system where 4,073 free parking spaces can be enjoyed by riders on a first-come, first-served basis. Like the rest of the system, they are monitored using security cameras.

All of the 50 light rail vehicles in the fleet have a comfort capacity of 175 passengers. The vehicles feature state-of-the-art technology and are customized for the desert climate.



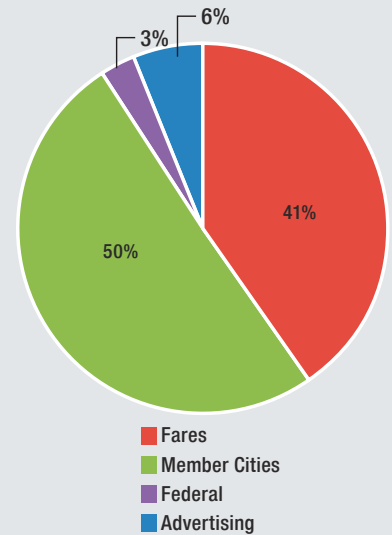
continued

Operations

Valley Metro Rail operates 365 days a year, 20+ hours a day, with a 12-minute peak frequency. The cost of operations is largely supported by rail member cities and passenger fares.

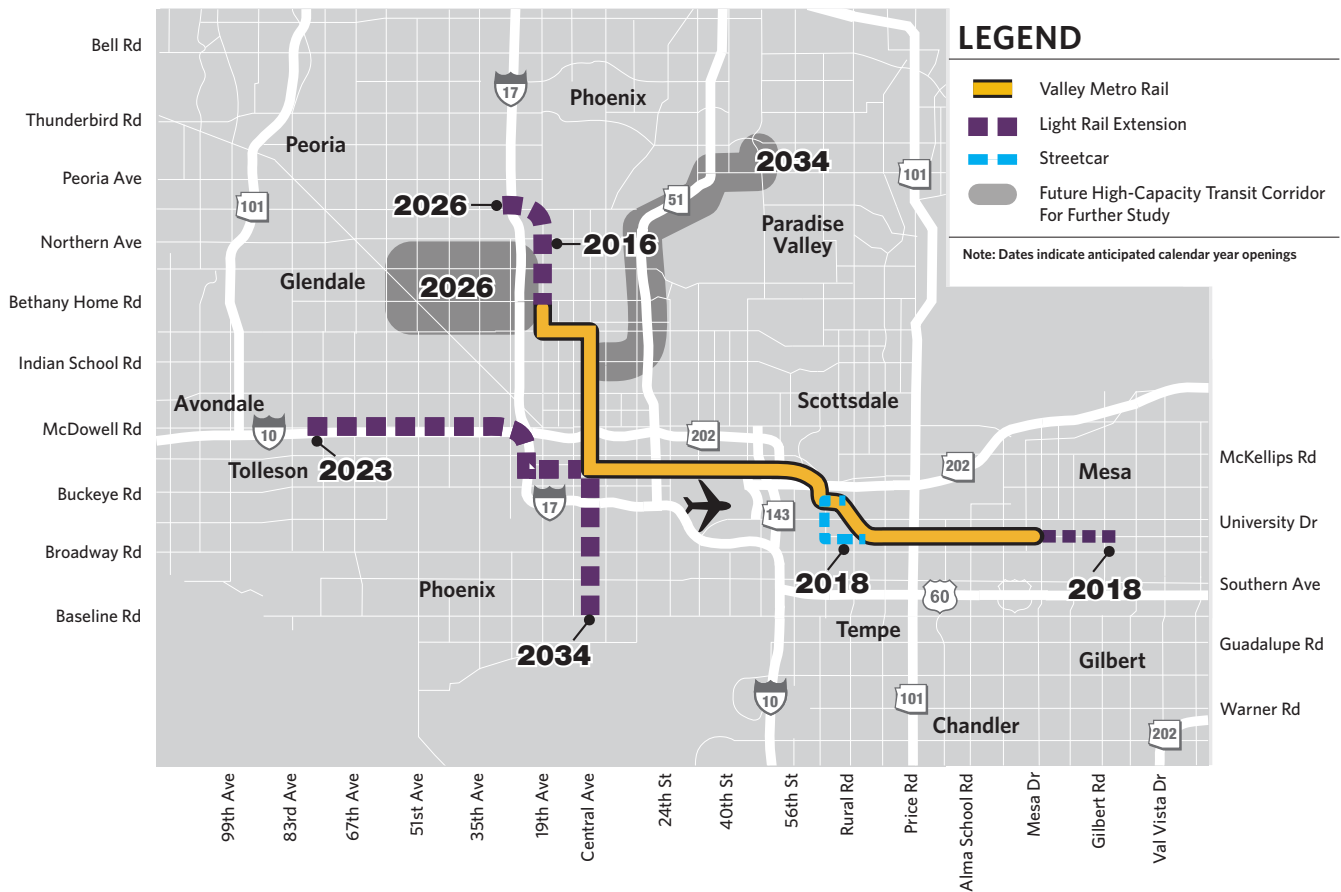
Light rail service is coordinated with bus service to provide a seamless network for customers. An All-Day pass or greater is good for both rail and bus. Passes can be purchased at fare vending machines located at each station, online or from retail outlets Valleywide. Security officers regularly patrol the system and ask passengers at random for proof of payment. Violators are subject to fines ranging from \$50 to \$500 and can lose their transit privileges.

The Valley Metro Rail system connects the cities of Phoenix, Tempe and Mesa. It provides connection to work, school and entertainment. There are many sports, shopping, restaurants and arts and culture destinations along the system. Light rail also connects to Phoenix Sky Harbor International Airport with Phoenix Sky Train® at the 44th St/Washington station.



Future Expansion

Seven light rail extensions are planned or under construction to create a 66-mile system by 2034. Two boards of directors set the policy direction for the agency with the intent of advancing the regional public transit system. Stay updated on construction progress by following Valley Metro on Facebook, Twitter or by visiting valleymetro.org.





Valley Metro Rail, Inc.

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INTRODUCTORY SECTION

The Introductory Section includes Valley Metro Rail's transmittal letter, policy organizational chart, and list of appointed officials



Planning and Building our FUTURE

We are in the planning phase of several light rail extensions. The Central Mesa Extension opened in August 2015 and the Northwest Extension Phase I is scheduled to open in spring 2016.



101 North 1st Avenue
Suite 1300
Phoenix, AZ 85003

November 10, 2015

To Chairman and Members of the Valley Metro Rail, Inc. Board of Directors:

The comprehensive annual financial report of Valley Metro Rail, Inc. (VMR) for the fiscal year ended June 30, 2015, is hereby submitted in accordance with the requirements of the Bylaws and Board directives. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position, results of operations and cash flows of VMR. All disclosures necessary to enable the reader to gain an understanding of VMR's activities have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The independent auditors, Heinfeld, Meech & Co., P.C., whose report is included herein, have examined the basic financial statements and related notes. As stated in the independent auditor's report, the goal of the independent audit was to provide reasonable assurance that the basic financial statements of VMR as of and for the fiscal year ended June 30, 2015, are free from material misstatement. The independent audit involved examining, on a test basis; evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that the basic financial statements of VMR for the fiscal year ended June 30, 2015, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Additionally, VMR is required to have an independent audit of expenditures of federal awards received (Single Audit) by VMR directly from federal agencies, or passed through to VMR by other governmental entities during the fiscal year. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on VMR's internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements involving the administration of major federal awards. The results of VMR's Single Audit for the fiscal year ended June 30, 2015, found no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations with respect to major programs. The auditor's reports on internal controls and compliance with applicable laws and regulations are included in a separately issued Single Audit Report.

The financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America. More information about the presentation can be found in Management's Discussion and Analysis (MD&A) beginning on page 3 and also discussed in the notes to the financial statements beginning on page 13. This transmittal letter is designed to complement MD&A and should be read in conjunction with it.

THE FINANCIAL REPORTING ENTITY

VMR was established in October 2002 as a public nonprofit corporation formed by the cities of Glendale, Mesa, Phoenix, and Tempe to manage design, construction, and operation of the Light Rail Transit (LRT) System within the Metropolitan Area. The cities of Chandler and Peoria became contributing member cities in 2007. The City of Scottsdale joined in April of 2008 and withdrew membership effective July 1, 2009. Subsequent to the close of fiscal year 2010-2011, the City of Peoria withdrew membership effective July 1, 2011.

During the fiscal year 2014-2015, a five member Board of Directors governed VMR, consisting of the mayors or their designated representatives from each member city. The Board of Directors establishes overall policies for management and administration of the LRT System, provides oversight over the design, construction and operation of light rail, and receives and disburses funds and grants from federal, state, local, and other funding sources. A Chief Executive Officer, appointed by the Board of Directors, is responsible for the day-to-day management of the organization.

In February 2012, the Boards of Directors of VMR and the Regional Public Transportation Authority (RPTA) took action to appoint Mr. Stephen R. Banta as the Chief Executive Officer to manage the two financial entities under a single integrated agency. RPTA and VMR entered into an intergovernmental agreement providing for the single CEO to serve both organizations effective March 1, 2012 with the preservation of both RPTA and VMR Boards of Directors.

LOCAL ECONOMIC CONDITION AND OUTLOOK

VMR serves the cities of Chandler, Glendale, Mesa, Phoenix, and Tempe that are centrally located in Maricopa County, Arizona. These cities have constituted a well-established growth area since 1945, and collectively encompass approximately 1,000 square miles. Together they form a significant portion of the greater metropolitan Phoenix area, which is the economic, political, and population center of Arizona.

The combined five cities have grown from 2.612 million residents in the year 2005 to 2.666 million residents in 2014, an increase of approximately 2.07% in the last ten years. The five cities' population represents over 65% of the total Maricopa County population. According to the Greater Phoenix Economic Council, population in the region is projected to grow at more than twice the national rate for the next few decades, growing from 4.0 million in 2008 to 6.3 million in 2030.

In 2007 and 2008, the region's historically strong economic growth slowed and sales tax revenues fell with the nation-wide recession. In fiscal years 2009 and 2010 regional tax revenues fell 13.7% and 8.9% respectively. VMR responded to the times with staff reductions in 2009 and with service reductions in 2010. In fiscal years 2012, 2013, 2014 and 2015 regional tax revenues have rebounded, growing by 4.3%, 5.5%, 7.0% and 4.6% respectively. While the economic recovery in the region is not complete, the outlook is bright for maintaining and expanding the 20-mile light rail system.

Despite the 2009 downturn, growth of public transportation continues to be strong. Over the last ten years, while population has grown by less than 3% in the region, public transportation ridership has grown by 19.4%. With the commencement of rail passenger operations in December 2008, the LRT System added new capacity to the regional transportation system. Since opening, VMR has experienced strong passenger growth with average weekday ridership reaching 43,418 passengers in fiscal year 2015 up from 33,440 riders per day in fiscal year 2009.

With Proposition 400, and the creation of the Public Transportation Fund, light rail extensions in Mesa, Phoenix, and Tempe are in the planning or design stages which will continue to add capacity to the region's transportation system in the years ahead.

FINANCIAL CONTROLS

Accounting and Administrative Controls

As previously noted, VMR's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of VMR are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. VMR's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a sub-recipient of federal financial assistance, VMR is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and by VMR's independent auditor. As part of VMR's Single Audit, tests were made of the internal control structure and of its compliance with applicable laws and regulations, including those related to federal awards. Although this testing is limited in scope and is not sufficient to support an opinion on VMR's internal control system or its compliance with laws and regulations, the audit for the year ended June 30, 2015, disclosed no material internal control weaknesses or material violations of laws and regulations. The audit of VMR's compliance with requirements applicable to each major program and internal control over compliance resulted in an unmodified opinion of compliance and noted no material weaknesses in internal controls.

Budgetary Systems and Controls

The objective of the budgetary controls maintained by VMR is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors. The by-laws require a balanced budget to be adopted by the VMR Board each fiscal year. The level of budgetary control, i.e., the level at which expenditures cannot legally exceed appropriations, is the total operating budget. VMR maintains budgetary control by conducting quarterly evaluations of expenditures against appropriations and through close monitoring of revenues. Encumbrance accounting is not utilized and all appropriations lapse at year-end. As demonstrated by the statements included in the financial section of this report, VMR continues to meet its responsibility for sound financial management.

In addition to the annual budget, VMR also prepares a Five-Year Capital Program and Operating Forecast and the Transit Life Cycle Plan (TLCP) update. The five-year forecast starts with the annual budget information and extends it an additional four years to provide information about the anticipated schedule, costs, and revenues. The TLCP gives a longer term perspective by outlining the sources and uses of funds for specific capital projects and the corresponding costs and funding to operate each project out through fiscal year 2025.

For each major capital construction project, VMR regularly reports the project budget status to the Board showing by project element the budget amount versus actual expenditures, and forecasted cost at completion. VMR evaluates project contractual costs and estimates the cost at completion

as part of the regular project reporting process. Should anticipated contractual costs appear to exceed the Board approved project budget, VMR staff will seek Board action to adjust project scope or approve additional funding. During construction, significant issues are addressed in narrative reports included in the project progress report submitted to the Board on a quarterly basis.

With the commencement of passenger operations in December 2008, VMR has continued to refine detailed cost estimates for manpower, contracted costs, utilities and insurance to construct the annual operations budget. Analysis and comparisons of VMR's planned costs to peer city light rail systems have been conducted. Actual costs are tracked against budget and reported to Member Cities on a monthly basis with significant variances analyzed and communicated. Member Cities fund the cost of the operations based upon the ratio of route miles in operation within each jurisdiction. In the first five years of operations, VMR has successfully operated within budget while achieving on-time and reliability performance targets.

With respect to fare revenues, VMR engages an armored car service contractor to pick up fare payments deposited by customers in the fare vending machines. The armored car service deposits daily collections into the City of Phoenix regional fare revenue depository. VMR works in collaboration with the City of Phoenix to compute and distribute fare revenues to the Member Cities. In FY15, VMR's fare collections and cost of operations were level with the prior year. As a result, fare recovery ratio continued to exceed 40.0% comparing favorably with peer agencies located in the western United States. (See below table)

Light Rail Systems

2013 NTD	Dallas	Denver	Houston	Sacramento	Salt Lake City	San Diego	Peer Average	Valley Metro Rail FY 15
Fare Recovery	14%	57%	24%	29%	42%	54%	34%	41%

*Fare recovery ratio is a primary measure of system financial productivity as monitored by the Federal Transit Administration. The National Transit Database (NTD) definition of fare recovery is total fare revenues collected divided by total operating cost. Fare recoveries are strongest where passenger boardings and fares collected are highest and operating costs are lowest. As of this publication date, year 2013 is the most recent year NTD has published results.

MAJOR INITIATIVES

Design and Construction of Light Rail and Modern Streetcar

In addition to the successful construction of the 20-mile Central Phoenix/East Valley Light Rail Transit (CP/EV LRT) Project, VMR is advancing design and construction of new rail extensions. The Central Mesa Light Rail Extension, adding an additional 3.1 miles eastward along Main Street to Mesa Drive commenced passenger operations ahead of schedule on August 22, 2015. The new light rail alignment has transformed the Mesa downtown landscape and provided greater access to Mesa business, education and entertainment destinations. The Northwest Phase 1 Light Rail Extension, adding 3.2 miles along 19th Avenue to Dunlap Avenue in Phoenix, is now on track for completion in early 2016. With the economic recovery and a revitalized funding plan, construction commenced in January 2013 and has progressed to over 90% complete as of September 30, 2015. The 1.9 mile Gilbert Road Light Rail Extension will extend the alignment eastward along Main Street to Gilbert Road with anticipated completion in 2018. A combination of Federal and City of Mesa funding sources have enabled Transportation Project Advancement Notes to be issued by the City of Mesa to construct the project. Design and construction are expected to commence in late 2015. In Tempe, a 3.0 mile modern streetcar alignment has received local funding support and is currently in final review for federal funding approval.

The Tempe Streetcar project is tentatively scheduled to commence design and construction for a line opening in 2018 / 2019, pending the outcome of the federal review process. In Phoenix, the 11 mile Capitol/I-10 West Light Rail Extension along the Interstate 10 corridor and the 5 mile South Central Corridor Light Rail Extension proceeding directly south of downtown along Central Avenue have received the support of the City of Phoenix Council. With the recent passage of Prop 104, the City of Phoenix has voter approval to fund light rail capital and operating costs which will move forward construction of these and other future projects in the city. (See pages 36-43 for project information)

Current Rail Passenger Operations

Commencing in January 2009, VMR has operated a 19.6 mile LRT System that connects north central Phoenix, Tempe, and Mesa complementing regional bus services. As the initial starter segment, the alignment extends from 19th Avenue and Bethany Home Road in Phoenix to Main and Sycamore Road in Mesa. The cities of Phoenix, Tempe, and Mesa share responsibility for funding the operating and maintenance (O&M) costs. Service commences daily at 5AM and operates to 11PM, with extended hours on Friday and Saturday to 2AM. Weekday riders have access to trains every 12 minutes from 7AM to 7PM. Weekend and off-peak weekday service frequencies range from 15 to 20 minutes.

Central Mesa Light Rail Extension Project

In March, 2010, the Mesa City Council approved a 3.1 mile extension of the LRT system and in August 2010, the Federal Transit Administration (FTA) approved the alignment for project development. In September 2012, the FTA completed review of the \$75.0 million Section 5309 Small Start application and submitted the grant to Congress for final approval. The extension begins at the eastern limits of VMR's existing light rail system (Sycamore) and extends east on Main Street to Mesa Drive. The entire extension is within the City of Mesa. There are four stations on Main Street including a station at Alma School Road, Country Club Drive, Center Street, and Mesa Drive.

The Central Mesa Extension commenced passenger operations in August 2015, three months ahead of schedule. Fully mature ridership projection is estimated at approximately 4,750 riders per day. The total capital cost of the project is \$199.0 million, funded with a combination of federal and regional funds.

Northwest Extension LRT Project

The Northwest Extension is a 4.6 mile light rail project starting at the northwest termination point of the Central Phoenix/East Valley Light Rail project. The project follows 19th Avenue to Dunlap Avenue, then west on Dunlap Avenue to 25th Avenue and then runs on 25th Avenue to Mountain View Road. In March 2007 the Phoenix City Council approved an initial 3.2 mile phase to be locally funded, without federal funding support. In 2009, with the economic downturn, construction of the first phase, which includes the 19th Avenue to Dunlap portion of the project, was suspended based upon availability of funding. From 2009 through mid-2012, real estate was acquired, private utility lines were relocated and neighborhood mitigation improvements were made to prepare for light rail construction.

On June 20, 2012, the Phoenix City Council approved \$60,000,000 from transit sales tax funds to accelerate the project construction, with repayment from the PTF to come in 2017. In July of 2012, the Regional Council of the Maricopa Association of Governments (MAG) approved the

2012 Transit Life Cycle Plan Update which allocates monies from the Public Transportation Fund (PTF) for the Northwest Extension Project. These funding actions have enabled the project to complete design work and reach 90% construction completion for the 3.2 mile Phase I.

The Phase I Northwest Extension is on-track to open in the spring of 2016 with fully mature ridership estimated at approximately 4,000 riders per day. The total capital cost of the project is \$326.6 million to be funded with a combination of City of Phoenix and Public Transportation Funds.

Funding Milestones

On November 2, 2004, the voters of Maricopa County approved Proposition 400, the continuation of the transportation tax, for a twenty year period, beginning in calendar year 2006. A major milestone in transportation funding and service in the region, the proposition had unanimous support from the mayors of all of the cities in the region and the Maricopa County Board of Supervisors, the Maricopa Association of Governments Regional Council, and the Arizona Department of Transportation. This initiative is forecasted to generate \$1.3 billion (in year of expenditure dollars) in revenue over the 20 year period to fund construction of an additional 24 miles of light rail extension and 3.0 miles of modern streetcar.

In March 2006, VMR began to receive funds from the Public Transportation Fund. Initial funds were used for the relocation of non-prior rights utilities impacted by LRT construction. In August 2006, the Regional Public Transportation Authority (RPTA) and VMR executed the LRT Program Agreement. Under the agreement, RPTA designates VMR as the Lead Agency to plan, design, and construct the LRT program as defined by the Maricopa Association of Governments Regional Transportation Plan. As of June 30, 2015, \$471.0 million of Public Transportation Funds have been received to fund VMR rail programs.

In December 2007, the Phoenix City Council approved \$34.7 million to fund pre-construction activities for the Northwest Extension. In July 2009, in response to reductions in sales tax revenues, the Council took action to phase construction activities pending availability of funds. In June 2012, the Council took action to advance \$60.0 million to restart and accelerate construction of the 3.2 mile Northwest Extension Phase I Project.

In June 2009, the Regional Public Transportation Authority (RPTA) issued Transportation Excise Tax Revenue Bonds in the amount of \$100,075,000. Approximately \$55.0 million of the 2009 series bond proceeds reimbursed and paid LRT capital expenditures as designated in the Regional Transportation Plan. In January 2014, the RPTA issued a second series of bonds to fund LRT capital expenditures. The 2014 series bonds totaled \$115,000,000 par value were sold at a premium to generate approximately \$134.0 million in proceeds for the Central Mesa and Northwest Phase I LRT extensions.

In December 2009, VMR submitted application with the FTA to enter Project Development for the Central Mesa LRT Extension. In August of 2010 FTA approved the project to move forward into design under the Sec 5309 Small Starts program. In August of 2011, the FTA approved the project environmental submittal enabling right of way acquisition and utility relocation eligible for federal funding. In October of 2012, the FTA awarded a \$75.0 million Project Construction Grant Agreement for the Central Mesa Extension.

Gilbert Road Extension LRT Project

In October 2012 the Maricopa Association of Governments (MAG) Regional Council approved a policy regarding the repurposing of federal Surface Transportation Program (STP) funds from the Arterial Life Cycle Program to fund the 1.9-mile Gilbert Road LRT Extension (GRE) located on Main Street from Mesa Drive to Gilbert Road in Mesa. This MAG action also initiated the major amendment process to add the project to the MAG Regional Transportation Plan (RTP). In March 2013, the MAG Regional Council approved this amendment to the RTP and added the project to the Transportation Improvement Program (TIP). In November 2013, the FTA issued the Finding of No Significant Impact for the GRE project completing the federal Environmental Assessment.

During FY14, VMR completed preliminary engineering and developed an updated project cost estimate. VMR executed an agreement (Transportation Project Advancement Agreement) with the City of Mesa, City of Phoenix and MAG that identifies the funding required to complete the project, including the potential issuance of Transportation Project Advancement Notes. During FY15, VMR and MAG re-programmed \$32 million of CMAQ funds to the project which will be reimbursed to VMR with future federal funds programmed for the City of Mesa. This advance of federal funds is estimated to save approximately \$9 million in financing costs. VMR began the process to procure design services and a construction manager at risk, funded initially with federal CMAQ and local City of Mesa funds.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Metro Rail, Inc. for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of VMR's Finance staff. As always, we are appreciative of the support provided by the Board of Directors.

Respectfully submitted,



Stephen R. Banta
Chief Executive Officer



John P. McCormack
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

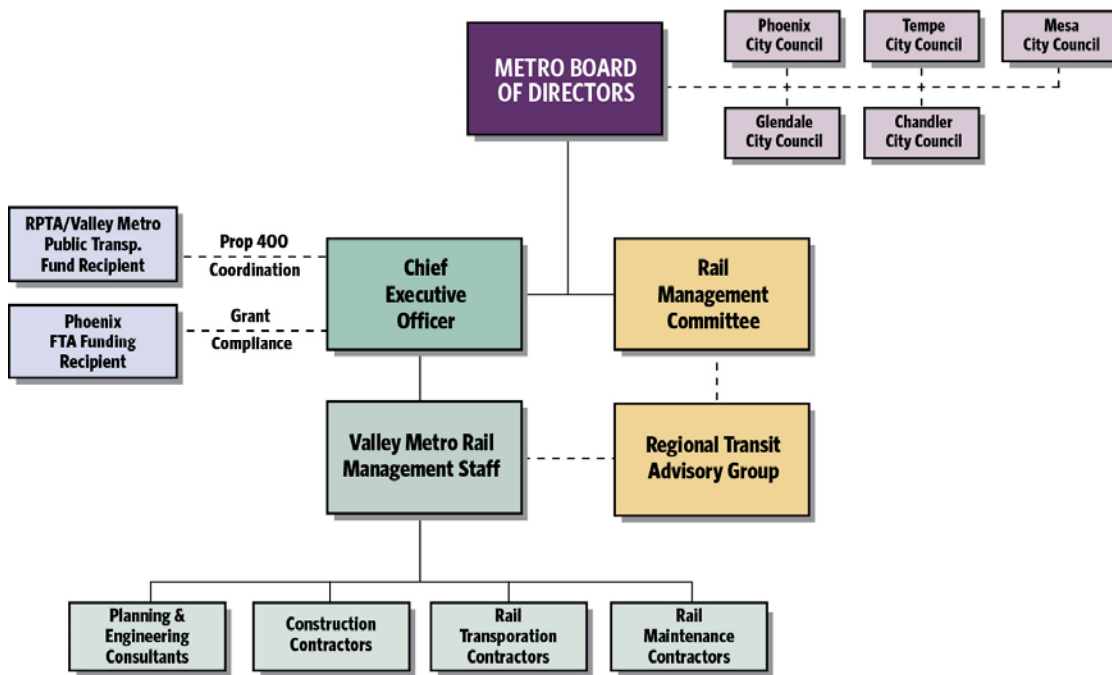
**Valley Metro Rail, Inc.
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

**VALLEY METRO RAIL, INC.
Policy Organizational Chart
Fiscal Year Ended June 30, 2015**



VALLEY METRO RAIL, INC.
List of Appointed Officials
Fiscal Year Ended June 30, 2015

Board of Directors

Board Chairman
Vice Chairman
Board Member
Board Member
Board Member

Vice Mayor Dennis Kavanaugh, Mesa
Councilmember Thelda Williams, Phoenix
Councilmember Rick Heumann, Chandler
Councilmember Gary Sherwood, Glendale
Mayor Mark Mitchell, Tempe

Executive Management Team

Chief Executive Officer
Chief of Staff
Chief Operations Officer
Chief Engineer
Director, Communication & Marketing
Director, Planning & Development
Director of Administration & Organizational Development
General Counsel
Chief Financial Officer
Director, Safety & Security

Stephen R. Banta
Jyme Sue McLaren
Raymond Abraham
Rick Brown
Hillary Foose
Wulf Grote
Carol Ketcherside
Mike Ladino
John McCormack
Adrian Ruiz



FINANCIAL SECTION

The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Metro Rail, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Metro Rail, Inc., as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valley Metro Rail, Inc., as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Valley Metro Rail, Inc.'s financial statements. The Introductory Section, Schedule of Operations – Budget and Actual, listed as Other Supplementary Information in the table of contents, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Operations – Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operations – Budget and Actual is fairly stated in all material respects in relation to the financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of Valley Metro Rail, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Metro Rail, Inc.'s internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 10, 2015

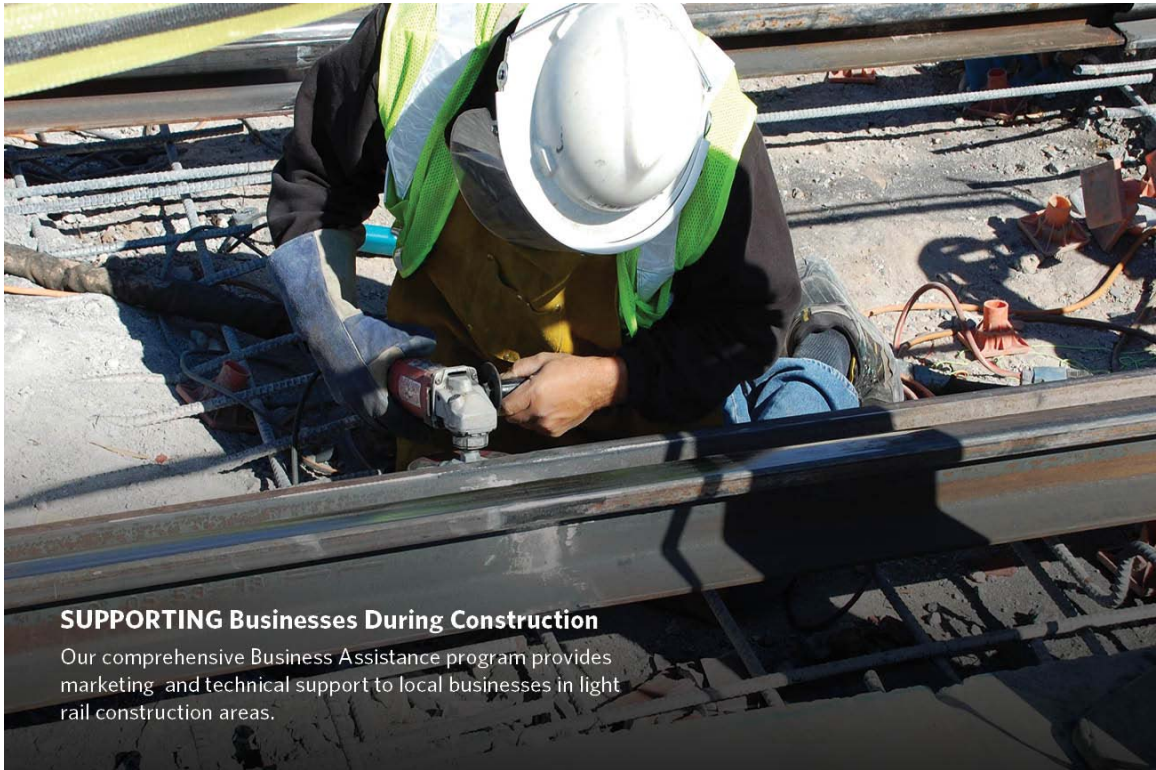


TOTAL Transit Network

Our vision for a multi-modal, regional transit network will provide commuters with options to reach their destinations.

SERVING our Communities

We partner with our member cities to enhance the quality of life for all Valley residents through regional development, community outreach and transit service enhancements.



SUPPORTING Businesses During Construction

Our comprehensive Business Assistance program provides marketing and technical support to local businesses in light rail construction areas.

As management of Valley Metro Rail, Inc. (VMR), we offer this narrative overview and analysis of the financial activities of VMR for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii – ix of this report. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of VMR's financial activity, (3) identify changes in VMR's financial position, (4) identify any material deviations from the financial plan (adopted annual budget), and (5) identify other issues or concerns.

Financial Highlights

- VMR's total net position increased \$21.4 million in FY 2015. The increase was caused by new capital investments which exceeded scheduled depreciation charges. Total net position for VMR was \$1.216 billion at June 30, 2015.
- VMR's operating revenues for FY 2015 were \$35.1 million compared to \$33.4 million for the prior period, an increase of \$1.7 million, or 5.1%. Advertising revenues, fare revenues and regional revenues for the regional capital rebuild program were up over last year. Operating expenses were \$80.3 million compared to \$79.0 million, an increase of \$1.3 million, or 1.6%. With the system now over five years old, the capital asset rebuild program has commenced expending \$0.9 million to maintain the light rail vehicle fleet in a state of good repair.
- Capital contributions totaled \$73.8 million primarily consisting of Public Transportation Funds of \$29.9 million and Federal Transit Administration Capital Grants totaling \$43.8 million. Construction in progress additions for capital projects include \$60.9 million for the Central Mesa LRT extension and \$65.1 million for the Northwest LRT extension. In addition, the capital funds provided for conveyance of \$3.9 million in real estate to member cities.

OVERVIEW OF THE FINANCIAL STATEMENTS

VMR's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP requires that the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). The financial section of the Comprehensive Annual Financial Report (CAFR) for VMR consists of this discussion and analysis and the basic financial statements. This report also contains other supplementary schedules presented after the basic financial statements. VMR's basic financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and the notes to the financial statements. VMR's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

Fund Financial Statements – VMR is presented as an enterprise fund. Enterprise funds are used for activities that primarily serve customers outside the governmental unit. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of VMR.

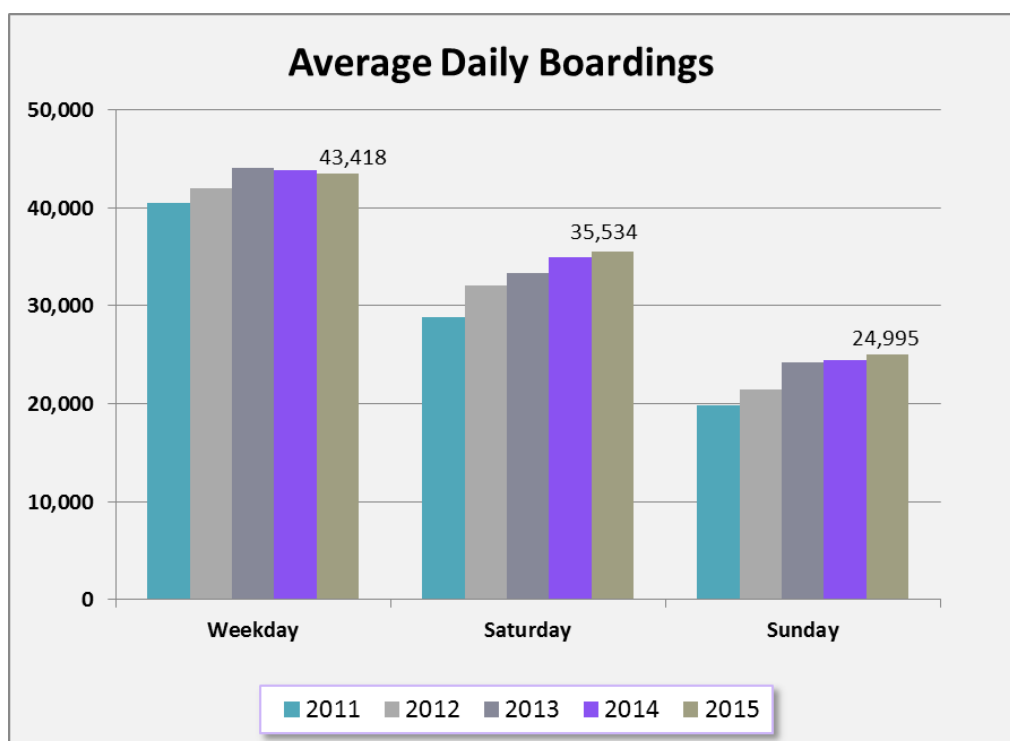
The statement of net position presents information on all of VMR's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of VMR is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected grant revenues).

Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements and should be read with the financial statements. The notes can be found beginning on page 13.

Enterprise Operations – VMR was formed in October 2002 by the cities of Glendale, Mesa, Phoenix and Tempe as a public nonprofit corporation to manage design, construction and operation of the Light Rail Transit (LRT) System within the Metropolitan Area. The city of Chandler became the fifth contributing member in April of 2007. The member cities pay for their share of VMR's operating expenses based on expense allocation methods approved in the by-laws of VMR. See Note 1 for a summary of VMR's significant accounting policies.

Light Rail Ridership Comparison 2011 / 2012 / 2013 / 2014 / 2015



FINANCIAL ANALYSIS OF VMR

The following tables and analysis discuss the financial position and changes to the financial position for VMR as a whole as of and for the year ended June 30, 2015, with comparative information for the previous period.

Net Position – Net position may serve over time as a useful indicator of VMR's financial position. The following table reflects the condensed Statement of Net Position as of June 30, 2015, compared to the prior period.

**VMR's Condensed Statement of Net Position
As of June 30, 2015 and 2014**

	2015	2014	Change	Percent Change
Current assets	\$ 60,587,759	\$ 71,151,756	\$ (10,563,997)	-14.8%
Noncurrent assets	1,333,229,374	1,241,649,049	91,580,325	7.4%
Total assets	<u>1,393,817,133</u>	<u>1,312,800,805</u>	<u>81,016,328</u>	<u>6.2%</u>
Current Liabilities	55,650,767	57,604,636	(1,953,869)	-3.4%
Noncurrent Liabilities	122,419,070	60,893,586	61,525,484	101.0%
Total liabilities	<u>178,069,837</u>	<u>118,498,222</u>	<u>59,571,615</u>	<u>50.3%</u>
Net Investment in Capital Assets	1,203,645,659	1,181,649,049	21,996,610	1.9%
Unrestricted	<u>12,101,637</u>	<u>12,653,534</u>	<u>(551,897)</u>	<u>-4.4%</u>
Total Net Position	<u>\$ 1,215,747,296</u>	<u>\$ 1,194,302,583</u>	<u>\$ 21,444,713</u>	<u>1.8%</u>

Total net position represents the sum of VMR's unrestricted net position plus net investment in capital assets. The largest portions of the investment are capital assets for the Central Phoenix/East Valley Light Rail Transit Project (CP/EV LRT). In December 2008, VMR placed these capital assets into service for operation of the light rail transit system and in day-to-day operations of VMR. It is not VMR's intention to sell these assets and they are therefore not available for future spending. Net position increased \$21.4 million largely due to the addition of the construction in progress for the Central Mesa Extension and the Northwest Extension capital projects. Funding sources for the new investments include Federal grants and Public Transportation Funds.

CHANGES IN NET POSITION

Total operating revenues, which consist of Contributions from Member Cities, Passenger Fares, FTA grants, Regional Capital Rebuild Revenue and Other Revenues (advertising and MAG planning funds), increased by \$1.7 million. Member City contributions decreased (\$0.2) million; favorably impacted by increased fare revenues \$0.3 million and increased advertising revenues of \$1.2 million, offsetting a (\$0.3) million reduction in federal operating grants.

Operating expenses increased by \$1.3 million to \$80.3 million: Administrative expenditures increased from \$8.8 to \$9.1 million (3.3%). Passenger Operations Service expenses were near level, up from \$31.260 to \$31.289 million (0.1%) Negotiated reductions in contracted transportation costs and insurance cost reductions offset maintenance cost increases. The regional capital rebuild program commenced in FY15 expending \$0.9 million for Light Rail Vehicle brake systems. Depreciation expense was \$39.0 million, slightly up from \$38.9 million in the prior year.

Non-Operating expenses: This year's non-operating revenue and expense activities report a net (\$7.1) million decrease in net position. The decrease includes private utility relocation expense (\$5.1) million capital conveyance of real estate to member cities (\$3.9) million, and interest on capital funding obligations (\$0.5) million. In addition, Public Transportation Fund interest expense (\$8.1) million was recorded for bond proceeds advanced from the Regional Public Transportation Authority; see Note 10 for details. The expenses were offset by Regional Public Transportation Funds revenue of \$10.5 million.

The following table compares the revenues and expenses of VMR for the current fiscal year and the previous period.

VMR's Changes in Net Position
Fiscal year ended June 30, 2015 and 2014

	2015	2014	Change	Percent Change
Operating revenues:				
Contributions from Member Cities	\$ 16,590,974	\$ 16,803,600	\$ (212,626)	-1.3%
Passenger Fares	12,832,286	12,505,116	327,170	2.6%
FTA Operating Grants	2,135,431	2,400,132	(264,701)	-11.0%
Regional Capital Rebuild Revenue	305,245	-	305,245	0.0%
Other Revenues	3,272,014	1,730,566	1,541,447	89.1%
Operating revenues	35,135,950	33,439,414	1,696,535	5.1%
Operating expenses:				
Administrative	9,128,597	8,840,445	288,152	3.3%
Passenger Operations Service	31,288,715	31,260,365	28,350	0.1%
Regional Capital Rebuild Program	881,021	-	881,021	0.0%
Depreciation	39,014,089	38,911,674	102,415	0.3%
Operating expenses	80,312,422	79,012,484	1,299,938	1.6%
Operating income (loss)	(45,176,472)	(45,573,070)	396,597	-0.9%
Non-operating revenues (expense)	(7,148,361)	(19,372,892)	12,224,531	-63.1%
Deficiency before Capital Contributions	(52,324,833)	(64,945,961)	12,621,128	-19.4%
Capital Contributions	73,769,546	113,824,977	(40,055,431)	-35.2%
Increase (Decrease) in Net Position	21,444,713	48,879,016	(27,434,303)	-56.1%
Net Position, July 1	1,194,302,583	1,145,423,567	48,879,016	4.3%
Net Position, June 30	\$ 1,215,747,296	\$ 1,194,302,583	\$ 21,444,713	1.8%

Valley Metro Rail, Inc.
Management's Discussion and Analysis (Continued)

Capital contributions totaling \$73.8 million consist of FTA capital grants \$43.8 million and Public Transportation Funds \$29.9 million. Capital projects funded include the Central Mesa and Northwest Extension construction projects. The (\$40.1) million decrease versus prior year capital contributions were primarily related to a (\$56.3) million decrease in PTF contributions for capital projects offset by a 16.3 million increase in federal capital grants. While PTF Capital revenue contributions were reduced, PTF bond advances of \$69.6 million from the Regional Public Transportation Authority (RPTA) provided funds to support the Northwest Extension and Central Mesa Extension capital construction projects.

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets:

The following table provides a breakdown of capital assets of VMR at June 30, 2015, with comparative information for the previous period. Additional information on VMR's capital assets may be found in Note 5.

VMR's Capital Assets, Net of Depreciation
As of June 30, 2015 and 2014

	2015	2014	Change	Percent Change
Buildings	\$ 82,231,333	\$ 84,794,636	\$ (2,563,303)	-3.0%
Guideway	492,026,182	503,336,746	(11,310,564)	-2.2%
Bridges	48,187,837	50,238,383	(2,050,546)	-4.1%
Operation Control Center	10,466,296	10,903,077	(436,781)	-4.0%
Passenger Stations and Facilities	79,860,803	83,259,135	(3,398,332)	-4.1%
Park and Ride Facilities	23,239,032	25,906,761	(2,667,729)	-10.3%
Electric Power Substations	65,660,834	69,210,351	(3,549,517)	-5.1%
Signal and Communication System	32,738,788	35,164,511	(2,425,723)	-6.9%
Computers and Software	348	130,578	(130,230)	-99.7%
Revenue Vehicles	161,863,123	170,655,251	(8,792,128)	-5.2%
Non-Revenue Vehicles	718,551	823,683	(105,132)	-12.8%
Site Improvements	3,172,760	11,329	3,161,431	27905.6%
Equipment	5,079,629	5,969,319	(889,690)	-14.9%
Construction in Progress	327,983,858	201,245,289	126,738,569	63.0%
Net Capital Assets	\$ 1,333,229,374	\$ 1,241,649,049	\$ 91,580,325	7.4%

As of June 30, 2015, VMR had \$1,333.2 million in capital assets, net of accumulated depreciation. There was a net increase in capital assets, of \$91.6 million from June 30, 2014; primarily resulting from an increase to construction in progress of \$126.7 million primarily for the Central Mesa \$60.9 million and Northwest Extension \$65.1 million LRT projects. Site Improvements increased by \$3.2 million primarily due to the OMC Solar Panel project which will reduce future costs of electricity. New construction increases were offset by the annual depreciation charge of \$39.0 million for the Light Rail system infrastructure. Refer to Note 5 on page 19 for more information regarding the capital assets.

Long Term Debt:

VMR signed the Project Funding Agreement (Northwest Light Rail Extension) with the City of Phoenix on December 20, 2012. The agreement provided \$60 million during fiscal years 2013 and 2014 to fund the expenses of the Northwest Light Rail Extension capital project. These funds will be repaid to City of Phoenix with Regional Public Transportation Funds (PTF) on June 30, 2017. Refer to Note 8 on page 20 for more information regarding the funding agreement.

Valley Metro Rail, Inc.
Management's Discussion and Analysis (Continued)

In April 2015, the VMR and RPTA Boards amended the interagency LRT Program Agreement whereby RPTA holds an interagency receivable for PTF bond proceeds advanced to VMR to fund LRT capital projects. In FY15, the PTF Advance Bond Proceeds due from VMR to RPTA totaled \$69.6 million. See Note 10 for details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

VMR's adopted fiscal year 2016 total operating and capital budget is \$162.8 million, down (\$69.4) million from fiscal year 2015's amended budget. The primary cause for the decrease is within the capital budget; with decreases to the construction activities for the Northwest Extension (\$31.2M) and Central Mesa (\$39.1M) LRT projects and related utility relocations and Concurrent Non Project Activities (CNPAs) down by (\$10.9M) and (\$6.1M) respectively. Offsetting the decreases are increases to budgets for the Gilbert Road Capital Project \$3.9M, South Tempe Streetcar \$1.4M and Phoenix West Extension \$5.6M. Background on the capital projects may be found in the Statistical Section commencing on page 30.

On the operating side, VMR's FY16 budget is \$49.3 million, up \$7.8 million versus fiscal year 2015 primarily due to the addition of 3.1 miles revenue operations with the start-up of the Central Mesa Extension. Revenue operations costs are up \$5.5M to \$37.7M in FY16. Additions in planning project work scope for Tempe Streetcar and the South Central Phoenix LRT Extension increase the Future Project Development budget by \$2.3M to \$10.7M in FY16.

Comparison of Annual Expenditure Budgets
Fiscal Year 2016 vs. 2015

<u>Uses of Funds</u>	FY 2016 Adopted (\$,000)	FY 2015 Amended (\$,000)	Change (\$,000)
Operating Activities:			
Revenue Operations	37,654	32,156	5,498
Future Project Development	10,741	8,444	2,297
Agency Operating Budget	909	928	(19)
	<u>49,304</u>	<u>41,528</u>	<u>7,776</u>
Capital Projects:			
Northwest Extension	44,272	75,493	(31,221)
Non-Prior Rights Utilities Relocations	2,830	13,755	(10,925)
Other Capital Projects:			
Central Mesa Extension	19,373	58,448	(39,075)
Gilbert Road Capital Project	9,306	5,388	3,918
South Tempe Streetcar	6,631	5,257	1,374
Phoenix West Extension	6,000	415	5,585
CNPAs - Mesa Extension	-	2,045	(2,045)
CNPAs - Northwest Extension	-	4,011	(4,011)
Systemwide Improvements	5,720	6,480	(760)
Subtotal Capital before Debt Service	<u>94,132</u>	<u>171,292</u>	<u>(77,160)</u>
Capital Project Debt Service:			
Debt Service - Interest	7,742	8,120	(378)
Debt Service - Principal	11,618	11,241	377
Total Uses of Funds	<u>162,796</u>	<u>232,181</u>	<u>(69,385)</u>

FINANCIAL CONTACT

The financial report is designed to provide a general overview of VMR's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to VMR's Chief Financial Officer, Valley Metro Rail, Inc., 101 North 1st Avenue, Suite 1300, Phoenix, Arizona 85003.

Valley Metro Rail, Inc.
Statement of Net Position
Fiscal Year Ended June 30, 2015

Assets

Current Assets:

Cash and Investments	\$ 8,377,587
Receivables, Net	765,013
Due from Other Governments	36,742,875
Inventory	14,326,711
Other Assets	375,573
Total Current Assets	<u>60,587,759</u>

Noncurrent Assets:

Capital Assets, not being depreciated	327,983,858
Capital Assets, net of accumulated depreciation	1,005,245,516
Total Noncurrent Assets	<u>1,333,229,374</u>

Total Assets and Other Debits	<u>1,393,817,133</u>
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Liabilities

Current Liabilities:

Accounts Payable	29,741,910
Labor Compliance Withholding	21,903
Other Accrued Expenses	1,259,487
Insurance Reserves	753,764
Due to Other Governments	6,191,960
Due to RPTA PTF Advance Bond Proceeds	8,185,000
Other Deposits	617,410
Member Cities Deposits	8,879,333
Total Current Liabilities	<u>55,650,767</u>

Noncurrent Liabilities:

Northwest Extension Advance Funding Obligation	60,000,000
Due to RPTA PTF Advance Bond Proceeds	61,398,715
Interest payable	1,020,355
Total Noncurrent Liabilities	<u>122,419,070</u>

Total Liabilities and Other Credits	<u>178,069,837</u>
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Net Position

Net Investment in Capital Assets	1,203,645,659
Unrestricted	12,101,637
Total Net Position	<u>\$ 1,215,747,296</u>

The accompanying notes to the financial statements are an integral part of this statement.

Valley Metro Rail, Inc.Statement of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Year Ended June 30, 2015**Operating Revenues:**

Contributions from Member Cities	\$ 16,590,974
Passenger Fares	12,832,286
Receipts from Federal Operating Grants	2,135,431
Regional Capital Rebuild Revenue	305,245
Other Revenues	3,272,014
Total Operating Revenues	<u>35,135,950</u>

Operating Expenses:

Administrative	9,128,597
Passenger Operations Service	31,288,715
Regional Capital Rebuild Program	881,021
Depreciation	39,014,089
Total Operating Expenses	<u>80,312,422</u>

Operating Income (Loss) (45,176,472)

Non-Operating Revenue / (Expense):

Public Transportation Funds	10,526,625
Private Utilities Relocations	(5,120,346)
Capital Conveyance to Member Cities	(3,883,076)
Interest on Capital Funding Obligations	(551,903)
PTF Interest expense	(8,119,661)
Total Non-Operating Revenue / (Expense)	<u>(7,148,361)</u>

Deficiency Revenues under Expenses (52,324,833)

Capital Contributions:

Capital Contributions from Member Cities	25,393
Public Transportation Funds Capital	29,895,080
Federal Transit Administration Capital Grants	43,849,073
Total Capital Contributions	<u>73,769,546</u>

Changes in Net Position 21,444,713

Net Position, Beginning of Period 1,194,302,583

Net Position, End of Period \$ 1,215,747,296

The accompanying notes to the financial statements are an integral part of this statement.

Valley Metro Rail, Inc.

Statement of Cash Flows

Fiscal Year Ended June 30, 2015

Cash Flows from Operating Activities

Receipts from Member Cities	\$	16,272,965
Receipts from Federal Operating Grants		1,755,762
Receipts from Fare Revenues		12,800,312
Receipts from Regional Capital Rebuild Program		305,245
Other Revenues		3,040,674
Payments for Payroll Related Expenses		(14,980,151)
Payments to Suppliers		(24,769,924)
Net Cash Used in Operating Activities		<u>(5,575,117)</u>

Cash Flows from Non-Capital Financing Activities

Receipts from Regional Public Transportation Authority		10,628,244
Payments for Concurrent Non Project Activities		(856,085)
Payments for Private Utility Relocations		(7,942,417)
Capital Conveyance to Member Cities		(3,883,076)
Net Cash Used in Non-Capital Financing Activities		<u>(2,053,334)</u>

Cash Flows from Capital and Related Financing Activities

Capital Contributions from Member Cities		582,812
Receipts from FTA Capital Grants		47,111,142
Receipts from Regional PTF for Capital		86,667,688
Interest on Capital Funding Obligations		(551,903)
Payments for Capital Assets		(132,338,222)
Net Cash Provided by Capital and Related Financing Activities		<u>1,471,517</u>

Net Decrease in Cash and Cash Equivalents (6,156,934)

Cash and Cash Equivalents, Beginning of Year 14,534,521

Cash and Cash Equivalents, End of Year \$ 8,377,587

Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities

Operating Income (Loss)	\$	(45,176,472)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:		
Depreciation		39,014,089
(Increase) Decrease in Assets:		
Accounts Receivable		(626,492)
Due from Other Governments		836,729
Inventory		23,767
Other Assets		628,401
Increase (Decrease) in Liabilities:		
Accounts Payable		(41,391)
Other Accrued Expenses		109,175
Due to Other Governments		142,765
Member Cities' Deposits		(485,688)

Net Cash Used in Operating Activities \$ (5,575,117)

The accompanying notes to the financial statements are an integral part of this statement.

Summary of Significant Accounting Policies

The accounting policies of Valley Metro Rail, Inc. (VMR) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

a. Financial Reporting Entity

In October 2002, the city councils of Glendale, Mesa, Phoenix and Tempe approved the formation of a government entity with a nonprofit status by the name of Valley Metro Rail, Inc. The nonprofit corporation was organized under A.R.S. 11-952 and 40-1152. The initial members entered into a Joint Powers Agreement which provides that this corporation be organized as the instrumentality to plan, design, construct, and operate the Light Rail Transit Project ("LRT"). Prior to October 2002, the Regional Public Transportation Authority (RPTA) performed these roles.

VMR contracts with the RPTA for certain administrative functions, including personnel, HR administration, and computer support services. All VMR staff is hired and employed by RPTA but works solely under the direction of Valley Metro Rail, Inc., and its Board of Directors, through a contractual arrangement with RPTA.

The Board of Directors of VMR is solely responsible for the governance of LRT and VMR is not a component unit of RPTA; economic resources received by VMR are entirely for the direct benefit of VMR, and RPTA is not entitled to and has no ability to otherwise access any of the economic resources received or held by VMR.

b. Basic Financial Statements

These financial statements are presented in accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34). VMR is engaged only in business-type activities and is required to present the financial statements required for enterprise funds which are part of proprietary funds. VMR does not report any component units.

During the year ended June 30, 2015, the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* became effective in the financial reporting for members of retirement systems. These statements replace the requirements of prior GASB standards for pensions accounting and reporting.

VMR is not a member of the Arizona State Retirement System (ASRS). Therefore, VMR will not implement the provisions of GASB 68 and 71 in its financial statements. All VMR staff are employees of RPTA. RPTA is an employer member of ASRS and will fully implement the provisions of GASB Statements No. 68 and No. 71 in its FY15 CAFR. For further information, the RPTA CAFR is available on the Valleymetro.org website.

Valley Metro Rail, Inc.

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2015

c. Basis of Presentation

Proprietary funds account for activities of VMR similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Currently, enterprise funds are the only type of proprietary fund that VMR uses.

d. Measurement Focus and Basis of Accounting

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position are reported using the flow of economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

All of VMR's activities are accounted for in a single proprietary or business-type fund. Proprietary funds distinguish operating revenues and expenses from non-operating items and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connecting with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as either non-operating revenues and expenses or capital contributions.

e. Cash and Investments

State statutes authorize VMR to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit, and the Local Government Investment Pool. VMR's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

VMR considers short-term investments in mutual fund-money markets, U.S. Treasury bills and notes with maturities of three months or less at acquisition date to be cash equivalents.

f. Receivables

Management analyzes receivables periodically to determine the adequacy of the allowance for doubtful accounts. There is no current provision required for possible bad debts.

g. Inventory

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the average cost method. Inventories are expensed when the resources are used.

h. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The prepaid items are included in Other Assets under Current Assets on the Statement of Net Position.

Valley Metro Rail, Inc.

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2015

i. Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

VMR capitalizes all costs incurred in connection with the construction of the Central Phoenix/East Valley (CP/EV) 20-mile alignment. The costs for the non-federal agency operating, Rail Operations, and the initial planning costs of additional extensions are recorded as annual operating expenses.

VMR is not the legal owner of any land. The land required for the LRT system is acquired and owned by the Member Cities and is the subject of a long-term use agreement between each City and VMR. Land, subject to the above agreement, is recorded on the books of member cities.

The costs included as construction in progress consist primarily of project administration, engineering, construction management, utilities relocation, facility construction, equipment procurement, and other costs related to construction. No depreciation is provided on construction in progress until construction is completed and the assets are placed in service.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life (Years)</u>
Buildings	40
Guideway	50
Bridges	30
Operation Control Center	30
Passenger Stations and Facilities	30
Park and Ride Facilities	15
Electric Power Substations	25
Signal and Communication System	20
Revenue Vehicles	25
Equipment	5-15
Furniture and Fixtures	7
Non-Revenue Vehicles	4
Computers and Software	3
Site Improvements	5-10

j. Allocation of Costs to Member Cities

Design and construction costs for the 20 mile Central Phoenix East Valley Light Rail System are allocated to the member cities as follows:

- i) Regional design and construction costs are allocated based upon the Design and Construction Miles percentage method as stated in the bylaws of the corporation. The

Valley Metro Rail, Inc.

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2015

components of the LRT that are currently classified as “regional” are light rail vehicles, the maintenance and storage facility, operations control center, bridge structures, and regional park-and-ride lots.

- ii) Local design and construction costs are allocated to the member cities within whose boundaries the LRT Component designed or constructed will be located. Design and construction costs that are not classified as regional are deemed to be local.
- iii) Under the Design and Construction project agreements, the Member Cities provide project funding to VMR as expenditures are incurred. As federal and regional funding for the capital project is received by VMR, the members receive cash distributions to reimburse the prior expenditures.

Design and construction costs for future LRT extensions are funded based upon Design and Construction Agreements which are executed in accordance with the adopted Transit Life Cycle Plan.

If a member city’s share of the LRT costs for a fiscal year is determined to be less than \$50,000, such member city’s share of the LRT costs shall be \$50,000. The purpose of the Minimum Cost is so that all member cities will contribute to payment of the overhead expense of the Corporation for matters such as the cost of meetings of the Board of Directors, administrative support to the Board of Directors, and support to member cities by the Rail Program Staff.

Passenger Operations Service Expenses are funded by the Member Cities according to the ratio of LRT route mileage currently in service. Member Cities also contribute amounts to fund local security costs related to fare inspection, on-board security and park-and-ride security within their respective jurisdictions.

k. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting financial period. Actual results could differ from these estimates.

l. Net Position

VMR’s net position consists of unrestricted net position and net investment in capital assets.

2. Budgetary Basis of Accounting

An annual budget of revenues and expenses is prepared and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. The annual budget is adopted on the accrual basis. Encumbrance accounting is not used and all appropriations lapse at year end. Depreciation expense is not included in the annual budget. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

Valley Metro Rail, Inc.

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2015

During the fiscal year, the Board of Directors modified the original budget. A schedule of actual operating revenues and expenses versus original budget and final budget is presented as supplementary information. See Page 27.

3. Cash and Investments

Cash deposits and investments at June 30, 2015, consisted of the following:

Cash on Hand and in Bank	\$ 7,377,970
Insurance Trust Fund	<u>999,617</u>
Total Cash and Investments	<u>\$ 8,377,587</u>

VMR has deployed Ticket Vending Machines (TVM's) which contain coin and bill vaults to accommodate the purchase of fares. At June 30, 2015, the total cash contained in the coin and bill vaults totaled \$155,414.

VMR's bank deposits at June 30, 2015, had a carrying value of \$7,222,556 and the bank ledger balance was \$7,312,958. The difference of \$90,402 represents deposits in transit and outstanding checks. Of the bank balance, \$250,000 is covered by federal depository insurance and \$7,062,958 is covered by securities held by the pledging financial institution in VMR's name.

The Self Insurance Reserve Trust Account totaling \$999,617 was covered by collateral held by the pledging financial institution in VMR's name.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure VMR's deposits may not be returned. VMR does not have a deposit policy for custodial credit risk. All of VMR's bank deposits are in non-interest bearing accounts.

Interest Rate Risk. VMR's formal investment policy limits type of investment as a means of managing its exposure to fair value losses arising from increasing interest rates. During FY 2015 all investment durations were shorter than 90 days.

Credit Risk. State Statutes and VMR's Investment Policy authorize VMR to invest in bank demand deposit accounts and obligations of the U.S. Treasury.

Concentration of Credit Risk. VMR's Investment Policy limits the total investments by type of account including, General Operating, Imprest Fund, Self-Insurance Reserve and TVM Credit Card. At June 30, 2015, VMR maintains all available cash in these accounts.

Valley Metro Rail, Inc.

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2015

4. Accounts Receivable and Due From Other Governments

All receivable balances at June 30, 2015 are displayed on the financial statements and are expected to be collected in full; therefore, an allowance for uncollectibles has not been recorded.

Due from other governments consists of Federal receivables (\$9.1 million) due from the City of Phoenix as Grantee of Federal Funds, PTF receivable (\$24.5 million) due from Regional Public Transportation Authority (RPTA), project funding receivables due from cities of Phoenix and Mesa (\$2.7 and \$0.4 million respectively) and miscellaneous receivables (\$0.1 million).

City of Phoenix (Grantee of Federal Funds)	\$ 9,093,674
Public Transportation Funding	24,465,973
City of Mesa	386,090
City of Phoenix	2,660,624
Arizona State University	3,530
Maricopa Association of Governments	132,765
Other	219
Total Due from Other Governments	<u>\$ 36,742,875</u>

Public Transportation Funding is discussed more fully in Note 16.

Valley Metro Rail, Inc.
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2015

5. Capital Assets

Capital asset and construction in progress activity for the year ended June 30, 2015 were as follows:

	<u>Balances,</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances,</u> <u>June 30, 2015</u>
Nondepreciable assets:				
Construction in progress	\$ 201,245,289	\$ 127,105,939	\$ (367,370)	\$ 327,983,858
Depreciable assets:				
Buildings	102,532,106			102,532,106
Guideway	565,528,227			565,528,227
Bridges	61,516,388			61,516,388
Operation Control Center	13,103,434			13,103,434
Passenger Stations and Facilities	101,949,950			101,949,950
Park and Ride Facilities	40,015,939			40,015,939
Electric Power Substations	88,737,919			88,737,919
Signal and Communication System	48,514,475			48,514,475
Computers and Software	1,934,560	65,491	(146,508)	1,853,543
Furniture and Fixtures	1,138,274			1,138,274
Revenue Vehicles	221,422,703			221,422,703
Non-Revenue Vehicles	2,573,978	100,728		2,674,706
Site Improvements	12,825	3,189,291		3,202,116
Equipment	13,544,630	500,337	(75,540)	13,969,427
Total depreciable assets at historical cost	<u>1,262,525,408</u>	<u>3,855,847</u>	<u>(222,048)</u>	<u>1,266,159,207</u>
Less accumulated depreciation for:				
Buildings	(17,737,470)	(2,563,303)		(20,300,773)
Guideway	(62,191,481)	(11,310,564)		(73,502,045)
Bridges	(11,278,005)	(2,050,546)		(13,328,551)
Operation Control Center	(2,200,357)	(436,781)		(2,637,138)
Passenger Stations and Facilities	(18,690,815)	(3,398,332)		(22,089,147)
Park and Ride Facilities	(14,109,178)	(2,667,729)		(16,776,907)
Electric Power Substations	(19,527,568)	(3,549,517)		(23,077,085)
Signal and Communication System	(13,349,964)	(2,425,723)		(15,775,687)
Computers and Software	(1,803,982)	(195,721)	146,508	(1,853,195)
Furniture and Fixtures	(1,138,274)			(1,138,274)
Revenue Vehicles	(50,767,452)	(8,792,128)		(59,559,580)
Non-Revenue Vehicles	(1,750,295)	(205,860)		(1,956,155)
Site Improvements	(1,496)	(27,860)		(29,356)
Equipment	(7,575,311)	(1,390,027)	75,540	(8,889,798)
Total accumulated depreciation	<u>(222,121,648)</u>	<u>(39,014,091)</u>	<u>222,048</u>	<u>(260,913,691)</u>
Total capital assets being depreciated	1,040,403,760	(35,158,244)	-	1,005,245,516
Business-type activities, capital assets, net	<u>\$ 1,241,649,049</u>	<u>\$ 91,947,695</u>	<u>\$ (367,370)</u>	<u>\$ 1,333,229,374</u>

6. Member Cities' Deposits

The member cities advance monies to cover the cost of operations plus the federal and local share of project costs. In addition, unpaid expenses to be funded by member contributions are accrued for each city. A summary of member cities' deposits at June 30, 2015 follows:

City of Chandler	\$	703,515
City of Glendale		113,443
City of Mesa		243,156
City of Peoria		37,600
City of Phoenix		5,912,454
City of Tempe		1,869,165
	\$	<u>8,879,333</u>

7. Operating Leases

VMR leases office space and small office equipment under various operating lease agreements. Total expenditures for these leases were \$1,444,605 for the fiscal year ended June 30, 2015. Future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending June 30, 2015</u>	
2016	\$ 1,439,392
2017	1,393,563
2018	1,374,637
2019	1,355,508
2020	1,355,508
2021-2025	6,777,538
2026	1,355,508
	<u>\$ 15,051,654</u>

Beginning on July 1, 2014, VMR entered into a new contract to lease office space for a 12 year term which included 57,007 square feet of building space. Simultaneously, a sublease between VMR and RPTA took effect for 26,324 square feet. The 12 year term contract total is \$16,266,090 for VMR. The sublease to RPTA is \$7,502,340.

8. Northwest Extension Advance Funding Obligation

VMR signed the Project Funding Agreement (Northwest Light Rail Extension) between The City of Phoenix and Valley Metro Rail, Inc. on December 20, 2012. The agreement provides \$60.0 million during fiscal years 2013 and 2014 to fund the expenses of the Northwest Light Rail Extension capital project. These funds will be repaid to City of Phoenix with Public Transportation Funds on June 30, 2017. During the fiscal years 2013 and 2014, the City of Phoenix advanced \$37,914,519 and \$22,085,481, respectively, totaling \$60,000,000 by the end of fiscal year 2014 to cover the project expenses.

Schedule of Advance Funding Obligation Payable as of June 30, 2015

<u>Year ending June 30</u>	<u>Principal Payments</u>	<u>Principal Advanced</u>	<u>Interest</u>	<u>Total Obligation</u>
2013	\$ -	\$ 37,914,519	\$ 45,887 *	\$ 37,960,406
2014	-	22,085,481	422,565	60,468,452
2015	-	-	551,903	61,020,355
2016	-	-	922,464	
2017	60,000,000	-	1,251,397	
	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>	<u>\$3,194,216 *</u>	

* Interest shown is accrued to date and future amounts payable

For Fiscal Year 2013, 2014, and 2015, Capital Lease interest expense was \$45,887, \$422,565, and \$551,903, respectively, totaling \$1,020,355, which was accrued under the Project Funding Agreement. The Advance Funding Obligation at June 30, 2015 includes \$60,000,000 principal and \$1,020,355 accrued interest for a total of \$61,020,355.

9. Due to Other Governments

VMR receives employee services as well as Public Transportation Funds (PTF) for capital project planning and design and construction funding from RPTA. As of June 30, 2015 VMR owed to RPTA \$1,623,448 for payroll and fringe benefits and \$4,508,512 for PTF Accrued Reimbursements for a total of \$6,131,960.

Payroll and Fringe Benefits	\$ 1,623,448
PTF Accrued Reimbursements	4,508,512
Due to RPTA	<u>6,131,960</u>
Due to City of Phoenix	60,000
Total Due to Other Governments	<u>\$ 6,191,960</u>

Further, VMR pays City of Phoenix for Bridge Inspections. As of June 30, 2015 VMR owed City of Phoenix an estimated \$60,000 for these costs.

10. Due to RPTA/Note Payable for Advance Bond Proceeds

During FY15, VMR and RPTA Boards amended the inter-agency LRT Program Agreement, whereby RPTA will hold an inter-agency receivable from VMR for the advance of bond proceeds. In order to accelerate planning, design and construction of the Light Rail Capital Projects as identified in the Regional Transportation Plan, RPTA advances bond proceeds prior to the collection of sales tax proceeds necessary to fund the debt service payments.

The inter-agency payable to RPTA of the Advance Bond Proceeds shall be paid from the collection of PTF Sales Taxes by RPTA on VMR's behalf. As the debt service payments are made, VMR will record PTF revenue-capital contributions and reduce the note payable. In addition, VMR will record each fiscal year, the VMR portion of the bond interest expense of the 2009 bond issue and the 2014 bond issue according to the debt service schedules. For FY15, the PTF bond interest expense was \$8,119,661.

Valley Metro Rail, Inc.

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2015

As of June 30, 2015, PTF Advance Bond Proceeds totaled \$69,583,715. Principal and interest payments follow the Series 2014 Debt Service schedule as shown in table below.

Fiscal Year End	Original Note Balance	Interest Debt Service Payments	Principal Debt Service Payments	Balance Remaining
2015	\$ 69,583,715	\$ 1,260,656	\$ -	\$ 69,583,715
2016		2,985,765	8,185,000	61,398,715
2017		2,859,579	8,430,000	52,968,715
2018		2,642,975	8,850,000	44,118,715
2019		2,415,579	9,295,000	34,823,715
2020		2,164,808	9,780,000	25,043,715
2021		1,900,952	10,295,000	14,748,715
2022		1,623,201	10,835,000	3,913,715
2023		1,330,882	3,913,715	-
Total	\$ 69,583,715	\$ 19,184,397	\$ 69,583,715	\$ -

* Note A portion of the total Series 2014 Bond Issue interest expense is allocated to the Series 2014 Advance. The allocation is based on ratio of Series 2014 Advance Note Payable \$69,583,715 versus the Total Series 2014 Bond Proceeds \$135,406,165.

11. Contractual and Other Commitments

VMR has entered into various contractual agreements for engineering services, project management, construction administration, light rail vehicles, construction, operations services, legal services and artists. At June 30, 2015, VMR had remaining contractual commitments for these services aggregating approximately \$100.0 million. These commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements. Subsequent to June 30, 2015, VMR entered into approximately \$14.4 million additional contractual commitments. All amounts listed below have been rounded to the nearest \$1,000.

Contractor	Commitment	Spent-to-date	Remaining
Valley Transit Constructors - Central Mesa	\$ 130,422,000	\$ 123,453,000	\$ 6,969,000
Scheidt Bachmann - Fare Collection System	8,878,000	8,415,000	463,000
Allied Barton Security Services	8,685,000	7,727,000	958,000
City of Mesa Admin and Real Estate Services	19,969,000	15,915,000	4,054,000
City of Phoenix Admin and Real Estate Services	27,330,000	14,276,000	13,054,000
Various - Public Art Program	2,099,000	1,514,000	585,000
Alternative Concepts - Transportation Operations	82,778,000	62,014,000	20,764,000
Various - Operations & Maintenance	29,852,000	23,921,000	5,931,000
Various - Misc. Construction and Services	20,181,000	13,432,000	6,749,000
Various - Future Extensions	20,110,000	18,238,000	1,872,000
Sundt Stacey/Witbeck JV	162,720,000	129,180,000	33,540,000
AECOM	3,981,000	3,501,000	480,000
Various - NW Ext. Program Management	6,346,000	5,075,000	1,271,000
Various - Central Mesa Ext. Program Management	18,235,000	16,294,000	1,941,000
	\$ 541,586,000	\$ 442,955,000	\$ 98,631,000

12. Risk Management

VMR is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted labor; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. VMR purchases insurance coverage for property, general liability, excess liability, automobile liability, umbrella liability, public entity employment practices liability, public entity management liability, boiler and machinery, crime, inland marine, owner's protective professional indemnity, environmental site protection, contractor's environmental protection and excess liability. In addition, the RPTA purchases workers' compensation, employee life insurance, health and dental insurance coverage for all LRT full-time employees. Settled claims for these risks have never exceeded commercial insurance limits. See schedule of insurance on page 48 and Note 15-Related Party Transactions.

VMR has received notice of general liability claims related to its operations. VMR's commercial insurance policies provide coverage against losses arising from the claims subject to policy deductible amounts. Such claims are evaluated and specific reserves are established to cover VMR's contingent risk of loss pending settlement with the parties involved. At June 30, 2015 the Reserve for General Liability Claims totaled \$753,764.

13. Contingencies

As a subrecipient of federal grant monies, amounts passed through or receivable from other agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although VMR expects such amounts, if any, to be immaterial.

14. Lawsuits

VMR is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, VMR management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

15. Related Party Transactions

All of the five member cities of VMR's Board of Directors are also member cities of the sixteen-member RPTA Board of Directors. The Board members of the cities of Glendale, Phoenix, and Tempe represent their cities on both Boards. VMR has entered into contracts with the RPTA for certain administrative functions, including personnel, administration, financial and accounting services, purchasing, and computer support services. All VMR staff is hired and employed by RPTA but works solely under the direction of the VMR and its Board of Directors, through a contractual arrangement with RPTA. All payroll related liabilities are obligations of VMR due to RPTA. For the period July 1, 2014 through June 30, 2015, VMR incurred costs of \$16,061,804 for services provided by RPTA.

In September 2010, the VMR Board authorized the Chief Executive Officer (CEO) to enter into a sublease with the Regional Public Transportation Authority (RPTA) for a portion of the office space currently leased and occupied by VMR. The contract commenced in December 2010 and would end in June 2016. Office space lease costs were paid by VMR monthly to the landlord and then prorated and charged to RPTA based on square footage used by RPTA. In

July 2014, a new contract with the landlord was made which also includes the sublease with RPTA. This new contract begins on July 1, 2014 and will end on June 30, 2026. The total sublease over the 144-month period is estimated to equal \$7,502,340.

16. Public Transportation Funding

In November 2004, the voters of Maricopa County approved Proposition 400, the continuation of the transportation tax, for a twenty year period beginning in calendar year 2006. On August 14, 2006, VMR and RPTA executed an intergovernmental agreement (IGA) that formally designated VMR as Lead Agency to plan, design, and construct the light rail transit (LRT) program. Among other things, the IGA specifies that RPTA will reimburse VMR, from the Public Transportation Fund, for eligible incurred expenses.

Valley Metro Rail began receiving Public Transportation Funding (PTF) in March 2006. These monies are used to reimburse private utility companies for costs incurred in the relocation of non-prior rights utilities, to reimburse Member Cities for their share of local costs incurred in connection with the acquisition of certain regional transportation assets, and to fund the local share of future light rail extensions as designated in the Regional Transportation Plan. Cash outlays for LRT Public Transportation Fund expenses during fiscal year 2015 totaled \$108,521,352 as summarized in the table below.

Public Transportation Fund Cash Expenditures (LRT Portion)
Fiscal Year ended June 30, 2015

<u>LRT PTF Expenditures:</u>	<u>\$ In Millions</u>
Regional Transportation Plan Projects:	
Central Mesa LRT Extension	23.90
Northwest Extension Phase I	60.30
Systemwide Improvements	1.20
Regional Capital Rebuild Program	0.30
Other	1.00
Non Prior Rights Utility Relocations:	
Northwest Extension Phase I	6.40
Project Development and Planning	4.80
Debt Service	10.70
<u>Total LRT PTF Cash Expenditures</u>	<u>108.60</u>

In June 2009, the Regional Public Transportation Authority (RPTA) issued Transportation Excise Tax Revenue Bonds in the amount of \$100,075,000. A portion of the 2009 Series Bonds will pay or reimburse LRT capital expenditures as designated in the Regional Transportation Plan. As of June 30, 2015, the 2009 Series Bond expenditures to date for the LRT program totaled \$55,000,628 on a cash basis.

In January 2014, the Regional Public Transportation Authority (RPTA) issued Transportation Excise Tax Revenue Bonds in the amount of \$115,000,000. The 2014 Series Bonds will pay or reimburse LRT capital expenditures as designated in the Regional Transportation Plan. As of June 30, 2015, the 2014 Series Bond expenditures to date for the LRT program totaled \$135,406,165 on a cash basis.

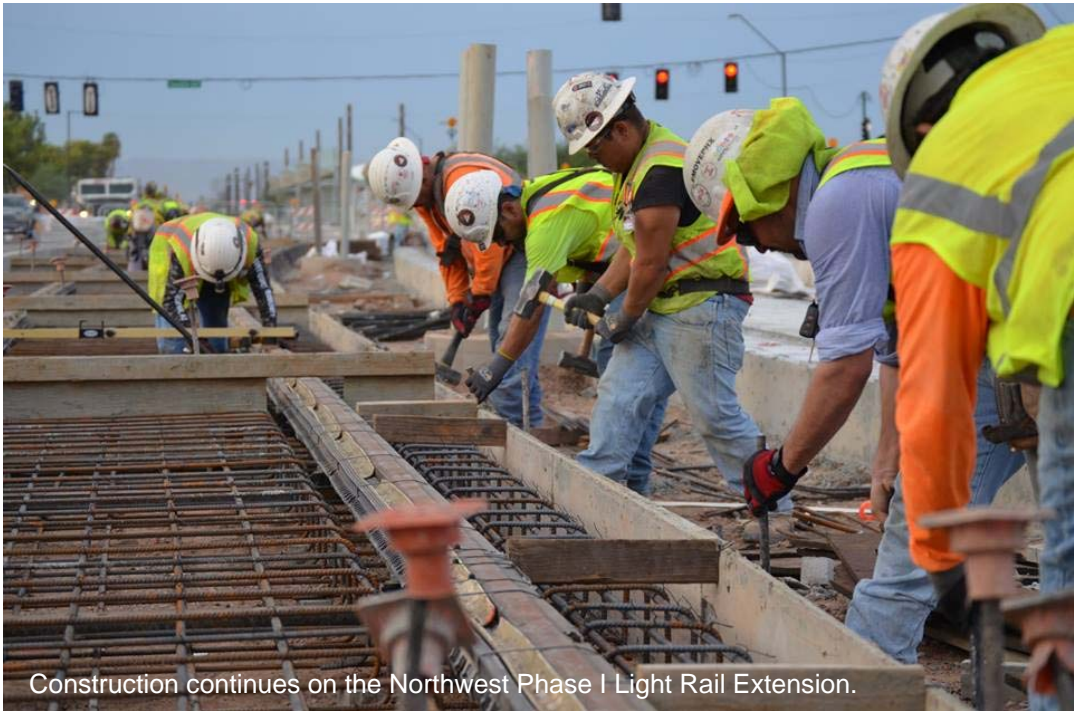


OTHER SUPPLEMENTARY INFORMATION

This Section includes the Schedule of Operations – Budget and Actual.



Grand Opening celebration Central Mesa Extension August 22, 2015.



Construction continues on the Northwest Phase I Light Rail Extension.

Valley Metro Rail, Inc.
Schedule of Operations - Budget and Actual
Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Sources of Funds:				
Net Contributions From Member Cities	\$ 24,017,381	\$ 23,538,436	\$ 19,137,047	\$ (4,401,389)
Passenger Fares	13,363,096	12,436,927	12,832,286	395,359
Federal Transit Administration Grants	59,988,293	59,988,293	43,431,360	(16,556,933)
TIGGER Federal Grant	2,555,000	2,555,000	2,553,136	(1,864)
Public Transportation Funds - Sales Tax	75,377,379	74,959,379	52,152,964	(22,806,415)
Public Transportation Funds - Bonds	53,189,905	53,189,905	69,399,154	16,209,249
MAG/RPTA Grants	1,000,000	1,000,000	1,412,759	412,759
TPAN	8,000,075	3,257,414	-	(3,257,414)
Other Revenues	850,000	1,257,000	1,859,255	602,255
Total Sources of Funds	238,341,129	232,182,354	202,777,961	(29,404,393)
Uses of Funds:				
Operating Activities:				
Revenue Operations	33,154,511	32,156,396	31,486,738	(669,658)
Regional Capital Rebuild Program	-	-	881,020	881,020
Future Project Development	8,443,752	8,443,752	7,614,483	(829,269)
Agency Operations	927,804	927,804	855,271	(72,533)
Sub Total Operating Activities Use of Funds	42,526,067	41,527,952	40,837,512	(690,440)
Capital Projects:				
Northwest Extension	75,492,667	75,492,667	66,855,407	(8,637,260)
Central Mesa Extension	58,448,238	58,448,238	63,647,076	5,198,838
Gilbert Road Capital Project	10,131,075	5,388,414	435,034	(4,953,380)
Tempe Streetcar Extension	5,256,947	5,256,949	38,166	(5,218,783)
Phoenix West	415,253	415,252	-	(415,252)
Non-Prior Rights Utilities Relocations	13,755,151	13,755,151	5,120,347	(8,634,804)
Systemwide Improvements	6,897,930	6,479,930	3,962,634	(2,517,296)
Concurrent Non Project Activities	6,056,696	6,056,696	2,520,680	(3,536,016)
Sub Total Capital Before Debt Service	176,453,957	171,293,297	142,579,344	(28,713,953)
Capital Project Debt Service:				
Debt Service - Interest	8,119,661	8,119,661	8,119,661	-
Debt Service - Principal	11,241,444	11,241,444	11,241,444	-
Total Uses of Funds	238,341,129	232,182,354	202,777,961	(29,404,393)
Excess Revenues Over Expenses - Budgetary Basis	\$ -	\$ -	\$ -	\$ -

Explanation of Differences between Budgetary Basis and GAAP Basis

Total Uses of Funds - Budgetary Basis	\$ 202,777,961
Total Operating Expenses - GAAP Basis	(80,312,422)
Budgetary Operating Expenses in Excess of GAAP Operating Expenses	\$ 122,465,539
Capital Projects Before Debt Service (Budgeted expenses not recorded to expense for GAAP basis)	\$ 142,579,344
RPTA Bus Interface Facility-CME Extension (Budgeted expenses in Capital Projects above but in Operating expenses in the Financial Statements)	(318,318)
Art Installation Fabrication unallowable on CME Federal Grant (Budgeted expenses in Capital Projects above but in Operating expenses in the Financial Statements)	(246,288)
Capital Projects Debt Service (Budgeted expenses not recorded to expense for GAAP purposes)	19,361,105
Rail Operations Capital Assets (Budgeted expenses not recorded to expense for GAAP basis)	228,581
Systemwide Improvements operating expenses (Budgeted expenses in Capital Projects above but in Operating expenses in the Financial Statements)	(124,796)
Depreciation (GAAP expenses not included in budgetary basis)	(39,014,089)
Total Reconciling Items	\$ 122,465,539

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.



Riders traveling to the NFL Experience in Downtown Phoenix, Super Bowl week.



STATISTICAL SECTION

The Statistical Section includes selected financial and demographic information regarding Valley Metro Rail including financial trends, demographic and economic information, and operating information.

This part of Valley Metro Rail, Inc. (VMR) comprehensive financial report presents information as a context for understanding what the information in the financial statements, footnotes, and supplementary information says about VMR's overall financial condition. VMR's principal activities consist of planning, designing, constructing and operating the light rail transit system in Maricopa County, Arizona.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how VMR's financial performance and well-being have changed over time.	31
Revenue Capacity VMR's principal source of operating revenues are contributions from Member Cities. With respect to capital projects, VMR receives federal grants and utilizes Public Transportation Funds administered by the Regional Public Transportation Authority (RPTA). (Refer to Note 16 on Page 24 in the Notes to the Financial Statements section.)	N/A
Debt Capacity VMR has no current bond indebtedness. See Notes to the Financial Statements; refer to Note number 16, Public Transportation Funding (Page 24) for information regarding revenue bonds issued by RPTA which provide funding for LRT capital expenditures. Refer to Note number 8, Northwest Extension Advance Funding Obligation (Page 20) for information related to VMR's current debt obligations.	N/A
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which VMR's financial activities take place.	33
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in VMR's financial report relates to the services VMR provides and the activities it performs.	36

Valley Metro Rail, Inc.
Net Position by Component
FY 05/06 through FY 14/15

Business-type activities	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Investment in Capital Assets (1)										
Construction in Progress (4)	\$ 459,034,837	\$ 698,209,539	\$ 895,953,882	\$ 27,776,412	\$ 27,747,360	\$ 32,911,926	\$ 44,410,295	\$ 76,373,899	\$ 141,245,289	\$ 198,400,143
Buildings	-	68,855,662	67,108,795	97,611,148	95,047,845	92,484,543	89,921,241	87,357,938	84,794,636	82,231,333
Guideway	-	-	-	545,989,800	548,218,379	537,014,911	525,957,875	514,647,312	503,336,746	492,026,182
Bridges	-	-	-	60,491,115	58,440,569	56,390,023	54,339,476	52,288,930	50,238,383	48,187,837
Operation Control Center	-	-	-	11,536,240	11,145,181	10,754,123	10,363,064	11,339,858	10,903,077	10,466,296
Passenger Stations & Facilities	-	-	-	96,272,225	96,296,602	93,454,131	90,055,799	86,657,467	83,259,135	79,860,803
Park and Ride Facilities	-	-	-	34,769,334	32,504,345	33,909,949	31,242,220	28,574,490	25,906,761	23,239,032
Electric Power Substations	-	-	-	86,707,115	83,413,644	79,858,902	76,309,385	72,759,869	69,210,351	65,660,834
Signal and Communication System	-	-	-	45,202,398	44,924,177	42,495,843	40,015,959	37,590,235	35,164,511	32,738,788
Computers & Software	108,076	949,273	852,789	574,791	179,859	-	174,758	168,000	130,578	348
Furniture & Fixtures	739,880	844,591	692,090	531,100	370,110	209,121	74,243	-	-	-
Site Improvements	-	-	-	-	-	-	-	12,611	11,329	3,172,760
Revenue Vehicles (2)	-	3,246,541	116,875,456	164,031,893	163,521,294	163,681,089	164,746,761	167,304,100	170,655,251	161,863,123
Support/Service Vehicles (3)	188	706,809	646,471	587,896	-	-	-	-	-	-
Non-Revenue Vehicles	-	-	209,605	958,053	733,227	1,056,448	731,731	813,139	823,683	718,551
Equipment	497,319	995,075	1,222,755	8,214,895	9,993,522	9,131,945	8,461,421	7,137,540	5,969,319	5,079,629
Subtotal Investment in Capital Assets	\$ 460,380,300	\$ 773,807,490	\$ 1,083,561,843	\$ 1,181,254,415	\$ 1,172,536,114	\$ 1,153,352,954	\$ 1,136,804,227	\$ 1,143,025,388	\$ 1,181,649,049	\$ 1,203,645,659
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	6,602,251	6,196,414	5,019,683	2,062,204	2,398,179	12,653,534	12,101,637
Total business-type activities net position	\$ 460,380,300	\$ 773,807,490	\$ 1,083,561,843	\$ 1,187,856,666	\$ 1,178,732,528	\$ 1,158,372,637	\$ 1,138,866,431	\$ 1,145,423,567	\$ 1,194,302,583	1,215,747,296

Source: Valley Metro Rail, Inc. Finance Division

- (1) CP/EV LRT project costs incurred prior to July 1, 2004, for project preliminary engineering and project management totaling \$77.1 million paid for by member cities or federal grants were contributed to VMR during the fiscal year ended June 30, 2005. Prior to FY 04/05, these amounts were included in Administration and Planning Services.
- (2) Revenue Vehicles are shown net of depreciation and net of Capital Lease obligation.
- (3) In FY 09-10 Support Service Vehicles and Non-Revenue Vehicles were combined for presentation purposes.
- (4) In FY 12/13, FY 13/14, and FY14/15 Construction in Progress is shown net of the Northwest Extension Advance Funding Obligation. Further, in FY14/15 Construction in Prgress is shown net of the RPTA PTF Advance Bond Proceeds Obligation.

Valley Metro Rail, Inc.
Changes in Net Position
FY 05/06 through FY 14/15

	<u>FY 05/06</u>	<u>FY 06/07</u>	<u>FY 07/08</u>	<u>FY 08/09</u>	<u>FY 09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>	<u>FY 12/13</u>	<u>FY 13/14</u>	<u>FY 14/15</u>
Operating Revenues										
Contributions from Member Cities (1)	\$ 75,672,696	\$156,033,959	\$ 143,276,140	\$ 13,490,504	\$ 25,964,781	\$ 19,430,008	\$ 14,274,817	\$ 11,614,615	\$ 16,803,600	\$ 16,590,974
Passenger Fares	-	-	-	3,371,104	9,256,913	10,238,281	11,889,930	12,791,801	12,505,116	12,832,286
Federal Transit Administration Operating Grants (1)	150,717,452	146,442,055	953,877	-	222,519	240,000	3,614,541	5,382,997	2,400,132	2,135,431
Public Transportation Funds (1)	11,700,029	57,160,186	58,315,376	-	-	-	-	-	-	-
Regional Capital Rebuild Revenue	-	-	-	-	-	-	-	-	-	305,245
Other Revenues	-	-	-	40,000	103,410	908,728	1,225,206	1,252,967	1,730,566	3,272,014
Total Operating Revenues	<u>238,090,177</u>	<u>359,636,200</u>	<u>202,545,393</u>	<u>16,901,608</u>	<u>35,547,623</u>	<u>30,817,017</u>	<u>31,004,494</u>	<u>31,042,380</u>	<u>33,439,414</u>	<u>35,135,950</u>
Operating Expenses										
Administration and Planning Services (2)	1,829,944	5,709,157	5,396,474	5,278,901	9,540,355	7,213,806	8,201,127	8,287,393	8,840,445	9,128,597
Passenger Operations Service	-	-	-	15,678,389	32,964,701	31,020,111	28,909,661	28,711,628	31,260,365	31,288,715
Private Utilities Relocations	11,700,029	39,212,754	15,750,886	-	-	-	-	-	-	-
Regional Capital Rebuild Program	-	-	-	-	-	-	-	-	-	881,021
Depreciation	186,644	1,389,987	2,231,538	22,437,891	39,685,152	39,176,737	39,115,165	38,978,409	38,911,674	39,014,089
Total Operating Expenses	<u>13,716,617</u>	<u>46,311,898</u>	<u>23,378,898</u>	<u>43,395,181</u>	<u>82,190,208</u>	<u>77,410,654</u>	<u>76,225,953</u>	<u>75,977,430</u>	<u>79,012,484</u>	<u>80,312,422</u>
Operating Income (Loss)	<u>224,373,560</u>	<u>313,324,302</u>	<u>179,166,495</u>	<u>(26,493,573)</u>	<u>(46,642,585)</u>	<u>(46,593,637)</u>	<u>(45,221,459)</u>	<u>(44,935,050)</u>	<u>(45,573,070)</u>	<u>(45,176,472)</u>
Non-Operating Revenues (Expense)										
Federal Transit Administration Operating Grants	-	-	-	650,492	2,557,861	2,118,259	1,059,848	799,020	453,728	-
Public Transportation Funds	-	-	-	10,945,204	5,484,246	8,678,822	6,469,470	10,111,118	6,626,121	10,526,625
Private Utilities Relocations	-	-	-	(9,518,863)	965,013	(3,732,886)	(56,477)	(5,500,205)	(14,876,845)	(5,120,346)
Capital Conveyance to Member Cities	-	-	-	-	-	-	-	(11,487,566)	(9,949,717)	(3,883,076)
Interest on Capital Funding Obligation	-	-	-	(2,083,503)	(4,167,007)	(2,083,503)	(2,827,876)	(2,230,691)	(1,642,376)	(551,903)
PTF Interest expense	-	-	-	-	-	-	-	-	-	(8,119,661)
Interest on Investments	100,888	102,888	91,519	-	15	36	-	-	52	-
Distributions to Member Cities	-	-	-	(20,078,532)	(106,249,903)	(38,400,636)	(6,664,230)	-	-	-
Other Non-Operating Revenues (Expenses)	-	-	-	0	142,025	160,757	23,491	24,522	16,145	-
Total Non-Operating Revenues (Expense)	<u>100,888</u>	<u>102,888</u>	<u>91,519</u>	<u>(20,085,202)</u>	<u>(101,267,750)</u>	<u>(33,259,151)</u>	<u>(1,995,774)</u>	<u>(8,283,802)</u>	<u>(19,372,892)</u>	<u>(7,148,361)</u>
Capital Contributions										
Federal Transit Administration Capital Grants	-	-	130,496,339	72,863,699	62,585,921	7,255,308	9,125,090	27,742,023	27,564,363	43,849,073
Contributions from Member Cities	-	-	-	25,381,955	31,156,572	2,651,494	330,700	4,268,007	51,235	25,393
Public Transportation Funds Capital	-	-	-	52,627,944	45,043,704	49,586,095	18,255,237	27,765,958	86,209,379	29,895,080
Donated Engineering (3)	-	-	-	-	-	-	-	-	-	-
Total Capital Contributions	<u>-</u>	<u>-</u>	<u>130,496,339</u>	<u>150,873,598</u>	<u>138,786,197</u>	<u>59,492,897</u>	<u>27,711,027</u>	<u>59,775,988</u>	<u>113,824,977</u>	<u>73,769,546</u>
Increase (Decrease) in Net Position	<u>\$ 224,474,448</u>	<u>\$313,427,190</u>	<u>\$ 309,754,353</u>	<u>\$ 104,294,823</u>	<u>\$ (9,124,138)</u>	<u>\$ (20,359,891)</u>	<u>\$ (19,506,206)</u>	<u>\$ 6,557,136</u>	<u>\$ 48,879,016</u>	<u>\$ 21,444,713</u>

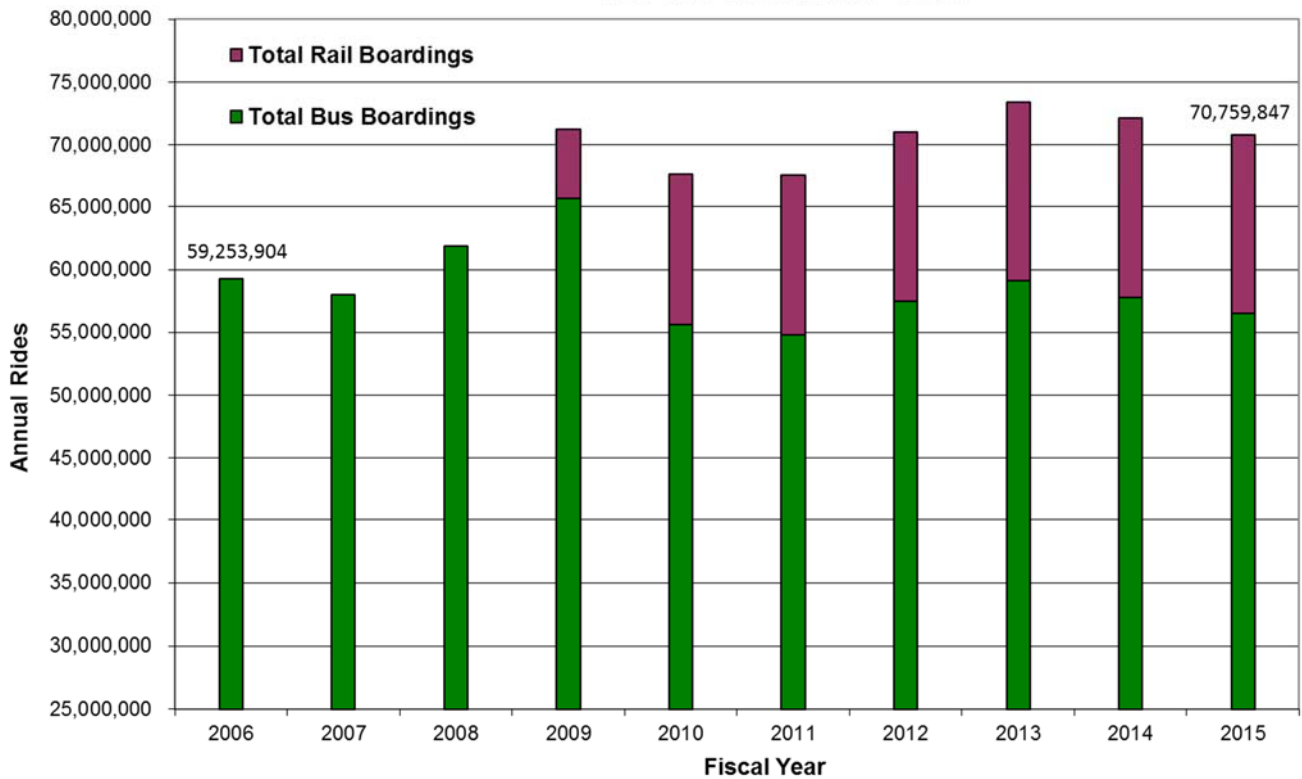
Source: Valley Metro Rail, Inc Finance Division

- (1) Prior to FY 08/09, CP/EV local, federal and regional capital contributions were recorded as operating revenues.
- (2) Prior to FY 04/05, all CP/EV project costs, except for the cost of computers, equipment, and certain other capital assets, were recorded as operating expenses.
- (3) CP/EV LRT project costs incurred prior to FY 04/05 for project preliminary engineering and project management were contributed to VMR during FY 04/05. These costs, totaling \$77.1 million, were originally paid for by member cities or federal grants and were included in Administration and Planning Services expenses for the year incurred.

Valley Metro Rail, Inc.
 Growth in Regional Transit Usage
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Boardings</u>	<u>Change</u>
2006	59,253,904	5.14%
2007	58,020,189	-2.08%
2008	61,866,819	6.63%
2009	71,251,664	15.17%
2010	67,693,003	-4.99%
2011	67,607,530	-0.13%
2012	71,043,488	5.08%
2013	73,409,805	3.33%
2014	72,137,268	-1.73%
2015	70,759,847	-1.91%

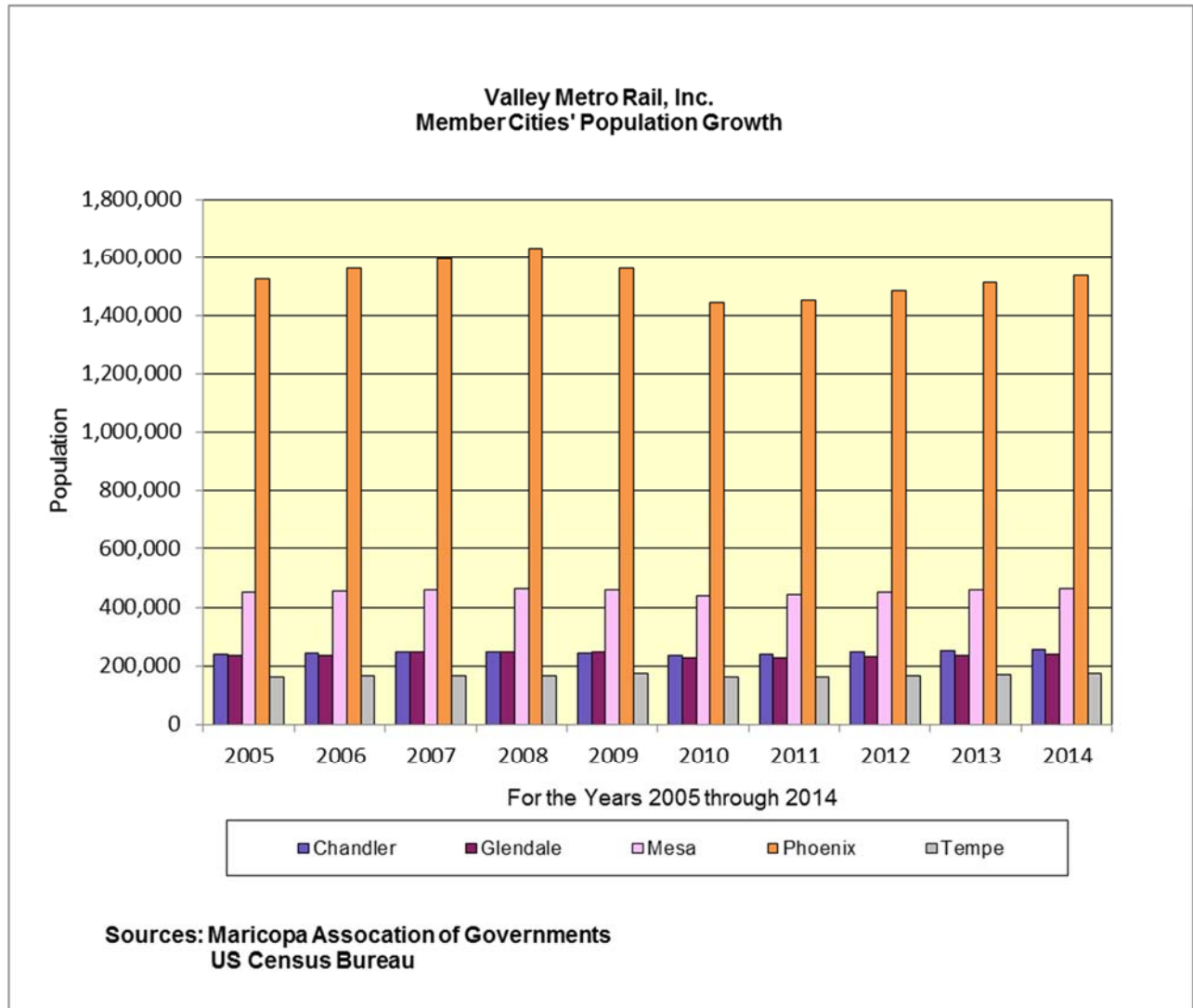
Valley Metro Regional Bus and Rail Passenger Boardings by Fiscal Year
 Fixed Route System
Ten Year Growth rate 19.4%



Source: Regional Public Transportation Authority

Valley Metro Rail, Inc.
 Population Growth
 Ten Years from 2005 to 2014

<u>Year</u>	<u>Chandler</u>	<u>Glendale</u>	<u>Mesa</u>	<u>Phoenix</u>	<u>Tempe</u>
2005	238,930	235,987	451,223	1,525,400	160,820
2006	241,910	235,987	455,151	1,560,380	165,796
2007	247,100	246,382	460,155	1,595,260	166,625
2008	247,100	248,731	463,397	1,630,340	167,458
2009	244,376	248,435	459,682	1,561,485	172,641
2010	236,123	226,721	439,041	1,445,632	161,719
2011	238,381	227,446	441,160	1,451,966	162,503
2012	246,197	231,109	450,310	1,485,751	165,158
2013	250,394	235,144	458,347	1,512,442	168,883
2014	254,276	237,517	464,704	1,537,058	172,816

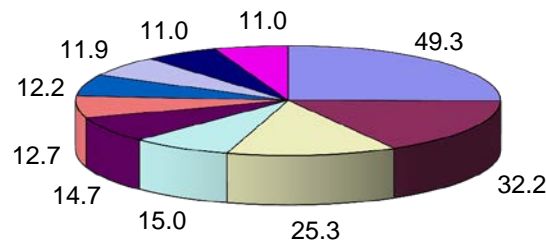


Year 2014 is the most current year available.

Valley Metro Rail, Inc.
Top Employers in Maricopa County
For the Year 2014 and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	% of Total	Employees	Rank	% of Total
State of Arizona	49,278	1	2.72%	49,147	1	2.85%
Wal-Mart Stores, Inc.	32,169	2	1.77%	19,510	2	1.13%
Banner Health Systems	25,270	3	1.39%	14,447	4	0.84%
City of Phoenix	14,983	4	0.83%	13,617	5	0.79%
Wells Fargo & Company	14,713	5	0.81%	11,000	8	0.64%
Maricopa County	12,698	6	0.70%	15,218	3	0.88%
Arizona State University	12,222	7	0.67%	10,530	9	0.61%
Intel Corp.	11,900	8	0.66%			
JPMorgan Chase & Co.	11,042	9	0.61%			
Bank of America	11,000	10	0.61%			
Honeywell International Inc.				12,000	6	0.70%
U.S. Postal Services				11,406	7	0.66%
Basha's Family of Stores				9,646	10	0.56%
Total for Principal Employers	195,275		10.77%	166,521		9.66%
Total Employment in Maricopa Cty	1,813,869			1,723,600		

2014 - Employees (000s)



- State of Arizona
- Wal-Mart Stores, Inc.
- Banner Health Systems
- City of Phoenix
- Wells Fargo & Company
- Maricopa County
- Arizona State University
- Intel Corp.
- JPMorgan Chase & Co.
- Bank of America

Source: Greater Phoenix Economic Council at www.gpec.org for major employers
Workforce Informer Arizona at www.workforce.az.gov for total employed in Maricopa County

CENTRAL MESA

LIGHT RAIL EXTENSION



valleymetro.org/centralmesa

REPORT CARD

JUNE 2015

PROJECT DESCRIPTION

The 3.1-mile Central Mesa project extends light rail east from the current end-of-line through downtown Mesa to Mesa Dr. by late 2015. It consists of four stations and a park-and-ride on the northeast corner of Main St. and Mesa Dr. The extension will add approximately 5,000 new riders and attract additional development to downtown Mesa.

BENEFITS

The Central Mesa extension will serve the growing transit demand in the East Valley. It will connect residents to the downtown Mesa business district, new educational institutions, Mesa Arts Center, Mesa City Plaza, special events and activities in adjacent downtown centers in Tempe and Phoenix.



UPDATE

Community Relations

- As the opening date of August 22, 2015 approaches, the focus on safety continues with outreach supporting ongoing testing
- Sidewalk stickers with safety messages were installed in downtown Mesa to reinforce safety tips with pedestrians
- Primary sponsor of Movie Night on Main St., which featured "Despicable Me" with over 150 attendees
- Continued to address specific stakeholder inquiries

Construction

- Completed final pavement repairs, platform cleaning and sealing and miscellaneous finishes, including call boxes and paint touch ups
- Asphalt paving for the project is complete
- All asphalt pavement surfaces have been installed
- Initial programming for the traffic and light rail vehicle signals was installed at most intersections and pedestrian crossings
- Overhead catenary system's to power the trains was tested this month
- Continued to test the rail/power system with light rail vehicles
- Progressed the perimeter wall, installed light poles and irrigation system for the Mesa Drive Park-and-Ride
- Continued to test the signal buildings and associated equipment in the guideway
- Installed security cameras, variable message boards and platform communication cabinets

BUDGET

Description	Programmed	Expended**	% Expended	Forecast
Construction	\$123,680,352	\$116,724,481	94.4%	\$123,680,352
Utilities	\$7,000,000	\$2,854,031	40.8%	\$7,000,000
Right of Way	\$18,283,909	\$17,369,902	95.0%	\$18,283,909
Public Art	\$749,370	\$482,950	64.4%	\$749,370
Design/Management	\$48,871,812	\$30,781,592	63.0%	\$48,871,812
TOTAL	\$198,585,443	\$168,212,955	84.7%	\$198,585,443

SCHEDULE

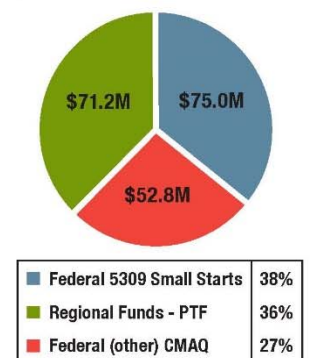
Description	Baseline	Current	% Complete
Construction	08-01-2015	07-27-2015	94.0%
Utilities	04-08-2015	07-27-2015	100.0%
Right of Way	07-15-2013	10-01-2014	100.0%
Public Art	04-30-2015	07-15-2015	97.0%
Design/Management	05-29-2015	08-21-2015	94.0%
Testing/Start-up	11-15-2015	08-21-2015	50.9%

Estimated as of June 30, 2015.

ROUTE MAP



FUNDING (\$M) – TOTAL \$199M



LRT2009/2015

NORTHWEST PHASE I

LIGHT RAIL EXTENSION TO DUNLAP AVENUE



valleymetro.org/northwest

REPORT CARD

JUNE 2015

PROJECT DESCRIPTION

The 3.2-mile Northwest Phase I project extends light rail north from the current end-of-line to Dunlap Ave. by Summer 2016. It consists of three stations and a park-and-ride on the southwest corner of 19th and Dunlap avenues. The extension will add approximately 5,000 new riders and attract additional development to north central Phoenix.

BENEFITS

The Northwest extension will enhance mobility options for a transit-reliant community and will offer connectivity to employment centers near the I-17 freeway. It will support nearly 10,000 family housing units and help 20,000 employees get to work. It will also bolster community revitalization.



UPDATE

Community Relations

- Community Advisory Board (CAB) evaluated the contractor 100% for June
- Held Transit Tuesday event at Thai lotus with 95 attendees
- Continued to address specific stakeholder inquiries

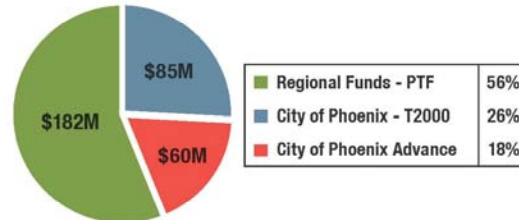
Construction

- All of the Traction Power Substations (TPSS) have been delivered
- Track construction continues between Northern and Glendale avenues
- All roadway widening has been completed
- Installation of wire for the Overhead Catenary System (OCS) is underway between Lawrence Road and the Montebello station
- Installation of the station shade canopies is complete
- Construction of the Glendale Avenue station platform is ongoing
- Construction of the Northern Avenue station is underway
- Construction of curb and gutter, sidewalk, retention basins and security building at the Dunlap Park-and-Ride is underway
- The art feature for the park-and-ride plaza is complete and the colored concrete and gabion benches are underway

ROUTE MAP



FUNDING (\$M)—TOTAL \$327M



BUDGET				
Description	Programmed	Expended**	% Expended	Forecast
Construction	\$150,725,627	\$130,846,238	86.8%	\$150,725,627
Utilities	\$31,791,360	\$30,539,389	96.0%	\$31,791,360
Right of Way	\$76,374,576	\$73,594,019	96.4%	\$76,374,576
Public Art	\$951,239	\$633,149	66.6%	\$951,239
Design/Management	\$66,749,098	\$43,521,602	65.2%	\$66,749,098
TOTAL	\$326,591,900	\$279,134,397	85.5%	\$326,591,900

**Estimated as of June 30, 2015

SCHEDULE			
Description	Baseline	Current	% Complete
Construction	04-26-2016	02-19-2016	87.8%
Utilities	06-30-2014	07-15-2015	99.0%
Right of Way	10-30-2013	08-15-2015	99.0%
Public Art	11-30-2015	11-30-2015	85.0%
Design/Management	07-30-2015	07-30-2015	80.0%
Testing/Start-up	07-25-2016	07-25-2016	0%

LRT2020/2015

GILBERT ROAD

LIGHT RAIL EXTENSION



valleymetro.org/gilbertroad

REPORT CARD

JUNE 2015

PROJECT DESCRIPTION

The 1.9-mile Gilbert Rd. project will extend light rail beyond the Central Mesa extension on Main St. to Gilbert Rd. in Mesa by 2018. It consists of two stations and a park-and-ride on the west side of Gilbert Rd. At Gilbert Rd., there are significant transit connections and the ability to draw more riders from the East Valley.

BENEFITS

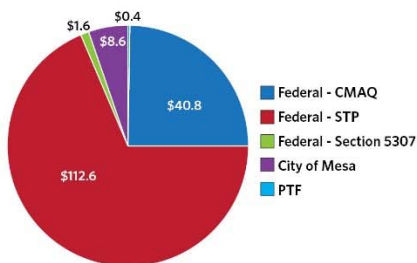
The Gilbert Rd. extension will serve the growing transit demand in the East Valley. It will attract new riders and increase development opportunities in central Mesa.



UPDATE

- Released the Request for Qualification (RFQ) and held a pre-submittal conference for the Public Art Services
- Received five responses to the Design Services RFQ and short-listed firms for interview
- Released the Request for Proposals (RFP) and convened a pre-proposal conference for the short-listed CM@Risk Contractors

FUNDING (\$M)

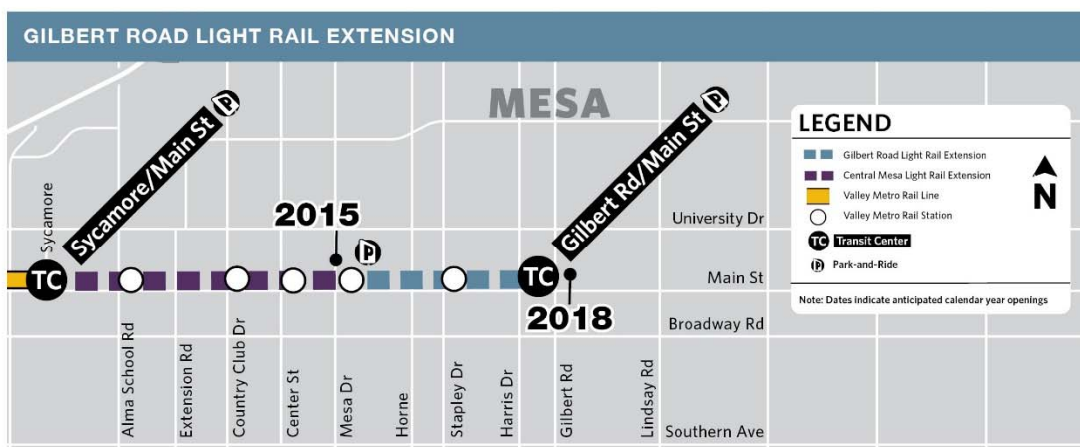


BUDGET

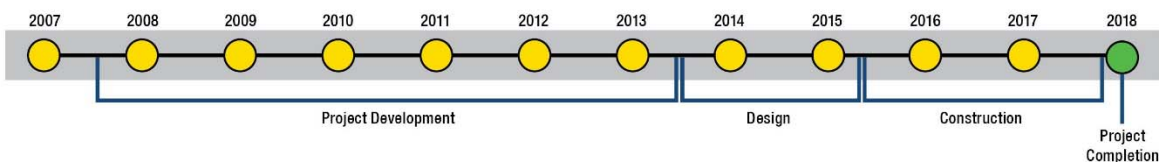
	Programmed*	Expended**
Project Development	\$1,340,000	\$668,363
Final Design	\$7,050,000	\$0
Construction	\$138,680,575	\$725,020
TOTAL	\$147,070,575	\$1,393,383

*Does not include financing cost.
**Estimated as of June 30, 2015.

ROUTE MAP



SCHEDULE



LRT2020/2015

TEMPE STREETCAR



valleymetro.org/tempestreetcar

REPORT CARD

JUNE 2015

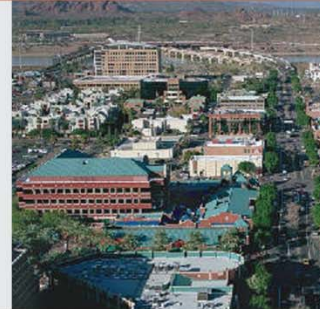
PROJECT DESCRIPTION

Following a three-year study that evaluated high-capacity transit improvements, a streetcar project in the Mill Avenue corridor was adopted locally and regionally into the Regional Transportation Plan in 2010.

In June 2014, the Tempe City Council supported a route recommendation for a three-mile Tempe Streetcar project, shown below.

BENEFITS

Tempe Streetcar will increase transit ridership in central Tempe, connect neighborhoods to downtown activities and provide greater mobility to a growing number of students, employees and visitors. It will also support the revitalization of neighborhoods and attract development.



UPDATE

- Submitted a third draft of the Environmental Assessment (EA) to the Federal Transit Administration (FTA) for their review of responses to comments previously provided
- Continued producing the Small Starts project justification templates, financial report, Standard Cost Category (SCC) workbook and economic development/land use report for submittal to the FTA in August, 2015
- Continued preparing for public review of the EA, with the project team beginning to develop presentation and handout materials for the public meeting which is anticipated to be held in August in Tempe

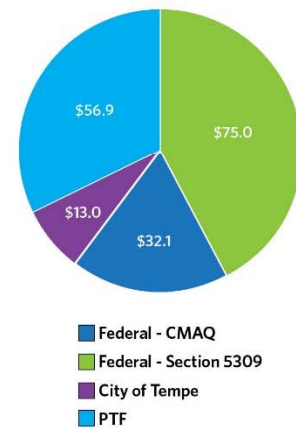
BUDGET

	Programmed*	Expended**
Project Development	\$9,500,000	\$8,393,470
Final Design	\$6,200,000	\$0
Construction	\$161,300,000	\$0
TOTAL	\$177,000,000	\$8,393,470

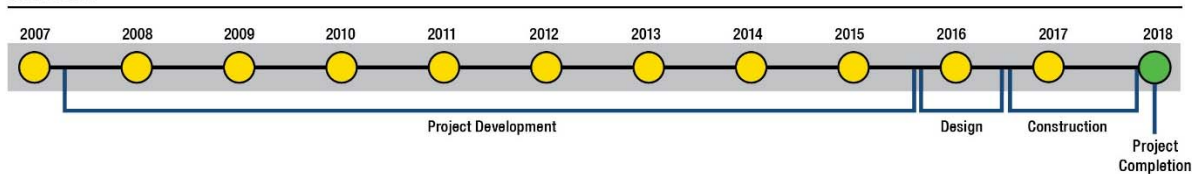
*Does not include financing cost.
**Estimated as of June 30, 2015.

ROUTE MAP

FUNDING (\$M)



SCHEDULE



LRT2020/2015

CAPITOL / I-10 WEST



valleymetro.org/capitolwest

LIGHT RAIL EXTENSION

REPORT CARD

JUNE 2015

PROJECT DESCRIPTION

The 11-mile Capitol/I-10 West project will extend light rail from downtown Phoenix through the State Capitol area to 79th Ave/I-10 freeway by 2023. It will consist of several freeway and neighborhood stations and enhancements to the existing 79th Ave/I-10 Park-and-Ride.

BENEFITS

The Capitol/I-10 West extension will provide enhanced transit service to the growing West Valley, giving residents greater access to jobs, schools and their community. It will also connect to major employment centers such as the State Capitol and help ease congestion on the I-10 freeway.



UPDATE

- Revising the Cultural Resources report and Environmental Assessment (EA) based on comments received by Federal Transit Administration (FTA)
- Revising the Change of Access report per Arizona Department of Transportation's comments

BUDGET

	Programmed*	Expended**
Project Development	\$32,200,000	\$9,239,202
Final Design	\$48,600,000	\$0
Construction	\$927,000,000	\$0
TOTAL	\$1,007,800,000	\$9,239,202

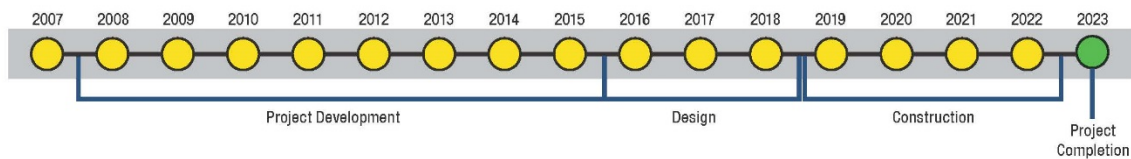
*Does not include financing cost.
**Estimated as of June 30, 2015

ROUTE MAP

CAPITOL/I-10 WEST LIGHT RAIL EXTENSION



SCHEDULE



LRT2009/2015

WEST PHOENIX/CENTRAL GLENDALE



valleymetro.org/glendale

TRANSIT CORRIDOR STUDY

REPORT CARD

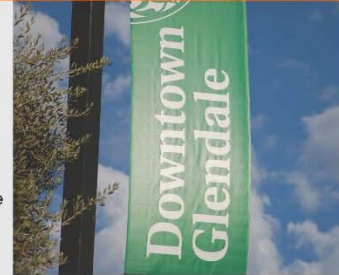
JUNE 2015

PROJECT DESCRIPTION

The West Phoenix/Central Glendale Alternatives Analysis is a transit corridor study to identify mobility enhancement in west Phoenix and Glendale by 2026. The study was initiated in 2013. The study area extends from 19th Ave. to the Loop 101, Northern Ave. to Camelback Rd. The corridor would continue towards the city of Glendale from the Northwest extension currently under construction along 19th Ave. in Phoenix.

BENEFITS

The West Phoenix/Central Glendale study could result in a transit investment that would provide enhanced service to a growing West Valley community. It would also create connectivity with regional destinations such as Grand Canyon University and downtown Glendale.

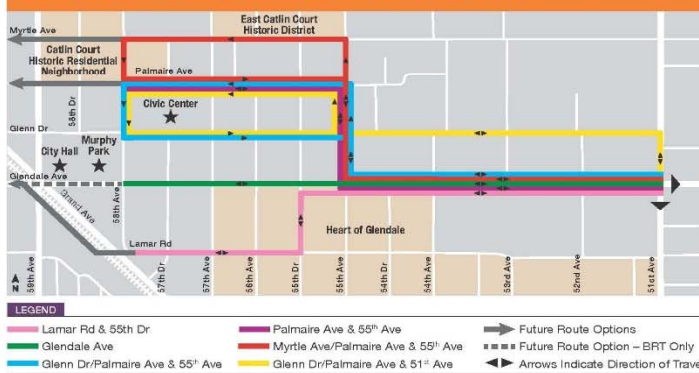


STUDY MAP

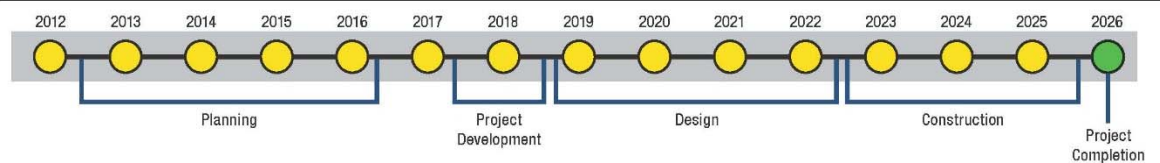
PROPOSED ROUTE ALTERNATIVES



DOWNTOWN GLENDALE ROUTE ALTERNATIVES



SCHEDULE



UPDATE

- Conducted ongoing comparative analysis of primary route alternatives
- Initiated evaluation of downtown route alternatives
- Conducted public meetings on June 3 in Glendale and June 4 in Phoenix to present an update on the level 3 evaluation
- Held the first Downtown Glendale Community Working Group (CWG) meeting on June 24

BUDGET

	Programmed*	Expended**
Project Development	\$16,100,000	\$1,979,989
Final Design	\$26,800,000	\$0
Construction	\$456,500,000	\$0
TOTAL	\$499,600,000	\$1,979,989

*Does not include financing cost.
**Estimated as of June 30, 2015.

LRT2020/2015

NORTHWEST PHASE II



valleymetro.org/northwest

LIGHT RAIL EXTENSION TO METROCENTER

REPORT CARD

JUNE 2015

PROJECT DESCRIPTION

The 2-mile Northwest Phase II project is currently slated to open in 2026 and will extend light rail from the intersection of 19th and Dunlap avenues west towards I-17. A project definition study is underway to look at the feasibility of a connection across I-17 to Metrocenter Mall. The study will include further definition of key project elements, including station locations, traffic configuration, park-and-ride size/location and new pedestrian/bicycle access points.

BENEFITS

The Northwest extension will enhance mobility options for a largely transit-dependent community and provide connectivity with employment centers near the I-17 freeway. It will support nearly 10,000 family housing units and help up to 20,000 employees get to work. It will also bolster community revitalization.



UPDATE

- Valley Metro Rail Board of Directors approved the Locally Preferred Alternative (LPA) to extend the light rail alignment across I-17 to the Metrocenter area. MAG Regional Council approval of the alignment change was completed in June 2015
- Environmental assessment and preliminary engineering anticipated to begin in summer/fall 2015

BUDGET

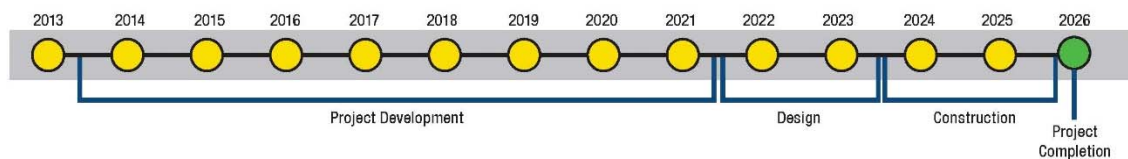
	Estimated*	Expended**
Project Development	\$6,400,00	\$467,755
Final Design	\$13,700,000	\$0
Construction	\$275,300,000	\$0
TOTAL	\$295,400,000	\$467,755

*Does not include financing cost.
**Estimated as of June 30, 2015.

ROUTE MAP



SCHEDULE



LRT2009/2015

SOUTH CENTRAL

LIGHT RAIL EXTENSION



valleymetro.org/southcentral

REPORT CARD

JUNE 2015

PROJECT DESCRIPTION

The proposed South Central Light Rail Project would extend light rail approximately five miles south from the existing light rail in downtown Phoenix to Baseline Road in Phoenix. Seven station locations have been identified and a single traffic lane in each direction has been recommended for the proposed extension.

The federally required Environmental Assessment will begin in early 2015 and will take approximately 18-24 months to complete with several opportunities for public participation.

BENEFITS

The South Central Light Rail Extension will provide enhanced transit services to a community with high transit ridership and will support neighborhood revitalization and connectivity between downtown Phoenix and south Phoenix.



UPDATE

- Continued progress on preliminary engineering tasks to refine conceptual design completed during the Alternative Analysis (AA)
- Valley Metro and City of Phoenix continue to meet with property owners, business owners/managers and residents throughout the corridor to review the light rail extension conceptual design and solicit comments
- Continued coordinating with the Arizona Department of Transportation (ADOT) on potential options for crossing I-17

BUDGET

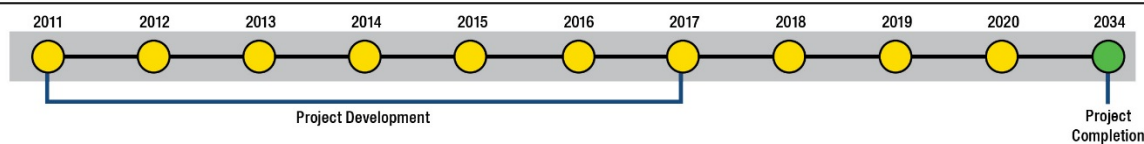
	Programmed*	Expended**
Project Development	\$4,950,000	\$1,708,744
Final Design	TBD	\$0
Construction	TBD	\$0
TOTAL	\$4,950,000	\$1,708,744

**Estimated as of June 30, 2015.

STUDY MAP



SCHEDULE



LRT2020/2015

Valley Metro Rail, Inc
Full-Time Equivalent Positions

Source: Valley Metro Rail, Inc Finance and Administration Division

Grade	RPTA Position Titles	Authorized FTEs (1)					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
I	Cleaner	0.0	0.0	11.0	9.0	10.0	10.0
III	Administrative Support Assistant	1.0	1.0	1.0	0.5	0.5	1.5
	Document Control Clerk	0.0	0.0	0.0	0.0	1.9	0.9
	LRV Yard Operator	0.0	0.0	2.0	2.0	2.0	2.0
	Stockroom Clerk	0.0	0.0	2.0	2.0	2.0	2.0
	Transit Distribution and Signage Assistant		0.0	0.0	0.0	0.0	0.5
IV	Accounting Technician	1.0	1.0	1.0	1.0	0.0	0.0
	Administrative Assistant II	6.0	6.0	8.0	8.0	6.4	6.4
	Lead Document Control Clerk	1.0	1.0	1.0	1.0	0.9	0.9
	LRV Inspector	0.0	0.0	8.0	9.0	9.0	9.0
	Materials Handler	1.0	1.0	1.0	1.0	1.0	1.0
VI	LRV Maintenance Technician I	0.0	0.0	6.0	11.0	11.0	13.0
	Paralegal	1.0	1.0	1.0	1.0	0.5	0.0
	Track Maintainer	6.0	6.0	6.0	6.0	6.0	5.0
VII	Accountant I	2.0	2.0	2.0	2.0	0.9	0.9
	Contract Specialist	0.0	0.0	0.0	1.0	0.8	0.5
	Executive Assistant	2.0	2.0	2.0	2.0	1.7	1.7
	Help Desk Support Specialist	0.0	0.0	1.0	1.0	1.5	0.5
	LRV Maintenance Technician II	0.0	0.0	11.0	10.0	10.0	11.0
	Planner I	0.0	0.0	0.0	0.0	0.8	0.3
	Procurement Specialist	0.0	0.0	0.0	0.0	0.2	0.0
	Signal & Comm Systems Maintainer	6.0	6.0	6.0	6.0	6.0	6.0
	Utility Relocation Specialist	1.0	1.0	1.0	1.0	1.0	0.9
Vehicle Parts Coordinator	0.0	0.0	1.0	1.0	1.0	1.0	
VIII	Engineering Technician	1.0	1.0	1.0	1.0	1.0	1.0
	Executive Administrative Coordinator	1.0	1.0	1.0	1.0	1.0	1.0
	Graphics Designer	0.0	0.0	0.0	0.0	1.4	0.9
	Information Technology Systems Specialist	1.0	1.0	1.0	0.0	0.0	0.0
	LRV Lead Maintenance Technician	0.0	0.0	3.0	3.0	3.0	3.0
	Materials/Warranty Coordinator	2.0	2.0	2.0	2.0	2.0	1.0
	Signal & Communications Syst Tech	4.0	4.0	7.0	7.0	9.0	9.0
Traction Power Systems Technician	10.0	10.0	10.0	13.0	13.0	13.0	
IX	Accountant II	1.0	0.0	0.0	0.0	0.0	0.2
	Area Coordinator	2.0	2.0	2.0	4.0	5.8	5.9
	Budget Analyst	0.0	1.0	1.0	1.0	1.0	1.0
	Contract Administrator	1.0	1.0	1.0	1.0	0.2	2.7
	LRV Maintenance Supervisor	0.0	0.0	3.0	4.0	3.0	3.0
	LRV Systems/Equipment Specialist		0.0	0.0	0.0	0.0	1.0
	Network Support Analyst	1.0	1.0	1.0	1.0	1.0	0.0
	Planner II	1.0	1.0	1.0	0.0	2.1	1.6
	Public Information Specialist	0.0	0.0	0.0	1.0	0.5	0.5
	Regulatory Administrator		0.0	0.0	0.0	0.0	0.5
	Safety Specialist	0.0	0.0	0.0	1.0	0.6	0.5
	Security Coordinator		0.0	0.0	0.0	0.0	0.6
	Supervisor, Facility Maintenance	1.0	1.0	1.0	0.0	0.0	1.0
Supervisor, Track Maintenance	1.0	1.0	1.0	1.0	0.0	0.0	
X	Database Administrator		0.0	0.0	0.0	0.0	0.7
	Engineer (Civil)	1.0	1.0	1.0	0.0	0.0	0.0
	Maintenance of Way Supervisor	0.0	0.0	0.0	0.0	3.0	3.0
	Network Administrator		0.0	0.0	0.0	0.0	0.6
	Network Systems Engineer	0.0	0.0	0.0	2.0	1.8	1.0
	Program Control Specialist	1.0	1.0	1.0	1.0	1.0	1.0
	Senior Contract Administrator	2.0	2.0	2.0	2.0	2.3	0.8
	Server Administrator		0.0	0.0	0.0	0.0	0.6
	Signals/Communications Maintenance Supervisor	1.0	1.0	1.0	1.0	0.0	0.0
	TES Supervisor	2.0	2.0	2.0	2.0	0.0	0.0
Vmware/Storage Administrator		0.0	0.0	0.0	0.0	0.6	

Valley Metro Rail, Inc
Full-Time Equivalent Positions (Continued)

Grade	RPTA Position Titles	Authorized FTEs (1)					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
XI	Accountant III	0.0	1.0	1.0	1.0	0.0	0.0
	GIS Administrator	0.0	0.0	0.0	0.0	0.5	0.5
	Light Rail Technical Trainer		0.0	0.0	0.0	0.0	1.0
	Planner III	2.0	2.0	2.0	3.0	1.0	0.7
	Project Manager	0.0	0.0	0.0	0.0	1.5	1.0
	Public Arts Administrator	1.0	1.0	1.0	1.0	1.0	1.0
	Public Information Officer	1.0	1.0	1.0	1.0	0.0	0.0
	Quality Assurance Administrator	0.0	0.0	1.0	1.0	1.0	0.9
	Senior Construction Project Coordinator	0.0	0.0	1.0	1.0	1.0	1.0
Senior Management Analyst	0.0	0.0	0.0	0.0	0.3	0.3	
XII	Assist. Superintendent LRV Maintenance	0.0	0.0	1.0	1.0	1.0	1.0
	Budget & Operations Financial Controls Manager	0.0	0.0	0.0	0.0	0.5	0.5
	Business Manager	0.0	0.0	0.0	1.0	0.0	0.0
	Communications Manager	0.0	0.0	0.0	0.0	0.5	0.5
	Community Relations Manager	0.0	0.0	0.0	0.0	0.7	0.7
	Customer Service Manager		0.0	0.0	0.0	0.0	0.5
	General Accounting Manager		0.0	0.0	0.0	0.0	0.4
	LRT Systems Manager	0.0	0.0	0.0	0.0	1.0	1.0
	Lead Procurement Officer	0.0	0.0	0.0	0.0	1.2	1.0
	Program Manager, Safety & Training	0.0	0.0	1.0	1.0	1.0	0.0
	Marketing Manager	0.0	0.0	0.0	0.0	0.5	0.5
	Rail Public Involvement Manager	1.0	1.0	1.0	1.0	0.0	0.0
	Senior Transportation Engineer	0.0	0.0	0.0	1.0	0.0	0.0
	Stakeholder Affairs Manager		0.0	0.0	0.0	0.0	1.0
Track & Facilities Manager	0.0	0.0	0.0	0.0	1.0	1.0	
Utility Manager	1.0	1.0	1.0	1.0	1.0	1.0	
XIII	Corridor & Facility Development Manager	0.0	0.0	0.0	0.0	0.9	0.9
	Field Safety & Security Manager		0.0	0.0	0.0	0.0	0.5
	Financial Reporting Manager	0.0	0.0	0.0	0.0	0.4	0.5
	Information Technology Manager	0.0	0.0	0.0	0.0	0.5	0.6
	Operational Support and Analysis Manager		0.0	0.0	0.0	0.0	0.7
	Procurement & Risk Management Manager	1.0	1.0	1.0	1.0	0.0	0.0
	Project Controls Manager	1.0	1.0	1.0	1.0	1.0	0.0
	Quality Assurance Manager	1.0	0.0	0.0	0.0	1.0	1.0
	Rail Design & Construction Manager	1.0	1.0	1.0	0.0	0.0	0.0
	Rail Project Manager, Transit Planning	1.0	1.0	1.0	1.0	0.0	0.0
	Resident Engineer	0.0	0.0	0.0	1.0	1.0	1.0
	Senior Project Engineer	1.0	1.0	1.0	1.0	1.0	0.9
System & Service Development Manager	0.0	0.0	0.0	0.0	0.4	0.4	
Systems Engineer		0.0	0.0	0.0	0.0	1.0	
XIV	Chief, Safety and Security	0.0	1.0	1.0	1.0	0.6	0.6
	Construction and Utilities Manager	0.0	0.0	0.0	1.0	0.9	0.9
	Contracts & Procurement Manager	0.0	0.0	0.0	0.0	0.5	0.5
	Chief Maintenance Engineer	0.0	1.0	1.0	1.0	1.0	1.0
	Chief System Engineering Officer	1.0	1.0	1.0	0.0	0.0	0.0
	Chief Transportation Officer	1.0	0.0	0.0	0.0	0.0	0.0
	Design Manager	0.0	0.0	0.0	0.0	1.0	1.0
	Government Relations Officer	0.0	0.0	0.0	0.0	0.5	0.5
	Manager, Start up & Activation	0.0	0.0	0.0	0.0	1.0	1.0
	Revenue Generation & Financial Planning Manager	0.0	0.0	0.0	0.0	0.3	0.3
	Superintendent, LRV Maintenance	0.0	0.0	1.0	1.0	1.0	1.0
XV	Administration & Organizational Development Director	0.0	0.0	0.0	0.0	0.5	0.5
	Rail Chief Operations Officer	0.0	1.0	1.0	1.0	0.0	0.0
	Communications and Marketing Director	1.0	1.0	1.0	1.0	0.5	0.5
	Chief Financial Officer	1.0	1.0	1.0	1.0	0.5	0.5
	Chief of Staff	0.0	0.0	0.0	0.0	0.5	0.5
Rail Safety, Security, and Quality Director	1.0	0.0	0.0	0.0	0.0	0.0	
XVI	Chief Engineer	0.0	0.0	0.0	0.0	1.0	1.0
	Chief Operations Officer	0.0	0.0	0.0	0.0	0.6	0.6
	Rail Design & Construction Director	1.0	1.0	0.0	0.0	0.0	0.0

Valley Metro Rail, Inc
Full-Time Equivalent Positions (Concluded)

Grade	RPTA Position Titles	Authorized FTEs (1)					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Planning/Development Director	1.0	1.0	1.0	1.0	0.9	0.9
GC	General Counsel	1.0	1.0	1.0	1.0	0.5	0.5
ED	Chief Executive Officer	1.0	1.0	1.0	0.5	0.5	0.5
		<u>85.0</u>	<u>84.0</u>	<u>141.0</u>	<u>153.0</u>	<u>161.0</u>	<u>165.2</u>

(1) Information prior to FY2010 was not available.

Valley Metro Rail, Inc.
Schedule of Insurance Coverage
For the Fiscal Year Ended June 30, 2015

Source: Valley Metro Rail, Inc. Contracts and Procurement Division

Valley Metro Rail, Inc (VMR) employs the firm of Arthur J. Gallagher Risk Management Services, Inc. as its broker for the purchase of insurance. VMR's commercial insurance program consists of the following:

Policy #	Coverage	Limits	Policy Term	Premium	Carrier
KTKCMB2700C68614	Commercial Property	144,513,495 TIV 10,000 Deductible 25,000,000 Flood & EQ 100,000 Flood & EQ Deductible	12/1/2014-15	\$114,176	Travelers Indemnity Co.
QT6605833B340TIL14	Inland Marine - Rolling Stock	151,190,408 Limit 100,000 Deductible	12/1/2014-15	\$181,452	Travelers P&C Insurance Co. of America
QT6605833B352TIL14	Inland Marine - Town Lake Bridge	22,581,224 Limit 100,000 Deductible 5,000,000 Flood & EQ Limit	12/1/2014-15	\$30,710	Travelers P&C Insurance Co. of America
I21112951008	DIC - Excess Flood for Town Lake Bridge	15,000,000 per Occurrence x/o 5,000,000 underlying	12/1/2014-15	\$34,936	ACE Fire Underwriters Insurance Co.
18436433	Commercial Crime	1,000,000 Limit 10,000 Deductible	12/1/2014-15	\$2,146	National Union Fire
72UENKC6629	Commercial Auto Liability excluding buses and light rail vehicles	750,000 CSL Limit 5,000 Deductible 100,000 Hired Auto Collision Deductible	12/1/2014-15	\$70,921	Hartford Fire Insurance Co.
PEM000003801	SIR Buffer	500,000 Each Occurrence 1,000,000 Aggregate	12/1/2014-15	\$140,352	Gemini Insurance Co.
N1A3RL0000066-05	Primary Excess Liability	10,000,000 x/o 750,000 SIR	12/1/2014-15	\$360,635	Princeton Excess and Surplus Lines Insurance Co.
1000005319	Excess Liability	10,000,000 x/o 10,000,000	12/1/2014-15	\$94,080	Starr Indemnity & Liability Co.
03051169	Excess Liability	15,000,000 x/o 20,000,000	12/1/2014-15	\$62,559	Allied World National Assurance Co.
EXC1911616	Excess Liability	25,000,000 x/o 35,000,000	12/1/2014-15	\$100,500	Great American Assurance Co.

Valley Metro Rail, Inc.

Schedule of Insurance Coverage (Concluded)

For the Fiscal Year Ended June 30, 2015

Source: Valley Metro Rail, Inc. Contracts and Procurement Division

Policy #	Coverage	Limits	Policy Term	Premium	Carrier
G24100868006	Excess Liability	25,000,000 x/o 60,000,000	12/1/2014-15	\$73,365	Westchester Surplus
EAU777849012014	Excess Liability	15,000,000 x/o 85,000,000	12/1/2014-15	\$36,120	Axis Surplus
UTS2533782.14	Stand Alone Terrorism	317,917,422 TIV 100,000 Deductible	12/1/2014-15	\$48,089	Underwriters at Lloyds Hiscox Syndicate #33
MTP9031590	Cyber/Privacy	1000000 CL	12/1/2014-15	\$14,734	Indian Harbor
3731234	Pollution Legal Liability (Fixed-site coverage)	5,000,000 each Pollution Incident; 5,000,000 Aggregate; 25,000 Deductible	12/1/2012-15	\$23,697	Chubb Custom Insurance Co.
W20710	Workers Compensation & Employers Liabilities Insurance	WC - Statutory EL - 1,000,000	3/1/2014-15 & 3/1/2015-16	\$179,336	Copper Point Mutual Insurance Company

PRE-INCORPORATION ACTIVITIES

November 2000 - Final light rail alignment approved

February 2001 - Project opens community office for the public

September 2001 - City of Phoenix purchases first property for the light rail system at Camelback Road and 3rd Avenue.

December 2001 - Project receives first recommended rating from the Federal Transit Administration (FTA) in its New Starts Report.

October 2002 - Valley Metro Rail, Inc. is incorporated.

VALLEY METRO RAIL, INC. ACTIVITIES

July 2003 - METRO receives formal approval from the FTA for the light rail project to enter the Final Design phase. The approval allows designers to finalize the construction plans during the coming months, begin utility relocation, and request early approval to begin purchasing light rail vehicles and construction materials.

August 2004 - The METRO board approves the METRO Business Outreach Plan to help minimize the impacts of light rail construction on businesses located along the light rail transit alignment.

November 2004 - A groundbreaking ceremony is held for the reconstruction of an access bridge over the Grand Canal at 48th Street that leads to the light rail Maintenance and Storage Facility.

January 2005 - Full Funding Grant Agreement signed for the Central Phoenix East Valley (CPEV) Light Rail Project. (20 mile initial operating segment)

April 2005 - METRO Max program launched, business support program encouraging residents to patronize businesses impacted by light rail construction.

March 2007 - Phoenix City Council approves funding for Northwest Extension.

December 2008 - Central Phoenix East Valley Light Rail Project (Initial 20 Mile Segment) construction completes on-time and within budget.

January 2009 - Rail Passenger Operations commence; ridership planned for 26,000 passengers per day reaches over 40,000 daily passengers in April 2009.

March 2010 - Mesa City Council approves a 3.1-mile extension of the LRT system.

October 2010 - Tempe City Council approves Mill Avenue Alignment for modern streetcar.

October 2011 - Valley Metro receives a \$1.0 million federal grant to conduct an Alternatives Analysis on the South Central Phoenix Corridor.

June 2012 - Phoenix City Council approves funding plan to accelerate Northwest Extension Project.

July 2012 - Phoenix City Council approves the 11-mile Phoenix West Extension Project light rail alignment.

October 2012 - Project Construction Grant Agreement signed for the Central Mesa Extension Project.

January 2013 – Groundbreaking of the Northwest Extension light rail construction adding 3.2 miles to existing 20 mile system.

November 2013 – Valley Metro received the Finding of No Significant Impact (or FONSI) from the FTA completing the federal environmental assessment for the 1.9-mile Gilbert Road light rail extension.

April 2015 – Valley Metro Rail completes solar panel installation at the Operations and Maintenance Center, reducing electrical costs and dependence on the metropolitan grid.

January 2015 – On Saturday, January 31, Valley Metro Rail served the 2015 Superbowl activities reaching a historic ridership record with 126,000 boardings.

August 2015 - Valley Metro opens the 3.1 mile Central Mesa LRT Extension, serving downtown Mesa and extending the light rail line to 23 miles.

