



valleymetro.org

Valley Metro Rail Inc., Phoenix, AZ

# 2016 Comprehensive Annual Financial Report

**FISCAL YEAR ENDED JUNE 30**





# **VALLEY METRO RAIL, INC.**

Phoenix, Arizona

## **Comprehensive Annual Financial Report**

**For the fiscal year ended**

**June 30, 2016**

**Prepared by:  
Finance Division**

# VALLEY METRO Rail System

## FY16 Facts and Figures

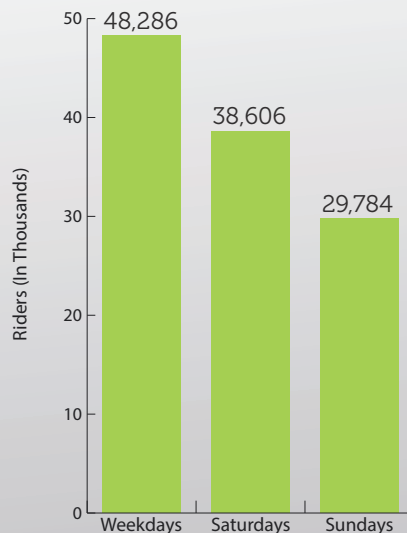


### Five Busiest Stations

- 19th Ave/Montebello
- 19th Ave/Camelback
- 44th St/Washington
- Mesa Dr/Main St
- Van Buren/Central Ave

### Ridership

15.5 million rail riders



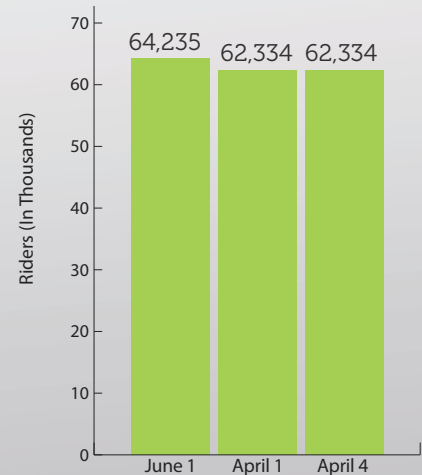
AVERAGE DAILY

### Highest Ridership Days

June 3, 2016 - Phoenix Comicon

April 1, 2016 - D-backs exhibition game/Suns game

April 4, 2016 - D-backs Opening Day



HIGHEST RIDERSHIP



### System Overview

- Number of miles: 26
- Number of stations: 35
- Number of vehicles: 50
- Number of parking spaces: 4,488
- Total travel time: 85 minutes
- Cost to ride: \$2.00 per ride; \$4.00 All-Day Pass

### About Valley Metro Rail

Valley Metro Rail is responsible for the planning, design, construction and operations of the region's light rail/high-capacity transit system, serving 15.5 million total passengers in Fiscal Year 2016.

The initial 20-mile light rail line opened on December 27, 2008. Two extensions began service by spring 2016, adding six more miles and connecting downtown Mesa to northwest Phoenix.

The 35 stations were designed with significant consideration given to the desert sun and heat. Eleven park-and-rides provide 4,488 parking spaces along 26 miles. Artwork is also an integral part of the urban system, reflecting the history and culture of local neighborhoods.

Each light rail vehicle has a comfort capacity of 175 passengers and features state-of-the-art technology designed for the urban desert climate.



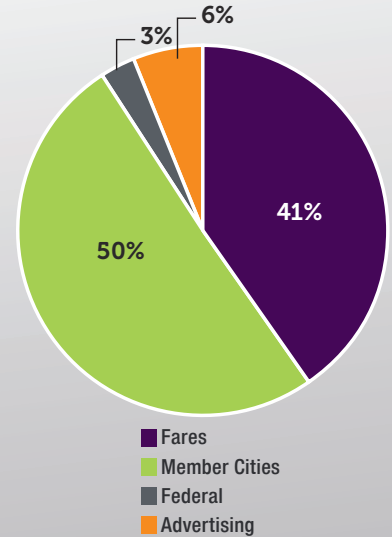
# VALLEY METRO RAIL SYSTEM

## Operations

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

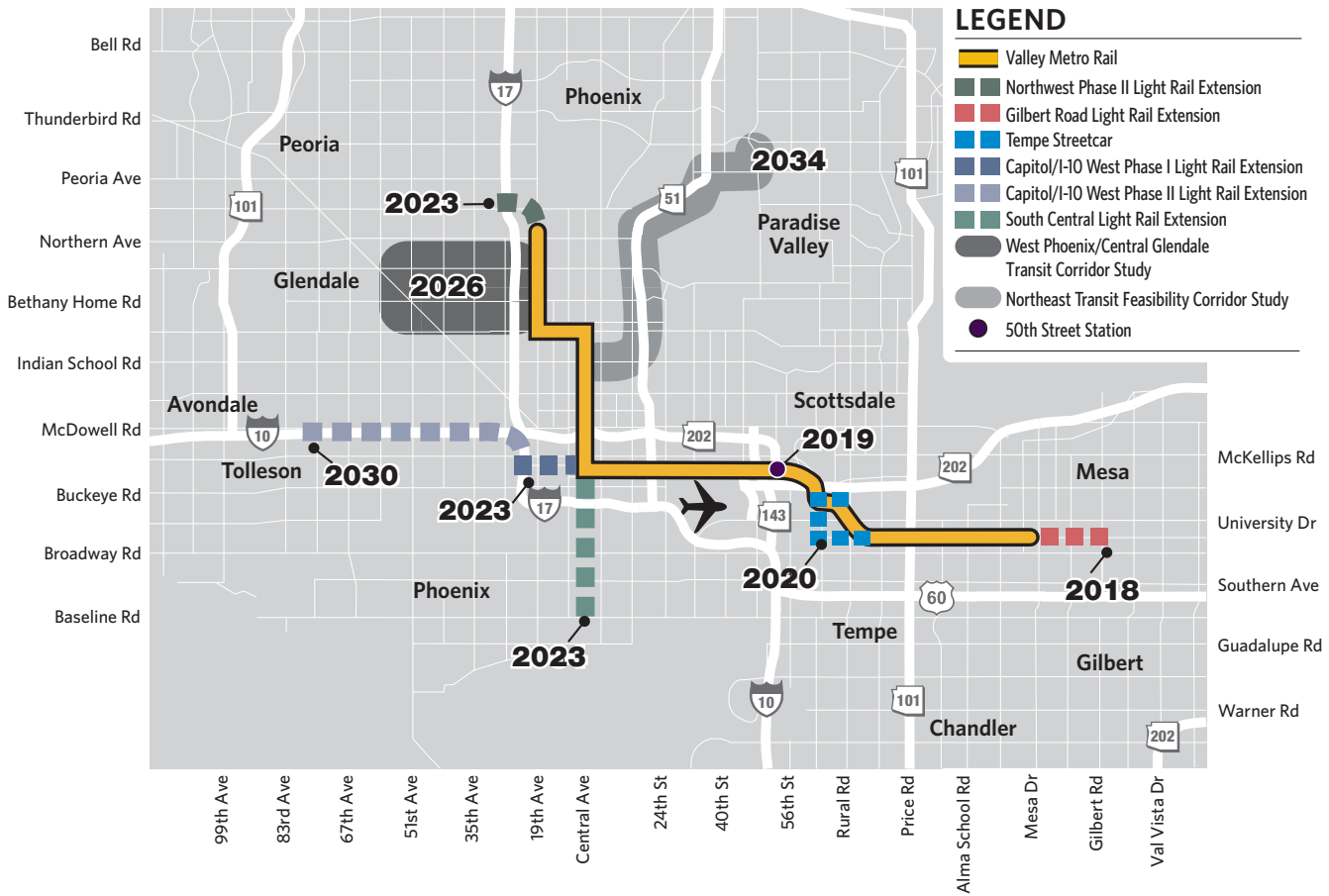
Rail service is coordinated with bus to provide a seamless transit network for customers. Transit passes can be purchased at fare vending machines located at each station, online or from retail outlets valleywide. Security officers regularly patrol the system and ask passengers at random for proof of payment. Violators are subject to fines ranging from \$50 to \$500 and can lose their transit privileges.

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



## Future Expansion

Seven high-capacity extensions are planned or under construction to create a 66-mile system by 2034. The Valley Metro Rail Board of Directors sets the policy direction for the system with the intent of advancing regional public transit in the Valley.



LRT2417/10.16





**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



Grand Opening celebration Central Mesa Extension August 22, 2015.



Planning and Building our FUTURE  
We are in the planning phase of several light rail extensions. 2016 Gilbert Road Ground Breaking Event Mesa, Arizona



101 North 1st Avenue  
Suite 1300  
Phoenix, AZ 85003

December 20, 2016

**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, 2016, 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, CliftonLarsonAllen LLP., whose report is included herein, have audited 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, 2016, 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, 2016, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' 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, 2016, 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 auditors' 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 4 and also discussed in the notes to the financial statements beginning on page 15. 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 2015-2016, 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 allow for one Chief Executive Officer to manage the two financial entities under a single integrated agency. RPTA and VMR entered into an intergovernmental agreement providing for a 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 2.51 million residents in the year 2010 to 2.65 million residents in 2015, an increase of approximately 6.0% in the last five 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 2010 to 6.5 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. In fiscal years 2011 through 2016 regional revenues rebounded, growing by an average of 4.9% per year. Sales tax projections prepared by Arizona Department of Transportation forecast the revenues to grow by 5.2 percent per year through 2021 and then level off to 4.8 percent per year through year 2025. 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 47,069 passengers in fiscal year 2016 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, 2016, 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 eight 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 FY16, VMR's fare collections and cost of operations were higher than the prior year due to the addition of the Central Mesa and Northwest-Phase I Extensions. As a result, fare recovery ratio was close to 38.0% comparing favorably with peer agencies located in the western United States. (See below table)

**Light Rail Systems**

2014 NTD	Dallas	Denver	Houston	Sacramento	Salt Lake City	San Diego	Peer Average	Valley Metro Rail FY 16
<b>Fare Recovery</b>	17%	36%	13%	26%	38%	56%	31%	38%

\*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 2014 is the most recent year NTD has published results.

**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. In FY16, the 2.81 mile Central Mesa Extension and 3.28 mile Northwest Extension-Phase I Extension commenced operations. The total LRT System encompasses about 25.0 miles with the cities of Phoenix, Tempe, and Mesa sharing the responsibility for funding the operating and maintenance (O&M) costs. Service commences daily at 4AM and operates to 1AM, with extended hours on Friday and Saturday to 3AM. 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.

## **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 LRT Extension, adding an additional 2.81 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 LRT Extension, adding 3.28 miles along 19<sup>th</sup> Avenue to Dunlap Avenue in Phoenix, commenced operations on March 19, 2016. The 1.9 mile Gilbert Road Light Rail Extension will extend the alignment eastward along Main Street to Gilbert Road in Mesa with anticipated completion in late 2018. A combination of flexible Federal Highway Funds and City of Mesa funds will be used to construct the project. Design and construction have commenced in 2016. In Tempe, a 3.0 mile modern streetcar alignment has local funding support and is recommended for federal funding. The Tempe Streetcar project is tentatively scheduled to commence design and construction in early 2017 with the opening scheduled for 2019, pending the outcome of the federal review process. In Phoenix, the 2 mile Northwest Extension-Phase II across Interstate 17 to the Metrocenter Mall, the first phase of Capitol/I-10 West Light Rail Extension corridor of 2 miles to the Arizona State Capitol 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 38-47 for project information)

### **Central Mesa Light Rail Extension Project**

In March, 2010, the Mesa City Council approved a 2.81 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 5.2 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 3.28 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 and commence operations in March 2016. In FY16, the Northwest Extension-Phase II is in the evaluating track alignment and advanced conceptual engineering phase.

The Phase I Northwest Extension commenced passenger operations in March 2016. The fully mature ridership is estimated at approximately 4,000 riders per day. The total capital cost of the project is \$326.6 million and was 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, 2016, \$505.2 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 3.28 mile Northwest Extension Phase I Project. The \$60.0 million advance plus interest will be repaid to City of Phoenix in June 2017.

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 April 2016, the RPTA issued Transportation Excise Tax Revenue Refunding Bonds in the amount of \$22,695,000. The 2016 issue will advance refund part of the tax-exempt portion of the 2009 Series Bonds. For this Legal Defeasance, the funds have been placed in an escrow account to pay off the debt on 7/1/19, the first call date of

the 2009 Series Bonds.

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. In addition, during FY16, VMR and MAG re-programmed \$33 million of CMAQ funds to the project. It is the region's goal to continue to advance federal funds for the project to minimize or eliminate the need to issue TPANs for the project which would save over \$9 million in financing costs. VMR has procured the design services and a construction manager at risk (CM@R), funded initially with federal CMAQ and local City of Mesa funds. In October 2016, a ground breaking celebration took place to mark the beginning of the construction phase of the project.

### **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, 2015. 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**

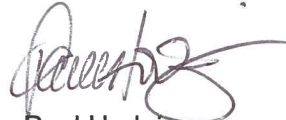
The preparation of this report could not have been accomplished without the efficient and dedicated services of VMR's Finance staff. As always, we are appreciative of the support provided by the Board of Directors.

Respectfully submitted,



Scott Smith

Chief Executive Officer



Paul Hodgins

Chief Financial Officer



Government Finance Officers Association

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

Presented to

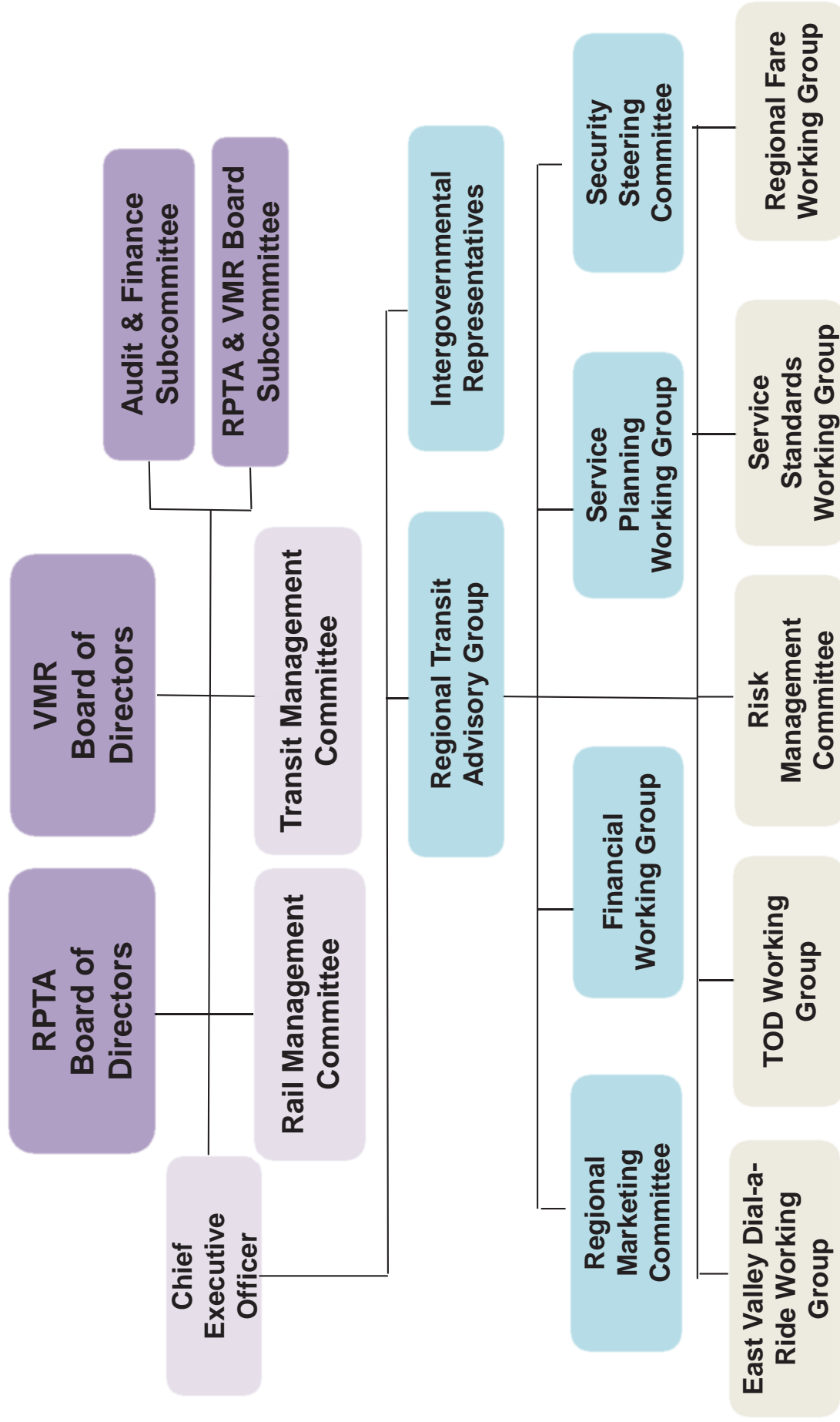
**Valley Metro Rail, Inc.  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# Valley Metro Organization



**VALLEY METRO RAIL, INC.**  
**List of Appointed Officials**  
**Fiscal Year Ended June 30, 2016**

**Board of Directors**

Board Chairman	Thelda Williams, Phoenix
Vice Chairman	Mayor Mark Mitchell, Tempe
Board Member	Councilmember Rick Heumann, Chandler
Board Member	Councilmember Lauren Tolmachoff, Glendale
Board Member	Vice Mayor Dennis Kavanaugh, Mesa

**Executive Management Team**

Chief Executive Officer	Scott W. Smith
Chief of Staff	Jyme Sue McLaren
Chief Operations Officer	Raymond Abraham
Chief Technology Officer	William Tsuei
Director, Human Resources	Penny Lynch
Director, Communication & Marketing	Hillary Foose
Director, Capital and Service Development	Wulf Grote
General Counsel	Michael Minnaugh
Chief Financial Officer	Paul Hodgins
Director, Safety, Security, and Quality Assurance	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 AUDITORS' REPORT

Board of Directors  
Valley Metro Rail, Inc.  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Valley Metro Rail, Inc. (VMR), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the VMR's basic 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.

### ***Auditors' Responsibility***

Our responsibility is to an express 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. 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 auditors' 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 VMR'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 VMR'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 financial position of the business-type activities of Valley Metro Rail, Inc. as of June 30, 2016, and the changes in financial position and 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 basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 an opinion on the financial statements as a whole. The Schedule of Operations – Budget and Actual, listed as Other Supplementary Information in the table of contents, and the Introductory and Statistical Sections 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.

Board of Directors  
Valley Metro Rail, Inc.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of Valley Metro Rail, Inc. (VMR)'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 result of that testing, and not to provide an opinion on 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 VMR's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 20, 2016

**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, 2016. 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 – x 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 \$29.1 million in FY 2016. The increase was caused by new capital investments which exceeded scheduled depreciation charges. Total net position for VMR was \$1.245 billion at June 30, 2016.
- VMR's operating revenues for FY 2016 were \$15.0 million compared to \$16.4 million for the prior period, a decrease of \$1.4 million, or (8.4%). Fare revenues and regional revenues for the regional capital rebuild program were up over last year. Operating expenses were \$81.8 million compared to \$80.3 million, an increase of \$1.4 million, or 1.8%. With the system now over eight years old, the capital asset rebuild program has continued expending \$0.7 million this fiscal year to maintain the light rail vehicle fleet in a state of good repair.
- Capital contributions totaled \$78.6 million primarily consisting of Public Transportation Funds of \$59.0 million and Federal Transit Administration Capital Grants totaling \$18.9 million. Construction in progress additions for capital projects include \$9.2 million for the Gilbert Road LRT Extension and \$0.5 million for the Tempe Streetcar Extension. In addition, the capital funds provided for conveyance of \$1.3 million in real estate to member cities. In addition, during FY16, the construction for Central Mesa and Northwest-Phase I Extensions was completed and transitioned into operations. CIP was reduced by net \$315.2 million or (96.1%) and depreciable capital assets were recorded for these Extensions.

## **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.

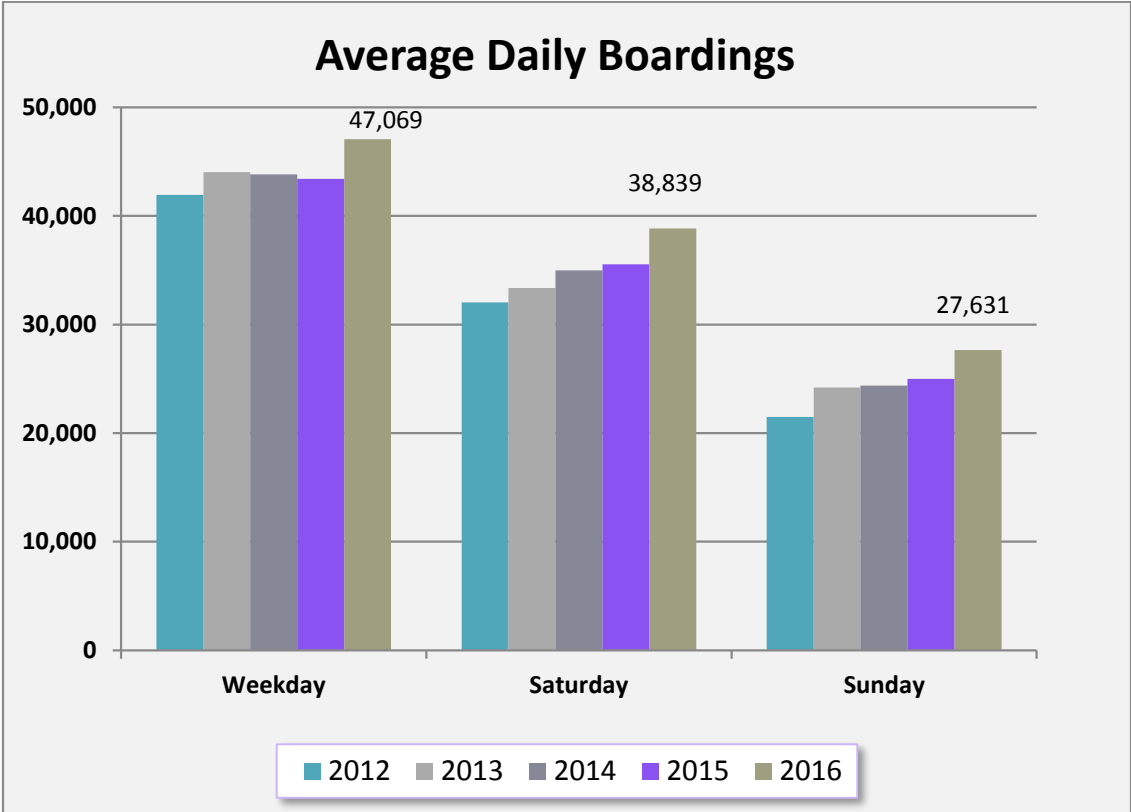
The statement of net position presents information on all of VMR's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of VMR is improving or deteriorating.

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 15.

**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 FY 2012 / 2013 / 2014 / 2015 / 2016**



## **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, 2016, 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, 2016, compared to the prior period.

**VMR's Condensed Statement of Net Position  
As of June 30, 2016 and 2015**

	2016	2015	Change	Percent Change
Current and other assets	\$ 45,764,352	\$ 60,587,759	\$ (14,823,407)	-24.5%
Capital assets	1,353,524,976	1,333,229,374	20,295,602	1.5%
Total assets	<u>1,399,289,328</u>	<u>1,393,817,133</u>	<u>5,472,195</u>	<u>0.4%</u>
Current Liabilities	101,457,201	55,650,767	45,806,434	82.3%
Noncurrent Liabilities	52,968,715	122,419,070	(69,450,355)	-56.7%
Total liabilities	<u>154,425,916</u>	<u>178,069,837</u>	<u>(23,643,921)</u>	<u>-13.3%</u>
Net Investment in Capital				
Assets	1,232,126,261	1,203,645,659	28,480,602	2.4%
Unrestricted	<u>12,737,151</u>	<u>12,101,637</u>	<u>635,514</u>	<u>5.3%</u>
<b>Total Net Position</b>	<b><u>\$ 1,244,863,412</u></b>	<b><u>\$ 1,215,747,296</u></b>	<b><u>\$ 29,116,116</u></b>	<b><u>2.4%</u></b>

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. In addition, in FY16, about \$315.2 million in assets were converted from construction in progress to capital assets as the Central Mesa Extension began operations in August 2015 and Northwest-Phase I Extension began operations in March 2016. It is not VMR's intention to sell these assets and they are therefore not available for future spending. Net position increased \$29.1 million largely due to the addition of the construction in progress for the Gilbert Road and Tempe Streetcar capital projects. Funding sources for the new investments include Federal grants, Public Transportation Funds and City local match funding.

## **CHANGES IN NET POSITION**

Total operating revenues, which consist of Passenger Fares, Regional Capital Rebuild Revenue and Other Revenues (advertising), decreased by \$1.4 million (-8.4%). In Operating revenues, fare revenues increased by \$0.6 million. Other revenues mostly consisting of Advertising revenues decreased by (\$2.1) million due to fewer major special events along the alignment in FY16. In FY16, all Future Project Development revenues and expenses will be classified under Non-operating revenue (expense). The LRT corridor studies are in support of capital projects that are not yet approved capital projects with securing funding sources. Also, all Contributions from Member Cities from operating activities and Receipts from Federal Operating grants will be classified under Non-operating revenues.

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

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Operating expenses increased by \$1.4 million to \$81.8 million: Administrative expenditures decreased by \$8.8 million to \$0.3 million (-96.4%) due to the classification of all Future Project Development revenues and expenses in non-operating revenues (expenses). Passenger Operations Service expenses were increased due to commencing passenger operations on the Central Mesa and Northwest-Phase I Extensions, up from \$31.3 to \$35.1 million (12.1%). The regional capital rebuild program continued in FY16 expending \$0.7 million for Light Rail Vehicle brake systems. Depreciation expense was \$45.7 million, an increase of \$6.7 million (17.1%). This increase was due to the capitalization and partial year depreciation of the assets for the new Central Mesa and Northwest-Phase I Extensions.

Non-Operating expenses: This year's non-operating revenue and expense activities report a net increase of \$5.6 million or 48.6% in net position. The increase includes private utility relocation expense (\$1.5) million, capital conveyance of real estate to member cities (\$1.3) million and Future Project Development expenses of (\$8.5). This is a change from FY15 presentation where Future Project Development expenses were presented in administrative under operating expenses. In FY16, the expenses were reclassified to the non-operating section as these expenses are in support of future capital projects that are still in the Alternatives Analysis and Environmental phase, without secured capital project funding sources. In addition, in FY16, the contributions from member cities in support of operating activities and receipts from federal operating grants were reclassified to Non-operating revenues (expenses). Additional expenses included Public Transportation Fund interest expense (\$3.0) million was recorded for bond proceeds advanced from the Regional Public Transportation Authority; see Note 10 for details. The expenses were offset by Contributions from member cities of \$21.3 million, Regional Public Transportation Funds revenue of \$6.1 million, and Receipts from federal grants of \$3.5 million. In addition, Other Planning Revenues of \$0.6 million were received.

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

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

**VMR's Changes in Net Position**  
**Fiscal year ended June 30, 2016 and 2015**

	2016	2015	Change	Percent Change
Operating Revenues:				
Passenger Fares	\$ 13,461,088	\$ 12,832,286	\$ 628,802	4.9%
Regional Capital Rebuild Revenue	420,301	305,245	115,056	37.7%
Other Revenues	1,156,891	3,272,014	(2,115,123)	-64.6%
Operating Revenues	<u>15,038,280</u>	<u>16,409,545</u>	<u>(1,371,265)</u>	<u>-8.4%</u>
Operating Expenses:				
Administrative	324,095	9,128,597	(8,804,502)	-96.4%
Passenger Operations Service	35,076,280	31,288,715	3,787,565	12.1%
Regional Capital Rebuild Program	677,908	881,021	(203,113)	-23.1%
Depreciation	45,678,611	39,014,089	6,664,522	17.1%
Operating expenses	<u>81,756,894</u>	<u>80,312,422</u>	<u>1,444,472</u>	<u>1.8%</u>
Operating Loss	(66,718,614)	(63,902,877)	(2,815,737)	4.4%
Non-operating revenues (expense)	17,204,015	11,578,044	5,625,971	48.6%
Deficiency before Capital Contributions	(49,514,599)	(52,324,833)	2,810,234	-5.4%
Capital Contributions	78,630,715	73,769,546	4,861,169	6.6%
Increase in Net Position	<u>29,116,116</u>	<u>21,444,713</u>	<u>7,671,403</u>	<u>35.8%</u>
Net Position, July 1	<u>1,215,747,296</u>	<u>1,194,302,583</u>	<u>21,444,713</u>	<u>1.8%</u>
Net Position, June 30	<u>\$ 1,244,863,412</u>	<u>\$ 1,215,747,296</u>	<u>\$ 29,116,116</u>	<u>2.4%</u>

Capital contributions totaling \$78.6 million consist of FTA capital grants \$18.9 million, Public Transportation Funds \$59.0 million and capital member contributions of \$0.7 million. Capital projects funded include the Central Mesa and Northwest-Phase I Extensions construction projects. The \$4.9 million increase versus prior year capital contributions were primarily related to a \$29.1 million increase in PTF contributions for capital projects offset by a \$25.0 million decrease in federal capital grants.

**CAPITAL ASSETS AND LONG TERM DEBT**

**Capital Assets:**

The following table provides a breakdown of capital assets of VMR at June 30, 2016, with comparative information for the previous period. Additional information on VMR's capital assets may be found in Note 5.

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

**VMR's Capital Assets, Net of Depreciation**  
**As of June 30, 2016 and 2015**

	2016	2015	Change	Percent Change
Buildings	\$ 79,668,030	\$ 82,231,333	\$ (2,563,303)	-3.1%
Guideway	724,064,575	492,026,182	232,038,393	47.2%
Bridges	46,137,291	48,187,837	(2,050,546)	-4.3%
Operation Control Center	10,029,515	10,466,296	(436,781)	-4.2%
Passenger Stations and Facilities	98,894,569	79,860,803	19,033,766	23.8%
Park and Ride Facilities	26,981,128	23,239,032	3,742,096	16.1%
Bus Shelter	719,748	-	719,748	0.0%
Electric Power Substations	115,393,793	65,660,834	49,732,959	75.7%
Signal and Communication System	73,140,474	32,738,788	40,401,686	123.4%
Computers and Software	599,418	348	599,070	172146.6%
Revenue Vehicles	153,070,995	161,863,123	(8,792,128)	-5.4%
Non-Revenue Vehicles	1,046,710	718,551	328,159	45.7%
Site Improvements	2,850,859	3,172,760	(321,901)	-10.1%
Equipment	8,147,254	5,079,629	3,067,625	60.4%
Construction in Progress	12,780,617	327,983,858	(315,203,241)	-96.1%
<b>Net Capital Assets</b>	<b>\$ 1,353,524,976</b>	<b>\$ 1,333,229,374</b>	<b>\$ 20,295,602</b>	<b>1.5%</b>

As of June 30, 2016, VMR had \$1,353.5 million in capital assets, net of accumulated depreciation. There was a small increase in capital assets \$20.3 million, primarily due to an increase in construction in progress of \$9.2 million for Gilbert Road LRT Extension. There was a net decrease in construction in progress, of (\$315.2) million from June 30, 2015; primarily resulting from the capitalization of assets for the Central Mesa and Northwest-Phase I Extensions LRT capital projects. Guideway increased by \$232.0 million due to the new extensions. New construction increases were offset by the annual depreciation charge of \$45.7 million for the Light Rail system infrastructure. Refer to Note 5 on page 21 for more information regarding the capital assets.

Major additions to Capital Assets during the year included the following:

- Guideway for Central Mesa (2.81 miles) and Northwest-Phase I (3.28 miles) Extensions valued at \$246.1 million.
- Seven Passenger Stations valued at \$19.7 million were placed in service.
- Two Park n Rides valued at \$6.6 million were placed in service.
- Six Traction Power Substations and Overhead Contact System (Catenary) valued at \$54.7 million.
- Seven Signal Houses valued at \$17.2 million.
- 28 Ticket Vending Machines valued at \$4.4 million.

**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 22 for more information regarding the funding agreement.

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 FY16, the PTF Advance Bond Proceeds due from VMR to RPTA totaled \$61.4 million. See Note 10 on page 23 for details.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

VMR's adopted fiscal year 2017 total operating and capital budget is \$217.5 million, up \$62.8 million from fiscal year 2016's amended budget. The primary cause for the increase is within the capital budget; with increases to the construction activities for the Gilbert Road \$46.5 million and South Central \$39.4 million. Also, Systemwide Improvements increased \$12.8 million due to new capital projects including new Rail cars for future LRT extensions of \$6.0 million and various overhauls for LRT Rail car components of \$3.3 million. In addition, since the Central Mesa and Northwest-Phase I Extensions commenced operations in FY16, there are decreases to budgets for the Central Mesa Extension (\$10.9 million), Northwest-Phase I Extension (\$46.0 million). Background on the capital projects may be found in the Statistical Section commencing on page 32.

On the operating side, VMR's FY17 budget is \$56.9 million, up \$5.1 million versus fiscal year 2016 Amended budget, primarily due to the addition of 3.28 miles revenue operations with the start-up of the Northwest-Phase I Extension in March 2016. Revenue operations costs are up \$5.5 million to \$44.9 million in FY16. The Future Projects Development costs are down (\$0.6 million) from FY16 Amended budget.

**Comparison of Annual Expenditure Budgets  
Fiscal Year 2017 vs. 2016**

<b><u>Uses of Funds</u></b>	<b><u>FY 2017 Adopted (\$,000)</u></b>	<b><u>FY 2016 Amended (\$,000)</u></b>	<b><u>Change (\$,000)</u></b>
<b>Operating Activities:</b>			
Revenue Operations	\$ 44,890	\$ 39,415	\$ 5,475
Future Project Development	10,967	11,541	(574)
Agency Operating Budget	1,081	909	172
	<u>56,938</u>	<u>51,865</u>	<u>5,073</u>
<b>Capital Projects:</b>			
Northwest Extension	3,203	49,178	(45,975)
Non-Prior Rights Utilities Relocations	3,185	1,467	1,718
<b>Other Capital Projects:</b>			
Central Mesa Extension	4,673	15,549	(10,876)
Gilbert Road Capital Project	57,984	11,516	46,468
South Tempe Streetcar	9,476	1,198	8,278
50th Street LRT Station	5,780	747	5,033
South Central Extension	39,417	-	39,417
CNPAs - Mesa Extension	-	321	(321)
CNPAs - Northwest Extension	-	-	-
Systemwide Improvements	16,305	3,497	12,808
Subtotal Capital before Debt Service	<u>140,023</u>	<u>83,473</u>	<u>56,550</u>
<b>Capital Project Debt Service:</b>			
Debt Service - Interest	8,366	7,742	624
Debt Service - Principal	12,193	11,618	575
<b>Total Uses of Funds</b>	<b><u>\$ 217,520</u></b>	<b><u>\$ 154,698</u></b>	<b><u>\$ 62,822</u></b>

**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 Valley Metro'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, 2016

**Assets**

Cash and Investments	\$ 9,334,645
Receivables	125,735
Due from Other Governments	18,967,952
Inventory	15,837,316
Other Assets	1,498,704
Capital Assets, not being depreciated	12,780,617
Capital Assets, net of accumulated depreciation	1,340,744,359
Total Assets	<u>1,399,289,328</u>

**Liabilities**

Current Liabilities:

Accounts Payable	9,639,472
Other Accrued Expenses	393,556
Insurance Reserves	914,023
Due to Other Governments	10,446,353
Due to RPTA PTF Advance Bond Proceeds	8,430,000
Other Deposits	116,921
Member Cities Deposits	9,863,085
Northwest Extension Advance Funding Obligation	60,000,000
Interest payable	1,653,791
Total Current Liabilities	<u>101,457,201</u>

Noncurrent Liabilities:

Due to RPTA PTF Advance Bond Proceeds	52,968,715
Total Noncurrent Liabilities	<u>52,968,715</u>

Total Liabilities	<u>154,425,916</u>
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**Net Position**

Net Investment in Capital Assets	1,232,126,261
Unrestricted	12,737,151
Total Net Position	<u>\$ 1,244,863,412</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, 2016

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<b>Operating Revenues:</b>	
Passenger Fares	\$ 13,461,088
Regional Capital Rebuild Revenue	420,301
Other Revenues	1,156,891
Total Operating Revenues	<u>15,038,280</u>
<b>Operating Expenses:</b>	
Administrative	324,095
Passenger Operations Service	35,076,280
Regional Capital Rebuild Program	677,908
Depreciation	45,678,611
Total Operating Expenses	<u>81,756,894</u>
<b>Operating Loss</b>	<u>(66,718,614)</u>
<b>Non-Operating Revenue / ( Expense ):</b>	
Contributions from Member Cities	21,293,887
Public Transportation Funds	6,138,179
Receipts from Federal Grants	3,452,102
Other Planning Revenues	644,147
Future Project Development	(8,531,065)
Private Utilities Relocations	(1,530,404)
Capital Conveyance to Member Cities	(1,277,066)
PTF Interest expense	(2,985,765)
Total Non-Operating Revenue / ( Expense )	<u>17,204,015</u>
<b>Deficiency Revenues under Expenses</b>	<u>(49,514,599)</u>
<b>Capital Contributions:</b>	
Capital Contributions from Member Cities	730,816
Public Transportation Funds Capital	59,028,035
Federal Transit Administration Capital Grants	18,871,864
Total Capital Contributions	<u>78,630,715</u>
<b>Changes in Net Position</b>	29,116,116
<b>Net Position, Beginning of Period</b>	<u>1,215,747,296</u>
<b>Net Position, End of Period</b>	<u>\$ 1,244,863,412</u>

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, 2016

<b>Cash Flows from Operating Activities</b>	
Receipts from Fare Revenues	\$ 13,461,088
Receipts from Regional Capital Rebuild Program	420,301
Other Revenues	1,156,891
Payments for Payroll Related Expenses	(14,040,476)
Payments to Suppliers	(21,942,714)
Net Cash Used in Operating Activities	<u>(20,944,910)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Receipts from Member Cities	21,360,382
Receipts from Regional Public Transportation Authority	4,945,130
Receipts from FTA Non-Capital Grants	3,522,627
Receipts from Maricopa Association of Governments	150,397
Receipts from Concurrent Non Project Activities	125,862
Payments for Future Project Development	(8,573,562)
Payments for Private Utility Relocations	(2,037,692)
Capital Conveyance to Member Cities	(1,277,066)
Net Cash Provided by Non-Capital Financing Activities	<u>18,216,078</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital Contributions from Member Cities	2,253,918
Receipts from FTA Capital Grants	18,897,064
Receipts from Regional PTF for Capital	49,281,103
Payments for Capital Assets	(66,746,195)
Net Cash Provided by Capital and Related Financing Activities	<u>3,685,890</u>
<b>Net Increase in Cash and Cash Equivalents</b>	957,058
Cash and Cash Equivalents, Beginning of Year	8,377,587
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 9,334,645</u></u>

**Reconciliation of Operating Loss to Net Cash Provided by Operating Activities**

Operating Loss	\$ (66,718,614)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	45,678,611
(Increase) Decrease in Assets:	
Accounts Receivable	639,278
Due from Other Governments	488,087
Inventory	(1,510,605)
Other Assets	(724,340)
Increase (Decrease) in Liabilities:	
Accounts Payable	544,853
Other Accrued Expenses	(865,931)
Due to Other Governments	1,401,492
Insurance Reserves	160,259
Other Deposits	(38,000)
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (20,944,910)</u></u>

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



## **1. 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. 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, 2016, the provisions of GASB Statement No.72, *Fair Value Measurement and Application*, became effective in the financial reporting for investments. At June 30, 2016, VMR did not have any investments which qualify under this type of disclosure.

### **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, the VMR is classified as a stand-alone Enterprise fund.

### **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 as 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. Prepaids are recorded as assets and the expense is recognized when the assets are consumed or used. The prepaid items are included in Other Assets on the Statement of Net Position.

**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.

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2016

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VMR capitalizes all costs incurred in connection with the construction of capital projects. The costs for the non-federal agency operating, Rail Operations, and the LRV Regional Capital Rebuild program (considered maintenance for capitalization purposes) costs 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. If a member city submits a reimbursement for real estate purchases, the cost is paid to the city through federal and regional sources. At fiscal year end, the cost is removed from the books and “conveyed” back to the member city.

The costs included as construction in progress consist primarily of project administration, engineering, construction management, utilities relocation, facility construction, equipment procurement, and other costs including capitalized interest related to construction. If a federal capital project has financing costs approved in the budget, then financing costs such as bond interest related to the financing of the capital project may be included in construction in progress. 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
Bus Shelter	10

**j. Allocation of Costs to Member Cities**

Design and construction costs for the Light Rail Extensions that comprise the 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.

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2016

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The 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) Design and construction costs for future LRT extensions are funded based upon Design and Construction Agreements which are executed in accordance with the adopted Regional Transit Life Cycle Plan (TLCP). Each construction project of a light rail extension has a different funding structure based on the TLCP. Under the Design and Construction project agreement for each extension, a Member City may be required to fund a local match as part of project funding, if the project is located within its jurisdiction. The remaining funding comes from Federal and regional monies.

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. Costs related to fare inspection, on-board security and park-and-ride security are considered regional costs. Member Cities may also contribute amounts to fund local 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.

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 29.

### **3. Cash and Investments**

Cash deposits and investments at June 30, 2016, consisted of the following:

Cash of Hand and in Bank	\$	8,154,211
Insurance Trust Fund		1,180,434
Total Cash and Investments	\$	<u>9,334,645</u>

VMR has deployed Ticket Vending Machines (TVM's) which contain coin and bill vaults to accommodate the purchase of fares. At June 30, 2016, the total cash contained in the coin and bill vaults totaled \$218,588.

VMR's bank deposits at June 30, 2016, had a carrying value of \$7,935,623 and the bank ledger balance was \$8,067,338. The difference of \$131,715 represents deposits in transit and outstanding checks. Of the bank balance, \$250,000 is covered by federal depository insurance and \$7,817,338 is covered by securities held by the pledging financial institution in VMR's name.

The Self Insurance Reserve Trust Account totaling \$1,180,434 was covered by collateral held by the pledging financial institution in VMR's name. It is invested within Money Market Funds with Wells Fargo that are measured at amortized cost.

*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 2016 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, 2016, VMR maintains all available cash in these accounts.

**4. Accounts Receivable and Due From Other Governments**

All receivable balances at June 30, 2016 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 (\$5.4 million) due from the City of Phoenix as Grantee of Federal Funds, PTF receivable (\$10.2 million) due from Regional Public Transportation Authority (RPTA), project funding receivables due from cities of Phoenix and Mesa (\$2.9 and \$0.4 million respectively) and miscellaneous receivables (\$0.1 million).

City of Phoenix (Grantee of Federal Funds)	\$ 5,358,645
Public Transportation Funding	10,168,050
City of Mesa	414,722
City of Phoenix	2,940,209
Arizona State University	4,485
Maricopa Association of Governments	80,066
Other	1,775
Total Due from Other Governments	<u>\$ 18,967,952</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, 2016

**5. Capital Assets**

Capital asset and construction in progress activity for the year ended June 30, 2016 were as follows:

	<b>Balances, July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, June 30, 2016</b>
Nondepreciable assets:				
Construction in progress	\$ 327,983,858	\$ 65,130,960	\$ (380,334,201)	\$ 12,780,617
Depreciable assets:				
Buildings	102,532,106	-	-	102,532,106
Guideway	565,528,227	246,145,372	-	811,673,599
Bridges	61,516,388	-	-	61,516,388
Operation Control Center	13,103,434	-	-	13,103,434
Passenger Stations and Facilities	101,949,950	22,864,771	-	124,814,721
Park and Ride Facilities	40,015,939	6,646,194	-	46,662,133
Bus Shelter	-	772,334	-	772,334
Electric Power Substations	88,737,919	54,693,619	-	143,431,538
Signal and Communication System	48,514,475	44,264,461	-	92,778,936
Computers and Software	1,853,543	808,766	-	2,662,309
Furniture and Fixtures	1,138,274	-	-	1,138,274
Revenue Vehicles	221,422,703	-	-	221,422,703
Non-Revenue Vehicles	2,674,706	578,087	(201,088)	3,051,705
Site Improvements	3,202,116	-	-	3,202,116
Equipment	13,969,427	4,403,850	-	18,373,277
Total depreciable assets at historical cost	<u>1,266,159,207</u>	<u>\$ 381,177,454</u>	<u>(201,088)</u>	<u>1,647,135,573</u>
Less accumulated depreciation for:				
Buildings	(20,300,773)	(2,563,303)	-	(22,864,076)
Guideway	(73,502,045)	(14,106,979)	-	(87,609,024)
Bridges	(13,328,551)	(2,050,546)	-	(15,379,097)
Operation Control Center	(2,637,138)	(436,781)	-	(3,073,919)
Passenger Stations and Facilities	(22,089,147)	(3,831,005)	-	(25,920,152)
Park and Ride Facilities	(16,776,907)	(2,904,098)	-	(19,681,005)
Bus Shelter	-	(52,586)	-	(52,586)
Electric Power Substations	(23,077,085)	(4,960,660)	-	(28,037,745)
Signal and Communication System	(15,775,687)	(3,862,775)	-	(19,638,462)
Computers and Software	(1,853,195)	(209,696)	-	(2,062,891)
Furniture and Fixtures	(1,138,274)	-	-	(1,138,274)
Revenue Vehicles	(59,559,580)	(8,792,128)	-	(68,351,708)
Non-Revenue Vehicles	(1,956,155)	(249,928)	201,088	(2,004,995)
Site Improvements	(29,356)	(321,901)	-	(351,257)
Equipment	(8,889,798)	(1,336,225)	-	(10,226,023)
Total accumulated depreciation	<u>(260,913,691)</u>	<u>(45,678,611)</u>	<u>201,088</u>	<u>(306,391,214)</u>
Total capital assets being depreciated	1,005,245,516	335,498,843	-	1,340,744,359
Business-type activities, capital assets, net	<u>\$ 1,333,229,374</u>	<u>\$ 400,629,803</u>	<u>\$ (380,334,201)</u>	<u>\$ 1,353,524,976</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, 2016 follows:

City of Chandler	\$	447,887
City of Glendale		122,983
City of Mesa		248,826
City of Peoria		37,392
City of Phoenix		6,720,906
City of Tempe		2,285,091
	\$	<u>9,863,085</u>

**7. Operating Leases**

VMR leases office space and small office equipment under various operating lease agreements. Total expenses for these leases were \$1,447,993 for the fiscal year ended June 30, 2016. Future minimum lease payments under non-cancelable operating leases are as follows:

	<u>Year Ending June 30, 2016</u>	
2017	\$	1,394,607
2018		1,377,469
2019		1,355,508
2020		1,355,508
2021		1,355,508
2022-2026		6,777,538
	\$	<u>13,616,138</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. The Advance Funding Obligation at June 30, 2016 includes \$60,000,000 principal and \$1,653,791 accrued interest for a total of \$61,653,791. Principal and interest payments as shown in table below.

Schedule of Advance Funding Obligation Payable as of June 30, 2016

<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	-	-	633,436	61,653,791
2017	60,000,000	-	658,686	-
	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>	<u>\$ 2,312,477 *</u>	

\* Interest shown is accrued to date and future amounts payable

**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, 2016 VMR owed to RPTA \$3,024,940 for payroll and fringe benefits and \$5,932,345 for PTF Accrued Reimbursements for a total of \$8,957,285.

Payroll and Fringe Benefits	\$ 3,024,940
PTF Accrued Reimbursements	5,932,345
Due to RPTA	<u>8,957,285</u>
Due to City of Phoenix	997,093
Due to City of Mesa	482,878
Due to Other	9,097
Total Due to Other Governments	<u>\$ 10,446,353</u>

**10. 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 FY16, the PTF bond interest expense was \$2,985,765.

As of June 30, 2016, PTF Advance Bond Proceeds totaled \$61,398,715. Principal and interest payments follow the Series 2014 Debt Service schedule as shown in table below.

**Valley Metro Rail, Inc.**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2016

<b>Fiscal Year End</b>	<b>Original Note Balance</b>	<b>Interest Debt Service Payments</b>	<b>Principal Debt Service Payments</b>	<b>Balance Remaining</b>
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	-
<b>Total</b>	<b>\$ 69,583,715</b>	<b>\$ 19,184,397</b>	<b>\$ 69,583,715</b>	<b>\$ -</b>

\* 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, 2016, VMR had remaining contractual commitments for these services aggregating approximately \$54.0 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, 2016, VMR entered into approximately \$16.1 million additional contractual commitments. All amounts listed below have been rounded to the nearest \$1,000.

<b>Contractor</b>	<b>Commitment</b>	<b>Spent-to-date</b>	<b>Remaining</b>
AECOM	\$ 4,131,000	\$ 4,054,000	\$ 77,000
Allied Barton Security Services	12,810,000	11,099,000	1,711,000
Alternate Concepts - Operations & Maintenance	82,778,000	71,253,000	11,525,000
City of Mesa Admin and Real Estate Services	35,008,000	16,593,000	18,415,000
City of Phoenix Admin and Real Estate Services	27,330,000	21,145,000	6,185,000
Jacobs Engineering - Final Design GRE	7,167,000	5,368,000	1,799,000
Scheidt Bachmann - Fare Collection System	314,000	185,000	129,000
Stacey and Witbeck/Sundt Preconstruction GRE	1,275,000	1,156,000	119,000
Sundt Stacey/Witbeck	163,863,000	160,663,000	3,200,000
Valley Transit Constructors - Central Mesa	132,518,000	132,456,000	62,000
Various - Central Mesa Ext. Program Management	18,865,000	18,209,000	656,000
Various - Future Extensions	18,143,000	16,712,000	1,431,000
Various - Misc. Construction and Services	23,730,000	20,396,000	3,334,000
Various - NW Ext. Program Management	8,281,000	7,918,000	363,000
Various - Operations & Maintenance	30,884,000	26,793,000	4,091,000
Various - Public Art Program	3,095,000	2,168,000	927,000
	<b>\$ 570,192,000</b>	<b>\$ 516,168,000</b>	<b>\$ 54,024,000</b>

## **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 coverage on page 51 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, 2016 the Reserve for General Liability Claims totaled \$914,023.

## **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, 2015 through June 30, 2016, VMR incurred costs of \$16,680,312 for services provided by RPTA and at June 30, 2016 records a payable to RPTA in the amount of \$8,957,285.

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

**Valley Metro Rail, Inc.**

Notes to the Financial Statements (Concluded)

Fiscal Year Ended June 30, 2016

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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 began 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.

RPTA manages the PTF which is held in a Savings Account designated for LRT program expenses. RPTA also sells bonds as needed to fund LRT program expenses and uses this PTF Savings Account for Debt Service.

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, 2016, the 2009 Series Bond expenditures to date for the LRT program totaled \$55,000,628 on a cash basis. In April 2016, RPTA issued Refunding bonds

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, 2016, the 2014 Series Bond expenditures to date for the LRT program totaled \$135,406,165 on a cash basis.

In April 2016, the Regional Public Transportation Authority (RPTA) issued Transportation Excise Tax Revenue Refunding Bonds in the amount of \$22,695,000. The 2016 issue will advance refund part of the tax-exempt portion of the 2009 Series Bonds. For this Legal Defeasance, the funds have been placed in an escrow account to pay off a portion of the debt on 7/1/19, the first call date of the 2009 Series Bonds.



# OTHER SUPPLEMENTARY INFORMATION

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

Northwest Extension-Phase I Opening Celebration  
March 19, 2016



**Valley Metro Rail, Inc.**

Schedule of Operations - Budget and Actual  
Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Sources of Funds:</b>				
Net Contributions From Member Cities	\$ 24,930,316	\$ 27,989,419	\$ 22,366,591	\$ (5,622,828)
Passenger Fares	13,624,251	14,018,700	13,461,088	(557,612)
Federal Transit Administration Grants	33,610,385	24,508,902	20,959,765	(3,549,137)
TIGGER Federal Grant	-	1,488,000	1,014,598	(473,402)
Public Transportation Funds - Sales Tax	58,403,779	84,814,561	73,337,201	(11,477,360)
Public Transportation Funds - Bonds	25,000,000	-	-	-
MAG/RPTA Grants	1,000,000	1,000,000	1,000,000	-
TPAN	5,351,881	-	-	-
Other Revenues	875,500	875,500	1,349,794	474,294
Total Sources of Funds	<u>162,796,112</u>	<u>154,695,082</u>	<u>133,489,037</u>	<u>(21,206,045)</u>
<b>Uses of Funds:</b>				
Operating Activities:				
Revenue Operations	37,654,381	39,414,717	35,091,110	(4,323,607)
Regional Capital Rebuild Program	-	-	677,908	677,908
Future Project Development	10,740,511	11,540,511	8,531,065	(3,009,446)
Agency Operations	908,601	908,601	750,943	(157,658)
Sub Total Operating Activities Use of Funds	<u>49,303,493</u>	<u>51,863,829</u>	<u>45,051,026</u>	<u>(6,812,803)</u>
Capital Projects:				
Northwest Extension	44,272,084	49,177,477	41,611,020	(7,566,457)
Central Mesa Extension	19,373,356	15,548,212	14,860,777	(687,435)
Gilbert Road Capital Project	9,306,026	11,515,768	9,267,909	(2,247,859)
Tempe Streetcar Extension	6,631,052	1,197,820	452,244	(745,576)
Phoenix West	6,000,000	-	-	-
Non-Prior Rights Utilities Relocations	2,830,277	1,466,979	1,530,404	63,425
Systemwide Improvements	5,719,946	3,497,722	986,200	(2,511,522)
50th Street LRT Station	-	746,848	202,547	(544,301)
Concurrent Non Project Activities	-	320,549	406,306	85,757
Sub Total Capital Before Debt Service	<u>94,132,741</u>	<u>83,471,375</u>	<u>69,317,407</u>	<u>(14,153,968)</u>
Capital Project Debt Service:				
Debt Service - Interest	7,741,599	7,741,599	7,503,207	(238,392)
Debt Service - Principal	11,618,279	11,618,279	11,617,397	(882)
Total Uses of Funds	<u>162,796,112</u>	<u>154,695,082</u>	<u>133,489,037</u>	<u>(21,206,045)</u>
Excess Revenues Over Expenses - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Explanation of Differences between Budgetary Basis and GAAP Basis**

Total Uses of Funds - Budgetary Basis	\$ 133,489,037
Total Operating Expenses - GAAP Basis	(81,756,894)
Budgetary Operating Expenses in Excess of GAAP Operating Expenses	<u>\$ 51,732,143</u>
Capital Projects Before Debt Service (Budgeted expenses not recorded to expense for GAAP basis)	\$ 69,317,407
RPTA Bus Interface Facility-CME Extension (Budgeted expenses in Capital Projects above but in Non-operating expenses in the Financial Statements)	268,566
Art Installation Fabrication unallowable on CME Federal Grant (Budgeted expenses in Capital Projects above but in Non-operating expenses in the Financial Statements)	254,588
Future Project Development (Budgeted expenses in Operating above but in Non-operating expenses in the Financial Statements)	8,531,065
Capital Projects Debt Service (Budgeted expenses not recorded to expense for GAAP purposes)	19,120,604
Rail Operations Capital Assets (Budgeted expenses not recorded to expense for GAAP basis)	140,161
Systemwide Improvements operating expenses (Budgeted expenses in Capital Projects above but in Operating expenses in the Financial Statements)	(221,637)
Depreciation (GAAP expenses not included in budgetary basis)	(45,678,611)
Total Reconciling Items	<u>\$ 51,732,143</u>

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.



2016 APTA International Rail Rodeo Participants  
Phoenix, Arizona



2016 Design a Transit Wrap contest winner



# 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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how VMR's financial performance and well-being have changed over time.	33
<b>Revenue Capacity</b> 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 26 in the Notes to the Financial Statements section.)	N/A
<b>Debt Capacity</b> VMR has no current bond indebtedness. See Notes to the Financial Statements; refer to Note number 16, Public Transportation Funding (Page 26) 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 22) for information related to VMR's current debt obligations.	N/A
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which VMR's financial activities take place.	35
<b>Operating Information</b> 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.	38

**Valley Metro Rail, Inc.**  
Net Position by Component  
FY 06/07 through FY 15/16

	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	FY 15/16
<b>Business-type activities</b>										
Investment in Capital Assets (1)										
Construction in Progress (4,5)	\$ 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	\$ 12,780,617
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	79,668,030
Guideway	-	-	545,989,800	548,218,379	537,014,911	525,957,875	514,647,312	503,336,746	492,026,182	602,665,860
Bridges	-	-	60,491,115	58,440,569	56,390,023	54,339,476	52,288,930	50,238,383	48,187,837	46,137,291
Operation Control Center	-	-	11,536,240	11,145,181	10,754,123	10,363,064	11,339,858	10,903,077	10,466,296	10,029,515
Passenger Stations & Facilities	-	-	96,272,225	96,296,602	93,454,131	90,055,799	86,657,467	83,259,135	79,860,803	98,894,569
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	26,981,128
Bus Shelter	-	-	-	-	-	-	-	-	-	719,748
Electric Power Substations	-	-	86,707,115	83,413,644	79,858,902	76,309,385	72,759,869	69,210,351	65,660,834	115,393,793
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	73,140,474
Computers & Software	949,273	852,789	574,791	179,859	-	174,758	168,000	130,578	348	599,418
Furniture & Fixtures	844,591	692,090	531,100	370,110	209,121	74,243	-	-	-	-
Site Improvements	-	-	-	-	-	-	12,611	11,329	3,172,760	2,850,859
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	153,070,995
Support/Service Vehicles (3)	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	1,046,710
Equipment	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	8,147,254
Subtotal Investment in Capital Assets	\$ 773,807,490	\$ 1,083,561,843	\$ 1,181,254,415	\$ 1,172,536,114	\$ 1,153,352,954	\$ 1,136,804,227	\$ 1,143,025,368	\$ 1,181,649,049	\$ 1,203,645,659	\$ 1,232,126,261
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	\$ 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	\$ 1,244,863,412
<b>Total business-type activities net position</b>										

Source: Valley Metro Rail, Inc. Finance Division

(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 FY 14/15 Construction in Progress is shown net of the Northwest Extension Advance Funding Obligation. Further, in FY 14/15 Construction in Progress is shown net of the RPTA PTF Advance Bond Proceeds

(5) In FY 15/16 Guideway is shown net of the Northwest Extension Advance Funding Obligation and the RPTA PTF Advance Bond Proceeds.

**Valley Metro Rail, Inc.**  
Changes in Net Position  
FY 06/07 through FY 15/16

	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	FY 15/16 (3)
<b>Operating Revenues</b>										
Contributions from Member Cities (1)	\$ 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	-	-	3,971,104	9,256,913	10,238,281	11,889,930	12,791,801	12,505,116	12,832,286	13,461,088
Federal Transit Administration Operating Grants (1)	146,442,065	953,877	-	222,519	240,000	3,614,541	5,382,997	2,400,132	2,135,431	-
Public Transportation Funds (1)	57,160,186	58,315,376	-	-	-	-	-	-	-	-
Regional Capital Rebuild Revenue	-	-	-	-	-	-	-	-	-	420,301
Other Revenues	-	-	40,000	103,410	906,728	1,225,206	1,252,967	1,730,566	3,272,014	1,156,891
<b>Total Operating Revenues</b>	<b>359,636,200</b>	<b>202,545,393</b>	<b>16,901,608</b>	<b>35,547,823</b>	<b>30,817,017</b>	<b>31,004,494</b>	<b>31,042,380</b>	<b>33,439,414</b>	<b>35,135,950</b>	<b>15,038,280</b>
<b>Operating Expenses</b>										
Administration and Planning Services (2)	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	324,095
Passenger Operations Service	-	-	15,678,389	32,964,701	31,020,111	28,909,661	28,711,628	31,260,365	31,288,715	35,076,280
Private Utilities Relocations	39,212,754	15,750,886	-	-	-	-	-	-	-	-
Regional Capital Rebuild Program	-	-	-	-	-	-	-	-	881,021	677,908
Depreciation	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	45,678,611
Total Operating Expenses	46,311,898	23,378,898	43,395,181	82,190,208	77,410,654	76,225,953	75,977,430	79,012,484	80,312,422	81,756,894
<b>Operating Income (Loss)</b>	<b>313,324,302</b>	<b>179,166,495</b>	<b>(26,493,573)</b>	<b>(46,642,585)</b>	<b>(46,593,637)</b>	<b>(45,221,459)</b>	<b>(44,935,050)</b>	<b>(45,573,070)</b>	<b>(45,176,472)</b>	<b>(66,718,614)</b>
<b>Non-Operating Revenues (Expense)</b>										
Contributions from Member Cities	-	-	-	-	-	-	-	-	-	21,293,887
Federal Transit Administration Grants	-	-	650,492	2,557,861	2,118,259	1,059,848	799,020	453,728	-	3,452,102
Public Transportation Funds	-	-	10,945,204	5,484,246	8,678,822	6,469,470	10,111,118	6,626,121	10,526,625	6,138,179
Other Planning Revenues	-	-	-	-	-	-	-	-	-	644,147
Future Project Development	-	-	-	-	-	-	-	-	-	(8,531,065)
Private Utilities Relocations	-	-	(9,518,863)	965,013	(3,732,886)	(56,477)	(5,500,205)	(14,876,845)	(5,120,346)	(1,530,404)
Capital Conveyance to Member Cities	-	-	-	-	-	-	(11,487,566)	(9,949,717)	(3,883,076)	(1,277,066)
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)	(2,985,765)
Interest on Investments	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	-	-
<b>Total Non-Operating Revenues (Expense)</b>	<b>102,888</b>	<b>91,519</b>	<b>(20,085,202)</b>	<b>(101,267,750)</b>	<b>(33,259,151)</b>	<b>(1,995,774)</b>	<b>(8,283,802)</b>	<b>(19,372,892)</b>	<b>(7,148,361)</b>	<b>17,204,015</b>
<b>Capital Contributions</b>										
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	18,871,864
Contributions from Member Cities	-	-	25,381,955	31,156,572	2,651,494	330,700	4,268,007	51,235	25,393	730,816
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	59,028,035
Donated Engineering (3)	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Contributions</b>	<b>-</b>	<b>130,496,339</b>	<b>150,873,598</b>	<b>138,786,197</b>	<b>59,492,897</b>	<b>27,711,027</b>	<b>59,775,988</b>	<b>113,824,977</b>	<b>73,769,546</b>	<b>78,630,715</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 313,427,190</b>	<b>\$ 309,754,353</b>	<b>\$ 104,294,823</b>	<b>\$ (9,124,138)</b>	<b>\$ (20,359,891)</b>	<b>\$ (19,506,206)</b>	<b>\$ 6,557,136</b>	<b>\$ 48,879,016</b>	<b>\$ 21,444,713</b>	<b>\$ 29,116,116</b>

**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.

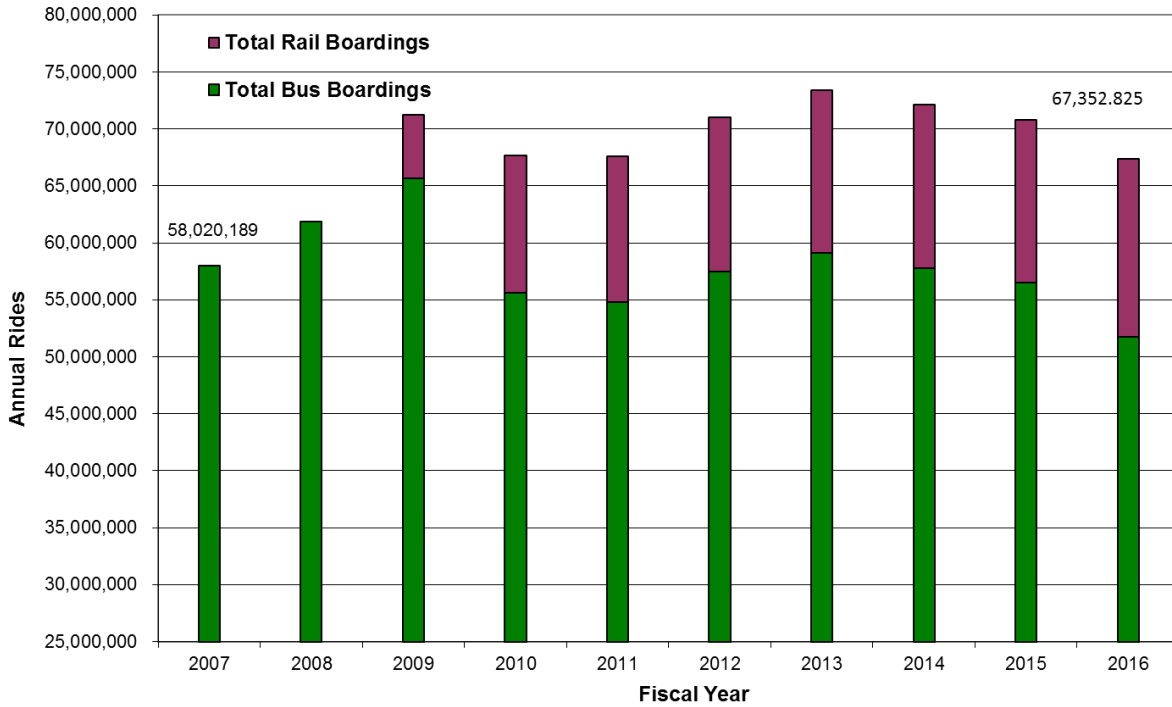
(3) Prior to FY 15/16, Contributions from Member Cities, Operating, and Federal Transit Administration Operating Grants were classified under Operating Revenues. Beginning FY15/16, they are now classified as Non-Operating Revenues

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

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<u>Fiscal Year</u>	<u>Boardings</u>	<u>Change</u>
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%
2016	67,352,825	-4.81%

**Valley Metro Regional Bus and Rail Passenger Boardings by Fiscal Year**  
**Fixed Route System**  
*Ten Year Growth rate 16.1%*

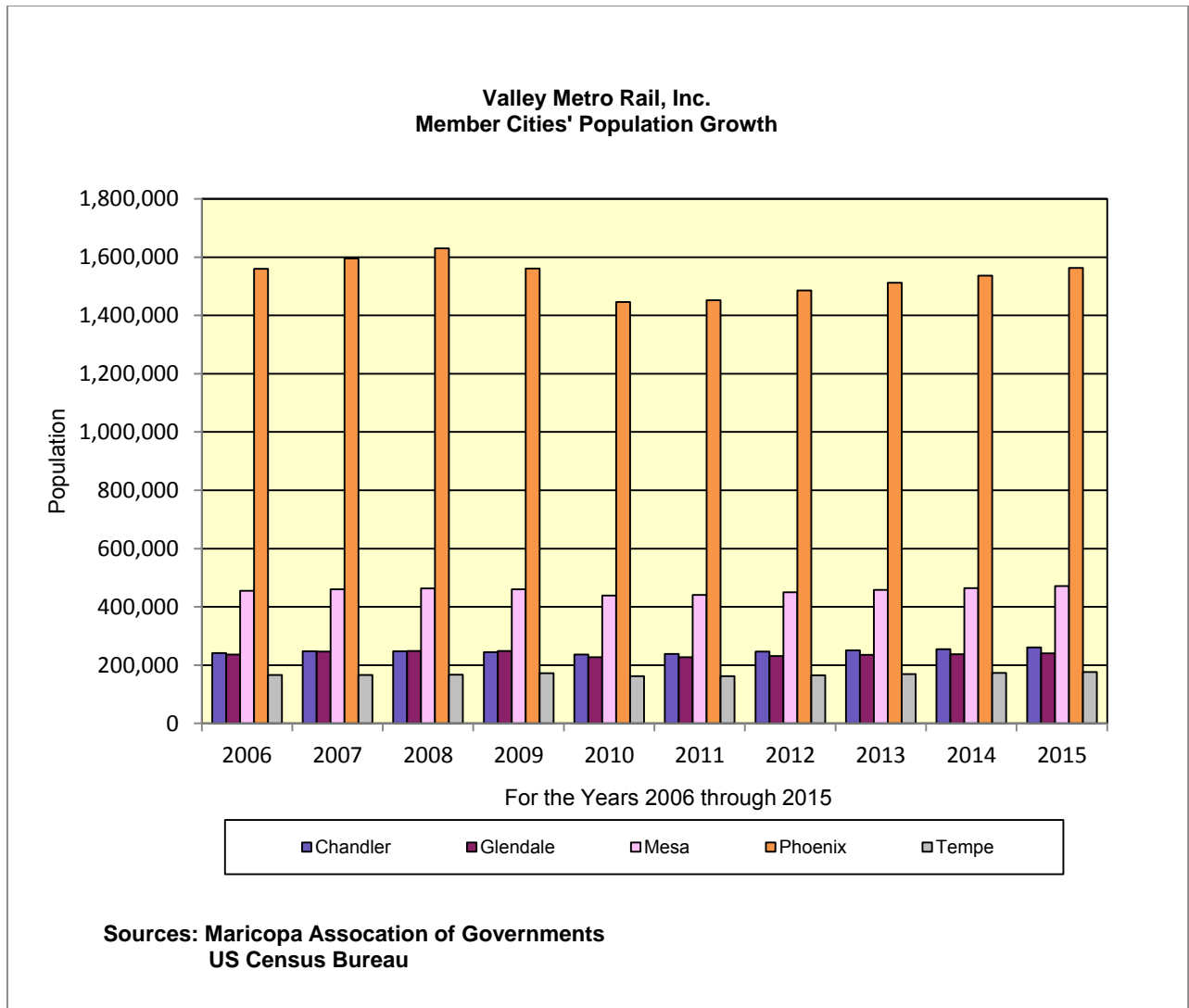


Source: Regional Public Transportation Authority

**Valley Metro Rail, Inc.**  
**Population Growth**  
**Ten Years from 2006 to 2015**

---

<u>Year</u>	<u>Chandler</u>	<u>Glendale</u>	<u>Mesa</u>	<u>Phoenix</u>	<u>Tempe</u>
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
2015	260,828	240,126	471,825	1,563,025	175,826

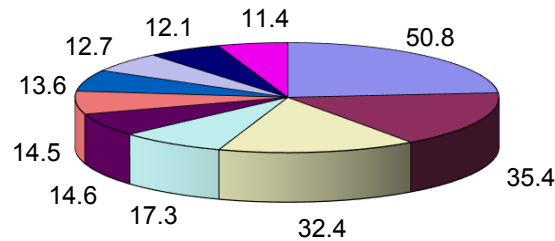


Year 2015 is the most current year available.

**Valley Metro Rail, Inc.**  
**Top Employers in Maricopa County**  
For the Year 2015 and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	% of Total	Employees	Rank	% of Total
State of Arizona	50,816	1	2.67%	49,305	1	2.58%
Banner Health Systems	35,406	2	1.86%	16,400	3	0.86%
Wal-Mart Stores, Inc.	32,373	3	1.70%	28,800	2	1.51%
Fry's Food Stores	17,286	4	0.91%	11,780	7	0.62%
City of Phoenix	14,585	5	0.77%	14,166	4	0.74%
Wells Fargo & Company	14,480	6	0.76%	11,800	6	0.62%
Maricopa County	13,567	7	0.71%	13,274	5	0.70%
Arizona State University	12,676	8	0.67%	11,533	9	0.60%
Dignity Health	12,100	9	0.64%			
University of Arizona	11,442	10	0.60%			
U.S. Postal Services				11,700	8	0.61%
Honeywell International Inc.				10,700	10	0.56%
<b>Total for Principal Employers</b>	<b>214,731</b>		<b>11.29%</b>	<b>179,458</b>		<b>9.41%</b>
<b>Total Employment in Maricopa Cty</b>	<b>1,900,314</b>			<b>1,907,700</b>		

**2015 - Employees (000s)**

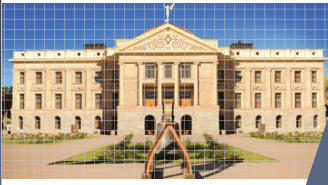


- State of Arizona
- Banner Health Systems
- Wal-Mart Stores, Inc.
- Fry's Food Stores
- City of Phoenix
- Wells Fargo & Company
- Maricopa County
- Arizona State University
- Dignity Health
- University of Arizona

**Source:** The Phoenix Business Journal, Book of Lists  
Workforce Informer Arizona at [www.workforce.az.gov](http://www.workforce.az.gov) for total employed in Maricopa County



# PROJECTS



# CAPITOL/I-10W

TITLE

## LIGHT RAIL EXTENSION

TYPE



REPORT CARD / MARCH 2016  
valleymetro.org/capitolwest

### 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

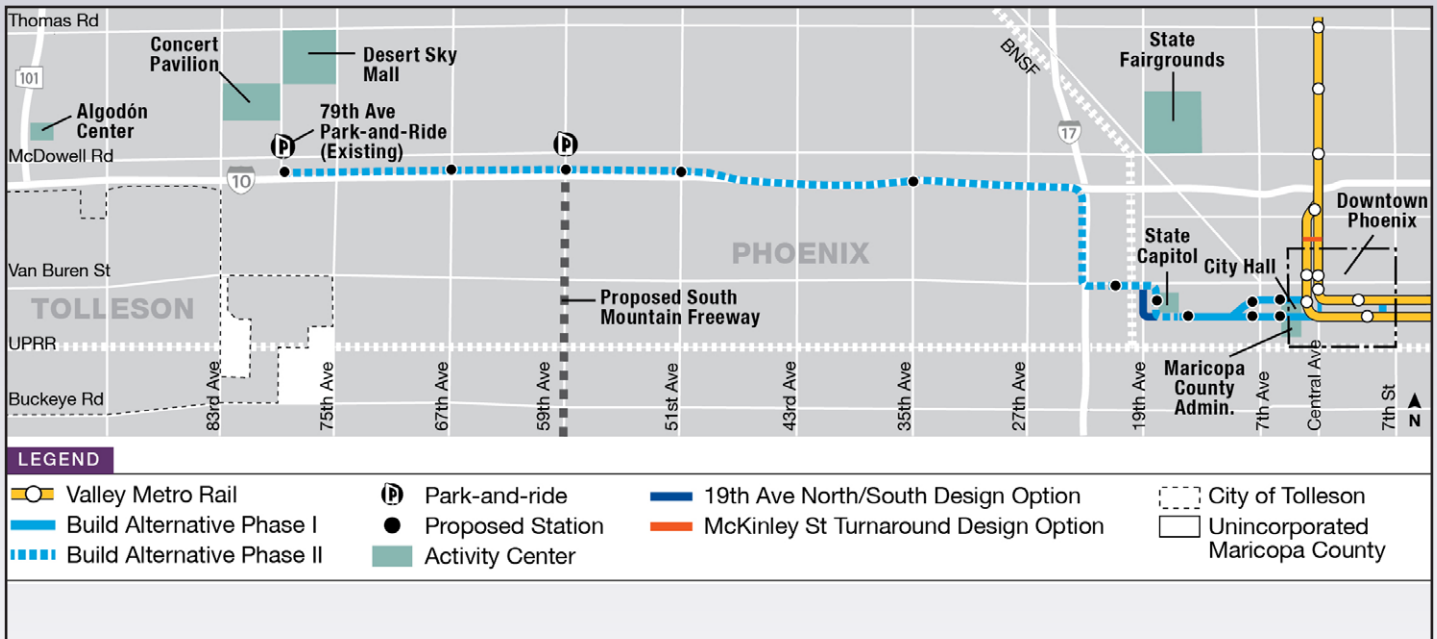
- Continued revising the Environmental Assessment (EA) based on comments received from the Federal Transit Administration (FTA) and also included information on construction phasing
- Continued working with the Arizona Department of Transportation (ADOT) on the I-17 Change of Access Report
- City of Phoenix City Council approved a phased approach as part of Transportation 2050 prioritization of the HCT program
  - > Phase I - Downtown to the State Capitol (2023)
  - > Phase II - State Capitol to 79th Avenue (2030)
- The proposed schedule will be presented to Valley Metro and MAG boards in summer 2016 for approval and final adoption into the Regional Transportation Plan (RTP)

### BUDGET

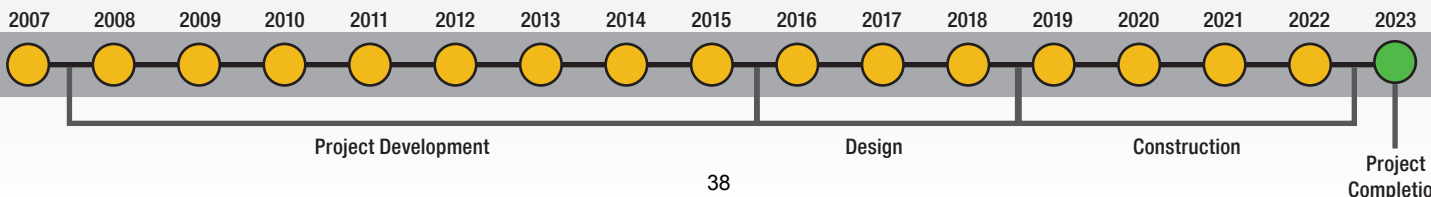
	Programmed*	Expended**
Project Development	\$32,200,000	\$9,705,067
Final Design	\$48,600,000	\$0
Construction	\$927,000,000	\$0
<b>TOTAL</b>	<b>\$1,007,800,000</b>	<b>\$9,705,067</b>

\*Does not include financing cost.  
\*\*Estimated as of March 31, 2016.

### ROUTE MAP

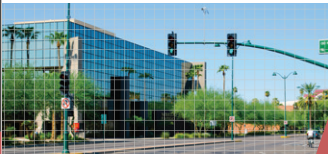


### SCHEDULE





**PROJECTS**



# GILBERT ROAD

TITLE

## LIGHT RAIL EXTENSION

TYPE



**REPORT CARD / MARCH 2016**  
valleymetro.org/gilbertroad

### 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

#### Community Relations

- Continued addressing inquiries from various stakeholders regarding project design
- Continued development of specific construction mitigation plans
- Evaluated business surveys that included owner's primary and emergency contact information
- Finalized stakeholder notification process for 60% design public meetings scheduled for April 28 and May 3

#### Construction

- Jacobs Engineering produced 60% design for General Maximum Price (GMP) 1 and progressed design concepts for the full 60% design submittal
- Project artists finalized initial concepts
- Stacy Witbeck/Sundt coordinated with subcontractors, vendors and designer to advance the project

### BUDGET

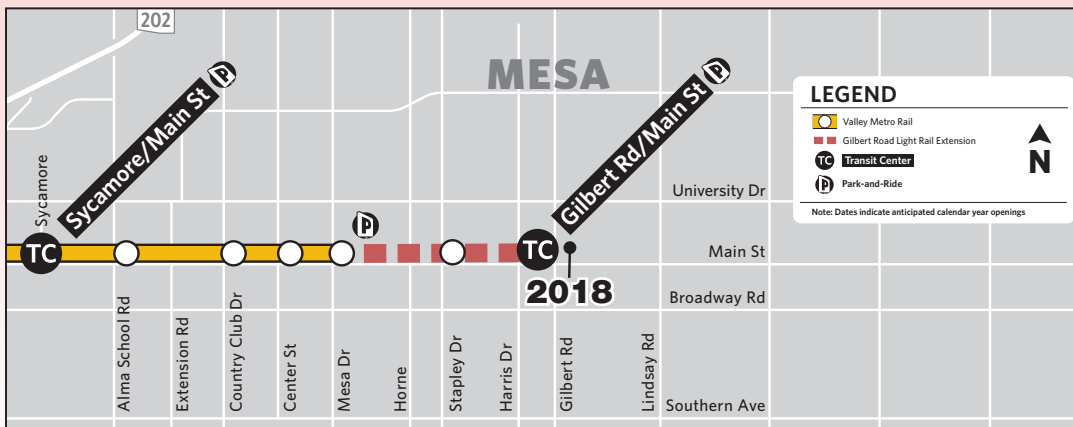
Description	Programmed	Expended**	% Expended	Forecast
Construction	\$62,625,437	\$0	0.0%	\$62,625,437
Utilities	\$12,726,315	\$37,390	0.3%	\$12,726,315
Right of Way	\$14,786,915	\$8,482	0.1%	\$14,786,915
Public Art	\$804,502	\$16,258	2.0%	\$804,502
Design/Management	\$41,659,825	\$5,576,554	13.4%	\$41,659,825
Vehicles	\$20,123,631	\$0	0.0%	\$20,123,631
<b>TOTAL</b>	<b>\$152,726,625</b>	<b>\$5,638,684</b>	<b>3.7%</b>	<b>\$152,726,625</b>

\*\*Estimated as of March 31, 2016.

### SCHEDULE

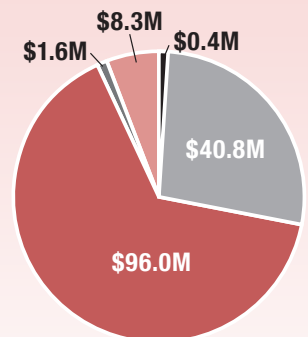
Description	Baseline	Current	% Complete
Construction	09.17.2018	08.16.2018	0.0%
Utilities	08.15.2018	07.08.2018	1.0%
Right of Way	12.25.2017	09.25.2017	1.0%
Public Art	07.19.2018	06.17.2018	2.0%
Design/Management	03.16.2019	02.12.2019	13.4%
Vehicles	09.14.2018	09.01.2019	0.0%
Testing/Start-up	11.19.2018	11.19.2018	0.0%

### ROUTE MAP



### FUNDING (\$M) TOTAL \$147.1\*

\* Excludes anticipated finance costs



Federal - CMAQ
Federal - STP
Federal - Section 5307
City of Mesa
PTF



# NORTHEAST

TITLE  
TRANSIT CORRIDOR  
FEASIBILITY STUDY

TYPE



## PROJECTS

REPORT CARD / MARCH 2016  
valleymetro.org/northeast

### PROJECT DESCRIPTION

The 12-mile Northeast corridor will provide enhanced transit service generally along SR 51 north to the Paradise Valley Mall area by 2034. A study will be completed to assess the feasibility of constructing high-capacity transit in this corridor.

### BENEFITS

The Northeast project will provide enhanced transit service to the growing Northeast Phoenix Valley community and help ease congestion on the SR 51 freeway. It will also connect residential communities with regional employment and entertainment centers.

### UPDATE

- Data collection efforts are ongoing

### BUDGET

	Programmed*	Expended**
Project Development	\$36,800,000	\$560
Final Design	\$0	\$0
Construction	\$0	\$0
<b>TOTAL</b>	<b>\$36,800,000</b>	<b>\$560</b>

\*Does not include financing cost.

\*\*Estimated as of March 31, 2016.

### ROUTE MAP



LEGEND		
Valley Metro Rail	Transit Center	Northwest Light Rail Extension Phase I
Northeast Corridor	Park-and-Ride	Proposed Northwest Light Rail Extension Phase II



# NORTHWEST PHASE I

TITLE

## LIGHT RAIL EXTENSION

TYPE



REPORT CARD / MARCH 2016  
valleymetro.org/northwest

### PROJECT DESCRIPTION

The 3.2-mile Northwest Phase I project extends light rail north from the current end-of-line to Dunlap Ave. by spring 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-dependent 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

- Provided tour for persons with disabilities, media and elected officials before extension opened
- Public celebration event for the opening of Northwest Light Rail Extension held on March 19
- Continued to address specific stakeholder inquiries

#### Construction

- Contractor performed final punchlist work
- Finished communication and signaling systems testing
- Final touches on station platforms completed
- Project opened for revenue service

### BUDGET

Description	Programmed	Expended**	% Expended	Forecast
Construction	\$153,925,102	\$149,312,099	97.0%	\$153,925,102
Utilities	\$38,050,959	\$37,671,623	98.9%	\$38,050,959
Right of Way	\$76,374,576	\$75,006,019	98.2%	\$76,374,576
Public Art	\$951,239	\$890,459	93.6%	\$951,239
Design/Management	\$57,290,024	\$50,614,527	88.3%	\$57,290,024
<b>TOTAL</b>	<b>\$326,591,900</b>	<b>\$313,494,728</b>	<b>96.0%</b>	<b>\$326,591,900</b>

\*\*Estimated as of March 31, 2016.

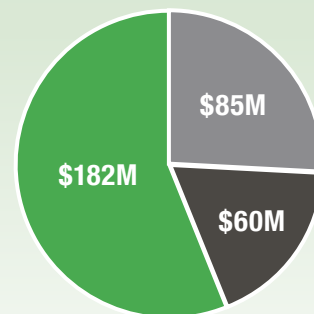
### SCHEDULE

Description	Baseline	Current	% Complete
Construction	04.26.2016	03.18.2016	98.0%
Utilities	06.30.2014	07.15.2015	100.0%
Right of Way	10.30.2013	08.15.2015	100.0%
Public Art	11.30.2015	02.29.2016	100.0%
Design/Management	07.30.2015	06.30.2016	90.0%
Testing/Start-up	07.25.2016	03.19.2016	100.0%

### ROUTE MAP



### FUNDING (\$M) TOTAL \$327M



Regional Funds - PTF	56%
City of Phoenix - T2000	26%
City of Phoenix Advance	18%



# PROJECTS



## NORTHWEST PHASE II

TITLE

### LIGHT RAIL EXTENSION

TYPE



REPORT CARD / MARCH 2016  
valleymetro.org/northwest2

#### 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 across I-17 to the Metrocenter area.

#### 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

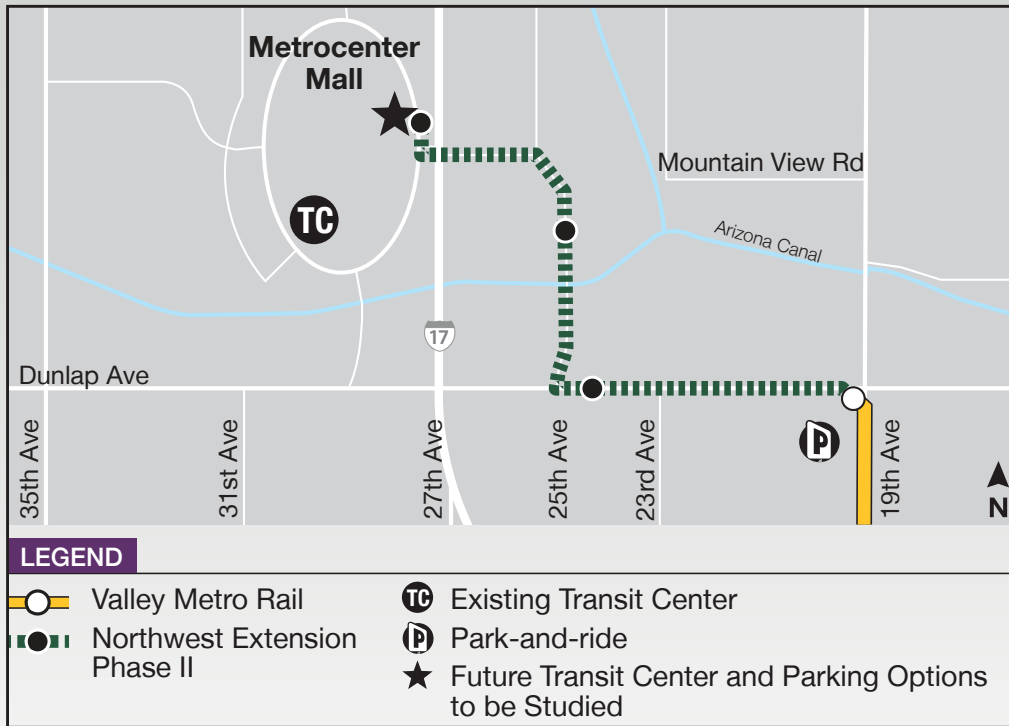
- Continued Advanced Conceptual Engineering (ACE) and evaluating track alignment on Dunlap and 25th avenues
- Completed preliminary evaluation for federal funding feasibility
- Planning to initiate the environmental document in the summer 2016

#### BUDGET

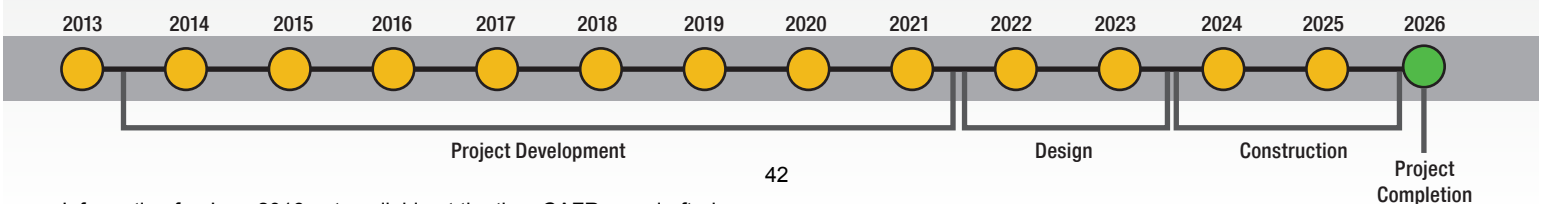
	Estimated*	Expended**
Project Development	\$6,400,000	\$623,745
Final Design	\$13,700,000	\$0
Construction	\$275,300,000	\$0
<b>TOTAL</b>	<b>\$295,400,000</b>	<b>\$623,745</b>

\*Does not include financing cost.  
\*\*Estimated as of March 31, 2016.

#### ROUTE MAP



#### SCHEDULE





# PROJECTS



# SOUTH CENTRAL

TITLE

## LIGHT RAIL EXTENSION

TYPE



REPORT CARD / MARCH 2016  
valleymetro.org/southcentral

### PROJECT DESCRIPTION

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

### BENEFITS

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

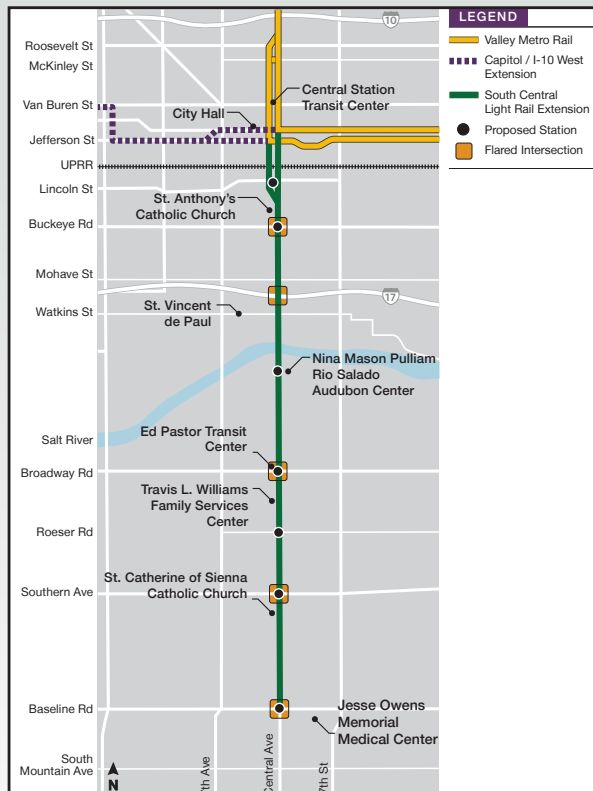
### UPDATE

- Submitted project summary information to Federal Transit Administration (FTA) for a preliminary review of project justification requirements of the federal capital investment grant program
- Responded to comments submitted by the FTA on the South Central Environmental Assessment (EA) and submitted the second draft for their review

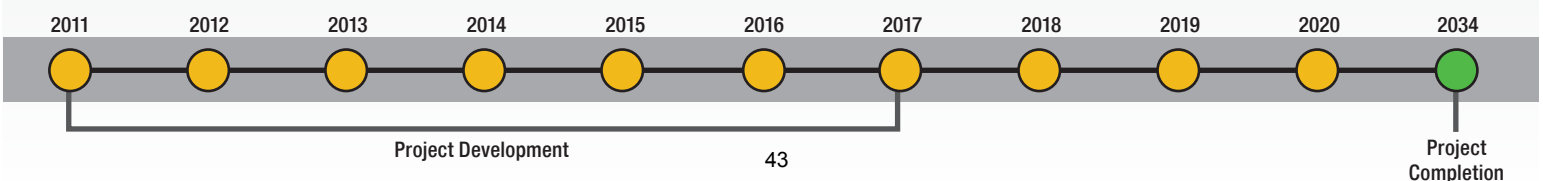
BUDGET		
	Programmed*	Expended**
Project Development	\$4,950,000	\$3,074,731
Final Design	TBD	\$0
Construction	TBD	\$0
<b>TOTAL</b>	<b>\$4,950,000</b>	<b>\$3,074,731</b>

\*Does not include financing cost.  
\*\*Estimated as of March 31, 2016.

### ROUTE MAP



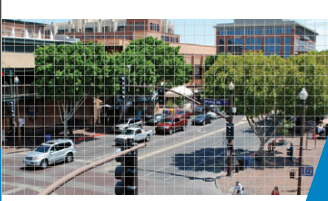
### SCHEDULE



Information for June 2016 not available at the time CAFR was drafted.



# PROJECTS



# TEMPE STREETCAR

TITLE

STREETCAR

TYPE



REPORT CARD / MARCH 2016  
valleymetro.org/tempestreetcar

## 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

- Project was included in the President’s proposed FY17 budget submitted to Congress. The FTA released their Annual Report on Funding Recommendations for FY17 that indicated the project received a Medium-High project justification rating
- Valley Metro plans to issue a Request for Quote (RFQ) for vehicle procurement, including soliciting options for off-wire application
- Preliminary engineering and design efforts continue, working toward the procurement of a final design team and contractor
- Valley Metro and the City of Tempe have agreed to pursue a Construction Manager at Risk project delivery method, with a key goal being continuous coordination with the public and project stakeholders

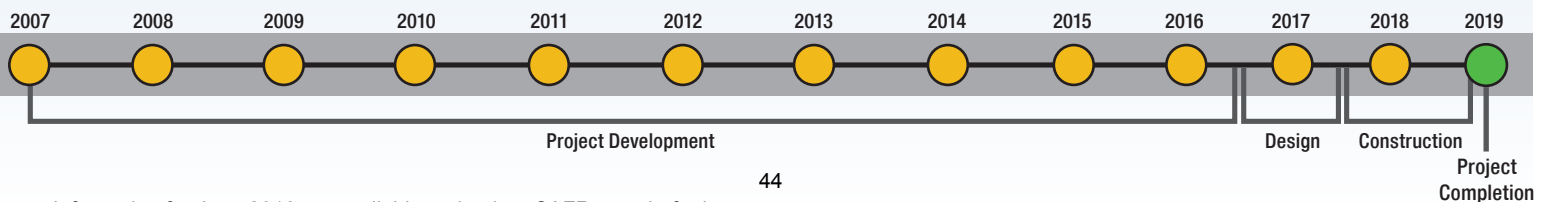
BUDGET		
	Programmed*	Expended**
Project Development	\$9,500,000	\$9,336,509
Final Design	\$6,200,000	\$0
Construction	\$161,300,000	\$0
<b>TOTAL</b>	<b>\$177,000,000</b>	<b>\$9,336,509</b>

\*Does not include financing cost.  
\*\*Estimated as of March 31, 2016.

## ROUTE MAP



## SCHEDULE





# PROJECTS

# WEST PHOENIX / CENTRAL GLENDALE

TITLE

## TRANSIT CORRIDOR STUDY

TYPE



REPORT CARD / MARCH 2016  
valleymetro.org/glendale

### PROJECT DESCRIPTION

The West Phoenix/Central Glendale Transit Corridor Study is a 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 Loop 101 and Northern Ave. to Camelback Rd. The corridor would connect downtown Glendale with west Phoenix and the light rail system on 19th Avenue.

### BENEFITS

The West Phoenix/Central Glendale study could result in a transit investment that would provide enhanced service to a growing West Valley community. Another goal of the study is to improve connectivity with important destinations in the area such as Grand Canyon University and downtown Glendale.

### UPDATE

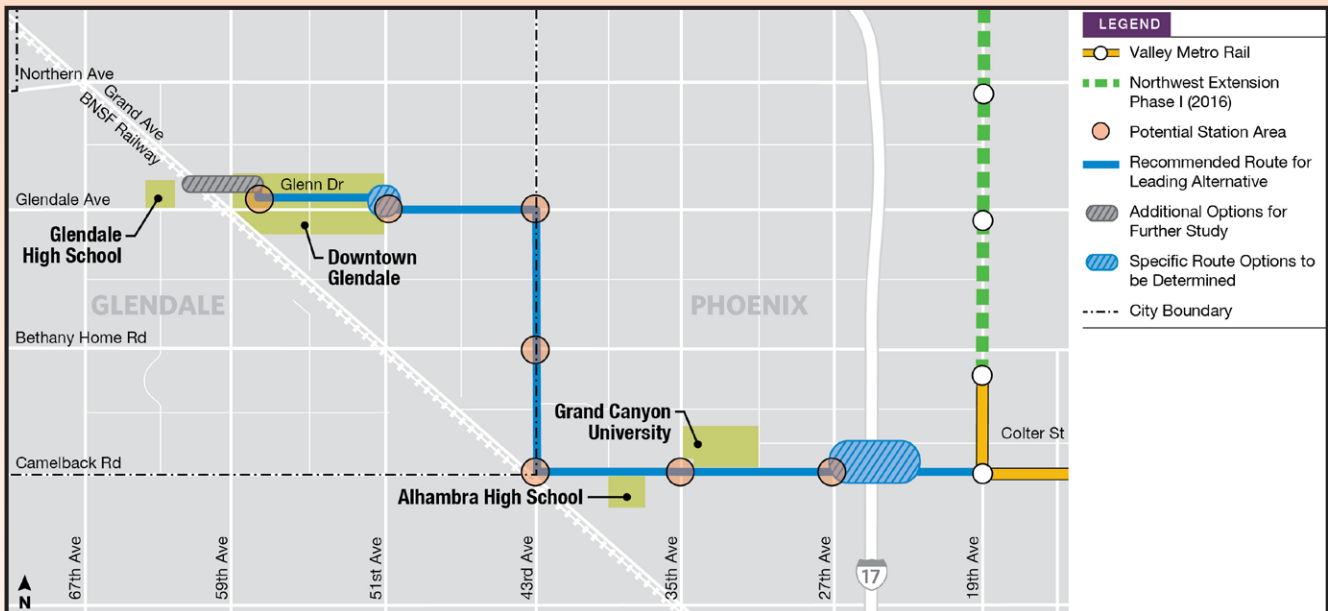
- Continued analysis of route options for the I-17 crossing and transition between Glendale Ave. and Glenn Dr. near 51st Ave.
- Continued assessment of options to extend the end-of-line to cross Grand Ave. as part of this project
- Continued ongoing public outreach and presentations to stakeholder groups

### BUDGET

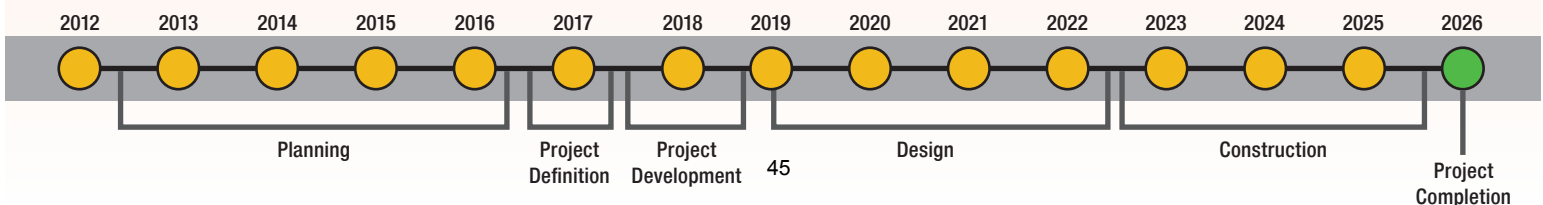
	Programmed*	Expended**
Project Development	\$16,100,000	\$2,840,152
Final Design	\$26,800,000	\$0
Construction	\$456,500,000	\$0
<b>TOTAL</b>	<b>\$499,600,000</b>	<b>\$2,840,152</b>

\*Does not include financing cost.  
\*\*Estimated as of March 31, 2016.

### ROUTE MAP



### SCHEDULE



Information for June 2016 not available at the time CAFR was drafted.



# PROJECTS

# FIESTA DOWNTOWN CHANDLER

TITLE  
TRANSIT CORRIDOR  
FEASIBILITY STUDY

TYPE



REPORT CARD / MARCH 2016  
valleymetro.org/fiesta

## PROJECT DESCRIPTION

Valley Metro, in partnership with Mesa, Chandler and Gilbert, initiated the Fiesta-Downtown Chandler Transit Corridor Study (FDCTCS) to study the potential and requirements for short, mid and long-term transit investments within the Arizona Avenue/Country Club Drive corridor. This 24-month study will examine transit improvements and enhanced land use strategies within the defined study area.

## BENEFITS

The Fiesta-Downtown Chandler Transit Corridor Study will identify short to long-term solutions for enhanced transit services between two activity centers, the Fiesta District and Downtown Chandler, as well as connect Chandler and Gilbert to the region's high-capacity transit system.

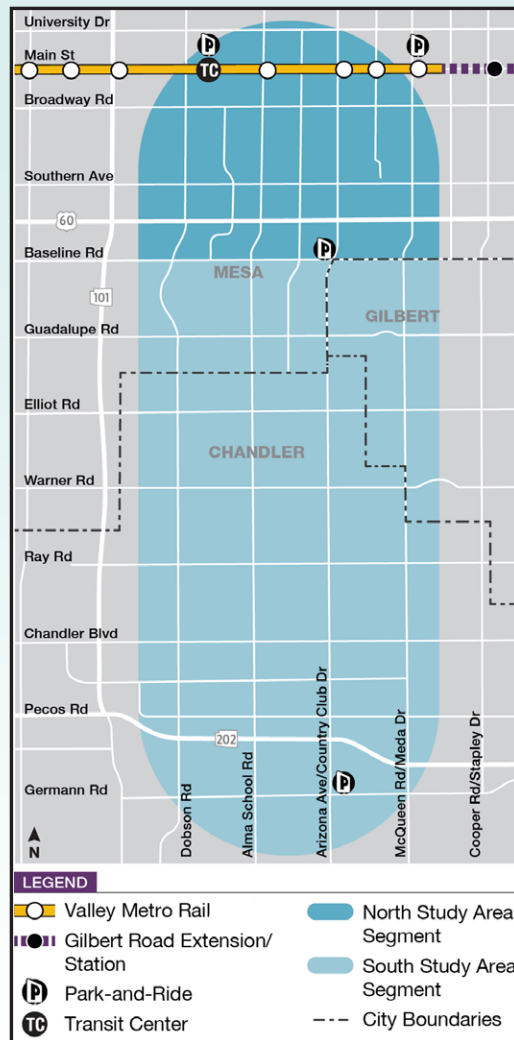
## UPDATE

- Coordinated with Project Management Team (PMT) staff from Chandler, Gilbert and Mesa to review potential future bus route scenarios to support a high-capacity transit (HCT) investment
- Addressed PMT comments on the alternatives definition technical memorandum
- Finalized the future land use scenario assumptions

BUDGET		
Description	Programmed*	Expended**
Feasibility Study	\$687,500	\$183,200
<b>TOTAL</b>	<b>\$687,500</b>	<b>\$183,200</b>

\*Does not include financing cost.  
\*\*Estimated as of March 31, 2016.

## STUDY MAP





# GRAND AVENUE

TITLE  
TRANSIT CORRIDOR  
FEASIBILITY STUDY

TYPE



## PROJECTS

REPORT CARD / MARCH 2016  
valleymetro.org/grandavenue

### PROJECT DESCRIPTION

The Grand Avenue Transit Feasibility Study will develop and evaluate potential short, mid and long-term transit options in the Grand Avenue corridor between Surprise and downtown Phoenix. These transit scenarios will focus on bus service improvements within and intersecting Grand Avenue to transit opportunities within the corridor. Transit options may also include a high-capacity transit solution, such as bus rapid transit in the corridor.

### BENEFITS

The study will identify public transportation solutions in the short, mid and long-term within and adjacent to the Grand Avenue corridor connecting Northwest valley to Downtown Phoenix.

### UPDATE

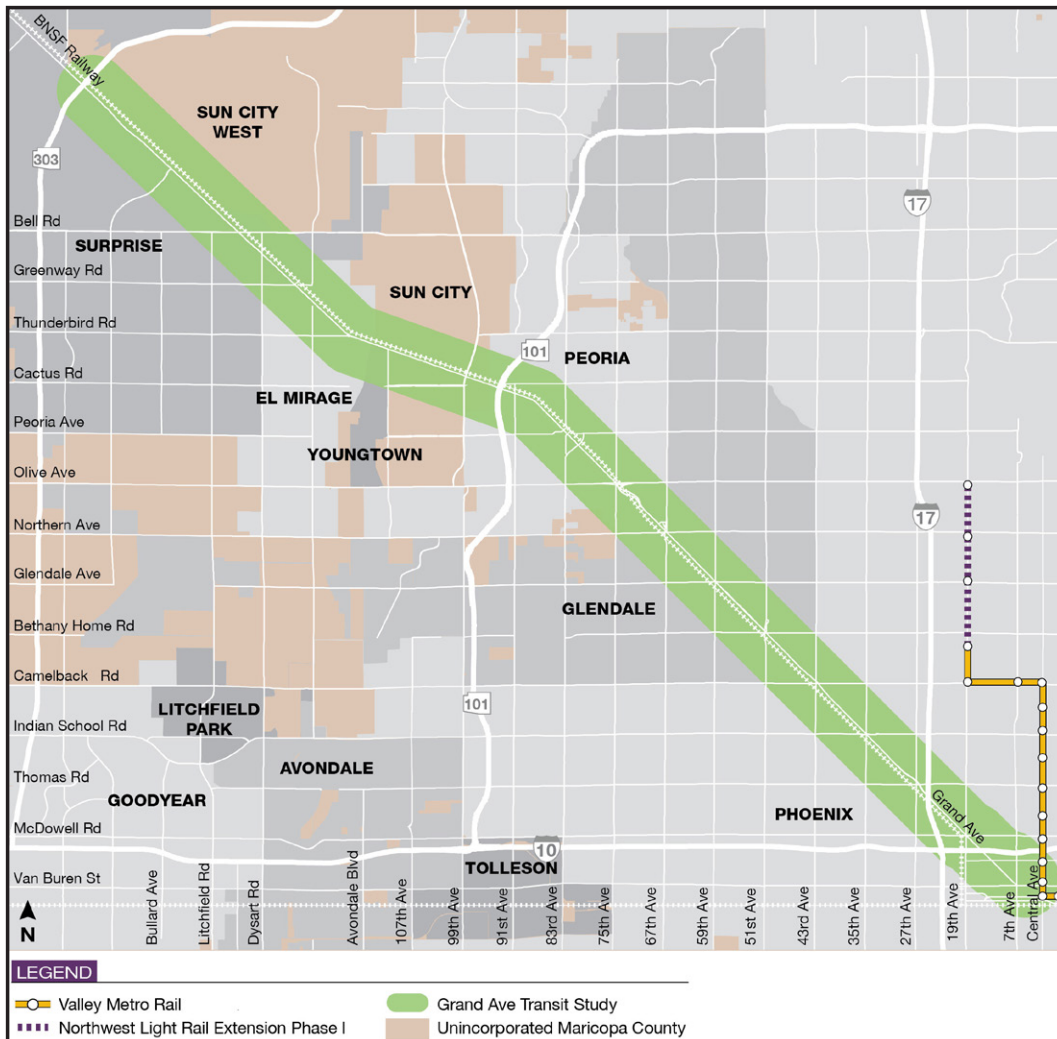
- Presented transit scenarios, operating and capital costs to the Grand Avenue Committee (GAC)
- Began revising transit scenarios based on comments from the GAC
- Met with the internal staff study team to review feedback from March GAC meeting

### BUDGET

Description	Programmed*	Expended**
Feasibility Study	\$200,000	\$65,247
<b>TOTAL</b>	<b>\$200,000</b>	<b>\$65,247</b>

\*Does not include financing cost.  
\*\*Estimated as of March 31, 2016.

### STUDY MAP



**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	FY 2016
I	Cleaner	0.0	0.0	11.0	9.0	10.0	10.0	10.0
III	Administrative Assistant I	1.0	1.0	1.0	0.5	0.5	1.5	1.5
	Document Control Clerk	0.0	0.0	0.0	0.0	1.9	0.9	0.9
	LRV Yard Operator	0.0	0.0	2.0	2.0	2.0	2.0	2.0
	Stockroom Clerk	0.0	0.0	2.0	2.0	2.0	2.0	2.0
	Transit Distribution and Signage Assistant	0.0	0.0	0.0	0.0	0.0	0.5	0.5
IV	Customer Service Application Technician	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Lead Document Control Clerk	1.0	1.0	1.0	1.0	0.9	0.9	0.9
	LRV Inspector	0.0	0.0	8.0	9.0	9.0	9.0	12.0
	Materials Handler	1.0	1.0	1.0	1.0	1.0	1.0	1.0
V	Accounting Technician	1.0	1.0	1.0	1.0	0.0	0.0	0.6
	Administrative Assistant II	6.0	6.0	8.0	8.0	6.4	6.4	5.7
	LRV Lead Inspector/Cleaner	0.0	0.0	0.0	0.0	0.0	0.0	1.0
VI	Design & Construction Project Assistant	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	LRV Maintenance Technician I	0.0	0.0	6.0	11.0	11.0	13.0	17.0
	Paralegal	1.0	1.0	1.0	1.0	0.5	0.0	0.0
	Track Maintainer	6.0	6.0	6.0	6.0	6.0	5.0	7.0
VII	Accountant I	2.0	2.0	2.0	2.0	0.9	0.9	0.5
	Administrative Assistant III	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Contract Specialist	0.0	0.0	0.0	1.0	0.8	0.5	0.0
	Executive Assistant	2.0	2.0	2.0	2.0	1.7	1.7	0.0
	Help Desk Support Specialist	0.0	0.0	1.0	1.0	1.5	0.5	0.6
	LRV Maintenance Technician II	0.0	0.0	11.0	10.0	10.0	11.0	12.0
	Planner I	0.0	0.0	0.0	0.0	0.8	0.3	0.7
	Planning Program Specialist	0.0	0.0	0.0	0.0	0.0	0.0	0.7
	Procurement Specialist	0.0	0.0	0.0	0.0	0.2	0.0	0.0
	Signal & Comm Systems Maintainer	6.0	6.0	6.0	6.0	6.0	6.0	9.0
	Utility Relocation Specialist	1.0	1.0	1.0	1.0	1.0	0.9	0.9
	Vehicle Parts Coordinator	0.0	0.0	1.0	1.0	1.0	1.0	1.0
VIII	Engineering Technician	1.0	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	1.0
	Graphics Designer	0.0	0.0	0.0	0.0	1.4	0.9	0.9
	Information Technology Systems Specialist	1.0	1.0	1.0	0.0	0.0	0.0	0.0
	LRV Lead Maintenance Technician	0.0	0.0	3.0	3.0	3.0	3.0	3.0
	Materials/Warranty Coordinator	2.0	2.0	2.0	2.0	2.0	1.0	1.0
	Signal & Communications Syst Tech	4.0	4.0	7.0	7.0	9.0	9.0	8.0
	Traction Power Systems Technician	10.0	10.0	10.0	13.0	13.0	13.0	15.0
IX	Accountant II	1.0	0.0	0.0	0.0	0.0	0.2	0.2
	Area Coordinator	2.0	2.0	2.0	4.0	5.8	5.9	0.0
	Budget Analyst	0.0	1.0	1.0	1.0	1.0	1.0	1.0
	Contract Administrator	1.0	1.0	1.0	1.0	0.2	2.7	2.5
	LRV Maintenance Supervisor	0.0	0.0	3.0	4.0	3.0	3.0	0.0
	LRV Systems/Equipment Specialist	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Network Support Analyst	1.0	1.0	1.0	1.0	1.0	0.0	0.0
	Planner II	1.0	1.0	1.0	0.0	2.1	1.6	1.7
	Program Coordinator	0.0	0.0	0.0	0.0	0.0	0.0	6.1
	Public Information Specialist	0.0	0.0	0.0	1.0	0.5	0.5	1.2
	Regulatory Administrator	0.0	0.0	0.0	0.0	0.0	0.5	0.5
	Safety Specialist	0.0	0.0	0.0	1.0	0.6	0.5	0.6
	Security Coordinator	0.0	0.0	0.0	0.0	0.0	0.6	0.6
	Service Analyst II	0.0	0.0	0.0	0.0	0.0	0.0	0.7
	Supervisor, Facility Maintenance	1.0	1.0	1.0	0.0	0.0	1.0	0.0
Supervisor, Track Maintenance	1.0	1.0	1.0	1.0	0.0	0.0	0.0	
X	Database Administrator	0.0	0.0	0.0	0.0	0.0	0.7	0.6
	Engineer (Civil)	1.0	1.0	1.0	0.0	0.0	0.0	0.0
	LRV Maintenance Supervisor	0.0	0.0	0.0	0.0	3.0	3.0	3.0
	Network Administrator	0.0	0.0	0.0	0.0	0.0	0.6	0.6
	Network Systems Engineer	0.0	0.0	0.0	2.0	1.8	1.0	0.0
	Program Control Specialist	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	SCADA Network Administrator	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Senior Contract Administrator	2.0	2.0	2.0	2.0	2.3	0.8	1.6
	Maintenance of Way Supervisor	0.0	0.0	0.0	0.0	0.0	0.0	2.9
	Server Administrator	0.0	0.0	0.0	0.0	0.0	0.6	0.0
	Signals/Communications Maintenance Supervisor	1.0	1.0	1.0	1.0	0.0	0.0	0.0
	TES Supervisor	2.0	2.0	2.0	2.0	0.0	0.0	0.0
	Vmware/Storage Administrator	0.0	0.0	0.0	0.0	0.0	0.6	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	FY 2016
XI	Accountant III	0.0	1.0	1.0	1.0	0.0	0.0	0.0
	GIS Administrator	0.0	0.0	0.0	0.0	0.5	0.5	0.5
	Light Rail Technical Trainer	0.0	0.0	0.0	0.0	0.0	1.0	1.0
	Planner III	2.0	2.0	2.0	3.0	1.0	0.7	0.0
	Project Manager	0.0	0.0	0.0	0.0	1.5	1.0	1.2
	Public Arts Administrator	1.0	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	0.0
	Quality Assurance Administrator	0.0	0.0	1.0	1.0	1.0	0.9	1.0
	Senior Construction Project Coordinator	0.0	0.0	1.0	1.0	1.0	1.0	0.9
	Senior Information Technology Systems Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.6
	Senior Management Analyst	0.0	0.0	0.0	0.0	0.3	0.3	0.8
	Senior Server/Exchange Administrator	0.0	0.0	0.0	0.0	0.0	0.0	0.6
	Senior Network Engineer	0.0	0.0	0.0	0.0	0.0	0.0	0.6
	XII	Assist. Superintendent LRV Maintenance	0.0	0.0	1.0	1.0	1.0	1.0
Admin Support Services & Project Management		0.0	0.0	0.0	0.0	0.0	0.0	0.5
Budget & Operations Financial Controls Manager		0.0	0.0	0.0	0.0	0.5	0.5	0.5
Business Manager		0.0	0.0	0.0	1.0	0.0	0.0	0.0
Communications Manager		0.0	0.0	0.0	0.0	0.5	0.5	0.5
Community Relations Manager		0.0	0.0	0.0	0.0	0.7	0.7	0.7
Customer Service Manager		0.0	0.0	0.0	0.0	0.0	0.5	0.0
Facilities Maintenance Manager		0.0	0.0	0.0	0.0	0.0	0.0	0.9
General Accounting Manager		0.0	0.0	0.0	0.0	0.0	0.4	0.4
Human Resources Support Services Manager		0.0	0.0	0.0	0.0	0.0	0.0	0.5
Service Planning Manager		0.0	0.0	0.0	0.0	0.0	0.0	0.1
LRT Systems Manager		0.0	0.0	0.0	0.0	1.0	1.0	0.0
Lead Procurement Officer		0.0	0.0	0.0	0.0	1.2	1.0	0.0
Program Manager, Safety & Training		0.0	0.0	1.0	1.0	1.0	0.0	0.0
Marketing Manager		0.0	0.0	0.0	0.0	0.5	0.5	0.0
Rail Public Involvement Manager		1.0	1.0	1.0	1.0	0.0	0.0	0.0
Senior Transportation Engineer		0.0	0.0	0.0	1.0	0.0	0.0	0.0
Stakeholder Affairs Manager		0.0	0.0	0.0	0.0	0.0	1.0	1.0
Track & Facilities Manager		0.0	0.0	0.0	0.0	1.0	1.0	1.0
Utility Manager	1.0	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	0.0
	Field Safety & Security Manager	0.0	0.0	0.0	0.0	0.0	0.5	0.0
	Financial Reporting Manager	0.0	0.0	0.0	0.0	0.4	0.5	0.5
	LRT Systems Manager	0.0	0.0	0.0	0.0	0.0	0.0	1.0
	Information Technology Manager	0.0	0.0	0.0	0.0	0.5	0.6	0.0
	Operational Support and Analysis Manager	0.0	0.0	0.0	0.0	0.0	0.7	0.7
	Procurement & Risk Management Manager	1.0	1.0	1.0	1.0	0.0	0.0	0.0
	Project Controls Manager	1.0	1.0	1.0	1.0	1.0	0.0	0.0
	Quality Assurance Manager	1.0	0.0	0.0	0.0	1.0	1.0	1.0
	Safety and Security Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	Rail Design & Construction Manager	1.0	1.0	1.0	0.0	0.0	0.0	0.0
	Rail Project Manager, Transit Planning	1.0	1.0	1.0	1.0	0.0	0.0	0.0
	Resident Engineer	0.0	0.0	0.0	1.0	1.0	1.0	0.9
	Senior Project Engineer	1.0	1.0	1.0	1.0	1.0	0.9	1.0
System & Service Development Manager	0.0	0.0	0.0	0.0	0.4	0.4	0.4	
Systems Engineer	0.0	0.0	0.0	0.0	0.0	1.0	1.0	
XIV	Chief, Safety and Security	0.0	1.0	1.0	1.0	0.6	0.6	0.0
	Construction and Utilities Manager	0.0	0.0	0.0	1.0	0.9	0.9	0.9
	Contracts & Procurement Manager	0.0	0.0	0.0	0.0	0.5	0.5	0.5
	Chief Maintenance Engineer	0.0	1.0	1.0	1.0	1.0	1.0	1.0
	Corridor & Facility Development	0.0	0.0	0.0	0.0	0.0	0.0	0.9
	Chief System Engineering Officer	1.0	1.0	1.0	0.0	0.0	0.0	0.0
	Chief Transportation Officer	1.0	0.0	0.0	0.0	0.0	0.0	0.0
	Design Manager	0.0	0.0	0.0	0.0	1.0	1.0	1.0
	Information Technology Services Manager	0.0	0.0	0.0	0.0	0.0	0.0	0.6
	Government Relations Officer	0.0	0.0	0.0	0.0	0.5	0.5	0.5
	Manager, Start up & Activation	0.0	0.0	0.0	0.0	1.0	1.0	1.0
	Revenue Generation & Financial Planning Manager	0.0	0.0	0.0	0.0	0.3	0.3	0.3
	Superintendent, LRV Maintenance	0.0	0.0	1.0	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	0.0
Communications and Marketing Director		1.0	1.0	1.0	1.0	0.5	0.5	0.5
Chief of Staff		0.0	0.0	0.0	0.0	0.5	0.5	0.5
Rail Safety, Security, and Quality Director		1.0	0.0	0.0	0.0	0.0	0.0	0.6
XVI	Chief Engineer	0.0	0.0	0.0	0.0	1.0	1.0	1.0
	Chief Financial Officer	1.0	1.0	1.0	1.0	0.5	0.5	0.5
	Chief Operations Officer	0.0	0.0	0.0	0.0	0.6	0.6	0.6
	Rail Design & Construction Director	1.0	1.0	0.0	0.0	0.0	0.0	0.0

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

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<u>Grade</u>	<u>RPTA Position Titles</u>	<u>Authorized FTEs (1)</u>						
		<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
	Planning/Development Director	1.0	1.0	1.0	1.0	0.9	0.9	0.9
GC	General Counsel	1.0	1.0	1.0	1.0	0.5	0.5	0.5
ED	Chief Executive Officer	1.0	1.0	1.0	0.5	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>	<u>182.9</u>

(1) Information prior to FY2010 was not available.

**Valley Metro Rail, Inc.**  
**Schedule of Insurance Coverage**  
For the Fiscal Year Ended June 30, 2016

**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:

<b>Policy #</b>	<b>Coverage</b>	<b>Limits</b>	<b>Policy Term</b>	<b>Premium</b>	<b>Carrier</b>
KTKCMB2700C68615	Commercial Property	138,766,024 TIV 10,000 Deductible 25,000,000 Flood & EQ 100,000 Flood & EQ Deductible	12/1/2015-16	\$130,549	Travelers Indemnity Co.
QT6605833B340TIL15	Inland Marine - Rolling Stock	151,190,408 Limit 100,000 Deductible	12/1/2015-16	\$181,452	Travelers P&C Insurance Co. of America
QT6605833B352TIL15	Inland Marine - Town Lake Bridge	22,581,224 Limit 100,000 Deductible 5,000,000 Flood & EQ Limit	12/1/2015-16	\$30,710	Travelers P&C Insurance Co. of America
121112951009	DIC - Excess Flood and Earthquake for Town Lake Bridge	15,000,000 per Occurrence x/o 5,000,000 underlying	12/1/2015-16	\$34,936	ACE Fire Underwriters Insurance Co.
025829056	Commercial Crime	2,000,000 Limit 10,000 Deductible	12/1/2015-16	\$2,791	National Union Fire
P8104G200215TIL15	Commercial Auto Liability excluding buses and light rail vehicles	750,000 CSL Limit 5,000 Deductible 5,000,000 Collision Deductible	12/1/2015-16	\$75,902	Travelers P&C Insurance Co. of America
PEM000003802	SIR Buffer	500,000 Each Occurrence 1,000,000 Aggregate	12/1/2015-16	\$175,440	Gemini Insurance Co.
N1A3RL000006606	Primary Excess Liability	10,000,000 x/o 500,000 SIR	12/1/2015-16	\$465,151	Princeton Excess and Surplus Lines Insurance Co.
XCS00000039	Excess Liability	10,000,000 x/o 10,000,000	12/1/2015-16	\$140,000	Scottsdale Insurance Co.
03051169	Excess Liability	15,000,000 x/o 20,000,000	12/1/2015-16	\$79,713	Allied World National Assurance Co.
EXC4223534	Excess Liability	25,000,000 x/o 35,000,000	12/1/2015-16	\$128,000	Great American Assurance Co.

**Valley Metro Rail, Inc.**  
**Schedule of Insurance Coverage (Concluded)**  
For the Fiscal Year Ended June 30, 2016

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

<b>Policy #</b>	<b>Coverage</b>	<b>Limits</b>	<b>Policy Term</b>	<b>Premium</b>	<b>Carrier</b>
EAU777849012015	Excess Liability	25,000,000 x/o 60,000,000	12/1/2015-16	\$36,120	AXIS Surplus Insurance Co.
G24100868007	Excess Liability	15,000,000 x/o 85,000,000	12/1/2015-16	\$74,820	Westchester Surplus Lines Insurance Co.
UTS2533782.15	Stand Alone Terrorism	\$50,000,000 Property Limit \$1,000,000 Liability Limit \$1,000,000 NCBR Limit \$100,000 Deductible	12/1/2015-16	\$47,111	Syndicate #33 - Hiscox
MTP903159001	Cyber and Technology Liability	\$1,000,000 Third Party Liability \$1,000,000 First Party Coverage \$25,000 Retention	12/1/2015-16	\$23,681	Indian Harbor
37312354	Pollution Legal Liability (Fixed-site coverage)	5,000,000 each Pollution Incident; 5,000,000 Aggregate; 25,000 Deductible	12/1/2015-17	\$47,111	Chubb Custom Insurance Co.
1017940	Workers Compensation & Employers Liabilities Insurance	WC - Statutory EL - 1,000,000	3/1/2016 -17	\$134,326	Copper Point Western 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 2.81 mile Central Mesa LRT Extension, serving downtown Mesa and extending the light rail line to nearly 23 miles.

**March 2016** - Valley Metro opens the 3.28 mile Northwest LRT Extension, serving North Phoenix and extending the light rail line to 25.4 miles.

Source: Valley Metro Rail, Inc. Finance Division

