MEETING OF THE
Audit and Finance Subcommittee

Date:
January 10, 2019

Starting Time
12:00 p.m.

Location:
Valley Metro
Lake Mead Conference Room (10B)
101 N. 1st Avenue, 10th Floor
Phoenix

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

January 4, 2018

Audit and Finance Subcommittee
Thursday, January 10, 2019
10th Floor, Lake Mead Conference Room (10B)
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Action Recommended

1. Public Comment

The public will be provided with an opportunity at this time to address the committees on non-agenda items and all action agenda items. Up to three minutes will be provided per speaker unless the Chair allows more at his/her discretion. A total of 15 minutes for all speakers will be provided.

2. Minutes

Minutes from the December 6, 2018 Audit and Finance Subcommittee meeting are presented for approval.

3. Travel and Entertainment Expense Audit

Mary Modelski, Director, Internal Audit, will present the results of the Travel and Entertainment Expense Audit for acceptance.

4. Internal Audit Update

Mary Modelski, Director, Internal Audit, will provide an update on actions taken in Internal Audit.

1. For information

2. For action

3. For action

4. For information
5. **Internal Audit Exceptions Update**

Mary Modelski, Director, Internal Audit, will provide an update on the progress of audit exceptions.

6. **Intergovernmental Agreements, Contract Change Orders, Amendments, and Awards**

Paul Hodgins, Chief Financial Officer, will provide an update on upcoming intergovernmental agreements, contract awards, amendments and change orders.

7. **February Board Study Session**

Paul Hodgins, Chief Financial Officer, will solicit items related to the RPTA and VMR budgets to discuss at the February Board Study session.

8. **Future Agenda Items**

Chair Orsborn will request future AFS agenda items from members and members may provide a report on current events.

9. **Next Meeting**

The next meeting of the Audit and Finance Subcommittee is **February 14, at 12:00 p.m.**

Qualified sign language interpreters are available with 72 hours notice. Materials in alternative formats (large print, audiocassette, or computer diskette) are available upon request. For further information, please call Valley Metro at 602-262-7433 or TTY at 602-251-2039. To attend this meeting via teleconference, contact the receptionist at 602-262-7433 for the dial-in-information. The supporting information for this agenda can be found on our web site at [www.valleymetro.org](http://www.valleymetro.org).
**AGENDA ITEM 1**

**DATE**
January 4, 2019

**SUBJECT**
Public Comment

**PURPOSE**
The public will be provided with an opportunity at this time to address the committees on *non-agenda items and all action agenda items*. Up to three minutes will be provided per speaker unless the Chair allows more at his/her discretion. A total of 15 minutes for all speakers will be provided.

**BACKGROUND | DISCUSSION | CONSIDERATION**
None

**COST AND BUDGET**
None

**COMMITTEE PROCESS**
None

**RECOMMENDATION**
This item presented for information only.

**CONTACT**
Paul Hodgins
Chief Financial Officer
602-262-7433
phodgins@valleymetro.org

**ATTACHMENT**
None
Minutes

January 4, 2019

AGENDA ITEM 2

Audit and Finance Subcommittee
Thursday, December 6, 2018
Lake Mead Conference Room
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Meeting Participants
Councilmember Eric Orsborn, City of Buckeye, Chair
Mayor Thelda Williams, City of Phoenix, Vice Chair
Councilmember Robin Arredondo-Savage, City of Tempe – by phone
Councilmember Skip Hall, City of Surprise – by phone
Vice Mayor Brigette Peterson, Town of Gilbert – by phone

Chair Orsborn called the meeting to order at 12:01 p.m.

1. Public Comment

None.

2. Minutes

Minutes from the October 11, 2018, Audit and Finance Subcommittee meeting presented for approval.

IT WAS MOVED BY MAYOR WILLIAMS, SECONDED BY COUNCILMEMBER ARREDONDO-SAVAGE AND UNANIMOUSLY CARRIED TO APPROVE THE OCTOBER 11, 2018 AFS MINUTES.

3. Relocation Audit

Mary Modelski, Director, Internal Audit presented the results of the Relocation Audit conducted by City of Tempe to the AFS for acceptance.

Councilmember Arredondo-Savage said she noticed that Scott’s signature was not on the relocation offer letter and asked if the policy would be amended to reflect this.

Mr. Smith said that the policy will be changed to reflect that the Chief Executive Officer’s signature is not required on the relocation offer letter.
IT WAS MOVED BY MAYOR WILLIAMS, SECONDED BY COUNCILMEMBER ARREDONDO-SAVAGE AND UNANIMOUSLY CARRIED TO ACCEPT THE RELOCATION AUDIT.

4. Internal Audit Update

Mary Modelski, Director, Internal Audit, provided an update on actions taken in Internal Audit.

Policies

- Ethics Policy – Validated active employees on the payroll as of 10/5/18 had signed the current Ethics policy. One exception noted. However, the employee has since terminated employment.

- Procurement Policy – Revised policy still on-schedule for release 12/31/18. Training on modifications has begun internally to advise the user community of upcoming changes.

Work in Progress

- Relocation Audit - issued 11/2/18 by City of Tempe and presented for acceptance.
- Credit card audit – testing underway along with discussions with management regarding anomalies.
- Travel and entertainment audit – exit meeting scheduled for December 10th.
- Audit exceptions – current status of deficiencies under a separate attachment.
- Human Resources – phone interviews conducted with first round of candidates.

This item presented for information only.

5. Internal Audit Exceptions Update

Mary Modelski, Director, Internal Audit, provided an update on the progress of audit exceptions.

Mayor Williams asked if the responses are getting more timely.

Ms. Modelski said that management is working with Internal Audit and Mr. Smith is working with management to ensure timely responses.
6. Respect the Ride Update – Station Ambassadors

Scott Smith, Chief Executive Officer, provided an informational update on the next phase of Respect the Ride and the Station Ambassadors program.

Mr. Smith said that with the Station Ambassadors program, Valley Metro is following best practices of other peer agencies.

Councilmember Arredondo-Savage said that she would like more detailed data on the efficiency of the Station Ambassadors program. She asked about the desired outcome and if it is related to increased ridership. She also asked how these Station Ambassadors will be incorporated into the FY19 budget.

Mr. Smith said that Paul Hodgins, Chief Financial Officer, will provide the Audit and Finance Subcommittee with the budget information requested.

There was discussion about the metrics of the program and how the success would be measured.

Mr. Smith said that he will continue discussions with Valley Metro staff on the metrics of the program.

7. Staffing Update

Scott Smith, Chief Executive Officer, provided a staffing consultant conversion update. He said that by converting consultants to Valley Metro staff, there is a savings of $1.7 million.

8. Intergovernmental Agreements, Contract Change Orders, Amendments, and Awards

Scott Smith, Chief Executive Officer provided an update on upcoming intergovernmental agreements, contract awards, amendments, and change orders. The following items will be presented to the Boards of Directors for approval:

- Enterprise Resource Planning (ERP) Consultant services Two-Year Contract Award
- Marketing and Advertising Support Services Contract Awards
- In-ground Vehicle Lifts Contract Award
- 2019 Origin and Destination Study Contract Award
- Light Rail Vehicle (LRV) Brake Equipment Overhaul Contract Award
- Light Rail Vehicle (LRV) Body Repair Services Five-Year Contract Award
- Vendor Managed Light Rail Vehicle Parts Inventory Program Contract Award
- SCADA Upgrade Contract Change Order
9. **Future Agenda Items**

None.

10. **Next Meeting**

The next meeting of the Audit and Finance Subcommittee is January 10, 2019 at 12:00p.m.

With no further discussion, the meeting adjourned at 1:12 p.m.
AGENDA ITEM 3

DATE
January 4, 2019

SUBJECT
Travel and Entertainment Expense Audit

PURPOSE
Present the results of the Travel and Entertainment Expense Audit to the Audit and Finance Subcommittee (AFS) for acceptance.

BACKGROUND/DISCUSSION/CONSIDERATION
The Fiscal Year 2018/2019 Internal Audit Plan approved by the AFS on June 14, 2018, included a review of Travel and Entertainment Expenses. The objective of the audit was to determine if travel and entertainment expenses adhere to the documented policy.

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
Staff recommends the Audit and Finance Subcommittee accept the Travel and Entertainment Expense Audit.

CONTACT
Mary Modelski
Internal Audit Manager
mmodelski@valleymetro.org
602-262-7433

ATTACHMENT
Travel and Entertainment Expense Information Summary
Travel and Entertainment Expenses Audit

December 2018

Audit Report
Internal Audit

Distribution
Audit and Finance Subcommittee
Scott Smith, Chief Executive Officer
Paul Hodgins, Chief Financial Officer
To Scott Smith, Chief Executive Officer:

The purpose of this report is to communicate the results of the Travel and Entertainment Expenses Internal Audit. The audit was part of Valley Metro’s Internal Audit Annual Audit Plan for Fiscal Year 18/19.

The report includes the following sections: Objective, Scope and Methodology, Prior Audit Findings, Background and Audit Results.

Request and reimbursement for travel and entertainment expense is highly visible and documented. Internal controls continue to expand and enhanced as evident by the modifications made to the request and reimbursement process during the timeframe of the review. Management has updated the policy and travel forms. However, increased compliance with the policy, accurate travel reporting, and policy clarifications would improve the internal controls.

During the course of this audit, individuals assisted by providing information on how the process works and supplied evidence for testing. Internal Audit appreciated their assistance.

For questions or further clarification, please contact me at 602-322-4453.

Mary Modelska
Internal Auditor
December 17, 2018
Objective:

Determine if Travel and Entertainment Expenses requested, incurred and reimbursed; adhered to Valley Metro policies and any other matters that raise to a level of attention.

Scope:

The timeframe of the items under review was from July 1, 2017 through June 30, 2018. Items that were incurred prior to or carried over from this timeframe and that fall into the scope timeframe, may be included within the population.

Methodology:

We reviewed all items of the population incurred during the course of travel paid for by Valley Metro. Due to the sensitive nature of this area of review, Internal Audit tested for 100% compliance. Internal Audit reported all exceptions to allow management to improve controls surrounding the process.

We focused on the following areas:

- Proper preapproval for business required travel.
- Accuracy of traveler input.
- Verification, reconciliation, tracking and approval of each trip by the Travel Administration team.

To achieve our audit objectives, we performed the following audit procedures:

- Obtained and reviewed the Travel policy (v. 7/28/16) and Travel Control List for Fiscal Year 17/18 and compared them to:
  - The general ledger postings from the Abila Accounting System for the activity codes associated with travel: 7305, 7306 and 7820
  - A listing of the Fiscal Year 17/18 Wells Fargo credit card transactions for travel related expenses
  - Travel advance and Travel Expense Reports packets in the Accounts Payables files, to include applicable supporting documentation
  - The Wells Fargo credit card reconciliation packets

- Obtained and reviewed the Travel Reimbursement Reports submitted to Valley Metro’s Joint Board for Fiscal Year 17/18 to ensure complete and accurate reporting.
Prior Audit Findings:

The Travel and Entertainment Expense Audit issued April 2018 identified two areas of improvement. During the course of this audit, we reviewed relevant items to determine if corrective action plans implementation took place.

Finding 1: Travel Policy Clarification - In Progress

The Travel policy (v. 7/20/18) emailed Agency wide on August 20, 2018. Updates to the Travel policy included the items recommended in the previous audit. The Travel Authorization Form (v. 10/10/18). The Travel Administrators, trained in October 2018, on the updated form and the Travel policy (v. 7/20/18). The annual training for all staff scheduled for November 27, 2018, is on the updated Travel policy and forms.

Finding 2: Travel Policy Exceptions - In Progress

The Travel policy (v.7/20/18) emailed Agency wide on August 20, 2018. Updates to the Travel policy included the items recommended in the previous audit. The Travel Authorization Form (v. 10/10/18). The Travel Administrators, trained in October 2018, on the updated form and the Travel policy (v. 7/20/18). The annual training for all staff scheduled for November 27, 2018, is on the updated Travel policy and forms.

Background

Valley Metro’s Fiscal Year 18/19 Internal Audit Plan includes the Travel and Entertainment Expenses Audit. The Audit Plan approved by the Audit and Finance Subcommittee on June 14, 2018. The Travel policy (v. 7/28/16) and the Agency Local Dining and Refreshments policy (v. 9/30/17) are the basis for our review of evidence to determine compliance with policies.

As part of Valley Metro’s business and operations, employees travel for various purposes including:

- Quarterly meetings and reporting to the Federal Transit Authority on the status of capital projects
- Professional development by attendance and/or presentation at training, meeting and/or conferences
- Pre-inspection of purchased equipment, such as buses and rail cars
- Learning industry best practices through observation of other jurisdictions transit systems
Booking Travel

During the timeframe under review (July 2017 through June 2018), management proactively identified areas where internal controls could be enhanced. In August 2017, additional fields added to the Travel Authorization Form, the Travel Expense Report added a line for the Chief Executive Officers (CEO) signature, and the Excel workbook removed the Conference tab. The Conference tab replaced with a separate form; the Professional Development Request. The Professional Development Request released in November 2017 expanded to include a membership option and updated in March 2018 to clarify signature requirements.

To book travel before August 16, 2017, the traveler must have completed and printed the tab within the Excel file called the Travel Authorization (v. 7/1/15) located on the Intranet. Within this Excel file are three tabs, each representing different forms. The tabs are:

- Travel Authorization,
- Conference, and
- Expense Report.

After August 16, 2017, the traveler would complete the updated forms within the Excel file:

- Travel Authorization and
- Expense Report.


If individuals are traveling inside Maricopa County to attend a conference or seminar, they are to complete the Professional Development Request form only. For a conference, seminar or event outside of Maricopa County, individuals are required to complete both the Travel Authorization Form and Professional Development Request form. Approval signatures from the traveler’s supervisor/manager, Division Head, Chief Financial Officer (CFO), and CEO are required. Approved forms routed to the Travel Administrators for processing. The Travel policy requires the forms submitted at least 21 days in advance of travel, so that the Travel Administrator can purchase travel at least 14 days prior to departure.

Upon return from travel, the travelers must complete the Expense Report tab. Approval signatures from the traveler’s supervisor/manager; Division Head, CFO, and CEO are required. Approved forms routed to the Travel Administrators for processing.

Travel Administrators

Valley Metro does not use a travel agent/company to book travel. The traveler provides information about their upcoming travel and/or conference/seminar on the Travel Authorization Form. The Travel Authorization Form is route for appropriate approval and then submit to one of five Valley Metro employees known as “Travel Administrators” to book the individuals travel and/or registration request.
According to the policy, Travel Administrators are “agency staff designated by CFO, responsible for making travel arrangements, including registration for conference/seminar, airfare and lodging, and post-travel duties including processing travel expense reports.”

The five Agency employees designated as Travel Administrators utilize a Valley Metro Wells Fargo credit card issued in their name to book travel related expenses:

- Executive Administrative Coordinator
- Administrative Assistant III, Capital and Service Development
- Administrative Assistance III, Operations/Maintenance Center
- Administrative Assistance III, Finance
- Accounting Technician, Finance

The Executive Administrative Coordinator primarily focuses on booking the CEO’s travel needs. The Executive Administrative Coordinator assists with backing up the other Travel Administrators, when necessary.

The Travel Administrators use a copy of the Travel Authorization Form and Professional Development Request form to support their monthly credit card reconciliation for expenses incurred by travelers for items such as airfare, hotel and registration.

The policy “is intended to ensure Agency related travel is conducted in a manner compliant with public agency best practices, as well as provide guidelines to complete travel procedures related to authorized and budgeted travel. All travel will provide a justification and will be tracked against the Travel Control List. Emergency travel must be approved by the Division Head responsible and CEO prior to travel.”

**Travel Control List**

The Travel Control is a list of anticipated travel expenses requested on an annual basis during the budget process. The Travel Control List does not include registration fees for any conferences or seminars as that considered a separate line item in the budgeting process. The Fiscal Year 17/18 Travel Control List itemizes an anticipated 220 trips for a total budgeted expense of $386,949, or approximately $1,759 per trip.

**Travel Expenses**

Total travel expenses (excluding registration) for Valley Metro totaled $228,310 for the time period of July 1, 2017 through June 30, 2018, which was $158,639 (41%) less that the approved travel budget for the year. 79 employees requested 167 trips during the timeframe, which was 53 (24%) less than budgeted. On the following pages are four charts highlighting information found during the course of this audit:
- Breakdown of travel expenses by expense type
- Average travel costs for total trip expenses, lodging, airfare and meals
- Top attended events/conferences
- Top ten travelers by costs

**Exhibit 1: Travel Expenses by Type**

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>$124,095.84</td>
</tr>
<tr>
<td>Airfare</td>
<td>$55,264.84</td>
</tr>
<tr>
<td>Canceled Airfares</td>
<td>$1,667.51</td>
</tr>
<tr>
<td>Meals</td>
<td>$35,104.42</td>
</tr>
<tr>
<td>Other Transportation</td>
<td>$8,616.88</td>
</tr>
<tr>
<td>Parking</td>
<td>$1,677.60</td>
</tr>
<tr>
<td>Baggage/Other</td>
<td>$1,883.29</td>
</tr>
</tbody>
</table>

FY17/18 Travel Expenses by Type
The average per trip costs of approximately $1,367 per trip were under the budgeted per trip estimated costs of approximately $1,759.

Employees from six Divisions attended the 2017 APTA Conference in Atlanta, GA., Operations and Maintenance staff attended the 2018 International Rail Rodeo in Denver, CO. During the timeframe under review, employees representing five Divisions attended two of the four EnoMAX leadership trainings.
Exhibit 4: Top Ten Traveler for Fiscal Year

The top ten travelers account for 65 trips, totaling $89,586.06, or 39.24% of the Agency’s Fiscal Year 17/18 travel expenses.

General Ledger Expense Reporting

In December 2017, Finance reclassified 18 transactions from activity code 7306 (Travel for Training and Seminars) to 7820 (Travel Expenses) as 7306 was discontinued. The spreadsheet on the following page details expenses recorded July 1, 2017 through June 30, 2018 trued by Internal Audit to determine if the population under review was complete:

Abila 7306, 7820 and 7305 True-up calculated by Internal Audit

<table>
<thead>
<tr>
<th>Activity Codes</th>
<th>7820: Travel Expenses*</th>
<th>7306: Travel for Training &amp; Seminars</th>
<th>7305: Training &amp; Seminars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-end Abila totals</td>
<td>$ 232,022.68</td>
<td>$ 368.50</td>
<td>$ 185,168.47</td>
</tr>
<tr>
<td>posted 07/01/17-06/30/18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Audit Trued:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add FY16/17 reimbursements</td>
<td>$ 197.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less FY 18/19 expenses</td>
<td>$(9,767.65)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 17/18 Expenses posted</td>
<td>$ 222,452.03</td>
<td>$ 368.50</td>
<td>$ 185,168.47</td>
</tr>
<tr>
<td>07/01/17-06/30/18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel Expense in 7306</td>
<td>$ 368.50</td>
<td>$ (368.50)</td>
<td></td>
</tr>
<tr>
<td>Memberships in 7305</td>
<td></td>
<td></td>
<td>(595.00)</td>
</tr>
<tr>
<td>Travel Expense in 7305</td>
<td>$ 396.43</td>
<td>$ (396.43)</td>
<td></td>
</tr>
<tr>
<td>Consultants in 7305</td>
<td></td>
<td>$ (48,000.00)</td>
<td></td>
</tr>
<tr>
<td>Registration in 7820 (In Maricopa)</td>
<td>$ (179.00)</td>
<td>$ 179.00</td>
<td></td>
</tr>
<tr>
<td>Registration in 7820 (Out of Maricopa)</td>
<td>$(5,300.00)</td>
<td>$ 5,300.00</td>
<td></td>
</tr>
<tr>
<td>Recruitment Expenses in 7820</td>
<td>$(1,332.50)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total General Ledger Expenses</td>
<td>$ 216,405.46</td>
<td>$ -</td>
<td>$ 141,656.04</td>
</tr>
</tbody>
</table>

*Please note that the general ledger travel expenses reported here of $216,405.46 do not reconcile with Fiscal Year 17/18 travel expenses of $228,310.38 reported in the “Travel Expenses” section above, because the $216,405.46 indicated above does not reflect the Fiscal Year 17/18 expenses posted to the general ledger prior to July 1, 2017.
Training and Seminar Expenses

Fiscal Year 17/18 training/seminar registration expenses totaled $141,657 for conferences, seminars, training and webinars within and outside of Maricopa County. Of the costs incurred and applied to account 7305 for travel related expense under review, $39,809 were in-scope. Other training expenses applied to account 7305 were local training and outside the scope of this review.

Travel Changes

Since the issuance of Internal Audit’s Travel and Entertainment Expense Audit Report released April 6, 2018 and the City of Phoenix’s Valley Metro Purchasing Card Audit Report follow-up audit released June 20, 2018, Management has implemented a number of changes to the area of travel and entertainment, including:

- Issuance of a revised Travel policy (v. 7/20/18)
- Updated Travel Authorization Form (v. 10/10/18)
- Appropriate signatures are gained prior to booking or reconciling final travel expenses
- Travel Advances will be requested/processed ten business days prior to travel
- Travel Expense Reports are due within ten business days after travel
- Traveler payments from Travel Expense Reports will be requested/processed within ten business days after approved TER received
- Annual refresher training will be required

The Travel policy (v. 7/20/18), “is intended to ensure Agency related travel is conducted in a manner compliant with public agency best practices, as well as provide guidelines to complete travel procedures related to authorized and budgeted travel”.

Management appears to be continuing to self-review the process and modifying the policy to increase controls.
Audit Results

Finding 1.1: Travel Policy Compliance-Form Submission

Valley Metro (VM) travelers did not submit travel forms timely, two areas identified:

1) 71 Travel Authorization Forms (TA) were submitted less than 21 days prior to travel:

<table>
<thead>
<tr>
<th>TA Form Approval</th>
<th># of Days before 1st Travel Date</th>
<th>After Travel*</th>
<th>2-7 Days</th>
<th>8-14 Days</th>
<th>15-20 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td># of TA’s</td>
<td>2</td>
<td>8</td>
<td>45</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

*The chart below provides trip information for the TA Forms submitted after travel.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Purpose of Travel</th>
<th>Location</th>
<th>Travel Dates</th>
<th>CEO or Board Approval</th>
<th># of Days After 1st Travel Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. Management Analyst</td>
<td>AzTA/ADOT Annual Conference</td>
<td>Tucson, AZ</td>
<td>04/08/18-04/10/18</td>
<td>04/19/18</td>
<td>11</td>
</tr>
<tr>
<td>CEO</td>
<td>Panel Discussion, League of AZ Cities Annual Conference</td>
<td>Tucson, AZ</td>
<td>08/23/17-08/24/17</td>
<td>08/24/17</td>
<td>1</td>
</tr>
</tbody>
</table>

2) 26 Travel Expense Reports (TER) were submitted more than 11 days after the last travel date:

<table>
<thead>
<tr>
<th>TER Submittal</th>
<th># of Days after Last Travel Date</th>
<th>11-14 Days</th>
<th>15-20 Days</th>
<th>21-60 days*</th>
<th>60+ Days*</th>
</tr>
</thead>
<tbody>
<tr>
<td># of TER’s</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

*The chart below provides trip information for the TERs submitted more than 21 days after completion of travel.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Purpose of Travel</th>
<th>Location</th>
<th>Travel Dates</th>
<th>TER Submission Date</th>
<th># of Days After Last Travel Date</th>
<th>Balance paid to Traveler (Due From)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction/Utilities Manager</td>
<td>Construction Quality Management for Contractors Course</td>
<td>San Diego, CA</td>
<td>08/08/17-08/10/17</td>
<td>09/11/17</td>
<td>32</td>
<td>$ (46.00)</td>
</tr>
<tr>
<td>Project Manager, Resident Engineer</td>
<td>Construction Quality Management for Contractors Course</td>
<td>San Diego, CA</td>
<td>08/08/17-08/10/17</td>
<td>09/11/17</td>
<td>32</td>
<td>$ (46.00)</td>
</tr>
<tr>
<td>Resident Engineer</td>
<td>Construction Quality Management for Contractors Course</td>
<td>San Diego, CA</td>
<td>08/08/17-08/10/17</td>
<td>09/11/17</td>
<td>32</td>
<td>$ (18.00)</td>
</tr>
<tr>
<td>Accessible Transit Services Manager</td>
<td>APTA Conference</td>
<td>Atlanta, GA</td>
<td>10/06/17-10/11/17</td>
<td>11/08/17</td>
<td>28</td>
<td>$ 122.38</td>
</tr>
<tr>
<td>Outside Counsel</td>
<td>Legal Services</td>
<td>Seattle, WA</td>
<td>02/07/18-02/09/18</td>
<td>4/16/18</td>
<td>66</td>
<td>$ 314.29</td>
</tr>
<tr>
<td>Service Planning Manager</td>
<td>EnoMAX</td>
<td>Denver, CO</td>
<td>06/24/18-06/29/18</td>
<td>9/26/18</td>
<td>89</td>
<td>$ 16.50</td>
</tr>
<tr>
<td>Rail Systems Engineer</td>
<td>Systems Engineering for Tech. Course</td>
<td>Los Angeles, CA</td>
<td>05/22/18-05/24/18</td>
<td>09/28/18</td>
<td>127</td>
<td>$ 160.00</td>
</tr>
<tr>
<td>Geographic Services Manager</td>
<td>ESRI International User Conf</td>
<td>San Diego, CA</td>
<td>07/09/17-07/14/17</td>
<td>09/26/18</td>
<td>439*</td>
<td>-0-</td>
</tr>
</tbody>
</table>

*When the Auditor requested documentation to support this claim, Finance realized the employee had terminated without completing a TER.
The Travel policy indicates responsibilities of the traveler as: “Submit the Agency Travel, Conference and Out-of-County Training Form at least 21-days in advance of travel,” and to “submit actual post-travel Expenses with itemized receipts and the Agency Travel, Conference and Out-of-County Training Form to Travel Administrator within five (5) working days after completing travel.”

Annual training on the Travel policy was not completed nor was a process of accountability/consequences for non-compliance with the Travel policy established.

Failure to provide the Agency with a policy that specifically addresses a process of accountability/consequences for non-compliance may lead to inconsistent enforcement of the policy.

Recommendations:
Management should update the Travel policy to address a process of accountability/consequences for non-compliance to the policy to promote consistent enforcement and maintenance of fiscal responsibility.

Views of Responsible Officials:
Management concurs with the recommendation, but notes that the policy as written does not accurately reflect the intent of the policy itself. The policy will be updated to both clarify the intent of early travel requests and to include accountability metrics for non-compliance.

Responsible Party:
Chief Financial Officer

Due Date:
March 29, 2019
Finding 1.2: Travel Policy Compliance-Form Approvals

The CEO submitted two Travel Authorization Forms not pre-approved by the Board Chairs:

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Purpose of Travel</th>
<th>Location</th>
<th>Travel Dates</th>
<th>Board Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Roads &amp; Streets Conference</td>
<td>Tucson, AZ</td>
<td>03/29/18-03/30/18</td>
<td>Indicated as Not Applicable: In-State travel</td>
</tr>
<tr>
<td>CEO</td>
<td>AzTA Board of Directors Retreat</td>
<td>Prescott, AZ</td>
<td>06/21/18-06/22/18</td>
<td>Indicated as Not Applicable: In-State travel</td>
</tr>
</tbody>
</table>

The Travel policy indicates a responsibility of the CEO: “Submit CEO related travel, per existing CEO contract, to Board Chairs for pre-approval.” A responsibility of the Board Chairs: “Authorize and pre-approve any CEO Agency related travel, per existing CEO contract.”

Travel Authorization Forms (TA) submitted with notations by the Travel Administrator that the Board Chairs’ approvals were “not applicable” as the CEO travel designated as “in-state”. No additional documentation to support the notation was included with the TA.

Failure to obtain the Board Chairs’ pre-approval on any CEO Agency related travel could put the Agency at risk of incurring unapproved expenses.

Recommendations:
Management should submit all CEO Agency related travel to the Board Chairs for pre-approval and the Travel Administrators should not complete travel arrangements without documented Board approvals. The Travel policy should also reflect if CEO travel trip in state does not require Board pre-approval.

Views of Responsible Officials:
Management partially concurs with this recommendation. The CEO is not required to obtain pre-approval from the Board Chairs for in-state travel. The Travel Policy will be updated to reflect this requirement.

Responsible Party:
Chief Financial Officer

Due Date:
March 29, 2019
Finding 1.3: Travel Policy Compliance-Credit Card Utilization

The Travel Administrators’ Valley Metro (VM) issued credit cards did not book and incur all travel/training expenses:

1) Seven VM Wells Fargo cardholders (Non-Travel Administrators) charged 64 transactions for travel/training expenses, totaling $25,835.26:

<table>
<thead>
<tr>
<th>Cardholder Job Title</th>
<th>Division</th>
<th>Expense Type</th>
<th># of transactions</th>
<th>Amount</th>
<th># of transactions</th>
<th>Amount</th>
<th># of transactions</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Executive</td>
<td>Lodging</td>
<td>17</td>
<td>$ 8,414.15</td>
<td>18</td>
<td>$ 4,841.35</td>
<td>7</td>
<td>$ 4,540.00</td>
</tr>
<tr>
<td>Program Coordinator</td>
<td>CSD</td>
<td>Lodging</td>
<td>0</td>
<td>$ -</td>
<td>0</td>
<td>$ -</td>
<td>3</td>
<td>$ 746.76</td>
</tr>
<tr>
<td>Paralegal</td>
<td>Legal</td>
<td>Lodging</td>
<td>0</td>
<td>$ -</td>
<td>0</td>
<td>$ -</td>
<td>2</td>
<td>$ 360.00</td>
</tr>
<tr>
<td>IT Administrative Specialist</td>
<td>Agency Business</td>
<td>Lodging</td>
<td>0</td>
<td>$ -</td>
<td>0</td>
<td>$ -</td>
<td>4</td>
<td>$ 2,450.00</td>
</tr>
<tr>
<td>Admin Assistant II</td>
<td>Operations &amp; Maintenance</td>
<td>Lodging</td>
<td>0</td>
<td>$ -</td>
<td>0</td>
<td>$ -</td>
<td>3</td>
<td>$ 3,000.00</td>
</tr>
<tr>
<td>Admin Assistant II</td>
<td>Human Resources</td>
<td>Lodging</td>
<td>0</td>
<td>$ -</td>
<td>0</td>
<td>$ -</td>
<td>9</td>
<td>$ 1,283.00</td>
</tr>
<tr>
<td>Admin Assistant II</td>
<td>Communications &amp; Strategic Initiative</td>
<td>Lodging</td>
<td>0</td>
<td>$ -</td>
<td>0</td>
<td>$ -</td>
<td>1</td>
<td>$ 200.00</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td>17</td>
<td>$ 8,414.15</td>
<td>21</td>
<td>$ 5,588.11</td>
<td>26</td>
<td>$ 11,833.00</td>
</tr>
</tbody>
</table>

2) Six VM travelers charged ten transactions for travel related expenses on their personal credit cards and received Agency reimbursements, totaling $3,779.55:

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Division</th>
<th>Purpose of Travel</th>
<th>Location</th>
<th>Dates Traveled</th>
<th>CEO/Board Approval</th>
<th>Amount</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Coordinator</td>
<td>Safety, Security, and QA</td>
<td>Transit Rail Incident Investigation</td>
<td>Boston, MA</td>
<td>08/20/17 08/25/17 05/03/17</td>
<td>$ 1,499.30</td>
<td>Lodging</td>
<td></td>
</tr>
<tr>
<td>Sr. Management Analyst</td>
<td>Capital &amp; Service Development</td>
<td>AzTA/ADOT Annual Conf</td>
<td>Tucson, AZ</td>
<td>04/08/18 04/10/18 04/19/18</td>
<td>$ 216.42</td>
<td>Lodging</td>
<td></td>
</tr>
<tr>
<td>Planner I</td>
<td>Capital &amp; Service Development</td>
<td>AzTA/ADOT Annual Conf</td>
<td>Tucson, AZ</td>
<td>04/08/18 04/10/18 03/27/18</td>
<td>$ 216.42</td>
<td>Lodging</td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>Executive</td>
<td>AzTA BoD Retreat</td>
<td>Prescott, AZ</td>
<td>06/21/18 06/22/18</td>
<td>N/A: In State Travel</td>
<td>$ 155.78</td>
<td>Lodging</td>
</tr>
<tr>
<td>Dir, Capital &amp; Service Development</td>
<td>Capital &amp; Service Development</td>
<td>Detroit Streetcar Ops</td>
<td>Pittsburg, PA Detroit, MI</td>
<td>11/04/17 11/07/17 10/16/17</td>
<td>$ 118.81</td>
<td>Lodging</td>
<td></td>
</tr>
<tr>
<td>Manager, Capital Development</td>
<td>Capital &amp; Service Development</td>
<td>AzTA/ADOT Annual Conf</td>
<td>Tucson, AZ</td>
<td>04/08/18 04/10/18 03/27/18</td>
<td>$ 108.21</td>
<td>Lodging</td>
<td></td>
</tr>
<tr>
<td>Dir, Capital &amp; Service Development</td>
<td>Capital &amp; Service Development</td>
<td>Roads &amp; Streets Conf</td>
<td>Tucson, AZ</td>
<td>03/29/18 03/30/18 01/31/18</td>
<td>$ 104.21</td>
<td>Lodging</td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>Executive</td>
<td>APTA Transit CEO Seminar</td>
<td>Miami, FL</td>
<td>02/09/18 02/13/18 12/13/17</td>
<td>$ 502.61</td>
<td>Airfare</td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>Executive</td>
<td>APTA BoD/ Legislative Conf</td>
<td>Washington, DC</td>
<td>03/16/18 03/21/18 12/18/17</td>
<td>$ 473.61</td>
<td>Airfare</td>
<td></td>
</tr>
<tr>
<td>CEO</td>
<td>Executive</td>
<td>2017 APTA Annual Meeting</td>
<td>Atlanta, GA</td>
<td>10/07/17 10/11/17 08/03/17</td>
<td>$ 384.18</td>
<td>Airfare</td>
<td></td>
</tr>
</tbody>
</table>
The *Travel policy* states: “The Travel Administrator will pay airfare, lodging and/or registration fees, including conference sponsored meals, directly to the vendor. **Traveler(s) are required to coordinate any airline and lodging purchasing through the Travel Administrator.**”

Annual training on the *Travel policy* was not completed nor was a process of accountability/consequences for non-compliance with the Travel policy established.

Failure to provide to train the Agency travelers on the updated policy and forms may lead to inconsistent enforcement of the policy, irresponsible fiscal maintenance and inaccurate recordkeeping/reporting. Additionally, travel expenses not incurred on the Travel Administrators’ Valley Metro issued credit cards may lead to expenses not appropriately tracked by Finance.

**Recommendations:**
Management should provide *Travel policy* training on an annual basis and timely after policy and form updates to ensure travelers adhere to the requirement of coordinating travel through the Travel Administrators. Additionally, management should monitor travel documentation for compliance with the policy.

**Views of Responsible Officials:**
Management partially concurs with this recommendation. As noted in the previous travel audit, annual refresher training will be conducted and is currently scheduled. The internal audit incorrectly concludes that because charges were made on travelers’ credit cards, that travel was not coordinated with agency travel administrators. The current travel policy states that “Whenever possible, the Travel Administrator will pay airfare, registration fees, and lodging directly to airline, conference or training vendor and hotel/motel vendor.” It is not always possible for the Travel Administrator to pay charges directly. The apparent contradiction in how costs should be paid will be resolved in the updated travel policy.

**Responsible Party:**
Chief Financial Officer

**Due Date:**
March 29, 2019
Finding 1.4: Travel Policy Compliance-Travel Administrators

Valley Metro (VM) Travel Administrators did not adhere to the Travel policy, three areas identified:

1) Eighteen airfares were booked prior to Travel Authorization Form approval dates, totaling $6,916.00, evidence of authorization to book prior to formal approval of Travel Authorization Form not provided. (EnoMAX was a four-part leadership training offered to select employees)

<table>
<thead>
<tr>
<th>Purpose of Travel</th>
<th>Location</th>
<th>CEO Approval Date</th>
<th>Date Airfare Booked</th>
<th># of Days Airfare Booked before CEO Approval</th>
<th>Dates Traveled</th>
<th>Airfare Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>EnoMAX</td>
<td>Denver, CO</td>
<td>06/13/18</td>
<td>05/15/18</td>
<td>29</td>
<td>06/23/18 06/29/18</td>
<td>$ 358.02</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Denver, CO</td>
<td>06/13/18</td>
<td>05/15/18</td>
<td>29</td>
<td>06/24/18 06/29/18</td>
<td>$ 358.02</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Denver, CO</td>
<td>06/13/18</td>
<td>05/15/18</td>
<td>29</td>
<td>06/24/18 07/01/18</td>
<td>$ 406.11</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Denver, CO</td>
<td>06/12/18</td>
<td>05/25/18</td>
<td>18</td>
<td>06/24/18 06/29/18</td>
<td>$405.96</td>
</tr>
<tr>
<td>2018 Intern. Rail Rodeo</td>
<td>Denver, CO</td>
<td>05/25/18</td>
<td>05/09/18</td>
<td>16</td>
<td>06/06/18 06/11/18</td>
<td>$ 177.41</td>
</tr>
<tr>
<td>2018 Intern. Rail Rodeo</td>
<td>Denver, CO</td>
<td>05/25/18</td>
<td>05/09/18</td>
<td>16</td>
<td>06/06/18 06/11/18</td>
<td>$ 244.40</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Denver, CO</td>
<td>05/25/18</td>
<td>05/09/18</td>
<td>16</td>
<td>06/08/18 06/11/18</td>
<td>$ 274.40</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/11/18</td>
<td>03/27/18</td>
<td>15</td>
<td>04/15/18 04/20/18</td>
<td>$ 405.39</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/11/18</td>
<td>03/27/18</td>
<td>15</td>
<td>04/15/18 04/20/18</td>
<td>$ 448.40</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/11/18</td>
<td>03/27/18</td>
<td>15</td>
<td>04/15/18 04/20/18</td>
<td>$ 483.90</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/11/18</td>
<td>03/27/18</td>
<td>15</td>
<td>04/15/18 04/20/18</td>
<td>$ 509.05</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/09/18</td>
<td>03/27/18</td>
<td>13</td>
<td>04/15/18 04/20/18</td>
<td>$ 507.04</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/06/18</td>
<td>03/26/18</td>
<td>11</td>
<td>04/15/18 04/20/18</td>
<td>$ 465.23</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/06/18</td>
<td>03/27/18</td>
<td>10</td>
<td>04/15/18 04/20/18</td>
<td>$ 405.39</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/06/18</td>
<td>03/27/18</td>
<td>10</td>
<td>04/15/18 04/20/18</td>
<td>$ 481.89</td>
</tr>
<tr>
<td>EnoMAX</td>
<td>Atlanta, GA</td>
<td>04/06/18</td>
<td>03/29/18</td>
<td>8</td>
<td>04/15/18 04/20/18</td>
<td>$ 448.39</td>
</tr>
<tr>
<td>WTS Annual Conf</td>
<td>San Diego, CA</td>
<td>04/25/18</td>
<td>04/17/18</td>
<td>8</td>
<td>05/16/18 05/18/18</td>
<td>$ 196.40</td>
</tr>
<tr>
<td>Prelim Design Review</td>
<td>Sacramento, CA</td>
<td>02/08/18</td>
<td>02/07/18</td>
<td>1</td>
<td>02/26/18 03/01/18</td>
<td>$ 340.60</td>
</tr>
</tbody>
</table>

2) Documentation to support approval and rational for two employees significant others to accompany the employees at the 2018 International Rail Rodeo was not provided. Expenses included airfare, baggage fees and registration, totaling $789.

3) Seventeen Travel Expense Reports (TER)s were calculated inaccurately:
   - Fifteen travelers were overpaid:
     - Fourteen meal deductions for the first or last day of travel calculated at 75% incorrectly resulted in total of $115.50 in overpayments.
     - One clerical addition error in prepaid items totaling $281.45
   - Two travelers were underpaid:
     - One meal deduction for $18 subtracted twice: $36.00
     - One clerical addition error in prepaid items: $2.00
Annual training on the *Travel policy* was not completed nor was a process of accountability/consequences for non-compliance with the Travel policy established. Additionally, there is a lack of verification for accuracy of TERs prior to processing by Accounts Payable. Failure to provide timely training to the Agency Travel Administrators on the updated policy and forms may lead to inconsistent enforcement of the policy, irresponsible fiscal maintenance and inaccurate recordkeeping/reporting. Additionally, a lack of monitoring completed TERs does not ensure a segregation of duties from booking and reconciling travel expenses.

**Recommendations:**
Management should provide *Travel policy* training on an annual basis and timely after policy and form updates. Additionally, verification for accuracy of completed TERs and supporting travel documentation by the travelers’ management prior to submission to Finance can ensure a segregation of duties from booking and reconciling travel expenses and monitor for compliance with the policy. Any modifications made to the TERs by Finance should be discussed for clarification and understanding prior to final processing.

**Views of Responsible Officials:**
Management partially concurs with this recommendation. As noted in the previous travel audit, annual refresher training will be conducted and is currently scheduled. Travel Expenses Reports are currently being reviewed by the Controller as the final check to ensure compliance. That process was put in place with the updated Travel Policy in July 2018 and therefore is not demonstrated with the travel in this audit, which was all completed before July 2018.

Regarding the first two items noted (airfare booked prior to fully authorized travel authorization forms being submitted, and travel by significant others), the Travel Policy allows for exceptions that are approved by the CEO and CFO. In most, if not all, of the exceptions noted were authorized and therefore comply with current policy.

No additional remediation is needed for this finding.

**Responsible Party:**
Chief Financial Officer

**Due Date:**
NA
Finding 2: Incomplete Travel Reporting

Eleven Travel Reimbursement Reports (TRR) provided to the Board of Directors (BOD) omitted certain trips and contained incorrect information. Of the 167 requested travel trips, totaling $228,310.38:

1) Forty-eight completed trips were not included on the TRRs, totaling $58,590.75

<table>
<thead>
<tr>
<th>Division</th>
<th># of Trips</th>
<th>Travel Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital &amp; Service Development (CSD)*</td>
<td>14</td>
<td>$17,574.51</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>9</td>
<td>$11,397.07</td>
</tr>
<tr>
<td>Agency Business, Technology &amp; Services</td>
<td>8</td>
<td>$10,762.36</td>
</tr>
<tr>
<td>Executive**</td>
<td>8</td>
<td>$8,541.85</td>
</tr>
<tr>
<td>Safety, Security, and QA</td>
<td>2</td>
<td>$2,670.19</td>
</tr>
<tr>
<td>Board of Directors***</td>
<td>2</td>
<td>$2,575.21</td>
</tr>
<tr>
<td>Legal</td>
<td>2</td>
<td>$2,018.73</td>
</tr>
<tr>
<td>Communications &amp; Strategic Initiative</td>
<td>2</td>
<td>$1,873.45</td>
</tr>
<tr>
<td>Outside Counsel</td>
<td>1</td>
<td>$1,177.38</td>
</tr>
</tbody>
</table>

*CSD Director, 5 trips, $4,915.85 **CEO, 8 trips, $8,541.85 ***Councilmembers from Mesa & Tempe

2) Three trips were over reported, totaling $5,209.37

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Purpose of Travel</th>
<th>Location</th>
<th>Travel Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operations Officer*</td>
<td>International Rail Rodeo</td>
<td>Denver, CO</td>
<td>$1,050.77</td>
</tr>
<tr>
<td>Sr. Management Analyst*</td>
<td>Intro to Asset Management training</td>
<td>Los Angeles, CA</td>
<td>$1,118.72</td>
</tr>
<tr>
<td>CEO**</td>
<td>APTA Rail Conference</td>
<td>Denver, CO</td>
<td>$1,519.94</td>
</tr>
</tbody>
</table>

*Trip reported twice **Trip reported three times

3) Twenty trips under reported due to inaccurate amounts reported for airfare changes, hotel reimbursements, rental car charges, miscalculated per diem payments, or calculation errors, totaling a net $1,348.59. A reconciliation as to what actually charged to a Valley Metro credit card did not take place.

4) Four trips were cancelled, incurring Agency costs of $1,667.51 and the expense was not reported to the Board of Directors

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Purpose of Travel</th>
<th>Location</th>
<th>Airfare Costs Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>Rail-Volution</td>
<td>Houston, TX</td>
<td>$438.96</td>
</tr>
<tr>
<td>Geographic Services Manager</td>
<td>ESRI Public Sector CIO Summit</td>
<td>Redlands, CA</td>
<td>$534.20</td>
</tr>
<tr>
<td>Fleet and Facility Program Supervisor</td>
<td>APTA Expo</td>
<td>Atlanta, GA</td>
<td>$309.95</td>
</tr>
<tr>
<td>Gov't Relations Officer</td>
<td>Conference of Mayors Meeting</td>
<td>Washington DC</td>
<td>$384.40</td>
</tr>
</tbody>
</table>


The 2016 and 2018 *Travel policies* indicate responsibility of the CEO as, “Provide CEO travel detail to Boards upon completion of travel.” In addition, the BOD has indicated a desire for transparency in Agency travel.

Finance had a budgeted Travel Control List, but did not provide evidence that reconciliation took place back to the budgeted Travel Control List after travel incurred. Finance compiled the TRR without a documented secondary review, validation, or reconciliation before submission to the BOD.

Management is not reporting all expenses incurred accurately BOD on a consistent basis.

**Recommendations:**
Management should ensure the completeness and accuracy of the travel report submitted to the board by clarifying to staff the policies and procedures for reporting, and assigning an individual who is not involved in the preparation of the report the task of reviewing, validating, and reconciling the report for accuracy of the information prior to the BOD submission.

**Views of Responsible Officials:**
Management concurs with this recommendation. A more stringent review process will be put in place to ensure that reports to the Boards of Directors are complete and accurate.

**Responsible Party:**
Chief Financial Officer

**Due Date:**
December 31, 2018
Finding 3: Travel Policy Clarification

The *Travel policies* (v. 7/28/16 and v. 7/20/18) were unclear in regards to submission deadlines, exception procedures and role responsibilities. Five items identified:

1) *Travel Authorization Form* submission deadlines (v. 7/20/18) states: “Travelers are expected to have Travel Authorization Form completed and appropriately authorized early so conference/training fees, lodging and airfare can be arranged **at least 30 days prior** to travel to take advantage of conference/training discounts, conference lodging if available and less expensive flight options.”

   “Submit the Travel Authorization Form as soon as travel is identified so early registration discounts can be taken and **at least 21-days in advance** of travel…”

2) *Travel Expense Report* submission deadlines (v. 7/20/18) states: “If a Traveler accepts a Travel Advance, a settlement must be made based on actual expenses paid. If actual expenses are less than the estimated amount, the Traveler will reimburse the Agency for the unused balance and submit it with the Travel Expense report within ten business days of **returning to work**.”

   “All travel expenses are required to supported by a Travel Expense Report within 10 business days after the **return date of travel**.”

   “Complete and submit Travel Expense Report with actual post-travel Expenses with itemized receipts to Travel Administrator with ten (10) business days **after completing travel**.”

3) Requests for exceptions to the *Travel policy* (v. 7/20/18) states: “Requests for exceptions to this policy require written documentation from the Traveler when submitting the Travel Expense Report for reviews and approval.”

4) Reporting responsibility for non-CEO travel to the BOD does not assign in the *Travel policy* (v. 7/28/16 or v. 7/20/18).

5) Travel cancelations/changes not addressed in the *Travel policy* (v. 7/28/16 or v. 7/20/18).

The *Travel policy* provides the foundation by which travelers and administrators are to operate. Clear direction and instructions as to what is expected, allowed and un-allowed expenses alleviates confusion and incurring of declined expenses.

Lack of clarification and consistency for the traveler and responsibilities of all individuals as to requirements for form submissions, policy exceptions, reporting, and modifications to travel.
Failure to provide the Agency with a policy that specifically addresses form submission deadlines, policy exception documentation requirements, and role responsibilities may lead to inconsistent enforcement of the policy, inaccurate fiscal responsibility, recordkeeping and reporting.

**Recommendations:**
Management should align the *Travel policy* intent with associated forms and practices. In order to hold Travelers accountable for timely submission of their *Travel Authorization Forms* and *Travel Expense Reports*, the policy should clearly define the submission deadlines. To properly document approved exceptions to the policy, the policy should clearly define the process and timeline for obtaining approvals. To ensure accountability assigned for accurate and complete reporting to BOD on Agency travel, the policy should identify the roles and define the reporting responsibilities. Finally, to ensure travel cancelations or changes properly approved, documented, and tracked; the policy should identify the roles and define the responsibilities.

**Views of Responsible Officials:**
Management concurs with the recommendation. Apparent contradictions and inconsistencies within the policy will be clarified and corrected in an updated travel policy to be completed prior to calendar year end. In addition, the policy for travel cancellations will be included in the policy update and in the future will be properly documented and reported.

**Responsible Party:**
Chief Financial Officer

**Due Date:**
March 31, 2019
AGENDA ITEM 4

DATE
January 4, 2019

SUBJECT
Internal Audit Update

PURPOSE
To update the Audit and Finance Subcommittee on actions taken to continue to build Internal Audit.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
Item presented for information only.

CONTACT
Mary Modelski
Internal Audit Manager
mmodelski@valleymetro.org
602-262-7433

ATTACHMENT
None
Valley Metro
Audit and Finance Subcommittee
Internal Audit Update

January 2019

Update:

Policies:
• Procurement Policy – Revised policy was submitted to Leadership on 01/02/19. Training on modifications has begun internally to advise the user community of upcoming changes.
• Ethics Policy – First quarterly report (10/1-12/31/18) sent to the CEO on 01/4/19.

Work in progress:
• Travel and entertainment audit – Issued 12/17/18 and presented for acceptance.
• Credit card audit – Management is reviewing the draft report with an exit meeting scheduled for week of 01/14.
• Non-contract procurement audit - Testing complete with discussions with management regarding anomalies.
• Contract Management audit - Planning underway.
• Audit exceptions – Current status of deficiencies under a separate attachment.
• Human Resources - Phone interviews conducted with second round of candidates.
AGENDA ITEM 5

DATE
January 4, 2019

SUBJECT
Audit exceptions update

PURPOSE
Update the Audit and Finance Subcommittee on the progress of audit exceptions.

BACKGROUND/DISCUSSION/CONSIDERATION
The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 2500 Monitoring Progress states: The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

COST AND BUDGET
Funding for monitoring the progress of audit exceptions is included in the FY 2019 Valley Metro Budget.

COMMITTEE PROCESS
None

RECOMMENDATION
Item presented for information only.

CONTACT
Mary Modelski
Internal Audit Manager
mmodelski@valleymetro.org
602-262-7433

ATTACHMENT
Audit exceptions log
<table>
<thead>
<tr>
<th>Finding Title</th>
<th>Department</th>
<th>Finding Description</th>
<th>Recommendations</th>
<th>Management Response</th>
<th>Report Date</th>
<th>Due Date</th>
<th>Responsible Party</th>
<th>AFS Notes</th>
</tr>
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<tbody>
<tr>
<td>Small Dollar Purchases-Monitoring Procedures (Personal Services Contracts &amp; Sole Source Procurements)</td>
<td>Finance/Procurement</td>
<td>Two personal services contracts were not monitored to ensure appropriate CEO or Board approvals. The personal services contracts were initially created for short periods and small dollar values; however, through change orders these contracts were extended for several years with increased values. In our test sample, we identified two vendors which were engaged with Valley Metro as independent contractors under personal services contract. One personal services contract for videography was created on November 23, 2013, for services occurring from December 1, 2013 through June 30, 2014, and at a sum not to exceed $20,000. This personal services contract was amended five times extending services through June 30, 2017 and increasing the total value to $142,130. This contract was not competitively bid and CEO approval was not obtained as required by VMR policy for a contract of this dollar amount. Of the FY16 payment to this vendor, $5,200 was identified as FTA funds. Another personal services contract for graphic design consulting services was procured by RPTA for the period of September 23, 2013 through November 29, 2013, and at a sum not to exceed $9,200. Through several change orders this contract was extended through June 30, 2016, with an increased contract value to $89,200. Two sole source procurements for consulting services performed by the same vendor did not provide the required analysis that the vendor’s costs were fair and reasonable. Accounting records reflected payments to a vendor totaling $89,500 for consulting services rendered from February through September 2016, split equally ($44,750) between VMR and RPTA.</td>
<td>Work with Valley Metro to develop monitoring procedures for personal service contracts and sole source procurements to ensure compliance with policies and procedures.</td>
<td>Public Transit will work with Valley Metro to ensure development of procedures that include monitoring of personal service contracts and sole source procurements to ensure compliance with all applicable policies and procedures.</td>
<td>08/17/17</td>
<td>01/31/18</td>
<td>Chief Financial Officer</td>
<td>12/18/18: CPO indicated additional guidance from Management was being sought prior to issuance of the updated manual.</td>
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<td>On April 15, 2016, a purchase order and sole source justification memo to pay the vendor were completed after the vendor already started providing services to Valley Metro. Section 2 of the sole source justification memo requested, “…a detailed explanation as to how the anticipated costs to Valley Metro are fair and reasonable and the steps taken to make the determination.” The memo indicated that the dollar amount of services by the vendor to Valley Metro was not to exceed $50,000 and six months. On July 7, 2016, an additional purchase order and sole source memo were submitted to pay the vendor for services. The sole source justification reflected that services were not to exceed $50,000 or six months. Neither of the sole source justification memorandums provided analysis or comparison of the vendor’s anticipated costs with that of similar consulting services to determine reasonableness of the costs.</td>
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<tr>
<td>Finding Title</td>
<td>Department</td>
<td>Finding Description</td>
<td>Recommendations</td>
<td>Management Response</td>
<td>Report Date</td>
<td>Due Date</td>
<td>Responsible Party</td>
<td>APS Notes</td>
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<tr>
<td>Small Dollar Purchases-Review Aggregate Purchases Procedures</td>
<td>Finance/Procurement</td>
<td>VMR procurements at OMC employed reasonable competition, were transparent, and well documented. We did note that there was no procedure in place that required the consistent review of aggregate vendor purchases to determine if contracts were needed. We tested ten vendors with transactions totaling over $400,000. Competition was used in 38% ($156,188), no competition in 45% ($185,642), and micro purchases, which did not require competition, made up the remaining 17% ($68,321). Several of the sole source procurements were required due to the manufacturer’s warranty on the LRV, that necessitated the use of original equipment manufacturer parts. In interviews with OMC staff, we learned that there is no policy requiring the review of aggregate vendor purchases to determine if contracts are necessary or would be beneficial to the organization. Staff indicated that in November 2016, they implemented their own internal annual review of vendor purchases. A review of Ellipse purchases reflected that there were several made to the same vendor that in aggregate were over $50,000; while competition was employed, contacts were not obtained. Contracts may provide Valley Metro with enhanced competitive pricing and purchase protection.</td>
<td>Work with Valley Metro OMC to develop procedures to the consistent review of inventory purchases to determine when contracts should be obtained. Public Transit will work with Valley Metro to ensure development of procedures for the consistent review of inventory purchases to determine when contracts should be obtained.</td>
<td>08/17/17 01/31/18</td>
<td>Chief Financial Officer</td>
<td>12/18/18: CPO indicated additional guidance from Management was being sought prior to issuance of the updated manual.</td>
<td></td>
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<tr>
<td>Outdated policies and procedures over Information Technology (IT)</td>
<td>IT</td>
<td>Valley Metro did not have current policies and procedures in place to address necessary areas of risk related to hardware and/or software. The current version of policies and procedures provided by IT management was dated 2013. This version of the policies and procedures lacked sufficient direction and instruction on the following areas including, but not limited to; • Remote access to the system • Approved and appropriate use of personal devices on the network • Naming convention • Patch implementation, testing and oversight • Process for ensuring new software and hardware populates correctly and completely in Lansweeper, etc. and • Acquisition of hardware and software IT management and staff have changed significantly since 2013. These changes have resulted in undocumented directives and philosophies as to how to manage and lead IT. Insufficient direction and instruction allowed for inconsistent processes and practices within the environment. Best practices would be to have a documented consistent process in place in order to mitigate risk and ensure strategies are carried out.</td>
<td>Management should define a process by which on an annual basis policies and procedures are reviewed and updated as needed and appropriate. Updates should be communicated and appropriate training provided to necessary individuals in order for such individuals to execute their duties or provide backup support of other team members. The user community should also be educated on updates made to applicable policies and procedures to allow for consistent enforcement.</td>
<td>We intend to revise all policies and procedures to ensure that our policies and procedures comply with the strictest requirements/best practices.</td>
<td>02/07/18 03/31/18</td>
<td>Manager, Information Technology &amp; Executive Leadership Team</td>
<td>12/17/18: IT Manager forwarded the Change Management and Incident Response policies and applicable processes/plans to Document Control for finalization on 12/17 and noted the Asset Management Policy would be forthcoming before the end of the year.</td>
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</tbody>
</table>
Travel Policy Clarification

<table>
<thead>
<tr>
<th>Finding Title</th>
<th>Department</th>
<th>Finding Description</th>
<th>Recommendations</th>
<th>Management Response</th>
<th>Report Date</th>
<th>Due Date</th>
<th>Responsible Party</th>
<th>APS Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel Policy</td>
<td>Finance</td>
<td>The Travel policy:</td>
<td>Management should align the Travel policy intent with associated forms and practices. If circumstances warrant travel to be completed in less than 21-day of the submission the Agency Travel, Conference and Out-of-County Training form, the policy should reflect such verbiage. The Travel Authorization form should be revised to include identification if the user is staying at the host hotel and the rate exceeds the GSA rate. Otherwise, revisions to verbiage related to “hotel expense are reimbursed up to the maximum GSA hotel rate; and a traveler is responsible for the difference in the rates” should be considered. Further clarity should be added to the Travel Policy advising the traveler if they are taking part in the meal provided by the host, the per diem amount should reflect accordingly.</td>
<td>04/06/18</td>
<td>05/31/18</td>
<td>Chief Financial Officer</td>
<td>11/29/18: Internal Audit was provided a training sign-in sheet for the six Agency employees in attendance at the Nov 29th training.</td>
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<td>• Encourages individuals to stay at the conference or training host hotel site. If the host hotel nightly rate exceeds the GSA Lodging Rate Schedule, the excess host hotel rate is authorized. GSA §301-11.303 states: “The maximum amount that you may be reimbursed under actual expense is limited to 300 percent (rounded to the next higher dollar) of the applicable maximum per diem rate.” 17 of 93 travel instances were identified where the daily rate for lodging was in excess of the GSA published rate but under the 300 percent cap. The rates ranged from $35 to over $100 per night above the allowed GSA rate. Total spending on lodging for travel during fiscal year 2017 was $59,551, of which a total of $2,539 was spent in excess of GSA lodging limits (4.26%). Additionally, the Travel Authorization form states “Hotel expenses are reimbursable up to the maximum GSA hotel rate”. Also, “the traveler is responsible for the difference in the rates.” Evidence of reimbursement by the traveler of the amount in excess of the GSA rate did not exist.</td>
<td>Management concurs with the recommendation. Additional clarity is being added to the Travel Policy and procedures will be updated to ensure that documentation is proper and complete.</td>
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<td>• Defines: “Agency Travel, Conference and Out-of-County Training form – The Valley Metro (Agency) form used to process all authorized and budgeted Agency travel. This form requires Division Head, Chief Financial Officer (CFO) and Chief Executive Officer (CEO) signature approval”. Of the 93 forms completed, two Division Head signatures were found not to be present.</td>
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<td>• Identifies one of the responsibilities of the traveler is to “submit actual post-travel expenses with itemized receipts and the Agency Travel, Conference and Out-of-County Training form to Travel Administrator with five (5) working days after competing travel”. Of the 93 forms submitted, we found 45 forms were not submitted within five working days, based upon the date of the Expense Report.</td>
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<td>• States: “The Traveler will adjust the Per Diem amount for meals provided by business host or conference when applicable. If hotel has full breakfast included it will be deducted from per diem; continental breakfasts provided will not be deducted”. We found six occasion where a traveler requested per diem when food was to be provided by the host. The policy is silent on situation where the traveler may not be able to take part in others meals provided, due to dietary restrictions or timing of the meal coincides with business requirements. The Travel policy provides the foundation by which travelers and administrators are to operate. Clear direction and instructions as to what is expected, allowed and un-allowed expenses alleviates confusion and incurring of expense which may be declined. The Travel policy continues to mature and expand as travelers encounter situations which brings forth the need for further clarity to address situations not previously considered or addressed within the policy. As travelers are held accountable to the provisions within the Travel policy, areas not previously addressed have come to light.</td>
<td>Travelers should be held accountable for submission of their Expense form within the five-days after travel has been completed. Finally, management should ensure appropriate signatures are gained prior to booking or reconciling final travel expenses.</td>
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</table>

Below is a table outlining the number of days, after travel was completed, the Expense form was dated:

<table>
<thead>
<tr>
<th>Days</th>
<th>Forms</th>
</tr>
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<tbody>
<tr>
<td>2-5 Days</td>
<td>22</td>
</tr>
<tr>
<td>6-9 Days</td>
<td>11</td>
</tr>
<tr>
<td>11-15 Days</td>
<td>5</td>
</tr>
<tr>
<td>Over 18 Days</td>
<td>7</td>
</tr>
</tbody>
</table>

States: “The Traveler will adjust the Per Diem amount for meals provided by business host or conference when applicable. If hotel has full breakfast included it will be deducted from per diem; continental breakfasts provided will not be deducted”. We found six occasion where a traveler requested per diem when food was to be provided by the host. The policy is silent on situation where the traveler may not be able to take part in others meals provided, due to dietary restrictions or timing of the meal coincides with business requirements. The Travel policy provides the foundation by which travelers and administrators are to operate. Clear direction and instructions as to what is expected, allowed and un-allowed expenses alleviates confusion and incurring of expense which may be declined. The Travel policy continues to mature and expand as travelers encounter situations which brings forth the need for further clarity to address situations not previously considered or addressed within the policy. As travelers are held accountable to the provisions within the Travel policy, areas not previously addressed have come to light.
<table>
<thead>
<tr>
<th>Finding Title</th>
<th>Department</th>
<th>Finding Description</th>
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<tbody>
<tr>
<td>Travel Policy Exceptions</td>
<td>Finance</td>
<td>After reviewing 93 travel requests, 87 instances were in compliance. In six instances, documentation was insufficient to determine whether costs were appropriate. The six instances were: • One traveler requested to arrive at a more distant airport and rent a car to a different city where the conference was held. The traveler indicated on the Travel Authorization form the arrival city would be a savings. Additionally, a copy of the airfare cost comparison nor explanation was not included. Therefore evidence to verify the saving was not present. • One traveler used a more expensive vehicle option for transportation for a San Francisco hotel to the Oakland airport at the end of the conference. The cost was $96. An explanation as to why this vehicle was selected did not exist within the travel file. • One traveler utilized the terminal parking at Phoenix Sky Harbor airport for two days. Resulting in a reimbursed expense of $50.00 ($25 a day) verses $22 ($11 a day). The Travel policy states: “economy parking should always be used”. This was the travelers’ first trip for Valley Metro and was unaware of the Travel policy parking requirements. • One traveler purchased the CEO a $150 ticket for the Rail Rodeo Awards Banquet and submitted the expense. The traveler did obtain the CEO approval on her Expense form; but additional approval was not obtained from the CFO nor Board of Directors on the expense for the CEO. • On two occasions airfare was purchased at four and six days prior to departure resulting in fares of $1,052.00 (Savannah GA) and $1,285.20 (San Francisco). The Travel policy states: traveler(s) are to “submit the Agency Travel, Conference and Out-of-County Training Form at least 21-days in advance to travel so that the Travel Administrators can purchase travel at least 14-days prior to departure”. The travel was approved, but the reasons why these purchases were made less than 14-days prior to departure was not documented within the travel file. The Travel policy states: “Extenuating circumstances may arise during travel which may require unanticipated expenses. Whenever possible, approval should be received from the CEO and CFO prior to incurring the expense”. Evidence to demonstrate follow-up on unusual expenses was not maintained with Expense forms. This is resulting in expenses being Travel policy exceptions. Management should require travelers acknowledge review of the current Travel policy on an annual basis. Travel Administrators should document within the travel file any unusual requests for travel expenses and receive appropriate approval for such requests prior to booking. Travelers should be required to explain any unusual expenses incurred on the Expense form prior to being approved for reimbursement.</td>
</tr>
<tr>
<td>Relocation Offer Letter- Documented Approval Not Obtained</td>
<td>Human Resources</td>
<td>In 5 of the 6 instances where relocation expense payments were made, the co-signature of the Chief Executive Officer (CEO) was not included on the offer letter nor was a delegation of authority included, or attached to, the offer letter. In all cases, the offer letter was signed by a director level employee or above. The City of Tempe recommended, that in cases where the CEO is not able to sign the offer letter (for example, while on travel status) that a clear delegation of authority is documented and included with the offer letter. The policy will be changed to reflect that the Chief Executive Officer’s signature is not required on the relocation offer letter.</td>
</tr>
</tbody>
</table>
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6

SUBJECT
Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

PURPOSE
To provide an update to the Audit and Finance Subcommittee on upcoming Intergovernmental Agreements, Contract Amendments and Awards that will be presented to the Boards of Directors for action. For additional background information, the Board Information Summaries are included.

The following items will be presented to the Boards of Directors for approval:

A. Facility Maintenance Services Contract Award

Execute a 5-year year contract with DMS Facility Services, Inc. to provide facility maintenance services for an amount not to exceed $4,271,680. The VMR portion will not exceed $3,983,390 and the RPTA portion will not exceed $288,290.

B. Workers’ Compensation and Employer’s Liability Insurance Coverage Renewal

Renew the workers’ compensation and employer’s liability insurance coverage for a period of one year from March 1, 2019 to March 1, 2020 with CopperPoint Mutual Insurance Company for an annual premium of $170,903.

C. Solar Bus Canopy Installation and Maintenance Agreement

Execute Lease Option 1 for $1,200,000 and a project contingency of $180,000 for a 30-year Solar Services Agreement (SSA) with Urban Energy Solutions, LLC d.b.a. Natural Power and Energy (NPE) for the installation and maintenance of solar equipped bus canopies at the Mesa Bus Operations and Maintenance facility and to authorize the purchase of the system at the end of the lease period for $62,669.

D. West Valley Fixed Route Bus Service Contract Award

Execute a 5-year base contract with one 3-year option and one 2-year option with Total Transit Enterprises to provide West Valley fixed route bus service for an amount not to exceed $30,660,000 for the 5-Year base contract for the period of July 1, 2019 to June 30, 2024.
E. Uniform Rental and Laundry Service Contract Award

Execute a five-year contract for uniform rental and laundry services with Cintas Corporation for an amount not to exceed $264,000.

F. Northwest Phase II Light Rail Extension: Phoenix Water Services Department Agreement for Moon Valley Pump Station

Enter into an agreement to with the City of Phoenix Water Services Department to reimburse them up to $460,000 for design and construction changes associated with the realignment of the Moon Valley Water Pump Station (Pump Station).

G. Light Rail Vehicle (LRV) Bumper Overhaul Program Contract Awards

Execute contract with Smith Systems, Inc. in an amount not to exceed $193,400 and with Hubner Manufacturing Corp in an amount not to exceed $184,000 for a total amount of $377,400 to provide parts necessary for a Bumper Overhaul Program for the light rail vehicles.

H. South Central/Downtown Hub Light Rail Extension Utility Relocation Letters of Authorization

Sign Letters of Authorization with utility companies for their design and relocation activities in the downtown area of the South Central Extension project for an amount not to exceed $22,204,105.

I. Operations and Maintenance Center Expansion Design/Build Contract Award

Authorization for the CEO to:
   A. Award a contract for Operations and Maintenance Center (OMC) Expansion Design/Build services to Hensel Phelps for an amount not to exceed $90.9 million.
   B. Program an additional $22.0 million in regional Public Transportation Funds (PTF) and Congestion Mitigation and Air Quality (CMAQ) funds to the OMC Expansion in conjunction with the next Transit Life Cycle Program (TLCP) update.

RECOMMENDATION
For information only.

CONTACT
Paul Hodgins
Chief Financial Officer
phodgins@valleymetro.org
602-262-7433

ATTACHMENT
Information Summaries for items listed above
Information Summary

DATE
January 4, 2019

SUBJECT
Facility Maintenance Services Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a 5-year year contract with DMS Facility Services, Inc. to provide facility maintenance services for an amount not to exceed $4,271,680. The VMR portion will not exceed $3,983,390 and the RPTA portion will not exceed $288,290.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro’s current contract with DMS Facility Services for Facility Maintenance Services expires January 31, 2019. Valley Metro continues to have a need for maintenance of facilities, park and rides, and maintenance of passenger stations along the light rail alignment. This work also covers Valley Metro’s Mesa Bus Operations and Maintenance Facility.

The contractor shall provide all necessary vehicles, tools, supplies, materials and other related equipment required to perform the facility maintenance services defined in this contract. Services performed under this contract include a full range of facility maintenance services related to bus and light rail include:

- Mesa Bus Operations and Maintenance Facility;
- Light Rail Operations and Maintenance Center;
- Light rail park-and-ride lots and security offices located on the lots;
- Light rail operator facilities at end-of-line stations;
- Passenger stations, substations and signal stations

This contract will start February 1, 2019 for a five-year period. Work under this contract will be paid on a firm fixed price monthly.

In July 2018, Valley Metro issued a federally compliant Request for Proposal (RFP) for facilities maintenance services. A total of four firms submitted proposals and it was determined that two of the proposals were in the competitive range for further evaluation. The two firms were as follows:

1. DMS Facility Services, Inc.
2. TDI Industries, Inc.
A selection committee, comprised of staff from Valley Metro evaluated technical proposals. The selection committee has finalized its evaluations of each firm’s technical proposal, and the agency has finalized evaluation of each firm’s price proposal. The Selection Committee ranked proposals and arrived at its award recommendation using a “Best Value” process which allows for a contract award based on a combination of technical and cost factors. Based on this process, the selection committee has selected DMS Facility Services, Inc. as the firm whose proposal offers the “best value” to the agency.

The following table shows the technical, cost and combined scores for the two proposers:

<table>
<thead>
<tr>
<th>Rank and Firm</th>
<th>Technical Score</th>
<th>Price Score</th>
<th>Combined Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DMS Facilities Services, Inc.</td>
<td>568</td>
<td>400</td>
<td>968</td>
</tr>
<tr>
<td>2. TDI Industries, Inc.</td>
<td>540</td>
<td>358</td>
<td>898</td>
</tr>
</tbody>
</table>

An independent cost estimate including a cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

COST AND BUDGET
The facility maintenance services contract is for a total term of 5-years. For the total term of the contract, the award cost is $4,271,680 with funding as follows:

- RPTA $288,290
- VMR $3,983,390

The RPTA contract obligation is $288,290 and is included in the RPTA Adopted FY19 Operating and Capital Budget. Contract Obligations beyond FY19 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2019 thru FY2023).

The VMR contract obligation is $3,983,390 and is included in the Valley Metro Rail Adopted FY19 Operating and Capital Budget. Contract Obligations beyond FY19 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2019 thru FY2023).

STRATEGIC PLAN ALIGNMENT
FY 2016 – 2020:
- Goal 1: Increase customer focus
  - Tactic A: Improve customer satisfaction
• Goal 3: Grow transit ridership  
  o Tactic A: Expand and improve transit services to reach new markets
• Goal 5: Advance the value of transit  
  o Tactic A: Communicate and inform public on value of transit

COMMITTEE PROCESS
RTAG: December 18, 2018 for information
TMC/RMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a 5-year year contract with DMS Facility Services, Inc. to provide facility maintenance services for an amount not to exceed $4,271,680. The VMR portion will not exceed $3,983,390 and the RPTA portion will not exceed $288,290.

CONTACT
Ray Abraham  
Chief Operations Officer  
602-652-5054  
rabraham@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6B

SUBJECT
Workers’ Compensation and Employer’s Liability Insurance Coverage Renewal

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to renew workers’ compensation and employer’s liability insurance coverage for a period of one year from March 1, 2019 to March 1, 2020 with CopperPoint Mutual Insurance Company for an annual premium of $170,903.

BACKGROUND | DISCUSSION | CONSIDERATION
The current workers’ compensation insurance policy will expire on March 1, 2019. The policy covers work-related injuries to all RPTA employees and is required to be in place under A.R.S. 23-961.

CopperPoint Mutual Insurance Company (formerly SCF Western (a subsidiary of SCF Arizona)) has written the workers’ compensation and employer’s liability insurance for more than 12 years. RPTA has bid this coverage over many years to numerous other carriers which produced no feasible results due directly to the risk associated with Valley Metro’s business classification in the insurance market that includes railroad operations.

COST AND BUDGET
The following premium was provided by CopperPoint Mutual Insurance Company:

<table>
<thead>
<tr>
<th>Line of Coverage</th>
<th>Policy Limit</th>
<th>Expiring Premium</th>
<th>Renewal Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers’ Compensation / Employer’s Liability</td>
<td>Statutory / $1,000,000</td>
<td>$152,376</td>
<td>$170,903</td>
</tr>
</tbody>
</table>

Adjustment in renewal premium is approximately 12% based on an increase in renewal payroll. Allocation of the cost will be attributed to RPTA and Valley Metro Rail (VMR) budgets based on actual payroll allocations between the two budgets.

The annual premium is subject to a payroll audit at the end of the policy period that will run from March 1, 2019 through March 1, 2020. If the audited payroll differs from the estimated payroll, there will be a premium adjustment.
STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2017 – 2021:

- Goal 2: Advance performance based operation
  - Tactic D: Maintain a culture to recruit and retain a qualified and diverse workforce.
  - Tactic E: Maintain strong fiscal controls to support Valley Metro’s long-term sustainability.

COMMITTEE PROCESS
RTAG: December 18, 2018 for information
TMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to renew the workers’ compensation and employer’s liability insurance coverage for a period of one year from March 1, 2019 to March 1, 2020 with CopperPoint Mutual Insurance Company for an annual premium of $170,903.

CONTACT
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General Counsel
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ATTACHMENT
None
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6C

SUBJECT
Solar Bus Canopy Installation and Maintenance Agreement

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a 30-year Solar Services Agreement (SSA) with Urban Energy Solutions, LLC d.b.a. Natural Power and Energy (NPE) through the State of Arizona Cooperative Purchasing Program for the installation and maintenance of solar equipped bus canopies at the Mesa Bus Operations and Maintenance facility.

BACKGROUND | DISCUSSION | CONSIDERATION
The Mesa Bus Operations and Maintenance facility (MBOM), has limited shade protection for buses that are housed at this location. The exposure to sun, coupled with extreme heat in the summer months, damages the interiors and exteriors of the bus fleet and hinders our ability to keep passengers comfortable. To compensate for this, buses are often started up to 45 minutes before departure to help bring the interior temperatures down to an acceptable level.

In the current Fiscal Year 2019, Valley Metro budgeted $1.2 million to construct shade canopies in the bus parking lot at MBOM. Constructing canopies will provide shade for 138 additional buses. These shades canopies will reduce fuel consumption, decrease wear and tear on mechanical and cosmetic components, and improve the performance of the air conditioning systems.

During the preliminary phase of this project, and based on similar projects undertaken by other government agencies, staff explored the possibility of adding solar panels to the canopies with the objective of reducing overall project cost. Valley Metro contacted solar energy firms that have already gone through a government procurement process and are included on the State of Arizona Cooperative Contract. We requested the firms submit proposals to construct and maintain solar powered shade canopies at MBOM. From this outreach, Valley Metro received a single proposal from Natural Power and Energy (NPE). Staff analyzed this proposal to ensure it met the needs at MBOM and provided fair market value pricing. Staff also compared the proposal against other government projects involving a variety of solar providers for scope, size, and costs. Based on our analysis, we deemed the NPE proposal to be fair and reasonable.

As part of the cost benefit analysis, staff considered four different financial options to arrive at a best value recommendation. These options include four different courses of
action described below, and take into account the up-front capital cost of building the canopies and installing solar panels, to the potential earned savings from the production of energy for use at MBOM.

**Construct Shade Canopies w/out solar** – Build shade canopies without solar within budgeted cost of $1.2 million and continue buying all electricity from Salt River Project (SRP). The impact of increased utility rates over the 30-year period is estimated at $2,088,887.

**Lease Option 1** – NPE builds the canopies and installs solar panels and equipment, and Valley Metro pays them the existing budget authority of $1.2 million to cover a portion of the initial capital costs. NPE would sell Valley Metro the electricity generated by the solar panels at a fixed rate of $0.0635/kWh over the 30-year term of the Solar Services Agreement (SSA). This represents a 20% discount over the current SRP variable rate of $0.079/kWh. All operation and maintenance costs for the solar power plant are included in the fixed rate.

**Lease Option 2** – NPE pays all costs to build the canopies and solar equipment. NPE recoups this up front cost through the sale of solar electricity to Valley Metro at a fixed rate of $0.13/kWh. All operation and maintenance costs for the solar power plant are included in the fixed rate.

**Purchase Solar Shade Canopies** – NPE builds the canopies and solar equipment for a total cost of $3.3 million. Valley Metro owns the solar equipment and receives all solar generated electricity at zero cost per kWh. However, Valley Metro would be responsible for all operation and maintenance costs, which would be administered by a third party solar contractor. Most importantly, the current capital budget includes only $1.2 million to build canopies. There is no other source of additional funding presently identified.

Note: Electricity produced by the solar equipment will cover approximately 75% of the energy needs at the MBOM. Calculations in the table below for Lease Options 1 and 2 are based on SRP providing 25% of the electricity at rates that start at the current rate of $0.079/kwh with an increase of 1.5% per year over a 30-year term of the SSA. The rate escalation for the no-solar option is $2,088,887.

The table below illustrates the non-discounted real dollar cost or savings of the options over a 30-year period:

<table>
<thead>
<tr>
<th></th>
<th>Net Capital Costs</th>
<th>Electric Rate/kWh</th>
<th>Net Savings (Cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct Shade Canopies (No Solar)</td>
<td>$1,200,000</td>
<td>$0.0790</td>
<td>($1,200,000)</td>
</tr>
<tr>
<td>Lease Option 1</td>
<td>$1,200,000</td>
<td>$0.0635</td>
<td>$826,218</td>
</tr>
<tr>
<td>Lease Option 2</td>
<td>$0</td>
<td>$0.1300</td>
<td>($2,113,273)</td>
</tr>
<tr>
<td>Purchase Solar Shade Canopies</td>
<td>$3,300,000</td>
<td>$0.00</td>
<td>$2,021,634</td>
</tr>
</tbody>
</table>
Based on upfront costs that fall within the current budget, a favorable fixed rate for energy consumption and a sizeable return on the initial investment (estimated at $826,218), staff recommends awarding a contract to NPE for **Lease Option 1**. This option provides energy cost savings throughout the 30-year term of the lease, enhances Valley Metro’s sustainability goals, and provides a renewable energy source at the only major bus maintenance facility in this region that does not have shaded parking for buses.

The SSA also provides an option to purchase the system at the conclusion of the term for $62,669. Since the solar panels have a life expectancy of 40 years, additional savings can be achieved well beyond the 30-year term. This coupled with the guaranteed replacement of all solar system components over the lease period makes this option the best value for Valley Metro.

**COST AND BUDGET**
The one-time lease buy down payment of $1,200,000 and project contingency cost estimated at $180,000 are included in the FY19 Valley Metro RPTA Operating and Capital budget. The monthly energy costs associated with the SSA for a period of 30 years will be included in the RPTA Proposed FY20 Operations and Capital Budget and the RPTA Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

**STRATEGIC PLAN ALIGNMENT**
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:
- **Goal 2:** Advance performance based operation
  - **Tactic A:** Operate an effective, reliable, high performing transit system
  - **Tactic B:** Enhance Valley Metro’s role in sustainability and the environment
- **Goal 4:** Focus on economic development, regional competitiveness and financial resources
  - **Tactic D:** Seek opportunities to attract capital investment to advance transit projects through public/private partnerships

**COMMITTEE PROCESS**
RTAG: December 18, 2018 for information
TMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

**RECOMMENDATION**
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute **Lease Option 1** for $1,200,000 and a project contingency of $180,000 for a 30-year Solar Services Agreement (SSA) with Urban Energy Solutions, LLC d.b.a. Natural Power and Energy (NPE) for the installation and maintenance of solar equipped bus canopies at the Mesa Bus Operations and Maintenance facility and to authorize the purchase of the system at the end of the lease period for $62,669.
CONTACT
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Wulf Grote
Director, Capital and Service Development
602-322-4420
wgrote@valleymetro.org

ATTACHMENT
None
Solar Shade Canopy Project
January 2019

Project Background

• Mesa Bus Operations facility has limited shade protection for buses
• Sun exposure hinders the performance of the AC system, wastes fuel, adds hours on engine due to long idle times
• Staff budgeted $1.2M in FY19 budget to construct shade canopies
• Staff explored solar canopy options before proceeding with construction
• Received bid from firm on State Cooperative Agreement
Solar Options

- Construct shade canopies without solar
  - $1.2M investment
  - Energy costs escalate over time (1.5% annually)

- Lease Option 1
  - 30-year Solar Service Agreement with Natural Power & Energy
  - Construct shade canopies with solar panels and equipment
  - $1.2M investment
  - 30-year fixed rate ($0.0635/kwh) compared to variable rate of $0.079/kwh with Salt River Project
  - Operation and maintenance costs covered by solar service provider
Solar Options Continued

• **Lease Option 2**
  - 30-year Solar Service Agreement with Natural Power & Energy
  - Construct shade canopies with solar panels and equipment
  - No upfront investment required
  - 30-year fixed rate ($0.13/kwh) compared to variable rate of $0.079/kwh with Salt River Project
  - Operation and maintenance costs covered by solar service provider

• **Purchase Solar Shade Canopy System**
  - $3.3M investment
  - Zero cost per kwh for up to 75% of energy produced by system
  - Valley Metro would hire a 3rd party solar provider to maintain system

### Estimated Return on Investment

<table>
<thead>
<tr>
<th></th>
<th>Net Capital Costs</th>
<th>Electric Rate/kWh</th>
<th>Net Savings (Cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct Shade Canopies (No Solar)</td>
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<tr>
<td>Lease Option 1</td>
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<td>$0.0635</td>
<td>$826,218</td>
</tr>
<tr>
<td>Lease Option 2</td>
<td>$0</td>
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<td>$(2,113,273)</td>
</tr>
<tr>
<td>Purchase Solar Shade Canopies</td>
<td>$3,300,000</td>
<td>$0.00</td>
<td>$2,021,634</td>
</tr>
</tbody>
</table>
**Staff Recommendation**

- **Lease Option 1**
  - Provides energy cost savings for 30 years
  - Net return on investment of $826,218
  - Enhances Valley Metro's sustainability goals
  - Provides renewable energy source at major bus facility
  - Solar system has life expectancy of 40 years
  - All components replaced at no cost during 30 year period
  - Best overall value that fits within current budget constraints
  - Natural Power & Energy is the same firm that built the solar system at the Operations and Maintenance Center

**Proposed Design**

- Shade structures designed to match existing canopies
- Shaded parking for up to 138 spaces
- System will generate 75% of power used at this facility
Recommendation

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute Lease Option 1 for $1,200,000 and a project contingency of $180,000 for a 30-year Solar Services Agreement (SSA) with Urban Energy Solutions, LLC d.b.a. Natural Power and Energy (NPE) for the installation and maintenance of solar equipped bus canopies at the Mesa Bus Operations and Maintenance facility and to authorize the purchase of the system at the end of the lease period for $62,669.
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6D

SUBJECT
West Valley Fixed Route Bus Service Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a 5-year base contract with one 3-year option and one 2-year option with Total Transit Enterprises to provide West Valley fixed route bus service for an amount not to exceed $29,200,000 for the 5-Year base contract plus a 5% contingency of $1,460,000 for the period of July 1, 2019 to June 30, 2024, for a total of $30,660,000.

BACKGROUND/DISCUSSION/CONSIDERATION
West Valley fixed route bus service is currently provided to Valley Metro under an eight-year contract with Total Transit Enterprises. The current contract expires in June 2019.

The West Valley fixed route bus service contractor will provide circulator and express fixed route bus services in the Northwest and Southwest portions of the Valley serving the communities of:

- Avondale
- Buckeye
- Glendale
- Goodyear
- Maricopa County
- Peoria
- Phoenix
- Surprise

The contractor is responsible for all facets of service provision including selection and hiring of personnel qualified for the operation and maintenance of equipment and services. The contractor is responsible for locating and identifying maintenance and storage facilities that best meet the operational needs of the service and which minimize deadhead miles traveled. The identified facilities will be the sites for bus storage and service vehicle maintenance, fueling and washing, and administration of operations.

In July 2018, Valley Metro issued a federally compliant Request for Proposal (RFP) for the provision of West Valley fixed route bus service. A total of two firms submitted proposals as follows:

1. Total Transit Enterprises
2. Transdev Services, Inc.
A selection committee, comprised of staff from Valley Metro and member cities evaluated technical proposals. Based on the proposals received and answers to evaluation committee questions, the committee made a request for “Best and Final Offers” (BAFOs) from the two firms. The selection committee has finalized its evaluations of each firm’s technical proposal, and the agency has finalized evaluation of each firm’s price proposal. The Selection Committee ranked proposals and arrived at its award recommendation using a “Best Value” process which allows for a contract award based on a combination of technical and cost factors. Based on this process, the selection committee has selected Total Transit Enterprises as the firm whose proposal offers the “best value” to the agency.

The following table shows the technical, cost and combined scores for the two proposers:

<table>
<thead>
<tr>
<th>Rank and Firm</th>
<th>Technical Score</th>
<th>Price Score</th>
<th>Combined Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total Transit Enterprises</td>
<td>525</td>
<td>400</td>
<td>925</td>
</tr>
<tr>
<td>2. Transdev Services, Inc.</td>
<td>503.5</td>
<td>384.7</td>
<td>888.2</td>
</tr>
</tbody>
</table>

An independent cost estimate including a cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

**COST AND BUDGET**

The estimated annual revenue miles is 1,116,009 at the beginning of the contract period that begins July 1, 2019. Service costs over the five-year base period are included in the following table.

<table>
<thead>
<tr>
<th>Contractor Service Costs*</th>
<th>Current</th>
<th>Five-Year Contract Base Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 19</td>
<td>FY 20</td>
</tr>
<tr>
<td><strong>Annual Costs (Millions)</strong></td>
<td>$5.6</td>
<td>$5.6</td>
</tr>
<tr>
<td><strong>Express Cost per Mile (CPM)</strong></td>
<td>$6.47</td>
<td>6.47</td>
</tr>
<tr>
<td><strong>Circulator Cost per Mile (CPM)</strong></td>
<td>$4.61</td>
<td>4.61</td>
</tr>
<tr>
<td><strong>% Increase</strong></td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Based on 1.1 million miles
Included in the RFP and price proposals was an option for the contractor to be compensated for any added or deleted revenue miles in excess of 15% from the base 1,116,009 estimated revenue miles. Contractor proposed alternative rates if the above threshold is met.

Valley Metro prepares a five-year mid-life engine rebuild program to maintain the bus fleet in a state of good repair. The program focuses on buses with a 12-year life expectancy (heavy duty buses) whereas upon reaching either six years or 250,000 miles the engines are rebuilt. Contractor subcontracts the rebuilding of these engines to local qualified maintenance vendors and passes through these costs to Valley Metro without any markup. The contract states that mid-life engine rebuild costs are the responsibility of Valley Metro. These costs are included in the proposed contract amount.

Cost for the first year of the five-year contract base period is estimated at $5.7 million and will be included in the RPTA Proposed FY20 Operating and Capital Budget. Contract obligations beyond FY20 will be incorporated into the Proposed RPTA Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024). A contract contingency of $1.46 million is also requested for unanticipated costs such as additional revenue service, enhanced service for special events, transit education and bus bridges, etc.

Below are the contractor costs for each year of the five-year contract base period:

<table>
<thead>
<tr>
<th>Five-year Contract Base Period Amount (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed 5-Year Base Costs</td>
</tr>
<tr>
<td>FY 20</td>
</tr>
<tr>
<td>$5.6</td>
</tr>
<tr>
<td>Engine &amp; Transmission Rebuilds</td>
</tr>
<tr>
<td>$0.1</td>
</tr>
<tr>
<td>Total Five-Year Contract Base Period Amount</td>
</tr>
<tr>
<td>$5.7</td>
</tr>
</tbody>
</table>

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 1: Increase Customer Focus
  - Tactic A: Improve Customer Satisfaction
• Goal 2: Advance performance based operation
  o Tactic A: Operate an effective, reliable, high performing transit system

COMMITTEE PROCESS
RTAG: December 18, 2018 for information
TMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a 5-year base contract with one 3-year option and one 2-year option with Total Transit Enterprises to provide West Valley fixed route bus service for an amount not to exceed $30,660,000 for the 5-Year base contract for the period of July 1, 2019 to June 30, 2024.

CONTACT
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rabraham@valleymetro.org

ATTACHMENT
None
West Valley Fixed Route Contract Award

January 2019

Background

• Current contract for the provision of West Valley fixed route bus service expires June 30, 2019.

• The West Valley service provides circulator and express fixed route bus services in the Northwest and Southwest portions of the Valley.
Proposal Evaluations

• In July 2018, Valley Metro issued a federally compliant Request for Proposal (RFP)
• A total of two firms submitted proposals and the combined scores were as follows:

<table>
<thead>
<tr>
<th>Rank and Firm</th>
<th>Technical Score</th>
<th>Price Score</th>
<th>Combined Score</th>
</tr>
</thead>
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<td>1. Total Transit Enterprises</td>
<td>525</td>
<td>400</td>
<td>925</td>
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<tr>
<td>2. Transdev Services, Inc.</td>
<td>503.5</td>
<td>384.7</td>
<td>888.2</td>
</tr>
</tbody>
</table>

• The selection committee has selected Total Transit Enterprises as the firm whose proposal offers the “best value” to the agency.

Contractor’s Facility

• The contractor is responsible for locating and identifying maintenance and storage facilities that best meet the operational needs of the service and which minimize deadhead miles traveled.
• Total Transit’s facility is located at 39th Ave. and Sweetwater.
Contractor Service Costs

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Five-Year Contract Base Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 19</td>
<td>FY 20</td>
</tr>
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<tr>
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<td>$4.61</td>
<td>4.61</td>
</tr>
<tr>
<td>% Increase</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Based on 1.1 million miles

Five-year Contract Base Period Amount (Millions)

- Valley Metro prepares a five-year mid-life engine rebuild program to maintain the bus fleet in a state of good repair.
- The contract states that mid-life engine rebuild costs are the responsibility of Valley Metro. These costs are included in the proposed contract amount.

<table>
<thead>
<tr>
<th></th>
<th>FY 20</th>
<th>FY 21</th>
<th>FY 22</th>
<th>FY 23</th>
<th>FY 24</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed 5-Year Base Costs</td>
<td>$5.6</td>
<td>$5.6</td>
<td>$5.7</td>
<td>$5.9</td>
<td>$6.0</td>
<td>$28.8</td>
</tr>
<tr>
<td>Engine &amp; Transmission Rebuilds</td>
<td>$0.1</td>
<td>$0.1</td>
<td>$0.2</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.4</td>
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<tr>
<td>Total Five-Year Contract Base Period Amount</td>
<td>$5.7</td>
<td>$5.7</td>
<td>$5.9</td>
<td>$5.9</td>
<td>$6.0</td>
<td>$29.2</td>
</tr>
</tbody>
</table>
Recommendation

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a 5-year base contract with one 3-year option and one 2-year option with Total Transit Enterprises to provide West Valley fixed route bus service for an amount not to exceed $30,660,000 for the 5-Year base contract for the period of July 1, 2019 to June 30, 2024.
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6E

SUBJECT
Uniform Rental and Laundry Service Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a five-year contract for uniform rental and laundry services with Cintas Corporation for an amount not to exceed $240,000 plus a 10% contingency of $24,000, for a total of $264,000.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro currently provides uniforms for 98 employees located at the Valley Metro Operations and Maintenance Center (OMC) through an annual rental agreement with Mission Uniforms. Mission Uniforms is no longer on the Arizona State Cooperative Agreement listing therefore Valley Metro issued its own solicitation. The current agreement includes uniform rental, towels, floor mat rental, and laundry services. Valley Metro continues to have a need for these services.

In November 2018, Valley Metro issued an Invitation for Bids (IFB) for the provision of uniform rentals, towels, floor mat rental, and laundry services. An IFB is a competitive procurement utilizing sealed bids and is awarded to the lowest responsive, responsible bidder. The list of companies that submitted bids were as follows:

1. Cintas Corporation
2. Mission Linen and Uniform Supply
3. Prudential Overall Supply
4. UniFirst Corporation

Cintas Corporation was determined to be the lowest, responsive, responsible bidder. The contract resulting from this IFB will be Firm Fixed Price.

An independent cost estimate including a cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

COST AND BUDGET
Costs for the five-year contract for uniform rental and laundry services with Cintas Corporation is an amount not to exceed $264,000 which includes a 10% contingency for possible increases of staff in the future. The cost is included in the Valley Metro Rail Adopted FY 2019 Operating and Capital Budget. Contract obligations beyond FY2019
are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2019 thru FY2023).

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance based operation
  - Tactic A: Operate an effective, reliable, high performing transit system

COMMITTEE PROCESS
RTAG: December 26, 2018 for information
RMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a five-year contract for uniform rental and laundry services with Cintas Corporation for an amount not to exceed $264,000.

CONTACT
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602-652-5054
rabraham@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6F

SUBJECT
Northwest Phase II Light Rail Extension: Phoenix Water Services Department Agreement for Moon Valley Pump Station

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to enter into an agreement with the City of Phoenix Water Services Department (WSD) to reimburse them up to $460,000 for design and construction changes associated with the realignment of the Moon Valley Water Pump Station (Pump Station).

BACKGROUND/DISCUSSION/CONSIDERATION
The Northwest Light Rail Extension in Phoenix consists of two phases. Phase I is a 3.2 mile segment along 19th Avenue, from Bethany Home Road to Dunlap Avenue. Valley Metro completed Phase I in March 2016. Phase II will add 1.6 miles that will extend west on 19th Avenue to 25th Avenue, then northward to Mountain View Road, then to a terminus west of Interstate 17 adjacent to the Metrocenter Mall. Final design and pre-construction activities are underway for Phase II.

City of Phoenix WSD entered into a development agreement dated July 18, 2014 with Moon Valley Country Club, an Arizona non-profit corporation (MVCC), and 11111 North 7th Street Property, LLC (Tapatio). MVCC and Tapatio entered into a Joint Funding Agreement (JFA) for the purpose of designing and constructing elements, including the Pump Station, for delivering non-potable water from the Salt River Project’s Arizona Canal to the golf courses. Under the Development Agreement, the design and construction of the Pump Station is a public project procured under Arizona public construction laws.

After the initial design for the Pump Station was completed by WSD, MVCC, and Tapatio, Valley Metro modified the alignment of the Light Rail Extension to improve vehicular access to properties along 25th Avenue. The realignment conflicted with the Pump Station as it was originally designed. Valley Metro and the City of Phoenix desired that the Pump Station be redesigned prior to commencing light rail construction to eliminate the need to relocate and rebuild the Pump Station, thus reducing light rail project construction costs. Costs associated with the Pump Station redesign include professional design services fees, losses associated with the delay of the redesign, and a construction change order.

COST AND BUDGET
The cost for realignment of the Pump Station will be reimbursed with local funds approved by the Board of Directors on April 19, 2018 through the Northwest Extension Phase II Funding, Design and Construction Agreement with city of Phoenix (NWEII-FDCA).
NWEII-FDCA includes a total $25,000,000.00 with $117,592 for the Pump Station redesign and $2,069,614 for pre-construction activities.

The cost, including professional design service fees, losses associated with the delay of the redesign, and a construction change order is estimated to be $418,200. City of Phoenix secured an independent cost estimate from a third-party to assist in negotiating a final contract cost that the City of Phoenix believes is fair and reasonable. Staff will hold an additional $41,800 (10%) for use as a contingency. Therefore, the total spending authorization requested is for an amount not to exceed $460,000.

All costs identified herein are within the Northwest Phase II Light Rail Extension’s project cost forecast. Expenses expected within FY19 are included in the Valley Metro Rail adopted FY19 Operating and Capital Budget. Contract obligations beyond FY19 are incorporated into the Five-Year Operating Forecast and Capital Program (FY19 thru FY23).

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan:

- **Goal 2: Advance performance based operation**
  - Tactic C: Deliver projects and services on-time/on-budget.
- **Goal 3: Grow transit ridership**
  - Tactic A: Expand and improve transit services to reach new markets.
  - Tactic B: Improve connectivity of transit services for greater effectiveness.

COMMITTEE PROCESS
RTAG: December 18, 2018 for information
RMC: January 2, 2019 action
Board of Directors: January 17, 2019 action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to enter into an agreement to with the City of Phoenix Water Services Department to reimburse them up to $460,000 for design and construction changes associated with the realignment of the Moon Valley Water Pump Station (Pump Station).

CONTACT
Wulf Grote, PE
Director, Capital and Service Development
602-322-4420
wgrote@valleymetro.org

ATTACHMENT
Agreement available upon request
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6G

SUBJECT
Light Rail Vehicle (LRV) Bumper Overhaul Program Contract Awards

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute contracts with Smith Systems, Inc. in an amount not to exceed $193,400, and with Hubner Manufacturing Corp in an amount not to exceed $184,000 for a total amount of $377,400 to provide parts necessary for a Bumper Overhaul Program for the light rail vehicles.

BACKGROUND | DISCUSSION | CONSIDERATION
The current age of the light rail vehicles is 10 years in revenue service with an average mileage of each vehicle being approximately 470,000 miles. There are currently 50 light rail vehicles (LRVs) in the total fleet. The purpose of the overhaul is to keep the equipment in a state of good repair and to maintain safe and reliable operation. This is consistent with the approved Transit Asset Management (TAM) Plan.

The contractor(s) will provide the parts necessary to complete the LRV bumper overhaul program that include sensor parts kits and cast components of the bumper assembly. The contractor will provide all the necessary parts and materials to complete this portion of the overhaul program. This is a materials/parts only requirements contract. All labor will be done in house by Valley Metro Rail staff.

Additional parts are still needed to complete the bumper overhaul program and staff will come back to the Board in the near future for award of hardware kits to complete the bumper overhaul program.

In November 2018, Valley Metro issued an Invitation for Bid (IFB) for the provision of sensor parts kits to complete a LRV bumper overhaul program. An IFB is a competitive procurement utilizing sealed bids and is awarded to the lowest responsive, responsible bidder. Valley Metro received a single bid and recommends award to Smith Systems, Inc.

The recommended award of the second contract to Hubner Manufacturing Corp is a non-competitive procurement due to the company being the original equipment manufacturer (OEM). Hubner is the only source known to supply the specialty parts. Valley Metro has a unique light rail vehicle bumper system. No other agency in the
nation has this system for their LRV. Hubner is the OEM for this specially designed system.

An independent cost estimate including a cost comparison and price analysis have been completed. The proposed price has been deemed fair and reasonable based on the price analysis.

COST AND BUDGET
The cost for the parts being purchased from Smith Systems, Inc., is $193,400, and with Hubner Manufacturing Corp is $184,000 for a total amount of $377,400. The cost for the LRV bumper overhaul program is included in the Valley Metro Rail Adopted FY 2019 Operating and Capital Budget. Contract obligations beyond FY2019 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2019 thru FY2023).

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance based operation
  - Tactic A: Operate an effective, reliable, high performing transit system

COMMITTEE PROCESS
RTAG: December 26, 2018 for information
RMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute contract with Smith Systems, Inc. in an amount not to exceed $193,400 and with Hubner Manufacturing Corp in an amount not to exceed $184,000 for a total amount of $377,400 to provide parts necessary for a Bumper Overhaul Program for the light rail vehicles.

CONTACT
Ray Abraham
Chief Operations Officer
602-652-5054
rabraham@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6H

SUBJECT
South Central/Downtown Hub Light Rail Extension Utility Relocation Letters of Authorization

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to sign Letters of Authorization with utility companies for their design and relocation activities in the downtown area of the South Central/Downtown Hub Light Rail Extension project for an amount not to exceed $22,204,105.

BACKGROUND/DISCUSSSION/CONSIDERATION
The proposed 5.5 mile project will connect with the current light rail system in downtown Phoenix and run south to Baseline Road. In January 2016, the Phoenix City Council approved acceleration of the South Central light rail extension. The environmental clearance from the Federal Transit Administration (FTA) was received in January 2017, which enables the project to move forward in its development including utility designs and relocations.

In April 2017 the Board of Directors authorized the CEO to execute Letters of Authorization with utility companies to design utility relocations necessary to accommodate the South Central/Downtown Hub Light Rail Extension. However, with the addition of the Downtown Hub and other downtown track additions approved by the Board in October 2017, it is now necessary for utility companies to do additional relocations within the downtown area.

Another important consideration is the NFL’s Super Bowl in February 2023. It is important that all downtown light rail and utility construction activities be completed well in advance of downtown Phoenix events occurring prior to the game. Therefore, downtown area utility relocations, north of the Lincoln Street vicinity, are proposed to start in spring 2019. Future Board authorization will be sought for utility relocations south of the downtown area, after additional design is completed.

COST AND BUDGET
The South Central/Downtown Hub Light Rail Extension project will be funded with Phoenix Transportation 2050 funds, regional Proposition 400 funds; federal Congestion Mitigation and Air Quality funds and anticipated federal Capital Improvement Grant...
program funds. Utility work is included in the overall cost forecast established for the project.

Current estimated downtown area utility relocation expenditures by company are outlined in the following table, the table includes design costs at 10% of relocation costs. The table also identifies a 10% contingency to be held by Valley Metro staff for unforeseen circumstances.

### Design and Construction Estimates

<table>
<thead>
<tr>
<th>Utility Company</th>
<th>Relocation Cost Estimate</th>
<th>Design Cost Estimate</th>
<th>Total Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>APS</td>
<td>$12,700,000</td>
<td>$1,270,000</td>
<td>$13,770,000</td>
</tr>
<tr>
<td>AT&amp;T/TCA</td>
<td>$175,000</td>
<td>$17,500</td>
<td>$192,500</td>
</tr>
<tr>
<td>CenturyLink/LEVEL3</td>
<td>$2,100,000</td>
<td>$210,000</td>
<td>$2,310,000</td>
</tr>
<tr>
<td>Chill Water (NRG Energy)</td>
<td>$50,000</td>
<td>$5,000</td>
<td>$55,000</td>
</tr>
<tr>
<td>Cox Communications</td>
<td>$450,500</td>
<td>$45,050</td>
<td>$495,550</td>
</tr>
<tr>
<td>MCI/Verizon</td>
<td>$150,000</td>
<td>$15,000</td>
<td>$165,000</td>
</tr>
<tr>
<td>Qwest (Long Distance Carrier)</td>
<td>$225,000</td>
<td>$22,500</td>
<td>$247,500</td>
</tr>
<tr>
<td>Southwest Gas</td>
<td>$2,000,000</td>
<td>$200,000</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>Telecom Group (TCG)</td>
<td>$250,000</td>
<td>$25,000</td>
<td>$275,000</td>
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<tr>
<td>ZAYO (Telecom Provider)</td>
<td>$250,000</td>
<td>$25,000</td>
<td>$275,000</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$18,350,500</strong></td>
<td><strong>$1,835,050</strong></td>
<td><strong>$20,185,550</strong></td>
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<tr>
<td>10% Contingency</td>
<td><strong>$1,835,050</strong></td>
<td><strong>$183,505</strong></td>
<td><strong>$2,018,555</strong></td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$20,185,550</strong></td>
<td><strong>$2,018,555</strong></td>
<td><strong>$22,204,105</strong></td>
</tr>
</tbody>
</table>

All costs are within the South Central/Downtown Hub Light Rail Extension project cost forecast and are included in the Valley Metro Rail adopted FY19 Operating and Capital Budgets. Contract obligations beyond FY19 are incorporated into the Five-Year Operating Forecast and Capital Program (FY19 thru FY23).

**STRATEGIC PLAN ALIGNMENT**

This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance based operation
  - Tactic C: Deliver projects and services on-time/on-budget.
- Goal 3: Grow transit ridership
Tactic A: Expand and improve transit services to reach new markets.
Tactic B: Improve connectivity of transit services for greater effectiveness.

COMMITTEE PROCESS
RTAG: December 18, 2018 for information
RMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to sign Letters of Authorization with utility companies for their design and relocation activities in the downtown area of the South Central Extension project for an amount not to exceed $22,204,105.

CONTACT
Wulf Grote, PE
Director, Capital & Service Development
602-322-4420
wgrote@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
January 4, 2019

AGENDA ITEM 6I

SUBJECT
Operations and Maintenance Center Expansion Design/Build Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to:

A. Award a contract for Operations and Maintenance Center (OMC) Expansion Design/Build services to Hensel Phelps for an amount not to exceed $90.9 million.

B. Program an additional $22.0 million in regional Public Transportation Funds (PTF) and Congestion Mitigation and Air Quality (CMAQ) funds to the OMC Expansion in conjunction with the next Transit Life Cycle Program (TLCP) update.

BACKGROUND | DISCUSSION | CONSIDERATION
A planning study began in September 2016 to document the existing conditions at the OMC and to perform a needs assessment for its future expansion. This needs assessment was based on the expansion of the rail fleet from 50 to 92 vehicles in conjunction with the Gilbert Road, South Central/Downtown Hub, Northwest Phase II, and Capitol/I-10 West Phase I Extensions and the Tempe Streetcar project. Preliminary Engineering began in March 2017 in preparation for a two-step Design/Build contract procurement. Design/Build was selected as the preferred means of procurement to accelerate project completion, improve coordination during design and construction, and better guarantee a price and schedule.

DESIGN/BUILD SERVICES SOLICITATION
A Request for Qualifications was issued in October 2017. Two firms submitted qualifications and advanced to the Request for Proposals (RFP) phase. An RFP was issued in December 2017. Both firms submitted their technical and price proposals in April 2018. To stay within the funding amount programmed in the TLCP, a Request for Revised Proposals was issued in June 2018 that reduced the OMC Expansion scope of work and identified other optional scope reductions. A request for a Best and Final Offer (BAFO) with a revised base scope and nine optional scope reductions was issued in July 2018.

The technical and price proposals, as part of the BAFO, were scored by the selection committee; Hensel Phelps was selected. The design phase will begin immediately after Notice to Proceed, with construction commencing in May 2019. The construction period is expected to last until early 2021, with the contract closing out by the end of 2021.
Proposers in Ranked Order

<table>
<thead>
<tr>
<th>Proposer</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hensel Phelps</td>
<td>#1</td>
</tr>
<tr>
<td>Sundt</td>
<td>#2</td>
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</table>

During the negotiations, the optional scope reductions for the rail improvements and the maintenance of way building expansion were prioritized to accommodate all improvements needed for the South Central/Downtown Hub vehicles and to make this project eligible for South Central/Downtown Hub FTA funds.

**COST AND BUDGET**

The amount to be awarded to Hensel Phelps for the Design/Build contract is $82.6 million. An additional $8.3 million (10%) will be held as a contingency. Therefore, the total CEO authorization sought for the contract is $90.9 million.

The TLCP currently includes $66.8 million of programmed funds for this project. This includes all costs to cover design, construction and agency management. Staff recommends that $17.0 million of PTF within the TLCP’s reserve fund and $5.0 of additional CMAQ be allocated to this project to allow all needed improvements to be constructed, including scope to accommodate new light rail vehicles for the programmed LRT Extensions. If additional CMAQ funds becomes available they will be used to reduce the impact to the PTF reserve. The balance of necessary funding will be in the form of federal Capital Investment Grant funds from the South Central/Downtown Hub Extension.

The adopted Valley Metro Rail FY19 Operating and Capital Budget includes funds for expenditures through June 2019. Contract obligations beyond FY19 are included in the Five-Year Operating Forecast and Capital Program (FY19 thru FY23), but adjustments will be necessary as part of the TLCP update to be prepared in spring 2019 to align with the proposed changes identified above.

Project funding comes from a mix of regional PTF, federal Congestion Mitigation and Air Quality (CMAQ), and federal Capital Investment Grant funds from the South Central Extension.

**STRATEGIC PLAN ALIGNMENT**

This item relates to the following goals and strategies in the Five-Year Strategic Plan:

- **Goal 2: Advance performance based operation**
  - Tactic C: Deliver projects and services on-time/on-budget.
- **Goal 3: Grow transit ridership**
  - Tactic A: Expand and improve transit services to reach new markets.
  - Tactic B: Improve connectivity of transit services for greater effectiveness.
COMMITTEE PROCESS
RTAG: December 18, 2018 for information
RMC: January 2, 2019 for action
Board of Directors: January 17, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to:

A. Award a contract for Operations and Maintenance Center (OMC) Expansion Design/Build services to Hensel Phelps for an amount not to exceed $90.9 million.
B. Program an additional $22.0 million in regional Public Transportation Funds (PTF) and Congestion Mitigation and Air Quality (CMAQ) funds to the OMC Expansion in conjunction with the next Transit Life Cycle Program (TLCP) update.

CONTACT
Wulf Grote, P.E.
Director, Capital and Service Development
602-322-4420
wgrote@valleymetro.org

ATTACHMENT
None
DATE
January 4, 2019

SUBJECT
February Board Study Session on Budget

PURPOSE
To discuss the framework for the study session on the budgets and budgeting process.

BACKGROUND | DISCUSSION | CONSIDERATION
The Boards of Directors asked the Chief Executive Officer to develop a schedule of study sessions to facilitate better discussion of key issues. In February 2019, the study session will include a discussion of the budget process and key budget drivers. Below is an outline of the discussion points for the Audit and Finance Subcommittee to review and provide input to ensure a productive Board discussion.

Joint Items
- Revenue Forecasts: An overview of the forecast process for Public Transportation Funds and Regional Area Road Funds
- Staffing: An overview of the staffing process, including how new positions are requested and how staffing effort is allocated and funded across the two agencies

RPTA Budget
- Fixed Route: An overview of the key drivers that impact costs and member city funding, including contract rates, revenue miles and fare revenues
- Paratransit: An overview of the key drivers that impact costs and member city funding, including the volatility of demand and the complexity of administering the program
- Planning: An overview of planning activities and significant studies
- Capital projects: An overview of capital projects and funding sources

VMR Budget
- Rail operations: An overview of the key drivers that impact costs and member city funding, including contractor costs, maintenance and fare revenue forecasting
- State of Good Repair: A review of state of good repair maintenance costs, how they are related to the transit asset management plan and how to budget and fund these costs as the system ages
• Safety and Security: An overview of the key drivers of safety and security, including fare enforcement and Respect the Ride
• Agency operating: An overview of the costs that are included in agency operating
• Planning and Project Development: An overview of planning activities and significant planning studies
• Capital projects: An overview of the capital projects and funding sources

COST AND BUDGET
This item is for discussion and has no impact on the budget.

COMMITTEE ACTION
None

RECOMMENDATION
This item is for discussion only

CONTACT
Paul Hodgins
Chief Financial Officer
phodgins@valleymetro.org
602-262-7433

ATTACHMENT
None
**Information Summary**

**DATE**
January 4, 2019

**SUBJECT**
Future Agenda Items Request and Report on Current Events

**PURPOSE**
Chair Orsborn will request future agenda items from members, and members may provide a report on current events.

**BACKGROUND/DISCUSSION/CONSIDERATION**
None

**COST AND BUDGET**
None

**COMMITTEE PROCESS**
None

**RECOMMENDATION**
This item presented for information only.

**CONTACT**
Paul Hodgins
Chief Financial Officer
602-262-7433
phodgins@valleymetro.org

**ATTACHMENT**
None.

### Pending Items Request

<table>
<thead>
<tr>
<th>Item Requested</th>
<th>Date Requested</th>
<th>Planned Follow-up Date</th>
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