MEETING OF THE
Audit and Finance Subcommittee

Date:
June 18, 2019

Starting Time
10:00 a.m.

Location:
Valley Metro
Lake Powell Conference Room (10A)
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.
Audit and Finance Subcommittee
Tuesday, June 18, 2019
10th Floor, Lake Powell Conference Room (10A)
101 N. 1st Avenue, 10th Floor
10:00 a.m.

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 May 9, 2019 Audit and Finance Subcommittee meeting are presented for approval.

3. **Valley Metro RPTA Fiscal Year 2020 (FY20) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20 through FY24)**

Paul Hodgins, Chief Financial Officer, will provide an overview of the RPTA FY20 Proposed Operating and Capital Budget.

4. **Valley Metro Rail, Inc. Fiscal Year 2020 (FY20) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20 through FY24)**

Paul Hodgins, Chief Financial Officer, will provide an overview of the Valley Metro Rail, Inc. FY20 Proposed Operating and Capital Budget.
5. **Fiscal Year 2019-20 (FY19-20) Internal Audit Plan**

Mary Modelski, Manager, Internal Audit will request authorization to execute the Fiscal Year 2019-20 Audit Plan.

6. **Contract Management Audit**

Mary Modelski, Manager, Internal Audit will present the results of the Contract Management Audit to the Audit and Finance Subcommittee (AFS) for acceptance.

7. **Internal Audit Update**

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

8. **Internal Audit Exceptions Update**

The Internal Audit Exceptions log is presented for information.

9. **Transit Life Cycle Program (TLCP) – Bus Update**

Scott Smith, CEO, will introduce Paul Hodgins, Chief Financial Officer, who will provide an overview of the 2019 Transit Life Cycle Program – Bus Update.

10. **Transit Life Cycle Program (TLCP) – Rail Update**

Scott Smith, CEO, will introduce Paul Hodgins, Chief Financial Officer, who will provide an overview of the 2019 Transit Life Cycle Program – Rail Update.

11. **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.

12. **Future Agenda Items**

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

The next meeting of the Audit and Finance Subcommittee is **August 15, 2019 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).
DATE
June 11, 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

June 11, 2019

Audit and Finance Subcommittee
Thursday, May 9, 2019
Lake Powell Conference Room
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Meeting Participants
Vice Mayor Eric Orsborn, City of Buckeye, Chair
Mayor Kate Gallego, City of Phoenix
Councilmember Robin Arredondo-Savage, City of Tempe
Councilmember Brigette Peterson, Town of Gilbert – by phone

Chair Orsborn called the meeting to order at 12:04 p.m.

1. Public Comment

None.

2. Minutes

Minutes from the April 11, 2019, Audit and Finance Subcommittee meeting presented for approval.

IT WAS MOVED BY COUNCILMEMBER ARREDONDO-SAVAGE, SECONDED BY MAYOR GALLEGO AND UNANIMOUSLY CARRIED TO APPROVE THE APRIL 11, 2019 AFS MINUTES.


Robin Milne of Plante Moran provided a presentation update on the ERP Needs Assessment project and discussed the following:

- Assessment Project Overview
- Technology Key Findings and Recommendations
- Process Key Findings and Recommendations prior to ERP
- People Key Findings and Recommendations
- Readiness Assessment Findings
- Conclusions
- Next Steps
Mayor Gallego asked about the cost of the ERP implementation. Ms. Milne provided three options:

- **Option 1**: costs of doing nothing, status quo costs
- **Option 2**: Two RFPS – one for the main ERP which includes Finance, Procurement, Human Resources and Payroll and the second RFP that will be solely for Enterprise Asset Management system (EAM) as a separate component. This is not recommended because it is a much higher cost and higher risk.
- **Option 3**: 1 RFP for both main and ERP and EAM. The initial cost to start implementation is $3.5 million with an overall cost of $8.5 million over 10 years. This will be delivered in needs assessment with very detailed assumptions.

Mr. Hodgins said this is very important to the agency. He said that some of the issues regarding IT governance date back to having two separate agencies. Challenges with merging the agencies were not addressed. When Scott Smith was hired we made a significant effort to change the culture of the staff and need to make a positive effort to change some of the technology and systems to do a better job of managing and reporting.

This item was presented for information only.

4. **Internal Audit Update**

Mary Modelski, Director, Internal Audit, provided an update of actions taken in Internal Audit and discussed the following:

**Work in progress:**
- Contract Management audit - Awaiting management response
- Bus Service Contracts audit – Underway
- Annual Risk Assessment – Continuing to receive feedback of areas of concern/change
- Audit exceptions – Current status of deficiencies under a separate attachment

Ms. Modelski said that she will continue to audit areas of concern until the findings/deficiencies have been resolved.

Mr. Hodgins said that a revised travel policy will be published within the next two weeks.

**Observations:**
- Finances – ERP selection process
- Human Resources – HRIS Implementation engaged in standing meeting
• ADOT Triennial Audit – Attended interviews, awaiting report and direction from AFS as to how engaged IA should be in the remediation efforts
• COP - Light Rail Fare audit – on hold until August

Ms. Modelski also discussed the actions taken in the Annual Risk Assessment which included the following items:

**Met with:**
- Valley Metro management – under way
- Key stakeholders – under way
- Audit and Finance Subcommittee (AFS) – April/May

**Gather areas of concern**
- What are some of your areas of concern?
- Do you have any specific area you would like reviewed? Why?
- Document areas of concern – on going
- Rank areas of concern – May after any additional AFS input
- Compile recommendations for 2019/20 Audit Plan - June
- Submit recommended 2019/20 Audit Plan to AFS for approval - June
- Publish 2019/20 Audit Plan on Internet IA webpage - June

This item was presented for information only.

5. **Audit Exceptions Update**

Ms. Modelski provided an update of the Audit Exceptions Log. She said that the Procurement Policy Manual has been posted to the website as of today.

This was item presented for information only.

6. **Valley Metro RPTA Fiscal Year 2020 (FY20) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20 through FY24)**

Mr. Hodgins provided a presentation update to address concerns and questions of the AFS of both the RPTA and VMR FY20 Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20-FY24). The following items were presented and discussed:

- Staffing Changes from FY19 to FY20
- Positions Impacting RPTA
- Positions Impacting VMR Operations
- Five-Year Staffing
- Professional Development Opportunities
- Employee Development
- Travel
Councilmember Arredondo-Savage said that she would like to see an overall comprehensive list of who is actually taking advantage of training opportunities.

Mr. Hodgins said a slide can be added to the quarterly reports that highlight conferences, seminars, and training. He said that the updated proposed budget will be completed within the next two weeks and will be published to the website and presented for Board adoption in June.

Councilmember Peterson asked about what Valley Metro’s stand is on the discussion of the summary of FTEs. Mr. Hodgins said that Valley Metro has a little more flexibility in staffing than the member cities. He said that the RPTA Administrative Code authorizes the Board of Directors to manage the dollar amount and the Chief Executive Officer to manage staffing. He explained that when there are funds available and there is justification for the need of positions, they approved upon authorization from the Chief Financial Officer and the Chief Executive Officer.

7. Valley Metro Rail, Inc. Fiscal Year 2020 (FY20) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20 through FY24)

Mr. Hodgins provided a presentation update to address concerns and questions of the AFS of both the RPTA and VMR FY20 Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20-FY24). The following items were presented and discussed:

- Staffing Changes from FY19 to FY20
- Positions Impacting RPTA
- Positions Impacting VMR Operations
- Five-Year Staffing
- Professional Development Opportunities
- Employee Development
- Travel
- Travel Budget – RPTA
- Travel Budget – VMR
- Travel Budget by Conference
• RPTA Reserve Policy
• Forecasted Reserve Requirements: Proposed FY20 Operating and Capital Budget
• Questions from Last Meeting
• Items Still Under Review
• Upcoming Budget Schedule

This item was presented for information only.

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

Paul Hodgins, Chief Financial Officer, provided an update on upcoming intergovernmental agreements, contract awards, amendments and change orders that included the following items:

A. Annual Financial Audit Services Five-Year Contract Award
B. Risk Management Consulting Services Contract Award
C. Microsoft Enterprise Agreement Triennial Renewal
D. East Valley Bus Operations and Maintenance (EVBOM) Facility Cisco Telephony System
E. Twilio Text Services Renewal
F. Light Rail Vehicle (LRV) Bumper Parts Contract Award
G. Light Rail Vehicle (LRV) Window Glass Contract Award
H. Cleaning Services Contract Change Order
I. Northwest Phase II Light Rail Extension Construction Management at Risk Contract Amendment
J. Pass-Through Agreement for Tempe Streetcar Small Starts Single-Year Grant
K. South Central/Downtown Hub Light Rail Extension Design Services Contract Amendment
L. Armored Car Services Contract Award

This was item presented for information only.

9. **Future Agenda Items**

None.

10. **Next Meeting**

The next meeting of the Audit and Finance Subcommittee is June 13, 2019 at 12:00 p.m.

With no further discussion, the meeting adjourned at 1:25 p.m.
DATE
June 11, 2019

SUBJECT
Valley Metro RPTA Fiscal Year 2020 (FY20) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20 thru FY24)

PURPOSE
To request approval of the FY20 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY20 thru FY24).

BACKGROUND/DISCUSSION/CONSIDERATION
The Valley Metro Regional Public Transportation Authority (RPTA) FY20 combined operating and capital budget (the budget) is $365.4 million (M) and includes $115.4M of expenses for light rail/high capacity transit capital.

The Proposed FY20 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards and reserves when needed. The budget was developed in compliance with Board of Directors’ adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on an accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

The RPTA budget includes a significant level of expenditures on behalf of Valley Metro Rail (VMR). RPTA is the official employer for all Valley Metro employees therefore all employee related expenses for VMR are include in the RPTA budget. VMR reimburses RPTA for its share of employee expenses. RPTA is also the recipient of all public transportation funds received from Proposition 400. Revenues to support the rail program are passed through to VMR on a reimbursement basis.

The total operating budget of $200.4M represents a $9.4M (5%) increase from the previous year’s operating budget of $191.0M. The total capital budget of $165.0M represents a $37.9M (30%) increase from the previous year’s capital budget of $127.1M.
The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY20 there are 427 employees budgeted in the integrated agency, with 156 FTE’s budgeted to RPTA activities and 271 budgeted to VMR activities. Compensation budget is based on a 3.0% increase. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

**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

**COMMITTEE PROCESS**

Preliminary Budget Review:
Financial Working Group: February 19, 2019 for information
RTAG: February 19, 2019 for information
TMC: March 6, 2019 for information
AFS: March 14, 2019 and April 11, 2019 for information
Board of Directors: March 21, 2019 for information

TMC: May 1, 2019 for information
AFS: May 9, 2019 for information
Board of Directors: May 16, 2019 for information

Proposed Budget Adoption:
RTAG: May 21, 2019 for information
TMC: June 5, 2019 for approved
AFS: June 18, 2019 for action
Board of Directors: June 20, 2019 for action

**RECOMMENDATION**

Staff recommends that AFS forward to the Board of Directors approval of the Valley Metro RPTA FY20 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY 2020 thru 2024).

**CONTACT**

Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

**ATTACHMENT**

FY20 Proposed Operating and Capital Budget & Five-Year Plan (linked here)
FY20-24 Capital Improvement Program
RPTA – FY20 Budget Update

June 2019

FY20 Budget Update

Changes from May version

• Adjusted phasing in of new staff
• Added unfilled credit to regional call center
• Reduced transit book printing expenses
• Reduced employee development to FY19 budget levels
• Reduced planned travel
• Reduced consulting for planning
## Uses of Funds: Operating ($,000,000)

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## Uses of Funds: Capital ($,000,000)

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### Sources of Funds: Capital ($,000,000)

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Employee Development

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Budget Process – FY21

- Process review – summer 2019
  - Update timeline
  - Discuss FTE process
  - Discuss deliverables and milestones
Recommendation

• Staff recommends that AFS forward to the Board of Directors approval of the Valley Metro RPTA FY20 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY 2020 thru 2024).
Information Summary

DATE
June 11, 2019

AGENDA ITEM 4

SUBJECT
Valley Metro Rail, Inc. Fiscal Year 2020 (FY20) Proposed Operating and Capital Budget and Five-Year Operating Forecast and Capital Program (FY20 thru FY24)

PURPOSE
To request approval of the FY20 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY20 thru FY24).

BACKGROUND | DISCUSSION | CONSIDERATION
The Valley Metro Rail, Inc. (VMR) FY20 combined operating and capital budget (the budget) is $479.6 million (M) and includes $88.4M in projects funded with Proposition 400 Public Transportation Fund (PTF) revenues for light rail/high capacity transit capital.

The Proposed FY20 budget has been prepared with the goal of delivering a fiscally prudent, balanced budget using carry forwards, reserves and bond proceeds. The budget was developed in compliance with Board of Directors’ adopted budget, financial and Transit Life Cycle Program (TLCP) policies.

The annual budget is prepared on a modified accrual basis and adopted by the Board of Directors each fiscal year. The legal level of budgetary control is the total annual appropriated budget. With respect to Capital Budgets, project contingency accounting is used to control expenditures within available project funding limits. With respect to Operating Budgets, encumbrance accounting is not used and all appropriations lapse at the end of the year. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year.

The total operating budget of $70.3M represents a $1.6M (2%) increase from the previous year’s operating budget of $68.7M. The total capital budget of $409.3M represents a $169.8M (71%) increase from the previous year’s capital budget of $239.5M.

The RPTA and Valley Metro Rail (VMR) budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. Salary and overhead charges to bus and rail projects are based on actual time worked on each project. For FY20 there are 427 employees budgeted in the integrated agency, with 156 FTE’s budgeted to RPTA activities and 271 budgeted to...
VMR activities. Compensation budget based on 3.0% increase. For staff salary changes, merit increases are evaluated based on employee performance; division level control to manage total costs within budget.

**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

**COMMITTEE PROCESS**
Preliminary Budget Review:
Financial Working Group: February 19, 2019 for information
RTAG: February 19, 2019 for information
RMC: March 6, 2019 for information
AFS: March 14, 2019 and April 11, 2019 for information
Board of Directors: March 21, 2019 for information

RMC: May 1, 2019 for information
AFS: May 9, 2019 for information
Board of Directors: May 16, 2019 for information

Proposed Budget Adoption:
RTAG: May 21, 2019 for information
RMC: June 5, 2019 for approved
AFS: June 18, 2019 for action
Board of Directors: June 20, 2019 for action

**RECOMMENDATION**
Staff recommends that the AFS forward to the Board of Directors approval of the FY20 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY20 thru FY24).

**CONTACT**
Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

**ATTACHMENT**
FY20 Proposed Operating and Capital Budget & Five-Year Plan ([linked here](#))
FY20-24 Capital Improvement Program
VMR – FY20 Annual Budget Update

June 2019

FY20 Budget Update

Changes from May version

• Adjusted phasing in of new staff
• Moved SOGR staff out of Operations to SOGR
• Reduced employee development to FY19 budget levels
• Reduced planned travel
• Reduced overhead allocation
### Uses of Funds: Operating ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>May</th>
<th>June</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Operations &amp; Maintenance</td>
<td>$47.2</td>
<td>$45.7</td>
<td>$(1.6)</td>
</tr>
<tr>
<td>Security</td>
<td>9.4</td>
<td>9.4</td>
<td>-</td>
</tr>
<tr>
<td>Future Project Development</td>
<td>13.2</td>
<td>13.2</td>
<td>-</td>
</tr>
<tr>
<td>Agency Operating</td>
<td>2.2</td>
<td>2.1</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Total Operating Uses</strong></td>
<td><strong>$72.0</strong></td>
<td><strong>$70.3</strong></td>
<td><strong>$(1.7)</strong></td>
</tr>
</tbody>
</table>

### Uses of Funds: Capital ($,000,000)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>May</th>
<th>June</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tempe Streetcar</td>
<td>$85.7</td>
<td>$85.7</td>
<td>-</td>
</tr>
<tr>
<td>South Central/Downtown Hub</td>
<td>223.4</td>
<td>223.3</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Northwest Phase II</td>
<td>39.6</td>
<td>39.7</td>
<td>-</td>
</tr>
<tr>
<td>OMC Expansion</td>
<td>32.1</td>
<td>32.1</td>
<td>-</td>
</tr>
<tr>
<td>Gilbert Road Extension</td>
<td>4.1</td>
<td>4.1</td>
<td>-</td>
</tr>
<tr>
<td>50th Street Station</td>
<td>1.2</td>
<td>1.2</td>
<td>-</td>
</tr>
<tr>
<td>Central Mesa Extension</td>
<td>0.3</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>Systemwide Improvements</td>
<td>9.4</td>
<td>9.4</td>
<td>-</td>
</tr>
<tr>
<td>State of Good Repair</td>
<td>12.6</td>
<td>13.5</td>
<td>0.8</td>
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<tr>
<td><strong>Total Capital Uses</strong></td>
<td><strong>$408.5</strong></td>
<td><strong>$409.3</strong></td>
<td><strong>$0.7</strong></td>
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</tbody>
</table>
### Sources of Funds: Operating

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>May</th>
<th>June</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$1.4</td>
<td>$1.4</td>
<td>-</td>
</tr>
<tr>
<td>Fares</td>
<td>11.7</td>
<td>11.7</td>
<td>-</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>2.6</td>
<td>2.6</td>
<td>-</td>
</tr>
<tr>
<td>Member City Contributions</td>
<td>44.8</td>
<td>43.2</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Regional Planning Funds</td>
<td>1.0</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>Public Transportation Funds</td>
<td>10.5</td>
<td>10.5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Sources</strong></td>
<td><strong>$72.0</strong></td>
<td><strong>$70.3</strong></td>
<td><strong>($1.7)</strong></td>
</tr>
</tbody>
</table>

### Sources of Funds: Capital

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>May</th>
<th>June</th>
<th>Change $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Funds</td>
<td>$108.3</td>
<td>$108.3</td>
<td>-</td>
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<tr>
<td>Member City Contributions</td>
<td>224.6</td>
<td>224.6</td>
<td>-</td>
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<tr>
<td>Public Transportation Funds</td>
<td>77.1</td>
<td>77.9</td>
<td>0.7</td>
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<tr>
<td>City of Mesa Financing</td>
<td>(1.5)</td>
<td>(1.5)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Capital Sources</strong></td>
<td><strong>$408.5</strong></td>
<td><strong>$409.3</strong></td>
<td><strong>$0.7</strong></td>
</tr>
</tbody>
</table>
### Employee Development

<table>
<thead>
<tr>
<th>Category</th>
<th>FY19 Budget</th>
<th>May</th>
<th>June</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Combined Agency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training, Conferences &amp; Seminars</td>
<td>$459,000</td>
<td>$608,000</td>
<td>$459,000</td>
<td>($149,000)</td>
</tr>
<tr>
<td>Employee Development</td>
<td>$155,000</td>
<td>$283,000</td>
<td>$155,000</td>
<td>($128,000)</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$614,000</td>
<td>$891,000</td>
<td>$614,000</td>
<td>($277,000)</td>
</tr>
<tr>
<td><strong>VMR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training, Conferences &amp; Seminars</td>
<td>$186,000</td>
<td>$284,000</td>
<td>$186,000</td>
<td>($98,000)</td>
</tr>
<tr>
<td>Employee Development</td>
<td>$155,000</td>
<td>$283,000</td>
<td>$155,000</td>
<td>($128,000)</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$186,000</td>
<td>$284,000</td>
<td>$186,000</td>
<td>($98,000)</td>
</tr>
<tr>
<td><strong>RPTA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training, Conferences &amp; Seminars</td>
<td>$273,000</td>
<td>$324,000</td>
<td>$273,000</td>
<td>($51,000)</td>
</tr>
<tr>
<td>Employee Development</td>
<td>$155,000</td>
<td>$283,000</td>
<td>$155,000</td>
<td>($128,000)</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$428,000</td>
<td>$607,000</td>
<td>$428,000</td>
<td>($179,000)</td>
</tr>
</tbody>
</table>

### Travel Budget - RPTA

<table>
<thead>
<tr>
<th>Category</th>
<th>May</th>
<th>June</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$50,000</td>
<td>$50,000</td>
<td>-</td>
</tr>
<tr>
<td>Essential</td>
<td>$19,000</td>
<td>$17,000</td>
<td>($2,000)</td>
</tr>
<tr>
<td>Discretionary</td>
<td>$103,000</td>
<td>$88,000</td>
<td>($15,000)</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$172,000</td>
<td>$155,000</td>
<td>($17,000)</td>
</tr>
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</table>
## Travel Budget - VMR

<table>
<thead>
<tr>
<th>Category</th>
<th>May</th>
<th>June</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>$103,000</td>
<td>$103,000</td>
<td>$0</td>
</tr>
<tr>
<td>Essential</td>
<td>29,000</td>
<td>28,000</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Discretionary</td>
<td>140,000</td>
<td>107,000</td>
<td>(33,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$272,000</strong></td>
<td><strong>$238,000</strong></td>
<td><strong>$34,000</strong></td>
</tr>
</tbody>
</table>

### Recommendation

- Staff recommends that the AFS forward to the Board of Directors approval of the FY20 Proposed Operating and Capital Budget and acceptance of the Five-Year Operating Forecast and Capital Program (FY20 thru FY24).
DATE
June 11, 2019

AGENDA ITEM 5

SUBJECT
Fiscal Year 19/20 Audit Plan for Approval

PURPOSE
Request authorization for the Internal Auditor to execute the proposed Fiscal Year 19/20 Audit Plan.

BACKGROUND/DISCUSSION/CONSIDERATION
The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 2010 states:

“The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.

2010.A1 – The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2 – The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2010.C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value, and improve the organization’s operations. Accepted engagements must be included in the plan.

Based upon interviews with a sample of leadership and Transit Directors, attached is the proposed Fiscal Year 19/20 Audit Plan.

This plan is subject to change based upon resource availability and request for additional assistance with other projects, such as consultation on policy revisions, training and enhancement to internal controls.
COST AND BUDGET
Funding for the FY 19/20 Audit Plan is included in the FY 2020 Valley Metro Budget and in the Five-Year Operating Forecast and Capital Program (FY2019 thru FY2024).

COMMITTEE PROCESS
AFS: June 11, 2019 for action.

RECOMMENDATION
Staff recommends that the Audit and Finance Subcommittee authorize the Internal Auditor to proceed with the proposed Fiscal Year 19/20 Audit Plan.

CONTACT
Mary Modelsiki
Internal Audit Director
mmodelskivalleymetro.org
602-322-4453

ATTACHMENT
Fiscal Year 19/20 Audit Plan
### Fiscal Year 18/19 Proposed Internal Audit Plan

<table>
<thead>
<tr>
<th>Process</th>
<th>Objective – Determine if:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card transactions</td>
<td>Credit card transactions adhere to the documented policy</td>
</tr>
<tr>
<td>New employee relocation expenses</td>
<td>New employee relocation expenses adhere to the documented policy</td>
</tr>
<tr>
<td>Travel and entertainment expenses</td>
<td>Travel and entertainment expenses adhere to the documented policy</td>
</tr>
<tr>
<td>Contract Management</td>
<td>Determine if contract(s) were awarded, monitored and closed according to policy</td>
</tr>
<tr>
<td>ERP Implementation</td>
<td>Determine if key controls have been established/tested per phase of the implementation</td>
</tr>
<tr>
<td>External Audit(s)</td>
<td>Facilitate execution of external audit(s) conducted by outside parties</td>
</tr>
</tbody>
</table>
DATE
June 11, 2019

SUBJECT
Contract Management Audit

PURPOSE
To present the results of the Contract Management Audit to the Audit and Finance Subcommittee (AFS) for acceptance.

BACKGROUND/DISCUSSION/CONSIDERATION
The Fiscal Year 18/19 Internal Audit Plan approved by the AFS on June 14, 2018, included a review of Contract Management. The objective of the audit was to determine if contracts were awarded, monitored and closed according to policy.

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
Staff recommends the Audit and Finance Subcommittee accept the Contract Management Audit.

CONTACT
Mary Modelski
Internal Audit Director
mmodelski@valleymetro.org
602-322-4453

ATTACHMENT
Contract Management Audit Report
Contract Management Audit
June 2019

Audit Report
Internal Audit

Distribution
Audit and Finance Subcommittee
Scott Smith, Chief Executive Officer
Jim Hillyard, Chief Administrative Officer
Paul Hodgins, Chief Financial Officer
Michael Minnaugh, General Counsel
To Scott Smith, Chief Executive Officer:

The purpose of this report is to communicate the results of the Contract Management Audit. The audit was part of Valley Metro’s Fiscal Year 2018/19 Internal Audit Plan.

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

Valley Metro’s Contract Management processes for contract award, monitoring and closeout processes continue to evolve. Multiple polices, management changes and lack of clear directions existed during the contract lifecycle under review. Management has implemented a joint procurement manual and trainings in efforts to standardize these processes and improve efficiencies.

Based on Internal Audit’s review, this report contains six recommendations to improve the department’s effectiveness and efficiencies while strengthening recordkeeping, contract reconciliations and closeout process controls.

During the course of this audit, individuals throughout Valley Metro and from partnering organizations assisted by providing information and supplied documentation for Internal Audit’s testing of varying processes regarding Valley Metro’s contract award, monitoring and closing processes. Internal Audit appreciates their assistance.

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

Mary Modelski
Internal Audit Director
June 05, 2019

Performed by:
Jennifer Davis
Senior Internal Auditor
Objective

Determine if Valley Metro awarded, monitored and closed contracts in accordance with Valley Metro policies and applicable Federal regulations. Additionally, determine if the Contracts and Procurement Department maintained adequate records to evidence those efforts, if policies accurately reflected Federal requirements and any other matters that raised to a level of attention.

Scope

The timeframe under review was from January 1, 2017 through June 30, 2018. Items that were incurred prior to or carried over from this timeframe and either fell into the scope timeframe or assisted in completion of the audit objectives were included within the population.

Methodology

The audit sample selected included Valley Metro Rail, Inc. (VMR), Regional Public Transportation Authority (RPTA) and joint entity contracts. Additionally, Internal Audit considered if the contracts used Federal Transit Administration (FTA) funds and if awarded by sealed bid or competitive proposals, non-competitive/sole source or joint procurements via cooperative agreements. Internal Audit focused on the practices and recordkeeping as related to awarding, monitoring and closeout of those contracts.

To achieve our audit objectives, Internal Audit performed the following audit procedures:

- Obtained from Contracts and Procurement a list of contracts with start dates from 01/01/17-06/30/18 and the Weekly Procurement Report (v. 07/05/18) to capture all active contracts during the scope. Internal Audit determined an active contract population of 158 contracts for the audit period.

- Obtained from Finance the Posted General Ledger Transactions reports for Fiscal Years 16/17 and 17/18 to capture all payments posted. Internal Audit reviewed the contract listings and general ledger reports and selected a judgmental sample of 17 contracts for review (representing just over 10% of the current contract population of 158).

- Reviewed the following policies and manuals to determine if they contained the procurement procedure requirements as indicated in the FTA Circulars 4220.1F, Revision 3 (02/2011) and Revision 4 (03/2013), Chapters III, Section 3 (a):
  - VMR Procurement Policy and Procedure Manual (v. 04/25/11)
  - RPTA Purchasing / Procurement policy (v. 06/16/11)
  - Joint Internal Procurement Manual (v. 06/25/18)
• Reviewed documents for 17 contracts to determine compliance with the contract awarding, monitoring and closeout recordkeeping requirements as provided in the FTA Circular 4220.1F, Revision 4 (03/2013) Chapter III, Section 3 (d); VMR Procurement Policy and Procedure Manual, Section 14 and RPTA Purchasing / Procurement policy, Section V (A) to include:

  o Awarding documents included:
    ▪ Contract requisitions
    ▪ Solicitation:
      ➢ Federal clauses
      ➢ Scope of work
      ➢ Evaluation process
      ➢ Public Notice
    ▪ Selection:
      ➢ Proposal review and evaluation
      ➢ Procurement Summary
      ➢ Evaluation and selection documents
    ▪ Board Approval:
      ➢ Board Memo, indicated funding sources
      ➢ Board Meeting Minutes
    ▪ Contract signatures
    ▪ Insurance coverage
    ▪ City of Phoenix notifications, as applicable

  o Monitoring documents included:
    ▪ Contract Pay Applications:
      ➢ Approval signatures
      ➢ Supporting invoices
      ➢ Correct distribution codes
    ▪ Task Orders
    ▪ Change Orders:
      ➢ Board Approval, as applicable
      ➢ City of Phoenix notification, as applicable
    ▪ On-going Insurance Coverage

  o Closeout documents included:
    ▪ Closeout letter
    ▪ Verification of deliverables
    ▪ Contract payments reconciliation
    ▪ Notification to City of Phoenix, as applicable

• Verified Posted General Ledger Transactions reports for Fiscal Years 16/17 and 17/18 and the Contract Pay Applications for the 17 contracts matched.
Prior Audit Recommendations

In compliance with the *International Professional Practices Framework’s Standard 2500*, Internal Audit has established and maintains a system to monitor the disposition of results and communicates them to management. Although, responsibility for determining final status of the external recommendations and deficiencies remains with the City of Phoenix and the Federal Transit Administration, by reviewing relevant items, Internal Audit is able to provide an update on the recommendations and deficiencies.

**City of Phoenix’s Procurement Audit** dated August 17, 2017. On May 9, 2019, the Chief Financial Officer communicated to Valley Metro employees the release of the approved *Joint Internal Procurement Manual* (v. 05/08/19) and offered training for updated material on May 17, 2019. Internal Audit considers the recommendations as remediated.

**Federal Transit Administration’s Fiscal Year 2018 Triennial Review of the City of Phoenix** dated November 9, 2018. The final report cited deficiencies on four of Valley Metro contracts for missing or inadequate documentation for 13 contract components.

Contracts and Procurement had located and provided to the City of Phoenix documentation for 11 of the 13 cited contract components. The remaining two contract components cited a missing FTA clause for Veteran Employment, for which Valley Metro has added verbiage to solicitations going forward. In response to the Triennial Review, the City of Phoenix implemented a procurement-monitoring program as presented to the Regional Transit Advisory Group (RTAG) on January 15, 2019. It required Contracts and Procurement to use a checklist and to submit solicitations to the City of Phoenix for review and approval prior to issuance.

Internal Audit considers the deficiencies as remediated based on items reviewed as noted above.

Background

Valley Metro’s Fiscal Year 18/19 Internal Audit Plan included the Contract Management Audit. The Audit and Finance Subcommittee approved the Internal Audit Plan on June 14, 2018. This review was to determine if Valley Metro awarded, monitored and closed contracts in accordance with Valley Metro policies and applicable Federal regulations. The following Valley Metro policies and Federal Transit Administration (FTA) regulations were the basis for our review to determine compliance:

- *VMR Procurement Policy and Procedure Manual* (v. 04/25/11)
- *RPTA Purchasing / Procurement policy* (v. 06/16/11)
- *FTA Circular 4220.1F*, Revision 3 (v. 02/2011)
- *FTA Circular 4220.1F*, Revision 4 (v. 03/2013)
- *Joint Internal Procurement Manual* (v. 06/25/18)
- *Joint Internal Procurement Manual* (v. 05/08/19)
Contracts and Procurement – Policies, Management Oversight and Key Hires

Prior to 2012, RPTA and VMR operated as separate and independent entities and as such, each issued their own procurement policies in 2011. In 2012, the RPTA and VMR Boards integrated the staff to ensure a coordinated approach to public transportation but the entities continued to operate as distinct and separate entities. Although separate entities, Contracts and Procurement began reporting to General Counsel with the 2012 integration and increased release of joint entity contracts. At that time, no updated written policy to govern the combined Contracts and Procurement functions nor to establish requirements for joint entity contracts existed. In December 2016, Valley Metro began the recruitment process for a Chief Procurement Officer (CPO), which led to the October 2017 hiring of the current CPO. In 2017, Contracts and Procurement began drafting the Joint Internal Procurement Manual and finalized it in June 2018. Contracts and Procurement began reporting to the Chief Financial Officer (CFO) in June 2018. The timeline below highlights the changes in policies, management oversight and some key hires:

Procurement policies and manuals - FTA requirements

The 2011 policies (RPTA and VMR) lacked verbiage to address the five FTA specific areas; Internal Audit noted no deficiencies in the 17 contracts reviewed for the 15 specific FTA requirements. Additionally, Internal Audit noted that Management ensured the Joint Internal Procurement Manual (v. 06/25/18) addressed all 15 specific FTA requirements.

Contracts Reviewed

Internal Audit reviewed documentation to distinguish recordkeeping and procurement requirements for the 17 contracts. Requirements varied based on (1) the contracting entity and (2) the contract value, (3) funding sources and (4) method of procurement. Additional documentation and requirements were applicable for Change Orders and Task Orders.
The chart below displays the contracting entities.

![Contracting Entities Chart]

Contract documentation had the contracting entities listed as RPTA on eight contracts, VMR on five contracts and both RPTA and VMR listed on four joint entity contracts.

Board of Directors Authorization to Solicit

Internal Audit noted the RPTA policy specified that RPTA contracts that exceeded $50,000 required the RPTA Board of Directors approval to authorize the issuance of a solicitation. VMR policy did not require such authorization. Since, the entities did not merge their staff and operations until 2012, the 2011 procurement policies (RPTA and VMR) did not advise if the Board of Directors needed to authorize the solicitation for joint entity contracts. The chart below displays a breakdown of solicitation approvals for the 15 of the 17 contracts that exceeded $50,000.

![Board Solicitation Approval Chart]

Internal Audit noted documented Board of Directors approval to solicit for six RPTA and two joint entity contracts.

Contracts and Procurement issued the solicitation for a RPTA sole source procurement after the Board approved the contract award. See page 18 for more details.

Contracts and Procurement did not present the solicitation for a joint entity contract for facilities maintenance services to the Board prior to issuance.

Five VMR contracts did not require Board approval to solicit, as the policy does not require.
Procurement Method

Contracts and Procurement used the following procurement methods to procure the 17 contracts: Sole Source Justification, Invitation for Bids or Request for Proposals. The procurement manual defined these methods as:

- **Sole Source Justification (SSJ)** was a procurement action that resulted in a contract after Contracts and Procurement solicited and negotiated with only one source (vendor). Valley Metro documented the justification and the appropriateness of the decision to solicit an offer from only one source.

- **Invitation for Bids (IFB)** was a procurement action that resulted in a contract after Contracts and Procurement solicited competitive sealed bids. Valley Metro documented the contract award based solely on the lowest price from a responsive and responsible bidder.

- **Request for Proposals (RFP)** was a procurement action where in the solicitation for equipment, goods or a service was on a competitive basis. Used where no clear definition of the desired goods or services, or where different approaches to the work were possible, or where personal knowledge, experience and skills were a determining factor; professional services were always procured by RFP. Valley Metro documented the contract award based on evaluations of both technical merit and price.

The table below displays an assigned number to the contract, contracting entity, contract description and procurement method used for the 17 contracts reviewed:

<table>
<thead>
<tr>
<th>Number assigned to contract for reference</th>
<th>Contract Description</th>
<th>SSJ</th>
<th>IFB</th>
<th>RFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 V</td>
<td>Conceptual Engineering and Environmental Studies (Cap I-10)</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>2 R</td>
<td>In-Person Assessment Services (ADA)</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>3 R</td>
<td>RPTA/City of Tempe Fixed Route Bus Operations</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>4 V</td>
<td>Gilbert Road Light Rail Extension</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>5 J</td>
<td>Facility Maintenance Services</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>6 R</td>
<td>Van Pool Vans</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>7 J</td>
<td>Procurement System Software</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>8 R</td>
<td>Manufacture &amp; Delivery of 40' Buses</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>9 R</td>
<td>Manufacture &amp; Delivery of 60' Buses</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>10 V</td>
<td>Backup Generator - Purchase and Install</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>11 R</td>
<td>Online Application Software</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>12 J</td>
<td>Fare Inspection and Security Services</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>13 V</td>
<td>Rail Rollingstock Audit Services</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>14 R</td>
<td>Manufacture &amp; Delivery of 30' Buses</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>15 V</td>
<td>Construction Services-Job Order Contract</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>16 J</td>
<td>Federal Government Consulting Services</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>17 R</td>
<td>REMIX Software</td>
<td></td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

Contracting Entity: R-Regional Public Transportation Authority V-Valley Metro Rail J-Joint Contract
Contract Funding

Valley Metro funded the 17 contracts through a variety of funding sources:

- Federal Transit Administration (FTA) grants
- Federal Highway Administration (FHWA) Surface Transportation Program (STP)
- Regional Area Road Fund (RARF)
- Public Transportation Funds from Proposition 400 for bus (PTF-B)
- Public Transportation Funds from Proposition 400 for rail (PTF-R)
- Rails operations (Rail Ops): member cities contributions, fare revenue and advertising
- Member cities contributions

Internal Audit met with the Budget Manager to determine the specific funding sources of the 17 contracts based on the 2017-2018 project codes posted to the general ledger. The table below displays an assigned number to the contract, contracting entity, contract description and funding source used for the 17 contracts reviewed:

<table>
<thead>
<tr>
<th>Number assigned to contract for reference</th>
<th>Contract Description</th>
<th>FTA Grants</th>
<th>FHWA STP</th>
<th>RARF</th>
<th>PTF-B</th>
<th>PTF-R</th>
<th>Rail Ops</th>
<th>Member Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 V</td>
<td>Conceptual Engineering and Environmental Studies (Cap I-10)</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 R</td>
<td>In-Person Assessment Services (ADA)</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 R</td>
<td>RPTA/City of Tempe Fixed Route Bus Operations</td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 V</td>
<td>Gilbert Road Light Rail Extension</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Mesa</td>
</tr>
<tr>
<td>5 J</td>
<td>Facility Maintenance Services</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 R</td>
<td>Van Pool Vans</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 J</td>
<td>Procurement System Software</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 R</td>
<td>Manufacture &amp; Delivery of 40' Buses</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 R</td>
<td>Manufacture &amp; Delivery of 60' Buses</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 V</td>
<td>Backup Generator - Purchase and Install</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 R</td>
<td>Online Application Software</td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 J</td>
<td>Fare Inspection and Security Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 V</td>
<td>Rail Rollingstock Audit Services</td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>Mesa</td>
</tr>
<tr>
<td>14 R</td>
<td>Manufacture &amp; Delivery of 30' Buses</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 V</td>
<td>Construction Services-Job Order Contract</td>
<td>*</td>
<td></td>
<td>*</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 J</td>
<td>Federal Government Consulting Services</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 R</td>
<td>REMIX Software</td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contracting Entity: R-Regional Public Transportation Authority V-Valley Metro Rail J-Joint Contract
Board of Directors Authorization to Contract

The 2011 procurement policies (RPTA and VMR) required authorization from the Board of Directors to execute contracts that exceed $50,000 for RPTA and those that exceeded $150,000 for VMR and granted the Chief Executive Officer (CEO) authorization to execute contracts under those thresholds. Since, the entities did not merge their staff and operations until 2012, the 2011 procurement policies (RPTA and VMR) were silent on how the authorization to contract thresholds applied to joint entity contracts. Internal Audit noted contracts that exceeded $50,000 had documented Board approvals. The chart below displays a breakdown of contract approvals for the 17 contracts.

<table>
<thead>
<tr>
<th>Contract Approval</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPTA Board Approval, 7</td>
<td></td>
</tr>
<tr>
<td>VMR Board Approval, 5</td>
<td></td>
</tr>
<tr>
<td>Joint Board Approval, 3</td>
<td></td>
</tr>
<tr>
<td>CEO Approval, 2</td>
<td></td>
</tr>
</tbody>
</table>

Internal Audit noted documented Board of Directors authorizations to execute contracts for the seven RPTA contracts that exceeded $50,000, the five VMR contracts that exceeded $150,000 and three joint entity contracts that exceeded $50,000.

Also noted was CEO approval for one RPTA contract valued less than $50,000 and one joint entity contract valued less than $50,000.

Change Orders and Task Orders

The 2011 procurement policies (RPTA and VMR) permitted for contract modifications (i.e. contract time or contract value) by means of a Change Order and indicated when additional Board approval was required:

“Contract Change Orders shall be used pursuant to the changes provision in the base contract when it becomes necessary to change the contract cost and/or fee, Statement of Work, Period of Performance, or any other mutually agreeable change to the Contract.”

“Change Orders to contracts in an amount that exceeds Board approval budget authority must be submitted to the Board for approval.”

To maintain consistency and control of rolling stock contracts, Contracts and Procurement also enforced the use of a Change Order to facilitate rolling stock orders. The contract value did not increase; therefore, Board approval was not required.

The 2011 procurement policies (RPTA and VMR) did not have a defined definition of Task Order. However, Valley Metro used Task Orders to request “Performance of Work” within the scope of the contract. The 17 contracts reviewed used Change Orders and Task Orders as the following:

- Five contracts had no Task or Change Orders
- Two contracts used Task Orders to obtain specific services from the vendor
- Four contracts only used Change Orders to order rolling stock (buses or vans)
- Five contracts used Change Orders to change contract time or contract value
- One contract used both Change Orders to change time and value and used Task Orders to obtain specific services from the vendor
Audit Recommendations:

Contract Closeout Documentation - Not Maintained

Contracts and Procurement did not maintain evidence to support the contract closeout process or completed the applicable closeout documentation for seven contracts. Three contracts had service end dates before July 1, 2018 and four contracts had final products invoiced before July 1, 2018. Four contracts with Federal funds required submission of a contract recap to the City of Phoenix (CoP). The table below is a summary of the seven contracts and indications of closeout processes or documentation.

<table>
<thead>
<tr>
<th>Number assigned to contract for reference</th>
<th>Final payment description</th>
<th>Final payment date</th>
<th>&quot;Closed&quot; in SharePoint</th>
<th>Closeout form or checklist completed</th>
<th>Contract recap to CoP</th>
<th>Evidence contract recap sent to CoP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 V</td>
<td>For June 2017 Work</td>
<td>08/02/17</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No Documentation 2</td>
</tr>
<tr>
<td>2 R</td>
<td>For June 2018 Work</td>
<td>08/02/18</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>7 J</td>
<td>Service agreement 07/01/17 - 06/30/18</td>
<td>10/10/17</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>8 R</td>
<td>Final Bus (#61) invoiced 04/25/18</td>
<td>07/19/18</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes sent in 04/2019</td>
</tr>
<tr>
<td>9 R</td>
<td>Final Bus (#10) invoiced 02/08/18</td>
<td>03/06/18</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No Documentation</td>
</tr>
<tr>
<td>10 V</td>
<td>Final 5% of contract - last punch items approved 06/21/18</td>
<td>07/05/18</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>14 R</td>
<td>Final Bus (#8) invoiced 05/05/18</td>
<td>08/30/18</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No Documentation</td>
</tr>
</tbody>
</table>

Contracting Entity: R-Regional Public Transportation Authority V-Valley Metro Rail J-Joint Contract

Four Federal contracts indicated with bold, italic and green reference number

N/A: Not applicable for this contract

1 Contract recap included closeout letter, all change orders, final payment with support and payment summary

2 Although no documentation existed, the contract had a "Closed" status as of 12/29/17 in CoP’s B2GNNow System

The Regional Public Transportation Authority Procurement policy (v. 06/16/11) Section V, B. Contract Administration, (7) Contract Closure states:

“The Chief Procurement Officer shall issue a close-out form for completed contracts in the form provided in the Procurement Forms Binder. Such form will be completed when the final product is received and all contractual obligations have been met. At the time of contract closure, the Chief Procurement Officer, and RPTA staff with technical expertise in the area shall have the opportunity to submit comments to the file on the contractor’s performance. Such comments will be relevant for future contracting purposes.”
Additionally, the *Valley Metro Rail, Inc. Procurement Policy and Procedures Manual* (v. 04/24/11) Section 1.0 Definitions, defined the Contract Administrator as,

“...The Contract Administrator post award responsibilities include: (1) Monitoring the contract for compliance (2) Enforcing contract provisions (3) Reviewing payments to ensure they are in accordance with the terms of the contract (4) Preparing contract modifications as necessary (5) Acting to close out the contract.”

Furthermore, Section 11.8 Contract Closeout, parts A and B states:

“... For Simpler contracts, the Contract Administrator may determine that only a settlement of accounts and final payment for Contract closeout is required, while other larger or complex contracts may require cross functional, multi-disciplinary closeout activities.”

“The Contract Administrator shall be responsible for insuring that contract files are closed in a timely manner and the closeout actions are documented on a closeout checklist, and in such additional details as appropriate.”

The 2011 procurement policies (RPTA and VMR) reflected contract closeout processes that were different between the entities and Valley Metro had not issued a policy to address joint entity contracts. The *Joint Internal Procurement Manual* (v. 06/25/18) provided a clear closeout standard. However, enforcement of the closeout procedures within the 2011 policies and 2018 manual were absent.

Failure to enforce clear processes and procedures for contract closeout may result in a lack of a timely reconciliation of payments and deliverables to ensure fulfillment of contract terms and conditions.

**Recommendations:** Management should establish and communicate clear processes and procedures for contract closeout and periodic self-audit of closed contracts to monitor for compliance with those procedures.

**Views of Responsible Officials:** The Procurement Manual released in 2018 and subsequent update in 2019 include procedures for the proper closeout of contracts. The Chief Procurement Officer (CPO) provides training to contract administrators and follow-up to ensure that contracts are closed properly. The CPO and procurement managers will perform periodic reviews of the contract files to ensure that contract administrators are following proper procedures.

**Responsible Party:** Chief Financial Officer

**Due Date:** August 31, 2019
Inaccurate General Ledger Coding

Internal Audit determined 99 general ledger postings with coding errors caused 10 of the 17 contracts reviewed to have inaccurate accumulated payments totals in the general ledger as compared to the Contract Pay Applications (P/A’s). See the table on next page for a summary of the general ledger postings, column B, column C and Contracts # 1-17 as referenced below.

- Five contracts had 29 postings (not associated with the contracts) coded to their contract number that did not belong. This *overstated* the accumulated payments in the general ledger to the total of $116,880 (column B). This total was arrived at by distribution codes that were:
  - Incorrectly noted on the P/A’s, four postings coded to Contract #3, totaling $103,162 (B 3)
  - Correctly noted on the P/A’s but changed in Finance
    - 10 postings coded to Contract #8, totaling $4,250 (B 8)
    - Two postings coded to Contract #6, totaling $7,568 (B 6)
  - Not noted on the P/A’s, nine Valley Metro employee travel expense postings coded to Contract #9, totaling $1,406 (B 9)
  - Not noted on the P/A’s, four clerical errors for Wells Fargo postings
    - Three postings coded to Contract #2, totaling $459 (B 2)
    - One posting to coded Contract #3, totaling $35 (B 3)

- Three contracts had 68 postings (that should have been associated with the contract) coded to four distributions codes that referenced “no contract- NC” instead. This *understated* the accumulated payments in the general ledger to the total of $3,688,238 (column C). This total was arrived at by distribution codes that were:
  - Listed on P/A as NC:
    - Contract #6 had 64 postings coded to two NC distribution codes, totaling $2,525,667 (C 6)
    - Contract #15 had one posting coded to one NC distribution code, totaling $5,625 (C 15)
  - Listed on P/A referencing the contract number, however, supporting invoices had distribution code listed with NC. Finance coded postings to the NC code. Contract #8 had three postings coded to one NC distribution code, totaling $1,156,946 (C 8)

- Two contracts had two postings (that should have been associated with the contract) coded to another contract by Finance. This *understated* the accumulated payments in the general ledger to the total of $499,239 (column C). This total was arrived at by distribution codes that were:
  - Correctly noted on the P/A’s but Finance changed the coding:
    - Contract #14 had one posting coding changed, totaling $474,031 (C 14)
    - Contract #12 had one posting coding changed, totaling $25,208 (C 12)
General Ledger Postings (01/01/17-6/30/18)

<table>
<thead>
<tr>
<th>Number assigned to contract for reference</th>
<th>Postings coded to contract number</th>
<th>Postings coded to contract that did not belong</th>
<th>Postings that should have been coded to contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(A)</td>
<td>(B)</td>
<td>(C)</td>
</tr>
<tr>
<td></td>
<td># $ Amount</td>
<td># $ Amount</td>
<td># $ Amount</td>
</tr>
<tr>
<td>1 V</td>
<td>40 $ 520,380</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>2 R</td>
<td>41 $ 944,141</td>
<td>(3) $ (459)</td>
<td>0 $ -</td>
</tr>
<tr>
<td>3 R</td>
<td>237 $ 101,379,494</td>
<td>(5) $ (103,197)</td>
<td>0 $ -</td>
</tr>
<tr>
<td>4 V</td>
<td>533 $ 65,164,836</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>5 J</td>
<td>61 $ 1,101,406</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>6 R</td>
<td>90 $ 3,505,369</td>
<td>(2) $ (7,568)</td>
<td>64 $ 2,525,667</td>
</tr>
<tr>
<td>7 J</td>
<td>1 $ 42,354</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>8 R</td>
<td>67 $ 27,152,393</td>
<td>(10) $ (4,250)</td>
<td>3 $ 1,156,946</td>
</tr>
<tr>
<td>9 R</td>
<td>41 $ 9,113,320</td>
<td>(9) $ (1,406)</td>
<td>0 $ -</td>
</tr>
<tr>
<td>10 V</td>
<td>2 $ 565,537</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>11 R</td>
<td>1 $ 6,143</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>12 J</td>
<td>159 $ 8,095,276</td>
<td>0 $ -</td>
<td>1 $ 25,208</td>
</tr>
<tr>
<td>13 V</td>
<td>3 $ 45,109</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>14 R</td>
<td>7 $ 3,318,217</td>
<td>0 $ -</td>
<td>1 $ 474,031</td>
</tr>
<tr>
<td>15 V</td>
<td>12 $ 1,455,760</td>
<td>0 $ -</td>
<td>1 $ 5,625</td>
</tr>
<tr>
<td>16 J</td>
<td>12 $ 60,000</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>17 R</td>
<td>2 $ 45,800</td>
<td>0 $ -</td>
<td>0 $ -</td>
</tr>
<tr>
<td>Totals</td>
<td>1309 $ 222,515,535</td>
<td>(29) $ (116,880)</td>
<td>70 $ 4,187,477</td>
</tr>
</tbody>
</table>

Contracting Entity: R-Regional Public Transportation Authority V-Valley Metro Rail J-Joint Contract
Eight Federal contracts indicated with **bold, italic and green** reference number

1 To capture final contract payments, expanded scope to 07/19/18 for contract #8 and to 08/30/18 for contract #14

Best practices require utilizing the correct distribution code for accurate reporting. Especially when utilizing Federal funds on eight of the 17 contracts reviewed.

The Finance Department did not establish all distribution codes with a contract number. The Project Manager and Contract Administrator did not ensure coding accuracy before authorizing the Pay Application. Finance did not accurately code all transactions. Additionally, there was no established process for periodic contract reconciliations or a process for on-going communication to notify the Contract Administrators of coding changes.

Failure to have an established process of on-going communication or to maintain an accurate record of payments may hinder Management’s ability to make financial decisions. Additionally, if contract information is inaccurate or incomplete, the risk may increase that the department will not address closing contracts properly.
**Recommendations:** Management should establish all distribution codes to reference the contract number. Additionally, Management should establish an on-going communication process between Finance and the Contract Administrators for periodic contract reconciliations to verify the accuracy of transaction coding to facilitate better contract monitoring tools.

**Views of Responsible Officials:** The system of record for contract payments is currently the paper pay applications. The current financial system does not have a module for contract management and cannot track contract payments over multiple years. Payments made to vendors are appropriate and coded to the proper cost activities. The contract number within the coding system has no impact on operational and financial reporting and decision-making. Incorrect contract numbers used in the general ledger have no impact on grant reimbursements and would not result in any improper grant reimbursement requests.

Contract numbers used in the general ledger assist contract staff with monitoring and researching payments to vendors. Additional training will be provided to improve the accuracy of contract numbers in the general ledger.

**Responsible Party:** Chief Financial Officer

**Due Date:** To be fully implemented with a new Enterprise Resource Planning system
Contract Payment Reconciliation and Follow-up Documentation - Not Maintained

To satisfy the Disadvantaged Business Enterprise (DBE) requirements, vendors were required to report total contract payments in the City of Phoenix’s Certification and Compliance System, B2GNow (B2G). B2G payments did not match the Valley Metro contract payment records for two of five contracts, totaling a net $94,776. Evidence of a reconciliation process or follow-up actions for the discrepancies did not exist.

Valley Metro used Federal funds for eight of the 17 contracts reviewed therefore, DBE requirements were applicable. The vendors were required to report contract payments in B2G to satisfy DBE requirements. However, the three contracts to Transit Vehicle Manufacturers (TVM) for rolling stock procurements did not require the vendors to report contract payments thereby reducing the testing population to five.

The table below is a summary of the reported contract payments in B2G and a comparison of those amounts to Valley Metro contract payment records for the five contracts.

<table>
<thead>
<tr>
<th>Number assigned to contract for reference</th>
<th>Vendor reported payments per B2G</th>
<th>Valley Metro recorded payments</th>
<th>Variance</th>
<th>Month/year variance reported in B2G</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$520,380</td>
<td>$520,380</td>
<td>$ -</td>
<td>N/A</td>
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<tr>
<td>3</td>
<td>$99,197,928</td>
<td>$99,198,116</td>
<td>$(188)</td>
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<tr>
<td>4</td>
<td>$65,259,800</td>
<td>$65,164,836</td>
<td>$94,964</td>
<td>01/2017</td>
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<tr>
<td>13</td>
<td>$45,109</td>
<td>$45,109</td>
<td>$ -</td>
<td>N/A</td>
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<tr>
<td>15</td>
<td>$1,461,385</td>
<td>$1,461,385</td>
<td>$ -</td>
<td>N/A</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>$166,484,602</strong></td>
<td><strong>$166,389,826</strong></td>
<td><strong>$94,776</strong></td>
<td><strong>N/A</strong></td>
</tr>
</tbody>
</table>

Federal Regulations (CFR) Title 49 Part 26 Subpart A- Section 26.11 required recipients to transmit the Uniform Report of DBE Awards or Commitments and Payments twice a year. Appendix B to Part 26 indicated, “Recipients are expected to keep accurate data.”

Valley Metro received funds as a sub-recipient from the City of Phoenix. City of Phoenix is responsible to comply with Federal regulations attached to funding. As a sub-recipient, Valley Metro should comply with all reporting requirements from the originating funding source. Periodic reconciliations throughout the life of a contract allow for timely remedies of discrepancies, rather than waiting until contract closeout.

Contracts and Procurement did not have a reconciliation process established for matching vendor reported contract payments in B2G to the Valley Metro payment records. Nor was a process established to document any follow-up actions taken.
Failure to have an established process to verify and document the accuracy of the payments reported in B2G may increase the risk that Valley Metro grant-funding reimbursements be non-compliant with DBE regulations.

**Recommendations:** Management should establish a reconciliation process for matching vendor reported contract payments to the Valley Metro payment records. Additionally, the process should include documentation of follow-up actions taken with the vendor and the City of Phoenix, as applicable.

**Views of Responsible Officials:** Valley Metro and its vendors report payments to the City of Phoenix as required by the Federal Transit Administration. Valley Metro’s reporting is based on the actual payments made to vendors. While there have been no issues with any previous FTA Triennial Review related to reporting payments, we agree that regular verification and reconciliation of payments reported by vendors would help ensure that there are no findings in the future. The Chief Procurement Officer will develop a procedure for contract administrators to reconcile vendor payments reported to the City of Phoenix.

**Responsible Party:** Chief Financial Officer

**Due Date:** August 31, 2019
Delegation not documented and Post-Award Sole Source verification

Contracts and Procurement did not maintain any Delegation of Authority documentation to authorize someone other than the Chief Executive Officer (CEO) to sign a $137,400 software contract. Additionally, although the department obtained some Sole Source validations prior to contract execution, the department issued the Public Notice to verify the vendor’s Sole Source status, 34 days after the signed contract went into effect. Below is a timeline of events:

- 08/17/17: The Joint Board of Directors provided authorization for the CEO to execute a three-year software contract (effective 09/01/17 thru 08/31/20), total value not to exceed $137,400. Funding split: 85% Regional Public Transportation Authority (RPTA) and 15% Valley Metro Rail (VMR)

- 09/01/17: The Deputy Director of Capital and Services Development, the Contract and Procurement Manager, and the vendor’s Co-founder/COO signed the conformed contract with an effective date of 09/01/17. Delegation of Authority documentation did not exist.

- 10/05/17: 34 days after the contract went into effect, the Contract and Procurement Manager authorized a solicitation: Public Notice of Intent to Award a Sole Source Contract – Web-Based Transit Planning Software, which ran from 10/05/17 thru 10/19/17. No additional vendors responded.

The RPTA Procurement policy (v. 06/16/11) Section II, C. Authority to Contract, sub-part (1) states:

“The authority to conduct procurements and sign contracts and amendments, including those that the Board has approved as described in Paragraph D of this Section, shall reside in the Executive Director or his/her designee.”

In addition, Section IV, G. Non-Competitive Procurement, (1) (a) Initiating Sole Source Purchase and (b) Verification of Sole Source states:

“...The Executive Director must first obtain Board of Directors approval to enter into a contract that was sole source procurement.”

“...The Procurement Department shall review the sole source request, and either reject the request or approve the request for award. No purchase, order shall be issued to the vendor until the Chief Procurement Officer has, concurred that the procurement qualifies as a sole source purchase.”

The VMR Procurement Policy and Procedures Manual (v. 04/24/11) Sections 3.2 (B) Chief Executive Officer’s Authority and (C) Delegation of Authority states,

“The Chief Executive Officer is authorized to execute and sign contracts, agreements, and purchase orders approved by the Agency Board of Directors. He is authorized to execute and sign contracts, agreements and purchase orders up to $150,000.00...”
“The Chief Executive Officer may delegate duties and responsibilities to immediate subordinates at his/her discretion, but only as necessary and within the limits of his authority. All delegations of authority will be documented and contained in Agency’s Authorized Approval List and the Delegation of Authority Matrix.”

The 2011 procurement policies (RPTA and VMR) reflected Delegations of Authority and Sole Source validation processes that were different between the entities and Valley Metro had not issued a policy to address joint entity contracts. The Joint Internal Procurement Manual (v. 06/25/18) provided clearer processes. However, enforcement of the Delegation of Authority and Sole Source validation processes within the 2011 policies were absent.

Failure to enforce clear processes and procedures may lead to inconsistent practices. Only authorized personnel should sign contracts to avoid an increased risk of the company being liable for goods/services that the CEO has not approved and maintain documentation supporting that authorization.

Recommendations: Management should establish and communicate clear processes and procedures, monitor for compliance with those procedures and maintain documentation of all Delegations of Authority.

Views of Responsible Officials: The Chief Procurement Officer will provide training to Contract Administrators to ensure that proper procedures are followed for Sole Source awards and that appropriate documentation is maintained for Delegations of Authority. If assigned Delegation of Authority is not presented, a Director or other member of management will not be allowed to sign official contract documents.

Responsible Party: Chief Financial Officer

Due Date: August 31, 2019
Accurate Listing of Current Contracts - Not Maintained

Contracts and Procurement did not maintain an accurate listing of current contracts. The Weekly Procurement Report provided to Executive Leadership was a means to track the status of procurement activities and provide Leadership with current contract details. The Weekly Procurement Report (v. 07/05/18) provided to Internal Audit listed 158 current contracts, of which 37 contracts were either missing data or listed inaccurate data.

- 35 contracts had no information recorded for various key attributes, of which:
  - Two contracts lacked all of the following five key attributes:
    - company, start date, end date, contract original and current values
  - 11 contracts lacked the current contract values
  - 16 contracts lacked the assigned Contract Administrator
  - Six contracts lacked the contract end date

- Two contracts had the current contract values listed inaccurately, of which:
  - One contract still listed the pre-construction value, when multiple change orders had extended the value
  - One contract only listed the first-year contract value, when Valley Metro had executed two one-year extension options

To support operational and financial decision-making, Executive Leadership needed a mechanism to track the status of procurement activities and obtain current contract details.

Contracts and Procurement was not accurately providing current contract details to Executive Leadership on a consistent basis, which may negatively influence operational and financial decisions.

Recommendations: Management should ensure the completeness and accuracy of the Weekly Procurement Report submitted to Executive Leadership. Possibly, by assigning an individual who is not involved in the preparation of the report the task of reviewing, validating and reconciling the report for accurate information prior to the Executive Leadership submission.

Views of Responsible Officials: The weekly procurement report is an internal document used to provide general status updates to the General Counsel and CFO. No operational or financial decisions are made based upon this report. We recognize that it is labor intensive to ensure that all data are up-to-date as the system of record is paper based. Any questions about specific contracts are directed to the Contract Administrator or Project Manager.

Responsible Party: Chief Financial Officer

Due Date: To be fully implemented with a new Enterprise Resource Planning system
Contract File Documentation - Not Centralized

Contracts and Procurement did not retain consolidated records in a contract file or a centralized location (such as SharePoint or the Contract Binder) to support the contract lifecycle. Paper or electronic documentation forming a complete contract file resided in up to nine various storage mediums: five utilized by Contracts and Procurement, three agency wide and one managed by the City of Phoenix. Internal Audit reviewed 17 contracts administered by five Contract Administrators. Contracts and Procurement did not consistently maintain the following five contract file components in a location readily accessible to all Contracts and Procurement staff, such as SharePoint or the Contract Binder:

- Buy America pre-award and post-delivery audit requirements were applicable for three contracts. Although all Buy America documents were located, the documents for one pre-award audit and two post-delivery audits were not readily available. After Internal Audit requested them, documents were located in the following storage mediums:
  - Contract Administrator’s Valley Metro email folder
  - Contract Administrator’s local drive
  - Project Manager’s files

- Disadvantaged Business Enterprise (DBE) requirements were applicable for eight contracts. DBE kick-off meeting acknowledgements were required for five contracts and notifications to the City of Phoenix for Transit Vehicle Manufacturer (TVM) procurements were applicable for three contracts. Although all DBE meeting and TVM notification documents were located, the documents for two DBE meetings and three TVM notifications were not readily available. After Internal Audit requested them, documents were located in the following storage mediums:
  - DBE kick-off meeting documents were in the City of Phoenix’s Certification and Compliance System, B2GNow
  - TVM notifications were in the Administrative Assistant’s Valley Metro email folder

- On-going vendor insurance coverage requirements were applicable for 14 contracts. Although all insurance documents were located, three vendor insurance records were not readily available. After Internal Audit requested them, the documents were located in the following storage mediums:
  - Contract Administrator’s Valley Metro email folder
  - Contract Administrator’s local drive
  - Administrative Assistant’s files

- Board of Directors’ authorizations and approvals to execute contracts as evidenced by meeting minutes were required for 15 contracts. Although all Board meeting minutes were located, Board meeting minutes for 13 contracts were not readily available. Internal Audit located the meeting minutes in Valley Metro’s network drive for Board and Committee documents.
• There were 168 Contract Pay Applications (Pay Apps) associated with the 17 contracts reviewed that required the Contract Administrators’ approving signatures. Although all Pay Apps were located, 53 Pay Apps associated with 10 contracts were not readily available. After Internal Audit requested them, the documents were located in the following storage mediums:
  o Contract Administrator’s local drive
  o Finance’s accounts payable files

_Federal Regulations (CFR) Title 49 Part 663_, Subpart B—Pre-Award Audits, Section 663.23-
Description of pre-award audit states:

A pre-award audit under this part includes—

(a) A Buy America certification as described in §663.25 of this part (663.25 states: For purposes of this part, a pre-award Buy America certification is a certification that the recipient keeps on file)

(b) A purchaser's requirements certification as described in §663.27 of this part (663.27 states: For purposes of this part, a pre-award purchaser's requirements certification is a certification a recipient keeps on file)

Subpart C—Post-Delivery Audits, Section 663.33-Description of post-delivery audit states:

A post-delivery audit under this part includes—

(a) A post-delivery Buy America certification as described in §663.35 of this part (663.35 states: For purposes of this part, a post-delivery Buy America certification is a certification that the recipient keeps on file)

(b) A post-delivery purchaser's requirements certification as described in §663.37 of this part (663.37 states: For purposes of this part, a post-delivery purchaser's requirements certification is a certification that the recipient keeps on file)

In addition, _CFR Title 49 Part 26_, Subpart A - General, Section 26.11 (d) states:

“You must maintain records documenting a firm's compliance with the requirements of this part. At a minimum, you must keep a complete application package for each certified firm and all affidavits of no-change, change notices, and on-site reviews. These records must be retained in accordance with applicable record retention requirements for the recipient’s financial assistance agreement. _Other certification or compliance related records must be retained for a minimum of three (3) years_ unless otherwise provided by applicable record retention requirements for the recipient's financial assistance agreement, whichever is longer.”

The _Regional Public Transportation Authority Procurement_ policy (v. 06/16/11) Section V, B. Contract Administration, (3) Maintenance of Procurement Records states:
“The Procurement Department shall maintain a procurement/contract file for each RPTA contract. The contract file shall contain all records sufficient to document the significant history of the contract, including all formal and informal communication between RPTA and the vendor, supplier, or contractor.”

Additionally, the Valley Metro Rail, Inc. Procurement Policy and Procedures Manual (v. 04/24/11) Section 11.3 (A) Contract Files states:

“The Contract Administrator is responsible and shall ensure that documentation in each contract or purchase order file is sufficient to constitute a complete history of the transaction.”

The 2011 procurement policies (RPTA and VMR) did not address retention requirements. Although the Joint Internal Procurement Manual (v. 06/25/18) addressed retention requirement, Contracts and Procurement had not established a process to monitor contract files to ensure complete and readily accessible records.

Failure to communicate and enforce applicable Federal regulations and department standards for contract records may lead inadequate documentation to facilitate grant-funding reimbursements or to evidence Federal compliance, which could lead to Federal actions of:

Per CFR 49 Part 663.15 (Buy America): “A recipient determined not to be in compliance with this part will be subject to the immediate suspension, withholding, or repayment of Federal financial assistance from FTA or other appropriate actions unless and until it comes into compliance with this part.”

Per CFR 49 Part 26.101(a)(DBE): “If you fail to comply with any requirement of this part, you may be subject to formal enforcement action under §26.103 or §26.105 or appropriate program sanctions by the concerned operating administration, such as the suspension or termination of Federal funds, or refusal to approve projects, grants or contracts until deficiencies are remedied.”

Recommendations: Management should communicate and enforce the retention standards and the Federal requirements for contract supporting documentation. Additionally, management should develop a monitoring process and periodically assess compliance, to ensure adherence to the requirements.

Views of Responsible Officials: Contract administrators are trained and understand the requirements for keeping proper documentation. As noted in the audit, all required documentation was located and provided to internal audit staff. The Chief Procurement Officer has been working to identify a centralized location for document storage, but the current state of our technology systems makes that a challenge. Contract administrators are trained to follow Valley Metro’s records retention policy and follow FTA’s records retention requirements.

Responsible Party: Chief Financial Officer

Due Date: To be fully implemented with a new Enterprise Resource Planning system
Information Summary

DATE
June 11, 2019

AGENDA ITEM 7

SUBJECT
Internal Audit Update

PURPOSE
To update the Audit and Finance Subcommittee on Internal Audit activities.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
Item presented for information only.

CONTACT
Mary Modelski
Internal Audit Director
mmodelski@valleymetro.org
602-322-4453

ATTACHMENT
Internal Audit Update
Valley Metro
Audit and Finance Subcommittee
Internal Audit Update
June 2019

Update:

Work in progress:

- **Bus Service Contracts audit** – Underway
- FY19/20 Audit Plan – Gathering background information on proposed reviews to proceed once plan is approved.
- Audit exceptions – Current status of deficiencies under a separate attachment

Observations:

- Finance – ERP selection process
- Human Resources – HRIS Implementation engaged in standing meeting
- ADOT – Awaiting report to follow-up with Safety & Security on remediation efforts
Information Summary

DATE
June 11, 2019

AGENDA ITEM 8

SUBJECT
Audit exceptions update

PURPOSE
To 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 Modelsiki
Internal Audit Director
mmodelsiki@valleymetro.org
602-322-4452

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>
</thead>
<tbody>
<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 individual 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</td>
<td>03/31/18</td>
<td>5/31/19: Per IT Manager, &quot;no change in status from the previous update,&quot; for the Asset Management Policy. The IT Change Management Policy and the IT Security Incident Response Policy was approved and communicated on 5/29/19.</td>
<td></td>
</tr>
<tr>
<td>Incomplete Travel Reporting</td>
<td>Finance</td>
<td>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 $58,950.75 2) Three trips were over reported, totaling $5,209.37 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.</td>
<td>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.</td>
<td>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.</td>
<td>12/17/18</td>
<td>12/31/18</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Travel to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
</tr>
<tr>
<td>Travel Policy Compliance-Form Submission</td>
<td>Finance</td>
<td>Valley Metro (VM) travelers did not submit travel forms timely, two areas were identified: 1) 71 Travel Authorization Forms (TA) were submitted less than 21 days prior to travel 2) 26 Travel Expense Reports (TER) were submitted more than 11 days after the last travel date</td>
<td>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.</td>
<td>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.</td>
<td>12/17/18</td>
<td>03/29/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Travel to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
</tr>
<tr>
<td>Travel Policy Compliance-Form Approvals</td>
<td>Finance</td>
<td>The CEO submitted two Travel Authorization Forms not pre-approved by the Board Chairs. Roads &amp; Streets Conference in Tucson, AZ (3/29/18-3/30/18) indicated as Not Applicable: In-State travel AAZTA Board of Directors Retreat in Prescott, AZ (6/21/18-6/22/18) indicated as Not Applicable: In-State travel</td>
<td>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.</td>
<td>Management partially concurs with this recommendation. The CEO is not required to obtain preapproval from the Board Chairs for in-state travel. The Travel Policy will be updated to reflect this requirement.</td>
<td>12/17/18</td>
<td>03/29/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Travel to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
</tr>
<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>AFS Notes</td>
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<tr>
<td>Travel Policy Compliance- Credit Card Utilization</td>
<td>Finance</td>
<td>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 2) Six VM travelers charged ten transactions for travel related expenses on their personal credit cards and received Agency reimbursements, totaling $3,779.55</td>
<td>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.</td>
<td>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.</td>
<td>12/17/18</td>
<td>03/29/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Travel to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
</tr>
<tr>
<td>Travel Policy Compliance- Travel Administrators</td>
<td>Finance</td>
<td>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) 2) Documentation to support approval and rational for two employees significant others to accompany the employees at the 2018 International Rail Rodeo was not be provided. Expenses included airfare, baggage fees and registration, totaling $789. 3) Seventeen Travel Expense Reports (TERs) 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</td>
<td>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.</td>
<td>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.</td>
<td>12/17/18</td>
<td>03/29/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Travel to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
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<tr>
<td>Travel Policy Clarification</td>
<td>Finance</td>
<td>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: &quot;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.&quot; Submit the Travel Authorization Form as soon as travel is identified or 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: &quot;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.&quot;</td>
<td>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 responsibilities.</td>
<td>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.</td>
<td>12/17/18</td>
<td>03/31/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Travel to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
</tr>
<tr>
<td>Policy Compliance – Supporting Documents Not Maintained within Cardholder Reconciliation Packets</td>
<td>Finance &amp; Procurement</td>
<td>Credit card reconciliation packets are being submitted and processed without all policy required signatures or documentation for technology and sequential purchases. Four cardholders did not maintain in their credit card reconciliation packets evidence of technology purchase approvals for five transactions, totaling $7,913. Although one cardholder maintained in their credit card reconciliation packet evidence of technology purchase approval, itemized receipts and packets slips for the purchase of four HP All-in-one computers, the packet lacked evidence supporting the business need for sequential transactions. Additionally, Hewlett Packard is on an Arizona State Contract. This state contract requires the issuance of a purchase order to acquire merchandise. The Credit Card Administrator should have made the determination a credit card was not the appropriate form of payment and noted such in their review notes.</td>
<td>Management should provide training and/or policy changes that outline when a card and when it is not appropriate. Documentation and justification of exemptions to the policy need clarity and communication. Additionally, management should include in the credit card transaction review process a method to track and return credit card packets to Division Heads when exception exists or when all policy-required documentation is lacking.</td>
<td>Management concurs with the recommendation. Management will update the procedures for the Credit Card Administrator to include a review for potential sequential transactions, including additional follow-up with the Cardholder and Division Head. Additionally, cardholder training will include a review of the appropriateness of credit card use versus purchase orders.</td>
<td>02/21/19</td>
<td>03/31/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Credit Cards to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
</tr>
</tbody>
</table>
### Policy Clarifications – Credit Card, Acceptable Use

<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>
</thead>
<tbody>
<tr>
<td>Policy Clarifications – Credit Card, Acceptable Use</td>
<td>Finance &amp; Procurement</td>
<td>The Credit Card, Acceptable Use policies (v. 7/28/16 and v. 10/10/18) did not reflect current practices. Policies did not address the need for cardholder Division Heads to attend training and acknowledge responsibilities assigned in the policy. Policies did not identify the required approval documentation/signatures for travel, local dining and technology purchases, nor the need to maintain them within credit card reconciliation packets. Policies did not clarify that within the Travel policy, Management limited authorization to purchase travel and travel related expenses to the Travel Administrators. Additionally, the Credit Card, Acceptable Use policy (v. 10/10/18) did not provide a clear process for users to follow. The policy: Referenced obsolete forms: Credit Card Purchase Approval form (page 5) should reference the Agency Credit Cardholder Agreement. Request &amp; Change form. Credit Card Purchase Approval form (page 5) should reference the Bank Transaction Detail Report. Required the Division Head to submit paperwork “to Finance within six (6) business days of monthly statement closing.” This is one business day prior to when the policy required cardholders to submit paperwork “each month to the Division Head for approval within seven (7) business days following closing date of monthly statement.”</td>
<td>Management should align the Credit Card, Acceptable Use policy intent with associated forms and practices. In order to hold cardholders accountable for approved and timely submissions of their credit card transactions, the policy should clearly define the required approval documentation, the form names, submission deadlines and reference other Valley Metro policies.</td>
<td>02/21/19</td>
<td>03/31/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Credit Cards to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
<td></td>
</tr>
</tbody>
</table>

### Policy Non-Compliance not Identified or not Properly Escalated

<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>
</thead>
<tbody>
<tr>
<td>Policy Non-Compliance not Identified or not Properly Escalated</td>
<td>Finance &amp; Procurement</td>
<td>Four cardholders had four transactions that did not comply with the Credit Card, Acceptable Use policy. The following two transactions did not fall within the Credit Card Administrators sample population: A transaction for $300 in Diamondback tickets indicated eight tickets purchased, while supporting documents showed cardholder received ten tickets. A list of who was the recipient of these tickets was not present. $163 bagel purchase included an email that indicated another employee used the cardholder’s credit card information on file to complete the transaction. Additionally, the Credit Card Administrator’s review identified two transactions as noncompliant/questionable; however, escalation or follow-up did not occur. The Agency issued the cardholder’s credit card on 9/20/17; however, the cardholder reported the charge posted on 10/29/17 for $69.00 at Maya in Scottsdale as fraudulent. Wells Fargo denied reversal of such charge due to the card being present at the location to complete the transaction. Internal Audit confirmed Wells Fargo cancelled the card and reissued a new card; however, Finance maintained no documentation to evidence further action taken by Valley Metro to recover the $69. Evidence to support CEO approval was not present to purchase $2,757 in advertising for General Counsel’s finalist award in the Business Journal on 11/6/17.</td>
<td>Management should utilize a report such as, the Wells Fargo Commercial Card Expense Report, the Abila Current Consolidated Unposted General Ledger Transactions report or any other report, to provide transaction characteristics to facilitate the review. The review should focus upon fields such as description and/or specific transaction criteria that Management pre-established based on historical anomalies. Additionally, the Credit Card Administrator should document the method used to review the credit card transactions and follow-up actions taken.</td>
<td>02/21/19</td>
<td>03/31/19</td>
<td>Chief Financial Officer</td>
<td>6/7/19: CFO provided IA with a policy draft for Credit Cards to review and comment. 5/31/19: Requested from the CFO, an update on the CAP progress, due by 06/04.</td>
<td></td>
</tr>
</tbody>
</table>
DATE
June 11, 2019

SUBJECT
2019 Transit Life Cycle Program - Bus Update

PURPOSE
To present the draft 2019 TLCP Bus Update for information.

BACKGROUND | DISCUSSION | CONSIDERATION
The TLCP was developed in 2005 to provide guidance for the implementation of the transit component of the Regional Transportation Plan. The TLCP includes Guiding Principles, policies, procedures and financial forecasts to ensure that the program can be balanced. Information presented in the TLCP is a 20-Year summary encompassing the life of the Transportation Excise Tax authorized in Prop 400.

The draft 2019 Rail TLCP Update is being discussed through the Valley Metro Rail Board process. The bus and rail programs will be merged into a single item for action on the joint agenda for August.

The most recent update to the TLCP was in June 2018. Since that time, the official forecast has projected a small increase in revenues for the Transportation Excise Tax. The forecast of PTF for the bus program is approximately $28 million higher for the remaining years of the TLCP (FY2019-2026).

The current Short Range Transit Plan (SRTP) has identified some service and/or funding changes that are requested to be incorporated into the bus program within the TLCP. The SRTP was developed cooperatively with member city transit staff and includes service improvements that are ready to be implemented in the next two years. It also includes many potential improvements that are not quite ready for implementation. These improvements will continue to be analyzed and developed and could be recommended for regional funding in a future TLCP Update.

Bus Program

Capital Program
In the 2019 TLCP update, there are significant adjustments to the replacement fleet and facilities projects related to timing and federal funding. The number of vehicles forecast in the current update is reduced. The changes in fleet replacements were made to accommodate the fare collection system replacement project. A significant number of vehicles have been deferred beyond the TLCP, but will ultimately require replacement.
Additionally, the cost per vehicle was reduced to reflect the results of recent procurements.

There have been some updates to the cost estimates for the North Glendale Park-and-Ride and Peoria Park-and-Ride. The North Glendale Park-and-Ride is now estimated to be a smaller project, with the high end cost estimate of approximately $3.6 million. The smaller project is programmed without federal assistance to expedite project delivery. The costs for the Peoria Park-and-Ride were updated to reflect the current forecast cost to complete.

**Operating Program**

Valley Metro planning staff developed the SRTP to guide the implementation of new service improvements, including those funded with PTF. The attached Table 1 shows the service improvements included in the financial model. The table includes improvements approved in the 2018 TLCP model and programmed improvements from the 2019 SRTP.

The fund balance at the end of the program is anticipated to be about $36.0 million, up from $12.8 million in the 2018 update. However, the annual cash flow shows that the fund balance is below the minimum required by the reserve policy in fiscal years 2021 through 2024. The following table summarizes the changes in fund balance.

<table>
<thead>
<tr>
<th>Comparison of Net Revenues</th>
<th>2019 Update</th>
<th>2018 Update</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Revenue</td>
<td>$2,045.4</td>
<td>$2,045.9</td>
<td>$(0.5)</td>
</tr>
<tr>
<td>Capital Revenue</td>
<td>$976.1</td>
<td>$1,076.2</td>
<td>$(100.1)</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$3,021.5</strong></td>
<td><strong>$3,122.1</strong></td>
<td><strong>$(100.6)</strong></td>
</tr>
<tr>
<td>Operations Expenditures</td>
<td>$1,737.4</td>
<td>$1,746.9</td>
<td>$(9.5)</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$1,248.2</td>
<td>$1,362.5</td>
<td>$(114.3)</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$2,985.6</strong></td>
<td><strong>$3,109.4</strong></td>
<td><strong>$(123.8)</strong></td>
</tr>
<tr>
<td>Net Revenues less Expenditures</td>
<td>$36.0</td>
<td>$12.8</td>
<td>$23.2</td>
</tr>
</tbody>
</table>

The TLCP Guiding Principles require that jurisdictional equity be maintained for the bus program. The policy allows that each sub-region can be within 2.5 percent above or below their policy allocation. In the current model, the East and West sub-regions are within this policy allowance, but the Central sub-region is not. Additionally, the policy allows that regardless of sub-regional percentages, no jurisdiction can be under-allocated by $7.5 million or more without explicit approval of that city. In the current model both Phoenix and Scottsdale meet that condition.
Valley Metro will host meetings for the East and West sub-regions to discuss the results of this preliminary model. The goal of the meetings will be to finalize the list of improvements to be included in the model to ensure that cash flow reserve requirements are maintained and that Jurisdictional Equity policies are balanced.

**COST AND BUDGET**
Some of the proposed changes to the TLCP bus model have been incorporated into the proposed FY2020 Operating and Capital Budgets and the Five-Year Operating and Capital Forecasts. Revenues and expenditures forecast within the TLCP are balanced as required by State Statute.

**COMMITTEE PROCESS**
RTAG: May 21, 2019 for information
TMC: June 5, 2019 for information
AFS: June 18, 2019 for information
Board of Directors: June 20, 2019 for information

**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
Goal 3: Grow transit ridership

**RECOMMENDATION**
This item is presented for information only.
CONTACT
Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

ATTACHMENT
Table 1
<table>
<thead>
<tr>
<th>Route</th>
<th>Fiscal Year</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>104 Alma School Road</td>
<td>2020</td>
<td>Add Saturday service in Chandler</td>
<td>Approved</td>
</tr>
<tr>
<td>104 Alma School Road</td>
<td>2020</td>
<td>Replace local funding, existing service levels in Mesa only</td>
<td>Approved</td>
</tr>
<tr>
<td>77 Baseline Road</td>
<td>2020</td>
<td>Replace local funding, existing service levels in Mesa only</td>
<td>Approved</td>
</tr>
<tr>
<td>30 University Drive</td>
<td>2021</td>
<td>Replace local funding, existing service levels in Tempe</td>
<td>Approved</td>
</tr>
<tr>
<td>45 Broadway Road</td>
<td>2021</td>
<td>Replace local funding, existing service levels in Mesa only</td>
<td>Approved</td>
</tr>
<tr>
<td>30 University Drive</td>
<td>2022</td>
<td>Replace local funding, existing service levels in Mesa only</td>
<td>Approved</td>
</tr>
<tr>
<td>156 Chandler Boulevard</td>
<td>2022</td>
<td>Increase weekday frequency in Chandler only</td>
<td>Approved</td>
</tr>
<tr>
<td>170 Bell Road</td>
<td>2022</td>
<td>Replace local funding, existing service levels in Scottsdale</td>
<td>Approved</td>
</tr>
<tr>
<td>170 Bell Road</td>
<td>2023</td>
<td>Replace local funding, existing service levels in Glendale</td>
<td>Approved</td>
</tr>
<tr>
<td>112 Arizona Avenue/Country Club</td>
<td>2024</td>
<td>Increase service in Chandler only, extend route</td>
<td>Approved</td>
</tr>
<tr>
<td>83 83rd Avenue</td>
<td>2025</td>
<td>Replace local funding, existing service levels in Peoria only</td>
<td>Approved</td>
</tr>
<tr>
<td>77 Baseline Road</td>
<td>2020</td>
<td>In Mesa implement 30 min Sat and Sun service; match Sun to Sat span.</td>
<td>Programmed</td>
</tr>
<tr>
<td>104 Alma School Road</td>
<td>2020</td>
<td>In Mesa and Chandler improve span of service</td>
<td>Programmed</td>
</tr>
<tr>
<td>41 Indian School Road</td>
<td>2021</td>
<td>In Scottsdale match Phoenix service span expansion 5AM-Midnight Weekdays and Weekends.</td>
<td>Programmed</td>
</tr>
<tr>
<td>48 48th St/Rio Salado</td>
<td>2021</td>
<td>Extend to Mesa Riverview along Rio Salado. Match Tempe days of operation, span of service and frequency.</td>
<td>Programmed</td>
</tr>
<tr>
<td>96 Dobson Road</td>
<td>2021</td>
<td>Improve peak weekday frequency to 15 minutes from Riverview to Elliot Rd.</td>
<td>Programmed</td>
</tr>
<tr>
<td>83 83rd Avenue</td>
<td>2023</td>
<td>Replace local funding, existing service levels in Peoria only</td>
<td>Programmed</td>
</tr>
</tbody>
</table>
Transportation Excise Tax

Proposition 400 approved in November 2004

- Half-cent sales tax for Maricopa County
  - Extension of tax approved in 1985 for freeway improvements
- Provides funding for freeway, arterial and transit improvements
- Funding allocations are in State statutes and revenues cannot be transferred between programs
  - 33.3% for transit program
  - 56.2% for freeway program
  - 10.5% for arterial program
TLCP Policy Allocations

RPTA Board adopted policies for TLCP Oct 2005

- Transit PTF allocated to bus and rail programs
  - 56.76% annually to bus program
  - 43.24% annually to rail program
- Each program has a financial model to ensure balanced revenues and expenditure
TLCP Guiding Principles

1. A defined and consistent process will be established for allocating funding for projects in the Regional Transportation Plan.
2. A defined and consistent process for Plan amendments and changes will be established.
3. Funding allocations will be regularly monitored and managed.
4. A defined and consistent process will be established to ensure that legislated compliance audit, reporting and performance requirements are met.
5. Budgeting and accounting systems will be established to manage Public Transportation Funds and monitor and report results.
6. Jurisdictional equity will be maintained.

Bus Program
Operating Program Changes

- Update existing mileage, contract rates
- Reduced fare revenue forecast
- SRTP improvements
  - Committed in first 2 years
  - New improvements programmed
Improvements Added

<table>
<thead>
<tr>
<th>Route</th>
<th>Fiscal Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>Baseline Road</td>
<td>2020</td>
</tr>
<tr>
<td>104</td>
<td>Alma School Road</td>
<td>2020</td>
</tr>
<tr>
<td>41</td>
<td>Indian School Road</td>
<td>2021</td>
</tr>
<tr>
<td>48</td>
<td>48th St/Rio Salado</td>
<td>2021</td>
</tr>
<tr>
<td>96</td>
<td>Dobson Road</td>
<td>2021</td>
</tr>
<tr>
<td>83</td>
<td>83rd Avenue</td>
<td>2023</td>
</tr>
</tbody>
</table>

Capital Program Changes

**Facilities plan changes**
- North Glendale Park-and-Ride programmed with local funds only, reduced scope
- Added regional fare collection system

**Fleet plan changes**
- Deferred fleet replacements, reduced expansion, updated unit costs
### Fleet Purchases

<table>
<thead>
<tr>
<th></th>
<th>2019 Update</th>
<th>2018 Update</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed route buses</td>
<td>1,404</td>
<td>1,556</td>
<td>-152</td>
<td>-9.77%</td>
</tr>
<tr>
<td>Paratransit buses</td>
<td>596</td>
<td>603</td>
<td>-7</td>
<td>-1.16%</td>
</tr>
<tr>
<td>Rural route buses</td>
<td>30</td>
<td>27</td>
<td>3</td>
<td>11.11%</td>
</tr>
<tr>
<td>Vanpools</td>
<td>1,480</td>
<td>1,548</td>
<td>-68</td>
<td>-4.39%</td>
</tr>
<tr>
<td><strong>Total Fleet</strong></td>
<td><strong>3,510</strong></td>
<td><strong>3,734</strong></td>
<td><strong>-224</strong></td>
<td><strong>-6.00%</strong></td>
</tr>
</tbody>
</table>

### Expenditure Summary

<table>
<thead>
<tr>
<th></th>
<th>2019 Update</th>
<th>2018 Update</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Route Operations</td>
<td>$992.7</td>
<td>$1,000.4</td>
<td>($7.7)</td>
<td>-0.8%</td>
</tr>
<tr>
<td>ADA &amp; Alternatives</td>
<td>$500.3</td>
<td>$495.1</td>
<td>$5.1</td>
<td>1.0%</td>
</tr>
<tr>
<td>Regional Expenditures</td>
<td>$244.4</td>
<td>$251.4</td>
<td>($6.9)</td>
<td>-2.8%</td>
</tr>
<tr>
<td><strong>Sub-Total Operations Expenditures</strong></td>
<td>$1,737.4</td>
<td>$1,746.9</td>
<td>($9.5)</td>
<td>-0.5%</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>$71.4</td>
<td>$72.1</td>
<td>($0.8)</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Fleet</td>
<td>$897.1</td>
<td>$1,028.3</td>
<td>($131.2)</td>
<td>-12.8%</td>
</tr>
<tr>
<td>Facilities</td>
<td>$279.7</td>
<td>$262.0</td>
<td>$17.7</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Sub-Total Capital Expenditures</strong></td>
<td>$1,248.2</td>
<td>$1,362.5</td>
<td>($114.3)</td>
<td>-8.4%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$2,985.6</td>
<td>$3,109.4</td>
<td>($123.8)</td>
<td>-4.0%</td>
</tr>
</tbody>
</table>
Revenue Summary

<table>
<thead>
<tr>
<th>Source</th>
<th>2019 Update</th>
<th>2018 Update</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PTF</td>
<td>$1,651.3</td>
<td>$1,622.3</td>
<td>$29.0</td>
<td>1.79%</td>
</tr>
<tr>
<td>RARF</td>
<td>$92.8</td>
<td>$94.2</td>
<td>($1.3)</td>
<td>-1.43%</td>
</tr>
<tr>
<td>Fares</td>
<td>$208.4</td>
<td>$237.4</td>
<td>($29.0)</td>
<td>-12.24%</td>
</tr>
<tr>
<td>Federal</td>
<td>$67.8</td>
<td>$66.9</td>
<td>$0.9</td>
<td>1.34%</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$25.1</td>
<td>$25.1</td>
<td>($0.0)</td>
<td>-0.15%</td>
</tr>
<tr>
<td>Sub-Total Operations Revenue</td>
<td>$2,045.4</td>
<td>$2,045.9</td>
<td>($0.5)</td>
<td>-0.03%</td>
</tr>
<tr>
<td>Revenue Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal - Capital</td>
<td>$896.9</td>
<td>$997.0</td>
<td>($100.1)</td>
<td>-10.04%</td>
</tr>
<tr>
<td>Financed Revenue</td>
<td>$58.3</td>
<td>$58.3</td>
<td>$0.0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$20.9</td>
<td>$20.9</td>
<td>$0.0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Sub-Total Capital Revenue</td>
<td>$976.1</td>
<td>$1,076.2</td>
<td>($100.1)</td>
<td>-9.30%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$3,021.5</td>
<td>$3,122.1</td>
<td>($100.6)</td>
<td>-3.22%</td>
</tr>
</tbody>
</table>

Cash Flow Summary

<table>
<thead>
<tr>
<th>Program</th>
<th>TLCP Totals</th>
<th>Funding Surplus / Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Program Revenues</td>
<td>$2,971.5</td>
<td></td>
</tr>
<tr>
<td>Total Operating Costs</td>
<td>($1,737.4)</td>
<td></td>
</tr>
<tr>
<td>Funding surplus before capital and financing</td>
<td>$1,234.1</td>
<td></td>
</tr>
<tr>
<td>Total Capital Costs</td>
<td>($1,175.1)</td>
<td></td>
</tr>
<tr>
<td>Financing Needs anticipated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds</td>
<td>$50.0</td>
<td>($73.0)</td>
</tr>
<tr>
<td>Total Financing</td>
<td>$50.0</td>
<td>($73.0)</td>
</tr>
<tr>
<td>Total Program Cost 2026</td>
<td>($2,935.6)</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Net Fund Balance</td>
<td></td>
<td>$36.0</td>
</tr>
</tbody>
</table>
Jurisdictional Equity

TLCP Guiding Principle to maintain jurisdiction equity

• Applies to half-cent revenues for the bus program only

• Policy allocations were determined based on projects and planning cost estimates from 2002 Regional Transportation Plan

• Actual and forecast costs for services, fleet, capital facilities are allocated to cities

• Each sub-region to be within 2.5% of policy allocation

Regional PTF Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional services</td>
<td>$147.9</td>
</tr>
<tr>
<td>ADA certification</td>
<td>$32.6</td>
</tr>
<tr>
<td>Planning and administration</td>
<td>$3.7</td>
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<td>Regional ITS</td>
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<td>Vanpool vans</td>
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<td>Debt service</td>
<td>$21.9</td>
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<td>Minimum cash balance</td>
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<td><strong>Total Regional Costs</strong></td>
<td><strong>$240.7</strong></td>
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### Jurisdiction Equity Summary by Sub-Region

<table>
<thead>
<tr>
<th>Sub-Region</th>
<th>Total Calculated PTF</th>
<th>Total Policy PTF Allocation</th>
<th>JE Under (JE Over)</th>
<th>Percent of JE Calculated</th>
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</thead>
<tbody>
<tr>
<td>Central</td>
<td>$435.5</td>
<td>$447.5</td>
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<td>2.7%</td>
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<tr>
<td>East</td>
<td>$796.7</td>
<td>$799.3</td>
<td>$2.6</td>
<td>0.3%</td>
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<tr>
<td>West</td>
<td>$166.7</td>
<td>$163.4</td>
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<td>-2.0%</td>
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<tr>
<td></td>
<td>$1,398.9</td>
<td>$1,410.3</td>
<td>$11.4</td>
<td>0.8%</td>
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</tbody>
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### Next Steps

- Address issues within model
  - Cash flow: fund balance too low in FY21 through FY24
  - Sub-regional JE out of balance

- Finalize changes and improvements
  - Sub-regional meetings in June
  - Identify projects for Phoenix

- August committee process for approval
Information Summary

DATE
June 11, 2019

SUBJECT
2019 Transit Life Cycle Program - Rail Update

PURPOSE
To present the draft 2019 TLCP Rail Update for information.

BACKGROUND | DISCUSSION | CONSIDERATION
The TLCP was developed in 2005 to provide guidance for the implementation of the transit component of the Regional Transportation Plan. The TLCP includes Guiding Principles, policies, procedures and financial forecasts to ensure that the program can be balanced.

The draft 2019 Bus TLCP Update is being discussed through the Valley Metro RPTA Board process. The bus and rail programs will be merged into a single item for action on the joint agenda for May.

The most recent update to the TLCP was in May 2018. Since that time, the official forecast has projected a modest increase in revenues for the Transportation Excise Tax. The forecast of PTF for the rail program is approximately $24 million higher for the remaining years of the TLCP (FY2019-2026).

Rail/High Capacity Transit Program

The baseline rail model has some changes from the adopted 2018 TLCP Update. Among the changes are changes in the cost estimates for the Operations and Maintenance Center Expansion project, South Central Extension/Downtown Hub, Northwest Extension Phase II and deferrals of the West Phoenix and Northeast projects. A new project for capital maintenance related to State of Good Repair was added. Previously these items were included in the Systemwide Improvements category.

Below is a summary of the proposed changes to the projects.

Operations and Maintenance Center – The project is estimated at $94.9 million. Funding will come from the South Central Extension/Downtown Hub project, federal CMAQ and regional PTF. A design build contract was awarded to Hensel Phelps and work has begun on the expansion.
South Central Extension/Downtown Hub – The project cost forecast has increased to $1.275 billion, which does not include an estimate for finance costs incurred by the City of Phoenix. The increased cost forecast was determined at the 60% design level and after a risk analysis was completed by FTA. The project has been accepted into the Engineering phase of the Capital Investment Grant program. The project is funded with FTA New Starts, CMAQ, regional PTF and City of Phoenix funds. Additional regional PTF has been allocated to this project to offset some of the increased cost.

Northwest Extension Phase II – The project cost forecast has increased to $376 million, which does not include an estimate for finance costs incurred by the City of Phoenix. The increased cost forecast was determined at the 60% design level and after a risk analysis was completed by FTA. This project is in the Project Development phase of the Capital Investment Grant program. The request to enter the Engineering phase will be made during the summer of 2019. The project is funded with FTA New Starts, regional PTF and City of Phoenix funds.

West Phoenix Extension – The City of Phoenix Council voted defer work on this extension. The project remains in the Regional Transportation Plan.

Northeast Extension – The City of Phoenix Council voted defer work on this extension. The project remains in the Regional Transportation Plan.

<table>
<thead>
<tr>
<th>Corridor</th>
<th>2018 TLCP Open Year</th>
<th>2019 TLCP Open Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tempe Streetcar</td>
<td>2021</td>
<td>2021</td>
</tr>
<tr>
<td>Capitol/I-10 West Phase I</td>
<td>2023</td>
<td>2023</td>
</tr>
<tr>
<td>Northwest Phase II</td>
<td>2023</td>
<td>2023</td>
</tr>
<tr>
<td>South Central</td>
<td>2023</td>
<td>2023</td>
</tr>
<tr>
<td>West Phoenix</td>
<td>2026</td>
<td>2040</td>
</tr>
<tr>
<td>Capitol/I-10 West Phase II</td>
<td>2030</td>
<td>2030</td>
</tr>
<tr>
<td>Northeast Phoenix</td>
<td>2034</td>
<td>2040</td>
</tr>
</tbody>
</table>

Currently, the rail program preliminary financial model is balanced, with a surplus of $21 million remaining. The rail program currently anticipates financing needed. The financing needs are driven by the construction of three projects simultaneously in the City of Phoenix and will likely change as those projects advance. The financing needs in this model are assumed to be provided either by the City of Phoenix or other outside financing (such as a P3), leaving PTF funds “pay-as-you-go”. However, there could be an opportunity for one additional PTF backed financing in 2020 or 2021 if required.
COST AND BUDGET
The proposed changes to the TLCP rail model have been incorporated into the proposed FY2019 Operating and Capital Budgets and the Five-Year Operating and Capital Forecasts. Revenues and expenditures forecast within the TLCP are balanced as required by State Statute.

COMMITTEE PROCESS
RTAG: May 21, 2019 for information
RMC: June 5, 2019 for information
AFS: June 18, 2019 for information
Board of Directors: June 20, 2019 for information

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
Goal 3: Grow transit ridership

RECOMMENDATION
This item is presented for information only.

CONTACT
Paul Hodgins
Chief Financial Officer
602-523-6043
phodgins@valleymetro.org

ATTACHMENT
None
Transportation Excise Tax

Proposition 400 approved in November 2004

- Half-cent sales tax for Maricopa County
  - Extension of tax approved in 1985 for freeway improvements

- Provides funding for freeway, arterial and transit improvements

- Funding allocations are in State statutes and revenues cannot be transferred between programs

  - 33.3% for transit program
  - 56.2% for freeway program
  - 10.5% for arterial program
TLCP Policy Allocations

RPTA Board adopted policies for TLCP Oct 2005

- Transit PTF allocated to bus and rail programs
  - 56.76% annually to bus program
  - 43.24% annually to rail program

- Each program has a financial model to ensure balanced revenues and expenditure
Rail Program

Capital Project Schedule

<table>
<thead>
<tr>
<th>Project/Activity Fiscal Year</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
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<tr>
<td>Northwest Phase I (6.3 miles)</td>
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<td>Gilbert Road (1.9 miles)</td>
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<td>50th Street LRT station</td>
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<td>Tempe Streetcar (3.0 miles)</td>
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<tr>
<td>OMC Expansion</td>
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<td>South Central (6.5 miles)</td>
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<tr>
<td>Northwest Phase II (1.5 miles)</td>
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<tr>
<td>Capital/I-10 West Phase I (6.5 miles)</td>
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<tr>
<td>Capital/I-10 West Phase II (6.5 miles)</td>
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</tbody>
</table>

LEGEND

- Project Development
- Design
- Construction and Testing
High Capacity Transit Map

Prop 400 Rail Revenues
Capital Project Changes

• OMC Expansion updated cost estimate

• South Central Extension/Downtown Hub project updated to reflect cost estimate at 60% design and FTA risk assessment results

• Northwest Phase II project updated to reflect cost estimate at 60% design and FTA risk assessment results

• New project for State of Good Repair

• West Phoenix and Northeast corridors deferred beyond Prop 400

Capital Funding Changes

• FTA Capital Investment Grant program share decreased to 39.4% for South Central/Downtown Hub and Northwest Phase II projects

• Regional PTF programmed to South Central/Downtown Hub

• CMAQ maximized for OMC Expansion and South Central/Downtown Hub projects
## 2019 Corridor Cost Estimates

<table>
<thead>
<tr>
<th>Location</th>
<th>Base</th>
<th>Utilities</th>
<th>2019 Total</th>
<th>2018 Update</th>
<th>Change</th>
</tr>
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<tbody>
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<td>$185.1</td>
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<tr>
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<td>$0.0</td>
<td>$184.1</td>
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<tr>
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<td>South Central/Downtown</td>
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<td>$0.0</td>
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<td><strong>Sub-Total Corridor Extensions</strong></td>
<td>$2,800.6</td>
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## 2019 Other Capital Costs

<table>
<thead>
<tr>
<th>Other Capital Expenditures</th>
<th>Base</th>
<th>Utilities</th>
<th>2019 Total</th>
<th>2018 Update</th>
<th>Change</th>
</tr>
</thead>
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<tr>
<td>LRV Acquisition</td>
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<td>System-wide Support Infrastructure</td>
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<td>Corridor Planning/CPDA</td>
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<td><strong>Sub-Total Other Capital</strong></td>
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<td>$51.6</td>
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</table>
## 2019 Capital Revenues

<table>
<thead>
<tr>
<th></th>
<th>2019 Update</th>
<th>2018 Update</th>
<th>Change</th>
<th>% Change</th>
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</thead>
<tbody>
<tr>
<td>PTF</td>
<td>$1,308.1</td>
<td>$1,284.2</td>
<td>$23.9</td>
<td>1.9%</td>
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<tr>
<td>FTA 5309</td>
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<td>$1,195.9</td>
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<td>CMAQ</td>
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<td>$478.2</td>
<td>($54.3)</td>
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<tr>
<td>Other federal</td>
<td>$40.7</td>
<td>$43.6</td>
<td>($2.9)</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Phoenix T2050</td>
<td>$906.1</td>
<td>$813.9</td>
<td>$92.2</td>
<td>11.3%</td>
</tr>
<tr>
<td>Mesa</td>
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<td>0.0%</td>
</tr>
<tr>
<td>Glendale</td>
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<td>0.0%</td>
</tr>
<tr>
<td>Tempe</td>
<td>$13.2</td>
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<td>MAG / RPTA</td>
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<td>$23.1</td>
<td>$0.3</td>
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<tr>
<td><strong>Sub-Total Capital Revenue</strong></td>
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<td><strong>$3,866.2</strong></td>
<td><strong>($91.0)</strong></td>
<td><strong>-2.4%</strong></td>
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## 2019 Cash Flow Summary

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Proceeds</th>
<th>Debt Service</th>
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<tbody>
<tr>
<td><strong>Series 2009</strong></td>
<td>$55.5</td>
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<td><strong>Series 2014</strong></td>
<td>$135.4</td>
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<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Advance Funds by Phoenix</td>
<td>$60.0</td>
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<tr>
<td><strong>Total Financing</strong></td>
<td><strong>$250.9</strong></td>
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<tr>
<td><strong>Total Program Cost 2026</strong></td>
<td><strong>$3,753.9</strong></td>
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<tr>
<td><strong>Net Fund Balance</strong></td>
<td><strong>$21.3</strong></td>
</tr>
</tbody>
</table>
Next Steps

• Finalize cost estimate for Northwest Extension Phase II

• Review CMAQ programming

• August committee process for approval
Information Summary

DATE
June 11, 2019

AGENDA ITEM 11

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. Non-Revenue Vehicle Fuel Purchase
Execute a cooperative agreement purchase order with US Bank Voyager Fleet Systems for non-revenue vehicle fuel for a not-to-exceed amount of $1,352,000 over a five-year period.

B. Security Orchestration Automation, and Response Software Contract Award
Execute a three-year contract with CDW-G for software licensing not to exceed $231,330 for the period of July 1, 2019 to June 30, 2022.

C. Wayfinding Map Design Services Contract Award
Execute a five-year contract with CHK America, Inc. for wayfinding map design services for an amount of $835,494.

D. Allied Universal Services (AUS) Contract Change Order
Exercise the two contract option years with AUS for the security services for the period of July 1, 2019 through June 30, 2121 and approve an increase to the amount previously approved for the two-year option period in an amount not to exceed $3,616,775 for an overall contract value of $16,297,000 for fiscal years 2020 and 2021.

E. Employee Benefits Consulting Services Contract
Execute a three-year contract base term and two one-year options with Hays Companies to provide employee benefits consulting services for an amount not to exceed $352,000.

F. Rail Transportation Services Contract Change Order
Execute a contract change order with Alternate Concepts, Inc. (ACI) for rail transportation services to include the Gilbert Road Extension (GRE) in an amount not to exceed $2,509,838 for the period of Jul 1, 2019 to June 30, 2022.
G. **Light Rail Vehicle (LRV) Line Filter Choke Overhaul Contract Award**
Execute a contract with Delta Electric Motors to refurbish and overhaul LRV line filter chokes in an amount not to exceed $226,100.

H. **Ticket Vending Machine (TVM) and Hand Held Validators (HHV) Hardware and Software Support Contract Award**
Execute a contract with Scheidt & Bachmann USA, Inc. (S & B) for a three-year hardware and software maintenance support agreement for TVMs and HHVs for an amount not to exceed $159,292.

I. **South Central Light Rail Extension/Downtown Hub Construction Manager at Risk Contract Amendment**
Increase the South Central Light Rail Extension/Downtown Hub CM@Risk contract with Kiewit Infrastructure West Co., by $452,955 to extend Preconstruction Services Work.

**RECOMMENDATION**
For information only.

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

**ATTACHMENT**
Information Summaries for items listed above
DATE
June 11, 2019

AGENDA ITEM 11A

SUBJECT
Non-Revenue Vehicle Fuel Purchase

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a cooperative agreement purchase order with US Bank Voyager Fleet Systems for non-revenue vehicle fuel for a not-to-exceed amount of $1,352,000 over a five-year period. The RPTA portion will not exceed $52,000 and the Valley Metro Rail (VMR) portion will not exceed $1,300,000.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro currently has 98 non-revenue vehicles in its fleet, 18 RPTA vehicles and 80 VMR vehicles. The vehicles are used for the ongoing maintenance of the 26.2-mile light rail line, support of contracted light rail operations, and for integrated agency staff use. Valley Metro uses fleet fuel cards through Voyager Fleet Systems to refuel non-revenue vehicles as needed. Using the Voyager fleet fuel cards allows Valley Metro to refuel at many locations throughout the Valley.

Valley Metro has been utilizing the Voyager Fleet Systems fuel card program but due to the increase in the non-revenue fleet inventory and the addition of the agency owned contracted light rail operations support vehicles, the annual costs will exceed the CEO’s contract authority amount. The light rail operations contractor was previously fueling the agency owned vehicles and invoicing Valley Metro for the fuel cost each month. The contractor was asked to begin using the Voyager fleet fuel cards for efficiency and allows for accurate tracking of mileage and proper maintenance scheduling.

Cooperative Agreements are contracts that are solicited and awarded by other public entities and whose cooperative language allows Valley Metro to utilize these contracts for goods and services it requires. This cooperative contract for non-revenue vehicle fuel was procured via the State of Arizona Procurement Office of the Department of Administration and is currently awarded to, US Bank Voyager Fleet Systems. Valley Metro uses this contract to fulfill its non-revenue vehicle fuel purchase needs.

This cooperative agreement purchase order with US Bank Voyager Fleet Systems will start July 1, 2019 for a five-year period.

COST AND BUDGET
The non-revenue vehicle fuel usage over five years has a total estimated value of $1,352,000. The five year forecast for fuel is in the chart below.
<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>VMR</td>
<td>$220,000</td>
<td>$240,000</td>
<td>$260,000</td>
<td>$280,000</td>
<td>$300,000</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>RPTA</td>
<td>$10,300</td>
<td>$10,350</td>
<td>$10,400</td>
<td>$10,450</td>
<td>$10,500</td>
<td>$52,000</td>
</tr>
</tbody>
</table>

The RPTA contract obligation is $52,000 and is included in the RPTA Proposed FY20 Operating and Capital Budget. Contract Obligations beyond FY20 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

The VMR contract obligation is $1,300,000 and is included in the Valley Metro Rail Proposed FY20 Operating and Capital Budget. Contract Obligations beyond FY20 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

The source of funding is from member cities.

**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

**COMMITTEE PROCESS**
RTAG: May 21, 2019 for information
TMC/RMC: June 5, 2019 for action
Boards of Directors: June 20, 2019 for action

**RECOMMENDATION**
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a cooperative agreement purchase order with US Bank Voyager Fleet Systems for non-revenue vehicle fuel for a not-to-exceed amount of $1,352,000 over a five-year period.

**CONTACT**
Ray Abraham
Chief Operations Officer
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rabraham@valleymetro.org

**ATTACHMENT**
None
Information Summary

DATE
June 11, 2019

AGENDA ITEM 11B

SUBJECT
Security Orchestration, Automation, and Response Software Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a three-year contract for Demisto software licensing not to exceed $210,300 for the period of July 1st, 2019 to June 30, 2022.

BACKGROUND/DISCUSSION/CONSIDERATION
Like many organizations, Valley Metro is struggling to address a steadily growing number of IT security threats with finite Information Security staffing. A new type of software known as Security Orchestration, Automation, and Response (SOAR) automates incident investigation and some types of incident response, reducing incident response times and allowing staff to handle more incidents. After several months researching various SOAR software packages, staff settled on the Demisto Enterprise Platform. This determination is consistent with IT research firm Gartner’s 2018 identified of Demisto as one of the leading SOAR providers.

As a result, Valley Metro engaged in a 30-day proof of concept using Demisto to automate the review of reported phishing emails. Automating this single process saved Agency Information Security personnel an estimated $4,2601 in labor costs. It also identified several other benefits of Demisto’s use:

- Reducing the risk of IT security incidents by automating containment actions such as removing a machine from the network or blocking network traffic through a firewall when an incident is detected.
- Establishing digital playbooks that document and automate the Agency’s triage process and incident response procedures.
- Reducing the risk that a critical security incident alert will be missed by using automation to screen alerts and highlight critical alerts.

Therefore, Valley Metro has determined that Demisto can reduce IT security risk, improve consistency, and mitigate the need for Information Security staff growth.

---

1 Valuation based on the 165 reported phishing emails during the period, the blended, loaded labor rate of all Agency Information Security personnel, and an 83% reduction in the average time a human spent interacting with a suspect message.
Demisto’s services will be procured using a software value-added reseller cooperative contract with CDW-G, awarded by the Arizona State Procurement Office. Purchasing under a cooperative contract saves Valley Metro resources due to the simplified acquisition process, cooperative purchasing power of multiple agencies, and terms and conditions that have previously been negotiated.

COST AND BUDGET
Demisto software licensing is $210,300. The RPTA portion is $105,150 and the VMR portion is $105,150. All costs in FY 2020 are included in the proposed RPTA FY 2020 Operating and Capital Budget. These costs are funded using the agency’s overhead allocation.

<table>
<thead>
<tr>
<th>Purchase</th>
<th>Vendor</th>
<th>Contract</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demisto Enterprise Platform 3-Year</td>
<td>CDW-G</td>
<td>State Contract: ADSPO17-149774</td>
<td>$210,300</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Subtotal $210,300</td>
</tr>
</tbody>
</table>

COMMITTEE PROCESS
RTAG: May 21, 2019 for information
TMC/RMC: June 5, 2019 for action
Boards of Directors: June 20, 2019 for action

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

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a three-year contract with CDW-G for software licensing not to exceed $210,300 for the period of July 1, 2019 to June 30, 2022.

CONTACT
Phil Ozlin
Manager, Information Technology
602-495-8253
pozlin@valleymetro.org

ATTACHMENT
None
DATE
June 11, 2019

AGENDA ITEM 11C

SUBJECT
Wayfinding Map Design Services Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a five-year wayfinding map design services contract with CHK America, Inc. for an amount not to exceed $1,172,094 which includes a 10% contingency of $106,554.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro currently outsources the design of wayfinding maps to provide customers a variety of wayfinding maps to facilitate transfers and wayfinding at transit centers, light rail stations, on board light rail vehicles and bus stops throughout the Valley. The system map is also distributed through the Transit Book and at outreach events. The current contract with CHK America, Inc. expires on June 30, 2019 a new five-year contract is scheduled to be in place by July 1, 2019.

In 2014, under a Request for Proposals (RFP) process, a five-year contract was awarded to CHK America, Inc. Over the past five years, we have utilized this contract to design and update the following items on a biannual basis to reflect all relevant service changes:

- Valley Metro system map that is included in each edition of the transit book and also printed for bus shelters throughout the Valley
- Transit center and light rail station spider maps
- Guide-a-Ride signs at bus stops throughout the Valley
- Light Rail line map decals onboard vehicles

In order to provide our customers with an excellent riding experience, Valley Metro needs to continue to provide updated, accurate and user-friendly maps at our facilities and throughout the service area.

In March 2019, Valley Metro issued an RFP for Wayfinding Map Design Services. Four proposals were received. Of the four, three proposals were determined responsive. A selection committee comprised of Valley Metro and City of Tempe staff evaluated the proposals using the following criteria:

- Firm Qualifications and Experience - 175 points
- Previous Work Examples - 175 points
- Understanding/Approach to the scope of services - 150 points
- Qualifications and Experience of Assigned Personnel - 100 points
- Price - 400 points
City ID LLC and CHK America, Inc. were deemed to be within the competitive range. The Committee utilizing the rankings below arrived at its contract award recommendation to CHK America, Inc. using the “best value” selection process that allows for tradeoffs and the analysis of overall cost and value to the Agency. Under best value, we are awarding to the lowest priced, highest technically rated Proposer.

Ranking of proposals:

<table>
<thead>
<tr>
<th>Proposers</th>
<th>Technical Points</th>
<th>Pricing Points</th>
<th>Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHK America, Inc.</td>
<td>580</td>
<td>400</td>
<td>980</td>
</tr>
<tr>
<td>City ID LLC</td>
<td>579</td>
<td>299</td>
<td>878</td>
</tr>
<tr>
<td>Michael Wilder Agency</td>
<td>356</td>
<td>18</td>
<td>374</td>
</tr>
</tbody>
</table>

COST AND BUDGET
The proposed Wayfinding Map Design Services contract has a total term of five years. Costs are incurred on a per map basis when new prototype maps or map updates are required. For the five-year term of the contract, the estimated cost for all maps is $1,172,094, with an RPTA portion of $549,494 and the VMR portion of $622,600. For Fiscal Year 2020, the estimated RPTA cost is $97,540 and the estimated VMR cost is $83,500. Both are fully funded within the Valley Metro Preliminary FY 2020 Operating and Capital Budget. Estimated contract costs beyond FY 2020 are incorporated into the Valley Metro RPTA and VMR Five-Year Operating Forecast and Capital Program (FY 2020 thru FY 2024). The source of funding is Prop 400 (PTF).

STRATEGIC PLAN ALIGNMENT
FY 2016 – 2020:
- Goal 1: Increase customer focus
- Goal 3: Grow transit ridership
- Goal 5: Advance the value of transit

COMMITTEE PROCESS
RTAG: May 21, 2019 for information
TMC/RMC: June 5, 2019 for action
Board: June 20, 2019 for action

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a five-year contract with CHK America, Inc. for wayfinding map design services with an estimated cost of $1,172,094.

CONTACT
Jim Hillyard
Chief Administration Officer
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ATTACHMENT
None
Wayfinding Map Design Services Endnotes

i When presented to RTAG, the estimated total cost of this contract, including contingency, was $835,494. Subsequent to that meeting, it was discovered that the estimated cost didn’t correctly reflect the cost of new prototype spider maps for the Tempe Streetcar ($38,500) and for South Central/Downtown Hub, Northwest Phase II, and Capital I-10 phase I ($41,250). It also erroneously included funding for updating spider maps once per year rather than the two times required by the Spring and Fall service changes ($256,850).

ii Wayfinding Map Design Services are forecasted to grow as follows:

1. Transit Maps
   a. A new prototype transit map will be needed when the South Central Extension is scheduled to open in year four of the contract.
   b. The per map cost for a prototype map and map update has stayed the same from the previous contract to the proposed contract.

2. Spider Maps
   a. The number of Spider Maps will increase by 14 in year 2020 due to the opening of the Tempe Streetcar and by 15 in 2023 due to the anticipated openings of the South Central, Capital/I-10, and North West Phase II light rail extensions.
   b. The per map cost for a prototype map has decreased by $1,000 from the previous contract to the proposed contract. The per map cost for a map update has decreased by $250 from the previous contract to the proposed contract.

3. Neighborhood Maps
   a. The number of Neighborhood Maps is forecasted to increase by 10% in years 4 and 5 of the contract due to forecasted economic development along the light rail system.
   b. The per map cost for a prototype map has decreased by $1,000 from the previous contract to the proposed contract. The per map cost for a map update has stayed the same from the previous contract to the proposed contract.

4. Guide-a-Ride Maps
   a. Guide-a-Ride Map prototypes may increase in years 1 and 2 of the contract to provide more efficient map solutions at bus stop locations.
   b. The per map cost for a prototype map has stayed the same from the previous contract to the proposed contract. The per map cost for a map update has increased by $40 from the previous contract to the proposed contract.
DATE
June 11, 2019

SUBJECT
Allied Universal Services (AUS) Contract Change Order

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract change order to exercise the two contract option years concurrently for a not to exceed amount of $12,680,225 and to increase the contract authority by $3,616,775 for an overall not to exceed grand total of $16,297,000 for fiscal years 2020 and 2021. This increase of $3,616,775 includes staffing increases for two extensions as well as hourly rate increase of 2% for each fiscal year.

BACKGROUND | DISCUSSION | CONSIDERATION
On August 18, 2016, Valley Metro Rail and RPTA Boards of Directors awarded a three-year base contract with two one-year options to Allied Universal Security. The two option years combined contract authority is set at $12,680,225. The current three-year base contract for Fare Inspection and Security Service expires on June 30, 2019.

The contract scope provides for fare inspection services, ordinance compliance and security for the light rail system, fixed post security for the Greenfield Bus Operations and Maintenance as well as the rail Operations and Maintenance Center.

In 2017, Valley Metro revised and received Board approval for the Code of Conduct, implemented Respect the Ride and enhanced security presence with additional hours to the existing contract. Valley Metro also recognized the need to improve the starting hourly rate in order to attract and retain more qualified applicants. In addition, new operations of the Gilbert Road Extension beginning in May 2019 and the Tempe Streetcar beginning in May 2021. To address these changes in security needs, staff is recommending an increase to the overall contract authority for the next two years by $3,616,775.

Allied Universal Services (AUS) provides a high-level of customer service and an enhanced training and managerial oversight of the contract work that has contributed to the improvement of the customer experience as well as fewer customer complaints over the last three years.
COST AND BUDGET

The cost for the two one-year option years is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>RPTA Budget</th>
<th>VMR Budget</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>$277,300</td>
<td>$6,524,000</td>
<td>$6,802,000</td>
</tr>
<tr>
<td>FY20</td>
<td>$290,500</td>
<td>$7,722,000</td>
<td>$8,012,500</td>
</tr>
<tr>
<td>FY21</td>
<td>$296,300</td>
<td>$7,988,200</td>
<td>$8,284,500</td>
</tr>
<tr>
<td>Total Change Order</td>
<td>FY20 and FY21</td>
<td>$16,297,000</td>
<td></td>
</tr>
</tbody>
</table>

Estimated costs for the first year are included in the Valley Metro RPTA and VMR FY2020 Annual Operating and Capital Budgets and are funded through local contributions. Contract obligations beyond FY2020 are incorporated into the Valley Metro RPTA and VMR Five-Year Operating Forecasts and Capital Programs (FY2020-2024).

**Upcoming extended Service Details and increase in hourly rate:**
The estimate for security services for FY20 includes additional service related to the Gilbert Road extension, opening May 18, 2019 (budgeted under current FY19 budget for the two months remaining) and 2 months of Tempe Street Car (May and June 2021).

There is an increase of $3,616,775 from the original option contract authority of $12,680,225 as a result of expanded services and staffing along with an increase to hourly rates from the original three-year base contract period. Of the $3,616,775 the 2% increase equates to $826,000 in year one and $995,000 in year two. This rate increase is incorporated in an effort to attract and retain more qualified candidates to the security positions.

**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
- Goal 2: Advance performance based operation

**COMMITTEE ACTION**
RTAG: May 21, 2019 for information
TMC/RMC: June 5, 2019 for action
Boards of Directors: June 20, 2019 for action
RECOMMENDATION
Staff recommends that the Boards of Directors authorize the CEO to exercise the two contract option years with Allied Universal Security for the security services for the period July 1, 2019 through June 30, 2021 and approve an increase to the amount previously approved for the two-year option period in an amount not to exceed $3,616,775, for an overall contract value of $16,297,000 for fiscal years 2020 and 2021.

CONTACT
Adrian Ruiz
Safety, Security and Quality Assurance Director
602-523-6054
aruiz@valleymetro.org
DATE
June 11, 2019

SUBJECT
Employee Benefits Consulting Services Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a five-year Employee Benefits Consulting Services contract with Hays Companies.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro’s current contract with AON for Employee Benefits Consulting Services will expire June 30, 2019. Valley Metro continues to have a need for employee benefits consulting services.

In December 2018, Valley Metro issued a Request for Proposals from qualified firms to perform employee benefits consulting services. The consultant shall provide a full range of employee benefits consulting services and benefit plan administration services as listed in the scope of work beginning FY20 enrollment cycle. Consulting services will include:

- Negotiation of annual health insurance renewals
- Benefit plan design or redesign
- Claims experience analysis and reporting
- Contract review
- Benefits strategic planning
- Claims management and cost control
- Legislative updates and interpretation related to employee benefits
- Other employee health and welfare issues.

A selection committee, comprised of staff from Valley Metro, City of Scottsdale and Town of Gilbert, evaluated the consulting service proposals. Proposals were evaluated based on the following criteria:

1. Firm Qualifications and Experience
2. Personnel Qualifications and Experience
3. Understanding / Approach to the Scope of Services
4. Price
Six proposals were received and after completing the technical evaluation the selection committee determined Hays Companies was the highest rated offeror and best value for the Agency.

**Ranking of the six proposals:**

<table>
<thead>
<tr>
<th>Offerors</th>
<th>Technical Scores</th>
<th>Price Scores</th>
<th>Final Scoring</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hays</td>
<td>727</td>
<td>200</td>
<td>927</td>
<td>1</td>
</tr>
<tr>
<td>AON</td>
<td>717</td>
<td>198</td>
<td>915</td>
<td>2</td>
</tr>
<tr>
<td>Lockton</td>
<td>695</td>
<td>176</td>
<td>871</td>
<td>3</td>
</tr>
<tr>
<td>Segal</td>
<td>723</td>
<td>141</td>
<td>864</td>
<td>4</td>
</tr>
<tr>
<td>Alliant</td>
<td>726</td>
<td>133</td>
<td>859</td>
<td>5</td>
</tr>
<tr>
<td>Gallagher</td>
<td>643</td>
<td>167</td>
<td>810</td>
<td>6</td>
</tr>
</tbody>
</table>

**COST AND BUDGET**

The Employee Benefits Consulting Services contract with Hays Companies has a total term of 5 years (3-year base contract plus 2 one-year extensions), beginning on July 1, 2019. For the total term of the contract, the award is $352,000. A contract contingency of $32,000 (10%) is established that is included within the overall budget established for the project.

For the FY 2020, the RPTA contract obligation is $62,000, which is fully funded within the Valley Metro FY 2020 Operating and Capital Budget. Contract Obligations beyond FY 2020 are incorporated into the Valley Metro RPTA Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024). Costs are allocated through the overhead pool.

<table>
<thead>
<tr>
<th>5-Year Firm Fixed Price</th>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY20</td>
<td>$62,000</td>
</tr>
<tr>
<td></td>
<td>FY21</td>
<td>$63,000</td>
</tr>
<tr>
<td></td>
<td>FY22</td>
<td>$64,000</td>
</tr>
<tr>
<td></td>
<td>FY23</td>
<td>$65,000</td>
</tr>
<tr>
<td></td>
<td>FY24</td>
<td>$66,000</td>
</tr>
<tr>
<td>Contingency (10%)</td>
<td></td>
<td>$32,000</td>
</tr>
<tr>
<td>Total Contract Award</td>
<td></td>
<td>$352,000</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 2: Advance performance based operation

COMMITTEE PROCESS
RTAG: May 21, 2019 for information
TMC: June 5, 2019 for action
Board of Directors: June 20, 2019 for action

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a three-year contract base term and two one-year options with Hays Companies to provide employee benefits consulting services for an amount not to exceed $352,000.

CONTACT
Penny Lynch
Director, Human Resources
602-523-6024
PLynch@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
June 11, 2019

AGENDA ITEM 11F

SUBJECT
Rail Transportation Services Contract Change Order

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract change order with Alternate Concepts, Inc. (ACI) for rail transportation services to include the Gilbert Road Extension (GRE) in an amount not to exceed $2,509,838 for the period July 1, 2019 to June 30, 2022.

BACKGROUND | DISCUSSION | CONSIDERATION
Rail Transportation Services are currently provided to Valley Metro Rail under a 5-year base contract plus one 3-year option and one 2-year option with Alternate Concepts, Inc. (ACI). In March 2017, the Board of Directors authorized the CEO to execute a contract with ACI to provide rail transportation services effective January 1, 2017 with an expiration date of June 30, 2027. The award amount was $56,140,384 for the 5-year base term of the contract. The contract included rail transportation services for the original 20-mile rail alignment, Central Mesa Extension, and the Northwest Extension.

The Rail Transportation Services contractor manages, coordinates and controls all activities necessary for light rail operations. Work being performed under this contract includes: providing qualified Light Rail Vehicle (LRV) operators, managers, supervisors, administrative and support staff, and Operations Control Center (OCC) staffing. Other activities under the contract includes initial and continual training for personnel; assisting the Agency with start-up and light rail extension activities; coordination of special events and activities along the light rail alignment; management and mitigation of any situation impacting light rail operations; and accident investigation and reporting.

The request for a change order to the transportation services contract is to include the 1.9 mile Gilbert Road Extension (GRE) that will begin revenue service May 18, 2019. The change order includes additional staffing needed to operate the rail transportation services as listed below:

- 2 Operations Coordinators
- 6 Operators

The change order being requested is to be effective July 1, 2019 as there is sufficient current contract authority to cover the costs from May 18, 2019 through June 30, 2019.
COST AND BUDGET
The cost of the change order to the rail transportation contract with ACI over the remaining 3-years of the 5-year base term of the contract is an amount not to exceed $2,509,838 and is detailed in the chart below:

<table>
<thead>
<tr>
<th></th>
<th>FY 20</th>
<th>FY 21</th>
<th>FY 22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gilbert Road Extension</td>
<td>$818,426</td>
<td>$836,440</td>
<td>$854,972</td>
<td>$2,509,838</td>
</tr>
</tbody>
</table>

For FY20, The VMR contract change order obligation is $818,426, which is included in the VMR Proposed FY20 Operating and Capital Budget. Contract Obligations beyond FY20 are incorporated into the Proposed Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

The source of funding is from VMR member cities.

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
- Goal 2: Advance performance based operation

COMMITTEE PROCESS
RTAG: May 21, 2019 for information
RMC: June 5, 2019 for action
Board of Directors: June 20, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Boards of Directors authorization for the CEO to execute a contract change order with Alternate Concepts, Inc. (ACI) for rail transportation services to include the Gilbert Road Extension (GRE) in an amount not to exceed $2,509,838 for the period July 1, 2019 to June 30, 2022.

CONTACT
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rabraham@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
June 11, 2019

AGENDA ITEM 11G

SUBJECT
Light Rail Vehicle (LRV) Line Filter Choke Overhaul Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract with Delta Electric Motors to refurbish and overhaul LRV line filter chokes in an amount not to exceed $219,500 plus a contingency of $6,600, for a total of $226,100.

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 588,000 miles. There are currently 50 light rail vehicles (LRVs) in the total fleet. There are two line filter chokes on each LRV which requires 100 to be refurbished and overhauled. Line filter chokes act as surge protectors to protect the propulsion system on the LRV from high voltage spikes. The filter chokes have deteriorated over the last 10 years from use in an environment of extreme heat. 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 scope of work for the overhaul includes the following steps:
- Upon delivery of the line filter chokes to be refurbished, the Contractor shall clean and inspect each unit.
- The Contractor shall conduct a resin impregnation and baking process on each line filter choke.
- The Contractor shall conduct plating of the electrical connections on each line filter choke.
- Each line filter choke shall be tested and the Contractor shall provide an electronic test report to the Valley Metro project manager, or designee, prior to return shipment.

In February 2019, Valley Metro issued an Invitation for Bid (IFB) for the provision of parts and labor necessary to complete the line filter choke overhaul program. The contractor will provide all necessary parts, materials and labor to complete the overhaul program for 50 LRVs. The cost includes overhauling and testing the equipment to original equipment manufacturer (OEM) standards.
Valley Metro received two bids but only one bidder was responsive and agreed to the terms of the solicitation and recommends award to Delta Electric Motors.

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 LRV line filter choke overhaul is $226,100 which includes a $6,600 contingency for any unanticipated damage of the units that are outside the scope of the contract. The cost for the LRV line filter choke overhaul program is included in the Valley Metro Rail Proposed FY 2020 Operating and Capital Budget. Contract obligations beyond FY2020 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

The source of funding is from member cities.

**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

**COMMITTEE PROCESS**
RTAG: May 21, 2019 for information
RMC: June 5, 2019 for action
Board of Directors: June 20, 2019 for action

**RECOMMENDATION**
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a contract with Delta Electric Motors to refurbish and overhaul LRV line filter chokes in an amount not to exceed $226,100.

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

**ATTACHMENT**
None
Information Summary

DATE
June 11, 2019

AGENDA ITEM 11H

SUBJECT
Ticket Vending Machine (TVM) and Hand Held Validators (HHV) Hardware and Software Support Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract with Scheidt & Bachmann USA, Inc. (S & B) for a three-year hardware and software maintenance support agreement for TVMs and HHVs for an amount not to exceed $159,292.

BACKGROUND | DISCUSSION | CONSIDERATION
The S & B ticket vending machines (TVMs) are installed along the light rail alignment and the bus rapid transit (BRT) stations in the east valley. With the addition of the Gilbert Road Extension and 50th Street Passenger Station, there are currently 152 TVMs. The annual cost of the software maintenance includes upgrades, tariff maintenance, statistical reporting, help desk support, and allows for transfer of data from the TVM to Valley Metro's systems.

The S & B hand held validators (HHV) are used by Valley Metro’s Safety & Security Division to validate passenger fare media along the light rail system. There are currently 42 HHVs. The annual cost for the hardware maintenance support includes all repairs and is provided for in a flat annual fee. When an HHV fails, Valley Metro will receive a replacement unit from S & B within the next business day.

The award of a three-year contract is for the period of July 1, 2019 through June 30, 2022. Valley Metro negotiated a three-year fixed fee agreement with S & B that includes a 30-day cancellation clause if necessary. Notwithstanding the procurement of a new system, this support is needed until the new system is in place. Due to the proprietary nature of the software and hardware, there is no other vendor that can supply the maintenance support besides S & B. This is not a federally funded procurement.

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 a three-year hardware and software maintenance support agreement for TVMs and HHVs is an amount not to exceed $159,292. The annual costs are detailed in the chart below:

<table>
<thead>
<tr>
<th></th>
<th>FY 20</th>
<th>FY 21</th>
<th>FY 22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TVM Support</td>
<td>$15,143</td>
<td>$15,143</td>
<td>$15,143</td>
<td>$45,429</td>
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<tr>
<td>HHV Maintenance Program</td>
<td>$37,954</td>
<td>$37,954</td>
<td>$37,955</td>
<td>$113,863</td>
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<tr>
<td><strong>Total</strong></td>
<td>$53,097</td>
<td>$53,097</td>
<td>$53,098</td>
<td>$159,292</td>
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</table>

The cost for the hardware and software maintenance support agreement is included in the Valley Metro Rail Proposed FY 2020 Operating and Capital Budget. Contract obligations beyond FY2020 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

The source of funding is from member cities.

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

COMMITTEE PROCESS
RTAG: May 21, 2019 for information
RMC: June 5, 2019 for action
Board of Directors: June 20, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a contract with Scheidt & Bachmann USA, Inc. (S & B) for a three-year hardware and software maintenance support agreement for TVMs and HHVs for an amount not to exceed $159,292.

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

ATTACHMENT
None
Information Summary

DATE
June 11, 2019

AGENDA ITEM 11I

SUBJECT
South Central Light Rail Extension/Downtown Hub Construction Manager at Risk Contract Amendment

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to increase the South Central Light Rail Extension/Downtown Hub (SCE/DH) Construction Manager at Risk (CM@Risk) contract with Kiewit Infrastructure West Co. by up to $452,955 to extend Preconstruction Services work.

BACKGROUND | DISCUSSION | CONSIDERATION
To date, the Board has authorized $25,080,000 in CM@Risk contract authority for SCE/DH preconstruction services, early procurement, and early construction activities as summarized below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
<th>Cost</th>
<th>Contingency</th>
<th>Total Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-2017</td>
<td>Preconstruction Services</td>
<td>$2,400,000</td>
<td>$240,000</td>
<td>$2,640,000</td>
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<td>Oct-2017</td>
<td>Preconstruction Services for Downtown Changes</td>
<td>$400,000</td>
<td>$40,000</td>
<td>$440,000</td>
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<td>Dec-2018</td>
<td>Potholing/Archaeological investigation, 7th St/7th Ave Improvements &amp; Procurement of Special Trackwork</td>
<td>$20,000,000</td>
<td>$2,000,000</td>
<td>$22,000,000</td>
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<tr>
<td>Total</td>
<td></td>
<td>$22,800,000</td>
<td>$2,280,000</td>
<td>$25,080,000</td>
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</tbody>
</table>

During project design, the CM@Risk contractor works very closely with the design team by reviewing final design plans, performing constructability reviews, developing and updating the project’s construction schedule, and preparing a Guaranteed Maximum Price (GMP) for construction. On May 16, 2019, the Board approved additional funds for the Design Services contract with AECOM to complete final design for the SCE/DH project. To be in alignment with the Design Services contract, it is also necessary to amend the CM@R contract by providing additional funds to extend Preconstruction Services work by 75 work days to support completion of project design.
Additional funds and time are needed because of unanticipated work efforts in the following areas:

- Central Avenue 2-lane versus 4-lane analysis and community engagement during summer 2018 per Phoenix City Council request
- Existing underground utility exploration
- Third party utility coordination
- Coordination with artists
- Downtown private development projects coordination

These additional efforts created additional agency and stakeholder coordination activities, caused rework of design drawings late in the process, and slowed overall design progress.

**COST AND BUDGET**

The current total CM@Risk contract authority is $25,080,000. The amount of the proposed increase to contract authority is $411,777, plus $41,178 (10 percent) contingency, bringing the total contract authority to $25,532,955.

This project is funded by the City of Phoenix, the regional Public Transportation Fund (PTF) and the Federal Transit Administration. Project funding is included in Valley Metro Rail’s draft FY20 Operating and Capital Budget. Contract obligations beyond FY20 are incorporated into the Five-Year Operating Forecast and Capital Program (FY20 thru FY24).

**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
- Goal 3: Grow transit ridership

**COMMITTEE PROCESS**

RTAG: May 21, 2019 for information
RMC: June 5, 2019 for action
Board of Directors: June 20, 2019 for action

**RECOMMENDATION**

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to increase the South Central Light Rail Extension/Downtown Hub CM@Risk contract with Kiewit Infrastructure West Co. by $452,955 to extend Preconstruction Services work.
CONTACT
Wulf Grote, P.E.
Director, Capital & Service Development
602-322-4420
wgrote@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
June 11, 2019

AGENDA ITEM 12

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
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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>
</tr>
</thead>
</table>
