MEETING OF THE
Audit and Finance Subcommittee

Date:
October 10, 2019

Starting Time
12:00 p.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.
Agenda
October 3, 2019

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

Action Recommended

1. **Public Comment**

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

2. **Minutes**

   Minutes from the September 12, 2019 Audit and Finance Subcommittee meeting are presented for approval.

3. **Internal Audit Update**

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

4. **Internal Audit Exceptions Update**

   The Internal Audit Exceptions log is presented for information.

5. **Fiscal Year 2020-21 (FY21) Budget Assumptions**

   Paul Hodgins, Chief Financial Officer, will provide an overview on Fiscal Year 2021 (FY21) Budget Assumptions.
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.

Executive Session

The Audit and Finance Subcommittee may vote to enter Executive Session for discussion or consultation and for legal advice with the attorney or attorneys of the public body and to consider its position and instruct its attorneys regarding the public body’s position concerning matters listed on the agenda, personnel matters and contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; all as authorized by A.R.S. Sections 38-431.03 A.1, A.3., and A.4.

The agenda for Executive Session involves discussion and consultation regarding performance evaluation of the Chief Financial Officer and Director, Internal Audit. Discussion and consultation may be both with and without the Chief Financial Officer and Director, Internal Audit present.

Executive Session Action Items

The Audit and Finance Subcommittee may take action related to items discussed as part of Agenda Item 8.

Future Agenda Items

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

Next Meeting

The next meeting of the Audit and Finance Subcommittee is **November 14, 2019 at 12:00 p.m.**
Qualified sign language interpreters are available with 72 hours notice. Materials in alternative formats 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.
Information Summary

DATE
October 3, 2019

AGENDA ITEM 1

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

October 3, 2019

AGENDA ITEM 2

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

Meeting Participants
Councilmember Robin Arredondo-Savage, City of Tempe, Chair
Councilmember Francisco Heredia, City of Mesa
Mayor Kate Gallego, City of Phoenix
Vice Mayor Bill Stipp, City of Goodyear
Councilmember Lauren Tolmachoff

Chair Arredondo-Savage called the meeting to order at 12:09 p.m.

1. Public Comment

None.

2. Minutes

Minutes from the June 18, 2019, Audit and Finance Subcommittee meeting presented for approval.

IT WAS MOVED BY VICE MAYOR STIPP, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO APPROVE THE JUNE 18, 2019 AFS MINUTES.

3. Bus Service Contracts Audit

Mary Modelski, Director, Internal Audit, provided an overview of the results of the Bus Service Contracts Audit that included the following findings and recommendations:

- Contract File Documentation. Recommendation due date: December 2, 2019
- Change order process not followed. Recommendation due date: December 2, 2019.
- Contract Monitoring Process. Recommendation due date: December 2, 2019
• Pay Application Approval & Timing. Recommendation due date: December 2, 2019.
• Invoice Support. Recommendation due date: December 2, 2019.
• Federal Monitoring. Recommendation due date: December 2, 2019.
• State of Good Repair. Recommendation due date: December 2, 2019.
• Contract Obligations. Recommendation due date: December 2, 2019.

Vice Mayor Stipp expressed concern that all due dates to the findings are on the same date and asked for assurance that the due date would be met.

Mr. Hodgins said he will ensure that resolutions related to accounting will be completed by recommendation due date.

Scott Wisner, Manager, Bus Service Delivery, said he has already started addressing resolution and working with contractors. He said he is confident that the findings will be resolved by due date.

Vice Mayor Stipp said he will ask for confirmation at the December 5, 2019 AFS meeting that resolution is completed.

Mayor Gallego asked where staff is in resolving the cash management issues.

Ms. Modelski said pay applications were not being reconciled to invoices or ensuring that revenue is being recorded.

Mr. Wisner stated he is already working on federal program deficiencies, cleaning up contract monitoring forms, and other administrative items. He said on a monthly basis staff is reviewing and verifying the amounts being reported in the DBE data are consistent with the invoices.

Ms. Modelski reaffirmed that Bus Operations has been working with Internal Audit to resolve the findings by the recommendation due date.

Councilmember Heredia asked if this was a system issue or staffing error.

Mr. Wisner responded it was a lack of a clearly defined process and that a new procedure is being developed. He said that a Standard Operating Procedure (SOP) is in development for items that are procedurally based and for those items that were a finding.
Ms. Modelski said Internal Audit has observed that Bus Operations procedures are improving and are seeing that documentation is being consolidated and centralized.

Councilmember Heredia asked about the relevance of the findings related to federal monetary awards and whether this audit impacts any federal funding.

Ms. Modelski said she does not see it impacting federal grant funds.

Mr. Wisner said the largest contractors has all data and supporting documentation is in the system. A change was made to the monitoring forms to combine maintenance and operations.

Ms. Modelski said this procedure shows due diligence on behalf of Bus Operations.

Mr. Hodgins said this system is a paper-based system, getting all the information from the contractor. We have put out an RFP for an Electronic Asset Management system. This will give us an opportunity to work with the contractor, integrate their data into our system which will result in less paper, and better access to their maintenance and systems. This will help streamline the data gathering for supporting for federal requests.

Chair Arredondo-Savage asked about page 35, second paragraph and what is being done to supplement incentives and disincentives.

Mr. Wisner said in July 2016, the incentives and disincentives were held at abeyance for 90 days. Valley Metro is not charging disincentives for the categories that need improvement and First Transit is not charging Valley Metro incentives for the categories they exceed.

Chair Arredondo-Savage asked if it impacts the original procurement?

Mr. Wisner said it does not really impact the original contract and has seen significant improvement in the performance of the contract.

Chair Arredondo-Savage asked about customer complaints, especially in the East Valley and whether Valley Metro is holding the contractor accountable in providing better service.

Mr. Wisner said Valley Metro is working with the contractors to improve their performance of bus service.

Chair Arredondo-Savage said she wants to make sure there is follow-up and would like to see this finding completed by December 2, 2019.
Ms. Modelski said remediation of the findings will be presented at the January 2020 meeting.

Vice Mayor Stipp said he was concerned about the abeyance of incentives and disincentives and whether they would be retroactive to the start time of the abeyance.

Mr. Wisner said all bus service contracts will be amended to reflect the abeyance and to ensure no charges between Valley Metro and First Transit.

Mr. Hodgins said contract administrators will be proactive with the project managers to prevent this from happening in the future.

**IT WAS MOVED BY MAYOR GALLEGO, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO ACCEPT WITH MODIFICATION THE BUS SERVICE CONTRACTS AUDIT.**

4. Audit and Finance Subcommittee Overview and Structure

Paul Hodgins, Chief Financial Officer, provided a brief presentation of the AFS Structure. The presentation included the following:

- Valley Metro Organization Chart
- Background
- AFS Membership
- AFS Chair Responsibilities
- Purpose
- Recap of Important Budget Dates

Ms. Modelski said there are some important dates related to Internal Audit that she wanted to share with the AFS. In March is the planning of Internal Audit Plan for next fiscal year. In April, AFS is asked if there is anything else the AFS would like to the Audit Plan and then in June, AFS is asked to accept the next fiscal year Audit Plan.

Chair Arredondo-Savage said she would to add this as part of the future agenda items and that the future agenda items be included as an attachment in the meeting packet. She mentioned that she would like to see employee reviews be included in the schedule.

Councilmember Tolmachoff asked what happens when audits are complete and how are the audit reports distributed.

Pat Dillon, Manager, Board and Executive Initiatives, said these reports are included in the Board meeting packet as the Audit and Finance Subcommittee Update agenda item. Vice Mayor Stipp asked if a link could be provided to these reports.
Ms. Dillon said that she will include a link to these reports for the AFS.

No action taken. This item for information only.

5. **Internal Audit Update**

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

**Process:**
- Credit card transactions – On hold
- Travel expenses – On hold
- Professional Development – Not started
- Full-Time Employee Additions – Underway
- Contract Management (specific) – Not started
- OMC Non-Capitalized Rail parts and Tools Inventory – Underway
- Internal Safety and Security Audit Review – Awaiting SSQA
- CSD Invoice Processing – Not started
- Human Resources Information Management System (HRIMS) Implementation – Monitoring
- ERP Implementation – Monitoring
- External Audits – Underway
  - Maricopa County – Paratransit
  - City of Phoenix – Fare Revenue
  - City of Phoenix – Contract Risk Assessment
- Fiscal Year 18-19 – included in packet
- Exception log – included in packet

Ms. Modelski requested of the AFS a modification to the FY 19-20 Audit Plan to add the Hardware/Software Management Audit.

Councilmember Arredondo-Savage discussed the audit with the AFS and it was agreed by all that the Hardware/Software Management Audit is to be added to the FY 19-20 Internal Audit Plan.

Vice Mayor Stipp asked about Professional Development and said he would like this to be expanded to include review of performance evaluations to determine if they align with merit increases.

Ms. Modelski said she would add it to the current fiscal year’s audit plan.
Chair Arredondo-Savage said her concern is that the costs for Professional Development should be allocated evenly throughout the agency, meaning not only Executives benefitting but also staff benefitting.

Ms. Modelski explained they intended to see who attended training from which departments and was the training information allocated across the department. This type of training is being recorded via documentation maintained in Finance as part of the Professional Development forms and not within the Learning and Development area.

Additionally for the Performance Evaluation Audit we will do that as a separate component whereby we will pull the documentation from Human Resources and Payroll to determine if the individual has received a performance evaluation, documentation supports the amount of increase documented on the evaluation and Payroll has received approval to increase compensation.

Vice Mayor Stipp commented on page 21 of signature authority and that the COO delegating authority to someone who signed a document twice, as self and as delegate.

Mr. Smith said it was not that the delegate signed twice, more that he was signing his own work.

Ms. Modelski said the individual signed on behalf of himself and the next level of authority in 20 incidents.

Mayor Gallego asked about when AFS would be able to review the Travel Policy and when the AFS would be able to review such policy.

Mr. Smith said a copy could be provided to the AFS.

Ms. Modelski stated she would take the responsibility to send a copy of the Travel policy upon its release to the staff for the AFS to review.

Chair Arredondo-Savage said the AFS would discuss a process in order to make changes to the Travel Policy. She said she also would like the AFS to see the travel budget.

Councilmember Tolmachoff said she would like to see required travel and non-required travel to be separate in the travel budget report.

Mr. Smith said he would make sure that these requests are fulfilled.
Councilmember Tolmachoff asked about the Eno MAX program and how it is benefitting the agency. She said she would like to see a presentation of what the Eno MAX participants learned as an agenda item for AFS meeting.

Mr. Smith said the program could be presented at a Board Study Session or at a Board meeting.

Chair Arredondo-Savage said the most important thing is the purpose of the program and required travel to attend.

Mr. Smith said he will make sure that these items are discussed in the presentation.

This item was presented for information only.

6. Internal Audit Exceptions Update

Ms. Modelski provided an update of the Audit Exceptions Log.

Vice Mayor Stipp said the response from Information Technology Manager is unacceptable considering the recommendation due date deadline has come and gone. He requested Mr. Smith expedite the resolution to this finding.

Mr. Smith said he will discuss Vice Mayor Stipp’s request of expediting the resolution of the IT finding with the Information Technology Manager.

Mayor Gallego asked what was “Weighted Shortest Job First method of prioritization?”

Ms. Modelski said IT is prioritizing jobs and actions based upon what is higher priority. Chair Arredondo-Savage said this item sticks out from the rest because of the date and the response.

This item was presented for information only.

7. 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. Storage Area Network Expansion Purchase
B. Cisco FLEX Licensing Agreement
C. Enterprise Technology Services Contract Funding Increase
D. Town of Queen Creek Intergovernmental Agreement
E. Annual Corrosion Control Services Contract Award
F. South Central Extension/Downtown Hub Construction Manager at Risk Contract Amendment
G. South Central Extension/Downtown Hub Third-Party Utility Relocation Work Orders

This was item presented for information only.

8. Executive Session

Chair Arredondo-Savage discussed with the AFS if they are comfortable conducting the performance evaluations of the Chief Financial Officer and Director, Internal Audit.

Councilmember Tolmachoff said she is not prepared to address issue and asked if this item could be forwarded to the October AFS meeting.

Mr. Smith mentioned the Board will be conducting his performance evaluation in October.

Chair Arredondo-Savage said more information is needed to conduct the evaluations of the CFO and Director, Internal Audit. She said she would like to see the past performance goals of each one.

Mayor Gallego said the existing goals should also be included.

Councilmember Tolmachoff said that a facilitator should be considered when conducting the performance evaluations.

Mr. Smith said that Penny Lynch, Director, Human Resources, will compile the performance evaluation information to send to the AFS members.

Mayor Gallego asked about the salary history.

Mr. Smith said the salary history for the CFO and Director, Internal Audit will be included.

No action taken.

9. Executive Session Action Items

No action taken.

10. Future agenda items
Chair Arredondo-Savage requested future agenda items be included as an attachment in the AFS meeting packets.

Mayor Gallego requested a review of the Valley Metro Travel Policy.

Chair Arredondo-Savage said the AFS will discuss a process to make changes to the Travel Policy.

Councilmember Tolmachoff requested a review and presentation of the Eno MAX program.

11. Next Meeting

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

With no further discussion, the meeting adjourned at 1:57 p.m.
Date: October 3, 2019

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: None
## Update:

**Fiscal Year 19/20 Audit Plan**

<table>
<thead>
<tr>
<th>Process</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card transactions</td>
<td>On hold</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>On hold</td>
</tr>
<tr>
<td>Professional Development</td>
<td>Planning started</td>
</tr>
<tr>
<td>Full-Time Employee Additions</td>
<td>Complete</td>
</tr>
<tr>
<td>Contract Management (specific)</td>
<td>Not started</td>
</tr>
<tr>
<td>OMC Non-Capitalized Rail Parts and Tools Inventory</td>
<td>Underway</td>
</tr>
<tr>
<td>Hardware/Software Management</td>
<td>PO Issued 10/1</td>
</tr>
<tr>
<td>Performance Evaluation</td>
<td>Planning started</td>
</tr>
<tr>
<td>Internal Safety and Security Audit Review</td>
<td>Awaiting SSQA</td>
</tr>
<tr>
<td>CSD Invoice Processing</td>
<td>Assisted with training 10/1</td>
</tr>
<tr>
<td>HR Information Management System (HRMIS) Implementation</td>
<td>Released &amp; monitoring stability</td>
</tr>
<tr>
<td>ERP Implementation</td>
<td>Monitoring</td>
</tr>
<tr>
<td>External Audits:</td>
<td></td>
</tr>
<tr>
<td>Maricopa Co. – Paratransit</td>
<td>Report December</td>
</tr>
<tr>
<td>City of Phoenix - Fare Revenue</td>
<td>Report December</td>
</tr>
<tr>
<td>City of Phoenix – Contract Risk Assessment</td>
<td>Entrance meeting - 10/8</td>
</tr>
</tbody>
</table>
Information Summary

DATE
October 3, 2019

AGENDA ITEM 4

SUBJECT
Audit exceptions update

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

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

COST AND BUDGET
Funding for monitoring the progress of audit exceptions is included in the FY 2019/20 Valley Metro Budget.

COMMITTEE PROCESS
None

RECOMMENDATION
Items presented for information only.

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

ATTACHMENTS
Audit exceptions log
## Exception Summary

### Overdue items:

<table>
<thead>
<tr>
<th>Ref #</th>
<th>Management Action</th>
<th>Due Date</th>
<th>Status/Responsible Party</th>
<th>Estimated Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Travel Policy Update – Travel Authorization forms</td>
<td>3/29/2019</td>
<td>Policy is with CEO</td>
<td>10/7/2019</td>
</tr>
<tr>
<td>3</td>
<td>Travel Policy Update – Form Approvals</td>
<td>3/29/2019</td>
<td>Policy is with CEO</td>
<td>10/7/2019</td>
</tr>
<tr>
<td>4</td>
<td>Travel Policy Update – Training</td>
<td>3/29/2019</td>
<td>Policy is with CEO</td>
<td>10/7/2019</td>
</tr>
<tr>
<td>5</td>
<td>Travel Policy Update – Packet Reviews</td>
<td>3/29/2019</td>
<td>Policy is with CEO</td>
<td>10/7/2019</td>
</tr>
<tr>
<td>6</td>
<td>Travel Policy Update – Board Report accuracy</td>
<td>12/31/2018</td>
<td>Policy is with CEO</td>
<td>10/7/2019</td>
</tr>
<tr>
<td>7</td>
<td>Travel Policy Update – Process update</td>
<td>3/31/2019</td>
<td>Policy is with CEO</td>
<td>10/7/2019</td>
</tr>
<tr>
<td>8</td>
<td>Credit Card Policy Update – Training and monitoring</td>
<td>3/31/2019</td>
<td>Policy is with CFO</td>
<td>10/31/2019</td>
</tr>
<tr>
<td>9</td>
<td>Credit Card Policy Update – Process update</td>
<td>3/31/2019</td>
<td>Policy is with CFO</td>
<td>10/31/2019</td>
</tr>
<tr>
<td>10</td>
<td>Credit Card Policy Update – Transaction monitoring</td>
<td>3/31/2019</td>
<td>Policy is with CFO</td>
<td>10/31/2019</td>
</tr>
<tr>
<td>11</td>
<td>Purchasing Files Updated – Close-out process</td>
<td>8/31/2019</td>
<td>Purchasing Manager</td>
<td>11/15/2019</td>
</tr>
<tr>
<td>12</td>
<td>DBE Payments – Reconcile</td>
<td>8/31/2019</td>
<td>Purchasing Manager</td>
<td>Not provided</td>
</tr>
<tr>
<td>13</td>
<td>Purchasing File – Periodic Review</td>
<td>8/31/2019</td>
<td>Purchasing Manager</td>
<td>Not provided</td>
</tr>
</tbody>
</table>

### Issues Reported as Remediated*:

<table>
<thead>
<tr>
<th>Audit</th>
<th>Recommendation</th>
<th>Management Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract Management</strong></td>
<td>Management should establish and communicate clear processes and procedures, monitor for compliance with those procedures and maintain documentation of all Delegations of Authority.</td>
<td>Delegations of Authority forms – documented&lt;br&gt;Sole Source form – updated</td>
</tr>
<tr>
<td><strong>Bus Services Contract Audit</strong></td>
<td>Management should establish a process to ensure regular meetings occur between the purchasing staff and contract monitors to ensure more timely communication, actions and accuracy of contract documentation files.</td>
<td>Weekly emails and quarterly meetings have been established</td>
</tr>
</tbody>
</table>

*Internal Audit will test these items in the next review*
<table>
<thead>
<tr>
<th>Ref #</th>
<th>Finding Title</th>
<th>Dept</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>
</table>
| 1     | Outdated policies and procedures over Information Technology (IT) | IT   | 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.  
• 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. | Management should define a process by which on an annual basis policies and procedures are reviewed and updated as needed and appropriate. Updates should be communicated and appropriate training provided to necessary individuals in order for such individuals to execute their duties or provide backup support of other team members. The user community should also be educated on updates made to applicable policies and procedures to allow for consistent enforcement. | We intend to revise all policies and procedures to ensure that our policies and procedures comply with the strictest requirements/best practices. | 02/20/18 | 03/31/18 | Manager, Information Technology & Executive Leadership Team | 10/7/2019 - Per CAO: Finding 2: De-centralized IT environment - Remediated Finding 3 – Hardware tracking – Remediated Finding 4: Tracking of software – Remediated Finding 5: Inconsistencies in tracking hardware purchases – Remediated Finding 6: Oversight of patch management and testing – Remediated Finding 7: Operating systems nearing or past the end of support – Remediated Finding 1: Outdated Policies – To address the finding’s six issues, two policies have been issued. One is in the review process and will be complete by November 15, and two are in development and will be complete by the end of the calendar year. |
| 2     | Travel Policy Compliance-Form Submission         | Finance | 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 | 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. | 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. | 12/17/18 | 03/29/19 | Chief Financial Officer | 10/1/2019 - Travel policy is done and should be posted by October 4, 2019. |
| 3     | Travel Policy Compliance-Form Approvals          | Finance | The CEO submitted two Travel Authorization Forms not pre-approved by the Board Chairs. Purpose of Travel/ Location/ Travel Dates/ Board Approval/ Roads & Streets Conference/ Tucson, AZ / 3/29/18-3/30/18 Indicated as Not Applicable: In-State travel  
AJTA Board of Directors Retreat/Prescott, AZ/ 6/21/18-6/22/18 Indicated as Not Applicable: In-State travel  
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.  
The CEO submitted 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.  
The Travel policy should also reflect if CEO travel trip in state does not require Board pre-approval.  
The CEO submitted 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. | 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. | Management partially concurs with this recommendation. The CEO is not required to obtain pre-approval from the Board Chairs for in-state travel. The Travel Policy will be updated to reflect this requirement. | 12/17/18 | 03/29/19 | Chief Financial Officer | 10/1/2019 - Travel policy is done and should be posted by October 4, 2019. |
| 4     | Travel Policy Compliance-Credit Card Utilization | Finance | 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 $5,779.55  
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. | 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. | 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. | 12/17/18 | 03/29/19 | Chief Financial Officer | 10/1/2019 - Travel policy is done and should be posted by October 4, 2019. |
<table>
<thead>
<tr>
<th>Ref #</th>
<th>Finding Title</th>
<th>Dept</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>5</td>
<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 $6,016.00, 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 reimbursement for two employees significant others to accompany the employees at the 2018 International Rail Road was not be provided. Expenses included airfare, baggage fees and registration, totaling $789.33 3) Seventeen Travel Expense Reports (TERs) were calculated inaccurately. 15) Fifteen travelers were overpaid: 16) Fourteen meal deductions for the first or last day of travel calculated at 75% incorrectly resulted in total of $115.50 in overpayments. 17) One clerical addition error in prepaid items totaling $281.45. Two travelers were underpaid: One meal deduction for $18 subtracted twice: 36.003 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>10/1/2019 - Travel policy is done and should be posted by October 4, 2019.</td>
</tr>
<tr>
<td>6</td>
<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 $58,590.75 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, allocated 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>10/1/2019 - Travel policy is done and should be posted by October 4, 2019.</td>
</tr>
<tr>
<td>7</td>
<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: “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.” 2) Travel Expense Report submission deadlines (v. 7/20/18) states: “If a Traveler accepts a Travel Advance, a settlement must be made based on actual expenses paid. If actual expenses are less than the estimated amount, the Traveler will reimburse the Agency for the unused balance and submit it with the Travel Expense report within ten business days of returning.” 3) Requests for exceptions to the Travel policy (v. 7/20/18) states: “Requests for exceptions to this policy require written documentation from the Traveler when submitting the Travel Expense Report for reviews and approval.” 4) Reporting responsibility for non-CEO travel to the BOD does not assign in the Travel policy (v. 7/28/16 or v. 7/20/18). 5) Travel cancellations/changes not addressed in the Travel policy (v. 7/28/16 or v. 7/20/18).</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 and report to BOD on Agency travel, the policy should identify the roles and define the reporting responsibilities. Finally, to ensure travel cancellations or changes properly approved, documented, and tracked; 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>10/1/2019 - Travel policy is done and should be posted by October 4, 2019.</td>
</tr>
</tbody>
</table>
Management concurs with the recommendation. Management will update the procedures for the Credit Card Administrator to include a review for potential sequential transactions, including credit card transactions. Additionally, cardholder training will include a review of the appropriateness of credit card use versus purchase orders.

Management should provide training and/or policy changes that outline when it is acceptable to use an agency credit card and when it is not. Documentation and justification of exemptions to the policy need clarity and communication. Additionally, management should include in the credit card transactions 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.

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.

Management partially concurs with the recommendation. The credit card policy is not the appropriate place to define the required approval documentation for other policies. Those requirements all reside within the policies and responsibility for maintaining and reviewing the documentation is defined within those policies. Multiple copies of complete travel packets, for example, should not be required to be maintained in each credit card packet that has an associated charge. The credit card policy will refer to the other relevant policies and note that credit card use must be consistent with and proper documentation maintained to support transactions properly approved pursuant to those policies.

Management should establish and communicate clear processes and procedures for credit card closeout and proto self-audit of closed contracts to monitor for compliance with those procedures.

Management concurs with the recommendation. Management recognizes that sampling the transactions for compliance runs the risk of not reviewing potential violations. Simply enforcing the same policy does not eliminate the risk. Management does not see value in enacting the same size, however management will review the criteria used to determine the sample to attempt to capture the transactions that are at higher risk of policy violations. Management will also develop a procedure to review and follow-up is conducted when the Credit Card Administrator identifies a potential violation.

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.

Management should provide training and/or policy changes that outline when it is acceptable to use an agency credit card and when it is not. Documentation and justification of exemptions to the policy need clarity and communication. Additionally, management should include in the credit card transactions 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.

Management concurs with the recommendation. Management will update the procedures for the Credit Card Administrator to include a review for potential sequential transactions, including credit card transactions. Additionally, cardholder training will include a review of the appropriateness of credit card use versus purchase orders.

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.

Management partially concurs with the recommendation. The credit card policy is not the appropriate place to define the required approval documentation for other policies. Those requirements all reside within the policies and responsibility for maintaining and reviewing the documentation is defined within those policies. Multiple copies of complete travel packets, for example, should not be required to be maintained in each credit card packet that has an associated charge. The credit card policy will refer to the other relevant policies and note that credit card use must be consistent with and proper documentation maintained to support transactions properly approved pursuant to those policies.

Management should establish and communicate clear processes and procedures for credit card closeout and proto self-audit of closed contracts to monitor for compliance with those procedures.

Management concurs with the recommendation. Management recognizes that sampling the transactions for compliance runs the risk of not reviewing potential violations. Simply enforcing the same policy does not eliminate the risk. Management does not see value in enacting the same size, however management will review the criteria used to determine the sample to attempt to capture the transactions that are at higher risk of policy violations. Management will also develop a procedure to review and follow-up is conducted when the Credit Card Administrator identifies a potential violation.

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.

Management should provide training and/or policy changes that outline when it is acceptable to use an agency credit card and when it is not. Documentation and justification of exemptions to the policy need clarity and communication. Additionally, management should include in the credit card transactions 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.

Management concurs with the recommendation. Management will update the procedures for the Credit Card Administrator to include a review for potential sequential transactions, including credit card transactions. Additionally, cardholder training will include a review of the appropriateness of credit card use versus purchase orders.

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.

Management partially concurs with the recommendation. The credit card policy is not the appropriate place to define the required approval documentation for other policies. Those requirements all reside within the policies and responsibility for maintaining and reviewing the documentation is defined within those policies. Multiple copies of complete travel packets, for example, should not be required to be maintained in each credit card packet that has an associated charge. The credit card policy will refer to the other relevant policies and note that credit card use must be consistent with and proper documentation maintained to support transactions properly approved pursuant to those policies.

Management should establish and communicate clear processes and procedures for credit card closeout and proto self-audit of closed contracts to monitor for compliance with those procedures.
<table>
<thead>
<tr>
<th>Ref #</th>
<th>Finding Title</th>
<th>Dept</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>12</td>
<td>Contract Payment Reconciliation and Follow-up Documentation - Not Maintained</td>
<td>Finance - Contracts &amp; Procurement</td>
<td>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.</td>
<td>Management should establish a reconciliation process for matching vendor reported contract payments to the Valley Metro contract payment records. Additionally, the process should include documentation of follow-up actions taken with the vendor and the City of Phoenix, as applicable.</td>
<td>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 Financial Review or 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.</td>
<td>08/05/19</td>
<td>08/31/19</td>
<td>Chief Financial Officer</td>
<td>9/26/19: Per Contracts and Procurement Manager there is a vacant DBE Coordinator position that tracks B2G reporting for the Contractor, City of Phoenix and Procurement that remains unfilled, it is a part-time position and is budgeted in FY 20 and FY 21. This position provided the verification and reconciliation of payments made within the DBE program. An agreement must be reached with City of Phoenix to have this position filled. They are on record they must approve the person that fills the position. In the interim, City of Phoenix staff is working directly with Contractor for any documentation issues. The audit recommendation will be completed when the vacant position is filled.</td>
</tr>
<tr>
<td>13</td>
<td>Contract File Documentation</td>
<td>Finance Division</td>
<td>The procurement/contract file did contain: Second Generation: - The initial requisition to initiate the contract - Identification of the price analysis and which of the three methods of analysis was chosen for the proposal - The DBE letter from the Arizona Department of Transportation Total Rule - The initial requisition to initiate the contract - Support for change order 12 Pilot Transit - Support for change order 8 - The independent cost estimate, summary of procurement, memo of negotiation or a technical evaluation for change order 9</td>
<td>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.</td>
<td>This finding was also identified in the Contract Management Audit, dated June 2019. 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.</td>
<td>08/18/19</td>
<td>08/31/19</td>
<td>Chief Financial Officer</td>
<td>9/26/19: Per Contracts and Procurement Manager effective with FY18, Procedures were developed to electronically file all contract documentation in the I Drive as a central repository (attachment provided). A checklist was developed to document contract modifications during the contract performance period (attachment provided).</td>
</tr>
</tbody>
</table>
Information Summary

DATE
October 3, 2019

AGENDA ITEM 5

SUBJECT
Fiscal Year 2021 Preliminary Budget Assumptions

PURPOSE
To provide an overview of the preliminary assumptions that are proposed for developing the Fiscal Year 2021 preliminary operations budget.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro has begun development of the Fiscal Year 2021 annual operating budget. The first milestone in the process is to develop and distribute a preliminary operations budget by October 31st. The preliminary operations budget encompasses all of the transit services that are funded with member city contributions. The intent of the preliminary budget is to provide input to the cities for the development of their city budgets.

The assumptions that will be used to develop the preliminary operations budget, along with any currently known strategic initiatives and staffing requests, will be presented to the Audit and Finance Subcommittee for discussion. These assumptions have previously been presented to the Financial Working Groups in late September.

RECOMMENDATION
For information only.

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

ATTACHMENT
None
FY21 Budget
Key Assumptions

VMR
Revenues Forecasts

Fares
• Average Fare Flat
• Ridership decrease 2%

Federal (PM)
• Increase 1.5% from actual FY20 allocation

Advertising
• Flat, $1.1M minimum

Streetcar Operations

Revenue Start Date
• May 21, 2021

New Staffing
• 2 Track Maintainers
• 2 Traction Power Technicians

Fares
• TBD, possibly free for a period
Rail Transportation

Alternate Concepts Inc.
• Rates up 5%

Allied Universal
• Rates up 2%

Propulsion Power
• APS up 5%
• SRP up 3%

Contingency
• 5%

Respect the Ride

Continue current education campaign

Continue to evaluate programs during FY20 and FY21
State of Good Repair

FY21 from current CIP

- Locally funded major items include:
  - Repaint LRVs – 14 of 50
  - Repaint passenger stations – 10 of 37
  - Replace visual message boards – 66 of 132
  - Retrofit LED lights at OMC – 2 year project
Revenues Forecasts

Prop 400
• PTF

Fares
• Flat

Federal
• Flat

PTF Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus</td>
<td>$88.6</td>
<td>$93.0</td>
<td>$98.2</td>
</tr>
<tr>
<td>Rail</td>
<td>$67.5</td>
<td>$70.9</td>
<td>$74.8</td>
</tr>
<tr>
<td>Total</td>
<td>$156.1</td>
<td>$163.9</td>
<td>$173.0</td>
</tr>
</tbody>
</table>

* 2019 Updated Forecast expected in October
### Base Service Levels

<table>
<thead>
<tr>
<th>Project</th>
<th>Locally Funded Service</th>
<th>PTF Funded Service</th>
<th>Total Revenue Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Circulator</td>
<td>Express</td>
<td>Local</td>
</tr>
<tr>
<td>Phoenix</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>First Transit</td>
<td>1,643,520</td>
<td>41,916</td>
<td>4,221,485</td>
</tr>
<tr>
<td>Total Ride</td>
<td>862,254</td>
<td>23,849</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2,505,774</td>
<td>65,765</td>
<td>4,221,485</td>
</tr>
</tbody>
</table>

FY20 Budgeted Miles used as base

### Service Increases

- Locally Funded services in SRTP
- Regionally Funded services in TLCP
- Revenue miles to be determine by Service Planning Group
- Detailed mileage assumptions sent to cities in December
Contract Rates – East Valley Bus

Cost per Mile

FY20  FY21  FY22  FY23  FY24

Circulator  Local  Express

New contract, rates unknown

Contract Rates – West Valley Bus

Cost per Mile

FY20  FY21  FY22  FY23  FY24

Circulator  Express
Fixed Route Bus

Fuel
• More risk due to potential instability in oil Market
  • Natural gas is more stable

Facilities
• Mesa Bus and Operations & Maintenance
• Tempe Bus and Operations & Maintenance

Contract rates – Paratransit

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per Trip</td>
<td>$50.00</td>
<td>$40.00</td>
<td>$30.00</td>
<td>$20.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>Paratransit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RideChoice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Staffing

• **Minimal additions**
  - Accessible Transit – possibly 1 or 2 positions
  - Innovation and Technology - ?
  - Finance – payroll supervisor

• **Salary Survey**
  - Review all positions

• **Merit Increase**
  - 3%

• **Workforce Development**
  - Implement an Apprenticeship Program
  - Recruit from high schools and trade schools

Rider Experience

• **VM Alert Expansion**
  - Expand to bus service
Rider Experience (cont’d)

• Potential pilot projects
  • Safety
  • Bike/pedestrian
  • Access

• Customer Advisory Group

• Assess Rail Weekend Service

• Explore Spot Improvements
  • Signal timing/priority, dedicated bus lanes, etc.

Regional Planning/Funding

• Community/PR and planning work for Prop 400 extension
Information Summary

DATE          AGENDA ITEM 6
October 3, 2019

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. Commercial Property, Liability and Workers Compensation Insurance Coverage

Purchase renewal coverage for Valley Metro’s insurance needs as follows:

(1) Commercial Property and Liability Insurance Coverage from December 1, 2019 to November 30, 2020 for an amount not to exceed $2,079,176. RPTA’s obligation is $223,195. VMR’s obligation is $1,855,981.

(2) Workers Compensation and Employer’s Liability Insurance from March 1, 2020 to November 30, 2020 with CopperPoint Mutual Insurance Company for an amount not to exceed $117,000.

B. Miscellaneous Construction Services Contract Award

Execute a Miscellaneous Construction Services Contract with Builders Guild, Inc. and J. Banicki Construction, Inc. to provide construction services for Valley Metro’s transit capital and operating needs for a combined amount not to exceed $12,000,000 for a three-year contract period.

C. Manufacture and Delivery of Medium Duty Transit Bus Contract Award

Execute a contract through a State of Arizona cooperative purchasing agreement with Creative Bus Sales for the manufacture and delivery of one medium duty 23’ transit bus for a not-to-exceed amount of $127,837.

D. Northwest Phase II Light Rail Extension – Joint Project Agreement with the Arizona Department of Transportation (ADOT)

Execute a Joint Project Agreement with ADOT to establish each party’s responsibilities regarding the Northwest Phase II Light Rail Extension, including payments not to exceed $240,000 to ADOT for their inspection costs.
E. Purchase of Replacement Bar Signals for the Light Rail Alignment

Execute a contract for the purchase of replacement bar signals for the light rail alignment with Wells Sign Manufacturing, Inc. in an amount not to exceed $175,000.

F. Northwest Phase II Light Rail Extension: Phoenix Funding Agreement

Amend the existing funding agreement with the City of Phoenix for the Northwest Phase II Light Rail Extension for Phoenix to provide an additional $80 million for Valley Metro to complete design and perform all construction activities.

G. South Central Extension/Downtown Hub Project: Phoenix Funding Agreement

Amend the existing funding agreement with the City of Phoenix for the South Central Extension/Downtown Hub Project for Phoenix to provide an additional $158 million for Valley Metro to lead business assistance, complete design and perform all construction activities.

RECOMMENDATION
For information only.

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

ATTACHMENT
Information Summaries for items listed above
Information Summary

DATE
October 3, 2019

AGENDA ITEM 6A

SUBJECT
Commercial Property, Liability and Workers Compensation Insurance Coverage

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to purchase renewal coverage for Valley Metro’s annual insurance needs as follows:

(1) Commercial Property and Liability Insurance Coverage from December 1, 2019 to November 30, 2020 for an amount not to exceed $2,079,176.

(2) Workers Compensation and Employer’s Liability Insurance Coverage from March 1, 2020 to November 30, 2020 for an amount not to exceed $117,000.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro purchases insurance on an annual basis to cover losses related to Valley Metro-owned property and to protect Valley Metro from claims. RPTA and VMR jointly purchase the insurance.

Valley Metro’s insurance broker, Alliant Insurance Services, Inc. (“Alliant”) obtained quotes from insurance carriers to meet Valley Metro’s ongoing insurance needs. Valley Metro staff, city risk managers and Alliant representatives participated in a risk management conference on September 17, 2019 where parties reviewed and evaluated insurance renewal materials and discussed the best value available to Valley Metro for next year’s insurance program.

Attached are three (3) tables that summarize insurance premium pricing for RPTA and VMR.

- Table 1 summarizes insurance premium pricing for RPTA. These figures represent RPTA’s allocation of the combined RPTA and VMR insurance premium from the expiring insurance year and the current renewal year. Total excess liability limits are $60,000,000 excess of a $250,000 self-insured retention.

- Table 2 summarizes insurance premium pricing for VMR. These figures represent VMR’s allocation of the combined RPTA and VMR insurance premium from the expiring insurance year and the current renewal year. Total excess liability limits are $100,000,000 excess of a $250,000 self-insured retention.
Valley Metro’s insurance program covers RPTA and VMR. The premium is split between RPTA and VMR based on risk exposure as determined by the market, financial analysis and insurance underwriters. This combined approach provides Valley Metro with greater coordination in coverage and in overall purchasing power.

**COST AND BUDGET**

The premium costs by type of insurance coverage for RPTA and VMR:

<table>
<thead>
<tr>
<th>Coverage Type</th>
<th>RPTA Premium</th>
<th>VMR Premium</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewal Coverage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>$22,209</td>
<td>$321,889</td>
<td>$344,098</td>
</tr>
<tr>
<td>Inland Marine Rolling Stock</td>
<td>N/A</td>
<td>$181,758</td>
<td>$181,758</td>
</tr>
<tr>
<td>Inland Marine Town Lake Bridge</td>
<td>N/A</td>
<td>$30,710</td>
<td>$30,710</td>
</tr>
<tr>
<td>DIC – Excess Flood/Quake Town Bridge</td>
<td>N/A</td>
<td>$38,430</td>
<td>$38,430</td>
</tr>
<tr>
<td>Crime</td>
<td>$3,096</td>
<td>$3,096</td>
<td>$6,192</td>
</tr>
<tr>
<td>Auto Liability &amp; Physical Damage</td>
<td>$27,324</td>
<td>$104,676</td>
<td>$132,000</td>
</tr>
<tr>
<td>Excess Liability – Buffer Layer</td>
<td>$13,210</td>
<td>$193,190</td>
<td>$206,400</td>
</tr>
<tr>
<td>Primary Excess Liability – 1st layer</td>
<td>$34,853</td>
<td>$509,729</td>
<td>$544,582</td>
</tr>
<tr>
<td>Excess Liability – 2nd layer</td>
<td>$39,871</td>
<td>$114,070</td>
<td>$153,941</td>
</tr>
<tr>
<td>Excess Liability – 3rd layer</td>
<td>$27,067</td>
<td>$77,438</td>
<td>$104,505</td>
</tr>
<tr>
<td>Excess Liability – 4th layer</td>
<td>$37,869</td>
<td>$108,345</td>
<td>$146,215</td>
</tr>
<tr>
<td>Excess Liability – 5th layer</td>
<td>N/A</td>
<td>$86,688</td>
<td>$86,688</td>
</tr>
<tr>
<td>Excess Liability – 6th layer</td>
<td>N/A</td>
<td>$45,152</td>
<td>$45,152</td>
</tr>
<tr>
<td>Pollution Liability (Previously renewed in 2018 – 3 year policy)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Stand-Alone Terrorism (NCBR)</td>
<td>$1,696</td>
<td>$24,810</td>
<td>$26,506</td>
</tr>
<tr>
<td>Cyber/Privacy</td>
<td>$16,000</td>
<td>$16,000</td>
<td>$32,000</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$223,195</td>
<td>$1,855,981</td>
<td>$2,079,176</td>
</tr>
</tbody>
</table>

Cost allocation between RPTA and VMR budgets for annual premium has historically been approximately 11% to RPTA budget and 89% to VMR budget based on annual calculation of the value of assets. The upward cost adjustment between last year’s expiring premium rates and this year’s renewal premium rates is approximately 10% based on the continued tightening of the commercial insurance market regarding property insurance and auto liability.
For the term December 1, 2019 through and including November 30, 2020, RPTA’s contract obligation is $223,195, and is fully funded within the RPTA Adopted FY 2020 Operating Budget. Contract Obligations beyond FY 2020 are incorporated into the RPTA Five-Year Operating Forecast and Capital Program (FY 2020 – FY 2024).

For the term December 1, 2019 through and including November 30, 2020, VMR’s contract obligation is $1,855,981, and is fully funded within the VMR Adopted FY 2020 Operating and Capital Budget. Contract Obligations beyond FY 2020 are incorporated into the VMR Five-Year Operating Forecast and Capital Program (FY 2020 thru FY 2024).

For the term March 1, 2020 through and including November 30, 2020, RPTA’s contract obligation for Workers’ Compensation and Employer’s Liability is $117,000 subject to a payroll audit at the end of the policy period. If the audited payroll differs from the estimated payroll, there may be a nominal premium adjustment. Allocation of the cost will be attributed to RPTA and VMR budgets based on actual payroll allocations between the two budgets.

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 ACTION
RTAG: September 17, 2019 for information
TMC/RMC: October 2, 2019 for action
Boards of Directors: October 24, 2019 for action

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to purchase renewal coverage for Valley Metro’s insurance needs as follows:

(1) Commercial Property and Liability Insurance Coverage from December 1, 2019 to November 30, 2020 for an amount not to exceed $2,079,176. RPTA’s obligation is $223,195. VMR’s obligation is $1,855,981.

(2) Workers Compensation and Employer’s Liability Insurance from March 1, 2020 to November 30, 2020 with CopperPoint Mutual Insurance Company for an amount not to exceed $117,000.
CONTACT
Michael J. Minnaugh
General Counsel
Legal Division
(602) 744-5599
mminnaugh@valleymetro.org

ATTACHMENT
Table 1- RPTA Insurance Pricing
Table 2- VMR Insurance Pricing
Table 3- Workers Compensation Insurance Pricing
## TABLE 1 – RPTA Insurance Pricing

<table>
<thead>
<tr>
<th>Line of Coverage</th>
<th>Policy Limit</th>
<th>Renewal Premium</th>
<th>Expiring Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewal Coverage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property(^2)</td>
<td>Blanket Limit</td>
<td>$22,209</td>
<td>$18,852</td>
</tr>
<tr>
<td>Crime</td>
<td>$2,000,000</td>
<td>$3,096</td>
<td>$3,470</td>
</tr>
<tr>
<td>Auto Liability &amp; Physical Damage(^3)</td>
<td>$750,000</td>
<td>$27,324</td>
<td>$23,591</td>
</tr>
<tr>
<td>Excess Liability SIR Buffer Layer</td>
<td>$500,000</td>
<td>$13,210</td>
<td>$12,021</td>
</tr>
<tr>
<td>Primary Excess Liability 1(^{st}) layer in excess of $750,000</td>
<td>$10,000,000</td>
<td>$34,853</td>
<td>$33,838</td>
</tr>
<tr>
<td>Excess Liability – 2(^{nd}) layer</td>
<td>$10,000,000</td>
<td>$39,871</td>
<td>$37,972</td>
</tr>
<tr>
<td>Excess Liability – 3(^{rd}) layer</td>
<td>$15,000,000</td>
<td>$27,067</td>
<td>$25,778</td>
</tr>
<tr>
<td>Excess Liability – 4(^{th}) layer</td>
<td>$25,000,000</td>
<td>$37,869</td>
<td>$36,066</td>
</tr>
<tr>
<td>Stand-Alone Terrorism (NCRB)</td>
<td>$50,000,000</td>
<td>$1,696</td>
<td>$1,697</td>
</tr>
<tr>
<td>Cyber/Privacy</td>
<td>$1,000,000</td>
<td>$16,000</td>
<td>$14,267</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td><strong>$223,195</strong></td>
<td><strong>$207,552</strong></td>
</tr>
</tbody>
</table>

---

1 Premium allocation for RPTA is based on financial risk exposure analysis.

2 Adjustment in premium is based on an updated Statement of Values that has incorporated additional fixed assets that require insurance coverage.

3 The auto liability and physical damage coverage applies to non-revenue vehicles. It does not apply to rail cars used for service.
TABLE 2 - VMR Insurance Pricing

<table>
<thead>
<tr>
<th>Line of Coverage</th>
<th>Policy Limit</th>
<th>Renewal Premium</th>
<th>Expiring Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewal Coverage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property²</td>
<td>Blanket Limit</td>
<td>$321,889</td>
<td>$275,698</td>
</tr>
<tr>
<td>Inland Marine Rolling Stock</td>
<td>$150,660,000</td>
<td>$181,758</td>
<td>$181,758</td>
</tr>
<tr>
<td>Inland Marine Town Lake Bridge</td>
<td>$22,581,224</td>
<td>$30,710</td>
<td>$30,710</td>
</tr>
<tr>
<td>DIC – Excess Flood &amp; Quake</td>
<td>$15,000,000, x/o $5mil u/l</td>
<td>$38,430</td>
<td>$34,936</td>
</tr>
<tr>
<td>Crime</td>
<td>$2,000,000</td>
<td>$3,096</td>
<td>$3,471</td>
</tr>
<tr>
<td>Auto Liability &amp; Physical Damage³</td>
<td>$750,000</td>
<td>$104,676</td>
<td>$90,372</td>
</tr>
<tr>
<td>Primary Excess Liability Buffer Layer</td>
<td>$500,000</td>
<td>$193,190</td>
<td>$175,804</td>
</tr>
<tr>
<td>Primary Excess Liability 1&lt;sup&gt;st&lt;/sup&gt; layer in excess of $750,000</td>
<td>$10,000,000</td>
<td>$509,729</td>
<td>$494,882</td>
</tr>
<tr>
<td>Excess Liability – 2&lt;sup&gt;nd&lt;/sup&gt; layer</td>
<td>$10,000,000</td>
<td>$114,070</td>
<td>$108,638</td>
</tr>
<tr>
<td>Excess Liability – 3&lt;sup&gt;rd&lt;/sup&gt; layer</td>
<td>$15,000,000</td>
<td>$77,438</td>
<td>$73,751</td>
</tr>
<tr>
<td>Excess Liability – 4&lt;sup&gt;th&lt;/sup&gt; layer</td>
<td>$25,000,000</td>
<td>$108,345</td>
<td>$103,185</td>
</tr>
<tr>
<td>Excess Liability – 5&lt;sup&gt;th&lt;/sup&gt; layer</td>
<td>$25,000,000</td>
<td>$86,688</td>
<td>$82,560</td>
</tr>
<tr>
<td>Excess Liability – 6&lt;sup&gt;th&lt;/sup&gt; layer</td>
<td>$15,000,000</td>
<td>$45,152</td>
<td>$40,145</td>
</tr>
<tr>
<td>Pollution Liability⁴</td>
<td>$5,000,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Stand-Alone Terrorism (NCBR)</td>
<td>$50,000,000</td>
<td>$24,810</td>
<td>$24,810</td>
</tr>
<tr>
<td>Cyber/Privacy</td>
<td>$1,000,000</td>
<td>$16,000</td>
<td>$14,268</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td>$1,855,981</td>
<td>1,758,577</td>
</tr>
</tbody>
</table>

¹ Premium allocation for VMR is based on financial risk exposure analysis.

² Adjustment in premium is based on an updated Statement of Values that has incorporated additional fixed assets that require insurance coverage.

³ The auto liability and physical damage coverage applies to non-revenue vehicles. It does not apply to rail cars used for service.

⁴ Pollution liability coverage renewed in 2018 for three (3) and will be renewed in 2021.
### TABLE 3 – Workers Compensation Pricing

<table>
<thead>
<tr>
<th>Line of Coverage</th>
<th>Policy Limit</th>
<th>Renewal Premium</th>
<th>Expiring Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers Compensation</td>
<td>$1,000,000</td>
<td>$117,000</td>
<td>$170,903</td>
</tr>
</tbody>
</table>

1 The renewal premium pricing reflects eight (8) months of premium for the period March 1, 2020 through November 30, 2020 rather than the standard 12 months as the current policy for this line of coverage expires March 1, 2020. This structure will allow Valley Metro, on a forward-going basis, to concurrently purchase all renewal policies for Valley Metro’s insurance program.
Information Summary

DATE
October 3, 2019

AGENDA ITEM 6B

SUBJECT
Miscellaneous Construction Services Contract Awards

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute Miscellaneous Construction Services Contracts with Builders Build, Inc. and J. Banicki Construction, Inc. to provide construction services for Valley Metro’s transit capital and operating needs for a combined amount not to exceed $12 million for a three-year contract period.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro is in need of construction teams to engage in a wide range of small and emergency construction services for bus and rail facilities for a three-year period (see Attachment 1 for a list of examples projects). SDB, Inc. (SDB) has been Valley Metro’s Miscellaneous Construction Services contractor, also known as Job Order Contractor (JOC), since October 2017. The three-year term of the current contract ends in September 2020.

Procuring additional JOC’s at this time allows for better continuity of construction services for smaller miscellaneous projects. The overlap of just under a year between the two contract authorizations will ensure that Valley Metro is ready and able to address issues critical to operations of both bus and rail facilities in a responsive, flexible, and timely manner. Additionally, construction needs are growing and are quickly exceeding the capabilities of the SDB contract. Valley Metro’s immediate need is to repaint all existing rail stations, which will cost about $5 million. The existing contract limits individual SBD task orders to $2.5 million. SDB is currently painting some of the stations, but a separate contractor is needed to complete the work.

Valley Metro consulted previously with the Arizona Chapter of the Associated General Contractors (AZAGC) regarding the JOC contracting method. The consensus was that JOC would provide an opportunity for construction firms, having little or no past involvement in local transit construction projects, to gain experience with Valley Metro and perhaps provide the contractors with greater opportunities in the future. It was also suggested that the contract be limited to three years to provide more construction teams with similar opportunities in the future.

Task orders for specific projects will be negotiated and assigned to the contractors over
the duration of the contract. Individual project task orders will not exceed $2.5 million, with most task orders being significantly smaller than this amount. The prime contractors will be required to self-perform at least 30% of the work over the duration of the contract, and sub-contractors may be utilized to assist as needed.

The JOC’s fee (profit) rates have been negotiated and agreed to with the contractors pending the award of this contract. The rates were defined based upon project size. They also vary depending upon whether work occurs during normal work hours or after hours (e.g. evenings and weekends). This cost component was included in the evaluation process because federal funds may be used for some of the construction work. In order to be federally compliant, cost had to be a factor in the evaluation.

As individual projects are identified, the following steps will be used to execute a task order:

1. Valley Metro will match specific task orders with the appropriate JOC based on specific expertise, workload, and availability.
2. Valley Metro and the individual JOC will meet to generally define the scope.
3. Valley Metro will prepare a scope of work and issue a task order request.
4. Valley Metro will prepare an independent cost estimate prior to receipt of the JOC’s estimate for the task.
5. The JOC will prepare a task order proposal and cost.
6. Final negotiations occur and the task is initiated.
7. If price negotiations are not successful, then Valley Metro reserves the right to solicit the other JOC or advertise via open competition. In the case of open competition, all JOC’s will be afforded the opportunity to submit a proposal along with the rest of the contracting community.

A Request for Qualifications (RFQ) compliant with FTA Circular C4220.1F and A.R.S Title 34-603 requirements was issued on July 3, 2019. The RFQ published evaluation criteria and corresponding point values were as follows:

| Experience and Reliability       | 300 Points |
| Firms Demonstrated Expertise     | 325 Points |
| Method of Approach               | 375 Points |

Proposals were received on August 7, 2019. A total of five offers were received and deemed responsive from the following firms:

1. Builders Guild, Inc.
2. GCON, Inc.
3. J. Banicki Construction, Inc.
4. RailWorks Track Systems, Inc.
5. TSG Constructors, LLC

The selection committee, comprised of two Valley Metro employees, one Valley Metro
contract employee, one City of Mesa employee, and a representative from a general contractor evaluated the five responsive offers. Based on the selection committee’s initial scoring it was determined that three of the five firms would be shortlisted and invited to participate in negotiations, which occurred on September 5, 2019. These three firms were Builders Guild, Inc., GCON, Inc., and J. Banicki Construction, Inc.

Upon completion of negotiations, Valley Metro reached agreement with two of the three short-listed firms on contract terms and fees: Builders Guild, Inc. and J. Banicki Construction, Inc.

COST AND BUDGET
The JOC contracts combined for Builders Guild, Inc. and J. Banicki Construction, Inc. will not exceed $12 million over the three-year contract period. It is estimated that the VMR cost would be roughly 70% of the overall contract amount, and that RPTA work would constitute the remaining 30%.

Projects proposed for the Fiscal Year 2020 (FY20) are included in the FY20 Valley Metro Operating and Capital Budget. Future projects will be identified in annual budgets and within the Five-Year Operating Forecast and Capital Program.

COMMITTEE ACTION
RTAG: September 17, 2019 for information
TMC/RMC: October 2, 2019 for action
Boards of Directors: October 24, 2019 for action

STRATEGIC PLAN ALIGNMENT
This item addresses Goals 1 and 2 of the Board-adopted FY16-20 Strategic Plan:

- Goal 1: Increase customer focus
- Goal 2: Advance performance based operations

RECOMMENDATION
Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a Miscellaneous Construction Services Contract with Builders Guild, Inc. and J. Banicki Construction, Inc. to provide construction services for Valley Metro’s transit capital and operating needs for a combined amount not to exceed $12,000,000 for a three-year contract period.

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

ATTACHMENT
Examples of Miscellaneous Construction Projects
ATTACHMENT 1

EXAMPLES OF MISCELLANEOUS CONSTRUCTION PROJECTS

- Light rail station painting
- Park and Ride improvements
- Transit center improvements
- Bus and rail operations & maintenance facility upgrades
- Bus Stop improvements
- Cut and re-facing of buildings
- Demolition work
- Removal and replacement of PCCP and subsurface restoration
- Solar panel installation
- Installation of emergency generator
- Replacement and repair of automated gates
- Electrical upgrades to Valley Metro facilities
- Repair or replace sanitary sewer services
- Remove, repair and/or replacement of switch machines
- Remove and replace existing bridge joints
- Repair roofs at existing facilities
- Install bus bay and shelters
- Emergency service for track repair, switch replacement, traction power, communication or other assistance to rail operations
- Simple projects to install a fence, remove a planter, repair irrigation system, etc.
Information Summary

DATE
October 3, 2019

AGENDA ITEM 6C

SUBJECT
Manufacture and Delivery of Medium Duty Transit Bus Contract Award

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract through a State of Arizona cooperative purchasing agreement with Creative Bus Sales for the manufacture and delivery of one medium duty cutaway transit bus for a not-to-exceed amount of $121,750 plus a contract contingency of $6,087 for a total of $127,837.

BACKGROUND | DISCUSSION | CONSIDERATION
Ajo Transportation currently operates the Buckeye Short Trip service, which provides four round trips within the city of Buckeye. The route requires a total of two buses to maintain service. The primary bus used for this route belongs to Buckeye and the spare bus belongs to Valley Metro. The spare bus, which was built in 2009, has far exceeded the FTA defined minimum useful life of seven years, or 300,000 miles.

Staff has researched available vehicle configurations offered by Creative Bus Sales, who currently supplies vehicles to Arizona municipalities via the State Cooperative Purchasing Contract. The Arboc Spirit of Mobility, low floor Cutaway vehicle is believed to be the most suitable and reliable fit for this route. This replacement vehicle will be used as the primary bus on this route and the bus owned by Buckeye will be designated as the spare vehicle. This plan ensures a seamless continuation of the service for the Buckeye Short Trips, and the low floor entry of this vehicle will improve the customer experience.

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 FTA compliant cooperative contract for medium duty 23’ transit buses was procured via the State of Arizona Procurement Office of the Department of Administration and is currently awarded to Creative Bus Sales.

COST AND BUDGET
The cost for this bus is $121,750 plus a contract contingency of $6,087 for a total of $127,837. Contract contingency is necessary as the cost estimate is based on the current bus specifications and may change based on the final requirements of the pending bus build with Creative Bus Sales. The cost for the bus is included in the RPTA Adopted FY20 Operating and Capital Budget. Contract obligations beyond FY20 are
incorporated into the Adopted RPTA Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

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

This vehicle will be funded with 90% Federal Transit Administration (FTA) funds and 10% Regional Proposition 400 funds. All costs are fully funded within the RPTA Adopted FY 2020 Operating and Capital Budget.

COMMITTEE PROCESS
RTAG: September 17, 2019 for information
TMC: October 2, 2019 for action
Board of Directors: October 24, 2019 for action

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2020 – 2024:
  • Goal 2: Advance performance based operation

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute a contract through a State of Arizona cooperative purchasing agreement with Creative Bus Sales for the manufacture and delivery of one medium duty 23’ transit bus for a not-to-exceed amount of $127,837.

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

ATTACHMENT
None
Information Summary

DATE
October 3, 2019

AGENDA ITEM 6D

SUBJECT
Northwest Phase II Light Rail Extension – Joint Project Agreement with the Arizona Department of Transportation (ADOT)

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a Joint Project Agreement with ADOT to establish each party’s responsibilities regarding the Northwest Phase II Light Rail Extension, including payments not to exceed $240,000 to ADOT for their construction inspection costs.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro is currently in final design for the Northwest Phase II Light Rail Extension (NWEII), which will add 1.5 miles extending west from 19th Avenue on Dunlap Avenue to 25th Avenue, then northward to Mountain View Road, then to a terminus west of Interstate 17 (I-17) adjacent to the Metrocenter Mall.

Given that the light rail extension will include a new bridge over I-17, this will require close coordination between Valley Metro and ADOT to avoid impacts to the freeway during construction and to assure that the bridge meets ADOT requirements. An agreement has been prepared to define roles and responsibilities of both agencies during design and construction of the project. The agreement also specifies funding needed from Valley Metro to ADOT to cover the cost of ADOT’s construction inspections.

ADOT’s primary responsibilities include:
- design review
- construction inspections related to the light rail bridge
- issuance of encroachment permits

Valley Metro’s primary responsibilities include:
- prepare and provide design plans, specifications and other documents and services required for construction of the project
- follow the requirements of ADOT encroachment permits to perform preconstruction and construction activities
- pay for ADOT’s inspection costs
COST AND BUDGET
Valley Metro will pay up to $240,000 for ADOT’s consultant construction inspections. These costs are included in the overall cost forecast for the NWEII project.

The project will be funded through Phoenix Transportation 2050, regional Public Transportation Funds (PTF), and the Federal Transit Administration.

The obligation for ADOT inspection costs are included in Valley Metro’s Five-Year Operating Forecast and Capital Program (FY20 thru FY24).

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals in the Five-Year Strategic Plan, FY 2016 – 2020:
- Goal 2: Advance performance based operation
- Goal 3: Grow transit ridership

COMMITTEE PROCESS
RTAG: September 17, 2019 for information
RMC: October 2, 2019 for action
Board of Directors: October 24, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to execute a Joint Project Agreement with ADOT to establish each party’s responsibilities regarding the Northwest Phase II Light Rail Extension, including payments not to exceed $240,000 to ADOT for their inspection costs.

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

ATTACHMENT
None
Draft agreement available upon request
Information Summary

DATE
October 3, 2019

AGENDA ITEM 6E

SUBJECT
Purchase of Replacement Bar Signals for the Light Rail Alignment

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract for the purchase of replacement bar signals for the light rail alignment with Wells Sign Manufacturing, Inc. in an amount not to exceed $175,000.

BACKGROUND | DISCUSSION | CONSIDERATION
Bar signals are installed along the light rail alignment to serve as transit signals that control the stop and proceed of light rail vehicles in street traffic. The bar signals are 12 inches in diameter and illustrate both vertical and horizontal white light in one signal visor that changes based on the electrical current.

Valley Metro needs 340 bar signals which includes 15 spares for a state of good repair replacement program to remove some dimming lights along the original 20-mile light rail alignment. The recommended award of the contract to Wells Sign Manufacturing, Inc. is a non-competitive procurement due to the company being the original equipment manufacturer (OEM) and the only supplier that make both the vertical and horizontal light in one signal visor (not two separate signal visors). Changing the light design would involve changing all wiring and traffic communication throughout the system and the anticipated costs would be significant.

Valley Metro contacted and searched online for other LED signal light suppliers (GE Lighting Solutions, Dialight, McCain, Multicom) and was not able to find another to provide this type of signal light within one visor. Valley Metro also contacted several transit agencies (Salt Lake, Houston, and Seattle) to see if another vendor or manufacturer could be found. These agencies were not aware of another supplier that can provide a signal light with both bars in one visor.

The contractor will provide the supply of bar signals and installation along the alignment will be completed Valley Metro Rail staff.
An independent cost estimate and a non-competitive procurement justification 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 bar signals being purchased from Wells Sign Manufacturing, Inc. is an amount not to exceed $175,000 for a total of 340 bar signals which includes 15 spares and all shipping costs. The cost for the purchase of the bar signals is included in the Valley Metro Rail Adopted FY 2020 Operating and Capital Budget. Contract obligations beyond FY 2020 are incorporated into the Valley Metro Rail Five-Year Operating Forecast and Capital Program (FY2020 thru FY2024).

The source of funding is from rail member cities.

COMMITTEE PROCESS
RTAG: September 17, 2019 for information
RMC: October 2, 2019 for action
Board of Directors: October 24, 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 RMC forward to the Board of Directors authorization for the CEO to execute a contract for the purchase of replacement bar signals for the light rail alignment with Wells Sign Manufacturing, Inc. in an amount not to exceed $175,000.

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

ATTACHMENT
None
DATE
October 3, 2019

AGENDA ITEM 6F

SUBJECT
Northwest Phase II Light Rail Extension: Phoenix Funding Agreement

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to amend the City of Phoenix funding agreement for the Northwest Phase II Light Rail Extension for Phoenix to provide an additional $80 million to Valley Metro to complete design and perform all construction activities.

BACKGROUND/DISCUSSION/CONSIDERATION
Valley Metro is currently in final design for the Northwest Phase II Light Rail Extension (NWEII), which will add 1.5 miles extending west from 19th Avenue on Dunlap Avenue to 25th Avenue, then northward to Mountain View Road, then to a terminus west of Interstate17 (I-17) adjacent to the Metrocenter Mall.

Funding for this project will be through the Federal Transit Administration’s Capital Investment Grant (CIG) program and will include local match participation by Phoenix and Valley Metro.

In April 2018, Valley Metro was authorized to enter into an agreement with the Phoenix for them to provide funding design and construction of the project. The following table summarizes Phoenix funding to date:

<table>
<thead>
<tr>
<th>Date</th>
<th>Purpose</th>
<th>Phoenix Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2018</td>
<td>Design/Pre-Construction</td>
<td>$25 million</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$25 million</td>
</tr>
</tbody>
</table>

The NWEII project is rapidly moving toward completion of design. Project design is currently about 60% complete and will be finalized in April 2020. Construction of utility relocations will start in early 2020 and full construction will begin in the second quarter of 2020. To keep the project moving, additional funds will be needed from Phoenix for Valley Metro to complete design and perform all construction activities.

An FTA grant is anticipated for the NWEII project in late 2020. In the meantime, to keep the project on schedule, the FTA has provided pre-award authority for design, land acquisition, utility relocations and long lead procurements (such as light rail vehicles and special track work). This pre-award authority allows Valley Metro to utilize Phoenix and
Valley Metro funds to advance the project. FTA will then reimburse its funding share after the federal grant is approved. This means that Phoenix and Valley Metro are currently fronting all project costs, and will continue to do so until FTA is able to provide reimbursement.

**COST AND BUDGET**
The estimated additional Phoenix funds needed for design completion and project construction is $80 million. A breakdown of funding needed from Phoenix for the project is as follows:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Phoenix Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, Project and Construction Management</td>
<td>$17 million</td>
</tr>
<tr>
<td>Construction</td>
<td>$63 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$80 million</strong></td>
</tr>
</tbody>
</table>

Phoenix is also responsible for self-performing all real estate acquisitions and various administrative and technical functions for the project. These costs are not included in the table above.

Regional Public Transportation Funds (PTF), and FTA grants will provide the remaining funds needed for this project. The availability of FTA grant funds may lag one to three years behind the time costs are incurred for the project. Once the project budget is finalized it is anticipated that staff will request advancement of federal funds by Phoenix in a future authorization. The project budget will be finalized when design is complete and Valley Metro has agreed upon with the construction contractor the Guaranteed Maximum Price (GMP) for the project.

All costs identified herein are within the NWEII’s project cost forecast and expenses expected within FY20 are included in the Valley Metro Rail Adopted 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: September 17, 2019 for information
RMC: October 2, 2019 for action
Board of Directors: October 24, 2019 for action
RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to amend the existing funding agreement with the City of Phoenix for the Northwest Phase II Light Rail Extension for Phoenix to provide an additional $80 million for Valley Metro to complete design and perform all construction activities.

This action is pending City of Phoenix Council action.

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

ATTACHMENT
None

Draft agreement available upon request
Information Summary

DATE
October 3, 2019

AGENDA ITEM 6G

SUBJECT
South Central Extension/Downtown Hub Project: Phoenix Funding Agreement

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to amend the City of Phoenix funding agreement for the South Central Extension/Downtown Hub for Phoenix to provide an additional $158 million to Valley Metro to lead business assistance, complete design and perform all construction activities.

BACKGROUND/DISCUSSION/CONSIDERATION
The South Central Extension/Downtown Hub adds approximately 5.5 miles to Valley Metro’s light rail system, and includes construction within Downtown Phoenix and extends south along Central Avenue to Baseline Road. Funding for this project will be through the Federal Transit Administration’s Capital Investment Grant (CIG) program and will include local match participation by Phoenix and Valley Metro.

In December 2014, Valley Metro entered into an agreement with the Phoenix for them to provide funding to initiate project planning. Since then, there have been two amendments to continue planning and initiate design and pre-construction services. The following table summarizes Phoenix funding to date:

<table>
<thead>
<tr>
<th>Date</th>
<th>Purpose</th>
<th>Phoenix Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2014</td>
<td>Planning</td>
<td>$3.2 million</td>
</tr>
<tr>
<td>November 2015</td>
<td>Planning</td>
<td>$1.5 million</td>
</tr>
<tr>
<td>February 2017</td>
<td>Design/Pre-Construction</td>
<td>$50.0 million</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$54.7 million</td>
</tr>
</tbody>
</table>

The South Central Extension/Downtown Hub is rapidly moving toward the initiation of construction. Project design is currently about 90% complete and will be finalized in late 2019. Construction of utility relocations will start in October 2019 and full construction will begin in 2020. To keep the project moving, additional funds will be needed from Phoenix for Valley Metro to lead the business assistance program, complete design and perform all construction activities.

An FTA grant is anticipated for the South Central Extension/Downtown Hub in late
2020. In the meantime, to keep the project on schedule, the FTA has provided pre-award authority for design, land acquisition, utility relocations, long lead procurements (such as light rail vehicles and special track work) and limited construction activities. This pre-award authority allows Valley Metro to utilize Phoenix and Valley Metro funds to advance the project. FTA will then reimburse its funding share after the federal grant is approved. This means that Phoenix and Valley Metro are currently fronting all project costs, and will continue to do so until FTA is able to provide reimbursement.

COST AND BUDGET
The estimated additional Phoenix funds needed for business assistance activities, design completion and project construction is $158 million. A breakdown of funding needed from Phoenix for the project is as follows:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Phoenix Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, Project and Construction Management, Administrative</td>
<td>$15 million</td>
</tr>
<tr>
<td>Construction</td>
<td>$143 million</td>
</tr>
<tr>
<td>Total</td>
<td>$158 million</td>
</tr>
</tbody>
</table>

Phoenix is also responsible for self-performing all real estate acquisitions and various administrative and technical functions for the project. These costs are not included in the table above.

Regional Public Transportation Funds (PTF), and FTA grants will provide the remaining funds needed for this project. The availability of FTA grant funds may lag one to three years behind the time costs are incurred for the project. Once the project budget is finalized it is anticipated that staff will request advancement of federal funds by Phoenix in a future authorization. The project budget will be finalized when design is complete and Valley Metro has agreed upon with the construction contractor the Guaranteed Maximum Price (GMP) for the project.

All costs identified herein are within the South Central Extension/Downtown Hub’s project cost forecast and expenses expected within FY20 are included in the Valley Metro Rail Adopted 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: September 17, 2019 for information
RMC: October 2, 2019 for action
Board of Directors: October 24, 2019 for action

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to amend the existing funding agreement with the City of Phoenix for the South Central Extension/Downtown Hub Project for Phoenix to provide an additional $158 million for Valley Metro to lead business assistance, complete design and perform all construction activities.

This action is pending City of Phoenix Council action.

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

ATTACHMENT
None

Draft amended agreement available upon request.
Information Summary

DATE
October 3, 2019

AGENDA ITEM 7

SUBJECT
Executive Session

PURPOSE
The Audit and Finance Subcommittee may vote to enter Executive Session for discussion or consultation and for legal advice with the attorney or attorneys of the public body and to consider its position and instruct its attorneys regarding the public body’s position concerning matters listed on the agenda, personnel matters and contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; all as authorized by A.R.S. Sections 38-431.03 A.1, A.3., and A.4.

The agenda for Executive Session involves discussion and consultation regarding performance evaluation of the Chief Financial Officer and Director, Internal Audit. Discussion and consultation may be both with and without the Chief Financial Officer and Director, Internal Audit in attendance.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
The Audit and Finance Subcommittee may vote to enter Executive Session.

CONTACT
Michael Minnaugh
General Counsel
602-262-7433
mminnaugh@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
October 3, 2019

AGENDA ITEM 8

SUBJECT
Executive Session Action Items

PURPOSE
The Audit and Finance Subcommittee may take action related to items discussed as part of the Agenda Item 7.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
The Audit and Finance Subcommittee may take action related to the items discussed as part of Agenda Item 7.

CONTACT
Michael Minnaugh
General Counsel
602-262-7433
mminnaugh@valleymetro.org

ATTACHMENT
None
Information Summary

DATE
October 4, 2019

AGENDA ITEM 9

SUBJECT
Future Agenda Items Request and Report on Current Events

PURPOSE
Chair Arredondo-Savage will request future agenda items from members and members may provide a report on current events.

Future Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware/Software Management</td>
<td>December 2019/January 2020</td>
</tr>
<tr>
<td>External Audits:</td>
<td></td>
</tr>
<tr>
<td>- City of Phoenix Fare Revenue</td>
<td>December 2019/January 2020</td>
</tr>
<tr>
<td>- City of Phoenix Contract Management Risk Assessment</td>
<td>January/February 2020</td>
</tr>
<tr>
<td>- Maricopa County Paratransit</td>
<td>November/December 2019</td>
</tr>
<tr>
<td>Present Comprehensive Annual Financial Reports for acceptance</td>
<td>February 2020</td>
</tr>
<tr>
<td>Key Budget Assumptions update</td>
<td>February 2020</td>
</tr>
<tr>
<td>Professional Development Audit</td>
<td>February 2020</td>
</tr>
<tr>
<td>Enterprise Resource Planning contract award</td>
<td>February 2020</td>
</tr>
<tr>
<td>Present Annual Budgets for information</td>
<td>March 2020</td>
</tr>
<tr>
<td>Contract Management (Specific) Paratransit</td>
<td>March 2020</td>
</tr>
<tr>
<td>Audit Plan Areas of Concern for future Audit information</td>
<td>March/April 2020</td>
</tr>
<tr>
<td>Present 5-Year Plans</td>
<td>April 2020</td>
</tr>
<tr>
<td>Agency Credit card Audit</td>
<td>April 2020</td>
</tr>
<tr>
<td>Travel Audit</td>
<td>April 2020</td>
</tr>
<tr>
<td>Draft Audit Plan for information</td>
<td>April/May 2020</td>
</tr>
<tr>
<td>Present Annual Budgets and 5-Year Plans for Action</td>
<td>May 2020</td>
</tr>
<tr>
<td>Proposed Audit Plan for FY21</td>
<td>May/June 2020</td>
</tr>
</tbody>
</table>

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

ATTACHMENT
None