



ADOPTED FY 2013 OPERATING AND CAPITAL BUDGET

FIVE-YEAR OPERATING FORECAST AND CAPITAL PROGRAM FY 2013 – FY 2017

May 17, 2012





Valley Metro Rail, Inc.
Phoenix, Arizona

Adopted Operating and Capital Budget
Fiscal Year 2012/2013

Five-Year Operating Forecast and Capital Program
FY 2013 through FY 2017
(July 1, 2013 through June 30, 2017)

Board of Directors

Chairman – Mayor Greg Stanton, Phoenix
Vice Chairman – Councilmember Dennis Kavanaugh, Mesa
Councilmember Shana Ellis, Tempe
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Raymond Abraham, Chief Operations Officer
John Farry, Community & Government Relations Director
Wulf Grote, Planning & Development Director
Jay Harper, Chief of Safety and Security
Mike Ladino, General Counsel
John McCormack, Finance & Administration Director



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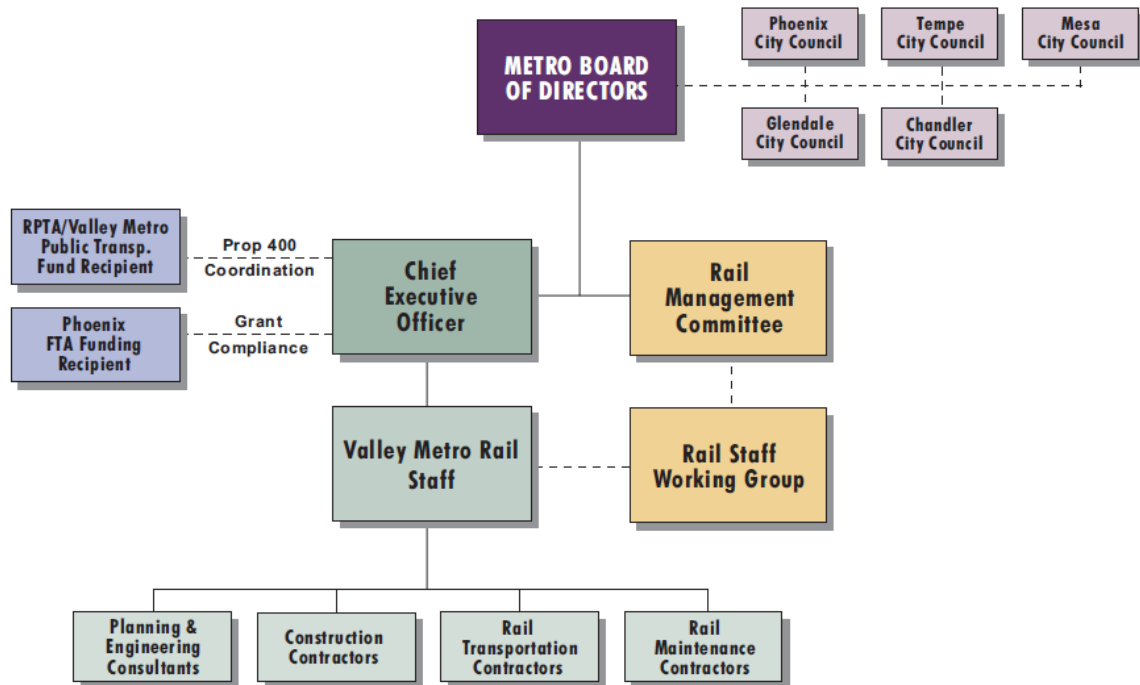


METRO ORGANIZATION

Valley Metro Rail, Inc. (METRO) is a public non-profit corporation whose members are the cities of Chandler, Glendale, Mesa, Phoenix, and Tempe. METRO was created to manage the design, construction, and operation of the Light Rail Transit (LRT) System within the Metropolitan Area. The Board of Directors includes the mayors of the member cities or their designated representatives. The Board of Directors establishes overall policies and provides general oversight of the METRO agency and its responsibilities.

The Chief Executive Officer (CEO) is responsible for implementing the agency vision and the day-to-day management of the organization. The CEO plans, coordinates, and directs the activities of the Management staff in carrying out the organization's responsibilities. The METRO Staff includes employees managing operations, performing maintenance, directing planning, design and construction of new rail lines. METRO staff are supported by contracted personnel with specialized experience in light rail planning, design, construction, and operations. The following chart depicts the policy organization for METRO and the relationships to key stakeholders.

METRO Policy Organization



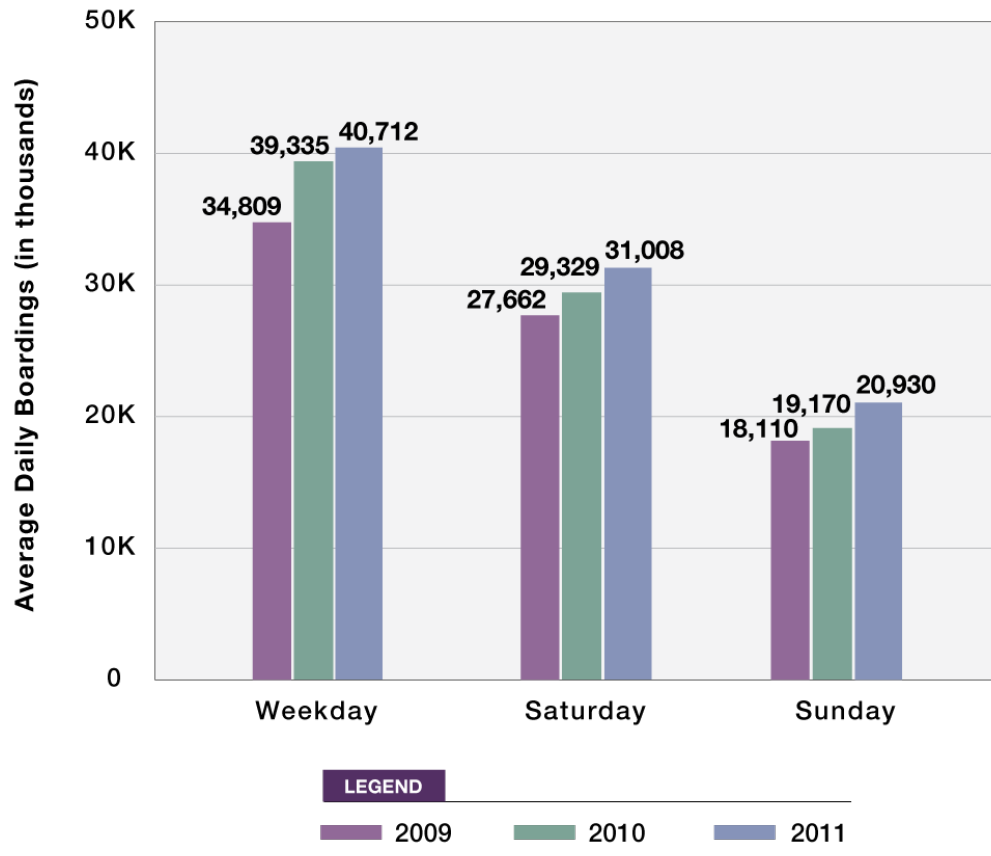


METRO VISION

METRO will be recognized as a trusted and respected community partner and visionary leader that provides a premier regional rail transit system with a commitment to customer service, quality and safety, which enhances quality of life and is a point of pride for our community.

FY 2012 ACCOMPLISHMENTS

- METRO ridership continues to climb serving 13.2 million riders in CY 2011, 4.8% percent more than in CY 2010. Growth continues in 2012.





- Delivered passenger service achieving the following results:

Benchmark	Target	2011 Actual
On Time Performance	95%	98%
Operating Cost Per Boarding	\$2.92	\$2.42
Average Fare	\$0.80	\$0.80

- Launched a solar-cooled light rail station at 3rd Street/Washington in partnership with NRG and the City of Phoenix in July.
- Served nearly 200,000 riders during Major League Baseball's All-Star week with five, full All-Star train wraps and took part in the All-Star Red Carpet Parade.
- Developed a mobile website in conjunction with Local First Arizona that shares the locally-owned restaurants and retail within a half-mile of the line.
- Received environmental clearance in July and \$35.5 million in the FY 2012 federal appropriations bill signed in November for the 3.1-mile Central Mesa light rail extension.
- Received a \$1 million federal grant to conduct a 24-month Alternatives Analysis on the South Central Phoenix corridor.
- Received a \$2.7 million TIGGER (Transit Investments for Greenhouse Gas and Energy Reduction) grant award for a solar shade structure at the maintenance facility.
- Valley Metro RPTA and METRO light rail Boards of Directors select Steve Banta as the single CEO for both organizations effective March 1, 2012.
- Selected Valley Transit Constructors, joint venture of Kiewit and Mass Electric, as the Design-Build team to continue designing and constructing the Central Mesa extension.
- Received Government Finance Officers Association Award (GFOA) for Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2010



FY 2013 GOALS AND OBJECTIVES

Goals are based on the following keys to a successful transportation system that connects people to life:

- A quality human resource
 - A system in a state of good repair
 - Customer-focused service
 - Coordinated and cost-effective system expansion
 - Sound relationships with public and private stakeholders
1. **Collaborate with RPTA staff to build an effective and efficient organization to build and manage the total transit network for the region.**
 2. **Operate a safe, efficient, customer-focused, reliable METRO system.**
 - Maintain an efficient operation that meets established schedules and operational baselines.
 - Manage an effective safety and security program.
 - Ensure timely and effective customer communication.
 - Maximize fare revenues through continued coordination with regional and local entities to ensure effective fare policies across all public transportation modes.
 - Continue development of information systems to support rail operations.
 3. **Maintain sound and trusted relationships with public and private stakeholders including improved coordination with all public transportation operators.**
 - Work with other public transportation operators in the region to optimize passenger usage of the entire public transportation system.
 - Maintain professional relationships with the media resulting in objective news coverage.
 - Successful implementation of marketing strategies that maximize ridership from event venues (e.g., Phoenix Suns, AZ Diamondbacks, ASU Sun Devils, etc.).
 - Continue public involvement activities related to future METRO extensions.
 - Continue to improve and maintain a sound relationship with the FTA to foster federal support for future rail projects.
 - Maintain sound relationships with Congressional leaders and Arizona delegation members that maximizes federal funding for the METRO system, especially related to the annual appropriations process and the reauthorization of SAFETEA-LU.



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4. **Expansion of the METRO system through effective planning, design, and construction of the high capacity/light rail transit element of the Regional Transportation Plan.**
- Commence construction of the Central Mesa and Tempe Streetcar projects.
 - Advance development of the Northwest Extension.
 - Advance the development of the Phoenix West and Glendale high capacity/light rail transit corridors that is consistent with agreed upon schedules.
 - Actively pursue public and private funding opportunities to facilitate implementation of the region's high capacity transit program.
 - Actively explore ways to reduce future project costs to address shortfalls in regional funding for the transit program.
 - Develop corridor planning studies and seek out funding alternatives for the South Central Corridor and Gilbert Road Extension
5. **Maintain organizational sustainability and a sound human resource.**
- Strive to create a work environment where our employees, our most valued assets, are energized by exceeding the expectations of our customers.
 - Provide professional development and training opportunities as needed to achieve our goals and objectives.
 - Retain and promote our best people.
 - Work with regional transit partners to implement administrative efficiencies and develop cost savings through coordination and consolidation of work effort.
 - Assure strict compliance with state, local and federal laws, regulations and procedures including the application of best practices in all business activities.



RAIL OPERATIONS SERVICE PLAN

Service Frequency FY 2013 Plan:

Weekday trains will run with two cars at 12 minute intervals during peak hours and 15 to 20 minute intervals off peak. Weekends do not require peak service trains and will operate with one or two cars at 15 to 20 minute headways. Service headways and train lengths will be adjusted over time to accommodate growth and service patterns.

Time of Day	Service Frequency
Monday - Friday 4:40 am to 7:30 am	20 minutes
Monday - Friday 7:30 am to 6:30 pm	12 minutes
Monday - Thursday 6:30 pm to 11:00 pm	20 minutes
Friday - 6:30 pm to 2:00 am	20 minutes
Saturday - 5:00 am to 7:00 pm	15 minutes
Saturday - 7:00 pm to 2:00 am	20 minutes
Sunday - 5:00 am to 11:00 pm	20 minutes

Nine weekdays are currently scheduled for holiday schedule frequency (Sunday schedule).

Ridership and Fare Revenue:

Total Ridership is forecasted at 13.4 million passengers for the year with fare revenues generating \$11.256 million. Over the course of the fiscal year 2013, average weekday boardings are forecasted at 41,236 while Saturday and Sunday average ridership are forecasted at 31,407 and 21,200 per day respectively.

Total Rides	Average	Annual Ridership / Fares		
		Fare Assumption		
Weekday	41,236	10,350,356	\$ 0.84	\$ 8,694,299
Saturday	31,407	1,947,263	\$ 0.84	\$ 1,635,701
Sunday	21,200	1,102,381	\$ 0.84	\$ 926,000
Total Ridership and Fare Revenue		13,400,000	\$ 0.84	\$ 11,256,000

Average fare per ride is forecasted at \$0.84 cents per ride, an increase of 4 cents per ride over FY 2012's budget. The ridership forecast is 6.8% higher than the FY 2012 plan.



TOTAL FINANCIAL PROGRAM

The FY 2013 Operating and Capital Budget has been prepared with the goal of delivering a fiscally prudent, balanced budget. Last year, the Board approved a total of \$85.4 million for the FY 2012 Budget. Total expenditures for FY 2013 are estimated to be \$168.2 million. The unexpended balance for FY 2012 capital expenditures has been reprogrammed into the project cash flows for expenditure in FY 13 and future years.

Uses of Funds - The FY 2013 Budget includes anticipated operating and capital expenditures in the amount of approximately \$168.2 million to support program elements during the period of July 1, 2012 through June 30, 2013, as follows:

Uses of Funds	(\$,000)			Budget Analysis Note #
	FY 2013 Adopted	FY 2012 Amended	Change	
Operating Activities:				
Revenue Operations	35,293	35,432	(139)	
Future Project Development	10,150	8,146	2,004	1
Agency Operating Budget	1,010	1,084	(74)	
	46,453	44,662	1,791	
Capital Projects:				
20-Mile METRO Initial Segment	2,550	5,301	(2,751)	
Northwest Extension	28,680	8,573	20,107	2
Non-Prior Rights Utilities Relocations	10,813	2,638	8,175	3
Other Capital Projects:				
Central Mesa Extension	49,588	16,525	33,063	4
Tempe Streetcar Extension	13,324	4,262	9,062	5
CNPAs - Mesa Extension	2,526	-	2,526	
Systemwide Improvements	8,892	675	8,217	6
Subtotal Capital before Debt Service	116,373	37,974	78,399	
Capital Project Debt Service:				
Debt Service - Interest	2,594	2,750	(157)	
Debt Service - Principal	2,771	-	2,771	
Total Uses of Funds	168,190	85,386	82,803	

Note: See page 9 for budget analysis notes.



Sources of Funds - The FY 2013 Operating and Capital Budget will be funded with a combination of Fare Revenues, Member City contributions, Public Transportation Funds, Federal 5309 New Starts, 5307 and Fixed Guideway Preventative Maintenance, Congestion Mitigation and Air Quality funds (CMAQ), and other local funding. The FY 2013 Budget includes anticipated capital and operating sources of funds in the amount of approximately \$168.2 million, as follows:

Sources of Funds	(\$,000)			Budget Analysis Note #
	FY 2013 Adopted	FY 2012 Amended	Change	
Operating Activities:				
Fare Revenue	11,256	10,436	820	
Advertising Revenue	500	300	200	
Federal 5307 PM	783	665	118	
Federal FG PM	-	996	(996)	
Federal 5339	1,044	1,380	(336)	
Federal CMAQ	-	100	(100)	
Member Cities	24,919	23,362	1,557	7
MAG / RPTA (RARF)	1,382	1,000	382	
PTF Sales Tax Revenue	6,569	6,422	147	
	46,453	44,661	1,792	
Capital Projects:				
FTA - Section 5309	22,600	3,300	19,300	8
Federal CMAQ	21,659	14,410	7,249	9
TIGGER Federal Grant	2,700	-	2,700	10
TIGGER Private Match	3,300	-	3,300	11
Member Cities	24,766	(12,808)	37,575	12
PTF Bond Revenue	18,653	14,506	4,147	
PTF Sales Tax Revenue	28,059	21,318	6,741	
	121,737	40,726	81,011	
Total Sources of Funds	168,190	85,386	82,803	

Note: See page 9 for budget analysis notes. Negative Sources of Funds reflect Regional PTF reimbursements to Member Cities for the CPEV 20 Mile Initial Segment Capital Project and PTF revenues to reimburse the City of Phoenix for the Phoenix West alternatives analysis.



FY 2012-13 Adopted METRO Operating and Capital Budget

BUDGET ANALYSIS

The following is an analysis of the major changes in the FY 2013 Proposed Budget versus the FY 2012 Amended Budget. The number in the "Note" column corresponds to the "Note" column in the "Uses of Funds" and "Sources of Funds" tables located in the Total Financial Program. See Pages 7 and 8.

Note	Budget Analysis
1	Planning Support Services to increase in order to support needs of future corridor planning. Corridor costs include Phoenix West (\$2.5 million), Glendale (\$1 million), South Central (\$750,000), and Gilbert Road (\$950,000).
2	For Northwest Extension, continuation of final design, utility relocation, and Right of Way Acquisition increase.
3	A significant increase in NPR utility relocation is due to increased activity on the Northwest, Central Mesa, and Tempe Streetcar projects.
4	The Design Build Contractor will commence work on the Mesa Extension during FY13. Other directly related costs are support services and increased Real Estate costs.
5	A Design Build Contractor is anticipated to commence work on the Tempe Streetcar project during FY13. METRO also anticipates incurring \$6 million in modifications to existing fleet of LRVs in order to provide service on the Tempe guideway.
6	Solar Shade Canopy will be installed at the Operations and Maintenance Center. Fleetwide LRV door modification program to continue in order to reduce operating expenses related to door glass breakage.
7	Member City Contributions up by \$1.9 million over FY12 in order to fund increased future corridor planning activities. Member City funding includes Peoria (\$55,000), Phoenix (\$150,000), and Mesa (\$950,000).
8	The initial Federal Section 5309 grant for the Central Mesa Extension is projected to fund \$22.6 million in FY 2013.
9	The \$21.7 million CMAQ will fund a portion of the FY13 activities for the Central Mesa Extension (\$11 million) and Tempe Streetcar(\$10.7 million).
10	Federal Funding portion for OMC Solar Shade Canopy work to take place over FY13 and FY14.
11	Private Funding portion for OMC Solar Shade Canopy work to take place over FY13 and FY14.
12	Phoenix to provide Northwest Extension Advance fund in the amount of \$28.6 million, to be reimbursed by PTF in FY 2017. Wrap up of CPEV Real Estate costs of \$2.6 million to be funded by City of Phoenix. Reimbursement of \$10 million to Phoenix for LRV capital lease. Mesa to incur \$2.5 million in costs related to CNPA activities for the Mesa Extension. Member City Contributions to fund LRV Door Modification of \$1.1M



STAFFING REQUIREMENTS

Rail Operations Personnel – With the commencement of new rail design and construction and the requirement to maintain the existing 20 mile system in a state of good repair, METRO is proposing staffing changes as follows:

Authorized Positions FY 2012	141
Positions Added:	
Public Information Specialist	1
Area Coordinator	2
Rail Activation Manager	1
LRV Maintenance Technician I	2
LRV Maintenance Technician II	1
Network Support Analyst	1
Traction Power Sys Tech	3
Safety Specialist	1
Revised Positions for FY 2013	153

Reasons for Staffing Changes

1. As new extensions are planned and constructed public outreach activities increase to communicate construction schedules and address citizen and business concerns. With the Central Mesa, Tempe Streetcar, Phoenix West and Northwest Extension projects moving forward the need for staff is increasing and will be sustained over the coming years. With the growth of rail ridership, increased communications with customers are needed to improve service. The Communication Specialist (1 FTE) and Area Coordinator (2 FTE) positions will fulfill this need and will reduce consulting costs.
2. With the design and construction of new rail extensions the interface between existing Operations and new construction must be coordinated to ensure a seamless startup and higher level of operating efficiency to serve new rail passengers. The Rail Activation Manager will be the lead staff position to develop a comprehensive implementation plan and provide technical support to the Chief Operations Officer.

Since the line opening in December 2008, METRO employees have successfully maintained the LRT system elements. METRO experienced minimal failures throughout the alignment and had assistance from contractors for repairs covered under warranty. As the system ages, METRO has programmed a larger volume of preventive and corrective maintenance hours and staff members required to keep the 20-mile system in the state of good repair.



In FY 2013, three LRV technician positions are being added to fulfill increasing workloads for preventative maintenance activities. Three TES technicians will address increasing PM activities for traction power switchgear, circuit breakers and overhead catenary systems. The Network Support Analyst is required to maintain the train control computer systems which require higher levels of support due to greater data security requirements and upcoming integration of new LRT and streetcar extensions.

3. The Safety Specialist will provide day-to-day support to the Chief of Safety and Security in lieu of hiring consultants in our efforts to improve system and worker safety and comply with ADOT, FTA and OSHA requirements.

Staffing Costs – The FY 2013 Budget includes salary, benefit, and corresponding overhead costs based on the following assumptions:

1. 153 FTE Staff
2. Merit increases up to 3% based on employee performance

Salary, fringe benefits, HR and payroll costs are paid by METRO to RPTA in accordance with the human resources staffing agreement.

Fiscal Impact –The overall salary and fringe benefit cost is \$14.0 million for FY 2013. Increases over the FY 2012 Amended Budget include \$1.9 million for LRV Maintenance staff (replacing contract staff), 12 new positions add \$1.0 million, and wage and fringe benefit increases add \$370,000.

Organizational Chart – The organization chart (see page 23 of this document) illustrates the METRO management organization. It includes the proposed positions included in the FY 2013 Budget.

FIVE-YEAR OPERATING AND CAPITAL PROGRAM

The By-Laws of the Corporation call for the Board of Directors to approve a Five-Year Operating and Capital Program annually, which identifies anticipated operating costs, capital projects and costs, and the associated funding sources. The FY 2013 – FY 2017 Five-Year Operating and Capital Program will be completed and submitted to the Board of Directors for approval along with the FY 2013 Operating and Capital Budget. (see page 25)



FY 2012-13 Adopted METRO Revenue Operations Budget

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
Mesa Fare Revenue	\$ 1,039,430	\$ 971,590	67,840
Phoenix Fare Revenue	6,924,205	6,491,037	433,167
Tempe Fare Revenue	3,292,366	2,973,462	318,904
Federal 5307 PM	782,892	664,840	118,052
Federal Fixed Guideway Preventative Maintenance	-	996,108	(996,108)
Mesa Advertising	24,450	14,670	9,780
Phoenix Advertising	335,400	201,240	134,160
Tempe Advertising	140,150	84,090	56,060
Mesa Base Cost Contributions	595,510	533,308	62,203
Phoenix Base Cost Contributions	15,503,559	14,152,832	1,350,727
Tempe Base Cost Contributions	6,079,283	5,652,770	426,513
Mesa Local Security	76,306	381,075	(304,769)
Phoenix Local Security	-	1,261,037	(1,261,037)
Tempe Local Security	499,413	1,053,355	(553,942)
	<u>\$ 35,292,962</u>	<u>\$ 35,431,414</u>	<u>\$ (138,451)</u>
Expenditures			
Salaries and Fringe Benefits	\$ 8,626,481	6,246,784	2,379,696
RPTA Overhead	555,698	313,030	242,668
Transportation Contractors Labor & Materials	9,610,616	9,849,722	(239,106)
Fare Inspection & Security	2,615,573	3,567,841	(952,268)
Propulsion Power	2,346,719	2,594,381	(247,662)
Vehicle Maintenance Contractor Labor & Materials	1,177,104	3,768,071	(2,590,967)
Systems & Facilities Maintenance Contractors	1,771,828	1,681,513	90,315
SFM Material / Supplies / Other Direct Costs	1,875,252	1,542,512	332,740
Utilities	1,409,378	1,295,397	113,981
General & Administrative Costs	2,188,177	1,918,251	269,927
Consultants	452,180	490,380	(38,200)
Liability Insurance	1,635,456	1,351,378	284,078
Contingency Reserve	650,000	713,413	(63,413)
LRT project capital outlay	378,500	98,740	279,760
	<u>\$ 35,292,962</u>	<u>\$ 35,431,414</u>	<u>\$ (138,451)</u>
Allocation of Operating Costs			
Phoenix			
Base Costs	\$ 21,919,993	\$ 21,391,783	\$ 528,210
Regional Security	1,368,335	567,490	800,845
Local Security	-	1,261,037	(1,261,037)
	65.986%	23,288,327	23,220,310
Less Fares, Advertising & Fed PM Distributed	(7,784,769)	(7,806,441)	21,673
Phoenix Net Contribution	15,503,559	15,413,869	89,690
Tempe			
Base Costs	9,159,472	8,938,726	220,746
Regional Security	571,771	237,160	334,611
Local Security	499,413	1,053,355	(553,942)
	28.988%	10,230,656	10,229,241
Less Fares, Advertising & Fed PM Distributed	(3,651,960)	(3,523,116)	(128,845)
Tempe Net Contribution	6,578,696	6,706,125	(127,429)
Mesa			
Base Costs	1,597,924	1,558,438	39,487
Regional Security	99,749	42,350	57,399
Local Security	76,306	381,075	(304,769)
	5.026%	1,773,979	1,981,863
Less Fares, Advertising & Fed PM Distributed	(1,102,163)	(1,067,480)	(34,683)
Mesa Net Contribution	671,816	914,383	(242,567)
Total Operating Costs	<u>\$ 35,292,962</u>	<u>\$ 35,431,414</u>	<u>\$ (138,451)</u>



FY 2012-13 Adopted Future Project Development Budget

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
FTA - Section 5339	\$ 1,044,000	\$ 1,380,000	\$ (336,000)
Chandler	-	98,000	(98,000)
Peoria *	55,000	55,000	-
Phoenix *	150,000	(1,209,000)	1,359,000
Mesa *	950,000	300,000	650,000
MAG	500,000	500,000	-
RPTA (RARF/Other)	882,000	500,000	382,000
PTF Revenue Sales Tax	6,568,994	6,421,681	147,313
FHWA - CMAQ	-	100,000	(100,000)
	<u>\$ 10,149,994</u>	<u>\$ 8,145,681</u>	<u>\$ 2,004,313</u>
Expenditures			
Salaries and Fringe Benefits	\$ 2,174,609	\$ 2,358,694	\$ (184,085)
RPTA Overhead	142,325	170,920	(28,595)
Consulting COP Liaison	75,000	-	75,000
Consultants - PM/CM	350,000	-	350,000
Consultants - Planning Support	2,460,000	-	2,460,000
Consultants - Design & Construction Support	300,000	-	300,000
Consultants - Other	198,500	258,500	(60,000)
Consultants - Planning/Environmental	3,500,000	4,563,190	(1,063,190)
Advertising	11,000	7,000	4,000
Printing	11,750	5,000	6,750
Public meetings & information	7,000	15,000	(8,000)
Other direct expenditures	6,500	5,500	1,000
Local meetings & mileage	500	2,300	(1,800)
Business Travel	19,200	20,700	(1,500)
LRT project capital outlay	61,100	24,520	36,580
Agency Overhead Allocation	832,510	714,357	118,153
	<u>\$ 10,149,994</u>	<u>\$ 8,145,681</u>	<u>\$ 2,004,313</u>

* City of Peoria funding for the Peoria Transit Study to be funded from existing cash reserve.

* City of Phoenix funding provides local match for South Central Corridor study (\$150,000).

* Glendale Corridor Alternatives Analysis is anticipated to be funded with Federal Sec 5339 (\$444,000) and PTF (\$356,000).

* City of Mesa funding provides Gilbert Road Environmental Assessment.

Note: Future Project Development includes expenditures funded by the Public Transportation Fund for the development of capital projects as listed in the Regional Transportation Plan. These expenditures include environmental and alternatives analysis studies necessary to qualify the capital projects for federal funding.



FY 2012-13 Adopted Agency Operating Budget

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
Chandler	\$ 30,299	\$ 32,512	\$ (2,213)
Glendale	30,299	32,512	(2,213)
Mesa	126,246	135,465	(9,219)
Phoenix	504,983	541,860	(36,877)
Tempe	318,140	341,372	(23,232)
	<u>\$ 1,009,967</u>	<u>\$ 1,083,720</u>	<u>\$ (73,753)</u>
Expenditures			
Salaries and Fringe Benefits	\$ 265,622	\$ 402,898	\$ (137,276)
RPTA Overhead	92,323	104,195	(11,872)
Consultants - Other	275,000	219,000	56,000
Conferences	10,500	10,500	-
Business Travel	30,500	38,500	(8,000)
Advertising	500	500	-
Printing	3,750	3,750	-
Public meetings & information	50,500	38,000	12,500
Other direct expenditures	143,050	92,850	50,200
LRT audit and accounting costs	36,000	50,000	(14,000)
Agency Overhead Allocation	102,222	123,527	(21,305)
	<u>\$ 1,009,967</u>	<u>\$ 1,083,720</u>	<u>\$ (73,753)</u>

Note: The Cities of Chandler and Glendale contribute \$50,000 each annually to METRO. \$30,299 is applied to Agency Operating funds and the balance of the funds are held by METRO for future project studies to be used when requested by the Member City.



FY 2012-13 Adopted Agency Overhead Allocation

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Allocation of Costs			
Agency Overhead Allocation:			
Revenue Operations	\$ 377,597	\$ 284,994	\$ 92,603
Northwest Extension	108,911	-	108,911
Central Mesa	303,286	265,203	38,082
Tempe South	199,826	125,764	74,062
Agency Operating	102,222	123,527	(21,305)
Future Projects	832,510	714,357	118,153
NPR Utilities	16,667	13,992	2,674
Systemwide Improvements	14,731	-	14,731
	<u>\$ 1,955,749</u>	<u>\$ 1,527,838</u>	<u>\$ 427,911</u>
Expenditures			
Salaries & Fringes	\$ 150,982	\$ 69,000	\$ 81,982
RPTA Overhead	9,847	5,000	4,847
Building Rent	1,408,852	1,368,000	40,852
Building Rent Sublease	(566,071)	(552,593)	(13,478)
IT Services and Consultants	231,680	193,000	38,680
Equipment Leases	63,792	60,000	3,792
Equipment Maintenance	34,700	30,000	4,700
Office Supplies	92,949	30,000	62,949
Telecommunication Services	51,819	40,000	11,819
Employee Development	127,500	82,250	45,250
Vehicle Related	18,000	9,000	9,000
Other Office Expense	3,700	1,000	2,700
LRT project capital outlay	328,000	193,181	134,819
	<u>\$ 1,955,749</u>	<u>\$ 1,527,838</u>	<u>\$ 427,911</u>



FY 2012-13 Adopted 20-Mile METRO Initial Segment Budget

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
Local Match - Mesa	2,445	(232,911)	235,356
Local Match - Phoenix	2,533,540	1,614,330	919,210
Local Match - Tempe	14,015	(1,335,069)	1,349,084
PTF Revenue - Sales Tax	-	5,255,000	(5,255,000)
	<u>\$ 2,550,000</u>	<u>\$ 5,301,350</u>	<u>\$ (2,751,350)</u>
Expenditures			
Consultants - Planning/Environmental	50,000	275,000	(225,000)
Real estate acquisition	2,500,000	4,809,350	(2,309,350)
Printing	-	17,000	(17,000)
LRT legal services	-	200,000	(200,000)
	<u>\$ 2,550,000</u>	<u>\$ 5,301,350</u>	<u>\$ (2,751,350)</u>

Note: Negative Sources of Funds reflect reimbursements to Member Cities for the CPEV 20 Mile Initial Segment Capital Project. Source of funding is PTF revenue to fund Regional Assets.



FY 2012-13 Adopted Northwest Extension Phase I Budget

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
PTF Revenue Bonds	\$ -	\$ 11,428,000	\$ (11,428,000)
Phoenix - T2000	50,000	(2,854,721)	2,904,721
Phoenix NWX Advance	28,630,380	-	28,630,380
	<u>\$ 28,680,380</u>	<u>\$ 8,573,279</u>	<u>\$ 20,107,101</u>
Expenditures			
Salaries and Fringe Benefits	\$ 305,326	\$ -	\$ 305,326
RPTA Overhead	19,908	-	19,908
Consulting COP Liaison	50,000	25,000	25,000
Consultants - PM/CM	1,071,936	-	1,071,936
Consultants - Planning Support	25,000	-	25,000
Consultants - Design & Construction Support	81,000	-	81,000
Contractor - CM At Risk	10,125,000	-	10,125,000
City management & administration	1,292,800	-	1,292,800
Consultants - Engineering	921,000	-	921,000
Consultants - Art Design	270,000	-	270,000
Consultants - Other	358,500	-	358,500
Real estate acquisition	14,000,000	8,548,279	5,451,721
Printing	20,000	-	20,000
Postage	500	-	500
Other direct expenditures	2,000	-	2,000
Local meetings & mileage	3,500	-	3,500
LRT project capital outlay	25,000	-	25,000
Agency Overhead Allocation	108,911	-	108,911
	<u>\$ 28,680,380</u>	<u>\$ 8,573,279</u>	<u>\$ 20,107,101</u>



FY 2012-13 Adopted Central Mesa HCT Capital Project

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
PTF Revenue Bonds	\$ 15,987,697	\$ 2,225,384	\$ 13,762,313
FTA Section 5309	22,600,000	3,300,000	19,300,000
CMAQ	11,000,000	11,000,000	-
	<u>\$ 49,587,697</u>	<u>\$ 16,525,384</u>	<u>\$ 33,062,313</u>
Expenditures			
Salaries and Fringe Benefits	\$ 876,706	\$ 944,719	\$ (68,012)
RPTA Overhead	57,151	68,458	(11,307)
Consultants - PM/CM	1,959,237	-	1,959,237
Consultants - Planning Support	25,000	-	25,000
Consultants - Design & Construction Support	370,477	-	370,477
Contractor - Design Build	36,474,000	-	36,474,000
City management & administration	954,940	400,000	554,940
Consultants - General/Final Engineering	-	7,485,000	(7,485,000)
Consultants - Construction Admin.	-	465,000	(465,000)
Consultants - Art Design	685,000	250,000	435,000
Consultants - Other	428,500	464,750	(36,250)
Pothole Program	-	250,000	(250,000)
Real estate acquisition	7,000,000	5,700,000	1,300,000
Advertising	6,000	6,000	-
Printing	17,500	17,500	-
Postage	5,500	5,500	-
Public meetings & information	7,000	7,500	(500)
Other direct expenditures	23,000	17,500	5,500
LRT project office expense	147,100	139,100	8,000
Local meetings & mileage	11,500	1,000	10,500
Business Travel	7,800	13,000	(5,200)
LRT project capital outlay	208,000	25,155	182,845
Agency Overhead Allocation	303,286	265,203	38,082
	<u>\$ 49,587,697</u>	<u>\$ 16,525,384</u>	<u>\$ 33,062,313</u>



FY 2012-13 Adopted Tempe Streetcar HCT Capital Project

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
PTF Revenue Bonds	\$ 2,664,812	\$ 852,457	\$ 1,812,355
CMAQ	10,659,247	3,409,828	7,249,419
	<u>\$ 13,324,058</u>	<u>\$ 4,262,284</u>	<u>\$ 9,061,774</u>
Expenditures			
Salaries and Fringe Benefits	\$ 591,324	\$ 462,277	\$ 129,047
RPTA Overhead	38,550	33,498	5,052
Consultants - PM/CM	933,831	-	933,831
Consultants - Design & Construction Support	603,477	-	603,477
Contractor - Design Build	3,125,000	-	3,125,000
LRV Modifications	6,000,000	-	6,000,000
City management & administration	550,000	-	550,000
Consultants - Art Design	-	150,000	(150,000)
Consultants - Engineering	-	2,600,250	(2,600,250)
Consultants - Other (7200)	221,500	336,195	(114,695)
Consultants - Planning/Environmental/PE	550,000	-	550,000
Pothole Program	75,000	400,000	(325,000)
Real estate acquisition	400,000	-	400,000
LRT project capital outlay	5,000	130,000	(125,000)
Business Travel	4,800	7,800	(3,000)
Other direct expenditures	25,750	16,500	9,250
Agency Overhead Allocation	199,826	125,764	74,062
	<u>\$ 13,324,058</u>	<u>\$ 4,262,284</u>	<u>\$ 9,061,774</u>



*FY 2012-13 Mesa Extension - Concurrent Non-Project
Activities (CNPA) Budget*

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
Mesa	\$ 2,526,000	\$ -	\$ 2,526,000
	<u>\$ 2,526,000</u>	<u>\$ -</u>	<u>\$ 2,526,000</u>
Expenditures			
Contractor - Design Build	\$ 2,526,000	\$ -	\$ 2,526,000
	<u>\$ 2,526,000</u>	<u>\$ -</u>	<u>\$ 2,526,000</u>

FY 2012-13 Adopted Non-Prior Rights Utilities Relocation Budget

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
PTF Revenue Sales Tax	\$ 10,812,800	\$ 2,637,937	\$ 8,174,862
	<u>\$ 10,812,800</u>	<u>\$ 2,637,937</u>	<u>\$ 8,174,862</u>
Expenditures			
Salaries and Fringe Benefits	\$ 43,308	\$ 45,638	\$ (2,329)
RPTA Overhead	2,824	3,307	(483)
Northwest Extension NPR Utilities	8,000,000	575,000	7,425,000
Mesa Extension NPR Utilities	2,000,000	2,000,000	-
Tempe Streetcar NPR Utilities	750,000	-	750,000
Agency Overhead Allocation	16,667	13,992	2,674
	<u>\$ 10,812,800</u>	<u>\$ 2,637,937</u>	<u>\$ 8,174,862</u>



FY 2012-13 Adopted Systemwide Improvements

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
City of Phoenix T 2000	\$ (9,322,492)	\$ (10,000,000)	\$ 677,508
Tempe	283,103	-	283,103
Mesa	49,389	-	49,389
PTF Revenue Sales Tax	11,881,681	10,675,296	1,206,385
TIGGER Federal Grant	2,700,000	-	2,700,000
TIGGER Private Match	3,300,000	-	3,300,000
	<u>\$ 8,891,681</u>	<u>\$ 675,296</u>	<u>\$ 8,216,385</u>
Expenditures			
Salaries and Fringe Benefits	\$ 99,353	\$ -	\$ 99,353
RPTA Overhead	6,460	-	6,460
Consultants - Planning Support	25,000	-	25,000
Consultants - Design & Construction Support	125,000	-	125,000
DBOM - Design-Build-Operate-Maintain	5,624,736	-	5,624,736
Consultants - Other	97,500	-	97,500
Advertising	10,000	-	10,000
Printing	5,000	-	5,000
Postage	2,000	-	2,000
Other direct expenditures	5,000	-	5,000
Systemwide Capital	2,876,901	675,296	2,201,605
Agency Overhead Allocation	14,731	-	14,731
	<u>\$ 8,891,681</u>	<u>\$ 675,296</u>	<u>\$ 8,216,385</u>

FY 2012-13 Adopted Scheduled Capital Debt Service

	2012/2013 Adopted Budget	2011/2012 Amended Budget	Amount Increase/ (Decrease)
Sources of Funds			
PTF Revenue Sales Tax	\$ 5,364,447	\$ 2,750,000	\$ 2,614,447
	<u>\$ 5,364,447</u>	<u>\$ 2,750,000</u>	<u>\$ 2,614,447</u>
Expenditures			
Debt Service - Interest	\$ 2,593,481	\$ 2,750,000	\$ (156,519)
Debt Service -Principal	2,770,966	-	2,770,966
	<u>\$ 5,364,447</u>	<u>\$ 2,750,000</u>	<u>\$ 2,614,447</u>



**Funds Flow Fiscal Year 2013
\$ Thousands**

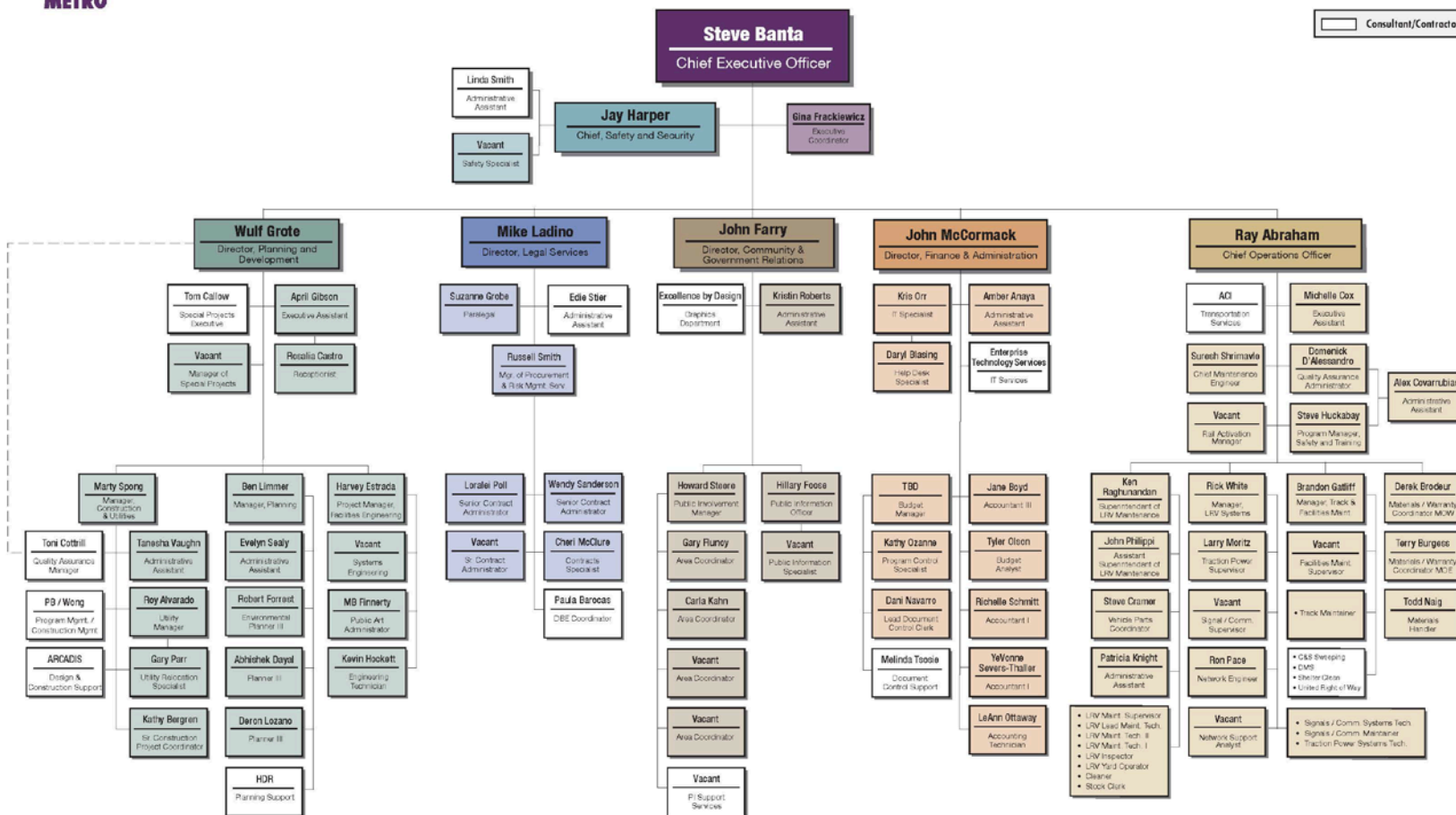
Funding Sources	Central Phoenix/East Valley LRT Project			Other Costs Funded in Current FY					Total Funding
	Costs Funded Currently	Federal/Regional Reimbursements	Net CPEV Sources	Central Mesa	Northwest Extension	Tempe Streetcar	Other Capital	Operations & Proj. Dev.	
Fare Revenue:									
Phoenix	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,924	\$ 6,924
Tempe								3,292	3,292
Mesa								1,039	1,039
Advertising Revenue:									
Phoenix								335	335
Tempe								140	140
Mesa								24	24
Phoenix	2,534	-	2,534		28,680		(9,322)	16,159	38,051
Tempe	14	-	14				283	6,897	7,194
Mesa	2	-	2				2,575	1,748	4,325
Glendale								30	30
Chandler								30	30
Peoria								55	55
Federal 5309		-	-	22,600					22,600
Federal 5339								1,044	1,044
Federal CMAQ		-	-	11,000		10,659		-	21,659
Federal 5307 PM								783	783
Federal FG PM								-	-
Federal TIGGER							2,700		2,700
Regional PTF Sales Tax		-	-				28,059	6,569	34,628
Regional PTF Revenue Bonds				15,988		2,665		-	18,653
RPTA								500	500
MAG Arranged Funding								882	882
Other Funding							3,300		3,300
TOTAL FUNDING	\$ 2,550	\$ -	\$ 2,550	\$ 49,588	\$ 28,680	\$ 13,324	\$ 27,595	\$ 46,453	\$ 168,190



VALLEY METRO RAIL AGENCY ORGANIZATION - FY13

03-22-12

 Consultant/Contractor



The background of the page is a grayscale, motion-blurred photograph. It shows a building with a flat roof and a large window on the right side. In the foreground, there is a white vehicle, possibly a bus or a van, with a curved roof. The overall effect is a sense of movement and activity.

Five – Year Operating Forecast and Capital Program

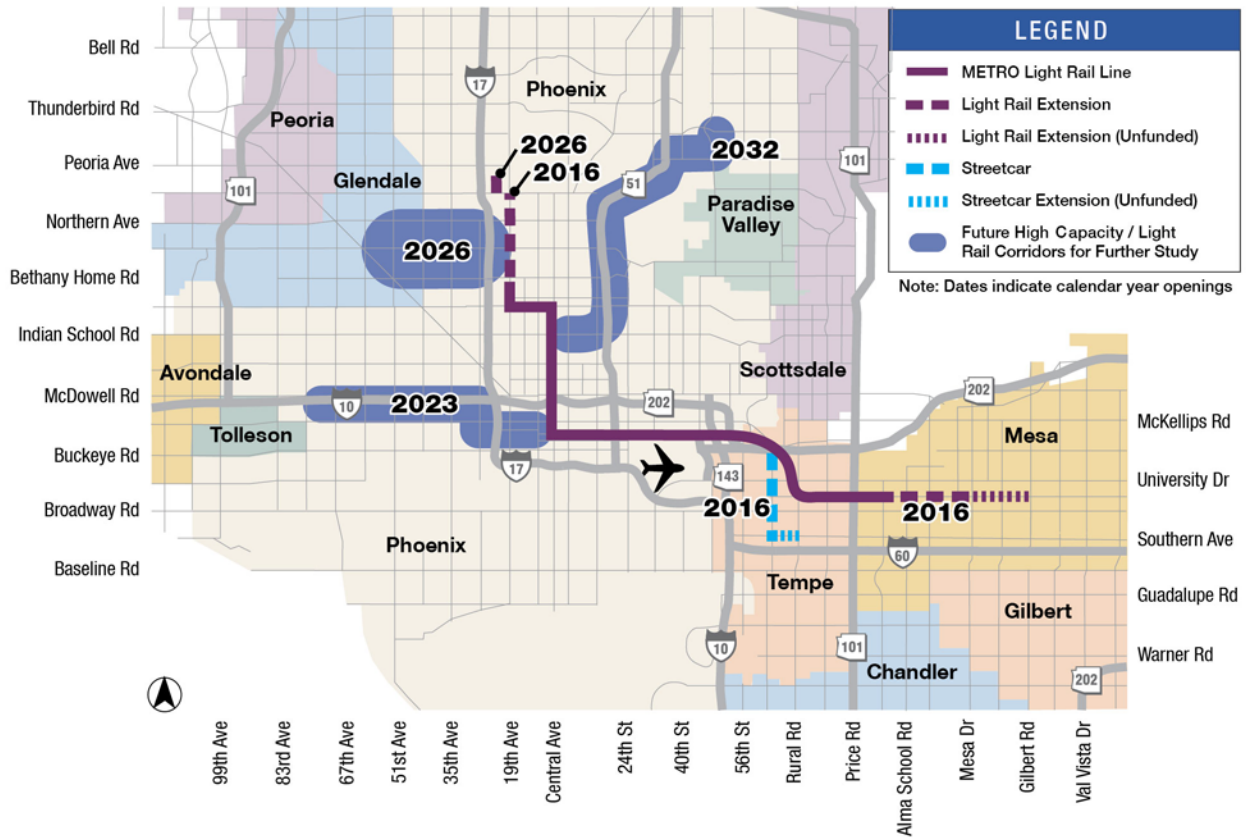
FY 2013 – FY 2017



METRO SERVICES

METRO was formed to plan, design, construct, and operate the METRO Light Rail Transit System. The Approved Light Rail Alignment (the initial 20-mile segment) was completed on time and commenced serving passengers in Phoenix, Tempe, and Mesa in December 2008. An additional 37 miles of High Capacity Transit, to be funded by local taxes, Proposition 400 revenues, and Federal Funds, is planned for future years. See “Future Projects” for further information.

TRANSIT CORRIDORS HIGH CAPACITY/LIGHT RAIL





METRO SERVICES (continued)

Operations & Maintenance: METRO is responsible for overseeing the day-to-day operations of the METRO system with the ultimate goal of providing a safe, reliable and customer focused transit system.

In December of 2008, revenue operations began and METRO commenced comprehensive management of rail passenger services including safety, security, public information and marketing, risk management, fare collection, finance, transportation service delivery and LRT systems maintenance. METRO is self-performing core systems maintenance including track, power, signals and communication systems.

During FY 2011, METRO staff analyzed the delivery of maintenance and transportation services to ensure they are being delivered in a way that focuses on the customer and is efficient from a cost perspective. As a result of that analysis, METRO has transitioned performance of vehicle maintenance from contracted to in-house staff. METRO will continue to manage contracted services for transportation operations and facilities maintenance, while maintaining system maintenance in-house. The transition of vehicle maintenance began in January 2012.

Planning and Development: The proposed high capacity/light rail transit system will include over 57 miles of service in four cities within the next 20 years. Before any specific transit corridor is initiated, METRO will study and configure the system to better understand how corridors connect, determine facility requirements, and define operating parameters. System planning is the first step in developing the high capacity transit network. It is followed by the corridor planning for individual corridors. Once technologies and alignments are determined in each corridor, preliminary engineering is engaged.

A key objective during project development is to define all aspects of each high capacity transit corridor project, identify the appropriate transit technology, the alignment, stations, park-and-rides, maintenance facilities, traction power substations, and bus interface. METRO staff is committed to working closely with policy makers, public agencies, businesses, community stakeholders, utility companies to assure an early and complete understanding of their needs and issues, before design begins. METRO is responsible to assure that adequate funding is in place to implement, maintain and operate the light rail program. METRO staff works closely with federal, state, regional and local agencies that provide present and future funding for the light rail system. METRO, in coordination with all affected agencies, annually updates the HCT element of the Transit Life Cycle Program, which defines light rail projects, funding, and schedule.



Finally, METRO assists with light rail station area planning by actively engaging to support member cities' efforts to facilitate Transit Oriented Development (TOD).

METRO is responsible for the design and construction of regional rail transit system. Efforts include design for guideway, passenger stations, LRV traction power, signals and communications systems and maintenance facilities. METRO coordinates right-of-way acquisitions and public and private utility relocations to make way for construction.

Construction contract specifications are developed and competitive procurements executed. Construction is managed to meet planned budget and schedule requirements. Emphasis is placed on delivering a high quality product focused on meeting the long-term needs to operate and maintain systems for rail passenger services.

Goals (FY 2013 through FY 2017)

Planning & Development Division Goals:

- Complete close-out for the initial 20-mile LRT project and provide capital support to system operations.
- Advance HCT/LRT corridor projects per the schedules and budgets identified in the Transit Life Cycle Program (TLCP).
- Emphasize quality and safety during design and construction of all capital projects.
- Actively seek ways to accelerate projects in the TLCP.
- Conduct planning studies for member agencies that support future expansion of the high capacity transit system in coordination with MAG.
- Support city efforts to encourage Transit Oriented Development (TOD).
- Regularly analyze LRT rider characteristics to identify opportunities to improve operations and to support future planning efforts.
- Develop and implement an agency sustainability program.
- Continue the implementation, administration and utilization of an effective agency-wide geographic information system.



Operations & Maintenance Division Goals:

- Deliver rail operational service within budget.
- Achieve or exceed LRV mean-distance-between-failures' objective.
- Maintain on-time performance at 95% or above.
- Preventative maintenance inspections and tasks will be performed on-time. (includes systems and vehicle)
- Perform all corrective maintenance tasks and implement capital improvement program to ensure system remains in state of good repair.
- Continue to search for creative operating practices that improve the customer's experience.

Safety & Security Division Goals:

- Create opportunities for the METRO system to expand and enhance safety for METRO passengers, employees, autos and bicyclists.
- FTA compliant Drug & Alcohol Testing Program for all Operations and Maintenance Employees.
- Continually strive to exceed the federal, state, internal and external audit provisions and accepted industry standards for safety and security.
- Develop strategies to manage risks by performing analysis and initiating improvements to enhance safety and security throughout METRO.
- Continue to explore new methods of enhancing safe interaction with the driving public and pedestrians.

Community and Government Relations Division Goals:

- Ensure that customer service is paramount in METRO activities.
- Implement marketing strategies, safety campaigns, customer education for future light rail projects and revenue operations.



-
- Continue to foster relationships with the business and residential communities related to future projects and revenue operations.
 - Ensure cooperative relationships are maintained with METRO member cities and regional stakeholders.
 - Work effectively with the FTA and Congress to maximize federal funding for rail extensions.
 - Maintain positive relationships with the media resulting in objective news coverage.

Legal Services Division Goals:

- Maintain lawful, fair and cost-efficient procurement practices to support METRO's passenger operations, future planning, business and construction needs.
- Provide on-going legal advice to senior METRO management in the areas of risk management, litigation avoidance, statutory compliance and corporate governance.
- Manage and fine-tune the Owner Controlled Insurance Program as METRO's operational experience develops.
- Streamline the delivery of in-house legal services so as to reduce the overall cost to METRO.
- Strengthen internal controls; respond promptly to audit oversight findings.
- Maintain compliance with FTA requirements and best practices in order to better position METRO for future funding opportunities.

Finance and Administration Division Goals:

- Work with RPTA staff to integrate finance and administration activities with the outcome of improving financial controls, maximizing grant revenues and information systems to support the regional transit system.
- Manage fare revenue and ridership accounting controls.
- Manage financial aspects of rail operations costs



- Develop annual budget and five-year capital and operating forecasts integrated with Member City objectives and funding, Transit Life Cycle Plan and Regional Transportation Plan.
- Manage financial reporting and project controls systems to deliver the Central Mesa, Tempe Streetcar, Northwest Extension and Phoenix West projects on-time and within budget.
- Manage IT systems to maximize user computer capabilities.
- Work with regional transit partner's staff to facilitate administrative efficiencies and reduce costs.

Five-Year Plan Summary

Uses of Funds:

The cumulative uses of funds, FY 2013 through FY 2017, are summarized as follows:

<u>Uses of Funds Five Year Total</u>	<u>YOE (\$,000)</u>
LRT Operations & Maintenance	\$ 198,465
Project Development Planning	36,214
Agency Operating Budget	5,357
Subtotal - Operations and Project Development	240,036
CP/EV LRT Project	2,550
Northwest Extension Phase 1	194,737
Central Mesa	160,973
Tempe Streetcar	128,148
Phx West	77,543
14 LRV's	15,897
CNPA and ARRA Projects	2,526
Non-Prior Rights Utilities	32,646
Systemwide Improvements	28,146
PTF Debt Service	98,673
Subtotal - Capital	741,840
Total Uses	\$ 981,876



Sources of Funds:

The cumulative sources of funds, FY 2013 through FY 2017, are summarized as follows:

<u>Sources of Funds Five Year Total</u>	<u>(\$,000)</u>
LRT Fares	\$ 63,638
Advertising	2,278
Member City Contributions:	
Phoenix	57,652
Tempe	34,385
Mesa	14,886
Glendale	161
Chandler	161
Peoria	55
All Others	7,322
Regional Funding:	
MAG / RPTA	5,382
PTF Sales Tax Revenue	258,428
PTF (Reserve) / Borrowing	265,981
Federal Funding:	
FTA Section 5309	158,753
FTA Section 5339	2,200
CMAQ / STP	102,033
Federal 5307 PM	5,862
Federal FGPM	-
Other Federal	2,700
Total Sources	\$ 981,876



Table 1 – Five-Year Capital Program and Operating Forecast Summary (\$000)

	2013	2014	2015	2016	2017	Cumulative 2013 - 2017
USES OF FUNDS						
LRT Operations & Maintenance	35,293	36,547	37,200	40,700	48,726	198,465
Project Development Planning	10,150	7,748	6,825	6,938	4,554	36,214
Agency Operating Budget	1,010	1,040	1,070	1,102	1,135	5,357
Subtotal - Operations and Proj Dev	46,453	45,335	45,095	48,739	54,415	240,036
CP/EV LRT Project	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ 2,550
Northwest Extension Phase 1	28,680	65,128	75,890	25,039	-	194,737
Central Mesa	49,588	50,524	50,219	10,642	-	160,973
Tempe Streetcar	13,324	58,900	42,877	13,047	-	128,148
Phx West	-	-	5,943	24,500	47,100	77,543
14 LRV's	-	-	15,897	-	-	15,897
CNPA and ARRA Projects	2,526	-	-	-	-	2,526
Non-Prior Rights Utilities	10,813	15,620	6,213	-	-	32,646
Systemwide Improvements	8,892	6,733	-	2,830	9,691	28,146
PTF Debt Service	5,364	13,655	14,626	32,504	32,523	98,673
Subtotal - Capital	121,738	210,561	211,665	108,562	89,314	741,840
Total Uses	\$ 168,190	\$ 255,894	\$ 256,760	\$ 157,301	\$ 143,729	\$ 981,876
SOURCES OF FUNDS						
Phoenix	\$ 38,041	\$ 38,065	\$ 4,469	\$ 17,007	\$ (39,930)	\$ 57,652
Tempe	7,179	7,114	7,159	5,894	7,039	34,385
Mesa	4,349	851	846	2,524	6,316	14,886
Glendale	30	31	32	33	34	161
Chandler	30	31	32	33	34	161
Peoria	55	-	-	-	-	55
MAG / RPTA	1,382	1,000	1,000	1,000	1,000	5,382
All Others	3,300	4,022	-	-	-	7,322
Subtotal	54,367	51,114	13,538	26,491	(25,506)	120,003
PTF Sales Tax Revenue	30,551	52,527	55,493	58,445	61,411	258,428
PTF (Reserve) / Borrowing	22,731	80,423	109,583	441	52,804	265,981
LRT Fares	11,256	11,594	11,941	14,423	14,423	63,638
Advertising	500	425	438	451	464	2,278
FTA Section 5309	22,600	42,800	42,400	33,200	17,753	158,753
FTA Section 5339	1,044	1,156	-	-	-	2,200
CMAQ / STP	21,659	14,861	22,200	22,413	20,900	102,033
Federal 5307 PM	783	995	1,167	1,437	1,480	5,862
Federal FGPM	-	-	-	-	-	-
Other Federal	2,700	-	-	-	-	2,700
Subtotal	48,786	59,812	65,767	57,050	40,132	271,547
Total Sources	\$ 168,190	\$ 255,894	\$ 256,760	\$ 157,301	\$ 143,729	\$ 981,876

Note: Cost and revenues reported on accrual basis. **PTF Sales Tax Revenues** are forecasted in accordance with ADOT projections published in October 2011. The **Rail PTF (Reserve) / Borrowing** represents forecasted expenditures from bond proceeds. **Regional PTF Revenues** are shown as forecasted in the September 2007 ADOT revenue forecast. The **Rail PTF (Reserve) / Borrowing** represents forecasted annual reserve at FYE 2007 and future funding requirements in excess of the expected sales tax

Sources of funds from Phoenix are net contributions after reimbursements for Light Rail Vehicles under the capital lease program. FY 2017 negative sources of funds reflect reimbursement to the City of Phoenix for funding advances made to the Northwest Extension.



Five-Year Operating Forecast

The **Operations & Maintenance (O&M)** costs are projected based on current cost history with a general inflation escalation factor of 3.0%. Anticipated structural changes to staffing, contract and materials expenses are forecasted to meet customer demand and maintain the system in a state of good repair.

System-wide and specific corridor LRT **Project Development Planning** activities are included in the operating budget. Once a project has been approved for preliminary engineering, the costs are thereafter capital in nature.

Agency Operating costs include those costs not directly allocable to capital projects or to passenger operations. Included are costs of annual audit, federal and state legislative representation, memberships to transportation related organizations.

Five-Year Operating Uses and Sources of Funds: Operating costs and funding planned for the FY 2013 through FY 2017 planning horizon are summarized as follows (See Table 2, Five-Year Operating Forecast):

Uses of Funds - Operating Budget	(\$,000)
Operations & Maintenance	\$ 198,465
Project Development Planning Support	36,214
Agency Operating Budget	5,357
Total Uses	\$ 240,036
Sources of Funds - Operating Budget	(\$,000)
Fare Revenues	\$ 63,638
Advertising	2,278
Member Support	
Phoenix	86,577
Tempe	34,089
Mesa	12,309
Glendale	161
Chandler	161
Peoria	55
Subtotal	133,350
Capital Planning Funds - PTF	27,327
Federal 5307 PM	5,862
Federal FGPM	-
FTA 5339	2,200
RPTA/MAG/ CMAQ / STP	5,382
Total Sources	\$ 240,036



Table 2 – Five-Year Operating Forecast

	-----Year of Expenditure (\$,000) -----					
	2013	2014	2015	2016	2017	TOTAL
USES OF FUNDS						
Operations and Maintenance	35,293	36,547	37,200	40,700	48,726	198,465
Project Development Planning Support	10,150	7,748	6,825	6,938	4,554	36,214
Agency Operating Budget	1,010	1,040	1,070	1,102	1,135	5,357
Total Uses	46,453	45,335	45,095	48,739	54,415	240,036
SOURCES OF FUNDS						
LRT Fares:						
Phoenix	6,924	7,132	7,346	8,886	8,886	39,175
Tempe	3,292	3,391	3,493	4,196	4,196	18,568
Mesa	1,039	1,071	1,103	1,341	1,341	5,894
Subtotal Fares	11,256	11,594	11,941	14,423	14,423	63,638
Other Revenues						
Phoenix	16,150	16,695	16,654	17,007	20,070	86,577
Tempe	6,882	7,115	7,159	5,894	7,039	34,089
Mesa	1,771	851	846	2,524	6,316	12,309
Glendale	30	31	32	33	34	161
Chandler	30	31	32	33	34	161
Peoria	55	-	-	-	-	55
Advertising	500	425	438	451	464	2,278
Subtotal Local Revenues	25,419	25,148	25,161	25,942	33,958	135,628
Capital Planning Funds - PTF	6,569	5,442	5,825	5,938	3,554	27,327
MAG	500	500	500	500	500	2,500
RPTA	882	500	500	500	500	2,882
Federal 5307 PM	783	995	1,167	1,437	1,480	5,862
Federal FGPM	-	-	-	-	-	-
FTA 5339	1,044	1,156	-	-	-	2,200
Total Sources	46,453	45,335	45,095	48,739	54,415	240,036



Passenger Operations & Maintenance

Rail Transportation Service Delivery:

Rail Transportation is responsible for ensuring the overall safety and reliability of the METRO system. This includes the Rail Control Center, Field Supervision and Train Operators. Rail Transportation will be responsible for monitoring the METRO system on a 24/7 basis.

LRV Maintenance:

LRV Maintenance is responsible for the preventive and corrective maintenance required to ensure a high level of LRV availability and reliability. In addition, each LRV will be cleaned on a daily basis. As a cost containment measure, In January 2012, LRV Maintenance responsibility was transitioned from contract to In-house METRO.

System Maintenance:

Systems Maintenance is responsible for maintaining all METRO systems and facilities, including: track, communications, signals, stations, traction power distribution and overhead centenary systems.

Administration:

Rail transportation and maintenance operations are supported by administrative activities including public safety and security, marketing and customer service, legal and procurement, finance and accounting, risk management, and information systems.

Fares:

Effective July 2009, the current Regional Fare Policy is as follows:

Light rail/local bus/LINK			Express/RAPID bus		
Full Fare			Reduced Fare* Proof of eligibility required.		
1-Ride	Light rail only	\$1.75	1-Ride	Light rail only	\$0.85
All-day		\$3.50	All-day		\$1.75
3-day		\$10.50	3-day		\$5.25
7-day		\$17.50	7-day		\$8.75
			All-day		\$5.50
			31-day		\$85.00
			Report vending malfunctions to (602) 253-5000. Please note the date, time, and machine number listed.		
			Machine ID#		

Reduced - ADA Certified, Youth (6-18) and Seniors (age 65 and over)



Table 3 – Rail Operations and Maintenance Cost Forecast FY 2013 through 2017

		-----Year of Expenditure Dollars-----				
Annual Cost Projection	Extended Cost	FY 2013	FY 2014	FY 2015	FY 2016	FY2017
Transportation						
Labor and Materials	\$ 9,610,616					
Labor - Fare Inspection & Security	2,615,573					
Propulsion Power	2,346,719					
Emergency Contingency (Bus Bridges, etc.)	196,000					
Transportation Total		\$ 14,768,907	\$ 15,211,975	\$ 15,668,334	\$ 17,292,556	\$ 21,352,362
Vehicle Maintenance						
METRO LRVM Labor	\$ 3,993,111		4,112,905	4,236,292	4,558,083	5,094,712
LRVM Parts and Materials	1,203,867		1,239,983	1,277,183	1,450,493	1,966,538
LRVM Capital PM Overhauls	243,986		446,314	16,383	140,831	525,071
Maintenance Other / Insurance - Accident Rec	(270,749)		(278,871)	(287,237)	(295,854)	(304,730)
Vehicle Maintenance Total		\$ 5,170,215	\$ 5,520,330	\$ 5,242,621	\$ 5,853,553	\$ 7,281,591
Systems and Facilities Maintenance						
Track/Station/Facility Maintenance	\$ 2,467,185					
Traction Power System Maintenance Labor	1,211,623					
Signals/Communications/TVMs Labor	1,373,264					
Material Control/Supplies/Other Direct Costs	2,379,744					
Utilities	1,409,378					
Fare Collection Material & Armored Car	290,000					
Fare Revenue Handling Fee	401,388					
Systems and Facilities Maintenance Total		\$ 9,532,582	\$ 9,818,559	\$ 10,113,116	\$ 10,914,445	\$ 12,506,055
Administration						
Property and General Liability Insurance	\$ 1,635,456					
VMR Management	1,805,482					
General & Administrative Costs	1,926,319					
Contingency Reserve	454,000					
Administration Total		\$ 5,821,257	\$ 5,995,895	\$ 6,175,772	\$ 6,639,031	\$ 7,586,201
TOTAL OPERATING COSTS		\$ 35,292,962	\$ 36,546,760	\$ 37,199,843	\$ 40,699,585	\$ 48,726,208

Commencing in FY 13 and continuing in FY 14, significant cost increases to perform preventative maintenance are scheduled. For vehicle maintenance, commencing in January 2012, in-house staff replaced contractor staff as a cost containment measure.

In fiscal year 2016 the Northwest Extension and the Central Mesa alignments are forecasted to commence revenue operations (March 2016). The total \$40.7 million operating cost forecast in FY16 is composed of the following components:

- Base 20 mile system \$ 38.5 M
- Northwest Extension (4 months) \$ 1.1 M
- Central Mesa Extension (4 months) \$ 1.1 M

In fiscal year 2017 the Tempe Streetcar alignment is forecasted to commence revenue operations (December 2016). The total \$48.7 million operating cost forecast in FY 17 is composed of the following components:

- Base 20 mile system \$ 39.9 M
- Northwest Extension \$ 3.5 M
- Central Mesa Extension \$ 3.5 M
- Tempe Streetcar (7 months) \$ 1.8 M



Table 4 – Rail Operations Fares and Member City Funding FY 2013 to FY 2017

Fiscal Year	FY 2013 Annual Ridership / Fares			FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
RIDERSHIP	2013			13,400,000	13,802,000	14,216,060	14,322,912	16,065,766
Baseline Rides		Fare Assumption						
Weekday	10,350,356	\$ 0.84	\$ 8,694,299	\$ 8,694,299	\$ 8,955,128	\$ 9,223,782	\$ 9,500,495	\$ 9,785,510
Saturday	1,947,263	\$ 0.84	\$ 1,635,701	\$ 1,635,701	\$ 1,684,772	\$ 1,735,315	\$ 1,787,374	\$ 1,840,996
Sunday	1,102,381	\$ 0.84	\$ 926,000	\$ 926,000	\$ 953,780	\$ 982,393	\$ 1,011,865	\$ 1,042,221
Total Baseline Rides	13,400,000		\$ 11,256,000	\$ 11,256,000	\$ 11,593,680	\$ 11,941,490	\$ 12,299,735	\$ 12,668,727
OPERATING REVENUES				FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Fare Revenues								
Phoenix	61.5157%			\$6,924,205	\$7,131,931	\$7,345,889	\$8,886,474	\$9,910,425
Tempe	29.2499%			\$3,292,366	\$3,391,137	\$3,492,871	\$4,195,909	\$4,661,067
Mesa	9.2344%			\$1,039,430	\$1,070,612	\$1,102,731	\$1,340,789	\$1,606,734
Total Fare Revenues				\$11,256,000	\$11,593,680	\$11,941,490	\$14,423,172	\$16,178,226
Fare Recovery Ratio				32%	32%	32%	35%	33%
Advertising Revenue				\$500,000	\$425,000	\$437,750	\$450,883	\$464,409
Phoenix	67.0800%			\$335,400	\$285,090	\$293,643	\$294,406	\$281,823
Tempe	28.0300%			\$140,150	\$119,128	\$122,701	\$113,178	\$107,982
Mesa	4.8900%			\$24,450	\$20,783	\$21,406	\$43,298	\$74,604
Federal 5307 PM				\$782,892	\$994,738	\$1,167,047	\$1,436,896	\$1,480,003
Phoenix				\$516,215	\$655,900	\$769,516	\$938,229	\$898,127
Tempe				\$226,772	\$288,136	\$338,047	\$360,682	\$344,124
Mesa				\$39,904	\$50,702	\$59,484	\$137,985	\$237,752
Federal Fixed Guideway Preventative Maintenance								
Phoenix	67.0800%							
Tempe	28.0300%							
Mesa	4.8900%							
Gross Operating Costs								
Phoenix	65.9370%			\$23,271,120	\$24,097,837	\$24,528,460	\$26,575,007	\$29,569,083
Tempe	28.9660%			\$10,222,959	\$10,586,134	\$10,775,306	\$10,216,203	\$11,329,604
Mesa	5.0970%			\$1,798,882	\$1,862,788	\$1,896,076	\$3,908,375	\$7,827,521
Total Operating Costs				\$35,292,962	\$36,546,760	\$37,199,843	\$40,699,585	\$48,726,208
Member City Funding								
Phoenix				\$ 15,495,300	\$ 16,024,916	\$ 16,119,413	\$ 16,455,898	\$ 18,478,709
Tempe				\$ 6,563,671	\$ 6,787,734	\$ 6,821,687	\$ 5,546,433	\$ 6,216,430
Mesa				\$ 695,099	\$ 720,692	\$ 712,455	\$ 2,386,304	\$ 5,908,431
Total Member City Funding				\$22,754,070	\$23,533,342	\$23,653,555	\$24,388,635	\$30,603,571
TOTAL OPERATING REVENUE				\$35,292,962	\$36,546,760	\$37,199,843	\$40,699,585	\$48,726,208

Fare revenue is forecasted to grow from FY 13 through FY 17 with a combination of increased ridership and increased fare structure. Baseline ridership is forecasted to grow by 3% per year. Additional passenger rides will be developed in FY 16 and FY 17 with the addition of the Central Mesa, Northwest Extension and Tempe Streetcar lines. It is anticipated that in the near future, a regional fare increase will be implemented which is estimated to increase average fare per ride to \$1.01. For this forecast, it is presumed that the fare increase will occur in FY 16 raising average fare from \$.84 to \$1.01.

Project Development Planning

Project development planning consists of the following subcategories of System Planning and Corridor Planning activities:

- Light rail/high capacity transit system planning.



- Alternatives analysis, environmental analysis, and conceptual engineering for future light rail/high capacity transit corridors.
- Developing and updating LRT design criteria, standards and specification
- Working with the Maricopa Association of Governments and the Regional Public Transportation Authority to participate in their regional transit planning studies and to update regional project programming documents.
- Support of Transit Oriented Development initiatives by Member Cities.
- Development of a comprehensive Geographic Information System (GIS) for the agency.

The projected uses and sources of funds in connection with Capital Project Development over the next five years are summarized as follows:

Table 5 – Capital Project Development FY 2013 to FY 2017

	----- (YOE \$,000) -----					
	2013	2014	2015	2016	2017	Total
USES OF FUNDS						
CPDA	1,560	1,626	1,674	1,724	1,775	\$ 8,359
Phoenix West AA / DEIS / CE / Early Action	2,500	1,783	-	-	-	\$ 4,283
Glendale AA	800	1,000	-	-	-	1,800
Northeast Phoenix AA / DEIS / CE	-	-	2,500	2,500	-	5,000
South Central	750	750	-	-	-	1,500
Central Mesa Phase II (Gilbert Road)	950	-	-	-	-	950
Systems Planning & Project Development	3,290	2,540	2,601	2,664	2,729	13,823
Design Criteria	300	50	50	50	50	500
Total Uses	\$ 10,150	\$ 7,748	\$ 6,825	\$ 6,938	\$ 4,554	\$ 36,214
SOURCES OF FUNDS						
Peoria	55	-	-	-	-	55
Phoenix	150	150	-	-	-	300
Mesa	950	-	-	-	-	950
Glendale	-	-	-	-	-	-
FTA 5339	1,044	1,156	-	-	-	2,200
PTF	6,569	5,442	5,825	5,938	3,554	27,327
RPTA	882	500	500	500	500	2,882
MAG	500	500	500	500	500	2,500
Total Sources	\$ 10,150	\$ 7,748	\$ 6,825	\$ 6,938	\$ 4,554	\$ 36,214



FIVE-YEAR CAPITAL PROGRAM – FY 2013 THROUGH FY 2017

Capital projects included in the five year program include:

- Central Phoenix / East Valley (CP/EV) – the initial 20-mile METRO light rail spanning Phoenix, Tempe and Mesa.
- Northwest Extension – 5 mile alignment in Phoenix with 3.2 mile Phase I proceeding north and terminating in the vicinity of Dunlap and 19th Avenue.
- Central Mesa – 3.1 mile alignment extending eastbound to downtown Mesa.
- Tempe Streetcar – 2.6 mile alignment extending southward along Mill Avenue in downtown Tempe from Rio Salado to Southern.
- Phoenix West – 11 mile alignment from downtown Phoenix westward to the vicinity of 79th Avenue.
- Systemwide Improvements – Includes system component overhauls to maintain a state of good repair and small capital improvement elements which benefit the entire LRT system.

The Capital Program report is a multiple year (five fiscal years) forecast of the capital projects managed by METRO. Costs and revenues are reported on an accrual basis. Actual cash flow impacts may lag pending receipt of contractor billings and receipt of federal funding.





All Capital Projects -- Uses of Funds: METRO currently has a number of transit projects in various stages of planning, design or construction. The overall uses of funds associated with these projects and activities are projected to be \$742 million through the five-year planning horizon. These uses of funds are summarized as follows:

FY 2013 THROUGH FY 2017

Uses of Funds - Capital Projects	YOE (\$,000)
CP/EV LRT Project	\$ 2,550
NW Ext Phase 1	194,737
Central Mesa	160,973
Tempe Streetcar	128,148
Phx West	77,543
14 LRV's	15,897
CNPA	2,526
NPR Utilities	32,646
Systemwide Improvements	28,146
PTF Bond Debt Service:	
Principal Payments	58,456
Interest Payments	40,217
Total Capital Costs	\$ 741,840



All Capital Projects -- Sources of Funds: Funding is derived from two primary sources: Regional Sales Taxes (Public Transportation Fund), and Federal Grants. These sources of funds are summarized as follows (see also Table 6, Five-Year Capital Program / All Projects):

FY 2013 THROUGH FY 2017

<u>Sources of Funds - Capital Projects</u>	<u>YOE (\$,000)</u>
Phoenix	\$ (28,925)
Tempe	297
Mesa	2,578
All Others	7,322
Public Transportation Funds	497,082
Federal Revenues:	
FTA Sec 5309	158,753
CMAQ	102,032
Other Federal	2,700
Total Capital Revenues	\$ 741,840

Note: Negative sources of funds reflect reimbursements to City of Phoenix for 14 Light Rail Vehicles (source of funding is Public Transportation Fund).



Table 6 – Five-Year Capital Program / All Projects (\$000)

	Pre 2013	2013	2014	2015	2016	2017	FY 2013-17
USES OF FUNDS							
CP/EV LRT Project	1,403,640	2,550	-	-	-	-	2,550
Northwest Extension Phase 1	94,939	28,680	65,128	75,890	25,039	-	194,737
Central Mesa	21,800	49,588	50,524	50,219	10,642	-	160,973
Tempe Streetcar	1,200	13,324	58,900	42,877	13,047	-	128,148
Phx West	-	-	-	5,943	24,500	47,100	77,543
Subtotal HCT Corridors	1,521,579	94,142	174,552	174,929	73,228	47,100	563,951
14 LRV's	42,186	-	-	15,897	-	-	15,897
CNPA and ARRA Projects	122,800	2,526	-	-	-	-	2,526
Non-Prior Rights Utilities	4,936	10,813	15,620	6,213	-	-	32,646
Systemwide Improvements	1,054	8,892	6,733	-	2,830	9,691	28,146
PTF Bond Debt Service:							
Principal Payments	1,186	2,771	7,505	7,747	19,872	20,561	58,456
Interest Payments	5,503	2,593	6,151	6,879	12,632	11,962	40,217
Total Capital Costs	1,699,245	121,738	210,561	211,665	108,562	89,314	741,840
SOURCES OF FUNDS							
Phoenix	639,708	21,891	21,370	(12,186)	-	(60,000)	(28,925)
Tempe	133,125	297	-	-	-	-	297
Mesa	26,876	2,578	-	-	-	-	2,578
All Others	1,173	3,300	4,022	-	-	-	7,322
Subtotal	800,882	28,066	25,392	(12,186)	-	(60,000)	(18,728)
Public Transportation Funds	233,434	46,712	127,508	159,251	52,949	110,662	497,082
Sales Tax Proceeds	262,400	23,982	52,527	55,493	58,445	61,411	251,859
Bond Proceeds	(28,966)	22,731	74,981	103,758	(5,497)	49,250	245,223
Federal Revenues:							
FTA	587,200	22,600	42,800	42,400	33,200	17,753	158,753
CMAQ	77,729	21,659	14,861	22,200	22,413	20,900	102,032
Other Federal	-	2,700	-	-	-	-	2,700
Subtotal Federal	664,929	46,959	57,661	64,600	55,613	38,653	263,485
Total Revenues	1,699,245	121,738	210,561	211,665	108,562	89,314	741,840

Transportation Excise Tax Revenue Bond issues by the Regional Public Transit Authority (RPTA) in support of the rail capital program are anticipated as follows:

- FY 2013 \$70.0 million
- FY 2015 \$145.0 million

The bonds are funded by the Public Transportation Fund sales tax proceeds over the 13 years remaining of the Prop 400 initiative.



CP/EV LRT Project: The Central Phoenix/East Valley Light Rail Transit (CP/EV LRT) project, as defined in the Full Funding Grant Agreement (FFGA), is a 20 mile LRT project that will connect north central Phoenix, Tempe, and Mesa. The project was identified as the Minimum Operable Segment of the Locally Preferred Alternative selected in the Central Phoenix/East Valley Major Investment Study completed in 1998.

As the initial starter segment, the CP/EV LRT project extends from 19th Avenue and Bethany Home Road in Phoenix to Main and Sycamore Road in Mesa. Phoenix, Tempe, and Mesa will share responsibility for funding the non-federal share of the capital costs and the ongoing operations and maintenance (O&M) costs of the project.

Construction of the CP/EV LRT began in FY 2005, with revenue operation commencing in December 2008. The total capital costs of the CP/EV LRT project over the period in which funds would be received through the FFGA (FY 1999 to FY 2013) is \$1.404 billion in year of expenditure dollars.



LIGHT RAIL ALIGNMENT





CP/EV LRT Sources and Uses of Funds: The total capital cost of the CP/EV LRT project over the FY 1999 to FY 2017 period is \$1.406 billion in year of expenditure dollars. Remaining capital costs are primarily settlements of real estate acquisitions. Sources and funding are summarized as follows:

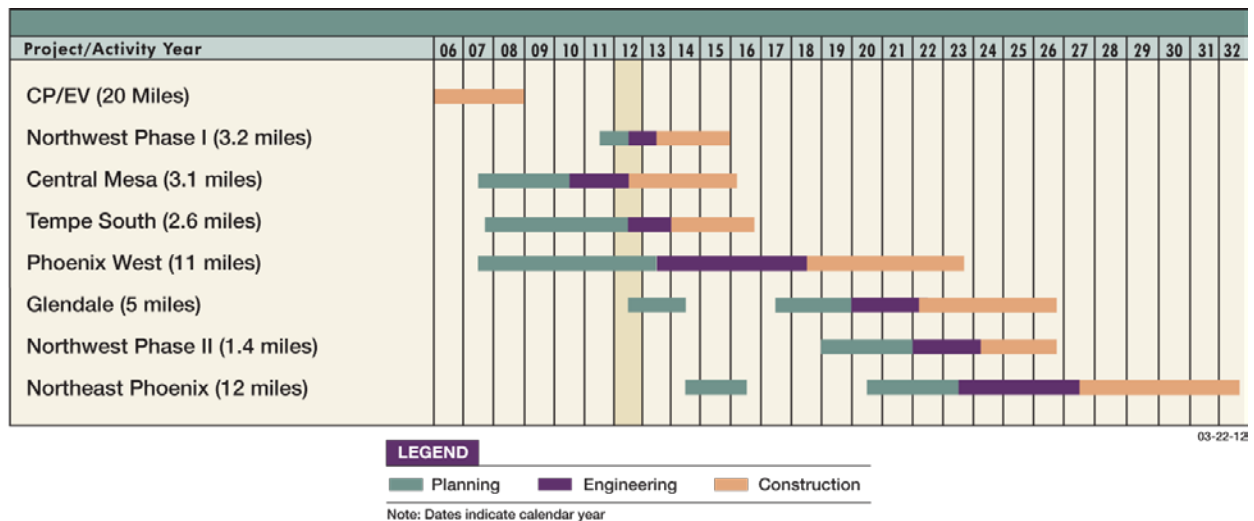
							----- (\$,000) -----
CPEV Initial 20 mile Segment	Pre-2013	2013	2014	2015	2016	2017	TOTAL
CAPITAL COSTS							
Project Costs	\$1,403,640	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ 1,406,190
Total Capital Costs	\$1,403,640	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ 1,406,190
CAPITAL REVENUES							
FTA Section 5309	\$ 587,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 587,200
CMAQ	59,751	-	-	-	-	-	59,751
Total Federal	646,951	-	-	-	-	-	646,951
Phoenix	\$ 418,348	\$ 2,534	\$ -	\$ -	\$ -	\$ -	\$ 420,882
Tempe	118,412	14	-	-	-	-	118,426
Mesa	21,178	2	-	-	-	-	21,180
PTF Revenue	198,751	-	-	-	-	-	198,751
Total Local	756,689	2,550	-	-	-	-	759,239
Total Capital Revenue	\$1,403,640	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ 1,406,190

The total expenditures over the FY 13 – FY 17 planning window are \$2.550 million (fiscal year 13 is the final year anticipated for project closeout).



High Capacity Transit Projects: The Regional Transportation Plan (RTP), adopted by the Maricopa Association of Governments (MAG) and financed under the one-half cent sales tax extension, identifies 57 miles of major high capacity/ light rail transit corridors to be implemented by 2031. Currently the 3.2 mile Phase I extension to serve the Northwest area of Phoenix final design is complete and right of way acquisition is ongoing. Under the plan additional service areas are identified; a 3.1-mile light rail extension east into downtown Mesa which is in final design and right of way acquisition, 2.6-miles into south Tempe, 5-miles west into Glendale, 11-miles into west Phoenix and 12-miles into northeast Phoenix. METRO is the agency charged with planning, designing, building and operating the light rail transit (LRT) system in the area.

The timing of the projects in the program is depicted on the following schedule shown below:



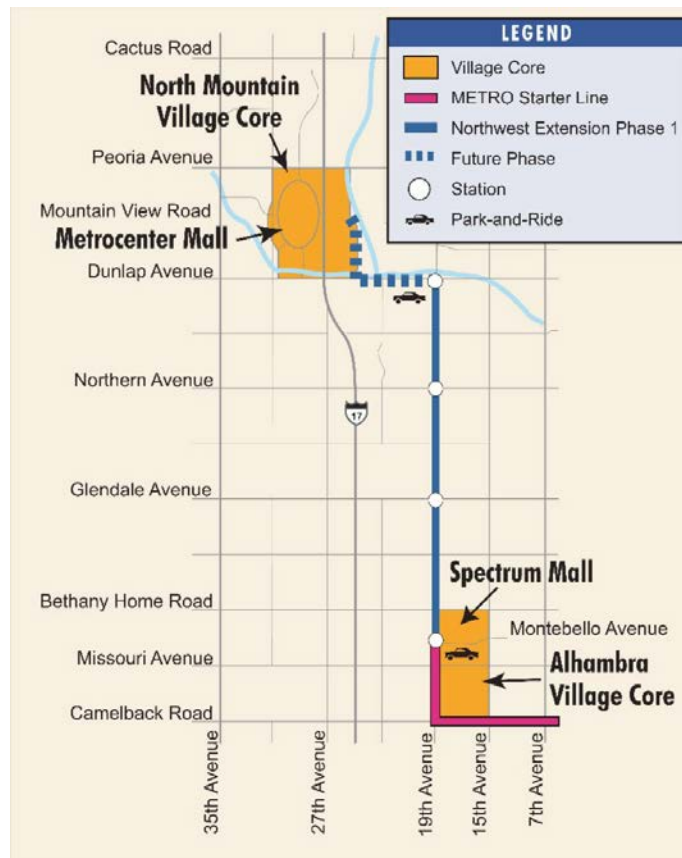
Planning was completed on the Central Mesa LRT Extension in FY 2010. Design commenced in early FY 2011 and construction activities will follow in FY 2012. Planning will be completed on the Tempe Streetcar in FY 2012 with design commencing in Spring of 2012. Planning for the Phoenix West corridor is anticipated to complete in FY 2013. The Glendale corridor will commence planning in FY 2013. Additionally, METRO is actively planning for the South Central and Gilbert Road corridors.

Funding for future projects has two phases:

- 1) Planning Budget Phase: Alternative Analysis and the draft environmental document are funded from Federal Section 5339 funds, Member City contributions, and PTF.
- 2.) Capital Budget Phase: After entry into Preliminary Engineering, costs are included in the capital budget and funded by Federal, regional, and local sources.



Northwest Extension -- The Northwest area is a major employment and activity center located in northwest Phoenix. The corridor continues to experience significant growth in population with an expected growth of 24 percent by 2025. Along with this growth, Vehicle Miles of Travel (VMT) is expected to increase by 21 percent. Traffic congestion and capacity deficiencies are expected to increase despite planned transportation improvements. Inadequate transit service has hampered access to this area and to other Valley destinations.



A Locally Preferred Alternative (LPA) was adopted by the Phoenix City Council and METRO Board of Directors in 2005. On March 6, 2007, the Council approved the Northwest Corridor Light Rail Transit (LRT) Extension as a phased project; the first 3.2-mile phase, along 19th Avenue from Montebello Avenue to Dunlap Avenue, to be funded from a combination of both PTF and local funds.



As a result of the economic downturn, construction of the Northwest Extension will be completed in phases. Transit funding comes from sales tax revenue, of which collections have experienced a significant decrease. This decrease has caused the city of Phoenix to adjust the project schedule.

The first phase will complete all right-of-way real estate acquisition and construction of the planned landscaping elements to buffer the surrounding neighborhoods by the end of 2012.

The second phase of construction is anticipated to commence in 2013, with a combination of local and regional funding.

Northwest Extension Sources and Uses of Funds: The total capital cost of the Northwest Extension project over the FY 2005 to FY 2016 period is budgeted to be approximately \$310.8 million, excluding financing costs.

----- (\$,000) -----

Northwest Extension	Pre-2013	2013	2014	2015	2016	2017	TOTAL
CAPITAL COSTS							
NPR Utilities	\$ 4,881	\$ 8,021	\$ 5,265	\$ 2,968	\$ -	\$ -	\$ 21,135
Project Costs	94,939	28,680	65,128	75,890	25,039	-	289,676
Total Capital Costs	\$99,820	\$36,701	\$70,393	\$78,858	\$25,039	\$ -	\$ 310,811
CAPITAL REVENUES							
Phoenix NWX Advance	\$ -	\$28,630	\$31,370	\$ -	\$ -	\$(60,000)	\$ -
Phoenix T 2000 Transit Tax	87,958	50	-	-	-	-	88,008
PTF Revenue	11,862	8,021	39,023	78,858	25,039	60,000	222,803
Total Local	99,820	36,701	70,393	78,858	25,039	-	310,811
Total Capital Revenue	\$99,820	\$36,701	\$70,393	\$78,858	\$25,039	\$ -	\$ 310,811

Under the current funding plan, the City of Phoenix will provide advances totaling \$60.0 million in FY 13 and FY 14. The Public Transportation Fund will reimburse Phoenix in FY 17. In consideration for PTF funding of the Northwest Extension, the City of Phoenix will provide a portion of the local capital funding for the Phoenix West Extension.



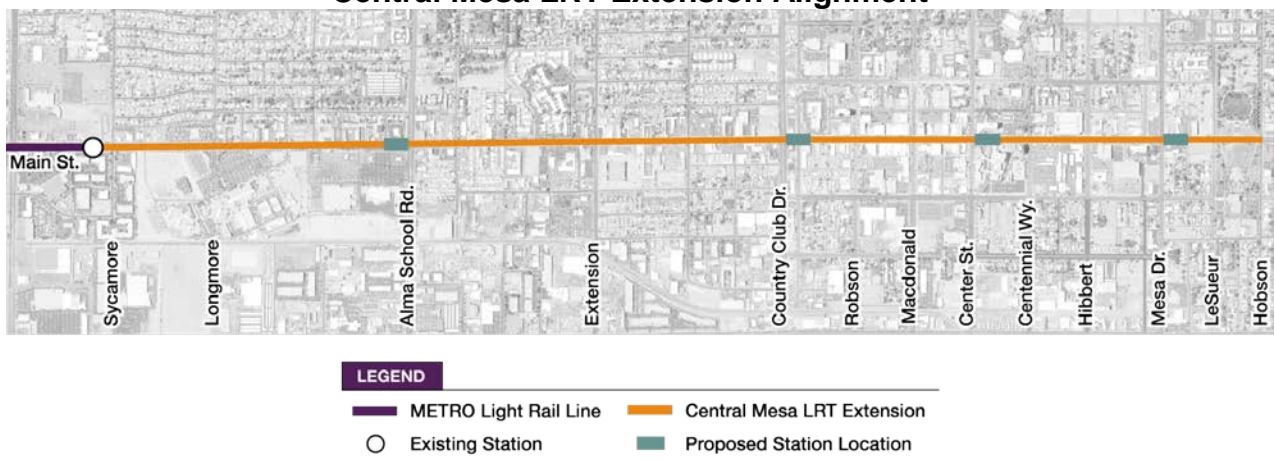
Central Mesa LRT Extension -- The Central Mesa LRT Extension will improve mobility and provide additional capacity in the Main Street corridor in Mesa. In addition, the project will connect the Central Mesa corridor with major activity and employment centers located east and west of the project corridor, such as Downtown Phoenix, Downtown Tempe, Sky Harbor International Airport, Arizona State University, proposed Mesa Gateway Area, and the ASU East Polytechnic campus. The project will also enhance connectivity to the Mesa Link BRT (with in-street mixed traffic operations) that currently operates as a feeder to the end-of-line Sycamore LRT station in Mesa and serves East Mesa including Superstitions Spring Mall.

Planning for the Central Mesa corridor began spring 2007 with an Alternatives Analysis (AA). The AA gathered technical data and community input to help determine which route and transit technology would best serve Mesa. Eight transit options were evaluated. Through analysis, the locally preferred alternative (LPA) was identified.

The recommended alternative is to extend light rail on Main Street to Gilbert Road. Phase I implementation is to extend light rail east of Mesa Drive to LeSueur by 2016. Phase II is to extend to Gilbert Road at a future date. Currently, the extension to Gilbert Road is not financed or programmed in the Proposition 400 plan. The LPA was approved by the Mesa City Council, METRO Board of Directors and the Maricopa Association of Governments in mid 2009.

This extension is part of the Regional Transportation Plan and funded by Proposition 400 regional sales tax and a federal grant that has been applied for by METRO. Design for the Central Mesa LRT Extension began in FY 2011. The Central Mesa LRT extension is scheduled to commence passenger operations in 2016.

Central Mesa LRT Extension Alignment





Central Mesa Extension Sources and Uses of Funds: The capital cost of the Central Mesa Extension project through FY 2016 is budgeted to be approximately \$190.8 million, excluding financing costs. CNPA costs related to the project total \$2.5 million.

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Central Mesa Extension	Pre-2013	2013	2014	2015	2016	2017	TOTAL
CAPITAL COSTS							
NPR Utilities	\$ 55	\$ 2,035	\$ 5,211	\$ 729	\$ -	\$ -	\$ 8,030
Project Costs	21,800	49,588	50,524	50,219	10,642	-	182,773
Total Capital Costs	\$21,855	\$51,623	\$55,735	\$ 50,948	\$ 10,642	\$ -	\$ 190,803
CAPITAL REVENUES							
FTA Section 5309	\$ -	\$22,600	\$27,800	\$ 22,400	\$ 2,200	\$ -	\$ 75,000
CMAQ	17,400	11,000	7,300	8,200	8,900	-	52,800
Total Federal	17,400	33,600	35,100	30,600	11,100	-	127,800
PTF Revenue	\$ 4,455	\$18,023	\$20,635	\$ 20,348	\$ (458)	\$ -	\$ 63,003
Total Local	4,455	18,023	20,635	20,348	(458)	-	63,003
Total Capital Revenue	\$21,855	\$51,623	\$55,735	\$ 50,948	\$ 10,642	\$ -	\$ 190,803

Concurrent Non-Project Activities Related to Central Mesa:

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CNPA							
Total CNPA Costs	\$ -	\$ 2,526	\$ -	\$ -	\$ -	\$ -	\$ 2,526
REVENUES							
Mesa	\$ -	\$ 2,526	\$ -	\$ -	\$ -	\$ -	\$ 2,526

Tempe Streetcar Project -- The 2.6-mile Tempe Streetcar project is located on Mill Avenue between Southern Avenue and downtown Tempe. A map of this, with a close-up of the downtown alignment, is shown in Figure 1. The Tempe Streetcar will run in a one-way loop between Rio Salado Parkway and University Drive, going north on Mill Avenue and south on Ash Avenue. It will continue to travel north/south on Mill Avenue between University Drive and Southern Avenue.

The Tempe Streetcar will operate weekday trains at 10-minute intervals during peak hours and 15 to 20-minute intervals off-peak. Weekends do not require peak service trains and will operate at 15 to 30-minute headways. Service headways will be adjusted over time to accommodate growth and service patterns.



This extension is part of the Regional Transportation Plan and funded by Proposition 400 regional sales tax and federal grants. Design for the Tempe Streetcar project is scheduled to begin in FY 2012, with construction to follow in 2014. Passenger operations are scheduled to commence in 2016.

Tempe Streetcar Sources and Uses of Funds: The total capital cost of the Tempe Streetcar project is budgeted to be approximately \$137.8 million, excluding financing costs.

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Tempe South Extension	Pre-2013	2013	2014	2015	2016	2017	TOTAL
CAPITAL COSTS							
NPR Utilities	\$ -	\$ 750	\$ 5,144	\$ 2,516	\$ -	\$ -	\$ 8,410
Project Costs	1,200	13,324	58,900	42,877	13,047	-	129,348
Total Capital Costs	\$ 1,200	\$ 14,074	\$ 64,044	\$ 45,393	\$ 13,047	\$ -	\$ 137,758
CAPITAL REVENUES							
FTA Section 5309	\$ -	\$ -	\$ 15,000	\$ 20,000	\$ 21,000	\$ -	\$ 56,000
CMAQ		10,659	7,561	9,400	4,496	-	32,116
Total Federal	-	10,659	22,561	29,400	25,496	-	88,116
PTF Revenue	\$ 1,200	\$ 3,415	\$ 41,483	\$ 15,993	\$ (12,449)	\$ -	\$ 49,642
Total Local	1,200	3,415	41,483	15,993	(12,449)	-	49,642
Total Capital Revenue	\$ 1,200	\$ 14,074	\$ 64,044	\$ 45,393	\$ 13,047	\$ -	\$ 137,758

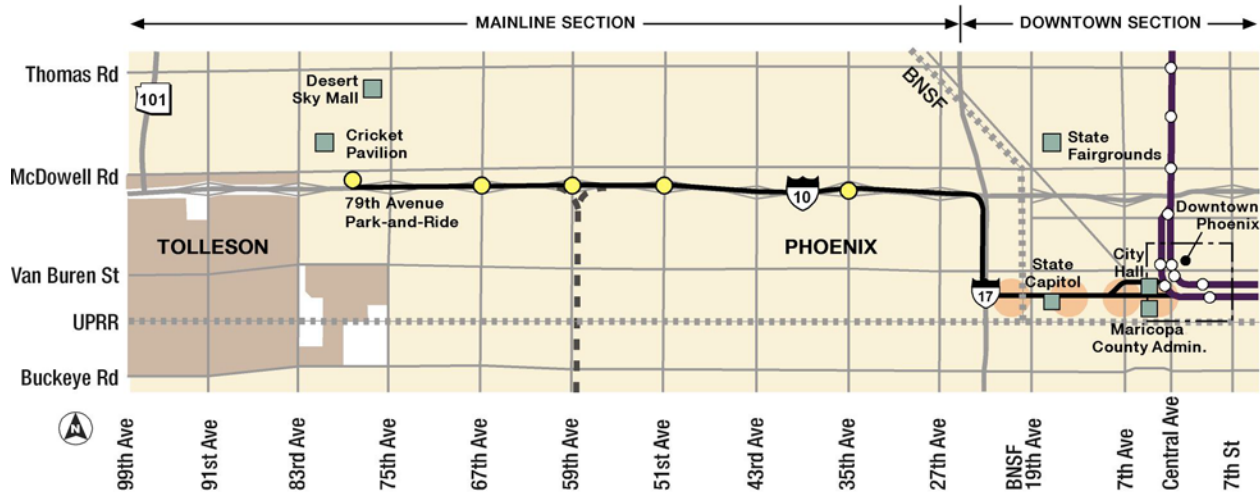
Phoenix West Extension -- The Phoenix West Extension will improve mobility and provide additional capacity in the I-10 corridor in West Phoenix. In addition, the project will connect the West valley with major activity and employment centers located near Downtown Phoenix, such as State Capitol, Maricopa County and City of Phoenix governmental mall. The project will also enhance regional connectivity by connecting with the METRO starter line.

Planning for the Phoenix West corridor began spring 2007 with an Alternatives Analysis (AA). The AA is evaluating possible routes to connect the METRO starter line with 79th Ave in the vicinity of I-10 and the type of transit mode (either Light Rail Transit or Bus Rapid Transit) to make that connection. In July 2008, MAG Regional Council approved the recommendation for high capacity transit improvements (BRT or LRT) in the median of I-10, west of I-17. METRO is currently evaluating the various LRT and BRT alternatives that would connect the alignment along I-10 freeway to Downtown Phoenix. This extension is part of the Regional Transportation Plan and funded by Proposition 400 regional sales tax and federal grants that are included in the TLCP and the Transportation Improvement Program (TIP). Locally Preferred Alternative is anticipated to occur in 2013 which will identify a route, transit mode and some station locations.



Following the formal adoption of the LPA, METRO will generate detailed engineering designs of the selected alignment and station layouts and begin the environmental evaluation phase in compliance with the National Environmental Policy Act.

Phoenix West LRT Extension



LEGEND					
	METRO Light Rail Line / Station		Preferred LRT Alignment		City of Phoenix
	Activity Center		Preliminary Station Site		City of Tolleeson
	Proposed South Mountain Freeway		Station Target Area		Unincorporated Maricopa County

Phoenix West Extension Sources and Uses of Funds: The total capital cost of the Phoenix West Extension project over the FY 2013 to FY 2017 period is budgeted to be approximately \$77.5 million, excluding financing costs.

Phoenix West Extension	----- (\$,000) -----						
	Pre-2013	2013	2014	2015	2016	2017	TOTAL
CAPITAL COSTS							
NPR Utilities	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Project Costs	-	-	-	5,943	24,500	47,100	77,543
Total Capital Costs	\$ -	\$ -	\$ -	\$ 5,943	\$ 24,500	\$ 47,100	\$ 77,543
CAPITAL REVENUES							
FTA Section 5309	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ 20,000
Other Federal	-	-	-	-	-		-
CMAQ	-	-	-	4,600	9,017	20,900	34,517
Total Federal	-	-	-	4,600	19,017	30,900	54,517
PTF Revenue	\$ -	\$ -	\$ -	\$ 1,343	\$ 5,483	\$ 16,200	\$ 23,026
Total Local	-	-	-	1,343	5,483	16,200	23,026
Total Capital Revenue	\$ -	\$ -	\$ -	\$ 5,943	\$ 24,500	\$ 47,100	\$ 77,543



Systemwide Improvements -- Systemwide Improvements are incorporated in the Regional Transportation Plan in order to provide funding for new system components as well as for the capital overhaul programs necessary to maintain the system in a state of good repair. In FY 2013 and 2014 METRO has programmed the construction of Solar Panels at the OMC which is funded under the federal TIGGER program. The OMC Solar project is in the preliminary engineering development phase and the scope of the project will be adjusted to maximize the economic benefits of reducing future electric power consumption and operating costs. The LRV door modification project will reduce future glass breakage and reduce future operating costs. During FY 2013 METRO will overhaul LRV break systems and Traction Power Substation batteries will be replaced. Non-Revenue fleet vehicles used for Maintenance crews will be replaced as necessary.

Systemwide Improvements Sources and Uses of Funds: The total capital cost of the Systemwide Improvements plan through FY 2017 is budgeted to be approximately \$29.2 million, excluding financing costs.

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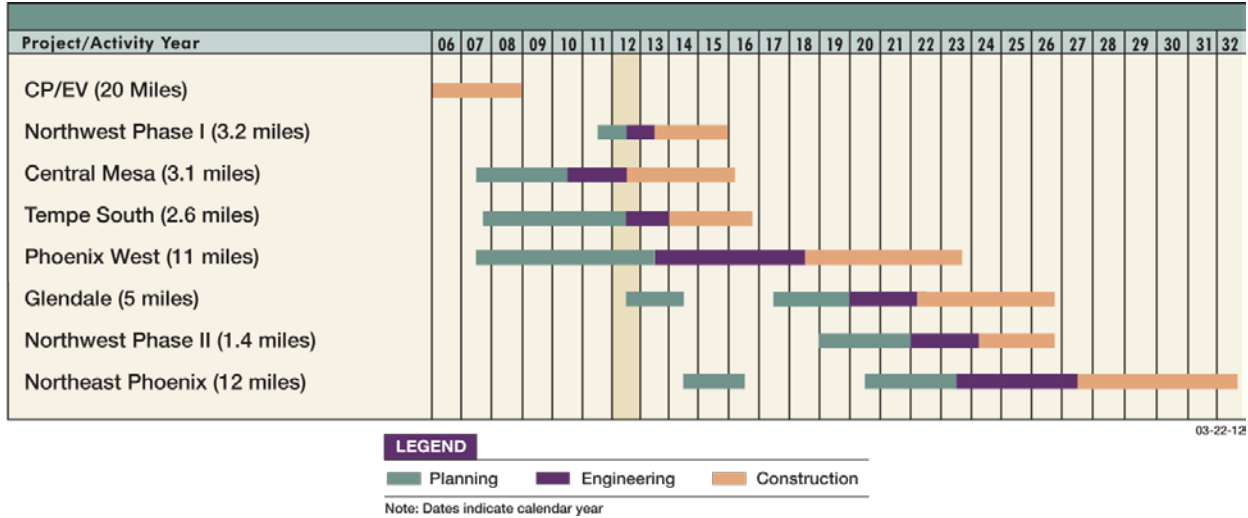
Systemwide Improvements	Pre-2013	2013	2014	2015	2016	2017	TOTAL
CAPITAL COSTS							
LRV Door Modifications	\$ -	\$ 1,010	\$ -	\$ -	\$ -	\$ -	\$ 1,010
OMC Solar	-	6,000	4,022	-	-	-	10,022
All Other	1,054	1,029	1,858	-	-	-	3,942
LRV Capital PM	-	853	853	-	2,830	9,691	14,227
Total Capital Costs	\$ 1,054	\$ 8,892	\$ 6,733	\$ -	\$ 2,830	\$ 9,691	\$ 29,200
CAPITAL REVENUES							
Federal FGPM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,753	\$ 7,753
TIGGER	-	2,700	-	-	-	-	2,700
CMAQ	578	-	-	-	-	-	578
Total Federal	578	2,700	-	-	-	7,753	11,031
Other	-	3,300	4,022	-	-	-	7,322
Phoenix	-	678	-	-	-	-	678
Tempe	-	283	-	-	-	-	283
Mesa	-	49	-	-	-	-	49
PTF Revenue	476	1,881.90	2,711	-	2,830	1,938	9,838
Total Local	476	6,192	6,733	-	2,830	1,938	18,170
Total Capital Revenue	\$ 1,054	\$ 8,892	\$ 6,733	\$ -	\$ 2,830	\$ 9,691	\$ 29,200

Valley Metro Rail Five-Year Staffing Plan

Staffing levels are planned to optimize the appropriate relationship of internal staff versus contractor labor. Internal staffing provides a lower cost solution so long as project activities require full-time effort throughout the lowest period of design and construction project cycles



Pictured below are the project schedules and the level of effort stated in Full-Time Equivalent employees (FTE). Authorization of positions by the METRO Board is executed by adoption of the Annual Budget.



METRO STAFFING FORECAST - Full Time Equivalents by Project

Project	FY13	FY14	FY15	FY16	FY17
Operations:					
Revenue Operations	113.36	113.36	113.22	113.31	113.34
Agency Operations	2.10	2.05	2.05	2.05	2.05
Agency Overhead	2.50	2.50	2.50	2.50	2.50
Capital Projects:					
Northwest Extension	2.90	3.15	4.30	3.79	0.95
Central Mesa	8.83	8.41	6.96	5.59	1.85
Tempe Streetcar	5.62	5.57	6.34	5.02	3.75
Phoenix West	-	1.09	1.79	4.82	9.73
Non Prior Rights Utility Relocation	0.49	0.51	0.44	0.44	0.05
Systemwide Improvements - OMC Solar	0.79	0.69	-	-	-
Future Project Development:					
Capital Project Development Administration	6.35	6.35	6.35	6.35	6.35
Systems Studies	0.70	0.70	0.75	0.70	1.00
Phoenix West	6.56	5.01	3.92	3.98	11.43
Glendale	1.00	1.67	-	-	-
Gilbert Rd	1.00	-	-	-	-
South Central	0.80	1.95	-	-	-
NE Phoenix	-	-	4.38	4.45	-
Total Full Time Equivalent Staff	153.00	153.00	153.00	153.00	153.00



Appendix A -- The Budget Process

METRO's continuing goal is to provide the highest quality services to our member communities in the most cost effective manner. The METRO budget process is a key piece of the strategy to achieve these results in a coordinated manner and to make fiscally responsible decisions that will ultimately produce a premier transit system in Maricopa County.

METRO's budget process serves two principal purposes. Within the Corporation, development of the budget provides a forum for joint planning of objectives and tasks, with managerial and board review of programs. It sets the expectations for performance in the coming year(s). For the Corporation's Members and partner agencies, the budget reports on the status of projects and services, detailing the agency's operational objectives, capital improvements, and funding plans.

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

METRO also develops a Five-Year Capital Program and Operating Forecast as part of the annual budget process. The five-year budget focuses on the capital improvements that are planned to occur within the planning horizon, and includes:

- projected costs of LRT capital expenses,
- projected amounts to be paid by each Member to METRO,
- projected amounts to be paid directly for LRT expenses by each Member (for example, for acquiring rights-of-way), and projected revenues to be received from federal funds or other funding sources.

The internal process is a collaborative and iterative one, with the agency's senior management providing strategic direction and critical review, managers and project managers preparing resource proposals, and financial staff (Including the Financial Working Group) providing feedback and technical support for the process. A review by the Rail Staff Working Group and Rail Management Committee will precede drafting of the proposed budget. Once the proposed annual budget and five-year capital plan have been published, the METRO Board provides final review and adoption.



Budget Timelines: The 2012/2013 process is outlined below, with preliminary planning beginning in February and with budget adoption scheduled for May 2012. Major phases of this process are outlined below:

- Oct 31, 2011 -- Preliminary Operating Budget to City Staff
- February – Member City inputs for Operations Revenue
- March 22nd -- Draft Budget to Rail Staff Working Group, and Financial Working Group for Review.
- April 18th – Comments due to METRO Budget Group
- April 25th – Budget Submitted to RMC
- May Board Meeting – Budget Adopted by Board

	Members' Staff	METRO Budget Group	METRO Directors / Advisory Groups	METRO Board
Feb 1 st thru Feb 15 th		Prepare Templates		
Feb 15 th thru Mar 15 th	Revenue Forecast	Respond to Questions and Issues Raised	Provide Input and Direction	
Mar 15 th thru Mar 31 st		Compile Budget Information and Prepare Draft Budget	Respond to Questions and Issues Raised and Provide Direction	
Mar 22 nd thru Apr 18 th	Review and Comment	Respond to Questions and Issues Raised	Review Draft Budget Package and Provide Feedback to METRO Budget Group	
Apr 19 th thru Apr 25 th		Compile Revisions and Prepare Final Budget	Review and Approve Budget for Submission to the Board	
May 2 nd thru May 15 th		Respond to Questions and Issues Raised		Review
May Board Meeting				Budget Formally Adopted



Appendix B – Glossary of Terms and Acronyms

TERM / ACRONYM	DEFINITION
5309	A reference to FTA New Starts Program, Title 49 U.S.C., Section 5309 providing funding for the design and construction of transit systems including the CP/EV LRT METRO system.
5339	Section 5339 allows FTA to make grants and agreements, under criteria established by the Secretary, to States, authorities of the States, metropolitan planning organizations, and local governmental authorities to develop alternatives analyses as defined by section 5309(a)(1). Eligible study sponsors must be able to incorporate the results of this work into an ongoing alternatives analysis study or must commit to initiate an alternatives analysis study within 12 months of the grant approval.
ADOT	Arizona Department of Transportation
CADD	Computer aided design and drafting
CMAQ	Federal funding program intended for Congestion Mitigation and Air Quality improvement.
CNPA	Concurrent Non-Project Activities
CP/EV LRT	Central Phoenix/East Valley Light Rail Transit - the initial 20 mile project segment of light rail in Maricopa County - with scope definition provided as part of the Full Funding Grant Agreement dated January 24, 2005.
DEIS	Draft Environmental Impact Statement - Submitted in advance of application for the FFGA, the DEIS identifies impacts anticipated by the prospective construction and operation of an LRT system including impacts on traffic, noise, air quality, historic and archeological sites, as well as impacts to properties along the alignment.
FEIS	Final Environmental Impact Statement- Submitted in advance of application for the FFGA, the DEIS identifies impacts anticipated by the prospective construction and operation of an LRT system including impacts on traffic, noise, air quality, historic and archeological sites, as well as impacts to properties along the alignment.
FFGA	Full Funding Grant Agreement - Inter-Governmental Agreement between the F T A and the Grantee responsible for the design and construction of a transit project. In the case of the CP/EV project, the City of Phoenix is the Grantee and METRO is acting as a sub-recipient.
FTA	Federal Transit Administration
Headways	The time interval between arriving trains or busses along a transit route. (Service Frequency)
HCT	High Capacity Transit – includes heavy rail, Light Rail Transit, Bus Rapid Transit modes of urban transportation.



Appendix B – Glossary of Terms and Acronyms (Cont'd)

TERM / ACRONYM	DEFINITION
LPA	The Locally Preferred Alternative alignment for a transit route among a set of options which have been analyzed.
LRT	Light Rail Transit
LRV	Light Rail Vehicle
MAG	Maricopa Association of Governments
Member Cities	METRO equity members, currently Phoenix, Tempe, Mesa and Glendale
METRO	The light rail system to be designed, constructed and operated by METRO.
O&M	Operations and Maintenance activities required for rail passenger service.
Proposition 400	Legislative initiative to create a Public Transportation Fund passed into Arizona law in November 2004 providing roadway and public transit improvements in accordance with the Regional Transportation Plan.
PTF	Public Transportation Fund. See Proposition 400.
ROW	Right-of-Way- real property required for the LRT alignment
RPTA	Regional Public Transportation Authority the designated agency to receive and distribute public transit improvement funding under Proposition 400
RTP	Regional Transportation Plan - for Maricopa County, a comprehensive, performance-based, multi-modal and coordinated regional plan providing a blueprint for future regional transportation investments.
TIP	Transportation Improvement Program
TOD	Transit Oriented Development - real property development typically incorporating residential and commercial uses into the areas adjacent to a transit route.
METRO	Valley Metro Rail, Inc.
VMT	Vehicle Miles of Travel for each LRT vehicle operated