

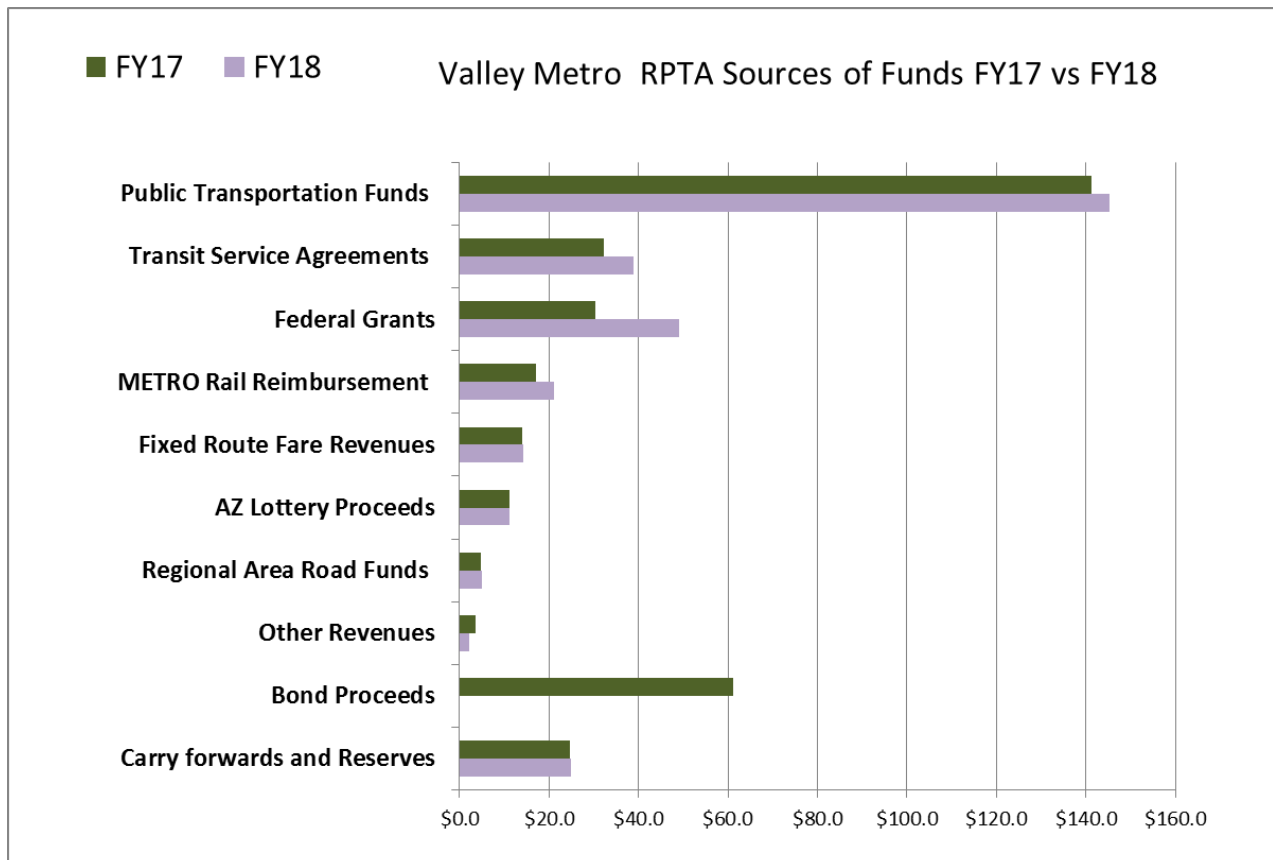
VALLEY METRO RPTA FY18 Budget EXECUTIVE SUMMARY

FY18 ADOPTED ANNUAL OPERATING AND CAPITAL BUDGET

Valley Metro Regional Public Transportation Authority (RPTA) provides public transportation services for Maricopa County located in the metro Phoenix, Arizona. The FY18 Adopted Budget covers the 12-month period between July 1, 2017 and June 30, 2018. Services include fixed route bus, paratransit, Dial-a-Ride, vanpool, regional planning, marketing, customer service, alternative transportation, trip reduction and fiscal management of regional Public Transportation Funds (PTF).

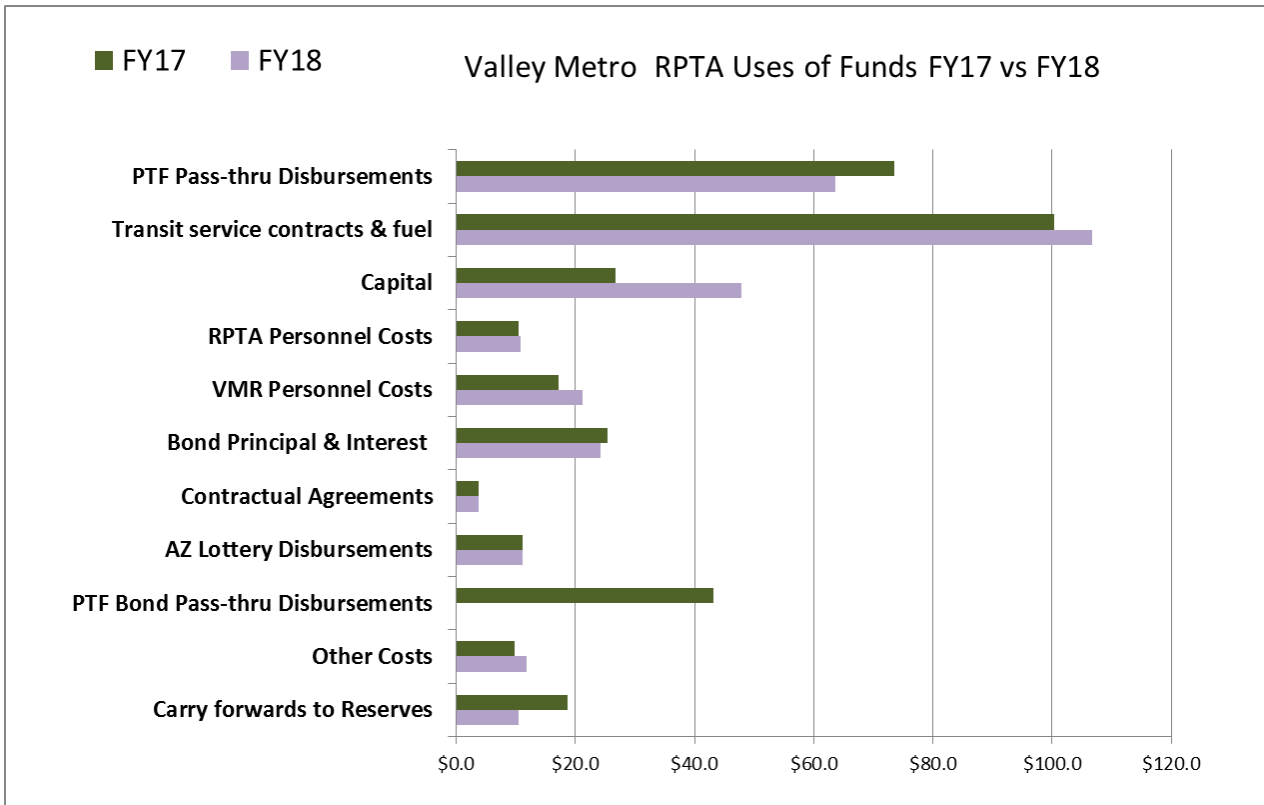
FY18 Sources of Funds

Total sources of funds for FY18 are \$311.4M, a decrease of \$29.0M or 9% from FY17. For FY18, PTF sales tax revenues are increasing by \$4.1M or 3% above last year. Transit service agreements are increasing 20% to \$38.8M for increased bus and paratransit services. Federal grant revenues are increasing by \$18.9M (63%) primarily due an increase in 5307 funding used to purchase bus fleet.



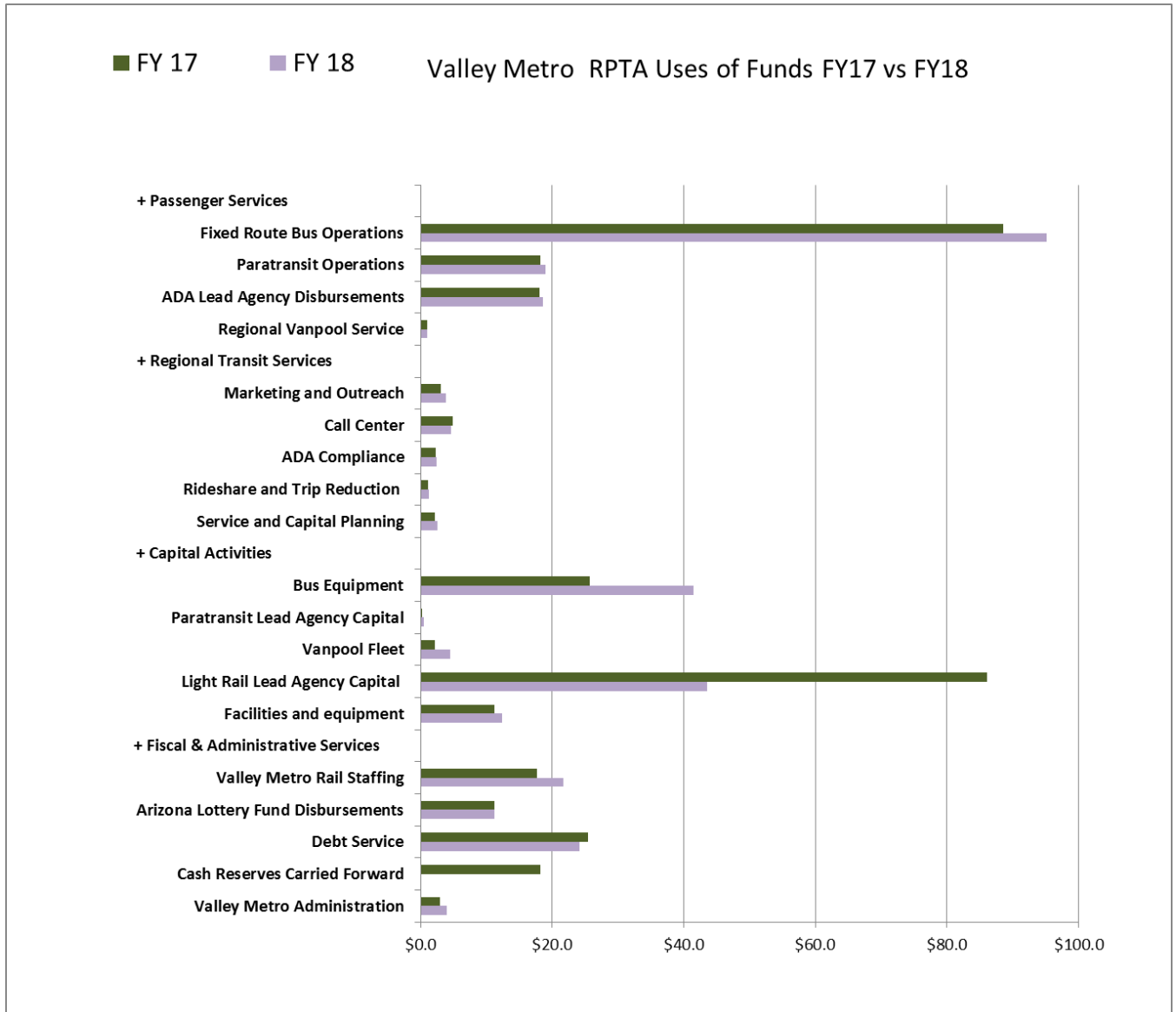
FY18 Uses of Funds

Total uses of funds for FY18 are \$311.4M, a decrease of \$29.0M or 9% from FY17. PTF Pass-thru Disbursements are decreasing by \$9.9M due to a decrease in regionally funded light rail construction in FY18. Transit service contracts and fuel are increasing by \$6.3M or 6% primarily due to increases in contract rates and increased bus and paratransit service. Capital expenditures are up \$21.0M primarily due to regional fleet additions and land acquisition for park and rides. PTF Bond Pass-thru Disbursements are decreasing by \$43.1M due to no bond issues being anticipated. In FY18, carry forwards to reserves are decreasing \$8.2M to \$10.5M due to the decreased amount of PTF required for light rail construction.



FY18 Uses of Funds – Comparisons of Services Provided

Valley Metro RPTA’s primary activities include passenger services, regional services and capital funding. The table below depicts changes in the FY18 plan versus FY17.



FY18 Budget Baseline Service Assumptions

Fixed Route Bus Services

- East and West Valley routes operated by Valley Metro will increase revenue miles vs. FY17 service levels; fleet of 292 units to deliver 12.8 million vehicle revenue miles serving 15.1 million passenger trips in the coming year.
- Bus service includes a combination of local, express, circulator, and rural route service.

Dial-a-Ride and Paratransit Services

- East and West Valley demand response ADA and non-ADA services operated by Valley Metro will continue to serve portions of Maricopa County and the cities of El Mirage, Peoria, Sun City, Surprise and Youngtown in the West Valley and Chandler, Gilbert, Mesa, Scottsdale and Tempe in the East Valley.
- The Regional ADA Dial-a-Ride service enabling qualified passengers to cross municipal boundaries without transfers, which began in FY17, is estimated at 135,000 trips during FY18.
- Services are provided on a shared-ride basis by a mixed fleet comprised of taxi cabs, vans and accessible vehicles; estimated at 638,000 annual passenger trips.

Vanpool Services

- Service levels are anticipated to increase slightly over FY17 with 420 vehicles delivering 1.3 million passenger trips.

Regional Call Center and ADA Compliance Center

- Customer Service levels are anticipated to remain similar to the extended hours of operation which took effect in October 2016.
- ADA paratransit eligibility certification levels are anticipated to rise as a result of increasing numbers of seniors, persons with disabilities applying for service and as current customers go through eligibility recertification. Travel training will continue to be provided for individuals with disabilities who wish to take advantage of Valley Metro's expanding light rail and bus network.

Capital Procurement

- 110 standard bus replacements (43 units Phoenix, 8 units Scottsdale 4 units Glendale, 49 units RPTA) and 6 circulator replacements for RPTA
- 12 expansion buses for RPTA and 5 expansion circulators for RPTA
- 42 lead agency paratransit fleet vehicles (30 for Phoenix, 11 for Glendale, 1 for Peoria)
- 30 vanpool replacement units and 25 expansion vehicles
- \$8.6M in park-and-rides, bus stop amenities and facilities
- \$4.0M in vehicle communication systems and fare collection system upgrades
- \$2.3M Mid-life rebuilds of engines (48) and transmissions (29)



FY18 Goals and Initiatives

In January 2015, the Valley Metro RPTA and Valley Metro Rail Boards adopted the Valley Metro Strategic Plan for FY16 through FY20. The Strategic Plan provides clear definition of the purpose of the organization and establishes realistic goals and objectives for a five-year period. This plan ensures the most effective use of the organization’s resources by focusing those resources on key priorities. Below are the five, overarching goals identified in the Strategic Plan:

1. Increase customer focus
2. Advance performance based operation
3. Grow transit ridership
4. Focus on economic development, regional competitiveness and financial resources
5. Advance the value of transit

A number of initiatives that align with the Strategic Plan are incorporated into the FY18 budget, as summarized below.

1. Increase Customer Focus:	FY18 Initiatives
<p>Improve Customer Satisfaction Integration of greater, more effective technology, improving passenger information systems with real time data, such as the website, facility signage and a Ridekick mobile application, and implementation of an enhanced fare media solution, including smart cards and mobile ticketing.</p>	<p>Develop smart card fare program/mobile ticketing</p> <hr/> <p>Renovate website & mobile site</p>
<p>Enhance services & facilities for seniors & people with disabilities.</p>	<p>Develop a more seamless, cost-effective ADA Dial-a-Ride network with cities as partners</p>



2. Advance Performance Based Operation:	FY18 Initiatives
Operate an effective, reliable, high performing transit system.	Develop an asset management plan for Valley Metro in conjunction with member agencies
Maintain a culture to recruit and retain a qualified and diverse workforce.	Develop a program to recruit and retain a qualified and diverse workforce. Consultant engagement for comprehensive training assessment and new employee orientation programs
Maintain strong fiscal controls to support Valley Metro's long-term sustainability.	Fully staff Audit Department with dual reporting responsibility to the Board of Directors and VM Executive Office
3. Grow Transit Ridership:	FY18 Initiatives
Communicate availability, attractiveness and safety of transit service	Conduct discretionary ridership campaigns to continue to attract riders
4. Focus on Economic Development, Regional Competitiveness and Financial Resources:	FY18 Initiatives
Work with local communities to leverage transit oriented development (TOD) to increase investment in transit	Research, monitor, and report regional trends regarding TOD implementation and successes -Support to TOD working group and PNR utilization study
Pursue all available funding opportunities for transit projects and services	Aggressively pursue federal transit funding opportunities at the regional level - Conducting region-wide ITS study for federal funds
5. Advance the Value of Transit:	FY18 Initiatives
Develop and implement a communications plan to inform and educate the public on the value of transit	Continue media campaign to raise greater awareness of the value of transit



Agency Staff Overview

Valley Metro RPTA and Valley Metro Rail budgets are developed with a unified staff plan, with department managers planning the level of effort required to meet the bus and rail activities. For FY18, there are 360 employees budgeted; 151 FTE's are budgeted to RPTA activities; 209 to VMR activities. Staffing levels are reviewed on an annual basis to fulfill work requirements in the five-year period commencing with the beginning of the new fiscal year. Salary and fringe benefit compensation levels are measured against comparable regional agencies, member cities and peer transit agencies located in the western U.S.

FY18 Compensation and Fringe Benefit Assumptions

Total compensation budget is based on a 3.0% increase. For staff salary changes, merit increases are based on employee performance.

Agency health care costs will increase. Program design adjustments are in place to hold total agency fringe benefit cost increases to within 3% of FY17 levels.

FY18-FY20 Staffing Needs

The Valley Metro Regional Public Transportation Authority (RPTA) and Valley Metro Rail, Inc. (VMR) are in a period of significant expansion of the system and services. In order to meet the needs of our members and deliver projects, Valley Metro is in need of additional resources. In looking at the expansion plans over the next decade, it is clear that a number of positions are in demand for an extended period of time. The additional staff resources are categorized in three ways: positions that would otherwise be filled with consultants, positions added as a result of strategic initiatives, and support positions added to address agency growth in general.

Consultant versus Staff

- 22 of the 35 positions are conversions from consultants
- Costs of consultants typically include larger overhead plus profit
- Approximately \$1.3M in costs will be avoided by hiring these positions
- Project positions will be hired for project term or specific term (3-5 years)

Positions to Fulfill Strategic Initiatives

- 14 positions related to strategic initiatives
 - Increase Customer Focus
 - 3 Operations Communications Specialists
 - Evaluate and enhance passenger safety and security
 - Senior Project Certification Coordinator
 - Transit Bus Safety Security Coordinator
 - Project Assistant
 - Board Adopted Information Technology Strategic Plan
 - 8 positions over the next 3 fiscal years

General Growth

- Need for additional support positions with agency growth (HR and Finance)

Below is a table summarizing the changes in staff positions adopted for FY18 and preliminary positions for FY19 and FY20.

<u>Division</u>	<u>Adopted 2017</u>	<u>Mid-Year Additions</u>	<u>Adopted 2018</u>	<u>Preliminary 2019</u>	<u>Preliminary 2020</u>
Capital and Service Development	38	4	11	4	
Communication & Marketing	29		8	3	
Executive Office	10	1	2		
Finance	20		2	3	
Human Resources	8		2		
Information Technology	9		2	3	3
Internal Audit	2				
Legal	12	2			
Operations and Maintenance - RPTA	58	7	1		
Operations and Maintenance - VMR	118		4	2	
Safety and Security	6	1	3		
Total Positions	310	15	35	15	3
<i>RPTA</i>	<i>129.3</i>	<i>8.6</i>	<i>12.8</i>	<i>8.2</i>	<i>3.0</i>
<i>VMR</i>	<i>180.7</i>	<i>6.4</i>	<i>22.2</i>	<i>6.8</i>	<i>0.0</i>

Valley Metro
Regional Public Transportation Authority
FY18 Summary of New Positions

In Lieu of
 Consultant/Contract

Division	Position	Current	New	Term
CEO Executive Office	Manager, Business Processes Developer			
CEO Executive Office	Project Assistant		X	
Communication & Marketing	Deputy Manager, Community Relations (Construction)		X	X
Communication & Marketing	Deputy Manager, Community Relations (Planning)	X		X
Communication & Marketing	Program Coordinator (Marketing)		X	
Communication & Marketing	Program Coordinator (Community Relations)	X		X
Communication & Marketing	Program Coordinator (Community Relations)	X		X
Communication & Marketing	Program Coordinator (Community Relations)		X	X
Communication & Marketing	Program Coordinator (Business Assistance)		X	X
Communication & Marketing	Lead Graphic Designer		X	
Capital and Service Development	Program Controls Lead		X	X
Capital and Service Development	Senior Project Manager - Design		X	X
Capital and Service Development	Civil Engineer		X	X
Capital and Service Development	Construction Inspector		X	X
Capital and Service Development	Office Engineer		X	X
Capital and Service Development	Art Specialist		X	X
Capital and Service Development	Rail Systems Engineering Manager		X	
Capital and Service Development	Planner II	X		
Capital and Service Development	Planner I	X		
Capital and Service Development	GIS Coordinator			
Capital and Service Development	Eligibility Specialist			
Finance	Accountant I	X		
Finance	Accountant II			
Human Resources	HR Program Manager			
Human Resources	Training & Development Administrator			
Information Technology	Manager, Information Technology		X	
Information Technology	IT Administrative Specialist	X		
Operations and Maintenance	Administrative Assistant II			
Operations and Maintenance	Assistant Manager, Rail Operations			
Operations and Maintenance	Assistant Superintendent LRV Maintenance			
Operations and Maintenance	Assistant Manager, LRT System			
Operations and Maintenance	Systems Engineer			
Safety and Security	Senior Project Certification Coordinator	X		X
Safety and Security	Transit Bus Safety Security Coordinator			
Safety and Security	Project Assistant	X		

Below is a table that summarizes the impacts of funding the FY18 positions, comparing fully burdened costs for the additional positions relative to the base positions at the end of FY17. Costs shown are in millions.

<u>RPTA</u>	<u>FY18</u>		
	<u>Base</u>	<u>Additions</u>	<u>% Change</u>
Planning and Capital Projects (PTF/RARF)	\$1.24	\$0.09	7.0%
Administrative and Regional Projects (PTF/RARF)	\$8.90	\$0.62	7.0%
Operations - Regionally Funded	\$1.30	\$0.05	3.8%
Operations - Member City Contributions	\$0.93	\$0.03	3.5%
Sub-total RPTA	\$12.37	\$0.79	6.4%

<u>VMR</u>	<u>FY18</u>		
	<u>Base</u>	<u>Additions</u>	<u>% Change</u>
Planning (PTF/RARF)	\$4.14	\$0.74	17.8%
Capital (Project funded)	\$4.37	\$1.76	40.3%
Member City Contributions	\$12.61	\$0.65	5.2%
Sub-total VMR	\$21.11	\$3.15	14.9%



FY18 Adopted Budget Financial Summary

In the table below, detailed revenues and expenses are shown with comparisons to the prior year's revised budgets. Amounts of increase or (decrease) are shown from the revised budget. The "Note" column (on the far right side) indicates reference to explanations which are provided in the following table.

Valley Metro
Regional Public Transportation Authority
FY18 Adopted Operating & Capital Budget
Comparison to FY17 Revised Budget
(In thousands)

	FY17 Revised Budget	FY18 Adopted Budget	Amount Increase/ Decrease	Percent*** Increase/ (Decrease)	Note
Sources of funds					
Revenues:					
Public transportation funds (PTF)	\$ 141,162	\$ 145,288	\$ 4,126	3%	1
Transit service agreements	32,244	38,844	6,600	20%	2
Federal grants	30,238	49,140	18,902	63%	3
VMR staff & administration reimbursement	17,137	21,199	4,062	24%	4
Regional area road funds (RARF)	4,864	4,900	36	1%	
Interest & other revenues	3,020	1,718	(1,302)	-43%	5
Local participation	197	232	35	18%	
State & local grants	260	270	10	4%	
Fixed Route Fare Revenues	14,012	14,178	166	1%	
AZ Lottery Proceeds	11,250	11,200	(50)	0%	
Total revenues	254,385	286,969	32,585	13%	
Bond proceeds	61,257	-	(61,257)	-100%	6
Carryforwards & reserves	24,732	24,408	(324)	-1%	
Total revenues & other sources of funds	\$ 340,374	\$ 311,377	\$ (28,997)	-9%	
Uses of funds by category					
Expenses:					
Lead agency PTF disbursements	\$ 73,576	\$ 63,681	\$ (9,895)	-13%	7
Transit service contracts and fuel	100,379	106,719	6,340	6%	8
Capital outlay	26,827	47,842	21,015	78%	9
Salary & fringe benefits	27,555	32,092	4,537	16%	10
Bond principal & interest expense	25,433	24,192	(1,241)	-5%	11
Consultants & Maintenance contracts	3,771	3,813	42	1%	
Contingency	796	1,070	274	34%	12
Rent & facility costs	4,994	5,419	425	9%	
Advertising	528	951	423	80%	
Transit book, outreach mat. & online serv.	893	821	(72)	-8%	
Insurance & risk management	205	268	63	31%	
Lead agency RARF disbursements	500	500	-	0%	
Other administrative costs	1,915	2,330	415	22%	
AZ lottery Disbursements	11,200	11,200	-	0%	
Lead agency bond disbursement	43,098	-	(43,098)	-100%	13
Total expenses	321,670	300,898	(20,772)	-6%	
Carryforwards & contributions to reserves	18,704	10,479	(8,225)	-44%	14
Total expenses & other uses of funds	\$ 340,374	\$ 311,377	\$ (28,997)	-9%	
Operating Budget	\$ 171,354	\$ 184,807	\$ 13,453	8%	
Capital Budget	169,020	126,570	(42,450)	-25%	
Total Operating & Capital Budget	\$ 340,374	\$ 311,377	\$ (28,997)	-9%	

*** Percentage change is compared to the FY17 Revised Budget

Note	Budget Analysis - Sources of Funds
1	Public Transportation Funds from the Maricopa County Transportation Excise Tax are forecasted to grow by 3%. This forecast is provided by ADOT. Adequate reserves are in place should collections fall short of ADOT forecast projections.
2	Transit service agreements are expected to increase \$7.3M to operate increased bus operations (\$5.2M) and Paratransit services (\$2.1M).
3	Federal Grants overall are up by \$18.9M from \$30.2M to \$49.2M. Primary cause for change is a planned increase in 5307 funding used to purchase bus fleet.
4	Contributions from Valley Metro Rail for staff are \$4.1M higher in FY18 primarily due to VMR staff additions to support increased major expansion in rail and operating activities over the next several years.
5	Interest and other revenues are expected to decrease \$1.3M over FY17. The majority of the decrease is due to the IRS Alternative Fuel Tax Credit program which has not been renewed for FY18.
6	No new bond issues are anticipated in FY18.



Note	Budget Analysis - Uses of Funds
7	Lead Agency PTF disbursements are down \$12.4M mostly due to a decrease in regionally funded (PTF) light rail construction projects.
8	Fixed route bus service levels operated by Valley Metro have increased with approximately 625,000 additional service miles added. Transit service contracts increases primarily reflect contractual rate increases from fixed route service providers. Regional paratransit demand is forecasted to increase by 4%.
9	Capital Outlay is expected to increase by \$21.3M primarily due to regional fleet purchases and real estate acquisition for park and rides.
10	Overall staff cost in FY18 is \$32.7M. This includes a merit increase of 3% for base staff and the hiring of additional resources to support baseline work requirements as well as increased major expansion in rail and operating activities over the next several years.
11	Bond principle and interest expenses of \$24.2M have decreased \$1.2M over FY17.
12	Contingency is increasing \$0.7M to \$1.1M in FY18 due to fuel price increase risks and paratransit service demand risks.
13	Lead Agency Bond Disbursements are expected to be zero in FY18.
14	Carryforwards & contributions to reserves decrease \$7.2M due to decreased amount of PTF Bond requirement needed in FY18 for LRT capital construction activity.

FY18 – FY22 ADOPTED FIVE-YEAR OPERATING FORECAST AND CAPITAL PROGRAM

Valley Metro RPTA has the primary responsibility of implementing the operating and capital components of the transit element identified in the 20-year Regional Transportation Plan (RTP). The operating component includes the expansion of regional fixed route services, high-capacity transit alternatives, vanpools and paratransit services throughout the region. The capital component of the transit element of the RTP includes fleet replacement and expansion as well as the development of new park-and-rides, transit centers, passenger facilities and maintenance and operations facilities over the life of the plan. Construction of the light rail RTP components has been designated to Valley Metro Rail by Valley Metro RPTA and expenditures are shown as Rail Capital Funding in the Operating Forecast.

For the Five-Year Operating Forecast, the operations revenues and expenditures are based on current costs, as used for the development of the adopted FY18 operating budget, with an annual inflation escalation of three percent (3%) for the remaining four years. Other assumptions in the Five-Year Operating Forecast are as follows:

- The Public Transportation Fund (PTF) grows by approximately 5% annually.
- Fixed route fares are expected to remain relatively flat, increasing for additional service provided.
- Paratransit ridership drives a 7% increase in program costs.
- Planning, Administration, Safety & Security, and Regional Services costs have been inflated two percent (2%) for the last four (4) years of the forecast.

The proposed service changes within the five-year time period have been incorporated into the plan as identified by the Short Range Transit Program.

FY18 – FY22 Operating Forecast

	(thousands)
	5-Year Total
Revenues	
Public Transportation Fund (ADOT)	\$ 810,755
Less: Debt Service Bus & Rail	(120,413)
Less: Rail Capital Funding (current)	(254,179)
Net PTF for Operations	\$ 436,163
Other Regional Funds	\$ 25,182
Federal Funds	52,039
Transit service reimbursements	219,959
Fare Revenues	78,103
Interest and other revenue	3,716
Total revenues	\$ 815,162

The Five Year revenue operating forecast begins with PTF sales tax funds, which are estimated by ADOT team of economists.

Debt Service and Rail Capital Funding requirements are deducted to derive PTF available for operations.

	(thousands)
	5-Year Total
Expenditures	
Operations	
Fixed Route	\$ 495,804
Paratransit and ADA Programs	220,745
Vanpool Service	5,054
Total operations expenditures	\$ 721,603
Transportation Demand Management	\$ 6,415
Planning & Administration	31,483
Regional Services	46,514
Safety & Security	1,590
Operations Contingency	7,288
Total expenditures	\$ 814,892
Excess/(deficiency) of revenues over expenditures - operations	
	\$ 270
Less: Bus Capital Funding	\$ (58,358)
Undesignated fund balance, July 1, 2017	\$ 92,902
Excess/(deficiency)	(58,089)
Undesignated fund balance, June 30, 2022	\$ 34,813

Operations expenditures for the five-year period are impacted by service contract increases and paratransit demand ridership.

Due to aging population, paratransit ridership is forecasted to grow significantly.

Regional Services, Planning, Safety & Security and Admin costs are forecasted to grow about 2% per year.

A \$.3M operating surplus is projected.

Projected Operating Fund Balance is \$34.8M in FY22.

FY18 – FY22 Capital Program

	(thousands)
	5-Year Total
Revenues	
Public transportation funds	\$ 37,288
FTA - Section 5307	138,373
FTA - Section 5311	456
FTA - Section 5337	1,042
FTA - Section 5339	4,786
FHWA - STP	18,324
Vehicle/parts proceeds	860
Capital assets reserve applied	1,576
Vanpool reserve applied	764
Undesig. Fund Balance Applied (PTF)	21,070
Undesig. Fund Balance Applied (RARF)	\$ 553
Total Revenues	\$ 225,092

Capital program funding sources include new PTF sales tax and PTF fund balance that has been accumulated for cyclical bus fleet replacement.

Total PTF funding over the five years is \$58.4M or 26% of capital revenue.

Federal funding will provide \$163.0M or 72% of capital revenue.

	(thousands)
	5-Year Total
Expenditures by Project	
IT Infrastructure	\$ 2,073
Standard Bus - Replacement	145,970
Standard Bus - Expansion	28,557
Express/BRT - Expansion	3,168
Rural Fleet - Replacement	537
Paratransit Fleet - Replacement	2,038
Vanpool Fleet - Replacement	14,156
Vanpool Fleet - Expansion	5,634
Fleet - Other	860
Bus/Paratransit O/M Facilities	611
Bus Stop Passenger Amenities	1,558
Park & Rides	7,045
Vehicle Management/Communications Systems	4,500
Fare Collection Systems	507
State of Good Repair - Fleet Rebuild	7,878
Total Expenditures	\$ 225,092

Capital program expenditures for the upcoming five years are primarily for fleet replacement and expansion.

A total of 400 bus units are planned for replacement and 68 for expansion.

Vanpool fleet replacements total 316 units, with 125 expansion units planned.

Paratransit fleet replacements total 164 units.

New park-and-ride facilities are planned in the West Valley. Vehicle communications and fare collection systems are also planned.