



**CITY OF GLENDALE, ARIZONA  
GLENDALE ONBOARD  
TRANSPORTATION PROGRAM  
PERFORMANCE AUDIT  
FISCAL YEARS 2014-15 THROUGH 2016-17**



## Acknowledgments

We would like to acknowledge the following groups and individuals and the many City employees not named here who have supported the Glendale Onboard Transportation Program in the preparation and conduct of this triennial Performance Audit. We appreciate the time and effort all have contributed to ensure a quality audit was performed.

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# Overview and Introduction

## Background

The Glendale Onboard Transportation Program (GO Program) is a voter-approved initiative to fund transit, bicycle, safety education and neighborhood programs in the City of Glendale (City). Voters of the City approved Proposition 402 (Proposition) in November 2001, which authorized the half-cent sales tax to create this program. The Citizens' Advisory Committee for Transportation Issues (CACTI), a 61-member committee, developed the initial proposed plan that was included in the Proposition 402 ballot (Ballot) and Publicity Pamphlet. This plan formed a multi-faceted program of projects intended to accomplish the following objectives:

- Improve traffic flow
- Relieve traffic congestion
- Increase transportation choices
- Improve air quality
- Promote economic vitality
- Provide regional transportation connections

On the Ballot, four maps identified street improvements, local bus service expansions, specialized transit service expansions and bicycle and pedestrian projects that would be accomplished with the new sales tax monies. The plan called for many of the projects to be completed within the first five years of the program.

In addition to the revenues generated by the half-cent sales tax, the voter-approved GO Program is funded by federal, state, regional and local matching funds, including transit user fees and City general funds, as well as bond issuances used to expedite the completion of certain projects.

The passage of the Proposition resulted in the City adopting Ordinance Number 2241 (Ordinance) formalizing the GO Program. As a provision of the Ordinance, a Citizens' Transportation Oversight Commission (CTOC) was established to monitor the activities of the GO Program and whether the intent of the voters has been met. In order for the CTOC to provide effective oversight, City staff annually provides the members long-range programs of sales tax-funded projects and annual reports that address funding balances and status of projects undertaken.

The Ordinance also calls for the City to have independent triennial performance audits of the GO Program. As a result, the City created an Audit Oversight Committee (AOC) to oversee the performance audits. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action and contribute to public accountability.

The City contracted with Heinfeld, Meech & Co., P.C. to conduct the triennial performance audit for the fiscal years 2015-39 through 2017-41, with portions of the audit subcontracted to BCA Watson Rice, LLP.

## **Objectives, Scope and Methodology**

The purpose of the GO Program audit, as defined by City staff, is to evaluate performance, consistency with voter intent and project completion in a timely and cost-effective manner. The following five major tasks were identified by the AOC and the GO Program management as key objectives of the audit:

- Evaluate whether commitments to the voters are being met
- Evaluate whether the CTOC is meeting voter commitments
- Summarize the City's financial audits
- Evaluate whether the GO Program is addressed fairly and accurately in the City's financial practices
- Evaluate whether the 25-Year Program is financially balanced and based on reasonable estimates

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The GO Program's revenues, expenditures and balances are reviewed each year as part of the City's independent financial statement audit. The annual financial audit assesses the appropriateness of the City's accounting practices and financial statements while this performance audit evaluates the GO Program's performance, fiscal accountability, commitments to voters and progress in completion of the projects.

We kicked off the audit with an entrance conference with management on February 26, 2018 to confirm the scope of work and audit schedule. We then developed a specific audit plan outlining the objectives and steps needed to be addressed based on the audit tasks defined in the audit proposal. The methodology for this audit was comprised of interviews of City staff; interviews of CTOC members; reviews of statistical and financial records; observance of CTOC proceedings; and review of pertinent documents such as meeting minutes, GO Program Annual Reports, the Proposition 402 ballot and Publicity Pamphlet, transit and project schedules, pertinent policies and manuals, adopted budgets and the CTOC bylaws.

Each major task is reported in separate sections within the report with detailed discussions of the audit criteria, findings and recommendations. A brief summary of the objectives for each task follows.

### **Are Commitments To Voters Being Met?**

We performed the following in order to determine whether the commitments to voters were being met in accordance with the Publicity Pamphlet and the Proposition 402 ballot.

- Gained an understanding of laws, regulations and guidelines related to the GO Program.
- Determined what commitments were made to the voters.
- Determined the general objectives of Proposition 402 to be used in evaluating if changes in specific projects were consistent with those objectives.
- Compared the list of projects on the Ballot and Publicity Pamphlet with the project status reports.
- Determined the status of the projects that were included in the Ballot.
- Determined if additions and deletions, or other changes in the transportation improvement projects and other elements defined in Proposition 402 were consistent with the general objectives of the Proposition.
- Determined if commitments to the voters were being met.

### **Is The Citizens' Transportation Oversight Commission (CTOC) Meeting Voter Commitments?**

We performed the following in order to determine whether the CTOC was meeting voter commitments in accordance with the Publicity Pamphlet and the Proposition 402 ballot.

- Gained an understanding of laws, regulations and guidelines related to the expectations of the CTOC.
- Determined what commitments were made to voters in regards to the CTOC on the Ballot.
- Determined the responsibilities and commitments of the CTOC.
- Reviewed plans, goals, objectives and performance indicators or metrics used by the CTOC to ensure it was effectively providing oversight and serving the public's interest.
- Conducted interviews with members of the CTOC to determine member views of the CTOC's effectiveness in meeting its legal requirements and serving the public interest.
- Determined if commitments to the voters were being met by the CTOC.

### **Summary Of The City's Financial Audits**

We summarized the GO Program elements of the City's comprehensive annual financial reports (CAFRs) for fiscal years 2015-39 through 2017-41, and we summarized the basic findings of our financial analysis including annual revenues, expenditures and fund balance.

In addition to compiling and analyzing the financial statements, we reviewed the CAFRs, Single Audit reports and management letters from fiscal years 2015-39 through 2017-41 for findings or recommendations related to the GO Program. Additionally, we reviewed the past GO Program Performance Audit. We have addressed each finding or recommendation within the specific task with which it relates.

### **Is The GO Program Being Addressed Fairly And Accurately In City Financial Practices?**

We reviewed the City's financial and accounting records and assessed the internal processes to ensure that the GO Program was being addressed fairly and accurately in the City's financial practices. In the course of our review, we performed the following:

- Determined whether GO funds were recorded in a separate general ledger account.
- Determined whether reasonable interest was accrued on unused funds.
- Determined whether general funds were allocated consistent with past practices.
- Determined whether indirect charges were fair and accurate.
- Reviewed the adequacy of the City's policies and procedures for the investment of surplus funds.
- Determined whether maintenance charges were fairly allocated.
- Determined whether Capital Improvement Plan (CIP) set-asides were fair and accurate.
- Determined whether the GO Program followed all accepted City standards for purchasing.
- Determined whether the GO Program was consistent with the City's adopted Capital Improvement Program.

### **Is The 25-Year Program Financially Balanced And Based on Reasonable Estimates?**

We reviewed the projections and the assumptions underlying the projections set forth in the Program of Projects and financial models for the projection years 2015-2039, 2016-2040 and 2017-2041, compared those projections against historical data, reviewed the underlying assumptions for reasonableness and evaluated whether other financial factors should have influenced the forecasted amounts. Based on the information provided, we evaluated whether the 25-year plans were financially balanced and based on reasonable estimates as follows:

- Determined whether the financial projections were reasonable, including sales taxes, general funds, farebox revenues and regional, state and federal sources.
- Determined whether cost estimates were reasonable.
- Determined whether the financial factors used such as interest rates, bonding levels and inflation rates were reasonable.
- Analyzed the schedule of planned activity to determine if planned levels were achievable.
- Reviewed the process for adjusting the schedule and evaluated whether it was consistent with the intent of the voters.

## Are Commitments to Voters Being Met?

### Methodology

We performed the following in order to determine whether the commitments to voters were being met in accordance with the Publicity Pamphlet and the Proposition 402 ballot.

#### Are Commitments To Voters For Transit Services Being Met?

- We reviewed the specific ballot language as well as the Publicity Pamphlet for the Special Transportation Election dated November 6, 2001 to specifically define and document the commitments made to voters in Proposition 402.
- We identified transit service schedules existing prior to the November 6, 2001 ballot and those services provided for the year ending June 30, 2017.
- We reviewed transit service schedules for Fiscal Year 2014 to identify services provided as of June 30, 2014.
- We compared 2017 Transit services to those services provided before the Ballot and those provided in 2014.
- We obtained and reviewed the Fiscal Years 2014-2038, 2015-2039, 2016-2040 and 2017-2041 Program of Project reports prepared by the Transportation Department and noted any changes to transit services discussed therein.

#### Are Commitments To Voters For Street, Bicycle/Pedestrian, Transit And Airport Projects Being Met?

- We reviewed the specific ballot language as well as the Publicity Pamphlet for the Special Transportation Election dated November 6, 2001 to specifically define and document the commitments made to voters in Proposition 402.
- We evaluated project changes to determine whether they were consistent with the objectives of the specific ballot language and the Publicity Pamphlet of Proposition 402.
- We obtained and reviewed the Fiscal Year 2014-2038, 2015-2039, 2016-2040 and 2017-2041 Program Project reports prepared by the Transportation Department and noted the status of projects as reported therein.
- We compared the list of projects on the Ballot and Publicity Pamphlet with the status of projects as shown in the Program of Project reports.
- We identified differences between the Ballot projects and reported status. This included any new projects that were added during the three-year period ending June 30, 2017.
- We conducted interviews with Transportation and Engineering Department staff to determine the rationale for any differences identified, including why projects were deleted or modified as well as why other projects were added.
- We reviewed minutes and actions of the Citizens' Transportation Oversight Commission to identify discussions of changes in specific projects and recommendations made by the Commission.

- We determined if additions and deletions, or other changes in the transportation improvement projects and other elements defined in Proposition 402 were consistent with the general objectives of the Proposition.

## Summary of Observations and Recommendations

### **Funding For Glendale's Participation In The Regional Light Rail System Included In The 2001 Ballot Proposition Has Been Eliminated.**

The 2001 Proposition 402 transportation ballot included a light rail system connecting Glendale to the Phoenix/Tempe/Mesa light rail line. This project was one of nine transportation improvement areas specifically identified in the Transportation Pamphlet and Ballot for the 2001 Proposition, but no specific time schedule was identified for the project's completion. A Light Rail Transit corridor study was completed in FY 2012 to identify the location of Glendale's portion of the capital project. A formal alternatives analysis began in FY 2013 to further refine the alignment and technology for high capacity transit to downtown Glendale. However, the Glendale City Council decided not to fund the project. This decision was based on preliminary estimates that showed that the cost to construct a light rail extension to downtown Glendale would exceed the programmed capital costs by approximately 8% in one-time expenses and the programmed operational costs by 70%.

### **Some Commitments To Voters To Expand And Increase The Frequency Of Bus Services Initially Achieved Have Been Retracted.**

The 2008 performance audits found that the pledges to the voters to increase the frequency of bus service on existing fixed routes to every 30 minutes, to extend hours of service, to add Saturday and Sunday services and to expand express bus service along the Arizona Loop 101 had been met. The 2011 performance audit found that this commitment continued with minor exceptions as follows.

- In 2011, weekday bus service on Route 186 on Union Hills from 51st Avenue to Arrowhead Towne Center was reduced from every 30 minutes to every 60 minutes (hourly). This reduction is inconsistent with the Ballot commitment to increase the frequency of weekday bus service on existing fixed routes to every 30 minutes.
- Also, service on Bus Route 138 on Thunderbird Road was reduced. Service on this route initially extended from 51st Avenue to 67th Avenue. In 2011, this route was reduced to serving from 51st Avenue to 59th Avenue.

The 2014 performance audit found that the Department had made additional cuts in transit services as follows:

- Reverse trips from Downtown Phoenix on express route 573 were eliminated.
- Route 122 was eliminated.

- Saturday service on Route 70 between Luke AFB and the 99th Avenue Park and Ride was reduced from every 30 minutes to every hour. Weekend service reduced from 30 minutes to hourly in Glendale.
- Saturday service on Route 106 was reduced from every 30 minutes to hourly.
- Saturday service on Route 170 was reduced from every 30 minutes to hourly.
- Express Route 581 was eliminated.

During this current performance audit, we found that the above changes in service continued, except that the service on Bus Route 138 from 67th Avenue that was dropped in 2011 has been restored. We also found improved services on Bus Routes 43, 50 and 51 since 2014. The hours of operation were expanded, and frequency of service was increased for the Weekday, Saturday and Sunday services of each of these routes.

The schedule below compares bus services by route for Weekdays as scheduled before the election (2001), at the end of Fiscal Year 2014 and at the end of Fiscal Year 2017.

Bus Routes and Frequency – WEEKDAYS				
Route	Year			Comments
	2001	2014	2017	
43	30 m.	30 m.	30 m.	Extended hours since 2014
50	30 m.	30/15 m.	30/15 m.	Extended hours since 2014
51	No Service	35m.	30m.	Increased frequency and extended hours
59	30 m.	30 m.	30 m.	
60	30 m.	30 m.	30 m.	
67	1 hr.	30 m.	30 m.	
24/70	1 hr.	30/15 m.	30/15 m.	Reduced to hourly Luke AFB to 99th Ave.
80	30 m.	30 m.	30 m.	
90	30 m.	30 m.	30 m.	
106	45 m.	30 m.		
122	No Service			Glendale services terminated
138	1 hr.	30 m.	30 m.	Restored service from 67th Ave.
170	30 m.	30 m.	30 m.	
186	1 hr.	1 hr.	1 hr.	51st to Arrowhead reduced to hourly
Expanded or Increased Frequency				
Reduced Service/Frequency				
Route Eliminated				

The schedule below compares bus services by route for Saturdays as scheduled before the election (2001), at the end of Fiscal Year 2014 and at the end of Fiscal Year 2017.

Bus Routes and Frequency – SATURDAYS				
Route	Year			Comments
	2001	2014	2017	
43	1 hr.	1 hr.	30 m.	Expanded time & Increased frequency
50	1 hr.	1 hr.	30 m.	Expanded time & Increased frequency
51	No Service	35 m.	30 m.	Expanded time & Increased frequency
59	1 hr.	30 m.	30 m.	
60	1 hr.	30 m.	30 m.	
67	1 hr.	30 m.	30 m.	
24/70	No Service	1 hr.	1 hr.	Reduced to hourly reported in 2014
80	1 hr.	30 m.	30 m.	
90	1 hr.	30 m.	30 m.	
106	No Service	1 hr.	1 hr.	Reduced to hourly reported in 2014
122	No Service			Glendale services terminated
138	No Service	1 hr.	1 hr.	Restored service from 67th Ave.
170	1 hr.	1 hr.	1 hr.	Reduced to hourly reported in 2014
186	No Service	1 hr.	1 hr.	
Expanded or Increased Frequency				
Reduced Service/Frequency				
Route Eliminated				

The schedule below compares bus services by route for Sundays as scheduled before the election (2001), at the end of Fiscal Year 2014 and at the end of Fiscal Year 2017.

Bus Routes and Frequency – SUNDAYS				
Route	Year			Comments
	2001	2014	2017	
43	1 hr.	1 hr.	30 m.	Expanded time & Increased frequency
50	1 hr.	1 hr.	30 m.	Expanded time & Increased frequency
51	No Service	1 hr.	30 m.	Expanded time & Increased frequency
59	No Service	1 hr.	1 hr.	
60	No Service	1 hr.	1 hr.	
67	No Service	1 hr.	1 hr.	
24/70	No Service	1 hr.	1 hr.	Reduced to hourly reported in 2014
80	No Service	1 hr.	1 hr.	
90	No Service	1 hr.	1 hr.	
106	No Service	1hr.	1hr.	Reduced to hourly reported in 2014

Bus Routes and Frequency – SUNDAYS				
Route	Year			Comments
	2001	2014	2017	
122	No Service	Drop	Drop	Glendale services terminated in 2012
138	No Service	1hr.	1hr.	Restored service from 67 <sup>th</sup> Ave.
170	No Service	1hr.	1hr.	Reduced to hourly reported in 2014
186	No Service	1hr.	1hr.	
Expanded or Increased Frequency				
Reduced Service/Frequency				
Route Eliminated				

According to the 2017-2041 Program of Projects Report, the above noted transit services reductions were due to a decline in transit funding from various State and Regional sources. However, this report also stated that these services were scheduled to be restored in FY 2030.

As reported in the 2014 Performance Audit, Express bus services have also been impacted by funding shortages. Express Bus routes 573, 575 and 581 provided services that were included in The Publicity Pamphlet for Proposition 402. Express bus 573 provided services from Beardsley and 75<sup>th</sup> Park and Ride to Phoenix going South along the 101 Freeway. Express bus 575 provided services from Arrowhead Towne Center to Phoenix going east along the 101 Freeway. Express bus 581 provided services from 59<sup>th</sup> and Thunderbird to Phoenix going east along the Thunderbird Road. As of the end of FY 2014 Express bus route 581 had been terminated; Express bus routes 573 and 575 were in service except that reverse trips from downtown Phoenix on route 573 had been terminated. This performance audit found these conditions unchanged.

**Status Of Other Transit Services**

According to the FY 2017 GO Program Annual report the status of other transit service programs funded through the GO Program at the end of FY 2017 was as follows:

- Dial-A-Ride for all residents and ADA Paratransit services for disabled individuals continue to be provided in Glendale.
- Glendale Urban Shuttle (GUS) continues to operate, offering three neighborhood circulator routes in downtown and north-central Glendale.
- A Taxi Voucher program, providing an alternative transportation program provides a capped medical transport funding for Glendale residents.

***Findings and Recommendations:***

**Funding For Glendale To Participate In The Regional Light Rail System Has Been Eliminated.**

The 2001 Proposition 402 transportation ballot included providing a light rail system connecting Glendale to the Phoenix/Tempe/Mesa light rail line. This project was one of the nine items specifically listed in the Transportation Pamphlet and Ballot

The Glendale City Council decided not to fund the project because preliminary estimates showed that the cost to construct a light rail extension to downtown Glendale would exceed the programmed capital costs by approximately 8% in one-time expenses and the programmed operational costs by 70%.

**Recommendation**

We recommend that the Transportation Department consider using the monies saved by the elimination of the light rail system funding be used on other transportation items that were to be completed in the first 5 years of the GO program that either have been delayed or terminated. (See comments on Bus Services and on 59th Ave intersection improvements.)

**Management Response**

Staff agrees with this recommendation. Through Council action, funds that were previously allocated to Light Rail project are planned to be allocated to Transportation projects that meet the intent of the Proposition 402.

**Some Of The Commitments To Voters To Expand And Increase The Frequency Of Bus Services Have Been Retracted.**

The Special Transportation Election Ballot language stated that the Transportation Sales Tax revenue would be used to expand and increase the frequency of bus services. The Publicity Pamphlet for the Special Transportation Election also stated that within five years the frequency of service on all existing bus routes would be increased to every 30 minutes.

The 2005 and 2008 performance audits found that these commitments had been met. The 2011 performance found that the commitments continued to be met with two exceptions. The 2014 performance audit found that the Department had taken six additional actions to reduce or eliminate services included in the ballot language. This audit showed that one action had been restored. The remaining reduced or terminated services during the last nine years are as follows:

- The frequency of service on Bus Route 186 has been reduced from every 30 minutes to hourly.
- Reverse trips from Downtown Phoenix on express route 573 were eliminated.
- Route 122 was eliminated.

- Saturday service on Route 70 between Luke AFB and the 99th Avenue Park and Ride was reduced from every 30 minutes to every hour. Weekend service reduced from 30 minutes to hourly in Glendale.
- Saturday service on Route 106 was reduced from every 30 minutes to hourly.
- Saturday service on Route 170 was reduced from every 30 minutes to hourly.
- Express Route 581 was eliminated.

According to the FY 2017-2041 Program Projects report the elimination of one subset of state lottery funds and a reduced projection of regional transportation sales tax (Public Transportation Fund - PTF) funds have forced the City of Glendale to reduce the cost of its transit operations over the past five years to maintain a balanced budget.

### **Recommendation**

We recommend that GO Transportation Program Management consider restoring the reduced/terminated services to 2008 levels with monies made available by the elimination of the Light Rail Project funding. We further recommend that any necessary future GO Program adjustments be made first to those projects or services not specifically identified in the 2001 Ballot to be completed within five years.

### **Management Response**

Staff agrees with this recommendation. Some of the Transit service is retracted to balance the Long-Range Transportation Program. Staff will continue to look for sustainable opportunities to restore this service.

### **Many Of The Commitments To Voters For Street, Bicycle/Pedestrian, Transit And Airport Projects Have Been Met, But Some Projects Have Been Delayed.**

As of June 30, 2017, 82 projects were completed (47 street, 17 bicycle/pedestrian, 5 transit and 13 airport), 2 projects were under construction (both were bicycle/pedestrian projects) and 29 projects were in design (17 street, 7 bicycle/pedestrian, 2 transit and 3 airport). One project for pavement preservation was ongoing. A total of 8 street projects were in design that, according to the Publicity Pamphlet, were targeted for completion within the first five years after the ballot measure passage. The delayed street projects are now scheduled for completion in FY 2028, except for one which is scheduled for construction in FY 2018.

The GO Program included a total of 114 projects as of June 30, 2017, an increase in the total of 101 projects as of June 30, 2014. All projects were found to be consistent with Ballot objectives

### ***Street Projects***

Following is a list of 64 street projects included in the GO Program Fiscal Year 2017-2041 Program of Projects report. All projects included in the Publicity Pamphlet for Proposition 402 are included in this list except for three projects that were deleted prior to this performance audit period. These projects were discussed in the 2005 GO Program performance audit report.

STATUS OF STREET PROJECTS				
No.	PROJECT DESCRIPTION	Status as of June 30, 2014	1 <sup>st</sup> Five Years?	Status as of June 30, 2017
<b>COMPLETED</b>				
1	75th Ave from Rose Garden Ln to Deer Valley Rd	Complete 2005	Yes	Complete
2	Bus Bay on Union Hills east of 59 <sup>th</sup>	Complete 2006	No	Complete
3	Bridge crash barrier on Northbound 83rd Ave at Loop 101	Complete 2006	Yes	Complete
4	83rd Ave Scalloped Street north of Bell Road to Loop 101	Complete 2006	No	Complete
5	Bridge crash barrier on Westbound Thunderbird west of 59th Ave	Complete 2006	Yes	Complete
6	Safety improvements on Thunderbird between 56th Ave and 57th Dr.	Complete 2007	No	Complete
7	Bridge crash barrier on Eastbound Cactus Rd west of 51st Ave	Complete 2006	Yes	Complete
8	Bridge crash barrier on Westbound Cactus Rd west of 51st Ave	Complete 2006	Yes	Complete
9	Intersection improvements at 67th Ave/Peoria Ave	Complete 2007	Yes	Complete
10	Traffic Control Center on 59th Ave between Olive Ave and Peoria Ave	Complete 2006	No	Complete
11	Bus Bay on 59th Ave north of Northern Ave	Complete 2006	No	Complete
12	Street and sidewalk improvements on Northern Ave west of 43rd Ave	Complete 2007	No	Complete
13	Street and sidewalk improvements on Bethany Home Rd between 47th Ave & 48th Ave	Complete 2007	No	Complete
14	Bethany Home Rd - 91st Ave to 99th Ave	Complete 2006	Yes	Complete

STATUS OF STREET PROJECTS				
No.	PROJECT DESCRIPTION	Status as of June 30, 2014	1 <sup>st</sup> Five Years?	Status as of June 30, 2017
15	Maryland Ave. between 95th Ave & 99th Ave. and bridge over Loop 101	Complete 2006	No	Complete
16	95th Ave between Maryland Ave and Bethany Home Rd	Complete 2006	New	Complete
17	67th Ave intersection at Bell Rd	Complete 2009	Yes	Complete
18	67th Ave intersection at Glendale Ave	Complete 2009	Yes	Complete
19	67th Ave intersection at Camelback Rd	Complete 2009	Yes	Complete
20	75th Ave intersection at Glendale Ave	Complete 2009	Yes	Complete
21	75th Ave intersection at Bethany Home Rd	Complete 2009	Yes	Complete
22	75th Ave intersection at Camelback Rd	Complete 2009	Yes	Complete
23	Median improvements on Grand Ave from 43rd Ave to 57th Drive	Complete 2009	Yes	Complete
24	Scalloped street improvements on Glendale Ave from 67th Ave to 91st Ave	Complete 2009	No	Complete
25	Scalloped street improvements on 75th Ave from Glendale Ave to south of Bethany Home Rd	Complete 2009	No	Complete
26	Scalloped street improvements on 83rd Ave from Glendale Ave to Camelback Rd	Complete 2009	No	Complete
27	Street widening on Greenbrier St from 59th Ave to 64th Ave	Complete 2009	No	Complete
28	Street improvements on Glendale Ave from 43rd Ave to 67th Ave	Complete 2009	Yes	Complete
29	43rd Ave intersection at Peoria Ave	Complete 2009	Yes	Complete
30	43rd Ave intersection at Olive Ave	Complete 2009	Yes	Complete
31	43rd Ave intersection at Northern Ave	Complete 2009	Yes	Complete
32	43rd Ave intersection at Glendale Ave	Complete 2009	Yes	Complete

STATUS OF STREET PROJECTS				
No.	PROJECT DESCRIPTION	Status as of June 30, 2014	1 <sup>st</sup> Five Years?	Status as of June 30, 2017
33	43rd Ave intersection at Bethany Home Rd	Complete 2009	Yes	Complete
34	51st Ave intersection at Peoria Ave	Complete 2009	Yes	Complete
35	51st Ave intersection at Glendale Ave	Complete 2009	Yes	Complete
36	Street widening on Myrtle Ave from 59th Ave to 62nd Ave	Complete 2009	Yes	Complete
37	67th Ave intersection at Thunderbird	Complete 2009	Yes	Complete
38	67th Ave intersection at Cactus Rd	Complete 2009	Yes	Complete
39	67th Ave intersection at Olive Ave	Complete 2009	Yes	Complete
40	57th Ave bridge at Skunk Creek	Complete 2009	Yes	Complete
41	51st Ave and Northern Ave intersection Improvements	Complete 2012	Yes	Complete
42	51st Ave and Camelback Rd. intersection Improvements	Complete 2012	Yes	Complete
43	Northern Parkway Sarival Ave to Dysart Rd. (Note 1)	Complete 2014	No	Complete
44	Loop 101 HOV ramps at Maryland	Complete 2014	No	Complete
45	Grand Ave access control and beautification from 43rd Ave to 71st Ave	Construction	Yes	Complete 2015
46	67th Ave safety Improvements at Missouri Ave	Design	No	Complete 2015
47	Northern Parkway Landscaping Sarival Ave to Dysart Rd and grade separation bridges at Reems and Litchfield Roads	Design	No	Complete 2016
PROJECTS IN DESIGN				
48	Northern Parkway improvements from Dysart Rd. to Grand Ave	Design	No	Design
49	51st Ave intersection at Bell Rd	Design	No	Design

STATUS OF STREET PROJECTS				
No.	PROJECT DESCRIPTION	Status as of June 30, 2014	1 <sup>st</sup> Five Years?	Status as of June 30, 2017
50	59th Ave intersection at Bethany Home Rd	Design	No	Design
51	59th Ave intersection at Camelback Rd	Design	Yes	Design
52	59th Ave intersection at Bell Rd	Design	Yes	Design
53	59th Ave intersection at Greenway	Design	Yes	Design
54	59th Ave intersection at Thunderbird	Design	Yes	Design
55	59th Ave intersection at Cactus Rd	Design	Yes	Design
56	59th Ave intersection at Peoria Ave	Design	Yes	Design
57	59th Ave intersection at Olive Ave. Safety Impr.	Design	Yes	Design
58	59th Ave intersection at Northern Ave	Design	Yes	Design
59	Maryland Ave lane control signs and dynamic message signs between 91st Ave and 99th Ave	Design	No	Design
60	Bethany Home Rd and 65th Ave HAWK safety improvements	New 2016	No	Design
61	Camelback Rd conduit, fiber, and CCTV from 51st Ave to 91 Ave	New 2017	No	Design
62	Data Collection Station Installation and Database Development citywide	New 2017	No	Design
63	51st Ave/ Northern Ave /Olive Ave conduit and fiber installation	New 2017	No	Design
64	Flashing Yellow Arrow at 12 arterial/arterial intersections	New 2017	No	Design
ONGOING				
	Pavement Overlay	Ongoing	No	Ongoing

As shown above, 3 projects were completed during the period extending from July 1, 2014 through June 30, 2017. During this same period 5 new projects were added to the program.

The 5 new projects: Bethany Home Rd and 65th Ave HAWK safety improvements, Camelback Rd conduit, fiber, and CCTV from 51st Ave to 91 Ave, Data Collection Station Installation and Database Development citywide, 51st Ave/ Northern Ave /Olive Ave conduit and fiber installation and Flashing Yellow Arrow at 12 arterial/arterial intersections involved safety issues and are primarily funded with federal monies. We found them to be consistent with the 2001 Sales Tax Ballot objectives.

***Findings and Recommendations:***

**Several Projects That Were To Be Completed Within The First Five Years Of The GO Program Were Not Complete As Of June 30, 2017.**

There were 39 Street projects that according to the Publicity Pamphlet for Proposition 402 were to be completed within the first five years of the GO Program. As of June 30, 2017, 31 of those projects were complete, 1 project was scheduled for construction during FY 2018 and the remaining 7 projects were scheduled for completion by FY 2028.

As reported in the 2005 Performance report those projects were first delayed until Fiscal Years 2021 and 2023, because of cost escalation and limits on funds available and later because of revenue shortfalls, which resulted in the inability to maintain the required revenue to debt service ratio of 2:1. As of the end of 2011, these projects had been further delayed and scheduled for completion in Fiscal Years 2026 (for 1) and 2027 (for 8). The sales tax revenue decline was the stated reason for the additional delays. Now, the projects are scheduled for sequential construction starting with the first project (Intersection Improvements at 59th Avenue and Olive Avenue) in FY 2018. Schedule dates for the remaining 59th Ave Projects have not yet been established but completion of all is planned by FY 2028.

In May 2017 the Glendale Police Department released a list of the 10 most dangerous Glendale intersections. The 59th and Olive intersection was included on this list as well as 4 other 59th Avenue Projects. The 59th and Olive Project includes traffic flow improvements (such as a right turn lane and a bus bay pull-out) and safety improvements (such as reduced crosswalk width and crosswalk hash marks). Plans for the other 59th Ave Projects include many of the same traffic flow and safety improvements that are planned for 59th and Olive.

**Recommendation**

GO Transportation Program Management should follow through with its plans for the 59th Ave and Olive Avenue Project and establish a construction schedule for the remaining 59th Ave Projects to ensure completion by 2028 and expedite the schedule for an earlier completion date to the extent possible.

**Management Response**

Staff does not agree with this recommendation. The Proposition 402 identified projects that were to be funded out of the Long-Range Transportation Program. The Proposition also identifies the process for making changes to the Program. The process is that changes to the Program are to be recommended by CTOC and approved by Council. Such changes should no longer have to meet the originally anticipated schedule.

**Bicycle/Pedestrian Projects**

Following is a list of 26 bicycle/pedestrian projects included in the Fiscal Year 2017-2041 GO Program Project report. All projects included in the Publicity Pamphlet for Proposition 402 are included in this list.

STATUS OF BICYCLE/PEDESTRIAN PROJECTS				
No.	PROJECT DESCRIPTION	Status as of June 30, 2014	1st Five Years?	Status as of June 30, 2017
<b>COMPLETED</b>				
1	Bike/pedestrian path on 67th Ave between Isabell lane and Pinnacle Peak Rd	Complete 2006	Yes	Complete
2	Bike/Pedestrian Bridge over 71st Ave. Channel at Skunk Creek)	Complete 2006	Yes	Complete
3	Bike lane on Cholla St. w/0 59th Ave	Complete 2005	Yes	Complete
4	Bicycle/Pedestrian Bridge over Grand Canal at Missouri Ave/79th Ave.	Complete 2005	Yes	Complete
5	Glendale Ave bridge widening at New River for Bike Pedestrian path.	Complete 2006	Yes	Complete
6	51st Ave. and Cactus Road bicycle underpass at Arizona Canal/Diversion Canal	Complete 2009	No	Complete
7	71st Ave. Channel Bike/Pedestrian Pathway from Camino San Xavier to Skunk Creek.	Complete 2009	Yes	Complete
8	Downtown pedestrian enhancements	Complete 2009	Yes	Complete
9	51st Ave sidewalk and landscape improvements from North Camelback Rd. to south of Grand Ave	Complete 2009	Yes	Complete

<b>STATUS OF BICYCLE/PEDESTRIAN PROJECTS</b>				
<b>No.</b>	<b>PROJECT DESCRIPTION</b>	<b>Status as of June 30, 2014</b>	<b>1st Five Years?</b>	<b>Status as of June 30, 2017</b>
10	Catlin Court Alley Beautification	Complete 2009	Yes	Complete
11	63rd Ave bike lanes from Grand Ave to Olive Ave	Complete 2009	Yes	Complete
12	Old Roma Alley pedestrian enhancements.	Complete 2011	Yes	Complete
13	63rd Ave bicycle/pedestrian overpass at Loop 101	Complete 2011	Yes	Complete
14	Skunk Creek bicycle/pedestrian pathway under Union Hills Drive	Complete 2011	Yes	Complete
15	Skunk Creek bicycle/pedestrian pathway under Bell Road	Complete 2011	Yes	Complete
16	New River bicycle/pedestrian pathway from Northern Ave to Bethany Home Rd	Design	Yes	Complete 2016
17	Maryland Avenue spot improvements between 67 <sup>th</sup> Avenue and 83rd Avenue	Design	No	Complete 2017
<b>PROJECTS UNDER CONSTRUCTION</b>				
18	Grand Canal bicycle/pedestrian pathway from Loop 101 Ave to New River	Design	Yes	Construction
19	Myrtle Ave. Improvements from 62nd Ave. to 65 Ave.	Design	No	Construction
<b>PROJECTS IN DESIGN</b>				
17	Downtown Alley Pedestrian enhancements; to the alley West of 57th Ave between Glen Dr. and Glendale Ave)	Design	No	Design
21	New River north shared use pathway; along east bank of New River north of Hillcrest Blvd. To drainage Channel north of Paradise Dr.	Design	No	Design
22	55th Ave. widening for bike lanes and sidewalk; south of Cactus Rd. to north of Riviera Dr.	Design	No	Design

STATUS OF BICYCLE/PEDESTRIAN PROJECTS				
No.	PROJECT DESCRIPTION	Status as of June 30, 2014	1st Five Years?	Status as of June 30, 2017
23	Neighborhood connections to shared use pathways: connect multiuse pathway along Arizona Canal Diversion Channel to neighborhood bike routes at Sweetwater Ave, Hearn Rd and Sunset Vista Park; and connect multiuse pathway along Skunk Creek to neighborhood bike route at 71st Ave.	Design	No	Design
24	Camelback Road Northside sidewalk from 79th Ave to 83 Ave	New 2017	No	Design
25	Paradise Lane Northside sidewalk from 55th Ave to 59th Ave	New 2017	No	Design
26	67th Ave sidewalks from Glendale Ave to Orangewood Ave and Orangewood Ave sidewalks from 67th Ave to Grand Ave	New 2017	No	Design

As shown above, 2 projects were completed during the period extending from July 1, 2014 through June 30, 2017, and 2 entered construction. During this same period 3 new projects were added to the program. The 3 new projects were:

- Camelback Road Northside sidewalk from 79th Ave to 83 Ave
- Paradise Lane Northside sidewalk from 55th Ave to 59th Ave
- 67th Ave sidewalks from Glendale Ave to Orangewood Ave and Orangewood Ave sidewalks from 67th Ave to Grand Ave

The new projects were primarily funded with federal monies. We found them to be consistent with the 2001 Sales Tax Ballot objectives.

There were 16 projects that according to the Publicity Pamphlet for Proposition 402 were to be completed within the first five years of the GO Program. We found that 15 of those projects were complete as of June 30, 2017. The remaining project was under construction.

**Transit Projects**

The election package stated that GO Program funds would be used for park-and-rides and transit centers without specifically identifying projects. As of June 30, 2017, the GO Program included 7 transit projects as listed below.

STATUS OF TRANSIT PROJECTS				
No.	PROJECT DESCRIPTION (Status 2014-38 Program Project Report)	Status as of June 30, 2014	Year Complete	Status as of June 30, 2017
<b>COMPLETED</b>				
1	Stadium overflow parking facility on 91st Avenue between Glendale Avenue and Northern Avenue	Complete	2007	Complete
2	New Transit Office at Myrtle Avenue and 63rd Avenue	Complete	2007	Complete
3	Arizona Loop 101/Glendale Avenue park-and-ride lot	Complete	2009	Complete
4	Arrowhead Transit Center	Design	2017	Complete
5	Bus stop accessibility improvements	New	2017	Complete
<b>PROJECTS IN DESIGN</b>				
6	Loop101/Bell Road Park-and-Ride	Design		Design
7	Bus stop accessibility improvements, next round	New		Design

As shown above there were two projects completed and two new projects added during the three-year period ending June 30, 2017. All projects were found to be consistent with GO Program objectives.

**Airport Projects**

The election package included a reservation of funds for the Glendale Airport projects to enhance economic development without specifically identifying projects. As of June 30, 2017, the GO Program included 16 airport projects. As listed below, 13 have been completed and 3 were underway.

STATUS OF AIRPORT PROJECTS				
No.	PROJECT DESCRIPTION	Status as of June 30, 2014	Year Completed	Status as of June 30, 2017
<b>COMPLETED</b>				
1	STARS air control system	Complete	2007	Complete
2	Pavement preservation-aviation easement	Complete	2007	Complete

3	Airport eastside access road	Complete	2007	Complete
4	Security fencing replacement	Complete	2009	Complete
5	Airport property (Rivera) acquisition	Complete	2009	Complete
6	Airport Master Plan update	Complete	2009	Complete
7	Eastside Parallel Taxiway Connector (FAA Design Project)	Complete	2005	Complete
8	Airport tower and radio upgrade	Complete	2010	Complete
9	Improved Runway Safety Area (Dust, weed and erosion control for runway and taxiway)	Complete	2009	Complete
10	Runway extension	Complete	2003	Complete
11	Airport Blast Pad and Blast Fence	Complete	2013	Complete
12	Airport RPZ Environmental Assessment (EA)	Complete	2014	Complete
13	Asphalt apron and lighting improvements	Programmed	2016	Complete
<b>PROJECTS UNDERWAY</b>				
14	Airport Runway Protection Zone (RPZ) Land Acquisition	Underway		Underway
15	Airport Layout Plan Narrative	New		Underway
16	North Apron pavement rehabilitation	New		Underway

As shown above, 1 project was completed, and 2 projects were added during the period extending from July 1, 2014 through June 30, 2017.

Programs completed during the period involved significant non-GO Program funding. The Land acquisition for the Runway Protection Zone Project at the Glendale Municipal Airport is complete from the legal point of view. There was a settlement agreement, which required four payments of \$1.82M per annum. FY 2019 should be the last of those four payments, which should conclude the project.

The new projects involved significant Federal funding. All projects added were consistent with expressed Ballot objectives for airport projects.

## **Other Programs And Projects**

Ongoing programs include Neighborhood Traffic Mitigation, Transportation Systems Management (formerly Intelligent Transportation System), Travel Demand Management, Program Education (includes Bicycle Coordination, Transit marketing, and Traffic Education) and administration of the GO Program. According to the Fiscal Year 2017-2041 Program Projects report, each of these programs has been established, and funds have been committed to continue them over the next 25 years.

## **Status of Prior Audit Findings**

The 2014 performance audit made two recommendations related to commitments to the voters.

- **Recommendation 1** - GO Transportation Program Management should consider restoring the reduced/terminated services to 2008 levels when the GO Program sales tax revenues rebound to previous expectations. We further recommend that any necessary future GO Program adjustments be made first to those projects or services not specifically identified in the 2001 Ballot to be completed within five years.

**Actions taken:** The Departments response to the recommendation was that CTOC was created to monitor transportation fund expenditures and recommend adjustments to projects when warranted to serve the best interest of the public and that each year a 25-year program of projects is presented to CTOC for recommendation. Any proposed modifications in transit service, in keeping with the intent of the 2001 Ballot are included in the proposed program. We note that the further reductions in Transit services noted during this audit period were explained in the program of projects reports presented to CTOC.

- **Recommendation 2** - GO Transportation Program Management should consider delaying those projects or services not specifically identified in the 2001 Ballot Measure to be completed within five years in order to move completion of the identified projects forward. We recognize that attainment of Federal, State or regional matching funds should be part of this consideration.

**Actions taken:** The Departments response to the recommendation was that CTOC was created to monitor transportation fund expenditures and recommend adjustments to projects when warranted to serve the best interest of the public and that each year a 25-year program of projects is presented to CTOC for recommendation. Any proposed modification in the timing for project delivery is included in the proposed program for CTOC's consideration. The staff further stated that it recognizes the need to complete these projects and is actively identifying alternative funding sources. We note that during this performance audit period the 59th Avenue and Olive Avenue project was scheduled for construction in FY 2018.

# Is the Citizens' Transportation Oversight Commission (CTOC) Meeting Voter Commitments?

## Methodology

We performed the following in order to determine whether the CTOC was meeting voter commitments in accordance with the Publicity Pamphlet and the Proposition 402 ballot.

### **Is The Citizens' Transportation Oversight Commission Meeting Its Legal Requirements?**

- We reviewed the specific ballot language as well as the Publicity Pamphlet for the Special Transportation Election dated November 6, 2001 to specifically define and document the commitments made to voters regarding the formation and support of the Citizens' Transportation Oversight Commission.
- We reviewed the City Council Ordinance used to specifically create the CTOC to determine the specific expectations and legal requirements of the CTOC.
- We developed a detailed list of the legal requirements for the CTOC based on the ballot item and the City Council Ordinance.
- We obtained and reviewed the charter, bylaws, policies statements, meeting agendas and minutes for the CTOC to determine the extent to which legal requirements are being met.

### **Is The Citizens' Transportation Oversight Commission Effectively Serving the Public Interest?**

- We obtained and reviewed plans, goals, objectives, and performance indicators or metrics used by the CTOC to ensure it is effectively providing oversight and serving the public's interest.
- We conducted interviews with members of the CTOC to determine member views of the CTOC's effectiveness in meeting its legal requirements and serving the public interest.
- We attended a meeting of the CTOC to observe the discussion and decision-making process of the Commission.
- We reviewed findings and recommendations from the previous performance audits and requested implementation status information. Using this information, we determined the extent to which previous performance audit recommendations have been effectively implemented.

## Summary of Observations and Recommendations

### **The Citizens' Transportation Oversight Commission (CTOC) Is Meeting Its Legal Requirements.**

The Publicity Pamphlet for the Special Transportation election in November 2001 stated that the CTOC would be established to:

“Ensure that voter-approved projects are completed in a timely and cost-effective manner.”

The City Council Ordinance (2241) formally establishing the CTOC further established this as the principle responsibility of the Commission. The Ordinance also clearly stated that the powers and duties of the Commission are advisory in nature, and that all acts and actions of the CTOC are subject to review by the City Council.

The Ordinance further defined the duties and responsibilities of the CTOC to include:

- Advising the City Council on regional transportation issues, public transit, issues relating to bicycles, and issues related to alternative modes of transportation.
- Reviewing a financially balanced Long-Range Transportation Program each year and recommending this program to the City Council for action.
- Reviewing the annual report of the Transportation Sales Tax Program and forwarding it to the City Council for consideration.
- Reviewing independent audits of the performance and fiscal accountability of the Transportation Sales Tax Program conducted every three years and forwarding them to the City Council.
- Performing all other duties, tasks, and responsibilities as delegated to the Commission by the City Council.

To determine the extent to which the CTOC was meeting its duties and responsibilities we reviewed the agendas and minutes for CTOC meetings, materials and presentations provided to the CTOC, the GO Program of Projects updated each year, and annual status reports. We also interviewed members of the CTOC to determine their views of how well the Commission performed its duties and responsibilities. We found the following:

- The CTOC receives detailed information on the various projects undertaken as part of the GO Program, including specific implementation status and changes made to these projects.
- The CTOC reviews, discusses, and approves the annual Program of Projects for the 25-year period. This Program provides substantial information on the GO Program and projects, including the status of voter commitments and major accomplishments, project Program revenue, and Program costs and project schedules. The Program as presented and approved is financially balanced. This Program is the primary mechanism for advising the City Council on transportation issues.
- The CTOC received prior independent performance and fiscal accountability audit reports as well as a presentation on the results.

Through this review we have concluded the CTOC is meeting its legal requirements as established by the Publicity Pamphlet for the November 2001 election and the City Council Ordinance establishing the CTOC.

### **The Citizens' Transportation Oversight Commission (CTOC) Is Effectively Serving The Public Interest.**

Based on our review of CTOC minutes, documents, interviews, and observations of the Commission's decision-making, it is clear that the CTOC is effectively serving the public interest. The CTOC provides an important focus for transportation issues and projects that could not be provided by the City Council or other body. The CTOC and its members provide good representation of the community of Glendale and provide a mechanism for obtaining community information and input into transportation priorities. The members have widely varying backgrounds bringing a depth of perspective to their deliberations.

The CTOC, although advisory, provides an important role in ensuring original voter commitments are being met, and that future program and project changes are consistent with the original intent of the ballot measure. The CTOC has had spirited discussions on changes to projects and uses of GO Program funds. Positions that were counter to those of the City Council have been clearly shared with the City Council, and it is clear from City Council minutes that these perspectives are taken very seriously.

The CTOC serves the public interest by providing a mechanism for providing public input and oversight into ongoing transportation decisions. Much has changed in the City of Glendale since the original ballot measure was proposed and passed. Many of these changes could not have been foreseen by City leaders or voters in 2001. The CTOC provides a mechanism for balancing the original intent of the ballot measure and voters with the current realities of the City of Glendale.

There were no recommendations in this area.

### **Status of Prior Audit Findings**

There were no prior performance audit recommendations that were applicable to this section.

## Summary of the City's Financial Audits

### Methodology

The following compilation and analysis of the City's financial statements from fiscal years 2014-15 through 2016-17 uses amounts taken from the City's fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the related debt service fund for payments to be made shortly after fiscal year-end.

Revenues susceptible to accrual include sales tax and interest earned on investments. Charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the decision to accrue depends on the terms of the arrangement or agreement. Generally, these resources are reflected as revenue at the time of receipt or earlier if they meet the available criterion. Certain grant revenues are recognized based on expenditures recorded.

The City's Transportation Fund and Streets Construction Fund as reported in the CAFR include multiple general ledger sub-funds for the various transportation and streets related funding sources. The GO Program is represented by the sub-funds 1660 – Transportation Sales Tax and 2210 – Transportation Capital Projects. Our analysis was limited to these two sub-funds. For presentation purposes, any intra-fund transfers between these two funds have been eliminated.

In addition, we reviewed all CAFRs, Management Letters and Single Audit Reporting Packages for fiscal years 2014-15, 2015-16 and 2016-17 for any findings or recommendations that related to the GO Program.

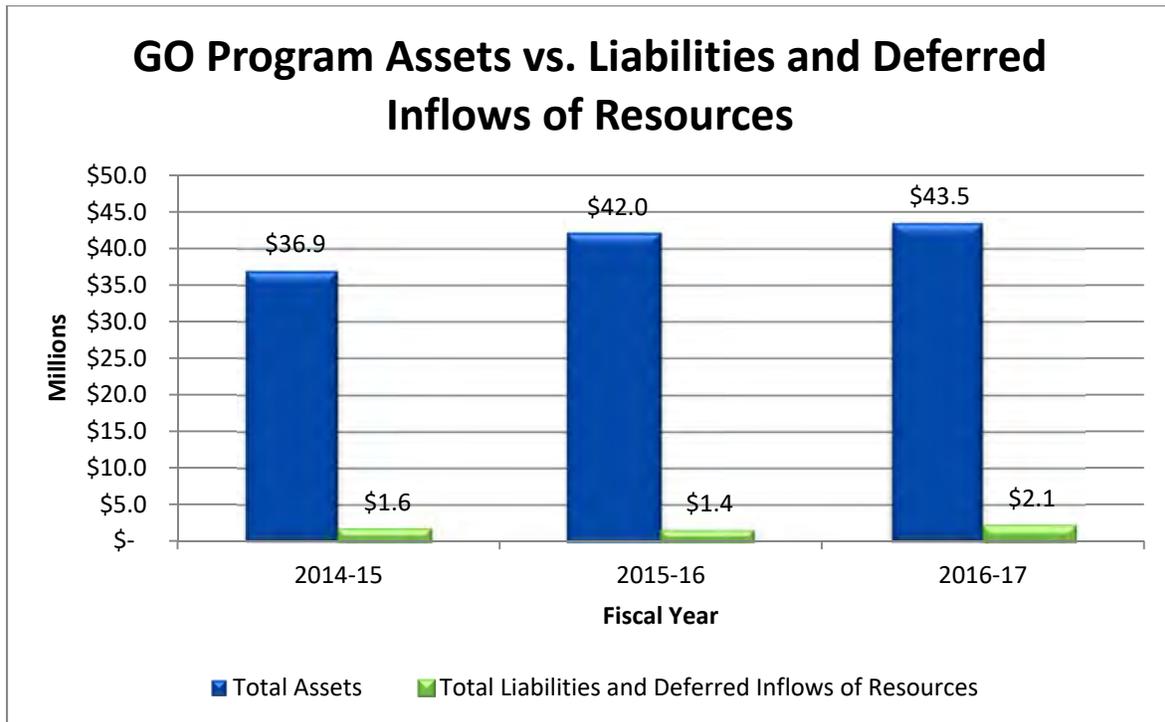
### Summary of Observations and Recommendations

For the GO Program Balance Sheet for fiscal years 2014-15 through 2016-17, see Schedule A on page 38.

For the GO Program Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2014-15 through 2016-17, see Schedule B on page 39.

**Current Assets And Liabilities**

The total assets of the GO Program primarily consisted of cash and investments and receivables. The cash and investments balance increased each year during the period due to increases in sales tax collections and a structural budget surplus intended to finance future projects including the light rail.



The City’s short-term liabilities have been minimal, consisting primarily of vouchers and retainage payable, as well as unearned revenues. The fund financial statements are presented on a modified accrual basis using the current financial resources measurement focus; therefore, long-term liabilities are not reported. The Transportation Excise Tax Revenue Bonds issued in fiscal year 2008 and subsequently partially refunded in fiscal years 2015 and 2017 will be repaid from GO Program revenues which is discussed on the following page.

The vouchers and retainage payables represent goods and services received prior to fiscal year-end, but the cash disbursements to vendors and employees were not made until the following fiscal year. The unearned revenue of \$365,152 reported each year is related to a payment received from Southwest Gas for the application of Micro Seal to Northern Parkway. The City reported unavailable sales tax revenue as deferred inflows of resources in the amounts of \$399,793, \$162,367, and \$70,590 in fiscal years 2014-15, 2015-16 and 2016-17, respectively. Accounting standards define unavailable revenue as revenue which is not collected soon enough after year end to pay liabilities of the current period. The City has adopted a 60 day period of availability for recognizing current period revenue collected after year end.

**Long-Term Debt**

As the expenditures for projects increased relative to prior years, in accordance with the City’s plan, so did the GO Program’s need for cash. The City anticipated that their upfront costs for transportation projects would exceed their available cash; therefore, a provision was included in the initial ballot allowing the City to issue bonds and to later use the sales tax revenues to repay the debt. In fiscal year 2007-08 the City issued bonds in the amount of \$109.1 million. During the current audit period, the City refunded \$59.1 million and \$18.7 million of the Series 2007 Bonds in fiscal years 2015 and 2017, respectively. As of June 30, 2017, there was \$74.7 million outstanding with \$5.5 million in interest due in fiscal year 2017-18. The following table details each of the outstanding bond issues at June 30, 2017.

Fiscal Year Issued	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2017
2015	55,635,000	2.00-5.00	7/1/2021-31	\$55,340,000
2017	19,330,000	2.62	7/1/2018-32	\$19,330,000

**Revenues And Expenditures**

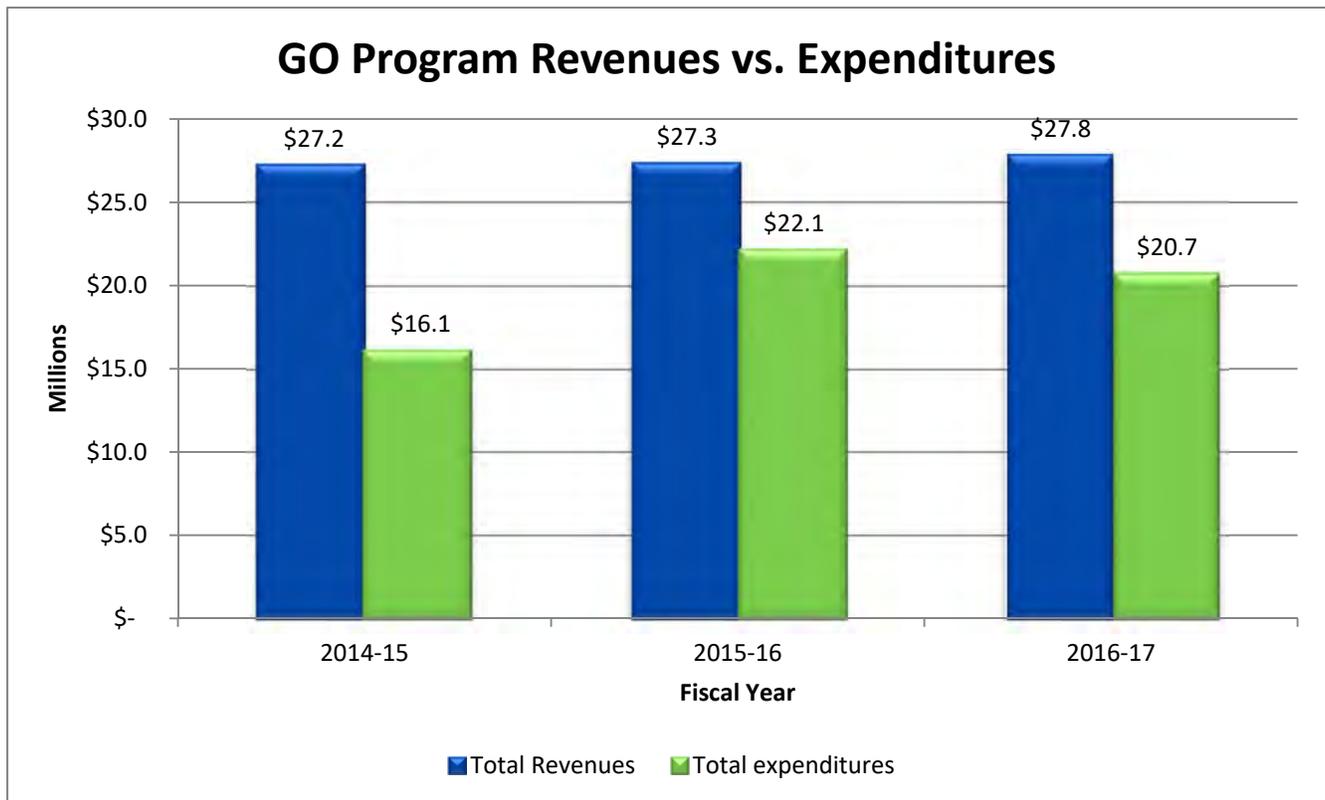
Total revenues for the GO Program consisted mostly of those revenues received from the half-cent sales tax, which accounted for over 90 percent of the total revenue of each fiscal year. Tax revenues increased from \$24.7 million in fiscal year 2014-15 to \$26.4 million in fiscal year 2016-17, or 7 percent. The increase was primarily a result of the steady improvement in the economy. GO Program tax revenues reached an all-time high in 2015-16 and again in 2016-17 of \$25.8 million and \$26.4 million, respectively.

Other revenues include regional funding allocations from the Regional Public Transportation Authority (RPTA), farebox revenues, court fines, interest earned on investments, and miscellaneous revenues.

Intergovernmental revenue reached \$2.3 million in fiscal year 2014-15 primarily due to the return of \$1.6 million in project funds from ADOT. RPTA reimbursements for paratransit service was consistent over the period.

Since the inception of the GO Program, farebox revenues reached their highest level in fiscal year 2006-07 of \$196,516. The fiscal year 2016-17 farebox revenues represented a 44 percent decrease from the high point. The decrease was a result of reductions in ridership and elimination of revenues for routes that were changed to regional services offered through RPTA.

Investment income has steadily increased over the last six fiscal years. The increase is tied to an increase in idle funds invested as well as increasing rates of return.



Expenditures peaked during the period in fiscal year 2015-16 due to entering into a \$7.4 million lease purchase agreement to acquire land in the Airport’s runway protection zone. Community services expenditures which are operational in nature, increased steadily over the period. This increase is attributed to increases in maintenance charges on GO Program financed infrastructure, increases in salaries and wages, and increases in internal service charges for insurance and technology. The City made \$1.8 million lease payments in fiscal years 2015-16 and 2016-17 related to the land lease. The City will make two additional \$1.8 million lease payments in 2017-18 and 2018-19 before the lease obligation is retired. Capital outlay expenditures over the period fluctuated based on the timing of projects, which is discussed in detail below.

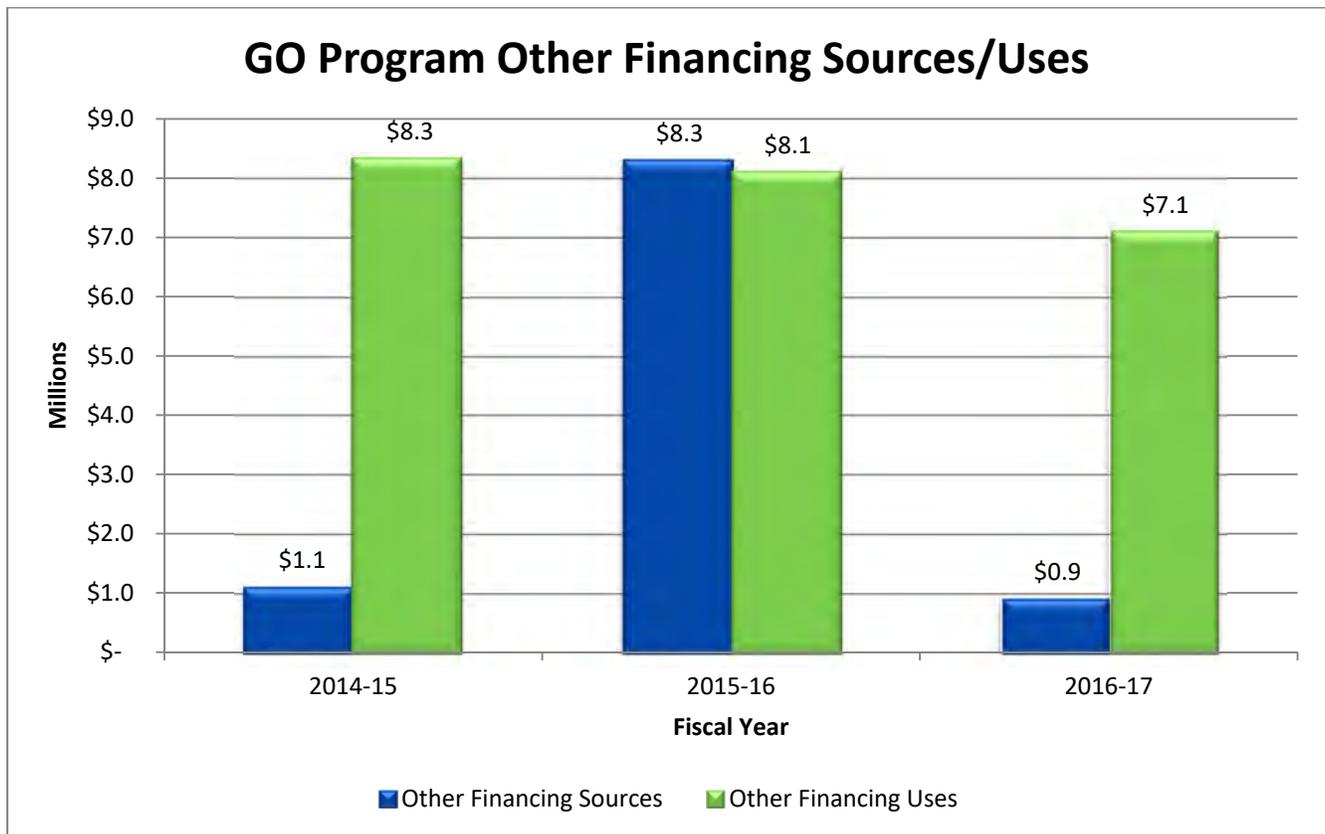
For fiscal year 2014-15, some of the significant project costs included Northern Parkway construction, design of the Bell Road Transit Center, and several pedestrian and bicycle projects.

For fiscal year 2015-16, some of the significant project costs included the acquisition of land in the Airport’s runway protection zone, and several pedestrian and bicycle projects. The acquisition of land accounted for \$7.4 million of \$9.8 million in total capital outlay expenditures during the fiscal year.

For fiscal year 2016-17, some of the significant project costs included the completion of the Arrowhead Towne Center Transit Center, several pedestrian and bicycle projects, and the design of flashing yellow arrows and emergency vehicle preemption at multiple intersections.

**Other Financing Sources/Uses**

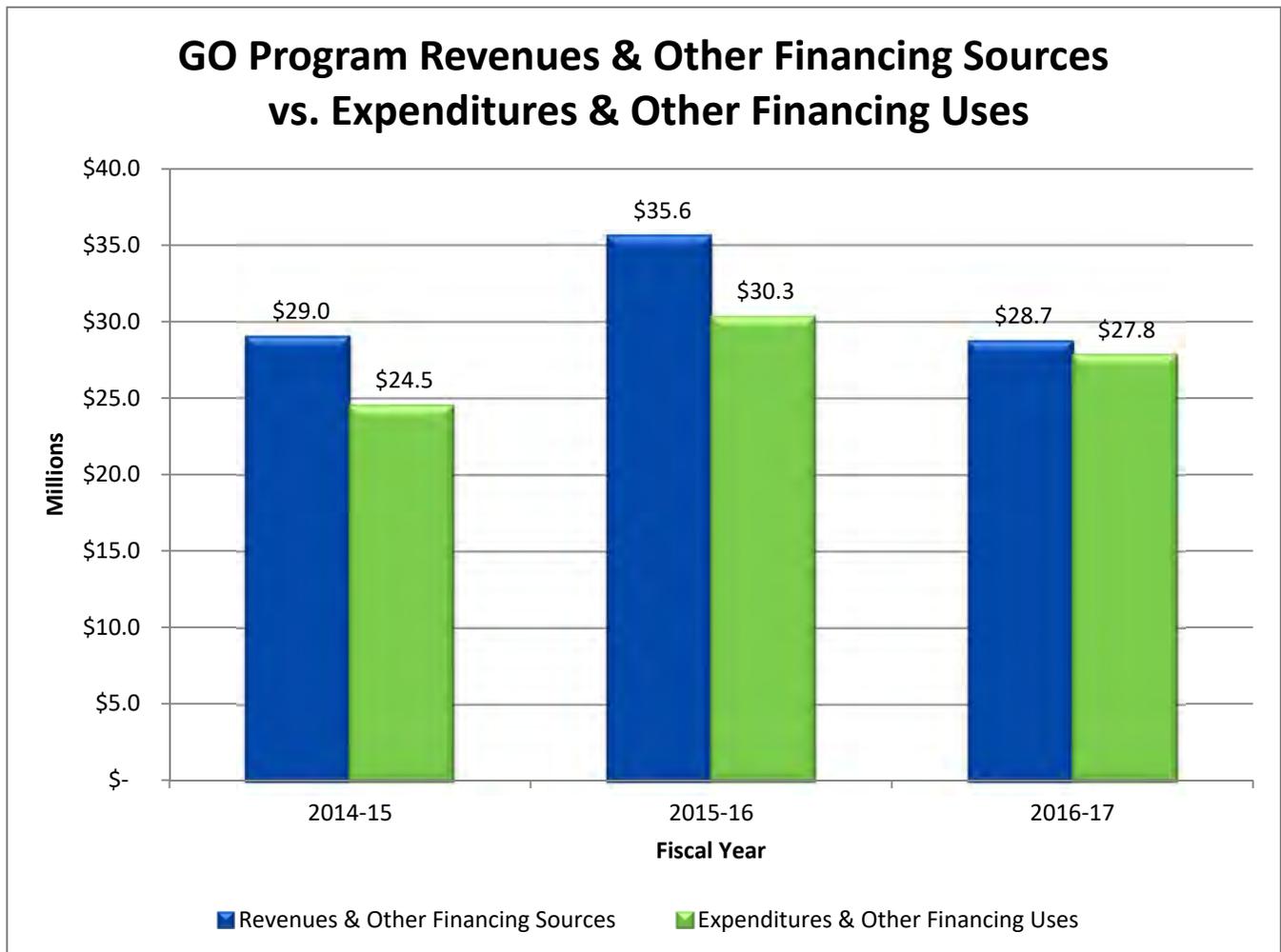
Other financing sources for the GO Program included proceeds from equipment disposal, capital lease proceeds, and transfers in. Each year, the City transferred \$900,000 of General Fund monies to support the GO Program. During fiscal year 2015-16 the City entered into a \$7.4 million capital lease to acquire land in the Airport’s runway protection zone.



Other financing uses, consisting solely of transfers out, declined over the period due to bond refinancing and the final retirement of the Highway User Revenue Fund (HURF) Bonds. The transfers to the Transportation Debt Service Fund were \$7.3 million in 2014-15 and \$7.1 million in fiscal years 2015-16 and 2016-17. The decrease from 2014-15 was due to the City partially refunding the Series 2007 Bonds. Additionally, transfers of \$1.0 million were made to the HURF Debt Service Fund in 2014-15 and 2015-16, as approved by the CTOC. The HURF Bond was retired in 2015-16.

**Revenues/Other Financing Sources And Expenditures/Other Financing Uses**

In order to obtain a clear picture of how each year’s fund balance was arrived at, it is necessary to look at revenues, expenditures and other financing sources and uses combined. The previous charts and narrative discussions provide more detailed information on each account type while the charts and narratives in this section have a big picture focus.



Revenues and other financing sources exceeded expenditures and other financing uses in each fiscal year. This is a trend which continues from fiscal year 2013-14 resulting in total ending fund balance of \$41.5 million at June 30, 2017. The accumulation of fund balance over the last four fiscal years was a planned effort to finance light-rail construction and other significant projects.

Some of the more significant projects to be underway or completed in the upcoming years include 59<sup>th</sup> Ave improvements (\$22.3 million), Northern Parkway construction (\$8.9 million), and arterial roadway improvements (\$6.2 million).

## **Analysis**

The ratio of revenues and other financing sources to expenditures and other financing uses indicates the ability of a program to continue to operate in future years. It can be used to evaluate the efficiency with which the program is running. A ratio of 1.0 indicates that revenues and other financing sources for the year exactly equaled expenditures and other financing uses and that a program should be able to run indefinitely. A ratio of greater than 1.0 indicates that a program is spending less than it is earning. Programs with a ratio significantly less than 1.0 would not be able to sustain themselves over time.

### **Revenues and Other Financing Sources to Expenditures and Other Financing Uses**

<b>Fiscal Year</b>	<b>Ratio</b>
2014-15	1.2
2015-16	1.2
2016-17	1.0

During all fiscal years the revenues and other financing sources were higher than expenditures and other financing uses. As indicated previously the City intends to accumulate fund balance to finance significant future projects as all remaining transportation excise tax bond proceeds from the fiscal year 2007-08 issuance have been expended.

The fund balance to expenditures and other financing uses ratio gives an indication of the overall financial health of the program. A ratio of 1.0 would indicate the program could continue operating at its current rate of expenditures and other financing uses for an entire fiscal year. With a ratio greater than 1.0 the program could continue for longer than a year if expenditures and other financing uses were to stay the same. A program could continue for less than a year with a ratio less than 1.0.

### **Fund Balance to Expenditures and Other Financing Uses**

<b>Fiscal Year</b>	<b>Ratio</b>
2014-15	1.4
2015-16	1.3
2016-17	1.5

For all three fiscal years, the City has maintained ample fund balances to ensure the accumulation needed for certain large projects in accordance with the City's Capital Improvement Plan.

The current ratio is a measure of the ability to meet financial obligations over the coming year. It is derived by dividing the current assets by the current liabilities. A ratio of 1.0 indicates the ability to meet all current liabilities with a higher number meaning a stronger ability to meet current needs. A ratio of less than 1.0 can be a sign of financial weakness; therefore, the total current liabilities are unable to be met given total current assets.

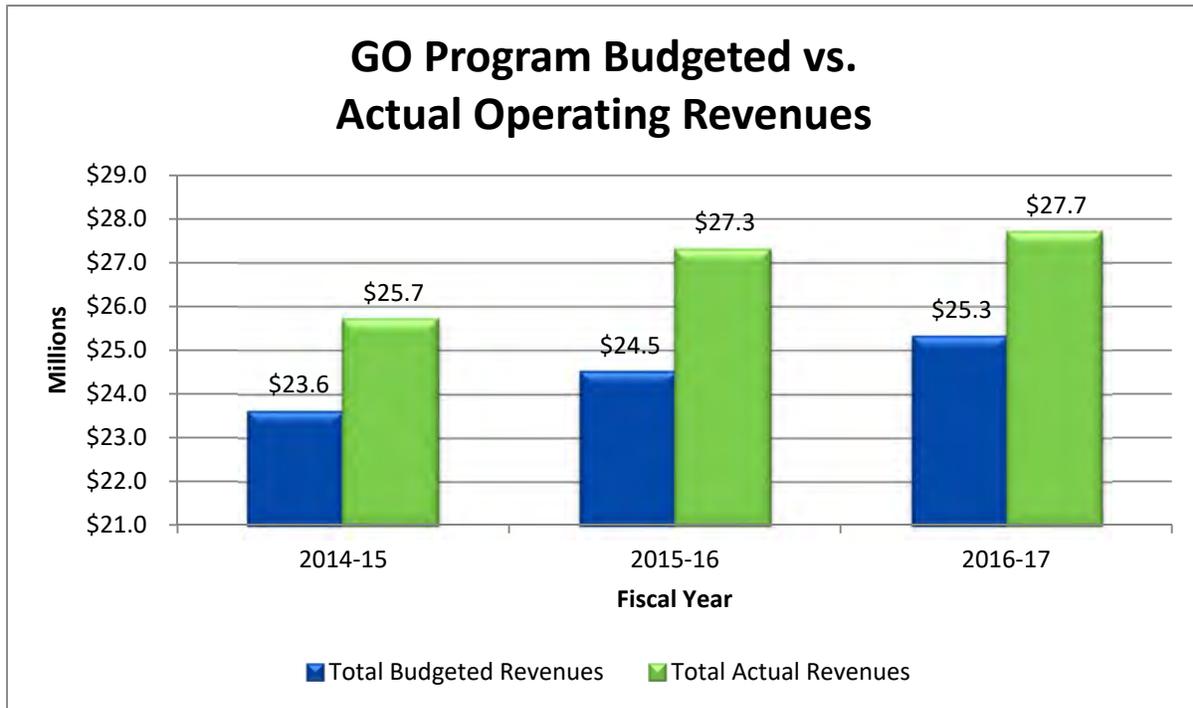
**Current Assets to  
Current Liabilities**

Fiscal Year	Ratio
2014-15	30.0
2015-16	33.3
2016-17	21.8

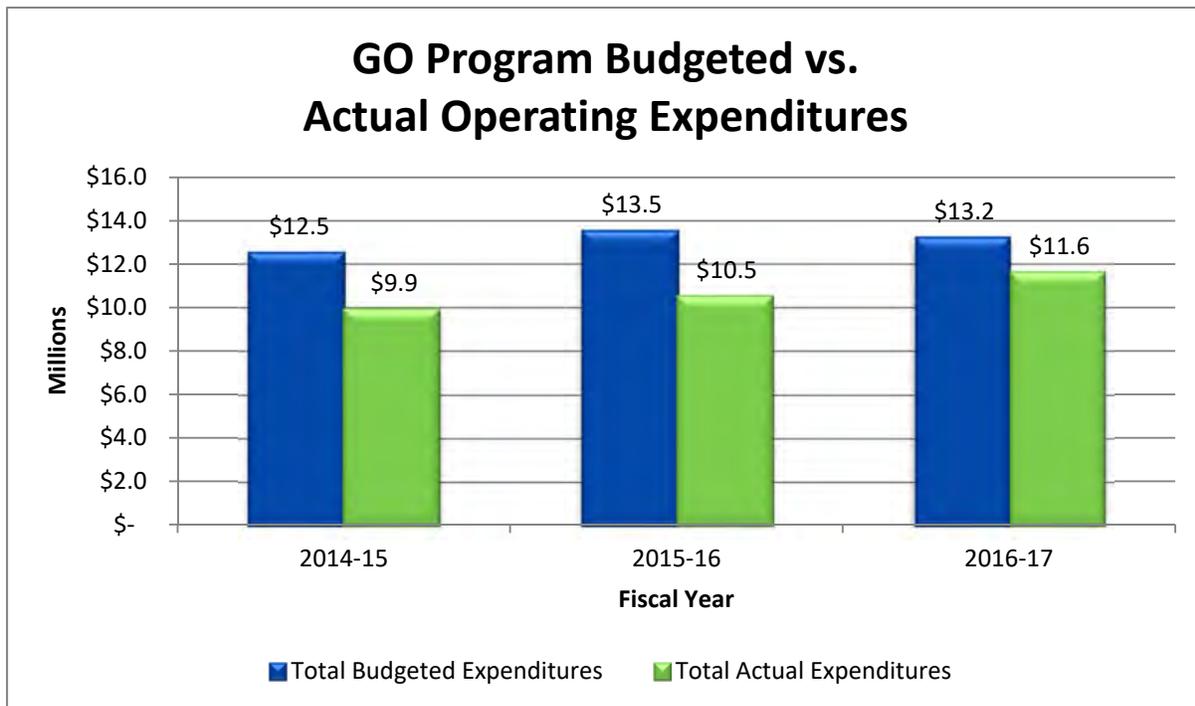
The GO Program has always been at or above a ratio of 1.0. The City has the ability to meet their short-term financing needs for the GO Program as the majority of the Program’s assets are cash and short-term investments.

**Operating Budget To Actual**

The following comparison of the GO Program’s budgeted revenues and expenditures to actual revenues and expenditures focuses solely on the operating budget for the GO Program and includes expenditures from Fund 1660 for fiscal years 2014-15 through 2016-17. The operating budget is created with the intent of meeting the day-to-day needs of the Program. For comparison of the operating budget for fiscal years 2014-15 through 2016-17, see Schedule C on page 40.



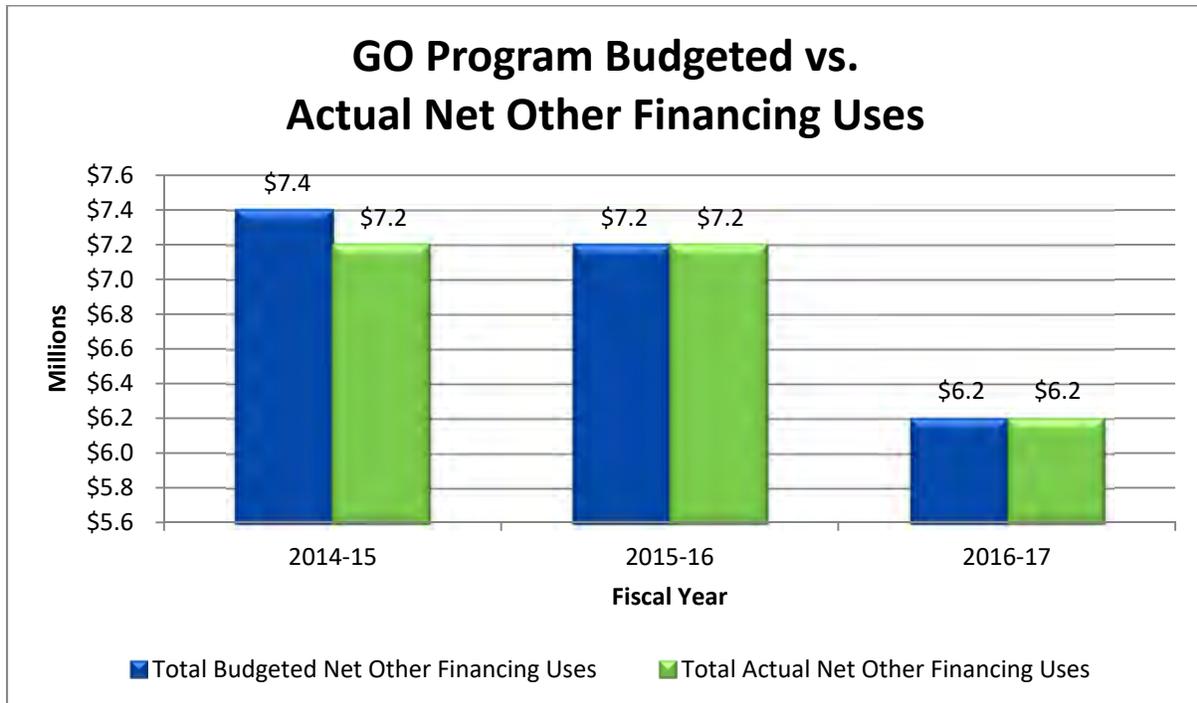
Tax revenue in fiscal years 2014-15 through 2016-17 were greater than budgeted as a result of the City employing a conservative methodology to estimating sales tax revenue. Investment income exceeded budgets in all three fiscal years due to improvements in investment markets. The City did not adopt a budget for intergovernmental revenue.



For fiscal year 2014-15, actual expenditures were \$2.6 million less than budgeted. The most significant variances were related to the fixed route services (\$892,949), transportation CIP O&M (\$774,269), and transportation program management (\$220,155). The variance in fixed route services was primarily due to the City moving transit expenditures out of the GO Program into the City’s Transportation Grant’s Fund to match Lottery Assistance Funds received totaling \$679,750. Additionally, a fixed route service refund of \$213,511 from fiscal year 2013-14 was recorded as a negative expenditure rather than revenue, which is required by generally accepted accounting principles. The variance in transportation CIP O&M was due to conservative estimates of operating and maintenance costs related to the Northern Parkway and Grand Ave projects. Finally, the transportation program management variance is attributed to vacancy savings and the timing of the triennial audit costs.

For fiscal year 2015-16, actual expenditures were \$3.0 million less than budgeted. The most significant variances were related to the fixed route services (\$1.3 million) and transportation CIP O&M (\$677,273). The variance in fixed route services was primarily due to the City moving transit expenditures out of the GO Program into the City’s Transportation Grant’s Fund to match Lottery Assistance Funds received totaling \$683,171. Additionally, a fixed route service refund of \$440,056 from fiscal year 2014-15 was recorded as a negative expenditure rather than revenue, which is required by generally accepted accounting principles. The variance in transportation CIP O&M was due to conservative estimates of operating and maintenance costs related to the Northern Parkway and Grand Ave projects.

For fiscal year 2016-17, actual expenditures were \$1.6 million less than budgeted. The most significant variances were related to the fixed route services (\$824,847) and transportation CIP O&M (\$167,882). The variance in fixed route services was primarily due to the City moving transit expenditures out of the GO Program into the City’s Transportation Grant’s Fund to match Lottery Assistance Funds received totaling \$665,234. The variance in transportation CIP O&M was due to conservative estimates of operating and maintenance costs related to the Northern Parkway and Grand Ave projects.



The insignificant variances in net other financing uses for fiscal years 2014-15 through 2016-17 are related to unbudgeted proceeds from sale of assets.

***Findings and Recommendations:***

**The City’s External Auditors Reported A Material Weakness Over Financial Reporting In Fiscal Year 2017 Related To Material Audit Adjustments To Correct Accounts Receivable/Revenue And Accounts Payable/Expenditures. Additionally, During Compilation Of The GO Program Financial Statements We Identified Several Transactions Which Were Not Recorded In Accordance With Generally Accepted Accounting Principles.**

- Intergovernmental revenues were overstated by \$620,410 in fiscal year 2015 due to the City not accruing RPTA revenue in the prior fiscal year. The GO Program Statements were adjusted for this error.

- Capital outlay expenditures and proceeds from sale of assets were overstated by \$450,857 in fiscal year 2015 due to the City recording the effect of a land swap with ADOT in which the City received land valued at \$450,857 more than the land conveyed to ADOT. Because this transaction is related to long term assets it should not be recorded in the fund financial statements under the current measurement focus. The GO Program Statements were adjusted for this error.
- The City received refunds of prior year expenditures totaling \$213,511 and \$440,056 in fiscal years 2015 and 2016, respectively. The refunds were recorded as negative expenditures rather than revenue. The GO Program Statements were not adjusted for these errors.
- The City was not able to provide documentation of the status of a seal coat project and whether the associated unearned revenue of \$365,152 should be recognized. Furthermore, it appears the unearned revenue should have been recorded to the HURF Fund rather than the Transportation Sales Tax Fund based on review of the City's generated billing. The GO Program Statements were not adjusted for these potential errors.

### **Recommendation**

We recommend the City evaluate internal controls over financial reporting to ensure transactions are properly recorded in accordance with generally accepted accounting principles.

### **Management Response**

Concur. Due to timing differences there were several transactions not recorded in accordance with Generally Accepted Accounting Principles. The City has added more internal controls to ensure further review of transactions. For fiscal year 2018 the external auditors did not report a material weakness over financial reporting.

### **Identifying Prior Audit Findings Related To The GO Transportation Program**

We have obtained and reviewed the CAFRs, management letters, Single Audit Reporting Packages and Internal Audit reports for fiscal years 2014-15, 2015-16 and 2016-17. During our review, we noted findings over procurement card use which directly relates to the GO Program and are reported under Task 5. Other findings related to internal controls with a potential impact to the GO Program were identified and evaluated. The findings were either deemed insignificant to the GO Program or were evaluated in relation to the testwork performed during this audit.

The City's past GO Program performance audit report did outline several specific recommendations. The City's response to those recommendations were included in the prior report. The recommendations applicable to the tasks within this performance audit will be addressed in conjunction with those tasks. There were no recommendations made applicable to this task in the prior report.

Schedule A

***GO Transportation Program  
 Balance Sheet***

	2014-15	2015-16	2016-17
<b>ASSETS</b>			
Cash and investments	\$ 33,562,493	\$ 38,830,899	\$ 40,232,889
Accounts receivable	2,592,995	2,370,574	2,498,168
Intergovernmental receivable	691,111	710,785	678,739
Inventories	99,089	124,968	121,157
Total assets	<u>\$ 36,945,688</u>	<u>\$ 42,037,226</u>	<u>\$ 43,530,953</u>
<b>LIABILITIES, DEFERRED INFLOWS OF              RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Vouchers payable	\$ 720,766	\$ 768,250	\$ 1,596,448
Retainage payable	123,406	99,223	
Compensated absences - current	22,154	28,050	33,409
Unearned revenue	365,152	365,152	365,152
Total liabilities	<u>1,231,478</u>	<u>1,260,675</u>	<u>1,995,009</u>
Deferred inflows of resources	399,793	\$ 162,367	\$ 70,590
Fund Balances			
Nonspendable	\$ 99,089	\$ 124,968	\$ 121,157
Restricted	35,215,328	40,489,216	41,344,197
Total fund balances	<u>35,314,417</u>	<u>40,614,184</u>	<u>41,465,354</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,945,688</u>	<u>\$ 42,037,226</u>	<u>\$ 43,530,953</u>

Source: City of Glendale detailed reports for sub-funds 1660 and 2210.

Note: No assurance is provided on these financial statements.

Schedule B

**GO Transportation Program**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**

	2014-15	2015-16	2016-17
<b>REVENUES</b>			
Taxes	\$ 24,689,878	\$ 25,803,214	\$ 26,362,189
Intergovernmental	2,270,562	1,152,188	798,001
Charges for services	116,488	113,692	109,823
Investment income	145,894	222,618	326,107
Miscellaneous	1,861	1,938	167,200
Total revenues	<u>27,224,683</u>	<u>27,293,650</u>	<u>27,763,320</u>
<b>EXPENDITURES</b>			
Current:			
Community services	9,920,734	10,505,730	11,633,435
Capital outlay	6,221,671	9,803,361	7,212,620
Debt service:			
Principal Retirement		1,838,277	1,838,277
Total expenditures	<u>16,142,405</u>	<u>22,147,368</u>	<u>20,684,332</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>11,082,278</u>	<u>5,146,282</u>	<u>7,078,988</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	241,498	48,377	16,182
Lease proceeds		7,353,107	
Transfers in	900,000	900,000	900,000
Transfers out	(8,349,957)	(8,147,999)	(7,144,000)
Total other financing sources and uses	<u>(7,208,459)</u>	<u>153,485</u>	<u>(6,227,818)</u>
Net change in fund balances	<u>3,873,819</u>	<u>5,299,767</u>	<u>851,170</u>
Fund balances, July 1	<u>31,440,598</u>	<u>35,314,417</u>	<u>40,614,184</u>
Fund balances, June 30	<u>\$ 35,314,417</u>	<u>\$ 40,614,184</u>	<u>\$ 41,465,354</u>

Source: City of Glendale detailed reports for sub-funds 1660 and 2210.

Note: No assurance is provided on these financial statements.

Schedule C

**GO Transportation Program  
 Operating Budget to Actual**

	2014-15			2015-16			2016-17		
	Budgeted	Actual	Difference	Budgeted	Actual	Difference	Budgeted	Actual	Difference
<b>REVENUES</b>									
Taxes	\$ 23,432,936	\$ 24,689,878	\$ 1,256,942	\$ 24,206,223	\$ 25,803,214	\$ 1,596,991	\$ 25,053,441	\$ 26,362,189	\$ 1,308,748
Intergovernmental	-	704,893	704,893	-	1,145,351	1,145,351	-	759,159	759,159
Charges for services	128,807	116,488	(12,319)	124,000	113,692	(10,308)	124,000	109,823	(14,177)
Investment income	80,000	145,894	65,894	140,000	222,618	82,618	140,000	326,107	186,107
Miscellaneous	-	1,035	1,035	-	1,938	1,938	-	167,200	167,200
Total operating revenues	\$ 23,641,743	\$ 25,658,188	\$ 2,016,445	\$ 24,470,223	\$ 27,286,813	\$ 2,816,590	\$ 25,317,441	\$ 27,724,478	\$ 2,407,037
<b>EXPENDITURES</b>									
Community services	\$ 12,485,025	\$ 9,920,734	\$ 2,564,291	\$ 13,512,235	\$ 10,505,730	\$ 3,006,505	\$ 13,247,233	\$ 11,633,435	\$ 1,613,798
Total operating expenditures	\$ 12,485,025	\$ 9,920,734	\$ 2,564,291	\$ 13,512,235	\$ 10,505,730	\$ 3,006,505	\$ 13,247,233	\$ 11,633,435	\$ 1,613,798
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from sale of assets	\$ -	\$ 241,498	\$ 241,498	\$ -	\$ 48,377	\$ 48,377	\$ -	\$ 16,182	\$ 16,182
Transfers in	900,000	900,000	-	900,000	900,000	-	900,000	900,000	-
Transfers out	(8,331,080)	(8,349,957)	(18,877)	(8,147,999)	(8,147,999)	-	(7,144,000)	(7,144,000)	-
Total other financing sources and uses	\$ (7,431,080)	\$ (7,208,459)	\$ 222,621	\$ (7,247,999)	\$ (7,199,622)	\$ 48,377	\$ (6,244,000)	\$ (6,227,818)	\$ 16,182

Sources: City of Glendale Operating Budget for sub-fund 25/1660 for fiscal years 2014-15 through 2016-17. City of Glendale detailed reports for sub-fund 25/1660 for fiscal years 2014-15 through 2016-17.

Note 1: The budgeted amounts shown include only the operating budget for the GO Program. In order to have a meaningful comparison the actual amounts include only the amounts from fund 25/1660, the operating account for the GO Program. As a result the actual amounts presented above will not agree to the amounts presented on Schedules A and B.

Note 2: No assurance is provided on these financial statements.

## Is the GO Program Being Addressed Fairly and Accurately in the City's Financial Practices?

### Methodology

We reviewed the following processes to determine that the GO Program is accounting for and managing its funds (Funds 1660 and 2210) in accordance with the City's financial practices and commitments made to voters.

#### Are GO Funds Being Deposited In A Separate General Ledger Account?

- We reviewed the fund ledgers for fund 1660 in order to verify that the sales tax revenues are reported.
- We reviewed the transportation fund ledgers to ensure that fund 1660 was the only fund accounting for the transportation sales tax revenues.
- We reviewed the City's policies and procedures for the collection, recording and accrual of sales tax revenues.
- We reviewed the allocation process of the sales tax revenues to the appropriate funds.
- We compared financial records from the Accounting Department to those of the Sales Tax Department in total for each fiscal year audited to ensure that the allocation of tax revenues is reasonable in relation to the total amount collected.
- We confirmed the sales tax table used in the City's sales tax system was using the one-half cent transportation tax as committed to voters.
- We performed a walk-through of a sales tax transaction from the sales tax return to the general ledger to corroborate our understanding of the City's policies and procedures.

#### Is Reasonable Interest Being Accrued On Surplus Funds?

- We reviewed the ledger for fund 1660 ensuring that monthly allocations of interest were being deposited into the account.
- We reviewed the City's policies and procedures for the investment of surplus funds. This included reviewing the Investment Policy for the City as well as conducting interviews with staff.
- We reviewed the interest allocation process selecting one month from each fiscal year under review for which we recalculated the allocated amount.
- We performed analytical procedures on the GO Program to determine if the rate of return for the investments was reasonable.

### **Is The Allocation Of General Funds In Accord With Voter Commitments?**

- We reviewed the Ballot language to determine whether commitments to the voters were made.
- We reviewed the City's policies and procedures for the allocation of general funds to the GO Program. This included reviewing the Annual Budget Report and conducting interviews with staff.
- We compared the transfer amount reported in the Annual Budget Report to the actual amount recorded to the general ledger.
- We interviewed the Transportation Planning Administrator to determine the basis of the annual \$900,000 General Fund transfer to GO Transportation Fund (1660).
- We compared the local funding levels in the GO Program to historical amounts.

### **Are Indirect Charges Fair And Accurate?**

- We reviewed the City's indirect cost allocation procedures.
- We reviewed the worksheets used to complete the indirect cost allocation ensuring that the amounts allocated to the GO Program were completed in accordance with the City's allocation plan and that the charges to the GO Program were for services or benefits received by the Program.
- We interviewed the Transportation Planning Administrator regarding his procedures for reviewing the City's indirect cost allocation plan and the impacts to the GO Program.
- We reviewed internal service fund charges and engineering charges to the GO Program for reasonableness.

### **How Is The Fund Balance Being Invested? Should There Be A Separate Policy For This Fund?**

- We reviewed the City's policies and procedures for the investment of surplus funds. This included reviewing the Investment Policy for the City as well as conducting interviews with staff.
- We evaluated the appropriateness of the City's investment policies and practices in accordance with state statutes and prudent investment practices for public funds.
- We tested the City's compliance with its investment policies.
- We evaluated the City's question regarding whether a separate policy for the GO Program was necessary.

### **Are Maintenance Charges Being Fairly Allocated?**

- We discussed with Management and Budget Department personnel and Transportation personnel the allocation process of maintenance charges.
- We reviewed the general ledger funds 1660 and 2210 for any maintenance allocations related to capital projects.

- We reviewed maintenance charges ensuring that the charges were for new projects and not for ones that existed prior to the transportation sales tax.

### **Are The Capital Improvement Plan (CIP) Set-Asides (Art, Maintenance, Engineering and Finance) Fair And Accurate?**

- We reviewed the set-aside amounts in the CIP for arts, engineering and finance costs.
- We recalculated the CIP set-aside amounts and verified if the amounts were calculated in accordance with the City's requirements for set-asides for the CIP projects.

### **Is The Program Following All Accepted City Standards For Purchasing?**

- We reviewed the practices related to purchases of the City established by City ordinances and City Manager directives.
- We tested a sample of 21 purchases above and below the formal procurement threshold and reviewed them to ensure the method of procurement was in keeping with the City's procurement practices.
- We tested a sample of five procurement card expenditures to ensure the expenditures were properly supported, allowable, and processed in accordance with City policies and procedures.
- We reviewed a sample of 30 disbursements to determine that the Transportation Department had followed the appropriate purchase order/check request process and that supporting documentation for each purchase had been retained and was properly approved.
- We discussed with the Transportation Planning Administrator the validity of six purchases reviewed in relation to the objectives of the GO Program.

### **Is The GO Program Consistent With The CIP?**

- We reviewed a sample of the projects in the GO Program and the City's adopted CIP to ensure consistency of projects reported and amounts budgeted.

## **Summary of Observations and Recommendations**

### **GO Funds Are Being Deposited In A Separate General Ledger Account With Some Exceptions Noted.**

The collections process for the sales tax cash receipts follow the City's general policies and procedures. All sales tax revenues were recorded into the appropriate funds based upon system-generated reports from the City's internal sales tax software. The journal entries were appropriately reviewed and approved to ensure accuracy.

We performed a walk-through of the City's sales tax collection process from receipt of the tax return to the posting of revenue to the general ledger. We reviewed Revenue Distribution reports from the City's

sales tax system, as well as distribution reports from the Arizona Department of Revenue (ADOR), which summarize reported sales, taxes due, taxes collected, and the revenue allocation to the various funds to ensure that the allocation of sales tax revenue was reasonable. The revenues recorded in the general ledger were based on cash basis collections, while the sales information we used to calculate estimated sales tax revenues for the year were based on the reported sales for the period, including any adjustments. The variances were minor and considered reasonable for any timing differences and other adjustments.

Sales tax returns and payments are not received and processed by the City until the subsequent month. As a result, the City records a journal entry to accrue sales tax revenue collected in July back to the previous fiscal year. We reviewed each year's accrual journal entry to ensure the GO Program received an appropriate share of sales tax revenue.

Further, some sales tax due to the City as of year-end, are not received within 30 days after year end. As such, the City records journal entries to record receivables, and estimated uncollected amounts. We reviewed the City's process and journal entries for recording these balances.

***Findings and Recommendations:***

**The City Does Not Have Written Policies Detailing The Process For Estimating Collectability Of Its Receivables.**

The City utilized different collectability estimates each year (76%, 55% and 35%), however, the City does not have written policies detailing how such estimates are to be determined.

**Recommendation**

We recommend that the City document their collectability estimate process in writing to allow for more consistent financial reporting year over year.

**Management Response**

Concur. The City will create written procedures to document its process for estimating collectability of its receivables by June 30, 2019.

**Reasonable Interest Is Being Accrued On Unused Funds.**

All of the City's funds, with the exception of restricted or special accounts, such as cash received from a bond issuance, were pooled. The City had investments in commercial paper, U.S. Agencies, U.S. Treasuries, corporate debt and in the State Treasurer's investment pool. The interest earned on the pooled balances was allocated to each fund in the pool once a month based on the fund's average cash

balance. In computing the cash balance, the City used total cash balances by fund to determine the pro rata share of interest. However, some of those funds included cash balances that did not pertain to the underlying interest revenue for which the allocation was calculating. In order to calculate the average cash balance, the City used the amounts from the Bank of America account (101200) and the cash equity account (103400). The City allocated the GO Program portion of interest earned from the pooled accounts to fund 1660 on a monthly basis.

**General Funds Are Allocated Consistent With Past Practices.**

We reviewed the Official Ballot and all applicable ordinances and found no mention of a requirement for the City to support the GO Program with local funds. The City transfers \$900,000 from the General Fund to the GO Program Transportation Fund (Fund 1660) each year. This was the same level of General Fund support prior to the inception of the half-cent sales tax funding. The City chose to maintain the same level of General Fund support for the GO Program after the half-cent sales tax was passed.

**Indirect Charges Are Fair And Accurate With Some Exceptions Noted.**

The only support received for the amounts charged during fiscal years 2015-2017 is a worksheet used by accounting to record the monthly journal to charge the GO Program for indirect costs and record the corresponding miscellaneous revenue in the General Fund. The total allocation of costs to the GO Program and Enterprise Funds of \$9.7 million is presented in the annual budget book but there is no support for the \$9.7 million or how it's allocated to the funds/departments.

We reviewed the reasonableness of internal service fund charges to the GO Program for Technology, Insurance, Workers' Compensation, and Telephone. The internal service rates are based on computer models established for each fund.

We reviewed engineering charges to the GO Program to ensure they were fairly and reasonably allocated to the GO Program. The basis for the allocation of engineering charges is the engineering budget set-aside developed during the CIP budgeting process according to the City's CIP Training Manuals.

***Findings and Recommendations:***

**Indirect Costs Allocated To The GO Program Are Unsupported And Are Relatively High.**

The indirect costs charged to the GO Program of \$1.4 million each fiscal year are not supported by a cost allocation plan. The most recent plan completed was from fiscal year 2014 which identified \$832,000 of indirect costs allocable to the GO Program. This plan was reviewed during the previous performance audit and contained several errors.

In response to prior performance audit findings over indirect costs, the City contracted with Pat Walker Consulting to perform a cost allocation plan. Per review of the report issued January 9, 2018 the Full Cost Allocation Plan provides an allocation of \$662,607 to the GO Program using fiscal year 2016 actuals. The indirect cost rate developed is 6% using fiscal year 2016 allowable budgeted expenditures.

The \$1.4 million charged to the GO Program is relatively high in comparison to either the most recent cost allocation plan or the consultant's report issued subsequent to the audit period.

### **Recommendation**

The City should ensure monthly indirect cost billings are consistent with an adopted indirect cost allocation plan.

### **Management Response**

Concur. In FY16-17, the city updated its cost allocation plan. The Finance Department is currently charging the GO program its share of the indirect costs based on that plan. The plan is scheduled to be updated again in FY19-20.

### **Surplus Funds Are Appropriately Invested With Some Exceptions Noted.**

We reviewed the City's general policies and practices related to the investment of surplus funds. This included reviewing the Investment Policy for the City of Glendale (amended April 2014 and January 2016) as well as carrying out discussions with Finance Department personnel.

The City's investment policy adopted in January 2016 lists the City's investment objectives in order of priority which are safety, liquidity, diversification, and yield. Responsibility for the investment of all temporarily idle funds has been delegated to the Finance Director. Per review of the investment policy, it appears the policy is consistent with the requirements in A.R.S. 35-323. The City's investment policy limits the type of investments the City is able to make to the following: U.S. Treasury Obligations, Federal Instrumentality Securities, Prime Commercial Paper, Repurchase Agreements, State Treasurer Investments, Time Certificates of Deposit, Interest Bearing Savings Accounts, Bonds of the State of Arizona and Corporate Bonds. The City's investment policy states that when bond proceeds are invested, the permitted investment's portion of the bond indenture takes precedence over investment policy.

In addition to reviewing the investment policies in effect, we tested the City's compliance with the policies. Three months of investment statements were reviewed during the period to determine compliance with concentration restrictions, credit rating restrictions, and investment maturity restrictions.

The City has questioned whether a separate investment policy should be required for the GO Program. Based on our review, the City is investing surplus funds within legal requirements and prudent investment practices. Generally, the best practice is to pool funds wherever possible to achieve the highest returns. We saw no pressing need for a separate investment policy.

***Findings and Recommendations:***

**The City Does Not Have Written Procedures Detailing The Process For Determining The Amount Of Short-Term Cash Needed.**

There are no detailed written procedures to be followed in determining how much cash is needed for short-term needs. In practice the Finance Department evaluates debt service requirements and attempts to match them with investment maturities. This practice should also be applied to capital outlay requirements.

**Recommendation**

We recommend that the City establish a written process for determining the amount of short-term cash needed including evaluating capital outlay requirements to ensure appropriate liquidity and maximum return on the City's idle monies.

**Management Response**

Concur. In fiscal year 2018, the City developed and implemented a process for determining short term cash needs. The City will document its process in writing by June 30, 2019.

**Maintenance Charges Are Being Fairly Allocated.**

According to the Capital Improvement Plan (CIP) Training Manual, all projects should include Operations and Maintenance (O&M) charges as part of the CIP Request Forms that are submitted to the Management and Budget Department. These O&M charges displayed on the CIP are for informational purposes only. These O&M charges are not charged or allocated by the Management and Budget or Finance Departments.

Once the project has been completed, the program will record actual O&M costs incurred as a result of the project. Any O&M costs that existed prior to the completion of the project are not funded by the GO Program. The Program only takes on the additional operating costs that resulted from the projects. Once the GO Program begins to incur operating costs, the GO Program personnel will review budget capacity for those projects and request additional budget if necessary. If additional funding is needed, the additional budget requests are submitted to the Management and Budget Department and reviewed. They are then sent to Council to be formally approved.

**CIP Set-Asides Are Fair And Accurate With Some Exceptions Noted.**

For fiscal year 2014-15 and years prior, the Management and Budget Department released a CIP Training Manual to help guide the preparers of the CIP Request Forms. In lieu of providing the CIP manual for fiscal years 2015-16 and 2016-17, the Budget Department provided information on their website for review while entering CIP Requests. The GO Transportation personnel prepare the CIP Request Forms, and submit the forms to the Management and Budget Department. The set aside guidance in the CIP Training Manual or on the website is developed based on historical data and consultation with the engineering department. The Deputy Director and the Budget Department provide oversight ensuring the CIP Request Forms are reasonable and completed in accordance with the CIP Training Manual or website.

***Findings and Recommendations***

**CIP Set-Asides Are Fair And Accurate With Some Exceptions Noted.**

All set aside allocations reviewed complied with the City’s CIP Training Manuals and City policy except where noted below.

- For two of 15 projects reviewed, the City did not properly calculate the finance charge set-aside.

**Recommendation**

The GO Program personnel should ensure that the set-aside charges used in the CIP are in accordance with the CIP Training Manuals or other guidance issued.

**Management Response**

Staff agrees with this recommendation.

### **Determining The Appropriate Set-Aside Was Not Always Clear In Fiscal Years 2015-16 And 2016-17.**

The City discontinued the use of the CIP Training Manual in fiscal year 2015-2016. The Manual provided guidance for determining set aside amounts for engineering, art, finance and contingency. The information provided on the website did not include guidance on calculating art and finance set asides, both of which are applicable to the GO Program

#### **Recommendation**

Having a standard process for determining set aside amounts ensures consistency and reasonableness of the estimates. It's recommended that the City continue to update and disseminate the manual to departments or provide the information in another format which includes guidance for all approved set-asides.

#### **Management Response**

Concur. The Budget and Finance Department is in the process of working with the Engineering Department to review and update the city's methodology for calculating CIP set-asides. This will be completed by June 30, 2020.

### **The GO Program Is Following Accepted City Standards For Purchasing.**

We reviewed the City's general practices established by City ordinances related to the procurement of goods and services for the GO Transportation Program. This included reading the ordinances related to the procurement of goods and services, carrying out discussions with Finance and Purchasing Department personnel in order to determine the procedures used to procure goods and services and examining a sample of transactions.

### **The GO Program Is Consistent With The CIP With Some Exceptions Noted.**

We reviewed a sample of the projects in the GO Program and the City's adopted CIP to ensure consistency of the projects reported and the amounts budgeted. Due to the timeline of when the CIP was adopted and the GO Program of Projects was prepared, updated information was available and used to prepare the GO Program of Projects.

#### ***Findings and Recommendations:***

### **The City's CIP Budget Did Not Include All GO Program Of Projects.**

During our review of GO Program consistency with the City's CIP budget, it was noted that carryover funds in the amount of \$333,000 for Glendale Sports Facilities Variable Message Signs were not accounted for in the City's 2016-17 CIP budget. Additionally, there were two projects in the 2015-16 GO Program of Projects scheduled to be completed in fiscal years 2024 and 2025,

which were not accounted for in the City's 2015-16 CIP budget. The projects were intersection improvements at 51<sup>st</sup> Ave and Bell Road in the amount of \$1.4 million, and 59<sup>th</sup> Ave & Bethany Home/59<sup>th</sup> Ave and Camelback in the amount of \$5.4 million. The projects were subsequently added to the 2016-17 CIP budget.

**Recommendation**

Staff should reconcile the GO Program of Projects with the CIP Budget to ensure GO Program projects are accounted for in the City's budget.

**Management Response**

Staff agrees with this recommendation.

## Status of Prior Audit Findings

The 2014 performance audit made several recommendations that were applicable to this section.

- **Recommendation 1** – The City does not have written policies detailing the process for allocating interest among the participating funds. We recommend that the City document their interest allocation process of choice and additionally, look to using an allocation method based on the actual interest earned in the pooled account.

**Actions taken:** Corrected.

- **Recommendation 2** – The City's Cost Allocation Plan did not follow cost allocation methods as recommended by the Government Finance Officers' Association's Cost Analysis and Activity Based Costing for Government. We recommend the City consider the implementation of a reciprocal allocation method. While this is more complicated than the City's current method, it would allow for the allocation of costs back and forth among service departments. According to Cost Analysis and Activity Based Costing for Government published by the Government Finance Officers' Association, the reciprocal method will produce a more accurate allocation. Additionally, the City should ensure supporting documents are maintained and reconciled with the spreadsheet and clerical checks are performed to ensure propriety.

**Actions taken:** This recommendation has not yet been implemented.

- **Recommendation 3** – For all fiscal years reviewed, the total indirect costs charged to the GO Program were inconsistent with the cost allocation plans. The City should ensure monthly indirect cost billings are consistent with the adopted indirect cost allocation plan.

**Actions taken:** This recommendation has not yet been implemented.

- **Recommendation 4** – The City's does not have written procedures detailing the process for determining the amount of short-term cash needed. We recommend that the City establish a written process for determining the amount of short-term cash needed.

**Actions taken:** Additional findings noted during the current performance audit.

- **Recommendation 5** – CIP set-asides are not always based on the CIP Training Manuals. The GO Program personnel should ensure that the set-aside charges used in the CIP are in accordance with the CIP Training Manuals and consistently applied to all projects. The Management and Budget Department should ensure that during their review of the CIP Request Forms that all required set-asides are included and are charged appropriately.

**Actions taken:** Additional findings noted during the current performance audit.

- **Recommendation 6** – Documentation of some procurements and expenditures were not available. The City should ensure procurements are performed in accordance with the procurement code. Additionally, documents should be maintained at a minimum in accordance with the City’s record retention schedules, and it is recommended that records required for ongoing or foreseeable official proceedings, such as audits, lawsuits or investigations should be retained until released from such official proceedings.

**Actions taken:** Corrected.

- **Recommendation 7** – The GO Program of Projects and CIP inaccurately included projects. Staff should reconcile the GO Program of Projects with the CIP to ensure GO Program projects are accurately reported.

**Actions taken:** Additional findings noted during the current performance audit.

## Is the 25-Year Program Financially Balanced and Based on Reasonable Estimates?

### Methodology

We analyzed the 25-year projections and the underlying assumptions used for the fiscal years 2015-2039, 2016-2040 and 2017-2041.

Interviews were conducted with various members of the Transportation Department and the Budget and Finance Department, as well as the outside consulting firms, URS Corporation and Elliot D. Pollock & Company. The consultants provided forecast amounts and analyses to help the City of Glendale determine inflation rates, short-term investment interest rates on fund balance, make adjustments to capital and operating and maintenance costs, sales tax and other revenue types and determine bonding level financing along with interest rates for future bond issuances.

Our review's purpose was to determine the reasonableness of the projections made in the documents and reports aforementioned. A comparison of the forecasts against historical amounts and applied regression analysis<sup>1</sup> was made in addition to other statistical methods of analysis. A review of the assumptions under which the forecasts were made was performed to determine if those techniques were acceptable in light of other potential factors affecting future experience.

There were six main areas of the forecast reviewed:

### **Are The Financial Projections Reasonable, Including: Sales Tax, General Funds, Fare Box, Regional, State And Federal Sources?**

- We reviewed the financial projections and the underlying assumptions.
- We reviewed the policies and procedures for creating the financial forecasts.
- We agreed projections to supporting documentation on a test basis.
- We assessed the credentials and experience level of the Consultants hired to assist with the financial projections.
- We reviewed the consultant's calculations and approach for reasonableness.
- We compared financial projections with those of prior years and other expectations.
- We compared underlying assumptions to commonly accepted forecasting practices factoring in potential factors that may affect future projections.
- We recalculated projections for accuracy and to ensure the disclosed forecasts were used in the underlying calculations.

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<sup>1</sup> Regression analysis is a method for forecasting in which trends are determined by applying a "best fit line" to historical data as a prediction for future expectations.

### **Are Cost Estimates Reasonable?**

- We compared cost estimates to historical data on a project basis.
- We agreed estimates to supporting documentation on a test basis.
- We reviewed underlying assumptions of the cost estimates for reasonableness taking into consideration factors that may affect future projections.
- We compared cost estimates with those of prior years and other expectations and investigated significant variances

### **Are Financial Factors, Such As Interest Rates, Bonding Levels And Inflation Rates Reasonable?**

- We compared the financial factors against historical measures.
- We compared financial factors against commonly accepted forecasting practices for reasonableness.
- We considered the City's ability to meet the required 1.5 pledged revenue debt coverage ratio benchmark with future financing requirements.

### **Is The Schedule Of Planned Activity Achievable?**

- We compared the schedule of planned activity against historical activity levels.
- We considered potential factors that could impact future activity level.
- We compared forecasted revenues, expenditures, bonding activity and projected fund balance carry forward to determine if the City has sufficient cash flow to cover its planned activities.

### **What Is The Process Used To Adjust The Schedule? Is It In Keeping With The Intent Of Voters?**

- We reviewed the adopted policies and procedures directing the appropriate method for making changes to the project list approved by Glendale voters for the GO Program.
- We compared the actual process of altering the schedule of planned activity to Proposition 402 language.
- For a sample of new projects, we verified that they were included in the budget and that the budget was approved by the City Council.

### **Is The 25-year Program Consistent With Regional Programs, Including Maricopa Association of Governments (Transportation Improvement Program, Regional Transportation Plan, And Arterial Life Cycle Program), Regional Public Transportation Authority/Valley Metro Rail, Inc. (Transit Life Cycle Programs), Maricopa County Department Of Transportation (Capital Improvement Plan And Northern Parkway Life Cycle Program)? Are Glendale Matching Funds Being Taken Into Account?**

- We reviewed the regional plans for the City's participation in regional projects.
- We reviewed the appropriate projects for any matching requirements.
- We compared the City's share of costs in the regional plans to the 25-year program to determine if costs included were appropriate and reasonable.

To obtain an understanding of the six main areas, the source of the forecasts and the reports in which they were formalized, the documents and spreadsheets listed below were reviewed:

- Fiscal Years 2015-2039 Program of Projects and Financial Model
- Fiscal Years 2016-2040 Program of Projects and Financial Model
- Fiscal Years 2017-2041 Program of Projects and Financial Model

## Summary of Observations and Recommendations

### The Revenue Financial Projections Are Reasonably Stated With Some Exceptions Noted.

#### **Consultant**

The City utilized two different consultants to provide forecast figures during the period of review (URS for 2015-39 and Elliot D. Pollack & Company for 2016-40 and 2017-41. Both consultants who provided forecast figures to be incorporated into the 25-year projections appeared qualified and adequately experienced to perform the analyses and forecasts on transportation subject matter based on review of their resumes and qualifications.

#### **Sales Taxes**

For the 25 year estimates, the Budget and Finance Department provides the base year's projection to the Consultant, who then applies their own analyses, and forecasting models for the projected sales tax in the remaining 24 years.

Sales tax projections made by the Budget and Finance Department are influenced by historical data and economic trends. The City did not provide a formula or any detailed documentation of the calculation of the base year sales tax estimates. It was noted that each base year estimate was conservative, which heavily impacts the next 24 years of forecasted revenues. Below is a comparison between the base year forecast and actual revenues for the audit period under review.

Financial Model	Base Year Estimate	Actual Sales Tax	Difference
<b>2015-2039</b>	23,095,436	24,689,878	<b>1,594,442</b>
<b>2016-2040</b>	24,206,200	25,803,214	<b>1,597,014</b>
<b>2017-2041</b>	25,053,441	26,362,189	<b>1,308,748</b>

We examined the sources of the data, factor selection and potential dependencies between factors, and the reasonableness of the consultants' approaches to forecasting future sales tax revenue.

The three factors currently used to predict sales tax revenue are CPI (consumer price index), PCPI (per capita personal income), and Population. We determined the underlying factors were obtained from credible sources and accurately applied to their model. Dependencies between the factors were also reviewed, by performing a Pearson correlation analysis to measure the strength of the linear relationships between the factors. To determine whether any of the relationships between variables were significant, the correlation p-values were also examined. We concluded the association between the factors were insignificant.

In previous years the sales tax revenue has been estimated through the use of regression equations. The accuracy of regression in predicting future values is heavily dependent on both the amount of available data as well as its accuracy. Less than optimal base year estimates could result in significant under or over estimation of future forecasted values. Due to the limited amount of historical sales tax revenue data available from the GO Program, combined with the conservative base year tax revenue estimate provided by the City of Glendale for 2017, the consulting firm decided to discard the previously used regression equation in favor of a trend analysis to make their most recent sales tax revenue forecasts.

The consultants not only examined trends in historic Population, PCPI, and CPI data, but also evaluated the trend of tax revenue on a per capita basis and factored this into their revenue estimations. All projections made by the consultants are reviewed annually, allowing regular opportunities for the adjustment of significant under or over estimations. Given this information, the assumptions and methodologies employed by the consultants appear reasonable.

### ***Findings and Recommendations:***

#### **The Base Year Sales Tax Forecasts Were Conservative, And In One Financial Model Misreported.**

- Based on review of budget to actuals (see table above), the City employs a conservative approach to forecasting sales tax revenues, especially in fiscal years 2015 and 2016 in which the actual sales tax revenues exceeded the budget estimate by approximately seven percent. Large variances in the base year estimates heavily impact the accuracy of the 25 year forecast.
- It was noted that the Budget and Finance Department developed an estimate of \$25,053,441 for fiscal year 2017 sales tax revenue; however, an estimate of \$25,317,400 was used in the 2017-2041 Financial Model. The difference is related to the Financial Model including interest revenue of approximately \$140,000 and transit revenue of approximately \$124,000 in the sales tax forecast.

### **Recommendation**

It is recommended that the City refine their estimates of sales tax revenue to ensure a more accurate estimate of resources available in the GO Program's 25 Year Program of Projects. Additionally, a second person should review the input of figures into the Financial Models for clerical accuracy.

### **Management Response**

Partially concur. The Budget and Finance department began reviewing the GO Financial models beginning in FY17-18 to ensure they are consistent with other city financial forecasts and models. The City does not agree that its revenue estimates are overly conservative.

### ***General Funds***

Each year the City has transferred \$900,000 to the Transportation Sales Tax Fund to support the activities of that fund. We reviewed the three 25-year projections and determined that a transfer was scheduled for each year forecasted. It should be noted that subsequent to the completion of the 2017-2041 projection, the City decided to discontinue the General Fund transfer starting in fiscal year 2018.

### ***Intergovernmental Revenues***

Historically, intergovernmental revenues have consisted of Local Transportation Assistance Fund (LTAF) distributions from the Arizona State Treasurer, Federal Transit Administration (FTA) operating grants and other federal, state and regional capital funding. The grant funding included in each of the financial models was based on anticipated grant awards for the individual projects and the timing of when construction would occur. The estimates of intergovernmental revenue were compared with historical collections as well as future projected funding in the regional plans for reasonableness.

### ***Fare Box Revenues***

The two most significant components of Fare Box revenue are related to Bus Routes and Light Rail. The methodology for estimating these revenues are described below.

The City estimates Bus Fare Box revenues by using historical recovery percentages by route. Additionally, it was noted in the 2017-2041 Financial Model that for fiscal years 2035-2041, the City changed their method by applying twenty percent to total non-RPTA budgeted route expenditures. This resulted in a large drop off in annual revenues from \$2.3 million in fiscal year 2034 to \$1.4 million in fiscal year 2035. The annual estimates of Bus Fare Box revenues were compared to historical collections for reasonableness. Additionally, the recovery percentages were compared to a recent year-end reconciliation with the City of Phoenix for reasonableness.

The estimated Light Rail Fare Box revenues are derived from Valley Metro's Capital and Operating Summary by Project Report. The projected Fare Box revenues in the City's forecasts were consistent with Valley Metro's Report.

***Findings and Recommendations:***

**The City Applied Two Different Methodologies To Forecasting Bus Fare Box Revenue Resulting In Significant Fluctuations Of Forecasted Revenue During The 25 Year Period.**

In the 2017-2041 Program of Projects, the City estimated Bus Fare Box revenues for fiscal years 2017 through 2034 by applying a weighted average of Fare Box recovery percentages by route based on historical data provided by City of Phoenix for fiscal years 2013 through 2015. Then in fiscal years 2035-2041, the City changed their method by taking total budgeted route expenditures, less RPTA serviced routes, multiplied by twenty percent. This change resulted in a large drop off in annual revenues as indicated above.

**Recommendation**

It is recommended that the City use the more refined approach based on historical data and apply it consistently during the 25 year forecast.

**Management Response**

Staff agrees with this recommendation.

**The Cost Estimates And Underlying Assumptions Are Reasonable With Some Exceptions Noted.**

We reviewed the underlying support for a sample of significant projects reported in the Program of Projects to ensure there was a reasonable basis for the City's cost estimates. The costs were compared to historical data as well as regional project plans.

We also compared cost estimates by project to prior year estimates. When significant fluctuations occurred, the basis for those fluctuations were investigated and discussed with the Transportation Department. The following are highlighted changes to the projections during the audit period:

***Transit***

- Approximately \$32.1 million cost increase for operating the light rail in 2015-2039 due to increasing cost estimates provided by Valley Metro. This contributed to the City's decision to abandon the light rail project during fiscal year 2018.
- Operating costs for transit bus operations were revised up significantly in 2016-40, primarily due to an increase in route miles and cost per mile estimates associated with routes 59, 67, and 70.

### **Streets**

- Capital costs associated with the 59<sup>th</sup> Ave project were revised down by approximately \$12.3 million in 2017-2041, primarily due to the refinement of costs and reducing the scope of the project including not bringing the street lights into the median.
- Northern Parkway Capital Maintenance decreased approximately \$22.6 million in 2016-2040 due to the City maintaining less roadway than originally planned. The County is now responsible for maintaining a portion of the parkway from Dysart to 111<sup>th</sup> Ave.

### **Bike/Pedestrian**

- There were no significant changes to bicycle and pedestrian operating and capital costs during the audit period. Bicycle and Pedestrian Projects represent less than one percent of total GO Program costs in the 2017-2041 Program of Projects.

### **Other**

- Other costs increased in 2015-2039 by approximately \$33.6 million due to the restoration of the five percent contingency at the Program level. The 2017-2041 Program of Projects had contingency set at \$76.0 million over the 25 year period.

### **Findings and Recommendations:**

#### **Dial A Ride Cost Estimates Should Be Revised To Ensure Greater Accuracy In The Program Of Projects.**

The City has not updated its Dial a Ride (DAR) base costs since the 2014 Program of Projects. Payroll, employee related expenses, and fuel charges are all significant cost components of the DAR program. These costs are subject to significant fluctuations and may not be accounted for in the City's programmed annual inflation rate of 1.0075% on DAR costs. In the 2017-2041 Program of Projects, DAR accounts for approximately fifteen percent of total transit operation costs.

#### **Recommendation**

It is recommended that the City update Dial a Ride base costs more frequently based on actual costs incurred.

#### **Management Response**

Staff agrees with this recommendation.

## **Other Financial Factors Such As Interest Rates, Bonding Levels, and Inflation Rates Are Reasonable.**

### ***Bonding Interest Rates***

The bonding interest rates used in the financial models were provided by the City's consultants, URS Corporation for 2015 and Elliot D. Pollock & Company thereafter. The consultants factored in historical interest rates on general obligation bonds and revenue bonds, expected monetary policy, and the credit quality of Glendale's existing debt.

Each financial model had bonding interest rates starting at a marginally higher level than what the City had seen for coupon rates on their revenue bonds historically. We compared the projected coupon rates against the historical Highway User Revenue Fund (HURF) revenue bond rates for City of Glendale, Town of Gilbert and the City of Chandler, as well as past GO Program issuances. We chose the Town of Gilbert and City of Chandler because of the similarity in populations to the City of Glendale.

The average coupon rate for the three municipalities for years 1993 through 2017 was 4.69 percent, while the weighted average coupon rate for the three financial models ranged from 5.50 percent to 5.53 percent. The projected rates are higher than the average calculated rate due to historically low interest rates following the great recession. It is expected that interest rates will rise in the future due to monetary policy. Considering these factors the forecasted bond interest rates appear reasonable and conservative in nature.

### ***Bonding Levels***

In the 2015 Program of Projects, Appendix B describes the following three main reasons for bonding at the level prescribed for each projection:

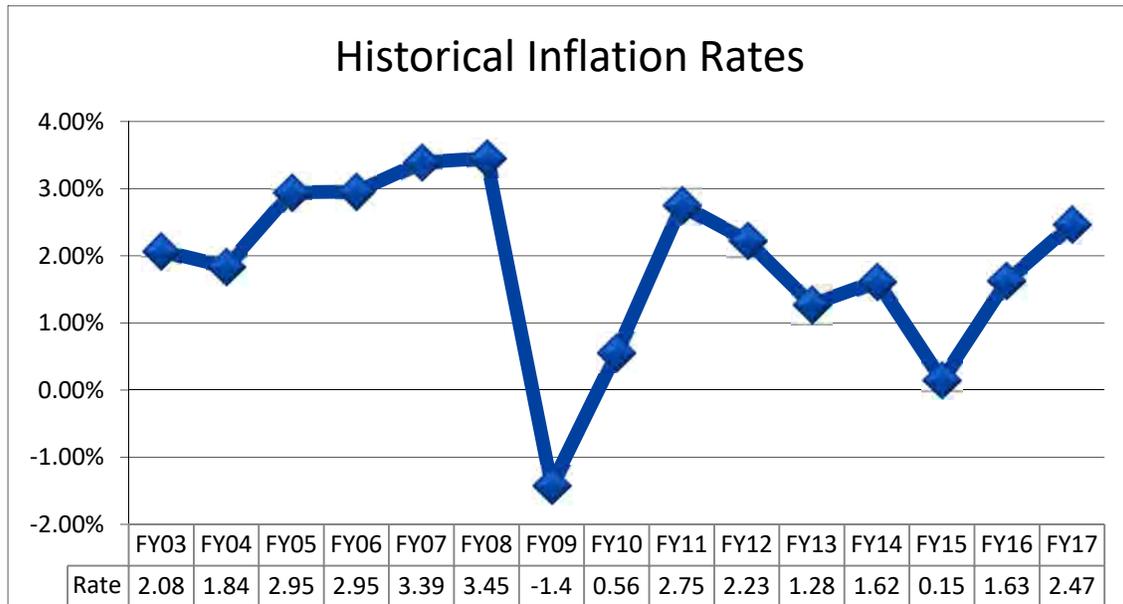
1. Support construction of street and bicycle projects
2. Complete a light rail transit connection to downtown Glendale
3. Complete the Northern Parkway

In the 2016 and 2017 Program of Projects specific projects were not identified as bond funded, however, it appears the 2015 projects identified were still accurate based on review of future projected GO Program cash flows.

The bonding levels seem to correspond with the major milestones of the projects discussed above. We noted that with the bonding levels set forth in each of the financial models for those projection years resulted in positive ending fund balances in each year. The City also factored in current debt service coverage ratio requirements to ensure the City is not over leveraged in future years.

**Inflation Rates**

We compared historical consumer price indices of all urban consumers for the Phoenix-Mesa, Arizona area from years 2003 through 2017 against the inflation rates assumed in the financial models. The changes in the consumer price indices were as follows.



The average rate from 2003 to 2017 was 1.86 percent; however, prior to the recession, there was a steady increase in inflation rates.

The inflation rates used in the Financial Models were obtained from reliable sources and are applicable to the GO Program. A comparison of the inflation rates used by the City’s consultants in each of the financial models is presented below.

Financial Model	Inflation Rates		
	Low	Average	High
<b>2015-2039</b>	1.85%	<b>2.22%</b>	2.33%
<b>2016-2040</b>	2.05%	<b>2.22%</b>	2.49%
<b>2017-2041</b>	2.09%	<b>2.30%</b>	2.61%

**The Planned Activity Level Is Reasonable With Some Exceptions Noted.**

We reviewed the planned activity level in terms of operating activities and capital activities. We applied regression analysis against historical non-capital expenditures for the fiscal years 2002 through 2017, and applied analytical procedures over capital activities.

### ***Operating Activities***

Comparison of the three projections for non-capital expenditures have yielded results that suggest the financial model has a strong correlation to projected expenditures using linear regression (R-squared value does not fall below 0.82 for any of the financial models), therefore, suggesting that the financial model is reasonable in relation to historical non-capital expenditures. Considering the nature of non-capital expenditures in the form of operational expenditures, it is reasonable to believe that a gradual escalation of expenditures is foreseeable.

A significant portion of the operating expenditures occurred under the transit program. The largest projects under the transit program for operating activities for each of the three financial models are local bus routes and the Dial a Ride service.

An increase or decrease in activity is not planned for the Dial a Ride service; however, the local bus services had a number of expansions, route additions and route deletions planned for the three financial models.

### ***Capital Activities***

We applied certain analytical procedures over the capital expenditures for each program type (Transit, Street, Bike/Pedestrian and Other) and compared the projected amounts against the average historical amounts spent. Additionally, we compared the projected number of projects against the historical average number of projects. For those fluctuations that fell outside of our expectations we evaluated their reasonableness. There were no instances in which the capital project activity levels appeared unreasonable.

### ***Projected Cash Flows***

We compared forecasted revenues, expenditures, bonding activity and projected fund balance carry forward to determine if the City has sufficient cash flow to cover its planned actives.

### ***Findings and Recommendations:***

#### **The City Incorrectly Used The Inflation Rate As A Proxy For Investment Income.**

The projected inflation rate rather than the projected investment rate was applied to the prior year ending fund balances in the Financial Models. Due to the inflation rate being much higher than the yield on the City's idle cash and investments, the fund balances are over projected likely causing deficit fund balances in some years.

### **Recommendation**

It is recommended that a forecasted rate of return is applied to the idle cash balances rather than the inflation rate.

### **Management Response**

Staff agrees with this recommendation.

### **The Process By Which The Schedule Of Activity Is Adjusted Is In Keeping With The Intent Of The Voters.**

Per discussion with the Transportation Department we determined that the following process is in place to add new projects to the planned activities schedule:

1. The Transportation Department explores a new project, including the estimated time it would take to complete and the estimated costs that would be incurred.
2. The project is submitted to the City's Citizens' Transportation Oversight Commission (CTOC) for recommendation.
3. The project is further explored by the CIP review committee.
4. If the committee supports the project, it is sent to City Council to have the budget line items approved.

Additionally, the annual budget of the City discusses the following process for approving capital projects:

*Capital improvement projects are non-routine capital expenditures that generally cost more than \$50,000 and result in the purchase of equipment, acquisition of land, design and construction of new assets, or the renovation, rehabilitation or expansion of existing capital assets. Capital projects usually have an expected useful life of at least five years...Once projects are selected for inclusion in the capital plan, decisions must be made about which projects should be recommended for inclusion in the first five years of the plan. Determining how and when to schedule projects is a complicated process. It must take into account City Council's strategic goals as well as all of the variables that affect the city's ability to generate the funds to pay for these projects without jeopardizing its ability to provide routine, ongoing services and one-time or emergency services when needed. The financial projections used to develop the CIP are based on staff's best prediction of future real estate values, construction costs, interest rates, and other relevant variables. These financial projections are jointly developed by the Finance and Technology Department and Public Works Department in conjunction with the Assistant City Manager. They are updated annually to reflect changes in the economic environment. Although only the first year of the plan is appropriated, the first five years of the plan are financially balanced... Financial and legal constraints make it impossible for the city to fund every project on its priority list. For example, it is not possible for the city to fund concurrently several large-scale projects that have significant operating budget impacts.*

*Also, revenues used to pay the debt service are not limitless. Therefore, implementation timetables are established to stagger projects over time based on Council's strategic goals and the estimated financial resources expected for the future. A critical element of financing capital projects is the ability to manage within available resources, including the overall debt incurred for past projects and any new debt for future projects. Limited staff resources to undertake new capital projects also must be considered. Capital projects often require significant time to manage effectively, and project managers in the departments typically manage several capital projects concurrently. The city also must coordinate the timing of many of its capital projects with federal, state, county and municipal governments and outside entities...The availability of unanticipated financing, such as federal or state transportation grants may cause the city to accelerate a particular project. In addition, a scheduled project may be delayed in order to take advantage of an unusual one-time opportunity such as the receipt of non-governmental grant monies. The City Council reviews the recommended CIP during the spring budget workshops. Council also considers citizen requests and considers the recommendations of staff before making the final decision about which projects should be included in which years of the CIP.*

We determined the projects added to the schedule of activities follow the process outlined above.

### **The 25-Year Program Is Consistent With Regional Programs With Some Exceptions.**

We reviewed the following regional programs to determine any projects requiring the City of Glendale's participation and any matching requirements:

- Maricopa Association of Governments
  - Transportation Improvement Program
  - Regional Transportation Plan
- Valley Metro
  - Transit Life Cycle Programs
- Maricopa County Department of Transportation
  - Transportation Improvement Program
  - Northern Parkway Life Cycle Program

In most cases, the differences between the regional plans and the GO Program were insignificant; however, there were instances in which the City adjusted for additional factors not taken into consideration in the regional plans and updated information obtained subsequent to the preparation of the regional plans.

***Findings and Recommendations:***

**There Was An Inconsistency Between The GO Program of Projects And Valley Metro's Transit Life Cycle Plan.**

We noted significant differences in Route 70 miles between the GO Program and Valley Metro's Report. This does not have a net impact on the program as the route is regionally funded. The increased miles in the GO Program results in increased regional revenue and offsetting transit expenditures reported in the GO Program of Projects.

**Recommendation**

It is recommended that staff perform a reconciliation of regional plans and reports to the GO Program Financial Models to ensure accuracy.

**Management Response**

Staff agrees with this recommendation.

**Status of Prior Audit Findings**

There were no prior performance audit recommendations that were applicable to this section.

## Appendix

## Summary of Findings, Recommendations, and Management Responses

### Are Commitments to Voters Being Met?

#### 1. Funding For Glendale To Participate In The Regional Light Rail System Has Been Eliminated.

The 2001 Proposition 402 transportation ballot included providing a light rail system connecting Glendale to the Phoenix/Tempe/Mesa light rail line. This project was one of the nine items specifically listed in the Transportation Pamphlet and Ballot

The Glendale City Council decided not to fund the project because preliminary estimates showed that the cost to construct a light rail extension to downtown Glendale would exceed the programmed capital costs by approximately 8% in one-time expenses and the programmed operational costs by 70%.

#### Recommendation

We recommend that the Transportation Department consider using the monies saved by the elimination of the light rail system funding be used on other transportation items that were to be completed in the first 5 years of the GO program that either have been delayed or terminated. (See comments on Bus Services and on 59th Ave intersection improvements.)

#### Management Response

Staff agrees with this recommendation. Through Council action, funds that were previously allocated to Light Rail project are planned to be allocated to Transportation projects that meet the intent of the Proposition 402.

#### 2. Some Of The Commitments To Voters To Expand And Increase The Frequency Of Bus Services Have Been Retracted.

The Special Transportation Election Ballot language stated that the Transportation Sales Tax revenue would be used to expand and increase the frequency of bus services. The Publicity Pamphlet for the Special Transportation Election also stated that within five years the frequency of service on all existing bus routes would be increased to every 30 minutes.

The 2005 and 2008 performance audits found that these commitments had been met. The 2011 performance found that the commitments continued to be met with two exceptions. The 2014 performance audit found that the Department had taken six additional actions to reduce or eliminate services included in the ballot language. This audit showed that one action had been restored. The remaining reduced or terminated services during the last nine years are as follows:

- The frequency of service on Bus Route 186 has been reduced from every 30 minutes to hourly.
- Reverse trips from Downtown Phoenix on express route 573 were eliminated.
- Route 122 was eliminated.
- Saturday service on Route 70 between Luke AFB and the 99th Avenue Park and Ride was reduced from every 30 minutes to every hour. Weekend service reduced from 30 minutes to hourly in Glendale.
- Saturday service on Route 106 was reduced from every 30 minutes to hourly.
- Saturday service on Route 170 was reduced from every 30 minutes to hourly.
- Express Route 581 was eliminated.

According to the FY 2017-2041 Program Projects report the elimination of one subset of state lottery funds and a reduced projection of regional transportation sales tax (Public Transportation Fund - PTF) funds have forced the City of Glendale to reduce the cost of its transit operations over the past five years to maintain a balanced budget.

### **Recommendation**

We recommend that GO Transportation Program Management consider restoring the reduced/terminated services to 2008 levels with monies made available by the elimination of the Light Rail Project funding. We further recommend that any necessary future GO Program adjustments be made first to those projects or services not specifically identified in the 2001 Ballot to be completed within five years.

### **Management Response**

Staff agrees with this recommendation. Some of the Transit service is retracted to balance the Long-Range Transportation Program. Staff will continue to look for sustainable opportunities to restore this service.

**3. Several Projects That Were To Be Completed Within The First Five Years Of The GO Program Were Not Complete As Of June 30, 2017.**

There were 39 Street projects that according to the Publicity Pamphlet for Proposition 402 were to be completed within the first five years of the GO Program. As of June 30, 2017, 31 of those projects were complete, 1 project was scheduled for construction during FY 2018 and the remaining 7 projects were scheduled for completion by FY 2028.

As reported in the 2005 Performance report those projects were first delayed until Fiscal Years 2021 and 2023, because of cost escalation and limits on funds available and later because of revenue shortfalls, which resulted in the inability to maintain the required revenue to debt service ratio of 2:1. As of the end of 2011, these projects had been further delayed and scheduled for completion in Fiscal Years 2026 (for 1) and 2027 (for 8). The sales tax revenue decline was the stated reason for the additional delays. Now, the projects are scheduled for sequential construction starting with the first project (Intersection Improvements at 59th Avenue and Olive Avenue) in FY 2018. Schedule dates for the remaining 59th Ave Projects have not yet been established but completion of all is planned by FY 2028.

In May 2017 the Glendale Police Department released a list of the 10 most dangerous Glendale intersections. The 59th and Olive intersection was included on this list as well as 4 other 59th Avenue Projects. The 59th and Olive Project includes traffic flow improvements (such as a right turn lane and a bus bay pull-out) and safety improvements (such as reduced crosswalk width and crosswalk hash marks). Plans for the other 59th Ave Projects include many of the same traffic flow and safety improvements that are planned for 59th and Olive.

**Recommendation**

GO Transportation Program Management should follow through with its plans for the 59th Ave and Olive Avenue Project and establish a construction schedule for the remaining 59th Ave Projects to ensure completion by 2028 and expedite the schedule for an earlier completion date to the extent possible.

**Management Response**

Staff does not agree with this recommendation. The Proposition 402 identified projects that were to be funded out of the Long-Range Transportation Program. The Proposition also identifies the process for making changes to the Program. The process is that changes to the Program are to be recommended by CTOC and approved by Council. Such changes should no longer have to meet the originally anticipated schedule.

## Summary of the City's Financial Audits

### **1. The City's External Auditors Reported A Material Weakness Over Financial Reporting In Fiscal Year 2017 Related To Material Audit Adjustments To Correct Accounts Receivable/Revenue And Accounts Payable/Expenditures. Additionally, During Compilation Of The GO Program Financial Statements We Identified Several Transactions Which Were Not Recorded In Accordance With Generally Accepted Accounting Principles.**

- Intergovernmental revenues were overstated by \$620,410 in fiscal year 2015 due to the City not accruing RPTA revenue in the prior fiscal year. The GO Program Statements were adjusted for this error.
- Capital outlay expenditures and proceeds from sale of assets were overstated by \$450,857 in fiscal year 2015 due to the City recording the effect of a land swap with ADOT in which the City received land valued at \$450,857 more than the land conveyed to ADOT. Because this transaction is related to long term assets it should not be recorded in the fund financial statements under the current measurement focus. The GO Program Statements were adjusted for this error.
- The City received refunds of prior year expenditures totaling \$213,511 and \$440,056 in fiscal years 2015 and 2016, respectively. The refunds were recorded as negative expenditures rather than revenue. The GO Program Statements were not adjusted for these errors.
- The City was not able to provide documentation of the status of a seal coat project and whether the associated unearned revenue of \$365,152 should be recognized. Furthermore, it appears the unearned revenue should have been recorded to the HURF Fund rather than the Transportation Sales Tax Fund based on review of the City's generated billing. The GO Program Statements were not adjusted for these potential errors.

### **Recommendation**

We recommend the City evaluate internal controls over financial reporting to ensure transactions are properly recorded in accordance with generally accepted accounting principles.

### **Management Response**

Concur. Due to timing differences there were several transactions not recorded in accordance with Generally Accepted Accounting Principles. The City has added more internal controls to ensure further review of transactions. For fiscal year 2018 the external auditors did not report a material weakness over financial reporting.

## **Is the GO Program Being Addressed Fairly and Accurately in the City's Financial Practices?**

### **1. The City Does Not Have Written Policies Detailing The Process For Estimating Collectability Of Its Receivables.**

The City utilized different collectability estimates each year (76%, 55% and 35%), however, the City does not have written policies detailing how such estimates are to be determined.

#### **Recommendation**

We recommend that the City document their collectability estimate process in writing to allow for more consistent financial reporting year over year.

#### **Management Response**

Concur. The City will create written procedures to document its process for estimating collectability of its receivables by June 30, 2019.

### **2. Indirect Costs Allocated To The GO Program Are Unsupported And Are Relatively High.**

The indirect costs charged to the GO Program of \$1.4 million each fiscal year are not supported by a cost allocation plan. The most recent plan completed was from fiscal year 2014 which identified \$832,000 of indirect costs allocable to the GO Program. This plan was reviewed during the previous performance audit and contained several errors.

In response to prior performance audit findings over indirect costs, the City contracted with Pat Walker Consulting to perform a cost allocation plan. Per review of the report issued January 9, 2018 the Full Cost Allocation Plan provides an allocation of \$662,607 to the GO Program using fiscal year 2016 actuals. The indirect cost rate developed is 6% using fiscal year 2016 allowable budgeted expenditures.

The \$1.4 million charged to the GO Program is relatively high in comparison to either the most recent cost allocation plan or the consultant's report issued subsequent to the audit period.

#### **Recommendation**

The City should ensure monthly indirect cost billings are consistent with an adopted indirect cost allocation plan.

### **Management Response**

Concur. In FY16-17, the city updated its cost allocation plan. The Finance Department is currently charging the GO program its share of the indirect costs based on that plan. The plan is scheduled to be updated again in FY19-20.

### **3. The City Does Not Have Written Procedures Detailing The Process For Determining The Amount Of Short-Term Cash Needed.**

There are no detailed written procedures to be followed in determining how much cash is needed for short-term needs. In practice the Finance Department evaluates debt service requirements and attempts to match them with investment maturities. This practice should also be applied to capital outlay requirements.

### **Recommendation**

We recommend that the City establish a written process for determining the amount of short-term cash needed including evaluating capital outlay requirements to ensure appropriate liquidity and maximum return on the City's idle monies.

### **Management Response**

Concur. In fiscal year 2018, the City developed and implemented a process for determining short term cash needs. The City will document its process in writing by June 30, 2019.

### **4. CIP Set-Asides Are Fair And Accurate With Some Exceptions Noted.**

All set aside allocations reviewed complied with the City's CIP Training Manuals and City policy except where noted below.

- For two of 15 projects reviewed, the City did not properly calculate the finance charge set-aside.

### **Recommendation**

The GO Program personnel should ensure that the set-aside charges used in the CIP are in accordance with the CIP Training Manuals or other guidance issued.

### **Management Response**

Staff agrees with this recommendation.

**5. Determining The Appropriate Set-Aside Was Not Always Clear In Fiscal Years 2015-16 And 2016-17.**

The City discontinued the use of the CIP Training Manual in fiscal year 2015-2016. The Manual provided guidance for determining set aside amounts for engineering, art, finance and contingency. The information provided on the website did not include guidance on calculating art and finance set asides, both of which are applicable to the GO Program

**Recommendation**

Having a standard process for determining set aside amounts ensures consistency and reasonableness of the estimates. It's recommended that the City continue to update and disseminate the manual to departments or provide the information in another format which includes guidance for all approved set-asides.

**Management Response**

Concur. The Budget and Finance Department is in the process of working with the Engineering Department to review and update the city's methodology for calculating CIP set-asides. This will be completed by June 30, 2020.

**6. The City's CIP Budget Did Not Include All GO Program Of Projects.**

During our review of GO Program consistency with the City's CIP budget, it was noted that carryover funds in the amount of \$333,000 for Glendale Sports Facilities Variable Message Signs were not accounted for in the City's 2016-17 CIP budget. Additionally, there were two projects in the 2015-16 GO Program of Projects scheduled to be completed in fiscal years 2024 and 2025, which were not accounted for in the City's 2015-16 CIP budget. The projects were intersection improvements at 51<sup>st</sup> Ave and Bell Road in the amount of \$1.4 million, and 59<sup>th</sup> Ave & Bethany Home/59<sup>th</sup> Ave and Camelback in the amount of \$5.4 million. The projects were subsequently added to the 2016-17 CIP budget.

**Recommendation**

Staff should reconcile the GO Program of Projects with the CIP Budget to ensure GO Program projects are accounted for in the City's budget.

**Management Response**

Staff agrees with this recommendation.

## **Is the 25-Year Program Financially Balanced and Based on Reasonable Estimates?**

### **1. The Base Year Sales Tax Forecasts Were Conservative, And In One Financial Model Misreported.**

- Based on review of budget to actuals (see table above), the City employs a conservative approach to forecasting sales tax revenues, especially in fiscal years 2015 and 2016 in which the actual sales tax revenues exceeded the budget estimate by approximately seven percent. Large variances in the base year estimates heavily impact the accuracy of the 25 year forecast.
- It was noted that the Budget and Finance Department developed an estimate of \$25,053,441 for fiscal year 2017 sales tax revenue; however, an estimate of \$25,317,400 was used in the 2017-2041 Financial Model. The difference is related to the Financial Model including interest revenue of approximately \$140,000 and transit revenue of approximately \$124,000 in the sales tax forecast.

#### **Recommendation**

It is recommended that the City refine their estimates of sales tax revenue to ensure a more accurate estimate of resources available in the GO Program's 25 Year Program of Projects. Additionally, a second person should review the input of figures into the Financial Models for clerical accuracy.

#### **Management Response**

Partially concur. The Budget and Finance department began reviewing the GO Financial models beginning in FY17-18 to ensure they are consistent with other city financial forecasts and models. The City does not agree that its revenue estimates are overly conservative.

### **2. The City Applied Two Different Methodologies To Forecasting Bus Fare Box Revenue Resulting In Significant Fluctuations Of Forecasted Revenue During The 25 Year Period.**

In the 2017-2041 Program of Projects, the City estimated Bus Fare Box revenues for fiscal years 2017 through 2034 by applying a weighted average of Fare Box recovery percentages by route based on historical data provided by City of Phoenix for fiscal years 2013 through 2015. Then in fiscal years 2035-2041, the City changed their method by taking total budgeted route expenditures, less RPTA serviced routes, multiplied by twenty percent. This change resulted in a large drop off in annual revenues as indicated above.

#### **Recommendation**

It is recommended that the City use the more refined approach based on historical data and apply it consistently during the 25 year forecast.

**Management Response**

Staff agrees with this recommendation.

**3. Dial A Ride Cost Estimates Should Be Revised To Ensure Greater Accuracy In The Program Of Projects.**

The City has not updated its Dial a Ride (DAR) base costs since the 2014 Program of Projects. Payroll, employee related expenses, and fuel charges are all significant cost components of the DAR program. These costs are subject to significant fluctuations and may not be accounted for in the City's programmed annual inflation rate of 1.0075% on DAR costs. In the 2017-2041 Program of Projects, DAR accounts for approximately fifteen percent of total transit operation costs.

**Recommendation**

It is recommended that the City update Dial a Ride base costs more frequently based on actual costs incurred.

**Management Response**

Staff agrees with this recommendation.

**4. The City Incorrectly Used The Inflation Rate As A Proxy For Investment Income.**

The projected inflation rate rather than the projected investment rate was applied to the prior year ending fund balances in the Financial Models. Due to the inflation rate being much higher than the yield on the City's idle cash and investments, the fund balances are over projected likely causing deficit fund balances in some years.

**Recommendation**

It is recommended that a forecasted rate of return is applied to the idle cash balances rather than the inflation rate.

**Management Response**

Staff agrees with this recommendation.

**5. There Was An Inconsistency Between The GO Program Of Projects And Valley Metro's Transit Life Cycle Plan.**

We noted significant differences in Route 70 miles between the GO Program and Valley Metro's Report. This does not have a net impact on the program as the route is regionally funded. The increased miles in the GO Program results in increased regional revenue and offsetting transit expenditures reported in the GO Program of Projects.

**Recommendation**

It is recommended that staff perform a reconciliation of regional plans and reports to the GO Program Financial Models to ensure accuracy.

**Management Response**

Staff agrees with this recommendation.