

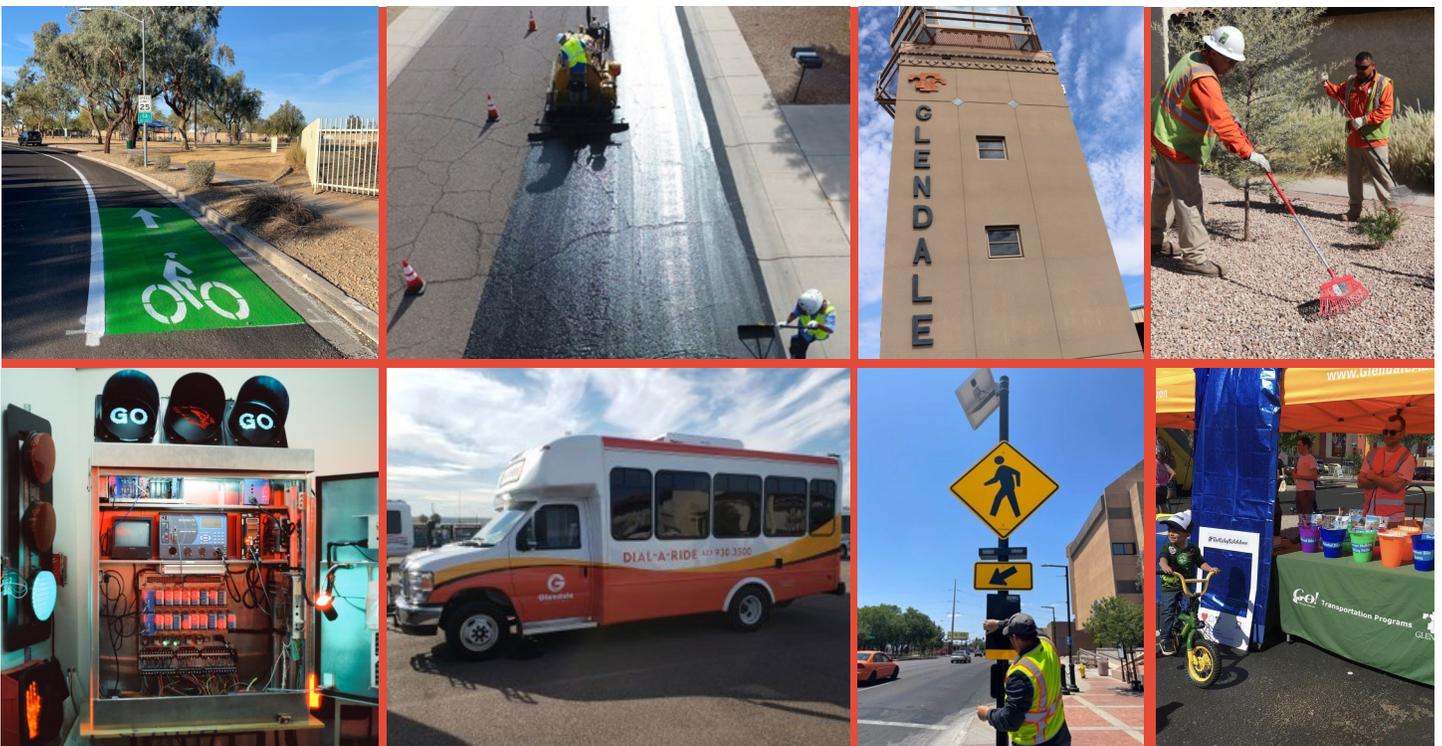


City of Glendale, Arizona

Glendale Onboard Transportation Program Performance Audit

Fiscal Years 2018 through 2020

Presented to the Citizens Transportation Oversight Commission (CTOC) August 5, 2021



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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 provide the members with long-range programs of sales tax-funded projects and annual reports that address funding balances and the 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 to conduct the triennial performance audit for the fiscal years 2018 through 2020, with portions of the audit subcontracted to BCA Watson Rice.

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 Long Range Transportation 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 November 4, 2020 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 (Annual Report) for fiscal years 2018 through 2020, 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 Annual Report reports, Single Audit reports, management letters, and internal audit reports from fiscal years 2018 through 2020 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 Program 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 CIP.

Is the Long-Range Transportation Program Financially Balanced and Based on Reasonable Estimates?

We reviewed the projections and the assumptions underlying the projections set forth in the Transportation Programs for fiscal years 2018 through 2020 and 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 Transportation Programs were financially balanced and based on reasonable estimates as follows:

- Determined whether the financial projections were reasonable, including sales taxes, investment income, 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?

- 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.
- Identified transit service schedules existing prior to the November 6, 2001 ballot and those services provided for the year ending June 30, 2020.
- Reviewed transit service schedules for Fiscal Year 2017 to identify services provided as of June 30, 2017.
- Compared 2020 Transit services to those services provided before the Ballot and those provided in 2017.
- Obtained and reviewed the Fiscal Years 2017, 2018, 2019 and 2020 Annual reports prepared by the Transportation Department and noted any changes to transit services discussed therein.

Are Commitments to Voters for Street, Bicycle/Pedestrian, Transit, Airport and Other Projects Being Met?

- 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.
- Evaluated project changes to determine whether they were consistent with the objectives of the specific ballot language and the Publicity Pamphlet of Proposition 402.
- Obtained and reviewed the Fiscal Year 2017, 2018, 2019, and 2020 Annual Reports and the 2017-2041 Program of Projects report prepared by the Transportation Department and noted the status of projects as reported therein.
- Compared the list of projects on the Ballot and Publicity Pamphlet with the status of projects as shown in the Annual and Program of Projects reports.
- Identified differences in the project status as included in the above reports including the identification of any new projects that were added during the three-year period ending June 30, 2020.
- Obtained information from the Transportation and Engineering Departments on the rationale for any differences identified, including why projects were deleted or modified as well as why other projects were added.

- Reviewed minutes and actions of the Citizens' Transportation Oversight Commission to identify discussions of changes in specific projects and recommendations made by the Commission.
- 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

As previously reported in the FY 2015-2017 performance audit report, the Glendale Light Rail System promised in the 2001 Election has been dropped.

The 2001 Proposition 402 transportation ballot promised to provide 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. 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 this 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%. The status of the Light Rail Transit corridor as of June 30, 2020 is as reported in the prior performance audit.

Some commitments to voters to expand and increase the frequency of bus services initially achieved have been retracted, but some improvements have been made in the past six years.

The 2008 performance audit found that commitments 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.
- 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.
- Weekday service on Route 70 between Luke AFB and the 99th Avenue Park and Ride was reduced from every 30 minutes to every hour.
- Saturday and Sunday service on Route 70 was reduced from 30 minutes to hourly
- 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.

The 2017 performance audit found that Bus services had been restored, expanded and improved as follows:

- The service on Bus Route 138 from 67th Avenue that was dropped in 2011 had been restored.
- The hours of operation were expanded and frequency of service was increased for the Weekday, Saturday and Sunday services for Bus Routes 43, 50 and 51.

This 2020 performance audit found that Bus services remained the same as in 2017, except that Route 83 was extended into Glendale, and service on Route 67 was terminated at Arrowhead Hospital and no longer serving Arrowhead Town Center.

The schedule below compares bus services by route for Weekdays as scheduled before the election (2001), at the end of Fiscal Year 2017 and at the end of Fiscal Year 2020.

Bus Routes and Frequency - WEEKDAYS

Frequency				
Route	2001	2017	2020	Comments
43	30 m.	30 m.	30 m.	Service improvements in 2017 continued in 2020.
50	30 m.	30/15 m.	30/15 m.	Service improvements in 2017 continued in 2020.
51	No Service	30m.	30m.	Service improvements in 2017 continued in 2020.
59	30 m.	30 m.	30 m.	
60	30 m.	30 m.	30 m.	Route shortened but covered by new Route 83.
67	1 hr.	30 m.	30m.	No longer serves Arrowhead Town Center, but it now serves the Arrowhead Hospital Complex.
24/70	1 hr.	15 m./1 hr.	15 m./1 hr.	Reduced to hourly from Luke to 99th Ave. in 2014.
80	30 m.	30 m.	30 m.	
83	No Service	No Service	30 m.	New for Glendale 2020.
90	30 m.	30 m.	30 m.	
106	45 m.	30 m.	30 m.	
122	No Service	Dropped	Dropped	Glendale Services Terminated in 2014.
138	1 hr.	30 m.	30 m.	Services shorted in 2011. Restored in 2017.
170	30 m.	30 m.	30 m.	
186	1 hr.	1 hr.	1 hr.	Change in 2011 from 30 min to 1 hour.
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 2017 and at the end of Fiscal Year 2020.

Bus Routes and Frequency - SATURDAY

Frequency				
Route	2001	2017	2020	Comments
43	1 hr.	30 m.	30 m.	Service improvements in 2017 continued in 2020.
50	1 hr.	30 m.	30 m.	Service improvements in 2017 continued in 2020.
51	No Service	30 m.	30 m.	Service improvements in 2017 continued in 2020.
59	1 hr.	1 hr.	1 hr.	
60	1 hr.	1 hr.	1 hr.	Route shortened but covered by new Route 83
67	1 hr.	1 hr.	1 hr.	No longer serves Arrowhead Town Center, but it now serves the Arrowhead Hospital Complex.
24/70	No Service	1 hr.	1 hr.	Changed in 2014 from 30 min to 1 hour.
80	1 hr.	1 hr.	1 hr.	
83	No Service	No Service	1 hr.	New for Glendale 2018
90	1 hr.	1 hr.	1 hr.	
106	No Service	1 hr.	1 hr.	Changed in 2014 from 30 min to 1 hour.
122	No Service	Dropped	Dropped	Glendale services terminated
138	No Service	1 hr.	1hr.	Services restored for 67th Ave. in 2017.
170	1 hr.	1 hr.	1 hr.	Changed in 2014 from 30 min to 1 hour.
186	No Service	1 hr.	1hr.	
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 2017 and at the end of Fiscal Year 2020.

Bus Routes and Frequency - SUNDAY

Frequency				
Route	2001	2017	2020	Comments
43	1 hr.	30 m.	30 m.	Service improvements in 2017 continued in 2020.
50	1 hr.	30 m.	30 m.	Service improvements in 2017 continued in 2020.
51	No Service	30 m.	30 m.	Service improvements in 2017 continued in 2020.
59	No Service	1 hr.	1 hr.	
60	No Service	1 hr.	1 hr.	Route shortened but covered by new Route 83.
67	No Service	1 hr.	1 hr.	No longer serves Arrowhead Town Center, but it now serves the Arrowhead Hospital Complex.
24/70	No Service	1 hr.	1 hr.	Changed in 2014 from 30 min to 1 hour.
80	No Service	1 hr.	1 hr.	
83	No Service	No Service	1 hr.	Service extended into Glendale in FY 2018.
90	No Service	1 hr.	1 hr.	
106	No Service	1 hr.	1 hr.	
122	No Service	Dropped	Dropped	Glendale services terminated in 2012.
138	No Service	1hr.	1hr.	Services restored for 67th Ave. in 2017.
170	No Service	1 hr.	1 hr.	
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.

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 promised by The Publicity Pamphlet for Proposition 402. As of the end of FY 2014:

- Express bus 573 which provided services from Beardsley and 75th Park and Ride to Phoenix going South along the 101 Freeway was in service except that reverse trips from downtown Phoenix had been terminated.
- Express bus 575 which provided services from Arrowhead Town Center to Phoenix going east along the 101 Freeway remained in service.
- Express bus 581 which provided services from 59th and Thunderbird to Phoenix going east along the Thunderbird Road had been terminated

This 2020 performance audit found the above Express Bus service conditions unchanged.

Status of Other Transit Services

Based on our review of GO Program Annual reports and material provided by the Transportation Department, the status of other transit service programs funded through the GO Program at the end of FY 2020 were 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. For FY 2020 GUS fares were reduced to zero, and services on GUS Route 2 were expanded to serve the Southeast section of Glendale.
- A Taxi Voucher program, providing an alternative transportation program provides a capped medical transport funding for Glendale residents.

Finding and Recommendation:

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 2008 performance audit found that the commitments 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. The 2014 performance audit found that the Department had made additional cuts in transit services. The 2017 performance audit found that some Bus services had been restored, expanded and improved.

The current 2020 performance audit found Bus services remained the same as in 2017, except that Route 83 was extended into Glendale, and services on Route 67 was terminated at Arrowhead Hospital and no longer serves Arrowhead Town Center.

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 had forced the City of Glendale to reduce the cost of its transit operations over the past five years to maintain a balanced budget.

The FY 2017 Performance audit recommended that GO Transportation Program management consider restoring the reduced/terminated transit services to 2008 levels with monies made available by the elimination of the Light Rail Project. Transportation staff agreed with that recommendation and stated it would continue to look for sustainable opportunities to restore services. We noted some improvements in services during the past six years and recommend that Glendale continue to improve services. This recommendation has not been implemented, so is repeated below.

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 does not agree with this recommendation. Proposition 402 identified 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. Modifications to the Transportation program have occurred due to changing conditions and priorities following this process.

Many of the commitments to voters for street, bicycle/pedestrian, transit and airport improvements have been met, but some have been delayed.

As of June 30, 2020, 102 projects had been completed (54 street, 25 bicycle/pedestrian, 8 transit and 15 airport), 4 projects were under construction (3 street and 1 bicycle/pedestrian) and 5 projects were in design (3 street, 1 transit, and 1 airport). In addition, 4 projects are classified as ongoing (Pavement Management, Capital Bridge Repair, General Engineering Consultant and Vehicle Replacement).

The above totals do not include 8 street projects that are not currently funded in Glendale's current 10 Year Transportation Plan. Included in these 8 projects are 7 projects that were targeted for completion within the first five years after the passage of the ballot measure.

Street Projects

Forty-seven street projects had been completed by the close of FY 2017, and 17 were in design. Since 2017 an additional 5 projects have been added to the program bringing the street project total to 69. All projects were found to be consistent with Ballot objectives.

The status of the 22 active projects during FY 2018 through 2020 (17 projects in design at the close of FY 2017 and 5 new projects) at the close of FY 2020 is listed below.

STATUS OF STREET PROJECTS FY 2018 - FY 2020

No.	PROJECT DESCRIPTION	Status as of June 30, 2017	1st Five Years?	Status as of June 30, 2020
1	Camelback Rd conduit, fiber, and CCTV from 51st Ave to 91 Ave	Design	No	Construction
2	59th Ave intersection at Olive Ave. Safety Impr.	Design	Yes	Complete
3	Maryland Ave lane control signs and dynamic message signs between 91st Ave and 99th Ave	Design	No	Complete
4	Bethany Home Rd and 65th Ave HAWK safety improvements	Design	No	Complete
5	Data Collection Station Installation and Database Development citywide	Design	No	Complete
6	51st Ave/ Northern Ave /Olive Ave conduit and fiber installation	Design	No	Complete
7	67th Avenue ITS fiber project from Glendale Avenue to Cholla Street	New	No	Complete
8	Ballpark Boulevard extension Phase I	New	No	Complete
9	Phase II Flashing Arrow	New	No	Construction
10	Phase III Flashing Arrow	New	No	Design
11	Phase I Flashing Yellow Arrow at 12 arterial/arterial intersections	Design	No	Construction
12	Northern Parkway improvements from 111th Avenue to Grand Ave	Design	No	Design
13	Ballpark Boulevard extension Phase II: Build the roadway to its ultimate configuration and tile irrigation ditch.	New	No	Design
14	59th Ave intersection at Bethany Home Rd	Design	No	Not Funded in 10 Yr. Plan.
15	59th Ave intersection at Camelback Rd	Design	Yes	Not Funded in 10 Yr. Plan.
16	59th Ave intersection at Bell Rd	Design	Yes	Not Funded in 10 Yr. Plan.
17	59th Ave intersection at Greenway	Design	Yes	Not Funded in 10 Yr. Plan.
18	59th Ave intersection at Thunderbird	Design	Yes	Not Funded in 10 Yr. Plan.
19	59th Ave intersection at Cactus Rd	Design	Yes	Not Funded in 10 Yr. Plan.

20	59th Ave intersection at Peoria Ave	Design	Yes	Not Funded in 10 Yr. Plan.
21	59th Ave intersection at Northern Ave	Design	Yes	Not Funded in 10 Yr. Plan.
22	51 st Ave intersection at Bell Rd	Design	Yes	Not Funded in 10 Yr. Plan.

As shown above, 7 projects were completed during the period extending from July 1, 2017 through June 30, 2020. At the end of FY 2020, 3 projects were under construction, and 3 were in design. In addition, 9 projects that were in Design at the close of FY 2017 were not funded in Glendale’s 10 year Transportation Plan. Seven of those projects were to be completed within the first five years of the GO Program according to the 2001 ballot measure.

During the period extending from July 1, 2017 through June 30, 2020 5 new street projects were added to the program. Three of those projects were primarily funded with federal or state monies. Two projects (Ballpark Boulevard extension Phase I and Ballpark Boulevard extension Phase II) were primarily GO funded.

Finding and Recommendation:

Several projects that were to be completed within the first five years of the GO Program were not complete as of June 30, 2020.

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. The 39 street projects were included on maps in both the Publicity Pamphlet and Ballot, and the Publicity Pamphlet stated that “Maps of the Transportation projects to be funded with the new revenues will be placed on the election ballot as a “contract with the voters”. As of June 30, 2020, 32 of those projects were complete. The remaining 7 projects are no longer listed as funded in the GO Program’s 10 year plan.

As reported in the 2005 performance audit report, several of those projects were first delayed until Fiscal Years 2021 and 2023 because of cost escalation and limits on available funds, and later because of revenue shortfalls. This funding limitation resulted in the inability to maintain the required revenue to debt service ratio of 2:1. As of the end of FY 2011, these projects had been further delayed and scheduled for completion in Fiscal Year 2027. The sales tax revenue decline was the stated reason for the additional delays.

At the close of FY 2017, the remaining projects were scheduled for sequential construction starting with the first project (Intersection Improvements at 59th Avenue and Olive Avenue) in FY 2018. The 59th Avenue and Olive Avenue project was completed in 2018, but as of June 30, 2020 no construction dates for the remaining 59th Ave Projects had been scheduled, and no funding for these projects is included in Glendale’s GO Program’s 10 year transportation plan.

During the period FY 2018–2020, 5 new street projects were added to the GO program ahead of the 7 promised projects. Two of these new projects (Ballpark Boulevard extension Phase I and Phase II) are being funded primarily with GO monies. Those funds could have provided a good start on the 59th Ave. projects. Glendale Transportation management officials stated that the addition of the Ballpark projects instead of funding 59th Ave. projects was based on priorities established by the Glendale City Council.

The prior performance audit report included comments on the commitment to complete the 59th street projects within the first five years of the GO program. In response, GO Program management stated that Proposition 402 identified projects that were to be funded out of the Long-Range Transportation Program and that the proposition also identified a process for making changes to the Program. The process referred to by GO Program management reads as follows: “The CTOC shall monitor transportation fund expenditures to ensure that voter approved projects in accordance with this measure are completed in a timely and cost effective manner and may recommend adjustments to projects when warranted to serve the best interest of the public.”

As noted in the FY 2015-2017 Performance Audit report the Glendale Police Department in May 2017 released a list of the 10 most dangerous Glendale intersections. The 59th and Olive intersection was included on this list as well as the intersections of 4 other 59th Avenue projects.

The 59th Avenue and Olive project was complete in FY 2018 and included 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 seven other 59th Avenue Projects include many of the same traffic flow and safety improvements as was included in the 59th Avenue and Olive project.

Recommendation

We recommend that an independent assessment be performed to determine the impact that the completion of the seven remaining 59th Avenue projects could have on traffic flow and public safety. We further recommend that the results of this study be reported to CTOC for review and recommendation to the City Council for their consideration.

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. Changes to the program have been recommended by CTOC and approved by Council. Such changes should no longer have to meet the originally anticipated schedule.

Bicycle/Pedestrian Projects

Since the 2001 Ballot through June 30, 2017, 19 Bicycle/Pedestrian projects had been completed including all 16 that were to be completed in the first five years. In addition to the completed projects, 7 Bicycle/Pedestrian projects were in design bringing the total number of Bicycle/Pedestrian projects in the GO program to 26. No new Bicycle/Pedestrian projects were added since 2017.

The status of the 7 projects active during FY 2018 through 2020 at the close of FY 2020 is listed below.

STATUS OF BICYCLE/PEDESTRIAN PROJECTS FY 2018 - FY 2020

No.	PROJECT DESCRIPTION	Status as of June 30, 2017	Status as of June 30, 2020
1	Downtown Alley Pedestrian enhancements; to the alley west of 57th Ave between Glen Dr. and Glendale Ave	Design	Complete
2	New River north shared use pathway; along east bank of New River north of Hillcrest Blvd to drainage channel north of Paradise Dr. and across the river to west bank	Design	Complete
3	55th Ave. widening for bike lanes and sidewalk; south of Cactus Rd. to north of Riviera Dr.	Design	Complete
4	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	Complete
5	Camelback Road Northside sidewalk from 79th Ave to 83 Ave	Design	Complete
6	Paradise Lane Northside sidewalk from 55th Ave to 59th Ave	Design	Complete
7	67th Ave sidewalks from Glendale Ave to Orangewood Ave and Orangewood Ave sidewalks from 67th Ave to Grand Ave	Design	Construction

As shown above at the close of FY 2020 construction was complete for 6 of the 7 active projects and the other project was under construction. No new Bicycle/Pedestrian projects were added since 2017.

Transit Projects

The 2001 ballot 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. Five were complete and 2 were in design. Since FY 2017, 2 projects were added to the GO Program for a total of 9 Transit projects.

The status of the 4 projects active during FY 2018 through 2020 at the close of FY 2020 is listed below.

STATUS OF TRANSIT PROJECTS FY 2018 - FY2020

No.	PROJECT DESCRIPTION	Status as of June 30, 2017	Status as of June 30, 2020
1	Bus stop accessibility improvements, next round	Planning	Complete
2	Bus Stop Access Maricopa Association of Governments (MAG)	New	Complete
3	Bus Stop Access (FTA)	New	Complete
4	Loop101/Bell Road Park-and-Ride	Planning	Planning

As shown above at the close of FY 2020, construction was complete for 3 of the active Transit projects and 1 was in planning.

Two new projects were added to the Program: Bus Stop Access (MAG) and Bus Stop Access FTA. These projects were found to be consistent with Ballot objectives and were primarily funded with non-GO Program monies.

Airport Projects

The 2001 Ballot included a reservation of funds for Glendale Airport projects to enhance economic development without specifically identifying projects. Since the 2001 Ballot through June 30, 2017, 14 airport projects were complete. At the beginning of the FY 2018 – FY 2020 period, 2 Airport projects were underway; and during that period, one new Airport project was added to the program bringing the total Airport projects to 17.

Listed below is the status of the 3 projects active during the FY 2018 – FY 2020 period as of June 30, 2020.

STATUS OF AIRPORT PROJECTS - FY 2018 - FY 2020

No.	PROJECT DESCRIPTION	Status as of June 30, 2017	Status as of June 30, 2020
1	Airport runway protection zone land acquisition	Underway	Complete (Note 1)
2	North Apron pavement rehabilitation Phase I	Underway	Complete
3	Taxiway Rehabilitation	New	Design

Note 1: Complete except for final payment.

As shown above, one new project was added to the program during the period extending from July 1, 2017 through June 30, 2020; and at the end of FY 2020, one project was complete, one was in design and one was complete except for final reimbursement. The new project involved significant Federal funding and was found to be consistent with expressed Ballot objectives for airport projects.

Ongoing Projects

In FY 2007 Glendale City Council added Pavement Management to the GO Program as an ongoing project. The FY 2006-2008 Performance Audit report found no restrictions in supplanting GO funds for projects previously funded with general revenues and that Pavement Management was consistent with the Ballot requirement that funds be used for transportation purposes. In FY 2020 two more ongoing projects were added to the GO Program: Capital Bridge Repair and Vehicle Replacement.

Capital Bridge repair could be justified on a similar basis to Pavement Management, but Vehicle Replacement is only indirectly related to Ballot objectives.

GO Program expenditures have transitioned from primarily funding capital projects to primarily funding ongoing operations and maintenance.

In FY 2020 two ongoing projects were added to the GO Program project list. These projects were for repair or replacement of capital items in contrast to construction or acquisition of new capital items. These additions are indicative of a trend in GO Program expenditures observed over the past several years. There has been a move from using GO funds primarily for new capital projects to using GO funds primarily for ongoing operations and maintenance expenditures. The most significant driver of this shift is the prioritization of pavement management in the City's budget.

The trend to use GO funds primarily for ongoing operations and maintenance before the completion of capital projects specifically identified in the 2001 ballot is inconsistent with the commitment made during the 2001 election. There is no mention of operation and maintenance expenditures in either the 2001 Ballot or voter pamphlet, except for those associated with Transit services.

In contrast, the seven outstanding 59th Avenue projects are included in maps both in the official Proposition 402 Ballot and Publicity Pamphlet. Furthermore, the Publicity Pamphlet stated that maps of the transportation projects to be funded with the new revenues will be placed on the election ballot as a "contract with the voters".

Status of Prior Audit Findings

The 2017 performance audit made three recommendations related to commitments to the voters.

- **Recommendation 1** - We recommend that the Transportation Department consider using the monies saved by the elimination of the light rail system be used on other transportation items that were promised to be completed in the first 5 years of the GO Program that either have delayed or terminated. (See comments on Bus Services and on 59th Ave intersection improvements.)

Actions taken: CTOC was created to monitor transportation fund expenditures and recommend adjustments to projects when warranted to serve the best interest of the public. The long-range

transportation program 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.

Status: Uncorrected. GO Program Management's responses to the recommendations included in the previous Performance Audit Report show no actual actions taken to implement the recommendations.

- **Recommendation 2** - 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. 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: 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 long range transportation program 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.

Status: Uncorrected. GO Program Management's responses to the recommendations included in the previous Performance Audit Report show no actual actions taken to implement the recommendations.

- **Recommendation 3** - 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 if possible, expedite the schedule for an earlier completion date.

Actions taken: These projects are included in the Transportation Plan that identifies improvements that are needed to the Transportation system. These projects are currently not funded in the 10-year Transportation Program.

Status: Uncorrected. GO Program Management's responses to the recommendations included in the previous Performance Audit Report show no actual actions taken to implement the recommendations.

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

Methodology

We performed the following 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?

- 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.
- Reviewed the City Council Ordinance used to specifically create the CTOC to determine the specific expectations and legal requirements of the CTOC.
- Developed a detailed list of the legal requirements for the CTOC based on the ballot item and the City Council Ordinance.
- 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?

- 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.
- 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.
- Attended a meeting of the CTOC to observe the discussion and decision-making process of the Commission.

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 primary 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. 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.

Based on our review, we have concluded that 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.

The decision by the City Council to withdraw from participation in the Regional Light Rail System, one of the items included in the 2001 ballot is an example of CTOC's advisory role. Some members of CTOC strongly disagreed with this decision, and two members addressed the City Council at the meeting that included the decision. The CTOC also voted unanimously to ask the City Council to allow CTOC to review the proposed withdrawal again prior to the final decision to withdraw. In the end, the City Council voted to withdraw participation, counter to CTOC's recommendation.

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 2018 through 2020 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 investment income. 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 Comprehensive Annual Financial Report (Annual Report) 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 in fiscal year 2018 and sub-funds 2070 – Transportation Sales Tax and 4030 – Transportation Capital Projects in fiscal years 2019 and 2020. Our analysis was limited to these sub-funds. For presentation purposes, any intra-fund transfers between these funds have been eliminated.

In addition, we reviewed all Annual Reports, Single Audit Reporting Packages, Management Letters and Internal Audit Reports for fiscal years 2018, 2019 and 2020 for any findings or recommendations related to the GO Program.

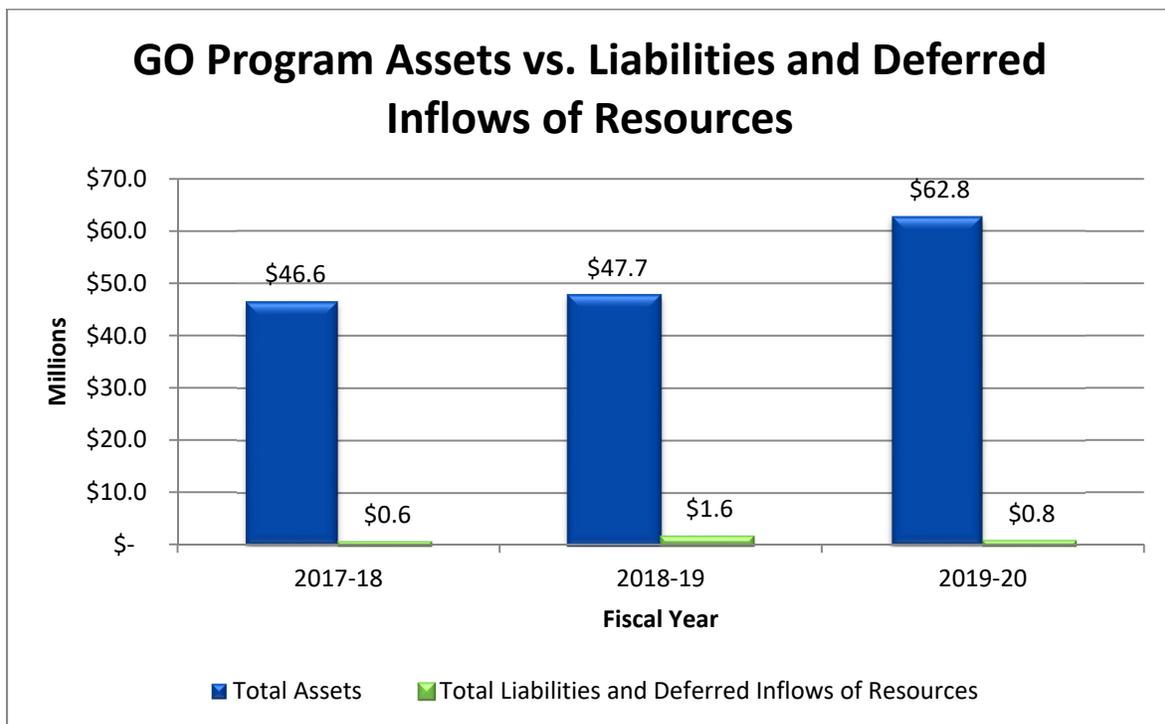
Summary of Observations and Recommendations

For the GO Program Balance Sheet for fiscal years 2018 through 2020, see Schedule A on page 34.

For the GO Program Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2018 through 2020, see Schedule B on page 35.

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, receipt of intergovernmental revenue in fiscal years 2019 and 2020 related to the runway protection zone project, and a reduction in capital outlay expenditures during fiscal year 2017. Intergovernmental receivables increased in fiscal years 2019 and 2020 due to reimbursements received from Regional Public Transportation Authority and City of Phoenix related to transit services provided.



The City’s short-term liabilities have been minimal, consisting primarily of vouchers and retainage payable. 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 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.

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 2008 the City issued bonds in the amount of \$109.1 million. 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, 2020, there was \$62.6 million outstanding with \$3.9 million due within one year. The following table details each of the outstanding bond issues at June 30, 2020.

Fiscal Year Issued	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2020
2015	55,635,000	2.00-5.00	7/1/2021-31	\$55,340,000
2017	19,330,000	2.62	7/1/2021-32	\$7,230,000

Revenues and Expenditures

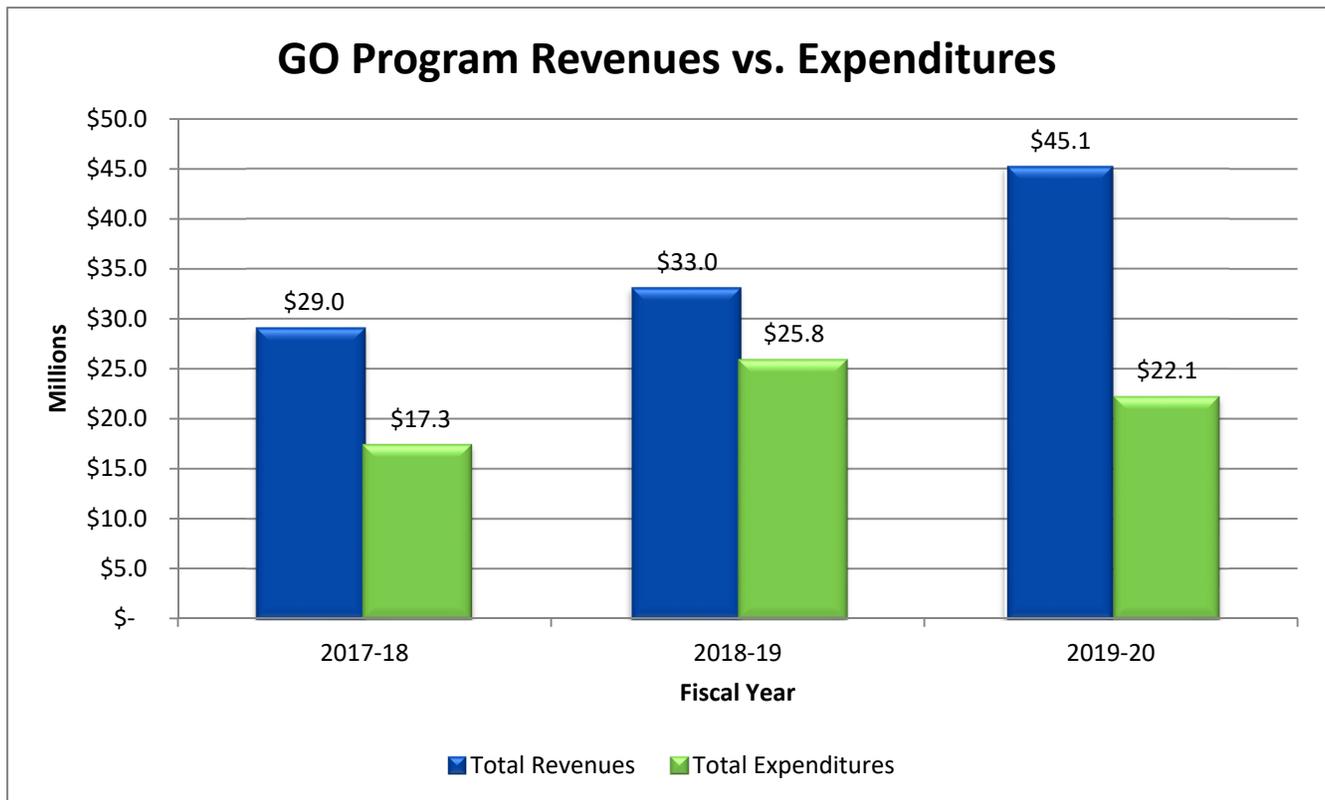
Total revenues for the GO Program consisted mostly of those revenues received from the half-cent sales tax, which accounted for approximately 95%, 89%, and 69% of total revenues for fiscal years 2018, 2019, and 2020, respectively. Tax revenues increased from \$27.6 million in fiscal year 2018 to \$31.0 million in fiscal year 2020, or 12 percent. Retail sales and contracting were the primary drivers for the increase in sales tax revenue over the three year period.

Other revenues include intergovernmental revenues, charges for services, investment income, and miscellaneous revenues.

Intergovernmental revenues increased \$1.7 million and \$9.2 million in fiscal years 2019 and 2020, respectively. The increases were related to the City receiving grant reimbursements from ADOT and FAA for the purchase of land at the Glendale Airport. The City received \$1.6 million in fiscal year 2019 and \$10.6 million in fiscal year 2020. RPTA reimbursements for paratransit service were consistent over the period.

Charges for services is primarily comprised of farebox revenues and in fiscal year 2020 developer contributions for street improvements to Ballpark Boulevard and Aspera Boulevard totaling approximately \$1.0 million. Since the inception of the GO Program, farebox revenues reached their highest level in fiscal year 2007 of \$196,516. Farebox revenues totaled \$129,571 in fiscal year 2018 and increased to \$141,374 in fiscal year 2019. Farebox revenue dropped considerably to \$92,152 in fiscal year 2020 due to the effects from the pandemic.

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 2019 primarily due to the timing of capital outlay expenditures and the payment of lease obligations. Community services expenditures which are operational in nature, increased from fiscal year 2018 to fiscal year 2019 and then declined in fiscal year 2020. Generally it's expected that operational expenditures would increase due to increases in maintenance charges on GO Program financed infrastructure, increases in salaries and benefits, and increases in internal service charges for insurance and technology. The decline in fiscal year 2020 was attributed to a reduction in salaries and benefits as well as a reduction in contracted fixed route service expenditures. City of Phoenix applied a CAREs Act credit to the City's fixed route billing resulting in the savings. The City made a \$1.8 million lease payment in fiscal year 2018 and the final \$1.8 million lease payment in fiscal year 2019 related to the runway protection zone land lease purchase. Capital outlay expenditures over the period fluctuated based on the timing of projects, which is discussed in detail below.

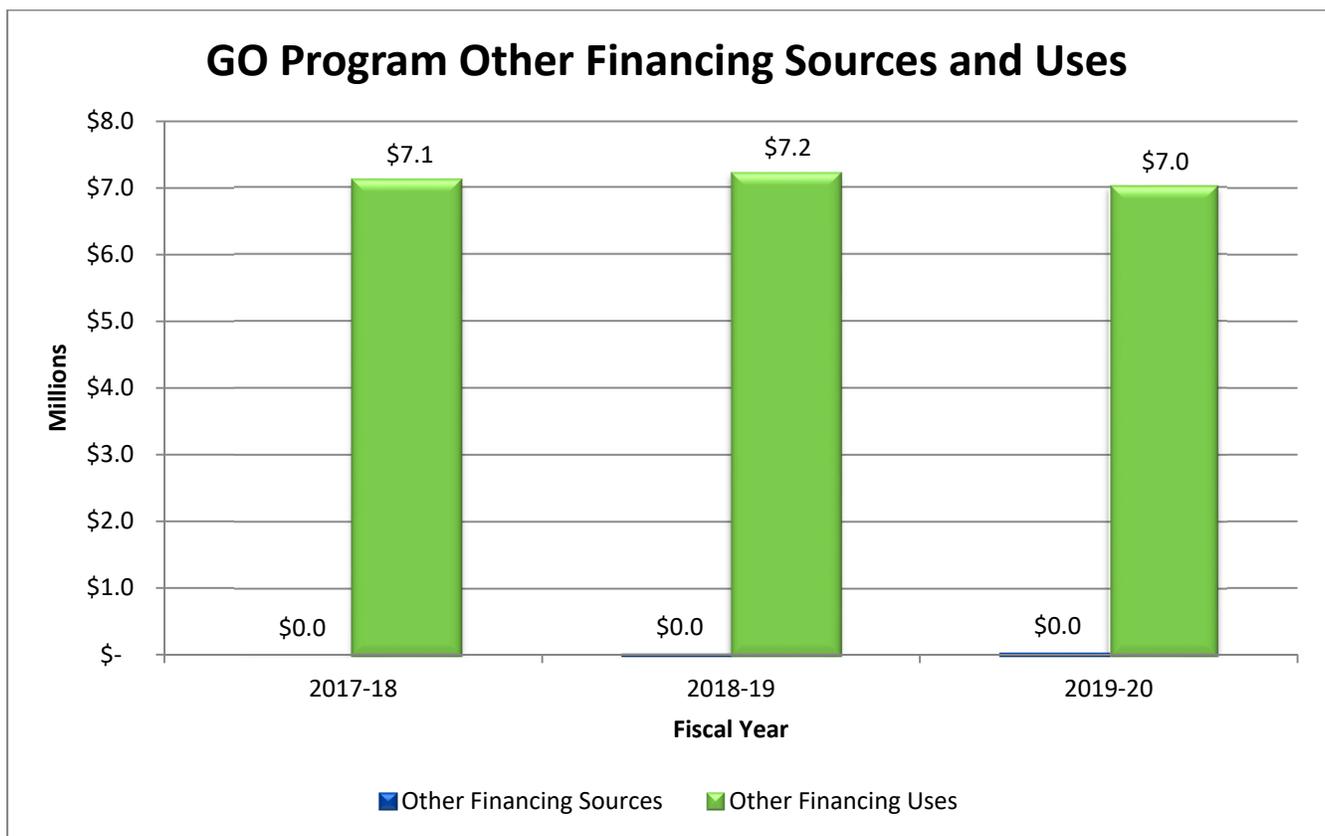
For fiscal year 2018, capital outlay expenditures were approximately \$2.9 million. The majority of those expenditures were related to pavement management totaling approximately \$2.1 million.

For fiscal year 2019, capital outlay expenditures were approximately \$10.7 million. The majority of those expenditures were related to pavement management totaling approximately \$7.6 million and the Ballpark Boulevard project totaling approximately \$1.7 million.

For fiscal year 2019-20, capital outlay expenditures were approximately \$9.6 million. The majority of those expenditures were related to pavement management totaling approximately \$2.4 million and the Ballpark Boulevard project totaling approximately \$5.8 million.

Other Financing Sources and Uses

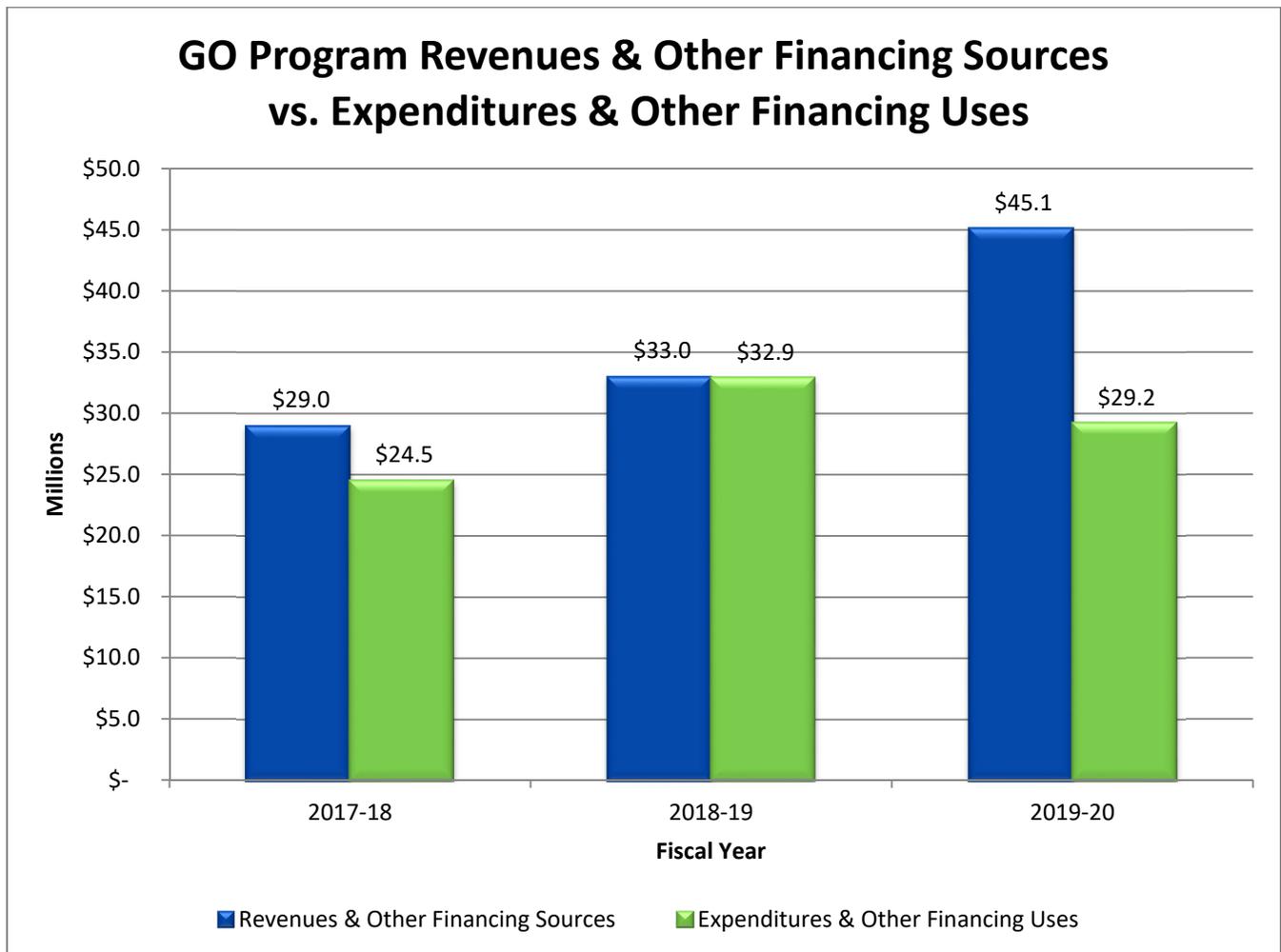
Other financing sources for the GO Program were solely proceeds from equipment disposal. Beginning in fiscal year 2018 the City discontinued the transfer of \$900,000 from the General Fund to the GO Program.



Other financing uses consisting solely of transfers out to the Transportation Debt Service Fund remained level during the audit period.

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 2014 resulting in total ending fund balance of \$62.0 million at June 30, 2020. The accumulation of fund balance over the last several years was a planned effort to finance light-rail construction and other significant projects. At the end of fiscal year 2020, the accumulated fund balance is expected to be used to expedite the City’s pavement management program.

Some of the more significant projects to be underway or completed in the next 10 years include Pavement Management (\$70.0 million), various street reconstruction projects (\$15.2 million), and renovation/reconstruction of the Glendale Operations Campus (\$6.0 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

Fiscal Year	Ratio
2017-18	1.2
2018-19	1.0
2019-20	1.5

During all fiscal years the revenues and other financing sources were higher than expenditures and other financing uses. As indicated previously the City intended to accumulate fund balance to finance significant future projects as all remaining transportation excise tax bond proceeds from the fiscal year 2008 issuance have been expended. It's expected in future years that this trend will reverse as the City works to spend down fund balance chiefly on pavement management.

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

Fiscal Year	Ratio
2017-18	1.9
2018-19	1.4
2019-20	2.1

For all three fiscal years, the City has maintained ample fund balances to ensure continuance of operations and carrying out the capital improvement plan. The dip in fiscal year 2019 was due to a large increase in capital outlay. The increase in fiscal year 2020 was a result of expenditures staying level, while fund balance increased significantly due to the receipt of federal funds.

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.

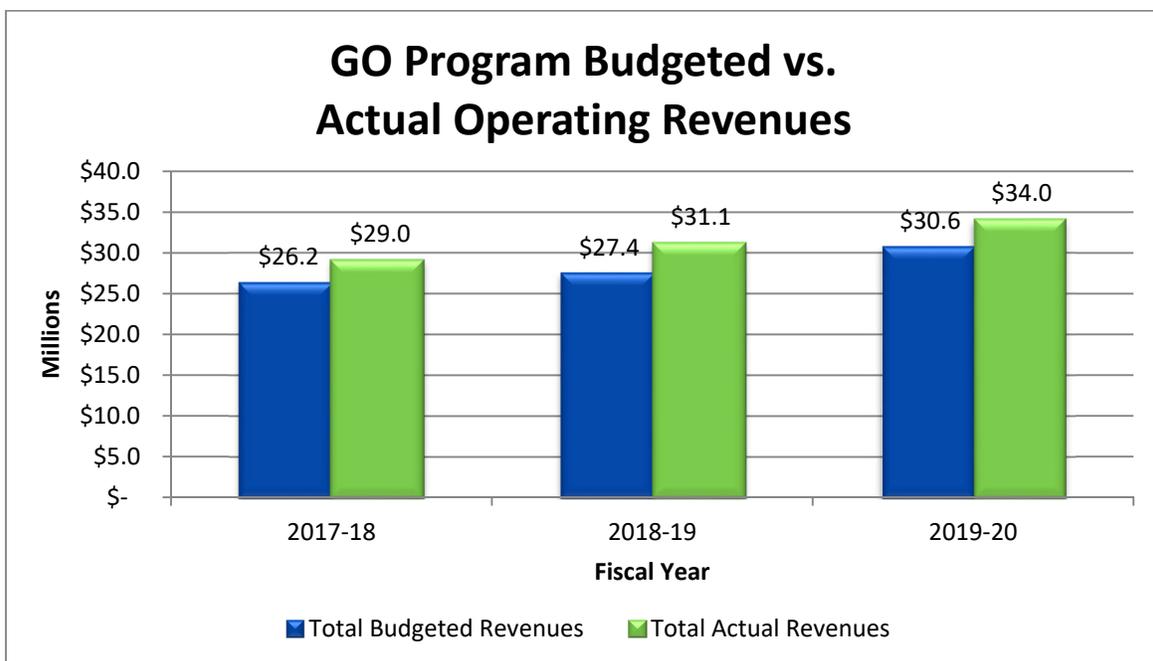
**Current Assets to
 Current Liabilities**

Fiscal Year	Ratio
2017-18	84.6
2018-19	29.6
2019-20	78.4

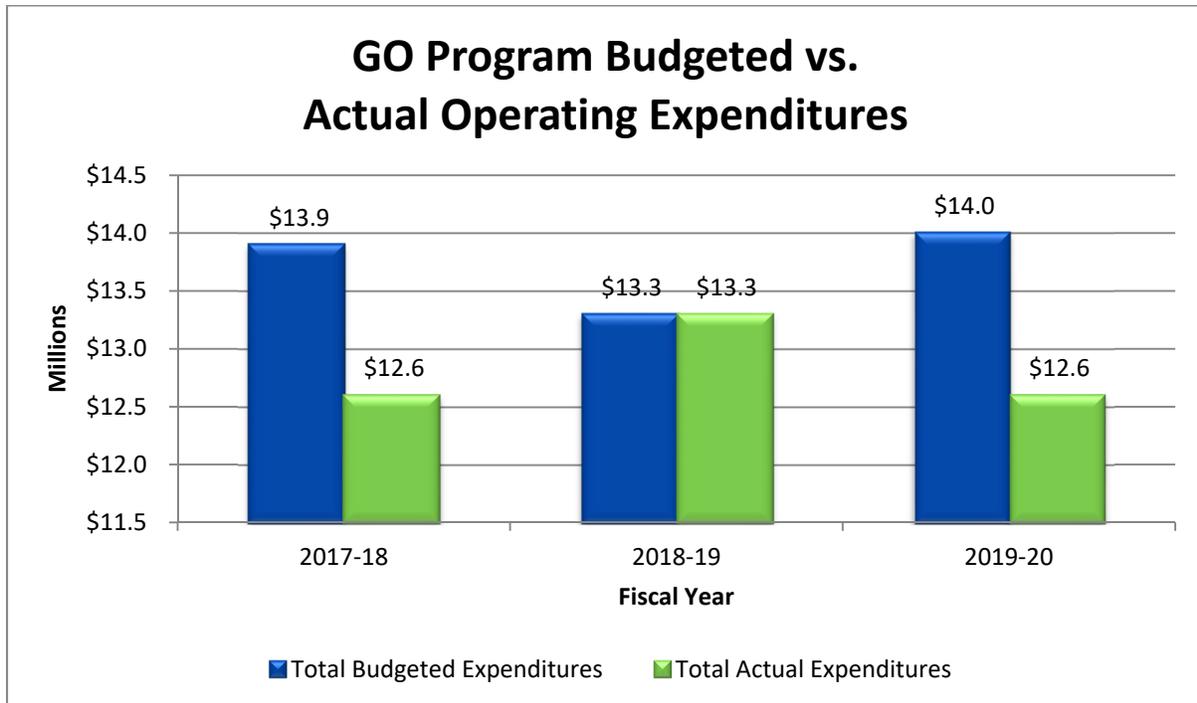
The GO Program has always been at or above a ratio of 1.0. The City has the ability to meet their short-term financing needs for the GO Program as the majority of the Program’s assets are cash and investments.

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 year 2018 and Fund 2070 for fiscal years 2019 and 2020. 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 2018 through 2020, see Schedule C on page 36.



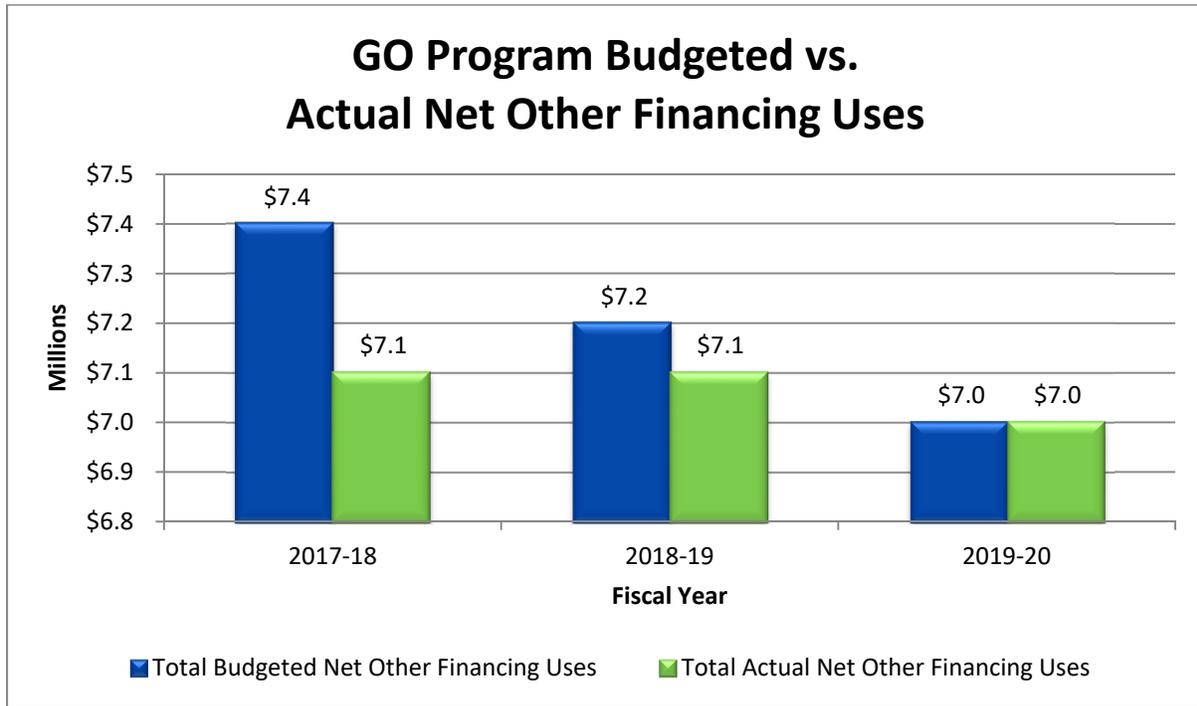
Tax revenues in fiscal years 2018 through 2020 were greater than budgeted as a result of the City employing a conservative methodology to estimating sales tax revenue. Investment income exceeded budgets in all three fiscal years due to improvements in investment markets and an increase in funds invested. The City did not adopt a budget for intergovernmental revenue or miscellaneous revenue. Charges for services had a positive variance of \$473,215 in fiscal year 2020 due to the receipt of unbudgeted developer contributions.



For fiscal year 2018, actual expenditures were \$1.3 million less than budgeted. The most significant variances were related to fixed route services (\$685,925), GO street light management (\$228,628), and transportation CIP O&M (\$224,716). 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 \$684,775. The variance in GO street light management was primarily due to installing energy-efficient LED luminaires which led to cost savings. Finally the variance in transportation CIP O&M was due to conservative budgeting.

For fiscal year 2019, actual expenditures were \$46,181 less than budgeted, which is insignificant. The only significant variance was an unfavorable variance of \$189,204 in CIP O&M primarily due to one-time pavement maintenance expenditures.

For fiscal year 2020, actual expenditures were \$1.4 million less than budgeted. The most significant variances were related to the fixed route services (\$550,116) and Dial a Ride (\$263,172). The variance in fixed route services was primarily due to a decrease in overhead and fuel costs as well as a CARES Act credit applied to the contract. The variance in Dial a Ride was primarily due to salaries and benefits being less than budgeted.



The insignificant variance in net other financing uses for fiscal year 2018 is due to the City budgeting for internal service charges for the Enterprise Resource Planning system implementation in transfers out rather than as a current expenditure.

Identifying prior audit findings related to the GO Transportation Program

We have obtained and reviewed the Comprehensive Annual Financial Reports, Management Letters, Single Audit Reporting Packages and Internal Audit reports for fiscal years 2018, 2019 and 2020. 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.

Status of Prior Audit Findings

The 2017 performance audit made one recommendation applicable to this section.

- **Recommendation 1** – We recommend the City evaluate internal controls over financial reporting to ensure transactions are properly recorded in accordance with generally accepted accounting principles.

Actions taken: The City updated the year-end procedures and strengthened internal controls by implementing additional review of general ledger transactions.

Status: Corrected.

Schedule A

***GO Transportation Program
 Balance Sheet***

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
ASSETS			
Cash and investments	\$ 46,021,089	\$ 46,789,689	\$ 61,181,117
Accounts receivable	20,351	15,440	43,176
Intergovernmental receivable	373,880	769,708	1,417,703
Inventories	135,730	99,979	132,610
Total assets	<u>\$ 46,551,050</u>	<u>\$ 47,674,816</u>	<u>\$ 62,774,606</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Vouchers payable	\$ 500,187	\$ 1,459,325	\$ 716,253
Retainage payable		98,255	35,615
Compensated absences - current	34,777	36,091	33,879
Unearned revenue	15,000	15,000	15,000
Total liabilities	<u>549,964</u>	<u>1,608,671</u>	<u>800,747</u>
 Deferred inflows of resources	 \$ 14,961	 \$ 10,568	 \$ 5,011
 Fund Balances			
Nonspendable	\$ 135,730	\$ 99,979	\$ 132,610
Restricted	45,850,395	45,955,598	61,836,238
Total fund balances	<u>45,986,125</u>	<u>46,055,577</u>	<u>61,968,848</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,551,050</u>	<u>\$ 47,674,816</u>	<u>\$ 62,774,606</u>

Source: City of Glendale detailed reports for funds 1660 and 2210 for fiscal year 2018 and funds 2070 and 4030 for fiscal years 2019 and 2020.

Note: No assurance is provided on these financial statements.

Schedule B

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

	2017-18	2018-19	2019-20
REVENUES			
Taxes	\$ 27,571,079	\$ 29,230,842	\$ 30,989,355
Intergovernmental	661,844	2,408,218	11,617,556
Charges for services	135,804	141,374	1,210,772
Investment income	507,403	915,117	1,064,050
Miscellaneous	131,027	284,641	194,105
Total revenues	<u>29,007,157</u>	<u>32,980,192</u>	<u>45,075,838</u>
EXPENDITURES			
Current:			
Community services	12,611,606	13,270,488	12,586,661
Capital outlay	2,891,913	10,660,661	9,556,872
Debt service:			
Principal Retirement	1,838,277	1,838,277	
Total expenditures	<u>17,341,796</u>	<u>25,769,426</u>	<u>22,143,533</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,665,361</u>	<u>7,210,766</u>	<u>22,932,305</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	1,910	8,686	24,010
Transfers out	<u>(7,146,500)</u>	<u>(7,150,000)</u>	<u>(7,043,044)</u>
Total other financing sources and uses	<u>(7,144,590)</u>	<u>(7,141,314)</u>	<u>(7,019,034)</u>
Net change in fund balances	<u>4,520,771</u>	<u>69,452</u>	<u>15,913,271</u>
Fund balances, July 1	<u>41,465,354</u>	<u>45,986,125</u>	<u>46,055,577</u>
Fund balances, June 30	<u>\$ 45,986,125</u>	<u>\$ 46,055,577</u>	<u>\$ 61,968,848</u>

Source: City of Glendale detailed reports for funds 1660 and 2210 for fiscal year 2018 and funds 2070 and 4030 for fiscal years 2019 and 2020.

Note: No assurance is provided on these financial statements.

Schedule C

**GO Transportation Program
 Operating Budget to Actual**

	2017-18		2018-19		2019-20	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
REVENUES						
Taxes	\$ 25,930,311	\$ 27,571,079	\$ 27,097,175	\$ 29,230,842	\$ 30,308,943	\$ 30,989,355
Intergovernmental		\$ 1,640,768		\$ 2,133,667		\$ 680,412
Charges for services	124,000	661,844	124,000	769,708	124,000	1,172,409
Investment income	140,000	135,804	200,000	141,374	160,000	597,215
Miscellaneous		507,403		915,117		1,064,050
Total operating revenues	\$ 26,194,311	\$ 28,969,342	\$ 27,421,175	\$ 31,116,274	\$ 30,592,943	\$ 34,017,134
		\$ 2,775,031		\$ 3,695,099		\$ 3,424,191
EXPENDITURES						
Community services	\$ 13,922,695	\$ 12,611,606	\$ 13,316,669	\$ 13,270,488	\$ 13,964,517	\$ 12,586,661
Total operating expenditures	\$ 13,922,695	\$ 12,611,606	\$ 13,316,669	\$ 13,270,488	\$ 13,964,517	\$ 12,586,661
		\$ 1,311,089		\$ 46,181		\$ 1,377,856
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	\$	\$ 1,910	\$	\$ 8,686	\$	\$ 2,445
Transfers out	\$ (7,441,464)	\$ (7,146,500)	\$ (7,150,000)	\$ (7,150,000)	\$ (7,043,044)	\$ (7,043,044)
Total other financing sources and uses	\$ (7,441,464)	\$ (7,144,590)	\$ (7,150,000)	\$ (7,141,314)	\$ (7,043,044)	\$ (7,040,599)
		\$ 296,874		\$ 8,686		\$ 2,445

Sources: City of Glendale Operating Budget for fund 1660 for fiscal years 2018 and 2019 and fund 2070 for fiscal year 2020. City of Glendale detailed reports for fund 1660 for fiscal year 2018 and fund 2070 for fiscal years 2019 and 2020.

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 funds 1660 and 2070, the operating funds 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 1660/2070 and 2210/4030) 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 met with finance staff to gain an understanding of the processes in place over recording sales tax revenue.
- We verified implementation of key controls over recording sales tax revenues.
- We verified that transportation sales tax revenue is recorded in Fund 1660 in 2018 and Fund 2070 in 2019 and 2020.
- We reviewed the most up to date (January 1, 2017) sales tax rates by category published on the City's website.
- We reviewed the allocation of sales tax revenue to the Transportation Sales Tax Fund to ensure the fund received its proportionate share.
- We compared the total annual Arizona Department of Revenue sales tax distributions to sales tax revenue recorded in the general ledger for completeness.

Is Reasonable Interest Being Accrued on Surplus Funds?

- We met with finance staff to gain an understanding of the processes in place over recording investment income.
- We verified implementation of key controls over recording investment income.
- We reviewed fund 1660/2070 ensuring that monthly allocations of interest were being deposited into the account.
- We further reviewed the interest allocations for one month in each fiscal year by recalculating the interest allocation.
- We performed analytical procedures on interest earned in the GO Program in order to determine that the amounts allocated appear appropriate.

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.
- We compared local funding levels in the GO Program to historical amounts.

Are Indirect Charges Fair and Accurate?

- We met with finance staff to gain an understanding of how the City allocates indirect charges to the Transportation Sales Tax Fund.
- We verified implementation of key controls over recording indirect costs and internal charges.
- We interviewed the Transportation Planning Administrator regarding his procedures for reviewing the City's indirect charges and the impacts to the GO Program.
- 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 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 verified implementation of key controls over investments.
- 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 transportation personnel the allocation process of maintenance charges.
- We verified implementation of key controls over charging maintenance expenditures to the GO Program.
- We reviewed the general ledger funds 1660/2070 and 2210/4030 for any maintenance allocations related to capital projects.
- We reviewed a sample of 15 maintenance charges ensuring that the charges were for new projects and not for ones that existed prior to the transportation sales tax.
- We performed a year over year analysis of maintenance fees by object code to ensure fees are reasonable and within expectation.

Are the Capital Improvement Plan (CIP) Set-Asides (Art, Maintenance, Engineering and Finance) Fair and Accurate?

- We interviewed the budget director and transportation staff to gain an understanding of how set-asides are determined and assigned to projects.
- We verified implementation of key controls over assigning set-asides to projects.
- 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 interviewed several individuals in the finance department to gain an understanding of policies and procedures over procurement and disbursements.
- We verified implementation of key controls over the disbursement process.
- 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 10 procurement card disbursements to ensure the expenditures were properly supported, allowable, and processed in accordance with City policies and procedures.
- We reviewed a sample of 40 disbursements and determined the following:
 - Policies and procedures were followed with respect to processing and approving the disbursements.
 - Disbursements were allowable to be paid from GO funds.
 - Capital expenditures were budgeted for in the CIP.
 - On a test basis agreed disbursements to contract pricing and terms.
- We discussed with the Transportation Planning Administrator the validity of three purchases reviewed in relation to the objectives of the GO Program.

Is the GO Program Consistent with the CIP?

- We reviewed the projects reported in the 2019-2028 and 2020-2029 Long-Range Transportation Plans for consistency with the City's adopted CIP. The 2018 fiscal year was not reviewed due to the City not adopting a GO specific Long-Range Transportation Plan.

Summary of Observations and Recommendations

GO Funds are being deposited in a separate general ledger account.

The GO Program received its appropriate share of the total sales taxes collected by the City. The City has also designed and implemented internal controls which allow for accurate reporting of sales tax revenue. The process of collecting and recording sales tax revenue is described in detail below.

Beginning in January 2017, the Arizona Department of Revenue (ADOR) collects all sales taxes on behalf of the City and remits those collections to the City on a weekly basis. The payment files received from ADOR are run through Tableau, which generates a report that is used by accounting to record sales tax receipts. Tableau uses the business code on each tax payment to allocate the payment over each fund. The City's accounting division verifies the sales tax payment received from ADOR and matches total sales taxes received to the Tableau report. The payments are recorded on either a cash receipts journal or general journal entry for year-end accruals and reviewed/posted by a second person in accounting.

Taxes due prior to January 2017 are collected by the City of Glendale. These receivables have been turned over to various collection agencies and are considered mostly uncollectible. The Transportation Fund received revenue from old receivables in the amounts of \$92k, \$36k, and \$15k in fiscal years 2018, 2019, and 2020, respectively.

Reasonable interest is being accrued on unused funds.

The GO Program received a reasonable allocation of interest on unused funds. The City has also designed and implemented internal controls which allow for the accurate allocation of interest. The process of recording interest revenue is described in detail below.

The City pools its investments in a Treasury Fund and records interest revenue on a monthly basis. All of the GO Program funds on hand are considered investments for allocation of investment income purposes. The City utilizes a standardized spreadsheet to allocate monthly interest revenue to the City's funds. The average of a fund's beginning and ending balances is used to allocate actual monthly interest revenue. Unrealized gains and losses are also allocated at year end in a similar equitable manner. The investment income entries are reviewed/posted by a second person in accounting.

Below is a summary of GO Program investment income for each fiscal year under audit. The average GO Program balance was derived from averaging the fund’s beginning balance and ending balance for each fiscal year. The Local Government Investment Pool (LGIP) Pool 5 is also included in this table as a reference point. Local governments including cities deposit monies in the LGIP which is managed by the Arizona State Treasurer.

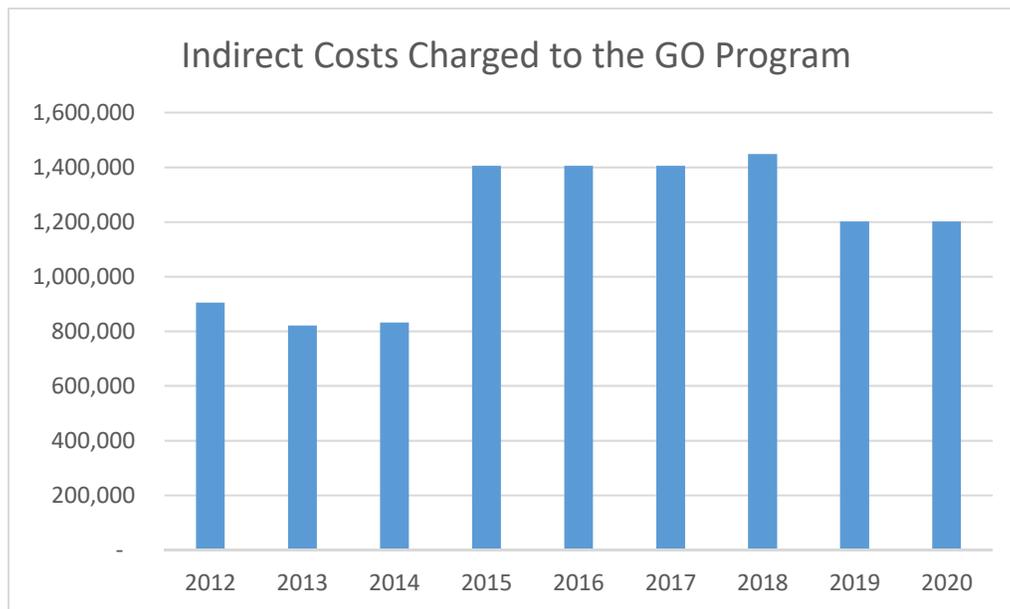
	Average GO Program Balance	Investment Income	Yield	LGIP Pool 5 Average Yield
FY18	\$ 43,126,989	\$ 507,404	1.2%	1.4%
FY19	\$ 46,405,389	\$ 915,117	2.0%	2.4%
FY20	\$ 53,985,403	\$ 1,064,050	2.0%	1.6%

The City is not formally obligated to maintain support of the GO Program through a General Fund transfer.

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. Prior to fiscal year 2018 the City transferred \$900,000 from the General Fund to the GO Program Transportation Fund each year. This was the same level of General Fund support prior to the inception of the half-cent sales tax funding. Beginning in fiscal year 2018, the City no longer supports the GO Program through this transfer.

Indirect charges are fair and accurate with some exceptions noted.

The only support received for the amounts charged during fiscal years 2018-2020 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. It was noted that the journal entries to record indirect costs were reviewed and posted by a second person. The total allocation of costs to the GO Program and Enterprise Funds of \$10.0 million is presented in the annual budget book but there is no support for the \$10.0 million or how it’s allocated to the funds/departments. The allocation of indirect costs to the GO Program decreased in fiscal year 2019 for the first time since 2013. See below for an analysis of the indirect costs charged to the GO Program over the last nine fiscal years.



We reviewed the reasonableness of internal service fund charges to the GO Program for Technology, IT Project Charges, Insurance, Workers' Compensation, and Telephone. The internal service rates are based on computer models established for each fund. The Transportation Department reviews the reasonableness of the assessments during the drafting of the budget.

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. When scoping a project, project managers review the budget for engineering charges and funding sources. These costs are thoroughly reviewed as their impact to projects can be significant. Often times a rate is consulted with engineering to ensure the GO Program is not over assessed. Project managers are also responsible for reviewing engineering charges to their assigned projects for reasonableness and to ensure consistency with the scope of work and budget.

Finding and Recommendation:

Indirect costs allocated to the GO Program are unsupported and are relatively high.

The indirect costs charged to the GO Program of \$1.5 million in fiscal year 2018 and \$1.2 million in fiscal years 2019 and 2020 are not supported by a cost allocation plan.

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 amounts charged to the GO Program are relatively high in comparison to the most recent cost allocation plan developed.

Recommendation

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

Management Response

Concur – The city-wide cost allocation plan was updated during the 16-17 fiscal year and was developed using 2016 actual expenditures. The finance department has contracted with MGT Consultants, LLC to update the cost allocation and expect to implement the new plan in the FY22-23 budget.

Surplus funds are appropriately invested.

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 January 2016 and January 2019) as well as carrying out discussions with Finance Department personnel.

The City revised its investment policy on January 8, 2019. The policy established two distinct investment funds titled Liquidity Portfolio and Core Portfolio. The City's investment objectives in order of priority are safety, liquidity, diversification, and yield. Responsibility for the investment of all temporarily idle funds has been delegated to the Finance Director. All investments are made in accordance with A.R.S. Title 35. 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 to 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. Below are descriptions of the aforementioned investment funds.

Liquidity Portfolio – This portfolio is managed to maintain sufficient liquidity to fund operations of the City over a normal business cycle. Funds in this portfolio will mature within the normal business cycle, or one year, and will be managed on a non-discretionary basis.

Core Portfolio – This is the longer-term, actively managed portfolio, managed with a longer duration, but within the maximum maturity of 5 years or shorter depending on security type, per this policy. This portfolio will be managed on a discretionary basis with quarterly strategy updates and authorization.

The City's managed investments were pooled in the General Fund prior to fiscal year 2019 and in a pooled Treasury Fund thereafter with the GO Program having a partial claim on the investments. Investments are managed by Public Trust. The custodian for the investments is Wells Fargo. The Core Portfolio is managed by Public Trust who is given authority to make trades without consent from management as long as investments are allowable under the City's adopted investment policy. The Liquidity Portfolio as implied has a short term duration and trades within this portfolio are approved by management. The Finance Director and/or Controller typically approve the trades. The City also invests funds with the State Treasurer's LGIP; however, the City does not invest GO Funds in the LGIP.

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.

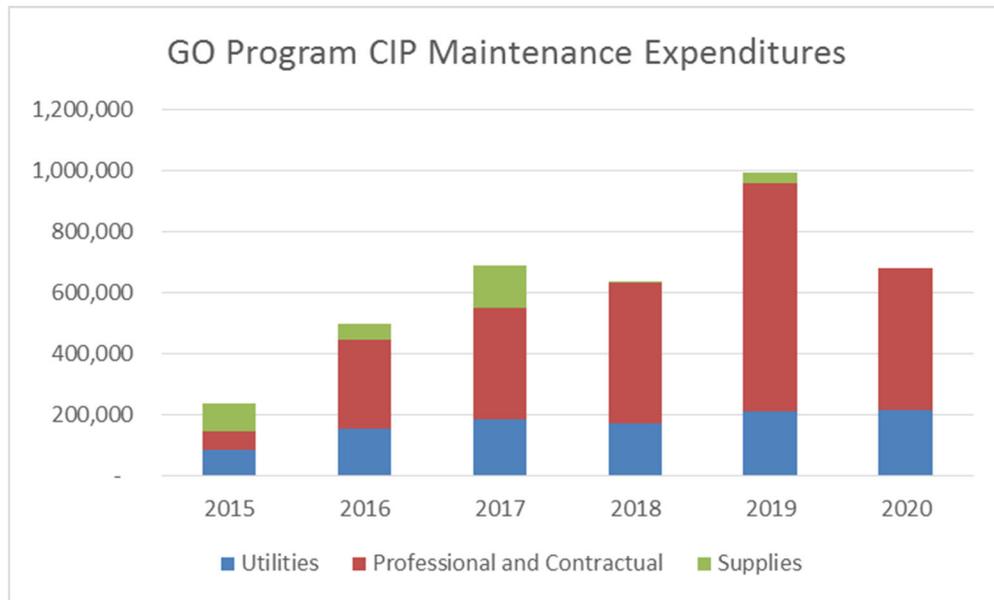
Maintenance charges are being fairly allocated.

City departments complete Capital Improvement Plan (CIP) request forms each year for any new and continuing capital projects. Within these forms they must include any future operating and maintenance costs that will be incurred when the project is complete. These costs charged on the CIP request forms are for information purposes only. The GO program utilizes information and reports provided by the engineering department and contracted engineers to estimate operation and maintenance expenditures associated with CIP projects.

Once a project has been completed, actual operating and maintenance costs associated with the project are charged to the GO Program. These costs are appropriately segregated in the general ledger for budgeting and accounting purposes. Transportation personnel who are familiar with GO Program restrictions are charged with approving expenditures in the City's financial system. When a completed project incurs operating costs, the transportation personnel review the budget for capacity and request additional budget if necessary. The additional budget requests are submitted to the budget department and reviewed. They are then sent to council to be formally approved.

Landscape and utility expenditures represent some of the more significant and routine operations and maintenance expenditures charged to GO projects. Landscape fees are broken out on purchase orders to indicate the areas related to GO program projects and utilities are specifically metered for GO program projects to ensure they are recorded in the correct fund.

Maintenance charges have continued to increase over the last six fiscal years with additional projects being completed, most notably the Northern Parkway Project. The City saw a spike in maintenance expenditures in fiscal year 2019 as a result of incurring one time expenditures related to pavement maintenance and installation of ADA sidewalk ramps. Below is a chart which displays the changes in maintenance expenditures by type over the last six years.



CIP set-asides are fair and accurate with some exceptions noted.

In an effort to capture the full cost of capital projects in the CIP the City assigns set-asides to projects. The set asides include a finance charge, engineering/internal charge, art charge, and contingency. It was determined that the finance set-aside does not currently apply to GO projects as all currently budgeted projects are expected to be paid from existing resources or future revenues rather than proceeds from debt. The engineering charge is established using guidance provided by engineering which is driven by project size and whether or not it's designed in house or by a consultant. In fiscal year 2021, the City is applying a flat charge of 3.8% of project costs or \$250,000, whichever is less. It should also be mentioned that the engineering charge is referred to as an "internal charge" beginning in fiscal year 2020. The Art charge of 1% of construction projects is required by City Code Section 2-229. The contingency set-aside is typically connected to complexities and risks associated with a project. The contingency set-aside is recommended but not required.

After a project has been scoped with the assistance of engineering, the transportation department completes a standardized CIP request form which contains fields to report CIP set-asides and submits the form to budget. After projects are submitted they are reviewed by finance, engineering, and the transportation department to ensure they are accurate and reasonable. Once all of the CIP request forms have been finalized and entered, the budget department will send all of the CIP forms that were entered with final amounts back to the departments for final review. Once the departments have given approval the finance department adds the approved projects and amounts to the CIP.

Finding and Recommendation

CIP set-asides are fair and accurate with some exceptions noted.

All set-aside allocations reviewed complied with the City's policies and procedures except where noted below.

- For two of 32 projects reviewed, the City improperly allocated finance charges totaling \$125,520.
- For one of 32 projects reviewed, the City improperly allocated an art charge at 1.83% rather than 1.00% required by City Code.
- For nine of 32 projects reviewed, the City did not allocate an art or engineering set-aside. One of the projects was assessed actual engineering charges in fiscal years 2019 and 2020. Per discussion with transportation personnel, set-asides were not allocated due to the projects being in a preliminary stage without some of the project details established. It was noted that a portion of these projects identified did budget for set-asides in the subsequent fiscal year once the scope and details of the project were refined.

Recommendation

The GO Program personnel should ensure the set-aside charges are appropriately set based on the nature of the project and the policies and procedures established. Additionally, it's recommended that transportation use its best estimate of construction costs for projects added to the CIP in their preliminary stages and then calculate the required set-asides. When the scope and details of a project are refined in subsequent years, the set-asides should also be adjusted as necessary.

Management Response

Staff agrees with this recommendation. The practice to improve accuracy for Transportation capital improvement project estimates currently includes coordination with engineering department earlier in the planning phase to review and provide guidance on CIP set-asides and cost estimates.

The GO Program is following accepted City standards for purchasing with some exceptions noted.

We discussed policies and procedures over procurement and disbursements with finance and transportation staff. City procurements and disbursements must adhere to ordinance and adopted administrative policy. We noted key controls are in place over procurements and disbursements including appropriate user role access for the financial system as well as managers and directors placed on system workflow approvals who understand the restrictions placed on the expenditure of GO funds.

Finding and Recommendation:

Not all purchases were appropriately authorized before services were rendered.

For three of 40 disbursements reviewed, the purchase order was prepared and approved after services were rendered. For two of the three disbursements, the City had a formal contract in place before services were rendered.

Recommendation

The City should ensure that internal controls over disbursements are operating in accordance with the adopted policies and procedures.

Management Response

Partially Concur- Two of the disbursements had agreements in place prior to the services were rendered. Staff will look into measures to prevent this from occurring in the future.

The GO Program is consistent with the CIP with some exceptions noted.

We reviewed 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 Long-Range Transportation Programs were prepared, updated information was available and used to prepare the Long-Range Transportation Programs.

Finding and Recommendation:

The City's CIP budgets did not accurately account for all projects in the Long-Range Transportation Programs.

- The City did not include a budget for the flashing yellow arrow project in the 2019 CIP budget. The GO Program set the budget for \$3 million in fiscal year 2020.
- A transposition error occurred when reporting budgeted expenditures in the 2020 CIP budget resulting in the Transportation Engineering Consultant being under budgeted in the amount of \$360,000 during fiscal years 2025-2029.

Recommendation

Staff should reconcile the Long-Range Transportation Programs with the CIP Budget to ensure GO Program projects are accurately accounted for in the City's budget.

Management Response

Staff agrees with this recommendation. The process has been updated to review the CIP Budget for consistency with the Transportation Program at various stages of the Budget process.

Status of Prior Audit Findings

The 2017 performance audit made several recommendations that were applicable to this section.

- **Recommendation 1** – The City does not have written policies detailing the process for estimating collectability of its receivables. We recommend that the City document their collectability estimate process in writing to allow for more consistent financial reporting year over year.

Actions taken: The City's receivable process is documented in the year-end receivable spreadsheet. The estimate of collectability based on past collection experience and information from the City's Revenue Recovery division.

Status: Due to Arizona Department of Revenue (ADOR) collecting sales tax on behalf of cities, this receivable is no longer significant to the program. The net receivable amounted to \$5,011 at June 30, 2020. Due to the insignificance of this balance, no follow up procedures were performed with respect to this finding.

- **Recommendation 2** – Indirect costs allocated to the GO Program are unsupported and are relatively high. The City should ensure monthly indirect cost billings are consistent with an adopted indirect cost allocation plan.

Actions taken: In November 2020, the City hired MGT to do a full analysis and update the city's cost allocation plan. The updated cost allocation plan is expected to be completed by June 30, 2021. In addition, Budget updated the model, including cost factors, inputs, and cross reference to the new chart of accounts in August 2019.

Status: Uncorrected. See finding noted during the current performance audit.

- **Recommendation 3** – The City 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 including evaluating capital outlay requirements to ensure appropriate liquidity and maximum return on the City's idle monies.

Actions taken: In January 2019, the City updated its investment policy, did a cash forecast, and divided the investments into two portfolios, the liquidity portfolio and the core portfolio. The investments in the liquidity portfolio address short term cash needs and match anticipated cash flow requirements and disbursements. The investments in the core portfolio are funds that are reserved and not expected to be used in the short-term.

Status: Corrected.

- **Recommendation 4** – CIP set-asides are fair and accurate with some exceptions noted. 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.

Actions taken: Staff practices an internal review by two additional staff on each project request. This practice reduces the potential for discrepancies in calculations, including set-aside charges.

Status: Uncorrected. See finding noted during the current performance audit.

- **Recommendation 5** – Determining the appropriate set-aside was not always clear in fiscal years 2015-16 and 2016-17. 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.

Actions taken: The Engineering Department and Budget and Finance developed a methodology for calculating engineering chargebacks. For FY20-21, the engineering chargeback was calculated to be 3.8% of eligible projects, with a cap of \$250k per project per fiscal year. The calculation for the chargeback percentage was based on the total CIP, project type, and cost of service for Engineering staff involved in managing the projects. The chargeback percentage is evaluated annually and adjusted if necessary. Chargebacks are charged to the projects quarterly.

Status: The City has not updated its guidance to departments since the last performance audit. In fiscal year 2021, the City established a standard charge for engineering of 3.8% of project costs or \$250,000, whichever is less. The Art set aside is established in code at Sec. 2-229. Finance charges are no longer applicable to the GO Program, as there are no plans to issue any additional bonds to finance projects. Considering these factors we consider this finding corrected.

- **Recommendation 6** – The City's CIP budget did not include all GO Program of Projects. 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.

Actions taken: For FY2018 to FY2020, no program of projects was completed. However, the draft Transportation Program was presented to CTOC for consideration. The program is presented to City Council afterwards. Due to timing of the City of Glendale budget process and Transportation Program development, final updates may not be captured in the Transportation Program recommended by CTOC.

Status: Uncorrected. See finding noted during the current performance audit.

Is the Long-Range Transportation Program Financially Balanced and Based on Reasonable Estimates?

Methodology

There were significant changes during the audit period to the City's process for developing a financially balanced Long-Range Transportation Program (Program). The details are listed below.

- At the advice of Council, the program forecast was reduced from 25 years to 10 years. The City's Transportation Department reviewed city code to ensure a 10 year program would meet the requirement of a long-range program. The City Attorney's Office was consulted and agreed a 10 year program meets the definition of a long-range program. The City also surveyed other cities to ascertain how many years were incorporated into their long range forecasts. Based on Council's recommendation and the due diligence performed by transportation, the forecast window was changed starting with the fiscal year 2019 program covering fiscal years 2019-2028.
- The City did not draft a GO Program specific long-range plan for fiscal year 2018, rather the City drafted a city-wide plan, which included all funding sources of the City's transportation activities.
- The City is no longer using an external consultant to prepare estimates for inclusion in the long-range program. The City felt the financial models provided by the consultant were overly complex. The Transportation Department now works with budget and finance on developing the forecasts. The GO Program's forecast methodology is now consistent with the rest of the city.
- Due to the significant changes described above, the City did not publish a program of projects for the three fiscal years under audit.

We analyzed the 10-year projections and the underlying assumptions used for the fiscal years 2019-2028 and 2020-2029 programs. We did not perform any procedures on the 2018-2041 Transportation Plan due to the plan not being GO Program specific. The plan did appear to be comprehensive and was presented to CTOC and to Council during a workshop.

Interviews were conducted with various members of the Transportation Department and the Budget and Finance Department to gain an understanding of how the Programs were built and the assumptions and estimates used. We assessed the reasonableness of the projections in relation to historical data, commonly accepted forecasting practices, and other factors affecting future projections including the incorporation of regional transportation plans.

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 procedures for creating the financial forecasts.
- We compared financial projections with those of prior years and other expectations.

Are Cost Estimates Reasonable?

- We reviewed the clerical accuracy of the cost estimates.
- We compared cost estimates to historical data.
- 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.

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.

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 (Transportation Improvement Program 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 projects for any matching requirements.
- We compared the City's share of costs in the regional plans to the Long-Range Transportation Program to determine if costs included were appropriate and reasonable.

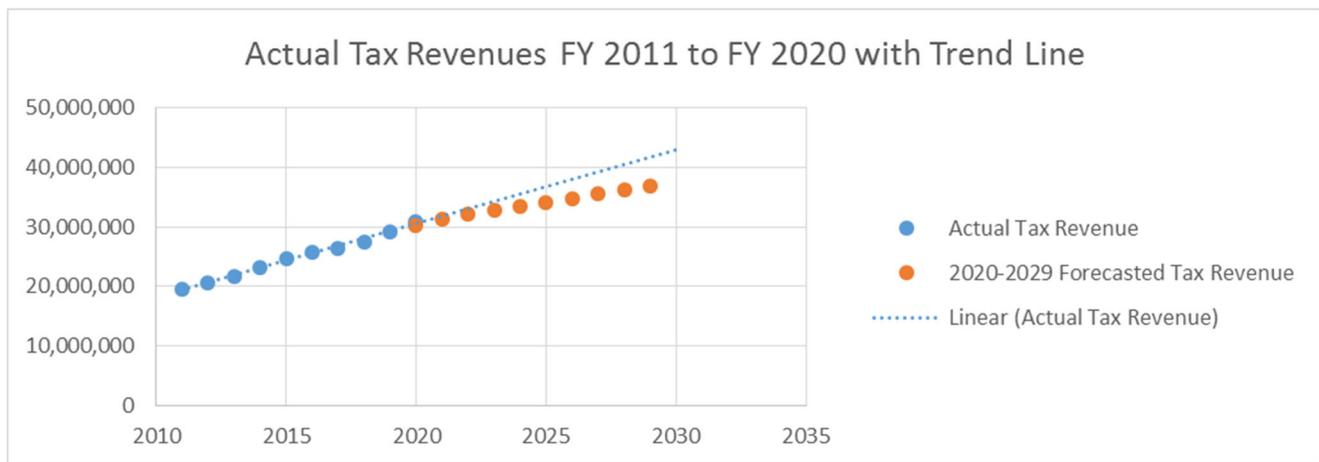
Summary of Observations and Recommendations

The revenue financial projections are reasonably stated with some exceptions noted.

Sales Taxes

Sales tax projections made by the Budget and Finance Department are influenced by historical data, and similar forecasts published by the League of Cities and Towns, Joint Legislative Budget Committee (JLBC), and other cities. Per review of the City’s Five Year Revenue Forecast in the 2020 Budget Book, the City projected sales tax growth of 3.50% in fiscal year 2020 and an average of 2.40% thereafter. Similarly the 2020 GO Program forecasted growth of 3.82% in fiscal year 2020 and 2.46% thereafter. The estimates are reasonably consistent with other cities in the metro area and the JLBC estimates.

The sales tax forecast was also compared to historical data for the last ten years. The average annual sales tax growth over the last 10 years has been approximately 4.77% compared to the 2020-2029 GO Program which estimates average growth of approximately 2.37%. Below is a chart of actual historical GO Program sales tax revenue with a linear trend line compared to the 2020-2029 GO Program forecasted revenue.



It was noted that each base year estimate was conservative, which impacts the next nine years of forecasted revenues. Below is a comparison between the base year forecast and actual revenues for the audit period under review.

	Base Year Estimate	Actual Sales Tax	Difference
2019-2028	27,097,175	29,230,842	2,133,667
2020-2029	30,308,943	30,989,355	680,412

General Funds

The City decided to discontinue the transfer from the General Fund to the GO Program in fiscal year 2018. Therefore this is no longer a resource reflected in the Long-Range Transportation Program.

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. During the audit period the GO Program received significant reimbursements related to land acquisition at the Glendale Airport from the Federal Aviation Administration (FAA) and Arizona Department of Transportation (ADOT) in the amounts of \$1.6 million and \$10.6 million in fiscal years 2019 and 2020, respectively. Additionally, the City consistently receives reimbursement from RPTA for its ADA transit services. In fiscal year 2019 and 2020, the City received \$769,708 and \$784,844, respectively. The City did not account for intergovernmental revenue in either the 2019-2028 or 2020-2029 Programs.

Fare Box Revenues

The annual estimates of Bus Fare Box revenues were compared to historical collections for reasonableness. The average fare revenue between fiscal years 2015 and 2019 was \$123,436 compared to forecasted annual revenue of \$124,000. The City did not account for any growth in Fare Box revenue in the 2020-2029 Program. The City did not account for Fare Box revenue in the 2019-2028 Program.

Interest Revenues

Interest revenue has become a significant source of revenue for the GO Program considering the large accumulation of fund balance totaling \$62 million at June 30, 2020. Investment yields were also favorable during the audit period resulting in investment income of \$915,117 and \$1.1 million in fiscal years 2019 and 2020, respectively. The 2020-2029 Program budgeted \$160,000 for fiscal year 2020 and \$140,000 thereafter. The City did not account for interest revenue in the 2019-2028 Program.

Finding and Recommendation:

The City's revenue forecasts were incomplete.

The following GO Program revenues were unaccounted for or not appropriately forecasted:

- The 2019-2028 forecast only accounts for City sales tax and does not include other revenues such as charges for services, intergovernmental and interest revenue. Additionally, the 2019-2028 forecast does not account for any growth in sales tax revenues.
- The 2020-2029 forecast did not account for intergovernmental revenues. Additionally, the 2020-2029 forecast did not appropriately project interest revenue in the near term.

Recommendation

The City's revenue forecasts included in the Long-Range Transportation Program should account for all significant revenues. The projection of interest revenue should consider historical rates of return and the amount of funds invested. Some of the deficiencies noted in the 2019-2028 forecast were corrected in the 2020-2029 forecast.

Management Response

Concur- The Budget and Finance Department will evaluate and account for significant revenues that are included in the Long-Range Transportation Program. While the projection of interest revenues may be considered using historical rates of return, past performance is not indicative of future results and the city model recognizes this by being conservative when estimating revenues that are dependent upon market performance.

The cost estimates and underlying assumptions are reasonable with some exceptions noted.

The 2020-2029 forecast included supporting schedules for capital and operating expenditures reported in the Long-Range Transportation Program. The supporting schedules were checked for clerical accuracy and agreed back to the master schedule. Inflation applied to the cost estimates were also recalculated for accuracy. These procedures were not applied to the 2019-2028 forecast as the forecast did not have supporting schedules or inflation applied to cost estimates.

Debt service expenditures were agreed by fiscal year with current debt retirement schedules. Additional debt issuances or defeasances are not expected to occur within the forecast window.

Contingency expenditures were compared to historical levels of budgeted contingency. The contingency budgeted in the 2020-2029 Program represents 40% of the capital budget which appears conservative. This estimate attempts to capture inflation on capital projects which is not budgeted for at the project level. The GO Program has experienced significant inflationary pressures related to construction in recent years.

Forecasted operating expenditures were compared to historical costs incurred to determine reasonableness. The forecasts were also compared to other relevant sources of information including the indirect cost allocation plan, Full Time Equivalent (FTE) budgets, Intergovernmental Agreements (IGAs) related to Dial a Ride and Fixed Route, and capital budgets. Discussions with management and review of CTOC minutes were also considered when evaluating the reasonableness of the cost estimates. The non-inflated cost estimates did not fluctuate over the 10 year forecast except for fixed route, which accounts for the addition of the Union Hills Bus Route in fiscal year 2027 and transportation program management, which accounts for the triennial performance audit in fiscal years 2021, 2024, and 2027.

Capital outlay expenditures were compared to the adopted CIP budget and also to regional plans to measure their reasonableness.

Finding and Recommendation:

The cost estimates in the 2020-2029 Long-Range Transportation Program contained errors.

- Fixed route inflated wages and salaries were understated in fiscal years 2025 and 2026 by \$383,851 due to a formula error.
- Transit Management wages and salaries were understated in fiscal years 2026 through 2029 by \$60,048 due to a formula error.
- Debt service expenditures for fiscal year 2022 were understated by \$30,000.
- CIP operations and maintenance contracted landscape services and Dial a Ride supplies totaling \$225,000 were misclassified as utilities.
- ITS employee benefits of \$1.3 million were misclassified as supplies and contracts.

Recommendation

It is recommended that the City perform a detailed review of cost estimate spreadsheets to ensure they are free from error.

Management Response

Staff agrees with the recommendation. The program spreadsheet has been updated to reduce possible errors in formulas. Additional review of the spreadsheet will also be conducted.

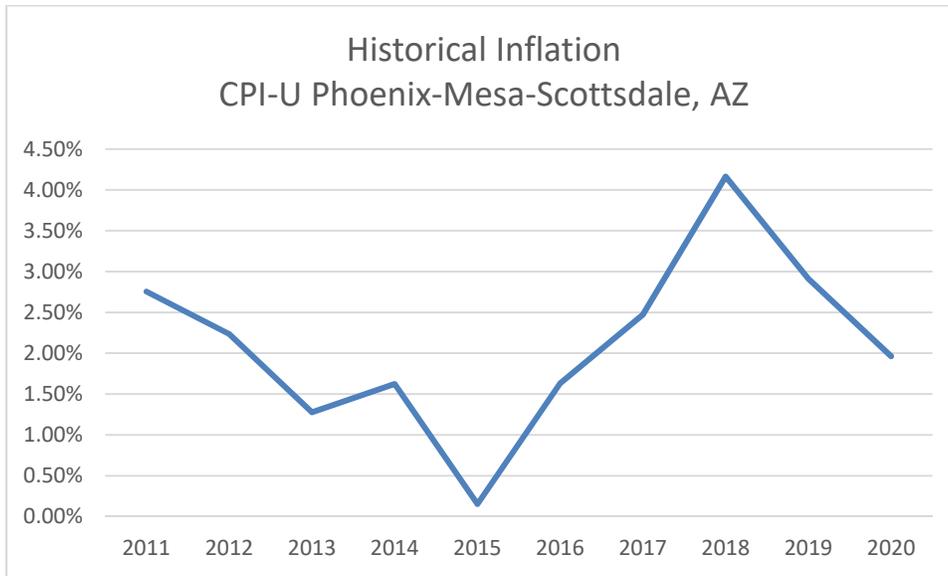
Other financial factors such as interest rates, bonding levels, and inflation rates are reasonable.

Bonding Interest Rates and Bond Levels

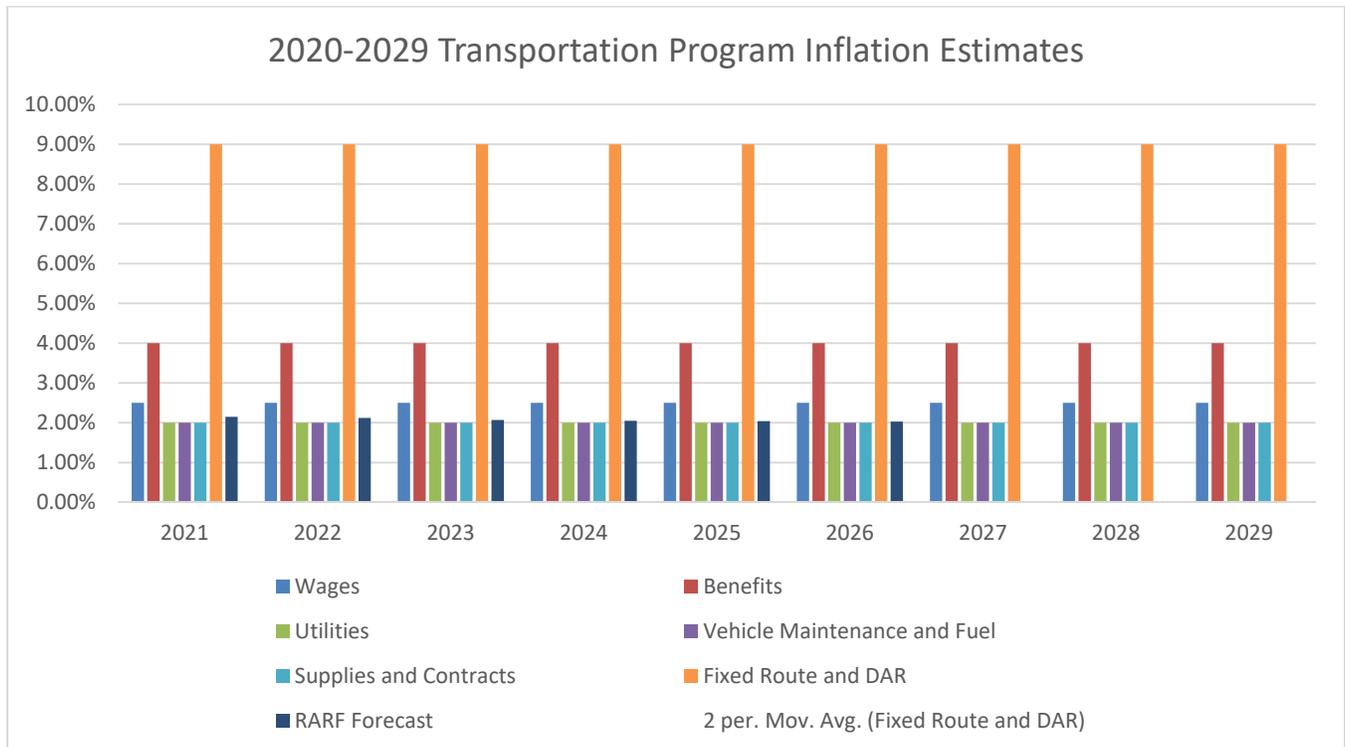
The City does not have plans to issue any additional excise tax revenue bonds. The City has accumulated sufficient fund balance to finance current and future planned projects.

Inflation Rates

We compared historical consumer price index of all urban consumers for the Phoenix-Mesa-Scottsdale, Arizona area from years 2011 through 2020 against the inflation rates assumed in the Long-Range Transportation Program. The average rate from 2011 to 2020 was 2.12 percent. The changes in the consumer price index were as follows.



The City did not apply inflation to the 2019-2028 Program. The 2020-2029 Program used the inflation estimates from the city-wide budget for wages, benefits, utilities, vehicle maintenance and fuel, supplies, and contracts. Dial a Ride and Fixed Route supplies and contracts inflation of 9% was set by transportation staff based on historical rates of inflation on these contracted services. An inflation rate was not applied directly to capital projects, rather the City attempted to capture inflation in the contingency budget of \$3.1 million each fiscal year of the forecast. See below for inflation rates applied to operating expenses.



Finding and Recommendation:

Inflation was not always appropriately applied to the forecasts.

The City did not apply a rate of inflation to the 2019-2028 Program, resulting in an understatement of forecasted expenditures. This was subsequently corrected in the 2020-2029 Program for operating expenditures; however, a rate of inflation was not applied to capital projects.

Recommendation

The City should consider applying a rate of inflation to capital projects rather than accounting for future cost increases in contingency. This change would increase the accuracy of the forecasts.

Management Response

Concur – The City will review its methodology for applying a rate of inflation to capital projects. The approach will be consistent with the conservative approach utilized throughout the City's forecasting methodology.

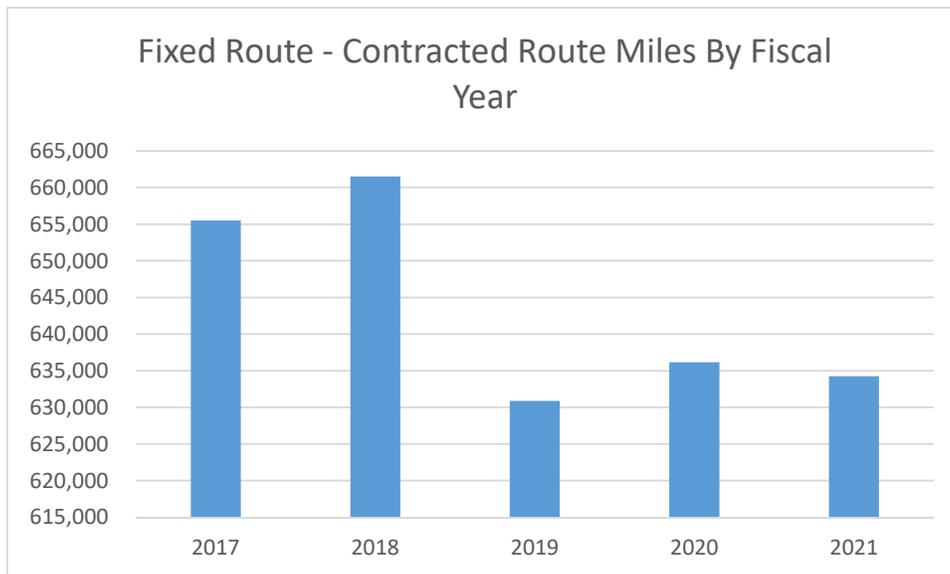
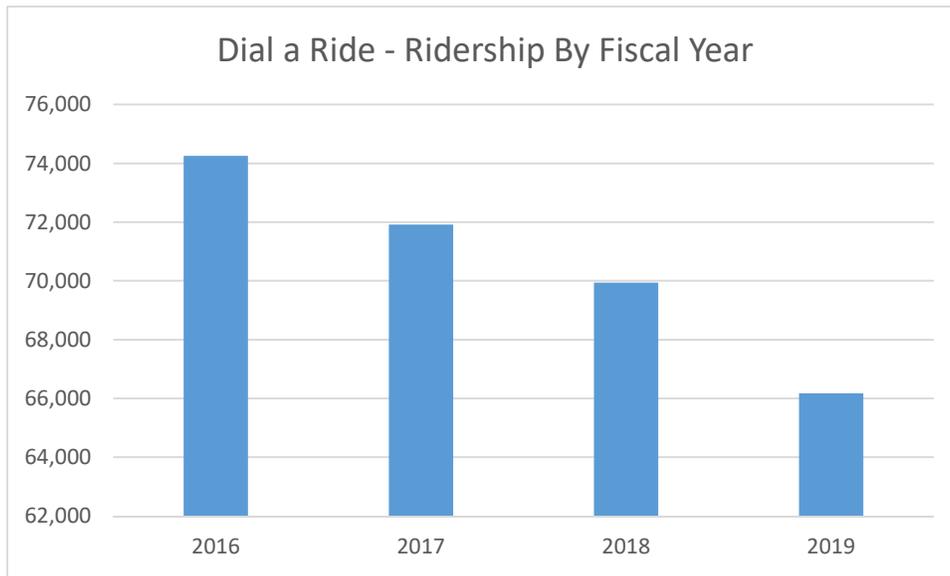
The planned activity level is reasonable with some exceptions noted.

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 2020, and applied analytical procedures over capital activities.

Operating Activities

The comparison of the projection for non-capital expenditures have yielded results that suggest the 2020-2029 Long-Range Transportation Program has a strong correlation to projected expenditures using linear regression (R-squared equals 0.99), therefore, suggesting that the forecast is reasonable in relation to historical non-capital expenditures. The 2019-2028 Program did not have a strong correlation due to the forecasted expenditures remaining flat over the 10 year period. See the recommendation in the previous section of the report. 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 are fixed route and the Dial a Ride service. The City plans on adding one additional fixed route in fiscal year 2027. There are no plans to increase or decrease Dial a Ride service levels. See below for Dial a Ride ridership statistics over the last four fiscal years and the contracted route mileage for fixed route services since 2017. Management's estimates of activity levels with respect to these services is conservative and achievable.



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, and projected fund balance carry forward to determine if the City has sufficient cash flow to cover its planned activities. There were no years in which the Program was in a deficit fund balance situation and each year the City's fund balance policy was met which is 10% of operating revenues. At the end of the forecast in fiscal year 2029, the City projects ending fund balance to be approximately \$32.1 million, which is \$28.4 million in excess of the fund balance requirement.

Finding and Recommendation:

The projected beginning fund balance in the forecast was significantly lower than actual beginning fund balance.

There is a significant favorable variance of \$8.8 million and \$13.8 million between actual and forecasted beginning fund balance in fiscal years 2020 and 2019, respectively. The variance is partially due to not budgeting for all revenue sources including intergovernmental revenue.

Recommendation

The City should refine its process for ascertaining a beginning fund balance estimate.

Management Response

Partially Concur- The City will review its methodology for calculating beginning fund balance for developing financial forecasts including budgeting for all known and expected revenue sources.

The process by which the schedule of activity is adjusted is in keeping with the intent of the voters; however, we did note one opportunity to increase the transparency of GO funded projects.

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.

Finding and Recommendation:

The City has not drafted a Program of Projects report since fiscal year 2017.

The Program of Projects report is not required, but provides additional transparency surrounding the GO Program and the projects financed with the half-cent sales tax. Per discussion with management, the City plans to publish the GO Program of Projects for fiscal year 2023.

Recommendation

It's recommended that the City follow through with its plan to bring back the Program of Projects report in fiscal year 2023 and present the report to CTOC and Council for their consideration and approval. It's recommended that the Program of Projects is also published on the City's website.

Management Response

Concur - staff developed a Program of Projects for fiscal year 2022-2023.

The Long-Range Transportation Program is consistent with regional programs.

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
 - Arterial Life Cycle Program
 - Regional Transportation Plan
- Valley Metro
 - Transit Life Cycle Program
- 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.

Status of Prior Audit Findings

The 2017 performance audit made several recommendations that were applicable to this section.

- **Recommendation 1** – The base year sales tax forecasts were conservative, and in one financial model misreported. 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.

Actions taken: The program changed to a 10-Year program. Staff has used revenue information from the City of Glendale Budget and Finance department.

Status: Corrected. The fiscal year 2019-2028 Program's base year was inaccurate due to the City not applying a growth rate to 2018 actual sales tax revenue. See current year recommendation.

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

Actions taken: Neither of the two practices are currently being followed. The net cost (gross cost less farebox revenue) of transit service contracts are included in the 10-Year Transportation Program.

Status: Corrected. The fixed route cost projections appeared reasonable.

- **Recommendation 3** – Dial a Ride cost estimates should be revised to ensure greater accuracy in the Program of Projects. It is recommended that the City update Dial a Ride base costs more frequently based on actual costs incurred.

Actions taken: Calculating Dial-a-Ride costs are not a part of the 10-Year Program. The Program reflects cost information provided by Transit staff.

Status: Corrected. The Dial a Ride cost projections appeared reasonable.

- **Recommendation 4** – The City incorrectly used the inflation rate as a proxy for investment income. It is recommended that a forecasted rate of return is applied to the idle cash balances rather than the inflation rate.

Actions taken: The 10-Year Program now reflects the forecasted rate of return on annual cash balance.

Status: Corrected. There is an additional finding over investment income in the current period.

- **Recommendation 5** – There was an inconsistency between the GO Program of Projects and Valley Metro's Transit Life Cycle Plan. It is recommended that staff perform a reconciliation of regional plans and reports to the GO Program Financial Models to ensure accuracy.

Actions taken: It is an ongoing staff effort to account for non-Glendale funding and cost information.

Status: Corrected.

Appendix

Summary of Findings, Recommendations, and Management Responses

Are Commitments to Voters Being Met?

1. 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 2008 performance audit found that the commitments 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. The 2014 performance audit found that the Department had made additional cuts in transit services. The 2017 performance audit found that some Bus services had been restored, expanded and improved.

The current 2020 performance audit found Bus services remained the same as in 2017, except that Route 83 was extended into Glendale, and services on Route 67 was terminated at Arrowhead Hospital and no longer serves Arrowhead Town Center.

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 had forced the City of Glendale to reduce the cost of its transit operations over the past five years to maintain a balanced budget.

The FY 2017 Performance audit recommended that GO Transportation Program management consider restoring the reduced/terminated transit services to 2008 levels with monies made available by the elimination of the Light Rail Project. Transportation staff agreed with that recommendation and stated it would continue to look for sustainable opportunities to restore services. We noted some improvements in services during the past six years and recommend that Glendale continue to improve services. This recommendation has not been implemented, so is repeated below.

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 does not agree with this recommendation. Proposition 402 identified 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. Modifications to the Transportation program have occurred due to changing conditions and priorities following this process.

2. Several projects that were to be completed within the first five years of the GO Program were not complete as of June 30, 2020.

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. The 39 street projects were included on maps in both the Publicity Pamphlet and Ballot, and the Publicity Pamphlet stated that "Maps of the Transportation projects to be funded with the new revenues will be placed on the election ballot as a "contract with the voters". As of June 30, 2020, 32 of those projects were complete. The remaining 7 projects are no longer listed as funded in the GO Program's 10 year plan.

As reported in the 2005 performance audit report, several of those projects were first delayed until Fiscal Years 2021 and 2023 because of cost escalation and limits on available funds, and later because of revenue shortfalls. This funding limitation resulted in the inability to maintain the required revenue to debt service ratio of 2:1. As of the end of FY 2011, these projects had been further delayed and scheduled for completion in Fiscal Year 2027. The sales tax revenue decline was the stated reason for the additional delays.

At the close of FY 2017, the remaining projects were scheduled for sequential construction starting with the first project (Intersection Improvements at 59th Avenue and Olive Avenue) in FY 2018. The 59th Avenue and Olive Avenue project was completed in 2018, but as of June 30, 2020 no construction dates for the remaining 59th Ave Projects had been scheduled, and no funding for these projects is included in Glendale's GO Program's 10 year transportation plan.

During the period FY 2018–2020, 5 new street projects were added to the GO program ahead of the 7 promised projects. Two of these new projects (Ballpark Boulevard extension Phase I and Phase II) are being funded primarily with GO monies. Those funds could have provided a good start on the 59th Ave. projects. Glendale Transportation management officials stated that the addition of the Ballpark projects instead of funding 59th Ave. projects was based on priorities established by the Glendale City Council.

The prior performance audit report included comments on the commitment to complete the 59th street projects within the first five years of the GO program. In response, GO Program management stated that Proposition 402 identified projects that were to be funded out of the Long-Range Transportation Program and that the proposition also identified a process for making changes to the Program. The process referred to by GO Program management reads as follows: “The CTOC shall monitor transportation fund expenditures to ensure that voter approved projects in accordance with this measure are completed in a timely and cost effective manner and may recommend adjustments to projects when warranted to serve the best interest of the public.”

As noted in the FY 2015-2017 Performance Audit report the Glendale Police Department in May 2017 released a list of the 10 most dangerous Glendale intersections. The 59th and Olive intersection was included on this list as well as the intersections of 4 other 59th Avenue projects.

The 59th Avenue and Olive project was complete in FY 2018 and included 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 seven other 59th Avenue Projects include many of the same traffic flow and safety improvements as was included in the 59th Avenue and Olive project.

Recommendation

We recommend that an independent assessment be performed to determine the impact that the completion of the seven remaining 59th Avenue projects could have on traffic flow and public safety. We further recommend that the results of this study be reported to CTOC for review and recommendation to the City Council for their consideration.

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. Changes to the program have been recommended by CTOC and approved by Council. Such changes should no longer have to meet the originally anticipated schedule.

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

1. Indirect costs allocated to the GO Program are unsupported and are relatively high.

The indirect costs charged to the GO Program of \$1.5 million in fiscal year 2018 and \$1.2 million in fiscal years 2019 and 2020 are not supported by a cost allocation plan.

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 amounts charged to the GO Program are relatively high in comparison to the most recent cost allocation plan developed.

Recommendation

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

Management Response

Concur – The city-wide cost allocation plan was updated during the 16-17 fiscal year and was developed using 2016 actual expenditures. The finance department has contracted with MGT Consultants, LLC to update the cost allocation and expect to implement the new plan in the FY22-23 budget.

2. CIP set-asides are fair and accurate with some exceptions noted.

All set-aside allocations reviewed complied with the City's policies and procedures except where noted below.

- For two of 32 projects reviewed, the City improperly allocated finance charges totaling \$125,520.
- For one of 32 projects reviewed, the City improperly allocated an art charge at 1.83% rather than 1.00% required by City Code.
- For nine of 32 projects reviewed, the City did not allocate an art or engineering set-aside. One of the projects was assessed actual engineering charges in fiscal years 2019 and 2020. Per discussion with transportation personnel, set-asides were not allocated due to the projects

being in a preliminary stage without some of the project details established. It was noted that a portion of these projects identified did budget for set-asides in the subsequent fiscal year once the scope and details of the project were refined.

Recommendation

The GO Program personnel should ensure the set-aside charges are appropriately set based on the nature of the project and the policies and procedures established. Additionally, it's recommended that transportation use its best estimate of construction costs for projects added to the CIP in their preliminary stages and then calculate the required set-asides. When the scope and details of a project are refined in subsequent years, the set-asides should also be adjusted as necessary.

Management Response

Staff agrees with this recommendation. The practice to improve accuracy for Transportation capital improvement project estimates currently includes coordination with engineering department earlier in the planning phase to review and provide guidance on CIP set-asides and cost estimates.

3. Not all purchases were appropriately authorized before services were rendered.

For three of 40 disbursements reviewed, the purchase order was prepared and approved after services were rendered. For two of the three disbursements, the City had a formal contract in place before services were rendered.

Recommendation

The City should ensure that internal controls over disbursements are operating in accordance with the adopted policies and procedures.

Management Response

Partially Concur- Two of the disbursements had agreements in place prior to the services were rendered. Staff will look into measures to prevent this from occurring in the future.

4. The City's CIP budgets did not accurately account for all projects in the Long-Range Transportation Programs.

- The City did not include a budget for the flashing yellow arrow project in the 2019 CIP budget. The GO Program set the budget for \$3 million in fiscal year 2020.

- A transposition error occurred when reporting budgeted expenditures in the 2020 CIP budget resulting in the Transportation Engineering Consultant being under budgeted in the amount of \$360,000 during fiscal years 2025-2029.

Recommendation

Staff should reconcile the Long-Range Transportation Programs with the CIP Budget to ensure GO Program projects are accurately accounted for in the City's budget.

Management Response

Staff agrees with this recommendation. The process has been updated to review the CIP Budget for consistency with the Transportation Program at various stages of the Budget process.

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

1. The City's revenue forecasts were incomplete.

The following GO Program revenues were unaccounted for or not appropriately forecasted:

- The 2019-2028 forecast only accounts for City sales tax and does not include other revenues such as charges for services, intergovernmental and interest revenue. Additionally, the 2019-2028 forecast does not account for any growth in sales tax revenues.
- The 2020-2029 forecast did not account for intergovernmental revenues. Additionally, the 2020-2029 forecast did not appropriately project interest revenue in the near term.

Recommendation

The City's revenue forecasts included in the Long-Range Transportation Program should account for all significant revenues. The projection of interest revenue should consider historical rates of return and the amount of funds invested. Some of the deficiencies noted in the 2019-2028 forecast were corrected in the 2020-2029 forecast.

Management Response

Concur- The Budget and Finance Department will evaluate and account for significant revenues that are included in the Long-Range Transportation Program. While the projection of interest revenues may be considered using historical rates of return, past performance is not indicative of future results and the city model recognizes this by being conservative when estimating revenues that are dependent upon market performance.

2. The cost estimates in the 2020-2029 Long-Range Transportation Program contained errors.

- Fixed route inflated wages and salaries were understated in fiscal years 2025 and 2026 by \$383,851 due to a formula error.
- Transit Management wages and salaries were understated in fiscal years 2026 through 2029 by \$60,048 due to a formula error.
- Debt service expenditures for fiscal year 2022 were understated by \$30,000.
- CIP operations and maintenance contracted landscape services and Dial a Ride supplies totaling \$225,000 were misclassified as utilities.
- ITS employee benefits of \$1.3 million were misclassified as supplies and contracts.

Recommendation

It is recommended that the City perform a detailed review of cost estimate spreadsheets to ensure they are free from error.

Management Response

Staff agrees with the recommendation. The program spreadsheet has been updated to reduce possible errors in formulas. Additional review of the spreadsheet will also be conducted.

3. Inflation was not always appropriately applied to the forecasts.

The City did not apply a rate of inflation to the 2019-2028 Program, resulting in an understatement of forecasted expenditures. This was subsequently corrected in the 2020-2029 Program for operating expenditures; however, a rate of inflation was not applied to capital projects.

Recommendation

The City should consider applying a rate of inflation to capital projects rather than accounting for future cost increases in contingency. This change would increase the accuracy of the forecasts.

Management Response

Concur – The City will review its methodology for applying a rate of inflation to capital projects. The approach will be consistent with the conservative approach utilized throughout the City's forecasting methodology.

4. The projected beginning fund balance in the forecast was significantly lower than actual beginning fund balance.

There is a significant favorable variance of \$8.8 million and \$13.8 million between actual and forecasted beginning fund balance in fiscal years 2020 and 2019, respectively. The variance is partially due to not budgeting for all revenue sources including intergovernmental revenue.

Recommendation

The City should refine its process for ascertaining a beginning fund balance estimate.

Management Response

Partially Concur- The City will review its methodology for calculating beginning fund balance for developing financial forecasts including budgeting for all known and expected revenue sources.

5. The City has not drafted a Program of Projects report since fiscal year 2017.

The Program of Projects report is not required, but provides additional transparency surrounding the GO Program and the projects financed with the half-cent sales tax. Per discussion with management, the City plans to publish the GO Program of Projects for fiscal year 2023.

Recommendation

It's recommended that the City follow through with its plan to bring back the Program of Projects report in fiscal year 2023 and present the report to CTOC and Council for their consideration and approval. It's recommended that the Program of Projects is also published on the City's website.

Management Response

Concur - staff developed a Program of Projects for fiscal year 2022-2023.