



# City Council Report

**Date:** June 8, 2026  
**To:** City Council  
**Through:** Brent Stoddard, Assistant City Manager  
**From:** Jodi Sorrell, Transit Services Director  
**Subject:** Intergovernmental Agreement with Valley Metro Rail, Inc. (METRO) for light rail operations and maintenance for Fiscal Year 2026/27  
**(Districts 3 and 4)**

## Purpose and Recommendation

The purpose of this report is to recommend and request the City Manager, or his designee, to enter into an agreement with Valley Metro Rail, Inc. (METRO) for Mesa's share of costs for operation of light rail service, agency operating costs and other costs associated with operating the light rail system. The agreement authorizes the City to disburse funds in an amount of \$21,148,000 during Fiscal Year 2026/27.

## Background

The City of Mesa and METRO entered into a Light Rail Transit Operations Master Cooperative Funding Agreement ("Master Agreement"), effective November 17, 2008. The Master Agreement specifies that each fiscal year the METRO Board of Directors will identify annual operations and maintenance funding amounts for the member cities. The annual operations and maintenance costs are allocated based on the number of miles light rail operates within each city.

## Discussion

Operations and maintenance costs established by the METRO Board of Directors for Fiscal Year 2026/27 are \$129,510,000. The operations and maintenance budget include safety, security, lifecycle maintenance, propulsion power, vehicle maintenance, systems and facilities maintenance, transportation contractors, materials and supplies, general and administrative agency costs and liability insurance. The implementation of Proposition 479 adds some additional costs to the operating costs allocated to the Cities. This includes costs for systemwide improvements (ie: travel time improvements and implementing recommendations from safety studies) and future project development (this includes projects in the early development stages like working with cities on redevelopment of park-and-rides or applying for grants). The City also has Valley Metro maintain landscaping at the Sycamore Transit Center and Gilbert Road Transit Center. This additional work is estimated at \$22,000 in Fiscal Year 2026/27. Mesa's estimated costs are \$21,148,000.

Mesa uses several revenue sources to offset the General Fund contribution to fund light rail operations. This includes approximately \$2,866,000 in forecasted light rail fares, advertising revenue, Arizona Lottery funds and other revenues to reduce the funding contribution by the City. After applying the various light rail revenue sources, Mesa's net General Fund contribution to light rail operations is estimated to be \$18,282,000.

### **Fiscal Impact**

Light rail operations, maintenance and agency operating costs are approved and included in the City of Mesa Transit Services budget for Fiscal Year 2026/27 in the amount of \$21,148,000.

### **Alternatives**

Mesa formed a non-profit corporation with Phoenix and Tempe (i.e., Valley Metro Rail, Inc.), and as a member of that corporation is bound by the By-Laws, Joint Powers Agreement, and Articles of Incorporation. These documents that regulate the corporation and its members provide penalties for not making timely payments, including the unpaid balance accruing interest at 12% and suspended voting rights. To withdraw as a member of the corporation, Phoenix and Tempe would need to agree to assume Mesa's financial obligations and provisions for the continued use of the light rail in Mesa. The controlling documents do not contemplate removing the light rail from Mesa, even if Mesa were to withdraw from the corporation.

### **Coordinated With**

METRO has reviewed and agrees with the terms of the funding agreement. The City Attorney has also reviewed and concurs with the amendment as to form.