FY 2027 Valley Metro IGA

Staff Report - Transit Services / RideChoice

Summary

The action before the Town Council is approval of the FY 2027 Intergovernmental Agreement (IGA) with the Regional Public Transportation Authority (RPTA), also known as Valley Metro. Approval of the IGA keeps the annual agreement with Valley Metro in place and allows RideChoice to continue for eligible Fountain Hills residents during FY 2027.

RideChoice is the Town's only active transit program. No General Fund monies are currently budgeted for transit service. The program is funded through restricted regional transit sources and accumulated restricted transit fund balance.

Beginning July 1, 2026, RideChoice eligibility and fare rules will change. Staff expects these changes to reduce annual program demand and Town subsidy costs, and to bring ongoing RideChoice expenses back within the Town's available restricted transit funding. Because the exact impact will depend on ridership and trip patterns after implementation, staff will continue to monitor the program and return to Council if additional direction is needed.

Based on current projections, existing restricted transit fund balances are sufficient to cover the projected FY 2026 and FY 2027 funding gaps. Staff recommends approval of the FY 2027 IGA as presented.

Background

The Town and RPTA have used annual IGAs for transit-related services for several years. Historically, the Town's transit program included the 515 Express Bus and RideChoice. The 515 Express Bus was discontinued in April 2025 because of budget constraints. Since that time, RideChoice has been the Town's remaining active transit service.

To date, the Town has not budgeted General Fund dollars for public transit. Transit service has been funded through restricted regional transit funds. However, the Town's available restricted transit funding has not kept pace with recent RideChoice demand, which created the need for program changes.

At the November 12, 2025 Council work session, Council directed staff to begin implementing cost-saving changes to RideChoice. The goal was to preserve a transportation option for residents with qualifying disabilities while bringing ongoing program costs back within the Town's available restricted transit funding.

Current Transit Service: RideChoice

RideChoice has been available in Fountain Hills since 2014. It is an on-demand, door-to-door transportation service administered through Valley Metro. The program includes rideshare providers such as Uber and Lyft, taxicabs, and wheelchair-accessible vehicles as needed.

Prior to the July 1, 2026 changes, RideChoice was available to Fountain Hills residents with disabilities and to residents age 65 and older, regardless of disability status. The Town currently has approximately 178 residents enrolled in the program, with roughly 70 to 75 active users.

Ridership has increased significantly in recent years. In FY 2023, RideChoice provided approximately 1,175 rides. FY 2026 ridership is on pace for approximately 3,300 rides. By comparison, the Town's annual restricted transit funding can support approximately 1,500 RideChoice rides on a more sustainable basis. This mismatch between annual demand and annual restricted funding is the main budget issue the July 1 program changes are intended to address.

RideChoice Program Changes Effective July 1, 2026

The July 1, 2026 changes affect both eligibility and fares. Together, these changes are expected to reduce annual program demand and reduce the Town's subsidy for longer trips.

Program Area	Current Approach	Beginning July 1, 2026
Eligibility	Residents with disabilities and residents age 65 and older qualify.	Age alone will no longer qualify a rider. Riders must qualify through Valley Metro's disability eligibility assessment process.
Fare / mileage structure	Under the Mileage Program, riders generally paid a $3 fare for trips up to 50 miles, subject to program limits.	The program will use the RideChoice Classic fare structure: $3 for the first 8 miles and $2 per mile for each additional mile after the 8th mile.
Expected impact	Demand has exceeded the level that can be supported by annual restricted transit funding.	Staff expects lower annual ridership and reduced Town subsidy costs, primarily because the revised fare structure will require riders to pay more of the cost for longer trips. The disability eligibility requirement also keeps the program focused on residents with qualifying disabilities. Together, these changes are expected to bring the program back within the level the Town can fund with restricted transit funding.

Staff believes these changes should address the long-term funding imbalance for RideChoice. The primary expected effect is the revised fare structure. The Town will no longer absorb the same level of subsidy for longer trips, and as the rider-paid share increases for longer trips, some longer-distance or discretionary trips may be reduced or may shift to other transportation options when RideChoice is no longer materially less expensive. The disability eligibility requirement also narrows the program to riders who qualify under Valley Metro's process.

The exact amount of savings cannot be known until after implementation because it will depend on actual ridership, trip lengths, and rider choices under the revised fare structure. Staff will monitor those results after the changes take effect and will return to Council if additional policy direction is needed.

Implementation and Rider Communication

After Council direction in November 2025, Town staff began coordinating implementation with Valley Metro staff in December 2025. Valley Metro sent letters to existing RideChoice riders in January 2026 explaining the upcoming eligibility and fare changes and providing information about disability eligibility assessments.

Valley Metro and Town staff held two local eligibility assessment events in February 2026, with another assessment event scheduled for May 20, 2026. Valley Metro advised that the 20 participants who completed the first two assessment events were determined eligible for continued RideChoice service.

Staff will continue to work with Valley Metro on implementation, rider communication, and program monitoring. After the changes take effect, staff will monitor ridership, costs, resident impacts, and the annual reconciliation process with Valley Metro.

Funding Sources and Fiscal Impact

RideChoice has been funded through restricted regional transit sources. The two main sources are summarized below.

Public Transportation Fund (PTF). PTF is the transit portion of the regional half-cent transportation sales tax associated with Proposition 400 and the voter-approved extension under Proposition 479. A small amount of remaining PTF funding is included in the FY 2027 IGA, but PTF should not be treated as an ongoing source for RideChoice in future years.

Arizona Lottery Fund (ALF). ALF provides an annual transit allocation to RPTA member cities and towns based primarily on population. Fountain Hills typically receives approximately $60,000 per year in ALF funding. ALF is the Town's primary ongoing restricted transit funding source for RideChoice.

The FY 2027 IGA estimate from Valley Metro assumes approximately 2,400 RideChoice rides. Staff believes the estimate may be higher than actual ridership and costs after the new eligibility and fare rules are in effect for the full fiscal year. However, using a higher planning estimate is appropriate for the IGA because actual costs are reconciled after the fiscal year. If actual program costs are lower than the estimate, the Town's account is adjusted accordingly. If actual costs exceed the estimate, the Town is responsible for the difference.

Even if the FY 2027 estimate proves accurate, existing restricted transit fund balances are projected to cover the FY 2026 and FY 2027 funding gaps. After FY 2027, staff expects the July 1 program changes to bring annual RideChoice costs back within the Town's annual ALF allocation. No General Fund monies are currently budgeted for transit service. If actual ridership or costs remain above available restricted funding, staff will return to Council for direction before any General Fund commitment is considered.

Alternative Transportation Concepts and Other City Programs

Staff has continued to evaluate transportation ideas and suggestions brought forward by Council members, residents, vendors, and other communities, including local circulators, rideshare programs, and microtransit concepts. This section is included to show that these options have been considered and to explain why staff is not recommending a broader transit program at this time.

The common issue is not whether these concepts could provide useful service. Many could. The issue is that broader local transportation service generally requires ongoing local funding, operating capacity, insurance, and administrative support that are not currently available within the Town's restricted transit resources. In many cases, the options would require substantial local funding, including General Fund support.

Staff previously received presentations from May Mobility and eCab. May Mobility is a point-to-point local circulator concept using minivans. eCab is an upscale golf-cart-style local circulator. Both concepts were appealing from a service perspective, but preliminary cost discussions indicated that either approach would likely require Town expenditures of more than $650,000 per year, depending on the final service area, hours, vehicle count, and operating model.

The table below provides additional context from nearby city programs. These examples are not direct comparisons to Fountain Hills, but they illustrate the same policy issue: broader local transportation programs can be attractive from a service perspective, but they generally require a level of ongoing subsidy that exceeds the Town's currently available restricted transit funding.

City / Program	Service Type	Funding / Cost Notes	Relevance to Fountain Hills
Tolleson Micro Transit	Discounted Uber/Lyft program replacing prior ZOOM bus service.	Tolleson's FY 2025 budget includes a $450,000 General Fund Transportation line. Program materials show a rider base fare and a City subsidy of up to $15 per eligible trip, with riders paying amounts above the subsidy limit.	Shows that even a rideshare-based local program can require a significant General Fund commitment.
Surprise WeRIDE / RideChoice	Surprise operated a WeRIDE microtransit pilot, then discontinued it after June 30, 2025. Surprise now provides RideChoice service for ADA-certified riders.	Public information indicates the WeRIDE pilot was not continued due to cost and funding concerns.	Shows that broader microtransit pilots may not be financially sustainable without ongoing funding. The current RideChoice model for ADA-certified riders is generally consistent with the direction Fountain Hills is moving toward on July 1, 2026.
Chandler Flex	Via-operated on-demand microtransit program. Chandler's budget projects approximately 42,000 annual Flex trips at about $30 per trip.	Chandler's Transportation Policy cost center includes Chandler Flex and is funded with both General Fund and Local Transportation Assistance funding. The FY 2025-26 adopted budget identifies approximately $3.14 million in General Fund support for that cost center.	Shows that larger microtransit programs may involve significant General Fund support even when restricted transit funds are also used.

Staff also reviewed whether the Town could operate a local circulator internally. This option is sometimes perceived as a low-cost alternative because it may appear to involve only a vehicle and a driver. In practice, it presents several practical and financial challenges.

Insurance is a significant issue. The Town participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides coverage to many Arizona municipalities, but staff understands that AMRRP is unable to extend coverage for a Town-operated transit service. Without available insurance coverage, the Town could not reasonably self-insure this type of operation.

Other operational issues would also need to be resolved, including dispatch and customer service, driver recruitment and backup coverage, vehicle maintenance, fuel or charging infrastructure, replacement vehicles, and accessible vehicle availability. For these reasons, an in-house circulator may appear simple at first glance, but would likely be more complex and expensive than anticipated.

Other Available Transportation Resources

In addition to RideChoice, there are limited free transportation resources available to qualified Town residents.

The American Cancer Society's Road to Recovery program provides free rides to and from cancer treatment appointments, subject to volunteer availability. Residents may contact the American Cancer Society at 800-227-2345. At least 24 hours' notice is recommended.

The Town's Community Services Department coordinates the volunteer Give-A-Lift program. Give-A-Lift provides free transportation for medical appointments for pre-qualified residents through a network of volunteer drivers using their own vehicles and insurance. The program is coordinated through the Community Center at 480-816-5108. Staff recommends requesting rides at least four days in advance. Rides depend on volunteer availability and cannot always be guaranteed.

Background on RPTA / Valley Metro

The Regional Public Transportation Authority (RPTA), commonly referred to as Valley Metro, is the regional transit agency for Maricopa County. RPTA was created after the passage of Proposition 300 in 1985 and is a political subdivision of the State of Arizona. It is governed by a board of elected officials from member jurisdictions.

The current Valley Metro RPTA Board includes Avondale, Buckeye, Chandler, El Mirage, Fountain Hills, Gilbert, Glendale, Goodyear, Maricopa County, Mesa, Peoria, Phoenix, Queen Creek, Scottsdale, Surprise, Tempe, Tolleson, Wickenburg, and Youngtown. The Fountain Hills Town Council voted for the Town to become an RPTA member in December 2017. Since then, the Town has had a seat on the RPTA Board of Directors. There is no membership fee for RPTA member municipalities.

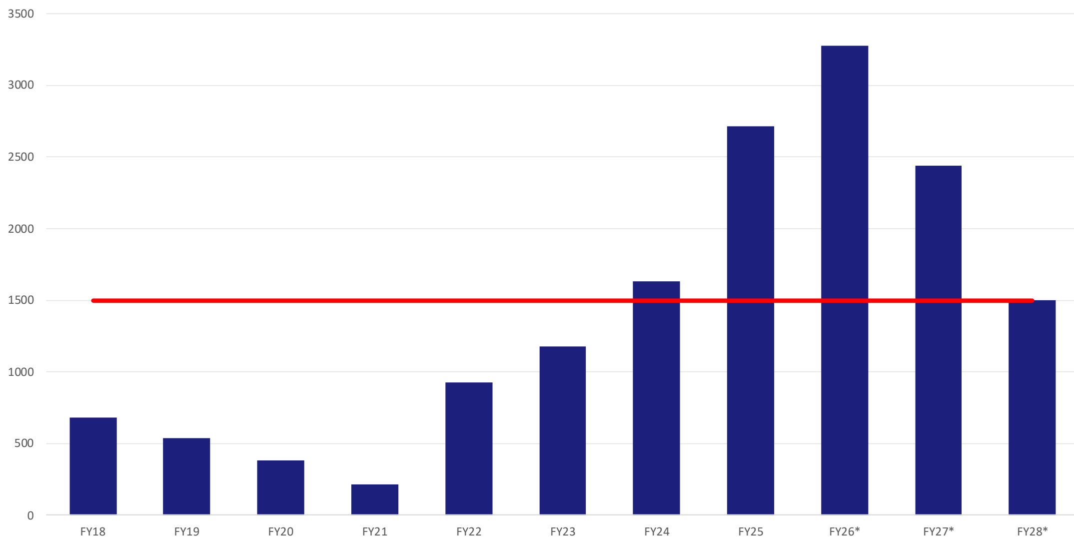
Proposition 400, approved by Maricopa County voters in 2004, extended the regional half-cent transportation sales tax through 2025. With voter approval of Proposition 479 in November 2024, that regional transportation sales tax was extended through 2045. While this regional funding remains important for transit in Maricopa County, Fountain Hills' ongoing RideChoice funding is expected to rely primarily on the Town's annual ALF allocation and existing restricted transit fund balance.

Staff Recommendation

Staff recommends approval of the FY 2027 IGA with Valley Metro as presented.

Approval keeps the annual agreement with Valley Metro in place and allows RideChoice to continue for eligible residents. Existing restricted transit fund balances are projected to cover the FY 2026 and FY 2027 shortfalls, and staff expects the July 1, 2026 RideChoice changes to address the ongoing funding imbalance by reducing annual program demand and Town subsidy costs. Staff will continue to monitor ridership, costs, and resident impacts after implementation and will return to Council if additional policy direction is needed.

RideChoice Usage Trend



≈1,500 rides available funding equivalent

*FY 26 – 28 are estimates