

Date: July 12, 2013

To: Transit Service Delivery Advisory Committee

From: Department of Rail and Public Transportation Staff

Subject: Proposed Performance-Based Operating Assistance Allocation Implementation Plan

OVERVIEW

As requested by the Transit Service Delivery Advisory Committee (TSDAC) on July 1, 2013, the Department of Rail and Public Transportation (DRPT) staff has prepared a performance-based funding allocation implementation plan that will distribute transit operating assistance funding above \$160M through a phased approach. The first phase will consist of a two-year transition period, including FY14 and FY15, that will base the operating assistance funding allocation on a performance based model that incorporates agreed upon performance measures using data that have been collected and reported by the transit providers. The second phase will implement recommended longer term strategies to ensure data integrity, appropriate sizing of systems, and potential benchmarking for transit systems that have marginal room for improvement in their performance. The second phase will maintain the performance based allocation model used in the first phase and implement uniform definitions for performance measures, data collection standards/methodology, and accountability.

As agreed upon at the July 1, 2013 TSDAC meeting, the theory of test model number 11 will be used and henceforth referred to as the TSDAC operating assistance performance based funding allocation model. The performance metrics used in the TSDAC operating assistance performance based funding allocation model and the percent of available funding that will be allocated to each metric are defined below:

Net Cost per Passenger (50%): Operating costs less any derived income from a source other than taxpayers divided by ridership.

Customers per Revenue Hour (25%): Ridership divided by revenue hours

Customers per Revenue Mile (25%): Ridership divided by revenue miles

Transit system sizing is based equally on ridership and operating cost

DEFINITIONS:

Fixed Route and Commuter Bus Service

The time when a vehicle is available to the general public and there is an expectation of carrying passengers. These passengers either:

- Directly pay fares
- Are subsidized by public policy, or
- Provide payment through some contractual arrangement.
- Vehicles operated in fare free service are considered in revenue service. Revenue service includes:
 - Layover / recovery time.
 - Revenue service excludes:
 - Deadhead
 - Vehicle maintenance testing

- School bus service
- Charter service.

Revenue hours and miles for conventionally scheduled services, are comprised of two elements:

- **Running Time:** The time it takes your transit vehicle to travel from the beginning to the end of the transit route. Your agency's passenger timetable typically shows the running times for all trips operated by your agency
- **Layover and Recovery Time:** The layover and recovery time typically is scheduled at the end of each trip and usually ranges from 10 to 20 percent of the running time. The time is scheduled to provide the transit operator a rest break and to provide opportunity to get the transit service back on schedule if it was running late on the last trip.

Demand Response Service

The definition of revenue miles and revenue hours is slightly different than that for conventionally scheduled service.

- **Revenue Time:** Includes all travel time from the point of the first passenger pick-up to the last passenger drop-off, as long as the vehicle does not return to the dispatching point.

Deadhead

Deadhead is the mileage and operating time needed to move your transit vehicle before revenue service begins and after revenue service ends. When transit vehicles are deadheading, they operate closed-door and are not available to passengers. Deadhead in fixed route services can involve travel between:

- The garage and the beginning of a route
- The end of one route and the start of a second route, or
- The end of a route and the garage.

Note that bus deadhead includes mileage and time when your vehicle is not advertised as available for the general public, but is traveling to its first publicly advertised stop from the garage or to the garage from the last publicly advertised stop. For a vehicle to be considered in revenue service there must be a marked stop which is advertised in your schedules and an indication on your bus (e.g., head sign, window board) that it is in revenue service.

For non-fixed route services, deadheading can involve travel between:

- The garage and the dispatching point
- The garage and the first passenger pick-up
- The last passenger drop-off and the dispatching point
- The last passenger drop-off and the garage, or
- The dispatching point and the garage.

Operating Cost and Ridership

The operating cost and ridership, as defined below, will be used to size each transit operator relative to all transit operators eligible for state operating assistance in the Commonwealth of Virginia.

- **Operating Cost:** Most recent audited operating cost available
- **Ridership:** Unlinked passenger trips.

- Unlinked Passenger Trips: The number of passengers who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

IMPELEMENTATION PLAN

Phase I - Transition Period (FY14 and FY15)

DRPT will prepare a FY14 mid-year performance-based allocation of new state operating assistance that will be generated beginning on July 1, 2013 as a result of the historic transportation package passed by the 2013 General Assembly. Operating assistance funding above \$160M in FY15 will be allocated based on the same performance-based allocation model, methodology and performance data collection as in the FY14 mid-year performance-based operation assistance allocation.

Performance will be based on the percent change from year to year until such time as the data standards have been implemented and four years of data have been collected to allow for a three year rolling average. As such, performance will be based on the percent change from FY11 to FY12 for the FY14 mid-year performance-based operating assistance allocation. Likewise, performance will be based on the percent change from FY12 to FY13 for the FY15 performance-based operating assistance allocation. Performance data will be submitted to DRPT no later than October 31, 2013 for the FY15 performance-based operating assistance allocation. If grantees do not provide their data to DRPT by the deadline they will not receive their share of the performance-based operating assistance allocation.

Phase II - Future Year Allocation (FY 16 and Beyond)

TSDAC and DRPT staff has identified several items, as discussed below, that will require additional time to fully contemplate, discuss, and test before the TSDAC's performance based operating assistance allocation model will be finalized.

TASK ITEMS:

Performance Model:

Issue: DRPT and consultants have developed a performance-based operating assistance allocation model that will require refinement, validation, and testing necessary for long-term implementation.

Action Item: Consultants will provide modeling expertise to evaluate the existing performance based funding allocation model, conduct the necessary refinements, validation and testing necessary. Consultants will work with DRPT staff and the TSDAC to advance the necessary refinements. Consultants will attend TSDAC meetings, as requested by DRPT and TSDAC. Consultants will provide a final performance-based operating assistance allocation model and technical report.

Data Collection:

Issue: Data is of paramount importance and must be viewed as such by each transit provider that receives a state operating assistance grant. Data collection must be consistent and certifiable by the grantee and easily verified by DRPT staff. Likewise, the data reporting must be consistent and provided to DRPT on-time by each grantee. Four years of performance data will be required to implement a three-year rolling average. As such, the three-year rolling average will be implemented once the data standards have been finalized and three years of data are available.

Action Items:

- Consultants will conduct an assessment of data collection methods and technology that are currently being used by the transit providers. A report will be issued to the TSDAC by March 31, 2014.
- DRPT, with consultant assistance, will convene a working group comprised of transit operators to participate in the development of data collection methods and standards. Data reporting standards will be developed to ensure consistency in reporting timeframes (i.e. state fiscal year vs. federal fiscal year) and deadlines for submitting performance data to DRPT via the OLGA system that is currently available to all transit grantees. DRPT staff will provide regular updates to the TSDAC with a final report issued by December 31, 2014.
- DRPT staff will establish an accountability policy to ensure that data is collected, certified and reported by the transit grantee as identified in the data collection standards document. The accountability policy will be issued to TSDAC and all transit grantees by December 31, 2014.

Sizing of Transit Systems:

Issue: Ensuring that systems receive their relative share of funding requires the sizing of systems based on a metric (or weighted metric as TSDAC has chosen for the transition allocation -- operating cost and ridership weighted equally). Stakeholders have asked TSDAC to entertain the possibility of eventually using a metric encompassing more than just operating cost and ridership, reasoning that other measures which address the issues of how much service there actually is on the street (e.g., existing revenue hours, existing revenue miles) and/or how much service there should be on the street based on the character of the service area (e.g., population, population density, service area size, transit dependent population, etc. – metrics that have been characterized as “input” variables).

Action Item: Consultants will conduct an analysis of indirect input vs. direct output metrics to determine their ease of use and effectiveness in sizing transit systems. Input metrics to be considered include, service area size (sq mile), population, and population density. Output metrics to be considered include (in addition to operating cost and ridership which are seen as metrics which will be retained), peak fleet, revenue hours, revenue miles, and seat miles (data to be provided by each transit operator). DRPT staff will provide regular updates to TSDAC with a final report by March 31, 2014.

Exceptional Transit Performance:

Issue: The fundamental premise of performance based funding allocation is to provide a financial incentive to each transit operator to perform better year over year. However, the question remains how well this premise will stand the test of time for transit providers that are currently operating with a very high to exceptional performance. The proposed test model 11 provides incentive based on an individual operator’s percentage change in performance metrics as compared to the state average. Therefore, operators that are already at a high level of performance have a relatively small window to show improvement and their percentage improvement will not compare favorably to operators that currently are performing below expectations that show large percentage gains in their metrics. The TSDAC needs to consider including a methodology that rewards current high performers in the current proposed allocation or any other proposed future model.

Action Item: Consultants will research potential solutions to include in any allocation process a means that existing high performance can be rewarded just as other systems are rewarded. DRPT staff will provide regular updates to TSDAC with a final date for completion December 31, 2014.

Congestion Mitigation and Transit Dependent Outcomes

Issue: TSDAC has requested consideration of providing competitive grant opportunities to fund special service or programs that will provide congestion mitigation and/or increase transit options for the transit dependent

DRPT Response: Special programs are currently available for grant opportunities of this nature.

SB1140 TENTATIVE MILESTONE SCHEDULE FOR PHASE ONE:

August 5, 2013 - TSDAC meeting to finalize operating and capital allocation plans

August 12, 2013 - Public Comment Period Begins

September 18, 2013 – Commonwealth Transportation Board (CTB) Presentation of Draft SB1140 Recommendations

September 18, 2013 – Public Hearing (Richmond)

September/October, 2013- Senate Committee on Finance, House Appropriations Committee, and Senate and House Committees on Transportation briefings

September 26, 2013 – Public Comment Period Ends

October 16, 2013 – CTB – SB1140 Action

October 16, 2013 – SYIP amendment for FY14 operating funds

NOTE: Meeting dates and times with the Senate and House Finance Committees are forthcoming