



Virginia Department of Rail and Public Transportation

Transit Service Delivery Advisory Committee (TSDAC)
600 East Main Street, Richmond
October 3, 2018
10:00 am to 2:00 pm

Minutes

Members Participating:

John McGlennon, Chair
Jim Dyke
Cindy Mester

Hap Connors
Tom Fox
Brian Smith

Brad Sheffield
Kate Mattice

1. Call to Order / Introductions (10:02 am) –Chairman John McGlennon called the meeting to order and asked members to introduce themselves. DRPT Director Jennifer Mitchell noted that DRPT had made an effort to resolve the AV and IT issues from the last meeting.
2. Public Comment-No one was signed up for public comment.
3. Outline and Key Policy Questions-Jen DeBruhl, DRPT
 - a. Jen DeBruhl gave an overview of the agenda. She said that the Capital and Strategic Plan CTB resolutions had been revised to reflect the discussion at the September 7th TSDAC meeting. The resolutions were posted on September 10th for the 45 day comment period. She said that thus far DRPT had received some comments on the Strategic Plan guidance. Jen DeBruhl said that Nate Macek’s presentation on the Performance Based Operating Formula will match up the policy and principles established by the TSDAC to different scenarios. Jen reminded members that meetings have been scheduled in November and December and will focus on operating.
4. Impact of Performance Metrics on Prior Years Operating-Jamie Motely
 - a. Jamie Motley said that at the last TSDAC meeting the committee had asked to see the impact of the performance metrics on the operating formula. Jamie reviewed a spreadsheet detailing the average impacts of performance on operating over a three year period. John McGlennon asked if the cumulative effect was significant. Steve Pittard, DRPT’s CFO said that gains or losses based on performance can add up over the years. He said that if one entity is gaining money another is losing money since the total budget is fixed.
5. Operating Allocation-Best Practices/Performance Based Operating Formula-Nate Macek, WSP
Nate Macek reviewed his presentation on possible scenarios for the operating allocation. The following discussion points were noted.
 - a. Brian Smith said that the TSDAC had been charged with thinking differently about performance versus the traditional sizing. He said that there is a performance aspect to

the traditional sizing measures of operating cost and ridership. Nate Macek said that Brian's point about sizing is extremely important and asked if the current sizing factors align with the policy. Nate Macek said that his goal was to translate the policy objectives into measures which help inform the decision for the best allocation approach.

- b. Brian Smith said that the TSDAC had talked a lot about predictability. He said that avoiding significant cost disruptions is an important policy objective. Nate Macek said avoiding significant cost disruptions isn't a policy that relates specifically to performance but is a secondary objective to consider that could be addressed through the creation of a transition process.
- c. Jennifer Mitchell said that divergence from current funding levels was included in the presentation because she knows that is what people want to see but she asked the TSDAC to think about policy objectives and not just about a year over year comparison.
- d. Nate Macek reviewed programs in other states for comparison. Tom Fox said he was curious how senior programs were funded in Pennsylvania. Nate Macek said that Pennsylvania uses lottery revenue. John McGlennon asked if the level of funding Virginia contributes is similar to other states. Jennifer Mitchell said that 18-20% of operating funding in Virginia is covered by DRPT. Nate Macek said that some states provide all of the funding, some are similar to Virginia and provide a meaningful subsidy and some only provide selective funding but that those states tend to give localities a way to raise their own funding.
- e. Jim Dyke joined the meeting at 10:37.
- f. Cindy Mester asked for a white paper on the data that has been collected. Nate Macek says there is one that he will pull and distribute.
- g. Brad Sheffield asked if ridership per capita had been considered for sizing. Nate Macek said no because there could be a small place that would have high ridership that wouldn't correlate with size. He said that straight ridership has performance characteristics but that the ratio doesn't. He said that it could still be a useful metric.
- h. John McGlennon reiterated that we are looking at where we currently are and seeing how the factors affect it.
- i. Kate Mattice asked for a definition of net cost. Net Cost was defined as total operating costs less depreciation and any operating income derived from a source other than taxpayers, including non-taxpayer revenue such as a contribution from a hospital or university, divided by ridership. Nate Macek asked if there were any additional questions on sizing metrics. Brian Smith asked if passenger miles traveled was a cumulative count of each passenger that travels on the system. Nate Macek said that it was. Tom Fox asked to bring these things up again when talking about performance. Nate Macek noted that he would add a check to "promoting mobility" for revenue miles and revenue hours per Brian Smith's comments.
- j. Hap Connors said that he heard there were issues with the quality of the data and asked if that was true. Jennifer Mitchell said that there were some issues with how it was collected. Jen DeBruhl said the state has invested money into the problem but said that there were still issues with the quality because of manual entry.
- k. Kate Mattice said that passenger miles traveled may be an issue because there is no way to know when a passenger gets off the bus. She said that she would proceed with caution in using passenger miles to allocate funding. Nate Macek said that passenger miles traveled (PMT) is reported by urban providers but not the smaller ones. It would require

a new focus on data collection. Hap Connors said that all providers' data needs to be good and needs to be the same data and asked who that recommendation is made to. Jennifer Mitchell said that policy guidance could recommend that investment. Cindy Mester said that this was a core part of the early discussion and that there needs to be continued discussion on validity of data.

- l. John McGlennon said that the frequency of service can be an obstacle to greater ridership. He said that is a challenge to incorporate. Nate Macek said that currently revenue miles per hour are the best way to capture it.
- m. Jim Dyke asked about alternative transportation and how it will fit into the overall system.
 - i. Kate Mattice cautioned against a statewide way of dealing with alternative transportation and said it was for the localities to plan.
 - ii. Hap Connors asked if there were agencies outsourcing Uber and Lyft. Jen DeBruhl said there were great examples throughout the country of Uber and Lyft being used for first mile and last mile service, as well as human service transportation. Hap Connors asked how this trend can be measured.
 - iii. Jennifer Mitchell said that a policy to address partnerships and the operating costs associated with putting riders in another mode of transportation needs to be created. A determination needs to be made if those costs are part of agencies' operating costs.
 - iv. Brad Sheffield pointed out that if a pilot program doesn't go well it hurts performance and that this should be incorporated into the TSP. Jen DeBruhl said a lot of what Brad was talking about is incorporated into the TSP. Kate Mattice said that the TSPs are the nexus to what localities are really thinking about these things in the plan and then think about funding.
 - v. Cindy Mester said the social safety net needs to continue to be a part of this conversation.
 - vi. Jennifer Mitchell said that this a very relevant conversation right now and said that policy makers are trying to figure out how to subsidize partnerships with companies with venture capital investment.
 - vii. John McGlennon pointed out that some alternative transportation can clog the roads.
 - viii. Tom Fox said that a transit agency contracting with private entities provides another layer of complexity to the process.
 - ix. Jennifer Mitchell said that DRPT is working on an integrated mobility plan that is looking for opportunities for those partnerships in VA.
- n. Brian Smith made a point about the factors. He said that things should be kept simple and that fewer factors are better. Kate Mattice said revenue miles and revenue hours are not combined in net cost. She said that there may be benefits to both of these and asked why that was not a part of the conversation. Nate Macek said there are very minor differences between revenue vehicle miles and revenue vehicle hours. A scenario where both of these are addressed together is where you see big differences. Revenue miles are not consistently collected from agency to agency across the state. Brad Sheffield asked if transit agencies budgets are generally developed using revenue hours or revenue miles.

He said that miles seemed like the right measure. Nate Macek said that passengers want to maximize miles and minimize the hours so a slight edge was given to revenue miles.

- o. John McGlennon asked a question about net cost. He asked how stable the subsidies were. He asked what the effect would be if an employer subsidy went away. Jen DeBruhl said there are some concerns with potential changes in tax laws that encourage these subsidies. Nate Macek said that he thinks contributions from universities and other entities that subsidize transit are stable. He said declining ridership is currently having a bigger effect on net cost. Nate Macek said that decreases to fare revenue are the bigger generic issue.
 - p. Nate Macek said that the presentation would now narrow from 18 scenarios to 3 scenarios that aligned with the policy objectives. Cindy Mester confirmed for the record that this conversation is about sizing and not about the performance metrics. Jennifer Mitchell confirmed and said that sizing is such a big part of allocation that agencies receive. The next meeting will focus on the performance measure part of the calculation. Cindy Mester asked that that distinction be flagged. Jennifer Mitchell said that as stated by Jamie Motley, 95% of the performance metrics is sizing.
6. Break for Lunch-At 11:37 the meeting experienced technical difficulties and broke for lunch. The meeting resumed at 12:18
7. Return to Operating Allocation-Best Practices/Performance Based Operating Formula, Nate Macek, WSP
 - a. Nate Macek said that the group would now look at the three scenarios that were discussed before lunch. Jennifer Mitchell said that if necessary there may be the possibility of looking at real time scenarios but that she would prefer to focus on the three scenarios here that have had a lot of thought put into them. Nate reviewed the first scenario which showed what would happen if the current allocation method was applied to all of the money. Jennifer Mitchell said this would serve as a baseline.
 - b. Nate Macek reviewed the second scenario. Hap Connors said that he was concerned about the effects of this scenario on VRE.
 - c. Cindy Mester referenced the legislation which requires a one year advance notes of changes and asked how that would play out. Jennifer Mitchell said there are conflicting guidelines in the legislation. The first guideline says that performance metrics have to be put into place next year for. The other guideline references the old TSDAC language which requires a one year notification period. Jennifer Mitchell said that erring on the side of caution and interpreting the legislation in the strictest way is that the new scenario goes into place next year. She said that DRPT has talked about having a transition year but she is not sure if that behooves us. In order to meet the legislative intent we need a new framework. Steve Pittard said that DRPT could use their operating reserves to soften the changes. He said that he had spoken to the analyst that crafted the language and she said that the intent is to implement this next year.
 - d. Hap Connors asked if VRE was an outlier or if other transit systems have similar cost structures. Nate Macek confirmed that VRE was an outlier. Jennifer Mitchell said that DRPT had run a scenario without VRE in it and can show the model with VRE removed. They did not have an opportunity to get his scenario out in advance of the meeting.
 - e. Brian Smith asked if in effect the traditional funding approach was as effective as the performance based funding approach. Nate Macek said that cost doesn't align with the policy objectives. Agencies that see more ridership in relation to cost do better under this

scenario. He said that he was not sure if that was an effective allocation method because operating cost doesn't align with the policy objectives. This particular scenario only addresses 2 out of the 5 policy objectives. Nate Macek reminded the TSDAC that this is focused on the sizing metrics. The performance factors are being applied on top of the sizing metrics. If an agency performs better it performs better in all of the scenarios. Steve Pittard said that the impact of the performance metrics is only about 5%. Jennifer Mitchell said that the variance shouldn't be used to make recommendations and said that the policy principles should be kept in mind when making decisions.

- f. Hap Connors asked if the TSDAC agreed with the mandate and the assumption that it needs to be changed.
 - i. Jennifer Mitchell said it is an opportunity to think about performance and the objectives that the state has.
 - ii. Steve Pittard said that the General Assembly has been good to allow a group of concerned parties to make these decisions but without a decision they may dictate the formula. Jim Dyke asked if we could say this is the best way to do it under your mandate but outline a different approach if that is more effective.
 - iii. Jennifer Mitchell said that we have a fair amount of discretion in what we recommend but that recommendation has to be based on performance metrics. Jennifer Mitchell said that the 50/50 operating and ridership formula is something the TSDAC came up with years ago. That formula now has to be expanded to all the funding, not just the new funding. The legislation actually requires that the CTB recommend a formula and this group is advising the CTB.
- g. John McGlennon asked if Scenario 1 rewarded passenger miles traveled. Nate Macek said that it did.
- h. Scenario 2 is reviewed. Nate Macek noted that this scenario rewards ridership. Kate Mattice thanked Nate for highlighting the differences in the scenario. She asked how this actually relates to what the transit agencies really need. John McGlennon asked if this would affect what transit agencies can draw down from the Federal government.
- i. John McGlennon pointed out that in Scenario 2 it looks like the other transit agencies gain what VRE is losing. Nate Macek confirmed that it is a zero sum game. Kate Mattice said some of this looks really good but said that she is really concerned with VRE.
- j. Jennifer Mitchell pointed out that Fairfax and PRTC would feel a double whammy because they would lose their own funding and are the primary funders of VRE.
- k. John McGlennon suggested pulling commuter service out and looking at it differently. Cindy Mester reiterated and said that she wanted to look at all commuter service differently and not just commuter rail.
- l. Cindy Mester noted that in Scenario 3 it appears that the largest systems with the most riders have the biggest impact. Jennifer Mitchell said that there may be an implementation strategy that could look at capping some of the state funding. She said she did not think that these amounts would be huge and said that the rolling 3 year average may help with predictability.
- m. Nate Macek reviewed the Scenario that breaks VRE out. He described it as a separate approach for VRE for sizing and a separate approach for buses. VRE would have a different sizing factor but wouldn't get a carve out. Nate Macek said that if commuter rail under performs in comparison to statewide averages they would get less than the

carve out. He said that VRE will still have to perform within the statewide factors. It was determined there were some inconsistencies between what was being reviewed by Nate Macek and what the TSDAC members were given. Kate Mattice asked that the slide correct version of the slide deck be sent out. Jennifer Mitchell emphasized that we need to look at the impact on a whole funding jurisdiction, not just one agency.

- n. Brian Smith said that he empathized with VRE in being an outlier. He said that HRT has light rail which is also a unique mode. He said every provider is unique in some way. Nate Macek said that they did not break out light rail and look at as a separate mode. Nate Macek said that there are similarities between light rail and the bus. Jennifer Mitchell said that they could look at a single rail approach but that it could put HRT at a disadvantage.
- o. John McGlennon summed up the conversation by saying that there should either be a carve out for VRE and the Tide or the formula should recognize a difference in these modes. Nate Macek said that having ridership and PMT together accommodated commuter rail best.
- p. Jennifer Mitchell said that she was concerned with creating too many carve outs and exceptions. She said that a mode based carve out makes sense. We need to find something that works for everyone else and works for VRE but still applies performance metrics.
- q. John McGlennon asked what DRPT was hoping to get out of the TSDAC at this meeting. Jennifer Mitchell said that DRPT was hoping for guidance from the TSDAC about whether or not there is a preferred scenario or if there is something that DRPT has really missed. Jennifer Mitchell said that PMT is a huge issue. DRPT needs to know if the TSDAC doesn't think that PMT should be used because of the quality of data. She said that the November meeting would focus on the performance data and that the December meeting would look at policy guidance.
 - i. Kate Mattice said that scenarios 2 and 3 looked good. Kate stressed her anxiety about PMT because of the concern about the data quality.
 - ii. Tom Fox echoed what Kate said and expressed concern about PMT. He said it is not easy data to collect and is not intuitive. He said coming to the meeting he thought scenario 2 looked best for his constituents and said he thinks that scenario with the VRE carve out would be best.
 - iii. Brian Smith said that the sizing metrics in the traditional sizing indicate performance. He agreed with scenario 2 and more metrics than fewer.
 - iv. Cindy Mester said from what she is hearing is that PMT is not the way to go. She said that scenario 2 sounds good with the addition of revenue hours to help address the VRE issue.
 - v. Jim Dyke said that he would defer to the experts and would like to mitigate the impact to VRE.
 - vi. John McGlennon said that the percentage increases to the smaller agencies is quite remarkable. He asked if it was a reset or if it would be reflected over time.
 - vii. Nate Macek said that some variation of Scenario 2 with a carve out for VRE or a metric that addresses the outliers without having to use PMT seemed to be the consensus of the group.

- r. Jennifer Mitchell said that DRPT would look at the jurisdictional impacts to the systems that support VRE.
- s. Brad Sheffield expressed concern with new service. He said that new routes will have poor ridership initially and you don't want to disincentive new service. Jamie Motley said that there is a demo program that would help with that.

8. Major Equipment Leasing Program (MELP)-Jamie Motley, DRPT

Jamie Motley said that DRPT had to submit a report to the General Assembly by November 1st. He said that DRPT could participate in a MELP program but that there would be some issues with the program as it is currently structured. DRPT would have to hold title to assets which could pose an issue with Federal Funding. Jamie Motley said that DRPT may have to look at developing its own program if they could get lower interest rates than the VRA. Jennifer Mitchell said the biggest takeaway is that this is not a replacement for additional funding but could be a financing tool.

9. Wrap Up/Next Steps

John McGlennon said that he and Jennifer had gone to the Senate Finance Committee to brief them in September and were going to brief the House Appropriations Committee in October.

10. Public Comment-

Lisa Guthrie from Virginia Transit Association made a public comment. A written version of her comment is attached

11. Adjournment-Cindy Mester asked for clarification on what the TSDAC would receive at the next meeting. Jennifer Mitchell said DRPT would quickly send out the revised Scenario 2. The goal is one sizing scenario to carry forward and see how the performance pivots off of that. Cindy Mester said that once the information goes out the TSDAC as a group won't have an opportunity to talk about it. Jennifer Mitchell suggested that we use scenario 2 as a starting point for DRPT to run scenarios. She said that then they would do sensitivity analysis to see if there was a difference between hours and miles. Cindy Mester said that she and Brian want to use both hours and miles. Jennifer Mitchell confirmed that the sizing scenario that Nate Macek should work off of is Scenario 2 plus the VRE carve out, while keeping revenue miles and adding revenue hours. Cindy Mester said that she did not think the factors needed equal percentages. Jennifer Mitchell said that DRPT would talk off line to figure out the best way to send observations and recommendations to move forward in November. Jennifer Mitchell said that she agreed with Nate that there needs to be a single sizing approach. John McGlennon said that TSDAC members can individually send comments in and DRPT can correlate them and send revisions back out. Brian Smith thanked the TSDAC for hearing him out on the Tide and that mode. He reiterated that he was not asking for a carve out. The meeting adjourned at 2:12.