MERIT Capital and Operating Programs

Transit Service Delivery Advisory Committee
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Capital Assistance – Proposed Changes

1. Edit MERIT Category Definitions

- **Recommendation:** Edit the definitions of the three program categories – State of Good Repair, Minor Enhancements, and Major Expansions

- **Rationale:** It is difficult ensure that all projects are evaluated according to the guidelines as written. This has been particularly problematic for large facility replacement projects and technology projects that exceed $2 million.
  - The current MERIT category definitions indicate that replacement of a large facility should be scored as an SGR project, however all facility replacements include either enhancements or expansions.
  - The current MERIT category definitions indicate that large technology projects that cost over $2 million should be considered MAJ projects, however these projects do no provide expanded service.

1. Edit MERIT Category Definitions

- **<u>Current</u> Category Definitions –**
  - **State of Good Repair (SGR):**
    - Refers to capital projects or programs to replace or rehabilitate an existing asset.
  - **Minor Enhancements (MIN):**
    - Refers to capital projects or programs to add capacity, new technology, or customer enhancements meeting the following criteria:
      - Total cost of less than $2 million, or
      - For expansion vehicles, an increase of less than five vehicles or less than 5% of the fleet size, whichever is greater.
  - **Major Expansion (MAJ):**
    - Refers to capital projects or programs to add, expand, or improve service with:
      - Total cost exceeding $2 million, or
      - For expansion vehicles, an increase of greater than 5 vehicles or 5% of fleet size, whichever is greater.

1. Edit MERIT Category Definitions

- **Proposed Category Definitions –**
  - **State of Good Repair (SGR):**
    - Capital projects or programs to replace or rehabilitate an existing asset, excluding major capital construction projects with a total cost over $3 million.
  - **Minor Enhancements (MIN):**
    - Capital projects or programs that add capacity or include the purchase of new assets meeting the following criteria:
      - Total project cost of less than $3 million, or
      - For expansion vehicles, an increase of less than 5 vehicles or less than 5% of the fleet size, whichever is greater, or
      - *All projects for engineering and design.*
  - **Major Expansion (MAJ):**
    - Refers to capital projects or programs to add, expand, or improve service, or the replacement of an entire existing facility with:
      - Total cost exceeding $3 million, or
      - For expansion vehicles, an increase of greater than 5 vehicles or 5% of fleet size, whichever is greater, or
  - ***Added language:*** *(next slide)*

1. Edit MERIT Category Definitions (New Slide)

- ***Add language:*** *"In rare instances, projects submitted for DRPT funding have fit the definition of a Major Expansion project based solely on total project cost, but do not expand the provision of transit services or have an impact on ridership. In those instances, the DRPT Director shall reserve the right to determine the project category for projects that do not conform to the project category definitions."*

1. Edit MERIT Category Definitions (New Slide)

- **Example: Facility Renovation and Expansion Projects**
  - The following Illustrates how different types of facility renovation, retrofit, and expansion projects would be categorized according to the project definitions

- **SGR:**
  - Replacement of specific facility parts with a quantifiable age and DRPT accepted Estimated Service Life
    - Commercial Roofing, Cameras for Buildings, Asphalt for Parking
- **MIN:**
  - Renovation within the existing footprint of the building
  - Replacement of specific facility parts without a quantifiable age/ DRPT accepted Estimated Service Life
- **MAJ:**
  - Expansion to an existing facility
  - Addition that increases the footprint of the facility

2. Edit Local Match Requirement

- **Recommendation:** Add a provision to the CTB policy allowing for a lower local match rate for projects that receive federal discretionary funding.
  - "DRPT has the discretion to allow for a lower required local match for a capital project that has been awarded federal discretionary funding."

- **Rationale:**
  - VA has historically received a very small portion of funds available through FTA discretionary programs.
  - The IIJA has substantially increased the amount of money that is available through these programs.
  - Historically, agencies have been reluctant to apply for discretionary funding due to additional administrative burdens and the lack of incentives to do so.
  - Lowering the DRPT defined local match requirement to implement capital projects provides a clear financial incentive to apply.
  - Incentivizing agencies to seek discretionary funding will also substantially lower the financial burden on the state.

2. Edit Local Match Requirement

Typical Funding Match by Agency Type

Major Expansion Project - $10 Million Bus Facility

Service Provider Type		Federal	State	Local	Total
Large Urban	Match %	**46%**	**50%**	**4%**	**100%**
	Match $	**$4,600,000**	**$5,000,000**	**$400,000**	**$10,000,000**
	Sources:	FTA5307, FTA5339	State Capital MTTF	Local/Regional Funds	-
Small Urban	Match %	**46%**	**50%**	**4%**	**100%**
	Match $	**$4,600,000**	**$5,000,000**	**$400,000**	**$10,000,000**
	Sources:	FTA5307	State Capital MTTF	Local/Regional Funds	-
Rural	Match %	**80%**	**16%**	**4%**	**100%**
	Match $	**$8,000,000**	**$1,600,000**	**$400,000**	**$10,000,000**
	Sources:	5311, ADTAP	State Capital MTTF	Local Funds	-

2. Edit Local Match Requirement

Typical Funding Match by Agency Type – With Discretionary Funding

Major Expansion Project - $10 Million Bus Facility

Service Provider Type		Federal	State	Local	Total
Large Urban	Match %	**75%**	**23%**	**2%**	**100%**
	Match $	**$7,500,000**	**$2,300,000**	**$200,000**	**$10,000,000**
	Sources:	FTA Discretionary Program	State Capital MTTF	Local/Regional Funds	-
Small Urban	Match %	**75%**	**23%**	**2%**	**100%**
	Match $	**$7,500,000**	**$2,300,000**	**$200,000**	**$10,000,000**
	Sources:	FTA Discretionary Program	State Capital MTTF	Local/Regional Funds	-
Rural	Match %	**80%**	**18%**	**2%**	**100%**
	Match $	**$8,000,000**	**$1,800,000**	**$200,000**	**$10,000,000**
	Sources:	FTA Discretionary Program + FTA5311	State Capital MTTF	Local Funds	-

2. Edit Local Match Requirement (New Slide)

How Increased Discretionary Funding Impacts the Capital Program:

FY22 – 3 Approved Heavy Duty Vehicle Replacement Projects – w/out Discretionary Funding

Agency	Total Cost	Federal Cost	Federal %	Federal Program	State Cost	State %	Local Cost	Local %
GLTC (Lynchburg) - 15 Buses	$ 8,250,000	$ 2,310,000	28%	FTA 5339 (State)	$ 5,610,000	68%	$ 330,000	4%
GRTC (Richmond) - 30 Buses	$ 17,711,927	$ 4,959,340	28%	FTA 5307	$ 12,044,110	68%	$ 708,477	4%
HRT - 12 Buses	$ 7,142,808	$ 1,999,986	28%	FTA 5307	$ 4,857,109	68%	$ 285,712	4%
Total	**$ 33,104,735**	**$ 9,269,326**	-	-	**$ 22,511,220**	-	**$1,324,189**	-

FY22 – 3 Approved Heavy Duty Vehicle Replacement Projects – w/ Discretionary Funding

Agency	Total Cost	Federal Cost	Federal %	Federal Program	State Cost	State %	Local Cost	Local %
GLTC (Lynchburg) - 15 Buses	$ 8,250,000	$ 6,187,500	75%	FTA 5339b	$ 1,897,500	23%	$ 165,000	2%
GRTC (Richmond) - 30 Buses	$ 17,711,927	$ 13,283,945	75%	FTA 5339b	$ 4,073,743	23%	$ 354,239	2%
HRT - 12 Buses	$ 7,142,808	$ 5,357,106	75%	FTA 5339b	$ 1,642,846	23%	$ 142,856	2%
Total	**$ 33,104,735**	**$ 24,828,551**	-	-	**$ 7,614,089**	-	**$ 662,095**	-

2. Edit Local Match Requirement (New Slide)

How Increased Discretionary Funding Impacts the Capital Program:

- **3 Discretionary Grants:** GLTC - $6.1M, GRTC - $13.3M, HRT - $5.4M

- **Benefits in FY22**
  - **$14.9M savings to the state (State Capital MTTF)**
    - Allowing DRPT to fund 47 additional MIN projects, 2 MAJ Projects
  - **$2.3M savings in State Controlled 5339**
    - Allowing DRPT to fund all small urban projects requesting funds
  - **50% reduction in local match required for each of these projects**

3. Create a Capital Discretionary Set-Aside

- **Recommendation:** In order to overcome administrative challenges and better support agencies seeking discretionary funding opportunities, DRPT will create a annual capital set-aside allocation that can be distributed to projects seeking funding through federal discretionary grant programs throughout the fiscal year. When a discretionary opportunity arises, projects will be evaluated as part of previously approved Fiscal Year's MERIT – Capital Assistance program, and funds can be distributed from this set-aside.

- **Rationale:**
  - For projects seeking federal discretionary program funding, DRPT cannot currently provide a guarantee of future funding for a capital project because state funding determinations are made based on the pool of applicant projects each year.
  - In addition, the fact that federal and state funding cycles are not aligned creates additional administrative obstacles. These issues combined create obstacles to applying for additional federal funding available.

4. Update Asset Condition Scoring

- **Recommendation:** Update Asset Condition Scores to Lower the floor for earning points to 80% of ESL for all vehicle types

- **Rationale:**
  - Replacement assets only begin to generate points in the "asset condition score" when they have reached 95% of their Estimated Service Life (ESL). This means a vehicle that has reached 10% of ESL and 94% score exactly the same.
  - Additionally, vehicle delivery can take up to 2 years (in 2022 delivery estimates can be up to 3 years), which means that vehicles are 2-3 years past their ESL when they are finally taken out of service

4. Update Asset Condition Scoring

- **<u>Current</u> Asset Condition Score Schedule:**

Age of Asset Relative to Service Life	Points	Mileage of Vehicle Relative to Service Life	Points
< 95% of ESL Age	0	< 95% of ESL Mileage	0
+/- 4.9% ESL Age	30	+/- 4.9% ESL Mileage	30
5-9.9% > ESL Age	35	5-9.9% > ESL Mileage	35
10-19.9% > ESL Age	40	10-19.9% > ESL Mileage	40
20-29.9% > ESL Age	45	20-29.9% > ESL Mileage	45
30-39.9% > ESL Age	50	30-39.9% > ESL Mileage	50
40-49.9% > ESL Age	55	40-49.9% > ESL Mileage	55
50% or more > ESL Age	60	50% or more > ESL Mileage	60

4. Update Asset Condition Scoring

- **<u>Proposed</u> Asset Condition Score Schedule:**

Age of Asset Relative to Service Life	Points	Mileage of Vehicle Relative to Service Life	Points
< 80% of ESL Age	0	< 80% of ESL Mileage	0
80-89.9% of ESL Age	25	80-89.9% of ESL Mileage	25
90-99.9% of ESL Age	30	90-99.9% of ESL Mileage	30
0-9.9% > ESL Age	35	0-9.9% > ESL Age	35
10-19.9% > ESL Age	40	10-19.9% > ESL Mileage	40
20-29.9% > ESL Age	45	20-29.9% > ESL Mileage	45
30-39.9% > ESL Age	50	30-39.9% > ESL Mileage	50
40-49.9% > ESL Age	55	40-49.9% > ESL Mileage	55
50% or more > ESL Age	60	50% or more > ESL Mileage	60

4. Update Asset Condition Scoring

- **Minimum Age When a Vehicle Can Be Taken out of Service**

		Current Policy			Proposed Policy		
Vehicle ESL Category	**Min Service Life (years)**	**Min Age – Earn Asset Condition Points**	**Min Age – Taken out of Service (2 year delivery)**	**Min Age – Taken out of Service (3 year delivery)**	**Min Age – Earn Asset Condition Points**	**Min Age – Taken out of Service (2 year delivery)**	**Min Age – Taken out of Service (3 year delivery)**
4 year/ 100,000mi Vehicles (Light Duty, Small BOC; Vans)	**4**	3.8	***6.2***	***7.2***	3.2	***5.6***	***6.6***
7 year/ 200,000mi Vehicles (Medium Duty, Medium BOC)	**7**	6.7	***8.7***	***9.7***	5.6	***8***	***9***
10 year/ 350,000mi Vehicles (Medium Duty, Large BOC)	**10**	9.5	***11.5***	***12.5***	8	***10.4***	***11.4***
12 year/ 500,000mi Vehicles (Heavy Duty, Small/Large Bus)	**12**	11.4	***13.4***	***14.4***	9.6	***12.1***	***13.1***

- **Note:** This table has been updated to reflect the 5 month period between when a transit agency applies for vehicle replacement funding and when an order can be placed. Each year applications are submitted for capital funding on February 1, but those funds are not available for use until July 1.

5. Update Service Impact Scoring

- **Recommendations:**
  1. Update the "Service Impact Score" schedule to include more project types and provide higher default scores for certain priority project types **[up to 40 points]**
  2. Replace "Additional Considerations" within Service Impact Score with a new scoring category – "Incentive Scoring" **[up to 10 points]**

- **Rationale**
  - **Project Types:**
    - Currently, Service Impact Scores are based on 12 unique "MERIT - Project Type" categories that reflect standard capital projects implemented by transit service providers.
    - The 12 categories do not offer enough differentiation between certain types of projects, specifically in the Minor Enhancement program
  - **Baseline Scores:**
    - Some "MERIT Project Type" categories generate low scores, yet represent high priority projects for DRPT.

5. Update Service Impact Scoring

- **"Additional Considerations":**
  - Within the "Service Impact Score", projects can receive up to 10 additional points based on a few select agency-wide performance metrics or specific characteristics of a project.
  - However, there are multiple issues with the "Additional Considerations" in their current form:
    - The current weighting of the additional points has proven to make little difference in funding decisions
    - One additional point offers little incentive to pursue certain types of projects
    - The current additional considerations are not always in line with statewide goals
    - The agency-wide performance metrics have been difficult to verify

5. Update Service Impact Scoring

- **Current Service Impact Condition Score Schedule**

High Impact: 8 pts
Medium Impact: 5 pts
Low Impact: 2 pts
No Impact: 0 pts

Primary Project Types	Secondary Project Types	Operating Efficiency	Frequency, Travel Time and/or Reliability	Accessibility and/or Customer Experience	Safety and Security	Total Default Score
Vehicles	Revenue Vehicles	**High Impact**	**High Impact**	**High Impact**	**High Impact**	**32**
Vehicles	Overhaul/Engine Replacement	**High Impact**	**High Impact**	**Medium Impact**	**High Impact**	**29**
Customer Facilities	Transit Centers/Stations	**Medium Impact**	**Medium Impact**	**High Impact**	**Medium Impact**	**23**
Maintenance Equipment & Parts	All	**Medium Impact**	**Medium Impact**	**Medium Impact**	**High Impact**	**23**
System Infrastructure	All	**High Impact**	**Medium Impact**	**Medium Impact**	**Medium Impact**	**23**
Technology/Equipment	Onboard Systems—ITS/Communications	**Medium Impact**	**Medium Impact**	**High Impact**	**Medium Impact**	**23**
Technology/Equipment	Operations Support	**Medium Impact**	**Medium Impact**	**Medium Impact**	**Medium Impact**	**20**
Admin/Maintenance Facilities	All	**Medium Impact**	**Medium Impact**	**Low Impact**	**Medium Impact**	**17**
Customer Facilities	Bus Stop/ Shelter Improvements	**Low Impact**	**No Impact**	**High Impact**	**Medium Impact**	**15**
Vehicles	Support Vehicles	**Medium Impact**	**Medium Impact**	**Low Impact**	**Low Impact**	**14**
Technology/Equipment	Onboard Systems—Safety	**No Impact**	**No Impact**	**Medium Impact**	**High Impact**	**13**
Technology/Equipment	Administrative	**Low Impact**	**Low Impact**	**Low Impact**	**Low Impact**	**8**

5. Update Service Impact Scoring

- **Proposed Service Impact Score Schedule** – by category

High Impact: 10 pts
Medium Impact: 6 pts
Low Impact: 3 pts
No Impact: 0 pts

Primary Project Types	Secondary Project Types	Operating Efficiency	Frequency, Travel Time and/or Reliability	Accessibility and/or Customer Experience	Safety and Security	Total Default Score
Admin/Maintenance Facilities	Supports Operations	High Impact	Medium Impact	Low Impact	Medium Impact	25
Admin/Maintenance Facilities	Non-Operational	Low Impact	Low Impact	Low Impact	Medium Impact	15
Customer Facilities	Transit Centers/Stations	Medium Impact	Medium Impact	High Impact	Medium Impact	28
Customer Facilities	Bus Stop/ Shelter Improvements	Low Impact	No Impact	High Impact	High Impact	23
Capital Finance Strategies	All	High Impact	High Impact	High Impact	Medium Impact	36
Maintenance Equipment & Parts	Vehicle and Vehicle Support Equipment	High Impact	High Impact	Medium Impact	Medium Impact	32
Maintenance Equipment & Parts	Property and Facilities	Medium Impact	Low Impact	Low Impact	High Impact	22
System Infrastructure	All	High Impact	Medium Impact	Medium Impact	Medium Impact	28
Technology/Equipment	Onboard Systems—ITS/Communications	Medium Impact	Medium Impact	High Impact	Medium Impact	28
Technology/Equipment	Operations Support	Medium Impact	Medium Impact	Medium Impact	Medium Impact	24
Technology/Equipment	Onboard Systems—Safety	No Impact	No Impact	Medium Impact	High Impact	16
Technology/Equipment	Administrative	Low Impact	Low Impact	Low Impact	Low Impact	12
Vehicles	Revenue Vehicles	High Impact	High Impact	High Impact	High Impact	40
Vehicles	Overhaul/Engine Replacement	High Impact	High Impact	Medium Impact	High Impact	36
Vehicles	Support Vehicles	Medium Impact	Medium Impact	Low Impact	Low Impact	18

5. Update Service Impact Scoring

- **<u>Proposed</u> Service Impact Score Schedule** – by score

High Impact: 10 pts
Medium Impact: 6 pts
Low Impact: 3 pts
No Impact: 0 pts

Primary Project Types	Secondary Project Types	Operating Efficiency	Frequency, Travel Time and/or Reliability	Accessibility and/or Customer Experience	Safety and Security	Total Default Score
Vehicles	Revenue Vehicles	High Impact	High Impact	High Impact	High Impact	40
Capital Finance Strategies	All	High Impact	High Impact	High Impact	Medium Impact	36
Vehicles	Overhaul/Engine Replacement	High Impact	High Impact	Medium Impact	High Impact	36
Maintenance Equipment & Parts	Vehicle and Vehicle Support Equipment	High Impact	High Impact	Medium Impact	Medium Impact	32
Customer Facilities	Transit Centers/Stations	Medium Impact	Medium Impact	High Impact	Medium Impact	28
System Infrastructure	All	High Impact	Medium Impact	Medium Impact	Medium Impact	28
Technology/Equipment	Onboard Systems—ITS/Communications	Medium Impact	Medium Impact	High Impact	Medium Impact	28
Admin/Maintenance Facilities	Supports Operations	High Impact	Medium Impact	Low Impact	Medium Impact	25
Technology/Equipment	Operations Support	Medium Impact	Medium Impact	Medium Impact	Medium Impact	24
Customer Facilities	Bus Stop/ Shelter Improvements	Low Impact	No Impact	High Impact	High Impact*	23
Maintenance Equipment & Parts	Property and Facilities	Medium Impact	Low Impact	Low Impact	High Impact	22
Vehicles	Support Vehicles	Medium Impact	Medium Impact	Low Impact	Low Impact	18
Technology/Equipment	Onboard Systems—Safety	No Impact	No Impact	Medium Impact	High Impact	16
Admin/Maintenance Facilities	Non-Operational	Low Impact	Low Impact	Low Impact	Medium Impact	15
Technology/Equipment	Administrative	Low Impact	Low Impact	Low Impact	Low Impact	12

5. Update Service Impact Scoring

- **<u>Current</u> Service Impact Score "Additional Considerations" Schedule**

Criteria	Additional Considerations *Added to Default Score (Not to* Exceed 10 points for Any Criterion)
Operating Efficiency	• Add 1 point for LEED-certified buildings or facilities (reduced facility operating costs). • Add 1 point for Electric or Hybrid Technology vehicles • Add 1 point for expansion buses if the agency spare ratio is below 15%
Service Frequency, Travel Time and Reliability	• Add 1 point if the agency fixed-route on-time performance (OTP) is greater than 80% • Add 1 point if the agency Vehicle Mean Distance between Failures > 10,000 miles
Service Accessibility and Customer Experience	• Add 1 point for investments that add new stops or expand service coverage • Add 1 point for software/hardware to provide real-time arrival information
Safety and Security	• Add 1 point for onboard technology to enhance passenger safety • Add 1 point for improved lighting or other crime prevention features • Add 1 point for pedestrian safety improvements

5. Update Service Impact Scoring

- **<u>Proposed</u> Incentive Scoring Schedule**

Criteria	Points	DRPT Incentive Points: SGR and MIN Projects *Incentives for projects that satisfy DRPT Goals (Not to exceed 10 points total per project)*
Zero - Emissions Technology	**5 Points**, if project includes one of the following:	· Procurement of Zero-Emissions Vehicles, or
		· Installation of Zero-Emissions Infrastructure
Innovation	**5 Points**, if project includes one of the following:	· Installation of Real-Time Departure/ Arrival Information, or
		· Automated Data Collection, Scheduling and Dispatch technology acquisition, or
		· Utilization of Transit Signal Priority, or
		· Installation of safety technology, or
		· Mobile Ticketing
Safety and Comfort Around Customer Facilities	**5 Points**, if project includes one of the following:	· Enhanced Lighting at Transit Stations or Stops, or
		· Enhancements for Pedestrians/ Accessibility connecting passengers to Transit, or
		· Projects that include benches or shelters
Agency Accountability	**5 point**, if all requirements are met:	· Compliance with State Asset Management Requirements (TransAM Updates)
		· Compliance with State Strategic Planning Requirements (TSP/TDP Documents Up to Date)
		· Compliance with State Capital Planning Requirements (5-year Capital Budgets)
		· Compliance with State Performance Reporting (On-time reporting in OLGA)

6. Update MAJ Accessibility Metrics

- **Recommendation:** Update the descriptions of the MAJ Accessibility measures to address methodological considerations, and provide greater flexibility.

- **Rationale:**
  - **"Non-Work" Destinations:**
    - Non-work destinations capture locations that are not directly associated with "access to jobs" such as workforce development, healthcare, public services, and parks. However, the non-work data source we have used is limited and is not regularly updated.
    - Almost all projects max out the 3 additional points associated with these non-work areas in the scoring methodology.
  - **Disadvantaged Populations:**
    - CTB policy currently narrowly defines "Disadvantaged Populations" in the methodology as Low-Income, Minority, and Limited English Proficiency.
    - These three groups do not fully capture all "transit dependent" population groups (i.e. 0-car households, persons with disabilities, seniors).

6. Update MAJ Accessibility Metrics

- **Recommended Text Changes:**

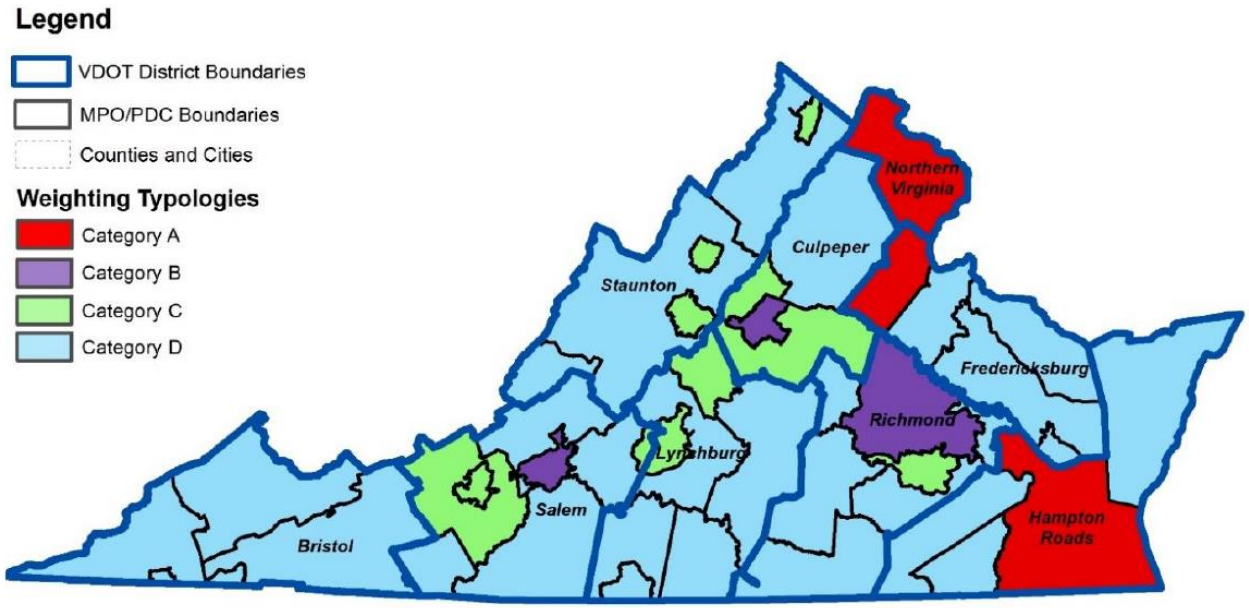
Factor	Measure	Measure Weight
Congestion Mitigation	Change in peak-period transit ridership attributed to the project	100%
Economic Development	Project consistency with regional and local economic development plans and policies, and support for local development activity	100%
Accessibility	Project improvement in accessibility to jobs~~, workforce development, and select non-work destinations~~	50%
	Disadvantaged population (low-income, minority, or limited English proficiency) within walking distance of project	50%
Safety	Project contribution to improving safety and security, reducing risk of fatalities or injuries	100%
Environmental Quality	Reduction in daily vehicle miles traveled resulting from project	100%
Land Use	Transit supportive land use served by the project	100%

7. Remove MAJ Area Based Weights

- **Recommendation:** Remove the SMART SCALE area based factor weights from the Major Expansion scoring methodology. Instead, all factors will be equally weighed regardless of the geographic location of the project.

- **Rationale:**
  - SMART SCALE geographic weighting is an effective way to even the playing field between hundreds of projects in different areas across the state each cycle within the SMART SCALE Program.
  - The MERIT - Major Expansion category provides funding to a much smaller, more targeted pool of transit projects [Max. 4 projects evaluated annually FY20-23]
  - Staff and consultants have performed extensive testing to explore the impact of area weights on scoring, and found the impacts to be negligible

7. Remove MAJ Area Based Weights



Factor	Congestion Mitigation	Economic Development	Accessibility	Safety	Environmental Quality	Land Use
Category A	45%	5%	15%	5%	10%	20%
Category B	15%	20%	25%	20%	10%	10%
Category C	15%	25%	25%	25%	10%	
Category D	10%	35%	15%	30%	10%	

Operating Assistance – Program Overview

Operating Assistance Formula - History

- **Prior to 2018:**
  - Virginia's transit agencies were allocated 2 forms of state operating Assistance:
    - "Traditional" – Based on operating expenses *(approx. 56% - in FY19)*
    - "Performance Based" – Based on agencies' performances compared to others, on a rolling 3-year basis *(approx. 44% - in FY19)*

Operating Assistance Formula - History

- **2018 Transit Reforms Legislation (HB1513):**
  - Eliminated "Traditional" operating funding approach
    - "CTB shall distribute transit operating funds on the basis of service delivery factors, based on effectiveness and efficiency measures established by the Board. Such measures and their relative weight shall be evaluated every three years"

Operating Assistance Formula - History

- **2018/ 2019 TSDAC Process:**
  - DRPT worked in consultation with the Transit Service Delivery Advisory Committee (TSDAC) and other stakeholders to develop the necessary policies and process to implement a performance based state transit operating allocation formula
  - TSDAC unanimously approved the proposed policy principles at their meeting on December 4, 2018
  - At the time, the only unresolved issue was the number of transition years provided for in the policy

Operating Assistance Formula - History

- **2018/ 2019 TSDAC Process:**
  - The proposed methodology balanced the need for reliable annual funding as well as the availability and reliability of performance data to support the six policy goals TSDAC identified:
    1. Promote Fiscal Responsibility
    2. Support Robust Transit Service
    3. Improve Transit Patronage
    4. Incentivize Efficient Operations
    5. Promote Mobility
    6. Support Social Safety Net

Current Methodology

- **Definitions:**
  - **Operating Cost for System Sizing** – Most recent audited operating expenses available
    - Less depreciation
    - Less expenses for projects funded in other DRPT programs
    - Less non-transit related expenses
  - **Operating Cost for Performance Metrics** – Most recent audited operating expenses available
    - Less depreciation
    - Less ineligible costs
    - Less non-transit related expenses

Note: New transit service based on budgeted operating costs for the year of implementation

Current Methodology

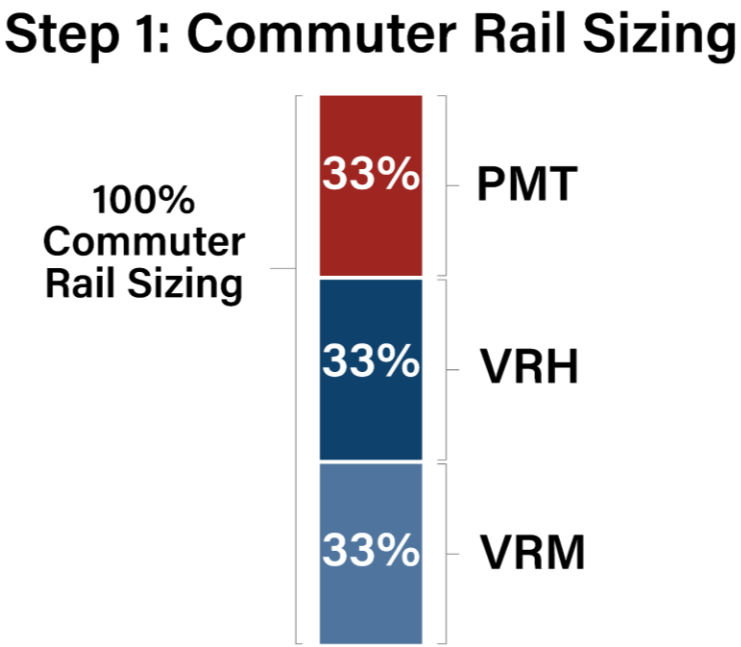
- **Definitions:**
  - **Ridership –** Unlinked Passenger Trips
  - **Vehicle Revenue Hours (VRH) –** Hours traveled by revenue vehicles (buses, vans, railcars, etc.) while in revenue service
    - For commuter routes >20mi – includes deadhead
  - **Vehicle Revenue Miles (VRM) –** Miles traveled by revenue vehicles (buses, vans, railcars, etc.) while in revenue service
    - For commuter routes >20mi – includes deadhead
  - **Passenger Miles Travelled (PMT) –** Cumulative sum of the distances traveled by each passenger
    - Used for Commuter Rail Pool; Estimated for most agencies
  - **Size-Weight** – Factor calculated as a function of sizing metrics

Current Methodology

- **Methods for Gathering Data:**
  - **Ridership, VRM, VRH –** Reported monthly in OLGA, aggregated for annual measures
    - VRM/VRH – Commuter Routes >20mi report deadhead to program managers
  - **PMT** – Agencies that are required to report PMT to the National Transit Database annually will be required to provide PMT annually in OLGA
    - PMT for all other agencies is "synthesized"
  - **Operating Cost for Sizing + Performance** – Annual Operating Assistance Application, verified with CAFRs

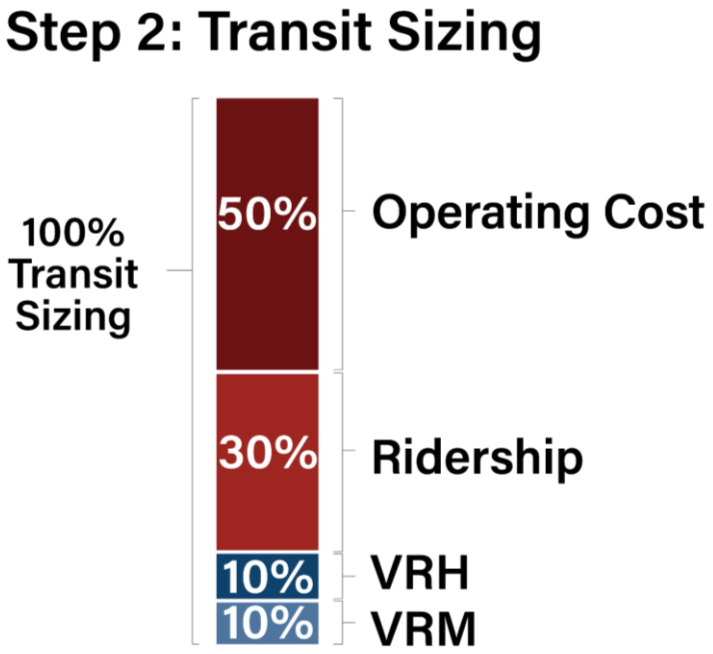
Step 1: Commuter Rail Sizing

- **Commuter Pool Size-Weight** [VRE Only]:
  - % VRE's Passenger Miles Traveled, Vehicle Revenue Hours, and Vehicle Revenue Miles compared to statewide totals



Step 2: Transit Sizing

- **Transit Size-Weight Factor** [All Other Agencies]**:**
  - Calculated with a combination of metrics set at specific weights
  - If the statewide sum of agency size-weights does not equal 100%, then the ratios are normalized such that the statewide sum of size-weights for all agencies totals 100%



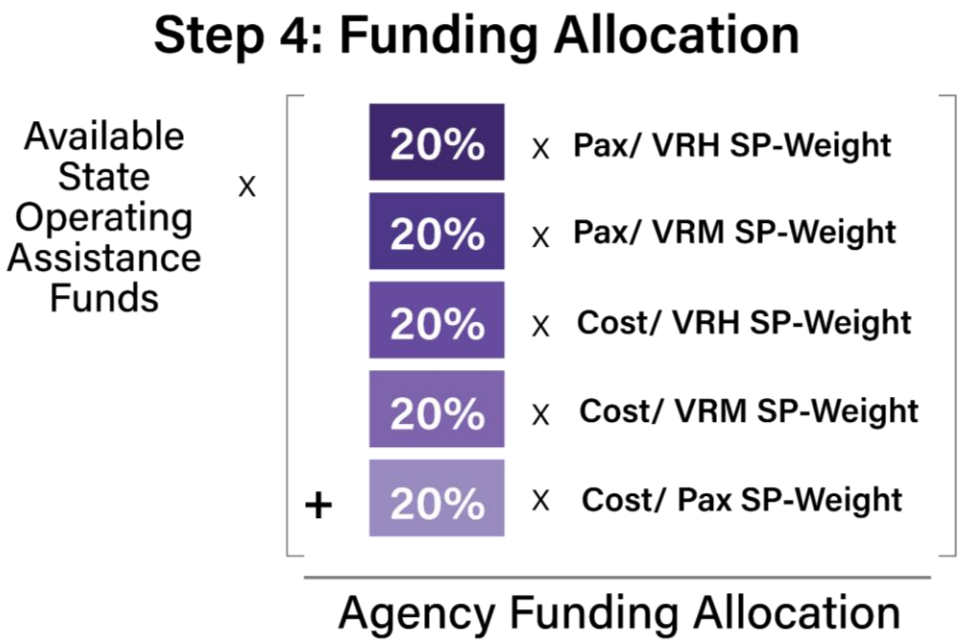
Step 3: Performance Adjustments

- **Performance Adjustments** [All Agencies] **-**
  - The size-weight is adjusted by the five performance metrics – Creates "Size-Performance Weights" (SP Weights)
    - Using 3 years of historic data + most recent year (4 years total)
    - Compares the performance trends of each agency to the statewide trend
  - Size-performance weights are then normalized such that the statewide sum of size-weights for all agencies for each metric is equal to 100%

1. **Passengers per Vehicle Revenue Hour (Pax/ VRH)**
2. **Passengers per Vehicle Revenue Mile (Pax/ VRM)**
3. **Operating Cost per Vehicle Revenue Hour (Cost/ VRH)**
4. **Operating Cost per Vehicle Revenue Mile (Cost/ VRM)**
5. **Operating Cost per Passenger (Cost/Pax)**

Step 4: Funding Allocations

- **Each agency has 5 normalized size-performance weight factors**
- **These factors are:**
  - Multiplied by the weight assigned to each performance metric (20% each), summed, and multiplied by total available funding
- **This sum is the agency's total operating assistance allocation**



Step 5: Funding Cap

- **A 30% cap is set on the operating assistance allocations to each agency**
  - The cap was based FY18 audited expense information
  - This 30% threshold was informed by the highest operating assistance grant received under the FY19 allocation methodology
- **Funds remaining after the cap is applied are redistributed to agencies below the cap**
  - After applying this cap to the operating assistance allocation, an unallocated funding pool remains
  - These funds are redistributed to agencies below this cap proportional to their Agency Funding Allocation ensuring that all available funds are distributed annually

Current Operating Formula In Practice

FY 2020

- **Data used:**
  - Cost for Sizing and Performance: **FY18**
  - Ridership/ VRH/ VRM for Sizing: **FY18**
  - Performance Ridership/ VRH/VRM: **FY15, FY16, FY17, FY18**
  - **Notes:**
    - Phasing of Sizing Metrics – 60% Cost, 20% Rider., 10% VRH, 10% VRM
    - Transition assistance provided (not hold harmless)

- **Additional Operating Assistance Provided:**
  - CARES Act – March 2020
  - DRPT COVID Relief Operating Allocation – April 2020 ($11M)

FY 2021

- **Data used:**
  - Cost for Sizing and Performance: **FY19**
  - Ridership/ VRH/ VRM for Sizing: **FY19**
  - Performance Ridership/ VRH/VRM: **FY16, FY17, FY18, FY19**
  - **Notes:**
    - True Sizing Metrics – 50% Cost, 30% Rider., 10% VRH, 10% VRM
    - Transition assistance NOT provided

- **Additional Operating Assistance Provided:**
  - CARES Act and DRPT COVID Relief – Carried into FY21
  - ARPA – March 2021

FY 2022

- In FY22 DRPT had more State Operating funds in the program than usual, allowing for higher than usual allocation levels

- **Data used:**
  - Cost for Sizing and Performance: **FY19** (carry forward)
  - Ridership/ VRH/ VRM for Sizing: **FY19** (carry forward)
  - Perf. Ridership/ VRH/VRM: **FY16, FY17, FY18, FY19** (carry forward)

- **Additional Operating Assistance Provided:**
  - State PTF and Uplift Funds – Late 2021
    - Brought all agencies up to 30% cap across the board

FY 2023

- In FY23 DRPT had more State Operating funds in the program than usual, allowing for higher than usual allocation levels

- **Data used:**
  - Cost for Sizing and Performance: **FY21**
  - Ridership/ VRH/ VRM for Sizing: **FY19** (carry forward)
  - Perf. Ridership/ VRH/VRM: **FY16, FY17, FY18, FY19** (carry forward)
  - **Notes:**
    - Operating formula was run, but not used
    - Sufficient funds in the operating program allowed DRPT to allocate at the 30% cap across the board

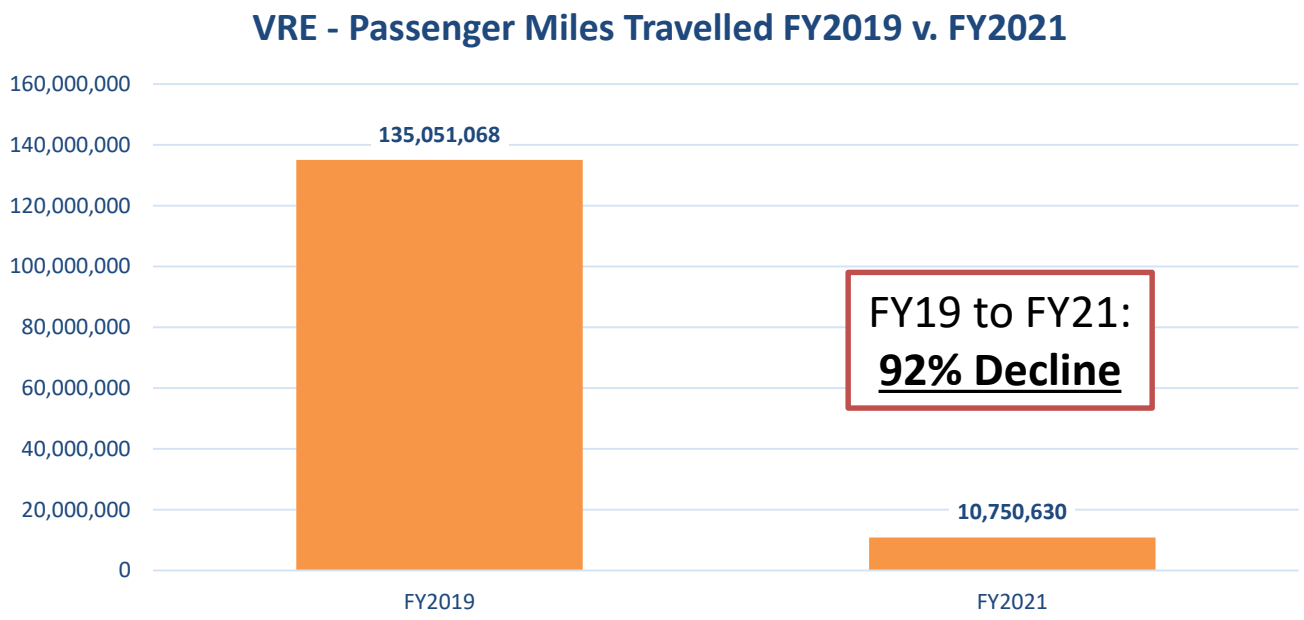
Tracking Key Metrics

MERIT

Making Efficient • Responsible Investments In Transit

1: Commuter Rail Sizing

- **VRE's size-weight –PMT (33%), VRH (33%), and VRM (33%)**
  - VRH and VRM have declined moderately
  - PMT has declined significantly



1: Commuter Rail Sizing

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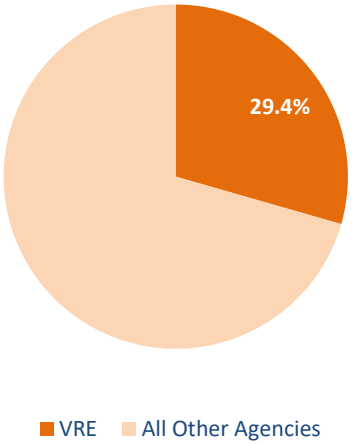
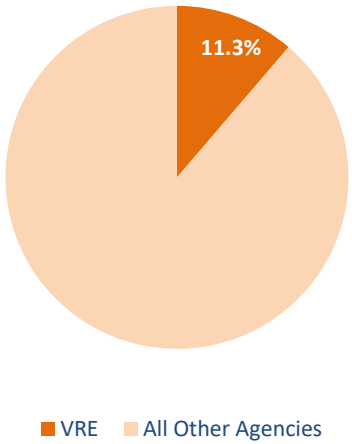
  - PMT has declined significantly

VRE Passenger Miles Travelled v. All Other Agencies - FY2019



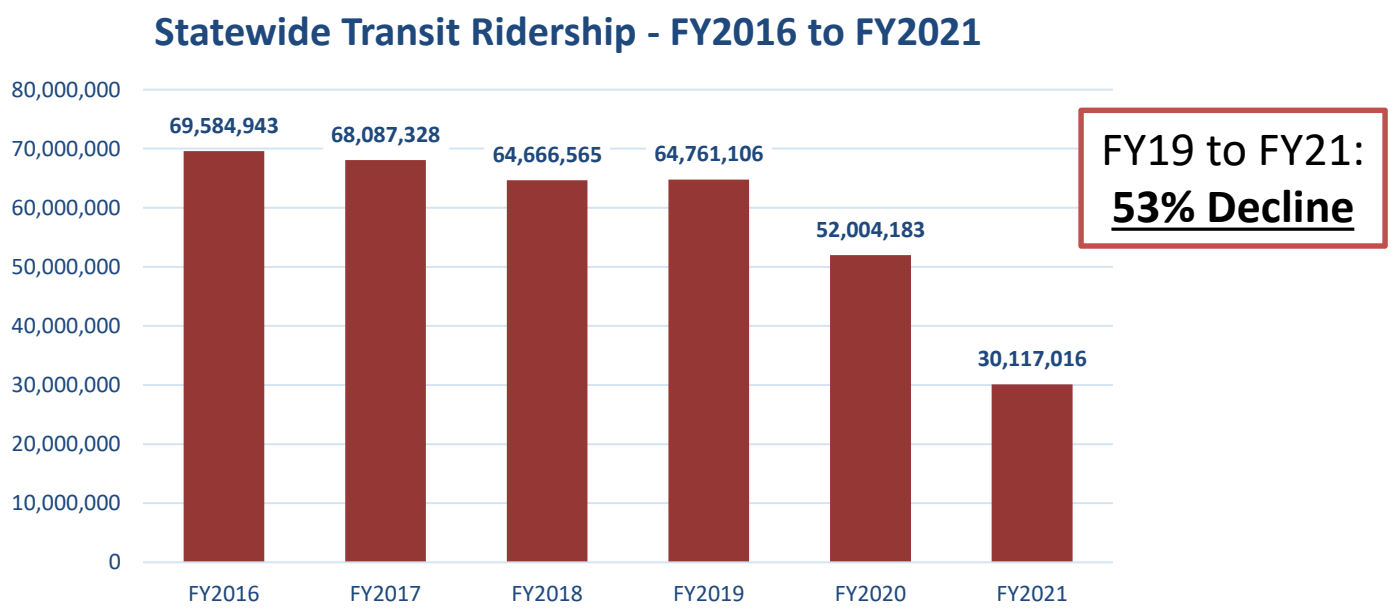
VRE Passenger Miles Travelled v. All Other Agencies - FY2021



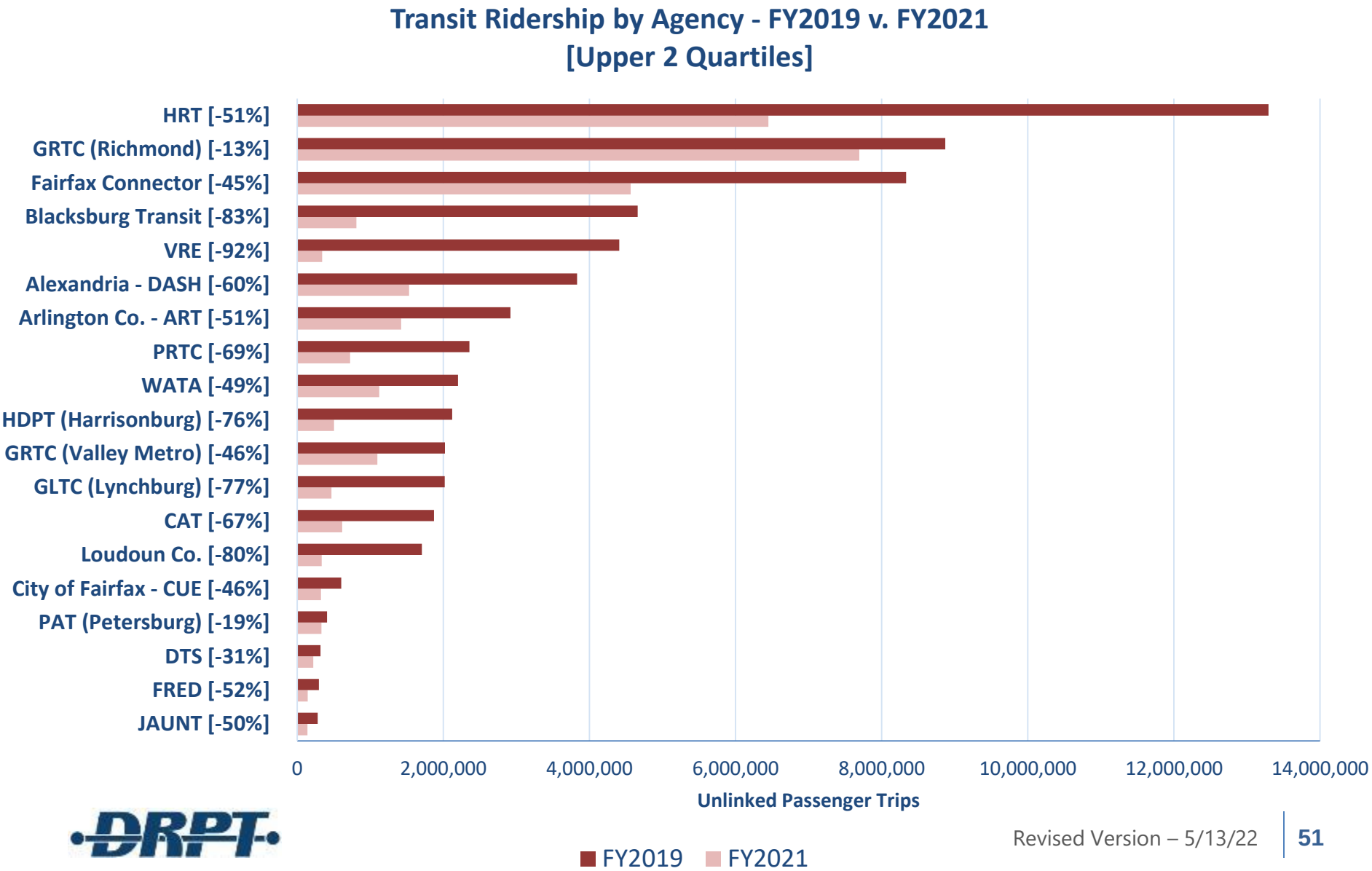
FY19 to FY21:
62% Decline

2: Statewide Ridership

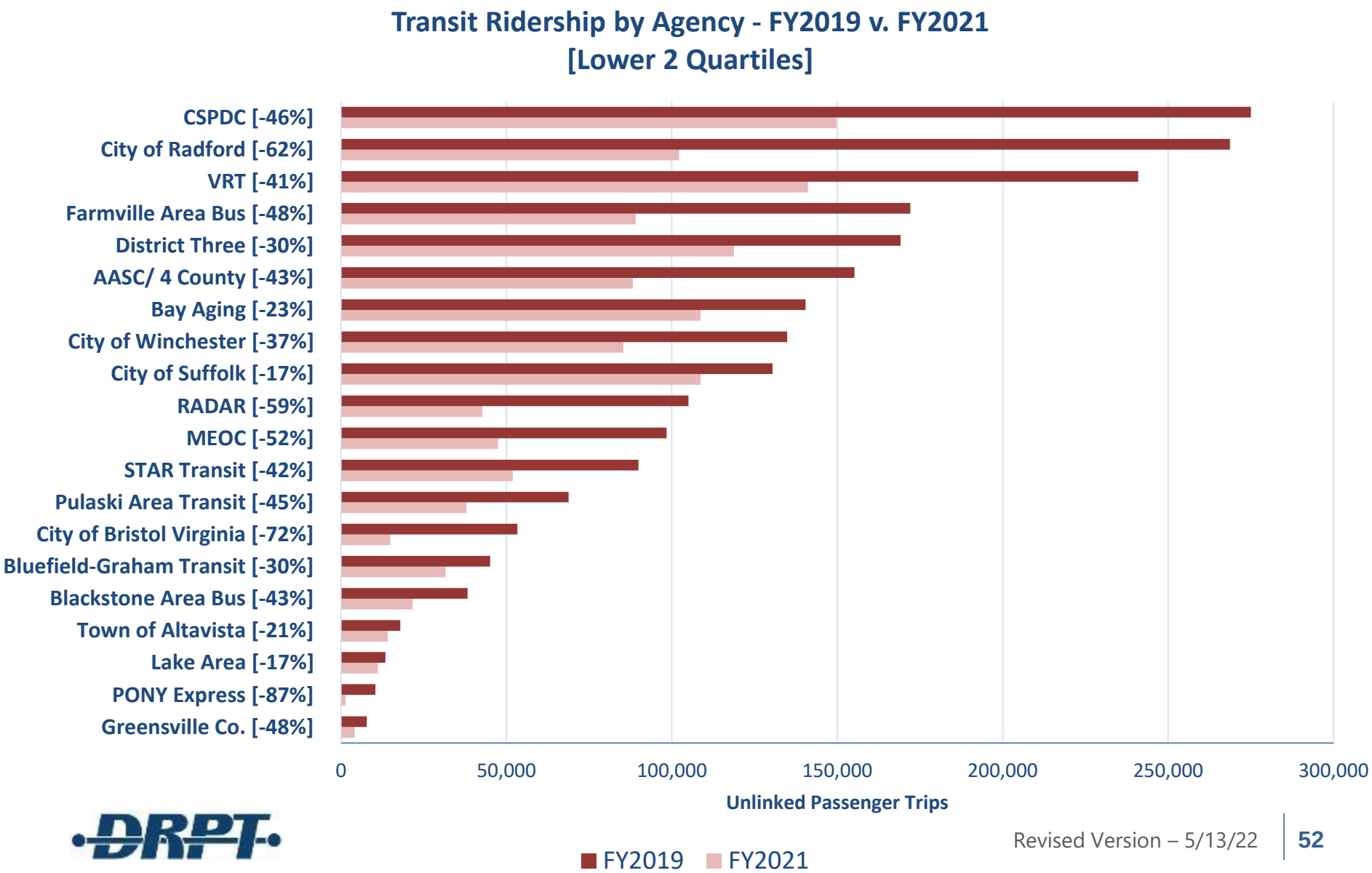
- **Statewide ridership decreased substantially during the pandemic**
  - Ridership accounts for 30% of the sizing calculation, and factors into 3 of 5 performance adjustments
  - Ridership declines were NOT uniform across all agencies
  - Ridership recovery rates have differed significantly by agency



2: Statewide Ridership

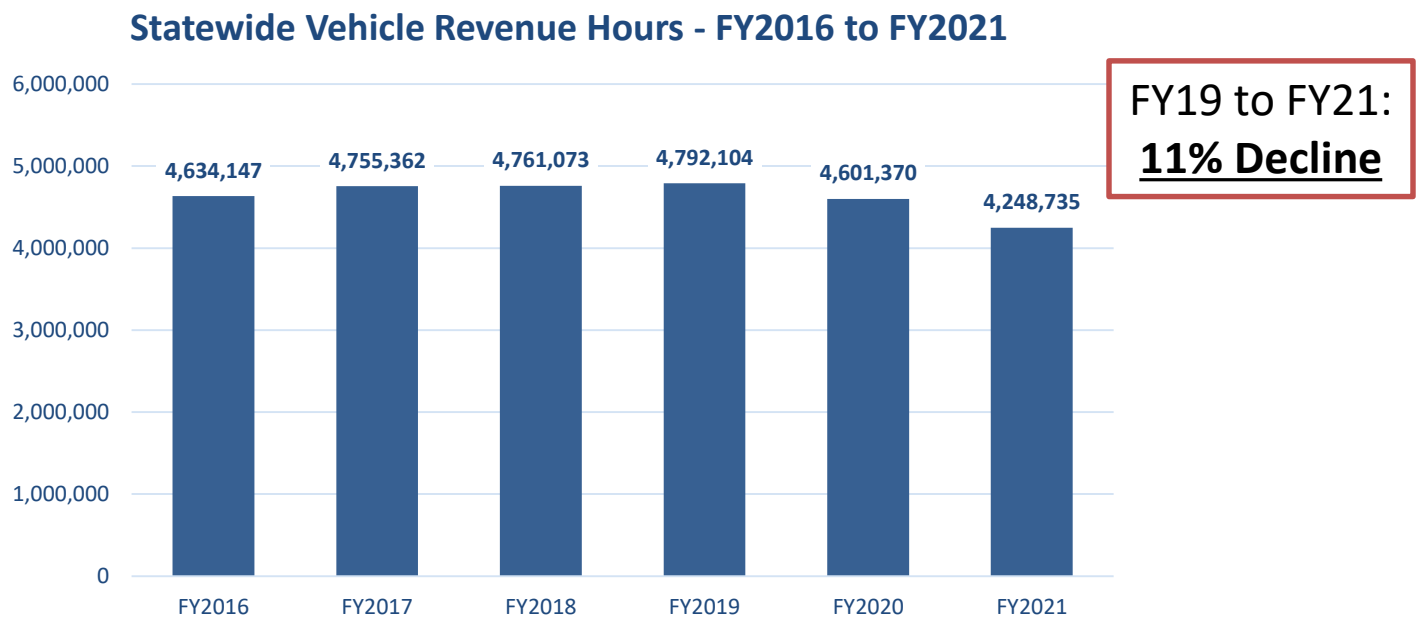


2: Statewide Ridership

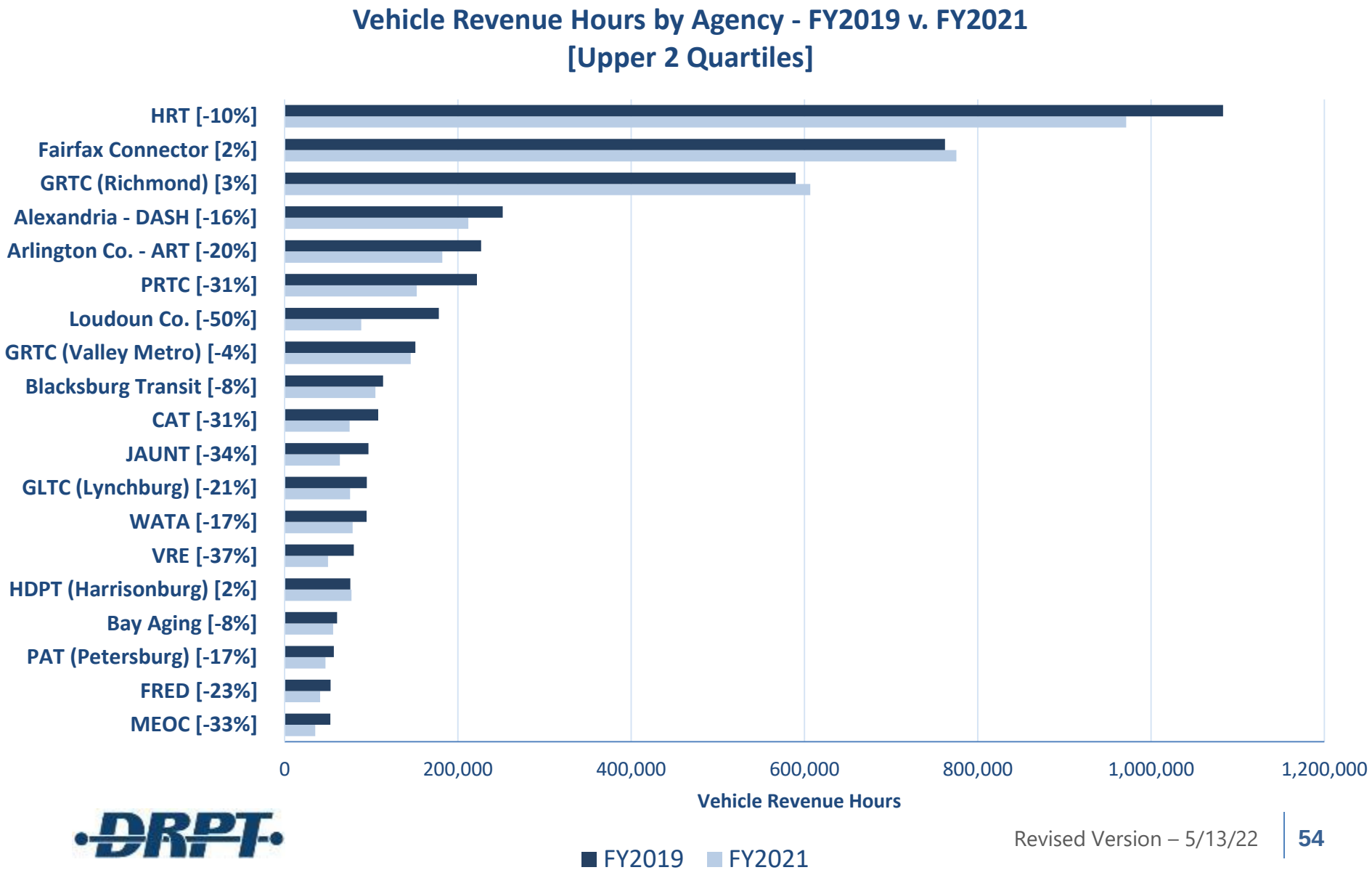


3: Vehicle Revenue Hours

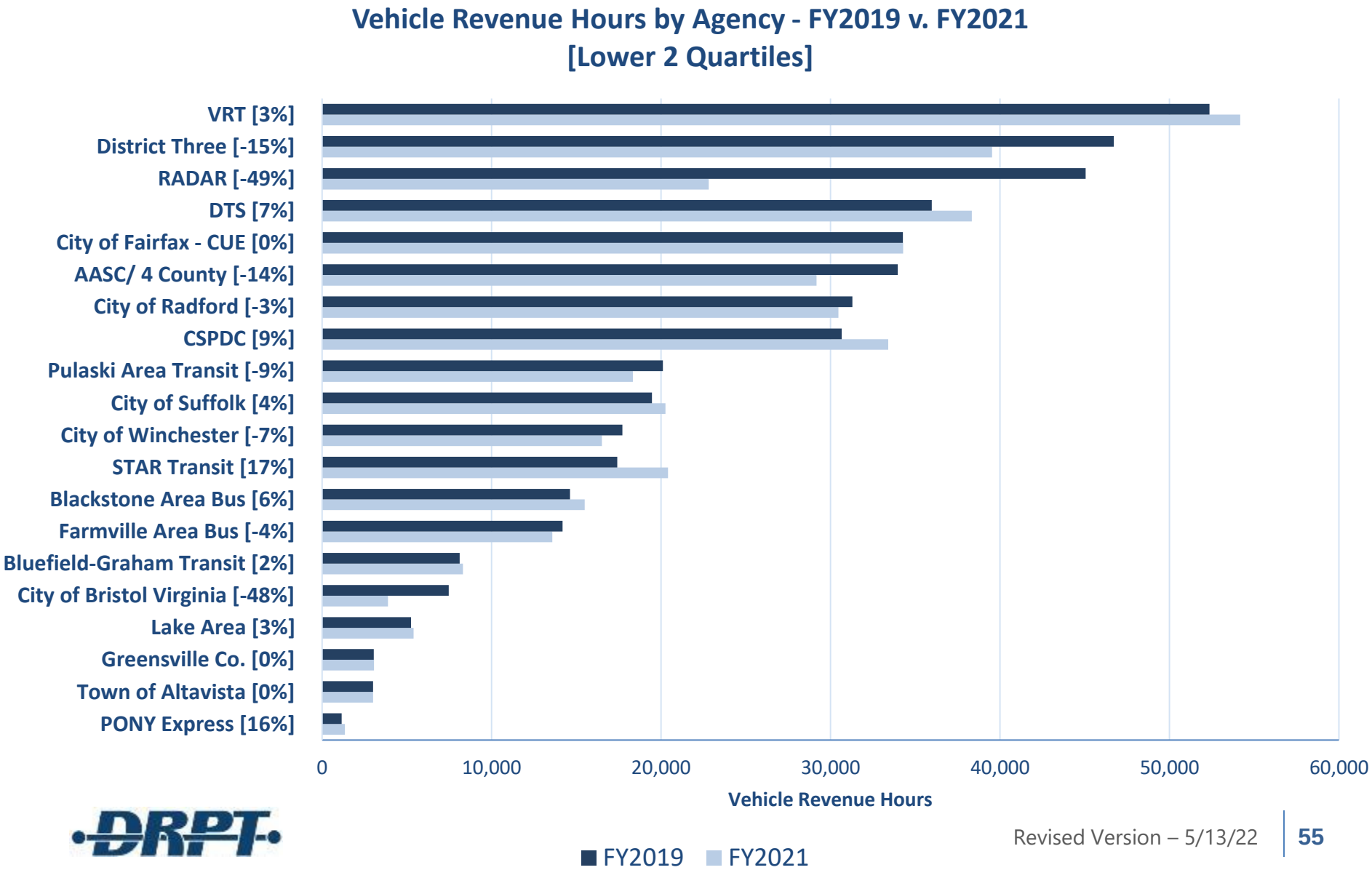
- **Statewide Vehicle Revenue Hours (VRH) decreased during the pandemic, but was much more stable than ridership**
  - VRH accounts for 10% of the sizing calculation, and factors into 2 of 5 performance adjustments



3: Vehicle Revenue Hours

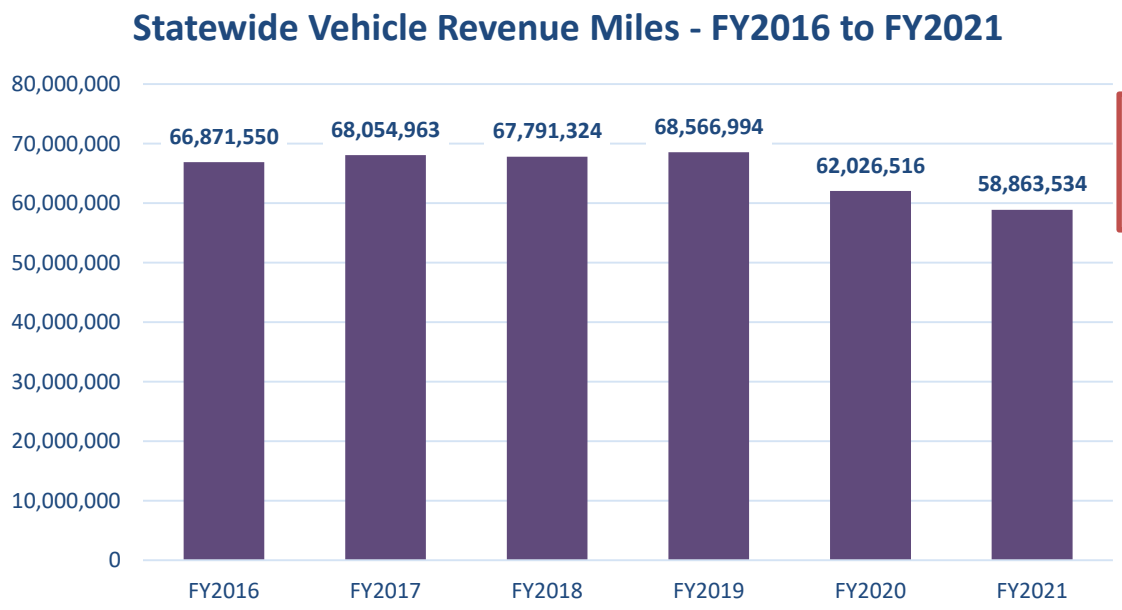


3: Vehicle Revenue Hours



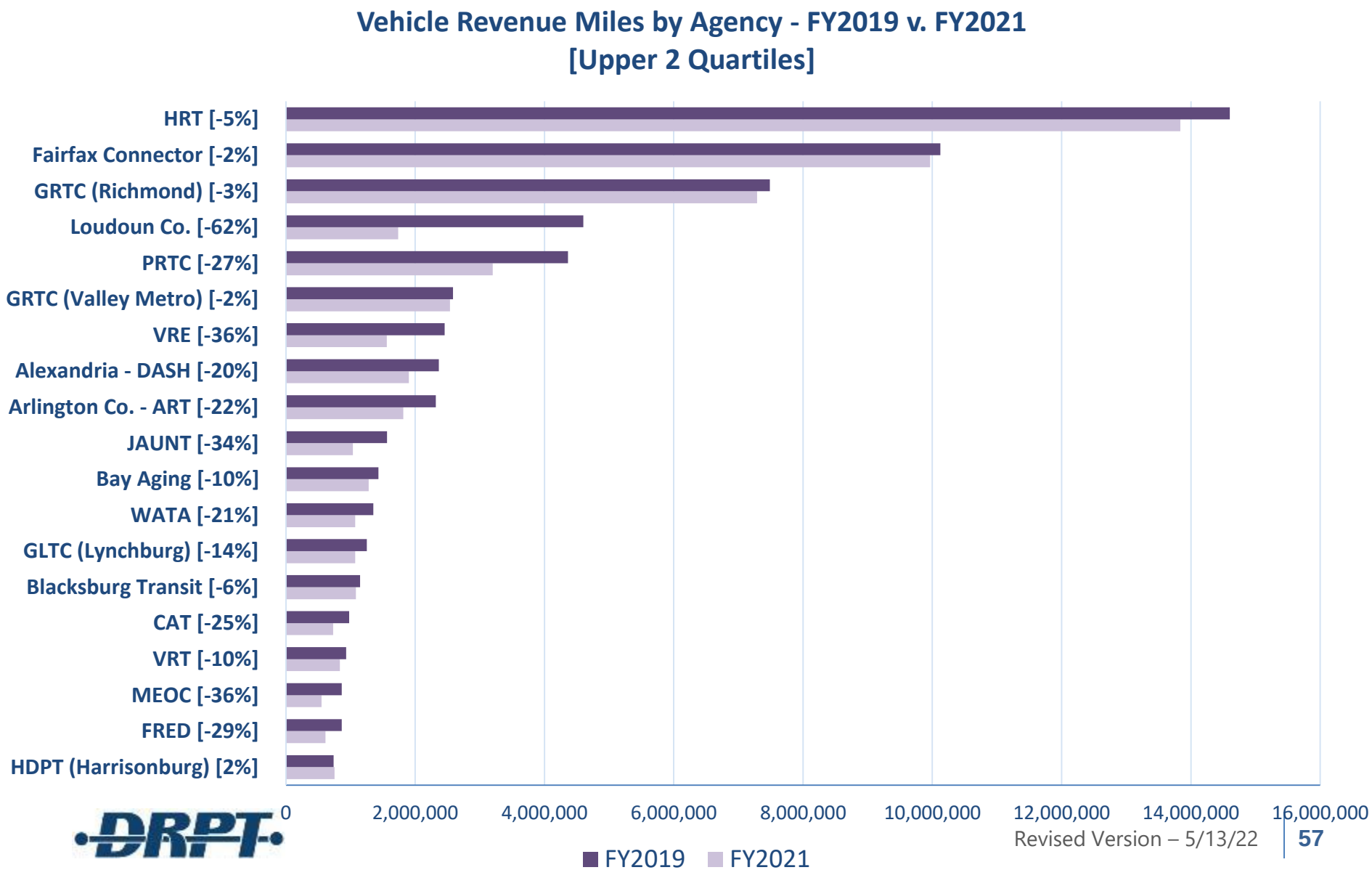
3: Vehicle Revenue Miles

- **Statewide Vehicle Revenue Miles (VRM) decreased during the pandemic, but was much more stable than ridership**
  - VRH accounts for 10% of the sizing calculation, and factors into 2 of 5 performance adjustments

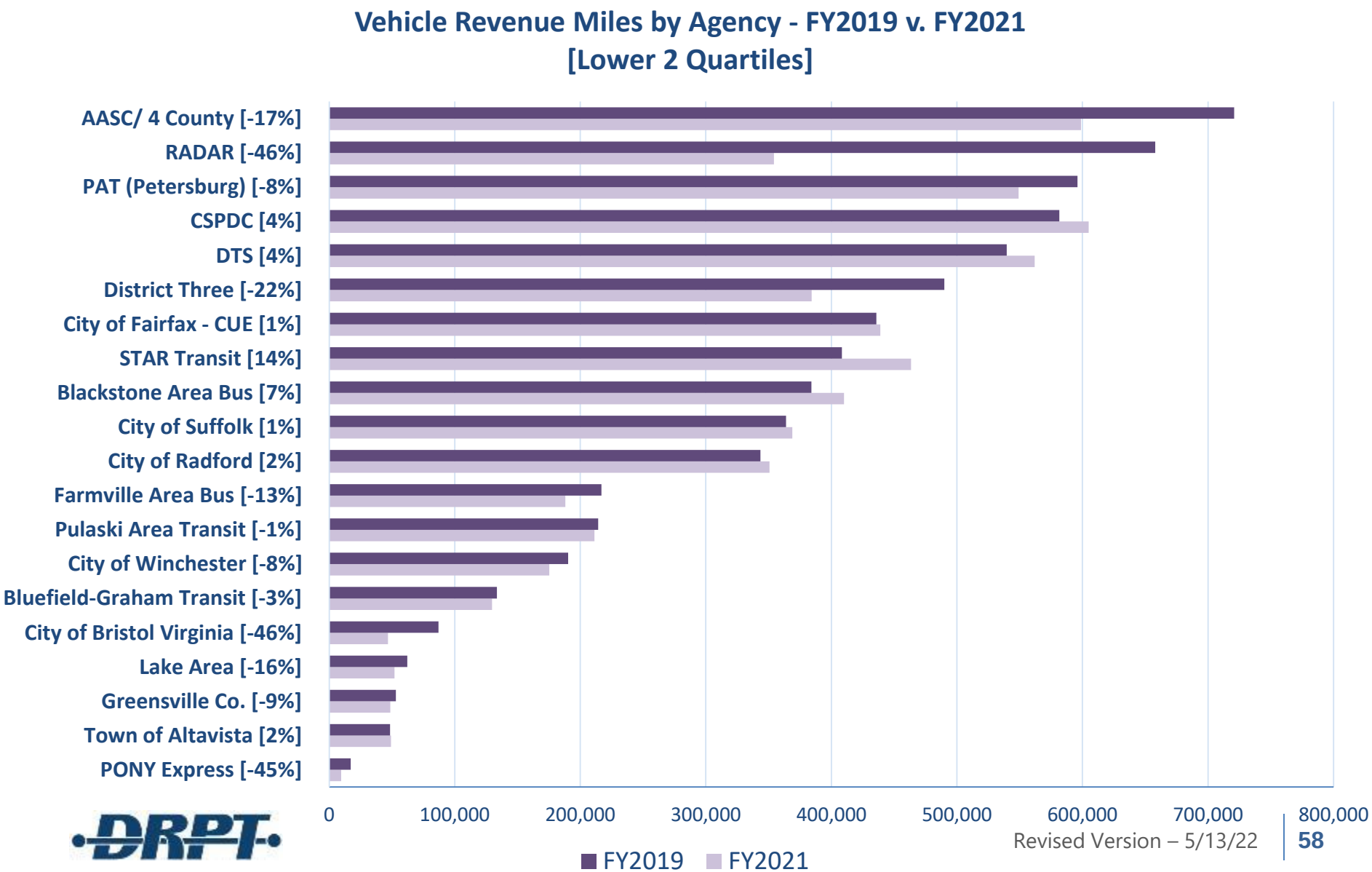


FY19 to FY21:
14% Decline

3: Vehicle Revenue Miles



3: Vehicle Revenue Miles



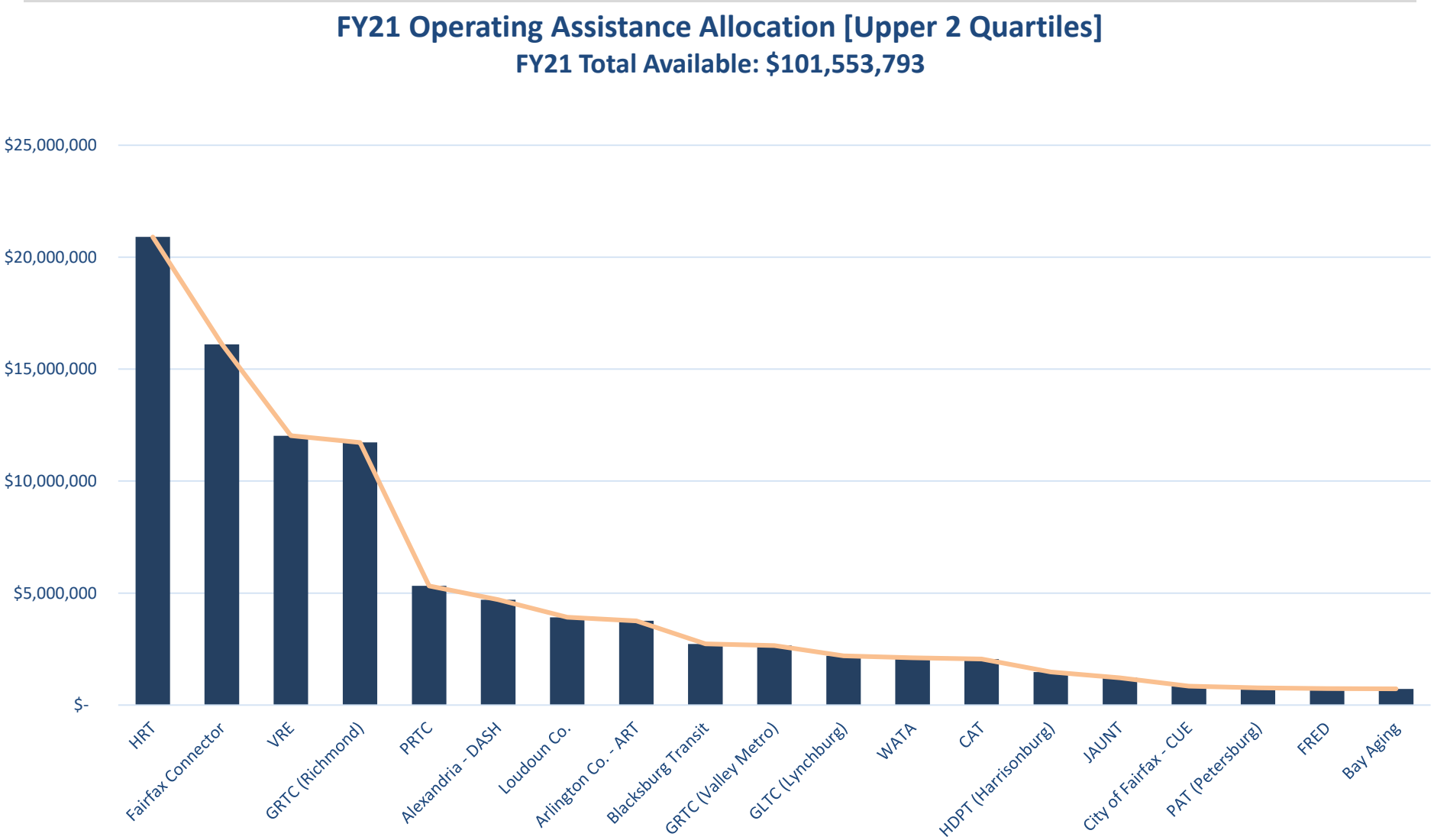
Operating Assistance – Scenarios

Setting a Baseline for Comparison

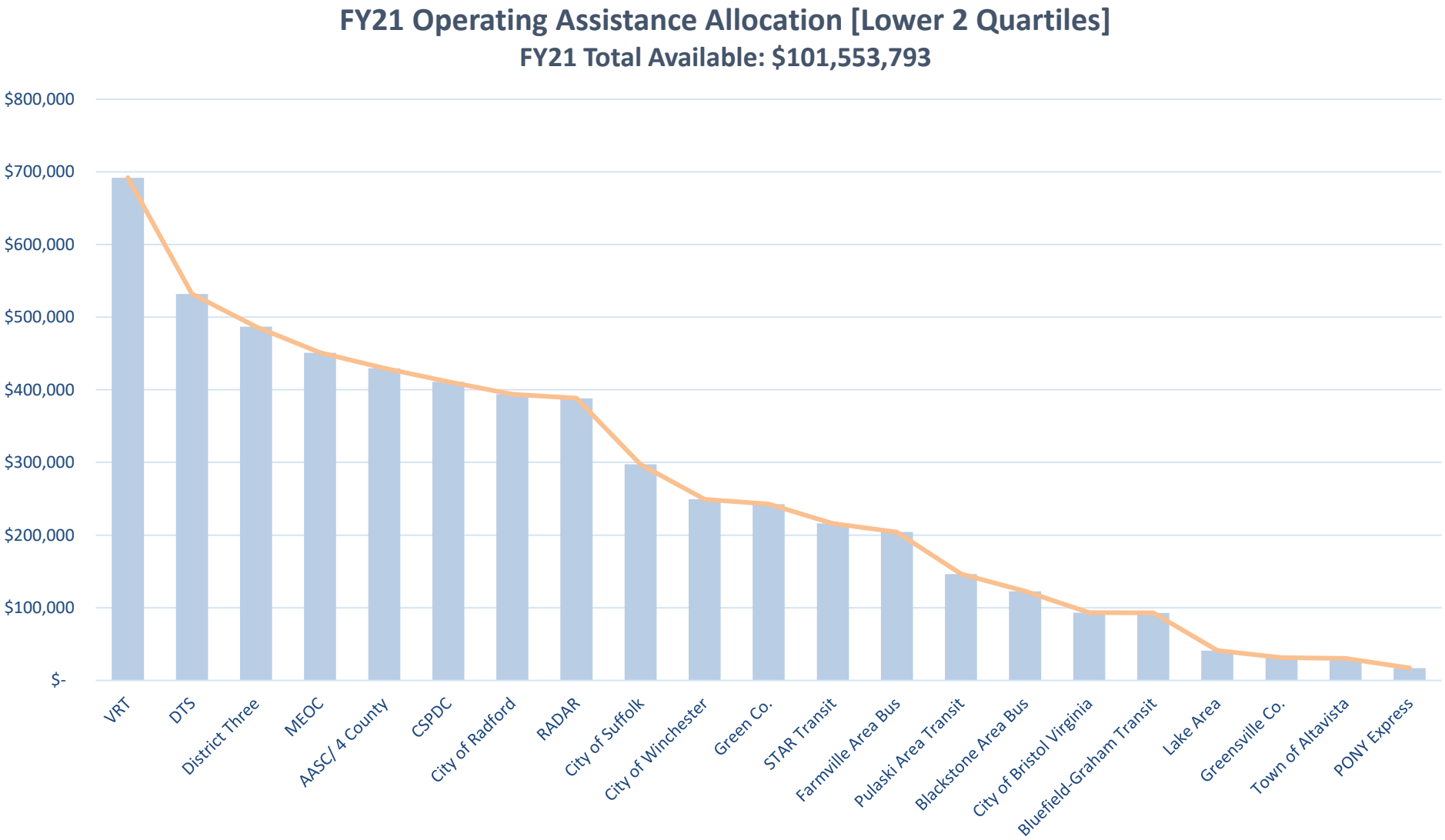
- **The <u>FY21</u> operating allocation will serve as the baseline for comparison**

- **Why FY21?**
  - Represented the only time the formula was run as intended
  - Included pre-pandemic metrics for sizing and performance – this will illustrate how much of an impact recent trends have had
  - An amount of funding comparable to FY24 was available - $101.5M
  - In FY22 and FY23 available funds were higher than usual, and DRPT carried forward pre-pandemic metrics for sizing and performance

FY21 Operating Allocation



FY21 Operating Allocation

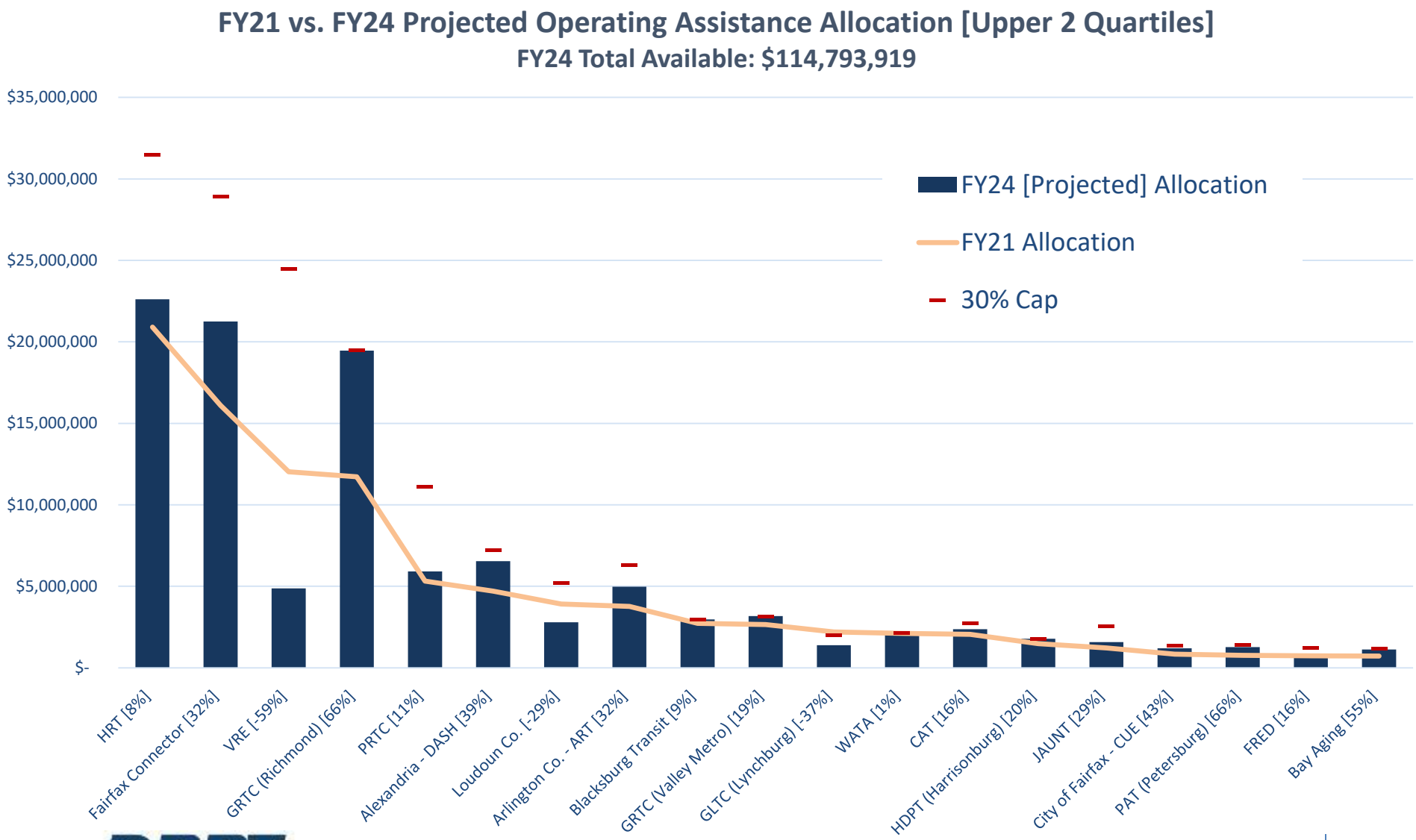


Scenario 1: FY24 [Projected]

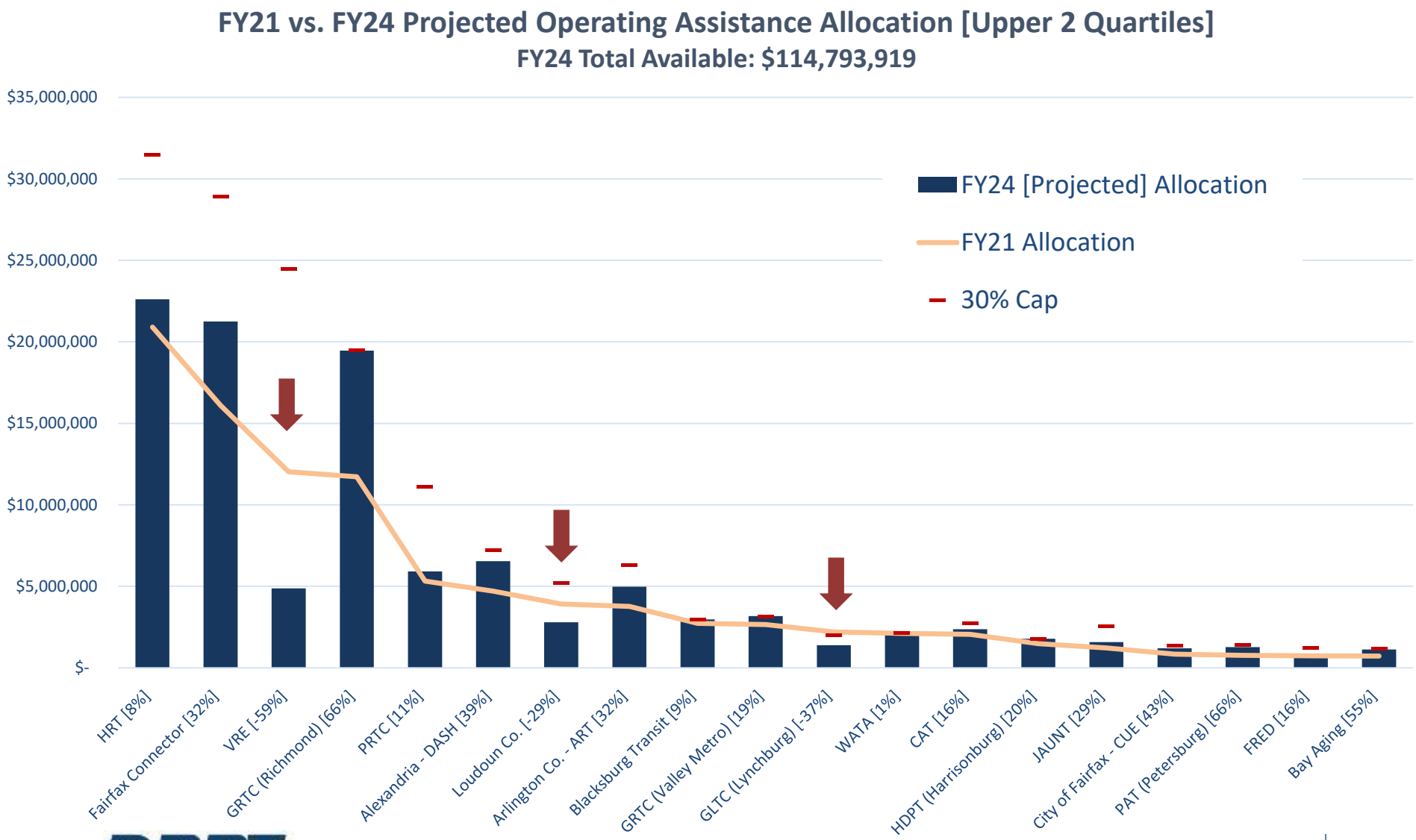
- **FY24 [Projected] Data Used:**
  - Cost for Sizing and Performance: **FY21**
  - Ridership/ VRH/VRM: **FY19, FY20, FY21, FY22** [Projected]
  - PMT for Commuter Rail Sizing: **FY22** [Synthesized – all agencies]

  - **Technical Notes:**
    - FY21 Costs used since these are the latest audited financials from agencies, and more recent budgeted figures differ significantly from actuals after audits are performed
    - FY22 Ridership/ VRH/ VRM figures were projected for April – June 2022 using reported ridership and historic trends
    - FY22 PMT was synthesized for all agencies using the following method:
      - PMT Reporters: [Average PMT per Rider FY19-21] for each reporting agency multiplied by [Projected FY22 ridership] (note: not all reporters provided data all 3 FYs)
      - Non-Reporters: Statewide Average of [Average PMT per Rider FY19-21] for each reporting agency minus outliers (FY19 to FY21) multiplied by [Projected FY22 ridership]

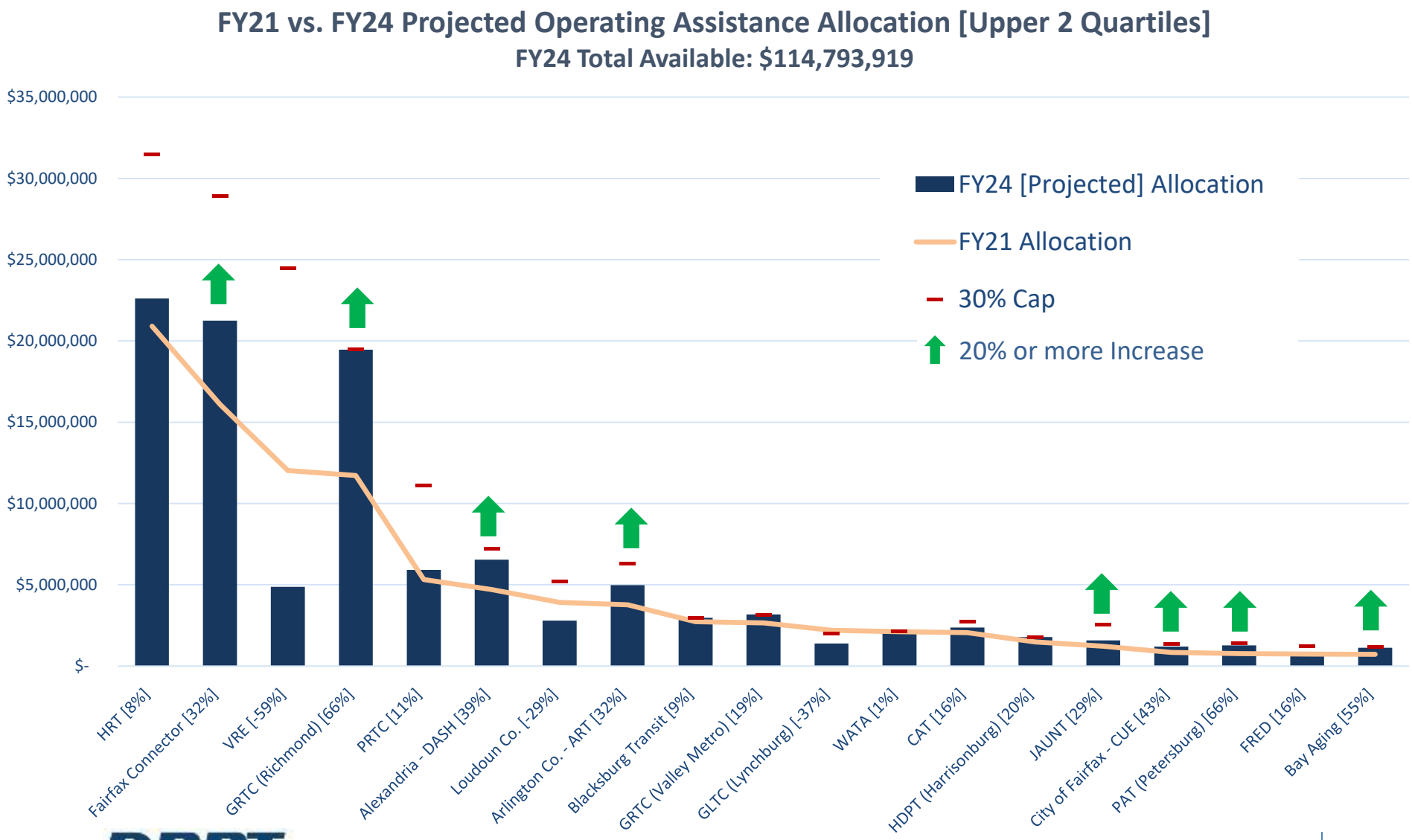
Scenario 1: FY24 [Projected]



Scenario 1: FY24 [Projected]



Scenario 1: FY24 [Projected]



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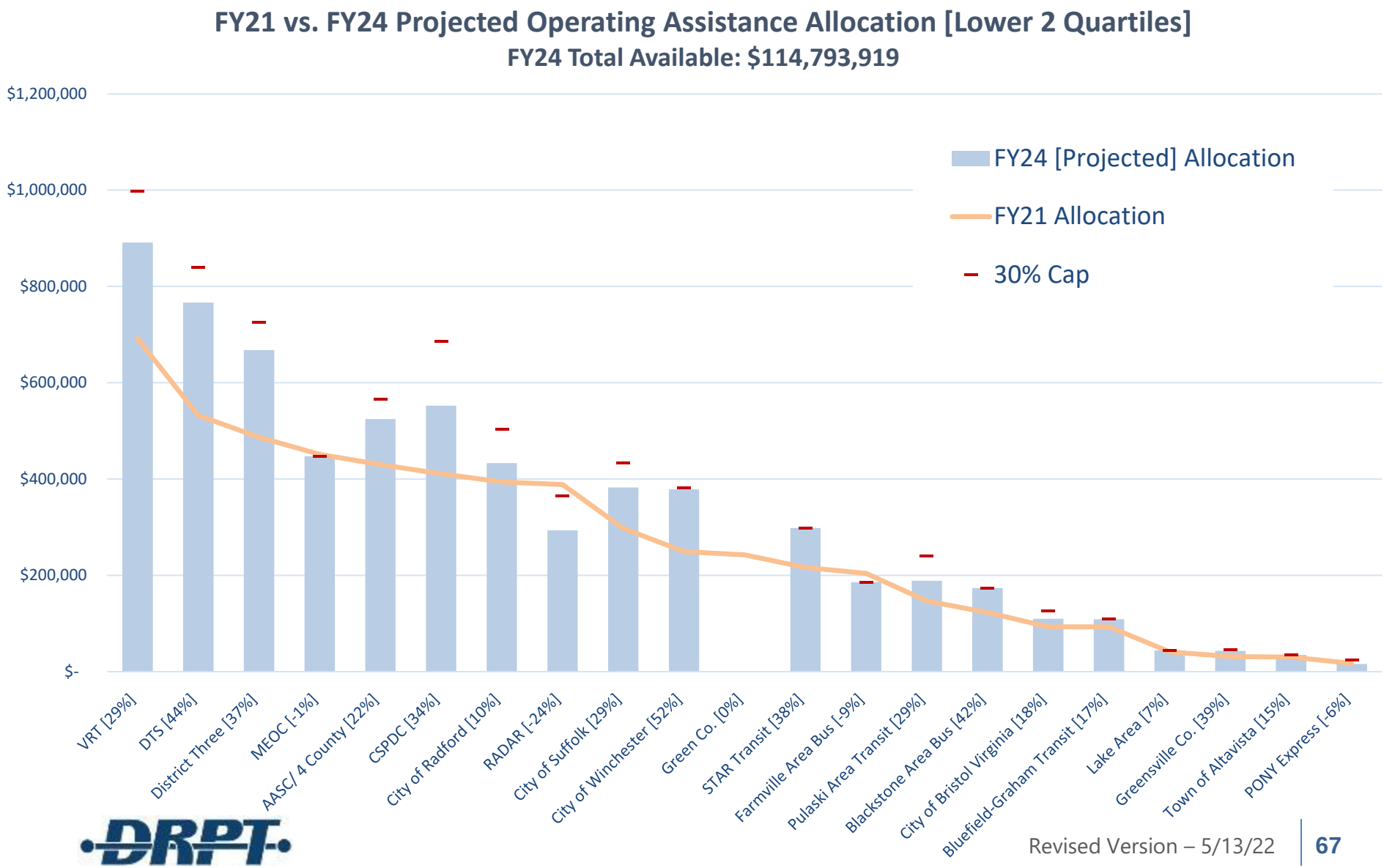
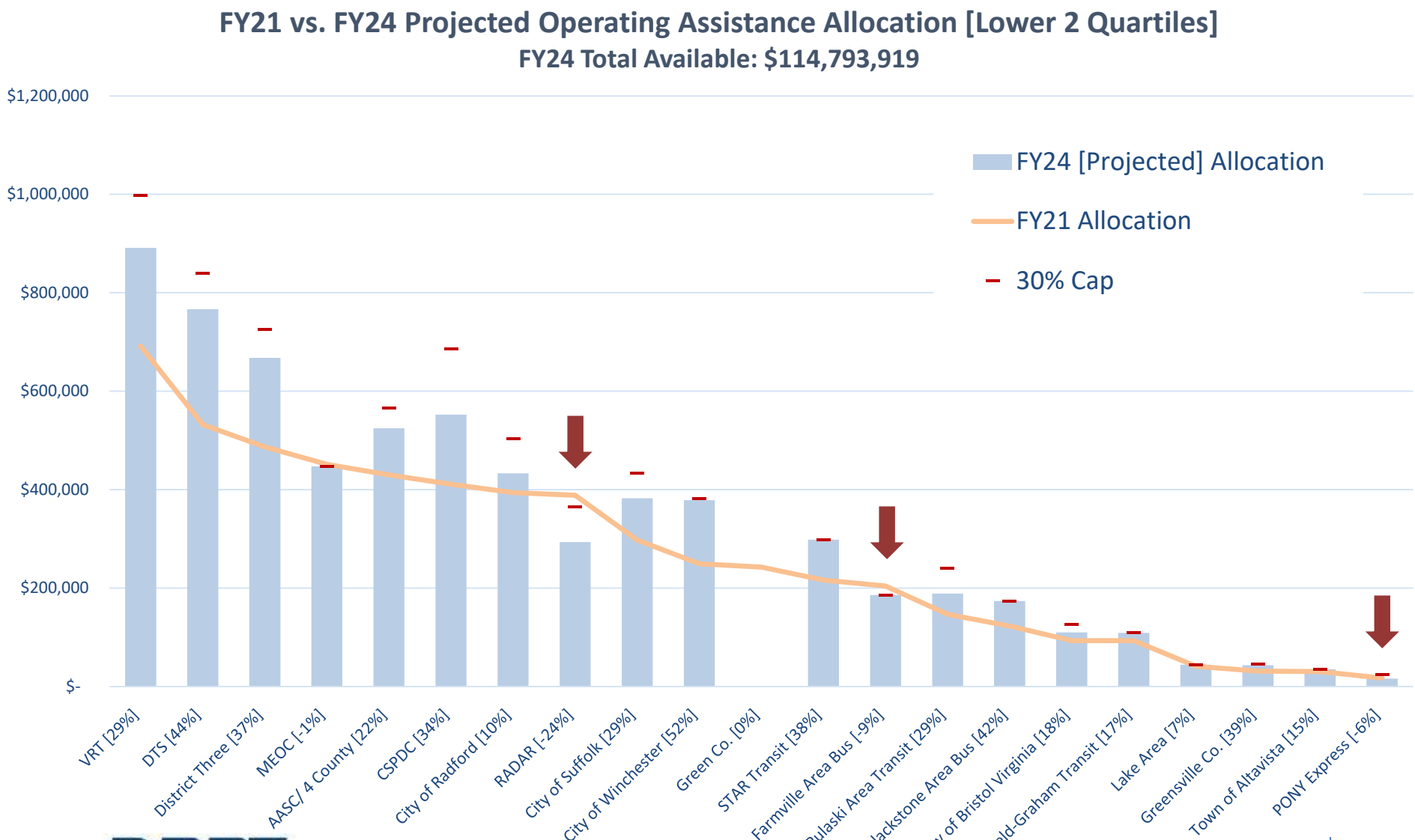
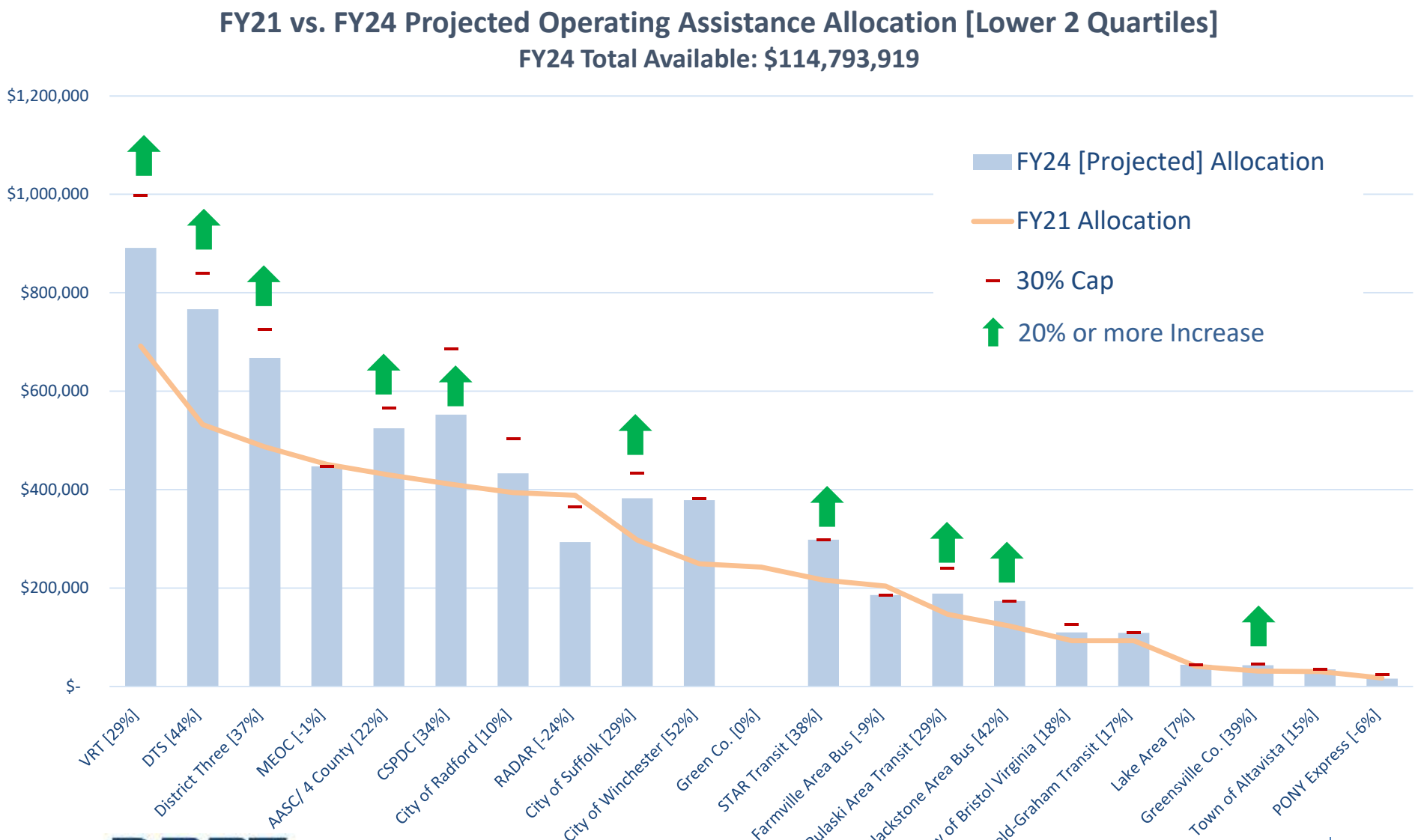


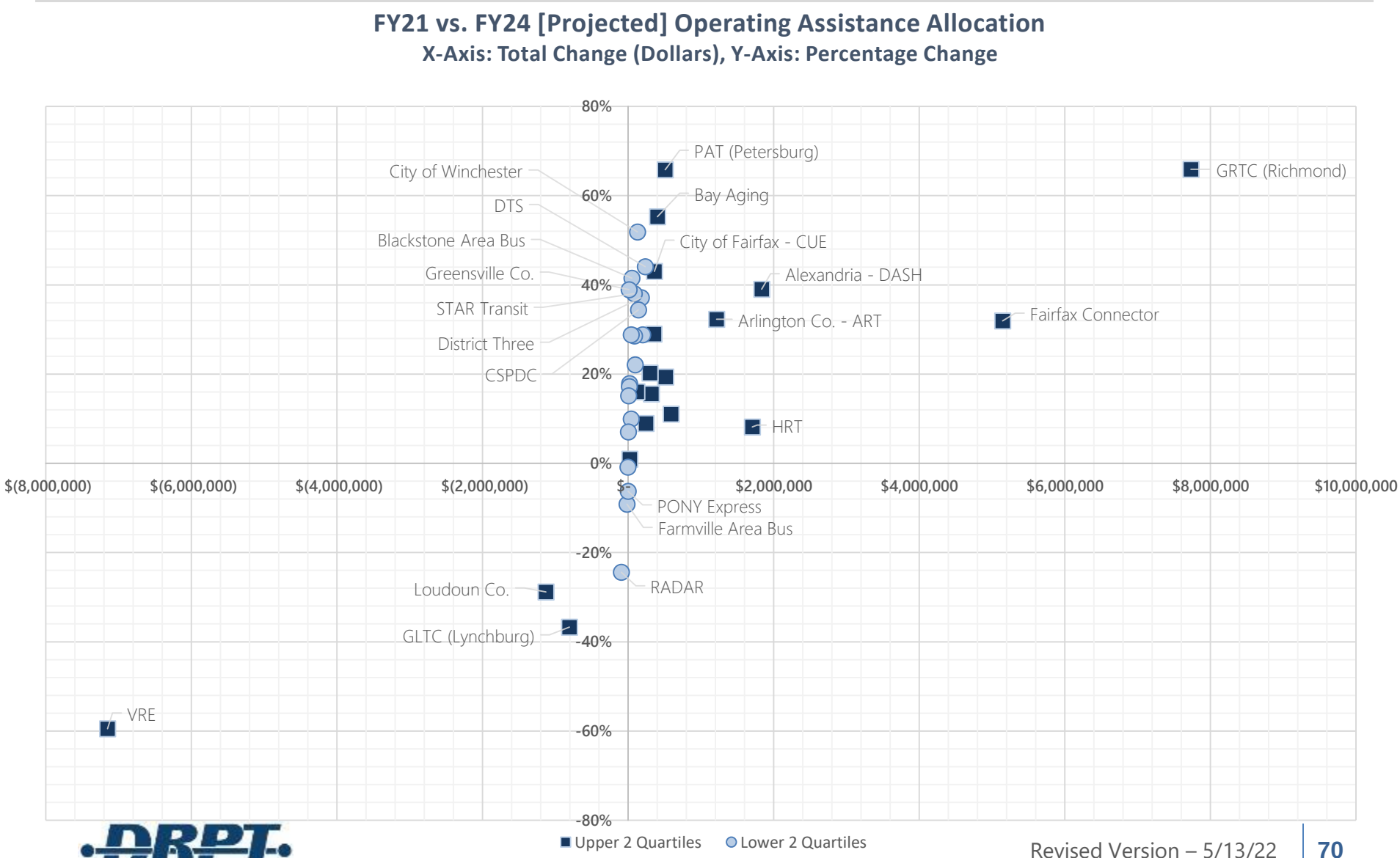
Scenario 1: FY24 [Projected]



Scenario 1: FY24 [Projected]



Scenario 1: FY24 [Projected] Allocation



Additional Operating Formula Scenarios

- **DRPT staff and consultants will work with TSDAC to create and test additional operating formula scenarios to address the FY24 projected operating allocation**

- **Additional scenarios may examine:**
  - Metrics and weights for "Sizing Metrics" – Op. Cost, Rider., VRH, VRM
  - Metrics and weights for "Performance Adjustments"
  - Methodology for "Commuter Rail Sizing Pool" – PMT, VRH, VRM
  - Changes to the 30% cap

Next Steps

Public Comment