

**DRPT SJ297 Funding Study Advisory Committee Meeting
May 7, 2011**

Attendance:

Noelle Dominquez, Fairfax County
Mike Edwards, Kemper Consulting
Al Harf, PRTC
Howard Jennings, Arlington
Henry Li, HRT
Dan Lysy, RRPDC
Mark McGregor, VRT
Diana Morris, Blacksburg Transit
Donna Shaunesey, Jaunt/CTAV
Rick Taube, NVTC
Amy Inman, DRPT
Terry Brown, DRPT
Linda Maiden, DRPT
Jamie Motley, DRPT
Kevin Page, DRPT
Steve Pittard, DRPT
Kim Pryor, DRPT

Absent:

Larry Hagin, GRTC
Arnie Levine, Fredericksburg

Public Attendants:

Dr. Pat Woodbury, HRT
William Harrell, HRT
Linda McMinimy, VTA
Brian Smith, HRT

1. DRPT Welcome and Introduction

Director Thelma Drake welcomed the Committee and made introductory comments about the increasing role of transit in Virginia and the importance of providing choices for transportation. She reported on the fluctuation of revenue for transit needs and the need to identify future funding streams to support growth in public transportation.

Chief Operating Officer Kevin Page and Chief Financial Officer Steve Pittard also welcomed the Committee and discussed the need to present a different message to the General Assembly to show the value of transit across the Commonwealth. COO Page mentioned the Commonwealth Transportation Board has requested a presentation on the operating expenses and revenue regarding transit. This presentation will be done as work progresses on the SJ297 Study. COO Page asked the group to think about how the

industry is moving forward. He indicated the goal of the meeting is to present the proposed approach for allocating funds based on performance. CFO Pittard expressed that the desired outcome of SJ297 is more funding over the next five to ten years. Transit is now at the bottom of its economic growth curve and can be a rising star. The Committee is tasked with making this a rapid growth.

2. Public Comment

There were no public comments.

3. Project Update

Mark Aesch, CEO of Envisurage, gave a presentation on Performance-Based Funding. This funding strategy would be success-based instead of the current spending-based funding strategy specified in the Code of Virginia. Funding will now be provided based on public benefit and performance.

The new funding model will put grantees into peer groups according to service area population, service area population density, ridership, operating costs, number of peak vehicles, and steel versus rubber wheeled. Funds will then be split out among the peer groups based on the finite pot of money each year. The proposed allocation scheme will apply to existing and new funding. The question has always been how to divide this money out to grantees. Within the peer groups, each agency will be assessed on a set of five measures – two are formula based and three are performance based.

Committee Discussion/Questions:

Comments from the Stakeholder Group:

- Separate the rail group into more tiers to more accurately reflect the type of service provided
- WMATA is one system and should not be separated out by county
- Definition of service area population needs to be clarified
- The calculated funding amount for each tier should be compared to actual funds provided in previous years to the operators within that tier
- The type of bus service provided should be used to establish peer groups

DRPT Response:

For this discussion, the 5 measures were weighted equally; each contributing 20% to the total funding an operator will receive. Two of the measures are formula based – ridership and operating deficit. Three of the measures are performance based – customers per revenue hour, customers per revenue mile, and financial success. For example, within a peer group, each agency is ranked according to their percentage of the total ridership for the group. The same calculation is applied to operating deficit. The performance based measures are weighted based on size and performance. This is to ensure that if two agencies perform at the same level but one is much larger, the size factor will be taken into account per peer group for distributing funds.

Comments from the Stakeholder Group:

- Smaller agencies may appear not to be performing well but are used to feed a rail system, etc.
- This formula may devastate some smaller agencies with significant cuts to funding
- Discussion of the weights (currently 20% each) is needed
- Real and complete data is needed in order to accurately evaluate the proposed funding formula and its impact
- How frequently will the peer groups and peer group funding level be revised to account for growth; will the size of the bucket be based on historical data or anticipated funding levels

DRPT Response:

CFO Pittard suggested reevaluating the peer groups and fund buckets every 3 to 5 years, but no final decision has been made. The new funding formula will be rolled out as early as FY14 and FY15 with transitional assistance and fully implemented in FY16.

Comments from the Stakeholder Group:

- In order to improve stability in funding levels and encourage agencies to improve performance based on the measures included in the formula, any changes to weights needs to be communicated in advance
- The new funding formula needs to be phased in slowly, not all at once
- Changes to funding levels will impact local government budgeting; local governments want reliable numbers not estimates
- In addition to recommending a new funding formula, there needs to be a strong case built for identifying additional funding
- This process may encourage agencies to seek earmarks from the General Assembly
- The definition of the financial success measure should be revisited, specifically with regard to locally-derived revenue

DRPT Response:

Annual contract and subsidy revenue is taken into account for financial success specifically to call to attention to the fact that the operators can have other ways to generate revenue, such as contracts with local hospitals, universities, or nursing homes, etc. to buy rides for their customers. Annual contracts and subsidy revenue includes any non-taxpayer funds. The current formula does take in to account the local level of effort in determining financial success.

Comments from the Stakeholder Group:

- Given the heavy reliance on data to drive performance and funding levels, there will be a greater need for accountability and auditing the data. This will not replace the compliance auditing function.
- Transit needs should be more clearly defined so that a case can be made in the

General Assembly for more funding. TDPs identify needs and needs will be identified in the Transit and TDM plan by June, and that information will be included in the SJ297 report.

- Consideration should be given to identifying needs where transit is not a viable solution (e.g., human services transportation). While there is no program home for human service transportation, it should be addressed in the Transit Plan.
- This funding formula could result in loss of service in areas where the agency is not performing. Human service providers and small operators stand to lose under this proposal.
- Unless additional revenues are identified, we will continue to have increasing demand on a stagnant pot of funds. This new funding formula may drive agencies to look for other sources of revenue or to merge/consolidate with another service.

DRPT Response:

The system is based in part on financial success. Agencies will get credit in the new system for non-DRPT funding. Localities can fill in the funding gaps.

Comments from the Stakeholder Group:

- New revenue needs to be based on a new revenue stream. The new funding formula should not be applied to new revenue otherwise all you do is create winners and losers within the transit system. In terms of trying to implement a new system, a lot of the data points are arbitrary and the peer groups are not on target.
- This system is all about trusting that DRPT is going to work hard to get most money possible for transit.

DRPT Response:

DRPT needs to make sure that money is being used efficiently for taxpayers. Discussion is needed on what constitutes a necessary level of service to fulfill the needs of a community? There needs to be a mobility safety net – a service may not be highly utilized but will be used consistently.

Comments from the Stakeholder Group:

- Howard Jennings, Arlington, offered a draft TDM discussion paper for possible inclusion in the SJ297 report. Need absolute measure of good for areas with different development densities to look at the needs side of business. This is being done as part of the Transit Plan.

Next Steps:

Comments from the Stakeholder Group:

- There isn't a consensus from the group on the plan so don't report in the final a consensus.
- Committee would like the excel spreadsheet used as an example inputted with real data and forwarded to the group.

DRPT Response:

- June 2012 feedback from the providers – either conference call or meeting.
- July 2012 the draft report will be complete