



July 2, 2013

The Hon. John McGlennon, Chairman
Transit Service Delivery Advisory Committee
c/o Virginia Department of Rail and Public Transportation
600 East Main Street
Richmond, VA 23219

Dear Chairman McGlennon:

At its July 1, 2013, meeting the Transit Service Delivery Advisory Committee (TSDAC) acknowledged that both Model 9 and Model 11 (captioned below) had potential as a basic metrics framework upon which new allocation methods for performance-based statewide transit funding could be allocated beginning in FY14.

Model 9

Customers per Revenue Hour = .25
Customers per Revenue Mile = .25
Net Cost per Revenue Hour = .25
Net Cost per Revenue Mile = .25

Model 11

Customers per Revenue Hour = .25
Customers per Revenue Mile = .25
Net Cost per Passenger = .50

The committee elected to move forward with Model 11 in a transitional year one. However, the TSDAC did not make clear what it was attempting to accomplish in selecting Model 11 compared to Model 9. Specifically, it is not clear why Net Cost per Passenger at a 50% funding pool is, apparently, assumed to be better than Net Cost per Revenue Hour and Net Cost per Revenue Mile at funding pools of 25% each. We believe differences between the two models have not been adequately addressed so that a case is not substantially made as to why outcomes of Model 11 are more likely to achieve key policy goals.

What are likely outcomes?

The likely outcome of Model 11 is that each agency in Virginia will be able to report out its annual Net Cost per Passenger. However, with the combining of the first and second sets of metrics in Model 9, both Model 9 and Model 11 are equal on this outcome. Accepting this, some other justification(s) should be stated as to why one model is better than the other.



A comparative strength of Model 9 is that it uses more metrics. The greater the number of metrics used, the more opportunity there is to avoid risks and instability for all systems.

A likely outcome of using more metrics is that the potential for year-over-year volatility is reduced. Model 11 exposes 50% of funding to just one metric. However, Model 9 breaks this up over two metrics at 25% each. Model 9 thus has a comparative strength because it allows for less exposure across all metrics. The practical effect is that agencies may do better (or worse) on one or more metrics, but gains and/or losses across revenue miles and hours can potentially offset one another. Because there are two metrics compared to one and funding and performance is divided up equivalently, there is less year-over-year risk associated with Model 9.

Also, we believe multiple metrics and specifically the use of per mile and per hour metrics better account for ways that agencies large and small, rural and urban are unique and are more immediately aligned with things that agencies can actually control. We believe this is very important to the success of agencies and effectiveness of the chosen methodology.

Increasing efficiency and effectiveness on an operational level (where the proverbial 'rubber meets the road') is what ultimately matters. Again, Model 9 demonstrates a comparative advantage. There are myriad reasons why the public may or may not choose to ride transit, which agencies have no control over but which the 50% measure in Model 11 attempts to grade. However, agencies are able to operationally focus in on and better control costs per hour and per mile of service. When Virginia sets this new framework in place, it is doing more than creating a new means to communicate and justify the value of transit investments as part of Virginia's overall multimodal transportation system. It is building a new means by which to capture the focus and attention of agencies and, hopefully, facilitate their mobilizing to become more efficient and effective. Yes, ridership is key (and this is accounted for in the first set of metrics in both Model 9 and Model 11). However, we believe on the operational level that focusing on cost per hour and cost per mile are more likely to help agencies hone in on what matters in terms of promoting more efficient, cost-effective operations. These are metrics that operators can best control, effect and improve upon, which makes them more suitable for performance evaluation and reward.

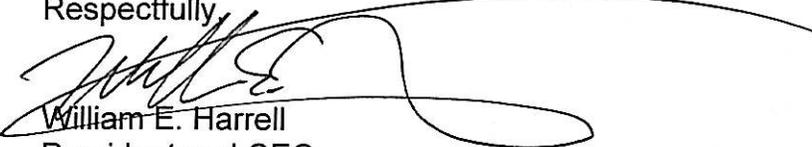
Because TSDAC acknowledged that both Model 9 and Model 11 possess potential as viable approaches, and since its recommendations will have such weighty consequences for transit agencies and local governments across Virginia in year one and beyond, we respectfully ask the TSDAC to clarify its reasoning and justifications why it believes Model 11 is superior to Model 9. We urge the TSDAC to reconsider the



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use of Net Cost per Passenger and in place of this measure to use Net Cost per Revenue Hour and Net Cost per Revenue Mile. These are the same metrics recommended in VDRPT's "Study of Transit-Related Issues in the Commonwealth" (10/17/12, p.37).

Respectfully,


William E. Harrell
President and CEO

<i>Concern</i>	<i>Recommendation</i>
Stability	5% cap on year-over-year gains and losses
Stability	3-year rolling averages applied to all indexes, agency metrics, weighting scores, allocations
Simple, common robust metrics related to efficiency and effectiveness	Total of 4 or more measures: <ul style="list-style-type: none"> ➤ Net Cost per revenue hour ➤ Net Cost per revenue mile ➤ Customers per revenue hour ➤ Customers per revenue mile
Equitable sizing and weighting	Modify simple hybrid 50/50 cost/passenger ratio with factors to account for unique service areas (population, access to non-state funding, etc). Potential use of: <ul style="list-style-type: none"> ➤ Indexing factor based on population, AGI, taxable retail sales, and property value. ➤ Operating Cost to Operating Overhead Ratio modified by population density, total miles and total hours
Focus on Efficiency	Use of Net Cost (not Gross Cost)
Focus on Efficiency	Model 9 is preferred because it uses Net Cost
Funding by Metric	Model 9 is preferred because it distributes funds across at least 4 metrics
Mode Split for Rail	TBD – 3 totally unique rail systems (Tide, VRE, Metro) requires unique metrics and allocation methods compared to bus mode

Copy: Members, TSDAC
Commissioners, TDCHR