



September 6, 2013

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

Subject: Capital allocations from the Mass Transit Fund

Dear Chairman McGlennon:

On behalf of the Transportation District Commission of Hampton Roads (dba/Hampton Roads Transit), which serves 6 of Virginia's 10 largest cities, please incorporate the following items into TSDAC deliberations concerning the above captioned matter.

**Emphasis on State of Good Repair – Tier 1**

Should TSDAC recommend new tiering for capital projects at specified percentages of state share, we urge your final recommendation be that Replacement/Expansion Vehicles (Tier 1) be covered at a share of 55%.

This should apply no matter if TSDAC recommends using gross cost of total projects to determine state share, or net of non-federal costs as historically done. The percentage of state share is also a primary concern, not merely a shift from net cost of non-federal share to gross cost.

For Tier 1, in the case that a shift to gross cost-based approach is implemented, a 55% share would be consistent with the effective FY13 state participation rate under the historic net cost methodology, which could mitigate the reduction of state funding for Tier 1 projects depicted in TSDAC working documents, 8/22/13.

To further clarify, increased local costs are reflected using the gross cost approach at a 45% state share for Tier 1 as modeled in TSDAC working documents, 08/22/13 – however, at this percentage local costs would be even greater under a net cost approach.

Attached please find three supporting illustrations (based on a bus purchase of \$1 million) that depict the effects of state participation rates ranging from 15-45% state share using both gross cost- and net-cost based approaches.

Again, in support of State of Good Repair, we believe it is critical for the Commonwealth to embrace a state share of 55% for Tier 1.

**Use of Gross Cost-Based Approach**

HRT's interest is to leverage every available dollar from all sources to maximize returns.

To this end, using the gross cost-based approach is preferred because HRT will have greater flexibility and access to funding.

For example, State of Good Repair is a priority and HRT has more than a \$39 million gap in its bus replacement program. The gross cost-based approach will allow the agency more flexibility to encumber state funding and finance more projects, for example, to replace, repower and/or refurbish more buses for which HRT has a critical need.

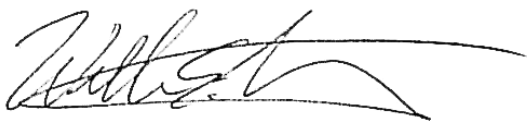
TSDAC and stakeholder discussions have included whether shifting to a gross cost- versus the existing net cost-based approach will create significant new administrative burdens and associated costs, particularly related to federalizing projects. HRT anticipates negligible administrative impacts associated with the increased programming flexibility to use federal funds on more projects. HRT plans for capital projects in concert with federal, state and local partners. On the federal level, HRT does not anticipate any undue administrative burdens or complications working with the Federal Transit Administration to shift federal funds under guidelines prescribed under Sections 5307 or 5339 and other federal statutes and regulations.

### **Major Projects (>\$100M)**

The effective state participation rate for major projects should be no less than 25% of the total project cost.

Mandating that component parts of a major project be dissected and spread across various state match tiers is not advisable because of the myriad individual elements that comprise such a project. A likely outcome of this approach would be undue administrative burdens on grantees and administrators.

However, fixing the overall state participation rate of a major project within a specific tier should not preclude the flexibility within budget to apply varying state shares to component parts so that project sponsors can most effectively leverage available state and non-state funds.



William E. Harrell  
President and CEO

Copy/ Commissioners, TDCHR  
Thelma Drake, Director, VDRPT  
City Managers, TDCHR member cities

Attachment/ Gross versus Net cost approach at state shares of 15-45%