



August 22, 2013

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

Subject: Proposed State participation rates in capital tiers

This correspondence offers brief comment limited only to aspects of the three tiers proposed for State capital allocations: Tier 1 – Replacement/Expansion vehicles; Tier 2 – Infrastructure/Facilities; Tier 3 – Other, and the proposed State participation rates based on gross project costs: Tier 1 – 45%; Tier 2 – 25%; Tier 3 – 15%.

State of Good Repair, particularly regarding rolling stock, is a priority capital concern. HRT's six year program prioritizes bus replacement. A higher effective participation rate for replacement vehicles would be logical and beneficial for State of Good Repair. Specifically, a 55% state participation rate (whether on net or gross) is preferred to the proposed 45% of gross for Tier 1.

HRT has been unable to match available state funding due to lack of federal/local match.

However, for projects where federal and local funding has been available and a higher/gross cost-based state participation rate would be used (compared to existing practice), HRT anticipates being able to distribute existing local funding among more projects. In this respect, a Gross Cost approach is preferred to Net Cost approach.

In the absence of dedicated regional funding or higher municipal participation, HRT relies heavily on federal funding for capital projects. In this environment, when federal funding is unavailable there is no consequence of state participation rates because projects are rendered undoable for lack of local share.

Gross and Net are the same value for projects with no federal share. HRT believes projects with no federal share are hit hardest because of the lower state participation rates proposed (currently 45% for Tier 1) not because of Gross versus Net approach (i.e., there are greater negative impacts for local/regional shares for these projects). Thus, as noted on point 1 above, having a gross-based approach at a 55% rate for Tier 1 instead of the proposed 45% rate may result in a neutral or positive effect for all agencies in this tier.

In summary, HRT finds it more beneficial for state percentage matches to be applied to the Gross cost of the project as this will allow HRT to better leverage the limited federal and local funds available. Since Federal funds have been mostly flat with some decreases, the ability to leverage federal funds is of benefit to the HRT service region. This is additionally important because of the lack of local funding available to leverage state funds. Since this region does not have a dedicated tax, it is even more important to HRT that the decided upon process for allocating state capital funds allow for the maximum leverage with federal funds.