



Transit Capital Projects Revenue Advisory Board (RAB)  
VDOT Auditorium  
1221 East Broad Street  
Richmond, Virginia  
April 28, 2017  
10:03am-2:45 pm

## **Minutes**

Members of the Revenue Advisory Board Present:

Hon. Marty Williams	Hon. Jeff McKay
Jim Spore	Hon. Tom Rust
Hon. Mary Katherine Greenlaw	Dr. James Toscano

Members of the Transit Capital Service Delivery Advisory Committee Present:

Brian Smith  
Kate Mattice

1. Call to Order/Introductions (10:03 AM) – Chairman Marty Williams called the meeting to order. DRPT Director Jennifer Mitchell informed the Board that the presentation they would be seeing would represent different scenarios and ways of putting together potential funding packages for the General Assembly. Discussion for the meeting should center on the principles of what should be included in the report to the General Assembly.
2. Update on Revenue Estimation– Nate Macek from WSP began his presentation and reviewed the principles. Chairman Marty Williams told Nate that the principles outlined the discussion from the last meeting well. Nate Macek said that the information being presented today moves away from the tiers and will look at providing a consistent match rate. He is looking for steady and reliable streams of revenue for Transit Capital Funding. He discussed some changes in possible revenue sources since the last meeting, which included the Gas and Diesel Fuel tax and the

Priority Transportation Fund. The Priority Transportation Fund is used currently to pay debt service on bonds for transit capital, but the net revenue after the debt service could be used. A discussion ensues on what Nate has presented thus far.

- a. Brian Smith, member of the Transit Service Delivery Advisory Committee (TSDAC) asked why the PTF funds were not available until FY25. Jennifer and Nate confirmed that they were already programmed into the SYIP from FY17-25.
- b. Kate Mattice, member of the Transit Service Delivery Advisory Committee (TSDAC), asked if Loudoun County was included in all ten years of the revenue estimations for Northern Virginia. Nate Macek said that they had been. Jennifer Mitchell said that those forecasts would need to be adjusted because Loudoun County would not join the WMATA compact until 2022.
- c. Tom Rust asked if targeted, dedicated sales taxes for WMATA could be raised in areas beyond the WMATA borders to support regional needs. Jennifer Mitchell said that other counties in the region could be considered. She identified that question as one of the principles that needs to be considered is: what is raised for the region and what is collected for statewide use? Tom Rust said that a regional tax will be controversial and asked if this tax would be on top of what the region is already raising itself.
- d. In looking at the estimation summary for the taxes by region in Northern Virginia, Jeff McKay said that the chart does not reflect other revenues already in play in those regions. Some Northern Virginia residents are already paying four to five transportation taxes already and additional taxes for WMATA could result in them paying six or seven. Many areas also have separate tax districts to pay for rail projects.
- e. Kate Mattice reminded the Board that there are many other transit providers in Northern Virginia, beyond WMATA. Jim Spore asked that this be summarized so that others could better understand.
- f. Chairman Marty Williams reminded the members that the mission of the Board is not to make a single recommendation but to show the GA a variety of options of where more revenue for transit could come from.
- g. James Toscano arrived at 10:29.
- h. Brian Smith asked Nate Macek to clarify the geographic footprint of the tax base for Hampton Roads and asked if it was only jurisdictions that use HRT. Nate replied that was correct.
- i. Tom Rust asked Nate Macek to define what a utility is for the purpose of his estimation summaries. Nate Macek said that for this study it was attached to electric bills.

- j. Chairman Marty Williams pointed out that in Hampton Roads existing regional revenues are prohibited from being used for transit. If the floor is raised they still can't be used for transit without a change to the Code. Chairman Marty Williams also noted that legislators do not like to raise taxes so the demonstration of the impact of not raising revenue for transit capital funding has to be very strong.
- k. Chairman Marty Williams asked if anything was being done about the Richmond Region. There is the possibility that they could form a regional entity and collect taxes. He would like Nate Macek to show what that would look like if it is easy to do. Tom Rust indicated that a population threshold is established in Code for other regions to be able to establish regional authorities and generate their own revenues, but this threshold was believed to be far into the future for Richmond.
- l. Tom Rust noted that in Package 3 it looks like more revenue is raised than is needed and asked what would be done with the extra. Nate Macek replied that it could still go to SGR because there could be more existing needs than are currently documented. He said that depending on the approach and policy that it could also go to expansion projects. Some of the excess funding will also account for increased costs due to inflation. Tom Rust replied that what he is hearing is that in actuality there is very little funding available for expansion projects. Nate confirmed that he is correct.
- m. Kate Mattice asked Nate Macek if the statewide prioritization would only be done on funds collected for statewide use. Nate Macek said that she is correct and that there are still questions that need to be answered on how to allocate regional funds, but that funds raised statewide are available statewide and will go through the statewide prioritization.
- n. James Toscano asked Nate Macek if Package 1 assumed that more than 50% of statewide revenues would go to NOVA and HRT. Jennifer Mitchell replied that funds will be distributed based on a prioritization but that NOVA and Hampton Roads are where most of the priorities are. Jeff McKay pointed out that it was basically a continuation of what was already happening.
- o. Kate Mattice asked if regions were responsible for filling the gap in funding and asked if a solution is a combination of statewide and regional funding. Nate Macek and Chairman Marty Williams agreed that the combined approach would be the best way to get to a solution.
- p. Brian Smith pointed out that the targeted level of funding they are trying to get to would only serve to meet SGR needs and provide limited increased capacity. The target number is based on historical spending and may not reflect the actual needs that exist. Jennifer

Mitchell reminded the group that major transit expansion projects have primarily been funded through other sources, and not the transit capital program.

- q. Jeff McKay asked that at the next meeting Nate Macek show 3 and 4 cent increases in Package 3.
- r. Jennifer Mitchell noted that the purpose of a prioritization process is to ensure that state funding is allocated in a way that best matches the state's priorities. WMATA's needs are all SGR and safety, not expansion.
- s. Brian Smith stressed that Governance and Accountability processes belong at the local level. Chairman Marty Williams said that he does not think that that report to the General Assembly should prescribe how to prioritize funding but give them a high level recommendation on how it could work. The General Assembly did not codify the Smart Scale process; they codified CTB to create it. Chairman Marty Williams does not think that it is critically important that we identify how to govern.

Discussion concluded on the first half of the Nate Macek's presentation. Jennifer Mitchell asked the group to begin thinking about principles and what feedback they want to give to the General Assembly on those. The question of giving PTF to transit and not to other sources will be important for the group to make a decision on. Chairman Marty Williams said that in the report they need to present packages that are easily digested. Three packages like what Nate presented at the meeting gets them to the point quickly. Mary Katherine Greenlaw stressed that the report will need to get their attention first with the business case of the importance of transit. The following discussion on principles for the report followed.

- a. Tom Rust said that the majority of the Transit Capital Funding conversation has centered on SGR needs. Nate Macek clarified that Transit Capital Funding describes everything that is in the program that DRPT currently funds, which includes State of Good Repair and Expansion.
- b. Kate Mattice said that there is more overlap of SGR/Capital needs than there is in the highway world.
- c. Jeff McKay said that there will need to be better definitions in the report to the General Assembly so that transit's needs are spelled out accurately. The additional funding will serve to keep existing systems going.
- d. James Toscano said that it will be a difficult discussion in Hampton Roads because the needs there are operational and not capital.

- e. Kate Mattice said that the report needs to show what role the state program plays in different areas. Chairman Marty Williams said that it would be valuable to have a detailed graph depicting that as an attachment to the report. This graph should include what is currently contributed at a state, local, and federal level. He said that many people in the General Assembly know nothing about transit and need to understand the bottom line. Jennifer Mitchell said DRPT would work with Nate Macek and his team to put together a map to show the different funding in different regions.
3. The Meeting Broke for Lunch and Reconvened at 12:31
4. Update on Illustrative Prioritization Process-Jen DeBruhl from DRPT reviewed the prioritization process that had been developed with the TSDAC. She said that it would be important information for the rest of the day's presentation. Chairman Marty Williams commented that the Minor Enhancement category could address the operational issues of HRT brought up by James Toscano. Jen DeBruhl agreed and said that minor enhancement projects do include upgrades of software and technology that would improve efficiency. Jen DeBruhl also said that it is important to point out that the majority of capital applications received by DRPT are for SGR and Minor Enhancement projects. She reviewed the work that had been done by Cambridge Systematics to run the sample projects. Marty Williams said that the prioritization is a convincing piece of evidence that money is being spent wisely and reaffirms decisions. Jen DeBruhl said that the goal is to streamline the SGR application process by piggybacking on new Federal asset management requirements that transit agencies have to comply with. She said that the scenario analysis conducted has not revealed any fatal flaws in the process. Cambridge Systematics next steps are to document the results of the scenario analysis at a high level for the report.
5. Transit Resource Allocation Planning –Nate Macek returned for the second half of his presentation. The presentation demonstrated what types of projects would get funding under the new prioritization. Projects would be funded in rank order until funding runs out. For potential funding they looked at the base case, which is the future funding picture if no one acts to raise more revenue, and the Additional Revenue Case, which was looked at earlier and would backfill the expiring bonds. The following were discussion points from this part of the presentation.
  - a. Kate Mattice asked Nate Macek how a project that isn't looking for the full 80% funding would be ranked. Nate Macek replied that the first step will be to come up with a list of prioritized projects. The amount of funding requested for a project will not affect its

ranking. After the list is prioritized, the state funding that the project needs will be applied based on the project's characteristics.

- b. James Toscano asked what jurisdictions do not get Federal funding. Jeff McKay said that the Fairfax connector does not. James Toscano said that he worried that agencies would respond to the formulas in how they use Federal funding and asked if the process would incentivize or dis-incentivize using Federal funding. Chairman Marty Williams said that applications are not being scored based on their funding availability and Federal funding would be dis-incentivized because if a project scores high enough and could get full state funding there is no reason to use the Federal funding. Nate Macek said that if you allow agencies to change their Federal funding for a project after the fact there could be issues. Chairman Marty Williams said that applicants should be required to include their maximum federal funding available in their application.
- c. Jeff McKay said that in the Northern Virginia Region, Federal funding is decided at a regional level and that Federal funding is maxed out. Services such as the Fairfax connector are eligible for Federal funding, the region just chooses to use their Federal funding for other transit agencies.
- d. Nate Macek said that very few state agencies have a variation in their Federal match rate. The only agencies that have some variation are mid-sized agencies such as PRTC, GRTC and HRT.
- e. Chairman Marty Williams said that Smart Scale funding is broken down by construction districts to offset one entity from getting everything. He asked if they could give agencies peace of mind that they will get some funding. It is a hard sell to make to the General Assembly to ask for statewide funding if it will all go to Northern Virginia. Jim Spore agreed and said that if some areas feel like they will get no funding it will be a very hard sell to the General Assembly.
- f. Brian Smith asked for further clarification on the effect of other sources of funding brought to the table and the relationship to the cost effectiveness score. Nate Macek clarified that other sources of funding available for a project would have a positive influence on the cost effectiveness score but that cost effectiveness is not a consideration for SGR projects, only expansion projects. James Toscano asked how this would not end up affecting application behavior with Federal funds. Nate Macek pointed out that funding brought to the table could come from sources other than Federal Funds. Funding could come from Smart Scale, and New Starts. Chairman Marty Williams asked Nate Macek to think about these potential issues prior to the next meeting.

- g. Chairman Marty Williams asked if the Federal government cares what match rate is ultimately decided upon. Jennifer Mitchell said that the Federal Government does not care; they just want to make sure transit agencies don't cannibalize their own program.
  - h. Jennifer Mitchell pointed out that an SGR project may not get funding if it isn't necessary yet. It is possible that compared to another agency's minor expansion project that is more critical, that project would get funding over an SGR request. The illustrative prioritization process gives the CTB the ability to move funding from major expansion projects to SGR projects but not the other way around. Jeff McKay asked how an important expansion project would be measure against a mediocre SGR project and how the determination is made that funding should be flexed. Jennifer Mitchell said that historically the transit capital program does not fund huge projects, like BRT and Light Rail.
  - i. Brian Smith thanked Chairman Marty Williams for his consideration of a regional approach. He noted that there are many efforts underway to work on fundamental issues and that he hoped that these efforts could be coordinated this fall as policy is developed. He said that when transit agencies have the ability at local and regional levels to raise their own funds, they are better able to attract Federal funding from competitive programs.
  - j. Jennifer Mitchell encouraged the group to turn the discussion towards key principles for the recommendation to the General Assembly. She asked if the group had thoughts on the percentage splits and asked if 80-20 seemed correct.
  - k. Marty Williams agreed with the suggested split and said that it provided the most disciplined approach to focus on SGR. He said that for the match rate he was not sure about 80%. He suggested that maybe major expansion projects have a 50% match rate. Larger projects should be scrutinized more.
  - l. Tom Rust asked what the current split was. Jennifer Mitchell replied that currently there was no distinction and that everything gets some funding. Tom Rust asked if the \$130 million number is one we are comfortable with. Jennifer Mitchell said that that figure accounts for modest growth. If the Board does not think that is the right target she asks that they please let DRPT know. Marty Williams replied that if the General Assembly is going to fix the problem, they will likely want to do more than just replace the existing funding; they will want to make the system better.
6. Wrap Up/Next Steps-Jen DeBruhl shared that at the next meeting there will be a presentation from KPMG on making the business case for transit. This will be a key component of the work

to the General Assembly. Mary Katherine Greenlaw asked what would happen if the Board was not ready to make recommendations to the General Assembly by August 1. Chairman Marty Williams said it will have to be ready. Jennifer Mitchell said that for the next meeting DRPT needs the Board's feedback on the match rate. She said that if the recommendations are implemented by the General Assembly than there will be a process after legislation. DRPT also will need feedback on the theme of the business case presentation for the final report. Materials will be provided in advance of the meeting.

7. Public Comment-

- a. Lisa Guthrie from the Virginia Transit Association signed up to make a public comment. She shared comments from VTA members and asked that the report include an explanation of transit's importance in different parts of the state. She also asked that the Board ensure that regional revenue stays in that region and doesn't affect that region's competitiveness for state wide funds. She said that the process for Transit SGR shouldn't be a higher burden than it is on the highway side and asked the Board to consider PTF as a revenue source. She also asked that the revenue recommendations in the report not be overly prescriptive.
- b. Keisha Branch from Hampton Roads Transit signed up to make public comment. She stressed that as state funding moves to a more discretionary way of funding, transit agencies still need predictability for their CIPs. She said that funding should be looked at for multiple years so agencies can plan. If a lot of priorities for a region don't get met it could have a huge impact on that region's mobility. Ten buses may not look like a lot comparatively but that could be that region's one dire need.

8. The meeting was adjourned at 2:45 pm.