



MERIT Program Review

Operating & Capital Assistance

July 29, 2025



Purpose and Key Topics for Today's Discussion

1. Review DRPT's MERIT Operating and Capital Assistance programs and existing scoring/prioritization processes
2. Discuss key findings from MERIT Program evaluation and potential modifications
3. Gather initial feedback from TSDAC on refinements to potential modifications
4. Discuss next steps for evaluation and implementation of potential changes to the MERIT Program

MERIT Operating Assistance

Agenda: MERIT Operating Formula Evaluation

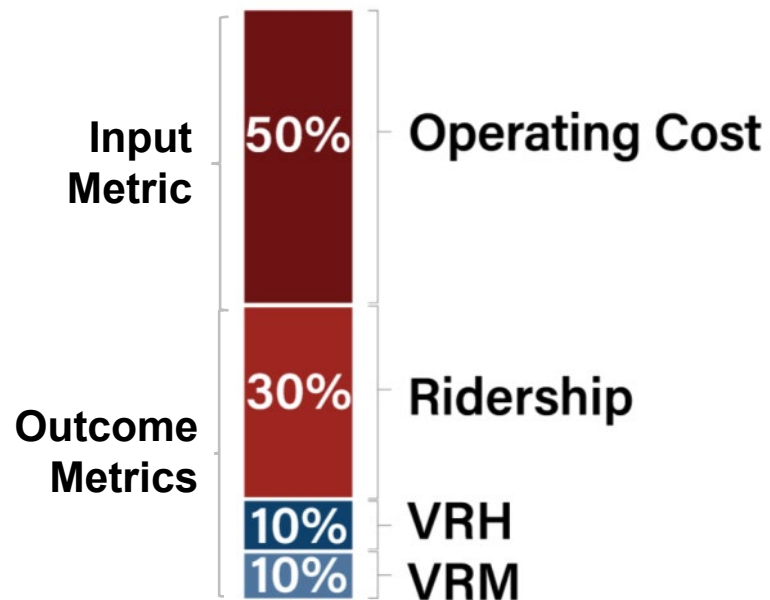
MERIT: Making Efficient and Responsible Investments in Transportation

- Current Approach and its Limitations
- Goals of Evaluation
- Approaches to Address Goals
- Peer State Example
- Review of Select Scenarios and Key Findings

Current MERIT Operating Allocation Approach

CURRENT FORMULA

STEP 1: Sizing Metric



STEP 2: Performance (Trend) Adjustments

20%	X Pax/ VRH SP-Weight
20%	X Pax/ VRM SP-Weight
20%	X Cost/ VRH SP-Weight
20%	X Cost/ VRM SP-Weight
20%	X Cost/ Pax SP-Weight

Redistribution - Return to Step 1

MERIT funding for
each agency
capped at
30% of prior year
Operating Cost

Pax = Passengers

VRH = Vehicle Revenue Hour

VRM = Vehicle Revenue Mile

Limitations of Current Approach

- Sizing assumptions place significant emphasis on operating cost
 - Agencies may receive lower allocations despite cost-efficient performance. For example:
 - Petersburg had improving 3-year trend on all metrics in FY26 but allocations declined due to drop in operating cost.
- Performance rewards an agency for trends relative to statewide trends not absolute performance
 - A steadily high-performing agency may see negative performance adjustment during a period of improving statewide trends.
 - The following had significantly higher than average absolute performance and steady or slightly declining trends in a period of improving statewide trends in FY26:
 - GRTC's size weight adjusted by -4.6%
 - Valley Metro's size weight adjusted by -9.1%
 - Town of Altavista's size weight adjusted by -14.4%
 - The following typically has lower than average absolute performance (smaller agency serving large geographic area) but steady 3-year trend in a period of improving Statewide trends:
 - Bay Aging's size weight adjusted by -11.5%

Goals of MERIT Operating Formula Evaluation

1. Emphasis on **outcome focused metrics** (ridership/service) vs. input (operating cost) focused metrics
2. Emphasizing **performance-based** allocation
3. Formula **simplification**
4. Year-over-year **predictability** in allocation

Potential Approaches to Address Goals

#	Goal	Potential Approach
1	Outcome-focused	Reduce or eliminate Operating Cost from the sizing calculation while increasing the weight of Ridership and Service metrics
2	Alternative Performance-Based Allocation	Allocate a portion of funding based on an agency's most recent year performance on these metrics compared to statewide average: - Service effectiveness (a): Passengers per Vehicle Revenue Hour - Service effectiveness (b): Passengers per Vehicle Revenue Mile - Cost effectiveness (c): Passengers divided by cost Assume equal emphasis on service and cost measures
3	Simplification	Eliminate performance trend adjustment
4	Predictability	Cap allocation so it does not grow beyond a ceiling or drop below a proportional floor relative to prior year allocation

Other States' Transit Operating Assistance Formula Funding Allocation Approaches

- 15 states allocate transit operating assistance by formula
 - Most use sizing metrics but not performance metrics
- Indiana uses performance-based allocation for a portion of funding
 - Off the top set-aside for Northern Indiana Commuter Transportation District (NICTD)
 - Tiered distribution of the remainder based on operating expense
 - Large fixed-route, Small fixed-route, Urban Demand Response, and Rural Demand Response
 - After the base amount is calculated, remaining funding is allocated based on performance
 - 1/3 Passengers per operating expense
 - 1/3 Miles per operating expense
 - 1/3 Locally derived income per operating expense

Examining Goals through Scenarios – the Process

Input Data

- Only data currently collected/vetted by DRPT and used in existing formula were considered
- Additional data (e.g., population, density, maximum vehicles in service) were examined and eliminated due to data applicability, availability or integrity, or other practical considerations

Scenario Definition

- 30+ scenarios developed, testing combinations of approaches, compared to FY26 funding by district, operator
- Changes to formula were tested in isolation and in combination with other changes, e.g., what happens if we just change the size-weights separately from what happens if we change size-weight AND performance-basis

Scenario Analysis

- Scenarios were mapped to the goal(s) they accomplish
- Intended and unintended impacts to allocations were evaluated for each scenario
- Scenarios that work against any of the goals or had adverse unintended impacts were eliminated

Short-listing

- DRPT leadership and staff provided input into the analysis and shortlisting of scenarios
- For the promising scenarios, average impact over three years of allocations (FY24-26) was examined

Potential Approaches and Scenarios Tested

**Total of 30+
Scenarios
Tested**

Approach 1

Adjust Size-Weight

- Test different weights for Size-Weight metrics; **6 scenarios**

Approach 2:

Eliminate Iteration

- Allocate remainder (over 30%) from adjusted size-weight allocation in a single round; **2 scenarios**

Approach 3

Performance-Based Allocation of Redistribution

- Test different absolute Performance-Based allocations with Funds Remaining (after 30% Cap) after adjusted Size-Weight allocations WITHOUT Performance Set-Aside, with and without 30% Cap; **4 scenarios**

Approach 4

Performance-Based Allocation of Redistribution + Set-Aside

- Test different absolute Performance-Based allocations with Funds Remaining (after 30% Cap) after adjusted Size-Weight allocations WITH Performance Set-Aside, with and without 30% Cap; **5 scenarios**

Approach 5

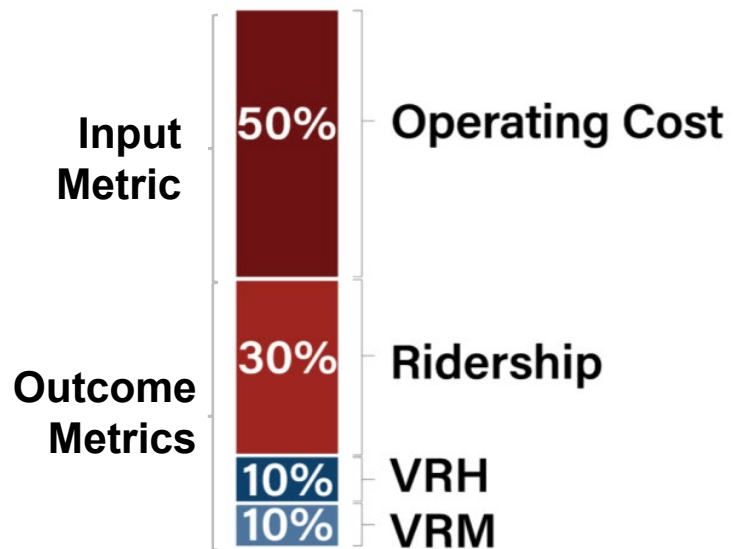
Higher Predictability

- Test different caps to limit growth in allocation over prior years; **2 scenarios**

Formula Steps Tested in Scenarios

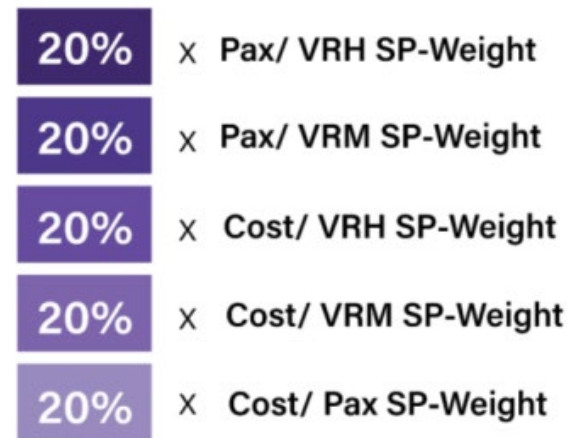
CURRENT FORMULA

STEP 1: Sizing Metric



Step 1 accounts for the relative size of a transit agency

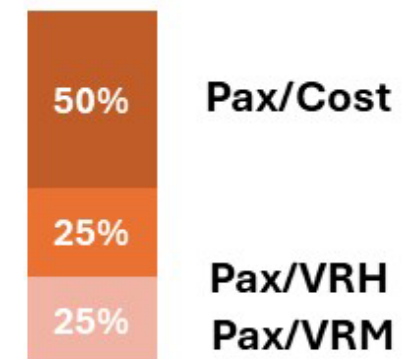
STEP 2: Performance (Trend) Adjustments



Step 2 adjusts the sizing-based allocation by 5 equally weighted performance metrics that use 4 historical years of data to compare performance trends of each agency to statewide average over the same period

NEW FORMULA COMPONENT

STEP x: Performance Allocation



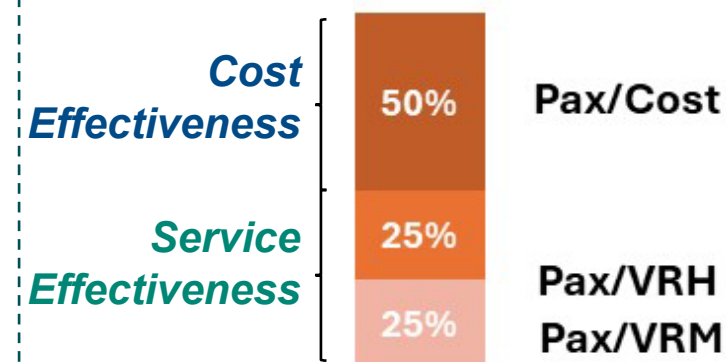
This step would allocate a portion of funding based on an agency's recent single year performance measured using three efficiency and effectiveness metrics

Performance Basis – the Rationale

- Typically
 - In transit-oriented markets (urban) agencies have relatively **high operating cost** (larger, older systems) and **high ridership**
 - **Cost effectiveness** measure provide incentives to manage costs - more service with available funding
 - In auto-oriented markets (rural, suburban) operators often have **lower operating costs** but **serve fewer riders**
 - **Service-effectiveness** measures motivate operators to change service hours, routes, and fares to meet local demand.
- Exceptions include services in college towns and fare-free systems which tend to have high ridership and oftentimes lower cost

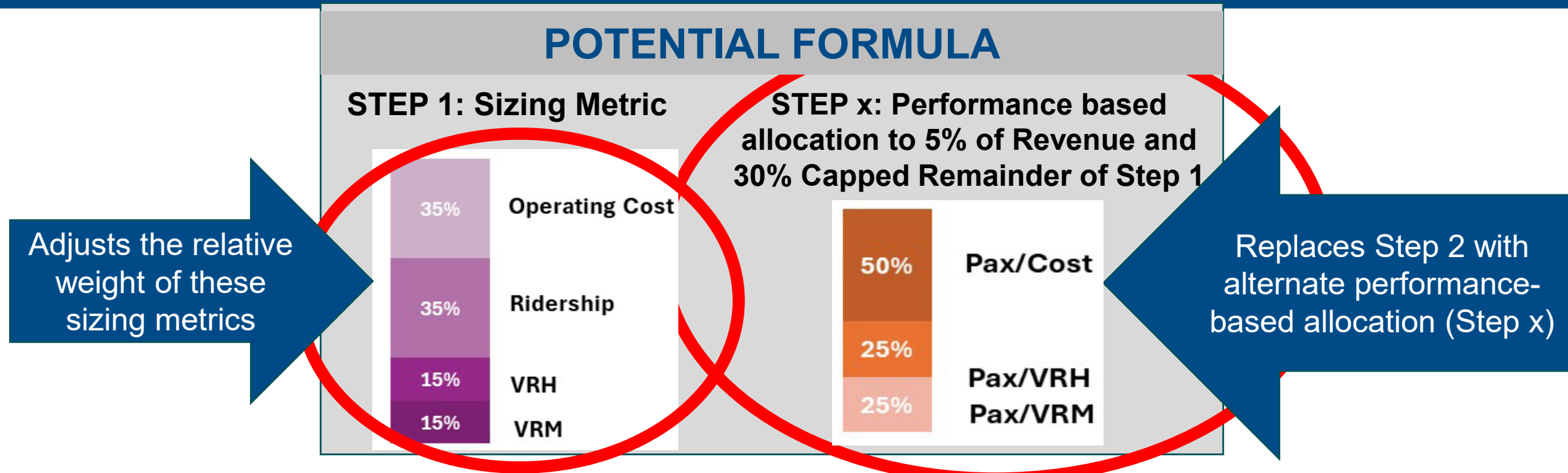
NEW FORMULA COMPONENT

STEP x: Performance Allocation



Balance performance basis to account for Virginia's diverse transit systems

Sizing + Performance Adjustment Scenario



- Prioritizes service or outcome measures (65%) over input/cost measure (35%) by changing relative weights of the sizing metrics; Increases VRM and VRH weights over current approach
- Removes performance trend adjustment (Step 2)
- Uses single-year performance relative to statewide average to allocate a 5% performance set-aside + capped remainder for agencies meeting 30% threshold in Step 1

Sizing + Performance Adjustment Scenario Results

Average FY24-26 Allocations by District

Construction District	Average Allocation According to Current Approach	Average Allocation According to Revised Approach	Difference	% Difference
BY DISTRICT				
Bristol	\$ 2,257,448	\$ 2,302,545	45,097	2%
Culpeper	\$ 2,971,812	\$ 2,955,606	(16,206)	-1%
Fredericksburg	\$ 1,071,485	\$ 991,728	(79,757)	-7%
Hampton Roads	\$ 28,692,231	\$ 29,276,880	584,649	2%
Lynchburg	\$ 2,772,386	\$ 3,028,554	256,168	9%
Northern Va	\$ 56,728,252	\$ 54,932,328	(1,795,924)	-3%
Richmond	\$ 20,052,091	\$ 20,781,994	729,903	4%
Salem	\$ 7,455,197	\$ 7,767,251	312,054	4%
Staunton	\$ 3,142,870	\$ 3,232,912	90,041	3%
XMulti	\$ 4,404,644	\$ 4,278,619	(126,024)	-3%
	\$ 129,548,416	\$ 129,548,416		

Key shifts:

- Reduced allocations for Fredericksburg (-7%) and Northern Virginia (-3%)
- Increased allocations for Lynchburg (+9%) Richmond (+4%), Salem (+4%) Hampton Roads (+2%)
- Results for most agencies negate effects of the 3-year trend factor

Key Findings of Sizing + Perf. Adjustment Approach

- Simplifies formula by removing trend adjustment—easier to communicate
- Makes formula more outcome vs input metric focused
- Still accounts for vast disparity in agency size with cost as proxy for
 - Types of service operated: motorbus only, commuter bus, light rail
 - Geographic area and population density served
- Shifts allocations mainly from removal of trend adjustment
 - Trends have favored larger urban areas in the last 2 years due to strong recovery from slowdown during COVID
- Reductions for JAUNT, PRTC, FRED, and Fairfax County
- Increases for Lynchburg, Valley Metro, Arlington, GRTC, and HRT

SIZING+PERFORMANCE RESULTS

Average FY24-26 Allocations by Agency

Recipient (Eligible Agency)	Average Allocation According to Current Approach	Average Allocation According to Revised Approach	Difference	% Difference
AASC / Four County Transit	\$ 625,123	\$ 653,355	28,233	5%
City of Bristol Virginia	\$ 121,344	\$ 122,090	746	1%
District Three Public Transit	\$ 742,893	\$ 742,472	(422)	0%
Mountain Empire Older Citizens, Inc.	\$ 642,600	\$ 647,500	4,900	1%
Town of Bluefield-Graham Transit	\$ 125,489	\$ 137,128	11,640	9%
Charlottesville Area Transit	\$ 2,971,812	\$ 2,955,606	(16,206)	-1%
FRED / Fredericksburg Regional Transit	\$ 1,071,485	\$ 991,728	(79,757)	-7%
City of Suffolk	\$ 430,651	\$ 468,027	37,376	9%
Greensville County	\$ 54,768	\$ 53,339	(1,430)	-3%
Hampton Roads Transit	\$ 25,537,379	\$ 26,045,102	507,722	2%
STAR Transit	\$ 371,187	\$ 379,554	8,367	2%
Town of Chincoteague	\$ 17,019	\$ 16,376	(643)	-4%
Williamsburg Area Transit Authority	\$ 2,281,227	\$ 2,314,484	33,256	1%
Danville Transit System	\$ 832,019	\$ 860,800	28,781	3%
Farmville Area Bus	\$ 196,264	\$ 200,739	4,475	2%
Greater Lynchburg Transit Company	\$ 1,703,062	\$ 1,921,935	218,873	13%
Town of Altavista	\$ 41,042	\$ 45,080	4,038	10%
Loudoun County	\$ 3,666,512	\$ 3,580,872	(85,640)	-2%
NVTC - Arlington County	\$ 6,007,985	\$ 6,308,168	300,183	5%
NVTC - City of Alexandria	\$ 9,299,604	\$ 9,245,879	(53,725)	-1%
NVTC - City of Fairfax	\$ 1,591,498	\$ 1,620,218	28,720	2%
NVTC - Fairfax County	\$ 25,729,693	\$ 24,112,896	(1,616,798)	-6%
PRTC	\$ 8,187,110	\$ 7,438,451	(748,658)	-9%
City of Petersburg	\$ 1,198,959	\$ 1,180,832	(18,127)	-2%
Greater Richmond Transit Company	\$ 18,853,132	\$ 19,601,162	748,030	4%
Blacksburg Transit	\$ 3,483,121	\$ 3,483,121	(0)	0%
City of Radford	\$ 501,124	\$ 556,824	55,701	11%
Greater Roanoke Transit Company	\$ 3,271,540	\$ 3,502,448	230,908	7%
Pulaski Area Transit	\$ 199,411	\$ 224,857	25,445	13%
Central Shenandoah PDC	\$ 657,710	\$ 745,223	87,513	13%
City of Harrisonburg Dept. of Public Transportation	\$ 1,997,493	\$ 1,997,493	0	0%
City of Winchester	\$ 487,667	\$ 490,196	2,528	1%
Bay Aging	\$ 1,190,937	\$ 1,186,282	(4,655)	0%
Blackstone Area Bus	\$ 189,468	\$ 189,468	0	0%
JAUNT	\$ 1,563,531	\$ 1,400,499	(163,033)	-10%
Lake Area	\$ 53,873	\$ 60,192	6,319	12%
RADAR	\$ 324,336	\$ 329,195	4,859	1%
VRT	\$ 1,082,499	\$ 1,112,984	30,485	3%

Summary Observations on Sizing + Performance Adjustment

- Results in small shift away from large urban to small urban/rural

Large Urban	(672,207)	-0.61%
Small Urban/Rural	672,207	3.60%

- 30% cap is retained and continues to limit allocation in proportion to operating cost
- Repurposes currently collected data fields in the formula to address known shortcomings
- Does not radically change basis of formula or outcomes

#	GOALS/SCENARIO	Sizing + Performance
1	Outcome-focused	✓
2	Alternative Performance-Based Allocation	✓
3	Simplification	✓
4	Predictability	

✓ Addresses goal directly

Potential Alternative Approaches and Their Limitations

- **Tiered Allocations by Mode (motor bus, paratransit, commuter bus, etc.)**
 - Would require operating costs by mode and standardized methodology for allocating administrative/overhead costs by mode
- **Tiered Allocations by Transit Agency Type (Large Urban, Small Urban/Rural)**
 - Would require approach to partition revenues into tiers and account for agencies that provide multiple types of services
- **Passenger Miles Traveled (PMT)**
 - PMT data, which is currently only collected for 12 (rough estimate, limited sampling of rides) out of 38 eligible agencies
 - For analytical purposes, DRPT "synthesizes" PMT data for remaining 26 agencies
 - Additional time and budget considerations for new approaches to collecting PMT data (e.g., cameras)
- **Locally Derived Income (LDI)**
 - Would require collection of operating fund source data by agency, currently not collected by DRPT.
 - Even though agencies should have this data available, adding a measure like LDI would require standardized procedures for reporting and associated time and effort for data collection and verification.
- **Cost of Living**
 - While cost of living varies significantly among service areas across the state, including a factor to account for this would require defining an approach to isolate

Questions and Discussion on MERIT Operating Assistance

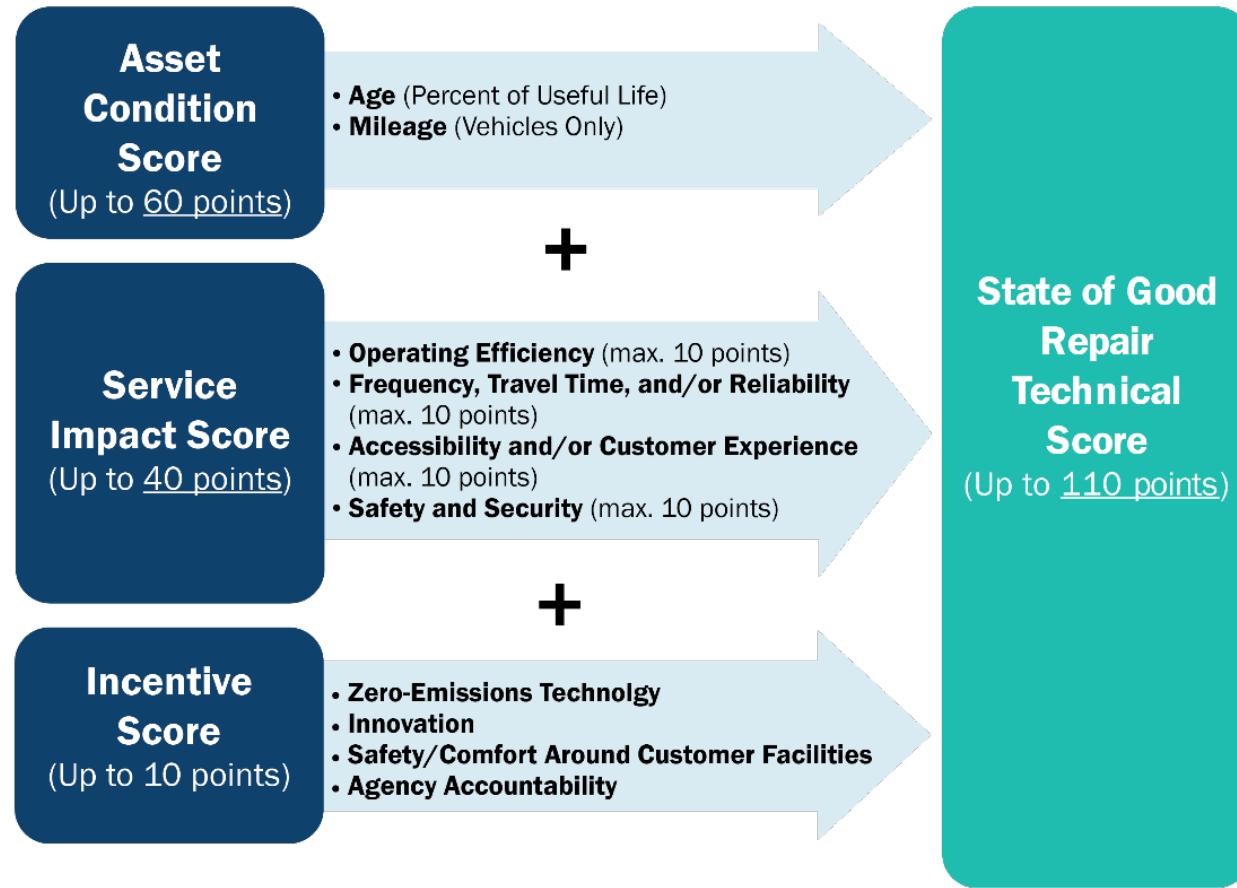
MERIT Capital Assistance

MERIT - Capital Assistance Project Types

Transit Capital Projects are classified into three categories:

	State of Good Repair	• Replace or rehab existing asset <u>and</u> project cost $\leq$ \$3M	68% maximum state match
	Minor Enhancement	• Add capacity or new assets <u>and</u> project cost $\leq$ \$3M • Expansion vehicle purchase of $\leq$ 5 vehicles or 5% fleet (greater of) • All projects for engineering and design	68% maximum state match
	Major Expansion	• Add, expand, or improve services or facilities <u>and</u> project cost $>$ \$3M • Expansion vehicle purchase of $>$ 5 vehicles or 5% fleet (greater of)	50% maximum state match

State of Good Repair (SGR) Scoring



Minor Enhancement (MIN) Scoring



Major Expansion (MAJ) Scoring

- Six factor areas are used to prioritize projects, as designated by state legislation and in line with SMART SCALE
- DRPT has designated quantifiable objectives and measures to analyze each project's projected performance benefits relative to its cost to the state

Factor Area	Objective	Measure
Congestion Mitigation	Reduce delay, improve transportation system reliability, and encourage transit use	Change in peak-period transit ridership attributed to the project
Economic Development	Support existing economies and enhance opportunity for economic development	Project consistency with regional and local economic development plans and policies, and support for local development activity
Accessibility	Enhance worker and overall household access to jobs and other opportunities, and provide multiple and connected modal choices	Project improvement in accessibility to jobs
		Disadvantaged population (low-income, minority, or limited English proficiency) within walking distance of project
Safety	Address multimodal safety concerns and improve transit safety and security	Project contribution to improving safety and security, reducing risk of fatalities or injuries
Environmental Quality	Reduce emissions and energy consumption by providing modal choices, and minimize natural resources impacts	Reduction in emissions resulting from project
Land Use	Improve consistency of the connection between local comprehensive plans and land use policies with transit investments	Transit supportive land use served by the project

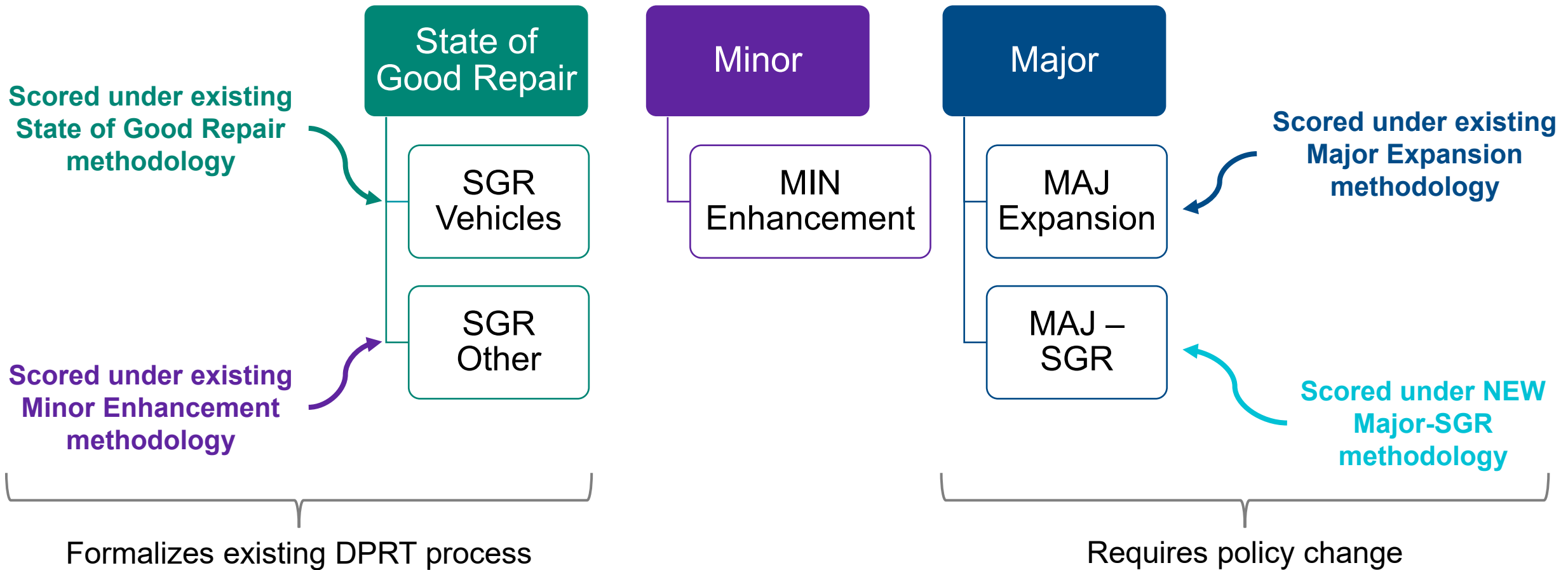
MERIT Capital Assistance Review - Key Findings

- In general, the scoring methodologies prioritize and fund capital projects in alignment with DRPT goals
- Some projects don't fit neatly into existing categories/scoring methodologies
 - SGR projects without clear estimated service life are scored with MIN
 - Projects >\$3M that replace or rehab an existing asset are scored under MAJ
- Vehicle expansion project scoring and match ratio is different for projects adding more than 5 vehicles or 5% fleet
- Some incentive scoring categories may not be achieving intended results

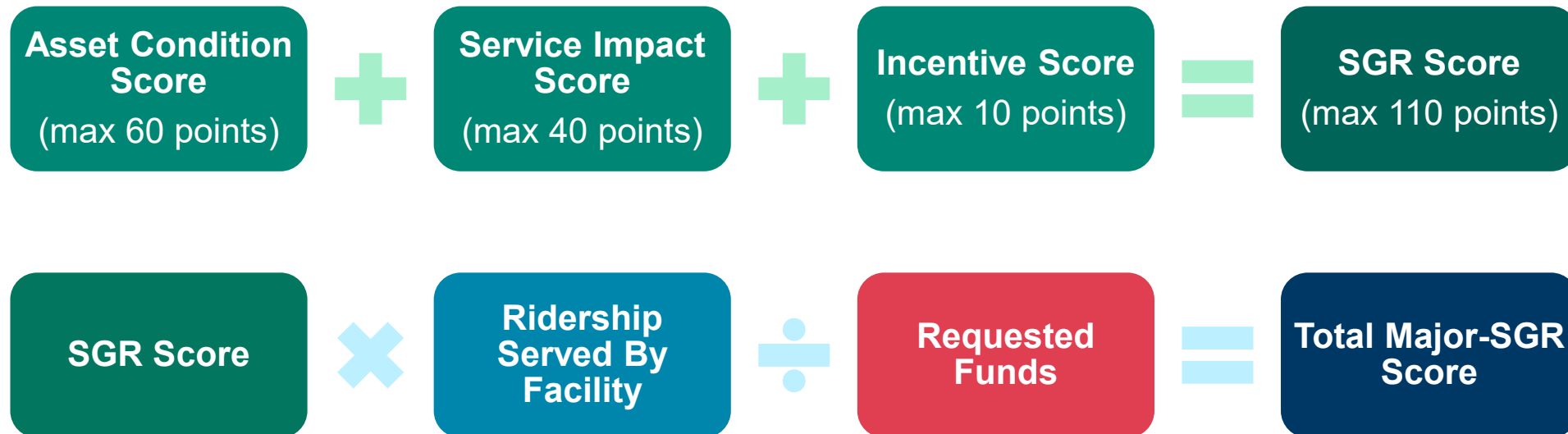
MERIT Capital Assistance – Potential Improvements

Evaluation Key Findings	Potential Improvement Options
Some projects don't fit neatly into existing categories/scoring methodologies	• Add subcategories for SGR projects (SGR Vehicles and SGR Other) • Add subcategories for MAJ projects (MAJ Expansion and MAJ-SGR) • Develop new scoring methodology for MAJ-SGR projects
Vehicle expansion project scoring and match ratio is different for projects adding more than 5 vehicles or 5% fleet	• Eliminate 5 vehicle or 5% of fleet threshold and score all vehicle expansion projects under MIN
Some incentive scoring categories may not be achieving intended results	• Eliminate underutilized incentive categories and categories where incentive points aren't achieving desired result • Add categories to incentivize agencies on good grants management

Proposed New Subcategories



Proposed Major-SGR Scoring

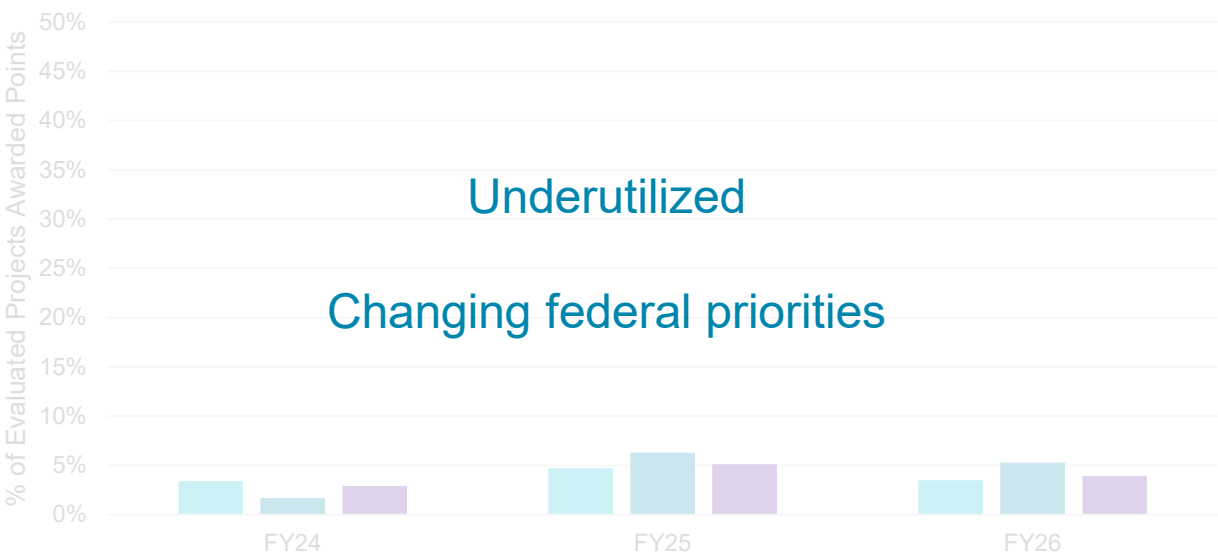


- Scored similar to State of Good Repair category
- Cost factored into score to incentivize cost efficient projects
- Ridership factored into score to normalize for size (and cost) of facility

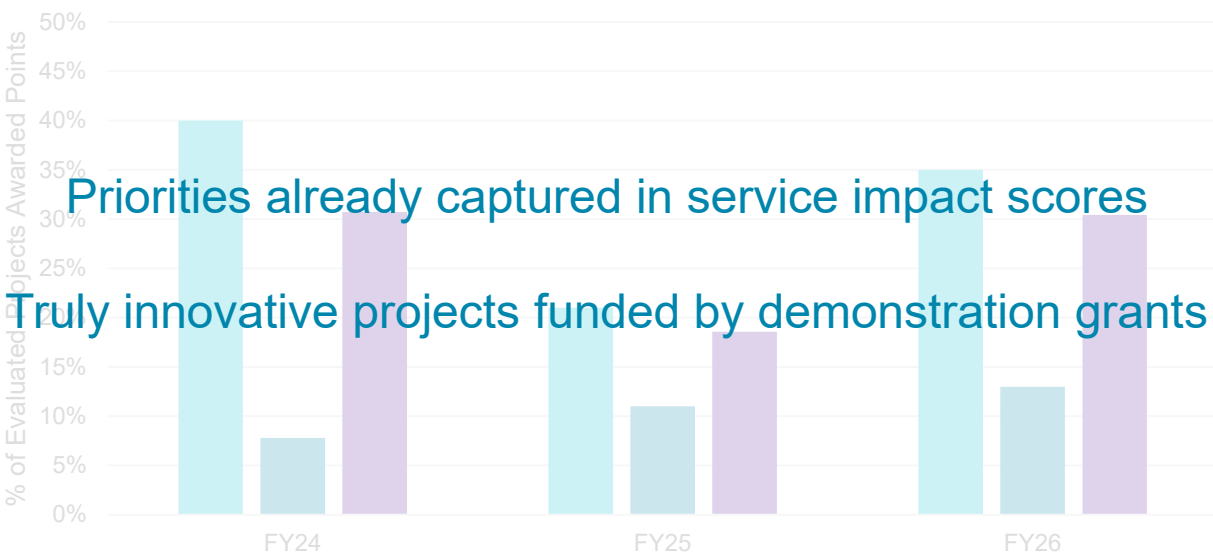
Current Incentive Scoring

SGR MIN ALL

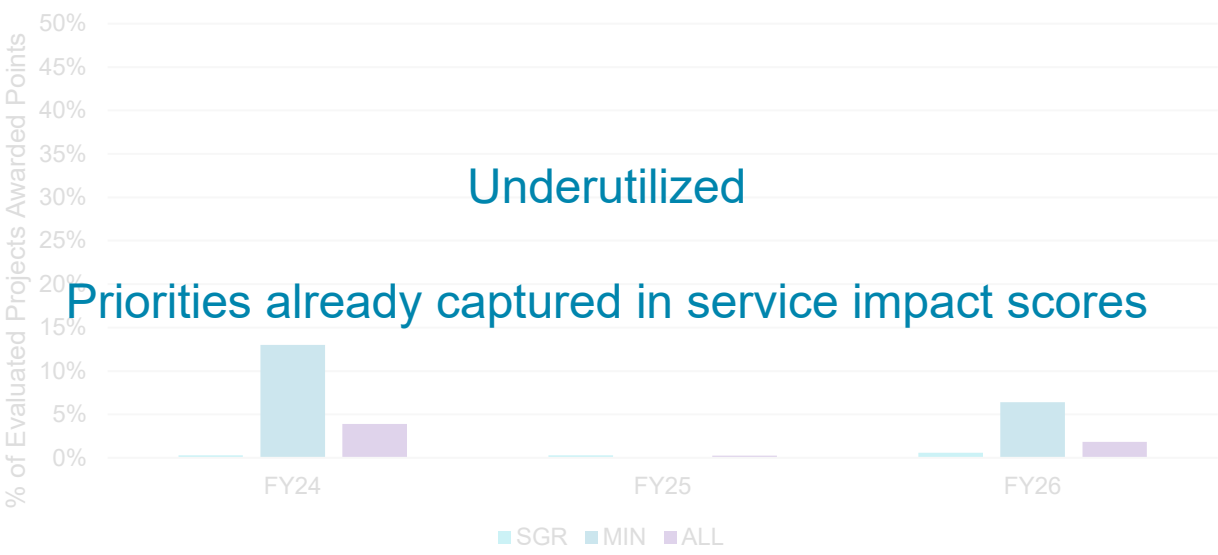
Zero-Emissions Technology



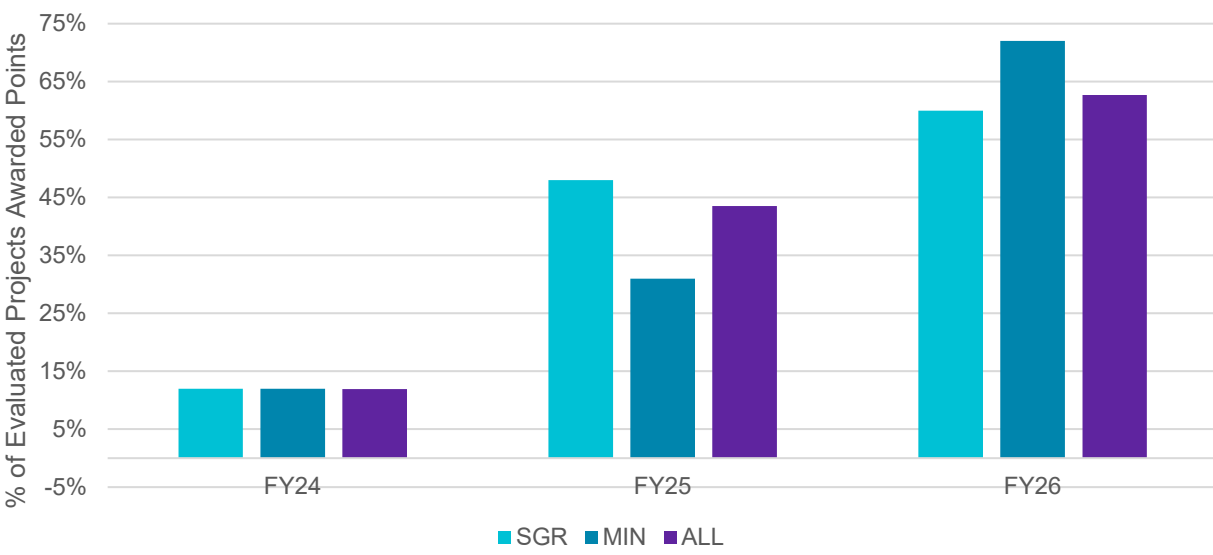
Innovation



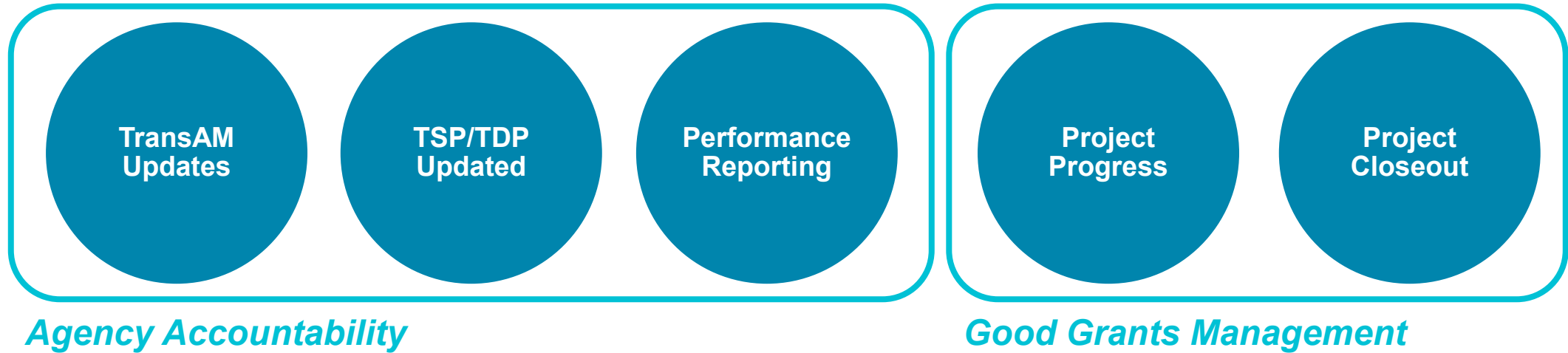
Safety and Comfort



Agency Accountability



Proposed Incentive Scoring



- Continue to incentivize the 3 existing Agency Accountability criteria
- Add 2 new Good Grants Management incentive criteria
 - **Project Progress:** Award to agencies that have no projects >2 years old with no claims/invoices against them
 - Incentivizes agencies to show progress is being made on already funded projects
 - **Project Closeout:** Award to agencies that have no projects >90 days expired
 - Incentivizes agencies to closeout projects in a timely manner
- Award 2 points for each of the 5 criteria (up to 10 points total)

MERIT Capital Assistance Review – CTB Feedback

- Concern that current methodology for determining Service Impact Score assigns a score based on the type of project but does not evaluate the impact or need of the specific project
 - i.e., all projects to replace revenue vehicles receive the same Service Impact Score regardless of the impact of the specific replacement vehicle on service reliability or operating efficiency
- Concern that current SGR methodology does not incentivize agencies to maintain assets for a longer period than the asset's defined useful life
- Concern that current methodology does not evaluate whether replacement vehicle is needed or sized appropriately for the ridership served
- Concern that length of review period for MERIT Capital Assistance applications does not allow for a comprehensive review of projects

Potential Areas for Further Review

- Review potential methodologies for performing a more qualitative evaluation of individual projects, including data needs and level of effort needed
- Review if/how additional guidance should be incorporated into TDP/TSP process for agencies to evaluate and right size fleet
- Evaluate benefits and limitations on shifting to 2-year funding cycle for MERIT Capital Assistance

TSDAC Feedback on MERIT Capital Assistance Review

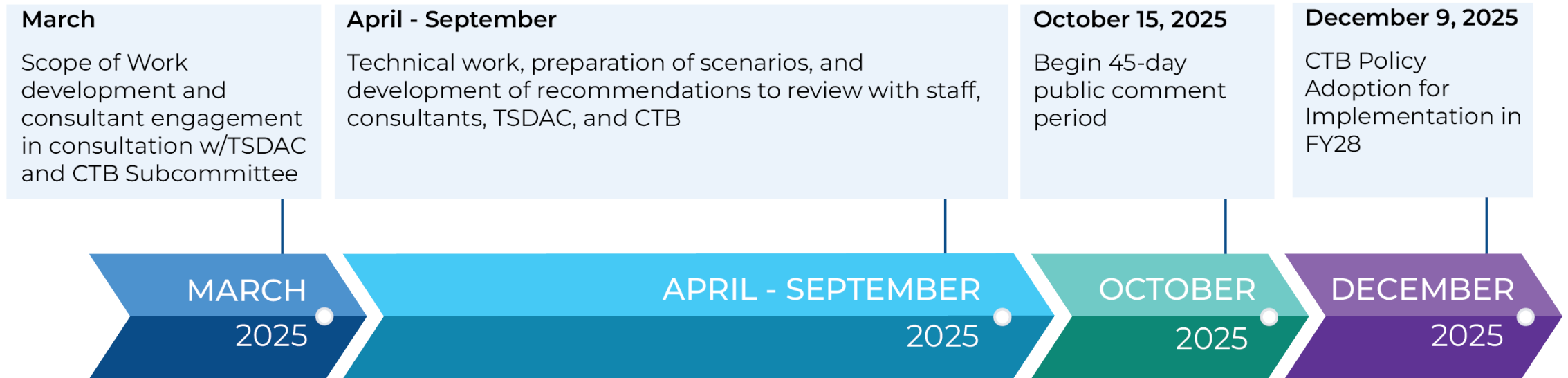
- What initial reactions do you have to the proposed modifications to the MERIT Capital Assistance Program?
 - New subcategories
 - New MAJ-SGR scoring methodology
 - Scoring all vehicle expansion projects under MIN
 - Incentive scoring changes
- Are there other areas for further review that should be considered?

Next Steps and Timeline

Next Steps

- DRPT to collect feedback from TSDAC on proposed modifications to MERIT Operating and Capital Assistance Programs
- CTB to consider adoption of modifications to MERIT Operating and Capital Assistance Programs
- DRPT to develop revised procedures, training, and data collection for implementation in FY28
- DRPT to evaluate collection of new data from agencies to support potential future refinements to allocation approach

Timeline





Questions, Comments, Feedback?