MERIT Operating & Capital Assistance

Proposed Program Changes for Public Comment

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DRPT

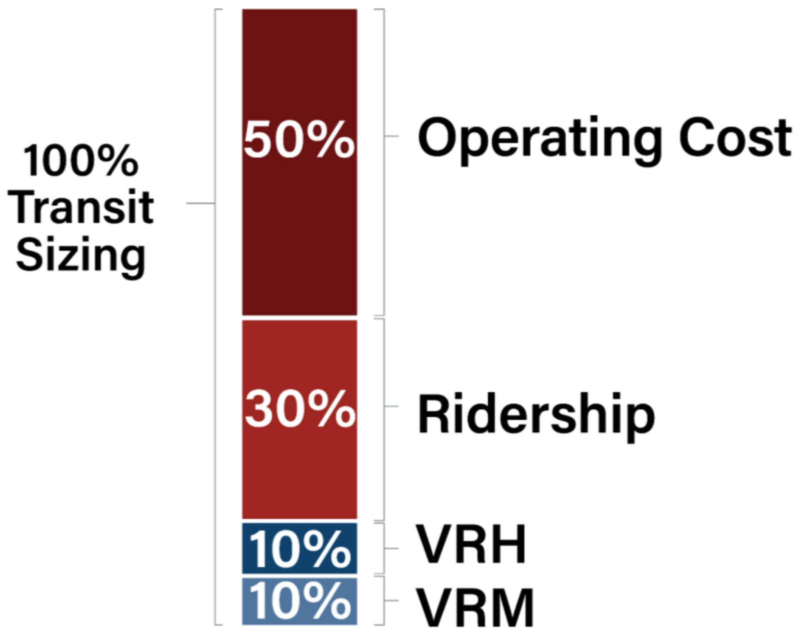
VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

MERIT Operating Assistance: Current Formula

Adopted 2018

MERIT Operating Assistance: Current Formula

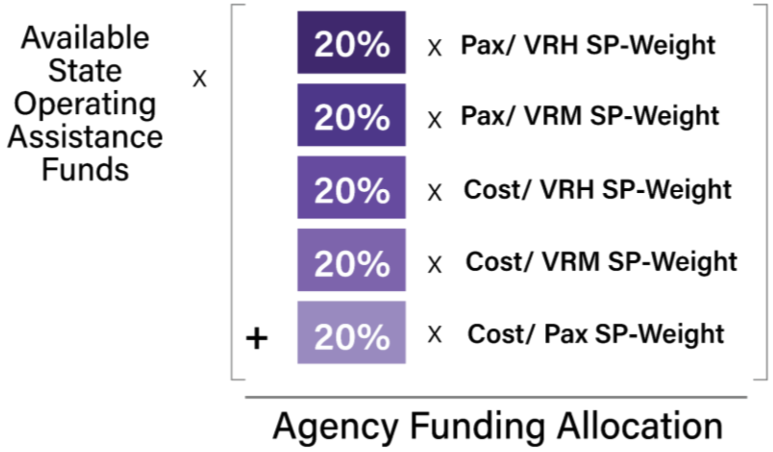
- **Step 1: Sizing Metric**
  - A size-weight factor is calculated with a combination of metrics set at specific weights
    - Operating Cost – 50%
    - Ridership – 30%
    - Vehicle Revenue Hours (VRH) – 10%*
    - Vehicle Revenue Miles (VRM) – 10%*
  - This metric was introduced to account for the relative size of a transit agency in terms of the amount of service provided



* For Commuter Bus routes that are uni-directional and greater than 20 miles, deadhead hours and miles are included in the VRH and VRM performance metrics

MERIT Operating Assistance: Current Formula

- **Step 2: Performance Adjustments**
  - The size-weight is adjusted by five performance metrics – Creates “Size-Performance Weights”
    - Using 3 years of historic data + most recent year (4 years total)
    - Compares <u>performance trends</u> of each agency to the statewide average trend
  - Performance Metrics in CTB policy:
    1. Passengers per Vehicle Revenue Hour (Pax/ VRH) – 20%
    2. Passengers per Vehicle Revenue Mile (Pax/ VRM) – 20%
    3. Operating Cost per Vehicle Revenue Hour (Cost/ VRH) – 20%
    4. Operating Cost per Vehicle Revenue Mile (Cost/ VRM) – 20%
    5. Operating Cost per Passenger (Cost/Pax) – 20%



MERIT Operating Assistance: Current Formula

- **Step 3: Funding Cap**
  - **A 30% cap is set on the operating assistance allocations to each agency**
    - The cap was based on FY18 audited expense information and was reviewed as part of the 2022 program review with TSDAC
    - This 30% threshold was informed by the highest operating assistance grant received under the FY19 allocation methodology
  - **Funds remaining after the cap are redistributed to agencies that have received initial allocations below their cap**
    - These funds are redistributed to agencies below this cap proportional to their Agency Funding Allocation ensuring that all available funds are distributed annually

MERIT Operating Assistance Program Review: Proposed Formulas

Currently Considered for Adoption

2025 MERIT Operating Formula Evaluation Goals

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

Operating Assistance Proposed Alternative 1

Alt 1: Proposed Formula – Single Year Performance

- **Step 1: Sizing Metric**
  - A size-weight factor is calculated with a combination of metrics set at specific weights
    - Operating Cost – 35%
    - Ridership – 35%
    - Vehicle Revenue Hours (VRH) – 15%*
    - Vehicle Revenue Miles (VRM) – 15%*
  - This metric was introduced to account for the relative size of a transit agency in terms of the amount of service provided
  - 95% of available Operating Revenues are distributed based on the relative sizing metric for each agency
  - A 30% cap is set on the operating assistance allocations to each agency after the sizing metric distribution is complete
    - Funds remaining after the cap is applied are added to the pool of funding available performance set aside in Step 2

* For Commuter Bus routes that are uni-directional and greater than 20 miles, deadhead hours and miles are included in the VRH and VRM performance metrics

Alt 1: Proposed Formula – Single Year Performance

- **Step 2: Performance Set Aside Distribution**
  - The size-weight is adjusted by three performance metrics – Creating "Size-Performance Weights"
    - Using 1 year of performance data for the most recently reported and audited Fiscal Year
    - Compares direct performance metrics of each agency to the statewide average
  - Proposed Performance Metrics:
    1. Passenger per Cost (Pax/Cost) – 50%
    2. Passengers per Vehicle Revenue Hour (Pax/ VRH) – 25%
    3. Passengers per Vehicle Revenue Mile (Pax/ VRM) – 25%
  - 5% of available operating revenues plus any funds remaining after the 30% cap is applied in Step 1 are distributed based on the performance adjusted sizing metric for each agency

Alt 1: Proposed Formula – Single Year Performance

- **Step 3: Funding Cap**
  - **A 30% cap is set on the operating assistance allocations to each agency**
    - The cap was based on FY18 audited expense information and was reviewed as part of the 2022 program review with TSDAC
    - This 30% threshold was informed by the highest operating assistance grant received under the FY19 allocation methodology
  - **Funds remaining after the cap are distributed via the Performance Set Aside Distribution to agencies that have received initial allocations below their cap**

Operating Assistance Proposed Alternative 2

VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

Alt 2: Proposed Formula – 3-Year Average Performance

- **Step 1: Sizing Metric**
  - A size-weight factor is calculated with a combination of metrics set at specific weights
    - Operating Cost – 35%
    - Ridership – 35%
    - Vehicle Revenue Hours (VRH) – 15%*
    - Vehicle Revenue Miles (VRM) – 15%*
  - This metric was introduced to account for the relative size of a transit agency in terms of the amount of service provided
  - 95% of available Operating Revenues are distributed based on the relative sizing metric for each agency
  - A 30% cap is set on the operating assistance allocations to each agency after the sizing metric distribution is complete
    - Funds remaining after the cap is applied are added to the pool of funding available performance set aside in Step 2

* For Commuter Bus routes that are uni-directional and greater than 20 miles, deadhead hours and miles are included in the VRH and VRM performance metrics

Alt 2: Proposed Formula – 3-Year Average Performance

- **Step 2: Performance Set Aside Distribution**
  - The size-weight is adjusted by three performance metrics – Creating “Size-Performance Weights”
    - Using a 3-year average of performance data for past 3 Fiscal Years
    - Compares <u>direct performance metrics</u> of each agency to the statewide average
  - Proposed Performance Metrics:
    1. Passenger per Cost (Pax/Cost) – 50%
    2. Passengers per Vehicle Revenue Hour (Pax/ VRH) – 25%
    3. Passengers per Vehicle Revenue Mile (Pax/ VRM) – 25%
  - 5% of available operating revenues plus any funds remaining after the 30% cap is applied in Step 1 are distributed based on the performance adjusted sizing metric for each agency

Alt 2: Proposed Formula – 3-Year Average Performance

- **Step 3: Funding Cap**
  - **A 30% cap is set on the operating assistance allocations to each agency**
    - The cap was based on FY18 audited expense information and was reviewed as part of the 2022 program review with TSDAC
    - This 30% threshold was informed by the highest operating assistance grant received under the FY19 allocation methodology
  - **Funds remaining after the cap are distributed via the Performance Set Aside Distribution to agencies that have received initial allocations below their cap**

Operating Assistance
Proposed Administrative Definition Changes

Performance Measure Methodology

- **This change impacts the following performance metrics:**
  - Passengers per Hour (Riders/Vehicle Revenue Hour)
  - Passengers per Mile (Riders/Vehicle Revenue Mile)
- **Current:** The performance metrics passengers/mile and passengers/hour are calculated using adjusted vehicle revenue hour (VRH) and vehicle revenue mile (VRM) sizing metrics that include deadhead hours and miles for uni-directional commuter routes greater than 20 miles
- **Proposed:** DRPT proposes that the performance metrics "Passengers per Hour" and "Passengers per Mile" will be calculated using unadjusted vehicle revenue hour (VRH) and vehicle revenue mile (VRM) sizing metrics that <u>do not</u> include deadhead hours and miles for uni-directional commuter routes greater than 20 miles

Operating Cost Metrics

- **Current:** The MERIT – Operating Assistance Technical Guide (link) currently defines two separate Operating Cost metrics used in the Operating Assistance Formula, defined below:
  - **Operating Cost for System Sizing (Reimbursable Expenses on Application):** Most recent audited operating cost available, less depreciation, less expenses for projects funded by other DRPT programs that do not expand transit operations, and less non-transit related expenses.
  - **Operating Cost for Performance Metrics**: Total operating costs less depreciation, ineligible costs, and less non-transit related expenses.
- **Proposed:** DRPT proposes using the “Operating Cost for Performance Metrics” for both the Sizing and Performance Set Aside Distribution steps in the formula

MERIT Capital Assistance Proposed Program Changes

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VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

MERIT - Capital Assistance Project Types

Transit Capital Projects are currently classified into three categories:

State of Good Repair	• Replace or rehab existing asset and project cost ≤ $3M	68% maximum state match
Minor Enhancement	• Add capacity or new assets and project cost ≤ $3M • Expansion vehicle purchase of ≤ 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 and project cost > $3M • Expansion vehicle purchase of > 5 vehicles or 5% fleet (greater of)	50% maximum state match

MERIT Capital Assistance – Proposed Improvements

Proposed Improvements
Project Categorization and Scoring: 1. Add subcategories for State of Good Repair (SGR) projects (SGR with Asset Condition Score and SGR without Asset Condition Score) 2. Add subcategories for Major Expansion (MAJ) projects (MAJ Expansion and MAJ-SGR) 3. Develop new scoring methodology for MAJ-SGR projects
Project Definition: 1. Eliminate 5 vehicle or 5% of fleet threshold and score all vehicle expansion projects under the Minor Enhancement (MIN) project type
Incentive Points: 1. Eliminate underutilized incentive categories and categories where incentive points aren't achieving desired result 2. Add categories to incentivize agencies on good grants management

Proposed New Project Type Subcategories

State of Good Repair
- SGR with Asset Condition Score
- SGR without Asset Condition Score

Minor
- MIN Enhancement

Major
- MAJ Expansion
- MAJ – SGR

Scored under existing State of Good Repair methodology

Scored under existing Minor Enhancement methodology

Scored under existing Major Expansion methodology

Scored under NEW Major-SGR methodology

Formalizes existing DPRT process

Requires policy change

Proposed Major - SGR Scoring

SGR Score Based on Asset Condition × **Ridership Served By Facility** ÷ **Requested Funds** = **Total Major-SGR Score**

- 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

Proposed Incentive Scoring Changes

TransAM Updates

TSP/TDP Updated

Performance Reporting

Agency Accountability

Project Progress

Project Closeout

Good Grants Management

- 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 Review Resources

- For more information on the 2025 MERIT Capital and Operating Assistance Program review process, and all associated materials and presentations, please visit the TSDAC page on the DRPT Website:
  - https://drpt.virginia.gov/transit-service-delivery-advisory-committee-tsdac/