



# COMMONWEALTH of VIRGINIA

## *Commonwealth Transportation Board*

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*Agenda item # 11*

### RESOLUTION OF THE COMMONWEALTH TRANSPORTATION BOARD

December 4, 2013

#### MOTION

**Made By:            Seconded By:            Action: Action: Motion Carried, Unimously**

#### **Title: Adopt TSDAC Tiered Capital Allocation Methodology**

**WHEREAS**, on March 20, 2013, § 58.1-638(A)(4)(b)(2) of the *Code of Virginia* was amended to authorize the Commonwealth Transportation Board (CTB) to allocate 25 percent of the Commonwealth Mass Transit Trust Funds for capital purposes based on asset need and anticipated state participation level and revenues; and

**WHEREAS**, § 58.1-638(A)(4)(b)(2)(b) establishes a Transit Service Delivery Advisory Committee (TSDAC) along with the Director of the Department of Rail and Public Transportation (DRPT) to evaluate the distribution of Mass Transit Trust Funds for capital funds utilizing a tiered approach to be established by the Commonwealth Transportation Board (CTB); and

**WHEREAS**, TSDAC and DRPT have met on April 8, 2013, April 22, 2013, May 13, 2013, June 3, 2013, June 17, 2013, July 1, 2013, July 15, 2013, July 29, 2013, August 22, 2013, September 9, 2013, October 11, 2013 and October 29, 2013 to discuss a tiered capital allocation methodology; and

**WHEREAS**, TSDAC and the DRPT Director have recommended a three-tiered capital allocation methodology, as follows:

**Tier 1: Replacement and Expansion Vehicles:** Activities eligible for funding under this tier include acquisition of rolling stock for either replacement or expansion purposes. Other eligible activities include items that would be installed on a vehicle as part of a major fleet wide conversion/upgrade or considered a part of the initial acquisition, including but not limited to:

- Assembly line inspection
- Fare collection equipment
- Automated passenger counters
- On-vehicle radios and communication equipment
- Surveillance cameras
- Aftermarket installation of farebox, radios, and surveillance cameras
- Vehicle tracking hardware and software
- Rebuilds and mid-life repower of rolling stock

**Tier 2: Infrastructure or Facilities:** Activities eligible for funding under this tier include the construction of infrastructure or facilities for transit purposes, such as maintenance facilities, bus shelters, administrative buildings, or guideway infrastructure. Other eligible activities under this tier include:

- Real estate used for a transit purpose
- Signage
- Surveillance/security equipment for facilities
- Rehabilitation or renovation of infrastructure and facilities
- Major capital projects

**Tier 3: Other:** Activities eligible under this category include, but may not be limited to the following:

- All support vehicles
- Shop equipment
- Spare parts
- Hardware and software not installed on a vehicle
- Project development expenses for capital projects
- Office furniture and other equipment
- Handheld radios
- Landscaping
- Other transit-related capital items

**Debt service:** Funds allocated for debt service and lease payments will be included in the tier that applies to the underlying capital asset that is being financed; and

**WHEREAS,** TSDAC and DRPT recommend funding capital projects based on the total cost of the project; and

**WHEREAS**, TSDAC and DRPT recommend multi-year funding agreements for qualifying capital projects in order to leverage available transit capital funding as required over several years while maintaining the state participation rate for all years based on the applicable tier percentage from the initial grant award year; and

**WHEREAS**, DRPT and the grantee will determine the need for a multi-year funding agreement on a case-by-case basis for all qualifying projects; and

**WHEREAS**, DRPT will fully fund the multi-year capital funding agreements before allocating funds to new projects; and

**WHEREAS**, to qualify for consideration of a multi-year capital funding agreement, the total cost of the capital project should exceed 15 percent of the transit providers' annual operating expenses or the project should be for new construction; and

**WHEREAS**, TSDAC and DRPT recognize that the CTB must have the ability to adjust state participation in capital projects in the event that capital funding requests far exceed the funding available in the Commonwealth Mass Transit Trust Fund; and

**WHEREAS**, TSDAC and the DRPT Director have recommend the establishment of a capital reserve fund as follows:

- Establish a reserve balance capped at \$10 million to cover funding shortfalls up to fifteen percent of the annual estimated revenues;
- If the funding shortfall exceeds 15 percent of the annual estimated revenues in a given year, Tier 2 and Tier 3 capital percentages will be decreased by one percentage point until there are sufficient funds to cover the approved capital requests and the \$10 million in reserve funds;
- In years in which available revenues exceed the needs required to meet the stated state matching share for each tier and the reserve account is funded at the stated cap, the TSDAC recommends that the state match percentages be increased in increments of a 4/2/1 ratio, for example Tier 1 (68 percent), Tier 2 (34 percent), and Tier 3 (17 percent), respectively; and

**WHEREAS**, the CTB recognizes that there may be negative financial impacts to certain jurisdictions with transit providers resulting from the implementation of the new Capital Allocation Methodology. This may require adjustment in the allocation to provide transitional relief to allow the TSDAC and DRPT to advance the new Methodology and provide for further evaluation; and

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**WHEREAS**, all TSDAC meetings have been open to the public with two public comment periods held during each meeting, and a 45-day public review and comment period for the Tiered Capital Allocation Methodology has been held; and

**WHEREAS**, the TSDAC and DRPT have provided detailed information pertaining to the capital allocation recommendations, as presented in the Capital Assistance Allocation Methodology Using a Tiered Approach [Report](#).

**NOW THEREFORE BE IT RESOLVED**, by the Commonwealth Transportation Board that the tiered capital allocation methodology is approved as developed and recommended by TSDAC and the DRPT Director for the capital portion of the Mass Transit Trust Funds, and the CTB authorizes DRPT to apply the three-tiered capital allocation methodology during development of the annual Six Year Improvement Program.

**BE IT FURTHER RESOLVED**, that the Director of DRPT shall report back to the CTB on the nature of the review and its findings and recommendations.

**BE IT FURTHER RESOLVED**, the Commonwealth Transportation Board requests that the TSDAC and the Director review the results of the first year of capital allocations under this new Capital Allocation Methodology in June of 2014, and based on the review provide transitional assistance to any jurisdiction with transit providers that suffers a financial loss in a supplemental allocation, and propose a revised methodology to be considered by the Board, if needed.

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