MERIT Program Review

Operating & Capital Assistance

July 15, 2025

DRPT
VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

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 initial findings from MERIT Program evaluation and potential improvements

3. Discuss next steps for evaluation and implementation of potential changes to the MERIT Program

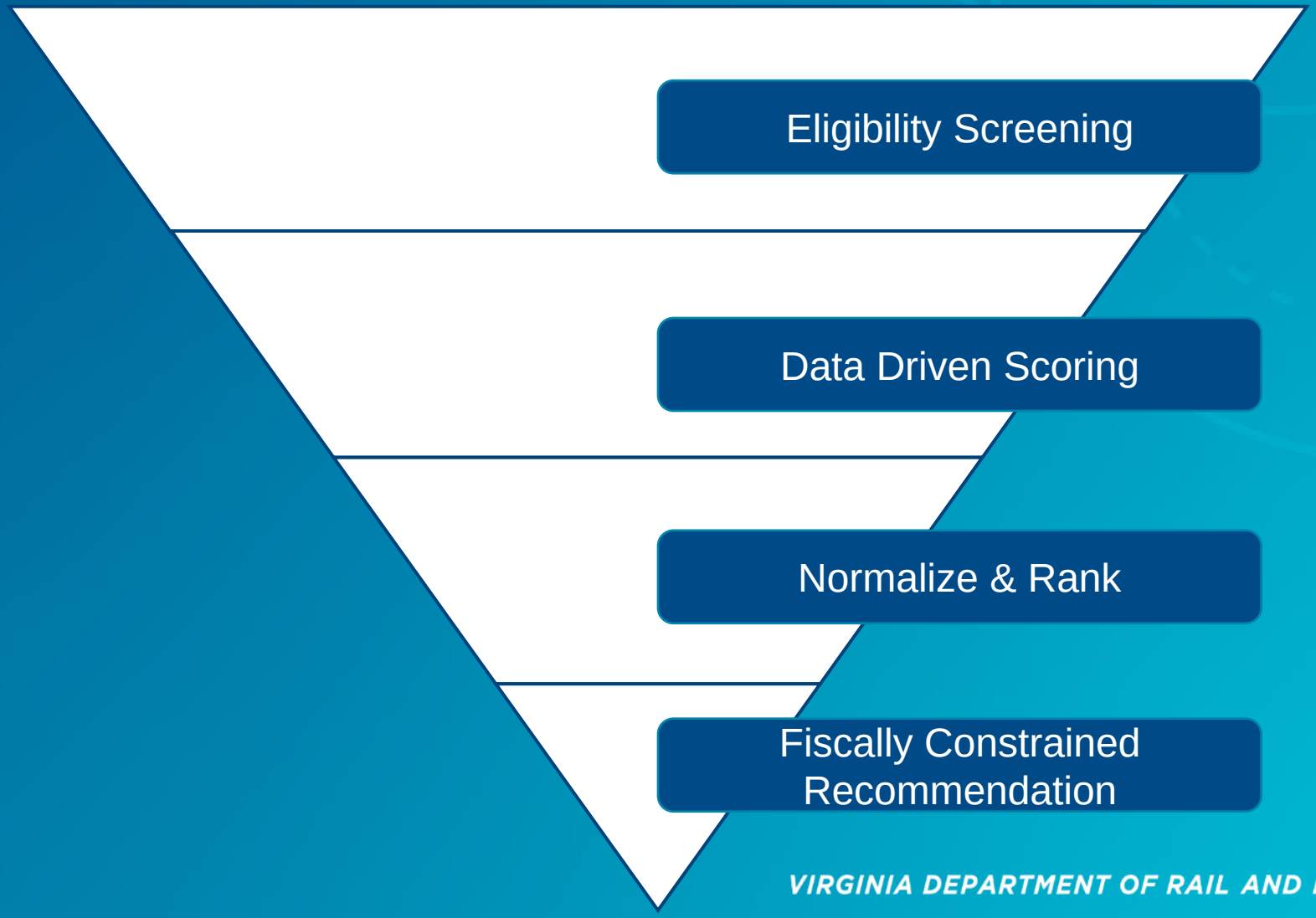
MERIT:

Making Efficient and Responsible Investments in Transit

DRPT's statewide grant program that provides financial assistance – both capital and operating - to support public transportation services throughout Virginia.

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Application Evaluation Process



MERIT Capital Assistance

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MERIT Capital Assistance Program History

- **Development of the MERIT – Capital Assistance program CTB policy**
  - In 2018 – DRPT worked with TSDAC and consultants to develop a project prioritization method
  - The prioritization policy was designed to favor projects that:
    1. Achieve the statewide policy objective of maintaining a state of good repair (SGR) of existing assets
    2. Have the greatest impact on the delivery of public transit services
  - Introduced program sub-categories and new maximum state match rates:
    - **State of Good Repair (SGR)** – 68% of total cost
    - **Minor Enhancements (MIN)** – 68% of total cost
    - **Major Expansions (MAJ)** – 50% of total cost
  - Eligible recipients: all public transit service providers
    - No WMATA as of FY17, and no VRE as of FY25
  - 2022: Program review and update
    - Changed project categorization and scoring parameters slightly

MERIT Capital Assistance Prioritization Process

1. **DRPT solicits project applications from December 1 – February 1**
2. **Projects are screened for eligibility and readiness**
3. **Eligible projects are filtered into 3 categories, by project type:**
   - State of Good Repair (SGR), Minor Enhancements (MIN), and Major Expansions (MAJ)
4. **Consistent with CTB policy, projects are scored according to the methodology outlined in the FY26 Transit Capital Assistance Technical Documentation posted on the DRPT website**
5. **Projects are ranked according to scoring**
6. **Funding is allocated to those that meet or exceed the scoring threshold for each category**
   - NOTE: Recommendations are proposed to the CTB in April with action in June

MERIT Capital Assistance: Eligibility/Readiness Reviews

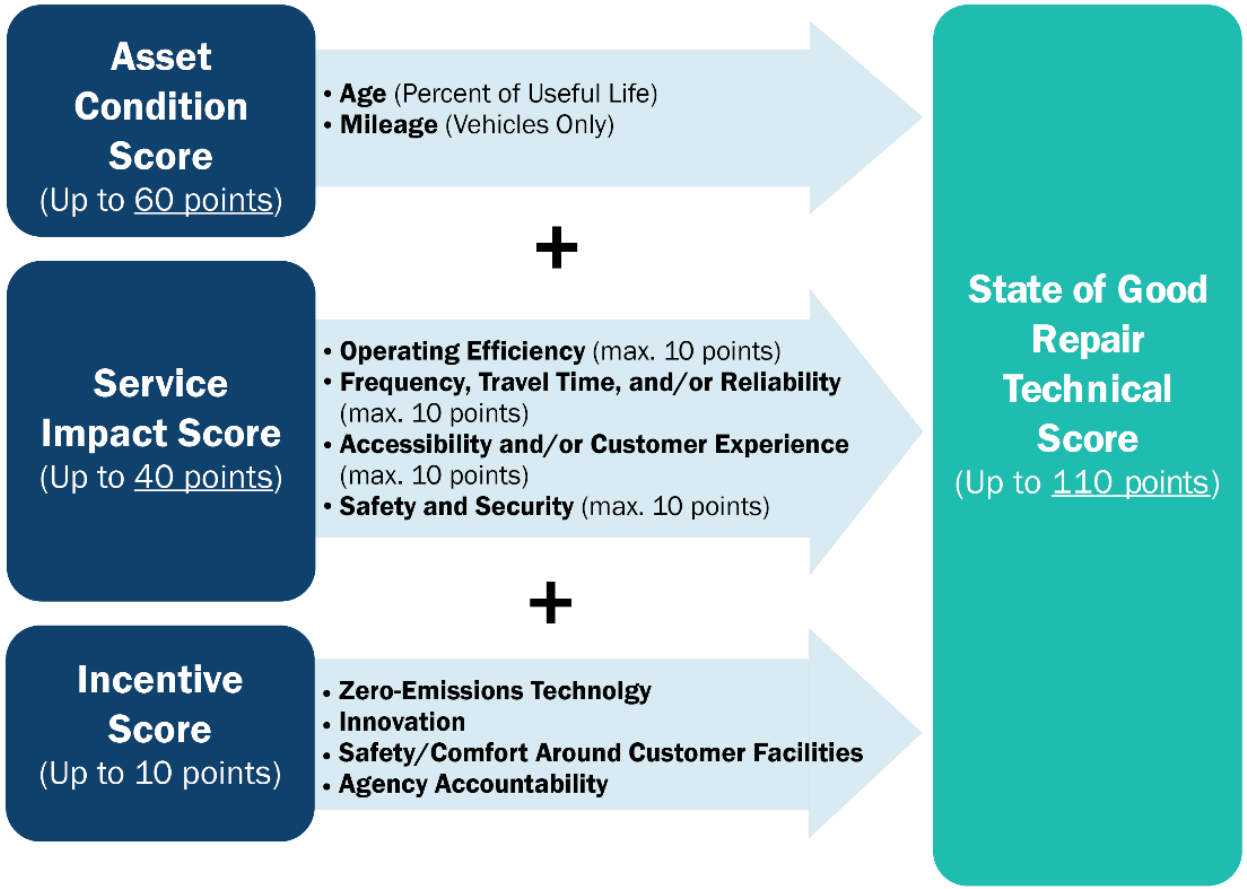
- DRPT Staff review capital applications for eligibility, readiness, and need prior to applying scoring criteria.
  - Eligibility, Readiness, and Needs reviews include the following for all projects:
    1. Project includes eligible capital expense(s)
    2. Total cost and individual replacement costs are reasonable
    3. Cost estimates are provided and match the backup provided
    4. Federal and other funding sources that will be used to support the project are clear
    5. All other needed supporting documents are provided (studies, engineering & design documents, etc.)
    6. Executed/open grants reviewed
    7. Milestones are realistic and reasonable
    8. SGR Vehicles: Valid VINs are included
    9. MIN/MAJ Construction: 30% design plans, NEPA, property acquisition plans, engineering cost estimates, etc.

MERIT - Capital Assistance Project Types

Transit Capital Projects are 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

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 and 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 - 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	• Elimintate underutilized incentive categories and categories where incentive points aren't achieving desired result • Add categories to incentivize agencies on good grants management

MERIT Operating Assistance

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MERIT Operating Assistance Program History

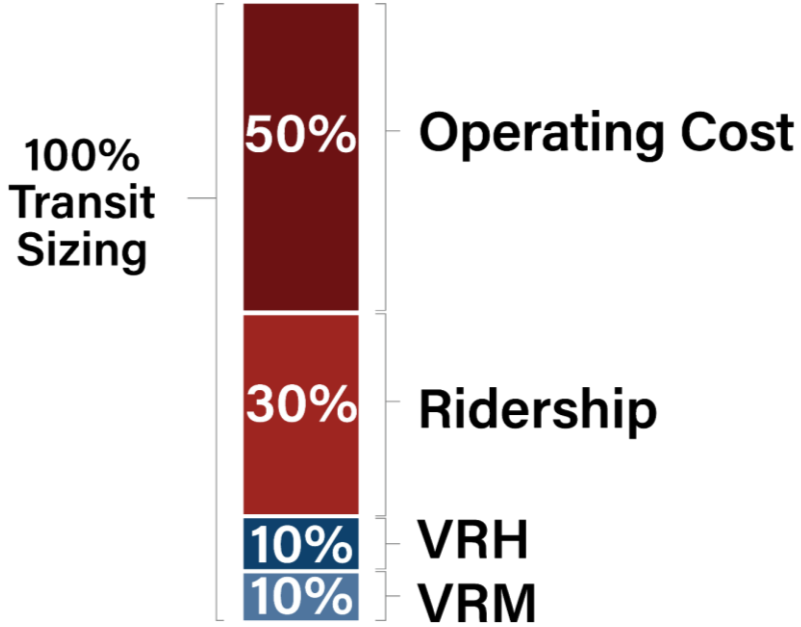
- **Development of the MERIT – Operating Assistance program CTB policy**
  - Prior to 2015, state operating assistance was allocated solely based on operating expenses. Changes were made in FY15 to incorporate performance metrics.
  - In 2018 – DRPT worked with TSDAC, consultants, and stakeholders to develop a methodology for implementing a performance-based state transit operating allocation formula.
  - The methodology attempted to balance the need for reliable annual funding as well as the availability and reliability of performance data to support the six policy goals TSDAC identified:
    1. Promote Fiscal Responsibility
    2. Support Robust Transit Service
    3. Improve Transit Patronage
    4. Incentivize Efficient Operations
    5. Promote Mobility
    6. Support Social Safety Net

MERIT Operating Assistance Formula Process

1. **DRPT solicits operating applications from December 1 – February 1**
2. **Staff review audited financials/GL, as well as agency budgets, and make necessary adjustments**
3. **Transit staff validate performance metrics submitted by transit agencies.**
4. **Consistent with CTB policy, agency expenses and performance metrics are incorporated into the performance-based formula outlined in the FY26 Transit Operating Assistance Technical Documentation posted on the DRPT website**
5. **MERIT Operating Assistance funding is allocated to each transit agency in the SYIP**

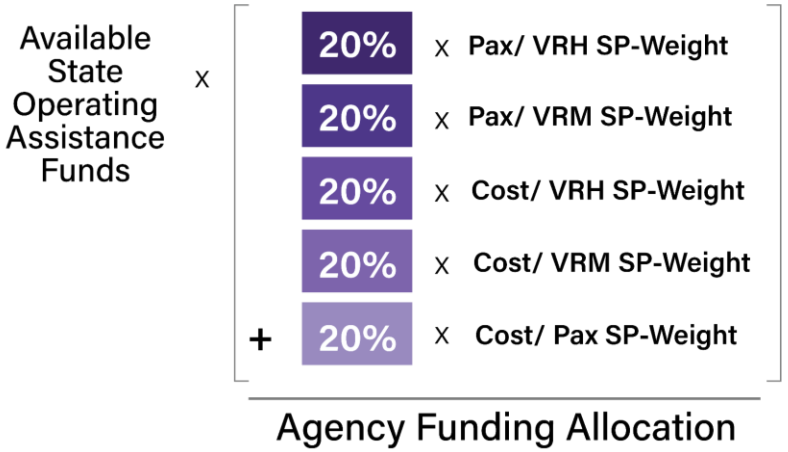
MERIT Operating Assistance Formula: Sizing Metric

- **Step 1: Sizing Metric**
  - A size-weight factor is calculated with a combination of metrics set at specific weights
  - This metric was introduced to account for the relative size of a transit agency
  - An agency's allocation for each metric is proportional to its share of the statewide total
  - If the statewide sum of agency size-weights does not equal 100%, then the ratios are normalized such that the statewide sum of size-weights for all agencies totals 100%



MERIT Operating Assistance Formula: Performance Adjustments

- **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 performance trends of each agency to the statewide trend
  - Performance Metrics in CTB policy:
    1. **Passengers per Vehicle Revenue Hour (Pax/ VRH)**
    2. **Passengers per Vehicle Revenue Mile (Pax/ VRM)**
    3. **Operating Cost per Vehicle Revenue Hour (Cost/ VRH)**
    4. **Operating Cost per Vehicle Revenue Mile (Cost/ VRM)**
    5. **Operating Cost per Passenger (Cost/Pax)**



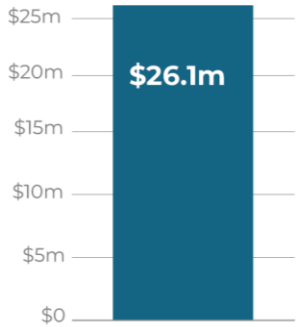
MERIT Operating Assistance Formula: Funding Cap

- **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 below their cap**
    - After applying this cap to the operating assistance allocation, an unallocated funding pool remains
    - These funds are redistributed to agencies below this cap proportional to their Agency Funding Allocation ensuring that all available funds are distributed annually

Illustration of 3-Step Operating Formula Process

Step 1: Transit Sizing

Agency A: Initial Allocation
Size-Weight = 20%



Allocation Before Performance Adjustments

Step 2: Performance Adjustments

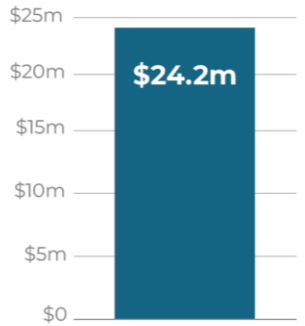
Agency A: Size-Performance Weights
Compared to the Statewide Average

Passengers Per Hour Trend Factor	Passengers Per Mile Trend Factor	Cost Per Hour Trend Factor	Cost Per Mile Trend Factor	Cost Per Passenger Trend Factor
-8%	-10%	-8%	-6%	-19%

Normalized Trend Factor: -7%

The **Allocation Before Performance Adjustments** is reduced by the **Normalized Trend Factor**

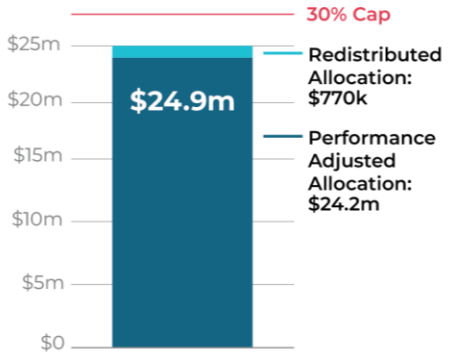
Agency A: Performance Adjusted Allocation



Allocation After Performance Adjustments

Step 3: 30% Cap Redistribution

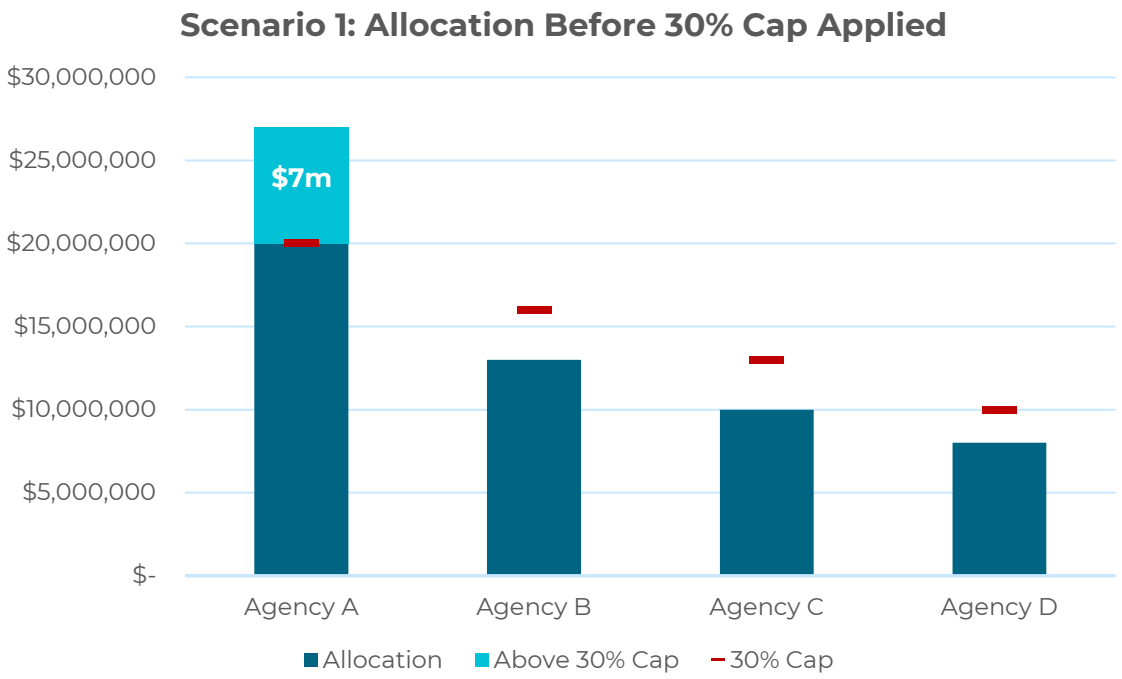
Agency A: Performance Adjusted + Redistributed Allocation

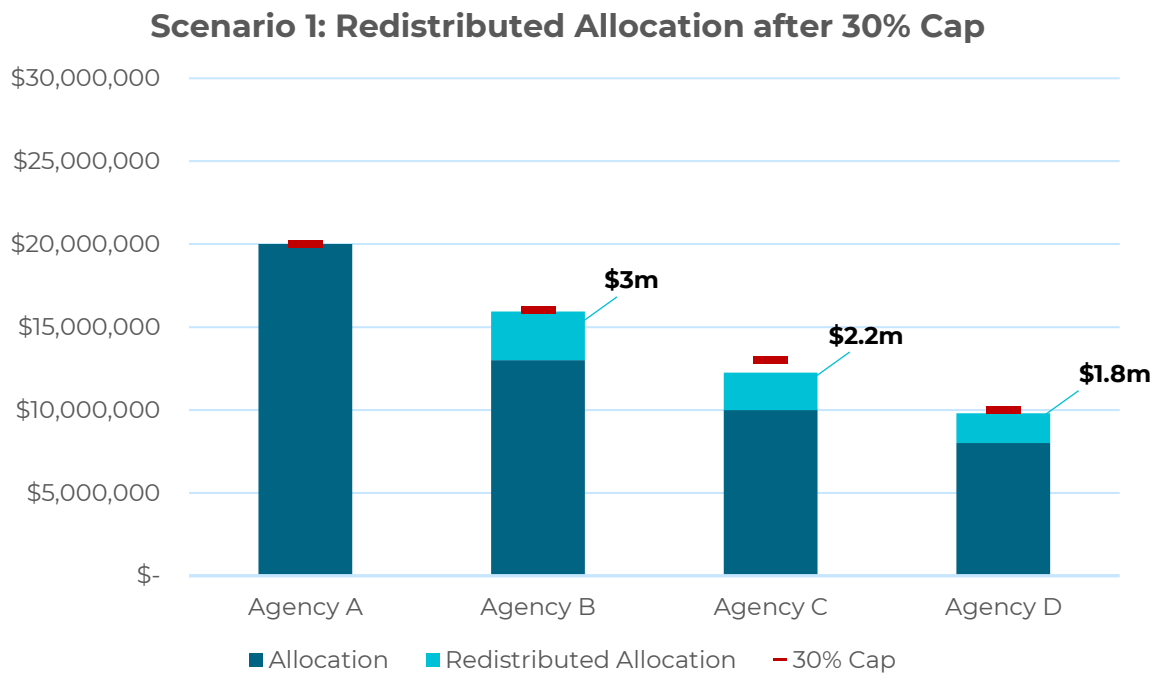


Allocation After 30% Cap is Applied to Other Agencies

Illustration of Impacts of the 30% Cap on Allocations

- Funds exceeding the 30% in the initial run are distributed to other agencies that have not hit their cap





MERIT Operating Assistance - Program Challenges

- Elements of current program allocate funds based on inputs (costs) rather than outputs (service levels; ridership)
- Formula complexities make the program difficult for grantees and decision makers to understand
- Required data inputs change annually, making it difficult for staff and transit agencies to run predictive models
- The use of performance measures must accommodate all agencies
  - Very large and very small agencies with different operational goals must compete in the same space

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

Approaches to Address Goals in Formulas

#	Goal	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

Timeline and Next Steps

March

Scope of Work development and consultant engagement in consultation w/TSDAC and CTB Subcommittee

April - September

Technical work, preparation of scenarios, and development of recommendations to review with staff, consultants, TSDAC, and CTB

October 15, 2025

Begin 45-day public comment period

December 9, 2025

CTB Policy Adoption for Implementation in FY28





Questions, Comments, Feedback?