

CTB Revenue Sharing Program Study Committee Meeting

Minutes (amended)

April 17, 2017

Meeting called to order at 3:39PM

Commonwealth Transportation Board (CTB) Revenue Sharing Program Study Committee
Members Present: F. Dixon Whitworth Jr. – Staunton District CTB member (committee Chair),
Court G. Rosen – At-Large Rural CTB member and Mary Hughes Hynes – Northern Virginia
District CTB member (absent John Malbon – Hampton Roads District CTB member)

Local Assistance Staff Support: Russell Dudley

Chairman F. Dixon Whitworth Jr opened the meeting and established the first action of approving the March 14-15 meeting minutes. Mary Hughes Hynes made a motion to approve the minutes and Mr. Whitworth seconded. Mr. Whitworth gave a brief overview of the previous meeting. The committee members wanted confirmation from the Office of Attorney General (OAG) that a two year cycle is acceptable under Virginia Code. Jeff Allen, OAG representative, stated that the Revenue Sharing program could function under a two year cycle; however, the CTB would have to approve allocations on an annual basis.

1. Update on Information Requested by Committee

The Committee reviewed the requested information provided by the Local Assistance Division of all FY18 Revenue Sharing requests indicating the number of previous application approvals and whether or not those projects were candidates for SMART Scale. Mary Hughes Hynes stated that both Revenue Sharing and SMART Scale programs are being used to leverage funds for transportation projects. The committee determined that a discussion on limitations would be needed; there may be a need to consider limiting the number of times a project can be approved to receive an allocation. Court Rosen stated that smaller projects [being that the intent of the program is to get smaller, more immediately needed projects funded] should not take many years to complete and further questioned if a \$20M project could be considered a small project. Mr. Whitworth mentioned that according to this year's funding recommendations, SMART Scale did not reduce the need for Revenue Sharing funding, as was anticipated when the reduction to Revenue Sharing program statewide allocation was proposed. The consensus the committee members reached was projects should not drag out over several years; these funds should be used to address more immediate transportation improvement needs of the public, which is consistent with the intended purpose of the Program.

2. Project Allocations: Continued Discussion for Options and Finalize Recommendations to Commonwealth Transportation Board

Mr. Whitworth continued the discussion of all options presented at the previous March meeting. Option three, “limit maximum state allocation per project to \$5M” was eliminated by consensus from the discussion. It was agreed that a hybrid recommendation of option one and two was the preferred option between all committee members. The hybrid would set a maximum amount of state matching Revenue Sharing funds a locality can apply for to \$5M per fiscal year (\$10M per biennial cycle); furthermore, the lifetime revenue sharing allocation to a project cannot exceed \$10M. Members agreed that this hybrid option would eliminate the need for option four which “requires any local funds committed on application as part of prior Revenue Sharing allocation to be spent before additional allocations are provided.”

3. Allocation Transfers: Current Policies, Practices, and Overview of Options for Consideration

The Local Assistance Division provided five options to be considered by the committee. Option one required all transfers must go before the CTB for approval. Ms. Hynes felt comfortable with transfers between existing approved Revenue Sharing projects being made administratively but the Committee agreed these transfers would be limited. Option two required any transfer of surplus funding would go to the statewide balance entry for re-distribution. The committee voiced both positive and negative impacts of this option. Mr. Rosen mentioned the issue of projects receiving Revenue Sharing funds outside of the application cycle through transfers. Jeff Allen confirmed that the Virginia Code states funding is allocated to the individual project. While it was determined funding is allocated to a project and not a locality, the committee was interested in why transfers happen outside of an application cycle.

Mr. Whitworth relied on Debbi Webb-Howells, Revenue Sharing Program Manager, to give examples of transfers in order for the committee to make educated recommendations for policy changes. Ms. Webb-Howells mentioned a transfer scenario that is allowed under current policy: *a current Six Year Program [viable] project* not currently funded with Revenue Sharing funds, in which a transfer of Revenue Sharing funds is needed in order for the project to *advance to award*. She also clarified that the project should not be considered to meet priority one criteria for consideration in the subsequent annual allocation; the project would be considered as priority two for one application cycle.

It was discussed that any recommendation that the committee made would be intended to strengthen the current policy in regards to transfers. Mr. Whitworth mentioned ceasing a locality’s ability to “backfill” transferred funds; no project should be able to request replacement Revenue Sharing funds after transferring any Revenues Sharing funds away

from the project. This specific limitation will be included in the Revenue Sharing Guidelines. Option three would allow the CTB to utilize the same guidelines for all transfers as stated in the Revenue Sharing deallocation policy. Option three would allow surplus funds to be transferred to existing Revenue Sharing projects, but would restrict this to immediately needed funds as required in the deallocation policy. Option four would restrict cancelled project transfers unless approved by the CTB. It was agreed that option three and four would be the recommended options presented at the May CTB workshop. Therefore all transfers would potentially need to be to an eligible project that needs funds in order to meet an advertisement or award date within the current fiscal year. The committee also agreed that transfers would need to receive concurrence from the project's respective District CTB member before the transfer could be made. Option five was deemed not useful after option three and four were agreed on. Mr. Whitworth also stated that any policy change needed language that would be used to strengthen the transfer process to eliminate concerns with taking advantage of the program.

4. Revenue Sharing Purpose/Priorities Statement

In the March meeting, the committee asked the Local Assistance Division to draft Revenue Sharing purpose/priorities statement that would clarify the committee's goal.

Mr. Whitworth read the program's purpose, general priorities and the committee's priorities for program recommendations. The purpose and priorities as presented were discussed with suggested revisions made by the committee members. It was emphasized that projects, not the locality, received Revenue Sharing allocations. The revised purpose and priority statement based on the Committee's comments will also be posted with the minutes (Attachment A).

5. Further Discussion

The Local Assistance Division was tasked with framing the Committee's recommendations so it could be presented to the CTB; however, the Committee would review any recommendation prior to the Board's workshop presentation. The group discussed limitations on how many times a locality could come back to the Board for funding. It was suggested that the limit would be two application cycles which equates to four years. It was determined that a performance review of any recommended policy should be considered. Mr. Whitworth suggested a "sunset policy," in which any policy put in place should be reconfirmed after five years which would allow a review after two complete cycles of Revenue Sharing and Smart Scale applications. The sunset policy would help the board determine if the policy change improved the program.

The Committee also discussed future Revenue Sharing statewide allocations. The committee members discussed that SMART Scale did not alleviate the demand for Revenue Sharing and the topic of future funding would need to be addressed. Ms. Hynes

suggested a sliding scale option in which additional Revenue Sharing funding should be made available based on the total amount budgeted to the SMART Scale program in a given fiscal year with a floor that allocations would not go below; however, the complexities of the scenario would need further analysis. As an example a potential funding base with a \$100M floor or 10% of the Smart Scale funding, whichever is greater could be proposed for future year's allocations.

6. Public Comment

The floor was open to public comment allowing anyone the opportunity to address the Committee. Loudoun County representative, Penny Newquist, stated the county would be against any changes to the current policy. Over nine years the county has received over \$89 million of Revenue Sharing funds and any spending timeframe would hinder the county greatly. Ms. Newquist also mentioned that localities face project delay due to unforeseen right of way and utility work. Mike Quake, Fairfax County representative, stated the county would oppose any changes. Fairfax utilized the matching system which has allowed the county to apply for the maximum amount of funds available for the past five years. Mr. Quake further stated that the County's Board of Supervisors would be voting against any new changes to the policy due to right of way and utility relocation costs and the county's SMART Scale projects not receiving the expected funding. VDOT District Administrator, John Lynch welcomed all attendees and committee members to the Culpeper District.

After publication of this draft minutes, Loudoun County requested clarification of their comments. The following summarizes their clarification:

Loudoun County believes that the Revenue Sharing program has been one of the best funding programs provided by the State. This program allows localities to leverage state funds with matching local funds. For example, we have \$416 million worth of projects already underway and others programmed in our six year CIP. Revenue Sharing makes up 21% or \$89 million of these of projects. This is a very good return on investment for the Commonwealth and Localities.

7. Future Schedule/Next Steps

The committee set a schedule to have finalized recommendations, as to allocations and transfers, presented at the May CTB workshop. The committee will receive a draft policy and presentation 10 days prior to the May workshop in Roanoke. The Revenue Sharing Program Guidelines would need to be drafted and presented at the June CTB meeting and approvals would be made in either June or July. The next committee meeting would be on Monday, May 15, 2017 in Salem. The time and location still to be determined.

Meeting adjourned at 5:29PM