

BEFORE THE

TEXAS DEPARTMENT OF TRANSPORTATION

PUBLIC TRANSPORTATION )  
ADVISORY COMMITTEE )  
)  
)

Room 1B1  
TxDOT  
150 East Riverside  
Austin, Texas

Thursday,  
January 19, 2006

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:30 a.m.

BEFORE: FRED GILLIAM, Chairman

COMMITTEE MEMBERS PRESENT:

REBA MALONE  
VASTENE OLIER  
JOHN WILSON

COMMITTEE MEMBERS PRESENT VIA TELEPHONE:

VINSEN FARIS  
BOB GEYER  
MARK MADDY  
OSCAR TREVINO

TEXAS TRANSPORTATION INSTITUTE:

LINDA CHERRINGTON  
JEFF ARNDT

ALSO PRESENT:

ERIC GLEASON, Director, PTN Division  
BOBBY KILLEBREW, Deputy Director, PTN Division  
KELLY KIRKLAND, Director, Planning and  
Support, PTN Division  
GINNIE MAYLE, Public Information, PTAC

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## P R O C E E D I N G S

1  
2 MR. GILLIAM: Reba, if you will start the roll  
3 call.

4 MS. MALONE: Reba Malone, Reba Malone and  
5 Associates, San Antonio.

6 MS. OLIER: Vastene Olier.

7 MR. WILSON: John Wilson.

8 MR. GILLIAM: And Fred Gilliam, telephone.

9 MR. MADDY: Mark Maddy.

10 MR. GILLIAM: Mark. And --

11 MR. TREVINO: Oscar.

12 MR. GILLIAM: Okay. Mayor Trevino. Okay. And  
13 just to remind you, when you make remarks or ask to speak,  
14 if you would identify yourself, because the reporter needs  
15 to make sure she can identify with you. So we do have a  
16 quorum. Who just joined us?

17 MR. FARIS: This is Vinsen, Fred. Good  
18 morning.

19 MR. GILLIAM: Good morning. So we now have  
20 seven members, so we have called the roll now. And I was  
21 just reminding, Vinsen, we need to make sure that we  
22 identify yourself for the reporter when you make remarks,  
23 okay.

24 MR. FARIS: Yes, sir.

25 MR. GILLIAM: And so first order of business is

1 to approve the minutes.

2 MR. WILSON: So moved, Mr. Chairman. John  
3 Wilson.

4 MS. OLIER: Second, Vastene Olier.

5 MR. TREVINO: Second, Oscar.

6 MR. GILLIAM: Okay, and Oscar also approve.

7 Any discussion regarding the minutes? All in favor, say  
8 aye.

9 (Chorus of ayes.)

10 MR. GILLIAM: Any opposed?

11 (No response.)

12 MR. GILLIAM: So the minutes have been  
13 approved. So the next order of business is the discussion  
14 on Commission Project Evaluation Indices. Eric?

15 MR. GLEASON: I'll take that, Mr. Chairman. I  
16 have got some background noise. This is Eric Gleason,  
17 director of Public Transportation. Since we spoke with  
18 you last on the Project Evaluation Indices, we really  
19 haven't -- we don't have any new information since we  
20 spoke with you last.

21 So the Department is on schedule to bring this  
22 discussion to a close sometime in February. So what I  
23 would propose is that when we do have more to report back  
24 to you, that we will put it on the agenda and do so.

25 And Mr. Chairman, one more item, if I may

1 before you move on. I did receive late last week a letter  
2 of resignation from DeSheryl Thompson. So she has  
3 officially resigned from the committee. Her new baby is  
4 just taking too much of her time, which is understandable.

5 And we have communicated that to the  
6 Commission. And we don't yet have in place a process for  
7 selecting another member. And when we do, I will let you  
8 know.

9 MS. MALONE: If I may add to that, her baby has  
10 been in and out of the hospital ever since it was born.

11 MR. GLEASON: I know.

12 MS. MALONE: So she does have her hands full.

13 MR. GLEASON: She does.

14 MR. GILLIAM: I am sorry to hear that, but I  
15 certainly understand it.

16 MR. GLEASON: Okay. Thank you.

17 MR. GILLIAM: Okay. Item number four is public  
18 comment. Do we have anyone who is signed up to make any  
19 remarks this morning?

20 (No response.)

21 MR. GILLIAM: Okay. And this is going too  
22 fast.

23 VOICE: Oh, it will slow down pretty soon.

24 MR. GILLIAM: The dates for the next meeting, I  
25 assume that -- I do know that we agreed last time we met a

1 couple of weeks ago or less than a couple of weeks ago, to  
2 take us into about March. Do we need to go beyond that,  
3 or is there other dates that you are proposing? Or the  
4 Committee --

5 MS. MAYLE: Could we go ahead and set a March  
6 meeting date?

7 MR. GILLIAM: Do you have some recommended  
8 dates?

9 MS. MAYLE: You guys like Fridays, so Friday 3,  
10 10, 17, 24 or 31.

11 MS. MALONE: Mr. Chairman, Friday the 3rd, some  
12 of us may be on our way to Washington in March.

13 MR. GILLIAM: Probably including myself.

14 MS. MALONE: That is what I am saying.

15 MR. WILSON: I would move, maybe the 10th or  
16 the 17th would be my preference.

17 MS. MAYLE: Okay. I will look into those  
18 dates, and I will poll you guys to see if you have a  
19 quorum.

20 MR. GILLIAM: Okay.

21 MR. FARIS: The 10th is a good day for me.

22 MR. GILLIAM: Okay.

23 MS. MALONE: The 10th.

24 MR. GILLIAM: The 10th and 17th are the two  
25 dates which I think Ginnie is going to look at. But the

1 10th is okay with you, Vinsen.

2 MR. GEYER: Bob Geyer. That is okay.

3 MR. GILLIAM: Bob, okay. Good morning. Bob,  
4 just for your information, it is myself, Reba, Vastene and  
5 John Wilson, Vinsen, Mark and Mayor Trevino. That is the  
6 Committee this morning. Okay?

7 MR. GEYER: Thank you.

8 MR. GILLIAM: All right. Thanks. And so you  
9 will just confirm back. Okay?

10 MS. MAYLE: Yes.

11 MR. GILLIAM: Do we need to try to seek out  
12 more than one meeting, or are we looking at 10 and 17. Or  
13 just 10 or 17?

14 MR. WILSON: Well, we have February 3 and  
15 February 17 already set up. So we have two already set up  
16 at 9:30.

17 MR. GILLIAM: Okay.

18 MR. WILSON: So this would be, if you go the 10  
19 or the 17, that would be three more meetings set up.

20 MS. OLIER: And then I see something on the  
21 time line is set up for March 30. So if we go too much  
22 farther than that, we are into that time line that you all  
23 have in our package.

24 MR. GILLIAM: Okay. That is fine. And the  
25 meeting at 9:30 is on the 10th or 17th. Is that okay?

1 All right. So we have got that set. The next item is  
2 discussion of upcoming issues.

3 MR. FARIS: Fred? I am sorry. This is Vinsen.  
4 Can we back up? I am a little confused on our meeting  
5 dates there. I heard too many. Can you --

6 MR. GILLIAM: Oh. The 10th or 17th were the  
7 dates that were thrown out. You had indicated the 10th,  
8 and I think Ginnie is going to try to check others'  
9 calendars to make sure the 10th is okay.

10 And if not, the 17th would be the alternate  
11 date. But I think we are focusing on the 10th right now.

12 MR. FARIS: Okay. Thank you, sir. It will be  
13 the 10th instead of the 17th?

14 MR. GILLIAM: Well, that is what --

15 MR. FARIS: Because right now, the time line  
16 does say the 3rd and the 17th that we have.

17 MR. GILLIAM: No, that is in February. No,  
18 this is March.

19 MR. FARIS: Oh, for March.

20 MR. GILLIAM: Yes, sir.

21 MR. FARIS: Okay.

22 MR. GILLIAM: Yes, I know we are getting out.  
23 We are becoming more efficient.

24 MR. FARIS: Okay.

25 MR. GILLIAM: Okay. But we are talking about

1 March. Okay.

2 MR. MADDY: March 10 or March 17. I think I am  
3 on spring break on the 17th, so that probably would be a  
4 lot better for me.

5 MR. GILLIAM: Okay.

6 MR. MADDY: That is just me.

7 MR. GILLIAM: Okay. So your preference is the  
8 17th. Okay. Ginnie will just -- she will try to check  
9 and make sure, and we will get notification of the date  
10 finalized.

11 MR. FARIS: Thank you, sir.

12 MR. GILLIAM: All right, thank you. Item  
13 number six is discussion of upcoming issues. John, do you  
14 have --

15 MR. WILSON: Yes. I just want to know the  
16 update on our transportation development credits.

17 MR. GLEASON: Those have been -- this is Eric  
18 Gleason. The rules for the transportation development  
19 credits have been moved to -- well, they are on the March  
20 Commission agenda.

21 And so we would hope -- I think we are looking  
22 at -- are we looking at the last meeting in February  
23 Bobby, for those? Do you know, if not?

24 MR. KILLEBREW: Are those in March, or are  
25 those in February for the Commission action.

1 MR. GLEASON: Okay. We moved the formula to  
2 March, didn't we. Rules. Okay, I misspoke. I apologize.  
3 The transportation development credit rules are for  
4 February, for the February Commission. And so we are  
5 looking at bringing those to you on the 3rd, I believe, of  
6 February. That is right.

7 MR. WILSON: Thank you.

8 MR. GLEASON: We did move the formula  
9 conversation to March, on rules.

10 MR. WILSON: Okay. Back in our December  
11 meeting, we made a recommendation to on the '06 funding  
12 for the rurals. And I was wondering what the status of  
13 that is.

14 MR. GLEASON: On the discretionary fund?

15 MR. WILSON: Right.

16 MR. GLEASON: What we have done with that  
17 action on the part of the Committee, we have included as a  
18 part of the cover page, to the minute order scheduled to  
19 go this month to the Commission for the award of the  
20 baseline funding. We have included a note on the cover  
21 page of the Committee action. But that is, what we are  
22 doing internally right now is discussing a time line for  
23 making decisions about those discretionary funds.

24 MR. WILSON: Okay.

25 MR. GILLIAM: Any other comments regarding

1 upcoming issues?

2 (No response.)

3 MR. GILLIAM: Hearing none, we'll move to item  
4 number seven. It will be the workshop that is facilitated  
5 by Texas Transportation Institute regarding the funding  
6 formula, and performance measures, so Linda and Jeff, Good  
7 morning.

8 MS. CHERRINGTON: Okay. Thank you very much.  
9 If I could do a sound check again, for you folks on the  
10 phone. Are you able to hear me clearly? Okay. Was there  
11 anyone that cannot hear me clearly?

12 (No response.)

13 MS. CHERRINGTON: Okay.

14 MR. GILLIAM: Bob, you sort of cut out. Can  
15 you hear us okay?

16 MR. GEYER: Yes, sir.

17 MR. GILLIAM: Okay. Good.

18 MS. CHERRINGTON: The following -- the handout  
19 that was distributed by e-mail by Ginnie yesterday  
20 morning. We also did send some three supplemental slides  
21 this morning. They will come very late in the  
22 presentation.

23 And I will highlight when we get to that. And  
24 so if I may, I will just get started. I want to turn  
25 first to page 2. And that is to highlight again for you

1 the dates that we have set, and what we hope to accomplish  
2 in those dates.

3 We have a lot of individual topics to discuss  
4 today. And our hope is that we can narrow the various  
5 scenarios for discussion, and we can identify very  
6 specifically up to six complete funding scenarios that you  
7 may want to see on February 3rd. And from that set, make  
8 a decision on the proposed funding formula.

9 We have so many variations right now that we  
10 must make some decisions as we move along and then begin  
11 to focus on what the best optional scenarios are.

12 So at various points in the discussion today,  
13 we will be pausing and saying we need to make a decision  
14 and ask you to assist in discussing those options and  
15 making that decision. February 3 then, as I said, we  
16 would bring the up to six complete funding scenarios, and  
17 hopefully make decisions, a selection.

18 And then February 17, we would be reviewing the  
19 proposed rulemaking language. Now, to mention to you that  
20 we have scheduled January 27, a video conference for all  
21 providers. This is a video conference that we will  
22 present from Austin that will be available at every  
23 district throughout the state.

24 And providers in those districts are invited to  
25 come and listen and observe. We expect that we will use a

1 PowerPoint similar to some of the materials that you have  
2 been seeing to present the discussion. And I wanted to  
3 ask; Kelly, I believe the notice has gone out, via PTCs or  
4 has it gone directly to providers?

5 MR. KIRKLAND: To both.

6 MS. CHERRINGTON: Have the notices gone out to  
7 both providers and to the public transportation  
8 coordinators in each of those districts. Are there any  
9 comments or questions about that?

10 (No response.)

11 MS. CHERRINGTON: One of the questions I wanted  
12 to ask the Committee is, we have potentially three  
13 purposes in this presentation, or this video conference.  
14 One is obviously to present and provide information,  
15 background, clarify facts, discuss some of the options  
16 that PTAC has considered.

17 The second is that we can take comments. And  
18 the third is we could take questions and answer them. I  
19 would like to get a feel and perhaps from the providers on  
20 the PTAC Committee, what do you think is the most  
21 productive use of that time, understanding that we are  
22 projecting out to 25 districts.

23 MR. GEYER: Bob Geyer. I think you ought to  
24 have a question and answer. Some of the teleconferences  
25 that we have had before, recently, of course, on different

1 topics, but Kelly can tell you, there has not been a whole  
2 lot of input. So I would not discourage that, but I would  
3 open it up for question and answer.

4 MR. WILSON: I personally think you would have  
5 a lot of input on this particular issue around the state,  
6 I think. How long do you plan on having the conference?  
7 Three hours?

8 MS. CHERRINGTON: We set aside, I believe,  
9 from -- Jimmy just left. Two hours.

10 MR. WILSON: Okay. I am sure if you give this  
11 presentation, was your thinking --

12 MS. CHERRINGTON: Not exactly, but something on  
13 this order.

14 MR. WILSON: A modified version of this?

15 MS. CHERRINGTON: Yes.

16 MR. WILSON: And you are probably looking at 30  
17 minutes, just for that.

18 MS. CHERRINGTON: Yes.

19 MR. WILSON: And I think an hour and a half of  
20 questions, I think you are going to find out that you are  
21 going to run out of time, just with that. That's my  
22 opinion.

23 MS. CHERRINGTON: All right. Questions and  
24 answers does take a lot more time than taking comments.  
25 And which we could then, respond to the comments. Or we

1 could just receive the comments. Questions and answers  
2 does take a while.

3 MR. WILSON: That is what I think, too. I  
4 think you are going to really -- I think that people would  
5 like to hear the answers. Don't get me wrong. But I  
6 think that you are going to have an hour and half of just  
7 comments.

8 MS. CHERRINGTON: Okay. So we should ask  
9 comments, and if they make them in the form of questions,  
10 then we will respond to every one, perhaps by an e-mail  
11 communication. Okay. That is the way we will set that  
12 up.

13 MS. OLIER: And also allowing them enough time  
14 to receive the materials before the 27th, so that they can  
15 sit down and go through them.

16 MS. CHERRINGTON: Okay.

17 MS. OLIER: Give them adequate time.

18 MS. CHERRINGTON: Okay.

19 MS. OLIER: Not like two days before.

20 MS. CHERRINGTON: We will do our very best. We  
21 are moving awfully quickly, but we will do our very best.

22 MS. OLIER: All right.

23 MS. CHERRINGTON: Okay. Then the next slide is  
24 looking at the expected outcomes from today's meeting. I  
25 did want to note that we have defined objectives with you

1 all's consensus last meeting. We do have the database,  
2 and it is working and providing us data. We are very  
3 pleased with that.

4 Today we need to decide key elements of the  
5 funding formula, and we need to select the scenarios for  
6 one more step in the detailed analysis. The next page is  
7 just the agenda. And you will see that we have a lot of  
8 material to review and make decisions on.

9 We have tried to highlight the topics that we  
10 think are appropriate for discussion and those that we  
11 really do need to make decisions and selections. And this  
12 is just to highlight for you how we are going to be moving  
13 through and how far we are going to get.

14 There will be a few topics that we will  
15 probably only be able to touch upon lightly and defer to  
16 the next meeting. But we hope to get through all of  
17 these, which are the major elements of the funding  
18 formula. Okay.

19 The next slide is a section on your mission and  
20 goals. I provided these mainly as just reference and  
21 background material. These are the statement of mission  
22 and goals as you agreed in the last PTAC meeting. And I  
23 provide them to you for your reference.

24 And that will take you through slide 10. Now,  
25 what we wanted to do was in consideration of those goals

1 and strategies and the mission statement, we wanted to try  
2 to clearly state objectives for funding that are  
3 consistent with your mission, goals and also the  
4 discussions we had last time. So the next item is trying  
5 to convert the language that comes directly out of the  
6 goals to make statements about objectives for the funding  
7 formula.

8 And we have highlighted that you want to  
9 develop a formula that will allocate obtainable funds  
10 fairly and consistently. You want to allocate those funds  
11 to serve the need for basic mobility for dependent  
12 populations. You want to allocate those funds to enhance  
13 service to support economic opportunity, job access,  
14 cleaner air, less congestion.

15 You want to reward performance efficiency and  
16 effectiveness. You want to encourage coordination of  
17 regional public transportation services.

18 You want to encourage local investment in  
19 public transportation. You want to provide a stability  
20 and funding to support and strengthen investments in  
21 public transportation. And you want to provide for  
22 capital investments to support managing assets for  
23 utilization, safety and reliability.

24 Does that seem consistent to you all? Does  
25 anyone have a concern about any of those statements that

1 come out of your previous work? I notice that the comment  
2 on stability comes from the discussions that you had in  
3 the last meeting.

4 MR. GILLIAM: Any comments from anyone?

5 MR. WILSON: I think that would do it.

6 MR. GILLIAM: Okay.

7 MS. CHERRINGTON: If you turn to the next page,  
8 this is strictly to give us some key words. And I think I  
9 am going to take this page out of my packet and stick it  
10 right in front of me, because these are, therefore, the  
11 key words that we are going to be looking for as we make  
12 these decisions throughout this morning.

13 Coming back, what are we trying to do? We are  
14 trying to allocate funds fairly and consistently. We are  
15 trying to reward performance and effectiveness, promote  
16 efficiency and effectiveness. We are trying to encourage  
17 local investment, encourage coordination, provide stable  
18 funding, and provide for capital investments.

19 These are the key criteria to evaluate each of  
20 the decisions. And it kind of keeps a focus. Allows us  
21 to come back and ask ourselves, so which option does the  
22 best? Okay.

23 Now, what I am going to do now is to turn this  
24 next section, starting on slide -- and when I say slide  
25 numbers, they are the PowerPoint slides. There are some

1 insertion pages. But we will be keeping you on point of  
2 conversation by the slide number in the lower right  
3 corner.

4 We are now on slide 14, the current funding  
5 formula. And I am going to turn to Jeff Arndt to take  
6 this section.

7 MR. ARNDT: And I would like to do a sound  
8 check with the folks on the phone as well, since we are  
9 relocating the pickup device. Can everyone hear me all  
10 right?

11 (All say yes.)

12 MR. ARNDT: Good. All right. Then we will go  
13 to slide 15. And what we are going to do in this section  
14 is, quickly review what we covered last session on the  
15 allocation process as it stands.

16 So again, step one in the allocation process is  
17 to take the state funds and split them into the two pots.

18 35 percent to the urban side, and 65 percent to the rural  
19 side.

20 In step two, we focus on the urban allocation.

21 First of all, if there are required adjustments for  
22 population or area, those are made. The needs portion of  
23 this formula is totally based upon population, and so 80  
24 percent is needs-based, tied to population.

25 The 199,999 population cap is included at this

1 point. The remaining 20 percent is based upon equal  
2 weighting of three performance indicators. And again,  
3 that 199,999 population cap is used as a portion of that  
4 calculation.

5 The next step is to look at the rurals, the 65  
6 percent that you took down. And again, there is a  
7 distribution; 80 percent need, 20 percent performance.  
8 The 80 percent need for the rurals, recall, has two  
9 factors. Three quarters of it is based on population and  
10 25 percent of it based on land area.

11 That is something the State of Texas does that  
12 is now being done at the federal level at a 80/20 split.  
13 And then the 20 percent which is performance based is  
14 allocated according to the three performance indicators  
15 that are assigned to the rural operators.

16 After all of those steps, there is a step  
17 called the equalizing redistribution of funds. And that  
18 redistribution of funds is to adjust for returning funds  
19 to those agencies whose percentage change from the prior  
20 year was more than 10 percent down. In order to maintain  
21 funds for those folk, there has to be funds taken from  
22 people that had funds that had gone up.

23 And so there is a process through which that  
24 redistribution occurs. And we are going to, in subsequent  
25 slides, look at that a little bit more closely. So if you

1 go to slide 16, this is just to go back to the detail of  
2 step two, to take a look at the three existing performance  
3 indicators that are used in the performance side for  
4 urbans, which are local funds for operating expense,  
5 system trips, or boarding passengers per capita, and  
6 revenue miles per capita.

7 So in the current urban formula, there is a  
8 factor that is related to local investment and two per  
9 capita type indicators. If you look on the urban side,  
10 again, for the percent change in the 2006, you look back  
11 to 2004. In subsequent years, you will look back only one  
12 year, but this system was set up so that you look back to  
13 2004.

14 This shows the percent change, the raw percent  
15 change among the urban transit providers. So you can see  
16 that there is one urban transit provider that has a 400  
17 plus percent increase, and a variety of other increases.  
18 But the scale of this graphic at that plus 400 something  
19 percent makes it difficult to see in much detail what is  
20 happening among the providers.

21 So in this next table, on number 18, we  
22 arbitrarily just took that down, that line down to 100  
23 percent, so you could see better what is happening among  
24 all the providers. So at the end of the point in which  
25 you have done your allocation for need and performance but

1 before you have done your adjustment, this is kind of how  
2 the pluses and minuses look.

3 And then in slide 19, you can see the effect of  
4 that equalizing redistribution. In order to create the  
5 funds on the down side, on the bottom of that graph to  
6 fill in, if you will, so that no operator has a decrease  
7 of greater than 10 percent, then the process is to, if you  
8 will, shave the peaks of those that had increases.

9 And so on the urban side of the formula, there  
10 was an effective cap, not a regulated cap, but an  
11 effective cap of 33.7 percent increase. And the process  
12 will, as long as there is a downside redistribution, there  
13 is always going to be an upside resulting cap of some  
14 level. It is not going to be 33.7 necessarily, but there  
15 will be a cap.

16 Now we are going to take a look at the same on  
17 the rural side. The rural side, these are the three  
18 indicators that are used on the rural side. Local funds  
19 for operating expense, which is also used on the urban  
20 side. Passengers per operating expense, and revenue miles  
21 per operating expense.

22 So on the rural side, you have what are  
23 typically called management type performance indicators,  
24 and then the indicator of local commitment. If you look  
25 on slide 21, this is the rural side, the rural slide that

1 would be the same with the urban. Again, you have one  
2 rural provider who sets the scale off.

3 So we will look instead at slide 22. And you  
4 kind of see the same kind of ups and downs that you saw on  
5 the rural side, nothing that is extraordinarily different  
6 between the urban and the rural.

7 So we go to slide 23, and again we make this  
8 equalizing redistribution where, in order to shore up the  
9 decreases, we have to take down the peaks. In this case,  
10 the resulting cap is 25.7.

11 MS. CHERRINGTON: Now, I might mention that  
12 that is for the state funds. For the federal funds, this  
13 same process, that upper cap is 34 percent.

14 MR. ARNDT: See, there is always an upper cap  
15 that results from this process, and it is going to vary  
16 both by urban and rural, and it is going to vary by year,  
17 based upon what happens on the bottom side of that graph.

18 MR. WILSON: And we are just talking about the  
19 current formula. Right?

20 MR. ARNDT: Absolutely. This is a --

21 MR. WILSON: There is a 10 percent decrease,  
22 but there is no limit on the top.

23 MR. ARNDT: Right.

24 MR. WILSON: It is automatically topped,  
25 because of the limit on the bottom.

1           MR. ARNDT: Yes, John. This is all taking a  
2 look at the current formula, if you will, and what it  
3 does. And you are right. There is no upside cap that is  
4 prescribed, but there is an upside cap that results from  
5 the re-equalizing distribution.

6           MR. WILSON: I just want to make sure everybody  
7 understands that.

8           MR. ARNDT: Okay. All right. Are there any  
9 questions about this material?

10           (No response.)

11           MR. ARNDT: Any one on the phone?

12           (No response.)

13           MR. ARNDT: Okay. Then we are going to take  
14 one quick look and review the baseline situation. But  
15 what we are going to do, and this is on -- after slide 24,  
16 there are two tables, one that is for the urban, and one  
17 that is for the rural.

18           Because both of these tables -- and they are  
19 not in here. They are only in the handout. Both of these  
20 tables show the same information. One for urban and one  
21 for rural. So let's just focus in on the rural page, the  
22 second page.

23           I want to, first of all, make a correction, and  
24 that is at the top, at the top where we have the header  
25 information it says, the performance allocation is 25

1 percent and the need is 75 percent. That should say that  
2 the performance is 20 percent and the need is 80 percent.  
3 We have all these splits, and we just have them confused  
4 here.

5 MS. CHERRINGTON: And that would be the same  
6 correction on the previous page.

7 MR. ARNDT: Right. Both urban and rural.

8 MS. CHERRINGTON: We wanted to make that on the  
9 other one, just for reference.

10 MR. ARNDT: And the other thing is, all these  
11 numbers are pretransition allocation; that is, before you  
12 have taken the 10 percent and redistributed funds that  
13 way. So this just says where the formula leads you. So  
14 if we are looking at the rural page, we have a series of  
15 four columns or five columns.

16 The first column obviously is the list of rural  
17 providers. The second column is the pretransition needs  
18 allocation, so that in the rural case, recall, is 75  
19 percent, population 25 percent. So that is where those  
20 numbers come in, 25 percent land area. There are no  
21 changes, so that is kind of your solid column.

22 The next two columns look at the performance  
23 piece of the pie using two different sets of performance  
24 data. The first column is the 2004 performance data, and  
25 the second column is the 2005 performance data.

1                   And the last column gives you an idea of how  
2                   2005 performance dollars assigned per performance  
3                   allocation vary compared to 2004. So we are only looking  
4                   in that column, the percent change, and you see you have a  
5                   41.92, then a 1.11.

6                   Everybody see where I am at? Everybody on the  
7                   phone following this okay?

8                   (All say yes.)

9                   MR. ARNDT: Okay. That only --

10                  MR. TREVINO: I am lost. What page are we on.

11                  MR. ARNDT: We are behind slide 24, two pages  
12                  behind that. On the table, it says, comparison of  
13                  pretransition funding allocation using current formula  
14                  with 2004 and 2005 performance data.

15                  MR. TREVINO: I just got the maximizing,  
16                  because I can't see it. I am looking on it. I am getting  
17                  close.

18                  MR. ARNDT: Okay. We are looking at the one  
19                  that has rural providers. There is one page that has  
20                  urban and one page that has rural. So we are looking at  
21                  the rural provider page.

22                  MR. TREVINO: Okay.

23                  MR. ARNDT: All right. So the far right column  
24                  talks about the percent change in the allocation for the  
25                  performance piece of that pie only, 2005 performance data

1 versus 2004 performance data.

2 And I guess what I would really draw your  
3 attention to is, that there is a fair degree of change in  
4 that column. A fairly high degree of change in that  
5 column, just over one year of change in performance data.

6 MR. WILSON: I just want to point out, though,  
7 that the last -- these percentages at the end does not  
8 indicate what you would get in '05 based on the current  
9 formula, because you could be above these figures or below  
10 these figures right now. I just want to set the record  
11 straight on that.

12 MR. ARNDT: Correct. That is absolutely  
13 correct, because this is pretransition.

14 MR. WILSON: For an example, I will just give  
15 you an example. I just happen to know Lubbock very well.

16 Lubbock, even though it gets a 15.4 percent increase, we  
17 still will receive a decrease of 10 percent, based on the  
18 current formula.

19 MR. ARNDT: Based on the current formula.

20 MS. CHERRINGTON: I think the important thing  
21 is, this is in the steps to the process. This is to  
22 illustrate the impact of the change in performance data  
23 provided by the providers from 2004 to 2005. That is all  
24 this is intended to indicate.

25 MR. ARNDT: Right.

1 MS. CHERRINGTON: So it illustrates what the  
2 formula result is for only the performance piece,  
3 pretransition. The point is, to show what happens to the  
4 formula solely by the data reported. That is the only  
5 thing that has changed, is performance data from the  
6 providers.

7 MR. ARNDT: In one year, between 2004 and 2005.  
8 Yes. That is the main point, because it is  
9 pretransition, John, as you noted.

10 MR. WILSON: Yes. I just wanted to make sure  
11 everybody realizes that.

12 MS. CHERRINGTON: Yes. That is right.

13 MR. FARIS: Vinsen Faris here. What is just a  
14 quick look through here, percentages are somewhat  
15 deceiving. What is the greatest amount of actual hard  
16 dollars in change are we talking about here?

17 MS. CHERRINGTON: You compare column three with  
18 column four, the dollars under 2004 with the dollars under  
19 2005.

20 MR. FARIS: Yes. I just thought maybe somebody  
21 knew it all offhand, what the greatest amount of dollar  
22 change was.

23 MS. CHERRINGTON: I apologize. We have not  
24 done that look-see. I would take a look at --

25 MR. ARNDT: I believe that is --

1 MS. CHERRINGTON: Probably look at Gulf Coast,  
2 Heart of Texas Council of Governments.

3 MR. ARNDT: Heart of Texas Council of  
4 Governments.

5 MS. CHERRINGTON: That may be the largest.

6 MR. ARNDT: Yes.

7 MR. FARIS: Okay. Thank you.

8 MR. ARNDT: Because that is 150,000 something.

9 MR. WILSON: But the biggest loser would be, I  
10 think Brazos.

11 MS. CHERRINGTON: Well, again, that is not what  
12 this is showing.

13 MR. WILSON: I know. I realize that.

14 MS. CHERRINGTON: Let's just stay focused on  
15 what this is showing. We will get there.

16 MR. WILSON: All right.

17 MS. CHERRINGTON: On the phone, are we clear  
18 that we are just trying to demonstrate changes in  
19 performance in one year.

20 MR. TREVINO: I got it.

21 MR. ARNDT: The only other note, and I will  
22 make this a note that John will be okay, is that the needs  
23 side represents the 80 percent, again pretransition. The  
24 performance side represents the 20 percent.

25 As you think about moving to 50-50 for example,

1 one of the factors you will want to bear in mind is that  
2 the piece of the formula that is the least volatile, the  
3 needs side, is now your greatest percent. And the part  
4 that is the most volatile is your 20 percent.

5 As you make that a bigger and bigger piece of  
6 the pie, you make the overall process more variable year-  
7 to-year. On the other hand, you always have the  
8 transition phase later in the process, that helps to  
9 stabilize, if you will, on a year-to-year basis.

10 MS. CHERRINGTON: Now we would like to move  
11 ahead to slide 25, which are the formula elements to  
12 discuss. And this is where we will begin to get into the  
13 topics that we would like to discuss. The topic, and then  
14 discuss options, and then hopefully, come to a conclusion.

15 MR. GILLIAM: Ours says 26. And for the ones  
16 who are on the phone, the slide that she referred to as 25  
17 is 26 in your packet, I think.

18 MS. CHERRINGTON: Thank you. I apologize.  
19 Something in the way the thing numbers. I apologize. So  
20 it is titled formula elements to discuss. I will try to  
21 call it -- always remind -- in the packet, so I can keep  
22 the numbers straight.

23 On slide 27, here are the topics that we want  
24 to discuss. We want to discuss the reasonability, or the  
25 appropriateness of establishing urban tiers.

1           Then we want to talk about reconciling what are  
2 now some inconsistencies in the way the urban systems are  
3 handled. Then we want to talk about the ways that over  
4 200,000 are handled. And then we want to look at  
5 investigating rural tiers. Okay.

6           Then go on to slide 28. The first thing that  
7 we want to do is to set out observations. Remember that  
8 in any slide where the title has observations, these are  
9 observations of Texas Transportation Institute, and our  
10 work to analyze these data and to highlight things for  
11 your attention.

12           So if they apply some interpretation, then that  
13 is true, it is TTI's interpretation. Okay. In slide 28,  
14 the observations are, first of all, that the statute  
15 defines limits and conditions for funding for enclave  
16 cities.

17           MR. TREVINO: This is Oscar again. You are off  
18 a number or I am off a number. Right?

19           MR. WILSON: We are on page 28.

20           MR. TREVINO: I am seeing 29 as the established  
21 urban tiers.

22           MR. GEYER: Same here, but that's okay. We  
23 can --

24           MR. TREVINO: Okay.

25           MS. CHERRINGTON: I don't know what is

1 happening. We seem to have different slide numbers on  
2 every page. Let me -- I will start referring to the  
3 title, and hope that we can stay there.

4 MR. TREVINO: That will help me. Thank you.

5 MS. CHERRINGTON: Okay. The title of the slide  
6 we are on now is established urban tiers for enclave  
7 cities; observations. The first observation is that the  
8 statute defines specific limits and conditions for funding  
9 for the enclave cities.

10 We reviewed this last week, and if you look at  
11 the slide following, you will see the bullet points about  
12 the chapter 456 provisions for limitation use of funds  
13 that applies specifically to the enclave cities. So that  
14 is there for your reference. Okay.

15 Back to the observations page, the second  
16 bullet, distinction for performance at enclave cities is  
17 eligibility for service, not its population size. By that  
18 we mean, every enclave city provides service to only  
19 seniors and persons with disabilities despite the fact  
20 that they have quite a bit of difference in their  
21 population size, Arlington being the largest and Mesquite  
22 being the smallest.

23 Now, additional points to be made is the  
24 distinction of these cities for seniors and disabled is  
25 consistent with the federal definition for these areas.

1 Remember what is unique about these four operators in the  
2 Dallas-Fort Worth Arlington area is that they are  
3 permitted to use Section 5307 funds for operations as long  
4 as they provide service only to seniors and persons with  
5 disabilities and as long as they are less than 25  
6 vehicles. If they were to get bigger than that, or if  
7 they were to operate, open doors to the general  
8 population, then they would no longer be eligible to use  
9 federal money for operating, because they are in the very  
10 large urban area.

11 The second bullet point is that their  
12 eligibility is restricted to seniors and persons with  
13 disabilities. There is not another population target  
14 segment that you can serve. And we also make a point that  
15 there is one other urban provider that has the same  
16 distinction, and that is Harlingen-San Benito.

17 Any questions or comments on the observation  
18 page? Okay. The next page was the excerpted comments  
19 from the actual statute, so that you can see specifically  
20 what it says, and how we know it applies to only those  
21 four cities.

22 The next page is a handout that came from last  
23 year's, last week's, last time's meeting. And it is the  
24 history of funding for the four enclave cities. Remember  
25 that they had their, in the previous page, the maximum

1 funding for the biennium is set on what they got in 1996-  
2 97.

3 The chart at the bottom gives you those  
4 dollars. Now, it is set by biennium, not by year. But we  
5 divided by two, to get an equal for the annual  
6 contribution, just to have a good point of comparing year  
7 to year, and then we compared that to what was received in  
8 state funding allocated by the formula last year.

9 And you will see that while the maximum for the  
10 biennium is about 1.5 million, making the annual about  
11 770,000, the formula after transition -- I make that note,  
12 the formula after transition last time gave 667,000  
13 amongst these four cities. And then you can see on the  
14 line, the only one after transition that had the maximum  
15 funding is NETS.

16 Now, they all would have gotten more, if they  
17 did not have the transitions. That pushes three of the  
18 four underneath their cap, underneath their maximum limit.

19 Any questions about this?

20 (No response.)

21 MS. CHERRINGTON: Okay. I am going to the next  
22 page, and it is titled Seniors and Persons with  
23 Disabilities. This is also a slide we looked at, at the  
24 last meeting. I bring it to your attention, just to  
25 recall that we can go to the census 2000 data, and we can

1 specifically identify how many persons in the state are  
2 equal to or over age 65. And that is roughly 9.9 percent  
3 of total population.

4 We can also identify what the census defined  
5 target group is for disabled, age 5 to 16 and 16 to 65; in  
6 other words, not seniors, so we aren't duplicating. And  
7 we see that that is about 22 percent of the population.

8 Now, that is not ADA-defined disability. This  
9 is disability as self-defined in the census, and there is  
10 some pretty broad definitions if you look there.

11 But this is the definition of disabled and the  
12 types of persons that would be eligible in the enclave  
13 cities, and Harlingen. Okay. At the bottom, therefore,  
14 the total seniors and disabled in the state is about 32  
15 percent of the statewide population.

16 MR. GILLIAM: Linda, just a quick question.  
17 Given your comment about this is not the ADA defined, is  
18 there a reasonable assumption that this is overstated  
19 compared to that definition, or under?

20 MS. CHERRINGTON: ADA para-transit definition,  
21 excuse me. Just ADA definition of disabilities would be  
22 much more restrictive.

23 MR. GILLIAM: And so this is overstated, based  
24 on that definition.

25 MS. CHERRINGTON: This is greater than what

1 would be ADA defined. We struggle across this state of  
2 actually having an ADA defined number that really doesn't  
3 exist, and it is often debated. But we do know that it  
4 would be less than this number. This is a larger number  
5 than ADA qualified disability.

6 MR. GILLIAM: Is there a guesstimate about how  
7 much overstated it could be?

8 MS. CHERRINGTON: I dare not say, because it  
9 varies quite a lot. But it probably varies something  
10 between 5 to 20 percent of the population of an area.

11 MR. GILLIAM: Thank you.

12 MS. CHERRINGTON: Okay. Going to the next page  
13 then, we provided this same information for each of the  
14 cities, including Harlingen-San Benito that limit  
15 eligibility for transit to persons with disabilities and  
16 seniors. And this provides to you in the far column.

17 The title here is: seniors and persons with  
18 disabilities, urban providers that restrict eligibility  
19 for transit. And the far right column shows you what  
20 percent that is, of these populations. You will just  
21 observe that in enclave cities, the percentage is actually  
22 less than the statewide average.

23 In Harlingen-San Benito, it is higher, and that  
24 would be very well expected by the demographics of the  
25 groups, of the two areas. Okay? I am now moving on to

1 the next slide.

2 It is titled: established urban tiers, option,  
3 tier enclave cities. We are about to review four  
4 different options on how the PTAC could look at handling  
5 this, the enclave cities and/or the cities that restrict  
6 eligibility and in a minute, we'll see, or have a  
7 different type of service. So we are going to look at  
8 four options.

9 The first option is that you could tier the  
10 urban providers through the enclave cities. That would be  
11 the four cities; Arlington, NETS, Grand Prairie and  
12 Mesquite. And we note that the 2006 funds allocated to  
13 these four providers after transition was 670,102.

14 The maximum funding per biennium that these  
15 four cities could get under the statute is 1,541,669 which  
16 is approximately 771,000 per year. The statute sets a  
17 maximum. It doesn't say that you have to provide funding  
18 for these enclave cities at any level, but it cannot  
19 exceed the 1.5 million.

20 Okay. The statute does not say you have to  
21 provide this much, or you have to provide any money. It  
22 says that there is a maximum. Any questions about that?

23 MR. GILLIAM: No. I heard none.

24 MS. CHERRINGTON: Okay. This is Option 1.

25 Turning the page, the second option. Use service eligible

1 population to establish an urban tier. Now, this does  
2 not -- this option does not really, in the technical  
3 definition establish a tier.

4           Instead, it includes only the service eligible  
5 population for providers that limit eligibility; i.e.  
6 seniors and disabilities. This makes the population  
7 number and the remainder of the formula different for  
8 Arlington, NETS, Grand Prairie, Mesquite and Harlingen-San  
9 Benito. It would allocate funds according to the funding  
10 formula for need and performance, as all other urban  
11 providers.

12           And that is why I say it is not really a tier.

13           It just sets their population differently. Now, draft --  
14 just for conversation, draft result is if you were to use  
15 the 2005 performance indicators, and this service eligible  
16 population, the 2007 allocation would be roughly \$739,800.

17           Now, these five cities in the 2006 got 729,741.

18           That is Harlingen included with the enclave. So it is  
19 about a 10,000 different if you take this approach. Using  
20 the draft estimate of what 2007 would be with the current  
21 formula, with 2005 performance, and with only the  
22 population that is eligible. Any questions about this  
23 approach?

24           (No response.)

25           MS. CHERRINGTON: Okay. Going to the next

1 page. This is the third option. It is establish an urban  
2 tier. And the option is to establish the urban tiers for  
3 providers that restrict eligibility. This is a  
4 different -- this is the same tier as the -- this is  
5 actually setting a tier with the same five providers.

6 But now we are setting the money aside. So we  
7 are actually defining a tier, setting aside money for that  
8 tier, and then these properties compete with each other  
9 within that tier.

10 We estimated what this funding might be by  
11 saying, the seniors and persons with disabilities for  
12 these five cities represent 7.65 percent of all the  
13 population that is funded with state urban funds for all  
14 urban providers. If you took 7.65 percent of the state  
15 urban funds that we have for 2006 -- that being  
16 10,059,373 -- this would give you an allocation for this  
17 tier of about 769,542.

18 And then those funds would be allocated within  
19 these five cities, using the funding formula, just as it  
20 is, but they would compete for these dollars, just amongst  
21 themselves. Now, the 769,542 compares to the previous  
22 approach where we estimate that the formula would generate  
23 about a 739,000 demand, as compared to what was actually  
24 allocated in the last formula of 729,000.

25 So you will see they are all -- and the maximum

1 that could be, under the limits of that 770. So you will  
2 see that these are all within plus or minus about \$40,000  
3 of each other. There are different ways to approach the  
4 same concern. Any questions on this option?

5 MR. FARIS: I love your comment that the  
6 providers would be competing for that money.

7 MS. CHERRINGTON: In other words, you would  
8 take the 769,542 and then you would run the formula,  
9 population and need, with those five cities only. It  
10 would be just like you are doing now with all urban  
11 providers with the formula.

12 In this case, though, their dollar limit is  
13 769,542, and it is spread amongst the five of them. Does  
14 that answer your question?

15 MR. FARIS: Yes.

16 MS. CHERRINGTON: Who asked that question, for  
17 the record?

18 MR. FARIS: I am sorry. Vinsen Faris.

19 MR. GILLIAM: Vinsen Faris.

20 MS. CHERRINGTON: Okay. Are there any more  
21 questions about this?

22 (No response.)

23 MS. CHERRINGTON: Okay. Then the last option  
24 is on the following page. And it is saying, establish  
25 urban tiers. The option is to actually establish urban

1 tiers for providers that operate non-fixed route. Now,  
2 remember that this is no longer looking at service  
3 eligibility or enclave.

4 This is saying, some urban providers provide  
5 not fixed route service. They provide either demand  
6 response to seniors and persons with disabilities, or  
7 demand response to the general population, or they operate  
8 flexible routes. So we are separating the fixed route  
9 with ADA para-transit from all other providers.

10 Who would be in that group? Well, it would  
11 include the five cities we have been discussing, the  
12 enclaves and Harlingen. It would include Texas City and  
13 Lake Jackson, that provide demand response for the general  
14 population only. And it would include flexible route  
15 service cities, Wichita Falls, Hidalgo County, Rio Metro.

16 Now, I might mention that these non-fixed route  
17 services, Texas City and Lake Jackson for example, are  
18 contemplating moving to flexible route service, or fixed  
19 route. I will mention that Wichita Falls operates one  
20 express fixed route service.

21 So you will see that these are not -- clearly,  
22 the service definition can be -- can vary relatively  
23 easily. And by the way, Hidalgo County Rio Metro is not  
24 McAllen. This is the rest of Hidalgo County. Any  
25 questions?

1 (No response.)

2 MS. CHERRINGTON: Okay. The next page is  
3 titled: establish urban tiers, observations. And this is  
4 observations of TTI about the four options we just  
5 reviewed. We would observe that by limiting, by using  
6 limited eligibility for service, that is a very clear  
7 criterion.

8 It is very clearly defined. You know exactly  
9 which the providers are. It is very easy to define what  
10 that limited population is, using the census. The second  
11 observation is that creating a tier to address non-fixed  
12 route services is not very clear, and it is difficult to  
13 apply consistently.

14 Most important point is, changes in the service  
15 design can be subtle. As I mentioned, Wichita Falls  
16 actually has one fixed route. And it can change from year  
17 to year if you try and use service options. We also  
18 observe that creating a tier based on just the enclave  
19 cities would be consistent with the statute.

20 MR. GILLIAM: Hello, did we lose someone, or  
21 did someone join us?

22 MR. MADDY: Mark is still here.

23 MR. GILLIAM: Mark. Bob?

24 MR. GEYER: Still here.

25 MR. FARIS: Vinsen.

1 MR. GILLIAM: Vinsen. Mayor.

2 MR. TREVINO: I am still here.

3 MR. GILLIAM: Okay.

4 MS. CHERRINGTON: Thank you. We got a beep on  
5 this end. Okay. So the third bullet is creating a tier  
6 based on enclave cities would be consistent with the  
7 statute. We believe that creating a tier based on service  
8 eligibility is logical, fair, and can be applied  
9 consistently.

10 You could do that two different ways. A formal  
11 tier, so you set the money aside, or you could do it by  
12 including it in the formula. The tier seems to be more  
13 clear.

14 We would like to stop now, and ask for  
15 discussion. We would like to ask you to make a decision  
16 on which one of these options, if any, that you think is  
17 most appropriate, so that we can now develop a funding  
18 scenario on one option.

19 MR. GILLIAM: Okay. I open it up for  
20 discussion.

21 MR. WILSON: Who would be included in the four  
22 formula grade and a tier based on service eligibility?

23 MS. CHERRINGTON: That would be the previous  
24 page, when you see the service -- oh, I am sorry. Pardon  
25 me. I didn't hear the question.

1 MR. ARNDT: It would be the enclave cities and  
2 Harlingen.

3 MS. CHERRINGTON: Yes.

4 MR. ARNDT: It would be the five.

5 MS. CHERRINGTON: If you took the option for  
6 enclave cities, and clearly it is the four cities.  
7 Arlington, Grand Prairie, Mesquite and NETS. If you took  
8 the option to limit eligibility on service eligible  
9 population, you would add to that group Harlingen-San  
10 Benito.

11 MR. WILSON: I would favor that option, and it  
12 is on establish urban tiers option, establish urban tier  
13 for providers that restrict eligibility. And that would  
14 be those, the four enclave cities and Harlingen.

15 I think -- it is very clear that you can say  
16 that there are senior citizens and persons with  
17 disabilities. There is a finite number, based on you can  
18 compare with the state as a whole, which I think is good.  
19 You can use that the same as the amount of funds; the  
20 7.65 percent.

21 It just makes sense, and they have to compete  
22 with each other for it. I think that is a good thing.  
23 Mayor Trevino, do you agree with that?

24 MR. TREVINO: I am going to agree with you 100  
25 percent. I think you are right on track.

1 MR. WILSON: I would make that motion.

2 MR. GILLIAM: John made a motion. Mayor, did  
3 you second it?

4 MR. TREVINO: I did.

5 MR. GILLIAM: Okay. So we have a motion and a  
6 second. Any further discussion?

7 (No response.)

8 MR. GILLIAM: All in favor, say aye.

9 (Chorus of ayes.)

10 MR. GILLIAM: Any opposed?

11 (No response.)

12 MR. GILLIAM: So we have recommended a  
13 formulary.

14 MS. CHERRINGTON: Excellent. We will be using  
15 limited eligibility for service as the criterion, and we  
16 will actually create a tier. And we will use the 7.65  
17 percent of the funds available.

18 MR. GILLIAM: Okay.

19 MS. CHERRINGTON: Going to the next page, its  
20 title is: reconcile urban systems. The page is:  
21 observations. Our observations are that there right now  
22 is an inconsistency in the definition of urban providers.  
23 That inconsistency is that Midland-Odessa created one  
24 urban transit district as an entity.

25 But they are separate and independent urbanized

1 areas. And they are separate and independent services.  
2 They do have the same provider providing services, but  
3 their operations are separate. They are not combined.  
4 They are not connected. And they are two different  
5 urbanized cities.

6 And in every other instance, the two cities in  
7 this sort are separated. Okay. We are going to get to  
8 options. Well, let's just look at the observations, and  
9 then we'll go to options.

10 The second -- the next page says, reconcile  
11 urban systems, observations. And the bullet is,  
12 inconsistency in the definition of urban providers,  
13 Hidalgo County urbanized area. This is another unique  
14 situation, and I will tell you that the circumstances in  
15 this area have changed in the last year. So this is a  
16 fairly new inconsistency that we want to bring to your  
17 attention.

18 And remember that Hidalgo County urbanized area  
19 is a very large urbanized area that comprises a portion of  
20 Hidalgo County in the Valley, but represents a population  
21 of over 500,000. It is quite a large area. They did have  
22 one provider that provided service in two different  
23 operations.

24 One was in McAllen and one was in the remainder  
25 of the cities that participate. However, last year, the

1 providers separated. McAllen separated and provides its  
2 own service. The McAllen operation is a daily fixed route  
3 service for the general population, with ADA para-transit  
4 and it is operated now by the City of McAllen.

5 Rio Metro, which is a flexible route service  
6 for the general population. It is operated by the lower  
7 Rio Grande Valley Development Council. It operates on  
8 alternating days in about nine small cities.

9 And remember that alternating days, Mercedes,  
10 Weslaco and Donna get service two days a week. Far San  
11 Juan Alamo gets service three days a week. Mission and  
12 another city that I can't recall, and Edinburgh get  
13 service two days a week. So these are not fixed route.  
14 They are not daily. But they are in the same urbanized  
15 larger area.

16 So in this circumstance, the inconsistency is  
17 that you have got two complete providers with two  
18 completely different types of service, in the same  
19 urbanized area. The next page provides for you, it is  
20 titled, population and performance data, urban providers,  
21 that are separated for discussion.

22 It provides for you the facts about the  
23 population of each of these two communities that we  
24 discussed: the McAllen, which is 106,400 population; Rio  
25 Metro is the remainder of that urbanized area, 416,730;

1 Midland is 99,000 and Odessa is about 111,000. Then it  
2 shows you the operation expenses broken out between the  
3 services, the boarding passengers, and the revenues miles  
4 provided for information. Questions?

5 (No response.)

6 MS. CHERRINGTON: I will go on to the next  
7 page. Now, having said that we identified these  
8 inconsistencies, we have now, we have provided -- we are  
9 going to be discussing two options. The first option is,  
10 to reconcile the urban systems, you can separate these  
11 providers. You separate Midland and Odessa in the funding  
12 formula. You separate McAllen from the rest of Hidalgo  
13 County.

14 Now, I might -- this applies the formula  
15 consistently. I might mention, too, that Hidalgo County  
16 still has a population significantly over 200,000. It is  
17 over 400,000. It does provide additional dollars to each  
18 of the separated providers, and that will meet and serve  
19 need.

20 However, this requires an allocation of  
21 existing funds from other urban providers. You have  
22 effectively created two more pieces to the pie. The  
23 transition step would allocate the formula and mitigate  
24 this impact of the adjustments.

25 In other words, you still would have your no

1 greater than -10 percent adjustment per year. Let me talk  
2 to the next option, and then we can discuss. The next  
3 option is to maintain the status quo.

4 And that is to, despite the inconsistencies,  
5 you recognize that each of these communities has created  
6 an urban transit district and you provide the funding as  
7 it is now, status quo, to that urban transit district, the  
8 way they are organized. This addresses the separate  
9 funding allocations only if the providers make some formal  
10 restructuring of the urban transit district.

11 And I bring that to your attention, because  
12 that might happen in McAllen, Hidalgo County. Now, this  
13 is observation and commentary only from me, and that is,  
14 right now -- well, let me go to the next page. Pardon, it  
15 is not just from me. It is from TTI.

16 Go to the next page. It is titled, reconcile  
17 urban systems, observations. Our observations, if you  
18 took the option to separate the urban providers, it does  
19 provide additional dollars to each of the separated  
20 providers. It does require the allocation of additional  
21 funds, and the mitigation.

22 I will add to you the one significant point is  
23 right now, McAllen, that is providing a fixed route  
24 service with a high degree of performance, is getting very  
25 few of the state dollars because of the way that the

1 formula is now allocated to one area. And it is going to  
2 Lower Rio Grande Valley Development Council.

3 Again, you can leave that to be their problem.

4 The status quo continues this inconsistency. On the  
5 other hand, it acknowledges the urban transit districts.  
6 Mr. Chairman, I would like us to then discuss and make a  
7 decision on one of these two options.

8 MR. GILLIAM: Okay. You have heard the  
9 discussion or the options that are outlined. So any  
10 comments, questions, or discussion here?

11 MR. WILSON: Well, this is John Wilson. First  
12 of all, what we have, if we do recognize this, we are  
13 recognizing just in the --if we leave the 199,999  
14 population, we have now increased the funding that goes to  
15 the McAllen urbanized area by 50 percent. I just want to  
16 make sure that everybody understands that.

17 Because we have now created 106,414 population  
18 additional to the 199,999 that are already getting it. I  
19 just want to make sure everyone understands that. So that  
20 is one.

21 So you are going to say that means that the  
22 rest of the 30 cities will see a decrease, except for what  
23 we have already done with the enclave cities and  
24 Harlingen. Now, also we also increased the number by  
25 approximately 12,000 by separating Midland-Odessa because

1 now they are both under the 199.

2 I just want to let you know the effect that  
3 that is going to have on the other urbanized cities by  
4 doing this. I am not saying I am against this. I am just  
5 telling you that we are creating a lot more -- you are  
6 going to see a lot more money come out of other systems  
7 because of this. Just FYI.

8 MS. CHERRINGTON: John's point is exactly  
9 right. Effectively, the need portion of the formula does  
10 not change for Midland and Odessa because you are  
11 splitting the same population, and they were barely,  
12 barely over 200,000.

13 So John is right; it makes a nominal difference  
14 there, because you separated them. In the case of McAllen  
15 and Hidalgo County, you still -- you have effectively  
16 created a new 100,000 population by separating out at  
17 McAllen. So you have increased the population that  
18 applies for need.

19 The other point I would like to make is that  
20 because performance is a portion of the population, you  
21 are also increasing the funding to all four of these  
22 areas, by separating them out. So in addition to the  
23 additional need for McAllen, you will also see an increase  
24 in funding to these area for need. And that is always  
25 going to be the case when you separate one entity to --

1 you are always going to increase total dollars required.

2 MR. WILSON: Mr. Chairman, I would like to hold  
3 off on making a decision on this until we make a decision  
4 on other factors that will come into play in this  
5 particular one.

6 MS. CHERRINGTON: Could I ask for a little more  
7 discussion? Because this decision affects other factors.  
8 We have them in the order of their influence.

9 MR. WILSON: Okay. I will tell you, I would  
10 agree with this if the formula was changed from 35-65,  
11 because we are creating a lot more population here that is  
12 going to receive funds, and that would be one thing I  
13 would consider.

14 Another thing, I think we need to put more  
15 emphasis on performance factors than the 80 percent need.

16 I think it should be 50-50. So I am just, just some  
17 points of clarification of points that I am looking  
18 that -- I could agree with that.

19 MS. CHERRINGTON: I see.

20 MR. WILSON: If you do those.

21 MR. GILLIAM: Those things will come up later  
22 in the discussion anyway.

23 MS. CHERRINGTON: Yes. John is correct. Yes.  
24 I see what he is saying about he wants to talk to some  
25 other things. Yes. I see.

1 MR. GILLIAM: Does that create a problem for  
2 you if you wait until then and come back and just solve  
3 this?

4 MS. CHERRINGTON: No. We will tag it. And we  
5 will come back to it.

6 MR. GILLIAM: Right. Okay. Is that the will  
7 of everyone?

8 MS. CHERRINGTON: Other discussion before we  
9 move on, however?

10 MR. GILLIAM: Yes. Okay. So what we will do  
11 is move forward and come back to this, and make a  
12 decision.

13 MS. CHERRINGTON: Okay.

14 MR. GILLIAM: Okay.

15 MS. CHERRINGTON: Is that acceptable to  
16 everybody on the phone. Anybody have comments there?

17 MR. GEYER: This is Bob. I just think this is  
18 something we need to do is separate these. It is the only  
19 fair thing to do. I mean, we just did it with the enclave  
20 cities, and we should do it with these cities, too. That  
21 is just the thing that I have.

22 MR. GILLIAM: Okay.

23 MR. TREVINO: I have got something. This is  
24 Oscar. I am going to have to leave, so I am going to have  
25 to bow out of the discussion. I have got an 11:00

1 meeting, but I will hang on just as long as I can, if I  
2 drive to the meeting.

3 MR. GILLIAM: Okay. And do you have an opinion  
4 on this either way?

5 MR. TREVINO: I kind of agree, I would like to  
6 wait a little bit and hear more, but I am not going to be  
7 able to.

8 MR. GILLIAM: Okay. Go ahead, Linda.

9 MS. CHERRINGTON: Okay.

10 MR. MADDY: This is Mark. And I hear what John  
11 is saying and I think I do want to wait and find out what  
12 more we might be looking at, because when you add two or  
13 three more pieces to the pie, or two or more people that  
14 want pieces of the pie, which is really what we are  
15 talking about, it is going to be detrimental to some of  
16 those other services, those providers, who have some good  
17 increases this year, that now they are not going to --  
18 part of their increase is going to be taken away.

19 MS. CHERRINGTON: Just to make a point, Mark.  
20 Over time. It wouldn't -- the year, the formula  
21 transition period still makes those adaptations, it would  
22 be over time. The point to where they increase to would  
23 be lower.

24 MR. MADDY: I guess the bottom line for me  
25 still is, we need to get the state to allocate more funds

1 to us, period. But that is another story.

2 MR. GILLIAM: Okay.

3 MS. CHERRINGTON: Well, that is a very good  
4 point, too.

5 MS. RUSSELL: Could you repeat his point,  
6 because I couldn't hear.

7 MR. WILSON: His point is, that he feels like  
8 the state ought to allocate more money to the public  
9 transportation fund. That would probably solve a lot of  
10 his problems.

11 MR. MADDY: Exactly.

12 MR. TREVINO: I think -- this is Oscar. I  
13 think it goes back to the very first statement of fiscal  
14 responsibility in our mission statement that we live  
15 within the means, and that is one of the things we have  
16 got to keep in mind.

17 If we had all the money in the world, it would  
18 be great. But we don't. So we have got to be fair with  
19 the systems that are existing.

20 MR. GILLIAM: Okay.

21 MS. CHERRINGTON: Okay. We will keep those  
22 thoughts in mind, and we will come back to this  
23 discussion. The next page we are going to is titled,  
24 address urban systems that are over 200,000 population.  
25 We had a couple of observations we wanted to keep in mind.

1           First of all, that none of the elements of the  
2 formula we are discussing changes the fact that Lubbock is  
3 over 200,000. So that is not a change. However, in the  
4 recommendation that you made a few minutes ago, Arlington  
5 and NETS are over 200,000.

6           But by creating an urban tier that recognizes  
7 population for seniors and disabled only and set them  
8 aside as a tier, that no longer -- that is moot now. The  
9 fact that their population is over 200,000. Assuming --  
10 let me rephrase that. Assuming that -- oh no, that is  
11 correct.

12           Because you are going to use their population  
13 in the formula allocation also. Correct? Yes. Going to  
14 the next page, it identifies that Midland-Odessa urban  
15 transit district is over 200,000. And of course, if these  
16 were separated, then they would no longer be over 200,000.

17           They are, if you leave them as an urban transit district.

18           And the next bullet is that Hidalgo County  
19 would still be over 200,000 for the area outside of  
20 McAllen. McAllen is 106,000. But the remainder of the  
21 Hidalgo County urbanized area would be 417,000. So you,  
22 depending upon what your final decisions are, you do  
23 reduce the number of systems under the current census that  
24 are over 200,000.

25           And the next page, we have -- these are

1 observations about addressing urban systems that are over  
2 200,000. For any system with a population of over  
3 200,000, we anticipate that you would still need to be  
4 limiting to 199,999 for allocation of funding for need.  
5 Why do we say that?

6 If you were to allow Hidalgo County to be  
7 considered under need at their actual population, they  
8 will take a huge portion of all funds under need, because  
9 their population is over 500,000, whether you separate  
10 McAllen or not.

11 So if you allow that total dollar, then the  
12 next largest city is 200,000. They take a huge hunk of  
13 the money. As a practical matter, limiting it to 199,999,  
14 you could still separate McAllen, but you would have to  
15 apply that in the case of Hidalgo County. Now --

16 MR. WILSON: I do agree with that assessment.  
17 I just -- and Lubbock would be one that would be limited  
18 to 199,999.

19 MS. CHERRINGTON: Yes. So Lubbock would still  
20 be there, and so would Midland-Odessa, if they were  
21 treated as an urban district.

22 MR. WILSON: Right. And my only observation is  
23 that that is based on 80 percent need and 20 percent  
24 performance. And I think we are going to change that.

25 MS. CHERRINGTON: But if you did, you still --

1 we still are addressing need, because the next point is  
2 what we want to point out to you. As a matter of applying  
3 consistency in the formula, right now, the formula uses  
4 that one 199,999 to allocate funds for need. Understood.

5 It also uses that number when you use per capita measures  
6 and performance.

7 And that increases the value of the funds  
8 received for those cities. So we recommend that you --  
9 excuse me, it is our observation that the total service  
10 area population should be used for performance indicators  
11 requiring a per capita calculation.

12 MR. FARIS: I agree with that.

13 MS. CHERRINGTON: That is the population that  
14 is being served, and that is what should be used under  
15 performance.

16 MR. FARIS: Yes.

17 MR. WILSON: I don't have a problem with that.

18 MS. CHERRINGTON: We would like to get  
19 concurrence on that, because it is a subtlety in the  
20 formula, but it matters to all of our work.

21 MR. GILLIAM: Okay. Vinsen, was that your --  
22 you put that in the form of a motion, then?

23 MR. FARIS: Yes, I would.

24 MR. GILLIAM: Okay. And John?

25 MR. WILSON: I second that.

1 MR. GILLIAM: Okay. So we have a motion and a  
2 second. Further discussion on this?

3 MR. FARIS: Could you restate what the motion  
4 is?

5 MR. GILLIAM: It is regarding the total service  
6 area population should be used for performance indicators  
7 requiring per capita calculations.

8 MR. FARIS: As opposed to just using the 199,  
9 which hasn't.

10 MS. CHERRINGTON: That is correct.

11 MR. GILLIAM: That is correct.

12 MR. WILSON: That is right. I don't have any  
13 problem with that.

14 MR. GILLIAM: Okay. Any further discussion on  
15 this.

16 (No response.)

17 MR. GILLIAM: All in favor, say aye.

18 (Chorus of ayes.)

19 MR. GILLIAM: Any opposed?

20 (No response.)

21 MR. GILLIAM: Okay. We have adopted that one  
22 then. So --

23 MS. CHERRINGTON: I am going to the next page,  
24 which is titled, investigate rural tiers. We were asked  
25 by the PTAC last time to look at a number of different

1 approaches to how you might look at urban -- at rural  
2 providers, and look at tiers. And we have done a lot of  
3 analysis, and I am going to summarize it succinctly.

4 First of all, we looked at the same kind of  
5 thing we looked at for urban. Is the service design very  
6 different. And the fact is, not really. Almost all rural  
7 providers operate a form of rural para-transit services.  
8 Some have some scheduled route services, but still the  
9 overriding service type is some form of rural para-  
10 transit.

11 Second bullet we make note of is that  
12 typically, if we were to look at this, from a pure transit  
13 analysis point of view, what we want to look at is average  
14 passenger trip length. And what that is, is how far do  
15 you have to take your passengers in rural areas to get  
16 them to medical services in a major urban center. And  
17 that is really the challenge.

18 That is really where money comes into it. That  
19 is really how performance, when you look at performance --  
20 effectiveness of service comes in. Unfortunately, to  
21 calculate average passenger trip length, you need either  
22 100 percent of your data for every trip to calculate that  
23 trip length, or you need to take a random sample of data  
24 as prescribed by the national transit database to  
25 calculate that.

1           We don't have that data. It is not being  
2 collected. It is not being reported. It might take  
3 several years to shake that out. So we don't have the  
4 necessary data to apply this average passenger trip length  
5 as we think would be the ideal way to do it. And I might  
6 mention to you, as our observation is, it is how far it is  
7 to the urban center.

8           It is not necessarily how large the rural  
9 district is, because some districts have urban centers  
10 that are easily located. Others, you have to go a very  
11 long way, even though the whole area may not be that big.

12          So it is really distance to the medical service and to  
13 the urban center where you get your other services. We  
14 tried to look at surrogate measures.

15          So we looked at revenue miles per passenger,  
16 and that is, essentially we took all miles, all  
17 passengers, divided them. And we looked at revenue miles  
18 per square mile. And because this should and might give  
19 you some indication of this business about how far are you  
20 having to take passengers.

21          We found variability, but when we looked at  
22 that, we couldn't make any logic out of the variability.  
23 We know something about these areas. We know something  
24 about their operations. We know where their urban centers  
25 are. And you would find some averages that were very long

1 and that wouldn't make a lot of sense.

2           You would think that it might should be  
3 shorter. So we are not comfortable with that data. And  
4 we shouldn't be, because these are taking gross numbers to  
5 try to reflect what ought to be analyzed on a per trip  
6 basis. So -- and then we took a look, well, what about  
7 looking at population, service area, population density.  
8 Do you really see the services and the performance vary by  
9 the size and population and the size and area or density.

10          We will take a look at what the results were. We did not  
11 find any distinction.

12           And then we said, well maybe we could look at  
13 something new, and this was a recommendation by Donna  
14 Halstead. And that is to look at lane miles per square  
15 miles, giving you some idea of how hard it is to get  
16 around in a community, how many roads bisect the area, if  
17 you will.

18           That is a very interesting idea. We are not  
19 able to test it, because the data is available at the  
20 county level, and we can't separate it out with any ease  
21 between urban and rural. So the results of our analysis  
22 are shown in the tables that follow that slide.

23           These tables have a number of columns. They  
24 are small print. They are all the same data; they are  
25 sorted differently. And so you will see that all of our

1 analysis, the first column is the name of the rural  
2 provider. The second is population.

3 And the first page is sorted by population.  
4 Largest population on top. Then we provide square miles,  
5 density, the number of passengers, the revenue miles, the  
6 miles per passenger, and the miles per square mile. In  
7 other words, all these indicators that we thought might be  
8 useful to look at.

9 And if you kind of glance down this, you will  
10 see there is no trend. There is no easy way. You can't  
11 see that as you get bigger, your land area gets bigger.  
12 No, that doesn't connect. As you get bigger, your density  
13 gets lower. No, that is not necessarily true. You get  
14 more passengers, you get less passengers, that is not  
15 true. Your revenues miles provided you do increase  
16 revenue miles, but then when you get about midway up, it  
17 is a lot of variability and there is some smaller systems  
18 at the bottom on population that have a lot of revenue  
19 miles. The revenue miles per passenger really change a  
20 lot.

21 Some of the smallest ones have the largest  
22 revenue miles per passenger. And the revenue miles per  
23 square mile also don't. We cannot find any indicators  
24 that provides a trend.

25 MR. FARIS: I still love South Padre Island

1 down at the bottom there, Linda.

2 MS. CHERRINGTON: Padre Island does show a very  
3 small resident population and a small land area in square  
4 miles. It does stand out on the others, that you are  
5 correct.

6 MR. FARIS: Yes. I have a question on that  
7 one. Why do we show only the two square miles of land  
8 area when they actually service over to Port Isabel as  
9 well?

10 MS. CHERRINGTON: All of these show the non-  
11 urbanized area that is reflected in the database. In the  
12 case of South Padre Island, that is the city land area. I  
13 also did inquire of their manager in South Padre Island.  
14 What they are doing is, they are making trips from South  
15 Padre Island across the causeway and up to a destination  
16 at Highway 100, is it, to a destination. And they make, I  
17 think, three stops.

18 They are actually not providing service within  
19 Port Isabel. And Port Isabel is, I don't believe, funding  
20 that. But I will point out to you that throughout this  
21 exercise, we found some areas where it would make some  
22 sense to double check the fact-based information on the  
23 performance data. And we can verify that.

24 But this may not be any different than the  
25 example that Bob has described before where you provide a

1 route that goes from a rural area into an urban center, to  
2 take the rural area residents into some destination. You  
3 don't, therefore, expand their service area to include the  
4 urban area.

5 MR. GILLIAM: Okay.

6 MS. CHERRINGTON: We go to the next page, is  
7 the same information, but this time it is sorted by land  
8 area. Remembering again, we are just trying to use these  
9 key characteristics to see whether there is any trend.  
10 And the next page uses density.

11 And any one of these, you do not see where they  
12 are all the same information. We are just trying to ask  
13 you to look at it from a different sort. So then we go to  
14 the page that is called, investigate rural tiers,  
15 observations.

16 And our observation is that we cannot  
17 confidently tell you from existing data that there is any  
18 clear way to tier rural systems. And also, that we found  
19 that when we go back to all the other states that we  
20 looked at, we did not find that other states tier rural  
21 systems either for point of information.

22 MR. ARNDT: And so we pause.

23 MS. CHERRINGTON: And we pause now for  
24 discussion. And we would like you either to concur.

25 MS. OLIER: Linda, I concur with you. This is

1 Vastene.

2 MR. GILLIAM: Okay. Is there any other  
3 comments? The request now is to either concur or have  
4 discussion on this.

5 MR. FARIS: This is Vinsen. If I could ask  
6 Vastene and some others there to comment. I was surprised  
7 by the statement that Linda made; that most of the rural  
8 providers are very similar, all basic services are  
9 similar. Is everyone in agreement with that?

10 MS. CHERRINGTON: It is the service design,  
11 Vinsen. Just to clarify what I said. The design of the  
12 service, that being para-transit.

13 MS. OLIER: And you didn't hear me a few  
14 minutes ago. I concur with Linda, just to disregard  
15 tiering rules.

16 MR. GILLIAM: Is that in the form of a motion,  
17 then?

18 MS. OLIER: Yes.

19 MR. GILLIAM: Okay. Can I have a second on  
20 that?

21 MR. WILSON: Second.

22 MR. GILLIAM: Okay. So John second. Vastene  
23 made a motion and John seconds. Any discussion on this?

24 MR. TREVINO: The motion is not to have tiers.  
25 Is that what it is?

1 MR. WILSON: To not have tiers.

2 MS. OLIER: That is correct.

3 MR. GILLIAM: That is correct. Any further  
4 discussion on it?

5 (No response.)

6 MR. GILLIAM: If not, all in favor, say aye.

7 (Chorus of ayes.)

8 MR. GILLIAM: Any opposed?

9 (No response.)

10 MR. GILLIAM: So we have eliminated any  
11 consideration for tiers. So okay.

12 MR. TREVINO: This is Oscar. I am going to  
13 have to run now.

14 MR. GILLIAM: Okay. Thanks for your  
15 participation, and have a great day.

16 MR. TREVINO: Yes. Bye bye.

17 MR. GILLIAM: Thanks. Bye.

18 MS. CHERRINGTON: Okay. The next section we  
19 are moving to is discussion of -- we have now, by the way,  
20 we have achieved. We have moved through discussion of the  
21 various elements of the formula that are a few of the  
22 areas of concern.

23 We have made decisions and tabled the  
24 discussion of separating out the urban systems for  
25 consistency, or the other option is to recognize the urban

1 transit districts.

2 We are now moving into the next large section  
3 of our discussion, and that is the performance indicators  
4 that we used. And I am going to turn this discussion at  
5 this point over to Jeff.

6 MR. ARNDT: Okay. First of all, I would like  
7 to congratulate you. Three for four. Number four, we  
8 will come back to. Secondly, we will have a couple of  
9 decision points in this set.

10 Our primary purpose here is to narrow to one or  
11 two sets of indicators to carry forward for calculation so  
12 that we could come down to this sixth set that we look at.

13 If we succeed in coming down to one urban set and one  
14 rural set, fine. Okay.

15 First of all, we are going to return to --  
16 return back to our goals. And we saw this slide. This is  
17 the slide that says PTAC goals and related types of  
18 performance indicators. For you on the phone hopefully,  
19 we are still together here. And this is just a refresher,  
20 that each of your three goals have certain types of  
21 indicators that do tie directly to those goals.

22 Goal number one related to access, the local  
23 investment type, and a service outcome type indicator.  
24 Support your first goal. Your second, efficiency and  
25 effectiveness, obviously, cost efficiency, cost

1 effectiveness and service effectiveness tied to the second  
2 goal.

3           The third goal, coordination. If you recall,  
4 the discussion before, that as you increase coordination  
5 you are also -- one of the outcomes are to improve your  
6 efficiency and effectiveness. So you see the  
7 effectiveness indicators, and the fact that coordination  
8 can result in increased local investment through  
9 contracting with health and human service agencies, for  
10 example.

11           So this is kind of to remind us that what we  
12 are doing here is tying these ultimate service performance  
13 indicators back to the goals and strategies. If you look  
14 at the types of performance indicators, when we left last  
15 time, we left with a family of indicators to take a look  
16 at. And basically, what we are doing is looking at  
17 various combinations of individual indicators, ultimately  
18 in a formula.

19           We have come down to really, just a handful of  
20 about five or six indicators that we are looking at  
21 recombining among these formulas. We have the local funds  
22 for operating expense. The tieback to your local  
23 investment goal and your coordination goal. You have  
24 ridership per capita as an indicator, which ties back to  
25 utilization by population and access, if you will.

1           Passengers per revenue mile, which is a service  
2 effectiveness indicator. How much outcome do you get for  
3 your input of service, in this case. Cost efficiency,  
4 which looks at how many miles do you run per dollar. How  
5 efficiently do you run the service.

6           Remember that cost efficiency is the one  
7 indicator that doesn't reflect at all on whether you pick  
8 up anybody or not. It really is how efficiently you run  
9 your vehicles, in effect. And then cost effectiveness  
10 which ties the cost back to the passengers. So those are  
11 really the families of indicators that we are looking at.

12          And so we are first going to take a look at the urban  
13 side.

14           MS. CHERRINGTON: Jeff, in their handout, in  
15 the materials, there is some other information.

16           MR. ARNDT: Oh, that is right. That is at this  
17 spot right now. Right.

18           MR. GILLIAM: We have -- that is a different  
19 handout? Okay.

20           MR. ARNDT: I thought that was in the appendix.

21           MS. OLIER: It is the measures of performance.

22           MR. ARNDT: Yes. The measures of performance,  
23 there is a few pages here that takes you through each of  
24 these measures of performance, and kind of tells you what  
25 kind of systems are advantaged or disadvantaged through

1 the use of those. This is a Word typed document, two  
2 pages. Does everybody see that? It says measures of  
3 performance on the top?

4 MR. GILLIAM: Oh, yes. I have got this.

5 MR. ARNDT: All right. We don't have a slide,  
6 because of the fact that you couldn't read it. But we are  
7 up there, which is why. All right.

8 MS. CHERRINGTON: The folks on the phone.

9 MR. ARNDT: Folks on the phone, do you have the  
10 Word document now?

11 MR. FARIS: Measures of performance.

12 MR. MADDY: Was that a separate document, or  
13 what?

14 MS. CHERRINGTON: No. It is in the handout.

15 MR. ARNDT: Yes. It is in the .pdf, the whole  
16 .pdf.

17 MR. MADDY: Okay.

18 MR. ARNDT: All right. If we take a look at  
19 this, what it talks about is a kind of operations that are  
20 typically advantaged and/or disadvantaged by indicator  
21 type.

22 So if you look at the indicator of revenue  
23 miles divided by operating expense, how cost efficiently  
24 do you run, so again this doesn't take into account  
25 customers, then you talk about the fact that providers

1 that operate at higher speeds have a benefit, because  
2 typically your cost per hour goes down as your speed goes  
3 up. Providers that have good control of costs obviously  
4 have a benefit. And providers that coordinate services to  
5 get lower costs.

6 So those are the kinds of things that that  
7 indicator benefits. Disadvantaged providers are ones that  
8 don't control their costs, obviously, the other side.  
9 Medium size systems that kind of reach a point where your  
10 overhead starts taking that step function, because you are  
11 moving to that next level of service.

12 So you are going to go through almost an  
13 adolescent period, if you will, where your cost efficiency  
14 is going to drop, until the system catches up with that  
15 step function -- ridership, in other words -- catches up  
16 with that increase in management and supervision, as you  
17 move toward the larger system. High density systems that  
18 have slower operating speeds, by definition, it is going  
19 to run your costs, your costs per mile up.

20 And transit system designs that have lower  
21 operating speeds. So you see that kind of recurring theme  
22 of operating speed, relative operating speed, cost  
23 control, and then the factor that as you move up in step  
24 function, that specific indicator takes a hit. Okay.

25 If you look at passengers per operating

1 expense, well, obviously providers that have a high  
2 ridership should do well there. Right. People that have  
3 a fixed route system typically are going to have an  
4 advantage over people that have non-fixed route systems.  
5 Providers, I should say. Providers that coordinate  
6 service should have the benefit here.

7 Service areas, in this case, that are densely  
8 developed have the benefit. Recall that in the other  
9 case, they had a dis-benefit, which as we have been saying  
10 repeatedly is one of the reasons why you use families of  
11 indicators rather than a single indicator, because you  
12 kind of get a balance there between those things.

13 And areas that are transit intensive should  
14 have the benefit, because they should have that ridership.

15 It ties back to the ridership. Disadvantaged systems, a  
16 new start system is going to have a disadvantage, because  
17 as the service matures, you are going to be coming up a  
18 ridership curve. So you put a level of service out there  
19 to attract the riders.

20 But it takes you time to attract the riders.  
21 So you have kind of a lagging effect there, on that  
22 indicator. Providers that are in a growth mode, where  
23 ridership is not fully developed. The same kind of aspect  
24 as a new start. If you are in a lower density system, you  
25 are at a disadvantage on this indicator.

1           If you have a flexible route or demand  
2 response, you have a disadvantage with this indicator. So  
3 we can go through all these indicators, and you can see  
4 the various aspects of service design, service delivery.  
5 Management, both the size of management and the  
6 effectiveness of management affect these indicators.

7           Let's look now at passengers per revenue mile.  
8       Again, as passengers go up, you are going to be  
9 advantaged. So the systems that have high ridership, well  
10 designed fixed route systems, again fixed route systems  
11 have that advantage over the flexible route or demand  
12 response type system.

13           A portion of that is mitigated by the fact that  
14 in the urbans we have already agreed to tier a piece of  
15 the people that have restricted eligibility, which would  
16 affect this indicator. Providers that coordinate service  
17 benefit, densely developed areas, transit intensive  
18 services. So very similar to a passengers per operating  
19 expense.

20           Disadvantaged systems are very similar with  
21 respect to passengers per operating expense. So those two  
22 indicators tend to track in a similar way. Next page.  
23 Now, local funds per operating expense are tying to  
24 completely different aspects, obviously, of the providers.  
25       So a provider that has high fares and high ridership are

1 going to generate higher farebox revenue. That is going  
2 to work to their advantage, obviously.

3 Providers that are able to contract for  
4 service, or that receive revenue for providing medical  
5 transportation services, or that coordinate services with  
6 others. Those are the kinds, all those kinds of aspects  
7 are going to increase your local funds.

8 If you have a locally dedicated sales tax,  
9 obviously, that is going to work to your advantage there.

10 And so Laredo would have an advantage specifically with  
11 that indicator. Providers that require a local  
12 contribution exchange for service. Again, that is  
13 something that you are trying to encourage, going back to  
14 the criteria for looking at funding scenarios, and back to  
15 your goals and objectives. But this ties very  
16 specifically to that. And if you are in an area where the  
17 local government does invest. So those are all kinds of  
18 circumstances under which you will perform well.

19 Providers that are at a disadvantage are those that are in  
20 areas that don't have high local contribution, don't have  
21 high fares, don't have high ridership to generate high  
22 fares. So it is the opposite.

23 Looking at ridership per capita, and this is  
24 the one per capita piece that remains in some of the  
25 alternatives that we have. Ridership per capita, if you

1 are in a system that generates a fairly significant amount  
2 of ridership from people who are outside of the population  
3 base, that is going to help you. So transit intensive  
4 cities for example, are going to have a benefit. If you  
5 have a high degree of tourism, or a high student  
6 population that rides your bus for example, those are the  
7 kinds of areas that benefit with that indicator. Also, if  
8 you are in a rapid growth area, you are going to benefit  
9 to the extent that you can reflect that through your per  
10 capita. And since we only update that with the census,  
11 that is going to be a lagging update if you will.  
12 Disadvantaged areas are where --

13 MS. CHERRINGTON: Excuse me. Just let me make  
14 a point. Because you don't update it frequently, that  
15 means that if you are a fast growing area, and your  
16 ridership is growing, you are going to get the advantage.

17 MR. ARNDT: Right. You will get that.  
18 Exactly.

19 MS. CHERRINGTON: So your ridership might be  
20 over -- might grow faster than your population does, but  
21 you have got a stuck number for ten years.

22 MR. ARNDT: One of the main areas of  
23 disadvantage is if you have a large service area, a large  
24 area in which you serve, and population that you serve,  
25 but you don't serve that whole area. So the per capita

1 side covers all these folks, but the service side only  
2 covers a relatively smaller portion, and therefore your  
3 ridership is probably not going to be -- ridership per  
4 capita is not going to be commensurate. So each of these  
5 indicators obviously advantage certain circumstances,  
6 disadvantage others. I want to again make sure you return  
7 to the fact, and Linda said to pull the sheet, which I did  
8 dutifully. You know, that we are trying to make sure that  
9 we are fair and consistent and that we meet needs and  
10 enhance service that reward efficiency and effectiveness,  
11 that we encourage local investments. So all of these, in  
12 different ways, do that. Okay, the next slide --

13 MS. CHERRINGTON: There still is just another  
14 one.

15 MR. ARNDT: Oh, there is one more. The next is  
16 a table. A table across the top just has urban and rural,  
17 and it has a list of indicators. Everybody there? Okay.

18 This is just to kind of lay out the various scenarios  
19 that we have four sets of combinations of indicators that  
20 we are looking at. So if you look along the indicator  
21 edge, there are 1, 2, 3, 4, 5, 6. And I said there was  
22 five, but there is a sixth indicator, because there is one  
23 in the existing urban formula and since we continue to  
24 track the existing formulas, there is one in the existing  
25 urban formula that didn't appear in any of the additional

1 suggestions. And that is the revenue miles per capita.  
2 So you see that on this table you have local funds per  
3 operating expense, ridership per capita, revenue miles per  
4 capita, passengers per operating expense, revenue miles  
5 per operating expense, passengers per revenue mile. The  
6 five that we just talked about, plus the one additional  
7 that is in the current formula. And if you look at the  
8 urban side, there are four alternatives, and you can see  
9 which indicators are included in each alternative, and how  
10 each of those indicators are weighted. And that is  
11 probably really useful as we get toward the end, kind of  
12 keeping track of which alternative we are talking about  
13 and which indicators are in that alternative, and how they  
14 are weighted.

15 So for example, the current urban funding  
16 formula has 33 percent to local funds per operating  
17 expense, 33 percent to system trip per capita, 33 percent  
18 to revenue miles per capita. Everybody tracking that?  
19 And so as you go through the various alternatives, you  
20 will see how the indicators change, the weightings change,  
21 and you have the urban side and the rural side. Okay.

22 Next are just this one table. All these  
23 tables. Next are tables that are going to talk about  
24 relative performance rankings of the urban systems. Okay.

25 So what we did is we took all of these performance

1 indicators, each of the six that could possibly apply in  
2 any of the formulas on the urban side of the equation, and  
3 for each of the urban providers, we have given them a rank  
4 for each of those indicators. So at the top, it says,  
5 illustration of relative performance ranking 2005 for  
6 urban transit systems. Everybody with me there? And you  
7 can see on the left hand side, the list of all the  
8 providers. And then across the top, you see each of the  
9 performance, six performance indicators, individual  
10 performance indicators.

11 And you can see that each provider has a score  
12 for each one of those, and that is a relative score, with  
13 four being the best, the highest, and one being the worst.

14 So if you read across, you see that Abilene gets a three  
15 for local funds per operating expense, three for ridership  
16 per capita. Everybody following that? That is just  
17 useful to kind of refer back to as we go along. But what  
18 we are going to do is look now behind that, at each of  
19 those individual performance indicators and how they  
20 array. So if you turn to the next page --

21 MR. FARIS: One comment on that, Jeff, before  
22 you go on -- a quick look. It just really appears as  
23 though our enclave cities are on the bottom of the scoring  
24 category there.

25 MS. CHERRINGTON: And that is because they are

1 actually providing service to a lower share of the  
2 population; there is higher cost to provide it. It really  
3 actually reinforces the value of your having separated  
4 them as a different tier.

5 MR. ARNDT: Right.

6 MR. FARIS: Thank you

7 MR. ARNDT: You made a good decision. Okay,  
8 the first page, illustration of performance 2005 data,  
9 urban transit providers. And the center column is local  
10 funds per operating expenses. Is everybody on that page?

11 So this is an array from high to low. Highest, local  
12 funds per operating expense to lowest funds per operating  
13 expense. And each of these charts that you see are  
14 organized the same way. What we did is we arrayed from  
15 high to low.

16 MR. WILSON: Does this mean Texas City, for  
17 example -- this is John Wilson.

18 MR. ARNDT: Yes, John.

19 MR. WILSON: Does that mean they are paying  
20 their whole entire operating expense with local share?

21 MS. CHERRINGTON: That says that that is what  
22 they reported in their performance data for 2005. All we  
23 can show you here is their 2005. It is half of it. It  
24 means they are paying a little more than half of it.

25 MR. WILSON: Oh, that is what that means. Is

1 they are paying more than half of it. Okay. Because at  
2 one point, I would think that that was 100 percent. Okay.  
3 But you are saying that that is just half of it.

4 MS. CHERRINGTON: Well, let me see. No, let me  
5 take that back. It is not. You are right. It says that  
6 the dollars they reported, and local funding is greater  
7 than the cost of operating.

8 MR. WILSON: Okay. Well, that can't be true.

9 MS. CHERRINGTON: Well, this is the data they  
10 reported.

11 MR. WILSON: Okay. All right.

12 MS. CHERRINGTON: We can only show you the data  
13 that they reported.

14 MR. WILSON: I am just trying to understand  
15 what I see here.

16 MS. CHERRINGTON: No. But I am also trying  
17 to -- do you see that this is another -- you all asked me  
18 a question a minute ago about South Padre. This is  
19 another good example that probably merits investigating  
20 further the 2000 performance data, in advance of running  
21 the formula at the end of the summer.

22 MR. WILSON: Okay.

23 MR. ARNDT: Absolutely.

24 MS. CHERRINGTON: But is a very good point.

25 MR. WILSON: Okay. I just want to make sure

1 that --

2 MS. CHERRINGTON: That you are reading it  
3 right?

4 MR. WILSON: Okay.

5 MR. ARNDT: John, we are going to get back to  
6 another one that you will find even less believable.

7 MR. WILSON: All right.

8 MR. ARNDT: Just to explain how this ranking  
9 system works, what we did is we took the high and the low.  
10 As you can see, we have a high and a low. And we found  
11 the median, which is just the number of which there are  
12 equal numbers above and below. So we basically divided  
13 the group into two. And at that point, we took the  
14 median, whatever the median was, and we found the  
15 average -- the arithmetic average, if you will -- between  
16 the high in the median and the low in the median. So you  
17 have, if you look over along the far right hand side, you  
18 see you have a 1.031. That is the high. The median was  
19 0.310 median. The low 0.044. The average of 1.031, the  
20 high, and 0.310 is 0.67. So we just found that average  
21 point between the two. So you don't get equal  
22 distribution necessarily above and below the line. You do  
23 have an equal distribution, equal numbers, above totally  
24 above, and totally below. But the split between one and  
25 two and three and four are not equal. These are not

1 strictly --

2 MS. CHERRINGTON: And the reason why we did it  
3 that way is, you see some of the what do you call it when  
4 you have a bell chart?

5 MR. ARNDT: The outliers.

6 MS. CHERRINGTON: The outliers. When you have  
7 just a few at either end, they are significantly different  
8 than the others. And you can kind of see that, by looking  
9 at this that way. This is strictly to give you  
10 information about the relative standing of the various  
11 providers, using these performance indicators. That is  
12 all this is for. You see things like you saw, John.

13 MR. WILSON: Well, I can assure you that this  
14 is not right, because I know Beaumont, for example, gives  
15 a lot of local share from the local government. And so  
16 does Port Arthur, and yet they are at the bottom of the  
17 list. And so maybe the others have a lot of other  
18 contracts or things like that. But this just doesn't look  
19 right to me. Just FYI.

20 MS. CHERRINGTON: It is an indication that the  
21 performance information has a lot of variability in it,  
22 and a lot of need to continue to work on the improvement  
23 of that performance information.

24 MR. MADDY: This is Mark. And what this says  
25 to me also, you are talking about the discrepancies in

1 this. This is where when I know that I have spoken of  
2 accountability and having an audit of the data that is  
3 sent in to us, because you know that the very first one to  
4 have 100 percent, over 100 percent of your local funds for  
5 operating expense. That just does not jibe. So why do  
6 they need state funding if they have it all?

7 MR. GILLIAM: Okay. Thanks, Mark.

8 MR. ARNDT: Thank you, Mark. The next page  
9 provides the same information but for the indicator  
10 passengers per capita. So you see in this case, in this  
11 case you have a couple of operators who are way at the  
12 top. And so when you take and look at how that top  
13 portion splits, we only have two operators who have got a  
14 score for, and we have got a number that got a score of  
15 three. The bottom part splits more evenly. The next  
16 page --

17 MS. CHERRINGTON: Just a second. Are there any  
18 observations or comments about that particular bar chart?

19 MR. WILSON: I think this is more true.

20 MR. GILLIAM: John likes this one.

21 (General laughter.)

22 MR. ARNDT: I thought you might like it, John.

23 MR. WILSON: Thank you.

24 MR. ARNDT: The next page is revenue miles per  
25 capita. That is one of the indicators in the current

1 formula. Any comments on this page?

2 MR. WILSON: I am just really surprised that  
3 Mesquite is at the top.

4 MS. CHERRINGTON: Well, it would make it  
5 curious, wouldn't it?

6 MR. WILSON: Yes, it would.

7 MS. CHERRINGTON: For a demand response service  
8 for seniors and disabled.

9 MR. WILSON: To get more, right. So I just --  
10 it is just curious.

11 MS. CHERRINGTON: Well, again --

12 MR. WILSON: I agree with the others.

13 MS. CHERRINGTON: Well, it is more than  
14 curious. It is an indication of the need to verify data  
15 and to also point out performance data is not as solid as  
16 we might like.

17 MR. WILSON: Right. Okay.

18 MS. OLIER: It is an indication that that is  
19 what PTAC probably needs to look at, after we finish this  
20 process, before we go on, is to make sure that we are all  
21 on the same, and start from basis from the beginning,  
22 looking at what we all are reporting. That data is a  
23 problem with us, throughout all of this.

24 MR. MADDY: This is Mark. Was that Vastene  
25 that was speaking? I could barely hear her.

1 MR. GILLIAM: Vastene, yes.

2 MS. OLIER: I am sorry I didn't identify  
3 myself.

4 MR. ARNDT: Okay. The next page is taking a  
5 look at operating expense per passenger. This must look  
6 solid to you, John.

7 MS. OLIER: Look where Mesquite is on this one.

8 MR. ARNDT: Exactly. Yes. Exactly. And that  
9 is why Mesquite looks unusual on that one page.

10 MS. OLIER: This stuff doesn't make sense.

11 MR. WILSON: That is right.

12 MS. CHERRINGTON: No. Well, the other one  
13 didn't.

14 MS. OLIER: Oh, yes.

15 MR. WILSON: This one probably does.

16 MS. CHERRINGTON: Yes. Mesquite is seniors and  
17 disabled only.

18 MS. OLIER: Yes. But still.

19 MR. ARNDT: And I think again, you can see on  
20 this one this kind of, again, reaffirms that selection of  
21 a tier for those organizations.

22 MS. CHERRINGTON: Yes. You will see the  
23 bottom, or most of them are the seniors and disabled only.

24 MR. ARNDT: The next page is operating expense  
25 per revenue mile.

1 MS. CHERRINGTON: You will notice that two of  
2 the issues that we have had a lot of concern about the  
3 data is the miles.

4 MR. ARNDT: Right.

5 MR. WILSON: And this would be pretty much  
6 correct. And in some instances, I mean, if you were in a  
7 larger city, you are going to tend to have slower speed on  
8 the routes.

9 MS. CHERRINGTON: That is right.

10 MR. ARNDT: Right.

11 MR. WILSON: And you are going to have higher  
12 costs per mile.

13 MS. CHERRINGTON: This is also where we learned  
14 the point that Jeff made earlier that urban systems that  
15 are maturing and getting larger to meet larger urban areas  
16 incur a threshold step in costs, because now you have to  
17 employ additional supervision, additional concentration on  
18 your ADA para-transit. It is very reasonable and  
19 appropriate that the larger the operations are those that  
20 are seeing an increase per mile, because they have had  
21 that threshold step to them. That makes all the sense in  
22 the world.

23 MR. WILSON: I agree.

24 MS. CHERRINGTON: I also might mention, in  
25 addition to saying that the issues that we saw right away,

1 miles is still something that we would like to continue to  
2 focus on, as far as the quality of the data. And also are  
3 those systems that are smaller, and have less experience  
4 in reporting NTD data. So we looked at Mesquite, we have  
5 looked at Texas City. You are going to find NETS, you are  
6 going to find often that those systems that have less  
7 formal experience with NTD are more likely to have greater  
8 availability.

9 But I will also emphasize to you that I did  
10 talk with a provider of one of the better performing  
11 larger systems -- not John -- that talked to me about the  
12 fact that they had heretofore, when they reported their  
13 performance data, did not always scrub it, because it  
14 wasn't being used at the state level. And now that it is  
15 part of the funding formula, they suddenly recognize it is  
16 very important not only that they scrub it, but that it  
17 makes sense to federal reports and performance reports  
18 internally. And so you are starting to see the effect you  
19 want to have, but I will tell you there is always  
20 shakedown when you are trying to get some stability. And  
21 it is going to be much longer for the younger, smaller  
22 systems.

23 MR. ARNDT: The last urban page is passengers  
24 per revenue mile. And again, you will see that is  
25 Mesquite down at the bottom, based on the kind of service

1 they run, and the limited population they serve. So that  
2 is the background on the individual indicators on the  
3 urban side. Now we are going to look at the combinations  
4 of those on the urban side again. So we are at the slide  
5 that says, scenarios using different performance  
6 indicators -- urban. Urban as per 2005 urban indicators.

7 So this is the current indicator mix, which is local  
8 funds per operating expense, ridership per capita and  
9 revenue miles per capita. Each weighed equally, so 33  
10 percent.

11 MS. CHERRINGTON: You might just mention, we  
12 are looking at four different sets for the urban area, the  
13 first being the existing one.

14 MR. ARNDT: Right. In each case, we have the  
15 existing, and three options. So this is your current  
16 formula. All the scenarios we will note, all the  
17 scenarios use local funds per operating expense as an  
18 indicator. That seems to be the solid indicator. In this  
19 case, two thirds of the formula are based upon per capita  
20 measures. And so that means that areas with passengers  
21 that are not local residents, fast growth areas, transit  
22 intensive areas are benefitted as we talked about the per  
23 capita measures tend to benefit. The current formula,  
24 interestingly enough, does not include any measures for  
25 efficiency and effectiveness, per se.

1           So the first option we are looking is, well,  
2           the first one is the baseline. So okay. I will call that  
3           first option as the baseline. I was trying to make this  
4           one the number one. This is the PTAC's adjusted  
5           indicators. This is what John had discussed last meeting.

6           So you have four indicators now, weighted differently,  
7           local funds per operating expense at a quarter of it,  
8           ridership per capita at 20 percent, passengers per revenue  
9           mile at 35 percent, revenue miles per operating expense at  
10          20 percent. So we still have that local measure. What we  
11          have done is we have moved beyond -- at the bottom, we are  
12          measuring four different kinds of performance, if you  
13          will. Local investment, which we have before, transit  
14          intensity and local investment, which we had before, but  
15          we have introduced service effectiveness and cost  
16          efficiency. So we have really broadened out the current  
17          formula significantly with this mix of indicators.

18                 Option three is to take a look at the urban  
19                 systems but to use the current rural indicators, which are  
20                 local funds per operating expense, passengers per  
21                 operating expense, revenue miles per operating expense.  
22                 Again, we keep that one, local funds per operating  
23                 expense, they are all weighted equally, and we really have  
24                 looked at efficiency, effectiveness and local investment.

25                 We did lose the aspect of any kind of focus on transit

1 intensive -- degree of intensive, whatever the word is.  
2 How intensive it is.

3 MR. FARIS: Jeff, I am sorry. Can you tell me  
4 what slide we are on?

5 MR. ARNDT: Okay. We are on --

6 MR. MADDY: This is Mark. We are on number 69  
7 on the .pdf.

8 MR. ARNDT: Oh, good. Scenarios using  
9 different performance indicators, urban with 2005 rural  
10 indicators.

11 MS. CHERRINGTON: The .pdf and the printout  
12 have two different sets of numbers. So those on the phone  
13 will have a different number than those in the room.

14 MR. GILLIAM: I'm just moving to 54.

15 MR. ARNDT: I know. Exactly.

16 MR. GILLIAM: Is the one we were on, on the  
17 ones that we have here?

18 MR. FARIS: Got it.

19 MS. CHERRINGTON: Yes.

20 MR. GILLIAM: Okay. Yes.

21 MR. ARNDT: So as I noted, this formula has the  
22 benefits over the baseline, over the current formula, in  
23 that it introduces cost effectiveness and cost efficiency.  
24 What it does not do, compared to option two, is taking  
25 into account transit intensive systems. Okay.

1           Now we are going to move to the next, which is  
2 to use the 2005 rural indicators and then add in that  
3 fourth measure of service effectiveness. Recall that we  
4 talked about that typically transit management, there is a  
5 three legged stool. So we now have a cost effectiveness,  
6 a cost efficiency, and a service effectiveness measure,  
7 each at 25 percent. This one then gives the full gamut,  
8 but it still, as the prior one, does not reflect transit  
9 intensive development.

10           Observations, and again, recall that we are  
11 going to pause at the end of this, because our objective  
12 is to come down to one or perhaps two sets of indicators  
13 for moving forward and working the numbers with. As we  
14 said, there are two. First of all, there is one indicator  
15 that is used throughout the local investment, we are  
16 solid. There are two scenarios that have four indicators  
17 within the mix that we think are the most thorough. The  
18 first, the PTAC's adjusted indicators, and the second  
19 being the 2005 rural indicators adding the service  
20 effectiveness in. In comparison, either one of those, I  
21 think, give you a pretty broad look at the system. I  
22 think a much better look at the performance of systems  
23 than your current indicators do. The one has a measure of  
24 transit intensity, and the other one has a measure of cost  
25 effectiveness. That is the difference between the two.

1 So at this point, we would like to break and have  
2 discussion among the members here with respect to the  
3 combination of indicators that you would like to look at  
4 moving forward with on the urban side.

5 MS. CHERRINGTON: And I would like to comment,  
6 I would like to see us select one set, not move forward  
7 with two, because that multiplies the scenarios and it is  
8 going to limit you on other options. We would like to  
9 decide on one.

10 MR. GILLIAM: Okay. So we now have an  
11 opportunity to give feedback.

12 MS. MALONE: Are you saying that you think that  
13 the urban should be the same as the rural?

14 MS. CHERRINGTON: No.

15 MR. ARNDT: No, I am not.

16 MS. MALONE: Okay. Just not two of these. One  
17 of them.

18 MS. CHERRINGTON: Okay. I see what you are  
19 saying.

20 MR. ARNDT: Oh, no.

21 MS. MALONE: You said two. I am sorry. I  
22 thought you meant these two, and I am going --

23 MS. CHERRINGTON: No. I meant, of what we  
24 presented for urban, which is four different approaches,  
25 we believe that two merit are best balanced. And we would

1 like --

2 MR. ARNDT: We would love for you to select  
3 one.

4 MR. FARIS: This is Vinsen. And looking back  
5 on our slide 12 or 13 or whatever, that Linda set aside on  
6 hers there, on what we were trying to do as far as tying  
7 back to our goals, from where I am sitting, it looks like  
8 the bottom one, where we add in the rural indicators, is a  
9 much better option than that first one there. But I would  
10 love to hear from John Wilson.

11 MR. WILSON: Of course, I agree with the first  
12 one. I just think that local investment is a big part of  
13 that. And let me look back here. Let's see. Yes, we are  
14 looking at ridership per capita. I guess that is the one  
15 that you are indicating that that is. And if you go back  
16 all the way back to -- let's see just a minute.

17 MS. CHERRINGTON: The table?

18 MR. ARNDT: The tables.

19 MS. OLIER: Are you talking about the  
20 advantages and disadvantages?

21 MR. WILSON: Yes. The advantages and  
22 disadvantages. And I guess that would be on that  
23 particular one, the advantages, providers with a  
24 significant share of passengers that are other than local  
25 residents, fast growth service areas where ridership may

1 increase with growth, although reported population is the  
2 last census. Communities that are transit intensive, were  
3 cities, university towns, tourist towns. I guess in  
4 fairness, and I am on this Committee, that maybe indicated  
5 that maybe weighted towards Laredo, Brownsville, Lubbock.

6 Those cities are going to benefit by this particular one.

7 But I think also Beaumont would, because they have a high  
8 ridership in their particular city. I also think this  
9 particular thing is that you have -- it is going to  
10 benefit those cities that have a lot of service out there.

11 That is my opinion, more than anything else, is people  
12 who are trying to serve their populations are going to  
13 benefit by this particular measure. That is my opinion.

14 MR. GILLIAM: Did we lose someone, or did we --  
15 I want to make sure that Bob and Vinsen and Mark are still  
16 on the line?

17 MR. GEYER: Bob, still here.

18 MR. FARIS: Vinsen, still here.

19 MR. MADDY: This is Mark. I am still here.

20 MR. GILLIAM: Okay. There was just a beep on  
21 this end, and I am just trying to make sure. Okay.

22 MS. OLIER: Linda.

23 MR. GILLIAM: Okay. So any other comments.

24 MS. OLIER: Yes. This is Vastene. Linda, in  
25 going back to John's scenario, talking about the very

1 first one we talked about per capita. I don't remember  
2 what you told me in terms of your research of other areas  
3 that have looked at per capita in their measurements. Can  
4 you kind of refresh my memory on what was --

5 MR. ARNDT: Well, first of all, I actually  
6 caveat it all to say that we had reported that the  
7 majority of states do not use performance indicators. You  
8 have to start with that.

9 MS. OLIER: Right. Okay.

10 MR. ARNDT: And we were down to about five or  
11 six states that did.

12 MS. OLIER: Okay.

13 MR. ARNDT: Among the five or six states that  
14 did, Texas was unique in the use of a per capita  
15 indicator.

16 MS. OLIER: Okay. This is just my side of it,  
17 and I would like someone to help me with this. I am  
18 looking at scenario two and three. And when I look at  
19 them, I see that we basically cover all of the things in  
20 our goals and objectives that we set out, in terms of one,  
21 two and three. I don't know which one out of those two  
22 then, lends itself to some other discussion.

23 MS. CHERRINGTON: Rather than the number,  
24 Vastene, could you tell us the description of the two?

25 MS. OLIER: Yes. The urban with the 2005 rural

1 indicators and the one with the 2005 rural indicators plus  
2 the measure of cost, measure of service effectiveness.

3 MS. CHERRINGTON: I will point out, and John  
4 did in his comments, the one advantage of the PTAC  
5 suggested indicators that does include the transit  
6 intensity and local investment is, we have had a lot of  
7 discussion in the workshops and in the meetings about the  
8 fact that there are those communities whose service they  
9 provide, service people that are above and beyond the  
10 residential population. And so that is in particular  
11 going to include the -- not just the border cities, but  
12 cities whose population include a lot of folks who either  
13 come across the border, or in the case of Texarkana, who  
14 they are serving more than just the population on the  
15 Texas side. And so it does address one of the objectives  
16 that we have heard you all speak to. And that is the fact  
17 that we need to make sure not just the local investment,  
18 but the fact that the demand is disproportionate to the  
19 registered population, if that makes any sense.

20 And so I just want to point that out. That  
21 would be -- because I concur that the rural indicator of  
22 service effectiveness is also a good balance. But it  
23 would miss that option for you.

24 MR. ARNDT: And the other thing is, if you will  
25 recall, on the federal side, the federal side has created

1 actually a funding tier for transit intensive cities. And  
2 so what, on the state side, that suggestion, it doesn't do  
3 it in the same way. It is not structured in the same way,  
4 but it kind of parallels the federal thought that there is  
5 some money allocated, additional money allocated under  
6 those circumstances.

7 MS. CHERRINGTON: And it would also speak to  
8 the concern about counties that are growing so rapidly,  
9 but yet, you can't update the population to increase the  
10 need side. In this case, those counties, Collin County,  
11 McKinney, would have an opportunity, because you would  
12 presume that their ridership would outstrip their  
13 population, as their population grows at such a rapid  
14 rate. I forgot to mention that amongst the intensity in  
15 the cities.

16 MR. ARNDT: Right.

17 MR. WILSON: We did limit it to 20 percent  
18 also, instead of an equal 25 percent. I just wanted to  
19 point that out.

20 MR. GILLIAM: Do I have a motion then, for a  
21 recommendation?

22 MR. MADDY: This is Mark. I think I am hearing  
23 that in looking at the numbers on the slide, are we  
24 talking about slide 52 or on the .pdf, page 67, which is  
25 the urban with PTAC suggested indicators, with local funds

1 25 percent, ridership 20 percent, passengers 35 percent  
2 and revenue miles 20 percent?

3 MR. GILLIAM: That is correct.

4 MR. MADDY: That is the one we are looking at?  
5 Okay. I would make a motion that we adopt that as the  
6 suggested indicators.

7 MR. GILLIAM: Okay. So we have a motion by  
8 Mark. Could we have a second on that one?

9 MR. WILSON: I second.

10 MR. GILLIAM: John Wilson seconds it. So now,  
11 discussion on it. We are talking about, it is on page 52  
12 is the recommended one. And it is urban with PTAC  
13 suggested indicators. Any discussion on this?

14 (No response.)

15 MR. GILLIAM: All in favor, say aye.

16 (Chorus of ayes.)

17 MR. GILLIAM: Any opposed?

18 (No response.)

19 MR. GILLIAM: So we have adopted the indicators  
20 that are on page 52 on what we have here. Okay. I think  
21 there is some indication that a comfort break might be in  
22 order. I see it is 11:32. Why don't we come back at  
23 11:38. So you have got six minutes, because we need to  
24 make sure we get over this. Okay.

25 (Off the record.)

1 MR. GILLIAM: We are down now to -- we just  
2 have a quorum. So we need to get on, because -- if we  
3 intend to make some decisions on this. Okay. So Linda,  
4 if you will take over.

5 MS. CHERRINGTON: Yes. Mr. Chairman, I would  
6 like to make a clarification. When we were looking at  
7 those bar charts, and we are going to look at them again  
8 for the rural, and we had number that were per capita,  
9 some of those numbers are correct relatively. But they  
10 are all multiplied times 100. And that was done, so that  
11 you can see relatively. And we didn't explain that. So  
12 for example, if you look at that bar chart, and it shows  
13 that in Lubbock, there is over 2,000 passengers per year,  
14 per capita, that number actually is 200.

15 MR. GILLIAM: Okay.

16 MS. CHERRINGTON: They are multiplied times  
17 100. All of them are multiplied. The relative ranking,  
18 it does not change. But if you were trying to look at  
19 those numbers for actual, golly, how many actual  
20 passengers they are getting. It was multiplied times 100.

21 And I believe the reason for that is because in some  
22 systems, without that the number is like you know, .03.  
23 But we should have explained that, so that you didn't get,  
24 as Eric did, you know, obviously that isn't right. So any  
25 time you see a per capita measure, we have multiplied it

1 times 100. If you actually want to actually look at what  
2 the number was for performance, you would need to reduce  
3 that.

4 MR. GILLIAM: Okay.

5 MS. CHERRINGTON: Relatively, it is all the  
6 same.

7 MR. GILLIAM: Okay. But that has, I mean, I  
8 assume by the Committee members, this information has not  
9 influenced them in way -- to the past decision we have  
10 made? Okay.

11 MS. MALONE: And I have to make an ugly. That  
12 is because Eric is not used to these big figures in Texas.

13 MR. GLEASON: I would kill for these numbers.

14 MS. CHERRINGTON: That is exactly what brought  
15 the question.

16 MR. ARNDT: Eric now knows how we make them big  
17 in Texas.

18 MR. GLEASON: Everything is bigger in Texas.  
19 Right?

20 MS. MALONE: That is right.

21 MR. GILLIAM: So, Linda or Jeff, on the next  
22 one, we need a decision on it.

23 MR. ARNDT: Yes. Now we are going to move to  
24 rural.

25 MS. CHERRINGTON: I apologize. I was having a

1 conversation with Eric. What was the decision on urban.

2 MR. ARNDT: It was John's formula.

3 MS. CHERRINGTON: The PTAC suggested?

4 MR. ARNDT: Yes.

5 MS. CHERRINGTON: Thank you very much.

6 MR. ARNDT: Okay. We are now going to talk  
7 about the rurals. And we are back to some of the Word  
8 documents. And they are going to be very similar to what  
9 you saw with the urbans. So in the handout, right behind  
10 the observation page on urban. There is a sheet that  
11 says, performance indicators, urban, observations. After  
12 that, there are a series of bar charts again. This time,  
13 for the rurals. There are only four indicators for the  
14 rurals. Four indicators under discussion for the rurals,  
15 so it is a lot more simplified. So you see the summary  
16 chart at the top. Moving to the next page, illustration  
17 and performance, 2005. Performance rural transit  
18 providers. There is an operating expense per revenue  
19 mile. We have created these bar charts the very same way,  
20 using the top, the median, the bottom, splitting  
21 arithmetically in half.

22 MR. WILSON: There is no way. 24 cents per  
23 mile? There is just no way.

24 MS. CHERRINGTON: That's why we said the data  
25 has to be --

1 MR. FARIS: They do great things in East Texas,  
2 John.

3 MR. WILSON: Boy, they do, don't they?

4 MR. ARNDT: Yes. I think on the rural side  
5 particularly, without having had the structure of national  
6 transit database reporting, for example, that you are  
7 probably more vulnerable. So that is the first page. The  
8 second page is operating expense per passenger. The third  
9 page, passengers per revenue mile. And then the fourth  
10 page, local funds per operating expense. See in the rural  
11 systems that and perhaps, John, because of the way the  
12 numbers are, you wind up with stronger outliers among the  
13 rurals than you did among the urbans. We'll put it that  
14 way.

15 MR. WILSON: Yes. How about this person. They  
16 don't need any local funding if you realize what they --

17 MR. ARNDT: That is right. Exactly. So now we  
18 are going to look at the various combination of those  
19 indicators, and we are back to the PowerPoint part.  
20 Scenarios using different performance indicators rural.  
21 Okay. And the first option being rurals as per the 2005  
22 formula, which has three indicators: local funds per  
23 operating expense, passengers per operating expense,  
24 revenue miles per operating expense. So operating expense  
25 figures pretty strongly through the rurals here, all

1 evenly weighed; again, all scenarios include local funds  
2 per operating expense. And you are looking at the local  
3 investment and you are looking at the two cost factors,  
4 cost efficiency and cost effectiveness with your current  
5 formula. First option is to take that current formula and  
6 as we did before, add that fourth indicator. So you add  
7 in a service effectiveness indicator, passengers per  
8 revenue mile, and you weigh them all equally, 25 percent  
9 each.

10 MS. CHERRINGTON: You are actually adding in --

11 MR. ARNDT: I am sorry. Passengers per  
12 operating expense as service functions.

13 MS. CHERRINGTON: No. Revenue miles.

14 MR. ARNDT: That is what I said the first time.

15 MS. CHERRINGTON: I apologize. My mistake. I  
16 apologize.

17 MR. ARNDT: Okay. Nonetheless, we have four of  
18 them. And they cover the gamut. Okay. The next option,  
19 option three is to take local funds per operating expense,  
20 revenue miles per operating expense, and passengers per  
21 operating expense, so those are your three indicators, but  
22 weigh them a little differently. Weigh the revenue miles  
23 per operating expense twice as heavily as the other two.  
24 So you end up with a 25-50-25 weight. Is everybody on the  
25 right page, still?

1 MR. GILLIAM: It is 58 on the one that we have.

2 MR. ARNDT: Okay. Good. The emphasis,  
3 therefore, in this particular combination is on that cost  
4 efficiency measure, which reflects the fact that in lower  
5 density areas, you have this higher speed advantage. So  
6 it is an indicator that probably singles out rurals more  
7 specifically than the other indicators. And in this case,  
8 you are really measuring your local investment and your  
9 cost factors again, as we had in the first one. You are  
10 just weighing it a little differently.

11 MR. WILSON: Okay.

12 MR. ARNDT: And then the fourth option is to  
13 maintain three indicators, but to swap one out. Weigh  
14 them all three equally. Okay. So you have four options,  
15 your current and three variations: one variation which is  
16 your current mix reweighted, one which is your current mix  
17 with one added, so you have four rather than three. And  
18 one which is your current mix, swapping out one indicator.

19 MS. MALONE: Okay. You swap out is --

20 MR. ARNDT: Right.

21 MS. CHERRINGTON: The last option, PTAC  
22 suggested indicators, the indicator that you are not using  
23 is cost per passenger, passengers per cost. Instead, you  
24 are using passengers per revenue mile.

25 MR. ARNDT: And recall that in the current

1 formula, all three indicators use operating expense as the  
2 denominator. So this just rounds that out a little bit  
3 differently.

4 MS. OLIER: This is Vastene. I like the option  
5 that we have, the four indicators measures. That is the  
6 one that says rural as per 2005 indicators adding to it  
7 the measure of service effectiveness.

8 MR. FARIS: Vastene, I am having trouble  
9 hearing you. I am so sorry.

10 MS. OLIER: Okay. I will move closer to the  
11 mic. Can you hear me now.

12 MR. GILLIAM: Faris, can you hear her now?

13 MS. OLIER: No, I have got a mic in front of me  
14 now. Vinson, how is that?

15 MR. FARIS: Much better.

16 MS. OLIER: Okay. I move that we utilize for  
17 the rurals the formula that says rurals as per 2005  
18 indicators plus the measure of service effectiveness.

19 MR. GILLIAM: That is where it is weighted  
20 equally, 25 percent, all four?

21 MS. OLIER: That is correct.

22 MR. GILLIAM: We have a motion. Is there a  
23 second?

24 MR. GEYER: Bob Geyer. I am opposed to that.

25 MR. GILLIAM: Okay.

1 MR. FARIS: Bob, how come? Can you speak up?

2 MR. GEYER: Because I think there is too much  
3 emphasis put on the local investment and yes, that is a  
4 problem for us. I think it is a problem for other  
5 systems, too. I would like to propose scenario number  
6 two.

7 MR. GILLIAM: Well, I have a motion.

8 MR. GEYER: I know you have a motion. Go  
9 ahead. Okay.

10 MR. GILLIAM: Well, I just wanted to see if  
11 there is a second. If not, is there a second to Vastene's  
12 motion?

13 (No response.)

14 MR. GILLIAM: Okay. If there is not, then it  
15 sort of dies for lack of a second. So Bob, what is your  
16 suggestion?

17 MR. GEYER: Number two.

18 MR. GILLIAM: Number two, and when you --

19 MS. CHERRINGTON: Could you describe it please,  
20 Bob?

21 MR. GEYER: I guess it is rural with PTAC  
22 suggested indicators, number two.

23 MR. ARNDT: So it was the fourth option. It  
24 was the fourth one we looked at.

25 MR. GILLIAM: Yes. It is page 59. That is

1 where it is equally weighted with three different  
2 performance indicators?

3 MR. GEYER: Right. But I would like to suggest  
4 that the percentages be changed. So my motion is with  
5 that, that the percentages be changed to 15 percent local  
6 fund operating expense, 35 revenue miles operating expense  
7 and 50 passengers per revenue miles.

8 MR. GILLIAM: Okay. So that is your motion?

9 MR. GEYER: Yes, sir.

10 MR. GILLIAM: Okay. Then do we have a second  
11 for that?

12 (No response.)

13 MR. GILLIAM: No second, so it dies for a lack  
14 of a second. Okay. All right. Do we have any other  
15 thoughts or discussion on this?

16 MS. OLIER: Before we even get into some votes,  
17 maybe the compromise would be then to look at why perhaps  
18 either one of those two options did not receive a second.

19 Would there be some consideration -- and I will tell you  
20 why I didn't give you a second on the one you came up  
21 with, when you said 15-35 and 50. I would be more  
22 agreeable to them being equally weighted.

23 MR. GEYER: That is what number two currently  
24 is -- 33.

25 MS. OLIER: That is right, Bob.

1 MR. GILLIAM: Yes. That is page 59.

2 MS. OLIER: Right.

3 MR. GEYER: Okay. Well, I guess I can live  
4 with that.

5 MR. WILSON: In other words, I will make the  
6 motion to go with the rural with the PTAC suggested  
7 indicators number two, local funds/operating 33 percent,  
8 revenue miles/operating expense 33 percent and  
9 passengers/revenue miles 33 percent.

10 MR. FARIS: This is Vinsen, and I will second  
11 that.

12 MR. GILLIAM: So we have a motion and a second  
13 by Vinsen. Okay. Now, discussion.

14 MR. GEYER: Discussion. This is Bob. The  
15 reason I wanted to give them -- the urban we just passed,  
16 at least I believe, did give more emphasis to passengers  
17 per revenue mile. So if there is any way we could up that  
18 some, I mean, to give more emphasis, like it is on the  
19 urban, because I think that is important. Maybe on the --  
20 I don't know. I would just suggest, want to see if I  
21 could figure a percentage there. If it were just throw  
22 out 15, 25 or at least 40. Would you all consider upping  
23 that percentage to the kind of weight with the urban?

24 MR. GILLIAM: Okay. It depends on the motion  
25 and the second here, if they are willing to.

1 MR. GEYER: It could be 40-25 and 25 with the  
2 40 being the passengers per revenue mile. So that it  
3 gives more emphasis on --

4 MR. GILLIAM: Bob, your 40-25 and 25 doesn't  
5 add up to a whole.

6 MR. GEYER: It doesn't even add up, does it?

7 MR. GILLIAM: No, it doesn't add up to a whole.  
8 It may in El Paso, but not here. Okay.

9 MR. WILSON: Bob, I have a problem with that.  
10 I think that rural is -- I mean --

11 MR. GEYER: 40, 30 and 30. Let me get my math  
12 right.

13 MR. WILSON: Okay.

14 MR. GEYER: 40, 30 and 30. Does that add up,  
15 Mr. Chair.

16 MR. WILSON: No.

17 MR. GILLIAM: Yes. 40, 30 and 30 adds up.

18 MR. WILSON: Oh, 40.

19 MR. GILLIAM: Yes. 40, 30 and 30 adds up to a  
20 whole, so okay.

21 MR. FARIS: Could someone refresh me. This is  
22 Vinsen, on our previous percentages on the urban?

23 MR. ARNDT: On the urban, the percentages were  
24 25 percent local funds per operating expense, 20 percent  
25 rides per capita, 20 percent revenue miles per operating

1 expense, 35 percent passengers per revenue mile.

2 MR. WILSON: Now, this is John Wilson. As far  
3 as passengers per revenue mile, that would indicate more  
4 of an urban setting for a rural operator, and I think that  
5 gets away from what I think is supposed to be rural. Am I  
6 wrong here? Am I missing something, Bob?

7 MR. GEYER: Well, I am just thinking of the  
8 fact that the revenue miles for those who have to come  
9 into the urban areas to serve people, so you know, I just  
10 think it takes into consideration that more so. But if  
11 you don't do it, and with a 40-30-30 split, it is not that  
12 big a difference. But it is.

13 MR. GILLIAM: You are wanting to put more  
14 emphasis on the local funds, operating expense at 40?

15 MR. GEYER: No. On the passengers per revenue  
16 mile.

17 MR. GILLIAM: Oh, bottom up. Okay.

18 MS. CHERRINGTON: Bob, this is Linda. We had  
19 looked at the rule with PTAC suggested indicators number  
20 one, in which we were putting more emphasis on cost  
21 efficiency for rural operators. And I guess I would echo  
22 John's point, that passengers per revenue mile is an  
23 indicator that across the board, rural providers are going  
24 to really struggle with. And the number is not going to  
25 look very good for most rural providers because of the

1 nature of the service, whereas their cost efficiency is  
2 going to look good.

3 MR. GEYER: Okay. I will go along with the  
4 motion, equal 33-33-33. That is fine.

5 MR. GILLIAM: Any other discussion on the  
6 motion?

7 (No response.)

8 MR. GILLIAM: All in favor, say aye.

9 (Chorus of ayes.)

10 MR. GILLIAM: Any opposed?

11 (No response.)

12 MR. GILLIAM: Okay. So we have adopted the  
13 rule with PTAC suggested indicators number two. Okay.

14 MS. CHERRINGTON: Very good. Moving along, we  
15 are coming back now to the page that is indicated. By the  
16 way, we have taken another big leap forward. We are now  
17 coming to the page that addresses allocating funds for  
18 need and population.

19 MR. GILLIAM: That is 61 on the page that we  
20 have here, for those on the phone.

21 MS. CHERRINGTON: Okay. Going to the next  
22 page, which says allocating funds for need and  
23 performance. The discussion says that right now the  
24 formula is 80 percent need and 20 percent performance.  
25 And we wanted to look at an option to go to 50 percent

1 need and 50 percent performance. And we wanted to look at  
2 this to try to draw the distinction. One of the things  
3 that we wanted to mention to you, is that you clearly  
4 could go somewhere in-between. But we wanted to look at a  
5 more dramatic difference, so that we can kind of analyze  
6 the impact. The next page in the handout is a chart. And  
7 there are two charts. The chart is titled, illustration  
8 for need and performance for urban transit providers. It  
9 is based upon scenarios suggested by PTAC number one, for  
10 urban. So this would be the one that you had agreed to.  
11 Okay. We are fortunate there. And what we have done is,  
12 we essentially tried to identify those systems.

13 Now, remember, we are looking at 2005  
14 performance information as reported, and we are showing  
15 that when you look at those with higher need; that is, the  
16 ones, if you look on the column, the vertical column, the  
17 ones with higher need are at the top, number two. You  
18 will see Amarillo, Killeen, Port Arthur. These are  
19 communities whose population and area -- excuse me --  
20 population, this is on the urban, population indicates a  
21 higher need than those on the bottom. Their population is  
22 higher. Then, if you look across the horizontal, you look  
23 at performance, and the ones under number two have a  
24 higher performance reporting.

25 So the ones that are in the block with two for

1 performance and two for need are high need, high  
2 performance, and they include Brownsville, Laredo,  
3 Lubbock, Waco, Midland-Odessa. And I did go back and look  
4 at some of these, i.e. College Station-Bryan which we  
5 might not typically expect to be there.

6 And this is as the performance information  
7 reported it for performance. These are relatively the  
8 higher population communities. That is why they are on  
9 the top end for need. And if you look at the ones that  
10 are one performance, two need, they also have a very high  
11 need, but their performance isn't as good as the first  
12 block.

13 And if you go down and you see those that are  
14 one for performance and one for need, they are the  
15 systems, Lake Jackson, Texas City, Tyler. These are the  
16 systems that may be serving demand response, maybe newer  
17 systems, just generally don't have as good a performance.

18 And they have a lower end of the population. And then  
19 again, you go to the far right bottom, you have a high  
20 performance, low need. And once again, you see cities  
21 that have a relatively lower population but are performing  
22 well. So for example, you see Galveston there. Galveston  
23 has a low population, but one of your better performing.

24 Now, what the intent of this table is, if you  
25 were to move more toward need, you would be moving more

1 toward going up the upper tier. And so it is giving you a  
2 relative impact. Who is going to be impacted? Those that  
3 have higher performance are going to be impacted more  
4 favorably.

5 Those who have lower need are not going to be  
6 impacted as favorably, because they are going to be losing  
7 that -- excuse me -- that have higher need won't have as  
8 high an impact, because their needs section is going to  
9 drop. So who is going to get the best? The one in 2-2 is  
10 going to do the best. They are going to do good, no  
11 matter what. They are going to be high for need, high for  
12 performance. You shift your weights. You are still going  
13 to be doing well. The ones that are not going to be doing  
14 as well, if you go down, the one that is in 2-1 is -- I am  
15 sorry. The one that is in one for performance, two for  
16 need, they are going to be disadvantaged, because now you  
17 are reducing the need portion that they were high on, but  
18 you are increasing the performance. So that is a relative  
19 shift.

20 The other point that we would make in this  
21 information is the documentation we have already provided  
22 you that the performance data is still A, at a minimum,  
23 has varied a great deal in a very short period of time.  
24 Secondly is perhaps shows an indication of a need to  
25 improve the quality of that data, and that may be more

1 than just checking the numbers; that may be the way it is  
2 collected, the way it is reported, the way it is  
3 interpreted. And so we share that with you.

4 I will go to the next page, and that is the  
5 same table for rural providers. And in this case, we used  
6 as our example, need based on scenario suggested by PTAC  
7 number two, which is the one that you just approved. And  
8 again, you will see those that have high need and high  
9 performance.

10 Now, the good news is that is the largest share  
11 of the systems that are high need, high performance. And  
12 you will see the same breakout. The ones that are in the  
13 upper right corner have both good performance, and high  
14 need. The ones that are in the lower left corner have  
15 lower need and lower performance. I want to show you one  
16 more chart before we go to discussion on this.

17 The next table is titled needs, measures for  
18 rural funds sorted by 75 percent population and 25 percent  
19 land area. This is in response to a question that Donna  
20 Halstead asked us to answer when she was looking at the  
21 weighting for need. This is the weight for need for the  
22 rural systems. And what we did is, we took the weighted  
23 population and we ranked them.

24 We looked at the weighted land area and we  
25 ranked them. And then we looked at the comparison. And

1 this is sorted by the last column. And what she asked is,  
2 by including area, did we skew the ranking.

3 Basically, the theory might be that more West  
4 Texas properties might be skewed because of this ranking.

5 And the answer is, you don't. This is still driven  
6 mostly by population and while there is some change,  
7 generally you have some very large areas that might push  
8 you up some, but it has not skewed the information. And  
9 you have as many on the east as the west, and you have as  
10 many on the south as the north. This is the answer to  
11 Donna's question. 75-25 does not give you any skewing of  
12 information. It does give a slight advantage to the  
13 larger systems. The larger area, in addition to the  
14 larger population. So that is all we wanted to present  
15 that for. We think that that answers that question.

16 Okay. Going to the next page, it says  
17 allocating funds for need and performance, observations.  
18 Our observations are that there is variability of the  
19 performance reported, indicating a need for additional  
20 work with providers to confirm the data collection and  
21 reporting. Our second bullet is if the performance  
22 portion of the funding allocation is increased, providers  
23 may see some significant variance in funding year to year.

24 Now, obviously the transition phase mitigates  
25 that, but that is going to change that allocation. And

1 then rural providers -- we just wanted to point out that  
2 generally need in rural areas in the state exceeds the  
3 service that is available to meet that need. If you just  
4 look at the population in the area, and you look at the  
5 dollars attributed to rural, need is really the overriding  
6 concern. And so we would make the observation that you  
7 may want to consider a higher relative need for rural  
8 areas, even if you might consider something else for  
9 urban. And those are our observations.

10 MR. WILSON: Mr. Chairman, I move that we move  
11 the performance indicators versus the needs to 50-50.

12 MR. GILLIAM: Which scenario would we be  
13 appropriating from?

14 MR. WILSON: It is the whole scenario. It is  
15 the beginning scenario, I guess.

16 MR. GILLIAM: Okay.

17 MR. WILSON: From the very beginning. I am  
18 just saying 50-50. And the reason why I say that is  
19 because I feel like the Commission has asked us to look at  
20 needs and look at performance. And I think if you are  
21 going to look at performance, you need to look at  
22 performance. And it should be 50 percent. And that is  
23 just what I feel like.

24 MS. MALONE: I'll second that motion.

25 MR. GILLIAM: Okay. So John Wilson made the

1 motion. Reba Malone seconded it. So all right, now  
2 discussion.

3 MR. WILSON: I would like to say one more thing  
4 about that is that with 50 percent, we definitely need to  
5 keep the no more than 10 percent, because I think the  
6 Commission had indicated in their last -- when they were  
7 approving the last formula, indicated that changes were  
8 too rapid, and they wanted to make sure there were some  
9 safety guard. And I think if you have a 10 percent  
10 reduction, it is a safeguard we need. Just FYI.

11 MR. GILLIAM: Is that part of your motion?

12 MR. WILSON: I guess. I would go with 50  
13 percent with a no more than 10 percent loss of funding.

14 MR. GILLIAM: Reduction. Okay. Does second  
15 accept that?

16 MS. MALONE: I'll go along with that.

17 MR. GILLIAM: All right.

18 MR. GEYER: 10 percent would be each year,  
19 John? Right?

20 MR. WILSON: Yes, 10 percent of each year. You  
21 could not go below, each year, you would not go below 10  
22 percent reduction.

23 MR. GILLIAM: Okay. Any other discussion on  
24 the motion.

25 MS. MALONE: But with the higher performance

1 rate, it will be some incentive for some of these people  
2 to work a little harder. And one of them maybe would be  
3 on their statistics that they turn in.

4 MS. OLIER: Well, I think that is an overall  
5 problem.

6 MS. MALONE: Yes.

7 MS. OLIER: Not just individual agencies. I  
8 think there is just work that we need to do.

9 MS. MALONE: Yes.

10 MR. GILLIAM: Any further discussion on the  
11 motion?

12 (No response.)

13 MR. GILLIAM: All in favor, say aye.

14 (Chorus of ayes.)

15 MR. GILLIAM: Any opposed?

16 (No response.)

17 MR. GILLIAM: Okay. So we have adopted the 50  
18 percent.

19 MS. CHERRINGTON: Okay. Then we go next to  
20 resetting the baseline year and the funds available. I  
21 will mention to you that this is the section where the  
22 three additional pages that we provided this morning will  
23 come into play. Ginnie, where are those, for the folks in  
24 the room.

25 MR. GILLIAM: They're in the various,

1 underneath.

2 MS. CHERRINGTON: If you all would, and I said  
3 slide 65, which may not be which you all had. If you  
4 could just pull those out, and we are going to refer to  
5 them in just a moment. Okay. For those of you, we will  
6 describe them. Did everyone get these slides? Mark, you  
7 may not have them.

8 MS. OLIER: Mark left us.

9 MS. CHERRINGTON: Oh, he did.

10 MR. GILLIAM: Yes. Mark is -- he left us at  
11 11:39.

12 MS. CHERRINGTON: Oh, I apologize. I did not  
13 realize that. Okay.

14 MR. GILLIAM: We still have a quorum.

15 MS. CHERRINGTON: Yes. Bob and Vinsen, do you  
16 still have -- did you get those three slides this --

17 MR. FARIS: Yes, I got four slides or something  
18 like that.

19 MS. CHERRINGTON: Yes.

20 MR. GEYER: That is what came this morning?

21 MS. CHERRINGTON: Yes.

22 MR. GEYER: Okay.

23 MS. CHERRINGTON: And we are going to refer to  
24 them in this section. Okay. We are talking about  
25 resetting the baseline year funds available. And the

1 first specific topic we are talking about is resetting the  
2 base year for the rural federal fund allocation. Now,  
3 this is reflective of what you passed in your PTAC meeting  
4 in December.

5 MR. WILSON: Okay.

6 MS. CHERRINGTON: Okay. Now, the question is  
7 not -- so the first step is, so what does that mean. And  
8 the second is, do you want to discuss making that your new  
9 base year for reconciling all the systems for the formula?

10 Okay. So first of all, to walk through with this. We  
11 are allocating additional funds that have been provided  
12 under federal Section 5311 above the 2004 level. The  
13 federal dollars increased specifically to provide  
14 additional funding to meet the need for public  
15 transportation in rural areas as evidenced by the Dear  
16 Colleague Letter from FTA. The approximate increase in  
17 federal funds in Texas -- and this is after we allocated a  
18 portion of those funds for discretionary use by the  
19 Commission -- is 10 million over the 13.5 that was  
20 previously allocated. Are we all together on this?

21 MR. GLEASON: The only thing I have a question  
22 on, I believe the previous allocation number is 13.1. I  
23 don't know where the 13.5 --

24 MS. CHERRINGTON: And I apologize. When I  
25 typed this, I put .5 because that is what I remembered.

1 It is either .1 or .8. We have got different numbers.

2 MR. GLEASON: It is .1.

3 MS. CHERRINGTON: Point one.

4 MR. GLEASON: 13.1 is the baseline.

5 MS. CHERRINGTON: Could you all please correct  
6 your spreadsheet to just put 13, I mean, your page. 10  
7 million over the existing 13.1 previously allocated.  
8 Okay. Now, PTAC in December recommended that for 2006,  
9 that the Commission consider the following. The  
10 Commission has not acted on this. The formula and  
11 transition be applied for 13.1 million; that is, that you  
12 use the formula, and then you do the -10 percent maximum  
13 decrease and then adjust the upper end. And then an  
14 additional 10 million be allocated by the formula, but  
15 without the transition.

16 You have already done the transition for the  
17 year, so this is an additional funding allocation by  
18 formula as an incremental increase to each provider. So  
19 that gives additional dollars to each rural provider to  
20 meet needs consistent with the FTA Dear Colleague letter.

21 Now, the question on the table now is, should  
22 that new total dollar allocated for 2006 be established as  
23 a new base year for rural federal funds. And I want to  
24 emphasize that when I put the consistent with the federal  
25 intent for the FTA Dear Colleague letter, that goes with

1 the fact, the very first bullet.

2 They said their intent was to provide more  
3 funding because there was so many rural areas without  
4 transit. That is probably in the wrong bullet. Okay.

5 Now, the next page, I would like to now draw  
6 your attention to the charts that I gave you this morning.

7 And I want to look at the first bar chart. This is  
8 illustrative only, but we are using some numbers that are  
9 real.

10 This is an example of a rural provider who is  
11 already gaining from increased formula funding. If you  
12 look at -- the state money is the lighter color; the  
13 darker color in the first bar is in 2004, this provider  
14 got the lower end with the state money they got; the upper  
15 was the federal. In 2006, you will see that they  
16 increased the dollars.

17 Remember that this is a provider that is  
18 getting an increase in funding, so they had, for point of  
19 information, this provider could not have had more than  
20 about 25 percent more state money and not more than about  
21 30 plus percent federal money. But you see, they went up.

22 Now, what this -- what you recommended in December would  
23 do, would be to add that additional money at the top. So  
24 you see that is a pretty significant boost to a system  
25 that is already getting additional money. Yes?

1           MR. GLEASON: Linda, I am sorry. This is Eric  
2 again. I need some clarification. I believe, I thought  
3 anyway, that the previous PTAC recommendation on that 10  
4 million was to suggest to the Commission that they  
5 continue to set aside 2 to 3 million of that for  
6 discretionary purposes. And it would be the balance then,  
7 of that.

8           MS. CHERRINGTON: And I thought that was what  
9 got it down to 10 million.

10          MR. GLEASON: Is that what gets it down to ten?

11          MS. CHERRINGTON: That is what I thought.

12          MR. ARNDT: Well, we will clarify that for you. MR.

13           GLEASON: Before the next meeting.

14          MS. CHERRINGTON: That is correct. The  
15 recommendation was to first take out a discretionary  
16 amount, and then distribute the remainder.

17          MR. GLEASON: It just depends on what the total  
18 is.

19          MS. CHERRINGTON: And I thought that that got  
20 it to 10 million, so for everyone, we will verify that  
21 today. And in my corrections that I always send out, I  
22 will make sure that is on there. But this relative impact  
23 will be very similar. You still see that that is a nice  
24 increase.

25          MR. GLEASON: Okay. Yes. Okay.

1 MS. CHERRINGTON: Now, if you go to the next  
2 page, this is an example of what happens with a rural  
3 provider who is experiencing decreasing formula funding.  
4 This actually is the provider that is experiencing the  
5 largest decrease. But of course, because it is not more  
6 than a -10 percent, you will see that from 2004 to 2006  
7 this provider lost 10 percent state money, and they lost  
8 10 percent federal money.

9 Okay. With the recommendation that you made in  
10 December, the little white area is what they would  
11 increase in total funding, because of that additional  
12 federal money that has come in, and you are allocating a  
13 good portion of it, as additional monies. Now, you will  
14 see that not only does that increase now, make it higher,  
15 it makes it higher than 2004. And this is the provider  
16 who would have the least increase.

17 If you look at the next page, which is still in  
18 the one that came out this morning, I am kind of moving  
19 on. Let me stop here. What I wanted to do is go on to  
20 the next thing, and that is urban money. So everybody  
21 ignore the right side of this chart. We are just going to  
22 look just to the left, under rural. Don't look at the  
23 state. You will see that it shows these dollars added up.

24 And again, with the caveat that we need to make sure that  
25 we have got the right 13.8, the right 10 million. But

1 again, we are talking about, if you look at this for  
2 relative size, we are going to be okay.

3 MR. FARIS: This is Vinsen. Tell me which  
4 slide are you on.

5 MS. CHERRINGTON: It is the last page in the  
6 one that came this morning.

7 MR. FARIS: Got you. Revising the urban rural  
8 split.

9 MR. GILLIAM: Yes. And she wants you to just  
10 concentrate on rural only.

11 MR. FARIS: Got you.

12 MS. CHERRINGTON: Okay. Under 2006 base, you  
13 will see that the state base for rural was 18.7 million.  
14 The federal base is 13, it is either .8 or .1 -- I think  
15 it is .1. And that is going to give you a total of,  
16 something on the order of 32 million. Now, right now, if  
17 you stay at 65 percent rural, you will see that that state  
18 amount doesn't change, because that is what it is now.  
19 And you have added the 10 million. So now your total is  
20 42.5 million roughly. Just call it 42 million to make  
21 sure we are kind of at a comfort level. And that is about  
22 a 30 percent increase, over 2006. If you reduce the rural  
23 portion to 60 percent, you will see that that amount for  
24 the state goes down a bit. And so then you would have a  
25 26 percent increase over 2006. The reason we showed that

1 is just because we know that with that increase in rural,  
2 the next question that PTAC asked this last time was, is  
3 there a way to -- actually Donna asked this. Was there a  
4 way to provide also a boost, if you will, to the urban  
5 side? You only distribute state money, so you can only do  
6 this with the state money. You cannot influence the  
7 federal side of the money. And so now, you can look at  
8 the right side. And that shows that if you were to do  
9 that, you would be moving the state money to 40 percent.  
10 That would increase them by 14 percent over 2006.

11 MR. GILLIAM: Okay.

12 MS. CHERRINGTON: And so that kind of brings it  
13 up. There is another slide in your handout that is also  
14 entitled, revising the urban rural split. And it gives  
15 you how much more urban would get, and rural, under 40-60.

16 And we provided for your information what it would be if  
17 it were 50-50, because -- just so you could see what the  
18 outside is. And of course, what that effect is, it  
19 basically moves all the federal addition out. You  
20 basically take that away. So you probably -- just keep  
21 that in mind if you are thinking about other percentages.

22 MR. WILSON: Mr. Chairman, I want to make some  
23 observations. First of all, I did look to find out what  
24 the small urbans operators got this year from '05 to '06.

25 It is a 7 percent increase. The rurals --

1 MS. CHERRINGTON: That is total dollars, John.

2 MR. WILSON: That is total dollars. Almost a 7  
3 percent increase. The rurals got a 68 percent increase  
4 from '05 to '06. About ten times, almost ten times the  
5 amount. Not quite ten times, but almost ten times the  
6 amount. Based on that, I would agree with the 40-60  
7 split. Also, if we are going to do what we had previously  
8 tabled, to add McAllen to have its own system, divide  
9 Midland-Odessa and to put the McAllen urbanized area in a  
10 different, that also, because of that, plus the fact that  
11 we got three new cities, urbanized areas, and we have not  
12 got any more money, I think this would be the right thing  
13 to do. So I would favor the 40-60 split. I would not  
14 favor the 50-50, because I think that is taking way too  
15 much away from the rurals. But also, in looking at  
16 history, back when the rurals first started, we did move  
17 money each year from the small urbans, federal money that  
18 this is, each year from the small urbans to the rurals to  
19 help them with a transition. I think we are in the same  
20 boat today with the additional cities.

21 MR. GILLIAM: Okay. Is that in the form of a  
22 motion.

23 MR. WILSON: I move that we change the split to  
24 40-60. 40 percent in favor of the urbans and 60 percent  
25 in favor of the rurals.

1 MR. GILLIAM: We have a motion by John Wilson.  
2 Do we have a second to that?

3 MS. MALONE: I'll second it for discussion  
4 purposes.

5 MR. GILLIAM: Reba Malone seconded. And so we  
6 have a motion and a second. So now discussion.

7 MR. GEYER: This is Bob. I would be in favor,  
8 John, if we go back and go in and institute and split up  
9 Midland-Odessa and also do the same with McAllen and  
10 Hidalgo. But I would like to see that motion pass first.

11 MR. WILSON: Okay. As long as we, I will put  
12 that all in a motion. I move that we split Midland-Odessa  
13 and we split McAllen out of the urbanized area, and we  
14 leave the rest of the urbanized area separate. And along  
15 with that, we would change the split to a 40-60 split  
16 between urbans being 40 and rurals being 60.

17 MR. GILLIAM: Does the second accept that?

18 MS. MALONE: Yes. That has my approval.

19 MR. GILLIAM: Okay. So we have a motion and a  
20 second. And, Bob, I think that included what your  
21 question was -- or recommendation.

22 MR. GEYER: Yes, sir. That makes Hidalgo  
23 susceptible to 199 population.

24 MR. WILSON: Yes, it does.

25 MR. GEYER: Okay.

1 MR. WILSON: We did not take that out.

2 MR. GILLIAM: Okay. So any further discussion  
3 on the motion that is on the table?

4 (No response.)

5 MR. GILLIAM: In the absence of any further  
6 discussion, all in favor, say aye.

7 (Chorus of ayes.)

8 MR. GILLIAM: Any opposed?

9 (No response.)

10 MR. GILLIAM: So we have actually adopted two  
11 things.

12 MS. CHERRINGTON: May I assume, should we go  
13 back to whether indeed you want to reset the rural  
14 baseline? -- because that assumes that you did, and you  
15 actually didn't vote on that.

16 MR. WILSON: Okay. You are talking about  
17 the --

18 MS. CHERRINGTON: The additional federal funds.  
19 Yes.

20 MR. WILSON: Yes. We definitely want to  
21 squeeze that through.

22 MS. CHERRINGTON: You made that recommendation  
23 in December. However, you made it relative to 2006. And  
24 this is, do you want to reset that baseline?

25 MR. WILSON: We want to reset that baseline.

1 MS. CHERRINGTON: In other words, from now on,  
2 the rurals would transition against those dollars.

3 MR. WILSON: That is right. That is correct.  
4 I will make that in the form of a motion.

5 MS. OLIER: Second.

6 MR. GILLIAM: Okay. So we have a motion by  
7 John and a second by Vastene.

8 MR. GEYER: Would you repeat that last. I am  
9 not sure what the motion was.

10 MR. WILSON: It is on our page 65. I don't  
11 know what page. But it says, resetting the baseline year  
12 for rural federal funding allocation. This, Bob, refers  
13 to what we did in our December meeting, putting everything  
14 back whole to '04 levels, and then going from there.

15 MR. GEYER: Okay. And this would do what?

16 MR. WILSON: This would just change the  
17 baseline. Basically, what it would do, if I may just  
18 explain it in what I understand. Linda is looking at me,  
19 like I may not be able to do this.

20 MS. CHERRINGTON: No, you can do it. But I  
21 would just ask you to select your terms.

22 MR. WILSON: Okay.

23 MR. GEYER: Ask him to do what? I am so sorry.

24 MR. GILLIAM: Select his terms.

25 MR. WILSON: Maybe, Linda would you tell us

1 what I am trying to say.

2 MS. CHERRINGTON: What has been proposed by  
3 PTAC in December was to recognize that the federal  
4 government has provided significant increase in Section  
5 5311 rural funds, and PTAC recommended that those funds be  
6 allocated in this way. The funds that are roughly equal  
7 to previous years would be allocated by the formula and  
8 transitioned; i.e., no greater than a -10 percent. That  
9 the incremental increase in additional federal dollars be  
10 allocated by the formula as additional monies. When that  
11 is implemented, you now have a new total 2006 dollars per  
12 each rural provider. And those total dollars now are an  
13 increase over the previous year, and in fact are an  
14 increase over 2004. So that would be your new baseline.  
15 And from now on, you would be doing your transitioning,  
16 your not more than 10 percent against that new higher  
17 baseline.

18 MR. GILLIAM: Okay.

19 MR. GEYER: Okay. And in my terms, the  
20 increase that the rural systems were to receive, that  
21 would be the new baseline for a 10 percent hit at the max.

22 MS. CHERRINGTON: That is correct.

23 MR. GEYER: Okay.

24 MR. GILLIAM: Okay.

25 MR. WILSON: Okay. I will make that motion.

1 MS. MALONE: I'll second it.

2 MR. GILLIAM: Eric. Do you have something?

3 MR. GLEASON: Well, at some risk. I just want  
4 to clarify something. The Committee has effectively made  
5 a recommendation to the Commission with respect to what to  
6 do with the 2006 discretionary fund. Okay. The rules we  
7 are talking here are '07 rules. And so when you say,  
8 reset the baseline, what the assumption that is behind  
9 that is that the action you have recommended on the '06  
10 discretionary fund happens.

11 MR. WILSON: That is correct.

12 MR. GLEASON: That is correct. Okay. I just  
13 wanted to --

14 MR. WILSON: And realizing that, I think you  
15 are correct in saying that it was a total of 10 million,  
16 then we said the discretion of the Commission would be two  
17 to three of that.

18 MR. GLEASON: I have looked at some numbers,  
19 and I think the overall total, including the high growth  
20 is 28 million. We have got to take 15 percent of that for  
21 inner-city bus off the top. And we subtract 13.1 from the  
22 baseline. We are left with about ten for the total.

23 MS. CHERRINGTON: And then we take off  
24 discretionary.

25 MR. GLEASON: Two to three, right.

1 MS. CHERRINGTON: My apologies for getting the  
2 number wrong. We will make sure that we get the right  
3 numbers in here.

4 MR. GLEASON: I think that is the way it breaks  
5 down.

6 MR. GILLIAM: So it is clear to everyone what  
7 the motion and second is? Okay. Any further discussion  
8 on this item?

9 (No response.)

10 MR. GILLIAM: All in favor, say aye.

11 (Chorus of ayes.)

12 MR. GILLIAM: Any opposed?

13 (No response.)

14 MR. GILLIAM: So the motion carries.

15 MS. CHERRINGTON: Okay, then. We are moving on  
16 to the next section, and that is titled transition. And  
17 then moving, yes. The current transition methodology  
18 provides for no less than 90 percent of the previous year.  
19 That equates to a maximum decrease of 10 percent.

20 There is currently no formal limit to the  
21 amount of increase. However, the result of limiting  
22 maximum decrease is to also apply an effective limit to  
23 the increase. We talked about that today quite a bit.  
24 For state money in 2006, the maximum rural increase was  
25 27.5 and urban was about 33.4. Oh, this is a correction.

1 Pardon me. It should be 25.7. I transposed those  
2 numbers. 25.7 for rural and for urban as 33.4. By the  
3 way, for federal rule, it was roughly 30 plus percent. So  
4 about the same order of magnitude.

5 Now, the transition is planned for five years.

6 At the end of the five years, under the current  
7 assumptions for transition, any provider still above the  
8 required baseline will experience a final, and in some  
9 case, a significant negative adjustment. Now, another  
10 point to make about this is, every year this transition  
11 will change by all the other decisions you have made. And  
12 so we do not know. We know that it is never -- for five  
13 years, it is never greater than a -10 percent decrease.

14 The upside could vary according to how many  
15 players are still in the game, et cetera, because  
16 remember, as you get closer and closer to your actual  
17 formula, you are no longer giving money to fund others, or  
18 vice versa. So we can only tell you what it looked like  
19 in 2006, because that upper limit could go up and down  
20 depending on how many providers are still in the formula,  
21 in the allocation formula. Does that makes sense? And  
22 again, at the end of ten years, at the end of five years,  
23 there is still some that have a big boost to go, and some  
24 that have a significant decrease to go; 10 percent per  
25 year for five years does not cover everybody. Okay?

1           MR. ARNDT:  And as performance changes in that  
2 last year, you could -- your performance could change your  
3 allocation and whatever you thought you were as close --  
4 could suddenly disappear.  And now you don't have a  
5 transition protecting you.

6           MS. CHERRINGTON:  So we thought, let's look at  
7 an option.  And we thought, first of all, let's restate  
8 why we have a transition.  First of all, by having a  
9 transition phase, it provides stability in the funding  
10 allocation.  It permits reasonable expectation for  
11 planning and management and right now, that particularly  
12 applies to the folks that are adjusting in the negative.

13           They know it is never going to be more than 10  
14 percent for five years, and that gives them some  
15 stability.  Now, I remind you this could work the other  
16 way, too.  When you are a system that is growing very  
17 rapidly and you are getting all this additional money,  
18 exactly what you do with that money, at a minimum, it is  
19 difficult to keep up the pace of that kind of growth.

20           Secondly, your performance won't be as good as  
21 you implement new services, because they have got to grow  
22 into them.  And so having a transition that might go both  
23 up and down can provide that stability on both sides.  
24 Second point, the reason you have a transition is most  
25 importantly to mitigate the impact of the negative

1 adjustment required to implement the funding formula,  
2 because if you have a negative, you are going to have to  
3 probably, at least after the first year or two, diminish  
4 your service levels. Admittedly, you might be able to  
5 absorb this reduction in other ways. But at some point,  
6 when you keep going down 10 percent, 10 percent, 10  
7 percent, at some point you are going to have to adjust,  
8 reduce service levels, and that will reduce access to  
9 transit. That is just a given. Okay.

10 Again, I point out to you that another point of  
11 transition can be to provide reasonable funding growth,  
12 and the expectation of enhanced service and improved  
13 performance. It can go both ways. A proposed transition  
14 methodology would be first of all, to provide that  
15 transition occur every year forever; that you don't have  
16 this drop dead-date in five years. It is always there,  
17 and it would come into play when you change the census  
18 data. It is a very -- you always transition to keep  
19 everybody in line.

20 Secondly, to consider implementing a -10  
21 percent but then adding a plus 20 percent limit on annual  
22 adjustments. And what that does is, it provides you  
23 expectation of growth. And if you are growing, you are  
24 going to get 20 percent, 20 percent, 20 percent, and you  
25 keep growing really rapidly. And you decrease 10 percent.

1       And this may generate in some years some additional  
2 funding which you could put into the discretionary pot.  
3 It could be used for some other special needs, because  
4 there will be -- it is not very much money. If you were  
5 to have done this, this year, it would have amounted to  
6 about \$186,000 of additional discretionary monies. I  
7 can't project what it is for the future, because we just  
8 got so many decisions. So it is not necessarily a large  
9 number. But it does provide you, you always know that you  
10 are going to have that upper and lower and that it is  
11 going to be the same. And for systems that have a really  
12 long way to go, what is the net impact? For systems that  
13 have a really long way to go, it is going to take longer.  
14       And we can give you a table next time that actually tells  
15 you how many years. But you are going to get 20 percent  
16 every year, every year, every year.

17               MR. WILSON: Do we make a motion?

18               MR. GILLIAM: Is that -- that completes --

19               MS. CHERRINGTON: That is the end of our  
20 presentation on this discussion topic.

21               MR. GILLIAM: Okay. So you need a decision on  
22 this, then.

23               MS. CHERRINGTON: Yes, please.

24               MR. GILLIAM: Okay. Is there a motion by John?

25               MR. WILSON: Yes. I move that we implement a

1 10 percent reduction, no more than a 10 percent reduction  
2 and no more than a 20 percent limit on annual adjustments,  
3 plus 20 percent. I also with this, we would have no limit  
4 on term of the transition. And any funds not allocated  
5 are placed in the discretionary funds. That is my motion.

6 Plus, I would also say this would apply to the tier that  
7 we set up for the senior citizen, disabled communities,  
8 those five systems. Any additional money there would also  
9 go into this discretionary fund. And I think that would  
10 take care of that problem we had earlier.

11 MR. GILLIAM: We have a motion by John Wilson.  
12 Do we have a second.

13 MR. GEYER: This is Bob. Second.

14 MR. GILLIAM: Bob Geyer. Okay. So we have a  
15 motion and a second. Now discussion. Any discussion?

16 (No response.)

17 MR. GILLIAM: Hearing none, all in favor, say  
18 aye.

19 (Chorus of ayes.)

20 MR. GILLIAM: Any opposed?

21 (No response.)

22 MR. GILLIAM: Okay. We have adopted the  
23 transition methodology.

24 MS. CHERRINGTON: Members of the Committee, we  
25 are at the last, almost, next to last page. I will

1 comment to you that this is, you can take a deep breath.  
2 You have done an awful lot of work. We still have  
3 additional topics to discuss. We are not prepared to  
4 present them today, because we have got --

5 MR. GILLIAM: Do you have anything you need  
6 action on today, because I want to make sure that we don't  
7 lose our quorum.

8 MS. CHERRINGTON: I do not. I wanted to  
9 emphasize what these are, so that we know what we are  
10 going to be looking at next time.

11 MR. GILLIAM: Okay.

12 MS. CHERRINGTON: First of all, you asked us to  
13 look at an adjustment that would provide an annual base to  
14 index for inflation. We have been thinking about that,  
15 but we are not prepared to present that. We will next  
16 time.

17 We do need to look at an adjustment for unspent  
18 dollars, and that being if a system and giving these  
19 annual increase in dollars actually does not use them all,  
20 and year after year, there needs to be some type of  
21 methodology for reallocating those funds.

22 We need to think about that and present  
23 something to you. And John already mentioned this, but  
24 also it was pointed out in our break, given the extent, if  
25 dollars increase for urban money, and suddenly the dollars

1 are available for seniors and disabled exceed the cap on  
2 those enclave cities, you know, so does Harlingen get it  
3 all? We need to get a methodology by which those funds  
4 would be addressed. So we will come back with that.

5 John has asked us to look at requiring local  
6 match. And we have postponed that discussion. It is a  
7 very significant one, but we needed to get through this  
8 today. We are going to come back with that. And then the  
9 remainder of this discussion is whether or not you wish to  
10 establish a permanent discretionary fund, and how that  
11 would be used.

12 So these are the topics that we said we would  
13 cover, but we do need to now run the funding scenario,  
14 given what you have given to us today. And then talk  
15 about how these come into play.

16 MR. GILLIAM: And when you say run the funding  
17 scenarios, you will come back to us and use the decision  
18 we have made to see what the impact would be to the  
19 various systems?

20 MS. CHERRINGTON: We will do that.

21 MR. GILLIAM: Okay. That is what I had  
22 understood. I just wanted to make sure.

23 MS. CHERRINGTON: Yes. And that will be our  
24 first topic next time, and then we will go into each of  
25 these more subtle changes. And if in running that

1 scenario, we have any additional concerns that we would  
2 like for you to consider, we will bring those at the time.

3 MR. GILLIAM: Great. Okay.

4 MS. CHERRINGTON: And then my notes show that  
5 you have agreed that we should set aside an urban tier for  
6 systems that serve seniors and disabled and use that  
7 population only for those allocations. There will be no  
8 rule tiering -- we want to apply them as one -- that we  
9 will use the service population for performance for those  
10 systems that are limited to 199 for need; that we will  
11 break out the urban providers, Midland-Odessa, McAllen,  
12 Hidalgo County; that we will use the performance  
13 indicators for urban that were PTAC recommendation number  
14 one.

15 We will use the performance indicators for  
16 rural that were PTAC recommendation number two. We will  
17 change need performance to 50-50. We will follow through  
18 on the recommendation to reset the federal allocation for  
19 the rural providers to reflect the 2006 additional  
20 dollars, and we will get the right numbers on that. We  
21 will assume with that done, and that includes an  
22 assumption that the Committee accepts that for 2006. We  
23 will include -- we will change the split from state urban  
24 rural 35-65 to state urban rural 40-60. And we will  
25 revise the transition methodology to be no term limit, and

1 to be a not greater than 10 percent reduction and not  
2 greater than plus 20 percent increase per year. And any  
3 funds that might be left over in that methodology would be  
4 placed in discretionary.

5 MR. GILLIAM: That is it. Any other questions  
6 or comments, thoughts?

7 MR. FARIS: This is Vinsen. Eric has been  
8 rather quiet, other than to correct some figures. From  
9 the staff's perspective, are they sitting with smiles on  
10 their face, or where are they this afternoon?

11 MR. GLEASON: This is Eric, Vinsen. I think  
12 from our perspective, the most important objective with  
13 this conversation was to give the committee enough  
14 information for it to reach consensus.

15 And I am delighted that the extent and the  
16 degree of which the Committee has achieved consensus on  
17 these very sensitive items. What we are going to do  
18 between now and the next meeting is we will, in addition  
19 to being interested in seeing what the results look like,  
20 we will be making our way through the recommendations and  
21 identifying any specific issue that they might trigger  
22 that we hadn't thought of during this meeting and bring  
23 that back to the Committee for their consideration if  
24 there is something of concern to us. So I would like to  
25 thank Linda and Jeff for a superb job in walking you all

1 through this.

2 (Applause.)

3 MR. GILLIAM: Very good. Is there any other  
4 business or discussion? If not, I will entertain a motion  
5 to adjourn.

6 MR. FARIS: So moved.

7 MS. MALONE: So moved.

8 MR. GILLIAM: All right. We have got a second.  
9 So Vinsen and Reba, okay. All in favor say aye.

10 (Chorus of ayes.)

11 MR. GILLIAM: Thanks to all of you and have a  
12 great day.

13 MS. CHERRINGTON: Thank you all very much.

14 (Whereupon, the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: Public Transportation Advisory Committee

LOCATION: Austin, Texas

DATE: January 19, 2006

I do hereby certify that the foregoing pages, numbers 1 through 146, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Transportation.

01/23/06  
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(Transcriber) (Date)

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