TRANSCRIPTION OF

TEXAS DEPARTMENT OF TRANSPORTATION

PUBLIC TRANSPORTATION ADVISORY COMMITTEE

PUBLIC MEETING

TUESDAY, JUNE 6, 2017

1:00 P.M.

3712 JACKSON AVENUE, ROOM 324

AUSTIN, TEXAS 78731

TRANSCRIBED BY: Tori Lawton

TRANSCRIPTION DATE: June 19, 2017

A P P E A R A N C E S

COMMITTEE MEMBERS PRESENT AND PARTICIPATING:

Rob Stephens, Chair

John McBeth, Vice Chair

J.R. Salazar

COMMITTEE MEMBERS PARTICIPATING TELEPHONICALLY:

James "Jim" Cline

Michelle Bloomer

TxDOT PRESENT AND PARTICIPATING:

Eric Gleason, PTN Director

Kelly Kirkland, PTN Business Operations Manager

Josh Ribakove, Communications Manager PTN

OTHER SPEAKERS:

David Marsh, C.A.R.T.S.

M E E T I N G   A G E N D A

P R O C E E D I N G S

ROB STEPHENS: Okay. I've got 1:00 o'clock, so we'll call the meeting to order. And what I'd like to do is get a quick roll call. We've got to my right, Eric?

ERIC GLEASON: Eric Gleason.

ROB STEPHENS: Eric Gleason.

ERIC GLEASON: I thought you were going to do (indiscernible).

ROB STEPHENS: Sure. This is John.

JOHN MCBETH: John McBeth.

ROB STEPHENS: Myself, Rob Stephens.

J.R. SALAZAR: J.R. Salazar.

ROB STEPHENS: And on the phone, we have -- who's on the phone?

MICHELLE BLOOMER: Michelle Bloomer.

ROB STEPHENS: Michelle Bloomer.

JIM CLINE: Jim Cline.

ROB STEPHENS: Jim Cline. Okay.

All right. We'll get started. I'll hand it back over to Josh for the item number two, the Safety Briefing.

JOSH RIBAKOVE: Hi, folks. Welcome to TxDOT's Camp Hubbard Campus. It's been a little while since we've been here, but here we are again.

For those who are in the room, restrooms are right near the elevators that you came up on. There is also a stairwell right there. We'll use that stairwell if we need to evacuate the building for any reason. Just take it all the way down to the ground. Once you're outside, just head out through the parking lot out to the sidewalk and that is where we'll meet on the sidewalk right across Jackson Avenue.

Should we need to shelter in place in this building, this is a good room to do that in. We'll stay right here. I think that's everything we need for our -- for our Safety Briefing. Thanks for putting up with our difficult construction situation and the parking situation that's going on out there right now.

Also, I will let you know real quickly, Austin is a self-hands free city now. If -- and there's enforcement there, so please don't be on your cell phone while you're driving. Additionally, we have a sign-in sheet by the door. Please make sure that you do sign in, so that we can know that you are here.

And if you would like to speak during the meeting, we also have speaker sheets there. And the thing to do is just fill one out -- they're very short -- hand it to me and I'll make sure that the Chair gets it and that you get to speak, either at the -- during the agenda item that you're interested in or at the end. Thanks.

ROB STEPHENS: Thank you, Josh. Thank you very much.

We'll move to Item Number 3. We did our roll call, so we just kind of announced who was here, but this is the time that we have introduction for PTAC members and comments from PTAC members. I don't think we have -- does anyone have any comments? Any members want to take this time to make comments?

(No response.)

ROB STEPHENS: No? All right. Anyone online, Jim or Michelle?

JIM CLINE: (No verbal response.)

MICHELLE BLOOMER: (No verbal response.)

ROB STEPHENS: Any comments for us? No?

JIM CLINE: No comments from Jim.

MICHELLE BLOOMER: (Indiscernible).

JOSH RIBAKOVE: I'm sorry. You both kind of spoke up at the same time.

Jim, would you tell us what you had to say?

JIM CLINE: I have no comments.

JOSH RIBAKOVE: Great. And Michelle?

MICHELLE BLOOMER: No comments.

JOSH RIBAKOVE: Thanks.

ROB STEPHENS: Awesome. Appreciate you guys.

Okay. We'll move to Item Number 4 is approval of minutes, March 30th, 2017 meeting. Will you guys please take a moment to review those, if you haven't already.

(Brief pause.)

ROB STEPHENS: If you've had a chance to review them, I will entertain a motion?

J.R. SALAZAR: Move to approve.

ROB STEPHENS: Motion by J.R. Salazar.

JOHN MCBETH: Second.

ROB STEPHENS: John McBeth, second. Any discussion?

(No response.)

ROB STEPHENS: Hearing none, all in favor say aye.

("Aye" spoken in unison.)

ROB STEPHENS: All opposed, same sign.

(No response.)

ROB STEPHENS: And hearing none, motion passes. Thank you.

Let's move to Item Number 5 and that will be the director's report, Texas Public Transportation Division Director Report regarding public transportation matters, Mr. Eric Gleason.

ERIC GLEASON: Thank, Rob.

For the record, this is Eric Gleason, director of the Public Transportation Division for TxDOT. Touch on a few items for the committee.

As you all know, the regular session has ended. It had -- it was a busy session. There were, I guess -- I've been told the largest number of bills ever introduced and an extraordinarily low passage rate, something around 18 percent.

ROB STEPHENS: 18 percent. Uh-huh.

ERIC GLEASON: So we were fortunate to be in that 18 percent on a piece of legislation that was a direct result of the work of this committee and that was legislation sponsored by Doc Anderson in the House and I had forgotten who the Senate sponsor was for it. But it was legislation that -- that created in statute the category -- the new category of large urbanized area -- large urban areas, large urban and transit district areas, recognizing those areas of the state that have grown past 200,000 in population, but remain formed as an urban transit district just creating that separate category in statute.

And in addition to that, the department's budget was approved. It has not yet been signed by the governor. But as it stands, it does include the additional 7 million dollars of (indiscernible) funding to support that newly created large urban category. Which again, was a recommendation that this committee made to the commission to include in the department's appropriations requests and that has been approved by the House and Senate.

We are currently going back and forth with the governor's office on the department's budget, but I am told as of this morning that none of that back and forth is associated with that item. So hopefully in the near future -- I don't have a date on when the governor intends to sign, but hopefully we'll be sealed on that and ready to go. That's the main reason why we're here today, so that was good news.

There was another item which the committee had recommended and the department included as an exceptional item request for additional GR revenue this last session, which was not successful. Not really any surprise. The department actually spent more time this session sort of on our heels, if you will, because the session was short of GR to begin with and a number of individuals chose to focus the reason for that shortage on the additional funding for the department highway program. So no progress on the rural side with additional general revenue.

So I want to mention three other items real quickly. We are in the process of putting together commission award for FY-18 state funding. The way we're going to approach the state funds for this fiscal year is we envision allocating them out in two steps. Our plan is to allocate the traditional amount of funding to the Urban and Rural Transit Districts as it always has been under the current formula beginning this month.

Our intent will be following this conversation here on rural changes and subsequent adoption by the Commission, we will circle back probably in January and do sort of a one-time unique allocation of the additional three-and-a-half million to make everyone whole as they would have been had the rules in place then had those rules been in place now. So we'll talk about that a little more during the conversation on rules, but that's our FY-18.

And then, we are also adapting as we can to the new department requirement that anyone in the commission of (indiscernible) must have been certified by the department's compliance division as having a satisfactory internal compliance and ethics program. And I know that is causing some confusion and anxiety among some recipients of our programs.

Talking today, we will schedule a statewide phone call in the near future and give folks an opportunity ahead of time to send in any questions they may have on the effort and we'll try and address those questions during that phone call. So we will try and stay on top of that.

Federal side of things, we are -- we have been told that we can expect to get a apportionment amounts for the remainder of FY-17 by midmonth this month. So assuming that holds true, our game plan at the July commission meeting will be to get as much of that out the door across the variety of different programs, including 5310 and the remainder of the 5311 program to get the rest of that out the door at the July commission meeting.

Of course, all of those awards too are dependent on having a certified compliance division program. You know, if you've received state money, then you're going to be good for the rest of the -- the rest of the program. So, you know, if you get by the current certification, you'll be fine for subsequent department awards as long as you're a traditional recipient like a transit district. So that is moving ahead.

And then finally, I will mention July 12th is our semi-annual meeting coming up. Now, that is -- it's a week earlier than usual. We had trouble getting the accommodations for our normal week, which is the third week in July, so it is the 12th.

That actually dovetails nicely into this committee's needs because it allows us to have a conversation with everyone on the 12th about the upcoming rules and to turn whatever issues that might come up there that we haven't teased out already here, to turn those around and into specific Administrative Code language that you will then see it to be (indiscernible).

So that's kind of what lies ahead and those are (indiscernible). I'd be happy to answer any questions from the committee at this time.

ROB STEPHENS: Anyone got questions for Eric?

(No verbal response.)

ROB STEPHENS: Okay.

JIM CLINE: No questions.

ROB STEPHENS: Very good. All right. We'll then, we'll begin -- we'll move into Item Number 6, which is review and discussion of areas of the Texas Administrative Code under consideration for 2017 rulemaking efforts. This is a follow-up of March 30th, 2017 discussion, plus discussions of state and federal funding formulas.

So I'll turn it back over to Mr. Gleason.

ERIC GLEASON: All right. Thank you, Mr. Chair.

So for this next part of the program here today, we're going to move through -- as Rob mentioned, we have a very short presentation associated with the follow-up items from the March meeting on the discussion at the committee on the 5310 program and the 5339 program. And then, we'll jump right into discussion of possible changes to the state public transportation funding formula and the federal rural funding formula.

If you turn -- so I'm working from the presentation in the packets that's titled follow-up 5310, 5339. And so the first page in that presentation is a -- is a picture of the schedule. Our meeting today is highlighted in yellow and really, it's the next two meetings on the 12th that I mention and then this committee meeting on the 25th.

And if we're doing our job well, this conversation will for all intents and purposes be ready to be done. Because our next step after the 25th of July will be to introduce proposed rule to the commission at their August meeting.

And it's our intent as staff to have those proposed rules mirror the intent of this committee to the greatest extent that we possibly can. Because once we have proposed rules and we go into a formal public comment period anticipating final rules, then it becomes more difficult to introduce things we've not thought of before.

So really, we need to try and get everything out in the next -- today and hear some more from folks on the 12th and then to the greatest extent possible wrap it up on the 25th. And I think we'll be there. In preparation of this presentation, I was encouraged by the way things were coming together and I'm optimistic that we'll have a good conversation today. And at the end of the day, we'll realize we're a lot closer in those things than we might have thought.

The rest of the schedule plays out the typical rule; adoption schedule, adoption of proposed rules on the 31st of August. We'll have a second committee meeting in October to comment no finals. Those final rules will reflect the result of anything you hear during the public comment. And then, December 14th would be when we would propose to ask the commission to adopt final rules, putting us in the position in January of making the additional allocations.

So, you know, if this all plays out as scheduled, the additional allocation I've talked about happening is probably a January commission meeting at the earliest, if not January then February. Any questions on the schedule?

(No response.)

ERIC GLEASON: Okay. So real quickly, couple questions from our 5310 conversation. One of the questions from the committee was, you know, with some of the changes we've done to the program over the last several years, how have those changes -- what impact that those changes had on trans -- district participations. So we went back and looked and provided you with a summary of the last several calls and then this current one that we have.

And so while some folks may have chosen to not apply this year -- when we looked back over the last several years, only two of the group had not applied for at least one of the last three program calls. So, you know, I think people may be deciding from one call to the next, but I don't see a pattern here that would suggest that we have a major drop off in participation.

The second one, there was a concern expressed by the committee. Our conversation about having to sort of level the field among eligible recipients moving away from current administrative code language that sets a priority on funding transit districts with the 5310 program funds.

We talked about having to level the language to level the playing field to reflect the requirements of map 21 and the fast act. And the question was raised about whether or not we saw an opportunity in other places in the TAC perhaps to put something in that would indicate somewhat -- some emphasis on this.

And our read on this at the TAC is in our view isn't the appropriate place and it may not be necessary. Our state management plan identifies two bullets you see under there that we think will result in a continued emphasis on transit districts being the primary recipients of these program funds, either as a sub-recipient or through a purchase of service agreement. So that was our conclusion and, you know, certainly entertain any further conversation from the committee on that, but I think we see this as a state management plan or even as a call for projects issue. That's it on 5310.

Any questions on 5310 from the committee?

(Brief pause.)

ROB STEPHENS: You guys got questions for Eric on the phone? Michelle or Jim, you guys have questions/comments for Eric on the 5310 presentation?

JIM CLINE: No question, Rob. Thank you though.

ROB STEPHENS: You bet, Jim.

Anybody here?

JOHN MCBETH: None from me.

MICHELLE BLOOMER: Michelle, not at this time.

ERIC GLEASON: Okay. Thank you.

5339, this is the bus and bus facilities program. So we took away sort of three expressions of interest from the committee following a discussion on the 30th of March, try and simplify it. We want to encourage people to do the right things with their fleet and then to try also to minimize variation from the current amount if we chose to go another route and how we made that allocation.

You may recall that we talked to the committee about the relative complexity of the current allocation method. And if you turn the page to the next slide, you'll see that we highlight for you a number of things.

The current practice that we use is indicated in the -- at the top of the left-hand column. The rest of the left-hand column gives you an idea of the kind of data that we collect through our asset management system that could be available to help us with a different formula.

We talked about how the current practice is -- it's a -- it's complicated and, you know, it can lead to people possibly to choosing to hang onto an older fleet or actually end up allocating more funds to someone who may not be doing as good a job maintaining and replacing the fleet as we'd like. Discussion that's really not something we want to have as a dynamic in the allocation formula.

The issue when we looked at different ways of allocating the money, which is captured by some of the options you see on the right, the issue was that any other form of -- any other basis for the allocation triggered some pretty, pretty big swings in the amounts that agencies would get, changes in the amount that agencies would get over what they get today. And so that was a little -- it was unexpected, at least from my standpoint. In looking at it, it was a little concerning that we would do something that would introduce that level of change.

If you turn to the next slide, the top of that sort of shows -- the blue bars indicate if we went to a revenue miles basis for the distribution of this program, the extent of percentage change in amounts over the current allocation that individual systems -- in this case, real transit districts -- would see.

And, you know, it's possible to introduce the notion of sort of capping, if you will, the amount from one year to the next, the amount of change from one year to the next that anyone might experience while we move to a different basis for the calculation. And when we looked at this further, we looked at other combinations. Nothing really yielded a terribly different result.

And where we are at this point, if you were to ask staff where we thought we would go with this, members, we would say we still believe it's important to move away from the current allocation. We want something that's simple. We want something that, you know, is transparent and easy to understand. We want something that doesn't seem to encourage people to do -- for it to do -- engage in less than satisfactory maintenance practices.

So we end up wanting to move ahead. We think revenue miles is the still the best data point we have for this program. And our recommendation at this point is to push ahead with that change and to step into the new allocation over a three-year time frame.

Now, one of the variations on that that the committee could think about as well is to do that and we could also introduce -- if you wanted to, we could introduce a minimum amount that everyone got. For example, we could say everyone's going to get $20,000. And then, the rest of the remaining money will be divided proportionate among everyone based on revenue miles. So we have that kind of a variation as well to ensure that everyone gets at least a reasonable amount of money.

But none of that changes the extent of the change that's going to take place when we move to this. So I would entertain any kind of feedback on that from the committee at this point.

ROB STEPHENS: Okay.

ERIC GLEASON: We didn't really -- so one of the ideas was well, could we put something in place that encouraged people to move toward best vehicle maintenance practices? And, you know, one of the issues -- and this will come up in the discussion on the formula. Whenever -- it seems that whenever we try and customize our formula or elements of the formula to affect a certain desired policy emphasis, it gets complicated.

ROB STEPHENS: Yeah.

ERIC GLEASON: And it's hard for us to imagine the situations that will come into play in the years to come that might end up as unintended consequences --

ROB STEPHENS: Right.

ERIC GLEASON: -- or undesirable results. We do feel we can neutralize it. We do feel that revenue miles is a neutral indicator and from an asset management and replacement standpoint is a reasonable indicator of need in our view.

ROB STEPHENS: Eric, will you remind me how it's being allocated now? What's that crazy formula that's --

ERIC GLEASON: Well, it's here --

ROB STEPHENS: -- in place now?

ERIC GLEASON: If you go back to the slide and it's a combination of miles-based depreciation and fleet replacement cost.

ROB STEPHENS: Okay.

ERIC GLEASON: And so, you know, what we have to do, we have to go through a calculation that establishes through system, sort of where they are in that. And then, we have to go through a calculation that, you know, relative to everyone else.

ROB STEPHENS: Yeah. Wow.

ERIC GLEASON: And so I mean, we've been doing it for years. It -- this is not a new thing for us.

ROB STEPHENS: Yeah.

ERIC GLEASON: It's just that it tends to focus on and reward people with older fleet. And so if you're always in a position of not necessarily planning well for fleet replacement and always have an older fleet, then you're going to end up getting more.

ROB STEPHENS: Yeah.

ERIC GLEASON: And it's -- I would just prefer to move to something much more simply understood and calculated.

ROB STEPHENS: Yeah.

ERIC GLEASON: You all report revenue miles to us every year on the -- on the 128 and it would be a far more straightforward way to do it.

ROB STEPHENS: Yeah.

ERIC GLEASON: I regret not landing on that the first time through this several years ago.

ROB STEPHENS: Well, we'll get an opportunity now. So Eric's kind of given over his kind of overview of 5339 changes.

Jim or Michelle online, do you have any questions or comments for Eric right now?

MICHELLE BLOOMER: Nothing from Michelle. I --

JIM CLINE: (Indiscernible).

MICHELLE BLOOMER: -- have a question.

ROB STEPHENS: Go ahead, Michelle.

MICHELLE BLOOMER: Okay. So Eric, on the vehicle revenue miles, is that vehicle revenue miles based on an average per vehicle? Because if I have two vehicles, my vehicle revenue miles is going to be fairly low versus I have 12, it's going to be higher.

ERIC GLEASON: No. It's just straightforward reported revenue miles. It is not an average. Every system reports the total revenue miles to us.

MICHELLE BLOOMER: Right. So a smaller system will get less funding because in general they will provide less revenue miles than a larger system.

ERIC GLEASON: That's correct. And presumably, they're asset replacement need amounts are less as well.

MICHELLE BLOOMER: Huh-uh. And how much money is available annually for the 5339 program?

ERIC GLEASON: So the rural program gets 1.75 million dollars and that's true of every rural program in the country, whether you're in Texas or Rhode Island. The urban side, the FTA Small Urban, get about 3.45 -- 3.5 -- 3.43 -- 3.5.

MICHELLE BLOOMER: Okay.

ERIC GLEASON: And --

MICHELLE BLOOMER: And you had mentioned that you -- that doing something where you left -- where you create like a base, everybody got X amount. And then, above and beyond that, you would allocate it based on revenue miles. Is there a graph that shows the change, the plus and minus changes with that scenario?

ERIC GLEASON: We don't have one for you. What I can tell you is having looked at it, it doesn't -- it doesn't change that situation. It would still have a large amount of variation. What that would address would be sort of this minimum usefulness of any amount of money anyone might get to do something significant in the program. So we would create a floor, if you will, where everyone got at least a certain amount.

(Brief pause.)

MICHELLE BLOOMER: Yeah. Okay. I'm done for now. I'm thinking.

ROB STEPHENS: Okay.

ERIC GLEASON: So what we need -- if I could take -- and this is going to be true the rest of the day as well. We do not need the committee to take action for us today on any of our conversation here. We don't need you to act as a committee today. We are looking for feedback from you as individuals.

If there are points where there's some general consensus, that's great. You can acknowledge and recognize those, that's great. But we don't need you to reach a formal committee conclusion. You can if you want to. You are allowed, because it is indicated on the agenda as a possible action. So the committee has that capacity, but we don't need that from you.

ROB STEPHENS: Understood. Thank you, sir.

JIM CLINE: Hey, Eric?

ERIC GLEASON: Yes.

JIM CLINE: This is Jim. Can I -- can I go back and ask you a question about that approach real quickly?

ERIC GLEASON: Sure.

JIM CLINE: Just as -- I'm trying to take the thought from -- you know, from a passenger, you know, from the general public perspective in some of these rural districts and keeping a flow of vehicles coming in. I really like the idea of a floor that maybe philosophically and 20,000 that you said is probably a good number, because that would over the course -- as long as they could stack up the funds, you know, could accumulate enough, that would allow them say every four years to get a new vehicle, so at least there would be some vehicles coming in, if the local partners aren't kicking in a lot of cash.

So I think it would give -- you know, breathe some life into some threshold amount that would be -- you know, if you think of five to seven year of life for a vehicle in an ideal world, that would allow you to buy through these funds, allow you the fund a vehicle every three, four, five years, something like that, depending on that -- on the amount of the vehicle.

So I really think that would be take the edge off a lot of the change in the process. And so some of the folks that are riding would actually see vehicles on a maybe -- particularly the ones that are at the -- that are cut -- that will be getting less funds. It wouldn't be out of the getting new vehicle business. I think that would be helpful. Any other thoughts? I don't know if anybody else has thoughts on those.

ERIC GLEASON: So let me give the committee some context. You know, these funds aren't -- don't begin to a approach what we need as a state just for fleet replacement. Talking with staff the other day, you may recall two years ago, we put in a Tiger program application for 20 million dollars to replace fleet in the rural program that were in excessive of 130 percent of their useful life mileage.

So we got that 20 million and guess what? Two years later, you know what the replacement amount that we need is for vehicles over 130 percent? It's 20 million. So, you know, no one -- I also like the notion of a -- of a base amount. I think there isn't anyone that is going to be able to structure their fleet replacement program around these resources alone and so it will be added to something else to actually make it happen.

So I just wanted to put it in context. I mean, we deal with -- you know, we need about 10 million a year on a regular basis to keep up with our rural program fleet replacement needs.

ROB STEPHENS: So --

JOHN MCBETH: Did we -- did you mention the percentage on the cap on -- if you --

ERIC GLEASON: No. What I talked about was just whatever it needs to be to bring it in in three years.

JOHN MCBETH: Okay.

(Brief pause.)

ERIC GLEASON: And certainly open to ideas. Three years, five years. I mean, you know, we don't -- I think we need to move their as expeditiously as reasonable so it doesn't become this drawn out affair. People need to make the adjustment. Three years seems reasonable to us. We're open to thoughts, but...

ROB STEPHENS: Okay.

ERIC GLEASON: And we'll see what the crowd says in July.

ROB STEPHENS: Oh, yeah. Okay.

JOHN MCBETH: I like the vehicle revenue miles.

ERIC GLEASON: I can't see anybody behind me, Josh. I've got the whole crew behind me and I can't see what they're doing. All I can see is my staff.

(Laughter.)

(Unintelligible crosstalk.)

UNKNOWN MALE: I'm with John. I have no problem with revenue miles. I told him before we started, I don't think there's a system in the State of Texas that's running around just putting miles on their vehicles for the sake of putting miles on. I just don't see that.

ERIC GLEASON: Okay.

ROB STEPHENS: Quick question, Eric. Do you envision this being a yearly or like every two years? Because I think -- you know, is there one time we played around with either allocating every two -- a two-year cycle or a yearly cycle?

ERIC GLEASON: I think speaking for staff, we'd love to move it to a two-year cycle for the program. I think given the amounts of money available --

ROB STEPHENS: Yeah.

ERIC GLEASON: -- that the -- the question is though, however, since it's not enough to run an entire program on, if people really are sort of anticipating each year to add to something, I would want to be sensitive to that. Because it isn't just for fleet, it's for all capital program purposes.

ROB STEPHENS: Gotcha.

ERIC GLEASON: They're bus and bus facilities, so it can -- you know --

ROB STEPHENS: Yeah.

ERIC GLEASON: -- if it's never enough to buy a bus, you may have an annual need for it and so I need to be sensitive to that. But from a workload standpoint, sure, we'd love to do it every -- every two years.

ROB STEPHENS: Okay. Thank you.

ERIC GLEASON: Okay.

ROB STEPHENS: Any other questions, comments?

(No response.)

ROB STEPHENS: Okay. Well, good, Eric. Thank you.

ERIC GLEASON: All right. So with that, for the main event, let's go into the formula. I think, Mr. Chair, if it makes sense to the committee -- and I would inform you -- again, we're not looking for a committee action on any of this. What I -- what I would like to do is to go through this presentation and entertain questions on what is being talked about as we go.

You will see, as I go through it, where we will indicate the direction we're leaning right now from a staff proposal standpoint. So we'll give you that information, go through it answering questions and then, possibly recess for maybe 10 or 15 minutes. It will give me enough time to huddle up with my staff on questions that may have come up. And then, come back and walk you through each of these topic areas again where we've indicated a proposed recommendation and to have a conversation with the committee about what you think about that and any thoughts you might have.

So if that's an acceptable approach, we'll roll through, take questions as I go through, come back after the recess and walk the committee through more deliberately each area we're looking for some feedback on and then we're done.

ROB STEPHENS: Perfect. Sounds good to me. You guys okay with that?

JOHN MCBETH: Yeah.

ROB STEPHENS: Yeah.

ERIC GLEASON: Okay. So when a time comes, what you'll need to do is recess the committee.

ROB STEPHENS: Okay.

ERIC GLEASON: Not adjourn it, just recess.

ROB STEPHENS: I'll recess.

ERIC GLEASON: Okay.

ROB STEPHENS: And then, that will be at the conclusion of --

ERIC GLEASON: Okay.

ROB STEPHENS: -- (indiscernible).

ERIC GLEASON: So for the folks on the phone, for the most part, the handouts you have will be the slide that will be up on the screen here in Austin. We do have a second screen here in Austin --

ROB STEPHENS: Well, the wall.

ERIC GLEASON: We're going to use the wall here, because from time to time it makes sense to have two slides up. What I will try and do when that is the case is to let you know which slide that we've already looked at, we have up on a second screen to help with the explanation of a slide that is on the screen. That make sense, Jim and Michelle?

JIM CLINE: Yeah, we're good.

ERIC GLEASON: Okay. Do we know if Christina ever joined us?

JOSH RIBAKOVE: I'm not aware that she has.

ERIC GLEASON: Okay.

JOSH RIBAKOVE: And let me -- this is Josh. Let me just interject for just a moment, because I've seen some -- some looks coming from the gallery behind. Yes, there is some construction going on in our building. It is not right on the floor above us as it almost sounds like when you hear it. It's actually two floors above us.

We are not here to put you in a louder environment. We are here because this was the very best place that we could find for this meeting today. We -- and we ask you to bear with us and hopefully it won't get any louder than it is.

ROB STEPHENS: Yeah.

ERIC GLEASON: All right. So let's go. Go to the first page then of why proposed changes now. So let's go to this one. All right. So I'm probably going to walk around just to walk off my energy. If that -- are you able to hear okay on that one? All right. So if someone can't hear me, let me know.

So we've talked about why we're here. And fundamentally, we're here because we've got to figure out a way to distribute an extra three-and-a-half million dollars a year, which is great news. And to that extent, its three-and-a-half million directed to large urban programs in the state and those are the large urban areas that are over 200,000 in population that are still formed in an urban transit district.

And then, as I mentioned earlier as well, we think the way to go about doing this is actually a two-step process in the distribution this year. And then, starting with FY-19 state funding, the new formula will be in place, appropriations will be there and we'll just do it once in June like we normally do.

So this year, everyone should expect a -- if you're an urban area in the state -- if you're rural, it's just going to be the traditional in June, you'll get what you're scheduled to get. Maybe. There may be some good news on that too that we'll talk about in a second.

So -- and the way we're going to handle that 2018 funding distribution -- the way we're going to handle it is we're going to have to create in the rules -- the committee will see a paragraph in the rules that it will just be a one-time description of how they're going -- we're going to handle FY-18. So that's something we're going to add to the rules for this year. And then, it will be irrelevant after FY-18.

We also think that -- well, there's another thing we have to visit. We have -- we certainly have Administrative Code language that targets extra funding added to our program in 2013 to allow us to address the impacts of the 2010 census. The department added about 1.6 million a year for rural and urban district programs in the state for state-funded recipients.

We added about 1.6 million a year to help us address census impact changes and funds to be used for those purposes through 2017. So we could just let that go and if nothing else changes in the formula, it would either stay above the current cap that's in there or it would just distribute itself between urban and rural 65/35 as you'll see in a second. But we need to decide whether we want to be more focused with what we do with that 1.6 million or not.

We have to talk to the committee about some guidance in the rules on how we should approach allocating funds when changes take place in transit district formation. Either districts consolidate or they split up, whatever it is. There isn't any specific language in the Code that gives us any direction on how to do that.

And so we've been making adjustments as we've been going along this last ten years and those things have been taking place. We've been making adjustments and we're not comfortable sort of just carrying those any longer. We think we need to get some direction in the Code about that. We have some traditional systems in the Dallas-Fort Worth area, tier one enclave city systems that are guaranteed in the statute to receive funding consistent with the levels that they've received in 1997.

So we -- with new money coming into the -- into the urban program, we need to revisit these. And then, there may be some key policy areas in the state and 5311 program that we want to confirm or revise. We think the current formula largely has been in place for ten years. And so we think it's probably a good time to just at least confirm if we want to change anything about it or just keep moving forward with what we've got.

So we're going to -- shift now and we're going to start with -- we're going to spend some time talking about the current formula at a very -- a very high level. Those of you who've been through this conversation before with Linda Tarrington know that she can go on for hours about this, but we're not going to do that. And Jim, you'll just have missed out on that. Everyone else, I think, has been through that conversation at least once with Linda.

But in a nutshell, the flowchart you see on the third slide is a breakdown of how the formula works. So what the formula does in an Administrative Code is there's actually a hard number in the Administrative Code that just over 57 million dollars. It's a biannual number.

That's a hard number that says this amount of money will be distributed in the following fashion. And by default, any amount over that number is distributed on a pro rata or competitive basis. So -- and then, from this number, it goes into a percentage split where 35 percent of this goes to eligible urban providers and 65 percent goes to rural providers.

Now, there may have been a time in history when those percentages reflected population between the two areas. That's not the case any longer. 2010 census actually shifted that, where you have more urban area population than 35 percent and fewer here. But at the time when we revisited this in 2012 and '13, there was no desire to change that percentage because people recognized it would actually move an existing pot of money around differently and that didn't seem to be in the best interest of anyone.

Then, we -- so on the urban side -- and we'll come back to this in a little bit -- there's a -- right off the top, we take an amount off for these tier one systems we've talked about. And then, the rest of the funding flows through and with 50 percent of it distributed based on each urban area's relative share of urban area population and 50 percent of it based on performance, the set of four performance measures that go into calculating relative performance for urban transit districts.

Over on the rural side, it comes down and 65 percent of it based on need -- in this case, the need is a combination of population and land area. The reason that land area is included on the rural side, but not on the urban side is because there's more variation in the rural program on land area, not so much on the urban areas.

So at the time, the conversation was people wanted to recognize those systems like West Texas opportunities or panhandle community services with these enormous stretches of land that they needed to serve as being something we wanted to be recognized so -- and to offset perhaps some of the density benefits when it came to need that some of the other smaller more dense and developed rural systems had.

So 75/25 was the split for need, 65 percent of the total. And then, 35 percent of the total is based on performance and that is made up of three performance measures. By design and in the Administrative Code, this piece of it is actually what is used on the federal side as well for federal 5311 program funding.

So if we change any of this in here on the state side, we'll have a parallel conversation over here on the federal side to make similar changes in the Administrative Code. So can we bring this one up on the second screen? So folks on the phone, what I'm doing now is we're moving this slide over to our screen on the wall, so if you have a handout in front of you, you might want to look at the flowchart slide through the handout and on your screen should be the next slide, which is key elements of the formula.

JOSH RIBAKOVE: I hope it's the next slide in that same presentation.

(Brief pause.)

ERIC GLEASON: Yep. There we go. Okay. So I've talked about a lot of these things --

UNKNOWN FEMALE: Sorry.

ERIC GLEASON: That's all right. We talked about a lot of these things already. Two other things that I will mention is that the couple -- one of the other key elements of this formula is that there is a maximum annual decrease that any one system can sustain from one year to the next and that's at ten percent.

And that is to help mitigate the impact of a significant loss of funding that someone might experience in another program that they're responsible for or some event. That means that even with all of those changes going on, you're not going to fall off a cliff. You'll come down gradually to that new base where you ought to be according to the formula.

This is far more significant back in the 2006 to '10 time frame as some of the members of the committee will attest, because the state was internalizing a significant reallocation of the base formula amongst the systems based on direction from the Commission in 2005 and 2006. And so --

JIM CLINE: Hey, Eric?

ERIC GLEASON: Yes?

JIM CLINE: Eric, can I interrupt you for a sec?

ERIC GLEASON: You bet.

JIM CLINE: We lost the screen on the WebEx.

ERIC GLEASON: You lost the picture?

JIM CLINE: Yeah. Well, we --

MICHELLE BLOOMER: Slide.

JIM CLINE: Slide isn't coming up. It still shows with part of the WebEx, but the slide isn't coming up.

ERIC GLEASON: Okay. So I don't know how to fix that, but what I'm looking at, guys, is -- would be slide number four that's titled key elements of the formula. So until we get this fixed on the WebEx, I'll proceed along and let you know what I'm looking at. Okay?

JIM CLINE: Okay.

ERIC GLEASON: The final piece on the -- on four is that anything above that biannual amount as I mentioned gets distributed on a pro rata or competitive basis. Now, we loosely term this as commission discretionary where we talk about this.

I think it's somewhat of a -- of a mislabeling of it, because there's really -- there's not true discretion. Anything we do with these funds over and above the biennium total, it has to be on a pro rata or a competitive basis.

So the Commission just simply cannot reach out and give those funds to somebody. They have to conduct some kind of a rational approach to allocating it amongst folks on a pro rata basis or they need to have a call for projects. And this is true on the federal rural program as well. So we're going to be trying to fix that issue. If you all could let us know if and when you see some changes to that. I will try and keep working through the packet so we can stay on time.

The fifth slide is titled formula performance measures and weights. And you may recall, we talked about when we had the slide up showing the flowchart for the formula. On the urban side, we said there were four performance measures and on the rural side, we said there were three. Slide five breaks those out for you more explicitly. You can see that each of them are weighted within each formula.

These are all ratios. In other words, they're all attempting to be measures of efficiency or effectiveness, not a single, standalone number that way. And by doing that, it kind of levels the field for everybody, because the size of the individual numerator or denominator doesn't matter, so everyone kind of on the same playing field that way. So a system like South Padre Island can compete with Brazos transit district on these -- on these indicators. The information for this is collected every year through the 128 -- the PTN-128. And we use the previous year fiscal totals for the calculation.

Okay. Moving forward -- and before we get into talking about changes -- looking at the next slide, slide six, called guiding principles.

In the past, when we have talked about the formula, we have found it helpful even at this very general level to have buy-in from the committee members and from the community that independent of the specifics that these were principles or interests that we were trying to achieve in whatever we did. So -- and these seem awfully self-evident, but our experience has taught us that they actually do help at some point, help us reach a conclusion on what makes sense.

So on an overall basis, it needs to be fair. It needs to be transparent and simple. And simple and transparent really are the key ones here. Fair is -- you know, we don't -- we deliberately don't try and use the word equity, because that implies some kind of a numerical calculation often. Fair is -- I think recognizes -- sometimes at the end of the day, we just have to sort of look at things and say, you know, this makes sense. It seems to treat people fair.

Simple is important because as I mentioned earlier, when we get into the formula, it's easy for us to figure out a way to address a specific issue by customizing an element of the formula to address it. And while that's helpful and it's -- it makes sense at one level, what I will tell the committee as I said earlier, it becomes difficult as staff over time to deal with. It -- the formula is not as simple and it's not as clear and we find ourselves having to make too many subjective decisions that you -- if you will as we move forward to implement formula.

So we're going to -- our view of this is we're going to focus on the simple. And in the past where we may have customized, we're going to try and move away from that. And you can certainly tell us otherwise, that's fine. But that's going to be our view on this.

Some of the specifics --

(WebEx electronic voice.)

ERIC GLEASON: Okay. Jim and Michelle, are you still with us?

MICHELLE BLOOMER: Yes. We just had a commercial break.

ERIC GLEASON: Awesome. All right. So I think the specifics are fairly self-evident. I do want to talk about the third one, which is facilitate system integration as different from encouraging investment and coordination. I think that -- we need to make sure that there aren't in place dynamics in the formula that actually discourage consolidation efforts. And so we'll talk in little bit about how the current formula actually provides a disincentive for systems to integrate.

Integration, I think, is a stronger word as well when we talk about the kinds of arrangements that might be in place locally to integrate independent operating systems, to integrate them into a single system approach within the community to achieve an overall mobility benefit for the community. And integration is a far more, I think, desirable objective than simple coordination.

So let's go on to the next slide. And as I said, we'll come back and kind of go through these again to get any thoughts you might have, but any questions certainly now is the time to ask as I go through this.

So our first task in this formula work -- and really, if we do nothing else, we have to do this one. We have to accommodate this new funding category, the large urban providers, into the formula and, you know, I think it's a fundamental choice on how we do that. You know, this picture that you see at the bottom of this one is basically we would kind of take it right off the top and establish a separate 3.5 million dollar box for large urbans. And then, the rest of the -- rest of the formula would run as is, 65/35 and off we go.

If you go to the next slide, we think this one may have some merit and it's actually the one we're leaning toward right now, is we actually move to an approach where we establish allocation amounts at a biennium level for larger urban areas, small urban and rural. And the reason we say that is it just seems that more and more these days, when we pursue additional funding, it comes to us for a specific purpose for a specific area.

And the notion of taking whatever money might come into the system generally and splitting it 65/35 really doesn't hold anymore. So our thought would be to simply put numbers into each of these four orange boxes based on what we know. And then, under each of those boxes with fixed amounts -- these are the biennium amounts, fixed biennium amounts, would be the formula, which we would pursue each year with the annual budget amount available.

So we're going to come back to you after the break and kind of look for some feedback for you on this notion of fixed amounts as we have on this slide or sort of, you know, pulling the three-and-a-half million off the top as the first one did and leaving the 65/35 alone.

All right. The second -- if you go to the next slide then, within this then, we also have to ask ourselves what's the formula that we want to use for distributing the large urban money within that group of large urban systems. And, you know, we don't see any reason why the formula should be any different for the large urbans than it is for the other urban systems.

If you do, then this would be your chance, when we come back to it, to let us know your thoughts on that. Our approach at this point would be to simply establish population thresholds and use the same formula as existing state urban formula or whatever that turns out to be as a result of this conversation. Now, there may be a different set of thresholds and there might be a need for a unique formula element for unique characteristics. We don't see it at this point.

All right. Next slide. So that's -- so we've got two decisions here. Next slide. Then, we've talked about this is the approach for FY-18, two-step approach. We would put the second distribution, the description of it and how we'd do it into the Administrative Code so that y'all could see what it would be and we would do it following adoption of the rules.

And so, you know, we've run some scenarios on where this discussion might end up and every one we've come up with, we've been able to address the resulting differing amounts among the urbans system. We can address it with that additional three-and-a-half million. So unless you guys come up with something we haven't thought about, we're confident we can -- we can plug whatever additional amount in that we need for FY-18.

What I will say for this one -- this is not highlighted here -- is since the initial -- the initial FY-18 allocation, which we will begin doing in June this year, is going to be run off of FY-16 performance.

Then, the distribution we do in January will also be run off of that FY-16 performance. And any changes to the performance measure calculation that we may come up with as a result of this conversation, those changes won't go into effect until we run the FY-19 money and that why we keep FY-18 all on the same boat that way. That make sense?

ROB STEPHENS: Uh-huh.

ERIC GLEASON: Okay. All right. Next.

(Brief pause.)

ERIC GLEASON: Okay. So if you go back to slide -- is it three? I think it's slide three.

(Brief pause.)

ERIC GLEASON: It's -- if you go back to slide two. I'm sorry. Let's go back to slide two in your packet. If you were to -- if you -- so we don't get -- have something up on the WebEx, so I apologize for that. Committee members, if you will find slide number two, which is called live proposed changes now, and set that off to one side. We're going to be kind of tracking in each of those four areas under the review, confirm and revise. We're going to tracking those four areas after and for each of the next slides.

So the first one of those is the census impact rules, so Antonia, we're going to go back to wherever we were. So census impact rule expires 2017, so here's the existing situation. 1.6 million a year to address the consequences of census change. There is a text that says it expires, but we've got some options here. We can just add that money into the biennium amount and then it just flows through the formula and gets distributed.

We can increase the rural amount, which is our draft proposal. Since the urban side has already seen an increase, it makes sense to us let's take this money and increase the rural program or we can simply preserve it for all of it or a portion of it for discretionary program purposes. So we're looking for some feedback on that, but our thought is that we need to take that and put that into the rural programs. It's a great opportunity for a small increase on the rural programs.

Okay. Next, transit district changes. Now, this one continues to evolve in our mind and actually I had some thoughts coming in today driving into work that are different than what you see up here. So we'll talk about what's up here and then we'll talk about what I was thinking about coming in.

So the issues with transit district changes are focused on the performance side of the equation and how to handle -- how to handle the situation where one system merges into another completely or half of a system goes one way, the other half goes another way or when individual counties in a multi-county system -- when individual counties, but not the entire group -- decide to join a different one. And each one of those situations presents decisions for us on what to do with the formula allocations. And there's nothing in the Administrative Code that tells us how to handle that.

So the issues when that -- so what happens out here. So on the performance side, independent of your performance, just because you exist as a system, you get a share of the performance money. So if we have -- we have 37 rural transit districts. Just because you exist as a rural transit district, you get 1/37th of the amount available. So if you take, you know, 1/37th and 1/37 and you combine into one system, you know, the independent total is bigger than what is now 1/36th of the total. So right away, there's more money as two separate systems available than as one.

Generally, when systems consolidate, a

healthier, more vibrant, more productive system is absorbing one that is struggling. And so again, you're hurt by that. Your performance overall goes down.

But we've talked about the -- this is the kind of thing we try and encourage. We want systems who aren't doing well, we need those systems to consolidate with others that are and have the capacity to do well so that as a whole, the state can prosper. So the formula as it stands today works against us in that regard.

And finally, we just don't track performance data at a county level, unless there's been some kind of a special study done and we get lucky and it's there. And so we don't -- we really don't have any means of breaking it down, other than to assume a system-wide average all around -- in full knowledge that it might be very different than one county.

So it's problematic for us in a lot of ways. So this slide suggests that our proposal is to include language in the Administrative Code that would explicitly address how to treat certain situations. And in addition to that, there would language which is basically saying if we hadn't thought about it, you guys have the flexibility to do it, just kind of confirming that we have that authority.

Coming in today, I thought so we have -- so how does this play out? So one way it might play out for us would be that there's some part of the formula where there would be a state portion of the formula or in the rural program case, a federal portion of the formula. There's a -- so if we can identify a discretionary element, an element that was outside of the formula, the allocation formula.

On the rural side, for example, we have the ten percent, where up to ten percent of the federal rural program can be awarded on a pro rata or competitive basis right now. So what if that language said on a pro rata/competitive or on an individual -- in the case of individual system consolidation needs?

You know, don't have to get into some sort of language that tries to define a situation. We just add a distribution mechanism that gives us and the Commission the ability to address a system consolidation situation. What I would advise is that what you create for us then is a pot of money to allow us to address that. This is a lot to kind of absorb right now for the first time, but one way this could play out -- let me just describe one way this could play out.

We could -- right now, when we have these consolidation issues, we pull funding from both the state money and the federal money in the case of the rural program to make it work. One way we could do this is we could say don't touch the state funding for consolidation situations. Go to that ten percent in the -- on the federal side for the rurals and figure out what's a three-year number that's associated with -- you know, to offset this negative impact of consolidating systems. What's a three-year number, what the fleet needs might be, and -- you know, it -- match that number with TDCs so there's no need for local match.

It's a one-time allocation. TDCs, there's the package, put it together. And the next time, you know, Caprock consolidates with Spartan and Brian Baker's wondering what the heck's in this for him, why is he looking at his money going down from one year to the next and we're sort of carrying him along for an undetermined amount of time with some extra funding that represents what it was had they been two separate systems.

We just say look, Brian, here's the (indiscernible) calculation of the impact. Here's a lump-sum amount and here's TDCs to go with it. You need a fleet. Here's money for that. Here's a fleet and boom and it comes out of the ten percent on the rural side. That's a lot to take in. If it sounds reasonable, you can just nod when we get to this again and we'll work something up for July that fits that and then, we would stay away from the state funding.

So we -- this is one area where it's a -- it's a big chunk of something new for the committee to think about. I'm not sure how much feedback we'll be able to get on this today, but that will give you kind of a heads up on where we're going and I would think at the July semi-annual, we would present a much more solid package of an idea on this one. But we need something in the language to help us address the district boundary change situation.

Okay. Next slide. So --

MICHELLE BLOOMER: Eric, when you --

ERIC GLEASON: Yes?

MICHELLE BLOOMER: -- say next slide, can you reference the number?

ERIC GLEASON: Sure. Put my reading glasses on --

MICHELLE BLOOMER: Thanks.

ERIC GLEASON: -- to do that. The next slide --

KELLY KIRKLAND: 13.

ERIC GLEASON: -- we are on page -- slide 13, Michelle. It's called tier one systems formula.

MICHELLE BLOOMER: Okay. Thank you.

ERIC GLEASON: What's that?

KELLY KIRKLAND: Is Jim still on there?

ERIC GLEASON: Yeah, Jim's still on. Jim, you're still here, right?

JIM CLINE: Yeah, I'm here.

ERIC GLEASON: All right. (Indiscernible) --

JIM CLINE: Hey, Eric, before you go on the next (indiscernible), do you want to take questions? I mean, do you want --

ERIC GLEASON: Yes.

JIM CLINE: -- to go through all of it and then talk about it? Is that what you said you wanted to do?

ERIC GLEASON: What I want to do is take questions along the way. And then, we're going to take a recess and come back and we'll go through one by one the areas where we're looking for some specific feedback. So questions of clarification now, discussion later.

JIM CLINE: Okay. Got it. I have some discussion, so it will wait until later.

ERIC GLEASON: Okay.

JIM CLINE: Thank you.

ERIC GLEASON: So we have these tier one systems up in the Dallas-Fort Worth area. And, Michelle, this is ancient history for you, but I'm sure they're still near and dear to your heart. These are systems -- they're not explicitly defined in statute, but they are -- as statute often does, they are generally described -- there's a situation described, which means it's about these four systems. The way the statute reads is that funding for these four systems is capped at what each of them as individual systems received in 1997.

JOSH RIBAKOVE: Eric?

ERIC GLEASON: Yes?

JOSH RIBAKOVE: This is Josh. I'm sorry to interrupt, but I've got to dial the phone and it's going to interfere with people listening while you talk. It should only take a moment, but we might be able to get the WebEx back.

ERIC GLEASON: I'm not sure anybody heard that, but I did. Okay. So we're going to take a break while Josh does some technical --

JOSH RIBAKOVE: It will just take a -- take a moment. Hopefully this is going to work out okay.

ERIC GLEASON: I think we have a solution on the WebEx.

(Brief pause.)

JOSH RIBAKOVE: I believe that we are back online.

ERIC GLEASON: Can you guys see this?

MICHELLE BLOOMER: (No verbal response.)

JIM CLINE: (No verbal response.)

ERIC GLEASON: Jim? Michelle?

MICHELLE BLOOMER: This is Michelle. We're back online, but we still don't see the screen. Whoops. There we are.

ERIC GLEASON: Okay. Well, we're going to stop trying to fiddle with that --

JOSH RIBAKOVE: She says she's got it now.

ERIC GLEASON: What's that?

JOSH RIBAKOVE: She just said whoops, there we go. I think --

ERIC GLEASON: Oh, we got it?

JOSH RIBAKOVE: -- we got it. They've got the screen again.

MICHELLE BLOOMER: We have the screen now. Thank you.

ERIC GLEASON: Sure. Thank you, Josh.

Okay. So tier one systems. So there's a group in the current formula that we deal with by taking some money off the top of the urban area amount. And under former federal legislation, there was -- they were -- they were identified as being able to allow -- to run a limited eligibility system and still use 5307 funding for those purposes that no longer exists in federal statute.

Our TAC talks about a formula for these four that uses their share of the 5310 program target population, which at the time was relevant because all four systems only ran services for seniors and individuals with disabilities. At the moment, our understanding is that three of the four continue to do that, but that Mesquite now runs a general purpose system.

What we think we need -- which is fine. What we think we need to do is to move away from a formula that is based on seniors and individuals with disabilities to a more straightforward approach which, you know, may simply cap these systems per statute as at a -- getting no more than a fixed amount and then let them sort it out amongst themselves how much of that total they get and to move away from surrogate formula based on some target limited eligibility population to run the calculation. The key here is having -- is providing a fixed amount. We think that -- so down below, you can see there's kind of two options.

We could -- we could abandon the tier one concept, roll them into the rest of the urban systems and then at the end of the day cap them at their statutory limit. But by definition, with the additional funding coming to the rural program, they'd all exceed their current limit. And so it's kind of a waste of time in our view.

So we think we need to preserve the notion of the tier one system and just establish a cap either on the amount they currently get or on the statutory amount that they're capped at and there's about a $200,000 difference. Right now, they get about $200,000 less than the maximum amount that would be allowed under the statute. So we're just -- so our idea at this point is we're going to go with a fixed amount and we'll just have to pick whatever that amount is.

So feedback from the committee would be fixed amount versus putting them in with the rest of the crowd only having to cap them later on. That versus -- one versus the other. And then, the other would be at the fixed amount option, you know, keep them where they are today or, you know, bump them up that extra 200,000 and just make it consistent with statute and go home.

So next slide, which will be 14. Generally, checking out some of the major areas in the -- both the state and the 5311 formula, you know -- so the first general area to confirm or revise would be the splits between need and performance, 65/35 on the rural side, 50/50 on the urban. As staff, we don't see a compelling reason to change that. I would certainly listen to arguments/ideas. But, you know -- so at this point, we're recommending that those splits would remain.

The measures, one of the things that we'll talk to you about the measures is clarifying that, you know, the data we use for them -- and we'll talk about that at the end here -- but we're not suggesting a change in the measures themselves. But we could certainly change the measures and we could certainly change the weights associated with each of them if you thought they made sense.

We think it -- the second area to confirm or revise would be this notion of a floor on how much of a decrease any one system should sustain from one year to the next. It's currently at ten percent. Again, we don't see a reason to change that. What to do with excess funding, right now excess funding is -- it can be distributed on a pro rata or competitive basis. I think we would look to add to that statement as I mentioned earlier, some language targeted toward allowing distribution in a case of a system consolidation effort. Again, coming from excess funds, not from funding allocated through a formula.

And then, there are a number of unique elements to the 5311, FTA-5311, side of the formula where we currently -- for those that have been through this before, there's a -- there's a hard dollar amount in the

TAC that fixes the amount of the federal program to be distributed based on needs and performance at 20.1 million dollars. It then says that no more than ten percent of the total amount available can be allocated on a pro rata or competitive basis and the amount in between those two gets allocated by the vehicle revenue miles.

So again, we don't necessarily see a reason to change any of that. It seems to be functioning well. The committee, you could go in, you -- you know, right now, the -- this allocation here is general in purpose. It can be used for anything. We talk a lot about this is where folks need to go for their capital program first before spending an operation. I mean, we could revisit that whole how prescriptive we want to be about elements. Again, we're not -- we're not recommending that. But certainly, we could if the committee felt that was important.

So looking ahead, next meetings, on the 12th, we'll go through this same show on the 12th with everyone in the room at Riverside, so -- and we'll have some way for folks to give us some feedback from that. And then, we will get some graph text rules for proposed changes in front of this committee on the 25th.

So before we leave this conversation, Mr. Chair, I want to highlight two things that are not part of the current rules, but are practices that we as staff have been employing since the conversation on these current rules in 2006, because they were a part of the discussion and the committee felt strongly about them.

The first is, when it comes to state urban money, the two separate urbanized areas of Midland and Odessa for the purposes of state funding are considered as one. And so when they're considered as one, they are part of a group that is over 200,000. The feds and the census treat them as two separate urbanized areas. There's no reason to believe that any time soon they will become one from a census standpoint. So we at this point in time want to step back from that unique designation for state money as one and treat them as two separate smaller urbanized areas for state funding.

What that will do from a practical standpoint, they will -- that will drop them out of the larger urban group and into the remaining FTA small urban group. And so they will then be part of the distribution of the ten million dollars available for that group. So we think that makes sense. We'd like to step away from the -- from the customization we have right now with respect to those two urbanized areas.

Again, we've got --

MICHELLE BLOOMER: Eric?

ERIC GLEASON: Yes?

MICHELLE BLOOMER: This is Michelle.

ERIC GLEASON: Yeah.

MICHELLE BLOOMER: So if we move Midland/Odessa from treating them from one entity for state funding to two and we drop them from large to small, does the small urban pie stay the same? There's just two more people at the table now?

ERIC GLEASON: Yes. So let's talk about this a minute though. So right now, you have everyone at the table for ten million dollars.

Now, six of those systems -- is it five or six? Six of those systems will now step away from the table and carve up three-and-a-half million dollars. And that three-and-a-half million was calculated based under the assumption that Midland/Odessa and the money they currently got from the formula would be a part of that large urban pot. So three-and-a-half million -- so now you have one fewer seat -- one fewer person at the table for the three-and-a-half million, so there's more money for those guys to split up.

Meanwhile, the small urban group that remained, that ten million stayed the same as it's always been. And in effect, without Midland/Odessa being added, those small urban systems were seeing an over 50 percent increase in the state funding. When we add Midland and Odessa to the mix, everyone still clears 40 percent. I think everyone's in the neighborhood of 42 or 43 percent.

So it's kind of a -- if we're going to do something like this, this is the time to do it. We think it makes sense. It's a -- we think it's a win-win for everyone. And so we feel pretty strongly about that, but we would certainly entertain any thoughts to the contrary from the -- from the committee.

MICHELLE BLOOMER: Thank you.

ERIC GLEASON: Sure. So that's one practice that we'd like to step away from. The other one has to do with this customization issue that I raised earlier and that in the calculation of some of our performance measures at the time, back in 2006, the department and the state was just embarking on its coordination planning efforts at the time required by state law and by three federal programs.

And in that context, the interest was in encouraging coordination and rewarding coordination through the performance measures. And so we ended up with the understanding that calculations that are now called local investment would actually allow a combination of things to be added to that that were over and above what would typically qualify as local match.

So we allowed folks to -- if they were recipients of JARK and Freedom program funding, they could add those funds into that amount, because those programs required coordination and we encouraged partnerships and so that was thought as something that we could do that would encourage folks to move toward coordination. And that kind of carried on throughout down through some of the other measures as well.

We have a more flexible definition of the kind of things that can get added into some of these measures in response to a desire on the committee's part that we agreed with at the time to emphasize and reward and encourage coordination.

Now, consistent with our desire to simplify and step away from customization, what we would propose to do and feel strongly about this is that we simply bring all of our data that we use, we bring it in line with whatever systems are reporting as a part of their requirement national transit database report. And that we just -- you know, bottom line everything on a consistent, agreed upon set of data that is not subject to customization as it is currently now.

Again, it's not a rule change. It's a -- it's a practice that was very much a part of the conversation at the time the current rules were adopted that we've continued as consistent with the -- with the desire. And we want to move something that's a little more straightforward.

Mr. Chair that concludes what I have for everyone right now from a background and explanation standpoint. I would entertain any questions. And then, after that, I would suggest a recess.

ROB STEPHENS: Okay. Well, that -- thank you very much, Eric. Let's start with if we have questions. Let's go ahead and get through those.

Jim and Michelle, do you guys have any specific questions for Eric on any of the programs that he's discussed, any of the changes or any of the direction?

JIM CLINE: (No verbal response.)

MICHELLE BLOOMER: (No verbal response.)

ROB STEPHENS: Okay. If you guys don't, how about J.R.?

JIM CLINE: I have a -- hey, Rob?

ROB STEPHENS: Yeah.

JIM CLINE: This is Jim. I have a couple -- a few questions. On his -- under the tier one systems, there -- I think, Eric, you said that there was a fixed amount for the tier one systems and that they would sort that out by themselves. I --

ERIC GLEASON: I was being --

JIM CLINE: -- (indiscernible) --

ERIC GLEASON: I was being a little

JIM CLINE: -- (indiscernible).

ERIC GLEASON: I was being a little flippant on that, Jim. I think we would come up some sort of a -- some sort of a distribution for them. Right now, the distribution is their proportional share of target population based on a limited eligibility program. And so we might suggest, you know, population share. We might -- we might could just simply freeze them at their statutory limits. We would have to go away and come back with some basis for it. So I apologize --

JIM CLINE: But this --

ERIC GLEASON: -- for being a little flippant with that.

JIM CLINE: Oh, no. It's -- (indiscernible). I missed the nuances of that, so --

ERIC GLEASON: You had to be here.

JIM CLINE: -- I guess what I was saying, if you put them in the small urbans, that would be -- that would be based on vehicle revenue miles?

ERIC GLEASON: Yeah. They would run through the formula like everyone else. The issue with that is, it's -- because of the increases we're anticipating on the small urban side just because of the additional funding available for a smaller number -- well, it's the same amount of money available, but there's a smaller number of people at the table.

By definition, they're going to go way past their statutory limit and all we're going to do is bring them back down to whatever that is. So it seems -- it seems much more straightforward to us that we just focus on establishing a fixed limit, which is either at the statutory amount, which says that none of them as individual systems can get more than they got in 1997.

JIM CLINE: Okay.

ERIC GLEASON: So we could just simply figure out what that amount is -- and we have it -- and just say add it up and say here it is and you guys get this amount and you'll get it every year and end of story or we could be more complicated than that if we wanted to.

(Brief pause.)

ERIC GLEASON: It's about a 1.5 million --

JIM CLINE: Okay.

ERIC GLEASON: It's about 1.5 million a year. And they currently get, I think, just under 1.4. Is that right, Kelly?

UNKNOWN MALE: That's our biannual.

ERIC GLEASON: Biennium.

UNKNOWN FEMALE: Those are biennium numbers.

ERIC GLEASON: I'm sorry. That's for the biennium.

(Brief pause.)

JIM CLINE: So I mean, I think that -- I think that's reasonable. And then, the other piece that I was asking is if you -- you talked about Midland and Odessa that are currently the state sees them as one system, plus two different units at their -- they're treated as a large urban and then the proposal is to make them two small urbans for the calculation purposes.

And I wasn't clear on the impact of that to, you know, the broader -- because that pulls them out of the three-and-a-half million pile?

ERIC GLEASON: Yes.

JIM CLINE: Is that what happens with that?

ERIC GLEASON: Yes. So --

JIM CLINE: And so I -- that would then redistribute the three-and-a-half million over a smaller group of people?

ERIC GLEASON: So there's more there for that group than there was before, yes. So let me -- let's take this one step at a time. The proposal basically is to treat Midland/Odessa as we do everything else in the system from the census standpoint. We use the determinations of the US census to determine who's rural, who's small urban and who's not. And we would just treat Midland and Odessa the same way that everyone else is treated.

Now, the impact of that is that right now, the systems of the state that are over 200,000 in population including Midland/Odessa last time the formula award was made, they received in total about 3.38 million dollars or 3.32 million dollars among them, including Midland/Odessa, so the 3.5 million is a small increase for that group.

Now, you take Midland/Odessa out and that just gives that group a little more new money to split amongst themselves, as opposed to something that would probably look more like a steady state. On the small urban side, you know, you have six fewer people at the table fighting over ten million dollars. Now, that group of six was accumulating over 30 percent of the total. So literally, you have, you know, 30 to 32 percent -- you have a 30 to 32 percent increase in money available, if you will, for the remaining group. The total has stayed the same, but they all get more.

Make sense?

JIM CLINE: Yes. Thank you.

ERIC GLEASON: Okay.

ERIC GLEASON: Questions? Other questions?
ROB STEPHENS: Yeah, I have one for you, Eric. So going to the transit district changes, so is that mostly when you think about districts either adding a rural county or the rural county leads a district or is this also in consideration of urban and rural accommodations consolidated?
ERIC GLEASON: So I -- we don't have a history of urban system consolidation to go on, so our history is all with rural programs. It is -- there is no mechanism in state statute for a single joint urban/rural system to be created. That would require a statutory change to create a new category of system.
ROB STEPHENS: Gotcha.
ERIC GLEASON: Right now, the only tool we have is two separate entities then join through an inter-local agreement that talks about how they're going to function as one.
ROB STEPHENS: Okay.
ERIC GLEASON: Is that your question?
ROB STEPHENS: Yes. Thank you.
ERIC GLEASON: So we can't -- we can't go there with the -- the joint system would have to begin first and in statute.
ROB STEPHENS: Okay.

JOHN MCBETH: This is John. Just a point of clarification. How many -- how many of these happen a year? Is it a large number or --

ERIC GLEASON: No. No. One.

JOHN MCBETH: One?

ERIC GLEASON: Maybe two. They seem to come in bits and starts. No, it doesn't happen very often. I think, you know, we're always aware of two or three systems that are struggling financially --

JOHN MCBETH: Uh-huh.

ERIC GLEASON: -- or struggling from a technical or a financial or an administrative capacity to actually be a sub-recipient in and run a transit program. And so it always seems as though there are two or three that could happen. It's probably less than one per year has been the average over the last ten years.

JOHN MCBETH: And so when they combine with another system, then the money that they were currently getting as a grantee now goes to that system, but that's not enough money to basically --

ERIC GLEASON: So it's -- if you take the separate amounts --

JOHN MCBETH: Uh-huh.

ERIC GLEASON: -- and add them up, you would get X.

JOHN MCBETH: Yeah.
ERIC GLEASON: You put them as one, you get X minus Y.
JOHN MCBETH: Oh, okay. So --
ERIC GLEASON: And that's the issue.
JOHN MCBETH:
ERIC GLEASON: And then, it gets worse because your performance --
JOHN MCBETH: Yeah. That's --
ERIC GLEASON: -- goes down too and that --
JOHN MCBETH: Yeah. Because they're --
ERIC GLEASON: -- accumulates over time.
JOHN MCBETH: They're poor performance is going to bring down the overall performance of the person that they consolidate with.
ERIC GLEASON: Right.
ROB STEPHENS: That's exactly right. We --
JOHN MCBETH: Buyer beware.
ROB STEPHENS: We've experienced that --
ERIC GLEASON: Exactly.
JOHN MCBETH: That's right. That's right.
ROB STEPHENS: We've experienced that ourselves personally, CTRTD, and we wondered what the impact of adding another county or adding three counties would do to us. And then, we thought that TxDOT or PTN

could deliver that to us in a way that we would understand it, but it was so complex that you can't. You can't say well you get --

JOHN MCBETH: Well, yeah. You get more --

ROB STEPHENS: Yeah, it's not --

JOHN MCBETH: You get more population and you get more square mileage and that's 75 percent of the rural formula.

ROB STEPHENS: But you get --

JOHN MCBETH: But the problem is you get no performance --

ROB STEPHENS: Absolutely.

JOHN MCBETH: -- and that's the issue we ran into with the Woodlands/Conroe when they had to be fused because of the census. Conroe had no history of any performance because they didn't have a system. They had a lot of land mass, but they didn't have a system and it did --

ROB STEPHENS: Sure.

JOHN MCBETH: -- negatively affect what those two systems could do.

ERIC GLEASON: So let me -- let me -- I mean, there's some nuances here, so I described -- so things that might happen, one system might merge into another. That's the most straightforward where the entire program just goes one way and we sit down and we figure it out.

You might have a system like (indiscernible) -- well, actually the better one is Community Action Council of South Texas where last year or year before, they split two ways. Most of it went to Lower Rio Grande Valley, the two biggest counties in the group and the rest went with Reale. A little more complicated, but at least one went away, the total number of systems stayed -- you know, went down one, and we just had to divide up the resources. And people fought over the vehicles they got and all that kind of stuff, but...

(Brief pause.)

ERIC GLEASON: Either of those cases, I think, are situations that we want to be able to facilitate and not harm during the funding.

The third situation is one I'm not so enamored with and that is when say you run an eight-county system and one county decides they can get a better deal from the north.

JOHN MCBETH: Uh-huh.

ERIC GLEASON: And so they just split off and go to the north. Well, that doesn't -- I'm not convinced that we need to be supportive of that, because I don't necessarily want to make that any easier that it might already be. I don't want people to say well, hey, if I split off, I'll get money for textile that will help me deal with the consequences.

So it may not be a universal thing and may only be those situations where we have a -- that we have a system which is, you know, completely getting out of the business. (indiscernible) another one did that recently. So that's just something to think about.

I don't -- you know, a single county splitting off because they can get a better deal somewhere else, you know, I'm not so emphatic or sympathetic to that from the state standpoint. I'm not sure what we get as the state from that. I mean, there's possibly some benefit. I'm more solid on those benefits associated with systems that can't manage putting in a program without going away and moving to systems that can.

JOHN MCBETH: Because it's so infrequent -- this is John again. Because it's so infrequent, it would seem to me that you'd want to have the greatest amount of leeway and I would -- I'd be in favor of just the second thing, including language providing flexibility to address the unanticipated situation and basically leave it at that, at the -- at basically that this discretion of --

ERIC GLEASON: Let me -- let me --

JOHN MCBETH: -- PTN --

ERIC GLEASON: -- hit you with a number though to tell you.

JOHN MCBETH: Okay.

ERIC GLEASON: Right now, from state funds --

JOHN MCBETH: Uh-huh.

ERIC GLEASON: -- on the rural side, $461,000 a year come off the top to address those situations. That's a pretty big chunk of change.

JOHN MCBETH: That's a lot of money.

ERIC GLEASON: And, you know, we're just -- we're just trying to get by with no direction. And honestly, it's bigger than we ever thought it would be, but -- so we need to try and get a handle on that. And so one option for the committee to think about is not only give us flexibility, but you might say to us like pick of the rural program, don't solvie it with state money.

JOHN MCBETH: Uh-huh.

ERIC GLEASON: Address it with federal money only and if match is the issue, we can, you know, use TDCs on a one-time basis.

Now, urban areas, I -- you know, I don't know. I don't know what we might see that kind of situation.

JOHN MCBETH: I can't imagine seeing a situation like that --

ERIC GLEASON: Right.

JOHN MCBETH: -- (indiscernible).

ERIC GLEASON: I'll tell you one area I wouldn't mind seeing it played with and that would be Longview and Tyler.

(Laughter.)

ERIC GLEASON: It's just that Longview can't figure out what's in it for them. But it's -- you know, those are two areas that are reasonably close. There might be some reason from a resource standpoint in combining the maintenance facility standpoint or whatever that, you know -- it's one (indiscernible).

JOHN MCBETH: Right.

ERIC GLEASON: I mean, it's the same reasons.

JOHN MCBETH: Right.

ERIC GLEASON: And (indiscernible) is one entity and -- but if we were to combine those into one Tyler and Longview together --

JOHN MCBETH: Yeah.

ERIC GLEASON: -- we'd be back in this situation.

JOHN MCBETH: Right.

ERIC GLEASON: And there are no federal funds that we have available to address that. The only funds that we would have would be state --

JOHN MCBETH: State.

ERIC GLEASON: -- in that case.
(Brief pause.)
ERIC GLEASON: So --
JIM CLINE: Hey, Eric. This is Jim.
ERIC GLEASON: Yeah, Jim.
JIM CLINE: I'm just kind of following up with what John said. It seems like having the flexibility would be a good thing, so you can at least not have a disincentive for doing the right thing. And seems as if, if there was a weak system that people who are being moved could benefitted by having a stronger partner to help them get past that --
ERIC GLEASON: Right.
JIM CLINE: -- putting up the stronger partner to say oh, this is a bad deal --
ERIC GLEASON: Right.
JIM CLINE: -- but do the right thing. I mean, because again going back to the -- you know, the people that are getting moved around, if you have a weak system, say a weak rural system, that is having to -- you know, that may end up closing shop, you want to make -- it would seem to me in the best interest of the state to find an answer to make sure that that more stronger system did the right thing. So --
ERIC GLEASON: Right. And, yeah, we would do

that. I also think we'd probably need to do that on a one-time basis. Now, that could be a sort of a several year calculation of what that one-time amount might be.

But I -- so I think we need to facilitate it. I don't think it's a permanent deal. I think at some point the system that absorbed in the other needs to convince themselves that they can -- they can turn it around. Because I just don't think we can be there forever with it, unless the committee differs. I mean, I'd be willing to answer that, but I don't think it's a forever kind of thing on our part, but I do think it's a bridge -- it's a bridging mechanism for a sufficient time so that system, that stronger system, to come in and, you know, set things on a better course.

MICHELLE BLOOMER: Eric, this is Michelle.

ERIC GLEASON: Uh-huh.

MICHELLE BLOOMER: This is Michelle. I would agree that I don't believe it was ever the committee's idea or desire that it would be forever. It was more of a -- like Jim said, we want them to encourage to do the right thing, but we wanted to help, I guess, meet that gap. Because if -- say they were -- say they were performing at a -- A-minus level and they take on a struggling provider that for obvious reasons they're struggling and they're at a C-minus or a D. When you go to do the next formula allocation, that agency is no longer at an A-minus. They've now been dropped down to a C-minus.

So the idea was -- and I don't know how many years that is. If you're just using the last year -- are we still using the three-year rolling on performance?

ERIC GLEASON: We don't -- we don't use -- we do not do a rolling average on performance. We talked about that several years ago and the decision was not to do that.

MICHELLE BLOOMER: Okay. So we use last year's performance, so maybe they're upset. You know, you get two years or you get three years. And at the end of that, you're performance should have evened out.

ERIC GLEASON: Right. My idea would be calculate an operating impact, a three-year operating impact, figure out the fleet, any fleet investment needed, total it up, match it to the TDCs and you're done. That would be my sort of off the top of my head approach to that.

MICHELLE BLOOMER: Okay. Yeah.

ERIC GLEASON: I'm just -- I'm trying to get --

JIM CLINE: Eric, this is Jim.

ERIC GLEASON: -- the committe something to react to.

JIM CLINE: Yeah. Hey, Eric, just one other just thought going into that is -- this is Jim -- is if we had, you know, the definition of the right thing, you know, when we talk about these and it's situations where -- I mean, I go -- I'm going back to the people that are being served. That if -- if it's then to benefit -- at the end of the day, it's like you talked earlier about people splitting off just for shopping for a better deal, I don't know if we should be supplementing that. But if someone is throwing a life ring to someone to continue for service continuity and things like that, that's where we should, I would think, that it would be the best benefit -- the best interest of the state to step in and bridge that gap.

ERIC GLEASON: Okay. All right.

(Brief pause.)

ROB STEPHENS: And (indiscernible) and a added benefit we talked earlier about the TTI study of the urban gap. Maybe that consolidation effort between urban and rural could tackle some issues that we know, maybe something that we don't know that solve the gap the urban gap issue. So to that -- that being said, we'd look at trying to encourage folks to do some of that as they intergrate.

ERIC GLEASON: Yeah. I think our tools to -- I think we are truly limited structurally on that one though to the inter-local agreement).

(Brief pause.)

ERIC GLEASON: I hadn't considered that we might have a formula language might address that. So I would be interested on any thoughts you had on that.

ROB STEPHENS: Okay.

ERIC GLEASON: So, Mr. Chair, it might be a good time to take a recess.

ROB STEPHENS: Let's go ahead and do that.

ERIC GLEASON: So --

ROB STEPHENS: Unless there's any other questions for Eric, let's take a 10-15 minute recess. 10 minute?

ERIC GLEASON: Your call. What do you want?

ROB STEPHENS: Let's take a 10-minute recess.

ERIC GLEASON: So the committee is in recess. What's the time?

ROB STEPHENS: It is --

JOSH RIBAKOVE: 2:46.

JOHN MCBETH: 15 till 3:00.

ROB STEPHENS: 15 till 3:00? Let's come back at five till 3:00.

ERIC GLEASON: Okay.

ROB STEPHENS: Okay?

ERIC GLEASON: All right.

ROB STEPHENS: Very good.

ERIC GLEASON: The committee stands in recess.

(A short recess was taken.)

(Michelle Bloomer exited the meeting.)

ERIC GLEASON: Are we back in session?

ROB STEPHENS: Yes, sir.

ERIC GLEASON: All right. So what we're going to do at this point is go back in the slideshow and revisit those slides where we are indicating to you that we think there's a possible change of direction or where we need to make a change. There will also be an opportunity for you all to raise any other areas of interest that you might have based on today's conversation.

I think what I'd like to do is to -- page number six is our guiding principles, so if you're in Austin, what I'd like to do is get the guiding principles up on the side one and those will stay up. And then, we'll work through on the main screen the various decision actions. So Jim on the phone, find page six and kind of set it to one side. And then, we'll work through on the main screen that you can see the various areas where we're thinking we need to make a change. Does that work?

ROB STEPHENS: Yeah.

JIM CLINE: Yeah. It's all good.

ERIC GLEASON: Okay. So the first with the guiding principles, so let's look at -- let's look at slide number eight, which is formula structure draft proposal. And on the right-hand side, we have the question of so for this orange level of boxes we're showing, current formula uses a percentage split between urban and rural.

The question is do we want to try and maintain that percentage split approach or do we want to just go ahead and, you know, the idea at the top, we currently identify a fixed biennium amount. Carry that notion of a fixed biennium amount down to the next level of boxes and actually establish a number in the Administrative Code for each of the three areas that in the future where additional funding could become available, we'd have to go back in and change.

And so that's -- the downside of a fixed amount is that if anything changes, then it's either above and beyond of what's available and it gets distributed as excess funding, but if the intent with the additional amount is to have it be a part of the allocation with fixed amounts, we have to go into the Administrative Code and change those amounts before we can award it. If we work with percentages, we might be able to avoid that.

And we kind of thought that through, we thought the time was right to just go ahead and establish the amounts. We don't get new state money all that often and it doesn't come as general purpose formula you go ahead and do what you want with it anyways anymore these days. It comes with a specific focus attached to it, so we might just as well establish the amounts and move on. That was our thinking.

JOHN MCBETH: So when you say anything above that, do you have any idea of what that figure would be? I mean, it -- well, it could be a cent or anything, but --

ERIC GLEASON: Well, why not -- yeah. I mean, technically it's any amount, yeah.

JOHN MCBETH: Uh-huh.

ERIC GLEASON: And there's no way to say, you know -- but right now, for example, the 1.6 million that we used for census impact is above the biennium amount that is in the TAC. And so those funds get distributed on a pro rata or competitive basis. It would actually split the total -- we distribute a portion of that 1.6 million each year on a pro rata basis, because we did a calculation at the time of the census that calculated how much the population changed in the rural transit districts and figured out what that was and we were awarded that amount each year to certain state funded rural transit districts and that's about $900,000 of that 1.6 million and the other 700,000 we've given out through competitive cause for project proposals. So that's how we handle excess funding.

(Brief pause.)

ERIC GLEASON: But the --

JIM CLINE: Hey, Eric. This is Jim.

ERIC GLEASON: Yes, Jim.

JIM CLINE: I have two questions for you. One is I was a little bit confused on the -- when I looked at the slide -- going from slide seven to slide eight, you've got the large urban gets three-and-a-half million in the original. And then, that -- I thought that was the tier one. Maybe that's where I'm messed up. Is it --

ERIC GLEASON: That's --

JIM CLINE: -- large urban providers the Arlington's net received?

ERIC GLEASON: No. No. The -- what we mean by large urban, if we go back to number seven (indiscernible). Let's go back one.

(Unintelligible crosstalk.)

ERIC GLEASON: There we go. So, yeah. This looks like the other that -- this looks like the original formula flowchart you saw, but it's different. Jim, in this case, these large urban providers that are coming off the top, the three-and-a-half million, those are the urbanized areas of the state that based on the 2010 census are over 200,000 in population, but have not taken the additional step they're authorized to do under statute to form themselves as a transit authority.

So Lubbock, Killeen, Brownsville, Conroe Woodlands and then we have a special case all together in Laredo, different situation there. That's another statute exception. And then, McCallum is the other one. So --

JIM CLINE: Okay. So under the -- under this chart on number seven, the 35 percent includes those special cases for the tier one.

ERIC GLEASON: No. What would you see with the tier one is underneath this 35 percent box, you would see a line off the top for the tier one systems. And then, the rest would flow through based on needs and performance.

So if we go back to the -- I think the third slide, Antonia. Here we go. So over on the left then, Jim -- we're switching sides, Jim, and I apologize for that, but -- so here's your tier one system, so we're talking about in slide seven way up at the top here, just under the top box, there would be a -- there would be a set aside out there for large urban systems. And one option is just to establish that at three-and-a-half million and let the rest of the formula flow down on a 35/65 percentage.

JIM CLINE: Okay.

ERIC GLEASON: We can do that or we can do as eight suggests. Let's go to eight then and just go ahead and make an allocation across. So in this case, on the left-hand side, eligible large urban area allocation would be 3.5 million. Then, small urban area allocation would be 10-point-something million and the tier one formula comes off of that or the tier one areas come off of that just as they do today. And then, the rural areas would be the approximately 28 million. And then, if we decide to add the 1.6 of census to that, it would be 29.6 million. That's how that would appear.

JOHN MCBETH: So what you're suggesting -- this is John again. What you're suggesting is instead of using the 35/65 split down between urban and rural, just putting the money numbers at that --

ERIC GLEASON: Yep.

JOHN MCBETH: -- percentage?

ERIC GLEASON: Yep.

JOHN MCBETH: That percentage represents those money numbers would go in there.

ERIC GLEASON: Sure. Yeah. I mean, we could also figure out this total and we could put percentages in here as well. It's not going to be 65/35 --

JOHN MCBETH: Yeah. No, no.

ERIC GLEASON: -- anymore.

JOHN MCBETH: Right.

ERIC GLEASON: It would be something else.

JOHN MCBETH: Something else.

(Brief pause.)

ERIC GLEASON: You know --

ROB STEPHENS: But when you're suggesting that the reason to do that is because the numbers aren't expected to change very -- very much or --

ERIC GLEASON: It has more to do with if we felt like the next time the numbers changed they would just increase this biennium total from 60 million to 70 million --

ROB STEPHENS: Uh-huh.

ERIC GLEASON: -- and leave it up to us to decide who gets it? If we felt that was the way it was going to happen, then I would arguing let's stay with percentages. But that's not the way things happen anymore. You get a certain amount for rural. You get something for urban. And it doesn't work anymore if you've got percentages, because if you split it, then you don't achieve what the legislative intent was. It's just from a practical standpoint.

Necessarily I don't like the fixed number because, yeah, every time you change it, you've got to do a rule change. That's the downside. I just don't -- I think we're in there anyways is what I'm trying to say. I think given the way we've been monitoring it, we're into a rule change in any case.

JOHN MCBETH: Right.

ERIC GLEASON: And the 65/35 doesn't mean anything anymore. It's not based on anything anymore than we can do a calculation on

(Brief pause.)

ERIC GLEASON: Just -- we don't need a decision, just need to know how you're feeling. Good idea, bad idea?

JIM CLINE: Yeah. I -- let me -- if I could -- Eric, if I could just -- I don't want to interrupt somebody else, but I -- just one thought that I had. When you look on page 11, it's --

ERIC GLEASON: Yeah.

JIM CLINE: Because I think the decision that's being made on slide eight would then beget what happens with slide 11, I believe --

ERIC GLEASON: Let's go to 11.

JIM CLINE: -- because then that talks about how the allocations work.

ERIC GLEASON: Well, that --

JIM CLINE: And just a thought --

ERIC GLEASON: That would be the case if -- yes, that would be accounted for.

JIM CLINE: Oh. And so just a thought that I had looking at this and just kind of comparing the numbers is that if the problem that we're trying to address -- and again, from the perspective of our passengers and people particularly the rural areas that are really fighting the fleet issues, that 1.6 million is on the same -- almost the same as the 5339 monies that would go to the rural and could that 1.6 million have a big impact on what I suspect is the biggest hole that has to be filled and a lot of times, which is the capital piece.

And I don't know, I'd have to have somebody else speak to the rural issue, but I know that's typically where -- you know, it seems like that would be where -- that would be one of the biggest struggles is that, you know, if you're trying to balance -- you now, if we try to put -- we put the money into operations and you don't have the vehicles to back it up, it seems a bit counterintuitive.

So I -- you know, I thought that's a way that the money might actually -- when we have a big impact. But I'll defer to others on that, just a thought. But that didn't go back to what you do with eight.

ERIC GLEASON: So, Jim, a little bit of history. So the -- from my standpoint, the fundamental policy issue there to consider is the extent to which the state is prescriptive to in this case 37 different locally governed transit districts. To the state -- to the extent to which the state is prescriptive about how funds can be used.

And, you know, between 2006 and I want to say '9 or '10, maybe only as far as '9, we used the excess road program funding on the federal side -- we were prescriptive about it. We awarded it for fleet replacement purposes. And at the end of the third year of that award, we began to get feedback from some district that said I don't need money for fleet anymore. Why don't you let me make my own decision on how to spend it?

That's kind of where we're at on this and that is, you know, the extent to which as the state we are prescriptive in how funds can be used, as opposed to leaving it to the local boards to make that decision. And our approach at this point and for the past several years has been leaving that decision to the local boards.

J.R. SALAZAR: And I would suggest that we would leave it that way that we have in the past. Speaking from a rural perspective, I think, you know, we have issues in operations with everything, you know, whether it's fuel and we know fuels went down, whether it's insurance. But I think we'd rather have the ability to use that money in whatever way -- I don't want to say whatever way, but -- in the way that we choose to use it as opposed to saying it has to go to fleet or it has to go to whatever.

JIM CLINE: I'll defer to history on that then.

ERIC GLEASON: It's an important point, because there might be -- I think there's a case to be made that perhaps decision -- the pressures locally to put additional service out have perhaps overwhelmed the argument for reasonable asset replacement schedules. And I know you understand that dynamic from Denton County. And so it is -- it's hard. It's hard, but we have opted to leave that decision to be local.

(Brief pause.)

ERIC GLEASON: So thoughts on fixed versus percentage.

JOHN MCBETH: Well -- this is John. If the -- if the fixed is going to remain the same as the percentages that we currently have, I have no problem with that, but --

ROB STEPHENS: I concur with that. As long as it's not going to have a negative impact --

JOHN MCBETH: Well, I'd have a real problem moving the --

ERIC GLEASON: Oh, I see.

JOHN MCBETH: -- funding for rural systems lower than it already is.

ERIC GLEASON: No, no, no. That's not what we're --

ROB STEPHENS: That's my point as well.

ERIC GLEASON: -- saying.

JOHN MCBETH: Yeah, that's -- yeah. Okay.

ERIC GLEASON: Okay. No, I got that.

JOHN MCBETH: Yeah.

ERIC GLEASON: You bet. No, no. We're not going to pick numbers that are less --

JOHN MCBETH: Right.

ERIC GLEASON: Okay.

JOHN MCBETH: That's -- that's -- that's -- that's -- if the fixed is going to --

ERIC GLEASON: No.

JOHN MCBETH: I understand what you're talking about the statutory --

ERIC GLEASON: Got it.

JOHN MCBETH: -- because --

ERIC GLEASON: So --

JOHN MCBETH: -- they do put it in to the statute --

ERIC GLEASON: And --

JOHN MCBETH: -- that.

ERIC GLEASON: And -- and in July, we would put language in front of you --

JOHN MCBETH: Yeah.

ERIC GLEASON: -- where you could -- you could check that --

JOHN MCBETH: See that out.

ERIC GLEASON: -- off as -- yeah.

JOHN MCBETH: Yeah. Yes.

ERIC GLEASON: Okay.

ROB STEPHENS: So you intend to use the same number for the rural, add the 1.6 million after this expires upping that rural amount, keeping the smaller grant the same amount and then the 3.5 for the large urbans and that --

ERIC GLEASON: And the biennium is what they all add up to.

ROB STEPHENS: Okay.

ERIC GLEASON: And so we're not creating --

JOHN MCBETH: Right.

ERIC GLEASON: We're not creating any excess funding as far as we know on the state side.

JOHN MCBETH: Yeah.

ERIC GLEASON: Is that something else the committee is comfortable with or do we want to create excess funding --

ROB STEPHENS: No. We --

ERIC GLEASON: -- for a purpose?

ROB STEPHENS: No.

JOHN MCBETH: No, we don't want to. We got -- we got asked that question many, many times over at the big building, no.

ERIC GLEASON: Okay.

JOHN MCBETH: We don't want to do that.

ROB STEPHENS: No.

JOHN MCBETH: I don't want to go to jail.

ROB STEPHENS: Right.

ERIC GLEASON: All right. So let's go back to then slide nine. So we've established a -- we've got a large urban category. We've got three-and-a-half million for them. The question is how do those systems -- how to divide the money among those systems, what formula do we use? Our proposal is we use the same formula that the urbans use. We just limit it to that group.

JOHN MCBETH: And I --

ERIC GLEASON: Unless you guys have a better idea.

ROB STEPHENS: No. I agree with that.

JOHN MCBETH: I agree with that.

JOSH RIBAKOVE: I do too.

JOHN MCBETH: Because that's another question that -- and this is John. When Association for Community Transit was working this over at the Capital, that was a question that we got asked by almost everybody.

ERIC GLEASON: Okay.

JOHN MCBETH: Is this going to affect moving these 200,000 plus up? Is this going to affect them in any manner at all? That's also the question that when you were there (indiscernible) that they asked you the same thing and I think we -- to stay true to that, we said no, it's not going to have any effect on it. It will be the same formula.

ERIC GLEASON: So I think -- you know, we don't know quite how -- you know, when they're -- right now, they're playing in the sandbox where they're the biggest fish in the pond.

JOHN MCBETH: Uh-huh. Yeah.

ERIC GLEASON: And not only are they playing in the sandbox with themselves, with a little extra money to play with (indiscernible) --

JOHN MCBETH: Uh-huh.

ERIC GLEASON: So they've got a little more flexibility, so I don't exactly know how that's going to play out. But I think -- I can't imagine it would be too terribly different than it is --

JOHN MCBETH: Yeah.

ERIC GLEASON: -- today.

JOHN MCBETH: I would certainly hope not.

ERIC GLEASON: And with the additional money, I would think it's -- it's -- it's going to work out. Again, we will have that information for you on the 25th.

Okay. So we're going to go with the first one. Okay. And again, the purpose is so we know what to put in the rules you'll see in July.

Next one, next slide ten. Again, I think this is just we'll put language in front of you that describes how we intend to put the money out for the second allocation.

Slide 11. Okay. So here's -- you know, we've got options down here on what to do with this excess. Increase the total, distribute it amongst everybody.

Increase the rural amount only and create an excess fund. We know we don't want to create an excess fund. That was loud and clear. Our recommendation is we just increase the rural amount.

JOHN MCBETH: I'm all for increasing the rural amount.

ROB STEPHENS: I'll second that.

JOHN MCBETH: This is John.

ROB STEPHENS: Yeah.

ERIC GLEASON: Okay.

JOHN MCBETH: And I have an urban program too.

ROB STEPHENS: I know.

ERIC GLEASON: Easy breezy.

ROB STEPHENS: I know.

ERIC GLEASON: All right. On a transit district changes, I think -- so where we left that -- let's go to -- I think it's 12. So I think we -- during the question and A -- Q and A part earlier, Jim was, you know, concluding flexibility. I heard flexibility around the table.

I was describing some -- an approach that might -- particularly on the rural side where we had a federal rural program that we have some latitude with ten percent of the total to putting some language in that would give us the flexibility to use a portion of that ten percent in a one-time application for operating in fleet matched with TDC's for a certain period of time. So we would work that general direction.

You know, left unanswered would be what -- we have this situation on the urban side. We don't have -- we don't have a source of funding I can go to. There is no excess state funding to apply to it. It hasn't happened since I've been here. And so I don't think there's any more than maybe one other area of the state where it might occur. I don't know if something might happen down in South Texas at some point, but probably not in our careers.

(Brief pause.)

ERIC GLEASON: It might be the end of our careers, if it does. So, you know, the only thing I can think of -- and it's not something we would put in the formula -- is we can look through the direct recipient status on the 5307 program and we can look at the grant application status and see if there are older funds which have not been applied for.

And in theory if there are as the state, we can reallocate those funds. So were we to be presented with a situation where we might want to try and, you know, come up with some money, again it's nothing we would write down in the formula. That is the only source I can think of from that. It's not as readily available as the ten percent is on the rural side. So we're going to go with if -- flexibility for anticipated situations. Does that sound good?

JOHN MCBETH: Yeah.

ROB STEPHENS: Yeah.

JIM CLINE: Hey, Eric?

ERIC GLEASON: Yes?

JIM CLINE: (Indiscernible) I concur with that obviously I mean, based on what I said earlier, I still concur with that by all means. I would think that that's -- if we want to encourage the right thing and it's kind of leaning towards taking care of the ability to keep the service going and maintain that level. So I think there's an intent element you may want to think about --

ERIC GLEASON: We can look for -- you know, I think --

JIM CLINE: -- (indiscernible).

ERIC GLEASON: Yeah. Jim, what I'm hearing you say -- and we'll do this. We might be able to succinctly say something about an intent in the rule language. We will look for that opportunity. I think that's important. Okay.

(Brief pause.)

ERIC GLEASON: So let's go to the next slide. So tier one systems, our proposal is the second option where we establish a fixed amount. And I guess the question in my mind is what that amount is. And I don't really know what the basis would be for making that decision.

You know, there's what they get today and that -- the total of what those four systems get today is just somewhat less than what the statute, if they -- if every single one of them matched -- maxed out on what their statute allowed. What they get today as a group is slightly less than that and that's because the way we calculate the amount available to them results in that slightly less number.

So we can either just freeze them at today's level or we could freeze them at the statutory limit as if they all got the max. And it's -- I think it's less than $200,000 more than by anyone. It's not a huge number. That might be the simplest way through this thing.

ROB STEPHENS: And I think the statutory limit is --

JIM CLINE: You know, Eric?

ERIC GLEASON: Yeah.

JIM CLINE: One thing that you -- one thing -- this is Jim. One thing you did before is that when we started talking about the large urbans, you used the same formula as the small to distribute a fixed amount. And if there's a statutory amount for this, I don't know what -- if that had merit or not. I'll defer to others on that, but there's a consistency question about how we're -- if we're getting a simple program for small urbans that's being applied to large, then it would be applied to the to the cap, for the tier one maybe?

ERIC GLEASON: Well, so in the statute, Jim, the way it actually reads is each of them is individual systems cannot receive more than the amount they received in '97. And so, you know, we have a fixed amount, which actually applies across all four of them right now. And then, we divide it up amongst them based on their share of target populations.

I'm inclined to think if we just simply want to cap it at the statutory limit, that we will probably recommend to you that we just figure it out what each of their maximum amounts is and leave it at that. And the -- and there's no reason in putting them through a formula, because at the end of the day, we're still capped by what they can get by statute.

JIM CLINE: Okay. Thanks.

ERIC GLEASON: Okay. All right. So we're going to go with fixed amount and I'm going to make a leap and suggest that in July we come back with that fixed amount being whatever the statutory limit allows. So it will be just a little bit more than they get today.

(Brief pause.)

ERIC GLEASON: Let's go to then the next slide, Antonia. So here we are at sort of a, you know, sweeping up here. Open forum. Anything on here change and approach. You know, anybody got any -- see any reason to change the need and the performance split between the urban and rural systems?

ROB STEPHENS: No.

JOHN MCBETH: No, I don't.

ROB STEPHENS: I just don't know.

ERIC GLEASON: Okay. How about the measures?

JOHN MCBETH: The --

ERIC GLEASON: Measures are all good. We're just going to, you know, base them on NTD reported data. The cap or the floor on an annual decrease, so we kind of mitigate any unforeseen swings in funding.

JOHN MCBETH: Uh-huh.

ERIC GLEASON: Add in ten percent. If there are excess funds, pro rata/competitive basis. But that is what we may see is add the flexibility language on the federal program side for system consolidation.

Going into -- you know, this -- the FTA program has grown in size since we established this formula. So right now, generally speaking, you know, we've got 20.1 on needs and performance. This ten percent is, I think, around 3.3-3.5 million a year. And the revenue mile allocation is, I think, approaching 10 million a year, just rough numbers.

So 20 million by needs and performance, 10 million by vehicle revenue miles and about three-and-a-half million at current size pro rata or discretionary basis. If that sounds reasonable, then I don't necessarily see any reason to change this.

(Brief pause.)

JOHN MCBETH: It looks fine to me. I'm -- this is John.

ERIC GLEASON: Okay.

ROB STEPHENS: Is that 2,104,352 adding the 1.6 in or --

ERIC GLEASON: No. That's on the state side. This is federal.

ROB STEPHENS: Gotcha.

ERIC GLEASON: Okay. All right. And then, from a change of practice standpoint, we're going to move Midland/Odessa down as two separate urbanized areas and we're going to just move them to NTB data reporting on the measures and we're done.

Now, anything else that has occurred to the committee in these conversations that they may want us to tackle as a part of the formula changes?

ROB STEPHENS: Jim, this is Rob. You got anything else for Eric or his staff?

JIM CLINE: The only thing I'd say is I mean, you've -- we've got -- I mean, I think maybe you made a lot of good progress. Some of the things you said, Eric, about how like maybe it might be wise to memorialize the intent of some of the other things that we're talking about and that would include, you know, how we're not dictating and we're not going to dictate capital versus operating and we're going to say we're going to leave it up to the boards and expect them to do the right things.

You know, is -- and I just -- to me, when you have the Administrative Code that clarifies intent, it makes it easier if you have to do some things. But then, that gives you that ability to have latitude inside the current rules to operate. And so if the -- I don't know how the Transportation Commission is on that perspective, but it seems that that would kind of memorialize some of the things to start come together, so just food for thought.

ERIC GLEASON: Okay. So Donna,

let's write that down, if you could. Write down something on look for opportunities to kind of overarching intent in some cases and in other cases, it may be more specifically limited to language. But there may be some overarching intent that as Jim suggests would give us at least some indication of how to address unanticipated situations, as well as memorialize the thinking behind the Administrative Code as it stands.

I'm going to turn it back over to you, Rob --

ROB STEPHENS: Okay.

ERIC GLEASON: -- Mr. Chair, to wrap it up.

ROB STEPHENS: Yeah.

ERIC GLEASON: Whatever the committee wishes to do at this point. I appreciate your time.

ROB STEPHENS: Well -- thank you, Eric. What I'd like to do is just give everyone a chance to kind of, you know, chime in, if you've got some closing thoughts for Eric.

ERIC GLEASON: And (indiscernible).

ROB STEPHENS: Yeah. Yeah. And if we comments from the group. I don't know if Josh was given any speaking cards.

JOSH RIBAKOVE: I haven't received any comment cards at all.

ROB STEPHENS: Okay.

JOSH RIBAKOVE: I know that if anybody would like to speak, you know, we do have those sheets and just let us know. But so far --

ROB STEPHENS: Okay.

JOSH RIBAKOVE: -- everybody's listening.

ROB STEPHENS: Okay. Very good.

JOSH RIBAKOVE: Oh, wait. I see one. I see one in the back.

ROB STEPHENS: Okay.

JOSH RIBAKOVE: Let's give that right to Rob, please.

ROB STEPHENS: Yeah. Yeah.

(Brief pause.)

ROB STEPHENS: All right. Thank you. I'd like to recognize Mr. David Marsh, Dave Marsh, from C.A.R.T.S. on agenda item number six.

(Brief pause.)

DAVID MARSH: Thank y'all for letting me have a chance to weigh in.

ROB STEPHENS: Okay.

DAVID MARSH: I've been through at least three of these things, maybe four of trying to figure out a better way to distribute money. And each time, it became a very controversial -- it was brought with many emotions and nobody was happy in the end. I think that what we have now is not perfect, but it's what we have and it's what we're all used to. So I agree with your recommendation to keep it the same.

I would, however, like there to be some consideration for -- if there is such a thing -- if there are agencies that get X dollars and only spend Y dollars, I'd like to know what happens to the X minus Y. And further, if that occurs frequently, is there a mechanism to adjust that to where we don't -- so we don't sequester money that might be used --

ERIC GLEASON: Okay.

DAVID MARSH: -- by others. I don't know if that's ever happens or not. As far as the thing about expanding the contracting systems, I think you guys are doing a great job using your instincts and conferring with local officials. As long as y'all confer with local officials and districts and use your own instincts, I don't -- I think you'd tie your hands and make it more difficult if you tried to put rules in (indiscernible). That's just my opinion.

On the 5339, I wonder if you might consider a vehicle miles and the revenue miles since vehicle miles is really what everybody drives and that's what wears your fleet out. (indiscernible) is sometimes use to measure for efficiencies and stuff, but it depends on how your service operates and how far you reach out to rural areas and stuff to how that -- those factors are considered. And think to do vehicle miles is whatever drives and that's what happens, that's what wears out vehicles. Other than that, I appreciate y'all's time.

ROB STEPHENS: Thank you, David.

JOHN MCBETH: Thank you, Dave.

ROB STEPHENS: David, thank you very much. We have anything -- Josh, any other speakers? Anyone else?

JOSH RIBAKOVE: I see no hands going up.

ROB STEPHENS: No hands going up.

ERIC GLEASON: Can I -- Mr. Chair, can I ask --

ROB STEPHENS: Yes, sir.

ERIC GLEASON: -- a clarifying --

ROB STEPHENS: -- (indiscernible).

ERIC GLEASON: -- (indiscernible). What about the unused funds. What I think I heard you say is that there's a system that -- tell me if I'm -- if I got that (indiscernible) --

DAVID MARSH: System A gets two million dollars a year to spend --

ERIC GLEASON: And historically --

DAVID MARSH: Every year, they spend --

ERIC GLEASON: -- 1.6 million.

DAVID MARSH: -- a million five.

ERIC GLEASON: I mean, typically what we do with de-obligated money that's unspent --

DAVID MARSH: Put it --

ERIC GLEASON: -- is we just roll it over and everybody else --

DAVID MARSH: -- (indiscernible). Yeah.

ERIC GLEASON: -- gets their share.

DAVID MARSH: Yeah.

ERIC GLEASON: And I thought that's where you were going with this, but at the end, I think it was more if someone is consistently underspending (indiscernible) is there an adjustment factor --

DAVID MARSH: Right.

ERIC GLEASON: -- that anticipates that as a -- ahead of time and just -- they just don't get the money and adjust that money out, which is what we end up doing after the fact.

DAVID MARSH: Yeah.

ERIC GLEASON: Okay. That's what you're getting at?

DAVID MARSH: And again, you know, that may encourage people to go out and throw --

ERIC GLEASON: No, I get it. No.

DAVID MARSH: -- money down the drain. I

don't know. But --

ERIC GLEASON: (indiscernible)

DAVID MARSH: -- just as a way -- in case the formula as it was last devised kind of throws more money because of certain factors and --

ERIC GLEASON: Sure. We've got people that are right on the edge. We've got another --

DAVID MARSH: Right.

ERIC GLEASON: -- set that are stockpiling.

DAVID MARSH: Right. And one thing I forgot to mention I want to make sure I say -- and I'm sorry. I'm glad you called me back up. That 65/35 thing, it's not about how many people live where. It's also about what the federal allocation (indiscernible) for those programs.

ERIC GLEASON: Yeah.

DAVID MARSH: At the time that was done, the urbans were getting like 750 a head and we were getting like a dollar 36.

ERIC GLEASON: On the federal side?

DAVID MARSH: Yeah.

ERIC GLEASON: Yeah. That's --

DAVID MARSH: So now, it's probably more like, you know, eight dollars and four dollars, but still -- it's still --

ERIC GLEASON: It's actually --

DAVID MARSH: -- (indiscernible).

ERIC GLEASON: -- worse than that.

DAVID MARSH: It's not just people. It's what the federal government --

ERIC GLEASON: Yeah.

DAVID MARSH: -- (indiscernible).

ERIC GLEASON: Yeah. What Dave is talking about is that the federal level, the per capita distribution difference between the 5307 or the urban formula and the 5311.

The last time I looked, there was a two-and-a-half times difference in the per capita amount with -- I suppose the thinking that the urban systems are more capital intensive and while I might agree with that, the point we've made to our federal delegation is that the gap is too great. There may yet be a rationale for a gap, but two-and-a-half is not it.

And it's the same argument as to why we shouldn't get on a per capita basis the same amount of money that Rhode Island --

DAVID MARSH: Uh-huh.

ERIC GLEASON: -- (indiscernible). We get a flat amount for 5339 for rural that the last time I looked was about 20 or 25 cents a year per capita for Texas rural population. It's about $12 a year for Rhode Island --

DAVID MARSH: Uh-huh.

ERIC GLEASON: -- population.

JOHN MCBETH: Not to mention (indiscernible).

ERIC GLEASON: Right. Yeah. So there are some huge inequities on the federal level. But Dave's right, I mean there's a lot of history behind that 65/35 (indiscernible).

ROB STEPHENS: Thank you, Dave. Thank you, Eric. Anyone else? Anyone else got a -- going once, going twice, going three times.

John, do you have any closing comments --

JOHN MCBETH: None, no.

ROB STEPHENS: -- before we leave this topic? J.R.?

J.R. SALAZAR: No. Thank you for presenting this in a way that's -- it can be very complex.

ROB STEPHENS: I like the approach.

J.R. SALAZAR: Yeah, me too.

ROB STEPHENS: Agreed, Eric. Thank you very much. Okay. Then, I will close that discussion.

J.R. SALAZAR: Move to adjourn.

ROB STEPHENS: Do you? Move to adjourn?

(Unintelligible crosstalk.)

ROB STEPHENS: I'm with you J.R. I'm with you, brother.

J.R. SALAZAR: I'm ready.

ROB STEPHENS: I'll make it quick. I'll make it quick. We have our work plan. Item number seven, we moved it out (indiscernible) --

ERIC GLEASON: We just include that every time --

ROB STEPHENS: Yeah.

ERIC GLEASON: -- in case you want to talk about something.

ROB STEPHENS: And if anyone wants to talk about a work plan, we can. But I think it's -- it's a -- you know, it's very comprehensive and it's been in place for a while, so I -- it is a staple on the agenda, if anyone has any comments about it.

I mean, if not, we'll move on to item number eight. I think we've already talked about public comment session. I think this is the general time when anybody can talk about anything. So do we have any speaker cards or anything like that?

JOSH RIBAKOVE: Not a one.

ROB STEPHENS: Okay. Since we don't have any of that, we can move to item number nine, which is let's talk about agenda items for the next meeting, so (indiscernible) an approach for next meeting?

ERIC GLEASON: Well, from my simplistic standpoint, the agenda items (indiscernible). 5310, 5339, state funding and 5311 funding, so our intent would be to have a (indiscernible). Now, I will tell you we're not going to get that out to you any time too much in advance of the meeting on the 25th.

We're going to try and -- I mean, we'll start writing it after today's meeting. We will probably do about the same presentation to the transit operators on July 12th. And, you know, I would encourage all the committee members to attend that meeting if you can, because we're going -- we're going to gauge where we stand on that based on what (indiscernible).

Now, you know, there's a challenge in terms of community (indiscernible) and all that. It's such a large crowd in a way that doesn't create a lot of confusion and certainly that's our challenge on how to do that. But I think rather than us trying to paraphrase it for you all, (indiscernible) great if the committee would be there.

ROB STEPHENS: Okay.

ERIC GLEASON: We won't let you sit together as a committee.

ROB STEPHENS: Okay. (indiscernible).

ERIC GLEASON: But I think it would be great if -- and Jim, I know it's a stretch for you. We've talked about whether we could do like a phone-in opportunity for you to listen, but it's in a very large room and -- here and we don't think that listening in will capture the essence.

JIM CLINE: (indiscernible), sir?

ERIC GLEASON: What's that?

JIM CLINE: The meeting in Austin on the 12th?

ERIC GLEASON: July 12th. It's in 200 Riverside. It's going to start about 8:30 and if you can come for the morning, we're going to get through this topic in the morning.

JIM CLINE: Okay. Let me see if I can make it.

ERIC GLEASON: Think about it. Thanks, Jim.

ROB STEPHENS: Okay. So we've got -- let me nail down this July 12th semi-annual. July 25th, the PTAC meeting.

ERIC GLEASON: Right.

ROB STEPHENS: And (indiscernible) rules. Anything else?

ERIC GLEASON: I wouldn't put anything else on, but that's up to you guys.

ROB STEPHENS: No. I think that's enough.

JOHN MCBETH: That's it.

J.R. SALAZAR: That's plenty.

ROB STEPHENS: Sounds good to me. Okay. So July 25th, we'll have some draft rules and -- that's it. I guess that takes us to adjournment. J.R., if you want to --

J.R. SALAZAR: Move to adjourn.

ROB STEPHENS: -- move to adjourn.

JOHN MCBETH: Second.

ROB STEPHENS: Second, John McBeth. Jim, you okay with that?

JIM CLINE: Oh, yeah. I'm good.

ROB STEPHENS: Okay.

JIM CLINE: And thank -- and by the way, just thanks everybody for tolerating me being remote. I apologize. I'll try to make the meetings in person.

ROB STEPHENS: Okay. (indiscernible). We're all adjourn. Thank you, everybody. Appreciate you.

(END OF PROCEEDINGS.)

(End of audio file.)

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THE STATE OF TEXAS)
COUNTY OF TRAVIS)

Before me, Katheren Martinez, on this day personally appeared TORI LAWTON, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 20th day of June, 2017.

NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS
COMMISSION EXPIRES:-- 5-6-19

NOTARY PUBLIC STATE OF TEXAS
KATHEREN LYN MARTINEZ
My Commission Expires
May 6, 2019