

BREAKING NEW GROUND

Charlotte Area Transit System
Annual Report 2005





MISSION

To improve the quality of life for everyone in the greater Charlotte region by providing outstanding community-wide public transportation services while proactively contributing to focused growth and sustainable regional development.

VISION

A steadily increasing share of transit competitive travel markets in the Charlotte region choose to use public transportation on a regular basis.

The citizens of the region value public transportation as an important public service, which benefits the community as a whole by consistently providing exemplary service that meets diverse individual needs.

Public transportation employees are seen and see themselves as committed, competent and motivated professionals of the region's premier public service.

CATS is recognized both locally and nationally for its contribution to effective and innovative regional growth that is community focused and sustainable.

GOALS

Customer Service Focus: Provide safe, high-quality transportation services to all customers, and support our employees in that endeavor.

System Development: Expand and enhance public transportation services to retain current customers and attract new ones by providing services that meet customer and community needs while supporting transit-oriented and pedestrian-friendly land use patterns.

Fiscal Responsibility: Ensure cost-effective, efficient and responsible use of resources and aggressively pursue funding partnerships to supplement local resources.

Community Benefits: Provide social, economic and environmental benefits to the community through system operations and improvements, and promote community awareness of these contributions.

Prepare for the Future: Pursue process improvements, business practices, and technologies that will support cost-effective and customer-friendly service delivery in the future.

Invest in Employees: Provide training and career development support that enhances employees' ability to perform their jobs and be prepared for promotional opportunities.

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Mayor Patrick McCrory

Metropolitan Transit Commission Chair

As Chairman of the Metropolitan Transit Commission (MTC), I am pleased at the progress we made throughout FY2005 in advancing the vision outlined in the 2025 Integrated Transit/Land-Use Plan. The transit system experienced significant gains in ridership, reached a major milestone for the South Corridor Light Rail Project and the overall transit program came in under budget.

The MTC took steps during the year to ensure that we are being good stewards of the public's investment by updating CATS' debt polices to provide flexibility in building the rapid transit system. In addition, we approved a fare increase to assist with the operational costs of running the transit system. I am proud of the fiscal efforts achieved by CATS. Despite increased costs for fuel and the expense of growing services,

CATS was able to meet its financial budget for the sixth consecutive year.

During the year, the MTC was involved in adopting recommendations to advance the other corridor projects and in approving the \$193 million Federal Full Funding Grant Agreement with the Federal Transit Administration for the South Corridor Light Rail Line. The MTC managers undertook significant work to review the proposed changes to the governance structure including the timing of adding representatives from jurisdictions outside of Mecklenburg County and the North Carolina Board of Transportation.

As trustees of the largest public transportation system in the Carolinas, the MTC has consistently worked together to advance the regional rapid transit vision. The progress we have made continues to provide citizens of the region with transportation choices and supports the economic vitality of the region.



Ronald J. Tober

CATS Chief Executive Officer

Fiscal Year 2005 proved to be another successful year for CATS as we made significant progress in advancing the rapid transit corridors, growing ridership, enhancing safety and customer service and exceeding financial goals. CATS' commitment to safety was at the forefront of our efforts during the year and that dedication showed significant results. CATS total vehicular accident rate was 1.36 per hundred thousand miles traveled, a 49 percent improvement over last year; and in its first year of operation, the Charlotte Trolley scored high on safety with zero accidents.

More and more people are choosing CATS as their preferred mode of transportation, as evident by the year's 8.2 percent ridership increase, representing a 49.6 percent increase since 1998. This year's increase in ridership was fueled by new

services and streamlining of services like route 11 to UNC-Charlotte. We continued to increase the access and mobility of communities by starting new neighborhood shuttles and opening our first community transit center at SouthPark Mall. This is the first of several community transit centers planned for the region, which will serve as gateways to connect people to other communities without traveling to downtown.

During the year, we opened our second bus maintenance facility, located on South Tryon Street, to accommodate our current and future growth in ridership and services. This facility, along with the new South Boulevard Light Rail Facility, which broke ground in February, will serve as the center of our future operations.

More progress was made in the South Corridor with the signing of the Federal Full Funding Grant Agreement. With this agreement, the Federal Transit Administration became a full funding partner committing to contribute \$193 million of the project's \$426.8 million budget. As the South Corridor began construction, we continued to advance the streetcar project and the remaining four corridors including:

- Refining alignments for the North Corridor Commuter Rail
- Advancing preliminary engineering and environmental studies of the Northeast, Southeast and West Corridors
- Making track alignment and stop location recommendations for the Center City Streetcar project

I am pleased with the progress made this year and especially proud that we achieved such success under budget. I want to thank CATS' employees and contractors for their dedicated work as we make the 2025 Transit/Land-Use Plan a reality.



Pictured from left to right: (Front row) Kim Phillips, Mayor of Huntersville, Vice-Chair MTC; Patrick McCrory, Mayor of Charlotte, MTC Chair; Parks Helms, Chairman of Mecklenburg Board of County Commissioners (Middle row) Harry Jones, Mecklenburg County Manager; Brian Welch, Mint Hill Deputy Town Manager; James Justice, Mooresville Town Manager; Marion A. Cowell, Jr., NCDOT Representative; Gary Knox, Mayor of Cornelius (Back row) Ralph Messera, Town of Matthews; Paul Edmonds, TSAC Chairman; Leamon Brice, Davidson Town Administrator; Pamela Syfert, Charlotte City Manager; Randall Kincaid, Mayor of Davidson; Anthony Roberts, Cornelius Town Manager; Jerry Fox, CTAG Co-Chair; Lee Myers, Mayor of Matthews; Bayles Mack, SCDOT Representative (Not pictured) Al Jones, Mayor of Mooresville; George Fowler, Mayor of Pineville; Jennifer T. Stultz, Mayor of Gastonia; Ted H. Biggers, Mayor of Mint Hill; Scott Padgett, Mayor of Concord; Douglas Echols, Jr., Mayor of Rock Hill; Jeff Brown, CTAG Co-Chair; Jerry Cox, Huntersville Town Manager; R. Todd Lamb, Mint Hill Town Manager; and Mike Rose, Pineville Town Manager.

Public Meetings

MTC

Fourth Wednesday of each month
5:30 PM to 7:30 PM
Charlotte-Mecklenburg
Government Center
Room 267
600 East Fourth Street
Charlotte, NC

CTAG

Third Tuesday of each month
7:15 AM to 9:00 AM
Charlotte-Mecklenburg
Government Center
CH-14 basement level
600 East Fourth Street
Charlotte, NC

TSAC

Second Thursday of each month
4:00 PM to 5:30 PM
Charlotte-Mecklenburg
Government Center
Ninth floor
600 East Fourth Street
Charlotte, NC

The Metropolitan Transit Commission (MTC) is CATS' governing board and is responsible for reviewing and recommending all long-range public transportation plans. The MTC reviews the transit system's operating and capital programs and makes recommendations to the affected governments for their approval and funding of those programs. The MTC is composed of voting and non-voting members. The voting members are the mayors and managers of the City of Charlotte, County of Mecklenburg, and the six towns in Mecklenburg County: Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville. To ensure regional involvement, the MTC includes five non-voting members representing local governments outside of Mecklenburg County and one non-voting member each from the North Carolina and South Carolina Departments of Transportation. The MTC has two citizen committees which provide input on short-term and long-term transit plans.

Citizens Transit Advisory Group (CTAG)

The CTAG reviews long-range transit system planning and proposed operating and capital programs from the community's

perspective and makes recommendations to the MTC. This advisory board is made up of members of the community appointed by the Mecklenburg County Board of Commissioners, the Charlotte City Council, each of the six towns, and the Charlotte-Mecklenburg Board of Education. It may include no elected official, and its members serve staggered two-year terms.

Transit Services Advisory Committee (TSAC)

The TSAC reviews, makes recommendations, and provides input into short-range transit operations. The committee focuses on day-to-day operations of the transit service to ensure that it meets the needs of the community. It makes recommendations to the MTC on issues within its sphere of interest and acts as a vehicle to promote public involvement on short-term transit planning. The TSAC is made up of representatives appointed by the City of Charlotte, the Mecklenburg County Board of Commissioners and the six towns.



Pictured from left to right: Dee Pereira, Administration Manager; Paula Washam, Executive Services Coordinator; Olaf Kinard, Marketing and Communications Manager; Ronald J. Tober, Chief Executive Officer; Carolyn Johnson, Senior Assistant City Attorney; Brad Miller, Interim Chief Operating Officer; and John Muth, Chief Development Officer.

Fast Facts • Fast Facts • Fast Facts • Fast Facts • Fast Facts • Fast Facts • Fast Facts •

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Revenue hours	625,932	746,124	789,499	846,806	863,511	920,494
Revenue miles	9,289,157	10,359,394	11,105,922	11,355,899	13,516,321	14,417,634
Employees	79	115	143	155	213	229
Ridership	13,464,745	14,182,463	14,693,846	15,526,927	16,356,488	17,773,753
Fleet						
Forty-foot buses	206	223	232	236	163	171
Over the road buses	0	10	10	32	83	91
Shuttle buses	8	7	23	36	39	40
Trolley buses	0	0	12	12	15	20
Paratransit shuttles/vans	53	52	71	75	83	91
Vanpool vans	65	75	90	90	75	82
Railcars	0	0	0	0	1	4
Fleet Total	332	367	438	481	459	499

South Corridor Light Rail Line Breaks Ground

The South Corridor Light Rail Project achieved many milestones during the year while preparing and starting construction of the light rail line and procuring contracts for the region's first-ever rapid transit line. In February 2005, Mayor McCrory, Chairman Parks Helms and CATS CEO Ron Tober along with other officials broke ground on the light rail line starting construction of the South Boulevard Light Rail Facility. The South Boulevard Light Rail Facility will be the maintenance, control and operational center for the light rail line. This facility will initially house 16 light rail vehicles but can accommodate 40-45 vehicles.



From right to left: Charlotte City Council member, Susan Burgess; Mecklenburg County Board of County Commissioners Chairman, Parks Helms; Mayor of Charlotte, Patrick McCrory; Charlotte City Council member, Warren Turner; Charlotte City Council member, Pat Mumford; CATS Chief Executive Officer, Ron Tober; and CATS Chief Development Officer, John Muth.

In May, the Federal Transit Administration (FTA), the City of Charlotte and CATS signed a Federal Full Funding Grant Agreement (FFGA) for the South Corridor line. The federal FFGA is a contract agreement with the FTA that pledges \$193 million in federal funding to build the light rail line. The signing of the FFGA completes the funding necessary to advance the project into final construction. The federal FFGA funds 47 percent of the South Corridor project costs and is in addition to the 25 percent funded under an already approved State of North Carolina FFGA and the 28 percent funded locally by the half-cent sales tax.

Demolition and asset acquisitions started in early FY2005 and many were completed on schedule and either under or on budget. Like many construction projects in the Charlotte region, the South Corridor project experienced unprecedented sharp price increases in steel and concrete supplies due to world demand and limited concrete manufacturing capacity. To bring costs in line, CATS took actions to reduce contract amounts and assessed elements of each contract to determine areas that could be refined, while still maintaining the safety, reliability and attractiveness of the light rail service. These steps were taken in addition to measures CATS had previously taken to offset rising costs, including reducing the length of platforms at light rail

South Corridor Contracts Under Budget and/or On-time:

- ✓ **Demolition contract:** \$75,000 under budget and on schedule
- ✓ **Utility relocations:** \$2 million under budget and on schedule
- ✓ **Insurance:** \$500,000 under budget
- ✓ **Real estate acquisitions:** on budget and on schedule

stations, reconfiguring the joint light rail and trolley platforms and consolidating power substations along the line. CATS eliminated several elements of the project and in early 2005 the Metropolitan Transit Commission (MTC) adopted the new budget of \$426.84 million, an increase of 5.6 percent. The operational date for the opening of the line was moved to mid-2007, primarily due to time spent reviewing areas to reduce costs.

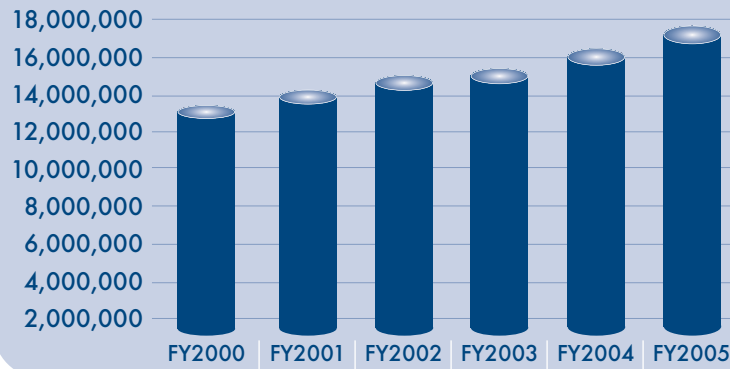


Seated from right to left: Mayor Patrick McCrory; FTA Administrator, Jennifer Dorn; City Manager, Pam Syfert and CATS CEO, Ron Tober, sign the FFGA as other distinguished guests observe.

New Customers on Board

In FY2005, more and more people chose CATS as their preferred mode of transportation. These new customers helped CATS continue its ridership momentum from previous years to achieve an 8.2 percent increase in ridership, up from the 5.3 percent increase in FY2004. This marked the seventh consecutive year of ridership growth with a 49.6 percent increase since 1998.

Ridership • Ridership • Ridership • Ridership •



All categories of CATS' services experienced increases in ridership with regional express routes having the largest percentage increase for existing services. CATS' regional express services continued to attract customers from

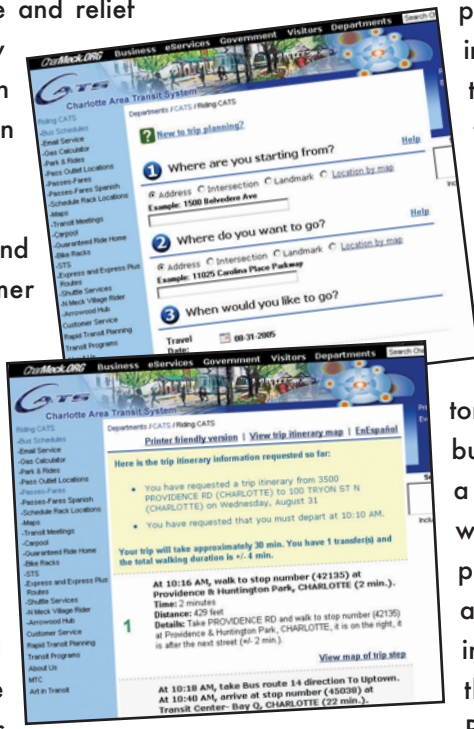
Regional Express routes:	45%
Local/Express routes:	5.1%
Community Shuttles:	29.5%
Vanpools:	4%
Special Transportation:	9.3%
Gold Rush:	14.4%

outlying towns and counties as commuters searched for a less stressful commute and relief from high gas prices. These new customers helped increase ridership on regional express services by more than 45 percent during the year.

Year after year, CATS' is retaining and building customer loyalty. Customer surveys indicated that 67 percent of customers have been riding the service for a year or more, an increase of 14 percent since 2002. Much of this customer loyalty is due to implementing convenient, attractive, reliable, economical and safe services that are focused on the customer. And our customers agree. In CATS' annual customer survey, customers rated the quality of service at 95 percent. This was the fifth consecutive year that customers rated the quality of service at or above 95 percent.

CATS took efforts to enhance and improve customer service amenities. During the year, six new shelters were installed on existing and new services. Today's technology makes it easier to carry nearly everything in the palm of your hand. So in FY05, CATS introduced several new web-based tools to make knowing how to ride simpler. Trip Planner on CATS website, www.ridetransit.org, was introduced in the spring of 2005. The Trip Planner offers customers

personal trip itineraries indicating which route(s) to take, where to catch the next CATS' service, and even how far to walk from their bus stop to their front door. Trip planning is also available in Spanish. Many customers know their route but do not want to carry a printed schedule everywhere they go. CATS provides customers the ability to download individual schedules to their Palm Pilots and PDAs from CATS' website.



Matthews in Motion
Arch Detail

Artist/Katherine A. Triplett

2005
Matthews Independence
Pointe Park and Ride

Ceramic Tile

Doors to New Facilities Opened

CATS' opened several new facilities designed to make riding CATS' services more convenient. The Matthews Independence Pointe Park and Ride opened in early December providing more than 304 parking spaces, shelters for customers and lockers for bicycles. The new park and ride is the home to CATS' express routes 64X and 65X, which experienced positive ridership growth last year. Ridership on the 64X Independence Boulevard Express was up more than 8 percent and the 65X Matthews Express improved more than 16 percent, showing citizens prefer transportation options that are convenient and stress-free.

Just in time for holiday shopping, CATS opened its first community transit center at SouthPark Mall. This state of the art facility located in the underground parking area provides customers with several amenities including a climate-controlled waiting area, benches and displays for bus and schedule information. Routes 18, 19, 20, 29 and 31 all provide service to the center. The SouthPark Community Transit Center gives commuters a choice over sitting in traffic congestion and provides shoppers with the convenience of door to door service without searching for a parking space.

The South Tryon Bus Facility opened in early 2005. It is CATS' second bus maintenance facility and can accommodate 250 buses. CATS' bus fleet is expected to grow to 330 by the year 2006. The new facility cost \$38 million to build and came in **on-budget and on-time**. The South Tryon Bus Facility relieves space issues at the North Davidson location, which was designed to accommodate 200 buses, but was housing 309. The South Tryon Bus Facility is adjacent to the planned South Boulevard Light Rail Facility and the proximity of the two facilities will allow for shared operations, including the paint shop and revenue collections.

Matthews Independence Pointe Park and Ride



SouthPark Community Transit Center



South Tryon Bus Facility



Drinking Fountain
Basin Detail

Artist/Nancy Blum

To be installed at each
light rail station.

Expanded and Improved Services

Throughout FY2005, CATS' new and streamlined services provided customers better mobility choices, alternatives to traffic congestion and easier access within the region. CATS' community shuttles continued to be a catalyst for people to connect with family, friends, work and recreation. And, the public is responding to the convenience of neighborhood services. Ridership on community shuttles rose more than 29.5 percent over last year.



CATS introduced Route 211 Hidden Valley providing the community with more frequent and expanded hours of service. This new community shuttle allowed two other mainline routes to be streamlined and expanded. Route 11 was extended to the University of North Carolina at Charlotte with service operating approximately every 20 minutes. Customers responded favorably to these improvements with ridership increasing more than 12 percent for the year.

In early October, one of CATS' community services achieved a major milestone when the Beatties Ford Neighborhood Shuttle surpassed 400,000 customers. The service, which only started three years ago, provides the access and mobility for citizens to get around their neighborhood and to connect to CATS' main bus routes.

Public transportation is vital for many seniors and disabled residents to maintain their independence and lead a fulfilled life. To meet the needs of the disabled, CATS introduced a new Special Transportation Service, called STSII, to Mint Hill and the Northern Mecklenburg Towns along with the unincorporated areas throughout Mecklenburg County. STSII is a new extension of CATS' Special Transportation Service (STS) providing door-to-door transportation for individuals certified under the Americans with Disabilities Act (ADA). Through the expansion of STSII, CATS transported over 209,000 disabled customers during the year, a 9.3 percent increase over the previous year.



Magicians, face painters and grand marshal and WBTV personality, Maureen O'Boyle, kicked off the "Celebrate Trolley" event on October 16, 2004, as CATS debuted three new replica trolley cars. With the new railcars in service during FY2005, the Trolley service more than doubled its first-year ridership projection of 100,000 with more than 263,000 customers getting onboard. In fact, the service surpassed 100,000 riders in November 2004, seven months earlier than predicted.



Motion
Art Detail

Artist/Hoss Haley

2004
Huntersville Gateway
Park and Ride

Cor-ten steel

2025 Transit Corridor System Plan Advances

The 2025 Transit Corridor System Plan is moving full speed ahead with its goal of bringing rapid transit to the Charlotte-Mecklenburg region. While construction in the South Corridor is on track toward completion, other corridors made progress as well.

Advancement in the North Corridor continued in late April when the MTC adopted the recommendations for the North Corridor Commuter Rail Line. This allows CATS staff to study alignment alternatives, line terminus options and up to 12 rapid transit station locations that stretch from Center City to Mooresville in south Iredell along the North Corridor as the Draft Environmental Impact Statement (DEIS) and engineering studies move forward. The DEIS for the North Corridor Commuter Rail Line is scheduled to be completed in the fall of 2006.



Public meeting held at the West Service Center.

The Southeast, West and Northeast Corridors also entered the DEIS phase and alignment alternatives were explored, while the Center City Streetcar project proceeded into the conceptual design and environmental phase.

In addition to studies, CATS' staff conducted more than 130 public meetings to get the community's input on station locations and alignments that best fit their needs.

Safety Record Continues to Improve

The safety of customers and employees is a top priority at CATS and in FY2005 we continued to improve safety by leaps and bounds. Throughout the year, there was a reduction in the total vehicular accident rate from 2.03 to 1.36 per hundred thousand miles; this marked the fourth consecutive year that all service categories experienced a reduction in the accident rate. CATS also completed its first year of trolley rail operations without any accidents.

Throughout the year, CATS continued to improve security by conducting routine threat and vulnerability assessments of buses

and facilities, adding and updating cameras on buses and

park and ride lots, and training staff with national agencies on terrorism and other security measures.



Migration North
Art Detail

Artist/George Handy

2004
SouthPark Community
Transit Center

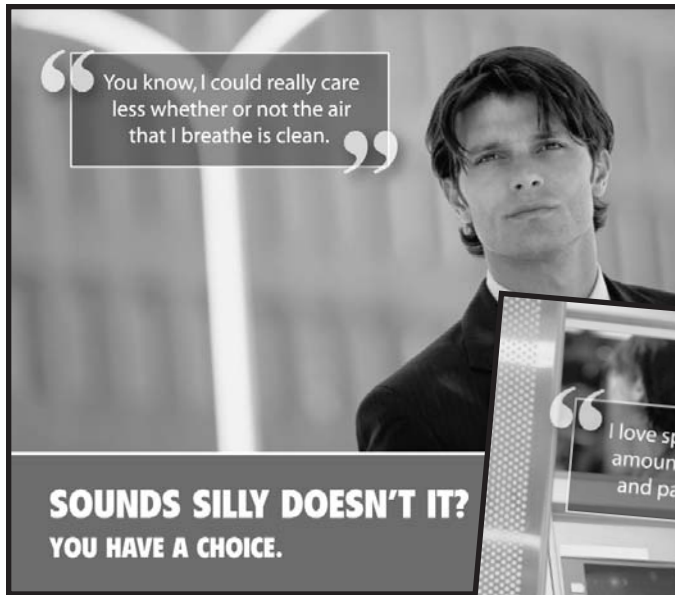
Painted Corrugated Wood

New Technologies Help Clear the Air

**This bus
runs on
clean diesel**

Ozone pollution is a serious problem in the Charlotte-Mecklenburg region, so CATS is doing its part to help clean the air. CATS expanded the use of Ultra Low Sulfur Diesel (ULSD), a fuel refined with significantly lower sulfur content than regular diesel, to its neighborhood shuttles, Gold Rush service and some 40-foot local buses in FY2005. CATS began using ULSD because of its benefits, such as reducing particulate matter emissions by up to 20 percent, reducing smoke and odors and enabling the use of pollution control technologies.

Along with ULSD fuel, CATS started using diesel particulate filters (DPFs), a device that controls soot emissions from diesel exhaust. CATS found that using DPFs in conjunction with ULSD significantly reduced diesel particulate emissions from engines by as much as 90 percent. CATS plans to expand the use of ULSD and particulate filters in FY2006.



Migration South
Art Detail

Artist/George Handy

2004
SouthPark Community
Transit Center

Painted Corrugated Wood

Highlights of FY2005 Financial Performance

- The U.S. Department of Transportation through the Federal Transit Administration (FTA) awarded a Full Funding Grant Agreement (FFGA) for the South Corridor Light Rail Project (SCLRP) in the amount of \$193 million in May.
- N.C. Department of Transportation (NCDOT) amended the State Full Funding Grant Agreement (SFFGA) for the SCLRP in February to recognize its 25% share, \$106.75 million, of the project cost.
- CATS' Financial Policies were revised and adopted by the Metropolitan Transit Commission in July 2004. Significant revisions included provision for annual year end fund balances and performance objectives relative to sales tax, debt financing and debt service coverage.
- CATS' financial performance exceeded objectives established by the Financial Policies. The most noteworthy achievements were in the operating ratio, cost per revenue hour and the debt service coverage ratios (net and gross).
- Sales tax revenue at \$59.0 million reflected a positive trend with a year end estimated increase of 9.5% over FY2004.
- CATS continued to receive strong financial support from NCDOT. In FY2005, operating assistance from the state accounted for 12.3% of CATS' Operating Income. Grant awards for capital programs totaled \$109.6 million.
- Federal grant awards for FY2005 totaled \$58.5 million.
- Operating expenses at \$67.3 million were 1.1% below the FY2005 budget.
- The \$15.4 million drawdown from the Capital Reserve Fund was approximately 42% below budget and resulted from changes in project contract award schedules.
- CATS' long term system financial plan was revised for a special FTA New Starts review. The FTA conducted a Financial Capacity Review, which concluded successfully with the award of the FFGA. NCDOT also conducted an audit of CATS financial management and capacity prior to award of the grant contract for its share of the State FFGA.

In FY2005, CATS continued to operate as an enterprise fund of the City of Charlotte. As such, CATS' accounting practice is controlled by the City of Charlotte's Finance Department in compliance with established financial and governmental reporting principles and standards.

In FY2005, CATS continued to make progress on the Metropolitan Transit Commission's mandate for implementation of a regional public transportation system in coordination with land use planning. Ridership increased for the seventh consecutive year to 17.7 million riders; new and improved transit services were implemented; and CATS advanced planning, engineering, design and construction work on the rapid transit projects. Capital improvements to support bus service delivery were implemented including the opening of the second bus garage at South Tryon Street in February 2005, the SouthPark Community Transit Center and a park and ride lot in Matthews.

The year-end unaudited operating expense was \$67.3 million and \$93.8 million was appropriated for capital programs which included a drawdown of \$15.4 million from the capital reserve fund. The cumulative capital reserve balance, which is the surplus amount of revenue over expenditure, is \$107.4 million for FY2005.

Financial Policy Measures

	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 YE Actual Unaudited
Operating Ratio (OR/OE ≥ 20%)	29.80%*	24.91%*	20.20%	23.88%
Operating Balance Months (≥ 1 Month's Operating Expense)	8.45	6.91*	6.42	6.52
Administrative Overhead (≤ 15%)	15.68%	11.46%	10.38%	10.66%
System Cost Per Hour (≤ Rate of Inflation 2.3%)	\$62.99*	\$63.88*	\$68.56	\$69.15
Capital Investment Level (≥ 33% of Sales & Use Tax)	73.21%	66.10%*	62.16%	61.99%
Net Debt Service Coverage (≥ 1.15)	N/A	N/A	N/A	4.42
Gross Debt Service Coverage (≥ 3.0)	N/A	N/A	N/A	7.14

*Restated as of 8/19/2005 to align with new City budget system; numbers stated on a non-GAAP budgetary basis.

FY2005 Transit Operating Program

\$ In Millions	FY2002	FY2003	FY2004	FY2005
	Actual	Actual	Actual	YE Actual Unaudited
Operating Revenue	\$90.5	\$90.7	\$96.1	\$103.9
Operating Expense	\$53.1	\$57.5	\$62.6	\$67.3
Operating Balance	\$37.4	\$33.2	\$33.5	\$36.6

Operating Revenue

Unaudited operating revenue of \$103.9 million was 1.5% above budget. The largest source of operating income was the one-half cent sales and use tax. The actual amount of the sales tax for FY2005 was \$59 million, which was 8.9% above the budgeted \$54.2 million. The state maintenance assistance accounted for \$12.8 million or 12.3% of the operating income, followed by operating revenue at 11.2%. Operating interest income was lower than budget due to changes in accounting, wherein interest only on the operating fund balance is recorded in this category. Interest on capital funds is now classified with capital income. Operating revenue at \$11.6 million, which includes passenger fares and service reimbursement, was 2.1% below budget, and 5% above FY2004. The lower than budget revenue is the result of a significant increase in ridership on lower fare services.

Operating Expense

The unaudited operating expense at \$67.3 million reflects an unaudited savings of \$735,000, which is 1.1% below the budgeted \$68.1 million. Operating expenses fund direct and indirect costs of providing public transit services to the Charlotte region. These services include bus, trolley, special ADA transportation, human services transportation (provided by DSS) and vanpool services; transit security, operations services, customer service, and administrative services. Operating expenses also include payment to the towns in Mecklenburg County for their land use and planning activities associated with the transit program.

The cost of fuel escalated significantly during FY2005. Budgeted at \$0.95 per gallon, actual cost during the year fluctuated from a low of \$1.12 per gallon to a high of \$1.72 per gallon with an average of \$1.42 per gallon.

The historic trolley service was funded for a full year of operation; new bus service included the introduction of the Hidden Valley Community Shuttle; rerouting of the Gold Rush service; and expansion of the very successful 77X express bus service which serves the northern towns. Total ridership for FY2005 was 17,773,753. CATS' second bus garage at South Tryon Street opened for operation in February 2005, on time and under budget; CATS' first community transit center was opened in the SouthPark Mall and a new park and ride lot opened in Matthews.

The unaudited cost per revenue hour for all transit services was \$69.15 vs. a budget of \$70.68 and only 0.9% above FY2004, well below inflation.

Operating expenses funded 225 regular and 21 part time staff positions within CATS. In addition, CATS funded the direct costs of 25.75 positions in other City Departments and paid \$2.9 million to the City of Charlotte for support of the transit program.

Operating Balance

The operating balance, which is the difference between annual operating revenue and operating expense, was \$36.6 million, \$2.3 million above the \$34.3 million budgeted in FY2005. CATS' Financial Policies require a contribution of sales tax revenue to the capital program in the amount of at least 20% of total sales tax revenues and 33% over a 10-year period. CATS' \$36.6 million contribution to the capital program exceeded that goal by equalling 62% of sales tax revenue.

FY2005 Transit Capital Program

\$ In Millions	FY2002	FY2003	FY2004	FY2005
	Actual	Actual	Actual	YE Actual Unaudited
Capital Income	\$60.0**	\$52.5**	\$64.4	\$78.4
Capital Expense	\$27.0**	\$44.7*	\$123.3	\$85.5
Contribution to Fund Balance*	--	--	--	(\$15.4)

*Restated as of 8/19/2005 to align with new City budget system; numbers stated on a non-GAAP budgetary basis.

**Restated as of 8/23/2004 to reflect year-end adjustments.

Capital Revenue

Capital Income includes cash received from federal and state grants, the operating balance and interest earned on balances in the capital fund. The highlight of this fiscal year was the execution of the Federal Full Funding Grant Agreement and ratification of the State Full Funding Grant Agreement, which together with a portion of Formula funds provides 72% of the \$426.8 million South Corridor project cost. Federal grant awards for the year totaled \$58.5 million from the New Starts, Formula and Bus Discretionary programs. Actual cash received from federal grants amounted to \$20.1 million. State grant awards for this fiscal year totaled \$109.6 million. Grant awards from the state include \$7.3 million for planning and engineering studies in the other four corridors. Actual cash received from NCDOT totaled \$19.1 million. Interest income earned on capital fund balances was \$2.6 million.

Summary of Transit Capital Program Sources and Uses of Funds Fiscal Year 2002 – 2005

\$ In Millions	FY2002	FY2003	FY2004	FY2005
	Actual	Actual	Actual	YE Actual Unaudited
Capital Revenue (CR)	\$22.6**	\$19.4	\$31.0	\$41.8
Net Operating Balance/Contribution to Capital (OB)	\$37.4	\$33.2	\$33.5	\$36.6
Total Capital Sources	\$60.0**	\$52.6	\$64.5	\$78.4
Capital Expenses	\$27.0**	\$44.7*	\$123.3	\$85.5
Debt Service	\$.9	\$1.6	\$3.1	\$8.3
Total Capital Uses	\$27.9	\$46.3	\$126.4	\$93.8
Capital Reserve Contribution/(Drawdown)	\$32.1	\$6.3	\$(61.9)	\$(15.4)
Appropriation of Capital Reserve	--	--	\$61.9	\$15.4
Net Increase to Capital Reserve	\$32.1	\$6.3	--	--

*Restated as of 8/19/2005 to align with new City budget system; numbers stated on a non-GAAP budgetary basis.

**Restated as of 8/23/2004 to reflect year-end adjustments.

Summary of Changes to Transit Capital Program Reserve Fund Fiscal Year 2002 – 2005

\$ In Millions	FY2002	FY2003	FY2004	FY2005
	Actual	Actual	Actual	YE Actual Unaudited
Beginning Available Budgetary Balance	\$81.6	\$133.3*	\$103.8*	\$122.8
Capital Reserve Contribution/(Drawdown)	\$32.1	\$6.3	\$(61.9)	\$(15.4)
Increase (Decrease) to Restricted Reserve	\$19.6	\$(35.8)	\$41.9	--
Ending Available Budgetary Balance	\$133.3*	\$103.8*	\$122.8	\$107.4

*Restated as of 8/19/2005 to align with new City budget system; numbers stated on a non-GAAP budgetary basis.

FY2005 Transit Capital Program

\$ In Millions	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 YE Actual <small>Unaudited</small>
Year-End Fund Balance	\$133.3*	\$103.8*	\$122.8	\$107.4

*Restated as of 8/19/2005 to align with new City budget system; numbers stated on a non-GAAP budgetary basis.

Capital Revenue

Capital Income includes cash received from federal and state grants, the operating balance and interest earned on balances in the capital fund. The highlight of this fiscal year was the execution of the Federal Full Funding Grant Agreement and ratification of the State Full Funding Grant Agreement, which together with a portion of Formula funds provides 72% of the \$426.8 million South Corridor project cost. Federal grant awards for the year totaled \$58.5 million from the New Starts, Formula and Bus Discretionary programs. Actual cash received from federal grants amounted to \$20.1 million. State grant awards for this fiscal year totaled \$109.6 million. Grant awards from the state include \$7.3 million for planning and engineering studies in the other four corridors. Actual cash received from NCDOT totaled \$19.1 million. Interest income earned on capital fund balances was \$2.6 million.

Capital Expense

Key capital investments included the purchase of 30 buses, 3 replica vintage trolleys, and completion of a park and ride lot in Matthews and design of several others, land acquisitions, technology investments, bus amenities and asset maintenance. Key construction and systems contracts were awarded for completion of



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