

CITIZENS TRANSIT ADVISORY GROUP (CTAG)
Meeting Summary
February 16, 2010
DISCUSSION SUMMARY

Present: Tom Cox, CTAG Co-Chair
Gerald Fox, CTAG Co-Chair
Mary Barker, Town of Cornelius
Craig Lewis, Town of Davidson
Henry Antshel, City of Charlotte
Samuel Spencer, CMS
Robert Bischoff, Mecklenburg County
Robert Zuckerman, Mecklenburg County
Jonathan P. Goldberg, City of Charlotte
Todd Steiss, Town of Huntersville

Staff: Carolyn Flowers, Wanda Braswell, Olaf Kinard, Larry Kopf, Eric Hershberger, Dee Pereira, and Bill Carstarphen

Meeting time 7:30 – 9:00 am

I. Call to Order

Tom Cox, CTAG Co-Chair called the meeting to order at 7:31am. George Sottilo, Matthews, NC was invited to attend this month meeting.

II. Approval of January 17, 2010 meeting summary

The meeting summary was approved as written.

III. Action Items

NONE

IV. Information Items

A. Legislative Update

Bill Carstarphen

On Monday, February 15, Ms. Flowers, Ms. Pereira, Mr. Muth and Mr. Carstarphen met with Secretary Conti in Raleigh, NC. It was a productive and positive meeting with Secretary Conti expressing his commitment to Charlotte.

Mr. Carstarphen began his legislative presentation update listing CATS two year objectives.

- To secure the General Assembly appropriation State matching funds for the Red Line.
- To secure the funding from the State for the Blue Line Extension.
- To encourage an amendment to State Maintenance Assistant Program to include operating assistance to light rail systems.
- To have the House Bill 148 to include Mecklenburg County for a voter approval of a ½ cent sales tax.

- To secure the General Assembly's approval to increase annual state budget appropriation for the assistance to all North Carolina transit agencies in the areas of capital, rolling stock, operating assistance and the New Starts.
- To encourage legislative support of Mecklenburg Delegation, key House and Senate leaders, the chair persons of the committees that will assist in moving legislation and the support from the leaders of other counties including Mecklenburg.

The work must begin at a foundation level, building understanding and education while obtaining state, legislative, community and individual support. The town managers have developed a proposed schedule of activities that will be presented at the February 24 MTC meeting. To accomplish this task, an outline of activities and a recommended schedule was constructed and the development of materials for the activities. It is important that the same uniform core message is presented throughout the CATS organization, the delegates and the legislative members, the North and South counties and the City of Charlotte.

The short session is scheduled to open on May 12, 2010. CATS supporters need to contact and discuss with the Mecklenburg State delegation, members of the Senate and members of the House to ensure the members understand what is being requested, provide answers to any questions and to insure that when called to defend CATS position, all necessary resources are available.

Discussion

Ms. Barker asked who is the North Carolina representative, legislative transportation representative, the Senate representative and the Congressional representative. Mr. Carstarphen said that John Collette is representative for District 10. Becky Carney is a co-chair of the House Transportation committee and a strong supporter of CATS. Senator Brown, Senator Dannelly, and Senator Clodfelter are the representatives. Ms. Flowers responded that CATS is relying on lobbyist Holland Knight. Ms. Flowers further stated that the League of Cities is having a meeting. Mr. Fox's asked about the 2030 Plan and the level of importance for the town councils and mayors of the surrounding areas to be familiar with the plan. Mr. Carstarphen said that it was very important. As a group, the town managers are willing to assist in the educational process of familiarizing all members with the 2030 Plan.

Mr. Bischoff asked about the level of difficulty for changing the Bill 148 to include Mecklenburg County. Mr. Carstarphen said it will take time and require some converging of events but is optimistic that it can be accomplished.

The CATS staff will provide the committee members with a listing of numerous delegates to contact. The list will include contact numbers and e-mail addresses.

B. 2030 Plan Update

John Muth

The Lynx Blue Line opened in 2007 and because of its success CATS sees the need for three car trains to handle the large volume of commuters. The FTA considers it very successful.

The projects in the current 2030 Plan are the Blue Line Extension that will extend the current rail line to the University area and is currently in the preliminary engineering stage. The current funding shows it being completed in 2019. The Red Line is the commuter rail to the

North with the track work and grade crossing approximately 90 percent designed. At the present time there is no clear funding strategy for the North Corridor. The Silver Line is the Southeast or Independence Corridor. In 2006, the MTC asked that in five years (2011) the technology decision be reviewed. This corridor is looking for a comprehensive transit, land use and road solution. The West Corridor has the enhanced bus service (Sprinter) that started in September 2009. The 2030 Plan calls for it ultimately to be converted into a streetcar service. The Streetcar Line is the Central Avenue, Trade Street and Beatties Ford Road and has no clear funding strategy. The City of Charlotte is currently funding preliminary engineering. The City submitted a federal grant application for funding to build a 1 ½ mile demonstration or initial piece of the line.

The reasons for a 2030 System Plan update are many. Transportation plans are dynamic and continually change. In the past, many plans have assisted in making decision and determining activities and the course of actions. The Integrated Transit/Land Use Plan in 1998 was used to show the potential transit system that could be realized with the passage of the ½ cent sales tax. The 2025 Corridor System Plan was based on the Major Investment Studies conducted from 2000 to 2002. Further engineering and environmental studies were conducted from 2004 to 2006 resulting in the 2030 Corridor System Plan that was adopted in November 2006. The success of the Blue Line is another reason to update the plan. In working with the FTA, CATS has received agreement to some modified assumptions for making travel predictions.

The financial situation is another reason for updating the 2030 Plan. The sales tax revenue is down to approximately the 2005 level. The current projection of revenue is a \$350 million shortfall over the next 10 years. This shortfall will greatly impact CATS future ability to implement the Corridor System Plan. Federal and State funding levels are uncertain and the implementation schedule adopted in November 2006 by the MTC is no longer achievable.

In the January 2010 USDOT action, Secretary of Transportation, Mr. LaHood, rescinded the “medium” cost effectiveness rating established in 2005 changing it to a project’s overall rating being at least a “medium” to receive funding. Mr. Fox asked why the USDOT changed the criteria. Mr. Muth said that by revising the rating system, it can show a wide range of benefits that can be reflected in these projects and what the projects can bring to the communities. Ms. Flowers stated it shows the livability, housing and business development potential around the project as part of the criteria and the funding being set aside for future projects focuses on these areas.

The eligibility of the Red Line for the New Starts Program was not changed by the USDOT action. In the spring, the FTA will probably announce some proposed rule making giving the industry an opportunity to comment and offer input on the rule making process. The last time rule making took approximately 10 months from the time the advertisement appeared to the release of the issued guidance.

From 2004 to 2008, the cost effectiveness rating made up approximately 50 percent of the Project Justification Rate. Since 2005, the cost effectiveness rating had to be a medium. If it did not meet the medium cost-effectiveness rating, the project was not eligible for a Federal Full Funding Grant Agreement. The July 2009 New Starts Evaluation Process now shows

that the cost effectiveness is 1/5 of the total Project Justification Rating, diminishing the cost effectiveness impact while including other factors into the evaluation process.

In fall 2009, CATS submitted updated Blue Line Extension information in the New Starts report to the FTA. The information included the new cost estimate of \$1.18 billion, the 2030 ridership projection (24,000 per day), and the 2019 schedule opening. The project received an overall “medium” rating. The Blue Line Extension is scoring well in the New Start Process.

The Red Line can be implemented short term if a strategy can be devised for funding. Without new revenue sources, the impact of trying to build multiple projects will cause delays. Ms. Flowers commented that CATS was still waiting on a response concerning the TIGER grant, an offer in the Stimulus packet for New Starts.

Key points to the 2030 Plan implementation are the completion of the Blue Line New Starts process that includes pursuing a high federal percentage and some capacity enhancements, determining the funding strategy for the Red Line, scheduling a workshop with MTC to discuss the best time for updating the system plan, and to work with the state for funding to move the projects forward.

Discussion

Mr. Zuckerman asked about the West Corridor’s conversion from the bus service to a streetcar service and the impact on the service to the airport. Mr. Muth said that the West Corridor is the last corridor to be implemented in the 2030 Plan. CATS current focus for the West Corridor is to increase and enhance the service and the ridership market before implementing streetcar service. The first streetcar corridor will be Central Avenue, Elizabeth Avenue and Beatties Ford Road with eventually extending the service to Wilkinson Boulevard. Mr. Zuckerman stated his concern that the streetcar would not enhance the service to the airport. Mr. Muth explained the streetcar would still maintain the same type of service currently being used by the enhance bus service.

Mr. Spencer said that he has heard from other sources that the reevaluation of the cost of the Red Line might place it in a category that would qualify it for New Starts. Mr. Muth commented the January announcement did not make the Red Line eligible for the program. In the past, the cost effectiveness for the North Corridor commuter rail has been determined to be from \$40 to \$80 cost per hour benefit, which is in the low category. The North Corridor would not be eligible under the previous requirement of a medium cost effectiveness rating. With the current change, it may be possible to have a low to medium-low cost effectiveness that could be offset by higher ratings in other evaluation categories. Mr. Cox asked how the changes will affect the current projects. Mr. Muth stated that the changes could make the Red Line better because of the projected economic development and land use. Ms. Flowers commented that the changes have not diminished the Blue Line Extension because it was already firmly established in the process but has strengthened the Red Line chances though there is no definitive conclusion at this time. Mr. Fox stated with the updated 2030 Plan and getting legislative support, were there other priorities that should be addressed in the new update. Mr. Muth stated to continue to move the Blue Line Extension and the Red Line forward. A prioritization discussion may need to occur to establish the Southeast, Streetcar and West Corridor projects schedules.

C. FY2011 Transit Operating Budget

Dee Pereira

Ms. Flowers introduced the budget by commenting on the challenges being faced with the budget due to the economic recession and the decline in the sales tax revenue. With the shortfall of revenue, CATS is looking at ways to reduce operating and expense costs outside of the core responsibilities and retain the current service levels.

The FY2011 general assumptions show a three percent increase in revenues over FY2010, a lower level than the mid-year estimate. The mid-year estimate lowered the sales tax projection to approximately \$57.6 million and believed that a three percent is in order. The fare increase being proposed is a 25 cent increase. The last fare increase was in 2008 making this fare increase within the two year schedule. The general capital reflects a three percent increase.

Fuel is a volatile cost driver. The current fuel projection is \$2.35 per gallon. CATS is working with the current contractor to procure fuel at a lower rate; possibly into next year. The group insurance rates will be increased by about five percent and the risk insurance for the rail operation has increase by three percent over the current fiscal year. The revenue hours for bus and rail remain the same but as the budget continues to be reviewed and updated this can change.

The budget is developed on the financial policies that were established by the MTC and are reviewed every three years. The cost growth is a key policy and it is used to track the actual growth of each service from year to year. The capital investment level is another key policy and this policy reflects the amount of sales tax actually contributed to capital fund. The debt service coverage ratio is a key policy that is monitored. These three policies are very important in maintaining the financial integrity of the system.

CATS is projecting a FY2011 operating income of \$120.5 million. This is lower than the FY2010 mid-year estimate and substantially lower than the \$132.9 million on the approved FY2010 budget. In calculating the income projection, the sales tax is projected lower than anticipated. The maintenance assistance fund from the state is estimated lower. For FY2010 and FY2011, the \$10 million being held as a contingency fund will not be used. The operating expense is projected at \$101.9 million which is much lower than the FY2010 adopted budget and a little over the FY2007 budget. There are cost reduction initiatives from FY2010 that will be carried over into the FY2011. The operating balance is consistent with the financial policies.

Concerning the capital, last year we had the transition of administration causing a slowdown in the federal process for appropriation, effecting this year's and next year's budget.

Some of the highlights of the operation program are maintaining core services, hopeful maintaining of the \$57 million through the sales tax revenue and increasing to \$59 million with the three percent increase and anticipating \$2.4 million from the 25 cent fare increase. There is also the inclusion of several federal operating funds that total \$617,000 to support some of CATS eligible programs.

The expenditure of \$101.9 million, this budget does not recommend any changes in the mass transportation core services. Staff recommends the elimination of 29 positions. CMPD staff will be reduced by eight positions and the private police officers increased by nine positions. Ms. Barker asked for clarification concerning the reduction of police officers. Ms. Pereira responded that the cost of CMPD is higher than the cost of private police officers.

The sales tax revenue normally is well over 50 percent of the income but with the decline in sales tax revenue it is approximately 49 percent. The operation assistance that is received from North Carolina has been reduced. The operation revenue is the revenue received from the fares and pass ticket sales along with service revenue that CATS receive revenue from the principalities that contribute to the services. The maintenance of effort is a fixed amount of income received from the City of Charlotte, Mecklenburg County and the Town of Huntersville. The interest income is estimated to be closed to \$3.5 million but can be volatile.

The MTC has a public meeting in March 2010 to hear from the citizens on the fare increase. An overview of the other North Carolina transit agencies shows some areas are lower in transit fares than CATS, while others are higher. Dallas is at the same fare cost level as CATS. Mr. Lewis asked if the graph reflected all service types. Mr. Kinard responded that this graph only shows for local and rail and does not include other services, i.e. express services, STS.

The two key cost drivers for the operating budget is fuel and inventory usage. The fuel cost is approximately nine percent of the bus operations division. The inventory usage is a cost driver that will show substantially in 2012. Beginning in 2012, inventory for the rail operations will have to be funded out of the operating budget.

In FY2011, CATS is recommending a \$3.6 million of program elimination/changes. At the current time no bus or rail services is being eliminated. The MTC will make the final decisions on these recommendations. If the MTC decides to keep a recommended eliminated program, the budget will have to be balanced by changes in the core service hours.

The five year capital program is a \$314.5 million program and will be presented to CTAG in more detail at the March meeting. There is a fleet plan that has been approved by the FTA. Over the next five years, CATS will purchase 99 buses with most being replacement buses. The majority of the money over the next five years is programmed for corridor projects with the majority designated to the Northeast Corridor.

In 2011, 16 buses, 26 STS vehicles and 20 vanpool vans vehicles will be purchased. A portion of the capital funds is designated for the Park & Ride lots along with the purchasing of rail equipment.

The debt financing ranges from \$15.7 million to \$11.4 million. There will be the retiring of two issuances that accounts for the range. The five year debt service expense is \$68.9 million and comprises of \$16 million for buses, \$14 million for the South Tryon Bus garage and \$38.9 million for our portion of the South Corridor Project. The outstanding debt began at \$178.3 million and will be reduced by the end of this fiscal year to \$171.1 million. It is important for CATS to start building up the operating budget reserves to offset the purchasing of rail

equipment in FY2012, to balance the BOD pension payment contributions that increased by 35 percent due to the reduction in stock value and a contingency fund for emergencies.

Discussion

Mr. Steiss asked about the express bus fare increase and its final cost per trip along with the amount of revenue that it would generate. Ms. Pereira stated that it would go from a \$2.00 one way to \$2.40 one way but she did not have the projected revenue at the meeting. Ms. Flowers encouraged the committee members to review the last section of the budget handout for the program eliminations and changes that is being recommended to the MTC.

V. Chief Executive Officer's Report

Carolyn Flowers

Under the CEO's Report, Ms. Flowers discussed the following:

A. Budget

The next steps are to have a more detail budget meeting with MTC and resolving the FY2011 budget. The week of February 22, CATS will have their initial budget meeting with the City Budget Committee and presenting a version of this discussion.

VI. Adjourn

The meeting was adjourned at 8:38 a.m.

NEXT CTAG MEETING: TUESDAY, FEBRUARY 16, 2010, 7:30 A.M.