

CITIZENS TRANSIT ADVISORY GROUP (CTAG)
Meeting Summary
February 15, 2011
DISCUSSION SUMMARY

Present: Mary Barker, CTAG Co-Chair
Henry Antshel, City of Charlotte
Robert Bischoff, Mecklenburg County
Jonathan Goldberg, City of Charlotte
Craig Lewis, Town of Davidson
George Sottilo, Town of Matthews
Todd Steiss, Town of Huntersville
Pete Larson, Town of Mint Hill

Staff: Carolyn Flowers, John Muth, Dee Pereira, Eric Hershberger, John Trunk, Larry Kopf,
Genell Hawkins

Meeting time 7:30 a.m. – 9:00 a.m.

I. Call to Order

Mary Barker, CTAG Co-Chair called the meeting to order at 7:30 a.m.

II. Approval of December 14, 2010 meeting summary

Mr. Bischoff said he wanted page five to reflect that at the time of voting he was in favor with the motion. The meeting summary was approved as agreed.

III. Action Items

A. CATS Financial Policies

Eric Hershberger

Mr. Hershberger presented information on comparative fares and then made a call for action for the recommendations to MTC for the proposed amendments to the financial policies. Ms. Barker asked for a motion to accept the recommendations to be presented to the MTC. Mr. Steiss made the motion. It was seconded by Mr. Lewis and approved by the CTAG members.

IV. Information Items

A. FY2011 Mid-Year Financial Report

Dee Pereira

Ms. Flowers said the sales tax gap remains a significant issue as CATS prepares for the next two budget cycles. CATS is working to control cost using budget exemptions and to ensure that the core services continue to be delivered.

The first criteria used to develop the budget are the financial policies and some key ratios, i.e. the operating ratio, the capital investment levels, the debt service coverage and the maintaining of the \$100 million operating fund.

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The second criteria are a structurally balanced financial plan. In November 2011, CATS developed criteria to ensure the financial plan is always balanced.

The third criteria are maintaining the core service levels. The practice of CATS is to maintain the bus, rail, and Special Transportation Service (STS) levels and not go below the current level in revenue service hours. STS will operate within the primary considerations of ADA and some cost efficiency measures are built into the service.

FY2011 Mid-Year Financial Report

Operation revenue is \$5.6 million below budget due to the sales tax revenue being 4.9 percent below the original projection. This projection is based upon the revenue received in the first four months of the year. CATS anticipates a budget adjustment when the Christmas sales tax revenue is received. The interest earned on the fund balances has been reduced by approximately \$2.3 million. The fare revenue is at budget. Operations Assistance is down by \$2.1 million because of federal funds not being released by the government. Services reimbursements are four percent below budget because of service reduction or cuts. MTC approved the increase of the advertising budget to \$100,000 to assist with seeking other resources of revenue.

Operation expenses have been reduced by \$5.1 million. The first action taken was to increase the level of federal funds that can be used toward preventive maintenance. Though a portion of the grant is used toward capital funds, there is a clause in the grant that states a certain percentage of the grant can be used for preventive maintenance. Freezing vacant positions, inventory management, reduction in contracted services and discretionary expenses are some of the other steps taken to maintain the budget.

The capital income has increased by \$8 million. After reviewing the capital income, \$6 million of unobligated funds for planned capital improvements were moved back into the capital program.

Capital expenses were reduced by \$2.8 million using a priority list to assure sufficient money is in the budget to do the projects/programs that were directed by the MTC. FTA wants transit agencies maintaining their assets. Safety and security is high on the list of priorities.

The largest risk factor is fuel cost. CATS has budgeted \$2.30 per gallon and has paid up to \$2.60 per gallon. CATS is hopeful to maintain an average of \$2.40 per gallon for the year. If the average is higher, staff will review expenditures. Fuel cost will impact any possible core service changes.

FY2012-2013 Proposed Operating Budget

CATS is still hopeful for a sales tax increase of four and a half percent increase over the next two years. In 2013, CATS will have a fare increase and a general capital increase by approximately three percent each year. Fuel is estimated at \$2.50 for 2012 and \$2.60 in 2013.

The health insurance increase is based on actuarial studies done by Risk Management. CATS has not budgeted any employee merits into this program because the City has not completed their process. Depending on the City's decision and recommendation, it could change or remain as is. The 401K plan had a one percent reduction. It is possible that the City Manager may reinstate the

City's one percent contribution next year which is the reason it was placed within this budget. The revenue hours show a small increase.

CATS authorized positions were reduced by three positions, two technology positions and one engineering position.

The DSS taxi service will be eliminated in FY12. CATS will be recommending a reduction in the subscription service, a second service that transports the disabled to jobs. The cost of the service is budgeted at \$600,000 but operates on approximately \$200,000. CATS recommendation will be to reduce the amount to \$300,000 and keep the service alive.

CATS will implement cost efficiencies into the STS within the guidelines of ADA to accommodate a growing customer base (DSS customers) though the actual budget will not change.

Over the next several years, CATS recommends a five percent reduction in profit and non-profit agencies discounts. The projection is an increase in fare revenue of \$500,000 a year. To make this change, a public hearing is scheduled for March 23 before the MTC meeting.

The risk insurance cost is increasing and makes up approximately three percent of the budget. The inventory for bus and rail and for some maintenance is approximately \$5.7 million which is approximately five percent of the budget. The inventory is managed tightly while still maintaining sufficient parts and supplies to keep the operation moving forward.

The five-year capital program revenue is projected at \$882 million. A large portion of the anticipated revenue, \$554 million, is from grant funds. As of this year, the funds have not been released. Two hundred and sixteen million dollars is anticipated from state funds with the same issue in play for the release of funds. The \$14 million from the City of Charlotte is towards the BLE project. Ninety-eight million dollars will be contributed to the capital program through the half percent sales tax as part of the financial policies requirement.

CATS anticipates issuing \$180 million in new debt for the BLE project in 2013. The expenditures over the next five years are a little over a billion that includes revenue vehicle replacement, light rail overhaul, rapid transit projects and competitive and other grant funded projects.

Discussion

Mr. Lewis said that he is concerned the cost of fuel is being understated. Ms. Pereira said that CATS has a fuel task group that keeps abreast of any changes in fuel cost and opportunities to purchase fuel at a lower rate. Mr. Kopf said the last fuel purchase was at \$2.31 per gallon for 40,000 gallons. Mr. Trunk said that at the current market value, if purchased now, CATS would probably pay in an excess of \$2.70 for future delivery. The fuel expense is approximately eight percent of the overall budget.

Mr. Lewis asked about the large amount in the retirement fund. Ms. Pereira said due to a change in state policy, the state match to the retirement program was moved into the individual municipalities' accounts.

Ms. Barker asked if CATS has to provide a paratransit service to maintain federal funds. Ms. Pereira said yes. Transit agencies are required to have a paratransit service within three quarter mile of the regular fixed route services.

Ms. Barker asked if the risk insurance reflects a lower premium for safe driving records. Ms. Pereira said she thought it was reflected. In FY10, the insurance cost \$4.4 million and now is slightly lower. Mr. Goldberg asked if the insurance was bid every year. Ms. Flowers said that CATS is pooled with other City departments and by being in the pool, it can cause a higher cost. Some departments have high risk driving records, i.e. Charlotte Mecklenburg Police Department (CMPD), sanitation. A Risk Reduction Task Force was formed to look at each department to determine ways to improved driving records.

Mr. Bischoff asked about the rumors concerning government taking back some of the grants awarded. Ms. Pereira said that she believes the government is looking at unobligated funds for a certain period of time. CATS plan to obligate the funds awarded.

Mr. Antshel asked with the 38 percent ridership increase, what portion of that percent is attributed to light rail because light rail was not operating in 2005. Ms. Pereira said the comparison is to show the ridership with an additional service but operating with fewer dollars.

Mr. Antshel asked about the fuel and if the fuel purchased is pure gas or ethanol blend. Mr. Trunk said it is ultra low sulfur diesel. Mr. Antshel asked if there is a way to economize on the purchasing. Mr. Trunk said the only way to economize is to strategize about purchasing through the stock market or a contract.

Mr. Steiss asked if a study was done on the amount of revenue generated by the increase in ridership and how much did the increase in revenue offsets the fuel cost. Ms. Pereria said the relationship in the revenue received and the expense of the service is projected at approximately a 27 percent return and 29 percent return in 2013.

Ms. Flowers said that Mr. Kopf did a Capacity Analysis providing information on the total capacity for each vehicle within CATS fleet. If there is a spike in ridership, the system already has the capacity to handle the increase.

Mr. Steiss asked if express service is more affected by rising gas prices. Mr. Kopf said yes. The local riders are more likely to utilize the bus service regardless of the circumstances. Express riders are discretionary riders.

Mr. Larson asked if there was any advantage to leasing or building fuel storage facilities. Mr. Kopf said that the Davidson Garage is under construction to expand the fuel storage area to 120,000. CATS typically maintains a 16 day supply of fuel.

Mr. Goldberg asked for the sales tax revenue process from the point of sale to CATS actually receiving the funds. Ms. Pereira said the turnaround is three months. Ms. Flowers says the funds go through the state before coming to CATS.

Mr. Lewis said that one of the challenges with the transit system is CATS funding is based on the half cent sales tax revenue which is a much higher risk than the City of Charlotte's funding based on property tax. Mr. Lewis said the presentation is not resilient to known and unknown changes. Mr. Lewis' opinion is CATS has a better handle on actions to implement when fuel cost increases. Mr. Lewis is concerned about the debt service coverage and that there is no contingency plan in the budget. Ms. Flowers said that there is the \$100 million in reserve that CTAG can use if the need arises.

Mr. Lewis said he was shocked at the low percent increase in health insurance for the City. In other cities, the insurance increase was 10 to 12 percent. Ms. Barker said she too wonder at the low increase and wondered if the difference is because of a group status. Ms. Flowers said the City looks at significant changes that can be made to reduce the cost, i.e. employees' participation in the Wellness program and non-smokers get a substantial reduced premium.

V. Chief Executive Officer's Report

Carolyn Flowers

A. NCDOT Meeting

John Muth

Mr. Muth and Ms. Pereira went to Raleigh on Wednesday, February 9 and gave a brief BLE and Red Line presentation to the local delegation. It was a chance to remind the delegation of the projects and to stress that it is a pivotal year for the BLE particularly at the state level. CATS wants to pursue a state full funding grant agreement. The Red Line was discussed and its potential for a public/private partnership and how the design/build might be a possible delivery method for the project.

On the same day, Mr. Muth and Ms. Pereira also met with NCDOT Secretary Jim Westmoreland and NCDOT COO James Trogdon about the BLE. They are now working on a schedule of events for the state full funding grant agreement. Obtaining the letter of commitment is a key item and will be included in the financial plan to be submitted to the FTA this summer.

Jeff Parker's Red Line presentation slides were shown. The state seemed to have an interest in being a strong partner on the project. The state is in a better position to negotiate in the area of freight railroad and sees the potential of operating other commuter rails within the state.

Ms. Barker asked if we have any person from Mecklenburg County on the committee. Mr. Muth said Ric Killian is co-chair of the Appropriation Subcommittee on Transportation.

Ms. Flowers said that approximately a month ago she met with John Collett who is CATS representative on the Board of Transportation to ensure that CATS still had his support. Mr. Collett is arranging a meeting with NCDOT Secretary Gene Conti.

B. Washington, DC

In March, Ms. Flowers will be going to DC for the APTA Legislative conference.

CATS drafted a letter that was sent to the federal and state legislation asking for their continued support of transit.

C. Democratic National Convention

The City of Charlotte will be the site for the 2012 Democratic National Convention. Mr. Kopf and Mr. Trunk met with the DNC organizers. The two most important items for the success of the

convention is security and transportation. The transportation decisions will be based on the security perimeter.

Mr. Antshel asked if there is an opportunity to generate revenue. Ms. Flowers said no. DNC is paying CATS to provide the service to the conventioners. Mr. Antshel asked if there will be a shortfall, surplus or a breakeven. Ms. Flowers said the hope is to breakeven. Mr. Antshel wanted to make a motion concerning providing a forecast of additional sales tax revenue that could be received and the projects that increase could be set aside for. Ms. Flowers said that first there would need to be known the number of conventioners attending the convention and what the contract with DNC will be. Mr. Antshel said he was more focused on the sales tax revenue. Ms. Flowers said would need to be a shopper's service to get people to the retail areas.

MOTION:

Mr. Antshel asked for a motion: The staff would conduct a study of the windfall from the additional sales tax revenue received in 2012 due to additional retail sales during the Democratic National Convention and the projects the additional monies would be applied towards. Mr. Bischoff seconded the motion. Motion did not pass 5 to 3.

Ms. Flowers said a presentation at the March MTC meetings concerns the ULI Rhoads program, and information from the presentation will be given to the CTAG members.

VI. Adjourn

Ms. Barker said the next CTAG meeting is March 15, 2011.

The meeting was adjourned at 8:45 a.m.

NEXT CTAG MEETING: TUESDAY, MARCH 15, 2011, 7:30 A.M.