

**CITIZENS TRANSIT ADVISORY GROUP (CTAG)**  
**Meeting Summary**  
**February 21, 2012**  
**DISCUSSION SUMMARY**

---

Present: Mary Barker, CTAG Co.-Chair  
Tom Cox, CTAG Co-Chair  
Todd Steiss, Town of Huntersville  
C. Morgan Edwards, CMS  
Henry Antshel, City of Charlotte  
George Sottilo, Town of Matthews  
Katherine (Kate) Payerle, City of Charlotte  
Rob Watson, Mecklenburg County  
Kathy Madison, Town of Cornelius

Staff: John Muth, Dee Pereira, Carolyn Flowers, Wanda Braswell

Meeting time 7:30 a.m. – 9:00 a.m.

---

**I. Call to Order**

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

**II. Approval of November 15, 2011 meeting summary**

The meeting summary was approved as written.

**III. Red Line Project Status**

**John Muth**

The study for the Red Line began in 1998 and in 2002 was adopted into the Corridor Rail System Plan. The development of the Red Line Task Force became necessary due to several factors; the economic downturn, the reduction in sales tax revenue, the difficulty in commuter rail lines obtaining federal New Starts funding and the timing of the implementation process. The purpose of the Red Line Task Force is to seek alternative funding strategies. NCDOT hired a funding consultant to develop a funding strategy.

Key recommendations from the task force: view the red line commuter rail project as a regional economic development initiative, use a dual benefit strategy of the rail line as a people mover and a freight transport (may caused more interest from Norfolk Southern), establish unified districts within the joint power authority and the state taking more of a leadership role to help with making the project a success. Two primary funding sources are the tax increment district (TID) and Special Assessment District

The Business/Finance Plan was presented in December 2011. There is a review period from January 2012 through March 2012 for various jurisdictions, NCDOT and Norfolk Southern. During this period, the parties involved can bring forth any questions and concerns about the Red Line. The months of April through June are considered an adoption period. Various boards will discuss and approve the JPA concept, TID benefits and the Special Assessment District.

---

CTAG Meeting Summary of February 21, 2012

In February, Ms. Flowers and Paul Morris presented the history and original concept and vision of the Red Line Commuter Rail along with the policy and the consultants' recommended business plan for moving forward with the project to the Joint Legislative Oversight Task Force in Raleigh and to the State Board of Transportation in Charlotte.

### **Discussion**

Mr. Edwards asked why the Red Line project was selected over other corridor projects. Ms. Flowers said the MTC decided the order the projects would be built. Mr. Edwards mentioned the airport route and the usage of a rail system to bring layover airline customers to uptown Charlotte. Mr. Muth said the corridors have been under study since the mid 90s. The system plan uses a growth strategy that promotes and encourages growth accommodated by the public transportation and the type of corridors that would best attract federal funding.

#### **IV. FY2013 Transit Operating Budget & FY2013-17 CIP Overview**

**Carolyn Flowers &  
Dee Pereira**

The budget process continues through April 2012. Staff will present the recommendations to MTC in April for adoption then the City Council. CATS is continuing to manage and operate within its current budget.

The core services include providing mass transportation services, a fiduciary responsibility to provide a structurally sound plan and to maintain a sustainable system with service quality and safety.

CATS is seeking a capital plan for expansion. The plan must meet compliance and service responsibilities for the exiting services, insures meeting equity issues between jurisdictions and riders and is in compliance with Title VI. A financially structured plan means preserving the current system and building on these services while maintaining a specific level of service and quality. CATS incorporated preventative maintenance cost to cover life cycle cost for equipment and vehicle upkeep into the budget. The cost of asset maintenance is a priority and is crucial for providing a reliable, safe and convenient service to the customers

The Countywide Bus Service Plan is completed.

Additional funding for Special Transportation Services (STS) is budgeted into the FY2013 budget. CATS wants to strengthen the ADA paratransit services because of growth and demand.

Last week CATS received \$70 million for the Blue Line Extension (BLE) to complete the Right of Way Acquisition and final design. After the BLE's final design stage, the next step is the Federal Full Funding Grant Agreement.

The Risk Assessment with the Federal Transit Administration was recently completed.

CATS continues to look for other revenue options.

CATS added approximately one percent of service hours to the bus system.

Mr. Cox asked for an explanation of budget cycle and its process. Ms. Pereira said staff will present a detailed operating budget explanation at the March meeting. At the April meeting, the Capital Investment Plan (CIP) will be presented. Also at the April meeting CTAG will vote on the recommendations for the FY2013 Operating Budget and the FY2013-2017 CIP. At the MTC's April meeting, staff will present the budget recommendations to MTC for adoption. Ms. Flowers said one of the major items within the new budget is a recommendation for a fare increase.

Ms. Pereira said the budget being presented is the FY2013 CEO's recommendation. Currently, the budget is showing approximately \$7.4 million increase in income. CATS is projecting an increase in sales tax and a projection in fare revenue that includes ridership and fare increases. The increase also reflects some increase in the operating assistance funding from North Carolina and receiving of some federal grants.

CATS operating expense has increased by \$3.5 million from last year's budget because of the 3.6 percent annual budget increase recommended in the long term financial plan for maintaining a sustainable system.

The capital income is mostly associated with the state and federal grants received relevant to the BLE. CATS is projecting going out to the capital markets for debt financing in FY2013 for CATS portion of the BLE cost. Most of the capital expenses associated with the FY2013 \$176.9 million is associated with the BLE project.

The main focus of the operating budget is sustaining the core system with core system growth. The operating income of \$126.7 million is comprised of \$61.7 million in sales tax, \$2.5 million in fare increase and increase in the advertising revenue.

The expenditures are \$106.4 million with most of the cost attributed to personnel services cost. Fuel costs accounts for approximately \$10.5 million of the operating budget. The risk and insurance is \$3.65 million but there is possibly of the railroad increasing some of their risk clauses that could affect this budget. For the FY2013, CATS decided to restore the \$300,000 to DSS's transportation services. The \$20 million operating balance will be transferred to the capital program to cover CATS share of various projects. The budget shows a year-end balance of \$157 million. The financial policy requires CATS to maintain an unobligated balance of at least \$100 million.

Part of the operating income budget is Maintenance of Effort. It is a fixed amount of funds CATS receives from the City of Charlotte, Mecklenburg County and the Town of Huntersville and is equivalent to the funds these entities paid for transit prior to introduction of the ½ percent sales tax.

Mr. Edwards asked if the increase in sales tax revenue was a rate increase or growth increase. Ms. Pereira said it is a projected growth increase. Ms. Flowers add that it is based upon receipts the projected sales tax revenue was increased to \$61.7 million. The growth seen is related to volume, how much consumers buy, rather than rates.

CATS will complete capital programs with grant funding associated with the programs. Only programs with grant funding can be included on the capital program.

Ms. Flowers said CATS does not pay taxes on fuel. Fuel is purchased in volume locking the price for several months. Mr. Edwards asked about the quantity of fuel stored and method of delivery. Mr. Kinard said the fuel is approximately a 15 day supply and it is delivered by truck. CATS has one of the largest capacities. Mr. Watson asked if that means CATS is watching the fuel prices. Ms. Flowers said yes. The fuel price market and all the factors affecting pricing are monitored daily. Ms. Flowers said fuel expenses are one third of the budget.

The most significant part of the budget is the fare increase. CATS is allowed a fare increase every two years and is asking for the full base increase of \$.25 effective July 1, 2013. The fare increase will provide an additional \$2.5 million income. If the fare increase is not approved, CATS will need to reduce bus services revenue hours by 28,000 hours. Ms. Pereira said the fare increase will be the topic of a public hearing at the March MTC meeting. Mr. Antshel asked if the fare topic is independent of the overall budget approval. Ms. Pereira said the fare increase is not independent of the budget approval.

The operating expenses include the insurance rates for employees, contract personnel costs, and fuel budgeted at \$3.15. There is a provision in the budget for increasing STS resources to meet the federal mandate for ADA.

Mr. Edwards asked if there was a reduction in private paratransit services would the demand on CATS be increased. Ms. Pereira said yes. Mr. Kinard said that CATS is required to provide services for ADA customers if they live within  $\frac{3}{4}$  of a mile from any CATS fixed routes. For years, CATS provided the service beyond this requirement. Ms. Flowers said that door to door services is provided to customers living within the  $\frac{3}{4}$  mile of a fixed route but CATS is not required to provide services to customers outside of the  $\frac{3}{4}$  mile. With large amounts of federal funding, each grant goes through a Civil Rights review. CATS has to insure that ADA requirements are met, there are no discriminations, and a provision that federally certified small businesses are given access to opportunities for participating in contract services. If there is a Civil Rights violation, the violation could stop a federal grant from being awarded.

The five year capital program is projected to receive revenue of \$1.2 billion but does include \$360 million of new debt financing. Most of the financing will come from the federal grants and state grants with the City of Charlotte contributing funding toward the BLE project.

A summary of how the funds will be distributed over the next five year

- Revenue Vehicles : \$92.6 million
  - Bus
  - STS Bus
  - VP
- LRV Overhaul : \$ 9.1 million
- Asset Maintenance : \$ 25.3 million
- Facilities : \$ 19.2 million
  - \$ 7.3 for Rail
  - \$ 11.9 for Bus (includes improvements)

- Rapid Transit Program: \$ 968.7 million
  - \$943.7 is related to the Blue Line Extension

Ms. Pereira said CATS has done limited debt financing over the past 10 years. At the end of 2013, CATS will retire 2004 issuance. The five year debt service cost is the expense CATS will pay on new long term debts. It is \$104.3 million and short term debts is \$88 million. CATS' total outstanding debt on June 30, 2012 is approximately \$156.6 million.

### **Discussion**

Mr. Steiss asked if there has been any negative feedback on the advertising. Mr. Kinard said one person, not a customer, did not like the inability to see inside the wrapped buses and expressed that this was a security issue. The person was concerned for a 75 year old neighbor who did not express any concerns about safety or security. Mr. Steiss said though he had concerns about the advertising he said he thought the bus wraps are tastefully done.

Mr. Steiss asked if that has been a change in the amount of passes sold at the profit agencies since the recommendation to reduce the pass discounts. Mr. Kinard said the changes are related to the price change but are more related to the economy and employment changes. Mr. Steiss asked about the revenue projection for the DNC convention. Ms. Pereira said there no projections for revenue or expenses associated with the DNC in the budget.

Mr. Antshel said that the CATS fare escalation looks ominous for the last five years and wanted to know if there was a way of tempering the chart. Ms. Flowers has asked for a CPI chart to be done with a cross reference. Ms. Flowers said part of the information being presented next month concerning the fare increase is the increase CATS has experienced on major components of the budget, i.e. property, liability, insurance, gasoline and labor.

### **V. 2012 CTAG Schedule**

Ms. Barker said the July 17 and August 21 CTAG meetings may be problematic because of DNC and cancellation will be decided closer to the dates. Ms. Flowers said, for CATS and the preparation for the DNC, the August 21 meeting would not be good for staff to attend. Ms. Barker said the November meeting date should read November 16 meeting not November 13. Ms. Barker added CTAG does not normally meet in December.

### **VI. CEO's Report**

Ms. Flowers said that CATS received the Tiger III \$18 million grant in December 2011 for the retrofit of the platform extensions on the Blue Line. CATS is continuing to compete in Title IV for funding of the retrofit of the power substations along the Blue Line. The grant received would cover the retrofit of two platforms. CATS will continue to compete for Title IV funding so that all Blue Line platforms can be retrofitted and that would align with the plan of the BLE.

CATS presented to the Joint Legislative Oversight Task Force; the last step in the process for obtaining a State Full-Funding commitment for the BLE.

Paul Morris and Ms. Flowers did an overview of the Red Line Project.

In the next few days, CATS must submit the financial plan for the BLE to the federal government.

CATS must complete the railroad negotiations before entering into the final design stage.

CATS has been asked for a major investment budget study for the Silver Line-Independence Boulevard. In the 2014 budget, CATS has \$500,000 for the Silver Line. The projection for the total cost is a half million to \$2 million.

The street car construction will not start until after the DNC.

On March 5 at 9:00 a.m. at UNC-Charlotte, CATS will have a signing ceremony for the state's Full Funding Grant Agreement.

### **Discussion**

Mr. Antshel asked about the attitude of Iredell County about the Red Line Project. Ms. Flowers said that Iredell voted 5-0 not to move forward with the project until some questions were answered about the project. Ms. Flowers said Iredell had a series of questions that the consultants said they would try to answer. Iredell had questions about the freight and the development. By the end March the questions should be addressed then the task force will develop a consensus plan that responds to the questions from each of the jurisdictions.

Ms. Barker said the Town of Davidson is upbeat about the rapid transit line that anything negative is downplayed. Ms. Barker attended the Iredell County meeting and said that the meeting had a strong turnout and people in the area want the commuter rail. She directed the people to tell their elected officials.

Mr. Edwards asked if Norfolk Southern is being cooperative. Ms. Flowers said the Norfolk Southern is concerned about the change in assumption on the project. Originally the Red line was to be a peak only service, morning and evening rush hour times. The service has changed to an all day service. Norfolk Southern is concerned that the engineering is stale on the project. Another concern since the Chatsworth, LA rail incident is for rail safety and train control. Norfolk Southern has said the economy has changed and their growth assumption is to have more freight running on the Charlotte line.

### **Adjourn**

The meeting was adjourned at 8:55 a. m.

---

NEXT CTAG MEETING: MARCH 20, 2012, 7:30 A.M.