

**CITIZENS TRANSIT ADVISORY GROUP (CTAG)**  
**Meeting Summary**  
**April 17, 2012**  
**DISCUSSION SUMMARY**

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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  
Katherine (Kate) Payerle, City of Charlotte  
Rob Watson, Mecklenburg County  
Jim Eschert, Town of Pineville

Staff: Carolyn Flowers, Wanda Braswell, John Trunk, Larry Kopf, Dee Pereira,  
Meeting time 7:30 a.m. – 9:00 a.m.

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**I. Call to Order**

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

**II. Approval of March 20, 2012 meeting summary**

The meeting summary was approved as written.

**III. FY2013-17 Capital Investment Plan (CIP)**

**Dee Pereira**

The principles applied to CIP budget are to create a balanced financial strategy and plan, use of financial policies as guidance in decision making, and to reflect the change of cost in the Blue Line Extension.

Part of creating a balanced financial strategy and plan is to promote the sustainability and growth of the transit system while recognizing the setbacks in the areas of decreased revenue and increased expenses. CATS made decisions to utilize the resources of the transit system to leverage local, federal and state dollars. Debt financing will be used within the limits of the financial policies to provide the cash flow to advance the major projects.

The approved financial policies provide guidance to management in developing the budget that includes allocations toward the current transit system for maintenance, replacement and rehabilitation. The CIP has been revised to reflect the change in cost of the Blue Line Extension (BLE).

The financial metrics used are the operating balance (difference between operating income and operating expenses). The financial policies do require a portion of the operating balance to pay for the capital program including the debt service cost. The policies require that the operating balance be greater than or equal to 20 percent of the sales tax revenue.

The Debt Service Coverage Ratio is another financial metric monitored to insure that the transit system finances are not over extended.

The unrestricted fund balance at the end of the fiscal year must be maintained at a minimum of \$100 million. The fund balance provides a safety margin to have the resources if needed to maintain and to continue the operation of the transit line.

The FY2013-17 revised budget includes the increase in the cost of the BLE project, the anticipated grant funds, asset maintenance cost for replace of revenue vehicles, LRV overhaul program and preventative maintenance and cost of growth for BLE project, Vanpool expansion, additional park and ride lots and placeholder funds for the Red and Silver Line projects.

The bus replacement is in accordance with fleet plan and over the next five year period CATS will replace 136 buses. The smaller buses have a life span of six to eight years. The larger buses have a life span is 12 to 15 years. CATS will replace 99 STS buses, instead of the 85 shown in the fleet plan, because the STS buses have a life span of four year. Vanpool will have 47 vans replaced.

The capital budget has programed money for the Safety and Security division that is an estimated \$2.1 million of equipment funded by the Homeland Security. Some of the equipment's refresh and upgrades will be funded by grants from NCDOT.

In the fiscal year of 2012, the FTA rated the overall BLE project as medium high which is a very good rating for the project. In December 2011, CATS received the Record of Decision allowing CATS to proceed with acquiring the Right of Way which began in December. In February 2012, a revised financial plan with resubmitted including the FTA's risk assessment recommendations. In March 2012, the Full Funding Grant Agreement was executed for the BLE project by the State and City. CATS submitted a request to enter into Final Design.

The target date for revenue operations is March 2017 with a budget of \$1.16 billion. Three main elements contributing to the change in the budget is:

- The relocation of the freight bridge over 36<sup>th</sup> Street (funded 100% by FTA and NCDOT).
- Real estate revisions.
- Consultants' recommendation for adding unallocated contingency reserve to the project.

CATS is now working towards the State and the Federal Full Funding Grant Agreement. The State Full Funding Grant Agreement was awarded in March and the grant contract for the appropriation of the funds will be on the NCDOT board agenda in May 2012. Ms. Flowers said CATS cannot execute the full funding grant agreement until CATS has all the third party agreements completed and have approval to enter Final Design. This morning Ms. Flowers is meeting NC Railroad via conference call. The agreement with Norfolk Southern is almost completed. CATS has one outstanding state agreement. Duke Energy agreement is completed. Staff is working the AT&T agreement. Ms. Barker asked if the conference call with NC Railroad today is the final meeting. Ms. Flowers said she hopes so. Ms. Barker asked about Norfolk Southern. Ms. Flowers said discussion with Norfolk Southern on the Blue Line has gone well. A critical item is the intermodal yard.

Ms. Pereira said there is limited amount of funding for the Red and Silver lines and they are placeholders' funds. As part of a five year program, the rehabilitation of the Blue Line is covered with the Tiger Grant received from FTA.

CATS is proposing two new debts of \$180 million long term and \$132 million short term. Mr. Watson asked about the income and expense, expenses includes the payments to 2004B payout and other payouts. Ms. Pereira said yes. Mr. Watson asked if the difference between the total income and expenses that is over the \$100 million a cushion. Ms. Pereira said it is a cash balance and is used to pay for the construction cost.

The 5-Year CIP is balanced with anticipated income. The income is primarily from grants and CATS operating balances are used to pay CATS share of the local matching funds. CATS is close to the limits of the year end cash balances and debt service coverage ratio. Ms. Flowers said this is an operating statement and CATS does have a cash flow developed for the Blue Line Extension. Ms. Flowers said the funding works as a reimbursement and you have to have the debt to keep the project going.

### **Discussion**

Mr. Antshel asked why the real estate cost increased. Ms. Pereira said the risk consultant felt the schedule for the procurement of real estate was too aggressive and that it could not be accomplished. Mr. Steiss asked if money is budgeted for an item but not all the money allocated is used, what happens. Ms. Flowers said it depends on the full funding grant agreement and if that option is stated in the agreement. Holland and Knight is working with CATS to draft the full funding grant agreement that would allow any overage of funds to be used in other areas of the BLE.

### **Citizens Discussion**

Christopher McMillan, Charlotte citizen, to encourage the committee to continue support for CATS and STS so that transportation service can continue to be offered. Ms. Flowers said, in response to Mr. McMillan comments, the budget also includes funds for STS to provide a level of service especially for standbys and the restored \$300,000 to DSS.

## **IV. CTAG Action Items**

**Tom Cox**

### **A. Recommendation for Fare Increase**

Mr. Edwards said he attended the public hearing and there was concern about the increase. He asked if CATS has conveyed to the public the need for the increase and the repercussions if it is not approved. Ms. Barker added 37 people requested time to address MTC, only a third of that number attended the meeting. Ms. Barker said the majority of the speakers were in favor of the increase. Mr. Steiss said he heard concerns about the quality of the bus service and bus operators' courtesy. Mr. Kopf said complaints about the bus operators have a very structured procedure for addressing and responding to the complaints.

Mr. Cox said that the last rate increase revealed all the information and processes the staff undertakes to insure the best solutions and that buses are placed where the people are. Ms. Flowers said that under the Interlocal Agreement there is a committee called the Transportation Service Advisory Committee (TSAC) which comprised of bus riders. TSAC meets monthly to hear riders' concerns and complaints. Mr. Watson asked if there has been any impact from third

party providers or large corporation about the fare increase. Ms. Flowers said no. Mr. Eschert said there always is a small group of people who will oppose any increase. Ms. Flowers said CATS has to look at the cost of operation along with economically providing a service. CATS offer several transportation programs with significant discounts. Mr. Watson said \$0.25 fare increase is still lower than the cost of fuel increase and the cost of parking.

Mr. Antshel said from his citizen point of view, as a 35 year bus rider, he believes that CATS fares for transportation are “at or higher than the norm” compared with other cities and the percent increase is higher than normal inflation. Ms. Pereira said the staff reviewed the last two years of fuel cost increased by 15 percent. When the fuel increase is combined with the reduction in sales tax, it is approximately 14 percent increase in cost.

#### MOTION

Mr. Edwards moved to accept and recommend the fare increase. Mr. Barker seconded the motion. The committee voted to accept the recommendation for a fare increase.

#### **B. Recommendation of FY2013 Operating Budget and FY2013-17 Capital Investment Plan**

The committee discussed both budgets as a unit. Ms. Payerle asked about the streetcar. Ms. Pereira said the streetcar is not in the 2013 budget and is a City project.

Mr. Antshel asked for an explanation of the distribution of the \$100 million in the capital budget. Ms. Pereira said the \$1.3 billion includes the debt financing and over the next four to five years of construction large amounts of cash balances due to debt financing. In the year 2017 or 2018, the yearend cash balance will be approximately \$102 million. Mr. Antshel asked if the federal and state funding is a guarantee. Ms. Pereira said there were no guarantees but past experiences with federal and state funding have been positive. Holland and Knight is working with CATS to make sure that BLE gets fully funded. Mr. Antshel asked if there was a contingency plan if funds are not received. Ms. Pereria said if funds are not received there is the \$100 million fund balance or the project will be stopped.

#### MOTION

Ms. Barker moved that the FY2013 Transit Operating Budget and the FY2013-17 Transit Capital Investment Plan be accepted as written and send the recommendation onto MTC. Mr. Edwards seconded. The committee voted to accept the recommendation for the operating and five year capital budget.

#### **C. Authorization to Present Recommendation**

Mr. Sottilo made the motion to have Ms. Barker present the CTAG’s recommendation to the MTC at the Wednesday, April 25 meeting.

Mr. Eschert seconded the motion. The committee voted to accept Ms. Barker to present CTAG’s recommendations at the April 25 MTC meeting.

#### **Adjourn**

The meeting was adjourned at 9:00 a. m.

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NEXT CTAG MEETING: MAY 15 2012, 7:30 A.M.