

CITIZENS TRANSIT ADVISORY GROUP (CTAG)
Meeting Summary
November 13, 2012
DISCUSSION SUMMARY

Present: Mary Barker, CTAG Co-Chair
Hugh Wrigley, CTAG Co-Chair
Todd Steiss, Town of Huntersville
Henry Antshel, City of Charlotte
George Sottilo, Town of Matthews
Rob Watson, Mecklenburg County

Staff: John Muth, Dee Pereira, John Trunk, Olaf Kinard, Brian Nadolny, Pamela White, and
Wanda Braswell,

Meeting time 7:30 a.m. – 9:00 a.m.

I. Call to Order

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

II. Approval of October 16, 2012 meeting summary

The meeting summary was approved as written.

III. Average Fare Analysis/ CATS Discount Program Pamela White and Olaf Kinard

Ms. Pereira introduced the agenda to explain that staff prepared the agenda as a budget educational series. Presenting today will be Olaf Kinard, director of marketing and communications; Pamela White, manager of service development; and Brian Nadolny, Red Line project manager. White provided an update on average fare, fare revenue and on fare/ridership projections. Several things affect fare revenue and ridership. One is fuel prices. As fuel prices increase, our ridership increases. Economic conditions can also affect the ridership. When the economy is going well, it impacts ridership. A large part of our ridership is work trips. If economic condition decreases, then our ridership declines. Fare increases will affect ridership. Because of higher fuel prices, we have not seen a drop in ridership in recent years even though we had a fare increase. We have a formula that we use to help assess the effect of a fare increase may have on our fare revenue. New services will also impact ridership. Ridership goals are set and we try to obtain those by marketing those services and increasing on-time performance. White provided a chart to compare gas prices to ridership. In 2009, the ridership was higher than projected because of the gas prices. In 2010, staff projected higher numbers based on 2009; however, the recession caused a drop in ridership. During summer months and holiday months, the ridership declines a little because of vacation.

To estimate our based ridership level, we use our average fare. When there is a fare increase, our average fare increases. Rail fares are higher on average than bus fares because we collect more cash on bus fare; the riders use more transfers. In 2009, the average was 80 cents. In 2012, average fare was 95 cents. The fare was up to \$1.08 in 2013.

We had a slight drop between 2009 and 2010. In 2009 we had a lot of riders but lost them in 2010 because the economy was tougher and we lost those riders coming uptown.

Q: Can you explain average fare? The normal fare on a bus is \$2.00 but you are showing numbers much lower.

A: Normally our fare is a combination of cash fares, elderly, unlimited rides pass and transfers. The average fare is a \$1.00 not the actual \$2.00. Roughly 65 percent of our fare is cash revenue.

Q: Have you compared fare with parking cost and population of employment?

A: Gas prices are a key factor to the fare. Staff will look at certain employment districts; looking at jobs that may have moved to a different location. We are able to modify based on jobs coming or leaving. We are seeing that with Route 54. Wells Fargo is moving from one location without service to another location with service. Transit can project an increase on that route and modify our estimated ridership with the employment.

Q: If you were to normalize your actual, how close would you be to your projected numbers? By normalize, I mean if you were to take a monthly or yearly average

A: Currently we look at monthly average ridership on a particular route. Normally we take our current ridership and average it, then project from current the year in order to estimate ridership

Q: If you were to add up all the figures for a total in a fiscal year, how close would you be to your projected numbers?

A: Mr. Kinard answered that since 1998 we averaged actual ridership around 6 percent. Typically we project around 3 percent. In 2009 or 2010 we did not make the projected number. We grew about 6 percent but projected around 3 percent.

Q: You are on the safe side as far as cash flow?

A: For ridership growth not cash flow.

Mr. Kinard discussed the two types of discount programs offered by CATS: sales volume and usage. Under sales volume, we have employer discount and non-profit. The employers sell passes onsite and allows CATS to market to employees throughout the year. The employer discount program is based on the dollar volume purchased each month by employees in a given work site. The non-profit program is for local non-profits, where 80 percent of their clients are at or below poverty level. They can make purchases at 25 percent discount. Mr. Wrigley asked who uses the volume discount. We have about 85 businesses across the region that are part of the Employee Transportation Coordinator (ETC) program and sell passes onsite. The Greater Hospitality and Tourism Alliance (HTA) is one such ETC. They provide access to the over 600 hotels, restaurants and entertainment venues across Charlotte. We sell to them and they distribute to these businesses reducing CATS administrative costs. The businesses get the same discount. The sales volume discount allows CATS to market and share the administrative cost with the company.

The usage program is based upon the pass type: 10 rides, unlimited, monthly and daily rides. The 10-ride pass does not have an expiration date. The unlimited pass is the weekly, monthly, and day pass, and there is an expiration date on these passes. The pass price is based on a budgeted usage. The monthly pass is set for 40 trips and the day pass is three trips. Customer usage increases the discount. If the customer uses the day pass more than three times, then their cost per ride comes down. Most transit systems have them.

- Q: Is there a discount on the face value monthly or do you base it on the 40 estimated?
A: The monthly has 40 estimated usages. The only thing to affect the purchase price prior to use is if it was purchased from an employer discount program.

The average discount based on sales volume for the monthly is 21 percent and the weekly is 16 percent. ADA passes do not receive any other discounts because they are already half off and many are out of the workforce. The Department of Social Services (DSS) is the biggest user of one-ride passes. They get the 25 percent discount because they are a non-profit. Disabled customers purchase STS passes. For passes with unlimited rides the revenue received per pass is just above half of the retail price per trip. On 10-rides, because of the way customers use them, the monthly revenue per trip is more than the retail price.

- Q: Can two people use the same 10-ride pass on the same day?
A: Yes.
Q: Do you give seniors a discount?
A: Yes, we do. If you are 62 or older, with a valid transit ID or Medicare Card, the customer will get half off the cash price. The customer can also buy an adult senior monthly pass at half off.
Q: Can a senior get a discount on 10-ride?
A: No.

Todd added that he likes the 10-ride passes. He also talked about the challenge of getting the passes. Some vendors sell certain passes and on certain days.

- Q: Is the 10-ride pass the most popular?
A: For the express routes.
Q: Have you looked at a kiosk to purchase the most popular passes?
A: The vendors will pick the ones they want to sell based on their volume of sales. Some ETC's have sought to reduce administrative expenses and have stopped providing a live person on site to sell passes. CATS has an online strategy to allow ETC members to order passes. A few buildings have ordered passes and still receive the discount. Anyone who orders under that building will get that discount. The customer can order at anytime online. A kiosk can get expensive. Mr. Kinard added that transit is looking to bring in contactless passes within five years. With contactless, the rider will have a card and just taps and goes. We can also have a hybrid that can use a smart card with a chip. Your debit card can be your smart card and be used as a pass. Smart cards can be loaded at many locations. Anything you can attach the chip to will become your contactless card.
Q: Does the Chamber sell passes?
A: No, but the Visitor Center sells them at the South Tryon location. It is a day pass.

IV. Service Reimbursement Process

Pamela White

Ms. White talked about the regional and shuttle services that fall under the reimbursement services. The MTC requires services outside of the county operating cost be covered at 50 percent. Concord, Rock Hill, Union County and Gastonia have services and provide the 50 percent. UNC Charlotte has a shuttle service and provides 100 percent of their cost. Wells Fargo also has a shuttle to Exit 90 from a light rail station for employees that work at the mortgage center. CATS, Neighborhood and Business Services (City of Charlotte department) and Wells Fargo cover the operating cost of that service.

We estimate fare revenue by looking at each service and project the ridership then multiple by the average fare. That is the estimated fare revenue. The partners pay 50 percent of that net cost.

Q: Are any of the services at risk of discontinuing?

A: No. Last year, Union County reduced their trips by one in the morning and one in the afternoon. The numbers are extremely stronger because those riders travel into uptown. CATS participated in the process to help reduce emissions.

Q: Why wouldn't the agreement have the partners cover 100 percent of the cost, if there is a net loss surrounding these routes?

A: Charlotte is a non-attainment area. Travel into the area contributes to emissions. It is to our benefit to reduce those emissions so that we are not at risk of losing any federal funding. Ms. Pereira added that there are a certain number stops within Mecklenburg County as well as out of the county.

Q: CATS operates a system on the UNCC campus but is totally refunded by the university system? Is it a no-net cost to CATS?

A: Yes. Correct.

Mr. Muth added that most towns have not had budget discussions. Once those discussions take place in early spring, we may hear from the counties about the routes and the contribution.

V. Ancillary Revenue

Olaf Kinard

Mr. Kinard provided a chart with the advertising revenue of internal and external of vehicles versus guarantee. The contract was awarded based on the maximum amount of revenue guaranteed over the life the contract, references, access to national accounts, etc. The annual guarantee increases each year on a monthly basis. Over the five years it averages out to a \$1 million a year. As part of the agreement, Titan Outdoor, the advertising agency, sells, manufacture, installs and removes the ads along with being responsible for accounts receivable. Titan receives about 45 percent of the sales to cover the expenses and make a profit while CATS receives 55% in the first year. The percentage provided to CATS increases over the life of the contract. If Titan sells \$2 million in a year, 55 percent of that goes to CATS. We get a guarantee plus 55 percent of anything over the guarantee.

Other things that we are planning in addition to bus/rail interior & exterior ads Station ads. We are in discussion with the city's planning department to alter the sign ordinance to allow ad signs at the LYNX stations. Staff is looking at naming rights, starting a vending pilot program and in negotiations for our first ATM. We can put a drink machine at stations because we currently have the power. This is also in line with the naming rights and retail vending. A new mobile app is coming in 2013. Another revenue option is land development around certain stations. We did an unsolicited bid for an ATM at I-485. The current market does not work for charging for parking. We occasionally get a request for films and charge extra for customers purchasing ads who desire to conduct product demos with a clients. We do not allocate shelters or benches for advertising. The city ordinance does not allow it. Neighborhood associations have never been in favor of benches and shelter advertising because we cannot monitor what type of ad goes on benches and shelters. The reason we

continue to seek new funding sources such as these are because the state reduced SMAP by 9 percent last year and congress has not reauthorized a long-term transportation bill. With continued financial uncertainty, we will continue to look at other revenue options.

Q: What held you back in the past? What is the change that enables the increase in budget?

A: Previous CEOs did not allow it. We had advertising but removed it in 2000 because of changing the name of the transit system, and it didn't generate the revenue. We knew at some point that the city would become a large media market.

Q: Would the vending generate revenue based upon sales of the machine?

A: It could. It depends on how we package it. We could ask for a fee and they keep the revenue.

Mr. Antshel added that vending would promote litter and encourage people to carry food/beverage onto the CATS vehicles. Mr. Kinard agreed but added that riders carry items onto the vehicles now. We encourage the use of the trash canisters.

VI. Update on the LYNX Red Line Project

Brian Nadolny

Nadolny gave a brief update on the Red Line. The state hired a consultant to look at alternative funding sources for the Red Line to close the gap of funding. At the end of 2011, the consultant presented a financial and business plan showing a certain way that could be done that basically looked at creating a Unified Benefit District (UBD). The UBD identifies which properties benefited from the project and looking at ways to generating funding. The two options: tax increment financing (TIF) and special assessment district for the project. The seven jurisdictions commented on the plan between January and March 2012. The consultant created a consensus plan from the comments. The plan is currently on hold until Norfolk Southern completes a rail traffic capacity study. The capacity study would look at how freight traffic and passenger service could co-exist on the O-Line. Currently Norfolk Southern, the state of North Carolina and CATS are looking at a scope of work and putting together an agreement. Norfolk Southern has to consider potential freight growth from the NCR mainline; the future intercity passenger services planned for the NCR. They have plans for a fifth service. We also have to consider the future needs of Amtrak. They want to know what CATS service will look like. We hope to have the scope of work by January 2013. Norfolk Southern projects a year to study the options to figure the infrastructure for future goals.

Q: Can we encourage them to reduce the year length?

A: We meet monthly and staff has expressed the urgency but they have higher priorities. They do understand it.

Mary Barker added that it seems that the consultant had an idea that there is a huge pot of money. Will we lose the source? Mr. Nadolny said time is a concern. The way that TIF works is that if you cap what the land is worth today then if there is growth we can capture the growth. The longer we wait we can lose the potential at the stations with the year study. We haven't lost that much yet. The consultant is talking to the markets. We are on hold but when we get back he will have to calibrate the different factors.

Q: What do you mean by capture growth?

A: TIF? Many stations are green fields. It could be worth \$1 million. TIF is saying if it develops because of the train, the tax rates are higher once developed.
A certain percentage will help pay for the rail line. Mr. Muth added that Norfolk Southern is looking at this as a strategic line for them. About eight or 10 years ago, it was on a lower end of their priority list. CATS had a term sheet that we worked out with partners. Several factors could influence the process.

Q: Is NCRR private?

A: A non-profit organization that the state owns.

Q: Any discussion to swap ownership?

A: The O-line is a single track with 109 grade crossings without gates with one train a day. The swap would not be ideal.

Todd added Norfolk Southern may have more interest in the NC mainline if it is upgraded. Brian added that this line has grown so much. Because Amtrak and high speed rail are being discussed, this one line has to meet the future capacity needs.

VII. Approval of 2013 Calendar

Mary moved to keep the calendar as printed and to eliminate as needed. Rob seconded the motion. The calendar was approved.

VIII. CEO's Report

John Muth reported on the Federal Full Funding Grant ceremony that was held on October 16. The construction management team, HNTB, was selected on November 12, 2012.

Adjourn

The meeting was adjourned at 8:40 a. m.

NEXT CTAG MEETING: JANUARY 15, 2013, 7:30 A.M.