

PUBLIC TRANSIT SUSTAINABILITY IN CHARLOTTE

(SUMMARY OF NOVEMBER 17, 2010
JPA PRESENTATION)

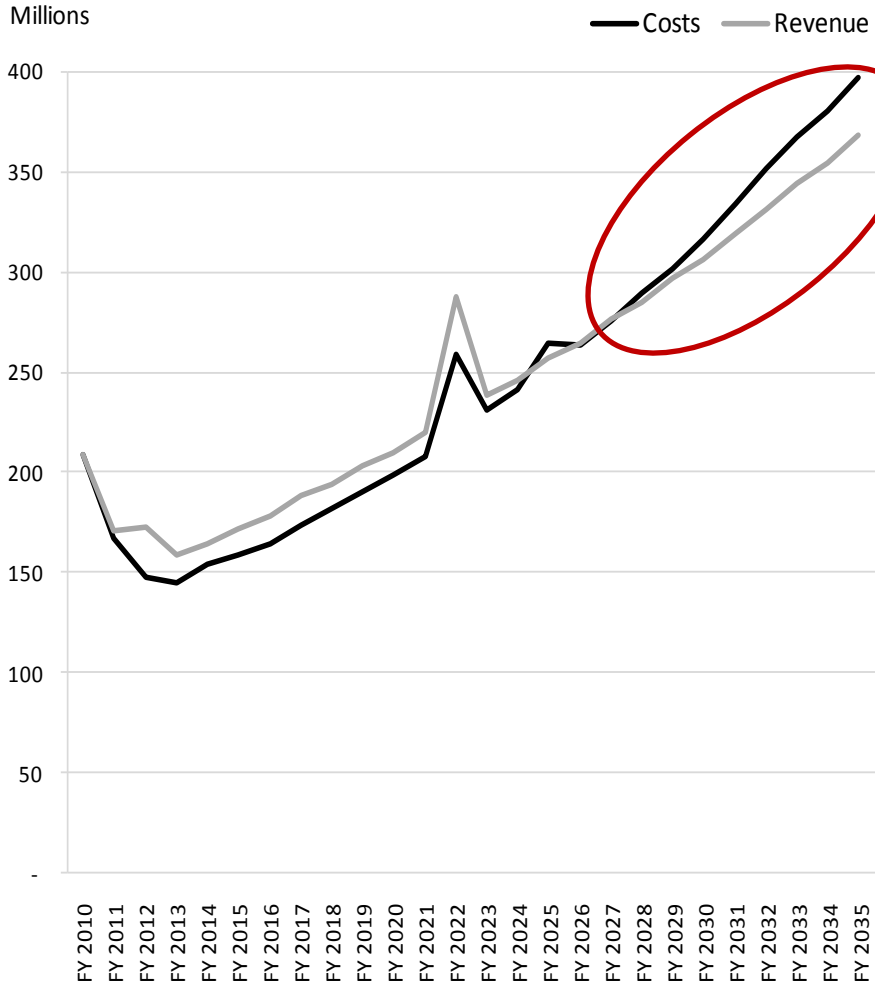
Presented To
RED LINE TASK FORCE

December 15, 2010

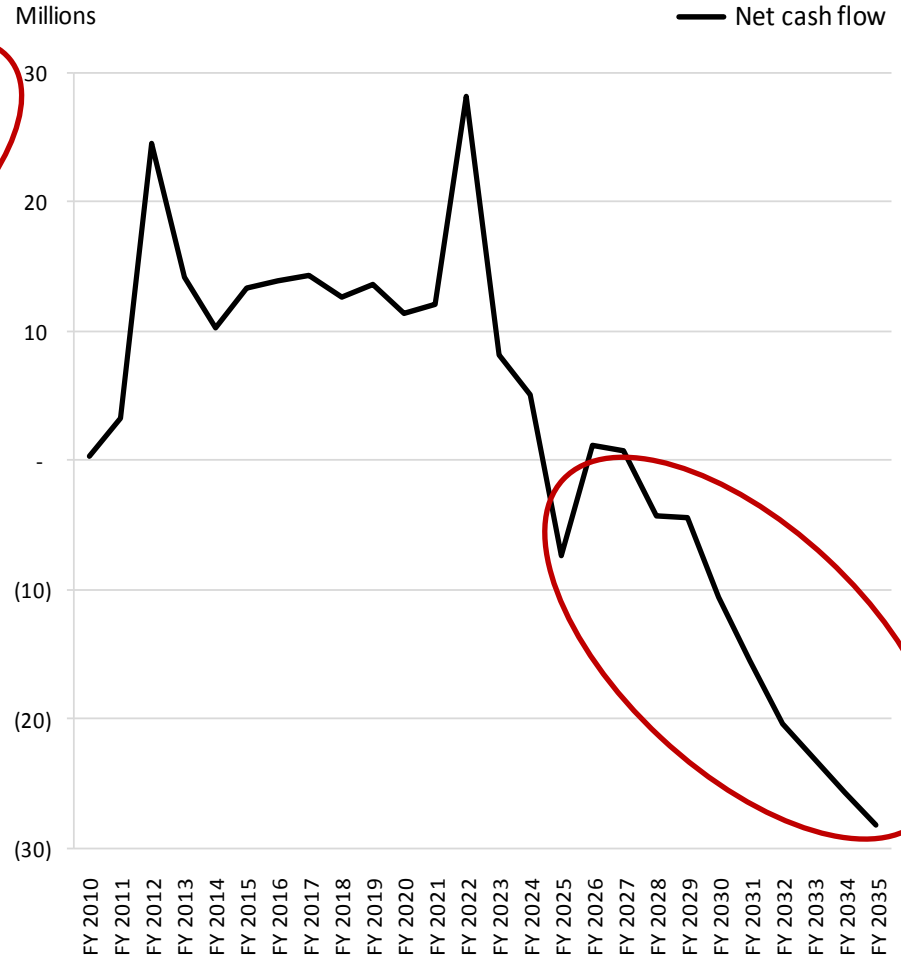
- **Capital costs for known corridors (BLE and Red Line) increased \$314M (30%) from \$1.04B to \$1.35B (2010\$)**
 - Total O&M costs from 2017-2035 for known corridors increased \$562M (60%) from \$925M to \$1.49B.
- **Technology/scope for West & Southeast undecided; no cost or schedule estimate at this time**
- **Streetcar still to be determined**
- **During 2010-2035 period:**
 - Existing system capex and opex increased \$500M (8%) from \$5.7B to \$6.2B (inflated dollars)
 - Local revenue (non-federal, non-state) declined \$2.25B (30%) from \$7.30B to \$5.05B (inflated dollars)

Prior Assumptions Yield Structural Imbalance for Core System Without BLE or Red Line

Revenue vs. Expenditures



Net Cash Flow



Costs first exceed revenues in FY 2025

- **Structural imbalance of existing system even without new rail corridors**
- **Inadequate resources to support 2030 System Plan (bus service expansion and remaining rapid transit corridors) with current sales tax**
- **Not possible to develop a new “System Plan” with uncertainties over scope, cost and timing of West, Southeast, and Streetcar along with the uncertainty of future economic growth**
- **Priority is to avoid commitments that are unsustainable over time**

Immediate priorities:

- Preserve level of existing bus and rail service hours
- Limit future bus and STS growth in service hours
- Cap compound annual growth rate in O&M going forward to 4%
- Limit investment in new transit centers and park-n-ride

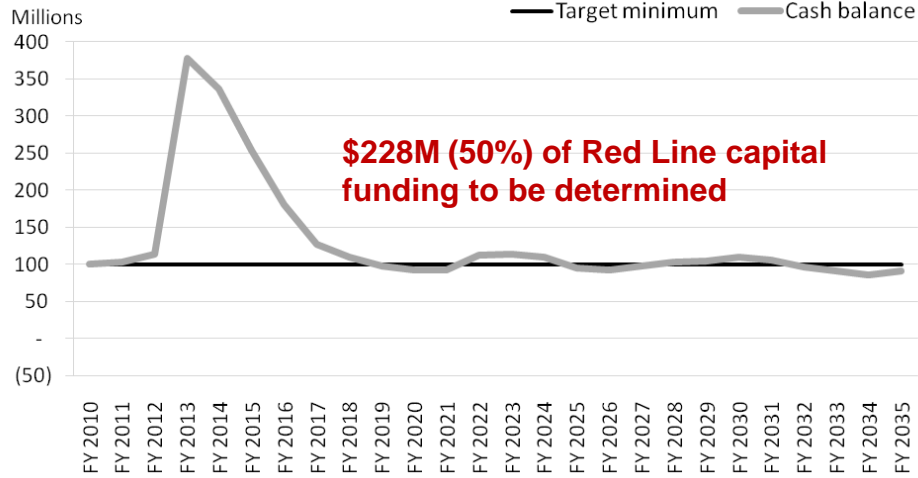
- **Cost reduction measures can produce an affordable BLE option for CATS**
 - Reduce capital cost by 20% to \$800 million in 2010\$ (\$910m inflated dollars) tested in financial model
 - Reduce BLE O&M by about 6.5% (\$18.2M in FY 2017)
- **This range of cost reductions will require scope adjustments but appears achievable**
- **MTC would need to direct CATS to identify potential cost saving measures**

- **Ancillary revenue opportunities can help bridge small revenue shortfalls**
 - More aggressive estimates on advertising revenues may be realized in a stronger economic climate
 - Other policy options could be studied, such as charging for parking or naming rights
- **Further BLE capital and O&M savings may be possible**

- **Potential for partnership with NCDOT to combine project with road enhancements – construction economies, commuter rail as maintenance of traffic measure?**
- **Opportunities to partner with Norfolk Southern?**
- **Potential for real estate development-related revenue that is guaranteed by others?**
- **NCDOT operating assistance for commuter rail needed**
- **Potential for reduced capital or operating costs?**
 - Impact of a 25% CATS capex and opex share?

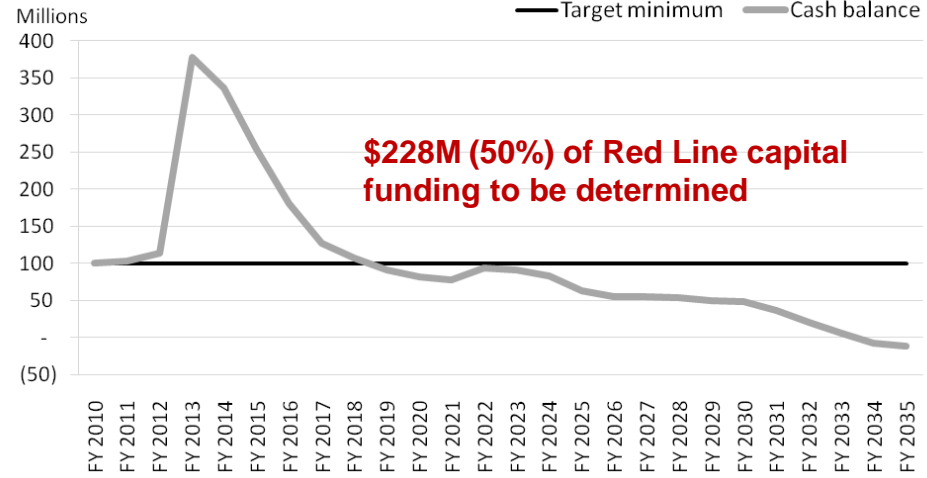
CATS Red Line O&M share at 25% is sustainable

Cash Balance



Increasing the share to 50% is not

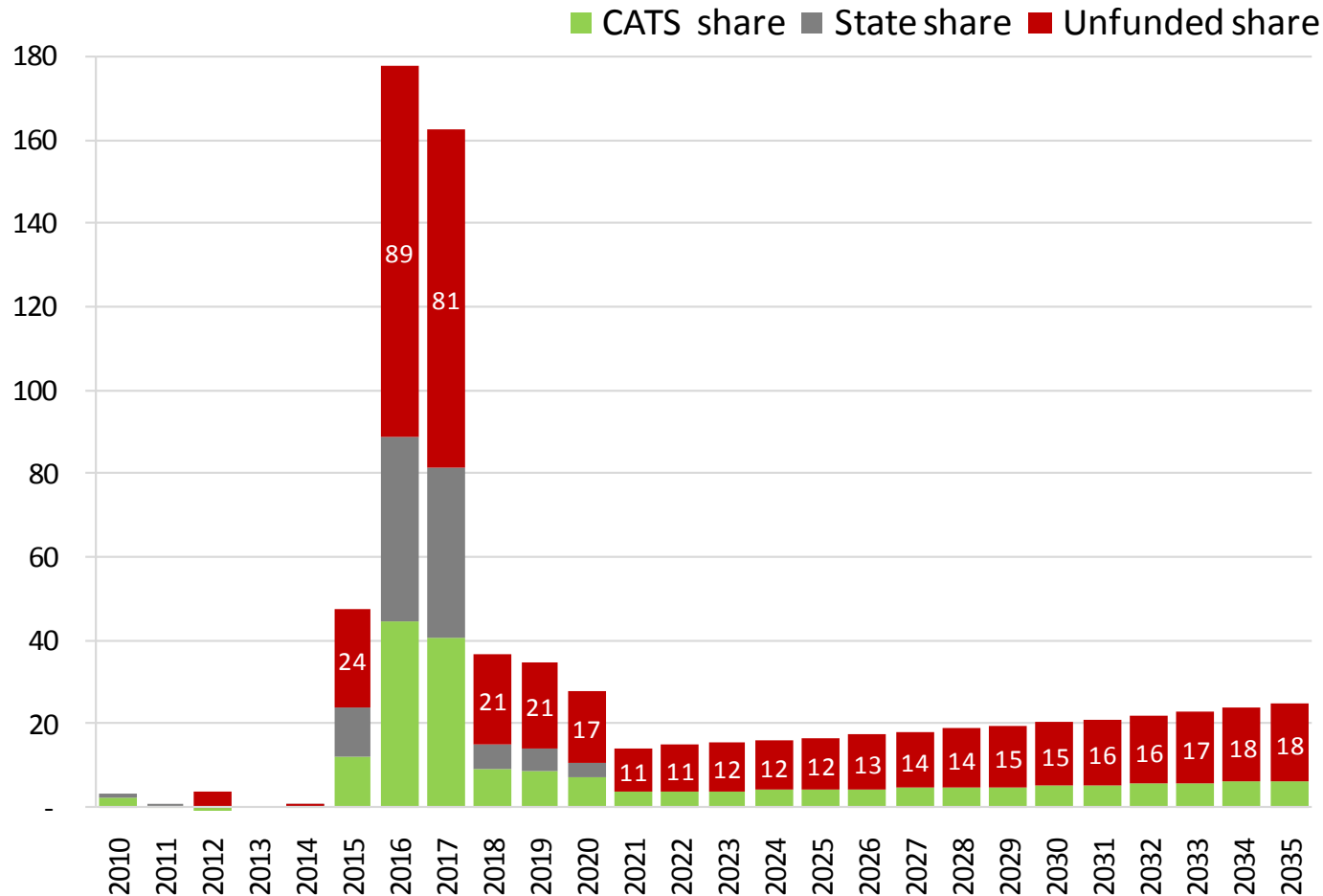
Cash Balance



- Assumes CATS funds 25% of capital costs of both Red Line and Affordable BLE
- Red Line assumes increased FTA formula funding but no NCDOT rail operating assistance

North Corridor Financial Plan

Millions of inflated \$



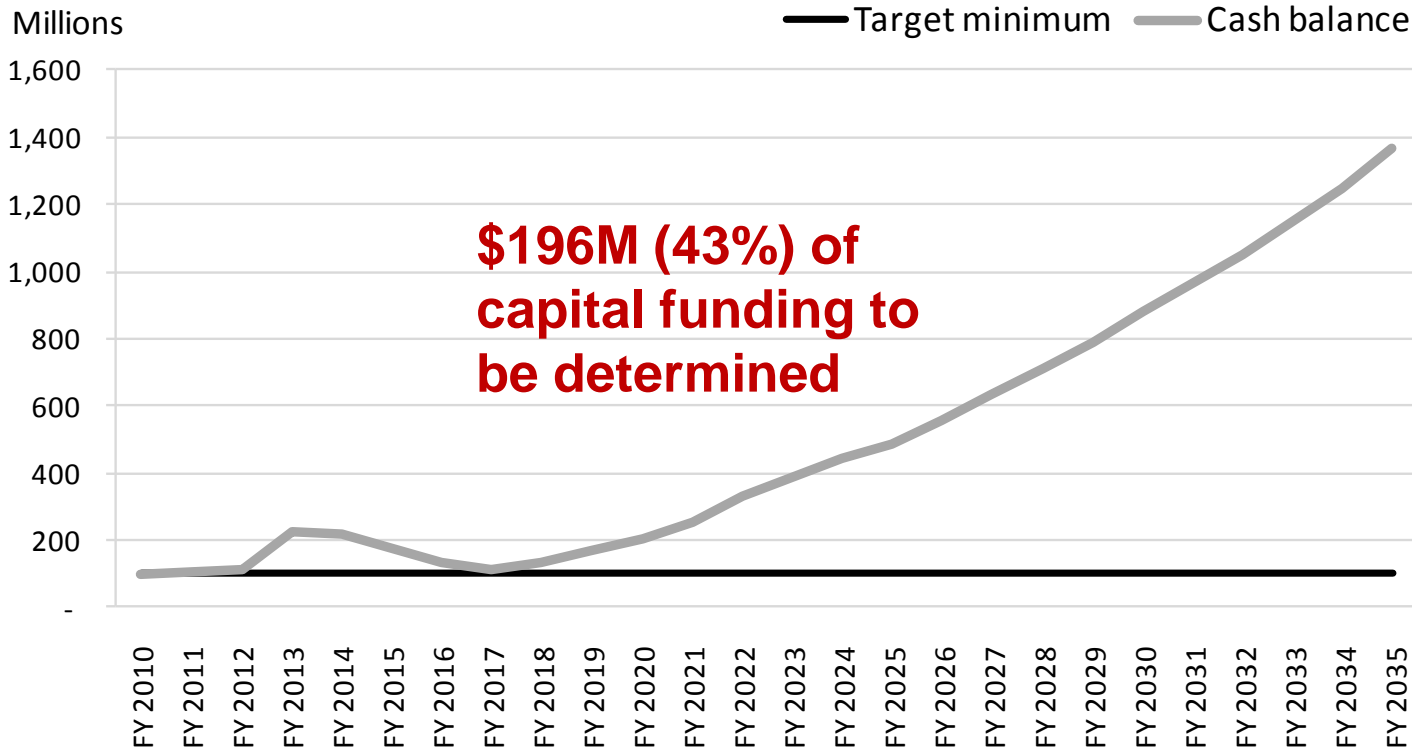
Capital Costs
 ✓ CATS – 25%
 ✓ NCDOT – 25%
 ✗ Unfunded – 50%

O&M Costs
 ✓ CATS – 25%
 ✗ Unfunded – 75%

- Restore CATS share of Red line to original 32% of capital costs and 100% of O&M costs
- Revisit cuts made for Affordable BLE
- Restore bus service growth
- Test lifecycle costs of additional corridors
 - West
 - Southeast
 - Streetcar

Additional revenue source of \$34m annually beginning in FY 2014

Cash Balance



Red Line
Capital Costs
 ✓ CATS – 32%
 ✓ NCDOT – 25%
 ✗ Unfunded – 43%

O&M Costs
 ✓ CATS – 100%

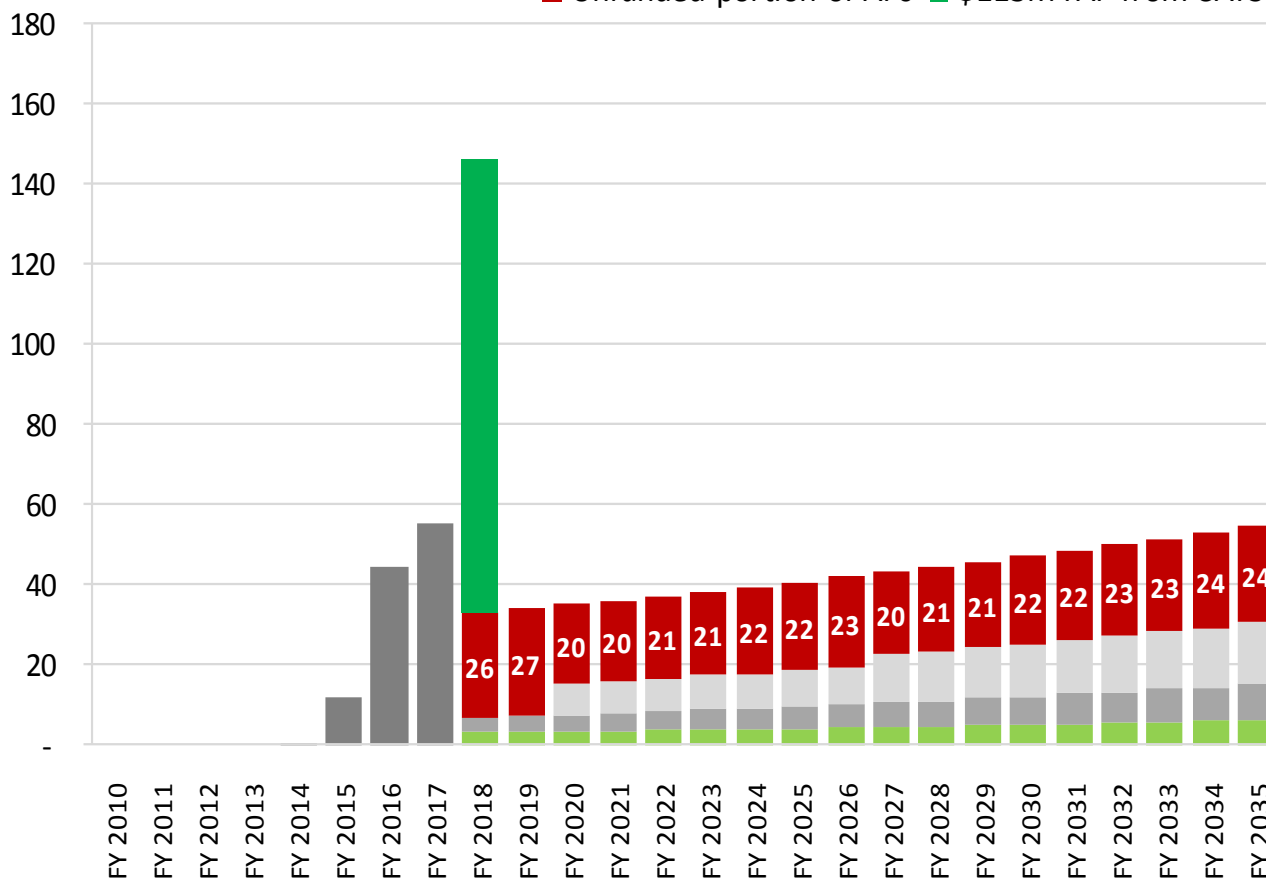
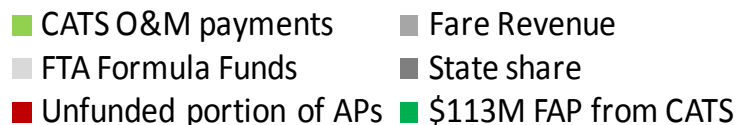
BLE
Capital Costs
 ✓ CATS – 25%
 ✓ NCDOT – 25%
 ✓ FTA – 50%

O&M Costs
 ✓ CATS – 100%

- **State leadership – 5 corridor prototype potential**
- **Potential for turnkey contract with N/SRR using availability payments**
- **Potential for participation of land developers**
- **Appears to allow CATS and NCDOT to finance capital share**
- **Absence of New Starts funding improves attractiveness of TIFIA (33% of project cost) and RRIF (potentially 100% of project cost)**
 - Red Line P3 cases assume all of concessionaire's long-term debt is RRIF loan

North Corridor P3 - Public Owner Cash Outlays

Millions of inflated \$



Capital Costs
 ✓ CATS – 25%
 ✓ NCDOT – 25%
 ✗ Unfunded – 50%

O&M Costs
 ✓ CATS – 25%

- **Scale core system to sustainable levels**
- **Advance affordable BLE in FTA Process**
- **Explore funding partnerships and P3 opportunities for Red Line**
- **Operating assistance from NCDOT for rail corridors**
- **Further studies of Southeast, West, and Streetcar**