

METROPOLITAN TRANSIT COMMISSION

MEETING SUMMARY

March 28, 2012

Presiding: Harold Cogdell (Chairman, Mecklenburg County Commission)

Present: Mayor Anthony Foxx (Charlotte)
Ruffin Hall (Charlotte Assistant City Manager)
Mary Barker (CTAG Co-chair)
Rick Sanderson (TSAC Chair)
Bobbie Shields (Mecklenburg Assistant County Manager)
Anthony Roberts (Cornelius Town Manager)
Mayor John Woods (Davidson)
Leamon Brice (Davidson Town Manager)
Greg Ferguson (Huntersville Town Manager)
Bill Coxe (Huntersville Town Planner)
Ralph Messera (Matthews)
Erskine Smith (Mooresville Assistant Town Manager)
Wayne Herron (Monroe City Manager)

Chief Executive Officer: Carolyn Flowers

I. **Call to Order**

The regular meeting of the Metropolitan Transit Commission was called to order at 5:30 p.m. by MTC's Chairperson, Commissioner Harold Cogdell. Commissioner Cogdell then opened the Public Hearing. The regular meeting resumed at the conclusion of the Public Hearing.

The Public Hearing allowed the public to comment on the proposed fare increase. Olaf Kinard, CATS Director of Marketing & Communications, began a presentation for the public hearing by explaining that MTC policy is to review fares every two years. Fuel costs have risen 94.4 percent over the 2005 budget. Risk insurance has increased 249 percent. Medical insurance costs have also risen. At the same time, sales tax income decreased 5 percent. To absorb these shocks to the operating budget, CATS reduced spending in a number of areas while also hedging fuel purchases, implementing energy conservation efforts and reducing inventory. Mr. Kinard compared CATS services in various areas to fares in other North Carolina cities, and with other systems throughout the country with light rail. Commissioner Cogdell said that due to the large number of speakers, each would be given two minutes to speak, unless members of the Board objected. No one objected.

Nineteen members of the public made comments during the Public Hearing on the proposed fare increase. Eighteen opposed the fare increase, citing concerns about the impact of an increase on lower-income transit-dependent riders. Some speakers suggested ways to increase revenue without raising fares, such as fixing inoperable fare boxes or selling advertising inside buses. Speakers also cited concerns about customer service issues, timely transfers between buses or between bus and rail and other route scheduling concerns.

Mayor Woods thanked everyone for signing up and making comments. Additional comments can be made through the website.

Discussion: Mr. Messera asked what CATS' farebox recovery was, and how that relates to other cities in North Carolina. Mr. Kinard said that CATS' farebox recovery is about 20-25 percent. Other NC cities are in the 15-20 percent range.

A motion to close the public hearing was made by Ms. Barker and seconded by Mr. Brice. The public hearing closed and the March meeting of MTC resumed at 6:30 p.m.

II. Review of Meeting Summary

The meeting summary of February 22, 2012 was approved as written.

III. Transit Services Advisory Committee (TSAC) Chair's Report

Rick Sanderson

Mr. Sanderson reported that TSAC met on March 8. TSAC received a state of CATS report from Ms. Flowers, whose presentation focused on maintaining core services, reliability and maintaining services for growth. She also spoke of the 24 percent farebox recovery and provided grant updates.

IV. Citizens Transit Advisory Group (CTAG) Chair's Report

Mary Barker

Ms. Barker said that the subject of CTAG's meeting this month was an update on the Operating Budget. Two guests attended the meeting. One guest spoke about STS services.

V. Red Line Task Force Update

John Woods

Mayor Woods reported that the RLTF met prior to this meeting. Task Force members are finishing the 90-day review and analysis of the business plan and absorbing comments and questions from the last 90 days. Members are also engaging with Norfolk Southern (NS) to understand and implement requested engineering studies to update and review the line's operations for both future commuter and freight purposes. The second phase of the project will be deferred to give time for the NS study, which will impact the consensus plan financing. There was also discussion on additional stations along the Red Line. An additional station in Charlotte was proposed today. Mr. Coxe added that the Task Force also discussed Mooresville's request to shift the Mt. Mourne station slightly south. Mayor Woods said that the RLTF had agreed to pass the recommendation along to MTC for discussion and possible action.

Discussion: Mayor Foxx thanked the RLTF for discussing a potential new station in Charlotte. It sounded like an exciting possibility. Mayor Woods said that members are open to discussion, and can look to other systems for processes they have used as well.

VI. Public Comments

None.

VII. Action Items

None.

VIII. Information Items

a. LYNX Blue Line Extension Light Rail Project (BLE) Update

Danny Rogers / Dee Pereira

Mr. Rogers, LYNX BLE Project Director, reminded MTC members that the BLE is an extension of the Blue Line. The BLE is 9.4 miles now, doubling the length of the Blue Line. The project

is scheduled for implementation in 2017, includes improvements to North Tryon Street and will connect UNC Charlotte campuses. The BLE is an FTA-approved project and was the only project included in the President's FY2013 budget. It is a financially sustainable project. Controls have been placed in the project to keep it within budget. The extension will have 11 stations, including 4 park and rides. It will accommodate 3-car trains, attracting 25,000 additional riders for a congestion-free 22-minute commute from UNC Charlotte to Center City Charlotte. The project has completed the 65 percent level of design. FTA awarded the project a Medium High rating for the FY2013 New Starts Financial Assessment. CATS has begun right of way acquisition. Following FTA's risk assessment, changes to the project include a target revenue operations date of March 2017. The project budget will be \$1.16 billion, which provides adequate contingency and reserve against risks and slippage. Mr. Rogers reviewed critical Council actions over the next two months and the current milestone schedule, culminating in revenue service initiation in March 2017.

Ms. Pereira, CATS Chief Financial Officer, Assistant Director of Public Transit, reviewed the BLE's cost estimate history. Project scope changes lowered the project's cost, but financing charges and local right of way credits increased the cost. Costs were also added during the Risk Assessment. The bridge cost for the 36th Street Freight Relocation will be shared between FTA and the State. Pushing Real Estate back two months added costs, as did including additional contingency and project reserve. CATS has submitted a funding plan to FTA for \$1.16 billion. The funding plan includes funding partners. CATS plans to issue about \$180 million in long-term debt. This is more than was anticipated, but short-term debt has been reduced to \$132 million from \$200 million. Throughout the 32 years of the financial plan, CATS will maintain a \$100 million cash balance and debt service coverage ratios will be maintained within financial policy parameters. Ms. Pereira reviewed financing assumptions, which use traditional interest rates; CATS hopes to obtain more favorable rates than the projected rates. The CATS share of the project is \$250.1 million. The financing plan will be tight; the cash balance in 2017 is projected at \$102 million. Any slippage in forecasted revenues and expenditures will require emergency mitigation measures.

Discussion: Ms. Flowers noted that the budget was set by FTA at a level at which they have the most comfort. Mr. Roberts said that the interest rates sounded high, and Ms. Pereira agreed. She said that in July or August, CATS Finance will start working with the City Treasurer's office so financing can be in place by 2015. CATS will first go through the City process to prepare financial plans and determine financial capacity. After that, CATS will go through local government commissions and rating agencies. By fall 2013, CATS should be in a good position. The estimates are traditional rates; if we went to the market today, we would do better. Mr. Roberts asked the impact of a swing of one percent in interest rates on financing charges; for example if the interest rates were reduced from 5 to 4 percent or from 4.5 to 3.5 percent. Ms. Pereira said that staff has not worked that out but they can.

Mr. Messera asked Mr. Rogers what is covered in the ongoing Operations and Maintenance (O&M) agreement with NS. He also asked what CATS anticipates paying for the NCRRC Master Lease projected for Council action in April. Mr. Rogers replied that the O&M agreement does not cover costs but rather provides a guide on how the two systems will operate in the same area together; it is more about how CATS will access the right of way. NCRRC is a privately-owned arm of the state; negotiations with NCRRC are in process now. CATS has given them an appraisal; they are obtaining their own appraisal. We hope to have

something for the April 27 Council meeting. Ms. Flowers noted that CATS is negotiating an up-front payment. With a capitalized lease, the funding partners can participate in the lease's cost.

Mr. Coxe asked Ms. Pereira about sales tax revenue assumption in future downturns. She replied that in current assumptions, with the revenue line going so gently up, that years of downturn are expected to be offset by years of growth. By projecting conservative growth, CATS hopes to maintain realistic figures.

Mr. Messera noted that the Real Estate estimate has increased by \$11 million and asked the total amount for real estate. Mr. Rogers replied that the total cost includes both the cost of railroad and private acquisitions. The total estimate of acquiring property including condemnations is \$113 million, which includes a 25 percent contingency. Mr. Messera asked Mr. Rogers to send him the complete estimate, particularly the private purchase estimate, since South Corridor real estate costs ran over estimates. Mr. Rogers said that following the South Corridor experience, CATS evaluated the difference between the appraised amount and the eventual settlement. The BLE figures include the factor of that difference, plus an additional 25 percent contingency. Mr. Roberts asked what the CATS share was when the project's total was \$997 million. Mr. Rogers replied that the CATS share was around \$237 million, before adding in the cost of financing charges and real estate credits. Before CATS did the cost-cutting exercise, its share was \$295 million, so we have reduced our share by \$45 million.

b. FY2013-17 Transit Capital Investment Plan (CIP)

Dee Pereira

Ms. Pereira stated that CATS seeks a balanced financial strategy and plan when developing the capital budget. Debt financing that follows financial policy guidelines is included in this CIP. The five-year CIP differs from the number estimated in January, reflecting the revised cost and schedule for the BLE project. The year-end unrestricted fund balance must be \$100 million, and that is carefully maintained. The net debt service ratio is key. The revised summary includes increased revenue from the revised financial plan for the BLE project. Debt has been reduced. CATS seeks as much grant funding as possible. The CIP asset maintenance category includes spending for replacement of buses, STS buses and vanpool vans, the five-year LRV overhaul program, and preventative maintenance. Growth is projected to advance the BLE project, provide limited additional amenities such as park and ride lots, and for placeholder funds for the Red and Silver Line projects. The largest amount of capital spending will be on the light rail program, but CATS will make expenditures in the bus category as well. During the five-year period, CATS plans to replace 136 buses out of a fleet of 323. Because STS buses have a short life, 99 STS buses will be replaced out of the current fleet of 85 over the five-year CIP. CATS will replace 47 out of 95 vanpool vans. Bus amenities and preventative maintenance will comprise the other areas of bus-related CIP spending. Rail capital funds will be expended for rail facilities and equipment. Other areas of capital expenditure will be in the areas of safety and security equipment, technology and non-revenue vehicle replacements.

As stated, the BLE project budget is now \$1.16 billion. Multiple funding partners, such as FTA, NCDOT and the City of Charlotte, will participate with CATS in funding the project. The State Full Funding Grant Agreement (FFGA) has been executed and is expected to be approved by NCDOT in May 2012. CATS anticipates FTA's executing the Federal FFGA by the

end of 2012. Other rapid transit items in the CIP include the South Corridor Retrofit, as well as placeholder funding for the Red Line and the Silver Line project. Ms. Pereira reviewed the debt service schedule through 2035. Five-year CIP costs are balanced with anticipated income, primarily from grants. CATS is close to its limits on year-end cash balances and debt service ratio.

Discussion: None.

c. New Starts Update

David McDonald

Mr. McDonald, CATS Transit Planning Manager, said that the New Starts Program is the major source of funding for projects such as the Blue Line and BLE. FTA's Proposed Rule was issued on January 25 for comment. Comments were due March 26, and CATS submitted comments. The goals for the Proposed Rule were to measure a wider range of benefits provided by transit projects and to establish measures to streamline the process. The BLE will continue under the old rule, as projects already in Preliminary Engineering were exempt. Future CATS corridors would be subject to the proposed new rules.

Mr. McDonald reported that changes include eliminating the Baseline Alternative in lieu of the No-build Alternative. This means that projects will be able to weight the full impacts of the project. All Project Justification Criteria will be weighed equally. FTA will create a National Forecast Model to provide to agencies to use. This should be cheaper, but it may not be as accurate. CATS will be able to use the national model, but will have the flexibility of developing its own model if the national model is not viewed to be accurate for our area. Project Trips will be based on the current year, which is new, and provides a lot of concern to us. Rapidly-growing areas provide better results with longer range forecasts. Short trips may be over-valued when looking only at project trips. A two-block light rail trip will be valued the same as a 20-mile commuter trip. Projects are required to receive a Medium overall rating to advance. However, FTA will recognize small benefits and rate them Medium. Only adverse impacts will receive Medium-Low or Low ratings.

The rule changes will mean that light rail and bus rapid transit will remain competitive. Streetcar is likely to be more competitive. Commuter rail is eligible but will likely remain non-competitive. The ten-year horizon will hurt the competitiveness of rapidly growing regions such as Charlotte. FTA's rules elsewhere look 20-30 years in advance. CATS' comments are online at www.regulations.gov under Major Capital Investment Grants.

Discussion: None.

IX. Chief Executive Officer's Report

Carolyn Flowers

Under the CEO's report, Ms. Flowers discussed the following:

a. Red Line Financial Plan:

CATS staff has prepared a response on the Red Line Financial Plan consistent with scenarios presented in the 2010 Workshop. We have made a statement about support for the Red Line project and how it contributes to the region and the shared vision of incorporating Public Private Partnerships to create sustainable financing. CATS needs three things in order to be able to participate in the project with a 25 percent share in the construction and operation of the project. The project must be subject to detailed engineering and design study in order to determine a probable cost and schedule. CATS will coordinate with NCDOT

to ensure this is done. Secondly, the owner of the railroad, NS, must be designated as a working partner. Thirdly, CATS' contribution to the capital and operating costs are based on CATS' retaining 100 percent of the commuter rail fare and incremental FTA commuter rail funds. This will enable CATS to repay any debt. The City will also perform a detailed review of CATS' financial policy and ability to perform the project. CATS must have collateral to pay the debt.

Discussion: Mr. Smith asked if station improvements would be included. Ms Flowers replied they would; CATS will have to have some collateral to back the debt, whether it is stations or rolling stock.

b. Legislative Agenda:

Ms. Flowers reported that she and Ms. Pereira attended the American Public Transportation Legislative Conference in March. They met with FTA Administrator Peter Rogoff to thank him for his support of transit in Charlotte and ask for his continued support. They also visited staff of the federal delegation while House was on recess. The Senate was in session and they provided updates on the BLE and gave comments on the proposed transportation reauthorization bill and impacts of amendments to the reauthorization. The Senate has passed a two-year reauthorization bill, but the House proposes a three-month extension of the current bill.

Ms. Flowers and Dana Fenton, Intergovernmental Relations Manager with the City of Charlotte, met with NC General Assembly Representative Becky Carney about continued support for transit projects and prospects for funding in the future and the next session. She advised them not to expect much.

The City of Charlotte proposes a four-cent increase in property taxes to support a \$900 million CIP that includes an extension of the streetcar project. This is included in the MTC 2030 Plan.

Discussion: None.

X. Other Business

None.

XI. Adjourn

The meeting was adjourned at 7:40 p.m. by Mayor Woods.

NEXT MTC MEETING: WEDNESDAY, APRIL 25, 2012, 5:30 P.M.