

METROPOLITAN TRANSIT COMMISSION

MEETING SUMMARY

March 26, 2013

Presiding: Mayor Anthony Foxx (Charlotte)

Present: Pat Cotham (Mecklenburg County Commission)
Julie Burch (Interim Charlotte City Manager)
Mayor Lynette Rinker (Cornelius)
Anthony Roberts (Cornelius Town Manager)
Greg Ferguson (Huntersville Town Manager)
Mayor Jim Taylor (Matthews)
Ralph Messera (Matthews)
Brian Welch (Mint Hill Town Manager)
Bill Thunberg (Mooresville Representative)

Chief Executive Officer: Carolyn Flowers

I. Call to Order

The regular meeting of the Metropolitan Transit Commission was called to order at 5:45 p.m. by MTC's Chairperson, Mayor Anthony Foxx. Prior to the meeting, Mayor Woods authorized Bill Thunberg to stand in on his behalf, since he was not able to attend the meeting.

II. Review of Meeting Summary

The meeting summary of February 27, 2013 was approved as written.

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

No report.

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

No report.

V. Red Line Task Force Update

No report.

VI. Public Comments

None.

VII. Action Items

a. Financial Policy

John Joye

John Joye, Senior Assistant City Attorney, stated that MTC members were asked to amend the Financial Policy tonight. The reason to amend the Financial Policy is due to the LYNX Blue Line Extension (BLE). The Federal Full Funding Grant Agreement (FFGA) CATS received for the BLE may be the last FFGA that will be awarded. The Federal share of the project is \$580,042,248 of the total project cost of \$1.16 billion. The State share will be \$299,971,000. Approximately 76 percent of the BLE's funding is through grants on a ten-year disbursement

schedule. The construction schedule is a four-year schedule. Therefore, the majority of the costs will occur over the first four years of a ten year funding schedule. This will create a cash flow issue, which will be handled through debt issuance and management, as well as managing investor confidence. Approximately \$400 million will be needed in short-term bonds. The comprehensive financial model developed creates a revenue reserve fund to manage cash flow and stabilize costs for the project construction and operating costs. Bolstered reserve funds will enhance investor confidence, which may result in higher bond ratings and lower interest paid on loans. The cash flow waterfall will not change the fact that receipts through fare box revenues, sales tax revenue, maintenance of effort funds and all other funds will not be sufficient to cover all expenses. The cash flow waterfall is a model indicating where the dollars will be applied in executing the budget. Sales tax revenue has fluctuated since 2000. CATS will have to manage fluctuating revenue, to plan and manage for the times when revenue is below expectations as well as when it exceeds projections. Key objectives for the financial policy include attracting investors through cash reserves and solid financial procedures, maintaining MTC oversight and flexibility, and maintaining the budget review process.

Mr. Joye said that staff recommends that a revenue reserve fund be created. The fund will grow in good years, rising to a balance of \$30 million. MTC members will have discretion in the amount that will be added yearly, given revenues and expenses. The Financial Model will be utilized as a road map. The bottom line is that MTC members' oversight and flexibility will be preserved. The MTC budget review process remains a cornerstone.

Discussion: Mr. Messera commented that, while not part of the financial policy, he would like to continue to receive the monthly ridership report. Mr. Joye said that could be done.

Resolution: Mayor Taylor motioned to approve the policy with amendment; Mr. Ferguson seconded the motion. The MTC unanimously approved the motion.

VIII. Information Items

a. **LYNX Blue Line Extension (BLE): Five-Year Capital Program**

Danny Rogers

Danny Rogers, Blue Line Projects Director, gave an overview of the project, a 9.3 mile extension of the existing Blue Line that will have eleven stations and four park and ride facilities. Trains will initially run on 7.5-minute headways at peak with two-car trains until the Blue Line platforms are extended to accommodate three-car trains. The BLE will be constructed to accommodate three-car trains. The Federal Transit Administration (FTA) signed the project's Record of Decision (ROD) in December 2011; FTA approved the project for Final Design in July 2012. In October 2012, the project received its Federal FFGA. Real Estate is one of the largest areas of expenditure currently. Major construction contracts will be awarded beginning in FY2014. The project is scheduled to be completed by the end of FY2017. Due to limitations in State and Federal funding, expenses will extend until reimbursements are completely received from the State and Federal governments. The project has over 300 real estate parcels to acquire; acquisition for most of the parcels is underway now. The contract for 22 light rail vehicles has already been executed at favorable prices. The initial contract for construction management consultant HNTB was approved by Charlotte City Council in November 2012. The Building Demolition contract estimates came in today and are lower than the estimated value. Advanced utility relocation will begin in

May 2013. There will be significant construction along the alignment next fall as walls are constructed to accommodate utility relocations.

Dee Pereira, CATS Chief Financial Officer, Assistant Director of Public Transit, stated that the debt financing plan for the BLE was very complex, much more complex than that submitted to FTA last year. Actions at the State level extended the appropriations schedule over ten years. In addition, the Federal government has delayed appropriations and funds distribution is unclear. The financing plan was budgeted to receive about \$75 million yearly, but appropriations have not come in at that rate. Therefore, the debt financing plan was developed to create a mechanism to bridge the delayed grant receipts with the cash flow needed for timely project construction. The City will also refinance two sets of prior grants issued for the South Corridor project. This will replace more expensive financing with funding at more favorable rates, which will provide additional savings for the overall transit plan. There will also be long term financing for the local share of the project.

The City will issue \$125 million in 8-year notes in May 2013 at a coupon rate of 3 percent with the expectation that the funds will be fully expended by July 2014. The second type of financing will be a private loan of \$300 million with Bank of America, spread over three types of debt, both revolving and non-revolving. The third type of financing will be \$147 million in long-term financing of the CATS local share of the BLE project. Initial feedback from rating agencies has been positive. CATS received approval from FTA to use their assets as collateral for the debt. The two-year budget and CIP will be an action item for the April MTC meeting.

Discussion: None.

IX. Chief Executive Officer's Report

Carolyn Flowers

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

a. Finance Update:

Ms. Flowers said that in recent weeks, staff has focused on BLE finance work. The BLE Finance Plan is scheduled to go to the Local Government Commission (LGC) on April 2 for approval of the debt policy. Ms. Flowers thanked MTC members for approving the debt policy.

Ms. Flowers said that at the recent American Public Transportation Association meeting, FTA Administrator Rogoff confirmed that sequestration will impact New Starts projects. The five percent reduction mandated by sequestration will be applied equally over all New Starts projects.

Staff has worked with Mayor Swain and Council member Howard on the Transit Finance Funding Working Group. Mr. Thunberg reported that the group has one more meeting. At the last meeting, the group was divided into small groups to come up with financing approaches for individual projects. The group's goal is the ability to execute the full system in a thoughtful and funded way. Mayor Foxx said that the working group's method was to come up with recommendations to bring to a spring MTC workshop. Ms. Flowers said that after the April 8 working group meeting, they could decide on a workshop date. Mayor Foxx said that there was some urgency to come up with strategies to get the system funded as there is a small window before the Long Session. Ms. Flowers said that a general Tax

Increment Financing (TIF) district across the entire system was proposed. That would require a legislative change. Several groups came up with recommendations that concerned TIFs and they look for flexibility in creating TIFs. There was preference for the TIF instrument used in Colorado rather than the current North Carolina model. There was also talk of removing the sunset from the Special Assessment District as well as being able to do Design-Build-Finance-Maintain in North Carolina so a private partner could perform that work and lease the finished product back to the system.

Discussion: Mayor Foxx said that all the projects were modeled the same way with funding sources as 50 percent Federal, 25 percent state and 25 percent local. There may be some projects that won't qualify for Federal funding that may wind up being paid completely from local funds, or some that may qualify for State and local funding. We need to come up with a realistic model for each line. There is a lot of hope built into the financing model and hope does not necessarily create a transit system. Mr. Thunberg said that the working group assumed that we would have to build the lines ourselves and the ideas were based on that assumption. Mayor Taylor thanked staff for the presentation.

X. Other Business

None.

XI. Adjourn

The meeting was adjourned at 6:30 p.m. by Mayor Foxx.

NEXT MTC MEETING: WEDNESDAY, APRIL 24, 2013, 5:30 P.M.