

**METROPOLITAN TRANSIT COMMISSION**

**MEETING SUMMARY**

**April 24, 2013**

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**Presiding:** Mayor Anthony Foxx (Charlotte)

**Present:**

Ruffin Hall (Charlotte Assistant City Manager)

Mary Barker (CTAG Co-Chair)

Terry Lansdell (TSAC Vice Chair)

John Collett (NCDOT Representative)

Mayor Lynette Rinker (Cornelius)

Mayor John Woods (Davidson)

Greg Ferguson (Huntersville Town Manager)

Ralph Messera (Matthews)

Bill Thunberg ( Mooresville Representative)

**Chief Executive Officer:** Carolyn Flowers

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**I. Call to Order**

The regular meeting of the Metropolitan Transit Commission was called to order at 5:40 p.m. by MTC's Chairperson, Mayor Anthony Foxx.

**II. Review of Meeting Summary**

The meeting summary of March 26, 2013 was approved as written.

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

**Terry Lansdell**

Mr. Lansdell reported that TSAC met on April 11 and received information on proposed changes to the Gold Rush service. They also received reports on the light rail fare inspection and on the Origin-Destination study. They also received information on the CATS Trivia Contest which is being held through social media.

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

**Mary Barker**

Ms. Barker reported that CTAG approved the recommended budget.

**V. Red Line Task Force Update**

**John Woods**

Mayor Woods said that he and Mr. Thunberg visited with Secretary of Commerce Decker in Raleigh a couple of weeks ago, and discussed the economic opportunities of the Red Line. They also met with General Trogden at the North Carolina Department of Transportation (NCDOT) who is supportive of the efforts underway. Negotiations continue for the rail capacity study.

**VI. Public Comments**

None.

**VII. Action Items**

**a. FY2014-2015 Operating Budget and**

**FY2014-2018 Capital Investment Plan (CIP)**

**Dee Pereira**

Ms. Pereira, CATS Chief Financial Officer, Assistant Director of Public Transit, said that MTC members would take action tonight on the CEO-recommended Operating Budget for FY2014-2015 and the FY2014-2018 CIP. Financial policy changes adopted at the March MTC

meeting resulted in changes to the FY2014-2015 Operating budget. The budget now includes implementing the new Transit Debt Service Reserve Fund (TDSRF) and a \$2.5 million reserve contribution to that fund from sales tax revenue in FY2014 and FY2015. The Operating budget has been increased by 3.6% annually, as approved by MTC in March. The FY2014-2018 CIP includes some reserve for funding the corridors, with specific amounts to be determined at a later date.

**Discussion:** Mr. Messera clarified that there is no fare increase in this budget. Ms. Pereira agreed that there is no fare increase in this budget; however, there will be a scheduled fare increase built into the FY2015 budget in accordance with the Financial Policies. Ms. Flowers added that a public hearing would be held before any fare increase would be implemented.

**Resolution:** Mayor Foxx asked to be recused from voting on the FY2013-2017 Transit CIP and the vote to authorize CATS CEO to present the budgets to the Charlotte City Council. Mr. Messera made a motion to recuse Mayor Foxx from the vote on those items; Mayor Rinker seconded the motion, which passed unanimously. Mayor Rinker motioned to approve the proposed FY2014-FY2015 Transit Operating Budget; Mr. Messera seconded. The motion passed unanimously. Mayor Rinker motioned to approve the FY2014-2018 Transit CIP; Mr. Messera seconded. The motion passed unanimously with Mayor Foxx recused from the vote. In the motion to establish a TDSRF, Mr. Ferguson motioned to approve and Mayor Rinker seconded; the motion passed unanimously. The motion to direct \$2.5 million sales tax revenue as a reserve to the TDSRF was made by Mr. Messera with Mayor Rinker seconding the motion, which passed unanimously. Mr. Ferguson motioned to authorize CATS CEO to present the approved FY2014-FY2015 Transit Operating Budget and the FY2014-2018 Transit CIP to the Charlotte City Council for review and inclusion in their budget. Mayor Rinker seconded the motion. The motion passed unanimously with Mayor Foxx recused from the vote.

## VIII. Information Items

### a. **Gold Rush Agreement**

**Larry Kopf**

Mr. Kopf, CATS Chief Operations Planning Officer and Manager of Bus Operations, gave an overview of the fare-free Gold Rush service, two lines which carry about a million riders a year in the Uptown area. The Orange Line operates primarily on Tryon Street with two daily trips to the Charlotte School of Law. The Red Line operates primarily on Trade Street, down Elizabeth Avenue to Central Piedmont Community College (CPCC) and Presbyterian Hospital on one end and Johnson C. Smith University (JCSU) on the other end. This service basically mimics the future Streetcar service in the Uptown area. Uptown workers are the majority of the service's users, but visitors and students also ride the service. Both the Red Line and the Orange Line have an average ridership greater than the system average, carrying together about a million riders a year. The Red Line ranks as number six in the entire system for ridership; the Orange Line is 24<sup>th</sup>. It cost \$1.5 million to operate the Gold Rush in FY2013. The routes are funded through federal grants, state transit funds, CATS and private contributions. CATS and the private contributions each contribute \$380,000. Private contributions are coordinated by Charlotte Center City Partners (CCCP). The two federal grants will end next year, and state transit funds could be reduced. Therefore, staff has developed some cost reduction options. Eliminating the Orange Line, which has fewer riders, is one option. It is well-used, but given the funding scenario, CATS recommends route elimination. The Red Line would be shortened slightly, to terminate at CPCC rather than at Presbyterian Hospital. CPCC is still a funding partner for the Red Line, while Presbyterian has

ended its contribution. The total cost to operate the Gold Rush with the service reductions in FY2014 would be \$890,000, with CATS continuing to contribute \$380,000. CATS has always sought a 50-50 split in costs between private contributors; under this scenario, CATS would continue to contribute the same dollar amount. This is a one-year agreement. CATS is working with CCCP to identify additional funding sources. The Gold Rush's Red Line mimics where Streetcar will operate in the future. CCCP is funding a study by Nelson/Nygaard to develop a strategy for sustainable funding for FY2015 and beyond. A public meeting will be held on May 8 to discuss the potential changes for next year. Staff will present results of the public meeting at the next MTC meeting, and will seek MTC's approval for a new agreement.

**Discussion:** Mr. Messera asked the service frequency for each line. The Orange Line operates every 12 minutes; the Red Line operates every 15 minutes, from about 6:30 a.m. to 6:30 p.m. Monday through Friday. Mr. Messera asked if staff considered reducing service frequency rather than eliminating the route. Mr. Kopf said that staff had considered that, but felt that reducing service frequency on both routes would result in two marginal routes. Frequency is an important aspect of an Uptown shuttle service. Maintaining the Red Line with a good frequency was viewed as preferable. The Red Line has good traffic throughout the day with students traveling to JCSU and CPCC. Mr. Messera said that he thought there would be midday traffic for workers traveling to restaurants and suggested that restaurants may be willing to contribute. Mr. Kopf said that staff had tried to develop a plan that was cost-neutral; continuing the Orange Line will impact the budget. It has been difficult to find funding partners, but staff can look at maintaining the Orange Line for peak travel hours. Mayor Foxx remarked that he felt in the next few years, private partnerships would dwindle to almost nothing, so connectivity will be a problem even for the line we are keeping.

**IX. Chief Executive Officer's Report**

**Carolyn Flowers**

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

**a. Ridership Report:**

Total ridership for March 2013 was slightly lower than for March 2012. The decrease may have been affected by this year's fare increase, which usually results in lower ridership for a time, and by the fact that there was one less weekday this year than last year. Rail ridership was up, but there were closures for the construction of the Poindexter crossing, which impacted system-wide ridership.

**b. Financial Update:**

CATS exceeds budget by about \$2.1 million as sales tax recovery continues. State and federal revenues continue to be unclear, but staff feels that we will make budget. Certificates of Participation were sold for the LYNX Blue Line Extension (BLE) project in April. The certificates sold at an interest rate of 2.91%, better than the model projection of 3%, despite uncertainties in the market following the Boston bombings. For FY2014, the model projects \$75 million from the federal government; FTA and the President's budget for FY2014 have the BLE in their budgets for the full contract amount of \$100 million.

**c. Transit Finance Funding Working Group:**

The Working Group anticipates finalizing funding options recommendations at its May 6 meeting. A white paper resulting from their work will be discussed at the May MTC meeting. An array of system-wide revenue and anchoring options has been discussed, as well as other

innovative options. The Working Group has also discussed options such as Public Private Partnerships (P3). The Working Group has discussed scenarios for revenue streams including creating an overall Tax Increment Financing (TIF) district and TIF in advance of construction to provide funding to be used for the next project. Expansion and broadening of sales taxes, as well as property taxes, have also been discussed. Mayor Swain was on a panel for a recent P3 conference, which spurred interest in CATS' projects from the private sector. Staff is seeking ways to allay the cost to attend another P3 conference sponsored by Merrill Lynch.

**d. Clinton Global Initiative (CGI):**

The Conference of Mayors Infrastructure Committee met with the CGI last week. Ms. Flowers accompanied Mayor Foxx to Washington, D.C. and made a presentation to that group on CATS' transit initiatives. We hope to get a commitment from the CGI for their support for our transit initiatives.

**e. Transportation Infrastructure Finance and Innovation Act (TIFIA):**

One of the potential financing options discussed by the Working Group is TIFIA, an FTA loan program that allows borrowing at Treasury rates and provides financing during a project's construction. Repayment begins two years after the revenue service date. Staff is considering TIFIA as an option for BLE's permanent financing as well as for other future projects. It requires a letter of interest. There are no fees to be paid until after FTA has committed to move the project forward in the process. Staff will ask for a letter of support from MTC for a bill being drafted by Senator Clodfelter, which will allow agencies in North Carolina to use TIFIA. Staff will also ask MTC to submit a letter of interest to put CATS in the queue for long-term financing for the BLE.

**f. Insurance Update:**

Ms. Flowers reported that staff met last week with the insurance underwriters for the bus and rail systems. Premiums were reduced last year, but increases are likely this year due to market conditions; in addition, medical insurance will increase. The lead underwriter seeks to reduce its risk exposure. Other underwriters are interested in doing business with CATS due to our good safety record, but this will create more layers and will potentially increase future risk management costs.

**g. Food:**

Ms. Flowers noted that several members have commented on food. She asked if members wanted to continue to have food provided, or whether they just wanted to have snacks.

**Discussion:** Members agreed that full meals were not necessary.

**X. Other Business**

Mayor Foxx remarked that Mayor Swain and Council member Howard have done impressive work on the Transit Funding Working Group. The funding environment at every level is in flux. The certainty we used to have is also in flux. It is clear that the funding assumptions we held in projects, which were all the same, are all different in reality. We were fortunate to get light rail done when we got it done. Mayor Foxx stated that funding will be competitive from what he knew of the Governor's transportation funding. The federal system is also competitive. The third variable we will be dealing with is time; costs escalate the longer a project takes. Every year we

wait to do our projects is a year of increased costs. Mayor Foxx said he is excited about what we are doing, particularly with the Red Line. There seems to be a lot of energy with the State on advancing that project. There will also need to be a close relationship with Norfolk Southern.

One of the things that needs to happen with Streetcar is to create clarity around a project. When the City Council initially moved into the zone of advancing money to get the system built, it changed operations in the city in a way that was not perceptible to elected officials at the time. When Streetcar shifted from CATS to the City, the lead agency on the project changed from CATS to the City's Engineering and Property Management Department (E&PM). Mayor Foxx said that needs to be undone; Streetcar needs to shift back to CATS and the system needs to be put back together. Charlotte's Council budget will be problematic if that does not get resolved. If MTC and Charlotte City Council could make a decision that CATS is the lead agent on that project that would be a good step given the system-wide financing discussion. Mayor Foxx suggested that the City find a way to advance a piece of the construction financing for that project, which is no more than what has been discussed. The rest of the project remains in the unified system, as does the operating cost of that piece, so interests are still shared and the system can move forward with everyone working together. Mayor Foxx remarked that his term will end in 2013 and said he hoped to leave this area with loose ends closed.

Mayor Woods commented that Streetcar was always an initial part of the regional plan. He believes that it is a viable part of that plan, and it has a priority in the system plan. Returning it to that system is appropriate. When Streetcar was taken by Charlotte's E&PM, there was a priority locally to create something different. If that cannot work, placing it back in the regional plan is appropriate. We are all working to find funding for each of the corridors, and to do it as quickly as possible. It will save several billions of dollars if we can get it done earlier rather than later. Mayor Woods asked for clarification on the structure of the Streetcar project. Ms. Flowers said that on the BLE, CATS is the project lead, providing planning, development, project management and working with the City on the funding and financing side. We are working with the City's Engineering department on the Engineering side for the BLE, to provide project management expertise for the construction phase of the project. In a similar scenario for Streetcar, the City would still provide resources and expertise on the construction phase of the project. The project will have several stages, beginning with planning and development, then Preliminary Engineering. The City's Engineering department could help when the project moves into the real estate acquisition and construction phase. Following construction, it will move to the operations phase. Mayor Foxx said that Ms. Flowers was being put in the middle, with one set of bosses attempting to advance Red Line and another set of bosses interested in advancing Streetcar.

Mayor Foxx said MTC never voted to take Streetcar out of the system. The City thought it was only advancing funds to reduce future costs of the system. However, operationally, that is what happened. Mr. Thunberg said bringing Streetcar back into the system restores the original system vision. There is a strong feeling in the Transit Funding Working Group that combining the Streetcar systems into one viable project creates a huge opportunity for a P3 that would help advance construction. There are companies out there that just do P3s for Streetcar. The objective is to build the entire system as envisioned. Doing it that way gives you the ability to move forward under one management structure. None of the lines work unless they work together operationally. Mr. Thunberg asked how someone coming to Charlotte on the Red Line will get to the Airport without Streetcar.

Mayor Foxx said that the long-term issue is how to get everything done. In the short term, Mayor Foxx said he was trying to work with Council now to settle the Streetcar issue. Taking it off the table gives it a way to move forward with everyone having a stake in getting Streetcar done. The initial Streetcar corridor will fall to CATS for Operations, and the rest of the Streetcar system will still need to be funded and financed to advance. Mayor Foxx asked for MTC's guidance. Members indicated their support for the concept. Mayor Woods said that members could give conceptual agreement and recognize Streetcar as one piece of the regional system. It belongs to the regional system and returning it there is an appropriate move. Mr. Collett said that potential TIFs and support from the Charlotte City Council may make moving forward more compelling. Mayor Foxx said that we can try to do the system stepwise, project-by-project. But it will probably be more expensive and will slow down all the projects. He felt we should work on multiple fronts at the same time. He asked members for authority to request that the Charlotte City Council return Streetcar to MTC. He hoped that Charlotte could find the political will to put cash in place to help advance the piece that we have been discussing for the last year, then MTC will determine how to do the rest of the projects. Mr. Collett added that construction needs to happen as quickly as possible for the businesses along the lines.

Council member Howard said that the Transit Funding Working Group has realized that we need the whole system to make the connections people will need. The Transit Funding Working Group is working on how to move pieces ahead. The federal government is moving differently; the important thing is to keep moving pieces forward. Sales tax is improving slowly, and it is incumbent on all of us to do what it takes to keep pieces of the system moving forward. There may also be economic development incentives, but we need to keep the system moving. We only have four funding sources: local sales tax, federal funds, state funds and other local monies. Denver had sixteen different sources for their line. They bit it off a piece at a time. We may have to do the rest of the system a piece at a time, but we have to look at "all of the above." The group has even spoken of a Trust that Chicago started to attract nonprofit money. Mayor Foxx said that the key is for everyone to put two feet in. Council member Howard said that the group has done a lot of work with Red Line Task Force. He wants to take a to-do list back to the City of Charlotte to get the Red Line moving forward. Even if it means putting a little piece in Charlotte's CIP, it needs to be done. Council member Howard said he thought Charlotte is willing to take some leadership with the Red Line, as Charlotteans need to be able to get to the areas served by the Red Line just as residents of the Northern towns need to be able to get to Charlotte. Mr. Collett remarked that he thought the TIF idea was one of the best. Council member Howard said that TIF should be applied to the Blue Line and BLE as well as the Red Line. Mr. Messera asked if there were any Transportation Investment Generating Economic Recovery (TIGER) funds. Ms. Flowers said that the TIGER5 notebook had just been released, but the grants are very small. None of these projects would be eligible for TIGER5, except for perhaps a facility piece. CATS received a TIGER grant for platform extensions and power substations for the Blue Line. Last time, TIGER was limited to \$20 million, which is not enough to complete any of these projects. In addition, TIGER projects have to be fully engineered, ready-to-go and with environmental permits completed.

**XI. Adjourn**

The meeting was adjourned at 6:50 p.m. by Mayor Foxx.

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NEXT MTC MEETING: WEDNESDAY, MAY 22, 2013, 5:30 P.M.