

CHARLOTTE AREA TRANSIT SYSTEM FY2010 STRATEGIC OPERATING PLAN TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

- Introduction
- Summary of the FY2010 Transit Program
- Mission and Vision
- FY2010 Key Issues and Challenges
- Organization Chart

II. STRATEGY AND PLANNING

- Key Accomplishments
- City Strategy
- FY2010 Strategic Initiatives

III. SERVICE DELIVERY

- Core Services
- Summary
- Service History and Trends

IV. BALANCED SCORECARD

V. RESOURCE ALLOCATION SUMMARY

VI. CONCLUSION

VII. APPENDICES



MEMORANDUM

DATE: July 30, 2009

TO: Ruffin Hall, Director
Budget & Evaluation

FROM: John Muth, P.E.
(Interim) Chief Executive Officer, CATS

SUBJECT: CATS FY2010 Strategic Operating Plan

This memorandum presents CATS FY2010 Strategic Operating Plan (SOP).

The FY2010 SOP includes an Operating Program of \$110.9 million and Capital Program of \$75.0 million. Operating Income is projected at \$132.9 million. The Operating Balance projected at \$18.4 million is available for transfer to the capital program.

Significant issues impacting the FY2010 Transit Program are:

Income:

- The FY2010 sales and use tax is projected at \$62.7 million. This represents a 2% reduction from the FY2009 year end estimate of \$64.0 million.
- A first time \$10 million appropriation from the Transit Fund Balance is included in Operating Income in FY2010. A portion of these funds will be held in the Operating budget as contingency (to maintain service) against drastic fluctuations in operating income.

Service:

- In FY2010 CATS revenue service hours will be 90,000 lower than FY2009 budget, 80,000 of which are in fixed route bus and rail operations. The full year cost reduction of this change in service (which was implemented in March 2009) is \$4.2 million.

Expense:

- In FY2010, fuel is projected at \$2.45/gallon and is approximately 9% of the operating budget. The volatility of fuel prices and availability prompted CATS to enter into a contract to purchase a portion of its annual fuel at guaranteed price levels. Several forward buys will be executed at varying prices during the year. In FY2009 fuel costs fluctuated from a low of \$1.31 to a high of \$3.71/gallon.
- The single most significant increase in CATS operating budget in FY2010 is the cost of light rail inventory. As a result of warranty expirations and the long lead times required for procurement of some items of inventory, the light rail operation is expected to purchase significant inventory over the next few years. Inventory expenses will increase from \$447,296 in FY2009 to \$1,411,804 in FY2010.
- The authorized positions remain at 392.75 Regular FTEs; however, 34 positions are frozen and may remain frozen through FY2010 based on economic conditions. CATS contractor who manages the Bus Operations Division has frozen 25 positions in response to service reductions.
- In FY2010 CATS will start spending Federal funds from the American Recovery and Reinvestment Act of 2009 program; will continue with preliminary engineering for the Northeast Corridor utilizing FFY2009 earmark funds; and will be engaged with preliminary engineering for the City's streetcar program.

CATS engaged its policy board, the Metropolitan Transit Commission (MTC) and other stakeholders in a budget workshop process for FY2010. Stakeholders needs are reflected in the FY2010 budget; however, the FY2010 budget includes no Service Level Changes.

Key indicators to the success of CATS reflecting the budget and service hour reductions are included in the Balanced Scorecard.

The FY2010 SOP is in compliance with Council Focus Area and CATS Mission, Vision, Strategic Goals, Financial and Service Policies.

cc: CATS Leadership Team

I. EXECUTIVE SUMMARY

Introduction

The Charlotte Area Transit System (CATS) is the Public Transit Department of the City of Charlotte.

CATS, the largest transit system in the Carolinas served 26.0 million riders in FY2009 with a weekday average of 79,366 trips. Service is provided via bus, vanpool and rail transportation. CATS primary service area covers 527 square miles in Mecklenburg County, serving a population of approximately 896,272. Regional service covers Concord, Gastonia, Lincoln County, Union County and Mooresville in North Carolina and York County in South Carolina. In addition to transit operations, CATS continues implementation of the 2030 Transit Corridor System Plan which was approved by its policy board, the Metropolitan Transit Commission (MTC) in November 2006.

The LYNX Blue Line light rail service completed its first full year of operation in November 2008. Highlights of the first 19 months of service (thru June 2009) are a 99% on-time performance; a zero preventable accident rate and average daily ridership of 14,500. Ridership on the LYNX Blue Line exceeds projections by 59%. A survey conducted at the end of the first year of operations indicates that 62% of LYNX riders are "new" riders; 46% have been riding LYNX for greater than nine months and 68% use LYNX to commute to work,

In November 2007, the Federal Transit Administration approved entry into Preliminary Engineering (PE) of the Northeast Corridor, i.e. LYNX Blue Line Extension (BLE). The BLE will continue light rail service from 7th Street to I-485N with a portion of the alignment on the campus of UNC-Charlotte. In FFY2009, \$20.2 million of funding from the Federal New Starts program has been allocated for the BLE; staff has presented revisions and estimates at the 15% PE level to the MTC and the City Council.

PE is 90% complete for the North Corridor wherein the alignment runs from downtown Charlotte to Mount Mourne in Iredell County.

CATS is funded primarily with income from Federal and State grants, fare revenue, and the voter approved one half cent Sales & Use tax. The tax is utilized to fund operating and capital expenses. CATS operates as an enterprise fund of the City and as such, all accounting practice is controlled by the City's Finance Department in compliance with established financial and governmental reporting principles and standards. The FY2010 budget builds on the programs of the past years and is responsive to addressing the challenges and directives of the MTC and City Council. The budget request is in compliance with CATS Financial Policies.

Summary of the FY2010 Transit Program

(\$ - millions)	FY2008 Actual	FY2009 Budget	FY2009 Unaudited YE Actual	FY2010 Adopted Budget
Operating Income	\$127.5	\$135.7	\$121.4	\$132.9
Operating Expense	103.2	114.7	100.2	110.9
Balance	24.3	21.0	21.2	22.0
Non-Operating Income	115.1	60.09	53.2	80.9
Non-Operating Expense	90.8	143.9	130.9	75.0
YE Budgetary Balance		133.5	109.8	112.2
Positions				
- Regular	377	377	377	377
- Part-Time	21	21	21	21

Summary of the FY2010 Financial Performance Objectives

	FY2008 Actual	FY2009 Budget	FY2009 Unaudited YE Actual	FY2010 Adopted Budget
OPERATING RATIO (O R / O E ≥ 20%)	23.54%	23.27%	25.47%	25.19%
OPERATING BALANCE MONTHS (≥ 1 month's Operating Expense)	2.83	2.20	2.53	2.38
PASSENGERS PER HOUR Bus Operations (≥ 20 passengers per hour)	23.9	23.8	24.6	26.8
SYSTEM COST PER HOUR Cost per Hour System less Rail Cost per hour Rail (Car hours)	\$97.36 \$87.06	\$90.36 \$301.22	\$84.67 \$219.27	\$93.77 \$287.68
ADMINISTRATIVE OVERHEAD (≤ 15%)	6.09%	6.15%	5.90%	5.13%
CAPITAL INVESTMENT LEVEL (> 20% of sales tax revenue)	34.17%	27.64%	33.07%	29.36%
NET DEBT SERVICE COVERAGE (> 1.15)	1.53	1.25	1.37	1.40
GROSS DEBT SERVICE COVERAGE (> 3.0)	4.49	4.52	4.15	4.00



Mission, Vision, and Goals

Mission

To improve the quality of life for everyone in the greater Charlotte region by providing outstanding community-wide public transportation services while proactively contributing to focused growth and sustainable regional

Vision

Successful accomplishment of the CATS Mission will mean that the following conditions are realized:

- A steadily increasing share of transit competitive travel markets in the Charlotte region choose to use public transportation on a regular basis.
- The citizens of the region value public transportation as an important public service, which benefits the community as a whole by consistently providing exemplary service that meets diverse individual needs.
- Public transportation employees are seen and see themselves as committed, competent and motivated professionals of the region's premier public service.
- CATS is recognized both locally and nationally for its contribution to effective and innovative regional growth that is community focused and sustainable

Goals

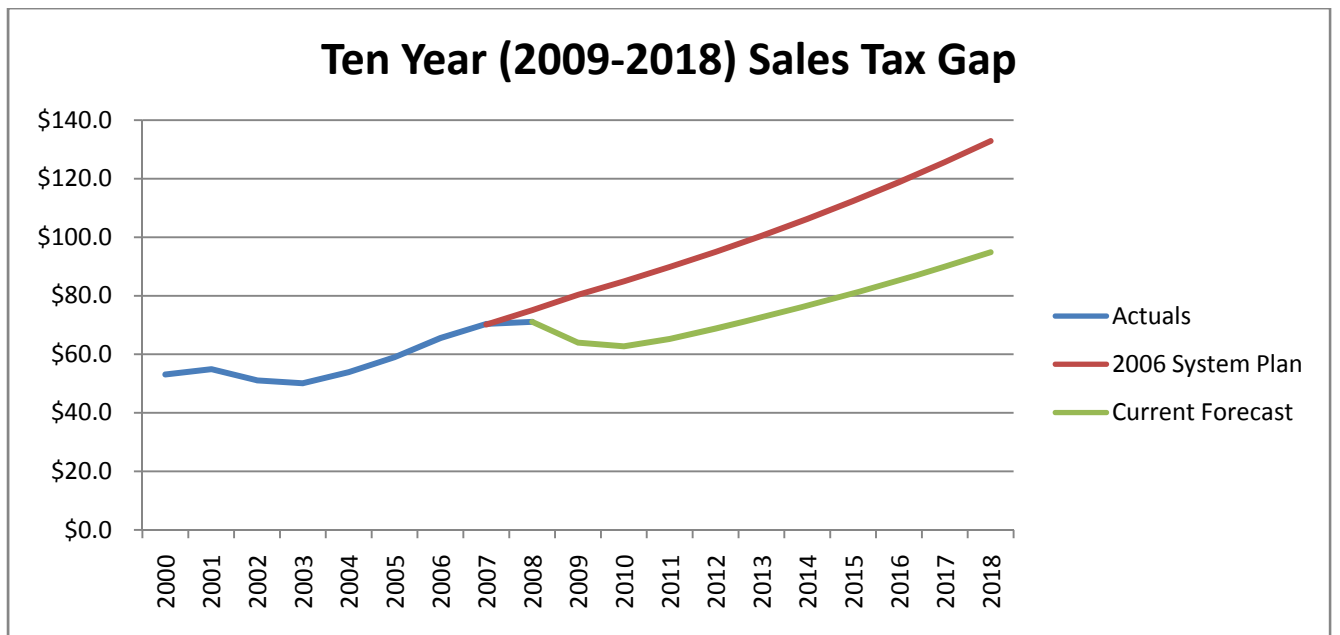
- **Customer Service Focus:** Provide safe, dependable, high-quality transportation services to all customers, and support our employees in that endeavor.
- **System Development:** Expand and enhance public transportation services to retain current customers and attract new ones by providing services that meet customer and community needs while supporting transit-oriented and pedestrian-friendly land use patterns.
- **Fiscal Responsibility:** Ensure cost-effective, efficient and responsible use of resources and aggressively pursue funding partnerships to supplement local resources.
- **Community Benefits:** Provide social, economic and environmental benefits to the community through system operations and improvements, and promote community awareness of these contributions.
- **Prepare for the Future:** Pursue process improvements, business practices, and technologies that will support cost-effective and customer-friendly service delivery in the future.
- **Invest in Employees:** Provide training and career development support that enhances employees' ability to perform their jobs and be prepared for promotional opportunities.



FY2010 Key Issues and Challenges

The greatest challenge that CATS anticipates in FY2010 is maximizing transit services in an uncertain economy which threatens all of its key sources of income, i.e. Federal, State and Local. A list of key issues and challenges follows:

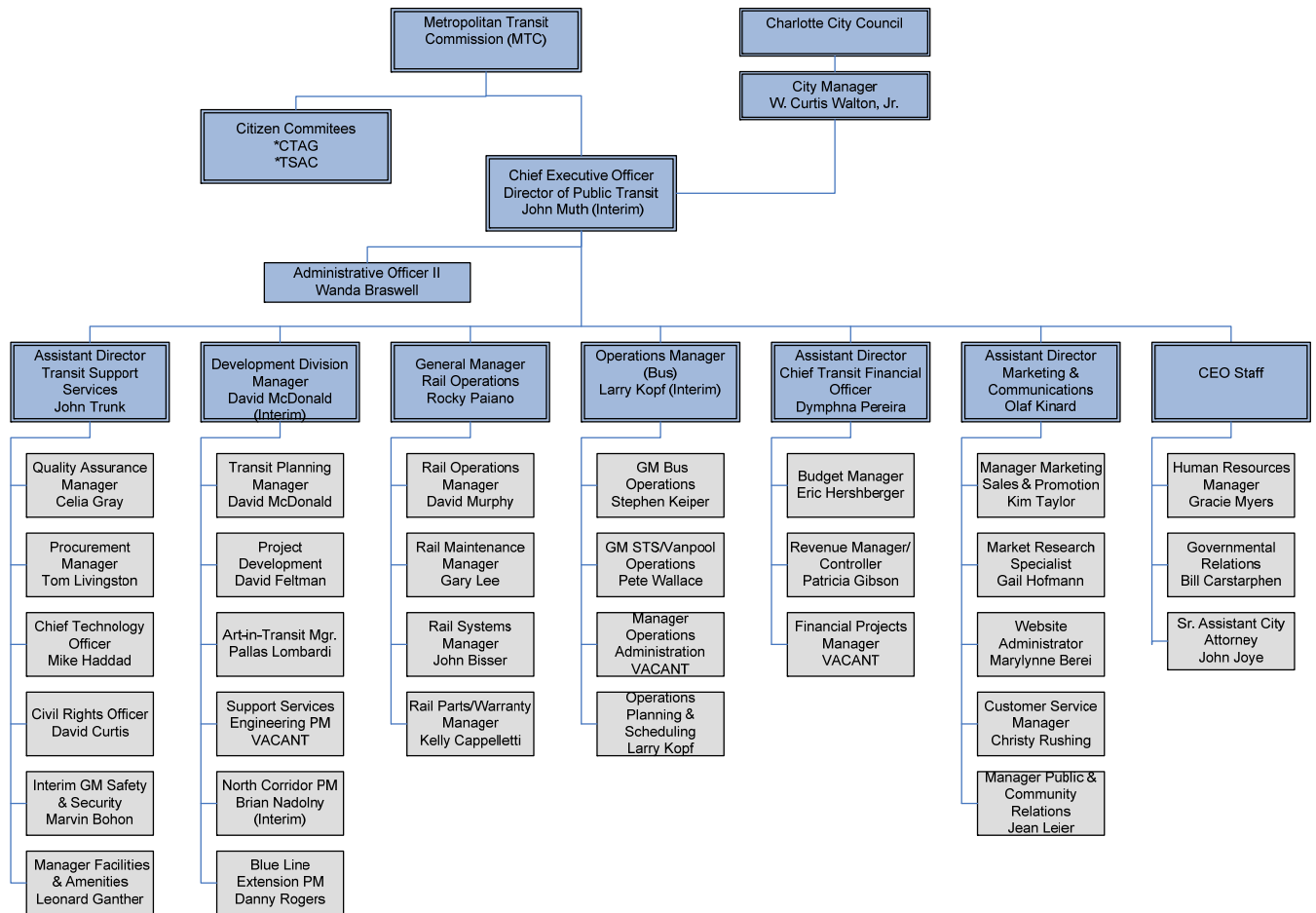
- Maximize public transportation to the community
 - Minimize disruption to service from budget cuts resulting from declining revenue
 - Sustain ridership and customer satisfaction levels in FY2010
 - Implement initiatives to encourage the community to try transit, e.g. safe facilities and equipment, timely service, marketing initiatives
 - Implement SPRINTER airport service
 - Utilize funds awarded from the American Recovery and Reinvestment Act of 2009 (ARRA) to rehabilitate the Davidson Bus Garage facility; to create jobs (which creates riders); and to create efficiencies in the bus and special ADA transportation services
 - Pursue all available (and new) sources of funds for increasing public transportation
- Sales & Use Tax
 - Adjust transit program expenditures to track with Sales & Use tax revenue
 - Negotiate and formalize use of resources from other City departments in support of the transit program
 - Keep policy boards and the community apprised of impact of sales tax gap and recovery plans
- 2030 Transit Corridor System Plan
 - Revise/update the 2030 Transit Corridor System Plan
 - Initiate discussions (with FTA and other stakeholders) for increased revenue to build out the System Plan
 - Advance Northeast and Streetcar projects
 - Explore opportunities for advancing the North Corridor; e.g. FTA's TIGER ARRA funds
 - Secure Federal and State funds
- Federal Legislation
 - Support increases in transit funding in the new Surface Transportation Authorization Act (STAA) of 2009
 - Solicit support of Congressional delegation for Inclusion of CATS Corridor System and key transit capital projects in STAA
 - Participate in national conversation on recommendations for revising criteria for Federal New Starts/Small Starts programs
 - Increase communication with Federal and State delegations
- Fuel Program
 - Manage fuel procurement to appropriately utilize options to minimize cost of service
- Employee Morale
 - Keep people working productively
 - Manage workforce response to changing economy



- Ten Year (2009-18) Gap: Current Forecast vs. 2030 Plan (adopted by MTC in November 2006)
- 10 year gap is projected at \$286 million

Organizational Chart

CHARLOTTE AREA TRANSIT SYSTEM



*CTAG - Citizen's Transit Advisory Group
*TSAC - Transit Services Advisory Committee

July 2009

II. STRATEGY AND KBU PLANNING

Key Accomplishments

Highlights of CATS recent accomplishments are:

Provide Transportation Choices

- Construction of North Carolina's first light rail operation and completion of nineteen (19) months of the LYNX Blue Line service. Current weekday ridership averages over 14,891 with 5 million riders in FY2009. Rail on time performance at 99%; zero (0) preventable accidents; four (4) additional rail cars anticipated to be delivered in FY2010
- 11 consecutive years of increases in bus ridership; Ridership increase in FY2009 was 12.2% higher than prior year: local and express services up 3.6%; Regional Express showing a 9.3% increase over the same period.
- Lynx Blue Line received Final Safety & Security Permit
- \$3 million in grant funds from the Department of Homeland Security to fund anti-terrorism training, perimeter fencing at bus garages, transit security at major events and upgraded cameras at transit facilities and on buses
- Preventable accident rates are at the top of industry standards for all modes of transportation, bus, rail and Special Transportation Services (STS)
- LYNX customers 96% are satisfied to extremely satisfied while 99% believe that LYNX is a value to the community
- 95% of customer complaints resolved within 5 business days
- CATS launched Google Transit in FY2009, servicing the community with both Rail and Bus routes
- Passenger display systems now present passengers with real time arrival and next trip information on Bay Signs within the uptown transit center accurate to one minute
- Deployed a Web trip planner to improve the ease of trip planning with the addition of dynamic map updates and route mapping with start and end locations
- American Council Engineering Companies Engineering Excellence-National Recognition Award for the LYNX Blue Line

Strengthen Neighborhoods

- Completed expansion parking at the I-485S station to include 80 additional spaces
- There currently are 13 CATS owned Park and Ride lots in the County
- Specialized bus shelters in the Midtown district and on the SPRINTER route
- Over \$1.86 billion in actual and projected development along the South Corridor light rail line
- \$20.7 million ARRA grant funds dedicated to rehabilitation of Davidson Bus Garage which will strengthen the Belmont community
- NCDOT 2008 Safety Award for both Bus Operations and Special Transportation Services (STS)
- Federal Highway Administration's (FHWA) Excellence in Highway Design Biennial Awards 2008 for Intermodal Transportation Facilities for the design of the I-485 parking deck which serves a dual purpose as a school playground is located on the roof

Safeguard the Environment

- SPRINTER Airport bus service includes addition of five hybrid buses to the fleet
- CATS hybrid bus fleet creates a 56% reduction in maintenance costs and an 18% reduction in fuel usage
- CATS park and ride lots at Huntersville-Northcross, Matthews-Independence Pointe, and Mallard Creek are constructed with rain gardens which retain and recycle rain water for purpose of landscape maintenance
- 24 older vehicles in Special Transportation Service fleet were replaced which increased overall fuel efficiency and reduced maintenance costs from an average of \$125,000 per month to \$55,000 per month
- Installed particulate traps on over 100 buses
- Usage of ultra low sulfur diesel fuel on all buses
- CATS bus wash facilities recycle 99% of the water utilized to wash the buses

Promote Economic Opportunity

- Exceeded FY2009 DBE goal by 194%
- Developed service and policy adjustments to meet the needs of the community during period of high gas prices and shortage.
- The light rail project awarded approximately \$42 million to disadvantaged business enterprises
- Implementation of light rail service created 106 new jobs in the community in 2007
- 2008 Vision Award from Charlotte Center City Partners for promotion of economic activity in uptown Charlotte

Strategic Initiatives

CATS FY2010 Strategic initiatives to support its mission, vision, and strategic goals. The strategic initiatives are as follows:

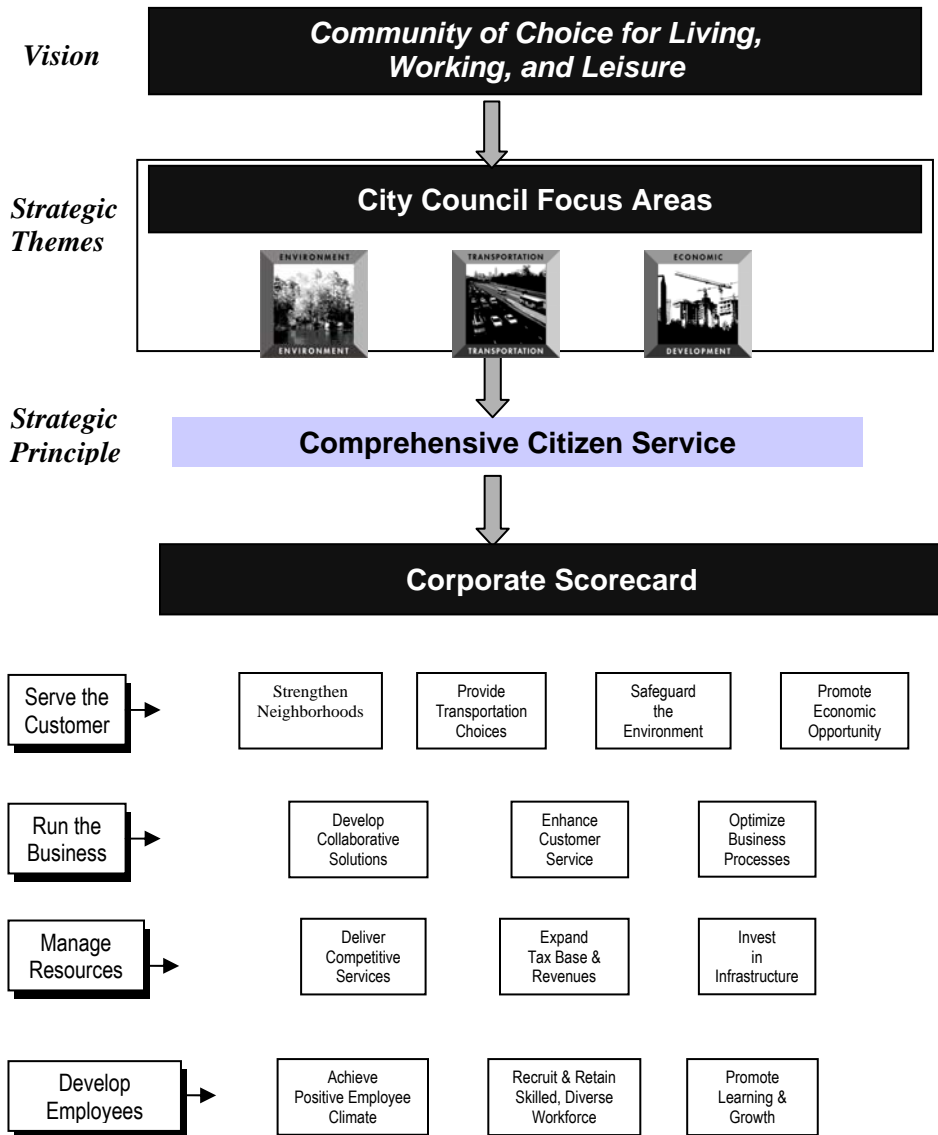
- ❖ Sustain Ridership
- ❖ Inclusion of key projects in new Surface Transportation Authorization
- ❖ Update and continue advancement of corridor system plan
- ❖ Optimize System Efficiency
- ❖ Strategic fuel plan
- ❖ Maximize Farebox return
- ❖ Strategic Facility Plan
- ❖ New transit revenues



Links to Corporate Strategy



City Strategy



CATS plays an integral part in the City meeting the objectives of its corporate strategy through its primary function of providing transportation choices. As the mission statement identifies, CATS seeks to improve the quality of life for everyone in the greater Charlotte region by providing outstanding community-wide public transportation services. As indicated below in the Key Accomplishments sections, CATS also directly impact Strengthen Neighborhoods, Safeguard the Environment, and Promote Economic Opportunity corporate Objectives.

II. SERVICE DELIVERY

CATS seeks to improve the quality of life for everyone in the greater Charlotte region by providing outstanding community-wide public transportation services while proactively contributing to focused growth and sustainable regional development. CATS plans to continue to provide services to meet the needs of the regional growth, and continue developing rapid transit plans for four additional transportation corridors.

Core Services

CATS provides the following core services in the Charlotte region in support of the City's Corporate objectives:

Transit Services

Provide Transportation Choices:

- Transport almost 80,000 riders each week day to work, school, shopping, medical appointments and other destinations, utilizing local and express fixed route buses, demand response bus service; vanpool; light rail and trolley services
- Specialized door-to-door service for ADA certified customers
- Technology to assist riders with transportation choices

Strengthen Neighborhoods:

- Connect citizens to local businesses and other destinations in the region through neighborhood/community shuttle bus services
- Promotion of environmental justice in transit amenities and equipment

Promote Economic Opportunity

- Competitive process for distribution of JARC and New Freedom funds for human services transportation purposes
- Specialized new job access bus services
- Specialized services to transport the elderly and disabled community to jobs and shopping/medical appointments, etc. (through the Department of Social Services)
- Disadvantaged Business Enterprise Program which provides small business with opportunities to participate in major, Federally funded contracts
- Create jobs utilizing ARRA funds

Safeguard the Environment

- Use of clean diesel in buses; targeted procurement of hybrid buses and installation of particulate filters on buses

Enhance Public Safety

- Safe and secure public transit system with visible presence of law enforcement and security equipment at CATS facilities and on CATS vehicles
- Maintain cleanliness, lighting and landscaping along fixed guideways, including graffiti removal
- Preventable accident rate (maintain)



Development Services

Provide Transportation Choices

- Implementation of 2030 Transit Corridor System Plan which provides transportation choices within the Charlotte region.

Invest in Infrastructure/Safeguard the Environment

- Building environmentally friendly, safe and customer convenient park and ride lots and community transit centers

Promote Economic Development/Strengthen Neighborhoods

- Plans for transit oriented development in the community
- Joint development opportunity

Administrative Services

Optimize Business Processes/Expand Revenues

- Business initiatives and pursuit of Federal and State grants and other sources of revenue in support of capital and operating programs.

Promote Learning and Growth

- Ongoing training for all levels of employees

Charlotte Area Transit System

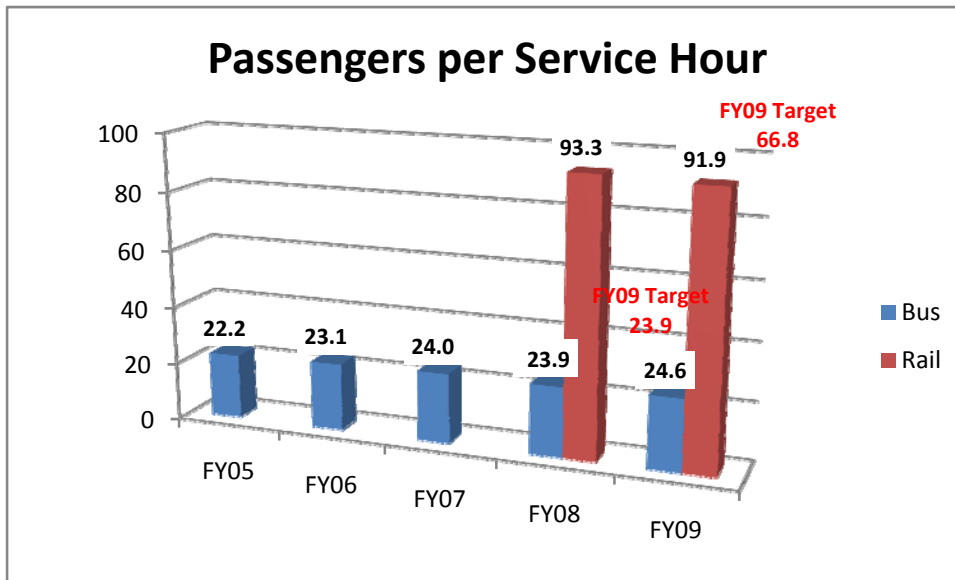
Summary	FY08	FY09	FY10
<p>Charlotte Area Transit System (CATS) provides public transit services to the Charlotte region. CATS is the largest transit system in the Carolinas. Service is provided via local, express, neighborhood, activity center and regional bus services, vanpool, ADA paratransit, and human services transportation.</p> <p style="text-align: center;">Vital Statistics</p> <ul style="list-style-type: none"> • 26.0 million riders for FY09 • Almost 80,000 passengers on week days • CATS fleet; 324 buses, 189 paratransit and vanpool vans, 16 light rail cars and 3 trolley cars, for a total vehicle fleet of 532 vehicles • Rail and Bus Fleet is 100% wheelchair and bicycle accessible. The Bus Fleet, which includes 7 hybrid buses (2 utilized on local routes and 5 for the new Sprinter service), utilizes clean, ultra low sulfur diesel fuel 	<p>Budget \$103,160,987 \$100,191,776 \$110,867,772</p> <p>Positions 392.75 392.75 392.75</p>		
	Accomplishments		
	<ul style="list-style-type: none"> • Completion of the first 19 months of Light Rail operation. On time performance at 99% • Increased ridership for eleven consecutive years with an 106% increase since 1999 • Continue to maintain zero preventable accidents for light rail operations • Completed 15% of design level plans for LYNX Blue Line Extension • Completed 90% of design level plans for the LYNX Purple Line 		

SERVICE DELIVERY CHALLENGES

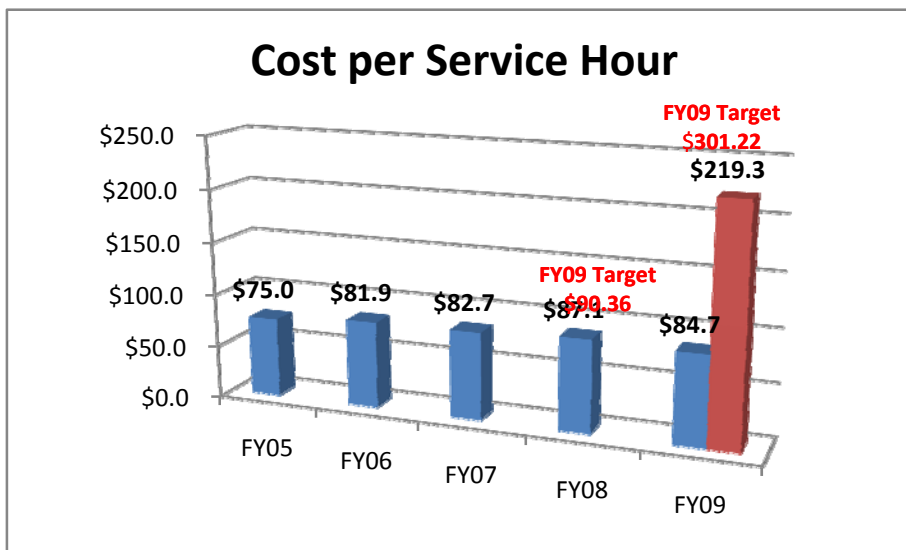
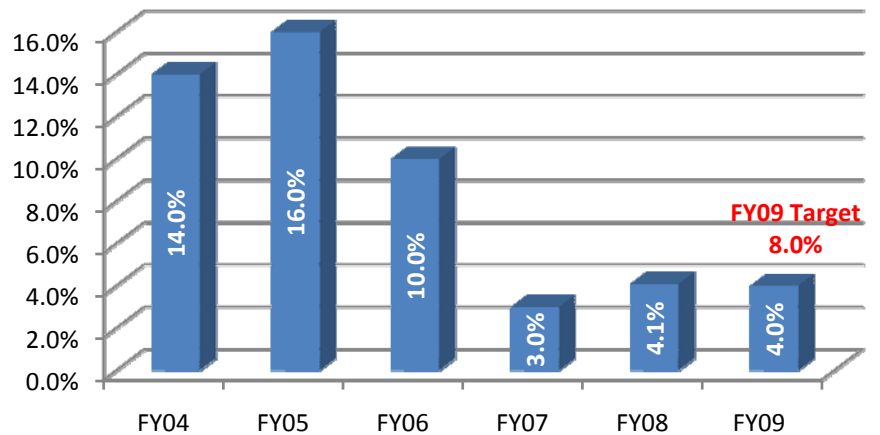
- Shield operations from the short-term instability of the half cent sales tax by seeking new sources
 - Minimize disruption to service from budget cuts resulting from declining revenue
 - Maintain existing facilities and infrastructure within a tightening budget
 - Balance funding for current operations with needed capital funding for bus and equipment replacement and corridor advancement
 - Seek additional funding through opportunities made available through ARRA of 2009
 - Explore additional sources of revenue through marketing initiatives
- Continue to increase ridership while reducing service on less productive routes
 - Shift resources from non-productive, low ridership services
 - Continue to increase ridership on existing routes
 - Manage customer needs in the short run while managing the effect of current economic downturn
- Revise long-range capital plan
 - Funding

Service History and Trends

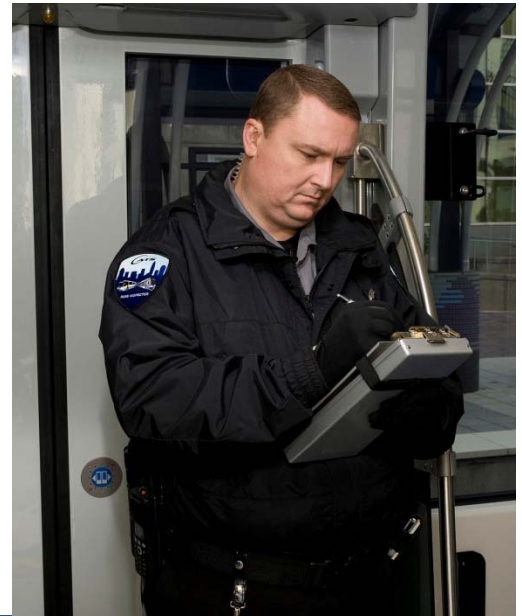
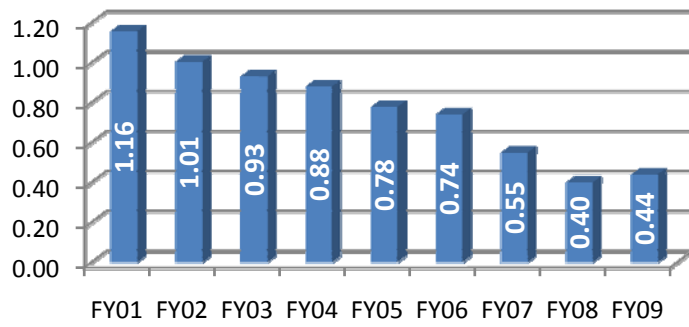
Historical information on transit system ridership and service levels is provided in the charts and tables provided below.



Call Abandonment Rate



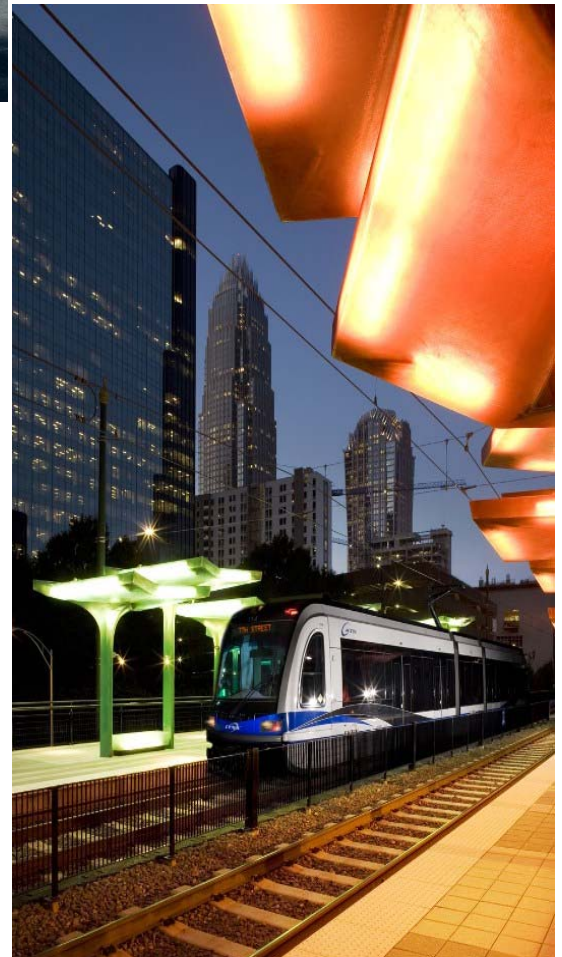
CATS Preventable Accidents Per 100,000 Miles



IV. BALANCED SCORECARD AND PERFORMANCE MEASURES

CATS FY2009 Balanced Scorecard (BSC) is provided in Appendix A. CATS' Business Strategy is directly linked to three Council Focus Areas (Transportation, Environment, and Economic Development) and to thirteen of the City's Corporate Objectives.

Please note: Appendix A to this Strategic Operating Plan provides the tables that list the department's Strategic Initiatives for FY2010 according to the City Corporate Objectives and business perspectives that they support. The tables also present performance measures that CATS will use for each Strategic Initiative in FY2010.



V. REQUEST FOR RESOURCES

A summary of the FY2010 Transit Program is provided in Appendix B. This proposed Program was presented to the MTC on January 28, 2009 and adopted by the MTC on April 22, 2009. City Council approved the program on June 11, 2009.

Service Level Changes

No additional resources are requested in the FY2010 budget.

Summary of FY2010 Transit Program Highlights

Details of the FY2010 Transit Program are provided in appendix B.

Significant issues in the FY2010 Program include:

Income:

- \$62.7 million from the sales & use tax in FY2010 has a very significant impact on CATS operating and capital programs.
- A first time \$10 million appropriation from the Transit Fund Balance is included in Operating Income in FY2010. \$3.6 million of these funds will be held in the Operating budget as contingency (to maintain service) against very drastic fluctuations in operating income.
- Grants anticipated from the Federal government in FY2010 are unclear at this time and dependent on the progress/passage of the new Surface Transportation Authorization Act; anticipate receiving some funding from the Department of Homeland Security from ARRA in 2009

Service:

- In FY2010 CATS will experience budgeted service reductions of 90,000 revenue service hours, 80,000 of which are in fixed route bus and rail operations. The full year cost reduction of these changes (which were implemented in March, 2009) in service is \$4.2 million.
- SPRINTER service to the Airport is scheduled for implementation in FY2010.

Expense:

- In FY2010, fuel is projected at \$2.45/gallon and is approximately 9% of the operating budget. The volatility of fuel prices and availability prompted CATS to enter into a contract to purchase a portion of its annual fuel at guaranteed price levels. Several forward buys will be executed at varying prices during the year. In FY2009 fuel costs fluctuated from a low of \$1.31/gallon to a high of \$3.71/gallon.
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- The authorized positions remain at 392.75 Regular FTEs; however, up to 36 positions have been frozen and may remain so for the next two fiscal years. CATS contractor who manages the Bus Operations Division has frozen an additional 25 positions in response to service reductions.
- In FY2010 CATS will start spending Federal funds from the American Recovery and Reinvestment Act of 2009 program; will continue with preliminary engineering for the Northeast Corridor with FFY2009 earmark funds; and will be engaged with preliminary engineering for the City's streetcar program.

VI. CONCLUSION

This document describes CATS Strategic Operating Plan for FY2010.

VII. APPENDICES

- A CATS Departmental Balanced Scorecard
- B Details of the 2010 Transit Program

