

Our Community. Our Commitment.

2010 ANNUAL REPORT



Lonny Earnhardt

BUS OPERATIONS DIVISION,
BUS DRIVER

Driver for CATS since 1978

How do you serve the community in your role with CATS?

I do my very best as a bus driver. I try to greet every customer with a kind word and a smile. And, hopefully, that will lift up their day.



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 development.

Goals

Customer Service Focus: Provide safe, 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.

Vision

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.

Table of Contents

Letters to the Community	1	Our Commitment to Safety	9
Metropolitan Transit Commission	3	Our Commitment to the Vision	11
CATS Leadership Team	4	Fast Facts	14
Our Commitment to Our Customers	6	Financial Summary	15

Letters to the Community

JENNIFER ROBERTS, CHAIRMAN OF THE MTC



After an intensive search, we were pleased to welcome Carolyn Flowers as our new Chief Executive Officer. She has a wealth of transit experience and her financial background was critically important this year as we strived to maintain our service levels with reduced revenue.

As Chairman of the Metropolitan Transit Commission (MTC), I can affirm that we remain committed to the vision as outlined in the 2030 Transit Corridor System Plan, and this year we have continued to work together to advance the goals of the System Plan. We approved the FY2011-FY2015 Capital Investment Plan. This will assist us in continuing to advance the LYNX Blue Line Extension and the North Corridor Red Line, as well as in funding bus and van purchases, renovating the new Special Transportation Service facility at the

North Davidson Bus Facility, and improving the Charlotte Transportation Center. The LYNX Blue Line Extension has completed the 30 percent design, and the Draft Environmental Impact Statement (DEIS) was submitted to the Federal Transit Administration (FTA). In addition, we created the Red Line Task Force, a subcommittee of the MTC that will identify innovative ways to finance and advance the North Corridor.

The Charlotte City Council approved funding to advance the Charlotte Streetcar Project to a 30 percent design level for the ten mile project, and CATS is collaborating with other city departments to advance the engineering on the project. The Streetcar Project also won a grant under the FTA'S Urban Circulator Systems program to initiate streetcar service on an approximately 1.5-mile corridor.

We continued to face financial challenges this year. As a board, we approved a budget that included a service reduction and the elimination of non-core programs. In accordance with CATS' Fare Policy, we also approved a fare increase. These actions helped to offset the budget gap. The MTC also approved the FY2011 Transit Operating Budget. Given the decline in sales tax revenue and the impact this will have on our capital expansion, we have begun the process of updating the 2030 Transit Corridor System Plan.

Despite the challenges of the year, we – the elected officials representing the Charlotte region – have not lost sight of the vision. We will continue to work together to build a transit system that will catalyze and sustain the economic momentum of our region. My commitment to you is that, together, we will continue to advance public transportation for the greater Charlotte region.

A handwritten signature in black ink that reads "Jennifer W. Roberts". The signature is fluid and cursive.

When I visited Charlotte a few years ago, I knew if the opportunity ever presented itself, I would like living here. I also left impressed with the quality of Charlotte's public transit system. As it turns out, I was right on both accounts.

I am excited to lead such a dynamic organization. When I was named the new CEO, I knew the job would have its challenges. I also knew that with my team and your support we would meet these challenges and continue to advance the vision.

As I began my tenure as CATS' CEO, the budget was an area of focus. We continue to deal with the impacts of the national recession, record high unemployment, and sales tax receipts at the 2005 level. To help close the resulting budget gap, we eliminated non-core transit programs and implemented operational efficiencies. CATS also eliminated 29 staff positions not filled during the year. These changes, along with a 25-cent fare increase scheduled for FY2011 helped CATS close the budget shortfall while we maintained core services.

The combination of low gas prices and high unemployment, due to the economic downturn, played a role in our first ridership decline in more than a decade. CATS carried more than 24 million customers during FY2010 and weekday ridership averaged just over 79,000 riders. This represents more than a 6 percent decline in ridership over FY2009. Despite the decline, in late December we celebrated our 10 millionth rider aboard the LYNX Blue Line. This is a significant achievement in this economy. The Blue Line continues to exceed ridership projections and serves as a model for transit systems across the country. We also experienced more than a 12 percent ridership increase on our first enhanced bus service, Sprinter, which connects Charlotte Center City to the airport. And we introduced two new regional express services, Route 78X-Celanese Express and Route 79X-Concord Mill Express.

Our team focused on delivering core services to the community and maintaining quality. Our preventable accident rate and on-time performance continued to exceed industry standards. Bus on-time performance finished at over 88 percent for the year, and the rail service was on time more than 99 percent. Our focus on safety continues to reap dividends. The LYNX Blue Line finished the year with only 0.12 preventable accidents and our bus service only had 0.40 accidents per 100,000 miles traveled.

This year, we were awarded a Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) Grant, which allowed us to purchase six new hybrid buses. Staff also continued to make progress on the North Davidson Street Bus Facility Renovation Project. The project is being funded through the American Recovery and Reinvestment Act (ARRA) Stimulus funds. Upon completion, it will house the operations and maintenance of 200 buses and paratransit vehicles.

As we move forward into next year, we will remain committed to service quality – delivering a safe, clean and reliable transit system.



Carolyn Flowers



Pictured from left to right: **Front Row** – Sarah B. Nuckles, SCDOT Representative; Jeff Tarte, Mayor of Cornelius; James Taylor, Mayor of Matthews; John Woods, Mayor of Davidson; Jennifer Roberts, Chairman of the Mecklenburg County Board of Commissioners, MTC Chairman; Anthony Foxx, Mayor of Charlotte; Leamon Brice, Davidson Town Manager and John Collett, NCDOT Representative. **Back Row** – Brian Welch, Mint Hill Town Manager; Jill Swain, Mayor of Huntersville; Curt Walton, Charlotte City Manager; Ted Biggers, Mayor of Mint Hill; Ralph Messera, Town of Matthews; Mike Rose, Pineville Town Manager; Anthony Roberts, Cornelius Town Manager; Greg Ferguson, Huntersville Town Manager and Rick Sanderson, TSAC Chairman. **Not Pictured** – Hazen Blodgett, Matthews Town Manager; George Fowler, Mayor of Pineville; Harry Jones, Mecklenburg County Manager; Bobby Kilgore, Mayor of Monroe; Chris Montgomery, Mayor of Mooresville; Erskine Smith, Assistant Town Manager of Mooresville; Jenny Stultz, Mayor of Gastonia and Douglas Echols, Jr., Mayor of Rock Hill.

Metropolitan Transit Commission (MTC)

The MTC is CATS' governing board and is responsible for reviewing and recommending all long-range public transportation plans. The MTC reviews the transit system's operating and capital programs and sets policies that guide the transit system's use of public monies. The MTC is composed of voting and non-voting members. The voting members are the mayors and managers of the City of Charlotte, County of Mecklenburg, and the six towns in Mecklenburg County: Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville and a board member from the North Carolina Department of Transportation. To ensure regional involvement, the MTC includes five non-voting members representing local governments outside of Mecklenburg County and one non-voting member from the South Carolina Department of Transportation. The MTC has two citizen committees which provide input on short-term and long-term transit plans.

Citizens Transit Advisory Group (CTAG)

The CTAG reviews long-range transit system planning and proposed operating and capital programs from the community's perspective and makes recommendations to the MTC. This advisory board is made up of members of the community appointed by the Mecklenburg County Board of Commissioners, the Charlotte City Council, each of the six towns, and the Charlotte-Mecklenburg Board of Education. It may include no elected official, and its members serve staggered two-year terms.

Transit Services Advisory Committee (TSAC)

The TSAC reviews, makes recommendations, and provides input into short-range transit operations. The committee focuses on day-to-day operations of the transit service to ensure that it meets the needs of the community. It makes recommendations to the MTC on issues within its sphere of interest and acts as a vehicle to promote public involvement on short-term transit planning. The TSAC is made up of representatives appointed by the City of Charlotte, the Mecklenburg County Board of Commissioners and the six towns.



Pictured from left to right: **Front Row** – Celia Gray, Quality Assurance Manager; Dymphna Pereira, Chief Financial Officer; John Joye, Senior Assistant City Attorney; Carolyn Flowers, Chief Executive Officer; Stephen Keiper, General Manager Bus Operations; Gracie Myers, Transit Human Resource Manager; and Olaf Kinard, Director of Marketing and Communications. **Back Row** – John Muth, Deputy Director; Wanda Braswell, Executive Assistant to the Chief Executive Officer; John Trunk, Director of Transit Support Services; Rocky Paiano, General Manager of Rail Operations; David McDonald, Transit Planning Manager and Larry Kopf, Chief Operations Planning Officer.

Leadership Team

CATS’ Leadership Team is charged with managing the day-to-day business of the organization. It is made up of managers from each CATS division: Executive, Finance, Development, Transit Support Services, Marketing and Communications, and Operations.

Public Meetings

Metropolitan Transit Commission	Citizens Transit Advisory Group	Transit Services Advisory Committee
<p>Fourth Wednesday of each month</p> <p>Charlotte-Mecklenburg Government Center 600 East Fourth Street Charlotte, NC 28202</p> <p>Room 267</p> <p>5:30 pm – 7:30 pm</p>	<p>Third Tuesday of each month</p> <p>Charlotte-Mecklenburg Government Center 600 East Fourth Street Charlotte, NC 28202</p> <p>Basement Level CH-14</p> <p>7:30 am – 9:00 am</p>	<p>Second Thursday of each month</p> <p>Charlotte-Mecklenburg Government Center 600 East Fourth Street Charlotte, NC 28202</p> <p>Innovation Station 8th Floor</p> <p>4:00 pm – 5:30 pm</p>

Sherrilynn Griffin-Nelson

CUSTOMER SERVICE,
CALL CENTER REPRESENTATIVE
CATS employee since 2007

How do you serve the community in your job with CATS?

I provide precise, detailed information about routes. I am not from Charlotte, so I know what it's like to be lost. I also try to encourage customers to make them feel at ease about using our transportation system.

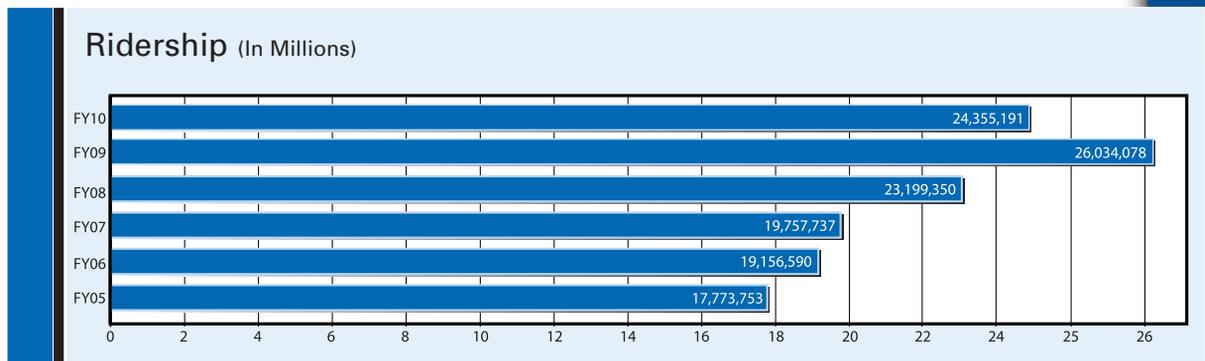
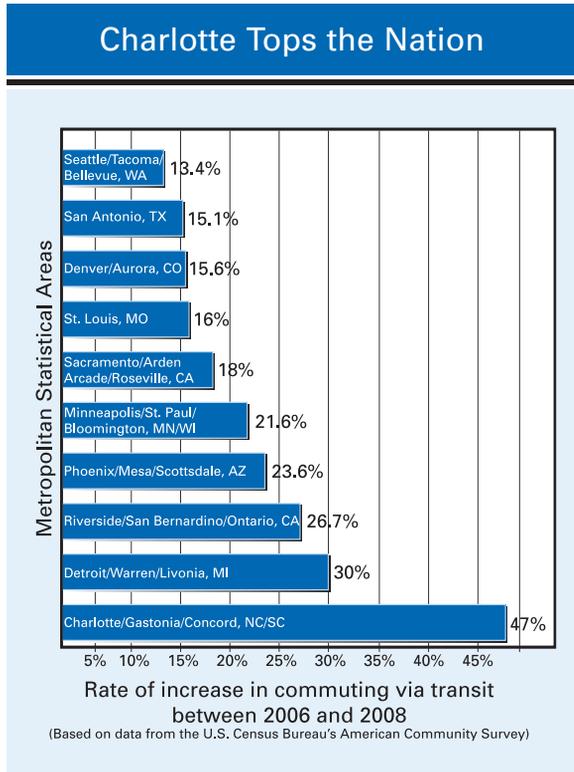


Customer satisfaction is fundamental to everything we do. Each day, we work to genuinely understand customers' needs and provide services of value. Despite the heightened focus on cost control, our team remained committed to providing safe, reliable transit service for the citizens of the region.

Ridership

The effects of the recession, high unemployment, and low fuel costs attributed to a 6.5 percent decline in ridership for the year. However, despite the downward turn for FY10, CATS has experienced a doubling of ridership since 1998. In the American Community Survey released in the spring of 2010 by the U.S. Census Bureau, Charlotte topped the nation in the growth of people switching to public transit between 2006 and 2008. During this time period, Charlotte area residents indicated they switched to public transit at a growth rate of 47 percent and simultaneously, ridership on CATS services grew 30.5 percent.

The LYNX Blue Line continued to surpass initial ridership projections and reached a major milestone in December 2009 as ridership during the first two years of operation surpassed 10 million. Average daily ridership on the LYNX Blue Line continues to exceed expectations with almost 6,000 more weekday rider trips than originally projected. This achievement illustrates that the community continues to find LYNX to be a convenient, safe and reliable option for commuting. The continued attraction of new customers to the LYNX Blue Line led CATS to implement several new customer service amenities. To make it easier to determine parking capacity during large special events CATS installed an electronic sign at the entrance to the I-485/South Boulevard Station showing the availability of vacant parking spaces. CATS also took delivery of four new light rail vehicles this spring allowing the fleet to operate with two-car trains during rush hour and special events. The addition of these trains increases the fleet total to 20 vehicles for the LYNX Blue Line.



Service

CATS' core business is to provide safe, reliable, on-time services. During the year, service adjustments were implemented to improve travel times and connectivity for customers. These adjustments helped CATS bus services achieve an average on-time performance rate of 88.2 percent and the LYNX Blue Line achieve a 99 percent on-time rate.

Several new services were also introduced to connect customers to employment opportunities, entertainment designations, and the places they travel to most.



Sprinter

In September 2009, CATS began its first enhanced bus service. Sprinter, CATS' first branded "Green" service, provides a higher level of service with fewer stops while supporting regional air quality goals. The new service uses a dedicated fleet of hybrid buses, provides more efficient service to destination points, such as Charlotte Douglas International Airport and businesses and hotels located in Charlotte's Center City, and improves night and weekend service. The reduction

in stops resulted in Sprinter providing a greater level of service allowing for more frequent trips between Center City and the airport which helped increase ridership by 12 percent in FY10 on the route. The fleet of hybrid buses consumes less fuel and helps to reduce global emissions, continuing CATS' commitment to air quality, while wider aisles and luggage racks make it convenient for the traveling customer.

Concord Mills Express

CATS, the City of Concord, and Charlotte Motor Speedway partnered to provide Saturday bus service from uptown Charlotte to the state's most popular shopping location, Concord Mills Outlet Mall, and the center of NASCAR racing in the Carolinas, Charlotte Motor Speedway. The 79X-Concord Mills Express, which began service in October, offers an alternate transportation choice for tourists, shoppers and race fans to commute between Charlotte and Concord. For customers desiring to travel between the NASCAR Hall of Fame, University City, Charlotte Motor Speedway and Concord Mills, the new service eliminates parking worries and helps to alleviate congestion on the roadways during key race activities.

Celanese Express

The 78X-Celanese Express is the first regional express service to connect to the LYNX Blue Line at the I-485/South Boulevard Light Rail Station. The weekday express service provides Rock Hill commuters with access to numerous employment and educational opportunities along the South Corridor and 18 bus routes that serve the Blue Line. The Celanese Express is illustrative of the power of partnerships; it is operated by CATS and funded 100 percent by the City of Rock Hill and York County, along with a grant from the Federal Transit Administration and the South Carolina Department of Transportation.

Hybrid Vehicles

CATS has made significant investments in green technology with the fleet of hybrid buses for the Sprinter service. Continuing our efforts to minimize our carbon footprint, CATS received \$3 million in stimulus funds to purchase up to six new hybrid buses as part of the Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) stimulus grant program. The additional hybrid buses will remove up to an estimated 2,600 tons of carbon dioxide from the air over their 12-year operating life cycle, which helps to improve the quality of life in the entire Charlotte region along with reducing the system's reliance on foreign oil.



Special Transportation Service

Individuals who have been certified according to the Americans with Disabilities Act of 1990 are eligible to use Special Transportation Service for their transportation needs. Investments were made to improve service coordination and reduce insurance expenses. During the year, cameras were installed on both the inside and outside of the vehicles. The cameras allow STS to observe incidents occurring on or involving the vehicles, aiding in driver training and insurance investigations. Global Positioning Systems (GPS) were installed to provide better route management and coordination of customer trips. Efficient driving directly correlated to STS' on-time performance of 93.2 percent.

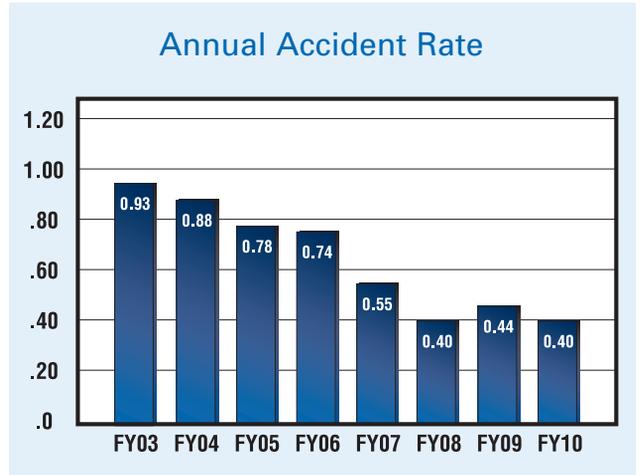


Fares

The recession that started in 2008 and the slow recovery have placed economic burdens on every business and government entity, and CATS is no exception. Local sales tax revenues are at the 2005 level, approximately \$20 million less than anticipated; however, the customer level of demand remains strong at a 2010 level. Over the past three years, CATS has made prudent adjustments to services and operating expenses resulting in savings of approximately \$23 million. However, CATS still faced a \$2 million budget shortfall as it budgeted for FY2011. CATS' management believed that any further cuts would adversely affect core services that our customers need each day to get to work, medical appointments and grocery stores. To help ease the deficit, CATS recommended and the MTC approved a 16.7% fare increase across all services to take effect in FY2011.

Safety and Security

The uncompromised safety of customers and employees at all CATS facilities and aboard all CATS vehicles is the primary responsibility of the Safety and Security team; however, every member of the organization has a role in ensuring CATS is a safe and secure transit system. The organization's commitment to and focus on safety requires that all operators undergo extensive safety and defensive driver training. In FY10, CATS achieved a 0.40 accident rate per 100,000 miles traveled, a reduction of 27 percent since FY07. This achievement is illustrated in the great rates obtained by each major service category. The LYNX Blue Line continued to operate safely with only one preventable accident in over two years of operation, making it one of the safest new-start light rail systems in the country. Bus operators continued to focus on safety during the year. CATS' buses, which traveled more than 10.7 million miles, had a preventable accident rate of 0.40 per 100,000 miles traveled, and STS' preventable accident rate was 0.36 per 100,000 miles.



These performance indicators, for bus and paratransit services, exceeded industry standards. In 2010, the North Carolina Public Transportation Association awarded STS top honors as the safest Urban Dial-A-Ride system in the state for 2009. The award is given to a paratransit system that travels more than 750,000 miles per year and has excellent performance in traffic and passenger safety. The service also won the 2009 Paratransit Bus Rodeo team trophy for the fourth consecutive year, a testament to our operators driving and safety skills.

The Safety and Security team also works with local first responders and federal agencies to train for possible emergencies. In June, CATS, Charlotte Fire Department, Mecklenburg EMS, Charlotte-Mecklenburg Police Department, Transportation Security Administration, and the Federal Bureau of Investigation responded to a mock light rail vehicle incident during an emergency drill. This advanced training prepares CATS to effectively manage emergencies when they occur and to provide the best possible response for customers.

LYNX operates as a proof-of-payment system. Throughout the year, fare blitzes were conducted at LYNX stations to obtain an accurate snapshot of fare compliance. The most recent fare blitz showed a fare evasion rate of 0.4 percent, which is significantly lower than the 2 percent to 10 percent rate reported by similar transit systems around the country. To help maintain a low fare evasion rate and provide an increased security presence, in FY11 CATS will employ nine additional sworn company police officers to ride LYNX vehicles and patrol stations.

Safe Place Partnership with The Relatives

CATS vehicles and facilities are a designated Safe Place for young people in crisis. Through a partnership with The Relatives, CATS provides these young people with free transportation from anywhere CATS operates to The Relatives' site. In March, The Relatives unveiled a special Safe Place message that is displayed as an interior card in CATS buses and trains.



The Relatives interior card

Paul Siler

CHARLOTTE-MECKLENBURG POLICE
DEPARTMENT, TRANSIT OFFICER
CMPD officer since 1990

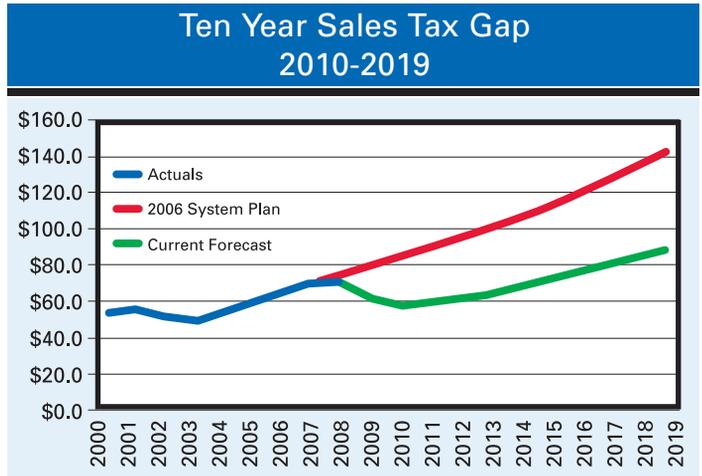
Why is your role with CATS important to the community?

With my experience as a police officer and the different situations I have been in, I can handle anything that may arise. My presence on a train, at a station or riding through a park and ride makes people feel safe.



CATS was also the recipient of the 2010 National Safe Place Corporate Involvement Award. The award is given to a corporate partner who goes above and beyond the expectations of the local Safe Place program.

The past several years have been difficult as CATS navigated through the effects of the recession. The forecasted revenue growth developed in 2006 for the next 30 years has been negatively affected by the recession. Since 2008, sales tax revenues are \$20 million less than budgeted, and over the next 10 years tax revenues are estimated to be approximately \$350 million less than anticipated in 2006. The financial realities



we face today may result in adjustments to plans but the vision remains the same: to develop a regional rapid transit system that consists of an expanded network of buses, light and commuter rail, streetcar and bus rapid transit services integrated with land-use policies providing greater transportation choices for the region all within the constraints of our financial model. In keeping with that vision, CATS continued to advance corridor planning and engineering through the year.

LYNX Blue Line Extension (BLE)

The Blue Line Extension continued to advance engineering completing the 30 percent design in Preliminary Engineering. During the year staff made adjustments to the engineering based on technical data including:

- Planning for a second rail maintenance facility along the BLE due to increased ridership levels experienced on the Blue Line
- Moving the 27th Street Station to 25th Street to provide better development opportunities

Additionally, staff prepared to submit the Draft Environmental Impact Statement (DEIS) for review to the Federal Transit Administration in early FY11. The Blue Line Extension is an 11-mile extension of the Blue Line from 9th Street in uptown Charlotte through the North Davidson and University areas to south of I-485.

The Blue Line Extension was included in the FTA's 2011 Annual Report on New Starts. The report identifies the projects approved by the FTA for development and eventual construction. The project has a Medium rating and remains eligible for a Full Funding Grant Agreement. The project has already received over \$59.5 million in federal and state funds to help fund the design effort.

Sammie Allen

RAIL SYSTEMS,
TRAIN CONTROL TECHNICIAN
CATS employee since 2010

What is your commitment to the community?

I ensure that trains arrive at their destinations safely and on time. I work on a four-man crew that maintains track circuits, grade crossings, signal houses and substations.



Red Line Commuter Rail

The LYNX Red Line is a 25-mile commuter rail project designed to operate on the existing Norfolk Southern "O" Line and provide service between Charlotte, Huntersville, Cornelius, Davidson and Mount Mourne in southern Iredell County. CATS developed a LYNX Red Line Work Plan to identify tasks that will further advance the project over the next 18 to 24 months. Tasks include revising station development potential, updating the operation and maintenance plan, and creating a New Starts submittal equivalent for cost effectiveness and land use. In June 2010, the Red Line Task Force was formed as a standing committee to the Metropolitan Transit Commission. The purpose of the committee is to formalize the work of finding alternative means of financing for the advancement of the Red Line.

Charlotte Streetcar

The 10-mile Charlotte Streetcar project will connect Center City with communities and institutions along Beatties Ford Road, Elizabeth Avenue and Central Avenue. The City of Charlotte's Engineering & Property Management Department entered into a contract to advance the engineering and design for the proposed streetcar, and staff explored alternative funding sources to build the project within the next five years.

In order to educate the public about how streetcars move within communities, CATS and Engineering & Property Management hosted the Streetcar Technology Showcase in January. Charlotteans, citizens from across the country, and vehicle manufacturers gathered to discuss cutting edge technologies.

The City of Charlotte was awarded a \$24.9 million grant under the FTA's Urban Circulator Systems program that will allow service to be initiated on an approximately 1.5-mile corridor between the Charlotte Transportation Center and Presbyterian Hospital. The City will be responsible for funding the operating expenses for the Charlotte Streetcar project. CATS' ultimate role in the project will be to support Engineering & Property Management in the design and construction and operate the service.

North Davidson Bus Facility Renovation and Expansion

The 28-year-old North Davidson Bus Facility is being renovated under a \$20.7 million American Recovery and Reinvestment Act (ARRA) grant awarded by the FTA. The renovation will provide sufficient space and support for the operation and maintenance of up to 200 buses. It will also replace the building's exterior, which will improve its energy efficiency. By upgrading the mechanical, electrical, and plumbing systems and replacing original bus maintenance equipment, the facility will be more efficient and delay the need for a third bus facility. The project was the site of the national announcement for an outreach initiative to minority-owned businesses sponsored by the U.S. Department of Commerce in conjunction with the ARRA.



North Davidson Bus Facility Rendering



Citizens paint the mural for North Davidson Bus Facility construction fence.

In an effort to buffer the community from the noise and debris of the renovation, a construction fence was erected around the site. CATS, in collaboration with McColl Center for Visual Art, engaged the community in painting a temporary mural on the fence that shares how they move around Charlotte with the convenience of public transportation. The transit stories provide a creative visual that enhances the neighborhood while linking the residents with the facility and the organization.

Fast Facts

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Revenue Hours	920,494	956,534	960,450	1,021,623	1,034,940	997,733
Revenue Miles	14,417,604	15,137,798	15,542,847	16,689,718	17,013,729	15,617,247
Employees	229	274	365	377	377*	351
Ridership	17,773,753	19,156,590	19,757,737	23,199,350	26,034,078	24,355,191

Fleet

Forty-Foot Buses	171	173	173	181	161	169
Over The Road Buses	91	91	91	91	102	91
Shuttle Buses	40	44	42	50	41	43
Trolley Buses	20	20	20	20	20	20
Paratransit Shuttles/Vans	91	91	93	84	84	84
Vanpool Vans	82	100	93	101	81	71
Light Rail/Vintage Trolley	4	5	20	20	20	23
Fleet Total	499	524	532	547	509	501

*Includes 36 frozen positions

In FY2010, CATS continued to fulfill its mission by providing outstanding community-wide public transportation services to 24.4 million passenger trips. This was accomplished with no reductions in core services despite a financially constrained year. CATS continues to responsibly manage short term challenges while keeping the long term vision alive.

FY2010 Financial Highlights

- On June 30, 2010, CATS closed FY2010 with an unaudited unobligated fund balance of \$106.1 million which exceeds the Financial Policies performance objective by 6.1%.
- In FY2010, CATS experienced a \$10.4 million reduction in Operating Income and mitigated this shortfall with a \$10.2 million reduction in Operating Expense with no reductions in core operating service.
- CATS was awarded \$23.8 million from Federal stimulus fund programs. \$20.7 million is being utilized for rehabilitation of the 29 year old North Davidson Street Bus Garage and \$3.0 million will be used to purchase six hybrid buses in FY2011.
- The Department of Homeland Security awarded CATS \$287,760 to fund anti-terrorism training and equipment.
- CATS exceeded all Financial Policies performance objectives. Noteworthy achievements are in the Cost Per Revenue Service Hour where Bus/STS/Vanpool actual cost was 5.5% and Rail was 2.4% below FY2010 budget; and Net Debt Service Coverage Ratio exceeded objective by 23.4%.
- The Blue Line Extension project at 15% Preliminary Engineering, received a medium rating in the 2010 Federal New Starts Report.

Financial Performance

In FY2010, CATS exceeded all of its Financial Performance objectives.

Financial Policy Measures

	FY2007	FY2008	FY2009	FY2010	FY2010
	Actual	Actual	Actual	Adopted	Unaudited Actual
Operating Ratio (without Capital Interest) (OR/OE ≥ 20%)	23.71%	23.54%	25.92%	25.19%	23.76%
Operating Balance Months (≥ 1 Month's Operating Expense)	4.93	2.83	2.33	2.38	2.60
Passengers Per Hour Bus Operations (≥ 20 passengers per hour)	24.0	23.9	24.6	26.8	24.3
Cost Growth					
Cost per hour System Less Rail	\$86.25	\$97.36	\$84.70	\$93.77	\$88.58
Cost per hour Rail	\$82.65	\$87.06	\$220.38	\$287.68	\$280.64
Administrative Overhead (≤ 15%)	9.07%	6.09%	6.24%	5.13%	5.62%
Capital Investment Level (≥ 20% of sales tax revenue)	50.57%	34.17%	31.45%	29.36%	38.00%
Net Debt Service Coverage (≥ 1.15)	2.00	1.53	1.30	1.40	1.42
Gross Debt Service Coverage (≥ 3.0)	3.96	4.49	4.13	4.00	3.73

Note: Rail broken out of cost growth beginning in FY2009.

FY2010 Income and Expense Summary

Income Summary

Beginning Budgetary Balance		\$103,305,465
Half Cent Sales Tax	\$57,377,049	
Operating Revenue	\$21,481,926	
Maintenance of Effort	\$18,599,366	
State Maintenance of Assistance	\$12,603,653	
Interest Earned	\$1,900,503	
Miscellaneous	\$541,718	
Operating Income		\$112,504,215
Federal Grant Income	\$65,441,285	
State Grant Income	\$20,644,074	
Other Capital	\$56,430	
Capital Income		\$86,141,789
Budgetary Balance Plus Income		\$301,951,469

Expense Summary

Bus/STS/Vanpool Operating	\$86,707,560	
Rail Operating	\$13,994,516	
Operating Expense		\$100,702,076
<i>Debt</i>		
Expense	\$15,377,432	
Debt Service Expense		\$15,377,432
<i>Capital</i>		
Bus Equipment/Facilities	\$41,703,730	
Rapid Transit	\$38,114,761	
Capital Investment Expense		\$79,818,491
Budgetary Balance		\$106,053,470

Operating Income

Operating income at \$122.5 million is \$10.4 million less than the FY2010 adopted budget income of \$132.9 million. The 7.9% reduction was due to the sluggish economy which severely impacted CATS operating income.

Income from CATS' key source of revenue, the half-cent sales and use tax, was reduced by \$5.3 million, i.e. 8.5% versus the FY2010 adopted budget. The actual sales tax was \$1.6 million below the FY2005 level. Maintenance assistance from the State was reduced by \$1.0 million; interest on investment was reduced by \$0.6 million.

Fare revenue was \$3.0 million less than the FY2010 adopted budget, directly correlating to the reduction in ridership.

Operating Expense

Operating expense at \$10.7 million was \$10.2 million below FY2010 adopted budget. During the year, CATS maintained core transportation services with no service or staff reductions.

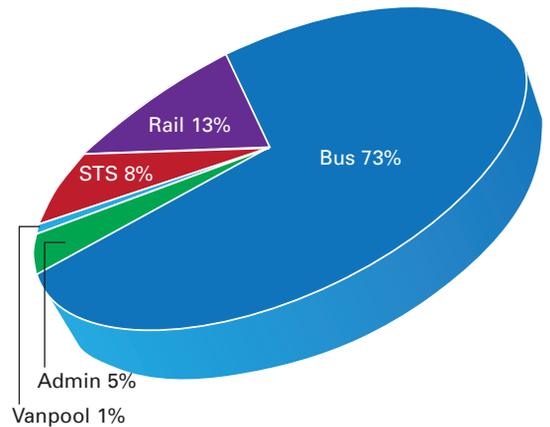
In FY2010, CATS provided close to 1.0 million revenue hours of service and operated 15.6 million revenue miles. The cost per revenue hour for bus, STS, and Vanpool service was \$88.58, and the cost of rail revenue hour service was \$280.64.

By focusing on core services, minimal impact was felt by CATS customers.

CATS implemented the Sprinter service, which utilizes hybrid buses and increased ridership on the route by 12 percent.

In order to achieve the \$10.2 million reduction in Operating Expense, CATS implemented the following cost savings initiatives:

- Held 29 positions vacant for the entire year
- Executed a futures fuel contract which contributed to a savings of \$1.3 million in FY2010
- Implemented process changes in the Bus Operations and Rail divisions in overtime and inventory management which resulted in cost savings of \$1.5 million
- Renegotiated operations service contracts and reduced marketing costs
- Reductions in planning costs in the towns



FY2010 Operating Expenses

Operating Balance

Operating Balance at \$21.8 million, i.e. 38% of actual sales tax income, was well within the range set by CATS Financial Policies. The Operating Balance was transferred to the Capital fund and utilized to fund CATS' share of the Capital Investment Plan.

Capital Contribution

	FY2007	FY2008	FY2009	FY2010
Operating Balance	\$35,609,070	\$24,296,213	\$19,421,096	\$21,802,139
Sales Tax	\$70,409,868	\$71,106,519	\$61,743,347	\$57,377,049
Operating Balance as % of Sales Tax	50.57%	34.17%	31.45%	38.00%

FY2010 Transit Capital Program

\$ in Millions	FY2007	FY2008	FY2009	FY2010
	Actual	Actual	Actual	Unaudited
Debt Proceeds used for Capital Expenditures	\$68.3	\$0.0	\$0.0	\$0.0
Capital Income	\$140.4	\$115.1	\$45.0	\$107.9
Total Non-Operating Income	\$208.7	\$115.1	\$45.0	\$97.9
Debt Service Expense	\$17.8	\$15.8	\$14.9	\$15.4
Redemption of Short Term Borrowing	\$18.0	\$0.0	\$71.1	\$0.0
Capital Expenses	\$183.1	\$74.9	\$44.4	\$78.8
Total Non-Operating Expense	\$218.9	\$90.7	\$130.4	\$95.2
Contribution to Budgetary Balance	(\$10.2)	\$24.4	(\$85.4)	\$2.7

Capital Income

Capital income includes actual cash received from Federal and State grant funds, the Operating Balance, and other miscellaneous sources of income.

In FY2010, the Federal government's approach to the Federal transit partnership represented a change from the past. It involved greater use of smaller, targeted, competitive grants to meet urban goals and included partnerships between Federal departments/programs. In FY2010, CATS applied for 20 competitive grants for which many of the award dates are in FY2011.

CATS has submitted four applications for competitive grant opportunities offered by the N.C. Department of Transportation. Award announcements are also expected in early FY2011.

Debt Financing

Debt service expense totaled \$15.4 million during FY2010, and the debt coverage ratio was 1.42x (net) and 3.73x (gross).

Outstanding Debt

On June 30, 2010, CATS' outstanding debt was \$171.1 million.

Outstanding Debt

	Principal Redeemed	Remaining Principal
2007		\$262,315,000
2008	\$6,010,000	\$256,305,000
2009	\$78,015,000	\$178,290,000
2010	\$7,150,000	\$171,140,000
2011*	\$7,430,000	\$163,710,000
2012*	\$6,120,000	\$157,590,000

*Projected

Capital Expense

Capital expenditures focused on serving the customer. It included the purchase of 11 replacement buses, five replacement ADA-equipped paratransit buses, and 20 replacement vanpool vans. The bus purchases brought the average age of the bus fleet to 6.8 years and the special ADA transportation bus fleet to an average age of 3.1 years.

The \$20.7 million ARRA funded renovation and construction at the North Davidson Bus Facility began the construction phase during FY2010 with an expected completion in FY2011.

A \$321,016 expansion to the Huntersville Park and Ride lot increased capacity by 100 parking spaces.

Four additional rail cars purchased in FY2008 were delivered in FY2010.

Installed \$850,720 in camera surveillance systems in STS buses utilizing State Advanced Technology grant funding.

The Northeast Corridor Blue Line Extension (BLE) project continued advancement in preliminary engineering (PE). The BLE completed 15 percent design level plans and is approaching 30 percent.

The June 30, 2010, life-to-date actual pre-construction costs incurred for current rapid transit projects:

- \$33.9 million for LYNX Blue Line Extension, of which \$12.1 million is local CATS funding
- \$22.0 million for the Red Line, of which \$15.4 million is local CATS funding.

The remaining claims against the South Corridor Light Rail Project were settled in FY2010. Final expenditures were incurred for several line items in preparation for closeout of the Full Funding Grant Agreement anticipated in December 2010.

Transit Fund Budgetary Balance

The FY2010 year-end (unaudited) budgetary balance is \$106.1 million. The budgetary balance is the prior year-end balance plus the current year revenues less current year expenditures. CATS Financial Policies mandate an annual year-end budgetary balance equal to or greater than \$100 million. The difference between budgetary balance and fund balance available for appropriation is restricted funds.

FY2010 Budgetary Balance

Beginning Budgetary Balance	\$103,305,465
Income	\$198,646,004
Subtotal	\$301,951,469
Less: Expense	\$195,897,999
FY2010 Year-End Budgetary Balance	\$106,053,470

Kelly Goforth

PROJECT DEVELOPMENT MANAGER
CATS employee since 2004

How does your job help the community?

Extending the LYNX Blue Line will improve access and mobility for residents of the Northeast Corridor and support future growth in the area. Part of my job is to ensure that the project's design meets the long-term needs of the community, as well as protects and enhances the environment.





600 East Fourth Street
Charlotte, NC 28202

704-336-RIDE (7433)
866-779-CATS (2287)
www.ridetransit.org



CHARLOTTE