

CITIZENS TRANSIT ADVISORY GROUP (CTAG)
Meeting Summary
January 15, 2013
DISCUSSION SUMMARY

Present: Mary Barker, CTAG Co-Chair
Hugh Wrigley, CTAG Co-Chair
Todd Steiss, Town of Huntersville
Henry Antshel, City of Charlotte
George Sottilo, Town of Matthews
Rob Watson, Mecklenburg County
Kate Payerle, City of Charlotte
Christy Kluesner, Charlotte Mecklenburg Schools
Matt Covington, Mecklenburg County

Staff: John Muth, Dee Pereira, John Trunk, Olaf Kinard, Brian Nadolny, Pamela White, and Wanda Braswell,

Meeting time 7:30 a.m. – 9:00 a.m.

I. Call to Order

Mary Barker, CTAG Co-Chair, called the meeting to order at 7:30 a.m.

II. Approval of November 23, 2012 meeting summary

The meeting summary was approved as written.

III. Risk Analysis

Dan Pliszka

Deputy Director John Muth explained that the meeting is part two of the budget educational series. City staff is presenting background information that is used to prepare the transit budget. Dan Pliszka, manager of risk management, presented risk management. Risk management is a division of the City Finance Department. Through an inter-local agreement, risk management serves the City of Charlotte, Mecklenburg County and the Board of Education. The City is required to do benchmarking to obtain competition against services. The city is self-insured.

Workers' compensation claims have been less expensive. Auto and general liability are carried on transit vehicles. Norfolk Southern agreement requires that there is a \$200 million policy for LYNX liability coverage. CATS pays the first \$2 million on a claim that includes an event with multiple injuries.

The state of North Carolina requires statutory coverage for workers' compensation (does not include bus operations division). We have prime coverage to cover cash, facility, etc.

The number of claims has reduced because of videos on the buses. If we are at fault, we try to pay a reasonable amount.

Q: Is the boiler insurance for injuries to employees?

A: No. It is for downtime to replace or repair the equipment.

Q: Why do we still have boilers and insurance?

A: We are required to inspect the boilers we have. It also includes furnaces, chillers and air conditioner units.

The lost fund budget is what we have to put in to pay for annual losses. In FY2013, we are funding \$1.2 million. The lost would be about \$1.24 million. The City is subsidizing a little of the projected losses.

Q: Are these uninsured?

A: Yes. In the \$2 million self-insured layer. Each year there has been a little subsidy.

Q: What is WC?

A: Workers' compensation.

Q: Is the workers' compensation in a reserve?

A: Yes. It is locked in a trust fund to pay those losses.

CATS' risk management operating costs for FY2013 is \$3,649,903, including bus operation division. Costs are allocated back to CATS based on the number of claims.

Q: Is there funding for salaries?

A: No. Risk management is funded by City of Charlotte at 55, percent Mecklenburg County at 25 percent, and the Board of Education at 20 percent. CATS' portion of the 55 percent is based on the number of claims. The percentages were created in 1986; based on insurance premiums.

Q: How do you come up with the level of coverage?

A: Benchmarking what others are doing. We have been at a \$20 million level for years. We are seeing a shift to higher losses in some areas.

Q: When was the last claim?

A: It's been a while. It is a good story how we operate.

Q: What will happen when BLE opens?

A: Insurance will increase because of the extension. We are looking at the market with our insurance broker. Carolyn has done a great job explaining to the underwriter the transit story.

Q: Do you generally refer claims to the insurance company?

A: Generally, we handle in-house. We have one in-house attorney and one external attorney to help litigation. Our claims are usually 'bump-ups' accidents.

IV. Personnel Projections and City Costs

**Dwayne Pelfrey/
Eric Hershberger**

Dwayne Pelfrey, general manager of the BOD, presented the reporting structure and budget impact of collective bargaining of CATS bus operations-transit management (McDonald Transit Incorporated). The transit management hires and employs the bus operators. BOD has approximately 820 full time employees with 580 drivers. BOD has two unions - United Transportation Union Local 1596 (maintenance) and United Transportation Union 1715 (operators). The collective bargaining impacts wages, benefits and rules and conditions to include pay.

The personnel cost is 70 percent of the operating budget. We have been successful in working with the union on collective bargaining and staying within budget. Health care is a major cost of the budget. We are paying less in FY2012 than in FY2010. In FY2011, we were able to join a health care fund and reduce the cost. The bus operators voted the teamsters out, therefore, the health care plan changed. We are currently looking at the open market

Q: Does the labor agreement require a certain percentage be paid by CATS versus the employee?

A: It does.

Q: What is that percentage?

A: Prior to last year, we paid 100 percent. As of this year, the company pays 95 percent of the share.

Other impacts on the budget are tire lease contracts, employee turnover costs and cost of diesel fuel. The new buses will have the same requirement; the cost of diesel will increase. The turnover rate is currently at five percent; reducing because of team training. BOD will do audits to continue to improve services and to be efficient.

Eric Hershberger, budget manager for the City of Charlotte, explained that CATS is a one of 15 departments with the City of Charlotte. CATS is an enterprise fund – self funded. Property taxes do not fund transit services. Although CATS is not a general funded department, it must align with City policies and objectives.

In connection with the City, the city manager will recommend merit increases (3 percent) for city employees based on how the general fund is doing. We use relative market data from similar municipalities for the merit increase. City manager recommends a three percent for the 401(k) contribution. It was reduced when times were difficult. Health insurance is market driven; competitively bid – 35 to 40 percent is borne by the employee. The state set the six percent contribution into the NC retirement system for all employees. Each employee is also required to contribute six percent of their salary into the system. FICA is set by the federal government.

Direct annual operating expenses are predetermined.

Q: Does FICA include the two percent raise?

A: The two percent raise is what the employee pays. The city contribution is always the same.

CATS is directly billed operating expenses for work done by other City of Charlotte's departments. CATS has a memo of understanding with other departments for work done on the transit corridors.

V. Fuel Program and Projections

**John Truck/
Ed Pullan**

Transit Support Services Manager John Truck explained that Ed Pullan will talk about the fuel purchasing program. Fuel is about 10 percent of the annual operating budget. We instituted a program to use different tools to purchase fuel. Ed explained that it is a volatile expenditure. Prior to 2009 CATS solicited daily price quotes from area suppliers and awarded its daily fuel purchases to the lowest price supplier; however, we were susceptible to supply disruptions. In FY2008 and FY2009, fuel prices moved a lot.

CATS currently awards fuel supply contract which include bid prices for both "fixed-price" and "index-price" components.

Q: Can you lock in as far as FY2015?

A: We will lock in as far as our vendors will offer. The vendor will quote price out 24 months.

Q: Always on forward or is some of that optionality to not take physical delivery?

A: Transit is committed to delivery; price stability is the goal of the contract.

A fuel contract allows fuel hedging to level fuel prices and gain predictability by locking in prices today to meet future fuel deliveries. The FY2014 budget level is \$3.23 per gallon. Special Transportation Services will, now, have the fuel price as the other transit vehicles. STS will be able to fuel at the two bus facilities.

Q: Does North Carolina law dictate hedging?

A: Yes, statute 15930.

Q: Are you locked into one buyer or is there competition with fuel dealers?

A: There is competition amongst our fuel dealers; we will competitively bid. We are currently paying about fifteen cents above the strip price in order to lock in price going forward.

Q: What is the strip price?

A: A financial instrument so we can swap fuel. The strip price is what will be charged monthly.

Q: Is the strip price backwardated today?

A: Backwardating is a recent development that has made the program a lot more favorable. We had been in contango for years. Trying to go too far forward was becoming more difficult. Contango is the more typical price structure when near-term prices are lower than prices further into the future, to account for both the time-value of money and the uncertainty of price conditions further into the future.

Q: Is revenue for CATS insensitive to fuel prices?

A: True. We are trying to stabilize the prices.

Q: Is the fuel fully taxed?
A: We do not pay the excise tax.

Q: What is the ETA for fuel at the North Davidson facility?
A: The tanks are installed. Staff is in discussion to fuel the tanks.

VI. Update on the LYNX Silver Line Project

David McDonald

David McDonald presented a timeline for the Southeast Corridor (Silver Line). In 2011, the ULI panel made recommendations. Key land use and transportation principles are to preserve some retail on Independence Boulevard. ULI key recommendations were: bus rapid transit (BRT)/ express bus on Independence; streetcars on Central and Monroe; and to promote auto-oriented retail on Independence.

MTC directed CATS to do an alignment study. The study will range from a year and half to two years. In FY2014, staff will post RFP in fall of 2013, select a consultant by December 2013, develop proactive public involvement plan and review the study. Staff will make a final recommendation to MTC in FY2016.

Q: What is the ULI recommendation?
A: ULI recommended streetcar. As we go forward we will look at all recommendations to make sure we make the best decision for the corridor. The ULI panel did not look into Union County. The new study will look into Union County.

VII. CEO's Report

John Muth reported that CEO Carolyn Flowers will visit DC on January 30 to meet with the staff of the new North Carolina delegates. Staff will take the BLE to the local government commission in February to set up the local share. Although the red line task force will not meet in January, staff is still in conversation with Norfolk Southern regarding the rail study on passenger and freight.

Adjourn

The meeting was adjourned at 8:45 a. m.

NEXT CTAG MEETING: FEBRUARY 19, 2013, 7:30 A.M.