

CITIZENS TRANSIT ADVISORY GROUP (CTAG)
Meeting Summary
April 16, 2013
DISCUSSION SUMMARY

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

Staff: John Muth, Larry Kopf, Dee Pereira, Austin Hardison, John Trunk and Wanda Braswell,
Meeting time 7:30 a.m. – 8:15 a.m.

I. Call to Order

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

II. Approval of March 19, 2013 meeting summary

The meeting summary was approved as written.

III. FY2014-18 CIP Blue Line Extension Project and Debt Financing

Danny Roger / Dee Pereira

Danny Rogers, BLE Project Director, explained that the extension is a continuation of the current line leaving 7th street station going to University of North Carolina Charlotte. The extension will include an additional 9.3 miles, 11 stations with four park and ride facilities and about 3,100 parking spaces. The extension will accommodate three-car trains with over 25,000 daily riders by 2035. The extension will connect the UNC Charlotte campuses at a 22 minute ride. Federal Transit Administration issued the Record of Decision in December 2011. The State and Federal governments signed Full Funding Grant Agreements. First major construction contract should be awarded January 2014. Revenue service starts early 2017.

Staff is actively acquiring right-of-way. The initial construction management consultant contract with HNTB was approved by Charlotte City Council in November 2012. The contract for 22 light rail vehicles has been executed. Building demolition contract estimates came in lower than the estimated value. Advanced utility relocation will begin in May 2013. We are moving along with our contracts. The big contracts will be awarded in January with construction starting in March or April. Those are the civil contracts. The estimated amount for the building demolition was \$1 million. We got 13 bids with the lowest bid coming in at \$218,000; awarded April 22, 2013.

Q: What portion of the budget is land?

A: The budget for real estate was around \$90 million. Currently, we are tracking lower.

Dee Pereira, CATS Financial Director, provided an overview of the debt financing. Staff worked with the City finance and the Local Government Commission. We have short-term and long-term debt. The short term debt was a bridge cash flow in anticipating of receiving the full funding agreements. Since the signing of the full funding grant agreement with the State, the State adjusted their amount to an annual \$25 million for the project. We lowered our anticipated amount of \$100 million from the federal government to \$75 because of the sequestration. We went forward with short-term financing to cover our construction needs. Long-term financing for the project, not issued until 2015, will cover the remaining of the local share. Earlier this week, the Federal Transit Administration said CATS is included in the FY2013 budget for \$66.

1. \$125 million (8-year notes) issued in May 2013.
 - Anticipate fully expending by July 2014
 - Budgeted at a coupon rate of 3%
2. \$300 million privately placed loan program with Bank of America:
 - \$135 million temporary funding in advance of grant receipts
 - \$50 million in additional temporary funding (revolving)
 - \$115 million non-revolving temporary funding (may only be drawn following issuance of long term Certificates of Participation)
3. \$147 million long-term financing of CATS local share of the BLE project (2015)
 - The total cost of financing is budgeted at \$103+ million
 - \$77 million is currently included in BLE FFGA budget
 - \$26 million is budgeted for proposed (additional) debt financing

The Local Government Commission approved us to move forward with financing. Non-revolving contingency of \$115 million is temporary funding. Once we spend that amount, we are out of that fund.

We received an AAA+ from Moody's and an AA+ from Finch and Standards and Poor.

Q: What's the difference?

A: It is the way they evaluate your project.

Q: Is it a stand alone?

A: Generally it is how each agency rates your financial plan.

Q: Have you thought about the maturity of the bonds?

A: We have tried to do refunding of the short-term debt and retire them prior to the FFGA in 2022 and charge the interest that we incur to the project. The **additional is** a contingency in the event we do not get any from the federal or state government. We should retire all short-term debt prior to closing the FFGA

Q: What about the long-term financing of the \$147 million?

A: It is budgeted for 30 years. It depends on sales tax. We will keep looking as we move forward.

Q: How much contingency for over run?

A: It is an average of 10 percent. We have 120 million of unallocated contingency. There is contingency with each line item.

Q: Is the project funding a percentage?

A: The state is putting in a little more than their 25 percent because of the bridge at 36th Street.

IV. **Budget Recommendation to MTC**

In order to get approval from the Local Government Commission, MTC approved a financing plan and finance policy with room to revise with the annual budget.

1. Additional debt reserve fund to ensure we will pay our debt
2. Agreed to put a certain amount each year to build up to about \$30 million (evaluate each year)
3. Operating program would grow at 3.6 percent annually

The amount of sales taxes transmitted to transit will be limited.

Staff will continue to manage fuel through hedging; manage the debt financing and limit growth of operating cost; increased sales tax by 3 percent (generally in line with the city); also increase an allowance for pay and benefits.

The \$156 million debt is the largest the City of Charlotte has entered. The formula funds may not be as high as expected. We will replace fare boxes and upgrade the current rail trains to work with the new cars. Staff adjusted the debt expenses because of input from City finance.

Q: Financial policy?

A: MTC will review annually. They agreed to 3.6 percent and the \$30 million debt reserve.

Q: What is maintenance of effort?

A: Revenue from the City of Charlotte, Mecklenburg County and the Town of Huntersville for operating the system.

Q: After the half-cent sales tax, is **that** ?

A: Yes. All three entities have agreed to the 3 percent escalation in FY2014.

Q: How are we maintaining fuel cost?

A: Mr. Trunk stated that staff works within budget and take out volatility by forward purchasing for the next year. The hedging of fuel reduces spikes in the price.

Q: What do we do with year end fund balance?

A: Year-end money is used to pay expenses during the year. At the end of the fiscal year, it has to be at \$1 million. That fund balance can be used for extreme emergencies.

Q: Is it cash? Does it earn interest?

A: It earns but it is a low interest earning.

Q: Is it excessive? Have we done a study on the amount in reserve?

A: The Local Government Commission manages the debt. They are super conservative. The Local Government Commission feels comfortable with that amount. The fund balance is 100 percent of the budget.

Q: What about sequestration?

A: The \$115 million is there for that reason. CATS is in the governor's budget.

Staff ask that CTAG will recommend the proposed budget and include the debt reserve. A motion was made and passed unanimously.

V. **CEO's Report**

John Muth reported that Carolyn is traveling with staff to meet with insurance underwriters. The transit finance funding work group will meet Monday, April 22 to discuss and propose recommendation to MTC. Bus and rail supervisors are on alert after the Boston Marathon explosion.

Staff will schedule a conference call with Carolyn and the co-chairs to discuss the future agendas for CTAG. The May 21 meeting is cancelled.

Adjourn

The meeting was adjourned at 8:15 a. m.

NEXT CTAG MEETING: TBD