

METROPOLITAN TRANSIT COMMISSION

MEETING SUMMARY

September 26, 2012

Presiding: Harold Cogdell (Chairman, Mecklenburg County Commission)

Present: Mayor Anthony Foxx (Charlotte)
Curt Walton (Charlotte City Manager)
Rick Sanderson (TSAC Chair)
Harry Jones (Mecklenburg County Manager)
John Collett (NCDOT Representative)
Mayor John Woods (Davidson)
Mayor Jill Swain (Huntersville)
Mayor Jim Taylor (Matthews)
Ralph Messera (Matthews)
Brian Welch (Mint Hill Town Manager)

Chief Executive Officer: Carolyn Flowers

I. Call to Order

The regular meeting of the Metropolitan Transit Commission was called to order at 5:35 p.m. by MTC's Chairperson, Commissioner Harold Cogdell.

II. Review of Meeting Summary

The meeting summary of June 27, 2012 was approved as written.

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

Rick Sanderson

Mr. Sanderson reported that TSAC met on September 13. CATS staff provided information on bus fare box replacement, the alcohol advertising program, a post-DNC report and the upcoming October service change.

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

No report.

V. Red Line Task Force Update

John Woods

Mayor Woods said that the Red Line Task Force met prior to the MTC meeting. The transportation study with Norfolk Southern is underway with participation by the North Carolina Department of Transportation. The Request for Qualifications process has begun to find a developer partner for the project. The grade separation on the north side of town is on schedule.

VI. Public Comments

None.

VII. Action Items

None.

VIII. Information Items

a. **2013 State and Federal Legislative Agendas**

Dana Fenton

Mr. Fenton, Intergovernmental Relations Manager with the City of Charlotte, reviewed the 2012 state and federal legislative agendas. This year, the federal legislature reauthorized the surface transportation program, Moving Ahead for Progress in the 21st Century Act (MAP-21), but only for two years. The federal Congestion Mitigation & Air Quality (CMAQ) Improvement Program was changed for FY13 to include a stipulation that large urban areas may not use CMAQ monies for operations funding. This may impact three CATS routes: the Highway 51 route between Matthews and Pineville and two express routes, to Harrisburg and along I-485. Uncertainty over long term federal transportation funding remains ongoing. The 2012 state legislature cut the Motor Fuel Excise Tax, known as the gas tax. Gas tax revenues had declined before the cut due to greater numbers of fuel-efficient vehicles on the road. The revenue decline combined with the cut results in a reduction in gas tax revenues of approximately \$50 million this fiscal year. In this environment of federal and state funding uncertainty, MTC's legislative agendas for next year should focus on funding. MTC members will need to watch federal FY14 appropriations for the LYNX Blue Line Extension (BLE). State issues for 2013 include working with the General Assembly on BLE appropriations and transit operating funds, as well as transportation project financing programs which will be important for the Red Line and streetcar, such as the sunset date extension for Special Assessment Districts and obtaining authority to issue Special Obligation Bonds. CATS would also like to see the state legislature consider increasing maximum bus length from 45 to 60 feet, which would allow use of articulated buses on high ridership routes and BRT service. Transportation reform will also be an important issue on the state legislative agenda in 2013. Mr. Fenton reviewed the timeline for the legislative calendar for the remainder of 2012 and 2013.

Discussion: None.

b. **Advertising Review – per request of Charlotte City Council**

Olaf Kinard

Mr. Kinard, CATS Director of Marketing & Communications, said that the Charlotte City Council has asked MTC to review the advertising policy change approved at the June 2012 meeting to allow alcohol advertising. Mr. Kinard reviewed advertising revenue received in 2013 and revenue projections in the 2035 plan, as well as the asset revenue generation plan for the next five years. Bus shelters and benches are not covered in the plan, as neighborhoods generally are not in favor of advertising on shelters, but most other assets are included. Eliminating alcohol advertising would create a budget shortfall in FY2013 of \$600,000. A \$600,000 drop in revenue is equivalent to either a \$0.06 fare increase or a service level reduction of 6,000 hours. There is continued budgetary financial pressure as CATS' sales tax receipts remain below the FY2006 level, the State Maintenance Assistance Program (SMAP) was reduced \$1,000,000 over the past two years from capping the gas tax and the lack of a long-term reauthorization of the federal transportation bill. Other City assets such as the Airport and Time Warner Cable Arena already display ads or receive revenue from renting city assets to promote and sell alcohol. Mr. Kinard reviewed the alcohol ad review process and design requirements designed to reduce the appeal to a young audience, such as not using designs that appeal to youth under the legal drinking age and using models that appear to be closer to 30. Mr. Kinard also reviewed the display coverage of initial alcohol ads. For buses, ads would have display coverage of 2.5 percent of bus sides, and 15 to 22.5 percent of the LYNX fleet exterior ad space.

Discussion: Mayor Foxx said that the discussion at the Charlotte City Council meeting was heated on this topic. There is concern that alcohol ads on buses running through lower-income parts of the city may suggest that alcohol use is an appropriate way to manage difficulties. He suggested that perhaps excluding neighborhood shuttles from alcohol ads may be a way to alleviate that concern. Mayor Woods asked the length of a typical contract. Mr. Kinard responded that a national advertiser would look for longer term contract of six-months. A North Carolina vineyard inquired about a one- to three-month contract to stimulate interest in trips to their winery. Mayor Swain commented that the slide showing the revenue that would be lost if alcohol ads were removed does not take into account if the ads were replaced with other ads. Mayor Swain noted that MTC has accomplished an incredible amount of positives while she has been on the committee. MTC wrestled with the challenge of balancing the budget. She suggested that an MTC member meet with a Charlotte City Council member with a CATS employee, perhaps Dee Pereira, to go over the budget issues they wrestled with. Mayor Foxx reiterated that the Council conversation was heated with regard to possible recourse to reverse the policy change. The Council receives meeting minutes on a regular basis, and received the minutes on the proposed change in May; the information is there, but perhaps some folks did not realize it was there. Mr. Collett noted that the billboard change made a couple of years ago was not noticed initially, and perhaps this issue is similar. CATS needs more money but does not need to rip the community apart over the issue. Mr. Collett stated he would like to make a motion to eliminate alcohol ads or figure out how to satisfy the Charlotte City Council on the issue. Mayor Swain stated she would not second that motion, and reiterated her desire to have a conversation with the Charlotte City Council outside MTC meetings, regarding the budget and whether there are possible alternatives. Commissioner Cogdell asked about the neighborhood shuttle proposal. Mr. Kinard responded that CATS has spoken with its broker. If CATS excludes small buses, which are typically in the neighborhoods and town, there is still potential to make the revenue goal with the large buses and the LYNX, which are favored by large advertisers. Some larger buses go through neighborhoods, but not many. The smaller, neighborhood-based buses tend to get more local business advertising anyway.

Commissioner Cogdell asked the impact on contracts already signed if MTC decided to defer the issue. Mr. Kinard replied that after October 8, we would probably lose existing contracts and create future uncertainty for that type of advertising. Commissioner Cogdell asked if there are subjects with a potential significant impact or that can be predicted to be controversial, are there efforts to make sure that those get communicated before being put on MTC's agenda. Mr. Kinard replied that staff can do that, but other City assets have a revenue stream from allowing alcohol advertising, so the thought process had been that Council had approved that in the past. Mayor Swain remarked that doing that would require predicting how each municipality would respond to items on MTC's agenda. Mayor Foxx suggested that MTC members not make an immediate decision but follow Mayor Swain's suggestion on discussion and also ask staff to explore mitigation strategies.

Commissioner Cogdell said that he had a continued concern about the message that would be sent if MTC defers the decision; it sounded as though some advertisers are walking away. Mayor Woods said that MTC members went through a thoughtful process last spring, facing incredible budget pressures. He thought that it was positive and productive to continue the discussion; the current contracts have terms. He suggested that MTC not give up badly-needed revenue but allow current contracts to proceed while MTC engages in the process

suggested by Mayor Swain. Mayor Taylor said that he agreed that MTC not give up on current contracts, noting that the MTC serves a broader area than Charlotte alone. He asked Mayor Foxx what action Charlotte City Council contemplated if MTC did not make the decision they desired. Mayor Foxx responded that there was frustration that Charlotte City Council has no ability to overturn an MTC decision. Mayor Taylor asked what could happen if Charlotte City Council remains unhappy with the MTC's decision. Mayor Foxx replied that the Charlotte City Council has budgetary approval over CATS' budget. Council could hold the budget up if they were really unhappy, but he thought that constructive engagement on this issue would be helpful and may alleviate that outcome. Mayor Taylor asked Mr. Kinard what other types of advertising may be available. Mr. Kinard said that enhancing government speech ads had been discussed, but he could not think of anything that would not be more controversial. Reproduction devices, political and non-profit ads would allow advertising on polar ends of issues. New York City has to take anti-Muslim ads from non-profits due to a very broad advertising policy; a company loses control over what is said when going to the non-commercial arena.

Mayor Taylor stated that when service is reduced and outer edges of the service area get less service, MTC needs to investigate ways to compromise or find ways to replace funds. Mr. Messera asked Mr. Kinard if it would be possible to provide at a later date revenue projections of limiting alcohol ads to a certain percentage of the fleet. Mr. Kinard said that another way to get a compromise would be to limit the percentage of the fleet that could have alcohol ads at any one time; that is a viable option that would not impact the revenue stream. Mr. Messera said that the issue of who runs the system goes back to the heart of the system's origins. The towns have the authority to withdraw their money, but MTC is the policy board. Many elected officials and town members do not understand the structure of MTC and its relation to the various city and town governments. Commissioner Cogdell said that the amount in discussion was \$170,000 in contracts out of a \$50-million dollar budget. Mr. Messera noted that while Boston dropped alcohol ads recently, Chicago has adopted alcohol ads.

Mr. Collett said that he thought MTC needs to take time to make sure that everyone is on the same page. Mayor Swain reiterated that it would be a discussion with City Council. Commissioner Cogdell said that he thought discussions needed to take place at the staff level. He noted that holding the decision may send a message that alcohol ads may not be on buses in the future. Mayor Swain said that placing the issue on the agenda brings up that message. Committing to engage in discussion within the month indicates that MTC is maintaining the status quo, engaging with the two contracts currently under way. Mayor Taylor said that an important point is that MTC is suspending further conversations for future contracts, so staff will not be able to acquire new contracts until MTC makes a decision.

Mayor Foxx motioned that MTC ask the staff to keep active contracts in place and not to pursue future advertising for a period of one month while MTC deputizes Mayor Swain to be an envoy for MTC with the Charlotte City Council to create a dialogue and seek compromise while staff also seek mitigation options to bring back to MTC. Mayor Swain seconded the motion. Mr. Kinard said that he understood that the two existing contracts can be executed, but that staff would hold future contracts for 30 days until the October MTC meeting. Commissioner Cogdell added that staff was also being charged to pursue mitigation

strategies. Mayor Taylor asked about the other contract that Mr. Kinard had said may be lost; Mr. Kinard said that contract was lost due to a timing issue.

Mayor Foxx said that he asked Mayor Pro Tem Patrick Cannon how he thought Council would react. Mayor Pro Tem Cannon, who was at the meeting as an observer, stood and said that he thought some City Council members may be of the opinion that MTC was making a decision without regard to their opinion. He thought that Mayor Swain's suggestion of speaking with Council members was a good one. Mayor Swain asked Mayor Foxx and Mr. Walton to communicate to Charlotte City Council that at this time, MTC has no replacement for the money that would be lost through dropping alcohol ad revenue; until we can find out how to replace that revenue, she would hope that Council could understand that MTC understands their concern. Mayor Woods said that the ad discussions were difficult and the policy passed only after much discussion of the drastic revenue needs that forced MTC members' hands. MTC seeks alternatives, but we cannot stop a badly-needed revenue source. Commissioner Cogdell said that the room was packed with speakers about the recent \$0.25 fare increase; members are told that without this ad revenue, an additional \$0.13 fare increase would be needed in FY2013. Mr. Sanderson asked whether current contracts involved neighborhood buses. Mr. Kinard replied that the Crown Royal ads would be on LYNX vehicles; the others will be only on large buses. Mr. Sanderson stated that those ads would be largely not in the neighborhoods then; Mr. Kinard concurred. Mr. Collett urged MTC members to put contracts on hold until Mayor Swain could speak with City Council members, saying that these advertisers would probably still want to place the ads. Commissioner Cogdell asked the impact of eliminating ads this year. Mr. Kinard said that there would be a \$600,000 budgetary shortfall this year, equivalent to a 6 cent fare increase or a service level reduction of 6,000 hours. Mayor Foxx said that he did not want to eliminate the existing contracts, but instead ask that no additional contracts be signed for 30 days. He noted that this puts staff in a very awkward position and reiterated his preference that existing contracts be honored.

Resolution: Commissioner Cogdell restated Mayor Foxx's motion, to continue to allow alcohol advertising as previously approved at the June 2012 MTC meeting and to honor existing alcohol contracts with the stipulation that no new contracts be engaged for a period of 30 days. During that time, staff will investigate mitigation suggestions to bring to MTC at the October meeting. Mayor Foxx's motion also deputized Mayor Swain to have a conversation with members of the Charlotte City Council to discuss Council's concerns so that both bodies can better understand MTC's budgetary dilemma and hear of possible mitigation solutions. Mayor Foxx concurred that was his motion. Mayor Swain seconded the motion. The motion passed unanimously.

IX. Chief Executive Officer's Report

Carolyn Flowers

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

a. LYNX Blue Line Extension (BLE) Full Funding Grant Agreement (FFGA):

The BLE's FFGA is in the Congressional Review Cycle. Staff expects to receive the news granting that contract in mid-October.

b. LYNX Red Line:

Staff continues to engage in the negotiations reported by Mayor Woods during the Red Line Task Force update.

c. LYNX Silver Line:

Staff made a presentation to the Transportation and Planning Committee for the City of Charlotte about the Silver Line's status. CATS plans to engage a consultant to study that project in the FY2014 budget cycle.

X. Other Business

Mayor Foxx thanked CATS staff and MTC members for doing a great job during the DNC convention.

Mayor Foxx said that CATS received an \$18m grant to build three-car platforms at some stations on the South Corridor line. This will help with the BLE, which is being planned for three-car trains. Ms. Flowers elaborated that this is the execution of the grant announced last December.

Mayor Foxx noted that between the Red Line and streetcar, we have two systems that could conceivably operate outside the current governance process, but will need to align with the current process. If an Authority will be created for the Red Line, it is not too early to discuss operating covenants and models of how the systems could work together. Mayor Swain asked if CATS staff could investigate proposals of how the two systems could operate together, and Ms. Flowers agreed. Mayor Woods noted that we face that issue as we expand geographically anyway, since a different governance authority would be required if the system crossed state lines in the future. Mayor Foxx commented that we will have to figure out the structure for an entity separate from MTC, a Joint Powers Authority, for the Red Line if the tax increment financing approach is used. Hopefully, it would have some relationship with the CATS system. He proposed developing a model to be leveraged and used for the Red Line so there is a covenant on how things would be put in practice. Ms. Flowers said staff will work on that. Commissioner Cogdell said that Mayor Woods mentioned that broadening the transportation plan would create a need for a different governance entity altogether, and thought it would be interesting to understand what that entity might look like, and to have a conversation of when the change would need to occur. Ms. Flowers said that staff can report back on that.

Mr. Collett inquired about the current streetcar schedule. Ms. Flowers said that streetcar construction should start in December 2012. The line should open in late 2015.

XI. Adjourn

The meeting was adjourned at 6:50 p.m. by Commissioner Cogdell.

NEXT MTC MEETING: WEDNESDAY, OCTOBER 24, 2012, 5:30 P.M.