

Connecting Communities

2011 ANNUAL REPORT



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.

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.

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.

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Mayor Anthony Foxx

Metropolitan Transit Commission Chairman



Having grown up in Charlotte, I have a unique personal connection to the people and communities served by the Charlotte Area Transit System. As chairman of the Metropolitan Transit Commission (MTC), it is my responsibility to make sure our decisions help our communities thrive. Considering the current economic climate, the MTC focused much of its energy on our responsibility to work within our means without jeopardizing our long-term transit vision. Our

approach was balanced and sustained with cost reduction measures.

As the year began it was clear that the decline in sales tax revenue since 2008, due to the continuing economic downturn, was making the long-range plan unachievable in its current form. The MTC instructed CATS to develop a more affordable Blue Line Extension (BLE) project to fit within the new budgetary realities; seek an innovative public private partnership to advance the LYNX Red Line; and maintain core services while providing for a safe, reliable, and attractive transit system. By mid-year the MTC reviewed and approved a new BLE plan, reducing the project's cost by 20 percent while advancing the project through 65 percent design and a projected opening date in early 2017. The MTC also established the LYNX Red Line Task Force, which has proposed innovative implementation and funding strategies to advance the LYNX Red Line. The MTC will consider this new framework during the next fiscal year.

Another component of our approach required the assessment of new potential sources of revenue. As a result, the MTC approved allowing advertisements on the exterior of CATS vehicles, in transit centers, on transit schedules, other venues and naming rights. These additional revenues will aid in handling increased costs and sluggish sales receipts. In addition, I

am pleased to report that both the FY2012 Transit Operating Budget and FY2012-2016 Capital Investment Plan were unanimously approved.

The City of Charlotte has also moved to advance the long-term transit vision with a successful application for the Federal Urban Circulator Grant, which is returning the streetcar to Charlotte for the first time in more than 60 years. While the capital cost of this 1.5 mile streetcar will be born out of City capital funds and a remarkable two-thirds share of federal proceeds, this improvement reduces the long-term costs of the 2030 Transit Corridor System Plan by eliminating this stretch of streetcar from the half-cent sales tax. This investment also deepens our area's reputation as transit friendly.

None of these successes would have been possible without CATS CEO Carolyn Flowers, who was recently named one of Charlotte's Top 25 Outstanding Business Women by the Charlotte Business Journal. The award is given to professional women who have led special projects, developed new products and helped their businesses to stand out, among other factors. Within less than 16 months of arriving at CATS, Ms. Flowers secured support from Washington, D.C. for the LYNX Blue Line Extension, garnered several visits to Charlotte by Secretary of Transportation Ray LaHood, and sought new funding sources for the organization through advertising. She was instrumental in reducing the project scope of the Blue Line Extension by \$200 million, while maintaining a 95 percent customer satisfaction rating and a budget with sales tax receipts down 20 percent. Congratulations to Ms. Flowers and we look forward to her continued leadership.

The larger a region grows, the more diverse the transportation options it needs to keep moving in the right direction to sustain the economy. It is challenging to sustain current services and implement new ones with fewer resources than previously. Our shared circumstance and vision, force us to act as a community in order to serve our community. I can't think of a better road to travel than one we have built together.



Carolyn Flowers

Charlotte Area Transit System Chief Executive Officer

I have always believed in the power of a shared vision. Of course, achieving that vision requires a resounding commitment to teamwork and adaptability. This year, in particular, CATS has demonstrated what we can accomplish when we connect with the needs of the communities we serve to solve the challenges we all face. The sluggish economy continued to affect our ability to add new services at the pace in previous

years and advance the rapid transit plan approved in 2006. However, through creative public-private partnerships, new revenue sources and value engineering the LYNX Blue Line Extension, we were able to provide some service enhancements, maintain our core services and advance the rapid transit plan.

To the community's delight, the Gold Rush service was enhanced this year through an expansion of the public-private partnership with Charlotte Center City Partners to encompass Johnson C. Smith University, Central Piedmont Community College and Presbyterian Hospital. Ridership on the Gold Rush has increased since expanding this service, demonstrating the communities' desire for public transit. Ridership overall rebounded by 2.2 percent from the previous year with neighborhood and mainline routes experiencing the largest increases while services linked to uptown employment, like Express routes and the LYNX service, remained flat. We were able to increase ridership for the year with an excellent on-time performance across all services: 87 percent for bus and 99 percent for rail. We were also recognized by the North Carolina Department of Transportation as the safest bus and para-transit system in the state.

In January, after public input and value-engineering sessions, we presented a more economically fit cost estimate for the LYNX Blue Line Extension, reducing the project by \$200 million. The adjustments to the project, which includes the shortening of the line by approximately 1.2 miles, still maintains the connection of the UNC Charlotte Campus to center city Charlotte. Staff worked with the Red Line Task Force Committee and consultants to advance the Red Line and develop a new framework for funding the design, construction and operation of the line which will be presented in the fall of 2011.

After nearly a decade of absence CATS started accepting advertisements on the exterior of CATS vehicles in an effort to offset operating expenses. This new program provides a \$5 million revenue guarantee through 2016 with options to expand revenue venues in the future.

We have been pleased with our successes, but we are extremely proud to hear how our customers think we're doing. After conducting the first bus and rail passenger satisfaction survey in three years, customers gave CATS high marks on the quality of service, value to the community, management of the transit system and planning for the future.

Is it a challenging time for all of us? Without a doubt. But as we've seen throughout the year, challenges breed opportunities when we all work together to solve them. By connecting with our communities and each other, we will continue to deliver one of the safest, cleanest, most reliable transit systems in the country.

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; Mecklenburg County; 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.



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

Citizens Transit Advisory Group (CTAG)

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 officials, and its members serve staggered two-year terms.

Transit Services Advisory Committee (TSAC)

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. TSAC is made up of representatives appointed by the City of Charlotte, the Mecklenburg County Board of Commissioners, and the six towns.

Public Meetings

All public meetings are held at:

Charlotte-Mecklenburg Government Center
600 East Fourth Street
Charlotte, NC 28202

Metropolitan Transit Commission

*Fourth Wednesday of each month
5:30 pm – 7:30 pm
Room 267*

Citizens Transit Advisory Group

*Third Tuesday of each month
7:30 am – 9:00 am
Basement Level, CH-14*

Transit Services Advisory Committee

*Second Thursday of each month
4:00 pm – 5:30 pm
Basement Level, CH-14*

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.



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

OPERATIONS

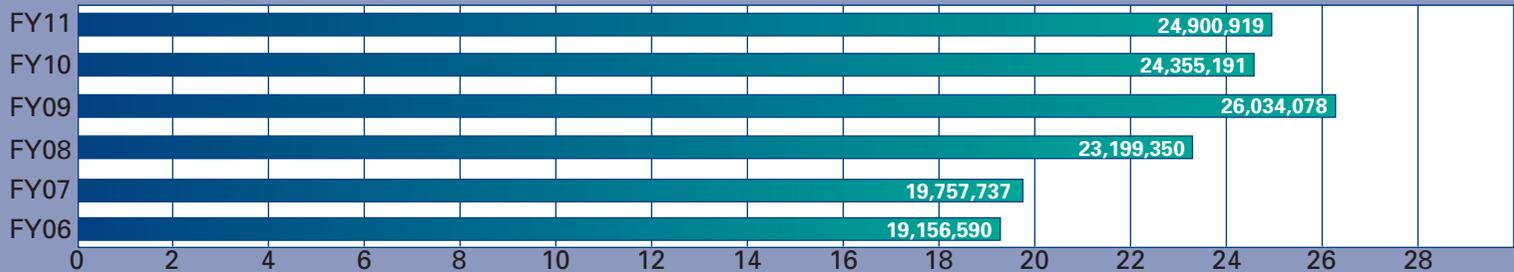
Ridership

Public transit plays a vital role in the communities CATS serves – providing access to jobs, protecting the environment, contributing to economic development, saving energy, reducing pollution, helping to alleviate traffic, and creating jobs. However, the combination of a sluggish economy and no growth in the local sales tax receipts since 2008 placed demands on an already stretched transit investment. Our goal for the year was to maintain our core services, improve the reliability of service and provide our customers with a safe ride. We are proud to say that we accomplished those goals and attracted more riders. Total ridership for FY2011 was up 2.2 percent to 24,900,919, the second-highest ridership year behind only the gas crisis of FY2009.

People relied on Community Circulator routes that provide a connection to local mainline service for access to jobs and employment. It's no wonder that the biggest boost in ridership during the year came from the Community Circulator routes, which were up 8.3 percent. In fact, bus ridership, led by Community Circulator and Local bus services, provided a strong 3.6 percent increase in ridership during the year.



Ridership (In Millions)





Services with a high percentage of riders who work in uptown professional positions continued to show decreases or remain flat for the year. Ridership on the LYNX Blue Line was down a fraction of a percent as compared to FY2010 mainly due to the lack of a strong employment rebound and less discretionary spending by consumers to attend sporting and uptown events. However, the LYNX Blue Line continues to surpass original ridership projections. In FY2011, LYNX averaged more than 14,600 weekday trips. Express routes showed the most decrease. They were down 8.6 percent due to a reduction in service trips because of budget cuts and a sluggish employment rebound. But, ridership appeared to be leveling off as the fiscal year ended.

Gas prices began to steadily rise in late winter, making public transit the most cost effective way to travel around the region. As a result, riding CATS, carpooling, vanpooling and biking saved individuals an average of \$2,416 annually, or \$200 per month, on their daily commute and even more for other trips.

Service

Though funding remained tight during the year, CATS was able to make service enhancements by obtaining specialized grants and by expanding public-private partnerships. Every new service that was added or expanded this year was done so with the single goal of increasing the mobility options in the community. And, the more options we provide, the more connected area residents will feel to the city, the region and even the world around us.

New Services

94 – Matthews/Mint Hill Shuttle

This year saw the introduction of Route 94–Matthews/Mint Hill Shuttle serving the Lawyers Glen Assisted Living Center, the Levine Senior Center and Blessed Assurance Adult Day Care. This new service was implemented with the help of the North Carolina Transportation for Elderly Persons and Persons with Disabilities Grant. It is a vital service for all transit customers, but it is especially important for keeping seniors and disabled members of the community linked to the greater Charlotte region.

Gold Rush Expansion

CATS' popular Center City circulator, the Gold Rush, was extended this year to encompass Johnson C. Smith University, Central Piedmont Community College, and Presbyterian Hospital through funding provided by these organizations. The expansion connects students, citizens, and visitors to a greater variety of businesses, educational and employment opportunities in Center City Charlotte.

Continued Growth On Specialized Services

In addition to the traditional concept of geographic communities, CATS is just as concerned with providing transportation options for specific communities of people, including airline travelers, NASCAR fans and those with special needs. While not everyone will utilize the services, they are nonetheless vital to the region's continued economic growth and connectivity.

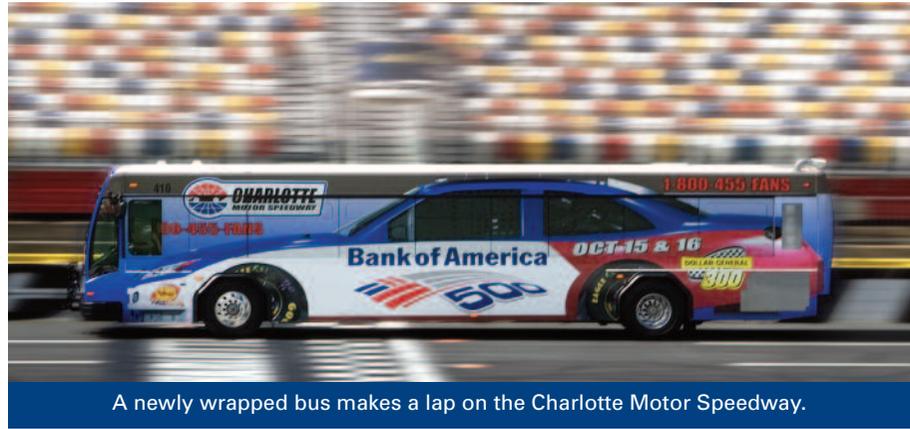
Sprinter

Sprinter, CATS' first enhanced bus service that connects travelers with Charlotte Douglas International Airport, celebrated its one-year anniversary in FY2011. Over the course of the year, ridership on Sprinter increased 20.9 percent over the previous service. The service uses a fleet of hybrid buses that produces fewer emissions and accommodates travelers with luggage.



79x – Concord Mills Express

Hundreds of NASCAR fans let CATS do the driving to the two races that occur in May and October at the Charlotte Motor Speedway. Ridership increased 35.7 percent over last year for the May races. In October the Charlotte Motor Speedway used wrapped buses to help promote the race while providing CATS with a new revenue source.



A newly wrapped bus makes a lap on the Charlotte Motor Speedway.

FY2007-FY2012 Countywide Services Plan Review

As CATS entered the final year of the current Countywide Transit Services Plan, staff conducted 32 meetings throughout the community in preparation to update the plan to cover FY2013-FY2018. The plan is designed to provide guidance over a five-year period to help make decisions related to new bus routes, adjustments to existing bus routes, and locations of new park and ride lots and/or transit centers. The public's input will play an important role in designing services that meet their transportation needs and in developing services that best serve the region.

Special Transportation Service (STS)

Our Special Transportation Service experienced a five-fold increase in the number of ADA Functional Assessments received due to changes and resource constraints at other local human services agencies and providers. Many former transportation clients of the human services agencies are now certified as eligible to ride STS. Although STS did not experience an increase in ridership for the year, it did have an increase in ADA related trips in the ADA service area, leaving less capacity to provide trips outside of the required ADA service area.

Even with the increase in customers, we remain committed to helping those with disabilities stay connected to the communities in which they live, work, and play. It is also important that we deliver these citizens to their destinations safely and comfortably. CATS was able to do that with the purchase of 20 new STS vehicles. With the help of the Clean Fuels Grant program, which supports emerging clean fuel and advanced propulsion technology for transit buses, CATS replaced older, less-efficient STS vehicles with vehicles that emit 56 percent less carbon dioxide, get more miles per gallon, only require preventative maintenance every 10,000 miles, and have an increased lifespan up to seven years and 200,000 miles.

Technology

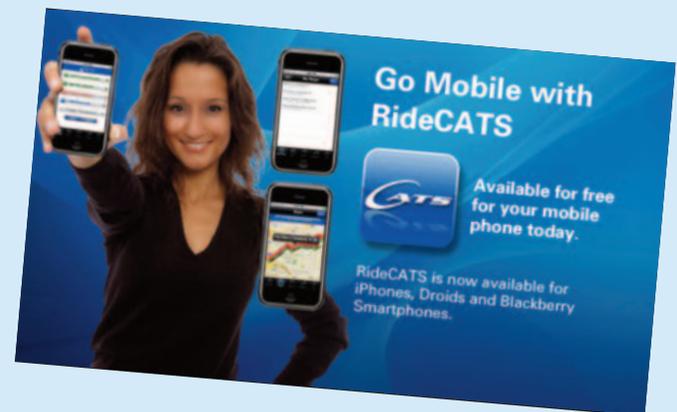
CATS customers are becoming more tech savvy and desiring more and more information at their fingertips through different technologies. Building on this foundation, CATS made several customer-focused enhancements making it easier and more convenient to ride. At the beginning of FY2011 CATS launched a newly designed and improved website with better navigation, quicker access to frequently accessed information, and language translation. As the Charlotte region's population continues to grow and become more diverse, CATS is connecting with an increasingly diverse ridership community through the use of a new, free language translation tool provided via Google Language. Over 40 different languages are supported with this enhancement including the eight most spoken languages in the Charlotte area: French, German, Hindi, Korean, Portuguese, Russian, Spanish and Vietnamese. According to the recently released 2010 U.S. Census Bureau numbers, Mecklenburg County's population increased 32.2 percent since 2000 to 919,600. More than 111,900 citizens are Hispanic, and 42,350 are of Asian descent. Over 80,500 citizens in Mecklenburg County identify themselves as "some other race" or "two or more races." CATS noticed the expanding diversity of our riders in the 2010 Customer Satisfaction Survey, and introduced the translation tool to make commuting even easier for more passengers.



Building on the popularity of the LYNX Blue Line mobile app, CATS introduced a free "Ride CATS" mobile app this year to make riding public transit even easier. The new app estimates the next four arrival times and the next three arrival times at any transit stop for any CATS bus route or LYNX train. "Ride CATS" is available on many smartphone platforms including: iPhone, Droid, Blackberry and any web-enabled phone.

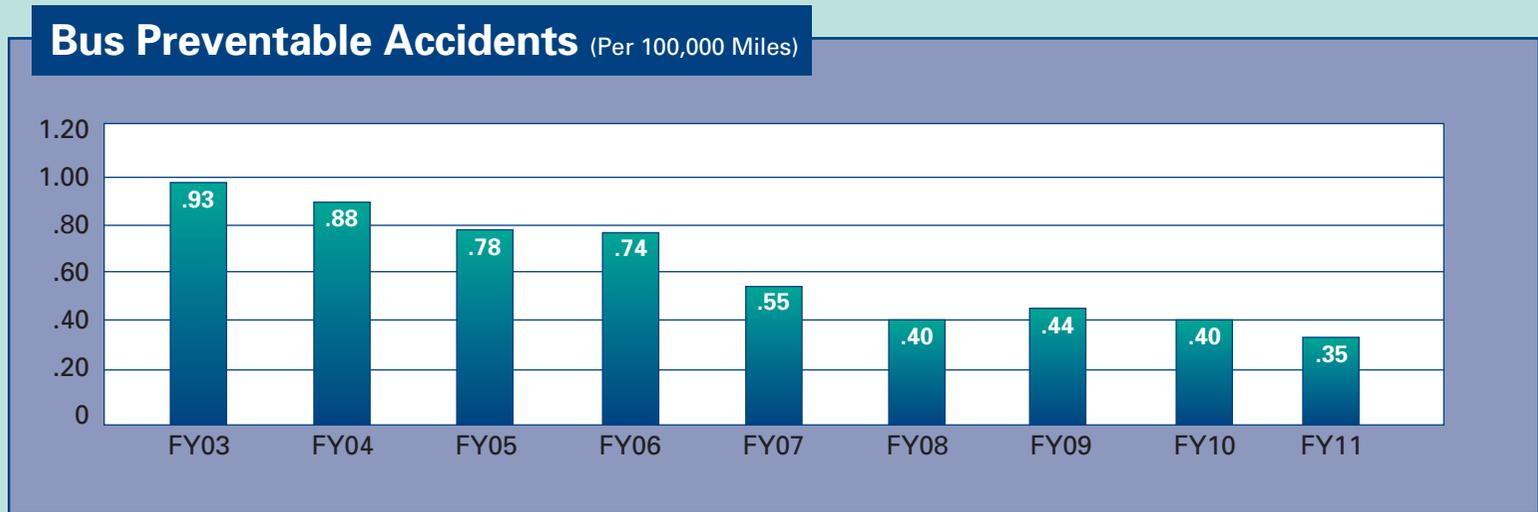
"Ride CATS" mobile app allows customers to:

- Save their most frequented stops and routes for quick access to get the next bus/train trip
- View an entire route and stops on a Google map
- View a complete stop listing with an option to display it on a Google map
- Plan a trip through Google Transit
- View content in Spanish and English
- Send feedback to CATS Customer Service



SAFETY & SECURITY

Accident Rates



New Safety And Security Measures

CATS prides itself on being one of the safest transit systems in the country. This is due to the proactive safety and security enhancements undertaken every day. CATS increased the number of sworn law enforcement officers patrolling and riding the transit system, including LYNX. The sworn law enforcement officers provide one of the highest levels of security and have full arrest authority on CATS property and vehicles. In addition, the sworn officers assist in checking fares, helping to keep our fare evasion rate at one of the lowest in the country at 1.9 percent. Coupled with our current use of security cameras on vehicles, at platforms, and throughout CATS-owned park and ride lots, these efforts produced a reduction in reported incidents along the LYNX line by 33 percent.

But, the good news doesn't stop there. Every day customers rely on us to transport them safely to their destinations. So, it should be no surprise that CATS experienced a 14 percent decrease in preventable accidents over FY2010. And, others took notice. Our Bus Operations Division was named the Safest Large Bus System in the state, and STS won the award for the Safest Small Bus System in the state for the third consecutive year. At the State Rodeo driving and maintenance competition, STS drivers brought home the Overall System Trophy for the fifth consecutive year.

DEVELOPMENT

Blue Line Extension

Since 2008, when the Great Recession began, the local sales tax receipts have not exceeded the 2005 level, making the long-range plan established in 2006 unachievable. The loss of growth in the sales tax has resulted in a projected \$2.2 billion gap in revenue through 2035 versus the sales tax revenue projected in 2006. Taking the new economic realities into account, CATS developed a new financial plan to advance rapid transit and bus services in the region through 2035. The MTC reviewed the new financial plan and instructed CATS to develop an "affordable" BLE project by reducing the capital costs by 20 percent while maintaining a viable service that will open in early 2017 and attract ridership. MTC members unanimously approved changes to reduce BLE project costs along with an updated financial plan for the entire transit system. The BLE project will now terminate at UNC Charlotte rather than at I-485, removing 1.2 miles of alignment and two stations. To accommodate increased ridership at other stations, the project will include a parking deck at the JW Clay Boulevard Station and a combination of deck and surface parking at the University City Boulevard Station.



CATS fare inspectors patrol LYNX trains, platforms and stations.

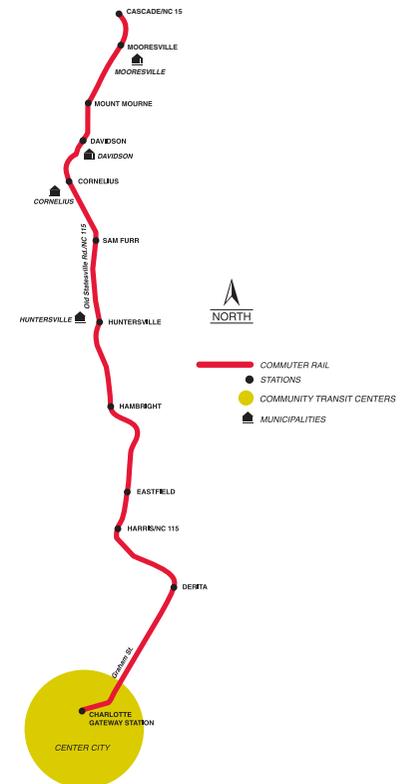


Other changes to the project include an initial reduction in service frequency by operating two-car trains every 7.5 minutes and three-car trains every 10 minutes, instead of two-car trains every six minutes. And, surface lots will be constructed at the Sugar Creek station rather than a parking deck. The proposed park and ride lots at the Tom Hunter and McCullough Stations will not be built. And, the project will not build a light rail vehicle maintenance facility at the Norfolk Southern Intermodal Site on North Brevard Street. It will, however, allow for an upfit of the existing South Boulevard maintenance facility. CATS continued to progress the 65 percent project design plans as the Final Environmental Impact Statement (FEIS) was developed. The FEIS evaluates the social, economic, environmental and transportation effects associated with the BLE project. The FEIS is scheduled to be published in

October 2011 with a record of decision to follow in December. Taking this schedule into account, both Charlotte City Council and the MTC authorized the negotiation of the State Full Funding Grant Agreement with NCDOT for the state's 25 percent funding share of the project.

Red Line Commuter Rail (North Corridor)

A Red Line Task Force was formed to advance the FY2011 Red Line Work Plan over the next 18-24 months. Their main focus is on developing a framework to address the funding gap created because the project does not meet current Federal New Starts criteria. The North Carolina Department of Transportation provided a consultant resource to collaborate with the task force on the work plan. During the year the task force identified potential cost savings through elimination or deferment of project items. Initiatives were started to create a public-private partnership model along the line to assist in generating additional funding to build and maintain the line. The task force plans to present this framework to the MTC in early FY2012.



Charlotte Streetcar Project

Due to the economic realities of reduced sales tax revenue since 2008, the advancement of the streetcar project had been delayed. In July, the City of Charlotte was approved to receive a \$24.99 million grant from the Federal Transit Administration (FTA) for the completion of a 1.5-mile starter segment of the Charlotte Streetcar Project, which will connect the Elizabeth Avenue Business Corridor with the Charlotte Transportation Center in Uptown. CATS' role in the project will be to support the City's Engineering & Property Management Department in the design and construction of the service, as well as operate the service once it is ready in 2015.



U.S. Secretary of Transportation Ray LaHood visits Charlotte to praise the Charlotte Streetcar Project.

In June, preliminary engineering, which advanced the project design to the 30 percent level, was completed. This accomplishment allowed the City to develop a reliable cost estimate and schedule for the project. The Streetcar team finalized an update to the Environmental Assessment (EA) and submitted the Draft EA to the FTA for review. Also in June, the FTA completed their review process and a Finding of No Significant Impact was issued. The FTA has discussed their desire to accelerate the beginning of construction from March 2013 to December 2012. The FTA is also considering a prototype streetcar from Kinkisharyo, a Japanese rail car builder, which was tested and demonstrated in Charlotte in January. This streetcar is a 100-percent low-floor hybrid-powered car that was put on public display for several days.



North Davidson Bus Facility Renovation & Expansion Project

The North Davidson Bus Facility Renovation Project is funded by the American Recovery and Reinvestment Act of 2009 through the Transit Capital Assistance Urbanized Program. North Carolina's largest stimulus project will improve operations by updating the condition of the 29-year-old facility while providing sufficient space and support for up to 200 transit buses. The renovation includes upgrades to the administration/operations and maintenance buildings as well as the

The North Davidson Bus Facility includes a work of art titled: *Wheels on the Bus in 7 Cymatic Sonatas*.



Construction workers erect a wall at the North Davidson Bus Facility.

construction of a new, multi-level staff parking garage. The facility will be more energy-efficient with upgraded plumbing, passive lighting systems, and the replacement of exterior finishes that allow for better temperature control. The building's new eye-catching exterior also helps strengthen the connection between the facility and the surrounding community. In addition, the changes allow CATS Special Transportation Service to relocate to the North Davidson Bus Facility.

This project enhanced the community in more ways than one. With the use of stimulus funds, approximately 200 jobs were created. Citizens were able to work and provide for their families while improving the gateway to the North Davidson neighborhood.

Charlotte Gateway Station

The Charlotte Gateway Station (CGS) Project is part of a larger, multi-modal development being led by the Rail Division of the State of North Carolina. The CGS/Multi-Modal Project is envisioned to serve Amtrak train service, Greyhound and CATS' Red Line (commuter rail), Gold Rush, and Sprinter services between uptown and Charlotte Douglas airport, as well as CATS local and express bus routes.

In order to develop future operating scenarios and estimate bus capacity requirements, CATS completed an Access and Circulation Study. CATS will continue to collaborate with the State of North Carolina during the coming fiscal year to advance the CGS/Multi-Modal Project through design development and phasing alternatives.



Charlotte Gateway Station Rendering

A DECADE OF ACCOMPLISHMENTS

While this is an annual report, we wanted to share how investment in the half-cent sales tax over the last ten years has benefitted the community and provided greater connectivity for the region.

In addition to a 75 percent increase in routes, the sales tax has allowed us to expand service hours and frequency. Now riders can access that information at any stop. CATS has installed eye-level displays at its 3400 stops, which tell citizens the previous major timepoint listed on the route schedule. We've improved safety and reliability, particularly for the disabled community. All CATS vehicles are now wheelchair-accessible, providing citizens with secure, dependable transportation and freedom of mobility.



Customer amenities have significantly increased throughout the system. Clean, comfortable community transit centers have been added in the Beatties Ford, Eastland and SouthPark areas. CATS has increased the number of shelters, system-wide to 300. We also took care to ensure those shelters fit in to the fabric of the community and included public art. CATS installed variable message signage at Sprinter stops and park and ride lots. And, citizens can now ride their bikes to a stop and take them on a vehicle. The majority of CATS buses and all LYNX trains are equipped with bike racks giving customers the ability to “rack and ride.”

Accident rates have been reduced by 64 percent over the last nine years, and neighborhoods are connected like never before. Thanks to the half-cent sales tax, the LYNX Blue Line serves over 15,000 passengers a day, and development along the line through 2015 is estimated to generate \$16 million annually in property taxes – up from \$6 million in 2003.

Customers responded to CATS efforts to provide them with a safer, more comfortable and more convenient commute. This was evident because ridership increased from 14.6 million in FY02 to 24.9 million in FY11. With this fact CATS looks forward to the next decade. Our commitment to our customers will not wane; it will only grow.

Fast Facts

CATS uses a variety of vehicles to provide millions of trips to the citizens of the Charlotte region.

Fast Facts		FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Revenue Hours		956,534	960,450	1,021,623	1,034,940	997,733	994,220
Revenue Miles		15,137,798	15,542,847	16,689,718	17,013,729	15,617,247	15,927,116
Employees		274	365	377	377*	351	345
Ridership		19,156,590	19,757,737	23,199,350	26,034,078	24,355,191	24,900,919
Fleet							
Forty-Foot Buses		173	173	181	161	169	169
Over The Road Buses		91	91	91	102	91	91
Shuttle Buses		44	42	50	41	43	43
Trolley Buses		20	20	20	20	20	20
Paratransit Shuttles/Vans		91	93	84	84	84	85
Vanpool Vans		100	93	101	81	71	99
Light Rail/Vintage Trolley		5	20	20	20	23	23
Fleet Total		524	532	547	509	501	530

*Includes 36 frozen positions

FINANCIAL SUMMARY

In FY2011 CATS continued to fulfill its mission of providing outstanding community-wide public transportation services to 24.9 million passengers while proactively contributing to focused growth through advancement of the LYNX Blue Line Extension and Red Line projects and sustainable regional development.

FY2011 Financial Highlights

- On June 30, 2011, CATS closed FY2011* with an unaudited fund balance of \$111.2 million which exceeds the Financial Policies objective by 11.2%.
- Actual operating cost of \$96.8 million was 5% below the adopted budget of \$101.5 million. The \$5.1 million reduction was achieved despite absorbing a 13% increase in fuel cost, with no reductions in service hours or workforce.
- CATS applied for 10 competitive grant opportunities offered by the U.S. Department of Transportation and was successful in receiving awards of \$8.8 million. These funds are additions to the capital program and budget.
- The Blue Line Extension light rail project completed a value engineering process which reduced the overall project cost at 30% by just over 10% in year-of-expenditure dollars as compared to the cost at 15% of preliminary engineering.
- CATS exceeded all of the Financial Policies objectives in FY2011. Noteworthy achievements are in the cost of service per revenue hour, debt service coverage ratios, and the year-end unobligated fund balance.

Financial Performance

In FY2011, CATS exceeded all of its Financial Performance objectives.

Financial Policy Measures

	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Adopted	FY2011 Unaudited
Operating Ratio (without Capital Interest) (OR/OE ≥ 20%)	23.54%	25.92%	23.76%	28.54%	27.66%
Passengers Per Hour (Bus ≥ 20 passengers per hour) (Rail ≥ 90 passengers per rail car)	23.9	24.6	24.6 106.3	24.4 100.0	25.0 104.9
Cost Growth Cost per hour system less rail Cost per hour rail (car)	\$97.36 \$87.06	\$84.70 \$220.38	\$90.03 \$278.57	\$88.37 \$332.94	\$86.68 \$274.66
Administrative Overhead (≤ 15%)	6.09%	6.24%	5.62%	6.82%	7.54%
Capital Investment Level (≥ 20% of sales tax revenue)	34.17%	31.45%	38.00%	31.36%	30.59%
Net Debt Service Coverage (≥ 1.15)	1.53	1.30	1.42	1.19	1.15
Gross Debt Service Coverage (≥ 3.0)	4.49	4.13	3.73	3.79	3.74
Fund Balance (in millions) (≥ \$100 million)			106.1	107.0	111.2

FY2011 Income and Expense Summary

Income Summary

Beginning Budgetary Balance **\$106,764,834**

Half Cent Sales Tax	\$55,964,789
Operating Revenue	\$25,461,668
Maintenance of Effort	\$18,599,366
State Maintenance Assistance	\$12,501,515
Interest Earned	\$994,316
Miscellaneous	\$440,734

Operating Income **\$113,962,388**

Federal Grant Income	\$27,554,828
State Grant Income	\$2,542,287
Other Capital	\$2,306,750

Capital Income **\$32,403,865**

Budgetary Balance Plus Income **\$253,131,087**

Expense Summary

Bus/STS/Vanpool Operating	\$83,964,013
Rail Operating	\$12,877,176

Operating Expense **\$96,841,189**

Debt Expense	\$14,982,536
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Debt Service Expense **\$14,982,536**

Capital Bus Equipment/Facilities	\$24,313,749
Rapid Transit	\$5,758,499

Capital Investment Expense **\$30,072,248**

Budgetary Balance **\$111,235,114**

FY2011 TRANSIT OPERATING PROGRAM

Operating Income

Operating income at \$114.0 million is \$6.5 million less than the FY2011 adopted budget.

Income from CATS' key source of revenue, the one-half cent Sales & Use tax was \$3.4 million below the FY2011 adopted budget and \$0.6 million lower than the mid-year estimate. Maintenance assistance from the State of North Carolina was \$0.9 million below budget. The State's appropriation for maintenance assistance to transit agencies has not kept pace with the increase in the number of transit agencies and performance of the agencies.

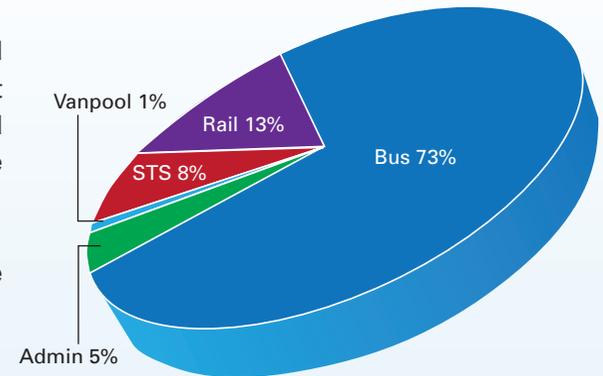
The revenue from fares and service reimbursements increased by \$0.4 million versus the adopted budget. This is noteworthy, because the increase occurred despite the regular fare increase which was implemented in July 2010.

Operating Expense

Operating expense at \$96.8 million is \$5.0 million below the FY2011 adopted budget. The actual operating cost was 4.9% lower than the actual operating cost in FY2010. Within this cost, CATS absorbed the increased costs of fuel and security and maintained the level of its core services with no reductions in the workforce.

CATS was able to achieve the lower than FY2010 operations cost through the following cost-savings initiatives:

- Inventory management
- Reduction of contracted services by CATS Facilities
- Freezing positions in the Bus Operations and Administration Divisions
- Reduction in discretionary expenses in all CATS cost centers



FY2011 Operating Expenses

Operating Balance

Operating balance at \$17.1 million is 30.6% of the actual sales tax received and well within the objective established 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				
	FY2008	FY2009	FY2010	FY2011 Unaudited
Operating Balance	\$24,296,213	\$19,421,096	\$21,802,139	\$17,121,199
Sales Tax	\$71,106,519	\$61,743,347	\$57,377,049	\$55,964,789
Operating Balance as % of Sales Tax	34.17%	31.45%	38.00%	30.59%

FY2011 TRANSIT CAPITAL PROGRAM

Capital Income

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

Federal grant awards were delayed due to several Continuing Resolutions in FY2011. This impacts execution of State matching grants. The result is that even though CATS was aware of grant allocations in FY2011, the funds were not actually received during FY2011.

In FY2011, CATS received allocations of \$27.6 million in Federal grants resulting from both formula allocations and several competitive processes.

In FY11 CATS applied for 10 competitive grant opportunities offered by the U.S. Department of Transportation and was successful in receiving awards of \$8.8 million.

FY2011 Transit Capital Program (In Millions)

	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Unaudited
Total Non-Operating Income	\$115.1	\$45.0	\$97.9	\$50.3
Debt Service Expense	\$15.8	\$14.9	\$15.4	\$15.0
Redemption of Short Term Borrowing	\$0.0	\$71.1	\$0.0	\$0.0
Capital Expenses	\$74.9	\$44.4	\$78.8	\$30.1
Total Non-Operating Expense	\$90.7	\$130.4	\$95.2	\$45.1
Contribution to Budgetary Balance	\$24.4	(\$85.4)	\$2.7	\$5.2

Debt Service Costs

Debt service costs at \$15.0 million included expenses on four prior issuances. At the end of FY2011, CATS retired its first (2001) debt issuances, which will reduce future debt service costs by an annual \$1.6 million.

Outstanding Debt

On June 30, 2011, CATS' outstanding debt was \$163.7 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

Capital Expense

Capital Expense of \$30.1 million was as follows:

- \$13.7 million on continuing Preliminary Engineering on the Blue Line Extension project and staff costs on the Red Line Commuter Rail project.
- \$17.0 million on procurement of revenue vehicles including the replacement of 30 buses, 19 STS ADA-equipped buses and 19 vanpools. Six of the replacement buses are funded with a grant from the competitive Federal TIGGER-I program.

The Blue Line Extension project conducted a re-scoping program following 15% Preliminary Engineering (PE) in order to align the project cost with available resources. In July 2011, CATS submitted the Final Environmental Impact Statement to the Federal Transit Administration with a 30% Preliminary Engineering cost of \$1.069 billion, which was \$111.0 million below the cost estimate at 15% PE.

Rehabilitation of the Davidson Street Bus Facility continued during the year with completion of the maintenance, administration and employee parking deck facilities. This major rehabilitation and building project was made possible by the award of \$20.7 million in Federal funds from the American Recovery & Reinvestment Act of 2009, and \$2.0 million from Federal Formula funds.

The Transit Fund Budgetary Balance

The FY2011 year-end (unaudited) budgetary balance is \$111.2 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.

FY2011 Budgetary Balance

Beginning Budgetary Balance	\$106,764,834
Income	\$146,366,253
Subtotal	\$253,131,087
Less: Expense	\$141,895,973
FY2011 Year-End Budgetary Balance	\$111,235,114



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