20.0 FINANCIAL ANALYSIS

This chapter discusses the financial strength of the Charlotte Area Transit System (CATS) and CATS' ability to undertake a second major capital investment and operate and maintain its existing transit services. The analysis compares the financial implications of the No-Build Alternative and the Preferred Alternative. The general system economic assumptions are the same for both alternatives, such as sales tax growth, Operations and Maintenance (O&M) escalation, inflation, etc.

The CATS 2030 *Transit Corridor System Plan* called for transit development in five corridors originating in Center City Charlotte and carrying passengers to every corner of Mecklenburg County. CATS initiated revenue operations on North Carolina's first and very successful light rail line, the LYNX Blue Line (South Corridor), in November 2007. The $462.7 million, 9.6-mile light rail line was the result of a funding partnership among the Federal Transit Administration (FTA), the State of North Carolina, and the local voter approved ½-percent sales and use tax.

CATS' financial capacity rests on the demonstrated strength of the voter approved ½-percent sales and use tax, the City of Charlotte's AAA bond rating and CATS' very strong financial policies which require an annual, year-end $100 million cash fund balance, a 3.0x gross debt service coverage ratio and a 1.15x net debt service coverage ratio.

The State of North Carolina is a major funding partner for CATS. The North Carolina Department of Transportation (NCDOT) is one of North Carolina's largest state government agencies with responsibility for highways, rail, aviation, ferries, bicycle and pedestrian facilities and public transit. NCDOT operates annually on a $3.9 billion budget funded by both state and federal sources and employs more than 14,000 employees. NCDOT is led by a Transportation Secretary and is governed by the North Carolina Board of Transportation. The Board is designated as the agency of the State of North Carolina responsible for administering all programs relating to public transportation. NCDOT's strong support of CATS' rapid transit projects is demonstrated in State Statute 136-44.20 which authorizes the NCDOT Board of Transportation and the Secretary to enter into State Full Funding Grant Agreements (FFGA) to provide State matching funds for "new start" fixed guideway projects upon completion and FTA approval of preliminary engineering and environmental impact studies in anticipation of federal New Starts funding. For Charlotte's South Corridor Light Rail Project, NCDOT executed a State FFGA with the City of Charlotte for a 25 percent share of the project cost two years prior to the execution of the Federal FFGA. A further measure of the State's commitment to public transit is North Carolina House Bill 1005 which was signed into law in 2009 and provides financial support for rail projects that do not qualify for Federal funding.

20.1 Changes to this Chapter since the Draft EIS

This chapter has been revised to reflect the identification of the proposed Light Rail Alternative as the Preferred Alternative. In addition, the definition of the Light Rail Alternative has been refined to terminate at the University of North Carolina at Charlotte (UNC Charlotte), as described in Chapter 2.0: Alternatives Considered. The associated changes to the projected capital cost and operations and maintenance expenditures are also reflected in this chapter. The proposed opening of light rail operations for the Preferred Alternative has been adjusted to reflect the current anticipated schedule to begin operations in FY2017. The forecast year used for the project has been changed from 2030 to 2035, consistent with the region's Long Range Transportation Plan. These refinements, as well as updated financial data and assumptions, are included in this chapter as they apply to the analysis of financial impacts.

20.2 Capital Program

The CATS long-range transportation plan includes two types of capital expenditures. The first category involves general capital investment and includes expenditures for such items as the replacement of buses and vanpool vehicles, and maintaining bus garages and shelters in a state of good repair. The second category is the rapid transit program, including capital projects such as the LYNX Blue Line Extension (BLE).

20.2.1 General Capital Investment

In the Preferred Alternative, general capital investment on the existing system totals $819 million, or approximately 42%, of the $2.0 billion in total capital expenditures (excluding debt service) over the 2011-2035 period. For some large expenditures, such as LYNX light rail vehicle mid-life overhauls, the financial analysis assumes that CATS will issue Certificates of Participation (COPs), a form of debt financing, to distribute the costs over a 10- to 30-year period, depending on the life of the underlying asset pledged as security for repayment of the COPs. Sources of funds for general capital expenditures are described below.

20.2.1.1 Federal Sources

General capital projects are often funded by federal grants CATS receives each year on a formula basis, such as the Urbanized Area Formula Program (49 U.S.C. 5307) and the Fixed Guideway Modernization Program (49 U.S.C. 5309). These types of federal grants provide up to 80 percent of the funding for expenditures of a capital nature. The other 20 percent is the local match that may include CATS' sales tax revenues and grants from the State of North Carolina. Formula-based grants and other federal sources of funds are described below.

<u>Urbanized Area Formula Program (49 U.S.C. 5307)</u>: This program makes federal resources available to urbanized areas for transit capital projects and for transportation planning. Urbanized Area Formula Program funds are apportioned annually on the basis of legislative formulas. For areas such as Charlotte with a population of 200,000 or more, the formula is based on such factors as bus revenue vehicle miles and passenger miles, fixed guideway revenue miles and route miles, and population and population density.

<u>Fixed Guideway Modernization Program (49 U.S.C. 5309)</u>: This program allocates funds to meet the capital replacement needs of rail systems and dedicated busways. The statutory formula for allocating funds contains seven tiers. Funding under the last three tiers (5, 6, 7) applicable to CATS is apportioned based on the latest available route miles and revenue vehicles miles on segments at least seven years old as reported to the National Transit Database. New facilities must be in operation for seven years to qualify for this program.

<u>Congestion Mitigation Air Quality (CMAQ) Improvement Program</u>: Jointly administered by the Federal Highway Administration (FHWA) and the FTA, the CMAQ program was reauthorized in 2005 under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU authorized more than $8.6 billion in CMAQ funds to State Departments of Transportation, Metropolitan Planning Organizations and transit agencies to invest in projects that reduce air pollutants emitted from transportation-related sources. The formula for distribution of funds considers an area's population by county and the severity of its ozone and carbon monoxide and ozone non-attainment/maintenance areas.

<u>Bus and Bus-Related Equipment and Facilities Program (49 U.S.C. 5309)</u>: In addition to providing funds for new fixed guideway systems (New Starts) and the modernization of existing rail systems, the federal transit capital investment program (49 U.S.C. 5309) provides capital assistance for new and replacement buses and facilities.

<u>Department of Homeland Security (DHS)</u>: CATS has received DHS grant funds since FY2007 and anticipates receiving them throughout the forecast period. These grant funds are 100 percent funded by the DHS and therefore require no local match. DHS-related expenditures are forecasted to match the anticipated DHS grant revenue.

<u>American Recovery and Reinvestment Act (ARRA), Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER)</u>: FY2011 sources of capital funds include $3.0 million in ARRA grants awarded to CATS to be expended on the procurement of six hybrid electric buses.

Other federal grant / share – South Corridor Retrofit: Sources of capital funds in FY2023-2024 include federal grants assumed to fund 80 percent of the cost to retrofit South Corridor light rail stations to accommodate 3-car trains.

Other: Other federal funds include grants received through: the Metropolitan Planning Program (49 U.S.C. 5303) which provides financial assistance to help urbanized areas plan for the development, improvement, and effective management of their multimodal transportation systems; the Job Access and Reverse Commute Program (49 U.S.C. 5316) which was established to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment; and the New Freedom Program (49 U.S.C. 5317) which aims to provide additional tools to overcome existing barriers facing Americans with disabilities seeking integration into the work force and full participation in society.

20.2.1.2 State Sources

The State of North Carolina typically provides one-half of the local match required for FTA-administered grants. Federal highway program grants applied to mass transit purposes may also be matched by the State of North Carolina. Sources of capital funds for general capital investment from the State of North Carolina also include funds allocated to public transit agencies on a project-by-project basis for introduction of new technologies to improve transit operations.

20.2.1.3 Other Sources

Local funds cover general capital costs not offset by Federal or State grants. A large part of the local funds are generated by surpluses from the Operating Program as described below in Section 20.1.2.3.

20.2.2 Rapid Transit Program

The other category of capital expenditure in CATS's long-range transportation plan includes investments in the rapid transit program. The first major capital project in the rapid transit program was the South Corridor. The alternatives analyzed for the Northeast Corridor in this Final Environmental Impact Statement (EIS) are described in detail in Chapter 2.0: Alternatives Considered and are summarized as follows:

- The No-Build Alternative assumes a fleet expansion to 353 buses in FY2035 and the continued operation of the current LYNX Blue Line (South Corridor) light rail service. This compares to the current fleet of 323 buses in FY2011.

- The Preferred Alternative includes the construction and operation of the LYNX BLE (Northeast Corridor) and a correspondingly smaller bus program given the service the additional rail provides. Under the Preferred Alternative, rail service replaces some bus service in the Northeast Corridor, and some bus service is re-aligned to serve light rail stations, resulting in a bus fleet of 338 vehicles in FY2035.

Table 20-1 demonstrates characteristics of the alternatives in the forecast year.

Table 20-1
2035 Characteristics of Alternatives

Characteristics	No-Build Alternative	Preferred Alternative
Peak buses	302	289
Bus fleet	353	338
Annual revenue hours – bus	860,066	833,313
Annual revenue hours - LYNX Blue Line	61,392	100,103
Annual unlinked trips – bus	27,054,681	25,953,765
Annual unlinked trips - LYNX Blue Line	8,498,537	16,841,684

20.2.3 Capital Costs

The Preferred Alternative is estimated to have a total project cost of $1,069.7 million in year-of-expenditure dollars based on revised 30 percent design cost estimates (June 2011). The revised estimate accounts for the project terminus at UNC Charlotte.

Table 20-2 provides a cost breakdown by standard cost category as required by FTA and includes soft costs (such as preliminary engineering, final design, and project management for design and construction) and set asides for financing costs and allocated and unallocated contingencies. A 4.0 percent annual capital cost escalation rate is assumed. Capital expenditures began with Preliminary Engineering in FY2008 and continue through the start of operations in FY2017. Financing costs are included in project costs through FY2019 as it is assumed federal disbursements pursuant to the FFGA will continue until FY 2019.

Table 20-2
Preferred Alternative Capital Cost Estimate
(millions, year-of-expenditure dollars)

Description	YOE Cost
Guideway and Track Elements	$167.5
Stations, Stops, Terminals, Intermodal	$56.3
Support Facilities: Yards, Shops, Administration Buildings	$10.4
Sitework and Special Conditions	$129.7
Systems	$138.4
Right of Way, Land, Existing Improvements	$119.1
Vehicles	$105.7
Professional Services	$171.3
Unallocated Contingency	$90.8
Finance Charges	$80.5
Total Project Capital Costs	**$1,069.7**

The funding plan anticipated for the LYNX BLE is based upon that used to fund the existing LYNX Blue Line: 50 percent federal grants, 25 percent state grants, and 25 percent CATS and other local sources. The planned contributions for the LYNX BLE from each of the funding partners on an annual basis are shown in Table 20-3 for the Preferred Alternative. For some years, CATS funds are shown as negative values. During these years, it is projected that CATS will be reimbursed from New Starts or State matching funds for covering Federal and State shares in previous years where disbursements were lower than their share of expenditures.

Table 20-3
Preferred Alternative Sources & Uses of Funds (millions, inflated)

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total	%
Total project cost	3.0	9.3	11.6	11.7	70.8	105.0	235.4	296.7	278.8	23.9	13.1	10.3	**$1,069.7**	
FTA §5309 New Starts funds	-	2.0	5.8	10.0	21.9	66.0	75.0	75.0	75.0	75.0	75.0	54.1	**$534.8**	**50.0%**
State match	-	-	3.0	5.9	10.9	33.0	58.9	74.2	69.7	6.0	3.3	2.6	**$267.4**	**25.0%**
CATS	3.0	7.4	2.8	(4.3)	15.4	(2.4)	101.6	147.5	134.1	(57.1)	(65.2)	(46.4)	**$236.5**	**22.1%**
City of Charlotte / In-Kind	-	-	-	-	22.5	8.4	-	-	-	-	-	-	**$30.9**	**2.9%**
Total sources of funds	3.0	9.3	11.6	11.7	70.8	105.0	235.4	296.7	278.8	23.9	13.1	10.3	**$1,069.7**	**100.0%**

20.2.3.1 Federal Sources

The financial plan assumes that FTA New Starts (49 U.S.C. 5309) grants will fund 50 percent of the corridor capital investments. The FTA authorized the LYNX BLE to advance into Preliminary Engineering in November 2007, and CATS anticipates applying for permission to enter Final Design at the beginning of 2012. The proposed project received federal appropriations through FFY2010 totaling $39.65 million. The President's proposed budget for FFY2011 included no additional funds for the LYNX BLE. In the President's proposed budget for FFY2012, the LYNX BLE is among four projects listed under "Other Capital Investment Program Funding Recommendations" totaling $400 million.

20.2.3.2 State Sources

CATS is currently in discussions with NCDOT to replicate the funding agreement of the LYNX Blue Line (South Corridor) light rail project, in which the state participated in 25 percent of the total project costs. CATS anticipates that the State will award CATS an FFGA by the spring of 2012.

20.2.3.3 Other Sources

To fund the majority ($248 million) of the 25 percent local share of the proposed project's total capital cost, CATS would use revenues from the ½-percent sales and use tax or borrow against future sales tax revenues. Voters in Mecklenburg County approved the sales tax in November 1998 and reaffirmed support for the tax in November 2007 by defeating a measure on the ballot to repeal the tax. The tax has been collected since April 1999. By statute, revenues from the sales and use tax can only be applied to expenditures for planning, construction and operation of a county-wide public transportation system. The sales tax receipts in CATS' capital revenues are the funds remaining after operating expenses are paid. In addition, the City of Charlotte has committed $16.8 million to the 25 percent local share of the LYNX BLE, divided evenly between FY2012 and FY2013. The majority of these funds are from the Northeast Corridor Infrastructure Program (NECI), a program of infrastructure improvements initiated by the City of Charlotte to support and encourage future development in the Northeast Corridor; voters authorized bonding for this program in November 2010. Contributions of right-of-way from the City and County add another $14.2 million toward the local share.

A full summary of the CATS Capital Program under the Preferred Alternative is shown in Table 20-4.

Table 20-4
Capital Plan: Preferred Alternative
(millions, inflated)

	Total FY 2011-2035	
Capital Revenues		
FTA §5309 New Starts funds - Northeast Corridor	$527.074	18.6%
FTA §5307 Urbanized Area funds	$615.288	21.7%
FTA §5309 Fixed Guideway Modernization funds	$69.348	2.4%
Congestion Mitigation and Air Quality (CMAQ) Program funds	$73.972	2.6%
FTA §5309 bus discretionary funds	$32.413	1.1%
Department of Homeland Security grants	$12.817	0.5%
ARRA grants	$3.000	0.1%
Other federal grant / share - South Corridor Retrofit (FY2023-FY2024)	$90.897	3.2%
Other federal funds	$15.179	0.5%
Subtotal - federal funds	**$1,439.988**	**50.9%**
State match for FTA §5309 New Starts - Northeast Corridor	$264.423	9.3%
State match for FTA §5307 Urbanized Area	$73.865	2.6%
State match for FTA §5309 Fixed Guideway Modernization	$8.669	0.3%
State match for Congestion Mitigation and Air Quality (CMAQ)	$9.462	0.3%
State match for FTA §5309 bus discretionary	$3.738	0.1%
State match for ARRA	$0.375	0.0%
State match for other federal grant / share – South Corridor Retrofit	$11.362	0.4%
Other state funds	$3.173	0.1%
Subtotal - state funds	**$375.068**	**13.2%**
CATS operating balance	$493.237	17.4%
Net proceeds from new debt	$486.201	17.2%
City of Charlotte funds	$16.799	0.6%
Local in-kind ROW contributions	$14.150	0.5%
Other capital income	$6.222	0.2%
Subtotal - local funds	**$1,016.609**	**35.9%**
Total capital revenue	**$2,831.665**	**100.0%**
Capital Expenditures		
Bus & bus amenities / facilities	$657.208	23.3%
Rail vehicles, facilities & equipment	$98.785	3.5%
Other capital expenditures	$62.655	2.2%
Subtotal - existing system capital expenditures	**$818.648**	**29.3%**
Capital expenditures - rapid transit development	$21.229	0.8%
Capital expenditures - South Corridor retrofit	$113.621	4.1%
Capital expenditures - Northeast Corridor	$1,008.392	36.0%
Capital expenditures - North Corridor	$0.468	0.0%
Subtotal - rapid transit program capital expenditures	**$1,143.711**	**40.9%**
Debt service	$835.153	29.9%
Total capital expenditures	**$2,797.511**	**100.0%**
Net cash flow	**$34.154**	

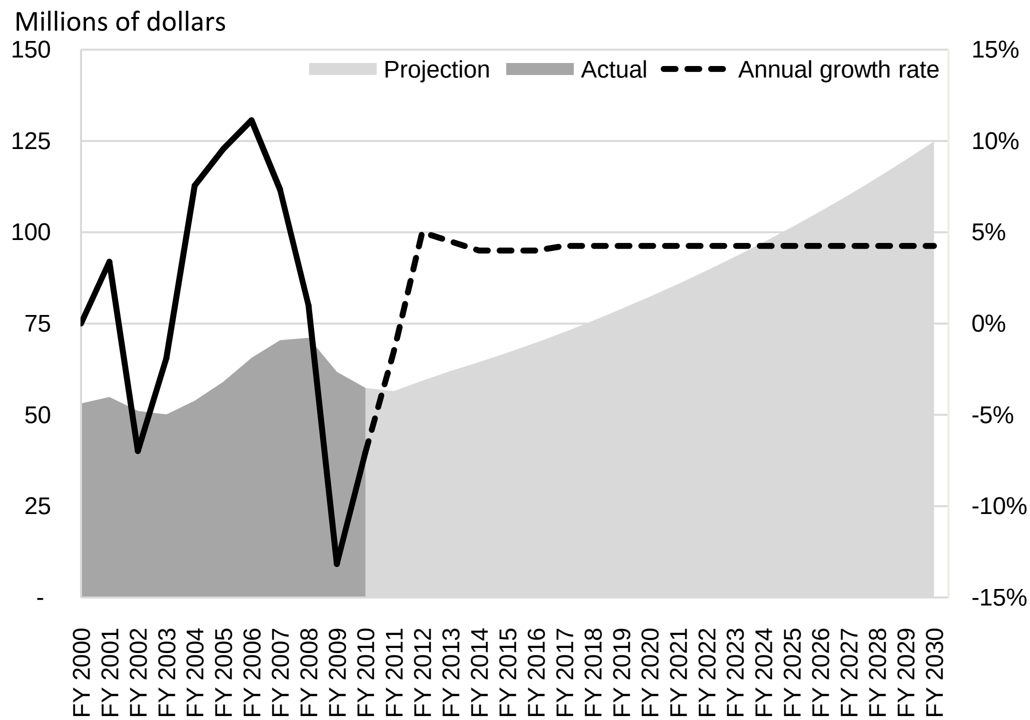
20.3 Operating Program

20.3.1 Operating Revenue

CATS' operating program is predominantly funded from two sources: farebox and the dedicated ½-percent sales and use tax. Additional sources of operating income include: service reimbursements; interest income; maintenance of effort payments from the City of Charlotte, Mecklenburg County and the Town of Huntersville; State maintenance assistance; advertising revenue, and other miscellaneous sources.

<u>½-Percent Sales and Use Tax</u>: Effective August 21, 1997, Subchapter VIII of Chapter 105 of the North Carolina General Statutes was amended to add a new Article 43, Local Government Public Transportation Sales and Use Tax Act, which authorized the collection of a ½-percent sales and use tax in Mecklenburg County, with proceeds from the new tax to be used exclusively for public transportation. On November 3, 1998, Mecklenburg County voters approved the measure in a referendum to support the implementation of the *2025 Integrated Transit/Land Use Plan*, and the Mecklenburg Board of County Commissioners passed a resolution on February 16, 1999 levying the tax effective April 1, 1999. Voters reaffirmed support for the transit tax in November 2007 by defeating a measure on the ballot to repeal the tax. Figure 20-1 shows actual and projected sales tax revenue for CATS. In the FY2000-FY2007 period, which includes the first full year of collections of the tax and the 2001 recession, the tax grew at a compounded average annual growth rate of 4.1 percent and generated between 55-60 percent of CATS' total operating income. The recession in the national economy that began in FY2008, however, has significantly impacted income from the ½-percent sales and use tax. The compounded annual growth rate in the FY2007-FY2011 period averaged negative 5.4 percent. The compounded annual growth rate assumed for the FY2011-FY2035 period is 4.25 percent, consistent with CATS' assumptions for future inflation and an allowance for real growth. During the forecast period through FY2035, CATS projects that the ½-percent sales and use tax revenue will comprise a lower portion of total operating income of approximately 47 to 50 percent.

Figure 20-1
Half-Cent Sales Tax Revenue



Farebox: Farebox revenue totaled approximately $20.0 million in FY2010 and is forecast to grow to $99.0 million in FY2035. Farebox revenue estimates are the product of ridership estimates and average fare assumptions. The Operating Plan breaks the farebox revenue into two sources, i.e. existing system (which includes fares from the existing LYNX Blue Line) and proposed fares from the LYNX BLE.

Maintenance of Effort: Annual payment from the City of Charlotte, Mecklenburg County, and the Town of Huntersville in the amount of $18.6 million (with no escalation). This payment is required by statute and is a condition for CATS to receive its sales and use tax revenue. It has remained constant at the $18.6 million level since FY1999.

Service Reimbursements: These are fees collected pursuant to a local transportation partnership CATS has with various local entities, including the UNC Charlotte campus circulator and Charlotte Center City Partners for the uptown Gold Rush shuttle service. Regional Express Services are also included in the service reimbursement revenues. Service reimbursements amounted to approximately $1.4 million in FY2010 and are projected to escalate at 4.0 percent per annum thereafter.

Interest Income: The financial analysis assumes a long-term interest rate on fund balances that increases gradually to 2.0 percent.

State Maintenance Assistance Program (SMAP): NCDOT provides operating assistance to transit properties in North Carolina on an annual basis. From FY2008-FY2010, CATS received approximately 38 percent of NCDOT's SMAP appropriation. NCDOT's annual appropriation for SMAP to its urban areas has remained constant over the past few years. CATS projects this income will decrease or remain flat through FY2013 and escalate at 2.0 percent per annum thereafter.

Advertising and miscellaneous revenue: Advertising revenue derives from exterior advertisements on revenue vehicles as well as advertisements on kiosks at rapid transit stations, ticket stock, and printed schedules. Miscellaneous sources of revenue include funds from the federal CMAQ Improvement Program.

20.3.2 Operating Expense

In the Preferred Alternative, approximately 64 percent of CATS future operating expenses would be for bus services. The LYNX Blue Line (South Corridor) light rail service represents approximately 14 percent of CATS' total operating expenses from FY2011-FY2035. Vanpools and special transportation services for disabled customers and human services recipients (paratransit services) are projected to require 8 percent of all expenses. Almost 6 percent of CATS' operating expenses would be for administrative costs. The LYNX BLE (Northeast Corridor) light rail operations are anticipated to consume approximately 8 percent of all operating expenses. CATS assumes a long-term annual operating cost escalation rate of 3.75 percent. A summary is depicted in Table 20-5.

Table 20-5
Operating Plan – Preferred Alternative
(millions, inflated)

Operating Revenue	**Total FY 2011-2035**	
Half-cent sales tax	2,440.8	49.2%
Fare revenue - existing system	1,206.4	24.3%
Fare revenue - proposed Northeast Corridor	242.8	4.9%
Maintenance of effort	465.0	9.4%
Service reimbursements	54.2	1.1%
Interest income (all funds)	64.4	1.3%
State operating assistance	377.3	7.6%
Advertising and miscellaneous revenue	112.5	2.3%
Operating revenue	**$4,963.3**	**100.0%**
Operating Expense	**Total FY 2011-2035**	
Bus	2,857.2	63.9%
Paratransit	321.0	7.2%
Vanpool	35.5	0.8%
South Corridor	635.5	14.2%
Proposed Northeast Corridor	366.5	8.2%
Administrative overhead	254.3	5.7%
Operating expenses	**4,470.1**	**100.0%**
Operating Balance	**$493.2**	

20.4 Financial Projections

Table 20-6 summarizes the results of the financial scenarios corresponding to both the alternatives analyzed in this EIS by adding together CATS capital and operating revenues and expenses. Year-by-year cash flow calculations were completed for each alternative to support these findings. CATS has the financial capacity to build the Preferred Alternative in the Northeast Corridor and operate its existing bus and light rail services with an ending balance in FY2035 of approximately $140.9 million. The state and local funding sources to accomplish this program are already committed in the form of the creation of the State Transit Trust Fund and the CATS sales and use tax and issuance of local bonds for the non-sales tax portion.

Table 20-6
Capital and Operating Summary Forecast
Total FY 2011-2035 (millions, inflated)

	No Build	Preferred Alternative
Operating Revenue		
Half-cent sales tax	2,440.8	2,440.8
Fare revenue - existing system	1,236.2	1,206.4
Fare revenue - proposed Northeast Corridor	-	242.8
Maintenance of effort	465.0	465.0
Service reimbursements	54.2	54.2
Interest income (all funds)	118.3	64.4
State operating assistance	377.3	377.3
Advertising and miscellaneous revenue	95.0	112.5
Operating revenue	**$4,786.7**	**$4,963.3**
Bus	2,929.7	2,857.2
Paratransit	321.0	321.0
Vanpool	35.5	35.5
South Corridor	635.5	635.5
Proposed Northeast Corridor	-	366.5
Administrative overhead	254.3	254.3
Operating expenses	**$4,176.1**	**$4,470.1**
Operating balance	***$610.6***	***$493.2***
Opening balance (FY 2011)	**$106.8**	**$106.8**
Capital Revenues		
Federal grants	879.1	1,440.0
State grants	106.4	375.1
Other capital funds	54.9	523.4
CATS operating balance	610.6	493.2
Capital revenue	**$1,651.0**	**$2,831.70**
Rapid transit expansion	135.3	1,143.7
Debt service	331.3	835.2
Other capital outlays	832.2	818.6
Capital expense	**$1,298.9**	**$2,797.5**
Closing balance (FY 2035)	**$458.9**	**$140.9**

20.5 Forecast Risks

Long-range financial forecasts hold risks that revenue projections will fall short or expenses will grow faster than expected. If the LYNX BLE capital costs should grow beyond estimates, or if there is an unexpected revenue decline or increased expenses during the construction or operating period, CATS still has the capacity to build the Preferred Alternative as long as the ½ percent sales tax stabilizes.

Should the allocated and unallocated contingency within the project budget be consumed, and should the total cost for the Preferred Alternative exceed the $1,069.7 million budget by $50 million (approximately 5 percent), CATS could issue another $50 million in debt to offset the increase in capital expenditures and still meet its target minimum debt service coverage ratios and maintain a $100 million cash balance each year. Figure 20-2 compares the debt service coverage ratio (DSCR) forecasts with the targets should CATS fund a $50 million capital cost increase with additional debt.

Figure 20-2
Debt Service Coverage Ratios
$50M Capital Cost Increase