

City of Charlotte Charlotte Area Transit System (CATS) Management Roadmap

Priority Areas of Focus

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Presentation Overview – Areas of Focus



Roles and Responsibilities



Service Provisions and Reliability



Leadership, Management, and Organizational Culture



Communication



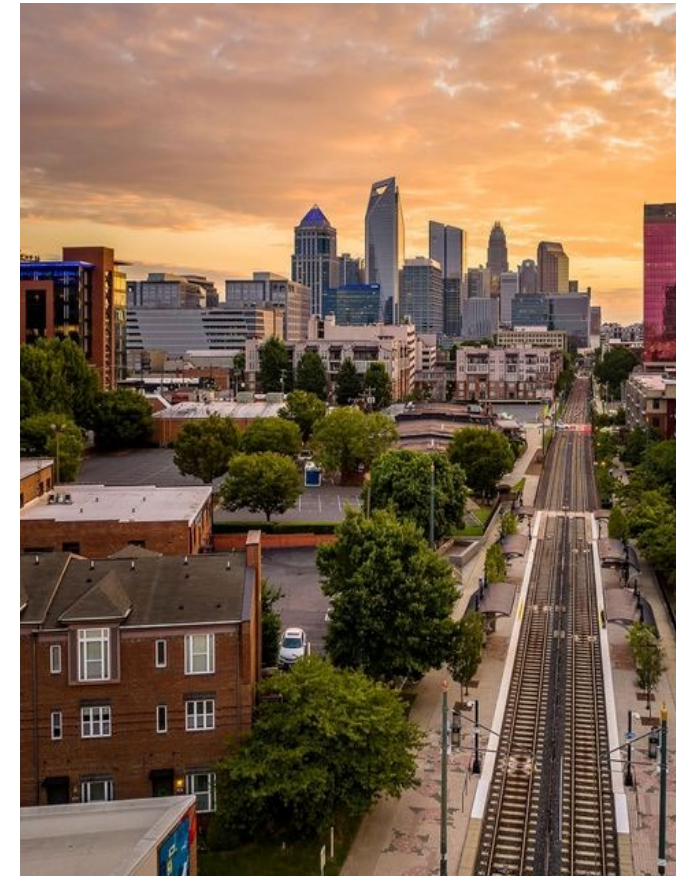
Contract Management



Budgeting and Finance



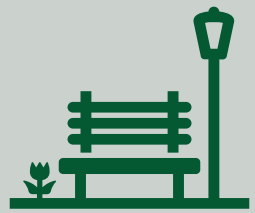
Governance



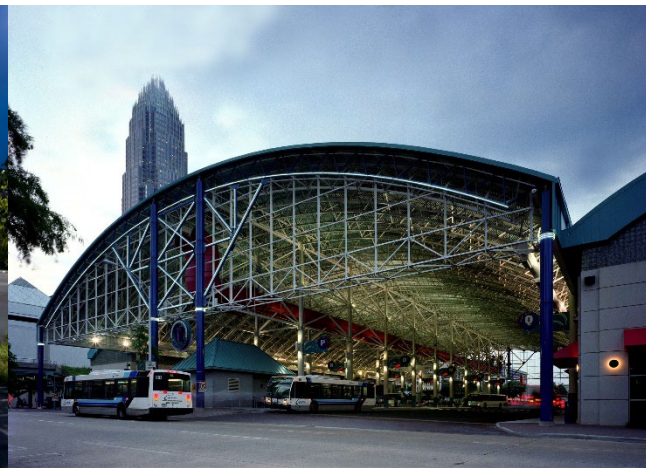
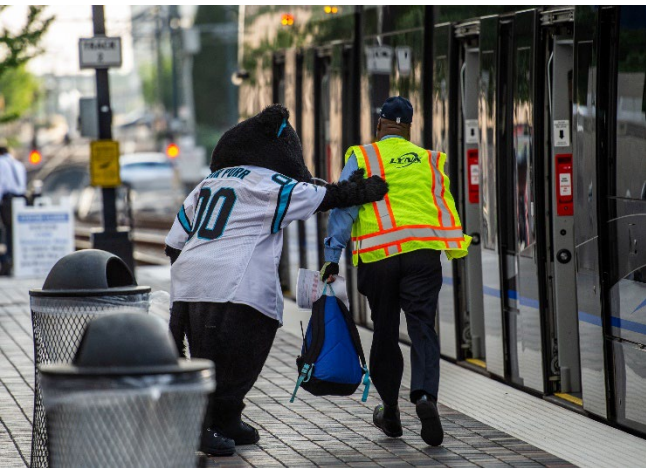


Overview

Engagement Objective



Provide a **high-level roadmap** with **priority areas of focus** to **improve the efficiency and effectiveness** of CATS management



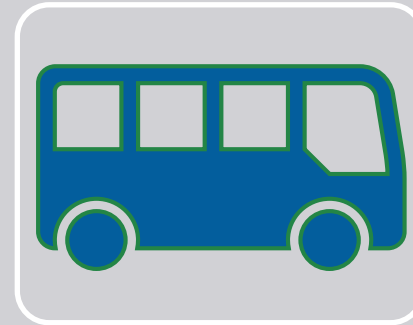
To Inform Our Observations and Strategic Focus



Conducted 19 interviews with 21 individuals from RATP Dev/TMOC, CATS and other City departments



Reviewed documents, including budgets, ACFRs, audits, and customer surveys for the last 3 to 5 years



Reviewed other transit systems

- CapMetro (Austin, TX)
- CAT (Savannah, GA)
- IndyGo (Indianapolis, IN)
- LBT (Long Beach, CA)
- MATA (Memphis, TN)



Surveyed City of Charlotte CATS employees¹

¹Did not include RATP Dev/TMOC employees

Important Documents that Guide CATS

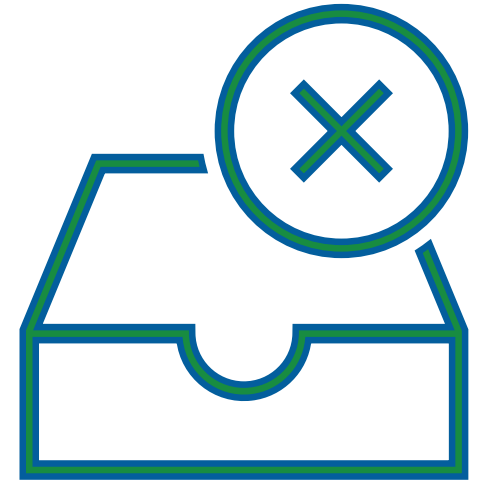
For context, we reviewed:

- **2030 Transit Corridor System Plan**
- **CONNECT Beyond Regional Mobility Plan**
- **Interlocal Agreement** with the Metropolitan Transit Commission
- Charlotte Regional Transportation Planning Organization (CRTPO) **Memorandum of Understanding**
- CRTPO **Bylaws**
- City of Charlotte **Municipal Code**
- **State and Federal Transit Regulations**



Outside Our Scope

- **Organizational assessment** of the department
- **Workload analysis**
- Review of **service delivery operations**
- Review of **division roles and responsibilities**
- **Interviews with City Council** or other **elected or appointed officials outside the City** organization (e.g., MTC Board)
- **Discussions** at the **regional level**
- **RATP Dev/TMOC** employee survey



What We Learned From Employees

Roles and Responsibilities

- There is confusion and concern around procurement policies and procedures

Service Provision and Reliability

- There are varying opinions on how to improve bus operations, but no consensus
- There is strong interest from staff in steps being taken to address safety concerns, absenteeism, and hiring challenges

Leadership, Management and Organizational Culture

- Mid-management staff are relatively new and would benefit from training and professional development
- There is a strong belief that the executive leadership team's working relationships need to improve

Communication

- CATS is siloed internally in the department and externally across other City departments, with some exceptions
- There are good working relationships across divisions except for Finance
- There is a need for better coordination between CATS and City communication and marketing

Budgeting and Finance

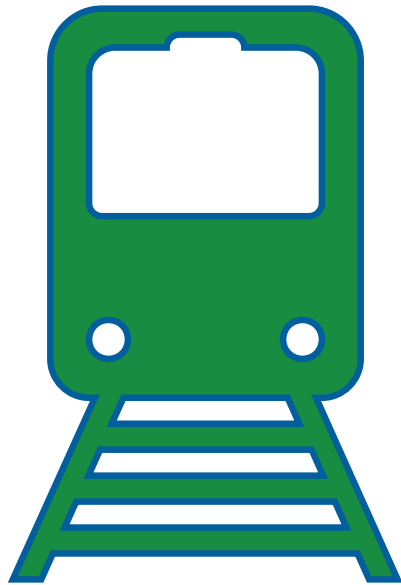
- Within CATS, a lack of engagement and transparency about the budget has been frustrating to staff

Governance

- There is interest in CATS transitioning to a regional, independent entity
- The current governance and reporting structure needs real change



Major Operational Issues Did Not Surface



Opportunities for operational improvements exist but need a strategic focus.

- Interviewees **like what they do** and want to perform
- More than 75% of survey respondents **are motivated to do a good job**
- Operational service delivery platform (inhouse and contract services) is typical but must **rely on contract management best practices** and **adequate staffing**
- Strong interest by Rail Division interviewees for improved **resource acquisition practices**
- **Lean organization**; inability to fill vacancies is having a real impact
- **BOD operational issues** are complex
 - Existing contract terms and conditions
 - Contract management practices
 - Declining ridership
 - Safety

What's Needed: A Shared Mission and a Collaborative Team to Accomplish It

Goals

- ✓ Ensure executive leaders and managers understand it **takes a team to deliver this community-wide service**
- ✓ Clarify **roles and responsibilities**
- ✓ Strengthen **contract management**



Key Objectives

- Establish **clear expectations for performance** and how the department will **work together**
 - Conduct facilitated **teambuilding session(s)** with the executive team, followed by sessions with department leadership/management team
 - Develop and implement a plan to **improve the organizational culture** of the department
- Establish **clear roles and responsibilities** with respect to **managing a bus operations contract**

What's Needed: A Shared Mission and a Collaborative Team to Accomplish It *(continued)*

Goals

- ✓ Ensure executive leaders and managers understand it **takes a team to deliver this community-wide service**
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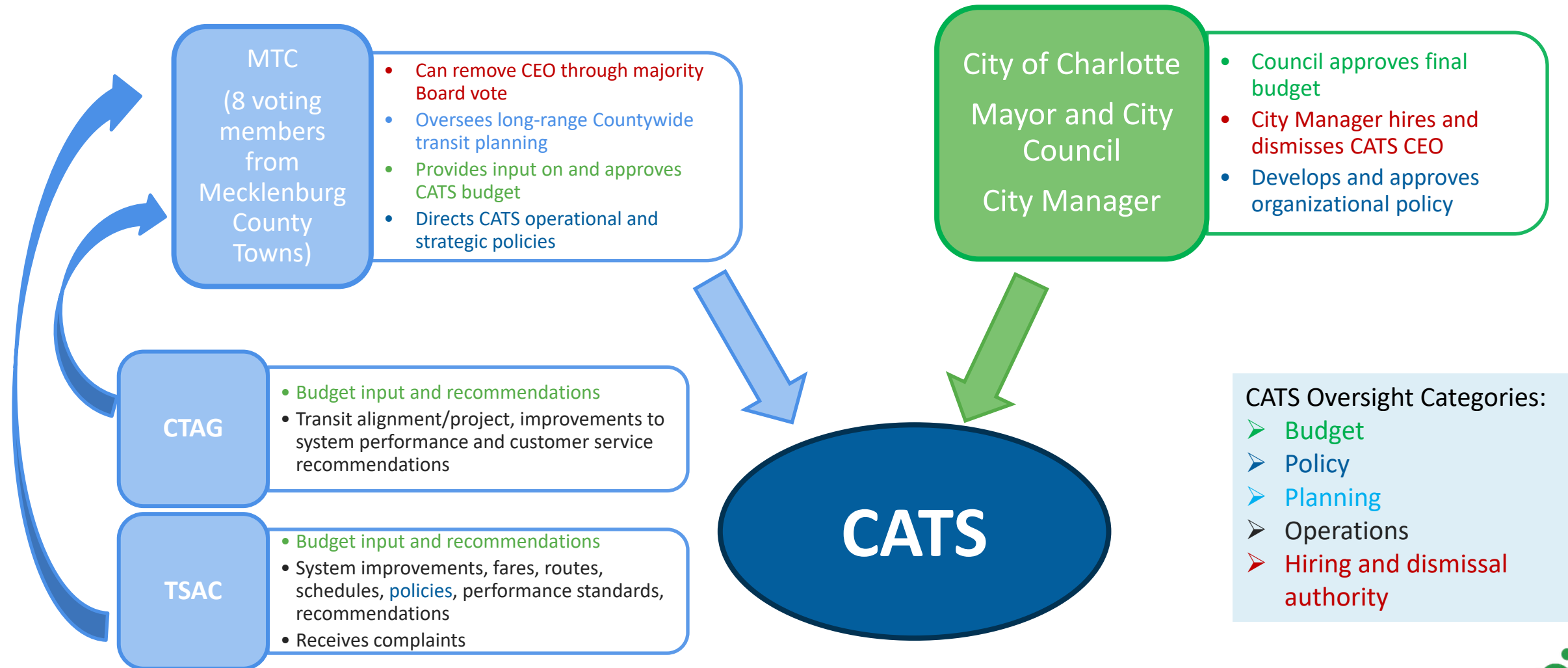
Key Objectives

- Conduct an **analysis of the organizational structure** to position executive leaders and managers for the demands of a regional transit service and effective operational delivery
- Develop an **RFP for a new bus operations contract** in accordance **with best practices**
- Focus on what will be required to **improve the public's perception** about bus services
- Develop a **policy process** to **assess the CATS governance structure** to ensure it is reflective of an agency that delivers regional transit services



Roles and Responsibilities

Existing Governance and Reporting Structure



A City Department Providing A Regional Service

- **CATS is a City department**, but serves as a community-wide transit agency
- Having two major policy bodies (MTC and City Council) and a CEO who reports to the City Manager can lead to confusion about **decision making authority**
- **Community engagement is confusing**; public goes to both the City Council and the MTC
- **Contract bus drivers** who walk and talk **like City employees** is an unusual arrangement
- **BOD represents the majority** of what CATS does; needs to be held **accountable** through **appropriate contract management practices**
- Lack of consensus by staff about **when to follow City policy and procedures**

Role clarification will be important for future federal funding in support of the 2030 Transit Corridor System Plan.





Service Provision and Reliability

CATS Service is Rebounding

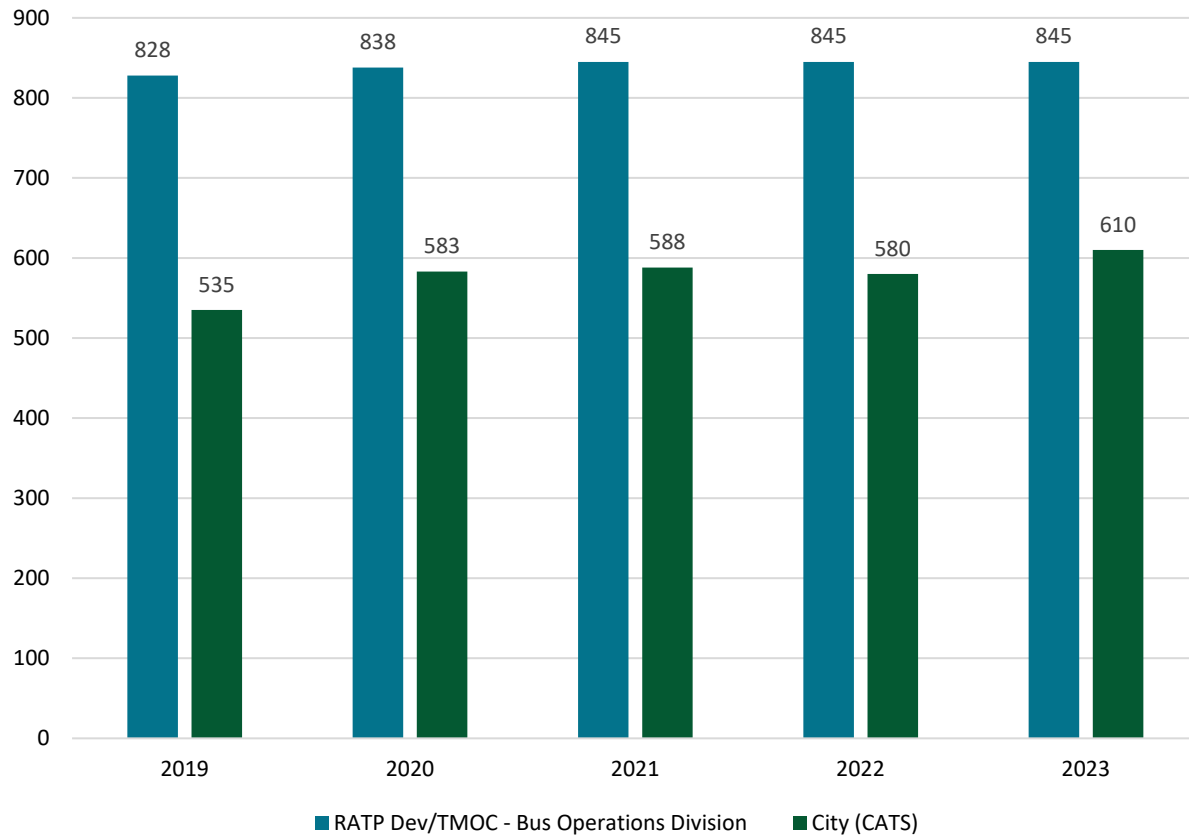
- 80% of the Charlotte community believe **CATS provides value to their community.**
- CATS **ridership increased by 20% this year** and is 49% of pre-pandemic levels, compared to 54% nationally.
- **Rail ridership increased by 87%**, or 57% of pre-pandemic levels similar to national light rail ridership.
- Fixed route ridership has declined by 10% since the beginning of the year and is 43% of pre-pandemic levels, **lagging behind national bus ridership recovery of 60%.**
- **Vehicle operator availability declined** by 15% in the past year.
- In Q4 2022, on-time performance declined by 2% for fixed route service. Rail and paratransit on-time performance improved over the last quarter by 2% and 7%, respectively.
- Customers with access to 15-minute or better **service has improved by 74%** since last quarter and by 59% over the last year.



Source: CATS TRAX Q4 FY 2022 Results, September 28, 2022

Staffing Vacancies Have Real Impacts

Authorized Staffing from FY 2019 to FY 2023



Source: CATS staffing information as of September 2022, received from CATS HR

- CATS authorized staffing has grown 7% since 2019 but bus staffing has only grown 2%
- CATS **department wide vacancy rate** is **17%**
- Current **vacancy rates** among **CATS' three main service divisions**:
 - Bus Operations: **15%**
 - Special Transportation Service (paratransit): **19%**
 - Light Rail (LYNX): **27%**
- In a survey of 71 transit agencies across North Carolina, there was an **average 20% transit operator vacancy rate in August 2021**.¹
 - Eight of the surveyed agencies reported vacancies of **50% or higher**
- A **focused class and compensation analysis** will be required to address City transit positions

¹Source: North Carolina Department of Transportation's "Compensation Survey of North Carolina Transit Systems, Final Report" (Issued December 2021).



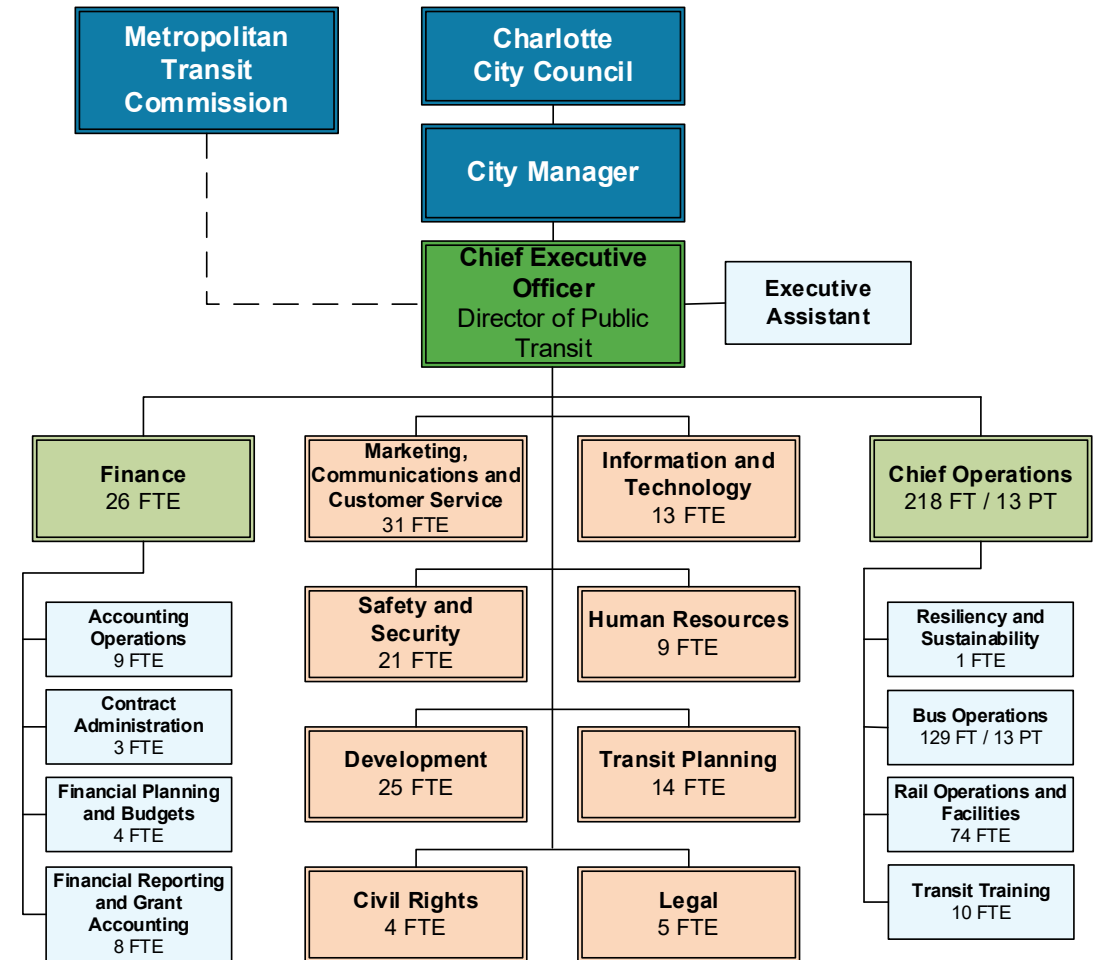
Leadership, Management, and Organizational Culture

Position the Leadership and Management Team for Success – Organization Structure

CATS CEO oversees **11 direct reports**

- Too broad a span of control for such a major enterprise
- Impacts the CEO's ability to focus strategically and proactively and address the issues that are important but not urgent
- Challenging for division leaders to communicate effectively and seek direction
- Pending changes in executive leadership provide an opportunity to position the CATS organization structure for the future

Alternative options around organization structure will need more analysis



Source: Management Partners' rendition of CATS organization structure based on CATS organization chart.

Leadership and Organizational Culture Are Key to Operational Success

Requires *clear expectations* about how staff in the department is expected *to work together*

Relies on *department leaders* to make *changes and improvements to build trust*

Requires an organizational culture that encourages *a commitment to its mission through collaboration and shared values*





Communication

Perceptions of Leadership and Organizational Culture Issues



Employee Survey Response Rate
335 out of **477** CATS staff
responded (**70% response rate**)

Employee survey and interviews indicated

- **Lack of communication and cooperation** at the executive level
 - Communication issues lead to divisions **being siloed**
 - Only 42% of respondents agreed or strongly agreed communication between their section/division and others is good
- **Lack of transparency from senior staff**
 - Lack of transparency from executive team during budget development and high-level finance decisions **hampers staff's ability to manage and understand their budgets**
- **Low employee morale**
 - Belief that executive team does not foster a positive work environment
 - Only 41% of respondents agreed or strongly agreed morale in their section/division is good

Consistent and Clear Communication

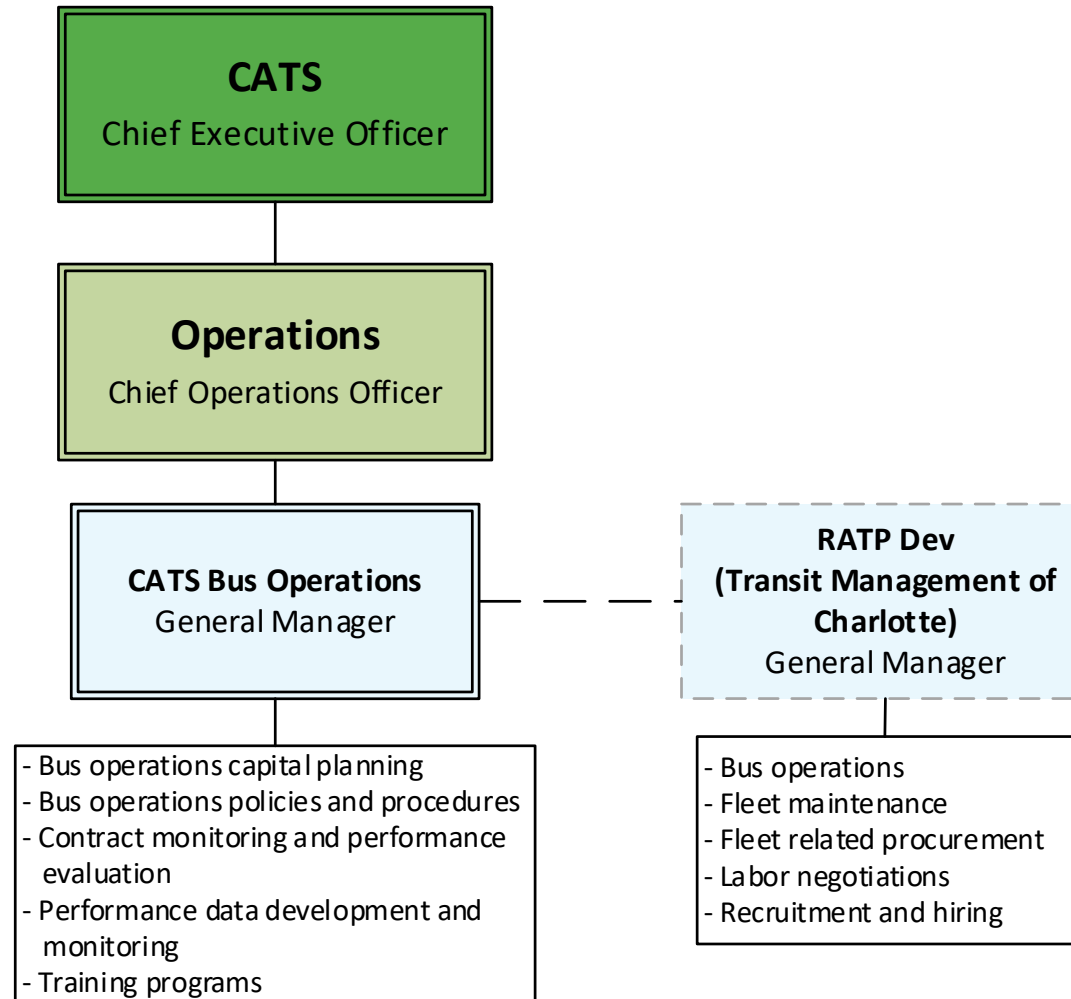
- Bus operators do not always hear a **consistent message** from RATP Dev/TMOC and CATS management
- Survey results indicate **communication** in the organization **needs improvement**. **Only about half of respondents** agreed or strongly agreed with the following:
 - **58%** → Communication **between staff in their section/division** is good
 - **53%** → Communication **from their section division/manager to staff** is good
 - **42%** → Communication **between their section/division and others** is good
- Need to understand why employees feel **communication isn't good** and **identify improvements**
- **Clear communication** in an organization with complex, interrelated functions is critical for collaboration and effective service delivery
- **Breaking down silos** increases transparency and trust and can increase efficiency
- Building **cross-functional teams** to tackle complex issues always improves the result





Contract Management

City Role is to Ensure Bus Contract Performance



Note: Dotted lines indicate contract services.

Contract Management Is Not Supervision Or Operational Direction

Contract Management Principles That Support Good Contract Management



Current BOD Contract Constrains Bus Operations

To clarify roles and responsibilities and *reduce liability exposure*, a bus operations contract should indicate:

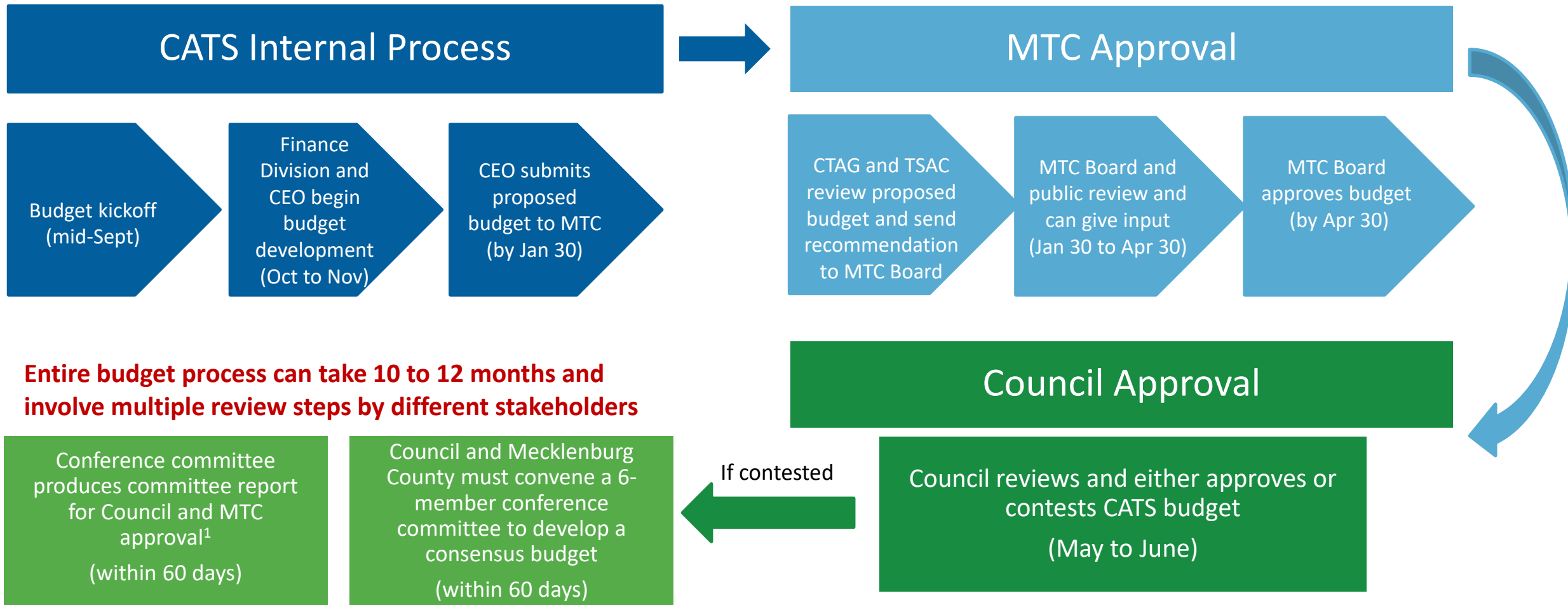
- It is the **contractor's responsibility** (not the City's) **to manage and operate bus services, including supervision, labor and employee relations** (no City uniforms or email)
- The City's role is to **monitor contract performance**, rather than provide operational direction
- **Specific service expectations** (i.e., specific routes, policies)
- The **contractor is responsible** for **training** in compliance with federal requirements
- What **City property and equipment** will be used by the contractor, along with **standards and expectations** related to its **use, maintenance, and replacement**
- The City's obligations are **contingent on receipt of federal and state transit funds**





Budget and Finance

Who Sets CATS' Strategic and Budget Priorities?



Entire budget process can take 10 to 12 months and involve multiple review steps by different stakeholders

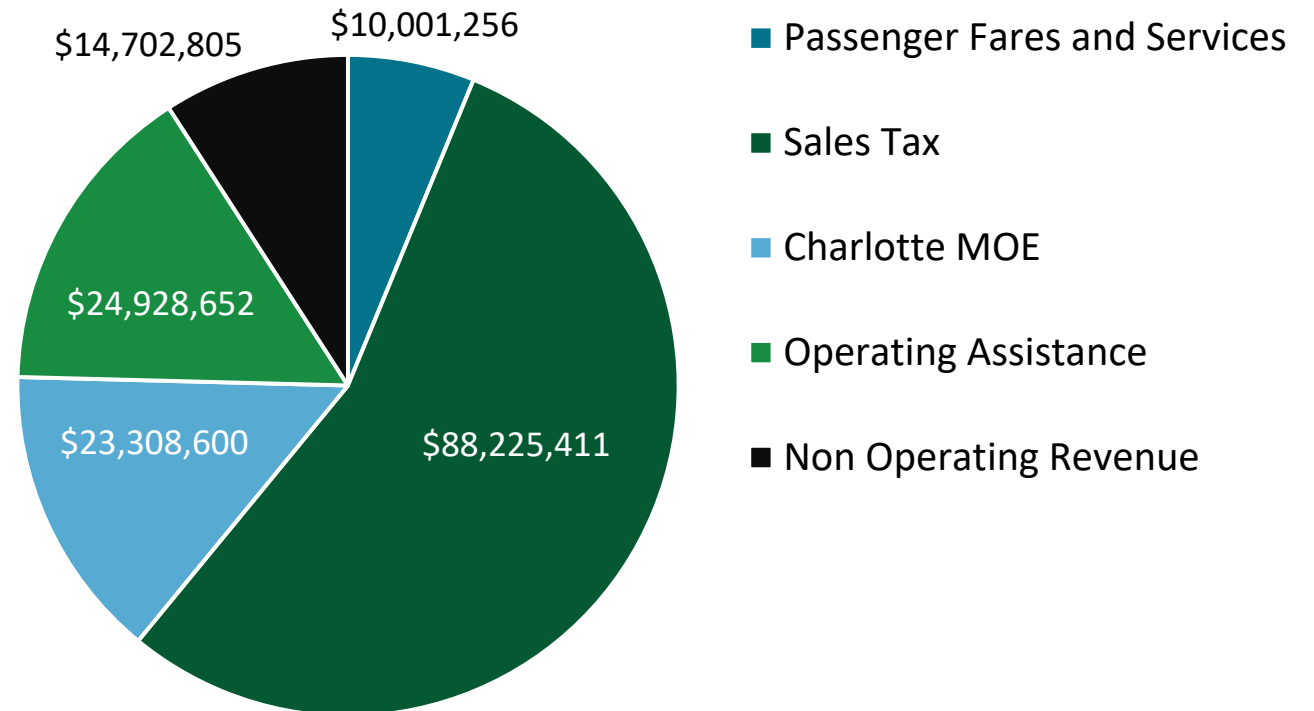
¹Any MTC member town dissatisfied with the recommendation of the MTC or with the capital and operating programs approved by the Charlotte City Council may withdraw from MTC membership.

Sales Tax Is the Critical Revenue Source

Major revenue sources

- Half-cent sales tax - **55%**
- Operating assistance - **15%**
- Maintenance of effort (MOE) - **14%**

CATS Revenue Sources for FY 2021



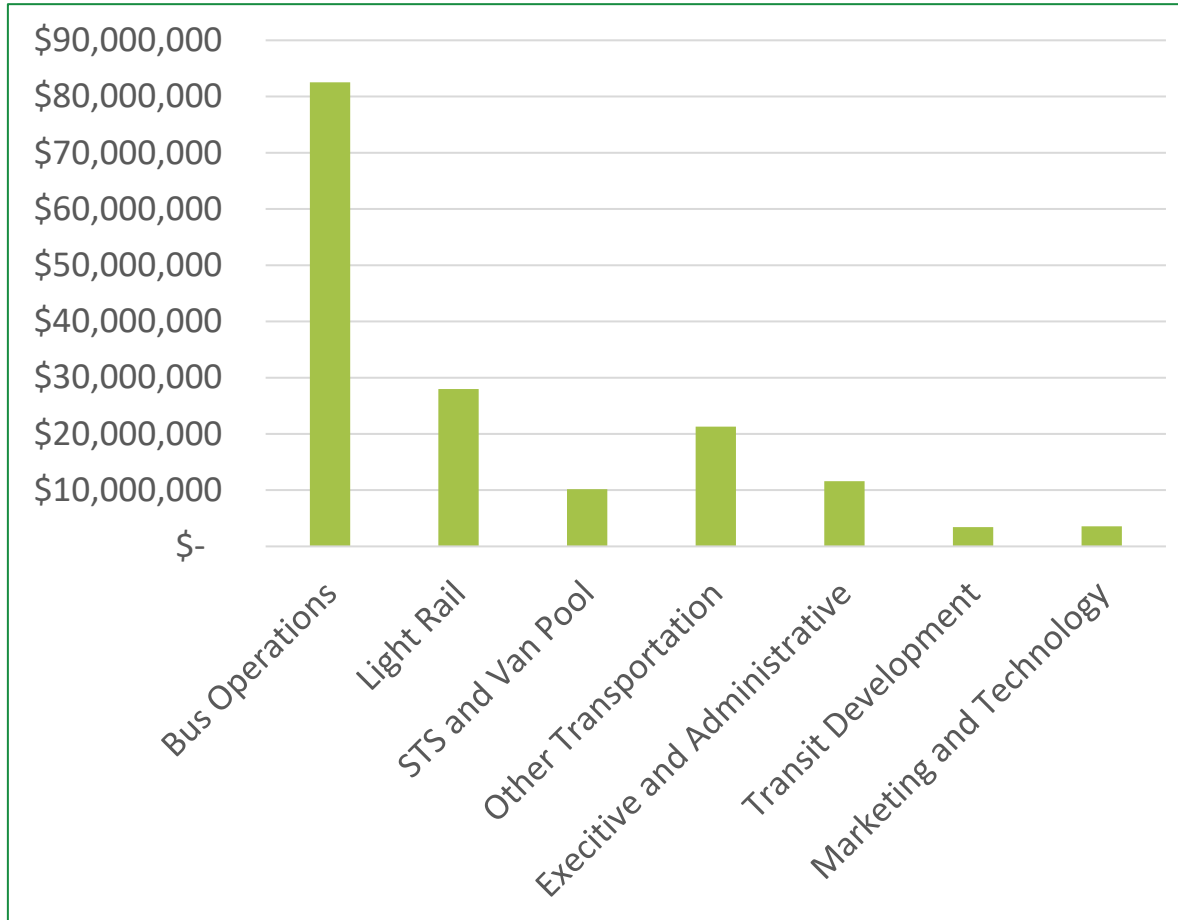
Note: The Interlocal Agreement that formed the MTC requires each town to annually transfer to Charlotte a maintenance of effort (MOE) amount equal to its agreed upon local expenditure for transit services.

Operating assistance is comprised of federal grants, including CARES and ARPA funding.

Non-operating revenue is comprised of federal grants and state funds.

Bus Operations Remains A Large Share of What CATS Does

CATS Operating Expenditures in FY 2021



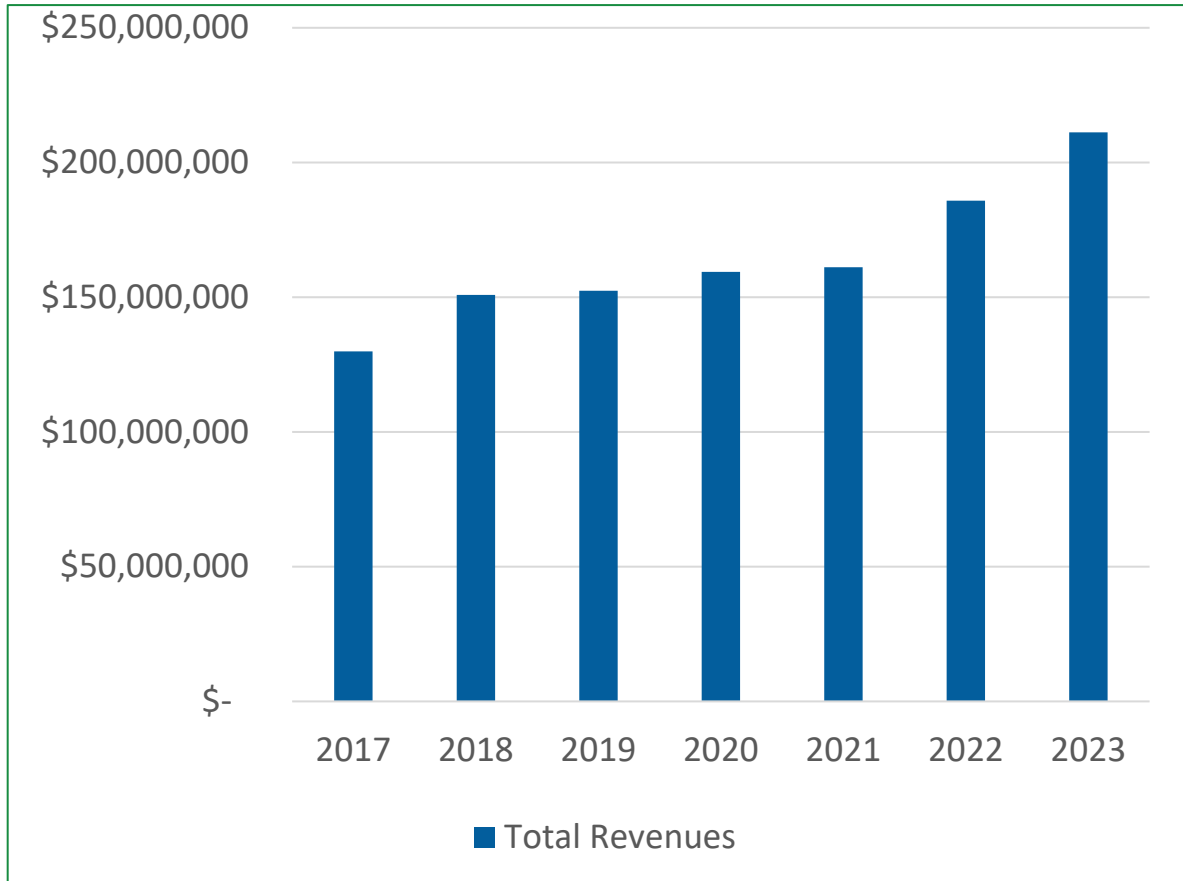
Source: City websites, budget documents, and ACFRs for FY 2021 and FY 2022

Bus Operations

- Comprise majority of CATS services in terms of ridership (60% in FY 2021)
- Have been significantly **impacted by pandemic**; hard to draw trends
- Made up over **51% of CATS' total operating budget** in FY 2021
- Are hampered by **vacancies** and **fleet maintenance issues**
- Are the **focus of public perception from more than just bus riders**

Transit Expansion Will Require Additional Funding

CATS Revenues from FY 2017 to 2023



Source: City website, budget documents, and ACFRs for FY 2021 and FY 2022

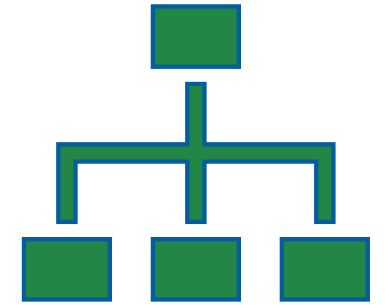
- **Operational budget appears to be in good shape** for current operations; also building reserves
- Revenues and expenditures **continue to increase** but perceptions about service (especially buses) is growing worse
- **Major components** that will impact budget
 - Daily operations
 - 2030 Transit Corridor System Plan
 - CONNECT Beyond Regional Mobility Plan
 - Availability of federal funding



Governance

An Opportune Time to Review the Governance Model

- Transit services and operations have **expanded significantly** over the last 24 years since the establishment of the MTC and the regional transportation system operated by CATS in 1999. (Transit Governance Interlocal Agreement dated, February 16, 1999, amended in 2005).
- Countywide one-half percent local sales tax has **helped to expand service and financial investment countywide**.
- Continue the critical partnership with the Centralina Regional Council **to advance the CONNECT Beyond Study Recommendations of exploring regional partnership structures, including governance**.
- Alternative governance and operational models in similar regions provide **high quality, effective and responsive service** (see slides that follow for details).



Alternative Governance Models

Agency	Service Population	Service Area (Square Miles)	Annual Ridership	Operating Budget (FY 2022)	Capital Budget (FY 2022)
Capital Metropolitan Transportation Authority (CapMetro)	1,400,000 (2021)	542	16,900,000	\$318,600,000	\$303,800,000
Charlotte Area Transit System (CATS)	1,302,649 (2021)	675	6,500,000	\$247,960,000	\$62,130,000
Chatham Area Transit (CAT)	265,000 (2022)	438	2,900,000	\$30,330,000	\$38,460,000
IndyGo (Indianapolis Public Transportation Corporation)	964,582 (2020)	402	5,000,000	\$123,300,000	\$111,700,000
Long Beach Transit (LBT)	848,449 (2019)	107	18,300,000	\$114,100,000	\$71,900,000
Memphis Area Transit Agency (MATA)	706,976 (2020)	280	5,000,000	\$78,500,000	\$25,100,000

Alternative Governance Models *(continued)*

Agency	Governing Body	Number of Members	Role of the Governing Body ¹
Capital Metropolitan Transportation Authority (CapMetro)	Board - (8 members) 3 members represent the metropolitan planning area, 1 represent smaller service area cities, 1 each from Travis and Williamson Counties, 2 members from the City of Austin	8	Manage and operate the system; establish rules, rates, fares, tolls, routes, schedules; adopt annual budget
Charlotte Area Transit System (CATS)	Charlotte City Council (12 elected members) Metropolitan Transit Commission (8 voting members)	20	Direct policy ; provide input on service and operations issues; recommend and approve annual budget and long-range transportation plans
Chatham Area Transit (CAT)	Board - represents Chatham Co., unincorporated Co. area, disabled residents, Savannah City	9	Address policy issues related to transit system operation; set fares, service levels ; allocate resources; adopt annual budget
IndyGo (Indianapolis Public Transportation Corporation)	Board - Three appointed by Mayor; four by Council	7	Possess executive and legislative power ; assess local income tax subject to the City Council's appropriation authority; determine rates, routes, hours, service standards
Long Beach Transit (LBT)	Board - Seven appointed by Mayor and confirmed by Council; two City Manager non-voting representatives	7	Manage system; establish rules, rates, fares, tolls, routes, schedules; adopt annual budget
Memphis Area Transit Agency (MATA)	Board - nominated by Mayor and approved by City Council	9	Supervise operations; establish rules, rates, fares, tolls, routes, schedule; prepare an annual budget and submit to Mayor and Council for approval

¹To address complexities related to financing and construction, some agencies have established joint powers authorities or other agencies to oversee construction of capital improvements projects.

Alternative Governance Models *(continued)*

Agency	Management	Agency Formation
Capital Metropolitan Transportation Authority (CapMetro)	CEO is Board-appointed - Prepares proposed operating and capital budgets; assists Board in developing policy; implements policy	1985 Voter referendum
Charlotte Area Transit System (CATS)	CEO is appointed by the City Manager with concurrence of Mecklenburg County Manager and a board member appointed by the MTC who is not a Charlotte or Mecklenburg County representative; City Manager authority to remove CEO or through majority vote of the MTC Board - CEO/CATS prepares proposed annual budget with direction from City, requiring MTC and final City approval. CATS staff are City of Charlotte employees or contract personnel.	2000 Enterprise department
Chatham Area Transit (CAT)	CEO is Board-appointed - Manages CAT operations and employees; administers contracts; advises Board; implements Board policy	1987 Pursuant to state legislation and local ordinance
IndyGo (Indianapolis Public Transportation Corporation)	CEO is Board-appointed - Manages IndyGo employees; administers contracts; advises Board; provides policy recommendations	1975 Consolidated City of Indianapolis-Marion County ordinance as an independent municipal corporation
Long Beach Transit (LBT)	CEO is Board-appointed - Responsible for day-to-day management of the organization; prepares proposed budget for Board approval; assists Board in developing policy; implements policy	1963 Non-profit corporation; City is sole shareholder
Memphis Area Transit Agency (MATA)	CEO is Board-appointed - CEO and staff are Mid-South Transportation Management, Inc. (MTM) employees; MATA is operated by Mid-South Transportation Management, Inc.	1975 City ordinance as a component unit (authority) of the City

Management Roadmap Objectives

A collaborative team that actively commits to the shared mission and values

An organizational culture that encourages transparency and staff retention

A governance structure
accountable and transparent to the community it serves

Clear expectations about how the department will work together and accountability for doing so

Clarified roles and responsibilities with respect to contracted services

Next Steps

Leadership development and management teambuilding

Targeted plan to fill vacancies more quickly

Organization structure analysis

Contract and performance management

Transit management services RFP in accordance with best practices

Clear communication protocols

Reinvented governance structure that reflects community-wide service



Thank You

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