

INTERLOCAL AGREEMENT FOR PAVE ACT IMPLEMENTATION

BY AND BETWEEN

THE CITY OF CHARLOTTE, NORTH CAROLINA

AND

**THE METROPOLITAN PUBLIC TRANSPORTATION AUTHORITY OF
MECKLENBURG COUNTY**

INTERLOCAL AGREEMENT FOR IMPLEMENTATION OF THE PAVE ACT

This INTERLOCAL AGREEMENT FOR IMPLEMENTATION OF THE PAVE ACT (this “Agreement”) is effective the 1st day of July, 2026 (the “Effective Date”), by the City of Charlotte (the “City”), a municipal corporation organized and existing under the laws of North Carolina, and the Metropolitan Public Transportation Authority (the “MPTA”), a public transportation authority duly created and existing pursuant to AN ACT TO ENACT THE PROJECTS FOR ADVANCING VEHICLE-INFRASTRUCTURE ENHANCEMENTS (PAVE) ACT, Session Law 2025-39 (the “PAVE Act”) (individually, a “Party,” and collectively, the “Parties”).

WITNESSETH:

WHEREAS, the Parties share a commitment to ensuring a smooth, orderly transition of the public transportation system from Charlotte Area Transit System (“CATS”), as a department of the City, to the MPTA as an independent authority charged by the General Assembly to “finance, provide, operate, and maintain for a safe, clean, reliable, adequate, convenient, energy efficient, economically, and environmentally sound public transportation system”; and

WHEREAS, the Parties agree that a phased, collaborative transition is essential to supporting and retaining employees, maintaining uninterrupted transit service, protecting the interests of riders, encouraging ridership growth, and expanding access, promoting economic mobility, and fostering a sustainable future for all; and

WHEREAS, pursuant to the PAVE Act provisions that contemplate agreements between the MPTA and the City to effectuate the PAVE Act, the Parties enter into this Agreement to exercise the shared discretion afforded to them by the General Assembly in the PAVE Act and determine the manner, timing, and terms of such implementation through interlocal cooperation; and

WHEREAS, in accordance with Section 4.9 of the PAVE Act, the MPTA may enter into an interlocal agreement with the City to use net proceeds of a tax levied under Part IV of the PAVE Act for the purposes set forth therein as directed by the MPTA herein; and

WHEREAS, in accordance with Section 6.4(3) of the PAVE Act, this Agreement sets forth components of a human resources plan, including a time line to implement a transfer of CATS Personnel from the City to the MPTA; and

WHEREAS, in accordance with Section 6.4(7) of the PAVE Act, this Agreement sets forth the plan, including a time line, created by the MPTA for (i) the acquisition of the assets of CATS from the City and (ii) the use and control of those assets until transfer, as required under the PAVE Act; and

WHEREAS, pursuant to Section 6.5(1) of the PAVE Act, the MPTA will begin receiving all Sales Tax Revenue and U-Drive-It Revenue on July 1, 2026; and

WHEREAS, Section 6.5(2) of the PAVE Act requires the City to transfer control of operational assets of CATS to the MPTA subject to use agreements between the City and the MPTA; and

WHEREAS, pursuant to and in accordance with Section 6.5(3) of the PAVE Act, the City shall retain ownership of any Assets that are pledged as security for any outstanding CATS Debt; and

WHEREAS, pursuant to and in accordance with Section 6.5(4) of the PAVE Act, the City shall begin transferring ownership of certain assets of CATS to the MPTA as provided herein; and

WHEREAS, as a result, the parties agree that the Transfer of Assets and Operations will proceed over three phases, herein described as Phase One, Phase Two, and Phase Three; and

WHEREAS, Phase One will start on the Effective Date, and Phase Three will end when all CATS Debt and Grant requirements have been satisfied and all Assets have transferred from the City to the MPTA (the period from the Effective Date to the end of Phase Three being the “Term” of this Agreement); and

WHEREAS, the CATS Chief Financial Officer submitted a proposed Transit Program Budget to the Metropolitan Transit Commission (the “MTC”) for Fiscal Year 2027 (the “FY 2027 Transit Program Budget”) on March 25, 2026; and

WHEREAS, the MTC approved the FY 2027 Transit Program Budget on April 22, 2026, the City Council adopted the FY 2027 Transit Program Budget on June 8, 2026, and the MPTA approved, adopted and ratified the FY 2027 Transit Program Budget on June 10, 2026; and

WHEREAS, the FY 2027 Transit Program Budget consists of the following:

1. A Transit Debt Service Fund delineating income and expenditures associated with the City’s Debt service payments for CATS related Debts and any other expenses related to the CATS Debt and maintenance of the CATS Debt; and pass-through funds from the Transit Sales Tax Revenues to other funds.
2. A Transit Revenue Reserve Fund delineating funds intended to act as a hedge against income fluctuations ensuring financial stability for optimal debt financing.
3. A Transit Operating Fund delineating operating income, reserves and operating expenditures for the provision of transit services (including, with respect to the MPTA, start-up, transition and overhead expenses).
4. A Transit Capital Fund delineating income and expenditures for the five-year transit Community Investment Plan (capital investment program), which details the estimated cost, project description, and anticipated funding source for each capital project.

WHEREAS, the Parties hereto have the power pursuant to Article 20 of Chapter 160A of the General Statutes to perform jointly any function that they have the power to perform alone, or to contract with one another for the performance of any governmental function that they have the power to perform alone, and to enter into contracts and agreements to specify the details of these joint undertakings.

NOW, THEREFORE, in consideration of the terms, conditions, covenants, and promises to pay contained herein, it is agreed by the Parties as follows:

ARTICLE I
TERMS BY PHASE OF TRANSFER

Section 1.01 Phase One. Phase One begin will begin on July 1, 2026, and end when Phase Two begins. The City and the MPTA agree that, during Phase One:

(a) Assets; Insurance.

(i) The City will continue to own the Assets. The City will be responsible for obtaining and maintaining insurance for the Assets in accordance with the City's Risk Management Office policies and requirements and the Interlocal Agreement for Continuation of Risk Management Services between the City and the MPTA (the "Risk Management Agreement").

(ii) The Parties shall cooperate to create (in accordance with **Section 2.12**), no later than July 31, 2026 (or such later date as may be agreed by the Parties), a schedule of all Assets existing as of the Effective Date, identifying those Assets that are Encumbered and specifying in reasonable detail the circumstances giving rise to such Encumbrance and the anticipated date on which such circumstances will cease to exist.

(iii) The City shall not, without the approval of the MPTA, cause, permit or suffer to exist any Encumbrance with respect to any Asset other than Encumbrances in effect as of the Effective Date.

(b) Interlocal Cooperation for Operations. The MPTA and City agree to operation of the public transportation system as an undertaking pursuant to Chapter 160A, Article 20, and that the City shall be responsible for continued Operations of the public transportation system through CATS during Phase One as more fully set forth in this **Section 1.01**.

(c) Governance and Policy; Contracting.

(i) The MPTA will provide budget approval, approval of the FTA's required agency safety plan, and long-term governance oversight.

(ii) During Phase One, as between the MPTA and the City, the MPTA authorizes and directs the City to enter into and administer Contracts subject to the following:

(A) On or before July 15, 2026, the City shall provide to the MPTA Executive Committee for review a list of all Material Contract Actions. As soon as reasonably possible thereafter, the MPTA will identify to the City which Material Contract Actions, if any, require MPTA review and approval prior to City approval. The City shall enter into any Contract contemplated by a Material Contract Action only if either (x) the MPTA Executive Committee did not request review of such Material Contract Action or (y) the MPTA Executive Committee requested review and the MPTA approved such Material Contract Action. The MPTA shall ensure

that its process for review and approval shall occur upon a timeline that, to the extent approval is given, such process does not materially interrupt or delay Operations. MPTA approval shall generally be in a form consistent with City Council approval. The City shall not (including prior to the delivery of the schedule of Material Contract Actions in accordance with this **Section 1.01(c)(ii)(A)** and the receipt of the response from the MPTA in respect thereof) enter into any Contracts that require City Council approval other than pursuant to Material Contract Actions approved in accordance with this **Section 1.01(c)(ii)(A)**.

(B) The MPTA shall retain sole authority for contracts related to Transition-Related Activities.

(C) With respect to invitations for bids, requests for proposals, requests for qualifications and similar solicitations for contracts, the City shall direct CATS Personnel to keep the MPTA Transition Team reasonably informed.

(iii) Each Party may delegate authority set forth in this **Section 1.01(c)** to its committees, employees, contractors and agents.

(d) Existing Contracts. The Parties shall cooperate to create (in accordance with **Section 2.12**), no later than September 1, 2026 (or such later date as may be agreed by the Parties), a schedule of all Contracts in effect as of the Effective Date (other than Grants, which are addressed in **Section 1.01(i)**), identifying for each such Contract: (i) each person party thereto; (ii) whether the consent of any person is required in connection with an assignment thereof by the City to the MPTA and, if so, the terms of such consent (e.g., the form of, or deadline for obtaining, such consent); and (iii) whether notice is required to be delivered to any person in connection with an assignment thereof by the City to the MPTA and, if so, the terms of such notice (e.g., the form of, or deadline for providing, such notice).

(e) Sales Tax Revenue.

(i) The MPTA shall make payments to the City for Debt Service Payments as required by **Section 2.02(a)(ii)** and, to the extent that the Transit Revenue Reserve Fund balance is less than thirty million dollars (\$30,000,000), the MPTA shall make payments to the City as required by **Section 2.02(b)**.

(ii) During each month in Phase One, the MPTA shall transfer to the City an amount of Sales Tax Revenue that equals or exceeds the lesser of (x) the aggregate amount of Sales Tax Revenue received by the MPTA during such month and (y) the portion of Sales Tax Revenue that is necessary to ensure that the Aggregate CATS Fund Balance equals or exceeds the Threshold Amount at all times during such month. The Parties shall coordinate logistics of each such transfer to ensure that the City is holding sufficient funds to operate CATS without causing the Aggregate CATS Fund Balance to be less than the Threshold Amount at any time and to minimize administrative burden. For clarity, upon the City's request, the MPTA shall transfer Sales Tax Revenue if such transfer is required for the City to comply

with the Local Government Budget and Fiscal Control Act with respect to a CATS Liability.

(iii) From time to time during Phase One, if the Aggregate CATS Fund Balance exceeds the amount required to be held by the City in **Section 1.01(e)(ii)(y)** without requiring a transfer pursuant to that Section, the City shall transfer to the MPTA, upon the request of the MPTA, all or any portion of such excess (as requested by the MPTA).

(f) Operating Revenues. The MPTA authorizes and the directs the City to collect all other Operating revenues for use consistent with the approved FY 2027 Transit Program Budget. Such funds shall be held in the Transit Debt Service Fund, Transit Revenue Reserve Fund, Transit Operating Fund, or Transit Capital Fund, in each case consistent with the approved FY 2027 Transit Program Budget, the balance of which will be transferred to the MPTA as and when set forth herein.

(g) Fund Balances. No later than thirty (30) days after the receipt by the City of its independent audit report for Fiscal Year 2026, in accordance with Local Government Commission deadlines (or such later date as may be agreed by the Parties), the City shall deliver to the MPTA a certification of the balances as of June 30, 2026, of each of the Transit Debt Service Fund, Transit Revenue Reserve Fund, Transit Operating Fund, Transit Capital Fund, any other fund or account established as part of the transit system enterprise fund and all other monies held by the City related to Sales Tax Revenue, Grants or other sources related to transit operations.

(h) Liabilities.

(i) CATS Liabilities. All CATS Liabilities, already existing or arising during Phase One, will be paid from the Transit Debt Service Fund, Transit Revenue Reserve Fund, Transit Operating Fund, or Transit Capital Fund, in each case consistent with the approved FY 2027 Transit Program Budget. For the avoidance of doubt, the City may not (without prior approval of the MPTA) incur any CATS Liabilities that are binding on CATS or the MPTA after Phase One except to the extent set forth in FY 2027 Transit Program Budget.

(ii) Schedule of Material CATS Liabilities. The Parties shall cooperate to create (in accordance with **Section 2.12**), no later than July 31, 2026 (or such later date as may be agreed by the Parties), a schedule of all Material CATS Liabilities known and existing as of the Effective Date, identifying for each such liability (1) whether such liability is contingent, (2) the person to whom it is owed (or, in the case of a contingent liability, may be owed), (3) the amount of such liability (or, in the case of a contingent liability, the reasonably expected amount), (4) a brief description of the circumstances giving rise to such liability and (5) the date on which such liability will become (or shall have become, or in the case of a contingent liability, may become) due and payable. Such schedule shall also include the aggregate amount of all known CATS Liabilities, other than Material CATS Liabilities, reasonably able to be calculated as in existence as of the Effective Date.

(iii) Commingled Liabilities. The Parties will coordinate with respect to any Commingled Liability, including identification of such Commingled Liability and negotiation and execution of a plan or other agreement with respect thereto (which shall include the allocation of such Commingled Liability as between the MPTA, on the one hand, and the City or any department thereof (other than CATS), on the other hand).

(i) Periodic Reporting. The City shall deliver to the MPTA, no later than thirty (30) days after the end of each month during Phase One, an accounting (in form and detail reasonably satisfactory to the City and the MPTA) of all month-end balances and all revenues received, and all expenses incurred, by the City in respect of CATS (including in accordance with **Section 1.01(e), 1.01(f) or 1.01(g)**). The City shall provide to the MPTA any supporting documentation reasonably requested by the MPTA with respect to any such balances, revenues or expenses. The Parties agree any such information provided to the MPTA, specifically and most importantly estimated month-end balances, (1) represents the best knowledge of the City as of the date of such reporting, but the Parties acknowledge and agree that there shall be no liability to the City for any inadvertent inaccuracy included in, or omission from, any such information; and (2) is not a final and audited balance and instead is an estimate intended for MPTA informational purposes only, and shall not be provided to any third-party with a representation that such balance is a certified or audited month-end balance. The Parties acknowledge that there could be a material difference between an estimate given and a final, year-end audit.

(j) Established Transfer Coordination. Unless the MPTA shall have otherwise notified the City, the MPTA Transition Team shall serve as project manager for the MPTA and shall be the City's point of contact on behalf of the MPTA for implementation of this Agreement and other requirements under the PAVE Act. The MPTA Transition Team and City Manager, or their designees, shall establish a regular meeting schedule to confer and coordinate implementation of this Agreement.

(k) Commingled Property. The MPTA and City will coordinate with respect to any Commingled Property, including identification of such Commingled Property and negotiation and execution of a transfer, assignment, relocation agreement, lease, license, encroachment agreement, or other agreement with respect thereto. Any Transfer of ownership of any Asset pursuant to any such agreement shall be effective as of the first day of Phase Two or such later time as determined by the Parties.

(l) Grants. The Parties shall cooperate to create (in accordance with **Section 2.12**), no later than September 1, 2026 (or such later date as may be agreed by the Parties), a schedule of all Grant agreements concerning any Assets, identifying for each such Grant: (i) the person providing such grant; (ii) the amount and term of such Grant; and (iii) any restrictions on Transfers or use of any Asset imposed by such Grant.

(m) CATS Personnel.

(i) The City will not hire any new CATS Personnel (and will not redesignate, reclassify or otherwise recharacterize employees of other City departments as

CATS Personnel) after the Effective Date unless (x) such hiring, redesignation, reclassification or recharacterization (and the terms thereof and the process giving rise thereto) is consistent with past practice, all applicable policies of the City and CATS and the approved FY 2027 Transit Program Budget and (y) to the extent the approval of City Council is required with respect to such hiring, redesignation, reclassification or recharacterization (or any term thereof or the process giving rise thereto), the approval of the MPTA shall have been obtained.

(ii) The City and the MPTA acknowledge and agree that CATS shall cooperate with and timely respond with accurate and complete information to reasonable requests of the MPTA (including the MPTA Transition Team) with respect to the Assets, Operations, CATS Personnel and all other matters relating to CATS, notwithstanding any duty owed to the City or the MPTA to the contrary. Each of the City and the MPTA may rely upon any information provided to it by any CATS Personnel without understanding such information to be a representation by either Party as to the accuracy or completeness thereof. Neither Party shall be liable to the other Party as a result of use of any information received from any CATS Personnel or inaccurate or incomplete information received from any CATS Personnel as provided in this **Section 1.01(m)(ii)**.

(iii) The City shall act as employer of record for all CATS Personnel through December 31, 2026, and shall (except as otherwise set forth in this **Section 1.01(m)**) continue to exercise its authority as employer of record consistent with applicable policy and past practice of the City and CATS.

Section 1.02 Termination of Phase One. Each of the City and the MPTA shall cause to be taken all actions that are necessary to satisfy, no later than the first day of Phase Two, each of the conditions and requirements set forth below.

(a) CATS Personnel.

(i) No later than September 1, 2026 (or such later date as may be agreed by the Parties), the City shall deliver to the MPTA a roster of all CATS Personnel setting forth each employee's position, base compensation (salary or hourly wages) and years of service with CATS and the City.

(ii) No later than October 1, 2026 (or such later date as may be agreed by the Parties), the Parties will jointly deliver to each CATS Personnel information related to employment by the MPTA.

(iii) No later than the date that the MPTA becomes employer of record for CATS Personnel, the City shall work with the MPTA to ensure that the MPTA receives all personnel files and employment records for all CATS Personnel. The transfer of such materials shall be conducted in accordance with General Statutes Section 160A-168, Section 6.5(7) of the PAVE Act, and other applicable law.

(iv) The Parties agree that:

(A) The salary or hourly wages, target bonus opportunities, and retirement benefits offered to CATS Personnel by the MPTA shall be no less than the base salary or hourly wages target bonus opportunities, and retirement benefits provided by the City immediately prior to the Transfer.

(B) Service for the City will be counted for vesting, eligibility and accrual purposes except where such recognition would result in a duplication of benefits.

(C) The MPTA shall have exercised reasonable efforts to establish that the MPTA's initial benefit plans will be at comparable cost to employees as of July 1, 2026, and waive or cause to be waived pre-existing condition exclusions and actively-at-work requirements and similar limitations, and take deductibles, co-insurance, co-pay, and covered out-of-pocket expenses paid before the Transfer to satisfy MPTA benefit deductibles, coinsurance and maximum out-of-pocket provisions after the Transfer.

(v) On the first day of Phase Two, the MPTA shall hire all full-time CATS Personnel.

(b) Contract Assignment. On the first day of Phase Two, the City shall assign, and the MPTA shall accept assignment of, all Contracts, other than any Contracts that (x) are necessary for Operations and (y) cannot be assigned (as jointly identified by the MPTA and City) ("Unassignable Contracts"). For each Unassignable Contract, the City and the MPTA mutually will agree to terms to provide the MPTA the benefit of such contract in exchange for payments by the MPTA to the City in return for continued performance thereunder.

(c) Fund Transfers. As soon as reasonably practical (and in no event later than fifteen (15) days after the last day of Phase One (or such later date as may be agreed by the Parties)), the City shall transfer all unaudited fund balances to the MPTA, except that the City shall retain \$30,000,000 held in the Transit Revenue Reserve Fund.

(d) Necessary Operations Functions.

(i) No later than the last day of Phase One, the MPTA shall have delivered to the City a certification that (1) the MPTA shall have developed or obtained all necessary support for human resources, technology, finance capacity, and capacity to manage assets and debt, in each case to the extent necessary to independently operate CATS and the transit system as of the first day of Phase Two; and (2) the MPTA shall have (by employment or, to the extent permitted by law, engagement) (A) a finance officer and the capability to perform all financial functions independently of the City and (B) a benefits administrator in order to administer benefits to CATS Personnel who become employees of the MPTA on the first day of Phase Two.

(ii) If for any reason the MPTA needs additional time to develop or obtain support for any functions described in the foregoing clause (i), the City and the MPTA have the following options: (1) remain in Phase One until the MPTA is able to develop or obtain support for any such functions; (2) negotiate and enter into a multiple employer welfare arrangement; and/or (3) negotiate the terms of a separate and additional interlocal agreement for the City to provide the support or for the Parties to otherwise agree to alternative arrangements. In order for the City and MPTA to exercise any option set forth in clause (2) or (3) (instead of clause (1)), the MPTA shall provide the City with notice no later than September 30, 2026 (or such later date as may be agreed by the Parties).

(e) Approval for MPTA to Operate from Federal and State Authorities. No later than the last day of Phase One, (i) the MPTA shall have delivered to the City a certification that the MPTA shall have received all required permissions and approvals from federal and State authorities and agencies to operate a public transportation system and own any Assets, and (ii) the MPTA shall have provided evidence thereof to the City as reasonably requested no later than December 15, 2026.

Section 1.03 Phase Two. The parties will work in good faith and undertake actions necessary such that Phase Two will start on January 1, 2027. Phase Two, or any Transfer occurring in Phase Two, will not occur to the extent that (i) the City and the MPTA have been informed by the MPTA Transition Team that, in their good faith judgment, the commencement of Phase Two or consummation of such Transfer would result in a material adverse impact on employees or Operations or (ii) the MPTA lacks approval required for owning or operating a transit system from federal or state entities.

(a) CATS Personnel and Operations. On the first day of Phase Two, subject to any exceptions pursuant to **Section 1.02(d)(ii)**, CATS Personnel will commence employment with the MPTA as described in **Section 1.02(a)** and the MPTA will commence control of Operations of the public transportation system.

(b) Assets; Insurance.

(i) On the first day of Phase Two, the City shall Transfer to the MPTA ownership of all Assets that (i) are not Commingled Property and (ii) are Unencumbered. Thereafter, the MPTA will be responsible for maintaining such Asset and insurance in respect thereof, subject to the Risk Management Agreement or as otherwise agreed by the parties.

(ii) With respect to any Asset that is Encumbered (which is anticipated to include, as of the first day of Phase Two, all or substantially all capital assets and real property):

(A) such Encumbered Asset will remain owned by the City for so long as it remains Encumbered;

(B) the City shall maintain insurance with respect to such Encumbered Asset, subject to the Risk Management Agreement or as otherwise agreed by the parties;

(C) the MPTA shall be responsible for paying all maintenance and operating expenses associated with such Encumbered Asset and any expenses arising from the use of such Encumbered Asset by the MPTA (it being understood that, to the extent the City has been appropriating non-transit funds supporting the use of any Asset, the City shall disclose such appropriation to the MPTA and such Asset shall constitute Commingled Property subject to **Section 1.01(k)**);

(D) the City will cooperate with (and exercise reasonable efforts in furtherance of) requests by the MPTA to exercise any rights related to any release of any Encumbrances; provided, however, that to the extent the MPTA requests the City release an Encumbered Asset from its Encumbrance, the City shall provide the MPTA with a reasonable estimate of the expense that may arise from such release and the MPTA shall pay any and all documented, out-of-pocket costs and expenses associated with such release, all reasonably attributable City staff time and reasonable legal or other professional fees (and the City and the MPTA agree to cooperate to minimize all such costs and expenses and ensure that all such costs and expenses are reasonable);

(E) without the approval of the MPTA, the City shall not dispose of such Encumbered Asset to any person other than the MPTA and shall not permit any person to take any interest in such Encumbered Asset;

(F) the MPTA shall not, without the approval of the City, cause, permit, or suffer to exist the circumstances in which an Encumbered Asset serves as collateral for debt other than the CATS Debt or become subject to any prohibitions or restrictions arising under any Grant or applicable law except those in effect as of the Effective Date; and

(G) the City and the MPTA will enter into one or more use agreements on mutually acceptable terms to permit and enable the MPTA to use such Encumbered Asset, the terms of which (x) shall be consistent with this **Section 1.03(b)(ii)**, (y) shall obligate the Parties to comply in all respects with all restrictions imposed by the CATS Debt or applicable Grants on the use, maintenance or disposition of Encumbered such Asset and (z) shall not otherwise restrict the MPTA in its use of such Encumbered Asset.

(iii) Any Asset that becomes Unencumbered at any time after the first day of Phase Two will be Transferred by the City to the MPTA as soon as reasonably practicable after so being Unencumbered.

- (iv) Any Asset constituting Commingled Property (or part of any Commingled Property) shall be subject to any agreements with respect thereto entered into by the City and the MPTA in accordance with **Section 1.01(k)**.
- (c) Governance and Policy. The MPTA shall be the sole governing and policy-making body for the public transportation system.
- (d) Continuing Relationship. The City and MPTA will seek in good faith to agree to guidelines related to the ongoing relationship between transit and transit planning (within the purview of the MPTA) and city departments and city planning (within the purview of the City).
- (e) Revenue.
- (i) The MPTA shall make payments to the City for Debt Service Payments as required by **Section 2.02(a)(ii)** and, to the extent that the Transit Revenue Reserve Fund balance is less than thirty million dollars (\$30,000,000), the MPTA shall make payments to the City as required by **Section 2.02(b)**.
- (ii) During Phase Two, the MPTA shall transfer to the City the portion of Sales Tax Revenue that is necessary to pay outstanding CATS Liabilities from Phase One where such obligations were entered into by the City during Phase One and unassignable.
- (iii) For the avoidance of doubt, all revenue beyond the requirements for Debt Service Payments (as addressed in **Section 2.02(a)**), the Transit Revenue Reserve Fund, and any revenue required in **Section 1.03(e)(ii)** shall be collected and retained by the MPTA.
- (f) Liabilities. The MPTA shall be responsible for paying all CATS Liabilities occurring or arising at any time.

Section 1.04 Phase Three. Phase Three will commence on the date on which the City is no longer providing any services in support of the operation of the public transportation system (other than pursuant to other interlocal agreements or as contemplated in this **Section 1.04** or **Article II**, but in no cases prior to a transfer of CATS Personnel), and continue until the time at which (i) all CATS Debt has been repaid, (ii) all Grant requirements have been satisfied and (iii) all Assets have become Unencumbered and have been Transferred to the MPTA. The Parties will work in good faith and undertake actions necessary such that Phase Three shall start on July 1, 2027.

- (a) CATS Personnel. On the first day of Phase Three, if the MPTA shall have not previously hired CATS Personnel as described in **Section 1.02(a)** (and instead entered into alternative arrangements in accordance with **Section 1.02(d)**), the MPTA will hire all full-time CATS Personnel.

- (b) Assets.
- (i) Any Asset that becomes Unencumbered at any time during Phase Three will be Transferred by the City to the MPTA promptly after so being Unencumbered.
 - (ii) Each Asset that is Encumbered shall continue to be subject to a use agreement described in **Section 1.03(b)(ii)**.
 - (iii) The MPTA shall not, without the approval of the City, cause, permit, or suffer to exist the circumstances in which an Encumbered Asset serves as collateral for debt other than the CATS Debt or become subject to any prohibitions or restrictions arising under any Grant or applicable law except those in effective as of the Effective Date.
 - (iv) Any Asset constituting Commingled Property (or part of any Commingled Property) shall continue to be subject to any agreements with respect thereto entered into by the City and the MPTA in accordance with **Section 1.01(k)**.
- (c) Liabilities. The MPTA shall be responsible for paying all CATS Liabilities occurring or arising at any time.
- (d) Revenue. The MPTA shall make payments to the City for Debt Service Payments as required by **Section 2.02(a)(ii)** and, to the extent that the Transit Revenue Reserve Fund balance is less than thirty million dollars (\$30,000,000), the MPTA shall make payments to the City as required by **Section 2.02(b)**. For the avoidance of doubt, all revenue beyond the requirements for Debt Service Payments and the Transit Revenue Reserve Fund shall be collected and retained by the MPTA.
- (e) Governance and Policy. The MPTA shall be the sole governing and policy-making body for the public transportation system.

ARTICLE II

TERMS APPLICABLE THROUGH ENTIRE TERM

Section 2.01 Transfer. These provisions shall apply to any Transfer occurring in Phase One, Phase Two, or Phase Three:

- (a) Transfer shall occur using a deed, bill of sale, transfer of title, or any other form generally accepted between local governments for the Transfer of Assets.
- (b) No Asset shall Transfer while it is Encumbered.
- (c) Pursuant to Section 6.4A of the PAVE Act, the MPTA is responsible for conducting or completing in a timely manner all environmental and economic studies that are required by State or federal law with respect to public transportation projects.

(d) The City’s obligation to transfer any Asset, assign any contract, or perform other Transfer obligations in a prior phase is a continuing obligation to make that transfer to the extent it did not take place in the phase identified by this Agreement.

Section 2.02 Debt Related to the Transit System. The City has financed and refinanced improvements to CATS through installment financings in accordance with North Carolina General Statutes Section 160A-20. The City currently has four pieces of outstanding indebtedness with respect to CATS, three of which were done through a financing structure known as Certificates of Participation (“COPs”) that financed and refinanced various acquisitions and improvements to CATS, and one which was done as a private placement installment financing in 2025 (the “O-Line Financing”) that reimbursed the City for its previous acquisition (for which it originally used cash) of the O-Line Corridor (also known as the Red Line) and related parcels of land in Uptown adjacent to the planned Gateway Station (the “O-Line”).

The COPs were issued under a master set of documents, including an Installment Purchase Contract, an Indenture of Trust, and a Deed of Trust (collectively, the “COPs Documents”), originally executed and delivered in 2004, and subsequently amended and supplemented through 2021 to provide for additional financings and refinancings of the indebtedness. The currently outstanding COPs are Refunding Certificates of Participation (Transit Projects), Series 2013C, Refunding Certificates of Participation (Transit Projects/Phase II), Series 2015B, and Refunding Certificates of Participation (Transit Projects), Series 2021A. The principal document related to the O-Line Financing is an Installment Financing Contract dated as of April 17, 2025, between the City of Charlotte, North Carolina and Trust Commercial Equity, Inc.

The key terms of the COPs and the O-Line Financing as of July 1, 2026 are outlined in Exhibit A (collectively referred to herein as the “CATS Debt”).

(a) Transit Debt Service Fund/Debt Service Payments.

(i) The City will establish a special fund designated as the “Transit Debt Service Fund.” The City will keep the Transit Debt Service Fund on its books and records separate and apart from other funds and moneys held by it and will administer the Transit Debt Service Fund as herein provided. The City will invest funds held in the Transit Debt Service Fund consistent with the City’s investment policies and the requirements for holding a debt service fund related to tax-exempt debt and all investment earning will be retained in the Transit Debt Service Fund. Funds held by the City in the Transit Debt Service Fund shall be used by the City to pay, when due, Debt Service Payments.

(ii) The MPTA will transfer, or cause to be transferred, to the City for deposit in the Transit Debt Service Fund no less than 15 days prior to each Debt Service Payment Date, amounts sufficient, together with funds available in the Transit Debt Service Fund, to make the Debt Service Payments due on such Debt Service Payment Date. The City shall provide reasonable prior notice of each such Debt Service Payment, including the amount thereof, the obligation being paid, and the date such payment is due.

(b) Transit Revenue Reserve Fund. While any CATS Debt is outstanding, the City will establish a special fund designated as the “Transit Revenue Reserve Fund.” The City will keep the Transit Revenue Reserve Fund on its books and records separate and apart from other funds and moneys held by it and will administer the Transit Revenue Reserve Fund as herein provided. The City shall ensure that the Transit Revenue Reserve Fund (and all amounts held therein) does not serve as collateral for any obligations of the City and is not available to satisfy any obligations of the City (other than CATS Debt as provided herein). On July 1, 2026, the City will transfer \$30,000,000 from the existing CATS Revenue Reserve Fund into the Transit Revenue Reserve Fund. The City shall use money in the Transit Revenue Reserve Fund to make Debt Service Payments on the CATS Debt to the extent necessary to ensure that no payment default occurs. If the City uses money in the Transit Revenue Reserve Fund to pay debt service on the CATS Debt, the City will so notify the MPTA. The City will notify the MPTA if at any time the Transit Revenue Reserve Fund balance is less than \$30,000,000, and in such event the MPTA shall transfer funds to the City for deposit in the Transit Revenue Reserve Fund in equal monthly installments, commencing 30 days after such notification, such that the balance in the Transit Revenue Reserve Fund reaches \$30,000,000 over a six month period, or such longer period as the City and MPTA shall mutually agree.

The City will invest funds held in the Transit Revenue Reserve Fund consistent with the City’s investment policies (but segregated from any other City funds) and the requirements for holding a reserve fund related to tax-exempt debt and all investment earning will be retained in the Transit Revenue Reserve Fund. This will include actively monitoring the investments in the Transit Revenue Reserve Fund to ensure the yield on such fund does not exceed the “arbitrage yield” on the CATs Debt as may be required by applicable federal tax laws and regulations. Money held in the Transit Revenue Reserve Fund, including investment earnings, may be used by the City to pay all reasonable third-party costs and expenses of maintaining the Transit Revenue Reserve Fund, including, without limitation, costs and expenses related to arbitrage and rebate monitoring and amounts owed to the federal government as rebate payments. The City will provide the MPTA with copies of all invoices, receipts or other records of payment of such expenses.

Money held in the Transit Revenue Reserve Fund shall not be used for any purpose except as set forth in this **Section 2.02(b)**.

At any time that the fund balance in the Transit Revenue Reserve Fund exceeds \$31,000,000, the City shall promptly transfer to the MPTA the portion of such fund balance in excess of \$30,000,000.

(c) Prepayment of Outstanding COPs. The MPTA may provide for the prepayment of any of the COPs in accordance with their terms by providing at least 90 days prior notice to the City of the MPTA’s intention to provide for such prepayment. The prepayment amount will be (i) the amount sufficient to allow the City to either pay in full the principal and accrued and unpaid interest on the amount of the COPs being prepaid if it is prepayable at that time or to fund a defeasance escrow sufficient to fully defease the amount of the COPs being prepaid to the extent it is not prepayable at that time, or some combination of both, and (ii) the amount sufficient to pay all fees, costs and charges incurred by the City directly related to such prepayment and defeasance. The City and the MPTA acknowledge

that all of the COPs are secured by the same collateral and that the COPs are subject to the terms of the COPs Documents, and other related documents, that set forth the terms of how the COPs can be prepaid and the City and the MPTA agree to work together in good faith to satisfy the requirements of such documents to facilitate the prepayment of the COPs as requested by the MPTA. When all of the COPs are no longer outstanding in accordance with their terms, whether by prepayment or at final maturity, upon request of the MPTA and at the MPTA's expense, the City will pursue the release of all of the property serving as collateral for the COPs from the COPs Documents and transfer such property to the MPTA, subject to any other agreements between the City and the MPTA related to such property.

(d) Payment or Prepayment of O-Line Financing/Reimbursement of City for O-Line. As required by the PAVE Act, the MPTA agrees to reimburse the City for the acquisition of the O-Line by payment or prepayment of the O-Line Financing and related costs as set forth herein. The MPTA may provide for the prepayment of the O-Line Financing in accordance with its terms by providing at least 90 days prior notice to the City of the MPTA's intention to provide for such prepayment. The prepayment amount or amount payable at maturity of the O-Line Financing, as the case may be, to reimburse the City for the acquisition of the O-Line will be (i) the amount sufficient to allow the City to pay in full the principal and accrued and unpaid interest on the O-Line Financing at that time, (ii) to reimburse the City for the interest paid by the City on the O-Line Financing from its Municipal Debt Service Fund (non-transit general funds of the City) and (iii) the amount sufficient to pay all fees, costs and charges incurred by the City directly related to such payment or prepayment.

The MPTA acknowledges that, because of the structure of the O-Line Financing, if the MPTA will not be able to prepay the O-Line Financing by its current initial maturity that it will be in the best interests of the City and the MPTA to restructure it to allow more time for the MPTA to provide for such payment. If the MPTA has not prepaid the O-Line Financing by April 17, 2029, and determines it will not be able to prepay the O-Line Financing by October 17, 2029, the MPTA will so notify the City. In such event, the City agrees to work with the MPTA in good faith to determine a way to restructure the O-Line Financing, if possible, based on market conditions at that time and in the best interests of the City and the MPTA. If the O-Line Financing is still outstanding on October 17, 2029, the City will have sole discretion, exercised in good faith, in determining whether or not to restructure the O-Line Financing and, if so, how and when to restructure the O-Line Financing, and the City and MPTA will work together to accomplish such restructuring. The MPTA will pay all reasonable and documented out-of-pocket costs and expenses, including legal and other professional fees, incurred by the City associated with restructuring the O-Line Financing.

When the O-Line Financing is no longer outstanding in accordance with its terms, whether by prepayment or at final maturity, upon request of the MPTA and at the MPTA's expense, the City will transfer the property acquired via the O-Line Financing to the MPTA, subject to any other agreements between the City and the MPTA related to such property.

(e) Compliance with COPs Documents and Maintenance of Tax-Exempt Status; No Adverse Impact of CATS Debt. The MPTA agrees to maintain and operate all transit assets

under its control financed and refinanced by the CATS Debt in full compliance the COPs Documents and the documentation related to the O-Line Financing, as applicable, and in a manner so as to maintain the tax-exempt status of the CATS Debt. The City has provided the MPTA with full transcripts of the documents related to the CATS Debt. The MPTA has had the opportunity to review such documents and will seek the assistance of such legal, financial and other professionals as may be necessary to comply with this Section. The MPTA agrees to take any actions reasonably requested by the City to ensure no adverse impacts to the City related to the CATS Debt. Notwithstanding anything else in this agreement, as required by the PAVE Act, in connection with the transfer of the transit system as contemplated in this agreement, the MPTA will undertake all obligations and take all actions within its power necessary to ensure that the City will remain in compliance with and there will not be an adverse impact on the CATS Debt.

(f) Maintenance of Ratings. The COPs are currently rated “Aa1” by Moody’s Ratings Service, “AA+” by S&P Global Ratings and “AA+” by Fitch Ratings. The MPTA acknowledges that maintaining the ratings on the COPs (and all of the City’s indebtedness) is important to the City as part of its overall debt management strategy. The MPTA agrees to take all actions reasonably requested by the City in an effort to avoid any downgrade of the ratings on the COPs resulting solely from the action or inaction of the MPTA.

Section 2.03 Handling of Funds. The Parties acknowledge and agree that: (i) as between the City and the MPTA, all Sales Tax Revenue and U-Drive-It Revenue is the property of the MPTA; (ii) all amounts held in the Transit Debt Service Fund, the Transit Revenue Reserve Fund, the Transit Operating Fund or the Transit Capital Fund and all other cash transferred by the MPTA to the City pursuant to this Agreement (collectively, “Transit Funds”) shall remain property of the MPTA and shall be held by the City on behalf of and for the benefit of the MPTA; (iii) all Transit Funds received by the City after the Effective Date shall be held in a physically segregated account in which no amounts are held other than Transit Funds (a “Segregated Account”); and (iv) all Transit Funds in the custody of the City as of the Effective Date shall be held in a Segregated Account as soon as reasonably practicable after the Effective Date (including by transferring to a Segregated Account any proceeds of any investments held by the City following maturity or other disposition thereof). Transit Funds (including Segregated Accounts and all amounts held therein) shall not be available to any creditors of the City (other than the MPTA and with respect to the CATS Debt and CATS Liabilities), and the City shall ensure that any representations to creditors are consistent with such principle. The Parties acknowledge that the City may, in connection with receiving operating revenue and making disbursements, utilize payment processing and accounts receivable processes pursuant to which Transit Funds may be temporarily held in the same accounts as other amounts, and that the City may continue to do so notwithstanding this **Section 2.03**. The City is authorized to use Transit Funds in accordance with this Agreement and may pre-audit any obligations as such.

Section 2.04 Contracting Authority and Approval. In Phase Two and Phase Three, any time that the MPTA controls Operations and the City owns any Asset used or intended for use in Operations, the MPTA will be authorized to conduct contract negotiations with respect to such Asset and the appropriate City official—whether the Manager or the Manager’s designee or City Council—will consider the resulting contract where such approval is required by statute. The

MPTA and City will also agree to the categories of contracts (if any) that must receive such approval prior to the start of Phase Three.

Section 2.05 Right of Reverter. As required by Section 6.4(7)(a) of the PAVE Act, with respect to assets of CATS that were procured with funds available to the City other than federal or State funds received by the City with respect to CATS and funds generated by a tax levied under Article 43 of Chapter 105 of the General Statutes or a tax levied under Section 3.1 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162 and amended by Section 2(h) of S.L. 2009-527, and the PAVE Act, the City has a right of reverter with respect to the property if the property is no longer used for a purpose supporting the operation of a public transportation system.

Section 2.06 No General Fund Liability. Except as may be specifically provided for herein (including with respect to Commingled Liabilities), before, during, and after the completion of the Transfer of Operations, Assets, and CATS Personnel from the City to the MPTA, there shall be no residual liability to the City's General Fund. The City will maintain insurance coverage for all Assets and CATS Personnel until the time of their Phase Two Transfer, and the MPTA will accept liability for and will procure insurance coverage for all transferred Assets and CATS Employees at the time of their Phase Two Transfer, subject to the Risk Management Agreement or as otherwise agreed by the parties.

Section 2.07 No Continuation of Maintenance of Effort. As of July 1, 2026, consistent with the dissolution of the MTC and the interlocal agreements upon which the MTC was established, the City shall no longer make a Maintenance of Effort payment to fund the Transit Program.

Section 2.08 Grant Compliance. The MPTA and City will abide by all Grant requirements or restrictions applicable to the Assets.

Section 2.09 Audits.

- (a) The Parties will coordinate and cooperate to the extent necessary to perform annual audits or audits required by Grant agreements or the terms of CATS Debt, or as otherwise needed or required to comply with State law.
- (b) Subject to **Section 2.09(d)**, the City may request information related to all Sales Tax Revenue received by the MPTA and balances of all funds held by the MPTA, and the MPTA shall reasonably cooperate with respect to any such request.
- (c) Subject to **Section 2.09(d)**, the MPTA may request information related to all assets and liabilities of, and all revenue received by and expenses incurred by, the City in each case arising from or in connection with the public transportation system, and the City shall reasonably cooperate with respect to any such request.
- (d) To the extent a disagreement arises with respect to information requested in **Section 2.09(b)** or **2.09(c)**, the Parties shall follow the dispute resolution process outlined

in **Section 3.05**. If, as a result of that dispute resolution process, a Party determines an audit is necessary, such audit shall be conducted in accordance with the following:

- (i) such audit shall be requested no later than three (3) years after the end of the Fiscal Year to be covered by such audit;
- (ii) such audit shall be requested no later than three (3) years after the end of Phase Two;
- (iii) such audit shall be performed by an independent certified public accounting firm of national or regional standing selected by the requesting Party;
- (iv) the fees and out-of-pocket expenses of which shall be paid by the requesting Party; and
- (v) the auditor's report shall be delivered to both Parties.

Section 2.10 Default. Except in Force Majeure situations, the failure of any Party to perform any of its obligations under this Agreement, if such failure continues for a period of thirty (30) days after receipt by the defaulting Party of written notice of such failure (the "Default Notice"), shall constitute an event of default. It shall not be considered an event of default if the default is of a nature that cannot be cured within thirty (30) days and the defaulting Party has commenced action reasonably designed to cure the default within the thirty (30) day notice period; provided, however, the default shall be cured within sixty (60) days of the date the Default Notice was received by the defaulting Party.

Section 2.11 Implementation Agreements. The City Manager and a representative of the MPTA (which may include members of the MPTA Transition Team to the extent authorized by the board of the MPTA) shall be authorized to enter into agreements to implement the intent of this Agreement, so long as such agreements are consistent with this Agreement and in furtherance of its terms, do not involve the payment or obligation of CATS Debt, and are consistent with the MPTA's and City's contracting authority.

Section 2.12 Schedules. The schedules delivered pursuant to **Sections 1.01(a)(ii), 1.01(d), 1.01(h) and 1.01(l)** shall be certified on the date set forth in the applicable section by an authorized officer of the City to represent the best knowledge of the City as of the date of such certification, but the Parties acknowledge and agree that there shall be no liability to the City for any inadvertent inaccuracy included in, or omission from, any such schedule. In the event any inaccuracy in, or omission from, any such schedule is discovered after the date of such certification, the Parties shall cooperate in good faith to agree on an appropriate resolution of such inaccuracy or omission in a manner consistent with this Agreement.

Section 2.13 Expenses. In consideration of the incremental administrative resources and expenses of the City required to comply with this Agreement, the MPTA shall pay to the City the amount, if any, by which the sum of (i) expenses on account of the City's overhead expense, employee time and similar cost allocation mechanisms attributable solely to administration of this Agreement, and (ii) the reasonable and documented out-of-pocket costs and expenses of the City arising solely from administration of this Agreement, in each case incurred during Fiscal Year

2027, exceeds five million dollars (\$5,000,000). The Parties shall cooperate in good faith to agree to the MPTA's payment of expenses of the City arising solely from administration of this Agreement for future fiscal years no later than February 28, 2027.

ARTICLE III

GENERAL PROVISIONS

Section 3.01 Specific Performance in Event of Default. The Parties acknowledge that monetary damages would not fully compensate either Party in the event of any breach or Default of this Agreement. The Parties therefore agree that in the event of a breach or Default by either Party, the other Party shall, in addition to seeking damages, be entitled to seek and obtain the specific performance of the defaulting Party's obligations hereunder.

Section 3.02 Claims. Consistent with **Section 2.06**, the City shall remain responsible for claims, losses, damages, fines, penalties, royalties, obligations, liabilities, and expenses, including attorneys' fees (collectively, "Claims"), that have not been or would not become a CATS Liability if such Claims had arisen prior to the Effective Date. Pursuant to **Section 2.06**, the MPTA shall be responsible for Claims that are, or would have become, a CATS Liability prior to the Effective Date.

Section 3.03 Term of the Agreement. This Agreement shall commence on the Effective Date and expire at such time as all Assets have transferred from the City to the MPTA and the City no longer holds any debt associated with the Assets.

Section 3.04 Cooperation of the Parties. The MPTA and the City agree to cooperate, fully, effectively, and efficiently with each other to accomplish the intent and purposes of this Agreement, execute all supplementary documents necessary to enforce its terms, communicate and share information, documents, and other data reasonably requested or needed in order to perform audits or respond to document requests in accordance with law to the extent either party retains that information, and to take all additional actions deemed necessary and appropriate so as to give full force and effect to the terms, conditions, and intent of this Agreement. Neither Party shall unreasonably withhold or delay providing such cooperation.

Section 3.05 Dispute Resolution. In the event of conflict or Default that might arise, the Parties involved agree to informally and formally communicate to resolve the conflict. If this communication is not successful in resolving the conflict, the matter will be presented to the City Manager of Charlotte and the MPTA Board Chair or his or her designee for consultation. Where the conflict is unable to be resolved within 15 days (or such other period as may be agreed by the Parties), the Parties will seek to mediate their dispute with a third-party neutral at the earliest available opportunity; provided, however, that this obligation to mediate shall not prevent either Party from taking other action to protect its interests. In addition, failure to exercise the option to mediate the dispute does not result in a breach of this Agreement. Any mediation or other legal actions or proceedings shall be held in Mecklenburg County, North Carolina unless the parties mutually agree on another location.

Section 3.06 Disposition of Property at Termination or Expiration. Disposition of property subject to the Agreement shall occur in accordance with law.

Section 3.07 Method of Termination. This Agreement may be terminated only by consent of both Parties.

Section 3.08 Force Majeure. A Force Majeure is defined as any event arising from causes beyond the reasonable control of the Parties. It shall not be considered a breach of this Agreement or an event of Default, and Parties shall not be responsible for an inability to perform or for any delays, damages, costs, expenses, liabilities, or other consequences that may arise as a result of Force Majeure.

Section 3.09 Entire Agreement. This Agreement constitutes the entire understanding between the Parties and supersedes all prior and independent agreements between the Parties covering the subject matter hereof.

Section 3.10 Third-Party Beneficiaries. There are no third-party beneficiaries of this Agreement, nor shall they be entitled to any rights hereunder.

Section 3.11 Authorization. Each Party certifies that all appropriate steps to legally enter into this Agreement have been taken, including approval by the appropriate governing body. Moreover, each Party certifies that all laws, rules, and regulations as well as any local governmental rules were followed with regard to approval of this Agreement and that this Agreement meets all standards for governmental agreements.

Section 3.12 Section Headings. The section headings in this Agreement are for convenience and ease of reference only. Such headings are not part of this Agreement and are not to be used in interpreting its provisions.

Section 3.13 Governing Law. This Agreement shall be governed by and interpreted in accordance with the law of the State of North Carolina (including the PAVE Act). For the avoidance of doubt, to the extent of any conflict between the PAVE Act and this Agreement, the PAVE Act shall control.

Section 3.14 Severability. The paragraphs, sections, sentences, clauses, and phrases of this Agreement are severable. If one or more paragraphs, sections, sentences, clauses, or phrases shall be declared void, invalid, or otherwise unenforceable for any reason by the valid, final judgment, or decree of any court of competent jurisdiction, such judgment or decree shall not affect the remaining provisions of this Agreement.

Section 3.15 Signatures. This Agreement, together with any amendments or modifications, may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be considered one and the same agreement.

Section 3.16 Notices. Unless specifically provided otherwise by this Agreement, any notice which a Party is required to or may give to another Party shall be in writing and shall be delivered or addressed to the other applicable Party at the address below set forth or to such other address as such Party may from time to time direct by written notice given in the manner herein prescribed. Such notice or communication shall be deemed to have been given or made when communicated by personal delivery or by independent courier service or by facsimile or by email

with a hard copy to be delivered by independent courier service by the next business day. All notices to the City shall be addressed to:

Marcus D. Jones
City Manager
City of Charlotte, North Carolina
600 E 4th St, Charlotte, NC 28202

With a copy to the City Attorney:

Andrea Leslie-Fite
City Attorney
City of Charlotte, North Carolina
600 E 4th St, Charlotte, NC 28202

All notices to the MPTA shall be addressed to:

Metropolitan Public Transportation Authority
c/o Board Secretary
c/o Robinson Bradshaw & Hinson
600 S. Tryon St.
Suite 2300
Charlotte, NC 28202

With a copy to:

Robinson Bradshaw & Hinson
Adam Doerr & James Cass
600 S. Tryon St.
Suite 2300
Charlotte, NC 28202

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Annex A

Definitions

“Aggregate CATS Fund Balance” means the aggregate amount of funds held by the City in the CATS enterprise fund, excluding amounts held in the Transit Revenue Reserve Fund.

“Assets” are those certain assets (or portions of assets) paid for or owned by CATS, as a department within the City, which shall be identified prior to Phase Two, including all data and intellectual property arising from or related to the public transportation system operated by CATS.

“CATS Debt” means the City’s four pieces of outstanding indebtedness with respect to CATS, three of which were done through a financing structure known as Certificates of Participation (“COPs”) that financed and refinanced various acquisitions and improvements to CATS, and one which was done as a private placement installment financing in 2025 (the “O-Line Financing”).

“CATS Liabilities” means all liabilities arising from or associated with the operation, management or development of the public transportation system, including liabilities for Assets or Operations and those related to CATS Personnel, but excluding Commingled Liabilities. As used in this definition, the word “liabilities” shall be read in the broadest possible sense to mean any claims, demands, costs, contracts, liabilities, loses, actions and causes of actions, expenses, including attorneys’ fees, sanctions, and damages of every nature.

“CATS Personnel” means the City employees identified by the City pursuant to **Section 1.02(a)(i)** as associated with CATS unless not legally eligible for transfer.

“Commingled Liability” means any liability arising from or associated with the operation, management or development of the public transportation system that is or could be (or that a portion of which is or could be) reasonably attributed or attributable to a public enterprise, fund or department of the City other than CATS.

“Commingled Property” means the Assets described on Exhibit B, which is complete to the best knowledge of the Parties, and any other property identified as such pursuant to **Section 1.01(k)**.

“Contracts” means (i) all contracts related to the operation, management or development of the public transit system operated by CATS to which the City is a party and (ii) all contracts to which CATS (as a department of the City) is a party.

“Debt Service Payments” means all payments made or required to be made in respect of the CATS Debt, including all principal, interest, fees and expenses, other than any such payments made or required to be made in respect of the O-Line Financing. Payments made by the City in respect of the O-Line Financing will be reimbursed to the City in accordance with **Section 2.02(d)** upon acquisition of the O-Line by the MPTA and related payment or prepayment of the O-Line Financing.

“Encumbered” means, with respect to any Asset at any time, that such Asset (i) serves as collateral for any CATS Debt at such time or (ii) is subject to any prohibitions or restrictions arising under any Grant or applicable law that would prohibit or preclude the City from Transferring such Asset

to the MPTA at such time or prohibit or preclude the MPTA from accepting such Transfer. “Encumbrance” shall have a correlative meaning.

“Grant” shall mean any grant associated with the Assets for which there is an agreement with the City or CATS and which contains restrictions or other covenants concerning the Assets.

“Force Majeure” means any event arising from causes beyond the reasonable control of the Parties.

“Material CATS Liabilities” means all CATS Liabilities, excluding any liability for less than \$100,000 incurred in the ordinary course of business.

“Material Contract Actions” means, as of the Effective Date, known proposed or contemplated Contracts and all known proposed or contemplated amendments, modifications or supplements to Contracts that will, in any such case, require approval from City Council.

“MPTA Transition Team” means one or more consultants and independent contractors engaged by the MPTA for purpose of assisting with and facilitating Transition-Related Activities on behalf of the MPTA. As of the date of this Agreement, the MPTA Transition Team consists of the Transition Co-Directors, Debra Campbell and Carolyn Flowers.

“Operations” means the daily management, service delivery, and execution of capital projects of the public transportation system operated by CATS, including contracting and procurement with third parties. For clarity, Operations shall not include Transition-Related Activities.

“PAVE Act” means S.L. 2025-39.

“Sales Tax Revenue” means (i) taxes levied under Part IV of the PAVE Act; (ii) taxes levied under Article 43 of Chapter 105 of the General Statutes as provided in G.S. 105-507.3; (iii) taxes levied under Section 3.1 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162 and amended by Section 2(h) of S.L. 2009-527, and the PAVE Act; and (iv) the U-Drive-It Revenue collected under Chapter 105, Article 50.

“Threshold Amount” means, at any time, one hundred million dollars (\$100,000,000).

“Transfer” means the act of conveyance of all title, rights, and interest in property from the City to the MPTA, with conditions applicable in **Section 2.01**.

“Transition-Related Activities” means the actions taken by CATS or by the MPTA to hire, contract for, procure, or carry out activities necessary to accomplish the actions discussed in this Agreement (other than Operations).

“U-Drive-It Revenue” means revenue collected under Chapter 105, Article 50.

“Unencumbered” means, with respect to any Asset at any time, that such Asset is not Encumbered at such time.

IN WITNESS WHEREOF, the City of Charlotte has caused this instrument to be executed by its Mayor, attested by its Clerk and its municipal seal to be affixed, all by authority of its governing board, first duly given. The Metropolitan Public Transportation Authority has caused this instrument to be executed by the Chair of the Board of Trustees, attested by its Clerk and its municipal seal to be affixed, all by authority of its governing board, first duly given.

City of Charlotte

_____ (seal)

By: Marcus Jones, City Manager

Attest:

City Clerk

Metropolitan Public Transportation Authority

_____ (seal)

By: David Howard, Chair

Attest:

Exhibit A

Key Financial Terms of Outstanding COPs and O-Line Financing

Refunding Certificates of Participation (Transit Projects), Series 2013C

Principal Outstanding: \$21,870,000

Final Maturity Date: June 1, 2033

Prepayment Provisions: Prepayable, in whole or in part, on any date on or after June 1, 2023, at a prepayment price of 100% of the principal amount to be prepaid plus accrued interest.

Debt Service Schedule and Interest Rates:

SERIES 2013C DEBT SERVICE - CITY OF CHARLOTTE, NC				
DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2026		\$ 435,946.88	\$ 435,946.88	
06/01/2027	\$2,790,000.00	435,946.88	3,225,946.88	3.000%
12/01/2027		394,096.88	394,096.88	
06/01/2028	2,875,000.00	394,096.88	3,269,096.88	3.125%
12/01/2028		349,175.00	349,175.00	
06/01/2029	2,965,000.00	349,175.00	3,314,175.00	5.000%
12/01/2029		275,050.00	275,050.00	
06/01/2030	3,115,000.00	275,050.00	3,390,050.00	5.000%
12/01/2030		197,175.00	197,175.00	
06/01/2031	3,265,000.00	197,175.00	3,462,175.00	3.250%
12/01/2031		144,118.75	144,118.75	
06/01/2032	3,370,000.00	144,118.75	3,514,118.75	3.375%
12/01/2032		87,250.00	87,250.00	
06/01/2033	3,490,000.00	87,250.00	3,577,250.00	5.000%

Refunding Certificates of Participation (Transit Projects/Phase II), Series 2015B

Principal Outstanding: \$31,115,000

Final Maturity Date: June 1, 2035

Prepayment Provisions: Prepayable, in whole or in part, on any date on or after June 1, 2025, at a prepayment price of 100% of the principal amount to be prepaid plus accrued interest.

Debt Service Schedule and Interest Rates:

SERIES 2015B DEBT SERVICE - CITY OF CHARLOTTE, NC				
DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2026		\$586,181.25	\$ 586,181.25	
06/01/2027	\$2,990,000.00	586,181.25	3,576,181.25	3.125%
12/01/2027		539,462.50	539,462.50	
06/01/2028	3,085,000.00	539,462.50	3,624,462.50	3.250%
12/01/2028		489,331.25	489,331.25	
06/01/2029	3,185,000.00	489,331.25	3,674,331.25	*
12/01/2029		420,356.25	420,356.25	
06/01/2030	3,320,000.00	420,356.25	3,740,356.25	3.500%
12/01/2030		362,256.25	362,256.25	
06/01/2031	3,440,000.00	362,256.25	3,802,256.25	3.625%
12/01/2031		299,906.25	299,906.25	
06/01/2032	3,560,000.00	299,906.25	3,859,906.25	3.750%
12/01/2032		233,156.25	233,156.25	
06/01/2033	3,695,000.00	233,156.25	3,928,156.25	3.750%
12/01/2033		163,875.00	163,875.00	
06/01/2034	3,840,000.00	163,875.00	4,003,875.00	**
12/01/2034		80,000.00	80,000.00	
06/01/2035	4,000,000.00	80,000.00	4,080,000.00	4.000%

* The 2029 maturity is made up of two separate serial bonds. \$1,420,000 principal amount has an interest rate of 3.50%. \$1,765,000 principal amount has an interest rate of 5.00%.

** The 2034 maturity is made up of two separate serial bonds. \$2,425,000 principal amount has an interest rate of 4.00%. \$1,415,000 principal amount has an interest rate of 5.00%.

Refunding Certificates of Participation (Transit Projects), Series 2021A

Principal Outstanding: \$142,845,000

Final Maturity Date: June 1, 2048

Prepayment Provisions: Prepayable, in whole or in part, on any date on or after June 1, 2031, at a prepayment price of 100% of the principal amount to be prepaid plus accrued interest.

Debt Service Schedule and Interest Rates:

SERIES 2021A DEBT SERVICE - CITY OF CHARLOTTE, NC				
DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2026		\$2,576,325.00	\$2,576,325.00	
06/01/2027	\$5,000,000.00	2,576,325.00	7,576,325.00	5.000%
12/01/2027		2,451,325.00	2,451,325.00	
06/01/2028	5,255,000.00	2,451,325.00	7,706,325.00	*
12/01/2028		2,359,950.00	2,359,950.00	
06/01/2029	5,435,000.00	2,359,950.00	7,794,950.00	5.000%
12/01/2029		2,224,075.00	2,224,075.00	
06/01/2030	5,710,000.00	2,224,075.00	7,934,075.00	5.000%
12/01/2030		2,081,325.00	2,081,325.00	
06/01/2031	5,990,000.00	2,081,325.00	8,071,325.00	5.000%
12/01/2031		1,931,575.00	1,931,575.00	
06/01/2032	6,290,000.00	1,931,575.00	8,221,575.00	5.000%
12/01/2032		1,774,325.00	1,774,325.00	
06/01/2033	6,605,000.00	1,774,325.00	8,379,325.00	5.000%
12/01/2033		1,609,200.00	1,609,200.00	
06/01/2034	6,940,000.00	1,609,200.00	8,549,200.00	4.000%
12/01/2034		1,470,400.00	1,470,400.00	
06/01/2035	7,220,000.00	1,470,400.00	8,690,400.00	4.000%
12/01/2035		1,326,000.00	1,326,000.00	
06/01/2036	5,660,000.00	1,326,000.00	6,986,000.00	3.000%
12/01/2036		1,241,100.00	1,241,100.00	
06/01/2037	5,830,000.00	1,241,100.00	7,071,100.00	3.000%
12/01/2037		1,153,650.00	1,153,650.00	
06/01/2038	6,005,000.00	1,153,650.00	7,158,650.00	3.000%
12/01/2038		1,063,575.00	1,063,575.00	
06/01/2039	6,185,000.00	1,063,575.00	7,248,575.00	3.000%
12/01/2039		970,800.00	970,800.00	
06/01/2040	6,370,000.00	970,800.00	7,340,800.00	3.000%
12/01/2040		875,250.00	875,250.00	
06/01/2041	6,560,000.00	875,250.00	7,435,250.00	3.000%

SERIES 2021A DEBT SERVICE - CITY OF CHARLOTTE, NC

DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2041		776,850.00	776,850.00	
06/01/2042	6,760,000.00	776,850.00	7,536,850.00	3.000%
12/01/2042		675,450.00	675,450.00	
06/01/2043	6,960,000.00	675,450.00	7,635,450.00	3.000%
12/01/2043		571,050.00	571,050.00	
06/01/2044	7,170,000.00	571,050.00	7,741,050.00	3.000%
12/01/2044		463,500.00	463,500.00	
06/01/2045	7,385,000.00	463,500.00	7,848,500.00	3.000%
12/01/2045		352,725.00	352,725.00	
06/01/2046	7,610,000.00	352,725.00	7,962,725.00	3.000%
12/01/2046		238,575.00	238,575.00	
06/01/2047	7,835,000.00	238,575.00	8,073,575.00	3.000%
12/01/2047		121,050.00	121,050.00	
06/01/2048	8,070,000.00	121,050.00	8,191,050.00	3.000%

* The 2028 maturity is made up of two separate serial bonds. \$2,000,000 principal amount has an interest rate of 1.00%. \$3,255,000 principal amount has an interest rate of 5.00%.

O-Line Financing – Installment Financing Contract dated as of April 17, 2025, between the City of Charlotte, North Carolina and Trust Commercial Equity, Inc.

Principal Outstanding: \$91,213,000, payable at maturity

Maturity Date and Interest Rate:

Initial Maturity Date is April 17, 2030; Interest Rate Until Initial Maturity Date is SIFMA Index plus 0.14% per annum.

If the City does not pay the outstanding principal amount on the Initial Maturity Date and no Event of Default has occurred and is continuing on such date, then the City will pay the outstanding principal amount in equal (or as near as equal as possible) semiannual installments beginning six months after the Initial Maturity Date and ending 5 years after the Initial Maturity Date.

Interest Payment Dates: First Business Day of each month.

Prepayment Provisions: Prepayable in whole or in part on any Business Day at a prepayment price equal to 100% of the outstanding principal amount to be prepaid plus accrued interest.

Exhibit B

Commingled Property

1. Charlotte Transportation Center (Parcel ID 125-011-14)
2. Bus maintenance facility and parking deck on N. Davidson St. (Parcel IDs 081-088-01, 081-087-01, 081-086-01, 081-086-07)
3. Gold Line and Gold Line Traction Power Substations (TPSS GLW3 on Parcel ID 07821201; TPSS GLE1 on Parcel ID 08008304; TPSS GLE3 on Parcel ID 08111101; TPSS GLW2 on Parcel ID 07315133)
4. Charlotte Gateway Station
5. Urban Design Center (Parcel ID 123-041-10)
6. Fiber troughs (Blue Line and Blue Line Extension)
7. Fiber rights-of-way
8. Blue Line – Central Communication House (Parcel ID 04939106)
9. Lawyers Road Park and Ride Lot (Parcel ID 10917110)
10. Bus Shelters within City street right-of-way