



## General Overview of Primary Interlocal Agreement

Presentation to Charlotte City Council, Action Review,  
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### Purpose for Today – The Shared Vision

- a shared commitment to ensuring a smooth, orderly transition of the public transportation system
- a phased, collaborative transition is essential to supporting and retaining employees, maintaining uninterrupted transit service, protecting the interests of riders, encouraging ridership growth, and advancing the 2055 Transit System Plan's vision
- proceed with the shared discretion afforded to the City and MPTA by the General Assembly in the PAVE Act and determine the manner, timing, and terms of such implementation through interlocal cooperation



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2

## Purpose for Today – The Primary Interlocal Agreement

- The PAVE Act requires the City and MPTA to enter into an agreement by July 1, 2026, in which the parties agree to a timeline and process for:
  - Transfer of ownership of CATS assets from the City to MPTA
  - Transfer of CATS personnel from the City to MPTA
  - Transfer of funds from MPTA to the City for certain debts and assets
  - Transfer of CATS liabilities from the City to MPTA
  - Establishing use agreements, where necessary
- Not final
  - Placeholders allow for input on the agreement while those MPTA functions are still being determined



## Factors that Impact Transfer from City to MPTA

- The City has outstanding debt related to CATS assets that cannot transfer
- The debt is secured by assets that will not be able to transfer while the debt remains
- Federal and State grants contain covenants about the assets
- phased, collaborative transition is essential

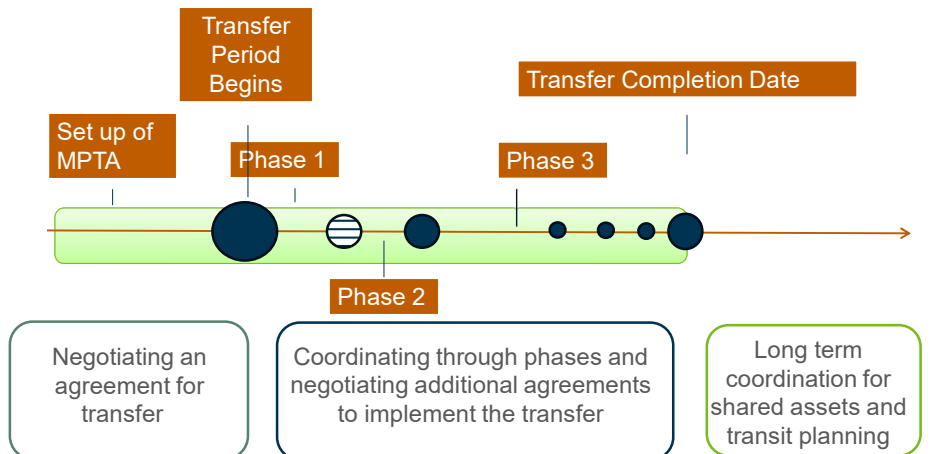


## Purpose of the Primary Interlocal Agreement

- Outline a process to satisfy all requirements identified in the PAVE Act
- Establish timelines and conditions that must be met for the transfer of transit operations and CATS employees to the MPTA
- Define the flow of funding between parties to address operations and liabilities
- Allow MPTA to delegate operational control back to the City beginning July 1 for a short phase to ensure operational continuity during transfer



## Overview of Transfer Process



## Expected Milestones for City to MPTA Transfer

Phase	Anticipated Dates	Milestones of Phase
One	July 1 – December 31	<ul style="list-style-type: none"> <li>Funds begin flowing to the MPTA</li> <li>Transit operations delegated to City by MPTA</li> </ul>
Two	January 1 – July 1, 2027 (latest)	<ul style="list-style-type: none"> <li>City is providing minimal services in support of the operation of the public transportation system</li> </ul>
Three	July 1, 2027 – Until	<ul style="list-style-type: none"> <li>City no longer providing any services in support of the operations</li> <li>CATS Debt with the City has been repaid</li> <li>Grant requirements have been satisfied</li> <li>All assets have become unencumbered and have been transferred to the MPTA</li> </ul>



## Terms of the Agreement Phase One (summary)

- **Ownership of Assets.** The City will continue to own the Assets.
- **Interlocal Cooperation for Operations.** The MPTA and City agree to operation of the public transportation system.
- **Governance and Policy; Contracting.** The MPTA will provide budget approval, approval of the FTA's required agency safety plan, and long-term governance oversight.
- **Contracting.** MPTA delegates to the City authority for contracts related to Operations, except Transition-Related Activities.
  - In progress: discussion of any contracting and procurement that involve long-term policy



## Terms of the Agreement Phase One (summary)

- **Flow of funds.** All Sales Tax Revenue received by the MPTA shall be transferred to the City.
  - In progress: structure of how MPTA holds funds
- **Liabilities.** All liabilities paid by public enterprise funds consistent with the approved FY 2027 Transit Program Budget.
- **Established transfer coordination.** The MPTA and City will coordinate with respect to future phases and transfer of assets.



## Terms of the Agreement Gates for Phase Two (summary)

- **CATS Personnel.** No later than the first day of Phase Two, the MPTA shall accept all full-time CATS Personnel.
  - salary or hourly wages, target bonus opportunities, and retirement and health, and welfare benefits are no less than the base salary or hourly wages target bonus opportunities, and retirement and health, and welfare benefits provided by the City;
  - service for the City will be counted for vesting, eligibility and accrual purposes except where such recognition would result in a duplication of benefits; and
  - benefit plans will 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.



## Terms of the Agreement Gates for Phase Two (summary)

- **Assets**. Assets without related debt or other restrictions will be Transferred from the City to the MPTA upon the termination of Phase One
- **Contract Assignment**. The City shall assign, and the MPTA shall accept assignment of, all contracts associated with Operations.
- **Infrastructure for Flow of Funds**. The MPTA shall be capable of directing funds for Debt Service Payments to the City.
  - In progress: structure of how MPTA holds funds
- **Transition Reserve Fund**. A reserve fund will be created to protect the City's ability to maintain adequate reserves with respect to unforeseen or outstanding liabilities and fluctuations in Sales Tax Revenue.
  - In progress: confirmation of reserve as contemplated in draft



## Terms of the Agreement Gates for Phase Two (summary)

- **Grant funds**. Continued compliance with grant agreement requirements
- **Necessary Operations functions**. The MPTA shall have developed or obtained support for human resources, technology, finance capacity, and capacity to manage assets and debt.
- **Approval for MPTA to Operate from federal and State authorities**. The MPTA shall have received approvals from federal and State authorities.



## Terms of the Agreement Phase Two (summary)

- **CATS Personnel and Operations.** CATS Personnel will commence employment with the MPTA and the MPTA will obtain ownership of the Operational Assets.
- **Governance and Policy.** The MPTA shall be the sole governing and policy-making body for the public transportation system.
- **Joint contracting, policymaking, and governance. [In progress]** The City and MPTA will determine and agree to defined roles and responsibilities for transit and transit infrastructure planning.
- **Flow of Revenue.** The MPTA shall direct funds for Debt Service Payments to the City.
  - In progress: structure of how MPTA holds funds



## Terms of the Agreement Phase Two (summary)

- **Fund balance transfer.** Eligible fund balances that were identified in Phase One will transfer from the City to the MPTA
- **Liabilities.** All liabilities for Assets and Operations, including those related to CATS Personnel will be paid by the MPTA.



## Terms of the Agreement Gates for Phase Three (summary)

- **Contract Assignment.** Prior to Phase Three, the MPTA will accept assignment of all contracts associated with Assets prior to Transfer of those Assets.



## Terms of the Agreement Phase Three (summary)

- **Assets.** As debt is paid off or refinanced by the MPTA, the Assets will transfer from the City to the MPTA. The MPTA and City will continue to operate shared assets as agreed.
- **Liabilities.** All liabilities for Assets and Operations, including those related to CATS Personnel will be paid by the MPTA.
- **Flow of Revenue.** The MPTA shall direct funds for Debt Service Payments to the City.
  - **In progress:** structure of how MPTA holds funds



## General Terms of the Agreement (summary)

- No General Fund Liability
- No Continuation of Maintenance of Effort
- Grant Compliance Maintained
- Coordinating for Audit Requirements
- Authorization for designees to enter into implementation agreements
- Indemnification by MPTA for acts requested of City [In progress]



## Next Steps for City Council

- Staff available for office hours (schedule forthcoming)
- Any updates to draft Primary Interlocal will be communicated via City Council packets
- Placeholder for additional discussion on June 1<sup>st</sup> Transportation, Planning and Development Committee
- Placeholder for additional discussion on June 8<sup>th</sup> Action Review
- Consideration of adoption on June 22<sup>nd</sup>

