




As a courtesy to others, please silence all electronic devices during the meeting.


1. Call to Order

2. Committee Minutes

-  Minutes from the January 28, 2015 Oversight Committee Meeting Pg 2

3. Committee Agenda

A. Oversight Committee Agenda

-  Presentation on the Annual Financial Audit and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending September 30, 2014 Pg 6

B. Oversight Committee Agenda

-  Overview of the FY2015 Amended Operating and Capital Budgets Pg 7

-Attachments 

4. Committee Information Items

A. Oversight Committee Information

-  Finance and Audit Committee Pg 18

-Attachments   

B. Oversight Committee Information

-  Risk Management Committee Pg 44

-Attachments 

Section 286.0105, Florida Statutes states that if a person decides to appeal any decision made by a board, agency, or commission with respect to any matter considered at a meeting or hearing, he will need a record of the proceedings, and that, for such purposes, he may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

In accordance with the Americans With Disabilities Act of 1990, persons needing a special accommodation at this meeting because of a disability or physical impairment should contact Benjamin Gonzalez at 455 N. Garland Ave, Orlando, FL 32801 (407) 254-6038, not later than three business days prior to the meeting. If hearing impaired, contact LYNX at (407) 423-0787(TDD).

LYNX
Central Florida Regional Transportation Authority
Oversight Committee Meeting Minutes

PLACE: LYNX Central Station
455 N. Garland Avenue
Conference Room, 2nd Floor
Orlando, FL 32801

DATE: January 28, 2015

TIME: 11:37 a.m.

Members in Attendance:

Seminole County Commissioner, Carlton Henley, Chairman
FDOT District 5 Secretary, Noranne Downs
Orange County, Assistant County Administrator, Jim Harrison
City of Orlando, Transportation Project Manager, Claudia Korobkoff

Members Absent:

Osceola County Commissioner, Viviana Janer

1. Call to Order

The Chairman, Commissioner Carlton Henley, called the meeting to order at 11:30 a.m.

2. Approval of Minutes

The Chairman asked the Committee if there were any additions or deletions to the November 13, 2014 Minutes as presented.

Motion was made and seconded to approve the Minutes of the November 13, 2014 Oversight Committee meeting. The motion passed unanimously.

3. Oversight Agenda Items

A. Compressed Natural Gas (CNG) Bus Lease Update

The Chairman recognized Blanche Sherman, LYNX' Director of Finance, to make the presentation.

Ms. Sherman noted that Staff has reviewed the opportunity for leasing ten (10) of the thirty-five replacement buses included in the FY2015 Adopted Capital Budget. The ten (10) leased buses will support the requirement of the Unsolicited Proposal to acquire thirty-five buses to begin the CNG fleet conversion. LYNX will utilize federal funds to purchase twenty-five of the replacement buses and local \$2 capital funds to support the lease payments for the additional ten CNG buses. The acquisition of the additional ten (10) CNG buses will help reduce the high maintenance costs associated with the operation of an aging fleet.

On September 25, 2014, LYNX staff requested the Board of Directors' authorization for the Chief Executive Officer (CEO) to issue an Invitation for Bid (IFB) for the lease of ten (10) Compressed Natural Gas (CNG) buses for a period of four or five years.

The CNG buses will be acquired through the existing Gillig, LLC Contract #14-C09. The Gillig price quote for 40' low floor CNG buses is \$543,087 per bus for a total of \$5,430,870 for ten buses. LYNX will enter into a capital leasing agreement with a leasing agency that will include principal and interest repayment over the next four or five years.

On November 17, 2014, LYNX solicited proposals from qualifying firms to lease-acquire ten transit buses. Responses were received from PNC Bank, Municipal Services Group (MSG) and Bank of America. The two firms with qualifying responses were MSG and Bank of America. It was determined that Bank of America's five year proposal would best serve the financing needs for the project.

Ms. Sherman provided that on January 15, 2015, LYNX' Finance and Audit Committee met and recommended approval to award the contract for the lease of ten CNG buses to Bank of America for a period of five years.

Discussion ensued regarding the long term advantages for converting the fleet to CNG and the potential for fuel savings.

Without objection, the Committee's recommendation to the Board will be to award a contract for the lease of ten CNG buses to Bank of America for a period of five years.

B. FY2016 Proposed Budget Development Assumptions

The Chairman recognized Blanche Sherman, LYNX' Director of Finance, to make the presentation.

Ms. Sherman provided the FY2016 Budget Development Assumptions.

- Key Budget Assumptions – Overall
 - FY2016 Funding based on the adopted LYNX Funding Model
 - Maximize current service levels through efficiencies
 - Apply additional Flex (NeighborLink) services, where appropriate

- Key Budget Assumptions – Revenue
 - Maintain current Preventative Maintenance funding level
 - Maximize use of anticipated Advertising Revenue
 - Potential Royalties from third party usage of Compressed Natural Gas (CNG)

- Key Budget Assumptions – Expenses
 - Salary increases consistent with Funding Partners
 - Anticipated impact of a new Union contract
 - Continuation of Fuel Hedging Program, as appropriate
 - Impacts of conversion to Compressed Natural Gas (CNG)
 - Continued application of reductions based on LYNX ownership of paratransit vehicles
 - Continuation of Bio-diesel Program, as appropriate
 - Evaluate LYNX’ current Health Insurance Program for consideration of becoming self-insured

- Pending Items
 - Fare increase in FY2016
 - Toll Revenue Credits
 - Funding Partner approved COA Recommendations
 - Impacts of SunRail Phase 2 expansion
 - Continuation of Express Bus Pilot

- Future Items
 - Continue to review the type of fixed route vehicles used in future operations
 - Consideration of public/private partnership (satellite facilities / BRT)
 - Seek State grant funding opportunities for capital projects

- Budget Calendar

Key Budget Assumptions Presentation to Audit Committee	January 28
Preliminary Budget Presentation	March 26
Funding Request Letters Submitted to Funding Partners	May
Budget Presentation Osceola & Orange Counties	June / July
Budget Presentation Seminole County	August
Final Board Action	September 24
Budget Year 15-16 Commences	October 1

Ms. Sherman noted that Staff will meet with the Finance & Audit Committee to provide additional details and receive recommendations prior to submitting Funding Request Letters to the Funding Partners.

Staff was requested to provide the Oversight Committee the meeting date calendar of the Finance & Audit Committee.

C. Election of the 2015 Oversight Committee Officers

The Chairman recognized Pat Christiansen, LYNX' General Counsel, to conduct the election.

Mr. Christiansen provided that the governing documents outline the election of the Chairman and Vice-Chairman of the Committee. The Chairman must be a member of LYNX' Board of Directors.

Commissioner Carlton Henley was nominated as the Chairman of the Oversight Committee. The nomination received a second and the Motion passed unanimously.

Motion was made, seconded and passed unanimously to table the election of the Vice Chairman until the next scheduled meeting of the Committee.

4. Review of Board Package

The Chairman recognized John Lewis, Chief Executive Officer, to provide an overview of items that will come before the Board.

Mr. Lewis noted that staff is not recommending changes to the LYNX Board of Directors' meeting.

The meeting adjourned at 12:26 p.m.

Oversight Committee Agenda Item #3.A.

To: LYNX Board of Directors

From: Blanche Sherman
DIRECTOR OF FINANCE
Patricia Bryant
(Technical Contact)

Phone: 407.841.2279 ext: 6100

Item Name: Presentation on the Annual Financial Audit and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending September 30, 2014

Date: 3/26/2015

Mr. Robert Conrad, Partner with the firm of Cherry, Bakeart, L.L.P. will present results of the annual financial audit and Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2014.

Oversight Committee Agenda Item #3.B.

To: LYNX Board of Directors

From: Blanche Sherman
DIRECTOR OF FINANCE
Julie Caple
(Technical Contact)

Phone: 407.841.2279 ext: 6100

Item Name: Overview of the FY2015 Amended Operating and Capital Budgets

Date: 3/26/2015

On September 25, 2014, LYNX staff presented the FY2015 Operating and Capital Budgets in the amount of \$126,498,589 and \$87,809,187, respectively for Board approval. Since approval of the FY2015 Adopted Operating and Capital Budgets, LYNX has brought several items to the Board requesting approval and corresponding amendment to the operating and capital budgets.

The Operating budget amendment includes the following:

- Maitland SunRail NeighborLink service - \$78,118
- SR 50 Alternative Analysis funding revision from Federal to Reserves - \$200,000
- Transfer rural area funding (5311) from Federal to State - \$634,881
- Transfer TD funds from State to Federal funding - \$70,000

The Capital budget amendment includes the following:

- Compressed Natural Gas (CNG) vehicle purchase - \$1,481,600 (Local) and \$4,928,000 (Federal)
- CNG lease option - \$303,464
- Carry forward balance true-up – (\$5,092,623) comprised of (\$4,594,087) in Federal and (\$498,536) in Local
- Kissimmee Intermodal Facility recognition of local match funding from Reserves - \$200,000

Based on the Board's previous approval of these items and the reductions and reclassification for accurate budgetary management there is a need to amend the FY2015 Operating and Capital Budgets in the amount of \$78,118 and \$1,620,441, respectively. Approval of this amendment will formally amend the FY2015 Operating and Capital Budgets to accurately reflect approved revenues and expenses. The amended FY2015 Operating and Capital Budgets will be in the amount of \$126,576,707 and \$89,429,628, respectively.

LYNX staff will make a full presentation of the revisions supporting the amendment of the FY2015 Operating and Capital Budgets at the Oversight Committee meeting.

FY2015 Amended Operating & Capital Budgets

Presented to the
LYNX Oversight Committee
by Blanche W. Sherman, CPA
Director of Finance
March 26, 2015

FY2015 Operating Budget Overview



	FY2015 Adopted Budget	FY2015 Amended Budget	% Change
Operating Revenue	\$ 126,498,589	\$ 126,576,707	0.1%
Operating Expenses	126,498,589	126,576,707	0.1%
Operating Income/(Deficit)	\$ -	\$ -	0.0%

Key Operating Budget Amendment Basis



- Pilot SunRail feeder NeighborLink for Maitland.
- Transfer local match of 20% for the SR 50 Alternative Analysis project from Federal funding to Reserves.
- Transfer Federal rural area pass-through funding from Federal to State revenue.

FY2015 Operating Revenue



	FY2015 Adopted Budget	FY2015 Amended Budget	% Change
Fund Balance	\$ 1,465,286	\$ 1,665,286	13.6%
Customer Fares	29,530,910	29,530,910	0.0%
Contract Services	6,593,296	6,593,296	0.0%
Advertising on Buses	1,875,000	1,875,000	0.0%
Advertising - Trade	30,000	30,000	0.0%
Interest & Other Income	417,000	417,000	0.0%
Federal	16,640,178	15,875,297	-4.6%
State	12,659,235	13,263,175	4.8%
Local	57,287,684	57,326,743	0.1%
Total Operating Revenue	\$ 126,498,589	\$ 126,576,707	0.1%

FY2015 Operating Expenses



	FY2015 Adopted Budget	FY2015 Amended Budget	% Change
Salaries/Wages/Fringes	\$ 70,796,959	\$ 70,796,959	0.0%
Other Services	11,138,951	11,138,951	0.0%
Fuel	16,108,610	16,108,610	0.0%
Materials & Supplies	7,411,652	7,411,652	0.0%
Utilities	1,439,337	1,439,337	0.0%
Casualty and Liability	1,399,850	1,399,850	0.0%
Taxes & Tags	409,841	409,841	0.0%
Purchased Transportation	16,851,215	16,929,333	0.5%
Miscellaneous	676,674	676,674	0.0%
Leases	265,500	265,500	0.0%
Total Operating Expenses	\$ 126,498,589	\$ 126,576,707	0.1%

Key Capital Budget Amendment

Basis

- CNG lease vehicles (10)
- CNG articulated vehicle purchase (10) – Ladders of Opportunity Grand Award.
- FY2014 year-end purchase order balance adjustments.
- Transfer local share of Kissimmee Intermodal Facility from Federal Funding to Reserves.

FY2015 Capital Budget Overview



	FY2015 Adopted Budget	FY2015 Amended Budget	% Change
Capital Contributions	\$ 87,809,187	\$ 89,429,628	1.85%
Capital Expenditures	87,809,187	89,429,628	1.85%
Capital Gains/(Losses)	\$ -	\$ -	N/A

FY2015 Capital Budget Contributions



Capital Contributions	FY2015 Adopted		FY2015
	Budget	Revisions	Amended Budget
Federal Contributions	\$ 82,016,900	\$ 133,913	\$ 82,150,813
State Contributions	411,879	-	411,879
Local Contributions	5,380,408	1,286,528	6,666,936
Reserves	-	200,000	200,000
Total	\$ 87,809,187	\$ 1,620,441	\$ 89,429,628

FY2015 Capital Expenditures



Capital Expenditures	FY2015 Adopted Budget	Revisions	FY2015 Amended Budget
Revenue Vehicles	\$ 45,396,720	\$ 3,756,350	\$ 49,153,070
BRT	16,521,950	(847,380)	15,674,570
Facilities	2,961,975	(39,500)	2,922,475
Passenger Amenities/Related	13,555,778	(568,032)	12,987,746
Technology	4,205,590	(382,349)	3,823,241
Security	1,024,361	(14,117)	1,010,244
Support Equipment	2,196,507	(142,301)	2,054,206
ARRA	1,946,306	(142,230)	1,804,076
Total	\$ 87,809,187	\$ 1,620,441	\$ 89,429,628

Board Action Requested



LYNX staff is asking for approval of the amended FY2015 operating and capital budgets.

	FY2015 Adopted Budget	FY2015 Amended Budget	% Change
Operating	\$ 126,498,589	\$ 126,576,707	0.1%
Capital	87,809,187	89,429,628	1.8%
Total	\$ 214,307,776	\$ 216,006,335	0.8%

Oversight Committee Information Item #4.A.

To: LYNX Board of Directors

From: **Blanche Sherman**
DIRECTOR OF FINANCE
Julie Caple
(Technical Contact)
Vicki Hoffman
(Technical Contact)

Phone: 407.841.2279 ext: 6100

Item Name: Finance and Audit Committee Report

Date: 3/26/2015

A meeting of the Finance and Audit Committee was held on Wednesday, March 18, 2015. The Agenda Items covered were:

- Overview of FY2014 Annual Audit Results
- Overview of the FY2016 Preliminary Operating Budget
- Health Insurance Cost Containment – Self-Insurance Evaluation

Minutes from the previous meetings held on the following dates are attached.

Thursday, September 18, 2014
Wednesday, November 5, 2014
Thursday, January 15, 2014

Tentative future meeting dates include:

Tuesday, May 5, 2015
Thursday, August 17, 2015
Friday, September 11, 2015

LYNX
Central Florida Regional Transportation Authority
Finance & Audit Committee Amended Meeting Minutes

PLACE: LYNX Central Station
455 N. Garland Avenue
Conference Room, 2nd. Floor
Orlando, FL 32801

DATE: January 15, 2015

TIME: 10:00 AM

Members in Attendance:

Chris McCullion, City of Orlando
Ray Walls, Orange County
Michael Kurek, Osceola County
Edward Bass, Seminole County

LYNX Staff in Attendance:

John Lewis, Chief Executive Officer
Blanche Sherman, Director of Finance
Pat Christiansen, LYNX' General Counsel

Members Absent:

Lisa Buscher, FDOT

1. Call to Order/Introduction

Blanche Sherman, Director of Finance called the meeting to order at 10:00 AM.

2. Approval of Prior Meeting Minutes

Blanche Sherman asked for approval of the prior meeting minutes. **Motion** was made and seconded to approve the Minutes of the November 5, 2014 Finance & Audit Committee. The Motion passed unanimously.

3. Audit Agenda Items

✓ **Election of Officers**

Blanche Sherman presided over the election of officers.

Michael Kurek made a Motion to nominate Chris McCullion as Chairperson of LYNX' Finance & Audit Committee. The Motion received a second.

Hearing no other nominations, Blanche asked for the vote.

Motion to elect Chris McCullion as Chairperson of LYNX' 2015 Finance & Audit Committee passed unanimously.

Ray Walls made a Motion to nominate Ray Walls as Vice Chairperson of LYNX' Finance & Audit Committee. The Motion received a second.

Hearing no other nominations, Blanche called for the vote.

Motion to elect Ray Walls as Vice Chairperson of LYNX' 2015 Finance & Audit Committee passed unanimously.

✓ **FY2016 Budget Development Assumptions**

Chris McCullion, Chairperson, called on Blanche Sherman to discuss the FY2016 Budget Development Assumptions.

Blanche provided a brief overview of the Powerpoint presentation that is going to LYNX' Oversight Committee (formerly Audit Committee) in January 2015. The key budget assumptions discussed as part of the budget development process were as follows:

- FY2016 funding based on LYNX adopted Funding Model

Beginning in 2014, LYNX' Board formally adopted the funding model to determine allocation of funding for LYNX' funding partners. Prior to 2014, the model was last used in 2007. If the Committee wants an opportunity to go over the funding model, it will be provided.

- Maintain current Preventative Maintenance funding level

LYNX seeks to maintain the preventative maintenance funding level, currently at \$6.7 million, which covers eligible operating expenses and reduces the capital dollars available to meet capital needs for items such as buses.

- Maximize current service levels through efficiencies

Service changes three times a year are basically minor changes to increase efficiency of service but stay within the 2% threshold.

- Apply additional Flex (NeighborLink) services, where appropriate

NeighborLink service has increased over the past two years with Intercession City in Osceola County, Goldsboro in Seminole County and recently adding service in Maitland. Using a 35' foot bus rather than a 40' bus is more efficient and cost effective within the neighborhoods.

- Maximize use of anticipated Advertising Revenue

The anticipated advertising revenue amount is \$1.7 million in FY2014 with \$1.7 million budgeted. The amounts are \$1.8 million budgeted in FY2015 and \$2 million anticipated in FY2016. The advertising revenue is doing very well, increasing with 80-90% of buses covered. Overall, this includes some revenues and expenses. With the CNG efforts, the anticipated royalties from third party sales will be incorporated in the budget.

Blanche then discussed the key budget assumptions for expenses.

- Salary increases consistent with Funding Partners

The process is to find out what LYNX' funding partners are doing and develop a consensus. For last year this was around 3%. Chris McCullion mentioned that this conversation came up at the Expressway Authority. Over the last five years, the funding partners have gone different directions making this a complicated process. Blanche discussed FDOT not giving increases for five years and one year giving a lump sum. Michael Kurek discussed Osceola County giving a lump sum in December and recently a 2 1/2% cost of living increase.

- Anticipated impact of a new Union contract

In the FY2016 budget, LYNX will be beginning Union negotiations on the Amalgamated Transit Union (ATU) Local 1596 contract with bus operators and the mechanics. Susan Black, LYNX General Manager, mentioned that LYNX would be starting management meetings soon. Chris asked if there was anything being scheduled or anything known at this point about the union contract for next year. Blanche stated that the only thing known at this time are the pension plan issues that are still on the table pending a date being set for arbitration.

Chris asked if the health insurance program would be part of the negotiations. Blanche stated that it could and LYNX will be evaluating going self-insured to determine the most cost effective way to provide health insurance. Susan stated that health insurance was a hot topic this year because the change over and sign up for health insurance benefits coincided with the wage re-opener. Blanche and John dealt with this through the town hall meeting and the change for this year was resolved.

Susan mentioned that moving forward LYNX will be making the best decisions for the agency on plan type changes and spoke about the complex national issue of understanding the health care industry and being able to communicate that to the bus operators.

With no further questions, Blanche continued to the next budget assumption.

- Impacts of conversion to Compressed Natural Gas (CNG)

There will be thirty-five (35) buses over a nine month period and anticipated \$0.085 cents/gallon royalty on third party sales.

- Continuation of Fuel Hedging Program, as appropriate

The diesel and unleaded fuel will continue to be hedged along with the CNG. Even though there are very low prices for diesel and unleaded fuel, the diesel fuel is budgeted at \$3.17/gallon and the hedged price is \$2.89/gallon. For unleaded fuel, \$2.97/gallon is budgeted and the hedged price is \$2.60. The objective for hedging is to stabilize the budget and LYNX is still under budget.

Questions included how far out LYNX hedged and what portion of fuel is hedged. Blanche stated that this year LYNX is hedged out through 2015 and she is looking at closing some hedges for 2016. Fuel is hedged at 75% with the other 25% subject to market changes. There have been savings on the 25% with the exception of the fuel from Kissimmee at the Osceola site.

Today LYNX is paying \$1.92 for diesel and \$1.47 for unleaded.

- Continued application of reductions based on LYNX ownership of paratransit vehicles

The paratransit contract is in its fourth year. LYNX wants to contain costs by owning the vehicles. The total vehicle requirements are 190 with LYNX owning 154 vehicles. LYNX is still continuing to replace vehicles to contain the costs.

- Continuation of Bio-diesel Program, as appropriate

The bio-diesel 80/20 program is continuing. LYNX is paying \$1.92 for diesel and \$2.04 for bio-diesel.

Blanche continued on to the Pending Items. These are not necessarily incorporated in the preliminary budget until final information and/or concurrence is obtained.

- Fare increase in FY2016 (?)

The last fare increase was in January 2009. LYNX is working in conjunction with SunRail with a plan to go one year without a fare increase and consider a fare increase for the next year. LYNX will be working with SunRail but can do the increase independently. A change in fare could be challenging with the SunRail system issues.

Blanche discussed the handout given to Committee members with information comparing LYNX to its peers. The longer sheet shows LYNX at the top for Farebox Recovery at 32% based on National Transit Database (NTD) data from FY2012. Fare increase factors considered are where LYNX stands in comparison to its peers especially in the state of Florida and whether there is a dedicated funding source which LYNX does not have. A \$0.25 increase generates \$1.2 - \$1.4 million additional revenue annually.

Ray Walls asked if this has been broached with the Board. Blanche responded that it has not. This is part of the process every year.

Blanche discussed the shorter sheet which is a comparison of full fare and other passes including express service. LYNX is looking at express service and has implemented a

pilot on the Link 208 with SunRail feeder services outsourced using Mears and a different type of bus with amenities such as wireless connection. The objective is to have the fare cover the costs. Pat Christiansen, LYNX General Counsel, summarized the Osceola County extension as travel to the ultimate SunRail destination in Osceola County as an extension from where SunRail currently ends run by Mears and then when SunRail gets extended will no longer be needed. Blanche mentioned that this was an opportunity for LYNX to use this feeder service as a pilot. John Lewis wants to do other pilots which will be brought before the Committee and the Board of Directors.

Blanche spoke about LYNX wanting to look at how the fares are for this service to set the level of fares needed for express service to cover the costs. The information discussed is what is considered and reviewed as part of an independent fare equity process.

➤ Toll Revenue Credits (?)

Toll revenue credits are used for a soft match on LYNX' capital items with \$7 million used last year. Every year the availability of the credits has to be confirmed with the grant staff at FDOT. If the credits are no longer allowed, LYNX will have to use local capital dollars for matching. Federal dollars are spent at 80% with 20% matching which will be matched with local dollars if state dollars are not available.

Ray Walls asked for an explanation of toll revenue credits. Blanche stated that LYNX applies to the State for the toll revenue credits. A portion of the credits are allocated to LYNX. LYNX applies credits as LYNX spends federal dollars to support the matching requirements. For example, LYNX takes the 80-90% federal dollars to buy the number of buses the actual federal dollars will cover.

Chris McCullion asked if this was an actual transfer of revenue. Blanche stated that there is no actual transfer, only on paper. The toll revenue credits are a soft match and not cash.

➤ Funding Partner approved COA Recommendations

Last year, LYNX went through a Comprehensive Operational Analysis (COA) which is still on the table. The Planning department meets monthly with a regional working group to address service issues and to reach out to funding partners about any COA findings they may want to address. Any recommendations for new service changes come through that regional working group and then through the Finance & Audit Committee to be incorporated in the upcoming budget.

➤ Impacts of SunRail Phase 2 expansion

LYNX will be considering the SunRail Phase 2 expansion and once it has concurrence will include the impacts of the expansion. LYNX is meeting with FDOT on a regular basis to discuss potential feeder service.

➤ Expansion of Express Bus Pilot

In addition to what was discussed above, John Lewis wants to look at doing something with UCF.

Blanche then discussed the future items.

- Continue to review the type of fixed route vehicles used in future operations
LYNX is always looking at the type of vehicles to operate LYNX' services- articulated buses, hybrid for LYMMO, 35 and 40 foot buses in addition to low floor arbob vehicles for Neighborlink and CNG buses.
- Consideration of public/private partnership (satellite facilities/BRT)
A new project is the P3 effort with the CNG. Also, LYNX is looking at satellite facilities in Seminole and Osceola Counties with a P3 effort. For the BRT project, LYNX has done Alternative Analysis on SR 50 and US192.

Edward Bass asked about consideration of the public/private partnership wanting to know what is entailed in the satellite facilities. Blanche spoke about the operating facilities that are being leased from the City of Kissimmee with 40-60 buses being fueled from the City. The Kissimmee location has no heavy maintenance being performed at that facility. LYNX is currently buying diesel fuel there at a much higher price. LYNX is in conversation with the City of Kissimmee about a more permanent site. However, LYNX has a debt capacity of \$10 million and LYNX is close to that limit.

Ray Walls and Michael Kurek asked why the price is higher and how much higher. Blanche spoke about LYNX buying fuel from the City of Kissimmee not Osceola County. The current price is \$2.38 being charged to LYNX by Kissimmee versus \$1.92 being paid by LYNX. LYNX plans are to have a more permanent facility. LYNX is working with the City of Kissimmee on changing how the fuel is handled.

Blanche gave a brief overview of the budget calendar which is a very aggressive schedule including going to the Oversight Committee in January, a preliminary budget presentation on March 26, funding request letters to funding partners in May, starting budget presentations with Orange, Seminole and Osceola Counties in June, July and August, final Board action in September and the budget year beginning on October 1.

Chris McCullion asked if there was any action required. Blanche stated this is for information purposes only and asked for any comments. Ray Walls mentioned wanting to see the funding model including how it is used and how the variables are put in.

Chris McCullion called on Pat Christiansen to comment on the CNG Bus Lease.

Pat Christiansen first commented on the funding partner agreements before going to the next agenda item. Orange County has proposed some changes to the agreement. Historically, LYNX had a funding agreement with each of its funding partners which ran with the fiscal year. The validity of those agreements would run out on September 30. Entering into a new agreement took a long time during which time LYNX was not getting any money. The funding partners wouldn't pay until there was an approved, signed agreement. Three or four years ago, the idea to incorporate a continuation of payments by the funding partners after

September 30 based on what was done the year before to level out the cash flow for LYNX was adopted in a standard form for all the partners. An addendum would be attached for any differences most notably the amount being paid and various route services.

Orange County has come up with some changes in the standard funding agreement including suggesting incorporating, by definition, the funding model and how LYNX comes up with funding for the particular year. The funding model that was adopted by the LYNX Board a few years ago gets tweaked each year.

One of the comments from Orange County is that the funding model must be approved by the LYNX Finance & Audit Committee. Pat stated that the more appropriate approval is by the LYNX Board with the funding model to be run through the Finance & Audit Committee.

Once the agreement is entered into, every funding partner pays in twelve (12) equal installments beginning on the first day of each month starting on October 1. If the funding agreement is not signed by October 1, the delta or difference is picked up when the agreement is signed.

To handle the inconsistency of paying by October 1 but not paying without receiving an invoice which is to be paid within thirty (30) days, Blanche Sherman sends an invoice thirty (30) days in advance. In theory, LYNX will get paid by the first of the month for the services in that month.

Pat discussed the current process where the funding partner continues to pay at the prior level until the funding agreement is done with the excess picked up at that time. If at any time the funding partner does not want to pay the delta, the County provides that LYNX may at its discretion utilize reserves or reduce the level of services. The County has indicated that the use of reserves be limited to that portion of the reserves held by the funding partner as allocated. This is not what LYNX does. There is one "pot" of reserves. Blanche stated that reserves cannot be used without Board authorization. She did indicate that reserves are used temporarily to cover the increase when being paid at last year's rate.

Ray Walls discussed the intent for that language. For example, the model says \$45 million but the County is only going to pay LYNX \$40 million because that is all they can afford. The intent was not to prohibit LYNX from taking money out of reserves to subsidize Orange County that maybe Osceola, Orlando, or Seminole put into reserves. The intent is to make sure everyone is paying their fair share.

Blanche stated that the reserves are not allocated by funding partner but build up over time. Ray commented that certain levels of funding mean some funding partners pay more into those reserves than others. Blanche commented this depends on how the reserves are accumulated.

Pat stated that, generally speaking, the only issue is the delay in getting the agreements signed. Staff works out the budgets ahead of time. LYNX' Board approves the agreements in September. The funding partners approve them in September or October.

At this time, all the funding partners have signed or will be signing the previous funding agreement and are paying at the current rate with the exception of Orange County. Orange County is working on a revised agreement and paying under the previous rate.

The other item is for LYNX is to provide information to the funding partners quarterly on who pays what and what is being paid. Blanche mentioned that this is being done currently. Pat spoke about no action being required of this committee. The changes will be taken to the Oversight Committee and then the changes will be incorporated into all next year's agreements.

Chris asked if there was anything else and then asked Pat Christiansen to provide a CNG update.

✓ **Compressed Natural Gas (CNG) Bus Lease**

Pat Christiansen provided an update on the material changes in the CNG that have occurred since the last meeting which is summarized below.

Nopetro had a deadline to buy the property north of the John Young Parkway facility by December 31. That purchase did not occur but Nopetro has an extension to January 31.

LYNX is dealing with two agreements. One is the fuel agreement where Nopetro buys the land, builds fueling lanes and LYNX buys CNG fuel at that location. The related agreement is where Nopetro makes modifications to the LYNX operating facility so they can service CNG buses. The revised draft was sent back to the Nopetro lawyers and is 99% there with respect to the fuel agreement.

The material changes to the fuel agreement are as follows:

1) Three (3) rather than the original four (4) fueling lanes. LYNX has agreed to the three (3) lanes with the provision that a fourth lane will be added if reasonably necessary to fuel LYNX buses in a timely manner. LYNX will start with thirty-five (35) buses and add twenty-five (25) per year. Three (3) fueling lanes are more than enough to fuel 150 buses over the five (5) years.

2) LYNX will only be able to fuel its CNG buses at this station. Nopetro wants all the buses purchased over the next five (5) years to be CNG buses. LYNX has taken the position that only the buses which will be stationed in Orange County at the station will be CNG. LYNX has agreed to Nopetro's proposal with some modifications because John Lewis indicated a preference to buy CNG buses and if diesel buses are needed in Osceola County, they can be moved from Orange County. This is only for five years and 150 buses.

3) Extensive liquidated damage clauses have been incorporated based in part on LYNX buses not being timely fueled and in part on LYNX buses not being fueled at the station. Within two years when LYNX has seventy (70) buses, Nopetro will have to have alternate fueling capacity in case the station becomes inoperative. It could be a remote station within 3 miles

or 30 minutes or a fuel mule. Nopetro will have to provide alternative fueling for thirty (30) days for over 70 buses or seven (7) days for less than 70 buses or liquidated damages kick in.

4) Nopetro is going to provide a completion or supply bond. In the event Nopetro cannot complete the project, then the surety comes in and deals with the non-completion. A twenty year bond is not available for a surety. Nopetro will provide a two year bond which is automatically renewable. There will be monetary issues in that the surety will stand for paying damages to LYNX and Nopetro will have to pay liquidated damages. If Nopetro does not have a bond, there will be liquidated damages to get the bond.

Timing over the next day or so is to get final comments and then get the agreements wrapped up by this month. Nopetro will go ahead and buy the land. One other item incorporated is the right for LYNX, if LYNX is not getting fueled, to enter into the station and operate either with its own staff or by hiring someone to run it with any costs incurred to be offset against the price paid for the fuel.

Blanche Sherman confirmed that twenty-five (25) buses have been ordered and that she is working on ten (10) leased buses.

Chris McCullion asked if Pat got a copy of the Leon County agreement during this process. Pat stated that he did get a copy but it was substantially different because that it is a much smaller arrangement and on property owned by Leon County.

Chris asked about and Pat discussed the risk with Nopetro who does not have a balance sheet. Nopetro is a start-up company being backed by the Dimitri and Smith families. The Nopetro financial statements have been reviewed with an accountant. In Tallahassee, Nopetro was making money pretty quickly. LYNX' agreement provides for quarterly information on the station and the right to audit the fuel charges. LYNX will also get some limited financial information and copies of Nopetro's audited statements. Confirmation from Nopetro's auditors is required at the end of the year for any royalty payments. The risk is over the first two or three years. In five years, this becomes a real operation with an alternative fueling station up and running in two years and LYNX with 150 buses.

Chris called on Blanche to discuss the bus lease.

Blanche discussed the item on the leasing of the ten (10) buses and again mentioned that an order has been placed for twenty-five (25) CNG buses. Gillig is awaiting the order for the ten (10) leased buses. On September 25, the LYNX Board authorized going out for an Invitation for Bid (IFB). The IFB was issued on November 17. Three responses were received by December 17, PNC Bank, Municipal Services Group (MSG) and Bank of America. Within the three responses, two of the firms, PNC Bank and Bank of America, bid within the specifications provided for in the IFB which was a four or five year proposal with either a buyout or balloon payment at the end.

After a careful evaluation of the proposals, it was determined that the five (5) year proposal from Bank of America was the better one for LYNX with a 2.17% interest compared to

MSG's 2.60% interest rate which is \$194,000 less in interest payments over the term of the lease.

Once the lease is finalized, the interest rates will be locked in and LYNX can move forward.

Blanche discussed, in a brief conversation with Chris via e-mail prior to this meeting, the objective of not pursuing a long-term lease is to minimize the risk of not having enough capital dollars to cover the costs. In 2007, a seven year lease was signed. In 2008, the \$2 capital dollars went away and operating dollars were taken to cover the capital bus lease. LYNX wants to secure a short-term lease to minimize the risk of using the \$2 capital dollars LYNX receives in accordance with the funding the model. Also, LYNX continues to consider the risk of the availability of toll revenue credits in the future.

Chris discussed that LYNX could go longer and pay more interest with the revenue stream becoming less certain the longer out LYNX goes. This is a lease purchase agreement with LYNX intending to purchase the buses at the end of the five year lease and use them for the rest of their useful life. Blanche stated the useful life is nine to ten years. Chris spoke about the question if LYNX starts buying CNG buses and decides, based on economics, this is not the way to go, LYNX will still have a diversified fleet.

Chris and Blanche discussed the lease being locked in with ten (10) buses this year in addition to the twenty-five (25) that LYNX is buying. LYNX plans on buying rather than leasing CNG buses next year. Other than these ten (10) buses, the rest of the buses will be purchased with grant funding. The bus lease is being used to meet the thirty-five (35) bus requirement for the CNG contract.

Blanche mentioned the new Ladders of Opportunity grant that was recently awarded where LYNX can buy up to ten (10) articulated buses. This grant requires a local cash match which will be covered by the \$2 capital dollars. The \$2 capital dollars comes from the funding model and is based on \$2 per service hour for Orange, Osceola, and Seminole counties. Edward Bass asked if the \$2 is looked at or trued-up. Blanche mentioned it was evaluated as part of the adoption of the funding model.

Chris clarified that the recommendation is to go with the five year Bank of America proposal.

Edward asked if LYNX decided to choose the five year over the four year lease due to the larger balloon payment at the end of the four year lease. This was confirmed by Blanche.

Edward asked about seeing significant savings in the maintenance costs associated with the additional CNG buses in Fiscal Year 2016. Blanche stated that some savings will be seen but there have been delays in buying replacement buses due to funding. More savings will be seen once the buses are being replaced on the normal schedule.

Ray Walls made a Motion that the Finance & Audit Committee recommendation is to go with the five year Bank of America proposal. The Motion received a second.

Chris McCullion asked for a vote.

Motion that the Finance & Audit Committee recommendation is to go with the five year Bank of America proposal passed unanimously.

✓ **Other Business**

No other business was discussed.

The meeting was adjourned at 10:55 AM.

LYNX
Central Florida Regional Transportation Authority
Finance & Audit Committee Meeting Minutes

PLACE: **LYNX Central Station**
 455 N. Garland Avenue
 Conference Room, 2nd. Floor
 Orlando, FL 32801

DATE: **November 5, 2014**

TIME: **10:04 AM**

Members in Attendance:

Chris McCullion, City of Orlando
Lisa Buscher, FDOT
Michael Kurek, Osceola County
Edward Bass, Seminole County

LYNX Staff in Attendance:

John Lewis, Chief Executive Officer
Blanche Sherman, Director of Finance

Members Absent:

Ray Walls, Orange County

1. Call to Order/Introduction

Blanche Sherman, Director of Finance, thanked the committee members for coming and started the meeting at 10:04 AM. Blanche asked for introductions and the roles of all meeting attendees since there were new members attending.

2. Approval of Prior Meeting Minutes

Blanche Sherman asked for approval of the prior meeting minutes. **Motion** was made and seconded to approve the Minutes of the September 18, 2014 Finance & Audit Committee. The Motion passed unanimously.

3. Audit Agenda Items

✓ **Compressed Natural Gas (CNG) Contract – Final Negotiations**

John Lewis, Chief Executive Officer, spoke about the importance of this item which is on the agenda for Board action next week and this meeting as an opportunity to address the final items and give committee members an opportunity to be as informed as possible before the Board's final action. John proceeded to give a brief overview of the process and turned the meeting over to Blanche Sherman.

Blanche spoke about this being is a good effort with projections based on the financial analysis of a positive cash flow by year three. Blanche introduced Margaret Lezcano, Stifel Nicolas, and Pat Christiansen, LYNX Legal Counsel. Pat Christiansen mentioned that he had prepared a Term Sheet on the CNG Fuel Purchase Agreement that he would be going over.

Margaret Lezcano discussed their role as the third party reviewer of the proposal, specifically the financial review, and that they have been working with LYNX since the beginning of 2014. There are two contracts that are being negotiated- the fuel purchase agreement which is the primary document and the standard construction contract for the maintenance facility upgrades.

Margaret discussed that they are making sure they understand the guaranteed maximum price, how it is built and what the components are for the construction agreement.

Margaret (Items 1-7) and Alex Bugallo (Items 8-11) discussed the list of the top eleven components comparing the original proposal to the final fuel purchase agreement. A summary of their comments follows:

1) CNG Bus Purchases/Leases

The two biggest items under this topic are how much fuel do you have to buy and how long do you have to buy it. The buses will have to be fueled for ten (10) years due to the estimate of useful life. John Lewis discussed the Federal standard of twelve (12) years with replacement in the thirteenth year or 500,000 miles. LYNX reaches the mileage limit of 500,000 miles in nine (9) or ten (10) years.

There are 308 buses less a 20% reserve on the road. Each bus has been modeled in the schedule. LYNX will start with thirty-five (35) buses and add thirty-five (35) new buses in 2015. LYNX will then follow the schedule as it exists.

The original proposal was for LYNX to purchase 50% of its new buses as CNG for twenty years. Given the dynamics of the market, it was agreed that LYNX would buy all of its new buses as CNG for a period of five (5) years. This would mean a 150 bus exposure. In year five (5), LYNX will have those buses for an additional ten (10) years.

2) Take or Pay Commitment for CNG

LYNX will be able to meet the minimum fueling requirements of 500,000 Diesel Gallon Equivalent (DGE) units per year.

3) Length of Contract

The length of the contract is twenty (20) years with LYNX having no obligation after fifteen (15) years. If LYNX chooses to consume CNG between fifteen (15) and twenty (20) years, it will do so at the Nopetro station adjacent to the LYNX Operations Center.

- 4) Applicable Government Grants./Rebates
Government rebates are a benefit that accrues to Nopetro as the provider of the fuel. Any benefit Nopetro would receive would be split 50/50 with LYNX.
- 5) Royalty Payments from 3rd. Party Sales
The fueling station will be set up like two gas stations. LYNX will have its own ingress and egress. The other side will be for other non-LYNX affiliates. Checks and balances will be in place to keep everyone safe and secure. The \$.08 per DGE royalty payment will include an annual CPI increase. LYNX does not want to run a gas station nor secure fuel and is looking at different ways to ensure there will be CNG to run the buses.
- 6) Liquidated Damages
These are hourly penalties imposed for delays in meeting the milestones and markers. This was not addressed previously.
- 7) Audits
Nopetro is a start-up private company and has agreed to make annual and quarterly provisions/reporting for true-ups. LYNX will receive a bill for fuel or a check for royalty payments which include a calculation that is unaudited. If something was miscalculated, it would be caught by the audit.

Blanche discussed the quarterly reports and annual true-ups.

- 8) Components of CNG Cost per DGE
There are three components. The open market value of natural gas is known. Transportation from the pipeline is 40% of the CNG price. The third component is the compression fee (compression requires electricity and equipment). Nopetro is to recover part of their costs through adders which include maintenance facility modifications and staffing, fueling and fluids on the premises.

Since there are two gas stations, not all costs will be allocated to LYNX. Some costs will be allocated to third party fueling.

Nopetro is looking to secure a loan to do the facility modifications. The original agreement did not include an adder but would have been a loan to LYNX. LYNX' preference is to have an adder to include these capital costs into the DGE price. There is no difference in the amount just whether the expense is capital or operating.

Chris McCullion asked about how long the adders would be in place. The adders will be for ten (10) years with annual true-ups. As LYNX consumes

more than expected, the principal would go down and the period will be less with the true-up.

There is a new redesign of the service station with the ability to dispense fluids to the buses and at the same time topping off the other fluids. This is now a part of the proposal. This will add an efficiency factor cost provided by Nopetro for the first year and a half to two years. Then LYNX personnel will be trained and the additional cost/adder will go away.

Training is part of the proposal to include functions that LYNX can absorb. The fee is for two (2) years to meet the needs of LYNX. The adder is not material or significant. Blanche mentioned this would be included in the true-up also.

Blanche also mentioned that in regards to the Facility Maintenance adder, LYNX is in the process of looking at federal funding.

The construction contract ties into the Board approval in tandem with LYNX' bus purchasing. Risk mitigation has been a consideration. Permits are being secured by Nopetro from the City of Orlando as a cushion in case of delays.

9) "Favored Nation" Clause

This prevents Nopetro from cutting a better deal with anyone else. This is limited to the station.

10) Covered LYNX Vehicles

The original provision was for any LYNX bus that is fueled with CNG will be at the station. LYNX expansion to Seminole and Osceola Counties was discussed. The agreement does allow LYNX to fuel and Nopetro to build additional facilities in those counties. CNG buses that start their route at the John Young Parkway facility must use the station.

11) Dispensing of Fluids at Station

This was discussed under the Components of CNG Cost per DGE as an operating efficiency adder.

The meeting was turned over to Pat Christiansen who distributed a Term Sheet focusing on the most important items of the proposed CNG Vehicle Fuel Purchase Agreement with Nopetro- Orlando, LLC as follows:

a) Seller of CNG Fuel

Nopetro, the parent, is forming a new subsidiary for the fuel purchase agreement. Nopetro-Orlando will be the entity on the fuel purchase agreement. Nopetro will be the entity on the construction agreement because

it holds the construction license. There is no substantial funding other than the two families. As a consequence, there is a requirement of an annual performance bond.

b) Term of Agreement

The agreements will not be signed by the November 2014 Board meeting. There are deadlines in December and there is not a Board meeting in December. The term sheet is prepared for the fuel purchase agreement. A term sheet will be prepared for the construction agreement.

The agreement is for twenty (20) years.

c) Substance of Agreement

Nopetro-Orlando will purchase land adjacent to the John Young Parkway (JYP) facility and construct a CNG fueling facility with four separate fueling lanes dedicated to LYNX and other fueling lanes which are for other persons but could be used by LYNX. Deadline closing date is December 28 with the construction taking approximately twelve (12) months.

d) LYNX Obligations

Simultaneously with Nopetro closing on the land, LYNX has to order thirty-five (35) CNG buses from Gillig- ten (10) buses will be leased.

During the first five (5) years, any buses purchased to be stationed at the John Young facility must be CNG buses. This will be 150 CNG buses.

For the first fifteen (15) years, LYNX has to buy a minimum volume of CNG fuel which is approximately \$750,000 per year based on the thirty-five (35) CNG buses.

Any CNG buses stationed at John Young must be fueled at the station.

John discussed that the 500,000 DGE sounds like a big number but LYNX will more than exceed this amount. It is an easy number to meet. Blanche mentioned the \$12-14 million budget for fuel. The CNG portion is small in comparison.

e) Nopetro Obligations

Nopetro is to maintain four (4) fueling lanes and fuel the buses in a timely manner. The liquidated damage clause provides for an hourly penalty in an amount equal to what LYNX provides for bus service to its funding partners- currently at \$70 per hour- if the fuel is not provided in a timely manner.

Nopetro will provide a performance bond which guarantees that Nopetro will provide the fueling. The principle concern of LYNX is having fuel provided

in a timely manner. Nopetro also has to have alternative fueling available if the lanes do not work - the fuel mule.

f) Parent Guarantee

Nopetro is guaranteeing the obligations. The parent is a start-up company with not a lot of assets. A question was asked about the Leon County facility that Nopetro operates. Nopetro has been very open but have concerns under the public records act about providing information to competitors against whom they are bidding. In Leon County, Nopetro is making money. The cost of the facility is \$5-\$6 million which may be financed depending on the rates or through equity put up by the families.

Nopetro anticipates to be making money with LYNX fairly quickly. The facility may be mortgaged if there are favorable terms or the families will put up equity.

g) Pricing for Fuel

The pricing component is made up of a number of items including the employee adder which will go away after LYNX employees take over. Nopetro will be paid the adder for construction fees when the station is open and LYNX starts buying CNG. The payment will be monthly starting out at forty cents.

The actual cost of the project will be paid, not to exceed the guaranteed maximum price (GMP), amortized over ten years with or without interest depending on whether the money is borrowed from a bank or not.

At the end of each year, LYNX will pay the delta if they are paying less than the actual costs and the schedule will be re-amortized if the delta is more.

h) Right of First Refusal

LYNX has the right of first refusal on the facility under certain circumstances.

i) Conditions Precedent

LYNX is committed to buy and has put in a purchase order for the twenty five (25) CNG buses and has obtained all the necessary approvals.

Nopetro buys the land, has all the necessary approvals, and the station is to be opened by a fixed date.

The contract will have milestones that have to be met.

j) Miscellaneous Provisions

To the extent other people buy fuel, LYNX gets a fee.

Nopetro will provide employees for up to three (3) years. Training will be provided to LYNX employees. After three (3) years or earlier, LYNX will have its own employees and there will be no employee adder.

Financial reports and audited statements will be provided.

Nopetro will carry insurance.

Most favored nation clause is put in and has been limited to the station. There is still a discussion about expansion to other facilities.

There is language in the proposal acknowledging the twenty (20) year agreement and indicating that the contract will be revisited if the market changes.

LYNX has some flexibility for future purchases. Once LYNX buys the buses they have to buy the fuel.

Pat Christiansen and the group then discussed the construction contract. Nopetro provided a construction contract similar to the fuel purchase agreement. This was changed to the A1A standard construction contract which is on a cost plus basis. Currently, the construction plans are 30% complete. A preliminary GMP has been developed. Schedule of the improvements is running at the same time as the schedule for the construction of the station and the delivery of the buses. The station and facility improvements are to be completed in nine to twelve months. The buses will arrive between nine to twelve months. If there is a gap, there is the flexibility to park the CNG buses and use diesel buses that are scheduled for retirement.

Blanche discussed the pre-construction meeting of the buses. Obtaining construction permits was discussed. John discussed the critical time during the first couple of months with the flexibility to change the CNG bus order to diesel buses up to March 2015 in a worst case situation.

The group discussed the cost of diesel fuel compared to CNG fuel. Fuel is the single largest expense at LYNX. The comparison price for CNG includes the compression fee. The more CNG fuel LYNX consumes, the lower the compression fee will be per DGE based on levels of consumption. LYNX hedges diesel fuel a year out- currently at \$2.89 for diesel. The current rates are \$2.65 market price for diesel and \$1.95 per DGE for CNG. Chris McCullion talked about the cost savings on the fuel being more than enough to offset the increased capital costs for the buses which are financed with federal grants.

John discussed that CNG buses were mandated in California a decade ago and all government funded fleets have to be CNG. John discussed the non-cost saving benefits such as cleaner running buses and less wear and tear on the buses. The question for LYNX is the long term savings. Fuel savings will be recognized in years 1-2 and really be recognized in years 3-4 and beyond. The life span will be 10-12 years for these vehicles.

The deal with Nopetro was discussed by the group in relation to the process in Jacksonville, Miami and Tampa Bay. The trend is going towards CNG buses. The process has taken years for others because of the capital costs in building and/or running a CNG station which LYNX is getting funded/built by someone else.

The unsolicited proposal process was discussed. This was a public process with no one else presenting competing proposals during the 30 day advertised time period and beyond.

Chris McCullion talked about the additional cost of CNG buses. If less buses are purchased with the current federal funding due to the additional cost of CNG buses, LYNX has bus reserves (20% spare ratio) to cover all routes. John mentioned that another Federal Transit Authority (FTA) grant had been received to purchase the larger articulated CNG buses. The opportunity to get additional federal funding is not a concern.

The group discussed the guaranteed CNG price for any LYNX vehicles, the give and take since the last meeting with a better deal for LYNX, the flexibility and diversity in the fleet for LYNX and plans for satellite facilities in Seminole and Osceola Counties.

Acknowledgment was given for the effort and comprehensive presentations done in the last two meetings.

✓ **Other Business**

No other business was discussed.

✓ **Next Meeting**

Blanche mentioned that scheduled meeting times would be discussed and officers elected at the next meeting.

The meeting adjourned at 11:12 AM.

LYNX
Central Florida Regional Transportation Authority
Finance & Audit Committee Meeting Minutes

PLACE: LYNX Central Station
455 N. Garland Avenue
Conference Room, 2nd. Floor
Orlando, FL 32801

DATE: September 18, 2014

TIME: 9:00 AM

Members in Attendance:

Chris McCullion, City of Orlando
Lisa Buscher, FDOT
Ray Walls, Orange County
Zoraida Cruz, Osceola County
Joe Pennisi, Seminole County

LYNX Staff in Attendance:

John Lewis, Chief Executive Officer
Blanche Sherman, Director of Finance

Members Absent:

1. Call to Order/Introduction

Blanche Sherman, Director of Finance, welcomed the committee members at 9:00 AM to the first meeting of the Finance & Audit Committee. John Lewis, Chief Executive Officer welcomed and thanked members for attending to provide input and thoughts on the items being covered. John asked for introductions of names and roles of all meeting attendees.

2. Audit Agenda Items

✓ **Amendment of Administrative Rule 2**

John Lewis and Blanche Sherman discussed the draft of Administrative Rule 2 which includes a name change of the Audit Committee to the Oversight Committee and establishment of two sub-committees: Finance & Audit and Risk Management. The Finance & Audit Committee will be making recommendations to staff and to the Oversight Committee. The final version of Amendment of Administrative Rule 2 will be included in the Board of Directors meeting package being sent out today.

✓ **Election of Officers**

Blanche Sherman discussed election of officers to include a Chairman and Vice-Chairman. John Lewis recommended waiting until the Board of Directors has approved formal establishment of the Committee to elect officers.

Discussion ensued about setting parameters/protocols for these meetings including compliance with Sunshine Law/ Public Records. This meeting was open to the public, notices were posted, and the meeting was recorded.

The Committee also discussed whether the meeting schedule would be on a monthly or bi-monthly basis. John Lewis mentioned the Board's intention to have the committee meetings on a bi-monthly schedule with a possible change to monthly meetings during budget season.

The Committee agreed to hold off on electing officers at this time.

✓ **Discussion on Healthcare Costs, Recommendations, and Future Plans**

Randy Singh, Orange County, asked about the expectation of outside attendees contributing to the meeting discussions. John Lewis stated the Committee would be following the Audit Committee with input taken from anyone but only Committee members being able to vote.

Blanche Sherman provided an overview of the challenges being faced by LYNX in increased healthcare costs with estimates fluctuating from an initial 15% increase to a high of 28% and recently looking at a decrease of 1.9%. Blanche recognized Josh Rubich, AJ Gallagher, to make a presentation.

Josh discussed his role in advising on benefits and healthcare costs and the fluctuation in projections from May to July taking into consideration that LYNX is smaller in size than the funding partners. The larger the size the further out projections can be made. The presentation covered the following:

- **Renewal History**

Josh went over the renewal history for LYNX. Moving to Florida Blue in 2012 resulted in a 16% decrease in premium in relation to the Orange County plan, a 4% increase in 2013 moving to Cigna, and a 16% increase in 2014 by remaining with Cigna. The overall increase in premium over time is 1.3% per year.

Questions concerning having Florida Blue for only one year and if the increases were driven by claims experience were answered by Josh. New carriers have the challenge of not having previous claims data. Carriers like to have the data to hedge for future claims. When the service went out to bid, Florida Blue did not meet the numbers. Cigna won the bid and then adjusted the second year based on

claims experience. Carriers also face market pressures and market trends in addition to claims activity.

- **Savings**
Josh discussed the \$1.1 million savings by moving to Florida Blue and the \$1.3 million in savings between actual claims and what was paid to Orange County assuming an estimate of \$70 per employee per month in fees/stop loss coverage.
- **Claims Review**
Josh discussed the statistics in the presentation of claims experience noting that the percentages grow as pharmacy expenses are paid earlier in the year and claims are paid later. Out of network claims in 2014 were a large amount. Medicare reimbursement was minimal for LYNX. Premiums vs. Claims increased in 2014 at beginning of the year. This happens anytime there is a re-issue. The 2014 year-to-date (January-August 2014) paid claims are on a par with the rolling twelve (12) months paid claims (September 2013 – August 2014).

The group discussed the demographics of the employees with most of the employees being hourly, primarily male, and with an average age of 50 years. Hourly employees tend to not have primary doctors and are not used to going to a doctor. Deductible amounts were discussed with \$1,250 for single employees and \$2,500 for a family under the current plan.

Discussion ensued about the trends in spending with a large amount being spent on a small group of employees and much less being spent on other employees. The transportation group has the largest number of employees where drivers are sitting most of the day and have little time for meals other than fast food. Maintenance employees are more active and stationary. This is the same throughout the industry. Diabetes has a significant impact on healthcare costs - 15% at LYNX. The national average is 9%.

Josh discussed that the vast majority of employees that did not meet their deductible or out-of-pocket expenses. The number of employees that met the maximum out-of-pockets expenses in 2014 was forty-one (41) for individuals and forty-one (41) for families.

- **Renewal Summary**
Josh is currently in negotiations with Cigna and looking at costs for LYNX to be fully insured. John Lewis and Blanche Sherman discussed the factors that were taken into consideration in negotiating new rates- increasing deductibles which reduces premiums offset with increased Health Savings Account (HSA) amounts. Rewards for positive behavior were also discussed including diabetes, smoking cessation, and walking programs. Bio-metric screenings and annual physicals are required to receive the full amount of the HSA.

The group discussed the factors at length mentioning similar programs and plan designs at their respective agencies. Concern for positive budget impacts while considering the effect on employees and their families was discussed. John and Blanche discussed the balancing of employees' needs while staying within budget limits being an important consideration during this process.

- **HSA Funds**

Josh discussed the change in HSA funds from \$750 single and \$1,250 family in the current plan to \$1,250 single and \$2,250 family in the proposed plan.

The group discussed the implications of accumulated funds to employees not using the funds- keeping an eye on the carry-forward amounts. There was also a discussion about possible increased usage of the HSA funds-being fair to employees without penalizing employees in unfortunate circumstances. The group discussed looking at why employees are not going to doctors, changing the mindset to encourage relationships with employees' doctors and increasing preventative care. Preventative care does not impact the increase in deductible.

Discussion ensued about the internal privacy issue of bio-metric screening information if LYNX would go to a self-insured plan.

- **Renewal and Proposed Contribution Structure**

Josh reviewed the medical cost comparisons of the current plan to the renewal plan and the medical insurance contribution summary of the various plan options.

- **Benchmarking**

Josh mentioned that the assumption is that the funding partners will continue their current plans in 2015. LYNX spends less money in comparison with their funding partners with the exception of Orange County on the single rate, particularly on their dependents. Children on the plan are subsidizing the adults. The group discussed current twelve (12) months claims and rates trends and a concern for the impact of ObamaCare. Increased costs have impacted all committee members.

- **2015 Considerations**

Josh stated that the summation was done and evaluated from a self-insured perspective. John stated that upon reviewing the adjusted renewal in the aggregate, it was internally decided to:

- 1) Manage this year's costs within budget projections
- 2) Evaluate the potential of going to a self-insured plan next year

- ✓ **Compressed Natural Gas (CNG) Project**

John Lewis discussed the receipt of an unsolicited proposal last fall to convert diesel/bio-diesel buses to Compressed Natural Gas (CNG) fuel. Fuel savings are available using

CNG and fuel hedging is also available. Many agencies have converted to 100% CNG fuel. CNG fuel is not new to the transit industry but the initial cost to convert has made it difficult to convert. The LYNX fleet is federally funded through the Federal Transit Administration (FTA). That agency does not have a way to fund the conversion. LYNX is looking at a plan to do the conversion, upon Board approval, on an incremental basis. Federal funding also means a vehicle must be kept for its useful life (9-10 years) or 500,000 miles.

John further discussed the steps that have been taken including negotiation authority given by the Board, Stifel Nicolaus consultants being brought in, and a mature proposal in final review to make final recommendations to the Board.

John recognized Margaret Lezcano, Stifel Nicolaus, to make a presentation. Margaret stated that she has done presentations three times to the Audit Committee and two times to the Board. She reviewed the historical presentation that was given to the committee members and provided an updated timeline. She introduced Jorge Herrera and Walt Bussels, Nopetro, who were available to answer questions.

Margaret provided an overview of Nopetro, potential benefits to LYNX including:

- Fuel cost savings over bio-diesel
- Revenue from third party sales
- Diversifying fuel consumption

and the services to be provided which include:

- Incurring capital costs to construct CNG station
- Modifying the existing maintenance facility
- Training LYNX employees on fueling and fluids to include ongoing trainers being trained
- Maintaining all the fueling facilities
- Working on leasing of buses
- 8 ½ cents royalty on all third party sales
- Emphasizing contingency planning for catastrophic occurrences providing a transportable FuelMule

Margaret and Alex Bugallo, Stifel Nicolaus, discussed the initial proposal to LYNX as a menu of options which are currently being negotiated. The fleet currently has 310 transit buses. Margaret discussed LYNX' proposed commitments to start the contract with the purchase of at least thirty-five (35) CNG transit buses, continuing to purchase 50% of future transit buses as CNG, buying 500,000 Diesel Gallon Equivalent (DGE) units annually as a take or pay commitment for fifteen (15) years, and fueling all CNG buses at a Nopetro station in Orange County. The totality of the contract would be for twenty (20) years. At the end of the twenty years, LYNX has no further obligation but has the option to continue the contract.

John and Blanche discussed the terms of the relationship is a minimum of fifteen years due to the useful life of the vehicle. This is a five year commitment in terms of buying buses. The recommendation to the Board will be to not go beyond one replacement cycle giving LYNX an initial fifteen (15) year relationship with Nopetro.

Alex discussed the cash flow model and criteria used for the different scenarios in the presentation including the CNG future pricing (includes marketing & distribution and compression fee), conversion to DGE (BTU used), changes in maintenance fees for CNG buses, payback period and other capital costs built into the model.

Discussion ensued over the acquisition of land, building the CNG station and upgrading the LYNX Operations Center (LOC) maintenance facility. The estimated investment would be approximately \$10 million - \$8.5 million for station and \$2.1 million for maintenance facility modifications. Blanche discussed the financing of capital costs by Nopetro with payment over a ten year period.

Other topics discussed were fluctuating CNG prices which are being projected to be lower in comparison to crude oil prices over the next 20 years; ability to meet the 500,000 DGE (units of CNG) usage requirement (no problem for the number of replacement buses to be ordered); the future and transport of CNG fuel, determination of the royalty payment; third party sales limited to a specific lane with no access to the LYNX side of the station and LYNX having first priority when fueling; the purchase of the land and timing with the bus purchases.

Discussion ensued about the timing and potential gap between LYNX and Nopetro with the commitments being made on both sides. Every attempt has been made to minimize the risk to both parties.

Margaret and John discussed the timeline and flexibility for LYNX. The initial plan modifications for the maintenance facility have been reviewed by LYNX staff and site plans have been approved. The final negotiations will go to the next Board meeting in November for approval. The acquisition of the first buses will take nine to twelve (9 to 12) months to get from Gillig. The first order will be placed in November with Board approval.

✓ **Other Business**

No other business was discussed.

✓ **Next Meeting**

No action was taken on this item.

The meeting adjourned at 11:25 AM.

Oversight Committee Information Item #4.B.

To: LYNX Board of Directors

From: Susan Black
GENERAL MANAGER
BRENDA HERNANDEZ
(Technical Contact)

Phone: 407.841.2279 ext: 6058

Item Name: Risk Management Committee Report

Date: 3/26/2015

A meeting of the Risk Management Committee was held on Wednesday, February 4, 2015. The Agenda Item was The Risk Management Function at LYNX: Status and Update. Minutes from the February 4, 2015 meeting will be provided once approved by the Committee at its April 22nd, meeting.

The approved minutes for the December 3, 2014 Risk Management Committee meeting are attached.

LYNX Board of Directors Risk Management Committee has scheduled meetings on the following dates:

Wednesday, April 22, 2015
Wednesday, June 24, 2015
Wednesday, August 19, 2015
Wednesday, October 7, 2015
Wednesday, December 16, 2015

LYNX
Central Florida Regional Transportation Authority
Monthly Risk Management Committee Meeting Minutes

PLACE: LYNX Central Station
455 N. Garland Avenue
Board Room, Room 215
Orlando, FL 32801

DATE: December 3, 2014

TIME: 10:05 a.m.

Members in Attendance:

John Petrelli, Risk Manager, Orange County

Ray Scullian, Risk Manager, City of Orlando

Denise Lipscomb, Financial Services Manager, FDOT

James Carnicella, Human Resources Director, Seminole County

Reginald Davis, Senior Manager for Risk Management, Osceola County

John Lewis, Chief Executive Officer, LYNX

Susan Black, General Manager, LYNX

Brenda Hernandez, Administrative Assistant, LYNX

1. Introduction

John Lewis, CEO of LYNX welcomed everyone to the first Risk Management committee meeting. Asked for introductions.

2. Overview

CEO gave overview of LYNX and background for creation of the new Risk Management Committee. CEO thanked the committee for volunteering their time and effort.

3. Agenda Items

CEO explained changes within organizational leadership. Authorization has been granted to bring in a Risk Management Consultant. Discussion about consultant and scope of service ensued.

Jim Goldsmith, General Counsel for LYNX addressed committee. He discussed their individual role and responsibilities related to committee service. Florida's Government in the Sunshine Law discussed for informational purposes. The role of Risk Management Committee was delineated.

Staff clarified that no LYNX staff member is on the Risk Committee.

General Counsel discussed the Public Records Act for informational purposes.

Andrea Caro, Tort Litigation Defense Counsel addressed committee. She discussed their roles and responsibilities as Committee members. Attorney Caro discussed the statutory liability caps by which LYNX is governed. Discussion ensued on the current settlement process and administrative rules.

Staff will create agenda items for future meetings based on discussions.

Brian Bolton, Worker's Compensation Defense Counsel for LYNX addressed committee. He discussed their roles and responsibilities as Committee members. Discussion of Administrative Rules and how they apply to Worker's Compensation ensued. Attorney Bolton discussed certain open claims LYNX has pending. Staff provided answers for clarification.

Labor questions discussed by committee. Staff provided clarifying information. Staff to provide committee with a current LYNX organizational chart. Staff also provided information about LYNX' video system. Staff will provide Labor Agreements to Committee members.

Chris Connelly, Risk Management Insurance Broker for LYNX addressed committee. He discussed their roles and responsibilities as Committee members. Discussion of LYNX' general insurance and policy ensued.

4. Action Items

Further discussion of the role and responsibility of committee ensued. Concurrence that the role of this committee is advisory in nature and that Committee reports are intended to be made to the Oversight Committee.

Staff suggested meetings be held quarterly with enough time between Board of Directors meetings. Committee agreed with suggested 2015 Risk Committee schedule. Staff advised Risk Management consultant will provide a preliminary report be able to the Committee at the February meeting.

Staff confirmed a Committee meeting agenda will be provided at least one week advance notice.

Committee conducted initial election of officers. Ray Scullian nominated John Petrelli for Committee chair. Committee voted and Mr. Petrelli was unanimously elected.

John Petrelli nominated Ray Scullian for Committee co-chair. Committee voted and Mr. Scullian was unanimously elected.

John Petrelli reviewed standard procedures should an Executive Session be required.

Staff reported to Committee general pending matters data. Confirmation that alternate Committee members have been named.

Meeting adjourned at 11:56 a.m.