



LYNX Finance & Audit Committee

A G E N D A

September 3, 2015

10:00AM

LYNX Central Station

Second Floor Room #215

- Call to Order
- Approval of Prior Meeting Minutes
- Overview of FY2015 Amended Operating & Capital Budgets
- Overview of FY2016 Proposed Operating & Capital Budgets
- Overview of Health Insurance Cost Containment Status
- Other Business
- Adjournment

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: ~~May 5, 2015~~ July 15, 2015

TIME: ~~09:01 AM~~ 10:00 AM

Members in Attendance:

Chairperson Chris McCullion, City of Orlando
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:

Vice Chairperson Ray Walls, Orange County
Lisa Buscher, FDOT

1. Call to Order/Introduction

Chairperson Chris McCullion called the meeting to order at 10:00 AM.

2. Approval of Prior Meeting Minutes

Chris McCullion asked for approval of the prior meeting minutes. **Motion** was made and seconded to approve the Minutes of the May 5, 2015 Finance & Audit Committee. The Motion passed unanimously.

3. Audit Agenda Items

✓ **Overview of FY2016 Preliminary Capital Budget**

Chris McCullion called on Blanche Sherman, Director of Finance, to discuss the FY2016 preliminary capital budget.

Ms. Sherman provided a brief overview of the FY2016 preliminary capital budget which is increasing overall by 4.81% over the FY2015 capital budget. The key capital budget assumptions are as follows:

- Enhance LYNX facilities
- Construction modification to CNG bus facility

- Advanced fare collection – mobile ticketing
- Fleet to support all service modes
- Continue LYMMO expansion activities
- Passenger Amenities Program improvements
- Continuation of security and surveillance
- Advance communications and technological capabilities

Ms. Sherman discussed the details of the FY2016 preliminary capital budget listed below:

FY2016 Preliminary Capital Budget by Category

	Preliminary FY2016	Amended FY2015	Variance
ARRA Projects	\$ -	\$ 1,804,076	\$ (1,804,076)
BRT Project	14,478,987	15,674,570	(1,195,583)
Facility Improvements	5,722,519	2,922,475	2,800,044
Passenger Amenities	10,219,534	12,987,746	(2,768,212)
Security Equipment	665,044	1,010,244	(345,200)
Support Equipment	4,930,361	2,054,206	2,876,155
Technology	5,655,890	3,823,241	1,832,649
Support Vehicles	791,790	1,038,487	(246,697)
Revenue Vehicles	51,266,529	48,114,583	3,151,946
	\$ 93,730,654	\$ 89,429,628	\$ 4,301,026

Ms. Sherman then discussed the capital budget contributions and local contributions:

FY2016 Preliminary Capital Budget Contributions

Capital Contributions	FY2015	FY2016	% Change
	Amended	Preliminary	
Federal Contributions	\$ 82,150,813	\$ 86,460,205	5.2%
State Contributions	411,879	429,256	4.2%
Local Contributions	6,666,936	6,641,193	-0.4%
Reserves	200,000	200,000	0.0%
Total	\$ 89,429,628	\$ 93,730,654	4.8%

FY2016 Preliminary Capital Budget – Local Contributions

Description	FY2016 Preliminary Budget Amount	Source
*LYMMO- East/West	\$ 182,047	City of Orlando
LYMMO- Parramore	3,637,206	City of Orlando, Orlando Utilities Commission, Other Utilities
Capital Bus Lease	1,000,000	Local \$2 Capital
Articulated CNG Buses	1,481,600	Local \$2 Capital
Passenger Amenities	340,340	Wal-Mart/Mills District/Pine Hill
Total	\$ 6,641,193	

Ms. Sherman and the Committee members discussed the following topics related to the FY2016 preliminary capital budget:

- Funding sources including seeking federal funds for facility improvements and using federal funds for the CNG facilities
- Discussion of how financing works for the CNG facilities
- Ladders of Opportunity match
- Walmart – Pine Hills superstop
- LYMMO BRT local expansion
- Receipt of a mobile ticketing Unsolicited Proposal

Ms. Sherman mentioned that the FY2016 preliminary capital budget will be presented to the LYNX Oversight Committee in July then the full budget will be presented to the Oversight Committee and the Board in September for adoption.

Mr. John Lewis, Chief Executive Officer, discussed the media item relating to the CNG deal with Nopetro coming out of a budget hearing in Orange County. In the media, comments were made about the comparison of CNG fuel pricing to the current lower market price for diesel fuel and whether the CNG project was a waste of time. Mr. Lewis discussed the fuel hedging LYNX does for budget stability, the short term windfall for LYNX this coming year from locking in a very low fuel price, and the long term savings for LYNX as diesel prices continue to rise and CNG prices remain relatively flat. Ms. Sherman mentioned that hedging will also be used for the CNG fuel.

✓ **Recommendation to Award Contract to Cherry Bekaert LLP for Auditing Services**

Chris McCullion called on Blanche Sherman to present the second agenda item.

Ms. Sherman discussed the Request for Proposal (RFP) process which included review of five (5) proposals by a Source Evaluation Committee (SEC) consisting of Julie Caple, Patti

Bryant, and Lenny Antmann with a recommendation to award a contract to Cherry Bekaert LLP.

The group discussed that the proposal is all inclusive, the proposal amount is less than the prior year, Cherry Bekaert has been auditing LYNX for the past five years, and there is no requirement to change auditors.

The Committee discussed the recommendation to the Oversight Committee. **Motion** was made and seconded to recommend the award of a contract to Cherry Bekaert LLP for auditing services. The Motion passed unanimously.

✓ **Overview of Health Insurance Cost Containment Status**

Chris McCullion called on Blanche Sherman to present the third agenda item. Ms. Sherman introduced Joshua Rubich, Area Vice President with the firm of Arthur J. Gallagher & Co., to present an overview of health insurance cost containment status. Ms. Sherman provided a chart of different scenarios of healthcare plan proposals to Committee members without the H.S.A. component.

Mr. Rubich presented the following healthcare information for LYNX:

- 2014 plan design, premiums, and claims
- 2015 claims experience including a rolling twelve month report through May 2015 and a large claim (claims exceeding \$25,000) summary
- Fully insured and self-insured options including a medical cost comparison of Cigna’s current plan benefits to the 2016 proposed renewal plan benefits and stop loss comparisons for quotes provided by four (4) self-insured carriers including Cigna

The group discussed the competitiveness of the carriers. Ms. Sherman discussed the chart below which was given to Committee members earlier in the presentation showing the employer’s projected plan costs based on proposals from the carriers for self-insured and fully insured plans:

Description:	Employer FY2016 Projected Cost of Plan	Difference from FY2016 Preliminary Budgeted Healthcare Cost
FY2016 Preliminary Budgeted (26.0% Increase) fully insured	\$ 8,508,987	\$ -
Cigna Proposed Policy (33.14% Increase) fully insured	\$ 8,881,356	\$ 372,369
Cigna 12-12 (16.1% Increase) self-insured	\$ 7,992,678	\$ (516,310)
Cigna 12-15 (25.0% Increase) self-insured	\$ 8,456,835	\$ (52,153)
SunLife 12-12 (16.5% Increase) self-insured	\$ 7,995,285	\$ (513,702)
SunLife 12-15 (26.8% Increase) self-insured	\$ 8,550,709	\$ 41,722
AIG 12-12 (18.8% Increase) self-insured	\$ 8,133,489	\$ (375,498)
AIG 12-15 (31.6% Increase) self-insured	\$ 8,801,041	\$ 292,054
Voya 12-12 (18% Increase) self-insured	\$ 8,091,767	\$ (417,220)
Voya 12-15 (34% Increase) self-insured	\$ 8,926,207	\$ 417,220

Mr. Rubich discussed the next steps which include:

- Continuing to monitor claims to see if the 2015 year-to-date experience continues to run better than 2014
- Negotiating with Cigna on fully insured and self-insured proposals and stop loss carriers on self-insured proposals including reviewing different specific deductible and aggregate corridor amounts
- Conducting a risk/reward analysis to determine the self-insured vs. fully insured decision once the best and final numbers are negotiated

Topics discussed by the group during the presentation included:

- Looking at an additional month of claims experience
- Impact of large claims
- Looking at ongoing claimants for catastrophic claims whether acute or getting better
- Fully insured and self-insured options
- How much does the fully insured carrier want to invest in a lower rate?
- Drop dead date for making a decision if want to go to self-funding
- Timing of implementation for the calendar year
- Cigna continuing to provide the network with perhaps a different stop loss provider if go self-insured
- Level to fund based on prior year claims (expected claims)
- Building reserves if a change is made
- Importance of the decision as healthcare is the second highest line item

Mr. McCullion and Mr. Edward Bass complimented Ms. Sherman on the information being provided to the Committee and the good job being done by her and her staff regarding health care cost containment.

Mr. McCullion summarized the information as indicating that there is not a huge benefit going self-insured based on the stop loss coverage analysis and the Cigna claims staying the same or trending better. Mr. Rubich spoke about LYNX not being able to make a determination now that 2015 will trend better than 2014 or that 2014 was a “bad” year. Ms. Sherman spoke about waiting for Cigna’s best and final offer.

Ms. Sherman discussed a request going to the Board in July to expedite a claims audit for August. Ms. Sherman spoke about the objective of the claims audit in negotiating the stop loss coverage, helping to contain costs, and providing a better understanding of the claims to use in making a decision.

An update to the Committee will be provided in August when more information is available.

- ✓ **Review of LYNX’ Unsolicited Proposals (UP) Policy (Admin Rule 4.18) and Clarification Policy Supplemental**

Chris McCullion called on Blanche Sherman to present the last agenda item. Ms. Sherman introduced Pat Christiansen, LYNX' General Counsel, to give some background on the Unsolicited Proposal (UP) Policy.

Mr. Christiansen discussed the adoption of a policy brought about so LYNX would have definitive guidelines to deal with two (2) pending Unsolicited Proposals. This policy was not available when the Compressed Natural Gas (CNG) UP was received last year. The purpose of the policy is to codify what a UP is, how it is dealt with, the kinds of fees to be paid, and how LYNX deals with the cone of silence.

Ms. Sherman stated that she wanted the Committee members to review the policy and letter of clarification for any recommendations or input on the policy as it exists today. Notification of the two UPs (mobile ticketing and Osceola/Seminole facilities) will go to the Board in July.

Ms. Susan Black, General Manager, discussed the policy, the standard operating procedures, the differences between the two UPs, and that the process will take some months to go through. Once LYNX goes through the process with these two UPs then LYNX will know exactly what is needed and recommendations of changes to the Administrative Rule can be brought to the Board.

The group discussed the clarification letter, being able to look at what is working or what is not working during the process, and the fee calculated to deter non serious proposals and sales pitches.

✓ **Other Business**

Chris McCullion asked if there was any other business.

Mr. Christiansen discussed the financing documents received from Nopetro in June which show bond offerings to be issued through a Wisconsin agency involving the Nopetro Jacksonville, Tallahassee, and Orlando facilities. Provisions in the fuel purchase agreement call for LYNX to review and approve the financing. Mr. Christiansen spoke about some of the reasons LYNX may or may not want to approve this type of financing and the need for further review of all the documents. LYNX has engaged a financial advisor to look at the financing.

Mr. Christiansen spoke about wanting to make the Committee members aware of some issues that need to be worked through and mentioned that LYNX has payment and performance bonds as protection. Mr. Christiansen stated that Nopetro is willing to work with LYNX on these issues.

Ms. Sherman commented on talks that will be held over the next two to three weeks to continue the review of the Nopetro financing.

The meeting was adjourned at 11:45 AM.

LYNX Finance & Audit Committee Agenda

Action Agenda Item #1

To: LYNX Finance & Audit Committee Members

From: Blanche W. Sherman, Director of Finance
Julie Caple, Technical Contact

Phone: 407.841.2279 extension 6100

Item Name: Amendment to LYNX' FY2015 Operating and Capital Budgets

Date: 09/03/15

OVERVIEW:

The FY2015 Amended Operating and Capital Budgets totals \$216,784,407. The amended Operating Budget will increase from \$126,576,707 to \$127,354,779. The FY2015 Amended Capital Budget will remain \$89,429,628.

BACKGROUND:

The table below and corresponding bullets provide detailed information on the items comprising the operating budget amendment request:

	FY2015 Amended Budget as of March 2015	Professional Fees - Workers' Compensation	Purchased Transportation - MV	US 192 BRT	Salaries, Wages & Fringe	Reclassifications / Transfers	FY2015 Amended Budget as of September 2015
Revenue							
Fund Balance	\$ 1,665,286		\$ -	\$ -	\$ -	\$ -	\$ 1,665,286
LYNX-Generated Revenue	38,446,206		-	-	-	-	38,446,206
Federal Revenue	15,875,297		196,535	105,000	-	336,537	16,513,369
State Revenue	13,263,175		-	-	-	140,000	13,403,175
Local Revenue	57,326,743	65,000	254,938	-	-	(319,938)	57,326,743
Total Revenue	\$ 126,576,707	\$ 65,000	\$ 451,473	\$ 105,000	\$ -	\$ 156,599	\$ 127,354,779
Expense							
Salaries/Wages/Fringes	\$ 70,796,959		\$ -	\$ -	\$ 25,646	\$ -	\$ 70,822,605
Other Services	11,138,951	65,000	-	105,000	(25,646)	156,599	11,439,904
Fuel	16,108,610		-	-	-	-	16,108,610
Materials & Supplies	7,411,652		-	-	-	-	7,411,652
Utilities	1,439,337		-	-	-	-	1,439,337
Casualty & Liability	1,399,850		-	-	-	-	1,399,850
Taxes & Tags	409,841		-	-	-	-	409,841
Purchased Transportation	16,929,333		451,473	-	-	-	17,380,806
Miscellaneous	676,674		-	-	-	-	676,674
Interest & Leases	265,500		-	-	-	-	265,500
Total Operating Expenses	\$ 126,576,707	\$ 65,000	\$ 451,473	\$ 105,000	\$ -	\$ 156,599	\$ 127,354,779

LYNX Finance & Audit Committee Agenda

Professional Fees - Workers' Compensation – At the March 26, 2015 Board Meeting, the Board approved an amendment to Contract #13-A62 with CorVel Corporation to extend the scope of services to Third Party Administration services to include general liability and to extend the contract term to July 31, 2016. LYNX staff amended the FY2015 Amended Operating Budget by \$65,000 to cover the additional services and contract extension.

Purchased Transportation - At the March 26, 2015 Board Meeting, the Board approved an increase of \$451,473 to MV Transportation Contract #12-C02 for additional fixed capital costs associated with the increase in peak vehicles required to meet service demand and for the repair of 24 Mobile Data Terminals (MDTs) and installation kits. This contract contains service assumptions based on paratransit service demand established in prior years. Actual paratransit service demand has been greater than anticipated for each of the contract years resulting in an increase in contractor vehicles required to meet the service.

US 192 BRT - At the July 23, 2015 Board Meeting, the Board approved an increase of \$105,000 in the contracts for General Transportation Planning and Consulting Services for additional financial and phasing analysis for the US 192 BRT.

Salaries, Wages and Fringe – \$25,646 for State of Florida Financial Services Assessments are being reclassified from Professional Fees – Workers' Compensation to Workers' Compensation Insurance.

Reclassification/Transfers – The net impact is \$156,599. This is due to federal funding for the tires and tube lease being understated and engines and transmissions being overstated. In addition, expenses for legal, Veterans Transportation and Community Living Initiative, and landscaping are being reclassified.

The following table summarizes the adjustments mentioned above and formally amends the FY2015 Amended Operating Budget from \$126,576,707 to \$127,354,779 as follows:

FY2015 Amended Operating Budget

Operating Revenues	FY2015 Amended Budget as of March 2015	Revisions	FY2015 Amended Budget as of September 2015
Fund Balance	\$ 1,665,286	\$ -	\$ 1,665,286
LYNX-Generated Revenue	38,446,206	-	38,446,206
Federal Revenue	15,875,297	638,072	16,513,369
State Revenue	13,263,175	140,000	13,403,175
Local Revenue	57,326,743	-	57,326,743
Total Revenue	\$ 126,576,707	\$ 778,072	\$ 127,354,779

LYNX Finance & Audit Committee Agenda

These funds are programmed to fund the following types of expenses:

Operating Expenses	FY2015 Amended		FY2015 Amended
	Budget as of	Revisions	Budget as of
	March 2015		September 2015
Salaries/Wages/Fringes	\$ 70,796,959	\$ 25,646	\$ 70,822,605
Other Services	11,138,951	300,953	11,439,904
Fuel	16,108,610	-	16,108,610
Materials & Supplies	7,411,652	-	7,411,652
Utilities	1,439,337	-	1,439,337
Casualty & Liability	1,399,850	-	1,399,850
Taxes & Tags	409,841	-	409,841
Purchased Transportation	16,929,333	451,473	17,380,806
Miscellaneous	676,674	-	676,674
Interest & Leases	265,500	-	265,500
Total Operating Expenses	\$ 126,576,707	\$ 778,072	\$ 127,354,779

The following table reflects adjustments related to FY2015 Amended Capital Budget as follows:

FY2015 Amended Capital Budget

Capital Contributions	FY2015		FY2015
	Amended	Reclassifications	Amended
	Budget as of		Budget as of
	March 2015		September 2015
Federal Contributions	\$ 82,150,813	\$ -	\$ 82,150,813
State Contributions	411,879	-	411,879
Local Contributions	6,666,936	-	6,666,936
Reserves	200,000	-	200,000
Total	\$ 89,429,628	\$ -	\$ 89,429,628

LYNX Finance & Audit Committee Agenda

These funds are programmed to fund the following types of expenditures:

Capital Expenditures	FY2015 Amended as of March 2015	Reclassifications			FY2015 Amended as of September 2015
		Real Time Information	Kissimmee Intermodal	Vehicles	
Revenue Vehicles	\$ 49,153,072	\$ -	\$ -	\$ 100,646	\$ 49,253,718
BRT	15,674,570	-	-	-	15,674,570
Facilities	2,922,475	-	(1,192)	-	2,921,283
Passenger Amenities	12,987,746	(3,300,000)	1,192	-	9,688,938
Technology	3,823,241	3,300,000	-	-	7,123,241
Security	1,010,244	-	-	-	1,010,244
Support Equipment	2,054,205	-	-	(100,646)	1,953,559
ARRA	1,804,075	-	-	-	1,804,075
Total	\$ 89,429,628	\$ -	\$ -	\$ -	\$ 89,429,628

- Reclassification of Real Time Information from Passenger Amenities to Technology
- Reclassification of Service Vehicles from Support Equipment to Vehicles
- Reclassification of Kissimmee Intermodal Purchase Order balance from Facilities to Passenger Amenities.

CONCLUSION

The FY2015 Amended Operating Budget will be presented to the Board of Directors for final consideration and approval at the September 11, 2015 Board Meeting.

FY2015 Amended Operating & Capital Budgets

Presented to the
LYNX Finance & Audit Committee
by Blanche W. Sherman, CPA
Director of Finance
September 3, 2015

FY2015 Operating Budget Overview



	FY2015 Amended Budget as of March 2015	FY2015 Amended Budget as of September 2015	% Change
Operating Revenue	\$ 126,576,707	\$ 127,354,779	0.6%
Operating Expenses	126,576,707	127,354,779	0.6%
Operating Income/(Deficit)	\$ -	\$ -	0.0%

Key Operating Budget Amendment Basis



- Professional Fees – Workers’ Compensation - extension to scope of service and contract.
- MV Transportation, Inc. - contract modification for adjustment to productivity goals and increased capital costs.
- US 192 BRT - financial and phasing analysis
- Salaries, Wages and Fringe - Workers Compensation Insurance reclassification
- Reclassifications/Transfers for TD funds, tires & tubes lease, engines & transmissions, landscaping and legal fees

FY2015 Operating Revenue



	FY2015 Amended Budget as of March 2015	FY2015 Amended Budget as of September 2015	% Change
Operating Revenues			
Fund Balance	\$ 1,665,286	\$ 1,665,286	0.0%
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 Revenue	15,875,297	16,513,369	4.0%
State Revenue	13,263,175	13,403,175	1.1%
Local Revenue	57,326,743	57,326,743	0.0%
Total Revenue	\$126,576,707	\$ 127,354,779	0.6%

FY2015 Operating Expenses



	FY2015 Amended Budget as of March 2015	FY2015 Amended Budget as of September 2015	% Change
Operating Expenses			
Salaries/Wages/Fringes	\$ 70,796,959	\$ 70,822,605	0.0%
Other Services	11,138,951	11,439,904	2.7%
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 & Liability	1,399,850	1,399,850	0.0%
Taxes & Tags	409,841	409,841	0.0%
Purchased Transportation	16,929,333	17,380,806	2.7%
Miscellaneous	676,674	676,674	0.0%
Interest & Leases	265,500	265,500	0.0%
Total Operating Expenses	\$126,576,707	\$ 127,354,779	0.6%

Key Capital Budget Amendment Reclassifications

- Reclassification of Real Time Information from Passenger Amenities to Technology
- Reclassification of Service Vehicles from Support Equipment to Vehicles
- Reclassification of Kissimmee Intermodal Purchase Order Balance from Facilities to Passenger Amenities



FY2015 Capital Budget Overview

	FY2015 Amended Budget as of March 2015	FY2015 Amended Budget as of September 2015	% Change
Capital Contributions	\$ 89,429,628	\$ 89,429,628	0.00%
Capital Expenditures	89,429,628	89,429,628	0.00%
Capital Gains/(Losses)	\$ -	\$ -	N/A



FY2015 Capital Budget Contributions

	FY2015 Amended Budget as of March 2015	Reclassifications	FY2015 Amended Budget as of September 2015
Capital Contributions			
Federal Contributions	\$ 82,150,813	\$ -	\$ 82,150,813
State Contributions	411,879	-	411,879
Local Contributions	6,666,936	-	6,666,936
Reserves	200,000	-	200,000
Total	\$ 89,429,628	\$ -	\$ 89,429,628

FY2015 Capital Expenditures



Capital Expenditures	FY2015 Amended Budget as of March 2015	Reclassifications	FY2015 Amended Budget as of September 2015
Revenue Vehicles	\$ 49,153,070	\$ 100,646	\$ 49,253,716
BRT	15,674,570	-	15,674,570
Facilities	2,922,475	(1,192)	2,921,283
Passenger Amenities/Related	12,987,746	(3,298,808)	9,688,938
Technology	3,823,241	3,300,000	7,123,241
Security	1,010,244	-	1,010,244
Support Equipment	2,054,206	(100,646)	1,953,560
ARRA	1,804,076	-	1,804,076
Total	\$ 89,429,628	\$ -	\$ 89,429,628

Board Action Requested



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

	FY2015 Amended Budget as of March 2015	FY2015 Amended Budget as of September 2015	% Change
Operating	\$ 126,576,707	\$ 127,354,779	0.6%
Capital	89,429,628	89,429,628	0.0%
Total	\$ 216,006,335	\$ 216,784,407	0.4%

LYNX Finance & Audit Committee Agenda

Agenda Item #2

To: LYNX Finance & Audit Committee Members

From: Blanche W. Sherman, Director of Finance
Julie Caple, Technical Contact

Phone: 407.841.2279 extension 6100

Item Name: Overview of the Fiscal Year 2016 Operating and Capital Budgets

Date: 09/03/15

At the March 26, 2015 Board meeting, staff presented the preliminary FY2016 Operating Budget in the amount of \$126,493,478 to the Board of Directors. Since then, presentations have been made and/or information has been provided to Orange, Osceola, and Seminole counties, assumptions have been reexamined and the cost of providing service for next fiscal year has been discussed, which has increased the FY2016 Operating Budget by 0.4 percent.

Final approval from the funding partners regarding their proposed funding levels of service is needed. If the final approved funding levels are different than expected, we will adjust our budget accordingly.

OVERVIEW:

Budget Highlights

The FY2016 proposed budget totals \$221,589,243, of which \$127,045,044 represents operating expenses and \$94,543,799 represents capital expenditures. This is a net increase in the total budget of \$4,804,836 or 2.2% from the FY2015 Amended Budget.

Operating Budget

The proposed Operating Budget for FY2016 is \$127,045,044, which is a decrease of \$309,335 or 0.2% from the FY2015 Amended Operating Budget.

The Operating Budget is funded by a combination of LYNX-generated revenue and federal, state, and local dollars. These funds are used to fund personnel, services, materials, supplies, taxes, utilities, casualty & liability, purchased transportation, leases and miscellaneous expenses.

LYNX Finance & Audit Committee Agenda

Specifically, this budget includes funds from the following sources:

	FY2015 Amended Budget	FY2016 Proposed Budget	Dollar Change Amount	% Change
Operating Revenues				
Fund Balance *	\$ 1,665,286	\$ 571,571	\$ (1,093,715)	-66%
Customer Fares	29,530,910	29,451,480	(79,430)	-0.3%
Contract Services	6,593,296	5,398,265	(1,195,031)	-18.1%
Advertising on Buses	1,875,000	2,050,000	175,000	9.3%
Advertising - Trade	30,000	30,000	-	0.0%
Interest & Other Income	417,000	462,853	45,853	11.0%
Federal Revenue	16,513,369	16,087,336	(426,033)	-2.6%
State Revenue	13,403,175	14,103,842	700,667	5.2%
Local Revenue	57,326,743	58,890,097	1,563,354	2.7%
Total Revenue	\$ 127,354,779	\$ 127,045,444	\$ (309,335)	-0.2%

**Use of prepaid funding from Orange County, Osceola County, and City of Orlando for new Service Development routes.*

The funds are programmed to fund the following types of expenses:

	FY2015 Amended Budget	FY2016 Proposed Budget	Dollar Change Amount	% Change
Operating Expenses				
Salaries/Wages/Fringes	\$ 70,822,605	\$ 73,270,554	\$ 2,447,949	3.5%
Other Services	11,439,904	10,861,200	(578,704)	-5.1%
Fuel	16,108,610	13,569,071	(2,539,539)	-15.8%
Materials & Supplies	7,411,652	8,284,043	872,391	11.8%
Utilities	1,439,337	1,454,571	15,234	1.1%
Casualty & Liability	1,399,850	1,524,850	125,000	8.9%
Taxes & Tags	409,841	434,605	24,764	6.0%
Purchased Transportation	17,380,806	16,334,771	(1,046,035)	-6.0%
Miscellaneous	676,674	826,779	150,105	22.2%
Interest & Leases	265,500	485,000	219,500	82.7%
Total Operating Expenses	\$ 127,354,779	\$ 127,045,444	\$ (309,335)	-0.2%

Capital Budget

The proposed Capital Budget for FY2016 is \$94,543,799, which is an increase of \$5,114,170 or approximately 5.7% more than the FY2015 Amended Capital Budget. The increase in the capital budget from the FY2015 Amended Capital Budget results from the planned construction modifications to the CNG bus facility, CNG replacement buses, and the upgrade to mobile ticketing.

LYNX Finance & Audit Committee Agenda

The capital budget is funded from a combination of federal, state and local sources, and includes items such as the planned purchase of replacement buses and vans, bus shelters, and the use of technology to assist in service delivery and improvements. The majority of the capital budget, 92.35% is funded through federal grants, .45% is funded through state grants, and the remaining 7.2% through local funds and reserves. The local contribution from the funding partners covers the capital bus lease, ten (10) articulated buses and LYMMO BRT expansion projects. In addition, private funding through LYNX negotiated agreements contribute to passenger shelter costs.

Specifically, this budget includes funds from the following areas:

<u>Capital Contributions</u>	<u>FY2015 Amended Budget</u>	<u>FY2016 Proposed Budget</u>	<u>% Change</u>
Federal Contributions	\$ 82,150,813	\$ 87,313,091	6.3%
State Contributions	411,879	429,256	4.2%
Local Contributions	6,666,936	6,601,452	-1.0%
Reserves	200,000	200,000	0.0%
Total	<u><u>\$ 89,429,628</u></u>	<u><u>\$ 94,543,799</u></u>	<u><u>5.7%</u></u>

The funds are programmed to fund the following types of capital expenditures:

<u>Description</u>	<u>FY2015 Amended Budget</u>	<u>FY2016 Proposed Budget</u>	<u>Dollar Amount Change</u>	<u>% Change</u>
ARRA	\$ 1,804,075	\$ -	\$ (1,804,075)	-100.0%
BRT	15,674,570	14,070,635	(1,603,935)	-10.2%
Facilities	2,921,283	5,776,330	2,855,047	97.7%
Passenger Amenities	9,688,938	10,064,773	375,835	3.9%
Security	1,010,244	603,995	(406,249)	-40.2%
Support Equipment	1,953,559	4,845,270	2,891,711	148.0%
Technology	7,123,241	5,578,366	(1,544,875)	-21.7%
Support Vehicles	1,139,133	702,655	(436,478)	-38.3%
Revenue Vehicles	48,114,585	52,901,775	4,787,190	9.9%
Total	<u><u>\$ 89,429,628</u></u>	<u><u>\$ 94,543,799</u></u>	<u><u>\$ 5,114,171</u></u>	<u><u>5.7%</u></u>

Notes:

- 1) Vehicles include expansion and replacement vehicles for fixed-route, vanpool, and paratransit services and support vehicles.

LYNX Finance & Audit Committee Agenda

- 2) BRT includes the Orange, Lime, and Grapefruit LYMMO line capital activities, as well as, the FlexBus project.
- 3) Facilities include funds for LCS, LOC, Osceola, LB McLeod improvements and CNG facility modifications.
- 4) Passenger amenities include shelters, transfer centers, solar power, benches, and trash receptacles.
- 5) Technology includes items to improve communication and information delivery such as network improvements, servers, software upgrades and real time information.
- 6) Security includes equipment to enhance security and surveillance.
- 7) Support equipment includes items such as mobile ticketing, fare payment on board validators, copiers, printers, shop tools, furniture, and storage cabinets.

CONCLUSION:

The FY2016 Operating and Capital Budgets will be presented to the Board of Directors' for final consideration and approval at the September 11, 2015 Board Meeting.

FY2016 Proposed Operating & Capital Budgets

Presented to the
LYNX Finance & Audit Committee
by Blanche W. Sherman, CPA
Director of Finance
September 3, 2015

Key Budget Assumptions - Overall

- FY2016 Funding based on LYNX adopted 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

- 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.
- Osceola County Service Improvements (Link 10 & Link 26)

Pending Items

- Implementation of Funding Partner approved COA Recommendations
- Impacts of SunRail Phase 2 expansion



FY2016 Operating Budget Overview

	<u>FY2015 Amended</u>	<u>FY2016 Proposed</u>	<u>% Change</u>
Operating Revenue	\$ 127,354,779	\$ 127,045,444	-0.2%
Operating Expenses	<u>127,354,779</u>	<u>127,045,444</u>	<u>-0.2%</u>
Operating Income/(Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>

FY2016 Operating Revenue



	FY2015 Amended Budget	FY2016 Proposed Budget	Dollar Change Amount	% Change
Operating Revenues				
Fund Balance*	\$ 1,665,286	\$ 571,571	\$ (1,093,715)	-66%
Customer Fares	29,530,910	29,451,480	(79,430)	-0.3%
Contract Services	6,593,296	5,398,265	(1,195,031)	-18.1%
Advertising on Buses	1,875,000	2,050,000	175,000	9.3%
Advertising - Trade	30,000	30,000	-	0.0%
Interest & Other Income	417,000	462,853	45,853	11.0%
Federal Revenue	16,513,369	16,087,336	(426,033)	-2.6%
State Revenue	13,403,175	14,103,842	700,667	5.2%
Local Revenue	57,326,743	58,890,097	1,563,354	2.7%
Total Revenue	\$ 127,354,779	\$ 127,045,444	\$ (309,335)	-0.2%

* Includes carry-over contingency and prepaid funding

FY2016 Operating Expenses



	FY2015 Amended Budget	FY2016 Proposed Budget	Dollar Change Amount	% Change
Operating Expenses				
Salaries/Wages/Fringes	\$ 70,822,605	\$ 73,270,554	\$ 2,447,949	3.5%
Other Services	11,439,904	10,861,200	(578,704)	-5.1%
Fuel	16,108,610	13,569,071	(2,539,539)	-15.8%
Materials & Supplies	7,411,652	8,284,043	872,391	11.8%
Utilities	1,439,337	1,454,571	15,234	1.1%
Casualty & Liability	1,399,850	1,524,850	125,000	8.9%
Taxes & Tags	409,841	434,605	24,764	6.0%
Purchased Transportation	17,380,806	16,334,771	(1,046,035)	-6.0%
Miscellaneous	676,674	826,779	150,105	22.2%
Interest & Leases	265,500	485,000	219,500	82.7%
Total Operating Expenses	\$ 127,354,779	\$ 127,045,444	\$ (309,335)	-0.2%



FY2016 Local Revenue by Jurisdiction

	FY2015 Amended Budget	Proposed Regional Model Need for	Net Increase (Decrease)	Percentag Increase (Decrease)
Operating Funding				
Orange County	\$ 40,321,585	\$ 39,701,511	\$ (620,074)	-1.5%
Osceola County	5,479,172	6,393,683	914,511	16.7%
Seminole County	6,249,068	6,175,067	(74,001)	-1.2%
City of Orlando	3,895,598	4,046,660	151,062	3.9%
City of Orlando - LYMMO	2,060,215	2,305,411	245,196	11.9%
Subtotal	\$ 58,005,638	\$ 58,622,332	\$ 616,694	1.1%
St. Cloud	\$ 161,999	\$ -	\$ (161,999)	-100.0%
Altamonte Springs	120,900	120,900	-	0.0%
Sanford	93,000	93,000	-	0.0%
Lake County	242,180	259,990	17,810	7.4%
Subtotal	\$ 618,079	\$ 473,890	\$ (144,189)	-23.3%
Subtotal Operating Funding	\$ 58,623,717	\$ 59,096,222	\$ 472,505	0.8%
Capital Contributions				
Orange County	\$ 1,687,947	\$ 1,701,304	\$ 13,357	0.8%
Osceola County	193,753	203,270	9,517	4.9%
Seminole County	216,984	214,016	(2,968)	-1.4%
Subtotal	\$ 2,098,684	\$ 2,118,590	\$ 19,906	0.9%
Total Local Funds	\$ 60,722,401	\$ 61,214,812	\$ 492,411	0.8%

Key Capital Budget Assumptions

- Enhance LYNX facilities
- Construction Modification to CNG Bus Facility
- Advanced Fare Collection – Mobile Ticketing
- Fleet to support all service modes
- Continue LYMMO expansion activities
- Passenger Amenities Program improvements
- Continuation of security and surveillance
- Advance communications and technological capabilities



FY2016 Capital Budget Overview

	FY2015 Amended Budget	FY2016 Proposed Budget	% Change
Capital Contributions	\$ 89,429,628	\$ 94,543,799	5.7%
Capital Expenditures	89,429,628	94,543,799	5.7%
Capital Gains/(Losses)	\$ -	\$ -	N/A



FY2016 Capital Budget Contributions

<u>Capital Contributions</u>	<u>FY2015 Amended Budget</u>	<u>FY2016 Proposed Budget</u>	<u>% Change</u>
Federal Contributions	\$ 82,150,813	\$ 87,313,091	6.3%
State Contributions	411,879	429,256	4.2%
Local Contributions	6,666,936	6,601,452	-1.0%
Reserves	200,000	200,000	0.0%
Total	<u>\$ 89,429,628</u>	<u>\$ 94,543,799</u>	<u>5.7%</u>

FY2016 Budget Summary



	FY2015	FY2016	
	Amended	Proposed	Change
	<hr/>	<hr/>	
Operating Revenue	\$ 127,354,779	\$ 127,045,444	-0.2%
Operating Expenses	127,354,779	127,045,444	-0.2%
	<hr/>	<hr/>	
Operating Income/(Deficit)	\$ -	\$ -	N/A
Capital Funding	\$ 89,429,628	\$ 94,543,799	5.7%
Capital Expenditures	89,429,628	94,543,799	5.7%
	<hr/>	<hr/>	
Capital Income/(Deficit)	\$ -	\$ -	N/A
Total Sources of Funding	\$ 216,784,407	\$ 221,589,243	2.2%
Total Uses of Funding	216,784,407	221,589,243	2.2%
	<hr/>	<hr/>	
Net Financial Position	\$ -	\$ -	N/A
Staffing Count	1,106	1,115	9

Future Items



- Consideration of Public/Private Partnership (P3) (satellite facilities/BRT)
- Continue to review the type of fixed route vehicles used in future operations
- Seek State grant funding opportunities for capital projects

Operating Budget Calendar



Final Board Action

September 11

Budget Year 15– 16 Commences

October 1

LYNX Finance & Audit Committee Agenda

Agenda Item #3

To: LYNX Finance & Audit Committee Members

From: Blanche W. Sherman, Director of Finance
Julie Caple, Technical Contact

Phone: 407.841.2279 extension 6100

Item Name: Overview of Health Insurance Status

Date: 09/03/15

At the July 15, 2015 Finance and Audit Committee meeting, LYNX staff provided a brief recap of LYNX' five-year health insurance history and an update on the ongoing review of health insurance. At the time of that meeting, the table below summarized the preliminary costs to LYNX for health insurance premiums from Cigna, the current provider, and three optional providers, AIG, SunLife, and Voya for self-insured options.

Healthcare Plan Proposal without H.S.A. Component Summary - July 2015		
Description:	Employer FY2016 Projected Cost of Plan	Difference from FY2016 Preliminary Budget Healthcare Cost
FY2016 Preliminary Budgeted (26.0% Increase) - Fully-insured	\$ 8,508,987	\$ -
Cigna Proposed Policy (33.14% Increase) - Fully-insured	\$ 8,881,356	\$ 372,369
Cigna 12-12 (16.1% Increase) - Self-insured	\$ 7,992,678	\$ (516,310)
Cigna 12-15 (25.0% Increase) - Self-insured	\$ 8,456,835	\$ (52,153)
SunLife 12-12 (16.5% Increase) - Self-insured	\$ 7,995,285	\$ (513,702)
SunLife 12-15 (26.8% Increase) - Self-insured	\$ 8,550,709	\$ 41,722
AIG 12-12 (18.8% Increase) - Self-insured	\$ 8,133,489	\$ (375,498)
AIG 12-15 (31.6% Increase) - Self-insured	\$ 8,801,041	\$ 292,054
Voya 12-12 (18% Increase) - Self-insured	\$ 8,091,767	\$ (417,220)
Voya 12-15 (34% Increase) - Self-insured	\$ 8,926,207	\$ 417,220

Since the July Finance and Audit Committee meeting, staff continued to work with the Broker and received updated proposals from Cigna, SunLife, and AIG. Voya did not rebid. Cigna provided an updated proposal for a best and final offer for the current LYNX plan that represents an increase in rates of 24.53% over the current FY2015 rates, and a decrease in rates of 1.47% from those included in the FY2016 Preliminary Operating Budget. In addition, the three other vendors also revised their proposals for self-insured. The LYNX share of the annual plan costs and the difference of the plan costs for each provider compared to the FY2016 Proposed Operating Budget total for healthcare are also shown below. The health savings account share of the plan will remain constant and therefore is not included in the costs identified in the chart below.

LYNX Finance & Audit Committee Agenda

Healthcare Plan Proposal without H.S.A. Component Summary - September 2015		
Description:	Employer Cost of Plan	Difference from FY2016 Proposed Budgeted Healthcare Cost
FY16 Preliminary Budgeted (26.0% Increase) - Fully-insured	\$ 8,540,470	\$ -
Cigna Proposed Policy (24.53% Increase) - Fully-insured	\$ 8,463,438	\$ (77,031)
Cigna 12-12 (5.4% Increase) - Self-insured	\$ 7,460,981	\$ (1,079,489)
Cigna 12-36 (12.3% Increase) - Self-insured	\$ 7,822,558	\$ (717,912)
Cigna 12-36 (17.6% Increase) - Gallagher Projection Self-insured	\$ 8,100,290	\$ (440,180)
SunLife 12-12 (12.8% Increase) - Self-insured	\$ 7,848,759	\$ (691,711)
SunLife 12-15 (23.21% Increase) - Self-insured	\$ 8,394,267	\$ (146,203)
AIG 12-12 (13.9% Increase) - Self-insured	\$ 7,906,401	\$ (634,069)
AIG 12-15 (26.4% Increase) - Self-insured	\$ 8,561,431	\$ 20,961

Based on the offers received, LYNX staff believes that the most viable option for health insurance coverage for FY2016 would be the Cigna 12-36 self-insured offer or the Gallagher projection for Cigna self-insured 12-36, which represents a decrease over the FY2016 Proposed Operating Budget by \$717,912 and 440,180, respectively. LYNX staff believes modifying the health insurance to self-insured will provide long-term financial benefits and would also allow for plan stability over continuing with a fully-insured plan. LYNX staff proposes migrating to the Cigna 12-36 Health Plan Option for the FY2016 budget year for Finance and Audit Committee consideration.

Transitioning to self-insured would require LYNX to undertake several key steps as detailed below.

1. **112.08 Filing** - Florida Statue requires that a self funded plan offered by a public entity maintain surplus assets equal to at least 60 days of claims either as assets in the plan or in the form of unencumbered surplus elsewhere in the organization to pay claims. These funds are in addition to the run out liability. The entity is required to submit an annual filing documenting that it has sufficient surplus. The initial filing needs to be completed in advance of the effective date of the plan, and Gallagher's actuaries will complete this on a timely basis. The funds do not need to be moved to a separate bank account, but must be available in the event the plan becomes insolvent. The 60-day target equates to approximately \$1.6 million dollars.

If 60 days of funds are not available LYNX would file the initial report showing the available funds and write a plan on how the remaining funds will be captured throughout the year. The Office of Insurance Regulation (OIR) will have the discretion on whether or not to accept this method. This method estimates the total annual expected costs of approximately \$9.4 million per Cigna or \$10 million per Gallagher for the self insured plan. The best and final fully-insured plan is estimated at \$10.7 million with a delta that would allow for the surplus requirement to be captured.

LYNX Finance & Audit Committee Agenda

2. **Banking Setup** - Once LYNX has submitted the appropriate paperwork to the State and it has been accepted by the OIR, the banking setup would be completed as follows:
 - a. An imprest balance would be provided in advance to have funds in place to pay for claims. The balance is recommended to be funded on a weekly basis. Claims are pulled on a daily basis. There is also an option to not have an imprest balance; however, this would require daily funding on LYNX' part and may be administratively burdensome. The imprest amount would be set with Cigna's underwriters.
 - b. LYNX has the option to decide whether or not the funds would be transferred by LYNX or by the vendor banks (either Citibank or JP Morgan Chase). Also, Gallagher is reviewing whether another bank can be used if the bank vendor solution is chosen.

3. **Claims Reconciliation** - As part of the banking component, LYNX will want to reconcile the claims against what was actually deducted. Cigna will provide weekly backup, as well as, monthly banking reports to assist in this reconciliation.

4. **Health Insurance Portability and Accountability Act (HIPAA) Privacy Policy** - LYNX will need to create a HIPAA Policy since the self-insured plan would provide access to private health information. Gallagher is available to assist LYNX with policy creation.

5. **Administrative Only Agreement (ASO) Contract** - Cigna will provide an ASO and Stop Loss Contract for review and execution prior to payment of claims.

6. **Plan Document Creation** - LYNX will create an overall plan document for the transition to self-insured that outlines all eligibility, claims, appeals, etc. The most significant step of the transition would be setting up the banking vendor to allow funding of the self-insurance account if the bank vendor option is chosen. LYNX would also need to determine the funding frequency, initiation, and method to move forward with self-insurance.



Arthur J. Gallagher & Co.
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2016 Health Insurance Renewal

JOSHUA RUBICH, AREA VICE PRESIDENT



SEPTEMBER 3, 2015

Agenda

-  2015 Executive Summary
-  Claims Experience
-  Fully Insured Renewal
-  Self Insured Proposals
-  Observations/Next Steps
-  Considerations
-  Steps to Moving to Self Insurance



2015 Executive Summary

Fully Insured

- Initial renewal of approximately 33% (claims January 2014 – May 2015)
- Final renewal of 24.5% based upon additional claims data (August 2014 – July 2015) and final negotiations
- Premium vs. claims reduced from 110.9% to 107.4%

Self Insured

- Multiple stop loss options provided with Cigna being the most competitive based upon terms and conditions
- Lower administrative fees are yielding a lower than expected renewal for the self insured options compared to fully insured
- If claims continue on their current path, this option could be viable



2015 Executive Summary

- Claims
 - Large claims continue to have a significant impact on LYNX
 - Number of catastrophic claimants are almost double the norm
 - 2014 claims
 - Increased 23.4 % PMPY over 2013
 - Increased 22.3% PMPY (July 2014-June 2015 vs July 2013-June 2014)
 - 2014 claims excluding catastrophic claims (over \$50k)
 - Increased 7.6% PMPY over 2013
 - Increased .6% PMPY (July 2014-June 2015 vs July 2013-June 2014)



2015 CLAIMS EXPERIENCE

LYNX

Monthly Healthcare Experience Report Rolling 12: Paid June 2014 through May 2015

Year / Month	Capitation	In-Network	Out-of-Network	Pharmacy	Total Claims	Billed Premium	Pooled Premium	Total Premium	Premium vs. Claims	Subs	Members	Claims PEPM
Aug-2014	\$21,081	\$562,964	(\$1,104)	\$185,232	\$768,173	\$678,316	\$46,937	\$725,252	105.9%	950	1,497	\$809
Sep-2014	\$20,797	\$635,041	\$6,020	\$114,438	\$776,296	\$676,105	\$46,742	\$722,847	107.4%	948	1,485	\$819
Oct-2014	\$25,009	\$765,527	\$34,767	\$105,989	\$931,291	\$668,792	\$46,277	\$715,068	130.2%	941	1,468	\$990
Nov-2014	\$21,442	\$795,052	\$2,548	\$135,381	\$954,422	\$667,888	\$46,168	\$714,056	133.7%	940	1,471	\$1,015
Dec-2014	\$22,215	\$794,134	\$1,363	\$211,368	\$1,029,079	\$666,729	\$46,125	\$712,853	144.4%	943	1,470	\$1,091
Jan-2015	\$25,296	\$778,057	\$1,551	\$84,707	\$889,612	\$658,414	\$45,242	\$703,656	126.4%	948	1,451	\$938
Feb-2015	\$19,282	\$334,294	\$11,196	\$104,837	\$469,610	\$656,900	\$45,138	\$702,038	66.9%	947	1,451	\$496
Mar-2015	\$19,718	\$483,759	\$1,408	\$134,393	\$639,277	\$666,075	\$45,768	\$711,843	89.8%	961	1,469	\$665
Apr-2015	\$23,895	\$718,488	\$969	\$148,455	\$891,808	\$666,265	\$45,782	\$712,047	125.2%	961	1,468	\$928
May-2015	\$19,661	\$517,481	\$5,473	\$127,164	\$669,780	\$658,784	\$45,268	\$704,052	95.1%	952	1,458	\$704
Jun-2015	\$19,617	\$384,191	\$6,649	\$131,770	\$542,227	\$662,217	\$45,503	\$707,720	76.6%	957	1,462	\$567
Jul-2015	\$22,897	\$441,113	\$1,464	\$143,683	\$609,157	\$664,397	\$45,653	\$710,051	85.8%	960	1,464	\$635
Grand Total	\$260,910	\$7,210,102	\$72,303	\$1,627,417	\$9,170,732	\$7,990,881	\$550,602	\$8,541,482	107.4%	11,408	17,614	\$805

LYNX

Monthly Healthcare Experience Report Plan Year to Date: Paid January 2015 through May 2015

Year / Month	Capitation	In-Network	Out-of-Network	Pharmacy	Total Claims	Billed Premium	Pooled Premium	Total Premium	Premium vs. Claims	Subs	Members	Claims PEPM
Jan-2015	\$25,296	\$778,057	\$1,551	\$84,707	\$889,612	\$658,414	\$45,242	\$703,656	126.4%	948	1,451	\$938
Feb-2015	\$19,282	\$334,294	\$11,196	\$104,837	\$469,610	\$656,900	\$45,138	\$702,038	66.9%	947	1,451	\$496
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May-2015	\$19,661	\$517,481	\$5,473	\$127,164	\$669,780	\$658,784	\$45,268	\$704,052	95.1%	952	1,458	\$704
Jun-2015	\$19,617	\$384,191	\$6,649	\$131,770	\$542,227	\$662,217	\$45,503	\$707,720	76.6%	957	1,462	\$567
Jul-2015	\$22,897	\$441,113	\$1,464	\$143,683	\$609,157	\$664,397	\$45,653	\$710,051	85.8%	960	1,464	\$635
Grand Total	\$150,367	\$3,657,384	\$28,710	\$875,010	\$4,711,471	\$4,633,052	\$318,354	\$4,951,405	95.2%	6,686	10,223	\$704

LYNX
Large Claim Summary

Category	Number of Claimants	Total PY Claims	Total R12 Claims
New to rolling 12 report with data paid through May	5	\$166,488	\$177,582
No longer on the plan	6	\$445,301	\$834,260
On Rolling 12 and Plan Year through July	37	\$2,522,438	\$3,852,153
Rolling 12 Claimants with less than \$25,000 in the current plan year	27	\$263,965	\$1,312,995
Grand Total	75	\$3,398,192	\$6,176,990



FULLY INSURED AND SELF INSURED OPTIONS



LYNX

Medical Cost Comparison
Effective Date of Coverage: January 1, 2016

Medical Insurance: Initial Renewal

Carrier		Cigna											
Website		www.cigna.com											
Plan		Current					Renewal						
Plan Name		HSA		HSA		HSA		HSA		HSA			
Plan Type		Local Plus		OAP-IN		OAP-Plus		Local Plus		OAP-IN			
Open Access		Yes		Yes		Yes		Yes		Yes			
Location(s)		All		All		All		All		All			
In Network Benefits	Deductible (Single/Family)	Calendar Year (CYD) \$2,500/\$5,000		Calendar Year (CYD) \$2,000/\$4,000		Calendar Year (CYD) \$1,300/\$2,600		Calendar Year (CYD) \$2,500/\$5,000		Calendar Year (CYD) \$2,000/\$4,000			
	Coinsurance	20%		20%		20%		20%		20%			
	Maximum OOP (Single/Family)	\$5,000/\$10,000		\$4,000/\$8,000		\$2,600/\$5,200		\$5,000/\$10,000		\$4,000/\$8,000			
	PCP Visit	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Specialist	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Preventive Care	\$0		\$0		\$0		\$0		\$0			
	Urgent Care	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Inpatient Hospital	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Outpatient Surgical	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Routine Lab & X-Ray	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Complex Imaging (MRI, CT, PET)	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
Emergency Room	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%				
Rx	Deductible	Combined w/ Med		Combined w/Med		Combined w/Med		Combined w/Med		Combined w/Med			
	Preventive Rx (on the list)												
	Retail (in-network)	\$10/\$50/\$80		\$10/\$50/\$80		\$10/\$50/\$80		\$10/\$50/\$80		\$10/\$50/\$80			
	Mail Order	\$25/\$125/\$200		\$25/\$125/\$200		\$25/\$125/\$200		\$25/\$125/\$200		\$25/\$125/\$200			
OON	Deductible	Not Covered		Not Covered		\$2,450/\$6,250		Not Covered		Not Covered			
	Coinsurance	Not Covered		Not Covered		40%		Not Covered		Not Covered			
	Maximum OOP	Not Covered		Not Covered		\$4,900/\$12,250		Not Covered		Not Covered			
	Emergency Room	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
Number of Employees													
Rates	Employee Only	581	\$520.54	102	\$607.73	13	\$722.58	581	\$690.81	102	\$807.78	13	\$961.86
	Employee + Spouse	66	\$1,104.19	25	\$1,289.14	3	\$1,532.76	66	\$1,473.80	25	\$1,721.92	3	\$2,048.75
	Employee + Child(ren)	57	\$998.05	19	\$1,165.23	3	\$1,385.43	57	\$1,331.41	19	\$1,555.69	3	\$1,851.10
	Employee + Family	53	\$1,581.73	29	\$1,846.67	1	\$2,195.65	53	\$2,114.44	29	\$2,469.86	1	\$2,938.03
	Monthly Plan Cost	\$516,030.82		\$169,909.76		\$20,343.76		\$686,587.10		\$226,625.61		\$27,141.76	
Percent Change by Plan								33.05%		33.38%		33.42%	
Cost	Total Annual Cost	\$8,475,412						\$11,284,254					
	Annual \$ Difference	N/A						\$2,808,842					
	Annual % Difference	N/A						33.14%					
Notes													



LYNX

Medical Cost Comparison
Effective Date of Coverage: January 1, 2016

Medical Insurance: Final Renewal

Carrier		Cigna											
Website		www.cigna.com											
Plan		Current					Renewal						
Plan Name		HSA		HSA		HSA		HSA		HSA			
Plan Type		Local Plus		OAP-IN		OAP-Plus		Local Plus		OAP-IN			
Open Access		Yes		Yes		Yes		Yes		Yes			
Location(s)		All		All		All		All		All			
In Network Benefits	Deductible (Single/Family)	Calendar Year (CYD) \$2,500/\$5,000		Calendar Year (CYD) \$2,000/\$4,000		Calendar Year (CYD) \$1,300/\$2,600		Calendar Year (CYD) \$2,500/\$5,000		Calendar Year (CYD) \$2,000/\$4,000			
	Coinsurance	20%		20%		20%		20%		20%			
	Maximum OOP (Single/Family)	\$5,000/\$10,000		\$4,000/\$8,000		\$2,600/\$5,200		\$5,000/\$10,000		\$4,000/\$8,000			
	PCP Visit	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Specialist	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Preventive Care	\$0		\$0		\$0		\$0		\$0			
	Urgent Care	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Inpatient Hospital	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Outpatient Surgical	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Routine Lab & X-Ray	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
	Complex Imaging (MRI, CT, PET)	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
Emergency Room	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%				
Rx	Deductible	Combined w/ Med		Combined w/Med		Combined w/Med		Combined w/Med		Combined w/Med			
	Preventive Rx (on the list)												
	Retail (in-network)	\$10/\$50/\$80		\$10/\$50/\$80		\$10/\$50/\$80		\$10/\$50/\$80		\$10/\$50/\$80			
	Mail Order	\$25/\$125/\$200		\$25/\$125/\$200		\$25/\$125/\$200		\$25/\$125/\$200		\$25/\$125/\$200			
OON	Deductible	Not Covered		Not Covered		\$2,450/\$6,250		Not Covered		Not Covered			
	Coinsurance	Not Covered		Not Covered		40%		Not Covered		Not Covered			
	Maximum OOP	Not Covered		Not Covered		\$4,900/\$12,250		Not Covered		Not Covered			
	Emergency Room	CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%		CYD then 20%			
Number of Employees													
Rates	Employee Only	581	\$520.54	102	\$607.73	13	\$722.58	581	\$648.23	102	\$756.81	13	\$899.83
	Employee + Spouse	66	\$1,104.19	25	\$1,289.14	3	\$1,532.76	66	\$1,375.05	25	\$1,605.37	3	\$1,908.75
	Employee + Child(ren)	57	\$998.05	19	\$1,165.23	3	\$1,385.43	57	\$1,242.87	19	\$1,451.06	3	\$1,725.28
	Employee + Family	53	\$1,581.73	29	\$1,846.67	1	\$2,195.65	53	\$1,969.73	29	\$2,299.66	1	\$2,734.24
	Monthly Plan Cost	\$516,030.82		\$169,909.76		\$20,343.76		\$642,613.18		\$211,588.62		\$25,334.08	
Percent Change by Plan								24.53%		24.53%		24.53%	
Cost	Total Annual Cost	\$8,475,412						\$10,554,431					
	Annual \$ Difference	N/A						\$2,079,019					
	Annual % Difference	N/A						24.53%					
Notes													



LYNX

Stop Loss Comparison
 Effective Date of Coverage: 1/1/2016

Stop Loss Carrier		Cigna			
Plan		Proposed	Proposed		
Contract Type		12/12	12/36		
Lines of Coverage		Medical & Rx	Medical & Rx		
Total Enrollment (Employees)		952			
Fixed Cost Factors	Stop Loss	Specific (Individual) Stop Loss			
		Deductible	\$250,000	\$250,000	
		Rate per Employee	\$39.34	\$46.29	
		Monthly Specific Premium	\$37,452	\$44,068	
		Aggregate Stop Loss			
		Rate per Employee	\$4.73	\$4.73	
		Monthly Aggregate Premium	\$4,503	\$4,503	
	Total Stop Loss (Specific + Aggregate)				
	Rate per Employee	\$44.07	\$51.02		
	Monthly Stop Loss Premium	\$41,955	\$48,571		
	Admin	Claims Administration			
		Rate per Employee	\$47.95	\$47.95	
		Monthly Administration Cost	\$45,648	\$45,648	
	Total	Total Fixed Cost (Stop Loss + Claims Administration)			
Rate per Employee		\$92.02	\$98.97		
Monthly Fixed Cost		\$87,603	\$94,219		
	Annual Fixed Cost	\$1,051,236	\$1,130,633		
Claims Factors	Expected & Aggregate	Expected Claims			
		Per Employee	\$684.06	\$728.30	
		Monthly Expected Claims	\$651,224	\$693,342	
	Total Monthly Expected Costs	\$738,827	\$787,561		
	Aggregate Claims				
	Aggregate Corridor	120%	120%		
	Per Employee	\$820.87	\$873.96		
Monthly Aggregate Claims	\$781,468	\$832,010			
Total Monthly Aggregate Costs	\$869,071	\$926,229			
HCR	Total	HCR Fees			
		Per Member per Month	1,457	\$3.84	\$3.84
		Total Monthly HCR Fees		\$5,593.19	\$5,593.19
Total Annual Expected Costs		\$8,933,037	\$9,517,851		
Total Annual Aggregate Costs		\$10,495,974	\$11,181,871		
Notes		Firm Quote. Includes a Laser of \$400k on a Hemophiliac claimant. Potential for another \$150k in expenses on this person. In addition Cigna's 12/15 expected costs appear unreasonably low. With the fixed cost quoted, Gallagher actuaries believe the expected cost to be closer to \$10m.			



LYNX

Stop Loss Comparison
 Effective Date of Coverage: 1/1/2016

Stop Loss Carrier		Sun Life			
Plan		Proposed	Proposed		
Contract Type		12/12	12/15		
Lines of Coverage		Medical & Rx	Medical & Rx		
Total Enrollment (Employees)		952			
Fixed Cost Factors	Stop Loss	Specific (Individual) Stop Loss			
		Deductible	\$250,000	\$250,000	
		Rate per Employee	\$38.87	\$45.59	
		Monthly Specific Premium	\$37,004	\$43,402	
		Aggregate Stop Loss			
		Rate per Employee	\$4.97	\$4.97	
		Monthly Aggregate Premium	\$4,731	\$4,731	
		Total Stop Loss (Specific + Aggregate)			
		Rate per Employee	\$43.84	\$50.56	
	Monthly Stop Loss Premium	\$41,736	\$48,133		
	Admin	Claims Administration			
		Rate per Employee	\$47.95	\$47.95	
		Monthly Administration Cost	\$45,648	\$45,648	
	Total	Total Fixed Cost (Stop Loss + Claims Administration)			
Rate per Employee		\$91.79	\$98.51		
Monthly Fixed Cost		\$87,384	\$93,782		
	Annual Fixed Cost	\$1,048,609	\$1,125,378		
Claims Factors	Expected & Aggregate	Expected Claims			
		Per Employee	\$739.19	\$809.70	
		Monthly Expected Claims	\$703,710	\$770,834	
	Total Monthly Expected Costs	\$791,095	\$864,616		
	Aggregate Claims				
	Aggregate Corridor	120%	120%		
	Per Employee	\$887.03	\$971.64		
Monthly Aggregate Claims	\$844,453	\$925,001			
Total Monthly Aggregate Costs	\$931,837	\$1,018,783			
HCR	Total	HCR Fees			
		Per Member per Month	1,457	\$3.84	\$3.84
		Total Monthly HCR Fees		\$5,593.19	\$5,593.19
Total Annual Expected Costs		\$9,560,253	\$10,442,509		
Total Annual Aggregate Costs		\$11,249,158	\$12,292,512		
Notes		Claims needed through August to make the quote firm. Most recent quote indicates additional claims data is needed on 7 claimants, and will likely laser a Hemophiliac claimant and ESRD			



LYNX

Stop Loss Comparison
 Effective Date of Coverage: 1/1/2016

Stop Loss Carrier		AIG			
Plan		Proposed	Proposed		
Contract Type		12/12	12/15		
Lines of Coverage		Medical & Rx	Medical & Rx		
Total Enrollment (Employees)		952			
Fixed Cost Factors	Stop Loss	Specific (Individual) Stop Loss			
		Deductible	\$250,000	\$250,000	
		Rate per Employee	\$54.05	\$61.13	
		Monthly Specific Premium	\$51,456	\$58,196	
		Aggregate Stop Loss			
		Rate per Employee	\$2.11	\$2.67	
		Monthly Aggregate Premium	\$2,009	\$2,542	
	Total Stop Loss (Specific + Aggregate)				
	Rate per Employee	\$56.16	\$63.80		
	Monthly Stop Loss Premium	\$53,464	\$60,738		
	Admin	Claims Administration			
		Rate per Employee	\$47.95	\$47.95	
		Monthly Administration Cost	\$45,648	\$45,648	
	Total	Total Fixed Cost (Stop Loss + Claims Administration)			
Rate per Employee		\$104.11	\$111.75		
Monthly Fixed Cost		\$99,113	\$106,386		
	Annual Fixed Cost	\$1,189,353	\$1,276,632		
Claims Factors	Expected & Aggregate	Expected Claims			
		Per Employee	\$735.03	\$820.14	
		Monthly Expected Claims	\$699,750	\$780,769	
	Total Monthly Expected Costs	\$798,863	\$887,155		
	Aggregate Claims				
	Aggregate Corridor	125%	125%		
	Per Employee	\$918.79	\$1,025.17		
Monthly Aggregate Claims	\$874,688	\$975,962			
Total Monthly Aggregate Costs	\$973,801	\$1,082,348			
HCR	Total	HCR Fees			
		Per Member per Month	1,457	\$3.84	\$3.84
		Total Monthly HCR Fees		\$5,593.19	\$5,593.19
Total Annual Expected Costs		\$9,653,476	\$10,712,984		
Total Annual Aggregate Costs		\$11,752,728	\$13,055,292		
Notes		Claims needed through August as well as additional details on 5 claimatns to make the quote firm.			



Proposal Comparison





OBSERVATIONS AND NEXT STEPS



Observations/Next Steps

- Plan design changes are having an impact
 - 2015 YTD spend is \$629 PEPM vs. \$722 PEPM for the same time period in 2014
 - \$629 for 2015 YTD vs. \$774 PEPM for CY 2014
 - Excluding claims over the pooling point of \$250k
- LYNX continues to perform better as the year progresses
- The last six months of 2014 were all above 100% loss ratio, with the highest being over 140%. These months are all impacting the underwriting



Considerations

- Path 1:
 - Agree to the current fully insured renewal
 - Monitor claims experience in 2016 to determine 2017 funding arrangement
 - Results:
 - If claims perform better than expected, LYNX will reap the rewards in the 2017 renewal. However, the 2016 premium will be forgone.
 - If claims perform worse than expected, LYNX will receive a challenging renewal. However, LYNX will have benefited from paying a premium amount that was less than adequate to cover claims and administration, etc. for one year.



Considerations

- Path 2
 - Transition to a self funded arrangement and fund the plan based upon the 24.5% fully insured renewal
 - Reserves will be built in the first two months of the plan as well as the remainder of the year if claims perform well
 - Results:
 - If claims perform better than expected, LYNX will reap the rewards in 2016 as well as in 2017
 - If claims perform worse than expected, LYNX will immediately be impacted

Steps to Move to Self Insurance



- 112.08 Filing
 - Requires a self funded plan offered by a public entity to maintain surplus assets equal to at least 60 days of expenses
 - Fund approximation is \$1.6m in addition to runout liability
 - Assets can be in the plan or in the form of unencumbered surplus elsewhere, i.e. general funds, etc.
 - Filing has to be complete in advance of implementation of the plan
 - Potential for the filing to be complete with 30 days of funds with a written plan on how the remaining 30 days will be obtained throughout the year – there is no guarantee the state will approve this strategy
 - Gallagher will file the 112.08 filing on behalf of LYNX

Steps to Move to Self Insurance



- Banking Arrangement
 - An imprest balance is needed in advance in order to have funds in place to pay for claims
 - Recommended to fund on a weekly basis
 - Claims are pulled daily
- Claims Reconciliation
 - LYNX will reconcile the claims against what was actually deducted, Cigna will provide weekly backup as well as monthly claims reports to assist in the reconciliation
- Implement HIPAA privacy policy
- Signed ASO contracts
- Plan Document Creation



Decisions

Does LYNX transition to a self insured program for 2016?

If so, does LYNX use the fully insured renewal as the funding amount or an amount closer to projected to assist with the assets for the 112.08 filing?



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

Thank You

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