



# LYNX Finance & Audit Committee

## *A G E N D A*

**January 7, 2016**

**9:00 AM**

**LYNX Central Station**

**Second Floor Open Space**

- Call to Order
- Budget Process Discussion
- Other Business
- Adjournment

# **LYNX Finance & Audit Committee Agenda**

## **Agenda Item #1**

**To:** LYNX Finance & Audit Committee Members

**From:** Blanche W. Sherman, Director of Finance

Julie Caple, Manager of Financial Planning

**Phone:** 407.841.2279 extension 6100

**Item Name:** Budget Process Discussion

**Date:** 01/07/16

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### **OVERVIEW:**

In January 2016, LYNX' staff will begin the process of developing the FY2017 Operating and Capital Budgets.

LYNX staff is seeking input and guidance from the Finance & Audit Committee members to help streamline and improve the budget development process in order to fully engage department directors and managers in evaluating and addressing financial needs within and across their organizational unit.

DRAFT

# BUDGET DEVELOPMENT INSTRUCTION MANUAL FISCAL YEAR 2017



**PREPARED BY THE FINANCE DEPARTMENT**

Blanche W. Sherman, CPA, Director of Finance  
Julie Caple, Manager of Budgets and Financial Reporting  
Sal Ajala, Budget Analyst

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## OVERVIEW

Budgeting is the process of identifying operational expenditures, and the manner of financing them for a period of time. Budgeting has always been of utmost importance in the transit industry. As financial resources continue to be limited, budgeting will continue to play an increasingly greater role in the success of operations. Effective budgeting requires the commitment, direction, and leadership of the entity's Chief Executive Officer. In fact, the success or failure of the budgeting process may well depend on the Chief Executive's degree of involvement. Of course, the Chief Executive Officer need not participate personally in every phase of the process, however his or her recognition of the need for the planning function, active support of the process and its objectives, and demonstrated interest in the outcome of the plan are critical. The Chief Executive Officer should be consulted on all the important assumptions and should establish or concur in the basic guidelines and sign or otherwise approve the directive that initiates the annual planning process. These actions communicate to the rest of the company the Executive's personal concern with planning. Once the attitudes of the Executives are made known, the necessary cooperation usually will be forthcoming.

### **The budget development process is designed to:**

- Follow an integrated system approach of planning, programming, budgeting and accounting
- Focus on the direct relationship between the organizational mission, vision, and the delivery of services as the means of ensuring that resources are obtained and used effectively and efficiently in the overall accomplishment of organizational objectives
- Serve as an aid in the making and coordinating of short-range plans and as a benchmark for controlling day-to-day activities within the organization
- Serve as a quantitative means of motivation to achieve plans within established budget targets
- Provide an effective method to present information to the LYNX Board of Directors, federal, state, and local government funding entities, and other external interested parties.

LYNX Budget is prepared on a fiscal year basis rather than on a calendar year basis. The fiscal year 2017 begins on October 1, 2016 and ends September 30, 2017. The **Budget Development Instruction Manual for Fiscal Year 2017** presents in detail the overall budgetary process, the procedures that make up that process, and the instructions, which are necessary to submit your request. The manual serves as a guide for department directors and managers in preparing a comprehensive and realistic budget for FY2017.

## LYNX FY2017 BUDGET MANUAL

### **The primary elements of the manual are:**

- A budget calendar that specifies the dates that data must be completed and submitted for review
- Definition of the budgetary process, including the relationship between budget development and operational planning
- Identification of information to be used when developing revenue and expenditure projections
- Provision of instructions, and data necessary for completing the budget development process, including the delegation of certain responsibilities to individual departments, and administrative details as to how the budget is to be prepared and submitted.

In summary, the manual establishes the specific framework for guiding directors and managers in evaluating and addressing financial needs within their organizational unit.

# LYNX FY2017 BUDGET MANUAL

## Timetable for FY2017 Budget Preparation

<b>January 22, 2016</b>	Budget System Active
<b>January 25, 2016</b>	FY2017 Budget Kick-off
<b>February 8 – 19, 2016</b>	<p>Departmental Budget Meetings</p> <ul style="list-style-type: none"> <li>• <b>Discuss budget request(s) and justifications, if necessary.</b></li> <li>• <b>The following information needs to be developed:</b> <ol style="list-style-type: none"> <li>(1) Line-Item Budget Request</li> <li>(2) Position Modifications or Request form submitted to Human Resources (HR) by <b>February 12, 2016</b></li> <li>(3) Initial Capital Request</li> <li>(4) Project / Grant Development Summary Form</li> <li>(5) LYNX Technology Acquisition Request Form for Review</li> <li>(6) <b>Department Expenses and Information Must be in the Budget System</b></li> <li>(7) Departmental Strategic Plan Mission, Goals, Objectives, and Performance Measures</li> </ol> </li> </ul>
<b>February 19, 2016</b>	HR submits approved additional positions or position changes to Finance and a meeting will be held to discuss the request(s).
<b>February 22 – 23, 2016</b>	Additional departmental meetings with Interim CEO and Director of Finance if necessary
<b>February 24, 2016</b>	Preliminary Operating Budget finalized in system and refinement of the Capital Budget continues
<b>March 3, 2016</b>	Finance department budget review meeting with Chief Executive Officer to discuss Operating and Capital Budget submittals and Revenue Assumption.
<b>March 8, 2016</b>	Finalize Finance & Audit Committee Items/Presentations
<b>March 16, 2016</b>	Finance & Audit Committee Meeting to review FY2017 Preliminary Operating Budget and FY2016 Amended Operating and Capital Budget
<b>March 15, 2016</b>	Finalize Board Items/Presentations
<b>March 24, 2016</b>	Board Meeting – Discuss FY2017 Preliminary Budget and FY2016 Budget Amendment and approve amended FY2016 Operating and Capital Budget
<b>April 11 – 25, 2016</b>	Departmental Capital Budget Meetings
<b>April - August 2016</b>	Funding partner briefings on potential new service initiatives for FY2017
<b>May 2016</b>	Funding partner request letters sent out
<b>June 2016</b>	Funding partner follow-up to finalize request
<b>July 13, 2016</b>	Finalize Finance & Audit Committee Items/Presentation
<b>July 20, 2015</b>	Finance & Audit Meeting to review FY2017 Preliminary Capital Budget

## LYNX FY2017 BUDGET MANUAL

<b>July – August 2016</b>	Budget presentations to funding partners
<b>August 2016</b>	Finalize Board items and presentation for FY2017 Operating and Capital Budget and final FY2016 Amended Operating and Capital Budget
<b>September 7, 2016</b>	Finalize Finance & Audit Committee Items/Presentation
<b>September 14, 2016</b>	Finance & Audit Committee Meeting to review FY2017 final Operating and Capital Budgets and final Amended FY2016 Operating and Capital Budgets
<b>September 15, 2016</b>	Finalize Board Items/Presentations
<b>September 22, 2016</b>	Board Meeting to request approval of the FY2017 Operating and Capital Budget and final Amended FY2016 Operating and Capital Budget
<b>October 1, 2016</b>	<b>FY 2017 Budget Commences</b>

**Note: The Finance department is available to assist Departments with Budget preparation.**



## **ROLES AND RESPONSIBILITIES**

Lines of responsibility and authority must be established in an organization, connecting all operating departments and all functions. In the absence of proper organization of those who are responsible for planning and the subsequent execution of the plan, it is not possible to evaluate performance in achieving the plan or standard.

All directors and or managers must clearly understand the extent of their responsibilities and authority so as to avoid possible conflict between various departments or organization units and to ensure that key functions are neither omitted nor duplicated.

The most crucial budgeting is accomplished through the involvement of various departments in establishing objectives and in determining the financial resources needed to achieve those objectives. An expenditure budget is to be prepared for every department within the organization. Department directors and managers have full authority to provide direct input and guidance into the development of their department budget. Each department is responsible for preparing an expenditure budget that is in concert with the vision, mission, basic goals, and long-range plans of the organization. Additionally, each department director has full responsibility for providing a logical justification of proposed expenditures relative to programs and activities to be accomplished by that department.

The Finance department budget staff will provide technical assistance to department managers and directors in preparing budgets. The technical assistance provided may include budget computations, interpretations of administrative policies and legal authorizations, the provision of historical cost and other analytical data to be used in projecting cost trends and analysis, and the analyzing and interpretation of variations between actual and budgeted results.

The Finance department has the final responsibility to approve all budget request changes submitted during the fiscal year budget variance review process. All budget request changes must be first approved by the department's director then submitted with justification of proposed expenditures amount in excess of current approved budget.

The Director of Finance has the responsibility to oversee and direct the budget process within the organization. The Executive Director will review and make final determinations regarding each department's budget request prior to submission to local government funding entities and the LYNX Board of Directors. The LYNX Board of Directors are responsible for final adoption of the budget.

# LYNX FY2017 BUDGET MANUAL

## OPERATING BUDGET

1. **FY2017 operating expense budget request** should be status quo with written justification provided in FoxPro for any items that exceed the status quo.
2. If you believe your area requires **additional staff**, please submit a request with appropriate justification to Debbie Toler by February 12, 2016, at the latest. Keep in mind that when requesting a new position, if the additional staffing need is determined to be valid, the budget staff will contact you to identify how the position will be funded, i.e. reduction of the area's operating expenses or grant funded.
3. **Software maintenance** contracts should be included in the operating budget. However, if you are purchasing new software that costs \$300 or more, that purchase should be included as a capital request. In the capital requests spreadsheet, the annual contract maintenance costs should be identified in the associated operating expense column. This description will assist in decision making prior to budget finalization.
4. For all **travel, training, and dues and subscriptions**, please provide detailed descriptions and notate in the FoxPro detail whether this is required to maintain certifications or benefit to be derived by the expense.
5. In the FoxPro detail, please indicate whether the expense will be **grant funded** and if known, list the specific grant funding source.
6. Remember to include operating expenses associated with capital purchases. If you are not sure if an item is operating or capital do not hesitate to contact a member of the budget team.
7. **Please ensure that the operating budget detail in FoxPro totals back to the requested amount per account.**
8. **Unspent operating expense budget items do not carry over to the next fiscal year.**

## BUDGET INSTRUCTIONS

In developing the FY2017 Operating budget, we will be using the FoxPro Budget system program which can be accessed by selecting the Budget process icon from the Windows Applications menu. You will need to contact IT through a HelpDesk request if you do not have the FoxPro budget program on your computer. After accessing this application, the user will see a screen that contains all of LYNX's departments. Since the program is password driven, a user can only access his or her own specific department. You will need to contact Sal Ajala (6065) to get your budget username and password.

After selecting the division and entering the required password, the user will have the option to enter general day to day operating requests (excluding salary information which is entered by the Finance department).

## LYNX FY2017 BUDGET MANUAL

After accessing the budget process program, choosing the department and entering the appropriate password, select the OPERATING BUDGET option. A screen with all the accounts associated with your particular department will appear with a corresponding requested column. Double click on any line-item to enter the requested amount.

**Note: The salary and fringe line-items will be entered by the finance department as discussed above.**

By following the on screen instructions, each account can be accessed. Data can only be entered by a specific amount in the “FY2017 Requested Budget” column. *At the Direction of the LYNX Chief Executive Officer and Director of Finance, a written justification MUST be provided for any account above the FY2017 budget target status quo.*

### FY2016 Example

410-20-21-503-03-000 PROFESSIONAL SERVICES

FY 13-14 Actual	FY 14-15 Current Budget	FY 14-15 Amended Budget	FY 14-15 Year to Date	FY 14-15 Projected	FY 15-16 Requested	
570,886.57	486,000	486,000	56,068	224,273	400,378	-17.6177 %

**Explanation**

FY16:

- Auditing Services \$120,000
- Actuarial Valuation (Self Insurance Program) \$6,000
- Actuarial Valuation (POB) \$10,000
- Bank of America Banking Service \$10,000
- SunRail/LYNX Fare Integration Website Upgrade Fare Ordering/Payment Options when fully operational - \$15,000
- Financial Advisor for Financial Agreements and Development Planning related to Major Capital Investments & P3, - Facilities, BRT, etc. - \$50,000
- Great Plains Update - \$25,000
- Ceridian \$164,378

Funded with Grants

Save

Cancel

Included on the sample FY2016 input screen above are FY2014 actual expenses, FY2015 actual expenses through December 31, 2014 and projected through September 30, 2015 (actual expenses are updated after the completion of the audit) and the FY2016 adopted budget.

Utilize this information, along with your monthly budget to actual variance reports and knowledge of your area to determine potential needs for FY2017. Keep in mind, needs that may change due to new programs/services, technology enhancements, or removal/deletion of functions currently being performed. **Use this information to enter the FY2017 request amount in whole dollars.**

# LYNX FY2017 BUDGET MANUAL

## CAPITAL BUDGET

The Capital Budget provides the means by which LYNX takes a planned and programmed approach to utilizing its financial resources in the most responsive and efficient manner to meet its service and facility needs. The capital budgeting process is developed to achieve the following result:

**Consolidate and coordinate all the various department requests with the goal of reducing unnecessary delays and coordinating the individual improvement programs of the departments.**

Any capital expenditure with an expected useful life of more than one (1) year and whose acquisition cost exceeds \$300 should be included in LYNX's capital budget. .

- **Capital needs for FY2017** should be submitted on the excel spreadsheet provided to each department. When requesting capital items, please ensure that a **thorough description of the item and its purpose is provided along with anticipated operating costs, if applicable. Also provide key milestones and anticipated purchase timeframes.** Capital items requested should cost a minimum of \$300 and have a useful life of one year. The capital request spreadsheet should be returned to Julie Caple, Manager of Financial Planning and Budgets with copies to Sal Ajala, Budget Analyst and Blanche Sherman, Director of Finance 48-hours prior to your budget meeting date.


The sample capital budget form below provides an example and should be easy to follow, but please feel free to contact the budget staff if you need assistance with completing your FY2017 capital request. Identifying major capital project milestones and timeframes for purchase will assist in ensuring LYNX can efficiently process capital request



# LYNX FY2017 BUDGET MANUAL

## Information Technology (IT)

All Information Technology related items must be submitted on the IT Form (sample below) and sent to Craig Bayard, Director of IT for review and approval with a copy to Julie Caple prior to your budget meeting date.

	LYNX Technology Acquisition Request for Review	Date __/__/__
Requestor's name _____	Title _____	
Department _____	Phone _____	
Email address _____		
Brief description of proposed acquisition:		
Equipment : _____		
Software (vendor and product): _____		
Maintenance/Support renewal: _____		
Consultant or professional service provider: _____		
Approximate cost of proposed acquisition: \$ _____		
<b>Purposes/Community to be Served</b> (Purposes for which the computer, software, or service is to be used.)		
<div style="border: 1px solid black; height: 40px;"></div>		
<b>Description of Acquisition</b> (Briefly describe the proposed hardware, software, or service.)		
<div style="border: 1px solid black; height: 40px;"></div>		
<b>Description of Present System</b> (If this acquisition is to replace or augment an existing system, describe the status of the present system and deficiencies which justify replacement or augmentation.)		
<div style="border: 1px solid black; height: 40px;"></div>		
<b>Appropriateness</b> (Why have you selected this particular hardware, software, or service?)		
<div style="border: 1px solid black; height: 40px;"></div>		
<b>Networking</b> (Describe any unusual networking requirements. Will this interact with other hardware, software, or network services)		
<div style="border: 1px solid black; height: 40px;"></div>		
<b>Cost</b> (Give the total estimated purchase cost of the hardware, and/or the total purchase cost of the software or service, as appropriate.)		
<div style="border: 1px solid black; height: 20px;"></div>		
<b>Start-up Costs</b> (Estimate start-up costs for this acquisition — installation, space preparation, training, etc.)		
<div style="border: 1px solid black; height: 20px;"></div>		
<b>Annual Maintenance Costs</b> (Estimate annual costs of hardware and/or software maintenance.)		
<div style="border: 1px solid black; height: 20px;"></div>		

## Grant Funded Items

For all grant funded items, provide a completed copy of the Project/ Grant Development Summary Form (sample below) to Belinda Balleras, Manager of Grants with a copy to Julie Caple prior to your budget meeting date.

**PROJECT / GRANT DEVELOPMENT SUMMARY**

Project Title: \_\_\_\_\_

Department / Division: \_\_\_\_\_ Date Submitted: \_\_\_\_\_

Project Manager: \_\_\_\_\_ Fiscal Year: \_\_\_\_\_

**Part I: Project Management**

**Project Purpose or Justification:**

**Project Description:**

**High-level Project and Product Requirements (including phases and deliverables as applicable):**

**Summary Budget (separate capital vs. planning):**

**Project Risks - Uncertainty that may affect at least one project objective (scope, schedule, cost, and/or quantity):**

- If you are purchasing new software that costs \$300 or more, see item number 3 under Operating.

# LYNX FY2017 BUDGET MANUAL

## **Goals, Objectives and Accomplishments**

LYNX will be producing an Annual Budget Book for FY2016 that will be submitted to the Government Finance Officers Association for consideration of their Distinguished Budget Presentation Awards Program. To produce a budget book for their consideration, departmental accomplishments and highlights from the prior year, as well as, the goals, objectives, and performance measures for the current year must be identified. **To accomplish the budget book production, we are requesting that each department also submit their goal, objectives, and performance measures.** This information along with prior year accomplishments can be provided in an e-mail to Julie or in written form and given to Budget staff during your department's initial budget meeting.

## **Administrative Details**

All budgets should be prepared within the time frame specified, and figures should be rounded to the nearest dollar. Also, logical justification should be provided for all requests above the status quo of the FY2017 budget target.

## **Amendment/Transfer Process and Procedures**

A budget is a financial plan for a period of time (usually one year). As such, it must be flexible to meet the changing needs of LYNX throughout the fiscal year. A means must be provided through which these changing needs can be accommodated. Change to line items of the adopted budget can be made at any time during the fiscal year in accordance with the procedures outlined below.

## **Budget Transfers**

**Purpose:** To process the transfer of budgeted funds between line items within a department or between departments as a result of changing expenditure or to correct errors. Budget transfers do not change the total adopted budget amount.

## **Procedures**

- 1) The Department is responsible for initiating budget transfer requests affecting program or department based account.
- 2) All budget transfer requests must be completed using a budget transfer form. Prior to commitment of funds, transfers must first be completed and approved.
- 3) Division Managers and Department Directors shall control their accounts so those potential deficits are identified and addressed prior to accounts experiencing any deficit. This can be achieved by monitoring the monthly reports prepared by the budget division.
- 4) Budget transfer request must contain the signatures of the appropriate members of the administrative/supervisory staff, including the departments' director and in some instances the Executive Director.



## LYNX FY2017 BUDGET MANUAL

- 5) The Finance Department is responsible for preparing the Budget Transfer Request Form, instructions for use, and if required, the Board agenda item explaining the budget and need for this action.
- 6) The Finance Department is responsible for processing all transfer requests throughout the budget year.

### **Budget Amendments**

**Purpose:** To process financial changes that will either increase or decrease the total adopted budget amount.

### **Procedures**

- 1) Requesting department submits a completed Budget Amendment form to the Finance Department. The Director of Finance determines if adequate justification has been provided and verifies all information on the amendment. After approval is given, the budget amendment is processed as an action item on the Board's agenda for formal approval by the LYNX Board of Directors.
- 2) After the Board's approval, the Finance Department will make the necessary changes to the budget and then notify the requesting department that their budget has been amended. The finance department will maintain a log of budget amendments and keep a copy of submitted and approved budget amendments on file.
- 3) The Board approved budget amendments are incorporated into the Adopted Budget or Amended Budget as a board item, resulting in an Amended Budget to be presented to the LYNX Board for approval. All Board items approved during the months of October – March, are presented to the Board at the March Board meeting for approval as an amendment to the Adopted Budget. Board items approved during the months of April – September are presented to the Board at the September Board meeting for approval as an amendment to the Amended Budget.

# LYNX FY2017 BUDGET MANUAL

## Definitions

**Budget Amendment** - Any change in Expenditure or Revenue Budgets which results in a net increase or decrease to the total dollar amount of the adopted budget. Amendments to the adopted budget normally result from either: (a) the need to recognize an unanticipated excess amount of anticipated revenue; or (b) the anticipated decrease of an anticipated revenue; or (c) the increase of an anticipated revenue from an anticipated source.

**Budget Transfer** - A shifting of expenditure budget amounts within funds which does not result in an increase or decrease to the adopted budget.

**Capital Expense - (Fixed Assets)** a durable and long-term in nature item, that possess physical substance and are expected to provide services for periods that extend beyond the year of acquisition, with an **acquisition value of \$300.00 or greater**. These items are not physically consumed by their use, though their economic usefulness declines over their lifetime.

**Intra-Category Transfers** - Adjustments that occur between accounts within the same category.

**Inter-Category Transfers** - Adjustments that occur between accounts across category lines.

**Operating Expenses** – Transactions reported as operating expense are those that arise from the activities of primary ongoing operations. Those include: salaries and wages, fringe benefits, purchased transportation services, fuel, materials and supplies, professional services, leases and miscellaneous, casualty and liability insurance, utilities, taxes and licenses.

**Non-operating expenses** – Transactions reported in the non-operating category include those that do not arise from the activities of primary ongoing operations. These include interest expense for leases and loans as well as losses on the sales of capital assets, if applicable.

**Training Expense** - Local and out-of-town training expenses (seminar/class tuition/materials costs) of all public officers, employees, and authorized persons whose training expenses are paid by LYNX.

**Travel Expense** - Local and out-of-town travel expenses, including airfare, per diem, subsistence, and local mileage (including parking fees) of all public officers, employees, and authorized persons whose travel expenses are paid by LYNX

**SUMMARY OF REQUESTS BY NOPETRO TO AMEND  
THE FUEL PURCHASE AGREEMENT TO  
ENABLE IT TO “FINANCE” THE CNG STATION**

January 6, 2016

This indicates, in summary form, the proposal from Nopetro that has been presented to LYNX to amend the Fuel Purchase Agreement to allow for a contractual arrangement between Nopetro and Peoples Gas System, a Division of Tampa Electric Company (“**TECO**”).

1. **Current Status.** On January 27, 2015, LYNX and Nopetro executed a CNG Vehicle Fuel Purchase Agreement (the “**FPA**”) which provided for the purchase of CNG Fuel by LYNX. The FPA also required Nopetro to acquire premises adjacent to the LYNX Facility on Orange Blossom Trail and to construct a Station to provide that fueling capacity. The definition of “**Station**” in the FPA required that Nopetro own, construct, and operate the Station which would include the Premises and all the equipment. Under the FPA, LYNX had rights under certain circumstances to take over the operation of the Station to continue to provide Fuel to LYNX and also to purchase the Station. The FPA also addressed mortgage financing for the acquisition and construction of the Station, and this required LYNX’s consent to said financing. It also provided restrictions that any such mortgage financing could only secure funds for the acquisition, construction, and equipping of the Station and could not secure other debt of Nopetro.

2. **Bond Financing Proposal by Nopetro.** Around June 26, 2015, Nopetro submitted to LYNX documents it wanted LYNX to sign in connection with a bond financing proposal that Nopetro was going to pursue through the Wisconsin Public Finance Authority. The bond financing arrangement was not only to finance the Orlando Facility, but also to provide financing for other facilities of Nopetro. Over the next four or five months, LYNX was involved with Nopetro, its bond counsel, and other parties to work up appropriate agreements which were finally done in late October or November, 2015. Subsequently, Nopetro informed LYNX that the bond financing was not going to proceed.

3. **TECO Arrangement.** In late November, 2015, Nopetro approached LYNX again requesting LYNX to sign a particular agreement that Nopetro was pursuing with TECO. Over the next few weeks, there were discussions, conference calls and review, both with Nopetro and TECO, and their respective counsel, to determine the particular arrangement that was being proposed. Basically, Nopetro was going to enter into an agreement with TECO where TECO would provide (through a purchase/sale arrangement) all the equipment needed to complete the CNG Station. This particular agreement provided that TECO would own the equipment and that Nopetro would make annual payments to TECO. Nopetro could, after the fifth year, purchase the equipment, along with a payment of penalty amounts. The initial agreement that TECO wanted LYNX to sign would subordinate the FPA to the TECO arrangement. Under those preliminary documents, if TECO was not paid its annual fee, it could remove the CNG equipment. Significant discussions ensued among the various parties and TECO subsequently agreed to a variety of matters including the following: (i) in the event Nopetro defaulted under the FPA, TECO would be obligated to come in and provide the Fuel to LYNX and operate the Station, (ii) if there was

not sufficient monies remaining after paying operating costs to pay the amounts owed to TECO under its agreement, TECO would bear that loss and not remove the equipment, (iii) TECO would bear the risk of maintenance and repair of the equipment, and (iv) LYNX would retain its right to take over operation of the Station (but TECO would only let LYNX have a right to purchase the equipment at the end of the five-year period).

4. **Request.** LYNX staff feels that the requested proposal by Nopetro is a material modification that needs to go back to the Board for approval, since the structure now is for the equipment to be owned by TECO, with Nopetro only owning the Premises, and it is different from the structure contemplated where Nopetro would own, construct, and operate the Station. Further, LYNX's ability to purchase the equipment is restricted. LYNX staff, however, feels that this arrangement is much simpler and better than the bond financing proposal, and, further, that the agreement by TECO to come in and take over the operations of the Station and to continue to provide Fuel to LYNX is a positive development. LYNX staff recommends an appropriate amendment to the FPA to provide for this arrangement subject to suitable agreements with TECO being reached.



**TO:** LYNX Finance and Audit Committee

**FROM:** Nopetro Management

**DATE:** January 5, 2016

**RE:** LYNX CNG Fueling Station Financing – Nopetro Equity and TECO/PGS Project Financing

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1. Project Update: Construction of the Nopetro-LYNX CNG Fueling Station began in September 2015. Once construction is complete, the Nopetro-LYNX CNG Fueling Station will be the largest CNG fueling operation in the Southeast – over \$10 Million capital invested. LYNX CNG buses will begin fueling on January 27, 2016. See Nopetro-LYNX CNG Fueling Station pictures, attached.
2. The Nopetro-LYNX Fuel Purchase Agreement (FPA) provides that Nopetro may finance the CNG fueling station with Nopetro equity and outside project financing. To date, Nopetro has funded the entire project with equity. To finance the remainder of the project, Nopetro has selected TECO/Peoples Gas (“TECO/PGS”) Project Financing to combine with Nopetro’s equity investment. Notably, the TECO/PGS Project Financing ensures that Nopetro continues to meet all of its obligations under the FPA, and also provides LYNX with additional benefits such as enhanced fueling reliability in the highly unlikely event of a Nopetro default under the FPA.
3. As it relates to fueling reliability, one of the FPA’s primary objectives is to ensure that in all circumstances LYNX’s CNG buses get fueled every night – regardless of Nopetro’s or any station financing party’s future status. Because of the importance of this principle, the TECO/PGS Project Financing documents, as jointly structured by TECO/PGS, LYNX and Nopetro, meet this overriding objective.
4. The TECO/PGS Project Financing documents are drafted with a view of preserving and continuing the various rights and protections afforded LYNX under the FPA. This is done primarily through a tri-party agreement among TECO/PGS, LYNX and Nopetro.
5. Finally, the TECO/PGS Project Financing structure provides that TECO/PGS maintain ownership over certain CNG station components (e.g. compressors, dryers) while the principal amount of the financing is outstanding. Because of this financing structure detail – TECO/PGS will own certain CNG station components of Nopetro’s CNG station – a clarification to the FPA is recommended for LYNX Board approval.



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