



LYNX Finance & Audit Committee

A G E N D A

March 16, 2016

9:00AM

LYNX Central Station

Second Floor Open Space

- Call to Order
- Approval of Prior Meeting Minutes
- Overview of FY2015 Annual Audit Results
- Overview of the FY2016 Amended Operating and Capital Budgets
- Overview of the FY2017 Preliminary Operating Budget
- Comprehensive Fare Review and Equity Analysis
- Use of \$2 Capital Contributions for Compressed Natural Gas (CNG) Facility Improvements
- Adjournment

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

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

DATE: **January 19, 2016**
TIME: **9:01 AM**

Members in Attendance:

Chairperson Chris McCullion, City of Orlando
Vice Chairperson Ray Walls, Orange County
Edward Bass, Seminole County
Michael Kurek, Osceola County
Lisa Buscher, FDOT

LYNX Staff in Attendance:

Susan Black, Interim Chief Executive Officer
Blanche Sherman, Director of Finance
Pat Christiansen, LYNX' General Counsel

Members Absent:

1. Call to Order/Introduction

Chairperson Chris McCullion called the meeting to order at 9:01 AM. Mr. McCullion called for approval of the November 4, 2015 meeting minutes. **Motion** was made and seconded to approve the Minutes of the November 4, 2015 Finance & Audit Committee. The Motion passed unanimously.

Mr. McCullion then asked for approval of the January 7, 2016 meeting minutes. **Motion** was made and seconded to approve the Minutes of the January 7, 2016 Finance & Audit Committee. The Motion passed unanimously.

2. Audit Agenda Items

✓ **FY2017 Budget Development Assumptions**

Chris McCullion called on Blanche Sherman, Director of Finance, to present the first agenda item. Ms. Sherman discussed the following items from the FY2017 Budget Development Assumptions presentation:

Key Budget Assumptions – Overall

- FY2017 funding based on the adopted LYNX Funding Model
- Maximize current fixed route service levels through leveraging efficiencies as generally directed by funding partners throughout the year

- Identify and implement appropriate transit solutions beyond fixed route service, such as Flex (NeighborLink) services

Key Budget Assumptions – Revenue

- Maintain current Preventative Maintenance funding level, as approved by LYNX' Board via adoption of the funding model
- Maximize use of anticipated advertising revenue
- Anticipated annualized increase in royalties from third party usage of Compressed Natural Gas (CNG)

Key Budget Assumptions – Expenses

- Salary increases consistent with Funding Partners
- Anticipated impact of a new Union contract
- Continuation of fuel hedging program, as appropriate
- Annualized impact of conversion to Compressed Natural Gas (CNG)
- Impacts of converting to self-insured health insurance program
- Continued application of cost reductions based on LYNX ownership of Paratransit vehicles
- Continuation of bio-diesel program, as appropriate
- Anticipated cost savings from implementing a Mobile Ticketing System

Pending Items

- April 2016 SunRail Phase 1 – proposed service changes
- Anticipated I-4 construction mitigation funding
- Implementation of Funding Partner approved COA recommendations
- Impacts of SunRail Phase 2 – south & north expansion
- Consideration of a fare increase in FY2017, if deemed appropriate

Future Items

- Maintain planned stability and financial benefits of converting to a self-insured health insurance program
- Continue to review the type of fixed route vehicles used in future operations
- Ongoing efforts to secure funding for service expansion, satellite facilities and BRT to support service demands
- Continue to seek State grant funding opportunities for capital projects

The group discussed the following topics during the presentation:

Fuel Hedging:

- Waiting to hedge for CNG and watching the market but are getting cost savings sharing 50/50 in a 27.5 cent rebate
- Hedging being done with Merrill Lynch, not using a hedging consultant
- Use of hedging guidelines with an objective to stabilize the budget
- Approximately 75-80% of the total annual expenditure is hedged out one year at a time which provides flexibility at this high level of hedging

Self-Insured Health Care Program:

- Projecting expenses based on negotiated costs and administrative costs that have now been determined
- No information is available after three weeks
- Reports being set up to provide information on the self-insured cost impact
- Anticipating light expenses the first year due to the rollover

Paratransit Cost:

- Medicaid no longer being provided which reduces some local funding requirements
- Contract ending this year
- Request for Proposal (RFP) being released and proposals coming back by the end of February
- Medicaid picked up by another contractor determined by the state
- Mandated under Federal funding to provide ADA services- an unfunded mandate

Mobile Ticket Advertising:

- Project is progressing with the advertisement being finalized as per the Unsolicited Proposal policy
- Update timeline upon completion
- Plan to have something implemented by end of December 2016
- Have 8-9 companies that do this – advertisement will be sent directly to them
- Revenue can be either a cost sharing or a percentage similar to the ticket vending machines with FDOT under SunRail which is like a transaction fee

Service Changes:

- LYNX Government Affairs Officer working diligently on getting I-4 Mitigation funding of approximately \$4.0 million with the state
- Lively discussion in Appropriations in Tallahassee on mitigation funding- contingent of people looking to FDOT

Fare Box Recovery:

- Running 90% compared to budget
- LYNX has historically had one of the highest recovery rates in Florida
- Fare box recovery was at 32% in 2012

Fare Increase:

- Having a fare increase as a standard
- Every third year were going to have a fare increase to keep equity gap from getting larger
- No fare increase since January 2009 due to various things including SunRail and the political climate
- Fares have stayed flat since 2009 but ridership has been increasing over the years with ridership peaking off now
- Ridership is also related to gas prices being lower (more people driving)

Ms. Sherman then briefly discussed the budget calendar beginning with the presentation of FY2017 Key Budget Assumptions to the Finance & Audit Committee on January 19 and ending with final Board action on September 22.

Susan Black, Interim Chief Executive Officer, spoke about following up from the meeting which was held during the first week in January. Ms. Black discussed still gathering information about the internal budget process and how to proceed for this budget cycle and for years in the future.

Mr. McCullion spoke about checking off a couple of items for this budget cycle but not expecting much change for this year. He also spoke about LYNX starting the line of communication and continuing to take the internal process to the next level.

Mr. McCullion asked for a motion to move forward with the FY2017 Budget Development Assumptions as presented. **Motion** was made and seconded to recommend moving forward with the FY2017 Budget Development Assumptions as presented. The Motion passed unanimously.

✓ **Update on Fuel Purchase Agreement Amendment relating to the NoPetro/TECO Financing**

Chris McCullion called on Ms. Sherman to discuss the NoPetro agreements. Ms. Sherman called on Mr. Pat Christiansen, LYNX' General Counsel, to provide a brief overview.

Mr. Christiansen spoke about drafting an amendment to the Fuel Purchase Agreement since the last meeting which was sent to NoPetro and getting comments back from NoPetro over the weekend which he does not see as any particular challenge. Mr. Christiansen also spoke to TECO's General Counsel on the tri-party agreement. The target is to have the issues resolved by the time the Oversight Committee meets on January 28 and to be able to go to the Board with the amendment, if not in final form, in conceptual form.

Mr. McCullion and Mr. Christiansen spoke about TECO, through the tri-party agreement, continuing all of the obligations and responsibilities in the event of a default by NoPetro which will provide additional protections to LYNX.

Ms. Sherman commented on wanting the Committee members to see the First Amendment which will allow LYNX to sign the tri-party agreement. Mr. Christiansen spoke about having this complicated structure involving ground leases and easements resolved this week.

Ms. Sherman mentioned that no action was required on this item as a recommendation was made at the last meeting. Mr. McCullion stated that there was no action on this item, informational only.

Chris McCullion asked if there were any questions or any other business. There being none, **the meeting was adjourned at 9:25 AM.**

LYNX Finance & Audit Committee Agenda

Agenda Item #1

To: LYNX Finance & Audit Committee Members

From: Blanche W. Sherman, Director of Finance
Nancy Navarro, Technical Contact

Phone: 407.841.2279 extension 6100

Item Name: Overview of FY2015 Annual Audit Results

Date: 03/16/2016

In accordance with Chapter 218.39, Florida Statutes, LYNX is required to have an annual financial audit performed by an independent certified public accountant.

The Single Audit Act Amendments of 1996 require state or local governments that receive at least \$500,000 in Federal financial assistance in a year to have an independent audit conducted for that year in accordance with the Office of Management and Budget (OMB) Circular A-133. The State of Florida recently enacted similar legislation, the Florida single Audit Act, related to audits of State financial assistance. Pursuant to these Acts, LYNX' independent certified public accountants, Cherry, Bekaert, L.L.P., have conducted the audit for the fiscal year ended September 30, 2015.

The auditors have issued an unmodified "clean" opinion on both financial and compliance audits. The auditor's Management Letter Comments and Management's responses will be included as a separate document accompanying the annual financial report. The results of operations and the annual audit will be explained in detail at the Oversight Committee meeting.

Mr. Ronald Conrad, Partner with the firm of Cherry, Bakeart, L.L.P. will present results of the annual financial audit for the fiscal year ending September 30, 2015.

March 17, 2016

To the Board of Directors of
Central Florida Regional Transportation Authority:

We have audited the financial statements of Central Florida Regional Transportation Authority d/b/a LYNX (the "Authority") for the years ended September 30, 2015 and 2014, and have issued our report thereon dated March 17, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 24, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, of which the effect of the accounting changes are reported in Note 6. An emphasis of matter paragraph is included in our auditor's report concerning the adoption of these Statements. No other accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2015. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's estimate of depreciation is based on estimated useful lives of associated capital assets. Management's estimates of the liabilities for self-insurance unpaid claims, net pension asset and net other postemployment benefits obligation are based on actuarial calculations. We evaluated the key factors and assumptions used to develop these estimates to determine their reasonableness in relation to the respective financial statements to which they related for the year ended September 30, 2015, taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Certain reclassifications were made to the allocation of net position between restricted and net investment in capital assets and within the statements of cash flows. There were no other corrected or uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We applied certain limited procedures to the management’s discussion and analysis (MD&A) and the Schedule of Funding Progress for both the Union Pension Plan and Other Post Employment Benefits (OPEB), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary schedule of revenues and expenses – budget vs. actual (budgetary basis) and the schedules of expenditures of federal awards, local financial assistance, and state financial assistance, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for use by the Board of Directors and management of Central Florida Regional Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cherry Bekaert LLP

DRAFT

LYNX FINANCIAL STATEMENT AUDIT RESULTS

Year Ending September 30, 2015



Scope of Services for LYNX

- We at Cherry Bekaert LLP very much appreciate the opportunity to serve as independent auditor for LYNX. The services we were engaged to provide were designed to:
 - Express an opinion on the Authority’s financial statements
 - Be in accordance with auditing standards generally accepted in the United States and generally accepted governmental auditing standards as set forth in *Government Auditing Standards*
 - Issue reports on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grants and other matters
 - Issue a report on compliance with requirements applicable to each major federal awards program and state financial assistance project and internal control over compliance in accordance with Office of Management and Budget (OMB) Circular A-133 and Chapter 10.550, *Rules of the Florida Auditor General*

Scope of Services for LYNX (continued)

- Prepare a schedule of findings and questioned costs pursuant to OMB Circular A-133 and Chapter 10.550, *Rules of the Florida Auditor General*
- Issue a management letter that provides our recommendations regarding opportunities for improvement to internal controls, based on observations made during the course of our audit
- Issue an agreed upon procedures report regarding National Transit Database information submitted to the Federal Transit Authority
- Issue an examination report that provides an opinion on the Authority's compliance with investment policies

Required Communications

- Certain communications related to audit results are provided in a separate letter to the Audit Committee, which is in draft form at present. This draft letter provides the following:
 - An overview of our responsibility under applicable standards
 - Planned scope and timing of the audit and notification that certain representations were received from management
 - There were no significant difficulties in dealing with management, there were no disagreements with management, and we are not aware of any management consultations with other accountants with respect to auditing and accounting matters
 - There are certain financial statement amounts subject to management judgment and estimates
 - Certain reclassifications within allocations of net position and the statements of cash flows were provided. There were no other audit adjustments.

Draft Summary of Audit Results

- Unmodified (“clean”) opinion of the financial statements
- Unmodified (“clean”) opinions on major federal and state awards programs
- The Schedule of Findings and Questioned Costs summarizes our audit results (no findings noted)
- Issuance of reports on internal control over financial reporting and compliance matters, including Single Audit (no findings included)

Draft Summary of Audit Results (continued)

- Issuance of a Management Letter, including information required by the State of Florida Auditor General.
- Issuance of agreed upon procedures report on National Transit Database information (clean report).
- Issuance of an examination report on compliance with investment policies (clean opinion).

LYNX Finance & Audit Committee Agenda

Action 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: Amendment to LYNX' FY2016 Operating and Capital Budgets

Date: 03/16/2016

OVERVIEW:

The FY2016 Adopted Operating and Capital Budgets totals \$221,589,243. The Amended Operating Budget will increase from \$127,045,444 to \$127,306,973. The FY2016 Amended Capital Budget will decrease from \$94,543,799 to \$91,734,305.

BACKGROUND:

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

	FY2016 Adopted Budget	Other Services Unified Planning Work Program	Purchased Transportation - Maitland NL	Purchased Transportation - Sub Receipts	FY2016 Amended Budget Total
Revenue					
Fund Balance	\$ 571,571	\$ -	\$ -	\$ -	\$ 571,571
LYNX-Generated Revenue	37,392,598	-	4,654	-	37,397,252
Federal Revenue	16,087,336	42,000	-	97,380	16,226,716
State Revenue	14,103,842	59,528	28,983	-	14,192,353
Local Revenue	58,890,097	-	28,984	-	58,919,081
Total Revenue	\$ 127,045,444	\$ 101,528	\$ 62,621	\$ 97,380	\$ 127,306,973
Expense					
Salaries/Wages/Fringes	\$ 73,270,554	\$ -	\$ -	\$ -	\$ 73,270,554
Other Services	10,861,200	101,528	-	-	10,962,728
Fuel	13,569,071	-	-	-	13,569,071
Materials & Supplies	8,284,043	-	-	-	8,284,043
Utilities	1,454,571	-	-	-	1,454,571
Casualty & Liability	1,524,850	-	-	-	1,524,850
Taxes & Tags	434,605	-	-	-	434,605
Purchased Transportation	16,334,771	-	62,621	97,380	16,494,772
Miscellaneous	826,779	-	-	-	826,779
Interest & Leases	485,000	-	-	-	485,000
Total Operating Expenses	\$ 127,045,444	\$ 101,528	\$ 62,621	\$ 97,380	\$ 127,306,973

LYNX Finance & Audit Committee Agenda

Professional Fees – At the November 12, 2015 Board Meeting, the Board approved funding for a Transportation Marketing and Education project to expand efforts in educating targeted audiences about transportation funding, local transportation projects and available technology to improve transit experiences. LYNX staff amended the FY2016 Adopted Operating Budget by \$101,528 for this effort.

Purchased Transportation – At the November 12, 2015 Board Meeting, the Board approved funding for second year pilot services of the Maitland SunRail NeighborLink. LYNX staff amended the FY2016 Adopted Operating Budget by \$62,621 to cover the operational expenses associated with the maintenance of service for Maitland Center NeighborLink 652.

Purchased Transportation - At the November 12, 2015 Board Meeting, the Board approved Section 5310 funding for the Urbanized Orlando and Kissimmee Section 5310 selected sub-recipient agency expenses. LYNX staff amended the FY2016 Adopted Operating Budget from \$122,500 to \$184,880, resulting in an increase in the amount of \$62,380.

Purchased Transportation - An additional amendment of \$35,000 to the Adopted FY2016 Operating is being requested at the March 26,2016 Board meeting for 5317 sub-recipient funds awarded to the Opportunity Center. This amendment will increase the sub-awards to The Opportunity Center from \$16,560 to \$51,560.

The following table summarizes the adjustments mentioned above and formally amends the FY2016 Adopted Operating Budget from \$127,045,444 to \$127,306,973 as follows:

FY2016 Amended Operating Budget

Operating Revenues	FY2016 Adopted Budget	Revisions	FY2016 Amended Budget Total
Fund Balance	571,571	\$ -	\$ 571,571
LYNX-Generated Revenue	37,392,598	4,654	37,397,252
Federal Revenue	16,087,336	139,380	16,226,716
State Revenue	14,103,842	88,511	14,192,353
Local Revenue	58,890,097	28,984	58,919,081
Total Revenue	\$ 127,045,444	\$ 261,529	\$ 127,306,973

LYNX Finance & Audit Committee Agenda

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

Operating Expenses	FY2016		FY2016
	Adopted	Revisions	Amended
	Budget		Budget Total
Salaries/Wages/Fringes	\$ 73,270,554	\$ -	\$ 73,270,554
Other Services	10,861,200	101,528	10,962,728
Fuel	13,569,071	-	13,569,071
Materials & Supplies	8,284,043	-	8,284,043
Utilities	1,454,571	-	1,454,571
Casualty & Liability	1,524,850	-	1,524,850
Taxes & Tags	434,605	-	434,605
Purchased Transportation	16,334,771	160,001	16,494,772
Miscellaneous	826,779	-	826,779
Interest & Leases	485,000	-	485,000
Total Operating Expenses	\$ 127,045,444	\$ 261,529	\$ 127,306,973

The following table reflects adjustments related to FY2016 Amended Capital Budget as follows:

FY2016 Amended Capital Budget

Capital Contributions	FY2016		FY2016
	Adopted	Revisions	Amended
	Budget		Budget
Federal Contributions	\$ 87,313,091	\$ (2,550,611)	\$ 84,762,480
State Contributions	429,256	-	429,256
Local Contributions	6,601,452	(258,883)	6,342,569
Reserves	200,000	-	200,000
Total	\$ 94,543,799	\$ (2,809,494)	\$ 91,734,305

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

Capital Expenditures	FY2016	Osceola		FY 2016
	Adopted	Leasehold	CNG Bus	Carryover
	Capital Budget	Improvements	Procurement	Adjustment
				Amended Capital Budget
Revenue Vehicles	\$ 53,604,430	\$ -	\$ 10,038	\$ (1,258,875)
BRT	14,070,635	-	-	(986,741)
Facilities	5,776,330	8,065	-	(161,739)
Passenger Amenities	10,064,773	-	-	(287,729)
Technology	5,578,366	-	-	(36,035)
Security	603,995	-	-	(12,395)
Support Equipment	4,845,270	-	-	(84,083)
Total	\$ 94,543,799	\$ 8,065	\$ 10,038	\$ (2,827,597)
				\$ 91,734,305

LYNX Finance & Audit Committee Agenda

- LYNX Osceola Satellite Facility (OSF) leasehold improvements increase - \$8,065
- Change order for the 2015 CNG Bus procurement/build - \$10,038
- Carryover Adjustments for reductions in the amount brought forward into the FY2016 Capital Budget based on the true-up of expenditures through September 30, 2015 - (\$2,827,597).

CONCLUSION

The FY2016 Amended Operating Budget will be presented to the Board of Directors for final consideration and approval at the March 26, 2016 Board Meeting.

ACTION REQUESTED:

LYNX staff is requesting the Finance & Audit Committee recommendation for the approval of the FY2016 Amended Operating and Capital Budgets.

FY2016 Amended Operating & Capital Budgets

Presented to the
LYNX Finance & Audit Committee
by Blanche W. Sherman, CPA
Director of Finance
March 16,2016

FY2016 Operating Budget Overview



	FY2016 Adopted Budget	FY2016 Amended Budget	% Change
Operating Revenue	\$ 127,045,444	\$ 127,306,973	0.2%
Operating Expenses	127,045,444	127,306,973	0.2%
Operating Income/(Deficit)	\$ -	\$ -	0.0%

Key Operating Budget Amendment Basis



- Transportation Marketing and Education project to expand efforts in educating targeted audiences about transportation funding, local transportation projects and available technology to improve transit experiences \$101,528
- Second year pilot services of the Maitland SunRail NeighborLink \$62,621
- Section 5310 and 5317 funding for the Urbanized Orlando and Kissimmee selected sub-recipient agency expenses \$62,380 and \$35,000, respectively

FY2016 Operating Revenue



	FY2016 Adopted Budget	FY2016 Amended Budget	Dollar Change Amount	% Change
Operating Revenues				
Fund Balance	\$ 571,571	\$ 571,571	\$ -	0%
Customer Fares	29,451,480	29,456,134	4,654	0.0%
Contract Services	5,398,265	5,398,265	-	0.0%
Advertising on Buses	2,050,000	2,050,000	-	0.0%
Advertising - Trade	30,000	30,000	-	0.0%
Interest & Other Income	462,853	462,853	-	0.0%
Federal Revenue	16,087,336	16,226,716	139,380	0.9%
State Revenue	14,103,842	14,192,353	88,511	0.6%
Local Revenue	58,890,097	58,919,081	28,984	0.0%
Total Revenue	\$127,045,444	\$ 127,306,973	\$ 261,529	0.2%

FY2016 Operating Expenses



	FY2016 Adopted Budget	FY2016 Amended Budget	Dollar Change Amount	% Change
Operating Expenses				
Salaries/Wages/Fringes	\$ 73,270,554	\$ 73,270,554	\$ -	0.0%
Other Services	10,861,200	10,962,728	101,528	0.9%
Fuel	13,569,071	13,569,071	-	0.0%
Materials & Supplies	8,284,043	8,284,043	-	0.0%
Utilities	1,454,571	1,454,571	-	0.0%
Casualty & Liability	1,524,850	1,524,850	-	0.0%
Taxes & Tags	434,605	434,605	-	0.0%
Purchased Transportation	16,334,771	16,494,772	160,001	1.0%
Miscellaneous	826,779	826,779	-	0.0%
Interest & Leases	485,000	485,000	-	0.0%
Total Operating Expenses	\$ 127,045,444	\$ 127,306,973	\$ 261,529	0.2%

Key Capital Budget Amendment Reclassifications

- LYNX Osceola Satellite Facility (OSF) leasehold improvements \$8,065
- 2015 CNG Bus procurement/build change order \$10,038
- Carryover Adjustments for reductions in the amounts brought forward into the FY2016 Capital Budget based on the true up of expenditures through September 30, 2015 (\$2,827,597)

FY2016



Capital Budget Overview

	FY2016 Adopted Budget	FY2016 Amended Budget	% Change
Capital Contributions	\$ 94,543,799	\$ 91,734,305	-3.0%
Capital Expenditures	94,543,799	91,734,305	-3.0%
Capital Gains/(Losses)	\$ -	\$ -	N/A

FY2016 Capital Budget Contributions



Capital Contributions	FY2016 Adopted Budget	Revisions	FY2016 Amended Budget
Federal Contributions	87,313,091	(2,550,611)	84,762,480
State Contributions	429,256	-	429,256
Local Contributions	6,601,452	(258,883)	6,342,569
Reserves	200,000	-	200,000
Total	\$ 94,543,799	\$ (2,809,494)	\$ 91,734,305

FY2016 Capital Expenditures



Capital Expenditures	FY2016 Adopted Budget	Revisions	FY2016 Amended Budget
Revenue Vehicles	\$ 53,604,430	\$ (1,248,837)	\$ 52,355,593
BRT	14,070,635	\$ (986,741)	13,083,894
Facilities	5,776,330	\$ (153,674)	5,622,656
Passenger Amenities	10,064,773	\$ (287,729)	9,777,044
Technology	5,578,366	\$ (36,035)	5,542,331
Security	603,995	\$ (12,395)	591,600
Support Equipment	4,845,270	\$ (84,083)	4,761,187
Total	\$ 94,543,799	\$ (2,809,494)	\$ 91,734,305

Conclusion



The FY2016 Amended Operating Budget will be presented to the Board of Directors for final consideration and approval at the March 26, 2016 Board Meeting.

	FY2016 Adopted Budget	FY2016 Amended Budget	% Change
Operating	\$ 127,045,444	\$ 127,306,973	0.2%
Capital	94,543,799	91,734,305	-3.0%
Total	\$ 221,589,243	\$ 219,041,278	-1.1%

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 the FY2017 Preliminary Operating Budget

Date: 03/16/2016

BACKGROUND:

On January 28, 2016, staff presented a list of budget assumptions and the budget calendar to LYNX' Oversight Committee for discussion and input. The FY2017 Preliminary Operating Budget was prepared based on the following key assumptions:

- FY2017 Funding based on the adopted LYNX Funding Model
- Maximize current service levels through efficiencies
- Apply additional Flex (NeighborLink) services, where appropriate
- Maintain current Preventative Maintenance funding level, as approved by LYNX' Board
- Maximize use of anticipated Advertising Revenue
- Anticipated increase in Royalties from third party usage of Compressed Natural Gas (CNG)
- Salary increases consistent with Funding Partners
- Anticipated impact of a new Union contract
- Continuation of Fuel Hedging Program, as appropriate
- Annualized impacts of conversion to Compressed Natural Gas (CNG)
- Impacts of converting to Self-Insured Health Insurance Program
- Continued application of reductions based on LYNX ownership of Paratransit vehicles
- Continuation of Bio-diesel Program, as appropriate
- Anticipated cost savings from implementing a Mobile Ticketing System

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OVERVIEW:

The FY2017 Preliminary Operating Budget totals \$129,927,962 in revenues and \$129,927,962 in expenses. The Preliminary Operating Budget is funded by a combination of LYNX - generated revenue and federal, state and local dollars. These funds are used to fund personnel expenses, services, materials, supplies, taxes, utilities, casualty and liability expenses, purchased transportation expenses, leases and miscellaneous expenses. Again, this preliminary budget does not include a fare increase, additional Preventative Maintenance funding, or the utilization of reserves.

Specifically, this budget includes funds from the following sources:

	FY2017 Preliminry Budget
Operating Revenues	
Fund Balance	\$ 268,638
Customer Fares	26,148,826
Contract Services	5,567,075
Advertising on Buses	2,332,134
Advertising - Trade	30,000
Interest & Other Income	681,206
Federal Revenue	16,598,651
State Revenue	13,529,285
Local Revenue	64,772,147
Total Revenue	<u>\$ 129,927,962</u>

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

	FY2017 Preliminry Budget
Operating Expenses	
Salaries/Wages/Fringes	\$ 76,108,171
Other Services	12,981,111
Fuel	9,679,958
Materials & Supplies	7,973,395
Utilities	1,475,080
Casualty & Liability	1,583,631
Taxes & Tags	436,843
Purchased Transportation	18,251,224
Miscellaneous	854,476
Interest & Leases	584,073
Total Operating Expenses	<u>\$ 129,927,962</u>

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Based on discussions with the LYNX Board of Directors, County and City Commissioners, and staff, LYNX is continuing the utilization of its funding model to allocate each jurisdiction's share of the costs of operations in FY2017. Through use of the model, LYNX is able to properly fund its operation and the cost of services is appropriately distributed based on service supplied.

As a result of utilizing the funding model, the FY2017 local funding amounts have increased by 9.21% as follows:

LYNX FY2017 Preliminary Local Funding				
	Amended Local Funding FY2016	Preliminary Regional Model Need for FY2017	Dollar Change	Percentage Change
Orange County	\$ 39,730,495 *	\$ 43,272,293	\$ 3,541,798	8.91%
Osceola County	6,393,683 *	7,128,995	735,312	11.50%
Seminole County	6,175,067	7,149,433	974,366	15.78%
City of Orlando	4,046,660 *	4,542,603	495,943	12.26%
City of Orlando - LYMMO	2,305,411	2,200,910	(104,501)	-4.53%
Subtotal	<u>\$ 58,651,316</u>	<u>\$ 64,294,234</u>	<u>\$ 5,642,918</u>	9.62%
St. Cloud	\$ -	\$ -	\$ -	0.00%
Altamonte Springs	120,900	120,900	-	0.00%
Sanford	93,000	93,000	-	0.00%
Lake County	259,990	264,013	4,023	1.55%
Subtotal	<u>\$ 473,890</u>	<u>\$ 477,913</u>	<u>\$ 4,023</u>	0.85%
Capital Contributions:				
Orange County	\$ 1,701,304	\$ 1,698,160	\$ (3,144)	-0.18%
Osceola County	203,270	198,914	(4,356)	-2.14%
Seminole County	214,016	215,822	1,806	0.84%
Subtotal	<u>\$ 2,118,590</u>	<u>\$ 2,112,896</u>	<u>\$ (5,694)</u>	-0.27%
Total Local Funds	<u><u>\$ 61,243,796</u></u>	<u><u>\$ 66,885,043</u></u>	<u><u>\$ 5,641,247</u></u>	9.21%

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

LYNX staff has included approximately \$1,029,359 in feeder services funded by the Florida Department of Transportation (FDOT) and other operating expenses to support SunRail in FY2016. Also, LYNX staff has included approximately \$920,500 in facility maintenance operating expenses to support the federal commitments to ensuring safe, efficient, and reliable public transit system facilities. The Federal Transit Administration encourages programming federal funds to maintain transit assets in a "State of Good Repair". As such, these expenses are funded 100% with federal funds.

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CONCLUSION:

LYNX' staff will be seeking direction from the Oversight Committee and Board regarding the Preliminary FY2017 Operating Budget. In accordance with the FY2017 budget calendar, the proposed FY2017 budget will be presented to the funding partners. After which, the FY2017 budget will be presented to the Board of Directors for final consideration and approval in September of 2016.

ACTION REQUESTED:

LYNX staff is requesting the Finance & Audit Committee recommendation for the approval to move forward with the FY2017 Preliminary Operating Budget.

FY2017 Preliminary Operating Budget

Presented to the

LYNX Finance & Audit Committee

by Blanche W. Sherman, CPA

Director of Finance

March 16, 2016

Key Budget Assumptions - Overall



- FY2017 Funding based on the adopted LYNX Funding Model
- Maximize current fixed route service levels through leveraging efficiencies as generally directed by funding partners throughout the year
- Identify and implement appropriate transit solutions beyond fixed route service, such as Flex (NeighborLink) services

Key Budget Assumptions - Revenue



- Maintain current Preventative Maintenance funding Level, as approved by LYNX' Board via adoption of the funding model
- Maximize use of Anticipated Advertising Revenue
- Anticipated annualized increase in Royalties from third party usage of Compressed Natural Gas (CNG)

Key Budget Assumptions - Expenses



- Salary increases consistent with Funding Partners
- Anticipated impact of a new Union contract
- Continuation of Fuel Hedging Program, as appropriate
- Annualized impact of conversion to Compressed Natural Gas (CNG)

Key Budget Assumptions - Expenses



- Impacts of converting to Self-Insured Health Insurance Program
- Continued application of costs reductions based on LYNX ownership of Paratransit vehicles
- Continuation of Bio-diesel Program, as appropriate
- Anticipated cost savings from implementing a Mobile Ticketing System

Pending Items



- April 2016 SunRail Phase I – Proposed Service Changes
- Anticipated I-4 Construction Mitigation Funding
- Implementation of Funding Partner approved COA Recommendations
- Impacts of SunRail Phase 2 (South & North) expansion
- Consideration of a Fare increase in FY2017, is warranted



FY2017 Operating Budget Overview

	FY2016	FY2017	
	Amended	Preliminary	% Change
Operating Revenue	\$127,306,973	\$ 129,927,962	2.1%
Operating Expenses	127,306,973	129,927,962	2.1%
Operating Income/(Deficit)	\$ -	\$ -	N/A

FY2017 Operating Revenue



	FY2017 Preliminary Budget	FY2016 Amended Budget	Dollar Change Amount	% Change
Operating Revenues				
Fund Balance*	\$ 268,638	\$ 571,571	\$ (302,933)	-53.0%
Customer Fares	26,148,826	29,456,134	(3,307,308)	-11.2%
Contract Services	5,567,075	5,398,265	168,810	3.1%
Advertising on Buses	2,332,134	2,050,000	282,134	13.8%
Advertising - Trade	30,000	30,000	-	0.0%
Interest & Other Income	681,206	462,853	218,353	47.2%
Federal Revenue	16,598,651	16,226,716	371,935	2.3%
State Revenue	13,529,285	14,192,353	(663,068)	-4.7%
Local Revenue	64,772,147	58,919,081	5,853,066	9.9%
Total Revenue	\$ 129,927,962	\$ 127,306,973	\$ 2,620,989	2.1%



FY2017 Operating Expenses

	FY2017 Preliminary Budget	FY2016 Amended Budget	Dollar Change Amount	% Change
Operating Expenses				
Salaries/Wages/Fringes	\$ 76,108,171	\$ 73,270,554	\$ 2,837,617	3.9%
Other Services	12,981,111	10,962,728	2,018,383	18.4%
Fuel	9,679,958	13,569,071	(3,889,113)	-28.7%
Materials & Supplies	7,973,395	8,284,043	(310,648)	-3.7%
Utilities	1,475,080	1,454,571	20,509	1.4%
Casualty & Liability	1,583,631	1,524,850	58,781	3.9%
Taxes & Tags	436,843	434,605	2,238	0.5%
Purchased Transportation	18,251,224	16,494,772	1,756,452	10.6%
Miscellaneous	854,476	826,779	27,697	3.3%
Interest & Leases	584,073	485,000	99,073	20.4%
Total Operating Expenses	\$ 129,927,962	\$ 127,306,973	\$ 2,620,989	2.1%

FY2016 Local Revenue by Jurisdiction



LYNX FY2017 Preliminary Local Funding				
	Amended Local Funding FY2016	Preliminary Regional Model Need for FY2017	Dollar Change	Percentage Change
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Lake County	259,990	264,013	4,023	1.55%
Subtotal	<u>\$ 473,890</u>	<u>\$ 477,913</u>	<u>\$ 4,023</u>	0.85%
Capital Contributions:				
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Subtotal	<u>\$ 2,118,590</u>	<u>\$ 2,112,896</u>	<u>\$ (5,694)</u>	-0.27%
Total Local Funds	<u>\$ 61,243,796</u>	<u>\$ 66,885,043</u>	<u>\$ 5,641,247</u>	9.21%

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

Future Items



- Maintain planned stability and financial benefits of converting to a self-insured Health Insurance Program
- Continue to review the type of fixed route vehicles used in future operations
- Ongoing efforts to secure funding for service expansion, satellite facilities and BRT to support service demands
- Continue to seek State grant funding opportunities for capital projects

Operating Budget Calendar



FY2017 Key Budget Assumptions Presented to Finance & Audit Committee	January 19
FY2017 Key Budget Assumptions Presented to Oversight Committee & Board of Directors	January 28
FY2017 Preliminary Operating Budget Presentation- Finance & Audit Committee	March 16
FY2017 Preliminary Operating Budget Presentation- Oversight Committee & Board of Directors	March 24
Funding Request Letters Submitted to Funding Partners	May
Budget Presentation Osceola & Orange Counties	June/July
Budget Presentation Seminole County	August
Final Board Action	September 22
Budget Year 16 – 17 Commences	October 1

LYNX staff will be seeking direction from the Oversight Committee and Board regarding the Preliminary FY2017 Operating Budget. After Board direction, the preliminary budget will be submitted to the funding partners for their consideration.

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Agenda Item #4

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: Comprehensive Fare Review and Equity Analysis

Date: 03/16/2016

ACTION REQUESTED:

LYNX staff is requesting the Finance & Audit Committee recommendation for the approval to move forward with a comprehensive review of LYNX fare policy and structure and related analyses.

BACKGROUND:

LYNX' last fare increase was completed in January 2009 raising the base fare from \$1.75 to \$2.00, with the last modification to the fare policy to reduce fare options approved by the Board on December 4, 2013. Since both of these actions, LYNX has maintained ridership and fare revenue at rates that did not produce budgetary concerns. Recently, LYNX' ridership has experienced a decline resulting in declining fare revenues. LYNX has experienced ridership declines in the past due to lower oil prices, uptick in the economic environment, and other factors. It is important for LYNX to be aware of potential impacts of these factors to make recommendations for fare policy and structure revisions to offset potential budgetary impacts. In addition, LYNX is federally required to conduct certain activities to assess impacts of fare modifications on protected groups and ensure inclusive public participation when considering fare changes. In accordance with LYNX' approved Title VI Program the following two reviews must be conducted for any proposed fare policy or fare structure changes:

The Disproportionate Burden Policy applies to adverse effects on low-income populations as a result of service changes, fare changes, and all fare changes that will change as a result of a capital project. Any time there is a difference in impacts between low-income and non-low-income populations of plus or minus ten percent, such differences in adverse impacts are disproportionate. For example, if the low-income population makes up 30 percent of the overall population, but would bear 45 percent of the impacts, there may be a disproportionate impact since the low-income group bears 15 percent more than its expected share.

The Disparate Impact Policy states that at any time there is a difference in impacts between minority and non-minority populations of plus or minus ten percent, such differences in adverse

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impacts are disparate. For example, if the minority population makes up 30 percent of the overall population, but would bear 45 percent of the impacts, there may be a disparate impact since the minority group bears 15 percent more than its expected share. The Disparate Impact Policy will be applied uniformly to all modes of service operated by LYNX.

In addition to the Title VI related analyses, as part of this comprehensive fare review, elasticity will be developed to determine customer price sensitivity to fare changes. Developing a fare elasticity will allow LYNX to determine at what pricing points the negative impact to ridership is so great that the change in price is not warranted. Determining the elasticity will take into account both internal and external factors, such as: ridership patterns, service level changes, change in gas prices, weather patterns, changes in the economy, and wage rates, among other characteristics that could impact usage. Cross-elasticity will also be calculated to determine fare media preferences, which will assist with evaluating pass options and discount levels. During elasticity development, impacts of new modal options may be evaluated as identified below.

LYNX continues to review the diversification of services and coordinate with SunRail on fare policy and technology. Evaluating impacts of pricing options and levels will assist in providing financial goals and fare information for current modes (fixed-route, express, limited stop, NeighborLink, LYMMO, and paratransit) and future growth. The comprehensive fare review will also assess fare policy and structure related impacts of new modal options, including how ridesharing services like Uber, LYFT, and the City of Orlando's zip car program may impact ridership and thereby fare revenue.

The comprehensive fare review will also consider fare revenue policies and structures of peer agencies (urbanized areas with similar sized populations and operating characteristics) and Florida transit agencies to analyze other fare practices and levels.

Also, the evaluation will consider corresponding impacts of any fixed-route fare changes on the paratransit services offered by AccessLYNX. The Americans with Disabilities Act (ADA) fare cannot exceed twice the amount of the fixed-route fare during peak-hour service. The minimum requirement for ADA complementary paratransit service is origins and destinations within $\frac{3}{4}$ -mile of a fixed-route. The Transportation Disadvantaged (TD) fares will also be reviewed as part of this comprehensive fare review. Any proposed changes to the TD fare policy or structure requires the approval of the TD Local Coordinating Board.

The final component of the comprehensive fare review will be incorporating public feedback. Seeking public feedback may take place through meetings, surveys, electronic communications, or other public outreach techniques to be detailed in the scope of services for this effort. The goal is to collect input from existing and potential riders on a fare structure and pricing options that would be attractive to riders.

The results of this work effort will be brought to this committee including any projected impacts to fare revenue resulting from the analysis.

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FISCAL IMPACT:

LYNX staff have budgeted \$50,000 in the FY2016 Operating Budget to support the work related to the comprehensive fare review and equity analysis.

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Agenda Item #5

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: Use of \$2 Capital Contributions for Compressed Natural Gas (CNG) Facility Improvements

Date: 03/16/2016

ACTION REQUESTED:

LYNX staff is requesting the Finance & Audit Committee recommendation for approval to use available \$2 Capital Contributions for the CNG Facility Improvements in an amount not to exceed \$2,625,733.

BACKGROUND:

NoPetro' proposal provided the following services for LYNX:

- 1) Under the Fuel Purchase Agreement, to, among other matters:
 - a. Design, finance, build, operate and maintain a fast-fill CNG fueling station adjacent to the LYNX facility on John Young Parkway;
 - b. Train LYNX' employees on CNG fueling and CNG bus maintenance procedures; and
 - c. Provide LYNX with royalty payments on all third party sales made at the station.
- 2) Under the Construction Agreement to undertake the necessary improvements to LYNX' John Young facility in order to make LYNX' maintenance facility CNG compliant.

Over the past year, LYNX staff has worked diligently with FTA to utilize the proceeds from the sale of LYNX' South Street Facility to the City of Orlando, to support the funding of the CNG improvements. The LOC building improvements are at a cost not to exceed \$2,625,733.

In January 2015, LYNX entered into a contract with NoPetro Orlando, LLC, for CNG vehicle fueling. As part of this contract, the LOC maintenance facility has undergone renovations to allow staff to safely maintain our new fleet of CNG vehicles. The construction activity associated with this improvement is anticipated to be completed by March 2016.

On December 21, 2016, FTA notified LYNX staff that the sale proceeds from the South Street facility cannot be used to fund the CNG Improvements. As such, LYNX staff would like to use

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the available \$2 Capital Funding to cover the cost of the CNG Improvements, which will eliminate the adder.

In accordance with the terms of the Construction Agreement, LYNX has the ability to prepay the portion financed of the project with no penalties as it requires LYNX pre-approval. For any portion of the project funded via equity, the rate of return is limited to 3.75% above any third party borrowed amount. The adder is initially set at \$.40 per DGE with annual true ups (if any) for either.