

LYNX Audit Committee Agenda




Board Date: 5/26/2011
Time: 2:00 PM

Central Florida Regional Transportation Authority
455 N. Garland Ave.
2nd Floor Conference Room
Orlando, FL 32801


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

1. Call to Order

2. Approval of Minutes

-  Minutes from the April 7, 2011 Audit Committee Meeting D[]%

3. Audit Agenda Items

- A.  Signal Outdoor Advertising Contract Issues D[] ;
- B.  Unified Bus Shelter Program D[] %\$
- C.  Update On Fuel Hedging Program D[] %%
- D.  Briefing on Upcoming Paratransit Contract Awards D[] %&

5. Information Items

(For Review Purposes Only - No action required)

- I.  LYNX 12 Month Rolling Calendar D[] %

LYNX
Central Florida Regional Transportation Authority
Audit Committee Meeting Minutes

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

DATE: April 7, 2011

TIME: 2:00 p.m.

Members in Attendance:

Seminole County Commissioner, Carlton Henley, Chairman
Osceola County Commissioner, Brandon Arrington
FDOT District 5 Secretary, Noranne Downs, Secretary
Orange County, Jim Harrison, Office of Regional Mobility
City of Orlando, Christine Kefauver, Transportation Policy Advisor

1. Call to Order

The Chairman, Commissioner Carlton Henley, called the meeting to order at 2:00 p.m.

2. Approval of Minutes

Motion was made and seconded to approve the Minutes of the January 27, 2011 Audit Committee meeting. The motion passed unanimously.

3. Audit Agenda Items

A. Presentation on the Annual Financial Audit and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending September 30, 2010

The Chairman recognized Bert Francis, Chief Financial Officer, for presentation.

Mr. Francis introduced Mr. Ronald Conrad, Partner with the firm Cherry, Bakeart & Holland, L.L.P. to present the results of the annual financial audit and Comprehensive Annual Financial Report (CAFR) for fiscal year ending September 30, 2010.

Mr. Conrad reported that Cherry, Bakeart & Holland performed the audit of the basic financial statements in accordance with government auditing standards. A “clean” opinion was issued and there were no significant deficiencies or material weaknesses based on the statements.

LYNX was not required to adopt any new standards with regard to accounting disclosures.

A single audit was conducted on the federal and state grant awards and a clean opinion was issued on the programs with no compliance concerns or violations in relation to either. Two additional grants are included in the 2010 report: 1) American Recovery and Reinvestment Act funds and 2) Biodiesel program.

A note is included in the “Management Letter” regarding sub-recipient grant monitoring.

Discussion ensued regarding the maturity of the SIB Loan.

The Committee requested staff provide information to the Audit Committee and Board of Directors an update on the Pension and Benefit Plans. In addition, the Committee requested staff to clarify whether LYNX’ employees are considered “State” employees; based on proposed legislation, will LYNX’ employees be required to make contributions to the Florida Retirement System (FRS); will there be a financial impact to LYNX.

Without objection, the Audit Committee will recommend acceptance of the Annual Financial Audit and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ending September 30, 2010.

B. FY2012 Proposed Budget Development Discussion

The Chairman recognized Bert Francis, Chief Financial Officer, for presentation.

Mr. Francis presented the Preliminary FY2012 Operating and Capital Budgets.

- Status quo from local funding partners
- Maintain current service levels
- No proposed fare increase
- Status quo staffing levels and no salary increases
- Increase in fuel budget
- Fuel Hedging Program
- No ARRA funding
- Utilize additional Federal Preventative Maintenance Funding

➤ FY2012 Operating Budget Overview

- Operating Revenue \$107,150,741
- Operating Expense \$116,200,174
- Operating Income/(Deficit) (\$ 9,049,433)

- Local Revenue by Jurisdiction
 - Orange County \$32,382,067
 - Osceola County \$ 4,279,194
 - Seminole County \$ 4,083,948
 - City of Orlando \$ 3,482,292
 - Total Local Funds \$44,227,501
 - Cities \$ 375,899
 - Other Agencies & Private \$ 1,567,944
 - Capital Contributions (\$ 1,005,094)
 - TOTAL \$45,166,300

- Effects of Utilizing Additional Preventative Maintenance (PM)
 - 5307 (PM) Funding Total \$21,000,000

 - Proposed PM (\$13,000,000)
 - Proposed ADA (\$ 1,800,000)
 - SIB Loan Payment (\$ 830,000)
 - Remaining–Capital Purchase \$ 5,370,000

 - Cost per Bus \$ 400,000
 - Remaining for Capital Purchase 13 buses
 - Current Replacement Cycle 15 buses
 - Capital Purchase (Deficit) (2 buses)

- Remaining Actions
 - Present preliminary funding request to partners
 - Formalize fuel hedging program and update
 - Establish fuel stabilization fund
 - Continue to review expense items
 - Continue to analyze service efficiencies
 - Prepare capital budget
 - Effects of Paratransit RFP
 - Medicaid legislation

- Budget Calendar
 - April 7 Present Overview of FY2012 Preliminary Operating Budget to Board of Directors
 - April Funding Request Letters Submitted to Funding Partners
 - June/July Budget Presentation Osceola & Orange Counties
 - August Budget Presentation Seminole County
 - September 22 Final Board Action
 - October 1 Budget Year 2011-2012 Commences

In conclusion, Mr. Francis noted that LYNX staff is seeking direction from the Board regarding the FY2012 Operating Budget. After Board direction, the proposed budget will be submitted to the funding partners for their consideration.

C. Update on Fuel Hedging Program

The Chairman recognized Bert Francis, Chief Financial Officer, for presentation.

Mr. Francis provided some hedging program considerations.

- Hedging Instruments
 - Most programs lock in between 25% to 75% of total consumption depending upon risk tolerance
 - Generally, swaps, collars or call options are favored instruments
 - A Costless Collar
 - No upfront premium
 - Cost protection
 - Reduces expense volatility

- Hedging Disclosures
 - Transit Agencies engaged in hedging programs
 - Metropolitan Atlanta Rapid Transit Authority (MARTA)
 - New York Metropolitan Transportation Authority (MTA)
 - Regional Transportation Commission of South Nevada (RTC)
 - Dallas Area Rapid Transit (DART)

- Risk Management
 - Spot Prices vs. Layered Hedging Strategies

LYNX staff will provide an update at the next meeting as to how the derivative transactions will be accounted for.

In conclusion, Mr. Francis noted that LYNX staff will seek the Board of Directors authorization for the Chief Executive Officer (CEO) or designee to execute the International Swaps and Derivatives Agreement (ISDA).

Without objection, the Audit Committee will recommend that staff pursue and implement a fuel hedging program.

D. Presentation on Sun Rail Connectivity

The Chairman recognized Edward Johnson, Chief Administrative Officer, for presentation.

SunRail is a 61 mile commuter rail system extending from Deland in Volusia County to Poinciana in Osceola County. The system consists of 17 stations, 12 to be constructed in Phase I: 1 in Volusia County and 11 in Seminole and Orange Counties.

Mr. Johnson noted that LYNX' staff continues to work with the Florida Department of Transportation (FDOT) and the SunRail consultants to refine bus service to the SunRail stations in the LYX service area and the current routes serving them.

Station	Links	Frequency
Deland Amtrak	Votran	N/A
Debary	Votran	N/A
Sanford	34, 46E, 46W, 103	15 min
Lake Mary	45	60 min
Longwood	434	60 min
Altamonte Springs	41, 102, 103	15 min
Maitland	102	15 min
Winter Park	1, 9, 14, 23, 102, 443	15 min
Florida Hospital	102, 125	15 min
LYNX Central Station	28 Links and LYMMO Intermodal Center	15 min
Church Street	7, 11, 18, 40, 13, 51 (Service on Orange Ave.	N/A
Orlando Health	40	60 min
Sand Lake	11, 18, 42, 111	30 min
Meadow Woods	TBD	TBD
Osceola Parkway	TBD	TBD
Kissimmee Amtrak	TBD	TBD
Poinciana	TBD	TBD

In conclusion, Mr. Johnson noted that at a future meeting, LYNX staff will provide an update on the cost associated with LYNX providing feeder service once the SunRail system improves frequency.

4. Review of Board Package

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

Mr. Lewis noted that he would like to provide some information on a couple of items prior to providing an overview of items to come before the Board.

1. LYNX and some of the Board members have received correspondence from a local media outlet regarding whether or not LYNX' security systems come under the auspices of the Public Records law. LYNX' general counsel has provided legal opinion on the matter. Staff is in agreement with counsel's opinion that State and Federal laws/regulations specifically exempts security systems from the Public Records requirements. Therefore, staff recommends to the Board of Directors agree with the legal opinion and that records pertaining to security systems be exempt.

The Committee discussed if documents pertaining to the security system were to be produced, then the system would no longer be secure.

General Counsel noted that any information that reveals security systems or surveillance techniques in place is not only exempt but also confidential. Confidential is defined as: barring a specific provision in the law that states that producing this information is allowable, LYNX is not allowed to provide the information to requesters. If the information on the security systems does reveal a system in place, LYNX is not in a position to turn over the information.

2. The Board has been made aware that LYNX is in a situation where the Contract with Local Union consisting of operators and mechanics expired in September, 2009. Staff is recommending that it would be in the best interest of LYNX to re-enter into negotiations with the Union and bring the contract matter to conclusion. Mr. Lewis recommended that at the next meeting, the Board entertain the possibility for an Executive Session to discuss the ramifications of that strategy for moving forward.

Discussion ensued regarding re-entering into negotiations with the Union.

As to the Board Agenda items, Mr. Lewis noted:

Consent Agenda:

1. Staff will be seeking authorization to release Request for Proposals for payroll and human resource systems together with two Invitations for Bid biodiesel, and ultra low sulfur diesel and Gasoline fuels.
3. Staff will be seeking authorization to award contract for federal lobbying services.
4. Staff will be seeking authorization to exercise the final option year with Goodyear Tire and Rubber Company.
5. Staff will be seeking authorization to modify the Contract with Shaw Environmental.
6. Staff will be seeking authorization to submit a grant application to FTA and USDOT and begin negotiations to enter into an agreement with Osceola County to conduct the US 192 corridor study.
7. Staff will be seeking authorization to implement the April 24, 2011 service changes.
8. Staff will be seeking authorization to transfer twelve retired buses to Lakeland Area mass Transit System.
9. Staff will be seeking ratification of a Contract with Harkins Development Corporation for the LYNX Operations Center.
10. Staff will be seeking authorization to modify the Contract with Harkins Development Corporation for the LYNX Operations Center.
11. Staff will be seeking ratification of a Memorandum of Understanding with the City of Orlando and FTA for the locally preferred alternative for the LYMMO expansion into the Creative Village development and the Parramore community.

12. Staff will be seeking ratification of the Amendment to Contract for the Long Range Transit and Financial Plan.
13. Staff will be seeking authorization to write-off assets as of the June, 2010 physical inventory.

Action Agenda:

1. Staff will be seeking authorization for staff to pursue and implement a fuel hedging program.
2. Staff will be seeking the acceptance of the Annual Financial audit and Comprehensive Annual financial Report of the fiscal year ending September 30, 2010.
3. Staff will be seeing authorization to approve the locally preferred alternative for the LYMMO downtown circulator.
4. Staff will be seeking authorization to adopt a Resolution in support of the SunRail project.

Work Session:

1. Staff will provide an overview of the Preliminary Operating Budget for fiscal year 2012.

The Chairman called upon Christine Kefauver, City of Orlando, Transportation Policy Advisor and LYNX' CEO, John Lewis, to provide comments on the delegations recent community visit to Salt Lake City, Utah.

Ms. Kefauver expressed that data gleaned from the visit was that \$5 billion was invested in redevelopment of the downtown and that 8 years ago, 30% of the buildings were vacant. The growth was directly attributed to the investment made in rail. The delegation toured a Greenfield neighborhood and development that came up out of the ground because rail was coming. A family friendly neighborhood was created enabling 80% of 5th graders to walk to school. Salt Lake currently has 5 major rail projects currently under development.

The Chairman noted that people were working on renovation projects. He concluded the trip was extremely informative. The delegation learned that the Governor, Legislature and local governments and businesses were working together toward the same goal.

Mr. Lewis stated that the Salt Lake community, officials and businesses consider public transit not as a service but rather a quality of life. The community has voted twice to tax themselves to provide transit and accelerate phases 2 and 3 of the 5 rail construction projects. The rail project, originally a fifteen year plan, will now open within the next 2 to 3 years. He noted that Salt Lake is a glimpse into what the Central Florida region could be.

The meeting adjourned at 2:52 pm.

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Audit Committee Agenda Item #3.A

To: LYNX Board of Directors

From: Edward Johnson
CHIEF ADMINISTRATIVE OFFICER
Rudolph Walter
(Technical Contact)

Phone: 407.841.2279 ext: 6058

Item Name: Signal Outdoor Advertising Contract Issues

Date: 5/26/2011

Staff will provide a brief update of the status of the Signal Outdoor Advertising contract. LYNX entered into Contract 01-005 with Signal Outdoor Advertising (previously Culver Amherst) to provide shelter advertising, shelter infrastructure and associated maintenance within the unincorporated portions of Orange County. Contract 01-005 started in 2002 and is set to expire in 2012.

With 1 year left in the contract, Planning staff felt it was prudent to provide a status of outstanding issues with the Contract 01-005. LYNX sent a list of these issues to Signal. The information below provides a synopsis of the issue and associated resolution:

ISSUE 1: ADA accessibility at certain Signal stops. LYNX has identified several stops (specifically 3 stops along John Young Parkway) that do not meet ADA standards for accessibility. LYNX has proposed that both the Agency and Signal split the costs of the associated improvements. The estimated cost to provide proper access is approximately \$3,000 each or total \$9,000 for each party. Signal has accepted this. Both parties plan to proceed with this endeavor.

ISSUE 2: LYNX installation of shelters within Seminole County. Signal currently has a direct contract with Seminole County. This contract is also set to expire in 2013. As such, it becomes difficult for Signal to realize a return on investment with respect to the installation of additional shelters. As such, LYNX is proposing to install shelters and the associated ad panels with the understanding through a legal agreement that any agreement would be directly tied to the expiration of the Seminole County contract. Given that Signal would be able to advertise and LYNX will get no-cost maintenance, this is a win-win for both parties. As such, a draft legal agreement is in process.

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ISSUE 3: Quantity of Shelters installed. LYNX maintains that the contract states that 200 shelters should be installed and maintained as part of the contract. However, as Signal indicates and LYNX recognizes, roadway projects have often ended up costing Signal the needed footprint to reinstall a shelter. As such, the approximate count of currently existing Signal shelters is approximately 176. Both parties have agreed that at the end of the contract, those shelters that have not been able to be reinstalled will become the property of LYNX.

ISSUE 4: Shelters along roads that do not currently support a LYNX route. Currently there are approximately 18 shelters located along roads that LYNX has previously had to discontinue service along (i.e. Dr Philips Blvd). Signal has indicated that at these locations they had existing contracts for advertising prior to the route being removed that still had revenue life associated with them. LYNX has stated, and Signal acknowledges that since these are not on bus routes, the Agency assumes no liability for these shelters.

Once an agreement is complete staff will be presenting to the Board of Directors at a future date.

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Audit Committee Agenda Item #3.B

To: LYNX Board of Directors

From: Edward Johnson
CHIEF ADMINISTRATIVE OFFICER
Rudolph Walter
(Technical Contact)

Phone: 407.841.2279 ext: 6058

Item Name: Unified Bus Shelter Program

Date: 5/26/2011

During the time that LYNX was assessing the bid responses for the advertising shelter contract, two circumstances came to the forefront. First, LYNX was made aware that we would be the recipient of a large amount of stimulus money under the American Recovery & Reinvestment Act. LYNX now has the ability to install shelters for the City of Orlando program rather than utilizing an outside vendor.

LYNX staff then prepared a preliminary analysis of the difference in funds available to LYNX if shelter advertising is outsourced or, if LYNX manages the program in-house. The analysis assumed that there would be 300 advertising shelters with 600 ad facings available system-wide. 10 percent or 60 facings are deducted from the total for public service messages. A conservative sell rate of 50 percent of the remaining facings is assumed with estimated monthly revenue of \$275.00 each. The outsource contract estimated net revenue to be approximately \$172,408.50. If the shelter advertising program is brought in-house, the estimated net revenue returned to LYNX would be approximately \$486,450.00.

Subsequently, LYNX staff has been meeting with the major partners that have a vested interest in shelters and/or shelter advertising. The purpose of these meetings is to develop a unified shelter program throughout LYNX' entire service area. One aspect of a unified shelter program is for LYNX to ultimately assume control of the fragmented shelter advertising contracts that currently exist.

At this time LYNX staff is preparing an RFP for shelter advertising services and recommending that the program be brought in house.

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Audit Committee Agenda Item #3.C

To: LYNX Board of Directors

From: Bert Francis
CHIEF FINANCIAL OFFICER
Bert Francis
(Technical Contact)

Phone: 407.841.2279 ext: 6047

Item Name: Update On Fuel Hedging Program

Date: 5/26/2011

Staff will provide an update on the fuel hedging program activities since receiving the Board of Directors' approval April 7, 2011.

LYNX Board Audit Committee Agenda

Audit Committee Agenda Item #3.D

To: LYNX Board of Directors

From: Lisa Darnall
CHIEF OPERATING OFFICER
William Hearndon
(Technical Contact)

Phone: 407.841.2279 ext: 6036

Item Name: Briefing on Upcoming Paratransit Contract Awards

Date: 5/26/2011

LYNX released two RFPs for Paratransit Services – Core Services (Monday to Saturday, 4:00 a.m. to 6:00 p.m.) and Non-Core Services (Monday to Saturday, 6:00 p.m. to 4:00 a.m., and all day on Sunday).

Non-Core Services were separated from Core Services in an effort to receive better pricing because Non-Core Services tend to be less productive than Core Services. Further, with lower trip volume, smaller local providers would have a better opportunity to bid on a portion of the services.

Staff will provide a briefing on the recommendations for both services.

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Audit Committee Information Item #.I

To: LYNX Board of Directors

From: Bert Francis
CHIEF FINANCIAL OFFICER
Rich Bannon
(Technical Contact)

Phone: 407.841.2279 ext: 6047

Item Name: LYNX 12 Month Rolling Calendar

Date: 5/26/2011

July 2011

- Authorization to adopt the Transportation Development Plan

September 2011

- Adoption of the annual operating and capital budget
- Authorization to execute local funding agreements
- Annual Board of Directors' selection of officers

November 2011

- Acceptance of the Chief Executive Officer's (CEO) annual appraisal
- Authorization to submit annual certifications
- Authorization to submit annual appropriations grant to FTA
- Authorization to submit grant applications to the FDOT for rural transportation services

December 2011

- No Activity

January 2012

- Authorization to issue an Invitation to Bid for the leasing of bus tires.

February 2012

- No Activity

March 2012

- Authorization to Issue and Invitation for Bid for the printing of Schedule Books.

April 2012

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- No Activity