




Board Date: 9/23/2010  
Time: 10:30 AM

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 July 28, 2010 Audit Committee Meeting Pg 1

## 3. Audit Agenda Items

- A.  Follow Up on LYNX Retirement Contribution Rates Pg 11
- B.  Follow Up on LYNX Fuel Hedging Program Pg 14
- C.  Update on Proposed FY2011 Operating and Capital Budgets Pg 15
- D.  Discussion on South Street Clean Up Options Pg 16
- E.  Briefing on the Proposed Administrative Committee for the LYNX Money Purchase and Deferred
- F.  Compensation Plans Pg 19  
Update on Chief Executive Officer Search Activities Pg 20

## 5. Information Items

(For Review Purposes Only - No action required)

- I.  LYNX 12 Month Rolling Calendar Pg 21
- II.  Formal Notification of FY2010 Annual Audit from Cherry, Bekaert & Holland, L.L.P., Auditors Pg 23

- Attachment  

**LYNX**  
**Central Florida Regional Transportation Authority**  
**Audit Committee Meeting Minutes**

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

**DATE:** July 28, 2010

**TIME:** 1:00 p.m.

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**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, Director of Growth Management  
City of Orlando, Christine Kefauver, Transportation Policy Advisor

**Members Absent:** FDOT District 5 Secretary, Noranne Downs, Secretary

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**1. Call to Order**

The Chairman, Commissioner Carlton Henley, called the meeting to order at 1:00 p.m.

**2. Approval of Minutes**

**Motion** was made and seconded to approve the Minutes of the May 26, 2010 Audit Committee meeting. The motion passed unanimously.

**3. Audit Agenda Items**

**A. LYNX; Money Purchase & Deferred Compensation Plan Update**

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

Mr. Johnson noted that Nadine Schaal, Legal Counsel with Akerman Senterfitt, had a scheduling conflict and would not be providing the Committee an update on the LYNX Money Purchase and Deferred Compensation Plans.

All plans that are intended to be qualified under Internal Revenue Code section 401(a), which includes the LYNX Money Purchase Plan (MPP), must follow a rigid timetable established by the Internal Revenue Service (IRS) to determine when amendments are required to be adopted to comply with new and revised statutory and regulatory provisions.

The MPP document, which was drafted by Hartford, as part of the services it performs as the third-party administrator for the MPP, is an individually designed plan.

There will be subsequent amendments required to the MPP for the Pension Protection Act of 2006, which must be adopted by December 31, 2011 and the HEART Act (Heroes Earnings Assistance and Relief Tax of 2008), which must be adopted by December 31, 2012.

**B. Review Establishing an Administrative Committee for the LYNX' Money Purchase and the Deferred Compensation Plan**

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

LYNX is the Administrator of its Money Purchase Plan and LYNX Deferred Compensation Plan. LYNX the employer and Plan Administrator works through its Board of Directors.

For purposes of this, any reference to actions to be taken by LYNX in its capacity as employer or Plan Administrator means the LYNX Board of Directors unless otherwise specified.

Staff will be seeking authorization from the Board of Directors at its September 23<sup>rd</sup> meeting to establish an Administrative Committee to perform some of the current duties of the Board.

Duties the Administrative Committee could perform include:

- Determine eligibility of the Employee to participate in the Plan
- Adopt rules and procedures/create administrative forms
- Construe and enforce the terms of the Plan
- Direct the distribution of a Participant's Account
- Establish a policy in making distributions for unforeseen emergencies
- Engage the services of any person to assist in performing administrative functions
- Maintain a separate Account in the name of each Participant to reflect the value of the Participant's Account
- Responsibility for valuing each Participant's Account at least annually
- Adjust Accounts to reflect net income, gain or loss
- Establish reasonable procedures to determine the status of domestic relations orders

Discussion ensued regarding duties that relate to policies should remain with the Board of Directors and suggested staff review the recommendation prior to the item coming before the Board.

**C. Review of Amalgamated Transit Union (ATU) Local 1596 Pension Plan Proposed Amendment #6 Disability and Amendment #9 Deferred Retirement Option Program (DROP)**

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

Staff brought to the Audit Committee and Board of Directors two proposed Amendments to the ATU 1596 Pension Plan in September 2009. Amendment #6 which related to revising the benefit due to a disability incurred while employed by LYNX and Amendment #9 which related to adding a money market investment option for participants who have elected to participate in the Deferred Retirement Option Program (DROP). The LYNX Board voted to subject both Amendments to the collective bargaining process. The collective bargaining process did not result into an agreement.

Mr. Johnson provided an overview of the Amendments to the Pension Plan and provided staff's recommendations to the Board for disposition of the changes to the Plan.

**Amendment No. 9**

The purpose of this is to develop an investment option that will preserve the value of the participant's benefit at the time of electing to participate in the DROP.

When the Amendment was introduced in September 2009, the Board was concerned that LYNX should not incur any administrative cost to add a money market investment option for participants who elected to participate in the DROP. During the collective bargaining process, all parties agreed that there should not be any additional cost to be borne by LYNX or to the Plan. The parties agreed that the participants should be responsible for any administrative costs that would arise from their movement of assets.

The administrator for the ATU 1596 Pension Plan stated no anticipated administrative costs would arise; however, should administrative costs arise, the participant would bear the cost.

Staff will request the Board of Directors at its meeting today, July 28, 2010, to approve Amendment No. 9 to the ATU 1596 Pension Plan.

Without objection, the Audit Committee will recommend the authorization to approve Amalgamated Transit Union (ATU) Local 15096 Pension Plan Amendment No. 9 Deferred Retirement Option Program (DROP).

**Amendment No. 6**

This Amendment relates to revising the benefit due to a disability incurred while employed by LYNX.

The Plan currently has a process for defining disability. The Plan has reviewed other methods for dealing with disability under the program. The ATU Board would like to include more short term disability as well as long term disability.

Currently the Pension Plan bears any costs if an employee becomes disabled.

The Plan is reviewing the possibility of pushing that burden back to the long term disability which the premiums are covered by LYNX. This could have an impact on the cost for the long term disability premiums. LYNX' staff has tried to determine whether this would cause LYNX' long term disability premiums to increase; however, due to the combined workforce with Orange County, the carrier has not been able to provide any such cost information.

There are additional legal issues and counsel would like to continue to work with the Plan. Such as, if an employee becomes disabled and has at least 10 years of benefit credits, that employee would be eligible for a long term disability pension for up to 25 years. During the period, the employee would be eligible to receive benefit credits each year while the participant is out of work on disability. In addition, if an employee has been receiving disability pension for 25 years, the employee must prove that they were disabled and covered by the long term disability each year within the 25 year period. This presents a record retention concern that an employee could lose the paperwork and the burden of proof may create a loss of benefits.

Because of the complexities with Amendment No.6, staff recommends that LYNX' legal counsel continue to review the legalities and constraints of this Amendment and continue negotiations with the Union regarding Amendment No. 6.

Discussion ensued regarding the potential costs to LYNX based upon actuarial calculations.

Mr. Johnson reported that legal counsel also pointed out that this revision of long term disability benefits would be afforded to some employees but not afforded to all.

#### **D. Discuss Future Retirement Rate for New Employees**

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

Mr. Francis noted that retirement rate changes for new administrative employees effective October 1, 2010 were presented during the preliminary budget discussions for the FY2011 budget at the January 7, 2010 Board of Directors meeting.

The retirement rate that LYNX contributes for administrative employees through the Money Purchase Plan (MPP) is 12%.

Staff had been requested to compare LYNX' contribution rate to that of the Florida Retirement System (FRS). The FRS current rate of contribution is 10.77%. FRS has had considerable discussion regarding the shortfall of its actuarial sound plan. The FRS Plan is funded by contributions by employer and employee and/or investment earnings. When investment earnings are flat or down as they have been, it requires larger contributions to make the plan actuarial lysound.

Discussion ensued regarding the cost of the two methods.

Mr. Francis approximated that 212 employees (including Administrative employees and Supervisors) with a total annual salary of \$10 million participate in the MPP. Therefore, each 1% decrease in contribution reduces the overall annual contribution by approximately \$100,000.

Ms. Watson clarified that any retirement rate change would be applied to new employees effective October 1, leaving current employees unaffected.

Staff was asked to develop scenarios showing fiscal impacts and return to the Committee, i.e., if the current contribution level to the MPP remains as it is today; if the current contribution level remains as-is for current employees with a rate change to new employees effective October 1.

#### **E. Discussion of Distribution of Assets if LYNX Were to Cease to be the RTA**

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

Mr. Francis noted that the original question posed by Osceola County was "what would happen to LYNX' assets if Osceola County would no longer be a member of the Central Florida Regional Transportation Authority?" The question has since been revised to ask "how the assets would be distributed if LYNX ceased to be the Central Florida Regional Transit Authority?"

A Memorandum from James Goldsmith, Akerman Senterfitt, was provided to the Committee and related only to the withdrawal of Osceola County from LYNX. In his conclusion, he noted that because neither the Authority's enabling legislation nor the Act specify what is to happen to the assets and liabilities of the Authority if Osceola County ceases to be a funding partner of the Authority and removes its representative from the Authority's governing board, or what is to happen if the Authority is dissolved, substantial additional research would be needed if the Authority wanted a definitive answer to these questions. Such additional research may include seeking an opinion from the Florida Attorney General, and performing a thorough review of all relevant FTA and FDOT grant applications, contracts and regulation. Also, because Osceola County is specifically named in the Authority's enabling legislation, it may be necessary to bring these matters before the Florida Legislature.

Discussion ensued as to the position of the FTA and FDOT who each have a considerable investment; clarification by Osceola County as to the original intent of the question, i.e., should one funding partner ceases to provide funding the effect of that on the other partners and their recourse and what is the effect on the service to the remaining partners.

Ms. Watson noted that in a recent article, North Richland Hills, TX, was holding a local election to determine if the community wanted to pull out of the Fort Worth Transportation Authority and may have research on costs and potential issues.

The Committee determined there was not a sense of urgency to the matter which would require legislative action or attorney costs at this time; however, the Committee requested staff to research the reimbursement obligations for assets to FTA and FDOT and then review the book value (an indication of net worth), review how other agencies have dealt with the question, obtain the Osceola County Attorney's review and opinion and deliver an update to the Committee.

#### **F. Discussion on Hedging the Purchase of Diesel Fuel**

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

Ms. Francis noted the staff invited Lindville Capital to provide a presentation on hedging fuel purchases to the Committee in September 2009.

Staff is bringing the matter back for discussion as LYNX' current price for diesel is \$2.14 per gallon which is comparatively low. Mr. Francis noted that if LYNX were to consider the practice of hedging the purchase of diesel, it would be an appropriate time. However, if it was determined that pricing was going to rise, LYNX would lock-in several purchase contracts now with the difference

realized when the contracts were sold to off-set the cost of fuel in future years. Contracts can be locked-in for 10, 12 or 36 months into the future, therefore, this would affect FY11-FY12 and beyond and benefits the budget process. However, futures contracts have a risk potential.

Discussion ensued regarding the use of biodiesel. Mr. Francis noted that LYNX anticipates purchasing approximately 20% biodiesel fuel or 800,000 gallons. There is a problem currently with the production of biodiesel fuel. The \$1 credit which was available to the producers has not been renewed by Congress. Therefore, the supply of biodiesel has become more difficult to obtain. LYNX has a current contract which provides for a quarterly price adjustment and the provider is currently requesting a 10% to 19% price increase. In order to guarantee the supply, LYNX may have to purchase at the increased price. The net price of biodiesel has been similar to that of regular diesel.

The Committee requested staff to provide more detail at its September meeting on the price for the number of gallons recommended to hedge and the number of future months to lock-in contracts.

## **G. Administrative Rules Review**

The Chairman recognized Pat Christiansen, LYNX General Counsel, for presentation.

Staff brought recommendations for proposed changes to the Audit Committee in May 2009. Many of the changes were merely for “clean up” but some were material or substantive:

### **Rule 2**

Interpreted as the By-Laws of the Board, its composure, how Members are designated, etc. The proposed changes will clarify how LYNX is governed.

**2.9.1(c)** Language added that authorizes the CEO after speaking with and obtaining the approval of the Chairman of the Board, to take action in a financially exigent situation.

### **Rule 4**

Provides for the procurement process.

**4.4.2** Language added that after the Board approves a contract, the CEO and other Senior Officers can carry out the matter. Language clarified that provides for the Chairman to sign contracts.

**4.4.5** Language added that permits the CEO to delegate the authority to execute contracts of \$150,000 or less.

### **Rule 6**

A new Rule and moves the procurement dispute process from Rule 4.

**6.4** Sets forth the procurement dispute process.

**6.5** Applies to disputes involving contracts.



- 6.6** Involves the settlement of lawsuits involving tort claims and workers compensation claims. Provides the ability for Senior Staff to settle claims for \$50,000 or less.

At the May, 2009 meeting, the Committee requested staff to provide some internal administrative policies and procedures to indicate the types of policies that were referred to in Rule 2.6:

- 2.6** Language added to permit the Chief Executive Officer (CEO) to adopt internal LYNX administrative policies and procedures. The policies and procedure cannot conflict with Board directive and will be furnished to the Board for information.

Mr. Christiansen noted that subsequent to the meeting, he had provided the members with administrative policies: Sick Leave, Vacation Leave, etc.

Subsequent to the May meeting and due to some recent procurement actions and protests that have arisen, staff has made additional changes to Administrative Rules 4 and 6.

**Rule 4**

The change made was to clarify that the procurement and protest process is to the benefit of LYNX. In addition, a change that provides staff the ability to waive procedural or non-material items and for the Board to retain materiality issues.

**Rule 6**

The material change was to add a requirement of a cash bond of 2% of the contract but not less than \$1,000 if someone protested the recommended award. The protestor can request waiver of the 2% cash bond. If the protest is determined to be valid, LYNX can return the amount of the bond.

Ms. Christiansen noted that staff will be seeking the Board of Directors' adoption or the revised Administrative Rules.

**H. Discussion of Search for Chief Executive Officer**

The Chairman recognized Pat Christiansen, LYNX General Counsel, for presentation.

Mr. Christiansen noted that at the meeting of the LYNX Board on July 1, 2010, the Board accepted the early resignation of Ms. Linda Watson as Chief Executive Officer, to be effective July 31, 2010. At that same meeting, the Board directed LYNX' General Counsel to undertake a search for a replacement Chief Executive Officer and to undertake that through the engagement of a search firm, similar to the process that was followed in 2004.

The draft Chief Executive Officer Profile that was provided to the Board of Directors at its July 1<sup>st</sup> meeting has been revised and incorporates comments from one or more of the Board Members or their staff.

The Board authorized Legal Counsel, after consulting with the Board Chairman, to select a search firm. Mr. Christiansen noted that he followed the search process conducted in 2004. Letters were sent to firms with expertise in transit including those firms that participated in the 2004 search along with new firms. The letters requested proposals be returned by July 28. Three responses were received. The fee proposed in each response is:

- Firm 1: 30% of the first year compensation plus expenses
- Firm 2: 30% of the first year compensation plus expenses with a \$45,000 minimum
- Firm 3: \$35,000 (fixed) plus expenses capped at \$7.500

The process each firm follows is similar:

1. The firm meets with Board Members to ascertain the needs and candidate profile
2. The firm conducts the search and reviews candidates' backgrounds
3. The firm invites 4 – 6 candidates to interview with LYNX

Timing for the process:

1. 45 – 60 days to conduct the search
2. 30 – 60 days for the selected candidate's relocation

Anticipated Expenses:

1. Cost of trips to and from
2. Expenses for sale of existing home
3. Moving expenses

Salary:

1. Anticipated to be higher than Ms. Watson's contract

Mr. Christiansen recommended the proposer, KL Executive Search, located in Washington, DC with an extensive background in transit. Their proposal included continuing their employment for a period of 90 days after candidate is hired, conduct an analysis during the 90 day period and report their findings to the Board.

#### **4. Review of Board Package**

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

1. Staff will be seeking authorization to Transfer Deferred Compensation Plan Funds from Nationwide Insurance Company to The Hartford Insurance Company.
2. Staff will be seeking authorization to approve the Amalgamated Transit Union (ATU) 1596 Pension Plan Amendment No. 9 Deferred Retirement Option Program (DROP)
3. Staff will be seeking authorization to Amend the FY2010 Operating and Capital Budgets
4. Staff will be seeking adoption of Resolution No. 10-003 Appointing Edward L. Johnson, Interim Chief Executive Officer
5. Staff will be seeking adoption of Revised Administrative Rules
6. Ms. Watson announced a brief Press Conference will be held at the beginning of the Board of Directors meeting in the Board Room. A faux Bus Stop has been erected to provide a demonstration.

**The meeting adjourned at 2:00 pm.**

# LYNX Board Audit Committee Agenda

## Audit Committee Agenda Item #3.A

**To:** LYNX Board of Directors

**From:** Bert Francis  
CHIEF FINANCIAL OFFICER  
Blanche Sherman  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6047

**Item Name:** Follow Up on LYNX Retirement Contribution Rates

**Date:** 9/23/2010

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At the July 2010 Audit Committee meeting, staff was asked to present various scenarios for changes to the current Administrative Retirement Pension Contribution rate. The projected FY2011 twelve percent outlay is used as the baseline. Below are 3 charts that illustrate the effects of various contribution rates that could be utilized for the LYNX retirement plan.

Chart #1

## Full Administrative Staffing Level (208 Positions)

Admin. Pension Projected %	Proposed FY11 Admin. Pension Outlay - Estimated Budget Needed	Net Savings Effect to Budget Current Employees FY11
12%	\$1,112,417.20	\$0.00
11%	\$1,019,715.77	(\$92,701.43)
FRS, 10.77%	\$998,394.44	(\$114,022.76)
10%	\$927,014.33	(\$185,402.87)
9%	\$834,312.90	(\$278,104.30)
8%	\$741,611.47	(\$370,805.73)

# LYNX Board Audit Committee Agenda

Chart #2

## Current Staffing Level (196 Positions)

Admin. Pension Projected %	Proposed FY11 Admin. Pension Outlay - Estimated Budget Needed	Net Savings Effect to Budget Current Employees FY11
12%	\$1,065,155.37	\$0.00
11%	\$976,392.42	(\$88,762.95)
FRS, 10.77%	\$955,976.95	(\$109,178.43)
10%	\$887,629.48	(\$177,525.90)
9%	\$798,866.53	(\$266,288.84)
8%	\$710,103.58	(\$355,051.79)

Chart #3

## New Hires and Projected Staff Turnover FY11 (12 Vacancies Filled & 5 Turnovers, 17 Positions)

Admin. Pension Projected %	Proposed FY11 Admin. Pension Outlay New Hires - Estimated Budget Needed	Net Savings Effect to Budget Current Employees FY11
12%	\$64,961.83	\$0.00
11%	\$59,548.34	(\$5,413.49)
FRS, 10.77%	\$58,303.24	(\$6,658.59)
10%	\$54,134.86	(\$10,826.97)
9%	\$48,721.37	(\$16,240.46)
8%	\$43,307.89	(\$21,653.94)

# LYNX Board Audit Committee Agenda

## Audit Committee Agenda Item #3.B

**To:** LYNX Board of Directors

**From:** Bert Francis  
CHIEF FINANCIAL OFFICER  
Blanche Sherman  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6047

**Item Name:** Follow Up on LYNX Fuel Hedging Program

**Date:** 9/23/2010

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At the July 2010 Audit Committee meeting, staff discussed with the Committee their desire to continue exploration of a fuel hedging program. It was understood that the consensus was to continue to explore fuel hedging options. Since that time, staff, with the assistance of Burgees Chambers LYNX' investment advisor, has reviewed in more depth the program presented to the Committee by Jeff Lemunyan of Linwood Capital, LLC, at its September 2009 meeting. Staff will brief the Committee on their findings to date as well as discuss other options that may be available for hedging fuel purchases in the future.

**Audit Committee Agenda Item #3.C**

**To:** LYNX Board of Directors

**From:** Bert Francis  
CHIEF FINANCIAL OFFICER  
Blanche Sherman  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6047

**Item Name:** Update on Proposed FY2011 Operating and Capital Budgets

**Date:** 9/23/2010

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At the March 25, 2010 Board meeting, staff presented the preliminary FY2011 Operating Budget to the Board of Directors. The proposed Operating Budget is \$112,996,516. The proposed Capital Budget is \$54,879,149.

Staff will make a presentation of the final proposed Operating and Capital Budgets for FY2011 at the Audit Committee meeting.



# LYNX Board Audit Committee Agenda

## Audit Committee Agenda Item #3.D

**To:** LYNX Board of Directors

**From:** Bert Francis  
CHIEF FINANCIAL OFFICER  
Blanche Sherman  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6047

**Item Name:** Discussion on South Street Clean Up Options

**Date:** 9/23/2010

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### **BACKGROUND:**

In the mid 1990's, leaking piping in the vehicle lifts caused subsurface hydraulic fluid contamination under the maintenance building at the South Street Facility. A Contamination Assessment Report (dated February 15, 1996) was created by Ardaman & Associates to identify the length, width and depth of the free product plume. At that time, an Initial Remedial Action Plan (IRAP) was prepared and submitted to the Florida Department of Environmental Protection (FDEP). The Plan was approved by FDEP in August of 1999, (Consent Order No. 92-0125).

This Remedial Action Plan has had limited success over the years as only about one-third (1/3) of the free product has been removed from the contaminated site. There are several reasons why this plan was not completely successful.

- The facility at that time was the primary vehicle maintenance garage. The contamination was located under the busiest bays and offices. The recovery wells were located as near to the contamination as possible given the operational concerns.
- Since then, the water table in the South Street area has dropped significantly. The free product which was floating on the water was not able to flow to the recovery wells for removal.
- As the water table lowered, the free product migrated into the sandy/clay soil layer. The product thus became thicker and unable to flow towards the recovery wells.

### **PROPOSED COURSE OF ACTION:**

LYNX is actively pursuing a decontamination strategy. Three proposals have been identified to achieve this goal.

# LYNX Board Audit Committee Agenda

## 1) Trenching

The first option consists of installing an active recovery collection system using strategically located trenches and a collection sump and piping to the existing vacuum pump. This option may be a faster way to resolve the issues with FDEP but may not be the best option.

- The total estimated cost to do the trenching now and monitoring requirements for the next 6 years will be \$513,016 (Trenching \$142,778 and monitoring \$370,238). In addition, this option does not guarantee the complete removal of the contamination.

## 2) Bio-Slurping & Enhanced in-situ soil Washing.

The second option consists of the addition of a vacuum component to the product recovery system (Vacuum-Enhanced Product Recovery/Bio-Slurping). This technique has been employed by AECOM at multiple project locations with notable success.

- The total preliminary estimated cost to do the Bio-Slurping & Enhanced in-situ soil washing will be \$601,100. This price includes required testing over the next 6 years. This option does not guarantee the complete removal of the contamination.

## 3) Demolition and soil removal.

The third option consists of demolition of the maintenance building and digging up and removing the contaminated soil. It is estimated that the product plume is approximately 6000 to 7000 square feet. The depth of the excavation is about 9 to 10 feet. The total volume of soil to be removed would be approximately 2500 cubic yards.

- The total estimated cost for demolition and source removal, including subsequent testing for 1 year, is \$500,000 (Demolition \$150,000 and Source Removal \$350,000). This is the only option that would guarantee the complete removal of the contamination.

In the past, Option #3 was not viewed as viable due to the fact the South Street Facility served as LYNX' principal operating base; however, with the completion of the LYNX Operations Center, this is no longer the case.

In addition, if LYNX considers the utilization of the South Street Facility for Paratransit activities in the future, the existing body shop can be modified to handle light maintenance of a Paratransit fleet.

**Audit Committee Agenda Item #3.E**

<b>To:</b>	<b>LYNX Board of Directors</b>
<b>From:</b>	<b>Edward Johnson</b> Interim Chief Executive Officer <b>Brian Anderson</b> HR Generalist
<b>Phone:</b>	<b>407-254-6058</b>
<b>Item Name:</b>	<b>Briefing on the Proposed Administrative Committee for the LYNX Money Purchase and Deferred Compensation Plans</b>
<b>Date:</b>	<b>9/23/2010</b>

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LYNX, as the employer, is the Plan Administrator for both the LYNX Money Purchase Plan and Deferred Compensation Plan. As such, the employer/Plan Administrator has a number of responsibilities, duties and obligations in maintaining and operating each of the Plans. Unless an appointment is made to delegate these responsibilities and duties, the employer acts through its Board of Directors. For purposes of this, any reference to actions to be taken by LYNX in its capacity as employer or Plan Administrator means the LYNX Board of Directors unless otherwise specified. LYNX has general powers and responsibilities, including the power to appoint counsel, specialists, advisers, investment managers, agents (including any nonfiduciary agent) and other persons as the employer deems necessary or desirable in connection with the exercise of its fiduciary duties under this Plan, including the trustee and Administrator. Consistent with this power of appointment, LYNX has the obligation to periodically review the performance of any fiduciary or other person to whom duties have been delegated or allocated by it. Since LYNX is the Administrator, and has the power to appoint, it may appoint any person(s) to perform its duties as the Administrator. To date, LYNX has not done this.

**FUNCTIONS OF THE ADMINISTRATOR** - The primary responsibility of the Administrator is to administer the Plan for the exclusive benefit of the participants and their beneficiaries in accordance with its terms. It has the power and discretion to construe the terms of the Plan and to determine all questions arising in connection with the administration, interpretation, and application of the Plan. Benefits under this Plan will be paid only if the Administrator decides, in its discretion, that the applicant is entitled to them. The Administrator may establish procedures to carry out the purpose of the Plan, provided they are nondiscriminatory and shall comply with the terms of the Internal Revenue Code and Plan's document. An enumerated listing of the Administrator's duties includes, but is not limited to, the following:

- (a) the discretion to determine all questions relating to the eligibility of employees to participate in the Plan;
- (b) the authority to review and settle all claims against the Plan;

## LYNX Board Agenda

- (c) to compute, certify, and direct the trustee with respect to the amount of benefit to which any participant is entitled;
- (d) to authorize and direct the trustee with respect to disbursements from the trust;(e) to maintain all necessary records for the administration of the Plan;
- (f) to interpret the provisions of the Plan and to make and publish rules;
- (g) to compute and certify the amount of contribution to the Plan and advise the trustee accordingly;
- (h) to prepare and implement procedures to notify eligible employees of Plan provisions and changes;
- (i) to qualify any domestic relations orders received;
- (j) to assist any participant regarding the participant's rights, benefits, or elections available under the Plan; and
- (k) retain a record of actions taken, accountings, records, etc. necessary for proper administration of the Plan and shall be responsible for supplying all information and reports to any governmental agencies, participants and beneficiaries, as required by law.

# LYNX Board Audit Committee Agenda

## Audit Committee Agenda Item #3.F

**To:** LYNX Board of Directors

**From:** Edward Johnson  
CHIEF ADMINISTRATIVE OFFICER  
Mike May  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6058

**Item Name:** Update on Chief Executive Officer Search Activities

**Date:** 9/23/2010

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Mr. Pat Christiansen, LYNX Legal Counsel, will provide the Audit Committee with an update on the Chief Executive Officer's search process.

# LYNX Board Audit Committee Agenda

## 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:** 9/23/2010

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### November 2010

- Contract #08-C01 Authorization to exercise the first option year with Grovsenor Building Services for Janitorial Services

### December 2010

- No Activity

### January 2011

- No Activity

### February 2011

- No Activity

### March 2011

- Contract #08-C14 Authorization to exercise the first option year with Akerman Senterfitt for General Counsel Legal Services

### April 2011

- Contract #07-022 Authorization to exercise the second option year with Pride Enterprises for the Printing of Public Timetables
- Contract #07-C06 Authorization to exercise the first option year with Berman Property Management for the Pressure Washing of the LCS and Superstops.
- Authorization to Issued and Invitation for Bid for the printing of Schedule Books.

### May 2011

- Contract #06-C11 Authorization to exercise the first option year with Diamond Security for Security Guard Services.

## LYNX Board Audit Committee Agenda

- Contract #08-C04 Authorization to exercise the third option year with JEJ Associates for State Consulting Services.
- Contract #08-C05 Authorization to exercise the third option year with Gray Robinson for State Consulting Services.

### June 2011

- Authorization to issue an Invitation to Bid for 87 Octane Gasoline and Ultra Low Sulfur Diesel Fuel.

### July 2011

- No Activity

### August 2011

- No Activity

# LYNX Board Audit Committee Agenda

## Audit Committee Information Item #.II

**To:** LYNX Board of Directors

**From:** Bert Francis  
CHIEF FINANCIAL OFFICER  
Blanche Sherman  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6047

**Item Name:** Formal Notification of FY2010 Annual Audit from Cherry, Bekaert & Holland, L.L.P., Auditors

**Date:** 9/23/2010

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Attached, for your information, is a copy of the formal notification of the FY2010 audit that will be conducted by Cherry, Bekaert and Holland LLP. The LYNX Board of Directors awarded the contract at the July 2010 Board meeting. The audit is scheduled to be completed by March 2011.





August 25, 2010

Mr. Edward Johnson  
Interim Chief Executive Officer  
Central Florida Regional Transportation Authority d/b/a LYNX  
455 North Garland Avenue  
Orlando, FL 32801

This letter of arrangement between LYNX and Cherry, Bekaert & Holland, L.L.P. sets forth the nature and scope of the services we will provide, LYNX's required involvement and assistance in support of our services, the related fee arrangements and other terms and conditions designed to assure that our professional services are performed to achieve the mutually agreed upon objectives of LYNX.

## SUMMARY OF SERVICES

We will audit the financial statements of LYNX and perform agreed upon procedures for the National Transit Database report, as outlined by the Federal Transit Administration, as of and for the year ended September 30, 2010. Our audit will be performed pursuant to provisions specified in the Contract 10-C30 for Auditing Services (the "Contract"), dated August 25, 2010.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act, as amended; the provisions of OMB Circular A-133; and the Florida Single Audit Act, and will include tests of accounting records, a determination of major programs in accordance with Circular A-133 and the Florida Single Audit Act, and other procedures as deemed necessary to enable us to express such an opinion and to render the required reports. The objective of an audit is the expression of our opinion concerning whether the basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, we will report on the fairness of presentation of the schedules of federal and state financial assistance in relation to the financial statements taken as a whole. We will also perform tests of compliance as required by *Government Auditing Standards*, the provisions of OMB Circular A-133 and the Florida Single Audit Act, and issue our reports thereon.

If any of our opinions resulting from the procedures described above are other than unqualified, we will fully discuss the reasons with you in advance.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements. Should LYNX wish to include or incorporate by reference these financial statements and our report thereon into any official statement or any other document related to the offering of debt securities at some future date, we would consider our consent to the inclusion of our report into another such document at that time. However, we are required by auditing standards generally accepted in the United States of America to perform certain procedures before we can give our permission as to the inclusion of our report into another such document. You agree that you will not include or incorporate by reference these financial statements and our report thereon into any other document without our prior written consent.

Mr. Ronald A. Conrad, who will be responsible for assuring the overall quality, value, and timeliness of our services to you, will lead the engagement.

## **YOUR EXPECTATIONS**

As part of our planning process, we will discuss with you your expectations of Cherry, Bekaert & Holland, L.L.P., changes that occurred during the year, your views on risks facing you, any relationship issues with Cherry, Bekaert & Holland, L.L.P., and specific engagement arrangements and timing. Our service plan, which includes our audit plan, is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and to meet or exceed your expectations. Our service plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance.

## **FEE**

Our fees for the above outlined services are \$102,000, will be invoiced as the audit progresses and will be submitted in sufficient detail to demonstrate compliance with terms of the engagement.

## **LIMITATIONS OF THE AUDITING PROCESS**

Our audit will include procedures designed to obtain reasonable assurance of detecting misstatements due to errors or fraud that are material to the financial statements. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud.

For example, audits performed in accordance with GAAS are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that material misstatements due to errors or fraud, if they exist, may not be detected. Also, an audit is not designed to detect matters that are immaterial to the financial statements. In addition, an audit conducted in accordance with GAAS does not include procedures specifically designed to detect illegal acts having an indirect effect (e.g., violations of fraud and abuse statutes that result in fines or penalties being imposed on LYNX) on the financial statements.

As required by the State and Federal Single Audit Acts and OMB Circular A-133, our audit will include tests of transactions related to major federal and state award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, fraud, other illegal acts, or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial errors, fraud, or other illegal acts that do not have a direct effect on the basic financial statements or to major programs. It should be recognized that our audit generally provides no assurance that illegal acts will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. However, we will inform you with respect to material errors and fraud, or illegal acts that come to our attention during the course of our audit. We will include such matters in the reports as required for a Single Audit.

If, for any reason, we are unable to complete the audit, or are unable to form or have not formed an opinion on the basic financial statements, we may decline to express an opinion or decline to issue a report as a result of the engagement.

## **RESPONSIBILITIES AS TO INTERNAL CONTROLS**

As a part of our audit, we will consider LYNX's internal control structure, as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*, sufficient to plan the audit and to determine the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the basic financial statements. You recognize that the basic financial statements and the establishment and maintenance of an effective internal control over financial reporting are the responsibility of management. You also recognize that management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors, fraud, or illegal acts. An audit is not designed to provide assurance on internal control. As part of our consideration of LYNX's internal control structure, however, we will inform you of matters that come to our attention that represent significant deficiencies in the design or operation of the internal control structure, if any, as required by OMB Circular A-133 and the Florida Single Audit Act.

As required by OMB Circular A-133 and the Florida Single Audit Act, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements, applicable to each major federal and state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133 and the Florida Single Audit Act.

You are also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting LYNX involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting LYNX received in communications from employees, former employees, regulators, or others.

## **RESPONSIBILITIES AS TO COMPLIANCE**

Our audit will be conducted in accordance with the standards referred to in the section Summary of Services. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 and the Florida Single Audit Act require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 and Florida Compliance Supplements for the types of compliance requirements that could have a direct and material effect of each of LYNX's major programs. The purpose of those procedures will be to express an opinion on LYNX's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133 and the Florida Single Audit Act.

## **REPRESENTATIONS FROM MANAGEMENT**

Management is responsible for the fair presentation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America, for making all financial records and related information available to us, and for identifying and ensuring that LYNX complies with the laws and regulations applicable to its activities. Management is also responsible for adjusting the financial statements to correct material misstatements. Additionally, as required by OMB Circular A-133 and the Florida Single Audit Act, it is management's responsibility to follow up and take corrective action on prior audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings and the corrective action plan should be made available to us during the course of our engagement. Management, at the conclusion of the engagement, will provide to us a representation letter that, among other things, addresses these matters and confirms certain representations made during the audit, including, to the best of their knowledge and belief, the absence of fraud involving management or those employees who have significant roles in the entity's internal control, or others where it could have a material effect on the basic financial statements. The representation letter will also affirm to us that management believes that the effects of any uncorrected misstatements aggregated pertaining to the current year financial statements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Cherry, Bekaert & Holland, L.L.P. will rely on LYNX's management providing these representations to us, both in the planning and performance of the audit, and in considering the fees that we will charge to perform the audit.

## **COMMUNICATIONS**

At the conclusion of the engagement, we will provide management, in a mutually agreeable format, our recommendations designed to help LYNX make improvements in its internal control structure and operations, and other matters that may come to our attention (see "Responsibilities as to Internal Controls" above).

As part of this engagement we will ensure that certain additional matters are communicated to the appropriate members of management and the LYNX Board of Directors. Such matters include (1) our responsibility under auditing standards generally accepted in the United States of America; (2) the initial selection of and changes in significant accounting policies and their application; (3) our independence with respect to the entity; (4) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusion regarding the reasonableness of those estimates; (5) audit adjustments that could, in our judgment, either individually or in the aggregate be significant to the financial statements or our report; (6) any disagreements with management concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements; (7) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (8) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and (9) serious difficulties that we encountered in dealing with management related to the performance of the audit.

### **ACCESS TO WORKING PAPERS**

The working papers for the engagement are the property of Cherry, Bekaert & Holland, L.L.P. and constitute confidential information. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

The workpapers for this engagement will be retained for a minimum of five years after the date the auditors' report is issued or for any additional period requested by LYNX. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the workpapers.

Our Firm, as well as all other major accounting firms, participates in a "peer review" program, covering our audit and accounting practices. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

### **USE OF THIRD PARTY SERVICE PROVIDERS**

The firm may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of our information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-part service provider. Furthermore, the firm will remain responsible for the work provided by any such third-party service providers.

**SUBPOENAS**

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request.

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call Ronald A. Conrad at 407-423-7911.

Very truly yours,

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

*Cherry, Bekaert & Holland, L.L.P.*

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of the LYNX.

By: *Shel L. Johnson*

Title: *Interim Chief Executive Officer*

Date *27 Aug 10*



September 10, 2010

To the Board of Directors and Audit Committee Members of  
Central Florida Regional Transit Authority

We are engaged to audit the financial statements of Central Florida Regional Transit Authority (the "Authority") for the year ending September 30, 2010. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

**Our Responsibilities under U.S. Generally Accepted Auditing Standards, OMB Circular A-133, and the Florida Single Audit Act**

As stated in our engagement letter dated August 25, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Florida Single Audit Act.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133 and the Florida Single Audit Act, we will examine, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and State of Florida Compliance Supplements applicable to each of its major federal and state programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Authority's compliance with those requirements.

**Planned Scope and Timing of the Audit**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will communicate our significant findings at the conclusion of the audit.

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

Very truly yours,

**Cherry, Bekaert & Holland, L.L.P.**

*Cherry, Bekaert & Holland, L.L.P.*