

LYNX Audit C mmittee Agenda

Central Florida Regional Transportation Authority

455 N. Garland Ave.

2nd Floor Board Room

Orlando, FL 32801

Board Date: 4/24/2008

Time: 9:30 AM



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

1. Call to Order

2. Approval of Minutes

-  Minutes from the March 27, 2008 Audit Committee meeting (pg 2)

3. Audit Agenda Items



- A.  Fiscal Year 2008-2009 Budget Development Assumptions (pg 7)
- Attachment 

4. Review of Board Package: 4/24/2008

- A. Review and discussion of Consent Agenda Items
- B. Review and discussion of Action Agenda Items

5. Information Items

(For Review Purposes Only - No action required)

- I.  LYNX Board of Directors' 12-month Rolling Calendar of Agenda Items (pg 14)
- II.  Florida Commission for the Transportation Disadvantaged Return on Investment Study (pg 16)

LYNX
Central Florida Regional Transportation Authority
Audit Committee Meeting Minutes

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

DATE: March 27, 2008

TIME: 9:35 a.m.

Members in Attendance:

Seminole County Commissioner, Carlton Henley, Chair
Osceola County Commissioner, Bill Lane, Vice Chair
FDOT Intermodal Systems Development Manager, Frank Hickson
Orange County, Carla Bell Johnson, Growth Management
City of Orlando, Roger Neiswender, Director of Transportation

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

1. Call to Order

The Chairman, Commissioner Carlton Henley, called the meeting to order at 9:35 a.m.

2. Approval of Minutes

Motion was made and seconded to approve the Minutes of the February 28, 2008 Audit Committee meeting. The motion passed unanimously.

3. Audit Agenda Items

A. LYNX Operations Center

The Chairman recognized Bert Francis, Chief Financial Officer, for a project update.

Under the terms of the settlement agreement between LYNX and Collage, Collage had sixty (60) days to complete punch list items. As that deadline approaches, there are some items that remain to be completed:

- 1) Test and Balance report for the HVAC system did not include a report for Building B and did not conform to the submittal requirements in the specifications.
- 2) We have received some but not all "As Built" drawings.
- 3) We have received some but not all warranties and operations manuals.
- 4) Six (6) security doors still need power and may need transformers.

LYNX continues to hold the Contract retainage in the amount of \$250,000 until the punch list items are complete. Additionally, LYNX is holding retainage of \$100,000 until it has received a lien release from all subcontractors.

Once the Collage contract is completed, LYNX will completely identify and price items that were either removed from the project budget or not in the original design and contract scope. Staff is currently developing a scope of work and cost estimate.

B. Update on the City of Orlando Shelter Program

The Chairman recognized Pat Christiansen, LYNX General Counsel, to provide the update.

Staff has been working with the City of Orlando for more than two (2) years to develop a bus shelter program. In July, 2007 the Board of Directors approved a draft Inter-local Agreement which subsequently has gone through several revisions. When the agreement was submitted to the City for its review and adoption, additional concerns were raised that furthered the discussion on certain key components of the agreement. Topics of discussion included the number of shelters to be constructed, location of shelters, exclusivity to the agreement, use of revenue generated from shelter advertising, indemnification, cost to remove shelters, and term of the agreement.

The continued negotiations have resulted in an agreement that Staff is confident will soon go to the City Council for approval. Contemplating that approval, staff is requesting authorization for the CEO to execute a ten (10) year Inter-local Agreement with the City of Orlando to implement the bus shelter program in the form generally comparable to the one which is submitted providing the CEO approves such changes and the changes do not substantially increase the obligations of LYNX and issue a Request for Proposal for the administration of the bus shelter program.

Once the Agreement has been reached and approved, LYNX will issue a Request for Proposal (RFP) to secure a contractor that will assist with site location, fully install and maintain the shelters, sell advertising and receive a share of sales proceeds.

C. Presentation on the annual financial audit and Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2007

The Chairman recognized Bert Francis, Chief Financial Officer, to introduce Ron Conrad, partner with the firm of Cherry, Bakeart & Holland, LLP, to make the presentation.

Pursuant to Federal and State regulations, LYNX engaged Cherry, Bakeart & Holland, an independent certified public accounting firm, to conduct the financial audit for fiscal year ended September 30, 2007.

The auditors have issued an unqualified “clean” opinion on the financial statements. Results of tests performed of the Authority’s compliance with certain provisions of laws, regulations, contracts and grant agreements disclosed no instances of noncompliance.

In planning and designing our auditing procedures, we considered the Authority’s internal control over financial reporting as a basis. The consideration of internal control was limited and was not for the purpose of identifying deficiencies that might be significant. However, a deficiency in internal control over financial reporting that was considered significant but not a material weakness was identified as a year end journal entry relating to compensated absences.

The status of prior year audit recommendations and recommendations based on the current year audit are noted in the Management Letter Comments, Appendix A. The majority of these recommendations were IT related. LYNX Staff concurred with the Audit team’s comment related to resolving prior year outstanding balances with Federal Transit Authority (FTA).

There were no new significant accounting policies implemented this year; however, in the future, policies on post employment benefits and pension disclosures will be implemented and reviewed.

D. Update on the Florida Transportation Commission (FTC) Transportation Authority Monitoring and Oversight Report

The Chairman recognized Edward Johnson, Chief of Staff, to provide the update.

After reporting to the Committee in December, 2007 on the directive from the Florida Legislature to the Florida Transportation Commission on performance oversight of transportation agencies established under Chapter 343 and 348, Florida Statutes, the FTC established twelve performance measures and six governance adherence criteria. Each measurement was assigned a goal; however, some goals were based on previous years’ trends and other on industry standards.

The FTC submitted its draft report for the FY2007 reportable year. LYNX met the objectives of five performance measurements and all of the governance criteria. Inasmuch as LYNX has made improvements in order to meet all measurements, there are areas that are out of its control.

As in the measure of Average Headway, a significant investment of capital and personnel would be needed to increase headways. Although the improvements made in 2007, could be offset in the future by service reductions.

There are four measures whose criteria are based on operating expenses. By using prior year trends in the calculations, adjustments were not made for increased fuel and healthcare costs. Additionally, LYNX incurred one-time costs associated with construction delays.

LYNX' aging fleet as well as initial failures of emissions equipment on the newer fleet reduced the Revenue Miles between Failures. With the LYNX Operations Center transition complete and the facility functional, the preventative maintenance programs, and the procurement of 35 buses being added to the fleet later this year, this measure should improve in the future.

4. Review of Board Package

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

Consent Agenda:

1. Staff will request authorization to execute a three month contract extension with FDOT for the Road Ranger Assistance Program that will complete the second one-year option to continue the existing program. The program was initiated in May, 1998, and stranded motorists have received a great deal of value from it. We feel it is LYNX' mission to enhance the movement of people and goods throughout Central Florida by reducing congestion through a full array of transportation services; therefore, LYNX is pleased to enter into this extension and more than likely a longer term agreement that will should come to the Board in May.
2. Staff will request authorization to execute Amendment #6 to the Medicaid Non-Emergency Transportation (NET) services agreement with the Florida Commission for the Transportation Disadvantaged (CTD) to add funding to the Agreement for March, 2008 through June, 2008. Under a previous Amendment, the Agency for Health Care Administration (AHCA) began utilizing Medicaid Health Maintenance Organizations (HMOs) to provide transportation services to their enrollees and reduced allocations to NET providers proportionately. In this Amendment, AHCA has moved those customers and trips back into the coordinated systems. As the Community Transportation Coordinator and Subcontracted Transportation provider, LYNX assumes those customers and trips. The funding that had previously been removed from our system and given to the HMOs is being returned to LYNX in Amendment #6.
3. Staff will request authorization to transfer 19 buses and related components to various agencies. After the recent purchase of 40 new revenue vehicles, LYNX Maintenance staff identified 39 revenue vehicles for retirement. Metro Area Transit Authority in Omaha, Nebraska and other agencies have expressed an interest in the transfer to their agency. In addition to Board approval, the transfers will require FTA approval in order to waive or transfer any outstanding obligation associated with the vehicle components which is currently valued at \$24,913. The remaining 20 buses will be disposed of at public auction along with other surplus items.

Staff will request authorization to re-approve an Inter-local Agreement with the City of Orlando to implement a bus shelter program within the City's jurisdiction and issue a Request for Proposal (RFP) to administer the program. As Mr. Christiansen provided in his update, the continued negotiations have resulted in an agreement that Staff is confident will soon go to the City Council for approval. Contemplating the approval, staff is requesting authorization for the CEO to execute a ten (10) year Inter-local Agreement with the form generally comparable to the one which is submitted providing the CEO approves such changes and the changes do not substantially increase the obligations of LYNX. Once the Agreement has been reached and approved, LYNX will issue a Request for Proposal (RFP) to secure a contractor that will assist with site location, fully install and maintain the shelters, sell advertising and receive a share of sales proceeds.

Action Agenda:

1. Staff will request acceptance of the results of the Fiscal Year 2007 Year-End Financial Audit Report. As Mr. Conrad, partner in the firm of Cherry, Bekaert & Holland, LLP, provided in his presentation, the auditors have issued an unqualified "clean" opinion on the financial statements. Results of tests performed of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements disclosed no instances of noncompliance.

Information Items:

1. The Board has been notified by the City of Altamonte Springs that they cannot proceed with the FlexBus project at this time. Inasmuch as, local and private funding remains programmed and committed, the State has indicated it cannot program additional funding for the project and the federal government has not provided construction funding.

As a point of interest, the Chief Executive Officer announced that LYNX has on display a 60' Articulated Bus; the longest bus currently in the LYNX fleet is 40'. This bus has been purchased by the transit agency in Cleveland, Ohio. The bus on display is similar to the Articulated Bus that LYNX has under contract through Seattle, Washington; however, this one is a newer design. The new design has an additional cost. Inasmuch as there is a higher capital cost associated with the purchase of the Articulated Bus, more passengers can be carried per trip thereby reducing overhead costs

Meeting adjourned at 10:10 a.m.

Audit Committee Agenda Item #3.A

To: LYNX Board of Directors

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

Presented By: Bert Francis

Phone: 407.841.2279 ext: 6047

Item Name: Fiscal Year 2008-2009 Budget Development Assumptions

Date: 4/24/2008

Staff is in the process of developing the FY 08-09 Operating and Capital Budgets. The key assumptions that the LYNX' budget team will use in the preparation of these budgets will be presented. This item gives the Audit Committee an opportunity to provide direction and feedback to management at the beginning of the budget development process. Staff will also present the budget calendar for the FY09 budget.

FY09 Budget Development Assumptions

Presented by Albert J. Francis II, CPA
To the LYNX Audit Committee
April 24, 2008



Key Budget Assumptions

- Prepare “Status Quo” budget
- Include revised “Level of Service” and timetable for implementation
- Basis of funding will be done on the Regional Model
- Funding Partners affected by Property Tax reform
- Decisions to continue service originally funded with Service Development Grants
- New Grant Programs
- No additional Fare Increase
- Maintain current level of Federal Preventive Maintenance Funding for Operating Budget
- Capital Funding Needs
- Other Cost Saving Methods



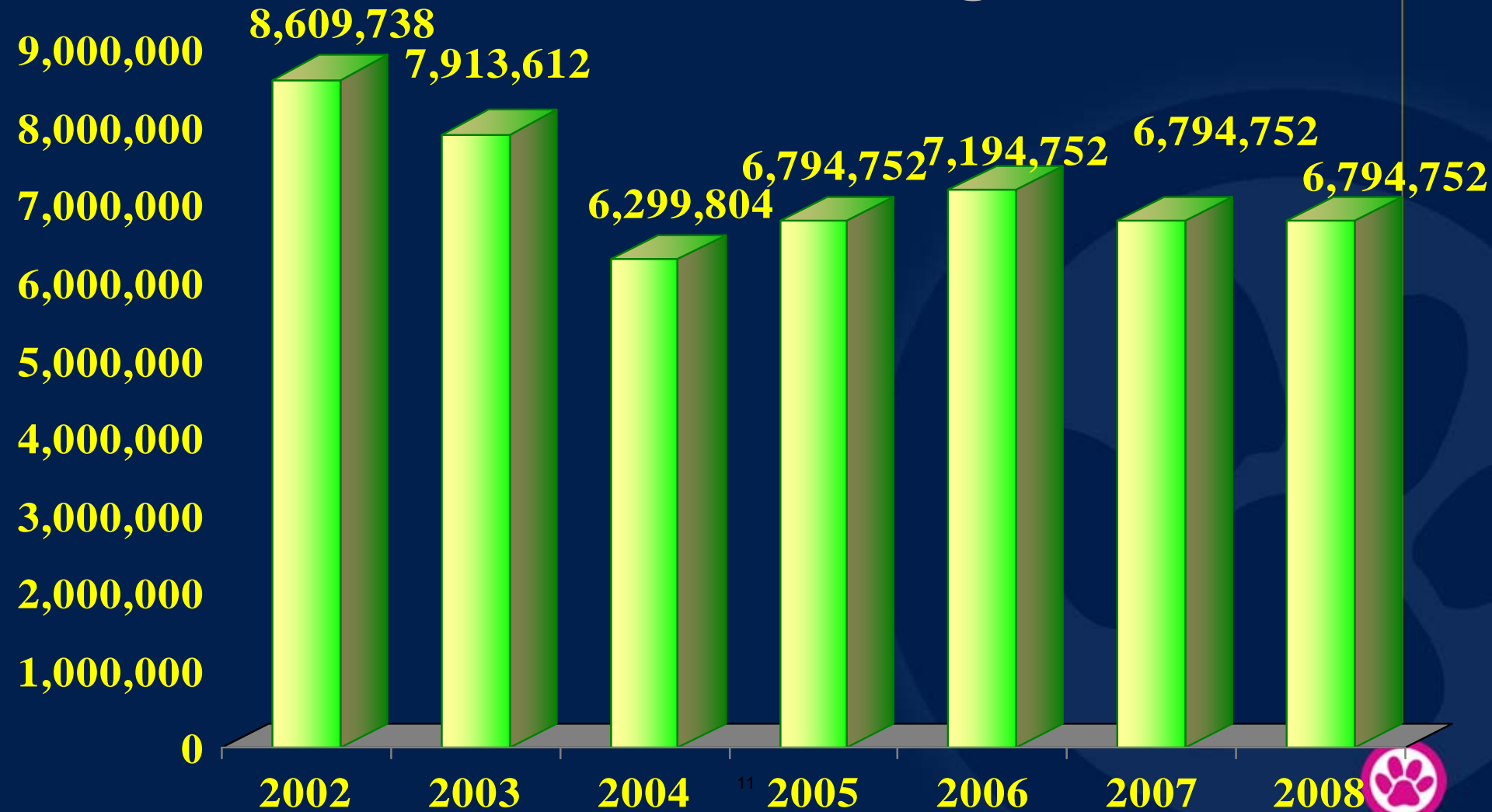
Key Budget Assumptions

- Base Budget (Status Quo – No Increase in Head Count)
- Fuel
- Third year of Union Contract
- New Supervisor Union contract
- Full year impact of LOC
- Purchased Transportation Services
- OPEB Requirements
- No utilization of Reserves this year
- Status of Road Rangers Program





Federal Preventive Maintenance Funding



Federal Preventive Maintenance as a Percentage of the Operating Budget



Budget Calendar

Key Budget Assumptions Presentation to Audit Committee

April 24th

Present to LYNX Board

June 26th

Funding Request Letters Submitted to Funding Partners Proposed Budget

May/June

Proposed Budget/Funding Requests Presented to Osceola & Orange Counties

July

Proposed Budget/Funding Request Presented to Seminole County

August

Final Board Action

**September
25th**

Budget Year 08 - 09 Commences

October 1st



Audit Committee Information Item #.I

To: LYNX Board of Directors

From: Edward Johnson
CHIEF OF STAFF
Rich Bannon
(Technical Contact)

Phone: 407.841.2279 ext: 6058

Item Name: LYNX Board of Directors' 12-month Rolling Calendar of Agenda Items

Date: 4/24/2008

In an effort to provide the LYNX Board of Directors with advanced notice of items that require Board action, staff will provide a 12-month rolling calendar listing critical items that will be on future Audit Committee and Board of Director agendas. The purpose of this document is to make the best forecast; however, periodically staff may be required to adjust the dates by which items will be presented to the Board of Directors.

LYNX Board of Directors 12-month Rolling Calendar of Agenda Items April 2008

May 2008

May 2008 Board of Directors meeting tentatively cancelled.

June 2008

- Authorization to release IFB for Maintenance uniforms
- Adoption of the Transit Development Plan (TDP) Minor Update for FY09-16
- Authorization to execute Memorandum of Agreement with Florida CTD for LYNX to continue as CTC
- Authorization to execute Amendment #7 of the Agreement with the Florida CTD to provide Medicaid Non-emergency Transportation Services
- Authorization to award contract for Operator uniforms
- Authorization to issue IFB for bus/vehicle parts
- Authorization to award contract for interactive voice response system
- Present FY2009 Budget
- Authorization to issue an RFP for printing and encoding of fare cards

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July 2008

- Authorization to execute 6-month option for gasoline contract
- Authorization to execute 6-month option for diesel fuel contract

August 2008

- Authorization to provide coin telephone services at LYNX operating and administrative facilities
- Adoption of the annual operating and capital budget
- Authorization to execute the 1st one-year option for the consultant team program for urban design, transportation planning, technical studies and geographical information systems under Contract #05-003
- Approval of LYNX' DBE goal

September 2008

- Authorization to accept the FY2009 Operating and Capital Budget
- Authorization to execute local funding agreements
- Annual Board of Directors' selection of officers

October 2008

- Acceptance of the Chief Executive Officer (CEO) annual appraisal
- Authorization to execute the 1st one-year option of the consultant team program contract for architecture and engineering under Contract #05-002
- Authorization to execute second (and final) option year of contract with Quest, Inc. to provide ADA Functional Assessments
- Authorization to release RFP to perform ADA Functional Assessments
- Authorization to award contract for Maintenance uniforms
- Authorization to award contract for heavy duty transit buses

November 2008

No Board of Directors' meeting

December 2008

- Authorization to submit annual appropriations grant to FTA
- Authorization to submit grant applications to the FDOT for rural transportation services

January 2009

- Review staff recommendations for FY09 legislative priorities

February 2009

- Adoption of FY09 legislative priorities

Audit Committee Information Item #.II

To: LYNX Board of Directors

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

Phone: 407.841.2279 ext: 6036

Item Name: Florida Commission for the Transportation Disadvantaged Return on Investment Study

Date: 4/24/2008

Recently, Florida State University conducted a Return on Investment study for the statewide Transportation Disadvantaged program (including all funding sources) and found that there is a return to the State of \$8.52 for every dollar that the State contributes to the Transportation Disadvantaged program. Below is an Executive Summary of the Study.

Florida Commission for the Transportation Disadvantaged Return on Investment Study Executive Summary

The “transportation disadvantaged” in the state of Florida are defined as those individuals who because of age, disability, or income restraints, do not have access to conventional public transportation options. Even though it was reported that state and local spending on transportation disadvantaged programs totals in the hundreds of millions of dollars, no attempt has been made yet to assess what state or local governments receive for their investment in transportation disadvantaged programs. Thus, the purpose of the current study was to calculate the return generated by funds invested by the State of Florida on transportation disadvantaged programs.

There are five common types of transportation disadvantaged programs. These programs provide state government with both direct and indirect benefits. The results of calculating these benefits are shown below:

Medical – The primary purpose of medical trips is to provide preventive medical care to the transportation disadvantaged citizens who have no other way of receiving these services. Given that nursing home costs in Florida average approximately \$5,000 per month, daily hospital stays average approximately \$7,900, and adult day care costs ranged from \$25 to \$100 a day, the benefit that results from providing transportation to preventive medical care is substantial based on the state’s ability to avoid funding assisted living costs. Conservative assumptions were used to identify the return on investment, or payback to the State of Florida. Specifically, if one percent of the trips funded result in the avoidance of a hospital stay, the payback to the State is 1,108%, or about \$11.08 for each dollar the State invests in this program. The State will also benefit from healthier citizens and a reduction in the need to invest in such programs as Medicare/Medicaid to fill the need for medical care for these transportation disadvantaged clients.

Employment – The purpose of employment trips is to provide transportation to employment for transportation disadvantaged citizens. It was estimated that these citizens would work about six hours per day at minimum wage (\$6.79/hour). The payback to the State, based on this highly conservative estimate is 543%, or \$5.43 for each dollar invested by the State in this program. The State will also benefit by allowing transportation disadvantaged residents to work outside their homes. Not only does this reduce welfare costs, it also provides income that is spent within the state, thereby providing a direct stream of income to state and local governments through the state’s six percent sales tax and local taxes.

Education – This type of mobility funded by the State of Florida is to provide access to educational and job training programs for transportation disadvantaged citizens. This enables these citizens to become eligible for employment outside of the home. If the education/training program requires 30 days (30 trips), the benefits accruing to the State were estimated on the basis that the rider would work an equal number of days (30) as the training at minimum wage (\$6.79) for six hours daily. However, this most likely underestimates the program benefits since those receiving job training are likely to work more than the same number of days as they trained. Thus, the payback to the State using this highly conservative estimate is 557%, or \$5.57 per each dollar invested by the State in this program. The State will also benefit from an improvement in mental and physical health of those transportation disadvantaged citizens participating, as well as a reduction in unemployment benefits that are funded by the State.

Nutrition – The purpose of nutrition trips is to provide mobility for transportation disadvantaged citizens to shop for groceries or otherwise satisfy their nutritional needs. Nutrition-related purchases are generally not subject to state sales tax, so to generate a return on investment, it was assumed that 1 out of 100 nutritional trips results in being able to avoid a hospital stay as a direct result of having access to these nutritional trips. Thus, the payback to the State is 1,252%, or \$12.52 per each dollar invested by the State in this program. The State will also benefit from increased overall health and well-being for these individuals and a reduction in the need to fund health care programs such as Medicare/Medicaid to assist these individuals.

Life-Sustaining/Other – The purpose of life-sustaining trips is to provide transportation to pay bills and to fulfill other shopping needs, such as purchasing clothing, medications, personal services, and other essential goods and services. It was assumed that each trip generates \$20 in

LYNX Board Audit Committee Agenda

incremental spending on taxable items. The payback to the State is 436%, or \$4.36 per each dollar invested by the State. The State also benefits by a reduction in the need to fund assisted living facilities, as this service enables these citizens to live independently. The State also benefits from state sales tax collected during these purchases.

Overall, the State of Florida invested \$372,264,302 in these transportation disadvantaged programs in 2007. These funds generated benefits of \$3,172,813,246, which is a payback of 852%, or \$8.52 per each dollar invested in these programs. Again, these figures were generated using extremely conservative estimates, therefore, the return on investment could be substantially higher, especially medical trips since they potentially represent the most cost-efficient method for diverting more expensive hospital stays. This study has shown that transportation disadvantaged programs are an excellent investment and worthy of continued study and funding.