

LYNX Board Audit Committee Agenda

Central Florida Regional Transportation Authority

455 N. Garland Ave.

2nd Floor Board Room

Orlando, FL 32801

Board Date: 4/27/2006

Time: 10:30 AM


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

1. Call to Order


2. Approval of Minutes

-  Approval of the March 24, 2006 Audit Committee Meeting Minutes (pgs. 2-5)

3. Audit Agenda Items

- A.  Presentation on Florida Retirement System (pgs. 6-13)


- Presentation 

- B.  Presentation of the Preliminary FY06-07 and FY07-08 Operating and Capital Budgets (14)

4. Review of Board Package: 4/27/2006

5. Information Items

(For Review Purposes Only - No action required)

- I.  Bus Stop Maintenance Cost Analysis (pgs. 17-19)

LYNX
Central Florida Regional Transportation Authority
Audit Committee Meeting

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

DATE: March 24, 2006

TIME: 10:30 a.m.

Audit Committee Members in Attendance:

Osceola County Commissioner Atlee Mercer, Chair
Orange County Commissioner, Homer Hartage
FDOT District 5 Secretary, George Gilhooley
City of Orlando, Roger Neiswender

Not in Attendance:

City of Orlando, Mayor Buddy Dyer
Seminole County Chair, Carlton Henley, Vice Chair

1. Call to Order

The meeting was called to order at 11:00 a.m.

2. Approval of Minutes

Secretary George Gilhooley moved to approve the minutes of the February 23, 2006 Audit Committee meeting. Commissioner Homer Hartage seconded, and the motion passed unanimously.

3. Audit Agenda Items

A. Presentation on the annual financial audit and Comprehensive Annual Financial Report (CAFR) for fiscal year ending September 30, 2005

Ron Conrad, Partner with Cherry Bekaert & Holland, presented the Comprehensive Annual Financial Report (CAFR) to the Board of Directors. Mr. Conrad listed the items in the report which included the Management Letter, Letter of Transmittal, Certificate of Achievement, as well as Management's Discussion and Analysis and the Basic Financial Statements. There is also a statistical section which discusses operating expenses over the past ten fiscal years, as well as revenues by source for the past ten fiscal years.

Mr. Conrad reported on the 2005 financial highlights. There was a \$158,000 increase in unrestricted net assets. There was a 9% increase in operating expenses before depreciation. Mr. Conrad explained that fuel costs did increase this year which contributed to the increase in operating expenses.

Capital assets include the LYNX Central Station which is now complete, the LYNX Operating Center, which is currently under construction, and bus purchases.

Mr. Conrad went on to discuss the balance sheet. He indicated that LYNX has quite a few grant receivables; i.e., Medicaid, Federal, State, Local, with respect to what the organization is providing services.

Chairman Mercer asked if the age of the receivables, the way they are being tracked, the stress that it is putting on the organization, the 20% increase over the previous year, is an issue or is that just normal. Mr. Conrad explained that the aging of the receivables is based on the timing at the end of the year. Some of it is based on the increase in operations. There was a management letter comment last year with respect to Medicaid billings and there was an issue at the State where some of these things went all the way back to 2003. LYNX has been cleaning up quite a bit in the last year.

Mr. Conrad explained that part of their responsibility under government auditing standards is to look at internal control system, financial statement and compliance.

The only new policy that was adopted this year was a policy with regard to disclosure of investments.

Chairman Mercer thanked Mr. Conrad for his efforts this year. Chairman Mercer remarked that the audit this year seems to have gone very smoothly.

B. Request for Proposals for Paratransit Services

Bill Hearndon, ACCESS LYNX, introduced Russell Thatcher, Sr. Transportation Planner, TranSystems, Inc. Mr. Thatcher was contracted to work with staff to review the last RFP for paratransit services and to develop a new RFP for the next 3-5 years of operation.

Mr. Thatcher explained some of the key changes that have been made to the RFP. The key changes include:

- Use of MDT/CAD/AVL system to increase provider productivity, system efficiencies, and customer satisfaction
 - In addition to building the technology into the RFP, there was a need to make sure the contractor selected is able to use this technology. Part of the RFP is for periodic training and retraining of staff in the effective use of reservations, scheduling, dispatch system, and the technologies to be provided.
 - Also looking at the latest technology which is called Event Activated Camera Systems on vehicles. This is being used effectively for monitoring driver performance and driving safety issues

Chairman Mercer asked if this would be an option to be proposed on. Mr. Thatcher explained that it would be a net cost listed in the capital vehicle cost for providing cameras. He went on to explain that many of the national carriers are offering the camera systems at no cost on their vehicles because they are saving as much on the insurance and accident investigation costs.

- Fleet age, mileage, and configuration limitations

- The goal is to set maximum age and mileage on the vehicles. This is important because the configuration of fleets is important for efficiency and there is a need to manage maintenance costs, breakdowns, etc.

Ms. Watson asked if other systems throughout the country own their vehicles. Mr. Thatcher responded that it depends on the situation of the transit agency in terms of available capital. Ms. Watson stated that it would dramatically reduce the cost in operations and maintenance if LYNX owned the vehicles. LYNX has been successfully using 100% federal funds by using toll credits as the local match which means not putting any local cash into local equipment. The problem is LYNX is so far behind on replacing buses that all the federal funds received goes to bus replacement; therefore, there are no remaining funds left over to buy paratransit vehicles.

Chairman Mercer would like to look very seriously at the impact on the fixed route age of fleet in incorporating the payment for those vehicles into the paratransit proposal because in the end analysis it all comes out of Orange, Osceola, and Seminole county's budget.

Mr. Thatcher explained that the way the RFP is set-up the proposers will list, in the fixed cost portion of their proposal, their price for vehicles. It will be stated as a monthly lease cost or a monthly depreciation cost per vehicle. Then, a decision can be made, by looking at the capital available and what that would cost locally as to either providing the vehicles or have the contractor provide the vehicles.

Ms. Watson mentioned that in LYNX' federal legislative priorities, paratransit vehicle replacement has been listed and everyone has been told that the number one priority is buses; however, if there is more money available, LYNX must replace the paratransit fleet, if possible. Also, if the cost to LYNX for vehicles is high, a SIB loan may be considered

Commissioner Hartage asked, if one of the counties advanced \$2 million for these buses, could LYNX get 80% back and refund the counties? Chairman Mercer responded that LYNX could pay the county back at anytime; however, when LYNX pays the county back, LYNX cannot get fixed route buses with that amount of money.

Commissioner Hartage recommended rolling this into the budget presentations to the counties and provide an option to participate.

- Staffing requirements, stability, and limited turnover
 - Set goals for maximum turnover for driver and other operating positions.
Incentives and disincentives to meeting those turnover goals
- Fixed cost, plus variable rate reimbursement
- Incentive and disincentive program
 - Insures both quality of service, as well as service efficiency. Minimum and maximum productivity goals have been set and incentives and disincentives for meeting those goals.
- Checks, balances, and program monitoring

- Very specific operating policies and practices are included so contractor knows exactly what they are expected to do in reservations, scheduling, dispatch, road supervision, etc. It also details what the contractor has to do to document each part of the operation.

Included with the advanced technology will be the capability for staff to view, real-time scheduling and dispatching screens remotely. In addition to a state-of-the-art automatic call distribution system (telephone system), it will now be a recording system that will record non-administrative lines, reservation, and dispatch lines so if there are questions or complaints about professionalism or how trips were treated and handled, there is an ability to scan, sort, call-up, and listen to the phone calls.

Ms. Watson explained that LYNX is currently paying a per trip rate for the service but will be going to a variable rate in combination with a fixed rate. This is also an incentive for the contractor to combine trips and not necessarily do single trips.

Chairman Mercer commented that an overly restrictive operating procedure tends to reduce original thinking.

4. Review of Board Package

Ms. Watson gave an overview of the Board agenda.

Ms. Watson mentioned that the Board has asked staff to look at the internal cost of bringing the shelter maintenance and bus stop maintenance program in-house. Staff will make a presentation at the April Audit Committee meeting.

Commissioner Hartage brought up the discussion of the counties making a loan to LYNX for the purchase of paratransit vehicles. He asked for a breakdown showing the net savings to LYNX and the cost to the county so the Commissioner's could bring this information to the county budget meetings.

Chairman Mercer asked Bert Francis, CFO, to compile the information and bring it to the Audit committee in April.

5. Information Items

Chairman Mercer called the Board's attention to the pension plan quarterly report and the budget schedule.

The Audit Committee meeting ended at approximately 11:40 p.m.

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Audit Committee Agenda Item #3.A

To: LYNX Board Of Directors

From: **Sylvia Mendez**
CHIEF ADMINISTRATIVE OFFICER
Desna Hunte
(Technical Contact)
Bert Francis II
(Technical Contact)

Phone: 407.841.2279 ext: 3129

Item Name: Presentation on Florida Retirement System

Date: 4/27/2006

During the February Audit Committee meeting, Mr. Scott Penvose addressed the committee regarding LYNX rejoining the Florida Retirement System. Bert Francis, Chief Financial Officer was asked to review the information provided and to bring findings to the Audit Committee. Sylvia Mendez, Chief Administrative Officer, and Bert Francis will provide the committee with an update of this project.

Florida Retirement System (FRS) Participation

LYNX Audit Committee Presentation
April 27, 2006



Purpose

- Identify actions required to participate in the Florida Retirement Systems
- Provide Overview of FRS Benefit Plans
- Discuss challenges
- Discuss Next Steps



LYNX Participation

- LYNX chose to withdraw from participation in 1994
 -
- LYNX is identified as an independent special district of the State and thus may rejoin at any time
- If LYNX elects to rejoin, all future employees must participate in FRS



LYNX Participation

- LYNX may not opt out again unless the Legislature provides this opportunity
-
- LYNX must make a determination whether it can or wishes to allow current participants to continue in the Money Purchase Plan



FRS Benefit Overview

- FRS Pension Plan
(Defined Benefit Plan)
 - Vesting: Six years
Portable: No (limited to other FRS systems)
Benefit Formula: $13\text{yrs} * 1.6\% = .208$
Assume Avg. Compensation = \$30,000
Annual Benefit = \$7,280
- * If Option 1 is elected
 - Cost of Living Adjustment: 3% Currently
 - Retiree Health Insurance Subsidy:
 - Minimum of \$30
 - Maximum of \$150



FRS Benefit Overview

- FRS Investment Plan
(Defined Contribution)

Portable: Yes ■

Benefit: Determined by ending
account balance

Initial Account Balance
Plus
Employer Contributions
Plus
Investment Earnings



LYNX Participation Costs

- Cost must be determined as related to:

Purchase of Prior Service Cost

Individual Salary * number or years of service * average employer contribution since 1994 with a 6.5% interest compounded annually.

$$\begin{array}{l} \text{EX: Yr 1 } 30,000 * 17\% = 5,100 \\ \text{Yr 2 } 35,000 * 18\% = 6,300 \\ \text{Yr 3 } 40,000 * 16\% = 6,400 \\ \text{Yr 4 } 45,000 * 15\% = \underline{6,750} \\ \qquad \qquad \qquad \qquad \qquad \qquad 25,550 \end{array}$$

25,550 * 4 yrs service * 6.5% interest compounded



Next Step

- Identify level of Interest to determine accurate potential cost to LYNX
- Identify Termination Provisions of Money Purchase Plan
- Identify whether or not vested employee can relinquish vested dollars to LYNX for purchase of prior service



LYNX Board Audit Committee Agenda

Audit Committee Agenda Item #3.B

To: LYNX Board Of Directors

From: **Linda Watson**
CHIEF EXECUTIVE OFFICER
Bert Francis II
(Technical Contact)
Kevin Plasterer
(Technical Contact)

Phone: 407.841.2279 ext: 3017

Item Name: Presentation of the Preliminary FY06-07 and FY07-08 Operating and Capital Budgets

Date: 4/27/2006

BACKGROUND

On February 23, 2006, staff presented budget assumptions and the budget calendar to the LYNX Audit Committee for discussion and input prior to development of the FY 2007 budget. Based on the discussion, it was determined that LYNX needed to:

- Develop and implement a 2-year budget for FY07 and FY08.
- Determine the level of new service (based on TRIP funds, Service Development grants, the Comprehensive Operations Analysis, local requests, etc.)
- Add no new positions unless economically justifiable
- Reduce utilization of federal Preventive Maintenance funding for operations
- Build operational reserves
- Provide a cost of living adjustment based on the funding partners' adjustments
- Speed up the budget development process by approximately 2 months to synchronize the process with all the funding partners

Additionally, it should be noted that this budget does NOT include any increase in service based on recommendations from the Comprehensive Operational Analysis. The only service increases are for 2 routes serving Lake County and one route in East Orange County where State and other sources of funding will be committed.

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Also, this budget assumes that LYNX will receive an additional \$1,490,859 from Medicaid, related to the recent discussions on changes to the Medicaid revenue allocation formula. If this change takes place, we should be able to provide Paratransit services within the budgeted funding requests. If, however, this change does not take place, we will need to revise our funding requests and ask for this revenue from our local funding partners. Also, the current contract for this service expires September 30, 2006. We are currently in the RFP process and the cost increase for this contract is an estimate.

After presenting the budget to the LYNX Board at the April 27 Audit Committee meeting, the budget will be submitted to the funding partners for their consideration.

The preliminary FY07 Operating budget is \$101,775,989. The preliminary FY07 Capital budget is \$27,670,355.

The preliminary FY08 Operating budget is \$106,864,788. The preliminary FY08 Capital budget is \$18,038,851.

For both years, the operating revenues equal the operating expenses and the sources of capital equal the uses of capital.

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Audit Committee Information Item #.I

To: LYNX Board of Directors

From: **Lisa Darnall**
Chief Operating Officer
Joe Cheney
(Technical Contact)
Helen Miles
(Technical Contact)

Phone: 407.841.2279 ext: 3036

Item Name: Bus Stop Maintenance Cost Analysis

Date: 4/27/2006

Introduction

Based on a request from the Board of Directors, staff conducted an analysis of the cost of bus stop lawn maintenance, trash pick-up and shelter pressure cleaning to determine if it would be more cost effective to complete the work in-house as opposed to contracting the work. The result of the analysis shows that the combined cost of lawn maintenance and trash pick up would increase if these services were performed by LYNX compared to a contractor.

During this analysis, staff compared LYNX to the lowest prices received from the Invitation for Bids (IFB) received in January for the same services. B&L Commercial Cleaning has been the vendor for all of the bus stop services for the previous 5-year contract and this same vendor has provided LYNX with the lowest prices under the current IFB for this work.

Analysis of Lawn Maintenance and Trash Pick-Up

B&L Commercial Cleaning is the current vendor on both of these contracts. The vendor's approach to controlling cost and providing LYNX with the lowest possible price is to share resources between these two services. The contractor's work crew performs both services while working in areas that both services are required. LYNX used a similar approach when calculating the internal cost for providing these services. For comparison purposes, we did not include spare vehicles in the analysis.

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The following table will detail LYNX cost and compare the vendor charges for the same services:

Bus Stop Trash & Lawn Maintenance O & M and Capital Cost Analysis

LYNX Cost	Bus Stop Trash Pick-Up 578 containers/pick 2x per week		Bus Stop Lawn Maintenance 2,700 stops every 2 weeks		Annual Cost
	Number	Cost	Number	Cost	
Manpower (includes wages & benefits)	2	\$74,630	3	\$111,945	
Supervision	1/2	\$31,117	1/2	\$31,117	
Insurance cost = \$3,791/vehicle	2.5	\$9,478	3.5	\$13,269	
Fuel Cost (includes 20% increase)		\$18,688		\$26,163	
Maintenance of vehicles	2.5	\$6,563	3.5	\$9,258	
Trash bags @ \$0.19 ea	60,112	\$11,421			
Tools - Equipment - Misc. Supplies				\$1,500	
Dumpster services		\$25,000		\$1,000	
Total Operating & Maintenance Cost		\$176,897		\$194,252	
Trucks (3/4 ton PU w/trailers) - \$78,250 - depreciation based on 3.5 years	2	\$44,714	3	\$67,071	
Supervisor vehicle \$20,000 - depreciation based on 5 years	1/2	\$2,000	1/2	\$2,000	
Total Capital Cost		\$46,714		\$69,071	
Total LYNX Annual Cost		\$223,611		\$263,323	\$486,934
Total B&L Commercial Annual Cost		\$218,207		\$174,798	\$393,005
Estimated yearly savings to outsource		\$5,404		\$88,525	\$93,929

Analysis of Shelter Pressure Cleaning

B&L Commercial Cleaning is also the current vendor for shelter pressure cleaning. The vendor's approach to controlling cost under this contract is limited to the amount of time required to complete the work by using quality equipment. The equipment requirements are also specified in the LYNX IFB for this service.

The pressure cleaning equipment must use heated water and chemicals to remove mold, gum, food products and other tough to remove items. The pressure cleaning equipment must provide 3,500 psi and have a flow rate of 4.5 gallons per minute. This high pressure and high volume flow of heated water and chemicals allows the work to be completed in short periods of time during day-light hours.

There is a substantial maintenance requirement to keep the pressure cleaning equipment working in good order. The vendor has a total of 4 trucks that are set up for this service and 2 full time employees to maintain the equipment. For comparison purposes, spare vehicles are not included in the analysis.

Bus Shelter Pressure Cleaning O & M and Capital Cost Analysis

Bus Shelter - Pressure Cleaning		
293 each month		
	Number	Cost
Manpower (includes wages & benefits)	3	\$124,862
Insurance cost = \$3,791/vehicle	1	\$3,791
Fuel Cost (includes 20% increase)		\$11,960
Maintenance of vehicles		\$2,645
Chemical additives for pressure cleaning: \$375/drum/3 ea. mo.	36	\$13,500
Tool - Equipment - Misc. Supplies		\$5,000
Maintenance of high pressure pump, water heating system, control valves, storage tanks on truck		\$12,000
Total Operating & Maintenance Cost		\$173,758
Truck (large box style truck with pressure wash equipment) - \$149,952 - depreciation based on 3.5 years.		\$42,843
Total Capital Cost		\$42,843
Total LYNX Annual Cost		\$216,601
Total B&L Annual Cost		\$200,412
Estimated cost savings to outsource		\$16,189

Conclusion

LYNX cannot successfully provide the current level of bus stop maintenance service more cost effective than the current contractor. B&L Commercial Cleaning can recognize economies of scale not recognized by LYNX because this is the primary function of their business. Staff recommends that these services continue to be outsourced.