




Board Date: 3/27/2014
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

-  Minutes from the January 29, 2014 Audit Committee Meeting Pg 2

3. Audit Agenda Items

- A.  Presentation on Annual Financial Audit & Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ending September 30, 2013 Pg 9
- B.  FY2015 Preliminary Budget Discussion Pg 10
 - Attachment 
- C.  Overview of the FY2014 Amended Operating and Capital Budgets Pg 21
 - Attachment 
- D.  Overview of Medicaid Non-Emergency Transportation (NET) Options Pg 32
- E.  Overview of Bus Lease Payout Pg 36
- F.  Compressed Natural Gas (CNG) Unsolicited Proposal Financial Analysis Update Pg 37
 - Attachment 

LYNX
Central Florida Regional Transportation Authority
Audit Committee Meeting Minutes

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

DATE: **January 29, 2013**

TIME: **10:30 a.m.**

Members in Attendance:

Seminole County Commissioner, Carlton Henley, Chairman
Orange County, Office of Regional Mobility, Carla Johnson
City of Orlando, Transportation Policy Advisor, Christine Kefauver
FDOT District 5 Secretary, Noranne Downs
Osceola County Commissioner, Frank Attkisson

Members Absent:

Orange County, Assistant County Administrator, Jim Harrison

1. Call to Order

The Chairman, Commissioner Carlton Henley, called the meeting to order at 10:30 a.m. The Chairman noted that Osceola County Commissioner, Frank Attkisson, was delayed due to traffic and Tiffany Homler, Osceola County, Transportation Planning, would participate until his arrival.

Osceola County Commissioner, Frank Attkisson, joined the meeting at 10:39 a.m.

2. Approval of Minutes

The Chairman asked the Committee if there were any additions or deletions to the December 4, 2013 Minutes as presented.

Motion was made and seconded to approve the Minutes of the December 4, 2013 Audit Committee meeting. The motion passed unanimously.

3. Audit Agenda Items

A. FY2015 Proposed Budget Development Assumptions

The Chairman recognized Blanche Sherman, LYNX' Director of Finance, to make the presentation.

Ms. Sherman noted that staff is in the process of developing the FY2015 Operating and Capital Budgets.

Ms. Sherman presented the key budget assumptions as follows:

- FY2015 Funding based on LYNX Adopted Funding Model
- Maintain current Preventative Maintenance funding level
- Maximize current service levels through efficiencies
- Apply additional Flex (NeighborLink) services, where appropriate
- Apply impacts of legislative changes to Medicaid

➤ Key Budget Assumptions – Revenue

- Maximize use of Anticipated Advertising Revenue
- Apply \$1.2 million in savings included in Contingency

John Lewis noted that the savings is a one-time event that came from excess pension contributions.

Discussion ensued as to holding the savings in Reserves for future unanticipated costs.

Mr. Lewis stated that currently there are three Reserve accounts the Board established: Fuel, Operating, and Capital and that utilization of the funds requires Board action.

The Committee discussed setting aside the savings in a reserve account separate from the three accounts Mr. Lewis mentioned that could be utilized by the Audit Committee for unanticipated costs which might require immediate action by the Committee before the next scheduled Board meeting.

Discussion ensued as to crediting the funding partners with a proportionate amount of the savings.

John Lewis noted that the funding model would most likely be utilized in allocating credits to the funding partners.

Mr. Lewis suggested that staff will prepare an outline of the options for the next meeting.

➤ Key Budget Assumptions – Expenses

- Salary increases consistent with Funding Partners

- Anticipated impact of year three Union wage re-opener
- Full year impact of pension reform contribution rate
- Continuation of Fuel Hedging Program
- Continued application of reductions based on LYNX ownership of paratransit vehicles
- Continuation of Bio-diesel Program, as appropriate
- Full year impact of SunRail

➤ Pending Items

- Fare increase in FY2015
- Assess potential for other alternative fuel types (CNG)
- Toll Revenue Credits
- Funding Partner approved COA Recommendations

➤ Future Items

- Continue to review the type of fixed route vehicles used in future operations
- Consideration of public / private partnership (satellite facilities / BRT)

➤ Budget Calendar

- | | |
|--|--------------|
| • Key Budget Assumptions Presentation to Audit Committee | January 29 |
| • Preliminary Budget Presentation | March 27 |
| • Funding Request Letters Submitted to Funding Partners | May |
| • Budget Presentation Osceola & Orange Counties | June / July |
| • Budget Presentation Seminole County | August |
| • Final Board Action | September 25 |
| • Budget Year FY2015 Commences | October 1 |

B. Compressed Natural Gas (CNG) Unsolicited Proposal Financial Analysis Update

The Chairman recognized Blanche Sherman, LYNX' Director of Finance, to make the presentation.

Ms. Sherman noted that LYNX received an Unsolicited Proposal on September 13, 2013 from NoPetro. After its receipt, the following actions were taken:

- ✓ Within sixty (60) days of receipt of the Unsolicited Proposal, the Chief Executive Officer (CEO) determined the following:
 1. It is valid.
 2. It is essential to the Authority.
 3. It contains sufficient technical and cost information.

4. It has been approved by the proposer's responsible official capable of entering into a contract.
- ✓ A letter signed by the CEO acknowledging the above determinations was sent to NoPetro on November 1, 2013.
 - ✓ Advertising was posted in the Orlando Sentinel from November 9 to December 9, 2013.

Ms. Sherman introduced Margaret Lezcano, Florida Managing Director, Stifel, Nicolaus & Co., Inc. to provide an update on the financial evaluation.

Ms. Lezcano noted that NoPetro is a Florida based company. The company specializes in the design, finance, operation and maintenance of CNG (Compressed Natural Gas) and LNG (Liquefied Natural Gas) fueling stations. The most notable transaction was their recent formation of a CNG P3 with Leon County Public Schools.

➤ Highlights of the Proposal

- Potential fuel expense savings over Biodiesel
- Potential new revenue from 3rd party purchases
- May provide LYNX with excess revenue to expand service
- Relieve LYNX of operation and maintenance responsibilities of fueling station
- Diversify fuel consumption, utilizing domestic resources
- Potential to reduce air pollutants

Mr. Lewis provided that LYNX currently purchases vehicles with federal funds. The Federal Transit Administration (FTA) does not recognize a retrofitting package that does not impact their interest in the assets; therefore, LYNX would replace vehicles in phases as new vehicles are purchased. LYNX can purchase a new CNG powered vehicle but not convert an existing diesel vehicle to CNG. The phases would be over a period of five to seven years.

J Marsh McLawhorn noted that for the next five years there is a State program which makes \$6m dollars annually available for a rebate of \$25k per vehicle up to 10 vehicles or per application. Approximately 40% of the allocation is available for government entities such as RTAs and municipalities. The program is designed to assist agencies with the difference in cost of a Diesel and CNG vehicle.

➤ Proposer's Commitment

- Incur capital cost to construct fast fueling CNG station
 - Purchase a 13.5 acre tract next to LYNX' current maintenance facility
 - Build 3 transit fast-fill lanes and three light duty fast-fill lanes
 - Fuel each bus in 6-8 minutes
 - Design for further expansion

- Design, finance and perform all modification to LYNX' existing maintenance facility to make it CNG Compliant
 - Train LYNX' employees on fueling procedures
 - Maintain all CNG fueling station operations
 - Lease CNG buses on behalf of LYNX
 - Pay \$.085 for each Diesel Gallon Equivalent (DGE) sold at the Nopetro-LYNX CNG fueling station to 3rd party purchasers
 - Provide FuelMule, a portable on-site CNG fueling station can become available as an emergency back-up
- Scope of Proposal Review and Timing
- Research CNG conversion experience of current Florida CNG transportation users
 - Develop Financial Analyses-Metrics
 - Quantitative and Qualitative review of Proposal
 - Identification of risk versus rewards
 - Optionality-scalability of the proposed project
 - Sensitivity analysis of key variables
 - Identification of additional proposal impacts to LYNX
- Timing
- Financial model and related documentation will be available to LYNX during the last week of February
 - LYNX staff and Stifel will address any outstanding issues and prepare follow-up information by the second week of March
- Key Variables for Analysis
- Fuel Price Calculation
 - Efficiency of CNG buses (e.g., mpDGE, maintenance)
 - Reliability and remedy
 - Risk to implementation and operation of CNG facility
 - Term and nature of LYNX commitment
 - Additional costs associated with the proposal

Discussion ensued regarding Sole Source and Unsolicited Proposals, the FuelMule delivery system, proposal timelines, and partnering opportunities.

C. Review of Proposed Service Guidelines

The Chairman recognized Andrea Ostrodka, LYNX' Strategic Planning Manager, to make the presentation.

As part of the Comprehensive Operational Analysis (COA), LYNX' consultant, VHB, worked with the agency's planning staff to develop service standards and associated

measures that would be used in the development of new routes as well as the evaluation of existing routes to enhance their operational efficiencies.

Adoption of the proposed service guidelines would serve to provide LYNX' staff and partners a framework for analysis and decision-making on operational and transit planning issues.

Proposed Service Guidelines

- Based on a thorough review of the LYNX system
- Based on national best practices
- Provides a framework for predictable data collection and analysis
- Allows LYNX to react more nimbly to grant opportunities
- Function as a tool for decision-making
- Would be used to evaluate services prior to the next bid

Ms. Ostrodka noted that the Service Guidelines focus on four categories:

- Route Design
- Schedule Design
- Economic and Productivity
- Service Delivery

Discussion ensued regarding the table of potential costs of service changes related to service guidelines, MAP 21 requirements, and periodic reviews of the guidelines.

Ms. Ostrodka provided that all routes will be reviewed in terms of the service guidelines on an annual basis concurrent with the Transit Development Plan update.

Without object, the Committee's recommendation to the Board will be to adopt the COA Service Guidelines with periodic review.

D. Discussion of Passenger Wayfinding Redesign

Mr. Lewis suggested that in the interest of the meeting time, the Committee review the information and asked the Chairman to move the Agenda to the next item.

The Committee asked that staff consider the use of QR code technology.

E. Discussion of LYNX' Administrative Rule Relating to the Advertising Policy

The Chairman recognized Jim Goldsmith, LYNX' Strategic Planning Manager, to make the presentation.

Mr. Goldsmith noted that proposed amendments to Administrative Rule 4 and recommendation for creating Administrative Rule 12 addressing advertising was initially brought to the Committee at previous meetings. These recommendations came about because of recent issues and realization of shortcomings in the current

Administrative Rule pertaining to advertising. It was realized that the Rule needed more certainty as to the types of advertising the Agency wanted to allow or disallow.

The Akerman law firm undertook a re-write of the Administrative Rule based upon a recent re-write that the Chicago Transit Authority had put in place.

Recommended Changes / Additions:

- Prohibition on religious and gambling advertisements
- Mature Products (products requiring the age of 18 or older to purchase)
- Streamlined the review process for proposed advertisements and changed the process for appeal by specifying:
 - The CEO's decision is final unless the advertiser elects to take the appeal to the Board of Directors and pay a certain fee to make LYNX whole for the additional cost.

Discussion ensued regarding the inclusion of a fee to appeal the CEO's decision to the Board. The Committee discussed the interpretation of the Rule in cases of advertising a religious "event" where the advertising does not have a religious message associated with it.

Mr. Lewis requested the Committee consider recommending Akerman's proposed amendments to Administrative Rule 4 creating Administrative Rule 12 addressing Advertising excluding the proposed II.B.2. Religious and III.C. Appeal Procedure / Fee.

Without object, the Committee's recommendation to the Board will be to adopt Administrative Rule 12 relating to Advertising excluding II.B.2. and III.C.

With regards to Administrative Rule 2, By-Laws, Mr. Lewis noted that there has been some interest to changing the meeting schedule of the Audit Committee. In order to make changes to the responsibility and authority of the Committee, Administrative Rule 2 would require amendments.

Discussion ensued regarding the frequency of the Committee meetings.

Mr. Lewis suggested that staff would draft a proposal for the Committee to meet every other month or the months that the full Board does not meet, i.e., April, June, August, October, with a level of enhanced authority.

The meeting adjourned at 12:29 p.m.

Audit Committee Agenda Item #3.A

To: LYNX Board of Directors

From: Blanche Sherman
DIRECTOR OF FINANCE
Salawu Ajala
(Technical Contact)

Phone: 407.841.2279 ext: 6100

Item Name: Presentation on the Annual Financial Audit and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending September 30, 2013

Date: 3/27/2014

Mr. Robert Conrad, Partner with the firm of Cherry, Bakeart & Holland, L.L.P. will present results of the annual financial audit and Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2013.

Audit Committee Agenda Item #3.B

To: LYNX Board of Directors

From: Blanche Sherman
DIRECTOR OF FINANCE
Salawu Ajala
(Technical Contact)

Phone: 407.841.2279 ext: 6100

Item Name: FY2015 Preliminary Budget Discussion

Date: 3/27/2014

Staff is in the process of developing the FY2015 Operating and Capital Budgets. The key assumptions that LYNX' budget team will use in the preparation of these budgets were presented at the January 29, 2014 Audit Committee meeting. Staff also presented the budget calendar for the FY2015 budget.

This item gives the Audit Committee an opportunity to provide direction and feedback to management at the beginning of the budget development process. On March 27, 2014, staff will present the FY2015 Preliminary Operating Budget to the LYNX Audit Committee and Board for further direction.

FY2015 Preliminary Operating Budget

Presented to the
LYNX Audit Committee

March 27, 2013



Key Budget Assumptions - Overall

- FY2015 Funding based on LYNX adopted Funding Model
- Maintain current Preventative Maintenance funding level
- Maximize current service levels through efficiencies
- Apply additional Flex (NeighborLink) services, where appropriate
- Apply impacts of legislative changes to Medicaid (?)



Key Budget Assumptions - Revenue

- Maximize use of Anticipated Advertising Revenue
- How to apply \$1.2 million included in Contingency



Key Budget Assumptions - Expenses

- Consideration of salary increases consistent with Funding Partners
- Anticipated impact of year three Union wage re-opener
- Full year impact of pension reform contribution rates



FY2015 Operating Budget Overview

	<u>FY2014 Amended</u>	<u>FY2015 Preliminary</u>	<u>% Change</u>
Operating Revenue	\$ 127,936,419	\$ 127,680,744	-0.2%
Operating Expenses	<u>127,936,419</u>	<u>127,680,744</u>	<u>-0.2%</u>
Operating Income/(Deficit)	\$ -	\$ -	N/A



FY2015 Operating Revenue

	FY2014 <u>Amended</u>	FY2015 <u>Preliminary</u>	<u>% Change</u>
Fund Balance	\$ 234,669	\$ 184,005	-21.6%
Customer Fares	29,429,794	29,514,205	0.3%
Contract Services	11,163,514	6,593,296	-40.9%
Advertising on Buses	1,730,000	1,875,000	8.4%
Advertising - Trade	-	30,000	0.0%
Interest & Other Income	492,099	417,000	-15.3%
Federal	20,070,293	16,555,178	-17.5%
State	11,510,852	12,665,023	10.0%
Local	53,305,198	59,847,037	12.3%
Total Operating Revenue	<u><u>\$ 127,936,419</u></u>	<u><u>\$127,680,744</u></u>	<u><u>-0.2%</u></u>



FY2015 Operating Expenses

	FY2014	FY2015	
	Amended	Preliminary	% Change
Salaries/Wages/Fringes	\$ 66,291,087	\$ 71,473,959	7.8%
Other Services	10,905,844	11,750,051	7.7%
Fuel	16,914,138	16,215,685	-4.1%
Materials & Supplies	7,436,393	7,474,502	0.5%
Utilities	1,401,578	1,439,787	2.7%
Casualty and Liability	1,397,267	1,399,850	0.2%
Taxes & Tags	432,141	414,841	-4.0%
Purchased Transportation	20,902,452	16,392,596	-21.6%
Miscellaneous	874,399	830,473	-5.0%
Leases	181,120	289,000	59.6%
Reserves	1,200,000	-	N/A
Total Operating Expenses	\$ 127,936,419	\$127,680,744	-0.2%



FY2015 Local Revenue by Jurisdiction

	FY2014 Amended	FY2015 Preliminary	% Change
Orange County	\$ 35,777,072	\$ 41,707,963	16.6%
Osceola County	5,330,117	5,628,361	5.6%
Seminole County	5,920,884	6,242,322	5.4%
City of Orlando	3,814,797	3,772,592	-1.1%
City of Orlando - LYMMO	1,883,055	2,060,215	9.4%
Total Local Funds	\$ 52,725,925	\$ 59,411,453	12.7%
Cities, Other Agenices & Private	661,043	619,589	-6.3%
Subtotal	\$ 53,386,968	\$ 60,031,042	12.4%
Capital Contributions	2,113,746	2,098,684	-0.7%
Total	\$ 55,500,714	\$ 62,129,726	11.9%



Future Items

- Continue to review the type of fixed route vehicles used in future operations
- Consideration of public/private partnership (satellite facilities/BRT)

Operating Budget Calendar

Preliminary Budget Presentation	March 27
Funding Request Letters Submitted to Funding Partners	May
Budget Presentation Osceola & Orange Counties	June/July
Budget Presentation Seminole County	August
Final Board Action	September 25
Budget Year 14– 15 Commences	October 1



Audit Committee Agenda Item #3.C

To: LYNX Board of Directors

From: Blanche Sherman
DIRECTOR OF FINANCE
Salawu Ajala
(Technical Contact)

Phone: 407.841.2279 ext: 6100

Item Name: Overview of the FY2014 Amended Operating and Capital Budgets

Date: 3/27/2014

On September 19, 2013, LYNX staff presented the FY2014 Operating and Capital Budgets in the amount of \$127,867,296 and \$101,285,375, respectively for Board approval. Since approval of the Adopted FY2014 Operating and Capital Budgets, LYNX has brought several items to the Board requesting approval and corresponding in adopted amendment to the operating and capital budgets to include transfer in funding Meadow Woods service from federal to state, removal of Link 206 service, addition of expenses for six months of FY2014 service related to finalization of the SunRail bus feeder plan, and modification to the labor and employment legal services contract. LYNX staff also requested approval to implement recommendations of their compensation study.

An additional operating budget amendment included in this item is reclassification of the refurbishment of bus lifts to accommodate articulated vehicles from an operating budget item to a capital budget item based on further review of what this improvement will result in for LYNX.

Due to the timing of the LYNX September 2013 Board meeting, the amount of carryover funding included in the FY2014 Adopted Capital Budget was based on a cut-off date of August 31, 2013. This budget amendment includes a reduction in the amount carried into the FY2014 Adopted Capital Budget based on expenditures through September 30, 2013.

Based on the Board's previous approval of these items and the reductions and reclassification for accurate budgetary management there is a need to amend the FY2014 Operating and Capital Budgets in the amount of \$69,123 and \$1,801,317, respectively. Approval of this amendment will formally amend the FY2014 Operating and Capital Budgets to accurately reflect approved revenues and expenses. The amended FY2014 Operating and Capital Budgets will be in the amount of \$127,936,419 and \$99,484,058, respectively.

LYNX staff will make a full presentation of the revisions supporting the amendment of the FY2014 Operating and Capital Budgets at the Audit Committee meeting.

FY2014 Amended Operating & Capital Budgets

Presented to the
LYNX Audit Committee

March 27, 2014



FY2014 Operating Budget Overview

	<u>FY2014 Adopted</u>	<u>FY2014 Amended</u>	<u>% Change</u>
Operating Revenue	\$ 127,867,296	\$ 127,936,419	0.1%
Operating Expenses	<u>127,867,296</u>	<u>127,936,419</u>	<u>0.1%</u>
Operating Income/(Deficit)	\$ -	\$ -	0.0%



FY2014 Operating Revenue

	<u>FY2014 Adopted</u>	<u>FY2014 Amended</u>	<u>% Change</u>
Fund Balance	\$ 266,439	\$ 234,669	-11.9%
Customer Fares	29,429,794	29,429,794	0.0%
Contract Services	11,163,514	11,163,514	0.0%
Advertising on Buses	1,730,000	1,730,000	0.0%
Advertising - Trade	-	-	0.0%
Interest & Other Income	492,099	492,099	0.0%
Federal	20,378,196	20,070,293	-1.5%
State	11,225,104	11,510,852	2.5%
Local	53,182,150	53,305,198	0.2%
Total Operating Revenue	<u><u>\$ 127,867,296</u></u>	<u><u>\$ 127,936,419</u></u>	<u><u>0.1%</u></u>



FY2014 Operating Expenses

	FY2014 <u>Adopted</u>	FY2014 <u>Amended</u>	<u>% Change</u>
Salaries/Wages/Fringes	\$ 66,047,747	\$ 66,291,087	0.4%
Other Services	11,030,844	10,905,844	-1.1%
Fuel	16,720,015	16,914,138	1.2%
Materials & Supplies	7,436,393	7,436,393	0.0%
Utilities	1,401,578	1,401,578	0.0%
Casualty and Liability	1,397,267	1,397,267	0.0%
Taxes & Tags	432,141	432,141	0.0%
Purchased Transportation	20,902,452	20,902,452	0.0%
Miscellaneous	874,399	874,399	0.0%
Leases	181,120	181,120	0.0%
Reserves	1,443,340	1,200,000	-16.9%
Total Operating Expenses	<u><u>\$ 127,867,296</u></u>	<u><u>\$ 127,936,419</u></u>	<u><u>0.1%</u></u>



Key Operating Budget Amendment Basis

- Contract maintenance service and fees for labor & employment legal services
- Transfer of funding for Meadow Woods service from federal to state for initial service
- Service modifications for SunRail final service plan for six months of FY2014 and Lake County service for nine months of FY2014
- Reclassifications



Key Capital Budget Amendment Basis

- Carryover adjustments through 09/30/2013



FY2014 Capital Budget Overview

	<u>FY2014 Adopted</u>	<u>FY2014 Amended</u>	<u>% Change</u>
Capital Contributions	\$ 101,285,375	\$ 99,484,058	-1.78%
Capital Expenditures	<u>101,285,375</u>	<u>99,484,058</u>	<u>-1.78%</u>
Capital Gains/(Losses)	\$ -	\$ -	N/A



FY2014 Capital Budget Contributions

	FY2014		FY2014
Capital Contributions	Adopted	Revisions	Amended
Federal Contributions	\$ 84,359,350	\$ (1,902,770)	\$ 82,456,580
State Contributions	4,440,423	-	4,440,423
Local Contributions	11,240,577	(206,429)	11,034,148
Reserves	1,245,025	307,882	1,552,907
Total	\$ 101,285,375	\$ (1,801,317)	\$ 99,484,058



FY2014 Capital Expenditures

Capital Expenditures	FY2014 Adopted	Refurbish Bus Lift	Radios	Carryover Adjustment	FY2014 Amended
Revenue Vehicles	\$ 50,157,010			\$ (330,902)	\$ 49,826,108
BRT	21,640,055			(600,412)	21,039,643
Facilities	4,698,336	175,000		(326,943)	4,546,393
Passenger Amenities/Related	8,436,015			(76,468)	8,359,547
Technology	9,917,822			(532,410)	9,385,412
Security	1,070,248			-	1,070,248
Support Equipment	2,473,294		1,882	(2,568)	2,472,608
ARRA	2,892,595			(108,496)	2,784,099
Total	\$ 101,285,375	\$ 175,000	\$ 1,882	\$ (1,978,199)	\$ 99,484,058



Board Action Requested

LYNX staff is asking for approval of the amended FY2014 operating and capital budgets.

	FY2014 Adopted	FY2014 Amended	% Change
Operating	\$ 127,867,296	\$ 127,936,419	0.1%
Capital	101,285,375	99,484,058	-1.8%
Total	\$ 229,152,671	\$ 227,420,477	-0.8%



Audit Committee Agenda Item #3.D

To: LYNX Board of Directors

From: Tangee Mobley
 DIR OF TRANSPORTATION & MAINT
 William Hearndon
 (Technical Contact)
 Blanche Sherman
 (Technical Contact)

Phone: 407.841.2279 ext: 6036

Item Name: Overview of Medicaid Non-Emergency Transportation (NET) Options

Date: 3/27/2014

In September 2013, the LYNX Board of Directors authorized staff to move forward with implementing cost saving efforts to reduce paratransit expenses to LYNX and our funding partners.

One consideration presented, which was tabled at the time, was continued participation as the local Medicaid Non-Emergency Transportation (NET) services provider. Staff has been asked to update the Audit Committee on the options associated with that consideration.

Medicaid has been the funding source with fastest growing number of trips within the ACCESS LYNX paratransit program, growing to 212% of what the trip volume was eight years ago in 2006.

Calendar Year	ADA	Medicaid	TD	Total
2006	220,657	159,907	105,158	485,722
2007	243,851	176,388	95,923	516,162
2008	255,255	213,997	104,796	574,048
2009	232,359	240,191	91,186	563,736
2010	238,535	255,833	78,838	573,206
2011	249,194	286,733	91,487	627,414
2012	261,177	292,496	111,159	664,832
2013	267,579	300,397	134,443	702,419
2014 (Budgeted)	302,913	339,237	128,922	771,072

Medicaid reform will take place within our service area on August 1, 2014. Medicaid reform will remove the majority of the trips and funding from the Medicaid Non-Emergency Transportation (NET) provider and provide them to the Managed Care Organizations (MCO)

contracted to provide reform services. Those Medicaid beneficiaries that would remain with the Medicaid NET provider would be Prescribed Pediatric Extended Care (PPEC) recipients and those that are covered under the Developmental Disabilities (DD) Medicaid Waiver program.

Medicaid reform will cause confusion with our dually eligible customers, as they will need to contact their MCO for a trip to a medical appointment, but will need to contact ACCESS LYNX to go to the pharmacy to have their prescription filled, to medical appointments that are not Medicaid compensable, or to travel for non-Medicaid related purposes.

LYNX currently contracts with MV Transportation to provide Medicaid NET services within the ACCESS LYNX program. MV, in turn, subcontracts with two Disadvantaged Business Enterprises – Maruti Transportation and BeSafe Transportation – to provide a subset of the ACCESS LYNX trips. While Maruti provides services across all funding sources, BeSafe only provides stretcher transportation services which are only funded by Medicaid.

LYNX also maintains four Medicaid Coordination Agreements with agencies who provide Medicaid NET services for their customers to/from their facilities and programs. Three of those agencies – Lakeside Behavioral Healthcare, Park Place Behavioral Healthcare, and Seminole Behavioral Healthcare – will need to either form a relationship with the MCOs or their providers to continue to receive funding for transportation. The fourth agency – BrightStart Pediatrics – will need to maintain a relationship with the Medicaid NET provider to receive funding for their transportation services.

The implementation of Medicaid Reform will drastically affect overall ridership for all providers. For the ACCESS LYNX and coordination programs, Medicaid represents approximately 44% of all trips provided. If all of those trips were to be removed from the services provided, productivity (trips per revenue hour) would be greatly reduced thereby increasing the average cost per trip provided within the ACCESS LYNX program.

For LYNX, Medicaid reform will ultimately result in an estimated outlay of \$7,667,668 in annual paratransit services savings offset by a reduction of an estimated \$1,201,397 in annual Federal Formula Fund revenues. Net savings is estimated at \$3.1 million.

The estimated annual cost reductions relating to the Medicaid Reform is factored in the FY2015 Preliminary Operating Budget. The estimated additional cost reduction, if LYNX’ decides to no longer provide Medicaid NET service is as follows:

Funding Partners	Net Impact to Funding Partners
Orange County	\$ 374,932
Osceola County	82,056
Seminole County	73,776
Total	\$ 530,764*

*As previously discussed, the anticipated cost reduction is not directly related to the reduction in trips. The administrative cost is not reduced, but reallocated to the other programs. Also, we

have factored a 34% increase in Transportation Disadvantage (TD) trips based on historical trip growth.

Available options to LYNX regarding Medicaid NET participation include:

Option One

Continue to provide Medicaid Non-Emergency Transportation (NET) services

If this option were considered, it would only continue to be the system that we know of today through July 31, 2014. The Managed Medical Assistance (MMA) phase of Medicaid Reform will take place in Orange, Osceola, and Seminole Counties beginning on August 1, 2014; this will require Managed Care Organizations (MCOs) to provide all required Medicaid NET services to all Medicaid beneficiaries eligible for transportation benefits with the exception of Prescribed Pediatric Extended Care (PPEC) and Developmentally Disabled (DD) beneficiaries. LYNX would then continue to provide services to those exempted populations and be reimbursed on a Per-Member Per-Month (PMPM) calculation, regardless of utilization.

Option Two

No longer provide Medicaid Non-Emergency Transportation (NET) services beyond July 31, 2014, following implementation of Medicaid Reform for those Medicaid beneficiaries exempted from Medicaid Reform

LYNX' contract with the Florida Commission for the Transportation Disadvantaged (CTD) to provide Medicaid NET services requires a 90-calendar day notice of withdrawal.

This notice would therefore be issued to the CTD not later than April 30, 2014, for withdrawal from the Medicaid NET program effective at midnight on July 31, 2014.

In addition to the options in the three scenarios above, if offered, LYNX could contract with the Medicaid MCO to provide Medicaid NET trips at the fully allocated cost. This would allow the Medicaid coordination agencies the ability to continue to provide services to their specialized clientele enrolled with the MCOs LYNX contracts with. LYNX has preliminarily been contacted by one MCO to participate in Medicaid reform as their transportation provider.

Pros and Cons of Available Options

Affects Option(s)	Pros
Options 1, 2	Reduction in excess costs over Medicaid allocation and fare.
Options 1, 2	Ability to contract with Managed Care Organizations to provide additional transportation services at a fully allocated cost.

Affects Option(s)	Cons
Option 2	Florida Commission for the Transportation Disadvantaged would need to contract with a local provider of service to provide Medicaid Non-Emergency Transportation services to those Medicaid beneficiaries exempted from Medicaid Reform (Prescribed Pediatric Extended Care and Developmentally Disabled beneficiaries).
Option 1	Three Medicaid Coordination agencies would end their contract with LYNX effective July 31, 2014.
Option 2	All four Medicaid Coordination agencies would end their contract with LYNX effective July 31, 2014.
Options 1, 2	Disadvantaged Business Enterprise subcontractor BeSafe Transportation would end their subcontract agreement with MV Transportation.
Options 1, 2	Potential shift of customers from Medicaid to Americans with Disabilities Act transportation services. Can be limited if identified.
Options 1, 2	No equivalent reduction in cost, revenue hours, revenue miles, or fuel.
Options 1, 2	Dually eligible customers will continue to use ACCESS LYNX for transportation to non-Medicaid compensable services.

Staff Recommendation

Staff recommends Option One, continuing to provide Medicaid Non-Emergency Transportation (NET) services to those exempted populations following the implementation of Medicaid Reform on August 1, 2014.

This recommendation is made based upon:

- the ability to maintain some economies of scale,
- the belief that the PMPM allocation will cover expenses based upon prior utilization analysis,
- the reduction in confusion for those populations exempted from Medicaid Reform,
- the fact that LYNX may withdraw from participation as the Medicaid NET provider at any point in the future with 90-days advance notice, and
- the ability to continue to monitor the eligibility of all Medicaid beneficiaries to prevent “trip dumping” onto the Americans with Disabilities Act (ADA) or Transportation Disadvantaged (TD) programs.

Audit Committee Agenda Item #3.E

To: LYNX Board of Directors

From: **Blanche Sherman**
DIRECTOR OF FINANCE
Patricia Bryant
(Technical Contact)

Phone: 407.841.2279 ext: 6100

Item Name: Overview of Bus Lease Payout

Date: 3/27/2014

Staff will discuss exercising the purchase option on existing bus lease that expires in August 2014. In 2007 LYNX entered into a lease agreement for twenty-one (21) diesel buses. We will need to notify Comerica Leasing Corporation by April 15, 2014 of our intention to exercise the option to purchase in order to arrive at agreed upon fair market value.

Audit Committee Agenda Item #3.F

To: LYNX Board of Directors

From: **John Lewis**
CHIEF EXECUTIVE OFFICER
Blanche Sherman
(Technical Contact)

Phone: 407.841.2279 ext: 6017

Item Name: **Compressed Natural Gas (CNG) Unsolicited Proposal Financial Analysis Update**

Date: 3/27/2014

LYNX received an Unsolicited Compressed Natural Gas (CNG) P3 Proposal from NoPetro dated September 13, 2013. Based on Procurement staff's review, the proposal is valid and essential to LYNX. As such, LYNX acquired the services of Stifel, Nicolaus & Company, Incorporated to perform a comprehensive review and financial evaluation of the proposal.

On January 29, 2014, Margaret Lezcano, Managing Director, of Stifel Nicolaus provided an update on the status of the comprehensive review to LYNX's Audit Committee. Over the past two month LYNX staff have worked closely with Stifel Nicolaus to perform the financial evaluation of the proposal.

Margaret Lezcano and LYNX staff will provide an update on the CNG proposal financial evaluation and various options for consideration as we continue with the comprehensive review from an operational perspective.



SUMMARY FINDINGS OF FINANCIAL FEASIBILITY:
LYNX CONVERSION TO CNG

TABLE OF CONTENTS

	<u>Page</u>
Section I: Nopetro's Proposal Overview.....	2
Section II: Financial Analyses and Assumptions.....	5
Section III: Scenario Results.....	11
Section IV: Indicative Conversion Timeline.....	15
Appendix A: Key Definitions	



SECTION I:
NOPETRO'S PROPOSAL OVERVIEW

OVERVIEW OF NOPETRO AND SERVICES TO BE PROVIDED

About Nopetro

- Founded in 2007 and based in Coral Gables
- Specializes in the design, finance, operation and maintenance of CNG (“Compressed Natural Gas”) and LNG (“Liquefied Natural Gas”) fueling stations and related facilities
- Formed a CNG P3 with Leon County Public Schools in July 2011
 - Full service 2.5-acre CNG fueling facility
 - Three dual-hose fast fueling CNG dispensers

Potential Benefits Offered to LYNX

- Fuel cost savings over Biodiesel
- New revenue source from third party CNG purchases
- Opportunity to fund expanded service
- Relieve LYNX of fueling station Operation and Maintenance responsibilities
- Diversify fuel consumption by utilizing alternative domestic resources
- Reduce air pollutants

Nopetro Commitment

- Incur capital cost to construct fast fueling CNG station
 - Purchase a 13.5-acre tract next to LYNX’s current maintenance facility
 - Build three transit fast-fill lanes and three light duty fast-fill lanes
 - Fuel each bus between six and eight minutes
 - Design facility and hold land for further expansion
- Design and perform all modifications to LYNX’s existing maintenance facility to make it CNG compliant
- Train LYNX’s employees on fueling procedures
- Maintain all CNG fueling station operations, including providing station attendant
- Lease CNG buses on behalf of LYNX
- Pay LYNX an \$0.085 royalty for each Diesel Gallon Equivalent (“DGE”) sold at the Nopetro-Lynx CNG fueling station to third party purchasers
- Provide FuelMule, a portable on-site CNG fueling station for an emergency back-up

PROPOSED COMMITMENT FROM LYNX

- 1) CNG Fueling Station
 - An initial acquisition of at least 35 CNG transit buses
 - A minimum of 50% of LYNX's new bus acquisitions would be CNG during the contract term (20 years)
 - All CNG buses in Orange County must purchase their fuel from the Nopetro-LYNX CNG Fueling Station
 - Minimum take-or-pay commitment of 500,000 DGEs annually
 - The take-or-pay commitment is for 15 years
 - The P3 term is for 20 years

- 2) Maintenance Facility Upgrade (Optional)
 - LYNX can make one payment, annual payments, or pay a higher per-DGE price to finance the upgrades
 - Two prices are offered, depending on timing of upgrades
 - Option One – South Wing CNG and Maintenance Facility Modification (23 bays)
 - Upfront payment of \$1,425,000 or
 - 10 annual payments of \$193,748 (equates to a 10 year financing at 6.015% interest)
 - Option Two – Total CNG Maintenance Facility Modification (South and West Wings)
 - Upfront payment of \$2,500,000 or
 - 10 annual payments of \$339,909 (equates to a 10 year financing at 6.015% interest)
 - Tax-exempt interest rates may be available for financing

- 3) Lease Transit Buses to LYNX (Optional)
 - Lease provided to Nopetro by BBVA Compass for a ten year term
 - LYNX lease counterparty would be a Special Purpose Entity of Nopetro
 - Lease could be tax exempt or taxable
 - No requirements on number of buses to be leased
 - Nopetro would charge LYNX an administrative fee to manage the leases



SECTION II:
FINANCIAL ANALYSES AND ASSUMPTIONS

MODEL OVERVIEW

- Stifel developed an Excel model to measure the financial feasibility of the proposed CNG conversion
- The model calculates three measures of financial efficiency: Net Present Value, Internal Rate-of-Return and Payback Period
- Cash Flow savings are calculated as the difference between the annual cost of DGEs consumed on CNG buses and the comparable fuel cost on Diesel buses
- Capital Costs include the maintenance facility modification financed over a ten year period, and the additional cost of CNG buses compared to Diesel buses (estimated to be \$50,000 per bus)
- Royalty Payments are a cash inflow and are based on Nopetro's estimates of third party sales over time
- The model assumes the LYNX fleet does not expand and will follow the planned replacement schedule presented in its budget and capital plans (with future replacement based on a 9 year average life)

GENERAL ASSUMPTIONS

Key Assumptions			
Input	Value	Unit	Source
Diesel Fuel Economy	3.85	mpg	LYNX Benchmark
CNG Fuel Economy (1)	3.60	mpDGE	National Comparables, & National Renewable Energy Laboratory
Growth Rate of Oil	Varies	Yearly	U.S. Energy Information Administration - AEO 2014 Early Release
Growth Rate of Natural Gas	Varies	Yearly	U.S. Energy Information Administration - AEO 2014 Early Release
Diesel Maintenance Cost	\$0.22	per mile	LYNX
CNG Maintenance Cost (3)	\$0.22	per mile	National Renewable Energy Laboratory
Vehicle Average Life	9	Years	LYNX Average
Diesel Bus Purchase Price	\$500,000	per bus	Gillig LLC
CNG Bus Purchase Price	\$550,000	per bus	Gillig LLC
Inflation Rate	3.00%	Annually	Based on recent data and Federal Reserve's target
Required Rate of Return	4.80%	20 year	Estimate based on LYNX's Funding Partners' cost of funds

1) National fuel economy average on a sample of 34 transit authorities is approximately 3.60 mpDGE

2) Assumes maintenance and operational costs are the same for diesel and CNG transit buses

KEY CONVERSION FACTORS

- Most economists and financial experts analyze diesel prices on a per barrel basis, which has become the standard for futures contracts
- Futures contracts for natural gas are traded by a standard measurement according to their energy capacity, or British thermal units “Btu”
- The Henry Hub or NYMEX prices are quoted in U.S. dollars per MMBtu
- For consistency, this analysis converts natural gas prices into their “Diesel Gallon Equivalents -DGE” according to relative energy capacities

Conversions
1 barrel (42 gallons) of crude oil = 5,800,000 Btu
1 gallon of gasoline = 124,238 Btu (based on U.S. consumption, 2011)
1 gallon of diesel fuel = 138,690 Btu
Henry Hub Natural Gas Spot Price = (Dollars per Million Btu)

Source: [U.S. Energy Information Administration \(EIA\)](#)

$$\text{CNG on a DGE Basis} = \frac{1,000,000 \text{ Btu}}{138,690 \text{ Btu}} = 7.21 \text{ DGEs per futures contract}$$

$$\text{Cost of CNG per DGE} = \frac{\text{Henry Hub Spot Price}}{1,000,000 \text{ Btu}} \times 138,690 \text{ Btu} + \text{Horizontal Costs (Transmission, Compression, Storage, and Marketing)}$$

GROWTH RATE: EIA ENERGY OUTLOOK

The following energy price outlooks are published by the U.S. Energy Information Administration in its “Annual Energy Outlook 2014 - Early Release (AEO).” The growth rates for energy prices used in this analysis are from this report.

Crude Oil

- The AEO Overview has three key assumptions driving global crude oil markets
 - Average economic growth for U.S. trading partners
 - Growth in petroleum consumption occurs primarily in China and India
 - Production in non-OPEC countries increases, particularly in U.S.

- The following Brent Crude price targets are in 2012 dollar amounts (base reference case)
 - Decreases to \$92/bbl in 2017
 - Increases to \$141/bbl in 2040 as “growing demand leads to the development of more costly resources”

Natural Gas

- This year the EIA raised its short-term targets for Henry Hub spot prices
- Price increase is due to increased consumption in industrial and electric power sectors, and increased demand for exports
- Mid-term Henry Hub spot prices are projected to fall as supply catches up with demand; however prices gradually increase thereafter due to continued U.S. and international demand

FUEL PRICE COMPARISON

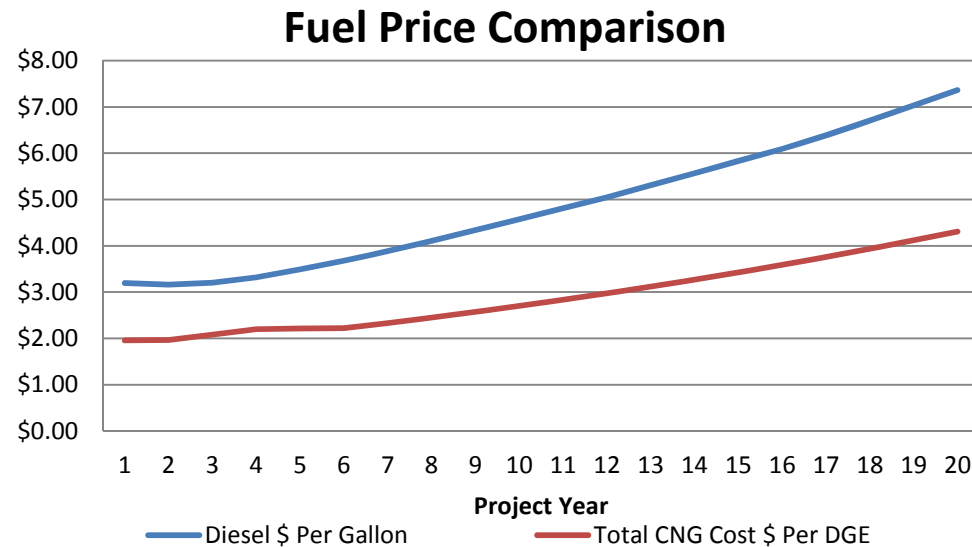
The model assumes today's quoted fuel prices would grow according to the EIA Energy Outlooks and inflation

Diesel

- The underlying cost is based on the US Gulf Coast Platts Index, LYNX's benchmark index
- Additional pricing components include fees, taxes and fuel surcharges (data provided by LYNX)

Natural Gas

- The base cost is the Henry Hub Natural Gas Spot Price (60% of the fuel cost)
- The fuel cost is composed of the base cost plus the additional pricing components (40% of the fuel cost)
- The Compression Fee pricing component is a fixed fee charged on a per-DGE basis
 - Increases annually by CPI
 - Decreases as total monthly DGEs consumed increase



- 1) Initial prices based on outstanding LYNX's Platts contract, and Nopetro's draft delivered Natural Gas Contract
- 2) Growth rates are based on the EIA 2014 Energy Outlook



SECTION III: SCENARIO RESULTS

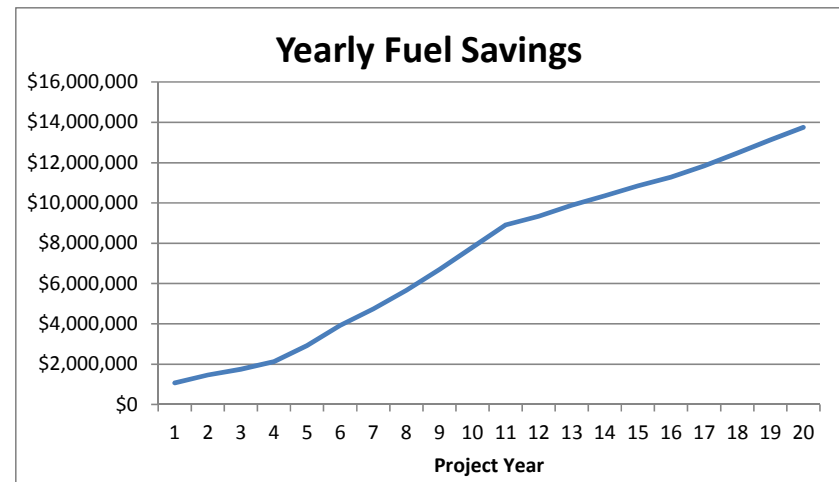
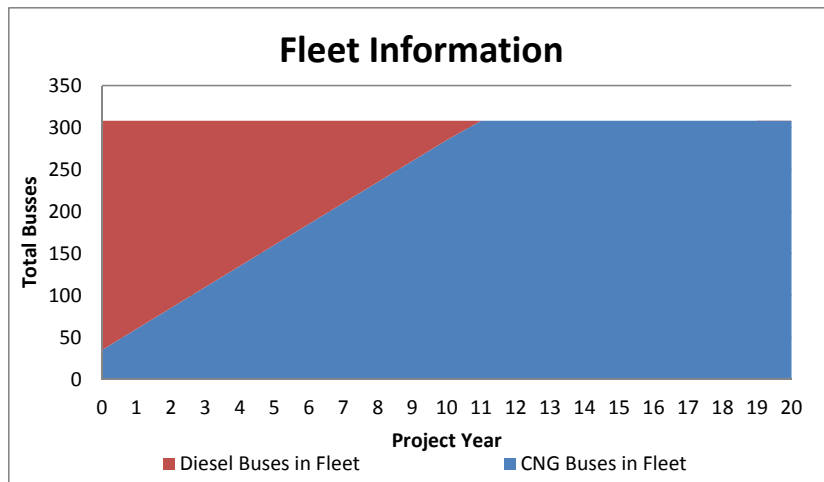
- 1) 100% COMMITMENT TO FUTURE BUS PURCHASES
- 2) 50% COMMITMENT TO FUTURE BUS PURCHASES
- 3) FULL CONVERSION

SCENARIO 1: 100% COMMITMENT TO CNG MOVING FORWARD

- This scenario assumes all future bus replacements will use CNG buses (model assumes no fleet growth)
- A 100% CNG commitment on future bus replacements is the quickest way to accelerate annual fuel savings, while following LYNX's bus replacement schedule, as presented in its budget and capital plans

Benchmark Results	
NPV of Fuel Savings	\$49,188,596
NPV of Royalty Payments	\$2,261,091
Payback Period (Years)	5.54
MIRR	22%

Royalty Payments based on Nopetro's estimates

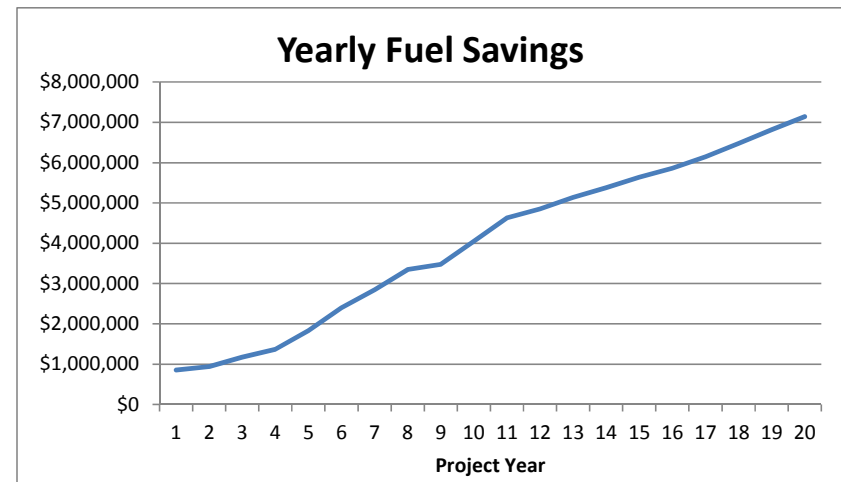
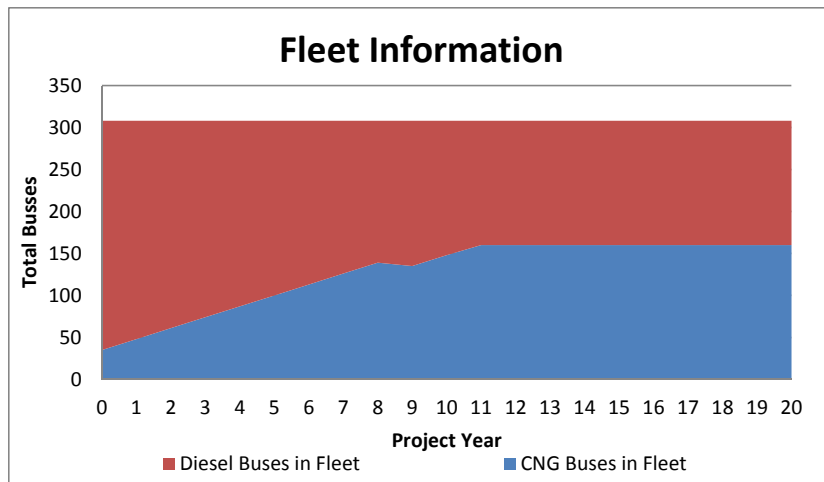


SCENARIO 2: 50% COMMITMENT TO CNG

- This scenario assumes half of future bus replacements will use CNG buses
- This scenario allows LYNX to meet the minimum requirements under the unsolicited P3 proposal
- The slower time frame to full conversion reduces LYNX's annual fuel savings, but allows for LYNX to diversify its fuel and reduce its exposure to natural gas

Benchmark Results	
NPV of Fuel Savings	\$25,403,203
NPV of Royalty Payments	\$2,261,091
Payback Period (Years)	5.68
MIRR	20%

Royalty Payments based on Nopetro's estimates

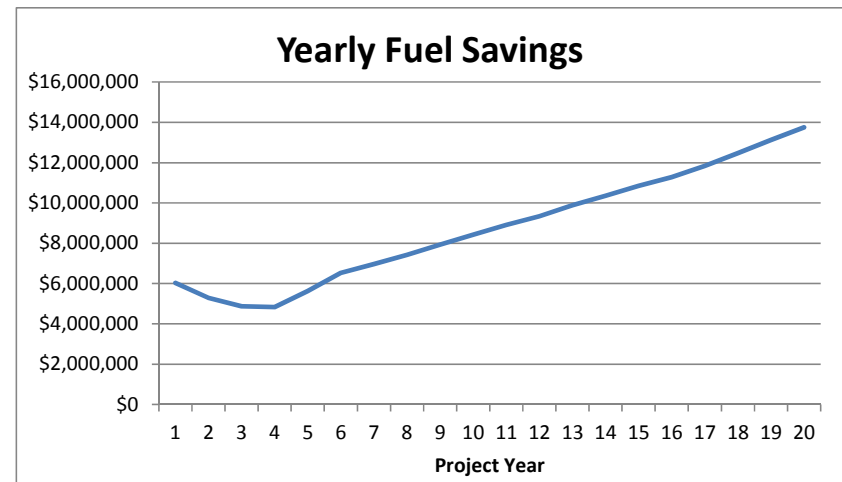
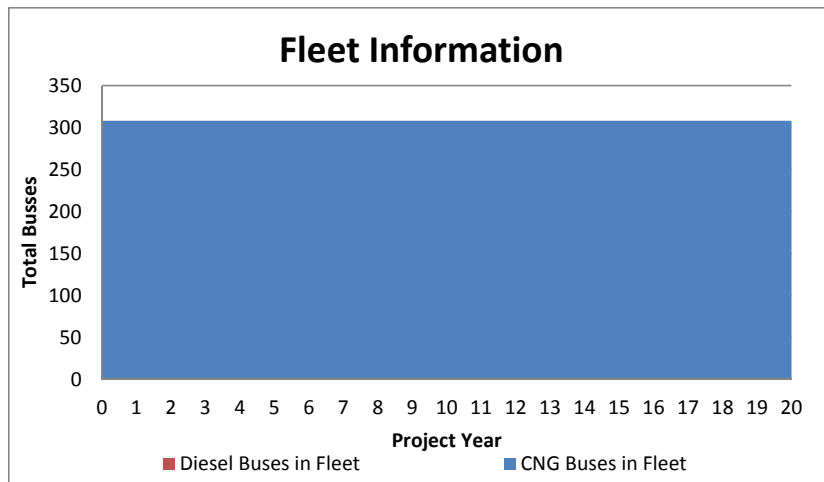


SCENARIO 3: FULL CONVERSION TO CNG

- This scenario assumes that LYNX converts its entire fleet into CNG today
- This scenario provides the highest fuel savings to LYNX, but also the highest cost (approximately \$170 million to replace entire fleet with new buses)

Benchmark Results	
NPV of Fuel Savings	\$59,845,542
NPV of Royalty Payments	\$2,261,091
Payback Period (Years)	3.36
MIRR	11%

Royalty Payments based on Nopetro's estimates





SECTION IV:
INDICATIVE CONVERSION TIMELINE

INDICATIVE CONVERSION TIMELINE

Activity	Start	End
Project Review		
Audit Committee to review financial feasibility results	03/27/14	03/27/14
Audit Committee to review proposed facilities modifications	05/22/14	05/22/14
Board Meeting to decide whether to proceed to negotiate	05/22/14	05/22/14
Contract Negotiations		
Development Agreement	05/23/14	07/25/14
Fuel Purchase Agreement	05/23/14	07/25/14
Bus Lease Agreement	05/23/14	07/25/14
Fueling Station Construction		
Design and Permitting	07/28/14	12/29/14
Pre Construction	09/24/14	02/04/15
Site work and construction	11/13/14	04/22/15
Final inspections and completion	04/23/15	05/13/15
Maintenance Facility Remodeling		
Design and Permitting	07/28/14	02/09/15
Pre Construction	12/14/14	04/06/15
Site work and construction	02/11/15	05/12/15
Final inspections and completion	05/13/15	06/01/15
Bus Acquisition		
Order and receive buses from Gillig	10/01/14	07/02/15

as of March 20, 2014



APPENDIX A:
KEY DEFINITIONS

DEFINITIONS

BTU (British Thermal Unit) = a standard measurement of the heat value of a fuel (energy content)

Compressed Natural Gas (CNG) = natural gas that is compressed to allow more energy to fit into a smaller fuel tank

CPI (Consumer Price Index) = weighted average price of consumer goods, popular as a measure of inflation

Diesel-Gallon Equivalents (DGE) = amount of alternative fuel it takes to equal the energy in one gallon of diesel fuel

MIRR (Modified Internal Rate of Return) = discount rate that makes the present value of all cash flows equal zero

NPV (Net Present Value) = The discounted present value of the difference between cash inflow and cash outflow

NYMEX Henry Hub = pricing point for natural gas futures contracts traded on the New York Mercantile Exchange

P3 (Public-Private Partnership) = a contractual arrangement between public and private sector partners pertaining to the design, construction, operation, management and/or finance of revenue generating public infrastructure facilities and projects

Payback Period = number of years required to recover the cost of an investment

Required Rate of Return = The interest rate used to determine the present value of cash flows

Royalty Payment = in the unsolicited proposal LYNX would be entitled to \$0.085 on every third party gallon sold at the Nopetro-LYNX CNG fueling station

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