

# LYNX Audit Committee Agenda



Board Date: 5/24/2012  
Time: 1:00 PM

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

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

## 1. Call to Order

## 2. Approval of Minutes

-  Minutes from the March 22, 2012 Audit Committee Meeting Pg 2

## 3. Audit Agenda Items

- A.  Review of Unsolicited Proposal Best Practices Pg 8
- B.  Presentation on LYNX' Reserves Pg 10
- C.  Overview of Proposed Service Enhancements Pg 11

## 5. Information Items

(For Review Purposes Only - No action required)

- i.  LYNX 12 Month Rolling Calendar Pg 12

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

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

**DATE:**       **March 22, 2012**

**TIME:**       **10:35 a.m.**

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**Members in Attendance:**

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

**Members Absent:**

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**1. Call to Order**

The Chairman, Commissioner Carlton Henley, called the meeting to order at 10:35 a.m.

**2. Approval of Minutes**

**Motion** was made and seconded to approve the Minutes of the January 26, 2012 Audit Committee meeting. The motion passed unanimously.

**3. Audit Agenda Items**

**A. Presentation of Orange County Comptroller's Audit of Central Florida Regional Transportation Authority**

The Chairman recognized Blanche Sherman, Director of Finance, to introduce Sheila Roberts, Audit Supervisor, and Christopher Dawkins, Deputy Director County Audit, Orange County Comptroller's Office.

Mr. Dawkins noted the scope of the review was limited to determining compliance with the funding agreements with Orange County, as well as the review of the internal controls relating to cash fare revenue collections on fixed

route buses, and performance measure reporting during the 15 month period ending December 31, 2010.

He reported that based on the testing results, LYNX materially complied with the requirements and terms of the Funding Agreements executed with Orange County during the audit period. In the opinion of the Auditors, LYNX' controls over cash fares and ticket sales collections for fixed route bus service are adequate. Also, controls over data collection, recording and reporting of ridership and other performance measures were adequate.

Mr. Dawkins stated the Auditors made recommendations to LYNX' staff directed at the daily reconciliation of cash collections.

Discussion ensued regarding cash collection.

Discussion ensued regarding the Audit recommendation that LYNX review the current Regional Funding Model methodology and amend the methodology to include updating computations for amended / approved budget amounts and actual costs incurred. It further recommended that LYNX should update the computation of the cost of capital per scheduled fixed route at least once every three years.

The Audit Committee asked staff for a "true-up" of funding from each partner. The Committee noted that the member organizations have a fair proportionate share model.

**B. Presentation on the Annual Financial Audit and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending September 30, 2011**

The Chairman recognized Blanche Sherman, Director of Finance, to introduce Ron Conrad, Partner with the firm of Cherry, Bakeart & Holland.

Mr. Conrad reviewed the Audit Findings. Within qualitative aspects of accounting practices, the Authority implemented the provisions of GASB Statement No. 53 which requires fuel hedge swaps be measured at fair value. Additionally, management has estimated depreciation associated with capital assets, liabilities for self insurance unpaid claims, and pension and post employment benefit obligation based on actuarial calculations.

LYNX' Comprehensive Annual Financial Report is being submitted to the Government Finance Officers Association for Certificate of Achievement.

Mr. Conrad provided an overview of the sections contained within the CAFR report.

### **C. Overview of the FY2012 Amended operating and Capital Budgets**

The Chairman recognized Blanche Sherman, Director of Finance, for presentation.

Ms. Sherman presented staff's recommendations for amending the FY2012 Operating and Capital Budgets.

Amendments to the Operating Budget would include: cost savings in Contract Services; increase in Interest & Other Income; increase in Federal Funding; increase in Salaries/Wages/Benefits; reduction in Other Professional Services; reduction in Purchased Transportation; and other miscellaneous adjustments. The amended Operating Budget will be in the amount of \$113,707,941 a decrease of \$2,492,233 from the \$116,200,174 Budget presented to the Board on September 28, 2011.

Amendments to the Capital Budget would include the anticipated cost of projects related to the Bus Rapid Transit (BRT) and Alternatives Analysis (AA); American Recovery and Reinvestment Act (ARRA); Veterans Livability Initiative; Bus Stop Accessibility; Lake County VanPool. The amended Capital Budget will be in the amount of \$78,787,163 an increase of \$9,206,957 from the \$69,580,206 Budget presented to the Board on September 28, 2011.

Without objection, the Audit Committee agreed to recommend approval to the Board of Directors.

### **D. FY2013 Preliminary Budget Discussion**

The Chairman recognized Blanche Sherman, Director of Finance, for presentation.

Ms. Sherman presented the key assumptions that LYNX' budget team will use in the preparation of the FY2013 Operating and Capital Budgets.

- Status Quo Funding from local Funding Partners for FY2013
  - Maximize current service levels through efficiencies
  - Apply additional Flex (NeighborLink) services, where appropriate
- Key Budget Assumptions – Revenue
- No ARRA funding
  - Utilize additional Federal Preventative Maintenance Funding
  - Application of new Advertising Revenue Program
  - Utilization of Capital Cost of Contracting funding
  - Utilization of Operating Reserves (establish a minimum reserve level – 60 days cash flow)

- Key Budget Assumptions – Expenses
  - No Salary Increases
  - Effects of LYNX’ New Group Health Insurance program
  - Continuation of Fuel Hedging Program
  - Impact of new Paratransit Providers
  - Application of Reductions based on LYNX ownership of paratransit vehicles
  
- FY 2013 Operating Budget Overview
  - Operating Revenue                   \$110,544,853
  - Operating Expenses               \$113,862,952
  - Operating Income/(Deficit)   (\$ 3,318,099)

Ms. Sherman noted that staff is seeking direction for addressing the deficit from the Board of Directors, i.e., utilization of additional Federal Preventative Maintenance; utilization of Operating Reserves; fare increase.

Without objection, the Audit Committee agreed to recommend to the Board of Directors the utilization of additional \$2,000,000 in Federal Preventative Maintenance and \$1,300,000 in Operating Reserves to address the \$3,300,000 budget deficit.

Jim Harrison, noted as a point of order, that the Board of Directors’ Agenda item regarding the FY2013 Preliminary Operating Budget appears as a Work Session not an Action item.

Mr. Lewis clarified that staff will be seeking the Board’s guidance.

**E. Review of Proposed Changes to Administrative Rules #1 (Adoption of Administrative Rules and Definition), #4 (Procurement and Contract Administration) and #6 (Dispute Resolution)**

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

Mr. Christiansen noted the amendments to the Rules were brought about principally because of the following:

- 1) Staff changes – example: position of General Manager and Director of Procurement
- 2) Legislative changes – example: allows a private session of the Source Evaluation Committee (SEC)
- 3) Non-material “clean-up” changes

Discussion ensued regarding authority of staff to enter into contracts.

Mr. Christiansen reported that the General Manager has been added as a Senior Officer. In the proposed amendments, the Chief Executive Officer (CEO) and General Manager (GM) will have the authority to enter into a contract in the amount of \$150,000 or less. The CEO may delegate the authority to enter into a contract in the amount of \$150,000 or less in writing to either the GM, Chief Financial Officer (CFO) or Chief Administrative Officer (CAO). The GM may not delegate the authority to enter into a contract.

A Senior Officer or the Director of Procurement will have the authority to enter into a contract in the amount of \$50,000 or less. The Director of Procurement will have the authority to enter into a contact in the amount of \$25,000 or less. A Contract Administrator or Buyers will have the authority to enter into a contract in the amount of \$5,000 or less. Individual Authority employees will have the authority to enter into a contract in the amount of \$3,000 or less for micro purchases.

12:05 p.m. The Chairman turned the chair over to the Vice Chairman.

Discussion ensued regarding authority to make fuel purchases.

Mr. Christiansen noted that a non-material error was found on Page 9, Subsection 4.4, Minor Contracts. The error will be corrected and the item brought to the Board as a “Blue Sheet”.

12:10 p.m. The Vice Chairman returned the chair to the Chairman.

The Committee did not make a recommendation to the Board of Directors regarding the approval of the proposed changes.

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

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

Mr. Lewis noted that staff will be bringing two Blue Sheet items to the Board of Directors for consideration:

- 1) Proposed Changes to Administrative Rules #1, #4, and #6
- 2) Authorization for staff to enter into an agreement with RIDA Development to provide an easement conveying access to the administrative parking lot

Mr. Lewis reported that an e-mail was sent to the Board of Directors and their staff to provide an update on the status of the Union Contract negotiations.

Discussion ensued regarding the vestiture of an appointee to LYNX’ Money Purchase Plan and 457 Deferred Compensation Plans.

The Chairman recognized Secretary Noranne Downs.

Secretary Downs noted that she would not be able to attend the Board of Directors meeting due to a conflicting meeting regarding SunRail.

**The meeting adjourned at 12:18 p.m.**

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

**To:** LYNX Board of Directors

**From:** Edward Johnson  
GENERAL MANAGER  
Bernard Guida  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6058

**Item Name:** Review of Unsolicited Proposal Best Practices

**Date:** 5/24/2012

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The following information on Unsolicited Proposals is provided to the Audit Committee for review. John Lewis, Chief Executive Officer, will discuss with the Audit Committee the possible need to provide a specific policy to address the receipt of Unsolicited Proposals from firms wishing to conduct business with LYNX.

FTA's definition of unsolicited proposal is:  
Unsolicited Proposal means a proposal that is –

- (1) **Innovative and unique**,
- (2) Independently originated and developed by the offeror,
- (3) Prepared without the recipient's supervision, endorsement, direction, or direct involvement,
- (4) Sufficiently detailed that its benefits in support of the recipient's mission and responsibilities are apparent,
- (5) Not an advance proposal for property or services that a recipient could acquire through competitive methods, and
- (6) Not an offer responding to a recipient's previously published expression of need or request for proposals. FTA Circular 4220.1F – Ch. VI, Section 1.b., provides as follows:

Unsolicited Proposals. A recipient may also enter into contracts based on an unsolicited proposal when authorized by applicable State or local law or regulation. Receipt of an unsolicited proposal does not, by itself, justify contract award without providing for full and open competition. Unless the unsolicited proposal offers a **proprietary concept** that is essential to contract performance, FTA expects the recipient to seek competition. To satisfy the requirement for full and open competition, FTA expects the recipient to take the following actions before entering into a contract resulting from an unsolicited proposal:

- (1) Receipt. Publicize its receipt of the unsolicited proposal,

- (2) Adequate Description. Publicize an adequate description of the property or services offered without improperly disclosing proprietary information or disclosing the originality of thought or innovativeness of the property or services sought,
- (3) Interest in the Property or Services. Publicize its interest in acquiring the property or services described in the proposal,
- (4) Adequate Opportunity to Compete. Provide an adequate opportunity for interested parties to comment or submit competing proposals, and
- (5) Contract Award Based on Proposals Received. Publicize its intention to award a contract based on the unsolicited proposal or another proposal submitted in response to the publication.

If it is impossible to describe the property or services offered without revealing proprietary information or disclosing the originality of thought or innovativeness of the property or services sought, the recipient may make a sole source award to the offeror. A sole source award may not be based solely on the unique capability of the offeror to provide the specific property or services proposed.

The FTA Best Practices Procurement Manual states:

When unsolicited proposals are submitted to a grantee, the agency must never assume that the product being offered in the unsolicited proposal is the only, or best, product available to meet the needs or objectives of the agency. The essential consideration in whether or not to accept an unsolicited proposal without competition (i.e., to make a sole source contract award) is whether or not the proposal is presenting an innovative, proprietary concept that is itself essential to accomplishing the agency's objective. If a company is merely presenting a rationale for doing certain work that could be done by others if given the chance to compete, then there is no permissible basis to award a sole source contract.

The bottom line is the proposal must be innovative, unique, proprietary and essential to contract performance otherwise FTA mandates competition.

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

**To:** LYNX Board of Directors

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

**Presented By:** Blanche W. Sherman

**Phone:** 407.841.2279 ext: 6017

**Item Name:** Presentation on LYNX' Reserves

**Date:** 5/24/2012

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Staff will make a presentation on LYNX' reserves.

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

**To:** LYNX Board of Directors

**From:** Rudolph Walter  
DIRECTOR OF PLANNING  
Jerry Bryan  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6009

**Item Name:** Overview of Proposed Service Enhancements

**Date:** 5/24/2012

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Due to the rapidly increasing ridership throughout the LYNX system over the past three years, a growing number of LYNX' routes are experiencing issues with capacity constraints and/or issues with adhering to the published bus schedules. The overall system ridership has increased over 20% since 2009, and many routes have exceeded this percentage with a high of an 80% increase.

LYNX' Service Planning staff conducted an analysis in April 2012 to identify the top ten routes experiencing capacity issues and the top ten routes experiencing on-time performance issues utilizing Automatic Passenger Counter (APC) data. The report also identifies solutions for each route, based on the unique characteristics of each. In some cases, routing alterations could resolve the issues, but in most cases, additional resources are required to address the identified issues.

Staff will make a full presentation of the recommended service improvements.

**Audit Committee Information Item #.i**

**To:** LYNX Board of Directors

**From:** Bernard Guida  
DIRECTOR OF PROCUREMENT  
Rich Bannon  
(Technical Contact)

**Phone:** 407.841.2279 ext: 6057

**Item Name:** LYNX 12 Month Rolling Calendar

**Date:** 5/24/2012

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May 2012

- Authorization to issue an Invitation for Bid for Landscaping Maintenance Services.
- Contract #08-C17 Authorization to exercise option year two with SSI Petroleum for Supplying Oil and Lubricants.
- Contract #11-C18 Authorization to Amend Contract #11-C18 with Diamond Investigations & Security, Inc.

July 2012

- Contract #10-C23 Authorization to exercise option year one with VPSI for Van Pool Services.
- Authorization to issue an Invitation for Bid for Dyed Ultra Low Sulfur Diesel Fuel
- Authorization to issue an Invitation for Bid for 87 Octane Unleaded Gasoline.

September 2012

- Contract #09-C07 Authorization to exercise the second option year with Data Transfer Solutions for General Planning Consultant.
- Contract #09-C08 Authorization to exercise the second option year with Reynolds Smith & Hill for General Planning Consultant.
- Authorization to issue an Invitation for Bid for Janitorial Services
- Authorization to issue an Invitation for Bid to the Encoding of Fare Cards
- Authorization to release a Request for Proposals for Heavy Duty Transit Buses

# LYNX Board Agenda

## November 2012

- No Activity

## January 2013

- No Activity

## February 2013

- No Activity

## March 2013

- No Activity

## April 2013

- No Activity