

LYNX Audit Committee Agenda




Board Date: 5/22/2014
Time: 10:30 AM

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

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







1. Call to Order

2. Approval of Minutes

-  Minutes from the March 27, 2014 Audit Committee Meeting

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3. Audit Agenda Items

- A.  Compressed Natural Gas (CNG) Unsolicited Proposal Financial Analysis Update
- Attachment 
- B.  Update on LYNX' Reserves
- C.  Discussion of New LYNX Committee Structure
- Attachment  

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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: **March 27, 2014**

TIME: **10:34 a.m.**

Members in Attendance:

Seminole County Commissioner, Carlton Henley, Chairman
Orange County, Assistant County Administrator, Jim Harrison
City of Orlando, Transportation Policy Advisor, Tanya J. Wilder
FDOT District 5 Secretary, Noranne Downs

Members Absent:

Osceola County Commissioner, Frank Attkisson

1. Call to Order

The Chairman, Commissioner Carlton Henley, called the meeting to order at 10:34 a.m. The Chairman welcomed LYNX staff, Vicki Hoffman, as Secretary to the Committee for today's meeting. He also welcomed Tanya J. Wilder, Business Development Division Manager and Transportation Policy Advisor, City of Orlando, as a new member to the Committee.

2. Approval of Minutes

The Chairman asked the Committee if there were any additions or deletions to the January 29, 2014 Minutes as presented.

Motion was made and seconded to approve the Minutes of the January 29, 2014 Audit Committee meeting. The motion passed unanimously.

3. Audit Agenda Items

A. Presentation on Annual Financial Audit & Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ending September 30, 2013

The Chairman recognized Blanche Sherman, LYNX' Director of Finance, who introduced Ron Conrad, Partner, Cherry Bekaert, LLP, to present the results of the annual financial audit and CAFR.

Mr. Conrad reviewed the sectional contents of the Comprehensive Annual Financial Report:

- Introduction
- Financial including report of independent auditor
- Management discussion and analysis
- Statements of Net Position
- Required Supplementary Information
- Statistical information including trends and analysis
- Report of Independent Auditor on Internal Control
- Report of Independent Auditor on Compliance
- Independent Auditor’s Management Letter

Mr. Conrad stated that LYNX received a “clean opinion”.

Ms. Sherman thanked LYNX’ Finance staff, Patti Bryant, Manager of Accounting, and Vicki Hoffman, Fiscal Assistant, for their diligent work on the preparation of the Report.

The Chairman asked if the Committee had any questions or comments, hearing none, the Chairman took up the next item.

C. Overview of the FY2014 Amended Operating and Capital Budgets

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

➤ FY2014 Operating Budget Overview

	FY2014 <u>Adopted</u>	FY2014 <u>Amended</u>	<u>% of Change</u>
Op Revenue	\$127,867,296	\$127,936,419	0.1%
Op Expenses	127,867,296	127,936,419	0.1%

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 or nine months of FY2014
- Reclassifications

Key Capital Budget Amendment Basis:

- Carryover adjustments through 09/30/2013

➤ **FY2014 Capital Budget Overview**

	FY2014 <u>Adopted</u>	FY2014 <u>Amended</u>	<u>% of Change</u>
Capital Cont.	\$101,285,375	\$ 99,484,058	-1.78%
Capital Expend.	101,285,375	99,484,058	-1.78%

Staff is requesting the Boards' approval of the amended FY2014 Operating and Capital Budgets in the amount of \$127,936,419 (0.1% increase) and \$99,484,058 (-1.8% decrease), respectively.

Without objection, the Committee's recommendation to the Board will be to approve the amended FY2014 Operating and Capital Budgets.

B. FY2015 Preliminary Budget Discussion

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

➤ **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 in savings 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 rate

➤ **FY2015 Operating Budget Overview**

	FY2014 <u>Amended</u>	FY2015 <u>Preliminary</u>	<u>% of Change</u>
Op Revenue	\$127,936,419	\$127,680,744	-0.2%
Op Expenses	127,936,419	127,680,744	-0.2%

Committee discussion ensued regarding the current amounts of reserves in each of the categories. John Lewis noted that Staff will provide the information.

Discussion also ensued regarding the potential for utilizing the \$1.2 million in savings to off-set the impact of funding increases to the Funding Partners.

Mr. Lewis noted that Staff will be meeting with the Funding Partners' Staff and will come back at the Committee's May meeting to further discuss LYNX' reserves and the savings.

Discussion ensued regarding the Public Hearings held in light of service changes and the comments received particularly in relation to the service to the Goldsboro area of Sanford.

Discussion ensued regarding the proposed local jurisdiction funding increase without corresponding increases in service.

Mr. Lewis noted that LYNX is experiencing the result of growing pains, as an example, LYNX' ridership has experienced an increase from 26 million to nearly 30 million riders in the last three years. The ridership has expanded without expanding service. Last year, LYNX utilized reserves in order to keep pace with the demand for service in Osceola and Orange Counties. In previous years, the Board approved the utilization of capital funds to off-set operating increases.

Mr. Lewis also stated that the funding model was recently adopted.

The Chairman, Commissioner Henley, was required to step away and requested Committee member, Jim Harrison, take the Chair.

Commissioner Henley returned to the meeting and resumed as Chairman.

The Committee discussed the need for further dialogue with Staff before the proposed budget is brought to the Board for approval.

➤ **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**

- 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 FY14-15 Commences October 1

D. Overview of Medicaid Non-Emergency Transportation (NET) Options

The Chairman recognized Bill Hearndon, LYNX' Manager of Paratransit, to make the presentation.

Mr. Hearndon noted that Medicaid reform will take place in LYNX' service area on August 1, 2014. Medicaid reform requires most Medicaid beneficiaries to enroll in a Managed Care Organization (MCO). The beneficiaries that would remain with Medicaid NET provider would be Prescribed Pediatric Extended Care (PPEC) recipients and that that are covered under the Developmental Disabilities (DD) Medicaid Waiver program.

LYNX maintains four Medicaid Coordination Agreements with agencies who provide Medicaid NET services for the 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.

For AccessLYNX and coordination programs, Medicaid represents approximately 44% of all trips provided.

Available Options to LYNX regarding Medicaid NET participation include:

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

Staff recommends continuing to provide Medicaid Non-Emergency Transportation (NET) service to those exempted populations following the implementation of Medicaid Reform on August 1, 2014. Staff's recommendation is 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
- 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

E. Overview of Bus Lease Payout

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

Ms. Sherman noted that in 2007, Orange County supported the lease of 21 diesel buses at a time when all the Partners were on the Funding Model and LYNX was expanding services. The Lease Agreement expires in August 2014 and requires notice be given to Comerica Leasing Corporation by April 15, 2014 of LYNX' intentions to exercise the option to purchase in order to arrive at an agreed upon fair market value.

The estimated fair market value of the buses is \$1.5 million. Staff set aside some funds in the Capital Budget to buy-out the Lease. It is Staff's opinion that a buy-out is prudent based on the condition of the buses and the 2 to 3 years remaining life of the vehicles.

Ms. Sherman stated that the Board will be considering this matter at its meeting.

Without objection, the Committee's recommendation to the Board will be to exercise the purchase option on the existing bus lease that expires August, 2014 for the 21 diesel buses.

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

John Lewis introduced Margaret Lezcano, Managing Director, Stifel Nicolaus, to make the presentation.

Ms. Lezcano noted that an update on the review of the proposal was provided to the Committee at the January 29, 2014 meeting. Over the past two months staff has worked closed with Stifel to perform the financial evaluation of the proposal.

LYNX received an Unsolicited Proposal on September 13, 2013 from NoPetro.

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

- 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
- Proposed Commitment from LYNX
- CNG Fueling Station
 - An initial acquisition of at least 35 CNG buses
 - A minimum of 50% of LYNX' future bus acquisitions would be CNG
 - CNG buses owned by LYNX would have to be fueled at the No-Petro/LYNX CNG Fueling Station
 - Minimum take-or-pay commitment of 500,000 DGEs annually
 - ✓ Take-or-pay commitment is for 15 years
 - ✓ The P3 terms is for 20 years
 - Maintenance Facility Upgrade (Optional)
 - Option One – South Wing CNG and Maintenance Facility Modification (23 bays)
 - Option Two – Total CNG Maintenance Facility Modification (South and West Wings)
 - Lease Transit Buses to LYNX (Optional)
 - A Lease could be tax exempt
 - No requirements on number of buses to be leased

Ms. Lezcano introduced team member, Mr. Alex Bugallo, to discuss the financial analyses and assumptions.

Mr. Bugallo, discussed the model that was developed to evaluate the proposal from a financial standpoint.

- Model Overview
- 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 No-Petro's estimates of third party sales over time
- The model assumes that 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)

Mr. Bugallo reviewed the general assumptions, key conversion factors, the energy price outlook, and fuel price comparison.

At 12:00 p.m., the Chairman asked for the meeting to be temporarily adjourned for a short break.

At 12:05 p.m., the Chairman reconvened the meeting.

Mr. Bugallo reviewed three resulting scenarios:

- Scenario 1: 100% Commitment to CNG Moving Forward
- Scenario 2: 50% Commitment to CNG
- Scenario 3: Full Conversion to CNG

Ms. Lezcano discussed the activity timeline:

Audit Committee review financial feasibility results	March 27
Audit Committee review proposed facilities modifications	May 22
Board of Directors discuss whether to proceed to negotiation	May 22

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 present two Blue Sheet items. LYNX' General Counsel made some suggestions for revisions to the two items that were published with the Board package relating to appointing management representatives to the Administrative Committee and the Trustees of LYNX' Defined Contribution Plan for Bargaining Unit Employees.

Change of the structure of the Audit Committee has been discussed in prior Committee meetings. The initial discussion included changing the meetings to occur during the intervening month between the Board meetings. Mr. Lewis recommended either a finance meeting at the staff level or another structure that would allow for focusing on financial issues more frequently. He noted that over the next month that LYNX' general counsel and he would meet with the funding partners' staff to review the recommendations with the goal of bringing an item to the Board at its May, 2014 meeting.

Mr. Lewis noted that at the Audit Committee's January meeting, Secretary Downs asked for monthly and weekly ridership information from LYNX' top 10 routes . Mr. Lewis provided the members with a hand-out with the requested information.

The meeting adjourned at 12:32 p.m.

Audit Committee Agenda Item #3.A

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: 5/22/2014

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 March 27, 2014, Margaret Lezcano, Managing Director, of Stifel Nicolaus provided an update on the status of the comprehensive financial review to LYNX' Audit Committee. Over the past two months, LYNX staff has worked closely with Stifel Nicolaus to perform the operations evaluation of the proposal.

At the May 22, Audit Committee meeting, Margaret Lezcano and LYNX staff will provide an update on the CNG proposal operations evaluation with recommendations for moving forward with negotiations with NoPetro.



SUMMARY FINDINGS OF FINANCIAL
AND OPERATIONS FEASIBILITY:
LYNX CONVERSION TO CNG

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SECTION I:
UNSOLICITED 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) Build, Operate and Maintain a 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 LYNX 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 proposed take-or-pay commitment is for 15 years
 - The proposed 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) for \$1,425,000
 - Option Two – Total CNG Maintenance Facility Modification (South and West Wings) for \$2,500,000
 - Tax-exempt interest rates may be available for financing the upgrades

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 structured as tax exempt or taxable
- No requirements on number of buses to be leased
- Nopetro would charge LYNX a to-be-negotiated administrative fee to manage the leases



SECTION II:

FINANCIAL ASSUMPTIONS AND SCENARIO RESULTS

- 1) **50% COMMITMENT TO FUTURE BUS PURCHASES (BASE CASE)**
- 2) **100% COMMITMENT TO FUTURE BUS PURCHASES**
- 3) **FULL CONVERSION UPFRONT**

MODEL OVERVIEW

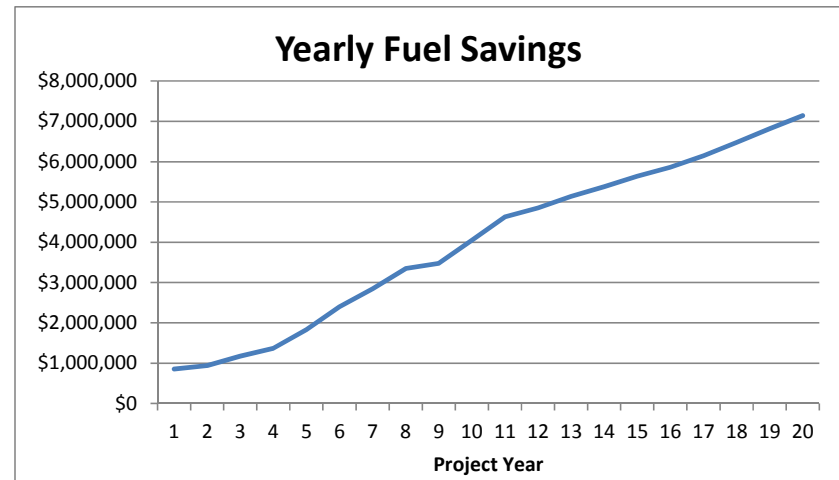
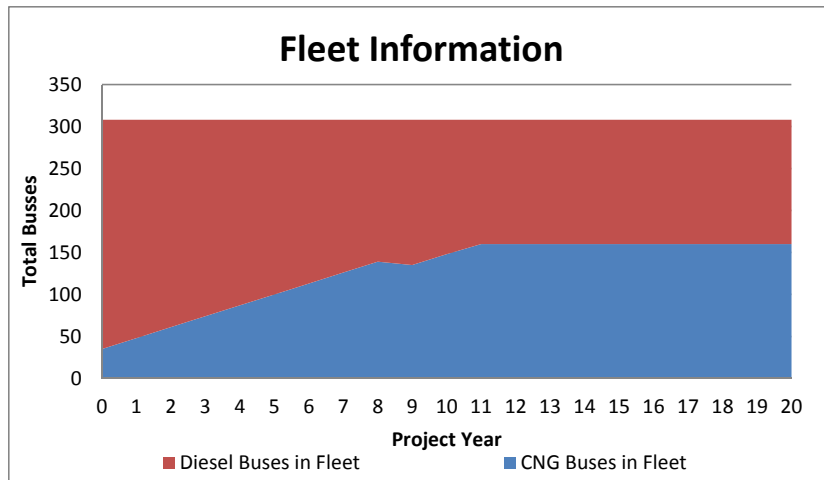
- Stifel developed an Excel model to measure the financial feasibility of the proposed CNG conversion
- The model calculates three measures of financial efficiency: Net Present Value, Internal Rate-of-Return and Payback Period
- Cash Flow savings are calculated as the difference between the annual cost 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 higher 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)

SCENARIO 1: 50% COMMITMENT TO CNG (BASE CASE)

- 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

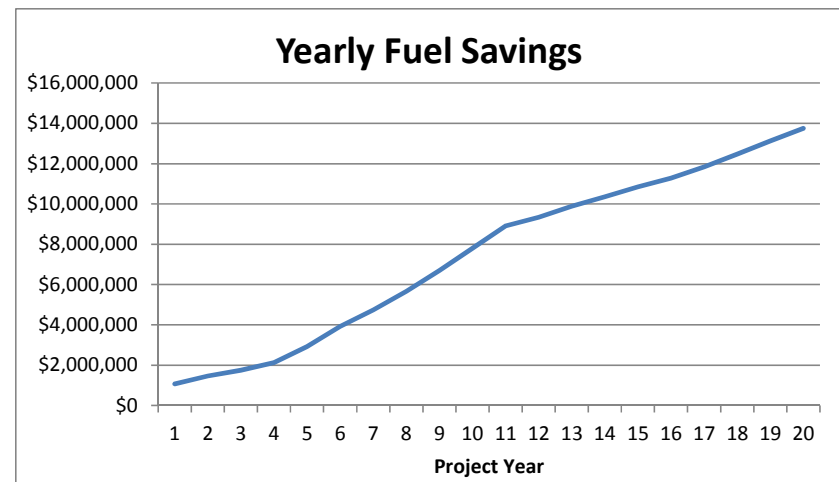
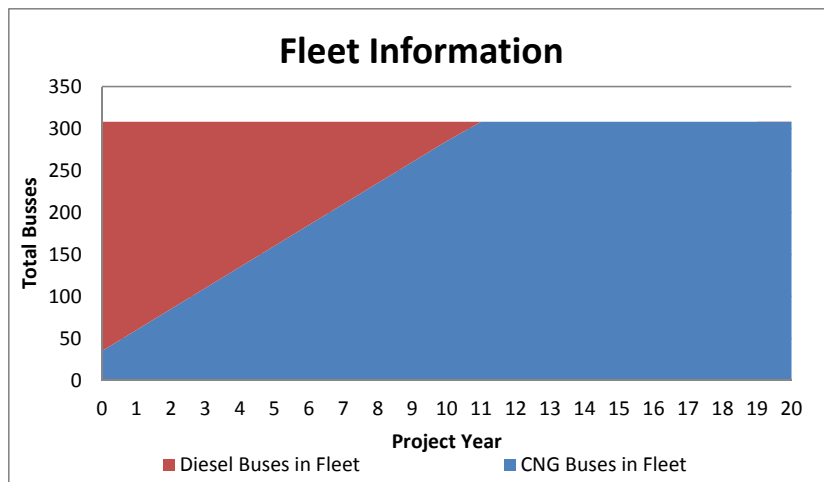


SCENARIO 2: 100% COMMITMENT TO CNG MOVING FORWARD

- 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

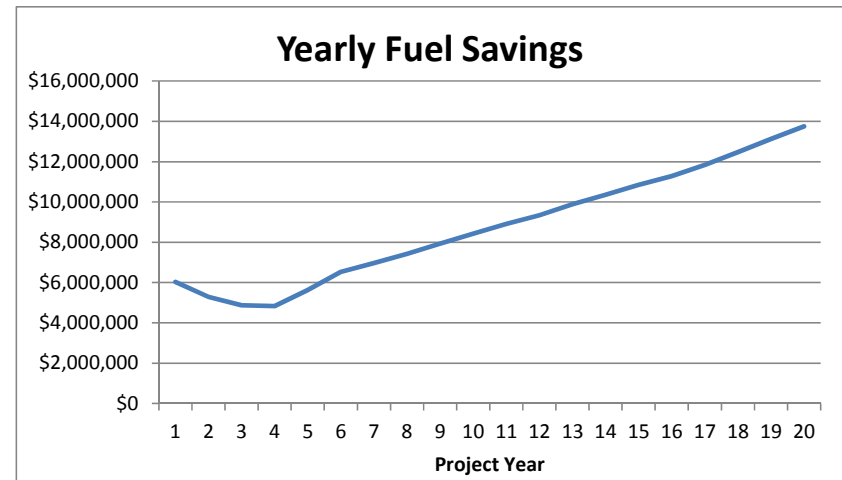
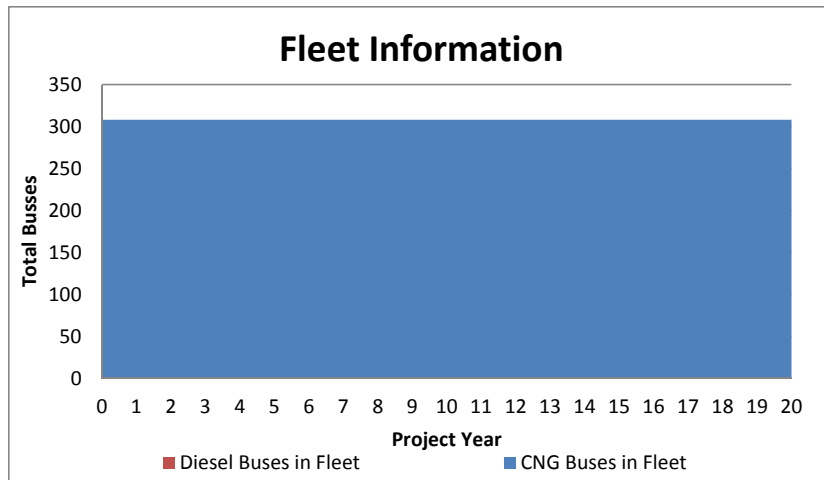


SCENARIO 3: FULL CONVERSION TO CNG UPFRONT

- 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 III:
**INITIAL CONSTRUCTION, ENGINEERING
AND MAINTENANCE REVIEW**

LYNX REVIEW OF PROPOSED MAINTENANCE FACILITY CHANGES

- A committee of LYNX senior managers was appointed by the CEO to conduct an initial review of the Proposal
- The committee hosted a site visit with Nopetro on April 30th to walk-through the maintenance facility and diligence the scope of work from construction, maintenance, transportation, safety and risk perspectives
- Several follow-up conversations were held internally at LYNX and with Nopetro to answer questions
- Nopetro confirmed that the walk-through session, including associated technical discussions, did not alter the proposed pricing or scope of work needed for the maintenance facility

PROPOSED SCOPE OF WORK FOR LYNX MAINTENANCE FACILITY CHANGES

1. Installation of a gas (methane) detection system outfitted with audible and visual alarms and exhaust systems
2. Upgrade installation to the mechanical exhaust ventilation system (to increase the rate of exhaust in a defined leak detection event)
3. Installation of appropriate general exhaust fans and louvered ventilation will be installed
4. Upgrade to the HVAC heating system
5. Upgrades and installation modifications to electrical system and distribution panels
6. Upgrades to the existing fire protection sprinkler system may be implemented and interconnected with PLC controlling all emergency response systems
7. Installation of a lightning protection system with surge protectors
8. Installation of two sealed - three hour fire rated partition walls between maintenance garage spaces and occupied offices and common areas
9. Seal all penetrations with 3-M three-hour fire rated material between maintenance garage area and occupied offices
10. Remove bottom side roof deck and roof joist system paint and replace with fire retardant paint



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 May 8, 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

DISCLOSURE

Stifel, Nicolaus & Company, Incorporated (“Stifel”) is providing the information for discussion purposes and is declaring that it has done so within the regulatory framework of MSRB Rule G-23 as a financial advisor, as defined therein, and not an underwriter to the issuer for this proposed issuance of municipal securities. A “financial advisory relationship” shall be deemed to exist when a firm enters into an agreement to render financial advisory or consultant services to or on behalf of an issuer with respect to the issuance of municipal securities, including advice with respect to the structure, timing, terms and other similar matters. Accordingly, any services provided by Stifel as they relate to our role as financial advisor should not be construed as those of an underwriter or placement agent.

Audit Committee Agenda Item #3.B

To: LYNX Board of Directors

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

Phone: 407.841.2279 ext: 6017

Item Name: Update on LYNX' Reserves

Date: 5/22/2014

LYNX' Reserve Policy is based on sound fiscal principles designed to allow LYNX to maintain continuation of operations in adverse conditions. The Reserve Policy is essential to maintain adequate levels of reserves to mitigate current and future risks such as revenue shortfalls, emergencies, natural disasters, and unanticipated expenditures.

LYNX' Reserves are as follows:

- **Reserves for Operations (Cash Reserves)**

\$15,000,000 minimum \$30,000,000 maximum

LYNX should establish a goal to maintain a reserve of forty-five to sixty days, or fifteen to twenty percent of regular operating expenditures to be used for short term cash flow purposes, or to ensure adequate resources for operating purposes at the beginning of the fiscal year. The cash reserve also helps to protect LYNX in the event it must respond to a natural or man-made disaster. This appropriation may also be considered to fund one-time capital outlay, but shall not be used to support ongoing operating expenses.

- **Reserves for Contingency (Emergencies)**

\$6,333,365 – 5% of FY2014 Adopted Operating Budget

LYNX should establish a goal to maintain a contingency reserve at a not to exceed 5% of the total budget. The contingency is commonly known as the emergency reserve to be used in the case of a major storm or other unforeseen disaster. The contingency reserve may also be used to cover unanticipated expenditures of a non-recurring nature, to meet unexpected immediate increases in service delivery costs, and to temporarily maintain service levels in the event that an economic downturn should cause a shortfall in revenues.

- **Reserves for Capital Funds and Debt Service**

\$2,580,095 (21 bus lease payoff) and \$2,392,156 (SIB loan)

In the event that the operating reserve balance exceeds the amount set forth in this policy, the excess will be transferred to Reserves for Capital. The goal will be to fund the future infrastructure. This only pertains to items and/or projects included in the annual capital budget. Debt Service Reserves are subjected to the creation of a very specific reserve amount as a part of the Loan Covenants. Therefore, the amount to be appropriated must adhere to these requirements and will be budgeted, accordingly.

- **Reserves for Self-Insurance Programs**

\$8,419,539 (W/C, G/L, and Pending Claim) and \$1,109,588 (Medical Insurance)

Risk Management should maintain a minimum reserve equal to the 80% to 90% undiscounted confidence level of the annual actuarial study to ensure financial viability for Workers Compensation and General Liability Claims. In addition, should a claim be made against LYNX that is identified subsequent to the actuarial report and prior to the issuance of the Comprehensive Annual Financial Report that is financially material to the fund and highly likely to succeed, additional reserves should be established to provide adequate funds in reserve. Also, LYNX should establish a reserve equals to two months to support unanticipated increase in medical insurance expenses.

- **Reserves for Fuel Stabilization**

\$1,000,000 budget stabilization

In 2011, LYNX established a fuel hedging program to curtail some of the extreme volatility experienced in the price of fuel. The hedging program is not meant to “out-guess” the market for fuel, but rather is an attempt to eliminate some of the pricing volatility and provided budget stabilization. This program, combined with establishing a Fuel Stabilization Reserve, will give LYNX, and ultimately our funding partners, some assurance of price and funding stability, as it pertains to the costs of fuel. The reserve will be funded via reserving excess revenues.

The total impact is **\$24,937,732 minimum and \$39,937,732 maximum**, of which approximately **\$29,014,468** in unrestricted net assets.

LYNX Board Agenda

LYNX Reserves	Minimum	Maximum
Operations	\$ 15,000,000	\$ 30,000,000
Contingency	6,333,365	6,333,365
Capital	2,580,095	2,580,095
Debt Service	2,392,156	2,356,156
Self-Insurance	9,529,127	9,529,127
Fuel Stabilization	1,000,000	1,000,000
Subtotal	\$ 36,834,743	\$ 51,834,743
FY2014 \$2 Capital Funding	(2,113,746)	(2,113,746)
Self-Insurance (Long-term)	(6,291,109)	(6,291,109)
FY2014 Settlement Payout Budget	(1,100,000)	(1,100,000)
SIB Loan – Federally Funded	(2,392,156)	(2,392,156)
Reserve Fund Requirement	\$ 24,937,732	\$ 39,937,732
Unrestricted – Net Position	\$29,014,468	\$29,014,468
Excess (Shortfall) Cash Reserves	\$ 4,076,736	\$(10,923,264)

We estimated the “Operations” reserves based on expenditures in the first three months of operations. Due to the “Federal Shut Down” in October 2013, the first quarter of FY2014 was higher than normal.

Audit Committee Agenda Item #3.C

To: LYNX Board of Directors

From: John Lewis
CHIEF EXECUTIVE OFFICER
John Lewis
(Technical Contact)

Phone: 407.841.2279 ext: 6017

Item Name: Discussion of New LYNX Committee Structure

Date: 5/22/2014

LYNX' General Counsel will provide an overview of the proposed Amendment to Administrative Rule 2.

Amendment to Administrative Rule 2

An amendment to Administrative Rule 2 is being presented to the Audit and Oversight Committee and to the Governing Board. The amendment was drafted in response to input received from LYNX staff and from input from certain of LYNX's funding partners. The amendment is intended to enable LYNX to operate more efficiently and to give LYNX' funding partners greater participation in financial and risk management matters. The amendment seeks to achieve these objectives by:

- Recreating the Audit and Oversight Committee as the Oversight Committee and delegating to the Oversight Committee the authority to undertake certain actions on behalf of the Governing Board when there is not adequate time to present the matters to the full Board and the authority to oversee the actions of the newly established Finance and Audit and Risk Management Committees. The membership of the Oversight Committee would be comprised of the members of the Governing Board, however, such members may appoint staff designees. The foregoing notwithstanding, all meetings of the Oversight Committee would be chaired by a member of the Governing Board.
- Establishing a Finance and Audit Committee which will make recommendations to the Governing Board, the Oversight Committee and LYNX staff with respect to financial policies, goals and budgets that support the mission, values and strategic goals of LYNX. The Finance and Audit Committee would also oversee the annual audit of LYNX's financial statements. The membership of the Finance and Audit Committee would be comprised of a staff member from each of the funding partners with expertise in financial matters. LYNX's Director of Finance/Chief Financial Officer would not be a member of the committee but would provide it with support.

LYNX Board Agenda

- Establish a Risk Management Committee which will review and provide recommendations to LYNX with respect to LYNX's safety, insurance and risk management programs. The Risk Management Committee would also have the authority to, if appropriate, settle tort and worker's compensation based claims on behalf of LYNX up to the limits of the waiver of sovereign immunity set forth in Section 768.28, Fla. Stat. (currently \$200,000/\$300,000), and to make recommendations to the Governing Board and the Oversight Committee with respect to settlements in excess of such amount. The membership of the Risk Management Committee would be comprised of a staff member from each of the funding partners with expertise in risk management matters. The LYNX Director of Risk Management would not be a member of the committee but would provide it with support.

ADMINISTRATIVE RULE 2 (AMENDMENT)

SUBJECT: ESTABLISHMENT OF COMMITTEES

EFFECTIVE DATE:

SCOPE:- The purpose of this amendment is to recreate the Oversight and Audit Committee as the Oversight Committee and to establish a Finance and Audit Committee and a Risk Management Committee.

AUTHORITY:

Authority for the establishment of this amendment to Administrative Rule 2 is as follows:

Part II, Chapter 343, Florida Statutes

AMENDMENT:

Section 2.12 of Administrative Rule 2 is hereby deleted in its entirety and the following is inserted in lieu thereof:

2.12 ~~2.12.~~ **Authorization to Establish Committees.** The Governing Board, by resolution adopted by a Majority of the Members, may create one or more committees which may exercise such powers as shall be conferred or authorized by the resolution creating said committee or committees. The composition of any committee, the removal of committee members, and the filling of vacancies shall be determined by the Governing Board. No committee may exercise any authority which is required by applicable law to be exercised solely by the Governing Board.

2.12.1 **Establishment of Oversight and Audit Committee; Purpose.** A committee ~~of the Governing Board~~ is hereby established, to be known as the “**Oversight and Audit** Committee.”— The Oversight ~~and Audit~~ Committee’s primary functions are: ~~(i) to assist the Governing Board in fulfilling its oversight responsibilities by reviewing the financial information, systems of internal controls which the Authority’s staff has established, and the audit process, and (ii) (i) to serve as a workshop to review and discuss matters prior to the Governing Board taking official action on such matters. In carrying out its primary functions, it is the responsibility of the Oversight; (ii) to oversee the Finance and Audit Committee to provide an open avenue of communication between and Risk Management Committee; and (iii) to exercise certain powers of the Governing Board, the Authority’s staff and the Authority’s external auditors which have been specifically delegated hereunder.~~ The Oversight ~~and Audit~~ Committee is provided specific authority to make recommendations to the Director of

Finance/Chief Financial Officer, the Chief Executive Officer and the Governing Board with respect to matters that come before it.

- A. **Composition.** The Oversight ~~and Audit~~ Committee shall ~~consist~~be comprised of five members, ~~consisting of the five~~ (each an “Oversight Committee Member”). ~~The~~ Members of the Governing Board. ~~It shall comprise the event a member of the Oversight and Audit Committee is unable to attend a meeting, for any reason, such member may designate any person from his or her organization to attend the meeting~~membership of the Oversight Committee; provided, however, that any Oversight Committee Member may designate in writing an employee of the governmental entity that such member represents (a “Designee”) to attend any meeting of the Oversight Committee and exercise all of the powers of the Oversight ~~and Audit~~ Committee Member in such member ~~in his or her’s~~ absence. The duration of any designation shall be for such period of time as is determined by the Oversight ~~and Audit~~ Committee member making the designation. To the extent that an Oversight Committee Member designates a Designee, the written designation must be filed with the Secretary of Assistant Secretary of the Governing Board.
- B. **Meeting Schedule and Notice.** The Oversight ~~and Audit~~ Committee shall annually establish a schedule for meetings ~~of the Oversight and Audit Committee. The Oversight and Audit~~, provided, that the Chairperson may cancel or reschedule any previously scheduled meeting or call a special meeting. The Oversight Committee shall meet at the offices of the Authority, or at such other location within the jurisdiction serviced by the Authority. All meetings of the Oversight ~~and Audit~~ Committee except as may otherwise be provided herein below and in accordance with applicable law shall be duly scheduled, subject to public notice and open to the public, to the extent required by, and in accordance with, Florida law.
- C. **Quorum.** The presence in person of a majority of the ~~members present of the~~ Oversight ~~and Audit~~ Committee Members shall constitute a quorum for the transaction of business.
- D. **Committee Action.** If a quorum is present, the affirmative vote of a majority of the ~~members present of the~~ Oversight ~~and Audit~~ Committee ~~at a meeting~~Members shall constitute an act of the Oversight ~~and Audit~~ Committee.
- E. **Officers.** The Oversight Committee shall annually elect from its members a chairperson and vice chairperson and such other officers as determined by the Oversight Committee. The chairperson and vice chairperson must also be Members of the Governing Board (and not Designees) unless otherwise consented to by the Governing Board. The chairperson, and in

his or her absence the vice chairperson, shall preside over all meetings of the Oversight Committee.

F. **Responsibilities.** The Oversight Committee shall carry out such responsibilities as are assigned to it by the Governing Board and take such actions as it deems appropriate within the scope of its responsibilities assigned hereunder. In furtherance thereof the Oversight Committee shall:

1. **General.**

- a. Review and make recommendations to LYNX staff and the Governing Board as to the agenda for upcoming meetings of the Governing Board.
- b. Serve as a workshop to discuss and make recommendations to the Governing Board on **matters being considered** or to be considered by the Governing Board as the Oversight Committee may deem appropriate.
- c. Receive reports from the Finance and Audit Committee and Risk Management Committee and provide recommendations and guidance (subject to its limits of authority).
- d. Review the Chief Executive Officer's Report to the Governing Board and make recommendations to the Chief Executive Officer regarding the same.

G. **Delegation of Board Authority.**

1. **Grant of Authority.** The Governing Board hereby authorizes Oversight Committee to undertake the following actions on behalf of the Governing Board notwithstanding anything to the contrary set forth in these Administrative Rules:

- a. Approve any Major Contract, Minor Contract, Bus Advertising Contract or fuel purchase or the issuance or award of any RFP or IFB, to the extent that such contract, purchase or solicitation does not have (i) a value in excess of \$300,000 or (ii) a term (inclusive of options) in excess of five years, and the cost of same is contemplated or set forth in the annual budget approved by the Governing Board;
- b. Approve the execution and filing of an application for a new grant to the extent that the amount of the grant does not exceed \$300,000;

- c. Approve the execution and filing of an application for the renewal of an existing grant irrespective of the amount of the grant;
- d. Approve the settlement of any claim, demand or lawsuit (including any Contract Dispute but excluding tort or worker's compensation based claims, demands and lawsuits) to the extent that the amount of such settlement does not exceed \$300,000; provided that the settlement fully releases the Authority from any liability, provides no admission of wrongdoing, does not subject the Authority to any additional obligation, whether financial or otherwise and the amount of such settlement is within the annual budget approved by the Governing Board; or
- e. Approve the undertaking of any other action by the Authority that would otherwise require prior approval of the Governing Board; provided, that (i) such action relates to a matter that is of a recurring nature or such matter arises in the ordinary course of the Authority's business; (ii) does not involve an expenditure, assumption of liability, sale, disposition, rental, agreement to provide services or other commitment by the Authority in excess of \$300,000 or a term in excess of five years; and (iii) the cost of such action is contemplated or set forth in the annual budget approved by the Governing Board.

Any actions taken by the Oversight Committee pursuant to this **Section 2.12.1(G)(1)** shall be reported to the Governing Board at its next regularly scheduled meeting; provided, however, that the failure to timely provide such a report shall not invalidate the action taken.

2. Election to Not Take Action. Nothing herein shall require that the Oversight Committee undertake any action authorized in **Section 2.12.1(G)(1)** nor prevent the Oversight Committee from recommending that such action be considered by the Governing Board at its next regularly scheduled meeting or at a special meeting of the Governing Board. It is the expectation of the Governing Board that the Authority staff will seek authorization from the Governing Board for matters which are not delegated to Authority staff in these Administrative Rules and only seek authorization from the Oversight Committee rather than the Governing Board when reasonably necessary.

2.12.2 Establishment of Finance and Audit Committee; Purpose. A committee is hereby established to be known as the Finance and Audit Committee. The Finance

and Audit Committee is responsible for recommending to the Governing Board, the Oversight Committee and Authority Staff financial policies, goals and budgets that support the mission, values and strategic goals of the Authority, and for overseeing the annual audit of the Authority's financial statements.

A. **Composition.** The Finance and Audit Committee shall be comprised of five members (each an “**Finance and Audit Committee Member**”). Each Member of the Governing Board shall be entitled to designate one Finance and Audit Committee Member from among the employees of the governmental entity that he or she represents. Each Finance and Audit Committee Member should have expertise in financial matters. The Director of Finance/Chief Financial Officer of the Authority will not be a member of the Finance and Audit Committee but will support the committee.

B. **Meeting Schedule and Notice.** The Finance and Audit Committee shall annually establish a schedule for meetings; provided, that the Chairperson may cancel or reschedule any previously scheduled meeting or call a special meeting. The Finance and Audit Committee shall meet at the offices of the Authority, or at such other location within the jurisdiction serviced by the Authority. All meetings of the Finance and Audit Committee except as may otherwise be provided herein below **and in accordance with applicable law shall be duly scheduled, subject to public notice and open to the public, to the extent required by, and in accordance with, Florida law.** It is initially contemplated, although not required, that the Finance and Audit Committee would meet on at least a monthly basis.

C. **Quorum.** The presence in person of a majority of the Finance and Audit Committee Members shall constitute a quorum for the transaction of business.

D. **Committee Action.** If a quorum is present, the affirmative vote of a majority of the Finance and Audit Committee Members shall constitute an act of the Finance and Audit Committee.

E. ~~**Chair.** All meetings of the Oversight and Audit Committee must be chaired by the Chairman of the Governing Board. In his or her absence (whether or not he or she designates someone to attend in his or her absence), all meetings shall be chaired by the Vice Chairman of the Governing Board.~~ **Officers.** The Finance and Audit Committee shall annually elect from its members a chairperson and such other officers as determined by the Finance and Audit Committee. The chairperson shall preside over all meetings of the Finance and Audit Committee. In his or her absence at any particular meeting, the vice chairperson shall preside over the meeting (if one has been elected). In the absence of a chairperson or vice chairperson, the Finance and Audit Committee members shall elect a replacement chairperson for such meeting.

F. **Reports.** The chairperson (or his or her designee from the Finance and Audit Committee) shall regularly provide reports to the Oversight Committee on the status of matters before the Finance and Audit Committee, and shall provide reports to the Governing Board regarding such matters on an as needed basis.

G. ~~F.~~ **Responsibilities.** The ~~Oversight~~Finance and Audit Committee shall carry out such responsibilities as are assigned to it by the Governing Board and by the Oversight Committee and take such actions as it deems appropriate within the scope of its ~~primary~~responsibilities assigned hereunder. In ~~addition, furtherance thereof~~ the ~~Oversight~~Finance and Audit Committee shall ~~(subject to the direction of the Governing Board)~~:

1. **General.**

a. Review the Authority's proposed annual budget as presented by the Authority's staff for the upcoming fiscal year.

b. Recommend the annual budget to the Governing Board for approval after incorporating necessary amendments.

c. ~~a. Make recommendations~~Monitor and report to the Governing Board on ~~matters being considered by the Governing Board as the Oversight and Audit Committee may deem appropriate~~the Authority's compliance with its adopted budget during the fiscal year (actual vs. estimated).

d. ~~b.~~ Conduct or authorize investigations (as it deems appropriate) into any matters within the ~~Oversight~~Finance and Audit Committee's scope of responsibilities. The ~~Oversight~~Finance and Audit Committee shall have unrestricted access to members of the Authority's staff and relevant information. The ~~Oversight~~Finance and Audit Committee may retain independent counsel, accountants or others to assist if in the conduct of any investigation. Operating budget reserves may be used for investigative costs if necessary.

2. **Internal Controls and Risk Assessment.**

a. Review and evaluate the effectiveness of the Authority's process for assessing significant risks or exposures and the steps the Authority's staff has taken to monitor and control such risks to the Authority. The ~~Oversight~~Finance and Audit Committee shall review any significant findings and recommendations of the Authority's external auditors together with the Authority's staff's responses including

the timetable for implementation of recommendations to correct any weakness in internal controls.

- b. Receive annual information from the Authority's external auditors regarding their independence, and if so determined by the ~~Oversight~~Finance and Audit Committee, recommend that the Authority takes appropriate actions to satisfy itself of the Authority's external auditor's independence.

3. **Internal Audit.**

- a. Confirm and assure the independence and adequacy of resources for internal audit services.
- b. Review the annual internal audit plan and the focus on risk.
- c. Consider and review with the Authority's staff:
 - (i) ~~(i)~~—Significant findings and the Authority's staff's response including the timetable for implementation to correct weaknesses.
 - (ii) ~~(ii)~~—Any difficulties encountered in the course of an audit such as restrictions on the scope of work or access to information.

4. **Compliance with Laws, Regulations, and Code of Conduct.**

Determine and make recommendations to the Governing Board as to whether the Authority is in compliance with pertinent laws and regulations, is conducting its affairs in accordance with the Code of Ethics set forth in Administrative Rule 5, and is maintaining effective controls against conflicts of interest and fraud.

5. **Financial Reporting.** Review with the Authority's staff and the Authority's external auditors at the completion of the annual examination:

- a. Communications from the Authority's external auditors in the audit planning process that are required by Government Auditing Standards.
- b. The annual financial statements and related footnotes.
- c. The Authority's external auditors' audit of the financial statements and their report.
- d. Management's Certification of the financial statements.

- e. Any significant changes required in the audit plan.
- f. Any difficulties or disputes with the Authority's staff encountered during the audit.
- g. The organization's accounting principles.
- h. Other matters related to conduct that should be communicated to the ~~Oversight~~Finance and Audit Committee in accordance with Government Auditing Standards #61.
- i. Review with the Authority's staff, the Authority's financial performance on a regular basis.

6. **External Auditor.**

- a. Recommend to the Governing Board the Authority's external auditors to be appointed and the related compensation.
- b. Review and approve the discharge of the Authority's external auditors.
- c. Review the scope and approach of the annual audit with the Authority's external auditors.
- d. Approval all non-audit services provided by the Authority's external auditors.

~~I hereby certify that the foregoing Administrative Rule 2 was adopted by the Governing Board of the Authority at its duly called meeting on _____, 2011.~~

 Deborah Henderson, Assistant Secretary

2.12.3 Establishment of Risk Management Committee; Purpose. A committee is hereby established to be known as the Risk Management Committee. The Risk Management Committee is responsible for reviewing and providing recommendations to the Authority with respect to the Authority's safety, insurance and risk management programs.

A. **Composition.** The Risk Management Committee shall be comprised of five members (each a "Risk Management Committee Member"). Each Member of the Governing Board shall be entitled to designate one Risk Management Committee Member from among the employees of the

governmental entity that he or she represents. Each Risk Management Committee Member should have expertise in the particular matters that are to come before the Risk Management Committee. The Director of Risk Management of the Authority will not be a member of the Risk Management Committee but will support the committee.

- B. **Meeting Schedule and Notice.** The Risk Management Committee shall annually establish a schedule for meetings; provided, that the Chairperson may cancel or reschedule any previously scheduled meeting or call a special meeting. The Risk Management Committee shall meet at the offices of the Authority, or at such other location within the jurisdiction serviced by the Authority. All meetings of the Risk Management Committee except as may otherwise be provided herein below and in accordance with applicable law shall be duly scheduled, subject to public notice and open to the public, to the extent required by, and in accordance with, Florida law. As provided in Section 768.28(16), Florida Statutes, portions of meetings and proceeds conducted solely to the evaluation of claims or which relate solely to offers of compromise of claims are exempt from the public meeting requirements of Section 286.011, Florida Statutes, and Section 24(b), Article I of the State Constitution. It is initially contemplated, although not required, that the Risk Management Committee would meet on a triannual or quarter annual basis.
- C. **Quorum.** The presence in person of a majority of the Risk Management Committee Members shall constitute a quorum for the transaction of business.
- D. **Committee Action.** If a quorum is present, the affirmative vote of a majority of the Risk Management Committee Members shall constitute an act of the Risk Management Committee.
- E. **Officers.** The Risk Management Committee shall annually elect from its members a chairperson and such other officers as determined by the Risk Management Committee. The chairperson shall preside over all meetings of the Risk Management Committee. In his or her absence at any particular meeting, the vice chairperson shall preside over the meeting (if one has been elected). In the absence of a chairperson or vice chairperson, the Risk Management Committee members shall elect a replacement chairperson for such meeting.
- F. **Reports.** At the next meeting of the Oversight Committee following each meeting of the Risk Management Committee, the chairperson (or his or her designee from the Risk Management Committee) shall provide a report to and solicit input from the Oversight Committee on the status of matters before the Risk Management Committee. The chairperson (or his or her designee from the Risk Management Committee) shall also provide

reports to and solicit input from the Governing Board regarding such matters on an as needed basis.

G. **Responsibilities.** The Risk Management Committee shall carry out such responsibilities as are assigned to it by the Governing Board and the Oversight Committee and take such actions as it deems appropriate within the scope of its responsibilities assigned hereunder. In furtherance thereof the Risk Management Committee shall and is specifically authorized to:

1. Review pending legislation pertaining to liability and sovereign immunity matters and review LYNX's risk management programs and insurance coverages, and provide status updates and recommendations to the Governing Board and Oversight Committee regarding such matters.

2. Review tort and worker's compensation based demands, claims and lawsuits where the Authority is or would be a potential defendant, respondent or otherwise responsible party, and:

a. When appropriate, approve the settlement of any such demand, claims and lawsuits to the extent that the amount of such settlement does not exceed the limited waiver of sovereign immunity as set forth in Section 768.28(5), Florida Statutes (as the same may be amended, restated, supplemented, replaced or superseded from time to time); provided that the settlement fully releases the Authority from any liability, provides no admission of wrongdoing, does not subject the Authority to any additional obligation, whether financial or otherwise, and the amount of such settlement is within the annual budget approved by the Governing Board.¹

b. Where the settlement of any such demand, claims and lawsuits exceeds the authority conferred on the Risk Management Committee pursuant to **Section 2.12.3(G)(2)(a)**, provide recommendations to the Governing Board and Oversight Committee, as appropriate, regarding such demands, claims and lawsuits. Such recommendations should include whether or not to settle such demands, claims and lawsuits and, if the Risk Management Committee believes that settlement is appropriate, the recommended terms of such settlement.

¹ Certain Authority Senior Officers are authorized to approve settlements where the amount of such settlement does not exceed \$50,000, and in certain instances the Chief Executive Officer may approve settlements in excess of such amount in each case pursuant to Administrative Rule 6.6.

Any settlements approved by the Risk Management Committee pursuant to the grant of authority authorized by **Section 2.12.3(G)(2)(a)** shall be reported to the Oversight Committee at its next regularly scheduled meeting; provided, however, that the failure to timely provide such a report shall not invalidate the action taken.

ADMINISTRATIVE RULE 2 (AMENDMENT)

SUBJECT: ESTABLISHMENT OF COMMITTEES

EFFECTIVE DATE:

SCOPE: The purpose of this amendment is to recreate the Oversight and Audit Committee as the Oversight Committee and to establish a Finance and Audit Committee and a Risk Management Committee.

AUTHORITY:

Authority for the establishment of this amendment to Administrative Rule 2 is as follows:

Part II, Chapter 343, Florida Statutes

AMENDMENT:

Section 2.12 of Administrative Rule 2 is hereby deleted in its entirety and the following is inserted in lieu thereof:

2.12 **Authorization to Establish Committees**. The Governing Board, by resolution adopted by a Majority of the Members, may create one or more committees which may exercise such powers as shall be conferred or authorized by the resolution creating said committee or committees. The composition of any committee, the removal of committee members, and the filling of vacancies shall be determined by the Governing Board. No committee may exercise any authority which is required by applicable law to be exercised solely by the Governing Board.

2.12.1 **Establishment of Oversight Committee; Purpose**. A committee is hereby established to be known as the Oversight Committee. The Oversight Committee's primary functions are (i) to serve as a workshop to review and discuss matters prior to the Governing Board taking official action on such matters; (ii) to oversee the Finance and Audit Committee and Risk Management Committee; and (iii) to exercise certain powers of the Governing Board which have been specifically delegated hereunder. The Oversight Committee is provided specific authority to make recommendations to the Director of Finance/Chief Financial Officer, the Chief Executive Officer and the Governing Board with respect to matters that come before it.

A. **Composition**. The Oversight Committee shall be comprised of five members (each an "**Oversight Committee Member**"). The Members of the Governing Board shall comprise the membership of the Oversight Committee; *provided, however*, that any Oversight Committee Member may designate in writing an employee of the governmental entity that such member represents (a "**Designee**") to attend any meeting of the Oversight Committee and exercise all of the powers of the Oversight Committee Member in such member's absence. The duration of any designation shall

be for such period of time as is determined by the Oversight Committee member making the designation. To the extent that an Oversight Committee Member designates a Designee, the written designation must be filed with the Secretary of Assistant Secretary of the Governing Board.

- B. **Meeting Schedule and Notice.** The Oversight Committee shall annually establish a schedule for meetings; provided, that the Chairperson may cancel or reschedule any previously scheduled meeting or call a special meeting. The Oversight Committee shall meet at the offices of the Authority, or at such other location within the jurisdiction serviced by the Authority. All meetings of the Oversight Committee except as may otherwise be provided herein below and in accordance with applicable law shall be duly scheduled, subject to public notice and open to the public, to the extent required by, and in accordance with, Florida law.
- C. **Quorum.** The presence in person of a majority of the Oversight Committee Members shall constitute a quorum for the transaction of business.
- D. **Committee Action.** If a quorum is present, the affirmative vote of a majority of the Oversight Committee Members shall constitute an act of the Oversight Committee.
- E. **Officers.** The Oversight Committee shall annually elect from its members a chairperson and vice chairperson and such other officers as determined by the Oversight Committee. The chairperson and vice chairperson must also be Members of the Governing Board (and not Designees) unless otherwise consented to by the Governing Board. The chairperson, and in his or her absence the vice chairperson, shall preside over all meetings of the Oversight Committee.
- F. **Responsibilities.** The Oversight Committee shall carry out such responsibilities as are assigned to it by the Governing Board and take such actions as it deems appropriate within the scope of its responsibilities assigned hereunder. In furtherance thereof the Oversight Committee shall:
 - 1. **General.**
 - a. Review and make recommendations to LYNX staff and the Governing Board as to the agenda for upcoming meetings of the Governing Board.
 - b. Serve as a workshop to discuss and make recommendations to the Governing Board on matters being considered or to be considered by the Governing Board as the Oversight Committee may deem appropriate.

- c. Receive reports from the Finance and Audit Committee and Risk Management Committee and provide recommendations and guidance (subject to its limits of authority).
- d. Review the Chief Executive Officer's Report to the Governing Board and make recommendations to the Chief Executive Officer regarding the same.

G. **Delegation of Board Authority.**

- 1. **Grant of Authority.** The Governing Board hereby authorizes Oversight Committee to undertake the following actions on behalf of the Governing Board notwithstanding anything to the contrary set forth in these Administrative Rules:
 - a. Approve any Major Contract, Minor Contract, Bus Advertising Contract or fuel purchase or the issuance or award of any RFP or IFB, to the extent that such contract, purchase or solicitation does not have (i) a value in excess of \$300,000 or (ii) a term (inclusive of options) in excess of five years, and the cost of same is contemplated or set forth in the annual budget approved by the Governing Board;
 - b. Approve the execution and filing of an application for a new grant to the extent that the amount of the grant does not exceed \$300,000;
 - c. Approve the execution and filing of an application for the renewal of an existing grant irrespective of the amount of the grant;
 - d. Approve the settlement of any claim, demand or lawsuit (including any Contract Dispute but excluding tort or worker's compensation based claims, demands and lawsuits) to the extent that the amount of such settlement does not exceed \$300,000; provided that the settlement fully releases the Authority from any liability, provides no admission of wrongdoing, does not subject the Authority to any additional obligation, whether financial or otherwise and the amount of such settlement is within the annual budget approved by the Governing Board; or
 - e. Approve the undertaking of any other action by the Authority that would otherwise require prior approval of the Governing Board; provided, that (i) such action relates to a matter that is of a recurring nature or such matter arises in the ordinary course of the Authority's business; (ii) does

not involve an expenditure, assumption of liability, sale, disposition, rental, agreement to provide services or other commitment by the Authority in excess of \$300,000 or a term in excess of five years; and (iii) the cost of such action is contemplated or set forth in the annual budget approved by the Governing Board.

Any actions taken by the Oversight Committee pursuant to this **Section 2.12.1(G)(1)** shall be reported to the Governing Board at its next regularly scheduled meeting; provided, however, that the failure to timely provide such a report shall not invalidate the action taken.

2. **Election to Not Take Action**. Nothing herein shall require that the Oversight Committee undertake any action authorized in Section **2.12.1(G)(1)** nor prevent the Oversight Committee from recommending that such action be considered by the Governing Board at its next regularly scheduled meeting or at a special meeting of the Governing Board. It is the expectation of the Governing Board that the Authority staff will seek authorization from the Governing Board for matters which are not delegated to Authority staff in these Administrative Rules and only seek authorization from the Oversight Committee rather than the Governing Board when reasonably necessary.

2.12.2 **Establishment of Finance and Audit Committee; Purpose**. A committee is hereby established to be known as the Finance and Audit Committee. The Finance and Audit Committee is responsible for recommending to the Governing Board, the Oversight Committee and Authority Staff financial policies, goals and budgets that support the mission, values and strategic goals of the Authority, and for overseeing the annual audit of the Authority's financial statements.

- A. **Composition**. The Finance and Audit Committee shall be comprised of five members (each an "**Finance and Audit Committee Member**"). Each Member of the Governing Board shall be entitled to designate one Finance and Audit Committee Member from among the employees of the governmental entity that he or she represents. Each Finance and Audit Committee Member should have expertise in financial matters. The Director of Finance/Chief Financial Officer of the Authority will not be a member of the Finance and Audit Committee but will support the committee.
- B. **Meeting Schedule and Notice**. The Finance and Audit Committee shall annually establish a schedule for meetings; provided, that the Chairperson may cancel or reschedule any previously scheduled meeting or call a special meeting. The Finance and Audit Committee shall meet at the offices of the Authority, or at such other location within the jurisdiction

served by the Authority. All meetings of the Finance and Audit Committee except as may otherwise be provided herein below and in accordance with applicable law shall be duly scheduled, subject to public notice and open to the public, to the extent required by, and in accordance with, Florida law. It is initially contemplated, although not required, that the Finance and Audit Committee would meet on at least a monthly basis.

- C. **Quorum.** The presence in person of a majority of the Finance and Audit Committee Members shall constitute a quorum for the transaction of business.
- D. **Committee Action.** If a quorum is present, the affirmative vote of a majority of the Finance and Audit Committee Members shall constitute an act of the Finance and Audit Committee.
- E. **Officers.** The Finance and Audit Committee shall annually elect from its members a chairperson and such other officers as determined by the Finance and Audit Committee. The chairperson shall preside over all meetings of the Finance and Audit Committee. In his or her absence at any particular meeting, the vice chairperson shall preside over the meeting (if one has been elected). In the absence of a chairperson or vice chairperson, the Finance and Audit Committee members shall elect a replacement chairperson for such meeting.
- F. **Reports.** The chairperson (or his or her designee from the Finance and Audit Committee) shall regularly provide reports to the Oversight Committee on the status of matters before the Finance and Audit Committee, and shall provide reports to the Governing Board regarding such matters on an as needed basis.
- G. **Responsibilities.** The Finance and Audit Committee shall carry out such responsibilities as are assigned to it by the Governing Board and by the Oversight Committee and take such actions as it deems appropriate within the scope of its responsibilities assigned hereunder. In furtherance thereof the Finance and Audit Committee shall:
 - 1. **General.**
 - a. Review the Authority's proposed annual budget as presented by the Authority's staff for the upcoming fiscal year.
 - b. Recommend the annual budget to the Governing Board for approval after incorporating necessary amendments.
 - c. Monitor and report to the Governing Board on the Authority's compliance with its adopted budget during the fiscal year (actual vs. estimated).

- d. Conduct or authorize investigations into any matters within the Finance and Audit Committee's scope of responsibilities. The Finance and Audit Committee shall have unrestricted access to members of the Authority's staff and relevant information. The Finance and Audit Committee may retain independent counsel, accountants or others to assist if in the conduct of any investigation. Operating budget reserves may be used for investigative costs if necessary.

2. **Internal Controls and Risk Assessment.**

- a. Review and evaluate the effectiveness of the Authority's process for assessing significant risks or exposures and the steps the Authority's staff has taken to monitor and control such risks to the Authority. The Finance and Audit Committee shall review any significant findings and recommendations of the Authority's external auditors together with the Authority's staff's responses including the timetable for implementation of recommendations to correct any weakness in internal controls.
- b. Receive annual information from the Authority's external auditors regarding their independence, and if so determined by the Finance and Audit Committee, recommend that the Authority takes appropriate actions to satisfy itself of the Authority's external auditor's independence.

3. **Internal Audit.**

- a. Confirm and assure the independence and adequacy of resources for internal audit services.
- b. Review the annual internal audit plan and the focus on risk.
- c. Consider and review with the Authority's staff:
 - (i) Significant findings and the Authority's staff's response including the timetable for implementation to correct weaknesses.
 - (ii) Any difficulties encountered in the course of an audit such as restrictions on the scope of work or access to information.

4. **Compliance with Laws, Regulations, and Code of Conduct.**

Determine and make recommendations to the Governing Board as to whether the Authority is in compliance with pertinent laws and

regulations, is conducting its affairs in accordance with the Code of Ethics set forth in Administrative Rule 5, and is maintaining effective controls against conflicts of interest and fraud.

5. **Financial Reporting.** Review with the Authority's staff and the Authority's external auditors at the completion of the annual examination:

- a. Communications from the Authority's external auditors in the audit planning process that are required by Government Auditing Standards.
- b. The annual financial statements and related footnotes.
- c. The Authority's external auditors' audit of the financial statements and their report.
- d. Management's Certification of the financial statements.
- e. Any significant changes required in the audit plan.
- f. Any difficulties or disputes with the Authority's staff encountered during the audit.
- g. The organization's accounting principles.
- h. Other matters related to conduct that should be communicated to the Finance and Audit Committee in accordance with Government Auditing Standards #61.
- i. Review with the Authority's staff, the Authority's financial performance on a regular basis.

6. **External Auditor.**

- a. Recommend to the Governing Board the Authority's external auditors to be appointed and the related compensation.
- b. Review and approve the discharge of the Authority's external auditors.
- c. Review the scope and approach of the annual audit with the Authority's external auditors.
- d. Approval all non-audit services provided by the Authority's external auditors.

2.12.3 **Establishment of Risk Management Committee; Purpose.** A committee is hereby established to be known as the Risk Management Committee. The Risk Management Committee is responsible for reviewing and providing recommendations to the Authority with respect to the Authority's safety, insurance and risk management programs.

- A. **Composition.** The Risk Management Committee shall be comprised of five members (each a "**Risk Management Committee Member**"). Each Member of the Governing Board shall be entitled to designate one Risk Management Committee Member from among the employees of the governmental entity that he or she represents. Each Risk Management Committee Member should have expertise in the particular matters that are to come before the Risk Management Committee. The Director of Risk Management of the Authority will not be a member of the Risk Management Committee but will support the committee.

- B. **Meeting Schedule and Notice.** The Risk Management Committee shall annually establish a schedule for meetings; provided, that the Chairperson may cancel or reschedule any previously scheduled meeting or call a special meeting. The Risk Management Committee shall meet at the offices of the Authority, or at such other location within the jurisdiction serviced by the Authority. All meetings of the Risk Management Committee except as may otherwise be provided herein below and in accordance with applicable law shall be duly scheduled, subject to public notice and open to the public, to the extent required by, and in accordance with, Florida law. As provided in Section 768.28(16), Florida Statutes, portions of meetings and proceeds conducted solely to the evaluation of claims or which relate solely to offers of compromise of claims are exempt from the public meeting requirements of Section 286.011, Florida Statutes, and Section 24(b), Article I of the State Constitution. It is initially contemplated, although not required, that the Risk Management Committee would meet on a triannual or quarter annual basis.

- C. **Quorum.** The presence in person of a majority of the Risk Management Committee Members shall constitute a quorum for the transaction of business.

- D. **Committee Action.** If a quorum is present, the affirmative vote of a majority of the Risk Management Committee Members shall constitute an act of the Risk Management Committee.

- E. **Officers.** The Risk Management Committee shall annually elect from its members a chairperson and such other officers as determined by the Risk Management Committee. The chairperson shall preside over all meetings of the Risk Management Committee. In his or her absence at any particular meeting, the vice chairperson shall preside over the meeting (if one has been elected). In the absence of a chairperson or vice chairperson, the

Risk Management Committee members shall elect a replacement chairperson for such meeting.

- F. **Reports.** At the next meeting of the Oversight Committee following each meeting of the Risk Management Committee, the chairperson (or his or her designee from the Risk Management Committee) shall provide a report to and solicit input from the Oversight Committee on the status of matters before the Risk Management Committee. The chairperson (or his or her designee from the Risk Management Committee) shall also provide reports to and solicit input from the Governing Board regarding such matters on an as needed basis.
- G. **Responsibilities.** The Risk Management Committee shall carry out such responsibilities as are assigned to it by the Governing Board and the Oversight Committee and take such actions as it deems appropriate within the scope of its responsibilities assigned hereunder. In furtherance thereof the Risk Management Committee shall and is specifically authorized to:
1. Review pending legislation pertaining to liability and sovereign immunity matters and review LYNX's risk management programs and insurance coverages, and provide status updates and recommendations to the Governing Board and Oversight Committee regarding such matters.
 2. Review tort and worker's compensation based demands, claims and lawsuits where the Authority is or would be a potential defendant, respondent or otherwise responsible party, and:
 - a. When appropriate, approve the settlement of any such demand, claims and lawsuits to the extent that the amount of such settlement does not exceed the limited waiver of sovereign immunity as set forth in Section 768.28(5), Florida Statutes (as the same may be amended, restated, supplemented, replaced or superseded from time to time); provided that the settlement fully releases the Authority from any liability, provides no admission of wrongdoing, does not subject the Authority to any additional obligation, whether financial or otherwise, and the amount of such settlement is within the annual budget approved by the Governing Board.¹
 - b. Where the settlement of any such demand, claims and lawsuits exceeds the authority conferred on the Risk Management Committee pursuant to **Section**

¹ Certain Authority Senior Officers are authorized to approve settlements where the amount of such settlement does not exceed \$50,000, and in certain instances the Chief Executive Officer may approve settlements in excess of such amount in each case pursuant to Administrative Rule 6.6.

2.12.3(G)(2)(a), provide recommendations to the Governing Board and Oversight Committee, as appropriate, regarding such demands, claims and lawsuits. Such recommendations should include whether or not to settle such demands, claims and lawsuits and, if the Risk Management Committee believes that settlement is appropriate, the recommended terms of such settlement.

Any settlements approved by the Risk Management Committee pursuant to the grant of authority authorized by **Section 2.12.3(G)(2)(a)** shall be reported to the Oversight Committee at its next regularly scheduled meeting; provided, however, that the failure to timely provide such a report shall not invalidate the action taken.