




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


## 1. Call to Order

## 2. Committee Minutes

-  Minutes from the September 25, 2014 Oversight Committee Meeting Pg 2

## 3. Committee Agenda

### A. Oversight Committee Agenda

-  Compressed Natural Gas (CNG) Unsolicited Proposal Negotiations Update Pg 9

## 4. Committee Information Items

### A. Oversight Committee Information

-  Project Update on the SR 50/UCF Connector Alternatives Analysis Pg 12

-Attachments 

Section 286.0105, Florida Statutes states that if a person decides to appeal any decision made by a board, agency, or commission with respect to any matter considered at a meeting or hearing, he will need a record of the proceedings, and that, for such purposes, he may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

In accordance with the Americans With Disabilities Act of 1990, persons needing a special accommodation at this meeting because of a disability or physical impairment should contact Sarah Tirado at 455 N. Garland Ave, Orlando, FL 32801 (407) 841-2279, extension 6012, not later than three business days prior to the meeting. If hearing impaired, contact LYNX at (407) 423-0787(TDD).

**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:** September 25, 2014

**TIME:** 10:35 a.m.

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**Members in Attendance:**

Seminole County Commissioner, Carlton Henley, Chairman  
Osceola County Commissioner, Frank Attkisson, Vice-Chairman  
FDOT District 5 Secretary, Noranne Downs  
Orange County, Assistant County Administrator, Jim Harrison  
City of Orlando, Transportation Project Manager, Claudia Korobkoff

**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**

The Chairman asked the Committee if there were any additions or deletions to the July 24, 2014 Minutes as presented.

**Motion** was made and seconded to approve the Minutes of the July 24, 2014 Audit Committee meeting. The motion passed unanimously.

**3. Audit Agenda Items**

The Chairman announced that staff has requested the Committee take up Audit Agenda Item C first in consideration of the Consultants and Visitors that are at the meeting to discuss the item.

Hearing no objection, the Chairman moved to Audit Agenda Item C.

### **C. Compressed Natural Gas (CNG) Unsolicited Proposal**

The Chairman recognized John Lewis, LYNX' Chief Executive Officer, to make the presentation.

Mr. Lewis noted that LYNX received an unsolicited proposal from NoPetro. At its May 22, 2014 meeting, the Board of Directors authorized the CEO to enter into negotiations. The proposal is to convert LYNX' fleet to Compressed Natural Gas (CNG) and to upgrade the maintenance facility for its use. The proposal also allows for NoPetro to construct a fueling station adjacent to LYNX Operations Center.

Staff has held numerous meetings and the Audit Committee has received presentations from LYNX' consultant, Stifel Nicolaus.

LYNX is in negotiations on a final contract and on schedule to bring it to the Board at the November meeting.

Mr. Lewis recognized Margaret Lezcano, Managing Director, Stifel Nicolaus, to provide an update on the fuel purchase contract negotiations.

Ms. Lezcano stated the fuel purchase contract will provide the terms, conditions, and obligations of the parties, LYNX and NoPetro.

Ms. Lezcano introduced team member, Mr. Alex Bugallo, to discuss contract terms.

Mr. Bugallo began with the key business terms:

➤ CNG Bus Purchase / Lease Commitment –

Original Proposal:

No Petro's original proposal requested that any future expansion or replacement of buses purchased or leased be at least 50% CNG for a period of 20 years (the length of the contract).

Current Negotiations:

LYNX would purchase 100% CNG buses for a period of 5 years.

➤ Take or Pay Commitment –

Original Proposal:

A minimum purchase on a take or pay basis of 500,000 Diesel Gallon Equivalents (DGEs) per year for 15 years.

Current Negotiations:

No Change

➤ Length of Contract –

Original Proposal:

20 years with no obligation to purchase CNG fuel past 15 years, but if LYNX chooses to use CNG, it must purchase from NoPetro

Discussion ensued regarding the term of years LYNX would be required to purchase CNG and the 13 year / 500,000 miles life cycle of a bus.

➤ Applicable Government Grants / Rebates –

Original Proposal:

100% benefit to NoPetro

Current Negotiations:

Benefit divided 50% / 50% between NoPetro and LYNX

➤ Royalty Payments from 3<sup>rd</sup> Party Sales –

Original Proposal:

\$0.08 per DGE

Current Negotiations:

\$0.08 per DGE with annual CPI increase

Ms. Lezcano noted there are two main areas to be addressed:

- 1) Fuel price volatility
- 2) Financial Security of the Company and financial assurances to LYNX

LYNX staff and its Auditors have reviewed the financial position of NoPetro; however, NoPetro's financial information remains confidential. NoPetro's equity owners have provided assurance of the necessary capital to maintain the operations viability.

Discussion ensued regarding the commitments by both LYNX to purchase CNG buses and NoPetro to purchase the land, the construction, and the operation.

Without objection, the Committee's recommendation to the Board will be for LYNX staff to continue negotiations with NoPetro.

## **A. Overview of FY2014 Amended Capital and Operating Budgets**

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

Ms. Sherman noted that on March 27, 2014, LYNX staff presented the FY2014 Amended Operating and Capital Budgets in the amount of \$127,936,419 and \$99,484,058, respectively for Board approval. Since approval, LYNX has brought several items to the Board requesting approval and corresponding amendment to the operating and capital budgets to include: professional services modifications to the alternative analysis studies, Parramore BRT project and State Road 50/UCF Connector contract, the use of savings to cover increases in legal fees for workers' compensation and general liability, South Street remediation, service changes for the funding partners and Lake County, and passenger amenities for Orange County. The capital and operating budgets are being amended to accurately reflect the impact of these projects and services.

Based on the Board's previous approval of these items there is a need to amend the FY2014 Amended Operating and Capital Budgets in the amount of \$1,057,728 and \$500,000, respectively. Approval of this amendment will formally amend the FY2014 Adopted Operating and Capital Budgets to accurately reflect approved revenues and expenses. The FY2014 Amended Operating and Capital Budgets will be in the amount of \$128,994,147 and \$99,984,058 respectively.

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

## **B. Overview of FY2015 Capital and Operating Budgets**

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

### **➤ Key Budget Assumptions – Revenue**

- Apply impacts of legislative changes to Medicaid
- Maximize use of Anticipated Advertising Revenue

### **➤ Key Budget Assumptions – Expenses**

- Impact of group health insurance program

- Full year impact of pension reform contribution rate
- Continuation of fuel hedging program

➤ **FY2015 Operating Budget Overview**

	FY2014 <u>Amended</u>	FY2015 <u>Proposed</u>	<u>% of Change</u>
Op Revenue	\$128,994,147	\$126,498,589	-1.9%
Op Expenses	128,994,147	126,498,589	-1.9%

➤ **FY2015 Capital Budget Overview**

	FY2014 <u>Amended</u>	FY2015 <u>Proposed</u>	<u>% of Change</u>
Capital Contributions	\$99,984,058	\$87,809,187	-12.2%
Capital Expenditures	99,984,058	87,809,187	-12.2%

➤ **FY2015 Source & Use of Funds**

	FY2014 <u>Amended</u>	FY2015 <u>Proposed</u>	<u>% of Change</u>
Total Source of Funds	\$228,978,205	\$214,307,776	-6.4%
Total Use of Funds	228,978,205	214,307,776	-6.4%

➤ **Budget Calendar**

- Final Board Action September 25
- Budget Year FY14-15 Commences October 1

Without objection, the Committee's recommendation to the Board will be to adopt LYNX' FY2015 Operating and Capital Budgets.

**D. Discussion of New LYNX Committee Structure**

The Chairman recognized Pat Christiansen, LYNX' General Counsel, to make the presentation.

Mr. Christiansen provided that 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. Any matters relating to "audit" would now be contained in the Finance and Audit

Committee referenced below. There would be no other substantive changes to the Oversight Committee from its existing structure. As an aside, it is contemplated that the meetings of the Oversight Committee would continue to occur the same day as the Board meetings.

- Establishing a Finance and Audit Committee which will make recommendations to the Oversight Committee (who would then report to the Governing Board) 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. The Committee would not have any independent authority to undertake any actions on behalf of LYNX.
- Establish a Risk Management Committee which will review and provide recommendations to LYNX with respect to LYNX's safety, insurance and risk management programs, as well as any pending litigation relating to liability and sovereign immunity matters. If requested by the Governing Board, the Oversight Committee or the LYNX Director of Risk Management, the Risk Management Committee would also review and make recommendations regarding demands, claims and lawsuits where the Authority is or would be a potential defendant, respondent or otherwise responsible party. 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.

Discussion ensued regarding the proposed change 2.12.2(G)(d):

If directed by the Governing Board or Oversight Committee, conduct ...

Be changed as follows:

If directed by the Governing Board ~~or Oversight Committee~~, conduct ...

Discussion ensued regarding the proposed change 2.12.2(E) Officers and 2.12.2(B) Meeting Schedule and Notice.

Without objection, the Committee's recommendation to the Board will be to approve the Amendment to Administrative Rule 2 with the revision to 2.12.2(G)(d) "If directed by the Governing Board ~~or Oversight Committee~~, conduct ..."

#### **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 the Bus Service Agreement with University of Central Florida, acting on behalf of its Student Government Association relating to providing bus service to the University of Central Florida Campus and its environs was inadvertently not attached to the agenda item at the time the Board package published.

Pat Christiansen, LYNX' General Counsel, provided the Committee with a copy of Senate Bill 84 by Senator Soto.

**The meeting adjourned at 12:24 p.m.**



**Oversight 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 Negotiations Update

**Date:** 11/13/2014

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Over the past year, LYNX' staff actively explored the opportunity to convert the LYNX fleet to utilize compressed natural gas (CNG) by engaging in a public private partnership with NoPetro.

NoPetro' proposal dated September 13, 2013 was diligently reviewed by LYNX staff and determined to be valid and essential to the Authority. The comprehensive review of the proposal included ongoing financial and operational evaluations by LYNX staff and the project financial advisor, Margaret Lezcano, Managing Director of Stifel, Nicolaus & Company, Incorporated (Stifel). Also, LYNX funding partners were apprised and involved in the development of this effort through regular updates to LYNX' Oversight Committee and Finance & Audit Committee.

LYNX staff and Margaret Lezcano will be presenting a detailed overview of the final negotiations with NoPetro at the November 13, 2014 Oversight Committee meeting. The negotiations of NoPetro' proposal has resulted in two separate agreements- the Fuel Purchase Agreement and the Facility Modification Construction Agreement. The following is a summary of the key business matters that LYNX has negotiated thus far with very minor issues pending:

## CNG PROJECT: FINAL FUEL PURCHASE CONTRACT

Business Matter	Original Proposal	Final Agreement
<b>CNG Bus Purchases / Leases</b>	At least 50% of all new buses must be CNG for a period of 20 years	100% of new buses must be CNG for a period of 5 years
<b>Take or Pay Commitment for CNG</b>	A minimum purchase on a take or pay basis of 500,000 DGE's per year for 15 years	No change
<b>Length of Contract</b>	20 years with no obligation to purchase CNG past 15 years, but if LYNX chooses to use CNG, it must purchase from Nopetro	Agreement can be revisited after five years if consuming CNG has material adverse effect on LYNX
<b>Applicable Government Grants / Rebates</b>	100% benefit to Nopetro	Benefit divided 50%/50% between Nopetro and LYNX
<b>Royalty Payments from 3<sup>rd</sup> Party Sales</b>	\$0.08 per DGE	\$0.08 per DGE with annual CPI increase
<b>Liquidated Damages</b>	Not addressed	Hourly penalty imposed for delays in meeting fueling schedule
<b>Audits</b>	Not addressed	Annual, quarterly, reporting, true-up provisions

## CNG PROJECT: FINAL FUEL PURCHASE CONTRACT

Business Matter	Original Proposal	Final Agreement
<b>Components of CNG Cost per DGE</b>	<ul style="list-style-type: none"> <li>• Cost of natural gas</li> <li>• Taxes and delivery costs</li> <li>• Compression Fee</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of natural gas</li> <li>• Taxes and delivery costs</li> <li>• Compression Fee</li> <li>• Adder for maintenance facility modifications</li> <li>• Adder for staffing, fueling and fluids on premises</li> </ul>
<b>“Favored Nation” Clause</b>	Not addressed	Included
<b>Covered LYNX Vehicles</b>	Any LYNX CNG bus to be fueled at station	Only LYNX CNG buses scheduled for service from John Young Parkway Bus Depot must use station
<b>Dispensing Fluids at Station</b>	Not addressed	Nopetro will provide service

**Oversight Committee Information Item #4.A.**

**To:** LYNX Board of Directors

**From:** **Andrea Ostrodka**  
DIRECTOR OF PLAN & DEVELOP  
**Carleen Flynn**  
(Technical Contact)  
**JAMES RODRIGUEZ**  
(Technical Contact)

**Presented By: Mary Raulerson, Principal Planner, Kittelson & Associates**

**Phone:** 407.841.2279 ext: 6019

**Item Name:** Project Update on the SR 50/UCF Connector Alternatives Analysis

**Date:** 11/13/2014

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**BACKGROUND:**

LYNX's Strategic Planning Group is nearing completion of the SR 50/UCF Connector Alternatives Analysis study. The purpose of the study is to evaluate premium transit alternatives on the 30 mile corridor of SR 50 and SR 434 connecting residents from the Town of Oakland to the UCF Campus. The project has involved key public agency stakeholders through the Project Advisory Work Group (PAWG), private sector stakeholders through the community Liaison Group (CLG) and interested citizens through public workshops, meetings and presentations. The project team has examined a series of alignments and transit modes with guidance by the PAWG, CLG and other public input. At this time the project team would like to brief LYNX's Oversight Committee on the status of the project and present the final alternatives being considered for the Locally Preferred Alternative.

The presentation will be led by LYNX Senior Planner and Project Manager, Carleen Flynn, and the Consultant Project Manager, Mary Raulerson.