

Montgomery County, Maryland  
Office of the County Executive  
Office of Internal Audit



Financial Compliance Review of BusPatrol  
America, LLC

December 20, 2019

*Portions of this report have been redacted because they contain confidential commercial information that is not subject to disclosure under the Maryland Public Information Act (MPIA).*

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## Objectives

Montgomery County Internal Audit (MCIA) engaged SC&H Group, Inc. (SC&H) to perform a financial compliance review (review) of BusPatrol America, LLC (BusPatrol<sup>1</sup>) for transactions occurring from July 1, 2016 through August 31, 2019. This report summarizes the review performed by SC&H.

The objectives of the review were the following:

1. Obtain supporting documentation and verify the validity of charges billed to Montgomery County (the County) for the period July 1, 2016 to August 31, 2019
2. Calculate the total amount of payments made to BusPatrol and compare to the “Cost of Investment” reconciliation prepared by BusPatrol defined in Section X of the Agreement
3. Confirm if (or when anticipated) the break-even point would be reached
4. Perform analysis of any payments owed by the County to BusPatrol

## Background

Montgomery County Public Schools (MCPS) operates a School Bus Safety Camera Program (Program) with an overall goal to reduce the incidence of possible injuries to MCPS students. The Program is designed to implement the BusGuard system including the installation, maintenance, and operation of cameras on school buses that record images of vehicles overtaking or passing stopped school buses. When the images of a vehicle overtaking or passing a stopped school bus are adjudicated, the violator is issued a citation.

The Montgomery County Board of Education originally entered into an agreement with Force Multiplier Solutions, Inc. (FMS) effective June 30, 2016 (Agreement) to install, operate, and maintain certain equipment, processes, and back office services to enable MCPS to monitor activities on the interior and exterior of school buses.

On August 16, 2017, BusPatrol America LLC (BusPatrol) purchased some assets, including the Agreement, from FMS. The Agreement with FMS was assigned to BusPatrol in the First Amendment to the Agreement, effective October 12, 2017. No changes were made to the terms of the Agreement when it was assigned to BusPatrol.

Section X(A) of the Agreement states that the FMS and subsequently BusPatrol (the Contractor) *“shall be responsible for all costs associated with the School Bus Safety Camera Program.”* The costs include the purchase of equipment and hardware, installation of the equipment and hardware on the buses, and operating costs to support the Program. The Agreement outlines several categories of operating costs including labor and maintenance of the equipment, review and processing of video and other data, citation preparation and mailing, payment processing, reporting, etc.

Section X(B) of the Agreement states the County<sup>2</sup> on behalf of MCPS will remit 100% of the fines collected to the Contractor until such time that the Contractor recovers the costs of the initial and ongoing investment. Section X(B) also requires the Contractor to provide MCPS and the County

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<sup>1</sup> For purposes of this report, to distinguish BusPatrol America, LLC from its parent Canadian company, BusPatrol, Inc., the report uses “BusPatrol” and “BusPatrol, Inc.” respectively.

<sup>2</sup> The County and MCPS entered into a memorandum of understanding (MOU) on June 30, 2016, regarding the School Bus Safety Camera Program. The MOU detailed the respective roles and responsibilities of the two parties. The MOU was amended effective October 9, 2017, with the assignment of the Agreement with MCPS to BusPatrol.

with detailed reporting including a schedule of items and associated costs that constitute the Cost of Investment and a mechanism to track the remuneration of these costs.

Section X(C) of the Agreement further states that the parties agree to enter into negotiations after 18 months following the effective date of the Agreement, or December 31, 2017, to determine a revenue sharing plan that would take effect once the Contractor had recovered its Cost of Investment. The Agreement states that the parties agree to finalize a revenue sharing plan, no later than 24 months after the effective date, or June 30, 2018; and if the revenue sharing plan is not finalized at that time, the parties may mutually agree in writing to extend the period of negotiations for a specified term.

### Cost of Investment

Section X(B)(1) of the Agreement states that the Contractor estimates the Cost of Investment to be [REDACTED] as calculated below:

BusGuard System Equipment and Hardware	[REDACTED]	A
Installation of BusGuard System	[REDACTED]	B
Equipment and Installation Cost per Bus	[REDACTED]	C = A + B
Number of Buses to be Equipped	[REDACTED]	D
Total Cost to Outfit Bus Fleet	[REDACTED]	E = C * D
Operating Costs for Five years [REDACTED] per Year	[REDACTED]	F
<b>Total Cost of Investment Estimate</b>	[REDACTED]	<b>G = E + F</b>

### BusGuard System Equipment / Hardware / Installation (Capital Costs)

The Agreement estimated a per bus cost of [REDACTED] for the necessary equipment and installation of the BusGuard equipment. During the life of the contract, BusPatrol obtained equipment from three different sources:

1. Purchased equipment from FMS as part of purchase agreement
2. Purchased from Dallas County Schools (DCS)<sup>3</sup> as part of a purchase agreement
3. Direct from a third party

### Bus Fleet

The "Recitals" section of the Agreement includes an estimated fleet of buses totaling 1,287. Over time, the actual number of buses was increased by MCPS to 1,382, the last of which were installed in August of 2019. The chart below shows the number of buses that were fitted with the equipment during the applicable period:

FMS installations prior to BusPatrol assignment	184
BusPatrol installations from July 1, 2017 to October 15, 2017	264
BusPatrol installations from July 1, 2018 to December 31, 2018	467
BusPatrol installations from June 1, 2019 to August 31, 2019	467
<b>Total Installations as of August 31, 2019</b>	<b><u>1,382</u></b>

<sup>3</sup> Dallas County Schools (DCS) was a school bus transportation agency, founded in 1846, Dallas County Schools offered full service and/or supplemental student transportation services to other government entities, school districts, charter schools and private schools in and around Dallas County, Texas.

## Operating Costs

Section X(B)(1)(c) of the Agreement estimates annual Operating Costs of \$1,000,000 per year for the term of the Agreement (five years). Operating Costs include the following:

- Labor for maintenance of the BusGuard System
- Repair or replacement of BusGuard System equipment
- Review and processing of video and metadata for the violation processing system
- Citation preparation and mailing
- Payment processing
- Generating reports
- Training of MCPS and the County workforce
- Software development and updates
- Video and data storage
- Proportionate share of operational expenses for the Contractor's Northern Virginia Office
- Proportionate share of the cost of Contractor's maintenance vehicles and continued maintenance of such vehicles
- Contract management costs such as program management and leadership personnel, travel, and document retention

BusPatrol incurred and allocated Operating Costs totaling [REDACTED] for the period July 2017 through August 2019, which is approximately [REDACTED] million per year. The costs incurred are further discussed in the Observation section of this report. As noted below, Operating Costs incurred and allocated by FMS for the period prior to the assignment of the Agreement to BusPatrol were not available.

## Citation Revenue

The equipment installed on the County bus fleet is used to identify instances where drivers failed to stop and remain stopped for a school bus displaying the stop arm and flashing red lights. The Agreement originally included a citation amount of \$125 for violators who passed a stopped bus. The citation amount was increased to \$250 in July 2017. BusPatrol collected citations totaling [REDACTED] from July 1, 2017 through August 30, 2019. BusPatrol also provided records showing that citations totaling an additional [REDACTED] were collected by FMS prior to the assignment of the contract to BusPatrol. The value of citations collected by FMS and BusPatrol is [REDACTED] as of August 30, 2019. This balance does not include 12,954 uncollected citations totaling \$2,990,397 as of June 30, 2019. Additional citations are being collected daily.

Section 8(c) "Lock Box Bank Account" of the Agreement indicates that all payments from violation citations will be deposited into a lock box bank account owned by the County.

## **Scope and Methodology**

The review was conducted at SC&H offices from August 2019 to October 2019. The review focused on verifying that the charges billed through August 31, 2019 are compliant with the Agreement, and included:

1. All charges billed to the County from July 1, 2016 to August 31, 2019 (the Review Period)
2. All fines received under the School Bus Safety Camera Program
3. BusPatrol's Cost of Investment and Operating Costs related to the School Bus Safety Camera Program

Operating Costs incurred by FMS from July 2016 to July 2017 were not evaluated as BusPatrol indicated that these records do not exist for this period.

In order to achieve the objectives, SC&H obtained and reviewed supporting documentation relevant to fines received, installation costs, operating costs, and the total Cost of Investment that were provided by BusPatrol. Specific testing included the following:

1. Reviewed all documentation provided by the County and by BusPatrol and compared the different reports where applicable. SC&H performed data validations and completeness checks to confirm accuracy of the information provided.
2. Reviewed BusPatrol's organizational charts and compared resources in the organizational charts to the payroll related costs allocated to the County.
3. Reviewed BusPatrol's financial statements for years ending:
  - a. August 31, 2017 (operations began in July 2017) – Audited
  - b. August 31, 2018 – Audited
  - c. June 30, 2019 – Unaudited / Internal
4. Reviewed BusPatrol bank statements and associated reconciliations to trace deposits reported for the months ending:
  - a. July 31, 2017
  - b. December 31, 2017
  - c. August 31, 2018
  - d. June 30, 2019
5. Compared the actual citation revenue detail reported by BusPatrol to the citation revenue collected and reported in the general ledger.
  - a. Reviewed BusPatrol's citation collection report and citation aging report
  - b. Compared BusPatrol's citation collections to BusPatrol's bank statements where provided
6. Compared the actual costs of hardware / equipment and installation to the \$10,858 estimated in the Agreement.
  - a. Reviewed the purchase agreements from FMS and DCS to evaluate the costs of asset purchases that factored into BusPatrol's cost per bus calculation
  - b. Reviewed third party invoices for hardware / equipment purchases from third party vendors such as [REDACTED] that factored into BusPatrol's cost per bus calculation
  - c. Reviewed a list of all bus installations for the period October 2016 through August 2019
7. Reviewed the Operating Costs allocated to the County for each month / year of the Review Period.
  - a. Obtained general ledger detail for all Operating Costs incurred by BusPatrol which included costs allocated to the County and costs not allocated to the County
  - b. Reviewed BusPatrol's methodology for allocating indirect Operating Costs to the County
  - c. Reviewed a sample of seventy (70) Operating Costs totaling \$822,279 which represent [REDACTED]% of the Operating Costs allocated to the County during the Review Period totaling [REDACTED]

- d. Reviewed sample documentation such as copies of invoices and payroll reports to validate the costs posted to the general ledger
  - e. Reviewed effective hourly pay rates for 105 resources who had costs allocated to the County during the period September 1, 2018 to June 30, 2019 to ensure pay rates were reasonable
8. Reviewed the Cost of Investment analysis prepared by BusPatrol and performed additional Cost of Investment analysis scenarios as follows to account for revenue and expenses:
- a. Analysis using estimated Operating Costs for FMS during the period October 2016 to June 2017 based on an average operating cost per ticket for July 2017 through August 2019 (the segment of the Review Period where BusPatrol was the Contractor)
  - b. Analysis using estimated Operating Costs for FMS based on the \$1,000,000 per year estimate stated in the Agreement
  - c. Analysis using actual BusPatrol revenue, Operating Costs, and bus installations from July 2017 through August 2019
  - d. Analysis using the actual BusPatrol revenue, estimated per bus cost [REDACTED] per bus) for the entire fleet and estimated Operating Costs at the \$1,000,000 per year estimate in the Agreement.

## Observations

SC&H's fieldwork resulted in eight observations related to the objectives of the review, which are detailed below:

### 1. Revenue

The value of collected citations reported by BusPatrol matched the value of collected citations noted by the County. Total revenue retained by the Contractor through August 2019 was [REDACTED] which does not include outstanding citations totaling \$2,990,397. The [REDACTED] in collections exceeds the Cost of Investment estimate in the Agreement totaling \$18,974,246. The original estimate was the \$18,974,246 of costs would cover the first five years of the contract (through July 31, 2021). However, total expenses have been much higher than the \$1 million / year that was estimated in the Agreement.

### 2. Uncollected Citations

There are 12,954 citations outstanding as of June 2019 totaling \$2,990,397. The uncollected citations are not included in BusPatrol's Cost of Investment analysis.

Time Period Aged	Value of Uncollected Citations through June 2019	Number of Uncollected Citations through June 2019
Less Than 3 Months	\$1,750	7
Between 3 and 6 Months	895,615	3,697
Between 6 Months and 1 Year	1,151,676	4,677
Between 1 Year and 2 Years	709,845	2,906
Greater than 2 Years	231,511	1,667
<b>Totals</b>	<b>\$ 2,990,397</b>	<b>12,954</b>

The Cost of Investment analyses performed by BusPatrol and SC&H do not include uncollected citations. Additionally, the Agreement does not require BusPatrol to make efforts to recover the uncollected citations. BusPatrol has confirmed the number and value of uncollected citations.

### 3. Revenue Sharing Negotiations

Section X(C) of the Agreement states that the parties agree to enter into negotiations after 18 months following the effective date of the Agreement, or December 31, 2017, to determine a revenue sharing plan that would take effect once the Contractor had recovered its Cost of Investment. The Agreement states that the parties agree to finalize a revenue sharing plan, no later than 24 months after the effective date, or June 30, 2018; and if the revenue sharing plan is not finalized at that time, the parties may mutually agree in writing to extend the period of negotiations for a specified term. BusPatrol and the County indicated that an agreement on revenue sharing has not been reached as of November 5, 2019.

### 4. Bank Account Ownership

Section 8(c) of the Agreement states that the County should be the owner of the bank account for deposits. As of November 5<sup>th</sup>, BusPatrol owns the bank account where citation payments are deposited. Discussions with both BusPatrol and the County have confirmed that the current arrangement has been agreed to by all parties and acknowledge the deviation from the Agreement.

### 5. Capital Costs

The cost to purchase and install the camera equipment in each bus was less than the \$9,758 for equipment and \$1,100 for installation as originally estimated in the Agreement (a total estimate of \$10,858). The installed cost per bus totaled [REDACTED] less than estimated installation cost per bus.

### 6. Operating Costs

BusPatrol allocated [REDACTED] of Operating Costs to the County for the period July 2017 to August 2019. The costs reported by BusPatrol appear to be supported by third party documentation and allocated to the County in a consistent manner. The [REDACTED] equates to roughly [REDACTED] in Operating Costs per year which is [REDACTED] higher than the \$1,000,000 per year estimated in the Agreement as detailed in the chart below:

	<b>A</b>	<b>B</b>	<b>C = A - B</b>
<b>Time Period</b>	<b>BusPatrol Operating Costs</b>	<b>Operating Cost Estimate</b>	<b>Delta</b>
July 2017 – August 2017	[REDACTED]	\$ 166,667	[REDACTED]
September 2017 – August 2018	[REDACTED]	1,000,000	[REDACTED]
September 2018 – August 2019	[REDACTED]	1,000,000	[REDACTED]
<b>Totals</b>	[REDACTED]	<b>\$ 2,166,667</b>	[REDACTED]

### 7. Management Fees Allocated to the County

BusPatrol allocated management fees totaling [REDACTED] to the County which include items such as customer support service, ERP system costs, and accounting for administering the Agreement. BusPatrol indicated that the management fees include a [REDACTED] markup totaling [REDACTED] to cover Canadian taxes for doing business in the United States and Technology Royalty Rates related to the acquisition of an intangible asset.

BusPatrol provided the following feedback regarding the management fees;



*“BusPatrol’s parent company, BusPatrol Inc. [a Canadian entity] incurs and charges “Management Fees” to operate BusPatrol America LLC... Because BusPatrol Inc. is located in Canada, the Management Fees also include a [REDACTED] “mark-up” based on a transfer pricing analysis done by BusPatrol Inc. management in consultation with Canadian tax advisers, in accordance with applicable tax laws. These costs were then allocated to the MCPS Contract, for purposes of the parties’ ongoing discussions of the MCPS Contract “breakeven” analysis, based on the percentage of tickets processed under the MCPS Contract.”*

*“[REDACTED] in Management Fees were allocated to the MCPS Contract for purposes of the MCPS Contract “breakeven” analysis, based on the allocation methodology described below. Of the total Management Fees allocated to MCPS, approximately [REDACTED] represents “markup” that was applied to the underlying home office expenses, in accordance with U.S. and Canadian tax laws regarding “transfer pricing”. “*

*“...[T]he costs that comprise the Management Fee consist of the following categories of costs that are necessary for the operation of BusPatrol’s overall business, which as noted above are in the nature of the corporate home office overhead expenses:*

- Payroll costs for administrative personnel employed by the parent entity, including the Chief Technology Officer, Financial Controller and an Accounting Clerk;*
- Payroll costs for part-time reviewers who work out of the home office;*
- Office Supplies;*
- Enterprise Resource Planning (“ERP”) software costs;*
- Rent;*
- IT support;*
- Insurances; and*
- Telecommunication costs.*

*“For purposes of calculating the amount of Management Fees to be allocated to the MCPS Contract, in connection with the current discussion of the MCPS Contract “breakeven” analysis, BusPatrol excluded certain other costs that were captured in the Management Fee GL account – such as marketing, business development, meals and professional licensing dues – because these costs were not directly related to BusPatrol America, LLC operations.*

*“Finally, because BusPatrol, Inc. is a Canadian entity, BusPatrol then converts the remaining expenses in the Management Fee account (less marketing and business development and other excluded expenses) from Canadian dollars to U.S. dollars based on the average exchange rates. In addition, BusPatrol applies a “transfer pricing mark-up” of [REDACTED], in accordance with Canadian and U.S. tax law.”*

BusPatrol provided a letter from its independent accountants documenting the basis for the [REDACTED] mark-up that BusPatrol applied for purposes of calculating its transfer pricing<sup>4</sup>. While the [REDACTED]

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<sup>4</sup> “Transfer prices are the prices at which an enterprise transfers physical goods and intangible property or provides services to associated enterprises.” [OECD *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations* 2017, p. 17] In taxation and accounting, **transfer pricing** refers to the rules and methods for pricing transactions within and between enterprises under common ownership or control. Because of the potential for cross-border controlled transactions to distort taxable income, tax

percent [REDACTED] mark-up included in the management fee appears to be for a valid tax reason, the management fee is not explicitly defined as an Operating Cost in Section X of the Agreement.<sup>5</sup> In addition, there is a lack of transparency in the general ledger detail regarding the [REDACTED] markup as the entries do not specifically note what is cost and what is markup.

## 8. Cost of Investment Analysis

The total revenue of [REDACTED] exceeded the total Capital and Operating Costs under each of the Cost of Investment scenarios prepared both by SC&H and BusPatrol which are further detailed below.

SC&H prepared the following Cost of Investment analysis based on the data provided by BusPatrol. More than one analysis is included to account for variables, specifically:

- A. BusPatrol could not provide FMS costs incurred
- B. The actual costs incurred are different than the estimated costs in the Agreement
- C. BusPatrol stated that they did not receive any of the revenue that was collected by FMS (approx. [REDACTED])

[REDACTED] BusPatrol has included costs that have not yet been incurred (i.e. costs to be incurred in from September 2019 to August 2021). [REDACTED]

- E. BusPatrol has not included estimated revenue to match the estimated Operating Costs for the period of September 2019 to August 2021

The Cost of Investment calculations included below illustrate how the break-even point is impacted by one or more the variables listed in points A – E above.

### SC&H Cost of Investment Calculation Scenarios:

Based on the analyses conducted by SC&H, BusPatrol would have recovered the Cost of Investment in [REDACTED] based on the total school bus fleet equipment and actual installation costs and the total Operating Costs allocated to the County through August 2019. BusPatrol would have recovered the Cost of Investment in [REDACTED] using the actual revenue collected and the estimated costs (\$10,858 per bus/\$1,000,000 per year Operating Costs) per the Agreement. The chart on the following page and subsequent bullet points detail four scenarios calculating the Cost of Investment recovery.

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authorities in many countries can adjust intragroup transfer prices that differ from what would have been charged by unrelated enterprises dealing at arm's length.

<sup>5</sup> We would note that at the time the initial Agreement was executed in June 2016, the Agreement was with FMS, not BusPatrol. As noted earlier in the report, no changes were made to the terms of the Agreement when it was assigned to BusPatrol.

		Scenario 1A	Scenario 1B	Scenario 2	Scenario 3
	Calculation Guide	October 2016 through August 2019	October 2016 through August 2019	July 2017 through August 2019	October 2016 through August 2021
Date Range Included					
Citation Revenue Collected by FMS - October 2016 through June 2017	A				
Citation Revenue - July 2017 through August 2019	B				
Total Citation Revenue	C = A + B				
Equipment and Installation Cost per Bus	E				
Number of Buses Deployed	F				
Cost of Equipment (Actual)	G = E * F				
Estimated FMS Operating Costs - October 2016 through June 2017	H				
Operating Costs - July 2017 through August 2019	I				
Total Operating Costs Allocated to Montgomery County	J = H + I				
Estimated Operating Costs - September 2019 through August 2021	K				
Total Cost of Investment	L = G + J + K				
Cost of Investment to be Recovered	M = L - C				
Revenue per ticket	N				
Number of Tickets Required to Recover Cost of Investment	O = M ÷ N				
Number of Tickets Collected	P				
Number of Tickets to Recover Cost of Investment	Q = P + O				
Cost of Investment Recovery Month					

### Scenarios 1A and 1B

- Includes citation revenue collected by FMS from October 2016 through June 2017 totaling [REDACTED].
- Includes all citation revenue collected by BusPatrol from July 2017 through August 2019 totaling [REDACTED].
- Calculates the cost of equipment using the full 1,382 school bus fleet using BusPatrol's [REDACTED] cost per bus which is less than the \$10,858 estimated in the Agreement.
- Scenario 1A calculates the Cost of Investment using estimated Operating Costs for FMS (October 2016 to June 2017) based on the average BusPatrol Operating Costs per ticket as detailed below.

BusPatrol Operating Costs 09/01/17 - 08/31/18	[REDACTED]	A
Citations Collected 09/01/17 - 08/31/18	[REDACTED]	B
Operating Cost per Ticket 09/01/17 - 08/31/18	[REDACTED]	C = A ÷ B
Citations Collected 10/01/16 - 06/30/17	[REDACTED]	D
<b>Estimated FMS Operating Costs 10/01/16 - 06/30/17</b>	<b>[REDACTED]</b>	<b>E = C x D</b>

- Scenario 1B calculates the Cost of Investment using estimated Operating Costs for FMS based on \$1,000,000 per year estimate (\$83,333/month) as detailed below.

BusPatrol Operating Costs 09/01/17 - 08/31/18	\$ 1,000,000	A
Citations Collected 10/01/16 - 06/30/17	75%	B
<b>Estimated FMS Operating Costs 10/01/16 - 06/30/17</b>	<b>\$ 750,000</b>	<b>C = A x B</b>

## **Scenario 2**

- a) Includes all revenue collected by BusPatrol and Operating Costs allocated to the County from July 2017 (the point at which the Agreement was assigned to BusPatrol) through August 2019.
- b) Includes the 1,202 buses installed and deployed by BusPatrol from July 2017 through August 2019 and excludes the 180 buses deployed (by FMS) from July 2016 to June 2017.

## **Scenario 3**

- a) Includes all revenue collected by BusPatrol from October 2016 through August 2019
- b) Calculates the cost of equipment and installation using the \$10,858 estimate in the Agreement and the full fleet of 1,382 buses
- c) Includes Operating Costs of \$1,000,000 per year for five full years as estimated in the Agreement. The period of October 2016 to August 2021 is covered under this scenario.
- d) This scenario does not include any estimated revenue for the period September 2019 to August 2021.

### **BusPatrol Cost of Investment Calculation Scenario:**

BusPatrol provided a Cost of Investment analysis that shows the month by which BusPatrol will recover the total Cost of Investment will occur in [REDACTED] and includes estimated Operating Costs of [REDACTED] for the period September 2019 through August 2021. [REDACTED]

		Variable Cost Analysis
	Calculation Guide	July 2017 through August 2021
Date Range Included		
Citation Revenue Collected by FMS - October 2016 through June 2017	A	
Citation Revenue - July 2017 through August 2019	B	
Total Citation Revenue	$C = A + B$	
Equipment and Installation Cost per Bus	E	
Number of Buses Deployed	F	
Cost of Equipment (Actual)	$G = E * F$	
Estimated FMS Operating Costs - October 2016 through June 2017	H	
Operating Costs - July 2017 through August 2019	I	
Total Operating Costs Allocated to Montgomery County	$J = H + I$	
Estimated Operating Costs - September 2019 through August 2021	K	
Total Cost of Investment	$L = G + J + K$	
Cost of Investment to be Recovered	$M = L - C$	
Revenue per ticket	N	
Number of Tickets Required to Recover Cost of Investment	$O = M \div N$	
Number of Tickets Collected	P	
Number of Tickets to Recover Cost of Investment	$Q = P + O$	
Cost of Investment Recovery Month		

**Appendix A** includes the Cost of Investment analysis as well as the methodology for determining the recovery month.

## BusPatrol Feedback


All of the observations were submitted to BusPatrol throughout the review. SC&H included the feedback received as part of each observation.

## Supporting Appendix A

Montgomery County - BusPatrol America, LLC  
Cost of Investment Analysis  
Prepared by SC&H Group  
As of December 9, 2019

Prepared by SC&H	Prepared by BusPatrol - See Note 2

Montgomery County - BusPatrol America, LLC  
 Estimated FMS Opex Calculations  
 Prepared by SC&H Group

<b>*Scenario 1A estimates FMS operating costs for the period October 2016 through June 2017 as follows:</b>	
BusPatrol Operating Costs 09/01/17 - 08/31/18	
Citations Collected 09/01/17 - 08/31/18	
Operating Cost per Ticket 09/01/17 - 08/31/18	
Citations Collected 10/01/16 - 06/30/17	
<b>Estimated FMS Operating Costs 10/01/16 - 06/30/17</b>	
<b>**Scenario 1B uses the contract \$1,000,000 operating costs per year for the period October 2016 through June 2017:</b>	
Operating Costs per Year per Contract	\$ 1,000,000
Percentage of Year (9 Months)	75%
<b>Total Operating Costs 10/01/16 - 06/30/17</b>	<b><u>\$ 750,000</u></b>

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Step	Description	Scenario 1A	Scenario 1B	Scenario 2	Scenario 3
1					
2					
3					
4					
5					
6					
7					