



Program Evaluation and Audit

**Regional Convenience Fare
Reimbursement**

**Suburban Transit Providers
Agreements Review**

26 April 2010

INTRODUCTION

Background

The Metropolitan Council is authorized by Minnesota Statutes, section 473.408, to establish and administer the fare structure in the Metropolitan Area. The regional fare structure provides regional fare levels and regional fare tools for the use of all regional transit providers to accept as payment for rides.

This audit was requested as an objective review of the current contract terms and examination of the equity of options for future contracts.

Pursuant to the rights and responsibilities of the Council as stated in Statute, the Metropolitan Council offers a variety of prepaid fare tools that customers can use to pay for bus and light rail service. Prepaid fares offer transit customers increased convenience and efficiency in using transit. Examples of prepaid fare types include:

- Stored Value cards
- Stored Ride cards
- 31-Day Passes
- Metropass
- U-Pass
- College Pass
- Mobility Passes

Metro Transit administers all convenience or prepaid fare programs and is the recipient of all prepaid fare revenue. Regional providers of transit are required to accept prepaid or convenience fares on all regular route buses. These providers are reimbursed on a per ride basis for prepaid fare media used on regional bus routes.

The Council currently has seven contracts with regional or suburban transit providers (Providers) for reimbursement of convenience fares. Providers who currently receive convenience fare reimbursement under agreements with the Council include Maple Grove Transit, Southwest Transit, the City of Prior Lake, Minnesota Valley Transit Authority (MVTA), Plymouth Metrolink, and the Northstar Corridor Development Authority. A seventh Provider, Shakopee, is entitled to, but had not submitted requests for reimbursement before the audit began.

Regional Convenience Fares Reimbursement Agreements

The current agreements for fare reimbursement to Providers dictate a set fare reimbursement rate on a per ride basis. According to the agreements, Providers are not reimbursed for transfers; only original boardings are eligible for reimbursement. The agreements encourage Providers to use electronic data collection for ridership as the most accurate method. However, there is an allowance for Providers to manually collect

ridership data. Regardless of how Providers collect ridership data, they are required to maintain an adequate level of data collection on which to base any application for reimbursement. Ridership data to be collected includes fare set, ride type, prepaid fare value and convenience fare type.

Providers are required to submit an invoice for reimbursement no more than 30 days after the end of the billing cycle. Upon receipt and review of the invoice, the Council will pay the invoice within 30 calendar days.

The current agreements for prepaid fare reimbursement are due to expire at the end of the calendar year (December 31, 2010).

In 2009 \$93,128,000 of total revenue was recorded across the regional transit. Of that amount, \$8,275,000 was generated on the Suburban Transit Providers' buses. The Council reimbursed the Providers \$7,984,633 for regional convenience fares for service provided in 2009 after the 1.81% surcharge for sales outlet commissions and without reimbursement payments made to Shakopee.

Purpose

The objective of this audit is to both review the current contract agreement and to verify compliance with current contract terms, as well as to advise on amendments to the contract agreements that would create a more equitable convenience fare reimbursement system for all regional transit providers. The audit examines the existence and functionality of basic internal controls over ridership data collection, maintenance and reporting, as well as control over the disbursement of funds for fare reimbursement. The audit also looks at the efficacy of some potential options for aspects of reimbursement contracts in the future.

Scope

Audit reviewed all current agreements with Providers.

Methodology

Data Collection:

Conducted interviews with:

- Metro Transit Revenue & Ridership Staff
- MTS Staff
- Suburban Provider Staff
- Site visits and interviews with Suburban Transit Providers

Field work:

- Counts of passengers boarding and alighting at downtown Minneapolis bus stops
- Rider counts on board Suburban Transit Providers' buses

Reviewed data:

- Monthly fare reimbursement invoices (PeopleSoft Financials)
- Fare reimbursement contracts
- Ridership data (MTS ridership database, cubic, GFI, bus operator count sheets, etc.)
- Financial data on invoice payments (PeopleSoft Financials)
- Financial data on booked fare revenues by fare type (PeopleSoft Financials)

Analysis:

The following analyses were conducted for the purposes of testing contract compliance:

- A sample of invoices for reimbursement were compared to backup documentation
- A sample of reimbursement payments were verified for accuracy and timeliness
- Bus operator count sheets were compared to reimbursement requests
- Bus operator count sheets were compared to auditors' counts
- Bus operator count sheets were compared to Cubic reports
- Fareset charges were compared to boarding times recorded in Cubic

Assurances

This audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the U. S. Government Accountability Office's *Government Auditing Standards*.

Provider Agreements

Audit reviewed the 2008-2009 agreements for transit convenience / prepaid fare reimbursements between the Metropolitan Council and the Suburban Transit Providers. The terms of the agreement are identical among all of the agreements. The opening clause identifies the Council as setting the fare structure and fare technologies to use for the fare structure. It also states that the Council has the right to set 'data collection requirements'. Following is a summation of the clauses and Metro Transit's and the Providers' implementation of each clause.

Clause 1 defines Convenience/Prepaid Fare as a fare prepaid by a customer.

Clause 2 identifies the various types of Convenience/Prepaid Fare media and introduces the reimbursement rates for by fare media type and fare set.

Clause 3 establishes the process for communicating to the Providers whenever the Metropolitan Council adjusts regional fares during the term of the agreement. Adjusted regional fares took effect on October 1, 2008 – the first day of the 2008-2009 agreement – and had not been adjusted during the remaining duration of the 2008-2009 agreement.

Clause 4 establishes the process for revising the regional fare reimbursement schedule in Exhibit A if new Convenience/Prepaid Fare tools are development for the region by the Council. New Convenience/Prepaid Fare tools had not been developed by the Council during the time term of the agreement under review.

Clause 5 stipulates that Providers are to provide all transfer rides for free given a reciprocity agreement that Provider riders get transfers to Metro Transit buses. The contract dictates that: "no transfer rides shall be included in the Provider's requests for reimbursement of Convenience/Prepaid Fare revenue." If a fare tool is used to record ridership, the contract states that the "farebox data system will classify the ride as a transfer." In the case of manual recording of pass usage, it is the responsibility of the provider to ensure that the bus operators do not record the transfer as a Convenience/Prepaid Fare ride. The ride must be recorded as a transfer.

- Three of the six Providers (MVTA, Plymouth, SouthWest Transit) included in their procedures for calculating reimbursable fares the removal of transfers as pulled by a Crystal Report of transfers from the regional fare database.
- Two of the six Providers (Northstar Corridor Development Authority and Prior Lake) rely on bus operator hand counts to identify transfers.
- One of the six Providers (Maple Grove) contracts with Metro Transit for its express commuter bus service and relies on Metro Transit to identify and remove transfers from the reimbursable riders report.

Clause 6 limits reimbursement of fares to only the pre-sold portion of fares. This clause stipulates the reduction of reimbursement amounts for commissions paid to outlets (1.81%) and the administrative fee (5.31%) for providers not include in the Motor Vehicle Excise Tax revenue sharing through the Regional Transit Fund. The reductions

are incorporated into Exhibit B “Electronic and Manual Convenience Fares Reimbursement Tracking Forms” within the agreements.

Clause 7 requires that Providers maintain “an adequate level of data collection on which to base any application for reimbursement” of fare revenue. The clause states that electronic data collection is the most accurate level of detail and shall be used for collection “if the provider can use information from the farebox software”. The clause also allows for manual farebox data collection. Providers for the purpose of receiving reimbursement are required to collect the following types of information: fare set, ride type, convenience / prepaid fare value, and convenience / prepaid fare type.

- **Northstar Corridor Development Authority** produces rider reports containing fare set, ride type, and convenience / prepaid fare type relying on bus operators’ counts per day. The convenience / prepaid fare value is derived from the reports for incorporation into the Manual Convenience Fares Reimbursement Tracking Form submitted to Metro Transit.
- **Plymouth** is provided monthly by its transit contractor with farebox (GFI) data per trip. The data includes ride type and convenience / prepaid fare type only for fares paid using the farebox. Go-To reader (Cubic) data is not provided because the contractor reported that it is unable to gain access through the security firewall on the Met Council side of the Hummingbird system – access had been restored during the course of audit. Plymouth receives Cubic information by route and by day monthly from a Crystal Report that has the ride type and convenience / prepaid fare type information. Plymouth’s express commuter routes operate only during the peak fare times, so the fare set and fare value can be deduced, however the face value of 31-day passes are not recorded. Plymouth relies on bus operator counts for the rider counts and submits that information through the Manual Convenience Fares Reimbursement Tracking Form.
- **MVTA** produces rider reports containing fare set, ride type, and convenience / prepaid fare type relying on Cubic and GFI data per day. The convenience / prepaid fare value is derived from the reports for incorporation into the Convenience Fares Reimbursement Tracking Form submitted to Metro Transit.
- **Maple Grove** contracts with Metro Transit for express commuter bus service. Metro Transit Finance Ridership and Revenue produces rider reports containing fare set, ride type, convenience / prepaid fare value, and convenience / prepaid fare type relying on Cubic and GFI data per day.
- **Prior Lake** receives ridership reports from its contractor containing ride type per day. All trips are during the peak express times, however the face value of 31-day passes are not recorded. The contractor tallies the ridership by the type of payment received (cash, farebox, Go-To, free), but does not provide counts based on convenience / prepaid type, for example, Metropass or U-Pass.
- **SouthWest Transit** produces rider reports containing fare set, ride type, and convenience / prepaid fare value per route per month but does not provide detailed counts based on convenience / prepaid type, for example, Metropass or U-Pass. The data is a combination of farebox (GFI) data and bus operator counts. Cubic data is not used, instead bus operators key into the farebox whenever a rider tags the football with a Go-To card.

Types of Data Collected by Suburban Transit Providers

Provider	Fare Set	Ride Type	Convenience / Prepaid Fare Value	Convenience / Prepaid Fare Type
Maple Grove	✓	✓	✓	✓
MVTA	✓	✓	✓	✓
Northstar Corridor Development Authority	✓	✓	✓	✓
Plymouth	✓	✓		
Prior Lake	✓	✓		
SouthWest Transit	✓	✓	✓	

Clause 8 requires the provider to submit an invoice no later than 30 calendar days after the end of the billing cycle.

Clause 9 requires that the Council will reimburse the invoiced amount (that is undisputed) within 30 calendar days of receipt of the invoice.

Clause 10 requires that the Providers must maintain records for six years following the term of the agreement.

Clause 11 states that the agreement does not create a partnership or joint venture.

Clause 12 defines the duration of the agreement from October 1, 2008 to December 31, 2009 and requires a 30-day written notification for terminating the agreement.

Clause 13 states that the agreement supersedes the earlier agreement of December 16, 2005 and the amendment of April 28, 2008.

OBSERVATIONS

Rider Counts

Methods to collect ridership counts and fare information vary among the Providers.

Prior Lake and Shakopee rely on bus operator hand counts to collect rider and fare data. Bus operators tally riders by cash farebox, magnetic card farebox, Met Council / employee badge, Go-To card, and free. The operators will also note the number of limited mobility and child fares. The BlueXpress commuter service supervisor daily will key the counts into a Microsoft Excel workbook. The contracted transit provider will send that workbook monthly to Prior Lake and Shakopee along with the invoices.

Plymouth largely relies on bus operator hand counts to collect rider and fare data. Bus operators count the total number of riders on each trip. A clerk will key the data into a Microsoft Excel workbook. Each month the contracted transit provider will provide Plymouth with the rider counts and the GFI data. Plymouth's transit supervisor will use the GFI data to estimate the number of cash fare riders. Plymouth will monthly run a Crystal Report to calculate the number of riders by fare type and fare set for each route. The transit supervisor will use the reports from the contracted transit provider and the Crystal Report to remove the non-reimbursable riders: cash fares, limited mobility, free rides, and transfers, prior to submitting the fares reimbursement request. Because the Crystal Report was created almost five years ago, it should be verified whether the report has been updated to reflect changes to the regional fares database.

SouthWest Transit largely relies on bus operator hand counts to collect rider and fare data. Bus operators tally riders by the following categories: cash farebox, magnetic card farebox, Go-To card, mixed type, and coupons/free. Bus operators will key into the farebox whenever a rider tags the Go-To card reader – this allows the rider to be counted within the GFI database. An administrative assistant will key in the hand counts into SouthWest Transit's reporting software, Fleetnet. A bus operator is assigned the responsibility to compare the hand counts to the GFI data file. The GFI data file is edited to match the hand counts. The edited file is saved in Fleetnet and then an accounts receivable accountant will use the data to prepare the fares reimbursement request. A Crystal Report similar to one run by Plymouth is used to back out transfers from the reimbursable riders. The same concern regarding the accuracy of the Crystal Report applies to this report.

Northstar Corridor Development Authority largely relies on bus operator hand counts to collect rider and fare data. Bus operators tally riders by fare type including cash farebox peak / off-peak, transfers, magnetic card farebox (31-day and Stored Value), Met Council / employee badge, Go-To card, Metropass, U-Pass, and free. A customer service representative will key the data into a Microsoft Excel workbook. Formulae within the workbook will indicate if the total number of riders is not equal to the sum of riders by all fare types keyed in order to facilitate review of the data entry by an administrative

assistant. The contracted transit provider will send that workbook monthly to Northstar Corridor Development Authority along with the invoices.

MVTA largely relies on electronic fare collection devices to collect rider and fare data. MVTA's bus operators will hand count riders and the transit planner will use those totals to identify missing ridership data. MVTA extrapolates its ridership numbers in order to compensate for data that had not been collected by the fare collection devices. Dispatchers will key the rider hand counts into a form in Microsoft Access. Cubic and GFI data are combined, compared against the hand counts, and fare type information is extrapolated across the missing data based on the monthly averages of fare type on the particular bus route. The formulas within the Microsoft Excel workbooks select only the reimbursable fare types when submitting fares reimbursement requests to the Council. The result is that the total number of riders reported is based on bus operator hand counts, but the distribution of those rides across fare types are based on Cubic and GFI counts.

Suburban Transit Providers (Providers) do not report counts by individual fare types on their submitted fare reimbursement invoices.

Audit staff performed field work that involved counting passengers on a sample of Provider buses. The auditor's counts were utilized as a basis of comparison to the bus operator's counts that were provided to Audit by the Providers. Both the bus operator and auditor's counts were also cross-examined with the totals that the Cubic system provided. The goal was to evaluate the accuracy of bus operator counts in reporting ridership, fare sets, and fare payment types. While the bus operator counts and auditor counts had a minimal difference well within the margin of error and with only a slight variance from the Cubic system, the bus operator counts for certain Providers are not properly reporting the rides based on fare payment type. Often, the bus operator will tally a rider under an incorrect section on the count sheet.

The current contract states that the Providers should be utilizing the farebox software for reporting as it provides the most accurate level of detail, unless they cannot access the data and have proven that hand counts are as accurate. The contract also designates a specific amount of detail to be reported including the fare set at the time of boarding as well as the fare payment type used by the rider.

Bus operator hand counts provide accurate ridership totals when compared to auditor counts and the Cubic data that was analyzed, but not when it comes to detailed data regarding fare in effect or transfer riders.

Bus operator hand counts are accurate in providing the total number of riders on each trip as compared to the auditor's counts and the Cubic data. However, once the level of detail is increased, these counts are no longer sufficient as they do not accurately present the ridership based on the fare set (fare in effect), ride type (entry or transfer), Convenience/Prepaid Fare value and Convenience/Prepaid Fare type. Sometimes, the bus operator will tally a rider under an incorrect section on the count sheet. Furthermore, most Providers do not include in the count sheets columns for listing the discrete fare

media types, such as Go-To, Metropass, U-Pass, or magnetic stored value cards. Both MVTA and SouthWest Transit, though, within their ridership reports include rider counts by fare media types. MVTA relies on electronic fare media counts with adjustments to match bus operator counts, and SouthWest Transit has the bus operator key in to the GFI farebox the fare media type used on the Go-To Card reader. Both methods introduce the risk of human error. The result is inaccurate fare reimbursement reporting and reduces the utility of performance indicators.

Some Providers have received reimbursement for transfer riders.

Providers are not regularly counting passengers that transferred as an actual transfer on their count sheets. While some of the providers have shown that they will use Cubic data to eventually remove these transfers before submitting their invoices for reimbursement, two of the providers are neither counting transfers nor removing them by utilizing the cubic data.

Prior Lake, Shakopee, SouthWest, and Plymouth do not have a section to tally transfers on their bus operator count sheets. SouthWest and Plymouth utilize a crystal report at the end of the period that provides the number of transfers that occurred in the same period. This number is then subtracted from the total number of riders before being invoiced to the Met Council. However, Prior Lake does not utilize a Crystal report because they lack access to the regional fare system database and as such, they are not removing transfers from the number of riders presented on the invoice. All of these providers have inadequate bus operator reports for the actual division of fare payment types used by each rider and do not utilize the Cubic data to divide the ridership by the fare payment type on the invoice.

Northstar Corridor Development Authority's Ramsey Star service has a column on their bus operator count sheet for the bus operators to document transfers; however after comparing the bus operator counts to the auditor's counts and the Cubic system, it is well-documented that they are not utilizing the column. As such, many of the transfers are not being removed from the total amount of ridership that is presented on the invoice.

MVTA and Maple Grove do not use bus operator counts as their main means to count ridership by fare set nor the usage of transfers.

The non-removal of transfers from the invoiced ridership amount ensures that Metro Transit is reimbursing certain Providers for rides that should not be reimbursed. For the month of January of 2010, 382 riders were recorded as transfers but were included in the reimbursable total for Prior Lake. NCDA's Ramsey Star service had 342 transfers that were fully reimbursed. This is a violation of the contract currently in place between the providers and the Met Council.

Two Suburban Transit Providers are charging the peak/express fareset outside of rush hour times on trips that occur during a portion of the rush hour.

A review of printed bus schedules and a review of Cubic data from April, 2009 and January, 2010 showed that two of the Suburban Transit Providers are charging the peak/express fareset outside of the rush hour times of 6 a.m. to 9 a.m. and 3 p.m. to 6:30 p.m. The review of Cubic data indicated that MVTA and SouthWest Transit are charging the peak fareset outside of rush hour for trips that operate during the rush hour. Both MVTA and SouthWest Transit, though, are charging off-peak fares during the rush hour on trips that run primarily outside of rush hour. MVTA establishes their fares based on when the largest proportion of the route is completed. If the route starts during a non-peak period, but most of its run is during the peak and it ends during the peak period, then a peak fare is charged. The same would be true in reverse if a route started during the peak fare period, but the majority of the route occurred during the off-peak time.

The Council's fare schedule establishes the rush hour times, when the peak fares are to be charged. Other than MVTA and SouthWest, the other providers, including Metro Transit, have configured their fare collection equipment to change fares from peak to off-peak and visa versa based on the fare schedule. The practice of these two providers to charge the peak fareset contributes to the risk of the Council reimbursing Suburban Transit Providers their regional convenience fares at peak fare rates, when off-peak fare rates should be applied. The providers in question argue that the practice of charging off-peak fares for some trips that overlap the rush hour mitigates the financial risk to the Council.

Invoices and Payments

Suburban Transit Providers do not consistently submit their fare reimbursement invoices to the Metropolitan Council within the thirty days allotted after the end of the specified service period.

Audit staff researched and analyzed all invoices that were received during 2008 from Suburban Transit Providers for the purpose of fare reimbursement. The goal was to evaluate whether invoices tended to be received and/or paid on time, which in the current contract, is stated as a thirty-day period after the fare collection period has ended and then an additional thirty days after receipt of the invoice, payment must be made.

Providers are not consistently submitting their fare reimbursement invoices to the Metropolitan Council within the thirty-days allotted after a specific period, whether it is monthly or quarterly. On average, 22 out of 52, or 42 percent of invoices, arrived late to the Metropolitan Council, mainly from MVTA. Reasons for the late submittals include staff vacations, incorrect billing/data from the contractor, and a lack of staff trained to manage farebox data.

Late Invoice Submittals (2008)

Suburban Transit Provider	Number of Late Invoices
Prior Lake	0
Plymouth	2
SouthWest	0
Northstar Corridor Development Authority	8
MVTA	12

The City of Shakopee has not submitted fare reimbursement invoices to the Metropolitan Council for the entire three years that express commuter bus services has been provided by BlueXpress.

During the course of the audit, City of Shakopee staff realized that they had not submitted fare reimbursement invoices. Shakopee staff is in the process of submitting ridership reports and reimbursement requests for the past three years of service. The regional convenience fare reimbursement agreement between Shakopee and the Metropolitan Council became effective August 13, 2009.

The Metropolitan Council made some payments more than 30 days after receiving the invoice from the Provider.

Audit researched and analyzed all payments made during 2008 to suburban transit providers for the purpose of fare reimbursement. The goal was to evaluate whether payments tended to be paid on time, which in the current contract, is stated as a thirty day period after receipt of the invoice. Also, payments were verified that they matched the amounts on the worksheet, invoice, and actual paid amount.

There were instances when the Council made a payment beyond the 30-day window stated in the contract. The Council was late in 20 out of 52, or 38 percent, of their payments to the Providers. Signed agreements were not in place during the last three months of 2008, thus twelve of the payments were withheld at the end of 2008 while the regional convenience fares reimbursement agreements were renegotiated. A new fares schedule was approved by the Council on August 13, 2008, so the convenience fares reimbursement agreements needed to reflect the new fares schedule. Excluding these 12 delayed payments, 15 percent of payments exceeded the 30-day window.

Late Payments (2008)

Suburban Transit Provider	Late Payments (Council)
Prior Lake	2
Plymouth	3
SouthWest	6
Northstar Corridor Development Authority	6
MVTA	3

The reimbursement amounts requested by Providers have been paid in full by the Council.

The Metropolitan Council paid in full fare reimbursement amounts requested by the Providers. In one instance the payment was less than the requested amount because the Metropolitan Council was correcting for a previous overpayment.

Reimbursement Process

Providers who primarily rely on manual data collection and reporting of ridership are not reporting those counts accurately in reports attached to their fare reimbursement invoices.

Audit staff reviewed a month of fare reimbursement requests for each Provider. The purpose was to measure the accuracy of the fare and rider data from what had been provided by bus operators or other data gathering methods to what was submitted to the Metropolitan Council for payment. For the smaller express commuter services provided by Prior Lake and Northstar Corridor Development Authority, audit staff completed a comparison of all counts during a month's period of ridership. For MVTA, which relies on Cubic and GFI data for its reporting, audit staff compared an entire month's of fare and rider data. For Plymouth a random sample of five days comprising 400 express commuter trips were compared. For SouthWest Transit a random sample of ten runs within a month was compared. Maple Grove was not included because Metro Transit is the contractor for that service and provides Maple Grove with the rider reports and invoice.

Results of Comparison Between Collected and Reported Rider Counts

Suburban Transit Provider	Sample Size	Time Period	Variance Over / (Under) Compared to Operator Counts or Electronic Farebox Data	Percent Variance
Prior Lake	180 trips 4,046 riders	October, 2009	(120)	(2.88)%
Plymouth	400 trips 7,047 riders	September, 2009 (5 days)	32	0.50%
Southwest	16 trips 525 riders	October, 2009 (10 runs, 10 days)	(11)	(2.10)%
Northstar Corridor Development Authority	176 trips 5,473 riders	December, 2008	(10)	(0.18)%
MVTA	11,504 trips 163,290 riders	April, 2009	1,854	1.15%

Prior Lake's BlueXpress service reported 3,872 reimbursable rides in October, 2009. The number of reimbursable rides equals total riders less cash fares, child fares, and free rides. Audit staff compared the reported rides to the bus operator count sheets and found that the reported amount was 120 rides fewer than what the operators had recorded on the count sheets, or a 2.88 percent difference. The large variance is due to the administrative assistant failing to input one bus trip on three out of the 22 service days. While the count sheets have instructions to record limited mobility and child riders in the column labeled Free, there is no instruction on how to record transfers, which are not reimbursable but are still being included on the invoices submitted to Metro Transit.

Plymouth's Metrolink service reported 7,074 express commute riders for five randomly selected days in September, 2009. Audit staff compared the reported rides to the bus operator count sheets and found that the reported amount was 32 rides fewer than what the count sheets support, or a 0.45 percent difference. The difference is largely attributed to the contractor's administrative assistant likely misreading the 44 written on the count sheet as 11.

SouthWest Transit reported 514 express commuter riders for 10 randomly selected bus runs during October, 2009. Audit staff compared the reported rides to the bus operator count sheets and found that the reported amount was 11 rides fewer than what the count sheets support, or a 2.1 percent difference. One run was keyed in wrong. Those bus operator counts were attributed to the following day's run.

Northstar Corridor Development Authority's Ramsey Star Express service reported 5,284 reimbursable rides in December, 2008. Audit staff compared the reported rides to the bus operator count sheets and found that the reported amount was 19 rides more than what the bus operator count sheets support. The discrepancy is largely due to missing count sheets for a 1 p.m. afternoon trip added to the schedule for December 24 (Christmas Eve) and December 31 (New Year's Eve). If excluding those trips, the adjusted reported amount was 10 rides fewer than what is supported in the count sheets, or a 0.18 percent difference. Transfers are not reimbursable rides, but are not removed from the total number of reimbursable rides submitted for reimbursement.

MVTA reported 163,290 reimbursable rides in April, 2009. Audit staff compared the reported rides to the farebox (GFI) and Go-To Card reader (Cubic) counts within the spreadsheets used to develop the reports. Audit found that the reported amount was 1,854 rides more than what the Cubic and GFI fare data supports, or a 1.15 percent difference. MVTA's methodology for reconciling bus operator hand counts to Cubic and GFI data accounts for this difference.

Reimbursable Service

Some Suburban Transit Providers are duplicating trips that Metro Transit provides, thereby inefficiently using transit resources and diverting fare revenue from the responsible transit provider.

Minnesota Statute §473.388 authorizes the establishment of the suburban transit services:

- Subd. 2. **Replacement service; eligibility.** The council may provide assistance under the program to a statutory or home rule charter city or town or combination thereof, that:
- (a) is located in the metropolitan transit taxing district;
 - (b) is not served by the council bus service or is served only with council bus routes which begin or end within the applying city or town or combination thereof; and
 - (c) has fewer than four scheduled runs of council bus service during off-peak hours as defined by the Metropolitan Council.

During the course of the audit, audit staff observed that two of the Suburban Providers consistently allowed riders to board and alight within Minneapolis. Specifically their buses would drop off and/or pick up passengers at the Metrodome and on the University of Minnesota campus. Audit staff observed a total of 583 riders boarding Provider buses at the Metrodome during the morning rush hour, on four separate dates in June, November, and December of 2009. A review of Cubic data substantiated the June observation. 163 out of the 178 riders observed by audit staff were matched in Cubic. The timestamps were consistent with the Provider's scheduled timepoints at the Metrodome. Out of the 136 buses observed by audit staff stopping at the Metrodome bus stop, nine stopped for the purpose of dropping off riders; all other buses stopped for the purpose of picking up riders. It should be noted that Metro Transit has three routes serving that bus stop that provide service to the University of Minnesota campus. During the morning rush hour, Metro Transit buses serve the bus stop every three to five minutes. Audit staff observed that seating was available on the Metro Transit buses. In the afternoon, the reverse trip is made, picking up passengers on campus and dropping off enroute to downtown

There is the risk that Metro Transit is reimbursing Providers for riders in Minneapolis at the peak express fare reimbursement rate.

Audit staff performed an analysis of Cubic data for bus trips made in April, 2009. All MVTA and SouthWest Transit inbound boardings that may have occurred in the downtown zone were examined. MVTA and SouthWest Transit were selected for analysis because their downtown routes also serve the University of Minnesota campus. There were 5,634 riders in that month that boarded in the downtown zone on an inbound bus. Of these riders 40 percent were original tags suggesting that the Providers were reimbursed for these riders. It should also be noted that 86 percent of the 5,634 rides were recorded under Fareset 4 for peak/express. The correct fareset should be either Fareset 1 for non-peak/non-express or Fareset 2 for peak/non-express, depending on whether the trips were during the rush hour period. Express service is defined within the regional fares structure as a route or a portion of a route which travels four or more miles on a freeway/highway. Thus, travel between the downtown and the University of Minnesota campus does not conform to the definition of express service. The Providers are operating in an express fareset when not providing express service. This is a violation of the terms of the agreement by charging Metro Transit for express fare reimbursement for riders they have picked up within non-express service. The reimbursement rate for a Fareset 4 ride is \$2.727 for most convenience fare media compared to \$1.591 and \$2.045 for Fareset 1 and Fareset 2 respectively. There is the potential risk of Metro Transit losing fare revenue and reimbursing regional convenience fares at the express peak fare rate for these riders.

Fare Collection Devices

Fare collection device failures are rare at Metro Transit and even rarer for Suburban Providers.

Providers who rely on hand counts have stated that fare collection devices are not reliable and that their use can actually create additional costs for the provider. Although this may have been true when the Cubic system was initially adopted, it is not the case now. An inoperable Cubic “football” on a trip will not record the number of riders, and so those rides would not be counted toward the reimbursable rides. A review of Metro Transit fare collection devices failure reports for 2009, showed that on a monthly basis, fare collection devices failed from best performance of between every 10,709 transactions in December to a worst performance of every 7,152 transactions in August. Go-To card readers failed less often compared to fareboxes (20,322 versus 6,424 transactions). SouthWest Transit recorded 151 Go-To Reader failures from December 1, 2005 to December 1, 2009. With around 1,000,000 rides annually, the mean number of transactions between failures is 26,800.

Proposed Convenience Fares Reimbursement Model

The rates to purchase various convenience fare media types, such as, Metropass and U-Pass, vary. Metropass is priced so that monthly sales approximate what each rider would have paid for each ride. College Pass and U-Pass are negotiated with each participating institution based on individual service levels and ridership patterns. An audit of the discount fare program indicated that the average fares per ride paid in 2007 were:

System-wide	\$1.00
U-Pass	\$0.54
College Pass	\$0.76
Metropass	\$2.07

Today’s regional convenience fare reimbursement structure reimburses Suburban Transit Providers on a cost basis. That is to say that the reimbursement rate per ride tries to reflect the relative cost for providing that service. For example, the reimbursable rate for a local, non-peak ride is \$1.591, and rate for an express, peak fare is \$2.727. The reimbursed amount does not reflect the true value of the programs.

In 2009, Metro Transit proposed an alternative regional convenience fares reimbursement formula to the Providers. The proposal was to apportion Metro Transit’s actual monthly revenue for Metropass, U-Pass, and C-Pass according to ridership reported by each entity. Reimbursement would be weighted by the fare in which these fare media were redeemed. Instead of implementing the change for 2010, the Director of Finance proposed a task force of Metro Transit, Metro Council, and Provider representatives; the task force would work together in creating a reimbursement method.

CONCLUSIONS

1. *The current regional convenience fares reimbursement agreements are not being adhered to regarding timeliness of submittal of invoices and timeliness of payment of invoices.*

The regional convenience fares reimbursement agreements between the Metropolitan Council and the Providers state that invoices for reimbursement of regional convenience fares must be submitted within 30 days of the end of the time period for which reimbursement is requested. Additionally, the Metropolitan Council must send payment to the Suburban Transit Providers within 30 after receipt of the invoice. Neither clause has been consistently observed. Another Provider, the City of Shakopee, has not submitted ridership reports and reimbursement requests since its reimbursement agreement was executed in August 13, 2009.

2. *STP's have varying levels of compliance with the current fare reimbursement agreement.*

The regional convenience fares reimbursement agreements between the Metropolitan Council and the Suburban Transit Providers state that ridership must be reported with a breakdown of fare payment type utilized by riders with transfers removed from the reimbursable total number of riders.

- BlueXpress (Prior Lake and Shakopee) bus operators are recording riders by fare media type – although it does not distinguish by type of Go-To program – but it does not remove transfers when submitting its reimbursement request.
- Ramsey Star accurately records riders by fare media type, but is does not remove transfers when submitting its reimbursement request.
- MVTA records riders by fare media type and removes transfers from its reimbursement requests, but charges fareset based on the time of the trip, rather than based on the time of fare payment.
- SouthWest Transit records riders by fare media type and removes transfers from its reimbursement requests, but charges the fareset based on the time the bulk of the trip occurs, rather than based on the time of fare payment.

3. *Equitable treatment of all regional transit providers with regards to late invoicing, late reimbursement, data collection methods, reporting, and revenue distribution should be sought for in future agreements.*

The convenience fares reimbursement system lacks a standard data collection and reporting methodology. The fare reimbursement agreements give providers latitude in how data is collected and reported, resulting in reimbursement reports that are difficult for the Council to reconcile against ridership data. Late invoice submittals and fare

reimbursements may cause cash flow issues for all parties. The continued use of a reimbursement structure that reimburses Providers on a cost per ride basis, rather than on a revenue per ride basis, intensifies the financial risk to the Council. Future agreements should provide for a convenience fares reimbursement system that is equitable for all regional transit providers.

RECOMMENDATIONS

Program Evaluation and Audit recommendations are categorized according to the level of risk they pose for the Council. The categories are:

- **Essential** – Steps must be taken to avoid the emergence of critical risks to the Council or to add great value to the Council and its programs. Essential recommendations are tracked through the Audit Database and status is reported twice annually to the Council’s Audit Committee.
- **Significant** – Adds value to programs or initiatives of the Council, but is not necessary to avoid major control risks or other critical risk exposures. Significant recommendations are also tracked with status reports to the Council’s Audit Committee.
- **Considerations** – Recommendation would be beneficial, but may be subject to being set aside in favor of higher priority activities for the Council, or may require collaboration with another program area or division. Considerations are not tracked or reported. Their implementation is solely at the hands of management.
- **Verbal Recommendation** – An issue was found that bears mentioning, but is not sufficient to constitute a control risk or other repercussions to warrant inclusion in the written report. Verbal recommendations are documented in the file, but are not tracked or reported regularly.

1. (Essential) Language should be included in future fare reimbursement agreements requiring Providers to use electronic fare collection device data for purposes of reimbursement.

Although driver counts can be reasonably accurate for sheer headcount of riders, it is not accurate as to the type of fare media used. This information can be critical as we move into times where a single Go-To Card can represent nearly any fare set type offered by the Council and when reimbursements may be based on the actual revenue generated by those fare types.

***Management Response:** MTS and Metro Transit concur with this recommendation. Findings from this audit report regarding the accuracy of electronic reports will be used to require incorporation of electronic reports only as the basis for invoicing in the future Fare Reimbursement Agreements. Providers will be notified of the upcoming change.*

***Staff:** Gerri Sutton, Ed Petrie*

***Timeline:** Agreements effective January 2011*

- 2. (Significant) Metro Transit should develop a standard report format for convenience fares reimbursement requests including agreement of the regional fares database fields to utilize. This report should draw fare numbers entirely from the Cubic and GFI systems with any reconciliations adequately documented and mutually agreed upon as deemed necessary by the Providers and Metro Transit.**

Current agreements recommend, but do not require, a standard report format. Standard formats would make both the invoicing and payment processes faster and simpler for all of the staff involved. If the form can be tied to specific fields in the Cubic and GFI reports, then the work for the Providers is minimized, and if all invoices look the same and have the same reports attached for backup, that minimizes the work for staff at the Council. Invoices would be easier to issue timely and payments would be more likely to meet the 30 day requirement in the contract.

***Management Response:** MTS and Metro Transit concur with this recommendation and will work with regional providers to develop and incorporate a standard report format into the invoicing process for all future Fare Reimbursement Agreements.*

***Staff:** Steve True and Ed Petrie*

***Timeline:** October 2010*

- 3. (Significant) In any future contract, Suburban Transit Providers must report ridership by the fare set (fare in effect), ride type (entry or transfer), Convenience/Prepaid Fare value and Convenience/Prepaid Fare type. This can be accurately reported through the combination of Cubic and GFI data.**

The amount of revenue generated for a fare differs significantly by the type of fare paid. Reporting ridership by fare type, as well as ride type is critical to building an accurate, equitable fare reimbursement system for all providers.

***Management Response:** MTS and Metro Transit concur and will incorporate this recommendation into the process created in response to Recommendation #2 of this document and future Fare Reimbursement Agreements.*

***Staff:** Ed Petrie and Gerri Sutton*

***Timeline:** Agreements effective January 2011*

4. (Significant) Language should be included in future agreements prohibiting reimbursement for trips that replicate Council trips.

Minnesota Statute §473.388, most significantly Subd. 2 (b), allows the Metropolitan Council to provide assistance for service that is not already provided by the Council. Providing duplicate service is an inefficient use of resources, and diverts fare revenue from another transit provider.

Management Response: MTS and Metro Transit concur with this recommendation and will incorporate into future Fare Reimbursement Agreements.

Staff: Ed Petrie and Gerri Sutton

Timeline: Agreements effective January 2011

5. (Significant) The regional fare policy should address the application of peak faresets to express commuter routes that occur outside of published rush hour times.

The practice by some Providers of charging the peak fare rate for routes that occur for a portion of the rush hour regardless of the time at which the fare is paid, is inconsistent with the interpretation of Metro Transit and other providers of the regional fare structure. This practice leads to both relative overpayment by riders, and reimbursement for convenience fare rides by the Council at higher rates than other providers. The inconsistent application of peak fares across all Providers leads to questions of unequal treatment among express commuters. Discussion of adjusting peak fares for express commute riders should be conducted within the Regional Fare Policy Committee between Metro Transit, MTS, and the Suburban Transit Providers, and brought to the Metropolitan Council's Transportation Committee for consideration as provided for in Council Procedure 3-2-6, Transportation Fare Policy Changes; Council Procedure 3-2-6a, Transportation Service Fare Policy Changes; and subordinated by Council Procedure 1-3a, Transportation Service Changes and Restructuring.

Management Response: The Council will convene the Regional Fare Policy Committee to discuss this finding and make a recommendation to the Council to ensure a consistent fare structure among all transit riders.

Staff: Ed Petrie and Gerri Sutton

Timeline: By October 2010

6. (Significant) Future contract language should base reimbursements on the actual revenue generated by the type of fare.

The revenue per trip by fare type, such as Metropass, College Pass, and U-Pass, vary between fare types because the negotiated purchase rates differ. The current fare reimbursement rates are on a cost basis, and not based on revenue generated. Basing the reimbursements on revenue generated will create a more sustainable financial structure.

***Management Response:** MTS and Metro Transit staff will review the process and procedures for reimbursing providers for Metropass, U-Pass and College Pass based on the proportionate share of revenue generated instead of a predetermined rate per trip. Any change in methodology will be incorporated in future Fare Reimbursement Agreements.*

***Staff:** Ed Petrie and Gerri Sutton*

***Timeline:** Establish process and procedures October 2010, effective January 1, 2011.*

7. (Significant) Language should be included in future agreements to impose a late invoice penalty in order to ensure timely submittal of regional fares reimbursement request by the Providers.

To ensure a good flow of information and accurate accounting records, on-time reporting and invoicing is important. Extending submissions for months or even years can create inaccuracies within accounting and performance information being tracked by the system, which gives leadership even less information to continue to evaluate the success of this system.

***Management Response:** The Council will work with the regional providers to establish a reasonable time frame to submit reports and consider adding a late invoice penalty to future Fare Reimbursement Agreements.*

***Staff:** Gerri Sutton and Ed Petrie*

***Timeline:** Agreements effective January 2011*

8. (Significant) Language should be included in future agreements to impose a late reimbursement penalty in order to ensure timely reimbursement of regional fares reimbursement by the Met Council.

Similar to recommendation 7, ensuring accurate and timely information, and also to ensure the financial health of the suburban providers, it is important that the Council make payments promptly when invoices are submitted timely.

Management Response: The Council will work with the regional providers to establish a reasonable time frame to review and pay fare reimbursement requests and will consider adding a late payment penalty to future Fare Reimbursement Agreements.

Staff: Gerri Sutton and Ed Petrie

Timeline: Agreements effective January 2011

9. (Significant) Metro Transit should continue to provide ongoing opportunities for Providers to discuss and learn how to use the GFI and Cubic systems to generate their passenger and fare information for invoicing.

Most providers do not currently capitalize on the amount or accuracy of information collected and maintained by the electronic fare systems for the region. Metro Transit should continue coordinating ongoing forums in which Providers may discuss their reporting needs and other topics pertaining to the regional convenience fares system.

Management Response: The monthly Suburban Provider Communication meetings established in 2008 continue to be held although recently changed to a bi-monthly timing at provider request. Training opportunities, equipment, report writing resources and any other Fare Collection topics of interest are discussed to provide common understanding of systems, activities, and best practices. Specific GFI and Cubic resources are available to be utilized as needed for specific training or reporting requests.


Staff: Tom Randall

Timeline: Ongoing

10. (Consideration) Sufficient space should be apportioned within Citrix for Providers to edit fare database reports.

Currently, Suburban Transit Providers are only able to run Cubic reports but are unable to modify and save them in Citrix. Providing sufficient space on the Council's servers will allow the Providers to edit the reports before downloading, thus increasing the accuracy of the Provider's reports.

Program Evaluation and Audit

DATE: April 28, 2010
TO: Metropolitan Council Audit Committee
FROM: Katie Shea, Director of Program Evaluation and Audit 
SUBJECT: Suburban Transit Provider Comments on Fare Reimbursement Audit Report

As you know, our audit reports are classified under the Data Practices Act as non-public (*Minn. Stat. §13.392, subd. 1*), until they are final, which is when they are accepted by the Audit Committee. Given that, it has not been our practice to release any reports to parties outside the Council prior to the Audit Committee meeting. However, since the Fare Reimbursement Audit Report involved a review of Metro Transit and the Suburban Transit Providers (STP's), we decided to provide the STP's with the draft report for comments. Some comments resulted in changes/clarifications already reflected in the final draft of the report sent out on Monday, April 26. Others reflect a disagreement with the audit and its conclusions.

Following are the comments submitted by the STP's who chose to comment. These comments are presented here as they were submitted to us; they have not been edited or changed in any way. We present them here simply to have them all presented in the same format in the same document. They are in no particular order.

From Maple Grove:

I found the area of my concern as it relates to language and tone. It is the 2nd item under conclusion on page 17. I think someone taking a quick glance at this section is going to walk away with a pretty poor impression of STA providers. Can this section include some quantitative data so that a read could have some magnitude perception of the cited problem? Can you put a ridership and dollar figure to this section?¹

It would also be nice if the STA provider comments to the reports are officially listed as an appendix to the report.

From Shakopee:

I believe the conclusions of the draft report are incorrect in the following respects related to Shakopee. First, until last year, we had no effective reimbursement agreement, and that is why no reimbursement requests had been submitted. Since approval of the new agreement, the City has submitted such requests. Second, the City routinely provides Metropolitan Council staff with ridership information in the NTD reports.

From Plymouth Metrolink:

Invoices

The auditors did not address that Met Council is consistently 3 to 8 months late annually with the fare reimbursement agreements to the point that it does not matter for many months whether or not providers submit invoices as the fares will not be reimbursed until the contracts are approved and signed. We just received the signed 2010 agreement at the end of the 1st quarter of 2010. It comes down to one thing – Met Council is consistently late more often than we are.

Penalty for Late Agreement is Moot

If cities will be charged a late fee, then a late fee should be imposed against the Met Council for withholding agreements and withholding fare reimbursements already collected and earned by the providers (because they say they can't give us the fares we collected without a signed agreement even if they are the agency holding up the process). It is known a year in advance when the agreement will expire. The month after expiration is not the time to begin creating the next year's agreement and then tell the provider they'll have to wait for their fare reimbursement. What is the point of a timely fare invoice if there is to be no fare reimbursement for 8 months because there is never a timely fare agreement? And penalty for late reimbursement is moot if there is no agreement (per Met Council staff).

Ridership Reports

Plymouth uses both manual counts and Crystal Reports for ridership reports/invoices. How is that the auditor writes on page 5 that Plymouth is one of the providers that calculates the removal of transfers in the Crystal reports, but on page 17 it reads that providers are being reimbursed for rider transfers. Plymouth is obviously not being reimbursed since we consistently remove all transfers from the calculations and thus from the fare reimbursement invoice. Do not lump all into the same conclusion.²

Convenience Fare Negotiation Representation

The suburban providers or at least a representative of the providers (since there are 12 cities) should be part of the negotiations between Metro Transit (owned by the Metropolitan Council) and the U of M, other colleges & universities, downtown employers, etc. in determining the Metro Pass subsidy as a portion of that decrease in revenue is attributed to our systems whether we want to agree to it or not. If we don't agree to Met Council's terms, the other providers get no reimbursement for fares we already collected and rides we already provided. Metro Transit negotiates the rate for the Metro Pass with the employers. The STA's should be part of the negotiating team. Met Council wants to base the fare on the revenue collected so the other providers should at least be part of the negotiation.

AVL

Something is off in the AVL software and revenue software systems. It seems that there is a glitch in the communication between the two (Crystal Reports and the AVL software). It would be nice to have someone train STP staff to use and access the data systems to determine the issues (when routes are not included, when something is not properly keyed in, or data is not being picked up in revenue software system, etc.) if Met Council staff doesn't have time to do this. They initially showed the reports, but the training and communication needs to be continued and continuous. Staff also needs access to the system.

Fare Adjustment

The auditors stated that the regional fares had not been adjusted during the term of the 2008-2009 fare agreement. The fare was raised \$0.25 on October 1, 2008, the first day of the 2008-2009 fare agreement.

Peak Fares During Non Peak Hours

The auditor wrote that we or somebody was collecting peak fares during non-peak hours. To which buses/routes is the auditor referring? Plymouth doesn't know and we're still trying to figure out what the

auditor meant. We do not collect peak fares during non-peak hours. We only run non-peak routes midday and on the 7:10 pm on route 774 and nonpeak fares are charged. If peak fares were ever charged during these times, it is a malfunction of the fare collection equipment (that the auditor wrote are so excellent they hardly ever malfunction, so that must not happen).

Replication of Trips by Other Providers

If language is included in future agreements that prohibit reimbursement for trips that replicate Met Council trips (Metro Transit, trains too?), then similar language needs to be included that prohibits Met Council *and* Metro Transit and trains *and* Met Council dial-a-ride providers, contractors etc. from replicating trips already provided by other transit agencies and providers. No more doubling on suburban providers' routes and territories.

The conclusion is redundant and written so that all uniqueness is removed to create generalities which make it difficult to determine anything.

From Prior Lake:

A key point missing in this report is the fact that neither I nor my bus operator has access to the CUBIC system. I know we discussed this on your visit. How can we possibly use electronic data when we cannot access the data submitted? If our direction is to rely on the electronic data, then we must be provided with the necessary hardware and software to retrieve and review the data.³

From SouthWest Transit:

1. The conclusions as stated on page 17. This is often the only segment and sometimes the first segment that a reader reviews. Item no. 2 seems to try to roll the entire audit of all STP's in one long and confusing negative conclusion. Some qualifying information needs to be included in no. 2 in addition to breaking out issues to match the scope of the audit which is current contracts [sic] compliance, current contract non-compliance and recommendations for future contracts. This will help to minimize the confusion.⁴

In regards to contract compliance SWT provides reporting as required by the current contract on the forms provided by the Council provided in appendix B. The discussion of supplying the payment media is not a current contract compliance requirement. The current contract is on a cost per ride basis. This is not clear in your conclusion section.

The transfer issues needs [sic] to be documented by either provider or by percentage of total transfers as only two small providers are in non-compliance. SWT, MVTA, Maple Grove and Plymouth, the four largest providers are in compliance. The transfer report used by SWT is a Council provided report.

2. Peak/non peak fare sets. It is the policy of SWT to charge the fare set per bus run. In true fairness to all customers, the same fare is charged for everyone on the bus which is a better mythology for suburban runs. The current AVL system provided by the Council includes an option to set fare set by run thus all MC policies should have a consistent option.
3. CUBIC data. No where [sic] in the report does the historical problems [sic] and unreliability of the Cubic data measure the dollar impact to the STP, which has forced the providers to have alternative and cross balancing systems to provide adequate reimbursement reports. This includes manual driver sheets. SWT does not use the drivers' sheets as an exclusive reporting mechanism as the data is placed in our electronic revenue and ridership "Fleetnet" reporting system and in the process the manual driver sheets are used for route by route audits thus are not a sole source as stated in the report. This mitigates your finding on the chart on page 12.

4. Metrodome service stops. SWT believes it is in the best interest of the region and good public policy to allow passengers to board buses when we have passengers exiting at any stop. In the facilities policy, the Council has deemed no franchise rights for any regional facility and this interpretation should be consistent with bus stops.
5. One minor chart correction is needed on your sample results on page 12. If the variance is under both the number and the percentage should be shown as a negative number. Having both positive and negative results lessens the impact of the sample.

In summary, SWT is requesting the report conclusion be rewritten for the reader to have a clear understanding of the current environment and then separate any recommendations for improvement in future contracts.

From Minnesota Valley Transit Authority:

Page 10, clarification, "MVTA...does not use bus operator counts as their main means to count ridership by fare set, nor the usage of transfers."

Pages 10, 14-15, 19 and 20, regarding the practice of charging rush-hour fares outside of the rush-hour: The report goes too far is suggesting that MVTA risks overcharging MC for peak fares charged outside of the peak period. Indeed, MVTA applies a single fare set for each trip, based on the period when the majority of the trip occurs. This works both for off-peak times on a majority-peak trips, and peak times on majority peak trips, and peak times on majority off-peak trips (which the report did not acknowledge), so we would expect no net gain or loss as a result, and certainly not a significant one.

MVTA stands behind this practice as being within the spirit of the fare structure. It avoids the practical difficulties of enforcing a strict, minute-by-minute peak/off-peak fare policy, such as having passengers push thorough line to pay at 5:59 am on 6:00 departure; grappling with fare differentials on pay-leave trips; or dealing with a bus that runs slightly ahead of or behind schedule such that passengers boarding earlier or later than expected might not pay the fare they were prepared to pay.

Regardless of when MVTA chooses to apply which fare set, this has zero impact on the validity or fairness of the reimbursement bills MVTA submits to MetCouncil. If MVTA charges a passenger \$3.00 on a given convenience fare medium, \$3.00 is debited from the passenger's credit, and MVTA seeks a \$3.00 reimbursement from MC (less overhead). MVTA bases its reimbursement rate on the recorded fare set; time of day is not part of the calculation.

So, if the argument needs to be had at all, it seems more appropriate for a policy-level discussion as to the practical application of faresets, not a financial question of whether MVTA is billing MC for the correct amount.

Pages 11-12 and 20-21, regarding late invoicing: MVTA agrees that the time frame for invoicing and payment of reimbursements should be revisited.

Page 13, regarding ridership reporting: We were unable to replicate the auditor's result as to MVTA's "real" ridership number. Regardless, to avoid the suggestion that MVTA is somehow overcharging MC for reimbursable fares, we would appreciate a more conspicuous explanation in the report as to why MVTA extrapolates its ridership numbers from those collected electronically (i.e. routine data overflow due to antiquated farebox technology).

Pages 14 and 19, regarding the duplication of service: MVTA's practice, historically, has been to bypass downtown stops en route to the U of M, unless passengers are alighting. If someone is alighting, and

another rider is waiting at the stop, MVTA does not deny boarding. As for the reverse trip, there is no practical way to screen out passengers from the U based on where they intend to alight. MVTA is willing to discuss this issue further, but suggests, in the interest of rider convenience and satisfaction, that we not rush to a policy of refusing boarding in these situations.

Pages 15-16 and 20, regarding discount passes: The real issue seems to be that the pricing of discount passes does not accurately reflect the level of usage. If STA's are to be liable for the gross undervaluation of passes, STA's should have a seat in the negotiations with the participating institutions to set the pricing. Any changes made to the reimbursement methodology and Fare Reimbursement Agreement should involve all affected parties, not be determined unilaterally by one provider and then "agreed to" by everyone else, as the management response to recommendation 6 implies.

Page 18, recommendation 2: MVTA agrees that a reporting format tied directly to Cubic and GFI database fields could provide a clearer and simpler reporting process. It will be helpful to learn more about which data MC finds useful, and how they use it in the reimbursement process. MVTA will look forward to working with MTS/MT and other providers to develop a new template.

¹ Former conclusion 2 and the conclusion section were significantly changed between the review draft and the final draft, in response to a number of STP comments.

² See endnote #1.

³ Audit agrees that this information was not clearly stated in the original draft. It was added in the final draft.

⁴ See endnote #1.