

Information Item

Date: January 23, 2012

To: Raymond E. Lechner, Ph.D.,
Superintendent

From: Crystal S. LeRoy, Ed.D.,
Business Manager

Subject: Outsourcing Student Bus Transportation

The Board of Education held a public hearing on Monday, December 12, 2011 to discuss the possibility of outsourcing student transportation. The purpose of this memo is to follow up with the questions and concerns raised at the meeting, and to provide a financial review that demonstrates the need to consider outsourcing. Attached is a memo answering questions posed at the December 12th public hearing.

Background

Leading up to the referendum, a group of independent community members completed a financial analysis for District 39. One of their recommendations was to consider outsourcing transportation. As a result of that recommendation, outsourcing was identified on the Cost Containment Plan as a possible financial savings for District 39. In addition to a financial benefit, outsourcing student transportation could eliminate staffing issues, transportation maintenance requirements, and could add flexibility to student drop-off/pickup to school, reduce wait time for students, and offer more availability to cover field trips and sports routes.

Another consideration is that school systems are not transportation experts. Outsourcing services like student transportation benefits school districts because they are able to take advantage of the economies of scale. Because of the potential advantages offered by outsourcing, community members urged the Administration to explore this option.

Staff and Community Concerns

The majority of questions regarding outsourcing transportation were related to employment concerns for District 39 bus drivers, safety and service level from a contract bus company, and financial information. If the District decides to outsource transportation, all qualified District 39 bus drivers will be given positions with the contracted bus company and receive comparable benefits. The invitation for bid specifications will outline the District's current transportation staff and will require the employment of qualified drivers. The bid specifications will further outline all state and/or district safety and service requirements. The successful bidder would be obligated to meet these requirements or their contract would be terminated. It is also important to note that even with our excellent in-house service, mistakes and accidents do occur. It is expected that a contracted bus company will require the same latitude.

Financial Information

District 39 offers a fee-based transportation service to all students. Approximately 1200 students utilize this service. The current round trip fee of \$495.00 (\$275.00 one-way) does not cover the actual cost of running the in-house transportation department. The following chart details the in-house transportation budget:

In-House Student Transportation Budget

Expenditures FY13

Salaries	491,004
Benefits	94,051
Purchased Services	60,337
Supplies & Materials	50,470
Capital Outlay	140,000
Other/Misc.	2,000
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Total	837,863

Revenues FY13

Transportation Fees	573,175
State - Regular Education	6,201
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Total	579,376
Total Expenditures	837,863
Total Revenues	579,376
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Deficit (Covered by the District)	258,487

User Fee Required to Break Even \$698.22

(Based on current ridership)

In order to make transportation services break-even, the round trip fee would increase to \$700.00 per student (\$385.00 one-way) for the 2012-2013 school year. The goal with outsourcing would be to greatly reduce, or even eliminate, this annual \$258,000 deficit.

If we maintain our current transportation system, The FY13 budget would need to include the purchase of two buses, in keeping with the District's practice of replacing equipment. At the same time, the District's aging bus fleet means an increase in repairs and maintenance would be likely. Finally, the fee for future years would need to increase significantly to address these necessary increases in the transportation budget.

Timeline

As a service to our parents, we feel it is important to offer student transportation. However, as funding educational programs becomes more challenging, the District must explore all possible financial savings. On December 12, 2011, the Board of Education gave their approval to solicit bids to outsource student transportation. The following is a timeline of the process:

Schedule of Events

Public Hearing on Outsourcing Student Transportation	December 12, 2011
Approval to Solicit Bids to Outsource Student Transportation	December 12, 2011
Advertise Invitation for Bid/Mail to Prospective Bidders	February 2, 2012
Mandatory Pre-Bid Meeting	February 8, 2012
Deadline for Submitting Bids/Bid-Opening	February 23, 2012
Board Recommendation and Vote	March 19, 2012

Summary

The next step in the bid process is to advertise and solicit bids from prospective bidders. In order to be eligible to submit a bid, all contract bus companies must send a representative to the mandatory pre-bid meeting. At this meeting, the District will reiterate the safety and service requirements outlined in the bid specifications. Once the bids are received and reviewed, the Board of Education will have all of the necessary information to make an informed decision.

In order to formally keep the community updated, the District has established an informational link on Outsourcing Transportation. This link can be found on the District's website under *Current Topics*.

Recommended for presentation to the Board of Education



Raymond Lechner, Ph.D.
Superintendent

Attachment

Questions asked at the December 12th Public Hearing

- ***Where did the idea of outsourcing transportation originate?***

As part of the Program Costing prior to the referendum, transportation outsourcing was raised as a viable alternative by a group of parents. This option was raised at numerous community meetings (prior to the election) and District 39 promised it would investigate this alternative.

The District has outlined the rationale behind the exploration of outsourcing student bus transportation in a [public hearing](#), as well as conversations with the union.

- ***Outsourcing was tried in the early 70's and was unsuccessful, why?***

The District does not have records regarding the outsourcing that took place in the 70's.

- ***Could a slight fee increase allow the current service to stay in place?***

No. To make the program fully funded by users, the fees would increase substantially. The current program is not completely funded by user fees. It is estimated that the annual fee could increase by as much as \$205.00 per pupil.

- ***Assuming the same ridership, what would be the user cost to run a break-even program?***

For FY13, the user fee would increase to \$700.00. The FY12 budget of \$678,829 would increase to \$837,863 in FY13. The FY13 budget would include the annual purchase of two buses.

- ***What will happen to drivers?***

All qualified District 39 bus drivers will be given positions with the contracted bus company, including comparable benefits.

- ***In terms of the union contract, is there a difference between custodial and bus driver pay? Would any staff lose hours? Would there be job loss?***

- A bus driver/custodian receives a stipend for being available to drive. This stipend would be eliminated if the position became a custodial position only.
- A bus driver/custodian frequently will obtain over-time hours for bus driving. These overtime hours would be eliminated if transportation were outsourced.
- Yes, the reduction of bus driver hours would leave full-time custodial positions only. Therefore, it is estimated that there will be a reduction in the bus driver/custodial staffing.

- ***How will outsourcing impact ridership/increase traffic?***

Outsourcing could have an impact on ridership. If there is a decrease in cost, ridership could increase. In effect, this would decrease car traffic. If there is a decrease in ridership, walkers or car traffic could increase.

- ***How will student disciplinary issues be handled (i.e. bullying)?***

Discipline issues will be handled in the same manner as they are currently. The driver will continue to handle initial issues. The building administrator will continue to handle heightened issues.

- ***What will happen with items left on the bus?***

The same procedure will remain in place. Parents may inquire with the designated transportation personnel regarding lost items. Found items will be held in-District.

- ***Will the ability to assist with transportation/mechanical problems be impacted?***
The bid specifications will require additional fleet be readily available for any transportation or mechanical issues. Outsourcing might improve this concern, as currently District 39 has limited “back up” buses available.
- ***Will the ‘bus-stop experience’ be negatively impacted?***
The ‘bus-stop experience’ should not be impacted as a result of outsourcing.
- ***How might this change impact “chaos” at the start of year?***
Certainly, with any transition there are growing pains. Even with our in-house bus service, the start of the year is always challenging. It is expected that the same challenges will exist with a contract bus company as well.
- ***Kenilworth does not offer any transportation service, is this option for us?***
Yes, technically this is an option for District 39. Because of the geographical location of our schools, none of our students qualify for regular transportation, under the legal definition of required busing.

However, District 39 has approximately 3,700 students and covers five square miles. As a service to our parents, we feel it is important to make student transportation available.

Kenilworth is a significantly smaller district with 600 students, which encompasses one square mile. Kenilworth’s smaller population and land area allows for the majority of their students to more readily walk to school. The same is true in Sunset Ridge.

- ***Where the District currently outsources with Septran for students with specialized transportation needs, students are sometimes on the bus for an hour or more. Will this become a problem for general education students too?***
No. If the District outsources all student transportation, routes will be established to minimize time on the bus. Currently, the District uses Septran for students with specialized transportation needs and one bus handles the entire district, which could result in somewhat longer bus times.
- ***What part of transportation does the state pay for - special needs, low income? Does the state mandate that District’s offer transportation service?***
For FY11, the District received \$9,000 in state revenue towards general education transportation. The District also received \$16,500 in state revenue for special education transportation. The District is obligated to provide only special education transportation.
- ***The current salary increase assumption in FY14-16 is CPI. Even with that assumption there is a deficit in FY16. However, if the negotiations do not go as hoped for, this deficit could be larger, correct?***
Correct.
- ***Where does the excess referendum revenue, generated in 2011, go? Is that money the District needs to hold on to make the rest of the years work?***
Yes, as publicized during the referendum, the excess revenue of 2011-2012 is intended to replenish depleted fund balances. Fund balances are needed to meet cash flow demands because tax receipts only come twice each year.