

**LAKWOOD TOWNSHIP SCHOOL DISTRICT
COST ANALYSIS
IN-DISTRICT VS OUTSOURCED BUSING**

HOLMAN FRENIA ALLISON

FEBRUARY 12, 2019

Background

The Lakewood Public School District is responsible for providing the youth of Lakewood Township with a quality education and safe transportation to and from school. One of the biggest challenges that any district faces is providing transportation services with the limited resources available to the school district. The school district is exploring several different methods of providing this transportation service to the students currently being bused by the Lakewood Public School District. One scenario that the school district is considering is to shift from a mixture of in-district and vendor provided transportation services to an all vendor provided transportation service. The district solicited bids from vendors to operate bus routes for the district students that are classified as regular in-district, special education in-district and special education out of district. This total represents the approximately 6,000 students who attend the Lakewood Public School District. The remaining approximately 32,000 students, who attend private schools within the Township of Lakewood, are transported by the Lakewood Student Transportation Authority (LSTA). The costs associated with the transportation of these students will not be analyzed within this report.

Objective

This report will analyze the existing in-house transportation costs, provided by the Lakewood Public School District, which will then be projected over the 2019-2020, 2020-2021 and 2021-2022 school years, assuming the same composition that the department currently has. This report will also show projected transportation costs for the scenarios provided by the outsourced vendor bids received and opened publicly on January 30, 2019. All information compiled has been provided by the Lakewood Board of Education.

Procedure

Data and information, included in the report, was gathered from many sources throughout the school district. Interviews were conducted with key management personnel from the transportation and business offices. Additionally, meetings were attended with district bus drivers and with the vendors who submitted bids for transportation contracts.

The following information was provided by the Lakewood Public School District:

- Salary and benefits for bus drivers and bus aides on an individual basis for 2017-18 and 2018-19
- Salary and benefits for office staff on an individual basis for the 2017-18 and 2018-19 school years
- Detailed expenditures for fuel, maintenance, repairs, cleaning, equipment, etc. for 2017-18
- Detailed expenditures for fuel, maintenance, repairs, cleaning, equipment, etc. for 2018-19
- Expectations for future years, including 3.5% increase for salaries, 6-8% for health benefits, and CPI for all other operating expenses. (CPI of 1.6% was used, based on average 10-year trend).

Table I summarizes 2017-18, 2018-19 expenses as well as projected 2019-20, 2020-21, and 2021-22 expenses for the current composition of the transportation department.

Bids were received on January 30, 2019 that covered three route types: in-district regular education, in-district special education, and out-of-district special education. Each vendor was required to provide a price for every route listed in the package that they were bidding on and a total per diem price for the route package. Each bidder was also required to provide a total per diem cost for 2020-21 and 2021-22 school years as well. Each bid package was footed and the

results of the bids were tabulated. The total annual cost for operation of each of the three types was obtained by multiplying the per diem total by 180 school days.

It was noted that 100% of the in-district costs could not be eliminated by outsourcing the district's transportation routes. This analysis eliminated positions that would be directly replaced by outsourcing current routes, including bus drivers, bus aides, bus dispatcher, safety coordinator, and bus mechanic. Also, eliminated were costs that would fall under the responsibility of the winning bidder including providing fuel, maintenance and repair of vehicles, etc. This left salaries and benefits for supervisors, a routing clerk, and a secretary. Also, remaining are the cost of buses, cost of after-school activity buses not advertised, the cost of any MOESC transportation required, etc. To be as conservative as possible, this analysis does not include any reduction for costs related to MOESC, bus costs, or remaining office employees. See Table II below for estimated costs of operating with vendor provided transportation.

Results

Based on the results of our calculations, summarized in Table I and Table II below, it is our recommendation that the district should choose the most cost effective option, which is presented in Table II. This option would result in estimated savings to the district of about \$8.1 million over the three years covered by this analysis. The district may have additional savings, which is not presented in the calculation below, by reducing the number of supervisors, leasing or selling the existing bus fleet, or reducing reliance on MOESC to provide transportation for special education students.

Table I - Current Transportation Composition Projection

Current	2017-18	2018-19	2019-20	2020-21	2021-22
Salary and Wage	\$ 2,920,532	\$ 3,059,320	\$ 3,166,396	\$ 3,277,220	\$ 3,391,923
Employee Benefits	1,670,866	1,745,283	1,878,190	1,993,695	2,109,963
Existing Contracts	5,080,278	5,105,804	5,556,524	5,667,733	5,781,835
Existing Contract for Courtesy Busing	1,055,000	650,444	660,851	671,425	682,168
Township Contribution for Courtesy Busing **	(1,055,000)	(1,798,120)	(1,826,890)	(1,856,120)	(1,885,818)
Bus Expense *	306,265	306,265	306,265	306,265	306,265
Supplies, Fuel, Maint	1,005,643	1,189,884	1,208,923	1,228,264	1,247,917
Total Cost	\$ 10,983,584	\$ 10,258,880	\$ 10,950,259	\$ 11,288,482	\$ 11,634,253
 Average Route Cost					
Regular Education		157 routes	\$ 124	\$ 129	\$ 134
Special Education		86 routes	\$ 486	\$ 499	\$ 512
* - Bus expense is recorded as total purchase price of vehicles divided by 15 year useful life.					
** - Costs for courtesy busing includes both existing contracts and salaries and benefits not broken out separately.					

Table II - Outsourced Transportation Projection

	2019-20	2020-21	2021-22
Outside Contracts			
Regular In-District	\$ 2,384,138	\$ 2,422,284	\$ 2,461,041
Special In-District	1,262,520	1,262,520	1,262,520
Special Outside-District	1,622,070	1,622,070	1,622,070
Total Contracts	<u>5,268,728</u>	<u>5,306,874</u>	<u>5,345,631</u>
In-District Remaining			
Salary and Wage	423,938	438,776	454,133
Employee Benefits	135,040	143,939	152,757
Existing Contracts (Summer School)	42,000	42,000	42,000
Existing Contracts (Parental Contracts)	656,000	688,800	723,240
Existing Contracts (Extended School Year)	239,000	239,000	239,000
Existing Contracts (After School)	284,918	289,477	294,109
Existing Contracts (MOESC)	1,881,820	1,911,929	1,942,520
Bus Expense *	306,265	306,265	306,265
Supplies and Other Costs	514,611	522,843	531,209
	<u>4,483,592</u>	<u>4,583,029</u>	<u>4,685,233</u>
Total Contract and In-District Remaining	9,752,320	9,889,903	10,030,864
Township Contribution for Courtesy Busing	<u>(1,301,000)</u>	<u>(1,301,000)</u>	<u>(1,301,000)</u>
Total Cost	<u>\$ 8,451,320</u>	<u>\$ 8,588,903</u>	<u>\$ 8,729,864</u>
Average Route Cost			
Regular Education	157 routes	\$ 127	\$ 129
Special Education	86 routes	\$ 401	\$ 405

* - Bus expense is recorded as total purchase price of vehicles divided by 15 year useful life.