

Lakewood Board of Education

**Calculation of Savings from
Outsourcing Busing Operations**

**FALLON & COMPANY LLP
Hazlet, NJ**

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Honorable President and Members
of the Board of Trustees
Lakewood Board of Education
Lakewood, New Jersey

We have performed the procedures enumerated below, which were agreed to by the Lakewood Board of Education, on identifying the costs and other concerns regarding the proposed outsourcing of the school busing of the Lakewood School District for the 2019-2020 school year. The Lakewood Board of Education's management is responsible for identifying the costs and other concerns regarding the proposed outsourcing of the school busing. The sufficiency of these procedures is solely the responsibility of the Lakewood Board of Education. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

We analyzed the bids received on January 30th 2019 and performed a calculation based on those bids and other information to arrive at the estimated cost of outsourcing all public school busing for the 2019-2020 school year. We calculated the estimated cost of the current busing operations. We relied upon information provided by management and other reports and documents supplied by the district.

As a result of our analysis we found the school district would save approximately \$7,100,000 over the next three years if they completely outsource busing when compared to its current arrangements, which include in-house and subcontractors.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on identifying the costs and other concerns regarding the proposed outsourcing of the school busing. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Lakewood Board of Education and is not intended to be and should not be used by anyone other than those specified parties.

Fallon & Company LLP

FALLON & COMPANY LLP
Hazlet, NJ
February 12, 2019
February 13, 2019 as amended

Understanding the Bids

On January 30, 2019 the Lakewood Township School District accepted Bids from busing contractors for the Public School Routes only. The Bids, if awarded, would effectively eliminate the in-house busing operations of the District for the 2019 - 2020 school year. The Bids solicited were as follows:

- BID # T01 - 1920 1A - Student Transportation Services - 4 Tier Regular Education
- BID # T01 - 1920 1B - Student Transportation Services - 4 Tier Special Education
- BID # T01 - 1920 1C - Student Transportation Services - Schi/Center/Stars Educations Routes
- BID # T01 - 1920 1D - Student Transportation Services - 3 Tier Regular Education
- BID # T01 - 1920 1E - Student Transportation Services - 3 Tier Special Education
- BID # T01 - 1920 1F - Student Transportation Services - 3 Tier Regular Education

The District received bids from five vendors. Not all vendors bid on all bid packages, resulting in twenty total bids received. Not all vendors complied with the bid specifications resulting in disqualification. It is important to note that the above bids were for “bulk bids”, not for individual routes, thus requiring the bidder to bid on every route in order to obtain a total for all routes. Bidders that did not include every route on their submission or changed the terms of the bid were disqualified. Eight of the bids were disqualified leaving twelve qualified bids. The table below details the qualified bids submitted.

Vendor	Qualified Bids					
	1920 1A	1920 1B	1920 1C	1920 1D	1920 1E	1920 1F
Jay's Bus	\$16,585.00	\$8,763.00		\$13,245.21	\$9,510.00	\$10,431.63
R&D					\$8,790.00	
Seaman-Tov	\$15,442.02	\$6,894.00	\$9,195.00	\$17,633.00	\$6,882.00	\$14,174.00

- Jay’s Bus was the lowest bidder on bid packages 1920 1D and 1920 1F.
- Seaman – Tov was the lowest bidder on 1920 1A, 1920 1B, 1920 1C and 1920 1E.

The District bid similar routes for the Regular Education as well as the Special Education to determine if having a four tier system (one bus can complete four runs in the morning and four runs in the afternoon) would be a lower cost than a three tier system. The bids for the three tier system, 1920 1D and 1920 1F were lower than the four tier system bids. This eliminates bids 1920 1A and 1920 1B. Bid 1920 1F is a partial bid for Regular Education Routes and does not include the currently contracted Regular Education Routes as it may be cheaper to renew those routes.

Calculating the Cost

Based on the above bids and other information supplied by the District, the estimated transportation costs for the 2019 – 2020 school year is calculated as follows:

	Per Diem	Days	Cost
Regular Education	\$ 13,245	180	\$ 2,384,138
Special Education	6,882	180	1,238,760
Out of District	9,195	180	1,655,100
Athletics & Field Trips			275,000
Parental Contracts			550,000
Educational Services Commision			1,750,000
Administrative Salaries			250,000
Indirect Costs			150,000
Aid in Lieu			50,000
 Total Cost			 \$ 8,302,998

Indirect costs include health benefits, pension and the employer share of social security.

Based on summary accounting reports by the District, the actual transportation costs for the 2017 – 2018 school year is calculated as follows:

	Cost
Salaries, Wages and OT	\$ 2,920,532
Professional Services	90,530
Repairs ans Maintenance	298,932
Aid in Lieu	46,189
Home/SCH	1,099,401
Athletics and Trips	187,188
Special Education	3,816,410
Supplies	393,068
Miscellaneous	15,796
Interest	68,929
Indirect Costs	1,723,128
Depreciation	262,710
	\$ 10,922,813

Indirect costs include auto insurance, workers’ compensation insurance, health benefits, pension and the employer share of social security.

The staff of the district has indicated that the actual transportation costs for the 2018 – 2019 school year may be less than the prior year costs above. Based on the facts stated in Mr. Habers’ 2018 report it is possible that through route consolidations and reduced overtime costs this may be true, however, we do not expect these cost reductions to outweigh the cost increases for the 2018 -2019 school year.

Results

The above analysis indicates the District will save approximately \$2,620,000 through eliminating in-house busing entirely for 2019 – 2020 school year. Since the bids may be renewed for an additional two years with reasonable increases, the District should experience additional savings of \$2,370,000 and \$2,110,000 in the following two years when compared to their current structure. The three year savings totals \$7,100,000 when compared to the 2017-2018 transportation costs.

Other Considerations

In a purely competitive marketplace subcontracting is cheaper than in-house busing. However, because there are limited number of service providers in the Lakewood area, pure competition does not exist. The decision to eliminate in-house busing may, after the third year of the bus contracts, subject the District to less comparative savings. The Board should always be receptive to partial in-house busing, especially for the regular school routes which seem less competitive than the special education routes. However, it is apparent that by eliminating in-house busing the District will have a very large reduction in costs. Any additional cost of providing in-house busing for an extended period of time, even at a minimal level, will cost the district more than it will benefit over the contracts' three year life and possible two year renewal.

Recommendations

Reject bid 1920 1A

This bid was too high when compared to bid 1920 1D.

Reject bid 1920 1B

This bid was too high when compared to bid 1920 1E

Reject and Rebid 1920 1C

If this was bid on an individual tier basis the district savings should be greater.

Award 1920 1D or 1920 1F based upon staff recommendation.

These are similar bids except 1920 1F does not bid for routes that are already contracted and subject to renewal.

Award or Rebid 1920 1E based upon staff recommendation.

This bid received the most responses.