



WHAT'S BEST FOR BUSES?

By Ray Bendici

Cost and labor key factors when districts consider outsourcing

Xenia Community Schools in Ohio faced a crisis in 2012 that forced administrators to slash \$10 million from its annual budget.

"One of the things we looked at was how we could cut money from the budget and not lose services," says Christy Fielding, assistant superintendent of business operations for the district, which serves 4,500 students—approximately half of whom ride the bus.

Xenia signed a five-year contract with First Student, which provides transportation for 1,300 school districts in 39 states. Bringing in a transportation contractor saved the district \$458,000 in 2014, versus what it spent in 2012.

"Beyond saving money, we were able to get safety upgrades, digital cameras and control-crossing arms on all of the buses," says Fielding. "At the start of the contract, we also got some new buses and GPS. All of those were beyond the cost savings on paper because we would never have been able to afford those things while trying to cut \$10 million."

Although the Xenia district found success in outsourcing, the move is a challenging—and sometimes controversial—issue for many districts.

"Districts think, 'Our prime purpose is to educate kids and transportation is a support service—do I spend my time as an educator or a mover of kids?'" says Mark A. Walsh, president of Transportation Advisory Services, which has consulted with more than 500 school districts in 21 states over the last three decades.

Walsh suggests that contracting transportation is not "a panacea" for every district. "Sometimes I'll tell a district, 'Look, you don't need to outsource, you can accomplish 99 percent of what a contractor might do by yourself, but here's what you need to do. Now, if you can't do that, then outsourcing probably makes sense.'"

Sharing transportation challenges

Cost and labor are most often motivate district leaders to consider outsourcing buses.

Free time: A successful partnership with a transportation contractor, above, can give a district administrator more time to focus on educating.



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Overall, U.S. schools spend an annual average of \$904 per student on transportation, according to the National Center for Education Statistics' 2011-12 survey, the most recent data available.

The recommended replacement age for a bus is between 10 to 12 years, and the average fleet age is nine years, according to a recent national survey of school transportation providers from *School Bus Fleet* magazine. In the Northeast, for example, a single full-sized, 66-passenger bus can cost in excess of \$100,000. A mid-sized vehicle can be \$50,000 to \$60,000.

Bid tips

When preparing a school transportation bid, consider:

- **Management and oversight clauses.** Setting periodic meetings with local managers and asking for monthly reports on specified activities (number of drivers, specialized training, accidents) help monitor the contractor. It's also good to consider protections for a contractor's change of ownership or bankruptcy.

- **Financial penalties.** If the contractor does not live up to negotiated terms—such as for fleet age, camera use, timeliness or staffing issues—the fines should conform with state laws and cost the contractor more than it would if it met the level of expected performance.

- **Pricing to reflect district variables.** For example, request a price per bus per day, based on capacity, broken down into length of the day of use. Or specify the rate for hourly usage in 15-minute increments so a district pays for actual use and the contractor is compensated fairly.

- **Overall flexibility.** Rates for multiple-sized buses, based on usage, should be included, as should rates for add-ons or options such as emergency transportation. A district may want to retain routing responsibilities to eliminate any concerns about a contractor's routing determinations being self-serving.

- **No detail is too small.** For instance, address school delays and closings—such as what time you have to delay or cancel school before you have to pay for buses. Also, figure out how many days school can be cancelled without the contractor charging you. —R.B.

"Financial restrictions may prevent a district from being able to replace vehicles, and outsourcing can get a district out of those costs," says Walsh.

Districts that outsource incur none of the investment costs, such as for vehicles, fuel, maintenance and garages, says Al Tunis, interim superintendent for Kansas City Public Schools, which also contracts with First Student to transport 11,000 students daily.

Labor creates numerous issues for districts, from dealing with personnel issues and unions to negotiating contracts. Many district administrators also struggle to recruit and retain drivers.

"The industry has had trouble acquiring as many drivers as is needed given the low unemployment rates and some of the macroeconomic trends," says Todd Steele, vice president of business and growth for bus provider First Student.

"If an individual district has 50 buses and they lose five drivers, they are in trouble," he adds. "In many cases, they won't find five other people available who are qualified with a commercial driver's license."

A contractor often can bring in drivers from other nearby districts when necessary. A contractor can also buffer a district from other service-related issues.

"Obviously, if they have a problem, it's our problem, too," says Tunis. "You don't get around that. But the liability is a little bit different when you have a contractor in place. We divert a lot of those issues to them. The downside is that we pay for it."

Striking a good deal

District leaders can maintain control over transportation through contract specifications, including detailed requirements for equipment, personnel and service, according to Ronna Weber, executive director of National School Transportation Association, which represents private operators of the school bus industry. Enforcement provisions can include penalties for a contractor that doesn't perform to the terms of the contract.

Weber points out that a dissatisfied district can always change contractors. "This competition aspect encourages high levels of service and efficiency among contractors," she says.

Kansas City Public Schools enjoys flexibility in its First Student contract—a three-year deal with two one-year renewals. "Based on our current contract, it gives us the opportunity to evaluate if this is what we want to do or if we want to try something different," says Tunis.

Outsourcing success can hinge on the quality of a district's RFP. On average, three to four months should be spent developing specifications that properly represent the district's needs. (See sidebar.) The standard bid spec is about 100 pages, Walsh says.

"A poorly written RFP is a problem for both sides," says Steele, adding that a well-crafted proposal can help First Student typically save a district 10 to 30 percent on overall costs.

Districts can outsource partially, such as for special needs transportation. Vehicles designed specifically for handicap access are

3.5 billion

miles are covered by buses each year at a cost of \$2.3 billion

Source: *School Bus Fleet* magazine



26 million

students—more than half the total U.S. student population—ride to and from school each day on an estimated 470,000 school buses

Source: *School Bus Fleet* magazine

often required, and a contractor may already have those in its fleet. And drivers and aides also need unique skills and training that the company can supply.

“Outsourcing can also provide insight into other areas that should be reconsidered or adjusted for maximum efficiency, such as bell schedules, athletic trip coordination, traffic flows, ridership eligibility and after-school program transportation,” says Weber.

Notable concerns

Outsourcing may not be the most cost-effective solution depending on a district’s size and needs. “It’s an extremely emotional, divisive issue,” says Walsh. The school board should consider outsourcing only when support is nearly unanimous, Walsh adds.

The biggest controversy revolves around employment and the fear of losing it. “Drivers mistakenly worry that outsourcing means their jobs are at risk,” says Weber. “In fact, contractors view the district’s drivers as their most valuable asset. Drivers’ experience and goodwill in the community are invaluable to the contractor.”

When a contractor hires a district’s drivers, wages and benefits can change, and sometimes for the worse. But a district can ensure levels are maintained by writing specifications into a contract.

Xenia Public Schools experienced community repercussions when it started the outsourcing process. Some potential employment information provided by outsourcing opponents was a bit misleading, or inaccurate, according to Xenia assistant superintendent Christy Fielding. “When the public started to realize that the drivers got a raise, maintained their retirement system and kept their jobs, backlash started to go away,” she says.

Last year in Oregon, a bus driver who was laid off in 2011 with 37 others when Central Point School District outsourced its transportation won a court appeal against the district.

Although other drivers were re-hired by the contractor, the plaintiff charged that the district violated a 2009 state law prohibiting outsourcing for the sole purpose of saving money. The driver claimed the contractor hired employees at lower wages and with diminished benefits. The case has been sent

back to a lower court to be reconsidered.

“If you have a good contractor, outsourcing transportation is a seamless approach, one where the contractor and school district work very well with one another,” says Kansas City’s interim superintendent Al Tunis. “Students and parents don’t even know if we have a contractor or not.”

Transportation rolled out smoothly last summer in Xenia, after a few years of hiccups, Fielding says. “The first day came around and I was like, ‘Did we just have the

first day? Where are the phone calls?’ ” she says. “ ‘Where are the problems?’ ” DA

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