Cost Benefit Analysis (CBA)

Utah Schools for the Deaf and the Blind

27 January 2014

Pupil Transportation

Background

An analysis of costs associated with Utah Schools for the Deaf and the Blind bringing Pupil Transportation, “in house,” was presented to the Utah State Board of Education. The Superintendent and Finance Director at the time were tasked with reworking the analysis and providing more detail. Additionally, House Bill 2, Section 5, Item 2 (2013) requires USDB to determine whether or not the current method (out sourced) being used is the most cost effective method. The Superintendent and Finance Director at the time left employment shortly after House Bill 2 and State Board of Education requirements were issued. The new Superintendent and Finance Director requested an extension to the requirement for USDB to present their analysis on whether or not the most cost effective method of Pupil Transportation is being used IAW House Bill 2 (2013). The extension was granted. This is the USDB Business Office Cost Benefit Analysis (CBA) IAW House Bill 2 (2013) and the direction of the Utah State Board of Education.

Opportunity Statement and Objective

Opportunity Statement:	Objective:
This CBA provides an opportunity to demonstrate whether or not the current contracted provision of Pupil Transportation is the most cost effective method.	The objective of this CBA is to compare the Pupil Transportation (contracted) or, “Status Quo,” option with “in house” options, The CBA will demonstrate whether the most cost effective method is a continued contracted method or an “in house,” method for meeting the requirements for Pupil Transportation.

CBA Preliminary Information

Scope:

This CBA was prepared by the USDB Business Office. USDB Business Office personnel consulted with the current (contracted) vendor and representatives of State Fleet. The information and calculations provided in this CBA are a result of their input and USDB data (i.e. personnel costs). Review Enclosures 1-6 to USDB CBA.

Assumptions:

- State Fleet concurs with a 7 year life cycle replacement of vehicles
- 3% increase in costs associated with operation in the out years is acceptable by all stakeholders
- USDB has sufficient space to park and secure vehicles
- Current contracted vehicle footprint meets all requirements for transport of our students
- Affordable Health Care act has minimal impact on costs to fund personnel
- If current vendor provided service is renewed it will continue at no more than 2.5-3% above the final year contract price each subsequent year

Constraints and Facts Bearing on the Analysis:

- Current out sourcing (contract) is through July of 2016 (option years) (Constraint)
- Requires significant capital investment (Fact)
- Pupil Transportation employee experience (Constraint)
- No current information on market competition RFI pending (Constraint)
- IDEA requirements (Constraint)
- State Fleet data for costs is relevant and reliable (Fact)
- Mileage amounts are consistent with past analysis (Fact)
- Current contract is a 2.5% increase per year (Fact)
- Busing Services and or similar busing operations are extremely cost prohibitive as a method (Fact)

OPTIONS

- **OPTION 1: (Status Quo)**

Contractor (out sourced) provided Pupil Transportation is the current method. Contracted (out sourced) support for Pupil Transportation began ~26 years ago. The current contract is five years base plus five option years. The current contract expires in summer 2016. The contract is currently in Option Year 3 through June 2014. If this option is selected (sustained) out sourcing procurement processes need to start in early calendar year 15.

- **OPTION 2: (In House-7 year life cycle-Matching Vehicle Footprint)**

First feasible option for in house transportation. Matches current out sourced vehicle footprint to enable USDB to take over transportation operations on a one for one vehicle basis. If this option is selected it will require sufficient resources and time for capital investment (purchase of vehicles) and employee hiring/training.

- **OPTION 3: (In House-7 year life cycle-Selective Vehicle Footprint)**

Second feasible option for in house transportation. By way of comparison to #1 and #2 doe not match current out sourced vehicle footprint. However, this does not necessarily mean that USDB could not assume Pupil Transportation operations in this configuration or a combination . If this option is selected it will require sufficient resources and time for capital investment (purchase of vehicles) and employee hiring/training.

OPTION #1 – "Status Quo"

Contractor Provided Transportation

Costs:	**Benefits** (Advantages):
FY 15: $2, 964,950.96 **FY 16: $3,039,074.73** **FY 17: $3,115,051.60** **FY 18: $3, 192, 927.89** **FY 19: $3,272,751.09** **FY 20: $3,354,569.87** **FY 21: $3,438, 434.12** **Total cost over 7 years: $22,377,760.26**	• Continued operations subject to contract renewal for FY 17 forward • Risk remains with contractor • Experience in Pupil Transportation Operations
Disadvantages: • Long term contract • Potential for limited vendors to provide competition at time of contract renewal • High costs associated with unanticipated additions to routes due to student growth	**2nd and 3rd Order Effects:** • Contractor subject to Affordable Health Care Act costs in the out years • Customer satisfaction • Potential for Life cycle replacement transfer of cost to USDB upon contract renewal

OPTION #2 – "Matching Vehicle Footprint"

In house provided Pupil Transportation-7 year life cycle

Costs:	**Benefits** (Advantages):
FY 15: $7,399,919.50 **FY 16: $2,292,426.05** **FY 17: $2,361,198.83** **FY 18: $2,432,034.80** **FY 19: $2,504,995.84** **FY 20: $2,580,145.72** **FY 21: $2,657,550.09** **Total cost over 7 years: $22,228,270.83**	• USDB controlled operation • State Fleet support and interaction • Flexibility in operational requirements • Potential for meeting recommended and mandated standards for Pupil Transportation
Disadvantages: • Requires significant capital investment—and again in 7 years • Transfers risk from private contractor to the State • Small estimated savings between projected vendor costs (Status Quo) and this option	**2nd and 3rd Order Effects:** • Increased human resource and operational requirements • Affordable Health Care Act impact(s) • Potential adverse impacts to contractor personnel (layoffs) and potential revenue (i.e. taxes) losses from contractor r to the State

Option # 3 – "Selective Vehicle Footprint"

In house provided Pupil Transportation-7 year life cycle

Costs: **FY 15: $4,888,583.92** **FY 16: $2,032,678.63** **FY 17: $2,093,658.99** **FY 18: $2,156,468.76** **FY 19: $2,221,162.82** **FY 20: $2,287,797.71** **FY 21: $2,356,431.64** **Total cost over 7 years: $18,036,782.47**	**Benefits** (Advantages): • USDB controlled operation • Lower capital investment cost • State fleet support and interaction • Strictly from a funding aspect saves an estimated $4,340,977.79 over 7 years
Disadvantages: • Potential risk of unanticipated costs (i.e. configuration of vehicles to meet ADA/Student Transportation Standards) per 2005 case study • Requires capital investment • Transfers risk from contractor to State	**2nd and 3rd Order Effects** • Increased human resource and operational requirements • Affordable Health Care Act impact(s) • Potential adverse impact to contractor personnel (layoffs) and potential revenue losses to the State from the contractor

Conclusion

The current method is the most cost effective method of Pupil Transportation. If USDB were to bring the operation back in house it would match the current vehicle footprint used by the contractor. This is demonstrated in Option #2. The projected costs under both options are very close over the 7 year life cycle period indicating that the current method is cost effective. Granted, this is due to a heavy capital investment cost under Option #2 and the out years are comparatively less under Option #2 by way of comparison to Option #1 but the cumulative 7 year life cycle period costs are similar. The particular transportation platforms (vehicles) and methods currently in use are a result of years of progression by the current contractor and follows analysis of this type completed several years ago. It is the USDB Business Office understanding that the current fleet meets all recommended and mandated safety requirements for transportation of our students where the previously presented and now adjusted Option #3 will not.

A study of USDB Pupil Transportation was conducted in 2005. A request through the Utah Office of Education, Special Education Services was made of Mountain Plains Regional Resource Center (MPRRC) at Utah State University to conduct a study of the USDB system of transportation and work with a small group to develop the deign of the study and provide final recommendations. The overall conclusion was, "this study indicates that the transportation services for students served by USDB are seen as appropriate for the method of service delivery that is in place, but if that model is to continue, several issues with the contractor regarding vehicle compliance and individual parent concerns will need to be resolved."

The, "several issues," were along the lines of vehicle compliance and concerns with adequate accommodations such as but not limited to, booster seats, interior spacing and safety for the child, wheelchair capabilities and mounts. From a safety perspective the study quoted the National Association of State Directors of Pupil Transportation Services. The Directors state that, "it is appropriate to require higher levels of safety in vehicles that transport children to and from school and school related activities. Mini-vans do not often meet the stringent school bus safety standards issued by the federal government and recommended by the National Conference on School Transportation."

Option #3 (adjusted from the original presentation by the former Superintendent and Finance Director) potentially puts the Pupil Transportation fleet configuration back to the 2005 levels with high disposition in the mini van category. This particular method poses increased risk of having to reconfigure the heavy mini-van fleet and not meeting particular federal and or state guidelines for safe and effective transportation of our students . Option #3, as originally presented and now adjusted, also significantly increases risk to the agency and the State. Option #3 significantly increase the State employee base as well. The USDB Business Office does recognize that the current configuration or method still does have min-vans in it but it is our understanding that those mini-vans are effectively equipped and arrayed to safely transport our students.

Recommendations

The USDB Business Office recommends:

1) The current method of Pupil Transportation (out sourced or Status Quo) continue through the end of the current contract cycle (Summer of 2016). Exercise the last two option years as we are guaranteed that the costs will not exceed the contracted 2.5% rate.
2) USDB receive the Request for Information (RFI) in January of 2014 to evaluate the potential for market competition to provide the service at the end of the current contract cycle and view market indicators are on what the service will cost.
3) That an outside organization study the current vendor fleet disposition (footprint) and declare whether or not it meets all recommended and/or mandated safety guidelines to the individual vehicle level. If not, make recommendations on configuration.
4) USDB establish a customer (parent) and educator survey to evaluate the current levels of service to our students. This survey is scheduled for release on 15 January 2014 on the USDB website.
5) USDB request and the Legislature approve additional funding for a dedicated transportation coordinator to assist the Related Services Director.
6) That the Request for Proposal (RFP) process for the new contract effective school year 2016-2017 start early in the 2015 calendar year.
7) That should the new contract bids/proposals resulting from the RFP process in 2015 for FY 17 Pupil Transportation significantly exceed (by more than 2.5% of the Option #2 yearly cost figures over the same period) the Legislature fund USDB to bring the operation in house.

Stakeholder Review of CBA

The purpose of a stakeholder review is to ensure that potentially affected agencies/units have an opportunity to review the CBA and state whether or not they concur or non-concur with the analysis, conclusions, and/or recommendations of the USDB Business Office Comments are required on why the agency non-concurs in a Word document. Comments for concurrence are not mandatory but recommended.

Stakeholder/Agency	Review Date	Concur or Non-Concur
1) USOE Administration		
2) USOE Internal Audit		
3) Attorney General		
4) State Fleet		
5) Risk Management		