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Memo To: Board of Education Members
Dr. Mary Pfeiffer, District Administrator
From: Paul Hauffe, Director of Business Services PEH
Vicky Holt, Asst. District Administrator – Human Resources/Central Services VEH
Date: July 9, 2012
RE: Pupil Transportation Contract

The District's pupil transportation contract with Kobussen Buses Ltd. expired on June 30, 2012. Several unique projects have been initiated in the past few months that might have, could have, or ultimately will have an impact on the District's pupil transportation program going forward. We believe it will be important to provide potential vendors with a clear and precise definition of the actual service they will be providing to the District. Therefore, we have decided to negotiate a contract extension with Kobussen Buses Ltd. in lieu of putting the transportation contract out to bid prior to June 30, 2012.

As mentioned earlier, there are some projects that could impact our pupil transportation program in 2012-13 and beyond including:

- cost-sharing transportation opportunities through CESA 6
- alignment of local school districts' transportation contracts to offer savings opportunities
- uncertainty of our District's elementary restructuring plans
- review of our District's existing pupil transportation policy

The District last received pupil transportation bids from interested vendors for a three year contract ending June 30, 2008. Kobussen Buses Ltd. was the lowest of three bidders. That contract was subsequently extended by an additional four years which ended on June 30, 2012. The average annual increase of that four year extension was 3.59%.

Kobussen Buses management and Paul Hauffe have prepared two alternatives to extend the contract for an additional period of time.

A. Three year contract extension – This proposal would extend the pupil transportation contract with Kobussen Buses Ltd through June 30, 2015 and would only modify the financial terms. The extension would include general rate increases over the next three years as follows: 1.50% in 2012-13, 1.50% in 2013-14, and 1.50% in 2014-15. In addition, the District and Kobussen have modified the existing fuel surcharge/credit provision contained in the contract for the past 12 years. It will create a new baseline fuel

price (\$3.20) from which either party will be compensated as fuel costs fluctuate. Similar to the District's previous agreement with Kobussen, there will be a cap on the annual fuel price adjustment. The fuel clause is reasonable and fair and is in line with many existing or recently negotiated fuel clauses. Upon successful negotiation of this contract extension, the majority of the fuel for 2012-13 will be "locked-in" at a rate slightly above the base rate.

All other terms of the contract as it existed on June 30, 2012 would be retained in this extension.

B. One year contract extension – This proposal would extend the pupil transportation contract with Kobussen Buses Ltd. through June 30, 2013 and would only modify the financial terms. The extension would include an annualized general rate increase of 6.0% for 2012-13. There would be no fuel clause contained in this one year extension.

All other terms of the contract as it existed on June 30, 2012 would be retained in this extension.

Under this alternative, it is the District's intent to prepare a Request for Proposal (RFP) for pupil transportation services that would be distributed to interested vendors in December, 2012. A new, multi-year contract with the winning bidder would be developed and become effective on July 1, 2013.

Common to both of these options is the ability of the District to add or delete buses, as necessary, with no penalty.

Summary

Based on the current number of buses and current fuel prices, I estimate the pupil transportation costs for the two options as follows:

Option A. Three year contract extension

<u>School Year</u>	<u>Base Cost Increase</u>	<u>Fuel Surcharge</u>	<u>Total Increase</u>	<u>Percent Increase</u>
2012-13	\$24,644	\$13,680	\$38,324	2.33%
2013-14	\$25,013	\$13,680	\$38,693	2.30%
2014-15	\$25,388	\$13,680	\$35,648	2.27%

Option B. One year contract extension

<u>School Year</u>	<u>Base Cost Increase</u>	<u>Fuel Surcharge</u>	<u>Total Increase</u>	<u>Percent Increase</u>
2012-13	\$98,574	0	\$98,574	6.00%

Recommendation

We recommend that the Board of Education approve a three-year contract extension with Kobussen Buses, Ltd. through June 30, 2015 in accordance with the terms on the attached sheet. The District will continue to accept some uncertainty as far as total fuel costs are concerned (in years two and three); however this cost sharing arrangement provides opportunities and challenges for both the District and Kobussen Buses Ltd.

We will continue to work with Kobussen, school administrators, staff and parents to provide for the safe and timely transportation of our students to and from school each day.

FUEL CLAUSE

Fuel Escalator: The cost per gallon is defined as the adjusted gross price per gallon of diesel fuel purchased in bulk by Kobussen. The adjusted gross price per gallon is defined as the gross price per gallon of diesel less any reimbursed federal tax.

<u>Cost Per Gallon</u>		<u>Daily Rate Change</u>
2.15 – 2.29	Daily Rate Decrease	7.00
2.30 – 2.45	Daily Rate Decrease	6.00
2.45 – 2.59	Daily Rate Decrease	5.00
2.60 – 2.74	Daily Rate Decrease	4.00
2.75 – 2.89	Daily Rate Decrease	3.00
2.90 – 3.04	Daily Rate Decrease	2.00
3.05 – 3.19	Daily Rate Decrease	1.00
3.20	Base – No Increase or Decrease	.00
3.21 – 3.35	Daily Rate Increase	1.00
3.36 – 3.50	Daily Rate Increase	2.00
3.51 – 3.65	Daily Rate Increase	3.00
3.66 – 3.80	Daily Rate Increase	4.00
3.81 – 3.95	Daily Rate Increase	5.00
3.96 – 4.10	Daily Rate Increase	6.00
4.11 – 4.25	Daily Rate Increase	7.00

Continue on Sequentially With a Maximum Daily Rate Change of \$13.00

The daily rate maximum will be limited to a maximum of \$13.00, in either direction, during the term of this contract.

Kobussen Buses Ltd.
 Transportation Contract Extension Estimated Costs
 Three years ending June 30, 2015

Fiscal Year	Base Year 2011-12	2012-13	2013-14	2014-15
<u>Regular Routes</u>				
13 (72 or less)	395,408	401,339	407,359	413,470
11 (73+)	362,016	367,446	372,958	378,552
	757,424	768,785	780,317	792,022
Early Dismissal				
Calendar				
Other (GT, ESL)	101,512	103,035	104,580	106,149
Special Education (14 daily routes + Addtl)	668,368	678,394	688,569	698,898
Cocurricular	115,604	117,338	119,098	120,885
Totals (excluding fuel surcharge)	1,642,908	1,667,552	1,692,565	1,717,953
		1.50%	1.50%	1.50%

Fuel Surcharge/Credit

Pump Price	Adjustment to Daily Rate/bus				
\$1.25	-\$13.00	-	-88,920	-88,920	-88,920
\$1.40	-\$12.00	-	-82,080	-82,080	-82,080
\$2.00	-\$8.00	-	-54,720	-54,720	-54,720
\$2.60	-\$4.00	-	-27,360	-27,360	-27,360
\$3.20	\$0.00	-	0	0	0
\$3.80	\$4.00	-	27,360	27,360	27,360
\$4.40	\$8.00	-	54,720	54,720	54,720
\$5.00	\$12.00	-	82,080	82,080	82,080
\$5.15	\$13.00	-	88,920	88,920	88,920

Max annual fuel adjustment = \$88,920

Contract reopener if pump price exceeds \$5.15

TRANSPORTATION COSTS*-AREA SCHOOL DISTRICTS

	2007-08	2008-09	2009-10	2010-11		
				Reg Ed Riders	Percent Riding	
Appleton						
Membership	14,534	14,472	14,371	14,418	4,041	28.03%
Total Transportation Cost	3,088,368	3,277,532	3,577,346	3,732,303		
Cost Per Member	212	226	249	259		
Kaukauna						
Membership	4,183	4,184	4,229	4,265	2,381	55.83%
Total Transportation Cost	1,977,411	2,045,569	2,217,328	2,211,506		
Cost Per Member	473	489	524	519		
Kimberly						
Membership	4,079	4,209	4,257	4,351	2,188	50.29%
Total Transportation Cost	1,133,037	1,191,696	1,267,007	1,313,762		
Cost Per Member	278	283	298	302		
Menasha						
Membership	3,660	3,682	3,750	3,702	1,628	43.98%
Total Transportation Cost	1,016,548	1,035,957	1,109,394	1,230,406		
Cost Per Member	278	281	296	332		
Neenah						
Membership	6,439	6,491	6,508	6,477	2,025	31.26%
Total Transportation Cost	1,697,185	1,726,153	1,705,756	1,664,790		
Cost Per Member	264	266	262	257		
Oshkosh						
Membership	10,263	10,213	10,055	9,972	3,706	37.16%
Total Transportation Cost	3,082,468	3,120,851	3,021,852	3,057,692		
Cost Per Member	300	306	301	307		
Fond du Lac						
Membership	7,392	7,243	7,201	7,251	878	12.11%
Total Transportation Cost	1,786,655	1,757,843	1,811,946	1,861,129		
Cost Per Member	242	243	252	257		
Winneconne						
Membership	1,555	1,563	1,515	1,518	1,002	66.01%
Total Transportation Cost	925,358	988,136	1,008,952	1,014,846		
Cost Per Member	595	632	666	669		
Hortonville						
Membership	3,320	3,323	3,443	3,521	2,428	68.96%
Total Transportation Cost	2,227,035	2,136,724	1,851,878	2,212,044		
Cost Per Member	671	643	538	628		

*Transportation costs include all regular, special education, and cocurricular