

# Welcome!



# **Transportation Review & Analysis**

## ***Tipton Community School Corporation***

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Review and Analysis by Dr. Robert W. Schultz



# Overview of School Finance

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Prior to 2019 school corporation budgets were structured into 5 primary funds: General Fund, Capital Projects Fund, Transportation Fund, Bus Replacement Fund, and Debt Service Fund. Each fund had distinct expenditure guidelines and transferring revenue between funds was strictly controlled. (In fact, those funds were often referred to as “silos.”) All expenses related to transportation except the actual purchase of busses – from driver salaries/benefits to fuel and repairs – were controlled in the Transportation Fund. The purchase of busses was controlled in a separate Bus Replacement Fund.

# Overview of School Finance

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The 5 funds were condensed into 3: Education Fund, Operations Fund, and Debt Service Fund. The new Operations Fund combined the former Capital Projects, Transportation, and Bus Replacement Funds – and also absorbed some expenses from the former General Fund. An advantage of the new structure is funds can now be transferred between the Education and Operations Funds by a Board resolution (no more silos). A disadvantage, and even a danger, is the former allocations for transportation and bus replacement in separate funds can easily be lost in the much larger Operations Fund.

# Overview of School Finance

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Important and critical note: The Education and Operations Funds are more closely and integrally linked than ever before. The cash flow and cash balances in those two funds must be considered and scrutinized together to keep a corporation budget in sound financial shape.

It should also be noted Tipton maintains a Rainy Day Fund, which has been created by transferring money into it from other funds. An appropriate Rainy Day Fund is, in this author's opinion, critical as an emergency safeguard for unforeseen budget challenges.



# Overall Financial Analysis

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The Tipton Community School Corporation currently finds itself in a pattern of having annual expenditures that exceed revenue. Fiscal Indicators, updated through the end of 2020, have been released for all Indiana school corporations. A report on those indicators is given annually to every school board in Indiana at the first meeting in January. A key table, again in the opinion of this author, details the end of the year cash balance as a percentage of the year's expenditures. State budgeting officials recommend one month's cash balance – 8.33% -- as a minimum. A 20% cash balance is considered a prudent goal. The following 2 tables detail the end of year cash balances for the Education Fund by itself and the combined Education + Operations + Rainy Day

# Transportation Cost Review

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School corporations may provide transportation services, as detailed in Indiana Code, in 3 primary ways (which can be combined):

- By owning school busses and hiring drivers
- By contracting with independent owner/operators who own their own bus and provide services as detailed in a contract
- By contracting with a company that owns and operates multiple busses for the school corporation (known as fleet services)

# Contracted Route History and Cost

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School Year	# of Contracted Routes	Minimum Daily	Maximum Daily	Annual Cost	Change in Annual Cost
<b>97 98</b>	17	98.04	150.00	422,415.00	
<b>98 99</b>	17	98.04	150.00	422,415.00	<b>0.00</b>
<b>99 00</b>	17	102.67	156.09	441,598.50	<b>19,183.50</b>
<b>00 01</b>	17	102.67	159.87	441,598.50	<b>0.00</b>
<b>01 02</b>	17	130.00	154.50	447,012.30	<b>5,413.80</b>
<b>02 03</b>	17	130.00	160.14	457,472.40	<b>10,460.10</b>
<b>03 04</b>	17	135.00	164.62	470,612.10	<b>13,139.70</b>



# Contracted Route History and Cost

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School Year	# of Contracted Routes	Minimum Daily	Maximum Daily	Annual Cost	Change in Annual Cost
04 05	17	135.00	169.33	479,868.90	9,256.80
05 06	14	130.00	152.75	360,261.30	(119,607.60)
06 07	14	130.00	153.75	363,183.45	2,922.15
07 08	14	135.00	158.76	373,826.25	10,642.80
08 09	14	135.00	159.69	377,025.60	3,199.35
09 10	13	130.00	163.99	348,828.90	(28,196.70)
10 11	13	130.00	165.59	348,778.50	(50.40)

# Contracted Route History and Cost

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School Year	# of Contracted Routes	Minimum Daily	Maximum Daily	Annual Cost	Change in Annual Cost
11 12	13	130.00	165.59	354,805.50	6,027.00
12 13	12	135.00	165.59	334,450.20	(20,355.30)
13 14	11	167.75	245.00	402,729.60	68,279.40
14 15	11	167.75	245.00	406,343.70	3,614.10
15 16	11	167.75	245.00	407,811.60	1,467.90
16 17	11	167.75	245.00	409,132.50	1,320.90
17 18	10	196.00	247.00	413,307.30	4,174.80

# Contracted Route History and Cost

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School Year	# of Contracted Routes	Minimum Daily	Maximum Daily	Annual Cost	Change in Annual Cost
18 19	10	196.00	247.00	413,250.60	(56.70)
19 20	9	207.80	268.00	390,000.66	(23,249.94)
20 21	9	207.80	268.00	394,704.70	0.00
New Bid Year					
Reduced Number of Routes					

# Cost of Corporation Owned Routes

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Annual Cost Calculation for Corporation Owned Bus	
Bus Ownership Cost per Year <sup>1</sup>	6,927
Fuel Cost per Year <sup>2</sup>	2,329
Diesel Exhaust Fluid Cost per Year <sup>3</sup>	49
Oil Change Cost per Year <sup>4</sup>	483
Tire Replacement Cost per Year <sup>5</sup>	173
Insurance on Bus Cost per Year	1,071
Misc. Maintenance Budget (per bus)	2,000
<b>Total Cost of Bus Ownership Per Year</b>	<b>13,032</b>
<b>Average Salary of 3 Highest Paid Corporation Drivers (non Spec. Ed)</b>	<b>19,741</b>
<b>TOTAL COST OF CORP-OWNED BUS + DRIVER PER YEAR</b>	<b>32,773</b>

# Calculation Guideline

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- 78 passenger bus @ \$103,912 / useful life of 15 years
- 46 miles per day (rural route) @ 8.0 miles per gallon @ \$2.25 per gallon X 180 days per year
- \$1.69 per gallon for every 36 gallons of fuel (28.8 gallons per year based on 8,280 miles driven)
- \$350 per oil change every 6,000 miles (1.4 changes per year based on 8,280 miles driven)
- \$260 per tire X 6 tires – once every 9 years



# ***Cost of Contracted Route Compared to Corporation-Owned Route***

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**\$43,856**

Annual average cost of contracted route ( $\$394,705 / 9$ )

**\$32,773**

Calculated annual cost of a corporation-owned bus + a corporation-hired driver

**\$11,083**

**Annual savings of corporation-owned route over contracted route**



# Possible Scenarios to Reduce Expenditures

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Table 7

Scenario 1: Convert 7 contract routes and eliminate 2 routes

\$ 77,578	Savings from converting 7 routes (\$11,083 per route)
87,712	Savings from eliminating 2 contracted routes (\$43,856 per route)
<b>\$ 165,291</b>	<b>Potential Annual Savings</b>

Table 8

Scenario 2: Convert 6 contract routes and eliminate 3 routes

\$ 66,496	Savings from converting 6 routes (\$11,083 per route)
131,568	Savings from eliminating 3 contracted routes (\$43,856 per route)
<b>\$ 198,064</b>	<b>Potential Annual Savings</b>

# Possible Scenarios to Reduce Expenditures

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Table 9

<u>Scenario 3: Convert 5 contract routes and eliminate 4 routes</u>	
\$ 55,413	Savings from converting 5 routes (\$11,083 per route)
175,424	Savings from eliminating 4 contracted routes (\$43,856 per route)
<b>\$ 230,838</b>	<b>Potential Annual Savings</b>

# Conclusions

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1. It is essential for TCSC to reduce expenditures. Because the Education Fund and the Operations Fund are integrally intertwined, as explained in section I, a reduction in expenditures in either fund has a positive impact on the overall financial health of the school corporation. This study details ways to reduce expenditures in transportation, but that is only a small piece of the overall corporation budget. Reductions in other areas must also be included in long range financial planning.
2. Costs of everything increase, and escalating costs must be included in a comprehensive budget plan.

# Conclusions

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3. The Rainy Day Fund must be utilized with extreme caution in cases of unforeseen expenses, unforeseen reductions in revenue, and other emergency type situations.



# What is the ideal size (capacity) for a bus? In short, there is no perfect number.

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- Listed capacity of busses is determined by multiplying the number of seats on a bus by 3, assuming 3 students can sit in a seat. For example, a 66 passenger bus has 22 seats. Because of varying student physical size and increased social distancing concerns, it is highly doubtful a 66 passenger bus can hold 66 students. A more realistic capacity number is to multiply the number of seats by 2, making a “66 passenger” bus have a **practical capacity of 44** (22 seats X 2 students per seat).
- Larger busses (78 or 84 passenger) provide more flexibility in transporting students both to school and to extracurricular events. This study used a 78 passenger bus, which matches the last bus purchased by TCSC, for calculations. A 78 passenger bus has 26 seats, equating to a **realistic capacity of 52 students** (2 per seat).

# If routes are eliminated, how long will students have to ride a bus to get to school?

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- Most school corporations use a 1 hour maximum ride time (each direction). A maximum of 45 minutes is preferable to allow for weather and other delays. In restructuring routes ride time must be carefully considered and balanced with ridership numbers.
- Currently, routes in the city of Tipton are significantly shorter and consume less time than routes into the rural areas of the district. Restructuring of routes could combine city pickups with rural pickups to balance route distance, ride time, and ridership numbers.

# Corporation Pay Comparison:

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Lewis Cass	\$106	3.5 hours
Madison Grant	\$95	2 hours
Carmel	\$123	4 hours
Hamilton Heights	\$120	4 hours

# Cost Cutting Actions Over the Last 18 Months

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- Reduction of Director of Operations position
- Reduction of Lead Bus Driver Position
- Extend transportation responsibilities to Director of Student Services
- ½ Time Transportation Secretary
- Fall of 2021-Eliminate one corporation route
- Combined Cost Savings \$192,000

# Our Plan:

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- The establishment of a new pay scale for corporation drivers that includes a 3 hour work day.
- Allowing contracted drivers to become corporation drivers with placement on the appropriate pay level for their years of experience.
- Continuation of current language for corporation drivers found the Transportation Handbook.