

STUDENT TRANSPORTATION MODEL FOR NON-PROFIT CHARTER SCHOOL SYSTEM



IN A NUTSHELL

Basic client question:

Should we operate student transportation in-house rather than outsource in order to improve service reliability, lower costs, and positively impact academic outcomes?

IMPACT recommendation:

The client should purchase and manage a fleet of 32 buses for student transportation to/from school in order to save costs, reduce tardiness and thereby improve academic outcomes. Financing the purchase of the buses, hiring drivers, and contracting for maintenance, ensures that the in-house option is lower cost than outsourcing options.



EXECUTIVE SUMMARY FOR PROSPECTIVE CLIENTS

The Atlanta affiliate of a nationally-recognized leader in college preparatory charter schools, the client operates 11 K-12 schools around the metro Atlanta area, providing student transportation to/from school daily. Frustrated by the increasing unreliability and chronic lateness of the busing company, the client hired IMPACT students to evaluate the feasibility of and costs associated with in-house busing. After conducting detailed financial and other due diligence analysis, the IMPACT student team concluded that in-house busing operations would enable the client to improve reliability, academic outcomes and lower costs. The attractiveness of the in-house option hinged in part on the client's ability to directly incentivize drivers for good performance and to bring them into the fold of their culture of excellence. The team found that by financing the purchase of the buses and contracting out for service and maintenance, the client would actually reduce the annual cost of busing services.



BACKGROUND

The Atlanta affiliate of a nationally-recognized leader in college preparatory charter schools, the client operates 11 K-12 schools around the metro Atlanta area. Given the geographic distribution of its students, the client assumes responsibility for student transportation to and from school, which they have always outsourced to local companies. Recently, the reliability and timeliness of their transportation company fell dramatically, to the point that the academic experience and performance of all students, whether on time or late, was negatively affected. Parent frustration grew in proportion, and the schools were fielding complaints on a regular basis.

The client knew they had to fix the problem. They understood that the top busing companies in the area were all experiencing similar problems given the labor shortage, so simply switching bus companies did not seem like a viable option. When they began entertaining the idea of bringing transportation services in-house, they hired the IMPACT student team to conduct proper due diligence on the proposition. Specifically, they asked the team to develop a detailed financial model that captured all associated costs so they could compare it to the cost of their current contract. They also wanted to better understand the feasibility of the in-house option, in terms of what it would take to buy and maintain buses; hire, train and retain drivers; and manage logistics on a daily basis.





RESEARCH & ANALYSIS

The team started by confirming the assertion that chronic lateness negatively impacts the overall academic experience for everyone and the academic performance of many. They found that missing an average of 27 minutes of instruction a day rises to the level of chronic absenteeism, which is a well-established contributor to lower academic performance.

They then considered the full spectrum of busing options, including contracting, ridesharing, and four different combinations of leasing/buying/maintaining buses and contracting/hiring staff. They rated each option in terms of client control over outcomes, reliability of service, annual cost, and scalability. They determined that the best option – with the highest level of control and reliability and lowest annual cost - was to buy buses and manage the staff directly. They evaluated different types of vehicles and recommended conventional school buses. They also evaluated various financing options and recommended a 7 year term, which had the lowest NPV.

The team recommended that the client hire 34 staff members to manage and operate the busing routes. They advised the client to pay at the top of the market, with a competitive bonus plan and opportunities for additional work, in order to ensure reliability and low turnover. They further recommended that 6 of the 34 employees be state-certified bus driver trainers.

The team estimated that building a terminal for bus maintenance and repair would be expensive, requiring a \$1.1M upfront capital investment and \$75,000 in annual operating costs. They recommended relying on the bumper to bumper warranty and including regular maintenance in the bus purchase agreement.

The team calculated that pursuing the recommended option would allow the client to save \$4.5M over 10 years compared to outsourcing, with dramatically improved reliability, academic experience, and parent satisfaction.



SUMMARY RECOMMENDATIONS

The team recommended that the client finance the purchase of 32 buses and hire 34 employees to manage and operate busing services for their students in-house.

