

MSBO Annual Conference

**Grand Rapids, MI
April 24-26, 2007**

180 - Transportation Pre-Conference Session

**Continuing the Privatization Conversation
2:45pm – 4:00pm**

Presented by: Student *Transit*

STUDENT **TRANSIT**

A S o d r e l T r a n s p o r t a t i o n C o m p a n y

Session 180

**Transportation
Pre-Conference
Presentation**

April 24, 2007



A P r i v a t i z a t i o n A l t e r n a t i v e

Arlene Dalida, Director, Michigan Operations

James Regan, Director, Corporate Development

Today's Purpose:

Introduction of an innovative approach for *generating school district value creation and cost reduction* through transportation asset management

Today's Process:

1) Review the Core Questions:

Who is behind this effort?

What are the program requirements and the underlying need?

What's the idea?

Source of the idea?

How does it work? What do we get out of it?

How much control do we have over what happens?

Risks and benefits ?

How to get started?

2) Review Actual Case Study Data

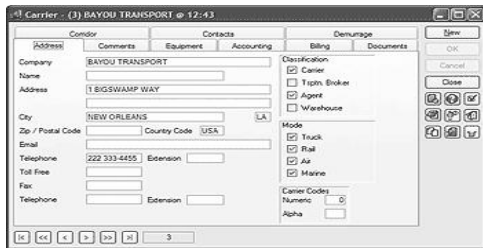
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A Sodrel Transportation Company

The Company

The Sodrel Group 4th Generation Family Business

Sodrel Logistics



STUDENTTRANSIT A Sodrel Transportation Company

Transportation Strategies



Sodrel Truck Lines



Free Enterprise System



Star of America



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The Company

Government



Educational



BELLARMINE UNIVERSITY

Commercial



MARQUISJET



ANN TAYLOR



FedEx





Remove an operations headache



Significant savings w/guarantees



A check from new sources of revenue



A double digit % return on the transport budget



Control over the process and stability



Minimize job loss

State	State Avg. Operating Expenditures Allocated to Instruction (%)	Total Number of Districts*	Percentage of Districts Spending Less than 65% on Instruction
Illinois	59.8	880	76%
Indiana	61.2	292	93%
Kentucky	61.0	174	91%
Michigan	57.0	553	n/a
Ohio	57.4	608	95%

Source: S&P School Matters, “65 Percent Solution”

STUDENT *TRANSIT* started with a clean sheet of paper and designed an innovative Transportation Asset Management Program to meet the unique needs of school districts.

There are 4 key elements:

1. Facilitation of *collaborative transportation agreements* designed by participating school districts to optimize transportation asset performance
2. Use of existing transportation assets to generate *new streams of revenue*
3. Use cost savings and new revenue to *fund instructional services*
4. **STUDENT *TRANSIT*** operates as “social corporation” and charges a flat management fee to *optimize contribution to school districts*

Indiana Legislative action **HB 1006** which addressed the 65% Goal.

Key provisions are:

- (1) To maximize the allocation and use of taxpayer provided resources by school districts and schools for student instruction and learning.
- (2) To confirm the ... use of a variety of methods to reduce the costs of acquisition of products and services.
- (3) To recognize school districts that achieve effective allocation of resources to student instruction and learning.

With Student*Transit*, Transportation Assets/Services can include:

- Student Transport To & From School, Sport Teams, Field Trips & Events
- Special Need Student Transport
- Pedestrian Student Support Services (crossing guards)
- Student Safety, Technology & Security and Communication Services (routing, schedules, alert systems, GPS tracking..)
- Transportation Facility Management
- Fleet Purchasing, Quality, Safety & Operational Mgt.
- Tier 2 Vendor Management
- District, School, Student and Parent Relationship Mgt.
- Administrative and Support Functions (Finance, HR, IT....)

School Districts Design Their Own Program

identifying the balance between desired level of control vs. attainable value

The ISDs and School Districts jointly design the desired configuration of transportation program and ongoing management processes by:

- completing a matrix of all student transportation activities
- deciding who will perform that activity
- determining the value impact of desired configurations
- revising the configuration until a satisfactory balance between control and value can be achieved

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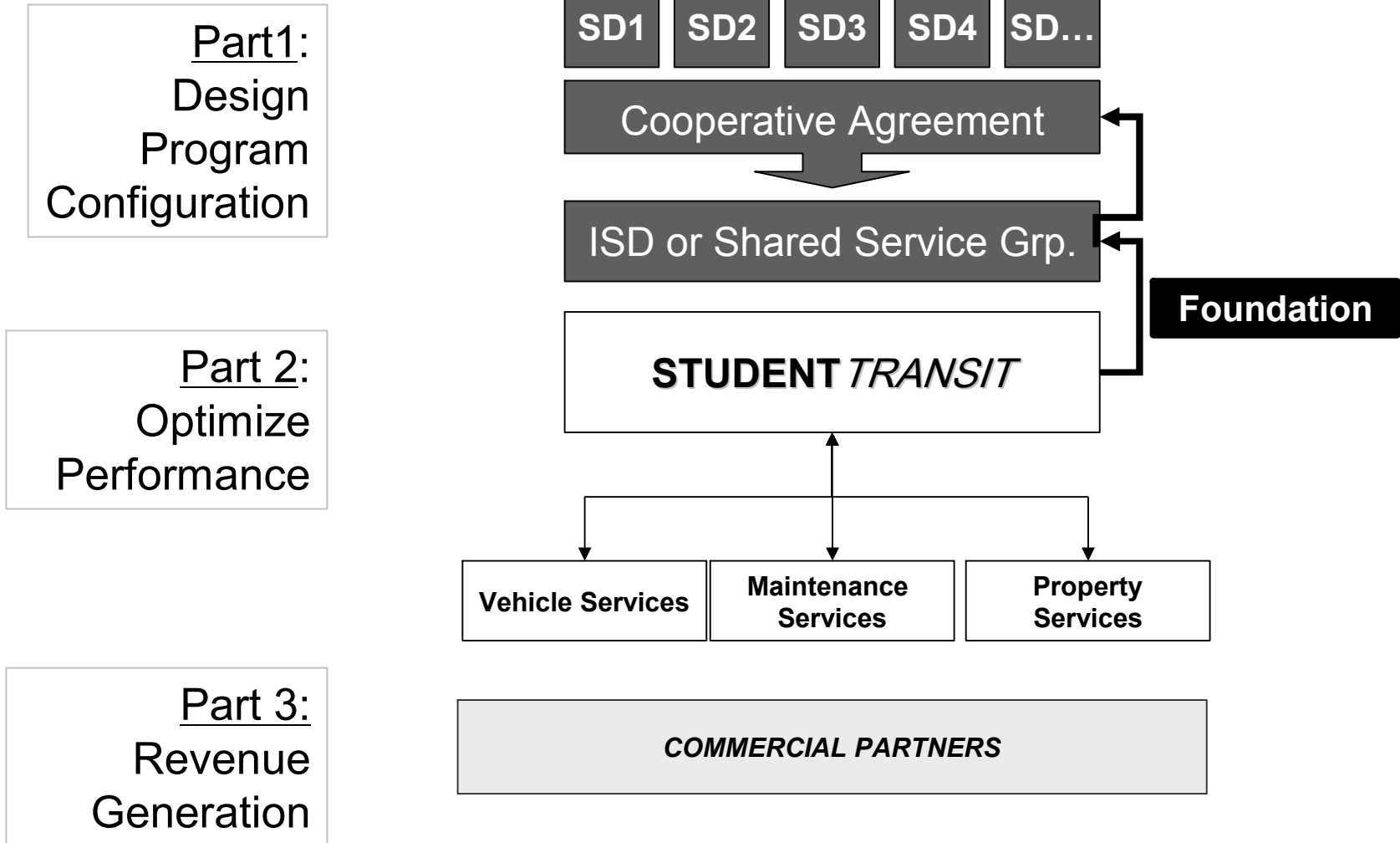
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		School	District	STRANS
Operations	Strategy and Business Planning			
	Vehicle Procurement and Strategic Sourcing			
	Admin: Human Resources, Finance ...			
	Fleet and Facility Management			
	Student Safety and Communication			
	Performance, Audits and Reporting			
	Scheduling			
	Routing			
	Fleet Utilization			
	Fleet Inspections and Maintenance			
	Driver Training and Certification			
	Managed Network Services			
	Managed Security Services			
	Vehicle Healthcheck			
	Vehicle Location and Route Performance			
	Student Ridership			
Capacity Planning & Performance Mgt.				
R&D and Benchmarking				
Services	School District Service Portfolio			
	Sport Teams, Field Trips & Events			
	Student Service Portfolio			
	Public Service, Personalization, Student Mgt.			
	Parent Service Portfolio			
	Performance, Safety & Communication			
	Support Service Portfolio			
	Police, Criminal Justice, Security Interface			

How it Works

The school districts collaboratively determine where the control and management of each student mobility/safety activity will lie.

Once a configuration is agreed, the cost implications are determined.

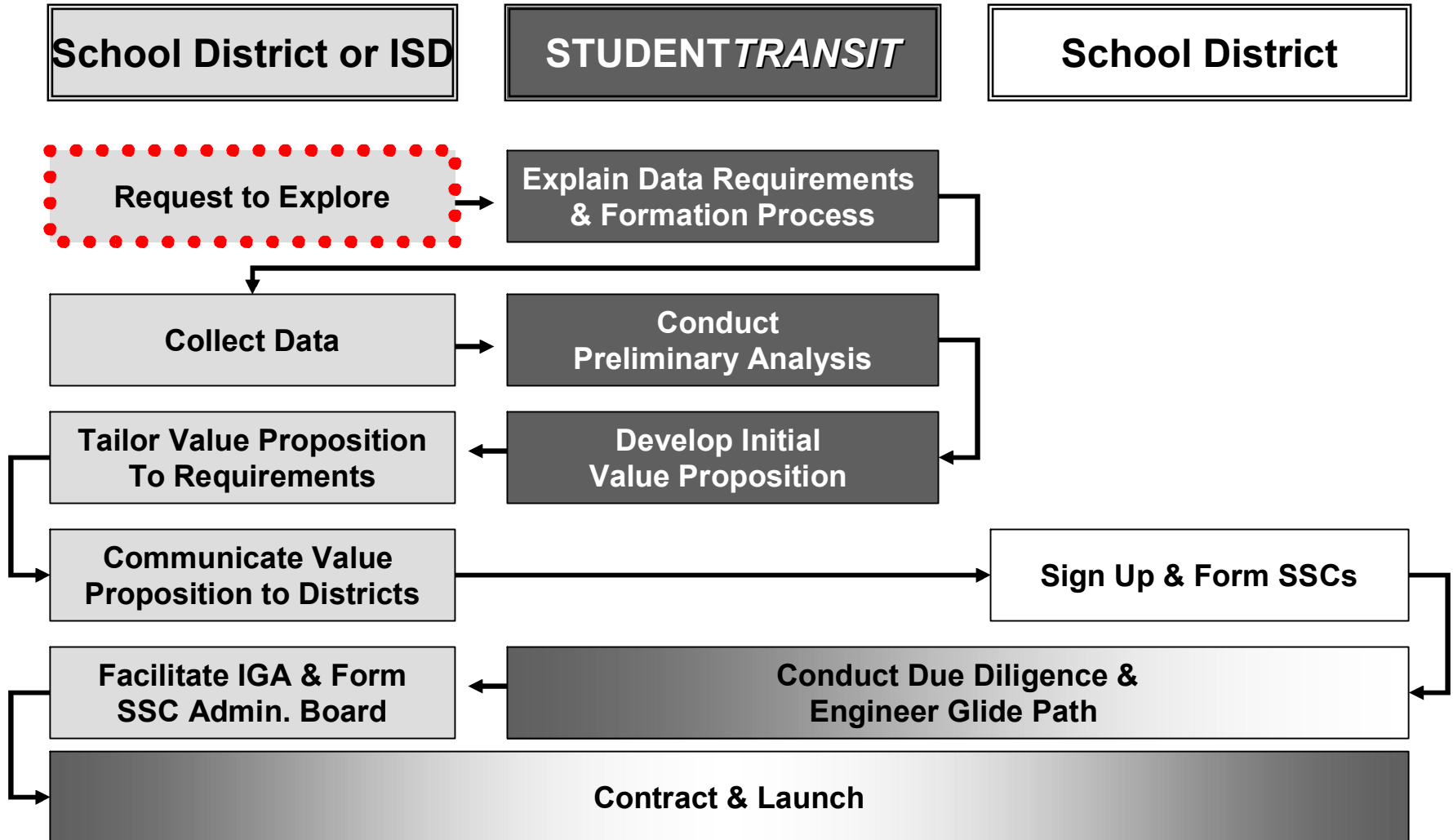


Risks

- Balancing School District Control in Exchange for Value Creation and Savings
- Introducing Significant Change to Business Operations
- Managing Economic Impact to the Community
- Legislative constraints
- Ensuring Accountability and Performance of Private Companies

Benefits

- Increases Funds for Student Instruction
- Leverages Assets to Generate Integrated Value vs. Limited Cost Reductions
- Increases Job Opportunities for Existing Workers
- Contributes to Local Economy with Potential New Jobs
- High Degree of Local Control via Membership on the SSC Admin. Board
- High Levels of Flexibility and Agility



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The Case Study

Indiana School
Corporation

Status: Underway



Applied Asset Management Program

This Indiana School Corporation has 6,000 students

\$2 million transportation budget – fleet of 60 vehicles – 1 facility

Decision was made to divest transportation services

Traditional approaches (i.e. privatization) deemed insufficient by Board

Chose the Asset Management Approach with Student *Transit*:

- School Corporation Leases Out Equipment
- School Corporation Leases Out Facilities
- Transfer Staff (with some exceptions) – no staff replaced
- Transfer Procurement Role – Some stipulations to buy local
- Migrate IT and Systems
- Implementation for Next School Year

Outcome of the Joint Financial Analysis:

Efficiency Results:

- Staged Glide Path to 20%+ efficiency improvements
- Path to reduced capital spending (\$600k savings) identified

New Revenue Identified:

- \$330k new revenue from leveraging maintenance ops.,
with a net 30% to the schools
- \$285k new revenue from leveraging the fleet
with a net 30% to the school
- 3 year capacity utilization plan for maximum benefit agreed

Outcome of the Joint Operational Analysis:

Fleet Analysis

- Fuel management programs (reduction of fuel cost by 40%+)
- Change vehicle insurance basis, utilize national purchasing program (30% savings)
- Long term plan to commonize fleet (5% bus purchase savings)

Maintenance Analysis

- Move from fixed cost basis to pro-rated cost per hour (20% savings)
- Inspection readiness moved from summer activity to “all vehicle always ready” program
- Maintenance schedule changes and “Working Team Model” (5% savings)
- National fleet procurement program (5-7% savings on parts and tires)

SUMMARY RESULTS

STUDENT**TRANSIT** can operate and manage transportation services with no increase in funding

STUDENT**TRANSIT** can guarantee a significant operational cost savings, estimated at 10% (\$200k)

STUDENT**TRANSIT** can generate additional savings with local support and collaboration

STUDENT**TRANSIT** can install a community outreach program to generate new revenue by leveraging assets, potentially = 10% of the budget (\$200k)

The School Corporation:

- Maintains control over the assets and increases stability
- Anticipates NO initial job losses
- Obtains a 20% return on their transportation budget