



## KENAI PENINSULA BOROUGH SCHOOL DISTRICT

### Assistant Superintendent

Dave Jones

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### MEMORANDUM

TO: Board of Education

FROM: Dave Jones, Assistant Superintendent 

THROUGH: Steve Atwater, Superintendent 

SUBJECT: FY12 Transportation Contract Extension Approval

The District had a contract to provide student transportation services with First Student that ran from July 1, 2006, through June 30, 2011. We issued a Request For Proposals for another five year contract with a due date of March 1, 2011. We received only one proposal and that proposal was from First Student.

Although we anticipated increases, the proposal included cost increases beyond our expectations and substantially beyond the revenue amount provided by the State. The major proposed cost increase was related to fuel, and there were substantial increases related to new bus fleet purchases and driver wage increases.

On the revenue side, we found that the language authorizing a yearly inflation related increase had a sunset clause that ended with the expiration of the State's three year funding plan in FY11. This means we will receive the same amount of \$675 per student in FY12 that we received in FY11.

When we added up the projected revenue and the projected expenditures, we were faced with a deficit of over \$800,000 for each of the five years in the proposal. This was not a financially acceptable solution for the District and we entered into discussions with First Student to determine what could be done as an alternative.

We were able to come to an agreement to extend the current contract with First Student for one year, with several exceptions/adjustments. The District will continue to pay for fuel, but First Student is going to purchase a fuel tracking dispenser system that will address District concerns. The daily route rates that were set in 2006 will be increased by 9.4%. First Student will be allowed to use the existing bus fleet as long as each bus passes State Inspection. We have agreed to a notification and cure period prior to assessing any liquidated damage penalties, and we have added stronger employee removal language to the contract.

The projected costs for the agreement come to \$6,217,256. Revenue is projected at \$5,492,563 which leaves a deficit of approximately \$724,793, which will be addressed through a transfer to the Transportation Fund of \$750,000.

In the coming year we will be assessing ways that we can reduce transportation costs across the District and we will re-issue a Request For Proposals next spring with those reductions in place. We are also hoping that we will have multiple bidders that will create a more competitive environment.

District Administration recommends entering into a one year contract extension with First Student for the provision of Transportation Services for the 2011-2012 school year.