

MERCER COUNTY SCHOOL DISTRICT NO. 404
BOARD OF EDUCATION
FINAL/LAST OFFER AS OF
May 21, 2013

GENERAL BACKGROUND INFORMATION

The Mercer County School District No. 404 ("School District") serves approximately 1,300 students from pre-kindergarten through the twelfth grade. Presently, Johannes Bus Service, Inc., a third party contractor, provides transportation services to approximately half of the School District's students while the other half are transported by the School District's transportation employees. Despite an increase in property tax and sales tax revenue, the School District is anticipating a revenue shortfall of approximately \$700,000 for the 2013-2014 school year. This shortfall is due, in part, to an end of the consolidation incentive payments and a potential loss of State revenue through General State Aid and Transportation Reimbursement.

BRIEF HISTORY OF NEGOTIATIONS

During the term of the current collective bargaining agreement between the School District and the Mercer County Transportation Education Association ("MCTEA"), which is in effect from July 1, 2011, through June 30, 2013, the School District timely provided a Notice of Intent to Subcontract to the MCTEA on September 12, 2012, and invited the MCTEA to bargain over the decision and impact of subcontracting. The School District and the MCTEA formed a core negotiating team, which met a total of seven times from January, 2013 through April, 2013. The parties held their first and only mediation session on May 14, 2013. At the conclusion of the mediation session, the federal mediator informed the parties that she did not believe any further progress was possible given the parties current mindset regarding subcontracting.

SUMMARY OF SCHOOL DISTRICT PROPOSALS, RATIONALE, COSTS

During negotiations, the MCTEA issued a single proposal which was to rollover the current contract for one year with all terms and conditions remaining the same except that wages would be "frozen" at their current rates for one year. Throughout negotiations, the MCTEA demanded a response "on the contract."

The School District informed the MCTEA that its counteroffer was the terms of the subcontracting bid itself because there was no wage proposal that the School District could tender that it would find tenable. The School District again offered to bargain over the decision and impact of the decision to subcontract. The MCTEA initially refused but then engaged in a discussion of the topic. Ultimately, the MCTEA refused to engage in decisional or impact bargaining and demanded a proposal "on the contract."

The School District's last and final offer is as follows:

1. On the decision to subcontract, the School District proposed the terms of the subcontractor's bid. As a result, the School District will recommend to the Board of Education that it accept the Johannes bid. Johannes's bid proposes to perform the transportation services currently performed by the bargaining unit for a period of three years and over the three year period the District will achieve a cost savings of approximately \$200,000. Further, Johannes agreed to purchase the District's current fleet of 10 buses which will provide the District with an additional \$300,000 to \$500,000.

2. On the impact of subcontracting, the School District proposed the following:
 - A \$1,000 severance payment to each transportation employee;
 - Positive letters of recommendation for each bargaining unit member;
 - To inform each bargaining unit member of available vacant positions with Johannes and the School District for which they are legally qualified to hold for up to one year to determine if the bargaining unit member is interested in applying for the position.

Rationale for the School District's Proposal

In light of the \$700,000 revenue shortfall anticipated for the 2013-2014 school year, given the MCTEA's inability to provide transportation services at or near the cost of the Johannes bid, the School District believes that outsourcing its transportation services will be the most effective way to reduce the School District's overall operating expenditures without directly impacting the educational program offered to its students. Further, the proposal will serve to unify the transportation services under a single entity, which in turn will lessen the administrative time and expense associated with such dual transportation system. If the School District does not subcontract, then it will implement its plan to reduce staff and educational programs to lower its operational expenditures. The planned educational program reductions would reduce the School District's operating budget for the 2013-2014 school year by \$650,000.

The School District's Proposal Cost Summary

For the 2014-2015, 2015-2016 and 2016-2017 school years, the District estimates that it will expend a total of \$2,215,308 (extra trips included) to use its own employees to provide transportation services to approximately one-half of its students (11 routes). The bid from Johannes Bus Service, Inc., which is the private company that currently provides transportation services to approximately one half of the School District's students, will provide the same transportation services (11 routes) for three years for a total cost of \$2,018,787. This is a total of \$196,522 less than what the School District would pay to its transportation drivers assuming that all costs associated with the School District's transportation services increased by 2.3%, which is conservative.

In addition to the above cost savings, Johannes has expressed interest in purchasing the School District's fleet of buses, which will result in \$300,000 to \$500,000 of additional revenue.