

Indiana University

Campus Bus Service

FY 2011 Budget Narrative

Campus Bus Service Budget Background:

IU Campus Bus Service (Campus Bus) provides public transit for the IU Bloomington campus. Public transit is an effective and efficient means of moving large numbers of students to and from and around campus for classes and other academic and non-academic pursuits. It is not practical for 40,000+ IU students to drive to and around campus during most of the day. Ridership has grown substantially since prepaid fares were extended to all Campus Bus Service routes during FY 2006. Table I shows the growth in passengers carried from FY 2005 through FY 2009. There was a slight decrease in ridership during FY 2009 because of a 19% cut in service. The service cuts were required to balance the budget to the rapidly escalating price of diesel fuel that occurred over the summer of 2008.

Beginning in FY 2007 and continuing into FY 2010 Campus Bus went through a major internal reorganization that has resulted in substantial cost savings.

1. Eliminated 8 appointed positions: a maintenance manager, one clerical staff, four dispatchers, one vehicle service attendant, and one mechanic.
2. Expanded jobs for IU students to become part-time bus operators through an extensive recruitment campaigns and a thorough training program:
 - FY 2006: 1 student employed as a part-time bus operator.
 - FY 2010: 42 students employed as part-time bus operators.
 - Students have allowed us to make sure that all service is now covered when appointed bus operators are absent. We have also been able to dramatically cut the amount of overtime that is incurred. In the past years Campus Bus often had times when buses did not operator, because no substitute bus drivers were available to fill in for absences.
 - We have also been able to eliminate using PERF hourly and appointed bus operators as “report” drivers. Report drivers are substitute bus drivers who are paid to cover for unscheduled absences.
 - Training IU students to become part-time bus operators has allowed some of our appointed bus operators to obtain work hours during class breaks and over the summer when the need for regular bus service is greatly reduced. These appointed bus operators would have been on short-layoff, if they weren't training IU students to become part-time student hourly bus operators.

Operating Budget Challenges:

Although the budget situation is not as grim as last year, Campus Bus is still faced with a number of challenges:

1. We have been informed to budget for a 2% increase in wages and salaries.
2. Fringe benefit construction has increased 15.5% mostly for medical insurance for our 29 appointed positions.
3. Casualty insurance has been reduced to \$94,280 for FY 2011.
4. The Bloomington Transit contract will increase by 2.8%.
5. The buses will be yet another year older which may require major replacement parts, such as rebuilt engines, transmissions, and air conditioning compressors.
6. We need to have some operating balance available to us, so that we don't have to borrow money at the end of the fiscal year to meet payroll and pay our bills, as has occurred in prior fiscal years.

Capital Budgeting Challenge:

Campus Bus needs to begin setting aside funds to pay the 20% local share for the replacement of the 18 1999 buses that are approaching their federally mandated minimum 12 year life cycle. A standard diesel powered bus currently costs approximately \$350,000 each. A more energy efficient and environmentally friendly hybrid-electric powered bus costs approximately \$550,000. Federal Transit Administration capital grants will pay for 80% of the cost of a bus, but 20% is required as local share. Based on the cost difference between a standard diesel bus and an electric hybrid bus, the total cost of replacing the 18 1999 buses could range from \$6,300,000 to \$9,900,000. The local share requirement would range from \$1,260,000 to \$1,980,000. As a result the proposed FY 2011 operating budget funds the annual \$361,444 in depreciation expenses for the bus fleet.

As of April 1, 2010 the replacement of the 18 1999 buses has not been put on Indiana University's federal requests list. As there will no earmark request for FY 2011 to the Indiana Congressional delegation to fund the replacement of the buses that will be eligible for replacement in 2011. If our request makes the FY 2012 federal request list the earliest any of the buses could be replaced is 2014 based on a minimum 18 month delivery schedule.

IU Student Transportation Board Budget Guidance:

To address the challenges outlined above, the IU Student Transportation Board at its February 15, 2010 regular meeting considered the following budget principles for Campus Bus Service:

1. Every effort should be made to add extra service on the A Route and B Route to accommodate ridership demand.
2. Internal cost savings should be implemented to cover increasing expenses.
3. Advertising and special services should be pursued to the fullest extent possible to generate revenue.
4. Contracted cost savings should be pursued,

The following budget narrative explains the rationale used in preparing the proposed FY 2011 budget.

REVENUES:

Student Fees: The mandatory student transportation fee will increase by 2.8% for FY 2011. Because enrollment is not expected to increase next year total student fee revenue is only increased by 2.8%. Fall semester student fee revenue was up substantially over budget, because of enrollment increases. We do not expect spring semester fee revenue to be more than the approved FY 2010 budget. Student fee revenue is budgeted at \$4,439,673 out of total revenues of \$4,525,902 or some 98.1% of total revenues.

Other Revenues: Advertising revenue has dramatically increased over the past two fiscal years with the introduction of wrapped buses. Each wrapped bus generates approximately \$5,000 in annual revenue. Currently there are 4 wrapped buses, however two customers: IMU, the College of Arts and Sciences, and IUSA did not renew their bus wraps during FY 2010. The non-renewal was the result of budget constraints. We can expect that IU departments and student organizations will even have tighter budgets during FY 2011.

As a result we are projecting only 3 revenue generating wrapped buses at \$5,000 per year for a total of \$15,000. Interior advertising is projected to generate \$5,000 in revenue.

The Committee for Fee Review has asked us to keep the posting fees low, so that student organizations can afford to post their signs inside of the buses. Our current rate of \$7.50 per month per sign is already substantially discounted from the \$20 per month rate that Bloomington Transit charges for interior signs. Most of BT's interior advertising signs are sold to IU departments and student organizations.

Special service revenue potential is limited because of Federal Transit Administration (FTA) charter regulations. We are expecting little or no growth in special service revenue, because of the federal regulations.

Other income from the sale of scrap metal and used motor oil amounts to very little revenue.

EXPENDITURES:

The following highlights those expense object codes that require an explanation.

2400 Administrative Salary: This object code contains the salary for the Operations Manager of \$58,118 and the 18% of the salary of the Accountant for Transportation Services in the amount of \$11,359.

2500 Non-Exempt Staff: This object code includes all 28 of the biweekly appointed staff. The University budget system requires that all appointed staff is budgeted at 2,080 paid hours for a fiscal year.

2504 Non-Exempt Reserve: We have been advised by Administration to reserve 2.0% for a wage and salary raise for FY 2011.

2502 Non-Exempt Savings: Because Campus Bus only provides full service 32 weeks per year, all appointed bus operators are subject to short lay-off during class breaks and summer sessions. Paid hours are for the following categories: regular, vacation, sick leave, holiday, and compensatory time taken. On the average appointed bus operators are paid 1,750 hours during the fiscal year. All appointed bus operators are maintained on full University benefits for the entire year and continue to accrue leave (vacation and sick leave) during any time on short lay-off. The amount budgeted in this object code represents the savings generated by short layoff of the appointed bus operators over the summer and during class breaks. Some operators will earn more than this average, others will earn less, mostly dependent on their occupational unit seniority. The average short lay-off for bus operators is 330 hours per year.

2503 Non-Exempt Reserve: We were instructed to budget for a 2% wage and salary adjustment in a different object code than in past years. See 7900 2% Contingency.

2550 Non Exempt Staff Terminal Pay: Currently there are 4 employees who have attained 30 years of university service each and are therefore eligible for retirement at anytime. Two of the employees have minimal leave balances. Two of the employees have a combined total terminal pay of \$46,820. It is not likely that both of these employees will retire within the same year, but one might. As a result we are budgeting \$23,410 for this line item.

4580 Supplemental Pay: This line item covers the cell phone allowance for the Executive Director of Transportation Services, the Operations Manager, and the two Operations Supervisors.

4590 Incentive Bonus: The incentive performance program provides all hourly bus operators who qualify for a \$1 per hour worked each semester.

2999 Accrued Vacation: This object code is the projected accrued but unused vacation leave for the appointed staff.

3000 Regular Hourly: Regular hourly employees are part-time non-student bus operators. We will over spend the regular hourly budget for FY 2010 as a result of a number of student hourly bus operators remaining employed after graduation. We anticipate continuing to employ student hourly who have graduated, but not found full-time employment elsewhere during FY 2011, as a result we are substantially increasing this object code budget to \$150,000.

3050 PERF Hourly: There will be no PERF (full-time) hourly jobs at Campus Bus during FY 2011.

3150 Vacation Bonus: Since there were no PERF hourly jobs at Campus Bus during FY 2010 there will be no vacation bonuses paid during FY 2011.

3200 Staff Overtime: No overtime pay will be budgeted during FY 2011. The collective bargaining agreement for appointed biweekly staff allows overtime to be accounted for as compensatory time, if there is no budget available for overtime. Compensatory time will be used during class breaks and summer sessions to provide income for appointed bus operators on short lay-off.

3250 Hourly Overtime: No overtime pay will be budgeted during FY 2011.

3500 Student Hourly: We are increasing student hourly budget by about \$100,000 for FY 2011. Student hourly bus operators are very cost effective, since they get no fringe benefits whatsoever.

4023 Dependent Fee Courtesy: The budget for this object code is provided by the Budget Office. The amount, \$6,741, represents a \$2,203 decrease for last year.

5625 Fringe Benefit Construction: The new rate for FY 2011 is 18.87%. The rate for had been 16.50% for FY 2010. Most of the increase was for increased cost of medical insurance. The rate is applied to all appointed salaries and wages. The new rate results in a \$24,691 increase in fringe benefit costs with no increase in either wages/salaries or the number of appointed employees.

5760 FICA: The FICA rate of .0704 was used. FICA is not paid on student hourly employees.

5772 Retirement Exempt Staff: The new rate of 15.97% was used for FY 2011. The rate for FY 2010 was 16.93%. As a result of the new rate we will benefit from a \$17,722 reduction in retirement expenses.

5773 Retirement Non-Exempt Staff: The rate for FY 2011 is 10.09%. The rate was 11.92% for FY 2010.

4520 Contracted Services: The budgeted amount assumes a 2.8% increase in the Bloomington Transit contract.

4753 Motor Vehicle Repair Parts: Campus Bus has been vigilant with the purchase of spare parts during FY 2010. We are projecting only \$90,993 of expenses in this object code. However, we need to reserve funding for major spare parts such as for engine overhauls, remanufacturer transmissions and air condition compressors. We are budgeting \$150,000 in this object code to fund large ticket replacement parts: such as diesel engine and transmission overhauls

4927 Diesel Fuel: The diesel fuel budget is estimated based on 130,000 gallons at an average price of \$2.50 per gallon. This is the same cost per gallon used in the budget for FY 2010.

5039 Insurance: We have been informed by Risk Management that our insurance premium expense has been reduced for FY 2011 to \$94,280.

5050 Membership Dues: This expense had been buried within 5055 Other Expenses in the past. This year we have separately budgeted for this expense. The \$2,688 is budgeted for membership in the Indiana Transportation Association. The membership will be paid upon the written instructions of the Executive Director of Transportation Services, as in past years.

4078 Technical and Professional Training: Several years ago Campus Bus began using a new computerized maintenance system which required specific training for mechanics and clerical staff. There is no longer the need to budget anything under this object code.

7900 2% Contingency: This amount was provided by the Budget Office and represents a 2% pay increase for all appointed employees as well as the impact of a 2% increase in wages and salaries on benefits. We have been informed that no across the board wage and salary increases will be granted for FY 2011. No decisions will be made on the use of these reserved funds until the fall semester, if at all. If the contingency funds are not used, we hope that they will remain as part of our operating margin for FY 2011.