Transportation Working Committee

Summary Report

August 10, 2010
Transportation Service Summary
Report on Providing Transportation Services
To the West Lafayette Campus

Committee Charge
Vice President McMains formed a committee to identify and evaluate options to provide transportation services to the West Lafayette Campus in response to the upcoming demolition of the current Transportation Service facility. The members of the committee are:

• Corey Back, Assistant Director of Financial Affairs, College of Agriculture
• Carol Cox, Director of Transportation Service, Physical Facilities Service Enterprises
• Gary Evans, Director of Grounds, Physical Facilities Buildings and Grounds
• Steve Hawkins, Assistant Director of Purdue Agriculture Centers, College of Agriculture
• Kim Hoebel, Manager of Cost Accounting, Business Services
• Bill Hoover, Assistant Head and Professor, Department of Forestry and Natural Resources, College of Agriculture
• Denise Laussade, Director of Treasury Operations, Interim Appointment - Sustaining New Synergies Task Force
• Alan Leonard, Director Physical Facilities Service Enterprises
• Mark Russell, Professor of Animal Sciences, College of Agriculture
• Robert Swihart, Head and Professor, Department of Forestry and Natural Resources, College of Agriculture
• Howard Taylor, Director of Recreational Sports, Vice President for Student Services
• Glenn Tompkins, Senior Associate Athletic Director, Intercollegiate Athletics
• Bob Waltz, State Chemist and Seed Commissioner, Indiana State Chemist’s Office.
• Karen Zotz, Assistant Dean for Engagement, College of Consumer and Family Sciences

Also serving in direct support of the committee was:

• Larry Pherson, Director of Purchasing Services for RFP administration
• Janet Sanders, Financial Manager of Service Enterprises for financial analysis.

The committee was charged to assist in the development and release of an RFP that contained four major components; Fleet, Charter Coach and Bus, Shop Service, and Fuel. Once the RFP was released, the committee was to seek other possible alternatives that would be considered internally with the responses from the RFP. The committee was asked to evaluate the responses received and compare the best of these to the options identified. They were instructed to consider feasibility, safety, cost, and efficiency. This document is the report and recommendation from the committee.

Background
Transportation Service is a self-supporting service operation on Purdue’s West Lafayette campus. The operation consists of a 13,306 square foot facility on approximately four acres, which offers rental vehicles, coach/bus charters, and associated shop support services. The current rental fleet consists of an average of 60 cars, 45 vans, 4 coaches, 2 mid-sized transit and 3 school-type buses plus 49 cars and 23 vans that are provided throughout campus for long term
department use. The operation is supported by 19 salaried, service, and clerical employees, and through the utilization of student employees and part-time bus drivers.

INDOT’s US 231 Relocation Project places a major point of access to campus at the intersection of Harrison Street and Martin Jischke Drive, cutting through the current Transportation Service compound. In addition, the expansion of Harrison Street for the Perimeter Parkway project will require demolition of the building. The fact that the current Transportation facilities are in the way of these projects require a review of how to continue to provide these services to the West Lafayette campus.

Assessment
Throughout the investigation process, faculty and staff communicated that they are generally pleased with the services currently provided, and were the facility not slated for demolition, the operation would likely be continuing without interruption. However, the committee acknowledged this as an opportunity to examine alternative ways to provide service, and kept this thought at the fore-front throughout the evaluations.

The first step was to assemble a RFP that was realistic and which would allow firms to get an accurate picture of what Purdue needed. The RFP was written to include the diverse needs of a large Land Grant research university that has a multitude of unique requirements that many firms are not likely to encounter outside of an academic institution. Firms were asked to submit proposals for any or all of four service components: fleet rental, coach/bus, shop service, fuel. The RFP invited recommendations on how to meet the needs of the campus and to propose alternate methods for business and operations.

The RFP was sent to 29 transportation providers. While awaiting responses, alternative locations were identified that could be utilized to house all or part of the transportation service components. Commercial sites surrounding campus were considered and then eliminated from contention for a variety of reasons; too small, not available, not within scope of city developmental needs, etc. Space at the Airport and MMDC presented possibilities. PRF was asked to consider financing the construction of a facility. They provided an estimate for the construction of a new facility based on a 20 year lease. The facility would be located on University property that would be leased to PRF for $1 per year.

Nine responses received: one response for all four components, two responses for the fleet rental component, three responses for the coach/bus component, and three responses for the service component of the proposal. No responses were received for the fueling component except as included in the one proposal for all components. None of the responding firms offered the university a financial incentive for the acquisition of the operation. Of these nine responses, six were deemed to be the most feasible, and the firms were invited to make presentations to members of the committee. Clarifying questions were asked of the firms and the responses were used by the committee to evaluate their abilities to meet requirements and to validate their rate structure as part of the financial analysis.

Throughout the assessment process, the committee completed a thorough review of the firms’ proposals and presentations on the basis of their individual merits in relation to stated specifications and the committee's charge of evaluating feasibility, safety, cost, and efficiency.
As the result of this assessment process, it became evident that some of the firms’ proposals were more closely aligned with established specifications and priorities than others. Two firms presented a collaborative partnership focusing on service levels. The vendors for the rental fleet presented similar scenarios. They represented a straightforward business relationship but lacked flexibility and an understanding of the needs of Purdue. Particular drawbacks that would impede the University’s ability to conduct business were: underage driver restrictions, limited types of vehicles (no 1/2T full-size vans, lift vans, cargo vans, school buses), limited/no trailer towing capabilities, vehicle availability, and location (especially in relation to fuel for non-licensed equipment). Shop services presented a challenge to the firms that responded. The services required by the University go well past simple oil changes and maintenance, and include a vast array of equipment types that are required by a Land Grant university. The service respondents’ information and answers elevated concerns regarding their ability to provide service for the extremely diverse group of vehicles/equipment that the University needs to maintain. Firms’ ability to interface with the university systems to facilitate the distribution of costs to departments electronically was questionable.

The financial analysis concluded that the cost of providing transportation services can be provided internally at a lower cost than if one or a combination of outside firms were to perform the four service components. However, in order for the university to maintain transportation services internally, an investment will be necessary for remodeling or development of a physical structure. The analysis shows that providing the services internally including this investment is reasonable. It should also be noted that the University will incur additional expenses for any outside firm for staff and contract management and compliance in an amount yet to be determined. The RFP yielded interest from firms, but not an overwhelming desire to offer financial incentives.

The committee formulated three options for a permanent facility replacement of Transportation Service for consideration.

- **Remodel MMDC** to support the Transportation Service operation (Appendix 1). There were two models examined regarding the utilization of space within the MMDC complex. “MMDC2” converts the high bay area to a maintenance area. This is a suboptimal use of high bay space that might be better utilized by the University. “MMDC1” modifies an existing cold storage structure (MMS1) in the compound to an occupied facility. The rental fleet, coaches, and customer parking would be located away from the site. This would disperse operations and create inefficiencies. Ultimately, while this is not the most optimal means of providing services, the goals of transportation services could be met. This option requires cash for remodeling to be made available.

- **Outsource the entire operation**, regardless of the increase in cost. Firm 3’s proposal was competitive and the most collaborative. They would be faced with acquiring or constructing a facility in an unidentified location. They also have no experience or network that is associated with a rental fleet. Overcoming these hurdles, their proposal would allow the university to fulfill its needs in regards to transportation services.

- **Construct a new facility** built and financed by PRF on land leased from Purdue for $1 per year (Appendix 2). The new facility would be leased to Purdue at $521,898 per year for 20 years. At the end of the lease, ownership would transfer to Purdue. This option
costs approximately $280,000 less than the proposal from Firm 3. The construction of a new facility insures the ability to continue to provide the services to the University in the most feasible, efficient, safe, and cost effective method possible.

**Transition Plan**

The committee also formulated a transition plan for temporary facility needs for the short-term during construction or to bridge to a longer-term solution, a site plan is included in Appendix 3.

1. **Service**
   Move the service function into the Airport service building and run both the transportation services and airport maintenance operations from this facility.
   - Stage equipment to be serviced west of the Airport service building in a holding area that would be fenced off from the secured area of the airport.
   - Utilize existing fence from the current Transportation compound to create the staging area to hold down expenses.
   - It will be necessary to move some airport service operations such as snow removal equipment maintenance to hanger 4 during the winter.
   - An upgrade to the fuel dispensing equipment currently at the Airport fuel island may be required to properly collect the data necessary to properly charge departments.
   - Operating cost - A second shift will be required to balance the work load to the two areas in order to maintain the service level currently provided in both departments.

<table>
<thead>
<tr>
<th>Renovation Cost Estimate</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment Staging Compound</td>
<td>$150,000 – $166,000</td>
<td>8-10 weeks</td>
</tr>
<tr>
<td>Upgrade Fuel Dispensing Equipment</td>
<td>$12,000</td>
<td>3 weeks</td>
</tr>
</tbody>
</table>

2. **Fleet Office and Customer Drop-off/Pick-up**
   The administrative and customer service area for fleet and bus will be operated within PFSB. Parking for fleet customers and staging of fleet vehicles will be in the parking lot to the south of PFSB.
   - Some remodeling of office space will be required to meet the needs of the services to be provided.
   - Relocate personnel currently in PFSB to new offices.
   - Expand current PFSB parking lot to allow for the additional spaces for customer parking and car staging.

<table>
<thead>
<tr>
<th>Renovation Cost Estimate</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet Office and Customer Drop-Off/Pick-up</td>
<td>$75,000 - $83,000</td>
<td>2-4 months</td>
</tr>
</tbody>
</table>

There will also be an effort to locate some parking in garages on campus and have vehicles staged in specific locations for pick up and return by customers. MMDC personnel and equipment would be used to disburse vehicles to these points as well as getting proper documents completed by customers at these remote locations.
3. **Fleet and Bus Storage**
Fleet vehicles along with coaches and buses will be stored in the Contractors storage lot that is south of PFSB.

- The lot will need to be upgraded to accommodate the parking of vehicles.
- A concrete pad and electricity will need to be provided within the lot to park buses.
- The fence on the West end of the lot will need to be moved to allow for the entrance at Bowen off of River Road become a primary entrance to PFSB for customers.
- Items currently stored in this lot will need to be relocated to some other location.

**Renovation Cost Estimate**

- Fleet and Bus Storage: $450,000 - $500,000, 3-6 months

4. **Car Wash, Bus Wash, and Waste Dump**
Convert a portion of MMS1, within the MMDC compound to heated car wash area. Move the chemical storage units to another location within the compound and add a waste disposal and bus wash area on the pad to the south of MMS1

- Storage of folding tables and chairs used by Grounds for events will have to be relocated.
- Storage of lumber and some other large items will need to be relocated.

**Renovation Cost Estimate**

- Car Wash, Bus Wash, and Waste Dump: $225,000 - $250,000, 6-8 months

5. **Fuel Island**
Construct a new fuel island in the vicinity of the new Grounds building and the MMDC compound. The station would utilize a card system that would minimize the need for staff to be present for operation. This will be the primary fueling source for the campus.

- Will require more review by UAO to determine the final location based on soil conditions and other construction factors

**Renovation Cost Estimate**

- Fuel Island with above ground tanks: $380,000 - $425,000, 4-5 months

**Summary**
The plan outlined divides the operation in an effort to take advantage of existing facilities and space available. This plan focuses on minimizing the impact to campus customers but results in increased operating costs to address the inefficiencies created by operating in multiple locations. By establishing the primary entrance off of River Road the two large road construction projects will have less impact on students, faculty, and staff using the fleet operation. The total cost to modify existing facilities to accommodate this plan is estimated to be $1,292,000 - $1,436,000 and requires 6 – 8 months construction time to complete.
Recommendation

After thorough examination of service levels, locations, costs and alternatives, the committee recommends the construction of a new transportation facility with PRF assisting with construction and financing. This is the best option to meet the priorities of feasibility, safety, cost and efficiency. Firms offer a “cookie cutter” approach to services required that often do not provide the levels of service, flexibility, and availability required due to the diverse needs of university customers. The location south of MMDC allows for efficient and safe distribution of fuel, especially for non-licensed equipment. The location offers operational efficiencies since all components will be adjacent to each other, and relieves the concerns for customer safety in relation to traffic flow, parking and space for staging vehicles. Fiscal responsibility points to maintaining operations in-house. The analysis shows that the construction investment is reasonable and rates substantiated in the 10 Year Plan adequately cover the lease, facility and operating expenses.

If the option for constructing a new facility is not determined to be feasible, the transition plan offers a reasonable short-term option to bridge to a longer term solution. This option takes advantage of existing facilities and resolves operating inefficiencies through operational changes. The increased costs associated with the operational changes will be evaluated and kept to levels deemed essential in providing an appropriate level of customer service.

The projected operating costs in the transition model (including projected inefficiencies) is equivalent to the projected operating costs with a new building. This offers the possibility to reduce inefficiency over time, keep rates constant for at least two years and provide time to evaluate the possibility of a future capital investment.