

MEMORANDUM

To: New Haven Board of Education
From: Phillip Penn, Chief Financial Officer
Date: June 10, 2020
Re: Eco-Urban Credit

We are currently in discussions with Eco-Urban regarding the disposition of a very large credit that's owed to NHPS. The credit arises from two factors:

- Eco-Urban has a provision in their contract that they are paid monthly in advance of performing their work. This is definitely unusual – I've never encountered a structure like that with a vendor other than legal retainers.
- Eco-Urban hasn't been in the schools for several weeks because of the shut-down; they have performed work at Hill Central for the shelter cleaning, but that has been billed separately to track for potential Federal reimbursement.

In the past, there would be a true-up of the entire year's actual hours worked versus the amount paid. If one existed, a credit in the District's favor would then be applied to summer cleaning hours. If the District was over the number of contracted hours, it would waive services for the very end of June. As an example, at the end of the last school year, EUP had worked an additional 1,981 hours above the contracted level, and services were waived from June 24 to June 28 to bring the hours back in line with what was expected for the full fiscal year.

This year, we're owed a credit of more than 20,000 hours, or more than \$540,000. Recognizing the hardship it might cause a small local firm if we collected the entire amount of the credit in the two summer months, I've asked Mr. Pinto to propose to Eco-Urban a \$50,000 credit to the final June bill, and then allowing the firm to apply the remaining credit on a monthly basis through December, 2020.

We will keep the Board informed of the outcome of those discussions.

MEMORANDUM

To: New Haven Board of Education
From: Phillip Penn, Chief Financial Officer
Date: June 11, 2020
Re: Negotiations with First Student

I wanted to try to memorialize some of the information conveyed through email to the Board over the last weekend and answer any lingering questions regarding our negotiations with First Student.

Executive Order 7R, the one that required school districts to negotiate with their transportation companies, was issued on March 31. From March 12, the last day students were transported, and March 31, the force majeure clause in the contract would have effectively prevented us from reducing the amount paid to First Student because of government order. The full phrase reads: “No deduction shall be made in the event of delays or non-performance due to any act of God, civil disturbance, fire, riot, war, terrorism, strike, governmental action or any other condition or cause beyond Contractor’s control.”

Thus, First Student had no obligation to us to reduce their billings for the month of March. Nevertheless, we did ask for one. The 10% of billed fees for the 13 days in which the buses were not operating – a credit to NHPS for \$178,689 – was the midpoint of our initial request (20%) and their initial offer (0%).

First Student’s initial offer to us for the April to June period was a credit of \$1.18 million. This largely reflected the elimination of the company’s projected profit margin on the expected revenues for that period (revenues of \$7.6 million). The initial offer also included the elimination of all estimated costs in the three-month period for safety materials, recruiting, and physical damage repairs (they are self-insured for PD). The company had also substantially reduced (between 50% and 80%, depending on the item) their estimates for outside services and labor hours paid beyond the normal scope of work, such as to attend safety training, to reposition buses in the yard, to conduct child checks or to sanitize buses, which were substantially diminished with the fleet idle. First Student indicated that training and safety instruction could not be eliminated entirely because the State did not waive the minimum requirements. Further, they indicated that driver recruitment and training typically begin to ramp up in June to ensure an adequate supply of properly qualified drivers to operate the fleet at the beginning of the school year.

In addition to the above, we negotiated a further reduction in OT pay (\$36,541), wages for athletic runs (\$81,202) and parts for bus repairs (\$30,100), which totaled \$147,843.

The total proposed credit of \$1,507,968 represents a 19.8% reduction to the expected billings from First Student for the April through June, 2020 period.