



BOARD READ AHEAD
CAPITAL BOARD WORKSHOP
May 18, 2010

The School Board of Sarasota County, Florida
Capital Fund Budget Workshop
May 18, 2010

Cost Saving Operational Practices

As we begin the dialog regarding the 2010/2011 Capital Budget it is important to know that we have already taken many actions to reduce our dependence on capital dollars. Following is a summary of just some of those actions. You will see that across literally every department we have been aggressive about reducing capital expenditures in order to ensure funds are available for our highest priority projects. Consider this:

- **Food and Nutrition Services** continues to use and reuse every capital asset;
- through things like a very systematic preventative maintenance program the **Facilities Services Department** has reduced their reliance on capital funds by nearly 40%;
- taking advantage of economic conditions and enforcing a tight set of Board approved Educational Specifications has helped **Construction Services** dramatically reduced the cost of literally every ongoing major construction project;
- smart deployment of white fleet vehicles has helped the **Transportation Department** reduce next year's purchases by nearly \$800,000;
- **Information Technology** has been able to deliver the CrossPointe project for \$3 million under the original budget and our agreement with HP will ensure current, equitably deployed technology across all schools for less money;
- **Long Range Planning** has a well thought out plan for the purchase of future school sites at a time when property values are at historic lows; and
- **School Safety and Security** has managed to improve the physical safety of our students and staff using creative solutions like prioritized fence deployment, phased camera installation, and grant dollars.

These actions have positioned us in a way that we believe the capital budget presented today funds all key capital priorities and retains a healthy fund balance should any catastrophic emergencies occur.

Food and Nutrition Services (FNS)

In collaboration with Facilities Services, FNS goes to great lengths to reuse equipment coming out of a school being rebuilt or remodeled, to cannibalize other equipment for parts, or to move equipment that is not being effectively used from one site to another site that can use the equipment. By the time a piece of capitalized equipment finds its way to auction it is effectively dead. Consider the following examples:

Reuse and cannibalization of old equipment for parts - FNS and Facilities Services continue to jointly make a dedicated effort to reuse equipment that "still had life in it" to the greatest extent possible. If equipment reached its limit, it was often cannibalized for parts. Following are two examples of reuse.

Riverview High - equipment moved from old site to other sites in the school district:

Alto Sham food warming cabinet to VHS	Double oven to SHS
Alto Sham food warming cabinet to Gulf Gate	Pass-through refrigerator to VHS
Alto Sham food warming cabinet to NPHS	Two cold serving counters to SHS
Alto Sham food warming cabinet to Alta Vista	Hobart 60 quart mixer to EE Booker
Alto Sham food warming cabinet to Oak Park	
Alto Sham food warming cabinet to Pine View	
Alto Sham food warming cabinet to Venice Middle	

This list alone represents about \$100,000 worth of equipment that FNS and the School Board did not have to purchase and went to immediate use. Undoubtedly, much of the equipment is no longer bright and shiny like a new school would have, but due to the excellent preventive maintenance program, we are able to get a lot of useful life out of our equipment.

Here's another example of a much smaller school, but represents excellent reuse of equipment.

Southside - equipment moved from old site to other sites in the school district:

- Cashiers stand - VHS
- Convection steamer - Heron Creek
- Two-door freezer - Cysis
- Tilt Skillet, Two double ovens, Milk Cooler, 7'x7' walk-in cooler - FNS storage trailer, and later installed in schools

This list, although from a much smaller school, represents another approximate \$75,000.

The FNS Department also continues to aggressively pursue grants to help offset capital costs. As part of the American Recovery and Reinvestment Act, at the end of the 2009 FY and again this year, FNS has been awarded two separate equipment grants. The first award was for \$38,850.00, and the second award was for \$31,389.00. The receipt of these two competitive grants enabled FNS to replace worn equipment, and in some cases, to increase capacity in schools who needed additional equipment to meet service needs. This \$70,239.00 has gone a long way in providing much-needed equipment in our schools.

Facilities Services

This year when we started the Capital Budget process we rolled the Facilities Services budget forward and generated a requirement for just over \$13 million a year—and then inflated that budget across the five year plan. In the budget you review today you’ll note that the entire Facilities Services Capital Budget is projected to be just under \$8 million—a reduction of about \$5 million—or about 38%. We are able to make this kind of reduction for a few key reasons:

1. **Archibus Condition Assessment and Ongoing Campus Assessments.** Because of ongoing facility condition assessment, today we know a lot more about what is going on in all of our buildings and we have a much better handle on when and where to spend money. It has taken us a few years to get to this point but we have the information we need to make informed decisions about building needs. This saves us money if we do the planned maintenance at the right time within the system’s life cycle. It also gives us confidence to request less money and do a project earlier than needed. Today a fairly aggressive preventive maintenance program is in place for our facilities and mechanical systems. This program allows us to maintain systems in a cost effective way, as opposed to waiting for things to break, incurring larger costs, and interrupting instruction. Probably the most significant piece of this program implemented this year was a full roof assessment. More details can be found in the Operations Division 2008/2009 Year in Review.
2. **Past Five Years Capital Expenditures.** Over the past several years the district has allocated significant dollars to rebuilding schools, and replacing buildings and systems which were outdated. This in turn should reduce our annual requirements for maintenance. We have also recently backed off on just about any capital investment at both Venice and Booker High Schools – typically very costly sites.
3. **Pavement Maintenance.** We have also reduced our efforts as they relate to pavement maintenance. This is one of our least critical areas and the impact in the classroom is minimal.
4. **Establishment of the Capital Projects Team.** This committee is made up of representatives from Long Range Planning, Construction Services, Facilities, Information Technology, Career and Technical Education, and the schools (normally the three Executive Directors). The Team reviews and prioritizes school capital needs that fall outside normal maintenance requirements. In the past, when projects were requested that were outside the normal “maintenance” definition they tended to be funded by the Facilities Department. The Capital Projects Team has given us a forum in which to discuss these projects and make smart decisions about what to fund and what not to fund. For example, this year’s primary rule of engagement was we will only fund projects that are required to maintain quality instruction or the safety and security of our staff and students. As a result, many worthwhile projects did not get funded.
5. **Service Levels.** We have found an appropriate balance between fiscal responsibility and customer service. We had gotten ourselves into a culture of working hard to respond to just about every request we received from a school. While this represents an admirable level of service to our customers, we simply can no longer afford to operate under those guidelines. Our managers have actually gotten better at saying “no” to customers when the request “extra” items be placed in project scopes.

Construction Services

Capital Budget Changes Since January 2009

There have been three major positive impacts on the Capital Projects portion of the Capital Budget since January 2009.

1. The cost of construction has decreased since the development of the 2008/2009 capital budget. We have also been very deliberate about managing and enforcing our educational specifications. These actions combined have resulted in projects being completed significantly under their projected costs in the 2008/2009 budget and a reduction of the proposed budgets for current and upcoming projects.

	PROJECT	ORIGINAL BUDGET	CURRENT BUDGET	DIFFERENCE	% CHANGE
1	WOODLAND	\$51,209,406	\$44,484,877	-\$6,724,529	-13.13%
2	ATWATER	\$26,102,339	\$22,144,061	-\$3,958,278	-15.16%
3	RHS	\$134,000,000	\$120,351,258	-\$13,648,742	-10.19%
4	SCTI II	\$61,052,284	\$49,089,760	-\$11,962,524	-19.59%
5	SCTI III	\$58,000,000	\$36,778,175	-\$21,221,825	-36.59%
6	VHS	\$109,753,130	\$91,000,000	-\$18,753,130	-17.09%
7	BHS	\$80,650,000	\$53,000,000	-\$27,650,000	-34.28%
8	LAUREL HVAC	\$11,130,000	\$10,000,000	-\$1,130,000	-10.15%
	TOTAL	\$201,533,130	\$154,000,000	-\$47,533,130	-23.59%

2. The Construction Services staff is exerting downward pressure on the cost of the design and specifications of all elements included in a capital project. This includes eliminating unnecessary spaces and square footage in new projects and requiring programmatic or life-cycle costing justification for any request that deviates from our facility or construction standards. These actions, supported by the Board's adopted Educational Specifications, have aided immeasurably in making these savings possible.

3. The scope of work for several projects has been reduced since the development of the 2008/2009 budget, resulting in additional savings to the capital budget.

	PROJECT	ORIGINAL BUDGET	CURRENT BUDGET	DIFFERENCE	% CHANGE
1	LAKEVIEW REMODEL	\$12,000,000	\$3,500,000	-\$8,500,000	-70.83%
2	SMS HVAC	\$11,000,000	\$2,000,000	-\$9,000,000	-81.82%
3	LANDINGS PRESERVATION	\$3,750,000	\$2,500,000	-\$1,250,000	-33.33%
	TOTAL	\$26,750,000	\$8,000,000	-\$18,750,000	-70.09%

Transportation

During the 2009/2010 and 2010/2011 school year many tough capital decisions needed to be made. One of these decisions was to not fund the replacement of the white fleet in 2009/2010 and to reduce the amount funded by 80 percent for the 2010/2011 year. These reductions were made possible in large part due to three strategies.

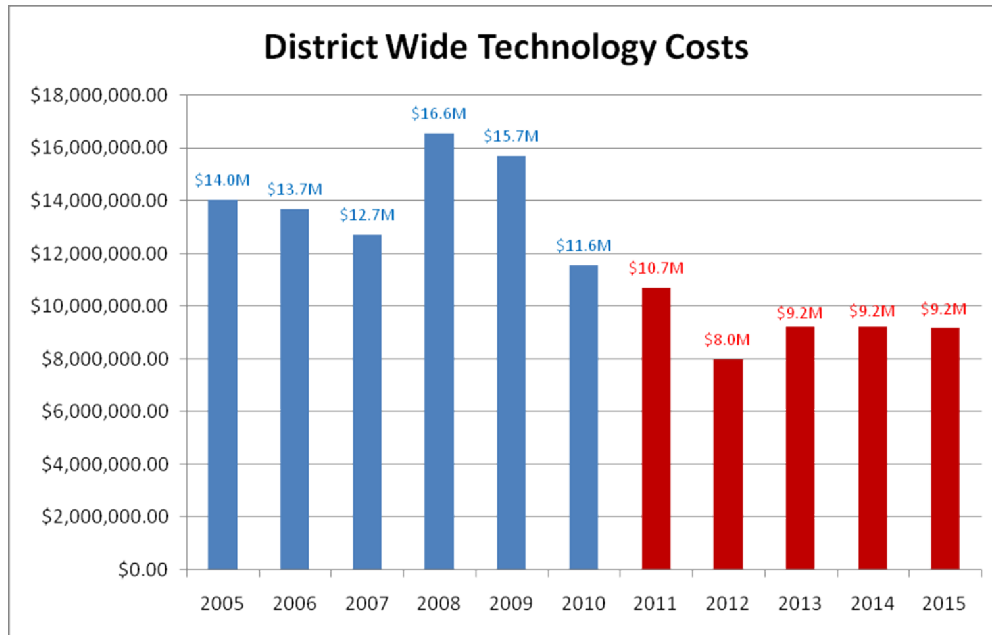
First, the reduction of staff in the Construction Services, Information Technology, Transportation and, Facilities Services Departments over this two year period resulted in eight vehicles being returned to transportation. These vehicles are now available for reallocation to other departments to replace aging vehicles.

Second, we will extend the life cycle of some vehicles from ten years to eleven years. While this extension of life cycle will have a minor impact on operation costs (under \$50,000) it is more than offset by the savings associated with not purchasing new vehicles. The cost to purchase eight new vehicles would be approximately \$128,000, however since the vehicles returned were three to five years old we can fairly say that we will realize a cost savings of half that amount or \$64,000. This reduction in the size of the fleet will also help realize a cost savings in maintenance, gas and the capital expenditure of buying replacement vehicles.

Finally, we are taking a hard look at who is assigned a white fleet vehicle and asking the question, does it make sense? More specifically, in cases where the vehicle is required to do the job (as is the case with things like maintenance vans that hold parts and tools) we are assigning a vehicle. In all other cases we're comparing the cost of operating and maintaining a School Board vehicle with the cost of paying the employee mileage. In cases where the employee drives the vehicle less than about 9,000 miles a year it is more cost effective to pay mileage. This strategy will allow us to reduce the overall size of the white fleet. All told, these three strategies will allow us to reduce the replacement costs of the white fleet by \$800,000 in the 2010/2011 fiscal year.

Information Technology

The Information Technology Capital Budget maximizes existing investments and partnerships to create a lower sustainable budget while allowing for the completion of mission critical projects throughout the District. The budget has a heavy emphasis on school and classroom based technologies that impact instruction while creating and maintaining a strong infrastructure.



The above graph represents District Wide Technology investments from prior years and forecasts for future years. Prior year expenditures were significantly attributable to our investment in classroom technologies including ActivBoards and document cameras. The past two years emphasized the investment in the CrossPointe.net implementation, as well as the HP lease agreement which included a five-year warranty and replacement plan that will also (in future years) realize a reduction in our overall operating expenses.

CrossPointe.net

The CrossPointe.net implementation began in 2006 in an effort to replace our outdated, obsolete AS400 platform and move towards a 21st century platform that can be used both within the district and by families to obtain information about their students. Our current applications are over 28 years old and do not provide our district agile access to financial and HR information or our district a consistent gradebook and parent portal across all schools.

In 2007, our search began and late in 2008 our upgrade to CrossPointe.net became our vision. Early in the 2008/2009 budget process we planned for a \$15M cost (actually early estimates based on other Districts were as high as \$21 million) to implement this endeavor however, in December of 2008 we presented the Board with a fixed price \$12M. This multi-year project and its associated costs are spread out over several years and according to a defined work schedule. Our fixed price contract for the implementation will likely extend well into 2011 and thus the planned annual payments will be stretched further over time.

HP Lease Agreement

Back in 2007-2008, we began analyzing the life of the computers purchased for use by students and staff and determined that the life of the computer can be extended from a three-year cycle to a five-year cycle. We worked with schools to define a model for technology in the classrooms that provided equity to all and still maintained a viable structure for technology. In 2008-2009, we negotiated a five-year warranty and lease agreement and replacement plan that included end-of-lease donations to our Texcellence program. Original plans were to replenish all schools over a three-year period, however, further reductions for 2009-2010 were warranted, and our three-year refresh model was redesigned to encompass a five-year period.

The HP Lease Agreement provides the district with a turnkey leasing solution for computer replenishment that offers the district the best of products and services. It is based on a five-year lease for equipment utilization, management, warranty, repair and support. Key benefits of this agreement are:

- Baseline pricing below WSCA for all computer models and accessories
- Five-year warranty and replacement cycle
- Ownership never transfers to the District
- HP donates end of cycle computers to the Texcellence program
- HP handles break/fix of computers thus allowing district staff to perform higher level technical services
- HP handles full life cycle support (imaging, deployment, cleaning and disposal)
- Puts all schools on a new equipment cycle as opposed to haphazard equipment distribution and allocation methods to date
- Eases support burden by placing individual schools on a few platform variants of one computer brand

During our first year of implementation, the District leased and deployed approximately 8,630 computers for 16 schools. Computers removed from these schools and less than six years of age were redeployed to other District schools and departments. Computers equal to or greater than six years old were first made available to our Texcellence program. Those not qualifying for Texcellence were released to a recycler for disposal.

Similarly, though on a smaller scale, this year and future phases of the HP deployment will encompass approximately 4,300 computers per year. All schools have been identified by year and it is anticipated by the end of year five, all schools will have gone through Phase 1 of the deployment process.

Future capital projections include expansion of our technology initiatives while still reducing costs overall. This is accomplished by continuing to improve methods for purchasing, continued involvement towards a shared data center, maximizing our partnerships with current and future associates, exploration of virtualization capabilities, and expanded use of internet-based products and resources. Capital expenditures on technology initiatives are projected to decline over the next several years and then stabilize as future Information Technology efforts focus on stabilizing current infrastructure, replenishment and finding the best, most cost effective technology solutions to support teachers and parents.

Long Range Planning

While not specifically a Capital Budget Reduction effort, we do want to take this opportunity to update the Board on recent land purchases, and our land purchase recommendations for the coming year.

Our most recent new-school purchase was a site for the Third North Port middle school. In this transaction we paid \$1.9 million for a 51-acre parcel that had been foreclosed on in 2007. We projected that purchasing 200 contiguous 1/4- acre lots would have cost us \$6-8 million, plus any homes already built. Land prices have decreased significantly since 2007 but the purchased site could not have been replicated as far as location , absence of homes, road connectivity, and utilities.

The enrollment-related pressures to acquire new sites have moderated -- no new schools are expected to be built for five to seven years, barring an unforeseen rapid population increase

Current sites in our inventory include:

- second high school in North Port
- third middle school in North Port
- another elementary site in North Port [may not be situated to be the next elementary to be opened]

There is currently \$4.5 million available for land purchases in the form of school impact fee revenues. There are no other growth-related expenses for impact fee dollars at this time. We also anticipate impact fee revenues will be minimal for a few more years.

The site selection process is on-going. In North County, the 2010 committee has affirmed the elementary site, to be donated within Villages of Lakewood Ranch South. We have also identified three possible middle school sites and one exemplary high school site. In South County, three previously approved elementary sites remain viable.

As we look toward the future we recommend purchasing new-school sites as follows:

- One-two elementary sites in North Port
- a middle school site in north county, or a north county site for adjacent middle and high schools

Staff would like to proceed with one-three property purchases in 2010 while land costs remain low.

Safety and Security

In the area of School Safety and Security there are two areas where we have been deliberate about realistic management of the Capital Budget. They are fencing and cameras.

In the area of fencing, a Crime Prevention Through Environmental Design (CPTED) assessment was done on each campus. This assessment allowed us to rank order competing school needs and make sure we spend our limited capital dollars on the greatest needs. Fencing is added to schools to ensure student and staff safety and security and provide additional direction for visitors to go through the main office as required. Fencing projects are all done by working with coordination of the Principal, SAC members and parents. Our current fence plan philosophy looks for a balance between economically sound material choices and materials that look nice—especially at the front of a school. Each design uses ornamental and either vinyl coated or galvanized chain link fence. The goal of each design is to ensure visitors feel welcomed and fence materials are not obtrusive to the eye. In most cases, you'll find an inexpensive chain link around most of the campus and a more expensive but more attractive ornamental material near the front doors of the campus. Since this plan has been developed several schools have been completed. They are: Ashton, Alta Vista, Garden, Englewood, as well as portions of North Port High, and Cranberry Elementary. Several schools were on the list but have been completed by working with the Facilities Department as renovations are being done. They are Fruitville, Toledo Blade, and Lakeview Elementary Schools. Booker High, Venice High and SCTI will have their fencing needs addressed during the rebuilds.

Probably the most significant technologic advancement to our security apparatus has been the installation of cameras. To keep the project within realistic funding expectations the deployment of video security camera systems district-wide has been done in a three-phase project. This also helped us maintain equity across schools. Phase one installed the core infrastructure necessary to provide digital video recording of a limited number of security cameras in all schools. Phase two built upon phase one infrastructure to add additional video security cameras on building perimeters, grounds, and interior areas identified through risk assessments working closely with school administrators. Phase three of the project (2009-2011) continues to build on the existing infrastructure by upgrading older video security camera equipment and adding additional cameras in areas specifically identified as high risk for safety and/or asset protection. While the scope of work within phase three has been reduced based on capital budget reductions, the negative impact has been somewhat mitigated by the re-use of video security camera equipment from the old Riverview High School facility, resulting in fewer requests for additional cameras by school administrators being denied or postponed to future years. This reuse also represents a savings of about \$50,000 as we did not have to buy new cameras.

Through cost effective design innovation, consistent preventative maintenance measures, and strategic training of technicians, the school district has optimized the use of video security cameras, resulting in a significant cost savings. The result has created an excellent return on investment and has served as a model for other districts and enterprise operations.

Finally, through the involvement of the Chief of School Police in the Domestic Security Task Force we have received \$88,000 from grant funds this year that we used to improve access control and enhance camera systems. We also anticipate another \$88,000 grant next school year. This will bring our total grant funds for school safety and security to nearly \$400,000