



THE FAIRFAX COUNTY SCHOOL BOARD

§115 GATEHOUSE ROAD, SUITE 5400, FALLS CHURCH, VA 22042

Fairfax County
Public Schools

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March 14, 2008

TO: Gerald E. Connolly, Chairman
Board of Supervisors

FROM: Daniel G. Storck, Chairman
Fairfax County School Board

SUBJECT: Completion of Phase I Fairfax County Public Schools
Administrative Consolidation

In November 2004, the Fairfax County School Board and the Board of Supervisors approved phase one of the consolidation of Fairfax County Public Schools (FCPS) administrative offices from 17 existing facilities (12 School Board-owned and five commercially leased) into a centralized, two-facility campus located in Falls Church, Virginia. The Board approvals included the acquisition of two parcels of property and an office building that would hold approximately one-half of the FCPS administrative staff and programs. The second phase of the project, not yet approved by the Board of Supervisors, would include constructing a second office building on this property that would house approximately another 650-700 employees still located in other facilities throughout the county.

Board approvals for the FCPS consolidation were based on the analysis that the project would be fully funded from operating savings achieved through the expiration of commercial office leases, surplusing of certain specific administrative centers that were expensive to maintain and operate, and expense reductions (telecommunications, travel, staff reductions) gained from the consolidation of administrative operations.

In 2005 FCPS successfully completed and occupied the 210,000 square foot building at 8115 Gatehouse Road. The building is occupied by approximately 650 staff from 12 different administrative locations. Certain of these locations, such as the Burkholder Center, were completely vacated while others, such as Devonshire Center, were only partially vacated.

We are pleased to report to the Board of Supervisors that the project has been a great success. The operational efficiencies of consolidation have been achieved as staff can work more effectively and collaboratively than was possible in the past. Recent updates to the financial analysis have confirmed that the school system did, in fact, accomplish self-funding of this project and that it has not had a negative impact on educational programs. While the 33-year present value savings of approximately \$10 million is less than the original projections of \$21 million, the important point to note is that there are savings. We also note that the consolidation contributed to the school system's ability to transfer certain properties to Fairfax County and that this transaction enabled the County to increase the funding available for our capital programs by \$25 million per year over a six-year period.

Gerald E. Connolly
Page 2
March 14, 2008

Enclosed is a Phase I Cost Savings Report that shows the fiscal impact of the consolidation through FY 2008. The Phase I consolidation is meeting its objective of self-sufficiency and cost savings. A savings amount of \$10.3 million will be realized during the 33-year life cycle of Phase I. However, these savings are \$10.6 million less than the original planned savings of \$20.9 million. The reduction from the original plan is primarily attributed to:

- \$6.6 million – savings deferred to Phase II due to a change in the buildings that were originally planned for closing and/or reuse. Space limitations at the new building precluded the inclusion of some of the originally planned buildings. (We do note that these savings were actually deferred from Phase I to Phase II and will be reflected in the business analysis for Phase II.)
- \$6.1 million – no savings obtained for telecommunications due to the cost of installing new technology in Gatehouse Administration Center I.
- \$3.5 million – reduced savings due to the delay in achieving a staffing reduction of 18.5 positions.
- \$5.6 million – increased energy savings for the new building helped to offset the aforementioned reduced savings.

Because of the success of Phase I of the consolidation plan, the school system is working on a Phase II plan and hopes to return to the Board of Supervisors sometime later in 2008 with information about this plan and its financial implications. The school system is excited about completing this project and improving its delivery of services to our community, parents, and students. The fact that we have been able, and will be able, to achieve these service improvements without taking funds from the classroom is an accomplishment about which we should all take great pride.

DS/lms

Enclosure

cc: School Board Members
Jack Dale
Anthony Griffin
Edward Long
Dean Tistadt

Gatehouse Administration Center: Phase I Cost Savings Report

As of January 29, 2008

Surplused Buildings	
Original Plan	Actual
- Burkholder Center	- Burkholder Center
- Edsall Park Center	- Edsall Park Center
- Devonshire Center	- Eleven Oaks Center
- Lacey Center	- Belle Williard Center

33-Year Life Cycle Costs (In Present Dollar Values)			
Original Plan vs. Current Estimate			
Item	Original Plan	Current Estimate	Inc/(Dec) fm Original Plan
Status Quo			
Lease Cost of Existing Facilities	\$ 19,302,834	\$ 19,302,834	\$ -
Operating Cost of Owned Properties	\$ 25,123,493	\$ 18,534,815	\$ (6,588,678)
Operating Cost of Leased Facilities--Westmore	\$ 7,151,908	\$ 7,151,908	\$ -
Operating Cost of Leased Facilities--City Square Phase One	\$ 154,865	\$ 154,865	\$ -
Debt Service on Bond-Funded Renovation Costs	\$ 11,645,294	\$ 11,645,294	\$ -
Debt Service on Bond-Funded Major Maintenance Costs	\$ 3,520,204	\$ 3,520,204	\$ -
Telecommunications Savings	\$ 6,124,804	\$ -	\$ (6,124,804)
Non-Bond Funded Major Maintenance Costs	\$ 1,406,026	\$ 1,406,026	\$ -
Travel Costs	\$ 8,639,719	\$ 8,639,719	\$ -
Present Value of Cash Flow-Status Quo-Total:	\$ 83,069,147	\$ 70,355,664	\$ (12,713,482)
Purchase of Gatehouse I with Tax-Exempt Leasing			
Staff Reductions	\$ (30,065,542)	\$ (26,568,799)	\$ 3,496,743
Debt Service for Gatehouse I and Land for Gatehouse II	\$ 56,306,872	\$ 56,306,872	\$ -
Lease Cost of Existing Facilities--Other	\$ 388,361	\$ 388,361	\$ -
Lease Cost of Existing Facilities--City Square Phase One	\$ 56,774	\$ 56,774	\$ -
Operating Cost of Leased Facilities--Westmore	\$ 129,112	\$ 129,112	\$ -
Operating Cost of Leased Facilities--City Square Phase One	\$ 2,796	\$ 2,796	\$ -
Operating Cost of Owned Properties	\$ 453,548	\$ 453,548	\$ -
Replacement Reserve Fund for Gatehouse I	\$ 864,252	\$ 864,252	\$ -
Operating Cost--Gatehouse I	\$ 33,848,101	\$ 28,206,751	\$ (5,641,350)
Travel Costs	\$ 217,500	\$ 217,500	\$ -
Present Value of Cash Flow-Gatehouse I-Total:	\$ 62,201,773	\$ 60,057,167	\$ (2,144,607)

Original Plan Savings (Millions)	Current Estimate Savings (Millions)	Inc/(Dec) from Original Plan (Millions)
\$20,867,373	\$10,298,498	(\$10,568,875)

FISCAL IMPACT

The 33-year life cycle savings (in present value dollars) for Phase I is revised to \$10.3M. The revised level represents a decrease of \$10.6M or 50.1% from the original Phase I Business Model planned savings of \$20.9M. The reduction is primarily attributed to:

- **Deferred savings of \$6.6M to Phase II** due to a change in the buildings that were planned for closing and/or reuse. The original plan called for the closing and/or reuse of Burkholder, Devonshire, Edsall Park and Lacey Centers. The actual centers closed or reused were Burkholder, Edsall Park, Belle Williard and Eleven Oaks. This resulted in less staff (129 or 45.1%) and square footage (38,428 or 52.3%) accommodated in Gatehouse I. Space limitations in Gatehouse I precluded the inclusion of these buildings in Phase I. **When adjusting for the deferred savings, the true decrease from the original savings plan is \$4.0M or 19.1%.**

- No telecommunications savings--\$6.1M. It was hoped that the number of switching stations would be reduced with the consolidation, however it was found that, while fewer switching stations were required, they were larger, more complex and costlier to handle the same number of lines and volume of voice and data activities.

- Delay in staff savings--\$3.5M. The original plan called for savings to start in the 4th Quarter of FY 2005 but full savings were not achieved until FY 2007. A total of 18.5 positions have been eliminated.

- The above reductions were partially offset by savings of \$5.6M in energy costs. Based on actual cost data to date Gatehouse I is proving to be more energy efficient than was originally estimated.