



SAVINGS

for Classrooms



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April 6, 2012

Pinellas County School Board and Superintendent
Pinellas County Schools
301 Fourth Street, SW
Largo, FL33770

Dear Superintendent and School Board Members,

I am pleased to share with you the Savings for Classrooms report of recommendations for cost-savings measures across Pinellas County Schools. This project began with a discussion in March 2010 between board members of the Pinellas Education Foundation (PEF), the Superintendent and Pinellas County School (PCS) board members on how we might collectively be able to identify savings during an extremely challenging budget climate. At the PEF board retreat in May 2011, attended by district administration, School Board and Foundation members, it was determined the Savings for Classrooms project would be a valuable undertaking.

John Letvin, an experienced Tampa Bay educational administrator, was hired as a consultant for the project. In consultation with PCS administration, PEF identified six areas of focus for cost-savings discussions: Construction, Energy, Human Resources, Maintenance, Purchasing, and Transportation. This concept was then presented to the School Board and subsequently it was agreed that the Savings for Classrooms final report would be presented in the spring of 2012.

This report was made possible by an esteemed and dedicated group of 32 volunteer committee members including Tampa Bay business leaders and Pinellas County and city public administrators, along with Pinellas County School District staff who worked together to identify the best possible cost savings options and recommendations for the Superintendent and School Board to consider. Volunteers participated in more than 40 meetings, facilitated by Mr. Letvin, at schools and district locations, donating hundreds of hours of personal time for this important endeavor. As you can read in their biographies, Pinellas County Schools is fortunate to benefit from committee members' knowledge and expertise.

The recommendations offered in the Savings for Classrooms report provide an opportunity to examine major operational expenditures within Pinellas County Schools through the lens of third party experts. Savings for Classrooms offers millions of dollars in savings to the district at a critical time of budget shortfalls and it provides best practices that will continue these savings in future years. These savings are significant and they can translate to a better classroom experience for students and teachers in Pinellas County Schools.

It is gratifying to work with a School Board and Superintendent who are open to thoughtful critiques and candid assessments from experienced business and community leaders. We all share the goal of offering the best possible learning environment for students and teachers in our community. These recommendations, if implemented, will allow the district's limited dollars to be re-allocated to serving those who matter most—the students and teachers in our classrooms.

Sincerely,

Craig Sher
Chairman
Pinellas Education Foundation

Savings for Classrooms

Steering Committee

Craig Sher, Chair	President & CEO, The Sembler Co.
Terry Boehm	President, Pinellas Education Foundation
Laura Brock	Managing Director, CBIZ Kirkland, Russ, Murphy & Tapp
Ron Ricardo	of Counsel, Lewis, Birch & Ricardo, P.A.
John Letvin	Facilitator

Construction Committee

Rachel Elias Wein, Chair	Principal, WeinPlus Real Estate Advisory Services
Michael T. Allison	Associate, WeinPlus Real Estate Advisory Services
Paul V. Cumming	Principal, Hayes/Cumming Architects P.A.
Stan Flack	Director of Construction, The Sembler Co.
Dwight E. Holmes	Partner, Holmes Architects
Rebecca Smith	President, AD Morgan Corp.

Energy Committee

Susan Johnson, Esq., Chair	General Counsel, Executive Vice President, Principal, Echelon LLC
Stephanie Agliano	President/Owner, Agliano Utility Solutions, LLC
Gerry Brown	Retired Director, Facilities & Maintenance, District School Board of Pasco County (DSBPC)
Diana Wright	Manager of Energy and Mechanical Services, St. Petersburg College

Health Insurance Benefits Committee

Irwin Novack, Chair	CEO, Kane's Furniture
Lana Bilchak	Director of Benefits & Employee Health, BayCare Systems
David Blasewitz	Employee Benefits Manager, Pinellas County
Dr. Doug Duncan	Sr. Vice President of Administration, St. Petersburg College
Brian Flynn	CEO, Palms of Pasadena Hospital
Diane Kazmierski	Vice President Managed Care, BayCare Systems
Joseph Roseto	Director of Human Resources, City of Clearwater

Maintenance Committee

Scott K. Wagman, Chair	President, Houghton-Wagman Enterprises, Inc.
Gerry Brown	Retired Director, Facilities & Maintenance, DSBPC
Tim Strouse	Vice President, Facilities and Plant Operations, All Children's Health System
Jim Waechter	Director, Facilities Services, St. Petersburg College

Purchasing Committee

Michael Kalt, Chair	Senior Vice President, Development & Business Affairs, Tampa Bay Rays
Brian Auld	Senior Vice President, Business Affairs, Tampa Bay Rays
Louis Moore	Director of Procurement & Supply Mgmt., City of St. Petersburg

Transportation Committee

Jim Myers, Chair	President & COO, Crown Automotive Group
Michael Dean	General Manager/Controller, Florida Gulf Coast Transportation, LLC
Robert Longenecker	Executive Director, Jolley Trolley, Inc.
Brad Miller	CEO, Pinellas Suncoast Transit Authority

Steering Committee

Craig Sher is Executive Chairman of The Sembler Company based in St. Petersburg. Sembler is one of the country's most recognized shopping center development and management firms, responsible for over 130 major shopping center projects and over 200 freestanding retail stores since its inception. Prior to joining Sembler in 1984, Mr. Sher was Vice President of Finance for the Office Building Division of the Rutenberg Corporation of Clearwater, Florida. He began his career with Arthur Andersen & Co. in Chicago, Illinois as a CPA.

Terry Boehm has more than 32 years experience in public education. He is President of the Pinellas Education Foundation which has raised more than \$110 million for public schools in Pinellas County since 1986. Mr. Boehm previously served as President of the Hillsborough Education Foundation in Tampa, and Executive Director of the Polk Education Foundation. Mr. Boehm holds a Master's degree from the University of South Florida.

Laura Brock has more than 30 years of extensive audit and accounting experience in Not-for-Profit, Government and Litigation Support/Forensic Accounting. Prior to joining CBIZ Kirkland in 2007, Ms. Brock was an audit partner with a regional accounting firm, where she led its not-for-profit practice in Florida and the government practice in the Tampa Bay area. Ms. Brock holds the designations of Certified in Financial Forensics, Certified Valuation Analyst and Certified Fraud Examiner.

Ron Ricardo has more than 35 years experience in providing audit, tax and general consulting services. He co-founded Lewis, Birch & Ricardo in 1991 and remains very active serving clients in an "of counsel" capacity. Mr. Ricardo has vast experience with privately held companies and not-for-profit organizations. Previously, Mr. Ricardo served as partner-in-charge of KPMG Peat Marwick's Clearwater office.

John Letvin is the facilitator for the Pinellas Education Foundation's Savings for Classrooms program. Mr. Letvin retired from the District School Board of Pasco County in 2009 following a 21 year career, most recently serving as Supervisor of Planning. Previously, Mr. Letvin worked 22 years in the private sector, including as a business financial marketing executive for commodity firms Archer Daniels Midland, Seaboard Allied Milling, California Milling., Cargill Inc. and with Continental Grain Corp's Conti Commodities as Director of Research for the Chicago Board of Trade commodities. Mr. Letvin holds a Master's degree from the University of South Florida in Marketing Education.

Construction Committee

Rachel Elias Wein is a licensed architect with experience providing advisory services to numerous Fortune 500 companies. Her experience includes over \$40 billion in real estate transactions and \$2 billion in construction projects. Prior to establishing WeinPlus, Ms. Wein was a Development Manager with The Sembler Company in St. Petersburg, and a Senior Associate with Ernst & Young's Construction and Real Estate Advisory Services practice in Philadelphia, PA.

Michael Allison has five years experience as an analyst. For the past year, Mr. Allison has served as analyst for Wein Plus Real Estate Advisory Services. Prior to that, he served as a development analyst and Continuous Quality Improvement Leader for Kimley-Horn and Associates, Inc. Mr. Allison holds a M.S. in Real Estate from the University of Florida. He is also a professionally licensed engineer in the State of South Carolina and a LEED Accredited Professional.

Pauly Cumming is a registered architect and registered interior designer with 15 years experience in the Tampa Bay area. Mr. Cumming's recent projects include Eckerd College Galbraith Marine Sciences Laboratory, City of St. Petersburg Southside Soccer Complex, and San Martin Village. Prior to joining Hayes Cumming Architects PA, Mr. Cumming worked at Ruyle, Hayes+ Jennewein Architects PA, PBS&J, and Mason Blau & Associates.

Stan Flack, the Director of Construction at The Sembler Company, a shopping center development, management, and leasing firm that is rated among the top in the industry has more than 25 years experience in all aspects of retail construction management. Mr. Flack oversaw construction of the \$1 million+ SF Winter Garden Village project near Orlando.

Dwight E. Holmes, FAIA, is an award winning architect who has served Tampa Bay for 50 years. His numerous awards include the Bay/AIA Medal of Honor for Design Excellence and AIA/Florida's highest honor for design, the Award of Honor. Mr. Holmes has been responsible for the design of over 120 secondary schools throughout the State of Florida.

Rebecca Smith is President and Founder of the AD Morgan a construction management organization with annual revenues of approximately \$80 million. The company's project experience includes educational and corrections facilities, offices, retail, food service, television and radio stations and research and university projects throughout the state of Florida. A Class "A" OSHA Certified General Contractor, Ms. Smith has more than 23 years of experience in the construction industry. She holds a Master's Degree in Building Construction from the University of Florida.

Energy Committee

Susan Johnson has more than 15 years experience in various corporate legal positions. At Echelon, she is responsible for all legal services, investment analysis and corporate transactions (acquisitions/divestitures), debt placement, risk management, information technology, marketing and corporate governance Ms. Johnson holds MBA, J.D. and LLM degrees and is an instructor in business law at the University of South Florida St. Petersburg.

Stephanie Agliano has nearly 26 years of comprehensive utility experience with government and community relations, utility mediation, and marketing communications. Ms. Agliano currently serves as President and owner of Agliano Utility Solutions, LLC, an electric and gas consulting company that provides and applies a utility perspective and management to project planning, coordination, and execution.

Gerry Brown has more than 30 years experience in maintenance and facility services for the Pinellas and Pasco County School districts. Mr. Brown served as a SQI Certified Quality Improvement and Customer Service Manager for Pinellas County Schools prior to working for Pasco Schools from 2005 until his retirement in 2011. He previously worked as a real estate associate broker and residential builder in Michigan.

Diana Wright has 11 years experience in the field of energy conservation. As Manager of Energy and Maintenance Services at St. Petersburg College, Ms. Wright is responsible for developing, implementing and managing the college-wide energy conservation program encompassing the full spectrum of utility consumption and other energy-related operations. A Certified Energy Manager, Ms. Wright supervises the Maintenance Services within Facilities Services.

Health Insurance Benefits Committee

Irwin Novack has served as CEO & President of Kane's Furniture for 30 years. Since 1948, Kane's Furniture has developed a well-earned reputation for offering a wide variety of quality furnishings at affordable prices. Prior to Kane's, Mr. Novack spent five years in public accounting at Haskins & Sells, one of the big eight accounting firms. He holds an MBA from the University of Hartford.

Iana Bilchak has 31 years of benefits experience. For the past 15 years she has served Director, Benefits and Employee Health for Morton Plant Mease and BayCare Health System, overseeing development, legal compliance, communication and administration of Health & Welfare plans, Retirement plans, Workers' Compensation and Employee Health. Previously, Ms. Bilchak was a Group Insurance Underwriter at John Hancock Insurance Company.

David Blasewitz has a varied background in the fields of education, insurance and employee benefits. Employed by Pinellas County for 15 years, He serves as the County's Compensation and Benefits Manager, managing employee benefit programs for 4,800 active/retired employees and their families. The overall budget for these programs exceeds \$60 million annually, most of which is self funded by the employer. Previously, Mr. Blasewitz managed HR, risk and benefits for a multi-state publicly traded managed care dental firm.

Doug Duncan, Ed.D., is the Vice President for Administrative, Business Services and Information Technology at St. Petersburg College, where he has held management positions since 1998. He has extensive experience in HR in organizations including the University of Florida, Pensacola Junior College, HR Designs Group, and the State of Florida. Dr. Duncan holds a doctorate in educational administration from Argosy University and a Master of Arts in Human Resource Management from Central Michigan University.

Brian Flynn has more than 20 years experience as a hospital executive. He is currently the CEO for Palms of Pasadena Hospital, a 307 bed community hospital in Southern Pinellas County. Mr. Flynn's previously served as CEO in multi-hospital systems and acute care hospitals ranging in size from 120 to 512 beds.

Diane Kazmierski has been the Vice President of Managed Care for BayCare Health System since the inception of BayCare in 1997. Ms. Kazmierski is responsible for planning, directing, and coordinating all managed care operations, including contract negotiations and compliance. She is currently the president of the Florida Association for Managed Care Professionals.

Joseph Rose to has more than 35 years of Human Resources. Since 2002, Mr. Rose to has served as the Director of Human Resources for the City of Clearwater. He is responsible for all phases of personnel administration for Clearwater including the development and implementation of plans that support its strategic vision. Previously, Mr. Rose to served a long career in the United States Army and held several manager and director level positions in military intelligence and human resources.

Maintenance Committee

Scott K. Wagman has than 15 years experience in the commercial real estate industry in Tampa Bay. He purchases, redevelops and actively manages retail strip centers, offices, warehouses and land. Previously, Mr. Wagman served as President and CEO of Scott Paint Corp., where during a 25 year career; he expanded the company from zero to 22 stores and to \$19,000,000 in annual revenues.

Gerry Brown has more than 30 years experience in maintenance and facility services for the Pinellas and Pasco County School districts. Mr. Brown served as a SQI Certified Quality Improvement and Customer Service Manager for Pinellas County Schools prior to working for Pasco Schools from 2005 until his retirement in 2011. He previously worked as a real estate associate broker and residential builder in Michigan.

Tim Strouse serves as the Vice President of Facilities and Support Services at All Children's Hospital, overseeing Construction Management. He recently completed a \$403 million project to construct an 800,000 square foot replacement hospital, a 250,000 square foot ambulatory building, a Central Energy Plant and an 800 car parking deck. Mr. Strouse has held many positions at All Children's Hospital including Vice President of Operations.

Jim Waechter has more than 29 years experience in the construction and facilities industries. Since 2008, he has served as the Director of Facilities Services at St. Petersburg College (SPC), and previously worked in SPC's Design & Construction department for four year. Prior to that, Mr. Waechter worked in the private sector in businesses related to the construction industry. He holds a Master's degree in Public Administration from Florida Gulf Coast University.

Purchasing Committee

Michael Kalt joined the Tampa Bay Rays in 2006 and manages business development activities for the Rays. He oversaw construction of the year old spring training home in Charlotte County and currently leading the team's effort in evaluating options for a new major league ballpark. He holds a J.D. from Harvard Law School. Mr. Kalt previously served as senior advisor to the New York City deputy mayor for economic development, serving as the point person for the city's new baseball stadiums.

Brian Auld joined the Tampa Bay Rays in 2005 as director of planning and development, helping to define organizational priorities and assist with the transition in ownership. Mr. Auld oversees the team's HR, IT, marketing, community relations, fan experience, and stadium operations departments. He holds an MBA from Harvard Business School. Mr. Auld's previous work experience includes serving as lead teacher and director of development for the East Palo Alto Charter School in California.

Louis Moore, CPPO, CPPB, is the Director of Procurement and Supply Management for the City of St. Petersburg. In 2008, under Mr. Moore's leadership, the City of St. Petersburg received the Pareto Award for Excellence in Public Procurement, the highest award an entity can receive for high performance and best practices. Previously, Mr. Moore served as Purchasing Agent for the City of Olathe, Kansas, and Administrative Services Manager for the City of New Rochelle, New York.

Transportation Committee

Jim Myers has nearly 30 years of experience in the automotive industry and is the President and Chief Operating Officer of the Crown Automotive Group, based in St. Petersburg. Mr. Myers leads Crown Automotive Management Company that manages all phases of operations for Crown's 17 Dealerships and 30 franchises in Pinellas, Tallahassee, Chattanooga, TN and Columbus, OH. He is responsible for franchise and real estate acquisitions and manufacturer relations. Mr. Myers has previous experience at Sun West Inc. and as a CPA at Alexander Grant & Co., in St. Petersburg.

Michael Dean has more than 20 years experience in the transportation industry. He is the General Manager & Controller for Florida Gulf Coast Transportation, LLC, a company with \$10 million in revenues. Previously, Mr. Dean worked for eight years in the banking industry as a vice president and commercial loan officer. Mr. Dean has assisted with multiple acquisition conversions throughout the eastern United States throughout his career.

Robert Longenecker has more than 19 years experience in supply chain management. As Executive Director at Jolley Trolley, the organization has seen a 100% increase in revenue in three years under his leadership. Previously, Mr. Longenecker was Vice President, HCA Inc. in Little Rock, AR, VP, Global Logistics, Grabael Companies, Inc. in Denver, CO., and Managing Director, UPS Logistics Group GmbH, in Düsseldorf, Germany.

Brad Miller is the Chief Executive Officer of the Pinellas Suncoast Transit Authority (PSTA). The PSTA is the regional public transportation authority serving Pinellas County with 200 buses and 540 employees providing service to more than 42,000 daily customers. Mr. Miller has more than 19 years experience in the transportation industry with previous management experience with the Des Moines, IA Area Regional Transit Authority, the Charlotte, NC Area Transit System, and in the Washington DC area. He has a Master's in Public Administration from Syracuse University.

Savings for Classrooms Construction Committee

Representatives of the Pinellas County School District (PCS) met with the Construction Committee and provided meaningful expertise concerning current operations as well as suggestions to cut costs. The Construction Committee applauds the PCS Construction Department's commitment to this cost-saving endeavor. Based on its professional opinion, PCS staff is eager to make changes which will lead to savings, but may have limited resources or authority to produce meaningful change. While the committee does not advocate hiring additional personnel, it is possible to re-allocate resources to support the cost-saving efforts.

Committee findings and recommendations:

1. Real estate

Value: High; Ease of Implementation: Easy

- PCS is holding vacant land and facilities which carry maintenance costs with no guaranteed future benefit. The 20Year Plan does not appear to utilize these sites.

Recommendations:

- Consider the sale of vacant land and facilities to reduce operating budget. While this has not been popular in the past, the ongoing costs related to these unused sites cost approximately \$600,000 per year¹ and could generate millions of dollars in cash for reinvestment.

We will develop a long range plan to land bank vacant properties and reuse any closed facilities. All other properties will be brought to the board for decisions concerning sale or lease.

2. Specifications

Value: High; Ease of Implementation: Medium

- High costs are associated with maintenance. It is important to consider 'first' cost versus 'life cycle' cost for products and assemblies. Often the cost to replace a product may be less than the maintenance cost. These decisions seem to be driven by the objective to reduce potential maintenance costs at the expense of first cost of construction.
- There is a lack of focus on the idealized design of schools. It is important to consider efficiency of design (net to gross building area) along with size and efficiency of spaces. This is primarily an 'education specification' issue. This means that more focus is paid to materials rather than what a school needs from a holistic standpoint
- Current PCS educational specifications have not been updated to current standards in relation to potential cost savings. Specification waste examples include:
 - Extended warranties (i.e. roof)
 - Central Energy control (Existing EMS is very elaborate and expensive. Are actual energy savings really worth the first cost?)
 - o Closed Specifications (Sometimes this is beneficial where uniformity would result in lower maintenance costs; i.e. light fixtures, HVAC equipment, fire alarm systems, clock & bell systems, intercom systems)
 - o Light poles
 - o Ethernet/security cabling
 - o Light switches on timers versus auto dimming lights with remote control

- Community-based needs review (i.e. schools as hurricane shelters). This is an unfunded mandate from the State, but there are provisions for exempting facilities in flood prone areas or where sufficient shelters are already in place. This needs to be coordinated with the County EPO.

Recommendations

- Review the specifications based on value during life cycle versus first costs to ensure that what is provided is functional and necessary rather than excessive and overbuilt. In the opinion of the committee, light poles and HVAC units are examples of excess being built into the specifications. Also consider materiality in those decisions and the likelihood of need/use over a 40/50 year cycle.
- Consider how specifications can be aligned with performance, rather than with products. This solution should be implemented through a complete investigation of the specifications and input given by a longer-term committee of industry professionals.
- The majority of PCS projects involve renovation or replacement of existing facilities. Therefore, it is important to conduct a careful analysis of the cost-benefit comparison of extending the life of older facilities vs. replacing them with more energy efficient and durable construction.
- Cost-benefit analysis of savings due to energy efficiency should be performed before widespread implementation of systems.

A & B This recommendation was submitted by facilities and operations division personnel to the committee. A plan is in development for a complete review of specifications. Staff members from the maintenance and facilities departments are in the process of being identified to participate in the initial review. Additional members representing educators, contractors, architects, engineers, manufacturers and suppliers will be identified and invited to participate in the review process. The Construction Specifications Institute (CSI) [<http://www.csinet.org/>] provides software tools for updating of technical specifications (Architects Handbook). The estimated cost of the CSI materials and software is \$1,000. This activity has already begun and is anticipated to take over one (1) year to complete.

C. We agree that cost-benefit analysis needs to be done to compare the cost of renovation vs. cost of new construction. Future projects will be less elaborate, more energy efficient with durable construction. This will allow our reduced capital funds to be directed more effectively to the educational needs of the district. Procedures will be developed and software purchased to implement cost benefit analysis for facilities planning. This activity will be implemented with the 2012/2013 projects.

D. Currently, Life cycle cost analysis (LCCA) and energy efficiency analysis are done as required by Florida Statutes and Florida Building Code on all major HVAC system replacement or renovations projects. Also all requirements of the Florida Building Code including Energy Conservation are incorporated into design. Additionally, all new districtwide initiatives for technology, controls, building materials, etc. a cost benefit analysis for energy savings will be done.

PSC Technology and Information Systems will provide input to the updating of the specifications and have been very frugal in not recommending excess standards and matching them to anticipated use. For example, after studying the cost difference between Cat. 5e and Cat 6 ethernet cabling, consensus was reached it was not worth the expense to replace our standard Cat. 5e cabling with Cat. 6 cabling.

3. Renovation vs. new construction

Value: High; Ease of Implementation: Easy

- Campus evaluations, rather than following the Castaldi Formula may provide better analysis as to whether or not a school should be renovated or constructed new. The Castaldi Formula is currently utilized by Florida DOE to determine whether an existing school can be renovated to meet current needs or should be replaced by new construction.
- Skilled maintenance staff cannot support the ever increasing sophisticated systems being incorporated into the designs for schools.

Recommendations:

1. More consideration given to renovation versus new construction. As Boca Ciega showed, it may cost more to renovate an existing property rather than replace with new construction.
 2. Campus evaluations could be performed by an unbiased third party inspection team that will evaluate the true worthiness of the existing facility. The cost of the analysis is in the range of \$0.35/sf - \$0.50/sf. The evaluation should be completed in advance of the budgeting for the project to allow accurate information to drive the final estimated cost.
 3. Continuing education should be provided for the on-site maintenance staff to allow for more effective maintenance of the facility.
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1. **Life cycle cost analysis (LCCA) including evaluation of 1st cost, operating costs including energy, maintenance costs (custodial, repairs and preventative maintenance) will be considered when evaluating replacement (new construction) vs. renovation/remodel. Written processes and procedures will be developed for use with 2012/2013 projects.**
 2. **We feel the PCSB condition assessment completed in 2011 for the five (5) year educational plant survey for the purpose of ranking facilities/sites based on established criteria including life-safety, health and welfare; physical plant security; legal requirements; student and facility capacity; existing programs; replacing, upgrading or retrofitting; future direction and programs provided a comprehensive ranking of facilities/sites for expenditure of capital outlay dollars. We will reevaluate our current assessment process and review the benefit of outsourcing to an unbiased third party.**
 3. **On-site training for operation of new equipment including HVAC Chillers, HVAC Controls Systems, Lighting systems, etc. is provided by the manufacturer and the installing contractor. Additional training is also conducted when hardware or software revisions are made. We agree that additional continuing education programs must be developed for plant operations and maintenance staff.**

4. Contracts

Value: High; Ease of Implementation: Easy

- The existing process for selecting, bidding, and negotiating for Architectural and Construction Manager Services is stringent and determined by an unreliable point system. This process forces single negotiations rather encouraging organizations to act as a team.
- The established Guaranteed Maximum Price (GMP) needs to occur earlier. There are no shared savings in the current contracts and the risk is not being borne by the contractor.
- There is no internal process for the development of initial budget.
- Construction Manager (CM) At-Risk contract is being used, but not as intended. The intent is for the (GMP) amount to be estimated before construction drawings have been finalized, traditionally at 50% plan to completion. This is done so that the construction manager shares in the risk with the owner and incentivizes savings. Currently, the GMP is set at 100%

drawings, which shifts a disproportionate amount of risk to the owner.

Recommendations:

- a. There is potential for preconstruction services or integrated project delivery to reduce costs, maintain scope at the defined quality standard.
- b. Review General Conditions in contracts to see what can be removed.
- c. Evaluate how the budget is created.
- d. Consider benefit of 'Developer' in charge versus educator leadership.
- e. Discuss selection criteria improvements and negotiate with multiple vendors.
- f. Establish Guaranteed Maximum Price at 50% plan completion.
- g. Use GMP to establish initial budget.
- h. Introduce Shared Savings in order to align the incentives of the CM and PCS. Current savings are 100% to PCS, which because of the cost plus fee contract, actually gives a disincentive to the CM because it reduces its fee.
- i. All savings from reductions in scope should be returned 100% to PCS, not the contractor.

A-I We will review the recent revisions to our CM contract and update our Hard-Bid contract looking specifically at general conditions, preconstruction services, and budget and guaranteed maximum price (GMP) timelines. We will obtain and evaluate AIA contract documents for integrated project delivery and its potential use. A discussion will occur with our attorneys regarding the legality of negotiating with multiple CM contractors and the idea of shared savings to provide incentives.

5. Project delivery

Value: High; Ease of Implementation: Easy

- Design-bid-build isn't the only solution. Under design-bid-build, key participants cannot be identified until bids are received – too late to meaningfully participate in developing the integrated design. For this reason, traditional design-bid-build is inconsistent with an integrated approach and cannot achieve the efficiency and performance benefits of an integrated process.

Recommendations:

- Integrated Project delivery (IPd) is a project delivery approach that aligns incentives and goals of the owner, architect and contractor through collaborative, multi-party agreements. IPD integrates people, systems, business structures and practices into a process that collaboratively harnesses the talents and insights of all participants to optimize project results, increase value to the owner, reduce waste, and maximize efficiency through all phases of design, fabrication and construction.

We will obtain and evaluate AIA contract documents for integrated project delivery and its potential use. Additionally, other school districts will be contacted concerning their experience with integrated project delivery.

6. Sustainability

Value: Medium; Ease of Implementation: Easy

- Current specifications require sustainable features and energy efficiency be included in new construction and renovations, but are not required to be certified.

Recommendations:

- a. Need to weigh the benefits of having schools become LEED Certified versus the time and money associated with certification, as well as whether it is important to achieving PCS's construction goals. Architects can be instructed to design to LEED standards without the need to incur certification costs which can add \$200,000 or more to cost of facility.
 - b. Review the actual value versus prescribed value associated with energy use and equipment.
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- a. **Boca Ceiga High School was the last project the district incurred additional cost to obtain formal LEED certification. We currently design and construct to LEED standards without certification cost.**
 - b. **We currently evaluate and review the cost effectiveness of energy projects prior to their selection.**

7. Design & Technology

Value: Medium; Ease of Implementation: Medium

- Advances in portable wireless technology may soon make certain aspects of schools obsolete.
- There is currently limited prototype availability for PCS.

Recommendations:

- a. Renovation and new construction may not include certain features that have historically been a part of standard design (i.e. media rooms).
 - b. Understand the requirements that virtual classrooms have on the needs for schools in the future.
 - c. Prototypes: consider PCS only or initiative with Tampa Bay.
 - d. Design of learning environment will need to respond to trend of more personalized learning. Flexible spaces provide opportunities for social interactivity and collaborative, hands-on project-based learning.
 - e. Incorporate infrastructure (electrical outlets and wireless networking) to support mobile and personal ownership of technologies (laptops or tablets).
 - f. Smartboards and other digital-presentation devices enhance the learning process and allow information to be presented in a form with which students are accustomed. However, these technologies are constantly evolving and early adoption can have a large cost impact on renovations and new construction.
 - g. Information seekers do not need to visit a physical location to meet their basic information needs. Internet research will require a re-examination of the role of the media center/library and the storage of hard copy reference material and books.
-
- a-g. **We will review the feasibility of eliminating certain aspects of school campuses and increase the reliance on wireless technology to provide flexible learning spaces. We will acquire and consider prototype designs from surrounding districts for new construction. Existing designs incorporate infrastructure to support wireless technology and the use of personal mobile devices. Smart boards and other important digital presentation devices are important educational tools. Our current model includes the latest technology. As these devices fail and are replaced the current technology at that time will be evaluated.**

Savings for Classrooms Energy Committee

School districts nation-wide face escalating facilities operation costs, due in part to rising energy costs. This report highlights the electric cost savings opportunities, while other reports address additional opportunities to reduce other District expenses. The Committee spent several months understanding the facilities, what's been done to date, what other school districts are doing, what school administrators and principals are doing, and what the business community can offer. The Energy Committee recognizes that all recommendations must respect the safety and health of those using the facilities, as well as the overall quality of campus life. The committee supports the continuation of the efforts initiated by Michael Bessette, Associate Superintendent Facilities, Operations, Safety & Security, for Pinellas County Schools. Mr. Bessette's current initiatives include many of the efforts outlined below.

The committee recommends:

1. Energy Guidelines: The Board should adopt "Energy Guidelines" to specifically provide the four (4) most important items detailed below. Along with the new Energy Guidelines, the Board must establish and implement accountability programs at all facilities including the administration building. Annual savings estimate:\$3,900,000.

The district's facilities, operations, and maintenance departments agree and have already established guidelines and strategies to save the district operating costs. We will continue to review their effectiveness and update the guidelines when appropriate.

- A. Set temperature controls at 76 degrees for A/C (current policy sets temperature at 73 degrees).
The energy savings from a three (3) degree change can be an immediate 5% annual savings, or \$1,300,000.

Our current standard for comfort control in the classroom is 74 degrees F +/- 2 degrees. Most of our HVAC systems are designed to provide the quantities of fresh air required by the Florida Building Code while students and staff are present. This requires our air handlers to run continuously during occupancy. Humidity control is obtained by cooling the air at the AHU to 55 degrees F to dehumidify the air. If we re-programmed our schools using this method, we would lose our humidity control.

The facility and maintenance departments of Pinellas County Schools consider the comfortable learning environment of the students and staff as our main priority. A goal of aligning the district's energy consumption to the state average is attainable with behavioral modification and participation in energy conservation programs by all district employees.

We are currently implementing a program to reduce the runtime schedule of HVAC systems during limited occupancy periods. The data we have collected indicates there is a potential savings of over two (2) million dollars.

- B. Use "Intermittent Occupancy" codes to set outside air at 7.5 CFM per student (currently 15 CFM) in all areas of school buildings; an approach used in Pasco and Hillsborough for HVAC new construction and replacement equipment. Reduced outside air would result in an additional 5% savings or \$1,300,000.

Outside air is a priority to address when it comes to energy savings. The goal of the district is to provide the required fresh air during occupied times and save energy by reducing fresh air during unoccupied times. The district takes advantage of demand control ventilation in areas of large occupancy but lower duration such as cafeterias, auditoriums, and gyms. CO2 sensors are used to detect occupancy and adjust fresh air accordingly.

We do not interpret interment occupancy as defined by the Florida Building Code the same as Hillsborough County. This code allows for a lower Cubic Feet per Minute (CFM) per student in areas that have peak occupancy of less than 3 hours duration i.e. gymnasium, cafeterias, auditoriums, etc. The lower CFM may be determined by the average occupancy during operation. When an average classroom is only unoccupied for 1 to 1.5 hours during a 6.5 hour day, the average ventilation should only be reduced by that fraction. Unoccupied time would need to be 3 hours of a 6 hour day to justify a 50% reduction to comply with the code. Our district meets the requirement of 15 CFM of fresh air during occupancy.

- C. Reduce equipment size on new/replacement projects based on the policy revisions detailed in A&B above. Smaller equipment requirements would result in 25% reduction in all future HVAC projects.

Will examine the feasibility and impact of reducing the size of chiller equipment in future HVAC projects.

- D. Establish cultural expectations for staff and students to conserve all types of energy. Establishing firm cultural expectations district-wide could reduce costs another 5% or \$1,300,000. See guidelines for Pasco and Hillsborough.

The facilities and operations division through the efforts of our energy coaches and maintenance department staff have implemented energy conservation and recycling programs in many schools. In order to effect change we must broaden our expectations for energy conservation to all schools and facilities. It is imperative that district leadership establish a culture of accountability for energy saving and recycling.

1. Designate in-house Energy Managers: Designate two (2) in-house certified energy managers (“CEMs”) to establish an Energy Office to actively implement the “Energy Guidelines” recommendation above. These staff members should report to the Director of Maintenance and work closely with trade shops on daily improvements. They would provide unbiased data on high payback lighting and HVAC replacement projects. Proper use of existing staff will result in fewer positions, more direct leadership, as well as improved communications and accountability. Further, consider placing Energy Office staff under the maintenance department. Two (2) positions are equivalent to one staff member per 70 schools. Three CEMs may be necessary. This in-house designation of CEMs will allow the third-party energy consulting contract to terminate under its own terms.

Energy Requested Work Orders: Requests for new/additional electrical devices or lights that require an increase in electric and/or water consumption are to be reviewed and approved by CEM before plumbers, electricians, or HVAC mechanics install new items. This recommendation directly supports implementation of the Energy Guidelines noted above.

We agree energy coaches should be utilized to encourage energy conservation and reduce costs through modification of the district’s energy culture. A goal of aligning the district’s energy consumption to the state average is attainable with behavioral modification and participation in energy conservation programs by all students and staff.

2. Lighting- Interior Retrofit Project: Retrofit the estimated 40 schools that have T12 light fixtures with T8 light fixtures using a dedicated, in-house staff. (See also Maintenance Committee's recommendation on manpower needs.) The Energy Committee believes this project is overdue and should be a top priority in order to realize significant annual savings. This task is generally included as part of an energy audit recommendation but should not wait for the completion of the Energy Audits (Item 4) below. The savings are significant and there is no need to delay implementation. Annual savings estimate: \$818,000 based on district's report with a one year payback.

The conversion of T12 fluorescent lighting continues to be a priority for the department. The projects to replace T12 fluorescent lighting are incorporated in the district's annual minor capital outlay plan. We will continue to work toward eliminating T12 light fixtures as funding is available. Current estimate to replace all T12 lighting in an elementary school utilizing maintenance department staff is \$17,414; in a middle school \$21,768; in a high school \$33,196.

Lighting- Exterior: The Energy Guidelines should include a policy requiring that all exterior lights are turned off except when a school is occupied by students, for public events, or in extraordinary circumstances such as safety/security reasons. When lighting is required, the following recommendations should be implemented: use a zoning system, LED fixtures, and motion/heat sensors as needed. The Energy Audit (below) must include an evening assessment, and a more detailed policy should be prepared based on the additional data. Annual savings estimate: TBD.

The district will review the current use of exterior lighting at non-occupancy times for all of its facilities to ensure a proper balance of safety and security with energy conservation.

4. Energy Audit: Progress Energy has committed to conduct the full-standard energy audits of the facilities not yet completed (approximately 80 schools) within twelve (12) months, and will process any eligible rebates after project work is completed. Audits will include load profiling, rate structure correction, metering, duct checks, HVAC opportunities, building envelope opportunities including windows and roofs, and maintenance issues. As noted above, some aspects of the audits will be conducted at night. The audits will be conducted at no cost. Recommendations from audits will provide (1) rebates and (2) operating cost reductions. Annual savings estimate: TBD.

We full support the use of energy audits and look forward to reviewing the results to implement energy conservation and savings.

5. Facilities— immediate action:

A. Administration Building: This facility has by far the highest energy use in the District. PCS leadership should set an example by lowering energy costs for this building.

Recommendations include: higher temperature set points, consolidation of work spaces, and re-setting chiller timing (starting later in the morning, turning off earlier at night). These steps would send a message to the rest of the district that Pinellas County School leadership is taking energy conservation seriously.

Annual savings estimate: \$90,000; reduce current energy bills by 15%.

The district has committed to a phased capital project at the Administration building to upgrade HVAC controls, replace some HVAC equipment, and utilize energy conserving strategies to reduce the power

consumption at this facility. The HVAC system is shut down nightly during certain times of the year to reduce energy costs.

B. Portable classrooms:

- i. Eliminate portables where possible and use empty classrooms in permanent buildings.
Portables are expensive to maintain compared to permanent classrooms.

We agree that the elimination of relocatables and the use of existing classroom space in permanent buildings are preferable. We will continue to right-size the district's relocatable inventory in conjunction with the district's student assignment department and Florida Inventory of School House (FISH) requirements.

- ii. Add "4 hour twist timers" to all IA/C units to assure units turn-off. Implement maintenance review to assure air quality. Annual estimated savings:\$100,000.

In lieu of adding twist timers, our plan is to add wall hung Bard units to our existing BMS systems with the installation of control modules. We have completed this at five (5) locations. In locations without a BMS system we will explore the use of twist timers or other technology to limit the runtime.

- iii. Eliminate leased portables and use owned portables.(See Seminole High School report.)
There are likely other school districts selling units as an alternative to purchasing new units. Annual estimated savings:\$800,000.

The district has eliminated 176 leased relocatable units in the past four years. It is our goal to continue to work towards eliminating the use of leased relocatables in the district.

- iv. Eliminate use of outside air wheels on Bard units, a practice implemented at Hillsborough Schools. Annual estimated savings\$100,000.

Werv wheels (outside air wheels) serve a critical need in a wall hung unit for humidity control. These wheels contain a desiccant which removes moisture from the outside air before introducing it into the supply air stream. If you eliminate the wheel, you would be injecting raw, unconditioned moisture laden air into the supply air.

- c. Seminole High School: Planned summer projects for HVAC and lighting should be implemented without delay. The school has been a top energy user for years, and problems exist from prior projects design flaws. Replacing the T12 light bulbs is the highest priority, and remedial HVAC work should consider separate units for gym, auditorium, and cafeteria (consider Polk Schools HVAC strategic plan). Outside air calculation needs to be adjusted as noted above (see Hillsborough's strategic plan). Design flaws may represent a latent defect claim. See Seminole High School report on reasons this school is the highest energy user in district.

Annual savings estimate \$90,000; reduce current energy bills by at least 15%.

The planned project for Seminole High School is currently in design with an anticipated construction start date in early 2013. This project will include several elements including HVAC upgrades, plumbing and kitchen renovation. These renovations will incorporate the latest in energy conservation technologies and allow for the collection of energy data as well as energy management.

6. HVAC Equipment- Replace Inefficient Systems: Rather than waiting for units to fail, a proactive evaluation of HVAC systems should be initiated. This will minimize maintenance repair costs and reduce energy operating costs associated with antiquated, inefficient HVAC equipment.

The proactive evaluation should include a review of incremental technology that could improve efficiency without total system replacement, and fuel sources. Payback is approximately 7-15 years on old, inefficient HVAC equipment and audits will help identify and prioritize these projects.

Our original equipment manufacturers (OEMs) have evaluated and ranked the district's existing chiller systems that are under contract. We are currently finalizing our recommendations on the chiller systems to be replaced. These projects will be established as funding permits.

7. Centralized Energy Management Systems (EMS): Pinellas County Schools use a Building Management System (BMS) that can electronically monitor and control HVAC systems in approximately 120 facilities. Approximately thirty (30) schools lack the remote HVAC monitoring and control infrastructure. As these schools are renovated, BMS monitoring/control should be added. In addition, Intelligent Metering (IM) should be considered to expand the monitoring function to include electricity, gas and water, along with Food Service Monitoring Systems (FSMS). The ongoing installations of EMS to fully-control schools would provide real-time data monitoring and control which provides better management and cost-savings of large, expensive HVAC equipment. See "Proposal to Improve Utility Monitoring" prepared by Pinellas County Schools maintenance staff. However, an alternative to centralized systems which is being used in Polk County, may also be considered (see 9.b. below). Estimated cost savings: TBD.

We agree, and have been incorporating a BMS system as HVAC systems are renovated/replaced.

8. CAPX evaluation: In order to implement these suggestions the District should evaluate capital expenditures/investment (CAPX) using Life Cycle Costing (evaluate the overall cost of ownership, maintenance and operation over the full life of equipment). High-quality, energy-efficient equipment yields lower operating and maintenance costs, and investments can be cash neutral. For example, reduced operating costs can be redirected to cover incremental temporary CAPX investment costs, a policy which is consistent with the District's "pay as you go" philosophy. In addition, relationships with energy and other private sector providers must be evaluated as a source of CAPX funding. Internal staff should become experts in preparing frugal

scopes of work and corresponding project cost estimates. The project management process should be changed to one project or task per one employee/department in order to eliminate misappropriations.

All HVAC projects currently utilize Life Cycle Cost Analysis that is prepared, signed, and sealed by the responsible professional engineer (PE) for each project in accordance with Florida Statutes. Maintenance, operating cost, energy and first cost are analyzed to determine the recommended system type.

9. Other County Practices: See attached Cost Comparison Chart.

a. Hillsborough County School District HVAC Strategic Plan: This plan uses “Intermittent Occupancy” calculation on all existing and new facilities in setting up “Outside Air Intake.” The DOE State Requirements for Educational Facilities requirement of 15 CFM allows for the calculation modification to reduce outside air intake to 7.5 CFM for all classrooms and larger spaces (gyms/auditoriums/cafeterias). Proven results in both energy savings and proper Indoor Air Quality are documented. This reduction has significant cost savings for reheat and conditioning of moist, hot outside air that is being forced into buildings. Pinellas has been steadfast in setting outside air at 15 CFM while Hillsborough has reduced outside air district-wide and saved significant energy costs (some say millions) while indoor air-environmental-building quality issues have been reduced. Pinellas’ “Energy Guidelines” should include instructions to recalibrate HVAC equipment including modified calculations to reduce outside air intake. See also 1.B. above.

Outside air is a priority to address when it comes to energy savings. The goal of the district is to provide the required fresh air during occupied times and save energy by reducing fresh air during unoccupied times. The district takes advantage of demand control ventilation in areas of large occupancy but lower duration such as cafeterias, auditoriums, and gyms. CO2 sensors are used to detect occupancy and adjust fresh air accordingly.

We do not interpret intermittent occupancy as defined by the Florida Building Code the same as Hillsborough County. This code allows for a lower Cubic Feet per Minute (CFM) per student in areas that have peak occupancy of less than 3 hours duration i.e. gymnasium, cafeterias, auditoriums, etc. The lower CFM may be determined by the average occupancy during operation. When an average classroom is only unoccupied for 1 to 1.5 hours during a 6.5 hour day, the average ventilation should only be reduced by that fraction. Unoccupied time would need to be 3 hours of a 6 hour day to justify a 50% reduction to comply with the code. Our district meets the requirement of 15 CFM of fresh air during occupancy.

B. Polk County School District HVAC Strategic Plan: This plan has the lowest reported energy costs in Florida. This school district does not use “chillers” as its primary type of air conditioning equipment. Nor does Polk use expensive Energy Management Systems

(EMS – computer controls) which require purchase, repair and staff training. (Alternatively, see item 7 above for discussion of EMS.) Polk County Schools HVAC Strategic Plan includes following:

- i. Individual small HVAC equipment for each classroom with programmable thermostat controls for each teacher to use with plus/minus 2 degrees.
- ii. No elaborate EMS that is controlled by the district.
- iii. Smaller equipment that is less costly to purchase.

- iv. Smaller equipment that is easy to repair by typical A/C tradesmen.
- v. Thermostat controls that are easy to install and operate and do not require highly trained controls technicians.
- vi. High efficiency A/C units with heat pumps that are very cost effective to operate and are used only to cool or heat occupied classrooms rather than an entire campus (which is cooled or heated when a chiller is used for a single program).
- vii. When one unit breaks down it only impacts one classroom rather than an entire school.
- viii. Polk schools have used this strategy on new and existing schools with outstanding results for both original and ongoing operating costs.

We feel our district benefits from the use of chilled water HVAC systems using EMS control for better temperature and humidity control as well as monitoring. We will explore the Polk County HVAC Strategic Plan for potential application in future projects.

The Energy Committee recommends that Pinellas consider the Polk plan for all future HVAC projects and new school projects. Cost savings projections require further research.

See attached chart on benchmark costs for other similar and local school districts.

Note: The Energy Committee believes the minimum goals for annual energy savings should be \$4,680,000 by lowering energy costs to the State Average per square foot. Preferably, energy savings should be \$14,220,000 by lowering energy costs to the benchmark set by the Polk County School District. Changes as noted in the above recommendations need to be implemented in their entirety as soon as possible.

Attachment: DATA CHART ON COMPARISON OF ENERGY, MAINTENANCE AND PLANT OPERATING COST TO 3 OTHER SCHOOLS DISTRICTS AND STATE AVERAGES.

1. Hillsborough School District - HVAC Strategic Plan "From Our School To Your School"
Ernie MacFerran, P.E. - C.I.A.Q.P.
2. Magazine Article - Ernie MacFerran, P.E. - C.I.A.Q.P.
3. Independent Outside Air Study - Ernie MacFerran, P.E. - C.I.A.Q.P.
4. Pasco Energy Guidelines and School Board Energy Policy
5. Pinellas Utility Management Standards
6. Seminole High School visitation report
7. Cost Comparison Chart of Maintenance, Plant Operations and Energy
8. Pinellas Maintenance HVAC Journeyman Position justification report
9. Pinellas Maintenance Tree Cutting Crew justification report
10. Pinellas Maintenance Relighting Project cost estimate report
11. DOE Energy, Maintenance and Plant Operations cost reports for 07-08 and 09-10 school years
12. Florida Building Code Mechanical Chapters 403.3 (Ventilation) link page
13. Three (3) Pinellas Facilities Organizational charts

Energy Cost Comparison Chart

SCHOOLDISTRICT	DATA FROMDOE PREPARED REPORTS	FISH GROSS SQUARE FEET	#OF STUDENTS COFTE	MAINTENANCE COST PER SQUARE FOOT	PLANT OPERATIONS COST PER SQUARE FOOT	ENERGY COST PER SQUIRE FOOT	TOTALS PER SQUARE FEET	MAINTENANCE COST PER STUDENT COFTE	PLANT OPERATIONS COST PER COFTE	ENERGY COST PER STUDENT COFTE	TOTAL PER STUDENT COFTE
HILLSBOROUGH	2007-08	26,646,386	189,359	\$1.02	\$3.73	\$1.36	\$6.11	\$155	\$565	\$206	\$925
HILLSBOROUGH	2009-10	28,622,354	189,518	\$0.98	\$3.96	\$1.50	\$6.44	\$149	\$598	\$226	\$973
PASCO	2007-08	10,884,063	63,823	\$1.18	\$4.15	\$0.98	\$6.31	\$201	\$707	\$168	\$1,076
PASCO	2009-10	11,430,651	63,519	\$1.15	\$4.01	\$1.14	\$6.30	\$207	\$721	\$205	\$1,133
POLK	2007-08	16,972,253	91,097	\$1.60	\$2.96	\$0.81	\$5.37	\$297	\$551	\$152	\$1,000
POLK	2009-10	17,734,895	90,131	\$1.27	\$2.82	\$0.80	\$4.89	\$250	\$554	\$157	\$961
PINELLAS	2007-08	18,300,039	107,821	\$1.37	\$4.58	\$1.50	\$7.45	\$232	\$777	\$254	\$1,263
PINELLAS	2009-10	18,769,900	103,413	\$1.21	\$4.44	\$1.59	\$7.24	\$220	\$806	\$289	\$1,315
STATEAVERAGE	2007-08			\$1.50	\$4.26	\$1.30	\$7.06	\$257	\$734	\$225	\$1,216
STATEAVERAGE	2009-10			\$1.35	\$4.01	\$1.33	\$6.69	\$242	\$721	\$239	\$1,202

1. Pinellas has highest cost in all three categories compared to similar and nearby school districts and is about 8% higher than state average costs.
2. This chart is based on a Florida State Department of Education report with data through 2009-10 school year.
The 2010-11 update should be issued soon.

Savings for Classrooms

Health Insurance Benefits Committee

Scope

The Health Insurance Benefits (HIB) committee reviewed the existing programs and practices of the Pinellas County Schools (PCS) with the goal of identifying and making recommendations on ways PCS can reduce its current healthcare spend by approximately \$20 million.

Recognizing the challenges within the existing union agreements which allow for collective bargaining of health care, our recommendations do not include any plan design changes which would impact employees and their families. This committee focused its primary analysis on the following:

- Feasibility of self funding the medical plan
- Separately negotiating and managing a Pharmacy Benefit Management Plan (PBM) on a self funded basis
- Creating On-Site Medical Clinics to reduce physician visit expenses, prescription drug expenses and to increase compliance with wellness exams for employees and their families
- Recommendations on modifications to existing consulting contract
- Long term recommendations on union agreement as it relates to benefits and plan design.

Background

The PCS system is the 7th largest school district in the state of Florida and the 21st largest school district in the United States. Pinellas County schools serve about 102,000 students and employ approximately 12,000+ individuals.

PCS employees are offered health care coverage through Humana. Premiums paid to Humana increased 10% in 2010, 3% in 2011 and ~~7%~~**5.82%** in 2012. Premiums for 2012 are estimated to ~~surpass \$134,000,000~~ be **approximately \$119,000,000**. If no plan design changes are made, it is expected that premiums will continue to increase ~~7%~~**6.5%** with the next fully-insured renewal period.

Recommendations

~~Self~~Funded Medical Plan

COMMENT: For many years the Board has been fully insured which enabled the Board to pay a fixed premium with the carrier at risk for all costs. We agree that a detailed analysis of self funding, where the Board is at risk for all costs, is warranted. Our current benefits renewal process (direct negotiations) is considering alternative funding options such as Risk Share, Minimum Premium and Self Insurance. A recommendation on the funding mechanism will be made by senior staff led by Finance and Budget once the benefit review process has been completed and 2013 health benefits have been bargained. Please note that the savings referenced in the report are based upon data and/or assumptions that may or may not be valid for our group.

The HIB Committee contracted with an actuary for the purpose of projecting 2011 actual claims data forward to 2013 and compared it to the existing Risk Sharing Arrangement through Humana. Assuming no plan design changes made, the committee estimates a net savings over three years of just under \$23 million.

COMMENT: Actual current claims data and projected medical trend does not support such a savings. Aon

Hewitt and Humana have reported that the assumptions used by the PEF actuary are overstated and that the result would be that the plan would be underfunded rather than overfunded

PlanYear	Savings Over Existing	Cumulative Savings
2013	\$12,791,000	\$12,791,000
2014	\$15,021,000	\$27,812,000
2015	\$17,437,000	\$45,249,000
Reserve Requirement*	(\$22,324,000)	\$22,925,000

Reserve Requirements: Florida Statute 112.08 requires a “local governmental unit” to provide the Office of Insurance Regulation with an actuarial certified plan including evidence of sufficient revenues to pay current and future liabilities based on generally accepted actuarial principles. In discussions With Actuary Jay Mininti, FSA, MAAA, MBA and Mary Tillman, District School Board of Pasco County Director Employee Benefits Assistance & Risk Management, the Office of Insurance Regulation does not require immediate funding of the reserve requirement.

COMMENT: Finance and Aon Hewitt believe that funds have to be available by the end of the plan year, December 31, 2013. We have requested an opinion from the Auditor General's Office.

The Reserve Requirement is designed to pay for claims that were incurred when the plan was in force but were not presented for payment until after the plan is terminated. Funds should not be needed until plan termination. As illustrated, self funded plan costs include a 3% margin to account for claims fluctuation.

See Exhibit 1.

■ Pharmacy Benefit Management (PBM) Plan

PCS currently utilizes the PBM services of Humana as part of its medical plan relationship. Based on PCS' current prescription drug spend of \$19,000,000 (based on data available on six months ending 6/30/11), the committee's preliminary analysis illustrates there to be substantial savings opportunities by contracting for these services separately to ensure best practices. The HIB Committee worked with PBM specialists, Pharmaceutical Strategies Group (PSG), to estimate possible savings opportunities through an aggressively managed Request for Proposal process and rigorous contracting guarantees to ensure the ongoing financial accountability of PCS' prescription drug expenses.

COMMENT: The current benefits renewal process asked carriers to quote health plans with and without pharmacy benefits. Once we agree upon the 2013 health plan design, we will evaluate the PBM recommendation so that we can recommend a pharmacy benefit model that provides the best combination of price, service and access

Assuming there are no changes in the prescription drug co-pays and assuming all detailed plan provisions are successfully addressed, the committee estimates a savings over three years of just over \$ 8.8 million.

Planyear	Savings over existing	Cumulative savings
2013	\$2,462,000	\$2,462,000

2014	\$3,053,376	\$5,515,776
2015	\$3,715,269	\$9,231,045
Expected Consulting Fee for PBM Management*	\$125,000/year	\$8,856,045

COMMENT: Our current generic utilization of 73% is far greater than the 17.3% used in this report so it does appear we can realize such savings.

*HIB Committee believes the specialized annual consulting for this service (paid to PSG or similar organization) should be funded from the current broker compensation, however, for illustrative purposes, we are assuming it is an additional expense against savings.

These savings are in addition to the savings achieved through self funding as no prescription drug savings were contemplated in the self funded analysis.

See Exhibit 2. See Supplemental Exhibits for additional information on PBMs from PSG.

■ On-Site Medical Clinic

Based on 2011 data provided by PCS and Humana, PCS employees realized 141,000 physician office visits in 2010, with resultant professional fee charges of nearly \$19,000,000 and an average cost of ~~\$134~~**\$78.00** per visit.

Implementing On-Site Medical Clinics operated by an external management company will cost the School System a range of \$60-\$75 per employee per month (PEPM), depending on the management company contracted and services offered. Of this total cost, a management fee ranging from \$19-\$31 PEPM will be earned by the management company. With a volume of ~~12,190~~**11,698** lives, PCS will realize monthly operating and management expenses of \$750,000 - \$900,000.

COMMENT: The current benefits renewal process asked carriers to consider incorporating wellness centers into their proposals. We are evaluating those responses. We have also met with Health Stat, a company that is working with Florida School Districts to implement health clinics. Once we have agreed upon the 2013 health plan design we will begin the process to develop an Employee Wellness Center Model that best meets our current needs and determine if we should incorporate Wellness Centers into our proposed health plan design or select a external partner who can provide these services beginning January 1 ,2013.

Other governmental organizations who have implemented On-Site Medical Clinics include:

- City of Tampa
- City of Clearwater
- City of Dunedin
- Pasco County Schools
- Polk County Government

Based on best practices and similar analysis conducted by The City of Clearwater, approximately 60% of employees and 30% of covered family members will utilize the clinic in its first year of operation. With a volume of 12,190 lives (but unknown geographic distribution of employees/lives at work site locations), a minimum of three initial clinics should be opened to meet expected employee demand.

With the opening of said clinics, industry trends identify present PCS health care costs for external

primary care will decrease by 50%. First year financials of an employee clinic historically yield a 1.5:1-3.0:1 return on investment for each dollar expended in clinic operation. Historically an 18-30% total cost return will be realized by the start of year 2.

COMMENT: Three clinics will not have the capacity to service 60% of our employees and 30% of our covered members. We do not believe that primary care physician visits will be reduced 50% based upon the fact that many of our employees have had long standing relationships with their physicians and that employees would not be allowed to go on work time as in the proposed model.

Using the data provided by PCS, the results projected are a reduction in health plan expenses of \$15,800,000 with projected clinic expenses at approximately \$9,700,000 resulting in net savings of \$6,000,000 in the first year alone.

Plan year	Savings over existing	Cumulative savings
2013	\$6,000,000	\$6,000,000
2014	\$6,000,000	\$12,000,000
2015	\$6,000,000	\$18,000,000

COMMENT: If our current cost is approximately \$70 and the proposed clinic cost is \$60-\$75 then we will not realize the savings suggested. The model also does not appear to account for increased utilization of employees not accessing health care today who would take advantage of the convenience of the clinic and zero co-pay.

See Exhibit 3.

Existing Consulting Relationship

Modification of Existing Contract: We recommend the Pinellas County School Board be provided a thorough understanding of the terms of the consulting agreement entered into by James Robinson, General Counsel for PCS, on May 10, 2011. The executed contract may be misleading or at the very least needs clarification. It states that the term of the agreement covers January 1, 2011 through December 31, 2013 (3 years). The same document, under the Compensation heading, is worded as follows:

“The Consultant’s compensation for the entire term of this Agreement shall be paid for services as follows:

A. <u>Consulting and Communication Services</u>	
1. Broker/Consulting Services	\$600,000
2. Benefits Communication	\$150,000
Total	\$750,000”

This wording implies that PCS’ current benefits consultant would receive \$750,000 over three years. The consultant confirmed they are actually receiving \$750,000 each year in commissions.

Competitively bid consulting relationship: We appreciate the 20+ year institutional knowledge that PCS’ current benefits consultant brings and recognize the fact that their entire compensation is funded by plan participants rather than by PCS directly. However, we believe it is the fiduciary obligation of PCS to ensure that PCS’ current consultant is bringing the best service for the most

competitive and appropriate cost to the plan participants. This arrangement was last competitively bid in 2006. In addition, this evaluation should include a comparative study of the fees other school boards are paying for consulting services as well as how other school boards have staffed their benefits/risk management departments in order to ensure that between the two parties, the needs of employees can successfully be met.

COMMENT: Aon Hewitt has been the Board's employee benefits broker and consultant for many years. These services were bid in 2006. On May 10, 2011 the Board approved a two year extension of the Aon Service Agreement through 12/31/12. As part of our ongoing effort to minimize costs, we successfully negotiated a reduction in fees from the prior \$813,000 annual cost to \$750,000. The agenda item clearly states that there is a \$750,000 annual fee.

We are negotiating revised terms to our existing agreement with Aon Hewitt which expires on December 31, 2012. Once we complete the 2013 benefit renewal process we will review our existing broker/consultant relationship and issue an RFQ in order to initiate a direct negotiation process to select a Benefits Broker/Consultant.

■ Union Agreement

Health care is a mandatory subject of collective bargaining and can prove to be a long and often adversarial process. What has proven to be successful in many organizations is to form a benefits committee that is comprised of representatives from each union, non-unionized employee groups, and management. In the City of Clearwater, the unions have waived their right to collectively bargain in order to be involved in every aspect of the process. This includes but is not limited to review of all available data (claims experience, etc.), budget and revenue information, RFP preparation, plan designs, and costs. The process is completely transparent. The committee then makes a recommendation concerning what health plans will be offered with the City Council having the final say on any new plan.

This will be new ground for the Unions as they may not be comfortable with only having the ability to make a non-binding recommendation. But since they will be involved every step of the way, there should be less apprehension on their part. It's a process, but for other organizations, employees have become very knowledgeable regarding how benefits work and pragmatic in that they realize they must work with management to get the best deal they can with the resources available.

Assuming PCS is able to successfully negotiate the next union contract to reflect what the City of Clearwater has been able to accomplish, we recommend PCS 'Benefits/Risk Management Leadership lead the collaborative benefits committee discussions that includes both PCS leadership and representatives from the unions. In addition, we recommend this collaborative committee, led by PCS Director of Risk Management & Insurance, consider including such medical cost management best practices as:

- Re-evaluate employee contributions for single and family coverage, especially for spousal coverage with access to another group plan.
- Provide discounts for non-tobacco users.
- Reward employees for demonstrating healthy lifestyle habits including knowledge of current BMI and/or maintaining healthy BMIs, compliance with disease management programs, age appropriate wellness exams, etc.
- Require all employees to complete Health Risk Assessments (HRAs), perhaps offering one low cost option that can only be elected if an HRA is completed.
- Continue to modify plan designs to promote consumerism and discourage overutilization.

See Supplemental Exhibits for summary of other large Florida school systems medical benefits plans.

COMMENT: We are working with the Health Insurance Advisory Council and the District Wellness Committee to develop recommendations that align to the considerations listed by the Savings for Classroom Health Benefits Committee.

Summary

Please note that the savings illustrated are for each recommendation independently. If multiple recommendations are implemented, savings would have to be recalculated as some savings may be duplicative.

Background notes

COMMENT: Some of the following data is not accurate and the assumptions used not valid for our group. That being we agree that self insurance, PBM and wellness centers are all strategies worth exploring.

Self funded historical information provided by PCS includes

Historical premiums have increased 10% (2010), 3% (2011) and 7% (2012). Based on the information provided, premium increases have averaged 7% while PCS' claims trend has been 5%.

Modest plan design changes were made from the 2011 Plan Year (PY) to 2012 PY. This change is expected to reduce 2012 claims by 1.5% based on historical usage (by this actuary) prior to any trend adjustment.

The introduction of Humana's Risk Sharing Arrangement beginning in 2012 provides for the opportunity for PCS to share in any surplus as well as have any surplus be offset by a claims deficit within certain parameters.

Humana's Risk Sharing Arrangement requires PCS to remain with Humana 120 days after each plan year ends in order to receive the appropriate return of excess premium payments. PCS is concerned about the state's reserve requirements for self funded plans. Regulations under statute 112.08 require the state to validate the actuarial methodology of the plan in advance of the effective date of a self funded arrangement. It is generally understood that safe reserves must be equal to 17% of expected claims (representing 2 months of claims – Incurred But Not Reported (IBNR)) as opposed to non-governmental groups who generally would reserve 11% (representing 1.3 months of claims – IBNR).

Milliman conducted a feasibility study of self funding for PCS in 2006. The results of their analysis lead them to conclude "that it is feasible for the Board (PCS) to consider moving to a self funded arrangement in the future. However, the timing does not seem right to move to self funding..." Milliman cited Medical Loss Ratio (MLR/MER) volatility over the prior 14 years as the primary reason to question the timing of moving to self funding in 2007.

Humana's retention costs are 8%.

PCS' pooling point with Humana is \$500,000 per person.

Self funded projections use the following assumptions

Plan Year 2011 claims data is trended forward to 2013 claims.

Fully insured premiums will continue to increase an average of 7%.

Claims trend will remain at 5%.

An margin of 3% is added to self-funded

projections. No plan design changes are made.

The existing Risk Sharing Arrangement remains in place.

Humana's fully insured retention cost remains at 8%.

Self funded administration costs are \$44/ee/mo, increasing at a rate of 5% per year.

Individual stop loss at \$500,000 per person at \$13/ee/mo, increasing at a rate of 20% per year.

POS will have five claims exceed \$500,000 rather than the historical three claims.

No aggregate stop loss is purchased.

The state requires a 17% reserve requirement rather than the standard reserve guideline of approximately 11%.

Future claims are expressed on an incurred rather than on a paid basis to allow for periodic adjustments needed to keep reserves adequate. Pharmacy Benefit Management

- Six months of prescription drug spend ending 6/30/11 was provided by Humana and annualized to \$19,000,000 with no change in utilization.
- Pharmaceutical Strategies Group reports typical first year savings of carved out PBMs of 7-15%. Our analysis assumes a 7% savings plus 3% margin or a 4% savings overall the first year.
- No assumptions we made for additional savings with changes in clinical programs, plan design or third year "market checking."
- Second and third year savings are based on slightly lower trend of 3% (PBM) compared to 5% (existing). Both assumptions include a 3% margin.

Employee Health Clinic Proposed Savings

- Approximately 80% of all wellness physicals presently performed on school system employees will be performed in the on-site clinics. Cost savings can be extrapolated utilizing the number of wellness physicals paid in the past 12 months, multiplied by 80%. This will be actual savings realized by the school system.
- System employees will be referred to specialists for specific treatment issues. Specialty office visits, however, will decrease by approximately 45% due to the decrease in self referrals when employees utilize the employee health clinic as their medical home.
- Pharmacy costs will be reduced by 30-50% with the shift to generic, tier one drug dispensing on site (as appropriate). Additionally, employee savings will be realized with a 90 day generic fill dispense from the employee health clinic, at no charge to the employee.
- Approximately 60-75% of all laboratory cost will be eliminated with implementation of a CLIA waived laboratory, with drawing station, on site.
- A2:1 return on investment on disease management lifestyle coaching can be realized over the course of clinic operation. These are long term dollar savings and are realized as employees modify lifestyles and impact trended system medical management issues: obesity, hypertension, and pulmonary disease.
- Implementing On-Site Employee Health Clinics, operated by an external management company, will cost the School System a range of \$60-\$75 per employee per month (PEPM), depending on the management company contracted and services offered. Of this total cost, a management fee ranging from \$19-\$31 PEPM will be earned by the management company. With a volume of 12,190 lives, the School System will realize monthly operating and management expenses of \$750,000 - \$900,000.

Claims Projections–Calculation details

Plan year: January 1, 2013

Claims Experience Period:

2011

		<u>medical</u>
<u>Claims</u>		
Paid Claims		\$105,046,000
Full amount of large claims > SL limit of \$500,000	3	(\$1,829,000)
Net Claims		\$103,217,000
Employee Months		143,067
Average Employees		11,922
Experience PEPM		\$721
Annual Trend		5.0%
Trend Months		24.0
Trend Factor		1.103
Incurral Factor		1.008
Other adjustment		1.000
Contract size adjustment		1.000
Plan Adjustment		0.985
Margin		1.030
Net Adjustment Factor		1.128
Retained amount of large claims	5	\$17
Projected PEPM		\$831
2013 Expected Employees		12,190
2013 Total Claims Including IBNR		\$121,491,000
<u>Expenses</u>		
Administration PEPM	5.0%	\$44
ISL PEPM	1.5%	\$13
ASL PEPM	0%	\$0
Expenses PEPM	6.5%	\$58
2013 Total Expenses		\$8,446,000
<u>Subtotal</u>		
Subtotal PEPM		\$888
2013 Subtotal Cost		\$129,937,000
<u>Required surplus (Fund Balance) per Florida statute 112.08</u>		
Surplus PEPM (2 months)	17%	\$138
2013 Surplus		\$20,249,000
<u>Total</u>		
Total PEPM		\$1,027
2013 Total Cost (volume = 12,190)		\$150,186,000

Current Premium 2012	\$134,107,000
Required Change 2013	12.0%

Total Projected Claims 2014 (Trended)	\$127,566,000
Expenses (Admin Trended @ 5%, SL @ 20%)	\$9,161,000
Surplus Maintenance Requirement	\$1,012,000
Total Annual Cost 2014	\$137,739,000
Total Projected Claims 2015 (Trended)	\$133,944,000
Expenses (Admin Trended @ 5%, SL @ 20%)	\$9,969,000
Surplus Maintenance Requirement	\$1,063,000
Total Annual Cost 2015	\$144,976,000

Not included above: approximately \$625,000 expected 2013 premium for Vision

Exhibit1, Page2

Comparison of Medical Plan –Self Funding vs. Risk Share

	2009	2010	2011	2012	2013	2014	2015	2013-15 INPUTS
Fully insured								
Claims	\$98,161,000	\$104,619,000	\$107,909,000	\$115,706,000	\$121,491,000	\$127,566,000	\$133,944,000	
Retention	\$9,358,000	\$16,130,000	\$16,878,000	\$18,401,000	\$22,003,000	\$25,973,000	\$30,343,000	
Premium	\$107,519,000	\$120,749,000	\$124,787,000	\$134,107,000	\$143,494,000	\$153,539,000	\$164,287,000	Premium Growth 7%
Premium Increase \$		\$13,230,000	\$4,038,000	\$9,320,000	\$9,387,000	\$10,045,000	\$10,748,000	
Premium Increase %		12%	3%	7%	7%	7%	7%	
Risk Share Arrangement:								
Target MER/MLR for Surplus				86.0%	86.0%	86.0%	86.0%	Target MER 86%
Target MER/MLR for Deficit				89.0%	89.0%	89.0%	89.0%	Deficit Increment 3%
Actual MER	91.3%	86.6%	86.5%	86.3%	84.7%	83.1%	81.5%	
Target Claims				\$115,332,000	\$123,405,000	\$132,044,000	\$141,287,000	
Surplus(Deficit)				(\$374,000)	\$1,914,000	\$4,478,000	\$7,343,000	
PCS Share				\$0	\$766,000	\$1,791,000	\$2,937,000	PCS Share 40%
Humana Share				(\$374,000)	\$1,148,000	\$2,687,000	\$4,406,000	
PCS Net Cost =Premium -PCS Surplus				\$134,107,000	\$142,728,000	\$151,748,000	\$161,350,000	
PCS Net Cost Increase \$				\$9,320,000	\$8,621,000	\$9,020,000	\$9,602,000	
PCS Net Cost Increase %				7%	6%	6%	6%	
self-Funded								
claims				\$115,706,000	\$121,491,000	\$127,566,000	\$133,944,000	Claims Trend 5%
Expenses				\$18,401,000	\$8,446,000	\$9,161,000	\$9,969,000	Margin 3%
Illustrative Surplus Funding				\$0	\$20,249,000	\$1,012,000	\$1,063,000	Admin Trend 5%
Premium Equivalent				\$134,107,000	\$150,186,000	\$137,739,000	\$144,976,000	Stop Loss Trend 20%
PCS Net Cost Increase \$					\$16,079,000	(\$12,447,000)	\$7,237,000	
PCS Net Cost Increase %					12%	-8%	5%	
Difference from PCS Net Cost					\$7,458,000	(\$14,009,000)	(\$16,374,000)	
Cumulative Difference						(\$6,551,000)	(\$22,925,000)	

notes:

Assumed claims and premium for all years normalized to current enrollment of 12, 190.

2010 claims include estimate of run-out from 2009.

Deficit carries forward to a \$2mil limit to offset future surplus only.

Jay Miniati, Inc.
Actuarial and Insurance Services

Actuarial
memorandum regarding
Illustrative medical Plan Projections for Pinellas County Schools
March30, 2012

We have been engaged by the Savings for Classrooms Health Insurance & Benefits Committee to provide illustrative medical plan cost projections for Pinellas County Schools ("PCS"), for consideration were the School Board to convert its plan funding status from fully insured, as it has been for many years, to self funded status beginning in 2013.

Results

Our results are contained in Exhibit 1, which consists of two pages. The first, entitled "Claims Projections – Calculation Details", displays the line by line development of the expected self-funded cost of the medical plan in 2013, using 2011 experience as the base. Given the projection for 2013, the development also projects costs for 2014 and 2015. Of particular note in the development is the concept of required surplus. This concept for self-funded public entities in Florida is governed by Florida Statute § 112.08, regarding actuarial soundness. Please refer to the statute for more details.

The second exhibit, entitled "Comparison of Medical Plan - Self Funding vs. Risk Share", includes the financial history of the plan from 2009 to 2011 and provides projections for 2012 through 2015 under both funding options. The medical plan remains fully insured in 2012. Please note that the financial history and projections for all years have been normalized to current enrollment of 12,190. Under the fully insured option we also have modeled out our understanding of a risk sharing arrangement that was instituted in 2012 between PCS and its insurer, Humana.

Source data

In performing our projections, we have relied on data provided to us by the Savings for Classrooms Health Insurance & Benefits Committee, AonHewitt and Humana. We have placed primary reliance on an electronic file of claim experience, enrollment and premium data called "PCS Medical-Dental-Vision RFP Worksheets", related to RFP# 12-946-186-RFP. We have reviewed all data provided to us for reasonableness but have not audited it; as such, we are not certifying herein as to its accuracy. If the underlying data is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Assumptions

Our assumptions for items such as claims trend, expected large claim incidence and premium growth are derived from a review of PCS's experience. Our expense assumptions, and the projected changes in those expenses, are derived from our understanding of market pricing for similarly situated groups.

Conclusion

We believe the techniques and methodologies used to produce our results are reasonable and reflect our best estimate of the expected future costs of the medical plan, and are calculated in accordance

with generally accepted actuarial principles as promulgated by Actuarial Standards of Practice Numbers 5 and 23. However, it should be noted that the actuarial items referred to in this analysis are estimates of liabilities, and the exact liabilities can only be determined after a sufficient passage of time permits the filing and payment of all outstanding claims.

If you have any questions or need additional information, please call me at (813) 442-4647 or email jay@jayminiati.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay C. Miniati". The signature is fluid and cursive, with the first name "Jay" being more prominent.

Jay C. Miniati, FSA, MAAA, MBA
President and Chief Actuary

Exhibit2, Page1
PBM Best Practices comparison

Annualized six
months ending
6/30/11

Metric	2011 PCS	2011 comparison	notes
Average Number of Members	23613	23497	
Total Number of Claims	267079	177403	
Number of Scripts Per Member Per Month (PMPM)	0.94	0.63	
Total Plan Paid	\$19,000,000	\$14,249,548	
Total Plan Paid PMPM	\$67.05	\$50.54	
Member Share	23.4%	21.7%	From data provided by Humana
Generic Dispensing Rate (GDR)	74.5%	17.3%	From data provided by Humana
Trend (Trend Plus Margin)*	8.00%	-3.90%	Self Funded Assumptions
2012 Plan Year Expected Costs	\$20,520,000	\$13,693,816	

Exhibit2, Page2
PBm projected cost and savings

	Future costs Assuming no change	Future costs assuming PBm	difference
2011 Costs	\$19,000,000	\$19,000,000	
Trend (Appropriate Trend Plus 3% Margin)*	8.00%	8.00%	
2012 Plan Year Expected Costs	\$20,520,000	\$20,520,000	
Trend (Appropriate Trend Plus 3% Margin)*	8.00%	-4.00%	
2013 Plan Year Expected Costs	\$22,161,600	\$19,699,200	(\$2,462,400)
Trend (Appropriate Trend Plus 3% Margin)*	8.00%	6.00%	
2014 Plan Year Expected Costs	\$23,934,528	\$20,881,152	(\$3,053,376)
Trend (Appropriate Trend Plus 3% Margin)*	8.00%	6.00%	
2015 Plan Year Expected Costs	<u>\$25,849,290</u>	<u>\$22,134,021</u>	<u>(\$3,715,269)</u>
THREEYEAR TOTALS	\$71,945,418	\$62,714,373	(\$9,231,045)

Exhibit3
On-site medical clinic savings projections
Year1

Based on calculation used for City of
Clearwater On-Site Medical Clinic
Savings Projection

			Notes
Professional Service Charges		\$18,956,724	<i>Based on number of office visits times average cost paid per visit Provided by Humana</i>
Total Office Visits	X	141,588	
Cost Per Visit	=	\$134	
Utilization Assumption (% of Office Visits)*		30%	<i>Best practices</i>
Total Office Visits		141,588	
Office Visit Shift	X	42,476	
Office Visit Savings (Visits x Cost Per Visit)	=	\$5,687,017	
Total Prescription Costs		\$18,843,116	<i>Best practices</i>
Prescription - % Shift	X	20%	
Prescription Savings	=	\$3,768,623	
Additional Plan Costs		\$63,881,711	<i>Total plan premiums MRL less charges already captured here Best practices</i>
Capture Rate	X	10%	
Additional Cost Savings	=	\$6,388,171	
Total Medical Savings		\$15,843,812	
Estimated Program Cost Year 1 (extrapolated from City of Clearwater Savings Projection)		\$9,711,656	
Estimated Net Savings		\$6,132,156	
Estimated Return on Investment		163%	

Based on data from Ted Pafundi for the Pinellas County School's 2010/2011 plan year. Avoidance cost savings include trend reduction, reduction of unnecessary ER, Urgent Care, specialist office visits, as well as disease management engagement. Savings estimates are projections based on industry data and are not a guarantee of performance. Factors that affect savings include, but are not limited to, hours of operation, services provided, locations, prescriptions offered and group utilization. Not inclusive of Worker's Compensation savings.

Savings for Classrooms Maintenance Committee

Findings:

Pinellas County Schools (PCS) owns more than 140 schools and other buildings. Many of its buildings are older than the average age of buildings in other school districts. PCS faces a daunting task of cost effectively implementing remedial maintenance throughout its properties. The Facilities Department generally does not perform proactive preventative maintenance measures due to immediate exigencies and a perceived lack of resources. The Maintenance Committee believes that the intensely technical nature of modern building maintenance along with the huge geographic region that must be covered necessitates a complete rethinking of how the process is operated in Pinellas County. The committee's recommendations are centered on the need for a much higher level of management experience and expertise, decentralizing many functions, testing a 'managed contracting' firm to run maintenance, and much greater coordination and cooperation between the purchasing and construction departments. Millions of dollars can be saved with better outcomes for the maintenance of more than one billion dollars of physical plant assets. Through a review of documents, several committee meetings and the benchmarking of PCS's maintenance operations against other districts in the state, the committee recommends the following actions:

Recommendations:

Members of the Maintenance Committee met with Mr. Michael Bessette, the Associate Superintendent, Facilities, Operations and Security of PCS. A review of documents, several meetings and benchmarking other educational institutions relevant to the maintenance committee helped formulate the following findings and recommendations:

1. The job description for the Associate Superintendent for Facilities, Operations and Safety and Security of PCS needs to be revised to meet the "future requirements" of this position. This person needs to be an experienced senior facilities executive leader, educated and trained for hi- tech operations specifically in directing the operations of a multi-facility organization similar in scope and size to the Pinellas County School system. This person should have the ability to motivate and lead personnel while applying innovative techniques to reduce costs of operations resulting in improved efficiencies and results. It is critical that this key position be filled with the proper leader as all efforts at analyzing the present cost structure while mapping out an effective strategic plan of action will succeed only with the strong guidance of effective leadership.
2. PCS should issue a Request for Proposal (RFP) for the hiring of a "Managed Contracting" firm. This firm, working under the Associate Superintendent, shall manage the plant operations of all maintenance and custodial services for PCS. A "Managed Contracting" firm utilizes state-of-the-art organizational systems and management techniques that optimize the use of existing labor to increase efficiency and reduce costs. A reduction of redundant management layers with this hiring would significantly reduce costs and improve results for PCS.

We will explore the benefits of outsourcing management of our plant operations and maintenance personnel.

The maintenance department has reduced its leadership positions over the past several years through a series of reductions in force (RIF) and attrition. These positions include service foreman, maintenance managers and assistant director. We will continue to adjust our leadership positions to ensure we have an appropriate staffing model to oversee the 241 maintenance department employees.

3. PCS should immediately implement a program of selling all vacant land and closed buildings as recommended by the Construction Committee. Empty buildings deteriorate at a more rapid rate than occupied ones and require significant resources while contributing zero to the educational mission of PCS. The benefits are three-fold:

- A. Millions of dollars of cash can be generated through the sale of surplus properties.
- B. Maintenance costs will be significantly reduced by the liquidation of these properties.
- C. Placing excess parcels back on the tax rolls will generate tax revenue for the benefit of schools and municipalities.

We will develop a long range plan to land bank vacant properties and reuse any closed facilities. All other properties will be brought to the board for decisions concerning sale or lease.

4. PCS should consider decentralizing the maintenance staff to reduce drive times and increase response speed throughout three zones: north, central and south. Far too much time is spent driving to and from locations, rendering much working time ineffective in actually maintaining the physical plant.

This recommendation was submitted by maintenance department personnel to the committee. The department is currently working on developing strategies for implementation. Major logistical issues remain to be resolved regarding the procurement of fuel for vehicles and establishing warehousing in the offsite locations.

5. PCS should take immediate steps to join appropriate buying groups to reduce the costs of purchased products and services for Pinellas County. The size of the Pinellas County School system could add large volume to a purchasing consortium's bargaining power which could yield large reductions in the cost of purchased items and services for all involved.

The maintenance department does participate in piggyback purchases. We will continue to explore the most cost effective procurement of materials and supplies while working with the district's purchasing department.

6. Additional cost savings can be realized, some with a very rapid payback on capital by implementing the following recommendations:

- a. The maintenance department presently has 205 active cell phones. This should be reduced by elimination and converting when necessary to two-way radios such as Sprint Nextel.

The maintenance department's current cell phone devices incorporate direct connect technology and is utilized daily. The department receives an annual e-rate rebate (approximately 68%) from the federal government which significantly reduces the department's expenditure for communications.

- b. Immediate conversion of the T12 fluorescent light fixtures to T8 fluorescent light fixtures in 40 schools will result in immediate savings of 40% in lighting alone.

The conversion of T12 fluorescent lighting continues to be a priority for the department. The projects to replace T12 fluorescent lighting are incorporated in the district's annual minor capital outlay plan. We will continue to work toward eliminating T12 light fixtures as funding is available. Current estimate to replace all T12 lighting in an elementary school utilizing maintenance department staff is \$17,414; in a middle school \$21,768; in a high school \$33,196.

- c. The utilization of outside consultants such as ESG has likely reached its full potential benefit to PCS. Responsibility for continued cost cutting going forward should rely on in-house leadership.

ESG has been has received notice of our intent not to renew the contract. A final decision will be made shortly.

- d. There are currently more than 8,500 open maintenance work orders, an untenable figure. This indicates a critical need for a new systematic approach to radically improve customer service and respond to requests in a timely manner. A "Managed Contractor" approach should solve this problem.

The department currently has 7,579 open work orders of those, 2,533 are annual preventative maintenance work orders. The department averages between 45,000-50,000 completed work orders annually. Leadership staff continually monitors work order reports to ensure the department's work protocols are followed. We will continue to strive for a fast response to our customer needs and ensure our staff is consistently fully engaged in work activities.

We will explore the benefits of outsourcing management of our plant operations and maintenance personnel.

- e. Roofing maintenance and re-roofing projects need to be scrutinized. Roofing cost estimates seem to be high at over \$10 per sq. ft. and should be a source of large dollar reductions.

Response:

Members of the facilities and operations division have consulted with our roofing committee which includes architects and engineers. These design professionals have worked with the district for many years and have proven expertise in roofing design. Depending on the system installed, commercial roofing costs typically range from \$9 to \$15 per sf. The difference in cost is a factor of the insulation system, when the work is being performed, what restrictions are placed on the project and what accessory details are affected.

The cost of PCSB roofing systems are in line with other school districts for similar types of roofing systems. The referenced \$10/sf cost is a fairly common cost depending on the complexity of the project and competition among roofing contractors. We will continue to work with members of the roofing committee in evaluating new roofing systems to reduce roofing and energy costs.

- f. Project management at PCS in general is inefficient, ineffective and produces poor results which reflect poorly on the Pinellas County School Board. Deployment of personnel and capital can be greatly improved through effective project management.

The maintenance department has limited project management responsibilities. We have worked in concert with the office of the school board architect to establish natural work groups to work more efficiently and proactively to ensure all district construction projects are completed appropriately.

- g. The annual maintenance and redeployment costs of re-locatable classrooms are an unnecessary drain on financial resources and should be eliminated. The six hundred re-locatables are either leased or owned. PCS should cancel leases for all 111 units that cost \$800,000 annually.

The district has eliminated 176 leased relocatable units in the past four years. It is our goal to continue to work towards eliminating the use of leased relocatables in the district.

- h. The use of a three crew member PCS tree cutting team with proper equipment would result in a large annual savings (see attached report).

The department agrees and has analyzed contract expenditures versus developing an in-house program to provide the service. This in-house program would save the district \$336,000 annually after first year startup costs.

- i. The use of an HVAC/Controls project crew would result in a large annual savings (see attached report).

The department agrees and has analyzed contract expenditures versus increasing in-house resources. This would save the district \$390,000 annually after first year startup costs.

Potential Benefits:

It is estimated that through the implementation of a Managed Contracting approach to resource employment, as well as in reductions to contracted services and lowered prices for purchased goods, PCS should realize savings of 8% to 12% of the maintenance and custodial annual budget. At 10%, this could yield \$2.9 million in savings annually. The savings could potentially yield as much as \$9 million.

Savings for Classrooms

Purchasing Recommendations

Overall findings:

The primary conclusion of the Purchasing Committee is that far too much time is spent by the Pinellas County School (PCS) purchasing department staff evaluating and processing purchases that account for a miniscule dollar portion of the district's overall purchase orders. Consequently, there is relatively little opportunity for meaningful cost reduction. Rather than focus on specific target areas of savings (which would require a deeper dive into individual contracts), the committee chose to spend most of its time looking into the decision-making processes and statutory requirements that define school purchasing in Pinellas County.

We recommend the following changes:

1. Increase the threshold for School Board approval from \$25k to \$50k.

Productivity, time, and money would be saved if the Pinellas County School Board were to raise the threshold for competitive bidding and board approval from \$25K to \$50K, matching the state-approved threshold for such contracts. Contracts valued between \$25k and \$50k comprised less than 1.5% of spending through the Purchasing Department last year; however, they accounted for over 25% of the department's activity. Raising the threshold would allow the Purchasing Department to increase its focus on areas of spending where meaningful savings could be achieved (e.g., IT). At the same time, the Board can still maintain its oversight over these smaller-dollar purchases through a summary report from the Purchasing Department that informed the Board while relieving the Purchasing Department of massive amounts of paperwork.

We agree with this recommendation. In August, 2009, State Board rules were amended to increase the approval threshold to \$50,000, and to our knowledge, Pinellas is the only large district in the state that has not increased this threshold. Purchasing would propose bringing quarterly summaries of all purchases between \$25,000 and \$50,000. Additionally, we would impose an additional approval level on those dollar thresholds, an Executive Director or above would be required to sign off on those requisitions prior to Purchasing approving.

This would require a change to Board policy and the time table to implement would be the time required which would be two board meetings.

2. Increase P-Card limit to \$1,000.

Similarly, the purchase limit on individual P-Cards is currently set too low at \$300, impeding employee productivity and causing paperwork delays that often result in work taking longer to complete at higher cost. Raising the P-Card limit to \$1,000 will allow the department to spend less time on small-ticket items and focus its attention on areas of spending in which meaningful savings can be achieved. Again, the Board does not have to give up all oversight to achieve this efficiency as it can still require a monthly report of P-Card spending.

We agree with increasing the P-Card limit to the original limit of \$749.00 to match the current district taggable asset limit of \$750.00. In May, 2010, P-Card spending limits were reduced from \$749.00 to \$300.00 to avoid technology purchases such as iPads and netbooks being purchased with the P-Card. It was a matter of practice to assign an asset tag to those technology items; however, recently, this practice was changed. Technology items under \$750.00 are no longer being assigned a district asset tag, but rather a district identification label (items with object code 0642 and 0644). Additionally, the Purchasing Dept is now reviewing all P-Card statements and in co-operation with the Area Superintendents, prohibited purchases with the P-Card are being

flagged and resolved. To raise the P-Card limit to \$749.00 would not require any Board Policy action, Policy 6424 on Purchasing Cards is already at \$750.00. Implementation would be immediate.

3. Appoint a Purchasing Department representative to serve on committees that determine Specifications for purchases that comprise the majority of spending.

Rather than spending a quarter of their time complying with paperwork requirements resulting from unnecessarily low bid thresholds and P-Card limits, the Purchasing Department should be involved at a much deeper level in helping to determine specifications for purchases that comprise the majority of spending. This is not meant to imply that the Purchasing Department should be setting these specifications; however, the department could play an important role in helping its “clients” (the various requesting departments throughout the school district) understand the cost-benefit tradeoffs as they make decisions on product and service specifications. Appointing a Purchasing Department representative to serve on the Capital Outlay, Special Operations, Technology, and Referendum Oversight committees could have a profound impact on achieving meaningful purchasing cost reductions in these areas.

We agree with this recommendation, Purchasing is always willing to serve on any committee or meet with any department that needs help in the development of specifications. We also agree that Purchasing should not set the specifications, but often end users need assistance in determining what can actually be asked for; we can assist in determining the type of specification needed (generic, performance, etc). Our department has enjoyed good working relations with many user departments, and currently do participate in many committee meetings such as the Professional Services Selection committee. We do agree with the recommendation to attend Capital Outlay meetings. Having knowledge of large capital projects or initiatives in the beginning stages can help us in planning to meet deadlines as well as savings by soliciting competitive pricing in timely fashion. Implementation would be immediate, and is currently being done now.

4. Explore consortium purchasing opportunities and exploit piggy backing opportunities with counties, municipalities, and school districts throughout the Tampa Bay area.

Consortium purchasing represents a potential opportunity to achieve greater pricing discounts on commodity items of which the district may not buy in enough scale on its own to achieve maximum savings. Perhaps more importantly, if the Purchasing Department were involved earlier in purchasing decisions (as noted above), it could help craft specifications that were closer to those of neighboring municipalities and districts, potentially allowing for significant cost savings and elimination of staff time by piggybacking on existing contracts. A mutual system of piggybacking (in which, for example, Pinellas and Hillsborough county school districts agree to standardize specifications on certain classes of items and alternate lead agency bid status) could yield many of the same benefits of consortium purchasing with considerably less hassle.

We are in agreement with this recommendation and are currently participating in 2 consortiums in the area, the Bay Area Schools Purchasing Consortium (BASPC) and the Tampa Bay Area Consortium. BASPC is currently working on two bids with Polk County as the lead agency, we would be participating in this as a co-operative purchase. We also are in two co-operative purchases with Pinellas County Government, one on chain link fencing and one on vehicle batteries. The difference between a co-operative bid and a piggyback bid, is that in the co-operative bid, all agencies wishing to participate gives their specifications and usage quantity to a lead agency, the lead agency solicits the bid, evaluates and makes the award and the other agencies are bound to participate in the bid. A piggyback is where an award has been made and an agency simply uses or “piggybacks” off of the bid. Pinellas County Schools participates in a number of these with other agencies.

We are also exploring joining the Florida Education Purchasing Consortium,(FEPC). Presently the Office of General Counsel is reviewing the inter-local agreements and bylaws prior to this being brought to the board. Bids under the FEPC as well as a few bids that Pinellas County Schools participates in with U.S. Communities are revenue generating contracts, the district receives a rebate dependent upon their spend.

This area will continue to have momentum, new Florida Statutes go into effect July 1, that mandates all school districts participate in a consortium and make purchases from co-operative bids.

We are currently doing this, and is on going.

5. Facilitate increased automation of purchase order processing.

Automating the purchase order process through a system that allows scanning/e-mailing of POs, instead of the current system in which the central printing department prints multiple copies of all purchase orders, would result in more efficient use of purchasing staff time, reduced postage and handling costs, and greater transparency and oversight. Such a process would make it possible to create a budget dashboard to monitor all purchases vs. budget throughout the school year and would potentially provide the School Board with greater oversight over purchasing than it currently possesses. At the same time, automation would eliminate unnecessary processing costs.

We are in agreement with this, however, it would take a major revision of TERMS or a new ERP system to make this automation processing happen. This would not be a decision of the Purchasing Department.

Technology and Information Systems currently has as a task to evaluate TERMS and will be working with all stakeholders including Purchasing to be sure the system or its replacement operates in an effective and efficient manner.

6. Use the Purchasing Department staff time saved to take deeper dives into highest-priority cost centers(Information Technology example)

As noted above, the purchasing committee did not have the time to undertake extensive analysis of individual cost centers; however, the committee did have several observations that it believes merit extensive follow-up, particularly as it relates to spending on information technology. IT costs, through just two contracts with Dell and Apple, alone accounted for \$21 million, almost 10% of total spending through the Purchasing Department last year. This expense is equivalent to seven times more than the 89 contracts valued at between \$25k and \$50k, noted above, that each required the same amount of paperwork and administrative review.

An admittedly cursory look at the IT-related contracts suggests that there is a great deal of savings to be gained. Among our observations:

- The discounts (15% to 37%) on PCs and servers do not appear as steep as they might be, given the quantities being purchased. The committee is aware of corporations that receive discounts of up to 50% or 60%. By negotiating simultaneously with HP, Dell, Lenovo, and others, a higher discount can likely be achieved.
- Tech support services prices appear extremely high. Setup costs for PCs and computers (what should be a very simple process) should be between \$50 and \$100 per unit.
- The district should consider self-insuring, as opposed to paying for service contracts. Although some computers will go down, replacing them with new ones may be significantly cheaper than the cost of the service plans for every computer.
- We recommend using desktop computers for all students. They are significantly cheaper, easier to maintain, more durable, and more difficult to steal compared to laptops.

This recommendation we believe is tied to Recommendation #3. When the Purchasing Department is brought in at the beginning of a contract, we can assist the user departments with specifications and other requirements of the contract, therefore with our expertise, hopefully realizing savings. Currently, the district has an RFP out for Windows Platform computers and laptops. We have been working with the Technology and Information Systems Department on this RFP, the responses are due back on May 1. It is our hope that the RFP will bring about competitive pricing both on the units and the services being requested.

In summary, we do agree with the findings that our Purchasing Department is often spending too much time and effort processing smaller dollar orders. With the implementation of Recommendations 1 and 2, we could channel time spent on those efforts and expertise, on larger dollar contracts and initiatives, where more savings could be realized.

Technology and Information Systems is continuing to evaluate our processes, procedures and expenditures regarding purchasing and maintaining workstations with cost effectiveness and efficiency in mind.

- If it hasn't already, the district should consider virtualizing – installing a Virtual Desktop Infrastructure (VDI) which will offer the following benefits:
 - o Allows all workstations to be controlled centrally. A template for each school, class, computer lab can be installed remotely on each PC.
 - o Eliminates risk of viruses, spyware, inappropriate downloads.
 - o Dramatically increases useful life of PCs; by virtualizing, the load on individual machines is much lower.
 - o Each student has an individual login --- can access his/her information from any computer in the district (or, if we desire, from home).
 - o Following student logoff, each computer is reset to default status. All local data, programs etc. are shredded.
 - o Schools may choose to use “thin clients” or “netbooks” within a VDI environment. Thin clients are much, much cheaper than traditional PCs.
 - o Many school districts have begun to take this approach as well:
<http://www.vmware.com/company/news/releases/wyse-edu-feb2011.html>

In summary, we strongly recommend that the district explore the possibility of virtualizing. The savings in terms of hardware, software, maintenance, and security could be very significant.

We have looked at Virtual Desktops Infrastructure in the past and found little to no benefit. However, this was done some time ago and we will re-investigate and evaluate the effectiveness and efficiency of such a solution again. In addition, we already are using virtualization with our server environment and am about to test an even less expensive potential virtual solution.

Savings for Classrooms

Transportation Recommendations

The Transportation Committee reviewed the \$33 million Pupil Transportation budget. The review encompassed gaining an understanding of the line item components of the budget, meeting with Pinellas County School District (PCS) representatives on several occasions, visiting the Walter Pownall Service Center to gain an understanding of the tools and processes used by PCS transportation personnel, and gathering comparative data, metrics and information from other school districts in Florida and in other states. In searching for efficiency improvement measures and cost cutting alternatives, the committee found that many of the transportation issues that PCS faces are very similar to those faced in other school districts.

The PCS Transportation personnel were very helpful in this review and demonstrated diligence, expertise and detailed knowledge of current operations. Their time in assisting this effort and the quality of information they provided is most appreciated.

Findings:

1. The Pinellas County Schools (PCS) provide over \$8 million of transportation services not mandated by the state of Florida, which amounts to 25% of the entire \$32 million transportation budget.

Recommendation:

- Reduce the non-mandated transportation services by at least \$2 million per year to completely eliminate all of the non-mandated services within four years.
- Forbid any additions to the non-mandated services currently provided.
- Explore Pinellas Suncoast Transit Authority (PSTA) support of this initiative.

The transportation has previously presented options to reduce non-mandated services. Discussions have been held with PSTA to determine what options are available to transport students and not reduce the level of service expectations.

Findings:

2. Pinellas school bus utilization is 66%, less than all four surrounding districts, which average over 80%. Contributing factors include the non-mandated services already mentioned, and the fact that schools across the district start at various times, causing busing schedules to be overly complicated and inefficient. This results in a large funding gap between state provided funds and the PCS transportation budget.

Recommendation:

- Change elementary, middle and high school bell schedules in a pilot zone to be determined by staff and approved by the School Board, to evaluate the effect on utilization before implementing the program district-wide.

Transportation has presented several proposals to better balance transportation requirements for the various bell times. These proposals are still available for consideration

Findings:

- 3.80% of the transportation budget is allocated to labor and benefits for bus drivers. No subcontracted labor is currently utilized, unlike many districts nation-wide.

Recommendation:

- Implement a pilot at one transportation compound to utilize subcontracted labor for all bus drivers, and evaluate merits for possible expansion to other compounds.

Contracted busing has been reviewed and continues to be a possible cost savings. Approximately 7 to 8 years ago 1st Student quoted on providing 100 buses primarily for north county. Their base cost was \$5,657,400. Also, several providers have been contacted for providing services to transport ESE students, but the costs quoted were not equitable with current operating costs for the same level of service. Data has been obtained from the two districts that currently contract out busing services, Santa Rosa and Duval. Santa Rosa has one contract for 201 buses, transporting 13,868 students at an annual cost is \$11,456,509. Duval has five contracts; 4 cover specific geographic areas and 1 for magnet at an annual cost is \$52,562,221 for 917 buses transporting 44,755 students.

We are open to a feasibility study from transportation service providers. In lieu of choosing a compound we recommend a request for proposal to provide arterial services for magnet and career academies.

Findings:

4. Pinellas is the only district in the region that provides only air conditioned buses. Air conditioned buses are more expensive to purchase and maintain, reduce fuel efficiency, and increase overall operating costs.

Recommendations:

- All replacement buses in the future should be ordered without air conditioning - a savings of approximately \$10,000 per vehicle initially plus lower maintenance and operating costs.
- Air conditioning use in existing buses should be limited in some way, such as restricted to certain months of the year or certain times of day.

A decision was made several years ago to eventually phase in air conditioned buses. This decision was based on the need to have these buses available for ESE and students with other medical requirements. The majority of the buses in the fleet transport ESE students or students with approved medical conditions requiring an air conditioned bus. All lift buses purchased are required to be air conditioned.

Findings:

5. PCS has not implemented any compressed natural gas (CNG) buses. CNG costs \$1.50 less than diesel, with less price volatility and prices that can be locked in for years in advance. PCS buses travel approximately 120 miles per day, well within a one fill-up range which is ideal for CNG vehicles. Other counties, such as Leon County, have utilized CNG vehicles.

Recommendations:

- Obtain and review Leon County's 5 year study to learn of potential benefits of CNG for PCS based on Leon County's experience.
- If merited, establish a CNG pilot program and annual CNG purchase objective.

Alternative fuel sourcing is being continually reviewed, including CNG. Contacts have been made with Leon County and with the vendor who installed the system being used by Leon County. Additionally, we are assessing the cost of converting a bus to CNG and the availability of using the CNG filling station in Clearwater.

Findings:

6. The \$6 million in fuel costs is a volatile and unpredictable budget component, causing uncertain expenditures and a reserve contingency for diesel fuel.

Recommendations:

- Support the Transportation Department's proposal to consider "hedging" a diesel fuel fixed priced contract at up to 75% of annual fuel usage with the balance purchased as a contracted formula with supplier.
- The Transportation Department should bid to "piggyback" on diesel fuel for fuel delivery savings on the Hillsborough County School District contract.

We are in the process of reviewing "hedging" options that are available. We will also be contacting all local municipalities to determine if we can share resources and purchasing power.

A new contract was bid in December for fuel purchases. This was a co-operative bid with Hillsborough County Aviation Authority. We caution against "piggy-backing" this type of contract, if Pinellas County Schools is not named in the solicitation as a first responder in the event of a natural disaster, it could have an effect on the district's ability to secure fuel. This was experienced in 2005.

Findings:

7. The Transportation Department is not using a consortium to source parts or commodities.

Recommendation:

- Mandate the use of the Florida Education Purchasing Consortium, Tampa Bay Area Purchasing Consortium and others with contracts on high margin or large commodity parts orders to gain a price advantage to lower inventory parts costs annually.

We are currently participating in one of the Tampa Bay Area Purchasing Consortium bids on Motor Vehicle Batteries and Vehicle Maintenance is researching other products and services that could be purchased through a consortium.. The district's Office of General Counsel is reviewing the agreement and the bylaws of the Florida Education Purchasing Consortium and if approved, the district will become a member of this group.

Findings:

8. PCS'413 white fleet vehicles is by far the highest in the region based on relative district size. Fuel services are centralized at Walter Pownall Service Center (WPSC) in order to save on unleaded gas taxes that would be applied outside of the compound when using a state-authorized purchasing card.

Recommendations:

- Reduce white fleet and associated costs.
- Decentralize fueling to two other vacant facilities-- one in North Zone and one in South Zone-- while WPSC continues to serve Central Zone. The benefit of decentralizing will lessen drive time to school sites, allowing for added time to complete work orders.
- Conduct a cost-benefit analysis to compare the time and expense of purchasing unleaded fuel using a Florida state-authorized government purchase charge card at contracted filling stations tax free versus centralized fueling at WPSC.

A process has been put into place that requires Vehicle Maintenance to survey vehicle usage. Also, fueling requirements are being reviewed to determine the best option for refueling vehicles that will reduce associated costs.



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