

Financial Analyses of Two Options
January 28, 2011

On January 3, 2011, MGT America proposed two options (centralized and decentralized) for consideration in the consolidation and redistricting of schools for the 2011-12 school year. In order to implement either option, there will be movement of students from their current school location to a new school location for the Fall of 2011 and an outlay of funds over the Summer of 2011 to implement the proposed changes. The annual operation and capital savings from the two options will more than offset the impact on students and one-time cost of implementation.

Cost of Implementation

This summer, we expect the centralized plan to initially cost \$140,000 (moving and appraisal costs) and the decentralized plan to cost \$110,000. There may be additional costs as the proposals are refined and capital improvements to certain schools may be required. Additionally, the centralized plan may require some additional annual expense for the provision of band, athletics, and other extracurricular activities at the centralized magnet schools.

The centralized and decentralized options will essentially result in minimal, if any, variance in the cost of transportation for the students affected by either option. It is likely that more students may be eligible for transportation however, decreasing the number of delivery locations (schools) will off-set the financial impact. Additionally, the larger schools will have an increased opportunity to realize efficiencies in the bus routes. Once an actual plan has been developed and formally adopted by the Board of Education an actual student by student analysis can occur based on student eligibility.

Annual Savings

We estimate the centralized plan to save the DeKalb County School District approximately \$150 million in operating costs over the next ten years; the decentralized option is estimated to realize gains of approximately \$161 million over that same time period. Additionally, we can expect an extra \$5 million in capital entitlement earnings over the ten year period from the centralized plan (and slightly less in the decentralized plan).

The savings breakdown on annual basis is shown below:

	Centralized	Decentralized
Individual School Savings (Annual)	\$9,890,789	\$11,282,279
Efficiencies in School Operations (Annual)	\$5,174,650	\$4,838,600
Total Annual Operation Savings	\$15,065,439	\$16,120,879
Additional Annual Capital Entitlement Earnings*	+/- \$500,000 per year	Less than \$500,000 per year

**Source: Georgia Department of Education calculations are based on the additional earning DeKalb County School District would have received in FY 2010-11 if decrease in open seats would have been implemented. The District earned ~\$9 million of capital entitlement in FY 2010-11 with 11,000 open seats.*

Attachments:

1. Individual School Savings
2. Efficiencies in School Operations (Original, Centralized, Decentralized)