



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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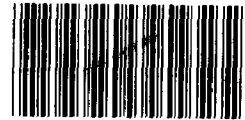
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GENERAL GOVERNMENT
DIVISION

B-203122

MAY 6 1981

The Honorable Patricia Schroeder
House of Representatives



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Dear Ms. Schroeder:

Subject: [Procurement and Development of U.S. Postal
Service Management Training and Conference
Center] (GGD-81-75)

As requested by your December 1, 1980, letter we have looked into the Postal Service's development of a management training and conference center in Potomac, Maryland. We reviewed the Service's study supporting the development of the center and discussed the study with officials in the Service's Employee and Labor Relations Department and Real Estate and Buildings Department. In addition, we toured the rented facilities in Bethesda, Maryland, and the newly purchased facilities in Potomac. The results of our work, which are summarized below, indicate that the Service made a sound decision in purchasing the Potomac site.

In 1976 the Postal Service began considering the development of a new national training and conference center to replace its existing national center in Bethesda and smaller training facilities in Philadelphia, Chicago, Memphis, and Los Angeles. Over the next 3 years the Service considered many possibilities for its center but found none it considered worthwhile.

In early 1979 serious consideration was given to the construction of a center on one of three sites--Fort Belvoir, in Virginia; the Goddard Space Flight Center, in Maryland; and the Agriculture Research Center, also in Maryland. The Goddard Space Flight Center site was eliminated because the National Aeronautics and Space Administration placed severe restrictions on its use, and the availability of the Agriculture Research Center site was withdrawn by the General Services Administration. This left the Belvoir site as the only feasible alternative until the Potomac site became available in April 1980. To allow sufficient time to study the available alternatives, the Service obtained an option to purchase the Potomac site and subsequently purchased it for \$6.8 million.

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THE NEED FOR TRAINING
IN THE POSTAL SERVICE

The Postal Service has about 670,000 employees. The management of postal operations, as well as the supervision of the day-to-day activities of the work force, requires about 70,000 managers and supervisors whose skills directly affect the success of the Service. Each year the Service needs to train about 7,000 new supervisors and managers. In addition, the Service needs to keep the skills of other managers and supervisors as sharp as possible, as well as train new and incumbent postal inspectors and security officers. Training for new inspectors at the training center lasts 11 weeks. The basic course for new supervisors and managers lasts 3 weeks. At present there are about 100 instructors and 80 administrative personnel at the national center.

TRAINING FACILITIES BEFORE THE
PURCHASE OF THE POTOMAC FACILITY

At the national center in Bethesda, postal management and Inspection Service training was provided in two leased office buildings. These buildings had 32 classrooms and several offices for instructional and administrative staff. Lodging for up to 257 employees attending training programs was provided in leased space in three apartment complexes. Additional lodging was provided in nearby hotels and motels. The Service also leased a small warehouse which it used as a gymnasium for Inspection Service physical training. Rental payments for all of the Bethesda facilities totaled about \$1.8 million annually.

The four field training centers in Philadelphia, Chicago, Memphis, and Los Angeles collectively have 17 classrooms. The Service owns the Memphis facility and pays total rent of about \$200,000 annually for space at the three other locations.

The continued use of the Bethesda facilities posed several problems:

- Expansion possibilities were limited.
- Classrooms were poorly designed and located in two buildings.
- Facilities for Inspection Service physical fitness training and student physical activities were inadequate.
- There was no meeting place for more than 50 people.
- There was not enough convenient student housing.

--Rental costs were increasing.

--The environment was not conducive to effective management training.

ALTERNATIVES CONSIDERED
BY THE POSTAL SERVICE

The Potomac site became available in April 1980. The 83.3 acre site is located about 6 miles northwest of Washington, D.C., just outside the Capital Beltway. The property had previously been the site of the Sisters of Mercy's national headquarters for 50 years. The property also included a small school which the Sisters of Mercy operated for emotionally and mentally handicapped children.

A preliminary study indicated that the Potomac site met the Service's needs for a training and conference center. The Service's decision to purchase the site was made after considering the following four alternatives.

- A. Purchase the Potomac facility, expand the school and conduct training for all students who would have attended the Bethesda facilities. Except for 93 students who could stay in existing lodging facilities at Potomac, students/confererees would be lodged in Bethesda and bused to Potomac. This alternative was expected to require an investment of \$17.4 million.
- B. Purchase the Potomac facility, expand the school and construct 400 new lodging quarters. All Bethesda and Philadelphia training center facilities would be vacated. This alternative was expected to require an investment of \$28.2 million.
- C. Purchase the Potomac facility, expand the school and construct 571 new lodging quarters. All Bethesda and field facilities would be vacated. This alternative was expected to require an investment of \$42.3 million.
- D. Acquire the Fort Belvoir site and construct 664 lodging quarters and the required facilities for instruction, administration, recreation, conference use. All Bethesda and field facilities would be vacated. This alternative was expected to require an investment of \$78 million.

The Service compared the four alternatives to a baseline which consisted of continuing training and conferences as they had in Bethesda and the four field training centers. Estimates for investment, operating costs, return on investment, and residual values were calculated. These estimates were projected over a 25-year period, and the Service concluded that alternative B was the preferred alternative.

Although the alternatives the Service considered may have made the selection of alternative B inevitable, all indications are that in alternative B the Service will have a training and conference facility that meets its needs. The Service's feasibility study indicated that alternative A would have underutilized a valuable asset while requiring daily busing from Bethesda for 300-400 students/confererees. The study showed that alternative C was similar to alternative B with about the same rate of return on investment yet cost about \$14 million more. Alternative D was rejected because its \$78 million price tag was nearly \$50 million more than alternative B.

Although we did not verify the Service's estimates for construction costs, comparing alternative D with B perhaps provides the best insight into the soundness of the Service's decision. Had the Service constructed all new facilities as proposed in alternative D, the cost would have been an estimated \$111 per square foot. The cost to the Service for the existing buildings in Potomac was \$42.20 per square foot including an estimated \$17.78 per square foot for renovation. Applying these costs to 182,200 square feet of space (the amount of space existing at Potomac) results in a choice between \$20.2 million for new construction or \$7.7 million for existing facilities. Thus, by purchasing and renovating existing facilities rather than constructing new ones, the Service avoided about \$12.5 million in potential costs.

RENOVATION AND CONSTRUCTION PLANS FOR THE POTOMAC SITE

The Service will invest a total of about \$28.2 million for the Potomac site. In addition to the acquisition cost of \$6.8 million, the Service expects to spend \$14.3 million for new construction, \$3.4 million for the renovation of existing structures, and \$3.7 million for other expenses. The two major structures on the Potomac site are the Generalate (114,100 square feet) and the St. Maurice School (62,600 square feet). The Generalate and St. Maurice School are of brick exterior construction. The Generalate consists of five floors of masonry (concrete block) interior construction. The Service plans to use the first and second floors for administrative offices, curriculum development, and conference rooms. Floors three and four can, with minimal

renovation, be used to house 93 students/confererees. The fifth floor is essentially one large room which will be used for a conference room.

The chapel and library were large rooms located on the second floor of the Generalate. The Service plans to use the chapel as an auditorium, and the library space for the audio visual operations. A dining hall and an equipped kitchen are on the Generalate's first floor.

Directly to the rear of the Generalate is a small three-story brick building (about 5,500 square feet) housing the power plant. It also serves as a storage facility for maintenance equipment and as the residence of the chief engineer and caretaker. The person serving in that capacity for the Sisters of Mercy will continue with the Service.

The St. Maurice School is a one-story brick building of masonry internal construction. It has several classrooms and offices of varying sizes, a gymnasium with adjacent locker, dressing, restroom and shower facilities; a stage; and a swimming pool. Service officials told us the pool can be useful in training and physical fitness programs for inspectors as well as for the after-hours recreation and enjoyment of all Service employees attending training programs.

Renovation

The Service has budgeted \$3.4 million for renovations, including \$162,000 for contingencies. Major renovations are a \$1.9 million air conditioning system for the Generalate and improvements to the fourth floor (dormitory area), estimated to cost \$800,000.

New facilities

The estimated cost of new construction is about \$14.3 million. Major cost items are additional classrooms and faculty offices in the St. Maurice school building (\$2.8 million) and the construction of living quarters near the Generalate (\$9.8 million). The new dormitories will house about 400 students when completed around August 1983.

Other expenses

The Service budgeted \$3.7 million for other costs associated with the development of the center. Most of the costs relate to relocation from Bethesda and Philadelphia, architect and engineering fees, and construction supervision.

CONCLUSIONS

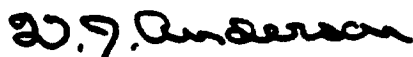
We believe that an organization as large as the Postal Service, with its multiple training requirements, could reasonably be expected to have better facilities than those being leased in Bethesda. The Bethesda space was scattered and not adequate in size or quality. Although the alternatives which the Service considered may have made selection of the Potomac site inevitable, this fact does not detract from the soundness of the decision to purchase the site. The purchase price of \$6.8 million seems reasonable considering (1) the cost of new construction and (2) the fact that the site could be quickly developed to meet the Service's need for a training and conference center. The additional expenditures for renovations and new construction are critical to the success of the undertaking.

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A draft of this report was provided to Service officials for their review and comment. The officials felt the report accurately reflected the Service's plans for the development of the Potomac site and the circumstances associated with the site's acquisition.

We would be pleased to meet with you or your staff should you desire additional information on this matter. As agreed with your office, copies of this report are being sent to the Postmaster General, and we will make copies available to others upon request.

Sincerely yours,



William J. Anderson
Director