ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Anderson 02

District Report

6/16/2017

OUTLINE

I. Executive Summary
II. District Overview and Overhead
III. Financial Management
IV. Human Resources
V. Procurement
VI. Transportation

PROJECT OVERVIEW

- This document contains observations and recommendations completed in conjunction with the School Efficiency Review conducted for the South Carolina Department of Education and pursuant to Part 1B Section 1 Proviso 1.92 of the FY2016-17 General Appropriations Act.

- The scope of the District Efficiency Review focused on the following central operations: **(1) Finance; (2) Human Resources; (3) Procurement; (4) Transportation; and (5) Overhead**.
  - Instruction, Food, Facilities and Technology functions were outside the scope of this efficiency review.
  - Facilities and Technology Assessments were completed in accordance with Part 1B of Proviso 1.92 and are separate from this report.

- A&M's review focused on identifying opportunities across the operational areas noted above that would yield:

1. **Increased Effectiveness and Efficiency**
   - Improved processes that would enable increased levels of service to the District's students and teachers and enhance financial controls and financial stewardship of the District's funds and assets.
   - A&M considered potential opportunities that could be realized both in the current state and in a situation where the District chooses to collaborate with other nearby or like-minded districts.

2. **Cost Avoidance and / or Cost Savings**
   - Enhanced processes and structures that would enable the District to realize savings and/or avoid potential costs in the future, including consideration of potential investments required to mitigate ongoing cost exposure.

PROJECT OVERVIEW (CONTINUED)

- A&M conducted School Efficiency Reviews of 79 of the 82 school districts in the State across two phases, each of which approximated nine weeks. Phase 1 included 32 districts (all Plaintiff districts) and Phase 2 included 47 districts. Three districts did not participate due to previously completed efficiency reports: Clarendon 1 (Plaintiff), Lexington 4 (Plaintiff) and Dorchester Two.

- The review conducted by A&M included 2 partial day site visits in order to meet with district personnel to understand their organizations, processes and approaches.

- The report identifies two themes that will help drive greater efficiency and effectiveness in school districts:

    1. **Modernize:** A series of one-time investments in technology that must be made in order to enhance processes and drive operational efficiency.

    2. **Collaborate:** Small districts must perform and support a fixed, minimum cost structure that does not allow them to benefit from economies of scale available to larger districts. There are a range of opportunities for cross-district collaboration that will realize efficiencies and generate the highest level of savings. Efficiencies and effectiveness will increase as the number of districts collaborating increases.

- This analysis presents two types of estimates:

    1. **Investments** in school district modernization necessary to drive future cost savings; and

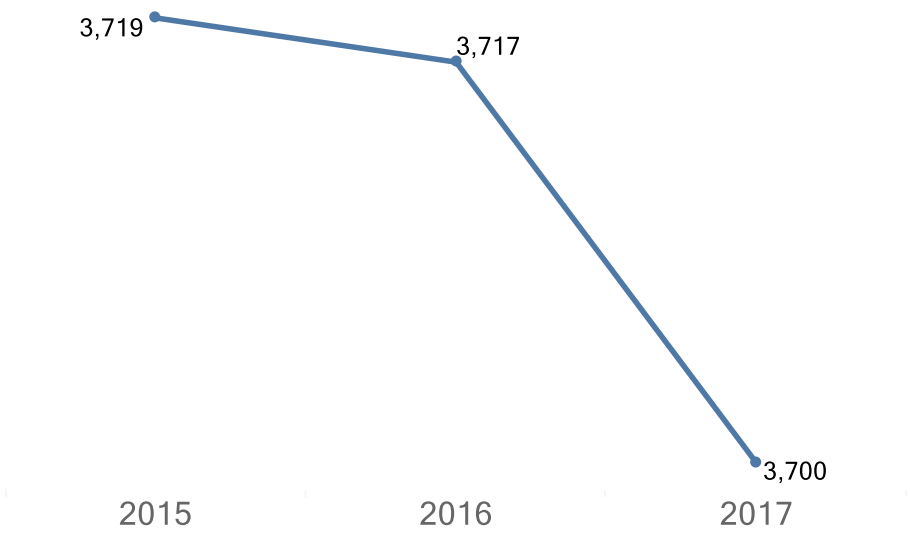
    2. **Net savings** from implementation of a shared services model for functions within the scope of this study.

PROJECT OVERVIEW (CONTINUED)

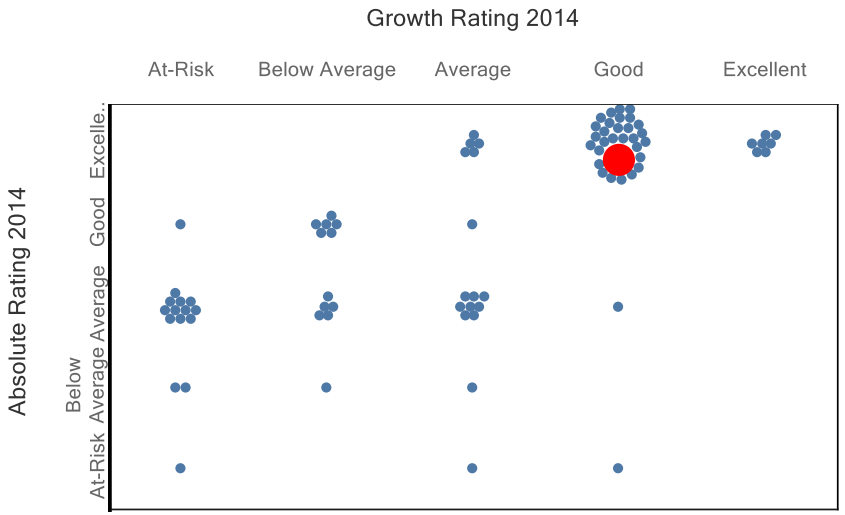
- **Sources of Data and Savings Estimates:**
  - A&M based the recommendations included in this report on data received from both the State and the District.
    - State provided data: FY16 revenue and expenditure data submitted by districts to the State, 3-year historical enrollment/average daily membership data, FY16 school transportation routes by district.
    - District provided data: FY17 personnel rosters, FY16 disbursements by vendor, vendor contracts and invoices, and various operational and financial metrics tracked and maintained by the districts.
  - Many districts were unable to provide all of the data requested. As a result of data limitations, savings estimates calculated rely on aggregate expenditure data to derive estimates for potential savings.
  - Savings estimates are based on a series of assumptions about changes in process and staffing levels (stand-alone and multi-district) that will vary upon implementation. Variation from the amounts presented as net savings are likely in the event a shared services model is implemented.

EXECUTIVE SUMMARY
ANDERSON 02

Average Daily Membership[2]



Student Achievement[1]



General Info

Number of Schools[2]	**7**
% Poverty[1]	**59%**
% Disability[1]	**11%**
$ Per Student[2],[3]	**$11,946**
$ Per Student Excluding Debt & Capital[2],[3]	**$9,372**

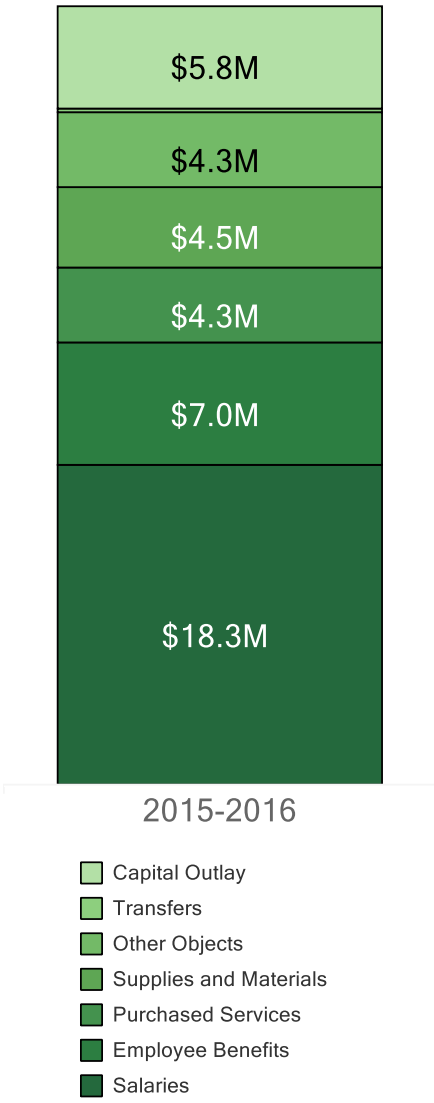
Administration

Students Per Instructional Services FTE[2],[4]	**10.2**
Students Per Overhead FTE[2],[4]	**284.6**
Students Per School Support FTE[2],[4]	**48.4**
Students to Total FTE[2],[4]	**8.2**

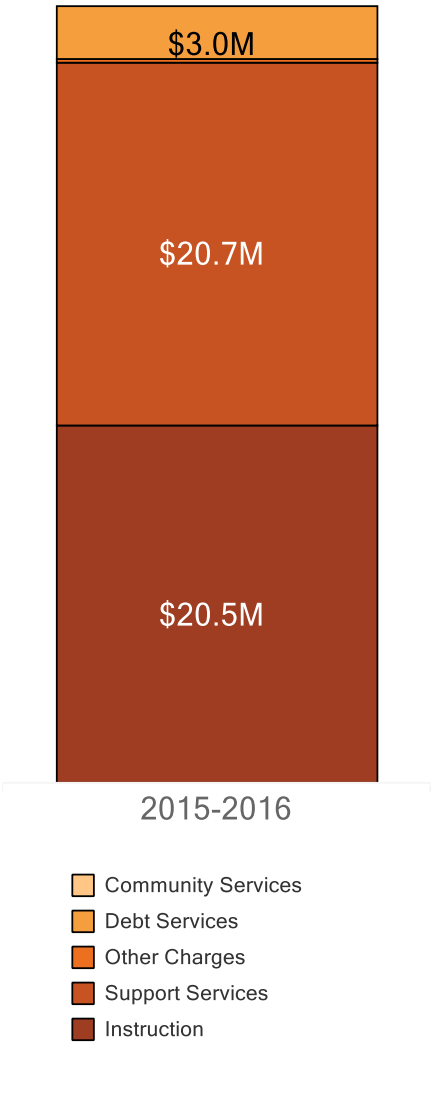
EXECUTIVE SUMMARY
ANDERSON 02

Sources of Funds[5]
$41.0M

Use of Funds - Type[3]
$44.4M

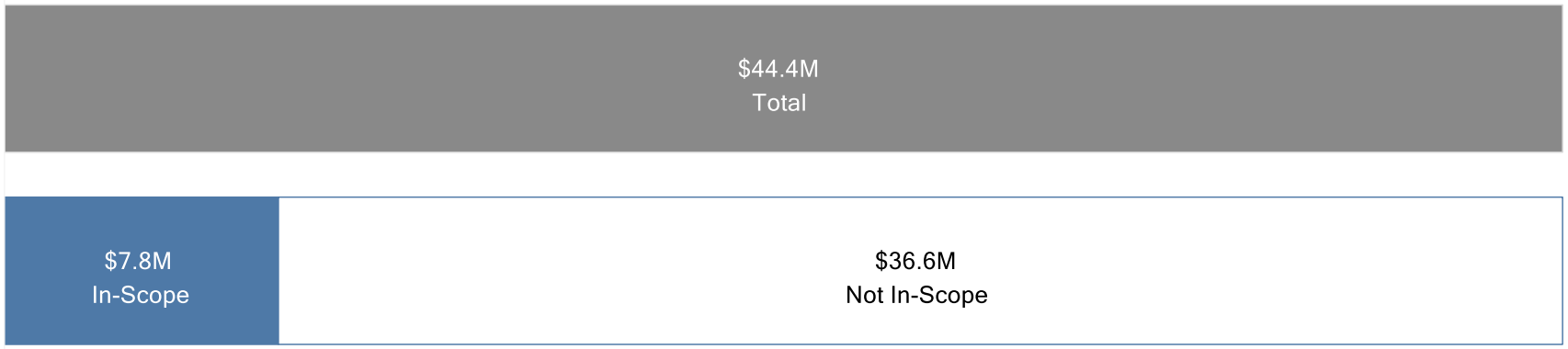


Use of Funds - Function[3]
$44.4M



** totals may not tie due to rounding*

EXECUTIVE SUMMARY
ANDERSON 02



17.6% of total spend is within scope of the efficiency review:

	In Scope Spend[3]	Procurement Component
Finance	$434,212	$106,610
Human Resources	$272,754	$36,014
Overhead	$415,904	$113,329
Transportation	$862,039	$68,928
Procurement (Community Services, Instruction, Support Services)	$5,811,731	$5,811,731
TOTAL	**$7,796,640**	**$6,136,612**

** totals may not tie due to rounding*

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: In partnership with the community, develop the potential that exists within every student to meet the needs of a changing world

1. **One District, One Book:** Have the entire District reading a common book at the elementary school level and to improve public participation.
2. **Leadership Academy:** Help develop non-administrative leaders in schools to take charge and help implement the District's vision.
3. **Orchestra**: Develop an orchestra program to supplement existing arts program and provide variety to students.
4. **Retention:** Revaluate the current retention policy and look for opportunities for improvement.
5. **Literacy**: Achieve appropriate literacy levels by the third grade.
6. **Professional Development:** Increase teacher participation in high quality professional development that focuses on increasing teachers' expertise in using engaging instructional strategies.

Achievements

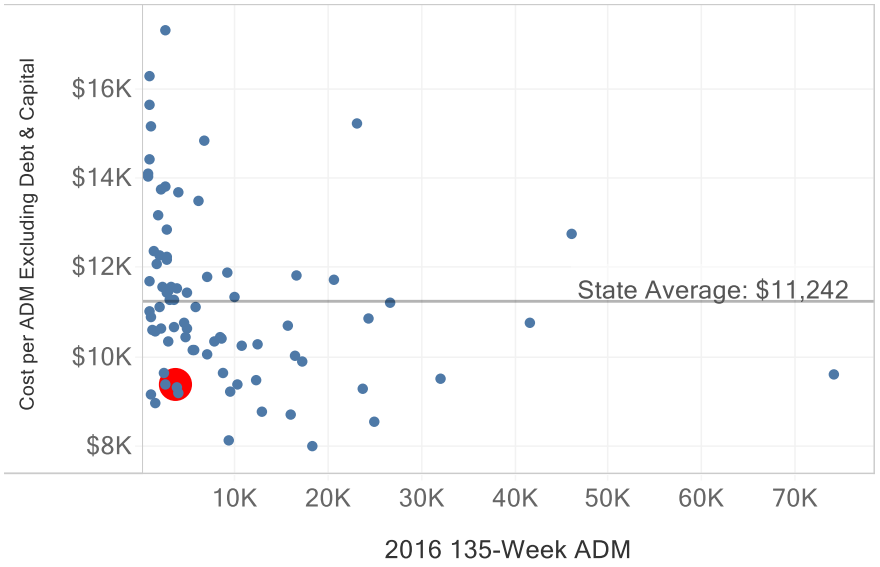
- **Personal Relationships:** The Superintendent knows each staff member personally which helps the staff feel valued.
- **State Report Card:** The District was rated Excellent on the South Carolina Absolute Scale and Good on the Growth Rating Scale in 2014.
- **Local Option Sales Tax**: Through partnership, the Anderson County School Districts were able to pass a 1% nominal sales tax to help finance debt service and capital improvement needs. Since its passing, the school districts have collected $45 million.

Challenges

- **Recruitment:** Like others in the State, the District is faced with challenges associated with the statewide teacher shortage.
- **Bus Driver Shortage:** The District is faced with a qualified and reliable bus driver shortage, similar to neighboring areas.
- **Bus Driver Absences:** The District has higher bus driver absences, creating service disruptions.

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

The District must perform and support a fixed, minimum cost structure and does not benefit from economies of scale available to larger districts.

Resource Utilization:

The small size of the District requires resources to be leveraged within and across functional areas and often resources wear multiple hats in order to complete key processes.

Opportunities for Improvement

Modernize / Process Improvements:

The District has the opportunity to implement new technologies and streamline processes in order to enhance overall effectiveness of support functions.

Collaboration / Maximizing Efficiencies:

Given the small size and spending base of the District, there are a range of collaboration opportunities for cross-district collaboration that will provide the greatest ability to realize efficiencies and generate the highest level of savings. The greater the number of districts collaborating, the greater the efficiencies and effectiveness.

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	• **Financial Management**: The District is financially stable with a reasonable days cash on hand and a strong unrestricted fund balance relative to districts of similar size. • **Staffing / Processes:** The Finance department is adequately staffed, however, the District should seek to leverage software to implement automated timekeeping and automate purchasing workflow approvals.
Human Resources	• **Staffing / Processes**: Like other smaller districts, this District has limited levels of resources that are fully dedicated to Human Resources. The District supports limited staffing by leveraging technology to automate recruiting processes. • **Challenges with Recruiting and Retention**: The District experiences general challenges associated with teacher shortages. However, the District is able to fill vacancies annually without relying on staffing agencies through local university partnerships and innovative recruiting techniques.
Transportation	• **Transportation Management**: The State pays directly for buses, bus maintenance, fuel costs and a portion of driver salaries. The majority of districts are grappling with a shortage of drivers. • **Manual Routing:** Districts generally do not have routing software that can be used to improve route efficiency.
Procurement	• **Staffing and Organization**: The District does not have any resources dedicated solely to Procurement. Purchasing is the responsibility of the Finance director. • **Strategic Sourcing**: The District has low leverage with vendors due to low purchasing volumes, therefore, the District mostly purchases off state contracts.
Overhead	• **Staffing and Organization**: The Office of the Superintendent is adequately staffed including a Superintendent, Assistant Superintendent and a secretary. • **Collaboration**: Formally, the Anderson County Districts passed a Local Option Sales Tax together, providing funding for debt service and capital needs. Informally, the Districts meet regularly to discuss problems and troubleshoot.

RECOMMENDATIONS

School Districts efficiencies identified during the review can be best be summarized into two key categories: Modernize and Collaborate

Modernize School District Operations

- Invest in technology
  - New state-wide bus routing software
  - Purchase new or expand existing technologies to minimize “paper-pushing”
  - Drive data quality improvements across district financial and personnel systems
- Streamline people and processes around new technology

Collaborate Across Districts

- Districts can achieve greater economies of scale in administrative (Finance and HR) and procurement functions.
  - Regional shared service model that includes Finance, HR and procurement (at a minimum)
  - Strengthened purchasing collaboration through dedicated volume
- Collaboration will not only drive cost savings, but will increase the effectiveness of the services.

MODERNIZATION RECOMMENDATIONS

District investment in modernization will help improve the effectiveness of the District's overall processes and operations on a stand-alone basis.

MODERNIZATION RECOMMENDATIONS

FINANCE

System Enhancements:
Update software versions and / or add modules to financial systems to facilitate automated and purchase-to-payments processes, integrated timekeeping and payroll and position control functionality.

Process Improvements:
Modernize processes to limit manual activities and strengthen internal controls.

Staffing/Organization:
Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.

HUMAN RESOURCES

Process Improvements:
Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.

PROCUREMENT

Process Improvements:
Leverage state contracts and group purchasing organizations to optimize spend.

Enable other districts to purchase off of individually negotiated contracts.

Negotiate discounts / rebates for tiered levels of spending.

Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.

TRANSPORTATION

System Enhancements:
Implement new routing software, GPS and security cameras on all buses.

Staffing / Organization:
Create dual employment opportunities to help address bus driver shortage.

COLLABORATION RECOMMENDATIONS

Organizational effectiveness and cost savings opportunities can increase through formal collaboration efforts between districts.

REGIONAL COLLABORATION OPPORTUNITIES

FINANCE

Accounts Payable and Payroll: Shared Processing; Standardized and automated workflow on approvals

Potential to add in:

- Accounting Entries
- Financial Reporting
- General Oversight
- ERP Systems
- Grant Compliance and Claiming

HUMAN RESOURCES

Benefits Coordination: Shared Processing and Support

Potential to add in:

- Intl. Recruiting: H1B Process or collaborative
- System Licenses for Recruiting, Substitute Management, and on-boarding
- Sharing of instructional resources across varying classroom models

PROCUREMENT

Purchasing Coordination: Collaborate on market intelligence, pricing opportunities, RFP management, contract negotiations, contract management and minimum buying commitments

Capitalize on volume discounts and rebates

Shared analysis of spending, monitoring and optimization of pricing

OTHER AREAS

Transportation:

Shared administrative resources

Facilities/ Maintenance: Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing)

Technology:

Shared oversight and support functions

Curriculum:

Shared research and development functions

Governance structures, service level agreements and implementation plans will vary based upon the range of services included and the districts participating in a collaborative model.

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

- Investments and cost savings were estimated based on interviews with District personnel across each functional area, using financial and operational data received from both the state and each district.
- Data provided was benchmarked and analyzed to understand costs, productivity and utilization.
- For more detail on methodology, see Appendix A. Actual savings may vary based on implementation decisions.

FINANCE AND HUMAN RESOURCES

- A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within each district.
- A&M estimated a range of potential synergies from district collaboration based on average district spend in key finance and HR functional areas. Synergies will be realized when participating district resources are pooled in a Shared Service Center. For purposes of this analysis, A&M calculated the District level savings by estimating the level of resources that would be required to support two average sized smaller districts at the low end and five districts of varying sizes at the high end.

PROCUREMENT

- A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the District's procurement spend.
- On a limited basis, A&M reviewed rates paid to individual vendors by multiple districts.
- In order to estimate savings, A&M leveraged the information gathered above and then applied potential savings rates to key spend categories. Savings rates were based upon past experience that our clients have achieved by partnering with A&M on strategic sourcing.

TRANSPORTATION

- A&M used data provided by the State to analyze district route mileage, frequency, timing, and volume to estimate potential efficiencies available through the implementation of routing software and staggered bell times.
- Benchmarks were established based on districts currently using routing software and staggered bell times.
- Savings were estimated based on a target benchmark for the District that took into consideration the location, population and rural profile of the each district.
- Estimates include savings for bus drivers, fuel, maintenance and buses.

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

Preliminary investment and savings estimates for your District are shown below.

	MODERNIZE Est. One-Time Investment			COLLABORATE Est. Net Annual Savings		
	Low		High	Low*		High
Finance	$17,500	-	$32,500	$43,400	-	$130,300
Human Resources	0	-	0	0	-	26,900
Procurement	0	-	0	174,000	-	351,000
Transportation – District	N/A	-	N/A	18,000	-	27,000
District Total	**17,500**		**32,500**	**235,400**		**535,200**
Transportation – State	8,000	-	34,400	16,700	-	39,000
Total	**$25,500**	**-**	**$66,900**	**$252,100**	**-**	**$574,200**

* *A negative savings amount reflects the need to hire additional resources if collaboration with other districts is not pursued.*

Investment and savings ranges shown above reflect preliminary estimates of impacts of A&M recommendations. These amounts are subject to change based upon the implementation strategies selected. In addition, potential costs associated with additional planning activities are not reflected in these estimates.

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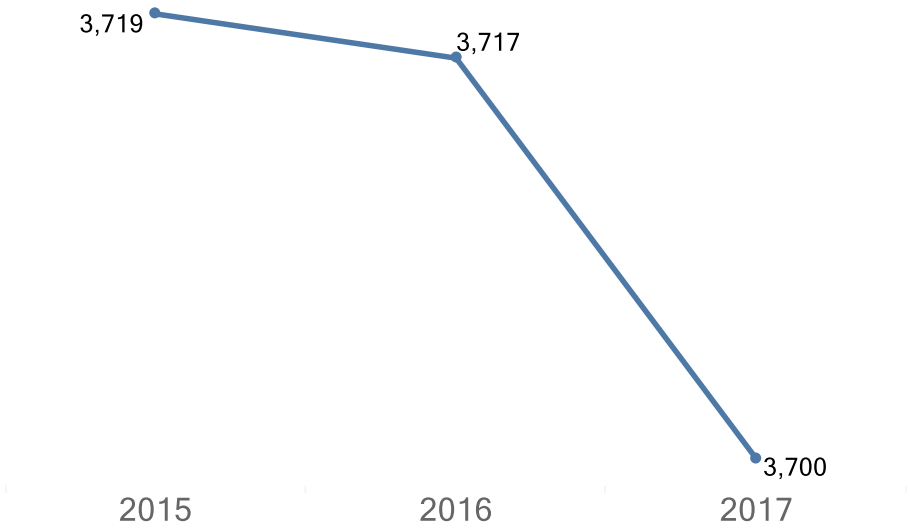
DISTRICT ADMINISTRATION AND PERFORMANCE
ANDERSON 02

Average Daily Membership[2]



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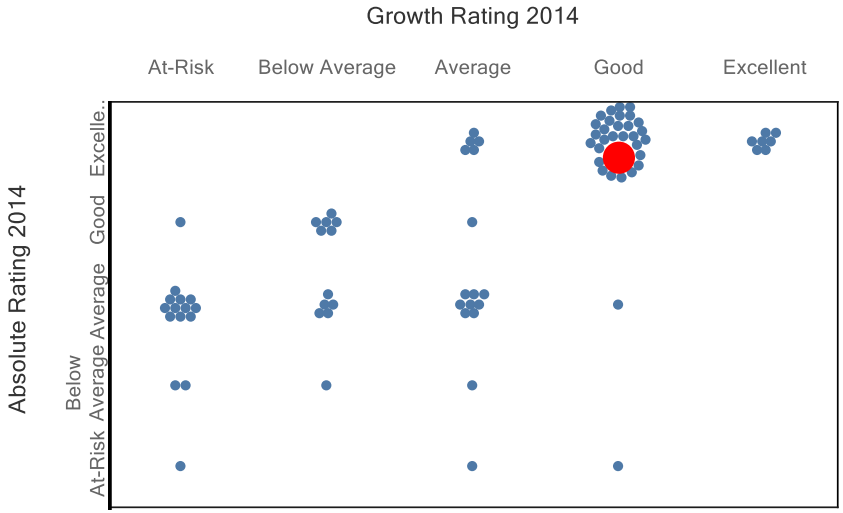

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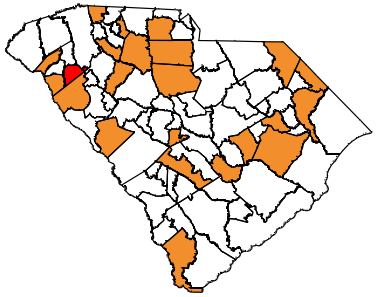
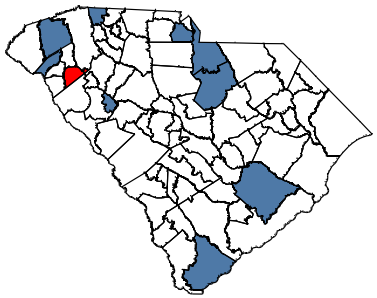
DISTRICT BENCHMARKING
ANDERSON 02



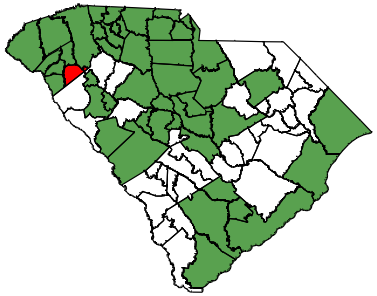
Enrollment (2,500 - 5,000)

Abbeville 60
Anderson 02
Anderson 03
Anderson 04
Chester
Clarendon 02
Dillon 04
Edgefield
Fairfield
Florence 03
Jasper
Laurens 56
Lexington 04
Marion 10
Marlboro
Orangeburg 03
Orangeburg 04
Spartanburg 01
Spartanburg 03
Spartanburg 04
Union
Williamsburg
York 01



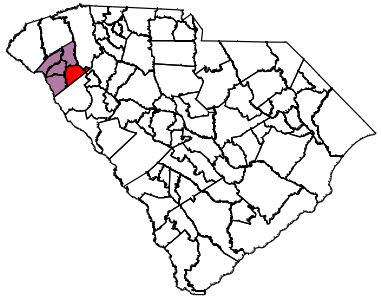
Poverty (55% - 60%)

Anderson 02
Anderson 04
Beaufort
Berkeley
Greenwood 52
Kershaw
Lancaster
Pickens
Spartanburg 01
York 03



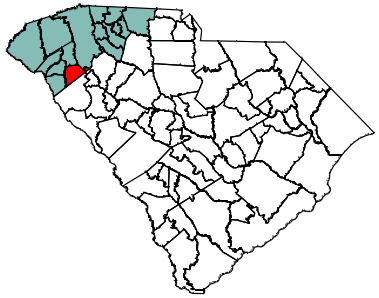
Phase 1 (No)

Aiken
Anderson 01
Anderson 02
Anderson 03
Anderson 04
Anderson 05
Beaufort
Calhoun
Charleston
Cherokee
Chester
Colleton
Darlington
Dorchester 02
Dorchester 04
Edgefield
Fairfield
Georgetown
Greenville
Greenwood 50
Greenwood 51
Greenwood 52
Horry
Kershaw
Lancaster
Lexington 01
Lexington 02
Lexington 03
Lexington/Richland 05
Newberry
Oconee
Pickens
Richland 01
Richland 02
Spartanburg 01
Spartanburg 02
Spartanburg 03
Spartanburg 04
Spartanburg 05
Spartanburg 06
Spartanburg 07
Sumter
Union
York 01
York 02
York 03
York 04



County (Anderson)

Anderson 01
Anderson 02
Anderson 03
Anderson 04
Anderson 05

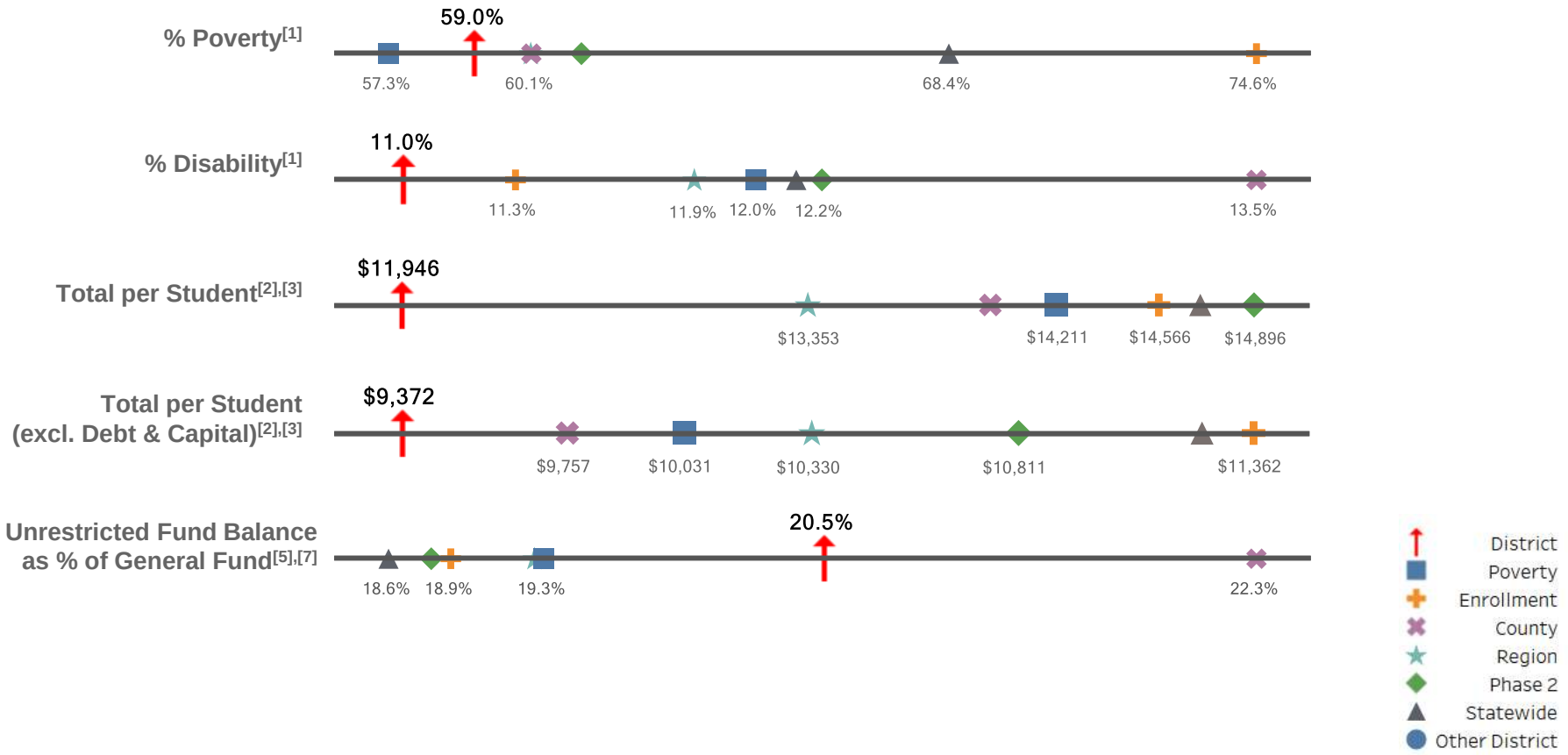


Region (Appalachian)

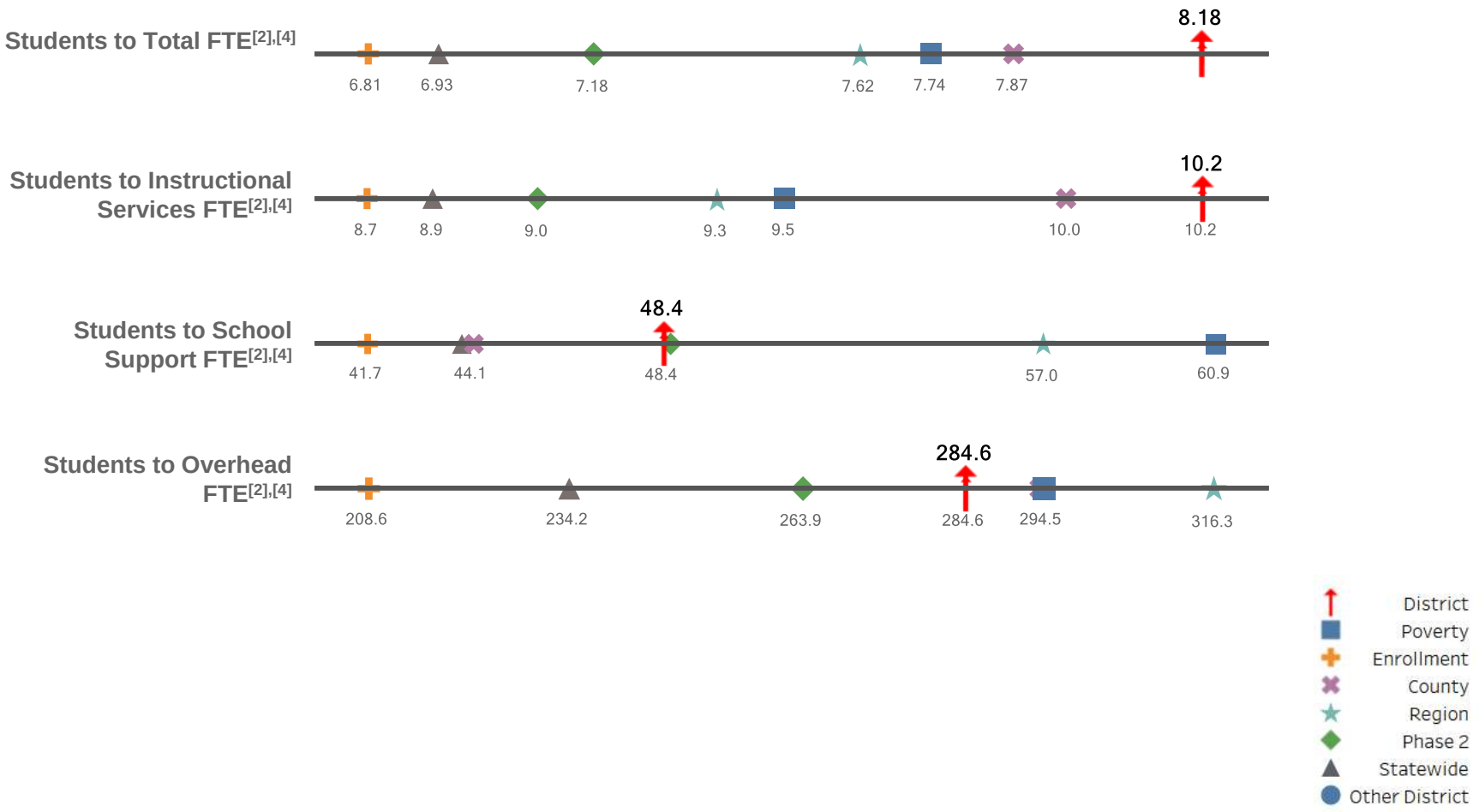
Anderson 01
Anderson 02
Anderson 03
Anderson 04
Anderson 05
Cherokee
Greenville
Oconee
Pickens
Spartanburg 01
Spartanburg 02
Spartanburg 03
Spartanburg 04
Spartanburg 05
Spartanburg 06
Spartanburg 07

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	• **3-year Enrollment Trend:** The District's enrollment has decreased by 19 students or 0.5% over the past 3 years. • **Student Demographics:** The District has a special needs population of 11% of the total student body and a poverty rate of 59%, both under the statewide average. • **Competition:** There are currently no charter schools in the District. • **Long-term Planning:** The District prepares long term enrollment projections to help inform long-term planning.	
District Funding and Resource Allocation	• **Per Pupil Expense:** When excluding debt and capital, the District Per Pupil Expense is $9,372 which is below the statewide average of $11,242 and below districts of similar size at $11,362. • **Unrestricted Fund Balance:** The District has an unrestricted fund balance that is 20.5% of general fund revenues. The fund balance is higher than the statewide average and districts of similar size, resulting in increased financial flexibility and stability.	• To ensure the financial stability of the District is maintained, the District should prepare a three to five year financial plan that allows for investment in critical areas of academics and operations while still maintaining a strong fund balance.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	• **Student to FTE:** The Student to Total FTEs of the District is higher than the enrollment peer group at 8.2, indicating fewer total staff per student. • **Student to Instructional Services FTE:** The ratio is 10.2 which is higher than the statewide average and districts of similar size. • **Student to School Support FTE:** The Student to School Support ratio is 48.4 which is higher the statewide average and above districts of similar size. • **Student to Overhead FTE:** The Student to Overhead Ratio is 284.6 which is higher than the statewide average and districts of similar size.	
Staffing / Organization (cont'd)	• **Role of Superintendent:** The Superintendent's job is more heavily focused on the academic needs of students and community engagement. The Office of the Superintendent is supported by an Assistant Superintendent who has directors reporting up. • **Communications Function:** There is no Communications support for the Superintendent's office. The function resides solely with the Superintendent.	• Consider an additional resource dedicated to Communications to allow for incremental support to the leadership team.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	• **Legal:** The District has no legal department. If legal advice is required, the district retains outside counsel to provide support. • **Turnover:** Superintendent has overseen the district for the past 4 years.	
Board of Directors	• **Board Pay:** The Board Members of the district are not paid. • **Board Composition:** The Board is composed of seven local citizens, each elected for a four-year term. • **Training:** Board Members are not required to attend training; however, current Board Members pursue opportunities independently.	• Have Board of Directors attend annual training to enable members to become impactful members of the board.
Philanthropy and Business Engagement	• **Relationships:** The District relies on school principals to develop and maintain business relationships and sponsorships beyond the existing. • **Business Engagement:** The District maintains a formal partnership with TimKen. • **Philanthropic Engagement:** The District has a strong partnership with the WebbCraft Family Foundation in securing grants as well as United Way who runs the 'Snackpack Backpack' program across Anderson County.	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	• **Informal Networks:** The Superintendent regularly communicates with the other Anderson County Superintendents. The Anderson School Districts collaborated to pass the 1% Local Option Sales Tax which helps each district fund debt service and capital improvements. • **Career Center:** The District shares a career center with Anderson 1. • **Alternative School:** The Anderson County School Districts share an alternative school. The county board serves as the fiscal agent and is largely funded by its own county mileage (2 mils). However, the county bills each school district for the remainder of expenses based on enrollment and the exact number of days the student attended alternative school. • **Special Education:** The District runs its own special education program; however, there is collaboration across districts to find opportunities for special needs children. • **Headcount:** The District shares a food services director with Anderson 3, otherwise there are no other shared FTEs.	• Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional. • Consider shared Chief Development Officer across districts.

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VI. Transportation

FINANCIAL MANAGEMENT OVERVIEW

The Finance organization is directly responsible for overall fiscal management, resource allocation, budgeting, accounting, financial reporting, payroll, purchasing, accounts payable and cash flow and debt management.

925 : 1

District Students (ADM)[2] | Financial FTE[4]

$117 per Student

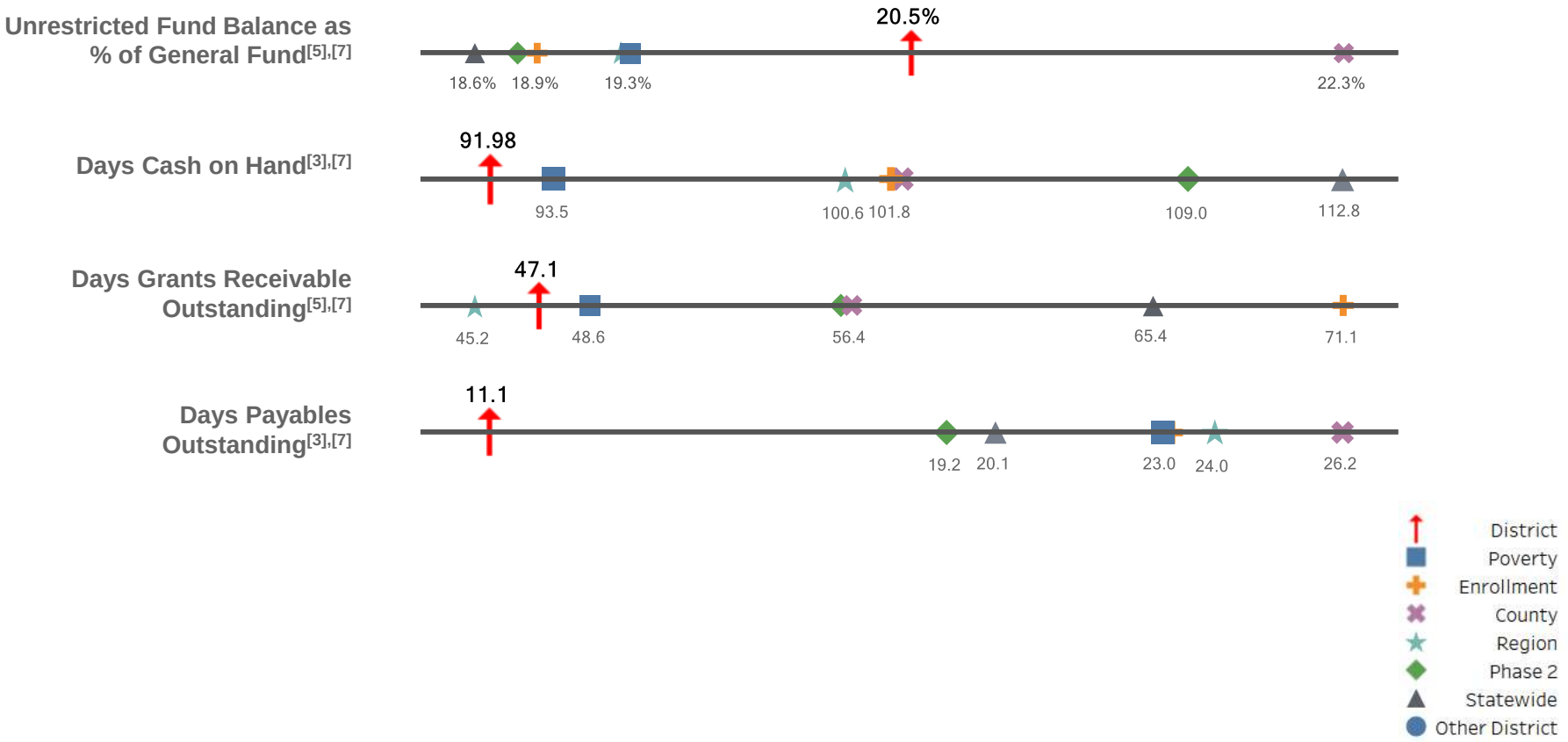
Cost of Total Financial Spend[3] per Student (ADM)[2]

Key statistics for metrics	
Financial FTEs[4]	4.0
Personnel Expense[3]	$327,602
Non-Personnel Expense[3]	$106,610
Total Financial Expense[3]	$434,212

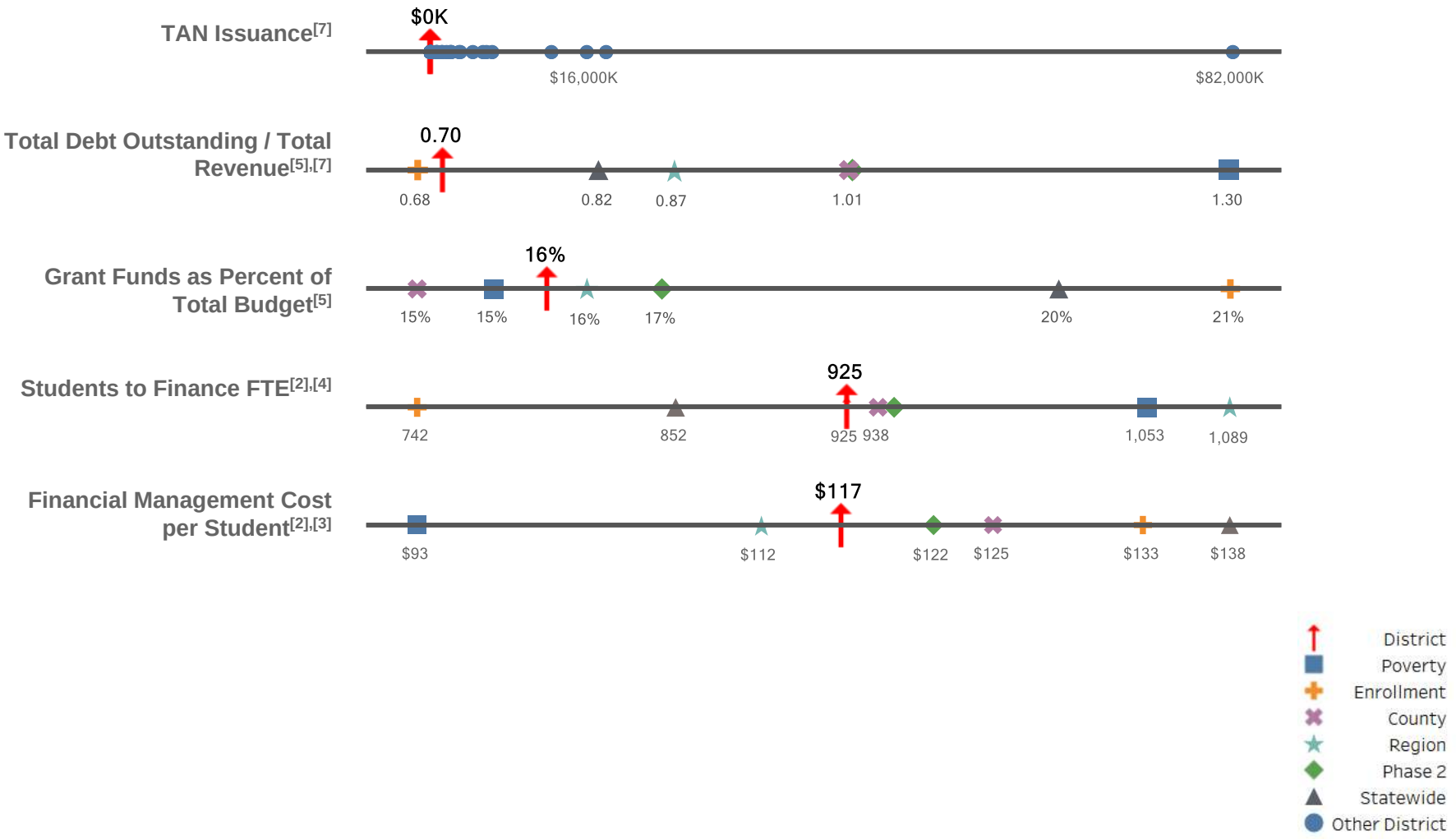
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Organization:** The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. The department is composed of a Finance Director and 4 additional FTEs dedicated to Accounts Payable, Payroll, Purchasing, Grants and Benefits. • **Turnover:** The department has had 1 lead Finance Director in the past 5 years. • **Finance Cost Per Pupil:** The finance cost per pupil for the District is $117 per pupil which is lower than county peers and districts of similar size. • **Student Per Finance FTE:** The student to financial management FTE ratio is 925 which is higher than the statewide average and districts of similar size. • **School-based Staff:** Each school has an assigned bookkeeper to handle school-based transactions.	• Review staff capabilities on an annual basis and ensure there is an adequate separation of duties maintained.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	• **Payroll:** The District currently runs payroll on a monthly basis for all employees. • **Direct Deposit:** The District is on 100% direct deposit, limiting manual check-cutting and processing. • **Employee Self-Service:** The District uses a self-service payroll platform; therefore, employee initiated payroll changes are all processed automatically. • **Timekeeping:** Time tracking is currently managed via manual processes for food service workers and bus-drivers. It is subsequently entered into the payroll system by the Finance department. Substitute pay automatically flows through payroll. • **Purchasing:** The District utilizes a centralized purchase order system for purchases. Schools are able to secure items and services in accordance with district and state regulations which are then approved by appropriate personnel and district financial management. Workflow approvals are manual. • **PCard:** The District does not utilize a Pcard program.	• Implement an automated time-tracking functionality, such as a biometric timeclock, that integrates with the payroll system in order to eliminate the need for manual time sheets and inputting. • Implement an automated purchase order work flow system that can be integrated with the financial systems. • The District should consider implementing a Pcard program for purchases in order to leverage a rebate incentive.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	• **Inventory:** The District does not bar code technology for asset tracking nor does it conduct recurring centralized inventory processes. Any item over $5,000 is maintained for inventory and is managed directly by schools. Supply orders are placed through the finance department who make large scale purchases on behalf of the schools. • **RFID Tagging:** Technology is labeled for checkout; however, there is no bar code technology in place. • **Warehouse:** The District does not have a warehouse to maintain inventory or extra supplies. • **Textbooks:** The schools manage textbook inventory directly within the State Destiny system. • **Risk Management:** The District has formal risk management policies in place.	• Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process. • Implement RFID barcode scanning to keep track of electronic equipment outstanding.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	• **Grants Revenue %:** Grant revenues provide 16% of total revenues for the District making this district less reliant on grant funds as its enrollment peers. • **Federal Funds:** Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The Finance department has an FTE to ensure that claims are made in a timely manner and funds are used in compliance with the terms of the grant. • **Indirect Costs:** The District charges indirect costs against the federal IDEA grant and for food services at the standard allowable rate. • **Grants Monitoring:** The Financial Management team forwards a report of expenditures against grant requirements to the grant coordinator quarterly. The Grant Coordinator does not have the capability to run the report independently.	• Continue to ensure the finance department performs a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. A meticulous first review should be performed by the grant coordinator. • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities. • Require that claims are processed monthly for grants that are eligible for monthly submission in order to: (a) maximize cash flow; (b) identify any potential issues with submissions as early as possible.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	• **F/S Audit:** The District was not found to have any internal controls weaknesses. • **Position Control:** The District does not have position control. Lack of position control can lead to over-hiring / spending and ultimately to an unanticipated deficit.	• Implement budget position control to ensure controls around hiring of individuals.
Cash Management	• **Days Cash on Hand:** The District has a reasonable cash balance with 92.0 days cash on hand, although it is lower than county and enrollment peers. • **Cash Flow Monitoring:** The District does not have a formalized weekly cash flow forecasting process. Cash is monitored monthly and is more closely watched during low-liquidity months when the fund balance is lower than usual. • **Grants Receivable Outstanding:** The District has a better Days Grants Receivable Outstanding than peers at 47.1 days. The District submits grant reimbursements quarterly. • **Days Payable Outstanding:** The Districts Days Payables Outstanding is significantly better than peers at 11.1 days. The District strives to pay bills weekly. • **Cash:** The District invests cash balances in the State local investment pool which allows the District to maintain liquidity.	• Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and avoid draw on TANs • Implement processes to file for grant (state and federal) reimbursements on a monthly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	• **Debt:** The total debt load per student is low compared to the statewide average and county peers at 70%, indicating lesser reliance on debt-financing and lower debt-service payments. • **TAN:** The District did not issue TANs this past year to assist with liquidity needs during cash low point. The District is mindful of the fund balance and is able to make timely payments even during low cash months.	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	• **Budget Planning:** The annual budget process begins with a roll-forward of the prior year expenses. The budget team works extensively with department heads to assess any new needs that are anticipated for the new fiscal year. The Superintendent meets directly with maintenance and technology to understand needs and the Assistant Superintendent handles school based needs. Once fixed costs and revenues are assessed, the remainder goes toward the capital plan while ensuring each school gets an equitable amount. • **Fiscal Monitoring:** The District does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared monthly with key leaders including the school board.	• Continue preparing performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Ensure grant coordinators receive budget to actual reports on a monthly basis.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	• **ERP:** The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable, and employee self-service. The district does not have technology capability for automated workflow approval of requisitions. The District is still currently using manual processes for time-keeping.	• Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system. • Complete process to select an automated and integrated time keeping system and implement prior to start of the next school year.
Regional Collaboration	• **Informal Network:** The District does not coordinate with others in the region on any transaction processing or finance related activities but regularly meets with the rest of the Anderson County CFOs, county board and county auditor/assessor to discuss problems districts are facing and troubleshooting.	• Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).

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HUMAN RESOURCES OVERVIEW

The Human Resources function is responsible for managing the District workforce and is directly responsible for teacher recruitment and retention, ensuring proper certification of personnel, supporting benefits management and coordinating personnel transactions.

2,467 : 1

District Students (ADM)[2] — Human Resources FTE[4]

$73 per Student

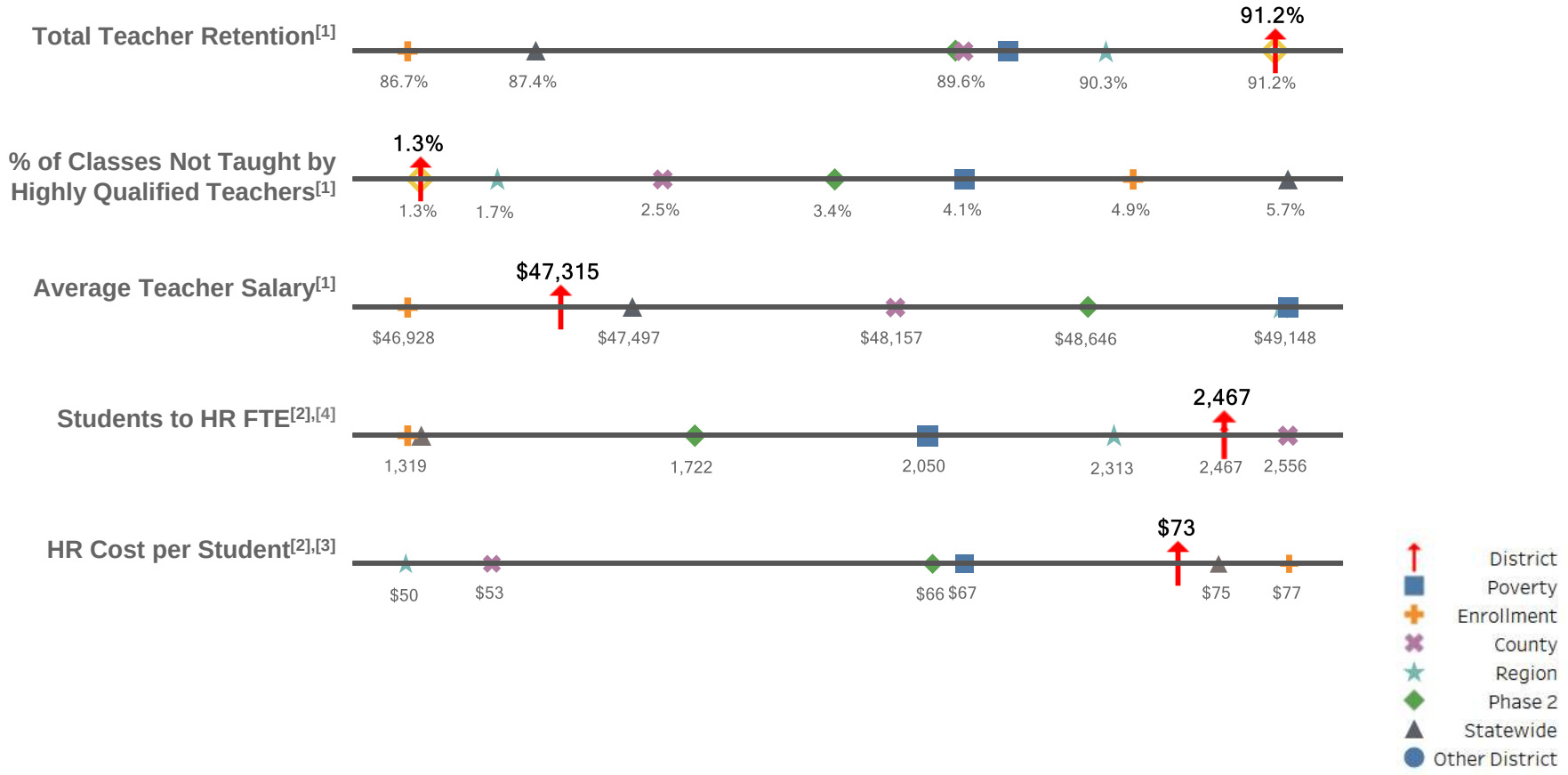
Cost of all HR personnel[3] per Student (ADM)[2]

Key statistics for metrics	
Human Resources FTEs[4]	1.5
Personnel Expense[3]	$236,740
Non-Personnel Expense[3]	$36,014
Total Human Resources Expense[3]	$272,754

NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Organization:** The Human Resources function operates on a lean budget with limited staffing to support recruiting, retention, personnel relations, professional, benefits and professional development activities. The Assistant Superintendent heads the department, splitting his time between academic administration and Human Resource functions and is supported by his administrative assistant. • **Student per Human Resources FTE:** The student to HR FTE ratio of 2,467 is high relative to the statewide average and districts of similar size. • **Human Resources Cost Per Pupil:** The HR cost per pupil of $73 for the District is on par with the statewide average.	• Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
Recruiting and Retention	• **Teacher Recruitment:** Similar to other school districts in the State, recruiting teachers into the District is challenging. The District does not employ international teachers nor does it leverage staffing agencies to fill positions. However, the District leverages its close proximity to large universities like Anderson, Lander and Erskine to recruit teachers, especially by offering student teaching positions. • **Average Teacher Salary:** The average teacher salary of $47,315 is below the state average and county peers.	• Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	• **Diversity:** The District is aiming to recruit a more diverse workforce and is recruiting more directly at historically black colleges. The District is still working on diversity recruiting. • **Teacher Cadet Program:** The District has launched a teacher cadet program within its high school to put students down the career path of teaching. The school hopes to make a return on investment with former students coming back to teach within the District. • **Vacancies:** The teachers shortage continues during the school year with 1 teacher vacancy. The District filled 59 vacancies prior to the current school year and has a teacher retention rate of 91%. • **TERI:** The District does not rehire TERI teachers. The District currently employs 12 teachers who will be affected by the act expiration. The Board will have to reconsider the policy given the teacher shortage.	• Conduct exit interviews to gather information on the causes of employee attrition and use the results of the process to formulate an effective teacher retention plan.
Technology	• **HR Software:** The District leverages AppliTrack software systems for recruiting, application screening, processing and onboarding and interfaces with Harris SmartFusion. • **State Network:** The District utilizes CERRA (statewide system) recruiting and resume screening. • **Substitute Management:** Under the current HR director, the District has implemented AESOP software for substitute management from absence recording through payroll.	• Implement an automated time tracking system that can interface directly with the payroll system.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	• **Benefits Administration:** Benefits administration is largely automated via the employee self-service portal with oversight provided by the finance department. Employees are responsible for updates and information is linked directly to payroll. • **Dependent Review:** The District has as an established process with PEBA to conduct a local review of benefit plans for ineligible dependents. PEBA performed a thorough audit this year	
Collaboration	• **Informal Networks:** The District does not collaborate with other nearby school districts on recruiting or human resource system licenses. The District does, however, meet regularly with county peers to discuss problems, trouble-shooting and general knowledge sharing. • **Professional Development:** The Anderson County districts frequently share professional development opportunities among one another and share costs per enrollee (i.e. one principal leadership training annually for all five districts, two or three induction trainings annually for all five districts, seat offerings for guest speakers)	• Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include: - Benefits Coordination - Human Resources System Licenses (Frontline)

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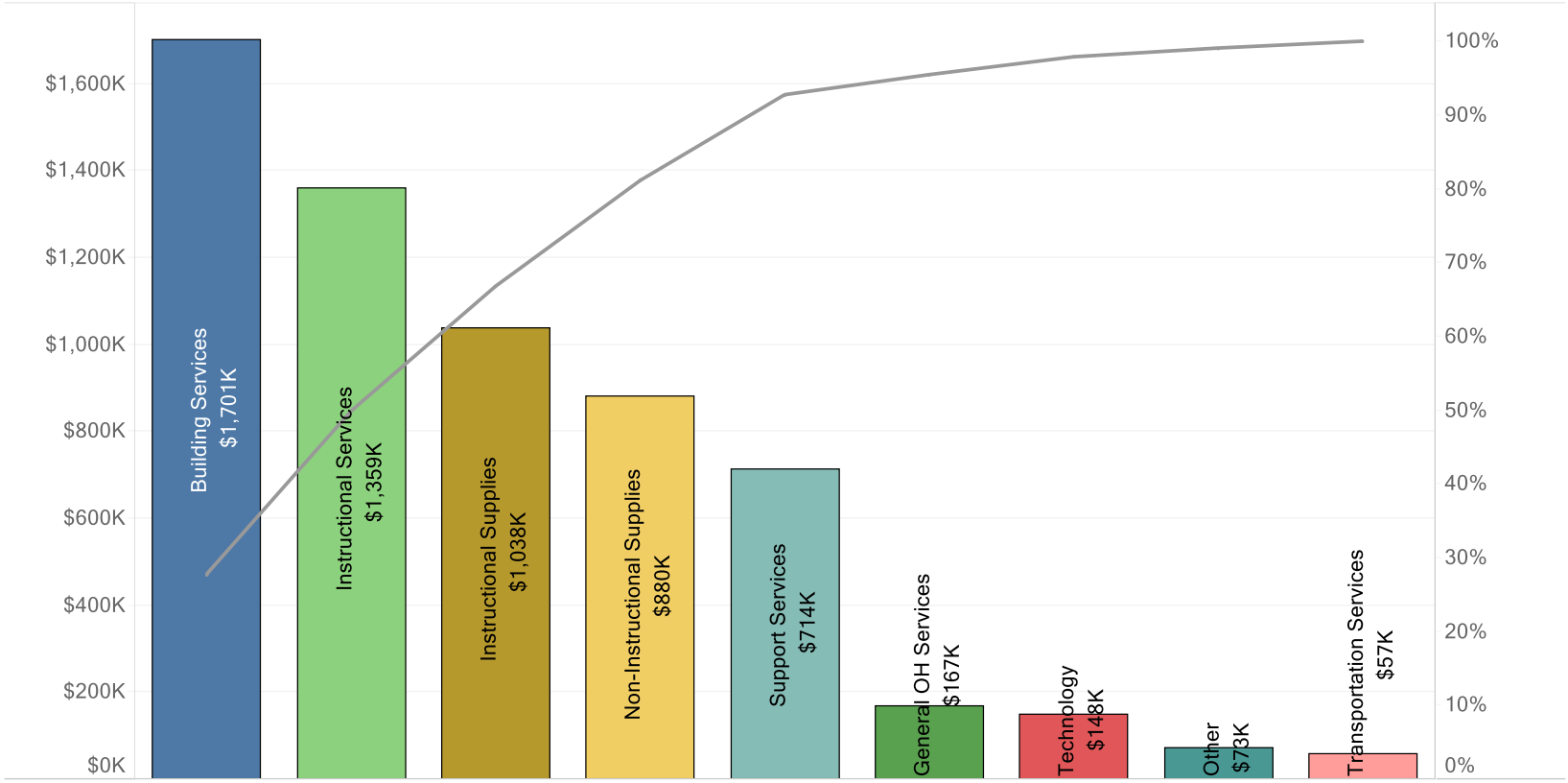
PROCUREMENT OVERVIEW

The District is responsible for purchasing all goods and services in accordance with procurement regulations. The chart below shows the District's in scope procurement spend by major category for FY16.

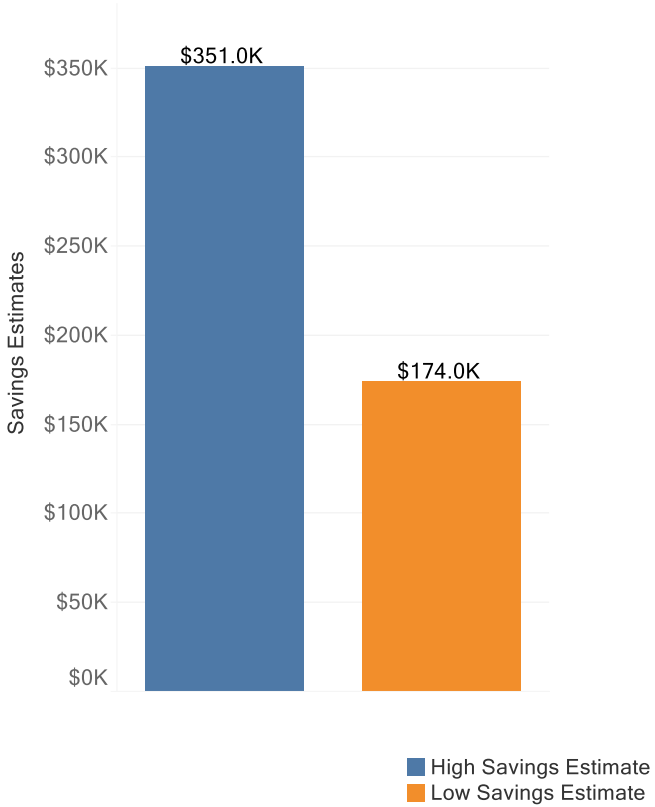
District In Scope Total Procurement Spend[3] = $6,136,612



ESTIMATED PROCUREMENT SAVINGS

The FY16 expense totals (shown on the previous page), in conjunction with review of the District's disbursement register, conversations with the District and A&M past experience help form the basis for savings potential estimated by A&M.

Range of Savings Based A&M Strategic Sourcing Experience[8]		
	Low	**High**
Building Services	2.6%	5.8%
Non-Instructional Supplies	2.0%	4.4%
Instructional Supplies	2.0%	4.4%
Instructional Services	4.8%	8.0%
Support Services	2.1%	5.0%
Technology	2.7%	5.0%
Other	3.0%	5.8%
Overhead Services	2.7%	5.4%
Transportation Services	2.2%	6.8%



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	• **Organization:** The District does not have any staff focused solely on purchasing and procurement. The purchasing function is housed within the finance department, with key responsibilities residing with the finance director.	• Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	• **Vendors:** Spending is fragmented across more than 1,700 vendors; however, the top 50 make up more than 80% of total spending. • **Aggregated Purchases:** Schools submit supply requests to the Finance Department that then makes aggregated purchasing decisions across the districts. • **Alliances:** The District uses US Communities and many state contracts for better pricing.	• Standardize requirements and specifications for commonly purchased goods in order to streamline the number of vendors used, aggregate buying power within the District and enable volume pricing discounts. Contract options may take the form of: (a) state contracts; (b) stand-alone negotiated contracts; (c) negotiated contracts done in collaboration with surrounding districts. • The procurement function should conduct ongoing analysis of non-personnel spending, including review of spending by transaction and dollar volume to determine potential candidates for formal contracting and price negotiation to enable better pricing and cost savings. Examples of metrics that could inform analysis include: (a) vendor concentration (# of vendors comprising 80% of spend); (b) % of vendor spending negotiated through formal RFP process; (c) average POs per vendor. • Perform annual review of vendor performance (on time, completion, quality) to assess opportunities to reduce or eliminate non-value add services. • Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		• Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	• **Building and Maintenance:** Does not outsource except for cleaning services. Building and maintenance projects over $50,000 are bid on by RFP and advertised locally. • **Food Services:** The District makes all food service purchases through the SC Purchasing Alliance. • **Instructional Support Services and Supplies - Procurement Exemptions:** The District does not require procurement of instructional support software to be placed out to bid. Most instructional software purchasing tends to be sole source due to the unique nature of software needs. • The District does not procure these services and software in collaboration with any other districts. • **Technology – Standardization:** The District is expanding its 1:1 initiative and is leveraging a state contract with a reseller, Bridgetech, to make its purchases. • The District does not coordinate technology purchases with other nearby districts.	• Coordinate purchasing if facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. • The District should consider purchasing instructional software in collaboration with others, if the Districts have similar instructional needs. • **Standardization of Technology:** The greatest saving potential can be realized through rollout of low cost/high quality technology options, that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership. • Capitalize on potential for greater discounts on technology that is purchased using state contracts by leveraging special discount provisions that are identified in state contracts that are subject to negotiation. Evaluate opportunities to generate savings on ancillary services (accessories, warranties, break-fix, etc.) as part of procurement negotiations.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category (cont'd)	• **Non-instructional Supplies - Contracting Vehicles:** The District purchases the majority of its non-instructional supplies outside of available state contracting vehicles (Quill) under the belief that it can receive comparable, if not better pricing.	
Regional Collaboration	• **Shared Purchasing:** The Anderson County districts partner together to procure certain goods and services such as paper goods and waste management services.	• Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management. • A regional collaboration model would allow for Districts to further capitalize on volume discounts and rebates on areas of spend that would include: - Technology - Instructional Software and Services - Instructional Staffing - Supplies

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TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

Responsibility for school transportation operations is uniquely shared by the State and the District. The cooperative relationship allows school transportation to maximize operational efficiencies by leveraging economies of scale and regionalizing bus operations across small districts.

Transportation Operations	State Responsibility	District Responsibility
Bus Purchases	• Provides buses for regular, special needs and other routes. Statute requires buses be replaced every 15 years.	• Activity buses and any incremental buses for routing
Daily Administration	• None	• Student transportation enrollment; daily administration
Bus Drivers	• Base pay, certification standards and training	• Hiring
Routing	• Routing software for districts	• Determination of routes
Maintenance	• Regional maintenance shops for State-owned buses	• Responsible for maintaining district purchased buses
Fuel	• Fuel provided for State-owned buses	• Fuel must be purchased for district-owned bus • District must pay for “hazard” routes
Safety Cameras	• None	• District must purchase
GPS / Bus Tracking	• None	• District must purchase
Stop-arm cameras	• None	• District must purchase
Radios / cell	• None	• District must purchase

TRANSPORTATION OVERVIEW

The District is responsible for the administration of student transportation which includes bus routing, hiring of bus drivers and daily coordination of student transportation.

12 Years

Avg. Age of State Provided Bus Fleet[9]

$232 per Student

Cost of District incurred transportation related expenses. State related expenses are excluded [2],[3]

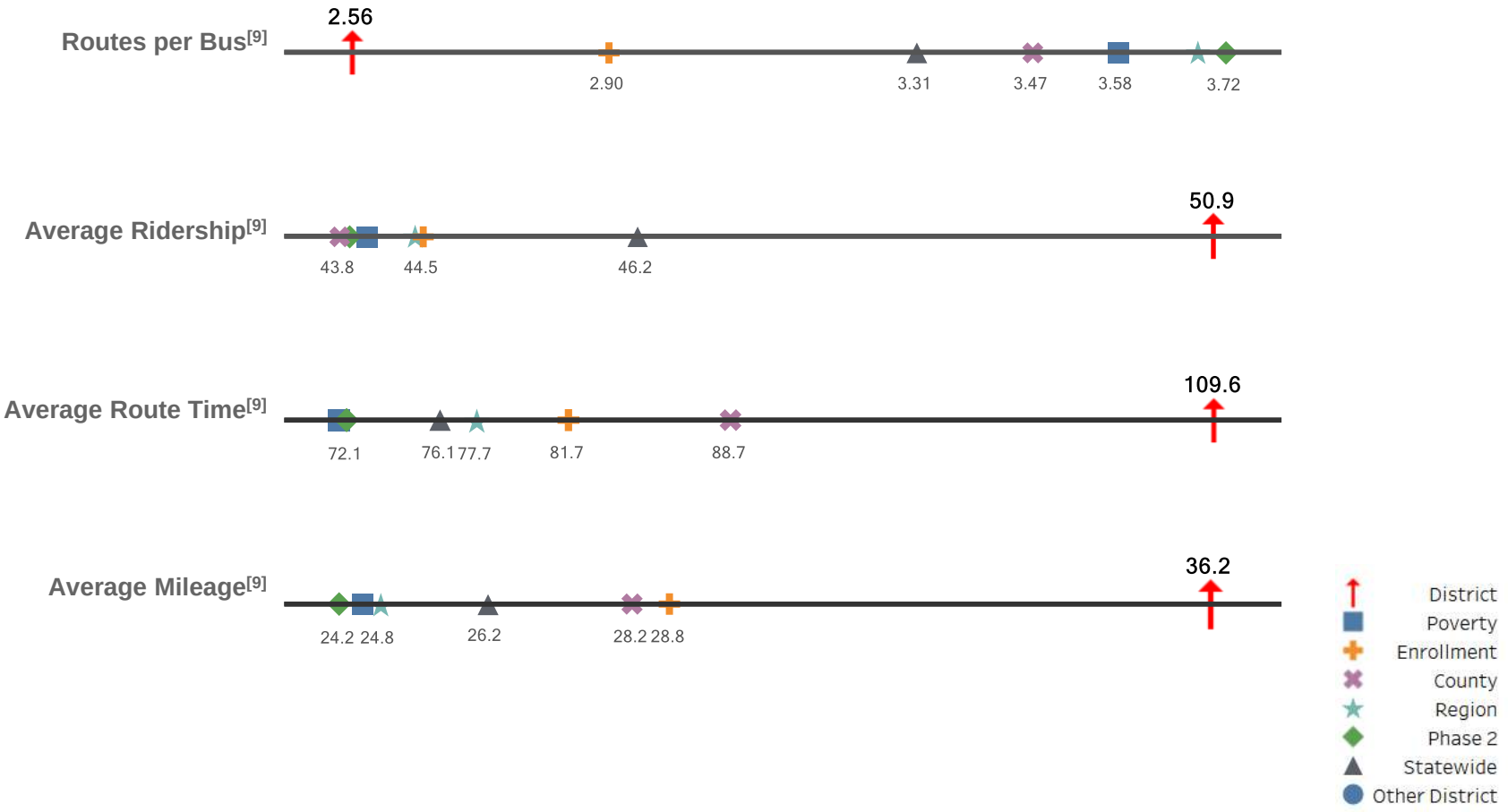
Key statistics for metrics	
Transportation FTEs[4]	27.0
Personnel Expense[3]	$715,771
Non-Personnel Expense[3]	$330,936
Total Transportation Expense[3]	$1,046,707

NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

Key statistics for State Routes	# Buses[9]	# Routes[9]	Routes per Bus[9]	Ridership[9]	Avg Ridership[9]	Avg Route Time (including dead time) [9]	Avg Mileage per Bus[9]
Regular	14.8	38	2.6	1,933	51	110	36
Special Needs	4.4	11	2.5	82	7	Not-Available	38
Other	5.2	17	3.3	660	39	Not-Available	23
Total	24.4	66	2.7	2,675	N/A	N/A	N/A

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

The metrics below show how the District compares to other districts for key operating metrics on transportation routing for general education students.



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Administration:** Transportation is run by one administrator. • **Recruiting:** The District has a difficult time recruiting bus drivers. The District currently has zero vacancies • **Attendance:** The District has a low bus driver attendance rate of only 65%. • **Substitute Pool:** The District does not have a pool of substitute drivers; therefore, routes are frequently adjusted daily to deal with the shortage, including administrative staff with CDL licenses having to abandon duties to cover routes. The District has a system in place to robocall substitute drivers if there was a pool in place. • **Dual Employment:** One bus driver in the District is dual employed as a maintenance person. • **Staggered Routes:** The District does not staggered bus routes, however bell times are staggered with the earliest routes starting as early as 6:05am. • **Driver Pay:** Bus drivers are currently paid a starting rate of $12.20, approximately $4.45 above state reimbursement levels. • **Recruiting Plan:** Considering recruiting new graduates without a career plan.	• As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts in the State are dual employed serving in aide, food services and / or maintenance roles when not driving buses. • Incentivize drivers to maintain attendance record with perfect attendance bonus. • Implement a substitute/back up driver pool in collaboration with nearby districts. • Implementation of staggered routes will 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	• **Routing Software:** The District does not currently utilize routing software, however the District is currently investigating options. • **GPS Tracking:** The District does not have GPS on its buses. The district is investigating wi-fi options on its buses which would replace the need for additional GPS software. • **Driver Communication:** The District provides two-way radios to drivers to contact drivers while on routes. • **Security Cameras:** The District has a security camera on each bus. The District expects installing a new camera system with six views before the new school year. The District also anticipates wi-fi capability on buses for real-time playback of footage. • **Stop-Arm Cameras:** The District currently does not have stop-arm cameras on buses. • **Activity Buses:** The District does uses the state fuel for diesel activity buses and refuels gasoline at a local station.	• Implementation of staggered bell times will 1) reduce the number of drivers needed, 2) eliminate of the need for double bus runs, 3) reduce in the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students. • Implement routing software to ensure most efficient routes. • Install GPS on buses to monitor bus routes and ensure most efficient routes. • Install stop-arm cameras to assess tickets to drivers passing buses.
Collaboration	• **Knowledge Sharing:** The Anderson County Transportation heads meet regularly to discuss problems, troubleshooting and general knowledge-sharing. • **Out-of-district Placement:** The District collaborates with surrounding districts on out-of-district McKinney-Vento homeless student transportation coordination.	

APPENDIX A:
SAVINGS METHODOLOGY

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

- Investments and cost savings were estimated based on interviews with District personnel across each functional area and using financial and operational data received from both the State and each district.
- Data provided was benchmarked and analyzed to understand costs, productivity and utilization.
- For more detail on methodology, see Appendix A.

FINANCE AND HUMAN RESOURCES

- A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within each district.
- A&M estimated a range of potential synergies from district collaboration based on average district spend in key finance and HR functional areas. Synergies will be realized when participating district resources are pooled in a Shared Service Center. For purposes of this analysis, A&M calculated the District level savings by estimating the level of resources that would be required to support two average sized smaller districts at the low end and five districts of varying sizes at the high end.

PROCUREMENT

- A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the District's procurement spend.
- On a limited basis, A&M reviewed rates paid to individual vendors by multiple districts.
- In order to estimate savings, A&M leveraged the information gathered above and then applied potential savings rates to key spend categories. Savings rates were based upon past experience that our clients have achieved by partnering with A&M on strategic sourcing.

TRANSPORTATION

- A&M used data provided by the State to analyze the District route mileage, frequency, timing, and volume to estimate potential efficiencies available through the implementation of routing software and staggered bell times.
- Benchmarks were established based on districts currently using routing software and staggered bell times.
- Savings were estimated based on a target benchmark for the District that took into consideration the location, population and rural profile of the each district.
- Estimates include savings for bus drivers, fuel, maintenance and buses.

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

- **State-wide Benchmarking Data:**
  - A&M has compiled a robust set of benchmarks and metrics to compare staffing and spending levels at each district. A&M has provided the State Education Department with access to a live database and analytics dashboard to enable cross-district analytics and gain further insights into the rationale behind A&M's observations and recommendations.

- **Implementation:**
  - Implementation of certain recommendations included in this report will require one-time investments in order to achieve savings. A&M has developed preliminary estimates for these costs that will likely need to be refined as additional information regarding decisions on implementation plans and approach become available.

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

Estimates were developed by function and by sub-function to determine staffing levels on a stand-alone basis and post-implementation of a regional shared services model.

TECHNOLOGY

Technology investments were identified based on the need to automate processes for each function and determination of shared costs by school district.

Functional Review

Operating Model Components

PROCESS

Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

ORGANIZATION

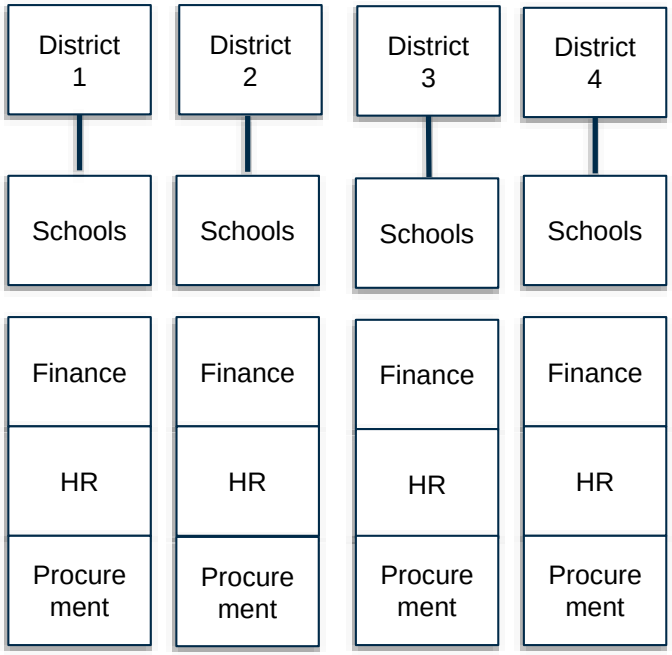
An analysis of each organization's staffing levels on an As-Is Basis, against peer benchmarks, and in a regional collaborative model were conducted to assess overall efficiency and effectiveness.

COLLABORATION: SHARED SERVICE MODELS

Given the limited spending across the different areas within scope and the fixed cost requirements of these functions, it is necessary to consider collaboration alternatives when looking for ways to optimize efficiency.

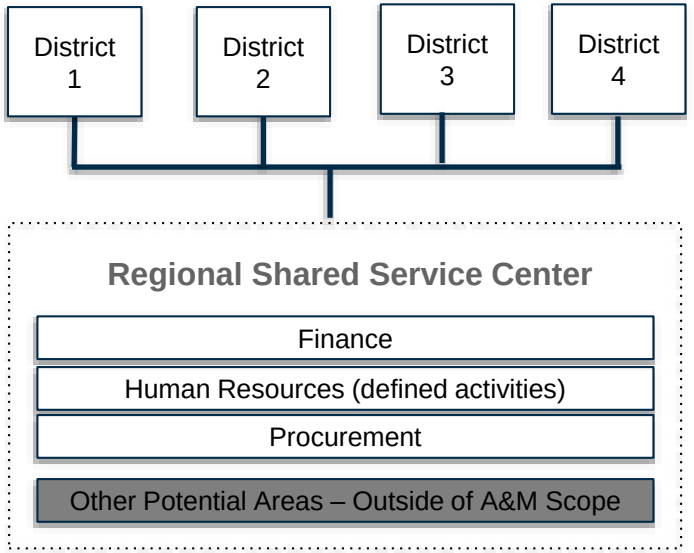
CURRENT STATE: STAND ALONE DISTRICT

Infrastructure for transactional processes repeated in individual districts; limited economies of scale



COLLABORATION ALTERNATIVE

Shared expertise and improved controls leverages scale to reduce aggregate costs and enhance efficiency



Collaboration provides a pathway to optimizing effectiveness and efficiencies across processes, capturing economies of scale, increasing standardization and addressing common challenges faced by all districts.

SHARED SERVICES MODEL: SAVINGS APPROACH

Cost savings potential from a Shared Services Model will vary greatly depending upon: (1) the number of districts; (2) the sizes of districts opting to work together and (3) the services functions that are included in the shared services center.

In order to develop a range of savings that a collaboration model would yield, A&M considered collaborations of multiple types and amounts of districts. An example of the range of options considered for financial management collaboration is shown below.

	Financial Management Collaboration: Two Districts [Both Small]		
	Current State	**Collaboration Model**	**Savings**
# of Districts	2	2	NA
Total ADM	2,500	2,500	NA
Total FTEs(1)	4.75	4.00	0.75
Total Spend(1)	$468,856	$427,128	$41,728
Savings %			8.9%

(1) Total FTEs and Total Spend based upon average FTEs of average spend of two small districts (less than 2,500 enrollment). Actual results may vary depending upon districts opting to collaborate.

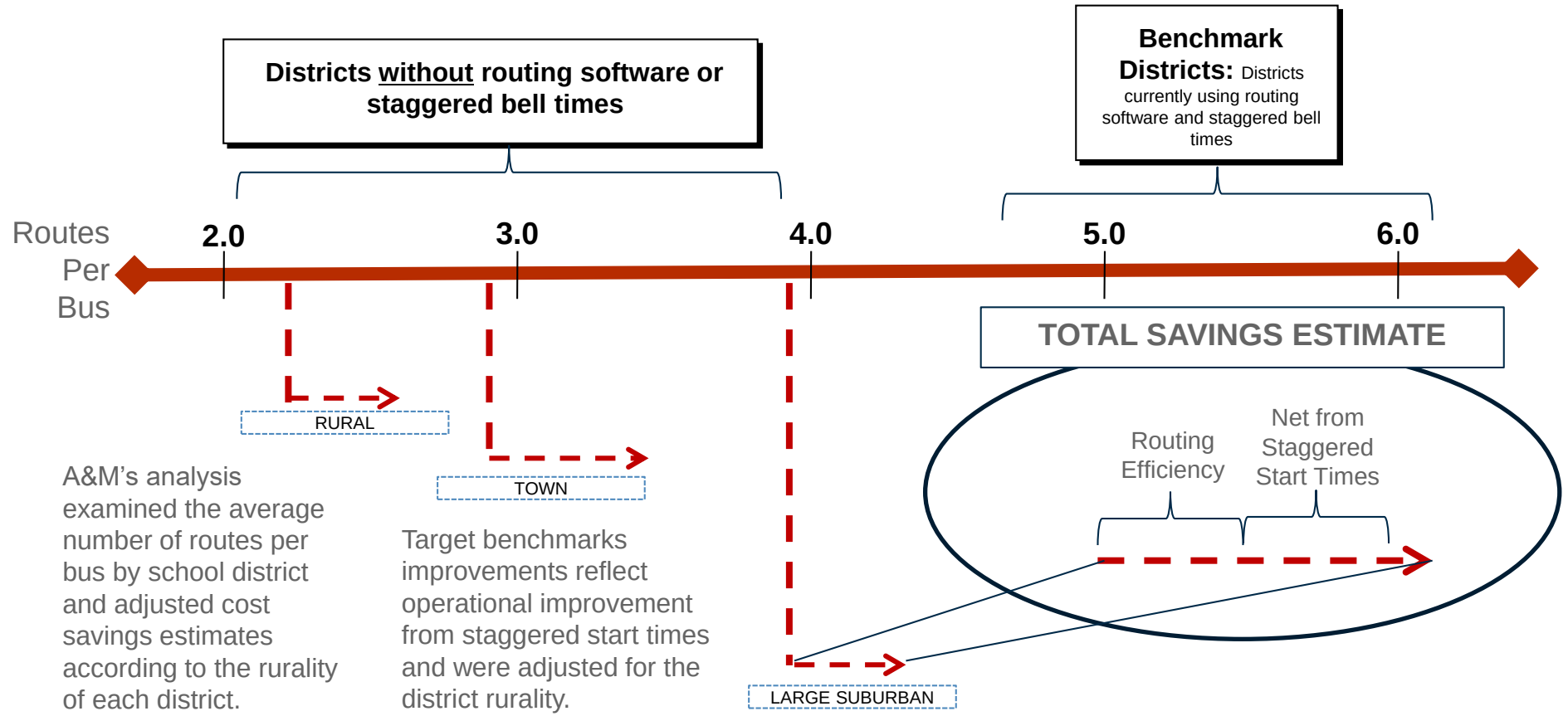
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	**Collaboration Model**	**Savings**
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs(2)	18.9	13.0	6.0
Total Spend(2)	$2,409,840	$1,684,478	$725,326
Savings %			30.1%

(2) Total FTEs and Total Spend based upon average FTEs and average spend of one large district (>10,000 ADM), one medium district (between 5,000 and 10,000 ADM) and 3 small districts (less than 2,500 enrollment).

Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

TRANSPORTATION ROUTING: SAVINGS APPROACH

Implementation of new routing software can help districts optimize existing routes and evaluate alternative routing strategies, such as staggered bell times.



A&M's analysis examined the average number of routes per bus by school district and adjusted cost savings estimates according to the rurality of each district.

Target benchmarks improvements reflect operational improvement from staggered start times and were adjusted for the district rurality.

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

A&M analyzed districts' route mileage, frequency, timing and volume to estimate potential efficiencies available through the implementation of routing software.

This analysis separates the district and state portions of estimated cost savings according to the amount of reimbursement the state provides to each district.

Fuel and maintenance savings are based on state cost per vehicle mile.

The reduction in buses is the result of a reduction in the need to purchase new buses per year across the plaintiff districts.

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

DISTRICT A	VOLUME	UNIT	DISTRICT	STATE
DRIVERS	5.0	$ 19,390	$ 55,051	$ 37,238
FUEL	43,560	$ 0.15	$ -	$ 6,749
MAINTENANCE	43,560	$ 0.34	$ -	$ 14,595
BUSES (COST AVOIDANCE)	1.0	$ 60,000	$ -	$ 60,000
TOTAL			$ 55,051	$ 118,582

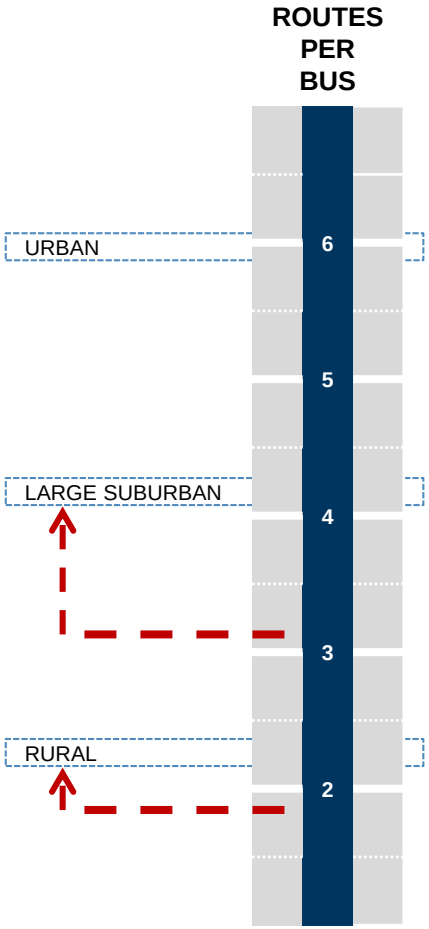
Cost savings from more efficient routing are significant, with savings shared between the districts and the State.

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

A&M's analysis examined the average number of routes per bus by school district and adjusted cost savings estimates according to the rurality of each district.

Target benchmarks improvements are shown in the graphic to the right reflecting operational improvement and adjusting for the district rurality.



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

DISTRICT A	VOLUME	UNIT	DISTRICT	STATE
DRIVERS	2.0	$ 19,390	$ 23,133	$ 15,647
FUEL	-	$ 0.15	$ -	$ -
MAINTENANCE	2.0	$ 4,138	$ -	$ 8,276
BUSES (COST AVOIDANCE)	-	$ 60,000	$ -	$ -
TOTAL			$ 23,133	$ 23,923

Staggered bell times would help reduce routes and the number of buses required.

COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

Given the size of many of the individual districts, there is little leverage to negotiate best pricing or invest in resources needed to develop or implement a defined procurement strategy. These districts would benefit from greater purchasing coordination, aggregation of buying power and minimum commitments in order to improve overall pricing.

EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

Example 1: Differentiated Pricing in Professional Services

District	Labor Rate Mark-up for Temporary Staff
District A	0.43 to 0.49
State Contract	0.40
District B	0.39

- At a minimum, many districts could benefit from leveraging State contracts. Districts could additionally benefit from favorable pricing negotiated by other districts.

Example 2: Volume Discounts and Rebates with a Technology Vendor

Minimum $ Value	Discount
$50,000	1%
$100,000	2%
$200,000	4%
$500,000	6%
$1,000,000	8%

- Nearly all districts could benefit from additional discounts by aggregating spend statewide.

PURCHASING COORDINATION AND AGGREGATION: SAVINGS APPROACH

In order to develop a range of savings that a purchasing consortium would yield, A&M estimated savings based on current district spend and applied savings ranges based on the experience that our clients have achieved by partnering with A&M on strategic sourcing.

To determine actual savings amounts by District, A&M applied the savings ranges to FY16 expenditure data from the State. The expenditure data from the State is summarized at function and major object codes.

Given the approach to estimate savings was a top-down approach rather than a bottom-up approach of savings by vendor, the estimates of savings achieved through purchasing coordination are high-level estimates.

	Range of Savings: A&M Strategic Sourcing Experience	
	Low	**High**
Building Services	3.2%	7.2%
Non-Instructional Supplies	2.5%	5.5%
Instructional Supplies	2.5%	5.5%
Instructional Services	6.0%	10.0%
Support Services	2.6%	6.2%
Technology	3.4%	6.3%
Other	3.7%	7.3%
Overhead Services	3.4%	6.7%
Transportation Services	2.8%	8.5%

Preliminary estimates of potential savings from increased collaboration of purchasing across districts range from 2.0% to 5.1%.

APPENDIX B:
DATA SOURCES

APPENDIX B: DATA SOURCES
ANDERSON 02

[1] FY 16 District Report Card

[2] State-provided enrollment numbers:

- **FY 15 135-Day ADM:** The only use of the FY 15 enrollment numbers is for the enrollment trend
- **FY 16 135-Day ADM:** All calculations made using FY 16 expense data and enrollment data rely on the FY 16 135-Day ADM
- **FY 17 45-Day ADM:** All calculations made using FY 17 personnel data and enrollment data rely on the FY 17 135-Day ADM

*Number of schools calculated using state ADM files

[3] State-provided FY 16 district expenses

*In-scope procurement and categorization is determined by a mapping completed by A&M based on expense function & object codes. These values exclude all expenses where fund code = 400, 500, or 700 (Debt, Capital, and Pupil Activity funds respectively).

[4] District-provided FY 17 personnel rosters

[5] State-provided FY 16 district revenue

[6] A&M Functional Area Mapping

If "Function Code" begins with 1## Then "Instruction"
If "Function Code" = 252, 257, or 259 Then "Financial Management"
If "Function Code" = 264 Then "Human Resources"
If "Function Code" = 231, 232, 261, 262, or 265 Then "Overhead"
If "Function Code" = 251 or 255 Then "Transportation"
If "Function Code" begins with 2## and not in lists above Then "Support Services"
If "Function Code" begins with 3## Then "Community Services"
If "Function Code" begins with 4## Then "Other"
If "Function Code" begins with 5## Then "Debt"

[7] FY 16 Comprehensive Annual Financial Report (CAFR)

[8] Historical A&M Procurement Savings and assumption of district collaboration in the procurement function

[9] FY 16 State-provided transportation data

APPENDIX B: FORMULAS DEFINED
ANDERSON 02

Sources [2],[3]

- $ Per Student = Total Cost [3] / FY 16 135-Day ADM [2]
- $ Per Student Excluding Debt & Capital = Total Cost [3] / FY 16 135-Day ADM [2] (Where Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”)
- Financial Management Cost per Student = Total Cost [3] (Where A&M Functional Group = “Financial Management” and Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”) / FY 16 135-Day ADM [2]
- HR Cost / Student = Total Cost [3] (Where Function Code = “Human Resources”) / FY 16 135-Day ADM [2]
- Transportation Cost / Student = Total Cost [3] (Where A&M Functional Group = “Transportation”) / FY 16 135-Day ADM [2]

Sources [2],[4]

- Students Per Instructional Services FTE = FY 17 45-Day ADM [2] / FTE [4] (Where Category Description = “Instruction,” “Instructional Staff Services,” “School Administration,” or “Pupil Services”)
- Students Per Overhead FTE = FY 17 45-Day ADM [2] / FTE [4] (Where Category Description = “Gen Admin,” “Finance,” “Technology,” “Central Services,” or “Human Resources”)
- Students Per School Support FTE = FY 17 45-Day ADM [2] / FTE [4] (Where Category Description = “Food Services,” “Facilities,” “Transportation”, “Support Services” or “Community Services”
- Students to All Positions = FY 17 45-Day ADM [2] / FTE [4]
- Students To Total FTE = FY 17 45-Day ADM [2] / FTE [4]
- ADM to Financial FTE = FY 17 45-Day ADM [2] / FTE[4] (Where Category Description = “Finance”)
- ADM to HR FTE = FY 17 45-Day ADM [2] / FTE [4] (Where Category Description = “Human Resources”)

APPENDIX B: FORMULAS DEFINED
ANDERSON 02

Source [5]

- Grant Funds as Percent of Total Budget = ((Total Special [5] + Special EIA Revenue [5]) / Total Revenue Excluding) Where Fund Name ≠ "Capital Projects Fund" or "Debt Service Fund"
  * Special Revenue = Fund Code 200
  * Special EIA Revenue = Fund Code 300
  * Debt & Capital = Fund Code 400 & 500

Source [3],[7]

- Days Cash on Hand = (Cash: Unrestricted, general fund [7] + Investments: general fund [7] + AR: County [7]) / (General Fund Expenditures [3] / 365))
  *General Fund Expenditures = expenses where fund code = 100

- Days Payable Outstanding = (Accounts Payable: General Fund [7] / (Non-Personnel Expenditures [3] / 365))
  *Non-Personal Expenditures = expenses where Object Code between 300 – 700

Source [5],[7]

- Unrestricted Fund Balance as % of General Fund = Fund balance – unrestricted [7] / General Fund Revenue [5]

- Grants Receivables Days Outstanding = (Grants Receivable from State [7] + Grants Receivable from Federal [7]) / (total grant funds from statewide revenues [5]/365)
  *Total Grant Fund From Statewide Revenue is revenue where fund code = 200 & 300

- Total Debt Outstanding/Total Revenue = Total Debt Outstanding[7] / Revenue[5] (Where Fund Name ≠ "Capital Projects Fund" or "Debt Service Fund")

Source [9]

- Routes Per Bus = Number of Routes [9] / Number of Buses [9]

- Average Ridership = Total Ridership [9] / Number of Routes [9]

- Average Route Time = Total Route Minutes [9] / Number of Routes [9]

- Average Mileage Per Bus = Total Route Miles [9] / Number of Buses [9]

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