



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Charleston

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.
- 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 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.

PROJECT OVERVIEW (CONTINUED)

➤ 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.

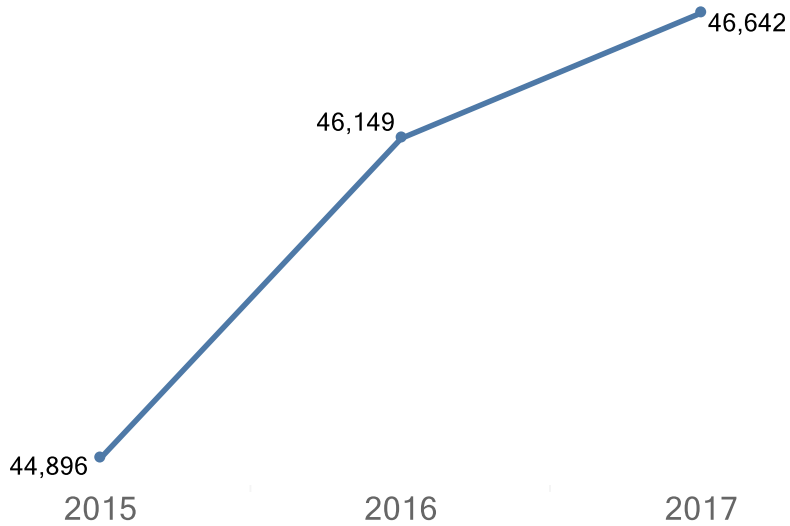
➤ **Sources of Data and Savings Estimates**

- 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, 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.

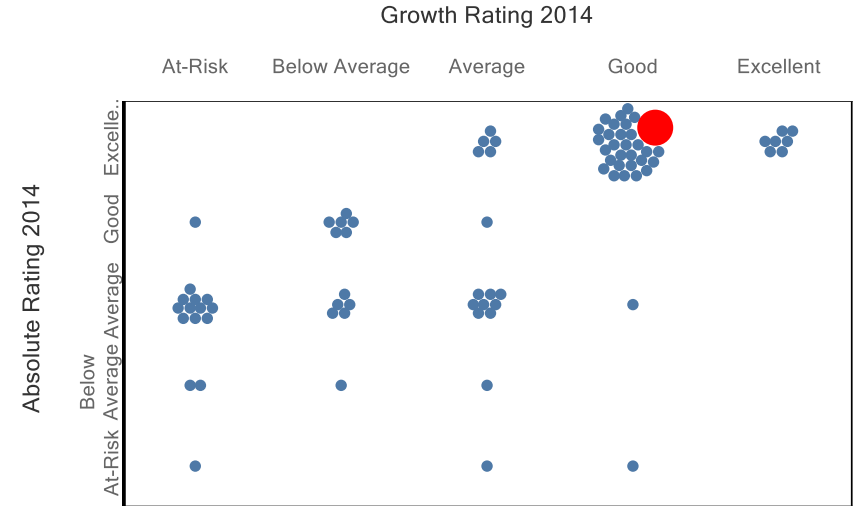
EXECUTIVE SUMMARY

CHARLESTON

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	83
% Poverty ^[1]	53.3%
% Disability ^[1]	9.3%
\$ Per Student ^{[2],[3]}	\$16,661
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$12,722

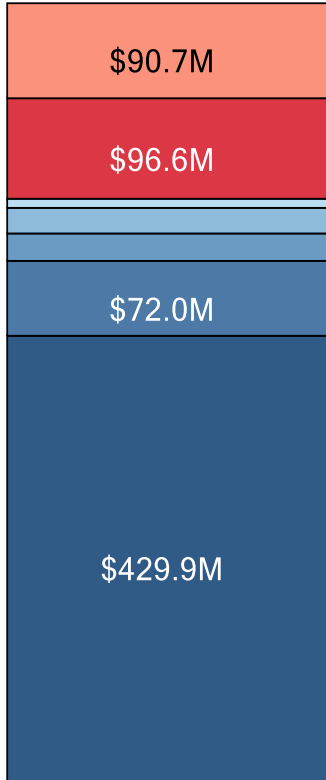
Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.5
Students Per Overhead FTE ^{[2],[4]}	277.5
Students Per School Support FTE ^{[2],[4]}	92.4
Students to Total FTE ^{[2],[4]}	8.4

EXECUTIVE SUMMARY

CHARLESTON

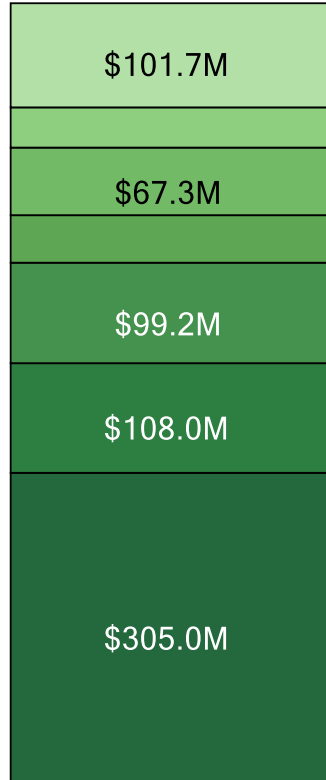
Sources of Funds^[5]
\$750.3M



2015-2016

- Debt Service Fund
- Capital Projects Fund
- Pupil Activity Fund
- Food Service Fund
- Education Improvement Act Fund
- Special Revenue Fund
- General Fund

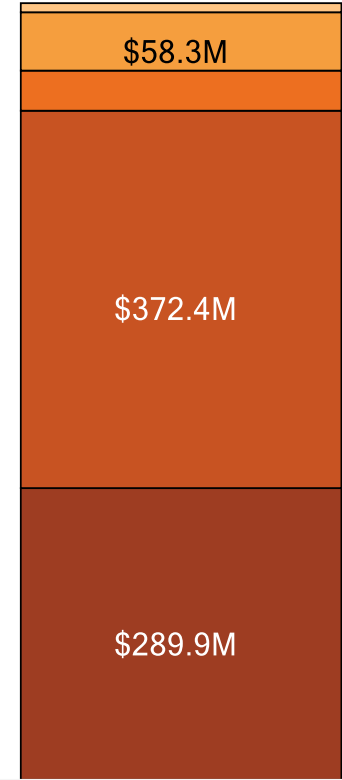
Use of Funds - Type^[3]
\$768.9M



2015-2016

- Capital Outlay
- Transfers
- Other Objects
- Supplies and Materials
- Purchased Services
- Employee Benefits
- Salaries

Use of Funds - Function^[3]
\$768.9M



2015-2016

- Community Services
- Debt Services
- Other Charges
- Support Services
- Instruction

* totals may not tie due to rounding

EXECUTIVE SUMMARY

CHARLESTON

\$768.9M
Total

\$113.1M
In-Scope

\$655.7M
Not In-Scope

14.7% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$8,334,249	\$2,167,615
Human Resources	\$4,696,025	\$797,464
Overhead	\$8,857,336	\$2,512,252
Transportation	\$17,812,362	\$17,046,278
Procurement (Community Services, Instruction, Support Services)	\$73,437,874	\$73,437,874
TOTAL	\$113,137,846	\$95,961,483

* totals may not tie due to rounding

EXECUTIVE SUMMARY

CHARLESTON

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To increase student achievement overall and close the achievement gaps in order to prepare all students to compete in a global economy and make a positive contribution to the community and nation.

Goals:

1. Ensure college, career, and citizenship readiness across schools.
2. Train all employees to analyze and use data to continuously improve student achievement.
3. Provide supports to teachers and students.
4. Manage governance, human resources, operations, and finance systems to support teaching and learning.
5. Communicate goals, activities, and results to employees and the public.
6. Address local priorities established by the Board of Trustees.

Achievements

- **Innovative Programs / Expanded Academic Opportunities:** Implemented a structured approach to identifying new programs to pilot in schools and to match interested schools with programs. Enhancements include a new math curriculum, phonics program, SEL programs, intensive blended learning, and STEM.
- **Implementation of Digital Learning Solutions:** Implemented digital learning pilots in FY17 using various software products and selected ELA and math adaptive digital content for district-wide implementation for FY18; Implemented a blended learning pilot at three high poverty schools.
- **Professional Development:** Enhanced focus on professional development by aligning resources (including online options) with strategic goals and creating a separate professional development website for teachers and administrators.
- **Focus on Literacy:** The District hired literacy coaches (certified through year-long literacy coaching training from the University of Florida) for all schools; selected sites for intensive phonics pilots for FY18.

Challenges

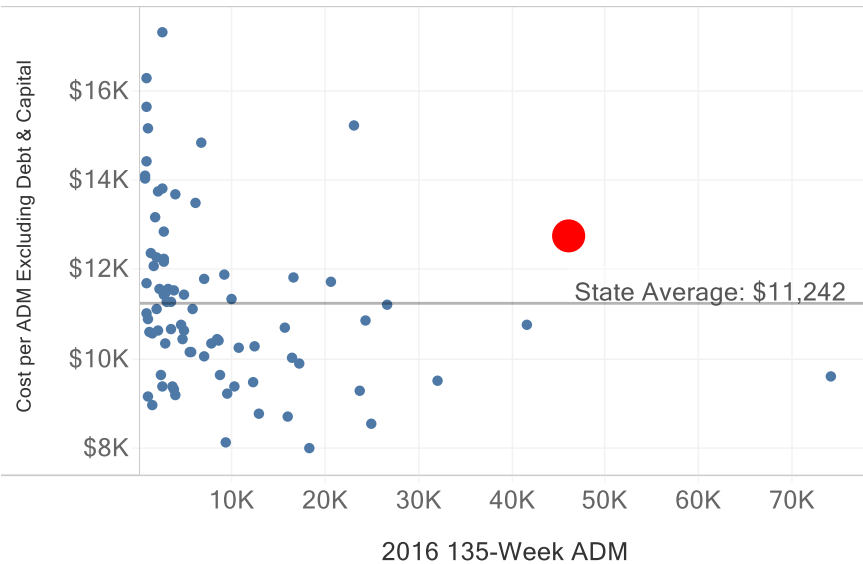
- **Financial Position:** The District's fund balance was less than 2% of the General Fund operating budget at the end of FY16. The District has taken measures to rebuild its overall financial position.
- **Governance:** The District has a unique governance structure that includes a 10 member Board of Trustees (including the Superintendent) and 8 separate publicly elected Constituent Boards each with 5-7 members.
- **School Size:** The District has a number of small schools, which results in increased costs and lower fiscal efficiencies. The District's average school size by enrollment is nearly 24% lower than that of the other districts in the state with enrollment greater than 20,000 students.
- **Business Management Processes:** Inconsistent use of business management systems and processes by site-level resources results in inefficiencies, less effective fiscal controls and incremental resource needs at the District office.

EXECUTIVE SUMMARY

CHARLESTON

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

The District's Per Pupil Expense (excluding debt and capital) of \$12,722 is higher than and state average of \$11,242

The larger size of the District does enable increased efficiencies, however, some of this benefit is partially offset by the smaller average school size of schools within the District.

Opportunities for Improvement

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

In addition, the District should continue to conduct annual reviews of sustainability of schools with low and declining enrollments, weighing the impacts of fiscal efficiency and student and community needs.

EXECUTIVE SUMMARY

CHARLESTON

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Position: At the end of FY16, the District's unassigned fund balance of \$8.1 million was less than 2% of the General Fund total operating budget, the result of incurring operating deficits in the preceding three year period of more than \$50 million. As a result, the District commissioned a forensic audit to review causes of an unanticipated operating deficit in FY15, made leadership changes and took steps to try and bolster the fund balance. It is currently in the process of rebuilding its fund balance and expects it to reach 5% of the General Fund operating budget by the end of FY18. • Staffing / Processes: While the District has made strides in strengthening processes and procedures, it continues to work to enhance financial management processes, policies and accountabilities. The District leverages central staffing to review financial processes initiated at schools and is exploring opportunities to enhance monitoring and accountability for these processes.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: The District's staffing levels are higher than state average and districts with similar enrollment and reflects a combination of a factors that include: (a) investment in expanded Human Resources services that include areas like employee relations and compensation and (b) manual processes. • Recruiting and Retention: While the District faces similar challenges with the rest of the state on teacher recruitment, it makes extensive efforts to fill its teaching positions, hiring more than 600 teachers every year. The District participates in over 65 recruiting events across the Southeast every year and does not currently rely on international teachers to fill shortage area positions.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The District outsources transportation services to Durham School Services. Approximately 245 buses are provided by the state and an additional 134 buses are provided by Durham. The District believes it should be eligible to receive an additional 85 state owned buses based upon state regulations and is in the process of reviewing routes with the state. • Hazard Costs: The District pays approximately \$300,000 per year to the state for hazard route reimbursement related to routes/stops that are outside of state requirements
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District currently has 9 FTEs that support District-wide procurements (non-construction related). • Strategic Sourcing: The District outsources building maintenance, custodial and transportation services and is able to leverage its buying power to negotiate pricing on major contracts. There is limited collaboration with other districts on RFPs or contracting processes.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent has been in with the District for nearly two years and has 7 direct reports. • Community Engagement: The District has a strong local philanthropic community and robust program for community engagement.

EXECUTIVE SUMMARY

CHARLESTON

EFFICIENCY RECOMMENDATIONS

District investment in people, process and technology will help improve the effectiveness of the district's overall processes and operations.

EFFICIENCY RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Complete integration and automation of finance systems to modernize processes, limit manual activities and strengthen internal controls.</p> <p>Process Improvements: Clearly define site-level responsibilities and enhance training for finance-related activities. Establish operating metrics to track compliance with District finance policies and enforce accountabilities for non-compliance.</p> <p>Staffing/Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Complete integration of Human Resources and Finance Systems.</p> <p>Process Improvements: Develop a long term workforce plan that factors in the anticipated impact of retiring teachers and hiring needs for hard to fill positions and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Consider expanding the number of District vendors that accept Pcard payments in order to maximize rebates and reduce the number of Pcards issued to individual schools and departments.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings</p> <p>Capitalize on potential for greater discounts by leveraging special discount provisions that are identified in state contracts and are subject to negotiation.</p>	<p>Process Improvements: Complete analysis and review with the state of incremental routes that should be eligible to receive state-owned buses.</p> <p>Review provisioning of buses to evaluate opportunities to reassign District-funded buses and reduce annual hazard costs paid by the District.</p>

EXECUTIVE SUMMARY

CHARLESTON

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. Actual savings may vary based on implementation decisions.

FINANCE AND HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<ul style="list-style-type: none"> • A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within the District. • A&M estimated potential savings that could be realized after implementation of recommended process, policy and technology changes based upon past experience implementing similar initiatives, comparison of staffing and spend against peer benchmarks and discussion with the District. A&M also estimated investments required to achieve savings based upon prior experience. • In addition, while A&M evaluated potential synergies from a regional shared services model for transactional activities, after considering the District’s size, current staffing levels and uniqueness of processes, policies and technology, A&M is not recommending implementation of this approach at this time. 	<ul style="list-style-type: none"> • A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the Districts 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. 	<ul style="list-style-type: none"> • A&M used data provided by the state to analyze the district route mileage, frequency, timing, and volume to compare with benchmarks across the state. • A&M evaluated opportunities for savings based upon comparison of benchmarks across the state that took into consideration the location, population and geographic profile of the each district. • Savings estimates were not provided in instances where the District was in line with benchmark targets and was using both routing software and leveraging staggered bell times. • A&M also analyzed potential other opportunities to optimize spending on hazardous routes and district funded transportation and calculated savings estimates based upon this analysis and discussions with the District.

EXECUTIVE SUMMARY

CHARLESTON

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

Investment and savings ranges shown below reflect estimates of the impacts of A&M recommendations for process, technology and policy changes.

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.

	Est. One-Time Investment		Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$50,000	\$150,000	\$0	\$200,000
Human Resources	0	0	0	150,000
Procurement	0	0	451,300	2,510,500
Transportation – District	N/A	N/A	100,000	200,000
District Total	50,000	150,000	551,300	3,060,500
Transportation – State	0	0	0	0
Total	\$50,000	\$150,000	\$551,300	\$3,060,500

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

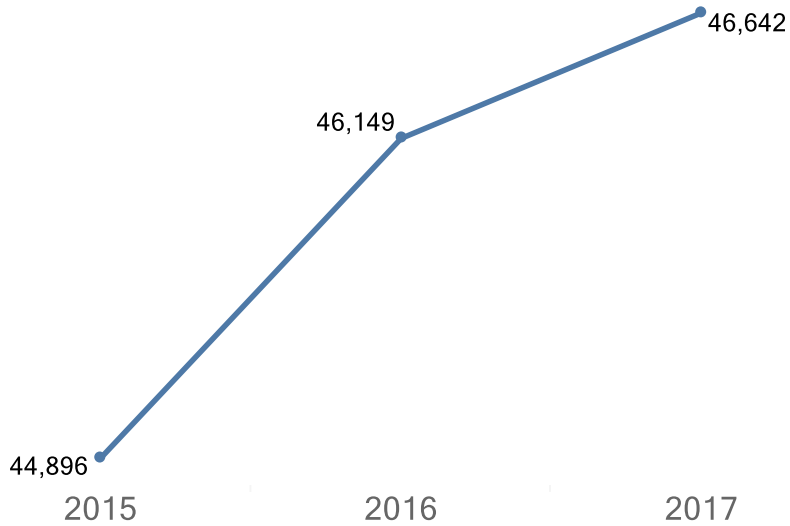


OUTLINE

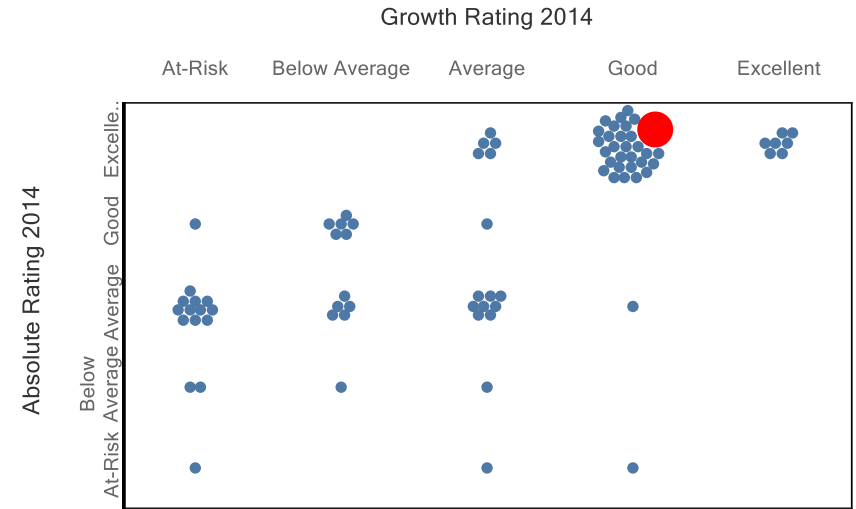
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DISTRICT ADMINISTRATION AND PERFORMANCE CHARLESTON

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	83
% Poverty ^[1]	53.3%
% Disability ^[1]	9.3%
\$ Per Student ^{[2],[3]}	\$16,661
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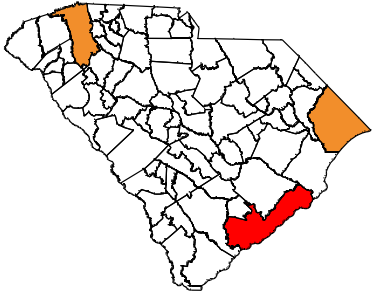
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DISTRICT BENCHMARKING CHARLESTON

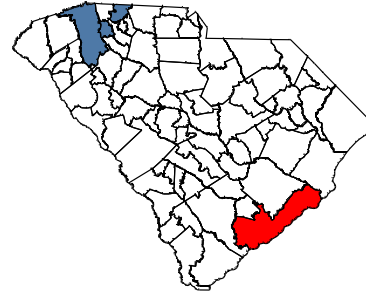
Enrollment (> 40,000)

Charleston
Greenville
Horry



Poverty (50% - 55%)

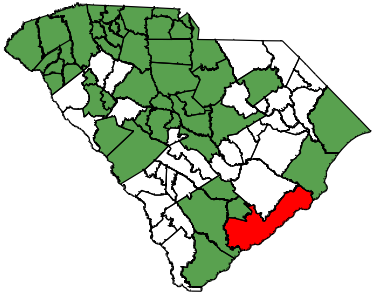
Charleston
Greenville
Spartanburg 02
Spartanburg 05



Phase 1 (No)

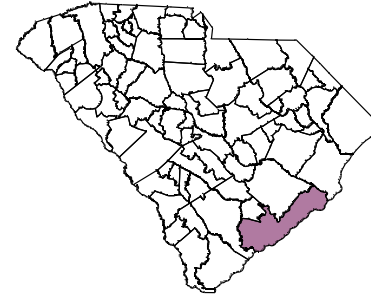
Aiken	Greenwood 52
Anderson 01	Horry
Anderson 02	Kershaw
Anderson 03	Lancaster
Anderson 04	Lexington 01
Anderson 05	Lexington 02
Beaufort	Lexington 03
Calhoun	Lexington/Richland 05
Charleston	
Cherokee	Newberry
Chester	Oconee
Colleton	Pickens
Darlington	Richland 01
Dorchester 02	Richland 02
Dorchester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

Sumter
Union
York 01
York 02
York 03
York 04



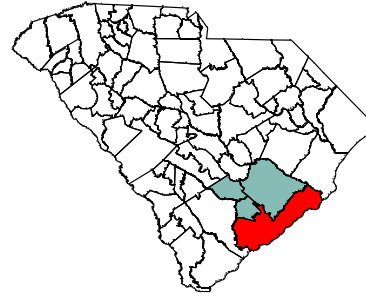
County (Charleston)

Charleston



Region (Berkeley-Charleston-Dorchester)

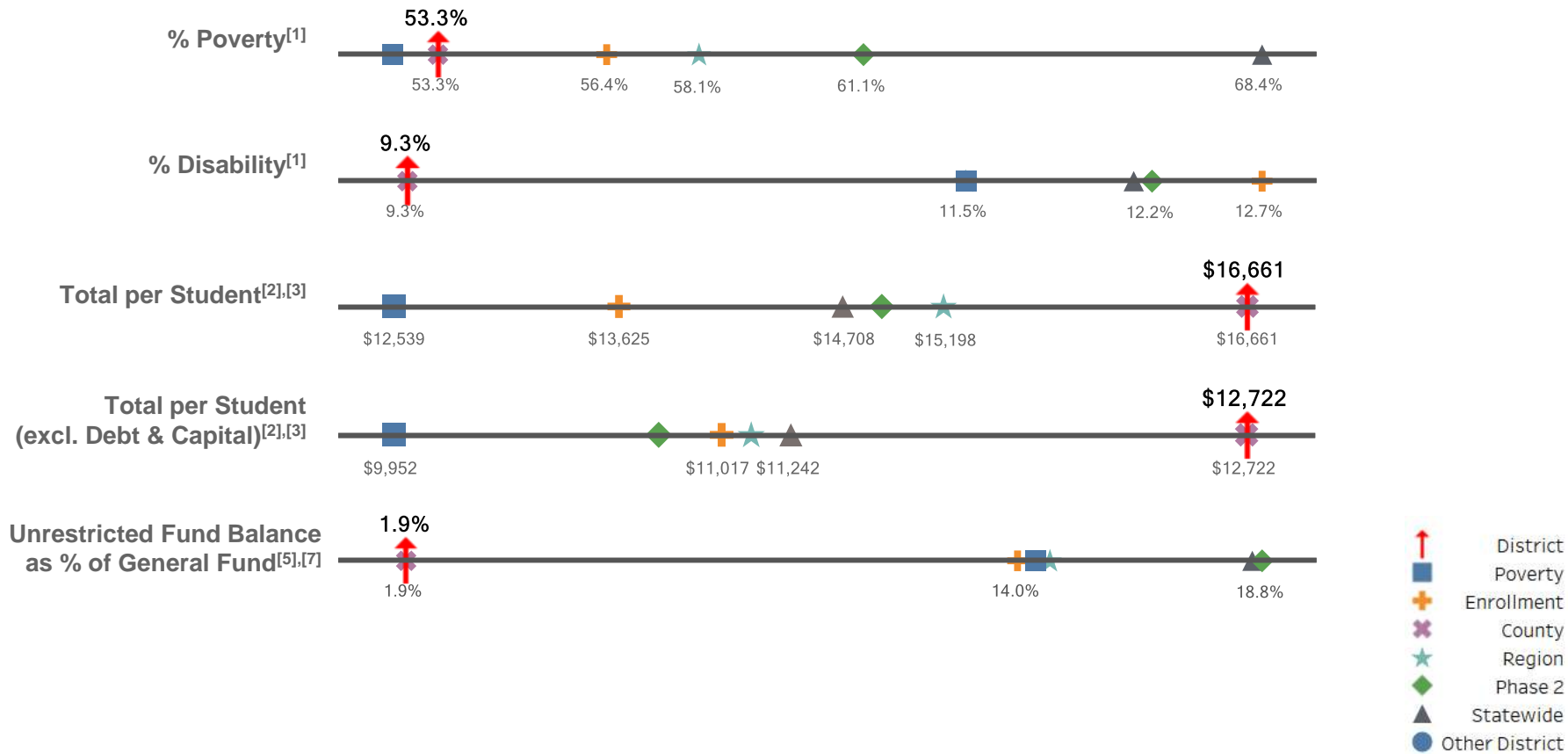
Berkeley
Charleston
Dorchester 02
Dorchester 04



DISTRICT OVERVIEW CHARLESTON

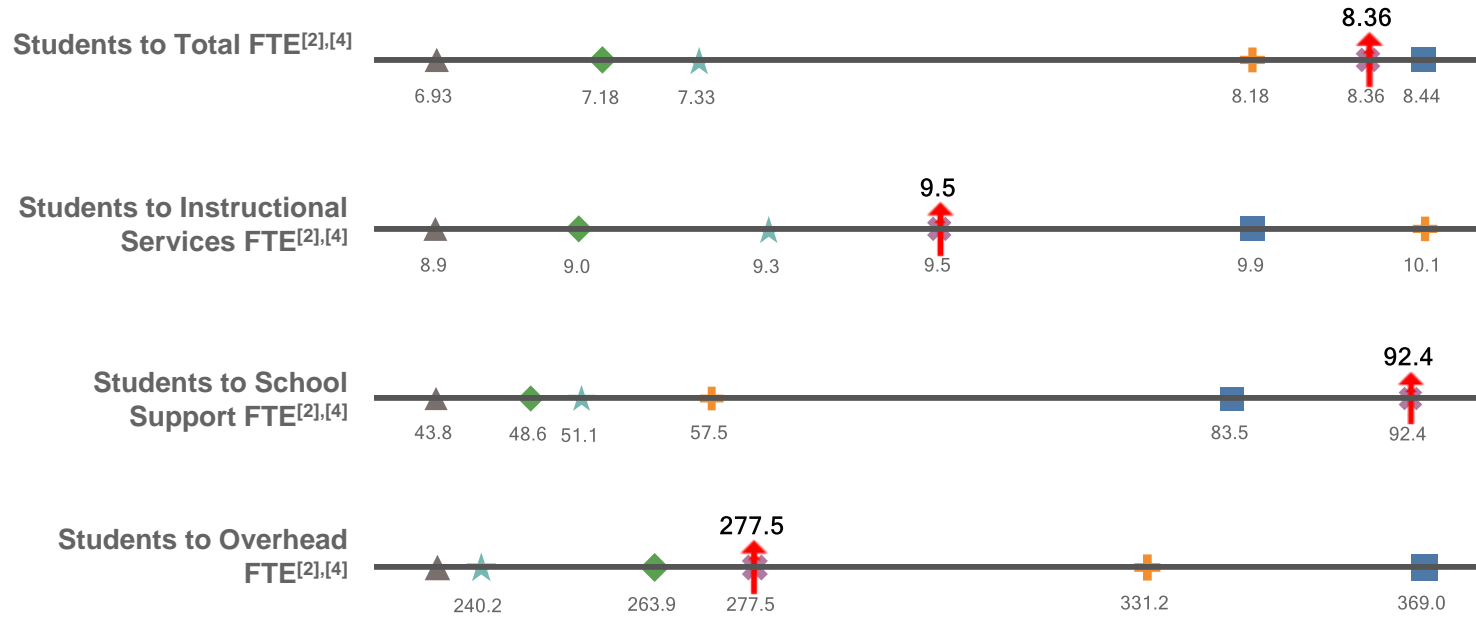
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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.



DISTRICT OVERVIEW CHARLESTON

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations
Recent History and Financial Position	<p>Recent Financial History</p> <ul style="list-style-type: none">• Operating Deficits: Over the period FY14-FY16, the District experienced operating deficits that cumulatively totaled more than \$50 million. In FY15, the District overspent its operating budget by nearly \$19 million.• Leadership Changes: Following these deficits, the District hired a new Superintendent in order to establish new leadership and strategic direction. In addition, the District commissioned a forensic audit to evaluate the causes for the overspend and hired a new CFO to install greater fiscal management and controls.• Bond Ratings: As a result of recent financial history and the declining overall fund balance, the District received bond rating downgrades in April 2016 and October of 2016. The District's General Obligation Debt is currently rated Aa3 by Moody's.• Operating Improvements: The District has since implemented several measures to enhance fiscal management policies and procedures and is making strides in rebuilding its fund balance. The District has continued to implement process changes in response to both the forensic audit and its own internal evaluation of policies and processes and continues to make efforts to better manage controls around spending. <p>Financial Position:</p> <ul style="list-style-type: none">• Fund Balance: The School District's policy sets out a target minimum unassigned fund balance of 8.3% of the next year's General Fund total operating budget. At the end of FY16, the District's unassigned fund balance of \$8.1 million was less than 2% of the General Fund total operating budget. The District has taken many steps to try and bolster the fund balance and is in the process of reversing a three-year trend in which operating deficits cumulatively totaled more than \$50 million.• Projections: The District took actions to reduce its operating expenditures in FY17 by nearly \$19 million and projects to have an operating surplus of \$5.0 million at the end of FY17 and a total general unassigned fund balance in excess of \$13 million. In addition, the District's FY18 Budget was approved by its Board and includes a projected surplus of \$7.5 million. At this level, The District is targeting an increase of its unassigned fund balance to more than \$20 million by the end of FY18, or approximately 5.0% of General Fund expenditures.

DISTRICT OVERVIEW AND OVERHEAD CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has increased by more than 1,700 students or nearly 4% over the past three years. This continues a long-term trend of increasing enrollment that the District projects to continue. • Student Demographics: 53% of the District's students live in poverty and 9% are special needs, which is below the statewide averages of 68% and 13%, respectively. • Long-term Planning: The District prepares long-term enrollment projections as part of its strategic planning process that consider overall trajectory of the county and economic environment. The District uses this planning process to develop and adjust resource allocation plans, including facilities and construction needs. 	<ul style="list-style-type: none"> • Based on expected trends in overall census growth and demographic changes in the country, the District should continue to revise long-term planning projections on an annual basis to ensure financial stability in the long-term. As part of this effort, the District should continue to plan for incremental overhead needs required to support growth in the number of facilities and students served.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: The District's Per Pupil Expense is \$12,722 when excluding debt and capital. This is higher than districts of similar size at \$11,017 and state average of \$11,242. • Unrestricted Fund Balance: The District's Unrestricted Fund Balance as of FY16 was approximately 1.9% of general fund revenues, below the state average of 18.6%. 	<ul style="list-style-type: none"> • Consider increasing the Board policy to require the District to maintain a fund balance to stay within 13%-15% of the next year's expenditures. Implement multi-year targets to rebuild fund balance to required levels.

DISTRICT OVERVIEW AND OVERHEAD CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Students to Total FTEs: The District's Students to Total FTEs ratio is 8.4, which is higher than districts of a similar size of 8.2 and the statewide average of 6.9. • Students to Instructional Services FTEs: The District's Students to Instructional Service FTEs is 9.5, which is lower than districts of similar size at 10.1 and higher than the state average of 8.9. • Students to School Support Services FTEs: The District's Students to Support Services FTEs is 92.4, which is higher than districts of a similar size at 57.5 and the state average of 43.8. • Students to Overhead FTEs: The District's Students to Overhead FTEs ratio is 277.5, which is lower than districts of a similar size at 331.2 and higher than the state average of 234.2. For purposes of this calculation, overhead includes Finance, Human Resources, Technology, General Administration and Central Services. • School Size: The District has a number of small schools, which results in increased costs and lower fiscal efficiencies. This District's average of approximately 560 students per school is nearly 24% lower than the average school size of the 10 other districts in the state with enrollment greater than 20,000 students. 	<ul style="list-style-type: none"> • Continue efforts to optimize resource allocation and financial control processes. • Continue to conduct annual reviews of sustainability of schools with low and declining enrollments, weighing the impacts of fiscal efficiency and student and community needs.
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The superintendent has 7 direct administrative reports that include: (a) General Counsel; (b) Chief Strategy and Communications Officer; (c) Chief Human Resources Officer; (d) Deputy Superintendent of Learning Services; (e) Chief Accountability Officer; (f) Chief Financial Officer and (g) Chief Operating Officer. The District also has an Internal Audit Function that reports to the Board. 	

DISTRICT OVERVIEW AND OVERHEAD CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy	<ul style="list-style-type: none"> • Philanthropy: The District enjoys support from a strong local philanthropic community (Cradle to Career, Charleston Promise Neighborhood, Wings after-school program, Boeing's support of STEM initiatives); however, it has not received major grants from national foundations. • Community Relations: The District has a robust program of community engagement that includes: (a) various community events, including a Strategic Planning Symposium with community members to discuss strategies to ensure long term success of all students; (b) active use of YouTube and social media outlets, including weekly reports on social media activity related to District schools; and (c) weekly forums on local radio with District personnel. 	<ul style="list-style-type: none"> • Given the demographic and geographic profile of the District as well as the long-term strategic priorities and overall size of the District, leadership should develop a plan to pursue philanthropic grants from large national foundations that are focused on funding innovation in K-12 education.
Governance	<ul style="list-style-type: none"> • Governance: The District has a 10 member Board of Trustees (including the Superintendent) and also has 8 separate Constituent Boards each with 5-7 members. The Superintendent reports to the Board of Trustees. The Constituent Districts continue to function administratively to administer discipline, handle expulsion hearings, and develop attendance lines. The Constituent Districts are governed by separate boards that are elected from the residents of each Constituent District. Each of the Constituent Districts is governed by trustees who are, in most cases, elected by the voters of their individual Constituent District and possess limited powers over employment, discipline, and operations in their respective Constituent Districts. The nine-member Board of Trustees of the School District (the "Board") is responsible for the operations of District affairs and has general supervisory authority over the boards of the Constituent Districts. 	

DISTRICT OVERVIEW AND OVERHEAD CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• While the District collaborates on the delivery of low-incidence services to special needs students with nearby Districts, broader collaboration on instructional areas is difficult due to the size of the District.	



OUTLINE

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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.

1,049 : 1
 District Students (ADM)^[2] Financial FTE^[4]

\$181 per Student

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

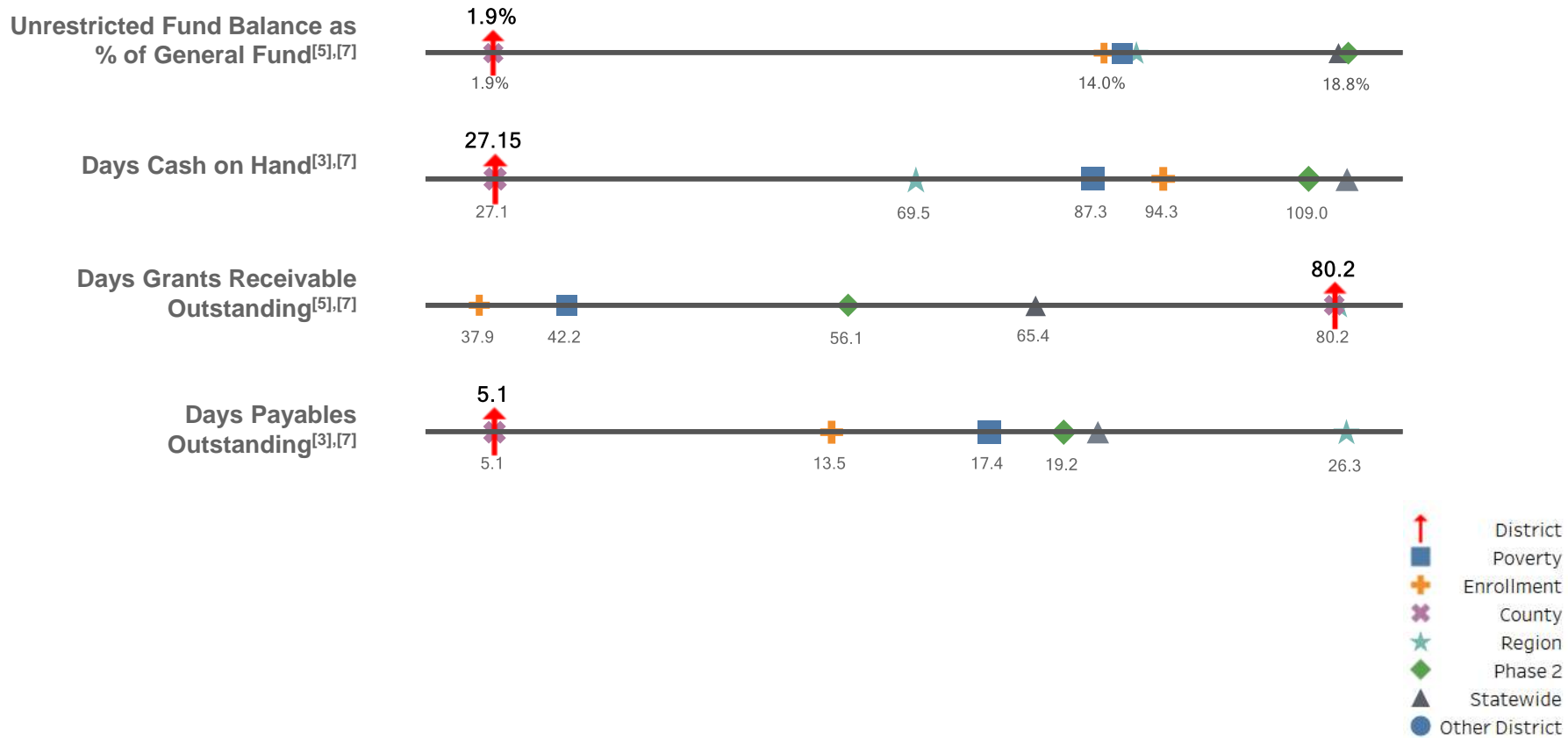
Key statistics for metrics	
Financial FTEs ^[4]	44.5
Personnel Expense ^[3]	\$6,159,357
Non-Personnel Expense ^[3]	\$2,174,892
Total Financial Expense ^[3]	\$8,334,249

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.

FINANCIAL MANAGEMENT CHARLESTON

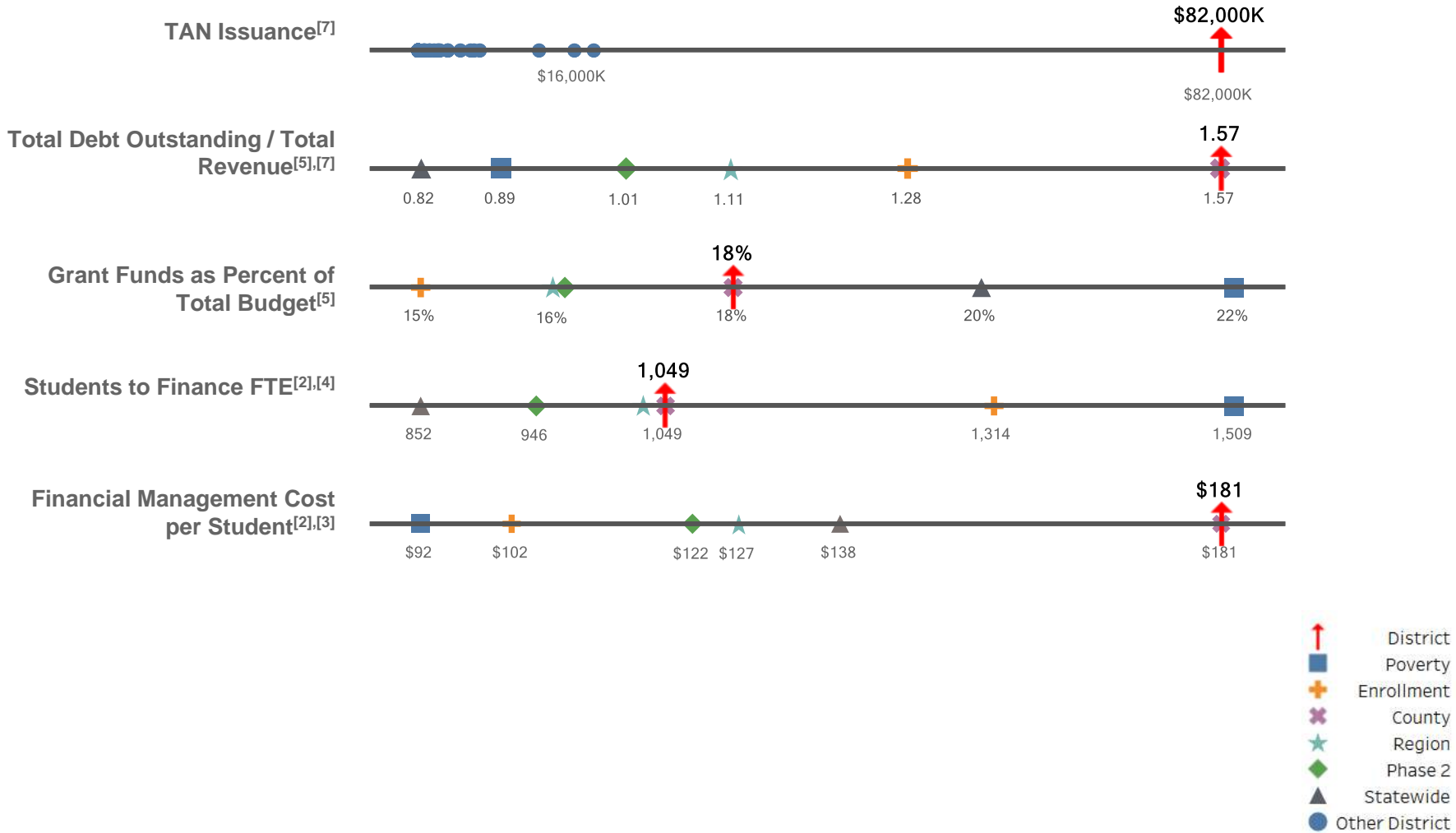
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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.



FINANCIAL MANAGEMENT CHARLESTON

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The core Finance organization’s scope of responsibilities includes accounting, payroll, accounts payable, budget, treasury and financial reporting. The Finance organization is also responsible for training school bookkeepers and administrative department members on site-level finance-related responsibilities. The District currently has 35 FTEs across these functions: <ul style="list-style-type: none"> • Finance and Accounting: 11 FTEs • Budget: 9 FTEs • Payroll: 8 FTEs • Business Managers: 4 FTEs • Executive: 3 FTEs • In addition, the following functions report to the Chief Financial Officer: <ul style="list-style-type: none"> • Procurement: 9.5 FTEs • Capital Projects: 3 FTEs (funded out of capital funds) • Finance Cost Per Pupil: The District’s Finance Cost Per Pupil is \$181, which is higher than districts of a similar size at \$102 and higher than the state average of \$138. • Students Per Financial FTE: The District’s Students per Finance FTE is 1,049, which is lower than districts of a similar size at 1,314 but higher than the state average of 852. 	<ul style="list-style-type: none"> • Clearly define site-level responsibilities and enhance training for finance-related activities, including processing and coding of invoices, adherence to procurement rules, managing of budget, and employee time keeping requirements. Establish operating metrics (e.g, invoices without approved requisitions, timely submission of payroll approvals, requisitions without required number of quotes, expense reimbursements, lack of adequate documentation, etc.) to track compliance with District finance policies and enforce accountabilities for non-compliance. • Implement identified technology and process change recommendations in order to bring benchmarks in line with districts of a similar size. • Continue to review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes. Cross-train individuals to be able to do multiple functions. • Develop a formal succession planning process for key positions in the department.

FINANCIAL MANAGEMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Overall Processes The District uses the Tyler Munis accounting system and has implemented automated workflows and approvals in order to streamline processes around purchase orders and accounts payable and time-keeping. However, inconsistent use of business management systems and processes by site level resources result in inefficiencies, less effective fiscal controls and incremental resource needs at the District office. • Payroll: The District pays employees two times per month, with more than 90% receiving payment via direct deposit. The District uses Kronos for automated timekeeping for all hourly employees. The Kronos system is directly integrated with the accounting system to facilitate payroll processing. The District is considering rolling out use of the Kronos system for all employees in order to automate and better track staffing and resources. • Pay by Exception: While the District has successfully implemented and integrated the automated time keeping system, the District's Pay by Exception policy results in the need for incremental processing, management and oversight for Finance and Human resources. The Pay by Exception Policy requires that hourly employees, regardless of whether or not they work 5 days a week or the full school year, receive pay twice per month over 24 pay periods. While this policy ensures that all employees receive payments during school holidays (e.g., Thanksgiving, Winter Break, Spring Break, Summer, etc.), the pro-ration of payments also results in: (1) deferral of payments of earned wages throughout the course of the year and (2) increased administrative burden for payroll and Human Resources personnel. 	<ul style="list-style-type: none"> • See recommendations for Staffing/Organization on previous page. • Revise payment policies for hourly employees that work less than 5 days a week (part-time) and pay them for hours worked during each pay period. As a result of this change, part-time employees will not receive payment for days that are not worked (e.g., holidays, summer, etc.); it will also result in employees receiving more in earnings during the school year. In addition, this will provide efficiencies and greater controls over payroll processing, ensuring that these employees are not over or under paid. • In consultation with key constituents, consider eliminating the District's Pay by Exception Policy for full time hourly employees and paying for hours worked during each pay period. Combine this change with eligibility for holiday bonuses (subject to attendance and performance requirements) and opportunities for summer employment.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Payroll and Accounts Payable</p>	<ul style="list-style-type: none"> • Accounts Payable: The District leverages automated requisition and purchase order processes that include electronic workflow approvals that are managed through the Tyler Munis system. The District also uses Pcards for small dollar purchases. [See Procurement for additional information] • Inventory: The District bar codes technology for asset tracking, but it does not currently conduct centralized inventory processes. Inventory is managed directly by schools and cross-referenced against inventory listings maintained by the technology department. In addition, while the District only capitalizes and depreciates assets with values in excess of \$5,000, all purchases of fixed assets over \$500 are put into the accounting system’s fixed asset module for tracking purposes. The District is currently looking into obtaining an inventory management system. • Travel reimbursements: The District processes travel reimbursements using paper forms and manual sign-offs that are ultimately reviewed by the accounting group prior to processing. 	<ul style="list-style-type: none"> • Implement an integrated inventory and document management system that can be used throughout District and eliminate the need to manually enter in assets in excess of \$500 into the fixed asset module of the accounting system. • Evaluate options to implement expense reimbursement modules that integrate with the financial system and minimize the time required by accounts payable and other employees to complete processing.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Grants Management</p>	<ul style="list-style-type: none"> • Grant Revenue %: Grant revenues provide 18% of general fund revenue, slightly below the state average of 20%. • Grants Monitoring: 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. However, Finance does a secondary review and also collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow. • Grant Claims Processing: The finance department submits claims on a monthly basis to maximize cash flow. • Medicaid Claims: Medicaid claims are experiencing a decrease on a year-over-year basis. The District is currently in the process of transitioning to a new vendor to support the Medicaid claim process. 	<ul style="list-style-type: none"> • Ensure a smooth transition to the new Medicaid processing vendor and evaluate opportunities to modify processes required for claims management in order to stabilize Medicaid revenue streams.

FINANCIAL MANAGEMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have material weaknesses and significant deficiencies related to financial reporting; however, these findings were not deemed material to the District’s financial statements. The District has made improvements to processes to address these issues on a go-forward basis. • Position Control: The District uses a position control system that is integrated with Finance and Human Resource processes. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control and that identified internal control weaknesses are mitigated.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District’s Days Cash on Hand is 27.1, which is lower than the state average of 112.8 days. • Cash Forecast: The District prepares a daily cash flow forecast prior to the start of each fiscal year that is based upon the upcoming budget and analysis of prior year trends in cash flow. The District monitors and reviews its cash flow forecast on a daily basis and updates for actual receipts and disbursements. The District works closely with County officials if cash flow trends require updating. • Grants Receivable Outstanding: The District’s Grants Receivable Outstanding is 80.2 days (before consideration of claims that may have been received by the County), which is higher than the statewide average of 65.4 and the average for similar size districts of 37.9. The District submits claims grant reimbursements monthly. 	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Days Payable Outstanding: The District's Days Payables Outstanding is 5.1, which is lower than the statewide average of 20.1 and districts of similar size at 13.5 days. • TAN: The District issues a Tax Anticipation Note ("TAN") each year to help support operations in advance of receipts of state and local funding. In FY16, the District issued a TAN in the amount of \$82 million. • Debt: The District's total debt outstanding as a percentage of total revenue is 157%, which is higher than the statewide average of 82% and the average for similar sized districts of 128%. This includes debt of the Charleston County School District Development Corporation and the Charleston Educational Excellence Financing Corporation ("CEEF"), not-for-profit organizations that were formed to acquire, construct, and lease facilities to be used by the School District. Excluding the CEEF related debt, the District's total debt outstanding as a percentage of total revenue is 47%. <p style="margin-top: 20px;">The District's General Obligation Debt is currently rated Aa3 by Moody's.</p>	

FINANCIAL MANAGEMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budgeting: The District’s annual budget process includes discussion and review of spending needs at the school level. The District uses enrollment projections as the basis of school level budget allocations and estimates positions required for each individual school based upon these projections and its budgeted staffing model. The District reviews preliminary staffing estimates with principals and finalizes budgeted positions in order to provide position allocations to each school. In addition, each school gets an allocation of funds for supplies that reflects a set amount per pupil. Other areas of spending, including costs of substitute teachers, building maintenance and energy usage are not included on school budgets, but are managed at the District office level. • Monitoring: In addition to District finance personnel, school and department leaders are able monitor actual spending versus budget on a real-time basis. • Reporting: The District provides monthly reporting of financial activity to the Board. 	<ul style="list-style-type: none"> • Prepare zero-based budget annually, including reviews of central office administration functional areas (other than Learning Services), to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • The District should consider conducting a school equity analysis annually to ensure that all each individual school is receiving its fair share of resources based on the student needs of the school. The analysis would compare school-based FTEs, salaries and non-personnel spending across student type, school size, school level and overall across the district. • Conduct monthly analysis and reporting on substitute management costs by school and by position (e.g., teacher, teacher’s assistant, etc.) in order to better understand areas of spend increases and drivers of overall spend. <p>Develop guidelines for use of substitute management services by individual schools and evaluate opportunities to better align budget accountability with spending authority by directly allocating substitute management to school budgets. Consider aligning incentives by allowing principals to participate in the financial benefits of savings on substitute management services by allowing use of excess funds on alternative spending needs or by providing incremental teacher incentives for unused leave. This should provide for better cost management and drive more efficient and effective use of resources.</p>

FINANCIAL MANAGEMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Tyler Munis accounting software system and integrates with Kronos for time tracking. The District also leverages the Tyler Citizen Transparency module to provide the community a wide breadth of detail on District spending. • The District is in the process of integrating with substitute management systems to more effectively track leave and absences. • The District does not have an integrated electronic content management system that can be easily used to store and retrieve various types of financial and personnel documentation. 	<ul style="list-style-type: none"> • Complete the integration of substitute management systems with financial systems. • Implement an integrated inventory and document management system that can be used throughout the District.
Regional Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does not coordinate with others in the region on any transaction processing or finance-related activities. 	



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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.

1,097 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$102 per Student

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

Key statistics for metrics

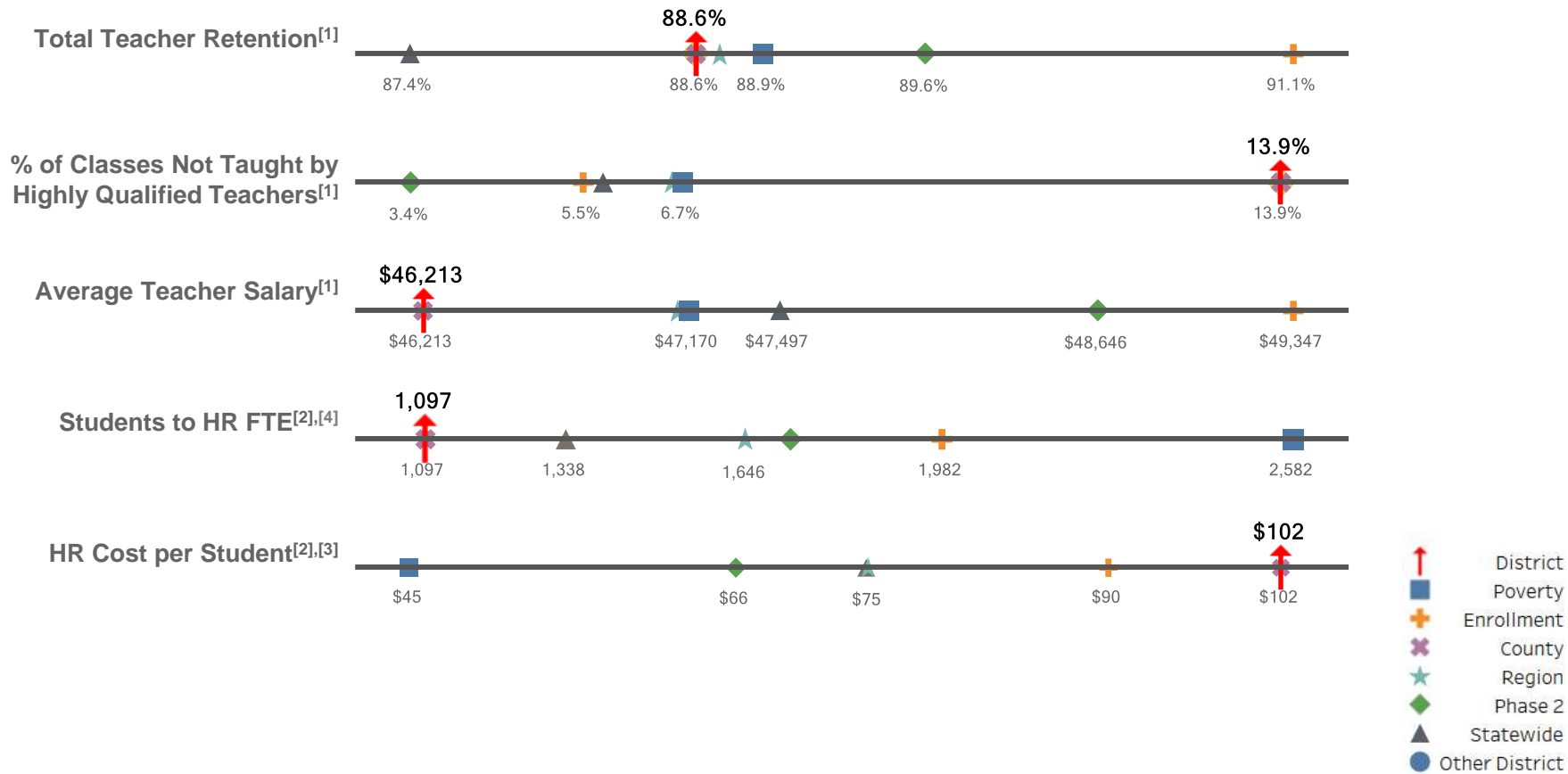
Human Resources FTEs ^[4]	42.5
Personnel Expense ^[3]	\$3,898,561
Non-Personnel Expense ^[3]	\$797,464
Total Human Resources Expense ^[3]	\$4,696,025

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.

HUMAN RESOURCES CHARLESTON

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.



HUMAN RESOURCES CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Human Resources function includes 41 FTEs focused on recruiting, employee relations, benefits, compensation, business services. This includes the following staffing: <ul style="list-style-type: none"> • Teacher Recruitment & Staffing – 8.0 FTEs • Classified Staffing – 6.5 FTEs • Certified Staffing - 2.0 FTEs • Employee Relations - 8.5 FTEs • Compensation – 2.0 FTEs • Business Services – 4.0 FTEs • Benefits – 8.0 FTEs • Executive – 2.0 FTEs <p>In addition to the responsibilities noted above, the Chief Human Resources Officer also oversees 10 FTEs that support induction, mentoring and teacher evaluation.</p> <ul style="list-style-type: none"> • Human Resources Cost Per Pupil: The District’s Human Resources Cost per Pupil is \$102, which is higher than districts of a similar size at \$90 and the state average of \$75. • Student Per Human Resources FTE: The District’s Student per Human Resources FTE is 1,097, which is lower than districts of a similar size at 1,982 and the state average of 1,338. • Scope of Services: The District has invested in expanded Human Resources services that include: (a) Employee Relations: providing support and coaching services to help empower employees to constructively confront and manage issues affecting their work; (b) Compensation: dedicated to analyzing compensation for certified, classified and administrative staff. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes. Cross-train individuals to be able to do multiple functions. • Implement technology and process change recommendations to bring staffing and spending benchmarks in line with districts of a similar size. • Evaluate short-term hiring decisions while considering anticipated process changes.

HUMAN RESOURCES CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> • Recruiting: The District makes extensive efforts to fill its teaching positions, hiring more than 600 teachers every year. The District participates in over 65 recruiting events across the Southeast every year. • International Teachers: The District does not currently rely on international teachers to fill shortage area positions. • Partnerships: The District has maintained its partnership with Teach for America (“TFA”) and currently has 5 teachers that are part of the TFA program. • Average Salary: The District’s average teacher salary of \$46,213 is lower than the state average of \$47,497. The District is also offering signing bonuses of \$10,000 for shortage area teacher positions that are paid out over two years. • Substitute Teachers: The District uses Kelly Services to manage its substitute placement services. Individual teachers and schools use Kelly systems to manage the process from need identification to placement and payment. The District is in the process of integrating Kelly’s systems directly into Tyler Munis in order to automate tracking of employee leave. • Employee Self Service: Employees have access to a self-service portal in which they can make basic changes to payroll elections. The portal is integrated with the financial system. 	<ul style="list-style-type: none"> • Develop a long-term workforce plan that factors in the anticipated impact of retiring teachers and hiring needs for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring training and advanced educational opportunities for high performing teachers and development of additional incentive programs to recruit and retain teachers that could include: (a) housing incentives; (b) tuition reimbursement; (c) differentiated salaries for hard to staff positions; (d) innovative professional development programs. • Conduct monthly analysis and reporting on substitute management costs by school and by position (e.g., teacher, teacher’s assistant, etc.) in order to better understand areas of spend increases and drivers of overall spend. <p>Develop guidelines for use of substitute management services by individual schools and evaluate opportunities to better align budget accountability with spending authority by directly allocating substitute management to school budgets. Consider aligning incentives by allowing principals to participate in the financial benefits of savings on substitute management services by allowing use of excess funds on alternative spending needs or by providing incremental teacher incentives for unused leave. This should provide for better cost management and drive more efficient and effective use of resources.</p>

HUMAN RESOURCES CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • Recruiting: The District uses the AppliTrack system to recruit, screen, select and manage the staffing process; however, there is still a need for duplicate manual entry in both the applicant tracking system and Tyler Munis in order to complete onboarding. • Substitutes: The District uses Kelly Services to manage its substitute placement services. • Benefits: The District uses Munis and the PEBA system to manage benefits. • Employee Self Service: The District uses Munis to provide employees the ability to manage payroll election changes and review check stubs. 	<ul style="list-style-type: none"> • Complete integration of Applitrack and Tyler Munis in order to eliminate the need for manual entry into both systems. • Complete integration of substitute management system with the financial system in order to better track employee leave.
Benefits	<ul style="list-style-type: none"> • Benefits: The Human Resources team includes 8 FTEs that support employees by facilitating changes to benefit elections and supporting employee questions. The team also supports District charter school personnel in these efforts. <p>While the District uses the State benefit plans, current processes require that physical paper and original signatures are provided to process benefit elections and changes.</p>	<ul style="list-style-type: none"> • Explore opportunities to leverage the employee self-service portal to provide employee notifications and information regarding benefit plans. • In collaboration with other large districts in the state, work with PEBA to automate benefits related transaction processing to include: (a) Acceptance and processing of electronic signatures; (b) Integration of benefit changes into District financial systems.
Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does not collaborate with other nearby school districts on recruiting, human resource system licenses or arrangements with local staffing agencies. 	<ul style="list-style-type: none"> • Consider collaborating with other districts in the region to work with PEBA to automate benefits related transaction processing and employee support.



OUTLINE

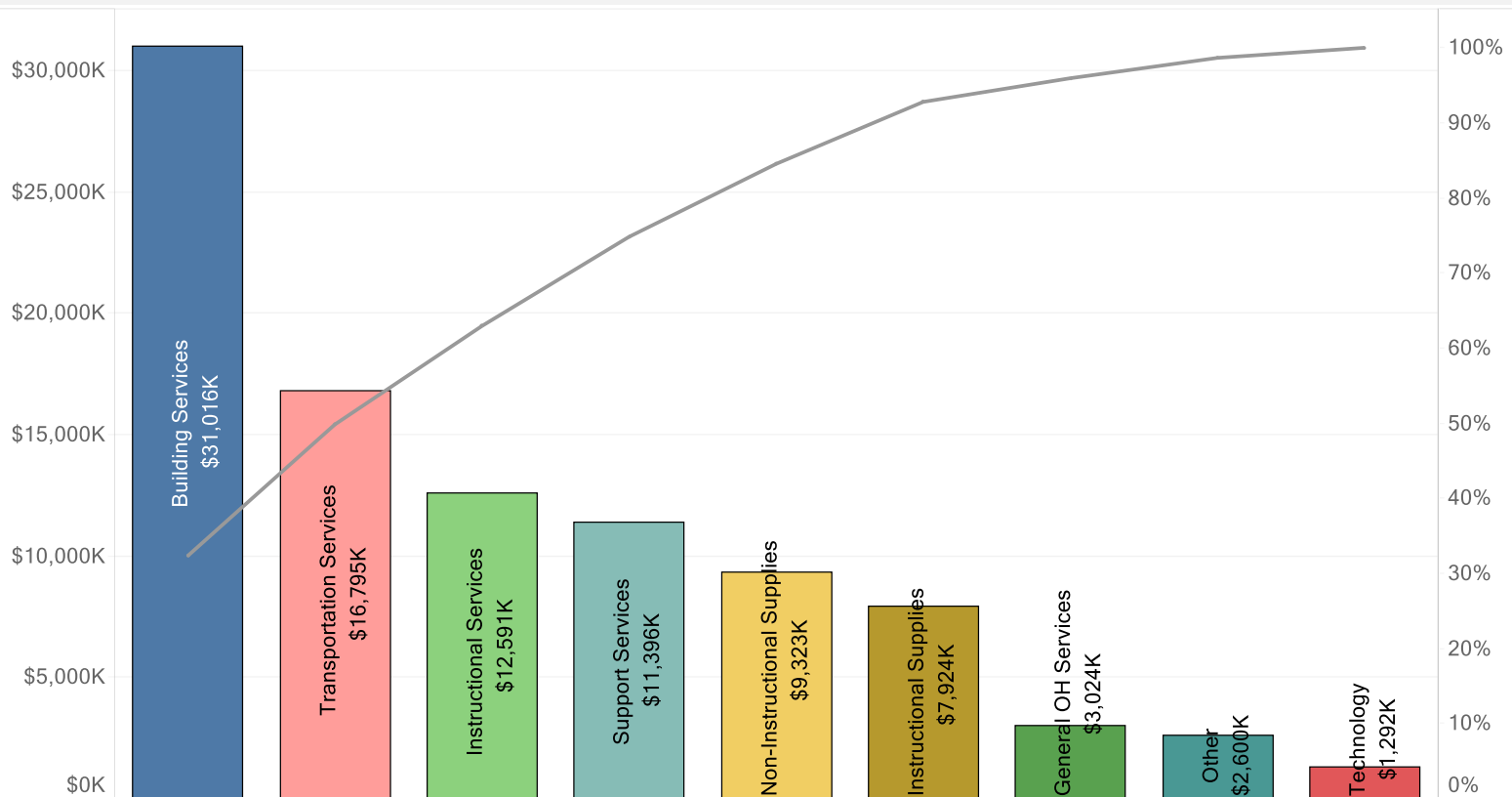
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PROCUREMENT CHARLESTON

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.

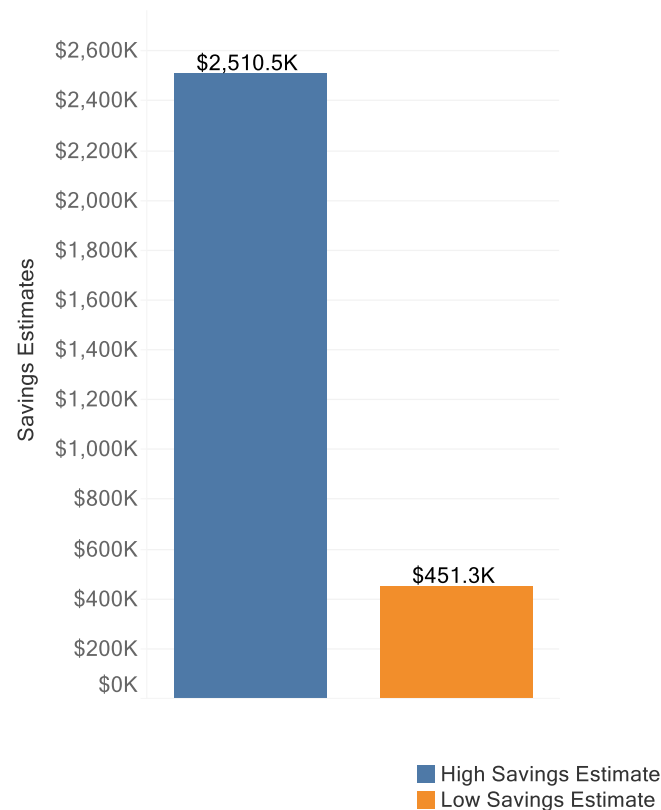
District In Scope Total Procurement Spend^[3] = \$95,961,483



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	0.0%	1.0%
Non-Instructional Supplies	1.0%	4.4%
Instructional Supplies	1.0%	5.0%
Instructional Services	1.0%	5.0%
Support Services	1.0%	5.0%
Technology	1.0%	5.0%
Other	1.0%	5.0%
Transportation Services	0.0%	0.0%



PROCUREMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Staffing: The District has a centralized procurement function that is responsible for managing all Request for Proposal (RFP) processes for items subject to competitive process requirements. The District currently has 9 FTEs that support District-wide procurements for non-capital purchasing, including 2 FTEs that are responsible for auditing and reviewing Pcard transactions. In addition, it has 2 FTEs responsible for supporting building construction-related procurements. • Communications: The Procurement office publishes a quarterly newsletter to provide schools and departments with updates on contracting options, available resources and best practices. • Volume: On average, the Procurement offices manages approximately 15 major Requests for Proposal (RFP) processes per year for purchases that are subject to competitive process regulations. In addition, the Procurement office manages a significant number of bid process negotiations each year for items that are exempt from the competitive process (e.g., instructional software). 	<ul style="list-style-type: none"> • Evaluate hiring decisions (short and longer term) while considering anticipated process changes and procurement related initiatives. • See recommendations for process changes below.
Purchasing Methods	<ul style="list-style-type: none"> • District Contracts: Schools and department leaders work with the procurement office on identifying existing contracting vehicles. The District is in the process of implementing an online tool that provides schools direct access to all District and state contracts.. • Group Purchasing Organizations: The District is currently a member of several group purchasing organizations, including: E&I Cooperative Services, U.S. Communities, E-School Mall, National Joint Powers Alliance and National IPA. • State Contracts: The District purchases off state contracts on occasion, but endeavors to negotiate more favorable District specific deals where possible. 	<ul style="list-style-type: none"> • Complete roll out and implementation of online tools for for schools to use to identify District and state contracting vehicles.

PROCUREMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Purchasing Methods (cont.)	<ul style="list-style-type: none"> • Pcards: The District uses Pcards for purchases that are generally under \$2,500. In total the District has issued 517 Pcards with limits that vary by position type. Pcards are issued to school-based positions that include principals, assistant principals, school bookkeepers, and coaches. Pcards are also issued to maintenance personnel and some District administrative personnel (including procurement staff). The District Pcard transaction volume in FY16 was nearly \$12 million, and it is projected to exceed \$13 million in FY17. In FY16, the District received a rebate of nearly \$170,000 due to its Pcard volume. <p>The procurement function includes 2 FTEs responsible for auditing 100% of Pcard transactions to ensure compliance with regulations. Audits are generally performed on a 1-2 month lag. In addition, the procurement team analyzes spending transaction and dollar volume on an annual basis to determine potential candidates for formal contracting to enable better pricing and cost savings.</p>	<ul style="list-style-type: none"> • Review district-wide vendors and work to migrate high dollar vendors to accept payment via Pcard in order to maximize rebates. • Consider reducing Pcard audits to sample transactions rather than reviewing 100% of all transactions and rely on automated audit tools provided by the Pcard provider. • Consider minimizing the number of Pcards outstanding and consolidating the number of Pcards per department (1-2 per school or department based upon spending size).
Spending by Vendor	<ul style="list-style-type: none"> • Non-Pcard Spending is fragmented across nearly 1,500 vendors; however, the top 6 make up approximately 50% of total in-scope procurement spending. • Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts are not made. 	<ul style="list-style-type: none"> • Conduct ongoing analysis of non-personnel spending, including review of spending by transaction and dollar volume to determine potential candidates for formal contracting/RFP and price negotiation to enable better pricing and cost savings. • Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. • 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.

PROCUREMENT CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: In FY16, the District spent nearly \$31 million on building and maintenance using nearly 200 vendors. Approximately 45% of this amount was spent with three vendors that provide outsourced facilities maintenance, custodial and grounds services. • Instructional Support Services: In FY16, the District spent more than \$12 million on Instructional Support Services across approximately 300 vendors. Consistent with other districts in the state, instructional support services and software are not required to be placed out to bid as part of a competitive process. In addition, the District does not procure these services and software in collaboration with any other districts. • Technology: The District implemented its 1:1 initiative and is leveraging state contracts with HP and Apple, primarily using capital funds. The District does not coordinate technology purchases with other nearby districts. • Non-Instructional Supplies: The District purchases the majority of its non-instructional using available state contracts. 	<ul style="list-style-type: none"> • Conduct annual reviews of major outsourced building and maintenance contracts to evaluate service level requirements, vendor performance statistics and potential revisions to services required. Conduct RFPs for these services every 1-3 years. • Require instructional software purchases to conform to standard procurement guidelines for RFPs in order to enable best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Coordinate purchasing of instructional services by individual schools and with surrounding districts to maximize the potential for volume discounts. • 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 and are subject to negotiation. Evaluate opportunities to generate savings on ancillary services (accessories, warranties, break-fix, etc.) as part of procurement negotiations. • Standardization of Technology: 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">The District participates in food purchasing coops, but does not regularly participate in joint RFP or contracting processes.	<ul style="list-style-type: none">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, and 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:<ul style="list-style-type: none">- Technology- Instructional Software and Services- Instructional Staffing- Supplies



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TRANSPORTATION CHARLESTON

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

13 Years

Avg. Age of State Provided Bus Fleet^[9]

\$386 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	9.5
Personnel Expense ^[3]	\$533,431
Non-Personnel Expense ^[3]	\$17,278,931
Total Transportation Expense ^[3]	\$17,812,362

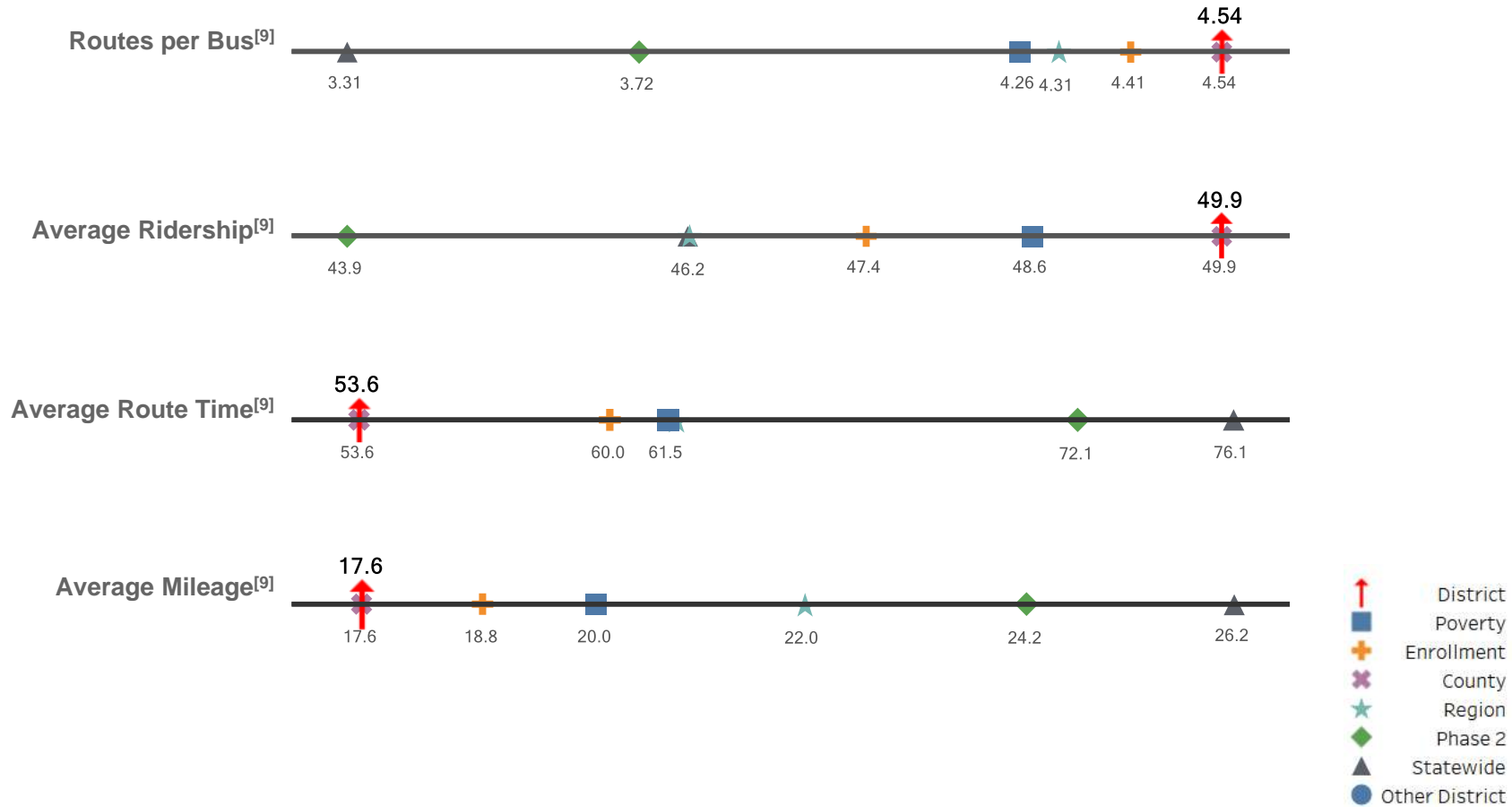
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	144.5	656	4.5	32,718	50	54	18
Special Needs	67.5	275	4.1	1,754	6	Not-Available	26
Other	33.5	155	4.6	6,246	40	Not-Available	19
Total	245.5	1,086	4.4	40,718	N/A	N/A	N/A

TRANSPORTATION CHARLESTON

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.



TRANSPORTATION CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Outsourcing: The District outsources transportation services to Durham School Services (“Durham”). Under this arrangement, Durham is responsible for analyzing and creating routes for general and special needs students, hiring, training and managing bus drivers and providing the incremental buses beyond the state allotment that are needed to provide transportation to eligible students. • Staffing: The District currently has 9.5 FTEs in its internal transportation organization. This includes the head of transportation and 4 other FTEs responsible for managing the Durham contract and acting as liaison between school administrators and Durham. In addition, the District has 5 drivers that remain as District employees, but drive buses. 	
Routing and Bus Management	<ul style="list-style-type: none"> • Routing: The District works with Durham to develop optimal routes. Durham leverages Versatrans routing software and provides routing suggestions to the District. The routing software is directly integrated with the District’s Powerschool system. The District is responsible for signing off on all routes prior to route finalization every year. • Ride Time: While state regulations require that student ride time not exceed 90 minutes, District policy requires that efforts be made to cap ride time at no more than 60 minutes. The District works with Durham to ensure that routes are optimized accordingly. Each bus is used for approximately 4 routes / day. • Staggered Bell Times: he District currently leverages staggered bell times in order to help maximize overall route efficiency and bus utilization. 	

TRANSPORTATION CHARLESTON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Software Integration: The District has successfully integrated Versatrans with PowerSchool to help facilitate real-time routing changes based upon changes required by IEPs or student additions / transfers. • Hazard Pay: The District pays approximately \$300,000 per year to the state for hazard route reimbursement related to routes/stops that are outside of state requirements. This includes trips for students living less than 1.5 miles from the school and stops that are less than 0.2 of a mile apart. The District provides busing services to these students based upon its own student safety and risk assessment. • Buses and Ridership: The District provides transportation to approximately 22,000 students every day using approximately 382 buses. <ul style="list-style-type: none"> • Approximately 245 buses were provided by the state; an additional 134 buses are provided by Durham and three buses are owned directly by the District. • In total, the District has access to 302 general education buses and 80 special education buses. • All buses are equipped with radio, GPS and security cameras. • Impact of Enrollment Increases: Despite an increase in overall enrollment of 6,500 students over the preceding ten-year period, the District has not been given an increased allotment of buses from the state. <p>The District believes it should be eligible to receive an additional 85 state owned buses based upon state regulations and is in the process of reviewing routes with the state.</p>	<ul style="list-style-type: none"> • Complete analysis and review with the state of incremental routes that should be eligible to receive state owned buses. • Review provisioning of buses to evaluate opportunities to reassign District-funded buses to cover routes that are subject to hazard route reimbursement requirements and reduce annual hazard route costs of the District.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY CHARLESTON

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. Actual savings may vary based on implementation decisions.

FINANCE AND HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<ul style="list-style-type: none"> • A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within the District. • A&M estimated potential savings that could be realized after implementation of recommended process, policy and technology changes based upon past experience implementing similar initiatives, comparison of staffing and spend against peer benchmarks and discussion with the District. A&M also estimated investments required to achieve savings based upon prior experience. • In addition, while A&M evaluated potential synergies from a regional shared services model for transactional activities, after considering the District’s size, current staffing levels and uniqueness of processes, policies and technology, A&M is not recommending implementation of this approach at this time. 	<ul style="list-style-type: none"> • A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the Districts 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. 	<ul style="list-style-type: none"> • A&M used data provided by the state to analyze the district route mileage, frequency, timing, and volume to compare with benchmarks across the state. • A&M evaluated opportunities for savings based upon comparison of benchmarks across the state that took into consideration the location, population and geographic profile of the each district. • Savings estimates were not provided in instances where the District was in line with benchmark targets and was using both routing software and leveraging staggered bell times.

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.

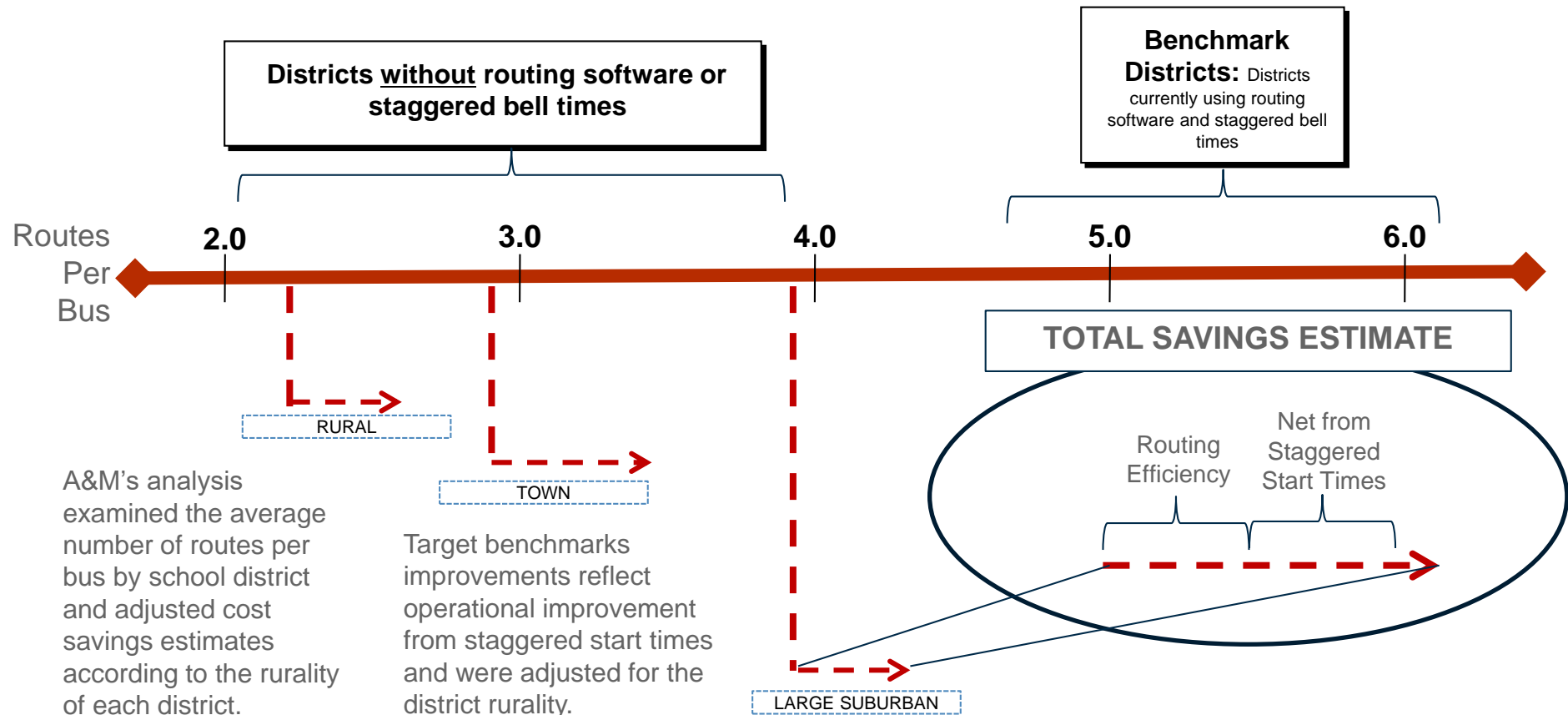
ORGANIZATION

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.

APPENDIX A: SAVINGS METHODOLOGY CHARLESTON

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.



APPENDIX A: SAVINGS METHODOLOGY CHARLESTON

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.

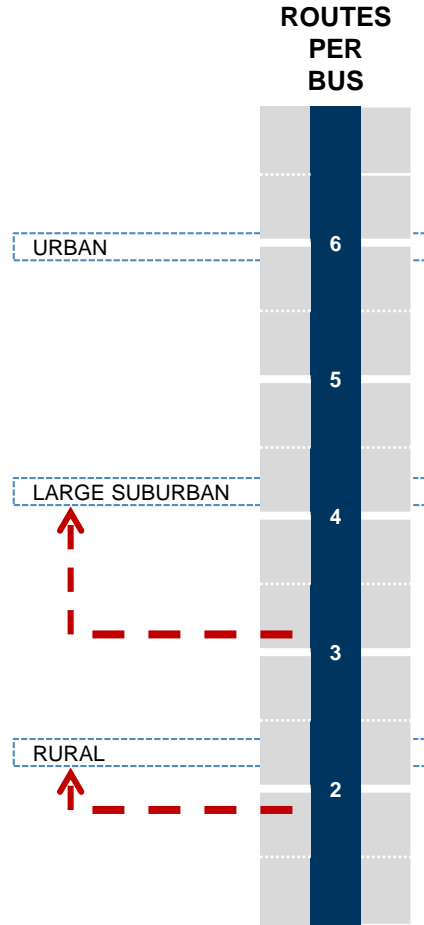
APPENDIX A: SAVINGS METHODOLOGY CHARLESTON

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 benchmark 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.

APPENDIX A: SAVINGS METHODOLOGY CHARLESTON

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.

APPENDIX A: SAVINGS METHODOLOGY CHARLESTON

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	
	Low	High
Building Services	1.0%	5.0%
Non-Instructional Supplies	1.0%	5.0%
Instructional Supplies	1.0%	5.0%
Instructional Services	1.0%	5.0%
Support Services	1.0%	5.0%
Technology	1.0%	5.0%
Other	1.0%	5.0%
Transportation Services	1.0%	5.0%

Preliminary estimates of potential savings from increased collaboration of purchasing across districts range from 1.0% - 5.0%.

APPENDIX B: DATA SOURCES



APPENDIX B: DATA SOURCES CHARLESTON

[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 CHARLESTON

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 CHARLESTON

Source [5]

- Grant Funds as Percent of Total Budget = $((\text{Total Special}^{[5]} + \text{Special EIA Revenue}^{[5]}) / \text{Total Revenue Excluding})$ Where Fund Name \neq "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 = $(\text{Cash: Unrestricted, general fund}^{[7]} + \text{Investments: general fund}^{[7]} + \text{AR: County}^{[7]}) / (\text{General Fund Expenditures}^{[3]} / 365)$
 - *General Fund Expenditures = expenses where fund code = 100
- Days Payable Outstanding = $(\text{Accounts Payable: General Fund}^{[7]} / (\text{Non-Personnel Expenditures}^{[3]} / 365))$
 - *Non-Personal Expenditures = expenses where Object Code between 300 – 700

Source [5],[7]

- Unrestricted Fund Balance as % of General Fund = $\text{Fund balance} - \text{unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- Grants Receivables Days Outstanding = $(\text{Grants Receivable from State}^{[7]} + \text{Grants Receivable from Federal}^{[7]}) / (\text{total grant funds from statewide revenues}^{[5]}/365)$
 - *Total Grant Fund From Statewide Revenue is revenue where fund code = 200 & 300
- Total Debt Outstanding/Total Revenue = $\text{Total Debt Outstanding}^{[7]} / \text{Revenue}^{[5]}$ (Where Fund Name \neq "Capital Projects Fund" or "Debt Service Fund")

Source [9]

- Routes Per Bus = $\text{Number of Routes}^{[9]} / \text{Number of Buses}^{[9]}$
- Average Ridership = $\text{Total Ridership}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Route Time = $\text{Total Route Minutes}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Mileage Per Bus = $\text{Total Route Miles}^{[9]} / \text{Number of Buses}^{[9]}$

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