



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Colleton

District Report

6/16/2017





OUTLINE

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

EXECUTIVE SUMMARY

COLLETON

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.

EXECUTIVE SUMMARY

COLLETON

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.

EXECUTIVE SUMMARY

COLLETON

PROJECT OVERVIEW (CONTINUED)

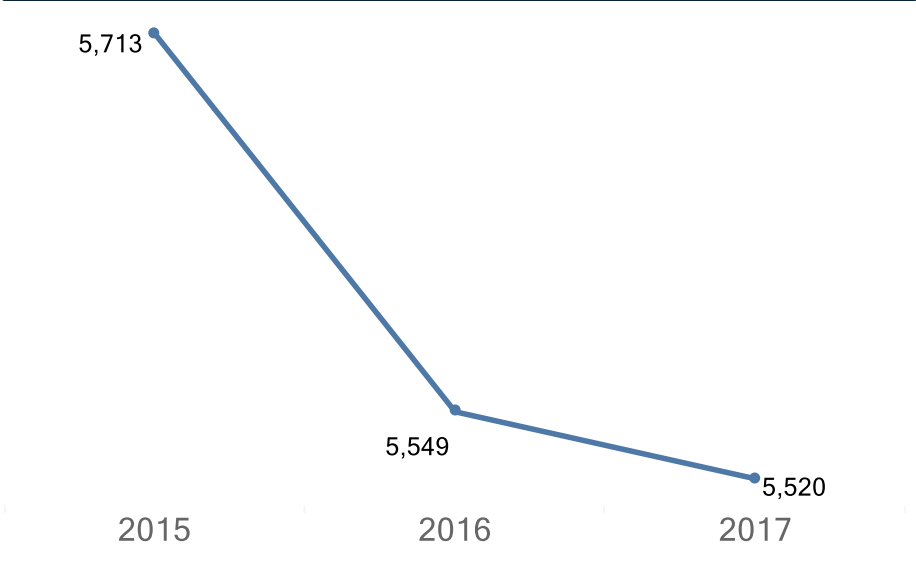
➤ Sources of Data and Savings Estimates:

- 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.

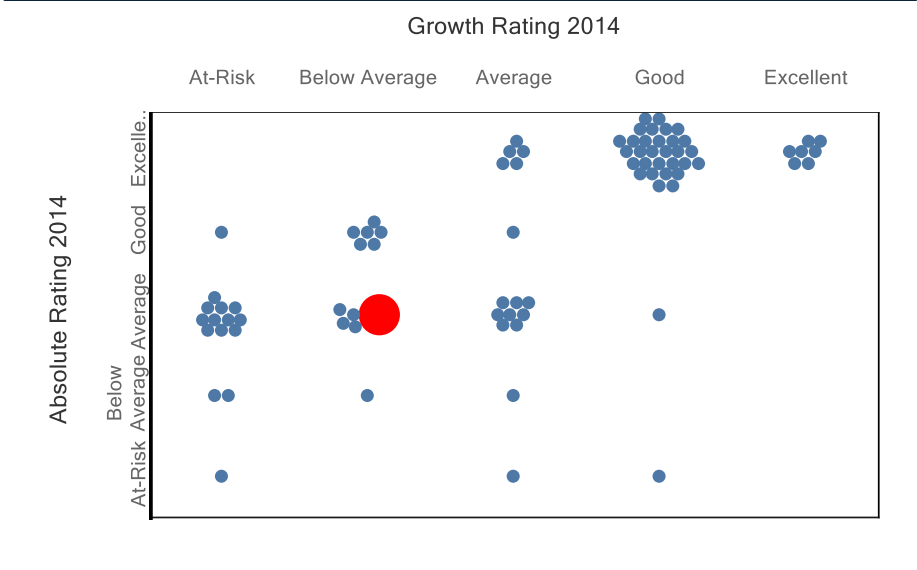
EXECUTIVE SUMMARY

COLLETON

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	8
% Poverty ^[1]	80.7%
% Disability ^[1]	15.9%
\$ Per Student ^{[2],[3]}	\$13,091
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,122

Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.3
Students Per Overhead FTE ^{[2],[4]}	141.5
Students Per School Support FTE ^{[2],[4]}	27.4
Students to Total FTE ^{[2],[4]}	6.1

EXECUTIVE SUMMARY

COLLETON

Sources of Funds^[5]
\$67.5M



2015-2016

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

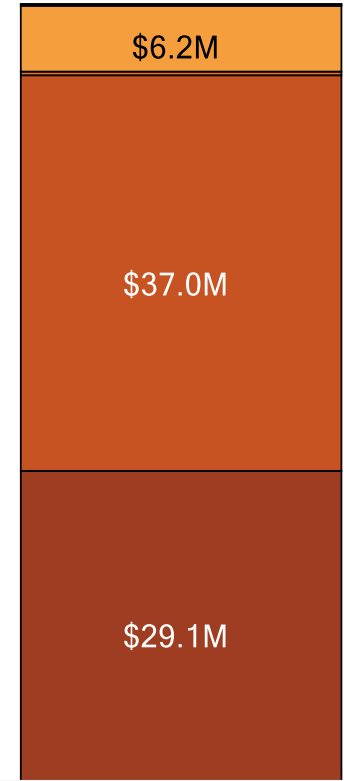
Use of Funds - Type^[3]
\$72.6M



2015-2016

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

Use of Funds - Function^[3]
\$72.6M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

COLLETON

\$72.6M
Total

\$9.9M
In-Scope

\$62.7M
Not In-Scope

13.7% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$430,904	\$69,106
Human Resources	\$337,029	\$33,842
Overhead	\$813,130	\$187,011
Transportation	\$2,313,100	\$188,648
Procurement (Community Services, Instruction, Support Services)	\$6,033,857	\$6,033,857
TOTAL	\$9,928,020	\$6,512,464

* totals may not tie due to rounding

EXECUTIVE SUMMARY

COLLETON

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: Colleton County School District will prepare students to graduate with a 21st century education to be globally competitive for their chosen colleges and/or career paths.

- 1. Transparency:** Every stakeholder will experience clear, timely, honest, transparent, and widely available communication about system initiatives and activities as measured by the SCDE district report card.
- 2. Organizational Efficiency:** Maximize organizational efficiency and effectiveness to improve use of resources, processes, and management structures to support innovation as measured by the successful passage of annual audits, the maintenance of the AA Bond rating, and by the completion building projects on time and within budget.
- 3. School Climate:** Every location will be safe and secure, promote individual well-being, and provide positive, respectful, and caring environments for learning and working.
- 4. Student Achievement:** Provide a relevant and challenging curriculum that engages all students and is designed to meet the Profile of the SC Graduate.
- 5. Teacher / Administrator Quality:** Maximize organizational efficiency and effectiveness to improve use of resources, processes, and management structures to support innovation.

Achievements

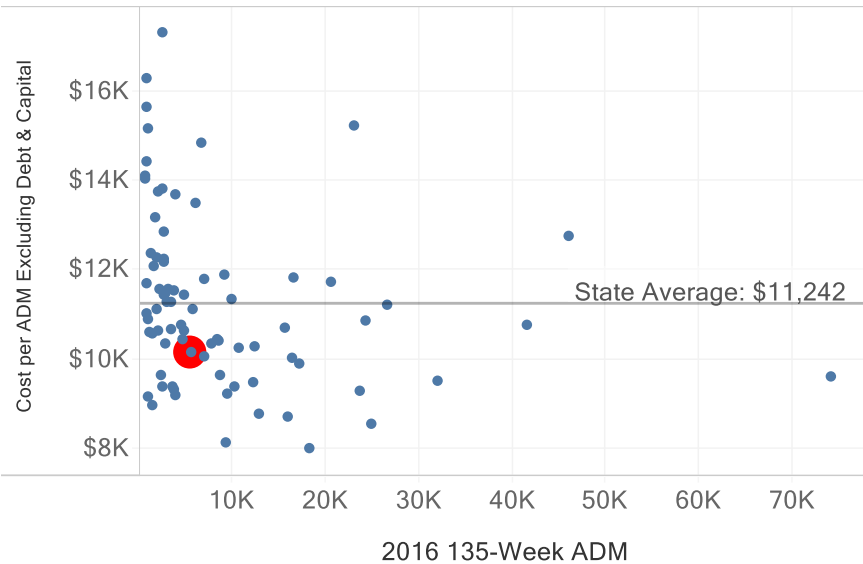
- **Innovative Practices:** The District has leveraged grant funding to partner with the New Tech Network to implement new strategies focused for driving teaching, learning and academic outcomes.
- **Collaboration:** The District recently announced participation in a 3 district collaboration (with Charleston and Florence) with New Tech Network to focus on the redesign of elementary, middle and high schools as part of a grant by the ECMC Foundation.
- **Fiscal Discipline:** The District has been able to manage costs through declining economic environments while continuing to reduce administrative spending and maintain its fund balance at 7% of general fund revenues, in accordance with Board policy.

Challenges

- **Enrollment Declines:** The District has experienced continuing enrollment declines over the past 3 years (approx. 3% or 193 students).
- **Teacher recruitment:** The District has challenges attracting teachers in high needs areas. In addition, there are a significant number of teachers that are currently approaching or at retirement eligibility.
- **Staff Salaries:** Due to past austerity measures taken by the District, certified staff are two years behind on the salary schedule, while classified staff are four years behind the salary scale.
- **Administrator Salaries:** The District does not have an administrator salary scale and compensates administrators nearly 20% below state-wide averages.
- **Transportation:** The District has challenges recruiting and retaining bus drivers.

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.

EXECUTIVE SUMMARY

COLLETON

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Organization: The Finance organization is adequately staffed to support its scope of roles and responsibilities that includes accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Processes / Technology: The District relies on manual processes for timekeeping, payroll, purchase order and invoice approval and check processing.
Human Resources	<ul style="list-style-type: none"> • Recruiting and Retention: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 13 international teachers and leverages staffing agencies to fill hard to staff positions. • Salaries: The District's average teacher salary is below surrounding districts and the state average and making it more difficult for the district to recruit and retain teachers. At present, due to past austerity measures taken by the District, certified staff are two years behind on the salary schedule. In addition, classified staff are four years behind on the salary schedule.
Transportation	<ul style="list-style-type: none"> • Transportation Management: Similar to other districts in the State, the District has a difficult time recruiting bus drivers and currently has 25 bus driver vacancies. • Routing and Bus Management: The District does not have routing software or staggered bell times which could be used to yield routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has no resources solely dedicated to Procurement. • Strategic sourcing: The District has low leverage with vendors due to low purchasing volumes. Spending is fragmented across more than 1,000 vendors, however, the top 40 make up over 80% of total spending.
Overhead	<ul style="list-style-type: none"> • Planning: The District should develop a long-term enrollment forecast to better plan for enrollment change and capital requirements, and ensure long-term financial stability. • Collaboration: The District recently announced participation in a 3 district collaboration (with Charleston and Florence) with New Tech Network to focus on the redesign of elementary, middle and high schools as part of a grant by the ECMC Foundation.

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.

EXECUTIVE SUMMARY

COLLETON

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	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and add modules to financial systems or upgrade the existing accounting software to facilitate automated purchase to payments processes and employee self-service. Complete implementation of time-tracking system.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls</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: Implement new technologies to automate HR processes such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize a plan and timeline to bring teachers salaries back in line with the District salary scale and remain competitive with surrounding areas.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts/piggy-back off other districts' contracts where appropriate.</p> <p>Negotiate discounts / rebates for tiered levels of spending,</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software.</p> <p>Process Improvements: Complete analysis (using routing software if possible) to evaluate potential benefits of routing changes. Implement the change to staggered bell times that is currently being considered in order to minimize student ride time and maximize driver / bus utilization.</p> <p>Staffing / Organization: Expand dual employment opportunities and evaluate compensation levels to help address bus driver vacancies.</p>

EXECUTIVE SUMMARY

COLLETON

COLLABORATION RECOMMENDATIONS

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

REGIONAL COLLABORATION OPPORTUNITIES			
FINANCE	HUMAN RESOURCES	PROCUREMENT	OTHER AREAS
<p>Accounts Payable and Payroll: Shared Processing; Standardized and automated workflow on approvals</p> <p>Potential to add in:</p> <ul style="list-style-type: none"> Accounting Entries Financial Reporting General Oversight ERP Systems Grant Compliance and Claiming 	<p>Benefits Coordination: Shared Processing and Support</p> <p>Potential to add in:</p> <ul style="list-style-type: none"> Intl. Recruiting: H1B Process or collaborative System Licenses for Recruiting, Substitute Management, and on-boarding Sharing of instructional resources across varying classroom models 	<p>Purchasing Coordination: Collaborate on market intelligence, pricing opportunities, RFP management, contract negotiations, contract management and minimum buying commitments</p> <p>Capitalize on volume discounts and rebates</p> <p>Shared analysis of spending, monitoring and optimization of pricing</p>	<p>Transportation: Shared administrative resources</p> <p>Facilities/ Maintenance: Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing)</p> <p>Technology: Shared oversight and support functions</p> <p>Curriculum: Shared research and development functions</p>

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.

EXECUTIVE SUMMARY

COLLETON

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.

EXECUTIVE SUMMARY

COLLETON

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	\$85,000	\$150,000	\$43,100	\$129,300
Human Resources	0	0	0	38,100
Procurement	0	0	188,900	374,400
Transportation – District	N/A	N/A	72,000	108,000
District Total	85,000	150,000	304,000	649,800
Transportation – State	23,000	115,000	81,500	173,900
Total	\$108,000	\$265,000	\$385,500	\$823,700

* 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.

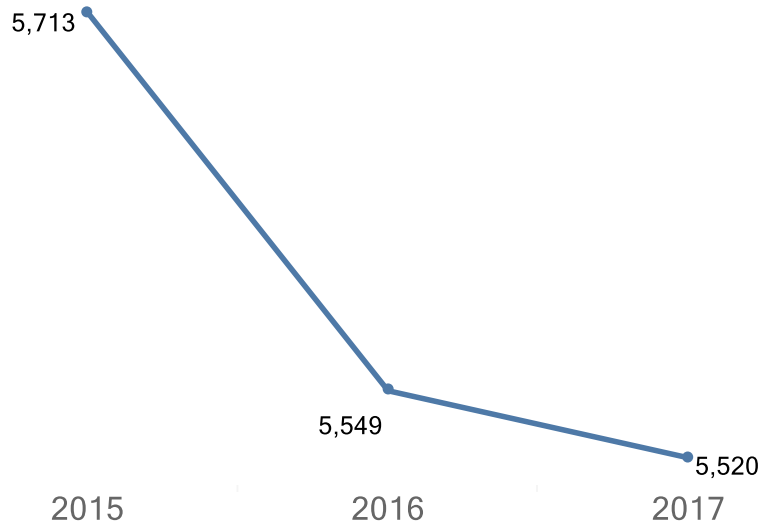


OUTLINE

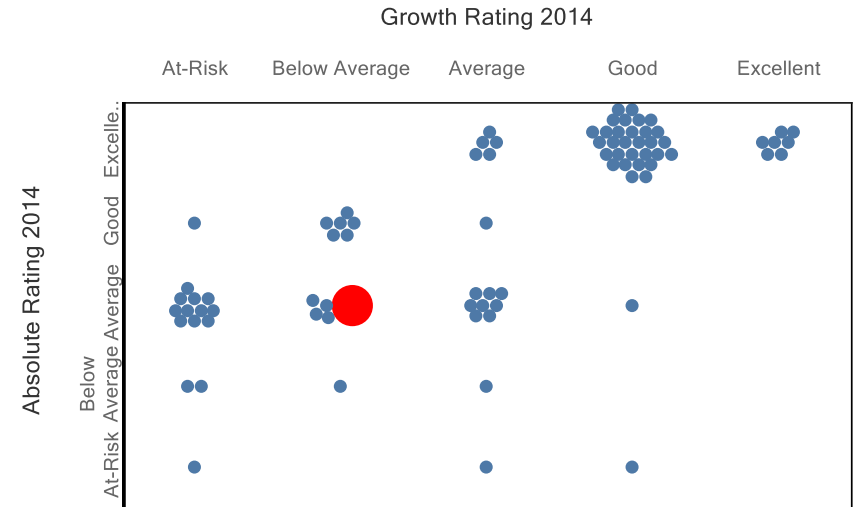
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DISTRICT ADMINISTRATION AND PERFORMANCE COLLETON

Average Daily Membership^[2]



Student Achievement^[1]



General Info

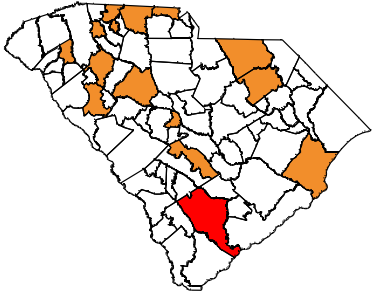
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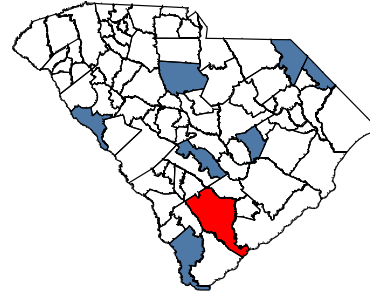
DISTRICT BENCHMARKING COLLETON

Enrollment (5,000 - 10,000)



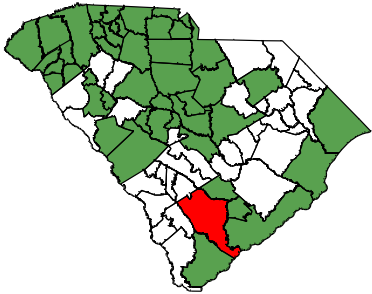
- | | |
|--------------|----------------|
| Anderson 01 | Orangeburg 05 |
| Cherokee | Spartanburg 02 |
| Chesterfield | Spartanburg 05 |
| Colleton | Spartanburg 07 |
| Darlington | York 02 |
| Georgetown | |
| Greenwood 50 | |
| Laurens 55 | |
| Lexington 02 | |
| Newberry | |

Poverty (80% - 85%)



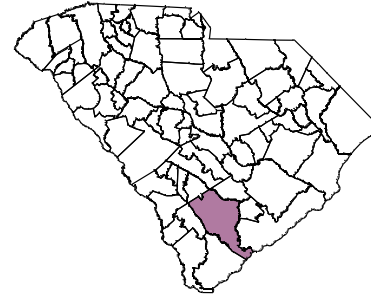
- | |
|---------------|
| Clarendon 02 |
| Colleton |
| Dillon 04 |
| Fairfield |
| Jasper |
| Marlboro |
| McCormick |
| Orangeburg 05 |

Phase 1 (No)



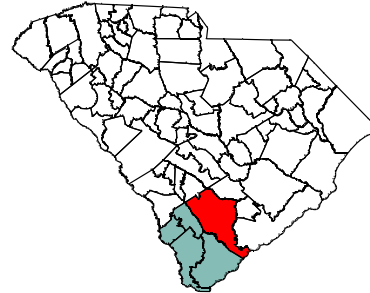
- | | |
|---------------|-----------------------|
| Aiken | Greenwood 52 |
| Anderson 01 | Horry |
| Anderson 02 | Kershaw |
| Anderson 03 | Lancaster |
| Anderson 04 | Lexington 01 |
| Anderson 05 | Lexington 02 |
| Beaufort | Lexington 03 |
| Calhoun | Lexington/Richland 05 |
| Charleston | Newberry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

- | |
|---------|
| Sumter |
| Union |
| York 01 |
| York 02 |
| York 03 |
| York 04 |



County (Colleton)

- | |
|----------|
| Colleton |
|----------|



Region (Lowcountry)

- | |
|------------|
| Beaufort |
| Colleton |
| Hampton 01 |
| Hampton 02 |
| Jasper |

DISTRICT OVERVIEW COLLETON

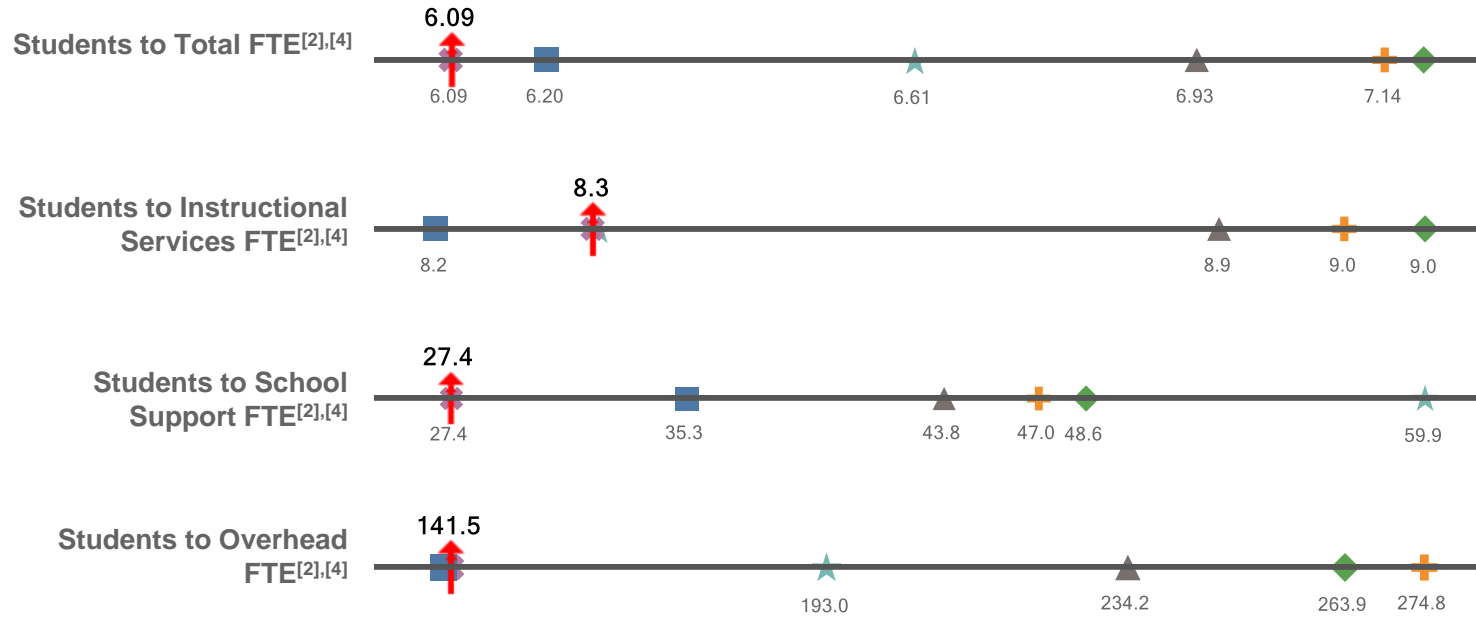
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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 COLLETON

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



- District
- Poverty
- Enrollment
- County
- Region
- Phase 2
- Statewide
- Other District

DISTRICT OVERVIEW AND OVERHEAD COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has decreased by more than 3% over the last 3 years to 5,520 students. • Student Demographics: 81% of the District's students live in poverty, above the statewide average of 68%, and 16% are special needs, which is higher than the statewide average of 12%. • Competition: The District faces competition from two private schools in the area. • Long-term Planning: The District projects enrollment on an annual basis but does not prepare multi-year enrollment forecasts to help inform long-term planning. 	<ul style="list-style-type: none"> • Given the recent trends in enrollment, the District should develop a long-term enrollment forecast to anticipate and better plan for enrollment changes, ensuring long-term financial stability
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: The District's Per Pupil Expense is \$10,122 when excluding debt and capital. This is lower than districts of similar size of \$10,808 and state average of \$11,242. • Unrestricted Fund Balance: The District's Unrestricted Fund Balance is approximately 8% of general fund revenues, below the state wide average of 19%. 	<ul style="list-style-type: none"> • 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.

DISTRICT OVERVIEW AND OVERHEAD COLLETON

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 Student to Total FTE is 6.1, which is lower than districts of a similar size of 7.1 and statewide average of 6.9. • Students to Instructional Services FTEs: The District's Student to Instructional Service FTEs ratio is 8.3, which is lower than districts of similar size at 9.0 and the state average of 8.9. • Students to School Support Services FTEs: The District's Student to Support Services ratio is 27.4, which is lower than districts of similar size at 47.0 and the state average of 43.8. • Students to Overhead FTEs: The District's Student to Overhead ratio is 141.5, which is lower than districts of a similar size at 274.8 and the state average of 234.2. 	<ul style="list-style-type: none"> • Review the District's staff allocation model in conjunction with long-term enrollment planning and evaluate opportunities to bring overall staffing in line with benchmarks over time.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's office includes the Superintendent, Assistant Superintendent of Human Resources and Operations, Assistant Superintendent of Curriculum and Instruction and 3 Administrative Assistants. • Communications Function: There is no Communications support for the Superintendent's office. The function resides solely with the Superintendent. In addition, the District does not have an active presence on social media. 	<ul style="list-style-type: none"> • Consider review of other direct support areas of the Superintendent which are outside of the scope of this report, in order to optimize resources and bring spending in line with benchmarks. • Evaluate alternatives for low/no cost parent engagement and communication tools that can be used to expand efforts to build family engagement and community awareness.
Collaboration	<ul style="list-style-type: none"> • Collaboration: The District recently announced participation in a 3 district collaboration (with Charleston and Florence) with New Tech Network to focus on the redesign of elementary, middle and high schools as part of a grant by the ECMC Foundation. 	<ul style="list-style-type: none"> • 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.



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.

920 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$78 per Student

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

Key statistics for metrics

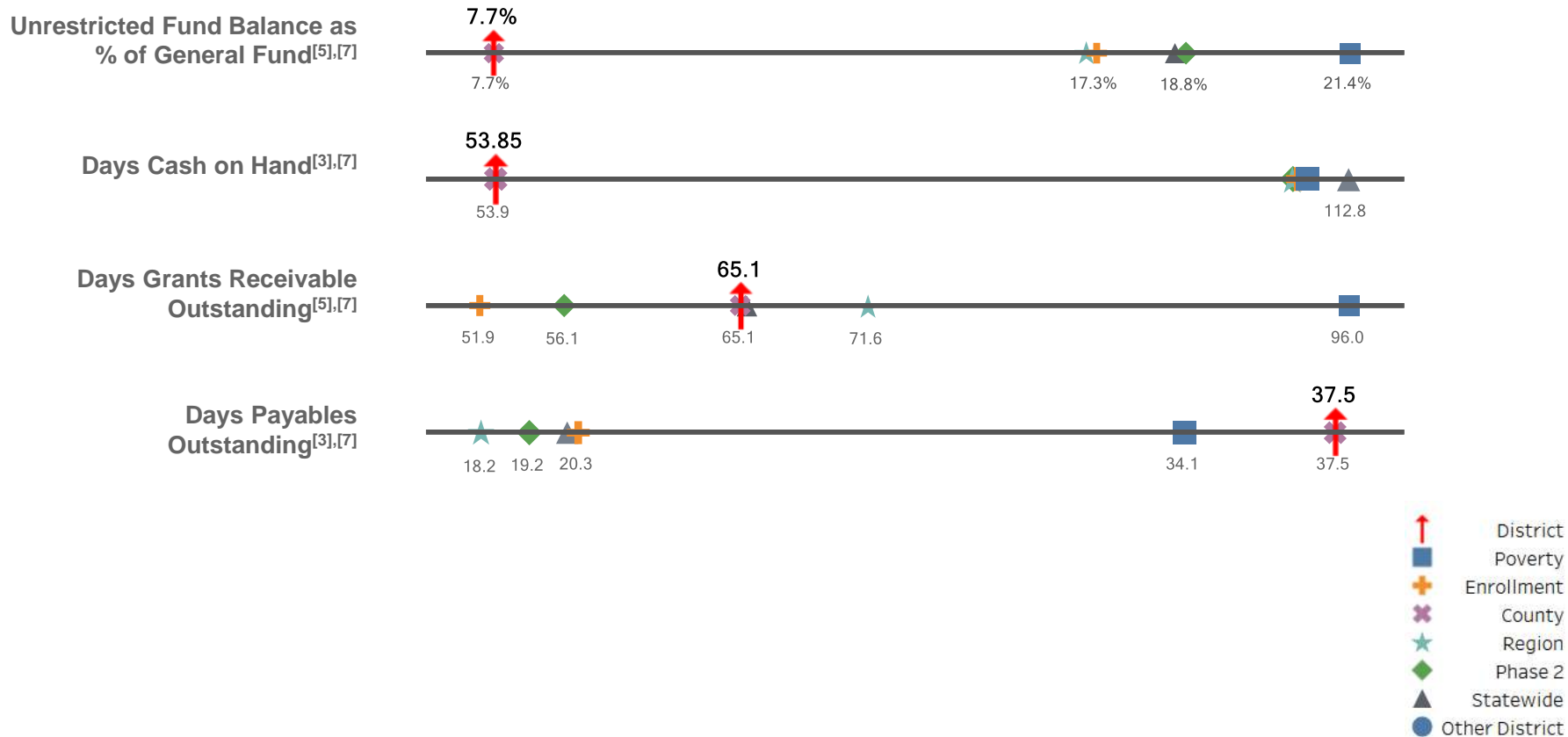
Financial FTEs ^[4]	6.0
Personnel Expense ^[3]	\$361,798
Non-Personnel Expense ^[3]	\$69,106
Total Financial Expense ^[3]	\$430,904

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 COLLETON

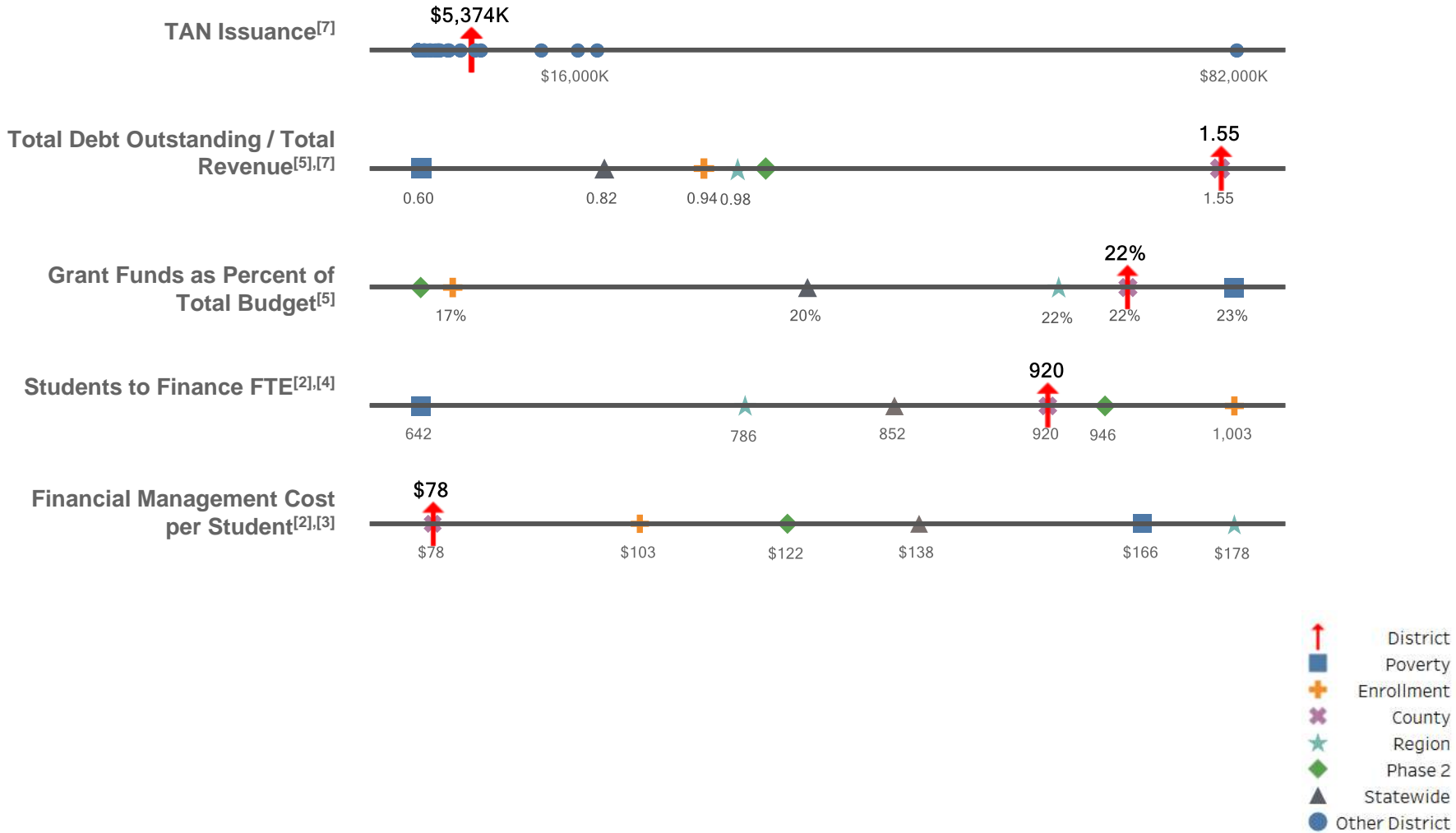
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 COLLETON

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization is adequately staffed to support its scope of roles and responsibilities that include, accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Finance Cost Per Pupil: The District's Finance Cost Per Pupil for the District is \$78, lower than districts of a similar size at \$103 and statewide average of \$138. • Students to Finance FTEs: The District's ADM to Finance FTE ratio is 920, which is lower than districts of a similar size at 1,003 and higher than the statewide average of 852. 	<ul style="list-style-type: none"> • 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. • Evaluate staff responsibilities in conjunction with implementation of potential process and technology initiatives.

FINANCIAL MANAGEMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Overall Processes: The District uses the Harris SmartFusion accounting software system; however, processes remain manual for time-keeping, payroll, purchase order and invoice approval and check processing. • Payroll: The District does not use a self-service payroll platform; therefore employee initiated payroll changes are all processed manually. In addition, the District pays more than 90% of its employees via direct deposit. • Timekeeping: The District has purchased the Kronos systems to help automate time-tracking for all employees and will be implementing the system during FY18. • Purchasing: The District currently uses a manual process to create purchase orders. In addition, printed purchase orders are required to be submitted prior to invoice entry into the accounting system. • Invoice Approval: The invoice approval process is manual and does not include automated workflow or document management • Inventory: he 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. 	<ul style="list-style-type: none"> • Require all employees to receive payroll via direct deposit. In addition, implement employee self-service functionality to enable automatic processing of payroll changes without manual processing by the finance function. • Complete implementation of the Kronos system and integrate directly with the District's financial system. • Implement an automated purchase order work flow system with electronic approvals that can be integrated with the financial systems. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process.

FINANCIAL MANAGEMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Pcards: The District provides Pcards to school and department leaders for use on small dollar transactions. Individual transaction limits are capped at \$2,500. In addition, the District has implemented a process to post Pcard transactions directly in the accounting system on a weekly basis in order to ensure more timely tracking of actual spending versus budget. 	<ul style="list-style-type: none"> • Analyze Pcard spending transaction and dollar volume on an annual basis to determine potential candidates for formal contracting to enable better pricing and cost savings. • Review district-wide vendors and work to migrate high dollar vendors to accept payment via Pcard in order to maximize rebates.
Grants Management	<ul style="list-style-type: none"> • Grant Revenue %: Grant revenues provide 22% of total revenue for the district, making this district more reliant on grant funds the statewide 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 in a timely manner. • Grant Claim Processing: Grant claims are input by the finance department on a quarterly basis. 	<ul style="list-style-type: none"> • 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.

FINANCIAL MANAGEMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was not found to have material weaknesses or significant deficiencies in its internal controls as part of its FY16 Audit. • Position Control: The District does not have automated position control. Lack of position control can lead to over-hiring / spending and ultimately to an unanticipated deficit. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control. • Implement budget position control to ensure controls around hiring of individuals.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District's Days Cash on Hand is 53.9 days after factoring in the receivable from the County, lower than the state average of 113 days and the average for similar sized districts of 109.3 days. • Cash Forecasting: While the District monitors cash balances, it does not have a formalized weekly cash flow forecasting process. • Grants Receivable Outstanding: The District's Days Grants Receivable Outstanding is 65.1 (before consideration of claims that may have been received by the County). This amount is higher than the average of the similar sized districts of 51.9 days but on par with the statewide average. • Days Payable Outstanding: The District's Days Payables Outstanding of 37.5 is higher than the statewide average of 20.1 and peers of similar size at 20.3. • Cash: The County, rather than the District, controls investment of excess cash balances. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and minimize drawings on TANs.

FINANCIAL MANAGEMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Debt: The District's total debt outstanding as a percentage of total revenue (excluding debt and capital) is 155%. This is higher than the statewide average of 82% and the average for similar sized districts of 94%. • TAN: The District issued a \$5.4 million TAN this past year to assist with liquidity needs during the cash low point. 	
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a roll-forward of the prior year expenses. The superintendent and finance director work with principals and department heads to discuss staffing requirements and assess any new needs that are anticipated for the new fiscal year. <p>The annual budget process for schools is primarily based upon enrollment projections by grade for each individual school that are provided by school leadership. The enrollment projections are then applied to the District's position-based funding formula for each individual school in order to calculate the number of positions that will need to be funded. Schools are then staffed accordingly.</p> <p>Individual schools also receive an allocation of funding for supplies that they can use during the course of the school year. Principals are able to track their spending on supplies versus budget through access to the accounting system. Schools do not get budget allocations for other dollars that are managed by central administration (e.g., Substitute Teachers, Energy, etc.).</p>	<ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Review and evaluate the District's staff allocation formula in concert with short and long term enrollment projections and modify allocation decisions accordingly.

FINANCIAL MANAGEMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget (cont'd)	<ul style="list-style-type: none"> • Fiscal Monitoring: The District does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared regularly with key leaders. In addition, schools and department leaders have access to budget and actual financial results via the accounting system. 	
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Harris SmartFusion accounting software system; however, processes remain manual for time-keeping, payroll, invoice approval and check processing. • Timekeeping: The District is implementing Kronos to facilitate automated time tracking that integrates with payroll. 	<ul style="list-style-type: none"> • Evaluate financial system capabilities and explore opportunities to better utilize and upgrade the existing accounting software and / or upgrade to alternative software that provides automated workflow and approval of purchase orders, document management, employee self-service and automated time tracking that links directly with the payroll system. • Complete implementation and roll-out of Kronos time tracking.
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. 	<ul style="list-style-type: none"> • 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.

1,840 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$61 per Student

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

Key statistics for metrics

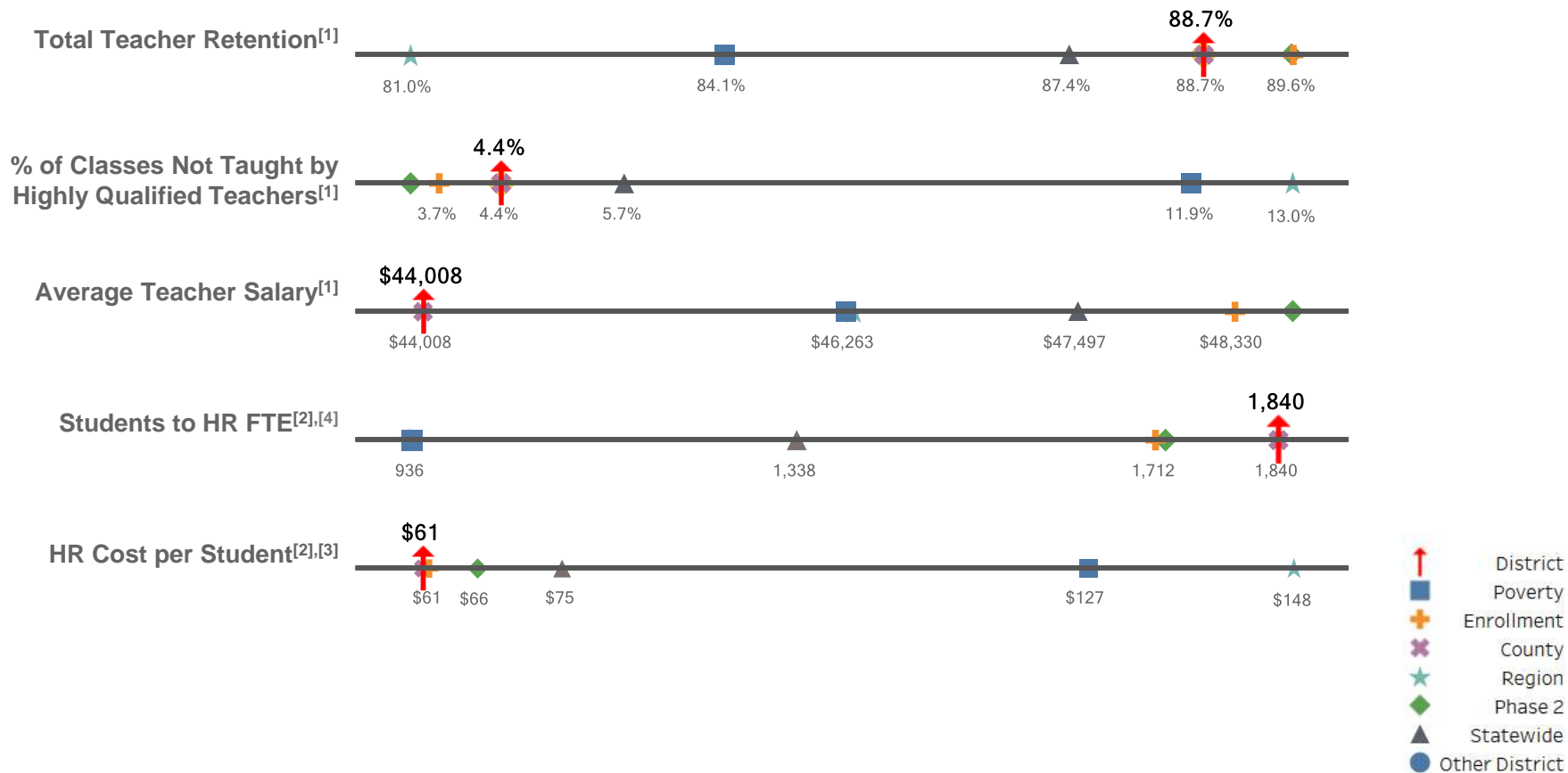
Human Resources FTEs ^[4]	3.0
Personnel Expense ^[3]	\$303,187
Non-Personnel Expense ^[3]	\$33,842
Total Human Resources Expense ^[3]	\$337,029

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 COLLETON

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 COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing. The Human Resources function has 3 FTEs including an HR Administrator, Benefits Coordinator and an Administrative Assistant dedicated to support recruiting, retention, personnel relations, benefits and professional development activities. These activities are ultimately managed by the Assistant Superintendent of Human Resources and Operations. • Human Resources Cost Per Pupil: The HR Cost Per Pupil of \$61 for the District is lower than the statewide average of \$75 but on par with districts of similar size. • Students per HR FTE: The Student per HR FTE ratio of 1,840 is high relative to the state average of 1,338 and the average of districts with similar enrollment levels of 1,712. 	<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.
Recruiting and Retention	<ul style="list-style-type: none"> • Teacher Recruiting: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 13 international teachers (approx. 3% of its total teaching force) and leverages 2 different agencies to provide these positions. The District also partners with Teach for America, who is providing 15 teachers. In addition, the District leverages staffing agencies to fill hard to staff services (Physical Therapy, Occupational Therapy, etc.). • Average Teacher Salary: The District's average teacher salary of \$44,008 is below the state average of \$47,497, making it more difficult for the district to recruit and retain teachers. At present, due to past austerity measures taken by the District, certified staff are two years behind on the salary schedule. The District is exploring options to redirect funding in order to bring teachers back to parity with the salary scale. 	<ul style="list-style-type: none"> • Evaluate opportunities to reduce reliance on international agencies and related administrative fees, either via direct sponsorship, cross-district shared resources or alternative recruitment strategies. • Consider 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. • Finalize a plan and timeline to bring teachers salaries back in line with the District salary scale and remain competitive with surrounding areas.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Recruiting and Retention</p>	<ul style="list-style-type: none"> • Classified Position Salary Scale: Due to past austerity measures taken by the District, Classified personnel are four years behind on the salary schedule. • Administrator Salary Scale: The District does not have an administrator salary scale. As a result, school and district administrators are often paid below their experience level and in amounts that are not comparable with surrounding districts. The District uses pay supplements where practical to try to bridge the gap. • Teacher Shortage: The teachers shortage continues during the school year, with two teacher vacancies currently being filled with long-term substitutes. • Workforce Planning: The District estimates that nearly 40 teachers will be eligible for retirement in the next two years. • Substitute Management: The District outsources substitute management processes to Kelly Educational Staffing (“Kelly”) for teachers and teacher assistants. School staff members are able to report upcoming absences and request substitute teachers directly through a web-portal or via phone. In addition, departments are able to leverage Kelly for temporary support. 	<ul style="list-style-type: none"> • Conduct a comprehensive compensation study that encompasses Teacher, Classified and Administrator positions in order to help inform long term planning and right-sizing of the District’s salary scales and includes assessment/development of job descriptions as appropriate.

HUMAN RESOURCES COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • Technology: The District uses the AppliTrack system to recruit, screen, select and manage the staffing process. However, there is no integration between the HR onboarding process and the financial systems. Human Resources enters personnel action forms into a database and Finance must then re-enter similar information into the payroll system. In addition, the District does not have an employee self-service portal for basic personnel changes. 	<ul style="list-style-type: none"> • Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process. • Conform personnel action forms to information required for the financial systems in order to integrate systems and eliminate the need for duplicate entry. • Complete implementation of the Kronos time-tracking system.
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 international or local staffing agencies. 	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers



OUTLINE

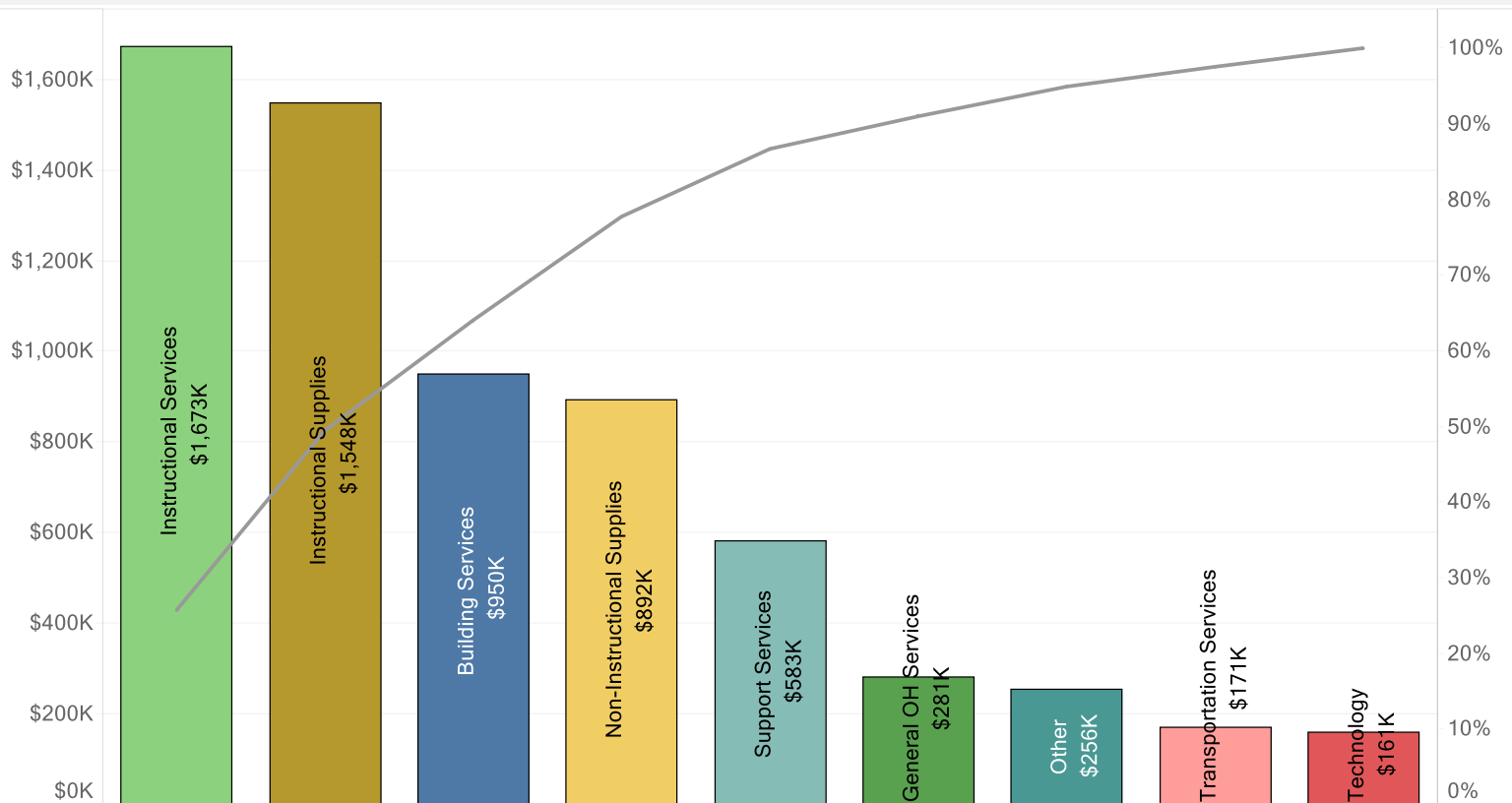
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PROCUREMENT COLLETON

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.

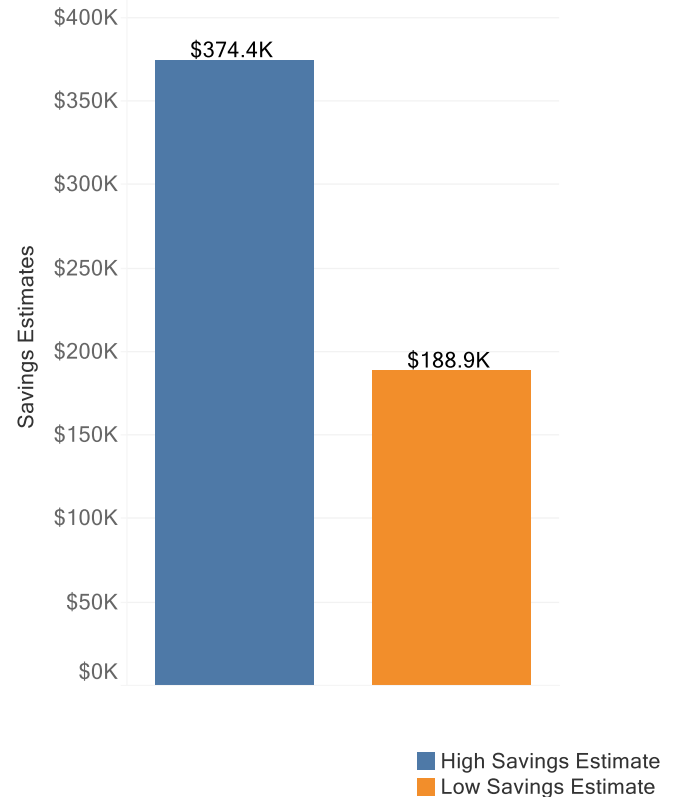
District In Scope Total Procurement Spend^[3] = \$6,512,464



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%



PROCUREMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Staffing: The District does not have any staff focused on purchasing and procurement. Procurement support is managed out of the Finance function. 	<ul style="list-style-type: none"> • See recommendations below.
Spending by Vendor	<ul style="list-style-type: none"> • Concentration: Spending is fragmented across more than 1,000 vendors; however, the top 40 make up over 80% of total spending. • Aggregated Purchasing: 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"> • Requirements: 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. • Timing: Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. • Minimum Commitments: 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. • Group Purchasing: Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include supplies and technology.

PROCUREMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District uses numerous individual contractors and to provide general and specialized maintenance support. • Instructional Support Services and Supplies: The District Procurement Code exempts the procurement of instructional support software and services which consequently is not placed out to bid. In addition, the District does not procure these services and software in collaboration with any other districts. • Instructional Staffing: The District currently relies on multiple vendors (including FACES and Teacher Placement Group) to support instructional staffing. • Technology: The District implemented its 1:1 initiative and is leveraging a state contract with Dell. \ The District does not coordinate technology purchases with other nearby districts. 	<ul style="list-style-type: none"> • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. Alternatively, consider hiring key trades positions of HVAC, Plumbing and Electrician in collaboration with a nearby district and sharing resources. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Standardization of Technology: The greatest savings 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.

PROCUREMENT COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category (cont'd)	<ul style="list-style-type: none"> • Non-instructional Supplies: The District purchases its non-instructional supplies from multiple vendors using state contracts. 	<ul style="list-style-type: none"> • Consider a review of additional supplier options (e.g, Amazon's K12 offering, US Communities, Office Depot, etc.). • Consider standardizing to one supplier to achieve additional volume discounts. • Analyze supply spend with neighboring districts and approach vendors with minimum volume commitments for additional discounts.
Regional Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does not partner with other districts to procure goods and services. 	<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 COLLETON

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.

14 Years

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

\$417 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	60.0
Personnel Expense ^[3]	\$2,124,452
Non-Personnel Expense ^[3]	\$188,648
Total Transportation Expense ^[3]	\$2,313,100

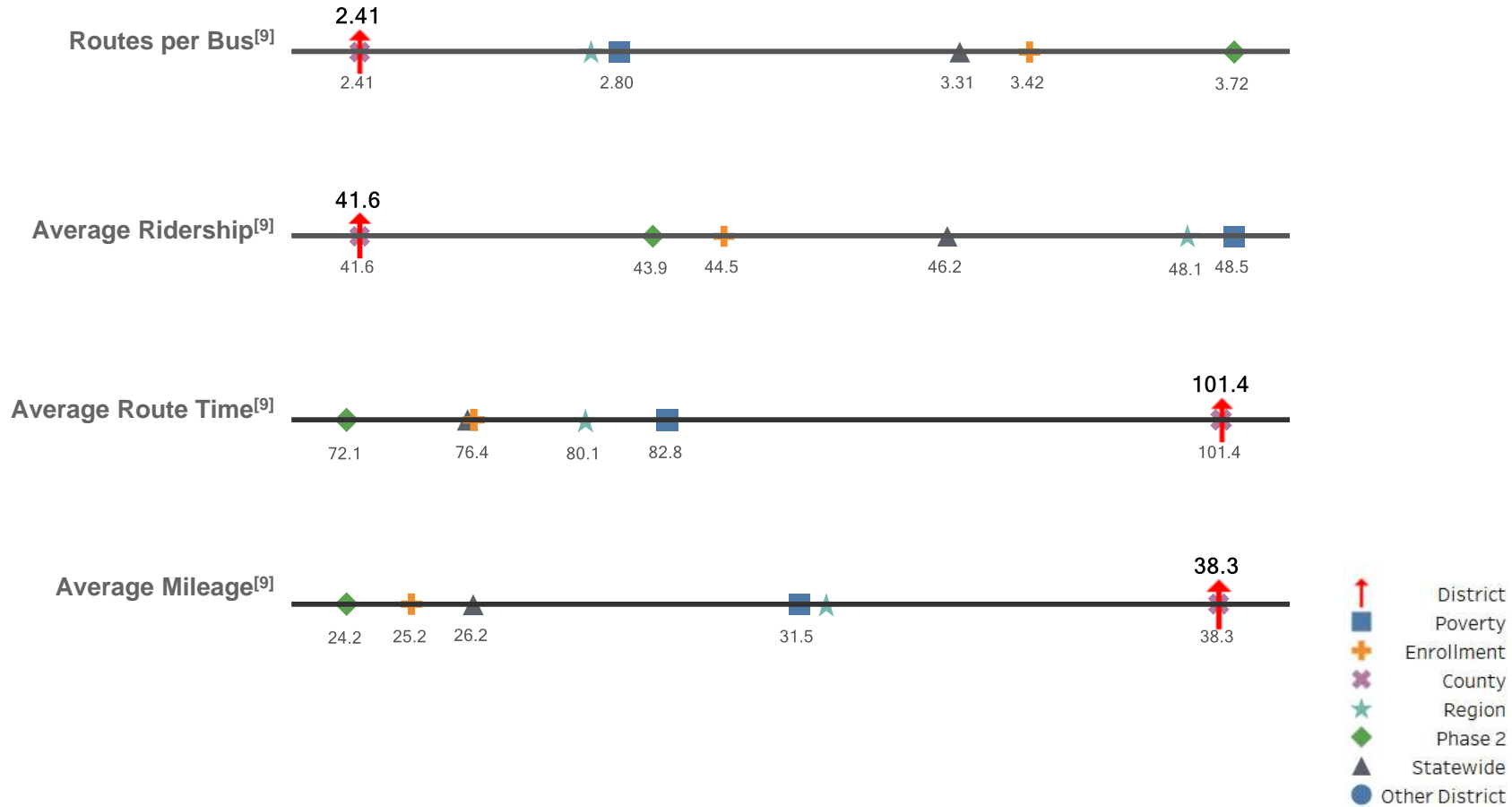
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	68.8	166	2.4	6,904	42	101	38
Special Needs	12.0	24	2.0	265	11	Not-Available	53
Other	7.2	38	5.2	1,232	32	Not-Available	8
Total	88.0	228	2.6	8,401	N/A	N/A	N/A

TRANSPORTATION COLLETON

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 COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: Similar to other districts in the State, the District has a difficult time recruiting bus drivers. The District has 25 bus driver vacancies. • Compensation: Bus drivers are currently paid approximately \$2.50 above state reimbursement levels and are guaranteed 30 hours per week. Bus drivers are eligible to work more hours for performing other District administrative needs (e.g., security, receptionist, etc.). • Geography: The District is the one of the largest counties in the state as measured by land area, covering more than than 1,000 square miles. This contributes to the District’s average ride time and route mileage being greater than the statewide averages. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, continue to create more 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. • Evaluate bus driver compensation in relation to nearby districts and consider making adjustments to remain competitive as necessary.

TRANSPORTATION COLLETON

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Bell Times: The District does not have staggered bell times, with schools all starting at or near the same time. • Routing Software: The District does not utilize routing software • Cameras: The District does have security cameras on all buses. • GPS: The District does not have GPS on its buses. 	<ul style="list-style-type: none"> • Consider implementation of staggered bell times to 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 • Implement routing software to ensure most efficient routes. • Install GPS on buses to monitor bus routes and ensure most efficient route.
Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does not collaborate with surrounding districts. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and source bus drivers.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

COLLETON

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.

APPENDIX A: SAVINGS METHODOLOGY

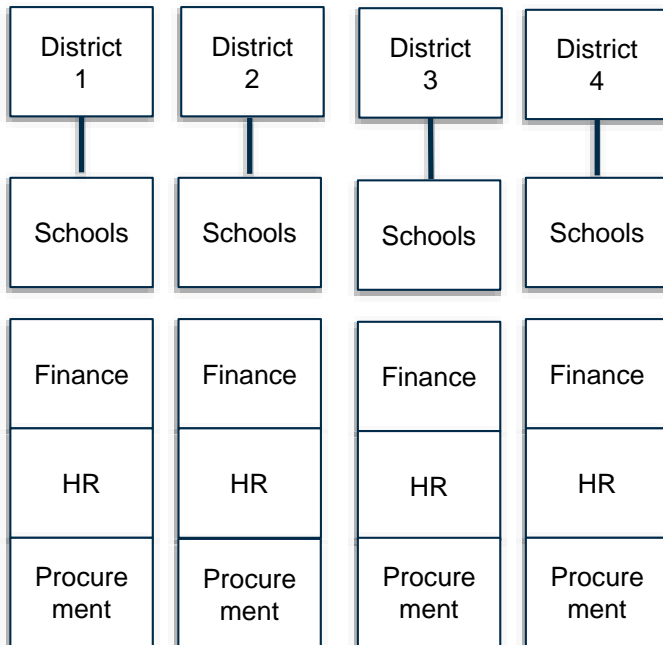
COLLETON

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.

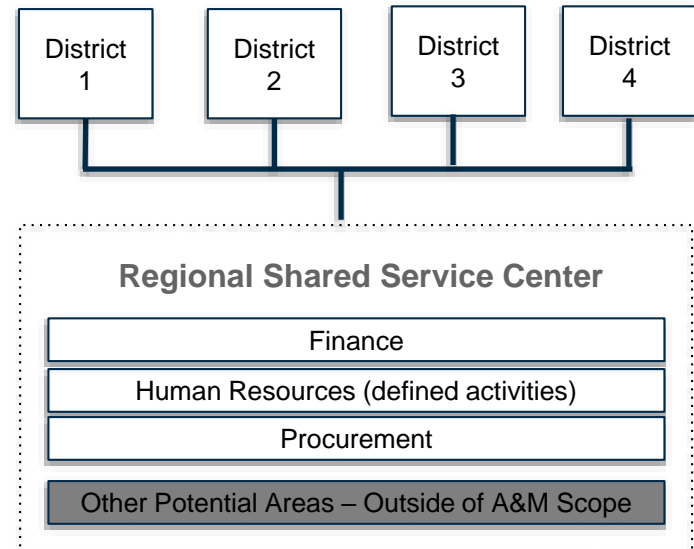
CURRENT STATE: STAND ALONE DISTRICT

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.

APPENDIX A: SAVINGS METHODOLOGY

COLLETON

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.

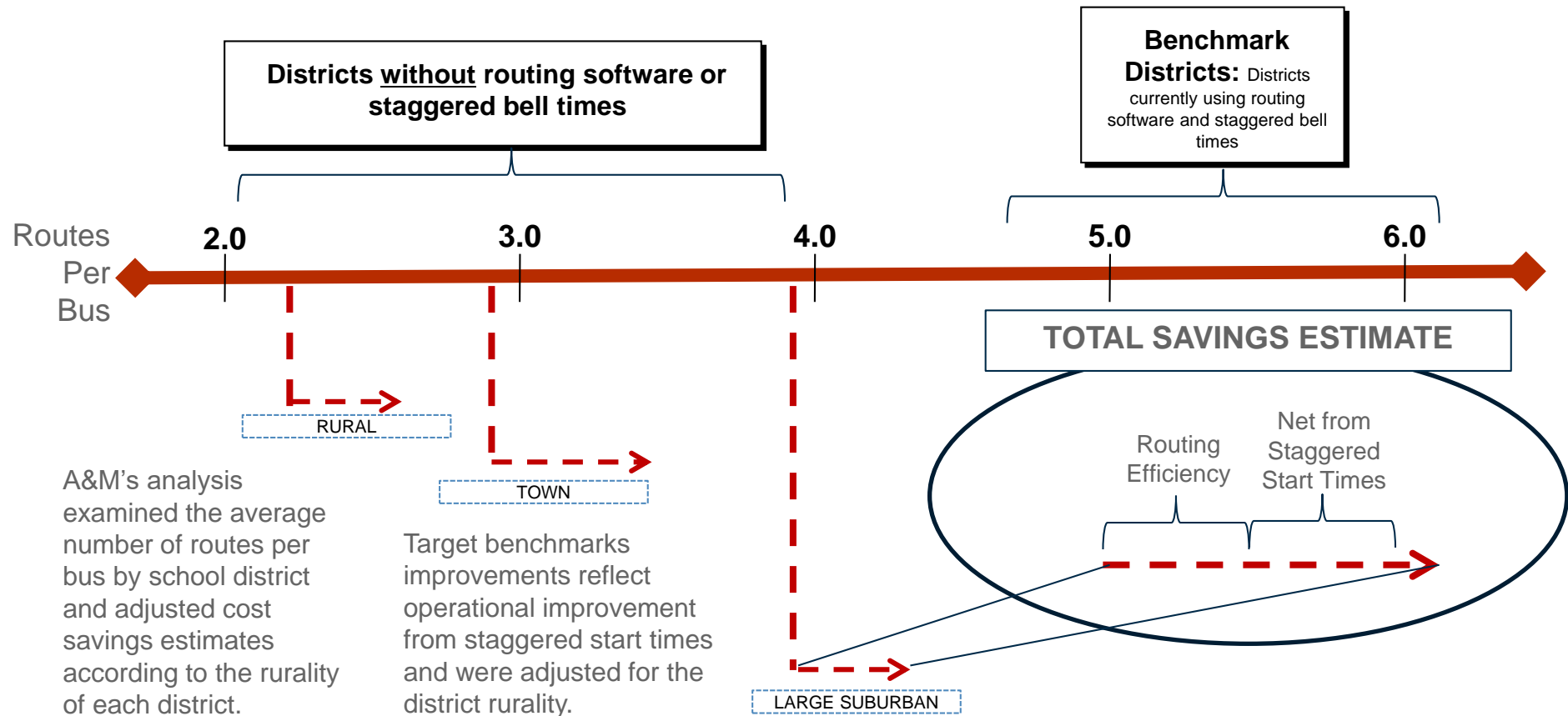
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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.



APPENDIX A: SAVINGS METHODOLOGY

COLLETON

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.

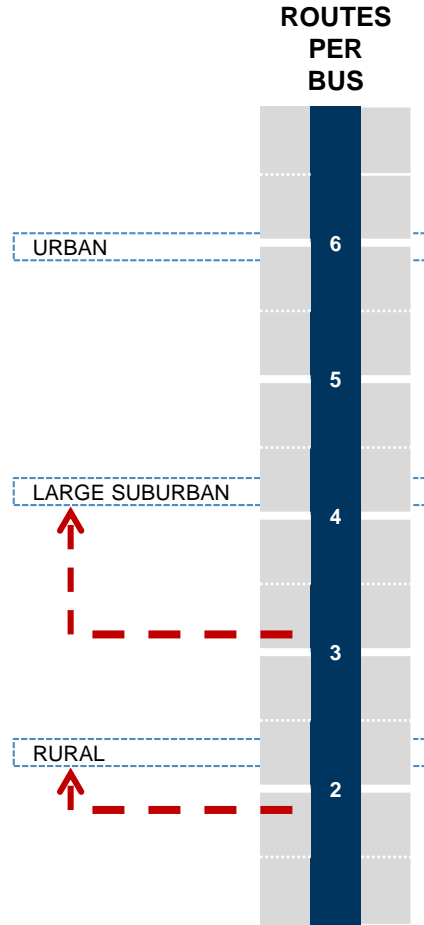
APPENDIX A: SAVINGS METHODOLOGY COLLETON

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

COLLETON

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

COLLETON

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

COLLETON

[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 COLLETON

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 COLLETON

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 = $\text{Fund balance – unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- 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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