ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Greenwood 51

District Report

6/16/2017

OUTLINE

PROJECT OVERVIEW

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

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

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

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

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

PROJECT OVERVIEW (CONTINUED)

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

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

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

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

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

- This analysis presents two types of estimates:

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

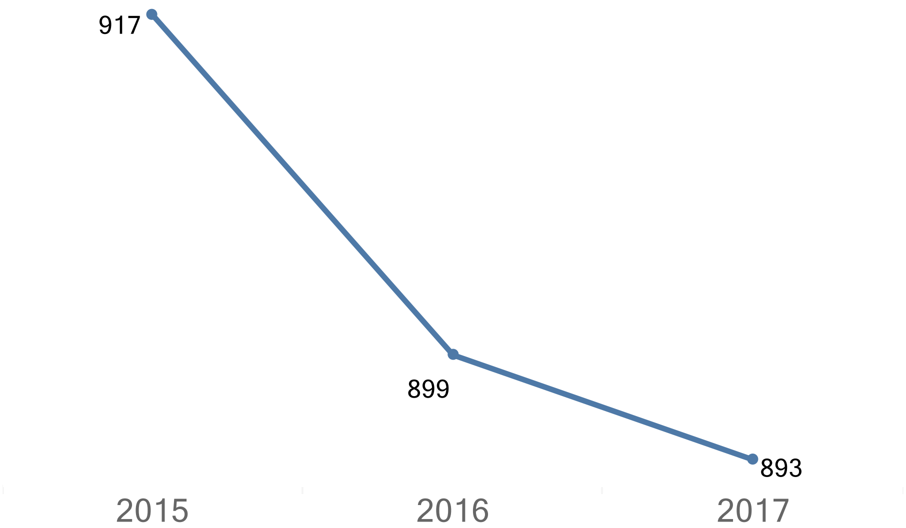
  2. **Net savings** from implementation of a shared services model for functions within the scope of this study.

PROJECT OVERVIEW (CONTINUED)

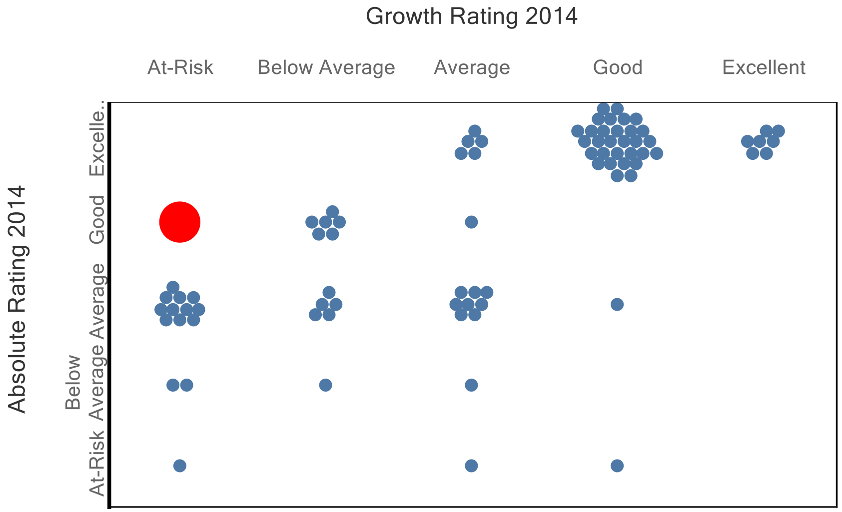
- **Sources of Data and Savings Estimates:**
  - A&M based the recommendations included in this report on data received from both the State and the District.
    - State provided data: FY16 revenue and expenditure data submitted by districts to the State, 3-year historical enrollment/average daily membership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

EXECUTIVE SUMMARY
GREENWOOD 51

Average Daily Membership[2]



Student Achievement[1]



General Info

Number of Schools[2]	**3**
% Poverty[1]	**71.7%**
% Disability[1]	**18.8%**
$ Per Student[2],[3]	**$11,230**
$ Per Student Excluding Debt & Capital[2],[3]	**$10,985**

Administration

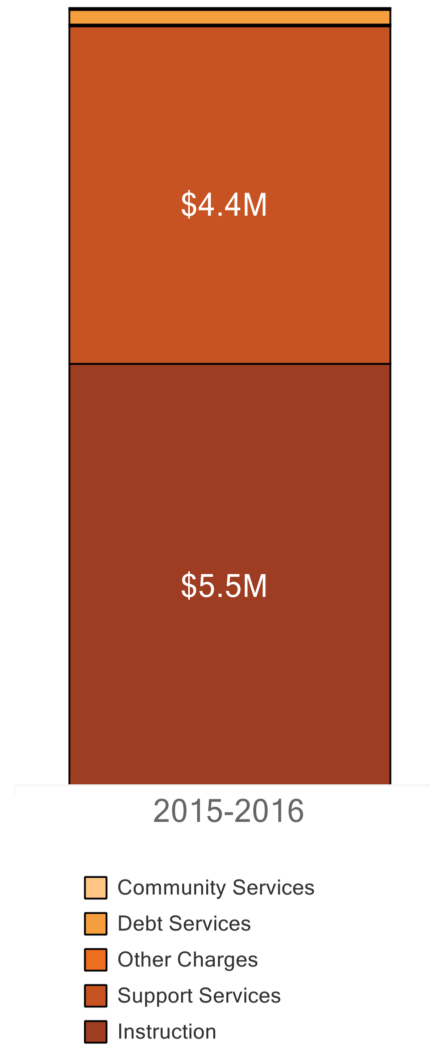
Students Per Instructional Services FTE[2],[4]	**5.8**
Students Per Overhead FTE[2],[4]	**137.4**
Students Per School Support FTE[2],[4]	**16.3**
Students to Total FTE[2],[4]	**4.1**

EXECUTIVE SUMMARY
GREENWOOD 51

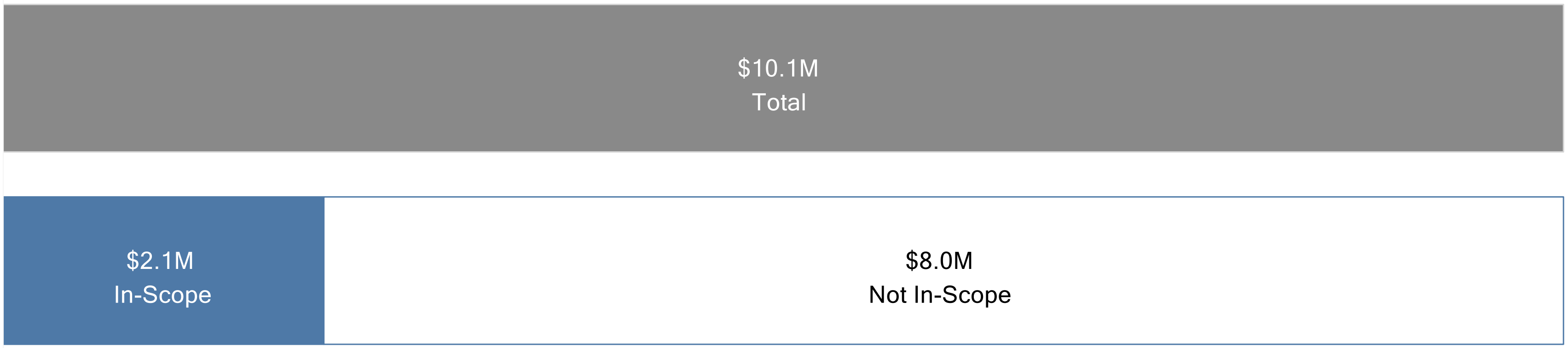
Sources of Funds[5]
$10.7M

Use of Funds - Type[3]
$10.1M

Use of Funds - Function[3]
$10.1M



EXECUTIVE SUMMARY
GREENWOOD 51



20.6% of total spend is within scope of the efficiency review:

	In Scope Spend[3]	Procurement Component
Finance	$192,449	$28,011
Human Resources	$	$
Overhead	$268,543	$92,290
Transportation	$155,182	$4,554
Procurement (Community Services, Instruction, Support Services)	$1,461,278	$1,461,278
TOTAL	**$2,077,452**	**$1,586,133**

** totals may not tie due to rounding*

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

- **Mission:** The mission of Ware Shoals School District 51 is to be the educational leader for the total community, preparing all students to be productive, contributing, and successful members of society.

- **Student Achievement:** Improve student achievement by providing professional development and resources to teachers, creating personalized learning paths for students and establishing environments conducive to learning.
- **Academic Performance:** Better serve our students and our community by increasing graduation rate; engage parents and families more.
- **Environment:** Improve student and community wellness through integrated health, wellness, and fitness strategies.

Achievements

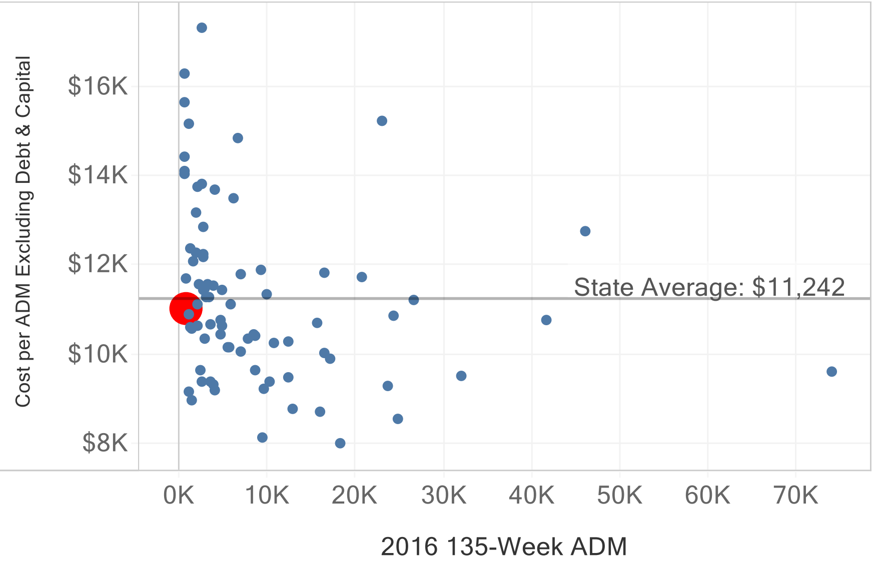
- **Student Safety:** Added security cameras at all schools and updated security procedures, improved communication systems, certifies 9th graders in CPR/AED, conducts training exercises regularly.
- **Facilities:** Received the Risk Control District of the Year award from the SC School Boards Insurance Trust. Additionally, it is the second most energy efficient district in the state.
- **Technology:** Expanded the 1:1 initiative so that all students in grades 3-8 now have laptops at school.
- **Financial:** Increased the General Fund balance by over $500k (20% increase).
- **Community:** Established a public/privately funded community library, the first of its kind in SC.

Challenges

- **Fiscal (tax base):** The value of the mill is one of the lowest in South Carolina.
- **Economic:** Student poverty index.
- **Instructional:** Difficulty recruiting teachers in areas such as foreign language and guidance.

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	• **Financial Management and Organization**: The Finance organization is adequately staffed to support the scope of its roles. The District's Financial Management expense per pupil is comparable to that of the District's enrollment peer group. The District reports no material weaknesses in its audited financial reporting, maintains sufficient cash on hand and possesses a strong fund balance. The Superintendent also serves as the Director of Finance. • **Manual Processes: Under-investment** and under-utilization of technology present the District with the opportunity to further improve operational efficiency.
Human Resources	• **Staffing and Organization**: The District does not have any staff focused on Human Resources; however, HR functions are allocated effectively across the administration. Recruiting, retention, personnel relations, and professional development activities are managed by the Superintendent and the Director of College and Career Readiness. • **Challenges with Recruiting and Retention**: General challenges associated with teaching shortages are exacerbated by varied pay scales, as average teacher salaries in smaller districts generally lag those in larger districts.
Transportation	• **Transportation Management**: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The majority of districts are grappling with a shortage of drivers. • **Manual Routing:** The District does not have routing software to help drive routing efficiencies.
Procurement	• **Staffing and Organization**: No sole resources dedicated to Procurement. • **Strategic Sourcing**: Low leverage with vendors due to low purchasing volumes. Contracts are negotiated with volume discounts / rebates when possible. There is some collaboration across districts through WPEC.
Overhead	• **Staffing and Organization**: The Office of the Superintendent includes the Superintendent only, who serves as the Director of Finance and Human Resources in order to maintain a lean general administration. • **Collaboration**: Varying levels of informal collaboration with other Superintendents through WPEC.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	**HUMAN RESOURCES**	**PROCUREMENT**	**TRANSPORTATION**
System Enhancements: Update software versions and / or add modules to financial systems to facilitate automated and purchase to payments processes, integrated timekeeping and payroll and position control functionality. **Process Improvements**: Modernize processes to limit manual activities and strengthen internal controls. **Staffing** and **Organization**: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.	**System Enhancements:** Implement new technologies to automate HR processes such as integrated applicant sourcing, tracking and on-boarding. **Process Improvements**: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates. **Staffing and Organization**: Train/cross-train personnel on recruiting, talent management and professional development strategies.	**Process Improvements:** Leverage state contracts and group purchasing organizations to optimize spend. Enable other districts to purchase off individually negotiated contracts. Negotiate discounts / rebates for tiered levels of spending. Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.	**System Enhancements:** Implement new routing software, GPS and security cameras on all buses. **Process Improvements:** Staggered Bell Times: Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits of expanding staggered bell times. **Staffing and Organization:** Create dual employment opportunities to help address bus driver shortages.

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
Accounts Payable and Payroll: Shared Processing; Standardized and automated workflow on approvals **Potential to add in**: • Accounting Entries • Financial Reporting • General Oversight • ERP Systems • Grant Compliance and Claiming	**Benefits Coordination**: Shared Processing and Support **Potential to add in**: • Intl. Recruiting: H1B Process or collaborative • System Licenses for Recruiting, Substitute Management, and on-boarding • Sharing of instructional resources across varying classroom models	**Purchasing Coordination:** Collaborate on market intelligence, pricing opportunities, RFP management, contract negotiations, contract management and minimum buying commitments Capitalize on volume discounts and rebates Shared analysis of spending, monitoring and optimization of pricing	**Transportation:** Shared administrative resources **Facilities/ Maintenance:** Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing) **Technology:** Shared oversight and support functions **Curriculum:** Shared research and development functions

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

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment			COLLABORATE Est. Net Annual Savings		
	Low		High	Low*		High
Finance	$10,000	-	$25,000	$18,000	-	$54,100
Human Resources	7,500	-	17,500	0	-	0
Procurement	0	-	0	47,600	-	92,100
Transportation – District	N/A	-	N/A	8,000	-	12,000
District Total	**17,500**		**42,500**	**73,600**		**158,200**
Transportation – State	6,000	-	17,000	7,300	-	18,000
Total	**$23,500**	**-**	**$59,500**	**$80,900**	**-**	**$176,200**

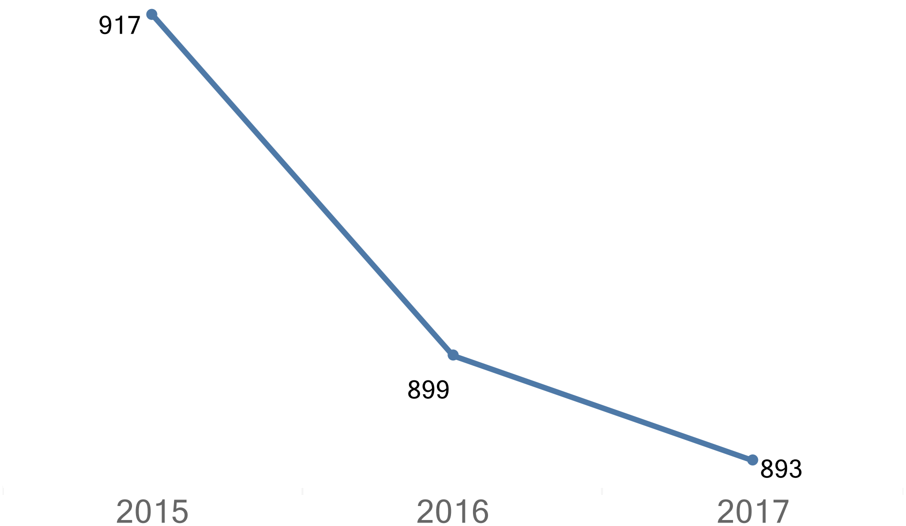
** A negative savings amount reflects the need to hire additional resources if collaboration with other districts is not pursued.*

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

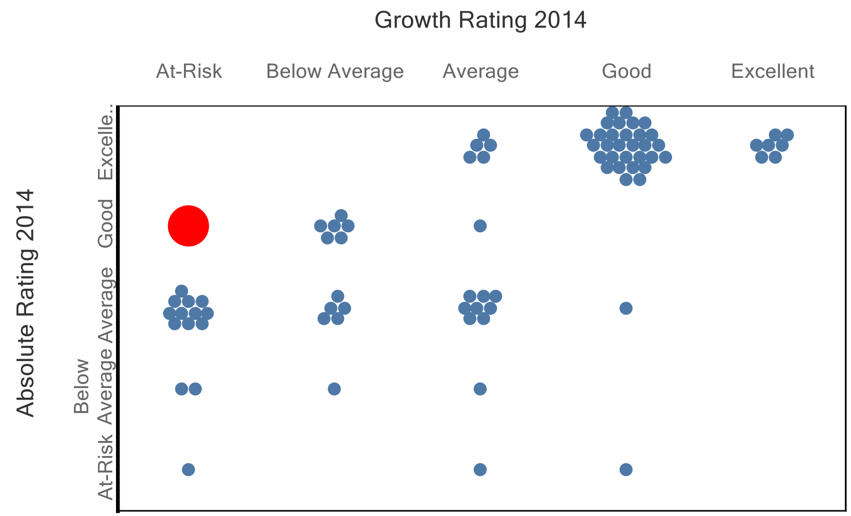
OUTLINE

DISTRICT ADMINISTRATION AND PERFORMANCE
GREENWOOD 51

Average Daily Membership[2]



Student Achievement[1]



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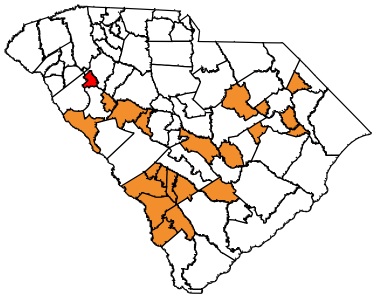
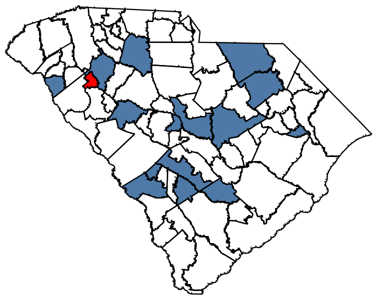
DISTRICT BENCHMARKING
GREENWOOD 51



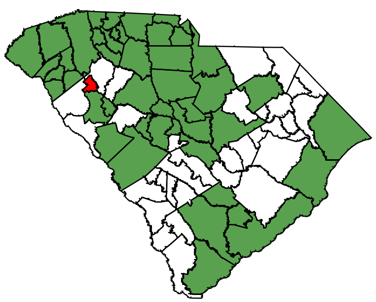
Enrollment (< 2,500)

Allendale	Florence 04
Bamberg 01	Florence 05
Bamberg 02	Greenwood 51
Barnwell 19	Greenwood 52
Barnwell 29	Hampton 01
Barnwell 45	Hampton 02
Calhoun	Lee
Clarendon 01	Lexington 03
Clarendon 03	McCormick
Dillon 03	Saluda
Dorchester 04	
Florence 02	



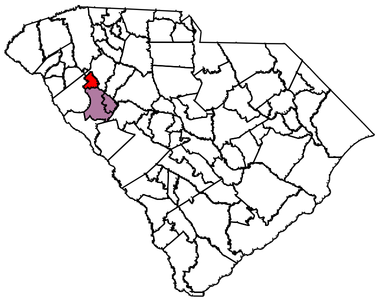
Poverty (70% - 75%)

Anderson 03	Laurens 55
Bamberg 01	Lexington 02
Barnwell 29	Orangeburg 04
Barnwell 45	Richland 01
Chesterfield	Saluda
Darlington	Sumter
Dorchester 04	Union
Florence 05	
Greenwood 51	



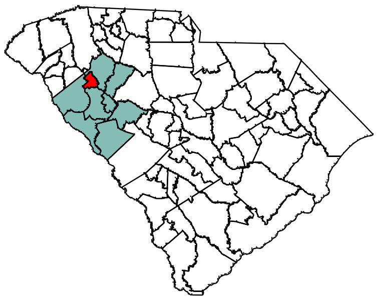
Phase 1 (No)

Aiken	Greenwood 52	Sumter
Anderson 01	Horry	Union
Anderson 02	Kershaw	York 01
Anderson 03	Lancaster	York 02
Anderson 04	Lexington 01	York 03
Anderson 05	Lexington 02	York 04
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		



County (Greenwood)

Greenwood 50
Greenwood 51
Greenwood 52

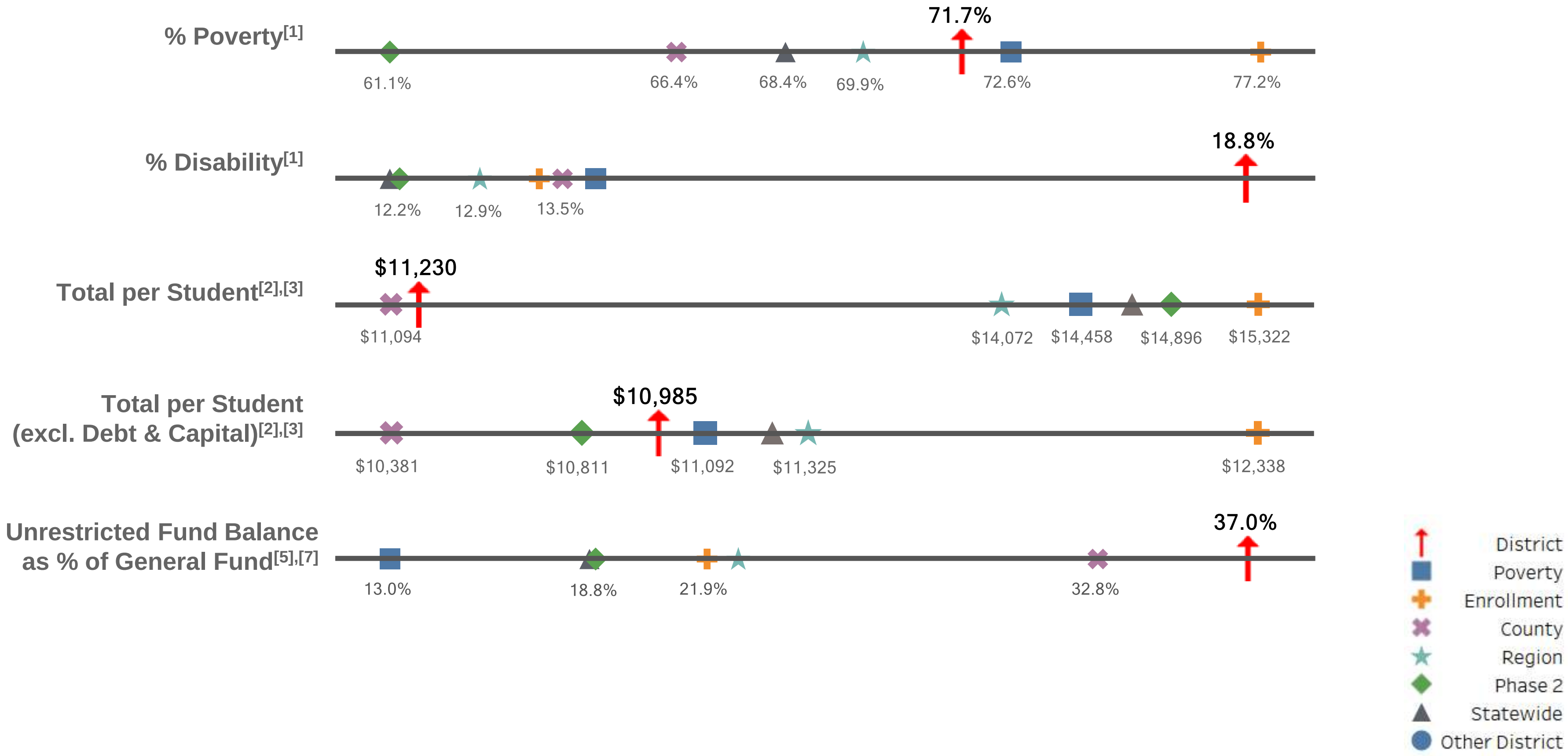


Region (Upper Savannah)

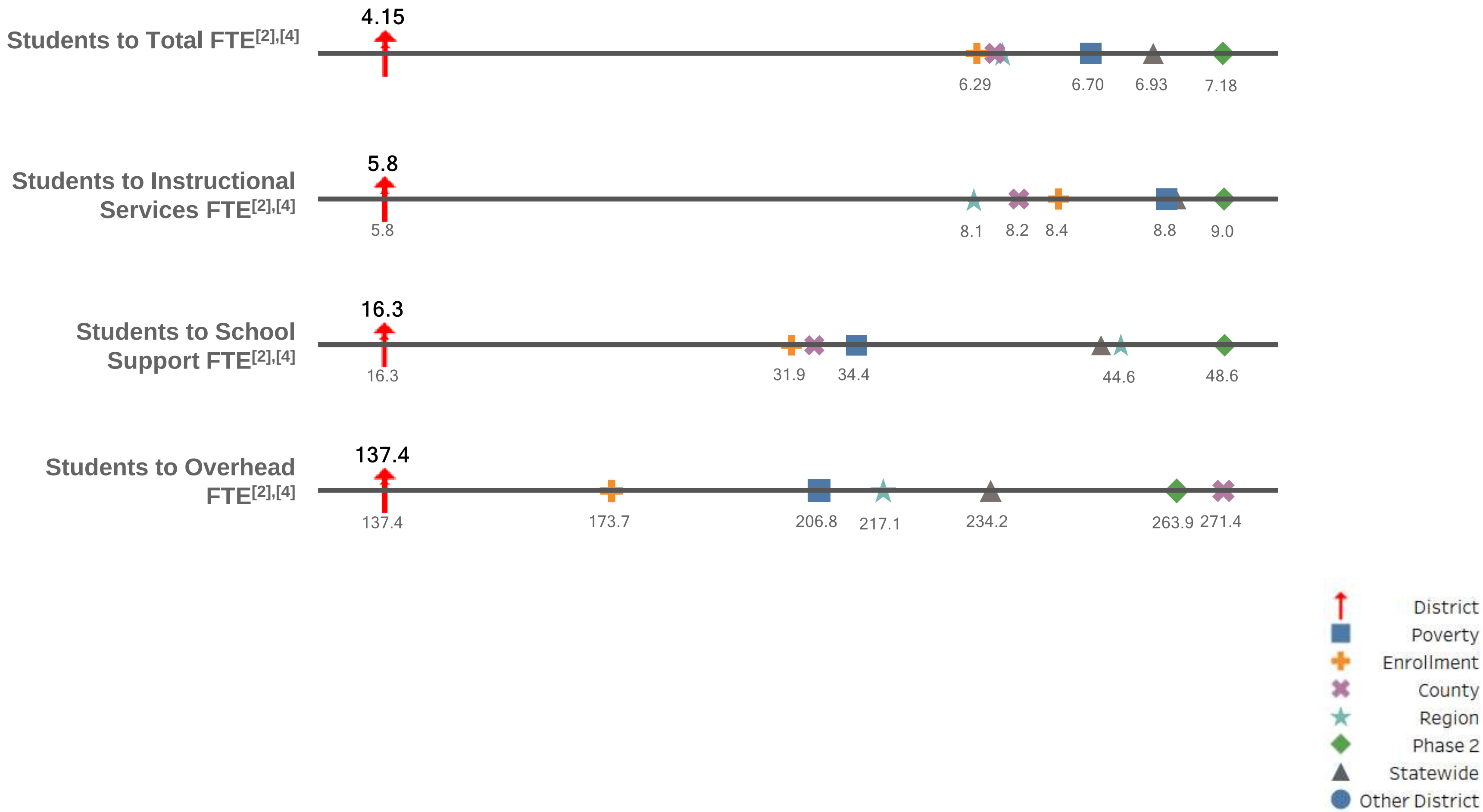
Abbeville 60
Edgefield
Greenwood 50
Greenwood 51
Greenwood 52
Laurens 55
Laurens 56
McCormick
Saluda

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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



KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	• **3-year Enrollment Trend:** The District's enrollment has decreased by 24 students per year on average, approximately 2.6% over the past 3 years. • **Student Demographics:** The District serves a comparatively high percentage of Special Education students (16%), with limited collaboration across other districts in the County and region. • **Competition:** Despite the recent decline in enrollment, the District does not identify charter schools (none within the District) or private schools (there is only one religious-affiliated private school consistently serving 100-200 students) as competition. • **Long-term Planning:** The District does not prepare long term enrollment projections to help inform long-term planning.	• 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	• **Financial Viability:** The District's strong fund balance ratio is in excess of the statewide average. The District's overall size and declining enrollment trend will require it to continue to be prudent with long term financial planning and fund balance reserves in order to navigate through any unanticipated events. • **Per Pupil Expenses:** When excluding debt and capital, the District has a lower Per Pupil Expense relative to peers ($10,985 compared to the peer district enrollment benchmark of $12,338). • **Unrestricted Fund Balance:** The District has an Unrestricted Fund Balance that is 37% of revenues compared to the statewide average of 19%, indicating a strong financial position.	• The District should consider if utilizing its excess fund balance would provide additional funding for either instructional or other areas of need. The minimum recommended fund balance level is 10%, leaving some discretion as to how to utilize the fund balance in excess of that minimum.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	• **Resource Allocation:** The District maintains a lean administrative office (there is 1 FTE in the Office of the Superintendent and no dedicated Human Resources). However, due to the small size of the District (the District is on the smaller side of the benchmarking peer group >2.5k enrollment) with 893 students, the District shows less favorable student to FTE benchmarks. • The District does, however, show a much more favorable spend per student for Overhead-related salary and expenses than the District's peer group by enrollment ($299 compared to $376). ***Therefore while the Overhead FTE ratio appears to be less favorable than peers by enrollment, it is less costly to operate on a per student basis than districts in the same enrollment band.*** • **Student to FTE:** The Student to Total FTE ratio for the District is less favorable than that of the District's enrollment peer group (4.2 compared to 6.3). • **Student to Instructional Support FTE:** The Student to Instruction ratio is considerably more favorable than that of the District's enrollment peer group (5.8 to 8.4). • **Student to School Support FTE:** The Student to Support Services ratio is less favorable than that of the District's enrollment peer group (16.3 compared to 31.9). • **Student to Overhead FTE:** The Student to Overhead Ratio is less favorable than that of the District's enrollment peer group (137 vs. 174).	• The small size of the District poses the challenge of allocating resources in line with the ratios of larger districts (even compared to larger districts within the same peer group by enrollment). The District should consider if certain overhead functionality could be shared with larger neighboring Districts in the County or Region. See Financial Management Section.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Role of Superintendent:** The Superintendent focuses on several areas to support the needs of the District: improving the Districts' financial position, cultivating philanthropic and business relationships with various organizations and foundations to improve student opportunity and funding levels, as well as planning academic initiatives. • **Communications Function:** Communications is primarily managed by the Superintendent. • **Legal:** District has no legal department. If legal advice is required, District utilizes an outside firm. • **Turnover:** The Superintendent has served in this role for over 15 years and is very familiar with the Community in Ware Shoals and Greenwood County more broadly.	• See previous recommendation. While the Superintendent performs several functions without direct report in the Office of the Superintendent, the District benchmarks show a less favorable Student to Overhead FTE ratio in order to maintain a fully equipped Finance organization.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy	• The District has established partnerships with foundations, organizations and businesses across different areas. • **Facilities:** This past school year, Maxlink Lighting in partnership with Duke Energy completed a lighting upgrade at Ware Shoals Primary School estimated at $68,500. • **Instructional Supplies:** The O'Dell Corporation donated $10,000 for school supplies and is sponsoring a 4th grade overnight field trip. • Other organizations that continue to donate time, money or services include: • **Student College and Career Readiness:** Fuji Film, The O' Dell Corporation, Humane Society, and ABLE SC • **Student Health, Welfare and Safety:** Healthy Learners, Health Promotion Specialists, United Way, Beckman Mental Health, Lions Club, Piedmont Technical College, Lander University, various local medical services providers, The Fire Department, Police Department, and YMCA • **Professional Development for Staff:** Colgate Palmolive, Lander University, Clemson University, Anderson University, and Erskine College • **Financial Assistance and Donations:** Town of Ware Shoals, WS Community Foundation, National Guard, Southern Cultured Marble, Nelson Roofing, ASI / Ralph Campbell, Smith and Waters, Smith Brothers, and The University of Iowa	• Continue to seek greater partnerships with foundations and local business for donations of money, food, goods, and time.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Board of Directors	• **Board Pay:** The Board Members of the District are not paid. • **Board Composition:** The Board is comprised of 5 non-partisan, At-Large members serving annual terms. • **Training:** Board members are not required to attend training in excess of the State's minimum requirements.	• Consider having the Board of Directors attend an annual training to enable members to become more impactful members of the board.
Collaboration	• **WPEC:** The District coordinates with other regional superintendents to some degree through the WPEC consortium as well as various summer school programs with Greenwood 52 School District. Specific examples are listed in the Procurement section of this report. • **Technology Center:** The District utilizes a shared technology and career center with Greenwood 50 and 52. • **Special Education:** The District does not coordinate with other area districts on Special Education programs. • **Headcount:** The District does not typically share FTEs with area districts; however, last year the District shared a teacher for the visually impaired with Abbeville School District from the South Carolina School for the Deaf and Blind.	• Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional. • Consider utilizing a shared career center across neighboring districts.

OUTLINE

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.

298 : 1

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

$214 per Student

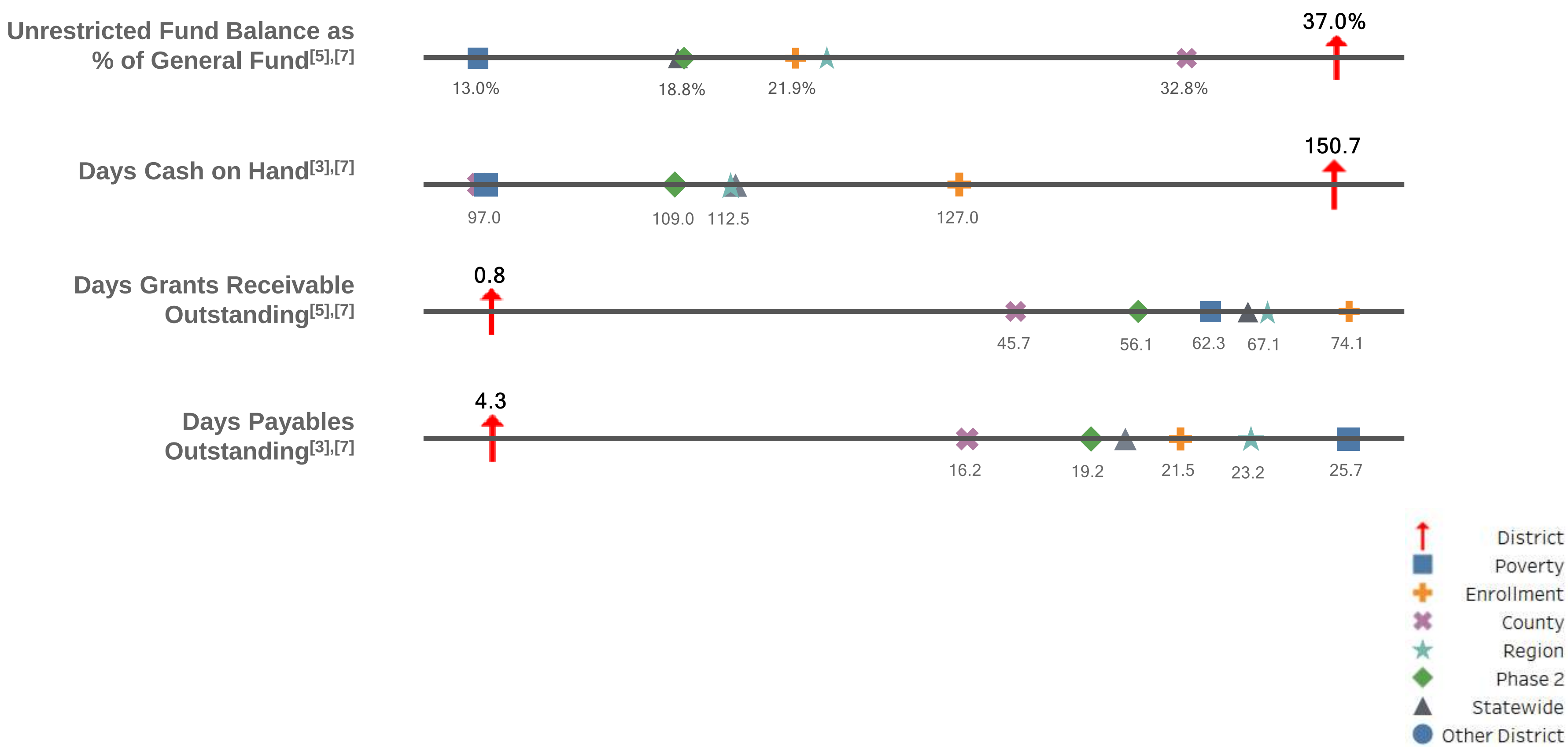
Cost of Total Financial Spend[3] per Student (ADM)[2]

Key statistics for metrics	
Financial FTEs[4]	3.0
Personnel Expense[3]	$164,438
Non-Personnel Expense[3]	$28,011
Total Financial Expense[3]	$192,449

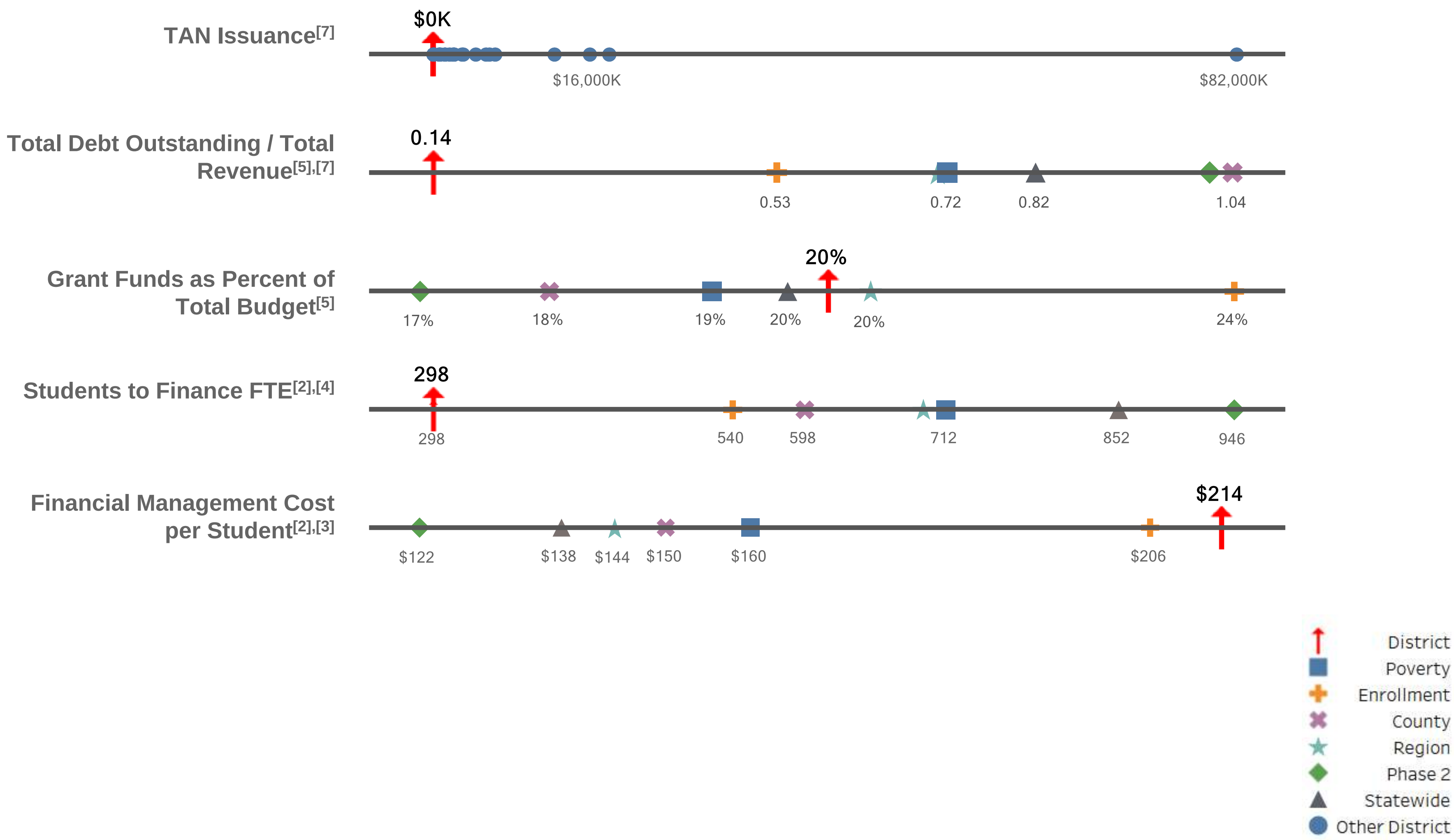
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Organization:** The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll and benefits administration, accounts payable, budget, treasury, procurement and financial reporting. While the Superintendent functions as the Director of Finance, the team includes a Supervisor, as well as A/P and Payroll/Benefits clerk positions. • **Turnover:** The finance supervisor has been with the District for over 35 years. • **Finance Cost per Pupil:** The Finance spend per pupil for the District is comparable to that of the District's enrollment peer group ($214 to $206). • **Student to Finance FTE:** The Student to Financial Management FTE ratio is less favorable than that of the District's enrollment peer group (298 to 540).	• As discussed previously in this report, the small size of the District poses the challenge of allocating resources in line with the ratios of larger districts (even compared to larger districts within the same peer group by enrollment). The District should, therefore, evaluate and consider implementing a regional shared service model for financial activities such as payroll and benefits administration, as well as accounts payable.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	• **Payroll:** The District currently runs payroll on a monthly basis. • Employees all receive payroll via direct deposit. • The District does not use a self service payroll platform; therefore, employee initiated payroll changes are all processed manually. • **Time-tracking:** Time-tracking is automated using Aesop. • **Purchasing:** Purchase order processing for the District is approximately half manual, half automated, with all orders requiring centralized approval. Schools are able to secure items by completing requisition orders, which is typically handled by book keepers, who then submit these first to School Principles and then to the finance department for central approval. • **P-cards:** The district does not utilize a P-card program. • **Inventory:** The District does not maintain a warehouse or utilize barcode scanning technology for inventory management. • **Risk Management:** The District does not have formal risk management policies in place.	• Leverage currently available automated purchase order work flow systems or modules to reduce manual purchase order processing. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process. Leverage asset management modules available through the financial system. • Implement Risk Management policies and procedures.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	• **Grants Revenue %:** Grant funds provide 20% of revenue for the district making this district slightly less reliant on grant funds than its District enrollment peers for whom this benchmark is 24%. • **Federal Funds:** Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance department collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow. • **Indirect Costs:** The District does not charge indirect costs against federal grants. • **Grants Monitoring:** Review of expenditures against grant requirements is conducted by the grants coordinator and includes a thorough review by the finance department.	• Consider utilizing a grant writer that could be hired and shared by other nearby districts to help drive applications for competitive grant opportunities. • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	• **Financial Statements Audit:** The District was found to have no material weaknesses in its latest audited financial statements. It was noted in the report that the District has increased its financial stability with an improved fund balance and decreasing debt levels in recent years. • **Position Control:** The District has strong position control and even reviews metrics across other districts with the Board before making hiring decisions.	• Implement annual review of processes to ensure segregation of duties over key areas of internal control.
Cash Management	• **Days Cash on Hand:** The District has a strong cash balance with 151 days cash on hand. • **Reporting:** The District does not have a formalized cash flow forecasting process. It increases its monitoring on a seasonal basis (typically in November) when cash flow tightens before annual grant funding is received. • **Grants Receivable Outstanding:** The District averages 1 Day Grants Receivable Outstanding, far below the statewide average of 65.4 days. • **Days Payable Outstanding:** The Districts Days Payables Outstanding is very low at 4.0 days. • **Investments:** The District maintains cash investments with the Country Treasurer. • **TAN:** The District did not issue TANs this past year and does not typically engage in this practice.	• Implement processes to file for grant (state and federal) reimbursements on a monthly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	• **Budget Planning:** The annual budget process begins with a roll-forward of the prior year expenses. The Superintendent's team reviews the budget on a line by line item basis, meeting extensively with department heads and school principals to assess any new needs that are anticipated for the new fiscal year. • **Fiscal Monitoring:** The District does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared monthly with the Office of the Superintendent and the School Board.	• Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Incorporate variance reporting into the monthly budget to actual reporting that is shared with the School Board, Superintendent, as well as each department director.
Technology	• **ERP:** The District uses Harris Smartfusion accounting software system and has begun leveraging the procurement module to move away from manual purchase ordering. Time-tracking (as already discussed) is already automated.	• Continue to utilize the existing accounting software more to leverage enhanced functionality that provides automated and paperless workflow and approval of purchase orders.
Regional Collaboration	• The District does not coordinate with others in the region on any transaction processing or finance related activities. The District is, however, a member of the WPEC Consortium which practices information sharing among job-alike groups such as fiscal directors.	• 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).

OUTLINE

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.

No Dedicated HR Personnel

District Students (ADM)[2]

Human Resources FTE[4]

$ per Student

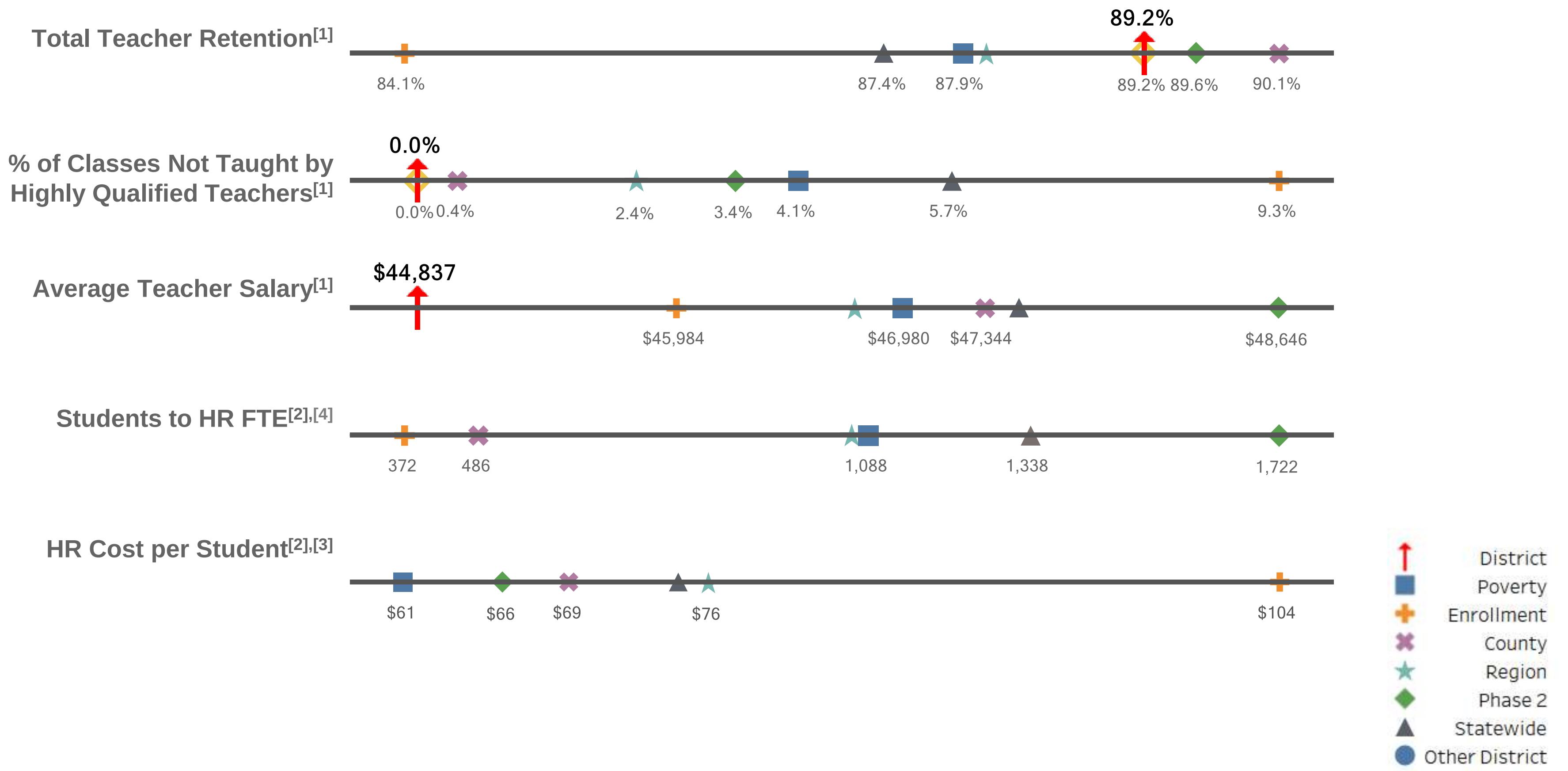
Cost of all HR personnel[3] per Student (ADM)[2]

Key statistics for metrics	
Human Resources FTEs[4]	0.0
Personnel Expense[3]	$0
Non-Personnel Expense[3]	$0
Total Human Resources Expense[3]	$0

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

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Organization:** The District does not have any staff focused on Human Resources. Recruiting, retention, personnel relations, and professional development activities are managed by the Superintendent and the Director of College and Career Readiness. Benefits administration is managed the finance team. • **HR Cost per Student:** HR spend per student is $0. • **Student to HR FTE:** Student to HR FTE ratio is not applicable given there are no HR staff in the District.	• The District should fill the pending vacancy of the Director of Career and College Readiness position. This position manages many Human Resources (Overhead-related) tasks for the District but is a primarily Instructional position and therefore does not contribute (but actually benefits) the District from an Overhead cost standpoint.
Recruiting and Retention	• **Recruiting and Retention:** The District feels that it faces the challenges that other small districts face, particularly since the District's average teacher's salary is below the state average. This is particularly true in the areas of Special Education, for which there is a comparatively high need in the District. • The average teacher salary of $44,837 is below the state average of $47,497. • The District recruits at Anderson and Lander Universities and does not rely on international teachers or staffing firms for teaching resources (1 international teacher placed through FACES).	
Technology	• The District does not leverage technology support systems for recruiting or application processing. • The District uses Aesop for substitute management and contracts with Kelly Services.	• Implement technology to help enhance and automate recruiting and on-boarding processes that are currently manual.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

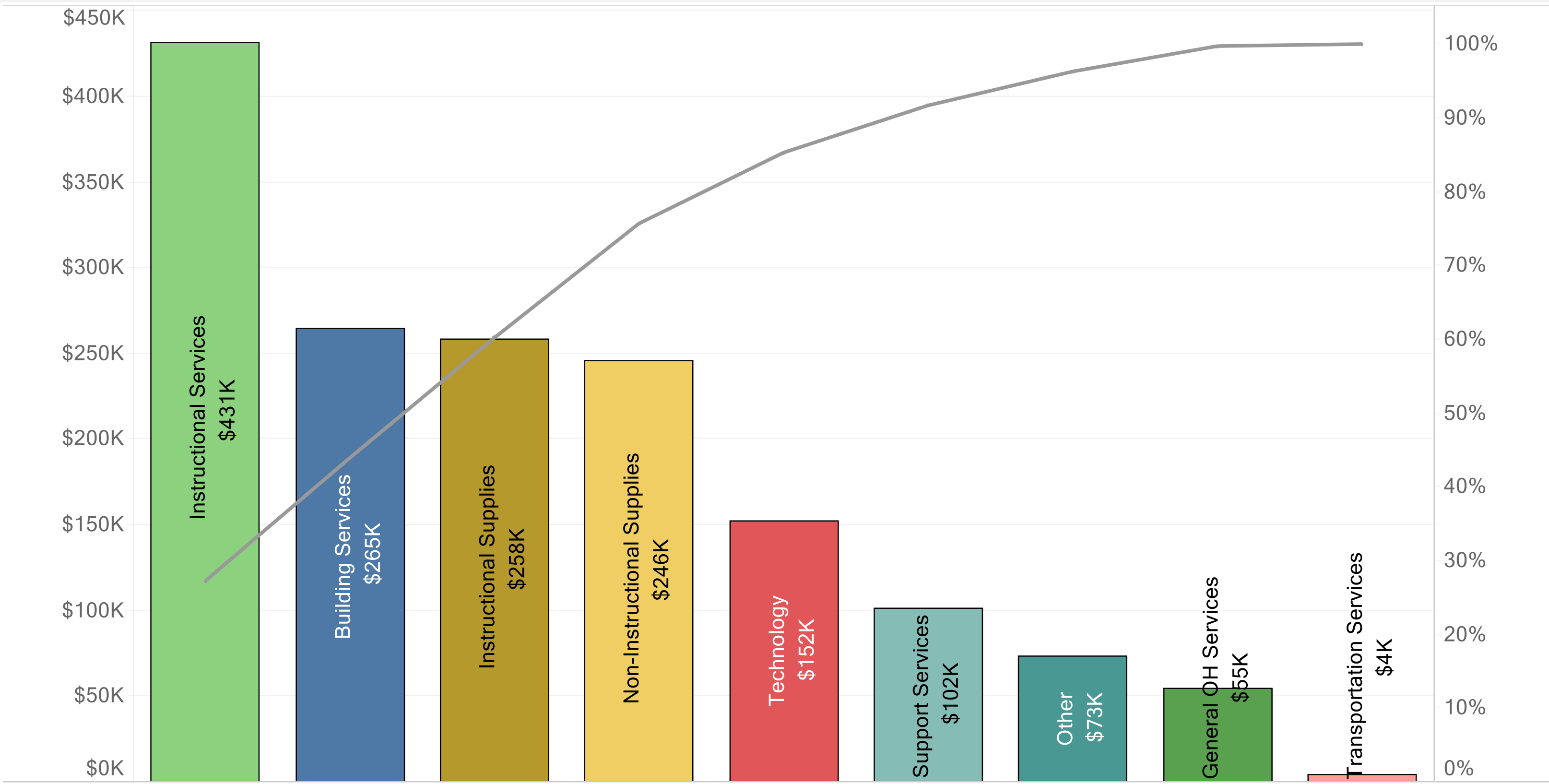
	Observations	Recommendations
Benefits	• Benefits administration is managed the finance department's payroll specialist.	• Benefits administration process could be automated via establishment of an employee portal. Employees could be responsible for updates and information would be linked directly to payroll. Explore the availability within the current financial system to leverage an employee portal. • Establish a process with PEBA to conduct a local review of benefit plans for ineligible dependents.
Collaboration	• The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with local staffing agencies.	• Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include: - Benefits Coordination - Human Resources System Licenses (e.g. Frontline) - Substitute Management (e.g. Kelly Services)

OUTLINE

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.

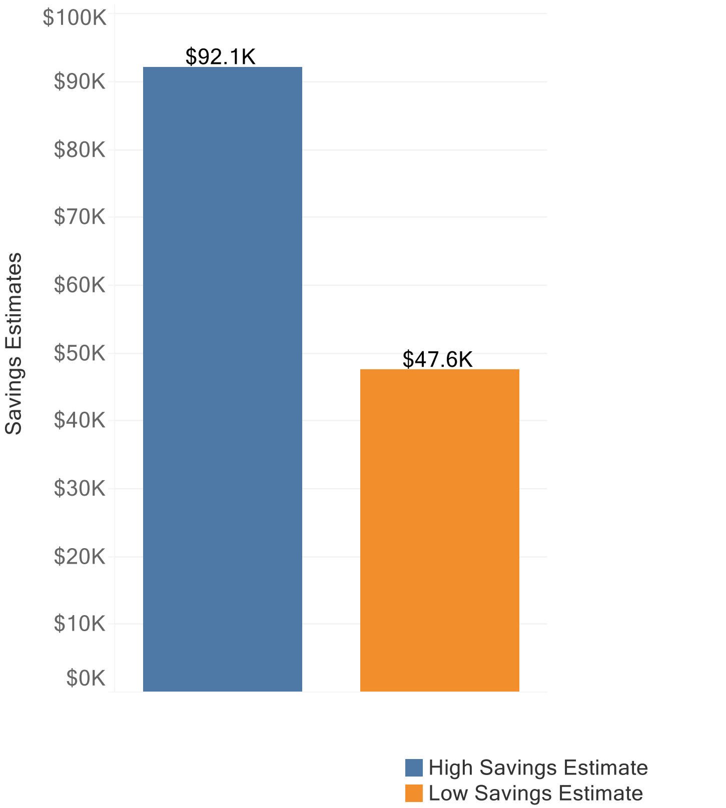
District In Scope Total Procurement Spend[3] = $1,586,133



ESTIMATED PROCUREMENT SAVINGS

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

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



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	• The District does not have any staff focused on purchasing and procurement. This area is managed by the Superintendent and finance supervisor.	• Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	• Spending efforts are typically made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts are not made. • The Superintendent and finance supervisor evaluate available pricing vehicles such as the state pricing schedule.	• Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. • **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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations

Spending by Category	• **Building and Maintenance:** The District contracts through local vendors (usually at discounted rates).
	
	• The District leverages state pricing for the following:
	  • **Food Services**
	  • **Industrial Equipment (such as lawn mowers)**
	  • **Office Equipment (Xerox)**
	
	• **Energy:** The District does not fix rates for natural gas contracts but works with energy suppliers to support projects to improve their facilities' energy efficiency and is very highly rated in the area of energy efficiency (see Achievements).
	
	• **Non-instructional Supplies - Contracting Vehicles:** The District purchases the majority of non-instructional supplies on state contract pricing.
	
	• **Instructional Services:** The District utilizes WPEC for pricing on some Professional Development and Instructional Services but negotiates other services (substitute management) independently through vendors (Kelly Services).
	
	• **Technology and Software:** The District does not currently leverage cross-District pricing for SW licensing such as Harris Smartfusion or other technology needs.
		• Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby Districts in order to leverage benefits of coordinated purchasing and volume discounts.
		
		• Coordinate purchasing of instructional services with surrounding Districts to maximize the potential for volume discounts.
		
		• Consider establishing fixed rate contract for natural gas.
		
		• Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding Districts to maximize the potential for volume discounts.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	• The District explores opportunities for acquiring Professional Development Services through the WPEC Consortium. • The District has purchased technology (tablets) through negotiated pricing with Greenville in the past in an effort to collaborate.	• Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: - Technology - Instructional Software and Services - Instructional Staffing - Supplies

OUTLINE

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

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION OVERVIEW

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

12 Years

Avg. Age of State Provided Bus Fleet[9]

$173 per Student

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

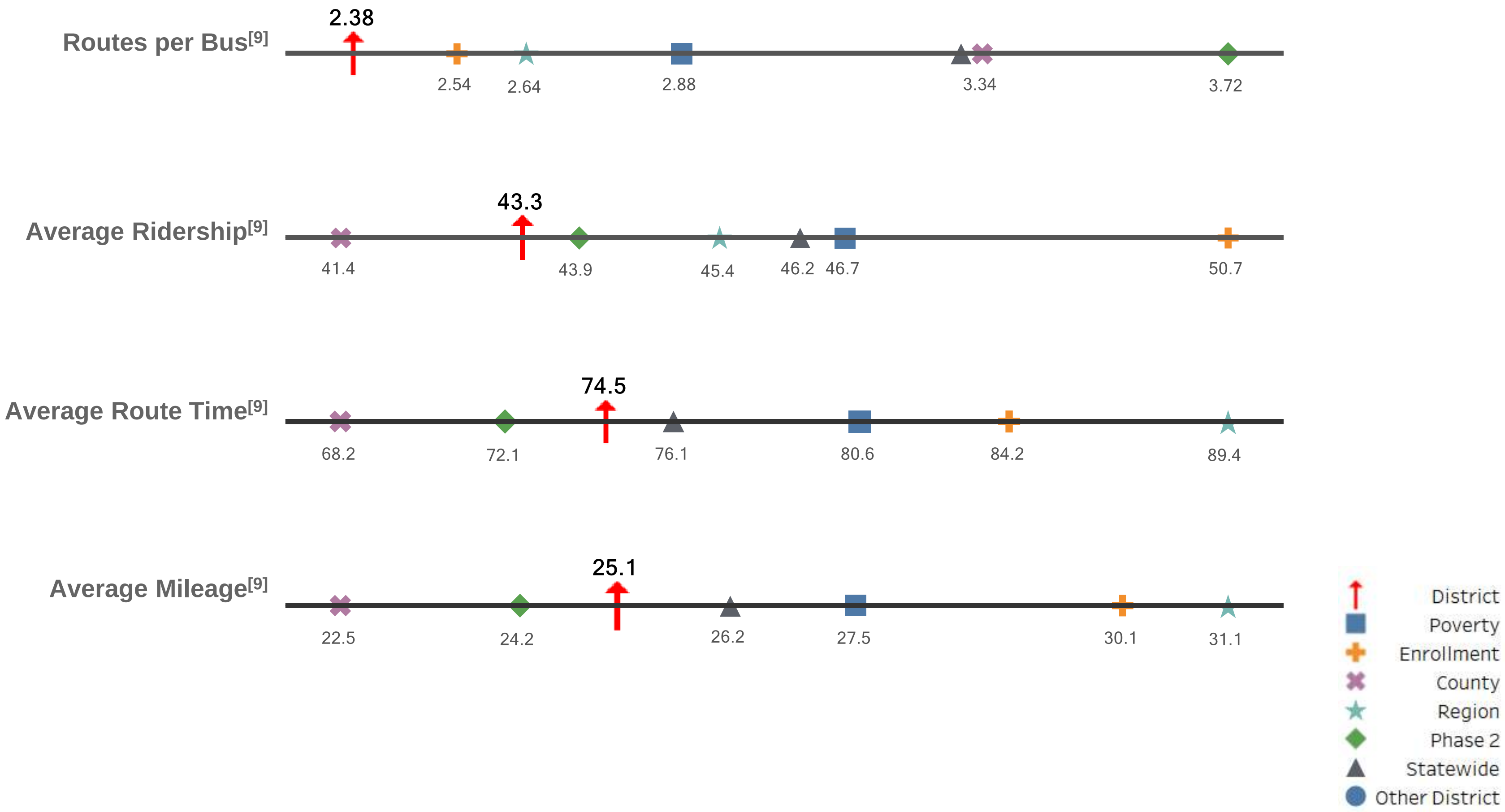
Key statistics for metrics	
Transportation FTEs[4]	23.0
Personnel Expense[3]	$150,628
Non-Personnel Expense[3]	$4,554
Total Transportation Expense[3]	$155,182

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	6.7	16	2.4	693	43	75	25
Special Needs	1.0	2	2.0	16	8	Not-Available	19
Other	1.3	7	5.5	19	3	Not-Available	13
Total	9.0	25	2.8	728	N/A	N/A	N/A

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

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



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Recruiting:** The District has a difficult time recruiting bus drivers and currently reports 2 vacancies. The District offers dual employment as an option but all bus drivers are currently full-time (except for the substitute pool who hold other positions at schools / are dual-employed. • **Substitute Drivers:** The District maintains a pool of 5 bus drivers. • **Compensation:** Bus drivers are currently paid a starting rate approximately $4 above state reimbursement levels. • **Management:** Transportation is run by one administrator.	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	• **Bus Routing:** The District currently staggers bell times and routes between the Elementary School, and the Middle and High Schools. • **Technology:** The District does not utilize routing software. • The District has passive GPS on its buses which is used alongside the security camera system. It is not used for route optimization. • The District provides radios to drivers to contact drivers while on routes. • The District has security cameras on all buses. • The District does not have stop-arm cameras on buses. • Activity Buses: The District does not use the State fuel for activity buses.	• Consider furthering the spread of staggered bell times to increase individual bus capacity. • Implement routing software to ensure most efficient routes. • Install GPS on buses to monitor bus routes and ensure most efficient route.
Collaboration	• The state fleet shares the maintenance garage with Greenwood 50.	• Consider partnering with districts that are also transporting children to other out of district placements.

APPENDIX A:
SAVINGS METHODOLOGY

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

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

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

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.

TECHNOLOGY

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

ORGANIZATION

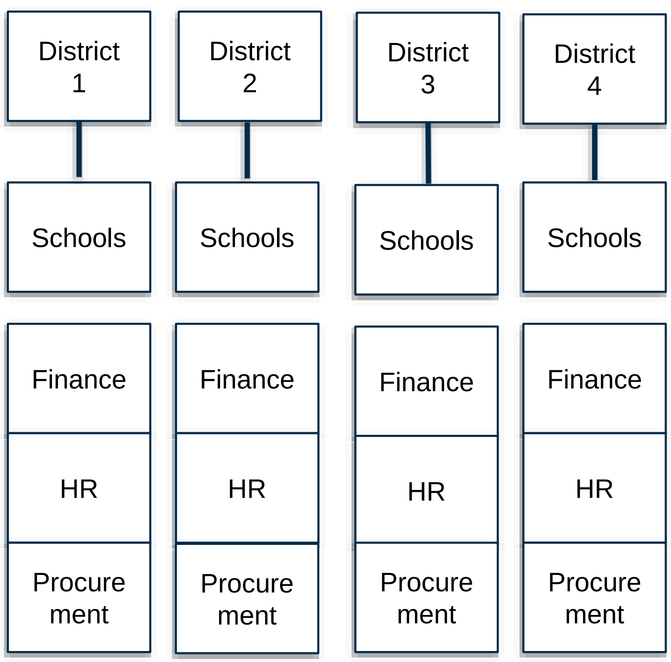
An analysis of each organization's staffing levels on an As-Is Basis, against peer benchmarks, and in a regional collaborative model were conducted to assess overall efficiency and effectiveness.

COLLABORATION: SHARED SERVICE MODELS

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

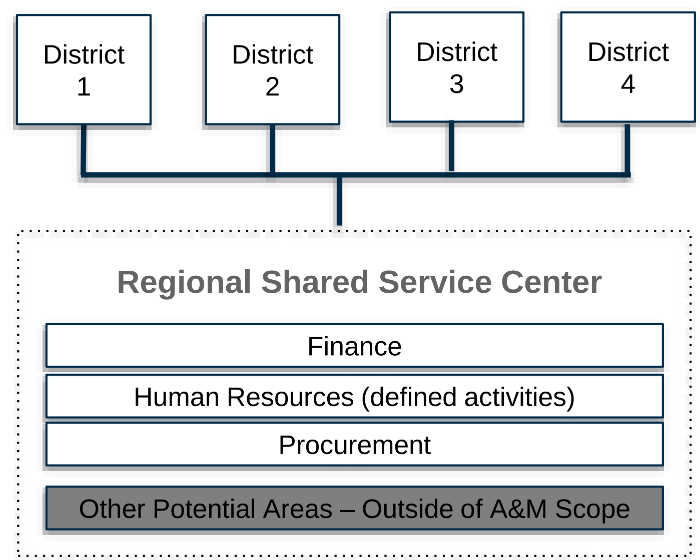
CURRENT STATE: STAND ALONE DISTRICT

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



COLLABORATION ALTERNATIVE

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



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

SHARED SERVICES MODEL: SAVINGS APPROACH

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

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

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

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

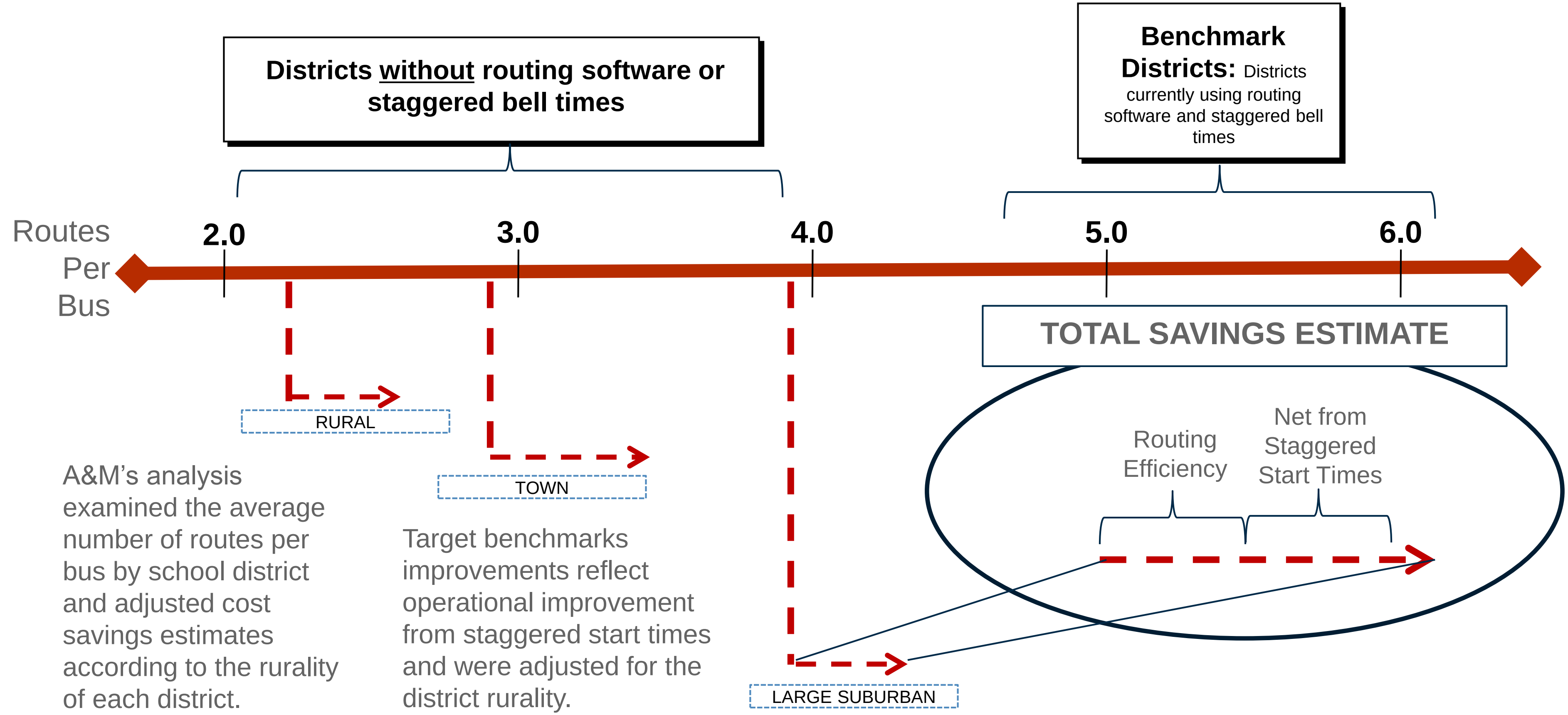
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs(2)	18.9	13.0	6.0
Total Spend(2)	$2,409,840	$1,684,478	$725,326
Savings %			30.1%

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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH

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



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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

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

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

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

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

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

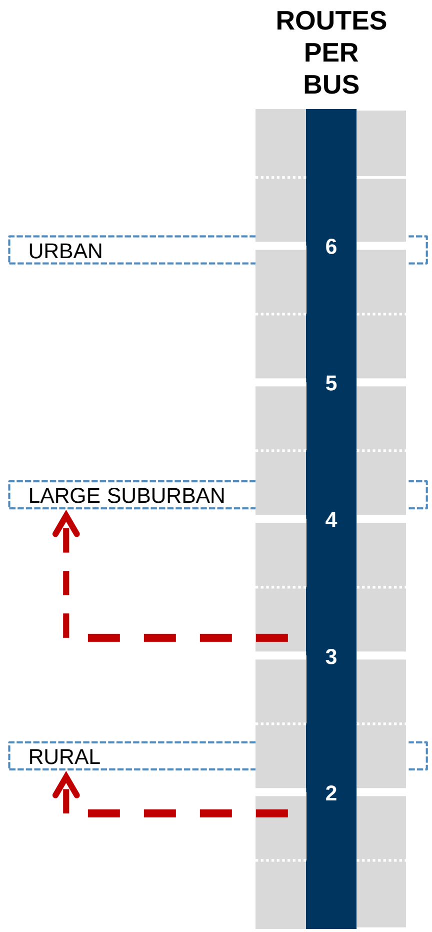
DISTRICT A	VOLUME	UNIT	DISTRICT	STATE
DRIVERS	5.0	$ 19,390	$ 55,051	$ 37,238
FUEL	43,560	$ 0.15	$ -	$ 6,749
MAINTENANCE	43,560	$ 0.34	$ -	$ 14,595
BUSES (COST AVOIDANCE)	1.0	$ 60,000	$ -	$ 60,000
TOTAL			$ 55,051	$ 118,582

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

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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

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



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

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

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

COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

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

EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

Example 1: Differentiated Pricing in Professional Services

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

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

Example 2: Volume Discounts and Rebates with a Technology Vendor

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

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

PURCHASING COORDINATION AND AGGREGATION: SAVINGS APPROACH

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

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

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

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

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

APPENDIX B: DATA SOURCES

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[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
GREENWOOD 51

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”)

Source [5]

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

Source [3],[7]

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

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

Source [5],[7]

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

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

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

Source [9]

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

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

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

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

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