



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Hampton 01

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

HAMPTON 01

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

HAMPTON 01

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)

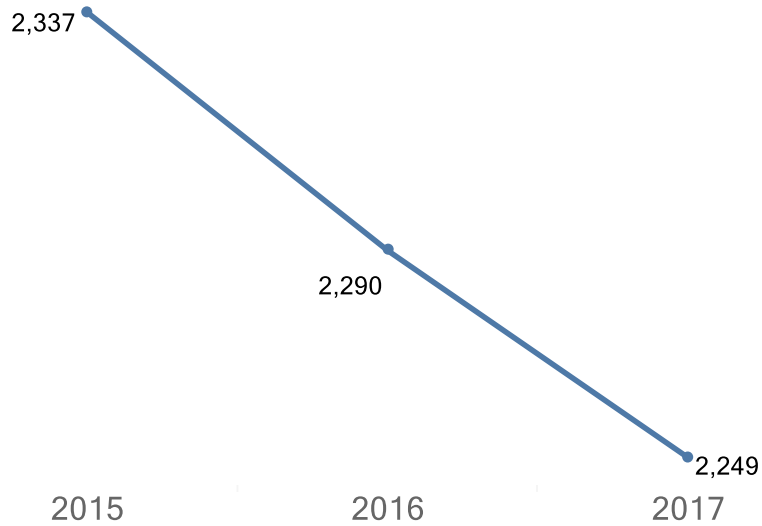
➤ Sources of Data and Savings Estimates:

- 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.

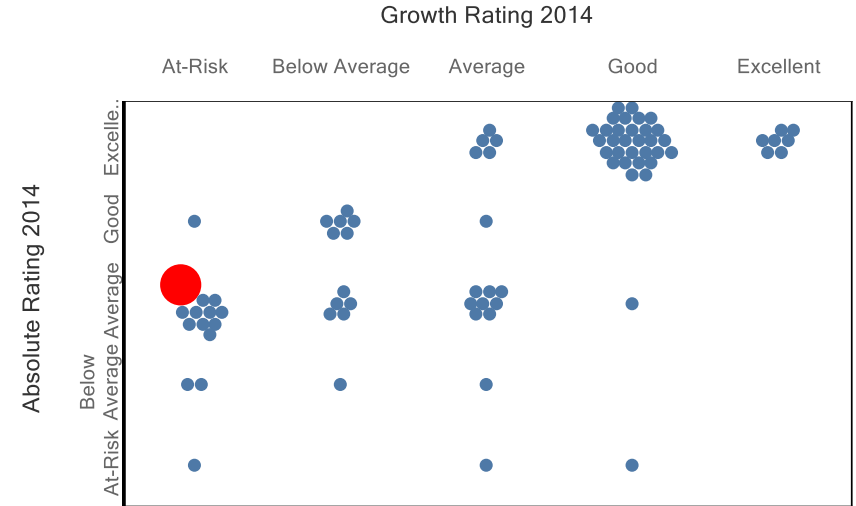
EXECUTIVE SUMMARY

HAMPTON 01

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	7
% Poverty ^[1]	75%
% Disability ^[1]	6.3%
\$ Per Student ^{[2],[3]}	\$12,649
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,532

Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.0
Students Per Overhead FTE ^{[2],[4]}	321.3
Students Per School Support FTE ^{[2],[4]}	34.5
Students to Total FTE ^{[2],[4]}	6.3

EXECUTIVE SUMMARY

HAMPTON 01

Sources of Funds^[5]
\$29.9M



2015-2016

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

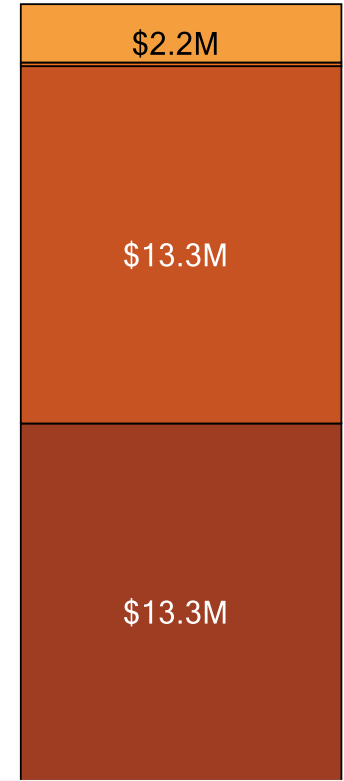
Use of Funds - Type^[3]
\$29.0M



2015-2016

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

Use of Funds - Function^[3]
\$29.0M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

HAMPTON 01

\$29.0M
Total

\$4.8M
In-Scope

\$24.1M
Not In-Scope

16.7% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$251,982	\$47,670
Human Resources	\$	\$
Overhead	\$594,916	\$226,097
Transportation	\$597,492	\$73,862
Procurement (Community Services, Instruction, Support Services)	\$3,397,094	\$3,397,094
TOTAL	\$4,841,484	\$3,744,723

* totals may not tie due to rounding

EXECUTIVE SUMMARY

HAMPTON 01

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To produce college and career ready students. College and career ready students are equipped with world class knowledge, world class skills, and life and career readiness.

- 1. Test Score Improvement:** Increase academic achievement as evidenced by test score improvement with a 2% increase on all state mandated tests.
- 2. Improve Graduation Rate:** Increase academic achievement; target 2% increase in graduation rate.
- 3. Improve Reading Program:** Increase reading achievement; target 2% increase in reading scores on state tests.
- 4. Improve Facilities:** Students and teachers satisfaction rate increase 2% each year.
- 5. Improve Communications:** Parent satisfaction rate with home-school will improve 2% each year.
- 6. Improve Transportation:** Evaluate and improve transportation system.
- 7. Expand Educational Opportunities:** Increase the number of students, by 2% annually, who graduate and are college, career, and/or work ready through expanded curricula, course offerings, and available support structures and equipment.

Achievements

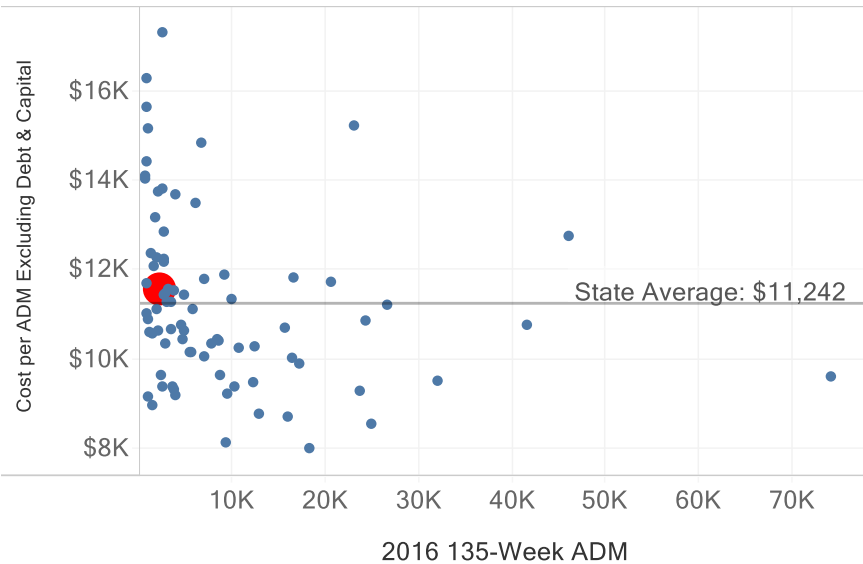
- **Academic Outcomes:** Managing to maintain academic results, despite increasing funding needs.
- **Creative Facilities Improvements:** Leveraging limited resources to make ongoing enhancements to school facilities in order to improve learning environments.
- **Innovative Energy Solutions:** Investment in solar cells is paying for power at the middle school and yielding an incremental \$1,300/month. Payback period on investment is approximately 8 years.
- **Data driven analysis:** The District maintains, manages and monitors academic improvement plans at each school on a monthly basis.

Challenges

- **Facilities:** Age of buildings (50+ years old) result in need for expensive ongoing maintenance and improvements. New funding would be required to make longer term fixes.
- **Loss of non-recurring funding streams:** Loss of TAP Funding will result in the need to find an approx. \$400K to maintain integrity of the professional development program.
- **Teacher recruitment:** Challenges attracting teachers in high needs areas.
- **Enrollment:** New charter school opening nearby may have an impact on enrollment.
- **Administration:** District administrative personnel must perform multiple functions due to limited staffing levels.

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

HAMPTON 01

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Position: The District's declining enrollment trend combined with its lower than average unrestricted fund balance leaves the District with limited reserves and a sub-optimal overall financial position. • Limited Staffing / Manual Processes: The Finance organization operates on a lean budget and is thinly staffed to support its scope of roles and responsibilities. Limited staffing and under-utilization of technology contribute to internal control weaknesses and gaps in financial processes.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: The Human Resources function operates on a lean budget with no exclusively dedicated resources. These activities are ultimately managed by the Deputy Superintendent and also leverage an administrative assistant and another individual helping with benefits coordination. • Challenges with Recruiting and Retention: The District currently employs 8 international teachers (approximately 8% of its total teaching force) and leverages staffing agencies to fill hard-to-staff positions. In addition, the District does not leverage technology support systems for recruiting or application processing.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The District has a difficult time recruiting bus drivers. The District currently uses other staff (food workers, teachers, paraprofessionals) to cover four vacancies. • Manual Routing: The District does have staggered bell times, but the time differential between start times (adjusting for breakfast) does not allow for the ability to minimize student ride times and maximize driver / bus utilization.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has no resources dedicated to Procurement. • Strategic Sourcing: The District spends a significant amount of resources on issues related to its aging facilities, instructional services, and support services. The District has limited leverage with vendors due to low purchasing volumes so contracts are negotiated without volume discounts / rebates.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent's job is spread across many functions. In particular, the Superintendent must spend a significant amount of time with non-academic areas including finance, facilities and maintenance, while the Deputy Superintendent spends a significant amount of time on Human Resources. • Collaboration: The Superintendent currently participates in an informal network of local superintendents. In addition, the Adult Education program is shared with Jasper and Hampton Two.

RECOMMENDATIONS

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

Modernize School District Operations

- Invest in technology
 - New statewide 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)
 - Strengthen purchasing collaboration through dedicated volume
- Collaboration will not only drive cost savings, but will increase the effectiveness of the services.

EXECUTIVE SUMMARY

HAMPTON 01

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Better utilize existing accounting software and add functionality to enable automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing and 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 plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</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, GPS and security cameras on all buses.</p> <p>Process Improvements: Staggered Bell Times: Complete analysis (in conjunction with use of routing software if possible) to evaluate potential benefits of routing changes.</p> <p>Modify currently staggered start times in order to extend the difference in bell times to minimize student ride time and maximize driver / bus utilization.</p>

EXECUTIVE SUMMARY

HAMPTON 01

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

HAMPTON 01

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

HAMPTON 01

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$17,500	\$32,500	\$(63,800)	\$73,800
Human Resources	15,000	25,000	(61,200)	0
Procurement	0	0	98,600	205,700
Transportation – District	N/A	N/A	40,000	60,000
District Total	32,500	57,500	13,600	339,500
Transportation – State	7,000	30,000	50,700	89,000
Total	\$39,500	\$87,500	\$64,300	\$428,500

* 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.



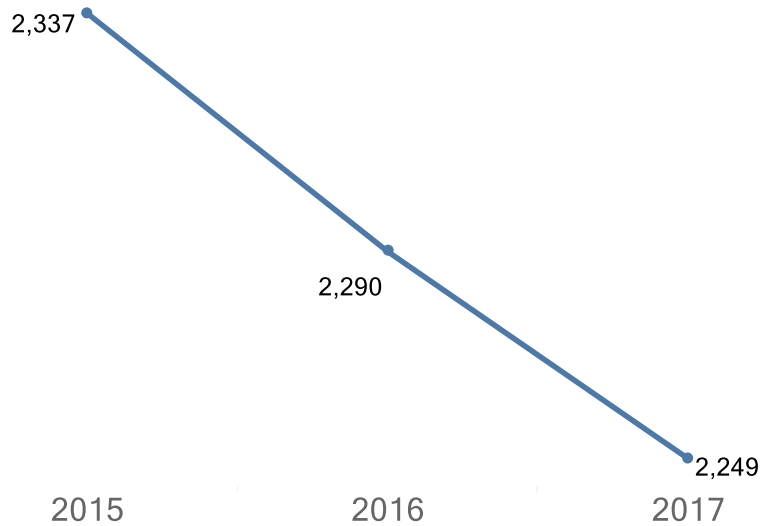
OUTLINE

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

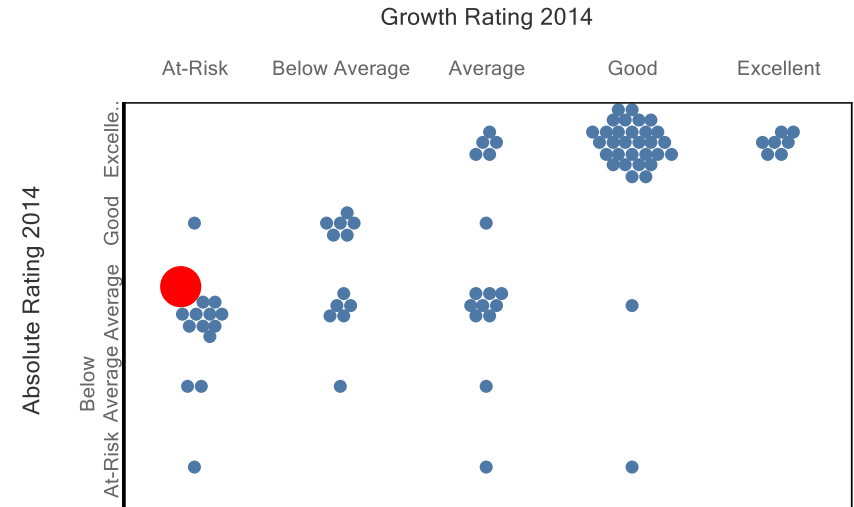
DISTRICT ADMINISTRATION AND PERFORMANCE

HAMPTON 01

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	7
% Poverty ^[1]	75%
% Disability ^[1]	6.3%
\$ Per Student ^{[2],[3]}	\$12,649
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,532

Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.0
Students Per Overhead FTE ^{[2],[4]}	321.3
Students Per School Support FTE ^{[2],[4]}	34.5
Students to Total FTE ^{[2],[4]}	6.3

DISTRICT BENCHMARKING

HAMPTON 01

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	

Phase 1 (Yes)

Abbeville 60	Hampton 01
Allendale	Hampton 02
Bamberg 01	Jasper
Bamberg 02	Laurens 55
Barnwell 19	Laurens 56
Barnwell 29	Lee
Barnwell 45	Lexington 04
Berkeley	Marion 10
Chesterfield	Marlboro
Clarendon 01	McCormick
Clarendon 02	Orangeburg 03
Clarendon 03	Orangeburg 04
Dillon 03	Orangeburg 05
Dillon 04	Saluda
Florence 01	Williamsburg
Florence 02	
Florence 03	
Florence 04	
Florence 05	

Poverty (75% - 80%)

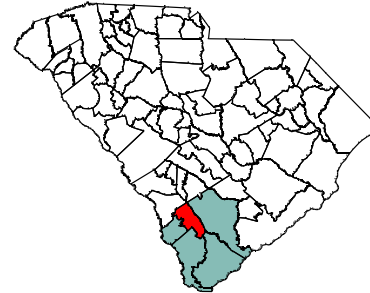
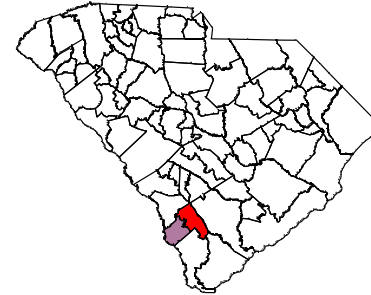
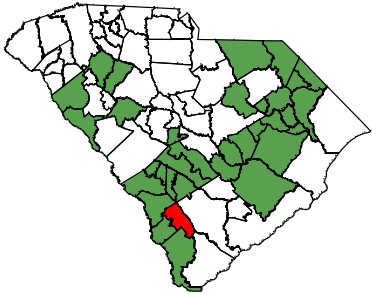
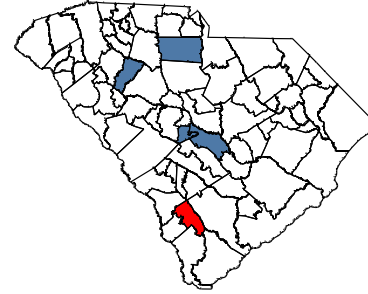
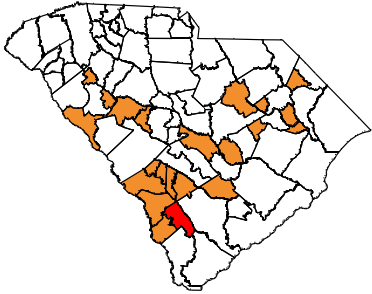
Calhoun
Chester
Hampton 01
Laurens 56
Lexington 04

County (Hampton)

Hampton 01
Hampton 02

Region (Lowcountry)

Beaufort
Colleton
Hampton 01
Hampton 02
Jasper

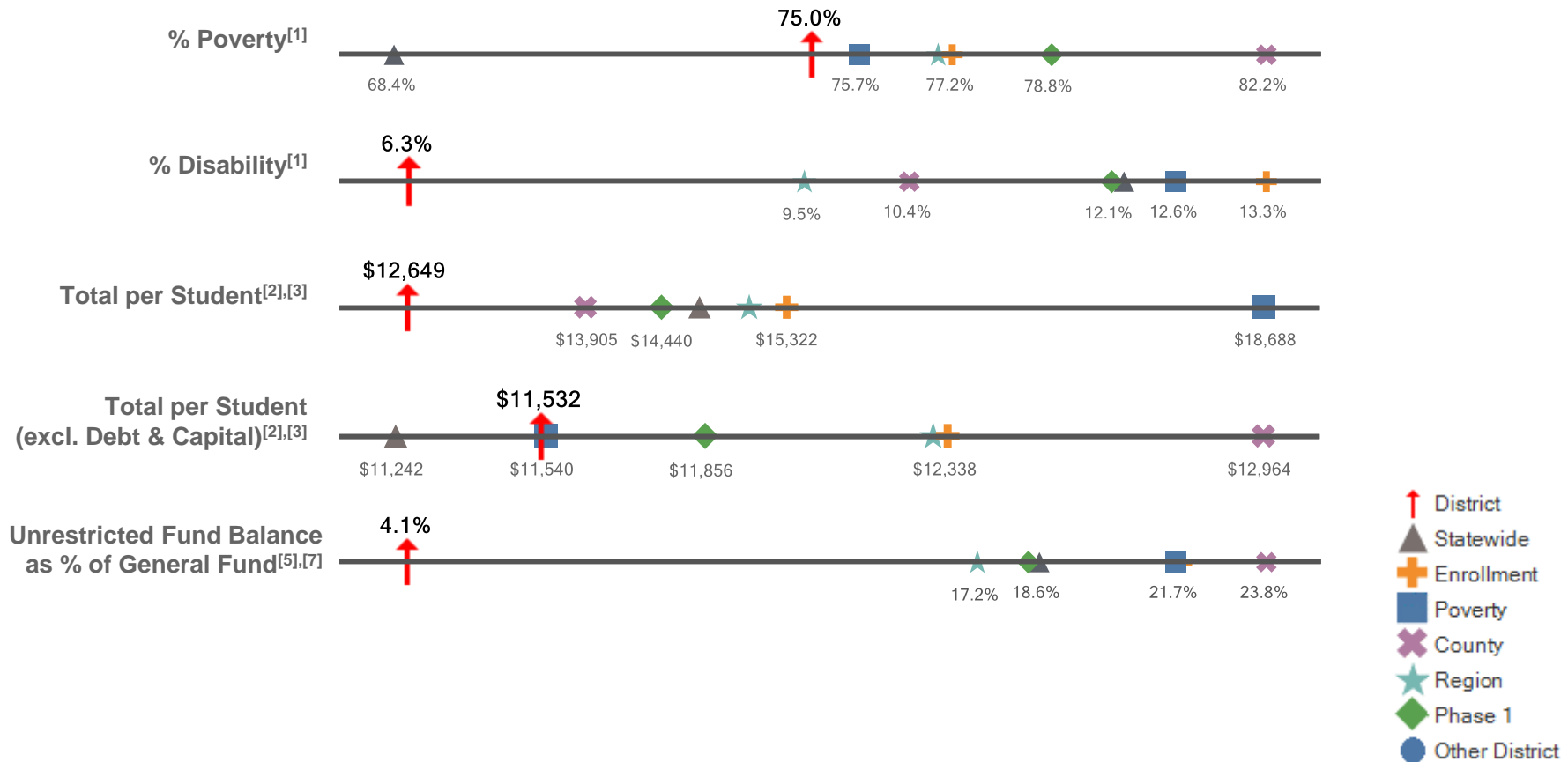


DISTRICT OVERVIEW

HAMPTON 01

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

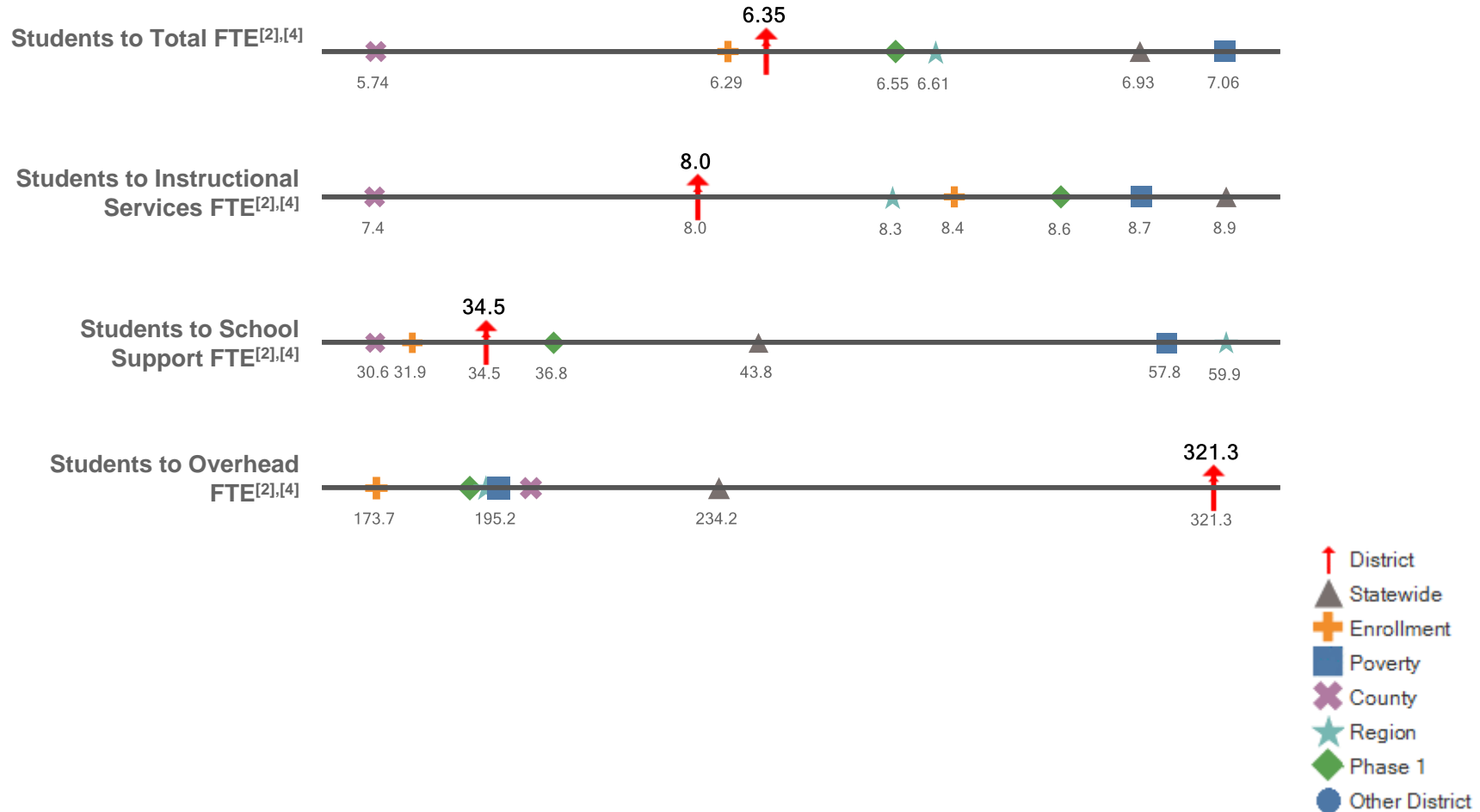
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

HAMPTON 01

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD

HAMPTON 01

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 approximately 4% over the last 3 years to a total of 2,249 students. • Student Demographics: 75% of the District's students live in poverty, above the statewide average of 68%. • Competition: There is a new charter school opening in 2017 that could potentially take students from the District. • Long-term Planning: The District projects enrollment on an annual basis, but does not prepare enrollment projections 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"> • Financial Viability: The District's declining enrollment trend combined with its lower than average unrestricted fund balance leaves the District with limited reserves and sub-optimal overall financial position. • Per Pupil Expenses: The District's Per Pupil Expense is \$11,532 when excluding debt and capital. This is lower than districts of similar size of \$12,338 and higher than the state average of \$11,242. • Unrestricted Fund Balance: The District's Unrestricted Fund Balance is 4.1% of general fund revenues, below the statewide average of 18.6%. 	<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 HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Students to Total FTE: The District's Student to Total FTE ratio is 6.35, which is lower than the statewide average of 6.93. • Students to Instructional Services FTE: The District's Student to Instructional Services FTE ratio is 8.0, which is lower than districts of similar size at 8.4 and the statewide average of 8.9. • Students to School Support FTE: The District's Student to School Support FTE ratio is 34.5, which is higher than districts of similar size at 31.9 and lower than the statewide average of 43.8. • Students to Overhead FTE: The District's Student to Overhead FTE ratio is 321, which is higher than districts of a similar size at 174 and the statewide average of 234. 	<p>Consider review and reorganization 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.</p>
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's job is spread across many functions. In particular, the Superintendent must spend a significant amount of time with non-academic areas including finance, facilities and maintenance. • Communications Function: There is no communications support for the Superintendent's office. The function resides solely with the Superintendent. • Legal: The District has no legal department. If legal advice is required, the District utilizes external firms to provide support. 	

DISTRICT OVERVIEW AND OVERHEAD

HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• Informal Networks: The Superintendent currently participates in an informal network of local superintendents.• Shared Programs: The Adult Education program is shared with Jasper and Hampton Two (the Director operates out of Hampton One).	<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

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

FINANCIAL MANAGEMENT OVERVIEW

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

562 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$110 per Student

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

Key statistics for metrics

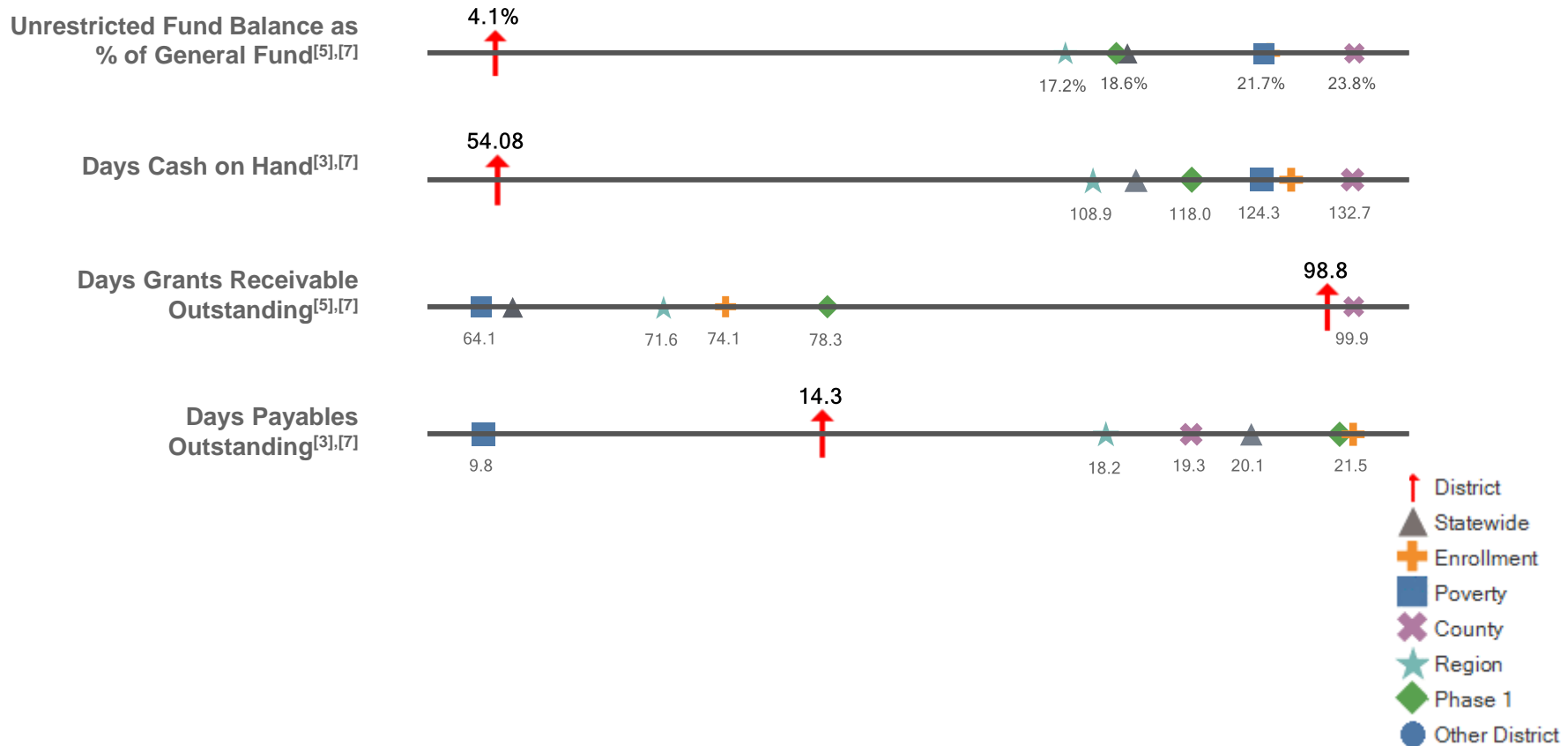
Financial FTEs ^[4]	4.0
Personnel Expense ^[3]	\$204,312
Non-Personnel Expense ^[3]	\$50,689
Total Financial Expense ^[3]	\$255,001

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 HAMPTON 01

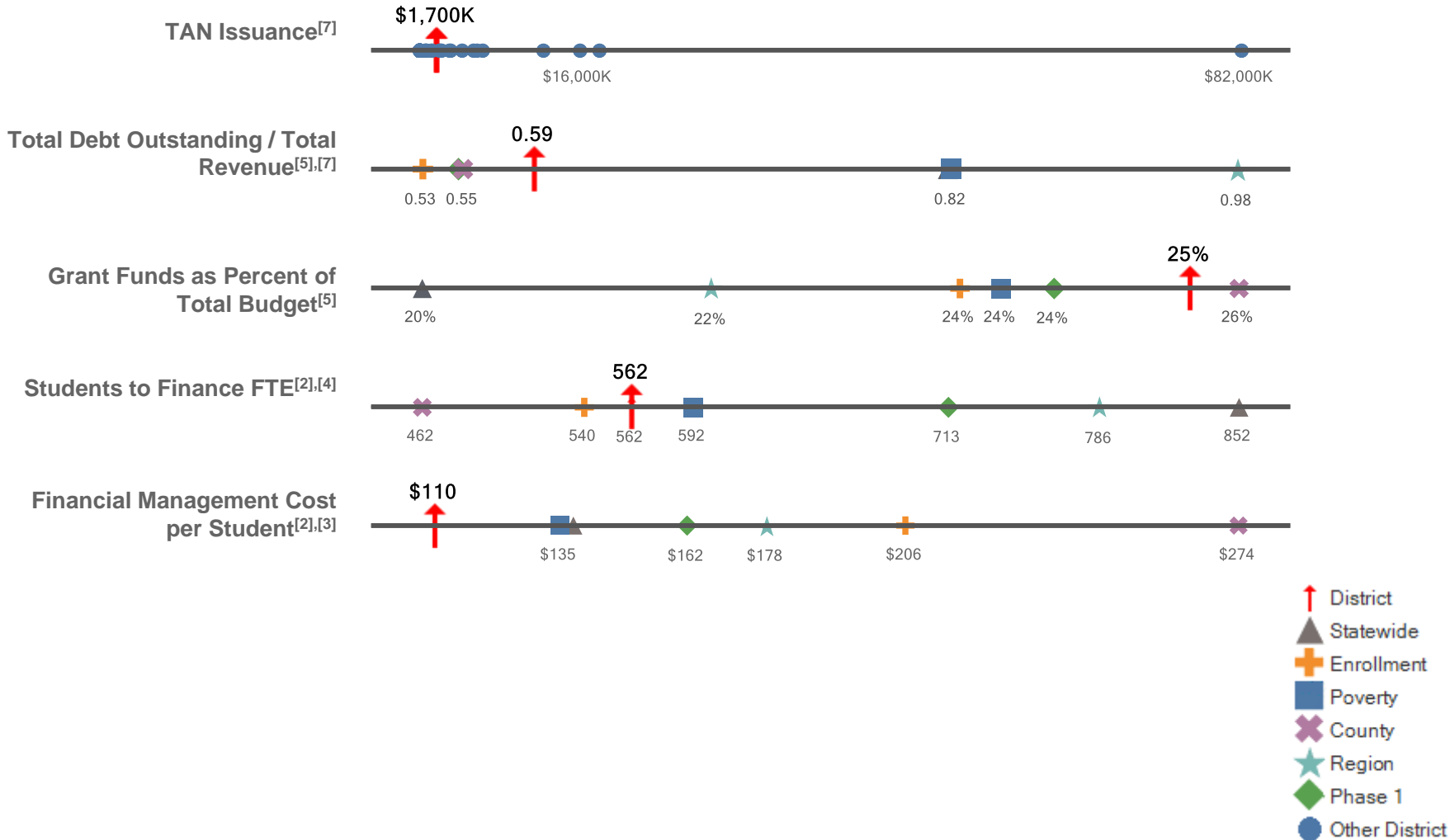
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 1 and (g) other districts.



FINANCIAL MANAGEMENT HAMPTON 01

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization operates on a lean budget and is thinly staffed to support its scope of roles and responsibilities that includes, accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • In addition, the Superintendent is active in providing oversight and guidance for the Finance Department and ensuring that resources are being directed to the classroom. • Finance Cost per Pupil: The District's Finance Cost Per Pupil for the District is \$110, lower than districts of a similar size at \$206, and the statewide average of \$138. • Students per Finance FTE: The District's Student to Finance FTE ratio is 562, which is higher than districts of a similar size at 540 and lower than the statewide average of 852. 	<ul style="list-style-type: none"> • Consider the addition of one resource in the financial management function to allow for incremental support of financial oversight and reporting to the Superintendent and School Board. This position should include previous accounting and financial leadership experience. • 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.

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, invoice approval and check processing. • Payroll: The District does not use a self-service payroll platform, and employee initiated payroll changes are all processed manually. In addition, while the District pays more than 90% of its employees via direct deposit, check pay stubs are printed manually and delivered to schools / employees directly. • Purchase Orders: The District does not currently use a centralized purchase order system. Schools are able to secure items and services in accordance with district and state regulations; however, there is no centralized approval process in place. • Accounts Payable: Processing of accounts payable for food services is managed directly by the Food Services department, not by the Finance department. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. • Inventory: The District bar codes technology for asset tracking, but it does not currently conduct centralized inventory processes. Inventory is managed directly by schools and cross referenced against inventory listings maintained by the technology department. 	<ul style="list-style-type: none"> • Require all employees to receive payroll via direct deposit. In addition, eliminate the physical mailing of check stubs to employees and leverage employee self-service functionality available within the Harris SmartFusion system. • Implement an automated time tracking functionality that integrates with the payroll system in order to eliminate the need for manual time sheets. • Implement policies that require use of a centralized purchase order system by schools and administrative personnel. Leverage automated purchase order work flow systems that can be integrated with the financial systems. • Implement standard policies and procedures around managing physical inventory and ensure that the Finance organization is part of the overall process.

FINANCIAL MANAGEMENT HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 25% of total revenue for the district, making this district more reliant on grant funds compared to statewide average (20%) and districts of similar size (24%). • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the Finance department. • Grant Claim Processing: Grant claims input is done outside of the Finance department. Once complete, the Finance department is notified and tracks claims against cash received. Claims processing is at a minimum done quarterly, but the District tries to claim monthly when possible. 	<ul style="list-style-type: none"> • Create improved grants tracking reports that compares award amount, budget, YTD and cumulative expenditures, claims processed and amounts for each grant. • Require Finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Require that claims are processed monthly for all grant areas in order to (a) maximize cash flow and (b) identify any potential issues with submissions as early as possible.
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have material weaknesses in its grants management processes in FY16, when it was found to have over-claimed federal funds by approximately \$160,000. As explained in its Audited Financial statements, District management has indicated that it has put appropriate remediation steps in place. • 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 processes to ensure that identified internal control weaknesses are mitigated. • Implement automated budget position control to ensure controls around hiring of individuals.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District’s Days Cash on Hand is 54 Days after factoring in the receivable from the County, which is below the statewide average of 113 days and the average for similar sized districts of 127 days. • Cash Forecasting: While the District monitors cash balances, it does not have a formalized weekly cash flow forecasting process. In addition, it generally needs to utilize Tax Anticipation Notes to help manage working capital through December of the school year. • Grants Receivable Outstanding: The District’s Days Grants Receivable Outstanding is 99 (before consideration of claims that may have been received by the County). This amount is higher than districts of a similar size (74) and the statewide average (65). The District submits claims for grant reimbursements on a quarterly basis. • Days Payable Outstanding: The District’s Days Payables Outstanding of 14.3 is lower than the statewide average of 20.1 days and the average for similar sized districts of 21.5. • Cash/Interest Income: The County, rather than the District, controls investment of excess cash balances. • Debt: The District’s total debt outstanding debt as a percentage of total revenue is 59% which is lower than the statewide average of 82% but higher than similar sized districts at 53%. • TAN: The District issued a \$1.7 million TAN this past year to assist with liquidity needs during cash low point. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and minimize draw on TANs. • Implement processes to file for grant (state and federal) reimbursements on a monthly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines.

FINANCIAL MANAGEMENT HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
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 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 regularly with key leaders. 	<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. • Prepare monthly financial reports and variance analysis. Reports should be shared with District leadership and each department head on monthly basis.
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. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system.
Regional Collaboration	<ul style="list-style-type: none"> • 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).



OUTLINE

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

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.

HUMAN RESOURCES

HAMPTON 01

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 1 and (g) other districts.



HUMAN RESOURCES HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources function operates on a lean budget with no resources exclusively dedicated to support recruiting, retention, personnel relations, professional, benefits and professional development activities. These activities are ultimately managed by the Deputy Superintendent and also leverage an administrative assistant and another individual helping with benefits coordination. • Human Resources Cost per Pupil: The District does not have any dedicated human resources personnel, nor does it charge costs to the human resources function code. This compares to districts of a similar size spending \$105 per pupil and state average of \$74. • Students per Human Resources FTE: The District does not have any dedicated human resources personnel. This compares to districts of a similar size at a ratio of 372 and the statewide average of 1,338. 	<ul style="list-style-type: none"> • Consider use of additional resources to free-up Deputy Superintendent's time to better support recruiting, retention, personnel relations, benefits and professional development activities.
Recruiting and Retention	<ul style="list-style-type: none"> • Recruiting: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 8 international teachers, approximately 8% of its total teaching force, and leverages 3 different agencies to provide these positions. In addition, the District leverages staffing agencies to fill hard to staff services (Physical Therapy, Occupational Therapy, etc.). 	<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.

HUMAN RESOURCES

HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention (cont'd)	<ul style="list-style-type: none"> • Average Salary: The average teacher salary of \$46,252 is below the state average of \$47,497 and on par with the regional average of \$46,300, making it more difficult for the District to recruit and retain teachers. • Teacher Shortage: Three teacher vacancies are being filled with long-term substitutes. 	<ul style="list-style-type: none"> • 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 and (e) innovative professional development programs.
Technology	<ul style="list-style-type: none"> • The District does not leverage technology support systems for recruiting, or application processing. It is going to begin a process of evaluating potential vendors and software alternatives. 	<ul style="list-style-type: none"> • Implement technology to help enhance and automate recruiting, on-boarding, substitute management and time tracking processes that are currently manual.
Collaboration	<ul style="list-style-type: none"> • 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 - H1B Process for International Teachers



OUTLINE

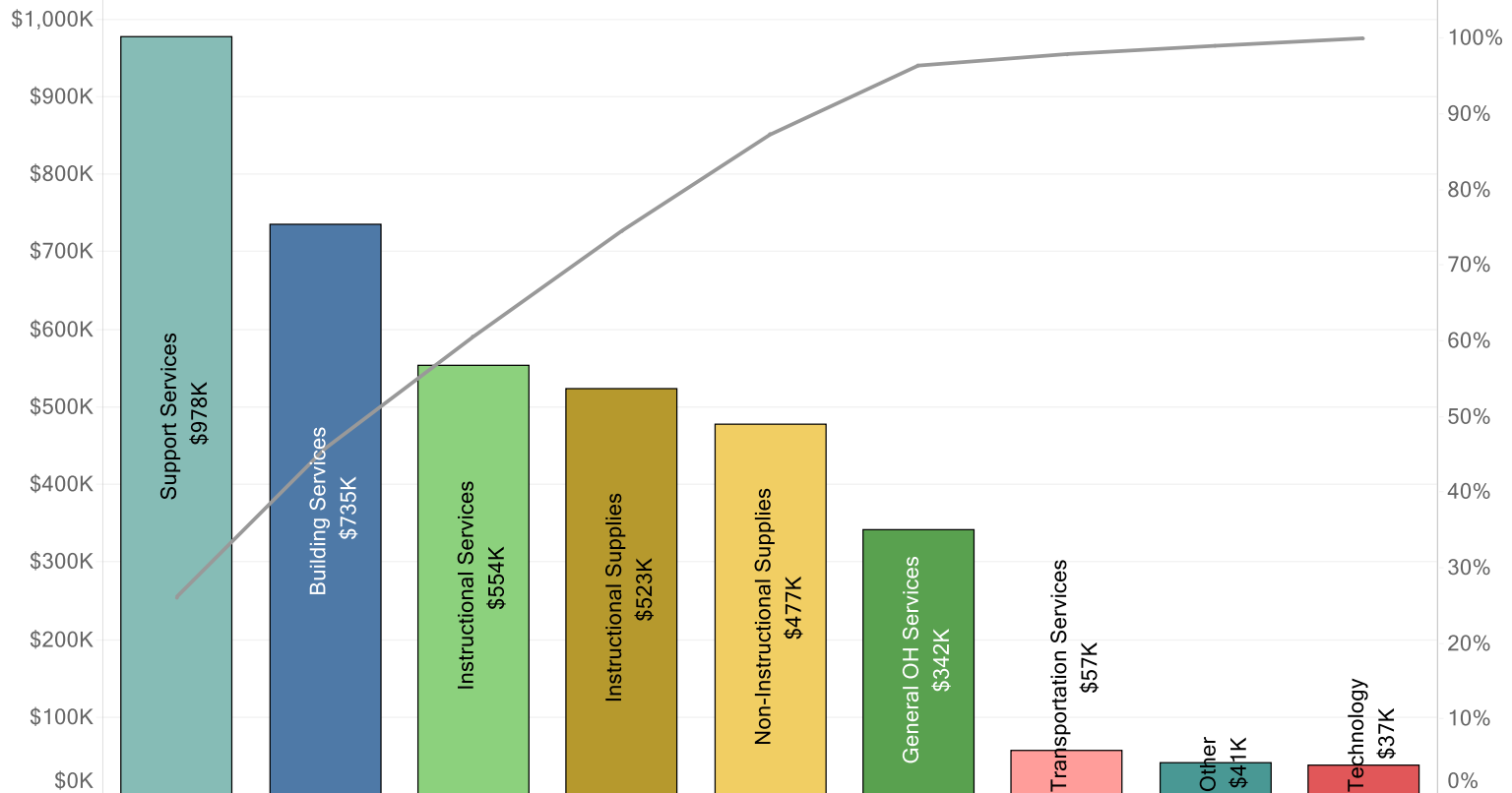
- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

PROCUREMENT HAMPTON 01

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.

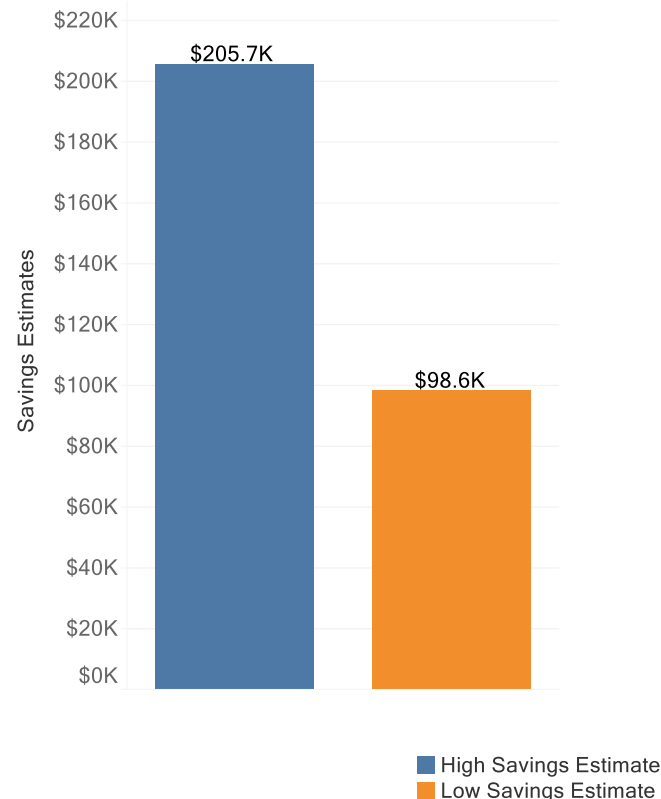
District In Scope Total Procurement Spend = \$3,744,723



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 HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District does not have any staff focused on purchasing and procurement. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across more than 700 vendors. The top 68 vendors make up more than 80% of total spending. Spending efforts are made based upon the individual buyer, with local optimization 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 or (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 HAMPTON 01

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 - Procurement Exemptions: The District does not require procurement of instructional support software and services to be 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 several vendors (including FACES and Unique for international staffing and Soliant for staffing of special education services). • Technology: The District is expanding its 1:1 initiative and is leveraging a state contract with a reseller, Applied Data Technologies to make its purchases. 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 for those same positions in collaboration with a nearby district and share the 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 saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership.

PROCUREMENT HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Non-instructional Supplies: The District purchases its non-instructional supplies from multiple vendors in an effort to get best pricing. 	<ul style="list-style-type: none"> • Consider a review of additional supplier options (e.g., Amazon’s new 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"> • 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



OUTLINE

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

TRANSPORTATION HAMPTON 01

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.

12 Years

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

\$261 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	17.8
Personnel Expense ^[3]	\$523,630
Non-Personnel Expense ^[3]	\$78,512
Total Transportation Expense ^[3]	\$602,142

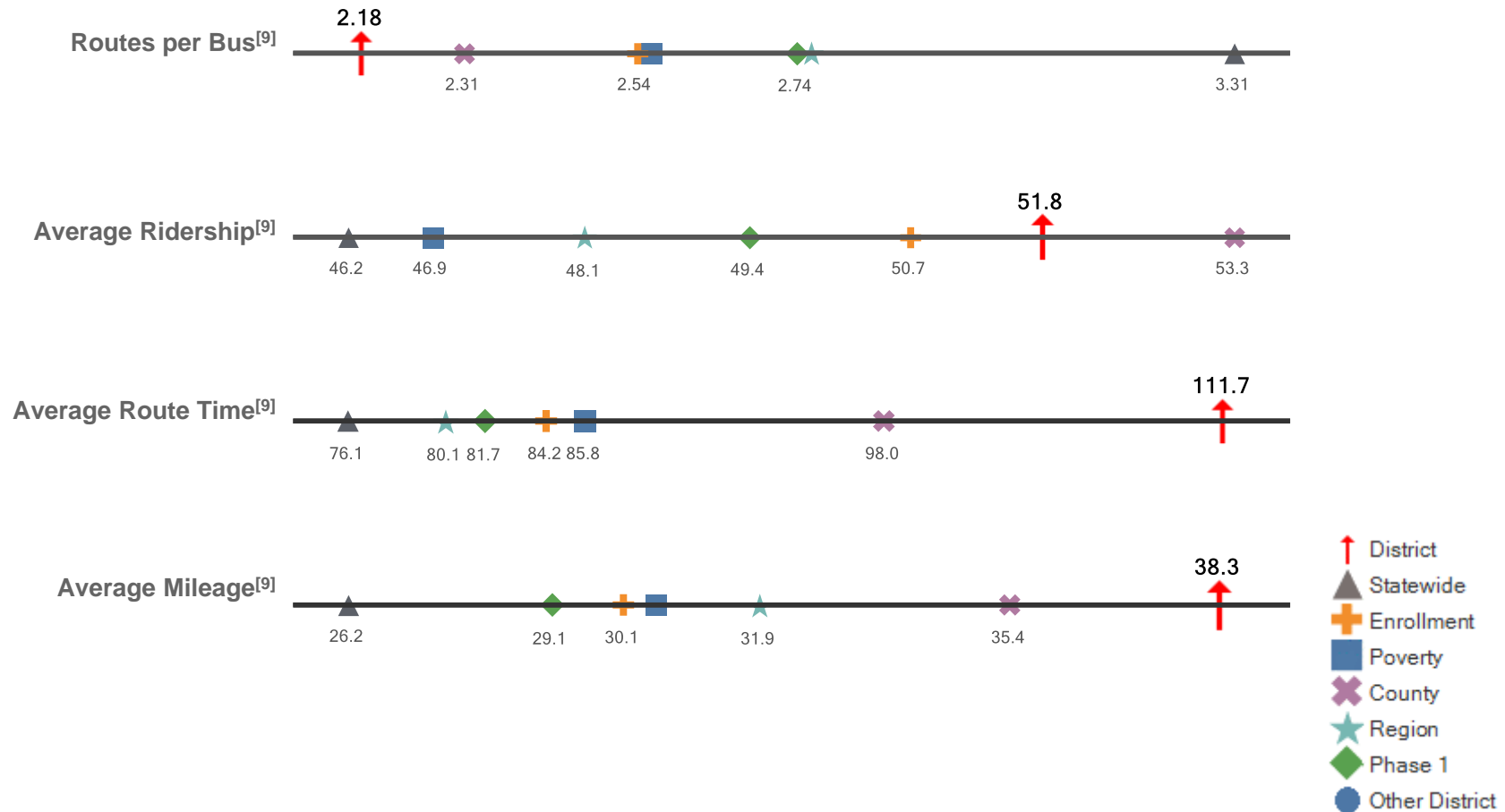
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	17.0	37	2.2	1,916	52	112	38
Special Needs	2.2	6	2.8	86	14	Not-Available	54
Other	1.8	7	3.8	36	5	Not-Available	16
Total	21.0	50	2.4	2,038	N/A	N/A	N/A

TRANSPORTATION HAMPTON 01

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 HAMPTON 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The District has a difficult time recruiting bus drivers. The District currently uses other staff (food workers, teachers, paraprofessionals) to cover for four vacancies. Bus drivers are currently paid a starting rate that is approximately \$4 above state reimbursement levels. Surrounding districts are paying more and guaranteeing 40 hours per week. Transportation is run by one administrator. 	<ul style="list-style-type: none"> As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Consider posting for 40 hour / week positions that are officially a combination of bus driver and maintenance or bus driver and food worker, to help address the driver shortage.
Routing and Bus Management	<ul style="list-style-type: none"> The District does have staggered bell times, but the time differential between start times (adjusting for breakfast) do not allow for the ability to maximize driver / bus utilization. The District does not utilize routing software. The District does have security cameras on all buses. 	<ul style="list-style-type: none"> Consider adjusting the high school bell time to allow for more effective implementation of staggered bell times. While this may also require adjusting the timing of breakfast in elementary and high school, such a change could ultimately allow for 1) a reduction in 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.
Collaboration	<ul style="list-style-type: none"> 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

HAMPTON 01

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

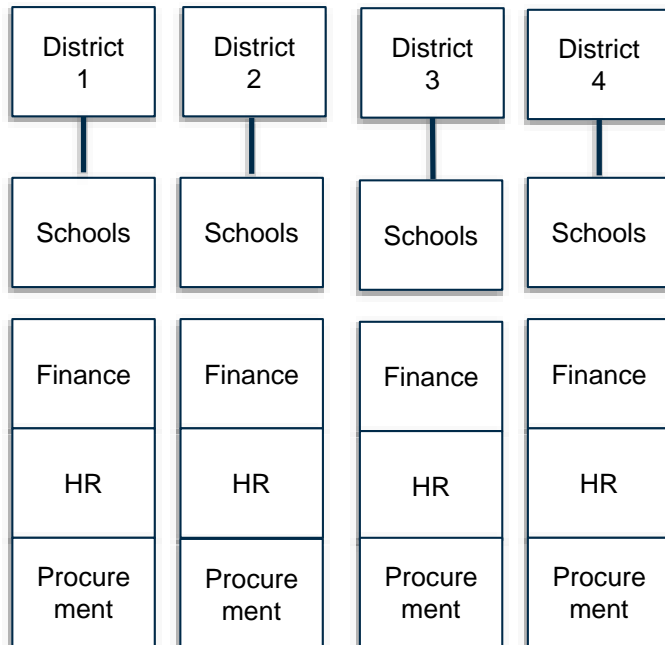
HAMPTON 01

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.

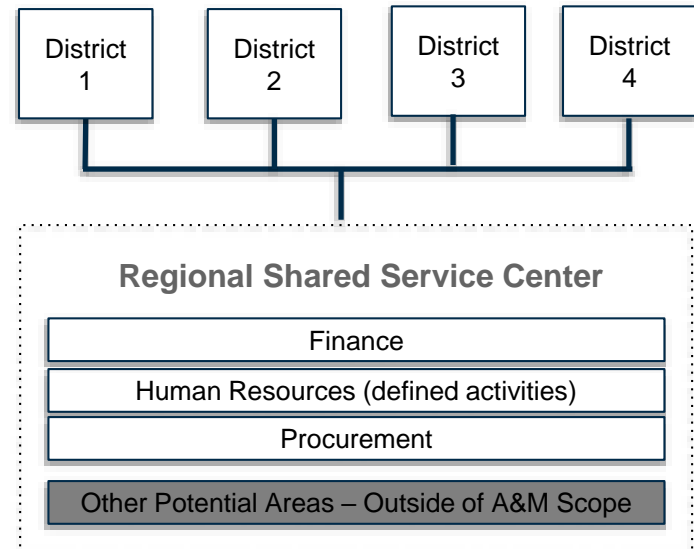
CURRENT STATE: STAND ALONE DISTRICT

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

HAMPTON 01

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.

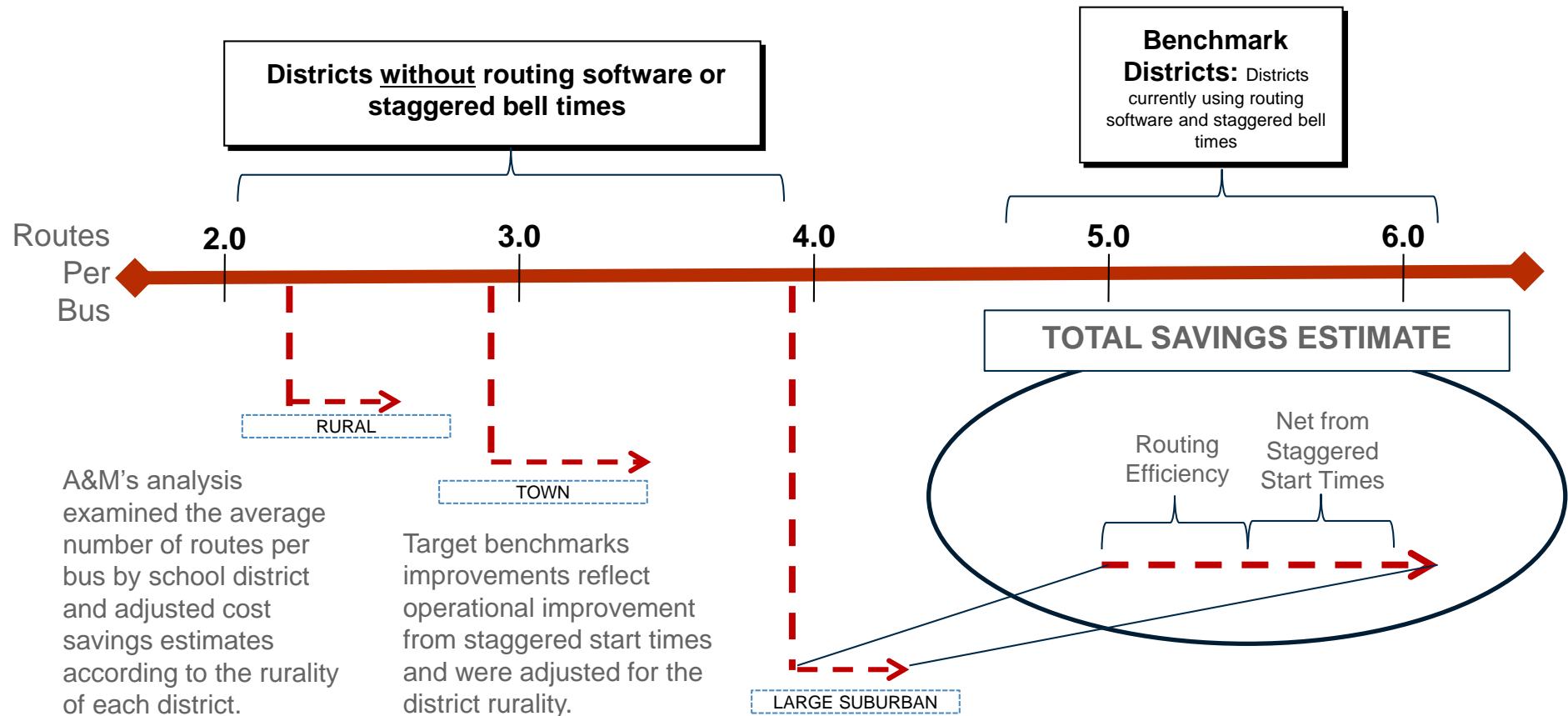
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

HAMPTON 01

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

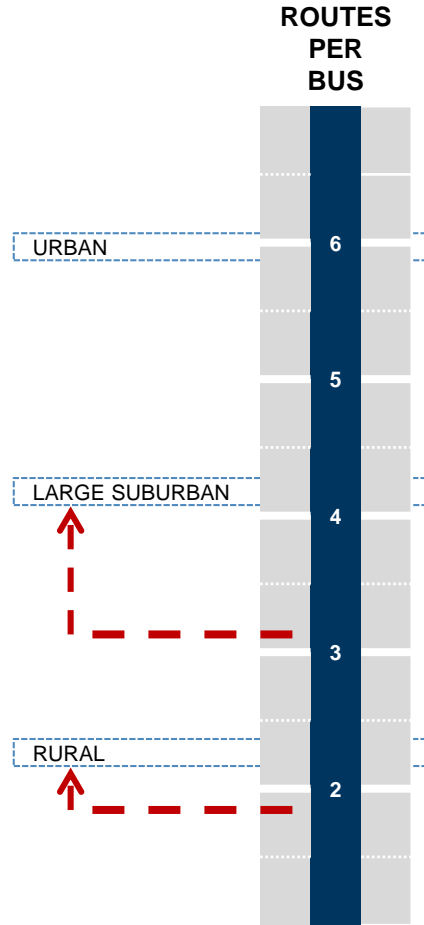
HAMPTON 01

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

HAMPTON 01

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

HAMPTON 01

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

HAMPTON 01

[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

HAMPTON 01

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

HAMPTON 01

Source [5]

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

Source [3],[7]

- Days Cash on Hand = $(\text{Cash: Unrestricted, general fund}^{[7]} + \text{Investments: general fund}^{[7]} + \text{AR: County}^{[7]}) / (\text{General Fund Expenditures}^{[3]} / 365)$
 - *General Fund Expenditures = expenses where fund code = 100
- Days Payable Outstanding = $(\text{Accounts Payable: General Fund}^{[7]} / (\text{Non-Personnel Expenditures}^{[3]} / 365))$
 - *Non-Personal Expenditures = expenses where Object Code between 300 – 700

Source [5],[7]

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

Source [9]

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

ALVAREZ & MARSAL

© Copyright 2015. Alvarez & Marsal Holdings, LLC. All rights reserved. ALVAREZ & MARSAL®,
A₁® and A&M® are trademarks of Alvarez & Marsal Holdings, LLC.

www.alvarezandmarsal.com