ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Kershaw

District Report

6/16/2017

OUTLINE

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

PROJECT OVERVIEW

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

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

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

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

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

PROJECT OVERVIEW (CONTINUED)

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

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

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

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

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

- This analysis presents two types of estimates:

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

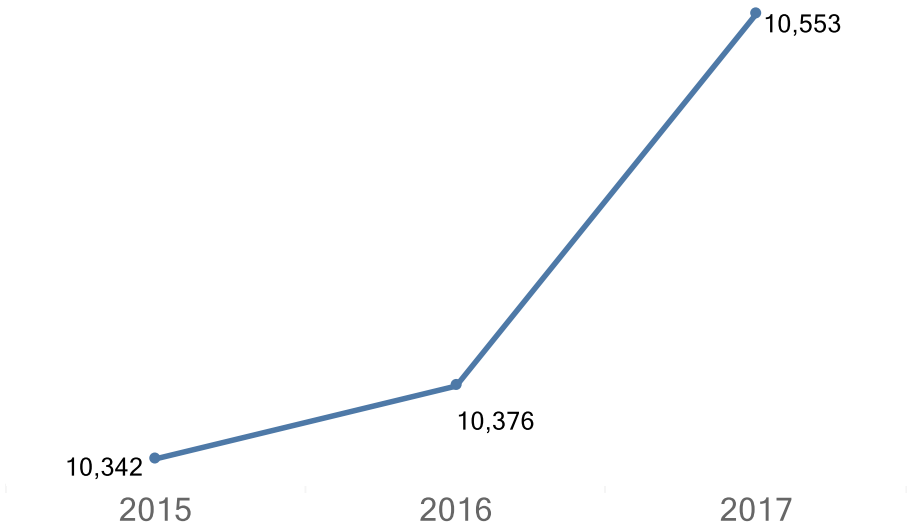
    2. **Net savings** from implementation of a shared services model for functions within the scope of this study.

PROJECT OVERVIEW (CONTINUED)

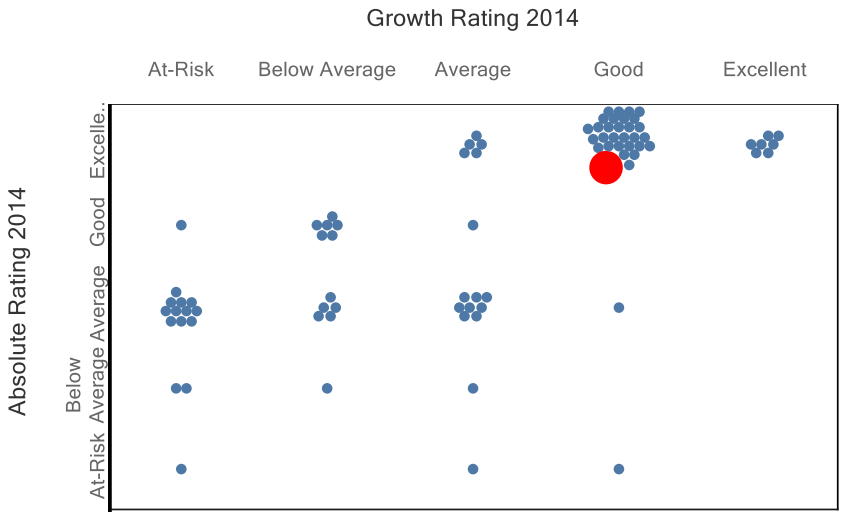
- **Sources of Data and Savings Estimates:**
  - A&M based the recommendations included in this report on data received from both the State and the District.
    - State provided data: FY16 revenue and expenditure data submitted by districts to the State, 3-year historical enrollment/average daily membership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

EXECUTIVE SUMMARY
KERSHAW

Average Daily Membership[2]



Student Achievement[1]



General Info

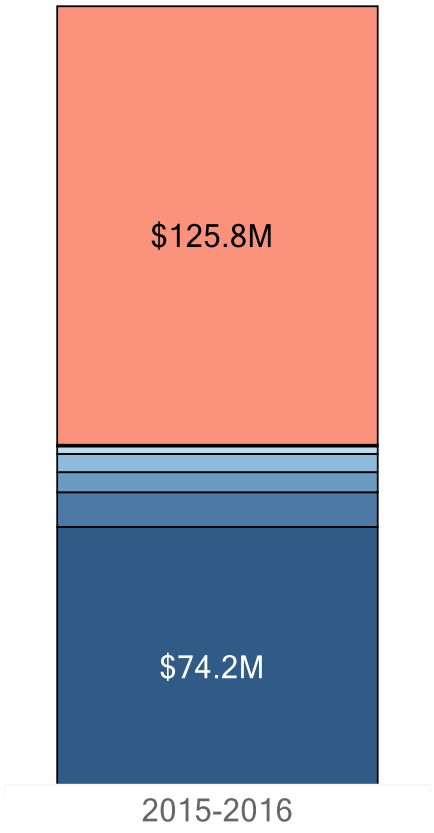
Number of Schools[2]	**18**
% Poverty[1]	**57.6%**
% Disability[1]	**10.9%**
$ Per Student[2],[3]	**$22,403**
$ Per Student Excluding Debt & Capital[2],[3]	**$9,348**

Administration

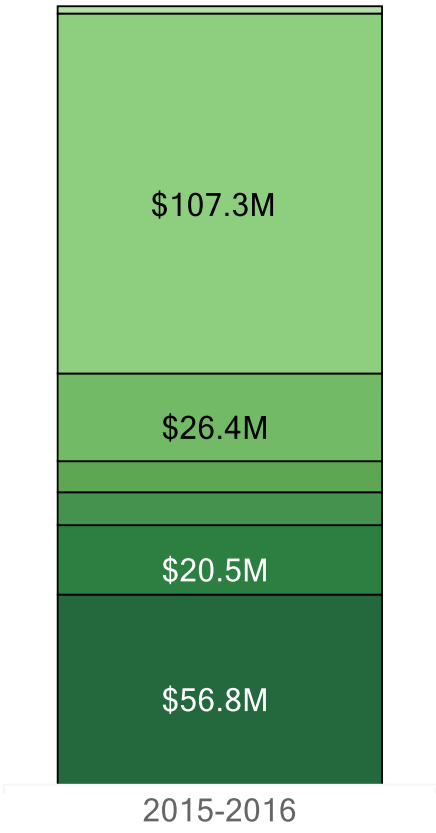
Students Per Instructional Services FTE[2],[4]	**9.9**
Students Per Overhead FTE[2],[4]	**413.8**
Students Per School Support FTE[2],[4]	**50.6**
Students to Total FTE[2],[4]	**8.1**

EXECUTIVE SUMMARY
KERSHAW

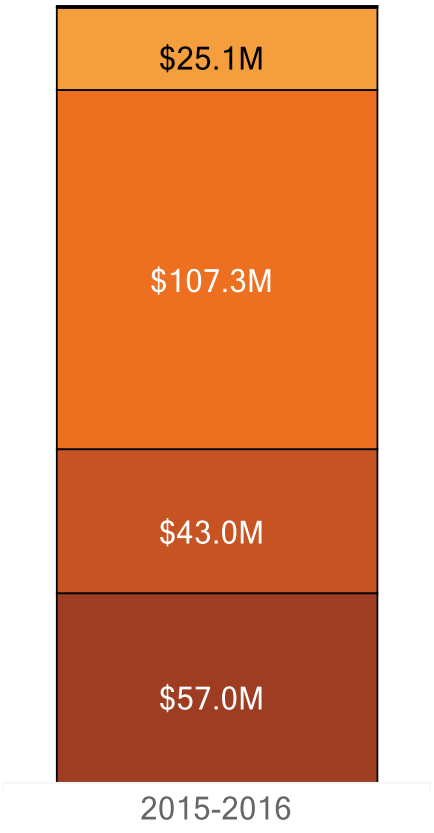
Sources of Funds[5]
$223.6M



Use of Funds - Type[3]
$232.5M

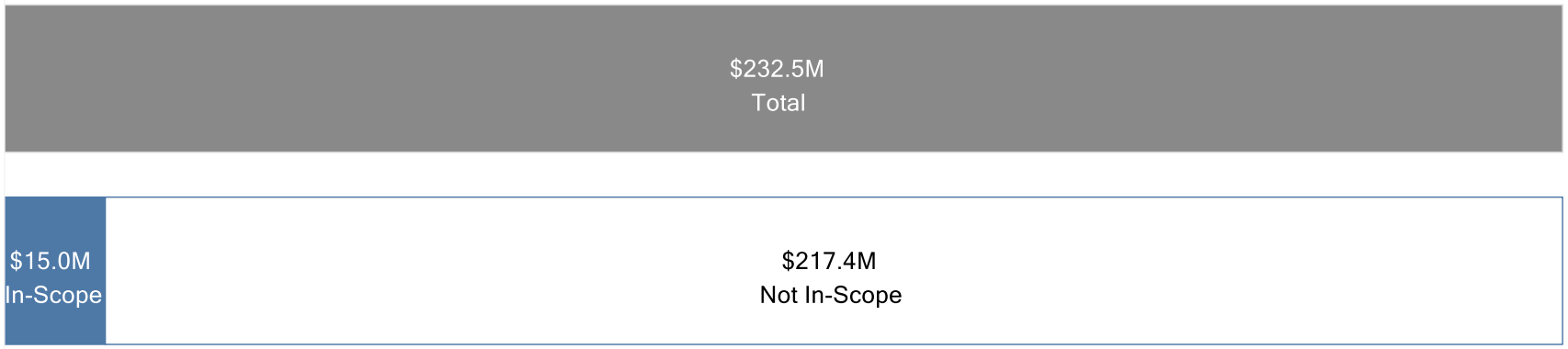


Use of Funds - Function[3]
$232.5M



** totals may not tie due to rounding*

EXECUTIVE SUMMARY
KERSHAW



6.5% of total spend is within scope of the efficiency review:

	In Scope Spend[3]	Procurement Component
Finance	$716,020	$85,809
Human Resources	$586,825	$27,040
Overhead	$1,229,440	$934,244
Transportation	$2,603,739	$126,516
Procurement (Community Services, Instruction, Support Services)	$9,910,217	$9,910,217
TOTAL	**$15,046,241**	**$11,083,826**

** totals may not tie due to rounding*

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To educate all students for success.

- **Instructional Quality and Achievement:** Ensure quality instruction and increase test scores in all grade levels through: analysis of testing data to properly differentiate instruction, adequate staff development programs, and the creation of common benchmark assessments.
- **School Climate:** Reduce the number of detentions, suspensions, and expulsion hearings by implementing programs to help students of all grade levels manage their behavior. In addition, implement alternative education programs and school based counseling/mentoring to encourage positive behavior.
- **Professional Development:** Increase the number of professional development opportunities for teachers and administrators by 10% by 2018 and ensure that professional development addresses Response to Intervention, the data team process, best practices, student work, development of benchmarks and the school counseling model.

Achievements

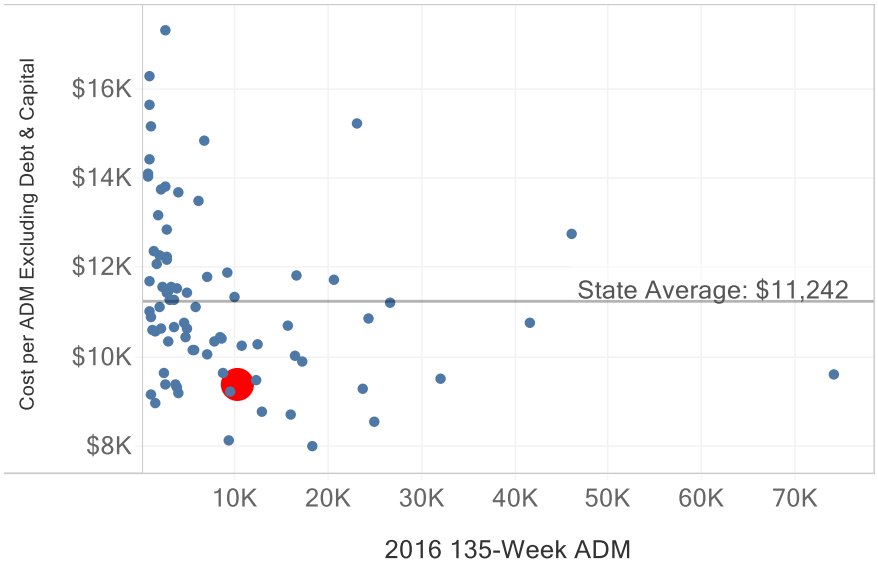
- **Awards:** The Center for American Progress's study for productivity awarded the District the highest possible rating (1 of 10 Districts in SC recognized).
- **Academic Achievement:** The District has been recognized by US News and World Report for "closing the achievement gap."
- **Data Driven:** The District utilizes testing and academic data analysis and streamlines operations to heavily invest in instructional resource allocation.
- **Graduation Rate:** The District's graduation rate recently hit an all time high of over 90%.

Challenges

- **Professional Development:** Funding for the professional development of teachers and certified staff has been limited over the last few years.
- **Special Education and ELL:** The number of students participating in the District's Special Education and ELL programs has nearly doubled in the past 7 years.
- **Economic Instability:** The District's population and funding was effected by an economic downturn that led to a 17% decrease in resources.
- **Recruiting and Retention:** The District has a hard time recruiting and retaining teachers despite their efforts to maintain competitive salaries.

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

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	• **Financial Management**: The District has good liquidity with 107 days cash on hand. However, the unrestricted fund balance of 12.7% is below the statewide average of 18.6%. • **Staffing / Processes:** The Finance department is adequately staffed. However, the District should seek to leverage software to integrate automated timekeeping into payroll and automated purchasing workflow approvals.
Human Resources	• **Staffing / Processes**: The Human Resources department is adequately staffed to handle its functions. The District utilizes technology to support candidate sourcing through on-boarding and is piloting an employee self-service application. • **Challenges with Recruiting and Retention**: The District faces general challenges associated with teaching shortages. There is a reliance on agencies for placement on hard to staff positions and the use of international teachers to fill vacancies.
Transportation	• **Transportation Management**: The State directly pays for costs of bus purchasing, maintenance, fuel costs 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 that can be used to help drive routing efficiencies.
Procurement	• **Staffing and Organization**: The District has a Procurement Director dedicated to purchasing activities. • **Strategic Sourcing**: As a larger district, contracts are negotiated with volume discounts when possible. Apart from technology and paper goods, the District does not make aggregated purchasing decisions across the District.
Overhead	• **Staffing and Organization**: The Office of the Superintendent includes only the Superintendent and a secretary. The Superintendent has a supporting communications team to assist with stakeholder engagement. • **Collaboration**: The District participates in some collaboration with other Superintendents through consortiums.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS

FINANCE

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

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

HUMAN RESOURCES

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.

PROCUREMENT

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

TRANSPORTATION

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

Process Improvements:
Further Staggered Bell Times:
- Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits of using routing software.

COLLABORATION RECOMMENDATIONS

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

REGIONAL COLLABORATION OPPORTUNITIES

FINANCE

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

Potential to add in:

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

HUMAN RESOURCES

Benefits Coordination: Shared Processing and Support

Potential to add in:

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

PROCUREMENT

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

Capitalize on volume discounts and rebates

Shared analysis of spending, monitoring and optimization of pricing

OTHER AREAS

Transportation:

Shared administrative resources

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

Technology:

Shared oversight and support functions

Curriculum:

Shared research and development functions

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

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment			COLLABORATE Est. Net Annual Savings		
	Low		High	Low*		High
Finance	$66,500	-	$166,300	$73,100	-	$219,300
Human Resources	0	-	0	0	-	59,600
Procurement	0	-	0	314,600	-	638,500
Transportation – District	N/A	-	N/A	206,000	-	309,000
District Total	**66,500**		**166,300**	**593,700**		**1,226,400**
Transportation – State	23,000	-	113,700	225,900	-	393,900
Total	**$89,500**	**-**	**$280,000**	**$819,600**	**-**	**$1,620,300**

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

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

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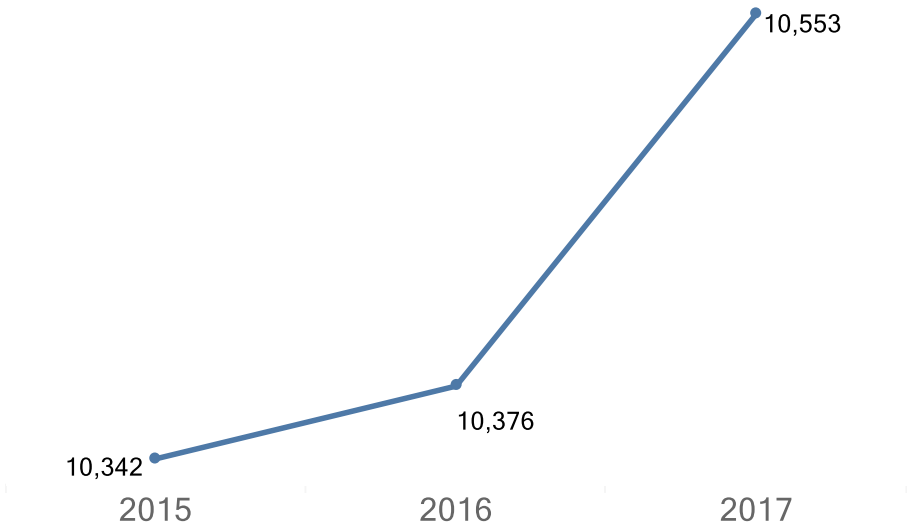
DISTRICT ADMINISTRATION AND PERFORMANCE
KERSHAW

Average Daily Membership[2]



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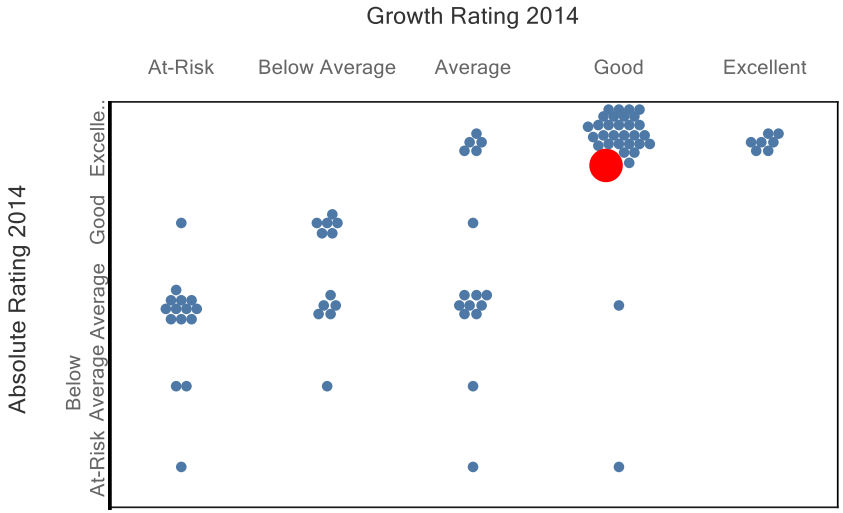

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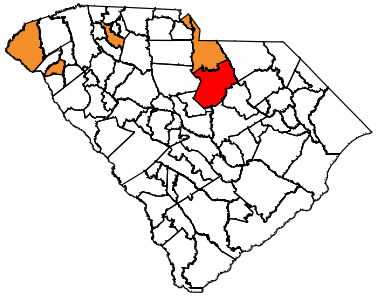
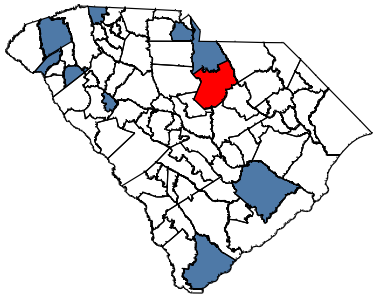
DISTRICT BENCHMARKING
KERSHAW



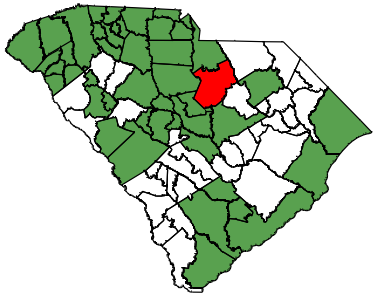
Enrollment (10,000 - 15,000)

Anderson 05
Kershaw
Lancaster
Oconee
Spartanburg 06
York 04



Poverty (55% - 60%)

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



Phase 1 (No)

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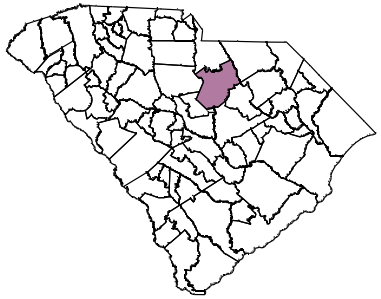
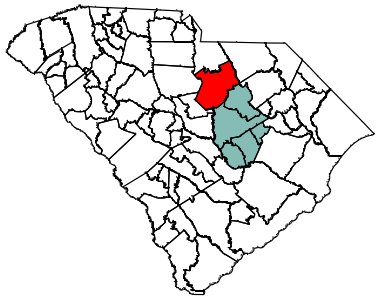
Sumter
Union
York 01
York 02
York 03
York 04



County (Kershaw)

Kershaw

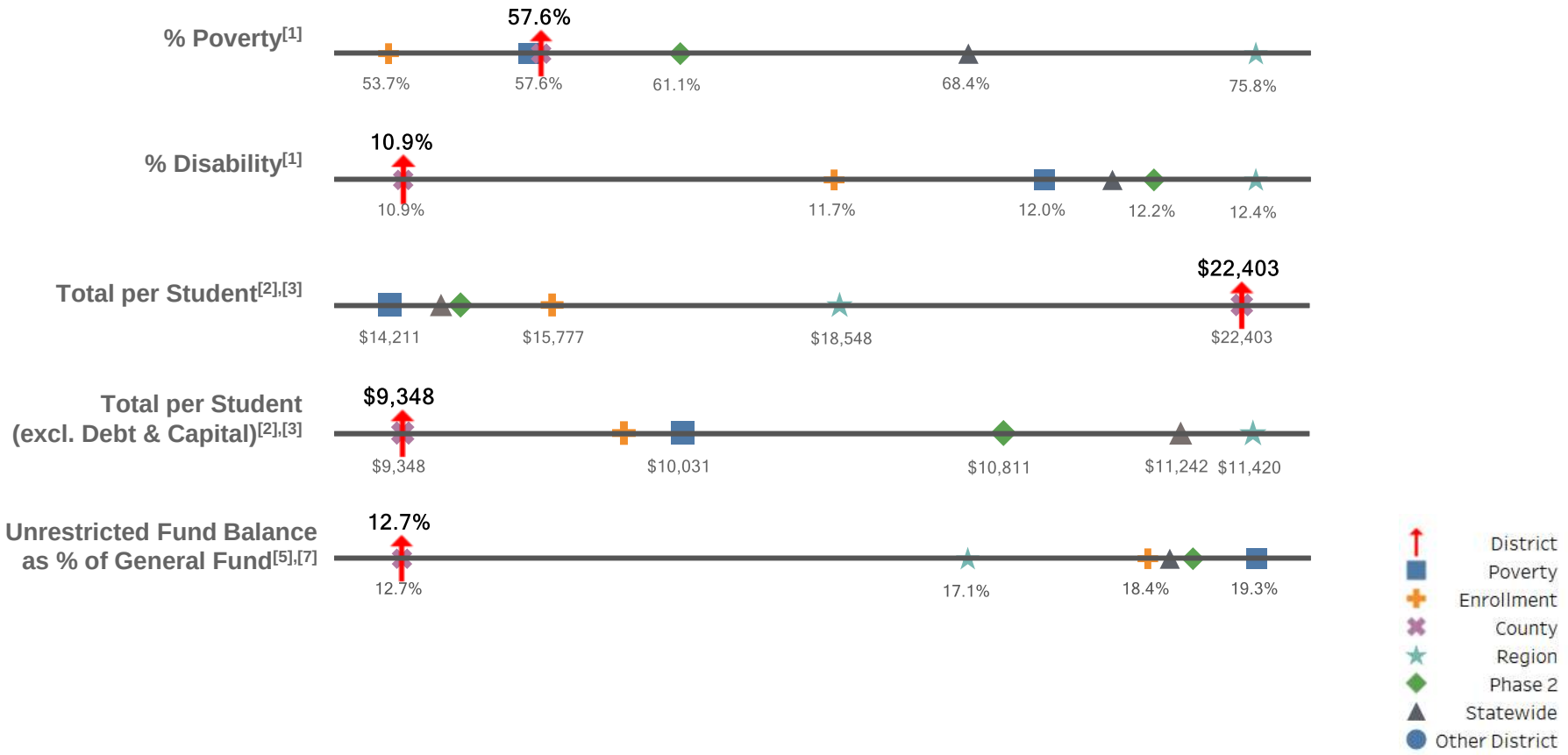


Region (Santee Lynches)

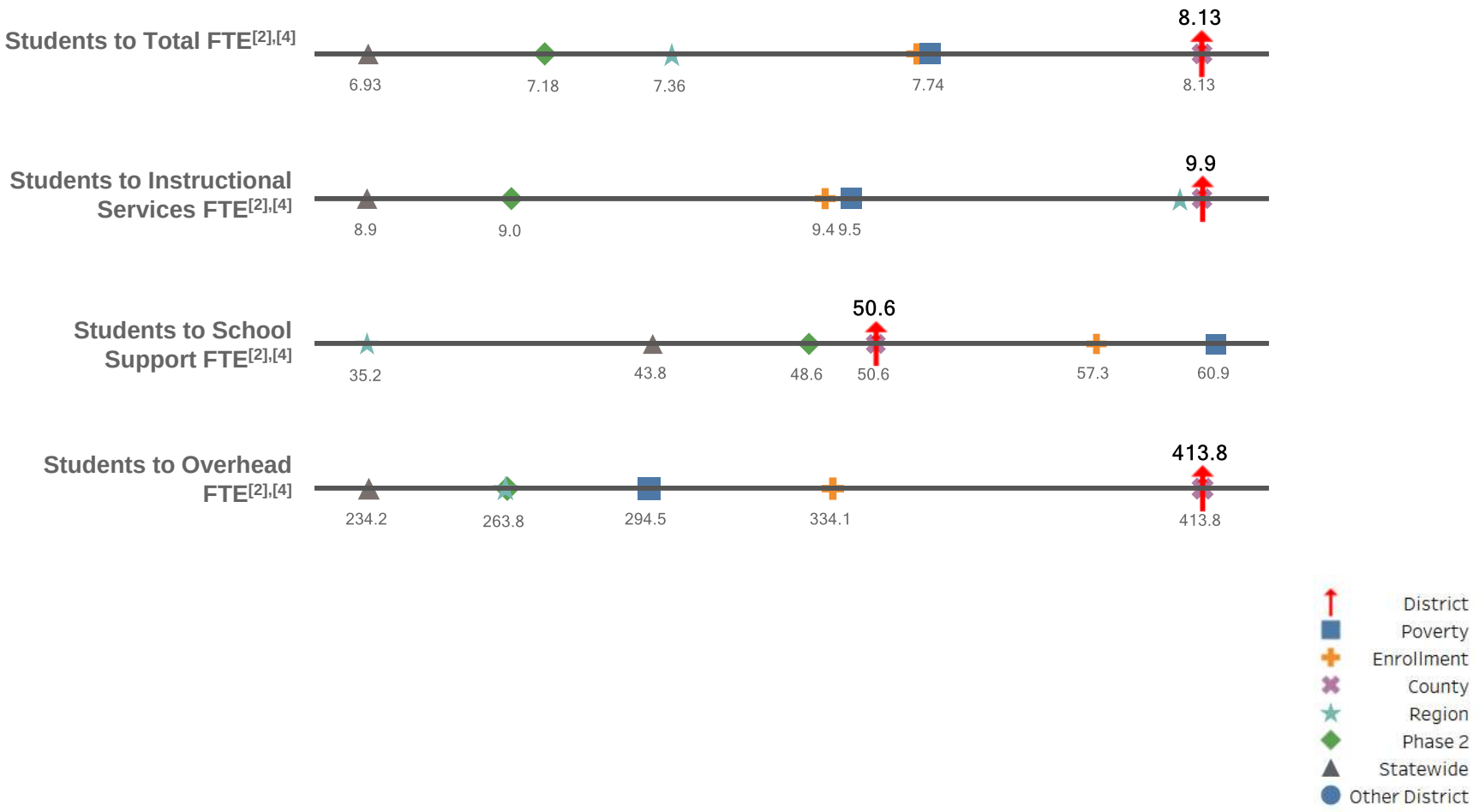
Clarendon 01
Clarendon 02
Clarendon 03
Kershaw
Lee
Sumter

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 increased by 211 or 2% over the past 3 years. • **Student Demographics:** The District's level of poverty and disability percentage are both lower than statewide and regional averages. • **Competition:** There are no charter schools in the District. • **Other Demographic:** The District contains several large manufacturing and distribution companies that provide additional tax revenue. • **Long-term Planning:** The District prepares long term enrollment projections to help inform long-term planning. Recently, the District reduced its projection from 5 years to 3 years in order to focus on a shorter term and more meaningful trends.	• The District should consider taking the next step in the buildout of its strategic planning process to integrate the testing and analytic causal models to tie district level goals to the action plans developed in the schools.
District Funding and Resource Allocation	• **Per Pupil Expense:** When excluding debt and capital, the District of $9,348 is lower than the statewide average of $11,242 and the enrollment band average of $9,889. • **Unrestricted Fund Balance:** The District has an Unrestricted Fund Balance that is 12.7% of general fund revenues. The fund balance is below the statewide average of 18.6% and enrollment band average of 18.4%.	• Consider increasing the Board policy to require the District to maintain a fund balance that stays closer to the statewide average of the next year's expenditures. Implement multi-year targets to rebuild fund balance to required levels.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	• **Student to FTE:** The Student to Total FTEs of the District of 8.13 is higher than statewide and enrollment band averages. • **Student to Instructional Services FTE:** The Student to Instruction ratio of 9.9 is higher than the statewide average but on par with the enrollment band average. • **Student to School Support FTE:** The Student to School Support ratio of 50.6 is higher than the statewide average but lower than the enrollment band average. • **Student to Overhead FTE:** The Student to Overhead Ratio of 413.8 is higher than statewide and enrollment band averages.	
Staffing / Organization (cont'd)	• **Organization:** The Superintendent has 7 direct administrative reports that include: (a) Asst. Supt. for Human Resources, (b) Chief Financial and Operations Officer, (c) Executive Director for K-12 Instruction, (d) Executive Director for K-12 Instructional Support Programs, (e) Communications Director, (f) ATEC Director, and (g) Grants Manager. In addition, the Superintendent oversees all Elementary, Middle and High School principals. • **Communications Function:** The District has a communications department consisting of a director, multimedia coordinator and a secretary to assist the Superintendent in informing internal and external stakeholders.	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	• **Legal:** The District retains outside counsel to provide legal support • **Turnover:** The Superintendent has overseen the district for the past 10 years.	• Given the tenure and success of the current Superintendent, the District should establish a succession plan to ensure past progress is embedded long-term in the organization.
Board of Directors	• **Board Pay:** The Board Members of the District are paid approximately $1,800 annually. • **Board Compensation:** The Board is made up of 9 elected officials, serving four year terms. • **Training:** Board members are not required to attend training.	• Have the Board of Directors attend an annual training to enable members to become impactful members of the board
Philanthropy and Business Engagement	• **Business Engagement:** The District has partnerships with local area businesses in the form of grants, mentorship and workforce training. The District estimates it received approximately $1 million in business and philanthropic support (monetary and in-kind) in FY16. The District expects this number to reach nearly $2 million in FY17, with additional local support for the athletic programs. • **Philanthropic Engagement:** The District has partnerships with Boys and Girls Club of the Midlands, Kershaw City Baptist Church and United Way, among others. These organizations provide mentorship, support staff and additional resources to the schools and their pupils. • **School Engagement:** Apart from the District's established partnerships, schools maintain relationships with local area businesses independently as well.	• The District should establish a Business and Community Engagement function within the District Office to maintain and cultivate philanthropic and business relationships to generate additional funding and support for the district.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	• **Informal Networks:** The District participates with other districts through SCSBA and other groups; however, the District does not partake in substantive, transactional based collaboration with others. • **Career Center:** The District does not have a shared career center. • **Special Education:** The District does not coordinate with other area districts on Special Education programs. • **Headcount:** The District does not share certain FTEs with area districts. • **Local Government:** The District shares the cost of School Resource Officers (SROs) with the municipality as of FY16.	• 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.

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FINANCIAL MANAGEMENT OVERVIEW

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

1,173 : 1

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

$69 per Student

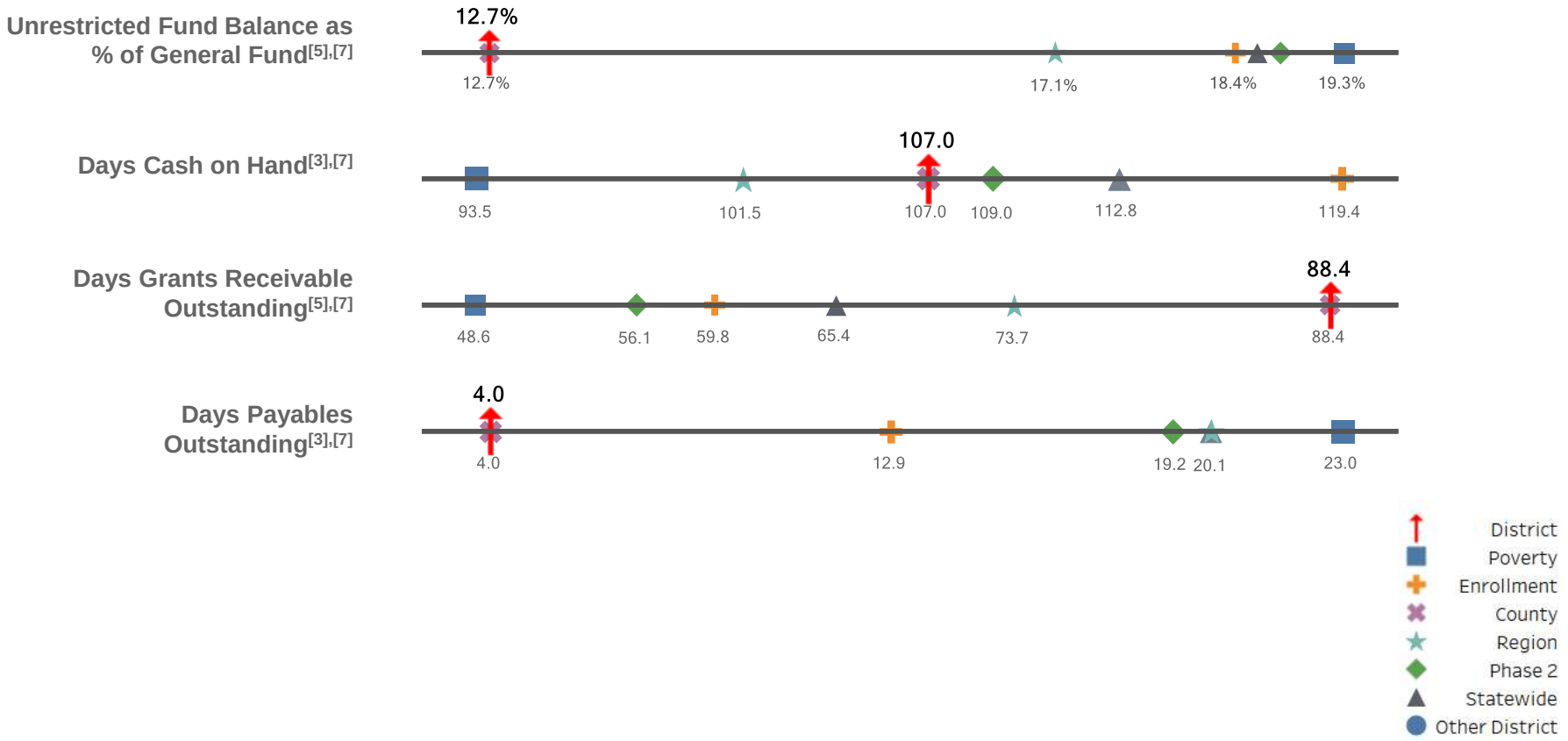
Cost of Total Financial Spend[3] per Student (ADM)[2]

Key statistics for metrics	
Financial FTEs[4]	9.0
Personnel Expense[3]	$630,211
Non-Personnel Expense[3]	$85,809
Total Financial Expense[3]	$716,020

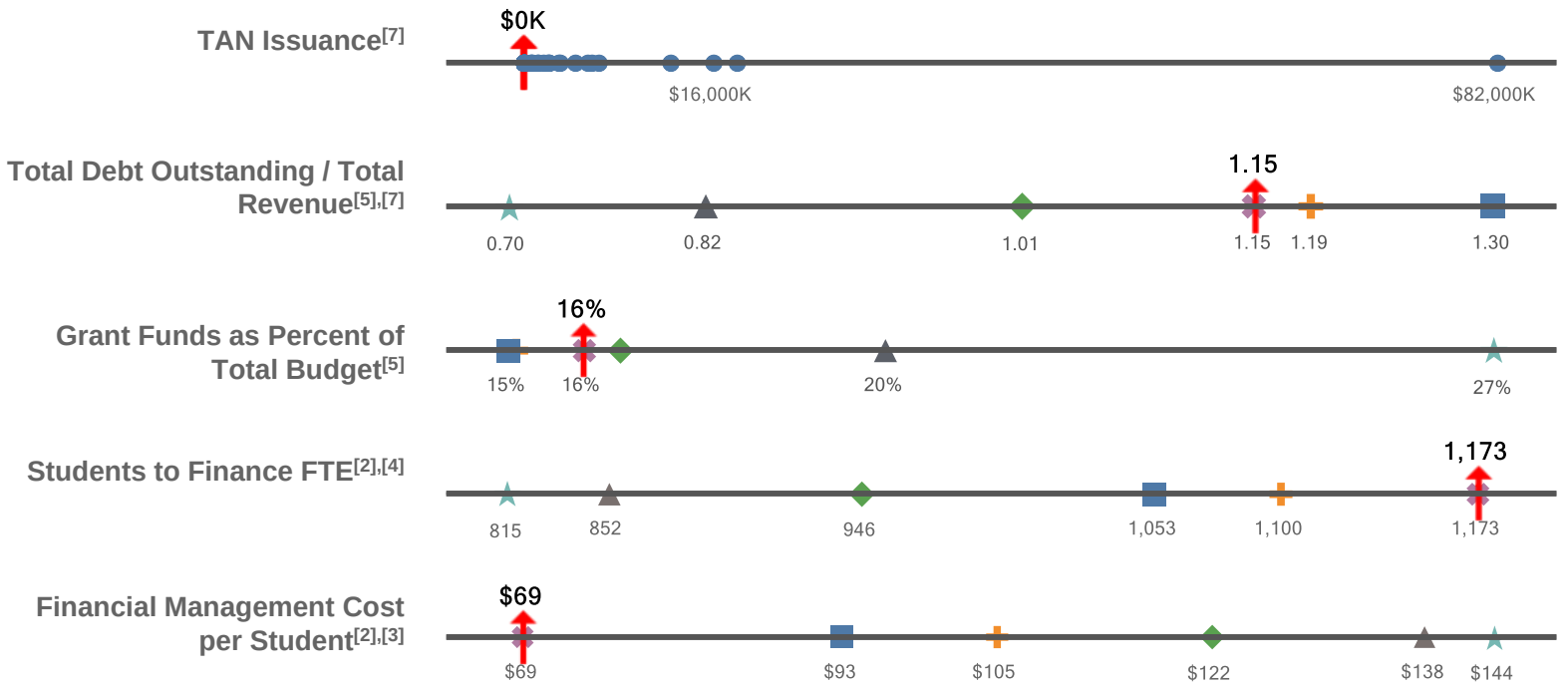
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Organization:** The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, procurement and financial reporting. • **Turnover:** The Chief Financial Officer has been in his position for 16 years. • **Finance Cost Per Pupil:** The Finance Cost per Pupil for the District of $69 is lower than statewide and enrollment band averages. • **Student per Finance FTE:** The Student to Financial Management FTE ratio of 1,173 is high relative to statewide and enrollment band averages.	• Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes, and cross-train individuals to be able to do multiple functions.
Payroll and Accounts Payable	• **Payroll:** The District currently runs payroll on a semi-monthly basis. • **Direct Deposit:** The large majority (99%) of the District's employees receive their paychecks through direct deposit. The remaining employees receiving paper checks are temporary and/or hourly employees. • **Employee Self-Service:** The District is currently piloting a self - service payroll platform to help eliminate manual processes. • **Timekeeping:** Time-tracking is currently managed via manual processes and entered into the payroll system by the Finance department.	• 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, such as a biometric timeclock, that integrates with the payroll system in order to eliminate the need for manual time sheets.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable (cont'd)	• **Purchasing:** 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, automated approval process in place. Schools are able to procure goods or services <$5,000 without District approval; however, anything exceeding that amount must have District-level approval. • **Pcard:** The District utilizes a Pcard program that makes up about 3% of its spend with vendors. The District placed $2.4 million in spend on the cards last year with $35,000+ in rebates. • **Inventory:** The District does not conduct centralized inventory processes outside of technology. All other assets over $5,000 are logged in Harris SmartFusion for tracking. The District reviews inventory annually; however, inventory is mostly managed directly by schools. • **RFID:** The District uses RFID bar coding only for computers. • **Warehouse:** The District does not maintain a warehouse for inventory; instead, the District uses just in time delivery of materials to schools. • **Risk Management:** The District uses formal risk management policies.	• 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. • The District should seek out opportunities to expand the use of the Pcard program through increased use of Pcard's for centralized spend categories and adoption of the updated Procurement Code limits (see Procurement section). • Implement standard policies and procedures around managing physical inventory and ensure that the finance organization is part of the overall process.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	• **Grants Revenue %:** Grant revenues provide 16% of revenue for the District, making them less reliant on grant funds than the statewide average but on par with the poverty band average. • **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 in a timely manner in order to maximize cash flow. • **Claims:** Claims are submitted monthly and quarterly, depending on submission allowance. • **Indirect Costs:** The District uses the State negotiated rate to charge indirect costs against federal grants. • **Grants Monitoring:** Review of expenditures against grant requirements is conducted by the grants coordinator, with a secondary review performed by the finance department. Grant Coordinators have access to budget reports independent of the finance department.	• Consider hiring a grant writer that can be shared with 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 of each grant.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	• **F/S Audit:** The District was not found to have material weaknesses in its latest audited financial statements, but there were several findings related to internal controls and oversight of major programs that the District had to take action to fix. • **Position Control:** The District has the position control function on in Harris SmartFusion.	• 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.
Cash Management	• **Days Cash on Hand:** The District has a strong cash balance with 107 days cash on hand. • **Cash Flow Monitoring**: The District reviews cash flow forecasts on a monthly basis. However, the District monitors more frequently during low liquidity months in the fall. • **Grants Receivable Outstanding:** The District has Days Grants Receivable Outstanding of 88.4 which is higher than the statewide and the poverty band average. The District submits grant reimbursements monthly and quarterly, depending on submission ability. • **Days Payable Outstanding:** The Districts Days Payables Outstanding of 4.0 is significantly better than the statewide average • **Cash:** The District invests building program cash balances in the state local investment pool as of FY17, but not operating fund balances.	• 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 • Invest excess cash balances in operating funds in the Local Investment Pool to maximize earnings at times when cash balances are at peak.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	• **Debt:** The District's total debt as a % of revenue is 103%, which is high relative to the statewide average but on par with the enrollment band average. • **TAN:** The District did not issue TANs this past year to assist with liquidity needs during cash low point.	
Budget	• **Budget Planning:** The District uses an incremental budgeting process based off of 135-day ADM counts and enrollment growth trends to inform resource allocation needs. While the budgeting process is linked to the strategic plan, many budgeted costs are a roll forward from the year prior. • **Fiscal Monitoring:** The District closes monthly, and financial reports comparing budget to actual are shared monthly with key leaders and discussed at length during the monthly School Board meeting.	• 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 a monthly basis.
Technology	• **ERP:** The District uses the Harris SmartFusion accounting software system; however, processes remain manual for time-keeping. Within the Smart Fusion system the District leverages modules for accounting, purchasing and budgeting and is piloting an employee self-service portal. • **Timekeeping:** Time tracking for hourly and overtime pay remain manual, and must be keyed into the system by a District Office employee.	• Explore opportunities to better utilize the existing Smart Fusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders, automated time tracking that links directly with the payroll system. • Consider implementing an automated time keeping system that integrates with the existing AESOP substitute management system and Harris SmartFusion.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	• **Informal Networks:** The District does not coordinate with others in the region on any transaction processing or finance related activities; however, finance personnel from the District discuss problems, troubleshooting and share general knowledge regularly with others around the state.	• Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).

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HUMAN RESOURCES OVERVIEW

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

1,759 : 1

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

$57 per Student

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

Key statistics for metrics	
Human Resources FTEs[4]	6.0
Personnel Expense[3]	$559,785
Non-Personnel Expense[3]	$27,040
Total Human Resources Expense[3]	$586,825

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

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Organization:** The Human Resources function has an HR Director, a Coordinator for the formal evaluation process, a Benefits Specialist, and a Benefits Analyst. The functions relating to employee relations, temporary employees/volunteers and recruiting & retention are mostly handled by one administrative FTE. • **Human Resources Cost Per Pupil:** The HR Department's per pupil of $57 is low relative to the statewide average but high compared to the enrollment band average. • **Student per Human Resources FTE:** The Student to HR FTE ratio of 1,759 is high relative to the statewide average but lower than the average of districts with similar enrollment levels of 2,377.	• Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions. • As processes become increasingly automated, look to reallocate resources within the department to further specialized positions focused on recruitment & retention.
Recruiting and Retention	• **Teacher Recruitment:** Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 2 international teachers through an international staffing agency to provide extra support. In addition, the District leverages Kelly staffing agencies to secure substitutes. • The District's primarily pipelines for recruiting teachers are the SC PACE program, Teach for America and FACES. The District also actively recruits in Pennsylvania, where the number of graduation teachers is higher than what the state can absorb.	• Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	• **Avg. Teacher Salary:** The average teacher salary is significantly higher than statewide and regional averages. Despite the District's high salaries, due to a lack of resources, it does not utilize bonuses and incentives, which makes it tougher to recruit teachers. • **TERI Program:** The District anticipates teacher turnover in FY19 once the Teacher Employee Retention Incentive program expires in June 2018.	• Conduct exit interviews to gather information on the causes of employee attrition, and use the results of the process to formulate an effective teacher retention plan. • Anticipate increased staffing needs in FY19 based on TERI program expiration and begin the recruitment process early to avoid mid-schoolyear vacancies.
Technology	• **HR Software:** The District leverages the AppliTrack software for recruiting and application screening. • **Substitute Management:** The District leverages the Frontline – AESOP system for absence management, which interfaces directly with Kelly Services for the outsourcing of substitutes. • **Employee Self-Service:** The District is currently piloting the employee self-service module within the SmartFusion system for insurance and benefits election.	• Implement an automated time tracking system that can interface directly with the payroll system. • Expand the employee self-service module to reduce manual processes centered around benefits processing.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	• **Benefits Administration:** Benefits administration is currently handled by two FTEs. The District will eliminate manual oversight if it is able to successfully roll-out the employee self-service module to all employees.	• As the employee self-service module is rolled out to the entire district, look to reallocate one benefits employee to a further specialized position having to do with employee relations, recruitment and retention, etc. • Establish a process with PEBA to conduct a local review of benefit plans for ineligible dependents.
Collaboration	• **Collaboration:** The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies.	• Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include: - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers

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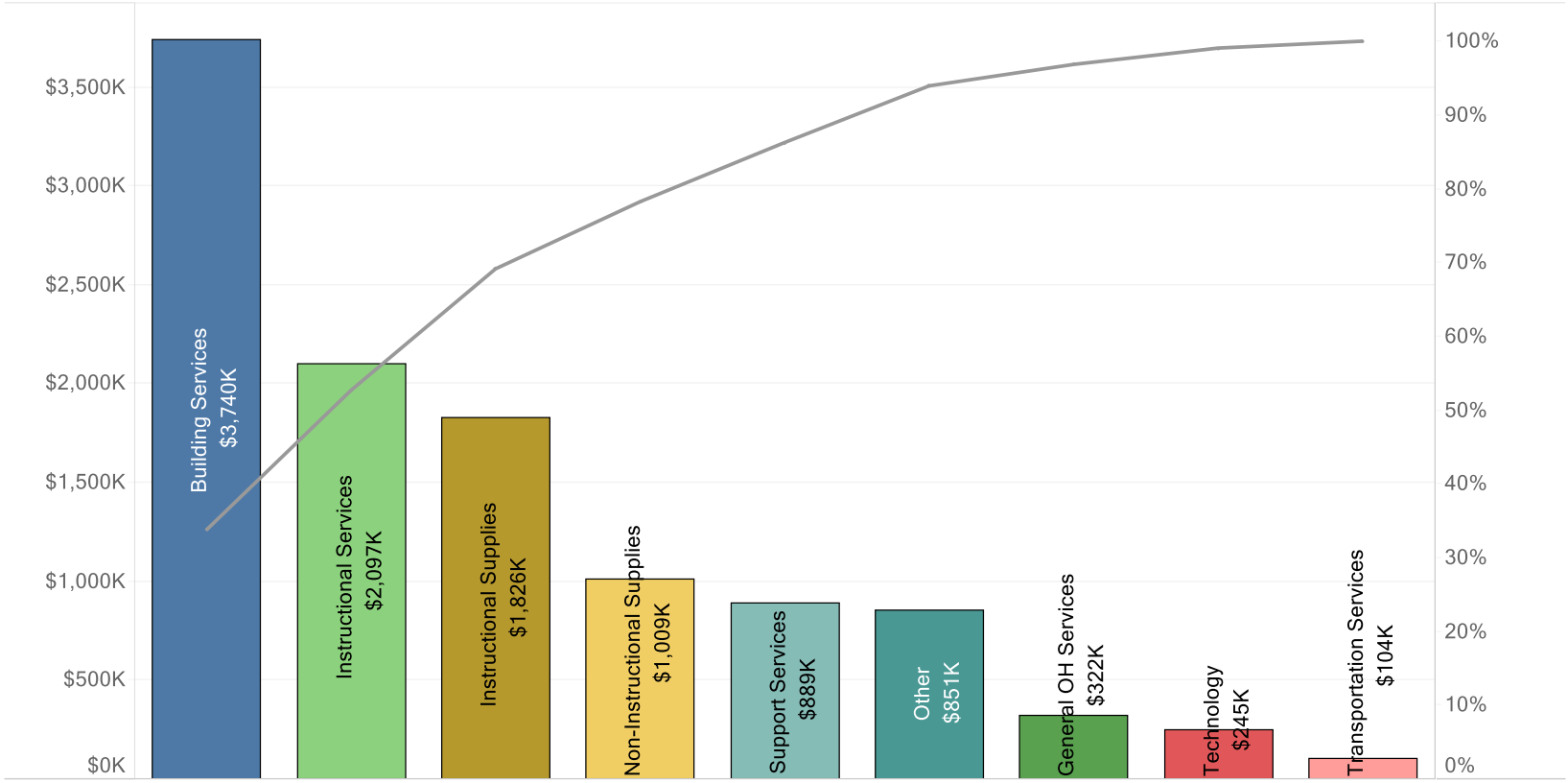
PROCUREMENT OVERVIEW

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

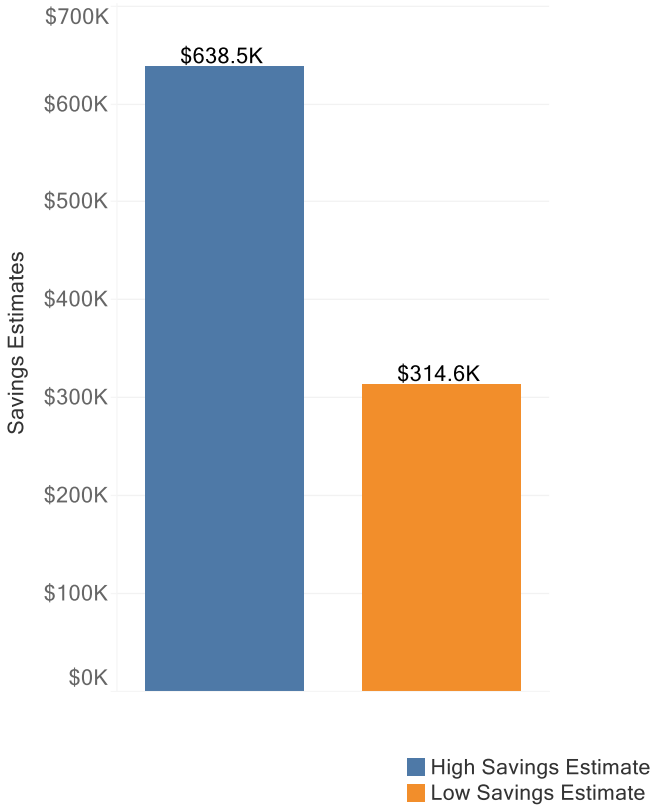
District In Scope Total Procurement Spend[3] = $11,083,826



ESTIMATED PROCUREMENT SAVINGS

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

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



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	• **Organization:** The District recently hired a full time Procurement Director to oversee and maximize purchasing activities.	• Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	• **Vendors:** Spending is fragmented across more than 1,900 vendors; however, the top 86 make up more than 80% of total spending. • **Aggregated Purchasing Decisions:** Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts are not made, apart from paper goods and technology.	• Standardize requirements and specifications for commonly purchased goods in order to streamline the number of vendors used, aggregate buying power within the District and enable volume pricing discounts. Contract options may take the form of: (a) state contracts; (b) stand-alone negotiated contracts; (c) negotiated contracts done in collaboration with surrounding districts. • Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. • Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		• Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include: (a) Food (if not currently using a GPO), (b) Supplies, and (c) Technology. Based upon experience across other school systems and districts, purchases made through suitable Group Purchasing Organizations for supplies and equipment typically yield savings.
Spending by Category	• **Building and Maintenance:** The majority of the District's vendor spend goes towards the outsourcing of custodial and grounds keeping workers that are contracted for through GCA Services Group. The District has a co-op agreement with multiple districts for resurfacing gymnasium floors. • **Food Services:** The District purchases food services related items through the Central Midlands Consortium. • **Instructional Support Services and Supplies - Procurement Exemptions:** The District does not require procurement of instructional support software to be placed out to bid. Depending on the exclusivity of the software, the District decides if it will be procured through sole source or put out for bid. • The District does not procure these services and software in collaboration with any other districts.	• Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category (cont'd)	• **Technology – Standardization:** The District is expanding its 1:1 initiative and is leveraging a contract with Dell and Apple Inc., for the leasing of laptops and iPads. • The District does not coordinate technology purchases with other nearby districts.	• **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.
Regional Collaboration	• **Collaboration:** The District has co-op agreements with districts in surrounding areas for certain purchases.	• Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: - Technology - Instructional Software and Services - Instructional Staffing - Supplies

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TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION OVERVIEW

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

13 Years

Avg. Age of State Provided Bus Fleet[9]

$251 per Student

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

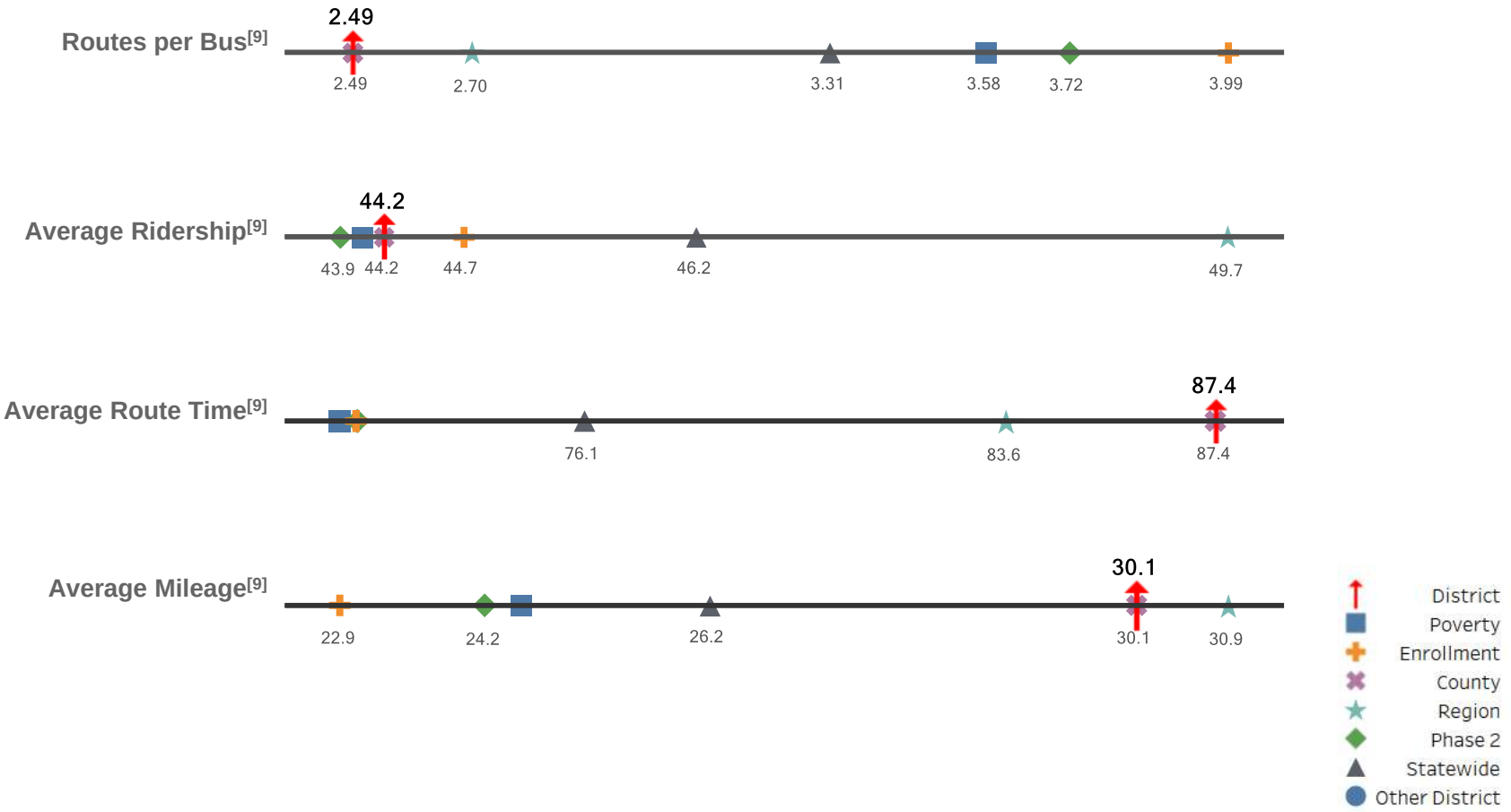
Key statistics for metrics	
Transportation FTEs[4]	110.0
Personnel Expense[3]	$2,477,223
Non-Personnel Expense[3]	$126,516
Total Transportation Expense[3]	$2,603,739

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	67.4	168	2.5	7,424	44	87	30
Special Needs	9.3	23	2.5	276	12	Not-Available	57
Other	10.0	47	4.7	1,418	30	Not-Available	14
Total	86.7	238	2.7	9,118	N/A	N/A	N/A

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

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



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• **Administration:** Transportation is run by four supervisors who oversee the different geographic areas within the District. • **Recruiting:** The District has a difficult time recruiting bus drivers. The District currently has several vacancies that are filled by 8 full time substitutes and four supervisors who regularly drive routes. • **Substitute Pool:** The District's pool of substitutes is 100% utilized; therefore, driver shortages cause doubling up of routes when there are absences. • **Dual Employment:** 86 (a large majority) of the District's bus drivers are dual employed as health room assistants, library assistants, classroom assistants, and food services workers to offer them full time employment opportunities. • **Overtime Pay:** In order to control spend on driver salaries, the District does not allow drivers to hit the number of hours that would require overtime payments. • **Staggered Routes:** The District runs staggered bus routes and bell times. • **Driver Pay:** Bus drivers are currently paid a starting rate of $12.48, approximately $4.73 above state reimbursement levels. The District increased their driver pay scale in the past year in order to recruit and retain more drivers.	• Implement a substitute/back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	• **Routing Software:** The District does not utilize routing software. • **GPS:** The District does not have GPS on its buses. • **Driver Communication:** The District provides cell phones to drivers in order to contact them while on routes. • **Security Cameras:** The District has security cameras on all buses. • **Stop-Arm Cameras:** The District does not have stop-arm cameras on buses. • **Activity Buses:** The District does not use the state fuel for activity buses.	• Implement routing software to ensure most efficient routes. • Install GPS on buses to monitor bus routes and ensure the most efficient route. • Install stop-arm cameras to assess tickets to drivers passing buses.
Collaboration	• **Homeless Transportation:** The District does not collaborate with surrounding districts on McKinney-Vento homeless transportation. Other districts drop off students via bus or private taxi service and then invoice the District. The District is often blindsided by unexpected drop-offs until receipt of the invoice for transportation services. Where possible, the District strives to arrange a pick-up/drop-off point for students to minimize transportation costs.	

APPENDIX A:
SAVINGS METHODOLOGY

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

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

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

Functional Review

Operating Model Components

PROCESS

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

ORGANIZATION

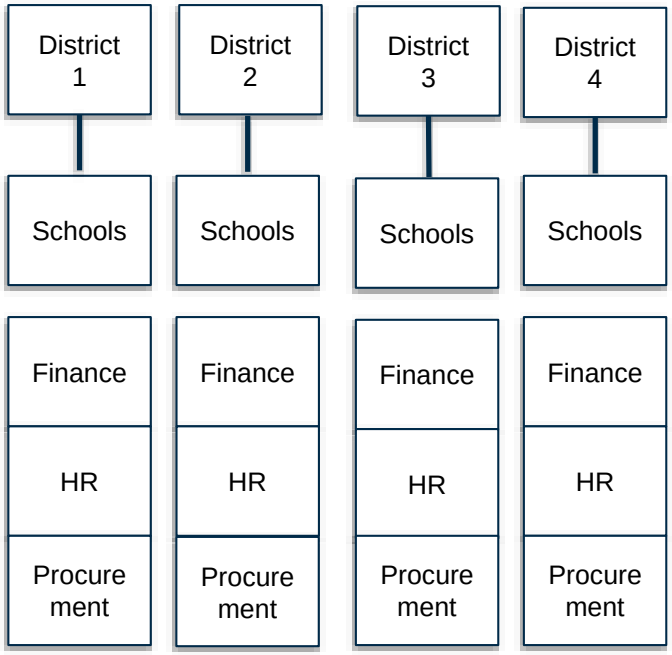
An analysis of each organization's staffing levels on an As-Is Basis, against peer benchmarks, and in a regional collaborative model were conducted to assess overall efficiency and effectiveness.

COLLABORATION: SHARED SERVICE MODELS

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

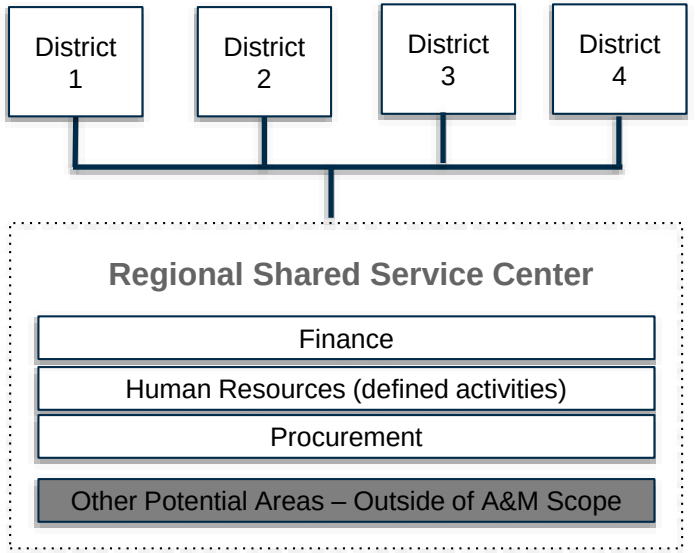
CURRENT STATE: STAND ALONE DISTRICT

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



COLLABORATION ALTERNATIVE

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



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

SHARED SERVICES MODEL: SAVINGS APPROACH

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

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

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

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

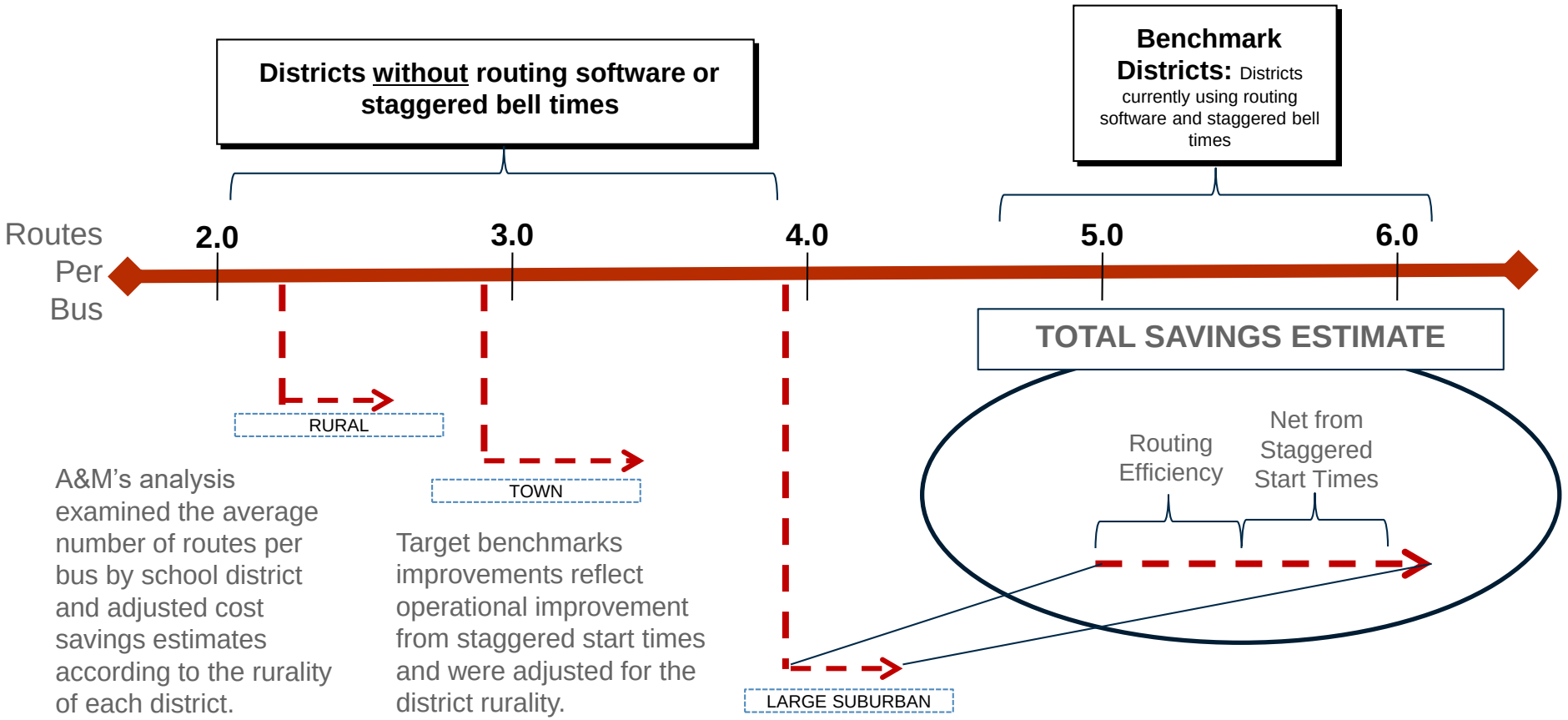
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	**Collaboration Model**	**Savings**
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs(2)	18.9	13.0	6.0
Total Spend(2)	$2,409,840	$1,684,478	$725,326
Savings %			30.1%

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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH

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



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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

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

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

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

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

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

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

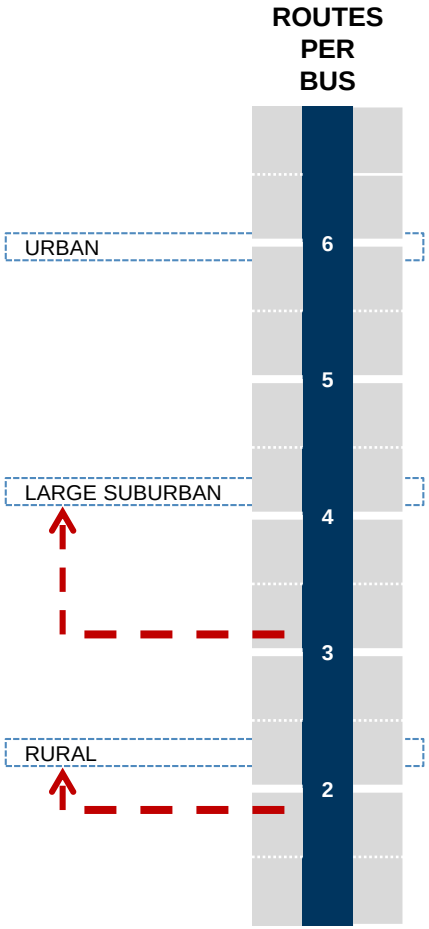
Cost savings from more efficient routing are significant, with savings shared between the districts and the State.

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

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

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



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

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

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

COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

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

EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

Example 1: Differentiated Pricing in Professional Services

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

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

Example 2: Volume Discounts and Rebates with a Technology Vendor

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

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

PURCHASING COORDINATION AND AGGREGATION: SAVINGS APPROACH

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

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

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

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

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

APPENDIX B:
DATA SOURCES

APPENDIX B: DATA SOURCES
KERSHAW

[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
KERSHAW

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
KERSHAW

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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