



# ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION  
SCHOOL DISTRICT EFFICIENCY REVIEW

Lexington 02

**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

## LEXINGTON 02

### PROJECT OVERVIEW

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- 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

## LEXINGTON 02

### PROJECT OVERVIEW (CONTINUED)

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- A&M conducted School Efficiency Reviews of 79 of the 82 school districts in the State across two phases, each of which approximated nine weeks. Phase 1 included 32 districts (all Plaintiff districts) and Phase 2 included 47 districts. Three districts did not participate due to previously completed efficiency reports: Clarendon 1 (Plaintiff), Lexington 4 (Plaintiff) and Dorchester Two.
- The review conducted by A&M included 2 partial day site visits in order to meet with district personnel to understand their organizations, processes and approaches.
- The report identifies two themes that will help drive greater efficiency and effectiveness in school districts:
  1. **Modernize:** A series of one-time investments in technology that must be made in order to enhance processes and drive operational efficiency.
  2. **Collaborate:** Small districts must perform and support a fixed, minimum cost structure that does not allow them to benefit from economies of scale available to larger districts. There are a range of opportunities for cross-district collaboration that will realize efficiencies and generate the highest level of savings. Efficiencies and effectiveness will increase as the number of districts collaborating increases.
- This analysis presents two types of estimates:
  1. **Investments** in school district modernization necessary to drive future cost savings; and
  2. **Net savings** from implementation of a shared services model for functions within the scope of this study.

# EXECUTIVE SUMMARY

## LEXINGTON 02

### PROJECT OVERVIEW (CONTINUED)

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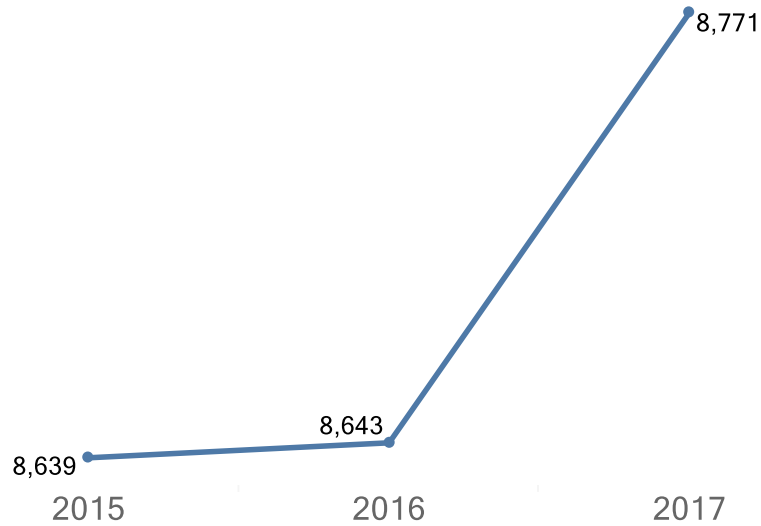
#### ➤ Sources of Data and Savings Estimates:

- 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.

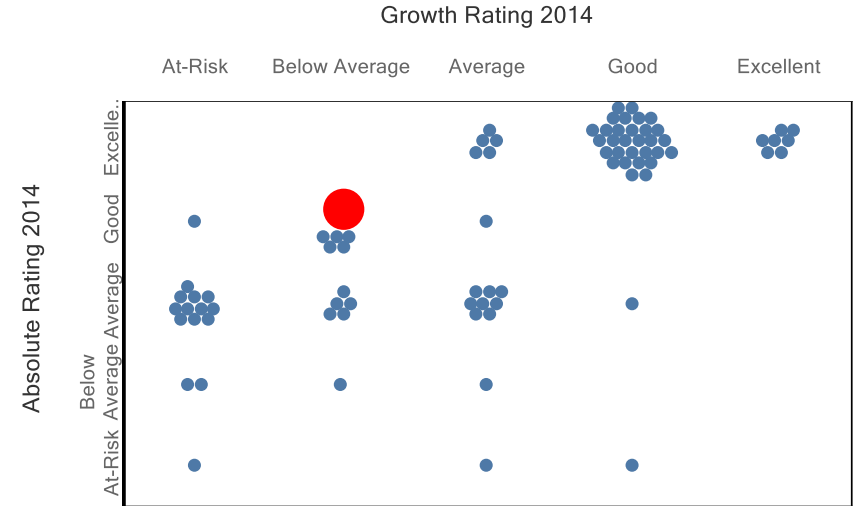
# EXECUTIVE SUMMARY

## LEXINGTON 02

### Average Daily Membership<sup>[2]</sup>



### Student Achievement<sup>[1]</sup>



### General Info

Number of Schools <sup>[2]</sup>	15
% Poverty <sup>[1]</sup>	70.5%
% Disability <sup>[1]</sup>	13.5%
\$ Per Student <sup>[2],[3]</sup>	\$14,554
\$ Per Student Excluding Debt & Capital <sup>[2],[3]</sup>	\$10,402

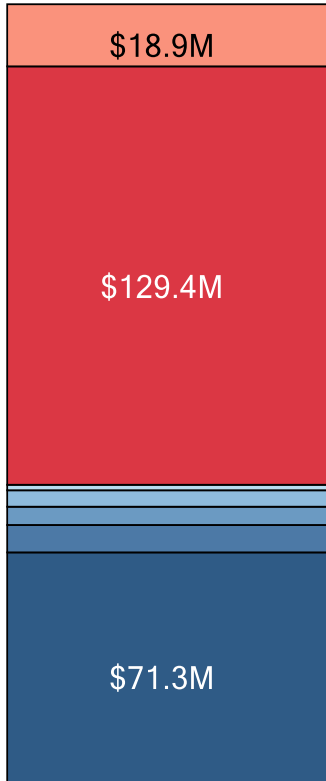
### Administration

Students Per Instructional Services FTE <sup>[2],[4]</sup>	10.3
Students Per Overhead FTE <sup>[2],[4]</sup>	274.1
Students Per School Support FTE <sup>[2],[4]</sup>	67.7
Students to Total FTE <sup>[2],[4]</sup>	8.7

# EXECUTIVE SUMMARY

## LEXINGTON 02

**Sources of Funds<sup>[5]</sup>**  
\$240.6M



2015-2016

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

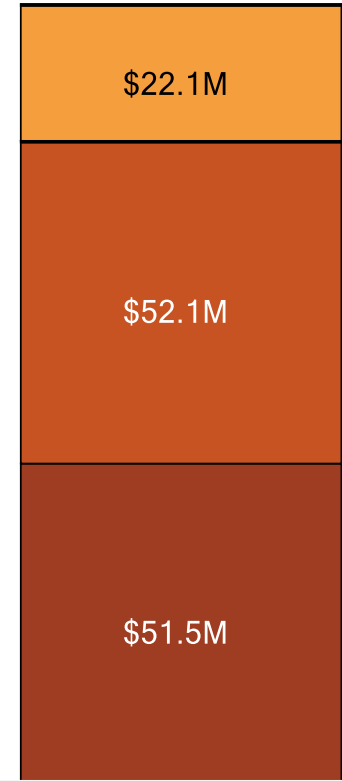
**Use of Funds - Type<sup>[3]</sup>**  
\$125.8M



2015-2016

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

**Use of Funds - Function<sup>[3]</sup>**  
\$125.8M



2015-2016

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

\* totals may not tie due to rounding

# EXECUTIVE SUMMARY

## LEXINGTON 02

\$125.8M  
Total

\$13.9M  
In-Scope

\$111.8M  
Not In-Scope

*11.1% of total spend is within scope of the efficiency review:*

	In Scope Spend <sup>[3]</sup>	Procurement Component
Finance	\$959,637	\$98,035
Human Resources	\$615,065	\$84,490
Overhead	\$750,320	\$218,709
Transportation	\$2,854,358	\$201,774
Procurement (Community Services, Instruction, Support Services)	\$8,768,941	\$8,768,941
<b>TOTAL</b>	<b>\$13,948,321</b>	<b>\$9,371,949</b>

# EXECUTIVE SUMMARY

## LEXINGTON 02

### GOALS, CHALLENGES & ACHIEVEMENTS

#### District Goals

- **Mission:** As champions for children and partners for our community, Lexington School District Two will provide superior educational opportunities that enable all students to achieve success.
- **Vision:** Lexington Two will be nationally recognized as “Champions for Children” in preparing students for college and career readiness.
- **We believe:** all staff must be highly qualified, caring, and dedicated members of the community; the successful development students is a collaborative effort of parents, schools, businesses, and community; literacy is the foundation for success in all content areas; research-based instructional strategies must be implemented, monitored and refined; differentiated instruction is fundamental to meet the needs of all students; formative and summative assessments are vehicles to advance student academic achievement, verify attained learning, reinforce effort and provide recognition; and the learning environment must inspire creativity, inquiry, recognition, and critical thinking.

#### Achievements

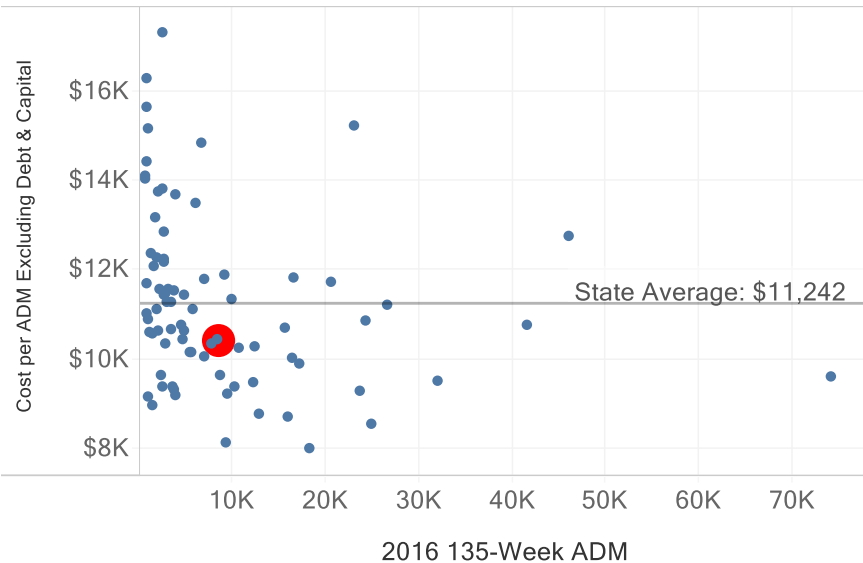
- Have partnered with local businesses to develop a robust career center.
- Full K-12 1:1 implementation to enable differentiated instruction.
- Provide opportunities for Fort Jackson families to integrate their families with the community.
- Airport High ROTC is nationally rated.
- Partner with Lexington School District Four on Adult Education program.
- Virtual induction program to help retain first year teachers.

#### Challenges

- Maintenance and construction of aging facilities.
- Filling hard-to-fill teaching positions such as special education and higher level science.
- Recruitment and retention of enough bus drivers to maintain full staffing and develop a pool of substitutes to cover absences easier.

## 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.

# EXECUTIVE SUMMARY

## LEXINGTON 02

### OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
<b>Finance</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The District is adequately staffed to fulfill the financial needs of the district based on current processes. The Chief Financial Officer has been at the District for 2 years.</li> <li>• <b>Manual Processes:</b> Under-investment and under-utilization of technology contribute to the manual processes for time tracking and invoice approval.</li> </ul>
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The District is adequately staffed to fulfill the staff services needed for the district with benefits being managed through finance due to payroll deadlines.</li> <li>• <b>Challenges with Recruiting and Retention:</b> The District has approximately 100 openings every year with a retention rate just under 90%. For first year teachers, that retention rate is down to 14% from 22% recently due to the increased focus on induction.</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> 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 and the District is no different.</li> <li>• <b>Bus Management:</b> The District generally has 4 or 5 state owned buses under repair on any given day.</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The procurement team oversees all procurement at the District, including the management of purchasing cards (Pcards).</li> <li>• <b>Strategic sourcing:</b> The District has collaborated with the top 33 spend districts in the State on some procurement of goods and services while leveraging State contracts where appropriate.</li> </ul>
<b>Overhead</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The District has a decentralized communications function with the Instruction function handling most of social media and the Superintendent's office handling most of the press releases.</li> <li>• <b>Collaboration:</b> Varying levels of informal collaboration with other Superintendents.</li> </ul>

## RECOMMENDATIONS

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

### **Modernize School District Operations**

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

### **Collaborate Across Districts**

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

# EXECUTIVE SUMMARY

## LEXINGTON 02

### MODERNIZATION RECOMMENDATIONS

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

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

# EXECUTIVE SUMMARY

## LEXINGTON 02

### 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><b>Accounts Payable and Payroll:</b> Shared Processing; Standardized and automated workflow on approvals</p> <p><b>Potential to add in:</b></p> <ul style="list-style-type: none"> <li>Accounting Entries</li> <li>Financial Reporting</li> <li>General Oversight</li> <li>ERP Systems</li> <li>Grant Compliance and Claiming</li> </ul>	<p><b>Benefits Coordination:</b> Shared Processing and Support</p> <p><b>Potential to add in:</b></p> <ul style="list-style-type: none"> <li>Intl. Recruiting: H1B Process or collaborative</li> <li>System Licenses for Recruiting, Substitute Management, and on-boarding</li> <li>Sharing of instructional resources across varying classroom models</li> </ul>	<p><b>Purchasing Coordination:</b> 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><b>Transportation:</b> Shared administrative resources</p> <p><b>Facilities/ Maintenance:</b> Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing)</p> <p><b>Technology:</b> Shared oversight and support functions</p> <p><b>Curriculum:</b> 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

## LEXINGTON 02

### 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

## LEXINGTON 02

### 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	\$57,500	\$143,800	\$93,300	\$280,000
Human Resources	0	10,000	0	62,100
Procurement	0	0	259,800	530,700
Transportation – District	N/A	N/A	13,000	20,000
<b>District Total</b>	<b>57,500</b>	<b>153,800</b>	<b>366,100</b>	<b>892,800</b>
Transportation – State	0	0	14,000	22,000
<b>Total</b>	<b>\$57,500</b>	<b>\$153,800</b>	<b>\$380,100</b>	<b>\$914,800</b>

\* 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.*



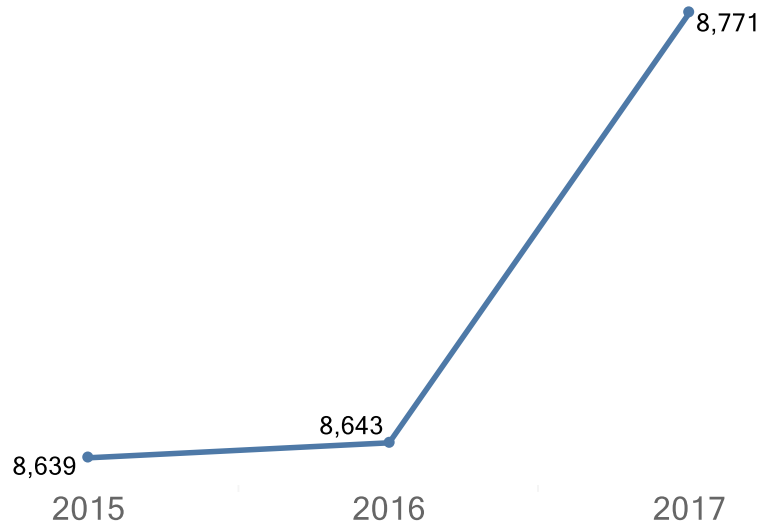
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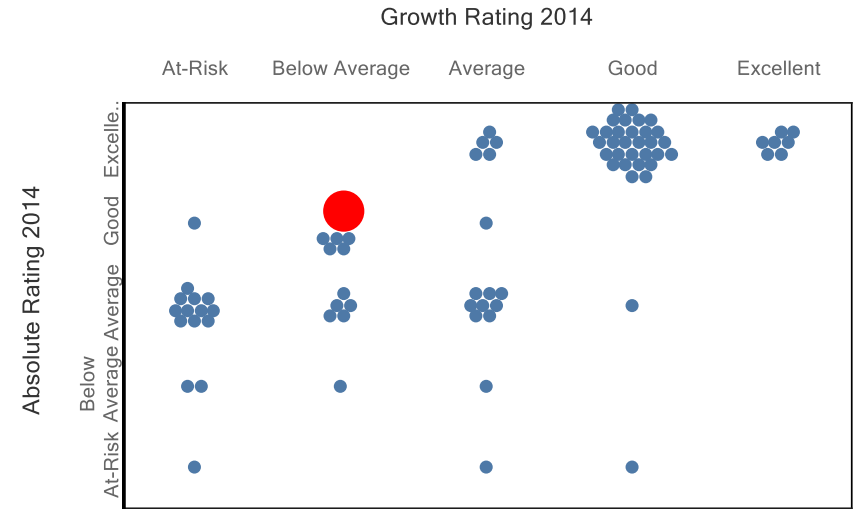
# DISTRICT ADMINISTRATION AND PERFORMANCE

## LEXINGTON 02

### Average Daily Membership<sup>[2]</sup>



### Student Achievement<sup>[1]</sup>



### General Info

Number of Schools <sup>[2]</sup>	15
% Poverty <sup>[1]</sup>	70.5%
% Disability <sup>[1]</sup>	13.5%
\$ Per Student <sup>[2],[3]</sup>	\$14,554
\$ Per Student Excluding Debt & Capital <sup>[2],[3]</sup>	\$10,402

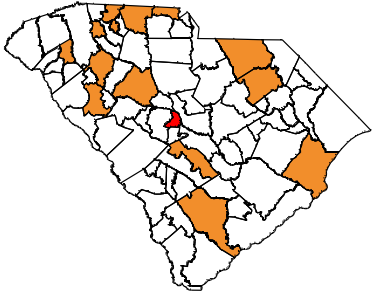
### Administration

Students Per Instructional Services FTE <sup>[2],[4]</sup>	10.3
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Students to Total FTE <sup>[2],[4]</sup>	8.7

# DISTRICT BENCHMARKING

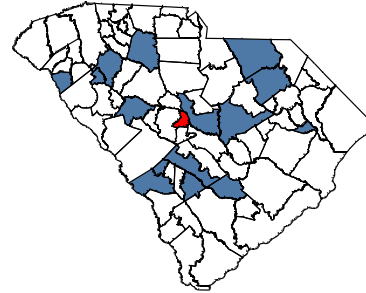
## LEXINGTON 02

### Enrollment (5,000 - 10,000)



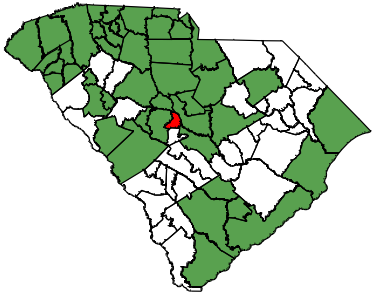
- |              |                |
|--------------|----------------|
| Anderson 01  | Orangeburg 05  |
| Cherokee     | Spartanburg 02 |
| Chesterfield | Spartanburg 05 |
| Colleton     | Spartanburg 07 |
| Darlington   | York 02        |
| Georgetown   |                |
| Greenwood 50 |          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

### Poverty (70% - 75%)



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

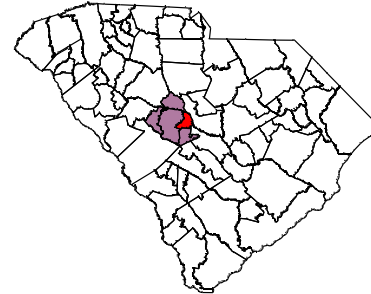
### Phase 1 (No)



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

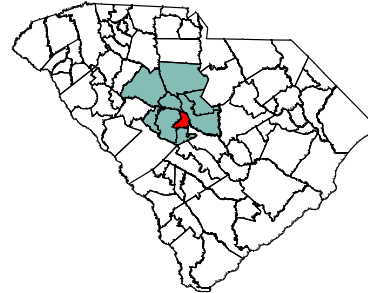
- Sumter
- Union
- York 01
- York 02
- York 03
- York 04

### County (Lexington)



- Lexington 01
- Lexington 02
- Lexington 03
- Lexington 04
- Lexington/Richland 05

### Region (Central Midlands)



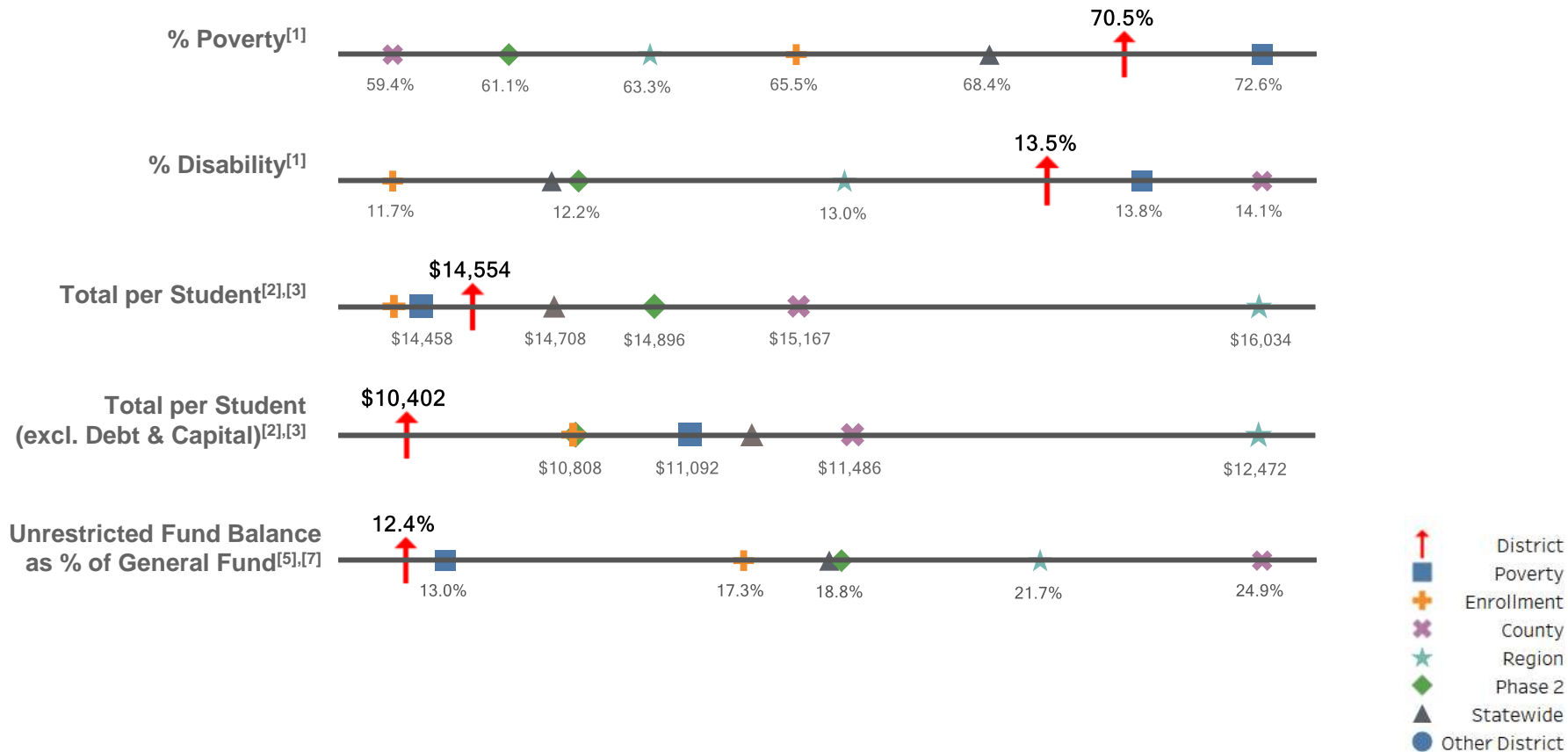
- Fairfield
- Lexington 01
- Lexington 02
- Lexington 03
- Lexington 04
- Lexington/Richland 05
- Newberry
- Richland 01
- Richland 02

# DISTRICT OVERVIEW

## LEXINGTON 02

### KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

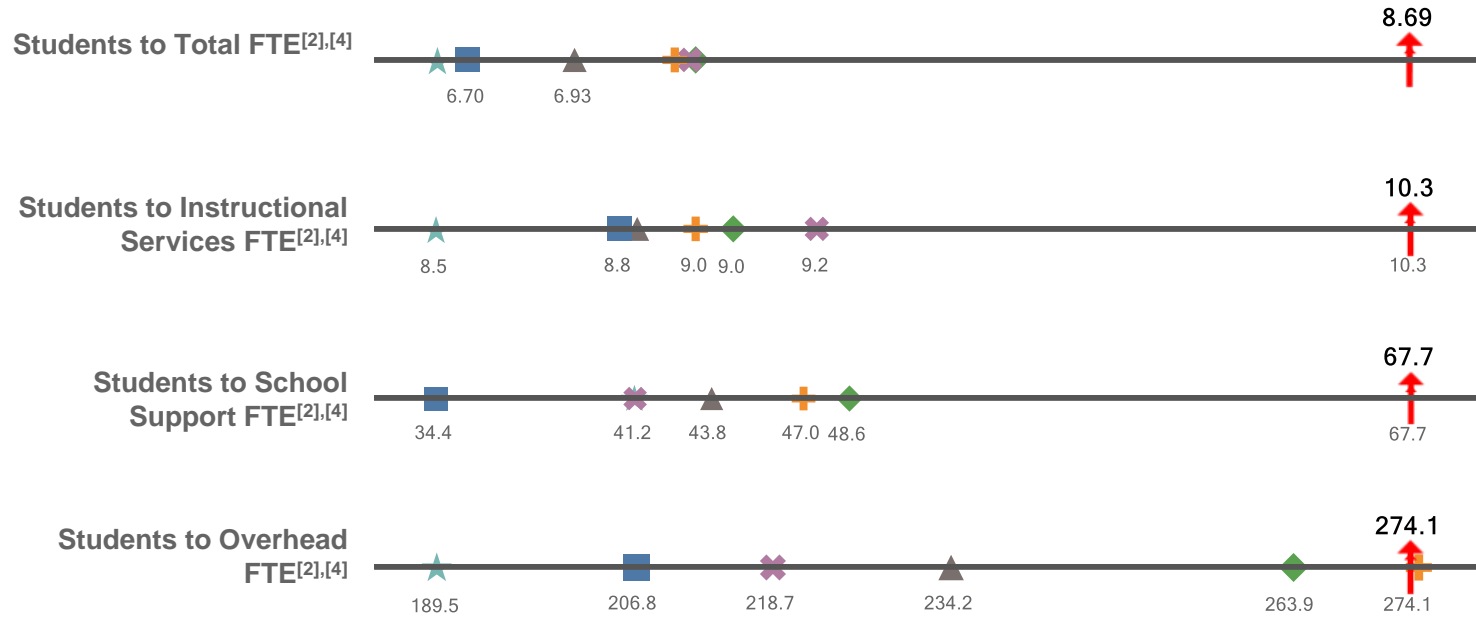
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



# DISTRICT OVERVIEW

## LEXINGTON 02

### KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



# DISTRICT OVERVIEW AND OVERHEAD

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Enrollment Trends</b>	<ul style="list-style-type: none"> <li>• <b>3-year Enrollment Trend:</b> The District's enrollment has increased by 132, or 1.5%, since FY15.</li> <li>• <b>Student Demographics:</b> The District has 70.5% of the students qualify for free and/or reduced lunch while 13.5% of the enrollment has special needs. These are higher than the state averages of 68.4% and 12.2% respectively.</li> <li>• <b>Long-term Planning:</b> The District does prepare long term enrollment projections to help inform long-term planning.</li> </ul>	<ul style="list-style-type: none"> <li>• Based on expected trends in overall census growth and demographic changes in the county, the District should continue to revise long term planning projections on an annual basis to ensure financial stability over the long term. As part of this effort, the District should continue to plan for incremental overhead needs required to support growth in the number of facilities and students served.</li> </ul>
<b>District Funding and Resource Allocation</b>	<ul style="list-style-type: none"> <li>• <b>Per Pupil Expenses:</b> The District's Per Pupil Expense when excluding debt and capital is \$10,402, which is lower than both the state average (\$11,242) and districts with similar enrollment (\$10,808).</li> <li>• <b>Unrestricted Fund Balance:</b> The District's Unrestricted Fund Balance is 12.4% of general fund revenues, which is below both the state average (18.6%) and districts with similar enrollment (17.3%).</li> </ul>	<ul style="list-style-type: none"> <li>• To prevent excess district office staff and spending with the anticipated enrollment growth, expand on existing resource allocation practices to use key operating metrics to estimate needed resources.</li> </ul>

# DISTRICT OVERVIEW AND OVERHEAD LEXINGTON 02

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>District Funding and Resource Allocation (cont'd)</b>	<ul style="list-style-type: none"> <li>• <b>Student to FTE:</b> The District's Student to Total FTE is 8.69 which is higher than both the state average (6.93) and districts with similar enrollment (7.14).</li> <li>• <b>Student to Instruction FTE:</b> The District's Student to Instruction FTE is 10.339, which is higher than the state average (8.852) and districts with similar enrollment (8.965).</li> <li>• <b>Student to Support Services FTE:</b> The District's Student to Support Services FTE is 67.73 which is higher than both the state average (43.82) and districts with similar enrollment (46.97). The school has outsourced food services which is driving the number higher than comparable metrics.</li> <li>• <b>Student to Overhead FTE:</b> The District's Student to Overhead FTE is 274 which is higher than the state average (234) and similar to districts with similar enrollment (275).</li> </ul>	
<b>Staffing / Organization</b>	<ul style="list-style-type: none"> <li>• <b>Role of Superintendent:</b> The Superintendent spends most of his day meeting with our cabinet, parents, or principals. Dr. James is also very involved in the day to day operations. He spends time working throughout the organization to help work through issues that arise from instruction to construction.</li> <li>• <b>Communications Function:</b> The communications function is decentralized with the Superintendent's office releasing most of the press releases and the Instruction office handling most of the social media.</li> <li>• <b>Turnover:</b> Superintendent has overseen the District for the past 2 years.</li> </ul>	

# DISTRICT OVERVIEW AND OVERHEAD

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Community Involvement</b>	<ul style="list-style-type: none"> <li>• <b>Philanthropy:</b> The District supports with Fort Jackson to provide school choices for members of the military to help the family integrate with the community.</li> <li>• <b>Business Development:</b> The District does not raise a significant amount of money from local businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider hiring a business development director to work with local businesses to provide added funding.</li> </ul>
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• <b>Pay:</b> The Board Members of the district are not paid, but the officers receive a travel stipend.</li> <li>• <b>Composition:</b> Most of the Board members live in the District and are elected at-large.</li> <li>• <b>Training:</b> The Board is trained through the state Board Association.</li> </ul>	
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>• The Superintendent meets regularly with all Midlands area superintendents.</li> <li>• <b>Career Center:</b> The District does not have a shared career center.</li> <li>• <b>Special Education:</b> The District does coordinate with Richland 1 for hearing services.</li> <li>• <b>Headcount:</b> The District does not share FTEs with area districts, but does collaborate with Lexington 4 for adult education.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider implementing a more robust regional shared service model that allows for sharing of resources and systems across highly specialized skills.</li> </ul>



## 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.*

975 : 1

District Students (ADM)<sup>[2]</sup>

Financial  
FTE<sup>[4]</sup>

\$111 per Student

Cost of Total Financial Spend<sup>[3]</sup> per Student  
(ADM)<sup>[2]</sup>

### Key statistics for metrics

Financial FTEs <sup>[4]</sup>	9.0
Personnel Expense <sup>[3]</sup>	\$861,372
Non-Personnel Expense <sup>[3]</sup>	\$98,265
Total Financial Expense <sup>[3]</sup>	\$959,637

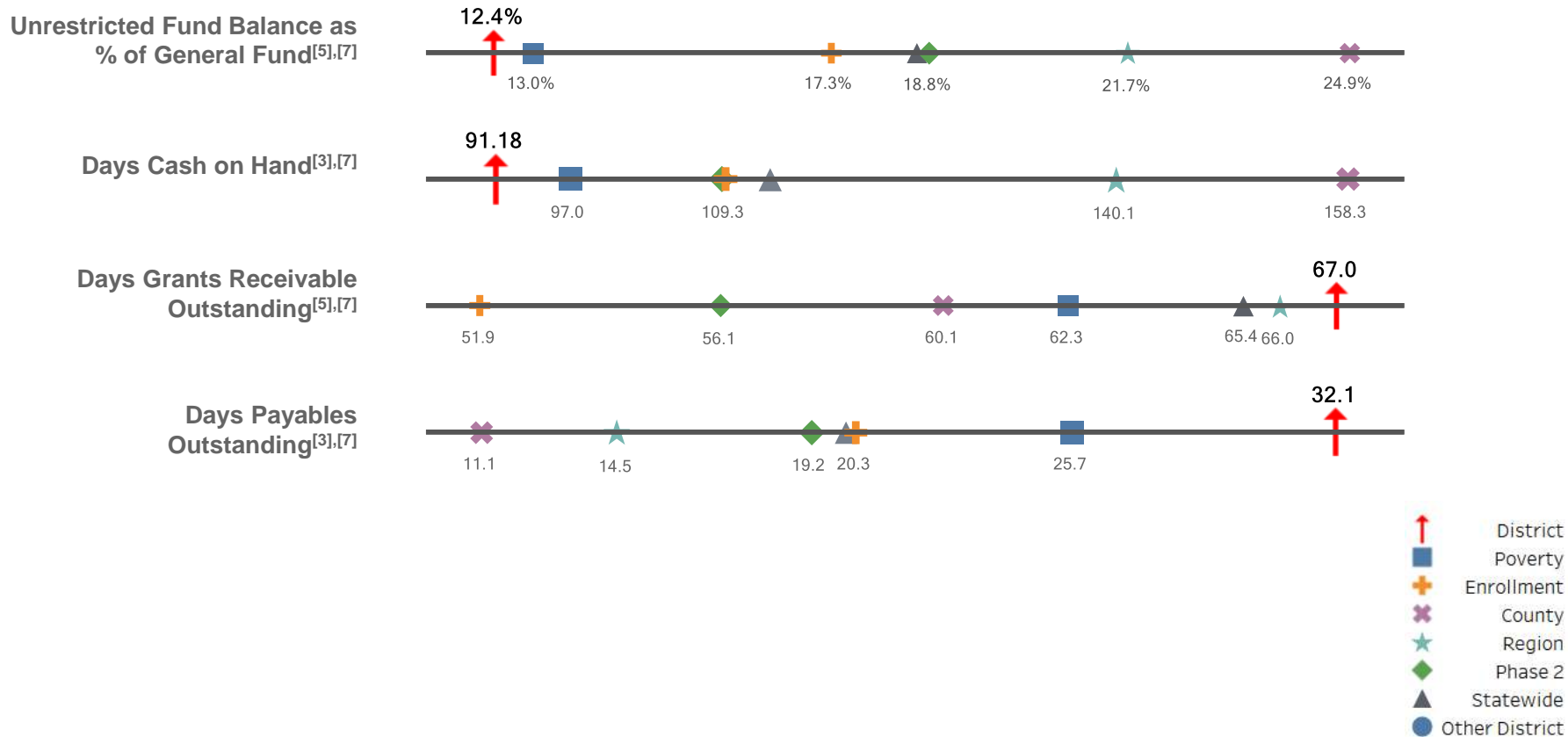
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

# FINANCIAL MANAGEMENT

## LEXINGTON 02

### KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

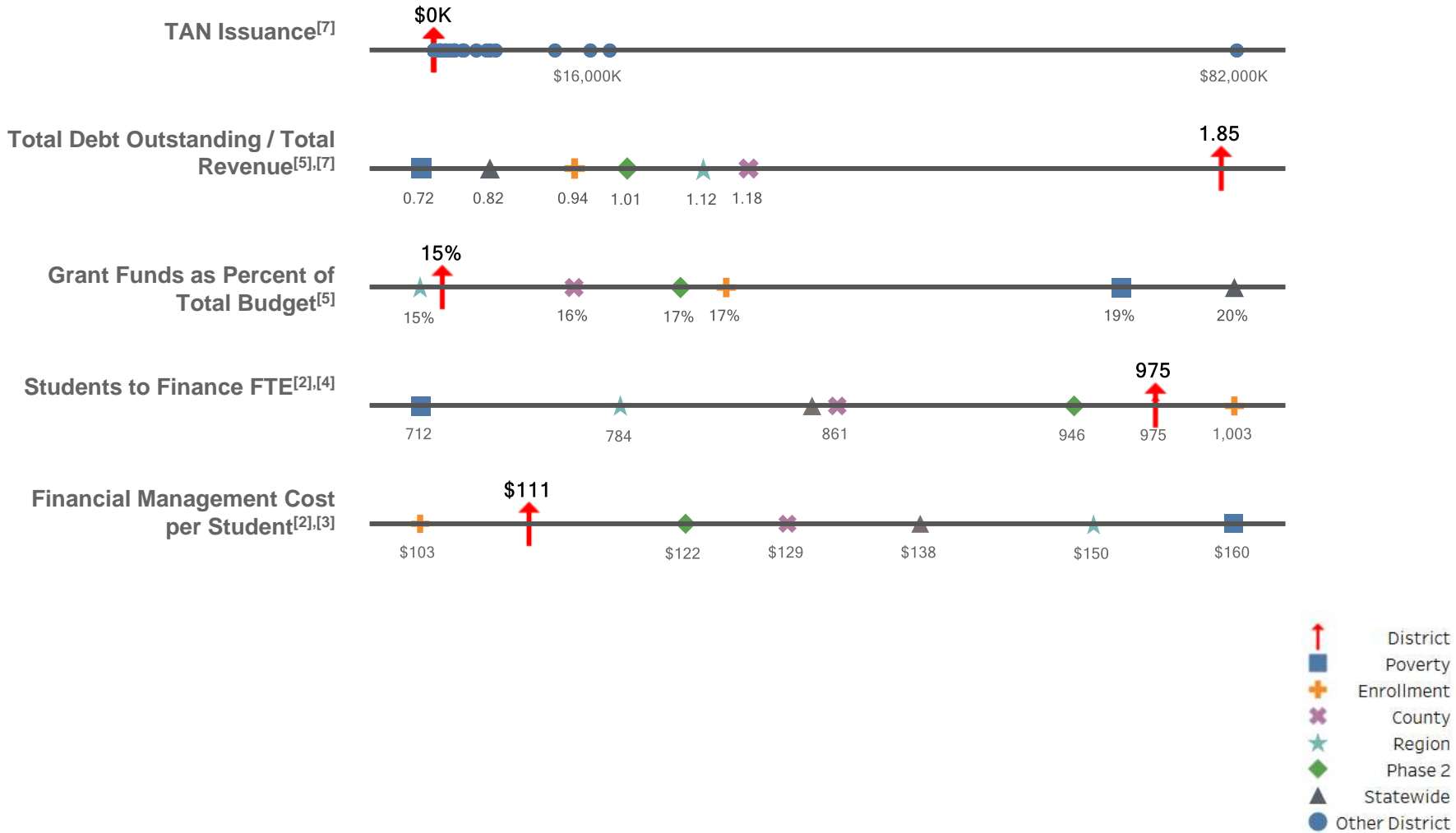
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



# FINANCIAL MANAGEMENT

## LEXINGTON 02

### KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



# FINANCIAL MANAGEMENT

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Staffing / Organization</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting.</li> <li>• <b>Turnover:</b> The Chief Finance Officer has been at the District for two years.</li> <li>• <b>Finance Costs Per Pupil:</b> The District's Finance Costs Per Pupil is \$111, which is lower than the state average (\$138) and similar to districts with similar enrollment (\$103).</li> <li>• <b>Students to Finance FTE:</b> The District's Student to Finance FTE is 975, which is similar to districts with similar enrollment (1,003) and the state average (852).</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to 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.</li> </ul>

# FINANCIAL MANAGEMENT

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Payroll and Accounts Payable</b>	<ul style="list-style-type: none"> <li>• <b>Payroll:</b> The District currently runs payroll on a semi-monthly basis. 99-100% of all employees receive direct deposit.</li> <li>• <b>Timekeeping:</b> Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department.</li> <li>• <b>Purchasing:</b> The District currently uses a centralized purchase order system, but much of the approval process is done outside of the system.</li> <li>• <b>Inventory:</b> The District bar codes technology and tracks it in One to One. The District also has a fixed asset module in SmartFusion.</li> <li>• <b>Accounts Payable:</b> The District processes all invoices manually with approvals being sent via interoffice mail back to finance for payment.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Leverage automated purchase order work flow systems that can be integrated with the financial systems to improve workflow of purchase orders and invoices.</li> </ul>

**SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

	Observations	Recommendations
<p><b>Grants Management</b></p>	<ul style="list-style-type: none"> <li>• <b>Grants Revenue:</b> The District has 15% of revenue coming from grants. That is less than both the state average (20%) and districts with similar enrollment (17%).</li> <li>• <b>Federal Funds:</b> The Program area is responsible for submitting and writing grants while the Director of Finance manages the claiming process.</li> <li>• <b>Indirect Costs:</b> The District does charge some indirect costs against federal grants as the grants do not cover all of the expenses to run the applicable programs.</li> <li>• <b>Grants Monitoring:</b> Review of expenditures against grant requirements is conducted by the Finance department.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities.</li> </ul>

# FINANCIAL MANAGEMENT

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>• <b>F/S Audit:</b> The District was found to have no material weaknesses in its FY16 audited financial statements.</li> <li>• <b>Position Control:</b> The District has position control.</li> <li>• <b>Pcard:</b> There is a \$1,000 transaction limit and \$5,000 per month limit. The District reviews every receipt, mainly for use tax. The District uses State’s procurement card program and within the program are limits for card use.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement annual review of processes to ensure segregation of duties over key areas of internal control.</li> <li>• Work with BOA to automate receipt review through Works program.</li> </ul>
<b>Cash Management</b>	<ul style="list-style-type: none"> <li>• <b>Days Cash on Hand:</b> The District’s Days Cash on Hand is 91.2 days, which is lower than the state average (112.8) and districts with similar enrollment (109.3).</li> <li>• <b>Forecasting:</b> The district reviews cash flow forecasts on a weekly basis for normal operations.</li> <li>• <b>Grants Receivable Outstanding:</b> The District’s Grants Receivable Outstanding is 67 days, which is similar to the state average (65.4), but higher than districts with similar enrollment (51.9).</li> <li>• <b>Payable Outstanding:</b> The District’s Days Payables Outstanding is 32 days, which is higher than both the state average (20) and districts with similar enrollment (20).</li> <li>• <b>Cash:</b> The District does invest cash balances in State local investment pool</li> <li>• <b>TAN:</b> The District did not issue TANs this past year.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider a process to forecast cash on a rolling 3 month basis.</li> <li>• 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</li> </ul>

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"><li>• <b>Planning:</b> The annual budget process consists of a roll-forward of prior year authorizations with a thorough analysis to look for appropriate cuts.</li><li>• <b>Monitoring:</b> The District does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared monthly with the board.</li></ul>	

# FINANCIAL MANAGEMENT

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Technology</b>	<ul style="list-style-type: none"> <li>• <b>ERP:</b> The District uses the Harris SmartFusion accounting software system.</li> <li>• <b>Time Tracking:</b> The District does not have Time Tracking software.</li> <li>• <b>Purchasing:</b> The District uses Harris SmartFusion for approval and recording of purchase orders. Much of the approval process is 3 color paper based with approvals being sent to Finance.</li> <li>• <b>Accounts Payable:</b> The District uses Harris SmartFusion for processing payment for all invoices. The receipt of goods and services and approval of invoices is all done manually through Interoffice mail.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement a time tracking system to improve hourly payroll processing and time approval.</li> <li>• Implement document workflow solution to process purchase orders and invoice approvals electronically.</li> </ul>
<b>Regional Collaboration</b>	<ul style="list-style-type: none"> <li>• The District does not coordinate with others in the region on any transaction processing or finance related activities.</li> <li>• Members of the team are part of statewide organizations such as SCASBO.</li> </ul>	<ul style="list-style-type: none"> <li>• 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).</li> </ul>



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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.*

1,754 : 1

District Students (ADM)<sup>[2]</sup>

Human Resources FTE<sup>[4]</sup>

\$71 per Student

Cost of all HR personnel<sup>[3]</sup> per Student (ADM)<sup>[2]</sup>

**Key statistics for metrics**

Human Resources FTEs <sup>[4]</sup>	5.0
Personnel Expense <sup>[3]</sup>	\$530,575
Non-Personnel Expense <sup>[3]</sup>	\$84,490
Total Human Resources Expense <sup>[3]</sup>	\$615,065

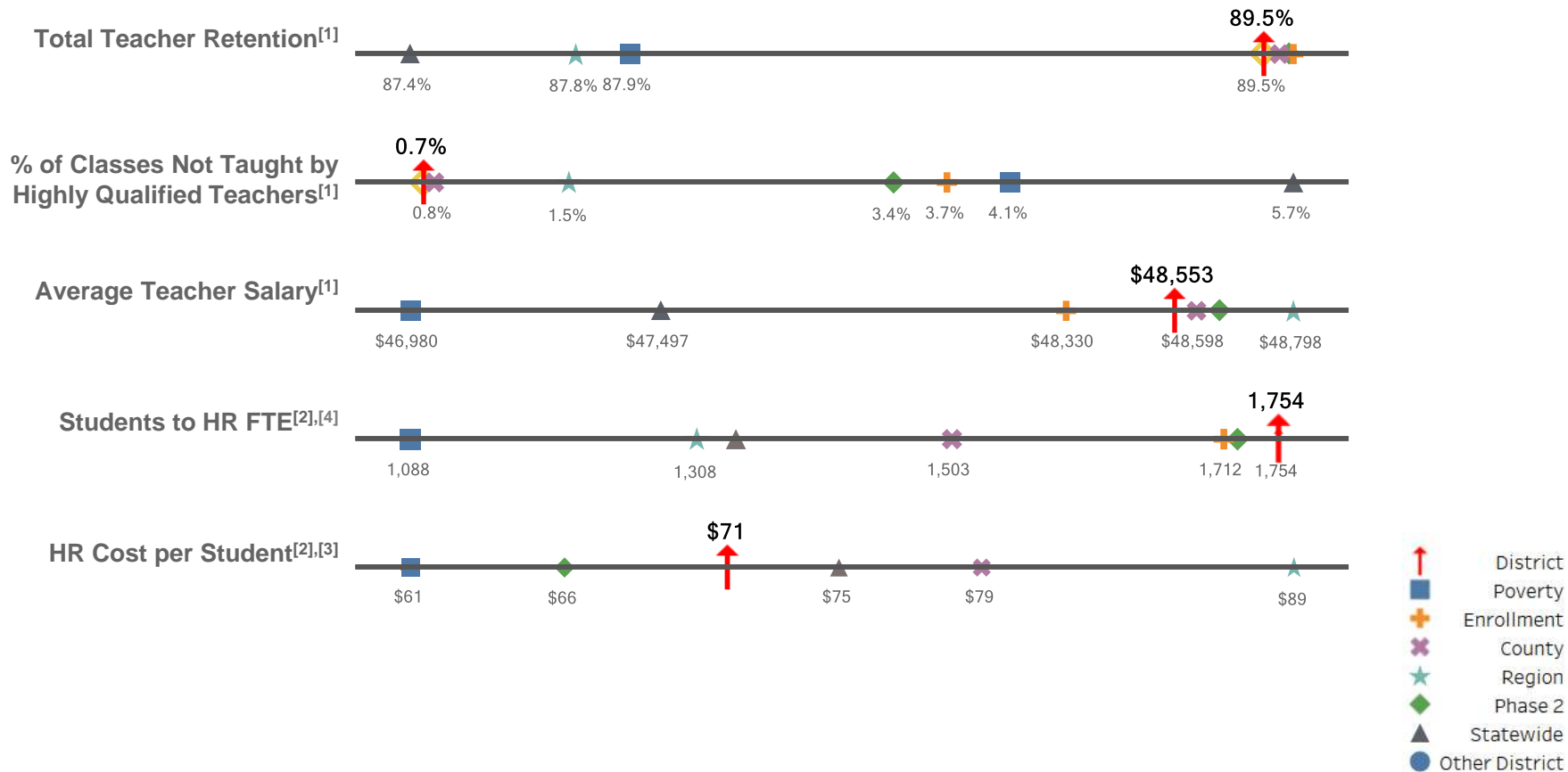
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

# HUMAN RESOURCES

## LEXINGTON 02

### KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



# HUMAN RESOURCES

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Staffing / Organization</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits.</li> <li>• <b>Turnover:</b> The Chief Human Resources Officer has been at the District for eleven years.</li> <li>• <b>Human Resources Costs Per Pupil:</b> The Human Resources cost per pupil for the district is \$71, which is similar to than the state average (\$75) and higher than districts with similar enrollment (\$57).</li> <li>• <b>Students to Human Resources FTE:</b> The Student to Human Resources FTE ratio is 1,754, which is higher than the state average (1,338), but similar to districts with similar enrollment (1,712).</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to 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.</li> </ul>
<b>Recruiting and Retention</b>	<ul style="list-style-type: none"> <li>• <b>Environment:</b> Similar to other school districts in the State, recruiting teachers into the District is challenging.</li> <li>• <b>Average Teacher Salary:</b> The District’s average teacher salary is \$48,553, which is higher than both the state average (\$48,553) and districts with similar enrollment (\$47,497). It is however lower than districts in the region (\$48,798).</li> <li>• <b>Incentives/Tactics:</b> The District offers \$2,500 signing bonus through Title II grant funds. The District also offers reimbursement for certification programs.</li> </ul>	<ul style="list-style-type: none"> <li>• As the statewide teacher shortage grows, continue to review and create 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.</li> </ul>

# HUMAN RESOURCES

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Recruiting and Retention</b>	<ul style="list-style-type: none"> <li>• <b>Vacancies:</b> The District has approximately 100 teacher openings every year with a retention rate of 89.5%.</li> <li>• <b>Induction:</b> The first year teacher turnover rate is 14% for FY16, but the rate has varied from year to year between 14% and 22% over the last three years. The District has modified it's induction program to decrease this turnover rate by addressing separation reasons they can control.</li> <li>• <b>Substitutes:</b> The District has a substitute pool of over 500 teachers.</li> </ul>	<ul style="list-style-type: none"> <li>• Due to the significant percentage of teachers who are expected to retire in the next five years throughout the state, do an analysis on the number of employees that are expected to retire in the next five years. If that number is above 15%, develop a workforce plan for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring high performing teacher training to enable a promotion, and partnering with staffing services to meet the needs of the students in case a gap in employment arises.</li> <li>• Continue to improve induction program to reduce high turnover rate for first year teachers.</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• <b>Recruiting:</b> The District leverages AppliTrack software systems for recruiting, application screening, and processing.</li> <li>• <b>ESS:</b> The District leverages Harris SmartFusion for their Employee Self Service Portal.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement software systems to help manage the substitute management process.</li> <li>• Implement an automated time tracking system that can interface directly with the payroll system.</li> <li>• Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process.</li> </ul>

# HUMAN RESOURCES

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Benefits is handled by the Finance Department due to the deadlines as part of the payroll process.</li> <li>• The District holds a retirement seminar to provide information to interested employees.</li> <li>• The District has benefit information online, but many employees choose to come in and speak with the team personally.</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage employees to use online resources for benefits understanding instead of being reliant on team.</li> </ul>
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>• The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• 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"> <li>- Benefits Coordination</li> <li>- Human Resources System Licenses (Frontline)</li> <li>- H1B Process for International Teachers</li> </ul> </li> <li>• Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts.</li> </ul>



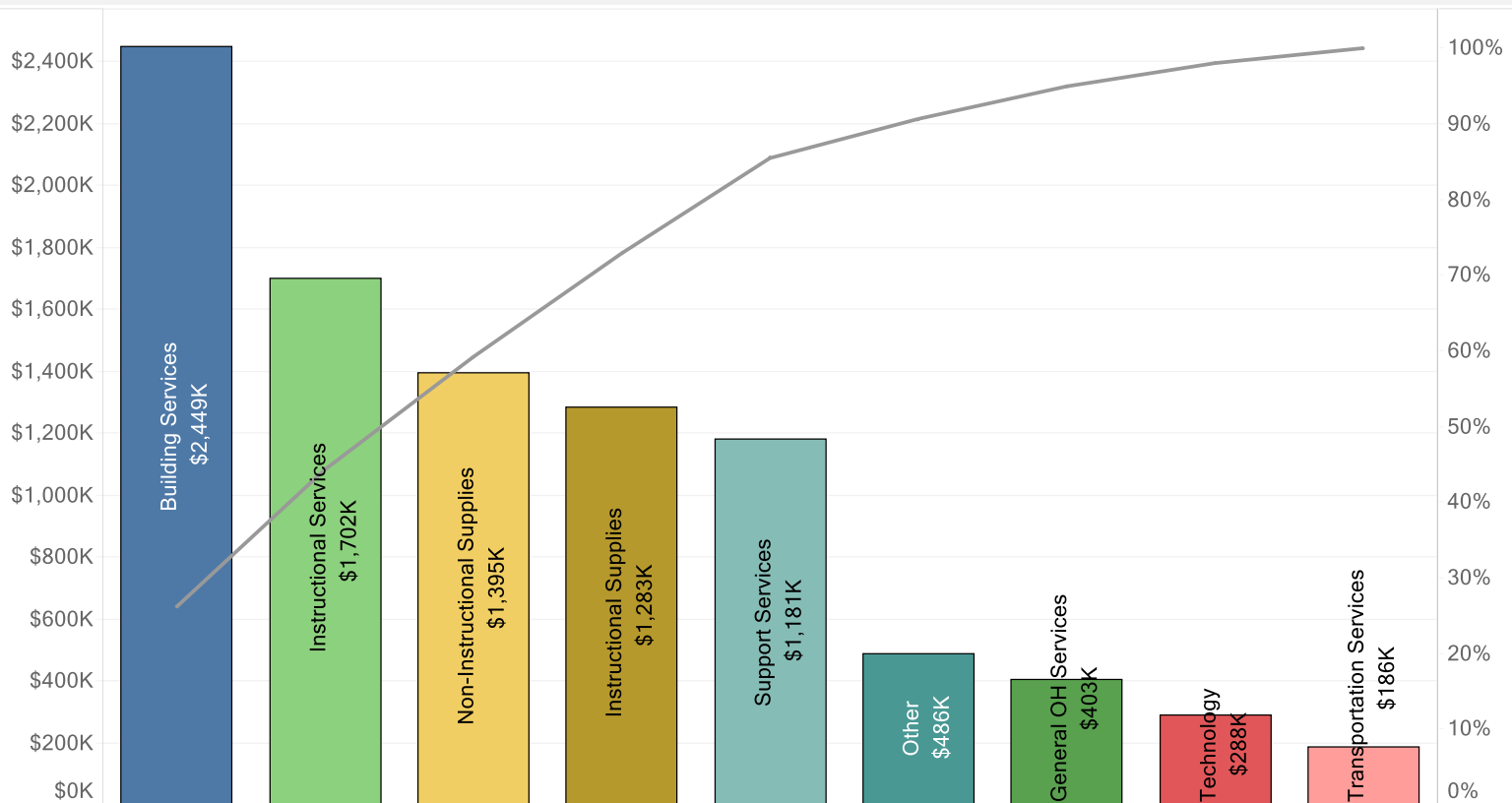
## OUTLINE

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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.*

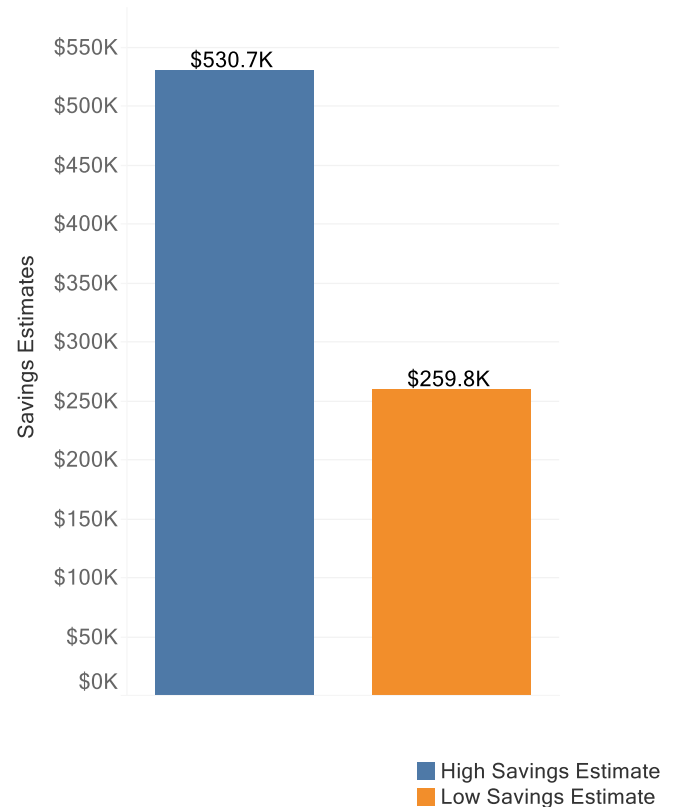
District In Scope Total Procurement Spend<sup>[3]</sup> = \$9,371,949



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 <sup>[8]</sup>		
	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
<p><b>Organization / Staffing</b></p>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The District has resources focused directly on procurement and is able to rely on these resources to maximize purchasing activities.</li> <li>• <b>Scope:</b> The purchasing team handles all procurement for the District.</li> <li>• <b>Technology:</b> The District currently uses Harris SmartFusion as their centralized purchase order system.</li> <li>• <b>Pcard:</b> The District utilizes a Pcard program. The Pcard program is primarily used for incidentals and travel. The District receives no rebate on \$2.8 million of spend as they do not spend enough to qualify for a rebate program.</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.</li> <li>• Look for ways to pay more goods and services centrally via Pcard (e.g. energy) to increase spend to qualify for rebate program.</li> </ul>
<p><b>Spending by Vendor</b></p>	<ul style="list-style-type: none"> <li>• Spending is fragmented across more than 2,300 vendors; however, the top 50 make up more than 80% of total spending, excluding Pcards.</li> <li>• Spending efforts are made based upon the individual buyer, with local optimization the main priority. Aggregated purchasing decisions across districts are not made.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p><b>Spending by Category</b></p>	<ul style="list-style-type: none"> <li>• <b>Building and Maintenance:</b> The District is in the middle of a very large capital project initiative that includes construction and renovation of schools. The District has coordinated with other large districts to get favorable pricing on facilities related items such as flooring.</li> <li>• <b>Food Services:</b> The District outsources food services.</li> <li>• <b>Energy:</b> The District does not fix rates for natural gas contracts.</li> <li>• <b>Instructional Support Services and Supplies:</b> The District follows all state procurement regulations in the procurement of Instructional Support Services and Supplies.</li> <li>• <b>Technology:</b> The District has a 1:1 program. The district continues to purchase infrastructure to support digital software and these devices. The district has not coordinated technology purchases with any other districts.</li> <li>• <b>Non-instructional Supplies:</b> The District follows all state procurement regulations in the procurement of Non-Instructional Supplies.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Standardization of Technology:</b> 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.</li> <li>• Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts.</li> <li>• Consider establishing fixed rate contract for natural gas</li> </ul>

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Regional Collaboration</b>	<ul style="list-style-type: none"><li>• The District does partner with other large districts to procure some goods and services.</li><li>• The District does not partner with other districts to procure technology.</li></ul>	<ul style="list-style-type: none"><li>• 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.</li><li>• 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"><li>- Technology</li><li>- Instructional Software and Services</li><li>- Instructional Staffing</li><li>- Supplies</li></ul></li></ul>



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# TRANSPORTATION

## LEXINGTON 02

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

TRANSPORTATION OVERVIEW

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

14 Years

Avg. Age of State Provided Bus Fleet<sup>[9]</sup>

\$330 per Student

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

Key statistics for metrics

Transportation FTEs <sup>[4]</sup>	78.5
Personnel Expense <sup>[3]</sup>	\$2,652,584
Non-Personnel Expense <sup>[3]</sup>	\$201,774
Total Transportation Expense <sup>[3]</sup>	\$2,854,358

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

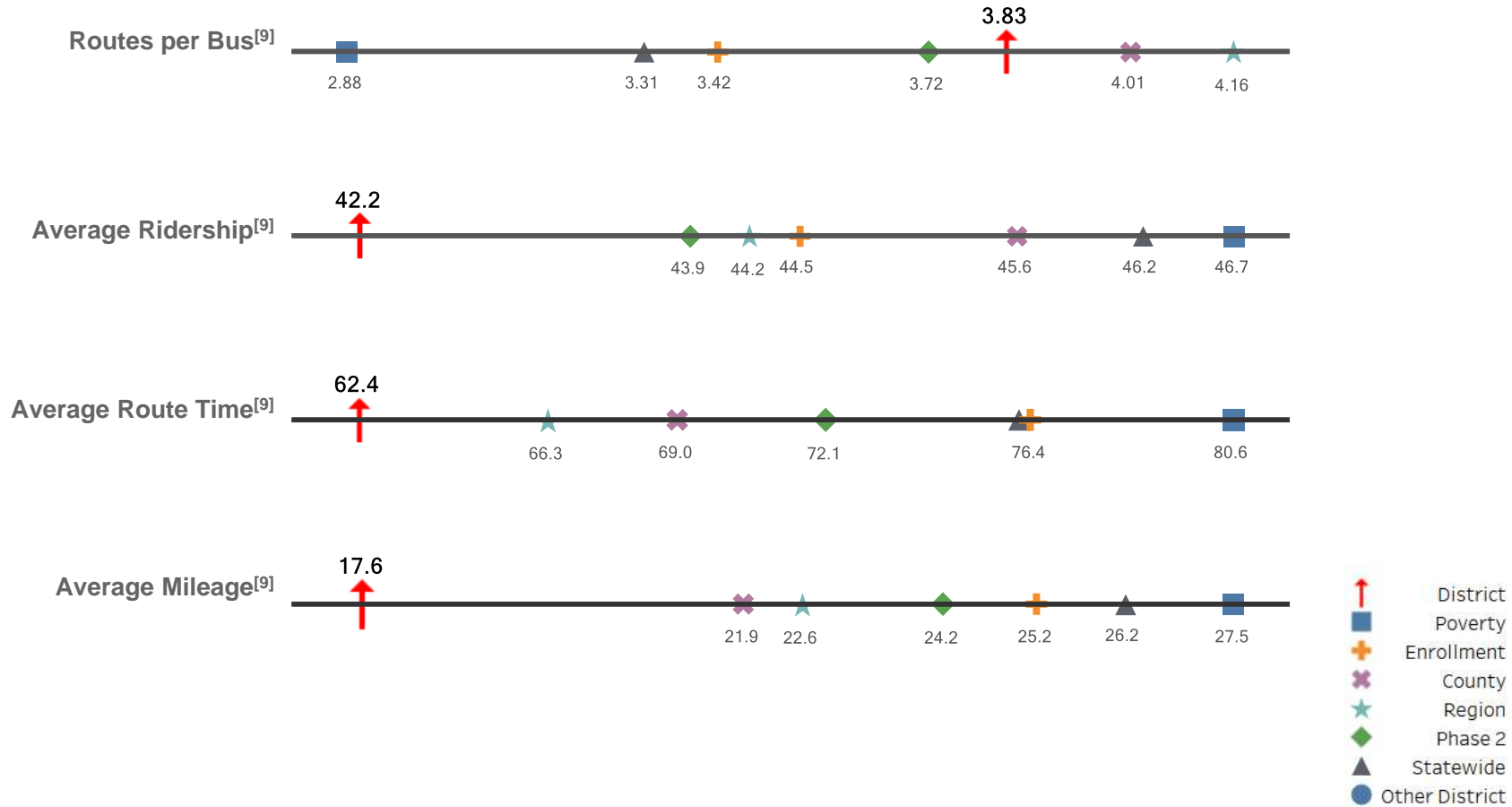
Key statistics for State Routes	# Buses <sup>[9]</sup>	# Routes <sup>[9]</sup>	Routes per Bus <sup>[9]</sup>	Ridership <sup>[9]</sup>	Avg Ridership <sup>[9]</sup>	Avg Route Time (including dead time) <sup>[9]</sup>	Avg Mileage per Bus <sup>[9]</sup>
Regular	44.1	169	3.8	7,132	42	62	18
Special Needs	15.4	62	4.0	458	7	Not-Available	25
Other	10.0	40	4.0	956	24	Not-Available	21
Total	69.5	271	3.9	8,546	N/A	N/A	N/A

# TRANSPORTATION

## LEXINGTON 02

### 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

## LEXINGTON 02

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Staffing / Organization</b>	<ul style="list-style-type: none"><li>• <b>Staffing:</b> The District has a difficult time retaining bus drivers. The District currently has 10 open positions.</li><li>• <b>Substitutes:</b> The District does not have a pool of substitute drivers, but does use aides and monitors who have CDL to fill in during any absences.</li><li>• <b>Pay:</b> Bus drivers are currently paid a starting rate of \$11.45, approximately \$3.75 above state reimbursement levels. Increasing pay \$2/Hr.</li></ul>	<ul style="list-style-type: none"><li>• As incentive to recruit and retain bus drivers as the shortage has hit nearby districts harder, consider expansion of opportunities for full-time employment. Bus drivers in other districts in the State are dual employed serving in aide, food services and / or maintenance roles when not driving buses.</li><li>• Implement a substitute/back up driver pool in collaboration with nearby districts.</li></ul>

# TRANSPORTATION LEXINGTON 02

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Routing and Bus Management</b>	<ul style="list-style-type: none"><li>• <b>Staggered Bell Times:</b> The District runs staggered bus routes with each bus generally running an elementary route first and then a route for middle and high school both in the morning and afternoon.</li><li>• <b>Routing Software:</b> The District does utilize routing software.</li><li>• <b>GPS:</b> The District does have GPS on its buses.</li><li>• <b>Security:</b> The District does have security cameras on all buses.</li><li>• <b>District Buses:</b> When state owned buses are down, the district uses its own buses to run routes.</li><li>• <b>Maintenance:</b> The bus outsources their maintenance on district owned buses. There are four to five state owned buses down an any given day.</li></ul>	
<b>Collaboration</b>	<ul style="list-style-type: none"><li>• The District does not collaborate with surrounding districts.</li></ul>	

# APPENDIX A: SAVINGS METHODOLOGY



# APPENDIX A: SAVINGS METHODOLOGY

## LEXINGTON 02

### 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

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➤ **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**

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**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

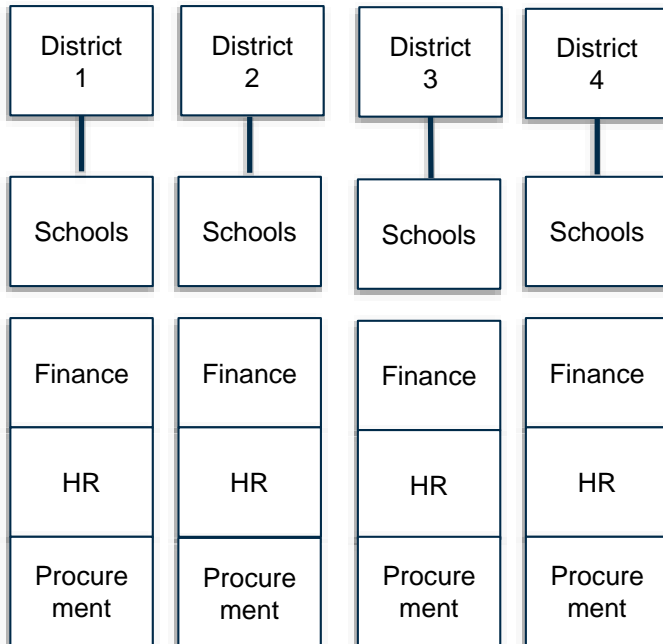
## LEXINGTON 02

### 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.*

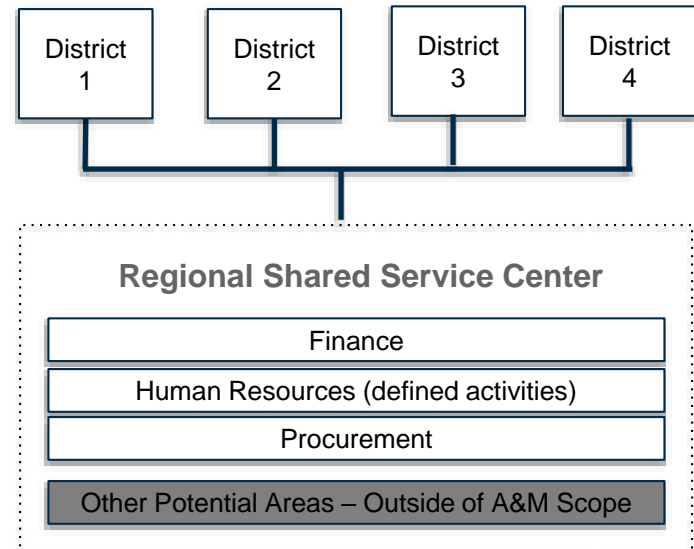
#### CURRENT STATE: STAND ALONE DISTRICT

*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

## LEXINGTON 02

### 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 <sup>(1)</sup>	4.75	4.00	0.75
Total Spend <sup>(1)</sup>	\$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.

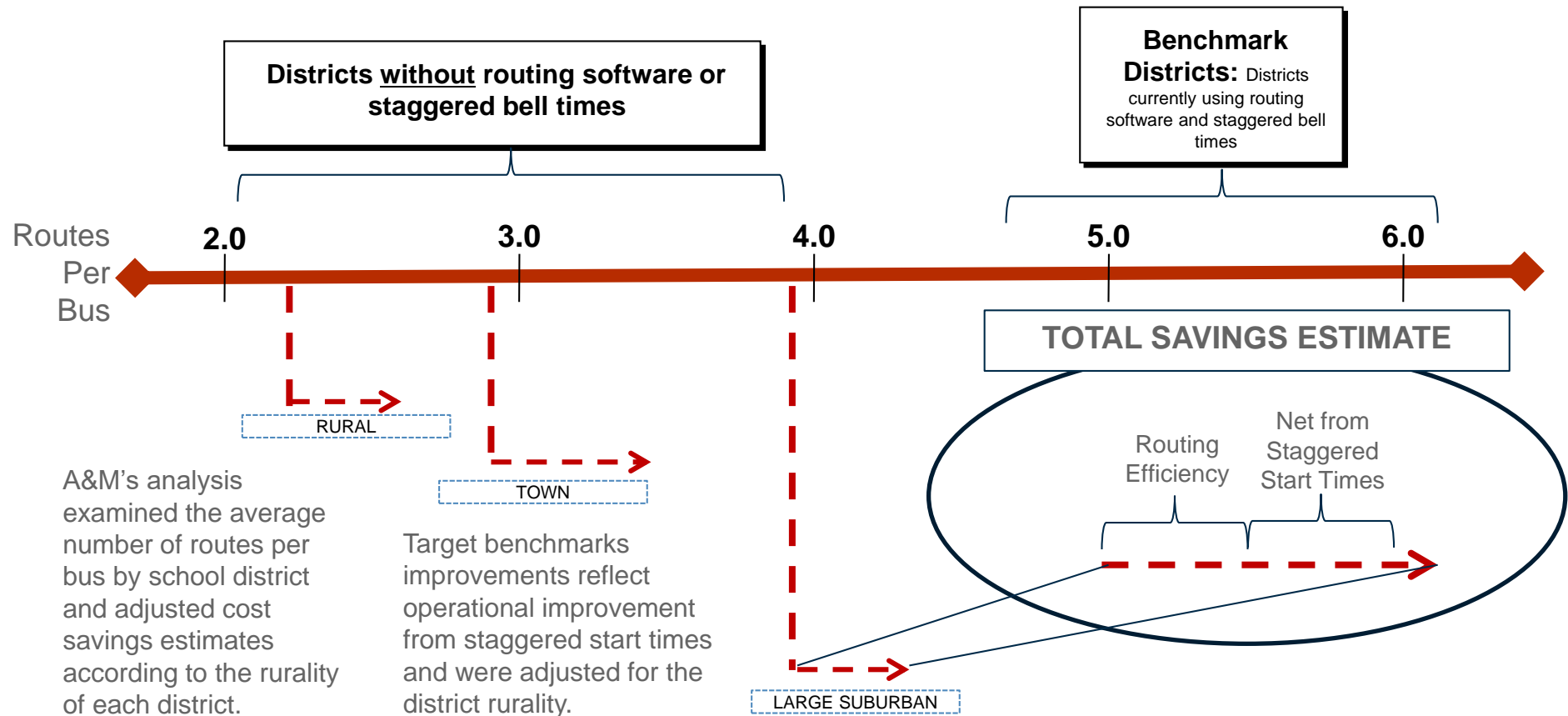
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs <sup>(2)</sup>	18.9	13.0	6.0
Total Spend <sup>(2)</sup>	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

## LEXINGTON 02

### TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

#### DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

#### 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 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

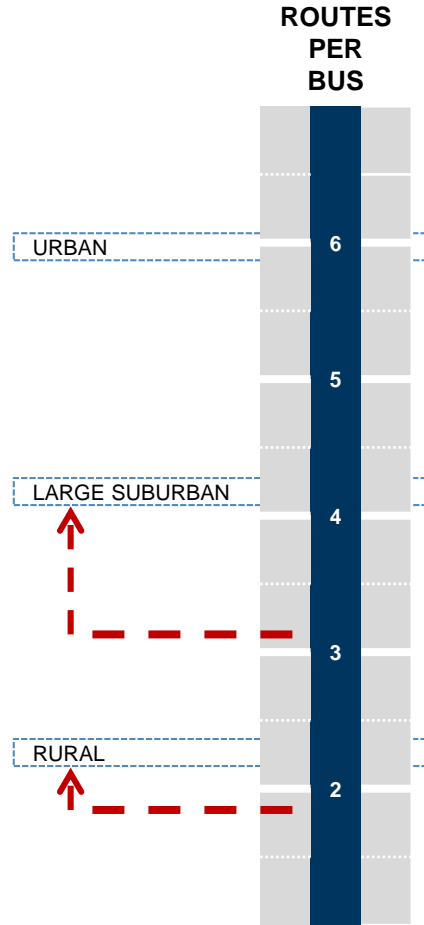
## LEXINGTON 02

### 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
<b>DRIVERS</b>	2.0	\$ 19,390	\$ 23,133	\$ 15,647
<b>FUEL</b>	-	\$ 0.15	\$ -	\$ -
<b>MAINTENANCE</b>	2.0	\$ 4,138	\$ -	\$ 8,276
<b>BUSES (COST AVOIDANCE)</b>	-	\$ 60,000	\$ -	\$ -
<b>TOTAL</b>			\$ 23,133	\$ 23,923

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

# APPENDIX A: SAVINGS METHODOLOGY

## LEXINGTON 02

### 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

## LEXINGTON 02

### 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

## LEXINGTON 02

### [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

## LEXINGTON 02

### Sources [2],[3]

- \$ Per Student = Total Cost <sup>[3]</sup> / FY 16 135-Day ADM <sup>[2]</sup>
- \$ Per Student Excluding Debt & Capital = Total Cost <sup>[3]</sup> / FY 16 135-Day ADM <sup>[2]</sup> (Where Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”)
- Financial Management Cost per Student = Total Cost <sup>[3]</sup> (Where A&M Functional Group = “Financial Management” and Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”) / FY 16 135-Day ADM <sup>[2]</sup>
- HR Cost / Student = Total Cost <sup>[3]</sup> (Where Function Code = “Human Resources”) / FY 16 135-Day ADM <sup>[2]</sup>
- Transportation Cost / Student = Total Cost <sup>[3]</sup> (Where A&M Functional Group = “Transportation”) / FY 16 135-Day ADM <sup>[2]</sup>

### Sources [2],[4]

- Students Per Instructional Services FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Instruction,” “Instructional Staff Services,” “School Administration,” or “Pupil Services”)
- Students Per Overhead FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Gen Admin,” “Finance,” “Technology,” “Central Services,” or “Human Resources”)
- Students Per School Support FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Food Services,” “Facilities,” “Transportation,” “Support Services” or “Community Services”)
- Students to All Positions = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup>
- Students To Total FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup>
- ADM to Financial FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE<sup>[4]</sup> (Where Category Description = “Finance”)
- ADM to HR FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Human Resources”)

# APPENDIX B: FORMULAS DEFINED

## LEXINGTON 02

### Source [5]

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

### Source [3],[7]

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

### Source [5],[7]

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

### Source [9]

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

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