



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Marlboro

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

MARLBORO

PROJECT OVERVIEW

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

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

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

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

EXECUTIVE SUMMARY

MARLBORO

PROJECT OVERVIEW (CONTINUED)

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

EXECUTIVE SUMMARY

MARLBORO

PROJECT OVERVIEW (CONTINUED)

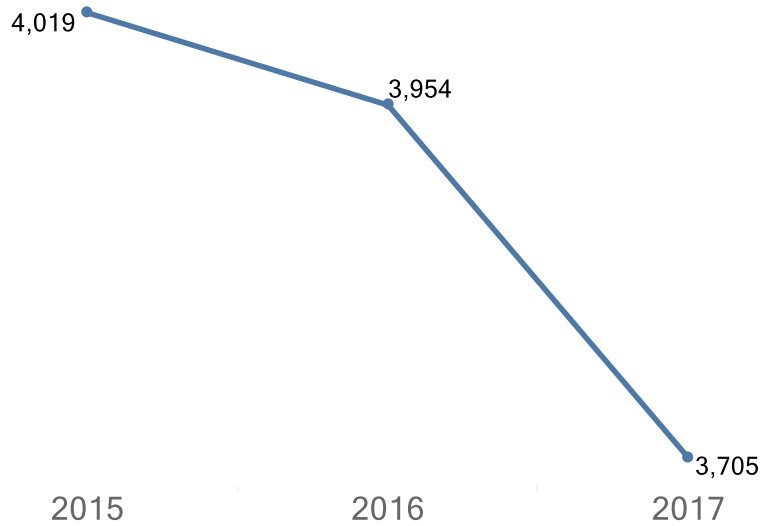
➤ Sources of Data and Savings Estimates:

- 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.

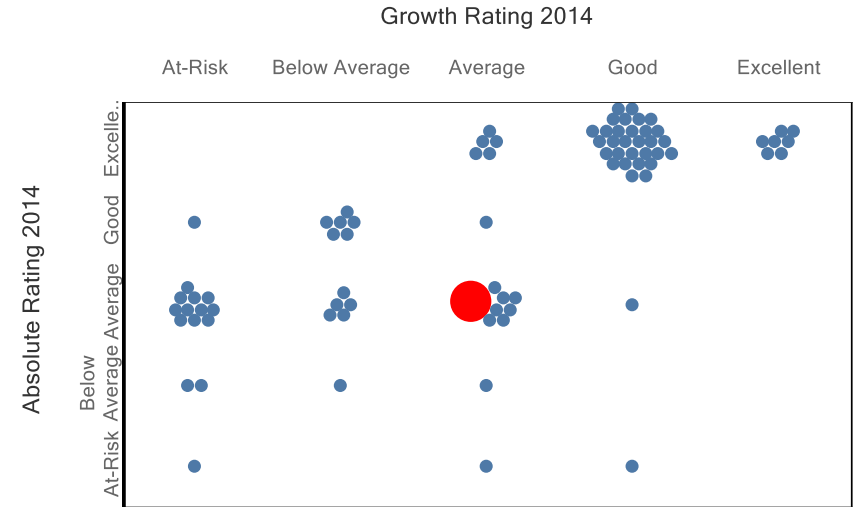
EXECUTIVE SUMMARY

MARLBORO

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	8
% Poverty ^[1]	82.8%
% Disability ^[1]	11.6%
\$ Per Student ^{[2],[3]}	\$14,908
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,525

Administration

Students Per Instructional Services FTE ^{[2],[4]}	7.7
Students Per Overhead FTE ^{[2],[4]}	127.8
Students Per School Support FTE ^{[2],[4]}	40.4
Students to Total FTE ^{[2],[4]}	6.2

EXECUTIVE SUMMARY

MARLBORO

Sources of Funds^[5]
\$49.9M



2015-2016

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

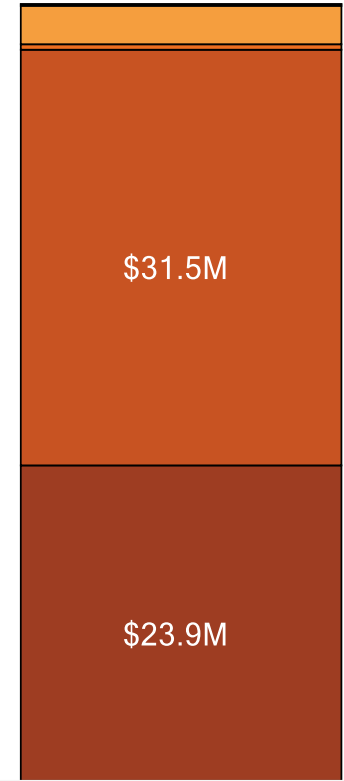
Use of Funds - Type^[3]
\$58.9M



2015-2016

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

Use of Funds - Function^[3]
\$58.9M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

MARLBORO

\$58.9M
Total

\$11.1M
In-Scope

\$47.9M
Not In-Scope

18.8% of total spend is within scope of the efficiency review:

	In Scope Spend^[3]	Procurement Component
Finance	\$598,647	\$142,261
Human Resources	\$570,282	\$81,454
Overhead	\$687,712	\$313,360
Transportation	\$1,267,225	\$174,758
Procurement (Community Services, Instruction, Support Services)	\$7,961,602	\$7,961,602
TOTAL	\$11,085,468	\$8,673,435

* totals may not tie due to rounding

EXECUTIVE SUMMARY

MARLBORO

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of Marlboro School District is to educate and enable all students to achieve their highest potential.

1. **Increase Financial Literacy:** 100% of all students will participate in financial literacy through coursework integration.
2. **Increase College and Career Readiness:** Increase in CATE participants, non-traditional career setting classes completers and students receiving WorkKeys certification.
3. **Improve School Climate & Communication:** Increase percentage of parent satisfaction with school climate to 90%.
4. **Maintain Safe and Healthy Environment:** Maintain 100% implementation of all of the local, state and federal safety requirements.
5. **Test Score Improvement:** English Language Arts, Math, Science and Social Studies assessment standard scores will increase; increase in EOCEP rates in English I, Algebra I, US History and Biology.
7. **Improve Elementary Performance:** PK- 2nd grades will meet/exceed their targets in Reading and Math.
8. **Core Subject Quality:** Increase percentage of core academic subject area classes taught by highly qualified teachers to 100%.
9. **Ensure Continuous Improvement:** 100% of teachers will participate in high quality professional development.
10. **Student Offerings:** Dual credit programs in High School, Expanded Arts Programs and Developing Transitional Programs for Exceptional Children.

Achievements

- **Student Achievement:** Steady increase in SAT composite scores over past 3 years.
- **Teacher Quality:** 100% high quality teachers in core subjects.
- **Graduation Rate:** Improvement in 4- and 5-year cohort graduation rates.
- **Facilities Upgrade:** Passed referendums twice and built 2 schools from ground up – first new construction in over 60 years.
- **Student Reclamation:** Reduction in student dropout rate.
- **Recognition & Awards:** Wallace Elem. & Middle recognized as National STEM school by NASA; Blenheim is a LEED-certified school with Duke Energy efficiency award, various Palmetto Gold & Silver award winners.
- **Comprehensive Professional Development:** Superintendent has established recognition and professional development program for ALL staff, not just teachers and administrators.

Challenges

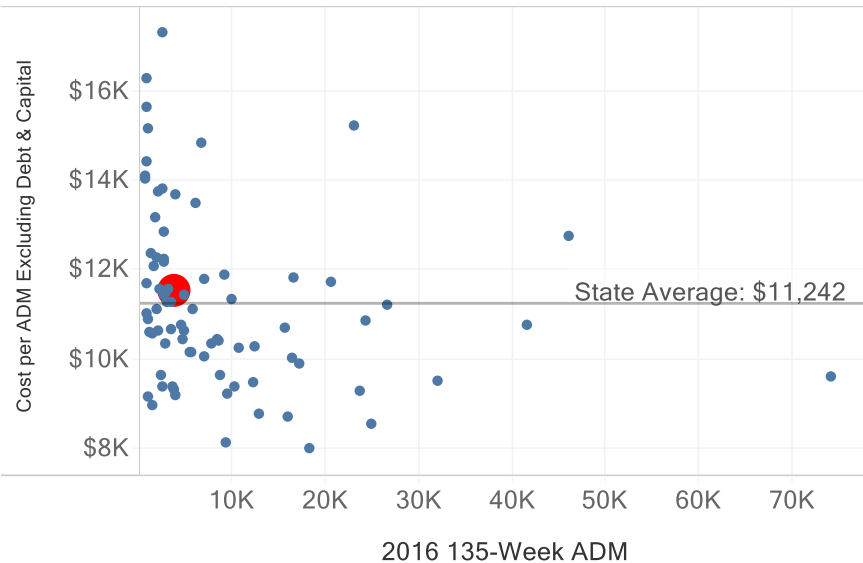
- **Recruitment and Retention:** Recruitment of experienced, high quality instruction personnel and administrators is difficult.
- **Condition/age of school facilities:** Age of buildings result in need for expensive ongoing maintenance and improvements. New funding would be required to make long-term fixes.
- **Student Readiness:** 20% of 4-year-olds do not assess as ready for the classroom.
- **Financial Insecurity:** With extreme poverty, shrinking federal and state funding and lack of industry, there is an inadequate tax base to fund and sustain District school programs.

EXECUTIVE SUMMARY

MARLBORO

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

MARLBORO

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Gaps in Financial Management: The District's declining enrollment trend, a lower than average unrestricted fund balance and low levels of cash on hand leave the District in a sub-optimal financial position. • Manual Processes: Under-investment in and under-utilization of integrated technology systems perpetuates the use of manual processes that could be streamlined through modernization.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: The District's HR team performs broader functions than the typical HR department. • Challenges with Recruiting and Retention: The average teacher salary of the District is well below the statewide average and teacher shortages are exacerbated by varying pay scales in neighboring districts. The District struggles with many teacher vacancies and relies upon international staffing agencies for over 11% of its teachers.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State pays for bus purchases, maintenance, fuel and a portion of driver salaries. The District is constantly grappling with bus driver recruitment and retention. • Manual Routing: The District does not have software that can be used to identify routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: There is one resource dedicated to Procurement. Requisition and PO processes are manual and time-consuming, which leaves little time for strategic sourcing. • Strategic Sourcing: The District experiences low leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates. There is off-contract purchasing and limited collaboration across districts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The District's six major organizational functions report directly to the Superintendent. • Collaboration: The District participates in regular, informal collaboration with other superintendents.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

MARLBORO

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: 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.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing/Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Ensure effective use of current HR technologies and integrate applicant sourcing, tracking and on-boarding functions.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing/Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software and GPS on all buses.</p> <p>Process Improvements: Since District already has Staggered Bell Times: - complete analysis (in conjunction with use of new routing software) to evaluate the potential additional financial benefits.</p> <p>Staffing/Organization: Utilize new routing software to make routes more efficient and potentially reduce the number of bus drivers necessary for operation.</p>

EXECUTIVE SUMMARY

MARLBORO

COLLABORATION RECOMMENDATIONS

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

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

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

EXECUTIVE SUMMARY

MARLBORO

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

MARLBORO

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	\$0 -	\$5,000	\$67,400 -	\$202,200
Human Resources	0 -	5,000	0 -	58,400
Procurement	0 -	0	263,700 -	513,200
Transportation – District	N/A -	N/A	44,000 -	66,000
District Total	0	10,000	375,100	839,800
Transportation – State	20,000 -	75,000	43,600 -	96,900
Total	\$20,000	\$85,000	\$418,700	\$936,700

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

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



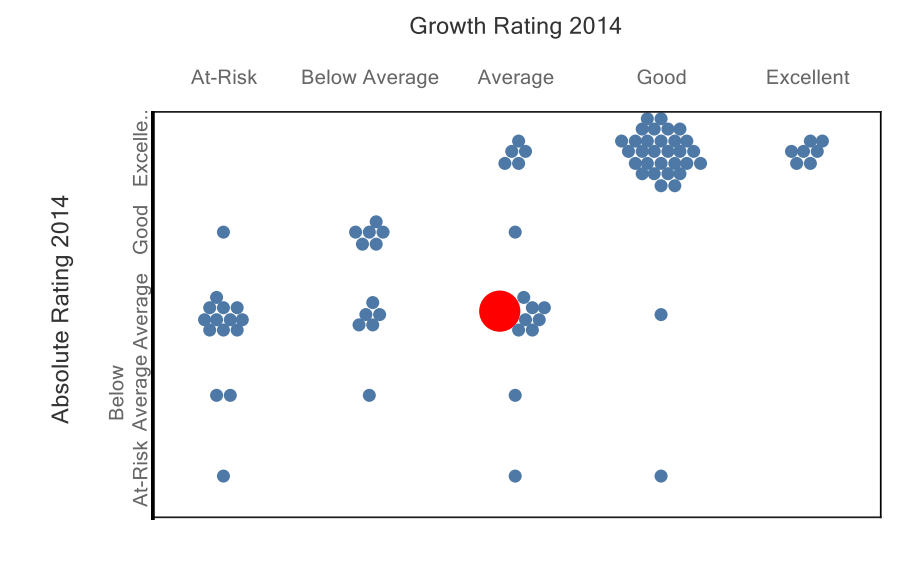
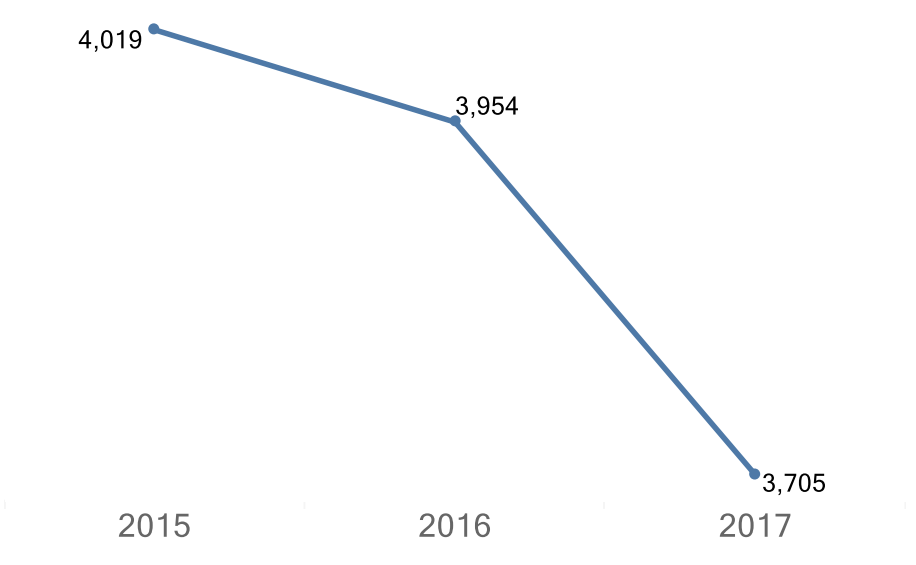
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DISTRICT ADMINISTRATION AND PERFORMANCE MARLBORO

Average Daily Membership^[2]

Student Achievement^[1]



General Info

Administration

Number of Schools^[2]	8
% Poverty^[1]	82.8%
% Disability^[1]	11.6%
\$ Per Student^{[2],[3]}	\$14,908
\$ Per Student Excluding Debt & Capital^{[2],[3]}	\$11,525

Students Per Instructional Services FTE^{[2],[4]}	7.7
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Students Per School Support FTE^{[2],[4]}	40.4
Students to Total FTE^{[2],[4]}	6.2

DISTRICT BENCHMARKING MARLBORO

Enrollment (2,500 - 5,000)

Abbeville 60	Lexington 04
Anderson 02	Marion 10
Anderson 03	Marlboro
Anderson 04	Orangeburg 03
Chester	Orangeburg 04
Clarendon 02	Spartanburg 01
Dillon 04	Spartanburg 03
Edgefield	Spartanburg 04
Fairfield	Union
Florence 03	Williamsburg
Jasper	York 01
Laurens 56	

Phase 1 (Yes)

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

Poverty (80% - 85%)

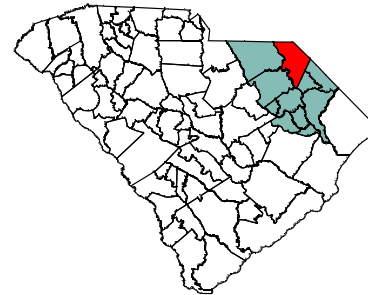
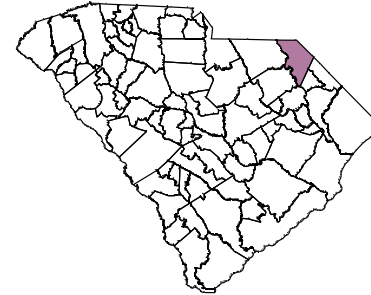
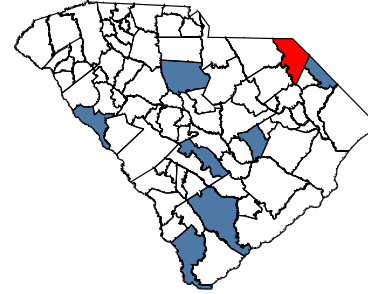
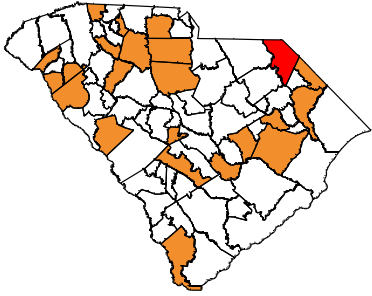
Clarendon 02
Colleton
Dillon 04
Fairfield
Jasper
Marlboro
McCormick
Orangeburg 05

County (Marlboro)

Marlboro

Region (Pee Dee)

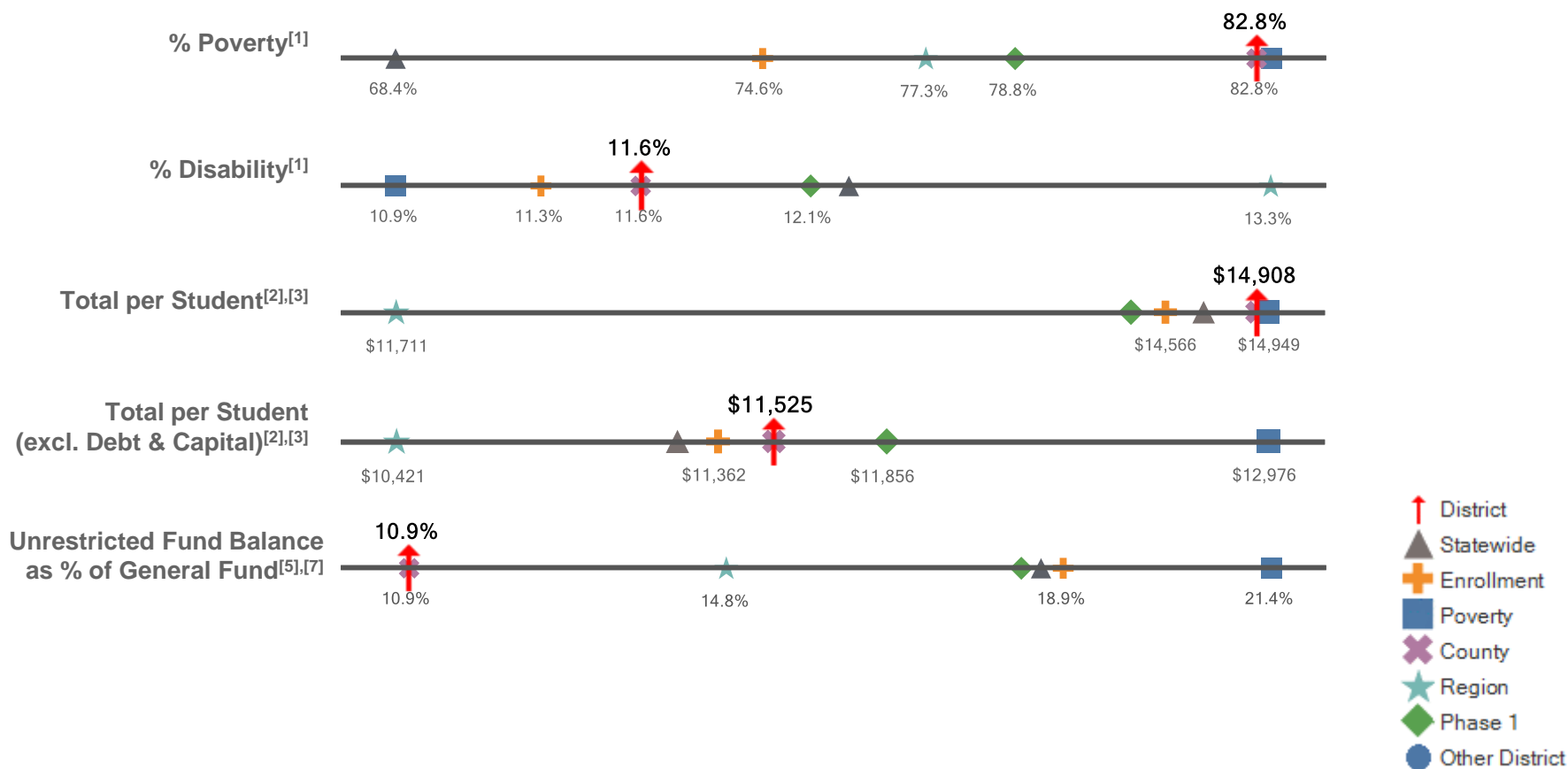
Chesterfield
Darlington
Dillon 03
Dillon 04
Florence 01
Florence 02
Florence 03
Florence 04
Florence 05
Marion 10



DISTRICT OVERVIEW MARLBORO

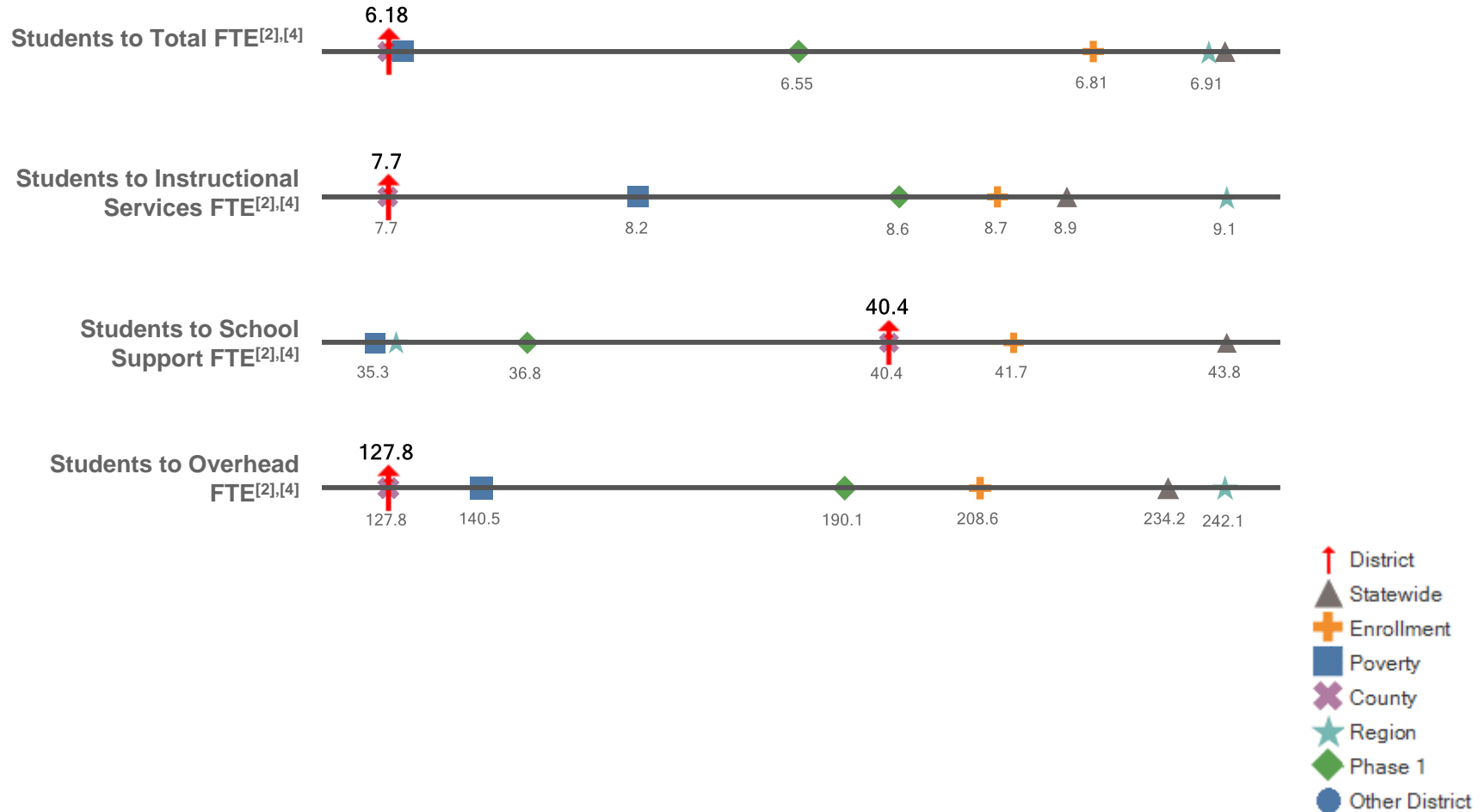
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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



DISTRICT OVERVIEW MARLBORO

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has decreased by 314 students or 8% over the past 3 years. Current enrollment is 3705 students. • Student Demographics: 82.8% of District students live in poverty, well above state average of 68.4%. 11.6% of District students have special needs. • Competition: There are no charter schools in the District. There is one private school in the county. This school is not viewed as a challenge to enrollment. • Other Demographics: Marlboro County has one of the highest unemployment rates in the State. • Long-term Planning: The District projects enrollment on an annual basis by reviewing the birth rate data for the local areas and aging up the class for the coming year, but does not prepare long term enrollment projections to help inform long-term planning. 	<ul style="list-style-type: none"> • Given the recent trends in enrollment, the District should continue developing long-term enrollment forecasts to anticipate and better plan for enrollment changes, ensuring long term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: With lack of industry and extreme poverty, there is an inadequate tax base to fund District school programs. There has been no increase in millage for the operating side of the budget for over 6 years. The District's declining enrollment trend combined with its lower than average unrestricted fund balance and low Days Cash on Hand leaves the District with limited reserves and sub-optimal overall financial position. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is maintained, the District should prepare a three to five year financial plan that allows for investment in critical areas of academics and operations while still maintaining a strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: When excluding debt and capital, the District's per pupil of \$11,525 is similar to the statewide average of \$11,242 and that of similarly-sized districts at \$11,362. • Unrestricted Fund Balance: The District has an unrestricted fund balance that is 10.9% of revenues. The fund balance is below the statewide average of 18.6%, resulting in lower financial stability. A weak balance restricts the District's ability to pay for unexpected expenses. • Student to FTE: The District's Student to Total FTEs ratio is 6.2 which is lower than statewide at 6.9 and similarly-sized districts at 6.8. • Student to Instructional Services FTE: The District's Student to Instruction ratio is 7.7, which is lower than both similarly-sized districts at 8.7 and statewide at 8.9. This is due to a strategic decision by the District and Board to keep class sizes small. • Student to Support Services FTE: The District's Student to Support Services ratio is 40.4 which is lower than districts of similar size at 41.7 and lower than the statewide average of 43.8. • Student to Overhead FTE: The District's Student to Overhead ratio is 127.8, which is significantly lower than both similarly-sized districts at 208.6 and statewide at 234.2. 	<ul style="list-style-type: none"> • Prioritize rebuilding unrestricted fund balance with a target of 16% of revenues. Consider deposit of any unrestricted General Fund balance credit into reserves at the end of the fiscal year as a first priority. • Consider review and reorganization of other direct support areas of the Superintendent which are outside of the scope of this report in order to optimize resources and bring spending in line with benchmarks.

DISTRICT OVERVIEW AND OVERHEAD MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy	<ul style="list-style-type: none"> The District works closely with Director of Economic Development to review manufacturing training and other workforce opportunities. The Superintendent has established relationships within all facets of community for student and District support. 	<ul style="list-style-type: none"> Work with the School Board to seek greater partnerships with foundations and local business for donations of money, food, goods, time, etc.
Staffing / Organization	<ul style="list-style-type: none"> Role of Superintendent: The Superintendent is spread across many different functions. She works with the board, provides strategic direction and oversees all of the operations of the District. Communications: The District does have communications functions that are part of the responsibilities of the HR team. Legal: The District has no legal department. If legal advice is required, the District utilizes an external firm to provide support. Turnover: The Superintendent has overseen the District for the past 7 years. 	<ul style="list-style-type: none"> Consider review and reorganization of other direct support areas of the Superintendent which are outside of the scope of this report in order to optimize resources and bring spending in line with benchmarks.
Board of Directors	<ul style="list-style-type: none"> Board Pay: The District's School Board members are paid \$7,500 annually; the Board Chair is paid \$10,000 annually. Training: Board members are not required to attend training, but some do attend the South Carolina School Board Association's training. 	<ul style="list-style-type: none"> Have Board of Directors attend annual training to enable members to become impactful members of the board.

DISTRICT OVERVIEW AND OVERHEAD MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• The District coordinates with other regional superintendents through the PeeDee Consortium, SCDE Roundtables and other informal information sharing meetings.• 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.	<ul style="list-style-type: none">• Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional.



OUTLINE

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FINANCIAL MANAGEMENT OVERVIEW

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

618 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$151 per Student

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

Key statistics for metrics

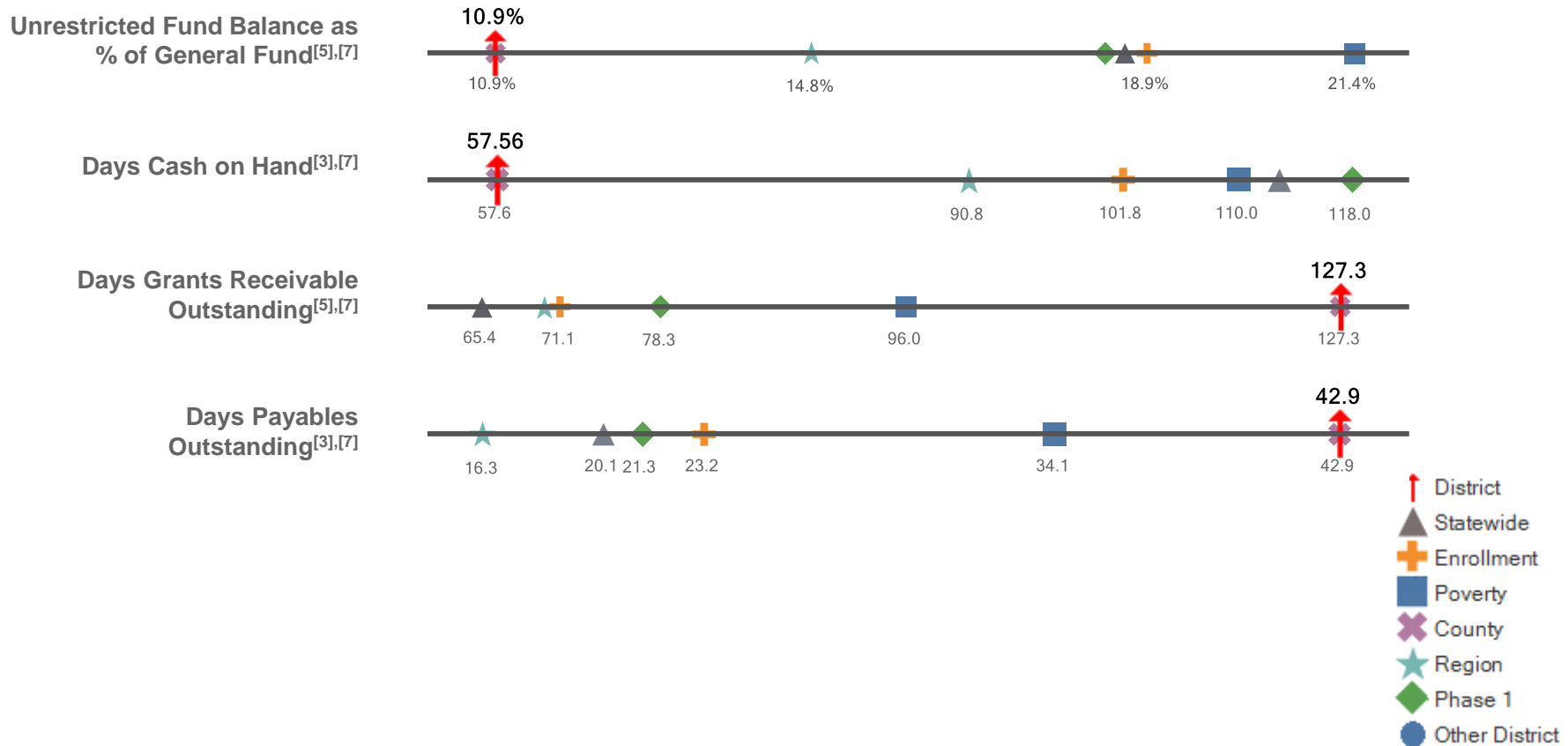
Financial FTEs ^[4]	6.0
Personnel Expense ^[3]	\$515,963
Non-Personnel Expense ^[3]	\$145,095
Total Financial Expense ^[3]	\$661,058

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 MARLBORO

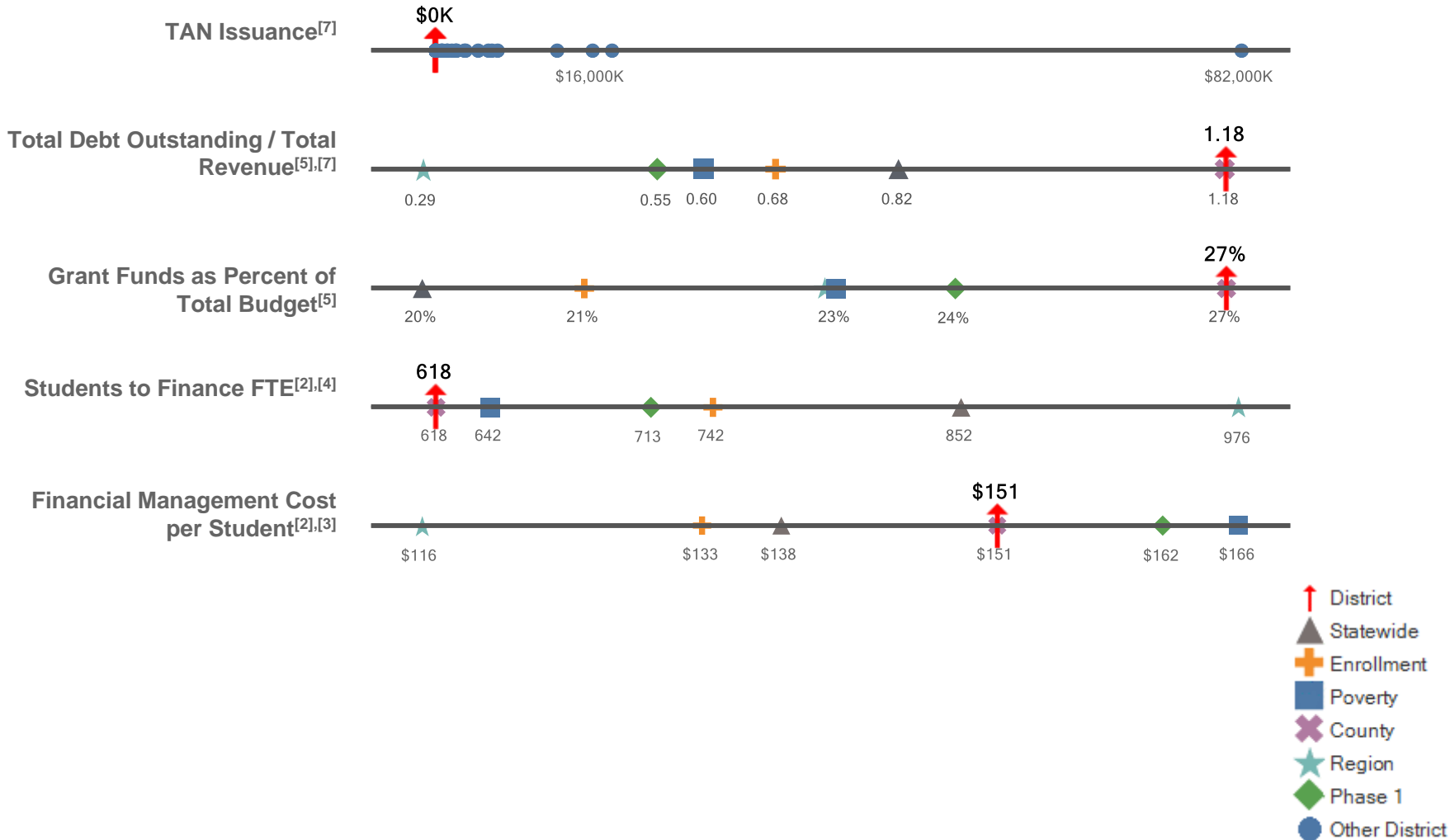
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT MARLBORO

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: 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. • Turnover: The Department has not experienced any recent turnover in its leadership. The Finance Director has been in place for over 8 years. • Finance Cost per Pupil: The cost per student is \$151, which is higher than both its similarly-sized peers at \$133 and statewide (\$138). • Student per Finance FTE: The District's Student to Financial Management FTE ratio is 618, which is lower than both similarly-sized districts 742 and statewide at 852. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.

FINANCIAL MANAGEMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a semi-monthly basis, with the exception of bus drivers, who are paid monthly. • The District still has a significant number of employees, approximately 30 – 40%, that receive payments via check and not direct deposit. • The District does not use a self-service payroll platform; therefore, employee-initiated payroll changes are all processed manually. In addition, check pay stubs are printed manually and delivered to schools / employees directly. • Timekeeping: Time tracking is through the KRONOS system – fingerprint timekeeping. • Purchasing: The District does currently use a centralized purchase order system. Schools are able to secure items and services in accordance with district and state regulations and there is centralized approval process in place. However, a number of the transactions are manual, even though they can be conducted within the financial system. • Pcard: The District utilizes a Pcard program. 	<ul style="list-style-type: none"> • Standardize payroll to bi-monthly processes and eliminate the need for extra payrolls. This would reduce annual payroll runs and also enable the finance function streamline processes and free up time to focus on other key responsibilities. • 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 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 for efficiency and eliminate paper based transactions.

FINANCIAL MANAGEMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Inventory: The District does conduct centralized inventory processes and is researching a barcode system for asset tracking. Currently, fixed assets are tagged, listed by location and tracked manually by the District. The schools track inventory of technology, furniture and textbooks manually, but the District office is provided with inventory lists and updates. • Insurance and Risk Management: The District currently purchases all property and casualty and workers compensation insurance through the South Carolina School Board Insurance Trust (SCSBIT). The District does have formal risk management policies in place. 	<ul style="list-style-type: none"> • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process.

FINANCIAL MANAGEMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 27% of revenue for the District, making it more reliant on grant funds than its peers. • Federal Funds: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The Finance Department collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow. • Indirect Costs: The District charges indirect costs against federal grants, as allowable. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator. Finance tracks expenditures against grant requirements. • Other: The District collaborates with other districts throughout the State, as appropriate, to jointly compete for grant opportunities. The Superintendent hired a consultant to assist with grant-writing for the District. The District has successfully competed for \$20 million in grants. 	<ul style="list-style-type: none"> • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities. • Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Create improved grants tracking reports that compares award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.

FINANCIAL MANAGEMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was not found to have material weaknesses in its latest audited financial statements. • Position Control: The District maintains position control, which creates a strong, internal control environment for personnel transactions. • Other: Superintendent has instituted establishment of internal payment teams to approve financials and ensure segregation of duties. These processes are reviewed annually. 	
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District's Days Cash on Hand is 57.6, which is lower than statewide average of 112.8. • The District does have a formal cash management policy. The District reviews cash flow forecasts at a minimum, on a monthly basis, but usually on a weekly basis. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 127.3 days, which is higher than statewide at 65.4. This is likely due to submission of grant reimbursements quarterly. • Days Payable Outstanding: The District's Days Payables Outstanding is 42.9, which is higher than the statewide average of 20.1. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and minimize draw on TANs. • Implement processes to file for grant (state and federal) reimbursements on a monthly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines. • Evaluate paying expenses within 30 days to access vendor discounts.

FINANCIAL MANAGEMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management	<ul style="list-style-type: none"> • Cash: The District does not invest cash balances in a State local investment pool, as it has equivalent interest rates at its local banking institution. • Debt: The total debt outstanding as a percentage of total revenue is 118%, which is high compared to the statewide average of 82%. • The District does utilize SCAGO to assist with bond issuance efforts • TAN: The District did not issue TANs this past year to assist with liquidity needs during cash low point. 	<ul style="list-style-type: none"> • Consider investing excess cash balances in Local Investment Pool to maximize earnings at times when cash balances are at peak. • Given the declining enrollment population and stagnant local revenues, the District, the District should be cautious about the further issuance of debt given the high debt-to-student ratio.
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with review of staffing plans and strategic plan. The budget team starts with a zero-based budget and works extensively with department heads to assess any new needs that are anticipated for the new fiscal year. • Fiscal Monitoring: The District produces budget to actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses. 	

FINANCIAL MANAGEMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable and also automated timekeeping through KRONOS. There is an automated requisition tool with Harris SmartFusion that includes a centralized electronic routing for approval, but the actual process utilized is manual. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders, automated time tracking that links directly with the payroll system.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities. However, the District is part of the Pee Dee Consortium in which the finance directors of individual districts meet quarterly to discuss various topics, including technology upgrades, grant opportunities, etc. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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HUMAN RESOURCES OVERVIEW

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

741 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$144 per Student

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

Key statistics for metrics

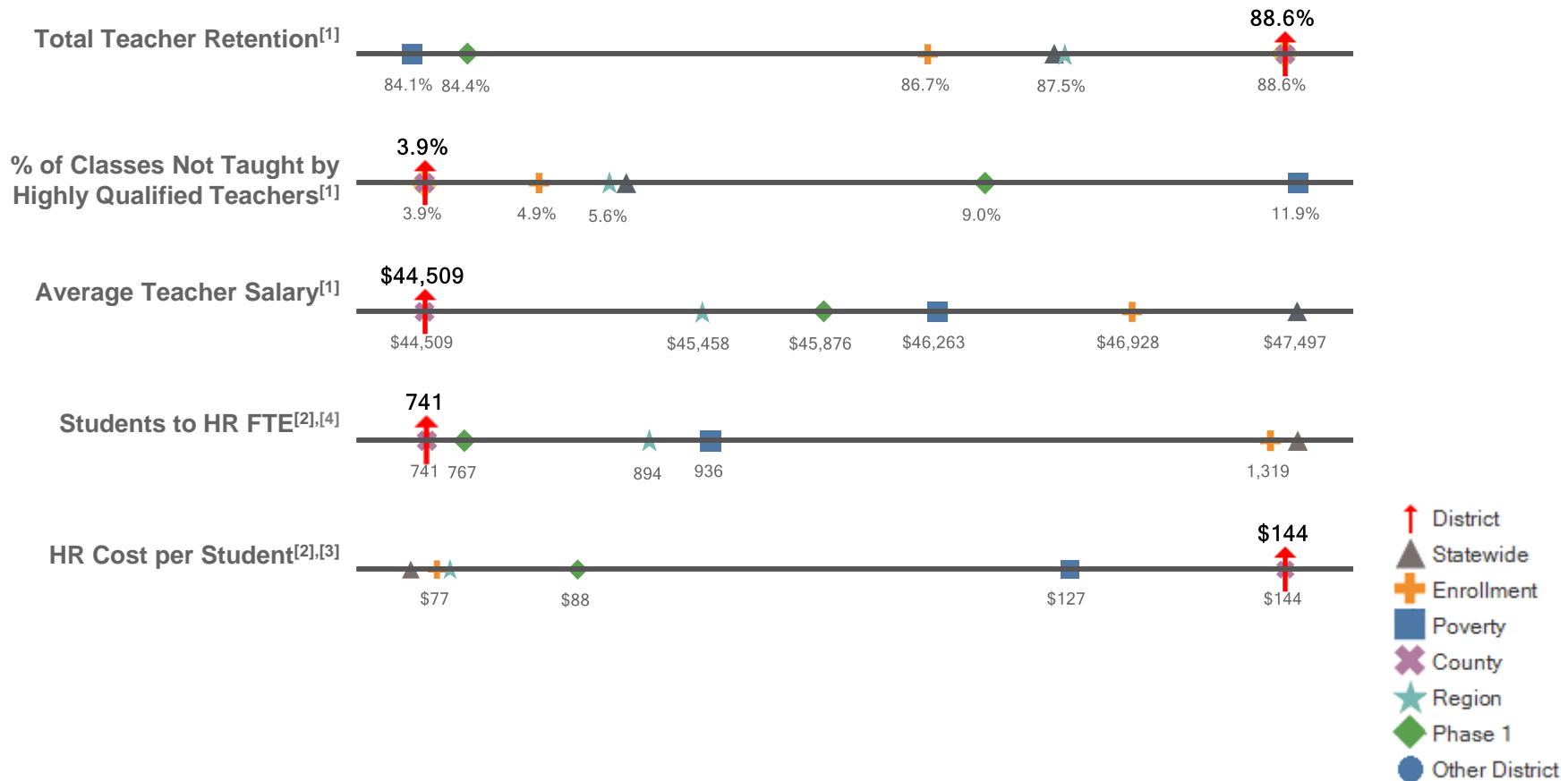
Human Resources FTEs ^[4]	5.0
Personnel Expense ^[3]	\$488,828
Non-Personnel Expense ^[3]	\$81,454
Total Human Resources Expense ^[3]	\$570,282

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 MARLBORO

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. Human Resources Cost per Pupil: The HR cost per pupil is \$144 and is higher than districts of similar size at \$77 and the statewide average of \$75. Student per Human Resources FTE: The District's student to HR FTE ratio is 741 which is lower than districts of similar size at 1,319 and the statewide average of 1,338. The lower student to FTE ratio is attributable to the fact the HR staff are not dedicated solely to HR functions. The Asst. Superintendent for HR currently handles Public Relations/Communications, School Safety and HS Athletics. His team handles training, Title IIA, Induction programs, Principal and Teacher evaluations, certifications and other federal programs (which are usually included in departments outside of HR), as well as traditional HR functions such as benefits, recruiting and retention. 	<ul style="list-style-type: none"> Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
Recruiting and Retention	<ul style="list-style-type: none"> Recruiting: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs approximately 31 international teachers [11% of its total teaching force] and leverages 3 different agencies to provide these positions. 	<ul style="list-style-type: none"> Evaluate opportunities to reduce reliance on international agencies and related administrative fees, either via direct sponsorship, cross-district shared resources or alternative recruitment strategies.

HUMAN RESOURCES MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> • Teacher Incentives: The District uses the following incentive programs to try and attract and retain teachers: TAP grant teacher incentives; signing bonuses, if qualified; and innovative professional development programs. • Teacher Pay: The average teacher salary of \$44,509 is below the statewide average, making it more difficult for the District to compete for incoming teachers. Additionally, once new teachers are trained and have experience, they are recruited to nearby counties at significantly higher salary. • Principal Pay: There is also difficulty attracting qualified principals given current salary levels. 	<ul style="list-style-type: none"> • 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 and (e) innovative professional development programs. • 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. • Continue to focus upon growing teachers from within – alternative certification, grooming and supporting aides to become teachers through Adult Ed Centers, etc.
Technology	<ul style="list-style-type: none"> • The District leverages state-based software systems, such as AppliTrack and CERRA, for recruiting, application screening, processing and onboarding. In addition, an external vendor is used for substitute management. 	<ul style="list-style-type: none"> • Implement technology to help enhance and automate recruiting, on-boarding, substitute management and time tracking processes that are currently manual. • Capitalize on functionality provided by technology to fully automate the application to onboarding process.

HUMAN RESOURCES

MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> Administration is typically done by HR support staff. 	<ul style="list-style-type: none"> Benefits administration process could be automated via establishment of employee portal. Employees could be responsible for updates and information would be linked directly to payroll. Establish a process with PEBA to conduct a local review of benefit plans for ineligible dependents.
Collaboration	<ul style="list-style-type: none"> The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses - H1B Process for International Teachers Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts.



OUTLINE

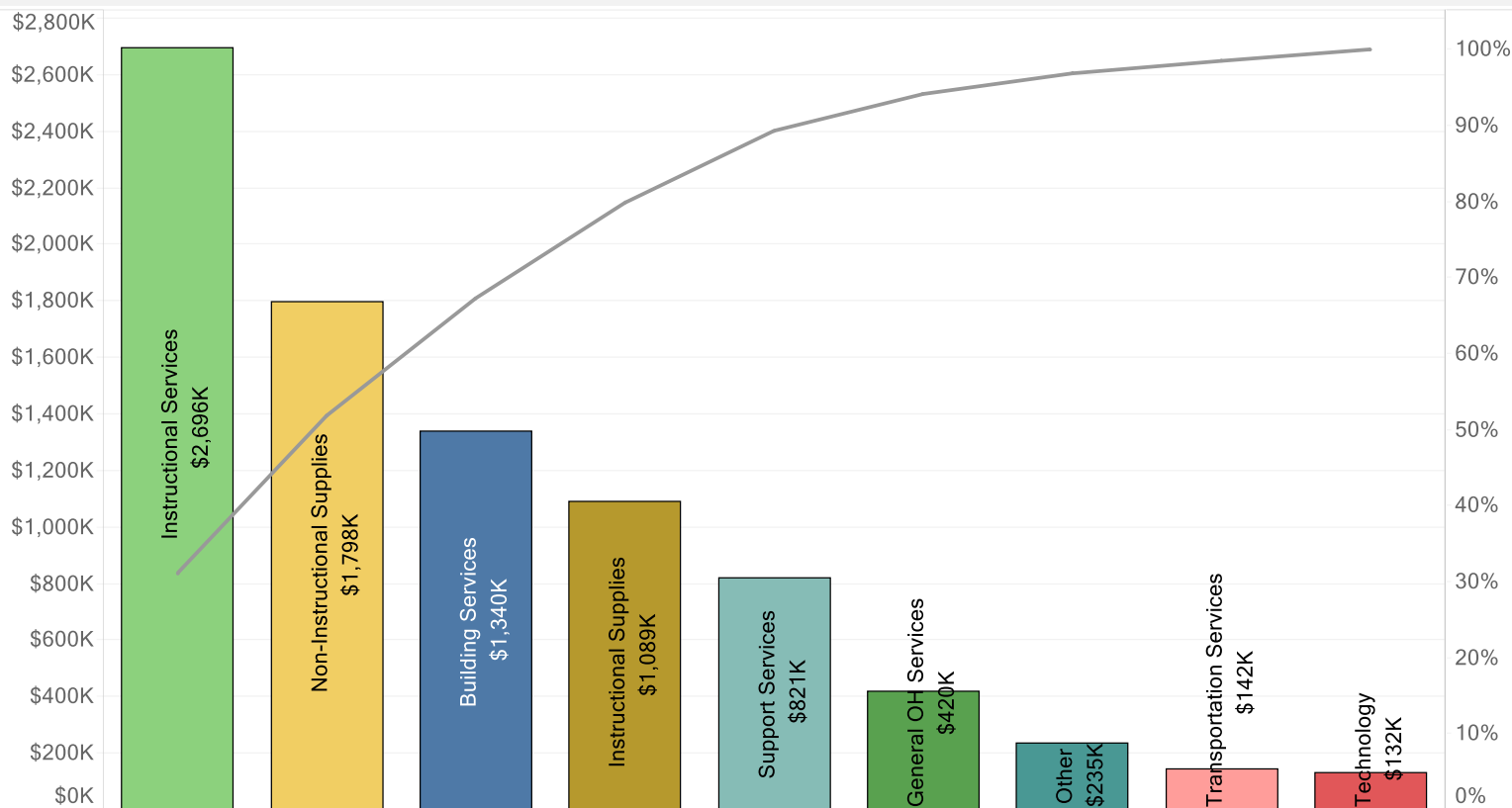
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PROCUREMENT MARLBORO

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.

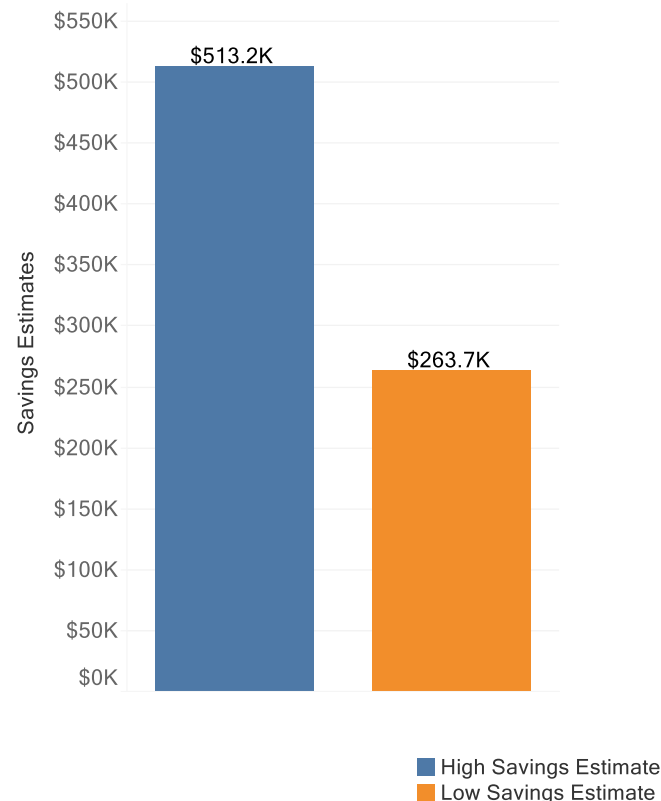
District In Scope Total Procurement Spend = \$8,673,435



ESTIMATED PROCUREMENT SAVINGS

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

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



PROCUREMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District has resources focused on procurement. There is a Procurement Manager that is a part of the Finance department. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Vendors: Spending is fragmented across approximately 1,500 vendors; however, the top 20 make up 80% of total spending. Spending efforts are made based upon the individual buyer, with local optimization the main priority. Aggregated purchasing decisions across districts are not made. 	<ul style="list-style-type: none"> Standardize requirements and specifications for commonly purchased goods in order to streamline the number of vendors used, aggregate buying power within the District and enable volume pricing discounts. Contract options may take the form of: (a) state contracts; (b) stand-alone negotiated contracts or (c) negotiated contracts done in collaboration with surrounding districts. 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 Where appropriate, include Most Favored Nation (MFN) clauses into contracts that require the vendor to provide the District pricing that is no higher than the price it provides to any other buyer, now or during, the term of the agreement. Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include Supplies and Technology.

PROCUREMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District has facilities/maintenance staff to support routine building and maintenance upkeep. However, services that are non-routine usually are supported by local merchants. • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. • Energy: The District does not fix rates for natural gas contracts, but works with municipality to get lower rates. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software and services below a certain threshold to be placed out to bid. • The District does not procure these services and software in collaboration with any other districts. • The District currently relies on several vendors for international staffing. • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging a State contract to make its purchases. • The District does not coordinate technology purchases with other nearby districts. 	<ul style="list-style-type: none"> • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. • Coordinate dairy and bread purchases 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 and services with surrounding districts to maximize the potential for volume discounts. • Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts.

PROCUREMENT MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Non-instructional Supplies - Contracting Vehicles: The District purchases some of its non-instructional supplies outside of available state contracting vehicles under the belief that it can receive comparable, if not better pricing. 	<ul style="list-style-type: none"> • Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include Supplies and Technology.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not partner with other districts to procure goods and services. 	<ul style="list-style-type: none"> • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations and contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: <ul style="list-style-type: none"> - Technology - Instructional Software and Services - Instructional Staffing - Supplies



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TRANSPORTATION MARLBORO

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION OVERVIEW

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

9 Years

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

\$320 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	4.0
Personnel Expense ^[3]	\$1,092,467
Non-Personnel Expense ^[3]	\$174,758
Total Transportation Expense ^[3]	\$1,267,225

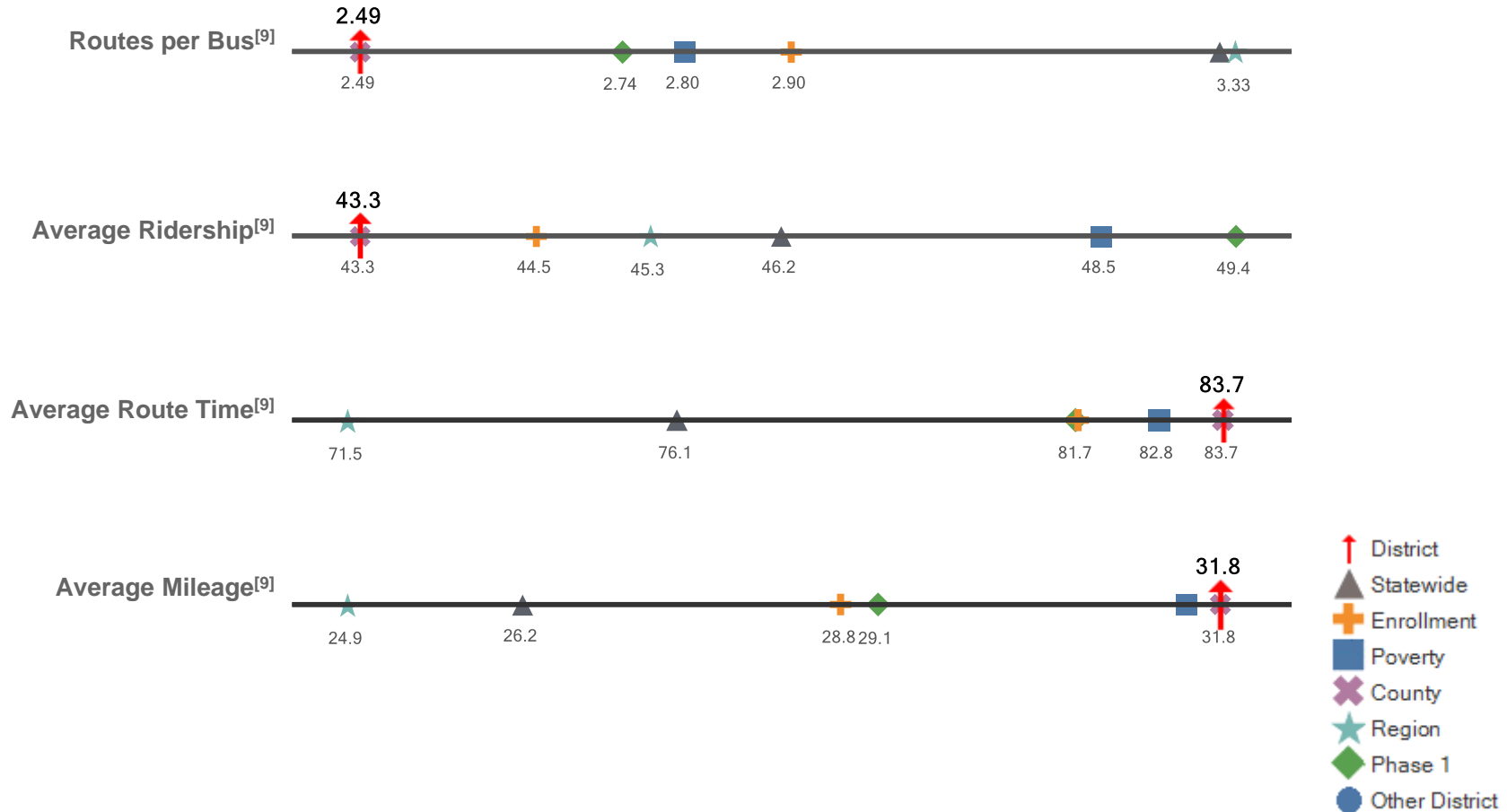
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	42.5	106	2.5	4,585	43	84	32
Special Needs	7.0	17	2.4	182	11	Not-Available	48
Other	1.5	6	4.0	270	45	Not-Available	13
Total	51.0	129	2.5	5,037	N/A	N/A	N/A

TRANSPORTATION MARLBORO

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 MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Recruitment: The District has a difficult time recruiting bus drivers. The District currently has 9 vacancies. • Substitutes: The District does have a pool of substitute drivers, but could use additional drivers. • Driver Pay: Bus drivers are currently paid a starting rate of \$9.34, approximately \$1.50 above state reimbursement levels. • Administration: Transportation is run by one administrator, who along with coaches, custodians and other staff, are certified by the State to drive the buses. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts are dually-employed, serving in aide, food services and / or maintenance roles when not driving buses. • Explore conducting more frequent bus driver certification training sessions by the state and District. • Implement a substitute/back-up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION MARLBORO

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing Software: The District does utilize state routing software. • Bus Tracking: The District does not have GPS on all buses. • Driver Communication: The District provides cell phones to drivers to contact drivers while on routes. • Security: The District does have security cameras on all buses. The District does not have stop-arm cameras on buses. • Staggered Bell Times: The District has staggered bell times for schools. • Activity Buses: The District does not use the state fuel for activity buses. 	<ul style="list-style-type: none"> • Implement routing software to ensure most efficient routes. • Install GPS on buses to monitor bus routes and ensure most efficient route. • Install stop-arm cameras to increase child safety and security on buses.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and bus driver sourcing. • Leverage the state maintenance hubs for activity buses. • Consider partnering with districts that are also transporting children to other out-of-district placements.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

MARLBORO

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.

APPENDIX A: SAVINGS METHODOLOGY

MARLBORO

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.

APPENDIX A: SAVINGS METHODOLOGY

MARLBORO

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

Functional Review Operating Model Components



PROCESS

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

ORGANIZATION

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

APPENDIX A: SAVINGS METHODOLOGY

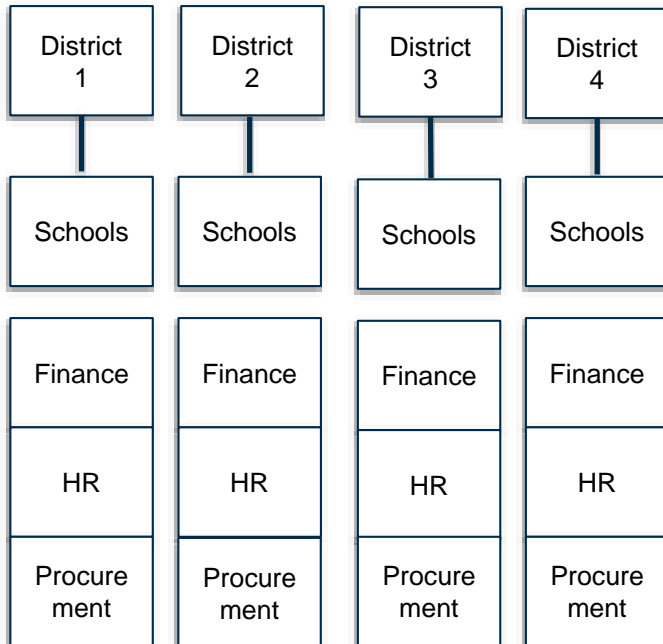
MARLBORO

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.

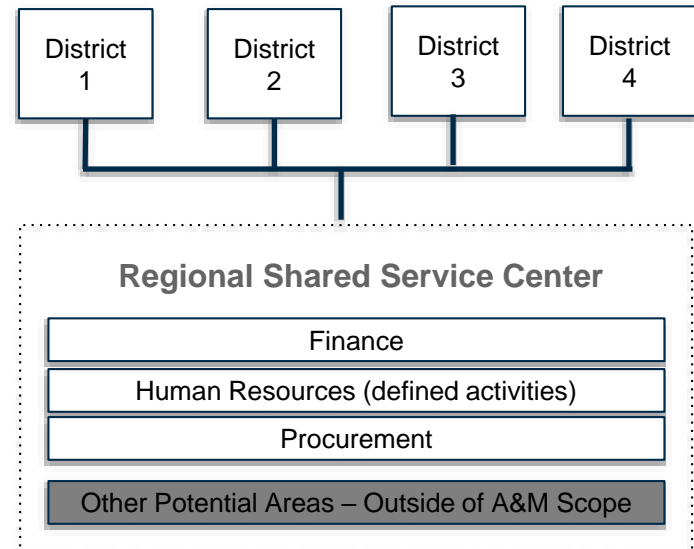
CURRENT STATE: STAND ALONE DISTRICT

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

MARLBORO

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).

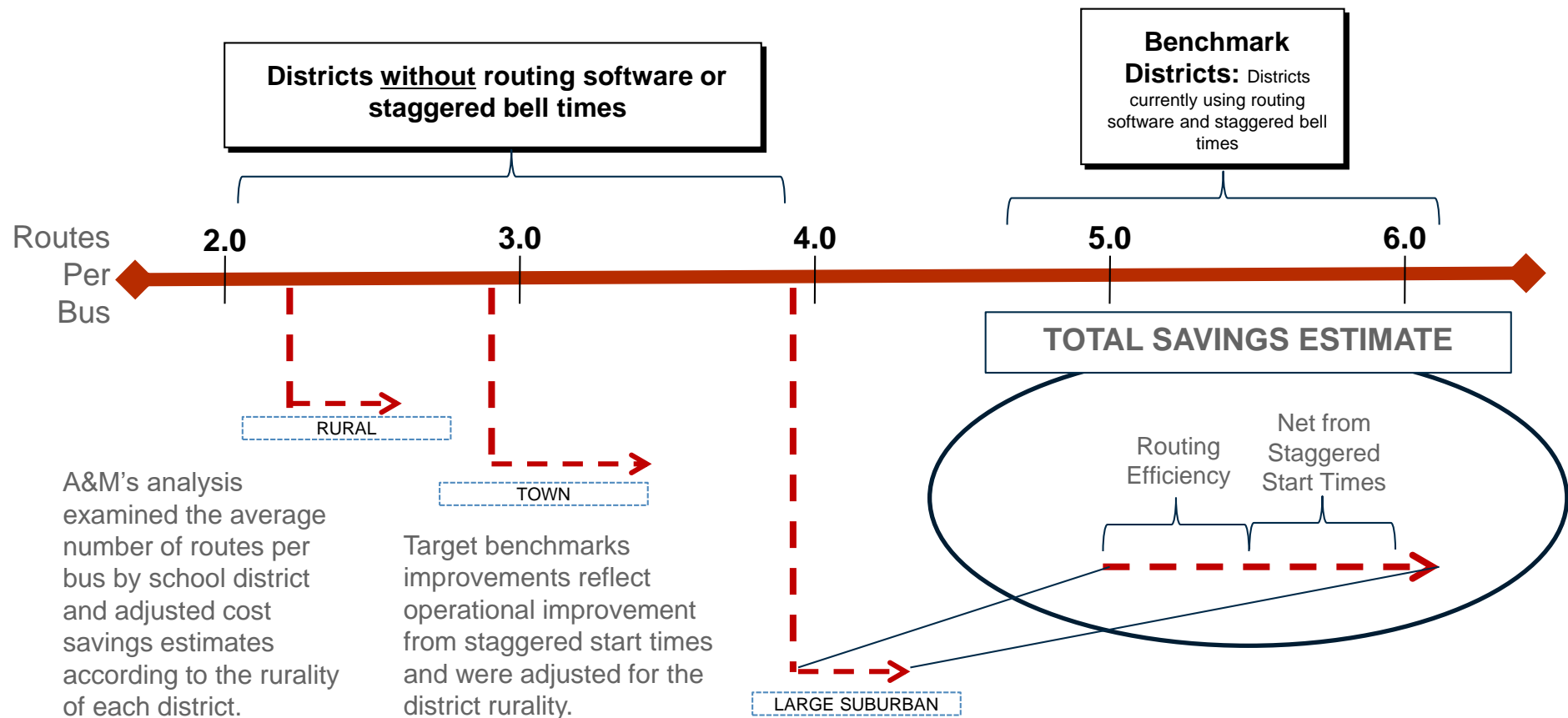
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

APPENDIX A: SAVINGS METHODOLOGY

MARLBORO

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

MARLBORO

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.

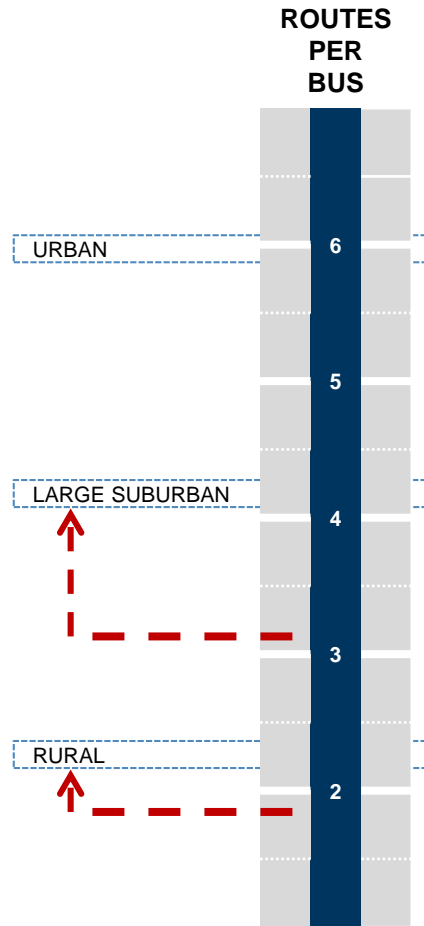
APPENDIX A: SAVINGS METHODOLOGY MARLBORO

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

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

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



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

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

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

APPENDIX A: SAVINGS METHODOLOGY

MARLBORO

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 MARLBORO

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

MARLBORO

[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 MARLBORO

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 MARLBORO

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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