



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Orangeburg 03

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

ORANGEBURG 03

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

ORANGEBURG 03

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

ORANGEBURG 03

PROJECT OVERVIEW (CONTINUED)

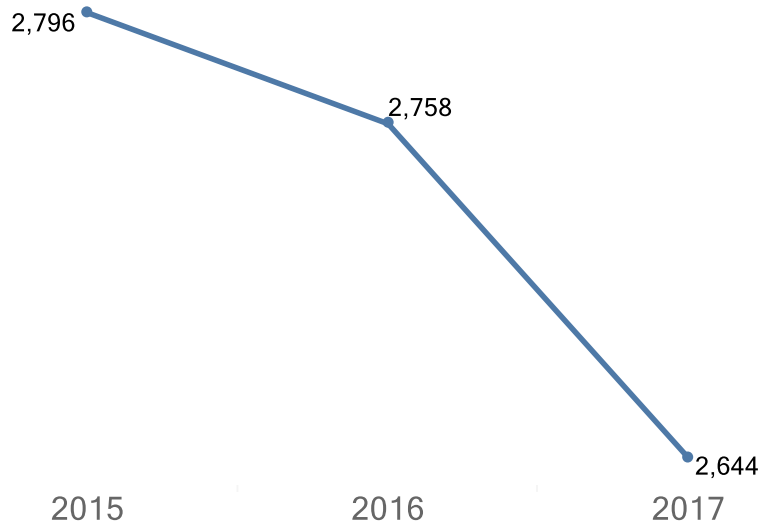
➤ Sources of Data and Savings Estimates:

- 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.

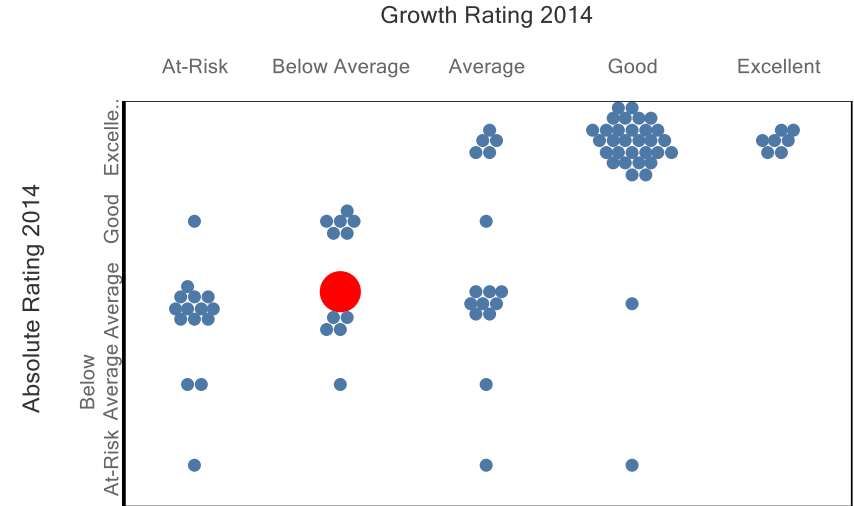
EXECUTIVE SUMMARY

ORANGEBURG 03

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	6
% Poverty ^[1]	88.2%
% Disability ^[1]	13.2%
\$ Per Student ^{[2],[3]}	\$14,779
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$12,824

Administration

Students Per Instructional Services FTE ^{[2],[4]}	7.7
Students Per Overhead FTE ^{[2],[4]}	146.9
Students Per School Support FTE ^{[2],[4]}	22.3
Students to Total FTE ^{[2],[4]}	5.5

EXECUTIVE SUMMARY

ORANGEBURG 03

Sources of Funds^[5]
\$41.7M



2015-2016

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

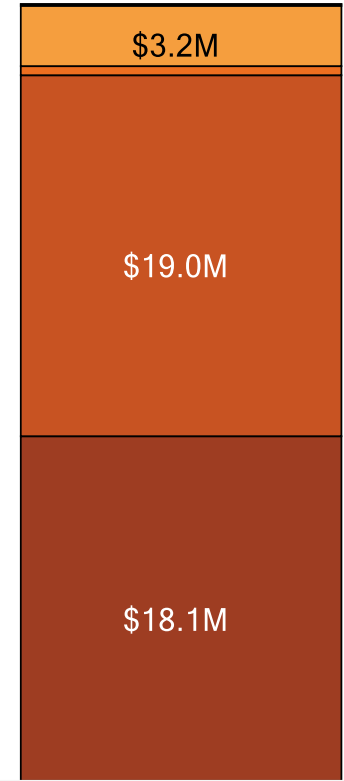
Use of Funds - Type^[3]
\$40.8M



2015-2016

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

Use of Funds - Function^[3]
\$40.8M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ORANGEBURG 03

\$40.8M
Total

\$6.9M
In-Scope

\$33.8M
Not In-Scope

17.0% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$343,125	\$97,937
Human Resources	\$350,529	\$56,243
Overhead	\$853,824	\$277,929
Transportation	\$1,580,487	\$88,878
Procurement (Community Services, Instruction, Support Services)	\$3,818,981	\$3,818,981
TOTAL	\$6,946,946	\$4,339,968

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ORANGEBURG 03

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of Orangeburg County Consolidated School District Three is to provide a quality education through shared responsibility in a safe supportive environment for all students to meet the challenges of a global society.

1. **Improved Teacher Recruitment:** Recruit and retain high-quality instructional and non-instructional personnel.
2. **Increase Enrollment:** Establish a brand for the District to aid in recruitment efforts.
3. **Improved Literacy:** Expand a newly-implemented District-wide literacy intervention plan into other core curricular areas.
4. **Integrate Instructional Technology:** Provide appropriate technology instruction to obtain 21st Century skills.
5. **Improved Communications:** Develop and implement an internal and external District communication system.

Achievements

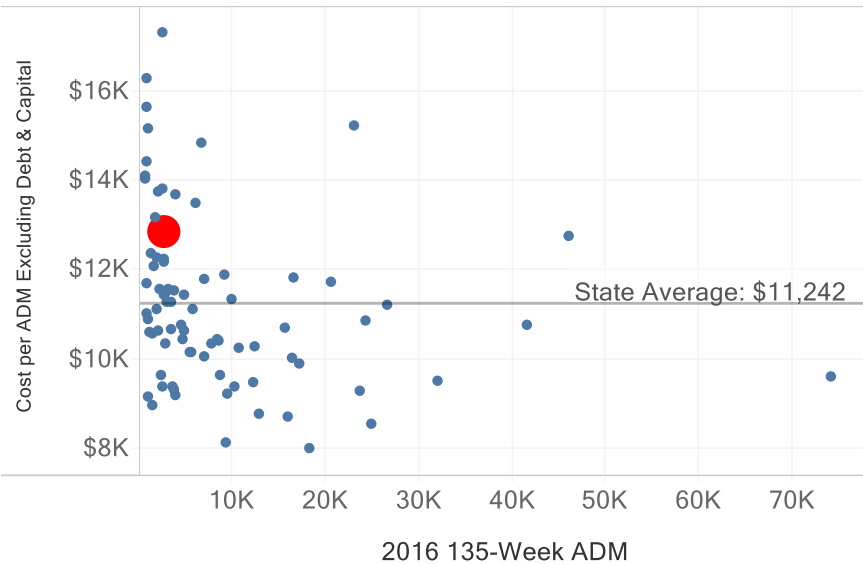
- **Community Engagement:** Superintendent engaged an external consultant to develop a strategic plan for the District that involved a community engagement process (numerous stakeholder meetings) and which she believes raised morale throughout the District.
- **Increased Student Supports:** Improved student-to-teacher ratio (19:1) in core subject areas.
- **Increased Highly Qualified Teachers:** Percentage of classes not taught by highly qualified teachers down to 2% from 6.7%. Increase in percentage of teachers with advanced degrees (65%, up from 60%).

Challenges

- **Teacher Recruitment:** Recruitment and retention of quality instructional and non-instructional personnel is difficult, even with Rural Recruitment Initiative financial support.
- **Teacher Compensation:** Providing competitive supplementary pay for teachers relative to nearby districts is also difficult.
- **Administration:** District needs to automate and modernize most central office functions, particularly HR and Finance.
- **Communications:** No significant communications support in District office. The Superintendent handles all communications functions.

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

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OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Viability: Despite recent drops in enrollment, the District appears to be financially stable with high per pupil revenue and a strong unrestricted fund balance relative to other similar districts. • Limited Staffing / Manual Processes: Limited staffing and under-utilization of technology contribute to high numbers of internal control weaknesses and gaps in financial processes. The District had to return unexpended grant funds to the state in FY16.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: Like many smaller districts, this District has extremely limited resources fully dedicated to Human Resources. Most recruitment and on-boarding processes are manual. • Challenges with Recruiting and Retention: The District struggles to compete for candidates based on compensation and relies on agencies for placement of hard to staff positions. As a result, the District regularly uses international staffing agencies to fill multiple vacancies.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State pays for bus purchases, maintenance, fuel costs and a portion of driver salaries. The District struggles with driver shortages and supplements driver pay with local funds. • Manual Routing: The District does not have routing software that could be used to identify routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District does not dedicate any full-time resources to procurement. • Strategic Sourcing: The District has low leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates. The District does not collaborate with other districts for purchasing outside existing Group Purchasing Organizations.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent's job is spread across many functions, including Communications. • Collaboration: The Superintendent participates in the Columbia/Midlands Consortium.

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

ORANGEBURG 03

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: Implement new technologies to automate HR processes, such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software, GPS and security cameras on all buses.</p> <p>Process Improvements: Staggered Bell Times: - Complete analysis (in conjunction with use of routing software) to evaluate the potential financial benefits of using routing software.</p> <p>Staffing / Organization: Create dual employment opportunities to help address bus driver shortages.</p>

EXECUTIVE SUMMARY

ORANGEBURG 03

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

ORANGEBURG 03

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

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CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$10,000	\$25,000	\$34,800	\$104,300
Human Resources	5,000	10,000	0	34,800
Procurement	0	0	134,100	261,600
Transportation – District	N/A	N/A	74,000	111,000
District Total	15,000	35,000	242,900	511,700
Transportation – State	20,000	78,300	62,600	126,900
Total	\$35,000	\$113,300	\$305,500	\$638,600

* 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.



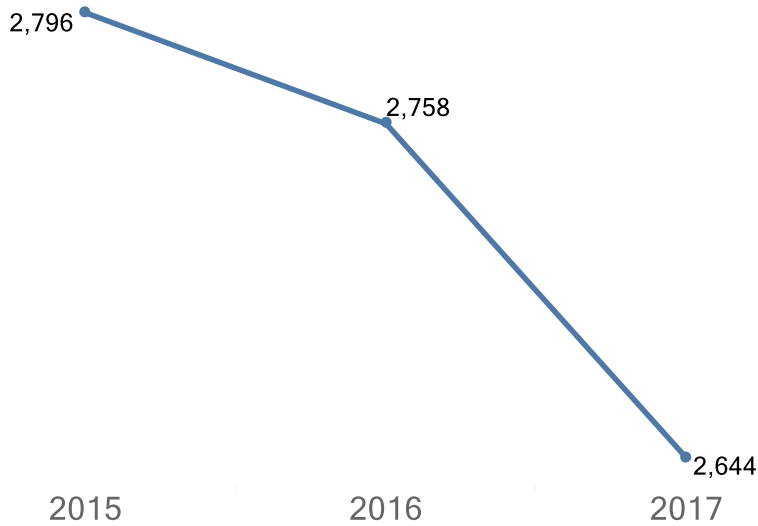
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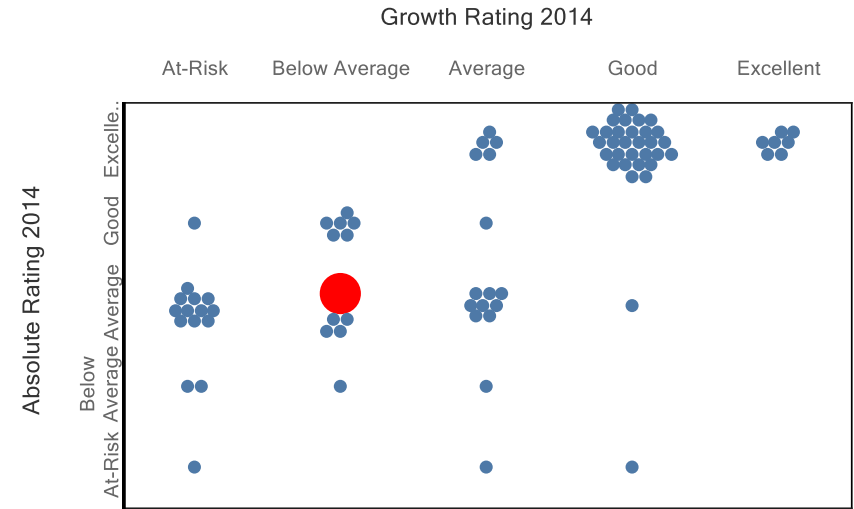
DISTRICT ADMINISTRATION AND PERFORMANCE

ORANGEBURG 03

Average Daily Membership^[2]



Student Achievement^[1]



General Info

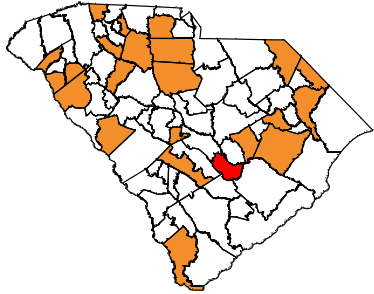
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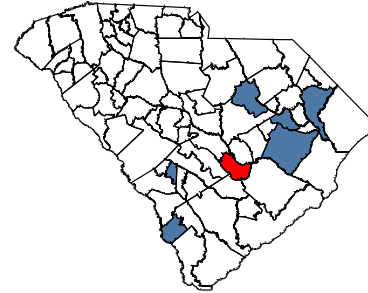
DISTRICT BENCHMARKING

ORANGEBURG 03



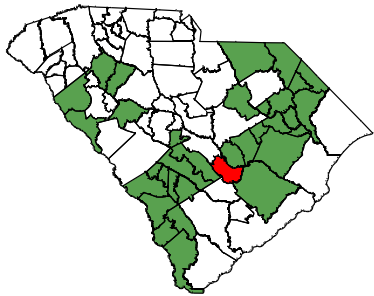
Enrollment (2,500 - 5,000)

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	



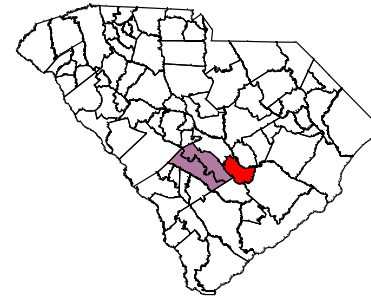
Poverty (85% - 90%)

Barnwell 19
 Florence 03
 Hampton 02
 Lee
 Marion 10
 Orangeburg 03
 Williamsburg



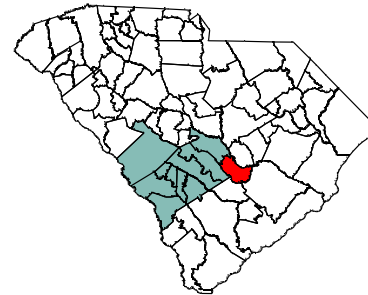
Phase 1 (Yes)

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	



County (Orangeburg)

Orangeburg 03
 Orangeburg 04
 Orangeburg 05



Region (Lower Savannah)

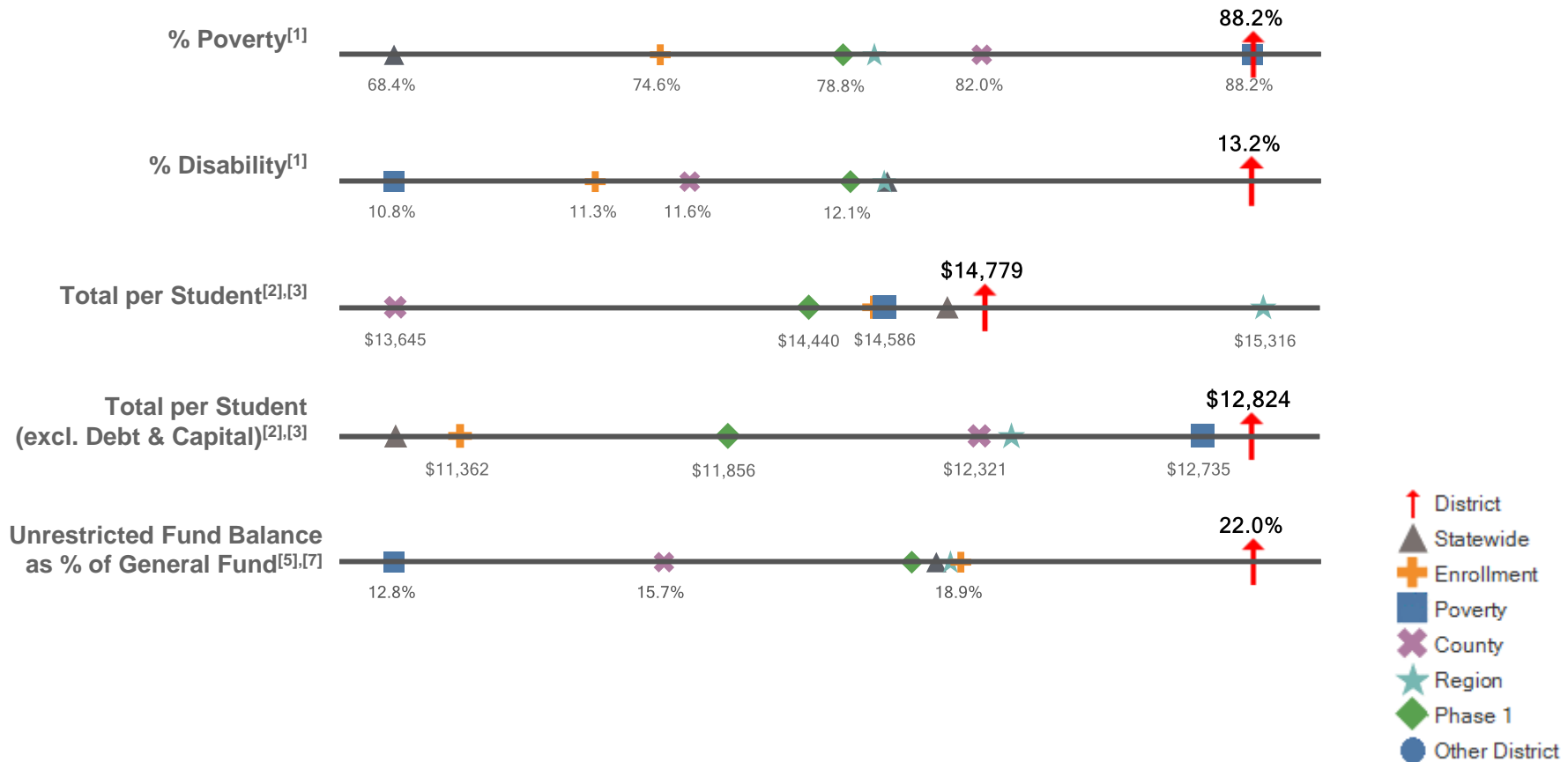
Aiken
 Allendale
 Bamberg 01
 Bamberg 02
 Barnwell 19
 Barnwell 29
 Barnwell 45
 Calhoun
 Orangeburg 03
 Orangeburg 04

DISTRICT OVERVIEW

ORANGEBURG 03

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

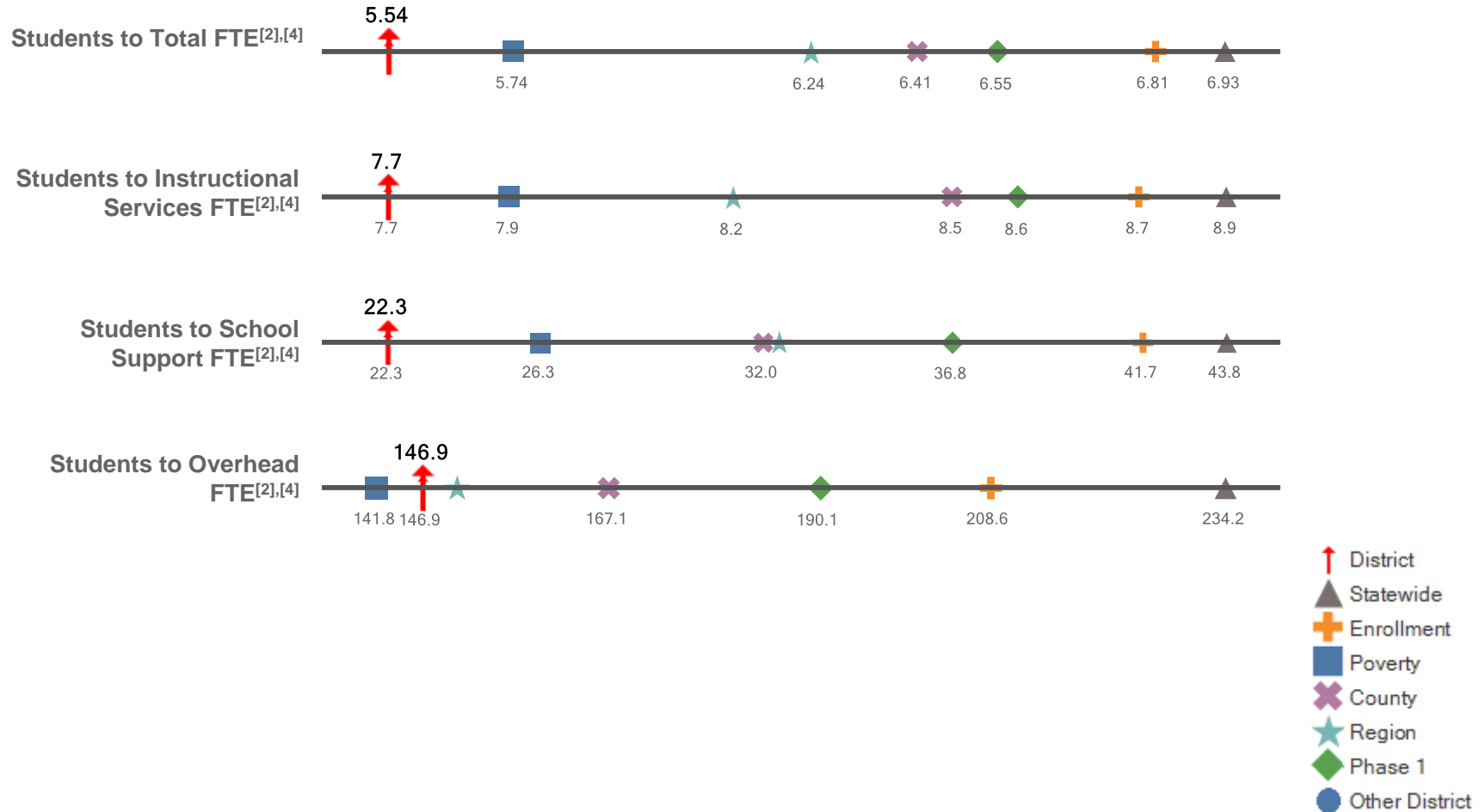
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

ORANGEBURG 03

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has dropped by 152 students, or 5.7%, over the past 3 years. • Student Demographics: 82.2% of District students live in poverty, well above the statewide average of 69.2%. • Competition: While there are no charter schools in the District, a portion of the decline in enrollment is attributable to competition from private schools in the region. • Long-term Planning: The District does not prepare long term enrollment projections to help inform long term planning. 	<ul style="list-style-type: none"> • Given recent trends in enrollment coupled with anticipated economic decline, the District should develop a long term enrollment forecast to anticipate and better plan for enrollment changes, ensuring long term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: Despite a strong fund balance ratio in excess of other peer districts, the District's overall size and declining enrollment trend will require it to be prudent with long term financial planning and fund balance reserves in order to navigate through any unanticipated events. • Per Pupil Expenses: When excluding debt and capital, the District's per pupil expense of \$12,824 is more favorable than both the statewide average (\$11,242) and other districts of similar size (\$11,362). • Unrestricted Fund Balance: The District's unrestricted fund balance is 22% and is above the statewide average of 18.6%. The District benefits from a strong fund balance, which enhances the ability to pay for unexpected expenses. 	<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

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Resource Allocation: The favorable revenue per pupil amount for the District allows for investment in personnel. The Instructional Student to FTE ratio is lower than peers. The non-instructional Student to FTE ratios are lower than the State and peers, which is reflective of the fixed cost structure of small school districts. • Staffing levels in the District are lean with many individuals filling multiple roles and functions that are appropriate given their skills. • Student to FTE: The Student to Total FTEs of the District is 5.5, which is lower than the statewide average of 6.9 and districts of similar size at 6.8. • Student to Instructional Services FTE: The Student to Instruction ratio is 7.7, which is lower than districts of similar size (8.7) and the statewide average (8.9), indicating investment in classroom resources. • Student to School Support FTE: The Student to Support Services ratio is 22.3, which is lower than districts of similar size (41.7) and statewide (43.8). The ratios are lower in Food, Facilities and Transportation. • Student to Overhead Ratio: The Student to Overhead Ratio is 147, which is lower than districts of similar size (208.5) and the statewide (234). The ratio is reflective of the fixed cost structure required to operate the small District. 	<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

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none">• Role of Superintendent: The Superintendent's job is spread across many functions; for example, she spends a significant amount of time responding to parent complaints and employee investigations.• Communications Function: There is no communications support for the Superintendent's office. The function resides solely with the Superintendent.• Legal: The District has no legal department. If legal advice is required, the District utilizes an external law firm.• Turnover: The Superintendent has overseen the District for the past 2 years. A former superintendent is on contract and oversees the financial and procurement activities of the District.	<ul style="list-style-type: none">• Consider addition of one part-time communications FTE to support the Superintendent and allow for incremental support to the leadership team.

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid a monthly honorarium in the amount of \$125. • Board Composition: The seven member Board is elected to serve four-year terms. • Training: Board members adhere to required training for all South Carolina board members and continue to receive training through the South Carolina School Boards Association (SCSBA). The District pays for the Board to attend SCSBA training in February, August and December every year. 	
Collaboration	<ul style="list-style-type: none"> • Leadership: The District is a member of the Columbia/Midlands Consortium, which is a group of superintendents that meets monthly to discuss instructional and operational issues. • 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 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.



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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.

661 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$124 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	4.0
Personnel Expense ^[3]	\$245,188
Non-Personnel Expense ^[3]	\$97,937
Total Financial Expense ^[3]	\$343,125

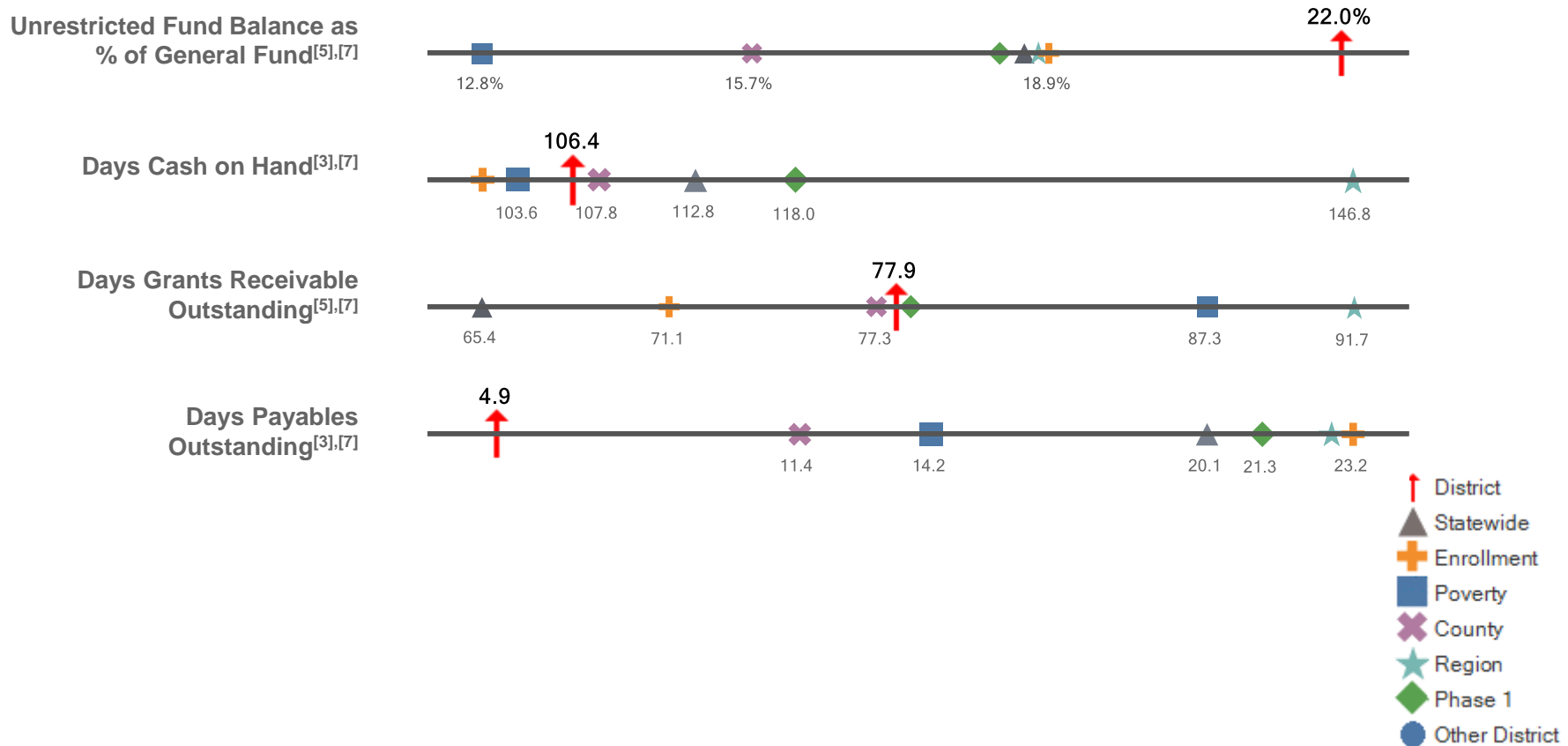
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

ORANGEBURG 03

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

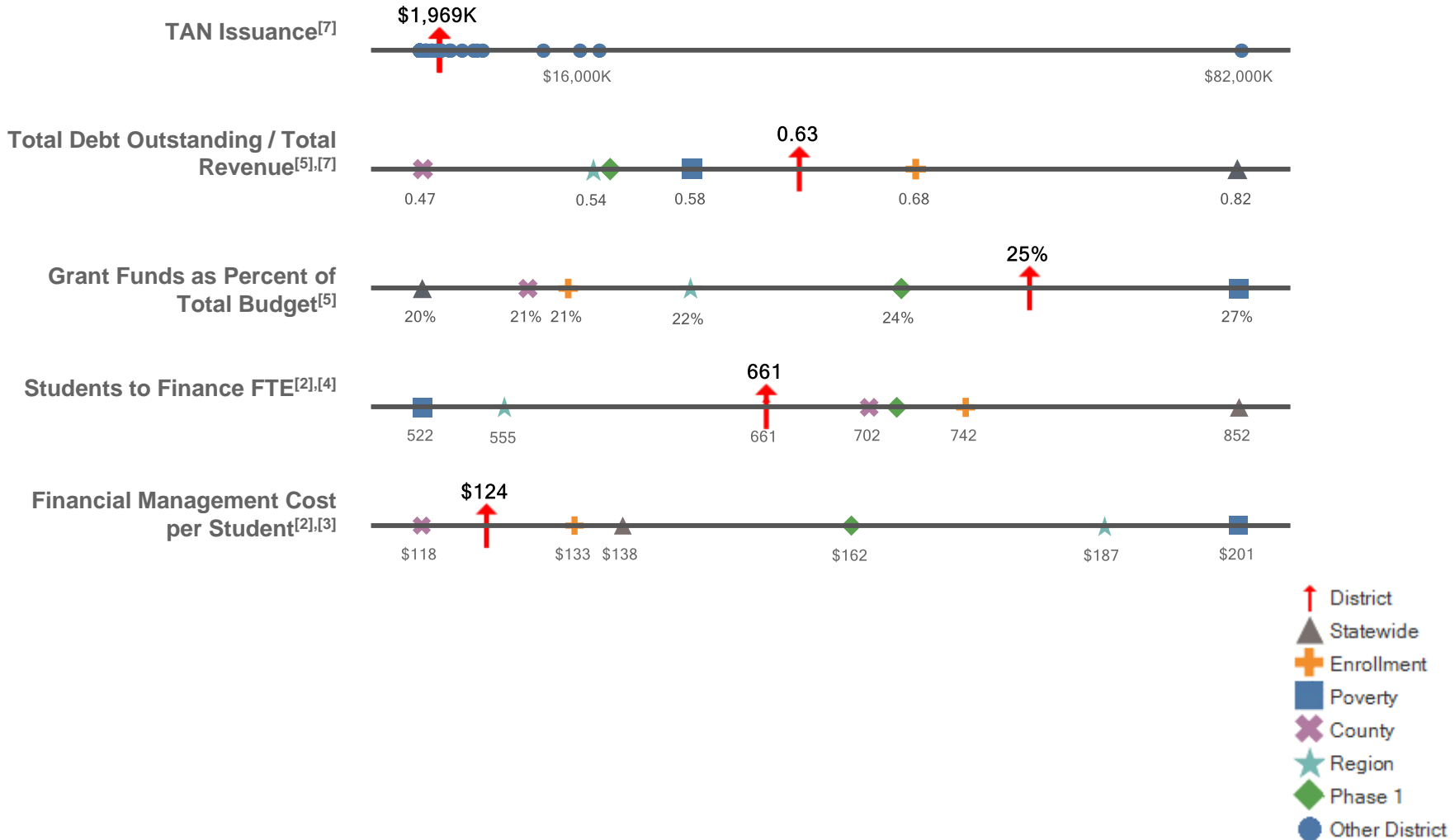
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



FINANCIAL MANAGEMENT

ORANGEBURG 03

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Finance organization is thinly staffed to support roles and responsibilities that include, accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Leadership: The District has no permanent CFO. A former superintendent oversees the operations of the Finance department, including procurement activities. • Turnover: There has been very low turnover in the Finance department. • Finance Cost per Pupil: The Finance cost per pupil for the District is \$124 per student, which is lower than districts of similar size (\$133) and in line with the statewide average (\$138). • Student per Finance FTE: The student to financial management FTE ratio is 661, which is lower than districts of similar size at 742 and the statewide average of 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

ORANGEBURG 03

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 bi-weekly basis. All paychecks are direct deposited and the District utilizes the self service payroll platform within its Infinite Visions ERP. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. • Purchasing: Schools initiate requisitions for items and services via a manual process, and the Finance office administers an approval process to ensure procurements are made in accordance with District and state regulations. • Pcard: The District does not utilize a Pcard program. 	<ul style="list-style-type: none"> • 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. • 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.

FINANCIAL MANAGEMENT

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Inventory: The District maintains no warehouses and does not currently conduct centralized inventory processes. The District does not track inventory of technology, furniture or textbooks. 	<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.
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 25% 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. • Indirect Costs: The District charges indirect costs against federal Title I, IDEA, and Food Service grants per State regulations. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the Finance department with the Program Officers. 	<ul style="list-style-type: none"> • Require Finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities.

FINANCIAL MANAGEMENT

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have material weaknesses in its 2016 audited financial statements: <ul style="list-style-type: none"> - Cash on deposit with one financial institution is uncollateralized and uninsured by \$530,352. The District agreed to review all agreements with financial institutions and the current market value of the assets held as collateral to make sure the value pledged is sufficient to cover the deposits of the District. - Material correction needed to be made to the books in order for the resulting financial statements to be presented in accordance with GAAP. The auditors recommended that receipts received after year-end should be reviewed closely to determine proper period for recording. • Position Control: The District does not have position control. Lack of position control can lead to over-hiring / spending and ultimately to an unanticipated deficit. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control. • Implement processes to ensure that identified internal control weaknesses are mitigated. • Implement budget position control to ensure controls around hiring of individuals.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has an adequate cash balance, with 106 days cash on hand. The statewide average is 112.8. • The District does not have formalized weekly cash flow forecasting process. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and minimize draw on TANs. • Implement processes to file for grant (state and federal) reimbursements on a monthly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines.

FINANCIAL MANAGEMENT

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Grants Receivable Outstanding: The District had a Grants Receivable Outstanding of 77.9 days which is high relative to the statewide average of 65.4. • Days Payable Outstanding: The District's Days Payables Outstanding, 4.9, is more favorable than the statewide average of 20.1. • Cash: The District invests cash balances in the State local investment pool. • Debt Issuances: Recently, the District issued debt for the purchase of technology with a useful life 3 to 5 years. However, the life of the bonds are 10 years. 	<ul style="list-style-type: none"> • The District should prepare a monthly grants report showing award amount, budget, YTD and cumulative expenditures and outstanding receivable balances for each grant. These reports should be shared with senior leadership and program officers so that they can accelerate spending as needed in order to avoid returning unexpended funds. • The District should exercise care in matching the term of debt issued for purchase of physical assets, such as technology, to the anticipated depreciation of those assets.

FINANCIAL MANAGEMENT

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process consists of a roll-forward of prior year authorizations with some modifications. The District has not consistently incorporated enrollment projections into the budget development process, resulting in budgetary shortfalls in years when enrollment has declined. • Fiscal Monitoring: The District does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared monthly / quarterly with key leaders. • The District posts its monthly credit card bill and accounts payable to its website. 	<ul style="list-style-type: none"> • Develop an enrollment projection that makes use of local birth rate data as well as statewide demographic and economic projections, and incorporate those expectations into the budget development process. • Prepare monthly financial reports and variance analysis. Reports should be shared with District leadership and each department head on monthly basis. • Post Comprehensive Annual Financial Reports, budget reports, and monthly financial reports (budget-to-actual) to the District's website to increase financial transparency and provide context for those who wish to review the district's financial activities.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Technology</p>	<ul style="list-style-type: none"> • ERP: The District uses the Infinite Visions ERP system for several functions, including accounting, budgeting, and hiring-related Human Resource functions. However, processes remain manual for procurement functions and some time-keeping functions. • Timekeeping: The District utilizes Time Clock Plus for some time-keeping functions; the rest, including substitute teachers, are manual. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing Infinite Visions accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system. • Complete process to select an automated and integrated time keeping system and implement prior to start of the next school year.
<p>Regional Collaboration</p>	<ul style="list-style-type: none"> • The District participates in an informal working group of other districts using the Infinite Visions ERP, which includes Spartanburg 7, Calhoun, Fort Mill, Oconee, and Clarendon 1. This group shared the cost of bringing in a software consultant to train them on the system. • The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include the following: (a) Accounts Payable (including purchasing workflow and approval); (b) Payroll processing and (c) Financial system licenses (potential for volume discounts)



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- VI. Transportation

HUMAN RESOURCES OVERVIEW

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

696 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$127 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	3.8
Personnel Expense ^[3]	\$294,286
Non-Personnel Expense ^[3]	\$56,243
Total Human Resources Expense ^[3]	\$350,529

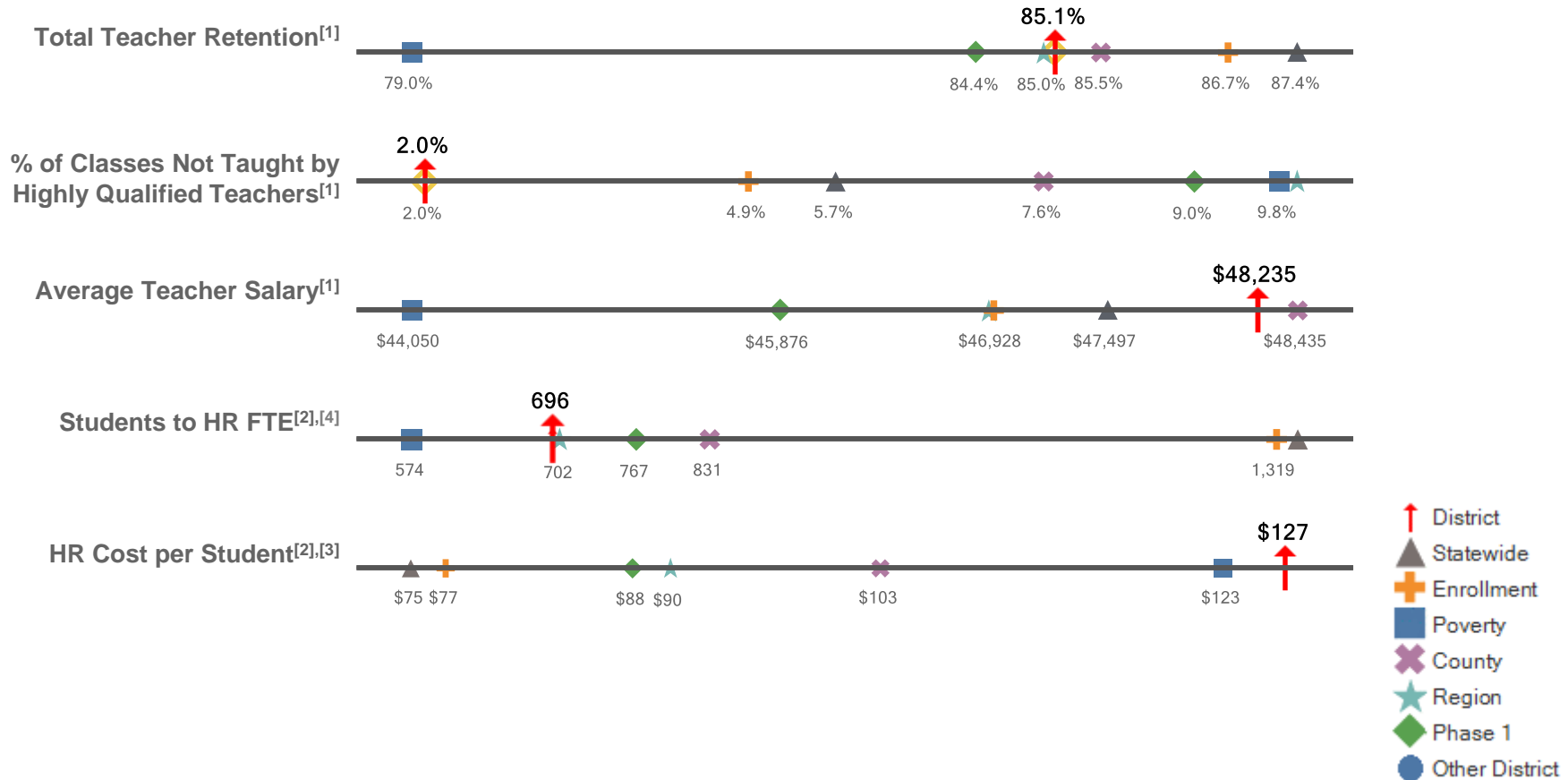
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

ORANGEBURG 03

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

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Human Resources function operates on a lean budget with limited staffing to support recruiting, retention, personnel relations, professional, benefits and professional development activities. Human Resources Cost per Pupil: The HR cost per pupil for the District is \$127 and is higher than districts of similar size (\$77) and the State average (\$75). Student per Human Resources FTE: The student to HR FTE ratio is 696, which is lower than statewide (1,339). 	<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"> Teacher Recruitment: Similar to other school districts in the State, recruiting teachers is challenging. The District currently employs 10 international teachers, or 4.4% of its total teaching force, and leverages 3 different agencies to provide these positions. The District had 50 vacancies to fill in FY15-16. Specialty Staffing: The District leverages staffing agencies to fill hard-to-staff services (i.e. Physical Therapy, Occupational Therapy). Pay Supplements: The District uses funds from the Rural Recruitment Initiative incentive program to supplement new teacher salaries in an effort to attract and retain teachers. 	<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 or (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. 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

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention (cont'd)	<ul style="list-style-type: none"> • Teacher Pay: The average teacher salary is \$48,235 and slightly higher than the statewide average of \$47,500. However, the average starting teacher salary is \$1,700 lower than nearby Orangeburg 5, which creates unfavorable regional competition for a limited domestic talent pool. • Bonus Pay: The District offers a \$1,000 bonus to teachers-of-the-year, one per school. • Teacher Retention: At 85.1%, teacher retention is lower than the State average (87.6%) and districts of similar size (85.6%). 	
Technology	<ul style="list-style-type: none"> • Hiring and Onboarding: The District leverages Applicant Track for recruiting and application screening. • Substitute Management: The District uses a manual process to manage substitute teachers. 	<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. • Implement software systems to help manage the substitute management process. • Implement an automated time tracking system that can interface directly with the payroll system.

HUMAN RESOURCES

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> • Benefits Administration: Colonial Life handles benefits processing and onboarding for new hires. 	<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"> • Consortia: The District participates in the Midlands Educational Effectiveness Roundtable. • Shared FTEs: The District shares one FTE with Orangeburg 4. The FTE is an instructor that works with visually-impaired students. • Other Collaboration: The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<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.



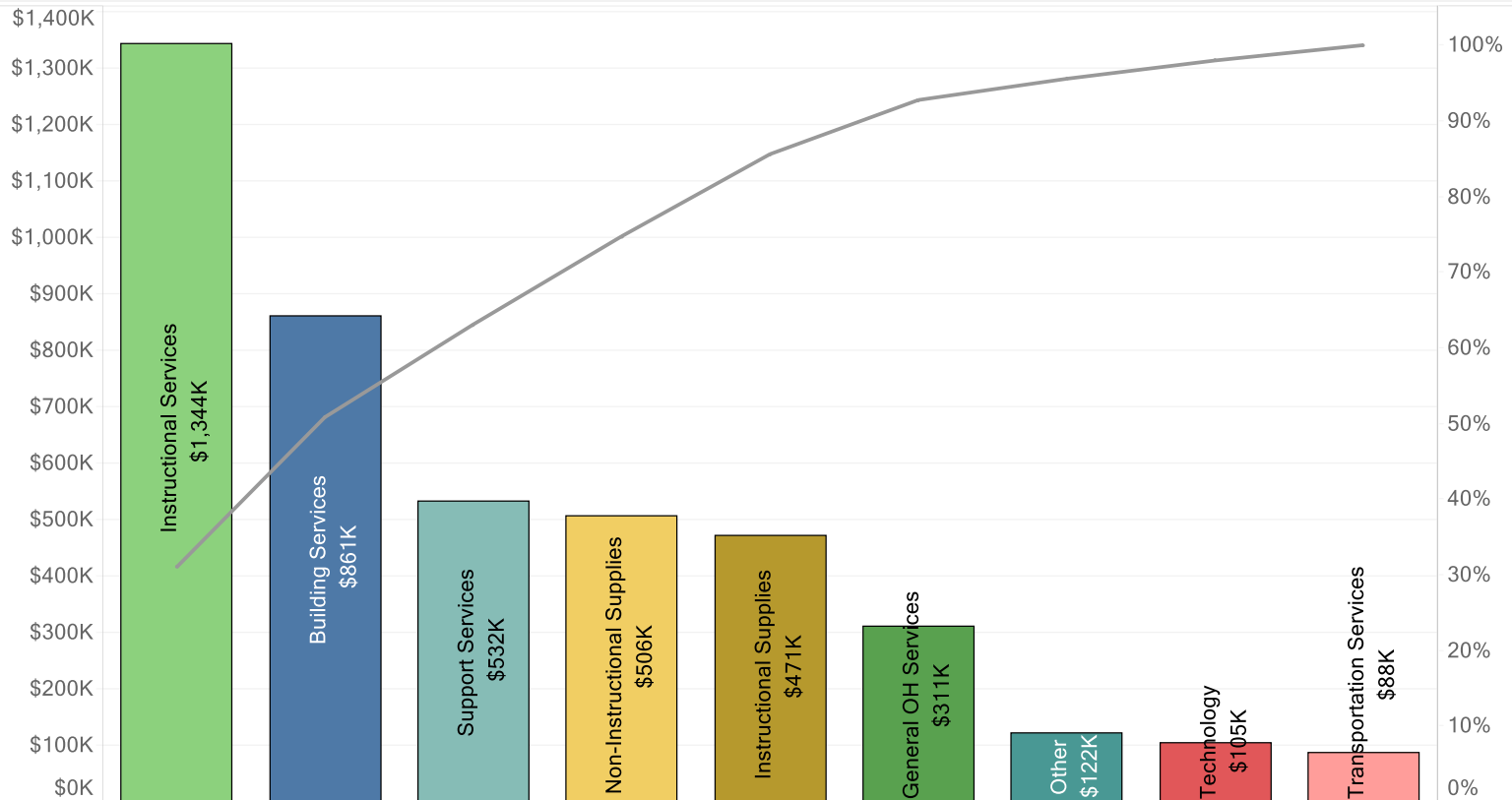
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PROCUREMENT OVERVIEW

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.

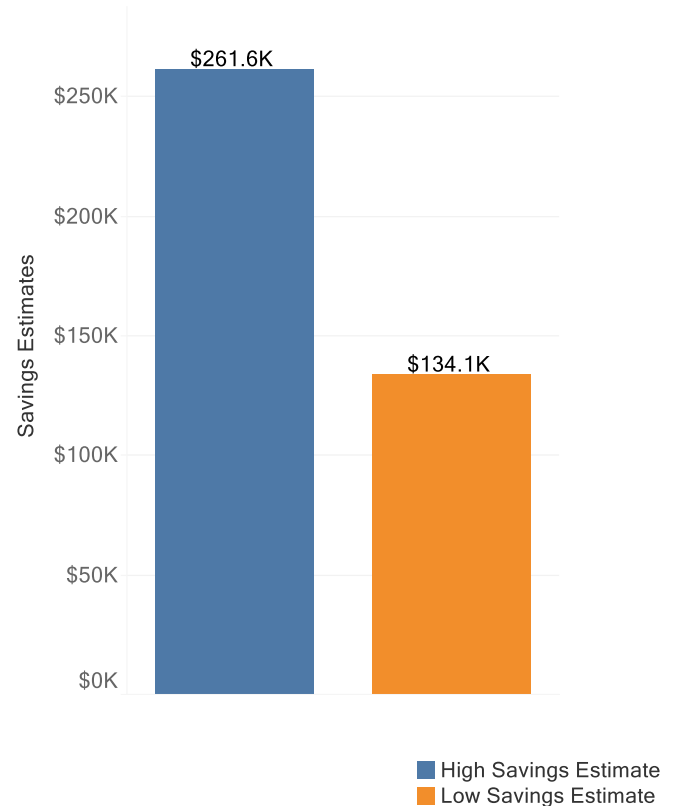
District In Scope Total Procurement Spend = \$4,339,968



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 ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Organization: The procurement function resides within the Finance office. The District does not have any staff solely focused on purchasing and procurement. • Oversight: The former Superintendent, serving as a consultant, oversees the procurement process and has final approval for all purchases. 	<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"> • Spending is fragmented across more than 950 vendors; however, the top 40 vendors make up more than 80% of total spending. Given the size of the District, there may be opportunity to streamline the number of vendors making up their top 80% of spend. • 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.

PROCUREMENT ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<ul style="list-style-type: none"> • 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 food (if not currently using a GPO), supplies, and technology. Based upon experience across other school systems and districts, purchases made through suitable Group Purchasing Organizations for supplies and equipment typically yield savings of 2.3%-5.9%.
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: As a rural district, there are not always multiple vendors available to compete for work with the District, particularly for on-site services and maintenance. • 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. • Non-instructional Supplies - Contracting Vehicles: The District purchases a significant share of its non-instructional supplies through available state contracting vehicles. 	<ul style="list-style-type: none"> • Consider establishing a fixed rate contract for natural gas. • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Spending by Category</p>	<ul style="list-style-type: none"> • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software and services to be placed out to bid, and does not procure these services and software in collaboration with any other districts. • International Staffing: The District currently relies on several vendors, including FACES and Unique for international staffing and Soliant for staffing of special education services. • Technology: The District does not coordinate technology purchases with other nearby districts. 	<ul style="list-style-type: none"> • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership, from 3.4% - 6.3%. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
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 ORANGEBURG 03

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.

13 Years

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

\$573 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	46.9
Personnel Expense ^[3]	\$1,491,609
Non-Personnel Expense ^[3]	\$88,878
Total Transportation Expense ^[3]	\$1,580,487

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

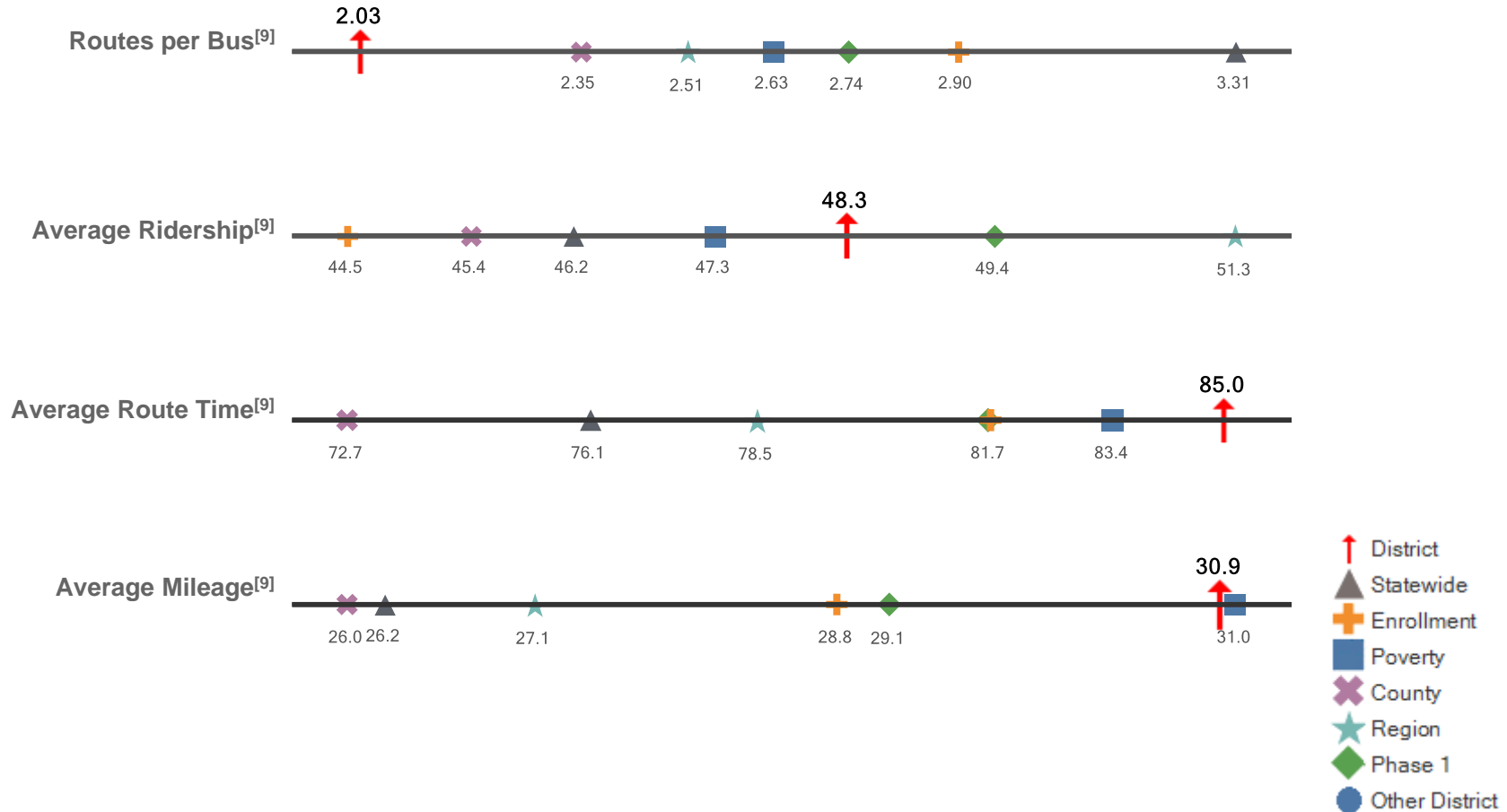
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	50.3	102	2.0	4,928	48	85	31
Special Needs	4.0	8	2.0	108	14	Not-Available	54
Other	0.0	0	0.0	0	0	Not-Available	0
Total	54.3	110	2.0	5,036	N/A	N/A	N/A

TRANSPORTATION

ORANGEBURG 03

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

ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none">• Staffing: Adjustments to routes have been made in order to address the District's bus driver shortage. The District runs 50 buses and is currently short 4 drivers.• Bus Driver Pay: The District has advertised for drivers and offers supplemental pay above the State rate.• Administration: Transportation is run by one administrator.	<ul style="list-style-type: none">• As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts in the State are dual employed, serving in aide, food services or maintenance roles when not driving buses.• Implement a substitute/back up driver pool in collaboration with nearby districts.• Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION ORANGEBURG 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing: The District does not have a routing software, but does input routing information into the state’s routing database. • Bus Tracking: The District has GPS on its buses. • Driver Communication: The District does not provide cell phones or radios to drivers to contact drivers while on routes. Cell phone service is unavailable on many sections of the District’s bus routes. The District has requested a quote for digital radios. • Security: The District has security cameras on all buses but does not have stop-arm cameras. • Activity Buses: The District uses State fuel for activity buses. 	<ul style="list-style-type: none"> • Implementation of staggered bell times will 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age and 5) shorten ride times for students. • Implement routing software to ensure the most efficient routes. • Install stop-arm cameras for safety and security of children.
Collaboration	<ul style="list-style-type: none"> • The District informally collaborates with nearby districts to share buses when one or more are out of service due to maintenance needs. 	<ul style="list-style-type: none"> • 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

ORANGEBURG 03

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

**Functional Review
Operating Model Components**



PROCESS

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

ORGANIZATION

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

APPENDIX A: SAVINGS METHODOLOGY

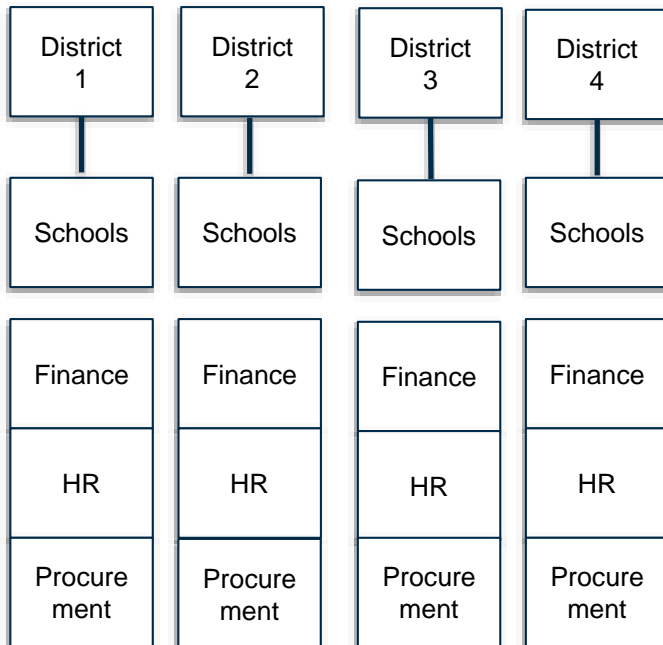
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COLLABORATION: SHARED SERVICE MODELS

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.

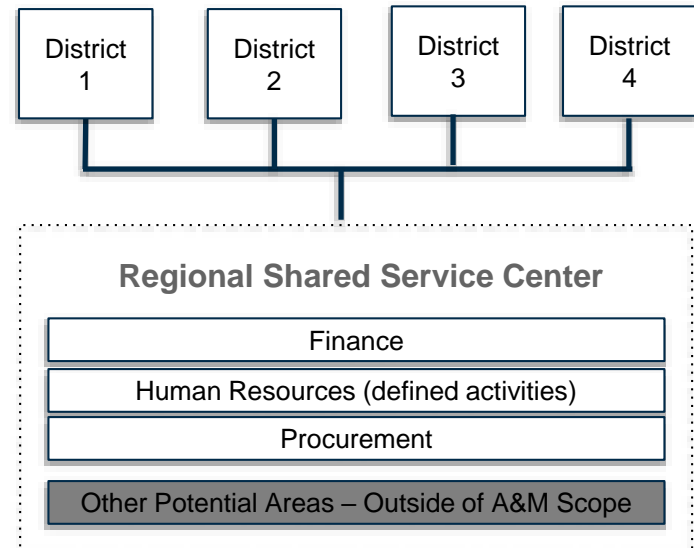
CURRENT STATE: STAND ALONE DISTRICT

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

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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).

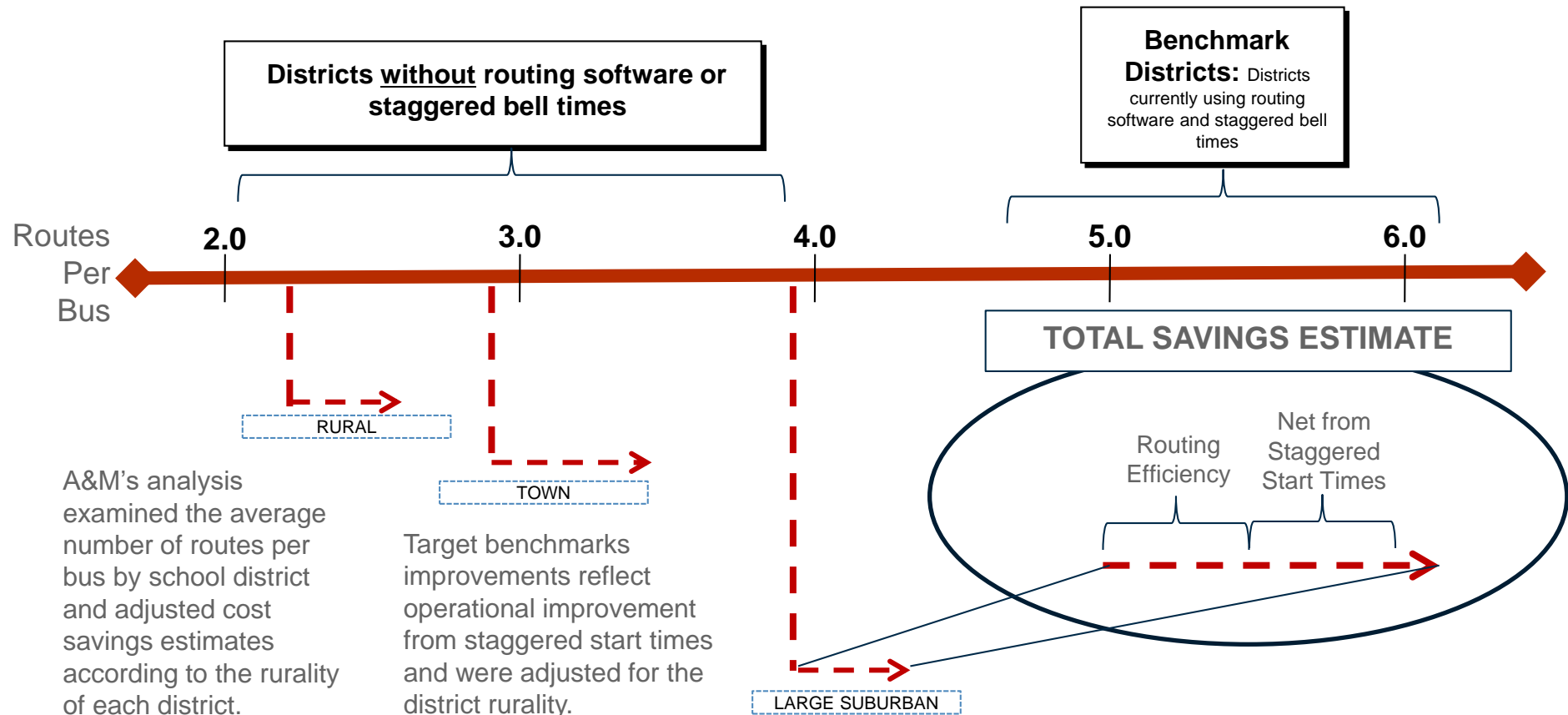
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

APPENDIX A: SAVINGS METHODOLOGY

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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

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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

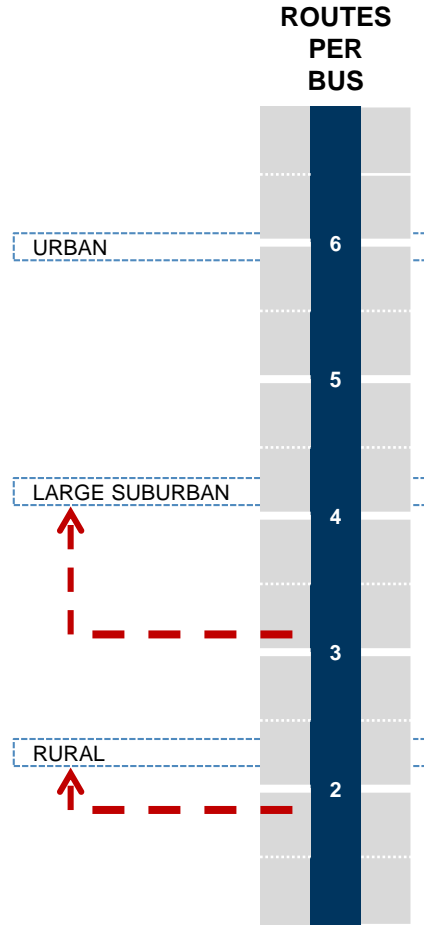
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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

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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

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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

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[1] FY 16 District Report Card

[2] State-provided enrollment numbers:

- **FY 15 135-Day ADM:** The only use of the FY 15 enrollment numbers is for the enrollment trend
- **FY 16 135-Day ADM:** All calculations made using FY 16 expense data and enrollment data rely on the FY 16 135-Day ADM
- **FY 17 45-Day ADM:** All calculations made using FY 17 personnel data and enrollment data rely on the FY 17 135-Day ADM

*Number of schools calculated using state ADM files

[3] State-provided FY 16 district expenses

*In-scope procurement and categorization is determined by a mapping completed by A&M based on expense function & object codes. These values exclude all expenses where fund code = 400, 500, or 700 (Debt, Capital, and Pupil Activity funds respectively).

[4] District-provided FY 17 personnel rosters

[5] State-provided FY 16 district revenue

[6] A&M Functional Area Mapping

- If "Function Code" begins with 1## Then "Instruction"
- If "Function Code" = 252, 257, or 259 Then "Financial Management"
- If "Function Code" = 264 Then "Human Resources"
- If "Function Code" = 231, 232, 261, 262, or 265 Then "Overhead"
- If "Function Code" = 251 or 255 Then "Transportation"
- If "Function Code" begins with 2## and not in lists above Then "Support Services"
- If "Function Code" begins with 3## Then "Community Services"
- If "Function Code" begins with 4## Then "Other"
- If "Function Code" begins with 5## Then "Debt"

[7] FY 16 Comprehensive Annual Financial Report (CAFR)

[8] Historical A&M Procurement Savings and assumption of district collaboration in the procurement function

[9] FY 16 State-provided transportation data

APPENDIX B: FORMULAS DEFINED

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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

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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 = $\text{Fund balance – unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- 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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