



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Sumter

District Report

6/16/2017



ALVAREZ & MARSAL



OUTLINE

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

EXECUTIVE SUMMARY

SUMTER

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

SUMTER

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

SUMTER

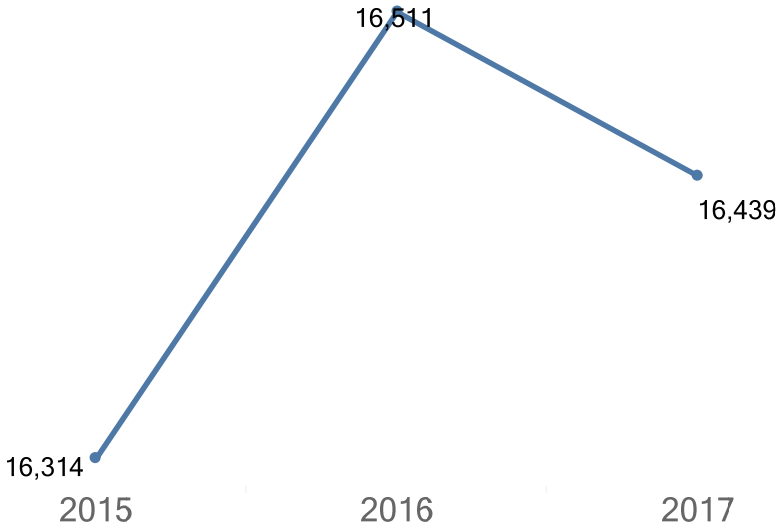
PROJECT OVERVIEW (CONTINUED)

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

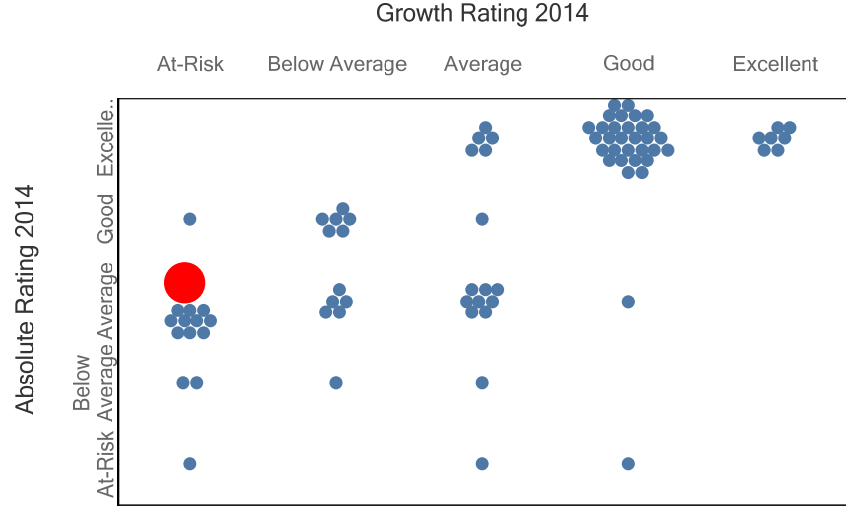
- A&M based the recommendations included in this report on data received from both the State and the District.
 - State provided data: FY16 revenue and expenditure data submitted by districts to the State, 3-year historical enrollment/average daily membership data, FY16 school transportation routes by 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 SUMTER

Average Daily Membership^[2]



Student Achievement^[1]



General Info

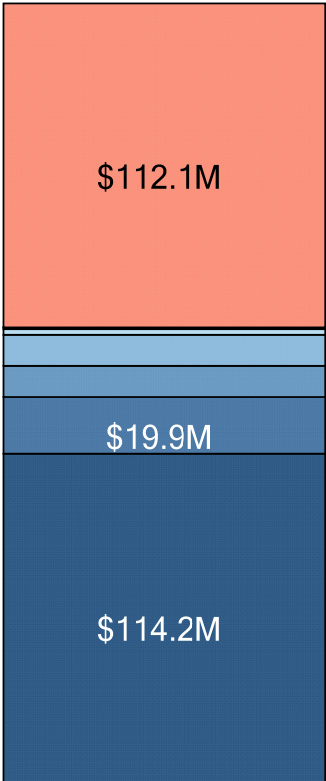
Number of Schools ^[2]	26
% Poverty ^[1]	70.1%
% Disability ^[1]	14.9%
\$ Per Student ^{[2],[3]}	\$17,227
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,003

Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.8
Students Per Overhead FTE ^{[2],[4]}	315.5
Students Per School Support FTE ^{[2],[4]}	28.7
Students to Total FTE ^{[2],[4]}	7.1

EXECUTIVE SUMMARY SUMTER

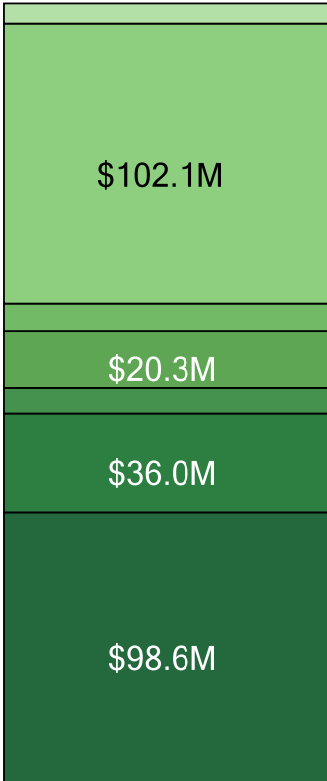
Sources of Funds^[5]
\$270.2M



2015-2016

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

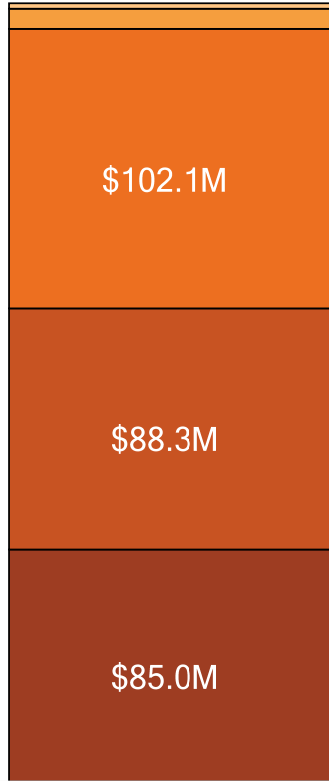
Use of Funds - Type^[3]
\$284.4M



2015-2016

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

Use of Funds - Function^[3]
\$284.4M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SUMTER

\$284.4M
Total

\$22.5M In-Scope	\$262.0M Not In-Scope
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7.9% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$1,487,711	\$186,582
Human Resources	\$1,148,368	\$79,113
Overhead	\$749,689	\$354,532
Transportation	\$3,452,330	\$147,762
Procurement (Community Services, Instruction, Support Services)	\$15,625,564	\$15,625,564
TOTAL	\$22,463,662	\$16,393,553

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SUMTER

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

- Mission:** The mission of Sumter School District is to equip students to be responsible, successful, and productive citizens in a global society.
- **Student Achievement:** Increase proficiency levels on the following assessments: Gold, DRA2, MAP, SCREADY, SCPASS, ACT, EOCEP, Graduation rate, and Work Keys.
 - **Teacher / Administrator Quality:** Continuously improve teacher certification and maintain administrator quality by recruiting and retaining certified educators and administrators.
 - **School Climate:** Increase student attendance and increase parent, student, and teacher satisfaction with environment and home-school relations.
 - **Priority:** Increase the number of district stakeholders who indicate satisfaction with learning environment, social and physical environment, and home-school relations at each school.

Achievements

- **Advanced Education:** The District has made advanced education a priority through the adoption of curriculum across the District.
- **Science and Technology:** The District has a nationally certified (A-see Drive) STEM school.
- **Advanced Curricula:** The school hosts both AVID and International Baccalaureate (IB) programs.
- **Automation:** The District has taken steps to automate processes including application tracking, substitute management, and a move toward paperless records.
- **Open Enrollment:** The District has implemented a FFA program allowing parental choice.

Challenges

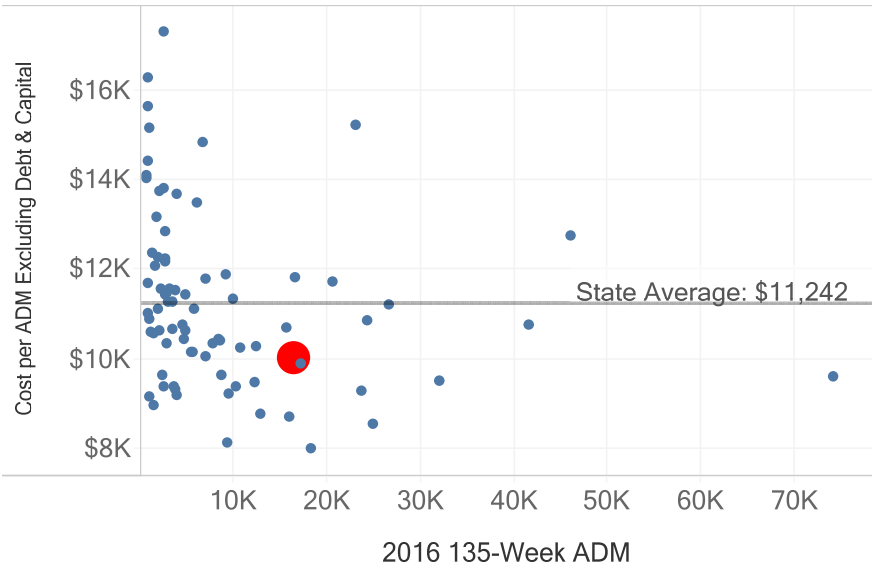
- **Consolidation:** The District was consolidated in 2011, but old district processes and organizational divides remain to this day, hampering efficiency and affecting the ability to truly become one district.
- **Demographics:** Agricultural based businesses and the transient aspects of the local military population.
- **Recruitment and Retention:** Securing qualified educators in a timely manner. Currently, the District has to maintain substitutes.
- **Technology:** Moving toward technology is a challenge due to the differences in readiness across the district. Looking for ways to become paperless.

EXECUTIVE SUMMARY

SUMTER

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

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

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

Opportunities for Improvement

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

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

EXECUTIVE SUMMARY

SUMTER

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Gaps in Financial Management: At the end of FY16, the District’s unassigned fund balance was negative at (0.9%) of General Fund revenues and the District projected an operating deficit of \$6.8M in the FY17 budget. As a result, the District hired a new interim CFO in January 2017 and took steps to try stabilize the fund balance. It is currently in the process of executing cost reductions to ensure a balanced budget. • Processes: The District has experienced internal control weaknesses and gaps in financial processes due to lack of integration of the finance function post-consolidation of Sumter 02 and Sumter 17 districts..
Human Resources	<ul style="list-style-type: none"> • Staffing / Processes: The Deputy Superintendent oversees the Human Resources function which is adequately staffed to handle all functions. The District has automated substitute management and application processing, but has not automated timekeeping or employee on-boarding. • Challenges with Recruiting and Retention: Recruiting teachers into the District is challenging, and exacerbated by below average teacher salaries and a lack of incentive programs. International staffing agencies are currently used to fill 25 positions, and the teachers shortage continues during the school year with 60 total teacher vacancies.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The Superintendent and three area supervisors manage the transportation function. The District has experienced bus driver shortages and does not have a pool of substitute drivers. • Transportation Routing: The District does not utilize routing software and GPS systems or staggered bell times.
Procurement	<ul style="list-style-type: none"> • Limited Staffing: The District has one resource dedicated to Procurement. • Strategic Sourcing: The District uses the state-wide contracts frequently and has conducted some joint procurements. However, the District lacks buying power and does not collaborate with other districts for most of their Procurement efforts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent’s job is spread across many functions, but a Deputy Superintendent helps to oversee day to day operations. • Collaboration: The District does not participate in a regional consortium.

EXECUTIVE SUMMARY

SUMTER

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

SUMTER

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Complete the process to select an automated and integrated time keeping system and better utilize the existing accounting software and / or upgrade to enhanced functionality.</p> <p>Process Improvements: Continue to modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing/Organization: Train individuals on systems and processes and cross-train staff to be able to do multiple functions.</p>	<p>System Enhancements: Automate benefits related transaction processing and explore incremental opportunities to further drive down remaining manual processes through additional customization efforts.</p> <p>Process Improvements: Implement incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Provide individuals with training on systems and processes and cross-train individuals to be able to do multiple functions.</p>	<p>Process Improvements: Create a regional procurement function across districts that is charged with reviewing and optimizing spending.</p> <p>Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations.</p> <p>Negotiate discounts / rebates for tiered levels of spending.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software, GPS and security cameras on all buses.</p> <p>Process Improvements: Implement staggered bell times to reduce the number of drivers and buses needed and shorten wait and ride times for students.</p> <p>Staffing / Organization: Create dual employment opportunities and other incentives to address the bus driver shortage. Implement a substitute/back up driver pool in collaboration with nearby districts.</p>

EXECUTIVE SUMMARY

SUMTER

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

SUMTER

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

SUMTER

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	\$178,500 -	\$535,600
Human Resources	7,500 -	17,500	0 -	119,100
Procurement	0 -	0	415,700 -	869,100
Transportation – District	N/A -	N/A	93,000 -	140,000
District Total	7,500	22,500	687,200	1,663,800
Transportation – State	45,000 -	173,300	86,900 -	205,400
Total	\$52,500	\$195,800	\$774,100	\$1,869,200

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

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

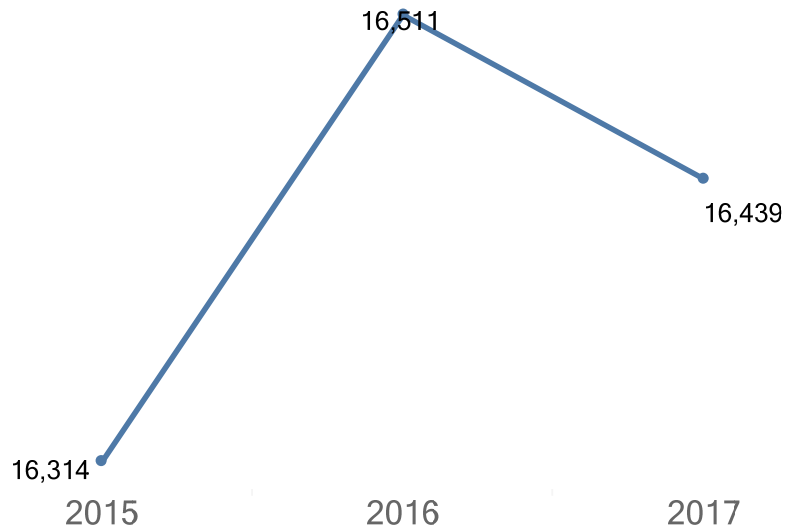


OUTLINE

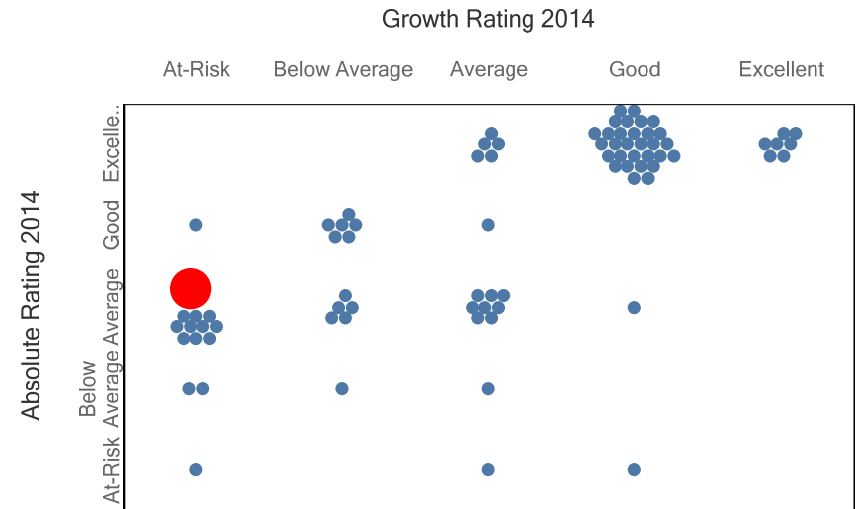
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DISTRICT ADMINISTRATION AND PERFORMANCE SUMTER

Average Daily Membership^[2]



Student Achievement^[1]



General Info

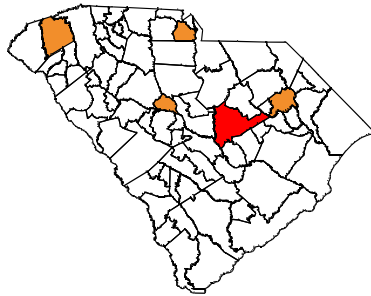
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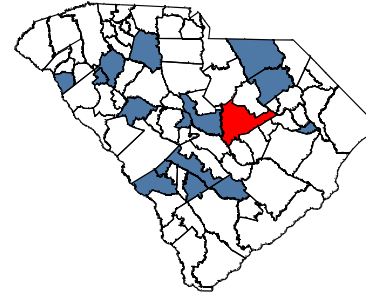
DISTRICT BENCHMARKING SUMTER

Enrollment (15,000 - 20,000)



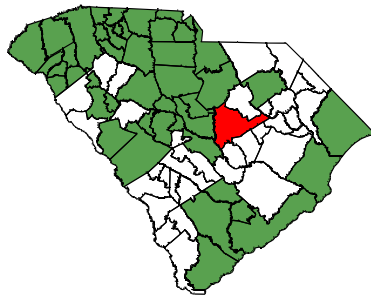
- Florence 01
- Lexington/Richland 05
- Pickens
- Sumter
- York 03

Poverty (70% - 75%)



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

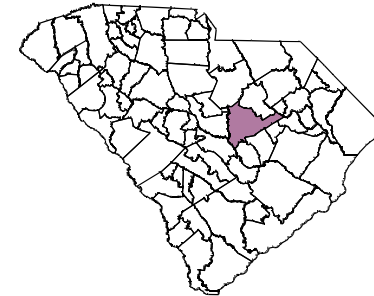
Phase 1 (No)



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

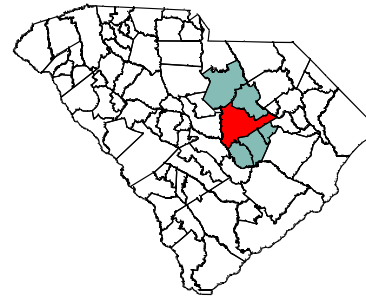
- Sumter
- Union
- York 01
- York 02
- York 03
- York 04

County (Sumter)



- Sumter

Region (Santee Lynches)

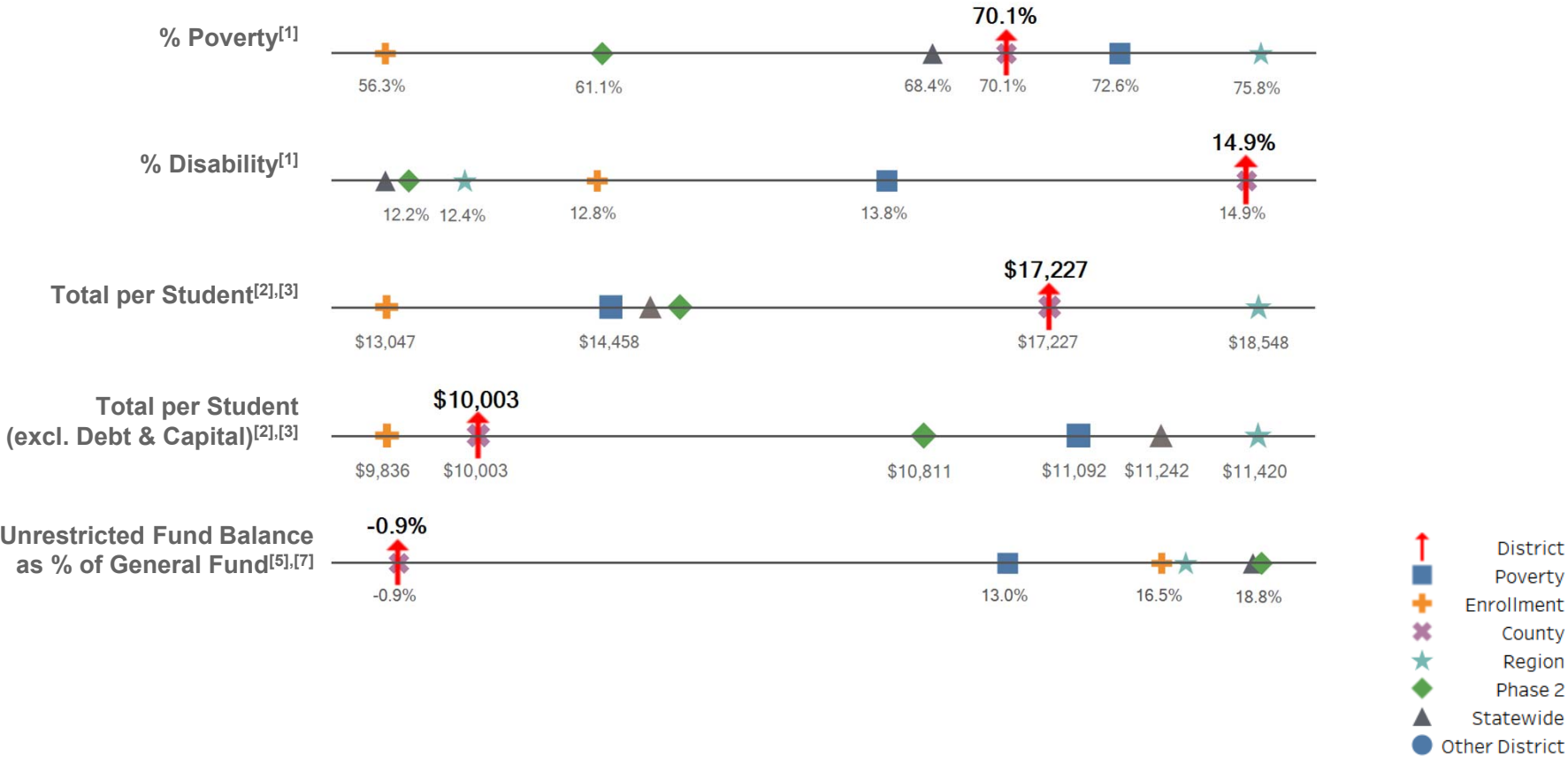


- Clarendon 01
- Clarendon 02
- Clarendon 03
- Kershaw
- Lee
- Sumter

DISTRICT OVERVIEW SUMTER

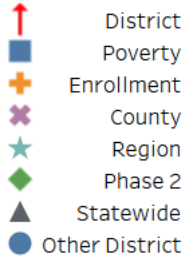
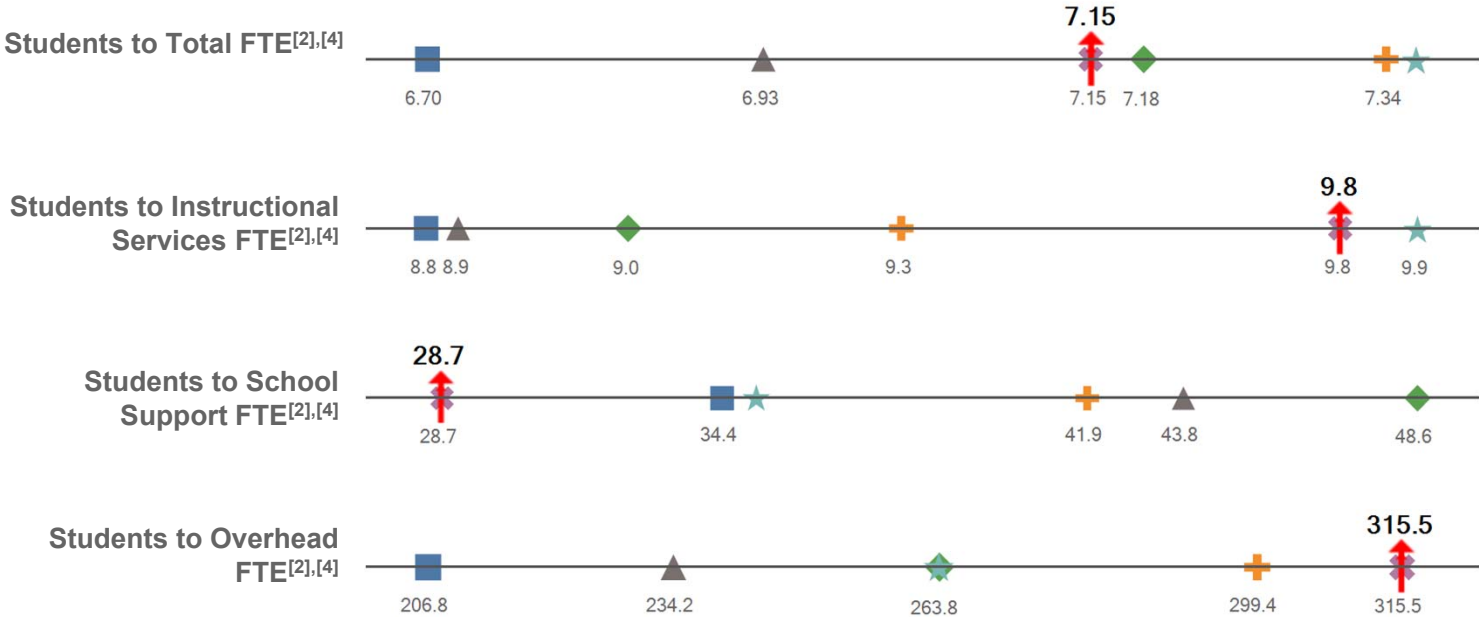
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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



DISTRICT OVERVIEW SUMTER

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations
<p>Recent History and Financial Position</p>	<p>Recent Financial History</p> <ul style="list-style-type: none"> • Operating Deficits: During FY16-FY17, the District projected an annual operating deficit of \$6.8 million. • Leadership Changes: Following this, the District hired an Interim CFO in January of 2017 to provide new financial leadership, revise the budget projection, oversee issuance of a TAN and manage cash flow, and begin executing on changes to the financial processes. • Bond Ratings: As a result of recent financial history the District’s bond rating was downgraded from A3 to Baa in March due to the weakened financial position from the structural imbalance experienced earlier in the year. • Operating Challenges: The District was consolidated in 2011 from the original Sumter 02 and Sumter 17 districts, however, the staffing structure, and many of the internal processes and procedures remain separate functions. The District has continued to implement process changes that are recommended by the interim CFO and will need to maintain and expand upon these processes under new leadership. <p>Financial Position:</p> <ul style="list-style-type: none"> • Fund Balance: The School District’s unassigned fund balance of -\$995,812 was -0.9% of the General Fund total operating budget. The District has taken many steps to try and reverse the large operating deficit and must continue to remain diligent in overseeing the operating tasks in order to return to better financial stability. • Projections: The District took actions to reduce its operating expenditures in FY17 by \$6.8 million and projects to have an operating budget that breaks even in FY17.

DISTRICT OVERVIEW AND OVERHEAD SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Enrollment Trends	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has increased by 125 students, or 0.7%, over the past 3 years. • Student Demographics: The District's poverty level of 70.1% is higher than statewide average of 68.4% and the enrollment average of 56.3%. The District's disability level of 14.9% is higher than the statewide average of 12.2% and regional average of 12.4%. • Competition: There are no charter schools in the District. • Other Demographic: The District has two schools on the nearby military base. • Out of District: The District has 150 children that come in from other districts. The funding follows the child, but the District does not charge an additional out of district tuition amount. • Long-term Planning: The District does not prepare long term enrollment projections to help inform long-term planning. • Other: In 2011, Sumter 2 and Sumter 17 consolidated to form one school district. The district is still struggling to fully integrate as one organization. 	<ul style="list-style-type: none"> • Given the recent trends in enrollment, the District should develop a long-term enrollment forecast to better plan for enrollment changes, ensuring long term financial stability.

DISTRICT OVERVIEW AND OVERHEAD SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

District Funding and Resource Allocation	Observations	Recommendations
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: The District's lowered bond rating with the a negative unrestricted fund balance and low days cash on hand leaves the District with limited reserves and a sub-optimal overall financial position. • Per Pupil Expenses: When excluding debt and capital, the District's Per Pupil Expense of \$10,003 is significantly below the statewide average of \$11,242, but slightly higher than its peer enrollment group average of \$9,836. • Unrestricted Fund Balance: The District has an Unrestricted Fund Balance that is -0.9% of revenues. The fund balance is significantly below the statewide average of 18.6%, resulting in poor financial stability. • Student to FTE: The Student to Total FTEs of 7.15 is lower than the peer enrollment group average of 7.34 but higher than the statewide average of 6.93. • Student to Instructional Services FTE: The Student to Instruction ratio of 9.8 is higher than the statewide average and the peer enrollment group average indicating higher average class sizes at the schools. • Student to School Support FTE: The Student to Support Services ratio of 28.7 is lower than all peer groups due to the higher number of community support services staff in the District. • Student to Overhead FTE: The Student to Overhead Ratio of 315.5 is higher than state and peer group averages, indicating a leaner overhead function for the District. 	<ul style="list-style-type: none"> • The District should develop a five year financial plan that considers enrollment projections, facilities needs and other resource allocation projections to facilitate long term operating and capital planning and help ensure long term financial stability. • In addition, consider creating a Board policy to require the District to maintain a fund balance of 15%-18% of the next year's expenditures. Implement multi-year targets to rebuild fund balance to required levels. • Expand on the existing resource allocation practices and leverage key performance indicators to provide reasonable estimates for District Office staff and maintain proper guardrails (both high and low) on growth in central office functions. • Consider reallocation of resources to shift resources toward instructional staff and streamline the Support Services and Overhead functions.

DISTRICT OVERVIEW AND OVERHEAD SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent’s job is now spread across many functions. In particular, the Superintendent spends a significant amount of time dealing more with board interactions, district communications, and managing the transportation functions rather than with strategic issues focused on student achievement. • Communications Function: There is no Communications support for the Superintendent’s office. The function resides solely with the Superintendent. • Legal: The District has no legal department. If legal advice is required, the District utilizes external firms to provide support. • Turnover: The Superintendent has overseen the combined District for the past 4 years. Prior to that, the Superintendent managed Sumter District 02 for 25 years. 	<ul style="list-style-type: none"> • The District should transition responsibility for transportation oversight from the Superintendent to existing planning staff to reduce workload on the Superintendent.
Board of Education	<ul style="list-style-type: none"> • Board Pay: The Board Members of the district are paid \$7,200 annually. • Board Compensation: Many Board members are former board members from the pre-consolidated Sumter District’s 02 and 17 and are very familiar with challenges the District faces. • Training: Board members receive training from the SCSBA, and the District provides additional training to supplement the State training. 	<ul style="list-style-type: none"> • Have Board of Directors attend an annual training to enable members to become impactful members of the board. • The District should develop “One-Sumter” training to help the board be more cognizant of the District as a whole versus the pre-consolidated Sumter district areas. • The Board should consider outreach to highly performing boards in other districts to request mentorship and ask to shadow them at a board meeting to gain lessons learned from other boards’ operating models and cadences.

DISTRICT OVERVIEW AND OVERHEAD SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy and Business Engagement	<ul style="list-style-type: none"> • Philanthropy: The District works with Christ Community Church to provide lunches, help with test monitoring, and support a backpack program for needy children but does not have other significant philanthropic relationships. • Business and Community Development: The District’s business development activities primarily occur through the athletic functions at the school level to maintain business relationships and sponsorships with local businesses. Examples of the business partnerships include yearly athletic support from Continental Tire, Hardees, and Mount Sumter Food. 	<ul style="list-style-type: none"> • Shared CDO: The District should establish a Business and Community Engagement function within the district office to further expand and cultivate philanthropic and business relationships to generate additional funding and support for the District. • The District should consider opportunities to increase funding through innovative Public Private Partnerships like Cell Tower Leasing
Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with other regional superintendents. In the past, both of the unconsolidated Sumter districts (02 and 17) were a part of the Pee Dee Consortium, but they pulled out 15 years ago. • University Partnerships: The District partners with USC Sumter, Coastal and Francis Marion for Professional Development services for teachers. • 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. • Consider shared Chief Development Officer across districts. • Consider sharing the cost of police officers with the county/town to save on security FTE costs.



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FINANCIAL MANAGEMENT SUMTER

FINANCIAL MANAGEMENT OVERVIEW

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

1,021 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$90 per Student

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

Key statistics for metrics

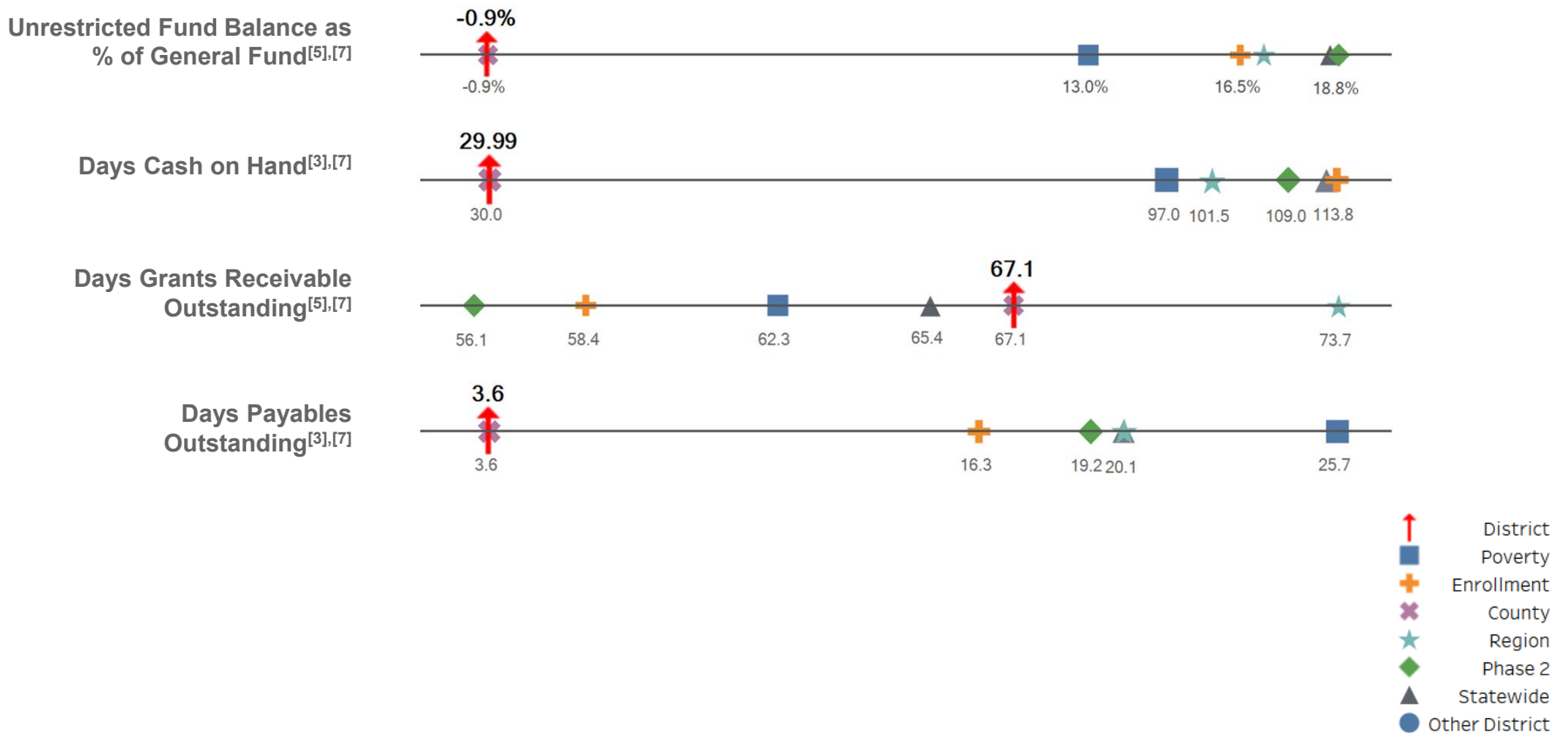
Financial FTEs ^[4]	16.1
Personnel Expense ^[3]	\$1,301,129
Non-Personnel Expense ^[3]	\$186,582
Total Financial Expense ^[3]	\$1,487,711

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 SUMTER

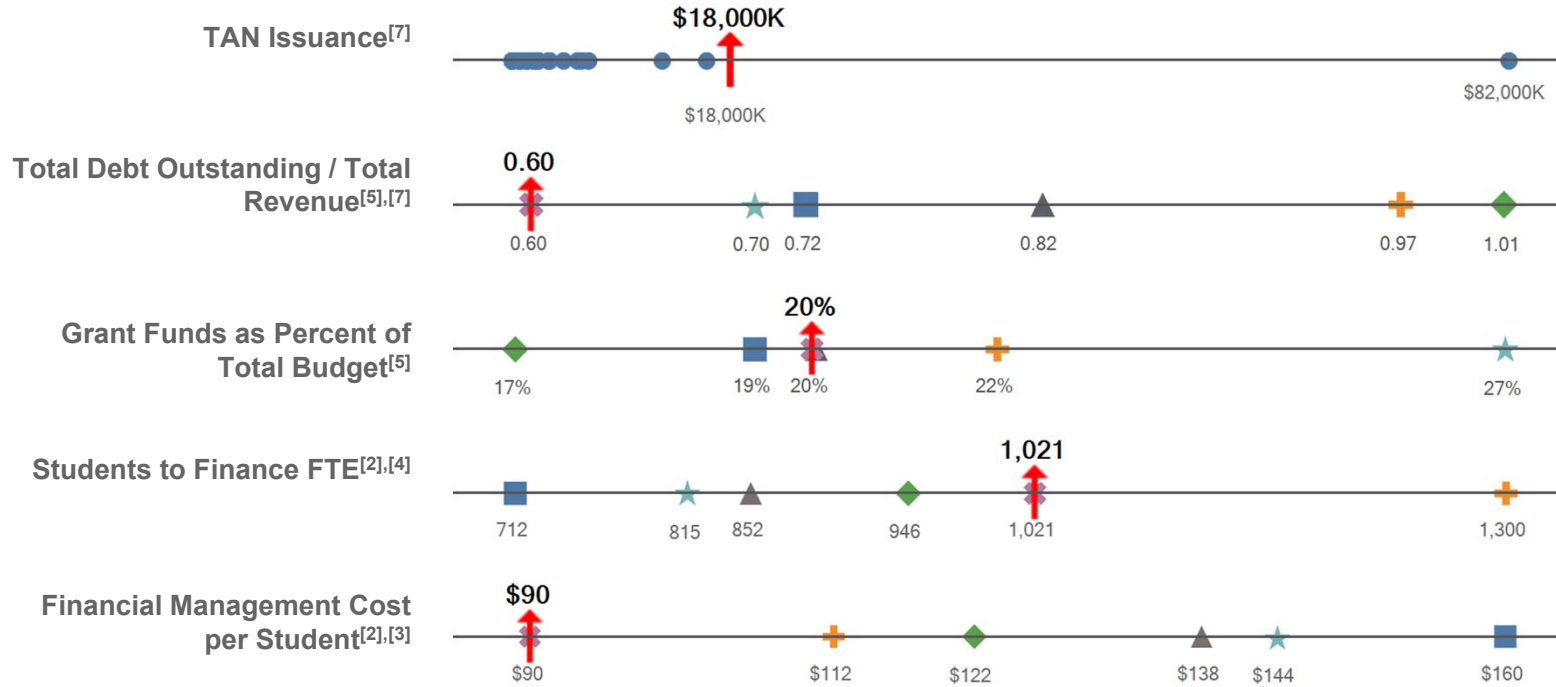
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT SUMTER

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



- ↑ District
- Poverty
- + Enrollment
- × County
- ★ Region
- ◆ Phase 2
- ▲ Statewide
- Other District

DISTRICT OVERVIEW AND OVERHEAD SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: 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 District has been operating under the direction of an interim CFO since January 2017. • Finance Cost Per Pupil: The District's Finance Cost per Pupil of \$90 is much lower than the statewide average of \$138 and the peer enrollment group average of \$112. • Student Per Finance FTE: The Student per Finance FTE ratio of 1,021 is higher than the statewide average of 852 but lower than the peer enrollment group average of 1,300, indicating that they are operating efficiently, but there is room to improve relative to peers. 	<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.
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a semi-monthly basis. • 98% of the employees receive payments via direct deposit. • The District uses a self service payroll platform. • Timekeeping: Time tracking is currently managed via manual processes with hourly time tracking entered into the Emma system. Summary sheets are received from all locations based on the Emma records and are re-keyed into the financial system by the finance department. 	<ul style="list-style-type: none"> • Require all employees to receive payroll via direct deposit. In addition, eliminate the physical mailing of check stubs to employees and leverage employee self-service functionality available within the Harris SmartFusion system. • Implement an automated time-tracking functionality, such as a biometric timeclock, that integrates with the payroll system in order to eliminate the need for manual time sheets.

FINANCIAL MANAGEMENT SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Purchasing: The District uses SmartFusion for centralized approval processes, but the processes for managing purchase orders are then handled manually with the approver printing and signing the purchase orders for final approval of up to \$2,500. Approvals above \$2,500 are made through the district office, with PO's printed and signed by the Superintendent. • The District does not utilize a Pcard program but does maintain two district credit cards for hotel reservations or other purchases that require credit card. • Inventory: The District has a warehouse and maintains approximately \$289,000 in inventory, a larger value than Horry County, primarily in custodial and food supply equipment. Inventory reviews are performed manually on an annual basis through both internal counts and testing by an external auditor. • The inventory tracking is all managed through SmartFusion, with merchandise keyed into the system at the warehouse and tracked as it is distributed to the schools. • The District does not track inventory of furniture. Vehicles are tracked in maintenance; technology inventory is tracked by the IT Department, and textbooks are tracked through the Follett Destiny system. • Risk Management: The District has formal risk management policies in place. 	<ul style="list-style-type: none"> • Implement policies that require use of a centralized purchase order system by schools and administrative personnel. Leverage automated purchase order work flow systems that can be integrated with the financial systems. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process. • Expand on the existing risk management policies and procedures to include: (a) risk assessment and management; (b) safety and loss prevention review; (c) insurance claims handling and processes; (d) insurance policy review and negotiation. • The District should code technology for asset tracking. • Reduce surplus assets through the use of the State Surplus Property Office and/or Govdeals on a more frequent basis to realize value stored in the warehouse and maintain a smaller overall inventory.

FINANCIAL MANAGEMENT SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grant Revenues %: Grant revenues provide 20% of revenue for the District, making this district in line with the statewide average and less reliant on grant funds than its enrollment peers. • Federal Funds: Grant program coordinators submit the budgets to finance and 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 claims are made on a monthly basis in order to maximize cash flow. • Indirect Costs: The District uses the state negotiated rate to charge indirect costs against federal grants. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the finance department. • Other: The District manages reimbursement of grants such as Medicaid through the special services department. 	<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. • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.

FINANCIAL MANAGEMENT SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • Financial Statements Audit: The District was not found to have any material weaknesses in its latest audited financial statements. • 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. Steps have been taken to set up controls by the Interim-CFO to establish processes for how staff are placed on payroll and how payroll is encumbered. • Other: The District experienced a significant over hiring in 2017, resulting in the need to reduce staff levels to bring the budget back into balance. 	<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 only has 30 days cash on hand, putting the District at risk of not meeting monthly bills during low points in the cash collection cycle. • The District reviews cash flow forecasts a year in advance and monitor them on a monthly basis. This past year, the District needed to issue a Tax Anticipation Note to help manage working capital through December of the school year. • Grants Receivable Outstanding: The District has a Days Grants Receivable Outstanding of 67 days which is slightly higher than the statewide average of 65, but lower than the regional average of 74. The District submits grant reimbursements monthly. • Days Payable Outstanding: The District's Days Payables Outstanding of 3.6 is much faster than state or peer averages. 	<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 SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Cash: The District invests cash balances in the State local investment pool. • Debt: The total debt load per student is lower than statewide, regional, and enrollment peer averages. • The District regularly uses SCAGO to assist with bond issuance efforts. • TAN: The District issued a TAN of \$18,000,000 this past year to assist with liquidity needs during cash low point. • Bond Rating: The District's bond rating was downgraded from A3 to Baa in March due to the weakened financial position from the structural imbalance experienced earlier this year. 	<ul style="list-style-type: none"> • The District should maintain financial controls put in place by the Interim-CFO and fully transition those responsibilities to internal staff.
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process is incremental and consists of a roll-forward of prior year authorizations with some modifications. • Resource Allocation: The District uses the budget prep module to calculate the number of FTE per school. The District maintains manual calculations based on Principal, Assistant Principal, and Teacher to Student ratios. • Fiscal Monitoring: The District closes the books annually and therefore does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared monthly / quarterly with key leaders. 	<ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Prepare monthly financial reports and variance analysis. Reports should be shared with District leadership and each department head on monthly basis.

FINANCIAL MANAGEMENT SUMTER

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 leverages Harris SmartFusion for procurement and automated workflow approval of requisitions, but the process remains manual after the printing of the purchase order. It also uses Harris SmartFusion to facilitate employee self service for payroll matters. The District has been able to successfully transition to automated work processing in much of its processes; however, it is still using manual processes for hourly time-keeping. The District is currently testing locations to upload the Emma software into smart fusion to eliminate the manual processing of hourly timesheets (custodians, food service, para professionals, etc). 	<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. • Complete the process to select an automated and integrated time keeping system and implement prior to start of the next school year.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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HUMAN RESOURCES SUMTER

HUMAN RESOURCES OVERVIEW

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

1,370 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$70 per Student

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

Key statistics for metrics

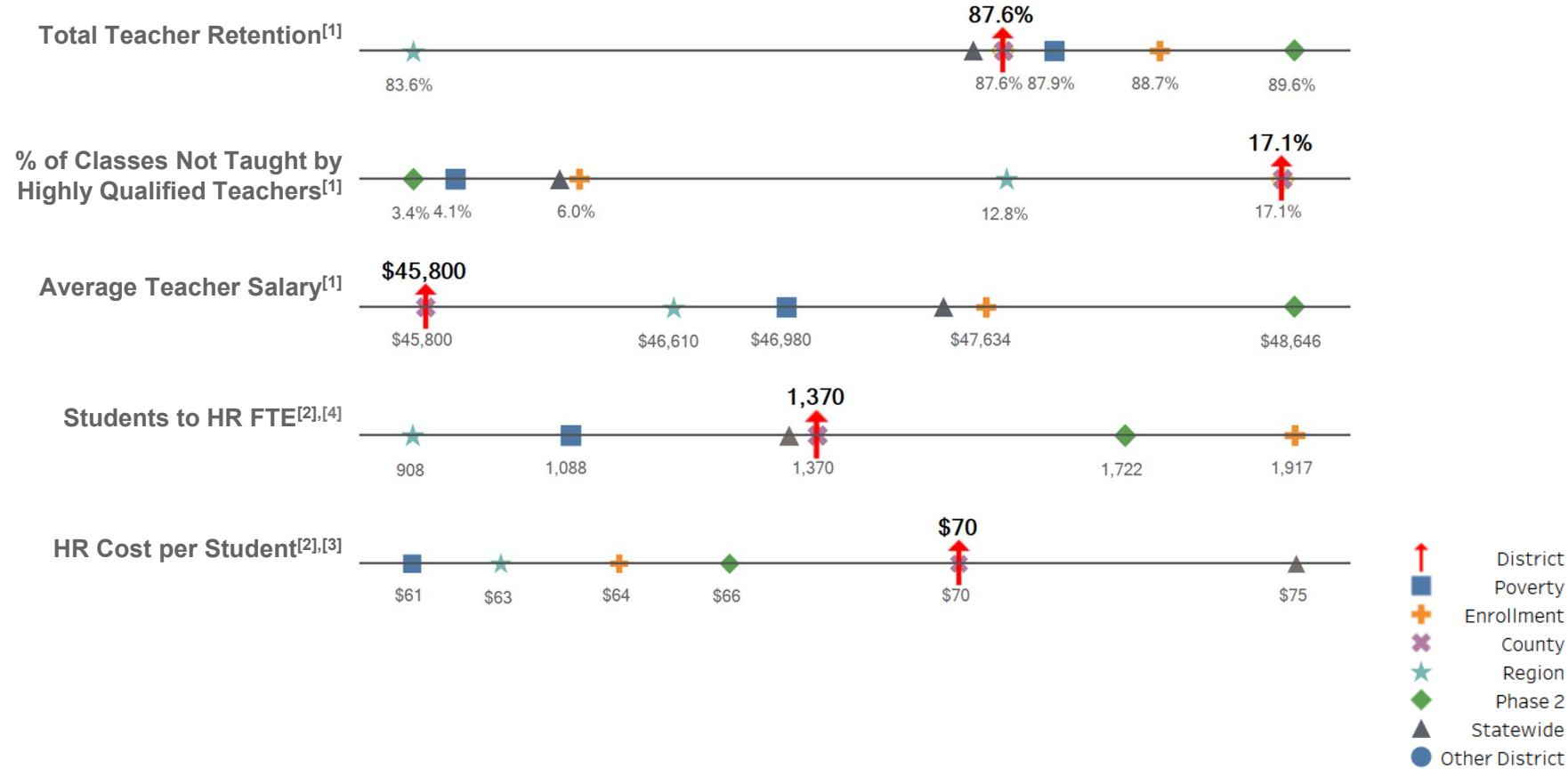
Human Resources FTEs ^[4]	12.0
Personnel Expense ^[3]	\$1,069,255
Non-Personnel Expense ^[3]	\$79,113
Total Human Resources Expense ^[3]	\$1,148,368

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 SUMTER

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Staffing / Organization	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: 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 of \$70 for the District is lower than the statewide average of \$75 but above the average for districts with similar enrollment levels of \$64. • Student per Human Resources FTE: The Student to HR FTE ratio of 1,370 is in line with the state average of 1,338 but lower than the average of districts with similar enrollment levels of 1,917, indicating higher staffing levels. 	<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"> • Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 31 international teachers, 2.4% of it's total teaching force, and leverages 2 different agencies to provide these positions. In addition, the District leverages staffing agencies to fill hard to staff services (Physical Therapy, Occupational Therapy, etc.) but it is reviewing options for the next fiscal year. • The District does not use incentive programs to try and attract and retain teachers. • The average teacher salary of \$45,800 is below the state, regional, and enrollment band averages, making it more difficult for the District to recruit and retain teachers. • The teachers shortage continues during the school year, with 60 teacher vacancies currently being filled with long-term subs. 	<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 incentives; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs. • Evaluate opportunities to reduce reliance on international agencies and related administrative fees, either via direct sponsorship, cross-district shared resources or alternative recruitment strategies. • 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.

HUMAN RESOURCES SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • The District currently uses Harris SmartFusion Human Resources / Personnel module for employee applications, benefits and onboarding. The District recently implemented the employee self service function that Harris SmartFusion offers. • The District uses the TalentEd and CERRA technology support systems for recruiting or application processing. • The District uses AESOP 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. • Implement an automated time tracking system that can interface directly with the payroll system. • Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process.
Benefits	<ul style="list-style-type: none"> • Administration is done by two benefits administrators and a workers comp specialist. 	<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.
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 (Frontline) - H1B Process for International Teachers



OUTLINE

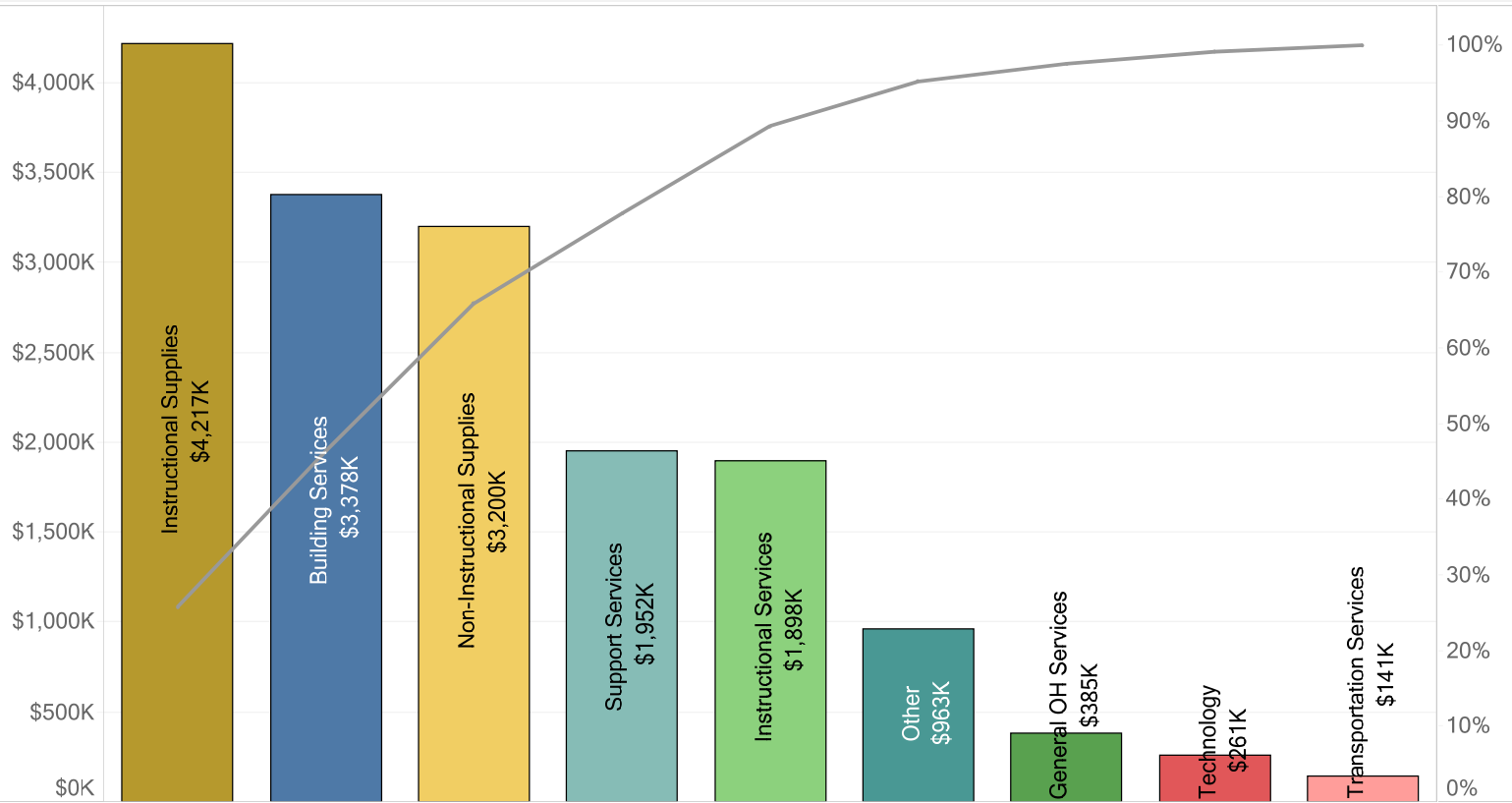
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PROCUREMENT SUMTER

PROCUREMENT OVERVIEW

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

District In Scope Total Procurement Spend^[3] = \$16,393,553

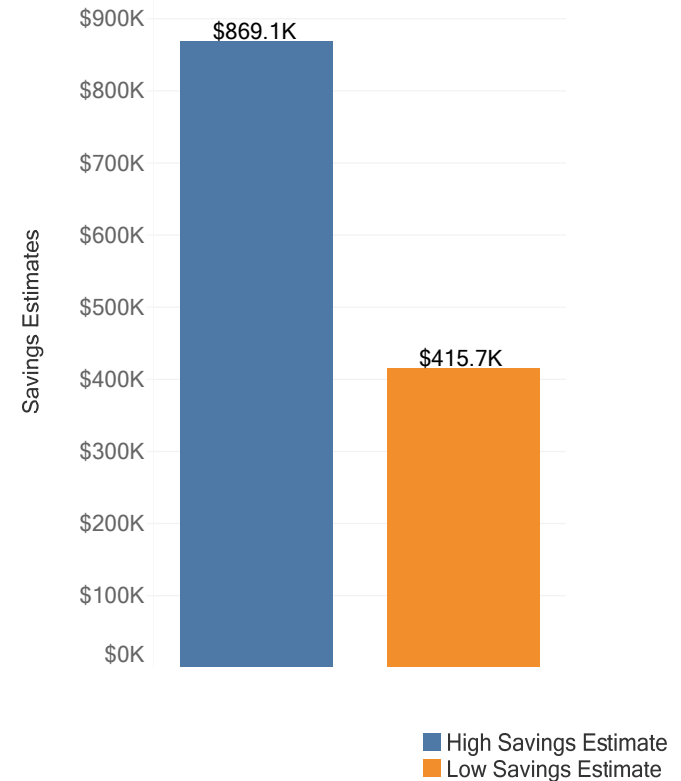


PROCUREMENT SUMTER

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 SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District has a resource focused directly on procurement and is able to rely on these resources to maximize purchasing activities. 	<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 4,450 vendors; however, the top 40 make up more than 80% of total spending. Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts are not made. 	<ul style="list-style-type: none"> The procurement function should conduct ongoing analysis of non-personnel spending, including review of spending by transaction and dollar volume to determine potential candidates for formal contracting and price negotiation to enable better pricing and cost savings. Examples of metrics that could inform analysis include: (a) vendor concentration (# of vendors comprising 80% of spend); (b) % of vendor spending negotiated through formal RFP process; (c) average POs per vendor. Perform annual review of vendor performance (on time, complete, quality) to assess opportunities to reduce or eliminate non-value add services Standardize requirements and specifications for commonly purchased goods in order to streamline the number of vendors used, aggregate buying power within the District and enable volume pricing discounts. Contract options may take the form of: (a) state contracts; (b) stand-alone negotiated contracts; (c) negotiated contracts done in collaboration with surrounding districts. Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts.

PROCUREMENT SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<ul style="list-style-type: none">• 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.• The District should work with the state procurement officials to promote the value of cooperative purchasing and advertise opportunities through SCBO. Ultimately, the state legislature will need to consider revisions to the code to enable use of this type of collaboration.

PROCUREMENT SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District partnered with Beaufort County for Gymnasium and Stage Floor Refinishing and with Lexington 5 for Playground Equipment and Repair, but it primarily uses of local vendors, outsourcing. • Food Services: The District is part of the SCPA but does not collaborate with other districts for the purchase of dairy or bread. • Energy: The District does not fix rates for natural gas contracts. • 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. The District does not procure these services and software in collaboration with any other districts. • The District currently relies on several vendors (including FACES and Unique for international staffing and Soliant) for staffing of special education services. • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging a state contract with a reseller Applied Data Technologies to make its purchases. • The District does not coordinate technology purchases with other nearby districts. • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority 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"> • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. • Consider establishing fixed rate contract for natural gas. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Standardization of Technology: The greatest savings 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. Sized across a geographic region. • Capitalize on potential for greater discounts on technology that is purchased using state contracts by leveraging special discount provisions that are identified in state contracts that are subject to negotiation. Evaluate opportunities to generate savings on ancillary services (accessories, warranties, break-fix, etc.) as part of procurement negotiations.

PROCUREMENT SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">The District uses the state-wide contracts frequently and has conducted joint procurements or participated in other District's procurement efforts.	<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, 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 SUMTER

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 SUMTER

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]

\$209 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	69.0
Personnel Expense ^[3]	\$3,304,568
Non-Personnel Expense ^[3]	\$147,762
Total Transportation Expense ^[3]	\$3,452,330

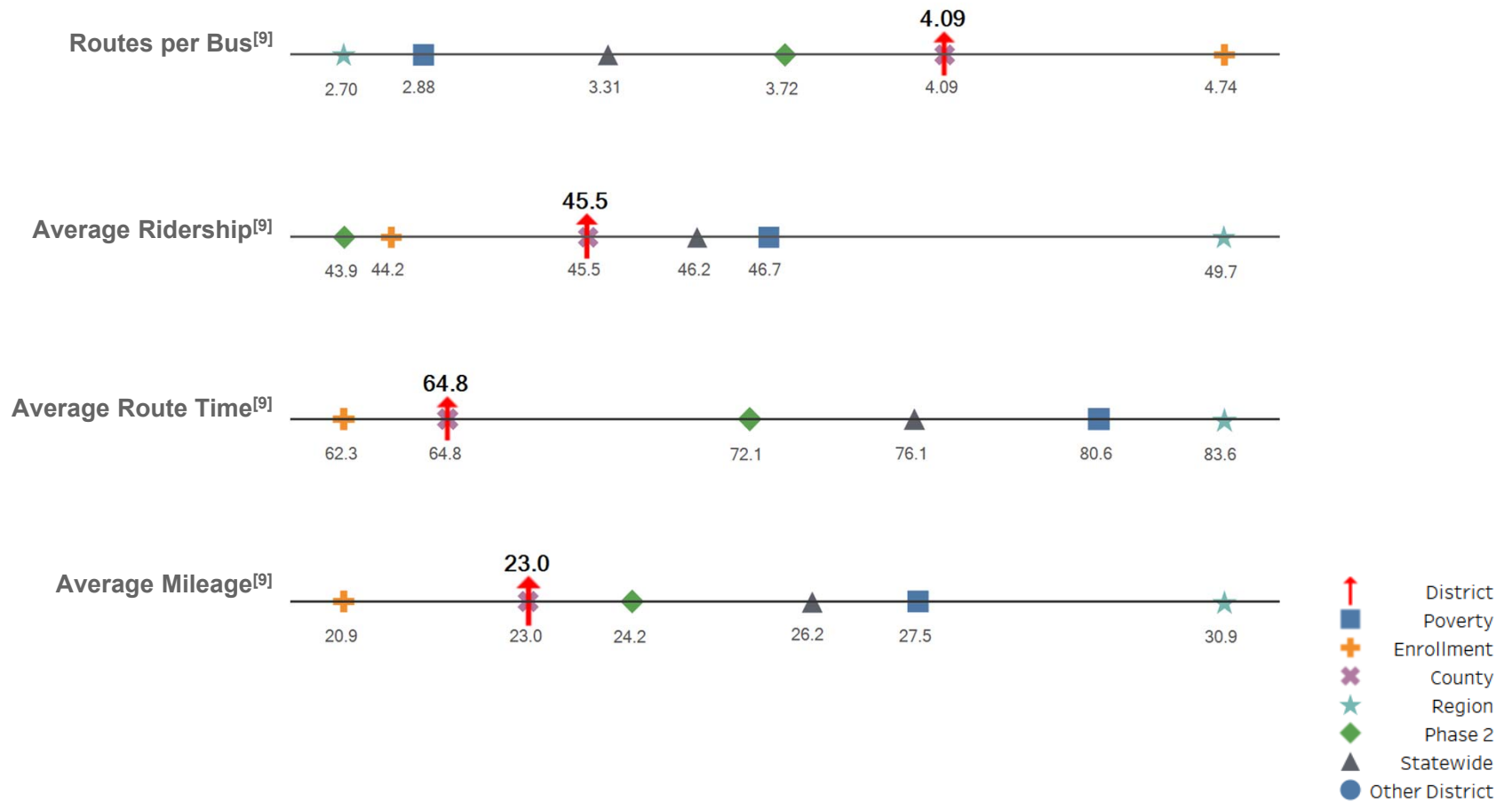
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	89.0	364	4.1	16,564	46	65	23
Special Needs	20.0	44	2.2	786	18	Not-Available	63
Other	9.3	31	3.3	834	27	Not-Available	31
Total	118.3	439	3.7	18,184	N/A	N/A	N/A

TRANSPORTATION SUMTER

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 SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Staffing / Organization	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • The District has a difficult time recruiting bus drivers and the typical daily attendance rate is 95%. • The District does not have a pool of substitute drivers; therefore, routes are frequently adjusted daily to deal with the shortage. • Bus Drivers are frequently dual employed as aides, food workers or custodians to offer full employment opportunities at the District. • The District runs staggered bus routes, with the earliest routes starting as early as 7:30am. Given all schools start at the same time, students regularly arrive at school up to an hour before school starts. • Bus drivers are currently paid a starting rate of \$9.36, approximately \$1.60 above state reimbursement levels • Transportation is run by the Superintendent and three area supervisors. 	<ul style="list-style-type: none"> • Implement a substitute/back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION SUMTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • The District does not use routing software. • The District does not have GPS on its buses. • The District provides radios to drivers to contact drivers while on routes. • The District does not have security cameras on all buses. • The District does not have stop-arm cameras on buses. • Activity Buses: The District does not use the 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 most efficient routes. • Install GPS on buses to monitor bus routes and ensure most efficient route. • Install security cameras on buses to increase child safety and security on bus. • Install stop-arm cameras to assess tickets to drivers passing buses.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts. 	<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 SUMTER

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

SUMTER

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 SUMTER

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

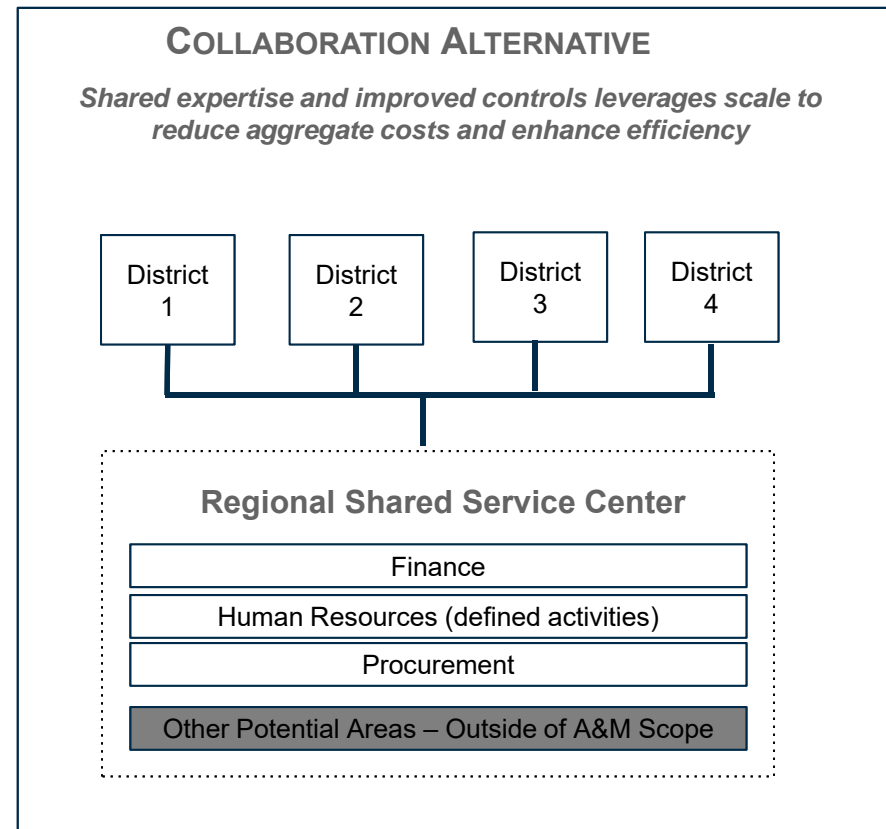
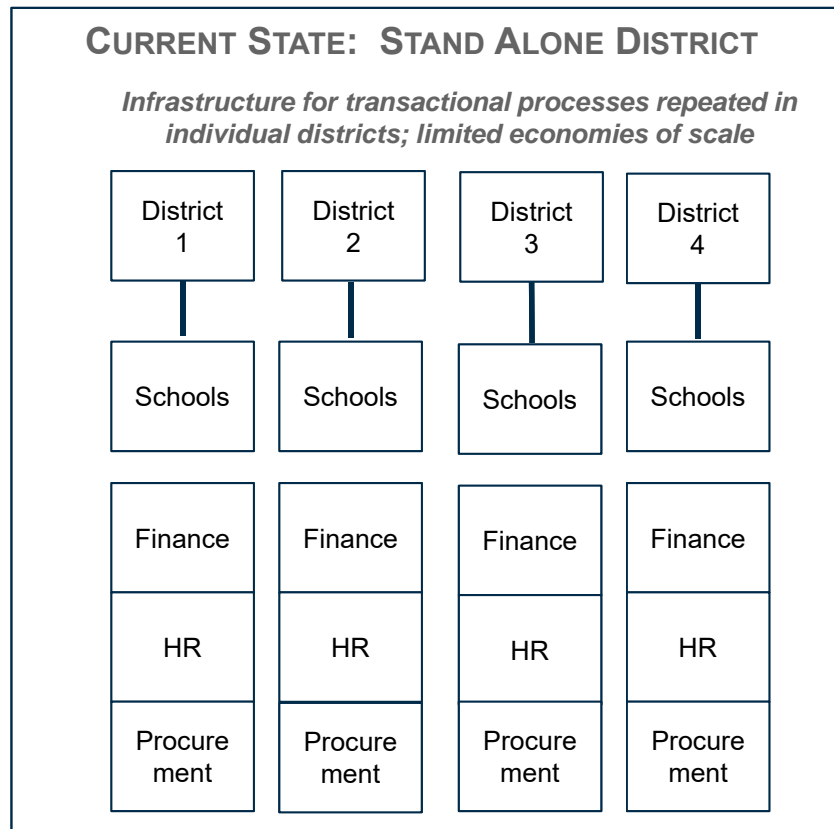
An analysis of each organization's staffing levels on an As-Is Basis, against peer benchmarks, and in a regional collaborative model were conducted to assess overall efficiency and effectiveness.

APPENDIX A: SAVINGS METHODOLOGY

SUMTER

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.



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

SUMTER

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).

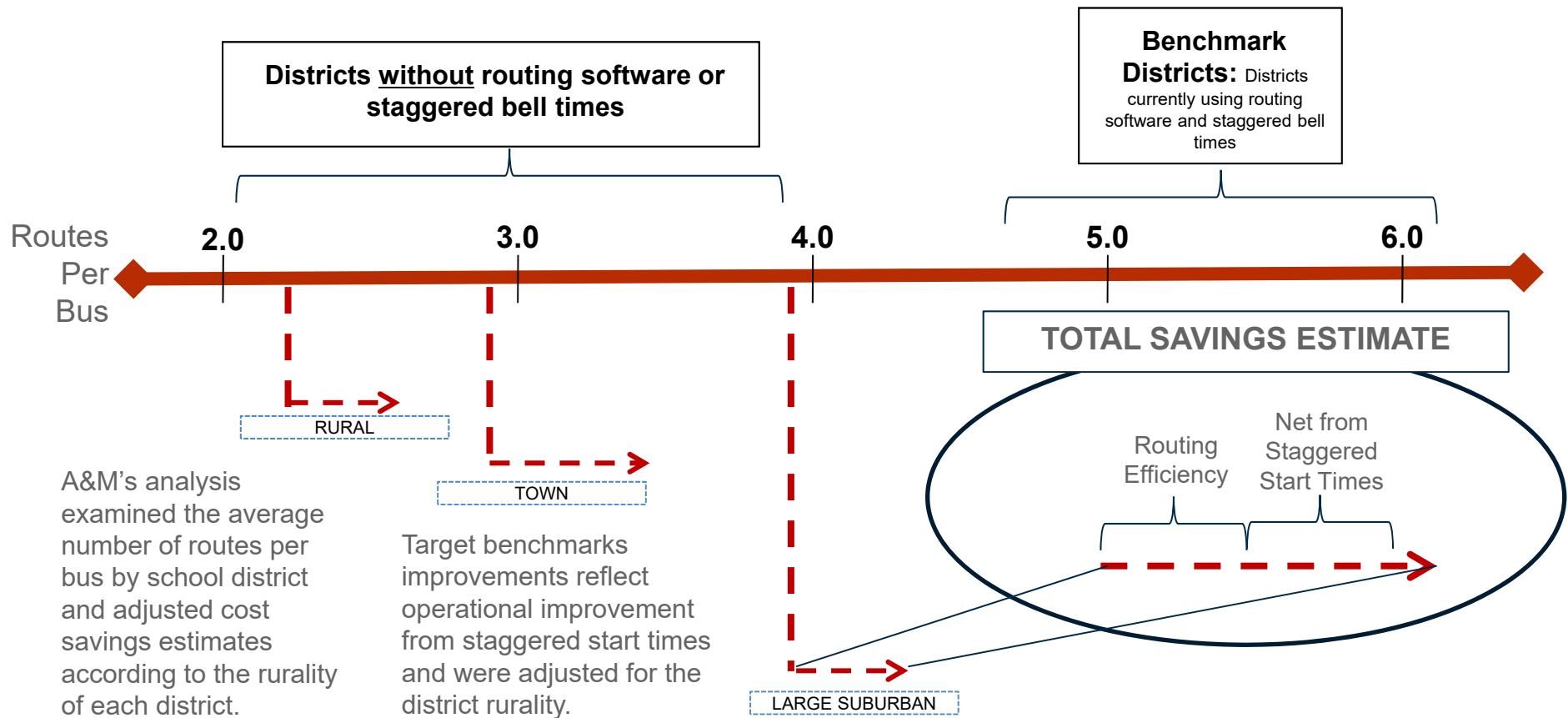
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

APPENDIX A: SAVINGS METHODOLOGY

SUMTER

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 SUMTER

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

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

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

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

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

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

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

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

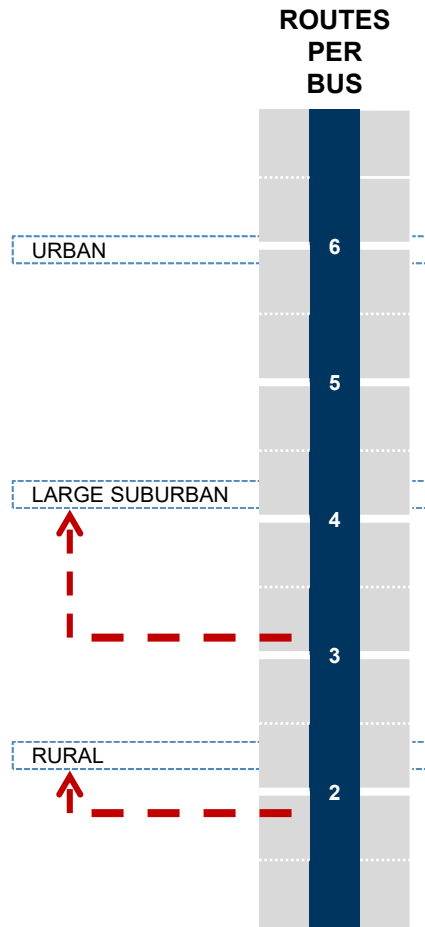
APPENDIX A: SAVINGS METHODOLOGY SUMTER

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

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

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



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

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

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

APPENDIX A: SAVINGS METHODOLOGY SUMTER

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 SUMTER

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

SUMTER

[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 SUMTER

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 SUMTER

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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