



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Aiken

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

AIKEN

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

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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

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PROJECT OVERVIEW (CONTINUED)

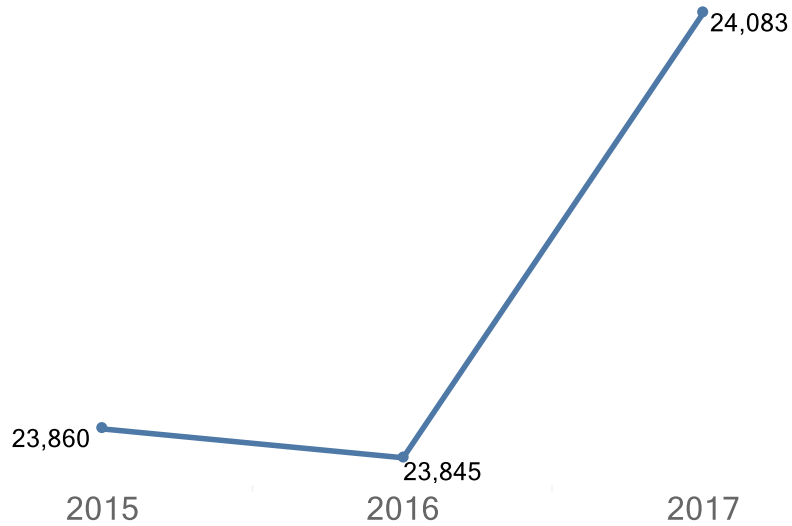
➤ Sources of Data and Savings Estimates:

- 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.

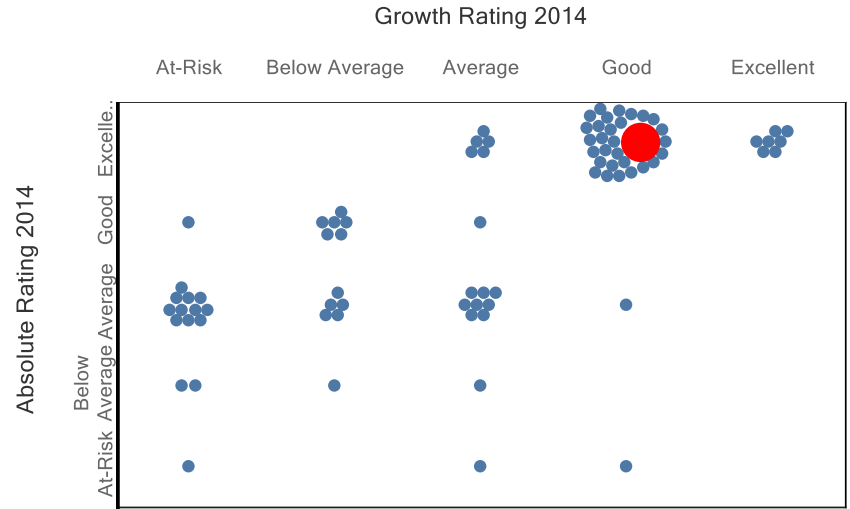
EXECUTIVE SUMMARY

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Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	39
% Poverty ^[1]	60.7%
% Disability ^[1]	12.5%
\$ Per Student ^{[2],[3]}	\$11,275
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$9,266

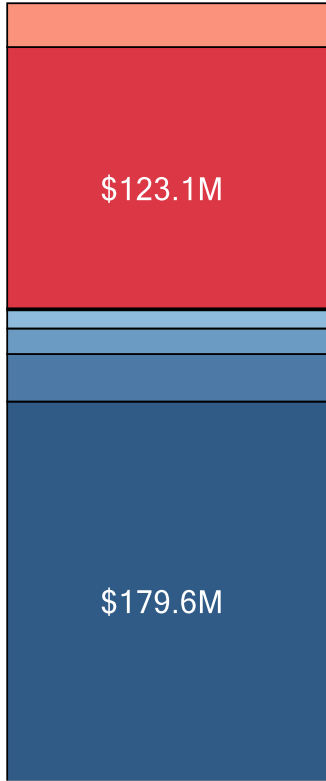
Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.6
Students Per Overhead FTE ^{[2],[4]}	280.0
Students Per School Support FTE ^{[2],[4]}	40.5
Students to Total FTE ^{[2],[4]}	7.6

EXECUTIVE SUMMARY

AIKEN

Sources of Funds^[5]
\$367.1M



2015-2016

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

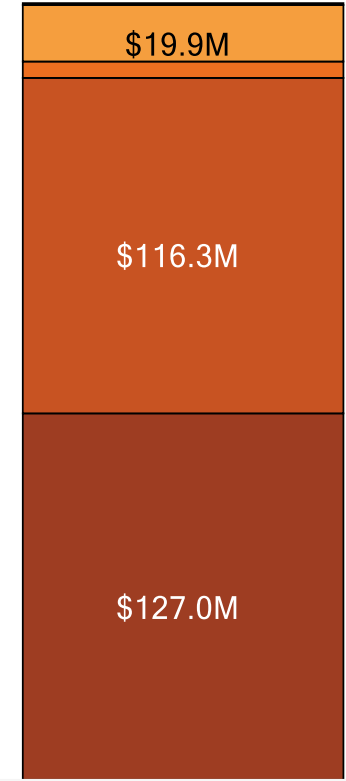
Use of Funds - Type^[3]
\$268.8M



2015-2016

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

Use of Funds - Function^[3]
\$268.8M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

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\$268.8M
Total

\$27.0M
In-Scope

\$241.8M
Not In-Scope

10.1% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$1,025,470	\$238,492
Human Resources	\$842,409	\$151,215
Overhead	\$3,404,586	\$756,784
Transportation	\$5,107,319	\$306,212
Procurement (Community Services, Instruction, Support Services)	\$16,661,853	\$16,661,853
TOTAL	\$27,041,637	\$18,114,556

* totals may not tie due to rounding

EXECUTIVE SUMMARY

AIKEN

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To cultivate future-ready students to serve our evolving community and world through an innovative, literacy-focused school system distinguished by

- Rigorous, personalized learning opportunities
- Highly effective, service-driven professionals; and
- Mutually beneficial partnerships.

Objectives

- Each student will acquire the knowledge, skills, and dispositions to pursue learning throughout life.
- Each student will complete high school prepared to thrive in college, career, and life.
- Each student will be a productive citizen while making meaning contributions to society.
- Each student will display strength of character and make decisions with integrity and compassion.

Achievements

- Implemented College Instant Decision Day where students can apply and receive decision at Aiken School District site.
- 80% of graduates are accepted to a 2 or 4 year institution.
- Giving Even More (GEM) is an award to non-instructional employees who provide a positive impact on the education of students.
- Passed a 1% sales tax to fund capital projects that include new schools to manage the growth throughout the district.
- Shifting career counseling to middle school to ensure that all students have a post-graduation plan.
- Creating apprenticeships and co-op programs with MTU and other local businesses.

Challenges

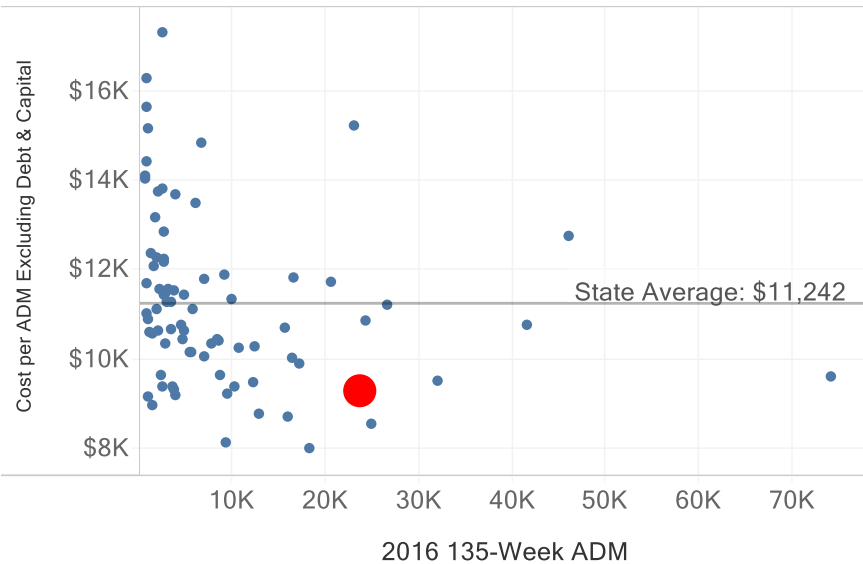
- The population is shifting towards the Western Portion of the District and planned construction may not be enough to accommodate in the next 3-5 years.
- Some of the original facilities are over 60 years old and the cost of maintenance is increasing every year.
- Recruiting with the Georgia border as a district border provides challenges and some opportunities.
- Getting visibility for the good work that Aiken is doing throughout the State to help with recruiting teachers and staff.

EXECUTIVE SUMMARY

AIKEN

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

AIKEN

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Staffing: The District's finance staffing metrics show that they spend significantly less per student than District's with similar enrollment as well as the State average. • Processes: The District has predominately manual processes for time tracking, invoice approval, and procurement. The District is currently looking to implement an automated time tracking system, but is still sending quotes received via fax, e-mail, or interoffice mail.
Human Resources	<ul style="list-style-type: none"> • Staffing: Like finance, the District's staffing metrics show that they spend significantly less per student than District's with similar enrollment as well as the State average. • Recruiting and Retention: The District is aggressive with recruiting and has travelled out of state to recruit for hard to fill positions. The District also recruits locally and has placed approximately 60% of USCA teaching graduates. The District retains approximately 90% of first year teachers which is significantly better than the 78% statewide average. The District expects approximately 15% of it's teaching staff to retire in the next five years.
Transportation	<ul style="list-style-type: none"> • Staffing: Many districts in South Carolina are experiencing the same difficulty that the District is experiencing in recruiting bus drivers. The District has worked to solve this issue by creating dual employment opportunities as Classroom Aides. • Routing: The District's geography forces the District to have some routes with long ridership time. The District does not have a routing software to explore route optimization.
Procurement	<ul style="list-style-type: none"> • Processes: The District follows all State procurement guidelines and tracks purchasing approvals through SmartFusion. However, the District sends and stores all quotes and contracts outside of SmartFusion. • Strategic sourcing: The District collaborates with the top spending districts in the State for the procurement of some goods and services as well as uses State negotiated contracts where appropriate.
Overhead	<ul style="list-style-type: none"> • Staffing: The District's overall and overhead staffing ratios demonstrate a relatively lean staff as compared to districts with similar enrollment. The District is currently hiring a Business Development resource to help provide stronger partnerships with local businesses. • Collaboration: The Superintendent collaborates with other regional Superintendents, but the District does not share resources or centers that provide career counseling or special needs.

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

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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>Time Tracking System: Implement Time Tracking system to reduce the work load on payroll and staff.</p> <p>Invoice Approval: Implement document workflow solutions that will enable for invoice approval and receipt of goods and services that will streamline the accounts payable process.</p>	<p>Time Tracking System: Implement Time Tracking system to reduce the work load on benefits compliance and workforce management.</p> <p>Workforce Planning: Develop a workforce plan for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring high performing teacher training to enable a promotion, and partnering with staffing services to meet the needs of the students in case a gap in employment arises due to the amount of teachers expected to retire in the next five years.</p>	<p>System Improvements: Implement document workflow solution that will enable quotes and other vendor related information to be attached to purchase orders in SmartFusion for better accessibility.</p> <p>Method of Payment: Where appropriate, look to use Pcards as a method of payment more often to increase rebates. Other options could include utilities.</p>	<p>System Enhancements: Implement new routing software to optimize routes to help reduce the number of buses needed, which will ease the pressure from bus driver shortages.</p> <p>Staffing / Organization: Evaluate dual employment classroom aides to understand if CDL requirement is disproportionately hurting classroom experience.</p>

EXECUTIVE SUMMARY

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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

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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

AIKEN

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	\$129,500	\$323,800	\$50,800	\$203,200
Human Resources	0	10,000	0	84,300
Procurement	0	0	465,700	964,500
Transportation – District	N/A	N/A	17,000	26,000
District Total	129,500	333,800	533,500	1,278,000
Transportation – State	0	0	22,000	33,000
Total	\$129,500	\$333,800	\$555,500	\$1,311,000

* 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.



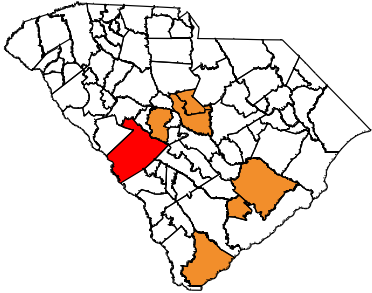
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DISTRICT BENCHMARKING

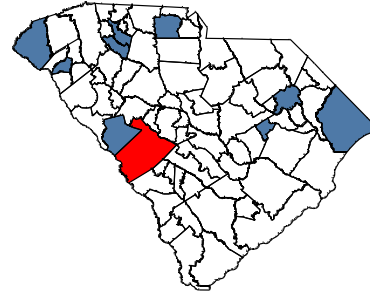
AIKEN

Enrollment (20,000 - 40,000)



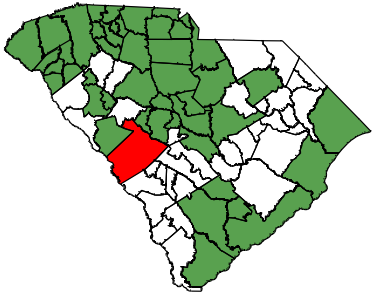
- Aiken
- Beaufort
- Berkeley
- Dorchester 02
- Lexington 01
- Richland 01
- Richland 02

Poverty (60% - 65%)



- Aiken
- Anderson 05
- Clarendon 03
- Edgefield
- Florence 01
- Horry
- Oconee
- Spartanburg 04
- Spartanburg 06
- York 01

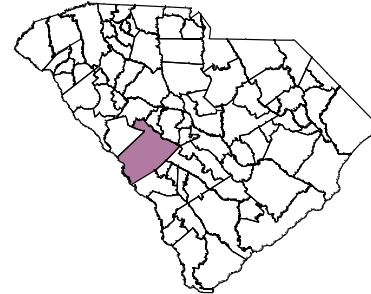
Phase 1 (No)



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

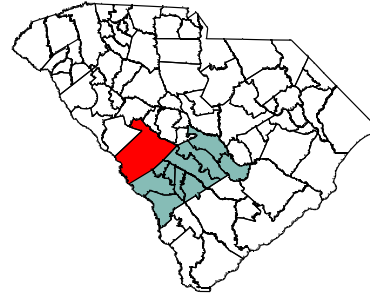
- Sumter
- Union
- York 01
- York 02
- York 03
- York 04

County (Aiken)



- Aiken

Region (Lower Savannah)



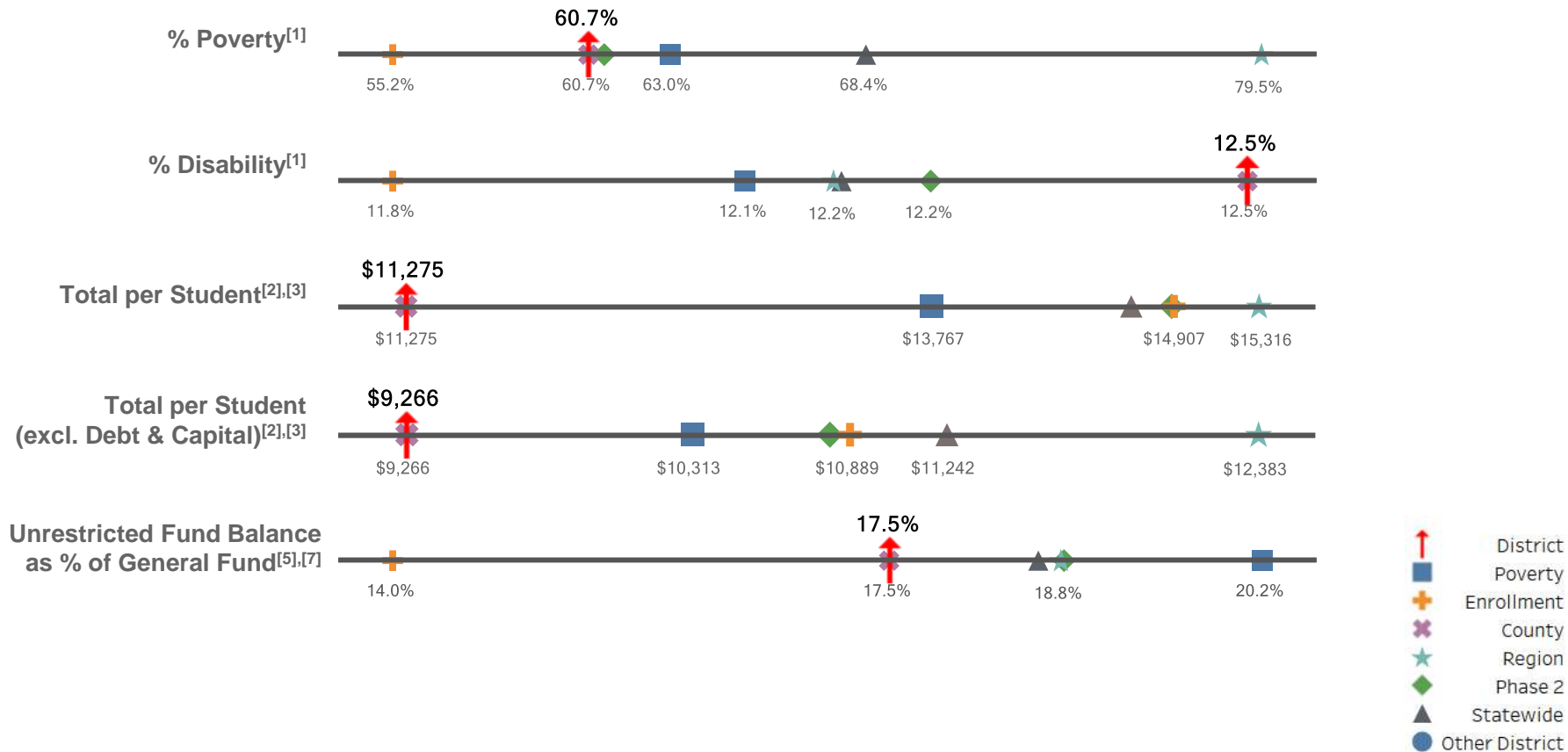
- Aiken
- Allendale
- Bamberg 01
- Bamberg 02
- Barnwell 19
- Barnwell 29
- Barnwell 45
- Calhoun
- Orangeburg 03
- Orangeburg 04
- Orangeburg 05

DISTRICT OVERVIEW

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KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

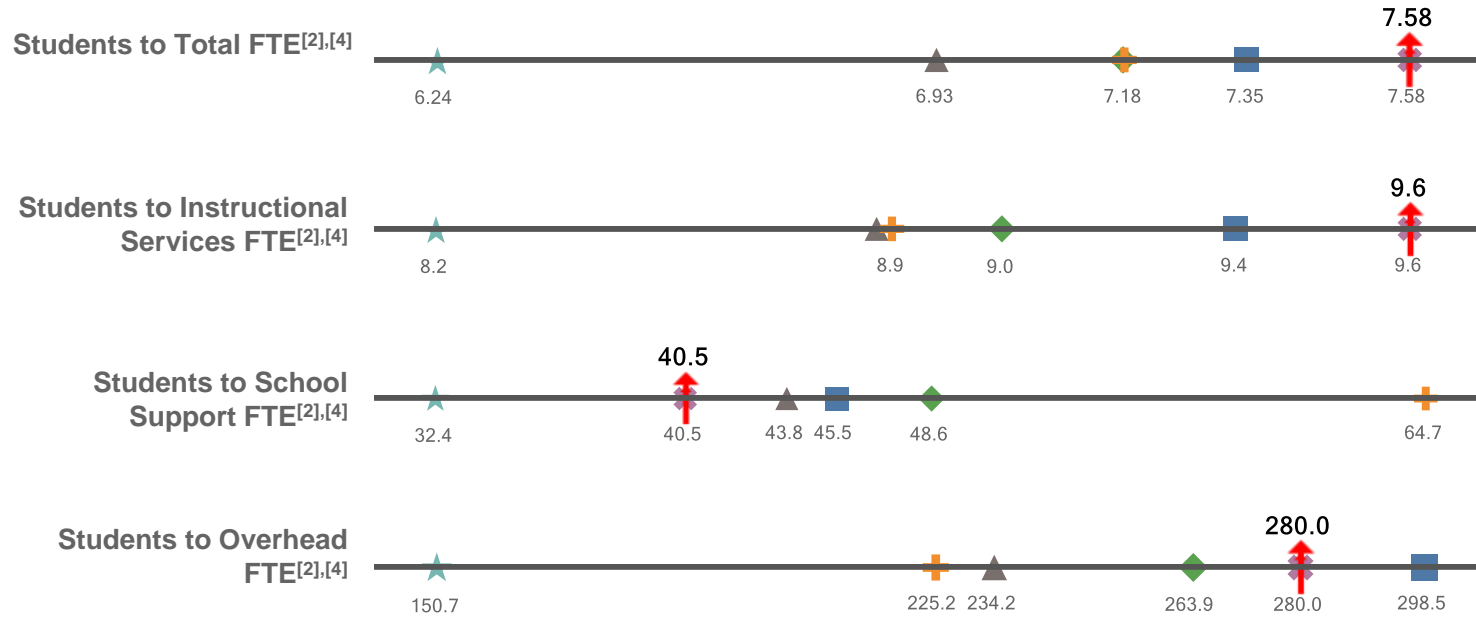
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



DISTRICT OVERVIEW

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KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



- District
- Poverty
- Enrollment
- County
- Region
- Phase 2
- Statewide
- Other District

DISTRICT OVERVIEW AND OVERHEAD AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has increased by 223 or 1% since FY15. • Student Demographics: The District has 60.7% of students qualify for free and/or reduced lunch which is below the state average of 68.4%. The District also has 12.5% of their students with special needs which is above the state average of 12.2%. • Long-term Planning: The District prepares long term enrollment projections to help inform long-term planning. In November 2014, the District passed a bond referendum to fund construction and renovation of five schools to ease use of mobile classrooms and update older facilities. However, at the end of this project the District is projecting to have an issue in some elementary schools due to the population growth around North Augusta unless more is done. 	<ul style="list-style-type: none"> • Based on expected trends in overall census growth and demographic changes in the county, the District should continue to revise long term planning projections on an annual basis to ensure financial stability over the long term. As part of this effort, the District should continue to plan for incremental overhead needs required to support growth in the number of facilities and students served.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: When excluding debt and capital, the District's Per Pupil Expense is \$9,266, which is lower relative to the state average (\$11,242), districts with similar enrollment (\$10,889) and district's with similar percentages of students who qualify for free and reduced lunch (\$10,313). • Unrestricted Fund Balance: The District's Unrestricted Fund Balance is 17.5% of general fund revenues. The fund balance is higher than districts with similar enrollment (14.0%) and lower than the state average of (18.6%). 	<ul style="list-style-type: none"> • To prevent excess district office staff and spending with the anticipated enrollment growth, expand on existing resource allocation practices to use key operating metrics to estimate needed resources.

DISTRICT OVERVIEW AND OVERHEAD AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Student to FTE: The District's Student to Total FTE is 7.6 which is higher than the state average of 6.9. This higher ratio is a result of the lower Per Pupil Expense that forces the District to make difficult decisions about the level of staffing. • Student to Instruction FTE: The District's Student to Instruction FTE is 9.637, which is higher than both the state average (8.852) and districts with similar enrollment (8.875). • Student to Support Services FTE: The District's Student to Support Services FTE is 40.53, which is lower than both the state average (43.82) and districts with similar enrollment (64.74). • Student to Overhead FTE: The District's Student to Overhead FTE is 280, which is higher than both the state average (234) and peers with similar enrollment (225). 	
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's job is spread across many functions. Dr. Alford makes a focus on staying engaged with the community and the schools. • Communications Function: The Communications team uses various tools to communicate with parents, students, and the community. The District leverages social media platforms, newsletters, websites and holds town hall meetings. The website even has up to 63 language translations. 	

DISTRICT OVERVIEW AND OVERHEAD AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Legal: District has no legal department. If legal advice is required, District utilizes external firms to provide support. • Turnover: Superintendent has overseen the district for the past 2 years. 	
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the district are paid \$150 per meeting attended. • Board Composition: All Board members are district residents, while two of them are former employees. 	
Collaboration	<ul style="list-style-type: none"> • The District does coordinate with other regional superintendents. • 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 are specialized skills.



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FINANCIAL MANAGEMENT OVERVIEW

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

1,025 : 1
 District Students (ADM)^[2] Financial FTE^[4]

\$43 per Student

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

Key statistics for metrics	
Financial FTEs ^[4]	23.5
Personnel Expense ^[3]	\$786,978
Non-Personnel Expense ^[3]	\$238,492
Total Financial Expense ^[3]	\$1,025,470

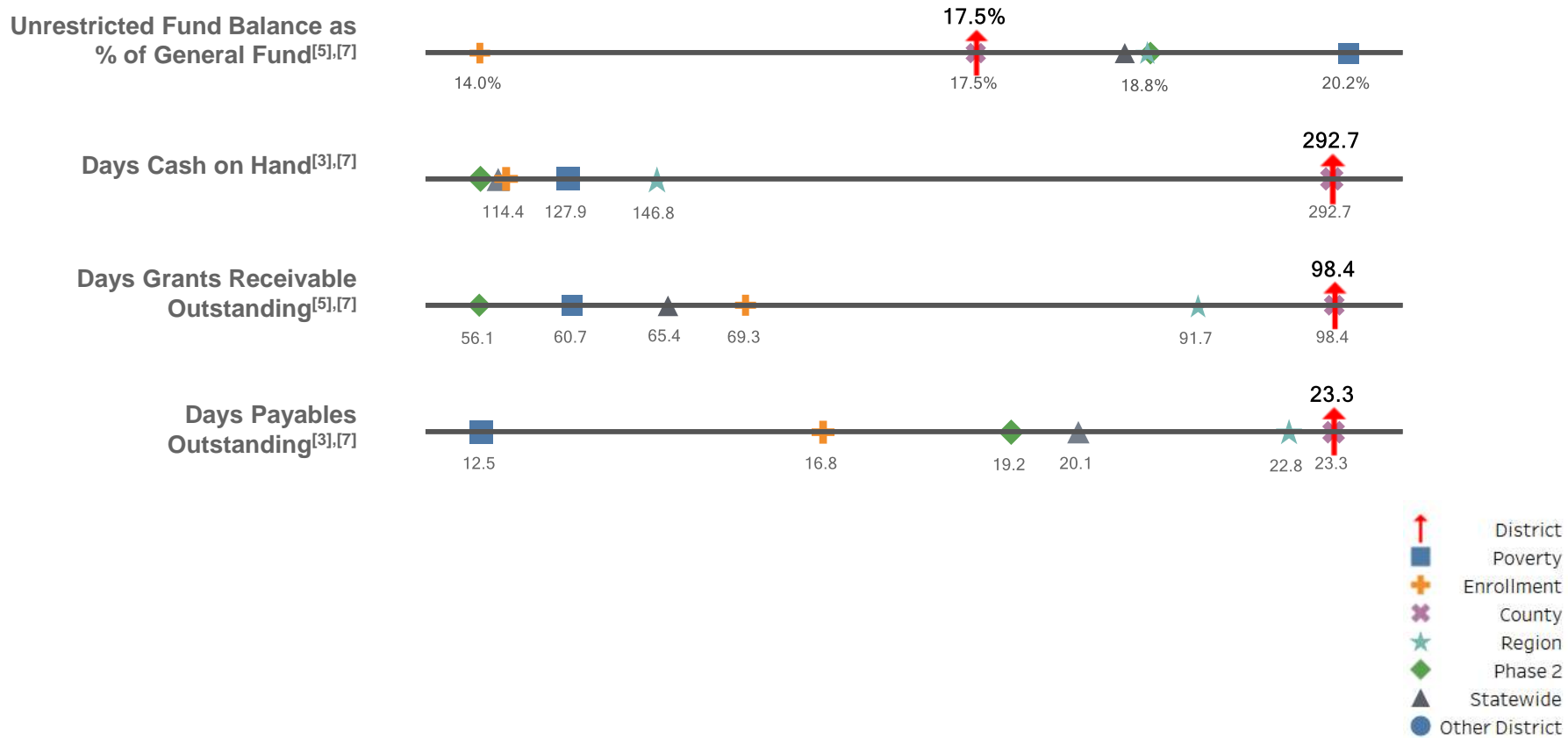
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

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KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

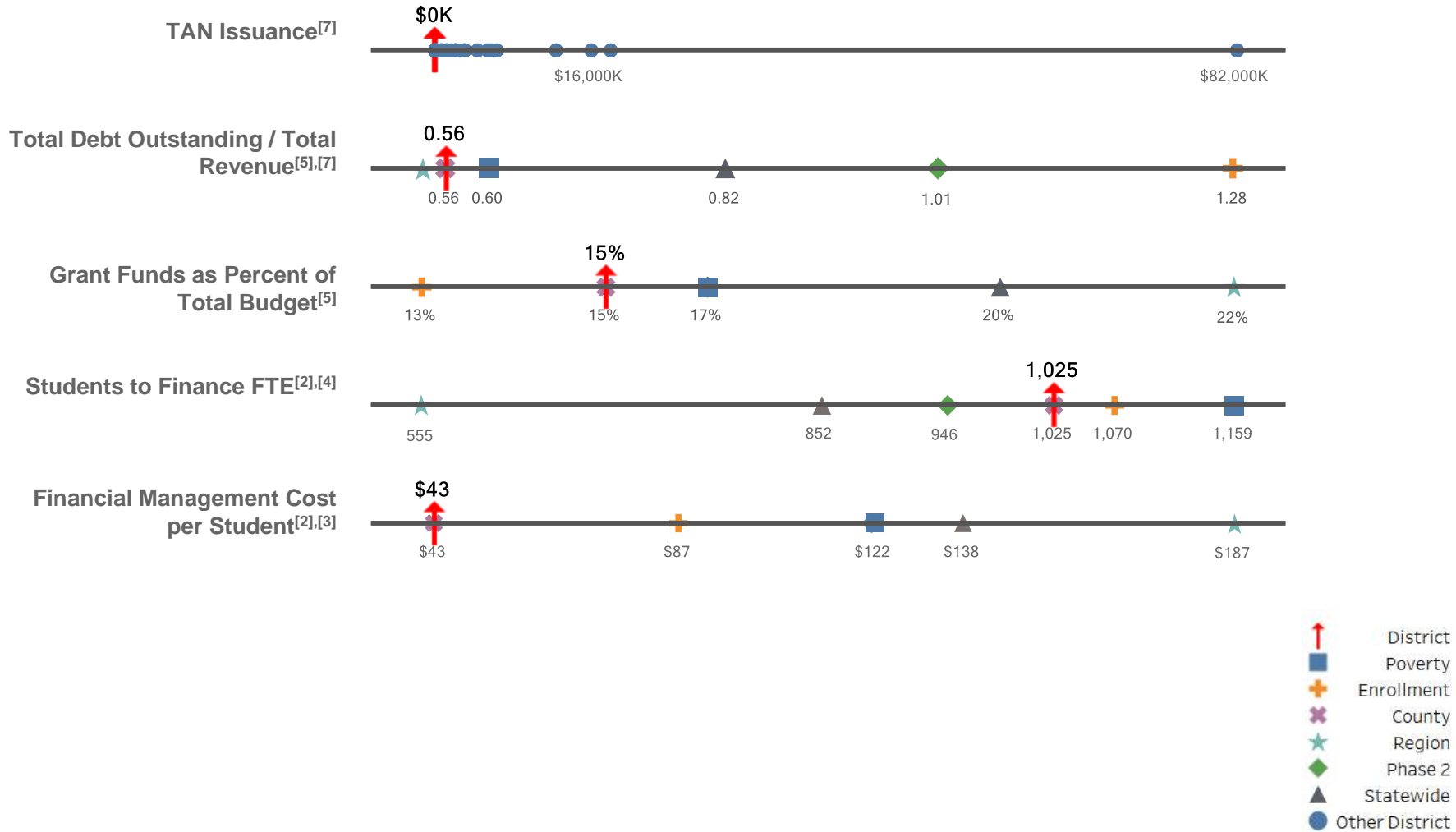
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FINANCIAL MANAGEMENT

AIKEN

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT AIKEN

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. [Insert district specific language as appropriate] • Turnover: The District's Chief Financial Officers has been in this position for ten years. The Directors of Finance & Procurement have been with the District for over 19 years each. • Finance Expenses Per Pupil: The District's Finance Expenses Per Pupil is \$43 which is lower than peers with similar enrollment (\$87) and the state average (\$138). • Student to Finance FTE: The District's Student to Finance FTE is 1,025, which is higher than the state average (852) and similar to peers with similar enrollment (1,070). If you remove the 5 warehouse professionals, the ratio is higher than districts with similar enrollment. 	<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 AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Frequency: The District currently runs payroll on a monthly basis. The District does a special payroll at the end of the month for overtime and hourly employees. The District is moving to a semi-monthly payroll for FY18. • Direct Deposit: 98% of the employees in the District have direct deposit for payroll. • Employee Self Service: The District uses a self service payroll platform, therefore employee initiated payroll changes are all processed manually. In addition, check pay stubs are printed manually and delivered to schools / employees directly. • Timekeeping: Time tracking is currently managed via manual processes. The District is looking into an electronic time tracking system called Attendance on Demand. • Purchasing: The District uses a centralized purchase order system. Schools are able to secure items and services in accordance with district and state regulations. • Pcard: The district utilizes a Pcard program through Bank of America. The District has 195 cards distributed with 57 of them utilized by maintenance staff. They had an estimated \$19,000 rebate on about \$2,700,000 of spend. Auditors have asked them to review 15 cards every month by collecting physical copies of receipts from card owners. • Inventory: The District tracks all items more than \$1,000 in value in the fixed asset module, but only capitalize items over \$5,000 in value. The District does not use bar codes, but does have asset stickers that could be utilized with bar codes. Schools do a physical inventory at the end of the year. 	<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. • Leverage automated purchase order work flow systems that can be integrated with the financial systems.

FINANCIAL MANAGEMENT AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none">• Grant Revenues: The District's Grant Revenue is 15% of the revenue for the District, which is less than the state average (20%) and more than districts with similar enrollment (13%).• Federal Funds: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance department collaborates closely with grants administrators to ensure that claims are made on a timely manner. The District generally submits claims quarterly.• Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the Finance department.	<ul style="list-style-type: none">• Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities.

FINANCIAL MANAGEMENT AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have no material weaknesses in its FY16 audited financial statements and was qualified as a low-risk auditee. • Position Control: The District does have position control. • Pcards: The District audits 15 card statements every month by requesting full copies from each card holder. Any transaction over \$500 must also be pre-approved through ERP before it occurs to limit risk of going over budget. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District's Days Cash on Hand is 293 days. This ratio signifies a strong cash balance. • Cash Forecast: The District manages cash on a daily basis to ensure proper account balance. The District does look longer term to make sure they can manage larger debt service payments. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 98 Days. This is worse than both the state average (65) and districts with similar enrollment (69). The District submits grant reimbursements quarterly. • Payable Outstanding: The District's Days Payables Outstanding is 23 days. As with other districts, invoices are not input into the system until ready or near ready to pay. • Cash: The District does invest cash balances in State local investment pool. • Debt: The total debt load per student is low compared to the State average and half the value of districts with similar enrollment. • TAN: The District did not issue TANs this past year. 	<ul style="list-style-type: none"> • Implement rolling 3 month cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings. • 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 AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none">• Planning: The annual budget process is linked with the annual strategic planning process. The district has a robust resource allocation model that is used to determine annual budgets for schools and departments. 90% of the general fund is salaries and benefits. The district spends a significant amount of time evaluating the master schedule to look for headcount optimization.• Monitoring: The District does not perform monthly or quarterly closes. However, budget to actual variances are shared in real time in SmartFusion that include encumbrances.	

FINANCIAL MANAGEMENT AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Harris SmartFusion accounting software system, however, processes remain manual for time-keeping, p-card review, invoice approval. • Time Tracking: The District is moving to Attendance on Demand for time tracking. They currently use SmartFind to track attendance and vacation. • Purchasing: The District uses SmartFusion for approval and recording of purchase orders, but the quotes are faxed, sent, or scanned and not saved inside the ERP. • Accounts Payable: The District uses SmartFusion for processing payment for all invoices; however, the receipt of goods and services as well as tracking of invoices are all manual. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders, automated time tracking that links directly with the payroll system. • Complete implementation of 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).



OUTLINE

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

HUMAN RESOURCES AIKEN

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.

2,294 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$35 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	10.5
Personnel Expense ^[3]	\$690,055
Non-Personnel Expense ^[3]	\$152,354
Total Human Resources Expense ^[3]	\$842,409

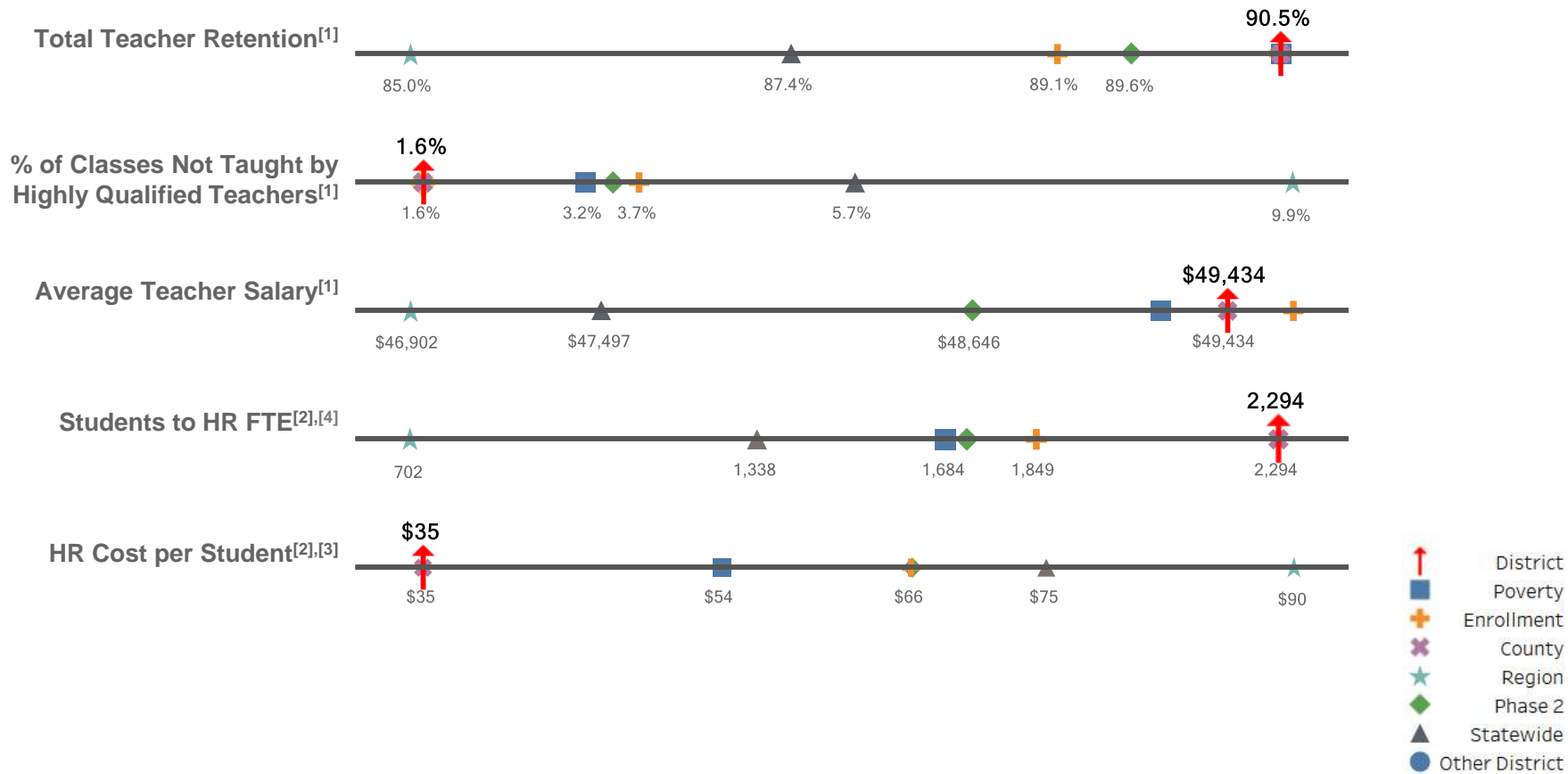
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

AIKEN

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 AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	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 Costs Per Pupil: The Human Resources cost per pupil for the district is \$35, which is lower than both the state average (\$75) and districts with similar enrollment (\$66). • Students to Human Resources FTE: The Student to Human Resources FTE ratio is 2,294, which is higher than both the state average (1,338) and districts with similar enrollment (1,849). 	<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"> • Environment: Similar to other school districts in the State, recruiting teachers into the District is challenging. • Average Teacher Salary: The District's average teacher salary is \$49,434, which is higher than both the state average (\$47,497) and other districts in the region (\$46,902). • Incentives/Tactics: The District has travelled as far as Michigan, Ohio, and New York to recruit teachers to the district. The District also works with USCA and has placed 60% of their teaching graduates in the District. 	<ul style="list-style-type: none"> • Understanding that recruiting isn't a problem today, the District should consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs. These programs may be of no need today, but the trend in teaching shortages may require different tactics sooner than anticipated.

HUMAN RESOURCES AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention (Cont'd)	<ul style="list-style-type: none"> • Vacancies: The District has approximately 150 teacher openings every year with a retention rate of 90.5%. • Induction: The first year teacher turnover rate is approximately 10%. • Substitutes: The District has a substitute pool of over 400 teachers, but has a hard time finding substitute requests for rural areas within the District. • Retirement: The District has only 25 employees included in the TERI program, 9 will exit this summer. The District forecasts they could lose 300 teachers to retirement in the next 5 years, which is approximately 15% of the workforce. 	<ul style="list-style-type: none"> • Due to the significant percentage of teachers who are expected to retire in the next five years, develop a workforce plan for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring high performing teacher training to enable a promotion, and partnering with staffing services to meet the needs of the students in case a gap in employment arises. • Evaluate using a substitute management third party for at least a portion of the District where substitutes are hard to find. Also consider working with neighboring districts that may have a pool of substitutes that you can tap into.
Technology	<ul style="list-style-type: none"> • Recruiting: The District leverages AppliTrack software for recruiting, application screening, processing and onboarding. • Substitutes: The District uses SmartFind to measure teacher attendance and then school employees call the pool of substitutes to fill vacancies. • Onboarding: The District uses AppliTrack to communicate with onboarding employees and receive documentation. They are evaluating using SmartFusion for this process for a fully integrated system. • Benefits: The District uses SmartFusion and the PEBA system to manage benefits. • Employee Self Service: The District uses Etrieve (SoftDocs) to provide employees the Personnel Action Forms. 	<ul style="list-style-type: none"> • Finish implementation 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.

HUMAN RESOURCES AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> The District provides retirement seminars every year to inform the staff of the options and benefits provided through their retirement plan. FMLA requests have been rising over the last few years. The District is starting to track the number of requests in SmartFusion. The District brings in Ward Services to help with annual onboarding to meet with individuals to discuss benefit plan selection and details. Annual enrollment can be completed either online through PEBA or via paper. If the enrollment is done online, then the information is automatically sent to PEBA and the benefits information is printed out and handed to payroll. If the enrollment is done via paper, then payroll receives the HR approved form and another hard copy is sent to PEBA. 	
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

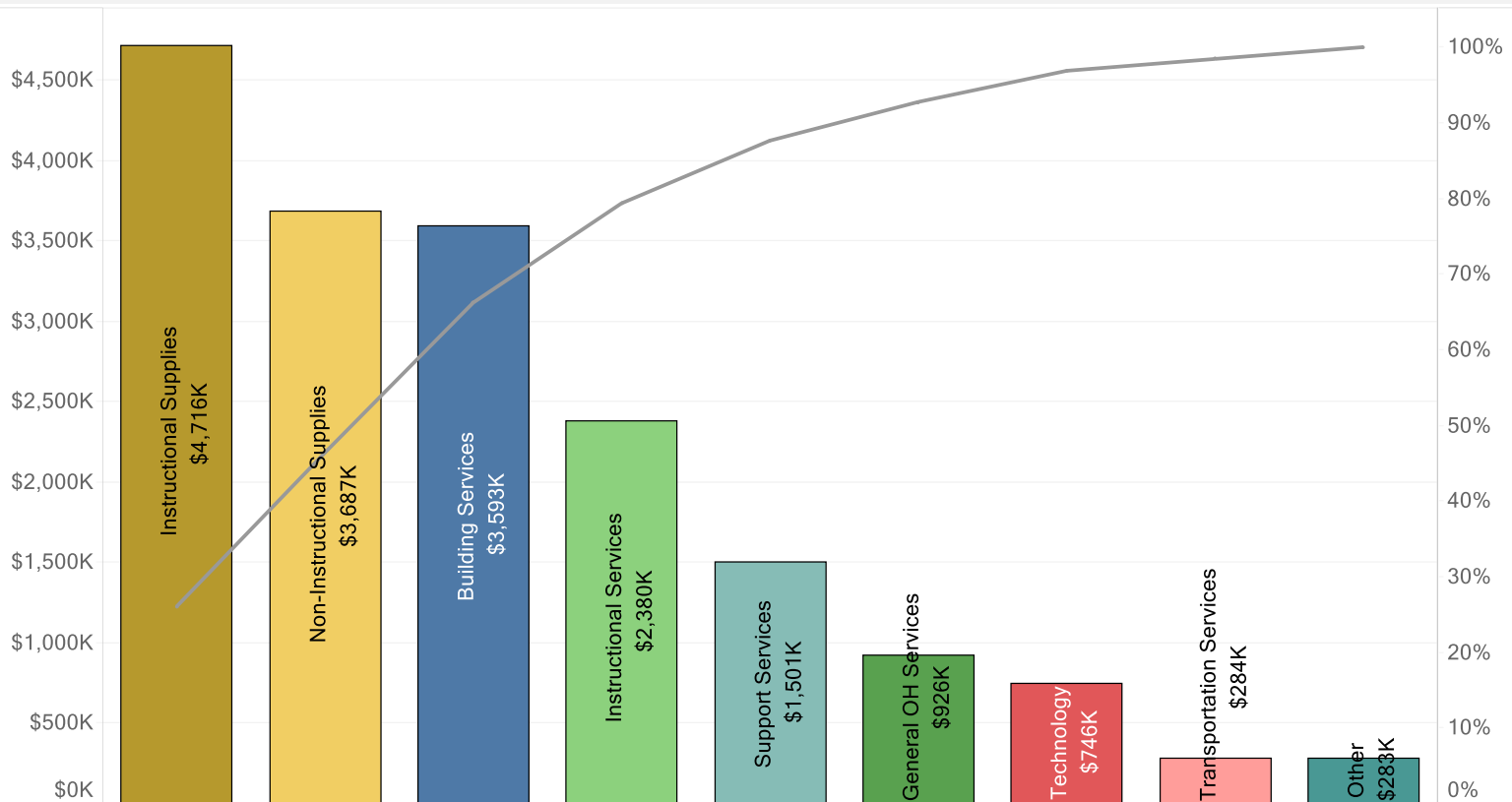
- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

PROCUREMENT AIKEN

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] = \$18,114,556

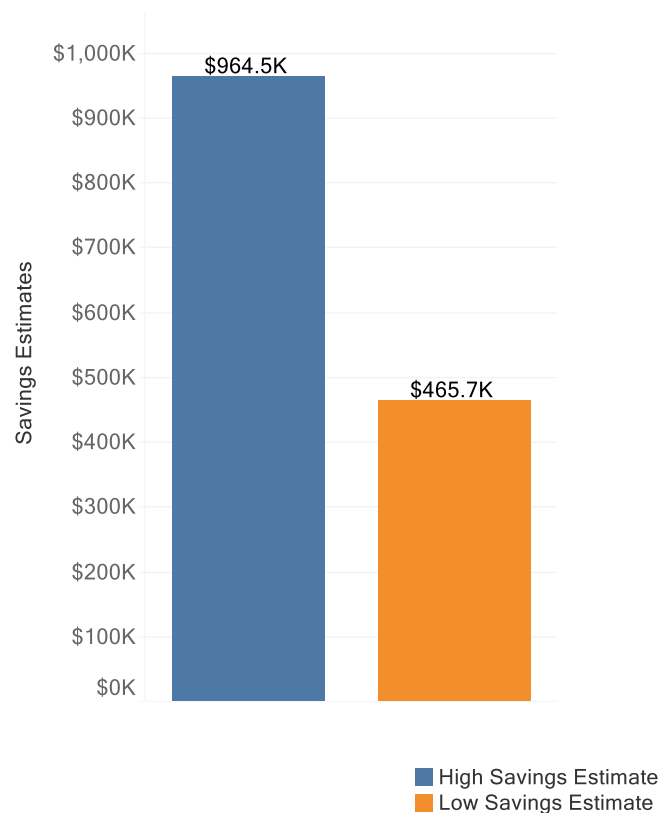


PROCUREMENT AIKEN

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 AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Staffing: The District has resources focused directly on procurement and is able to rely on these resources to maximize purchasing activities. • Scope: The purchasing team handles all procurement for the District. • Technology: The District currently uses Harris SmartFusion as their centralized purchase order system. • Pcard: The District has 195 cards distributed with 57 of them utilized by maintenance staff. They had an estimated \$19,000 rebate on about \$2,700,000 of spend. Auditors have asked them to review 15 cards every month by collecting physical copies of receipts from card owners. 	<ul style="list-style-type: none"> • Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> • Spending is fragmented across more than 5,000 vendors (excluding Pcards); however, the top 135 make up more than 80% of total procured spend (excluding Pcards). • Spending efforts are made based upon the individual buyer. The procurement team reviews all purchase orders to ensure vendor usage is appropriate. All purchases over \$500 require purchase orders. • All purchase orders over \$2,500 require three quotes to be collected and analyzed to ensure appropriate vendor selection. 	<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; (c) negotiated contracts done in collaboration with surrounding districts.

PROCUREMENT AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District uses internal staff as much as possible for building repairs and maintenance, but due to the age of the buildings and large amounts of construction, the District uses many outside vendors. • 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. • Instructional Support Services and Supplies: The District requires procurement of instructional support software and services to follow all State procurement rules and guidelines. The District evaluates all requests for exemption thoroughly. • Technology: The District is expanding its one to one initiative and is leveraging a state contracts where applicable. The District does not collaborate purchases with other districts. • Non-instructional Supplies: The District purchases its non-instructional supplies within state contracts whenever appropriate. 	<ul style="list-style-type: none"> • 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. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Consider establishing 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.

PROCUREMENT AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">• The District does partner with other large districts to procure some goods and services.• The District does not partner with other districts to procure technology.	<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



OUTLINE

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

TRANSPORTATION AIKEN

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 AIKEN

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]

\$214 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	165.5
Personnel Expense ^[3]	\$4,801,107
Non-Personnel Expense ^[3]	\$306,212
Total Transportation Expense ^[3]	\$5,107,319

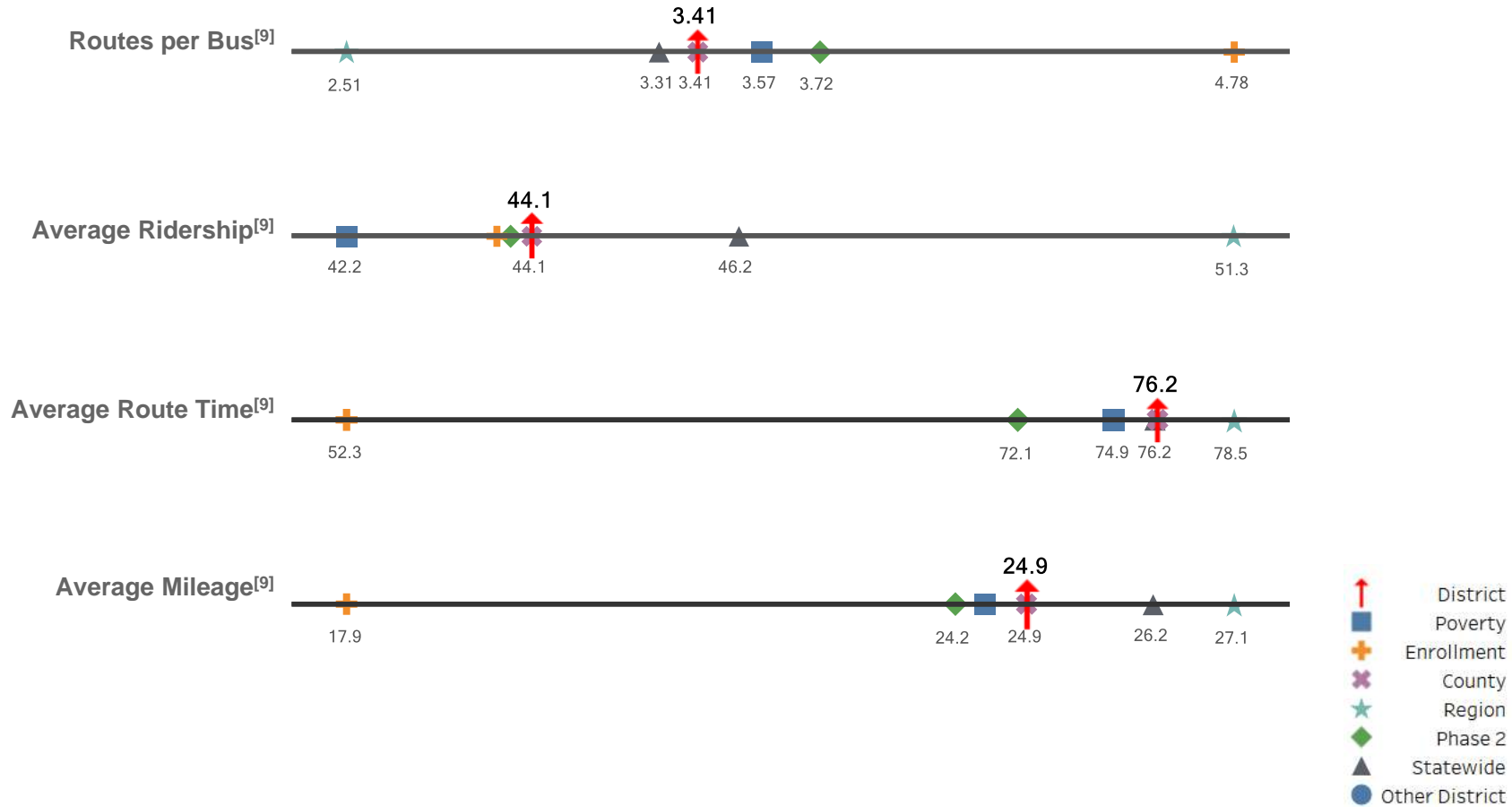
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	123.5	421	3.4	18,575	44	76	25
Special Needs	22.7	62	2.7	681	11	Not-Available	51
Other	9.8	51	5.2	1,395	27	Not-Available	21
Total	156.0	534	3.4	20,651	N/A	N/A	N/A

TRANSPORTATION AIKEN

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 AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The District has a difficult time retaining bus drivers. The District had 17 vacancies as of May 3rd. • Substitutes: The District does not have a pool of substitute drivers, but does use aides and monitors who have CDL to fill in during any absences. • Dual Employment: Classroom Aides are required to have CDL licenses. The District has 67 employees that are dual employees. • Pay: Bus drivers are currently paid a starting rate of \$11.69, approximately \$4.00 above state reimbursement levels. 	<ul style="list-style-type: none"> • Monitor classroom aid vacancies to evaluate the success of the dual employment program requiring classroom aides to have CDL. Consider finding other dual employment opportunities for bus drivers throughout the district to help alleviate the need for classroom aides to also be bus drivers. Many other districts use food services, custodial, or greeters as other options to attract bus drivers to the District. • Implement a substitute/back up driver pool in collaboration with nearby districts for schools along the border in more rural locations.

TRANSPORTATION AIKEN

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Staggered Bell Times: The District has both urban and rural environments. Schools that support densely populated areas are able to take advantage of staggered bell times and run multiple routes per bus, while more sparsely populated areas have all grades bused together. • Routing Software: The District does not utilize routing software. • GPS: The District does have GPS on its buses. • Security: The District does have security cameras on all buses. • District Buses: The District does not use the State fuel for activity buses. • Maintenance: The District has a maintenance shop that enables the District to do maintenance on smaller buses, while the larger bus maintenance is outsourced. • Hazard Costs: The District spends \$21,000 per year on hazard costs. • Challenges: The District also has magnet schools and allows school choice which complicates bus routes. 	<ul style="list-style-type: none"> • Implement routing software to ensure most efficient routes.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts. 	<ul style="list-style-type: none"> • Consider partnering with districts for regional transportation hub that can allow sharing of maintenance, leverage software capabilities, and provide flexible substitute resource management.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

AIKEN

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

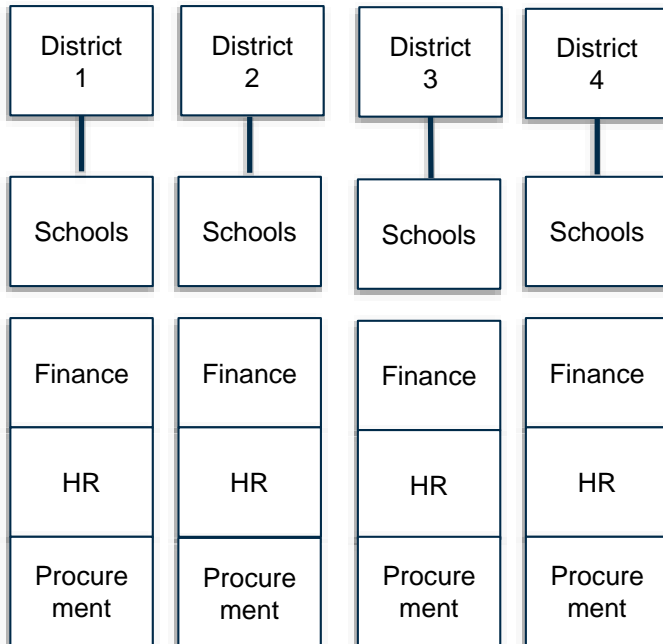
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COLLABORATION: SHARED SERVICE MODELS

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.

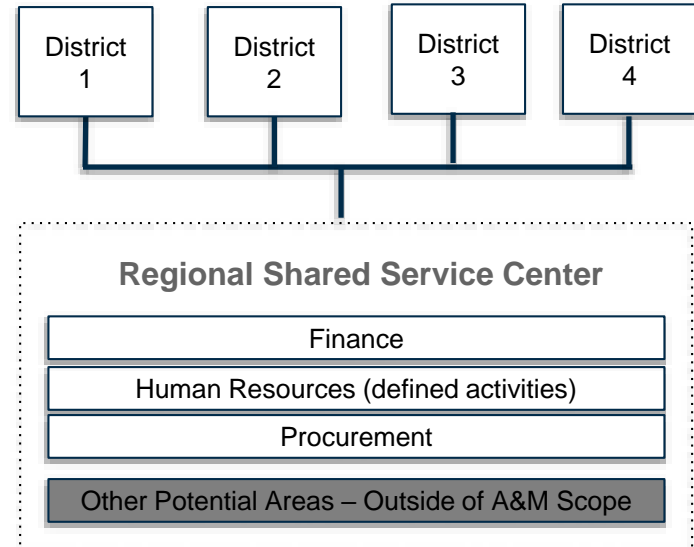
CURRENT STATE: STAND ALONE DISTRICT

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

AIKEN

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).

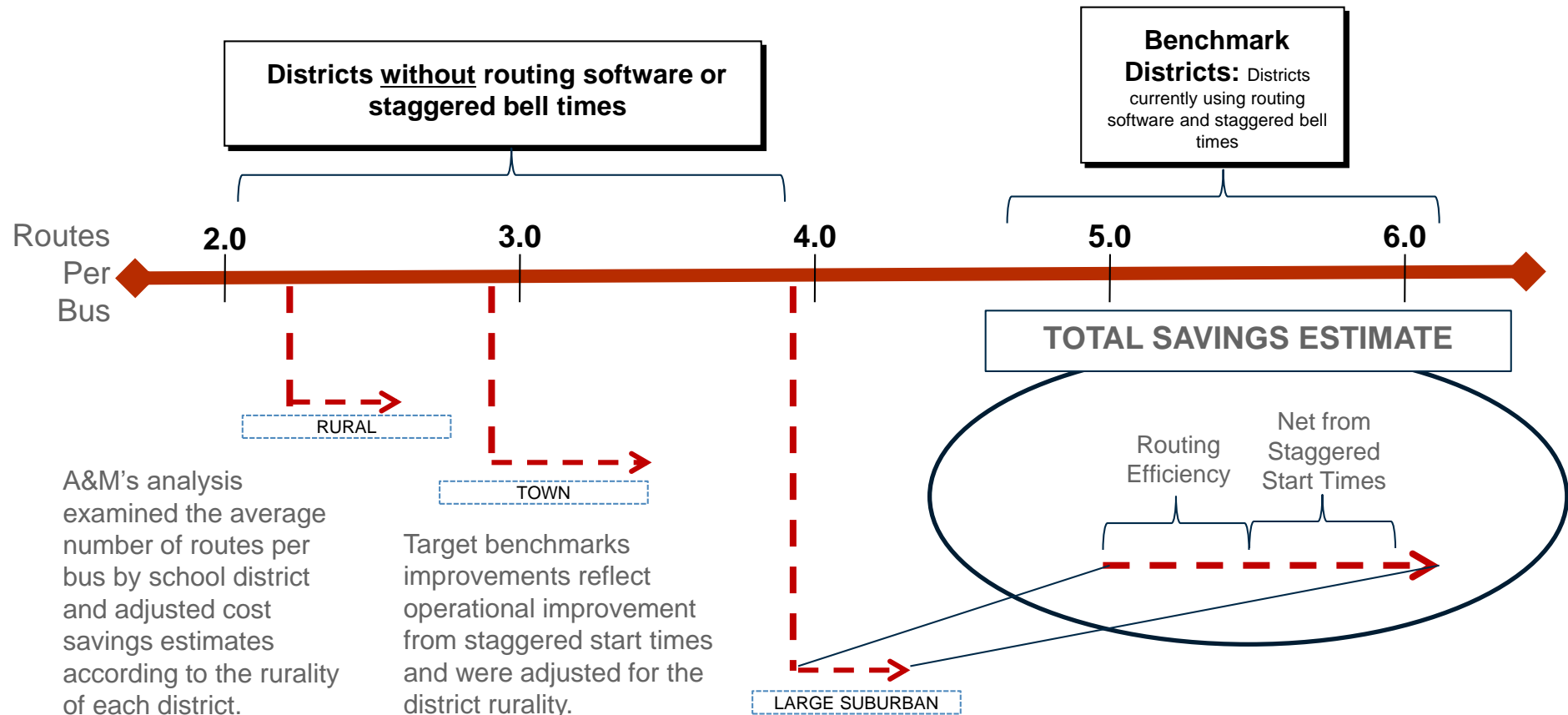
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

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

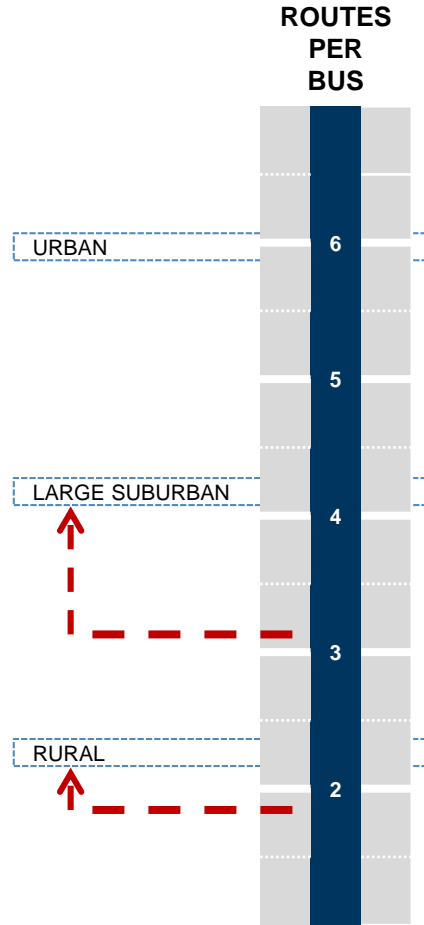
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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

AIKEN

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

AIKEN

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 AIKEN

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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