



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Barnwell 45

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

BARNWELL 45

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

BARNWELL 45

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

BARNWELL 45

PROJECT OVERVIEW (CONTINUED)

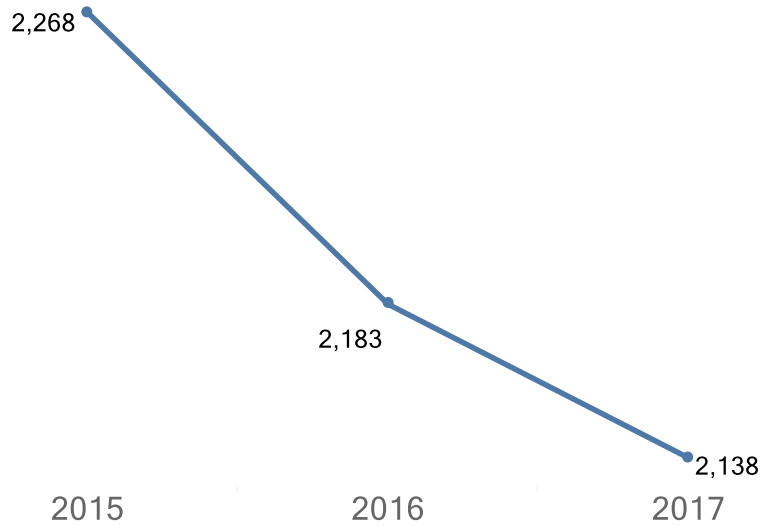
➤ Sources of Data and Savings Estimates:

- 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.

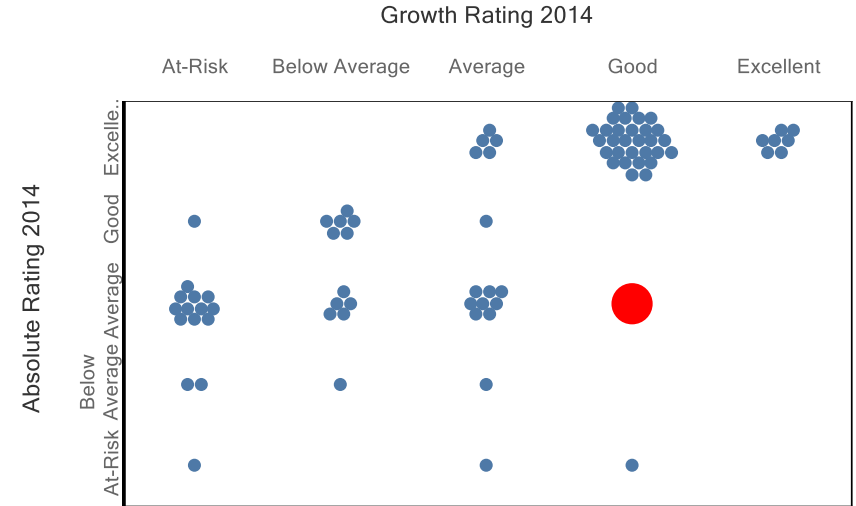
EXECUTIVE SUMMARY

BARNWELL 45

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	4
% Poverty ^[1]	74.3%
% Disability ^[1]	15.3%
\$ Per Student ^{[2],[3]}	\$11,647
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,623

Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.2
Students Per Overhead FTE ^{[2],[4]}	149.4
Students Per School Support FTE ^{[2],[4]}	40.3
Students to Total FTE ^{[2],[4]}	7.1

EXECUTIVE SUMMARY

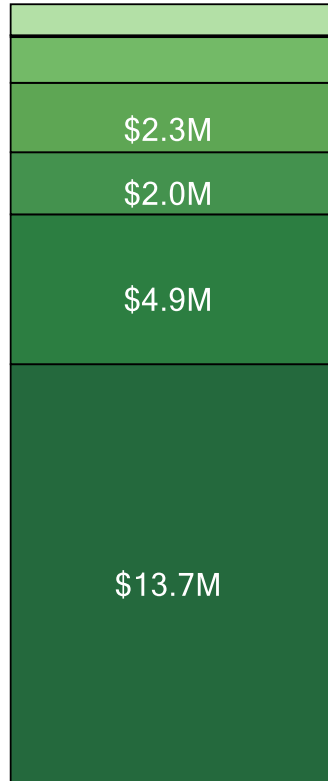
BARNWELL 45

Sources of Funds^[5]
\$25.6M



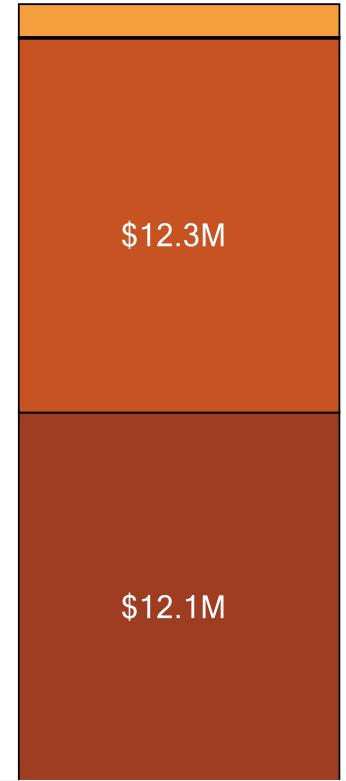
2015-2016

Use of Funds - Type^[3]
\$25.4M



2015-2016

Use of Funds - Function^[3]
\$25.4M



2015-2016

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

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

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

BARNWELL 45

\$25.4M
Total

\$4.3M
In-Scope

\$21.2M
Not In-Scope

16.8% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$373,061	\$28,859
Human Resources	\$248,491	\$22,738
Overhead	\$519,098	\$146,725
Transportation	\$782,382	\$34,578
Procurement (Community Services, Instruction, Support Services)	\$2,350,022	\$2,350,022
TOTAL	\$4,273,054	\$2,582,922

* totals may not tie due to rounding

EXECUTIVE SUMMARY

BARNWELL 45

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To provide challenging, appropriately-focused educational opportunities for children in a safe and nurturing school environment.

- 1. Increase Student Achievement:** By the end of the school year, demonstrate academic proficiency for SCPASS/SC Readiness, SAT/ACT/ACT WorkKeys, and AP Exams.
- 2. Improve On-Time Graduation Rates:** The on-time graduation rate in each demographic subgroup will be at least 80% and will meet or exceed the statewide average, as indicated on the District's report card.
- 3. Improve Teacher Quality:** Improve the percentage of highly qualified, high performing administrators, teachers, and support staff to 100%.
- 4. School Climate:** Improve the satisfaction with the learning, physical, and home school environments to 95% or higher.
- 5. Increase Instructional Time:** Provide a minimum of 90 minutes of uninterrupted time for literacy instruction.

Achievements

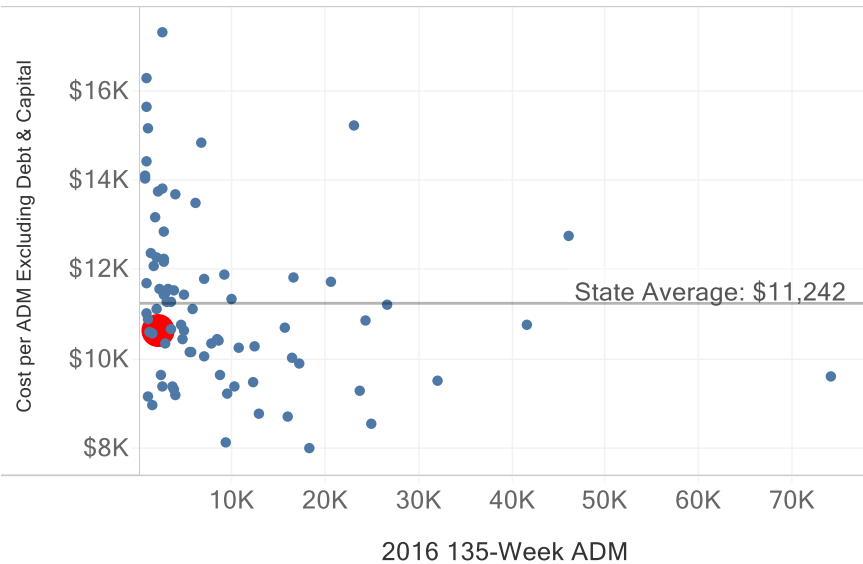
- **1:1 Initiative:** Created a 1:1 technology initiative.
- **Award Winning Middle School:** The middle school received the 2014-2015 Palmetto Gold and Silver Award.
- **STEM Lab:** One of two schools in the state to be selected for a grant supported STEM Lab.
- **Strong Community Support:** McDonalds, B&B Ford, and Wal-mart all provide goods and financial backing to the District.
- **Academic Scholarships:** The senior class of 2015 earned \$3 million in scholarships.

Challenges

- **Teacher Recruitment and Retention:** Recruiting and retaining teachers (11.7% average turnover in the last 5 years), specifically English, Math and Secondary Teachers.
- **Hard to Staff Positions:** Similar to other districts, recruiting Special Education, Speech Therapists, and Psychologists is challenging.
- **Facilities:** Buildings are older and in need of repair. The District would likely need to raise debt in order to fund the improvements.
- **Enrollment:** Declining enrollment trends may put pressure on the District to make changes to resource allocation decisions.

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

BARNWELL 45

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Management: The District's ability to avoid short term borrowing and strong fund balance puts it in good financial standing. While the current standing is positive, the District's declining enrollment trend requires diligent and prudent cash management in order to navigate through unanticipated events. • Manual Processes: The Finance team is operating on the most recent version of SmartFusion; however, it does not have automated processes in place and operates mostly manually.
Human Resources	<ul style="list-style-type: none"> • Manual Processes: The District operates the Human Resources function with adequate staff levels. Benefits administration is largely completed manually and the recruiting section of the District website is not well prepared to support candidate sourcing and automated on-boarding. • Challenges with Recruiting and Retention: While the District pays teachers more than the state average, it still faces general challenges associated with teaching shortages and relies on agencies for placement of hard-to-staff positions, including the use of international teachers to fill select vacancies. The District has an 84.3% teacher retention rate, well below the state average despite the higher pay.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. Similar to its peers, the District is grappling with a shortage of drivers. • Manual Routing: The District does not have routing software which could be used to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District does not have any resources dedicated to Procurement. • Strategic Sourcing: The District has low leverage with vendors due to low purchasing volumes. Spending is fragmented across 300 vendors; however, the top 27 make up more than 80% of total spending.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Office of the Superintendent includes the Interim Superintendent, who was named Interim mid-year, and an Administrative Assistant. • Collaboration: The District collaborates with other Barnwell County districts for the Career Center as well as Barnwell 19 for shared food services headcount.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

BARNWELL 45

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Add modules to financial systems to facilitate automated purchase to payments, integrated timekeeping and payroll, and position control functionality.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing and Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Implement new technologies to automate HR processes, such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software for route efficiency.</p> <p>Process Improvements: Staggered Bell Times: Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits of routing changes and staggered bell times.</p> <p>Staffing and Organization: Create dual employment opportunities to help address bus driver shortages.</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

BARNWELL 45

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

BARNWELL 45

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	\$17,500	\$32,500	\$33,100	\$99,200
Human Resources	15,000	25,000	0	24,800
Procurement	0	0	63,300	134,700
Transportation – District	N/A	N/A	40,000	61,000
District Total	32,500	57,500	136,400	319,700
Transportation – State	8,000	33,000	37,100	70,000
Total	\$40,500	\$90,500	\$173,500	\$389,700

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

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



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DISTRICT BENCHMARKING

BARNWELL 45

Enrollment (< 2,500)

Allendale	Florence 04
Bamberg 01	Florence 05
Bamberg 02	Greenwood 51
Barnwell 19	Greenwood 52
Barnwell 29	Hampton 01
Barnwell 45	Hampton 02
Calhoun	Lee
Clarendon 01	Lexington 03
Clarendon 03	McCormick
Dillon 03	Saluda
Dorchester 04	
Florence 02	

Phase 1 (Yes)

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

Poverty (70% - 75%)

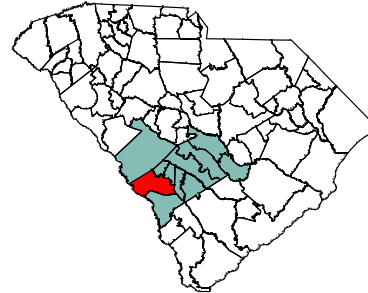
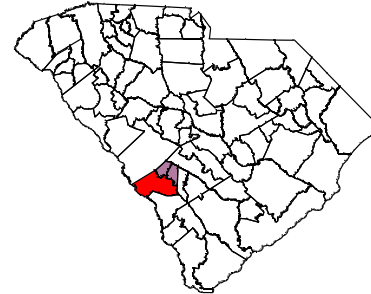
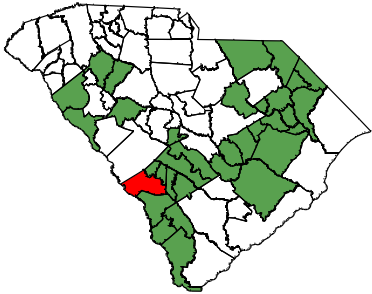
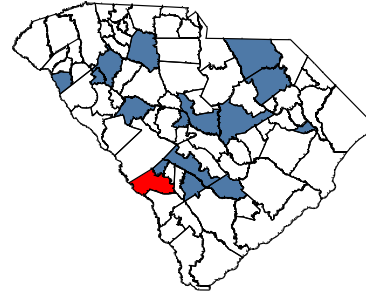
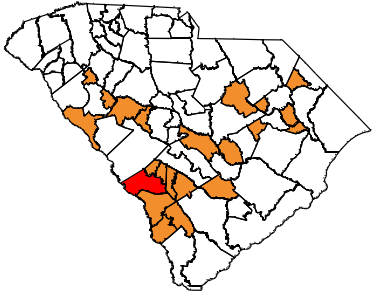
Anderson 03	Lexington 02
Bamberg 01	Orangeburg 04
Barnwell 29	Richland 01
Barnwell 45	Saluda
Chesterfield	Sumter
Darlington	Union
Dorchester 04	
Florence 05	
Greenwood 51	
urens 55	

County (Barnwell)

Barnwell 19
Barnwell 29
Barnwell 45

Region (Lower Savannah)

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

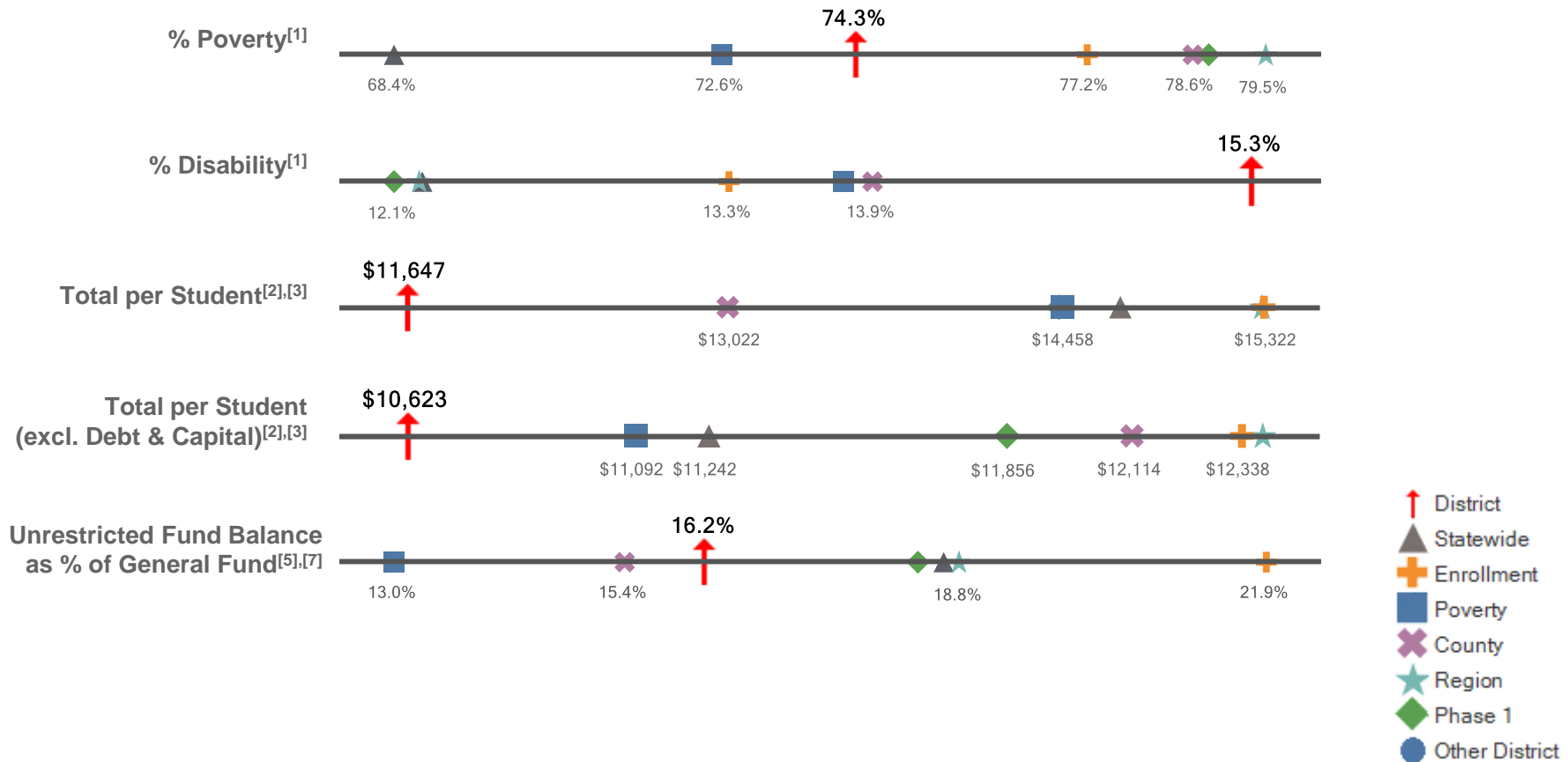


DISTRICT OVERVIEW

BARNWELL 45

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

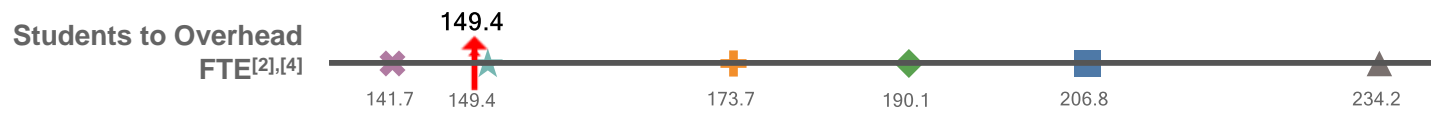
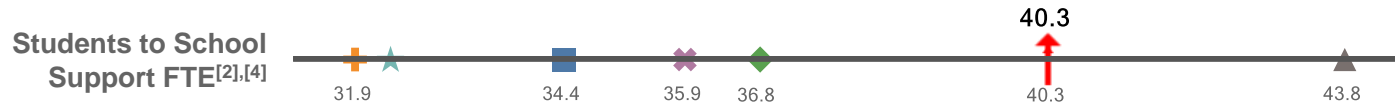
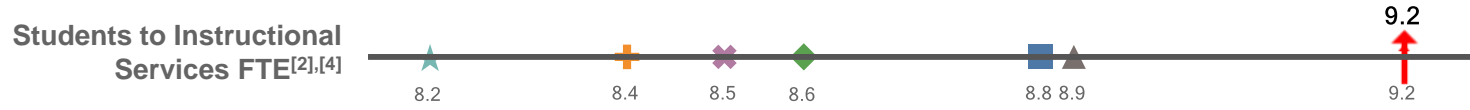
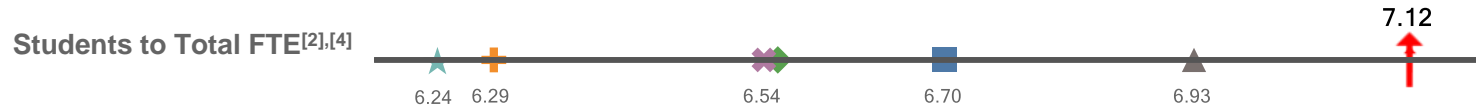
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

BARNWELL 45

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



- ↑ District
- ▲ Statewide
- ✚ Enrollment
- Poverty
- ✖ County
- ★ Region
- ◆ Phase 1
- Other District

DISTRICT OVERVIEW AND OVERHEAD

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has decreased by approximately 6% over the last 3 years to a total of 2,138 students. • Student Demographics: 74.3% of the District's students live in poverty, higher than the statewide average of 68.4%. • Long-term Planning: The District projects enrollment on an annual basis but does not prepare long-term enrollment projections to help inform long-term planning. 	<ul style="list-style-type: none"> • Given the recent trends in enrollment coupled with the anticipated economic decline, the District should develop a long-term enrollment forecast to anticipate and better plan for enrollment changes, ensuring long-term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: The District's fund balance and ability to avoid needing to borrow using TANs puts it in good financial standing. While the current standing is positive, the District's declining enrollment trend requires diligent and prudent cash management in order to navigate through any unanticipated events. • Per Pupil Expenses: When excluding debt and capital, the District's Per Pupil Expense is \$10,623 per student, which is lower than districts of similar size at \$12,338 and the statewide average of \$11,242. • Unrestricted Fund Balance: The District's Unrestricted Fund Balance as a percentage of general fund revenues is approximately 16%, which is lower than the statewide average of 18.6%. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is maintained, the District should prepare a three to five year financial plan that allows for investment in critical areas of academics and operations while still maintaining a solid fund balance.

DISTRICT OVERVIEW AND OVERHEAD

BARNWELL 45

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 ratio is 7.12, which is higher than districts of a similar size at 6.29 and the statewide average of 6.93. • Student to Instructional Services FTE: The District's Student to Instruction ratio is 9.2, which is higher than districts of a similar size at 8.4 and the statewide average of 8.9. • Student to School Support FTE: The District's Student to School Support ratio is 40.3, which is higher than districts of similar size at 31.9 and the statewide average of 43.8. • Student to Overhead FTE: The District's Student to Overhead Ratio is 149.4, which is lower than districts of a similar size of 173.7 and the statewide average of 234.2. 	<ul style="list-style-type: none"> • Consider a review and reorganization of other direct support areas of the Superintendent, which are outside of the scope of this report, in order to optimize resources and bring spending in line with benchmarks.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The District is currently led by the Assistant Superintendent, who was named Interim Superintendent mid-year. The Board has yet to name the permanent Superintendent. • Communications Function: There is no Communications support for the Superintendent's office. The function resides solely with the Superintendent and the administrative assist. • Legal: District has no legal department. If legal advice is required, the District utilizes external firms to provide support. 	

DISTRICT OVERVIEW AND OVERHEAD

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Board of Directors	<ul style="list-style-type: none"> • Board Compensation: The Board Members of the District are paid \$300 per month, or \$3,600 per year. 	<ul style="list-style-type: none"> • Require Board members to attend an annual training to enable members to support their efforts.
Collaboration	<ul style="list-style-type: none"> • Informal Networks: The Superintendent has informal collaborations with other regional superintendents (for example the Barnwell district superintendents create the annual calendar together). • Career Center: The District shares a career center with Barnwell 19 and Barnwell 29. • Headcount: The District shares certain FTEs with area districts including the Food Services Director and Food Services Bookkeeper with Barnwell 19. 	<ul style="list-style-type: none"> • Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional.



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FINANCIAL MANAGEMENT OVERVIEW

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

464 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$171 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	4.6
Personnel Expense ^[3]	\$339,358
Non-Personnel Expense ^[3]	\$33,703
Total Financial Expense ^[3]	\$373,061

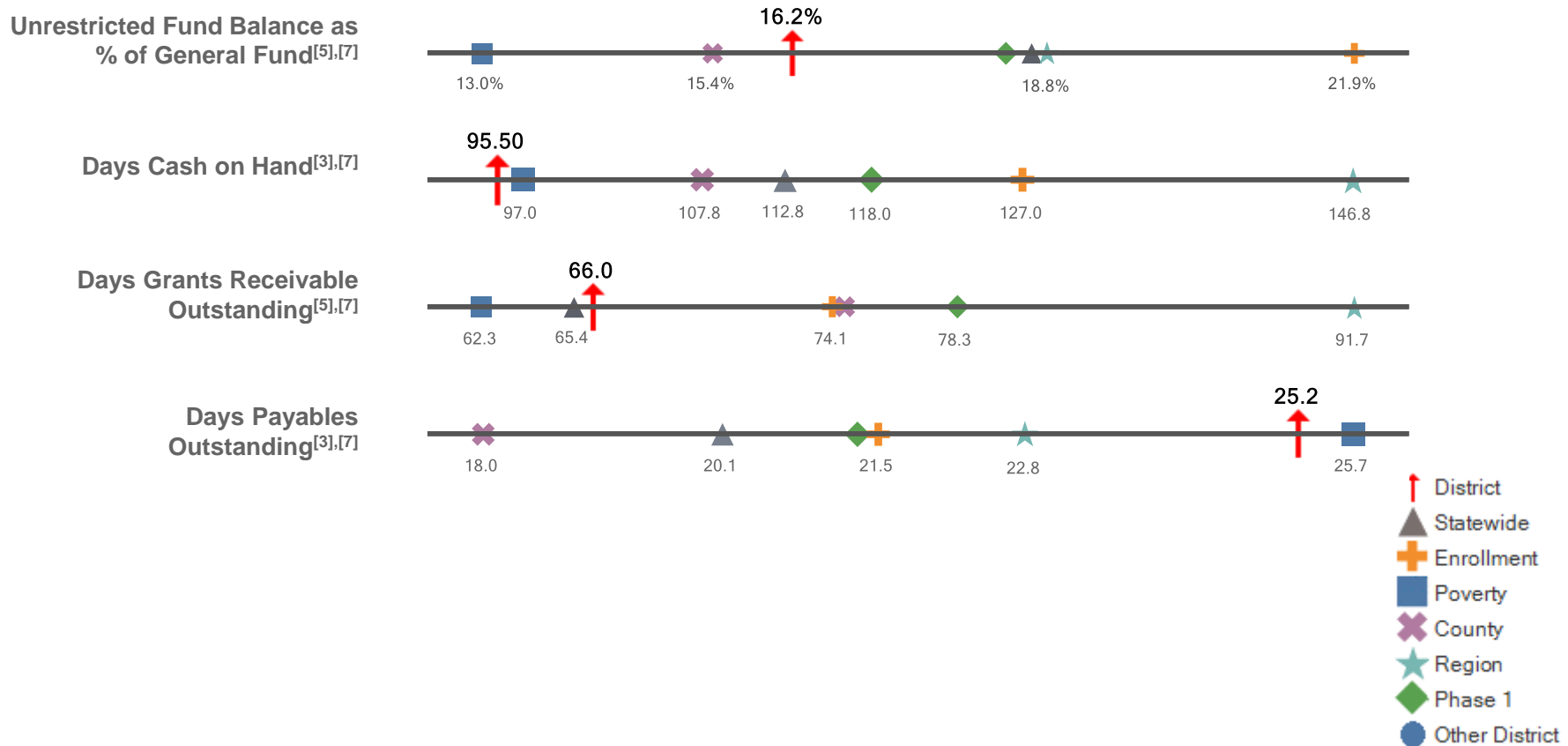
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

BARNWELL 45

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

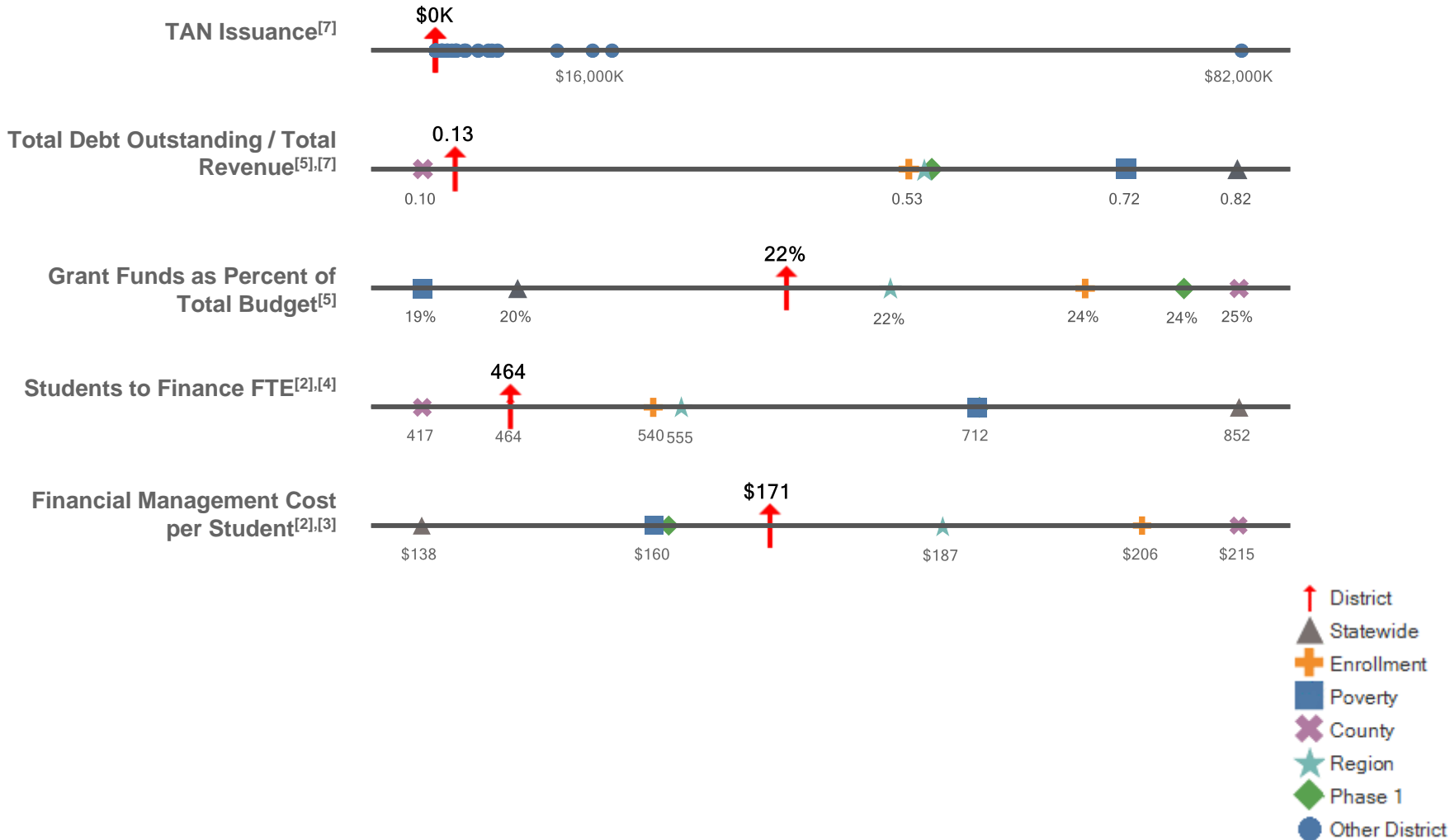
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



FINANCIAL MANAGEMENT

BARNWELL 45

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Finance organization is appropriately staffed to support its scope of roles and responsibilities that include: accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. The District operates finance with a CFO, an Assistant Director of Finance, an Accounts Payable headcount and a Payroll headcount. • The CFO is in his second year in his current role with Barnwell 45 but has been with the district for several years. • Finance Cost per Pupil: The District's Finance cost per pupil is \$171, which is lower than districts of a similar size at \$206 and higher than the statewide average of \$138. • Student to Financial Management FTE: The District's Student to Financial Management FTE ratio is 464, which is lower than districts of similar size at 540 and the statewide average of 852. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions. • Leverage technology and license more modules within SmartFusion to improve speed and efficiency of the finance team.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Payroll and Accounts Payable</p>	<ul style="list-style-type: none"> • Overall Processes: The District uses the Harris SmartFusion accounting software system; however, the processes remain manual for time-keeping, payroll, invoice approval and check processing. • Payroll: The District currently runs payroll on a semi-monthly basis. A majority of paychecks are direct deposit; however, paystubs are still delivered manually. The team acquired a check folding machine to improve payroll efficiency. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the finance department. The District has expressed an interest using an automated timekeeping system, but a decision on implementation has not yet been made. • Purchasing: The District has a centralized purchase order approval system that is manual and requires physical signatures. The District noted that it is currently reviewing the digital purchase order module with SmartFusion. • Accounts Payable: Payables are run once a week. Purchase orders, invoice signature and coding and check requests are all done via manual processes. Employees are required to provide justification if an invoice is submitted late. • Inventory: The District bar codes technology for asset tracking, but it does not currently conduct centralized inventory processes. Inventory is managed directly by schools and cross-referenced against inventory listings maintained by the technology department. 	<ul style="list-style-type: none"> • Require all employees to receive payroll via direct deposit. In addition, eliminate the physical delivery of check stubs to employees and leverage employee self-service functionality available within the Harris SmartFusion system (when implemented). • 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. • Implement standard policies and procedures around managing physical inventory and ensure that the District finance organization is part of the overall process.

FINANCIAL MANAGEMENT

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grant Revenue %: Grant revenues provide 22% of revenue for the District, lower than the district average by enrollment of 24%, but higher than the statewide average of 20%. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the finance department. • Grant Claim Processing: 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 in a timely manner and submit claims on a monthly basis in order to maximize cash flow. • Other: The District has won competitive grants for a STEM Lab as well as a 21 Century Grant. 	<ul style="list-style-type: none"> • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, claims processed and amounts for each grant. • Require Finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants.
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was not found to have any material weaknesses in its latest audited financial statements. • Position Control: The District does have the position control module in SmartFusion. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control.

FINANCIAL MANAGEMENT

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District's Days Cash on Hand is 96 days, which is below the statewide average of 113. • Cash Forecasting: The District reviews cash flow forecasts on a monthly basis. • Grants Receivable Outstanding: The District's Days Grants Receivable Outstanding is 66 days, which is on par with the statewide average of 65 days. The District submits grant reimbursements monthly. • Days Payable Outstanding: The District's Days Payables Outstanding is 25.2 days, which is higher than the statewide average of 20.1. • Debt: The District has 13% of debt outstanding as a percent of total revenue, lower than the statewide average of 82%. • TAN: The District did not need to utilize Tax Anticipation Notes during the current school year to help manage working capital. 	<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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a roll-forward of the prior year expenses. The budget team works extensively with department heads to assess any new needs that are anticipated for the upcoming fiscal year. • The District Finance team asks for priority lists by the major budget owners to help assess budget needs for the year. • Fiscal Monitoring: The District produces budget to actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses. • The Director of Finance has separate reporting sessions with the Superintendent and discusses any risks and provides updates frequently. 	<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 quarterly reforecast meetings with budget owners to facilitate spending change discussions and reduce the time it takes to complete the annual budget.

FINANCIAL MANAGEMENT

BARNWELL 45

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. The District does not leverage digital software for procurement and automated workflow approval of requisitions. The District is actively evaluating the move away from manual paper processes. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system. • Implement software to allow for digitization and automation of purchase order and invoice approvals.
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. • Finance leaders in the Barnwell districts meet on occasion to discuss challenges and ways to collaborate. 	<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). • Consider sharing the dedicated grant writer to defray the cost of the FTE and to collaborate on larger competitive grants with neighboring districts.



OUTLINE

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- II. District Overview and Overhead
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HUMAN RESOURCES

BARNWELL 45

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.

500 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$114 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	4.3
Personnel Expense ^[3]	\$225,753
Non-Personnel Expense ^[3]	\$22,738
Total Human Resources Expense ^[3]	\$248,491

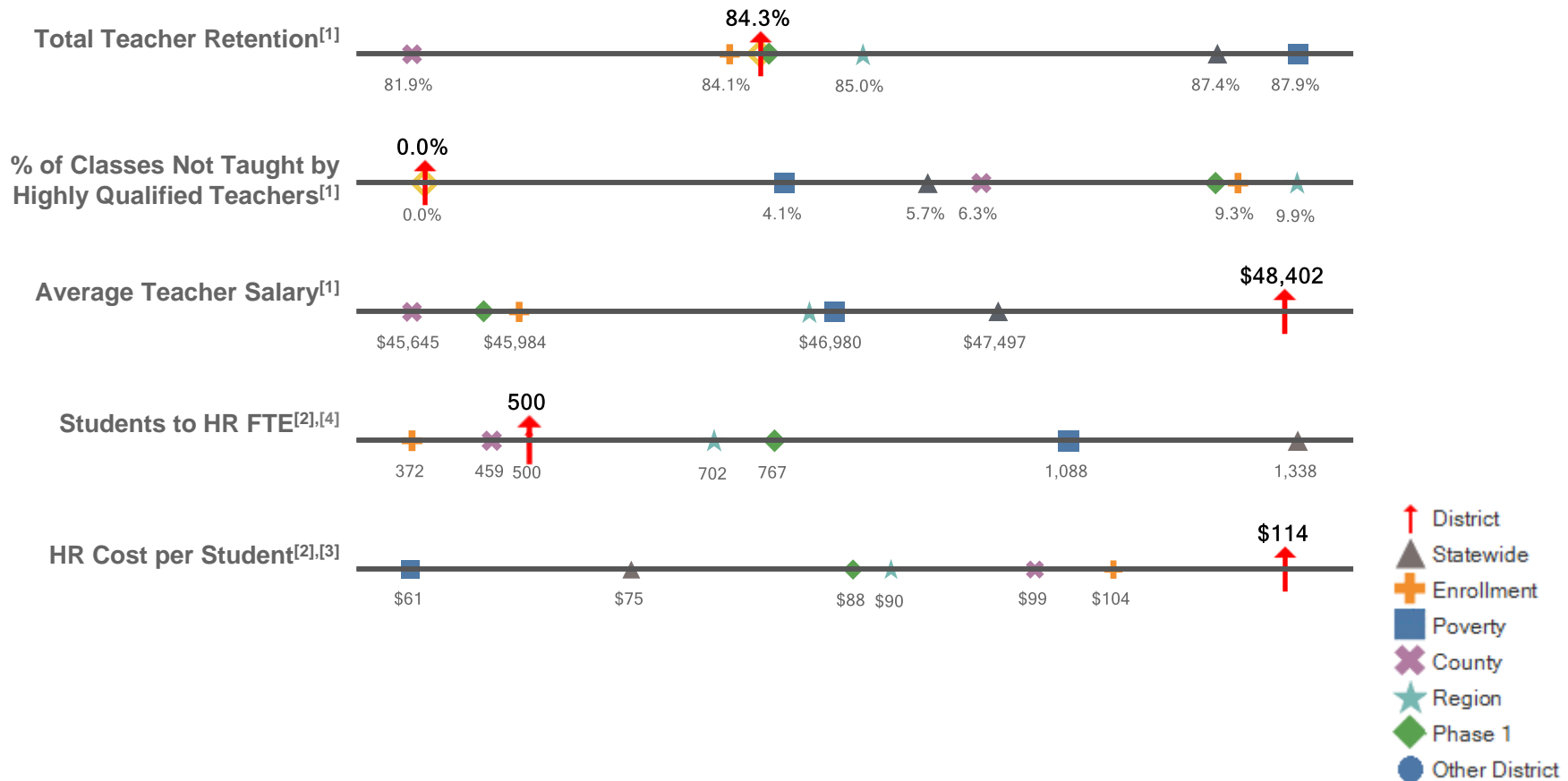
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

BARNWELL 45

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources function is appropriately staffed to support recruiting, retention, personnel relations, professional, benefits and professional development activities. The District recently promoted a former principal to the Director of Human Resources. The team also has a Benefits Coordinator as well as an Administrative Assistant. • Human Resources Cost Per Pupil: The District's HR Cost per Pupil is \$114, which is higher than districts of a similar size at \$104 and the statewide average of \$75. • Students Per Human Resources FTE: The District's Student to Human Resources FTE ratio is 500, which is higher than districts of a similar size of 372 and lower than the statewide average of 1,338. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
Recruiting and Retention	<ul style="list-style-type: none"> • Recruiting: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 4 international teachers and leverages Taylor and Associates for recruiting of international teachers. • Incentives: The District uses the State incentive programs to try and attract and retain teachers. The District attends state recruiting fairs and noted that Teach for America has shown sporadic responsiveness. • Average Salary: The District is unable to match the higher pay at some of the neighboring districts; however, the District appears to offer the highest teacher pay in Barnwell county and pays an 8% supplement. 	<ul style="list-style-type: none"> • Evaluate opportunities to reduce reliance on international agencies and related administrative fees, either via direct sponsorship, cross-district shared resources or alternative recruitment strategies. • Consider 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. • 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

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> The District does not leverage software systems for recruiting, application screening, processing and onboarding to supplement the state recruiting database. 	<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.
Collaboration	<ul style="list-style-type: none"> The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include: <ul style="list-style-type: none"> - Benefits coordination - Human resources system licenses - H1B process for international teachers



OUTLINE

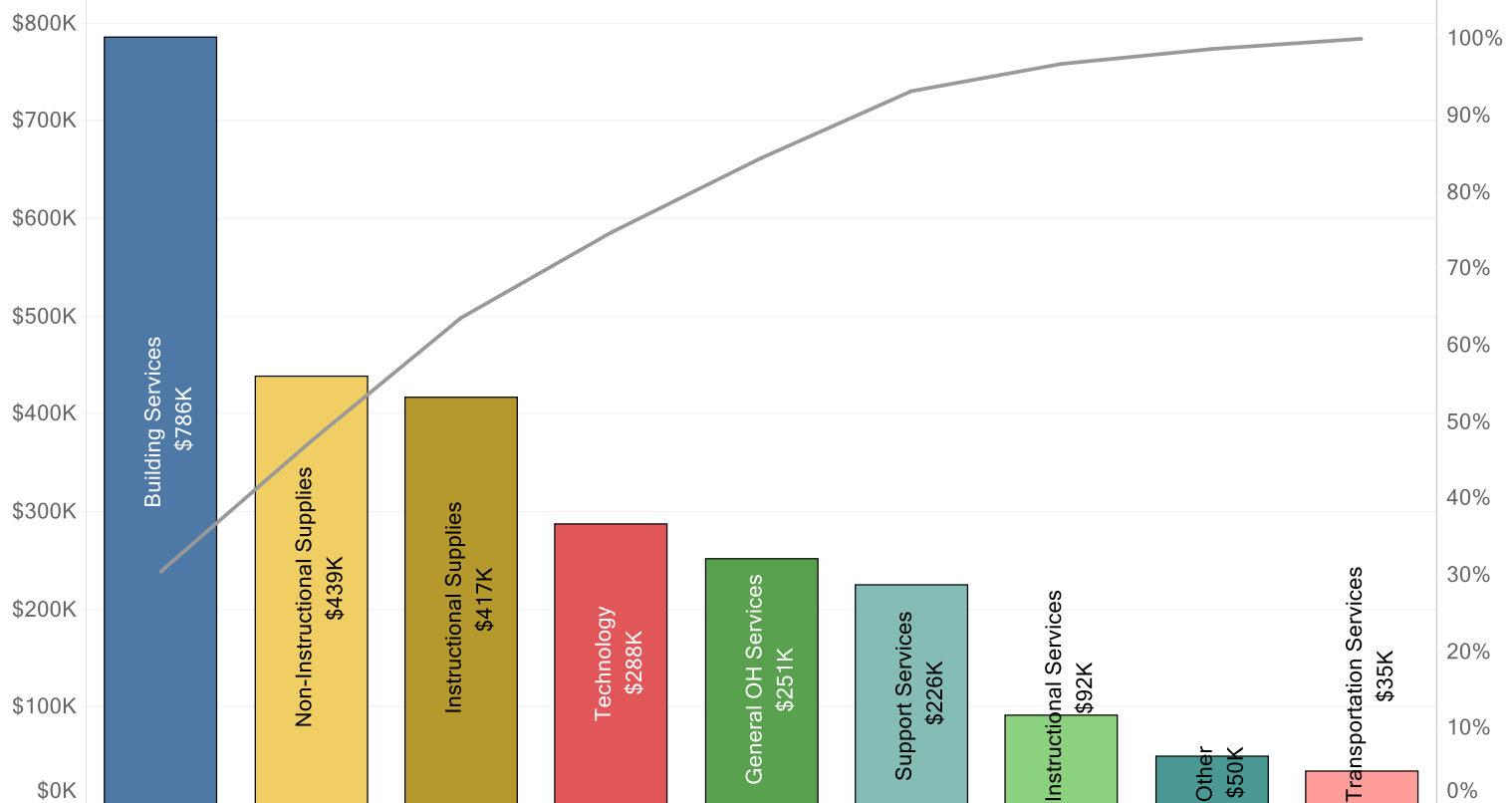
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PROCUREMENT BARNWELL 45

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.

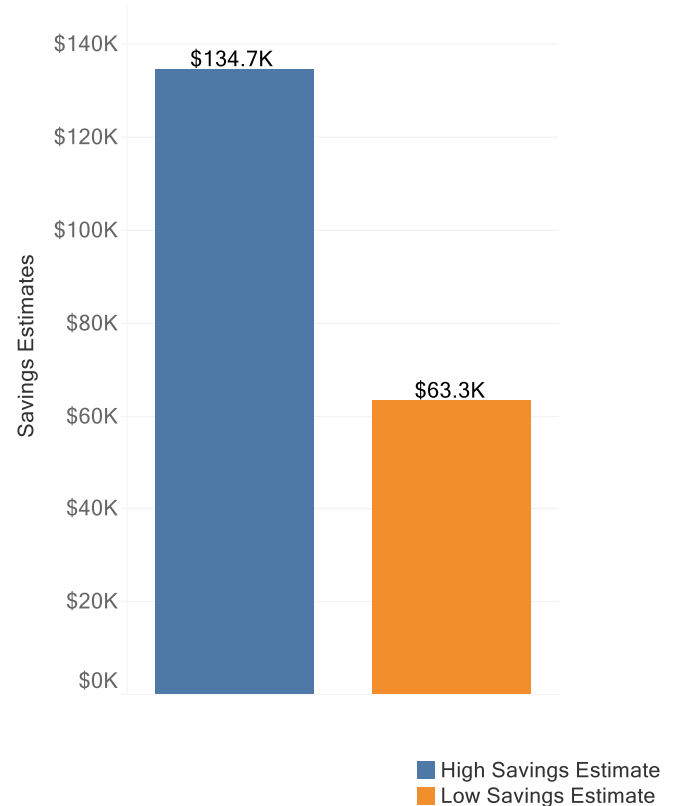
District In Scope Total Procurement Spend = \$2,582,922



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 BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District does not have any staff focused on purchasing and procurement. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See Regional Collaboration recommendations.
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across more than 847 vendors; however, the top 21 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"> Requirements: 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. Timing: Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. Minimum Commitments: 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. Group Purchasing: Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include supplies and technology.

PROCUREMENT BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Spending by Category	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District appears to use mostly local vendors who are more responsive to emergency repairs. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software to be placed out to bid under sole source agreements. • Instructional Staffing: The District currently relies on Taylor and Associates for international teacher staffing. • Technology: The District is expanding its 1:1 initiative and is leveraging a state contract with resellers, Netsource Educational Technologies and SHI. However, the District has also purchased technology from Apple and Dell directly. • The District does not coordinate technology purchases with other nearby districts. 	<ul style="list-style-type: none"> • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. Alternatively, consider hiring key trades positions of HVAC, plumbing and electrician in collaboration with a nearby district and sharing resources. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software and services with surrounding districts to maximize 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.

PROCUREMENT

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Non-instructional Supplies: The District purchases non-instructional supplies from multiple suppliers such as Quill, Staples, and Supplyworks. The District appears to actively price compare various supplies from time to time. 	<ul style="list-style-type: none"> • Consider a review of additional suppliers (for example, Amazon’s new K12 offering, US Communities, Office Depot). • Consider standardizing with one supplier to achieve additional volume discounts. • Analyze supply spend with neighboring districts and approach vendors with minimum volume commitments for additional discounts.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not partner with other districts to procure goods and services. 	<ul style="list-style-type: none"> • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, 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

BARNWELL 45

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

BARNWELL 45

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.

12 Years

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

\$358 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	24.6
Personnel Expense ^[3]	\$747,804
Non-Personnel Expense ^[3]	\$34,578
Total Transportation Expense ^[3]	\$782,382

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

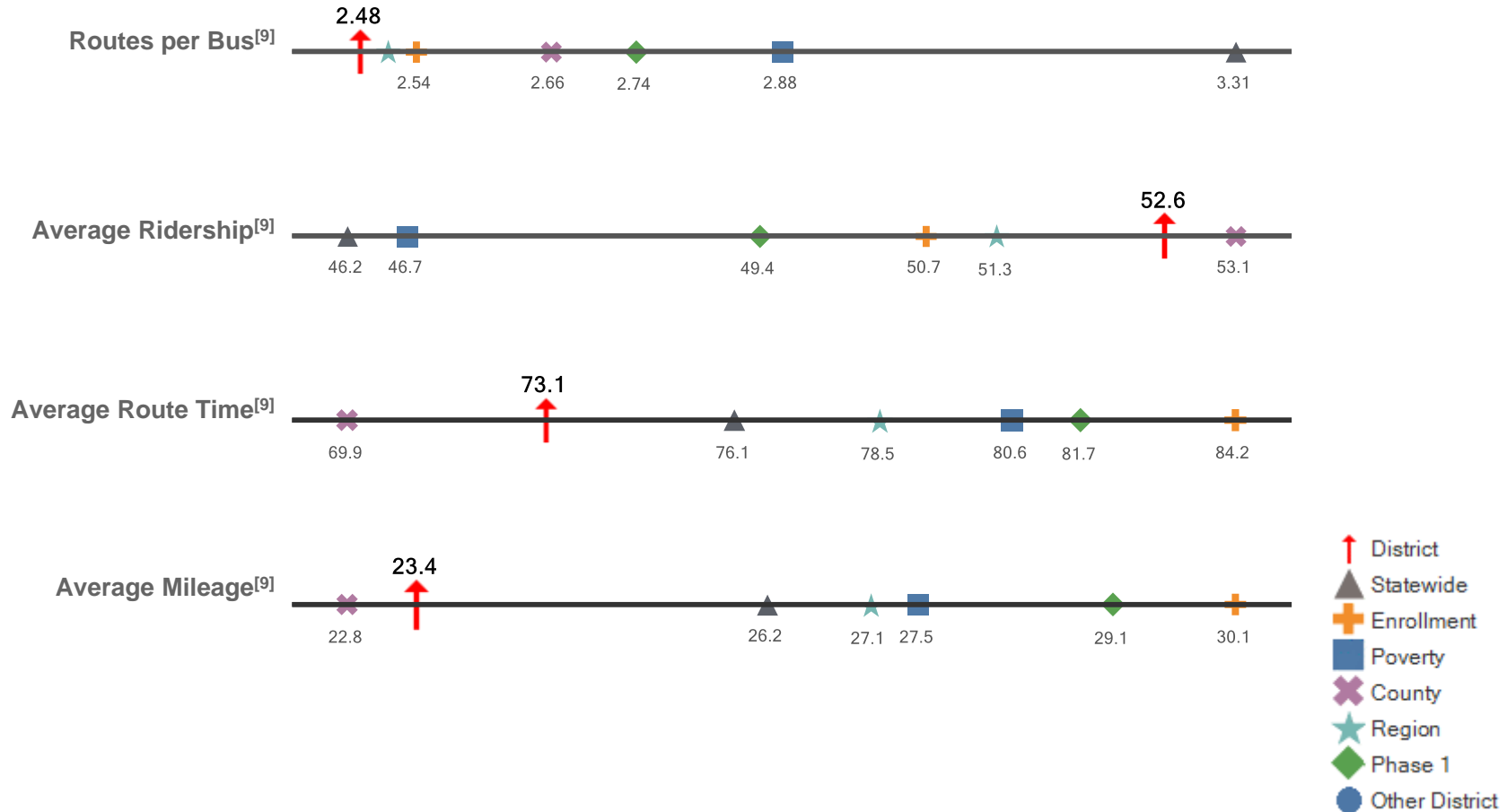
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	17.7	44	2.5	2,314	53	73	23
Special Needs	2.0	4	2.0	66	17	Not-Available	48
Other	3.3	17	5.2	424	25	Not-Available	18
Total	23.0	65	2.8	2,804	N/A	N/A	N/A

TRANSPORTATION

BARNWELL 45

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

BARNWELL 45

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • The District has a difficult time recruiting bus drivers. The District currently has 1 vacancy and is also in need of substitute bus drivers. • Bus drivers are frequently employed as aides, food workers or custodians to offer full employment opportunities at the District. • Bus drivers are currently paid a starting rate of 19% above the state pay scale in order to attract bus drivers. • Transportation is run by one administrator. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Consider posting for 40 hour / week positions that are officially a combination of bus driver and maintenance or bus driver and food worker to help address the driver shortage.
Routing and Bus Management	<ul style="list-style-type: none"> • The District does not utilize routing software. • The District does have active GPS on its buses, purchased through a third party software provider. • The District does have security cameras on most buses and is in the process of installing the rest of the cameras. • Activity Buses: The District does not use the state fuel for activity buses. 	<ul style="list-style-type: none"> • Implement routing software to ensure most efficient routes.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts on transportation activities. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and support bus driver sourcing.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

BARNWELL 45

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

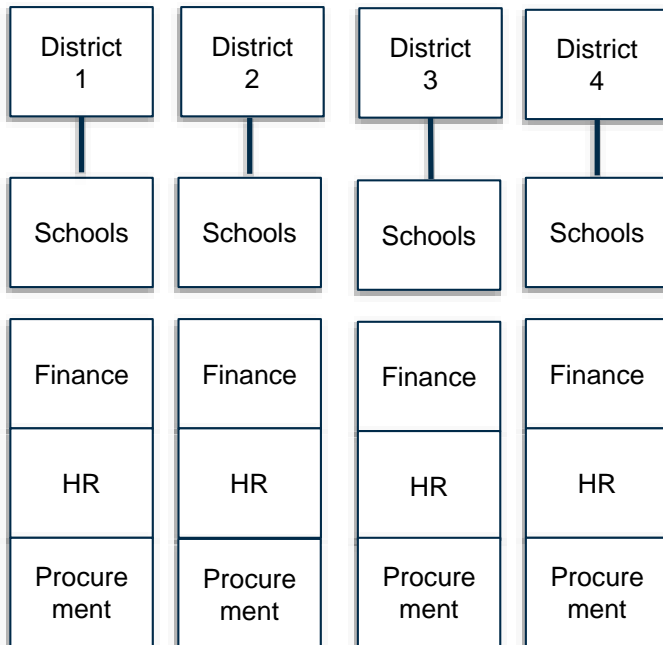
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COLLABORATION: SHARED SERVICE MODELS

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.

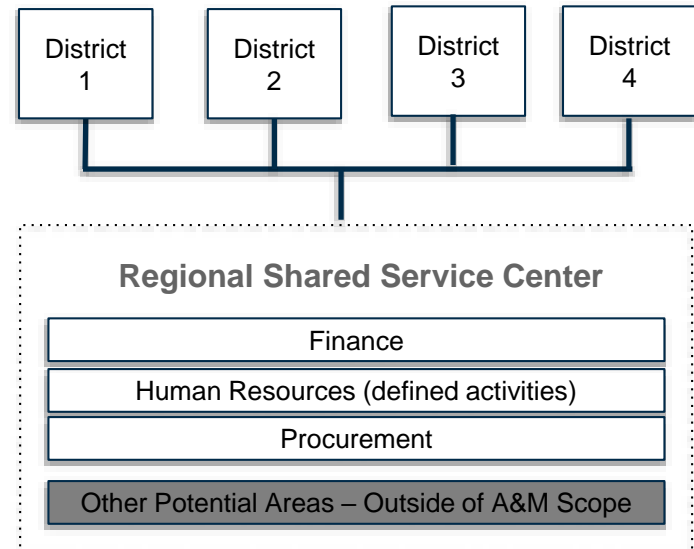
CURRENT STATE: STAND ALONE DISTRICT

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

BARNWELL 45

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.

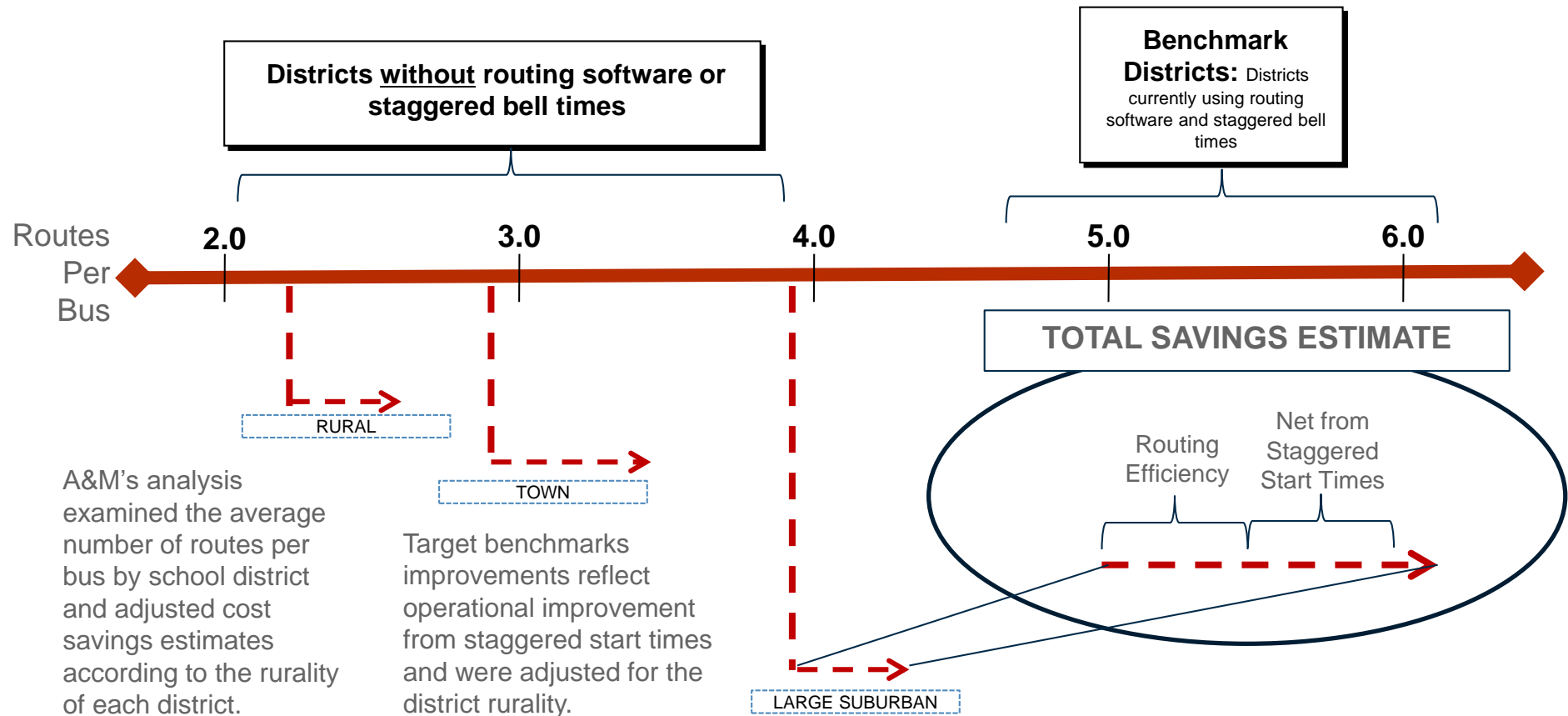
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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%.

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

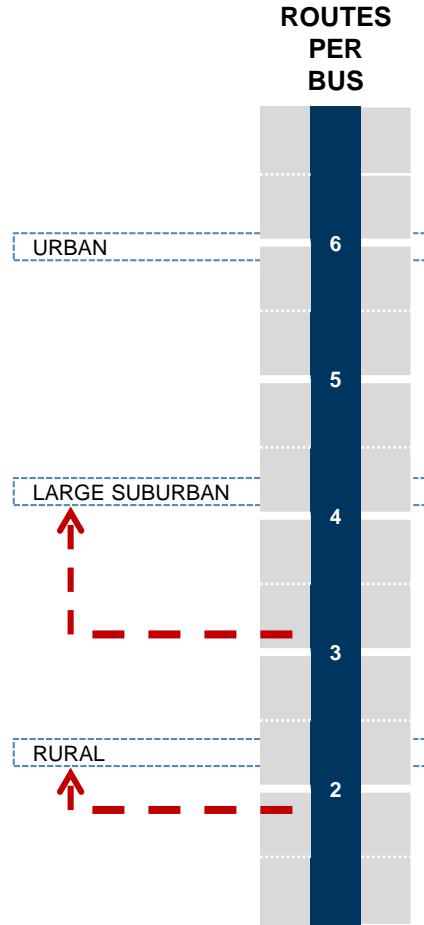
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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 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

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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

BARNWELL 45

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

BARNWELL 45

[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

BARNWELL 45

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

BARNWELL 45

Source [5]

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

Source [3],[7]

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

Source [5],[7]

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

Source [9]

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

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