



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Beaufort

District Report

6/16/2017





OUTLINE

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

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.
- 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 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.

PROJECT OVERVIEW (CONTINUED)

➤ 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

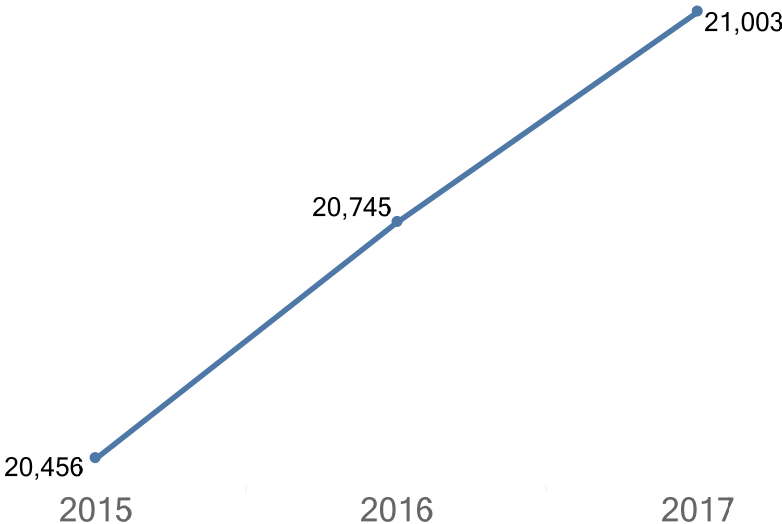
- Enhanced processes and structures that would enable the District to realize savings and/or avoid potential costs in the future, including consideration of potential investments required to mitigate ongoing cost exposure.

➤ **Sources of Data and Savings Estimates**

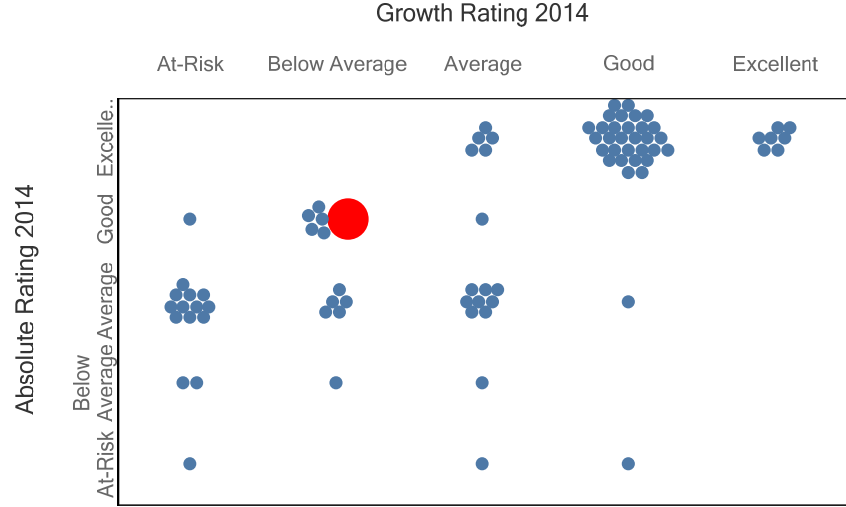
- A&M based the recommendations included in this report on data received from both the State and the District.
 - State provided data: FY16 revenue and expenditure data submitted by districts to the State, 3-year historical enrollment/average daily membership data, FY16 school transportation routes by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

Average Daily Membership^[2]



Student Achievement^[1]



General Info

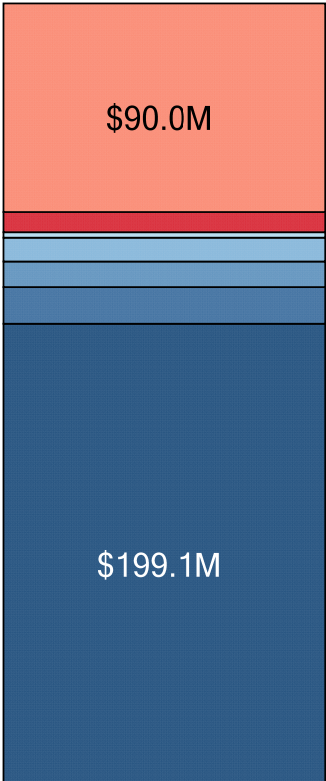
Number of Schools ^[2]	33
% Poverty ^[1]	56.1%
% Disability ^[1]	9.3%
\$ Per Student ^{[2],[3]}	\$18,848
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,693

Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.2
Students Per Overhead FTE ^{[2],[4]}	300.0
Students Per School Support FTE ^{[2],[4]}	171.2
Students to Total FTE ^{[2],[4]}	8.5

EXECUTIVE SUMMARY BEAUFORT

Sources of Funds^[5]
\$337.7M



2015-2016

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

Use of Funds - Type^[3]
\$391.0M



2015-2016

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

Use of Funds - Function^[3]
\$391.0M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY BEAUFORT

\$391.0M Total

\$43.5M In-Scope	\$347.5M Not In-Scope
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11.3% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$1,621,933	\$143,751
Human Resources	\$2,606,681	\$605,339
Overhead	\$1,094,054	\$436,211
Transportation	\$204,999	\$16,537
Procurement (Community Services, Instruction, Support Services)	\$37,990,559	\$37,990,559
TOTAL	\$43,518,226	\$39,192,397

* totals may not tie due to rounding

EXECUTIVE SUMMARY

BEAUFORT

GOALS, CHALLENGES & ACHIEVEMENTS

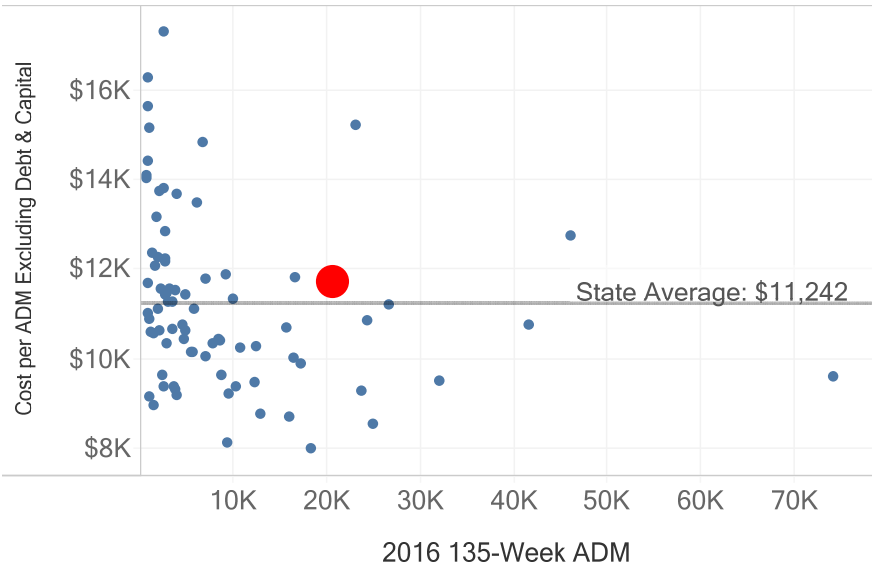
District Goals	
<p>Mission: The Beaufort County School District, through a personalized learning approach, will prepare graduates who compete and succeed in an ever-changing global society and career marketplace.</p> <ol style="list-style-type: none"> 1. Early Grade: Students will be performing on grade level in all subjects by third grade. 2. Choice: Expand choice opportunities for parents in each attendance area. 3. Intervention: Evaluate alternative programs and modify them, if necessary, to provide effective interventions for our at-risk population. 4. Staffing: Provide quality teachers and administrators in every classroom and building. 5. Technology: Increase technology opportunities for student learning. 	
Achievements	Challenges
<ul style="list-style-type: none"> • Academics: The District is showing improving academic metrics as marked by its 83% on-time graduation rate in 2016, the best performance ever, and up 13 percentage points in the past five years; SAT scores are up 61 points over the past 5 years with gains of African American seniors outpacing those of white students; six schools received AdvancEd STEM certification. • Personalized Learning Initiative: The District implemented its Connect2Learn 1:1 technology initiative that provides mobile technology devices to students across all grades. • Teacher Recruitment and Retention: The District implemented a \$1,000 locality supplement in FY16 as an incentive to offset the high cost of living in the county with plans to increase this supplement by \$1,000 each year for five years until the starting teacher salary reaches \$40,000. • School Choice: The District has “schools of choice” in all buildings meaning parents can apply to send their children to any academic program at any school in the District, regardless of where they live. 	<ul style="list-style-type: none"> • Teacher recruitment: Similar to other districts in the state, the District is facing challenges attracting and retaining teachers in high needs areas. In addition, the District has more than 200 teachers (approx. 12% of the total) that are eligible for retirement. • Enrollment Growth: The District has experienced significant growth in enrollment over the past 3 years (approx. 3%) and expects continued growth to continue in the future in line with overall population increases in the county. In addition, the District has seen growth in the ELL population (85% increase over the past ten years) and expects to see continued growth. • Facilities: The District must continue to invest in capital improvement for existing facilities and stay ahead of enrollment growth by investing in new facilities in areas of anticipated growth. • Funding: The District receives approximately 63% of its operating budget from Beaufort County, which is the highest percentage of local contribution in the state. This makes it challenging for the District to support incremental growth through increases to local funding streams.

EXECUTIVE SUMMARY

BEAUFORT

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:
The larger size of the District enables increased efficiencies and effectiveness for the organization as the fixed cost structure of the District is spread across a large number of students.

Resource Utilization:
In general, the District utilizes its resources in a way that allows for increased efficiencies and effectiveness. Transactional processes are generally centralized creating efficiencies. Resources are able to specialize in functional areas improving the effectiveness of the function.

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.

EXECUTIVE SUMMARY

BEAUFORT

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Organization: The Finance organization is adequately staffed to support its scope of roles and responsibilities that includes, accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. Finance operates at staffing ratios that are more efficient than similar sized districts and the state average. • Processes / Technology: The District leverages automated workflows on purchase orders, journal entries and budget transfers and is in the process of implementing enhanced accounts payable functionality; however, it currently has manual processes for timekeeping.
Human Resources	<ul style="list-style-type: none"> • Recruiting and Retention: The District has robust processes and leverages technology for recruiting and professional development. However, similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 25 international teachers and has more than 200 teachers at or near retirement eligibility. • Teacher Salaries: The District is implementing a 5 year plan to increase teacher salaries via supplemental pay, with a goal of raising starting salaries to \$40,000 by 2020.
Transportation	<ul style="list-style-type: none"> • FY17 Transition: Prior to FY17, the District outsourced its transportation function to a third party (Durham). The District opted to end its contract at the end of FY16 and moved transportation back in-house in an effort to be more efficient. As part of this effort, the District leased 45 new buses and hired bus drivers for the start of the FY17 school year. • Hiring: Like others in the state, the District has a difficult time recruiting bus drivers. The District currently has 18 vacancies.
Procurement	<ul style="list-style-type: none"> • Staffing: The District has 3 procurement FTEs that are part of the Finance function that help support approximately 25 RFPs per year. In addition, the District has implemented processes and policies related to Pcard usage that enable it to maximize annual rebates by requiring certain centralized vendors to accept payment via Pcard. • Contracting Vehicles: The District leverages state contracts for technology. In addition, similar to the rest of the state, the District's Procurement Code exempts instructional services and supplies from having to be placed out to bid.
Overhead	<ul style="list-style-type: none"> • Staffing: The Superintendent has 7 direct administrative reports that include the Chief Instructional Services Officer, Chief Administrative and Human Resources Officer, Chief Auxiliary Services Officer, Chief Finance and Operations Officer, Director of Communications, Chief Legal Officer and an Executive Assistant. • Outsourced Services: The District utilizes third parties to provide food and facilities services, with oversight and management of these arrangements provided at the District office.

EXECUTIVE SUMMARY BEAUFORT

EFFICIENCY RECOMMENDATIONS

District investment in people, process and technology will help improve the effectiveness of the district’s overall processes and operations.

EFFICIENCY RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Implement automated and integrated timekeeping functionality and complete implementation of automated accounts payable processes.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls</p> <p>Staffing/Organization: Continue to train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams and enable finance support to better scale with growth of the District.</p>	<p>System Enhancements: Implement new technologies to automate timekeeping and explore opportunities to leverage the employee self service portal for employee notifications.</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>Collaborate on market intelligence, pricing opportunities, RFP management, contract management, contract negotiations (e.g. discounts / rebates for tiered levels of spending and minimum buying commitments).</p> <p>Continue to monitor contract compliance and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>Process Improvements: Evaluate opportunities to reduce the number of stops per route and work with local constituents to implement changes.</p> <p>Evaluate opportunities to reduce the District’s hazard fee reimbursement.</p> <p>Staffing / Organization: Create dual employment opportunities to help address bus driver vacancies.</p>

EXECUTIVE SUMMARY BEAUFORT

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. Actual savings may vary based on implementation decisions.

FINANCE AND HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<ul style="list-style-type: none"> • A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within the District. • A&M estimated potential savings that could be realized after implementation of recommended process, policy and technology changes based upon past experience implementing similar initiatives, comparison of staffing and spend against peer benchmarks and discussion with the District. A&M also estimated investments required to achieve savings based upon prior experience. • In addition, while A&M evaluated potential synergies from a regional shared services model for transactional activities, after considering the District’s size, current staffing levels and uniqueness of processes, policies and technology, A&M is not recommending implementation of this approach at this time. 	<ul style="list-style-type: none"> • A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the Districts 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. 	<ul style="list-style-type: none"> • A&M used data provided by the state to analyze the district route mileage, frequency, timing, and volume to compare with benchmarks across the state. • A&M evaluated opportunities for savings based upon comparison of benchmarks across the state that took into consideration the location, population and geographic profile of the each district. • Savings estimates were not provided in instances where the District was in line with benchmark targets and was using both routing software and leveraging staggered bell times.

EXECUTIVE SUMMARY

BEAUFORT

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

Investment and savings ranges shown below reflect estimates of the impacts of A&M recommendations for process, technology and policy changes.

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.

	Est. One-Time Investment		Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$96,500	\$241,300	\$50,000	\$60,000
Human Resources	0	0	0	0
Procurement	0	0	381,900	1,403,200
Transportation – District	N/A	N/A	0	0
District Total	96,500	241,300	431,900	1,463,200
Transportation – State	0	0	0	0
Total	\$96,500	\$241,300	\$431,900	\$1,463,200

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

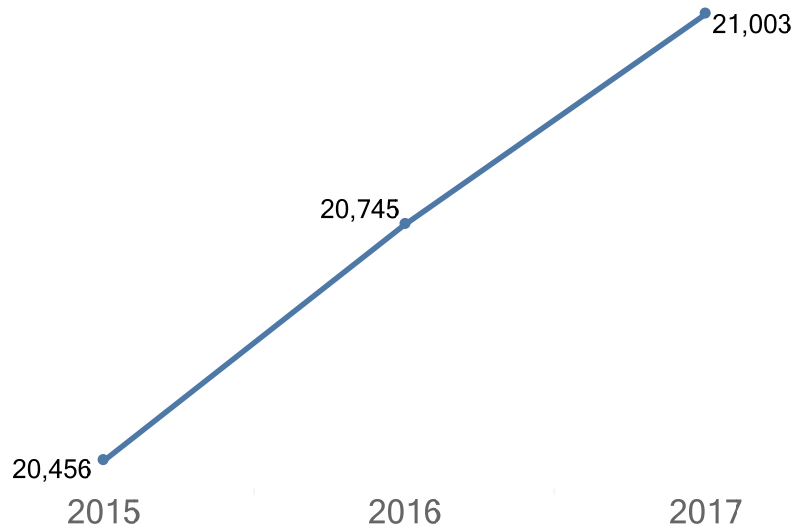


OUTLINE

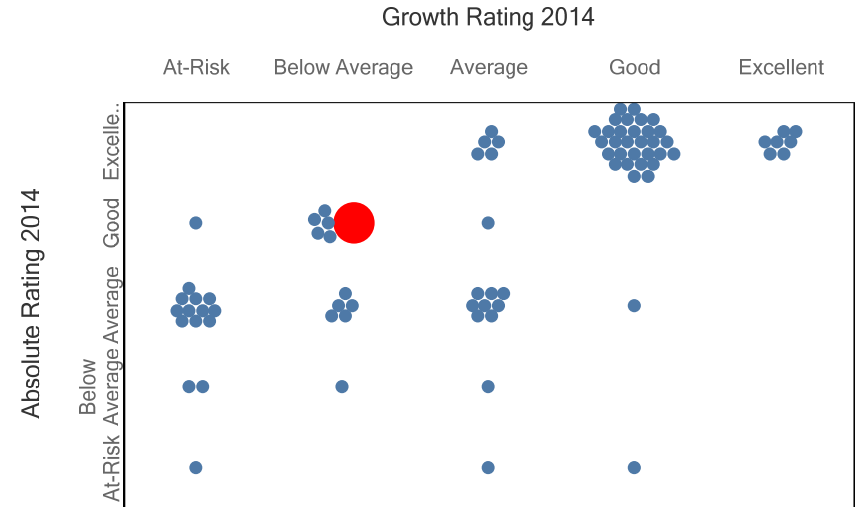
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DISTRICT ADMINISTRATION AND PERFORMANCE BEAUFORT

Average Daily Membership^[2]



Student Achievement^[1]



General Info

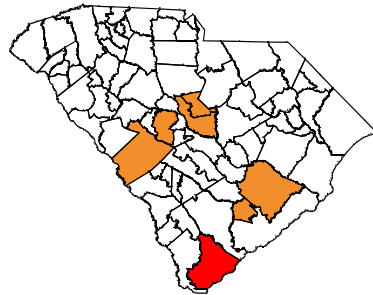
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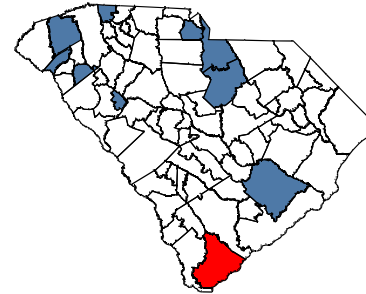
DISTRICT BENCHMARKING BEAUFORT

Enrollment (20,000 - 40,000)



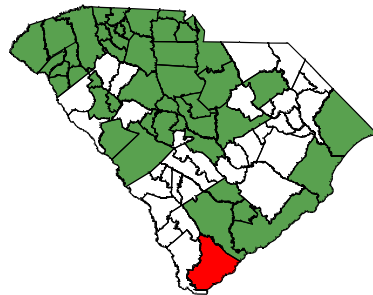
- Aiken
- Beaufort
- Berkeley
- Dorchester 02
- Lexington 01
- Richland 01
- Richland 02

Poverty (55% - 60%)



- Anderson 02
- Anderson 04
- Beaufort
- Berkeley
- Greenwood 52
- Kershaw
- Lancaster
- Pickens
- Spartanburg 01
- York 03

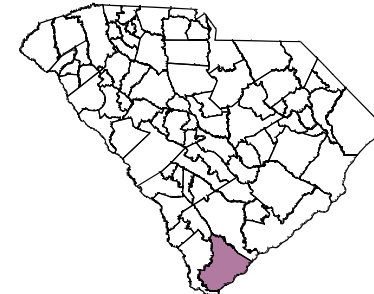
Phase 1 (No)



- 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

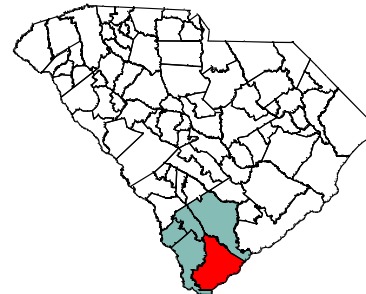
- Sumter
- Union
- York 01
- York 02
- York 03
- York 04

County (Beaufort)



- Beaufort

Region (Lowcountry)



- Beaufort
- Colleton
- Hampton 01
- Hampton 02
- Jasper

DISTRICT OVERVIEW BEAUFORT

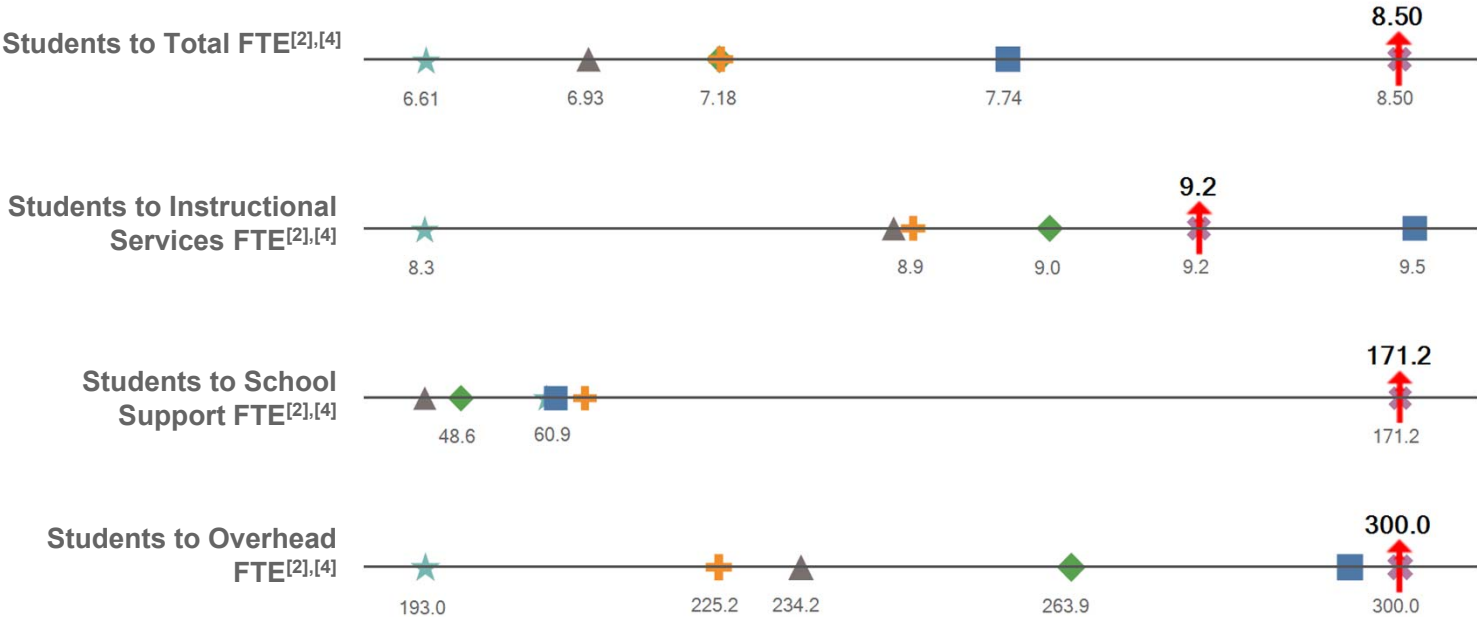
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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 BEAUFORT

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Enrollment Trends	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has increased by more than 500 students or 2.7% over the past three years. This continues a long-term trend of increasing enrollment that the District projects will continue. • Student Demographics: 56% of the District's students live in poverty and 9% are special needs, which is below the statewide averages of 68% and 12%, respectively. • Long-term Planning: The District prepares long-term enrollment projections as part of its strategic planning process that consider overall trajectory of the county and economic environment. The District uses this planning process to develop and adjust resource allocation plans, including facilities and construction needs. 	<ul style="list-style-type: none"> • Based on expected trends in overall census growth and demographic changes in the country, the District should continue to revise long-term planning projections on an annual basis to ensure financial stability in the future. 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: The District's Per Pupil Expense is \$11,693 when excluding debt and capital. This is higher than districts of similar size of \$10,889 and the state average of \$11,242. • Unrestricted Fund Balance: Board policy requires the District to maintain a fund balance that stays within 13%-15% of the next year's expenditures. The District's Unrestricted Fund Balance is approximately 14% of general fund revenues, below the statewide average of 19%. 	

DISTRICT OVERVIEW AND OVERHEAD BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

District Funding and Resource Allocation (cont'd)	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Students to Total FTEs: The District's Student to Total FTEs is 8.5, which is higher than districts of a similar size of 7.2 and statewide average of 6.9. • Students to Instructional Services FTEs: The District's Student to Instructional Service is 9.2, which is higher than districts of similar size and the state average of 8.9. • Students to School Support Services FTEs: The District's Student to Support Services FTE is 171.2, which is higher than districts of similar size at 64.7 and the state average of 43.8. • Students to Overhead FTEs: The District's Student to Overhead ratio is 300, which is higher than districts of a similar size at 225 and the state average of 234. 	<ul style="list-style-type: none"> • Expand on the existing resource allocation practices and leverage key operating metrics to help anticipate needs and manage growth requests in District Office staff and spending.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: In addition to school principals, the Superintendent has 7 direct administrative reports that include the Chief Instructional Services Officer, Chief Administrative and Human Resources Officer, Chief Auxiliary Services Officer, Chief Finance and Operations Officer, Director of Communications, Chief Legal Officer and Executive Assistant. • Operations: The District utilizes outsourced providers for food and facilities maintenance. Prior to FY17, the District also used a third-party transportation provider but decided to bring transportation operations in-house in FY17. 	<ul style="list-style-type: none"> • Continue to evaluate outsourcing arrangements on an annual basis to assess efficiency and effectiveness.

DISTRICT OVERVIEW AND OVERHEAD BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy	<ul style="list-style-type: none"> • Foundation: The District has the support of The Beaufort County School District Foundation for Educational Excellence: a fund under the umbrella of the Community Foundation of the Lowcountry. It was established in 2007 to support student enrichment activities and projects that are beyond regular school budgets through Innovative Teacher Grants. • Community Relations: The District makes concerted efforts to support community engagement. In addition to using parent communication tools, the Superintendent conducts approximately 12 town halls each year and has a large ecumenical partner advisory group that includes 80 faith-based organizations and student advisories. 	<ul style="list-style-type: none"> • Given the profile of the District, with urban and rural elements, the long-term strategic priorities and the overall size of the District, leadership should develop a plan to pursue philanthropic grants from large foundations focused on funding innovation in K-12 education.
Collaboration	<ul style="list-style-type: none"> • Career Center: The District currently collaborates with Jasper on a shared Career and Technical Education program. • Informal Networks: The Superintendent currently participates in an informal network of local superintendents. 	



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FINANCIAL MANAGEMENT BEAUFORT

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.

1,500 : 1
 District Students (ADM)^[2] Financial FTE^[4]

\$78 per Student

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

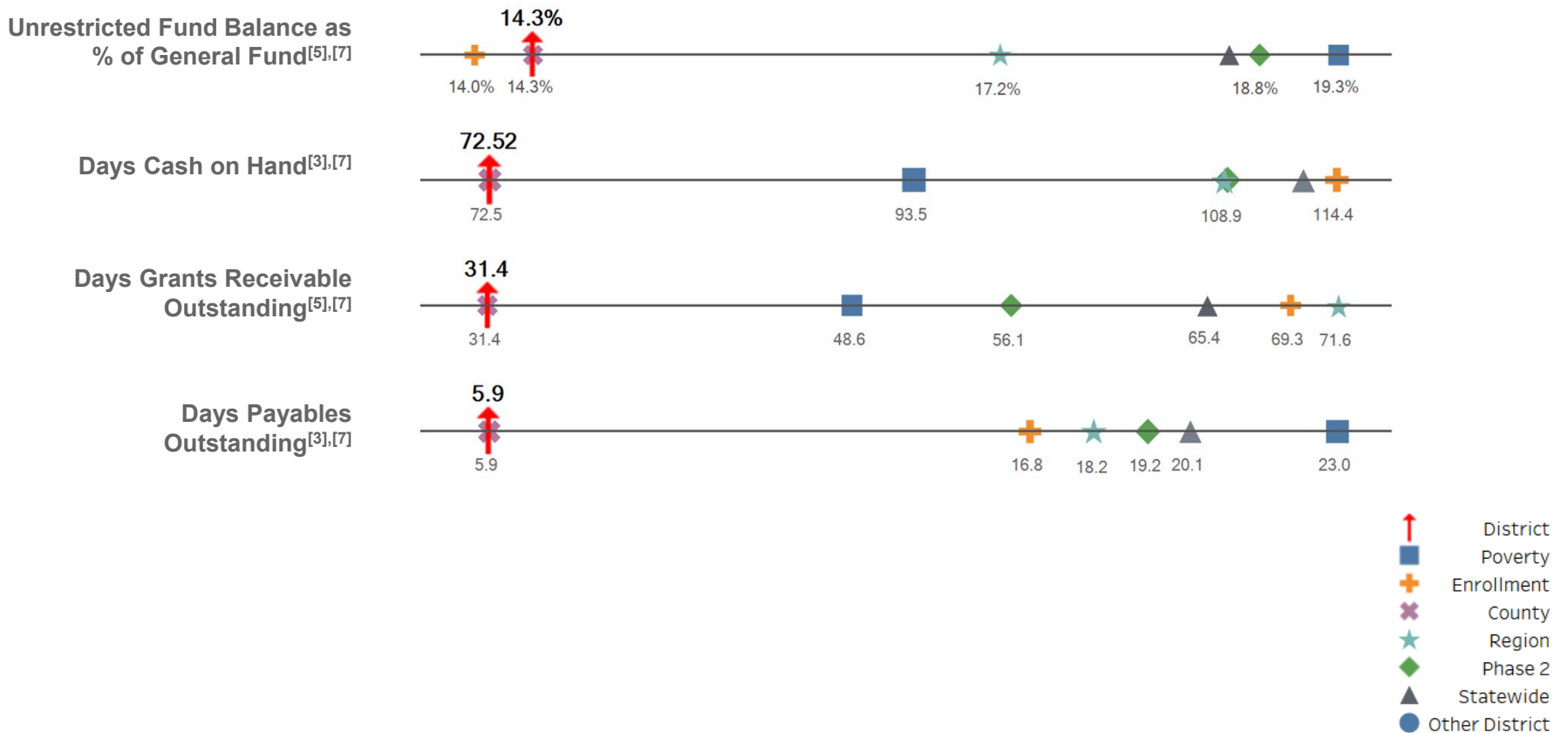
Key statistics for metrics	
Financial FTEs ^[4]	14.0
Personnel Expense ^[3]	\$1,469,186
Non-Personnel Expense ^[3]	\$152,747
Total Financial Expense ^[3]	\$1,621,933

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 BEAUFORT

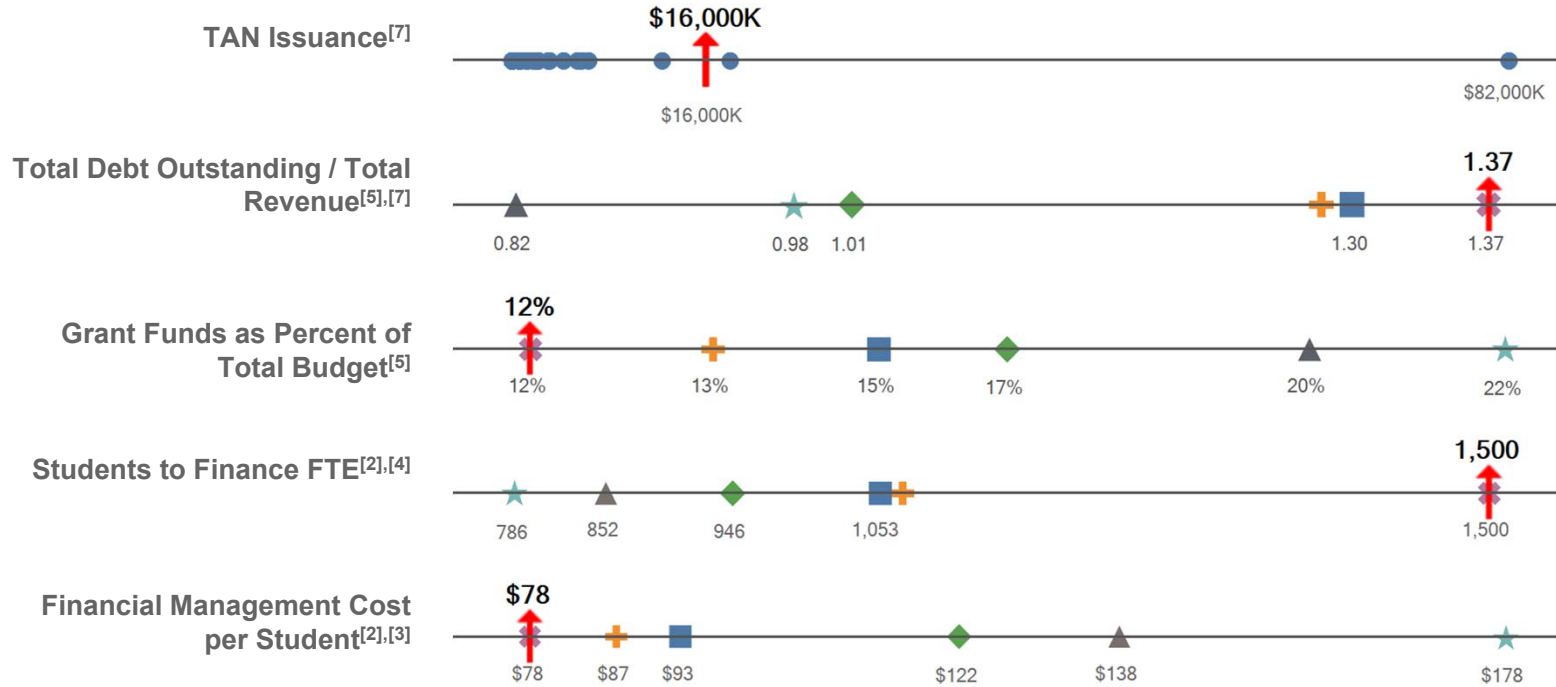
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT BEAUFORT

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



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

FINANCIAL MANAGEMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization is adequately staffed to support its scope of roles and responsibilities that includes: accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting; however, there are currently 4 vacant positions that need to be filled. The Chief Financial Officer also oversees operational areas that include: Facilities and Planning, Technology Services, Maintenance and Food Services, Federal Programs, E-rate, and Disciplinary Hearings. • Turnover: The Chief Financial Officer was appointed to the role earlier this year but has more than 16 years experience with the District. • Finance Cost Per Pupil: The District's Finance Cost Per Pupil is \$78, which lower than districts of a similar size at \$87, and lower than the state average of \$138. • Students Per Finance FTE: The District's Student per Finance FTE is 1,500, which is higher and more efficient than districts of a similar size at 1,070 and state 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. Cross-train individuals to be able to do multiple functions. • Continue to evaluate staff responsibilities in conjunction with implementation of potential process and technology initiatives.

FINANCIAL MANAGEMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Overall Processes: The District uses the Tyler Munis accounting system and has implemented automated workflows and approvals in order to streamline processes around purchase orders, journal entries and budget transfers. The District is in the process of automating accounts payable workflows and timekeeping processes that are still manual. • Payroll: The District pays employees on a bi-weekly basis, with 99% receiving payment via direct deposit. Employees have access to a self-service portal to see payroll activity (i.e., check stubs and earnings information). • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. The District uses paper timesheets for hourly employees. The District is able to track absences electronically with direct integration into the financial system. Absences are tracked manually for transportation personnel. • Purchasing: The District leverages automated requisition and purchase order processes that include electronic workflow approvals. The District is in the process of implementing an integrated content management module that will allow for automated accounts payable workflows and electronic storage of purchasing-related documentation. 	<ul style="list-style-type: none"> • Implement an automated time-tracking functionality that integrates with the payroll system in order to eliminate the need for manual time sheets. • Concurrently with rollout of a new timekeeping system, standardize payroll to a semi-monthly process which would reduce annual payroll runs by 2 per year and enable the finance function to streamline processes. • Complete implementation of Tyler Content Management System in order to automate accounts payable workflows and eliminate the need for hard copy storage of purchasing related documentation.

FINANCIAL MANAGEMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> Pcards: The District provides Pcards to all schools and department heads. School-level purchases using Pcards are limited to \$2,500 per purchase. In addition, the District has encouraged vendors to accept payment via Pcard in order to capitalize on processing efficiencies (100% paperless) and to maximize the rebates received from the program. The District estimates that more than \$24 million was spent via the Pcard program in FY16 and, as a result, it received a rebate of \$317,000. <p>The Finance department reviews all Pcard purchases on a monthly basis.</p> <p>When a school or department uses a Pcard for a purchase, the encumbrance is not immediately made in the financial system. The actual charge is reflected in the financial system only upon payment of the monthly billing statement from Bank of America (Pcard issuer). This could result in up to a one month lag between encumbering funds in the financial system and posting.</p> <p>The District has provided training to school bookkeepers on processes for incorporating Pcard data in monthly budget reports.</p> <ul style="list-style-type: none"> 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"> The District should consider (a) implementing weekly or bi-weekly postings of Pcard transactions and / or (b) imposing a cut-off on use of Pcards in April or May of each school year in order to prevent inadvertent over-spending of budget limitations. Implement standard policies and procedures around managing physical inventory and ensure that the District finance organization is part of the overall process.

FINANCIAL MANAGEMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none">• Grant Revenue %: Grant revenues provide 12% of total revenue for the District, making this district less reliant on grant funds than the state average of 20%.• Grants Monitoring: 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. However, Finance does a secondary review and also collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow.• Grant Claims Processing: The finance department submits claims for reimbursement on a quarterly basis.	<ul style="list-style-type: none">• 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 BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was not found to have material weaknesses in its latest audited financial statements. • Internal Controls: The District has a Director of Internal Controls who is responsible for ensuring that internal controls are in place and maintained. • Position Control: The District has position control in place that prevents hiring of personnel without approval by the finance department in order to confirm budget availability. 	<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 72.5 days after factoring in the receivable from the County, which is lower than the state average of 112.8. • Cash Forecasting: The District prepares a weekly cash flow forecast for the full year and reviews forecasts on a quarterly basis for revision. • Grants Receivable Outstanding: The District's Days Grants Receivable Outstanding is 31.4 (before consideration of claims that may have been received by the County). This amount is lower than the average of the similar sized districts of 69.3 and the state average of 65.4. • Days Payable Outstanding: The District's Days Payables Outstanding of 5.9 is lower than the state average of 20.1. • TAN: The District issues a Tax Anticipation Note ("TAN") through SCAGO every year in order to provide liquidity during the time period prior to receipt of the local tax revenue. The District issued a \$16 million TAN in FY16. 	<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.

FINANCIAL MANAGEMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Debt: The District's total debt outstanding as a percentage of total revenue is 137% which is higher than the state-wide average of 82% and the average for similar sized districts of 128%. 	
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process for schools is based upon a combination of multi-year enrollment projections managed by the District and bottoms-up projections by grade for each individual school. The enrollment projections are then applied to the District's position-based funding formula for each individual school in order to calculate the number of positions that will need to be funded. Schools are then staffed accordingly. <p>Individual schools also receive an allocation of funding for supplies that they can use during the course of the school year. Principals are able to track their spending on supplies against the budget through access to the Munis system.</p> <p>Schools do not get budget allocations for other dollars that are paid for directly by central administration (e.g., Substitute Teachers, Energy, etc.). The Federal Programs and Special Education departments support allocation of funding for these resources.</p> <ul style="list-style-type: none"> • Fiscal Monitoring: The District produces budget to actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses. 	<ul style="list-style-type: none"> • The District should evaluate opportunities to better align budget accountability with spending authority by directly allocating substitute management allocations to school budgets. This should provide better cost management and drive more efficient and effective use of resources. <p>This process would entail: (a) developing guidelines for use of substitute management services; (b) calculating total projected spending requirements; (c) allocating budget to schools for substitute management; and (d) allowing schools to participate in the financial benefits of savings on substitute management services by allowing use of excess funds on alternative spending needs.</p>

FINANCIAL MANAGEMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> ERP: The District currently uses the Tyler Munis accounting system and has implemented automated workflows and approvals in order to streamline processes around purchase orders and accounts payable. However, timekeeping processes are still manual. In addition, the District is in the process of implementing the Tyler Content Management System module that allows for electronic storage and filing of accounts payable-related documentation. 	<ul style="list-style-type: none"> Select and implement an automated timekeeping system that integrates directly into payroll and the accounting system. Complete implementation of Tyler Content Management System in order to eliminate the need for hard copy storage of accounts payable-related documentation.
Regional Collaboration	<ul style="list-style-type: none"> The District manages the financial reporting for ACE Career Center that is shared with Jasper County. As part of this collaboration, the District's finance department oversees budgeting, accounting, payroll, and accounts payable for the Career Center. 	



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HUMAN RESOURCES BEAUFORT

HUMAN RESOURCES OVERVIEW

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

1,616 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$126 per Student

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

Key statistics for metrics

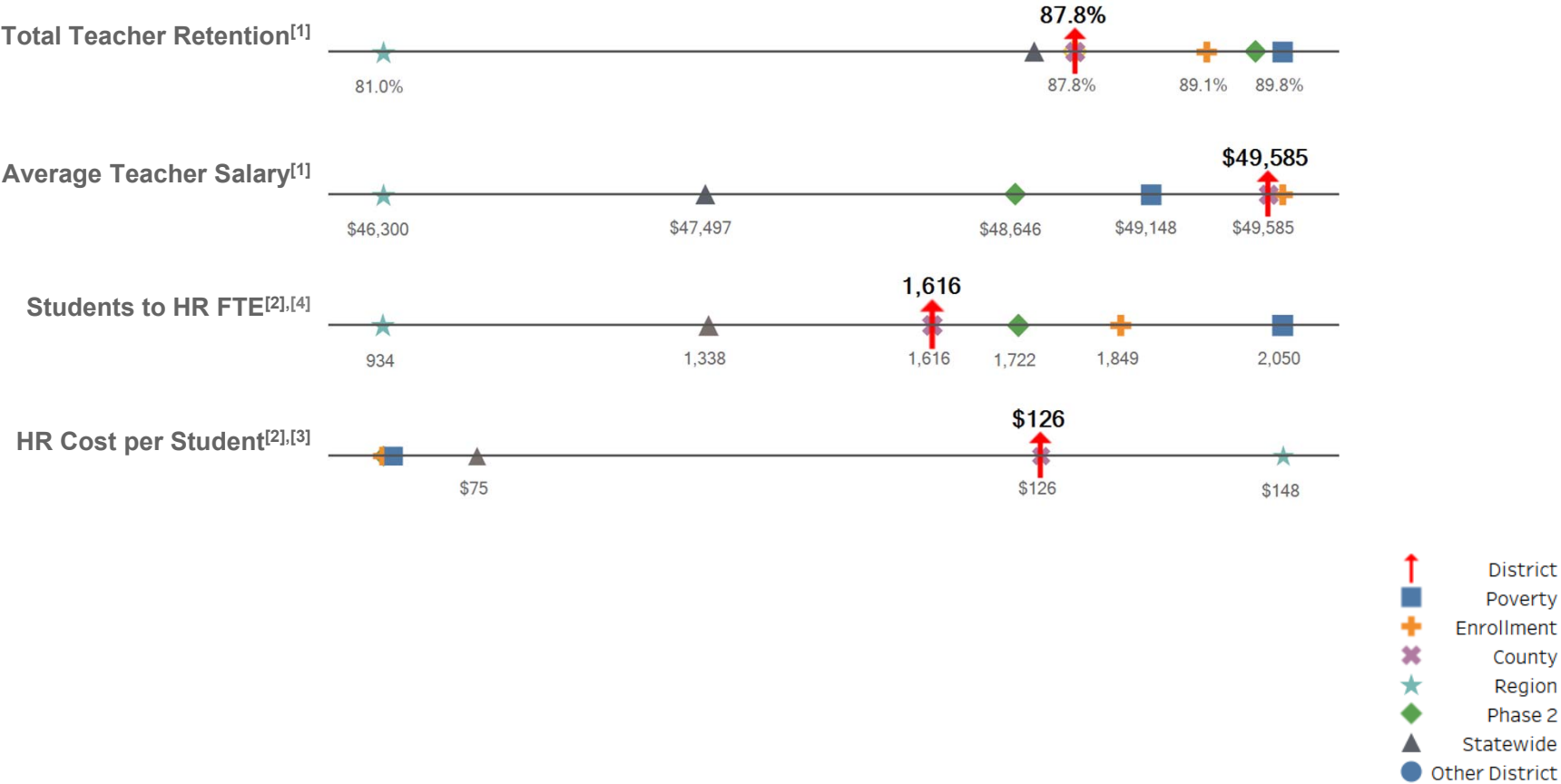
Human Resources FTEs ^[4]	13.0
Personnel Expense ^[3]	\$2,001,342
Non-Personnel Expense ^[3]	\$605,339
Total Human Resources Expense ^[3]	\$2,606,681

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 BEAUFORT

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 BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources Department has 13 FTEs directly involved with its core functions of overseeing recruiting, retention, personnel relations, professional, benefits and professional development activities. In addition, the Chief Administrative and Human Resources Officer oversees Teacher Mentor programs (3 FTEs) and Risk Management (1 FTE). • Human Resources Cost Per Pupil: The HR Cost Per Pupil of \$126 for the District is higher than the statewide average of \$75 and higher than the average for districts with similar enrollment levels of \$66. • Students per HR FTE: The Student per HR FTE ratio of 1,616 is high relative to the state average of 1,338 but below the average of districts with similar enrollment levels of 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"> • Recruiting: The District makes expansive efforts to hire teachers from 5 regions across the country plus online colleges and universities. The District hired more than 300 teachers in FY16. However, similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs approx. 25 international teachers and leverages multiple agencies to fill these positions. In addition, the District leverages third party staffing support to fill hard to staff services (Physical Therapy, Occupational Therapy, etc.). • Workforce Planning: The District currently has more than 200 teachers at or near retirement eligibility (and will need to factor this into longer-term workforce planning). • Mentor Program: The District currently has 3 FTEs and also leverages 10 retired teachers to work as adjunct district mentors to support the new teacher mentor program (approx. 5 hours per week). 	<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; and (f) student loan repayment programs.

HUMAN RESOURCES BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention (cont.)	<ul style="list-style-type: none"> Average Salary: One of the District's main priorities is improving teacher recruitment and retention. While the District's average teacher salary is higher than the state average, in FY16, the District offered a \$1,000 supplement to starting teacher salaries to help offset the higher cost of living in the county. The District intends on increasing this supplement by \$1,000 per year over the next four years until the starting salary reaches \$40,000. The District's Average Teacher Salary is \$49,585, which is higher than the state average \$47,497. In addition, the District has implemented a \$1,000 supplement on top of existing pay scales for all administrator and support staff. <p>The District conducted a comprehensive salary study in FY15 that is informing go-forward adjustments to teacher and administrative pay scales.</p>	<ul style="list-style-type: none"> See recommendation on implementation of incentive programs to recruit and retain teachers on previous page.
Substitute Management	<ul style="list-style-type: none"> Substitute Management: The District outsources substitute management processes to Source for Teachers. 	<ul style="list-style-type: none"> Conduct monthly analysis and reporting on substitute management costs by school and by position (e.g, teacher, teacher's assistant, etc.) in order to better understand drivers of spend and areas of spend increases. <p>Develop guidelines for use of substitute management services by individual schools and evaluate opportunities to better align budget accountability with spending authority by directly allocating substitute management to school budgets. Consider aligning incentives by allowing principals to participate in the financial benefits of savings on substitute management services by allowing use of excess funds on alternative spending needs or by providing incremental teacher incentives for unused leave.</p> <p>This should provide for better cost management and drive more efficient and effective use of resources.</p>

HUMAN RESOURCES BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • Applicant Processing: The District uses the AppliTrack system to recruit, screen, select and manage the staffing process. • Professional Development: The District uses MyLearningPlan to share professional development opportunities with all staff. • Time tracking: The District has manual processes for time tracking. 	<ul style="list-style-type: none"> • Implement an automated time tracking system that can interface directly with the payroll system.
Benefits	<ul style="list-style-type: none"> • Benefits Support: The District helps personnel navigate benefits changes and provides communications and notifications to employees about open enrollment and other plan related information during the course of the year. 	<ul style="list-style-type: none"> • Explore opportunities to leverage the employee self-service portal to provide employee notifications and information regarding benefit plans.
Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses - H1B Process for International Teachers



OUTLINE

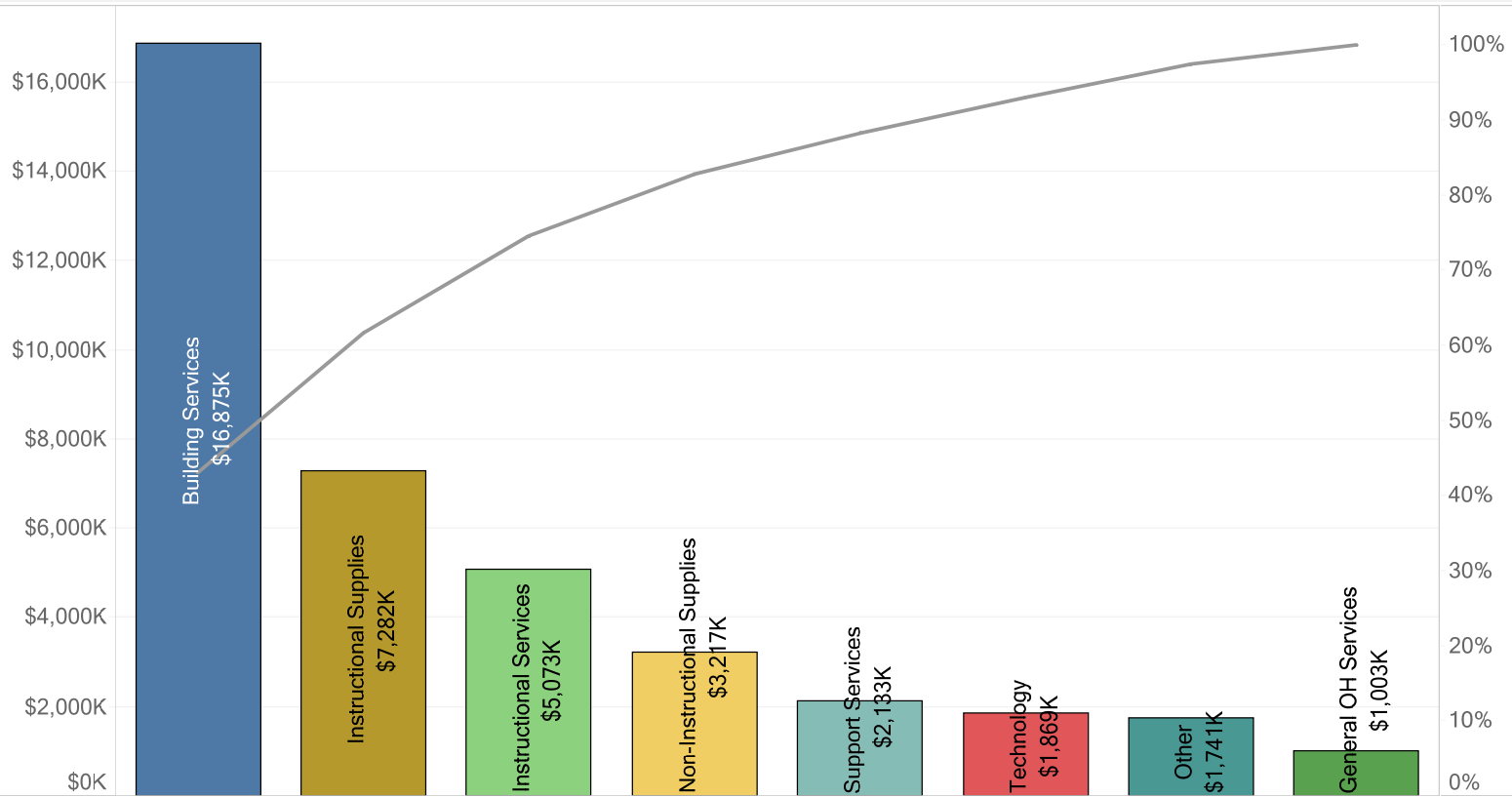
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PROCUREMENT BEAUFORT

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] = \$39,192,397

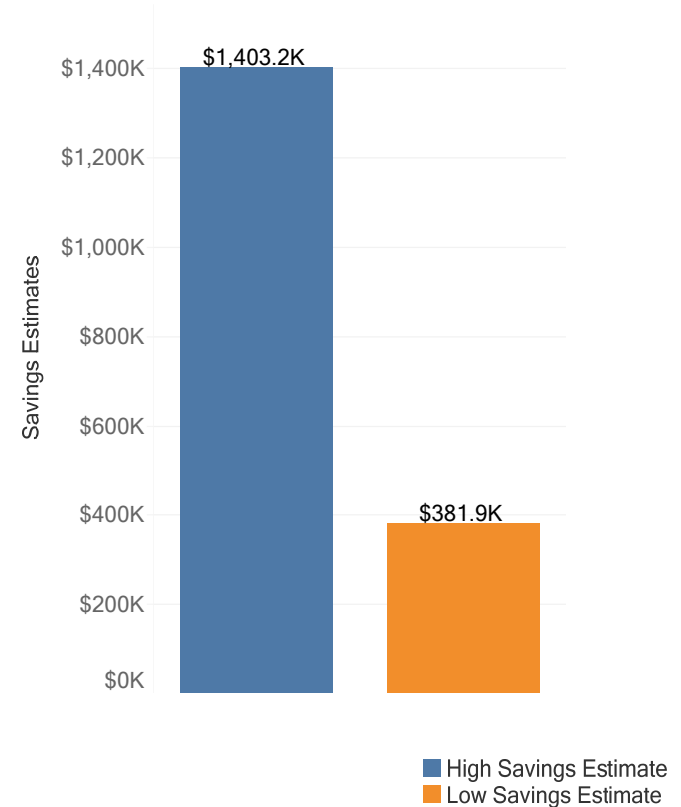


PROCUREMENT BEAUFORT

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	1.0%	2.0%
Non-Instructional Supplies	1.0%	5.0%
Instructional Supplies	1.0%	5.0%
Instructional Services	1.0%	5.0%
Support Services	1.0%	5.0%
Technology	1.0%	5.0%
Other	1.0%	5.0%
Transportation Services	0.0%	0.0%



PROCUREMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Staffing: The District has 3 procurement FTEs that are part of the Finance function. This includes a Director of Procurement and Internal Controls, 1 Procurement Facilitator and a PCard administrator. • Volume: The District issues 25 RFPs a year on average. 	
Spending by Vendor	<ul style="list-style-type: none"> • Concentration: Non-PCard spending is fragmented across more than 2,000 vendors; however, the top 30 make up more than 90% of total spending. <p>Spending efforts are made based upon the individual buyer, with local optimization the main priority. Aggregated purchasing decisions across districts are not made.</p>	<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. • Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. • Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts.

PROCUREMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)	<ul style="list-style-type: none"> • Pcards: The District uses Pcards for purchases that are generally under \$2,500. One P-card is issued to each school and each administrative department. • In addition, the District has encouraged vendors to accept payment via Pcard in order to capitalize on processing efficiencies (100% paperless) and to maximize the rebates received from the program. The District estimates that more than \$24 million was spent via the Pcard program in FY16 and, as a result, it received a rebate of \$317,000. <p>The District has also begun to incorporate acceptance of payment via Pcards as part of its standard contracts.</p> <p>In addition to manual compliance reviews of Pcard transaction activity, the District relies on a variety of tools provided by its Pcard provider to facilitate automated monitoring and tracking of activity. This includes automated fraud alerts and various reporting and monitoring of transactions.</p>	<ul style="list-style-type: none"> • Analyze Pcard spending transactions and dollar volume on an annual basis to determine potential candidates for formal contracting to enable better pricing and cost savings. • Continue to review district-wide vendors and work to migrate high dollar vendors to accept payment via Pcard in order to maximize rebates.

PROCUREMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District outsources building and maintenance services to a third party (GCA). The contract was awarded via a formal RFP process. • Instructional Support Services and Supplies: The District Procurement Code exempts the procurement of instructional support software and services which consequently are not placed out to bid. In addition, the District does not procure these services and software in collaboration with any other districts. • Instructional Staffing: The District currently relies on multiple vendors that are also used by numerous other districts across the state (e.g., Soliant for staffing of special education services). • Technology: The District implemented its 1:1 initiative and is leveraging state contracts with HP and Apple. • Non-instructional Supplies: The District purchases the majority of its non-instructional supplies using available state contracting vehicles (Staples). 	<ul style="list-style-type: none"> • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Capitalize on potential for greater discounts on technology that is purchased using state contracts by leveraging special discount provisions that are identified in state contracts and require negotiation. Evaluate opportunities to generate savings on ancillary services (accessories, warranties, break-fix, etc.) as part of procurement negotiations. • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership.

PROCUREMENT BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">• Collaboration: The District does partner with other districts to procure goods and services.• Piggyback Contracts: The District allows other school districts to piggyback on contracts that include: gym floor refurbishing, multi-function printers, athletic uniforms, and early childhood design services. In addition, the District uses Lexington School District 5's RFP for playground equipment.• Furniture: The District partners with 40 school districts to buy furniture as part of a cooperative purchasing agreement.	<ul style="list-style-type: none">• Consider expanding collaboration opportunities to include additional spending categories in order to further capitalize on volume discounts and rebates to include:<ul style="list-style-type: none">- Technology- Instructional Software and Services- Instructional Staffing- Supplies



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TRANSPORTATION BEAUFORT

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 BEAUFORT

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.

14 Years

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

\$323 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	96.4
Personnel Expense ^[3]	\$188,462
Non-Personnel Expense ^[3]	\$6,501,958
Total Transportation Expense ^[3]	\$6,690,420

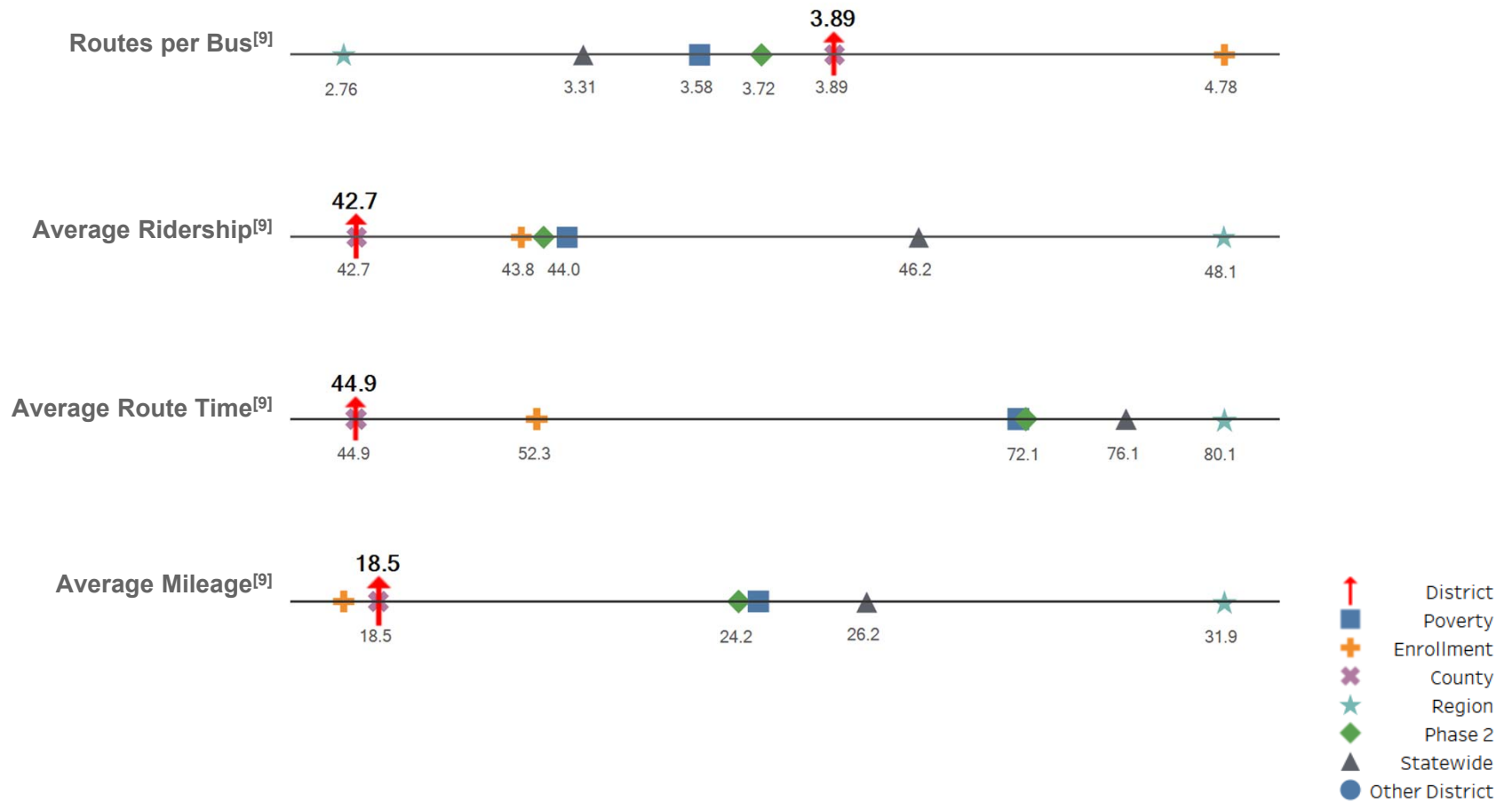
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	108.0	420	3.9	17,951	43	45	18
Special Needs	19.0	75	3.9	427	6	Not-Available	26
Other	2.6	12	4.5	462	39	Not-Available	16
Total	129.7	507	3.9	18,840	N/A	N/A	N/A

TRANSPORTATION BEAUFORT

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 BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Background: Prior to FY17, the District outsourced its transportation function to a third party (Durham). The District opted to end its contract at the end of FY16 and moved transportation back in-house. As part of this effort, the District leased 45 new buses and hired bus drivers for the start of the FY17 school year. • Hiring: Like others in the state, the District has a difficult time recruiting bus drivers. The District currently has 18 vacancies. • Compensation: Bus drivers are currently paid a starting rate that is approximately \$5.00 above state reimbursement levels and are guaranteed 30 hours per week. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Explore opportunities to provide dual employment opportunities to personnel that are currently employed by the District’s outsourced food and facilities providers.
Routing and Bus Management	<ul style="list-style-type: none"> • Route Times: The District uses Versatrans routing software to establish routes. While state regulations require that student ride time not exceed 90 minutes, District policy requires that efforts be made to cap ride time at no more than 60 minutes. • Geographic Area: The District’s routes include services to 27 gated communities in the county. These routes typically have a high volume of bus stops, each with only a small number of students. In addition, these routes require additional time as communities typically have only one entry/exit point. The District is discussing potential changes to these stops with local Property Owners’ Associations. 	<ul style="list-style-type: none"> • Continue working with local Property Owners’ Associations in order to increase the number of students per stop within individual communities. This should allow for reduced ride times and potentially allow for a reduction in overall routes required district-wide.

TRANSPORTATION BEAUFORT

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Bell Times: The District has staggered bell times with elementary schools starting at 7:45 am and middle/high schools starting at 8:45 am. • GPS: The District is in the process of outfitting all of its buses with GPS. • Cameras: he District has security cameras on all buses. • Maintenance: The District hired two in-house mechanics to support maintenance needs on the aging bus fleet. 	<ul style="list-style-type: none"> • Utilize routing software to help identify opportunities for route reconfiguration, with specific focus on maximizing ridership on individual buses, while remaining within the the ride time limitations set by the District. • Evaluate opportunities to reduce the District’s hazard fee reimbursement costs.
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 that are also transporting children to other out of district placements.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY BEAUFORT

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. Actual savings may vary based on implementation decisions.

FINANCE AND HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<ul style="list-style-type: none"> • A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within the District. • A&M estimated potential savings that could be realized after implementation of recommended process, policy and technology changes based upon past experience implementing similar initiatives, comparison of staffing and spend against peer benchmarks and discussion with the District. A&M also estimated investments required to achieve savings based upon prior experience. • In addition, while A&M evaluated potential synergies from a regional shared services model for transactional activities, after considering the District’s size, current staffing levels and uniqueness of processes, policies and technology, A&M is not recommending implementation of this approach at this time. 	<ul style="list-style-type: none"> • A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the Districts 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. 	<ul style="list-style-type: none"> • A&M used data provided by the state to analyze the district route mileage, frequency, timing, and volume to compare with benchmarks across the state. • A&M evaluated opportunities for savings based upon comparison of benchmarks across the state that took into consideration the location, population and geographic profile of the each district. • Savings estimates were not provided in instances where the District was in line with benchmark targets and was using both routing software and leveraging staggered bell times.

APPENDIX A: SAVINGS METHODOLOGY BEAUFORT

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

APPENDIX A: SAVINGS METHODOLOGY BEAUFORT

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.

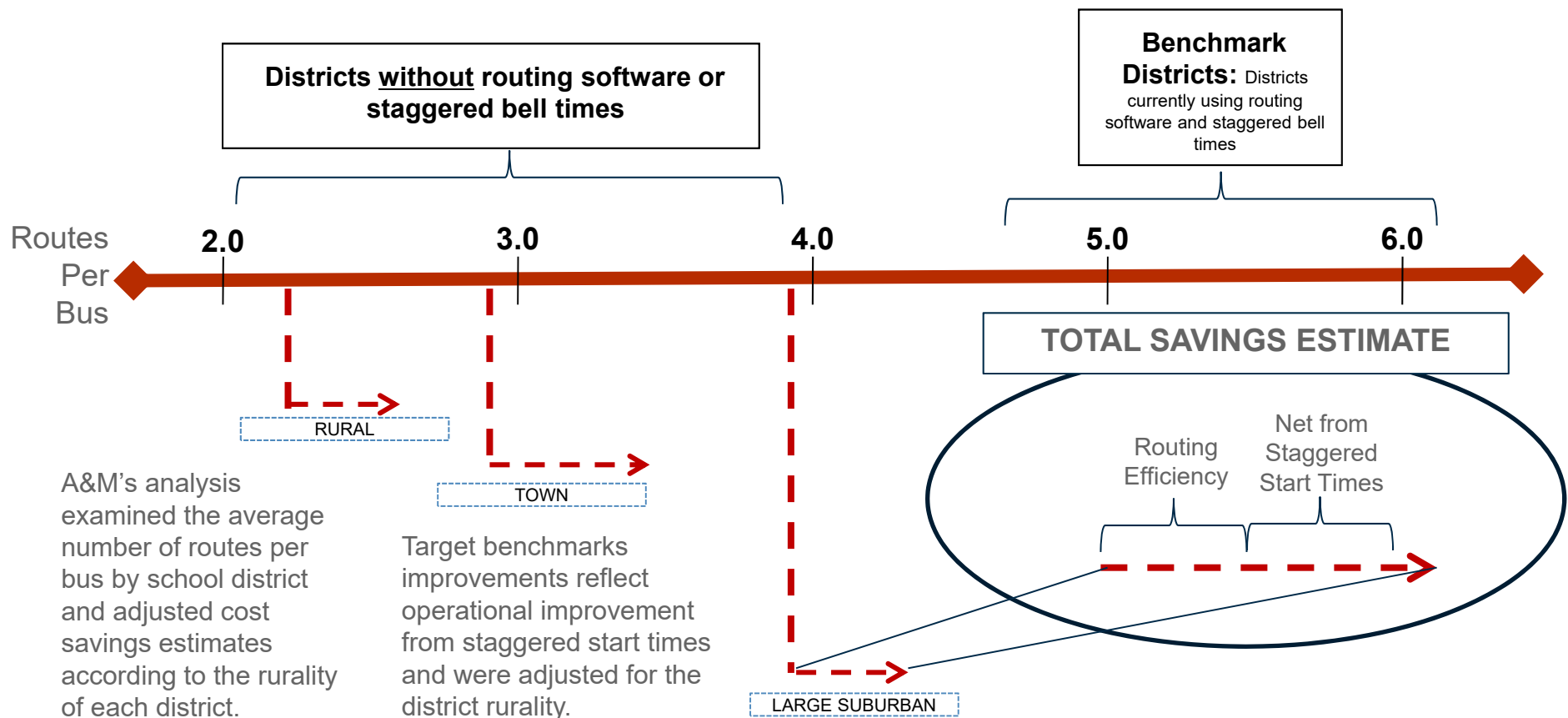
ORGANIZATION

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 BEAUFORT

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 BEAUFORT

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

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

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

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

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

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

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

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

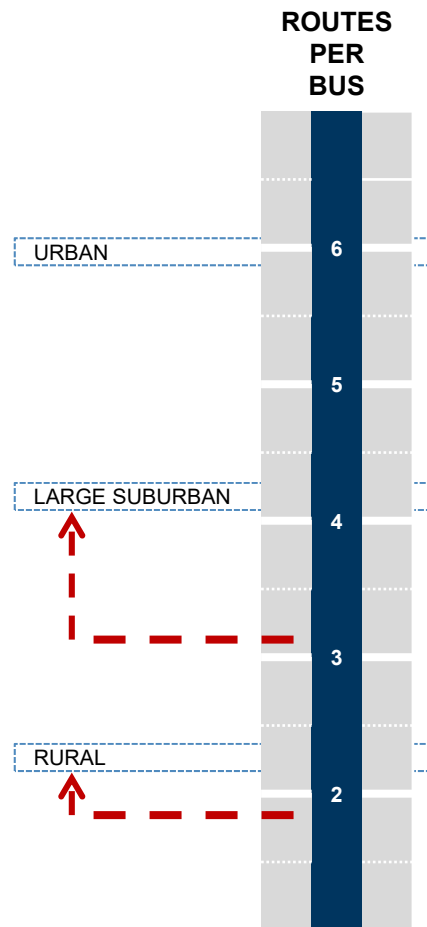
APPENDIX A: SAVINGS METHODOLOGY BEAUFORT

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 BEAUFORT

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 BEAUFORT

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	
	Low	High
Building Services	1.0%	5.0%
Non-Instructional Supplies	1.0%	5.0%
Instructional Supplies	1.0%	5.0%
Instructional Services	1.0%	5.0%
Support Services	1.0%	5.0%
Technology	1.0%	5.0%
Other	1.0%	5.0%

Preliminary estimates of potential savings from increased collaboration of purchasing across districts range from 1.0% to 5.0%.

APPENDIX B: DATA SOURCES



APPENDIX B: DATA SOURCES BEAUFORT

[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 BEAUFORT

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 BEAUFORT

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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