



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Cherokee

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

CHEROKEE

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

CHEROKEE

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

CHEROKEE

PROJECT OVERVIEW (CONTINUED)

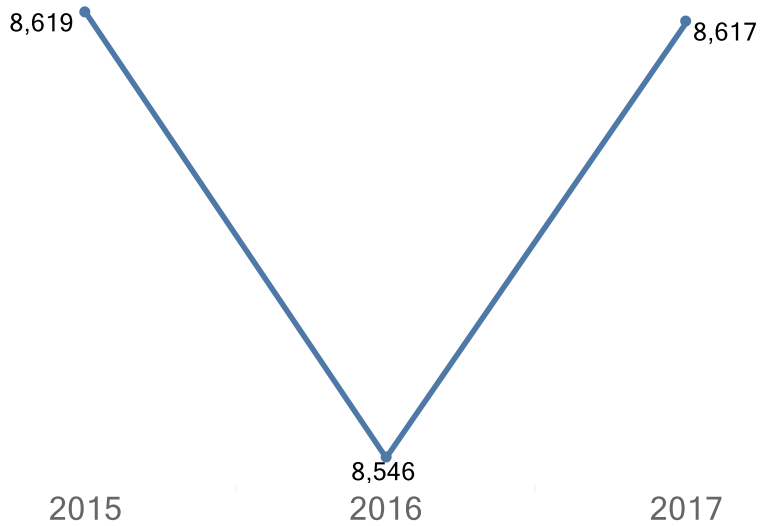
➤ Sources of Data and Savings Estimates:

- 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.

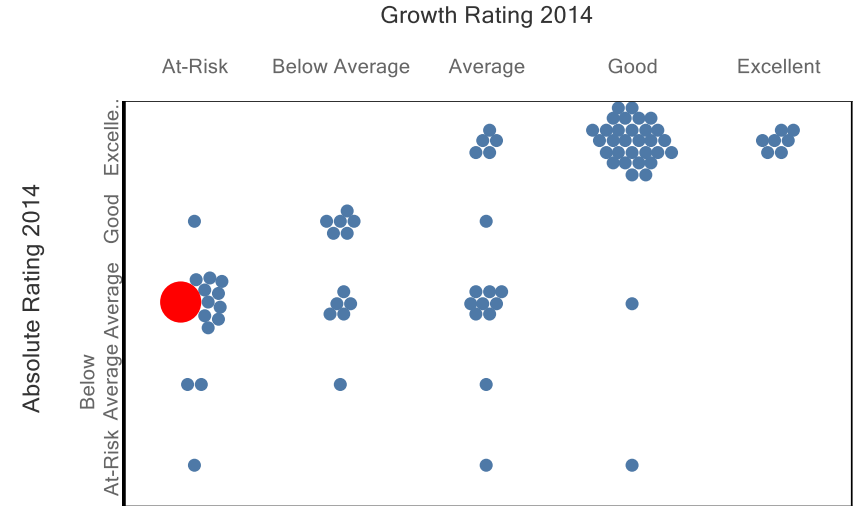
EXECUTIVE SUMMARY

CHEROKEE

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	18
% Poverty ^[1]	69.2%
% Disability ^[1]	7.2%
\$ Per Student ^{[2],[3]}	\$12,894
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,413

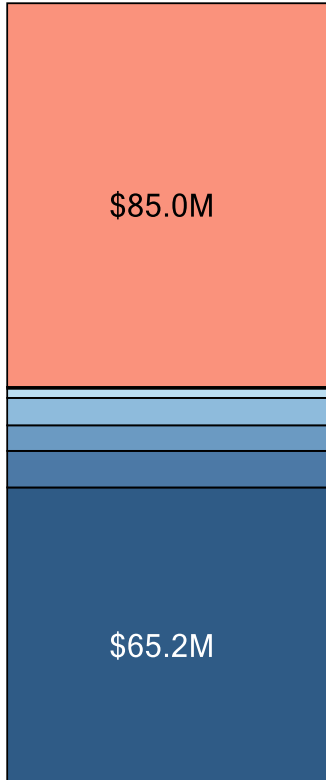
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.9
Students Per Overhead FTE ^{[2],[4]}	319.2
Students Per School Support FTE ^{[2],[4]}	33.5
Students to Total FTE ^{[2],[4]}	6.9

EXECUTIVE SUMMARY

CHEROKEE

Sources of Funds^[5]
\$172.9M



2015-2016

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

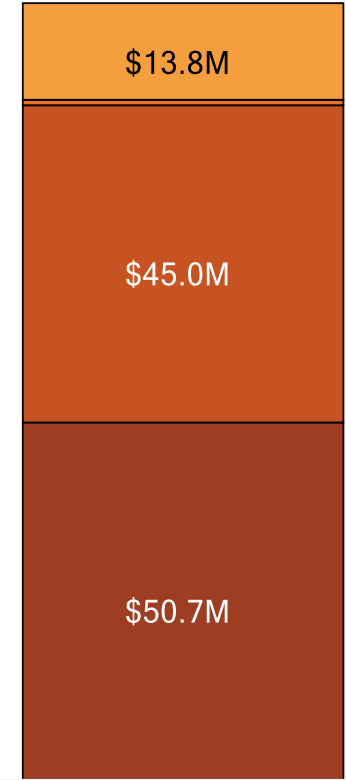
Use of Funds - Type^[3]
\$110.2M



2015-2016

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

Use of Funds - Function^[3]
\$110.2M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

CHEROKEE

\$110.2M
Total

\$11.6M
In-Scope

\$98.6M
Not In-Scope

10.5% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$1,212,655	\$748,661
Human Resources	\$389,042	\$42,099
Overhead	\$904,369	\$385,961
Transportation	\$2,003,970	\$45,641
Procurement (Community Services, Instruction, Support Services)	\$7,107,534	\$7,107,534
TOTAL	\$11,617,570	\$8,329,896

* totals may not tie due to rounding

EXECUTIVE SUMMARY

CHEROKEE

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of Cherokee County School District, steeped in pride and tradition, in partnership with all stakeholders, is to ensure that all students have the education necessary to succeed as responsible, productive citizens by providing excellent opportunities in academics, athletics, and the arts.

1. **Academics:** Increase student achievement.
2. **Facilities:** Review long-range and short-range maintenance plans.
3. **Personnel:** Recruit and retain highly qualified staff.
4. **Transition planning:** Increase leadership potential and build capacity.
5. **Partnerships:** Strengthen partnerships.
6. **Strategic planning:** Implement initiatives from the District strategic plan.
7. **Culture:** Cultivate an Ethic of Excellence.

Achievements

- **Awards:** Superintendent Dr. Quincie Moore was a finalist for SC Association of School Administrators 2018 Superintendent of the Year Award.
- **Personnel:** Gaffney High School English teacher Erin Fox was named 2018 SC Teacher of the Year.
- **Academics:** The District has implemented project-based learning in its classrooms, increasing student engagement.
- **Partnerships:** District partners with KNOW(2), a local organization to improve education and economic development, as well as other businesses in the community.

Challenges

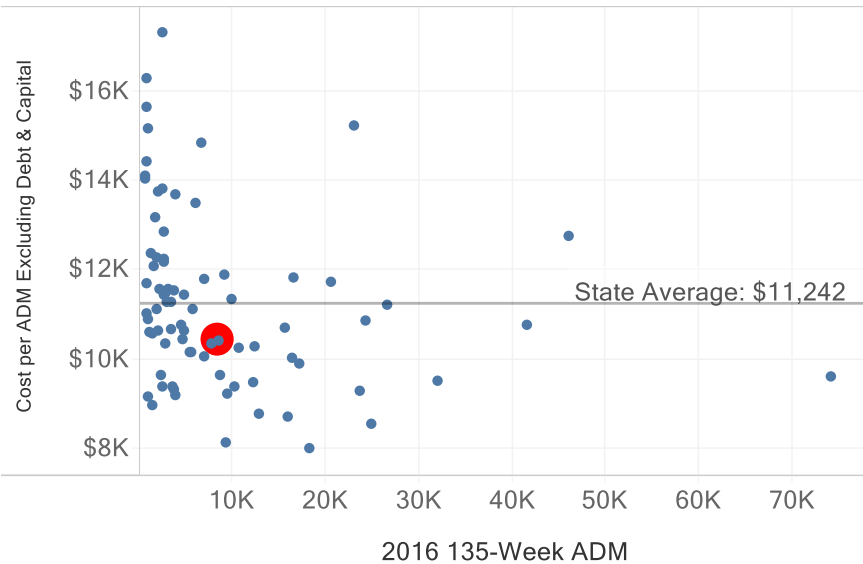
- **Culture:** Only 25% of parents in the District hold a high school diploma, creating challenges in promoting a culture of academic achievement.
- **Facilities:** Buildings are old, often more than 50 years old, and require significant repairs
- **HR:** Similar to other districts in the state, Cherokee has a difficult time recruiting quality teachers.
- **Turnover and Transition:** The District experienced high turnover prior to Dr. Moore. Establishing cohesion and shared goals has taken time.
- **Compliance:** Change management efforts associated with implementing and enforcing policies in finance and purchasing have been challenging.

EXECUTIVE SUMMARY

CHEROKEE

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

CHEROKEE

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Management: The District had previous findings in its audited financial statements but is improving its financial management practices. The District has implemented strong internal controls, with policies and procedures that are strictly enforced. The District has a weak cash balance, with 25 days cash on hand, compared to the State average of 115 days. The unrestricted fund balance of 16% is slightly below the State average of 18.6%. • Processes: The District recently transitioned to InfiniteVisions software for purchasing, payroll, and budgeting. The District still utilizes paper timesheets for hourly employees.
Human Resources	<ul style="list-style-type: none"> • Staffing and Operations: Strong leadership and stability have allowed the department to operate efficiently. The department cross-trains employees on paperwork processing and recruiting. • Challenges with Recruiting and Retention: Similar to others in the State, the District has difficulties recruiting teachers and offers a signing bonus for hard-to-staff positions. The District has struggled to maintain a pool of substitute teachers and had to reduce the educational requirement from 60 college credits to a high school diploma.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The District has a difficult time recruiting bus drivers. Driver salaries are lower than many nearby districts. The District has implemented an attendance bonus to help alleviate the shortage. • Manual Routing: The District does not have routing software that can be used to help drive routing efficiencies. The District staggers bell times with school start times within 10 minutes of each other.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has a Procurement Coordinator within the Finance team. • Strategic Sourcing: Low leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates. There is significant off-contract purchasing and limited collaboration across districts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent has led the District for 5 years. She started after a period of significant turnover. The Superintendent has 6 direct reports in addition to all school principals. • Collaboration: The District is part of the Olde English Consortium and meets regularly with other regional districts.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

CHEROKEE

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Implement time tracking system to reduce the work load on payroll and staff.</p> <p>Process Improvements: Modernize processes to limit manual activities and further 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: Enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Further train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Further leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Negotiate discounts / rebates for tiered levels of spending.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p> <p>Method of Payment: Where appropriate, look to use Pcards as a method of payment more often to increase rebates.</p>	<p>System Enhancements: Implement new routing software.</p> <p>Process Improvements: Further Staggering of Bell Times: Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits and shorten wait and ride time for students.</p> <p>Staffing and Organization: Create dual employment opportunities to help address bus driver shortage. Work with payroll to monitor overtime usage.</p>

EXECUTIVE SUMMARY

CHEROKEE

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

CHEROKEE

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

CHEROKEE

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	\$51,500	\$128,800	\$120,300	\$361,000
Human Resources	0	0	0	38,000
Procurement	0	0	202,000	429,800
Transportation – District	N/A	N/A	38,000	58,000
District Total	51,500	128,800	360,300	886,800
Transportation – State	20,000	74,400	28,800	73,900
Total	\$71,500	\$203,200	\$389,100	\$960,700

* 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.

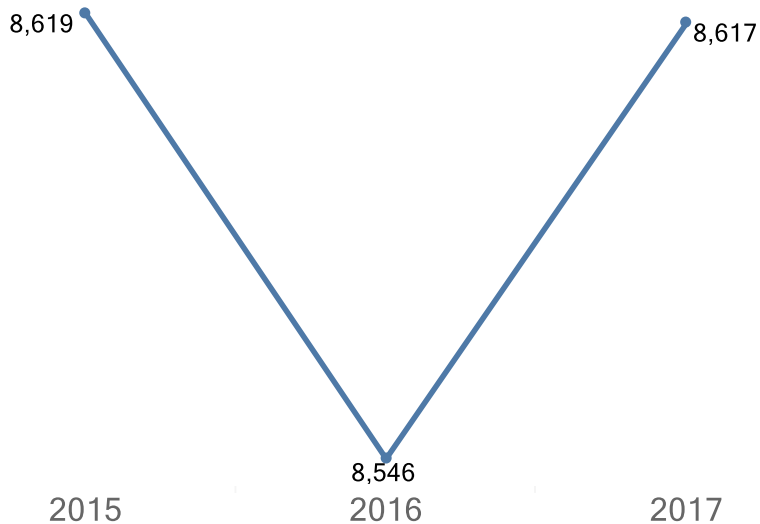


OUTLINE

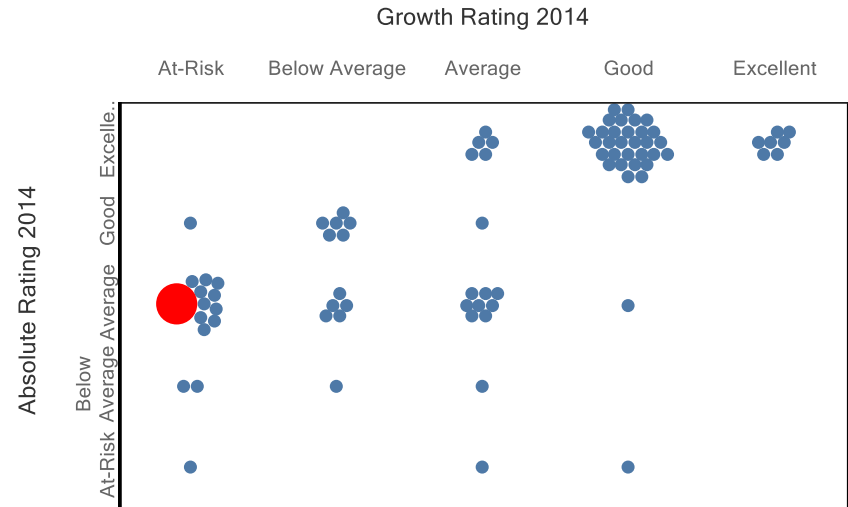
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DISTRICT ADMINISTRATION AND PERFORMANCE CHEROKEE

Average Daily Membership^[2]



Student Achievement^[1]



General Info

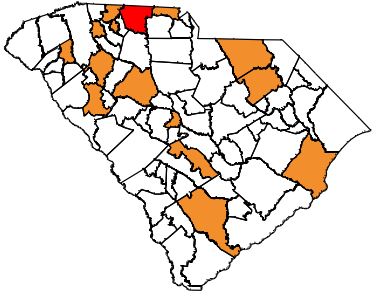
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Administration

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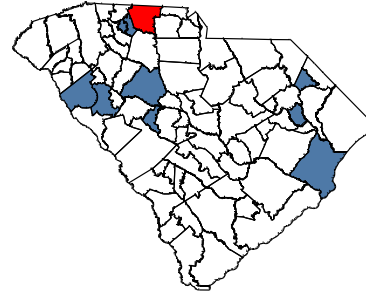
DISTRICT BENCHMARKING CHEROKEE

Enrollment (5,000 - 10,000)



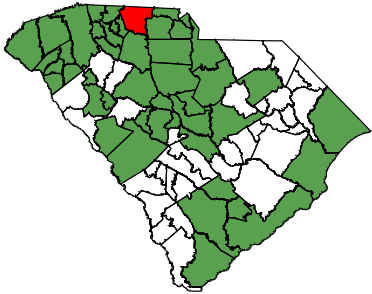
Anderson 01	Orangeburg 05
Cherokee	Spartanburg 02
Chesterfield	Spartanburg 05
Colleton	Spartanburg 07
Darlington	York 02
Georgetown	
Greenwood 50	
Laurens 55	
Lexington 02	
Newberry	

Poverty (65% - 70%)



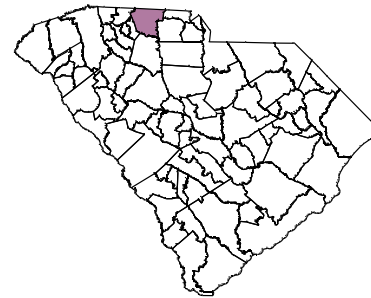
Abbeville 60	Spartanburg 07
Cherokee	
Dillon 03	
Florence 02	
Georgetown	
Greenwood 50	
Lexington 03	
Newberry	
Spartanburg 03	

Phase 1 (No)



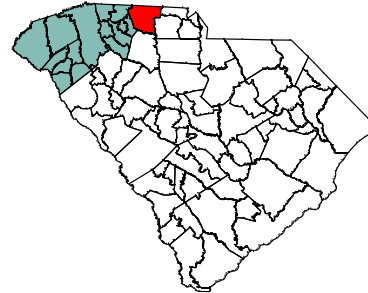
Aiken	Greenwood 52
Anderson 01	Horry
Anderson 02	Kershaw
Anderson 03	Lancaster
Anderson 04	Lexington 01
Anderson 05	Lexington 02
Beaufort	Lexington 03
Calhoun	Lexington/Richland 05
Charleston	Newberry
Cherokee	Oconee
Chester	Pickens
Colleton	Richland 01
Darlington	Richland 02
Dorchester 02	Spartanburg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

Sumter
Union
York 01
York 02
York 03
York 04



County (Cherokee)

Cherokee



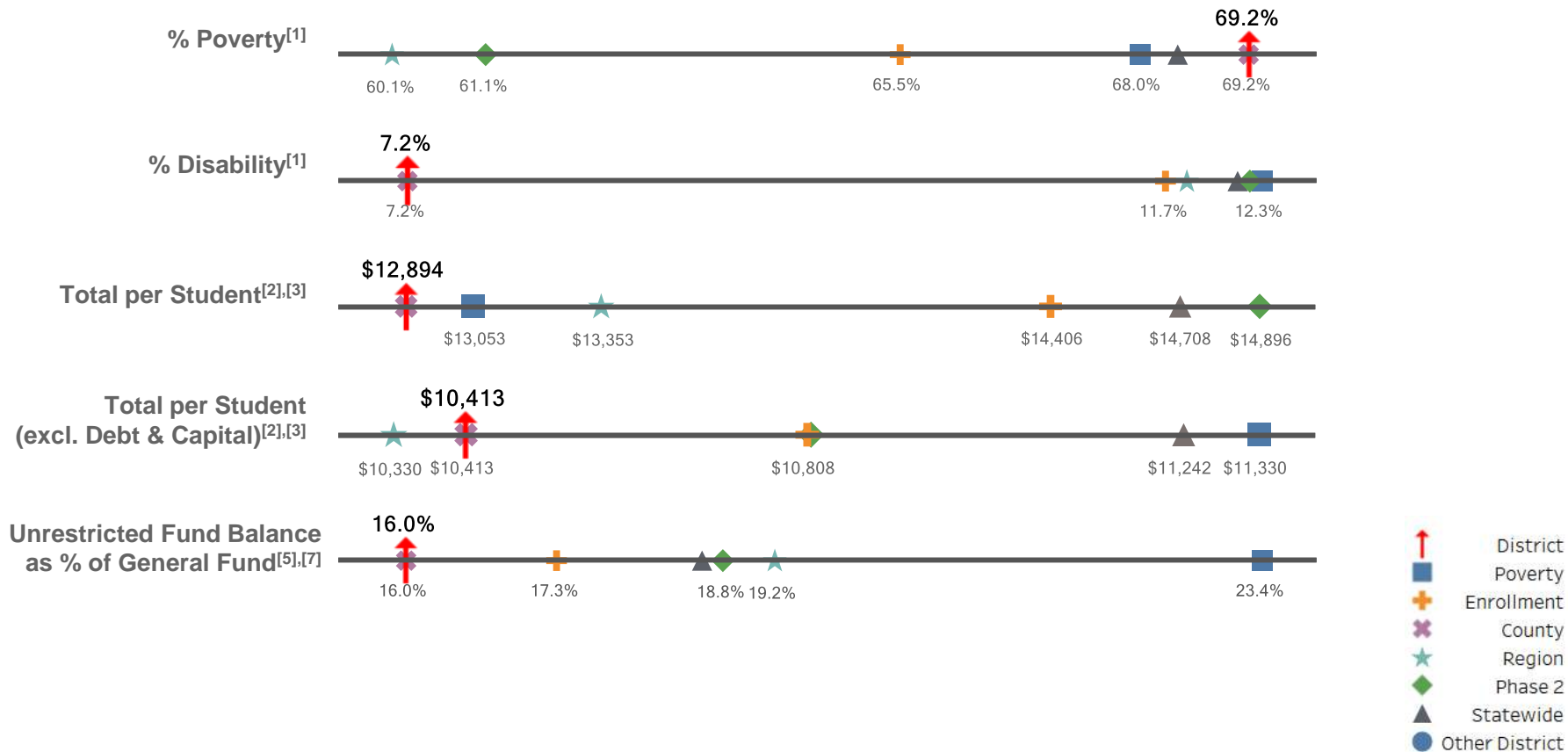
Region (Appalachian)

Anderson 01	Spartanburg 02
Anderson 02	Spartanburg 03
Anderson 03	Spartanburg 04
Anderson 04	Spartanburg 05
Anderson 05	Spartanburg 06
Cherokee	Spartanburg 07
Greenville	
Oconee	
Pickens	
Spartanburg 01	

DISTRICT OVERVIEW CHEROKEE

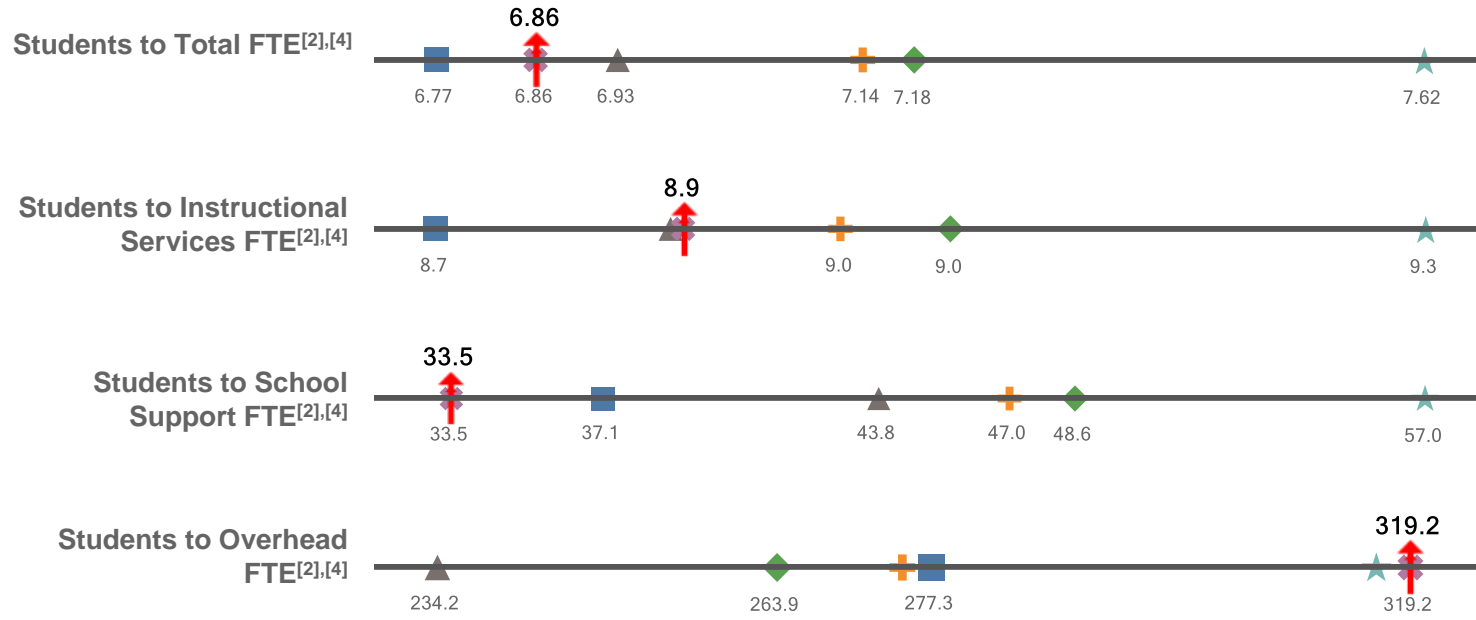
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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 CHEROKEE

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • Enrollment Trends: The District's enrollment has remained relatively constant over the past 2 years at approximately 8,600. The District noted that there have not been significant enrollment shifts in the past 10 years. • Student Demographics: The District has a poverty rate of 69%. • Competition: One private school takes a few students annually. In addition, approximately 200 students are homeschooled. • Long-term Planning: The District does not prepare enrollment projections to help inform long-term planning. They do, however, stay informed of economic development plans in order to anticipate potential growth. 	<ul style="list-style-type: none"> • 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"> • Per Pupil Expenses: When excluding debt and capital, the District has a per pupil expense of \$10,413, which is lower than peers of similar size of \$10,808 and the state average of \$11,242. • Due to the Board's opposition to raising taxes, the District has had to operate within a limited budget. • Unrestricted Fund Balance: The District has an unrestricted fund balance that is 16% of revenues, which is slightly below the State 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 strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Students to FTEs: The Student to Total FTE ratio of the District is lower than its peer group at 6.86 compared to 7.14 for districts of similar size and the statewide average of 6.93. Even with a relatively low per pupil, the District has been able to make investments in FTEs to provide student services and operate the schools. • Students to Instructional Services FTEs: The Student to Instruction ratio of 8.9 is on par with peers of similar size (9.0) and the statewide average (8.9). • Students to School Support FTEs: The Student to School Support ratio of 33.5 is lower than similarly sized districts with a ratio of 47 and the statewide average of 43.8. This difference is largely due to the high number of Facilities maintenance workers required to operate the aged school buildings. • Students to Overhead FTEs: The Student to Overhead Ratio of 319.2 is high compared to 274.8 for districts of similar size and the statewide average of 234.2. 	
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's job is spread across many functions. In particular, the Superintendent spends a significant amount of time dealing with non-academic issues such as building and facilities issues rather than with strategic issues focused on student achievement. Additionally, it has been a challenge to establish a culture of achievement in the wake of turnover. • Communications Function: There is no Communications support for the Superintendent's office. The function resides solely with the Superintendent. 	<ul style="list-style-type: none"> • Consider addition of a Public Information Officer to provide communications support for the District.

DISTRICT OVERVIEW AND OVERHEAD CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Legal: The District has no legal department. If legal advice is required, the District utilizes an external firm to provide support. • Turnover: Superintendent has overseen the District for the past 5 years. Previously, there was significant turnover in this position, with 3 interim superintendents over 2 years. 	
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid \$4,000 annually, a decrease from \$5,000 in past years. • Board Composition: A few Board Members are former educators, though most are from the business community. All members are single-district representatives. • Training: Board members attend School Board Association trainings as they are able. 	
Philanthropy and Business Engagement	<ul style="list-style-type: none"> • The District received about \$100,000 annually in revenue from local businesses. The Superintendent is focusing effort in this area to drive additional revenue and other partnerships from businesses. • The District partnered with a local lighting company to receive free lighting in exchange for showcasing the products. • The District works closely with members of the local business community to determine training and skills that are most needed and uses that information to assess programs at its career center. The Superintendent has established relationships within the community for student and District support. 	<ul style="list-style-type: none"> • Work with the School Board to seek greater partnerships with foundations and local business for donations of money, food, goods, time, etc.

DISTRICT OVERVIEW AND OVERHEAD CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• The District collaborates with other regional districts through the Olde English Consortium.• Career Center: The District does not have a shared career center.• Special Education: The District does not coordinate with other area districts on Special Education programs.• Headcount: The District does not share certain FTEs with area districts.	<ul style="list-style-type: none">• Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional.• Consider a shared Chief Development Officer across districts.



OUTLINE

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FINANCIAL MANAGEMENT OVERVIEW

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

1,231 : 1
District Students (ADM)^[2] Financial FTE^[4]

\$142 per Student

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

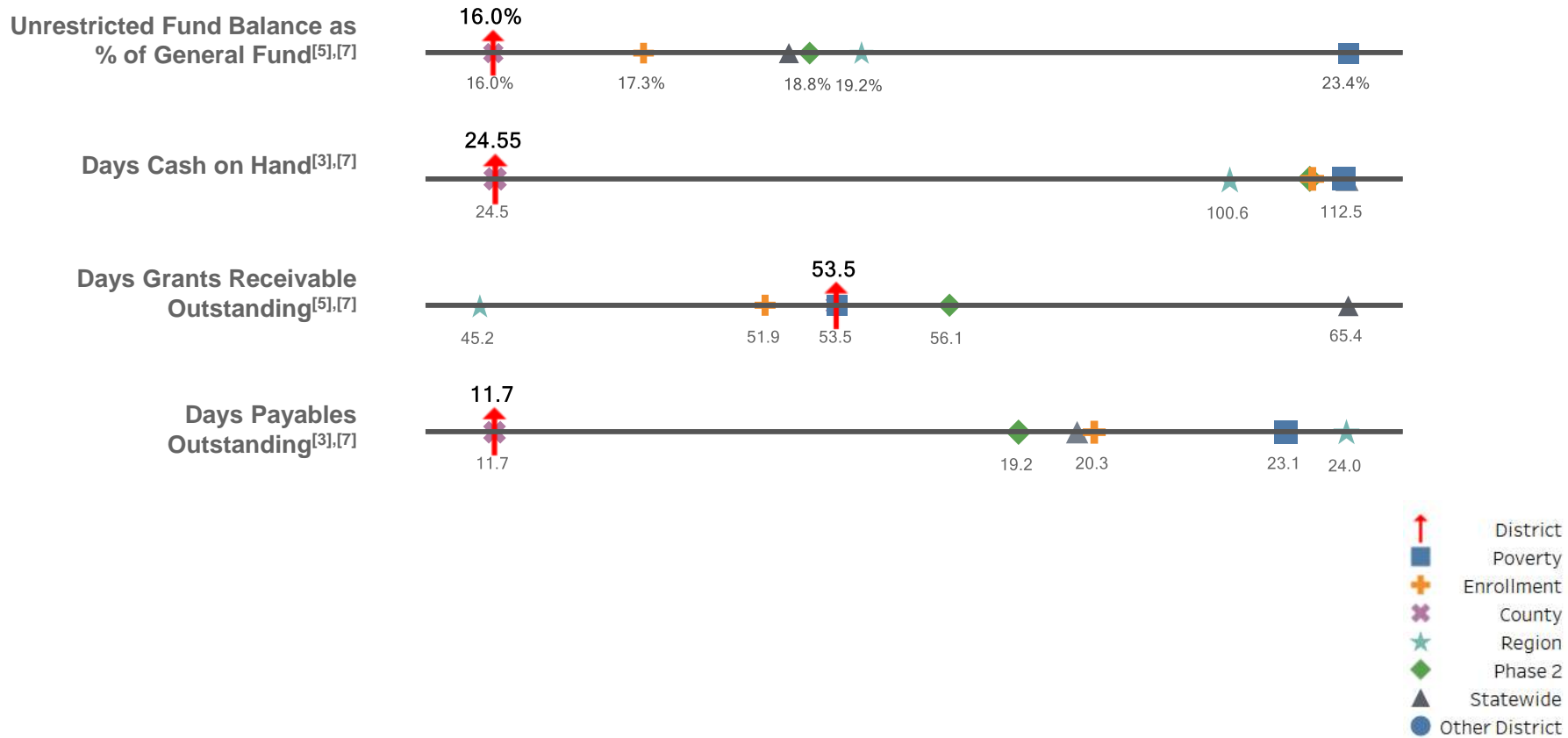
Key statistics for metrics	
Financial FTEs ^[4]	7.0
Personnel Expense ^[3]	\$463,994
Non-Personnel Expense ^[3]	\$748,661
Total Financial Expense ^[3]	\$1,212,655

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 CHEROKEE

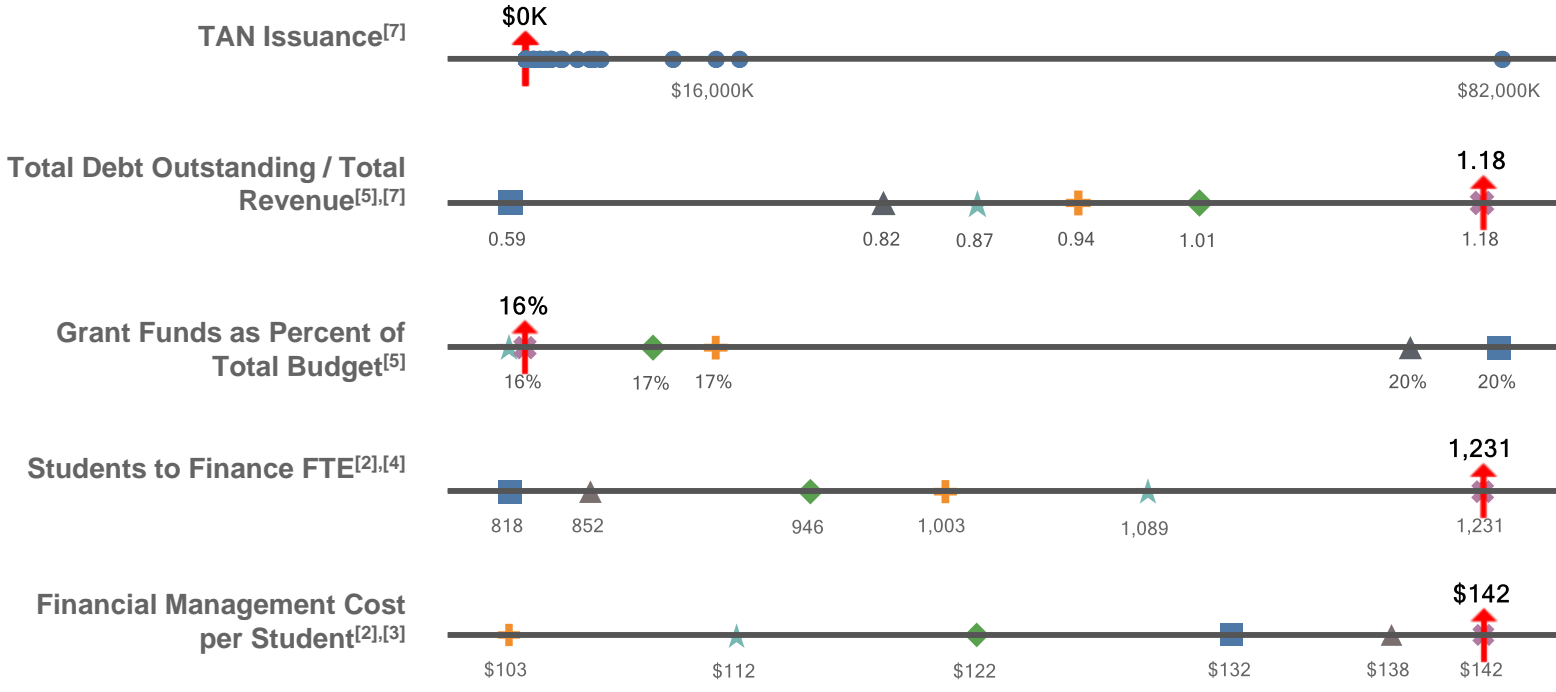
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 CHEROKEE

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



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

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization operates on a lean budget and is thinly staffed to support its scope of roles and responsibilities that include: accounting, payroll, accounts payable, budget, treasury, procurement, and financial reporting. • Turnover: Current CFO has only been in the position since September 2015. • Finance Cost Per Pupil: The Finance cost per pupil of \$142 for the District is higher than the \$103 for districts of similar size and the statewide average of \$138, driven by the cost of ERP implementation. • Students per Finance FTE: The Student per Finance FTE ratio of 1,231 is higher than 1,003 for districts of similar size and the statewide average of 852. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes, and cross-train individuals to be able to do multiple functions.

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a bi-weekly and monthly basis. The District has cited there would be significant resistance if there were an attempt to move all employees to monthly payroll. • All employees are required to receive payments via direct deposit. • The District uses a self-service payroll platform through iVisions; therefore, employee-initiated payroll changes are all processed automatically. • Timekeeping: Time tracking for hourly employees is currently managed via manual processes and entered into the payroll system by the finance department. • Purchasing: The District currently uses a centralized purchase order system through iVisions. Schools are able to secure items and services in accordance with district and state regulations and obtain approval through the system. • Pcard: The District utilizes a Pcard program. In 2016, spend was approximately \$1.8M, with \$14,000 in rebates received. 	<ul style="list-style-type: none"> • Implement an automated time tracking functionality for hourly employees, such as a biometric timeclock, that integrates with the payroll system in order to eliminate the need for manual time sheets. • Pcards: <ul style="list-style-type: none"> • Return Pcard rebate to schools based on spend in order to incentivize usage and maximize rebates. • Partner with the Procurement Department for oversight and analysis of Pcard spend in order to identify trends and potential savings that could be gained through the solicitation of bids for competitive pricing. • To maximize rebates, the District should explore the possibility of paying monthly invoices to larger vendors such as utilities and supply vendors with Pcards in lieu of checks and ACH. Use of Pcards as alternative payment method will be subject to vendors acceptance of the payment type.

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Inventory: The District maintains robust policies and procedures for tracking technology assets and utilizes the fixed assets model in iVisions software. However, it does not currently conduct centralized inventory processes for non-technology items under \$5,000. • Risk Management: The District does not have formal risk management policies in place. However, they do hold regular safety trainings and have a robust building program that can help identify safety hazards. 	<ul style="list-style-type: none"> • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process. • Implement risk management policies and procedures to include: (a) risk assessment and management; (b) safety and loss prevention review; (c) insurance claims handling and processes; and (d) insurance policy review and negotiation.

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant funds provide 16% of revenue for the District, which is lower than similar sized peers who have 17% grant revenue and the statewide average of 20%. • Federal Funds: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance department collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow. • Indirect Costs: The District does charge indirect costs against federal grants. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the Fixed Assets/Special Revenue coordinator, who sits within the Finance department. Additionally, program coordinators are trained on budget to actual reporting and can access it at any time. • Other: The District maximizes reimbursement of grants such as Medicaid through the Special Education department. • The District contracts with an outside provider to seek out grant opportunities. The contractor’s compensation is performance-based. 	<ul style="list-style-type: none"> • The District should raise awareness with the site-based staff of potential grant opportunities. Consider incorporating a grant writer into budget process so that the search process for opportunities can be more targeted.

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District has had clean financial audits for the past 2 years. The District previously had significant deficiencies in the area of procurement but has worked diligently to implement and enforce policies and procedures. • Position Control: The District does have position control. • Cash Handling: District conducts surprise reviews of cash balances and receipt books at schools to ensure policy compliance. • Pcards: District has a strict Pcard policy. Failure to comply results in immediate termination of the Pcard. 	<ul style="list-style-type: none"> • Conduct an internal controls audit every three to five years to ensure best practices in internal controls.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a weak cash balance with 24.6 days cash on hand. The statewide average is 113. • The District reviews cash flow forecasts on a monthly basis. The District has not had to utilize Tax Anticipation Notes to help manage working capital through December of the school year. • Grants Receivable Outstanding: The District has a Days Grants Receivable Outstanding of 53.5, which is on par with peers and lower than the State average of 65 days. The District submits grant reimbursements at least quarterly and more frequently if allowed by the grant. • Days Payable Outstanding: The District's Days Payables Outstanding of 11.7 is better than peers of similar size (20 days) and the state average (20 days). 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings. • To ensure the financial stability of the District is maintained, the District should prepare a three to five year financial plan that allows for investment in critical areas of academics and operations while still maintaining a strong fund balance.

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none">• Cash: The District invests cash balances in the State local investment pool.• Debt: The total debt to revenue ratio is 1.18, which is high compared to peers of similar size (0.94) and the state average (0.82). The District issued a \$60M GO Bond in early 2016.• The District utilizes SCAGO to assist with bond issuance efforts.• TAN: The District did not issue TANs this past year to assist with liquidity needs during the cash low point.	

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning - The annual budget process is linked with the annual strategic planning process. • The annual budget process for schools 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 new fiscal year. • Department budgets are zero-based, with funding determined for travel and supplies annually. • Schools receive a per pupil amount for non-staffing expenses. • 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 District analyzes historical data and spending trends in order to project the budget and ensure financial stability. 	<ul style="list-style-type: none"> • The District should consider conducting a school equity analysis annually to ensure that each individual school is receiving its fair share of resources based on the student needs of the school. The analysis would compare school-based FTEs, salaries and non-personnel spending across student type, school size, school level and overall across the District.

FINANCIAL MANAGEMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District has recently implemented InfiniteVisions for general accounting, payroll and accounts as well as for procurement and automated workflow approval of requisitions. It also uses iVisions to facilitate employee self service for payroll matters. The District has been able to successfully transition to automated work processing in much of its processes; however, it is still currently using manual processes for timekeeping. • The District contracts with an external provider to scan and electronically store documents. 	<ul style="list-style-type: none"> • Complete process to select an automated and integrated timekeeping system and implement prior to start of the next school year.
Regional Collaboration	<ul style="list-style-type: none"> • The District is part of the Olde English Consortium in which the finance directors of individual districts meet quarterly to discuss various topics. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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HUMAN RESOURCES CHEROKEE

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.

1,436 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$46 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	6.0
Personnel Expense ^[3]	\$346,943
Non-Personnel Expense ^[3]	\$42,099
Total Human Resources Expense ^[3]	\$389,042

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 CHEROKEE

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 CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. Secretaries are cross-trained and attend trainings together. Human Resources Cost Per Pupil: The HR cost per pupil of \$46 for the District is lower than the statewide average of \$75 and the average for districts with similar enrollment levels of \$61. Students Per Human Resources FTE: The Student to HR FTE ratio of 1,436 is high relative to the state average of 1,338, but lower than the average of districts with similar enrollment levels of 1,712. 	<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 further cross-train individuals to be able to do multiple functions.
Recruiting and Retention	<ul style="list-style-type: none"> Similar to other school districts in the State, recruiting teachers into the District is challenging. The District struggles with an area that is unattractive to recent college graduates. The District currently employs 1 international teacher through FACES. In addition, the District leverages staffing agencies to fill hard to staff services such as special education. The District has implemented a signing bonus for hard-to-staff instructional positions in order to attract teachers. The average teacher salary is \$48,602, which is above the state average of \$47,497 but below the regional average of \$49,127. The District anticipates detrimental effects from the TERI program next year. 	<ul style="list-style-type: none"> Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs. Workforce Planning: Due to the significant percentage of teachers who are expected to retire in the next five years, develop a workforce plan for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring high performing teacher training to enable a promotion, and partnering with staffing services to meet the needs of the students in case a gap in employment arises.

HUMAN RESOURCES CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> The District has 8 employees from the PACE program in order to fill vacancies. The District has implemented a Crystal Apple award to recognize teachers and aid in retention. The District generally visits 16 universities on its recruiting tour. It has been collecting data on rate of return to determine which universities could be eliminated. Partnerships: The District partners with local universities to help build a teacher pipeline. It is currently a partner district with Winthrop University and has 2 schools that host student teachers. It also partners with Limestone College to offer teachers a discount on professional development. The District has started exit interviews to aid in development of retention strategy. Common reasons for departure are retirement, relocation, or change in profession. District has lowered requirements for substitutes from 60 college credits to a HS diploma in order to help fill sub vacancies. 	<ul style="list-style-type: none"> Evaluate outsourcing substitutes to a provider such as Kelly Services or Source for Teachers. Consider tradeoffs of increased costs versus higher quality substitutes and lower internal administrative time. Consider offering a self-paced online platform for professional development programs.
Technology	<ul style="list-style-type: none"> The District leverages the AppliTrack software systems for recruiting, application screening, processing and onboarding. Aesop is used for substitute management. The timekeeping process for hourly employees is paper-based. 	<ul style="list-style-type: none"> Implement an automated time tracking system for hourly employees that can interface directly with the payroll system.

HUMAN RESOURCES CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> Administration is typically done by the benefits coordinator. Workers' compensation claims have been increasing. The District has sent letters about policies and fraud warnings to help prevent invalid or inflated claims. The District has health benefits through PEBA, workers' compensation, property and casualty insurance through SCSBIT, and vision care through NGLIC. 	<ul style="list-style-type: none"> Though there has been a recent reduction in legal claims, continue to provide trainings and enforcement of board policies. Consider emphasizing compliance in performance review. In collaboration with other large districts in the state, work with PEBA to automate benefits related transaction processing to include: (a) acceptance and processing of electronic signatures; (b) integration of benefit changes into District financial systems.
Collaboration	<ul style="list-style-type: none"> The District is part of the Olde English Consortium and meets monthly with regional districts to discuss HR issues. HR Director is highly involved in SC Association of School Administrators (SCASA) and is president-elect. The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers



OUTLINE

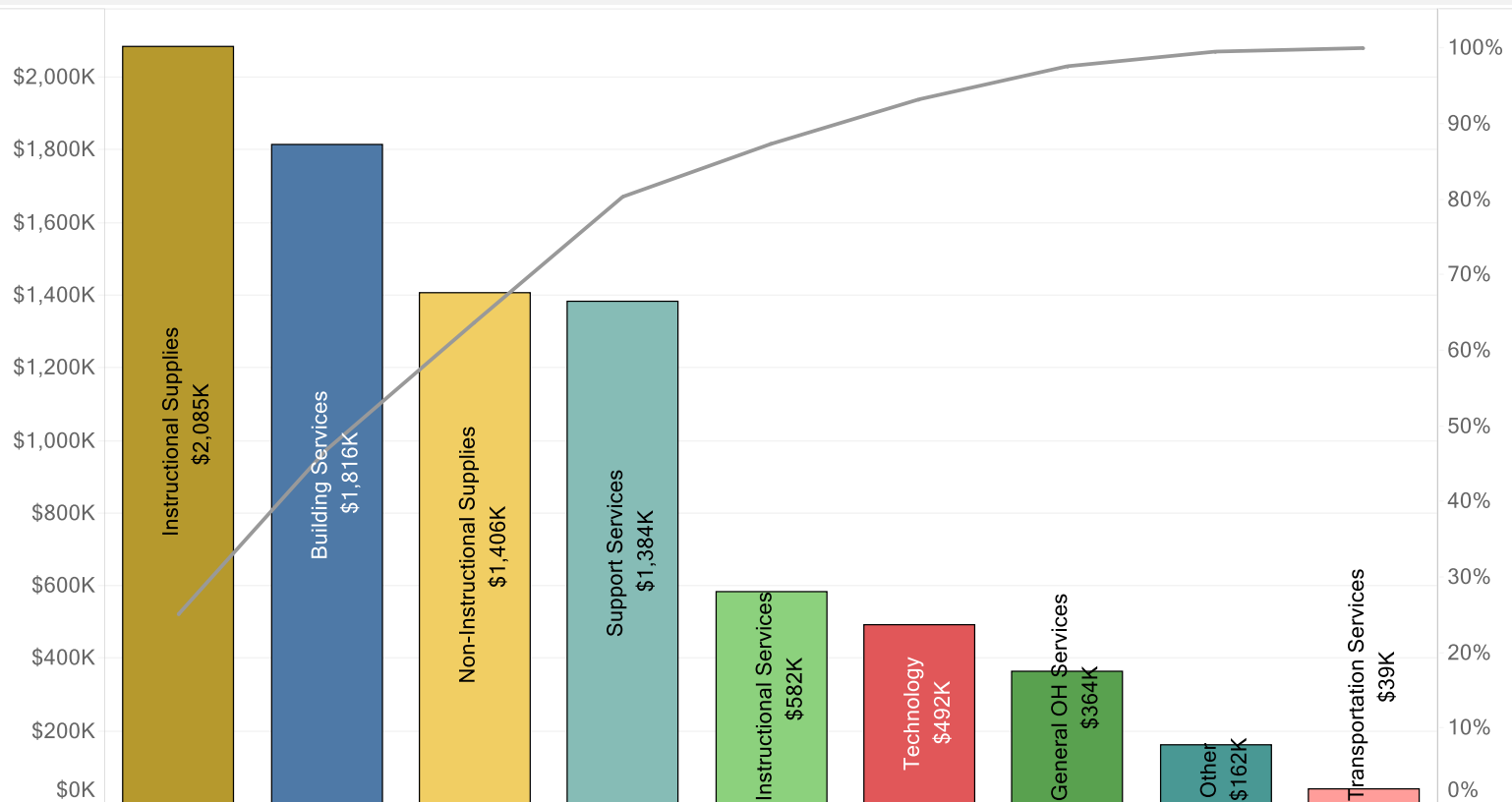
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PROCUREMENT CHEROKEE

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.

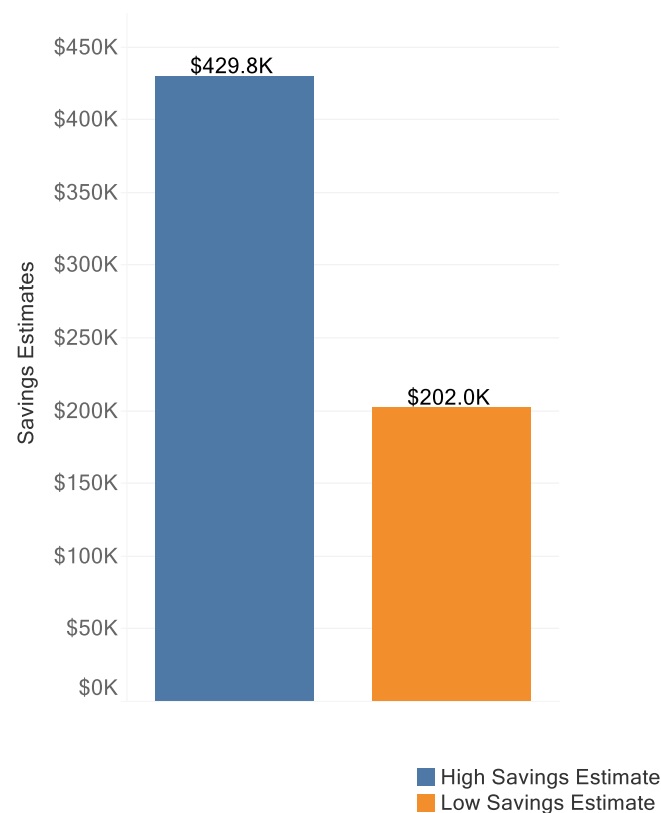
District In Scope Total Procurement Spend^[3] = \$8,329,896



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 CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District has resources focused directly on procurement and is able to rely on these resources to maximize purchasing activities. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across more than 2,000 vendors; however, the top 20 make up more than 80% of total spending. Schools and individual departments are given autonomy in purchasing decisions below \$2,500. Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Schools are encouraged to use State contracts for purchasing. Aggregated purchasing decisions across districts are not made. The District has found it challenging to utilize the State system for purchasing. In particular, they have cited difficulties browsing the database and finding an appropriate vendor unless they already know which vendor they want. The Finance Director reviews and signs off on every invoice and is able to identify price outliers. The District has cited difficulties in obtaining responses for RFPs and solicitations. 	<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 CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<ul style="list-style-type: none">• Where appropriate, include Most Favored Nation (MFN) clauses into contracts that require the vendor to provide the District pricing that is no higher than the price it provides to any other buyer, now or during the term of the agreement.• Further, the District should work with the state procurement officials to promote the value of cooperative purchasing and Group Purchasing Organizations (e.g. US Communities). Ultimately, the state legislature will need to consider revisions to the code to enable use of this type of collaboration for larger districts.

PROCUREMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District utilizes M.B. Kahn for its major construction projects and facilities studies. • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. • Energy: The District does not fix rates for natural gas contracts. The District has worked with an outside provider to identify and implement potential areas of energy savings. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software and services to be placed out to bid unless service is over \$2,500. • The District does not procure these services and software in collaboration with any other districts. • The District currently relies on several vendors including FACES for international staffing and Soliant for staffing of special education services. • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging a state contract with Dell to make its purchases. • 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. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Standardization of Technology: The greatest 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. • Capitalize on potential for greater discounts on technology that is purchased using state contracts by leveraging special discount provisions that are identified in state contracts that are subject to negotiation. Evaluate additional opportunities to generate savings on ancillary services (accessories, warranties, break-fix, etc.) as part of procurement negotiations.

PROCUREMENT CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category (cont'd)	<ul style="list-style-type: none"> • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority of its non-instructional supplies outside of available state contracting vehicles (Quill) under the belief that it can receive comparable, if not better pricing. 	
Regional Collaboration	<ul style="list-style-type: none"> • The District participates in cooperative bids with other districts when possible. 	<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 CHEROKEE

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

Responsibility for school transportation operations is uniquely shared by the State and the District. The cooperative relationship allows school transportation to maximize operational efficiencies by leveraging economies of scale and regionalizing bus operations across small districts.

Transportation Operations	State Responsibility	District Responsibility
Bus Purchases	<ul style="list-style-type: none"> Provides buses for regular, special needs and other routes. Statute requires buses be replaced every 15 years. 	<ul style="list-style-type: none"> Activity buses and any incremental buses for routing
Daily Administration	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Student transportation enrollment; daily administration
Bus Drivers	<ul style="list-style-type: none"> Base pay, certification standards and training 	<ul style="list-style-type: none"> Hiring
Routing	<ul style="list-style-type: none"> Routing software for districts 	<ul style="list-style-type: none"> Determination of routes
Maintenance	<ul style="list-style-type: none"> Regional maintenance shops for State-owned buses 	<ul style="list-style-type: none"> Responsible for maintaining district purchased buses
Fuel	<ul style="list-style-type: none"> Fuel provided for State-owned buses 	<ul style="list-style-type: none"> Fuel must be purchased for district-owned bus District must pay for “hazard” routes
Safety Cameras	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> District must purchase
GPS / Bus Tracking	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> District must purchase
Stop-arm cameras	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> District must purchase
Radios / cell	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> District must purchase

TRANSPORTATION OVERVIEW

The District is responsible for the administration of student transportation which includes bus routing, hiring of bus drivers and daily coordination of student transportation.

13 Years

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

\$234 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	71.0
Personnel Expense ^[3]	\$1,901,391
Non-Personnel Expense ^[3]	\$429,580
Total Transportation Expense ^[3]	\$2,330,971

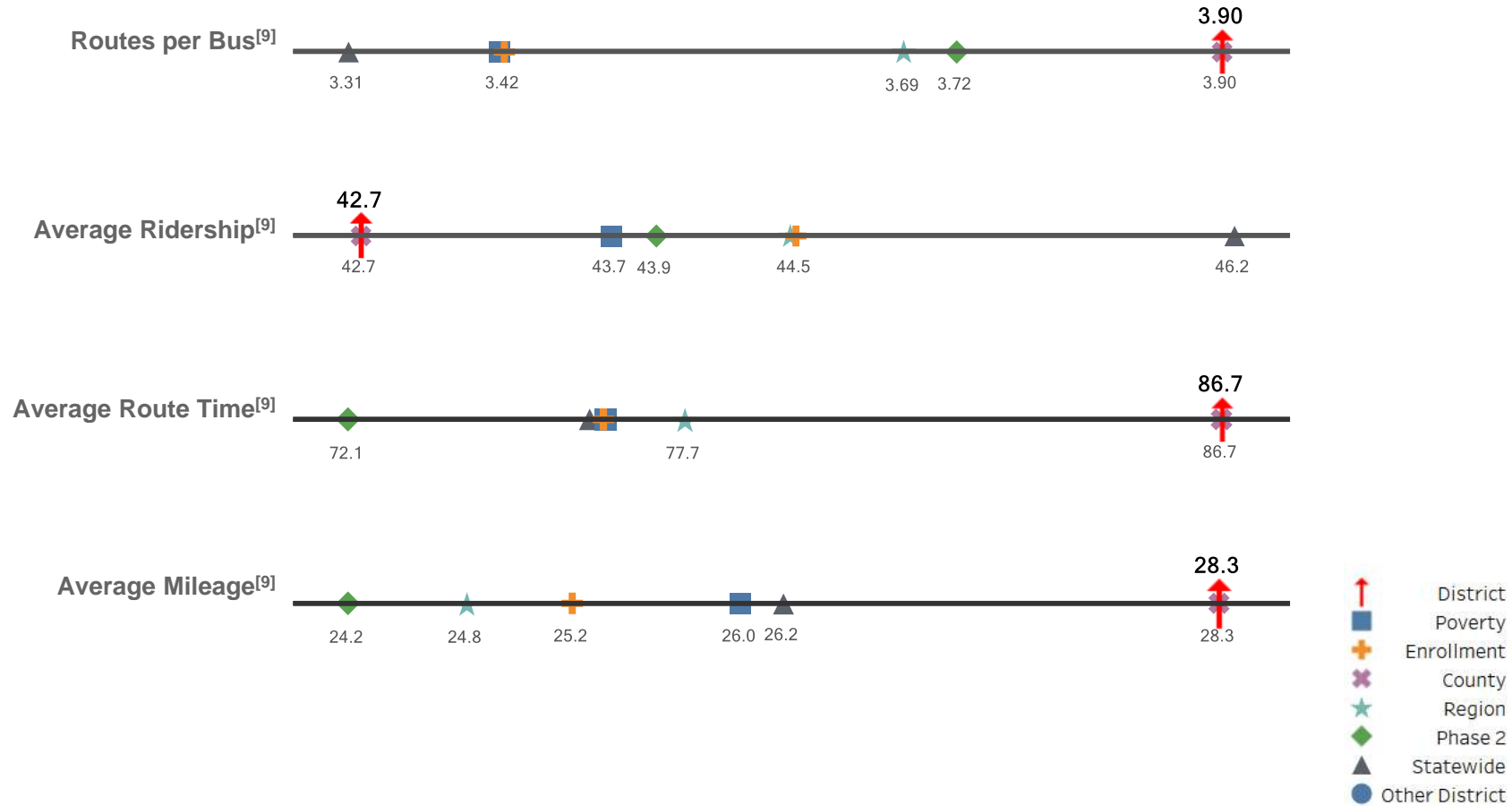
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	33.3	130	3.9	5,553	43	87	28
Special Needs	10.7	34	3.2	215	6	Not-Available	36
Other	6.3	30	4.7	1,145	38	Not-Available	11
Total	50.4	194	3.9	6,913	N/A	N/A	N/A

TRANSPORTATION CHEROKEE

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 CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: Transportation is run by one administrator. • Bus Drivers: The District has a difficult time recruiting bus drivers. The District currently has 1 vacancy. • The District has 5 permanent substitute drivers and 3 call-in sub drivers. In addition, coaches and teachers are often needed to cover routes. • Bus drivers are rarely dual-employed as aides, food workers or custodians to minimize overtime payments; however, the District is evaluating opportunities for dual-employment. • Bus drivers are currently paid a starting rate of \$10.68, approximately \$3.50 above state reimbursement levels. • The District has implemented a \$600 year-end bonus for good attendance and a clean driving record to aid in recruitment and retention. • The District has made safety a priority through updated policies and procedures, safety trainings, and greater scrutiny. As a result, workers' compensation claims have been reduced by 75%. 	<ul style="list-style-type: none"> • As an additional recruitment and retention incentive, create opportunities for summer employment, such as driving activity buses, driving for summer school, or working in maintenance for the summer. • To improve driver morale and improve retention, hold community building activities such as monthly bus driver dinners. • Implement a substitute / back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION CHEROKEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • The District does not utilize routing software. The District has considered software but feel there is not adequate staff resources to run the software. • The District runs both staggered bus routes and bell times, though all schools have start times within 10 minutes of each other. • The District has GPS on its buses. • The District provides radios to drivers to contact drivers while on routes. • The District has security cameras on all buses. They are also planning to install cameras in bus lots through a SCSBIT grant. • The District does not have stop-arm cameras on buses. They participated in the pilot program but found that photos from cameras were not sufficient to prosecute violators. • 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. • Implement further staggering of bell times to 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students.
Collaboration	<ul style="list-style-type: none"> • The District is part of the Olde English Consortium and meets regularly with surrounding districts to discuss challenges and opportunities. 	

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY CHEROKEE

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.

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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 CHEROKEE

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.

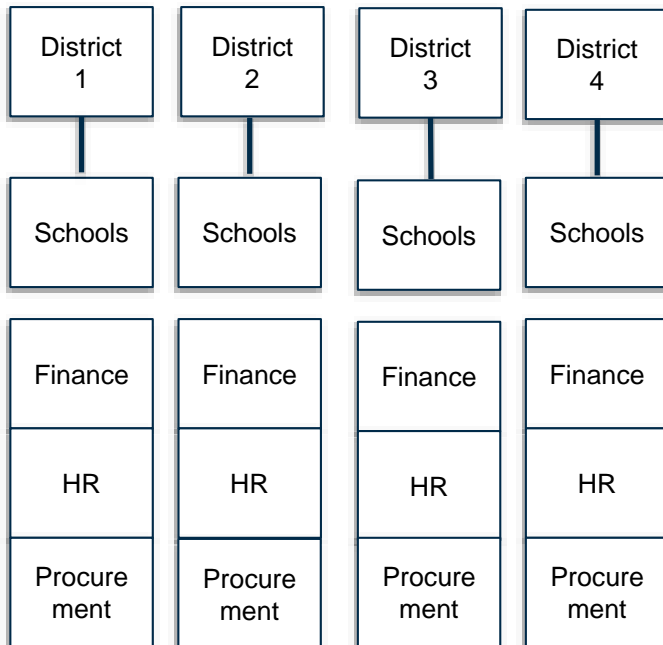
APPENDIX A: SAVINGS METHODOLOGY CHEROKEE

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.

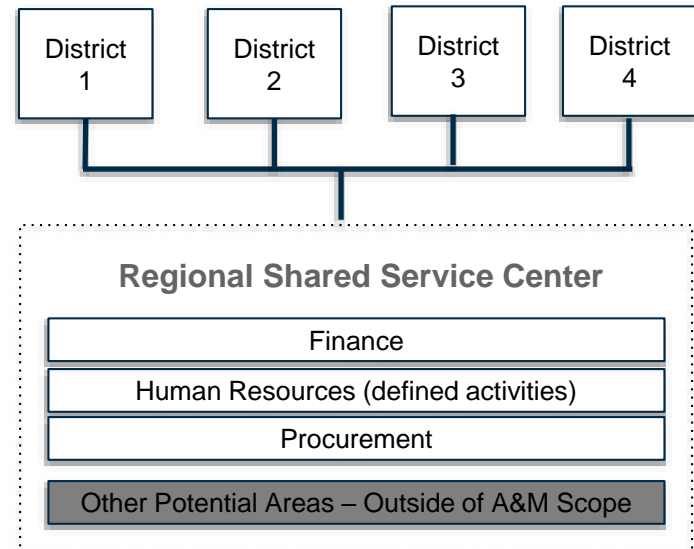
CURRENT STATE: STAND ALONE DISTRICT

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.

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SHARED SERVICES MODEL: SAVINGS APPROACH

Cost savings potential from a Shared Services Model will vary greatly depending upon: (1) the number of districts; (2) the sizes of districts opting to work together and (3) the services functions that are included in the shared services center.

In order to develop a range of savings that a collaboration model would yield, A&M considered collaborations of multiple types and amounts of districts. An example of the range of options considered for financial management collaboration is shown below.

	Financial Management Collaboration: Two Districts [Both Small]		
	Current State	Collaboration Model	Savings
# of Districts	2	2	NA
Total ADM	2,500	2,500	NA
Total FTEs ⁽¹⁾	4.75	4.00	0.75
Total Spend ⁽¹⁾	\$468,856	\$427,128	\$41,728
Savings %			8.9%

(1) Total FTEs and Total Spend based upon average FTEs of average spend of two small districts (less than 2,500 enrollment). Actual results may vary depending upon districts opting to collaborate.

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

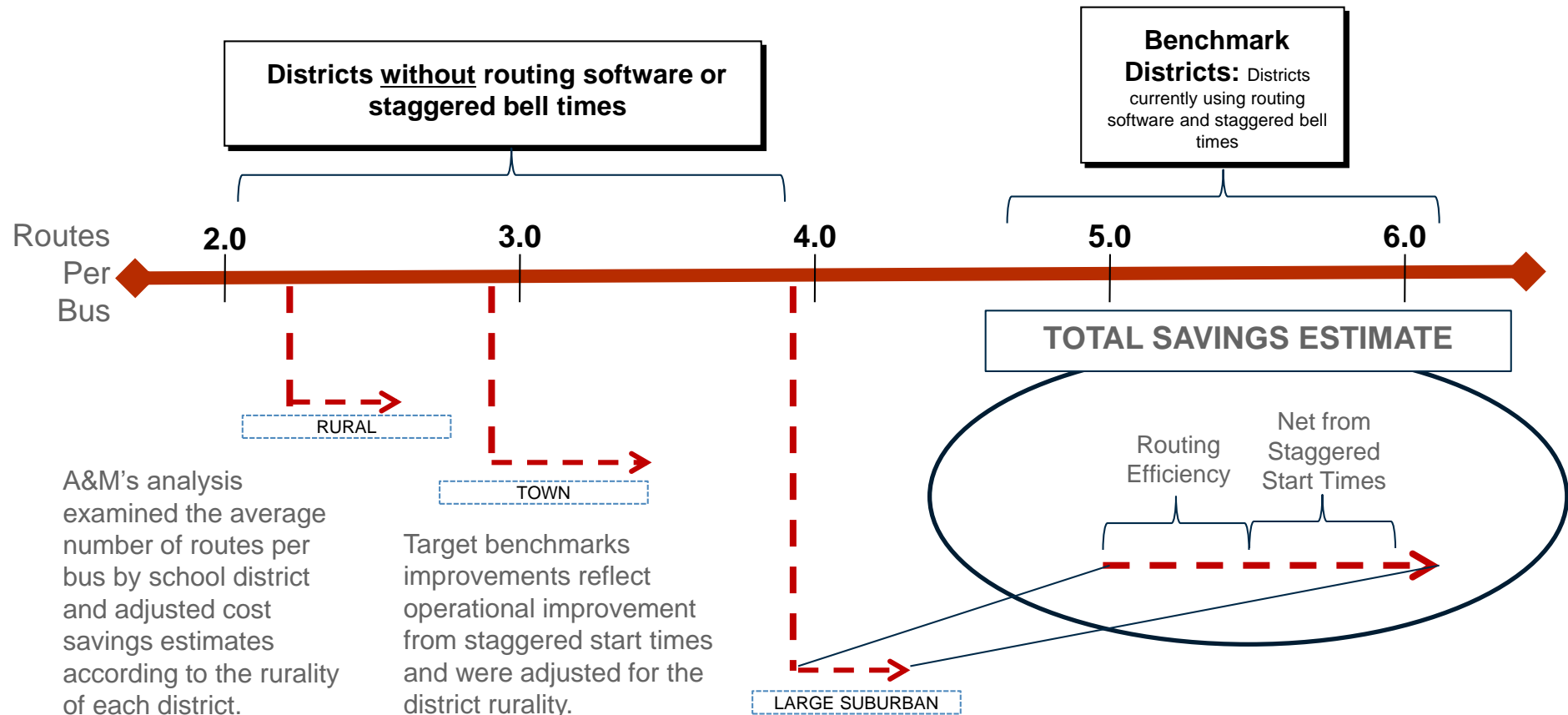
(2) Total FTEs and Total Spend based upon average FTEs and average spend of one large district (>10,000 ADM), one medium district (between 5,000 and 10,000 ADM) and 3 small districts (less than 2,500 enrollment).

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

APPENDIX A: SAVINGS METHODOLOGY CHEROKEE

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)

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.

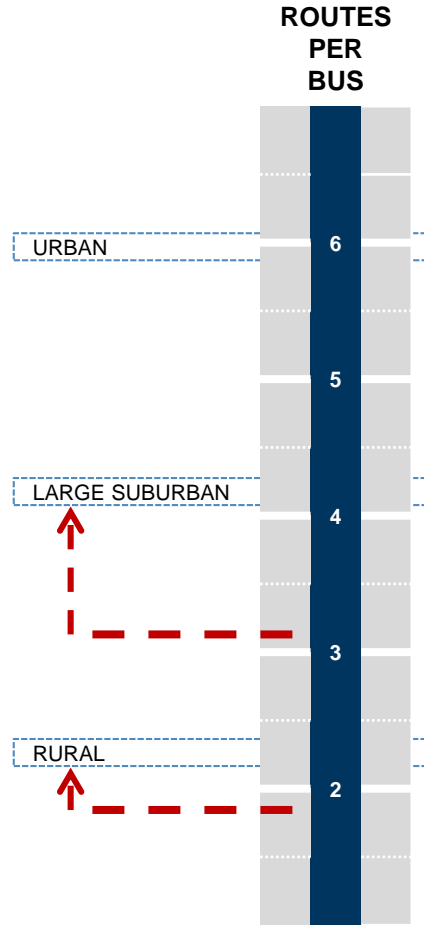
APPENDIX A: SAVINGS METHODOLOGY CHEROKEE

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.

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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 CHEROKEE

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

CHEROKEE

[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 CHEROKEE

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 CHEROKEE

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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