



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Chester

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

CHESTER

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

CHESTER

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

CHESTER

PROJECT OVERVIEW (CONTINUED)

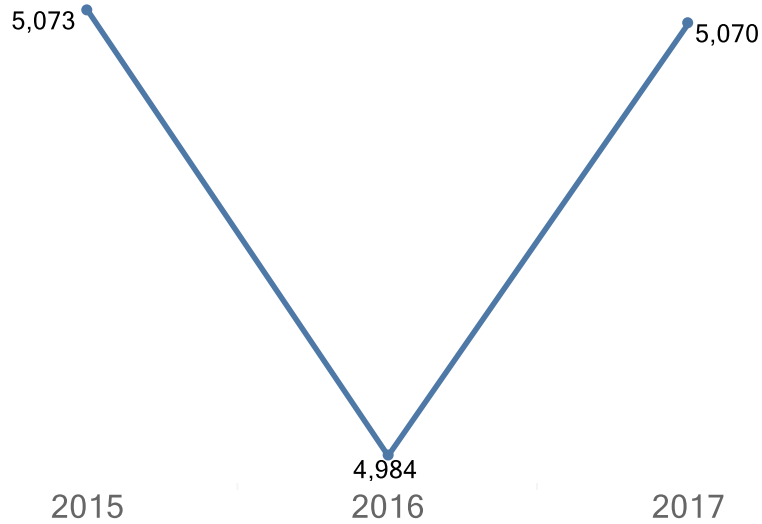
➤ Sources of Data and Savings Estimates:

- 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.

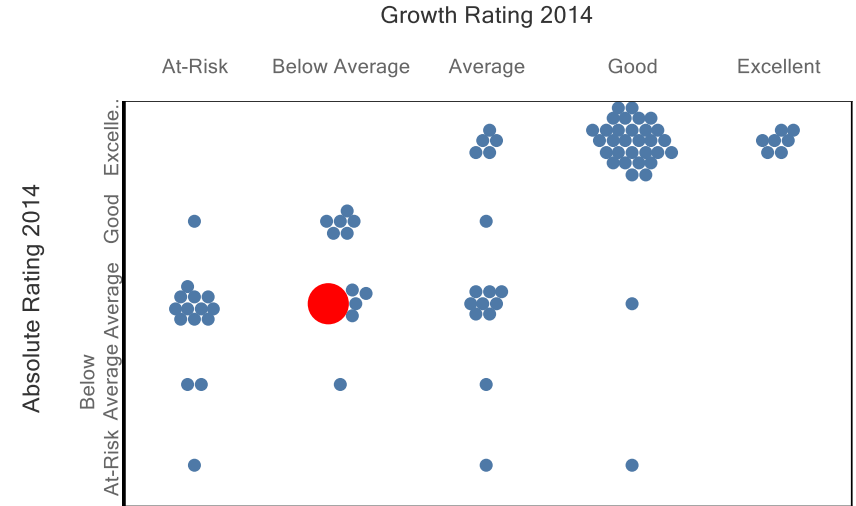
EXECUTIVE SUMMARY

CHESTER

Average Daily Membership^[2]



Student Achievement^[1]



General Info

| | |
|--|----------|
| Number of Schools ^[2] | 11 |
| % Poverty ^[1] | 75.3% |
| % Disability ^[1] | 13.7% |
| \$ Per Student ^{[2],[3]} | \$12,766 |
| \$ Per Student Excluding Debt & Capital ^{[2],[3]} | \$11,426 |

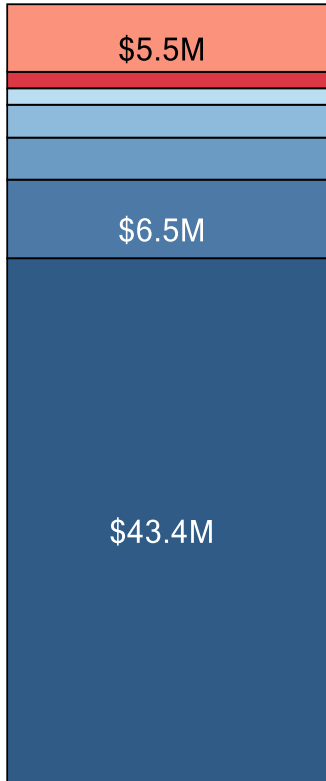
Administration

| | |
|--|-------|
| Students Per Instructional Services FTE ^{[2],[4]} | 9.1 |
| Students Per Overhead FTE ^{[2],[4]} | 195.0 |
| Students Per School Support FTE ^{[2],[4]} | 40.4 |
| Students to Total FTE ^{[2],[4]} | 7.1 |

EXECUTIVE SUMMARY

CHESTER

Sources of Funds^[5]
\$64.4M



2015-2016

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

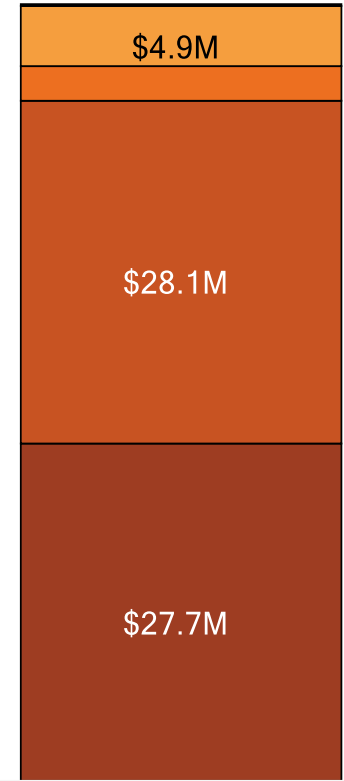
Use of Funds - Type^[3]
\$63.6M



2015-2016

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

Use of Funds - Function^[3]
\$63.6M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

CHESTER

\$63.6M
Total

\$11.2M
In-Scope

\$52.4M
Not In-Scope

17.7% of total spend is within scope of the efficiency review:

| | In Scope Spend ^[3] | Procurement Component |
|---|-------------------------------|-----------------------|
| Finance | \$483,325 | \$73,562 |
| Human Resources | \$344,577 | \$23,991 |
| Overhead | \$1,530,313 | \$763,975 |
| Transportation | \$1,552,685 | \$70,667 |
| Procurement (Community Services, Instruction, Support Services) | \$7,315,598 | \$7,315,598 |
| TOTAL | \$11,226,498 | \$8,247,793 |

EXECUTIVE SUMMARY

CHESTER

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: A great place to grow, committed to excellence for ALL students.

- **Student Achievement:** Increase test scores in English Language Arts and Mathematics through maintenance of small class sizes, targeted professional development for teachers, integration of instructional technology, and implementation of student progress plans.
- **College & Career Readiness:** Increase the percentage of students graduating in four years, passing the High School Assessment Program (HSAP) on the first attempt, and passing the End of Course Examination Program (EOCEP) in order to meet or exceed the state's rate for districts with similar demographics.
- **Student Tracking & Data Collection:** Track students at least one year after graduating through increased teacher accountability, improved follow up and communication logging, and social media tracking to increase performance on the Perkins IV School Accountability Indicator.

Achievements

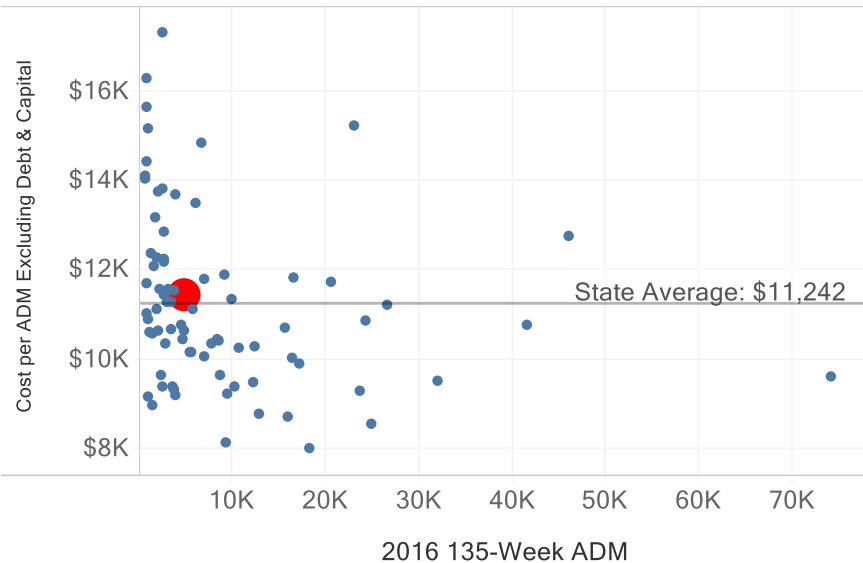
- **Technology:** The District has expanded their 1:1 digital learning initiative for grades 3-12.
- **Awards & Achievements:** The District has been recognized for "Closing the Achievement Gap" and has earned several Palmetto Awards.
- **College & Career Readiness:** Numerous dual credit courses are offered to high school students through York Technical College and USC Lancaster.
- **Professional Development:** The District has implemented weekly professional development courses for the overall improvement of teacher quality.

Challenges

- **Turnover:** Unstable leadership has led to a lack of follow through on strategic initiatives and inconsistent processes within departments.
- **Enrollment Change:** The District saw decreases in enrollment, which has led to challenges in planning.
- **Economic Decline:** Loss of funding has forced the District to reduce instructional coaches and add extra responsibilities for teachers and administrators.
- **School Climate:** The District's suspension/expulsion rate has increased, and teacher attendance rate has decreased.

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

CHESTER

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

| | Current State |
|------------------------|--|
| Finance | <ul style="list-style-type: none"> • Financial Management: In FY16-17 the former State DOE CFO was hired to drive organizational change as the Chief Financial Officer. The department is adequately staffed and has a strong fund balance of 20.6%, higher than the statewide average of 18.7%. • Manual Processes: The District still uses a significant number of manual processes due to the lack of automation in time tracking, employee self service, position control, and purchase order systems. |
| Human Resources | <ul style="list-style-type: none"> • Staffing / Processes: The department has adequate staffing to serve all HR functions. The department's processes are heavily automated, including: substitute management, recruiting, hiring and on-boarding. • Recruiting and Retention: The District struggles to fill vacancies but does not currently use international staffing agencies. In addition, despite an average teacher salary that is on par with the rest of the region, the District has challenges retaining teachers, with a 13% turnover rate. |
| Transportation | <ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. Similar to other districts, the District is grappling with a shortage of drivers and a lack of a substitute pool. • Manual Routing: The District does not have routing software that is capable of identifying the most efficient routes. |
| Procurement | <ul style="list-style-type: none"> • Staffing and Organization: The District does not have any resources fully dedicated to the Procurement/purchasing function. • Strategic sourcing: The District would benefit from increased buying power from greater collaboration across districts and increased rigor around contract analysis and negotiation in order to achieve best value. |
| Overhead | <ul style="list-style-type: none"> • Staffing and Organization: The District's leadership has seen high levels of turnover, and recently hired a new Superintendent. • Collaboration: The District informally collaborates with other regional partners through the Olde English Consortium. |

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

CHESTER

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: Update software versions and / or add modules to financial systems to facilitate automated and purchase to payments processes, integrated timekeeping and payroll and position control functionality.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing/Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p> | <p>System Enhancements: Continue to implement and enhance technologies to automate HR processes.</p> <p>Process Improvements: Formalize plans to enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Formalize succession plans to ensure long term stability of the department.</p> | <p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p> | <p>System Enhancements: Implement new routing software, GPS and security cameras on all buses.</p> <p>Process Improvements: Further Staggered Bell Times: - Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits of using routing software.</p> <p>Staffing/Organization: Utilize new routing software to make routes more efficient and potentially reduce the number of bus drivers necessary for operation.</p> |

EXECUTIVE SUMMARY

CHESTER

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

CHESTER

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

CHESTER

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

Preliminary investment and savings estimates for your District are shown below.

| | MODERNIZE Est. One-Time Investment | | COLLABORATE Est. Net Annual Savings | |
|---------------------------|---------------------------------------|------------------|--|------------------|
| | Low | High | Low* | High |
| Finance | \$17,500 | \$32,500 | \$48,200 | \$144,700 |
| Human Resources | 15,000 | 25,000 | 0 | 33,900 |
| Procurement | 0 | 0 | 215,100 | 453,500 |
| Transportation – District | N/A | N/A | 47,000 | 70,000 |
| District Total | 32,500 | 57,500 | 310,300 | 702,100 |
| Transportation – State | 20,000 | 74,000 | 33,900 | 80,900 |
| Total | \$52,500 | \$131,500 | \$344,200 | \$783,000 |

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

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

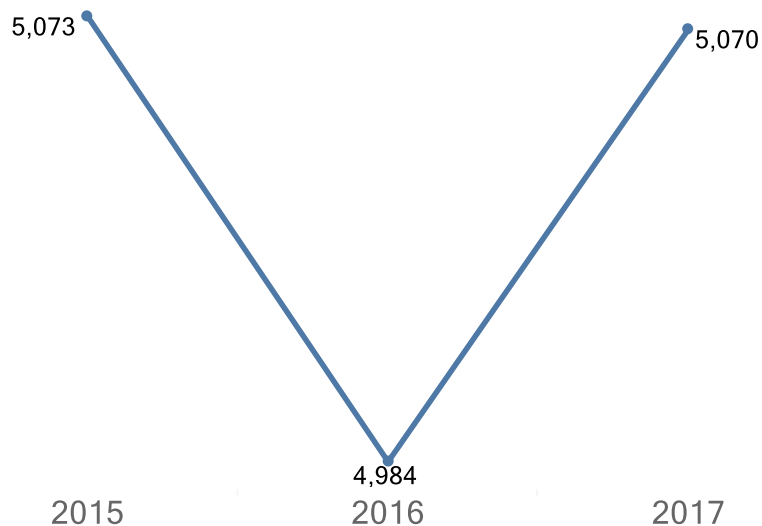


OUTLINE

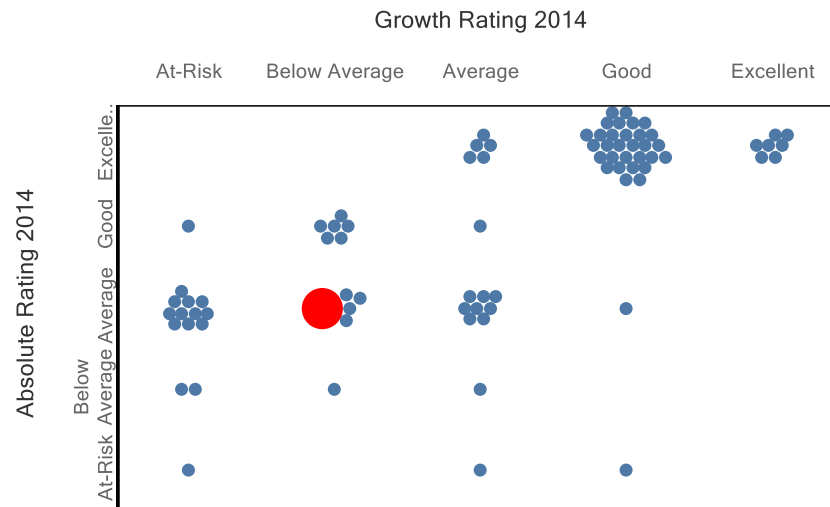
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DISTRICT ADMINISTRATION AND PERFORMANCE CHESTER

Average Daily Membership^[2]



Student Achievement^[1]



General Info

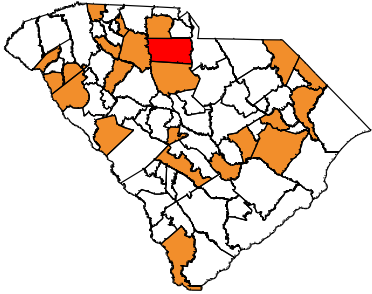
| | |
|--|----------|
| Number of Schools ^[2] | 11 |
| % Poverty ^[1] | 75.3% |
| % Disability ^[1] | 13.7% |
| \$ Per Student ^{[2],[3]} | \$12,766 |
| \$ Per Student Excluding Debt & Capital ^{[2],[3]} | \$11,426 |

Administration

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| Students Per Instructional Services FTE ^{[2],[4]} | 9.1 |
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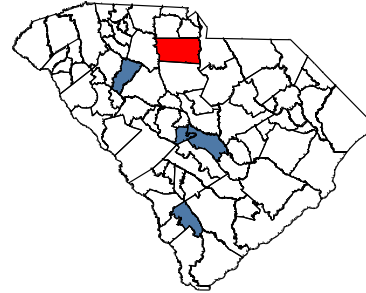
DISTRICT BENCHMARKING CHESTER

Enrollment (2,500 - 5,000)



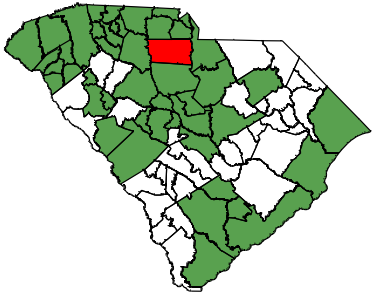
| | |
|--------------|----------------|
| Abbeville 60 | Lexington 04 |
| Anderson 02 | Marion 10 |
| Anderson 03 | Marlboro |
| Anderson 04 | Orangeburg 03 |
| Chester | Orangeburg 04 |
| Clarendon 02 | Spartanburg 01 |
| Dillon 04 | Spartanburg 03 |
| Edgefield | Spartanburg 04 |
| Fairfield | Union |
| Florence 03 | Williamsburg |
| Jasper | York 01 |
| Laurens 56 | |

Poverty (75% - 80%)



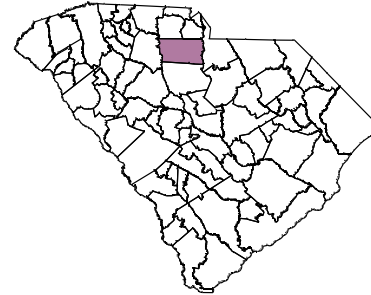
| |
|--------------|
| Calhoun |
| Chester |
| Hampton 01 |
| Laurens 56 |
| Lexington 04 |

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 | |

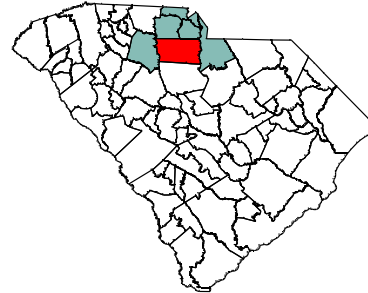
| |
|---------|
| Sumter |
| Union |
| York 01 |
| York 02 |
| York 03 |
| York 04 |



County (Chester)

| |
|---------|
| Chester |
|---------|

Region (Catawba)

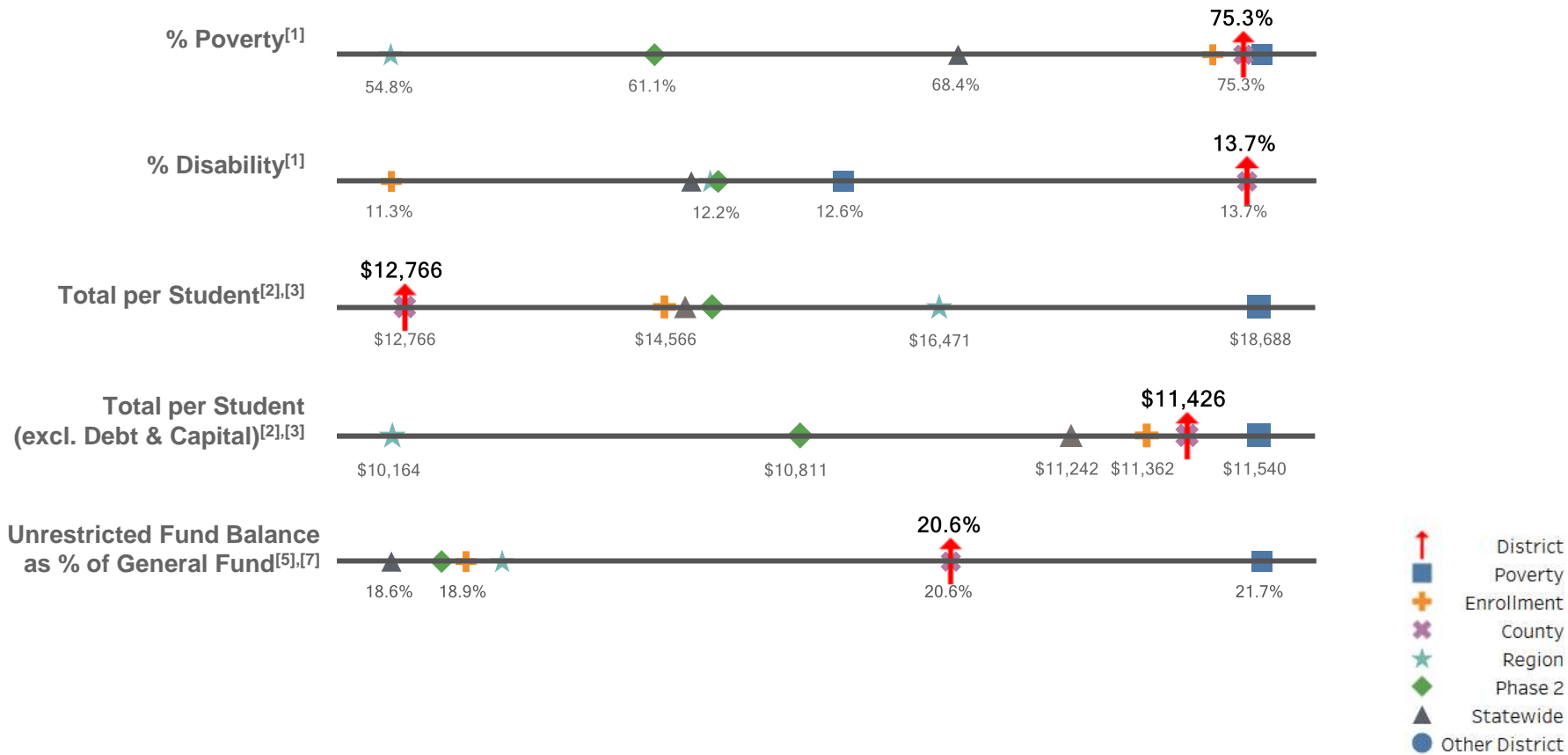


| |
|-----------|
| Chester |
| Lancaster |
| Union |
| York 01 |
| York 02 |
| York 03 |
| York 04 |

DISTRICT OVERVIEW CHESTER

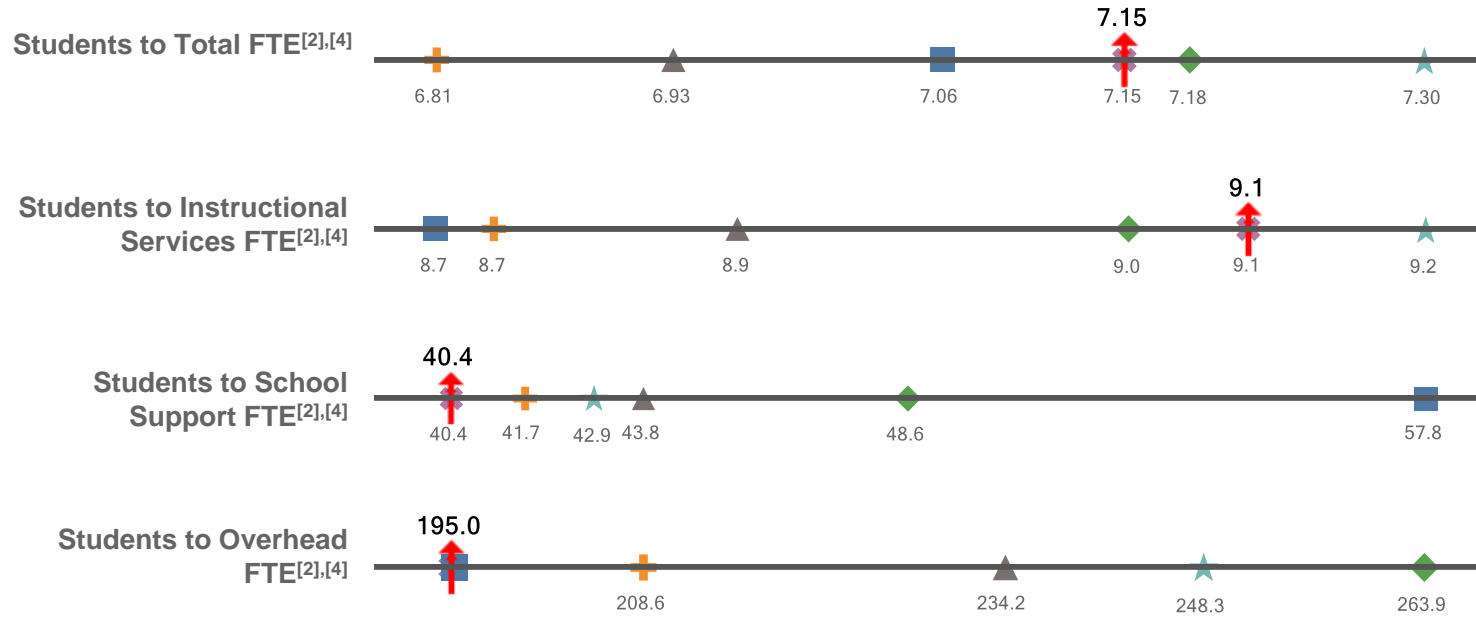
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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 CHESTER

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|---|--|---|
| Enrollment Trends | <ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has remained constant over the past 3 years. In addition, the District saw an 8.2% decrease in enrollment from FY09 – FY17 but currently estimates stagnant enrollment levels through 2025. • Student Demographics: The District operates a special education school that serves all severe special education students from across the Region. • Competition: The District has one charter school for K-8, but it does not create any challenges with regards to competition or funding. • Long-term Planning: The District recently completed a long-range demographic study by working with the Chester Development Association to monitor trends in economic development in the County. | <ul style="list-style-type: none"> • The District should move forward with a long-term enrollment forecast to better plan for enrollment changes, ensuring long term financial stability and accurate operational and capital planning. |
| District Funding and Resource Allocation | <ul style="list-style-type: none"> • Per Pupil Expense: When excluding debt and capital, the District's Per Pupil Expense of \$11,426 is slightly higher than the statewide average of \$11,242 and the enrollment band average of \$11,362. • Unrestricted Fund Balance: The District has an Unrestricted Fund Balance that is 20.6% of revenues. The fund balance is above the statewide average of 18.6%, resulting in strong financial stability. • Fund Balance Policy: The District has a policy to maintain a 16% Unrestricted Fund Balance. | <ul style="list-style-type: none"> • The District should follow through with their development of a five year financial plan that considers enrollment projections, facilities needs and other resource allocation projections to facilitate long term operating and capital planning and help ensure long term financial stability. |

DISTRICT OVERVIEW AND OVERHEAD CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--|---|---|
| District Funding and Resource Allocation (cont'd) | <ul style="list-style-type: none"> • Student to FTE: The District's Student to Total FTE ratio of 7.15 is higher than the statewide average (6.93) and enrollment band average (6.81). • Student to Instructional Services FTE: The Student to Instruction ratio of 9.1 is higher than the statewide average (8.9) and enrollment band average (8.7). • Student to School Support FTE: The Student to Support Services ratio of 40.4 is lower than the statewide average (43.8) and enrollment band average (41.7). • Student to Overhead FTE: The Student to Overhead Ratio of 195 is lower than the statewide average (234) and enrollment band average (209). | <ul style="list-style-type: none"> • Consider reorganization of resources to increase the instructional services resources and streamline the support services and overhead functions. |
| Staffing / Organization | <ul style="list-style-type: none"> • Organization: The Superintendent has 7 direct administrative reports in addition to the school principals that include: (a) 4 Senior Leadership Staff; (b) Adult Education Director; (c) Alternative School and Career Center; (d) Administrator. • Communications Function: The Chief Operations Officer's Administrative Assistant acts as the part time Public Information Officer for the District. • Legal: The District has no legal department. If legal advice is required, the District utilizes external firms to provide support. • Turnover: The District's leadership has seen high levels of turnover and recently on-boarded a new Superintendent in May 2016 after she served as the interim Superintendent. | <ul style="list-style-type: none"> • Create a formal succession plan for any leadership positions within the District to maintain stable leadership structure during times of uncertainty. |

DISTRICT OVERVIEW AND OVERHEAD CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|---|--|---|
| Board of Education | <ul style="list-style-type: none"> • Board Pay: The Board Members of the District are not paid. • Board Composition: There are 7 board members with 2 seats currently vacant. The board includes two former District employees and long time board members with 20+ years of experience who are familiar with challenges facing the District. • Training: Every new board member is provided an introductory review by each of the senior staff members upon their election/appointment to the Board, and participate in the state mandated training provided by the SC School Boards Association. | <ul style="list-style-type: none"> • Ensure each of the new board members takes the introductory training and training continues for preexisting board members. |
| Philanthropy and Business Engagement | <ul style="list-style-type: none"> • The District leadership manages business and community engagement for the district. The Superintendent is a member of the Chester development association, and the District is engaged with the local chamber, manufacturing alliance, and the City and County of Chester. • The District does not conduct fundraising, other than for pupil activities, but is affiliated with the Chester Public Education Foundation, where the Superintendent, CFO, and Chief Instructional Officer sit on the board with 2 chamber members. All donations are routed through its education foundation. • The District maintains formal philanthropic partnerships with the Chester HealthCare Foundation, the Lutz Foundation, and J. Marion Sims for free healthcare services and sponsorship of student activities. | <ul style="list-style-type: none"> • The District should consider a shared Chief Development Officer across districts who would maintain and cultivate philanthropic and business relationships to generate additional funding and support for the region. |

DISTRICT OVERVIEW AND OVERHEAD CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|----------------------|---|---|
| Collaboration | <ul style="list-style-type: none">• The District's Superintendent coordinates occasionally with other regional superintendents through participation in 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. |



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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.

724 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$97 per Student

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

Key statistics for metrics

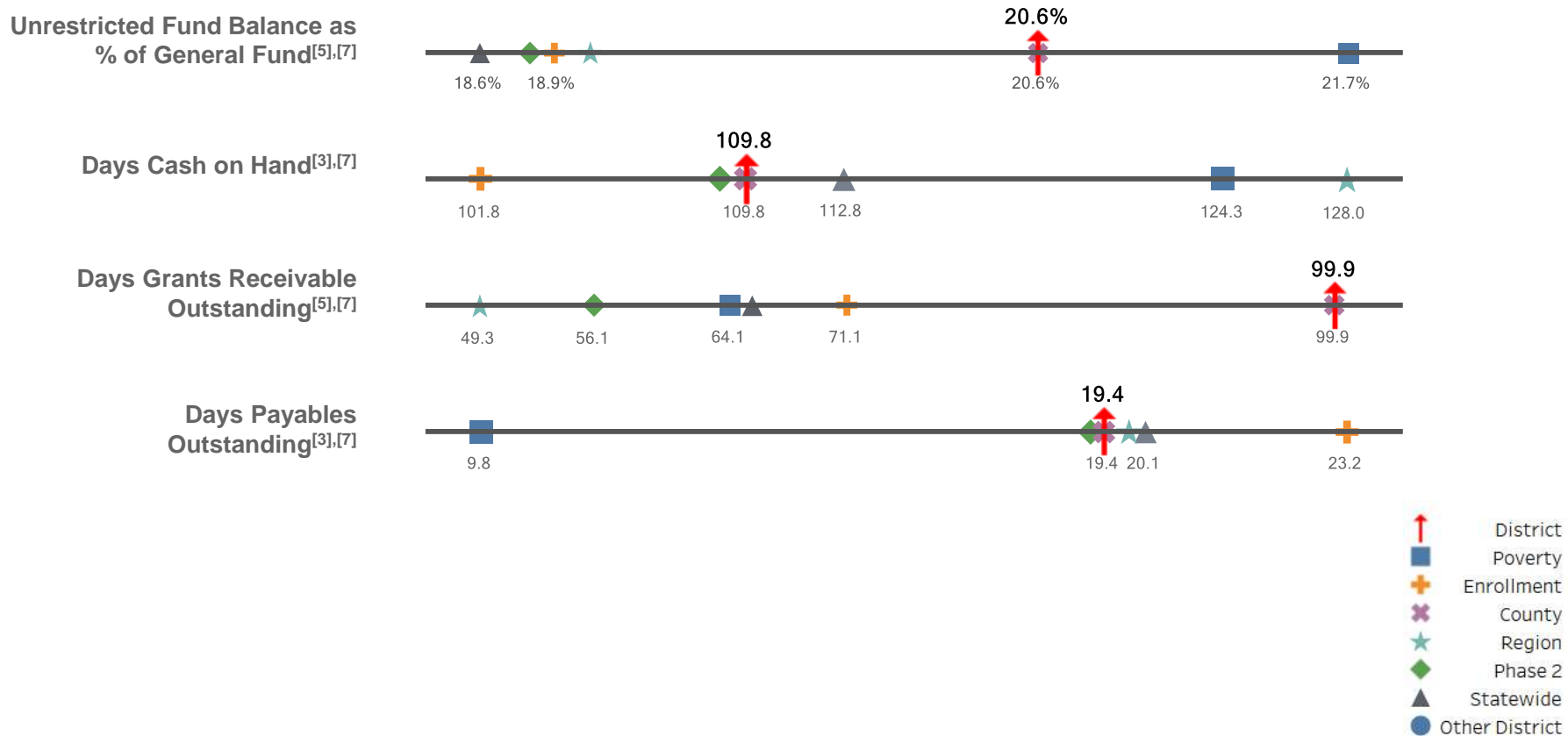
| | |
|--|-----------|
| Financial FTEs ^[4] | 7.0 |
| Personnel Expense ^[3] | \$409,763 |
| Non-Personnel Expense ^[3] | \$73,562 |
| Total Financial Expense ^[3] | \$483,325 |

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 CHESTER

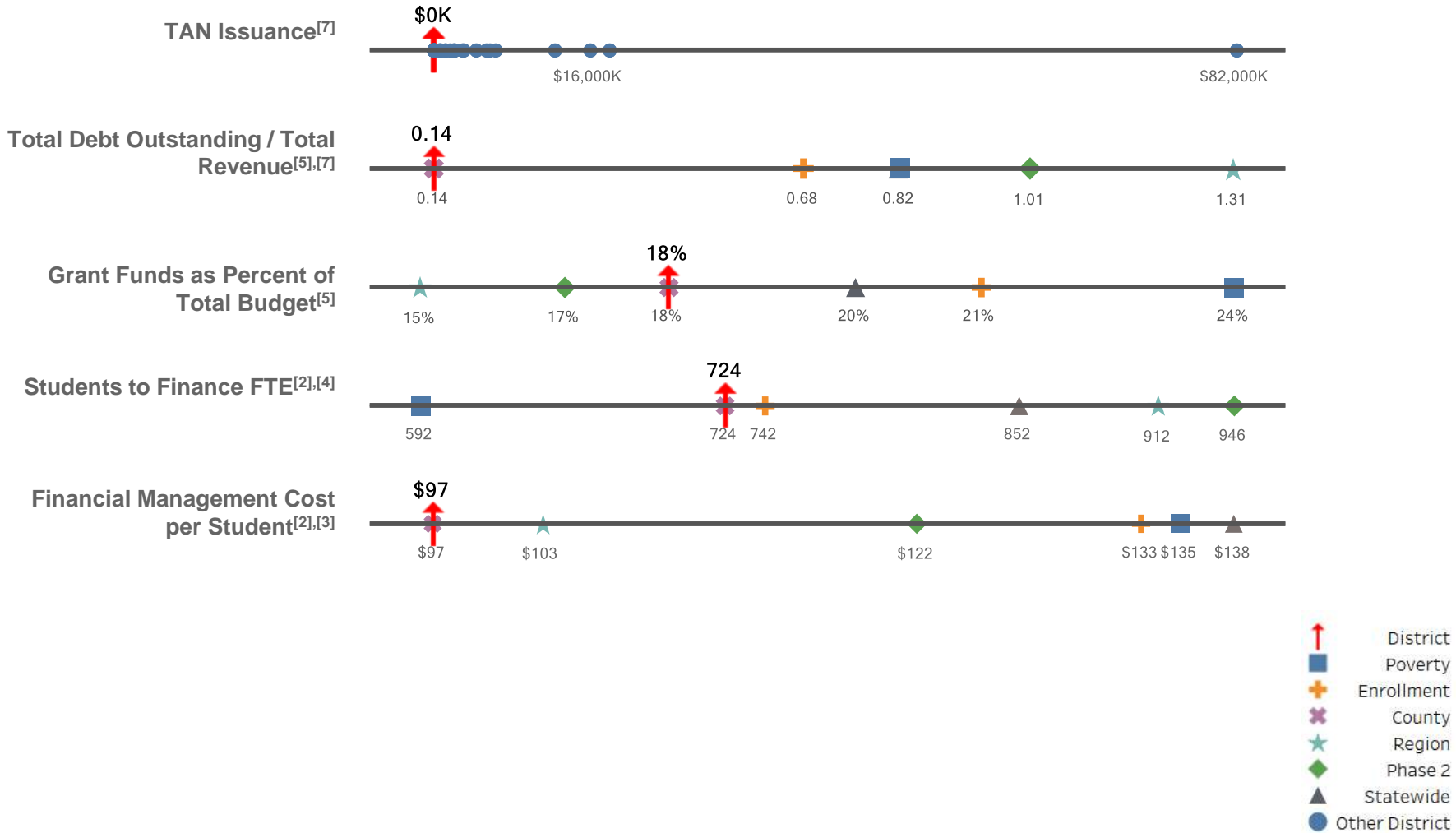
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 CHESTER

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------|--|---|
| Staffing / Organization | <ul style="list-style-type: none"> • The Finance organization runs on a lean budget but is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, and financial reporting. However, the District does not have any resources allocated to the procurement/purchasing function. • The Finance Department plans to restructure job functionality in the department for FY17-18 to increase collaborative efforts within the department and provide better oversight of decentralized spend activities. • Cross-training of finance staff is currently being performed for all positions. • Turnover: The former state CFO took over leadership of the District’s Finance Department at the beginning of FY16-17. The District’s staffing has remained stable within the past several years. • Finance Costs Per Pupil: The Finance cost per pupil for the District is \$97, which is lower than both the statewide average (\$138) and enrollment band average (\$133). • Student per Finance FTE: The Student to Financial Management FTE ratio of 724 is lower than the statewide average (852) but on par with the enrollment band average (742). | <ul style="list-style-type: none"> • Move forward with the plan to restructure job functionality in the department and follow a proper change management component plan to ensure a smooth roll out of the new staffing structure. • 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 CHESTER

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 semi-monthly basis. • 100% of the District’s employees receive paychecks through direct deposit. • The District uses an employee self-service platform for the automatic update of employee information in the payroll system. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. However, the District is currently exploring systems for the implementation of automated timekeeping. • Purchasing: The District does not currently use a centralized purchase order system. Schools are able to secure items and services in accordance with district and state regulations; however, there is no centralized approval process in place. • Purchase orders are processed using the Harris SmartFusion system with purchase orders printed and signed manually for approval. Requisitions under \$1,500 can be entered in the system by bookkeepers with de-centralized principal review required, and final forwarding the finance post approval. Transactions over \$1,500 are approved by the CFO, and those over \$10,000 are approved by the Superintendent. | <ul style="list-style-type: none"> • Implement an automated time-tracking functionality, such as a biometric timeclock, that integrates with the payroll system in order to eliminate the need for manual time sheets. • Add a module to the existing system that provides self-service capability to district employees. |

FINANCIAL MANAGEMENT CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|-------------------------------------|---|--|
| Payroll and Accounts Payable | <ul style="list-style-type: none"> • Accounts Payable: The District uses SmartFusion for A/P and prints and mails all checks. • The District does not utilize a Pcard program with associated rebates. • Inventory: The District maintains two warehouses, one for food service and the other for maintenance equipment. Annual inventory reviews are conducted manually. • The District has \$34,000 in food service supplies in the warehouse. • Office supplies are maintained by the school/department that made the purchase. • Risk Management: The District has formal risk management policies in place. | <ul style="list-style-type: none"> • Implement policies that require use of a centralized purchase order system by schools and administrative personnel. Leverage automated purchase order work flow systems that can be integrated with the financial systems. • Consider implementing a Pcard program through the state contract with Bank of America in order to streamline purchasing and take advantage of associated rebates. • Purchase scanners to help facilitate the bi-annual inventory process. |

FINANCIAL MANAGEMENT CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------|---|---|
| Grants Management | <ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 18% of revenue for the District, making them less reliant on grant funds than the rest of the state (20%) and districts with similar levels of poverty (24%). • Federal Funds: Federal Grant Project Managers (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The Finance Department collaborates closely with grants administrators to ensure that claims are made in a timely manner to maximize cash flow. • Indirect Costs: The District charges indirect costs against federal grants at the standard state negotiated rate of 5.43% for food service and 3% for the state calculated rate for federal grants. • Grants Monitoring: A program manager and a Senior Accountant review expenditures against grant requirements prior to submitting reimbursements. | <ul style="list-style-type: none"> • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities. |

FINANCIAL MANAGEMENT CHESTER

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. • Position Control: The District manually maintains position control through two separate tracking spreadsheets. Positions are tracked by Human Resources with a sheet that includes additions and subtractions and employee data (i.e., years of experience, college degrees, why they are leaving, etc.). The position sheet is paired with a budget spreadsheet to track Full Time Equivalent (FTE) staff with numbers for each position. Additions and subtractions are coordinated with the Finance Department to ensure that they are not being overstaffed. • Other: The Finance Department has defined and implemented procedures for the internal control of Pupil Activity spend at the school level to maintain internal controls for decentralized spend. | <ul style="list-style-type: none"> • The District should continue to improve on its internal control process by implementing an annual review of processes to ensure segregation of duties over key areas of internal control. • The District should enhance the existing SmartFusion program by adding modules and implementing budget position control in the system to ensure controls around hiring. |
| Cash Management | <ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance with 109.8 Days Cash on Hand. • The District reviews cash flow forecasts prior to each payroll run. In addition, the District sometimes utilizes Tax Anticipation Notes to manage working capital through December of the school year. • Grants Receivable Outstanding: The District's Days Grants Receivable Outstanding of 99.9 is significantly longer than the statewide average of 65.4. | <ul style="list-style-type: none"> • Implement cash a flow forecast to monitor weekly receipts and disbursements, maximize investments earnings and minimize draw on TANs. • Implement processes to file for grant (state and federal) reimbursements on a monthly basis to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines. |

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|---------------------------------|---|---|
| Cash Management (cont'd) | <ul style="list-style-type: none"> • Days Payable Outstanding: The Days Payables Outstanding of 19.4 indicates that the District is typically paying off liabilities within a month. This is slightly below the statewide average of 20.1 days. • Cash: The District invests excess cash balances in the State local investment pool. • Debt: The District's total Debt to Revenue ratio of 0.14 is very low compared to the statewide average of 0.83 and all peer groups. However, this should increase within the next year due to their robust plan for facilities improvement. The District utilizes SCAGO to assist with TAN issuance efforts. • TAN: The District did not issue TANs this past year to assist with liquidity needs during a cash low point but most recently issued a \$4 million TAN in FY15. | |
| Budget | <ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a roll-forward of the prior year expenses, but takes into account new requests from department heads and principals. The budget team works extensively with department heads to assess any new needs that are anticipated for the upcoming fiscal year. The District does not have a formal resource allocation model but does issue an allocation for supplies based on student count, and last year it conducted an assessment of the level of teaching resources needed to move to a 20:1 ratio at the K-3 level. • Fiscal Monitoring: Financial reports comparing budget to actual are shared monthly with key leaders and department heads. | <ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Implement a resource allocation model that takes into account long term projections and strategic planning efforts to ensure equity and adequacy of funding for all students and district initiatives. |

FINANCIAL MANAGEMENT CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|-------------------------------|---|--|
| Technology | <ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion for budget, purchasing, payroll, accounts payable, and financial management. • The District utilizes Harris SmartFusion to facilitate employee self service for payroll matters. • The District has been able to successfully transition to automated work processing in much of its processes; however, it is still using manual processes for timekeeping. The District is currently evaluating options for automated timekeeping systems. | <ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow, approval of purchase orders, and automated time tracking that links directly with the payroll system. • 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. • The District participates in discussions with the South Carolina Association of School Business Officials. • The District does not coordinate with others in the region on any transaction processing or finance related activities. | <ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts). |



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HUMAN RESOURCES CHESTER

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.

1,268 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$69 per Student

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

Key statistics for metrics

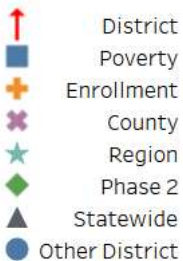
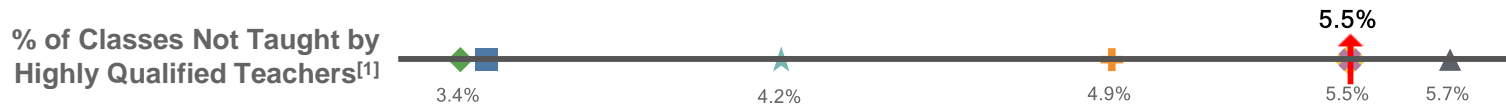
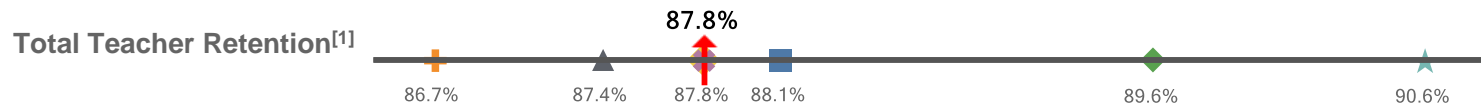
| | |
|--|-----------|
| Human Resources FTEs ^[4] | 4.0 |
| Personnel Expense ^[3] | \$320,586 |
| Non-Personnel Expense ^[3] | \$23,991 |
| Total Human Resources Expense ^[3] | \$344,577 |

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 CHESTER

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 CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|---------------------------------|---|--|
| Staffing / Organization | <ul style="list-style-type: none"> • Staffing: The Human Resources function operates on a lean budget, with limited staffing to support recruiting, retention, personnel relations, professional, benefits and professional development activities. • Human Resources Cost Per Pupil: The HR Department's per pupil of cost of \$69 is low relative to districts with similar levels of enrollment (\$77) as well as the statewide average (\$75). • Student per Human Resources FTE: The District's Student per HR FTE ratio of 1,268 is slightly lower than the statewide average (1,338) and districts with similar levels of enrollment (1,319). | <ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions. |
| Recruiting and Retention | <ul style="list-style-type: none"> • Similar to other school districts in the State, recruiting teachers into the District is challenging. However, the District no longer has to leverage international staffing agencies to fill vacancies. The District currently has 27 teacher vacancies, 18 of which must be filled in advance of next year. In addition, the District uses some resources from Teach For America to help fill the teacher pipeline. • The District offers the equivalent of 5 paid days for Professional Development hours through their weekly Tuesday Afternoon teacher development program. • The average teacher salary of \$49,088 is above the statewide average of \$47,567 and on par with regional averages. The District performed a salary study in the past year, benchmarking against districts of similar size and demographics within the State. | <ul style="list-style-type: none"> • 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 incentives; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs. |

HUMAN RESOURCES CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|----------------------|---|---|
| Technology | <ul style="list-style-type: none"> The District leverages PeopleAdmin for automation of applicant tracking, hiring and on-boarding processes. The District outsources to Kelly Services and uses AESOP. | |
| Benefits | <ul style="list-style-type: none"> Benefits administration is performed and overseen by a Benefits Coordinator with help from an Administrative Assistant. | <ul style="list-style-type: none"> Automate the benefits administration process via an employee portal. Employees could be responsible for updates and information would be linked directly to payroll. Establish a process with PEBA to conduct a local review of benefit plans for ineligible dependents. |
| Collaboration | <ul style="list-style-type: none"> The District is part of the Olde English Consortium that provides professional development opportunities in collaboration with other participating districts. | <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 Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts. |



OUTLINE

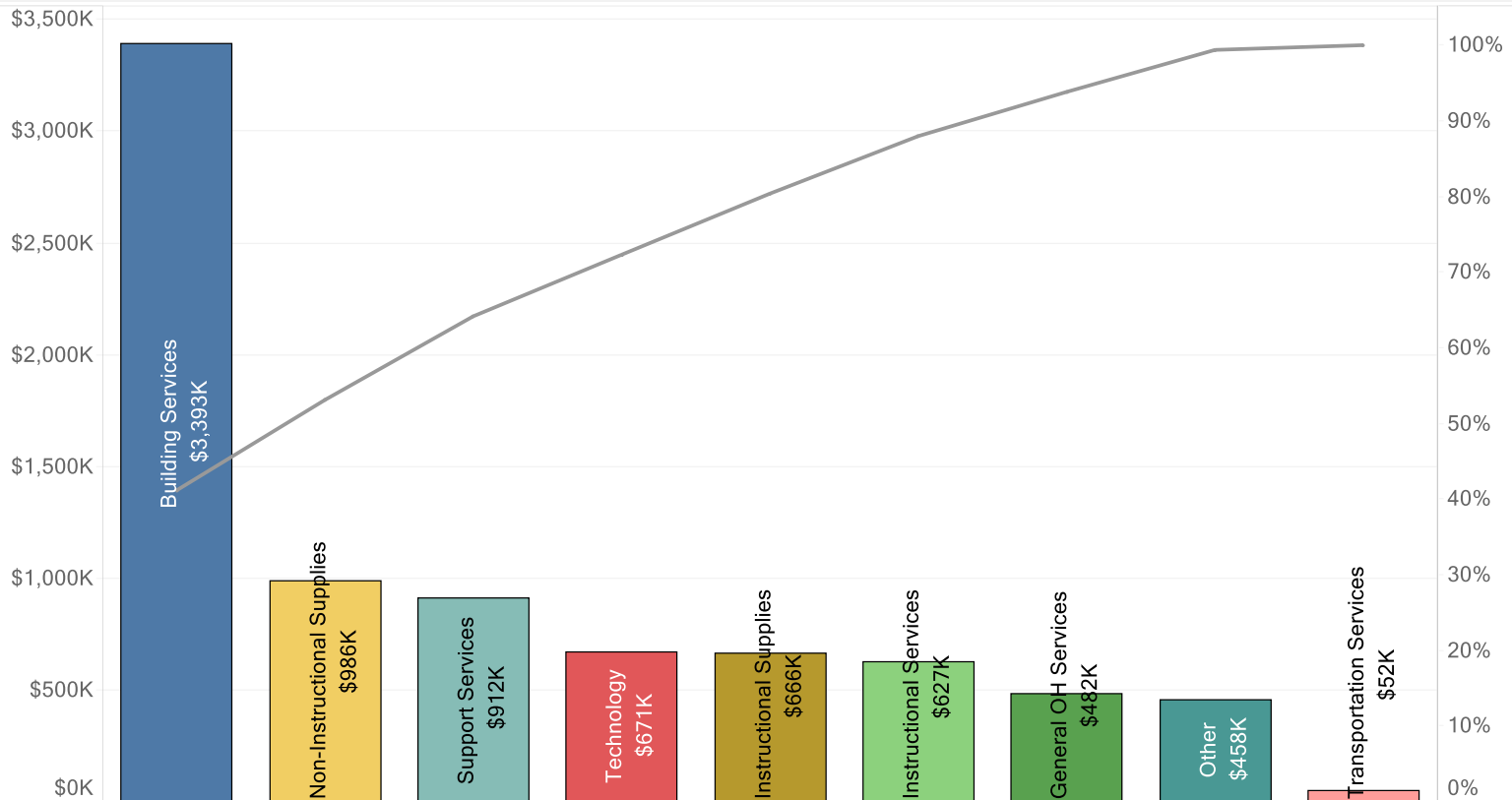
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PROCUREMENT CHESTER

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.

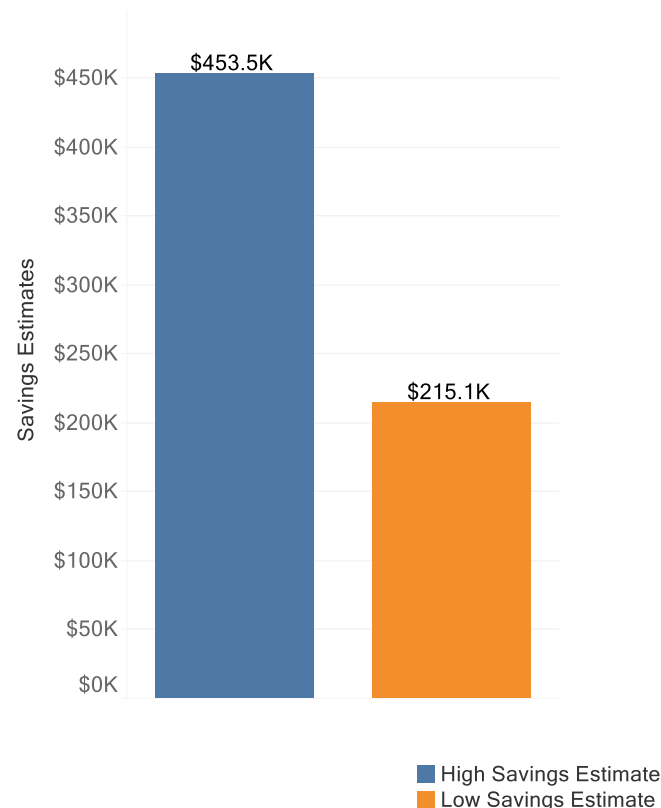
District In Scope Total Procurement Spend^[3] = \$8,247,793



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 CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------|---|--|
| Organization / Staffing | <ul style="list-style-type: none"> The District does not have any staff focused on purchasing and procurement. School-based bookkeepers and secretaries are expected to manage the buying process in accordance with district and state procurement requirements. | <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 1,200 vendors; however, the top 50 make up approximately 80% of total spending. Spending decisions are made by the individual buyer, with local optimization the main priority. Aggregated purchasing decisions across districts are not made. | <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. 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. |

PROCUREMENT CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|------------------------------------|--|--|
| Spending by Vendor (cont'd) | <ul style="list-style-type: none"> The District has taken steps necessary to participate in US Communities for FY17-18. | <ul style="list-style-type: none"> Continue to seek out opportunities to better leverage buying power by participating in Group Purchasing Organizations. Based on experience across other school systems and districts, purchases made through suitable Group Purchasing Organizations for supplies and equipment typically yield savings of 5%-10%. Areas of potential collaboration include food (if the District is not currently using a GPO), Supplies, and Technology. |
| Spending by Category | <ul style="list-style-type: none"> Building and Maintenance: Over 10% of the District's vendor spend goes towards the outsourcing of custodial and grounds keeping workers that are contracted through The Budd Group. Food Services: The District currently participates in an alliance for food purchasing. Energy: The District does not fix rates for natural gas contracts. Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software and services to be placed out to bid. The District does not procure these services and software in collaboration with any other districts. | <ul style="list-style-type: none"> Coordinate purchasing with surrounding districts to maximize the potential for volume discounts for facilities services such as HVAC, electrical and plumbing. Require instructional software purchases to conform to standard procurement guidelines for bids and proposals to enable best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. Consider establishing a fixed rate contract for natural gas. |

PROCUREMENT CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------------|--|---|
| Spending by Category (cont'd) | <ul style="list-style-type: none"> • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging a state contract with Lenovo, Inc. to make its purchases. • The District does not coordinate technology purchases with other nearby districts. • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority of its non-instructional supplies through Office Depot and therefore does not leverage a state contract for the majority of supplies purchases. | <ul style="list-style-type: none"> • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership. |
| Regional Collaboration | <ul style="list-style-type: none"> • The District does not partner with other districts to procure goods and services. | <ul style="list-style-type: none"> • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations and 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 CHESTER

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.

16 Years

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

\$312 per Student

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

Key statistics for metrics

| | |
|---|-------------|
| Transportation FTEs ^[4] | 48.8 |
| Personnel Expense ^[3] | \$1,482,018 |
| Non-Personnel Expense ^[3] | \$70,667 |
| Total Transportation Expense ^[3] | \$1,552,685 |

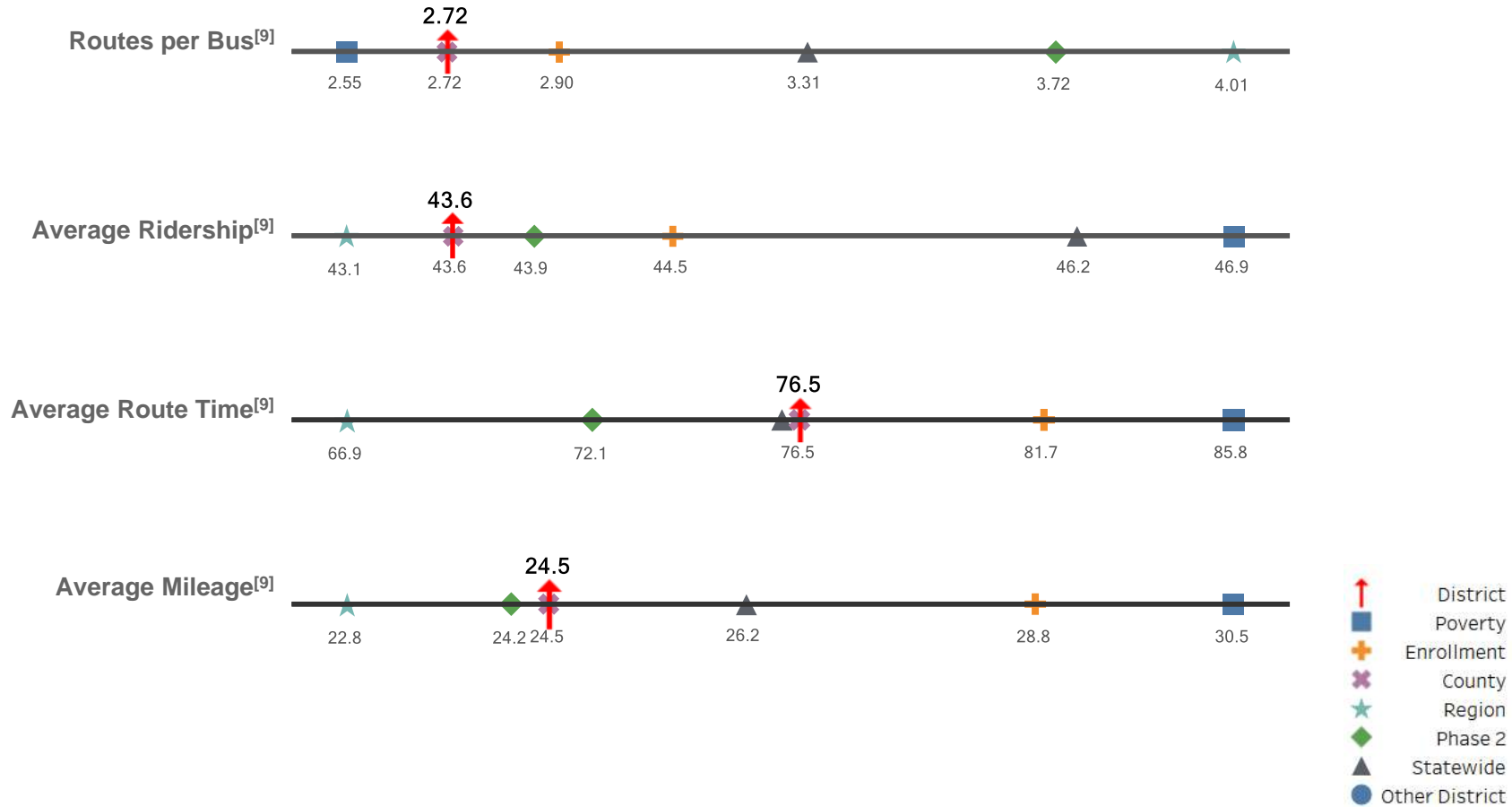
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

| 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 | 40.5 | 110 | 2.7 | 4,791 | 44 | 77 | 25 |
| Special Needs | 5.7 | 15 | 2.6 | 109 | 7 | Not-Available | 56 |
| Other | 3.9 | 17 | 4.4 | 304 | 18 | Not-Available | 22 |
| Total | 50.0 | 142 | 2.8 | 5,204 | N/A | N/A | N/A |

TRANSPORTATION CHESTER

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 CHESTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------|--|---|
| Staffing / Organization | <ul style="list-style-type: none"> • The District has a difficult time recruiting bus drivers. The District currently has several vacancies. • Only one bus driver in the District is dual employed to support facilities maintenance along with student transportation. • The District has a small pool of substitute drivers that are all utilized full time; therefore, routes are frequently adjusted daily to deal with the shortage. • The District has even explored a partnership with charter bus companies to fill vacancies. • The District runs staggered bus routes and staggered bell times. However, the staggered bell times are only 15 minutes apart for elementary, middle and high schools. • Bus drivers are currently paid a starting rate of \$10.46, approximately \$2.70 above state reimbursement levels. The starting and maximum rates are lower than that of many districts in the region. • Transportation is run by a Director, with two supervisors for oversight of the different areas within the District. | <ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts in the State are dual employed, serving in aide, food services and / or maintenance roles when not driving. • Implement a substitute/back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill substitute driver vacancies. • Further staggering bell times will 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students. |

TRANSPORTATION CHESTER

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 GPS has capability on state buses, but does not have the software to properly take advantage of functionality. The District provides radios to drivers. The District has security cameras on all buses. The District does not have stop-arm cameras on buses. Activity Buses: The District uses the State fuel for activity buses. | <ul style="list-style-type: none"> Implement routing software to ensure the most efficient routes. Install GPS on buses to monitor bus routes and ensure most efficient route. Install stop-arm cameras to assess tickets to drivers passing buses. |
| Collaboration | <ul style="list-style-type: none"> The District does not collaborate with surrounding districts. | <ul style="list-style-type: none"> Consider partnering with districts that are also transporting children to out-of-district placements. |

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY CHESTER

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

- Investments and cost savings were estimated based on interviews with District personnel across each functional area and using financial and operational data received from both the State and each district.
- Data provided was benchmarked and analyzed to understand costs, productivity and utilization.
- For more detail on methodology, see Appendix A.

FINANCE AND HUMAN RESOURCES

- A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within each district.
- A&M estimated a range of potential synergies from district collaboration based on average district spend in key finance and HR functional areas. Synergies will be realized when participating district resources are pooled in a Shared Service Center. For purposes of this analysis, A&M calculated the District level savings by estimating the level of resources that would be required to support two average sized smaller districts at the low end and five districts of varying sizes at the high end.

PROCUREMENT

- A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the District's procurement spend.
- On a limited basis, A&M reviewed rates paid to individual vendors by multiple districts.
- In order to estimate savings, A&M leveraged the information gathered above and then applied potential savings rates to key spend categories. Savings rates were based upon past experience that our clients have achieved by partnering with A&M on strategic sourcing.

TRANSPORTATION

- A&M used data provided by the State to analyze the District route mileage, frequency, timing, and volume to estimate potential efficiencies available through the implementation of routing software and staggered bell times.
- Benchmarks were established based on districts currently using routing software and staggered bell times.
- Savings were estimated based on a target benchmark for the District that took into consideration the location, population and rural profile of the each district.
- Estimates include savings for bus drivers, fuel, maintenance and buses.

APPENDIX A: SAVINGS METHODOLOGY CHESTER

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

Estimates were developed by function and by sub-function to determine staffing levels on a stand-alone basis and post-implementation of a regional shared services model.

TECHNOLOGY

Technology investments were identified based on the need to automate processes for each function and determination of shared costs by school district.

Functional Review Operating Model Components



PROCESS

Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

ORGANIZATION

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

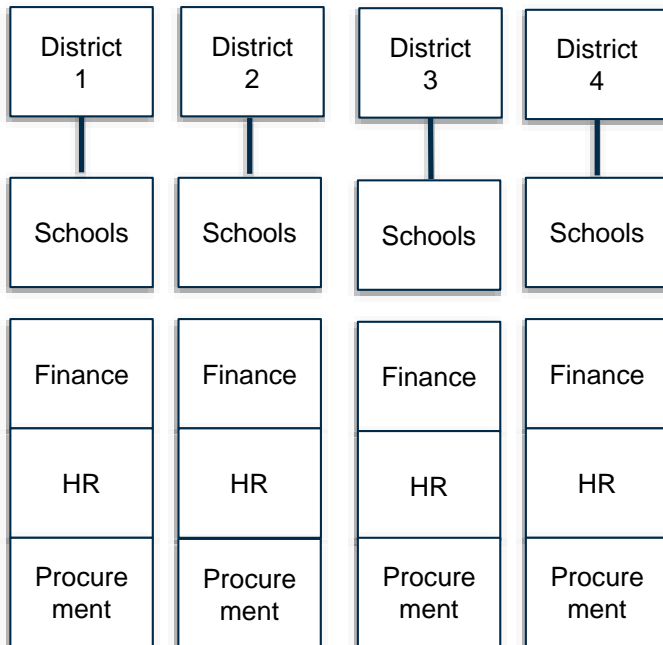
APPENDIX A: SAVINGS METHODOLOGY CHESTER

COLLABORATION: SHARED SERVICE MODELS

Given the limited spending across the different areas within scope and the fixed cost requirements of these functions, it is necessary to consider collaboration alternatives when looking for ways to optimize efficiency.

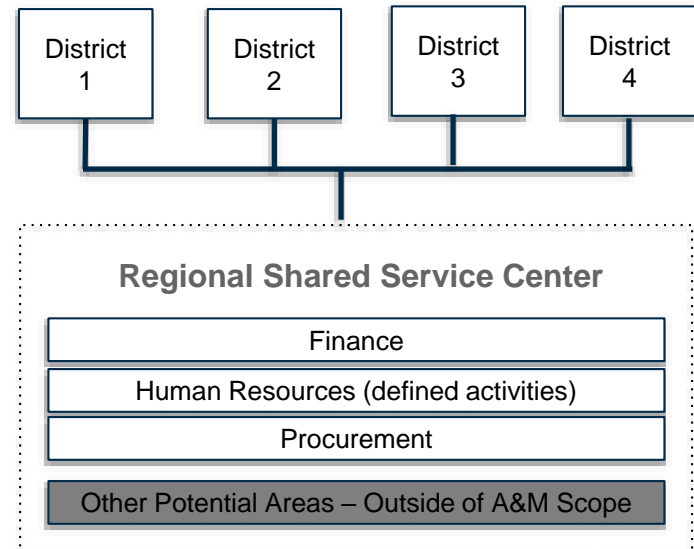
CURRENT STATE: STAND ALONE DISTRICT

Infrastructure for transactional processes repeated in individual districts; limited economies of scale



COLLABORATION ALTERNATIVE

Shared expertise and improved controls leverages scale to reduce aggregate costs and enhance efficiency



Collaboration provides a pathway to optimizing effectiveness and efficiencies across processes, capturing economies of scale, increasing standardization and addressing common challenges faced by all districts.

APPENDIX A: SAVINGS METHODOLOGY

CHESTER

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% |

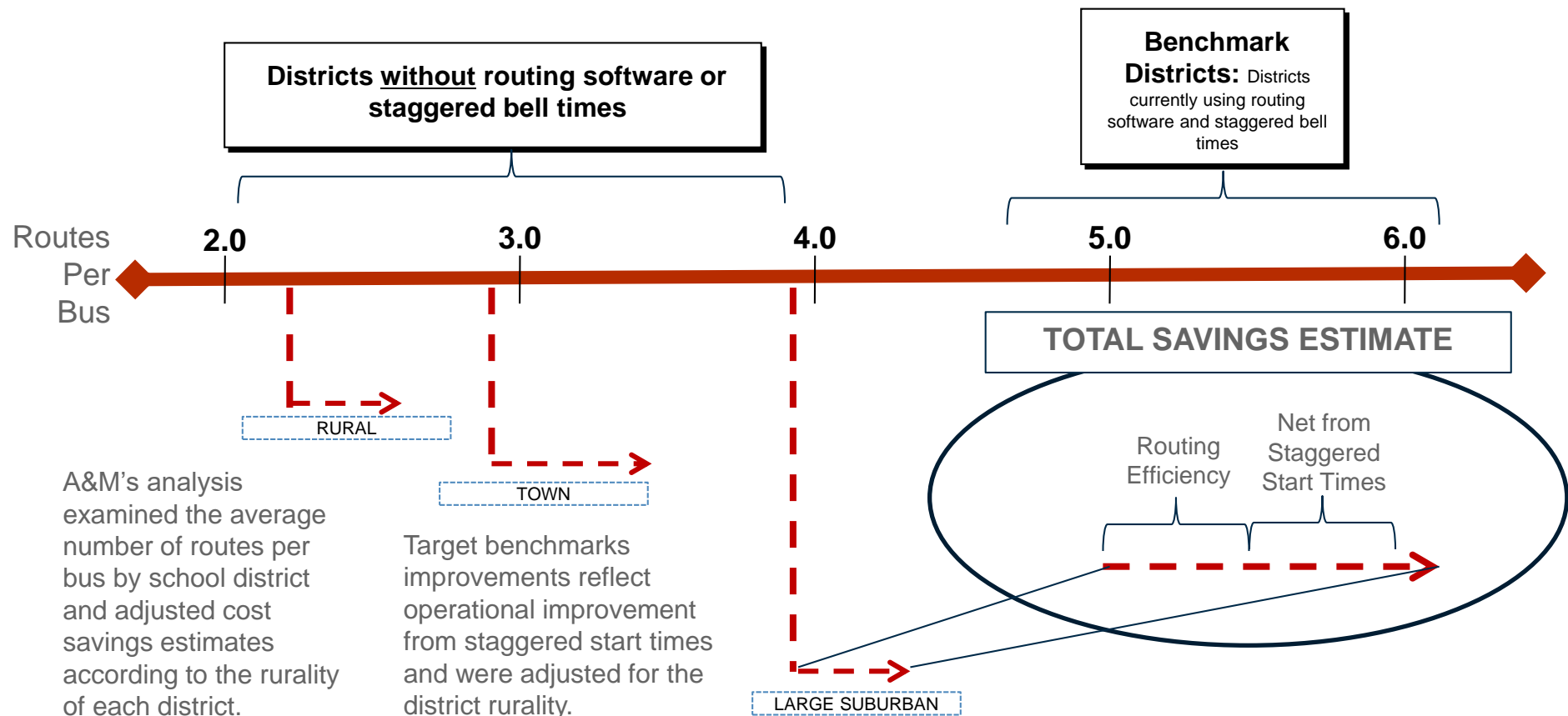
(2) Total FTEs and Total Spend based upon average FTEs and average spend of one large district (>10,000 ADM), one medium district (between 5,000 and 10,000 ADM) and 3 small districts (less than 2,500 enrollment).

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 CHESTER

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 CHESTER

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

Savings from Routing Efficiencies

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

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

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

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

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

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

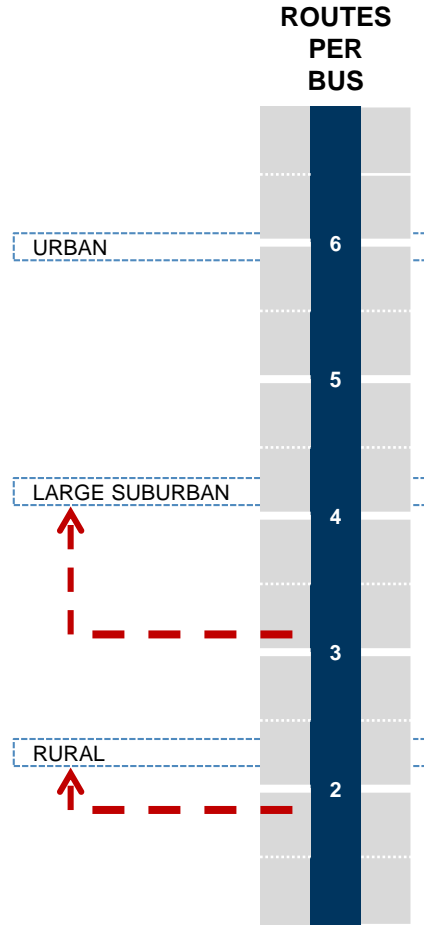
APPENDIX A: SAVINGS METHODOLOGY CHESTER

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

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

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



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

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

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

APPENDIX A: SAVINGS METHODOLOGY CHESTER

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 CHESTER

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 CHESTER

[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 CHESTER

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 CHESTER

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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