



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Chesterfield

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

CHESTERFIELD

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

CHESTERFIELD

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

CHESTERFIELD

PROJECT OVERVIEW (CONTINUED)

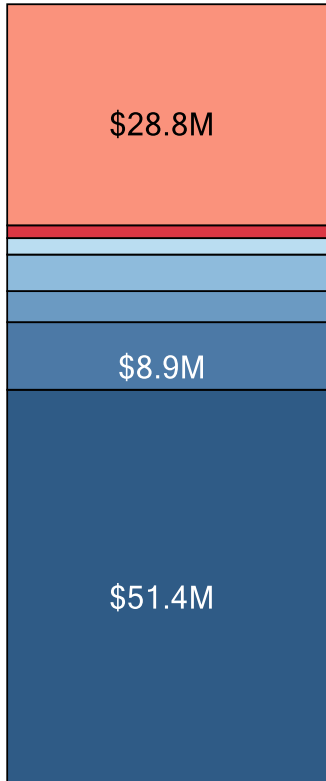
➤ Sources of Data and Savings Estimates:

- 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

CHESTERFIELD

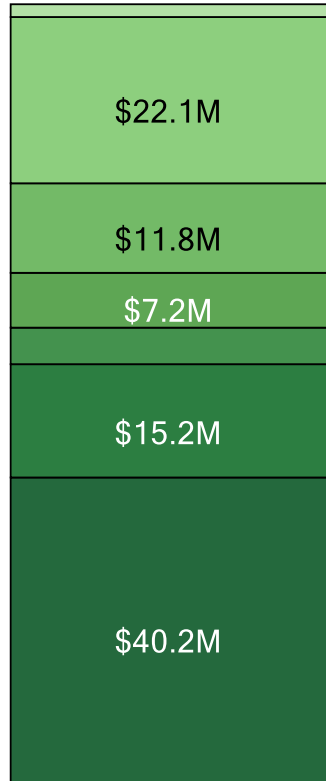
Sources of Funds^[5]
\$101.8M



2015-2016

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

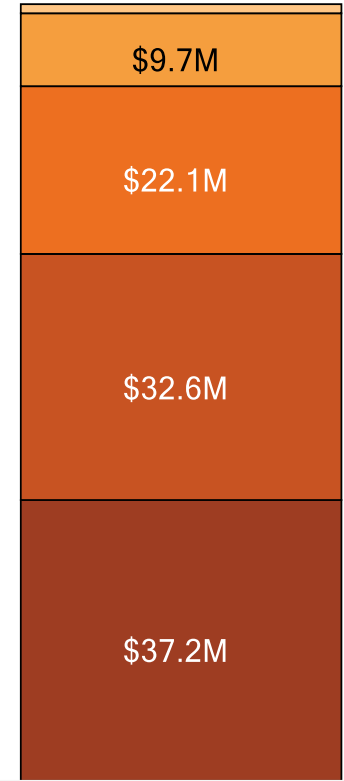
Use of Funds - Type^[3]
\$102.7M



2015-2016

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

Use of Funds - Function^[3]
\$102.7M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

CHESTERFIELD

\$102.7M
Total

\$10.1M
In-Scope

\$92.6M
Not In-Scope

9.9% of total spend is within scope of the efficiency review:

| | In Scope Spend ^[3] | Procurement Component |
|---|-------------------------------|-----------------------|
| Finance | \$615,490 | \$111,057 |
| Human Resources | \$301,010 | \$38,131 |
| Overhead | \$550,157 | \$246,107 |
| Transportation | \$1,985,331 | \$177,716 |
| Procurement (Community Services, Instruction, Support Services) | \$6,672,263 | \$6,672,263 |
| TOTAL | \$10,124,251 | \$7,245,274 |

* totals may not tie due to rounding

EXECUTIVE SUMMARY

CHESTERFIELD

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of the Chesterfield School District is to prepare all students to be productive citizens in a changing society by continuously improving and implementing educational processes with ongoing community support.

1. **Increase College and Career Readiness:** Students earning the Natl. Career Readiness Cert. on ACT WorkKeys will exceed state avg.
2. **Improve School Climate:** Increase teacher and student attendance rate to 98%.
3. **Test Score Improvement:** Students in Gr. 3-8 will meet or exceed state avg. in meeting state standards in ELA & Math; Students in Gr. 4-8 will exceed state avg. in meeting state standards in Science and Social Studies. Passage rates for EOCEP in English I, Algebra I, US History & Constitution and Biology will exceed the state average.
4. **Maintain Communications:** Parents attending parent-teacher conferences will remain at 100%.
5. **Improve Graduation Rate:** HS graduation rate will increase to 90.3%.
6. **Retain Quality Teachers:** Teachers returning from previous year will increase to 93.8%.
7. **Support Continuous Improvement:** Induction teachers who meet all state ADEPT requirements will remain at 100%; Teachers with advanced degrees will increase to 63.8%.
8. **Maintain Teacher Quality:** Classes taught by highly qualified teachers will increase to 100%.
9. **Focus on Accountability:** CCSD will rank in the top 20% based upon the state's accountability metric.

Achievements

- **Graduation Rate:** Increase in 4- and 5- year cohort graduation rates, which are both higher than the state average.
- **Teacher Quality:** Increase in classes taught by highly qualified teachers.
- **Collaborative Student Support:** Vertical collaboration among schools to ensure strong student support and seamless continuity.
- **Awards and Recognition:** Arts and Basic Curriculum (ABC) specified District and National Title I Distinguished School.
- **Teacher Retention:** A high, 92%, teacher retention rate.

Challenges

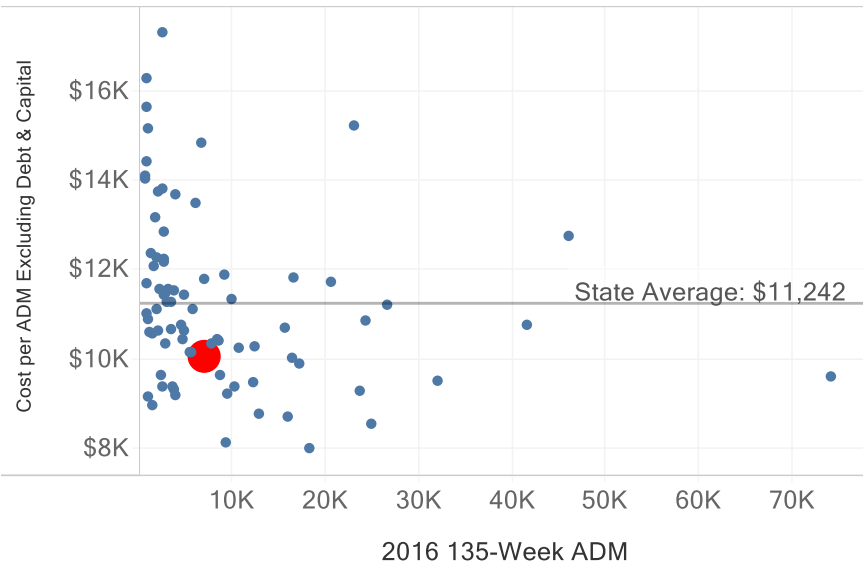
- **Teacher Recruitment:** Recruitment of high-quality instruction and non-instructional personnel is difficult especially with a lack of incentives.
- **Condition/age of school facilities:** Age of buildings result in need for expensive ongoing maintenance and improvements. New funding would be required to make long-term fixes.
- **Financial Insecurity:** With rural poverty, shrinking federal and state funding and lack of industry, there is an inadequate tax base to fund and sustain District school programs.

EXECUTIVE SUMMARY

CHESTERFIELD

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

CHESTERFIELD

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

| | Current State |
|------------------------|--|
| Finance | <ul style="list-style-type: none"> • Gaps in Financial Management: The District's per pupil revenue and unrestricted fund balance are both well below average. This unfavorable fund balance will benefit from prudent long term financial planning. • Manual Processes: Under-investment in integrated technology systems perpetuates the use of manual processes that could be streamlined through modernization. |
| Human Resources | <ul style="list-style-type: none"> • Limited Staffing / Manual Processes: The Human Resources function operates on a lean budget with limited staffing to support recruiting, retention, personnel relations, benefits and professional development. • Challenges with Recruiting and Retention: Teacher shortages are exacerbated by more competitive pay scales in neighboring districts. The District utilizes international teachers to fill some vacancies. |
| Transportation | <ul style="list-style-type: none"> • Transportation Management: The State pays for bus purchases, maintenance, fuel, and a portion of driver salaries. The District is constantly grappling with bus driver recruitment and retention. • Manual Routing: The District does not have software that can be used to identify routing efficiencies. |
| Procurement | <ul style="list-style-type: none"> • Staffing and Organization: There are no dedicated procurement resources. • Strategic Sourcing: The District experiences low leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates. There is off-contract purchasing and limited collaboration across districts. |
| Overhead | <ul style="list-style-type: none"> • Staffing and Organization: The District's seven major organizational functions report directly to the Superintendent. • Collaboration: There is regular, informal collaboration with other superintendents. |

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

CHESTERFIELD

MODERNIZATION RECOMMENDATIONS

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

| MODERNIZATION RECOMMENDATIONS | | | |
|--|---|---|--|
| FINANCE | HUMAN RESOURCES | PROCUREMENT | TRANSPORTATION |
| <p>System Enhancements: 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: Ensure effective use of current HR technologies and integrate applicant sourcing, tracking and on-boarding functions.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing/Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p> | <p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p> | <p>System Enhancements: Implement new routing software, GPS and security cameras on all buses.</p> <p>Process Improvements: Staggered Bell Times: Complete analysis (in conjunction with use of new routing software) to evaluate potential additional financial benefits.</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

CHESTERFIELD

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

CHESTERFIELD

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

CHESTERFIELD

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 | \$5,000 | \$12,500 | \$59,800 | \$179,500 |
| Human Resources | 0 | 5,000 | 0 | 29,300 |
| Procurement | 0 | 0 | 178,800 | 381,400 |
| Transportation – District | N/A | N/A | 67,000 | 100,000 |
| District Total | 5,000 | 17,500 | 305,600 | 690,200 |
| Transportation – State | 24,000 | 118,000 | 82,900 | 175,900 |
| Total | \$29,000 | \$135,500 | \$388,500 | \$866,100 |

* 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.

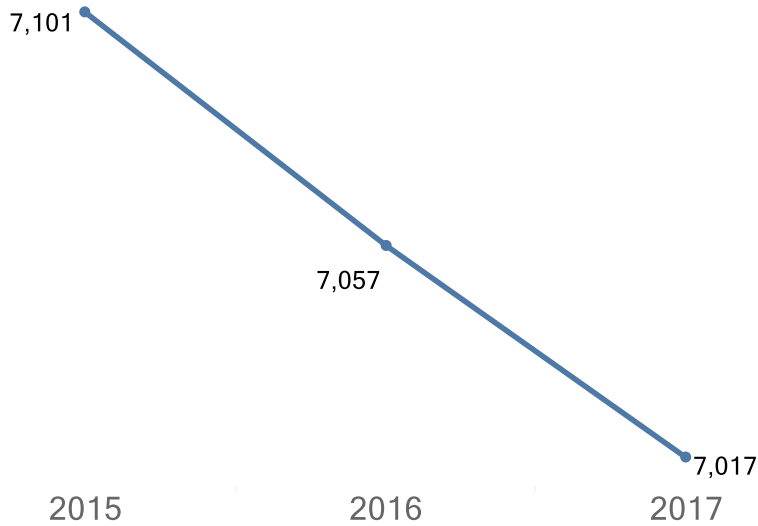


OUTLINE

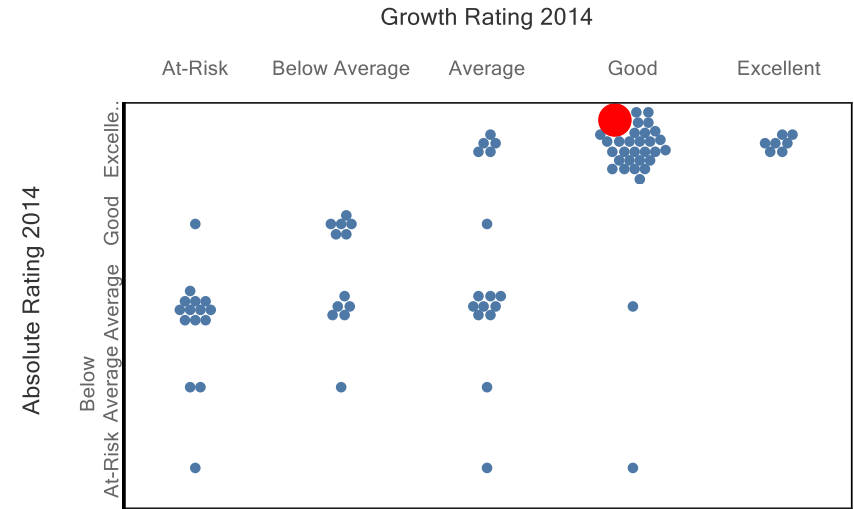
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DISTRICT ADMINISTRATION AND PERFORMANCE CHESTERFIELD

Average Daily Membership^[2]



Student Achievement^[1]



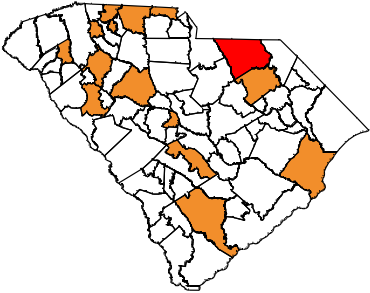
General Info

| | |
|--|----------|
| Number of Schools ^[2] | 16 |
| % Poverty ^[1] | 72.3% |
| % Disability ^[1] | 9.1% |
| \$ Per Student ^{[2],[3]} | \$14,557 |
| \$ Per Student Excluding Debt & Capital ^{[2],[3]} | \$10,035 |

Administration

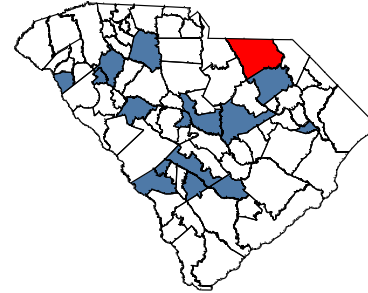
| | |
|--|-------|
| Students Per Instructional Services FTE ^{[2],[4]} | 9.1 |
| Students Per Overhead FTE ^{[2],[4]} | 353.5 |
| Students Per School Support FTE ^{[2],[4]} | 46.9 |
| Students to Total FTE ^{[2],[4]} | 7.5 |

DISTRICT BENCHMARKING CHESTERFIELD



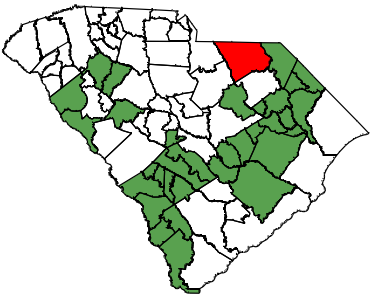
Enrollment (5,000 - 10,000)

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



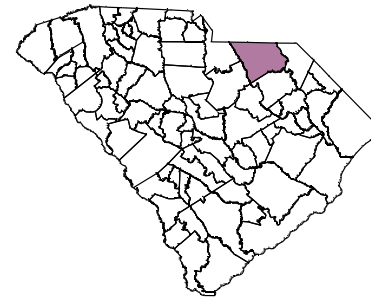
Poverty (70% - 75%)

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



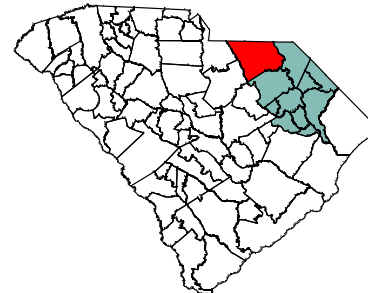
Phase 1 (Yes)

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



County (Chesterfield)

Chesterfield



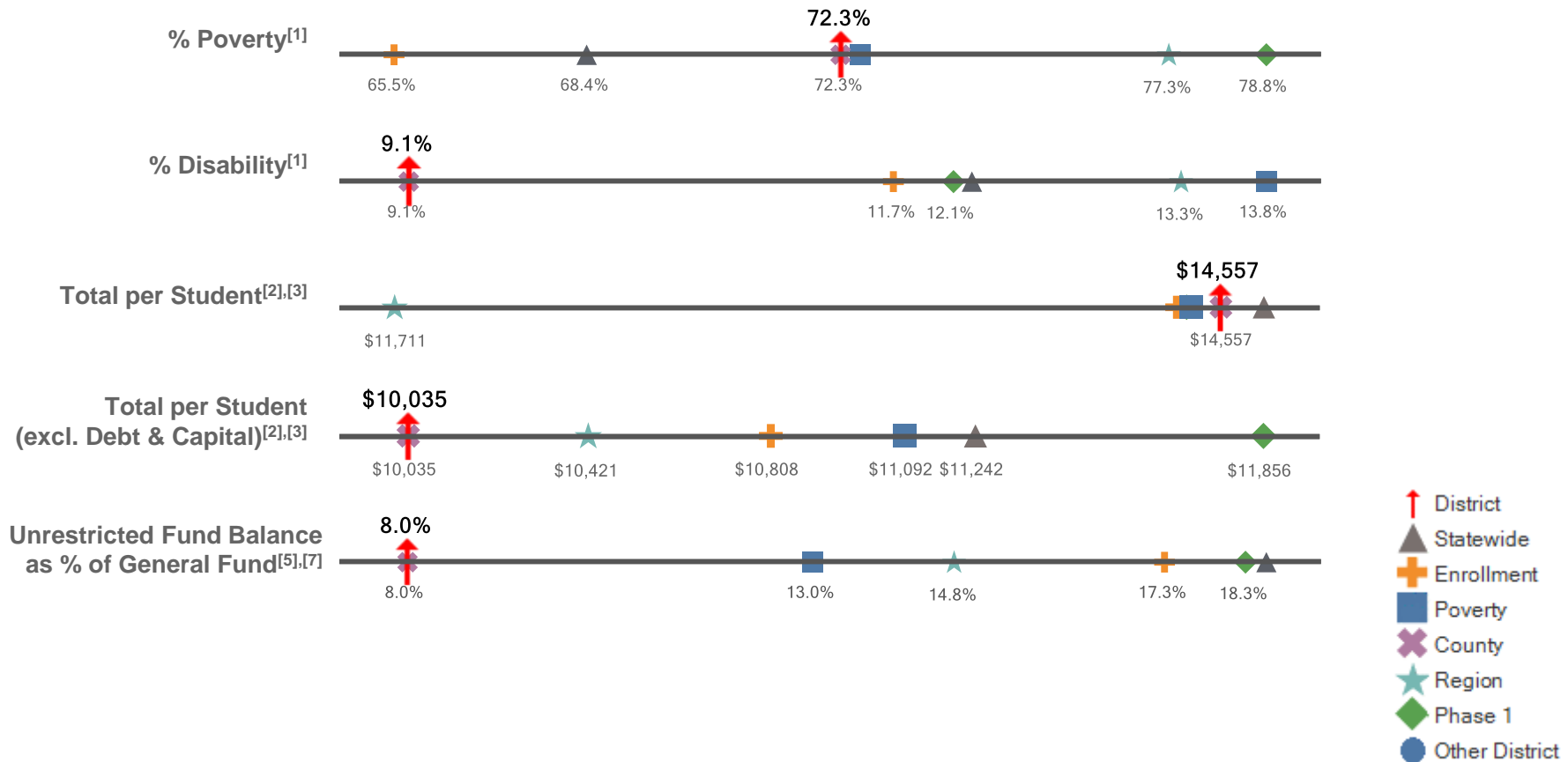
Region (Pee Dee)

| | |
|--------------|----------|
| Chesterfield | Marlboro |
| Darlington | |
| Dillon 03 | |
| Dillon 04 | |
| Florence 01 | |
| Florence 02 | |
| Florence 03 | |
| Florence 04 | |
| Florence 05 | |
| Marion 10 | |

DISTRICT OVERVIEW CHESTERFIELD

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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



DISTRICT OVERVIEW CHESTERFIELD

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|---|---|--|
| Enrollment Trends | <ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has decreased by 84 students, or 1%, over the past 3 years. Current enrollment is 7017 students. • Student Demographics: 72.3% of District students live in poverty, above the peer district average of 65.5%, and 9.1% of District students have special needs. • Competition: There are no charter schools within the District. There are three private schools within the county. These schools are not viewed as a challenge to enrollment. • Long-term Planning: The District projects enrollment on an annual basis by reviewing the birth rate data for the local areas and aging up the class for the coming year, but does not prepare long term enrollment projections to help inform long-term planning. | <ul style="list-style-type: none"> • The District should continue developing long-term enrollment forecasts to anticipate and better plan for enrollment changes, ensuring long term financial stability. |
| District Funding and Resource Allocation | <ul style="list-style-type: none"> • Financial Viability: With high poverty and lack of industry, there is an inadequate tax base to fund District school programs. The District has a low per pupil revenue and unrestricted fund balance that are well-below similar peer districts. The unfavorable fund balance will require prudent long term financial planning and larger reserves in order to navigate through any unanticipated events. • Per Pupil Expenses: When excluding debt and capital, the District's cost per pupil of \$10,035 is lower than the statewide average of \$11,242 and that of similarly sized districts at \$10,808. | <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 CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|---|--|---|
| District Funding and Resource Allocation | <ul style="list-style-type: none"> • Unrestricted Fund Balance: The District has an unrestricted fund balance that is 8.0% of revenues, which is well-below the statewide average of 18.6%. A weak balance restricts the District’s ability to pay for unexpected expenses. • Student to FTE: The District’s Student to Total FTE ratio is 7.45, higher than both similarly-sized districts at 7.14 and the statewide at 6.93. • Student to Instructional Services FTE: The District’s Student to Instruction ratio is 9.1, which is higher than districts of similar size at 9.0 and statewide at 8.9. • Student to Support Services FTE: The District’s Student to Support Services ratio of 46.9 is in-line with similarly-sized districts and slightly higher than the statewide average of 43.8 due to large number of facilities maintenance workers required to operate aging school buildings. • Student to Overhead FTE: The District’s Student to Overhead ratio of 353.5 is significantly higher than both similarly-sized districts at 274.8 and the statewide average of 234.2. | <ul style="list-style-type: none"> • Prioritize rebuilding the unrestricted fund balance with a target of 16% of revenues. Consider deposit of any unrestricted General Fund balance credit into reserves at the end of the fiscal year as a first priority. • Consider review and reorganization of other direct support areas of the Superintendent that are outside of the scope of this report in order to optimize resources and bring spending in line with benchmarks. |
| Philanthropy | <ul style="list-style-type: none"> • Although this is a rural area with a limited industrial base, the business community supports the District. There are partnerships with local colleges, arts commissions, businesses, governmental agencies and others to provide student and District support. | <ul style="list-style-type: none"> • Work with School Board to seek additional partnerships with foundations and local business for donations of money, food, goods, time, etc. |

DISTRICT OVERVIEW AND OVERHEAD CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------|--|--|
| Staffing / Organization | <ul style="list-style-type: none"> • Role of Superintendent: The Superintendent works with the board, provides strategic direction and oversees all of the operations of the District. • Communications Function: There is no direct Communications support for the Superintendent's office. The Function resides within the Office of the Superintendent. • 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 4 years. | <ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the Superintendent that are outside of the scope of this report in order to optimize resources and bring spending in line with benchmarks. |
| Board of Directors | <ul style="list-style-type: none"> • Board Pay: The District's School Board members are provided with stipends: members \$4,200 per year and the chair \$4,800 per year. • Training: Board members are not required to attend training, but some attend the South Carolina School Board Association's training. | <ul style="list-style-type: none"> • Have Board of Directors attend annual training to enable members to become impactful members of the board. |

DISTRICT OVERVIEW AND OVERHEAD CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|----------------------|--|---|
| Collaboration | <ul style="list-style-type: none">• The District coordinates with other regional superintendents through both PeeDee and Olde English consortiums, SCDE roundtables and other informal, information-sharing meetings.• 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 require 1) specialized skills or 2) are highly transactional. |



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.

1,002 : 1
 District Students (ADM)^[2] Financial FTE^[4]

\$87 per Student

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

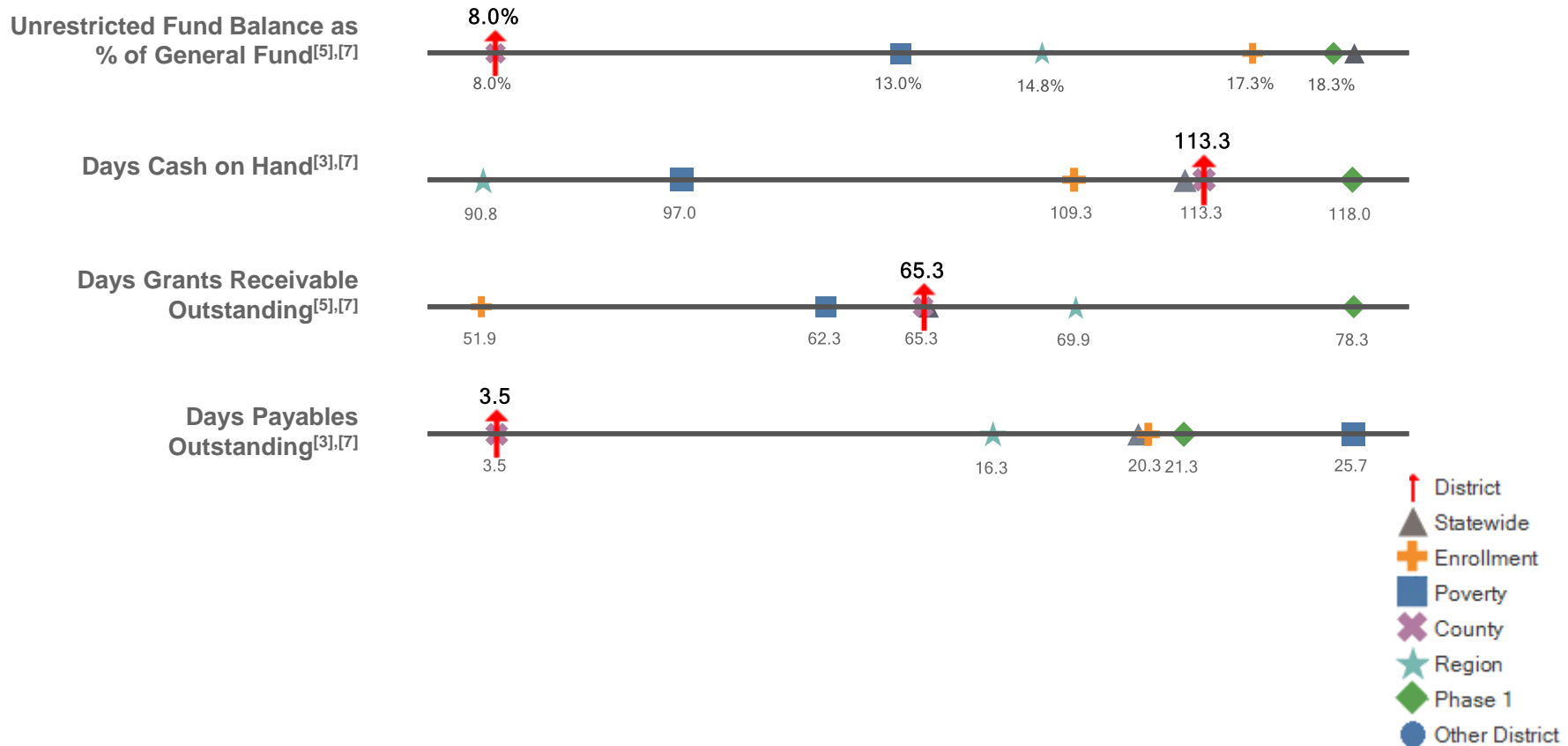
| Key statistics for metrics | |
|--|-----------|
| Financial FTEs ^[4] | 7.0 |
| Personnel Expense ^[3] | \$504,433 |
| Non-Personnel Expense ^[3] | \$111,057 |
| Total Financial Expense ^[3] | \$615,490 |

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 CHESTERFIELD

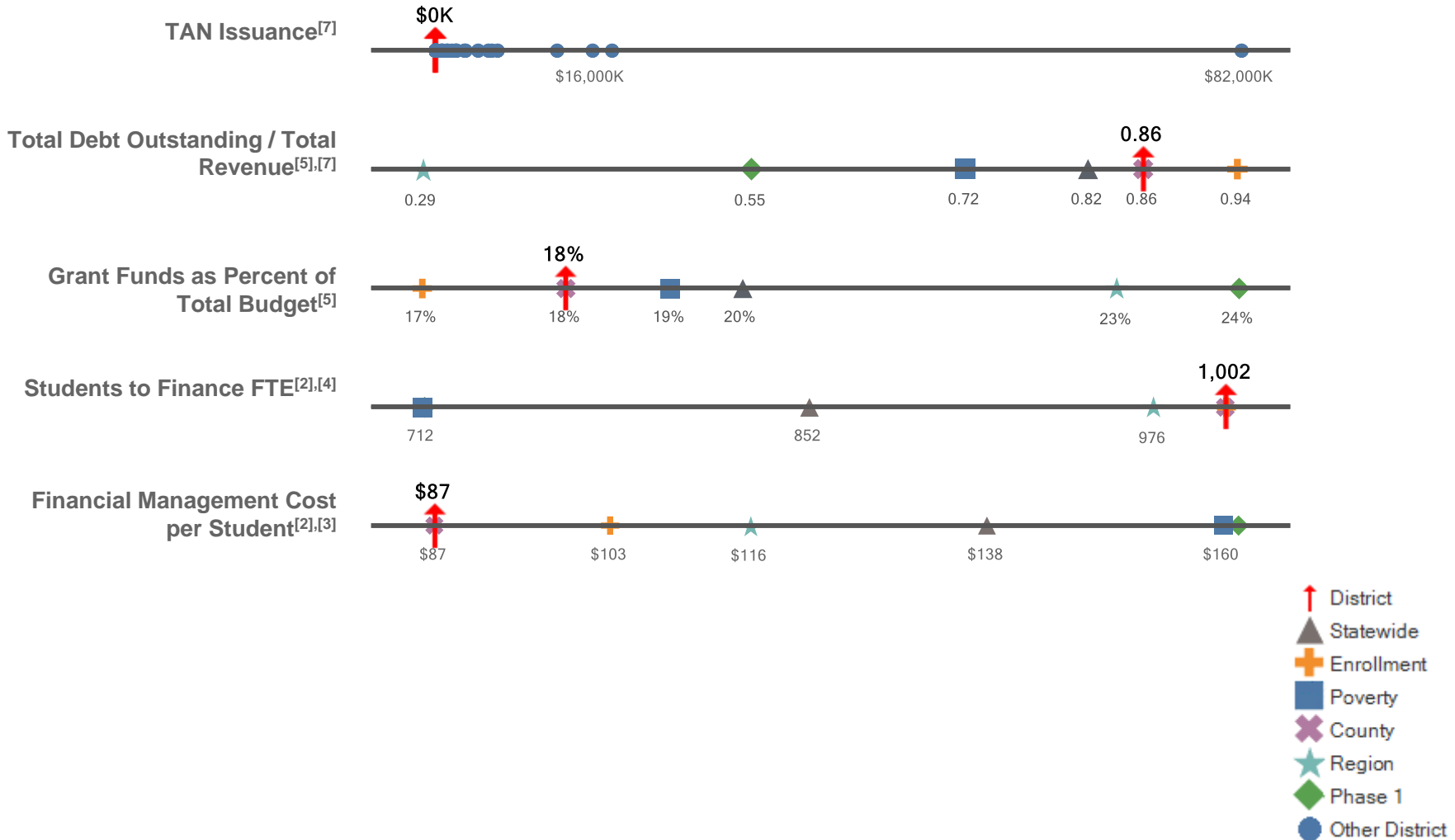
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT CHESTERFIELD

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------|--|--|
| Staffing / Organization | <ul style="list-style-type: none"> • Organization: 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: The Finance department has not experienced any recent turnover in its leadership. The Finance Director has been in place for over 6 years. • Finance Cost per Pupil: The District's Finance cost per pupil is \$87, which is lower than both similarly-sized peers at \$103 and the statewide average of \$138. • Student per Finance FTE: The District's student to financial management FTE ratio is 1,002, which is in-line with similarly-sized districts and higher than the statewide average 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 CHESTERFIELD

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. • The District has very few of employees that receive payments via check – approximately 12 checks annually (i.e. for new employees or changes in account information). • The District does use a self-service payroll platform through their software provider. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. The District is exploring options for managing absences for teachers and substitutes, as well as an interface for electronic timekeeping districtwide. This is a longer term project. • Purchasing: The District does currently use a centralized purchase order process, but it is a manual system. Schools are able to secure items and services in accordance with District and State regulations and there is a centralized, but manual, approval process in place. • PCard - The District utilizes a Pcard program. | <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. • 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. |

FINANCIAL MANAGEMENT CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|-------------------------------------|--|--|
| Payroll and Accounts Payable | <ul style="list-style-type: none"> • Inventory: The District bar codes assets internally, but does not have scanning technology. Fixed assets are recorded in Harris SmartFusion. Inventory is managed directly by schools and cross-referenced against inventory listings maintained by the technology department. • Insurance and Risk Management: The District currently purchases all property and casualty and workers compensation insurance through the South Carolina School Board Insurance Trust (SCSBIT). The District does have formal risk management policies in place. | <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. |
| Grants Management | <ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 18% of revenue for the District making this District slightly less reliant on grant funds than its peers. • 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 not charge indirect costs against federal grants. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the Finance department. | <ul style="list-style-type: none"> • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities. • Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Create improved grants tracking reports that compares award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant. |

FINANCIAL MANAGEMENT CHESTERFIELD

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 maintains position control, which creates a strong, internal control environment for personnel transactions. | |
| Cash Management | <ul style="list-style-type: none"> • Days Cash on Hand: The District's Days Cash on Hand is 113.3, which is in line with the statewide average of 112.8. The District reviews cash flow forecasts on a monthly basis. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 65.3 days, which is in-line with the statewide average, likely due to submission of grant reimbursements monthly. • Days Payable Outstanding: The District's Days Payables Outstanding is 3.5, which is lower than the statewide average of 20.1. • Cash: The District invests cash balances in a State local investment pool. • Debt: The total debt outstanding as a percentage of total revenue is 86%, which is in-line with the statewide average of 82%. | <ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and minimize draw on TANs. • Evaluate paying expenses on a 30 day cycle to optimize interest. |

FINANCIAL MANAGEMENT CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|-------------------------------|---|---|
| Budget | <ul style="list-style-type: none"> • Budget Planning: The annual budget process consists of a roll-forward of prior year authorizations with some modifications. The budget team works extensively with department heads to assess any new needs that are anticipated for the new fiscal year. • Fiscal Monitoring: The District produces budget-to-actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses. | <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. |
| Technology | <ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable. 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 time-keeping. | <ul style="list-style-type: none"> • Explore opportunities to better utilize the existing Harris SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders, automated time tracking that links directly with the payroll system. • Complete process to select an automated and integrated time keeping system and implement prior to start of the next school year. |
| Regional Collaboration | <ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities. The District is part of the Pee Dee and Olde English Consortiums in which the finance directors of individual districts meet quarterly to discuss various topics. The Finance Officer is also an active participant in SC Association of School Business Officials. | <ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts). |



OUTLINE

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

HUMAN RESOURCES CHESTERFIELD

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.

1,754 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$43 per Student

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

Key statistics for metrics

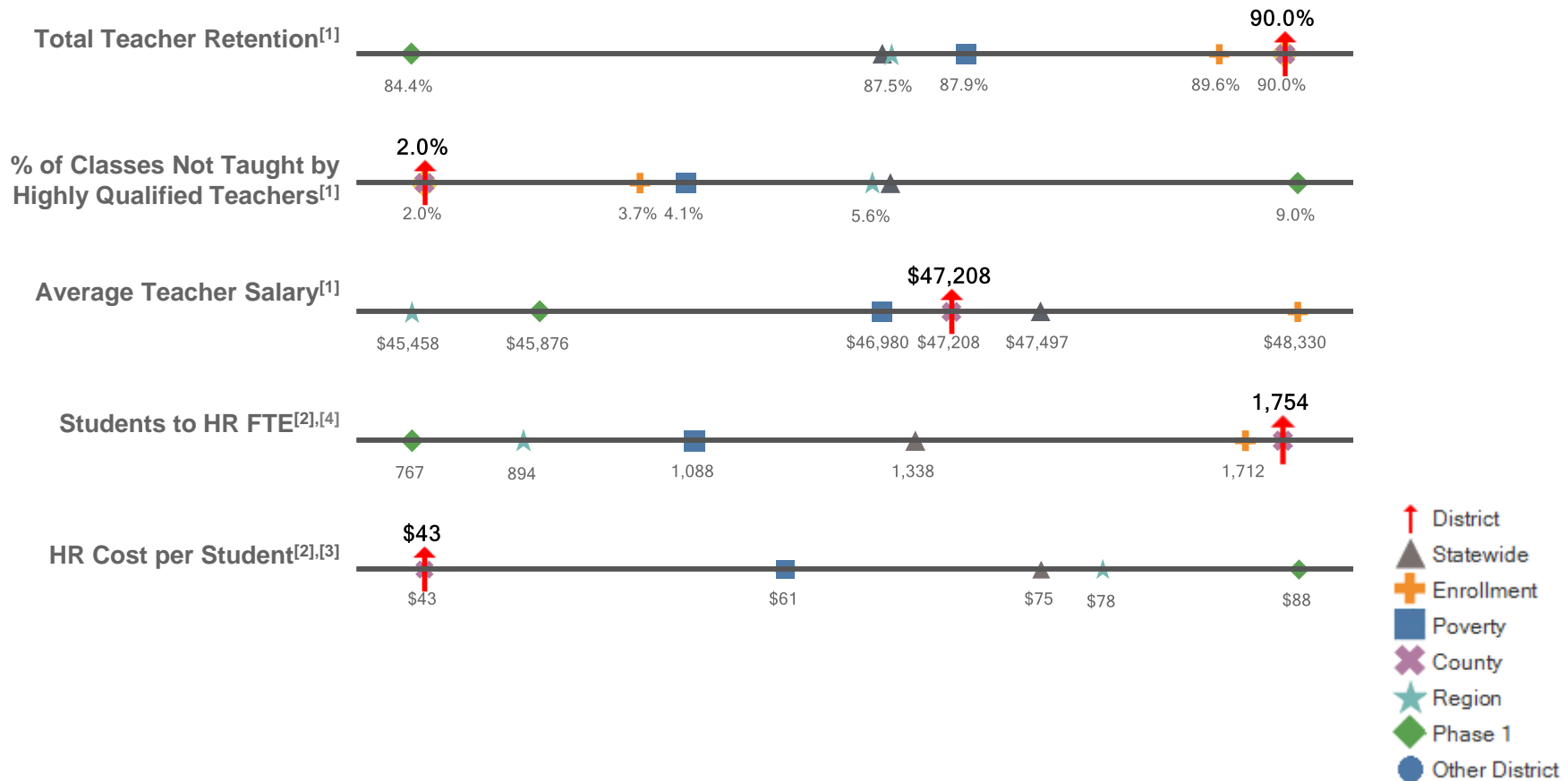
| | |
|--|-----------|
| Human Resources FTEs ^[4] | 4.0 |
| Personnel Expense ^[3] | \$262,879 |
| Non-Personnel Expense ^[3] | \$38,131 |
| Total Human Resources Expense ^[3] | \$301,010 |

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 CHESTERFIELD

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|---------------------------------|--|--|
| Staffing / Organization | <ul style="list-style-type: none"> The Human Resources function is a very lean organization staffed with the positions required to support recruiting, retention, personnel relations and benefits. Human Resources Cost per Pupil: The District's HR cost per pupil is \$43, which is lower than districts of similar size average of \$61 and the statewide average of \$75. Student per Human Resources FTE: The District's Student to HR FTE ratio is 1,754, which is higher than districts of similar size at 1,712 and the statewide average of 1,338. | <ul style="list-style-type: none"> Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions. |
| Recruiting and Retention | <ul style="list-style-type: none"> Recruiting: Similar to other school districts in the state, recruiting teachers into the District is challenging. The District currently employs 10 international teachers, 2% of it's total teaching force, and leverages 2 different agencies to provide these positions. Teacher Pay: The average teacher salary of \$47,208 is below districts of similar size, making it more difficult for the District to compete for incoming teachers. Additionally, once new teachers gain experience, they may be recruited by neighboring counties that can pay substantially more. | <ul style="list-style-type: none"> Evaluate opportunities to reduce reliance on international agencies and related administrative fees, either via direct sponsorship, cross-district shared resources or alternative recruitment strategies. Consider 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 and (e) innovative professional development programs. Conduct exit interviews to gather information on the causes of employee attrition and use the results of the process to formulate an effective teacher retention plan. |

HUMAN RESOURCES CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|----------------------|--|---|
| Technology | <ul style="list-style-type: none"> The District leverages State supported systems, such as AppliTrack and CERRA, for recruiting, application screening, processing and onboarding. | <ul style="list-style-type: none"> Implement technology to help enhance and automate recruiting, on-boarding, substitute management and time tracking processes that are currently manual. Implement software systems to help manage the substitute management process. Implement an automated time tracking system that can interface directly with the payroll system. Capitalize on functionality provided to fully automate the application to onboarding process. |
| Benefits | <ul style="list-style-type: none"> Administration is typically done by HR support staff. | <ul style="list-style-type: none"> Benefits administration process could be automated via establishment of 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 does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. | <ul style="list-style-type: none"> Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include: <ul style="list-style-type: none"> Benefits Coordination Human Resources System Licenses H1B Process for International Teachers Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts. |



OUTLINE

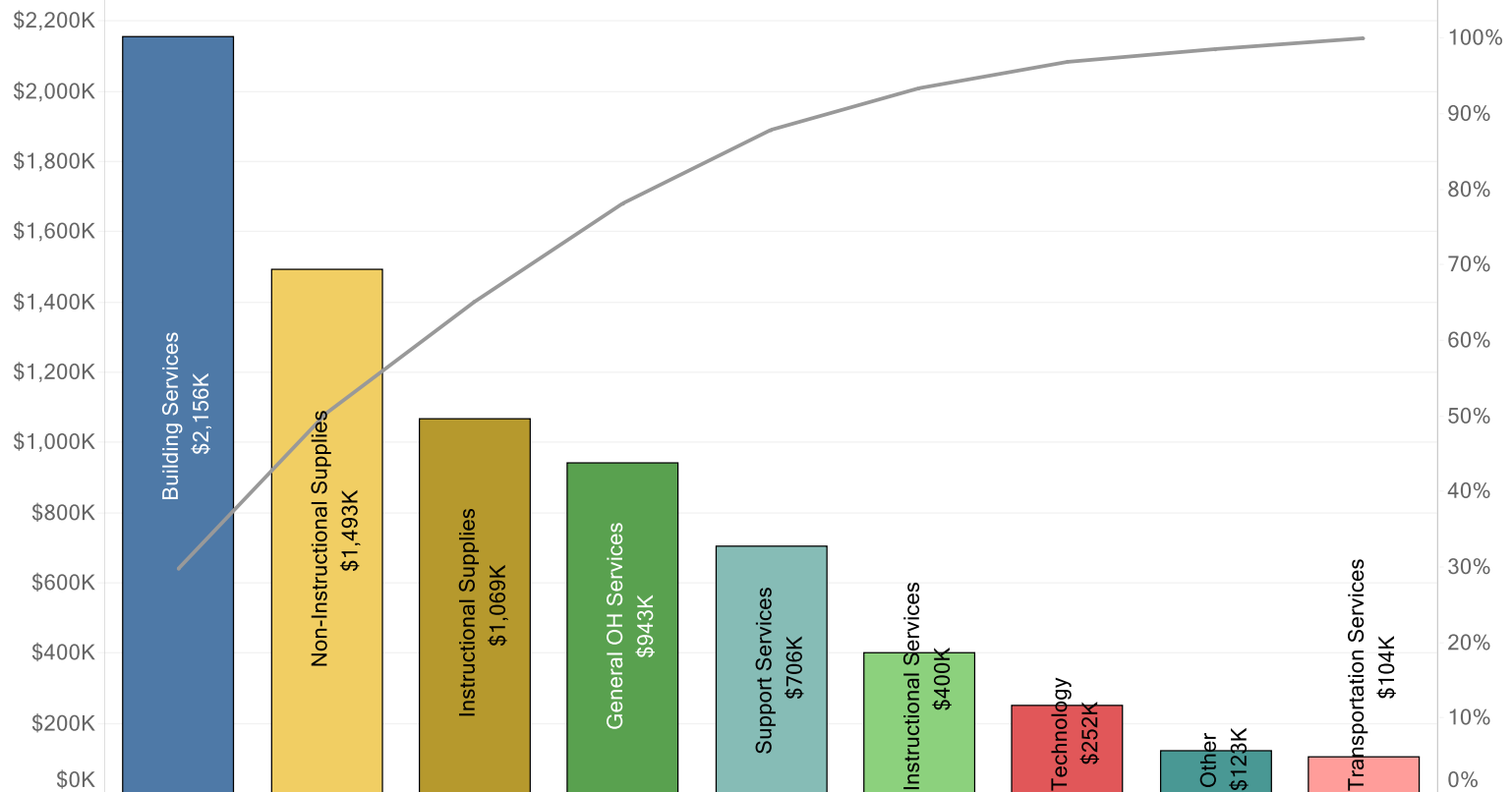
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PROCUREMENT CHESTERFIELD

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.

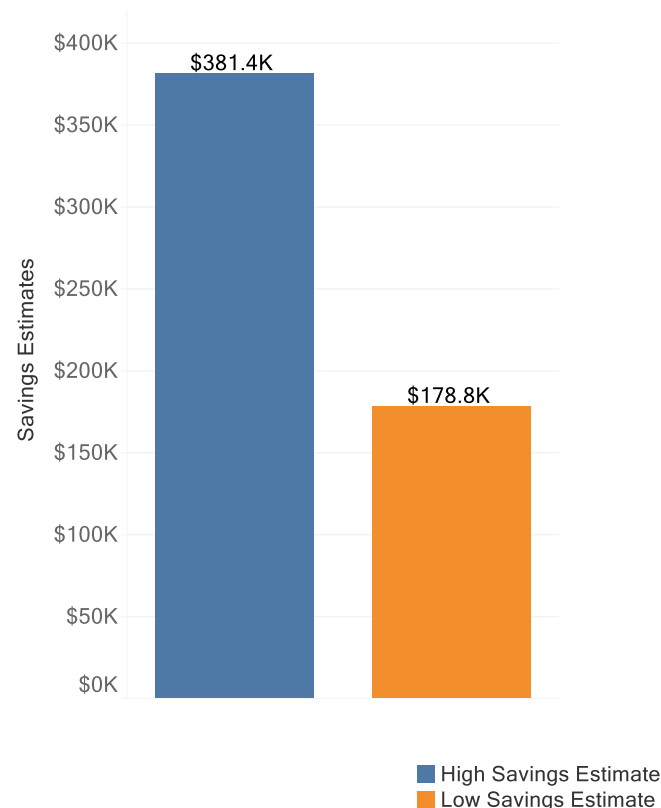
District In Scope Total Procurement Spend = \$7,245,274



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 CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------|---|--|
| Organization / Staffing | <ul style="list-style-type: none"> The District does not have resources solely focused on purchasing and procurement. | <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"> Vendors: Spending is fragmented across more than 1,300 vendors; however, the top 21 make up 80% of total spending. Spending efforts are made based upon 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 and (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. Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include Supplies and Technology. |

PROCUREMENT CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|-----------------------------|---|---|
| Spending by Category | <ul style="list-style-type: none"> • Building and Maintenance: The District has facilities/maintenance staff to support routine building and maintenance upkeep. However, services that are non-routine usually are supported by local merchants. • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software and services below a certain threshold to be placed out to bid. The District does not procure these services and software in collaboration with any other districts. • The District currently relies on several vendors for international staffing. • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging a state contract to make its purchases. • The District does not coordinate technology purchases with other nearby districts. • Non-instructional Supplies - Contracting Vehicles: The District purchases some of its non-instructional supplies outside of available state contracting vehicles under the belief that it can receive comparable if not better pricing. | <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. • Coordinate dairy and bread purchases 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 and services with surrounding districts to maximize the potential for volume discounts. • Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. • Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include Supplies and Technology. |

PROCUREMENT CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|-------------------------------|---|---|
| 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 CHESTERFIELD

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]

\$281 per Student

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

Key statistics for metrics

| | |
|---|-------------|
| Transportation FTEs ^[4] | 5.3 |
| Personnel Expense ^[3] | \$1,622,036 |
| Non-Personnel Expense ^[3] | \$416,104 |
| Total Transportation Expense ^[3] | \$2,038,140 |

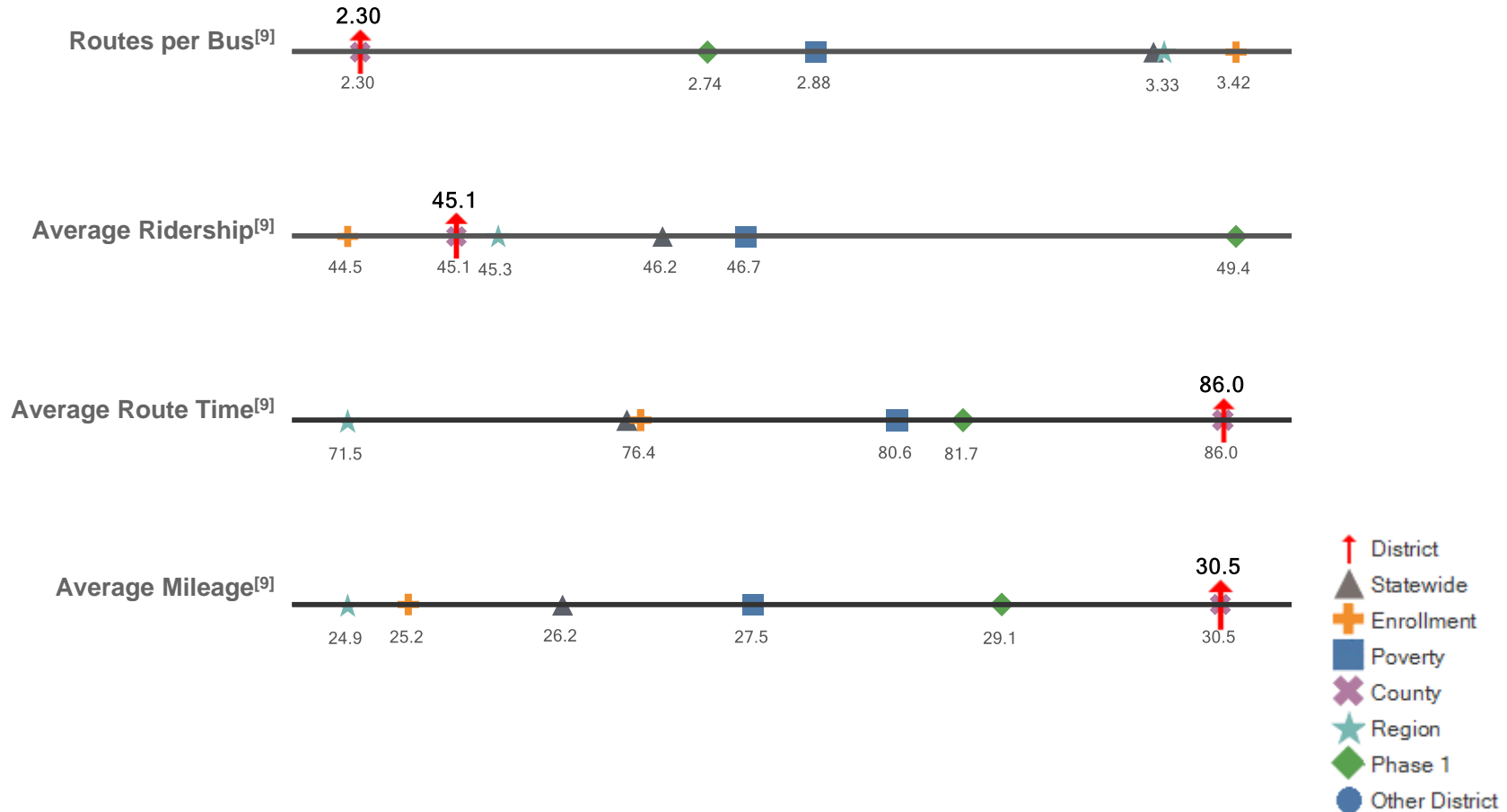
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

| 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 | 73.0 | 168 | 2.3 | 7,572 | 45 | 86 | 30 |
| Special Needs | 11.3 | 26 | 2.3 | 169 | 7 | Not-Available | 53 |
| Other | 5.7 | 17 | 3.0 | 390 | 23 | Not-Available | 35 |
| Total | 90.0 | 211 | 2.3 | 8,131 | N/A | N/A | N/A |

TRANSPORTATION CHESTERFIELD

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 CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|--------------------------------|---|---|
| Staffing / Organization | <ul style="list-style-type: none"> • Recruitment: The District has a difficult time recruiting bus drivers. The District had 5 vacancies at the beginning of school year. The majority of the District's bus drivers are dual employed in other school roles and are FTE status. • Substitutes: The District does not have a consistent pool of substitute drivers. • Driver Pay: Bus drivers are currently paid a starting rate of \$9.41, approximately \$1.50 above state reimbursement levels. Bus Drivers are frequently employed as aides, food workers or custodians to offer full employment opportunities at the District. • Administration: Transportation is run by one administrator who along with coaches, custodians and other staff, are certified by the State to drive the buses. | <ul style="list-style-type: none"> • Implement a substitute/back-up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies. |

TRANSPORTATION CHESTERFIELD

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

| | Observations | Recommendations |
|-----------------------------------|--|---|
| Routing and Bus Management | <ul style="list-style-type: none"> • Routing Software: The District does utilize state routing software. • Bus Tracking: The District does not have GPS on all buses. • Driver Communication: The District provides cell phones to drivers to contact drivers while on routes • Security: The District does not have security cameras on all buses. The District does not have stop-arm cameras on buses. • Staggered Bell: The District has staggered start times for schools. • 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 • Install GPS on buses to monitor bus routes and ensure most efficient route • Install security and stop-arm cameras on buses to increase child safety and security. |
| Collaboration | <ul style="list-style-type: none"> • The District does not collaborate with surrounding districts. | <ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and bus driver sourcing. • Leverage the state maintenance hubs for activity buses. • Consider partnering with districts that are also transporting children to other out-of-district placements. |

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY CHESTERFIELD

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

CHESTERFIELD

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 CHESTERFIELD

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.

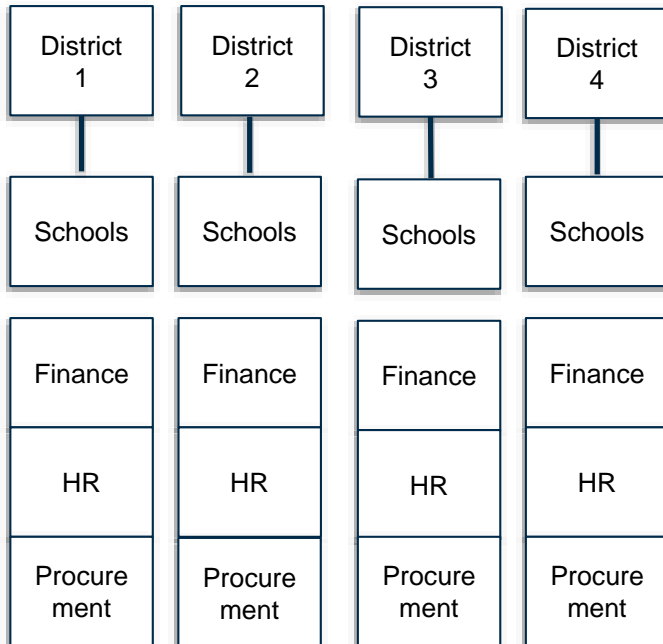
APPENDIX A: SAVINGS METHODOLOGY CHESTERFIELD

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.

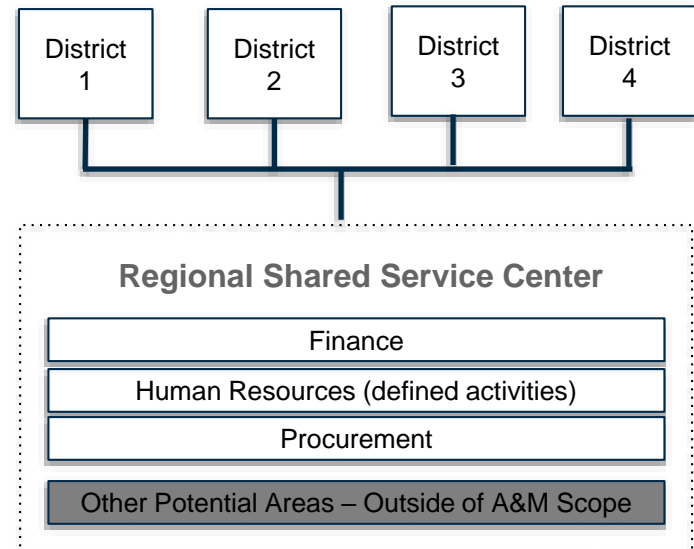
CURRENT STATE: STAND ALONE DISTRICT

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

CHESTERFIELD

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% |

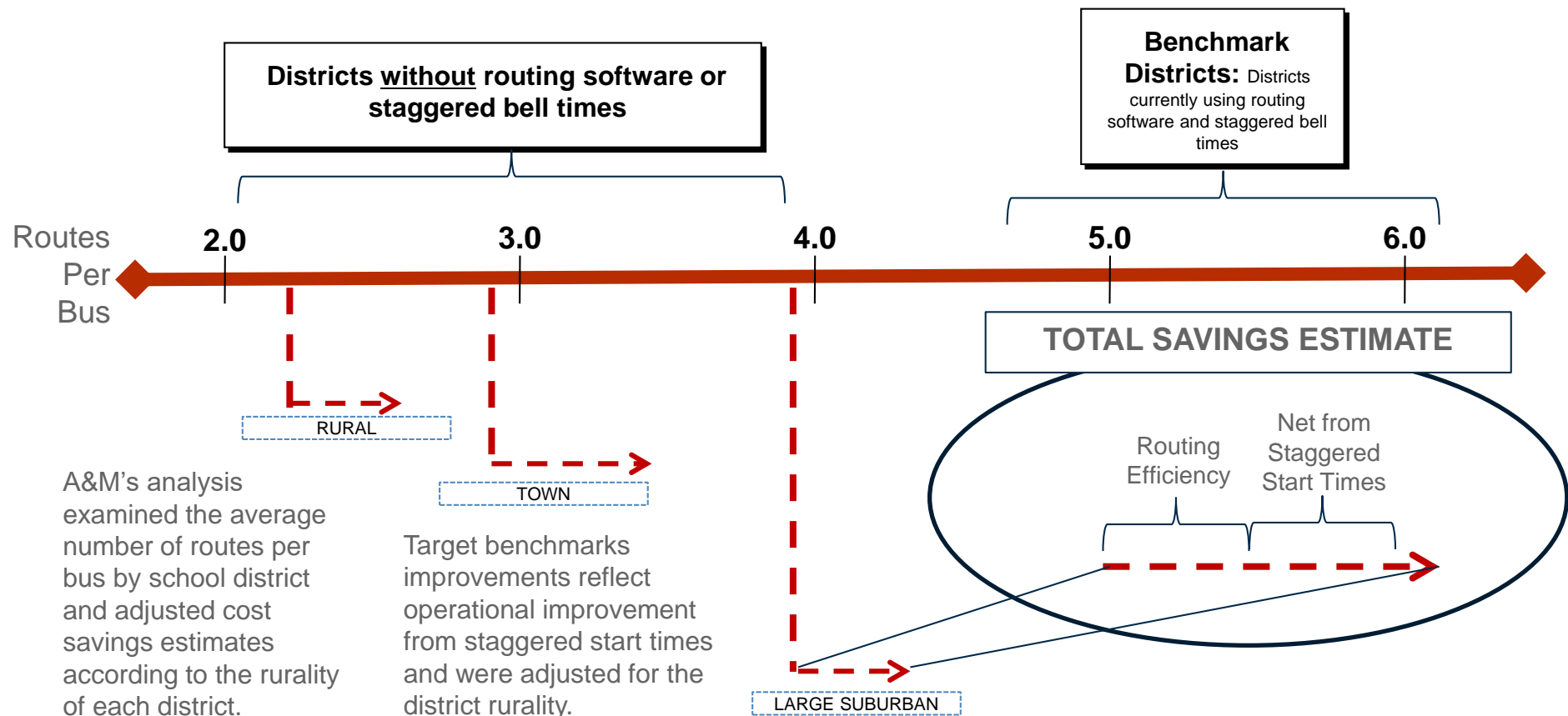
(2) Total FTEs and Total Spend based upon average FTEs and average spend of one large district (>10,000 ADM), one medium district (between 5,000 and 10,000 ADM) and 3 small districts (less than 2,500 enrollment).

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 CHESTERFIELD

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 CHESTERFIELD

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.

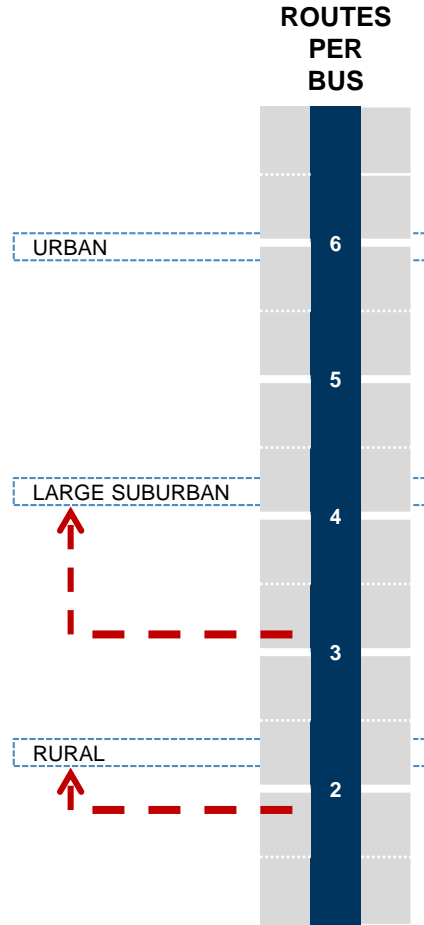
APPENDIX A: SAVINGS METHODOLOGY CHESTERFIELD

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 CHESTERFIELD

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 CHESTERFIELD

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



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CHESTERFIELD

[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 CHESTERFIELD

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 CHESTERFIELD

Source [5]

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

Source [3],[7]

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

Source [5],[7]

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

Source [9]

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

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