



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Dillon 03

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

DILLON 03

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.

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.

PROJECT OVERVIEW (CONTINUED)

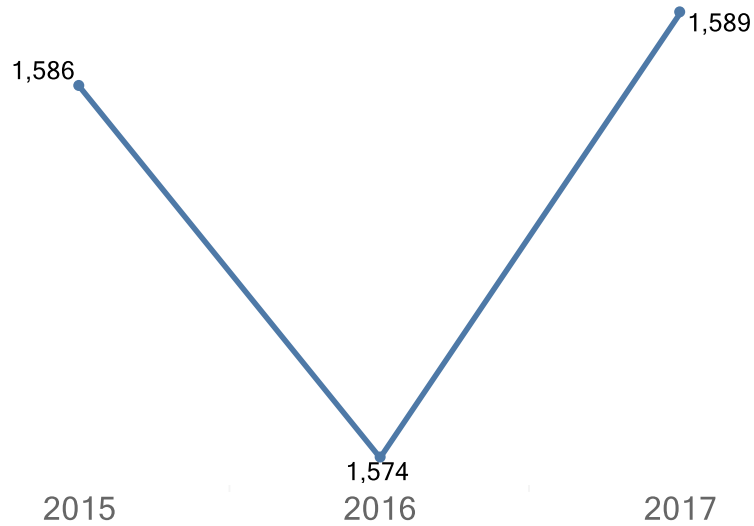
➤ Sources of Data and Savings Estimates:

- 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.

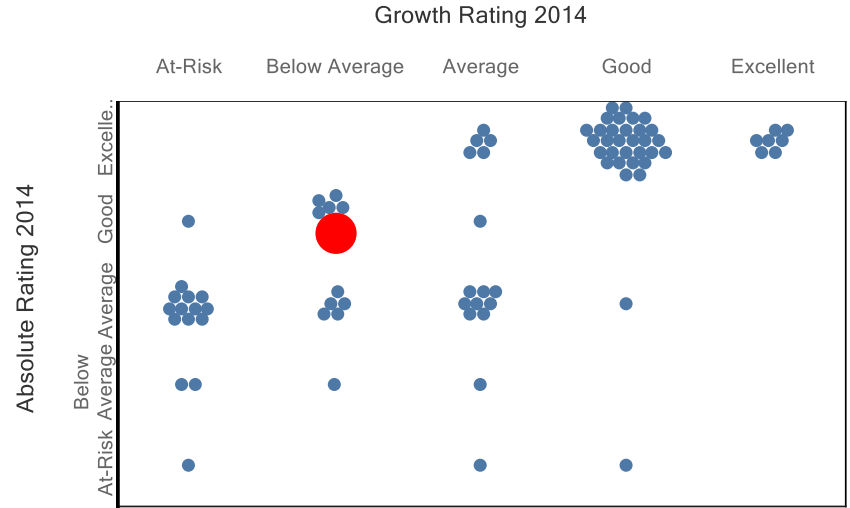
EXECUTIVE SUMMARY

DILLON 03

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	3
% Poverty ^[1]	69.5%
% Disability ^[1]	10.4%
\$ Per Student ^{[2],[3]}	\$9,186
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$8,951

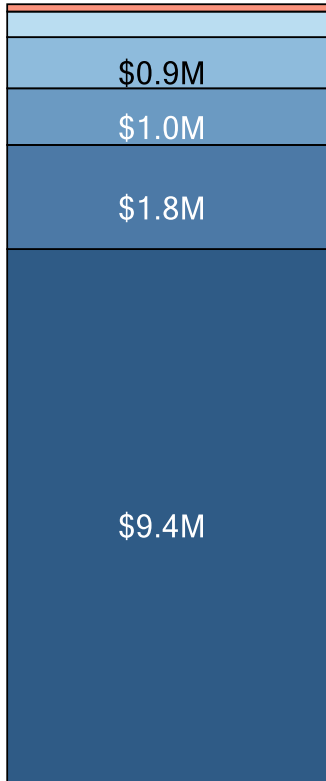
Administration

Students Per Instructional Services FTE ^{[2],[4]}	10.5
Students Per Overhead FTE ^{[2],[4]}	264.8
Students Per School Support FTE ^{[2],[4]}	39.2
Students to Total FTE ^{[2],[4]}	8.0

EXECUTIVE SUMMARY

DILLON 03

Sources of Funds^[5]
\$13.7M



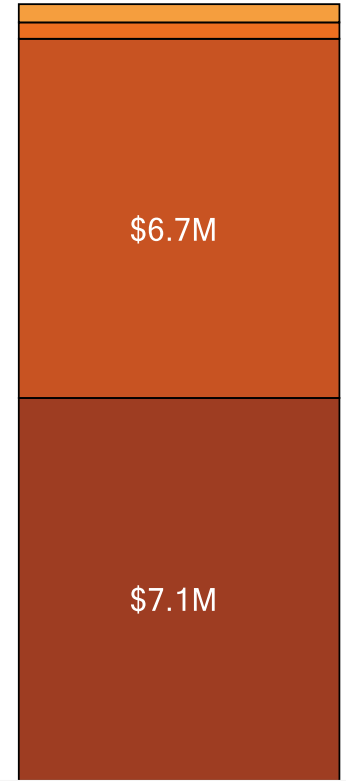
2015-2016

Use of Funds - Type^[3]
\$14.5M



2015-2016

Use of Funds - Function^[3]
\$14.5M



2015-2016

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

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

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

DILLON 03

\$14.5M
Total

\$2.4M
In-Scope

\$12.1M
Not In-Scope

16.7% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$112,052	\$2,775
Human Resources	\$	\$
Overhead	\$518,673	\$280,666
Transportation	\$272,146	\$16,420
Procurement (Community Services, Instruction, Support Services)	\$1,506,543	\$1,506,543
TOTAL	\$2,409,414	\$1,806,404

* totals may not tie due to rounding

EXECUTIVE SUMMARY

DILLON 03

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The Mission of Dillon 3 School District is to develop a positive, safe/secure learning environment and provide curriculum, facilities, and personnel so that every student will graduate from high school globally competitive for work and post-secondary education and prepared for life in the 21st Century.

- 1. Grow innovative programs:** Increase the Montessori, International Baccalaureate Diploma and STEM (Science, Technology, Engineering and Math) Programs.
- 2. Increase College and Career Readiness:** Increase percentage of students graduating college and career ready by scoring on ACT/WorkKeys at or above National Career Readiness Certificate Silver Level.
- 3. Improve School Climate:** Increase percentages of student/parent satisfaction Districtwide.
- 4. Improve Communications:** Increase student and parent satisfaction rate with home-school relations.
- 5. Test Score Improvement:** Improve ELA, Math, Science and Social Studies state achievement standard scores and EOCEP in English I, Algebra I/Math for Technologies 2, US History and Biology I/Applied Biology 2.
- 6. Improve Graduation Rate:** Increase academic achievement and on-time graduation rates.
- 7. Improve Elementary Performance:** Increase proficiency in Reading and Math.
- 8. Maintain Teacher Quality:** Continue to recruit, retain and develop highly qualified teachers and administrators.

Achievements

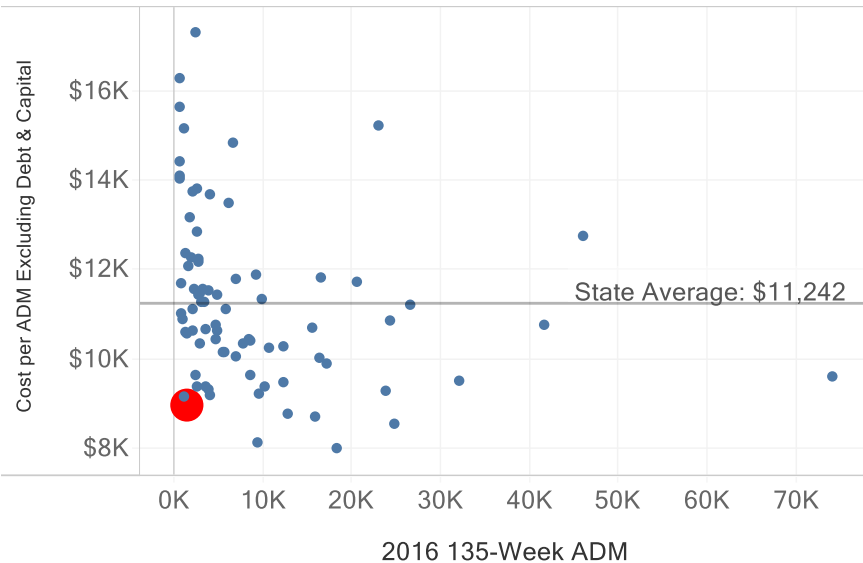
- **Innovative Programs throughout PK – 12:** Montessori Elementary, STEM Middle and IB High Schools, which attract out-of-district students.
- **Community Engagement:** Strong support from local business community.
- **Graduation Rate:** Increase in 4- and 5-year cohort graduation rates, both higher than state average.
- **Cultural Opportunities:** Full Arts & Music program including recent Performing Arts Center renovation.
- **College and Career Readiness:** 100% of students are involved in career planning.

Challenges

- **Vendor Shortage:** Rural location leaves relatively few options to competitively source services, such as HVAC.
- **Condition/age of school facilities:** The age of buildings results in the need for expensive ongoing maintenance and improvements. New funding would be required to make long-term fixes.
- **Administration and Modernization:** Most key administrative and financial functions are performed manually through paper systems.

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

DILLON 03

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Management: The District's FY16 audit identified a repeat material weakness and the accounting staff does not prepare financial statements and related note disclosures. Despite low per pupil funding, the District has a high Unrestricted Fund Balance relative other districts. The District has strong support from the Education Foundation and has established robust partnerships with all facets of the community for philanthropic support. • Limited Staffing / Manual Processes: Limited staffing and under-investment in integrated technology systems perpetuates the use of manual processes that need streamlining through modernization.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: There are no resources dedicated to the HR function. The Superintendent and his leadership team handle all HR matters, including recruitment and onboarding, using primarily manual processes. • Challenges with Recruiting and Retention: The average teacher salary of the District is well below the statewide average, and teacher shortages are exacerbated by varying pay scales in neighboring districts. The District does not rely on recruitment and placement agencies due to the cost.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State pays for bus purchases, maintenance, fuel costs 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 resources for procurement. • 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 six major organizational functions report directly to the Superintendent. • Collaboration: The District participate in 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

DILLON 03

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: Implement and utilize new technologies to automate HR processes, such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing/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.</p> <p>Process Improvements: Since District already has Staggered Bell Times: - complete analysis (in conjunction with use of new routing software) to evaluate the 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

DILLON 03

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

DILLON 03

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

DILLON 03

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	\$10,800	\$32,300
Human Resources	0	27,500	(54,400)	0
Procurement	0	0	46,700	96,600
Transportation – District	N/A	N/A	6,000	9,000
District Total	17,500	60,000	9,100	137,900
Transportation – State	6,000	16,600	7,400	17,000
Total	\$23,500	\$76,600	\$16,500	\$154,900

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

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



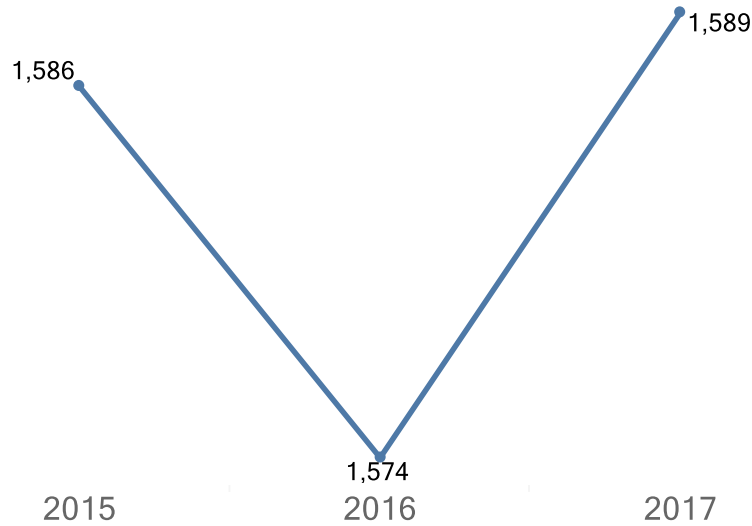
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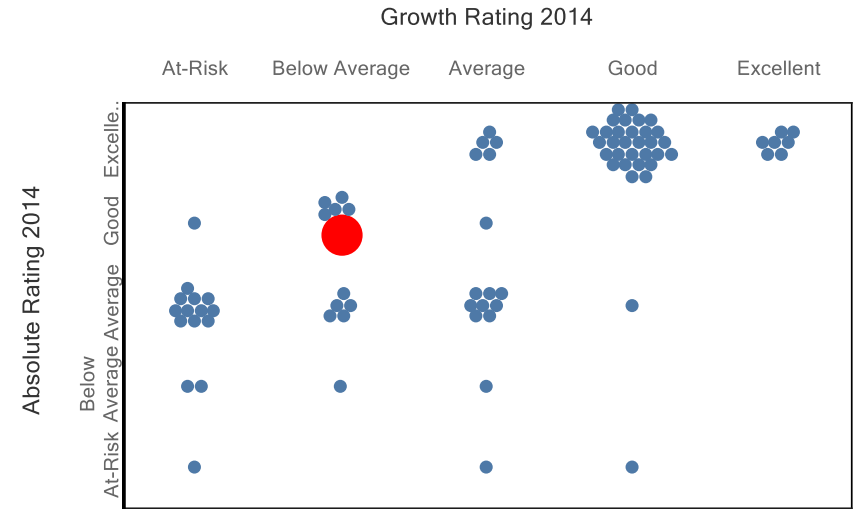
DISTRICT ADMINISTRATION AND PERFORMANCE

DILLON 03

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	3
% Poverty ^[1]	69.5%
% Disability ^[1]	10.4%
\$ Per Student ^{[2],[3]}	\$9,186
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$8,951

Administration

Students Per Instructional Services FTE ^{[2],[4]}	10.5
Students Per Overhead FTE ^{[2],[4]}	264.8
Students Per School Support FTE ^{[2],[4]}	39.2
Students to Total FTE ^{[2],[4]}	8.0

DISTRICT BENCHMARKING

DILLON 03

Enrollment (< 2,500)

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

Phase 1 (Yes)

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

Poverty (65% - 70%)

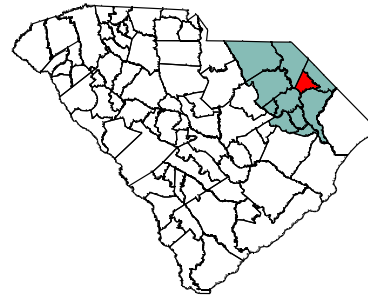
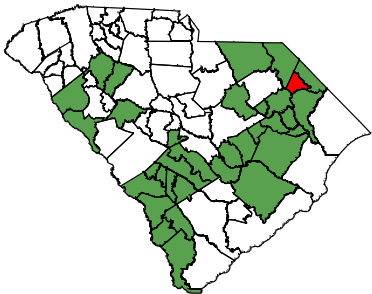
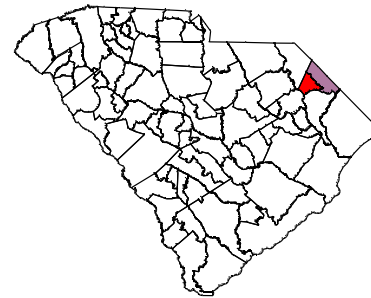
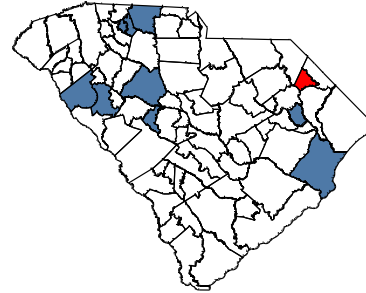
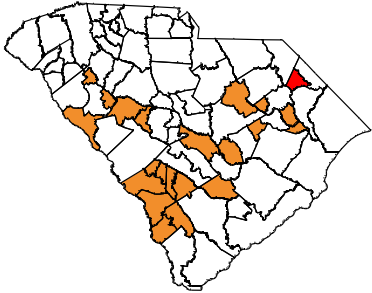
Abbeville 60
Cherokee
Dillon 03
Florence 02
Georgetown
Greenwood 50
Lexington 03
Newberry
Spartanburg 03
tanburg 07

County (Dillon)

Dillon 03
Dillon 04

Region (Pee Dee)

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

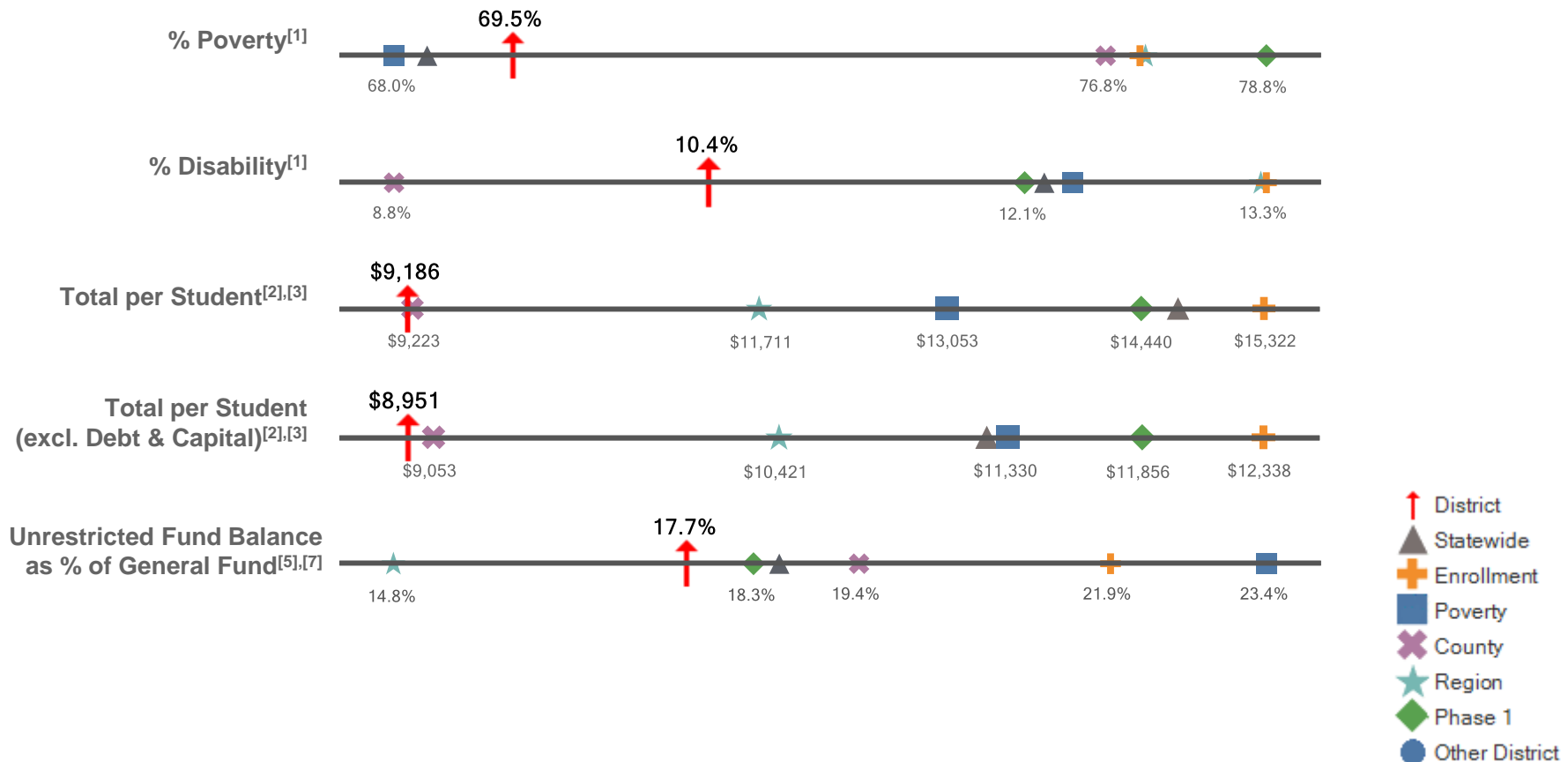


DISTRICT OVERVIEW

DILLON 03

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

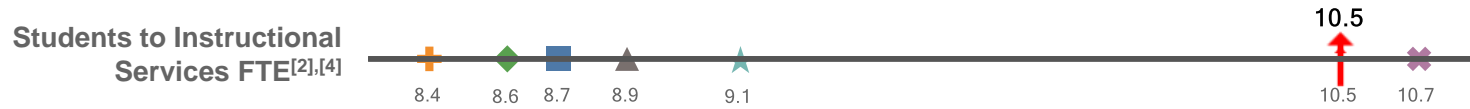
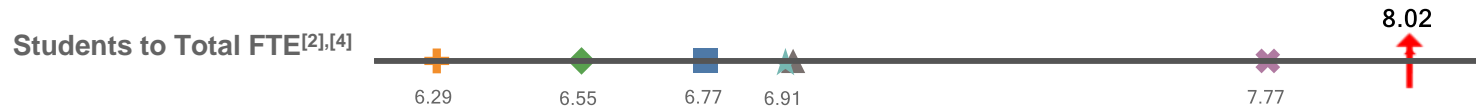
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

DILLON 03

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD

DILLON 03

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 consistent over the past 10 years. Current enrollment is 1589 students. • Student Demographics: 69.5% of District students live in poverty, which is slightly above the statewide average of 68.4%. 10.4% of District students have special needs. • Competition: There are no charter schools in the District. There is one private school in the county, but it is not viewed as a challenge to enrollment because of the innovative offerings of the District. • Other Demographic: 10% of the student population comes from out-of-district to access the innovative program offerings of Montessori (Elem.), STEM (Middle) and IB (High). There is usually some space for additional students in middle, high and some elementary school grades, but not Kindergarten. • Long-term Planning: The District does not prepare long term enrollment projections to help inform long-term planning. 	<ul style="list-style-type: none"> • Given the recent trends in enrollment, the District should develop a long-term enrollment forecast to anticipate and better plan for enrollment changes, ensuring long term financial stability. • Consider increasing numbers of out-of-district placement seats to keep increasing enrollment. Keep in mind there are District parameters: student in good standing with good grades and no attendance or disciplinary issues.
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 low per pupil funding and an Unrestricted Fund Balance that is lower than the statewide average. • Per Pupil Expenses: When excluding debt and capital, the District's per pupil expense of \$8,951 is significantly lower than the statewide average of \$11,242 and that of similarly sized districts at \$12,338. 	<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

DILLON 03

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 18% of revenues. The fund balance is slightly higher than the statewide average, resulting in financial stability. • Student to FTE: The District's Student to Total FTEs ratio is 8.0, which is higher than both the statewide average of 6.9 and districts of similar size of 6.3. • Student to Instructional Services FTE: The District's Student to Instruction ratio is 10.5, which is higher than districts of similar size at 8.4 and the statewide average of 8.9. • Student to Support Services FTE: The District's Student to Support Services ratio is 39.2, which is higher than districts of similar size of 31.9 and lower than the statewide average of 43.8. • Student to Overhead FTE: The District's Student to Overhead ratio of 264.8 is higher than both similarly sized districts at 173.7 and the statewide average of 234.2. 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the Superintendent which are outside of the scope of this report in order to optimize resources and bring spending in line with benchmarks.
Philanthropy	<ul style="list-style-type: none"> • The Education Foundation and community support the District. The District has established partnerships with county libraries, community organizations, faith based institutions, medical facilities, businesses, corporations and other groups to provide support services and materials to enhance reading development and proficiency, scholarships and grants. 	<ul style="list-style-type: none"> • Utilize Dillon 3 as a model for philanthropy and community involvement.

DISTRICT OVERVIEW AND OVERHEAD

DILLON 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The District has an experienced Superintendent who manages all needs of the District with a small team. • Communications Function: There is no direct Communications support for the Superintendent's office. The function is performed by the Superintendent's office. • Legal: The District has no legal department. If legal advice is required, District utilizes an external firm to provide support (which is different from the external firm Dillon 4 utilizes). • Turnover: Superintendent has overseen the District for the past 27 years. 	<ul style="list-style-type: none"> • Develop a succession plan for the Superintendent given his vast institutional knowledge. • Consider exploring utilization of a common law firm if opportunities exist to increase volume and negotiate fee reductions. • Consider review and reorganization of other direct support areas of the Superintendent which are outside of the scope of this report in order to optimize resources and bring spending in line with benchmarks.
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The District's School Board members are not paid. • Training: Board members are required to attend specialized training/orientation; additionally, some attend South Carolina School Board Association's training. 	<ul style="list-style-type: none"> • Continue to support Board of Directors' attendance at annual training opportunities.

DISTRICT OVERVIEW AND OVERHEAD

DILLON 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none"> • The District does coordinate with other regional superintendents through the PeeDee Consortium, SCDE Roundtable and informal, information-sharing meetings. • Career Center: The District shares a career center with Dillon 4. • Special Education: The District coordinates with other area districts as a part of the PeeDee Consortium on Special Education programs through Project SHARE; additionally, Dillon 3 shares transportation with Dillon 4 for out-of- district placements. • Headcount: The District shares certain FTEs with area districts. For example, Dillon 3 and Dillon 4 share a countywide Finance Director. 	<ul style="list-style-type: none"> • Continue implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills that are required infrequently or 2) are highly transactional.



OUTLINE

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

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.

794 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$71 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	2.0
Personnel Expense ^[3]	\$109,277
Non-Personnel Expense ^[3]	\$2,775
Total Financial Expense ^[3]	\$112,052

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.

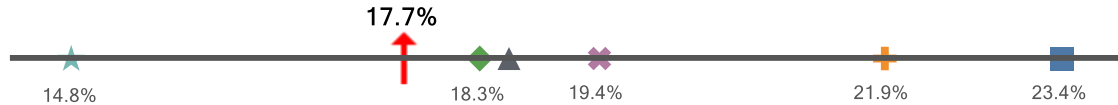
FINANCIAL MANAGEMENT

DILLON 03

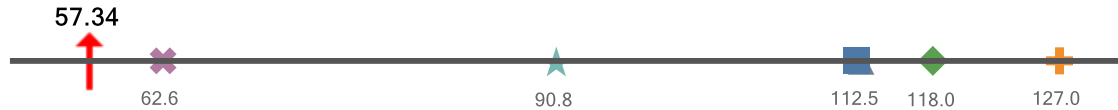
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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.

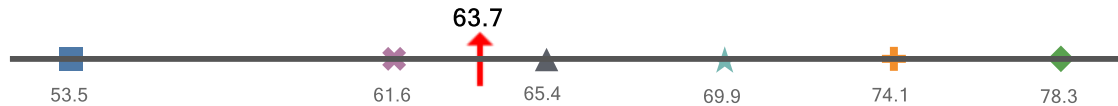
Unrestricted Fund Balance as % of General Fund^{[5],[7]}



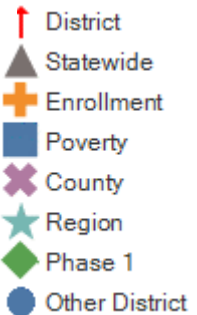
Days Cash on Hand^{[3],[7]}



Days Grants Receivable Outstanding^{[5],[7]}



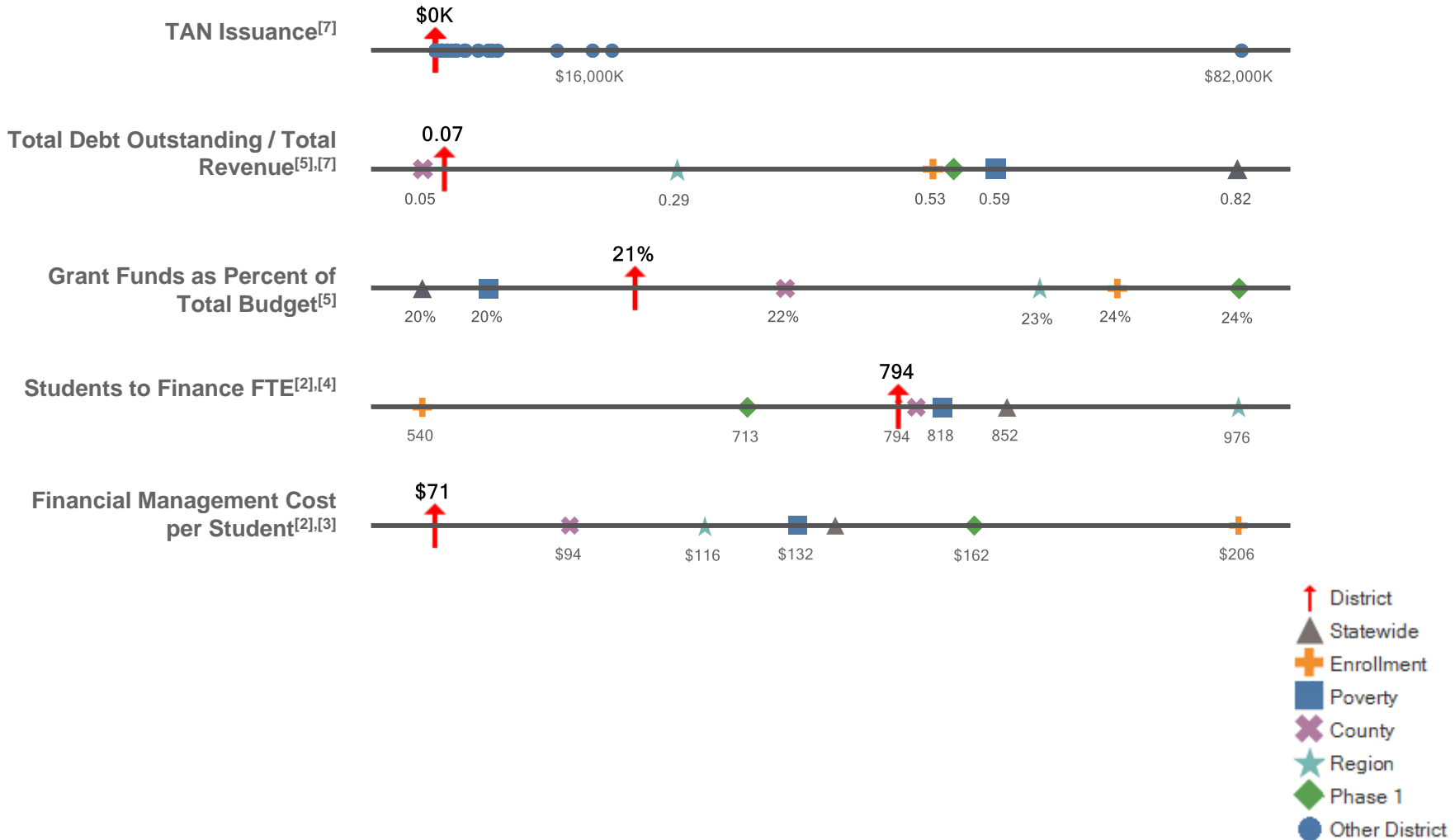
Days Payables Outstanding^{[3],[7]}



FINANCIAL MANAGEMENT

DILLON 03

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



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. There is a countywide Finance Director that is currently shared between Dillon 3 and Dillon 4 who helps facilitate payroll and AP review and signature by the County Board. • Turnover: Department has had 1 lead finance director in past 10 years. • Financial Cost Per Pupil: The Finance Cost per Pupil for the District is \$71, which is significantly lower than both its similarly sized peers at \$206 and the statewide average of \$138. • Student Per Finance FTE: The District’s Student per Finance FTE ratio is 794.4, which is higher than its similarly sized peers average of 540 but lower than the statewide average of 852. 	<ul style="list-style-type: none"> • Consider leveraging the shared countywide Finance Director to expand responsibilities on behalf of both Districts. • 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Payroll and Accounts Payable</p>	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a monthly basis. Special payrolls are not run frequently; the Finance Director has recalled approximately 3 times in the past 10 years. • The District still has a significant number of employees that receive payments via check (not direct deposit). Approximately 80% receive direct deposit, while 20% receive a physical check. • The District does not use a self-service payroll platform; therefore, employee initiated payroll changes are all processed manually. In addition, check pay stubs are printed manually and delivered to schools / employees directly. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the finance department. • 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 a centralized approval process in place. • Pcard: The District does utilize a Pcard program. 	<ul style="list-style-type: none"> • Standardize payroll to bi-monthly processes. • Consider requiring all employees to receive payroll via direct deposit. In addition, eliminate the physical mailing of check stubs to employees and leverage employee self-service functionality available within the Harris SmartFusion system. • 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Payroll and Accounts Payable</p>	<ul style="list-style-type: none"> • Inventory: The District does not have a warehouse and does not bar code/scan assets. All inventory processes are manual. Each school and department tracks their inventory via spreadsheet. • 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). 	<ul style="list-style-type: none"> • Evaluate the usefulness of barcode scanning to track assets. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process.
<p>Grants Management</p>	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 21% 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. • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.

FINANCIAL MANAGEMENT

DILLON 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have material weaknesses in its latest audited financial statements, which was a repeat finding: <ul style="list-style-type: none"> - Financial Statement Preparation Control Deficiency: District accounting staff does not prepare financial statements and related note disclosures. • Position Control: The District maintains position control, which creates a strong, internal control environment for personnel transactions. 	<ul style="list-style-type: none"> • Implement processes to ensure that identified internal control weaknesses are mitigated.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a lower cash balance than the statewide average with 57.3 Days Cash on Hand. The District reviews cash flow forecasts on a monthly basis. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 63.7 days, which is more favorable than statewide average, likely due to the District submitting grant reimbursements monthly. • Days Payable Outstanding: The District's Days Payables Outstanding of 12 is lower than statewide average, indicating the District is paying obligations nearly as soon as they come due or they are potentially understating unpaid expenses. • Cash: The District does invest cash balances in a state local investment pool. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings. • Evaluate paying expenses on a 30 day cycle to optimize interest.

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 authorization, 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 does not perform monthly or quarterly closes. It only provides a year-end close. The District provides a monthly report of cash position and budget status to its Board. 	<ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Prepare monthly financial reports and variance analysis. Reports should be shared with District leadership and each department head on monthly basis.
Technology	<ul style="list-style-type: none"> • ERP: The District currently uses SmartFusion for general accounting; however, processes remain manual for time-keeping, payroll, invoice approval and check processing. 	<ul style="list-style-type: none"> • Continue exploring opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system. • 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 coordinate partially with Dillon 4 processing or finance related activities through the countywide Finance Director. The District is part of the Pee Dee Consortium in which the finance directors of individual districts meet quarterly to discuss various topics, including technology upgrades, grant opportunities, etc. 	<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
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

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.

No Dedicated HR Personnel

District Students (ADM)^[2] Human Resources FTE^[4]

\$ per Student

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

Key statistics for metrics	
Human Resources FTEs ^[4]	0.0
Personnel Expense ^[3]	\$0
Non-Personnel Expense ^[3]	\$0
Total Human Resources Expense ^[3]	\$0

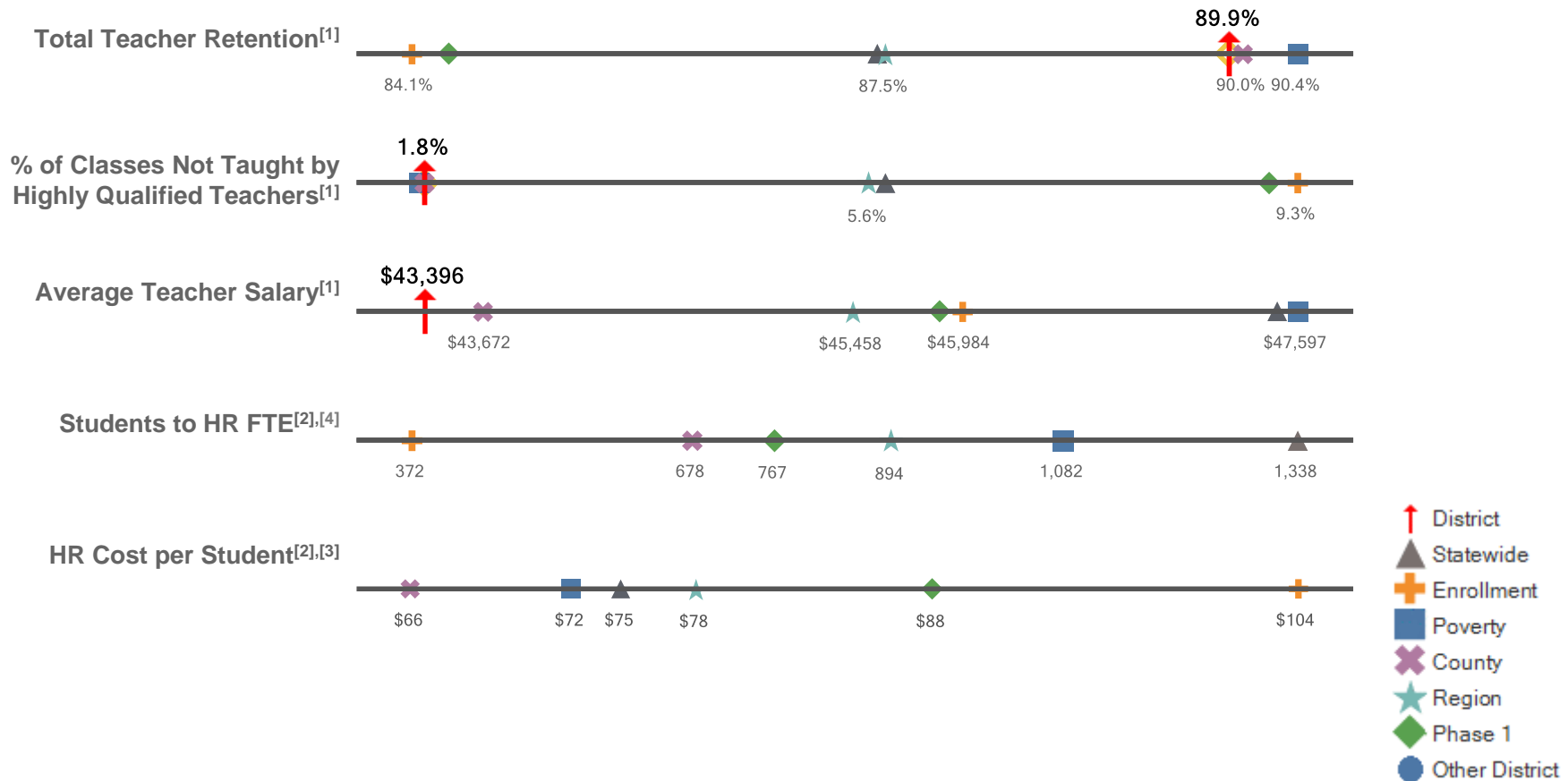
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

DILLON 03

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.



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Staffing / Organization</p>	<ul style="list-style-type: none"> The District does not have any staff solely focused on Human Resources. The Superintendent and his team absorb these functions. Human Resources Cost Per Pupil: Given that no staff are solely focused upon HR, the District’s HR Cost Per Pupil is zero, which is lower than districts of similar size and the statewide average. Student Per Human Resources FTE: Accordingly, the District’s FTE to HR FTE ratio is also zero, which is lower than districts of similar size and the statewide average. The lower student to FTE ratio is attributable to the fact that the District is a small. All Districts regardless of size have the same functions that must be performed. This fixed cost of the District cannot be reduced further despite the lower ratio. 	<ul style="list-style-type: none"> Evaluate the addition of one resource to free-up the Superintendent’s time to better support recruiting, retention, personnel relations, benefits and professional development activities. 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.
<p>Recruiting and Retention</p>	<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 no international teachers. Teacher Incentives: The District uses rental housing as an incentive program to try to attract and retain teachers. The District leases the housing to teachers at a discounted rate. 	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Recruiting and Retention</p>	<ul style="list-style-type: none"> • Teacher Pay: The average teacher salary of \$43,396 is well-below the statewide average, making it more difficult for the District to recruit and retain teachers. Additionally, once new teachers gain experience, they are recruited by neighboring counties who pay significantly more. • Teacher Shortages: The District aggressively works to avoid utilizing long-term substitutes due to issues with quality. 	<ul style="list-style-type: none"> • Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs. • Continue to 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.
<p>Technology</p>	<ul style="list-style-type: none"> • The District does not leverage technology support systems for recruiting or application processing outside of CERRA and their website. The District does not employ enough substitutes to warrant the necessity of substitute management technology systems. 	<ul style="list-style-type: none"> • Implement technology to help enhance and automate recruiting, on-boarding and time tracking processes that are currently manual. • Implement an automated time tracking system that can interface directly with the payroll system. • Capitalize on functionality provided by technology to fully automate the application to onboarding process.

HUMAN RESOURCES

DILLON 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> Administration is typically done by an administrative assistant. 	<ul style="list-style-type: none"> Benefits administration process could be automated via establishment of an employee portal. Employees could be responsible for updates and information would be linked directly to payroll Continue to conduct local review of benefit plans for ineligible dependents with PEBA.
Collaboration	<ul style="list-style-type: none"> Through the PeeDee Consortium, the District explores opportunities of collaboration with other nearby school districts on recruiting, human resource system licenses and 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.



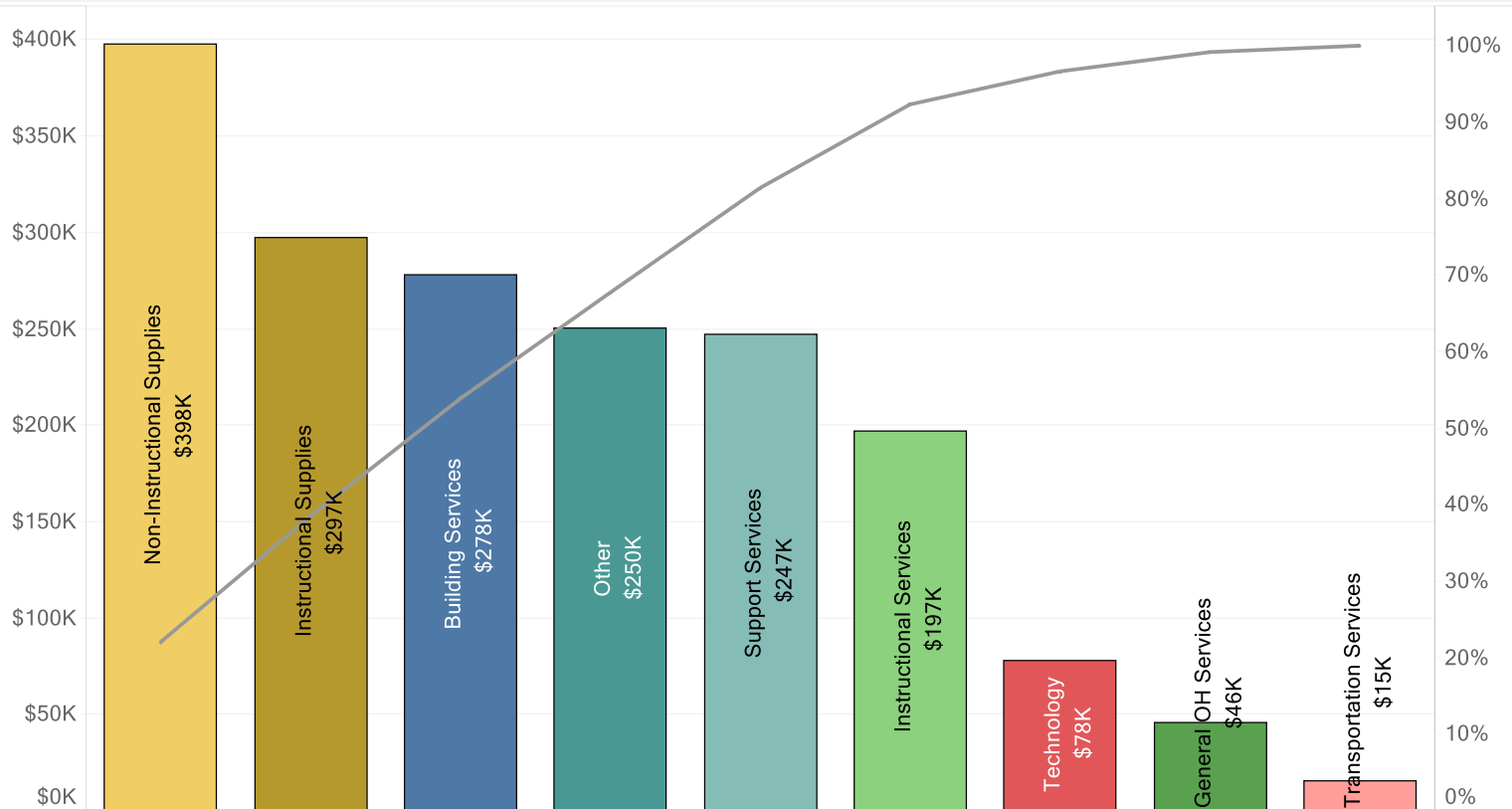
OUTLINE

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

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.

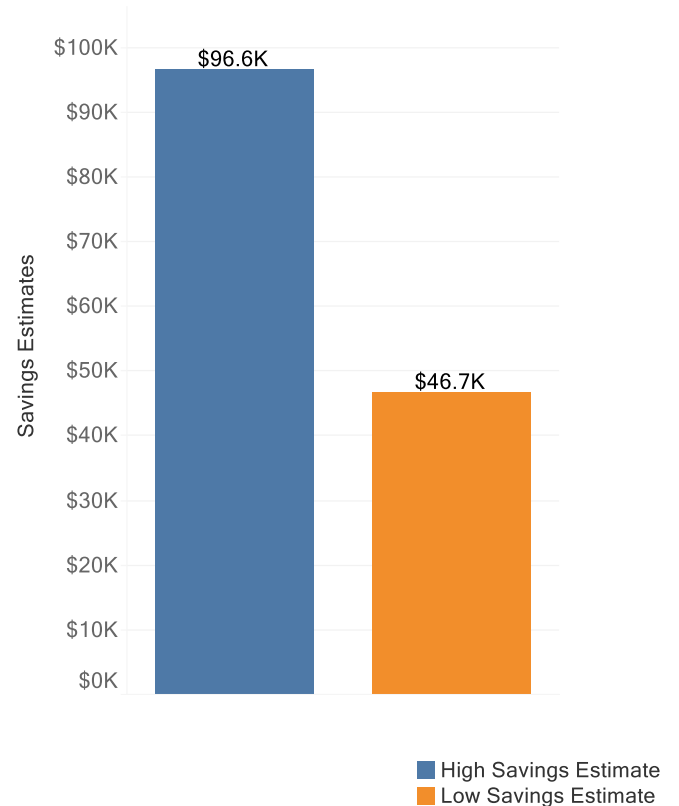
District In Scope Total Procurement Spend = \$1,806,404



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 DILLON 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District does not have any staff solely focused on purchasing and procurement. The Superintendent and his leadership team absorb these functions. 	<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 745 vendors; however, the top 43 make up 80% of total spending. Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts are not made. 	<ul style="list-style-type: none"> 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. 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Spending by Category</p>	<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. • 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 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. • 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. 	<ul style="list-style-type: none"> • Coordinate purchasing if facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. • Consider coordinating purchases of dairy and bread. • Consider establishing fixed rate contract for natural gas. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. • Coordinate purchasing of instructional software and services with surrounding districts to maximize potential for volume discounts. • Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts.

PROCUREMENT

DILLON 03

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • 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"> • 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.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not partner with other districts to procure goods and services, except with regards to regional grants. 	<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



OUTLINE

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

TRANSPORTATION

DILLON 03

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]

\$173 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	10.0
Personnel Expense ^[3]	\$255,726
Non-Personnel Expense ^[3]	\$16,420
Total Transportation Expense ^[3]	\$272,146

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

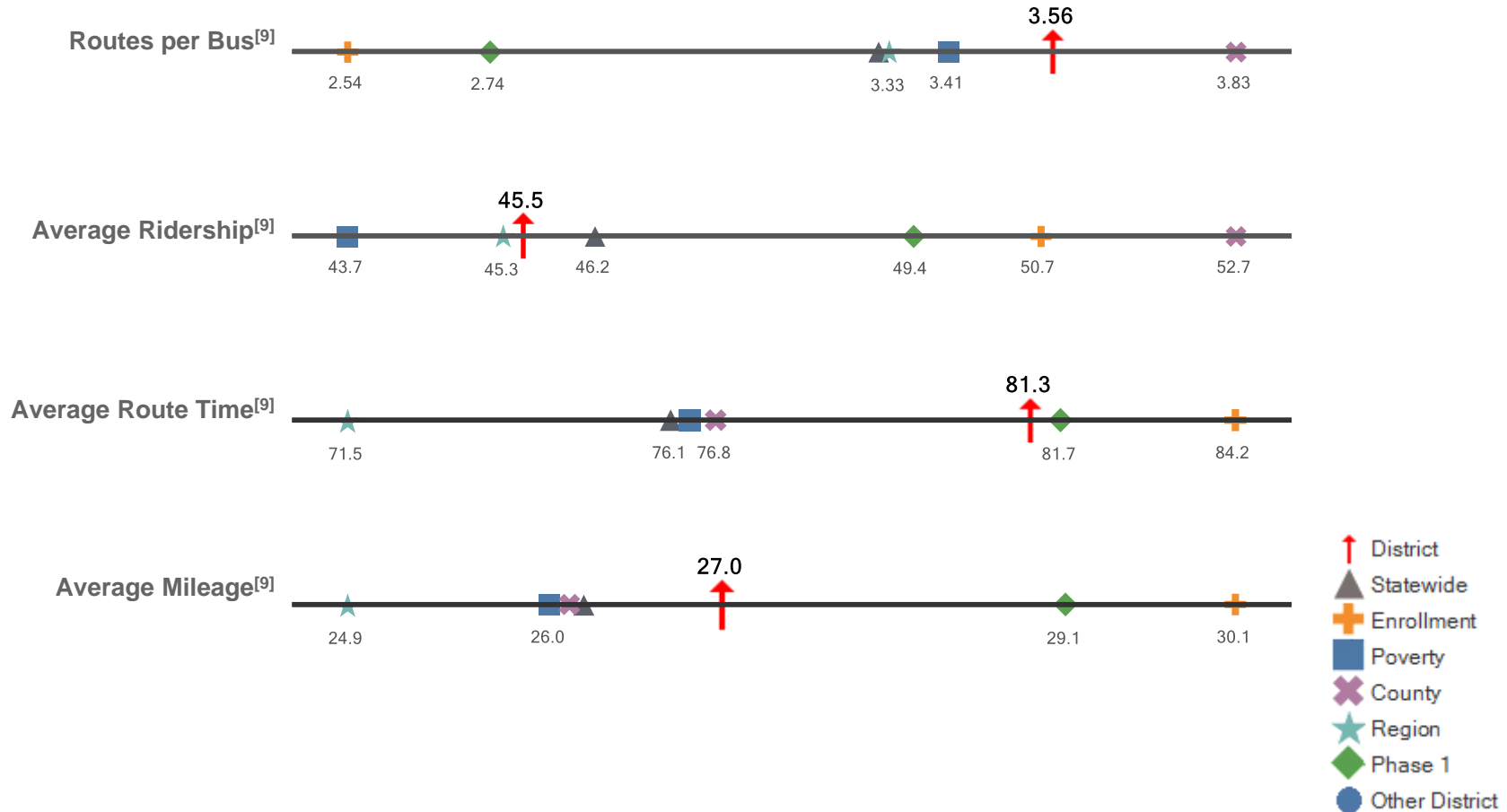
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	6.7	24	3.6	1,092	46	81	27
Special Needs	0.6	3	5.0	24	8	Not-Available	22
Other	1.3	7	5.5	264	38	Not-Available	13
Total	8.6	34	4.0	1,380	N/A	N/A	N/A

TRANSPORTATION

DILLON 03

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.



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 currently has average vacancy rate of 10%. • Substitutes: The District has a pool of substitute drivers. Bus Drivers are employed as aides, food workers or custodians to offer full employment opportunities at the District. • Staggered Bell Times: The District runs staggered bus routes and start times for schools. • Driver Pay: Bus drivers are currently paid \$2/hour more than the state starting rate. If drivers are dually employed, they receive the pay of the position that is higher. Additionally, drivers get a bonus halfway through the year based upon performance/attendance. • Administration: Transportation is run by one administrator, who along with coaches, custodians and other staff, is certified by the state to drive the buses. 	<ul style="list-style-type: none"> • As an incentive to recruit and retain bus drivers, expand opportunities for full-time employment. • Explore the possibility of conducting more frequent bus driver certification training sessions by the State and District. • Implement a substitute/back-up driver pool in collaboration with nearby districts. • Evaluate using an automated calling system to fill needed driver substitute vacancies.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing Software: The District utilizes state routing software. • Bus Tracking: The District has GPS on its buses. • Driver Communication: The District provides walkie-talkie radios 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. • 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 security and stop-arm cameras on buses to increase child safety and security.
Collaboration	<ul style="list-style-type: none"> • The District collaborates with surrounding districts on transporting students for out-of-district placements. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and for bus driver sourcing. • Leverage the State maintenance hubs for activity buses. • Consider sharing a Transportation Director between Dillon 3 and Dillon 4.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

DILLON 03

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

**Functional Review
Operating Model Components**



PROCESS

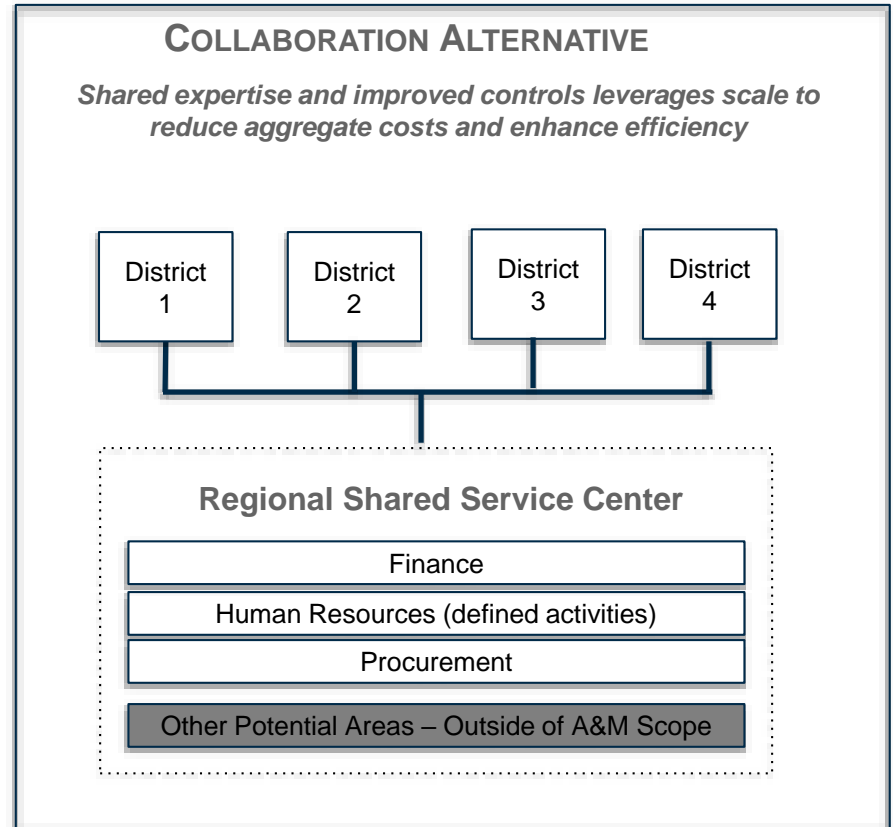
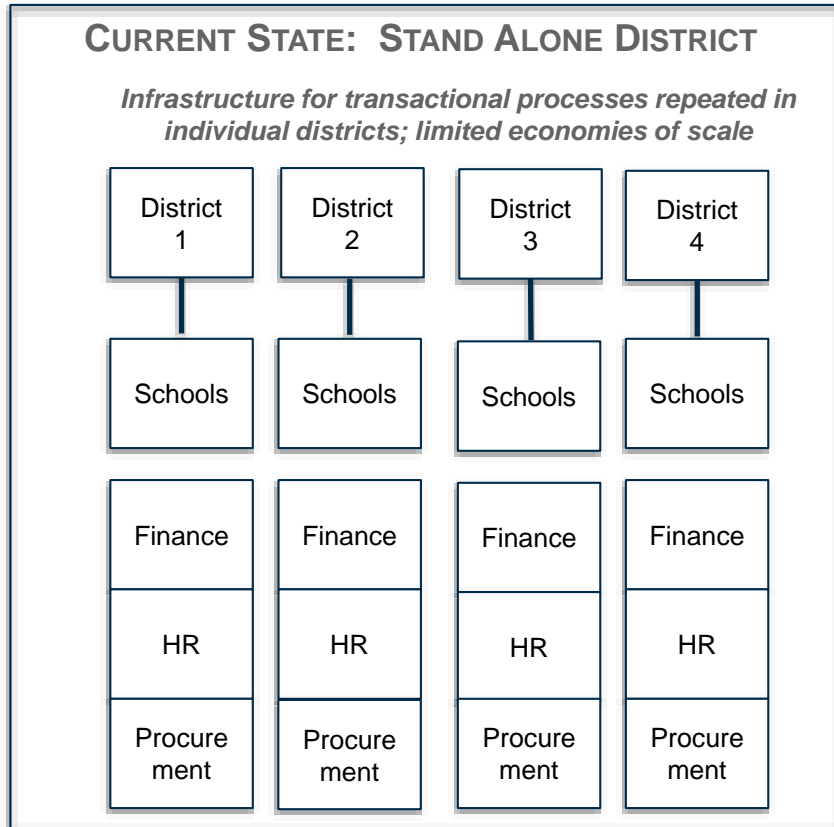
Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

ORGANIZATION

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

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.



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

DILLON 03

SHARED SERVICES MODEL: SAVINGS APPROACH

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

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

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

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

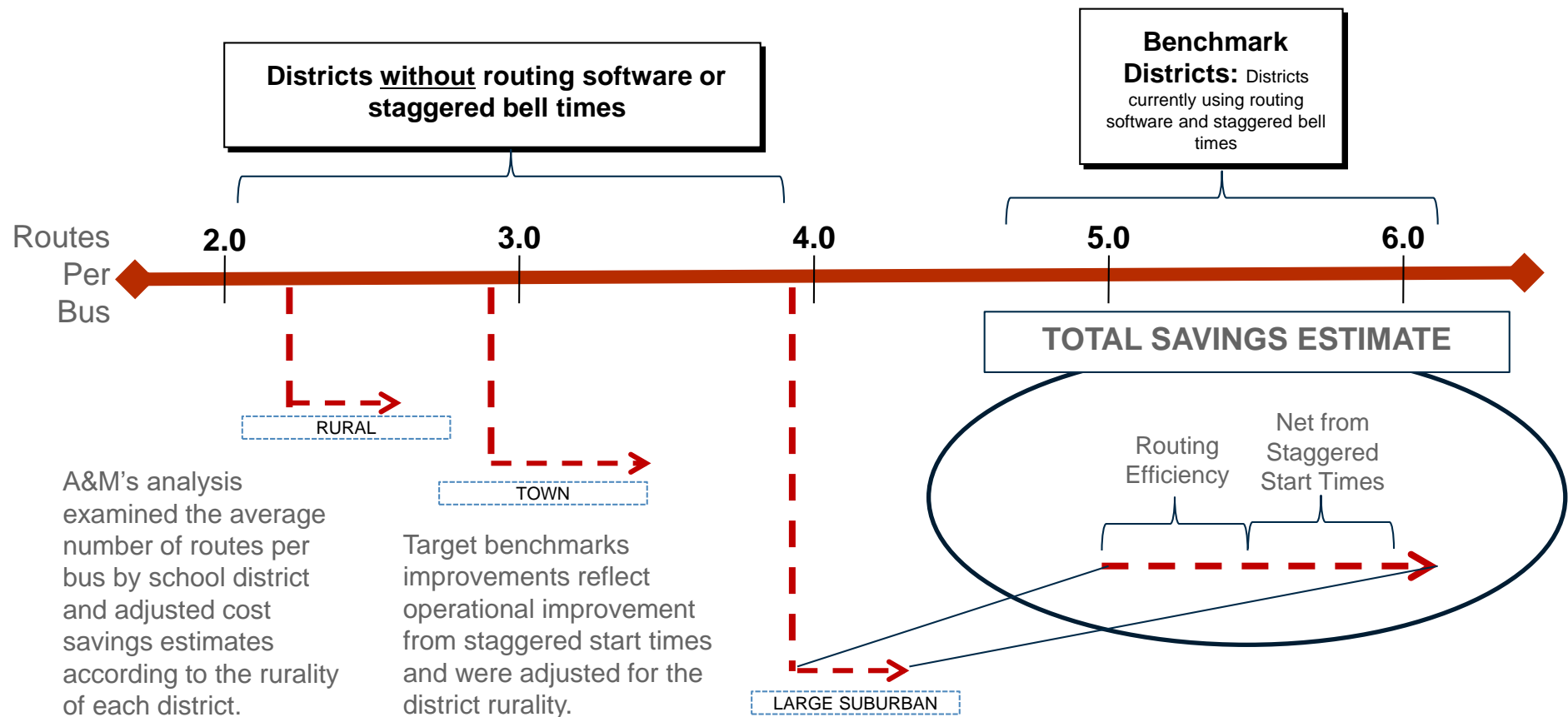
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH

Implementation of new routing software can help districts optimize existing routes and evaluate alternative routing strategies, such as staggered bell times.



APPENDIX A: SAVINGS METHODOLOGY

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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

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

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

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

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

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

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

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

APPENDIX A: SAVINGS METHODOLOGY

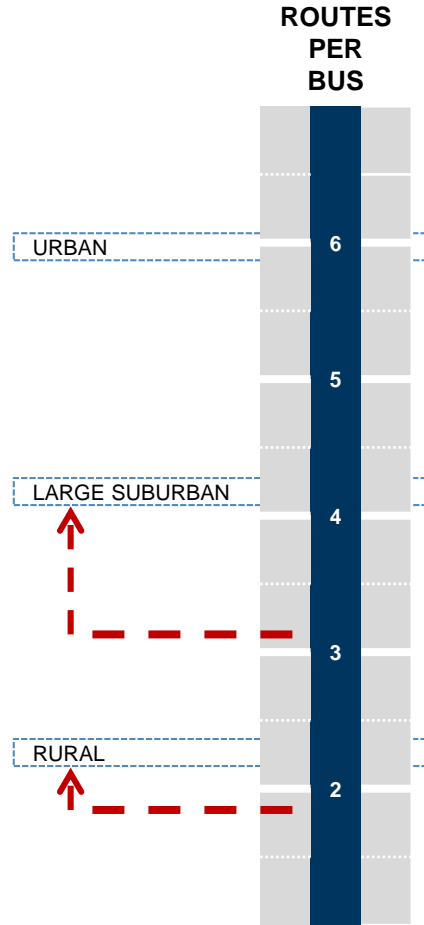
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

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

Target 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

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COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

Given the size of many of the individual districts, there is little leverage to negotiate best pricing or invest in resources needed to develop or implement a defined procurement strategy. These districts would benefit from greater purchasing coordination, aggregation of buying power and minimum commitments in order to improve overall pricing.

EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

Example 1: Differentiated Pricing in Professional Services

District	Labor Rate Mark-up for Temporary Staff
District A	0.43 to 0.49
State Contract	0.40
District B	0.39

- At a minimum, many districts could benefit from leveraging State contracts. Districts could additionally benefit from favorable pricing negotiated by other districts.

Example 2: Volume Discounts and Rebates with a Technology Vendor

Minimum \$ Value	Discount
\$50,000	1%
\$100,000	2%
\$200,000	4%
\$500,000	6%
\$1,000,000	8%

- Nearly all districts could benefit from additional discounts by aggregating spend statewide.

APPENDIX A: SAVINGS METHODOLOGY

DILLON 03

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

DILLON 03

[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

DILLON 03

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

DILLON 03

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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