



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Dorchester 04

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

DORCHESTER 04

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

DORCHESTER 04

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

DORCHESTER 04

PROJECT OVERVIEW (CONTINUED)

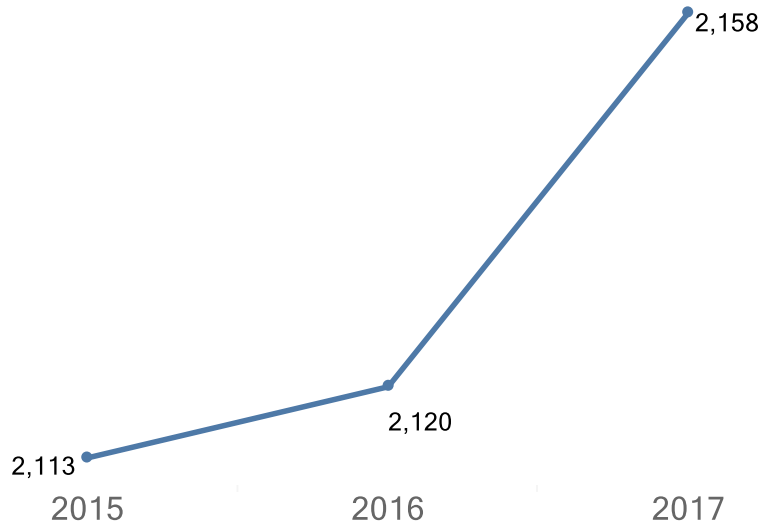
➤ Sources of Data and Savings Estimates:

- 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.

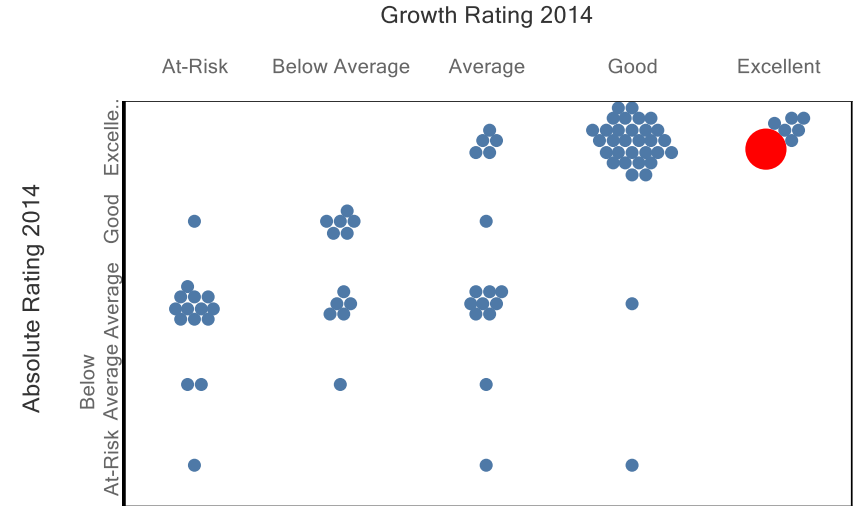
EXECUTIVE SUMMARY

DORCHESTER 04

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	6
% Poverty ^[1]	73.7%
% Disability ^[1]	13.7%
\$ Per Student ^{[2],[3]}	\$17,519
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$13,717

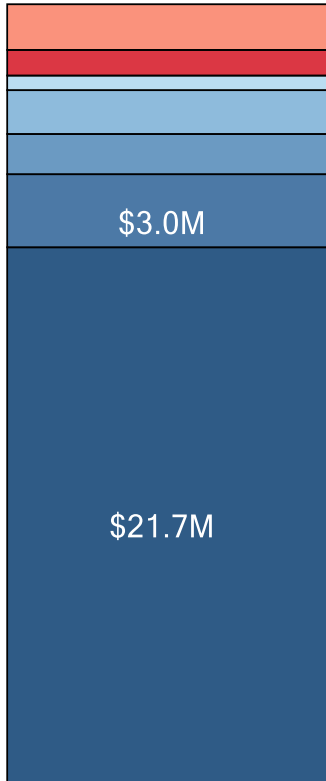
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.5
Students Per Overhead FTE ^{[2],[4]}	144.9
Students Per School Support FTE ^{[2],[4]}	27.0
Students to Total FTE ^{[2],[4]}	6.2

EXECUTIVE SUMMARY

DORCHESTER 04

Sources of Funds^[5]
\$31.6M



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]
\$37.1M



2015-2016

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

Use of Funds - Function^[3]
\$37.1M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

DORCHESTER 04

\$37.1M
Total

\$5.6M
In-Scope

\$31.5M
Not In-Scope

15.1% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$486,762	\$73,130
Human Resources	\$282,677	\$30,586
Overhead	\$447,379	\$173,987
Transportation	\$1,240,971	\$45,813
Procurement (Community Services, Instruction, Support Services)	\$3,140,183	\$3,140,183
TOTAL	\$5,597,972	\$3,463,699

* totals may not tie due to rounding

EXECUTIVE SUMMARY

DORCHESTER 04

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To develop life-long learners who will have a positive impact on our global world.

- 1. School Climate:** Ensure that a safe and secure environment is provided 100% of the time at the District's schools and offices. Ensure that parents will express favorable opinions about home-school relations, as demonstrated on the state department's annual stakeholder survey.
- 2. Academic Achievement:** (a) Grades K-2: increase Reading and Math levels to meet or exceed the mean according to STAR Reading and STAR Math assessments norms; (b) Grades 3-8: meet or exceed the state averages for students scoring at proficiency levels on state assessments for ELA, Math, Science and Social Studies; (c) High School: meet or exceed state averages on ACT, EOC and ACT WorkKeys assessments and ensure that on-time graduation rates exceed state averages.
- 3. Teacher / Administrator Quality:** Provide all schools with certified and qualified instructional staff and principals meeting certification and minimum performance requirements.
- 4. Technology:** The Technology Department will ensure that instructional technology is available to students 100% of the instructional day to enhance student achievement.

Achievements

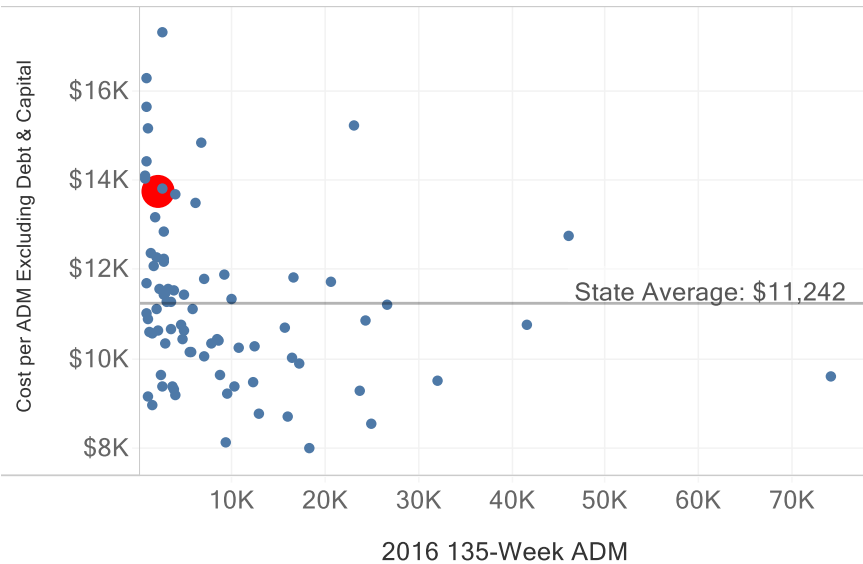
- **Elementary Programs:** The District has high performing elementary schools, with one qualifying as a finalist for South Carolina Palmetto's Finest award in FY16 and another that received the Palmetto Gold Award.
- **Personalized Learning Initiative:** The District provides Chromebooks for all grade 3-12 classrooms.
- **Facilities:** The District passed a \$10 million bond referendum that was used to upgrade classrooms and gyms.
- **District Rating:** The District received absolute and growth ratings of Excellent in 2014.

Challenges

- **Teacher Recruitment:** Similar to other districts in the state, the District is facing challenges attracting and retaining teachers in high needs areas. In addition, the District faces significant competition from surrounding areas.
- **Funding:** The District will need to find ways to make up for one-time grants that were used for the initial technology roll out as technology needs to be refreshed.

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

DORCHESTER 04

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Organization: The Finance organization is adequately staffed to support its scope of roles and responsibilities that includes accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Processes / Technology: The District relies on manual processes for purchasing approvals, accounts payable, and timekeeping.
Human Resources	<ul style="list-style-type: none"> • Recruiting and Retention: Similar to other school districts in the state, recruiting teachers into the District is challenging. The District currently employs 8 international teachers and leverages staffing agencies to fill hard to staff positions. • Processes / Technology: The Human Resources function does not leverage technology support systems for recruiting, application processing, on-boarding or substitute management.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The District has been successful in maintaining a stable and reliable group of bus drivers by leveraging its presence in the local community and conducting broad outreach efforts within the community. • Routing and Bus Management: The District does not have routing software or staggered bell times which could be used to yield routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has no resources solely dedicated to Procurement. • Strategic sourcing: The District has low leverage with vendors due to low purchasing volumes. Spending is fragmented across more than 960 vendors, however, the top 90 make up more than 70% of total spending.
Overhead	<ul style="list-style-type: none"> • Planning: The District should develop a long-term enrollment forecast to better plan for enrollment change and capital requirements, and ensure long-term financial stability. • Collaboration: The District shares a Career Center and collaborates on staff development opportunities with Dorchester Two. In addition, the District has in-home parenting services that are provided through a HeadStart program that is shared with Berkeley County.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

DORCHESTER 04

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to financial systems to facilitate automated purchase to payments processes and integrated timekeeping 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 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 and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts/piggy-back off other districts' contracts where appropriate.</p> <p>Negotiate discounts / rebates for tiered levels of spending.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software.</p> <p>Process Improvements: Complete analysis (using routing software if possible) to evaluate potential benefits of routing changes. Implement the change to staggered bell times that is currently being considered in order to minimize student ride time and maximize driver / bus utilization.</p> <p>Staffing / Organization: Create dual employment opportunities to help address bus driver shortages.</p>

EXECUTIVE SUMMARY

DORCHESTER 04

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

DORCHESTER 04

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

DORCHESTER 04

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$17,500	\$32,500	\$48,600	\$145,700
Human Resources	0	10,000	0	28,400
Procurement	0	0	92,800	189,800
Transportation – District	N/A	N/A	32,000	49,000
District Total	17,500	42,500	173,400	412,900
Transportation – State	17,000	52,300	24,500	56,900
Total	\$34,500	\$94,800	\$197,900	\$469,800

* 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.



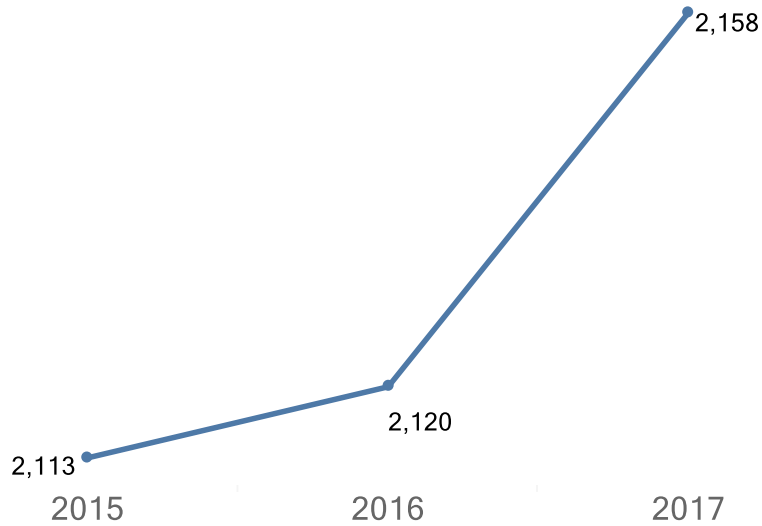
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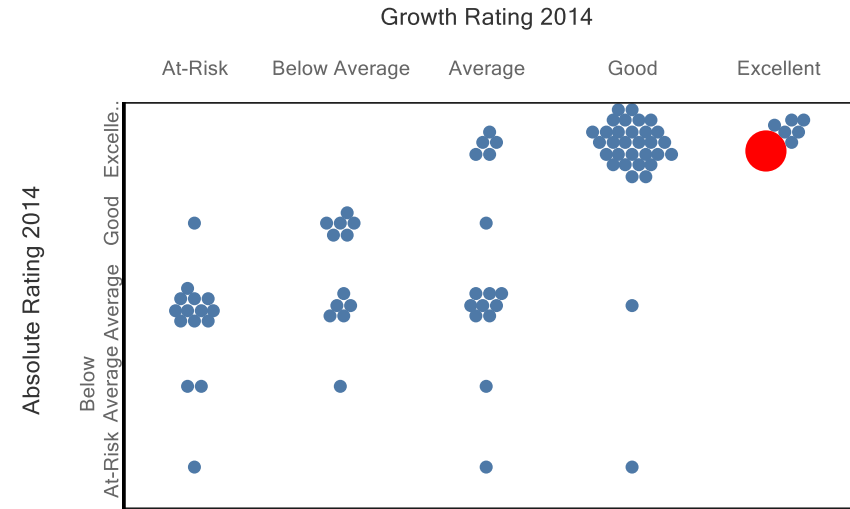
DISTRICT ADMINISTRATION AND PERFORMANCE

DORCHESTER 04

Average Daily Membership^[2]



Student Achievement^[1]



General Info

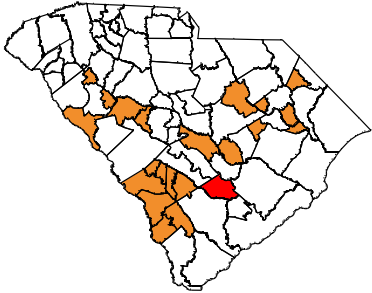
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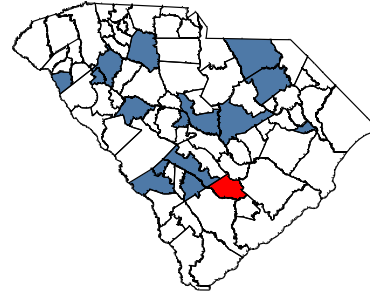
DISTRICT BENCHMARKING DORCHESTER 04

Enrollment (< 2,500)



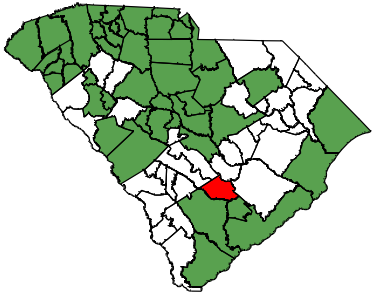
Allendale	Florence 04
Bamberg 01	Florence 05
Bamberg 02	Greenwood 51
Barnwell 19	Greenwood 52
Barnwell 29	Hampton 01
Barnwell 45	Hampton 02
Calhoun	Lee
Clarendon 01	Lexington 03
Clarendon 03	McCormick
Dillon 03	Saluda
Dorchester 04	
Florence 02	

Poverty (70% - 75%)



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

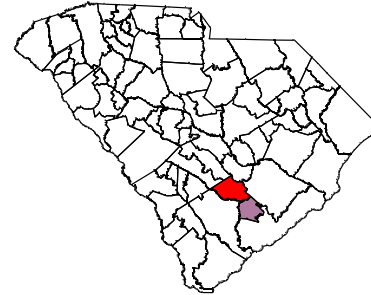
Phase 1 (No)



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

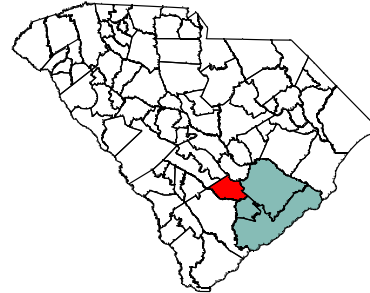
Sumter
Union
York 01
York 02
York 03
York 04

County (Dorchester)



Dorchester 02
Dorchester 04

Region (Berkeley-Charleston-Dorchester)



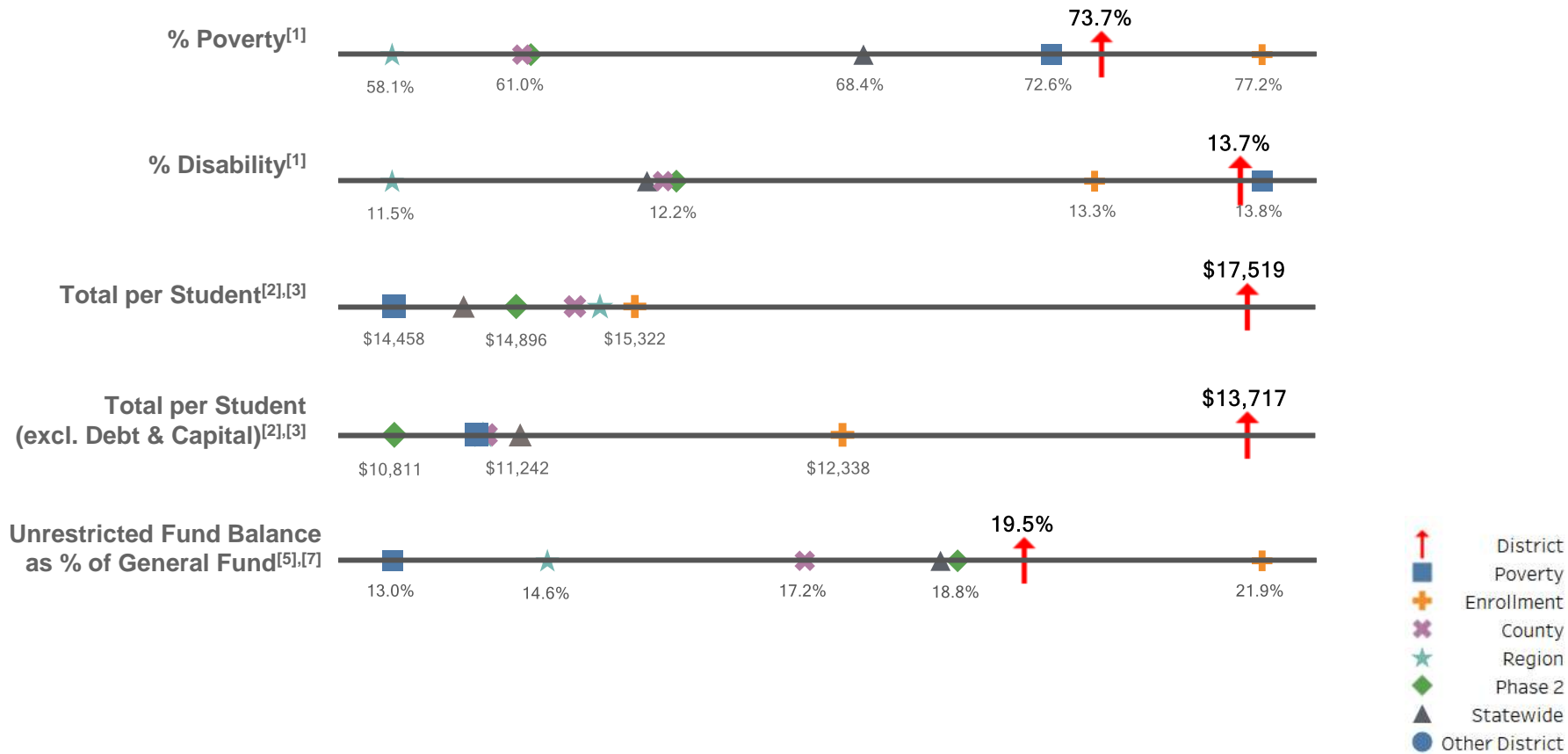
Berkeley
Charleston
Dorchester 02
Dorchester 04

DISTRICT OVERVIEW

DORCHESTER 04

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

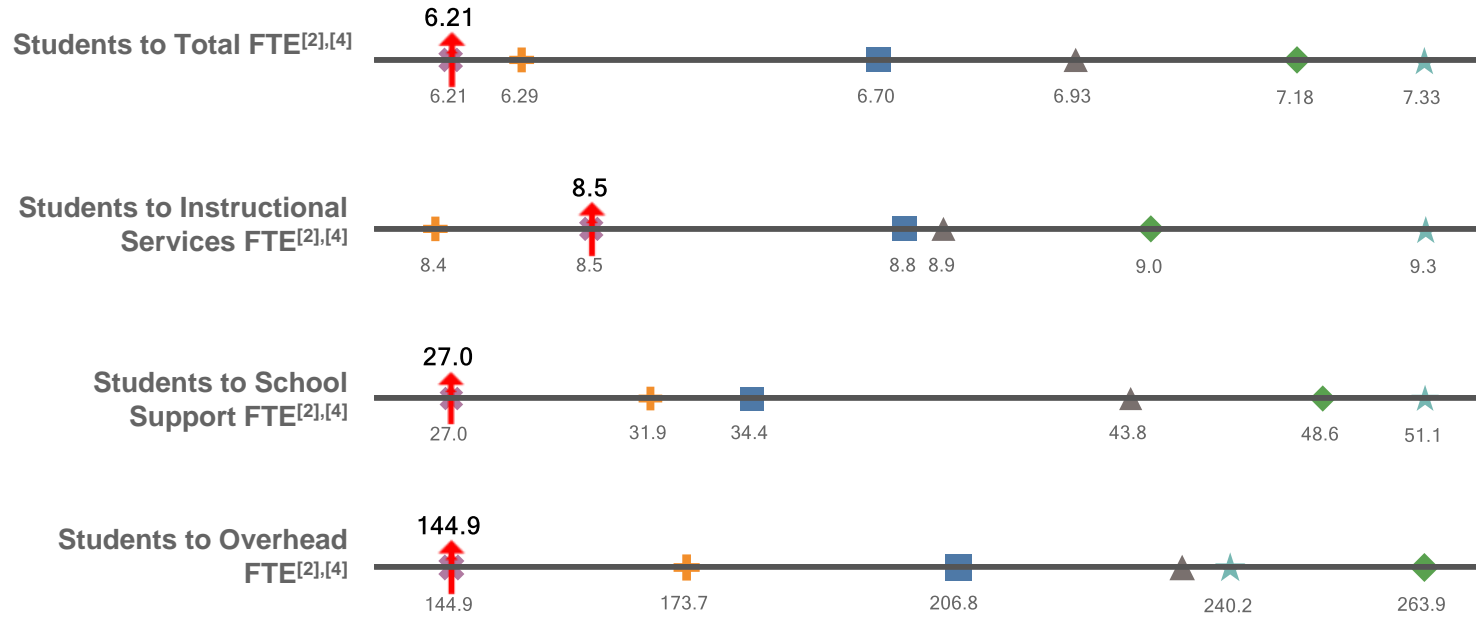
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



DISTRICT OVERVIEW

DORCHESTER 04

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD

DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has increased by 45 students or 2.1% over the past three years. • Student Demographics: 73.7% of the District's students live in poverty and 13.7% are special needs, which is higher than the statewide averages of 68.4% and 12.2%, respectively. • Competition: While the District does have competition from one private school and other public school districts nearby, it currently serves approximately 80 out-of-district students. The District recently began charging a \$500/per student fee for out-of-district transfers. • Long-term Planning: The District does not prepare enrollment projections to help inform long-term planning 	<ul style="list-style-type: none"> • The District should develop a long-term strategic plan that includes enrollment forecasts in order to anticipate and better plan for enrollment changes, ensuring long-term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: The District's Per Pupil Expense is \$13,717 when excluding debt and capital. This is higher than districts of similar size of \$12,338 and state average of \$11,242. • Unrestricted Fund Balance: The District's Unrestricted Fund Balance is 19.5% of general fund revenues, which is higher than the statewide average of 18.6%. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is maintained, the District should prepare a three to five year financial plan that allows for investment in critical areas of academics and operations while still maintaining a strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD

DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Students to Total FTEs: The District's Student to Total FTE ratio is 6.2, which is in line with districts of a similar size and lower than statewide average of 6.9. • Students to Instructional Services FTEs: The District's Student to Instructional Services ratio is 8.5, which is higher than districts of similar size at 8.4 and lower than the state average of 8.9. • Students to School Support Services FTEs: The District's Student to Support Services ratio is 27.0, which is lower than districts of similar size at 31.9 and the state average of 43.8. • Students to Overhead FTEs: The District's Student to Overhead ratio is 144.9, which is lower than districts of a similar size at 173.7 and the state average of 234.2. 	<ul style="list-style-type: none"> • Consider review 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.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent has 8 direct reports including: (1) Director of Curriculum and Instruction; (2) Director of Staff Development and Accountability; (3) Director of State/Federal Programs; (4) Director of Student Support Services; (5) Director of Office of Exceptional Children; (6) Director of Technology; (7) Director of Human Resources and (8) Director of Finance. • Communications Function: The District does not have an external communications function; rather, it is handled by the Student Services Director. • Legal: The District does not have an in-house general counsel but leverages an external firm. 	<ul style="list-style-type: none"> • Consider review 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.

DISTRICT OVERVIEW AND OVERHEAD

DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Community	<ul style="list-style-type: none"> • Community Relations: The District makes concerted efforts to support community engagement. The District uses parent communication tools that include a District newsletter, social media accounts, the PowerSchool App and an emergency calling system. • Philanthropy: The District does not have significant philanthropic partnerships. 	<ul style="list-style-type: none"> • Evaluate opportunities to partner with the expanding business community and increase the flow of philanthropic funding into the District.
Collaboration	<ul style="list-style-type: none"> • Career Center: The District shares a Career Center with Dorchester Two. • Professional Development; The District shares staff development opportunities with Dorchester Two on occasion. • Parenting Program: The District has in-home parenting services that are provided through a HeadStart program shared with Berkley County. 	<ul style="list-style-type: none"> • Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional.



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FINANCIAL MANAGEMENT OVERVIEW

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

432 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$230 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	5.0
Personnel Expense ^[3]	\$413,632
Non-Personnel Expense ^[3]	\$73,130
Total Financial Expense ^[3]	\$486,762

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.

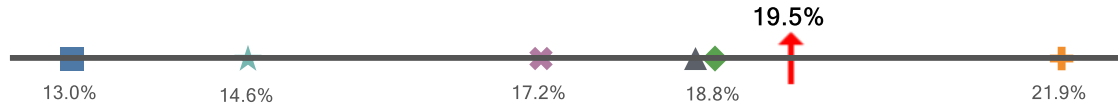
FINANCIAL MANAGEMENT

DORCHESTER 04

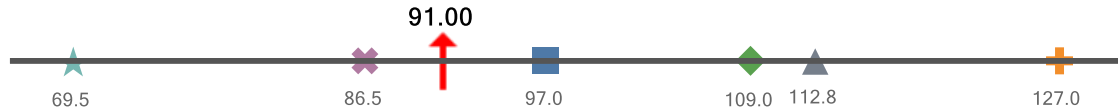
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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

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



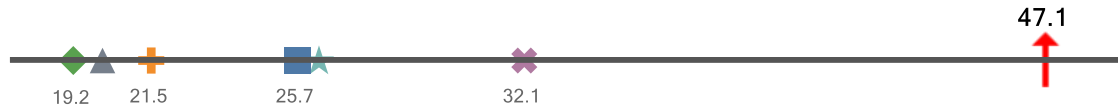
Days Cash on Hand^{[3],[7]}



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



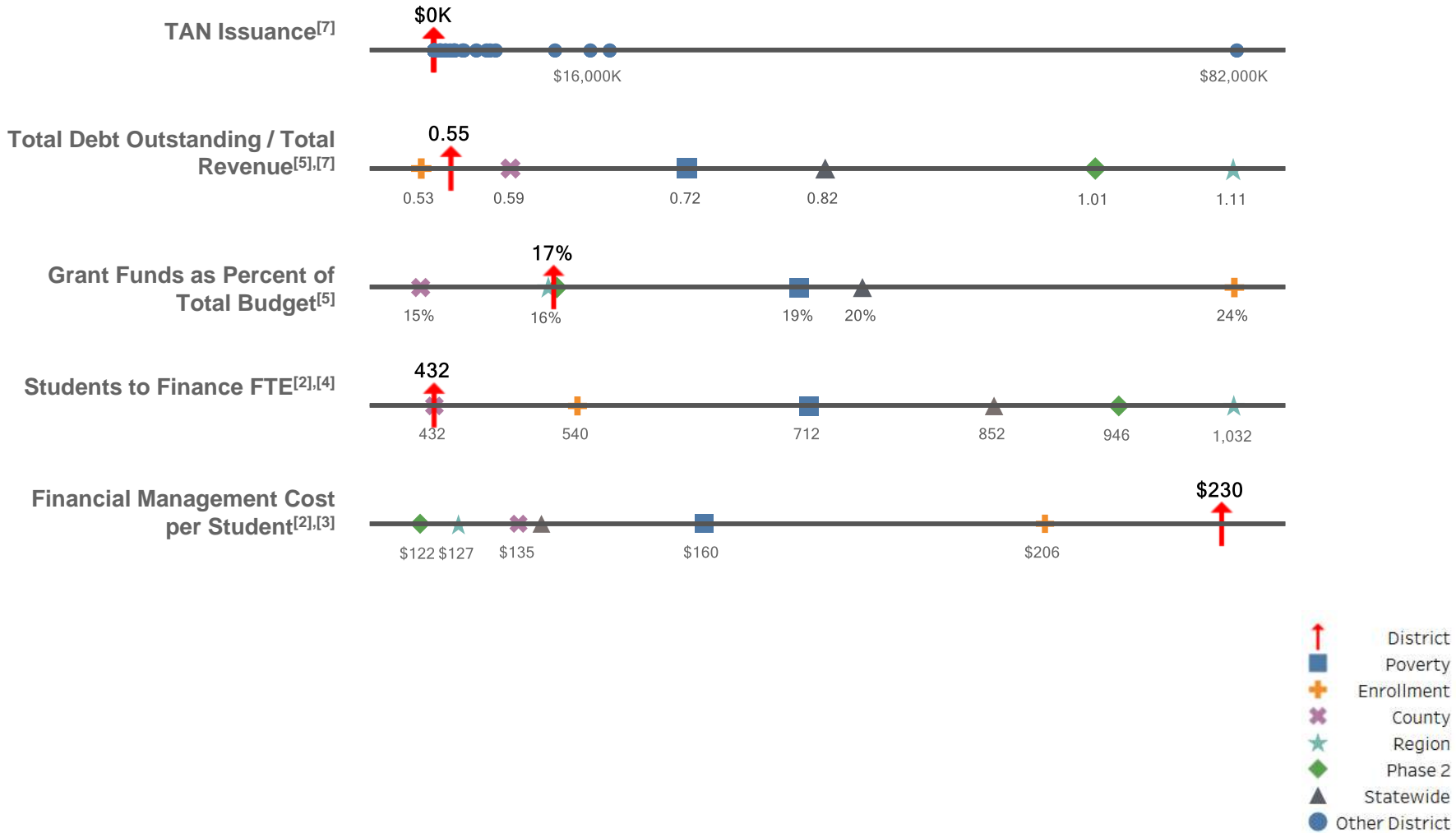
Days Payables Outstanding^{[3],[7]}



FINANCIAL MANAGEMENT

DORCHESTER 04

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The finance organization is adequately staffed to support its scope of roles and responsibilities that includes, accounting, payroll, accounts payable, budget, treasury, procurement, benefits administration and financial reporting. In addition, the CFO also oversees Food and Facilities. • Finance Cost Per Pupil: The District's Finance Cost Per Pupil is \$230, which higher than districts of a similar size at \$206 and the state average of \$138. Excluding costs associated with benefits and insurance oversight which are often managed outside of Finance, the District's ratio would be in line with districts of a similar size. • Students to Finance FTEs: The District's Student to Finance FTE ratio is 432, which is lower than districts of a similar size at 540 and the state average of district average of 852. Excluding resources dedicated to benefits and insurance, which are often managed outside of Finance, the District's ratio would be in line with districts of a similar size. • Turnover: The District's CFO has been with the organization for more than 30 years and possesses a wealth of institutional knowledge. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes. Cross-train individuals to be able to do multiple functions. • Given the tenure and success of CFO and his role in operations, the District should establish a leadership succession plan to ensure past progress is embedded long-term in the organization.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Overall Processes: The District uses the Harris SmartFusion accounting software system; however, processes remain manual for time-keeping, payroll, invoice approval and check processing. • Payroll: The District does not use a self-service payroll platform; therefore employee initiated payroll changes are all processed manually. In addition, while the District pays more than 80% of its employees via direct deposit, check pay stubs are printed manually and delivered to schools / employees directly. The District is exploring options to provide a self-service portal for employees. • Purchase Orders and Accounts Payable: The District uses a manual process for purchase order creation and approvals. This process involves physical sign off and matching of purchase orders and invoices before payments are made. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the finance department. • Inventory: The District bar codes technology for asset tracking and uses a third party asset management system to manage inventory. The Technology Department coordinates the physical inventory on an annual basis. 	<ul style="list-style-type: none"> • Implement an employee self-service platform that will allow for employees to see pay information and make payroll related changes directly online. This should also allow the District to stop printing and delivery of pay stubs. • Implement automated purchase order work flow and approval systems that can be integrated with the financial systems. • Implement an automated time tracking system that integrates with the payroll system in order to eliminate the need for manual time sheets.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Grants Management</p>	<ul style="list-style-type: none"> • Grant Revenue %: Grant revenues provide 17% of total revenue for the District, making this district less reliant on grant funds than districts of a similar size at 24% and the statewide average of 20%. • Grants Monitoring: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. However, finance does a secondary review and also collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow. • Grant Claim Processing: The finance department submits claims for reimbursement on a quarterly basis. 	<ul style="list-style-type: none"> • Implement processes to file for grant (state and federal) reimbursements on a monthly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines.

FINANCIAL MANAGEMENT

DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have a significant deficiency related to segregation of duties. District management has acknowledged these concerns and has indicated that it will continue to try to make improvements to address these concerns, where possible. However, it will need to consider the cost/benefits of making additional changes. • Position Control: The District does have position control processes and controls in place that require sign-off from the human resources and finance department and confirmation of budget availability before hiring is made. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control. • 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's Days Cash on Hand is 91 days after factoring in the receivable from the County, which is below the statewide average of 113 days and the average for districts of similar size at 127 days. • Cash Forecasting: While the District monitors cash balances, it does not have a formalized weekly cash flow forecasting process. • Grants Receivable Outstanding: The District's Days Grants Receivable Outstanding is 64.7 (before consideration of claims that may have been received by the County). This amount is lower than the statewide average of 65.4 and districts of a similar size of 74.1. • Days Payable Outstanding: The District's Days Payables Outstanding of 47.1 is higher than the statewide average of 20.1 days and the average for similar sized districts of 21.5. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings.

FINANCIAL MANAGEMENT DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Debt: The District's total debt outstanding debt as a percentage of total revenue is 55% which is lower than the state average of 82% but higher than the average of 53% for similar sized districts. • TAN: The District did not issue a Tax Anticipation Note in FY16. 	
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a roll-forward of the prior year expenses. The superintendent and CFO work with principals and department heads to assess any new needs that are anticipated for the new fiscal year. • Fiscal Monitoring: Financial reports comparing budget to actual are shared regularly with key leaders and the School Board. In addition, department heads and principals are able to see financial reports for the funds they are responsible for directly online in the Harris system. 	<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 uses the Harris SmartFusion accounting software system; however, processes remain manual for time-keeping, payroll, invoice approval and check processing. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders, electronic storage of accounts payable documentation, automated time tracking and employee self service that link directly with the payroll system.
Regional Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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.

1,079 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$133 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	2.0
Personnel Expense ^[3]	\$252,091
Non-Personnel Expense ^[3]	\$30,586
Total Human Resources Expense ^[3]	\$282,677

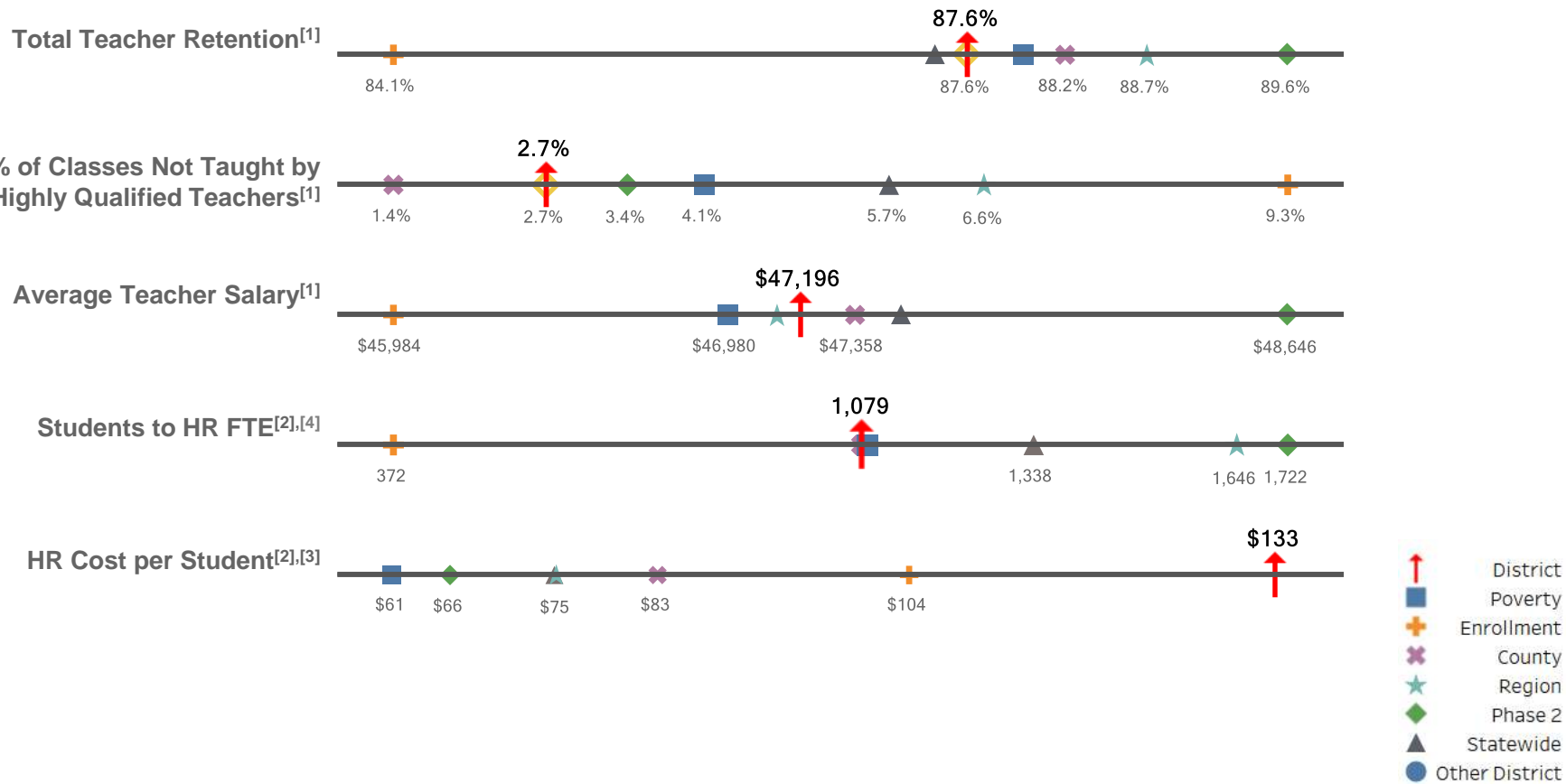
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

DORCHESTER 04

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES

DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources function has 2 FTEs exclusively dedicated to recruiting, retention, personnel relations, teacher evaluation and professional development activities. The Director of Human Resources is actively and directly involved with all Human Resources issues on a day-to-day basis. • Human Resources Cost Per Pupil: The District's Human Resources Cost per Pupil is \$133, which is higher than districts of a similar size of \$104 and the state average of \$75. • Student Per Human Resources FTE: The District's Student per Human Resources FTE is 1,079, which is higher than districts of a similar size of 372 and lower than the state 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. 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 eight international teachers and leverages two agencies to provide these positions. The District also leverages third party staffing support to fill hard to staff services (Physical Therapy, Occupational Therapy, etc.). In addition, the District has a difficult time recruiting and retaining Teacher Assistants due to the low salary scale. • Incentives: The District currently offers \$5,000 incentive bonuses for high school, middle school and special education teachers. It also provides relocation bonus of \$1,500 to anyone who relocates within a 50 mile radius. • Average Salary: The District's average teacher salary of \$47,196 is in line with the state average of \$47,497 and comparable with nearby Districts at \$47,127. 	<ul style="list-style-type: none"> • Evaluate opportunities to reduce reliance on international agencies and related administrative fees, either via direct sponsorship, cross-district shared resources or alternative recruitment strategies. • Consider implementation of additional incentive programs to recruit and retain teachers that could include: (a) additional signing bonuses that vest over a period of time to encourage retention; (b) additional housing incentives (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs. • Conduct a salary study for instructional support to evaluate the District's comparability and competitiveness.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention (cont.)	<ul style="list-style-type: none"> • Substitute Management: The District oversees substitute management in-house. As part of this effort, the head of Human Resources leads efforts to maintain a sufficient pool of resources (approx. 90 people) that could be available to fill positions. In addition, the District provides formal sessions for substitute training twice each year. • Mentoring: The District has a robust mentoring program for first year teachers. 	
Technology	<ul style="list-style-type: none"> • HR Systems: The District does not leverage technology support systems for recruiting, or application processing or substitute management. However, it is currently in the process of evaluating potential options to help automate the process and expand recruiting outreach. 	<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 an automated time tracking system that can interface directly with the payroll system.
Benefits	<ul style="list-style-type: none"> • Benefits: Benefits administration support reports to the CFO. The District helps personnel navigate benefits changes and manually mails out notifications on benefit updates. In addition, the District does not have an integrated self-service portal that could automate and streamline process for communications about benefit plan updates and changes. 	<ul style="list-style-type: none"> • Streamline and automate benefits administration notification processes via integration with an employee self-service portal to share notifications of changes to benefit plans.
Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does have informal collaboration with other low country districts including Berkeley, Charleston and Dorchester to discuss Human Resources topics. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses H1B Process for International Teachers.



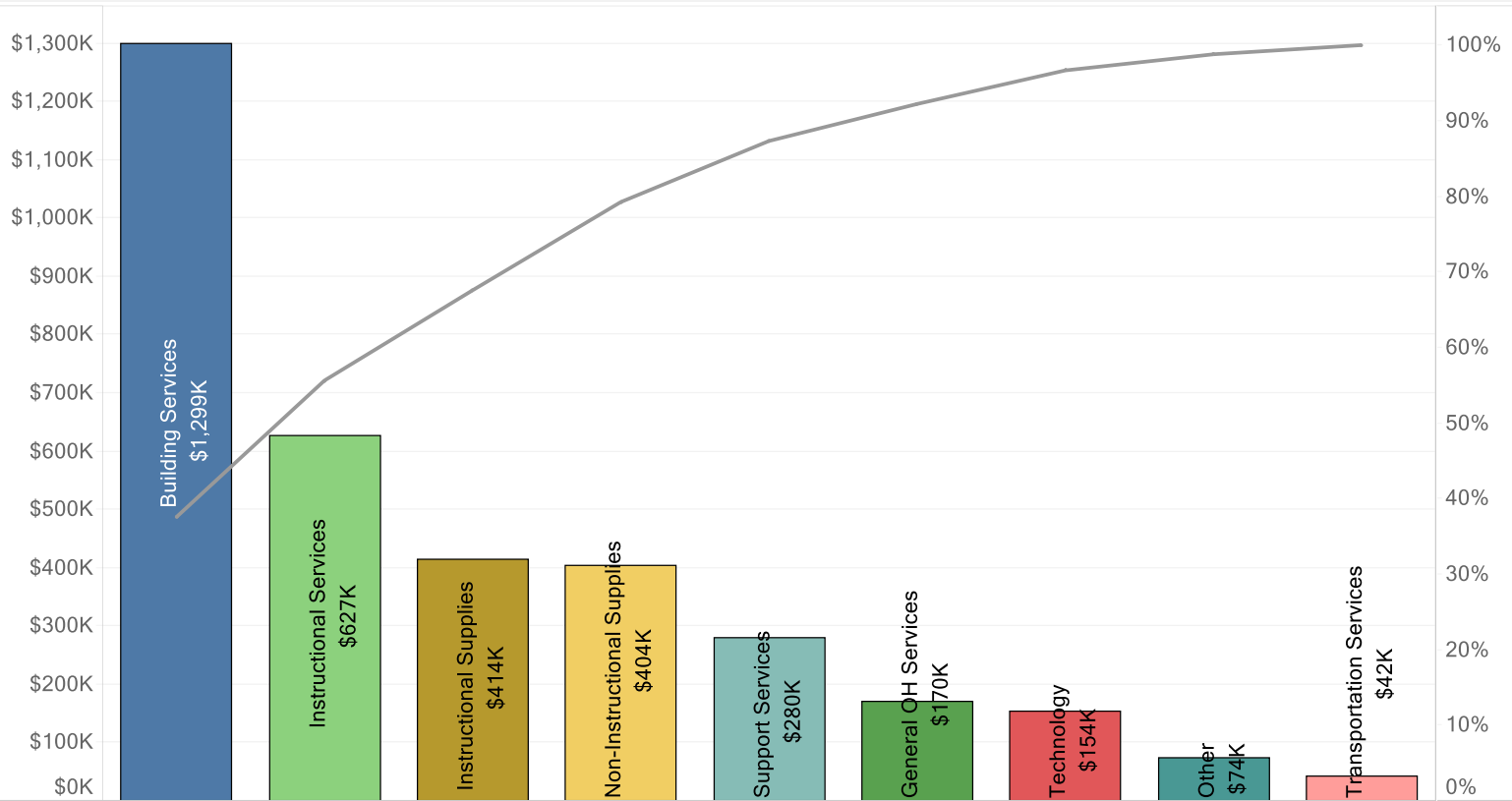
OUTLINE

- 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.

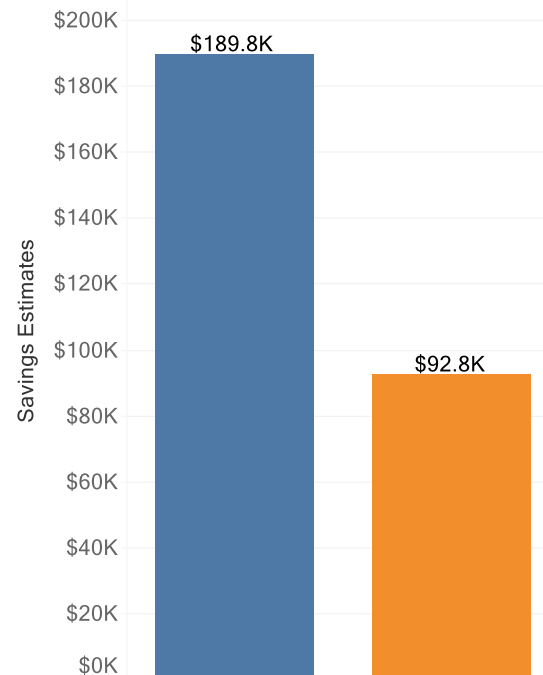
District In Scope Total Procurement Spend^[3] = \$3,463,699



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%
Transportation Services	2.2%	6.8%



■ High Savings Estimate
■ Low Savings Estimate

PROCUREMENT DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Staffing: The District does not have any staff focused solely 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"> • Vendor Concentration: Spending is fragmented across more than 960 vendors, with only the top 90 receiving more than \$10,000 in services and constituting 72% of total spend. • Localized Purchasing: 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"> • Requirements: 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. • Timing: Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. • Minimum Commitments: 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. • Group Purchasing: 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 uses numerous individual contractors and to provide general and specialized maintenance support. • Instructional Support Services and Supplies: The District Procurement Code exempts the procurement of instructional support software and services which consequently is not placed out to bid. In addition, the District does not procure these services and software in collaboration with any other districts. • Instructional Staffing: The District currently relies on several vendors (including FACES for ITES) for international staffing. • Technology: The District implemented a 1:1 initiative, leveraging state contracts in order to secure a three-year lease with Dell. • Non-instructional Supplies: The District purchases the majority of its non-instructional supplies using available state contracting vehicles. 	<ul style="list-style-type: none"> • Consider coordinating purchasing of facilities services or sharing resources such as HVAC, electrical and plumbers with surrounding districts to maximize service and efficiency. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable best pricing. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Standardization of Technology: The greatest savings potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">• Collaboration: 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



OUTLINE

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

TRANSPORTATION DORCHESTER 04

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]

\$585 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	34.0
Personnel Expense ^[3]	\$1,195,158
Non-Personnel Expense ^[3]	\$45,813
Total Transportation Expense ^[3]	\$1,240,971

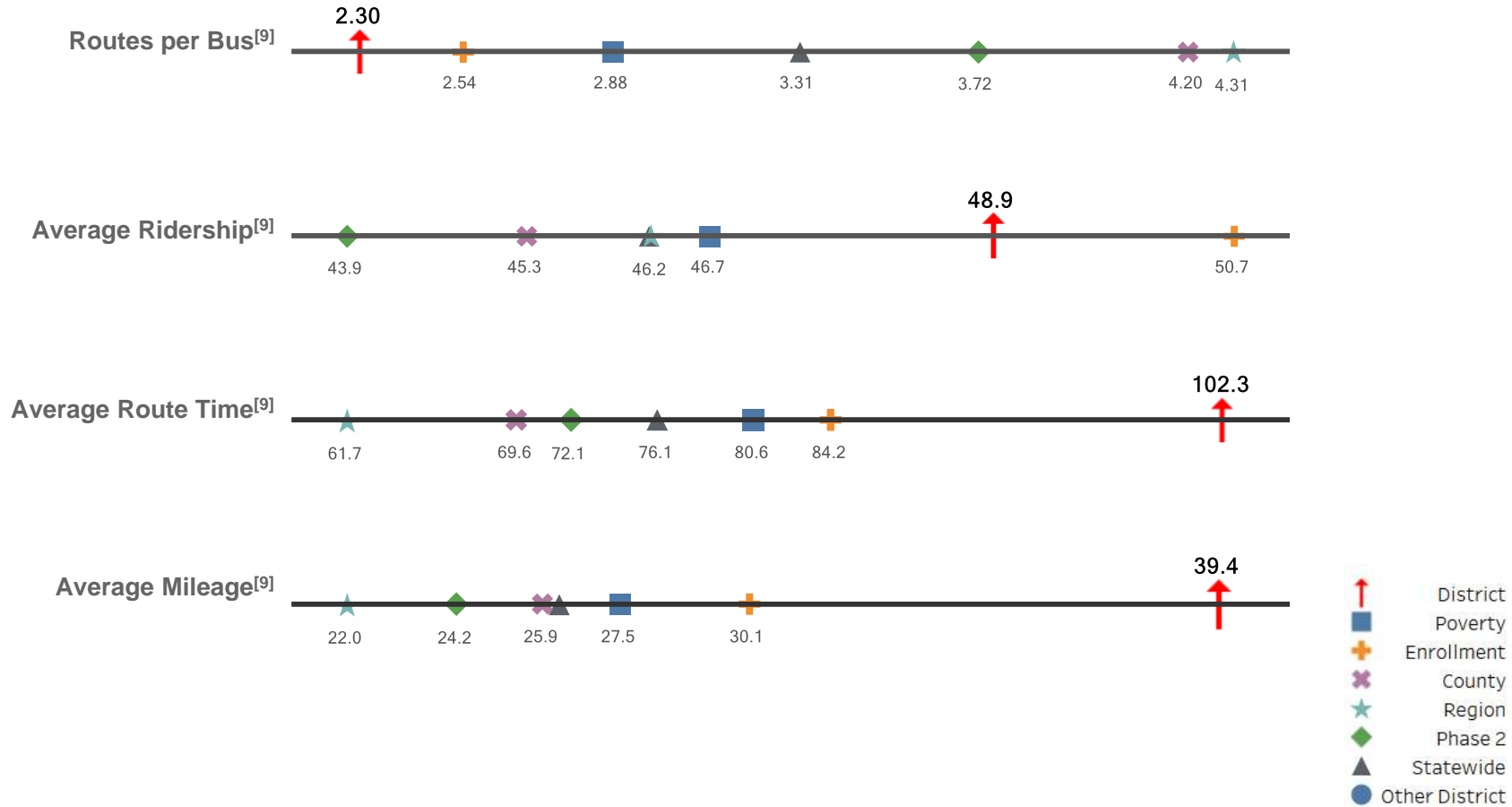
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	24.4	56	2.3	2,737	49	102	39
Special Needs	3.0	8	2.7	78	10	Not-Available	37
Other	3.9	18	4.6	573	32	Not-Available	22
Total	31.3	82	2.6	3,388	N/A	N/A	N/A

TRANSPORTATION DORCHESTER 04

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 DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • While the District struggles with the overall bus driver shortage in the state, it has been successful in maintaining a stable and reliable group of bus drivers. In addition, it has leveraged its presence in the local community and broad outreach efforts to help find and retain bus drivers. • The District provides drivers with a guaranteed 30 hours per week and offers dual employment opportunities where possible. • Bus drivers are currently paid a starting rate that is approximately \$3 above state reimbursement levels, which is in line with rates paid by nearby districts. • The District does not have staggered start times for its elementary school and the middle / high schools. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts in the State are dual employed serving in aide, food services and / or maintenance roles when not driving buses. • Consider implementation of staggered bell times in order to 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students.

TRANSPORTATION

DORCHESTER 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none">• The District does not utilize routing software.• The District does not have GPS on its buses.• The District does have security cameras on all 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 routes.
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 source bus drivers.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

DORCHESTER 04

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.

APPENDIX A: SAVINGS METHODOLOGY

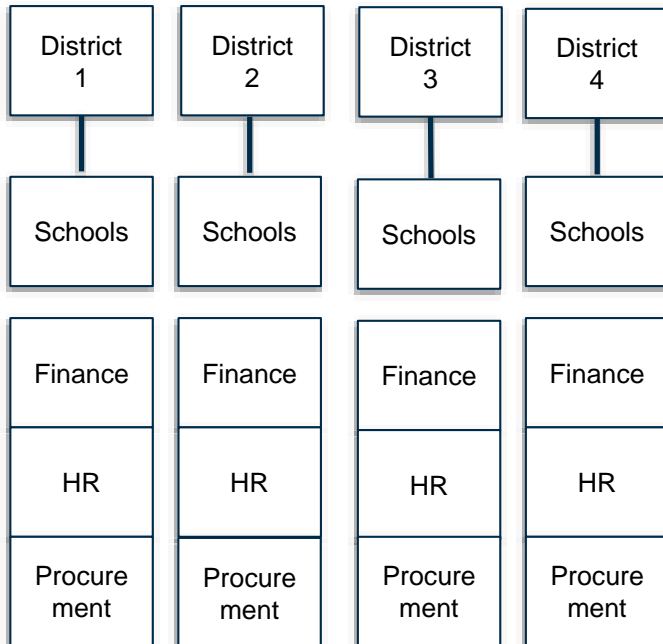
DORCHESTER 04

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.

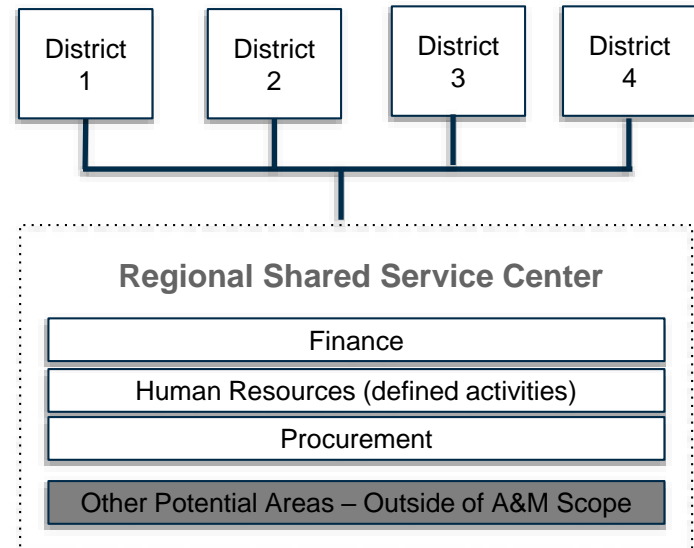
CURRENT STATE: STAND ALONE DISTRICT

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

DORCHESTER 04

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.

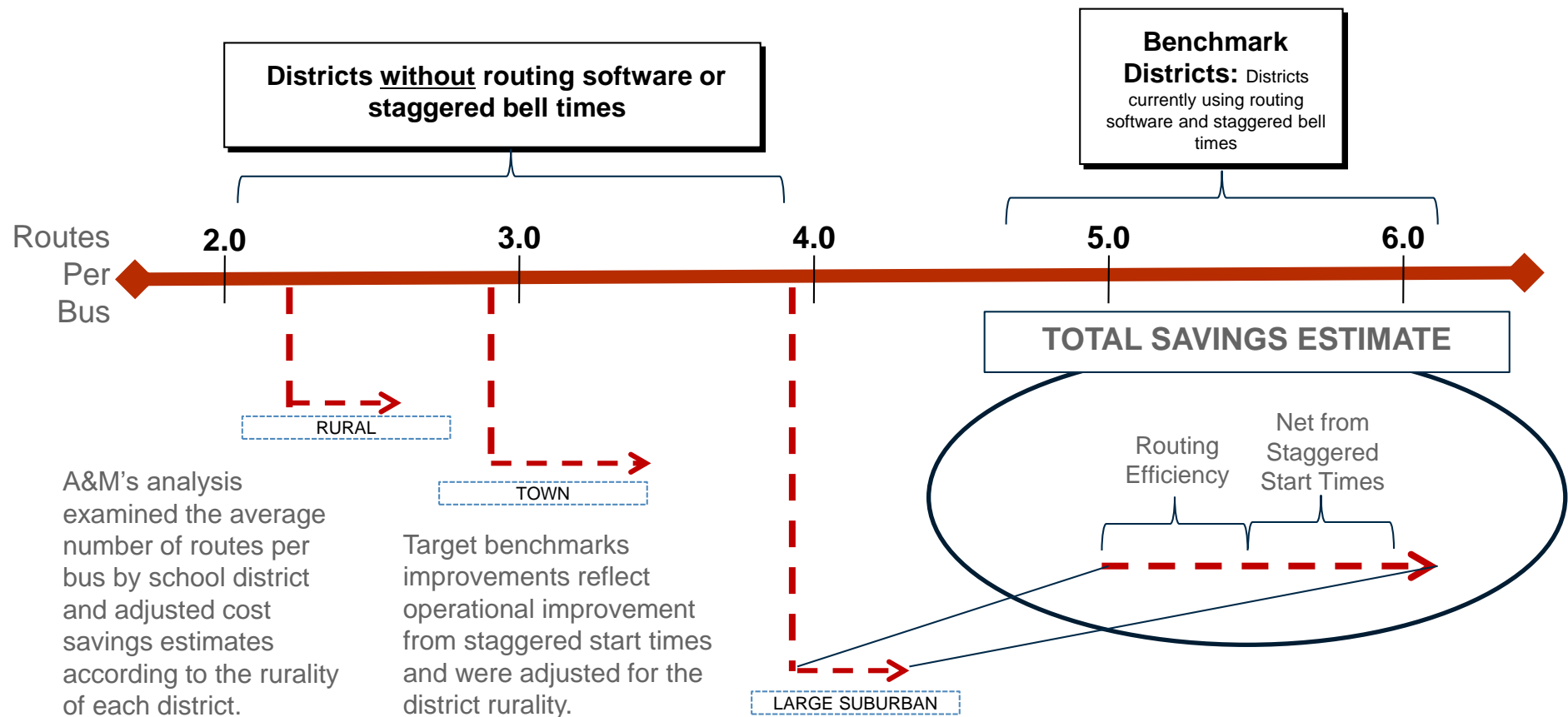
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

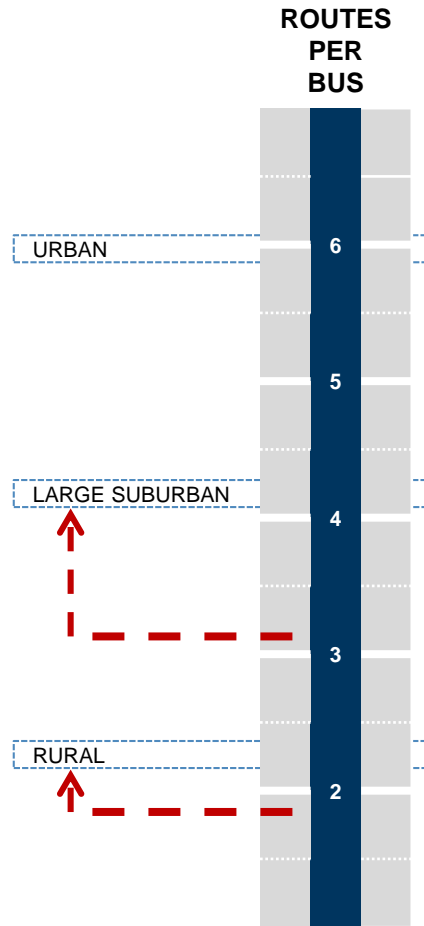
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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

DORCHESTER 04

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%
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

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[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

DORCHESTER 04

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

DORCHESTER 04

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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