



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Florence 01

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

FLORENCE 01

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)

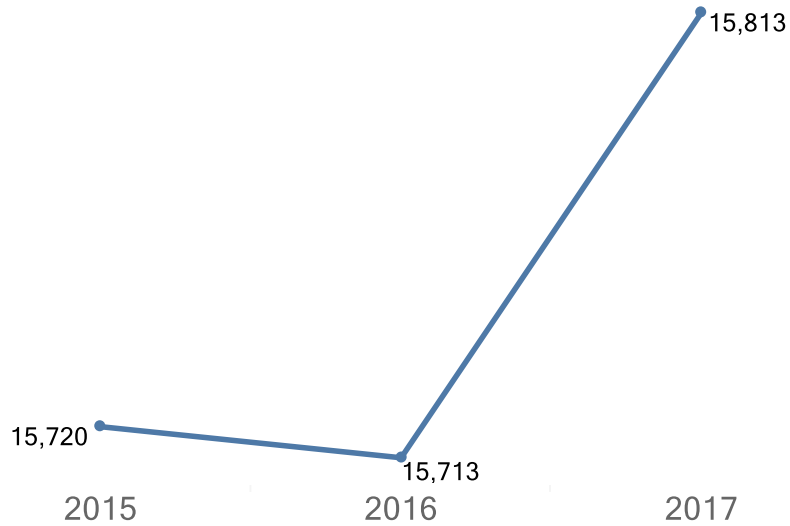
➤ Sources of Data and Savings Estimates:

- 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.

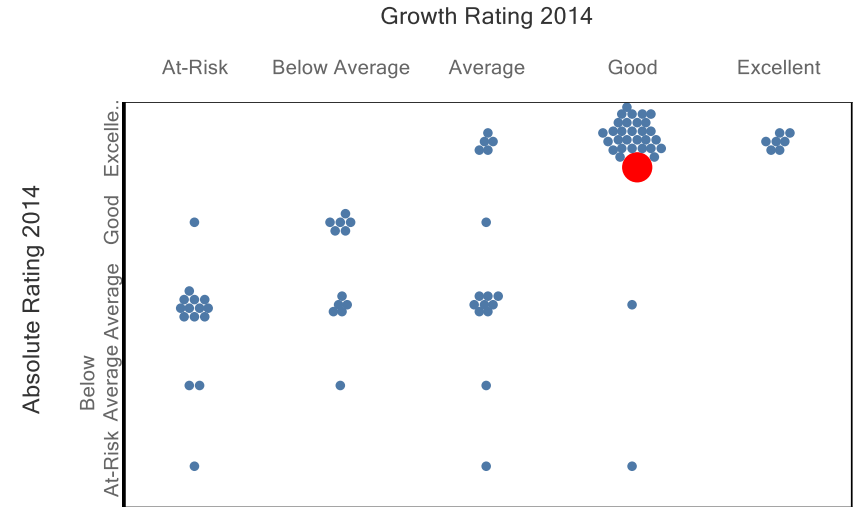
EXECUTIVE SUMMARY

FLORENCE 01

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	21
% Poverty ^[1]	64.3%
% Disability ^[1]	15.1%
\$ Per Student ^{[2],[3]}	\$12,143
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,674

Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.5
Students Per Overhead FTE ^{[2],[4]}	303.3
Students Per School Support FTE ^{[2],[4]}	53.0
Students to Total FTE ^{[2],[4]}	7.2

EXECUTIVE SUMMARY

FLORENCE 01

Sources of Funds^[5]
\$179.6M



2015-2016

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

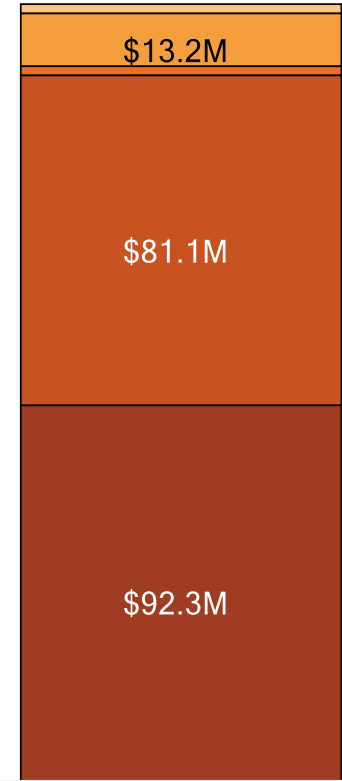
Use of Funds - Type^[3]
\$190.8M



2015-2016

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

Use of Funds - Function^[3]
\$190.8M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

FLORENCE 01

\$190.8M
Total

\$27.6M
In-Scope

\$163.2M
Not In-Scope

14.5% of total spend is within scope of the efficiency review:

	In Scope Spend^[3]	Procurement Component
Finance	\$2,770,096	\$1,167,926
Human Resources	\$1,099,916	\$340,792
Overhead	\$1,194,345	\$270,376
Transportation	\$4,236,678	\$651,257
Procurement (Community Services, Instruction, Support Services)	\$18,270,368	\$18,270,368
TOTAL	\$27,571,403	\$20,700,719

* totals may not tie due to rounding

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: Florence School District 1 (FSD1) focuses their efforts on four areas: literacy, technology, math, and early childhood development.

1. **Literacy:** By the year 2019, increase the percentage of students in grades 3-6 who meet achieving readiness in ELA to 85%. By the year 2019, increase the percentage of students in grades 7-8 who meet achieving readiness in ELA to 75%.
2. **Technology:** By 2018, implement a 1:1 technology program including professional development.
3. **Math:** By the year 2019, increase the percentage of students in grades 3-6 who meet achieving readiness in ELA to 78%. By the year 2019, increase the percentage of students in grades 7-8 who meet achieving readiness in ELA to 73%.
4. **Early Childhood Education:** Increase the number of 4K students to 700 by 2018, and decrease class sizes in grades K-3 to improve student learning.

Achievements

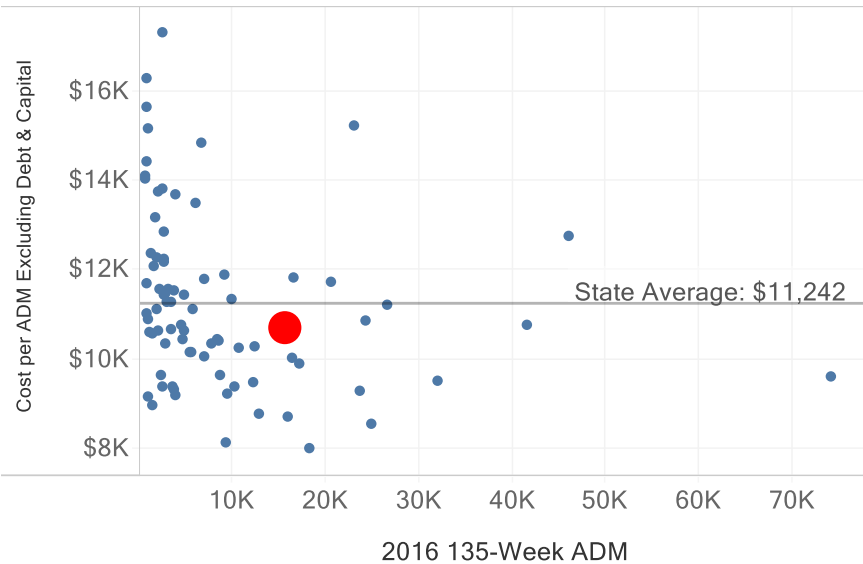
- **STEM Curriculum:** 5 schools named as AdvancED STEM schools. The District has a STEM Magnet Elementary School, and planning a Montessori and PYIBP elementary schools.
- **Innovative Programs:** Each school is implementing a new innovative program. Programs include but are not limited to year round calendar, early college, literacy programs, 1:1 technology initiative, digital curriculum/tech books, arts and the Advancement Via Individual Determination Program (AVID).
- **Technology:** Wireless access points in all classrooms.
- **Student Safety:** Implementation of video cameras on buses and push-to-talk communication for many employees (including bus drivers).
- **Community Involvement:** FSD1 has built a considerable amount of emergency resources that have been utilized by the community during natural disasters.

Challenges

- **Facility Needs:** The District has many old buildings that are in need of renovations and updated technology to accommodate the 1:1 program.
- **Teacher Recruitment:** FSD1 faces a growing population while also experiencing a teacher shortage.
- **Class size in K-3:** The teacher shortage and facility needs makes it hard to attain smaller class sizes in early grades.
- **District Demographics:** The District is exploring a different grade configuration because of the growing population, wanting to implement a 6-8 middle school model, and reduce the need to build additional wings on several elementary schools. There is also a need to get students out of a significant number of mobile classrooms.

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

FLORENCE 01

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Staffing / Processes: The District is adequately staffed to support the scope of its roles and responsibilities. Time tracking is currently managed via Kronos electronically. The District currently uses SmartFusion and SoftDocs to manage purchase orders. The District currently runs payroll on both a semi-monthly and a bi-weekly basis. • Financial Management: The District demonstrates strong financial management with key metrics being above average.
Human Resources	<ul style="list-style-type: none"> • Staffing / Processes: The District is adequately staffed to support the scope of its roles and responsibilities. The District leverages AppliTrack, CERRA, SoftDocs, and SmartFusion. Some processes are still done manually, such as change of address. There aren't many change of address requests each year. • Recruiting and Retention: The District's average teacher salary is above the state average. Approximately 20% of current teachers are retired. The District uses a \$633,000 grant from the state to provide incentive programs focused on attracting and retaining teachers.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The District owns 32 buses to help manage through state bus shortages due to maintenance of the aging bus fleet. The District covers over 14,000 miles per day. • Routing: The District uses staggered bell times to help increase bus efficiency. The District uses their own buses for the high hazard routes to minimize costs. The District does not use routing software to evaluate route efficiency.
Procurement	<ul style="list-style-type: none"> • Staffing / Processes: The District has a part time resource focused directly on procurement. Many contracts and purchase orders are not kept in a central digital location. • Strategic Sourcing: With high purchase volumes, the District is able to use strategic sourcing for better pricing than state contracts, in some instances. The District has collaborated with other districts, such as Florence 2.
Overhead	<ul style="list-style-type: none"> • Staffing: The District is adequately staffed to support the scope of its roles and responsibilities. • Collaboration: The District is part of the Pee Dee Consortium and has collaborated with other districts on a number of projects.

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.
 - Implement a 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

FLORENCE 01

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: Utilize existing modules to financial systems to facilitate automated purchase to payments processes.</p> <p>Process Improvements: Eliminate bi-weekly payroll and consolidate to only semi-monthly payroll.</p> <p>Staffing and Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Capitalize on existing software functionality to automate manual processes such as change of address.</p> <p>Workforce Planning: Due to the significant percentage of teachers who are expected to retire in the next five years, develop a workforce plan for hard to fill positions.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Centralize digital contract and purchase order storage.</p> <p>Continue to 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>Analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement routing software.</p> <p>Process Improvements: Complete analysis (in conjunction with use of routing software if possible) to evaluate potential benefits of routing changes.</p> <p>Staffing and Organization: Create dual employment opportunities to help address bus driver shortages.</p>

EXECUTIVE SUMMARY

FLORENCE 01

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

FLORENCE 01

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

FLORENCE 01

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	\$0 -	\$5,000	\$103,300 -	\$310,000
Human Resources	5,000 -	10,000	0 -	110,500
Procurement	0 -	0	207,000 -	1,035,000
Transportation – District	N/A -	N/A	49,000 -	73,000
District Total	5,000	15,000	359,300	1,528,500
Transportation – State	20,000 -	83,000	33,200 -	84,900
Total	\$25,000	\$98,000	\$392,500	\$1,613,400

* 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.



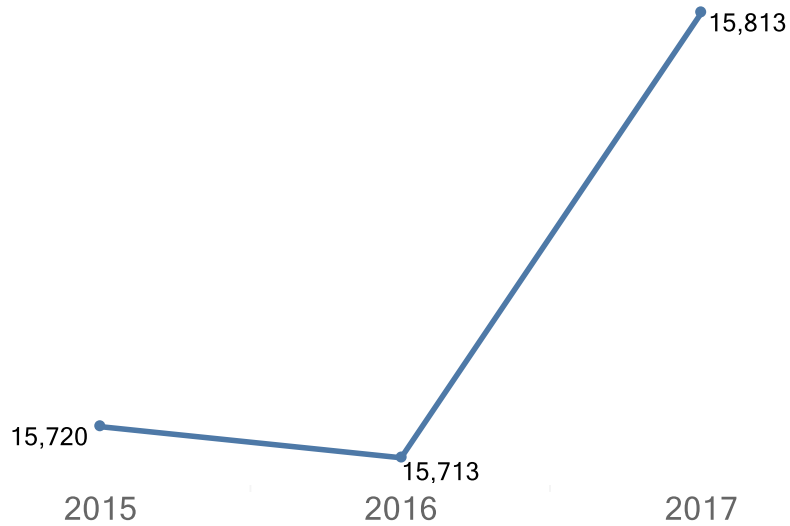
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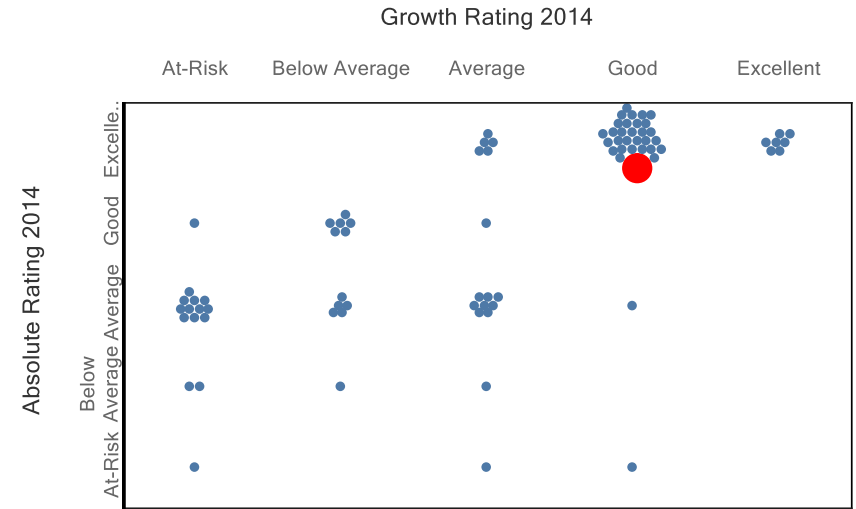
DISTRICT ADMINISTRATION AND PERFORMANCE

FLORENCE 01

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	21
% Poverty ^[1]	64.3%
% Disability ^[1]	15.1%
\$ Per Student ^{[2],[3]}	\$12,143
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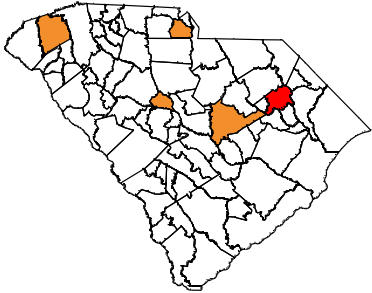
DISTRICT BENCHMARKING

FLORENCE 01

Enrollment (15,000 - 20,000)

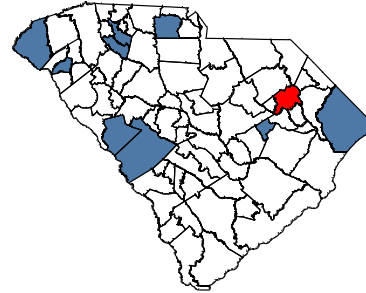
Florence 01

Lexington/Richland
05
Pickens
Sumter
York 03



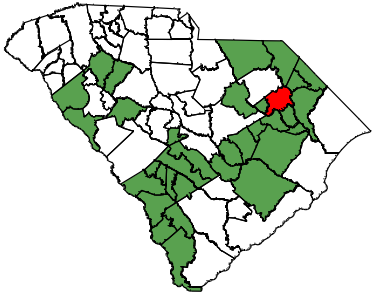
Poverty (60% - 65%)

Aiken
Anderson 05
Clarendon 03
Edgefield
Florence 01
Horry
Oconee
Spartanburg 04
Spartanburg 06
York 01



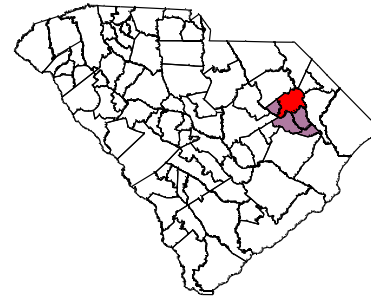
Phase 1 (Yes)

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



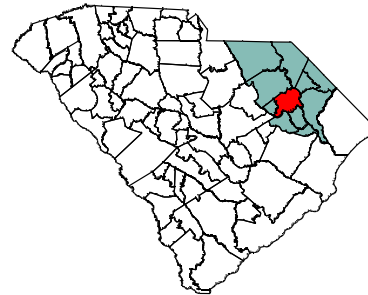
County (Florence)

Florence 01
Florence 02
Florence 03
Florence 04
Florence 05



Region (Pee Dee)

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

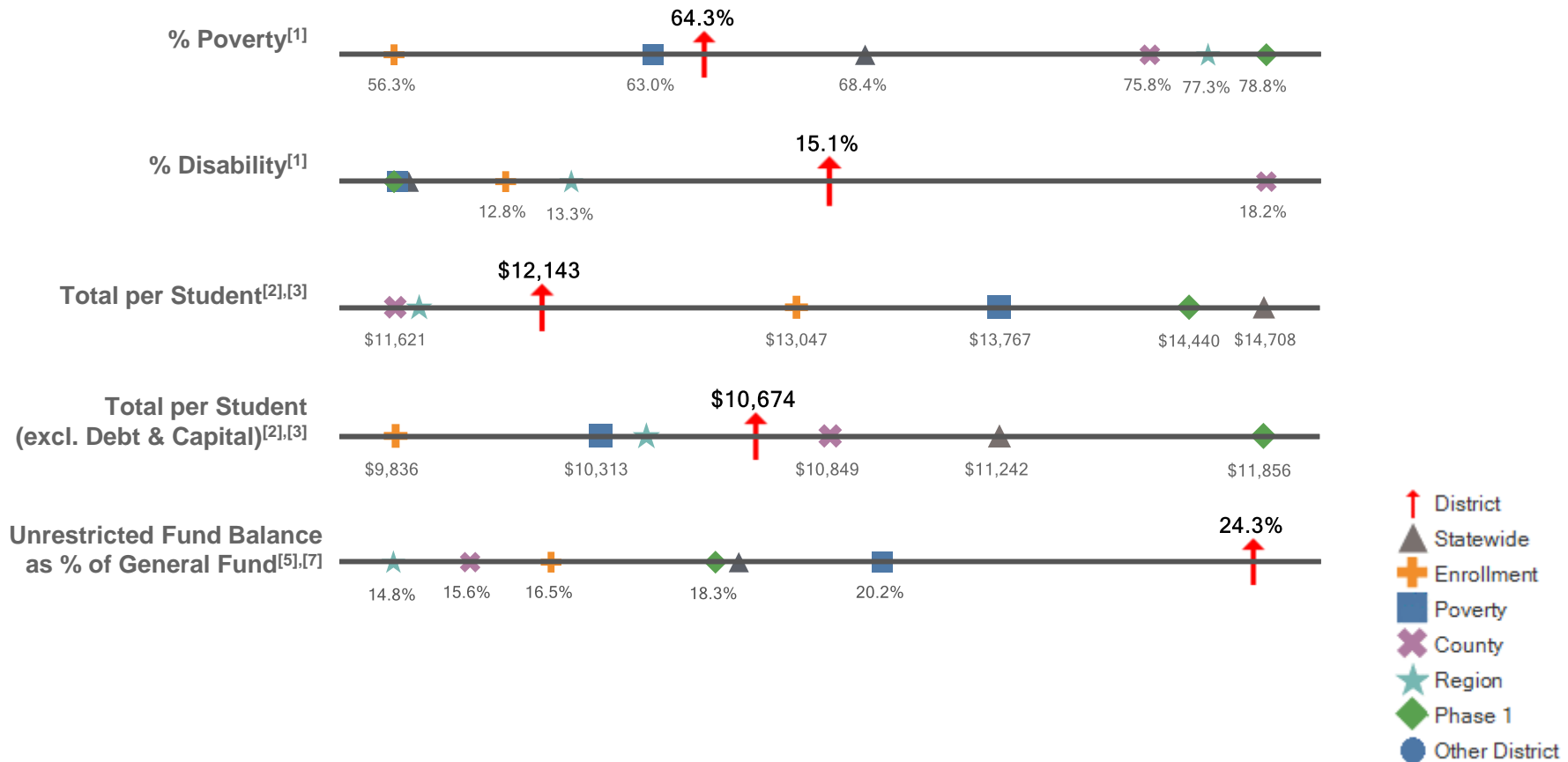


DISTRICT OVERVIEW

FLORENCE 01

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

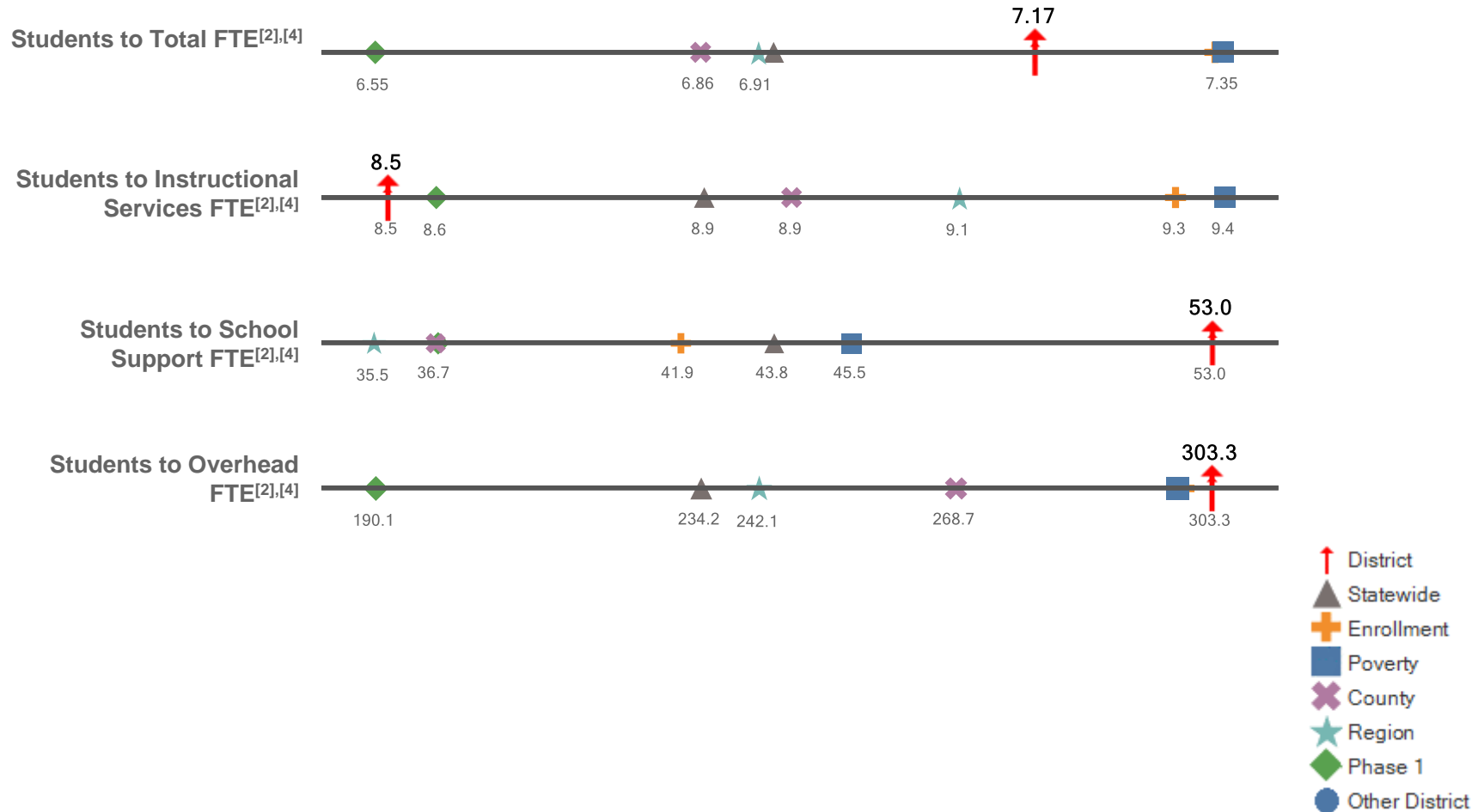
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

FLORENCE 01

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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 93, or 1%, over the past 3 years. • Student Demographics: 64.3% of the District's enrollment qualifies for Medicaid services and/or free or reduced lunch. • 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 regional enrollment, the District should develop a long-term enrollment forecast to anticipate and better plan for enrollment changes, ensuring long term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: The District's strong fund balance ratio, overall size and increasing enrollment trend put the District in a very strong financial position. • Per Pupil Expenses: The District's cost per pupil when excluding debt and capital is \$10,674. This is lower relative to the statewide average (11,242), and slightly higher than districts of similar enrollment (9,836). • Unrestricted Fund Balance: The District's unrestricted fund balance is 24.3% of the general fund. The fund balance is significantly above 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>District Funding and Resource Allocation (cont'd)</p>	<ul style="list-style-type: none"> • Student to Total FTE: The District's Student to Total FTE is 7.17 and is higher than the statewide average. • Student to Instructional Services FTE: The District's Student to Instruction FTE is 8.5 and is lower than the statewide average. • Student to Support Services FTE: The District's Student to Support Services FTE is 53 and is higher than the statewide average of 43.8. • Student to Overhead FTE: The District's Student to Overhead FTE is 303.3 and is higher than the statewide average of 234. 	<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.
<p>Staffing / Organization</p>	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent has a strong and deep team around him allowing him to focus on administrative issues, such as the current grade structure of each school, while his team handles most of the day to day responsibilities. • Communications Function: There is a communications director for the Superintendent's office. • Turnover: The district office is large enough to manage the small amount of turnover that has happened. 	<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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid \$7,000 annually. • The Board has mandated multiple pay cycles and is a reason why FSD 1 has bi-weekly and semi-monthly payroll periods. 	<ul style="list-style-type: none"> • Require Board members to attend annual training to enable them to better support the District.
Collaboration	<ul style="list-style-type: none"> • Coordination: The District does coordinate with other regional Superintendents through the Pee Dee Consortium. • Special Education: The District does coordinate with other area districts on Special Education programs. • Vocational / College Readiness: The District does collaborate with other districts with vocational programs and also partners with local university for college level courses as well as offering students the chance to graduate with a 2-year degree. 	<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.

2,070 : 1
District Students (ADM)^[2] Financial FTE^[4]

\$176 per Student

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

Key statistics for metrics	
Financial FTEs ^[4]	7.6
Personnel Expense ^[3]	\$1,602,170
Non-Personnel Expense ^[3]	\$1,167,926
Total Financial Expense ^[3]	\$2,770,096

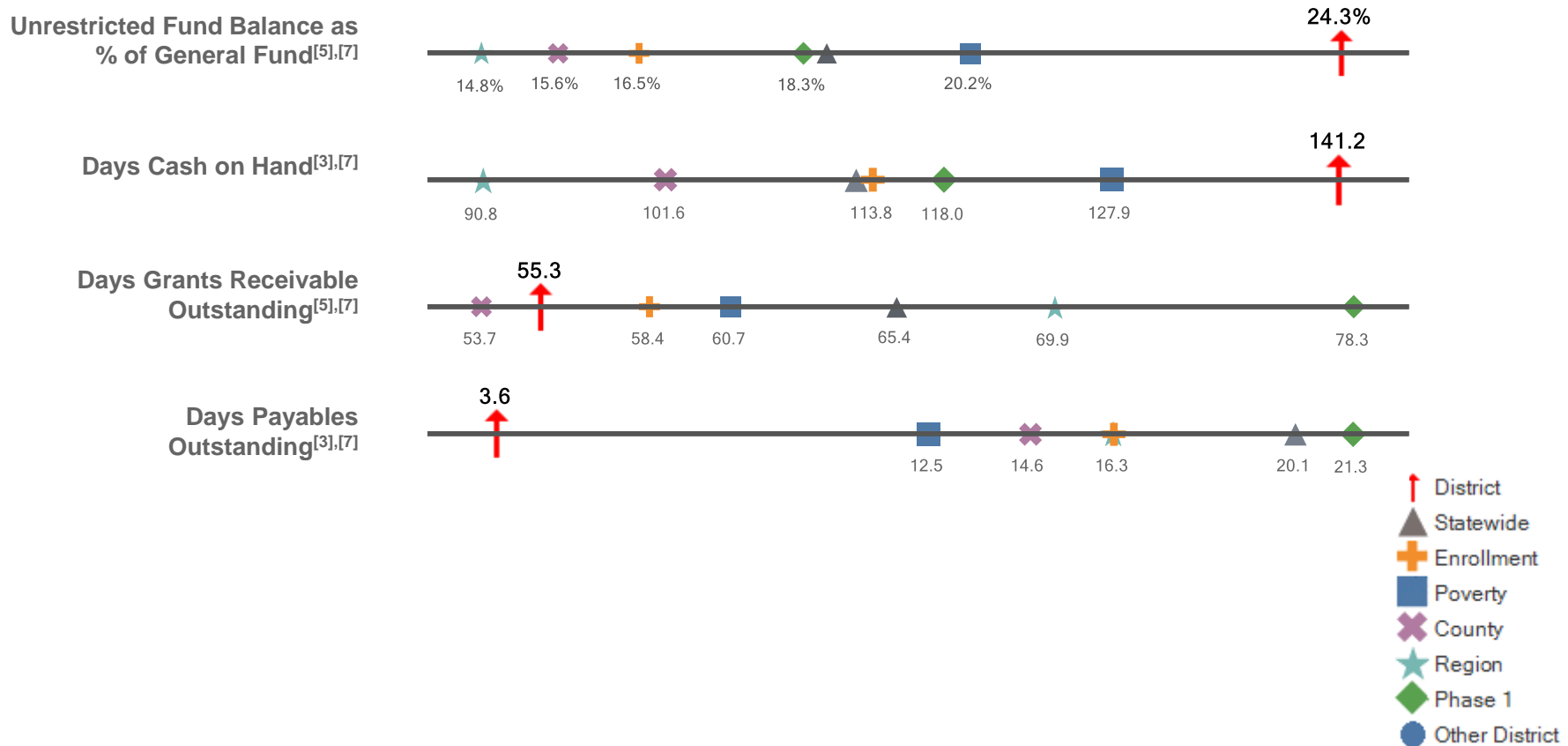
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

FLORENCE 01

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

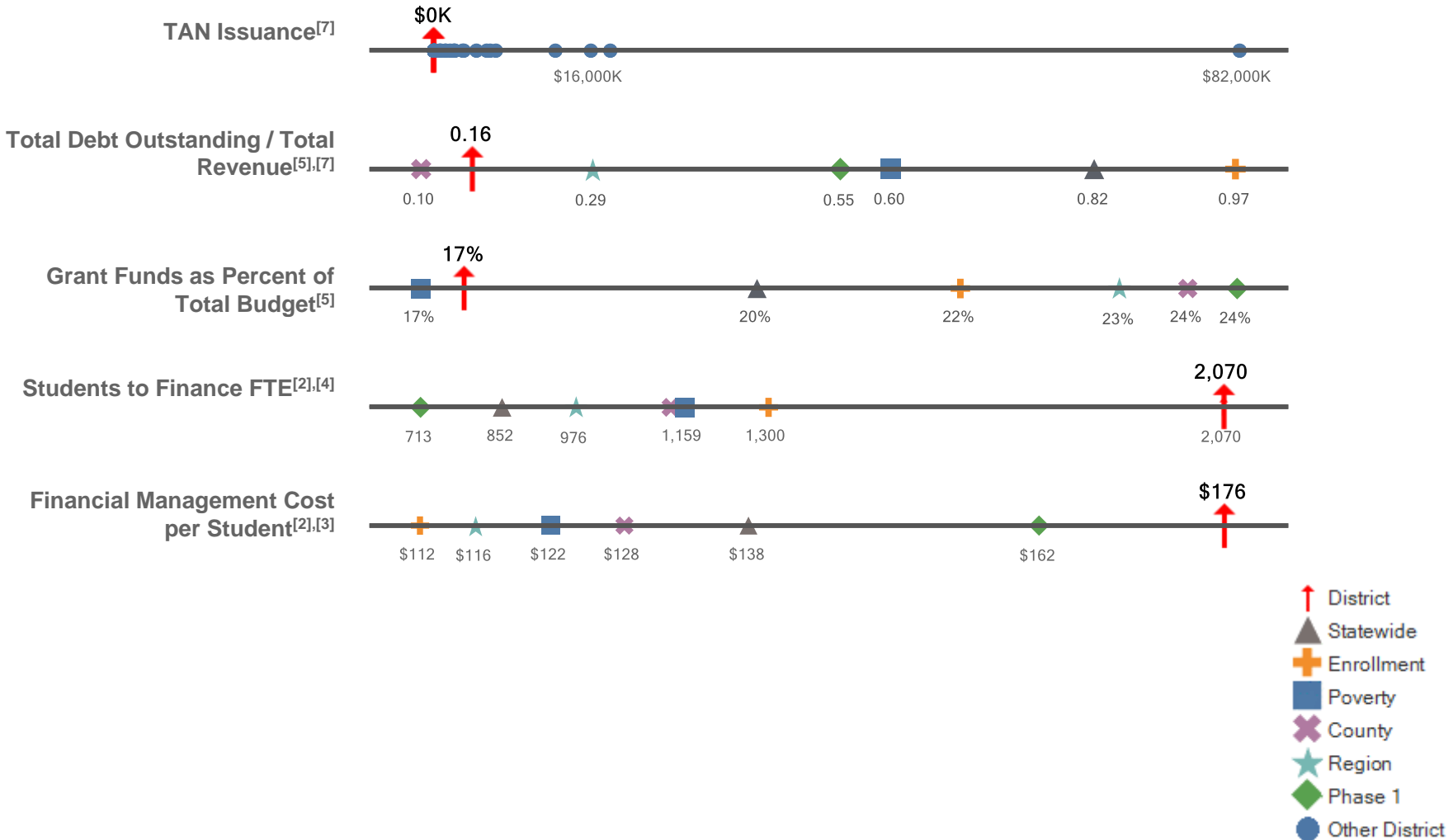
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FINANCIAL MANAGEMENT

FLORENCE 01

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Staffing / Organization</p>	<ul style="list-style-type: none"> • Staffing: The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. The District has 7 positions dedicated to these roles and responsibilities. • Turnover: The Asst. Superintendent of Fiscal Services is in his first year at the District. One of the accountants recently left to become the Director of Finance of Florence 3. • Finance Cost per Pupil: The District's Finance Costs per Student is \$176 and is higher than both the statewide average and districts with similar enrollment. This includes Worker's Compensation and Property Insurance for the entire district. Removing these reduces the District's Finance Costs per Student to \$67. • Students per Finance FTE: The District's Students to Finance FTE is 2,070 and is higher than the statewide average of 852. • Training: The Asst. Superintendent of Fiscal Services noted the challenge in finding training to take to better understand procurement policies and procedures. 	<ul style="list-style-type: none"> • Continue to 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 on both a semi-monthly and a bi-weekly basis and also has special payrolls too. The District can run up to 6 payrolls in a month. • The District uses direct deposit for payroll and also uses a self service payroll platform (SoftDocs). Most employee initiated payroll changes are processed electronically. There are some changes (i. e. change of address) that are done manually. • Timekeeping: Time tracking is currently managed via Kronos electronically. • Purchasing: The District currently uses a SmartFusion and SoftDocs to manage purchase orders. Schools are able to secure items and services in accordance with district and state regulations. • Credit Card: The District has a credit card at each school and the district office and the Asst. Superintendent of Fiscal Services monitors the usage closely. • Inventory: The District technology team tracks hardware inventory automatically while physical inventory will be done this year. The physical inventory process is a manual count and is not kept on the books. They keep inventory in 1:1 Plus Software that is used by IT to manage hardware inventory. 	<ul style="list-style-type: none"> • Standardize payroll to only semi-monthly payroll processes. This would reduce annual payroll runs by 26 and also enable the finance function to streamline processes and free up time to focus on other key responsibilities or potentially eliminate the need to fill currently unfilled positions. • Implement standard policies and procedures around managing physical inventory that include maintaining inventory records with the financial records.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Grants Management</p>	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 17% of revenue for the District, making this district 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. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with review by the Finance department. 	<ul style="list-style-type: none"> • Require Finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Create improved grants tracking reports that compares award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant
<p>Internal Controls</p>	<ul style="list-style-type: none"> • F/S Audit: The District was found to have no Material Weaknesses in its latest audited financial statements. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District's Days Cash on Hand is 141 Days, signaling a strong cash balance. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 55 Days. This is better than the statewide average. • Days Payable Outstanding: The District's Days Payables Outstanding is 3.6 Days and is lower than the statewide average of 20. • Debt: The total debt load per student is high compared to the state average. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements.
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a roll-forward of the prior year expenses. The Assistant Superintendent of Fiscal Services will be meeting with each school to assess needs for the upcoming school year and make appropriate recommendations. • Fiscal Monitoring: The District updates reports for budget owners to monitor not only YTD actual expenditure versus budget, but also to show what has been encumbered through Purchase Orders. The budget owners see this for all purchase orders and know if they have the funds for the expenses they are requesting. 	<ul style="list-style-type: none"> • Implement annual zero-based and / or performance based budget 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Technology</p>	<ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable and also leverages SoftDocs for procurement and automated workflow approval of requisitions. It also uses Harris SmartFusion to facilitate employee self service for payroll matters. The District has been able to successfully transition to automated work processing in much of its processes. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SoftDocs software to eliminate manual processes like Change of Address. • Utilize SoftDocs functionality to keep invoices, purchase orders, and district specific contracts electronically and easy to locate by appropriate staff.
<p>Regional Collaboration</p>	<ul style="list-style-type: none"> • The District is part of the Pee Dee Consortium in which the finance directors of individual districts meet quarterly to discuss various topics. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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HUMAN RESOURCES 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.

1,757 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$70 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	9.0
Personnel Expense ^[3]	\$759,124
Non-Personnel Expense ^[3]	\$340,792
Total Human Resources Expense ^[3]	\$1,099,916

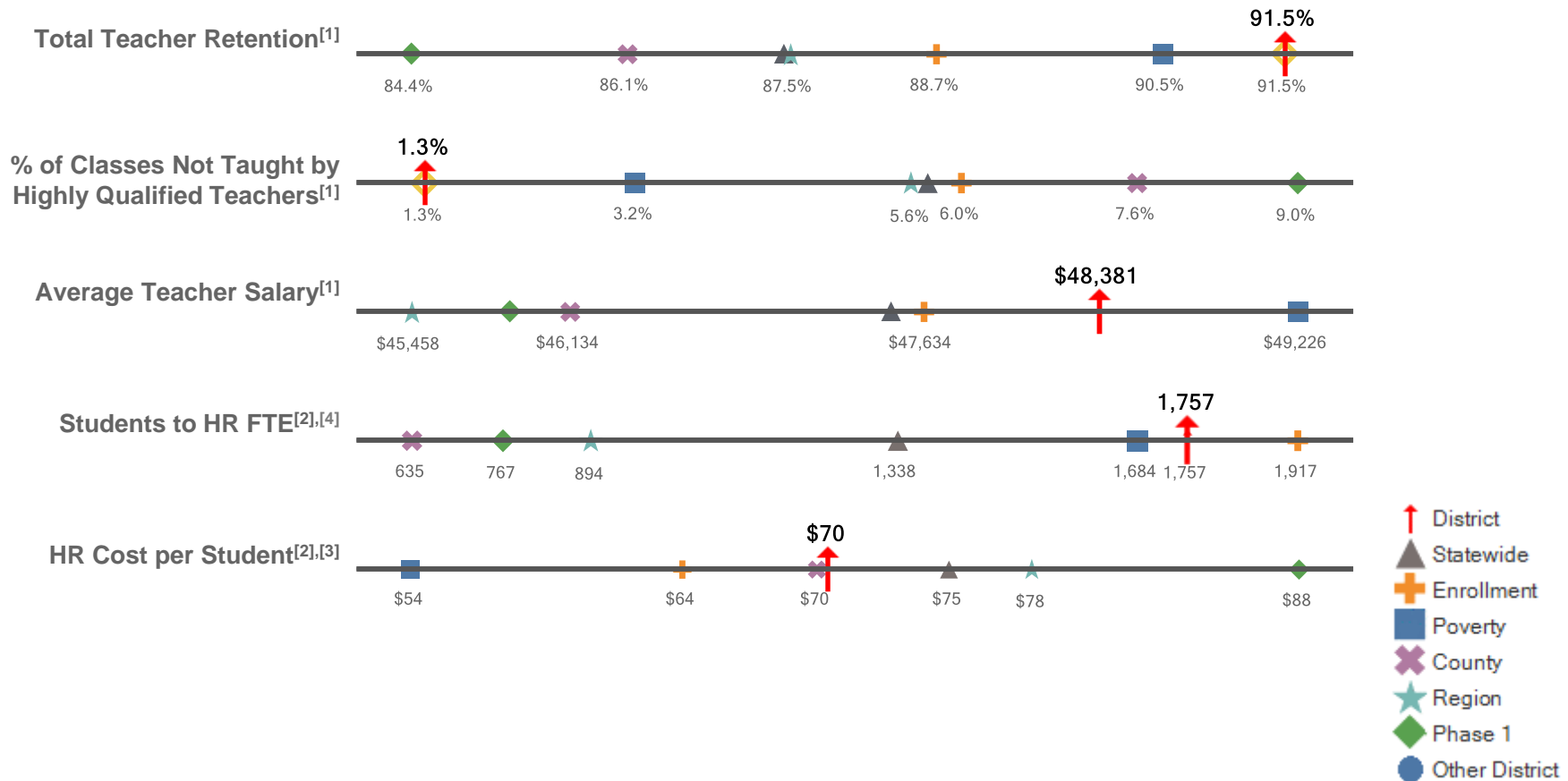
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

FLORENCE 01

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"> • Staffing: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. • Human Resources Cost per Pupil: The District’s HR Cost Per Pupil is \$70 and is lower than the statewide average, but higher than districts with similar enrollment. • Student per Human Resources FTE: The District’s Student to HR FTE is 1,757 and is higher than the statewide average of 1,338. 	<ul style="list-style-type: none"> • Review staff capabilities and priorities 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 districts in the region, special needs therapists are hard positions to fill. The District will use third party contractors to fill those positions. In addition, the District currently employs 12 international teachers, about 1% of all teachers. • Incentive Programs: The District uses a \$633K grant from the state to provide the following incentive programs to try and attract and retain teachers: stipends for hard to fill positions, stipends for first year teachers, and stipends for teacher attendance. • Retired Teachers: Approximately 20% of current teachers are retired. • Average Teacher Salary: The District’s average teacher salary is above the statewide average. The average teacher salary is \$900 higher than the statewide average, and \$2,800 higher than the rest of the districts in the Pee Dee region. 	<ul style="list-style-type: none"> • Develop risk mitigation plan for the potential loss of retired teachers and the hard to fill positions that they are currently filling. • Consider a compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions and(e) innovative professional development programs.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> The District leverages AppliTrack, CERRA, and SmartFusion for recruiting, application screening, processing and onboarding. The District uses SoftDocs for some personnel information changes, but continues to do some processes manually, such as change of address. There aren't that many change of address each year. 	<ul style="list-style-type: none"> Capitalize on functionality provided by SoftDocs to automate all personnel information changes to provide a one stop shop to simplify the process for employees.
Collaboration	<ul style="list-style-type: none"> The District is part of the Pee Dee Consortium in which the HR team members of individual districts meet quarterly to discuss various topics. 	<ul style="list-style-type: none"> Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers



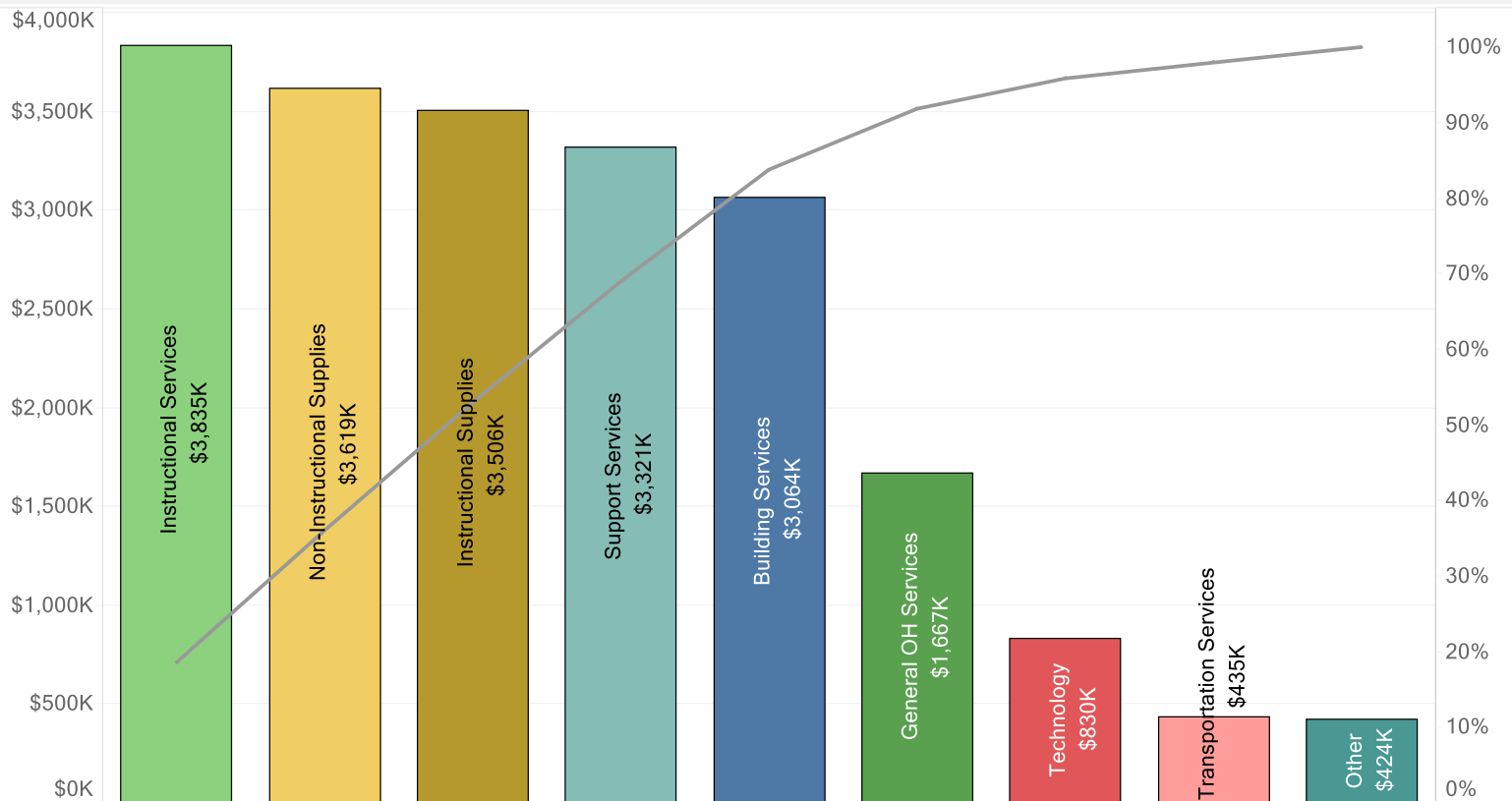
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PROCUREMENT OVERVIEW

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.

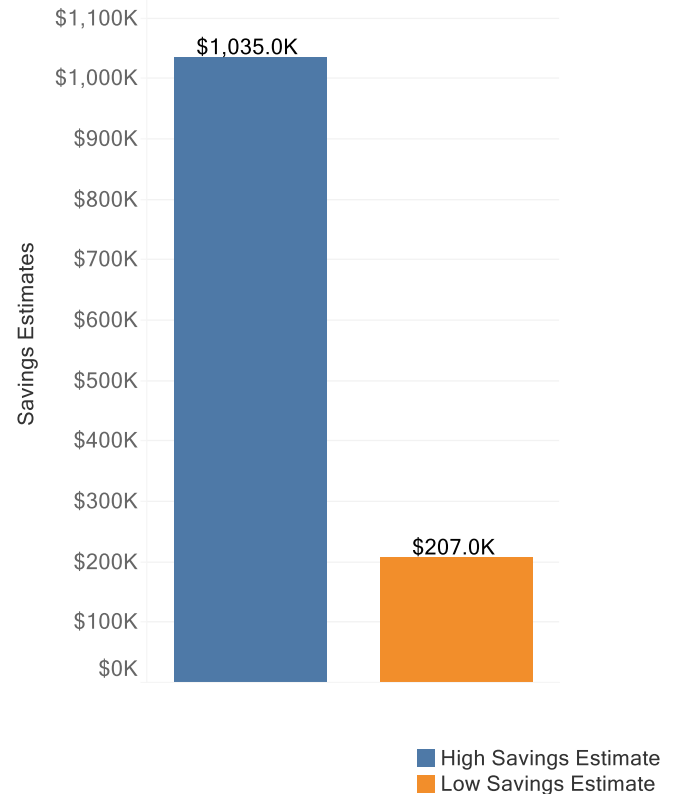
District In Scope Total Procurement Spend = \$20,700,719



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	1.0%	5.0%
Non-Instructional Supplies	1.0%	5.0%
Instructional Supplies	1.0%	5.0%
Instructional Services	1.0%	5.0%
Support Services	1.0%	5.0%
Technology	1.0%	5.0%
Other	1.0%	5.0%
Overhead Services	1.0%	5.0%
Transportation Services	1.0%	5.0%



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Organization / Staffing</p>	<ul style="list-style-type: none"> • Staffing: The District has a part time resource focused directly on procurement and is able to rely on these resources to maximize purchasing activities. This part time resource is in her final year with the District. The technology team is also very knowledgeable about procurement policies and procedures. 	<ul style="list-style-type: none"> • Leverage neighboring district resources to better optimize procurement functions. See Regional Collaboration below.
<p>Spending by Vendor</p>	<ul style="list-style-type: none"> • Spending efforts are made based upon the individual buyer, with local optimization the main priority. Aggregated purchasing decisions across districts are not generally 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 and (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 has an internal team that does the majority of maintenance and facilities work, but it does use local vendors when needed. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software to be placed out to bid, per state regulations. 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 for staffing of special education services. • Technology: The District has nearly completed its one to one initiative and is also working with Florence 2 on their technology purchases. 	<ul style="list-style-type: none"> • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Spending by Category</p>	<ul style="list-style-type: none"> • Non-instructional Supplies: The District readily checks for procurement opportunities through state contracts, but due to their large size, they have been able to secure better deals outside of state contracts. 	<ul style="list-style-type: none"> • Consider a review of additional supplier options (e.g., Amazon’s new K12 offering, US Communities, Office Depot, etc.). • Consider standardizing with one supplier to achieve additional volume discounts. • Analyze supply spend with neighboring districts and approach vendors with minimum volume commitments for additional discounts.
<p>Collaboration</p>	<ul style="list-style-type: none"> • The District does partner with other districts to procure goods and services. They have helped FSD2 procure HP laptops and Chromebooks. 	<ul style="list-style-type: none"> • Consider formally combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations and contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: <ul style="list-style-type: none"> - Technology - Instructional Software and Services - Instructional Staffing - Supplies



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TRANSPORTATION

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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]

\$270 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	5.0
Personnel Expense ^[3]	\$3,395,321
Non-Personnel Expense ^[3]	\$841,357
Total Transportation Expense ^[3]	\$4,236,678

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

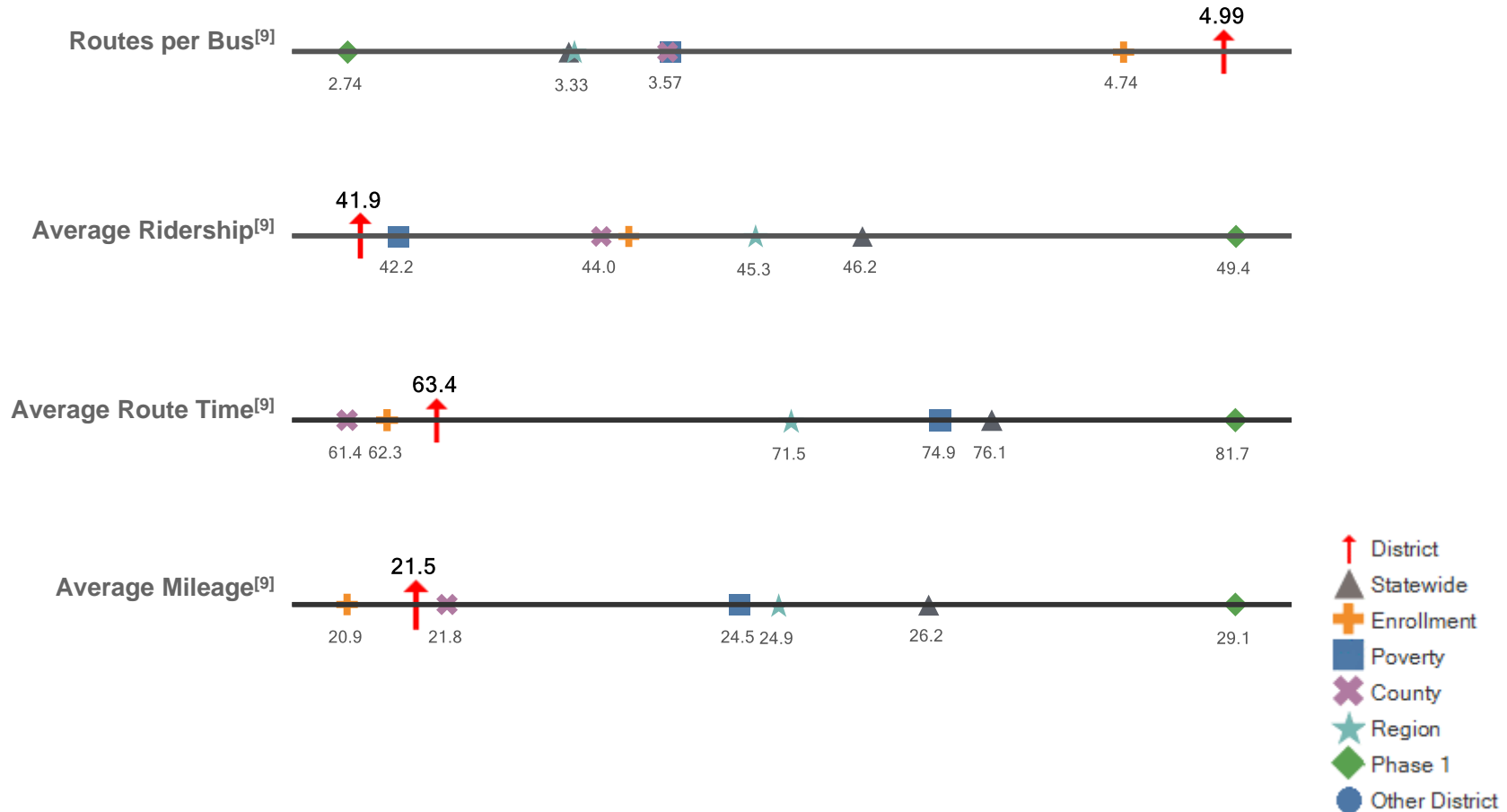
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	37.0	185	5.0	7,751	42	63	22
Special Needs	17.0	37	2.2	724	20	Not-Available	75
Other	5.0	24	4.8	693	29	Not-Available	20
Total	59.0	246	4.2	9,168	N/A	N/A	N/A

TRANSPORTATION

FLORENCE 01

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"> • The District has a difficult time recruiting bus drivers. The District currently has 20 vacancies. • Bus drivers are currently paid a starting rate of \$15 / hour, or \$8 above state reimbursement levels. • Transportation is run by one administrator and 3 supervisors. 	<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.
Routing and Bus Management	<ul style="list-style-type: none"> • The District does utilize routing software. • The District has staggered starts across their grade levels to create route efficiencies and minimize the number of drivers needed. • The District has GPS on its buses and also uses security cameras on most buses (and is in the process of implementing on all buses). In addition, the District provides cell phones (radios or other) to drivers to contact drivers while on routes. • The District uses some of their own 32 buses on high hazard cost routes to minimize hazard costs paid to the State. • The District runs about 14,000 miles each day. • The special needs buses have an average ridership time of over 3 hours. 	<ul style="list-style-type: none"> • Increase the special needs buses to be able to minimize the average ridership time to under 90 minutes. Consider longer routes for regular routes to free up bus drivers for the additional special needs buses if unable to find more drivers.
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 on shared bus usage. Potential areas include: share transport of students attending out of district placement and activity buses.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

FLORENCE 01

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

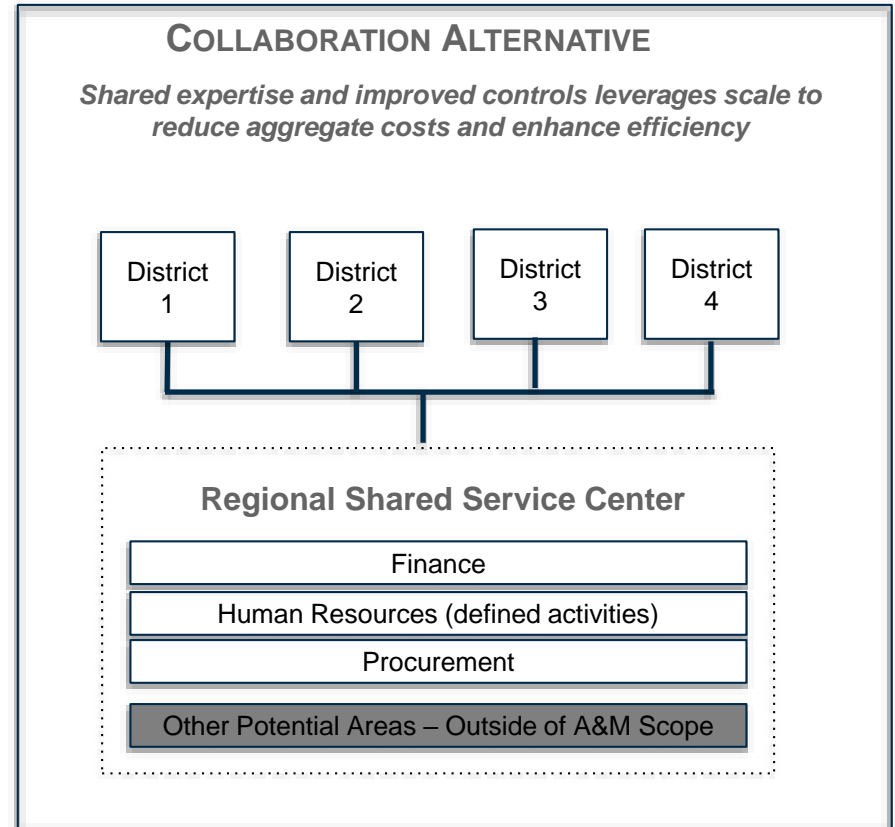
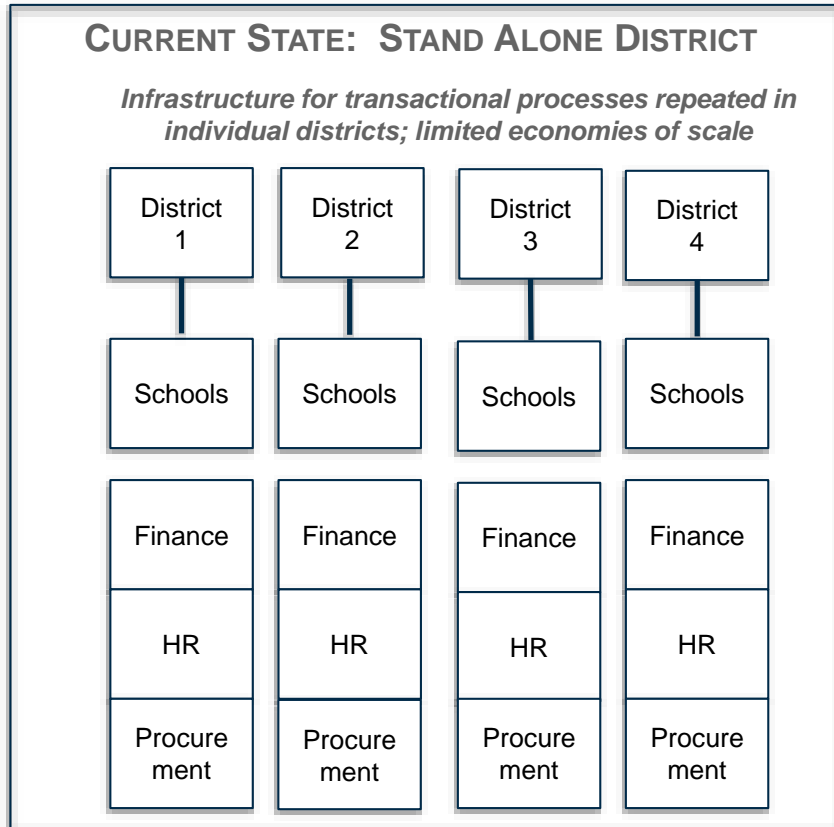
Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

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

FLORENCE 01

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.

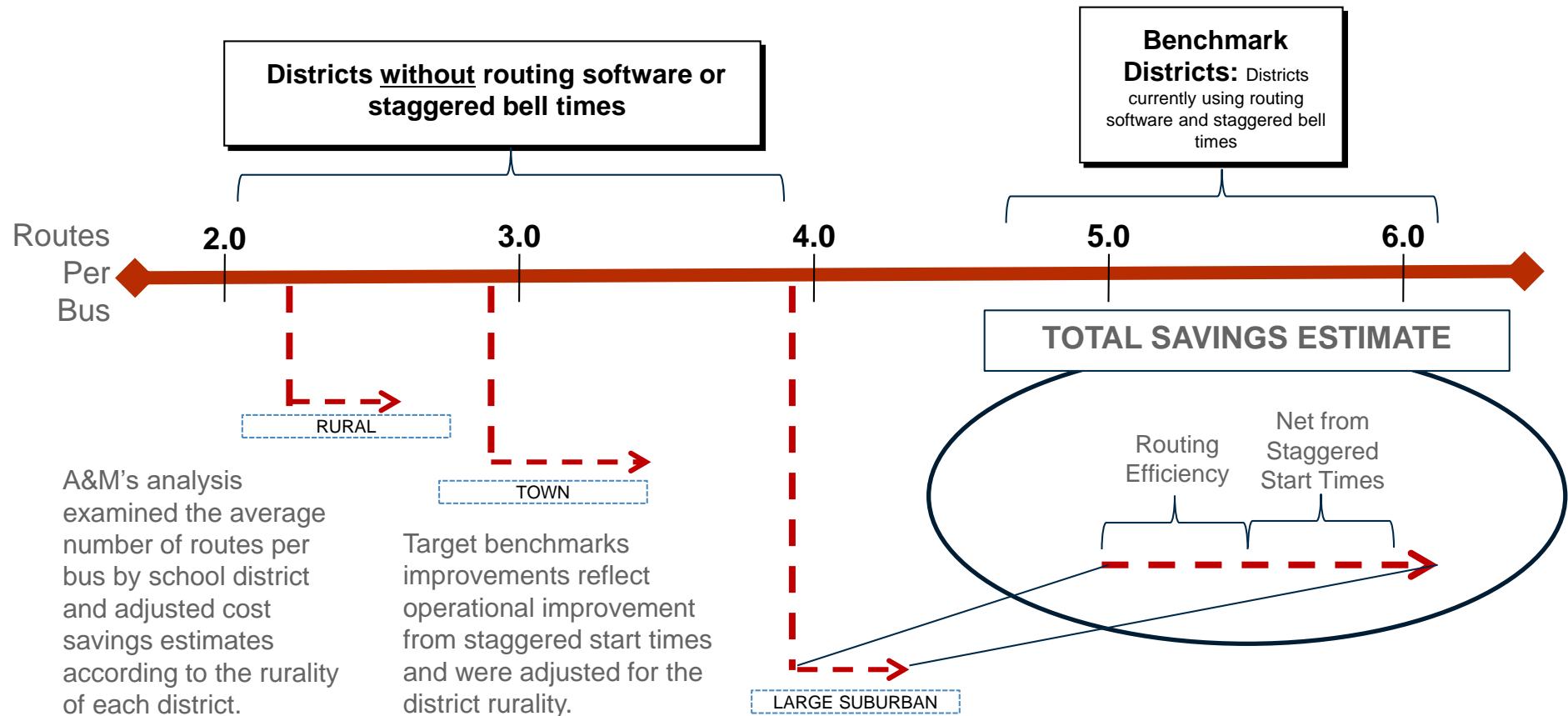
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs⁽²⁾	18.9	13.0	6.0
Total Spend⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

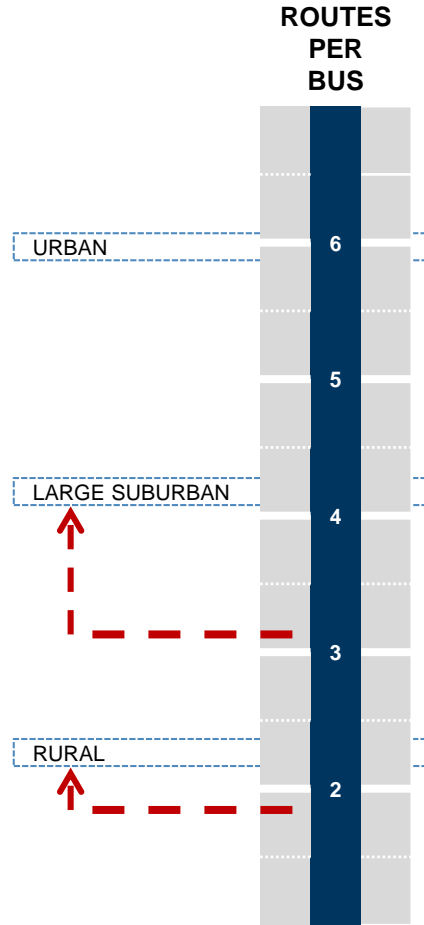
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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

FLORENCE 01

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

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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

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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

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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

FLORENCE 01

Source [5]

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

Source [3],[7]

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

Source [5],[7]

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

Source [9]

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

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