



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Florence 03

District Report

6/16/2017





OUTLINE

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

EXECUTIVE SUMMARY

FLORENCE 03

PROJECT OVERVIEW

- This document contains observations and recommendations completed in conjunction with the School Efficiency Review conducted for the South Carolina Department of Education and pursuant to Part 1B Section 1 Proviso 1.92 of the FY2016-17 General Appropriations Act.

- The scope of the District Efficiency Review focused on the following central operations: **(1) Finance; (2) Human Resources; (3) Procurement; (4) Transportation; and (5) Overhead.**
 - Instruction, Food, Facilities and Technology functions were outside the scope of this efficiency review.
 - Facilities and Technology Assessments were completed in accordance with Part 1B of Proviso 1.92 and are separate from this report.

- A&M's review focused on identifying opportunities across the operational areas noted above that would yield:
 - 1. Increased Effectiveness and Efficiency**
 - Improved processes that would enable increased levels of service to the District's students and teachers and enhance financial controls and financial stewardship of the District's funds and assets.
 - A&M considered potential opportunities that could be realized both in the current state and in a situation where the District chooses to collaborate with other nearby or like-minded districts.

 - 2. Cost Avoidance and / or Cost Savings**
 - Enhanced processes and structures that would enable the District to realize savings and/or avoid potential costs in the future, including consideration of potential investments required to mitigate ongoing cost exposure.

EXECUTIVE SUMMARY

FLORENCE 03

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)

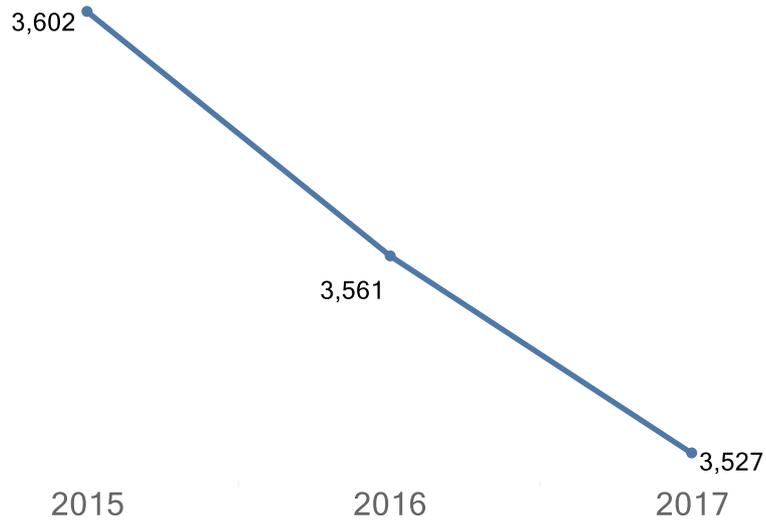
➤ Sources of Data and Savings Estimates:

- 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.

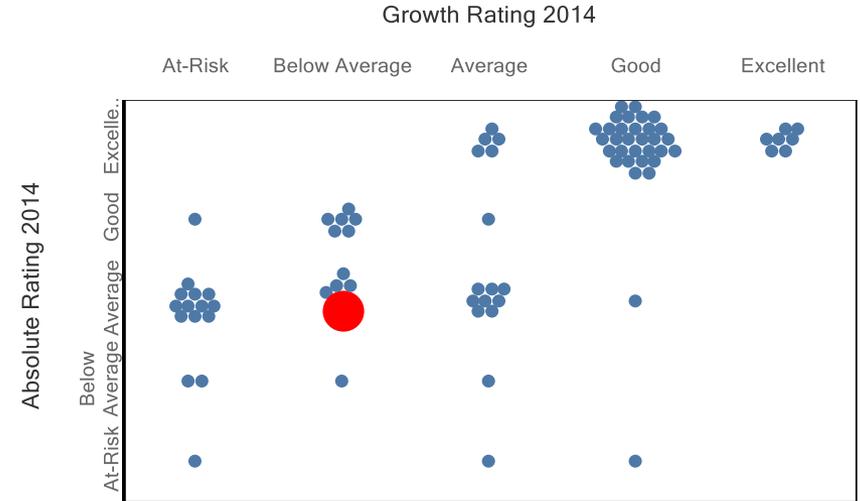
EXECUTIVE SUMMARY

FLORENCE 03

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	8
% Poverty ^[1]	85.6%
% Disability ^[1]	20%
\$ Per Student ^{[2],[3]}	\$11,690
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,247

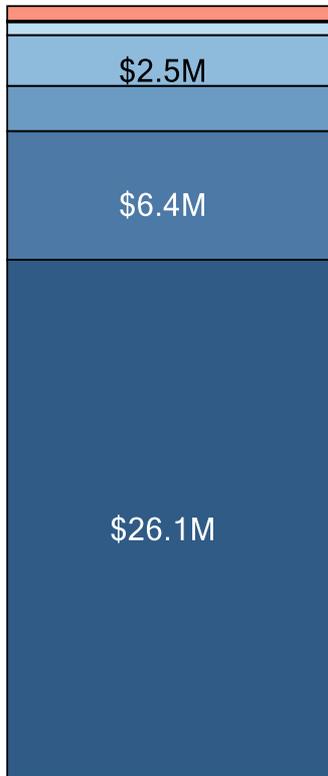
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.1
Students Per Overhead FTE ^{[2],[4]}	175.5
Students Per School Support FTE ^{[2],[4]}	38.1
Students to Total FTE ^{[2],[4]}	6.4

EXECUTIVE SUMMARY

FLORENCE 03

Sources of Funds^[5]
\$38.8M



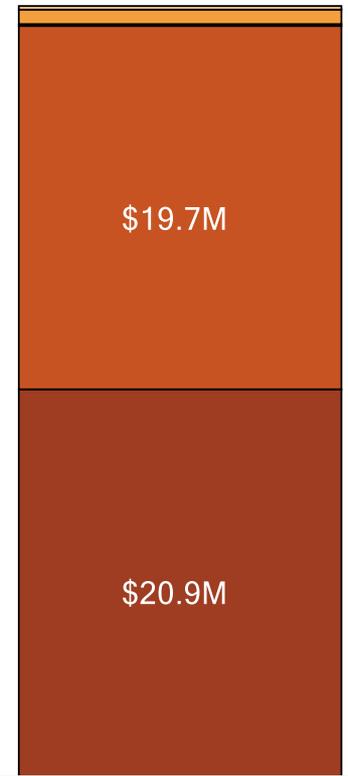
2015-2016

Use of Funds - Type^[3]
\$41.6M



2015-2016

Use of Funds - Function^[3]
\$41.6M



2015-2016

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

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

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

FLORENCE 03

\$41.6M
Total

\$6.8M
In-Scope

\$34.9M
Not In-Scope

16.3% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$400,559	\$34,463
Human Resources	\$246,193	\$32,511
Overhead	\$557,968	\$216,889
Transportation	\$611,495	\$70,715
Procurement (Community Services, Instruction, Support Services)	\$4,947,312	\$4,947,312
TOTAL	\$6,763,527	\$5,301,890

* totals may not tie due to rounding

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To ensure that every student is college and career ready.

1. **Literacy:** By the year 2020, increase literacy and written communication from 22% to 75% proficiency.
2. **Technology:** Complete 1:1 digital program for grades 9-12.
3. **College and Career Readiness:** Implement 8 project-based learning initiatives.
4. **School Climate:** BY 2020, increase parents' satisfaction with the learning environment to 88% and satisfaction with the physical environment to over 70%.
5. **Math:** By 2020, 80% of PK-12 students will meet or exceed the state standards on the Math assessments.

Achievements

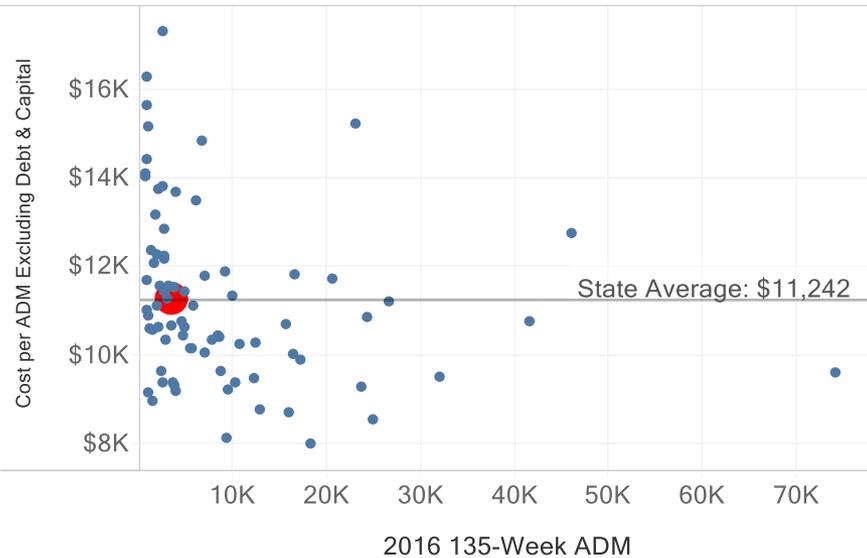
- **College and Career Readiness:** Implemented a program for students to be able to graduate high school with a high school diploma and a 2-year college degree.
- **Community Engagement:** Building a strong relationship with families through multiple outreach programs, including a Mardi Gras fundraiser for Reading Partners.
- **Collaboration:** Florence 3 has partnerships with Florence-Darlington Tech and Florence 2 to provide students with collegiate level education opportunities. Florence 3 also hosts other districts pupils in their alternative school.

Challenges

- **Early Childhood Education:** Limited early childhood resources result in many students arriving at school already behind on educational metrics.
- **Financial Management:** Lack of budget and fiscal controls combined with loss of revenue associated with changes in Medicaid billing procedures contributed to a large cash deficit that has resulted in a hiring freeze.
- **Employee Recruitment:** Recruiting teachers into the District is a challenge. Nearby Florence City provides opportunities and lifestyle that often prove more attractive to teaching candidates out of nearby Francis Marion University.

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

FLORENCE 03

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Staffing / Processes: The Finance organization is adequately staffed to support the scope of its roles and responsibilities. The Director of Finance is in her first year at the District. • Financial Management: The District experienced a cash deficit of over \$1.3 million in FY16 due to poor controls and financial management. The District leveraged an external consultant to help fix the weaknesses and expects to begin building up its fund balance in FY18.
Human Resources	<ul style="list-style-type: none"> • Staffing / Processes: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. The District uses technology to streamline processes, but the technologies are not fully integrated. • Recruiting and Retention: The District has had turnover as high as 30% recently, but it is down to 19% now. The District's average teacher salary is equal to the state average. Similar to other school districts in the State, recruiting teachers into the District is challenging. The District spends a significant amount of time building relationships with the community to improve recruiting and retention.
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 has 19 of 22 drivers as full-time. The district has installed cameras on all of their buses which has helped with security and discipline issues. • Routing: The District uses staggered bell times to help increase bus efficiency. The District does not use routing software to evaluate route efficiency. The District spends \$11,000 per year on hazard routes.
Procurement	<ul style="list-style-type: none"> • Staffing / Processes: The District has no resources focused directly on procurement. • Strategic Sourcing: The District has a hard time finding vendors for many maintenance and facility needs. The District has over 1,100 vendors with only 60 making up the top 80% of spend.
Overhead	<ul style="list-style-type: none"> • Staffing: The District office is adequately staffed. The Superintendent and her team have a strong focus on student achievement and community involvement. • 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 03

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to financial systems to facilitate automated and purchase to payments processes, integrated timekeeping and payroll.</p> <p>Process Improvements: Continue to improve transparency and segregation of duties.</p> <p>Staffing and Organization: Train/cross-train district personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Integrate technologies to further 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 school personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations.</p> <p>Centralize digital storage of contracts, invoices, and purchase orders.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software.</p> <p>Process Improvements: Complete analysis (in conjunction with use of routing software if possible) to evaluate potential benefits of routing changes.</p> <p>Hazard Routes: Consider using activity buses to run high hazard routes to decrease costs.</p>

EXECUTIVE SUMMARY

FLORENCE 03

COLLABORATION RECOMMENDATIONS

Organizational effectiveness and cost savings opportunities can increase through formal collaboration efforts between districts.

REGIONAL COLLABORATION OPPORTUNITIES			
FINANCE	HUMAN RESOURCES	PROCUREMENT	OTHER AREAS
<p>Accounts Payable and Payroll: Shared Processing; Standardized and automated workflow on approvals</p> <p>Potential to add in:</p> <ul style="list-style-type: none"> Accounting Entries Financial Reporting General Oversight ERP Systems Grant Compliance and Claiming 	<p>Benefits Coordination: Shared Processing and Support</p> <p>Potential to add in:</p> <ul style="list-style-type: none"> Intl. Recruiting: H1B Process or collaborative System Licenses for Recruiting, Substitute Management, and on-boarding Sharing of instructional resources across varying classroom models 	<p>Purchasing Coordination: Collaborate on market intelligence, pricing opportunities, RFP management, contract negotiations, contract management and minimum buying commitments</p> <p>Capitalize on volume discounts and rebates</p> <p>Shared analysis of spending, monitoring and optimization of pricing</p>	<p>Transportation: Shared administrative resources</p> <p>Facilities/ Maintenance: Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing)</p> <p>Technology: Shared oversight and support functions</p> <p>Curriculum: Shared research and development functions</p>

Governance structures, service level agreements and implementation plans will vary based upon the range of services included and the districts participating in a collaborative model.

EXECUTIVE SUMMARY

FLORENCE 03

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

EXECUTIVE SUMMARY

FLORENCE 03

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$10,000	\$25,000	\$39,300	\$118,000
Human Resources	5,000	10,000	0	24,800
Procurement	0	0	154,500	308,300
Transportation – District	N/A	N/A	20,000	30,000
District Total	15,000	35,000	213,800	481,100
Transportation – State	8,000	32,000	22,400	48,000
Total	\$23,000	\$67,000	\$236,200	\$529,100

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

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

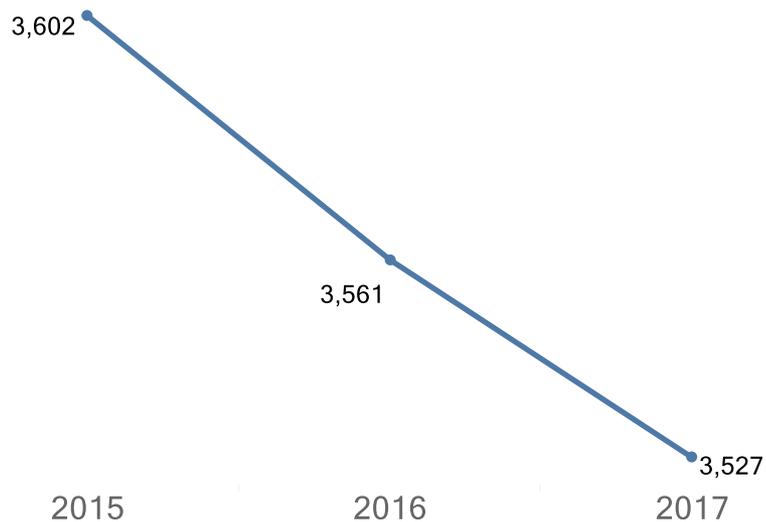


OUTLINE

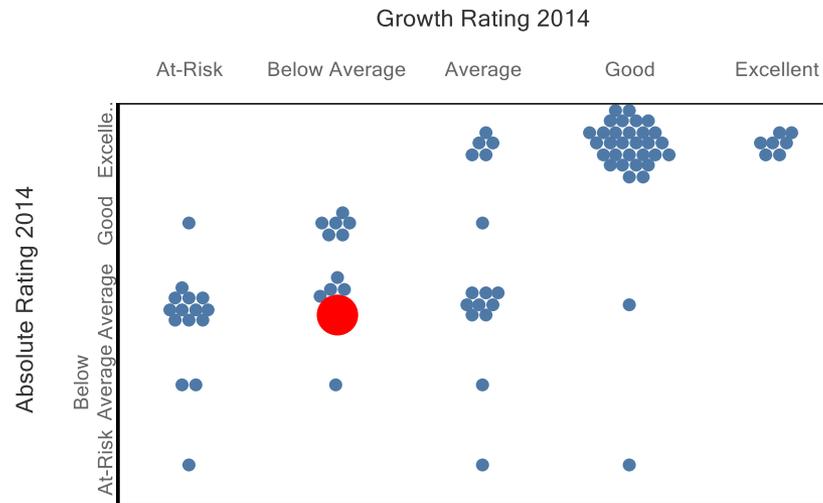
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DISTRICT ADMINISTRATION AND PERFORMANCE FLORENCE 03

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	8
% Poverty ^[1]	85.6%
% Disability ^[1]	20%
\$ Per Student ^{[2],[3]}	\$11,690
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,247

Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.1
Students Per Overhead FTE ^{[2],[4]}	175.5
Students Per School Support FTE ^{[2],[4]}	38.1
Students to Total FTE ^{[2],[4]}	6.4

DISTRICT BENCHMARKING

FLORENCE 03

Enrollment (2,500 - 5,000)

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

Phase 1 (Yes)

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

Poverty (85% - 90%)

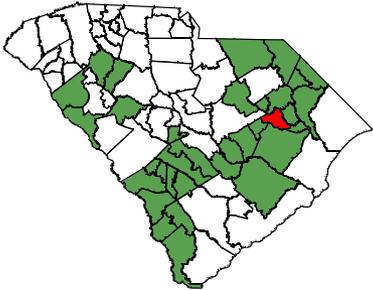
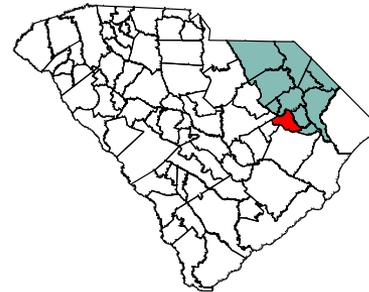
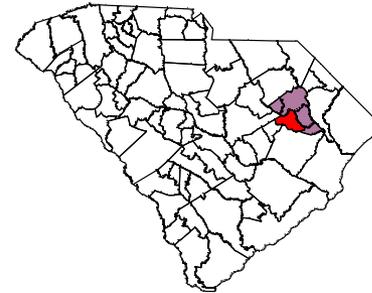
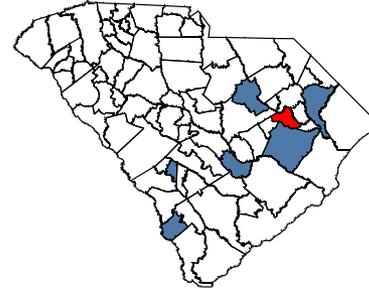
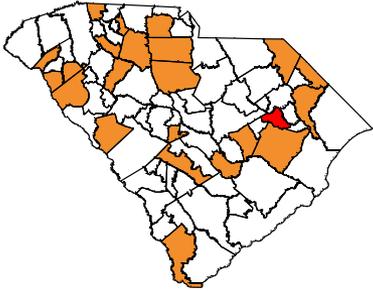
Barnwell 19
 Florence 03
 Hampton 02
 Lee
 Marion 10
 Orangeburg 03
 Williamsburg

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	

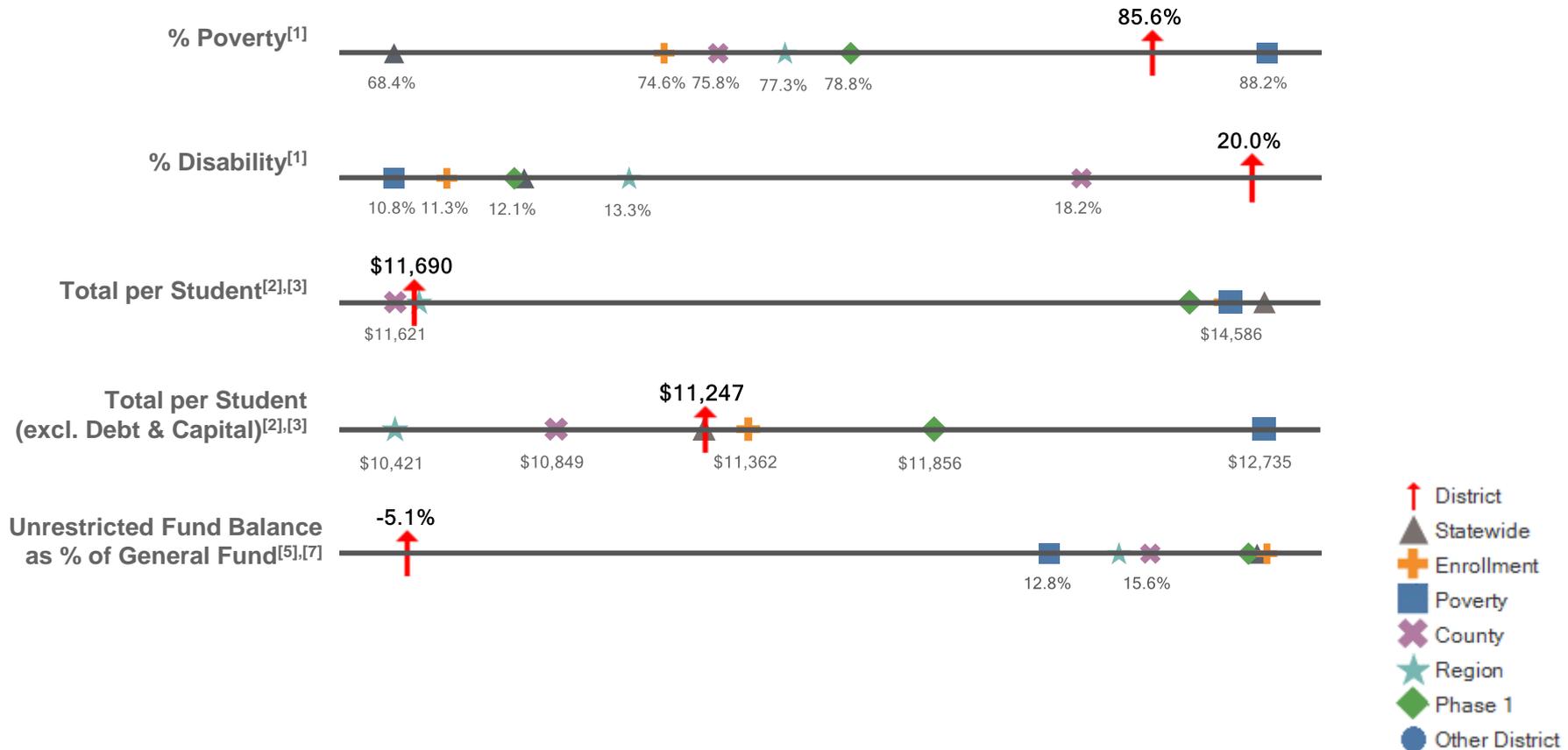


DISTRICT OVERVIEW

FLORENCE 03

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

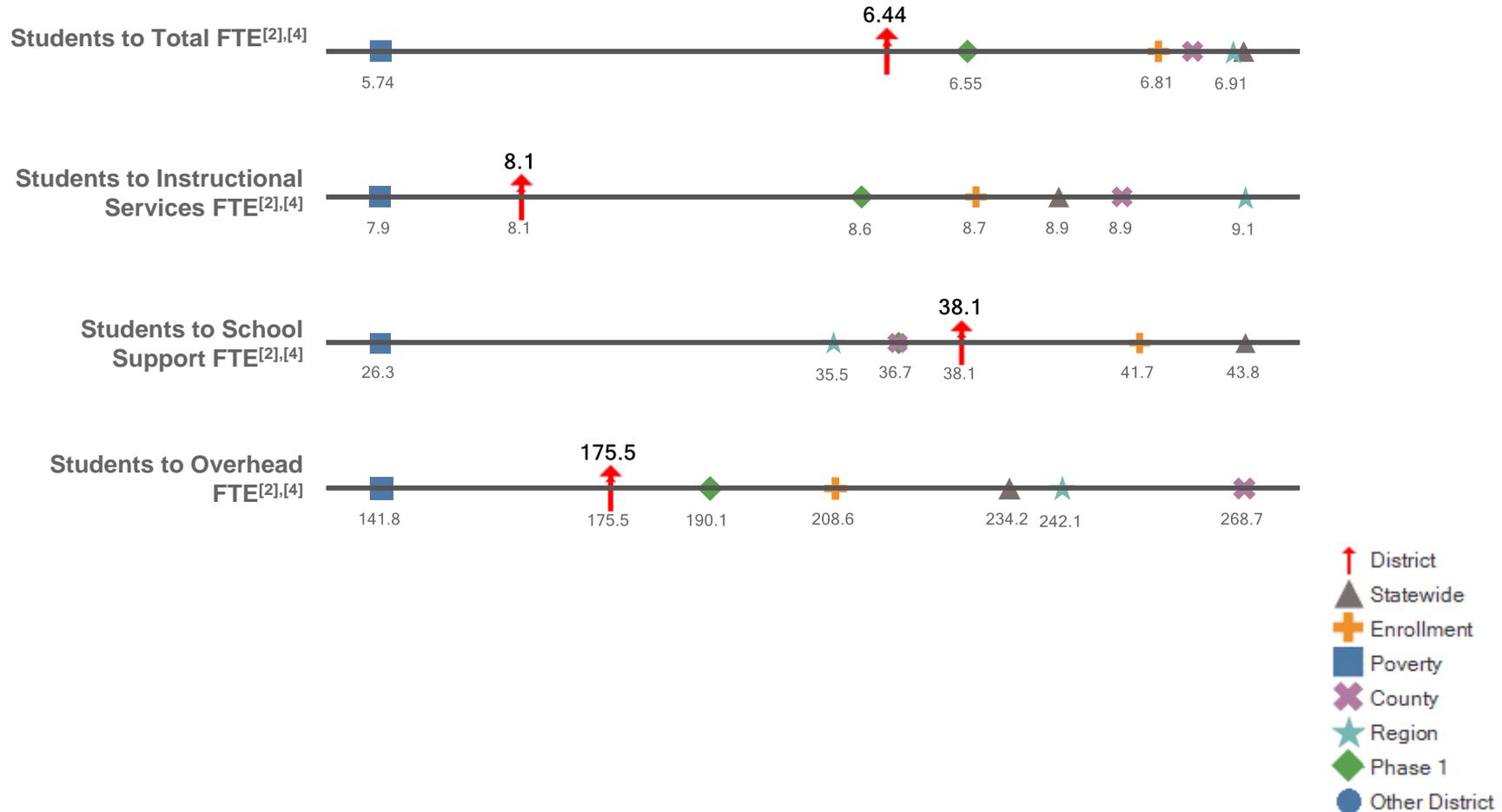
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

FLORENCE 03

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 decreased by 75, or 2%, over the past 3 years. • Student Demographics: 85.6% 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 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 declining enrollment trend combined with past issues with financial management and internal controls left its fund balance negative at the end of FY16. This level of fund balance, and in turn cash on hand, leaves the District in a weak financial position, with limited ability to navigate adverse changes in enrollment or funding. The District has instituted a hiring freeze as part of financial management changes and believes by year end they will have recouped their deficit. • Per Pupil Expense: The District's Per Pupil Expense is \$11,247, when excluding debt and capital. This is on par with the state average and slightly lower than districts with similar enrollment. • Unrestricted Fund Balance: The District's Unrestricted Fund Balance is -5% of general fund revenues. The fund balance is significantly below the state average resulting in poor financial stability as a result of lack of controls which are currently being evaluated and fixed. 	<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. In addition, the District should continue to undertake efforts to build back its fund balance in line with peer benchmarks.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Student to Total FTE: The District's Student to Total FTE is 6.4, which is lower than the statewide average. • Student to Instructional Services FTE: The District's Student to Instruction FTE is 8.1, which is lower than the statewide average. • Student to Support Services FTE: The District's Student to Support Services FTE is 38.1, which is lower than the statewide average. • Student to Overhead FTE: The District's Student to Overhead FTE is 175.5, which is lower than the statewide average. 	<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.
Staffing / Organization	<ul style="list-style-type: none"> • Communications Function: There is no Communications support for the Superintendent's office. The function resides solely with the Superintendent. 	<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.
Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with other regional Superintendents. 	<ul style="list-style-type: none"> • Consider implementing a regional shared service model that allows for sharing of resources and systems 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.

588 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$113 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	6.0
Personnel Expense ^[3]	\$345,285
Non-Personnel Expense ^[3]	\$55,274
Total Financial Expense ^[3]	\$400,559

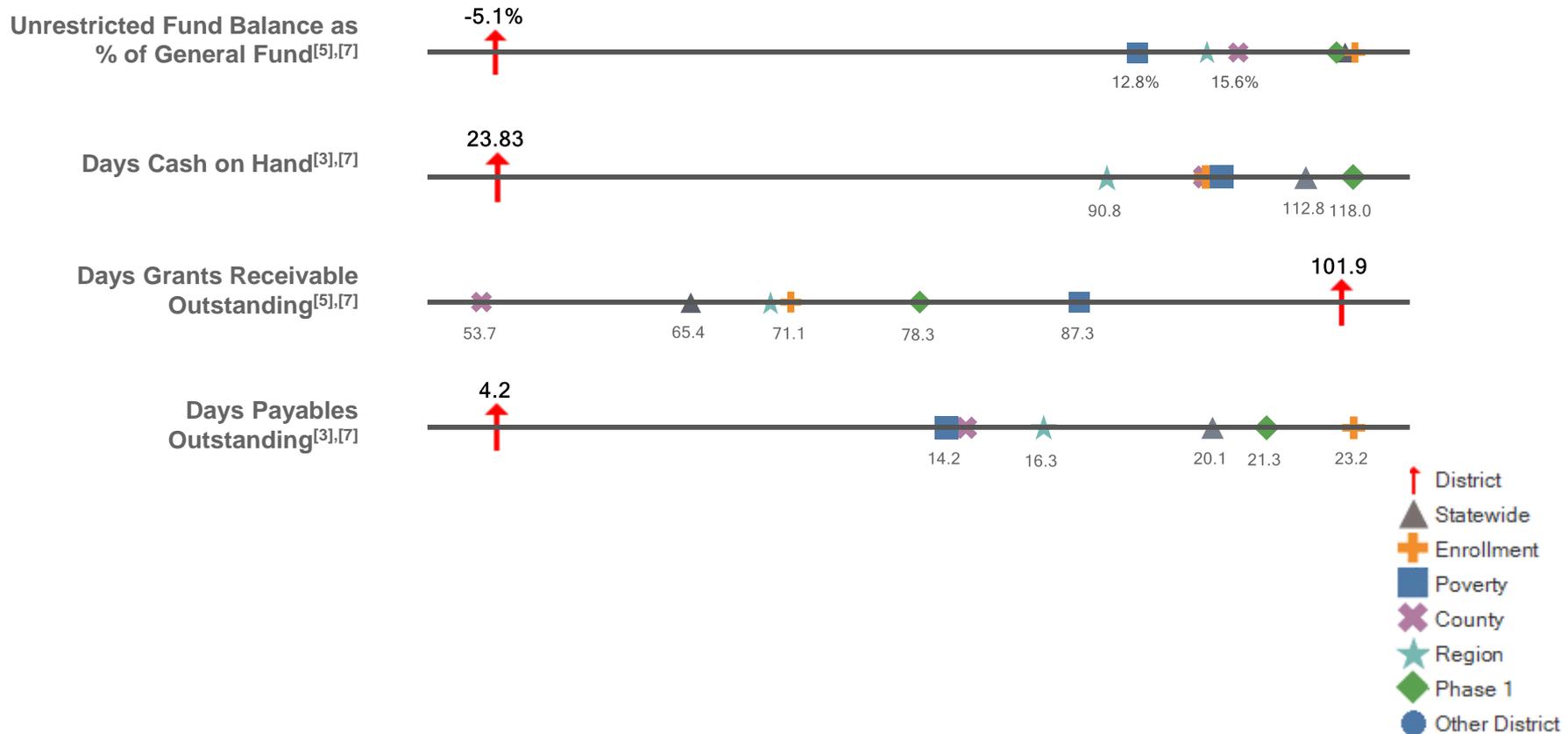
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

FLORENCE 03

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

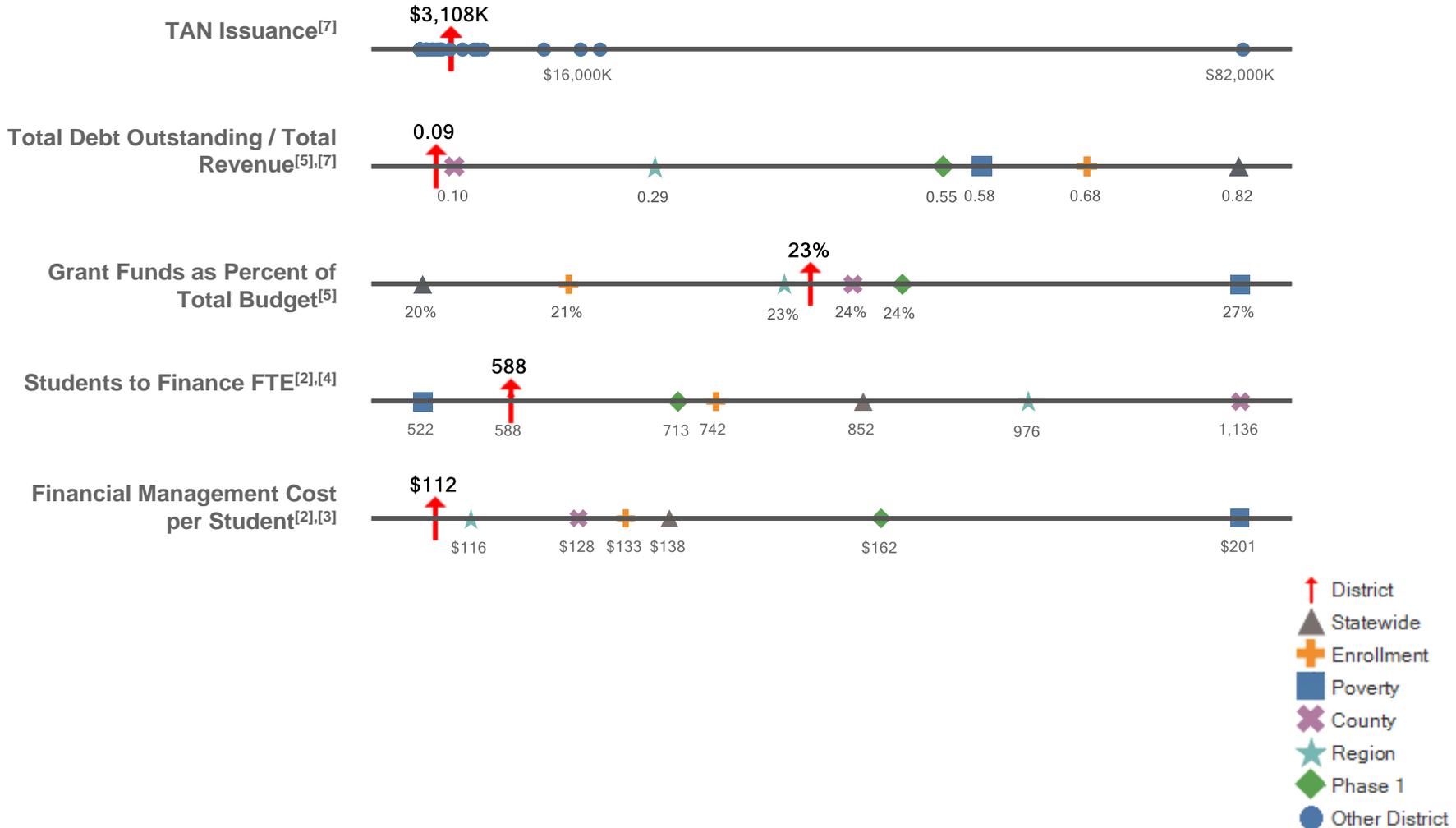
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FINANCIAL MANAGEMENT

FLORENCE 03

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 6 people directly allocated to Finance. • Turnover: The Director of Finance was recently hired and is in her first year. • Finance Cost Per Pupil: The District’s Finance Cost Per Pupil is \$112, which is better than the statewide average and districts with similar enrollment. • Students Per Finance FTE: The District’s Student to Finance FTE 588, which is worse than the statewide average. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions. • Continue process review and segregation of duties that led to fiscal problems in FY16.

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 bi-weekly basis, but they are moving to a semi-monthly payroll. The majority of employees receive payments via check (not direct deposit), and the District uses an employee self service payroll platform. • Timekeeping: Time tracking is automated for payroll through SmartFusion. • Purchasing: The District uses a centralized purchase order system. Schools are able to secure items and services in accordance with District and State regulations. • Inventory: The District does not have a formalized inventory management and physical count process. 	<ul style="list-style-type: none"> • Complete transition to semi-monthly payroll, thereby reducing two payroll cycles per year. • Require all employees to receive payroll via direct deposit. • Implement standard policies and procedures around managing physical inventory and ensure that the District finance organization is part of the overall process.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grant Revenue %: Grant revenues provide 23% of revenue for the District, making it more reliant on grant funds than its peers. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the finance department. 	<ul style="list-style-type: none"> • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, claims processed and amounts for each grant. • Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Require that claims are processed monthly for all grant areas in order to: (a) maximize cash flow, (b) identify any potential issues with submissions as early as possible.
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have Material Weaknesses in its FY16 audited financial statements. The District also had to change financial management after a \$1.3 million deficit was incurred due to poor fiscal controls. • Fiscal Controls: The District did not have proper fiscal controls in place during FY16. Lapses in transparency and shortcomings in financial accounting and management resulted in significant financial issues for the District. Changes were made to financial leadership and new processes and controls have been and continue to be put into place to prevent such issues from happening in the future. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control. • Continue implementation of process controls that create financial transparency and appropriate checks and balances to prevent future major cash deficits.

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 24 Days. Compared to the statewide average, this number signals a weak cash balance. The District ran into a major budget deficit causing this number to be abnormally low. • Cash Forecast: The District does not have a formalized weekly cash flow forecasting process. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 102 Days. This is higher than the statewide average. • Days Payable Outstanding: The District's Days Payables Outstanding is 4 days, which is worse than peers. • Debt: The total debt load per student is low compared to the statewide average. • TAN: The District did issue TANs this past year to assist with liquidity needs during its cash crisis. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings. • 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.
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a roll-forward of the prior year expenses. The budget team works extensively with department heads to assess any new needs that are anticipated for the new fiscal year. • Fiscal Monitoring: The District does not produce budget to actual variance reports monthly. 	<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. • 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
Technology	<ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable. 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 SmartFusion accounting software and / or upgrade or acquire software that provides enhanced functionality that provides automated workflow and approval of purchase orders, automated time tracking that links directly with the payroll system.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities currently, but they are actively looking to share payroll resources with Florence 2. • 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.

784 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$69 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	4.5
Personnel Expense ^[3]	\$212,983
Non-Personnel Expense ^[3]	\$33,210
Total Human Resources Expense ^[3]	\$246,193

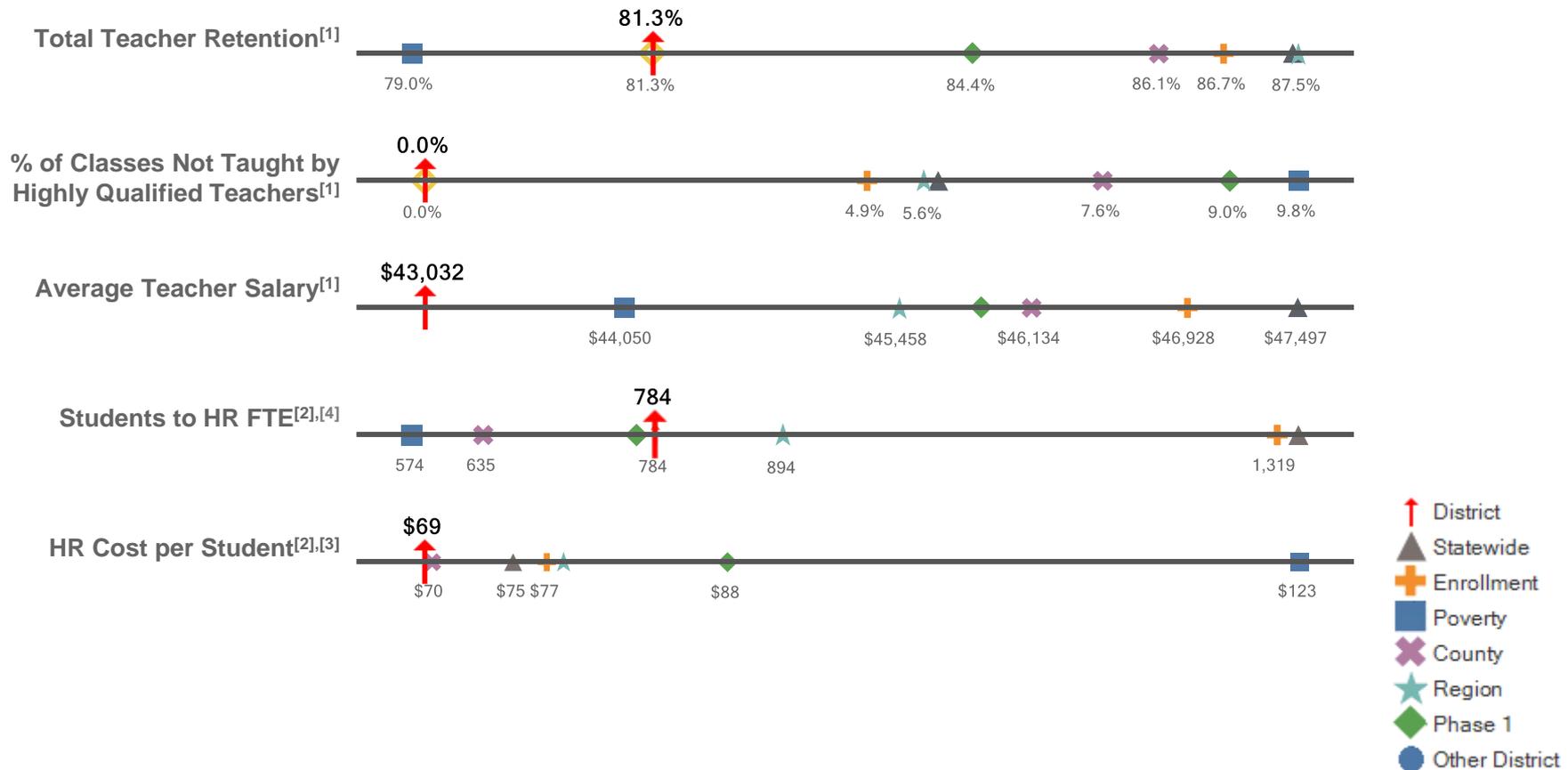
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

FLORENCE 03

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Staffing / Organization</p>	<ul style="list-style-type: none"> • Staffing: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. The Human Resources team also oversees federal fund management, supervises nursing and is very active in community relations. • Human Resources Cost / Pupil: The District’s Human Resources Cost per Pupil is \$69, which is better than the statewide average and districts with similar enrollment. • Student to Human Resources FTE: The District’s Student to Human Resources FTE is 784, which is lower than the statewide average of 1,338. 	<ul style="list-style-type: none"> • Shift oversight of federal fund management to finance with proper controls that allow for complete transparency with senior leadership. • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
<p>Recruiting and Retention</p>	<ul style="list-style-type: none"> • Recruiting: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District leverages staffing agencies to fill hard to staff services (Physical Therapy, Occupational Therapy, etc.). • Turnover: The District has had turnover as high as 30%, and turnover is currently around 19%. • Average Salary: The average teacher salary is below the statewide average, making it more difficult for the District to compete for incoming teachers. 	<ul style="list-style-type: none"> • Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing bonuses; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> The District leverages AppliTrack and SmartFusion software systems for recruiting, application screening, processing and onboarding; however, the two systems are not fully integrated. 	<ul style="list-style-type: none"> Integrate AppliTrack and SmartFusion to enhance and automate on-boarding process. In addition, consider implementing workflow software that will allow for automation of personnel changes.
Collaboration	<ul style="list-style-type: none"> The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 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: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers



OUTLINE

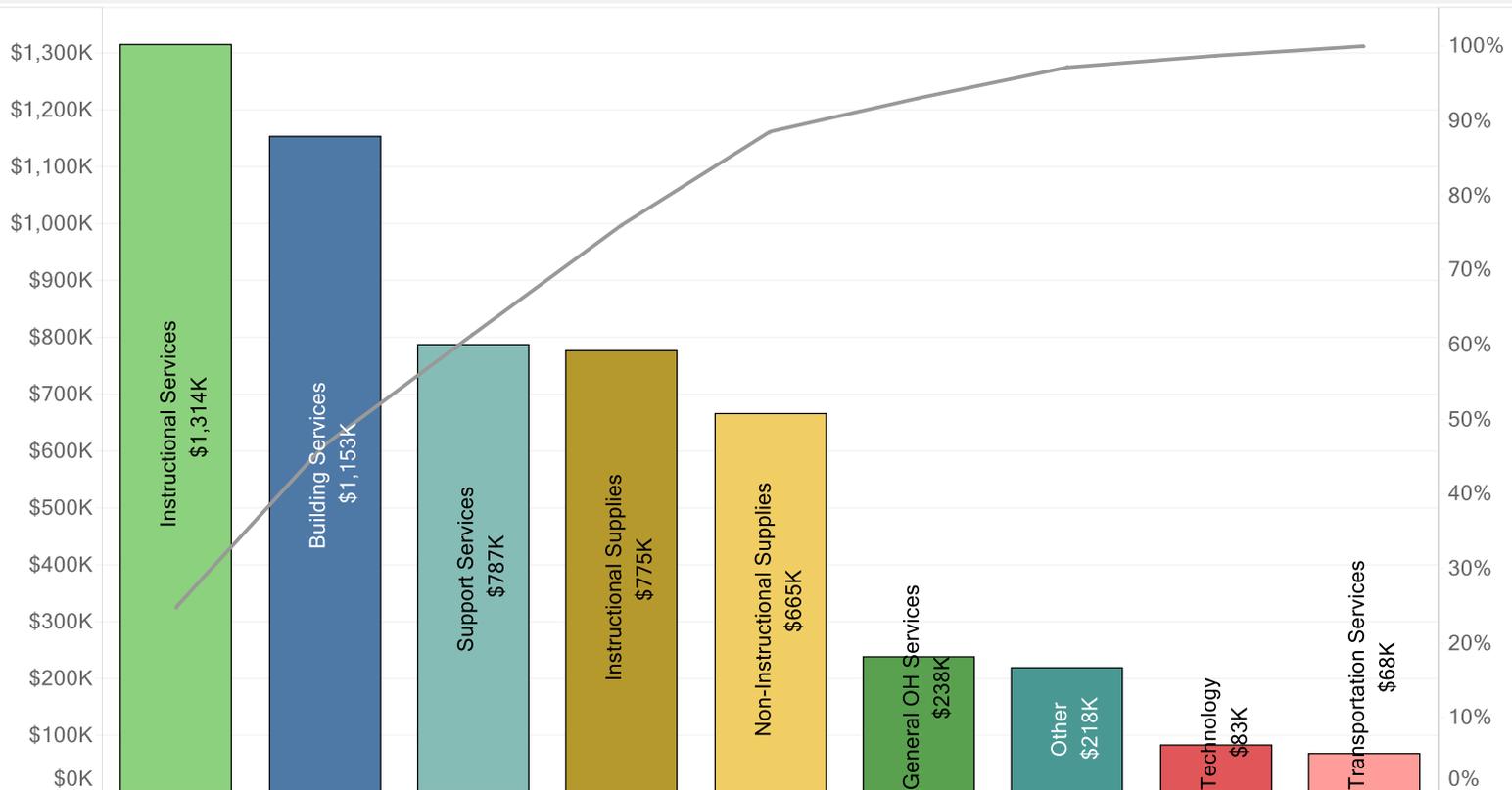
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PROCUREMENT FLORENCE 03

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.

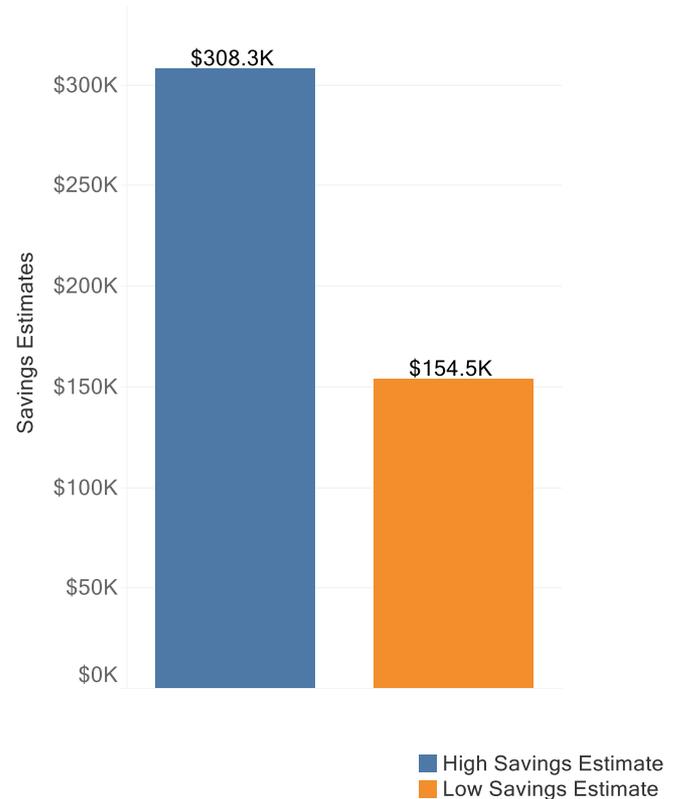
District In Scope Total Procurement Spend = \$5,301,890



ESTIMATED PROCUREMENT SAVINGS

The FY16 expense totals (shown on the previous page), in conjunction with review of the District’s disbursement register, conversations with the District and A&M past experience help form the basis for savings potential estimated by A&M.

Range of Savings Based A&M Strategic Sourcing Experience ^[8]		
	Low	High
Building Services	2.6%	5.8%
Non-Instructional Supplies	2.0%	4.4%
Instructional Supplies	2.0%	4.4%
Instructional Services	4.8%	8.0%
Support Services	2.1%	5.0%
Technology	2.7%	5.0%
Other	3.0%	5.8%
Overhead Services	2.7%	5.4%
Transportation Services	2.2%	6.8%



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Organization / Staffing</p>	<ul style="list-style-type: none"> The District does not have any staff solely focused on purchasing and procurement. 	<ul style="list-style-type: none"> Leverage regional resources to better optimize procurement functions. See Regional Collaboration below.
<p>Spending by Vendor</p>	<ul style="list-style-type: none"> Spending is fragmented across more than 1,100 vendors; however, the top 60 make up more than 80% of total spending. Spending efforts are made based upon the individual buyer, with lowest cost 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 has a hard time finding local vendors to do maintenance and repairs. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software to be placed out to bid. 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 international staffing and Soliant for staffing of special education services. • Technology: The District is expanding its 1:1 initiative and is leveraging a State contract with a reseller. The District does not coordinate technology purchases with other nearby districts. • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority of its non-instructional supplies outside of available State contracting vehicles under the belief that it can receive comparable, if not better pricing. 	<ul style="list-style-type: none"> • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. Alternatively, consider hiring key trades positions of HVAC, Plumbing and Electrician in collaboration with a nearby district and sharing resources. • 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
Collaboration	<ul style="list-style-type: none"> The District does not partner with other districts to procure goods and services. 	<ul style="list-style-type: none"> Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, 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.

12 Years

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

\$172 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	2.0
Personnel Expense ^[3]	\$540,780
Non-Personnel Expense ^[3]	\$70,715
Total Transportation Expense ^[3]	\$611,495

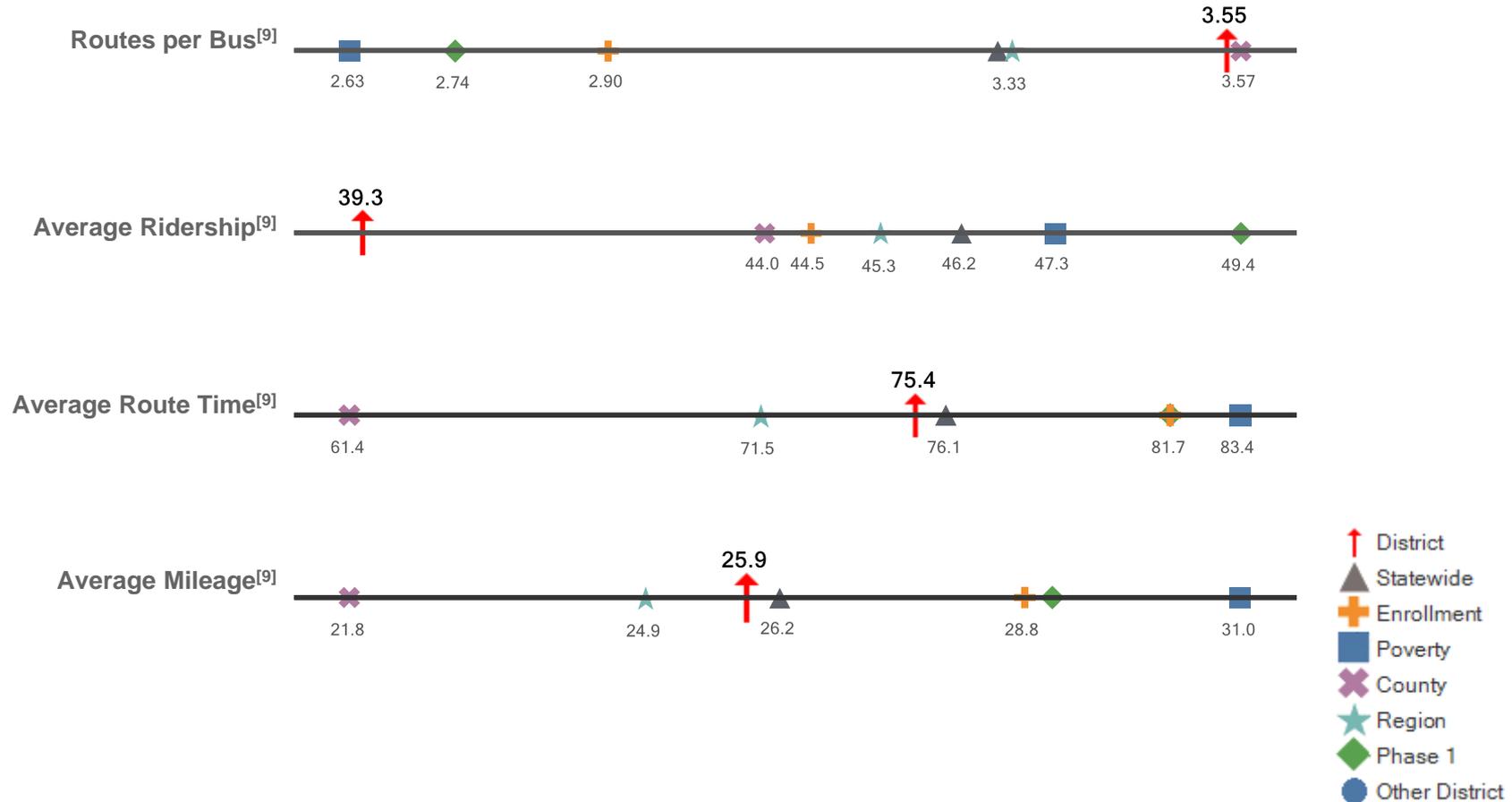
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	19.4	69	3.6	2,715	39	75	26
Special Needs	1.5	3	2.0	31	10	Not-Available	67
Other	1.1	4	3.8	142	36	Not-Available	7
Total	22.0	76	3.5	2,888	N/A	N/A	N/A

TRANSPORTATION FLORENCE 03

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

The metrics below show how the District compares to other districts for key operating metrics on transportation routing for general education students.



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The District has a difficult time recruiting bus drivers. The District currently has 22 drivers, 19 of which are full-time. The District runs staggered bus routes, with the earliest bell at 7:15AM for elementary schools. Bus drivers are currently paid a starting rate of \$10/hour, approximately \$2 above state reimbursement levels. Transportation is run by 1 coordinator and 1 supervisor. 	<ul style="list-style-type: none"> As incentive to recruit and retain bus drivers, expand 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. Implement a substitute/back up driver pool in collaboration with nearby districts. Use an automated calling system to fill needed driver substitute vacancies.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Routing and Bus Management</p>	<ul style="list-style-type: none"> • The District does not utilize routing software. • The District does have GPS on most of its buses; however, the new buses do not have GPS yet. • The District does have security cameras on buses. • The District spends about \$11,000 per year on hazard routes. • The District uses staggered bell times, with the elementary schools starting around 7:30, the middle schools start around 8, and the high school starting at 8:30. 	<ul style="list-style-type: none"> • Implement routing software to ensure most efficient routes. • Install security cameras on buses to increase child safety and security on bus.
<p>Collaboration</p>	<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 03

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

**Functional Review
Operating Model Components**



PROCESS

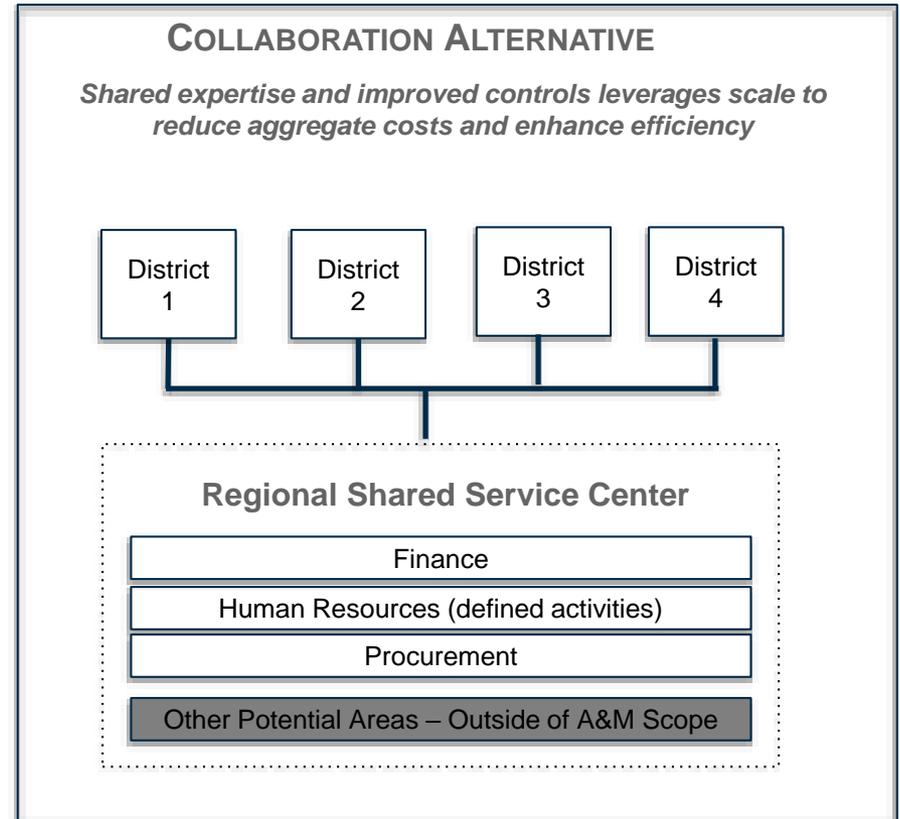
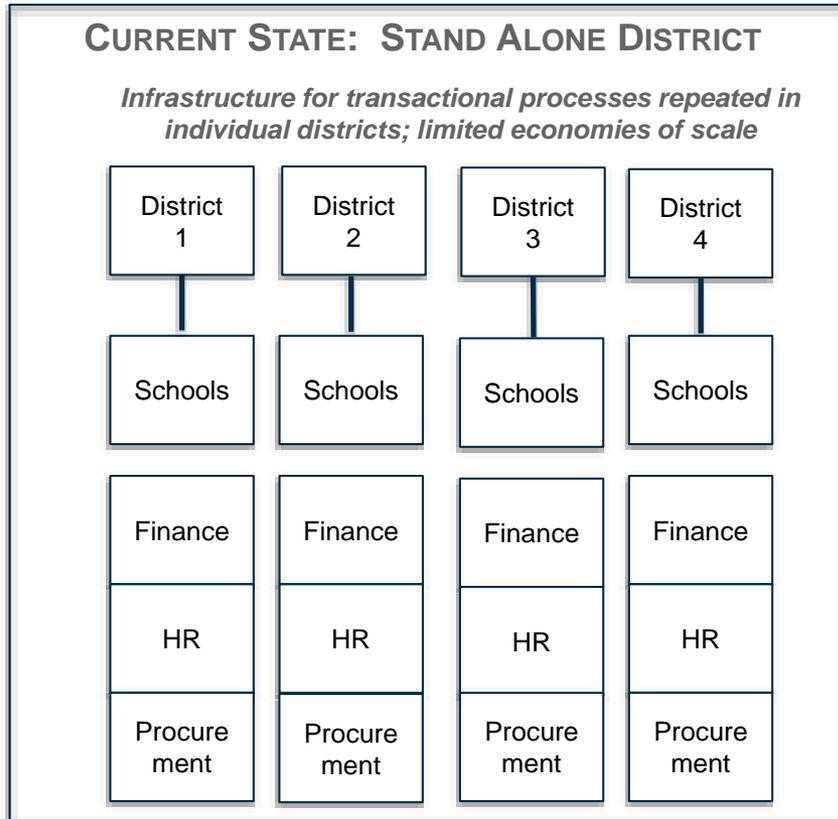
Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

ORGANIZATION

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

COLLABORATION: SHARED SERVICE MODELS

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



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

APPENDIX A: SAVINGS METHODOLOGY

FLORENCE 03

SHARED SERVICES MODEL: SAVINGS APPROACH

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

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

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

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

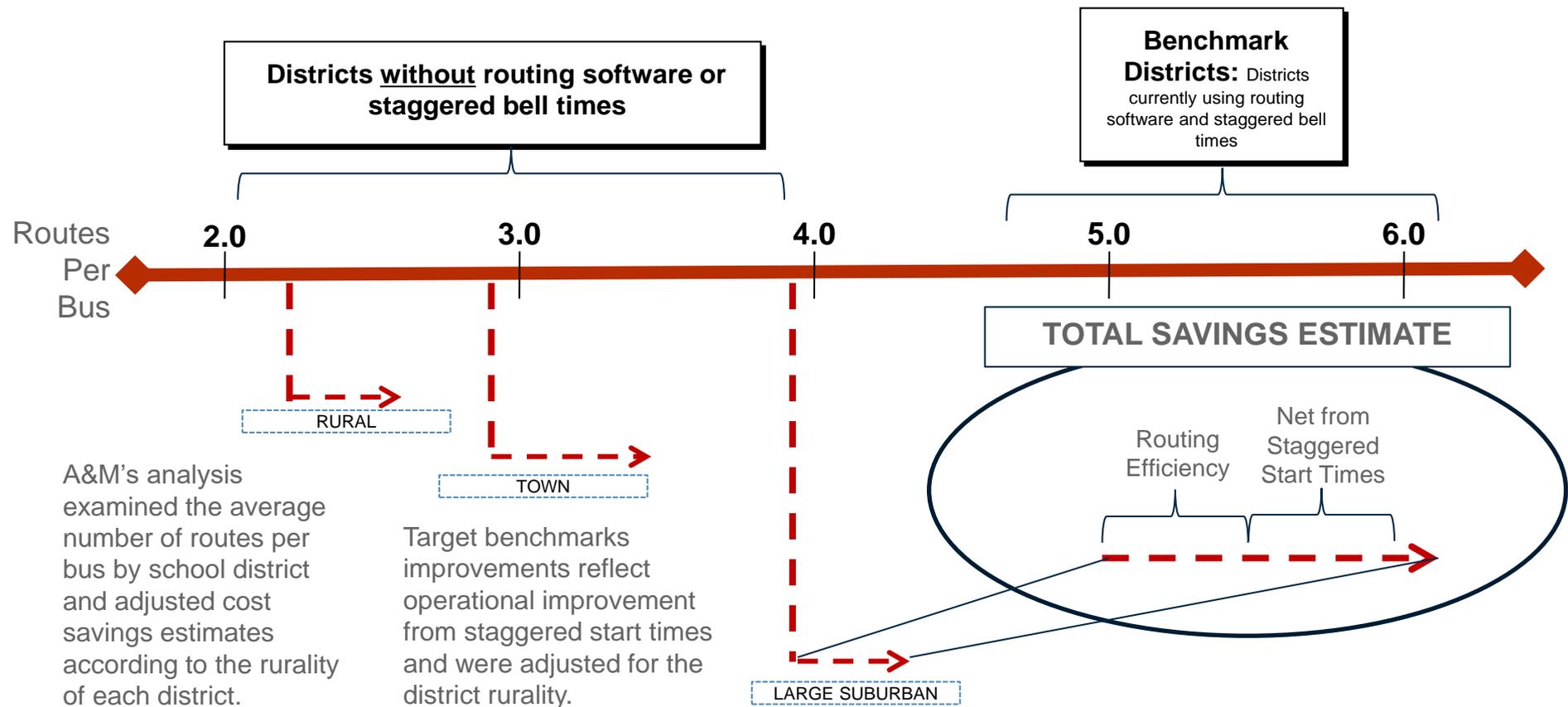
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH

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



APPENDIX A: SAVINGS METHODOLOGY

FLORENCE 03

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

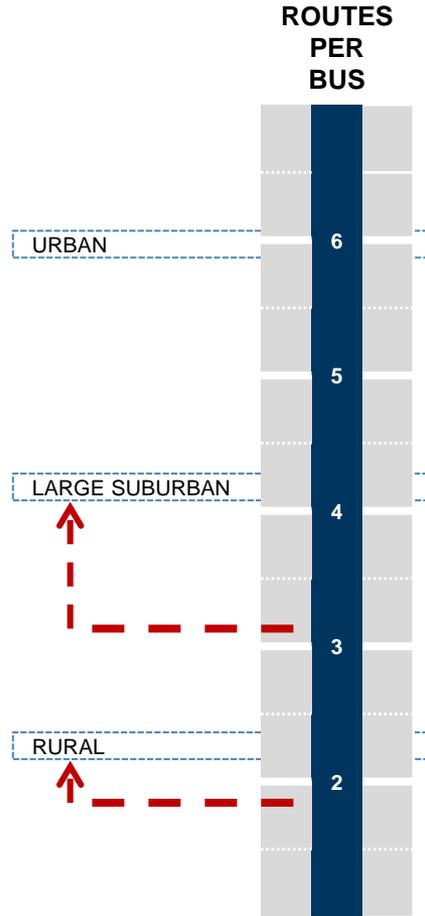
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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 03

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



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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

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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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