



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Hampton 02

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

HAMPTON 02

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

HAMPTON 02

PROJECT OVERVIEW (CONTINUED)

- A&M conducted School Efficiency Reviews of 79 of the 82 school districts in the State across two phases, each of which approximated nine weeks. Phase 1 included 32 districts (all Plaintiff districts) and Phase 2 included 47 districts. Three districts did not participate due to previously completed efficiency reports: Clarendon 1 (Plaintiff), Lexington 4 (Plaintiff) and Dorchester Two.
- The review conducted by A&M included 2 partial day site visits in order to meet with district personnel to understand their organizations, processes and approaches.
- The report identifies two themes that will help drive greater efficiency and effectiveness in school districts:
 1. **Modernize:** A series of one-time investments in technology that must be made in order to enhance processes and drive operational efficiency.
 2. **Collaborate:** Small districts must perform and support a fixed, minimum cost structure that does not allow them to benefit from economies of scale available to larger districts. There are a range of opportunities for cross-district collaboration that will realize efficiencies and generate the highest level of savings. Efficiencies and effectiveness will increase as the number of districts collaborating increases.
- This analysis presents two types of estimates:
 1. **Investments** in school district modernization necessary to drive future cost savings; and
 2. **Net savings** from implementation of a shared services model for functions within the scope of this study.

EXECUTIVE SUMMARY

HAMPTON 02

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

HAMPTON 02

Sources of Funds^[5]
\$12.4M



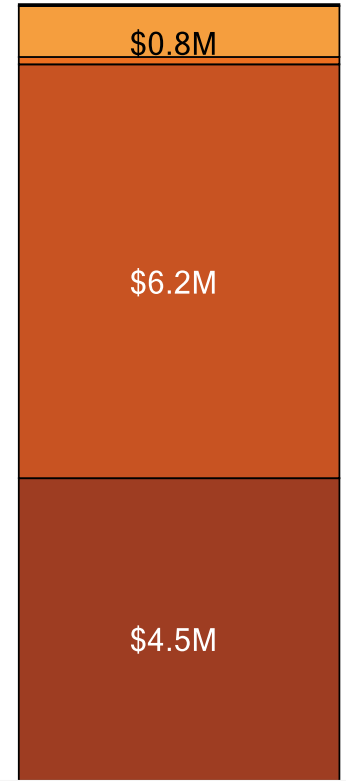
2015-2016

Use of Funds - Type^[3]
\$11.6M



2015-2016

Use of Funds - Function^[3]
\$11.6M



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

HAMPTON 02

\$11.6M
Total

\$3.1M
In-Scope

\$8.5M
Not In-Scope

26.6% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$333,918	\$115,597
Human Resources	\$142,014	\$7,789
Overhead	\$568,994	\$222,084
Transportation	\$336,006	\$2,193
Procurement (Community Services, Instruction, Support Services)	\$1,696,931	\$1,696,931
TOTAL	\$3,077,863	\$2,044,594

* totals may not tie due to rounding

EXECUTIVE SUMMARY

HAMPTON 02

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To provide a rigorous personalized environment of academic excellence that prepares Each child, Each day and in Every classroom to be college/career ready and citizen ready with no excuses.

1. **Increase Student Achievement:** By 2021, the District will maximize academic achievement in a personalized 21st century learning environment for every child to graduate college, career and citizen ready.
2. **Promotes Safety:** The District will promote a safe, orderly and supportive environment for teaching and learning, customer service and engagement.
3. **Cultivate Engagement:** The District will strengthen communication and collaboration with employees, students, parents and the community.
4. **Improve Human Capital Growth:** The District will build the capacity of teachers and leaders to produce continuous improvement in student, school and district performance as well as increase teacher and leader effectiveness.
5. **Improve Fiscal Management and Accountability:** The District will maximize the impact of district resources upon student achievement and ensure transparency.

Achievements

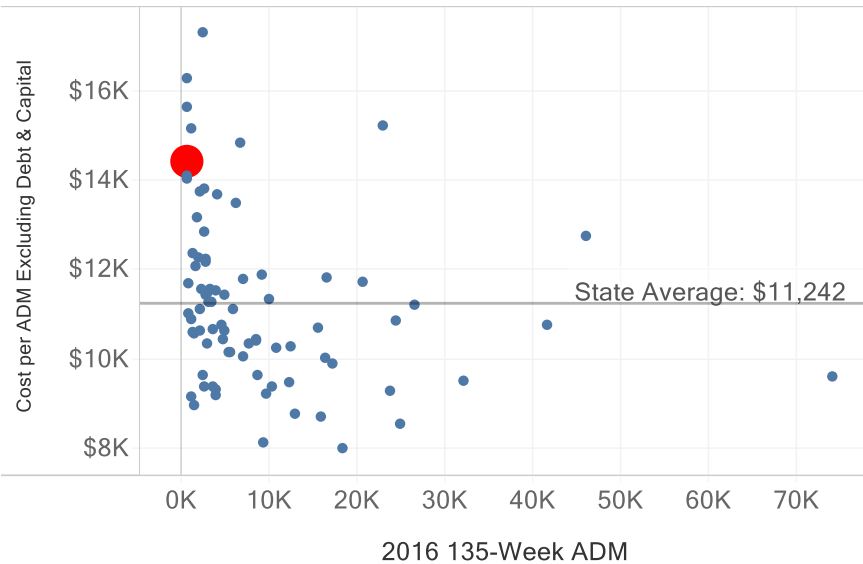
- **Personalized Learning Initiative:** The District has begun a personalized learning initiative, starting with middle school and high school students.
- **Financial Stability:** The District has been able to enhance its financial position and recover from financial distress over the past three years. The fund balance as of June 2016 was approximately \$ 3.5 million, up from \$700,000 in FY13.
- **Enhanced Professional Development:** The District is providing 1.0 – 1.5 hours of professional learning to all teachers daily that takes place during the course of the school day.
- **Communications:** The District is making a more concerted effort to enhance communications with parents, students and the community.

Challenges

- **Facilities:** The elementary school building requires a significant upgrade (originally built in the 1920's and then remodeled in the 1960's). This puts increasing pressure on spending needs for building maintenance.
- **Declining Enrollment:** The District has experienced significant declines over the past 5 years (approx. 25% or 192 students).
- **Teacher Recruitment:** Challenges attracting teachers in high needs areas, competition from surrounding areas, and competing against other locations.
- **Administration:** District administrative personnel must perform multiple functions due to limited staffing levels.
- **Past Financial Distress:** The process to implement measures needed to recover from past financial distress has limited the District's ability to make investments over the past three years.

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

HAMPTON 02

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Position: After undergoing severe financial distress, the District has worked itself back to a stronger financial position and growing fund balance through implementation of more stringent controls over cash management and spending through increased focus by the Superintendent and Finance department. • Limited Staffing / Manual Processes: The Finance organization operates on a lean budget and is thinly staffed to support its scope of roles and responsibilities.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: The Human Resources function operates on a lean budget and does not leverage technology support systems for recruiting, application processing, on-boarding or substitute management. • Challenges with Recruiting and Retention: The District currently employs 13 international teachers and leverages staffing agencies to fill hard to staff positions. The District's average teacher salary lags the state average, making it harder to recruit and retain teachers.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The District has a difficult time recruiting bus drivers. Bus drivers are frequently employed for 40 hours a week and perform other duties (i.e. security) in addition to transportation. • Manual Routing: The District does not have routing software which could be used to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has no resources dedicated to Procurement. • Strategic Sourcing: The District has low leverage with vendors due to low purchasing volumes. Spending is fragmented across nearly 370 vendors and the top 30 make up more than 80% of total spending.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent's job is spread across many functions. In particular, the Superintendent spends a significant amount of time on finance, including approving purchases orders and financial transactions. • Collaboration: The Superintendent currently participates in an informal network of local superintendents. In addition, the Adult Education program is shared with Jasper and Hampton One (the Director operates out of Hampton One).

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

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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 and Process Enhancements: Complete implementation of new accounting system and enhance processes to automate purchasing approval workflow, strengthen system controls and integrate time-keeping processes.</p> <p>Ensure that official conversion / go-live date coincides with the start of the new fiscal year.</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: Implement new technologies to automate HR processes, such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software, GPS and security cameras on all buses.</p> <p>Process Improvements: Staggered Bell Times: Complete analysis (in conjunction with use of routing software if possible) to evaluate potential benefits of routing changes.</p>

EXECUTIVE SUMMARY

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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

HAMPTON 02

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

HAMPTON 02

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$5,000	\$12,500	\$33,900	\$101,800
Human Resources	0	5,000	0	14,300
Procurement	0	0	54,200	112,000
Transportation – District	N/A	N/A	9,000	14,000
District Total	5,000	17,500	97,100	242,100
Transportation – State	7,000	20,300	7,600	18,000
Total	\$12,000	\$37,800	\$104,700	\$260,100

* 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.



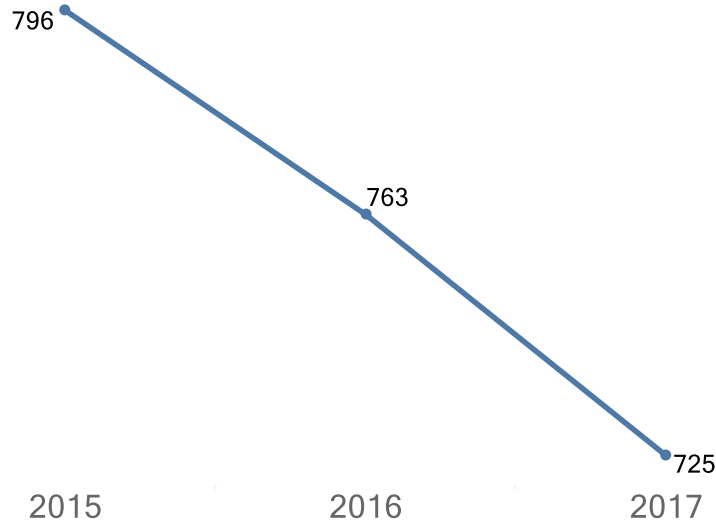
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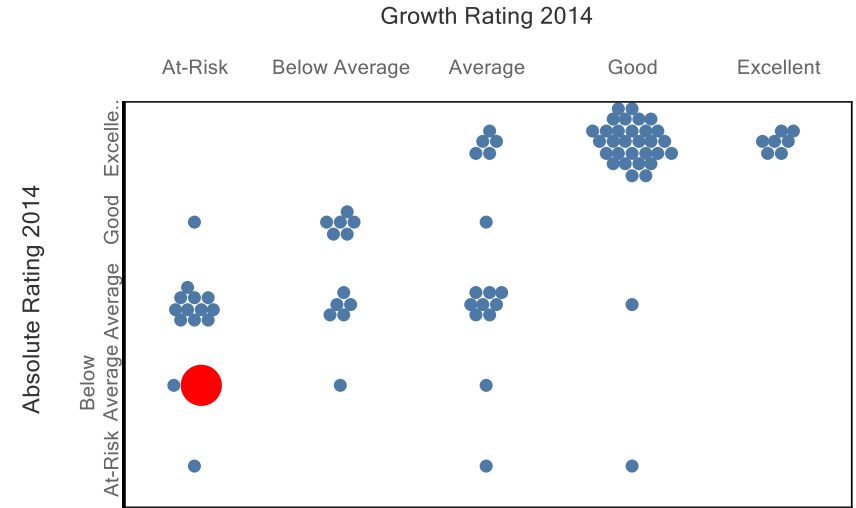
DISTRICT ADMINISTRATION AND PERFORMANCE

HAMPTON 02

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	3
% Poverty ^[1]	89.3%
% Disability ^[1]	14.5%
\$ Per Student ^{[2],[3]}	\$15,161
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$14,397

Administration

Students Per Instructional Services FTE ^{[2],[4]}	6.9
Students Per Overhead FTE ^{[2],[4]}	80.5
Students Per School Support FTE ^{[2],[4]}	26.8
Students to Total FTE ^{[2],[4]}	5.1

DISTRICT BENCHMARKING

HAMPTON 02

Enrollment (< 2,500)

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

Phase 1 (Yes)

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

Poverty (85% - 90%)

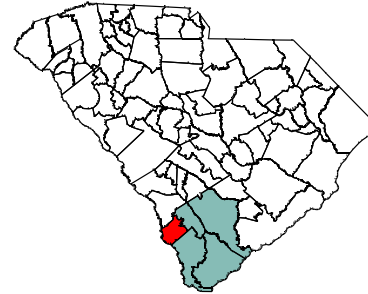
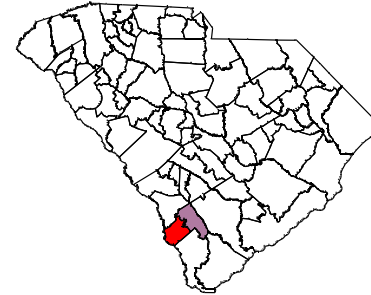
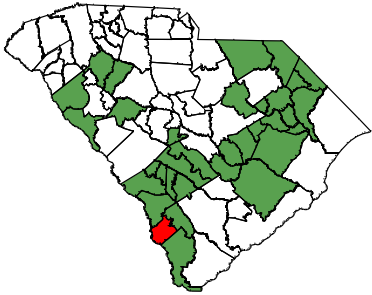
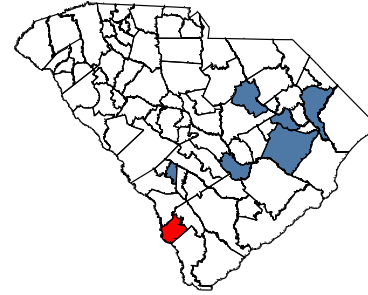
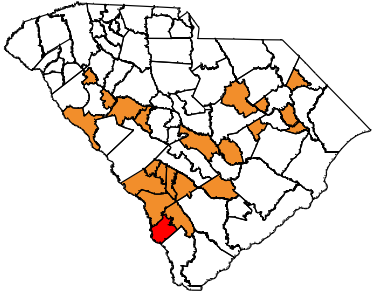
Barnwell 19
Florence 03
Hampton 02
Lee
Marion 10
Orangeburg 03
Williamsburg

County (Hampton)

Hampton 01
Hampton 02

Region (Lowcountry)

Beaufort
Colleton
Hampton 01
Hampton 02
Jasper

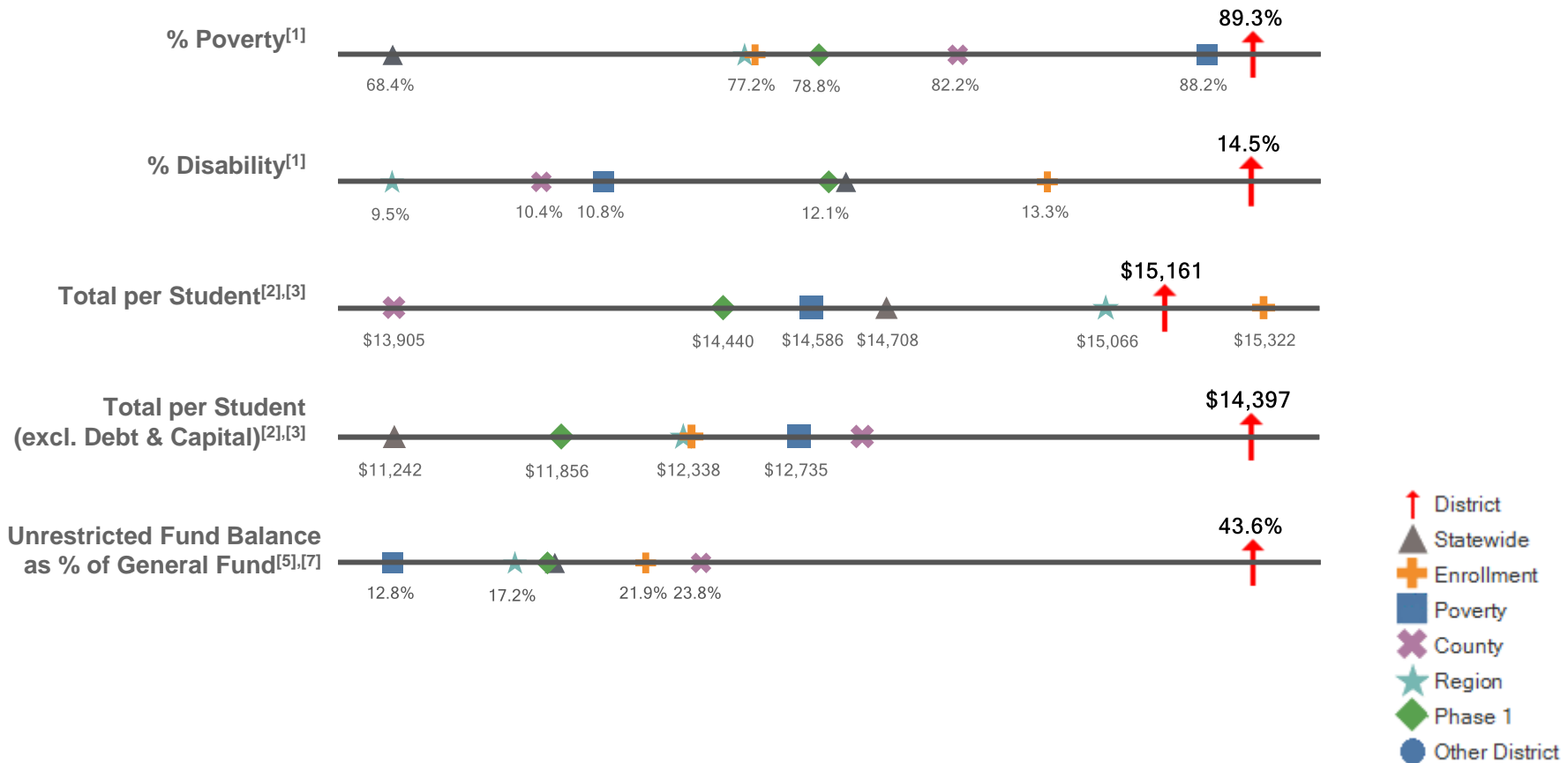


DISTRICT OVERVIEW

HAMPTON 02

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

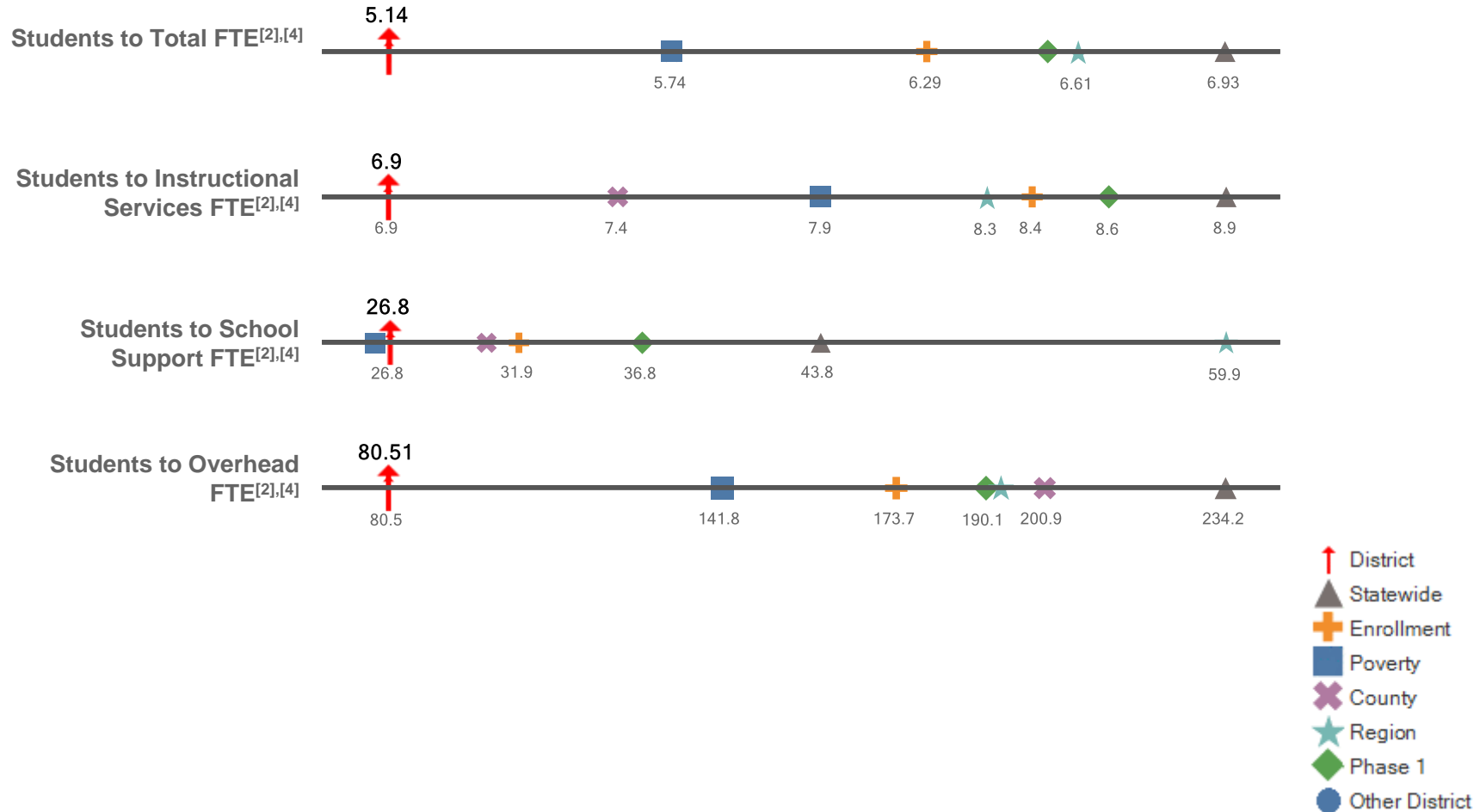
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

HAMPTON 02

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD

HAMPTON 02

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 9% over the past 3 years to 725 students. This continues a long-term trend of decreasing enrollment; however, the District believes that enrollment is stabilizing. • Long-term Planning: The District prepares enrollment projections on an annual basis in order to adjust resource allocation plans based on projected trends. 	<ul style="list-style-type: none"> • Given the recent trends in enrollment, the District should develop a long-term strategic plan that includes enrollment forecasts to anticipate and better plan for enrollment changes and ensure long-term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Stability: After undergoing severe financial distress, the District has worked itself back to a stronger financial position with stringent controls over cash management and spending. • Unrestricted Fund Balance: After factoring in the amounts due from the County (which controls the District's cash), the unrestricted fund balance is approximately 43.6% of general fund revenues. This puts the District significantly above the statewide average of 18.6%. • Per Pupil Expense: The District's Per Pupil Expense is \$14,397 when excluding debt and capital. The District's per pupil expense is higher than districts of a similar size of \$12,338 and the statewide average of \$11,242. 	<ul style="list-style-type: none"> • To ensure financial stability is maintained, the District should prepare a three to five year financial plan that allows for investment in critical areas of academics and operations while still maintaining a strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Students to Total FTE: The District's Student to Total FTE ratio is 5.1, which is lower than districts of similar size of 6.3 and the statewide average of 6.9. The lower ratio is a result of the fixed cost structure required to operate this school district. • Students to Instructional Services FTE: The District's Student to Instructional Services FTE ratio is 6.9, which is lower than districts of similar size at 8.4 and the statewide average of 8.9. • Students to School Support FTE: The District's Student to School Support FTEs is 26.8, which is lower than districts of a similar size of 31.9 and the statewide average of 43.8. • Students to Overhead FTE: The District's Student to Overhead FTE ratio is 80.5, which is lower than districts of a similar size at 173.7 and the statewide average of 234.2. 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the superintendent that are outside of the scope of this report to optimize resources and bring spending in line with benchmarks.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's job is spread across many functions. In particular, the Superintendent spends a significant amount of time on finance, including approving purchase orders and financial transactions. • Communications Function: There is no communications support for the Superintendent's office. This function resides solely with the Superintendent. • Legal: The District has no legal department. If legal advice is required, the District utilizes external firms to provide support. • Turnover: The Superintendent has been in his role for nearly 3 years. 	

DISTRICT OVERVIEW AND OVERHEAD

HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• Coordination with Other Districts: The Superintendent currently participates in an informal network of local superintendents.• Programs: The Adult Education program is shared with Jasper and Hampton Two (the Director operates out of Hampton One).	<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.

362 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$438 per Student

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

Key statistics for metrics

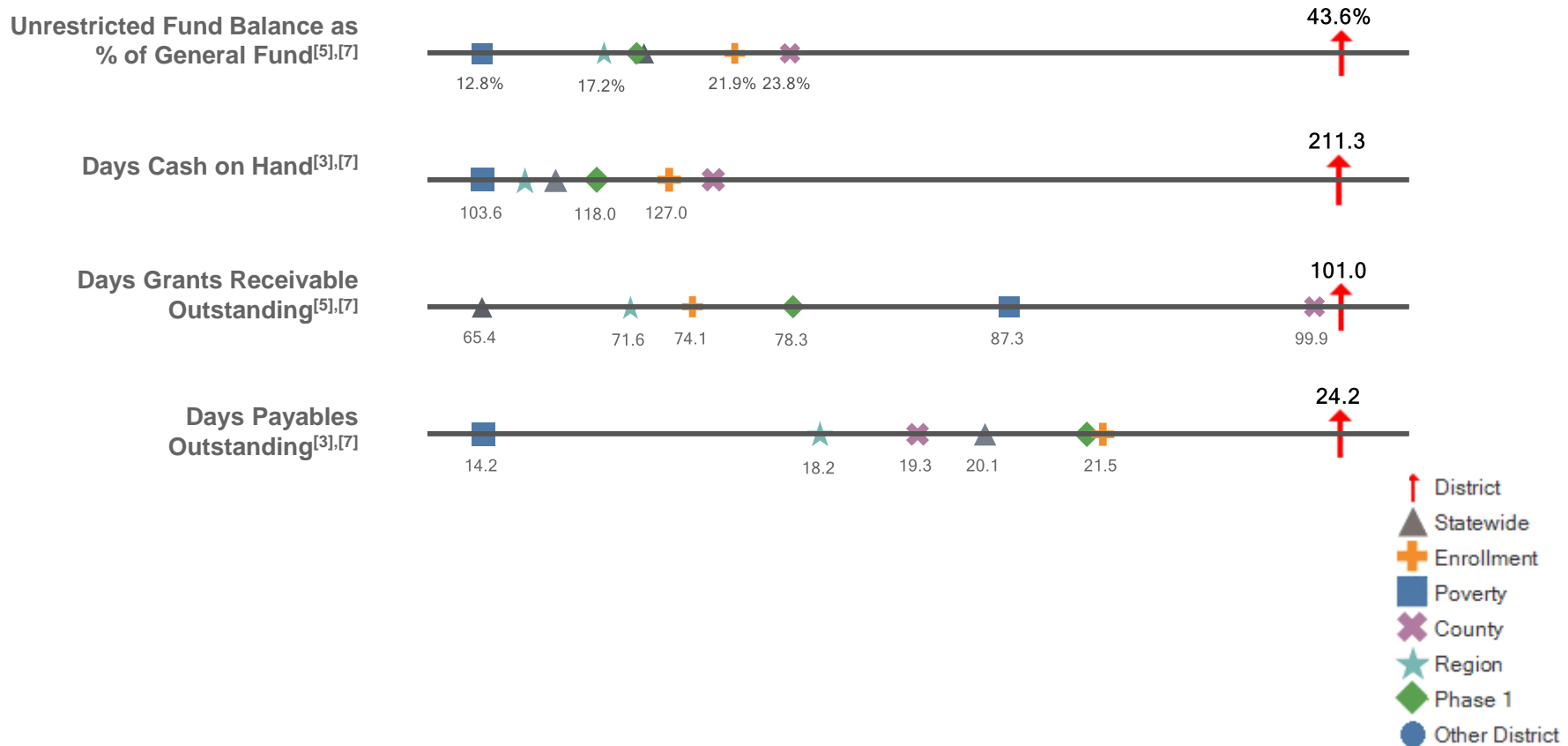
Financial FTEs ^[4]	2.0
Personnel Expense ^[3]	\$218,321
Non-Personnel Expense ^[3]	\$115,597
Total Financial Expense ^[3]	\$333,918

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 HAMPTON 02

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

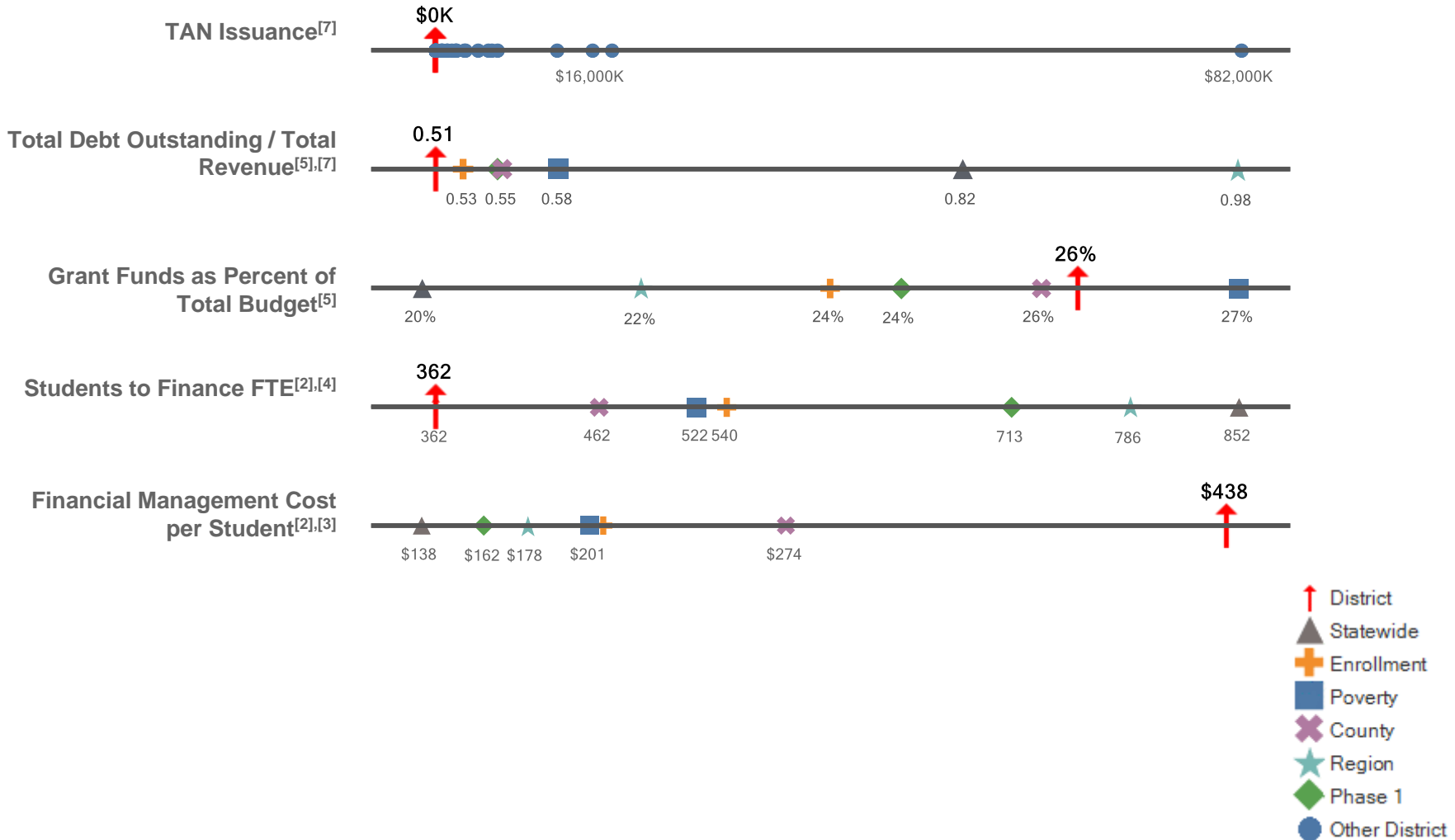
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FINANCIAL MANAGEMENT

HAMPTON 02

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization operates on a lean budget and is thinly staffed to support its scope of roles and responsibilities which includes accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. The Finance Director currently has additional responsibility with other operational areas and is supported by one FTE directly. • The Finance team has worked closely with the Superintendent on implementing processes and controls to re-establish reserves and fund balance levels with limited staff support. • Finance Cost per Pupil: The District's Finance Cost Per Pupil is \$438, higher than districts of a similar size at \$206 and higher than the statewide average of \$138. This is largely driven by costs associated with the financial monitor required by the County. • Students per Finance FTE: The District's Student to Finance FTE is 362, which is lower than districts of a similar size at 540 and the statewide average of 852. • The lower Student to FTE ratio is attributable to the fact that the District is one of the smallest in the State. Since all districts, regardless of size, have the same fixed finance functions that must be performed, the fixed cost of the District's financial activities should not be reduced further, despite the lower ratio. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes. Cross-train individuals to perform multiple functions.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Payroll and Accounts Payable</p>	<ul style="list-style-type: none"> • Overall Processes: The District uses an out-of-date and soon-to-be unsupported version of Harris accounting software. As a result, the District relies on manual processes around purchase orders, accounts payable, payroll and timekeeping. • Payroll: The District pays the majority of its employees via direct deposit. • Accounts Payable: The Superintendent manually signs off on all purchase orders and the purchase-to-pay process is highly manual. While this provides a high level of control over purchases, the process remains highly inefficient. • Process Changes: The District identified and acknowledged the manual nature of their current processes and has opted to leverage a new financial system to facilitate automation. After review of the current marketplace options, the District selected the Tyler Munis system. Once implemented, processes related to these areas will be automated and will capitalize on automated workflows, employee self service, integrated timekeeping and payroll and document storage and retention. • Inventory: The District conducts annual physical inventory counts in coordination with Finance. 	<ul style="list-style-type: none"> • Ensure appropriate planning prior to launching the new software system. Efforts may include: (a) documentation of workflow approval paths, system controls, roles and responsibilities and (b) employee training. • Continue to refine new processes that leverage the new accounting software functionality to ensure the fidelity of an automated workflow, approval of purchase orders and automated time tracking that links directly with the payroll system.

FINANCIAL MANAGEMENT

HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 26% of general fund revenue for the District, making this district more reliant on grant funds when compared to the statewide average (20%) and peers of similar size (24%). • Grants Monitoring: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. However, Finance does a secondary review and also collaborates closely with grants administrators to ensure that claims are made in a timely manner to maximize cash flow. • Grant Claims Processing: The Finance department submits claims on a monthly basis to maximize cash flow. 	<ul style="list-style-type: none"> • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant. Consider building this as an automated report in the new financial system.
Internal Controls	<ul style="list-style-type: none"> • Financial Controls: The District has implemented several review processes, including Superintendent sign-off on all purchase orders to help support strong internal controls. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties and appropriate approval process over key areas of internal control. • Ensure that the levels of internal controls over key processes are enhanced following the new system implementation.

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 211 days after factoring in the receivable from the County. The District has one of the stronger positions statewide. The state average is 113 days, and the average for districts of similar size is 127 days. • Cash Forecast: The District reviews cash flow forecasts on a monthly basis. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 101 days (before consideration of claims that may have been received by the County), which is higher than the statewide average of 65 days and the average for peers of similar size of 74 days. The District submits grant reimbursements monthly. • Days Payable Outstanding: The District's Days Payables Outstanding is 24, which is higher than the statewide average of 20 and the average for similar sized districts at 22 days. • Interest Income: The County, rather than the District, controls investment of excess cash balances. • Debt: The District's total debt outstanding as a percentage of total revenue is 51% and is lower than the statewide average of 82% and on par with similar sized districts at 53%. 	<ul style="list-style-type: none"> • Implement a cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings. • Work with the County to optimize interest income on excess cash.

FINANCIAL MANAGEMENT

HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District uses an out-of-date and soon-to-be unsupported version of Harris accounting software. As a result, the District relies on manual processes around purchase orders, accounts payable, payroll and timekeeping. • After review of the current marketplace options, the District selected the Tyler Munis system. Once implemented, processes related these areas will be automated and will capitalize on automated workflows, employee self service, integrated timekeeping and payroll and document storage and retention. 	<ul style="list-style-type: none"> • Ensure appropriate planning prior to launching the new software system. Efforts may include (a) documentation of workflow approval paths, system controls, roles and responsibilities and (b) employee training. • Ensure that official conversion / go-live date coincides with the start of the new fiscal year.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<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

HAMPTON 02

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.

242 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$186 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	3.0
Personnel Expense ^[3]	\$134,225
Non-Personnel Expense ^[3]	\$7,789
Total Human Resources Expense ^[3]	\$142,014

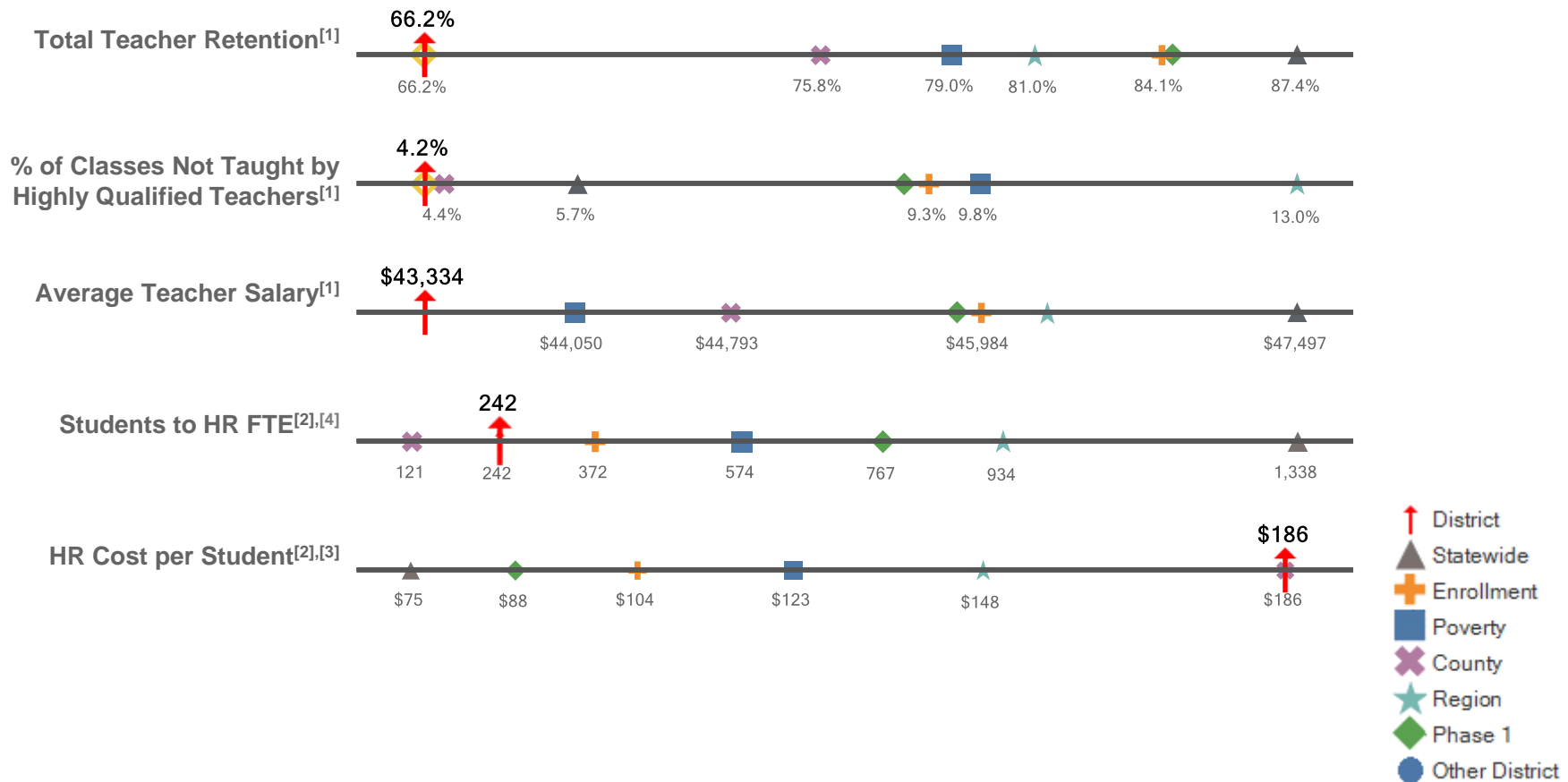
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

HAMPTON 02

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES

HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Human Resources function operates on a lean budget with limited staffing to support recruiting, retention, personnel relations, professional, benefits and professional development activities. • Human Resources Cost per Pupil: The District’s Human Resources Cost Per Pupil is \$186, higher than districts of a similar size at \$104, and the statewide average of \$75. • Students per Human Resources FTE: The District’s Student to HR FTE is 242, which is lower than districts of a similar size at 372 and the statewide average of 1,338. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes. Cross-train individuals to be able to do multiple functions.
Recruiting and Retention	<ul style="list-style-type: none"> • Recruiting: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 13 international teachers and leverages multiple agencies to provide these positions. In addition, the District leverages third party staffing support to fill hard-to-staff services (Physical Therapy, Occupational Therapy, etc.). • Average Teacher Salary: The District’s average teacher salary of \$43,334 is below the statewide average of \$47,497 and the regional average of \$46,300, making it more difficult for the District to compete for incoming teachers. 	<ul style="list-style-type: none"> • Evaluate opportunities to reduce reliance on international agencies and related administrative fees, either via direct sponsorship, cross-district shared resources or alternative recruitment strategies. • Consider implementing 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 incentives; (c) tuition reimbursement; (d) differentiated salaries for hard-to-staff positions and (e) innovative professional development programs.

HUMAN RESOURCES

HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none">The District does not leverage technology support systems for recruiting, or application processing or substitute management.	<ul style="list-style-type: none">Implement technology to enhance and automate recruiting, onboarding, substitute management and time tracking processes (integrated with financial systems) that are currently manual.
Collaboration	<ul style="list-style-type: none">The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies.	<ul style="list-style-type: none">Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include:<ul style="list-style-type: none">- Benefits Coordination- Human Resources System Licenses- H1B Process for International Teachers



OUTLINE

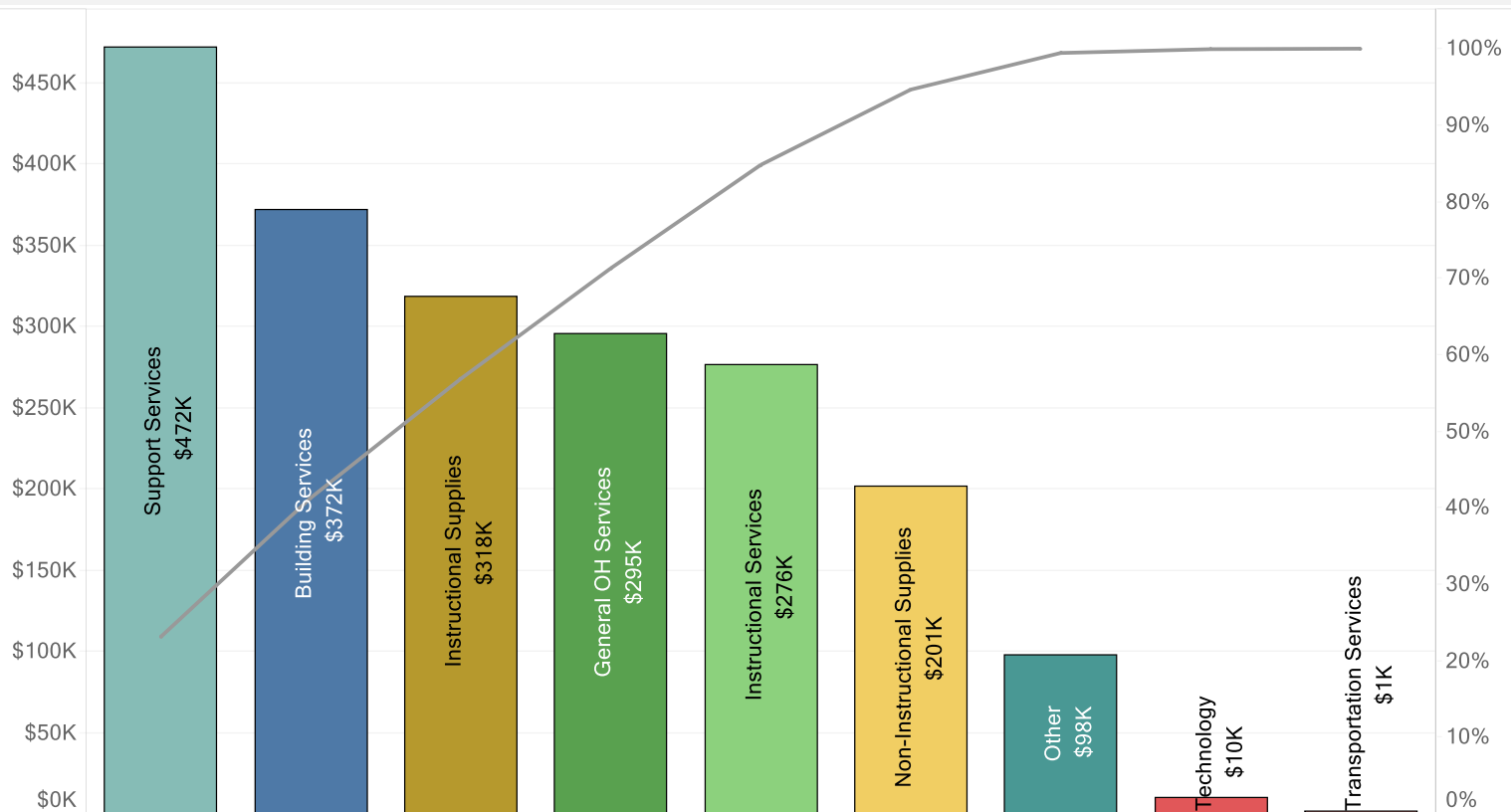
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PROCUREMENT HAMPTON 02

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.

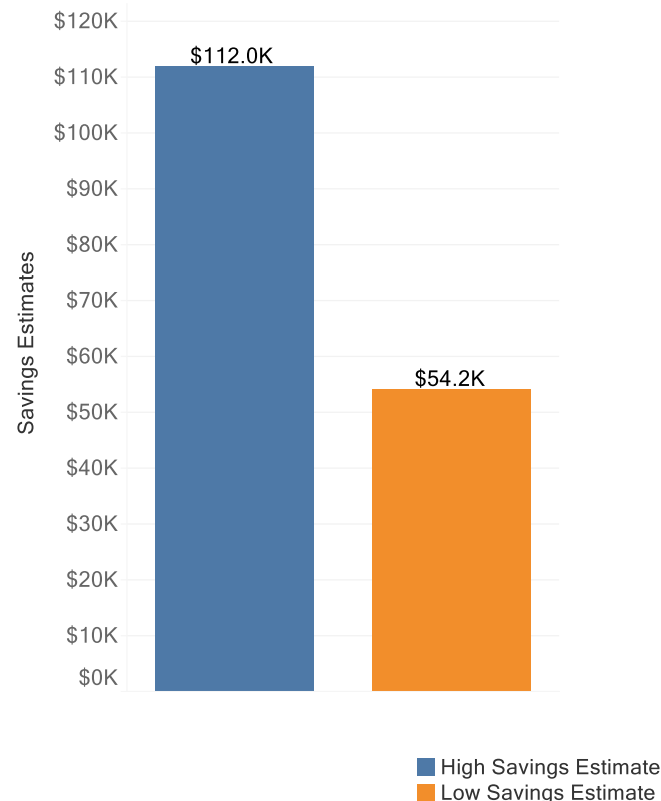
District In Scope Total Procurement Spend = \$2,044,594



ESTIMATED PROCUREMENT SAVINGS

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

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



PROCUREMENT HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District does not have any staff focused solely on purchasing and procurement. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across nearly 370 vendors; however, the top 30 make up more than 80% of total spending. Spending decisions are made by an individual buyer, with local optimization 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, and aggregate buying power within the District to 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 using 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 .

PROCUREMENT HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District uses numerous individual contractors and to provide general and specialized maintenance support. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software to be placed out to bid. In addition, the District does not procure these services and software in collaboration with any other districts. • Instructional Staffing: The District currently relies on multiple vendors (i.e. FACES for international teachers) for teacher and special education related services support. • Technology: The District is expanding its 1:1 initiative and is leveraging a state contract with CDW and other vendors for these purchases. 	<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. • 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 savings potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership.

PROCUREMENT HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Non-instructional Supplies: The District purchases its non-instructional supplies from multiple vendors in an effort to get best pricing. 	<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.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not partner with other districts to procure goods and services. 	<ul style="list-style-type: none"> • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations and contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: <ul style="list-style-type: none"> - Technology - Instructional Software and Services - Instructional Staffing - Supplies



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TRANSPORTATION HAMPTON 02

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]

\$440 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	9.0
Personnel Expense ^[3]	\$333,813
Non-Personnel Expense ^[3]	\$2,193
Total Transportation Expense ^[3]	\$336,006

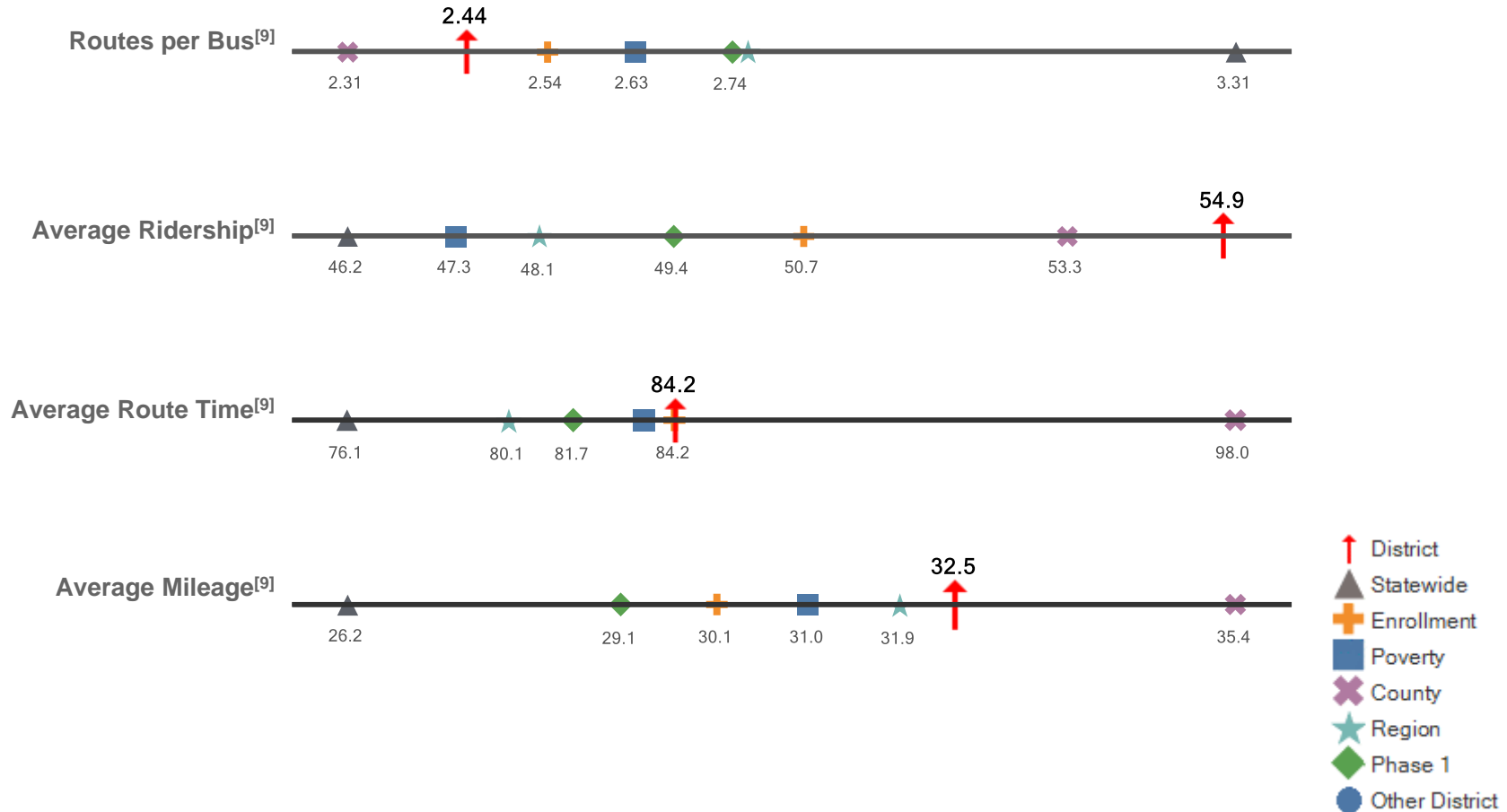
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	9.0	22	2.4	1,207	55	84	33
Special Needs	1.0	7	7.0	19	3	Not-Available	14
Other	1.3	4	3.0	19	5	Not-Available	26
Total	11.3	33	2.9	1,245	N/A	N/A	N/A

TRANSPORTATION HAMPTON 02

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

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



TRANSPORTATION HAMPTON 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Similar to other districts in the State, the District has a difficult time recruiting bus drivers. The District currently has need for another two vacancies. Bus drivers are currently paid a starting rate that is approximately \$3 above state reimbursement levels. • Bus drivers are frequently employed for 40 hours a week and perform other duties (e.g, security) in addition to transportation. 	<ul style="list-style-type: none"> • Evaluate driver pay ranges in relation to nearby districts.
Routing and Bus Management	<ul style="list-style-type: none"> • The District does not utilize routing software. • The District does not have working security cameras on all buses but is in the process of evaluating options to acquire cameras. In addition, the District does not have GPS on its buses. • The District runs staggered start times for its elementary school and the middle/high school (same campus). 	<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 and install GPS on buses to monitor bus routes.
Collaboration	<ul style="list-style-type: none"> • The District does not generally collaborate with surrounding districts on transportation. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleets, analyze routes and source bus drivers.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

HAMPTON 02

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

Functional Review Operating Model Components



PROCESS

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

ORGANIZATION

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

APPENDIX A: SAVINGS METHODOLOGY

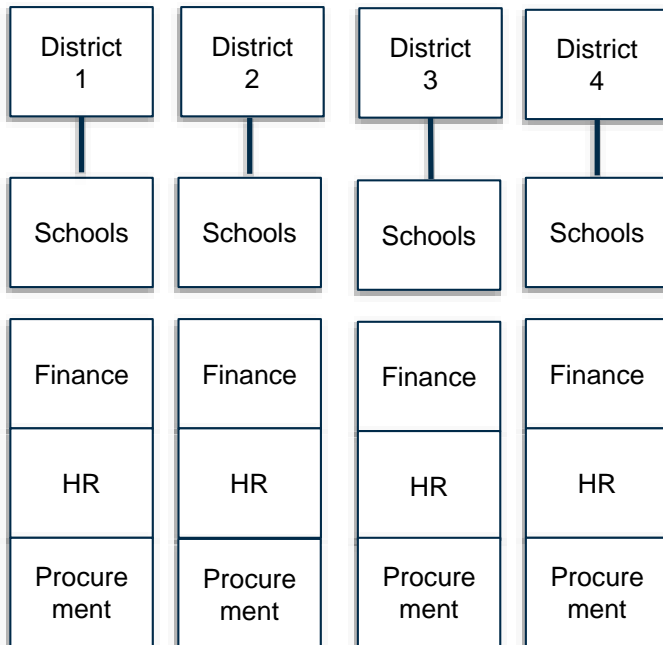
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COLLABORATION: SHARED SERVICE MODELS

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

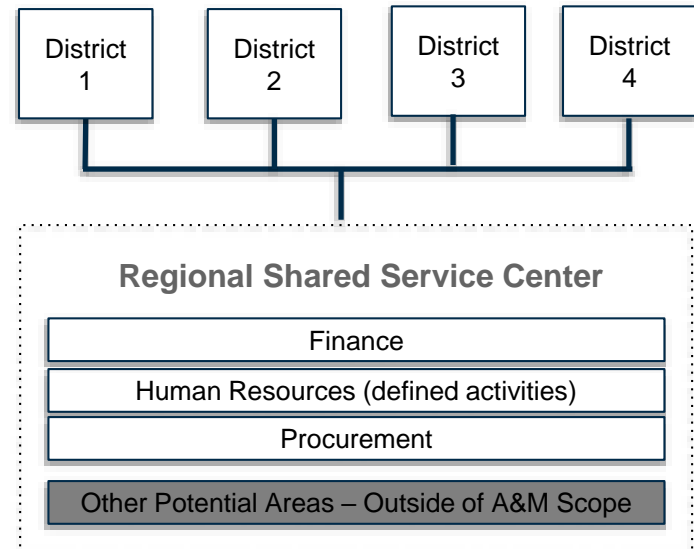
CURRENT STATE: STAND ALONE DISTRICT

Infrastructure for transactional processes repeated in individual districts; limited economies of scale



COLLABORATION ALTERNATIVE

Shared expertise and improved controls leverages scale to reduce aggregate costs and enhance efficiency



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

APPENDIX A: SAVINGS METHODOLOGY

HAMPTON 02

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.

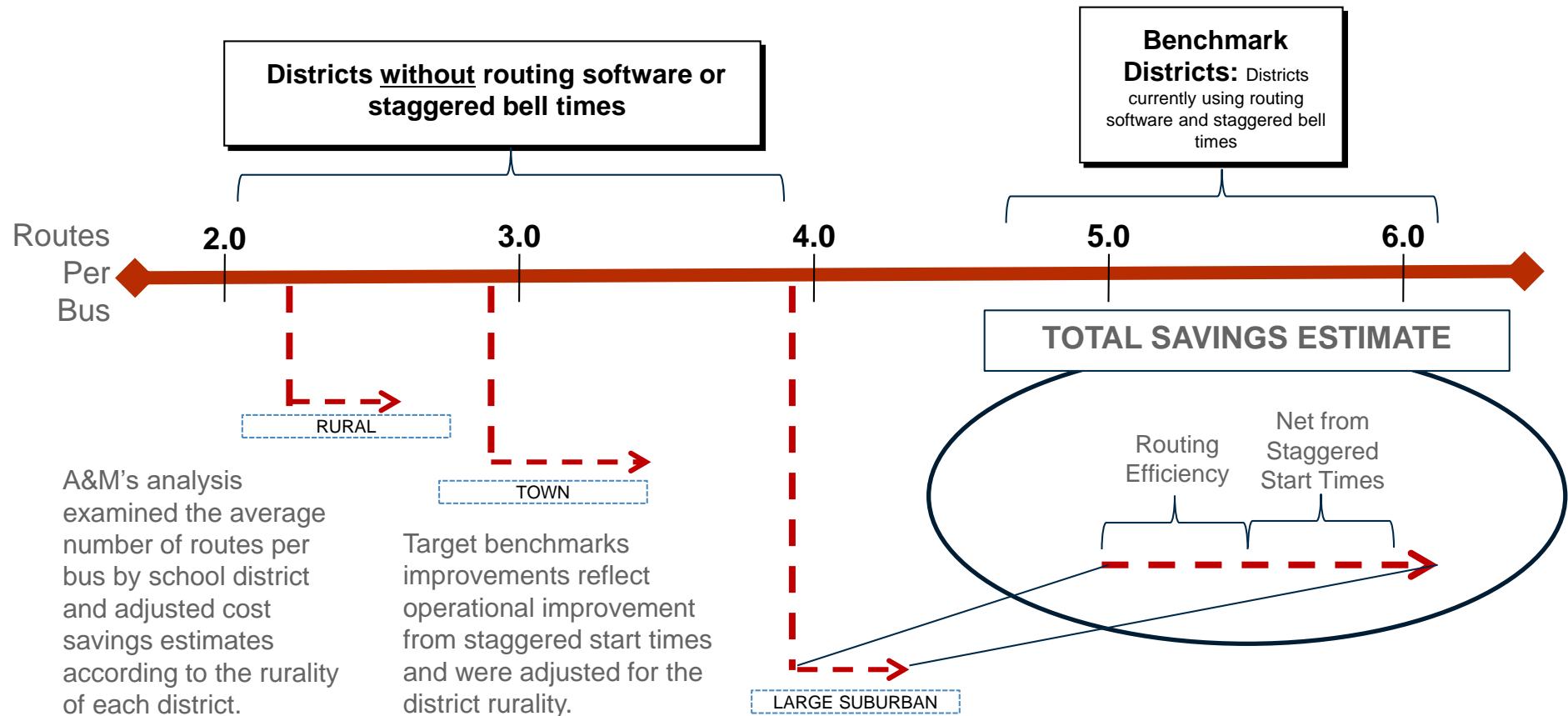
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

HAMPTON 02

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

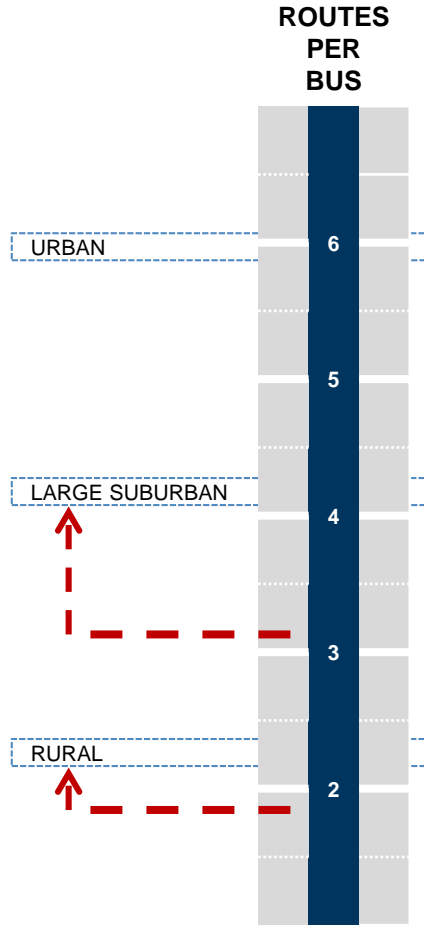
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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

HAMPTON 02

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

HAMPTON 02

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

HAMPTON 02

[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

HAMPTON 02

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

HAMPTON 02

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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