



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Lancaster

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

LANCASTER

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

LANCASTER

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

LANCASTER

PROJECT OVERVIEW (CONTINUED)

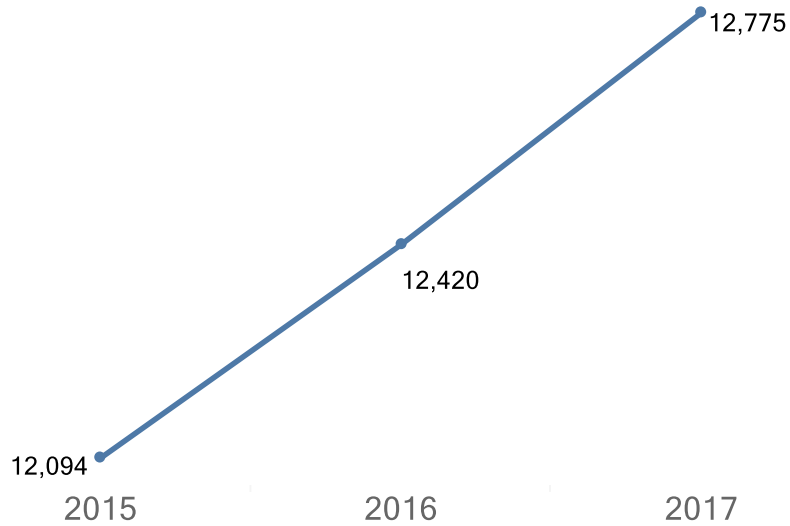
➤ Sources of Data and Savings Estimates:

- 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.

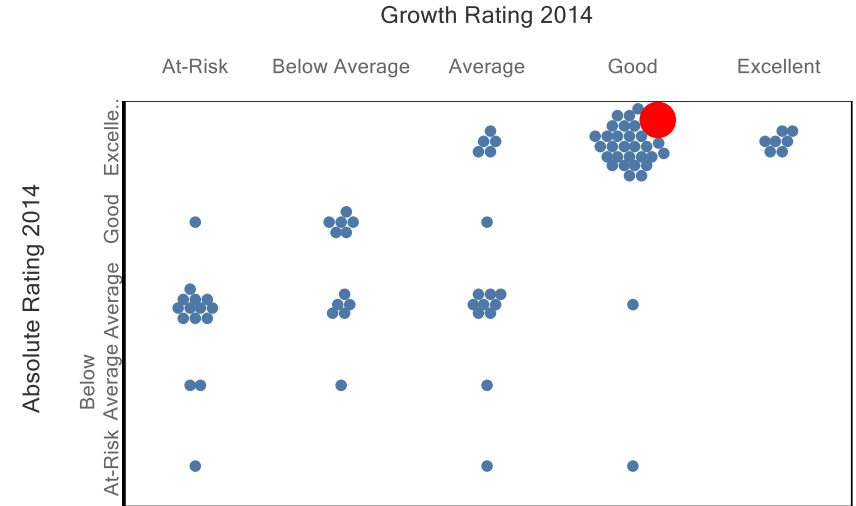
EXECUTIVE SUMMARY

LANCASTER

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	20
% Poverty ^[1]	56.2%
% Disability ^[1]	13.9%
\$ Per Student ^{[2],[3]}	\$11,868
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$9,452

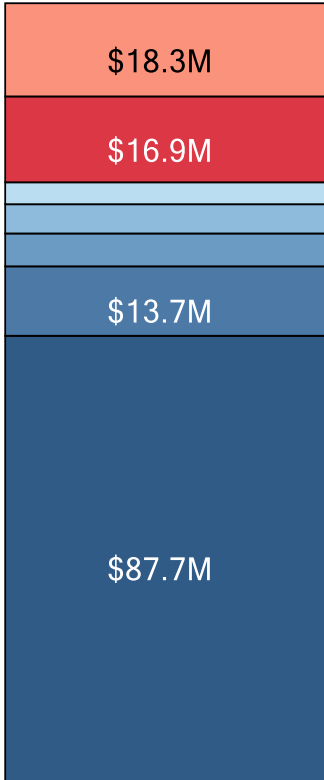
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.2
Students Per Overhead FTE ^{[2],[4]}	273.0
Students Per School Support FTE ^{[2],[4]}	38.3
Students to Total FTE ^{[2],[4]}	6.6

EXECUTIVE SUMMARY

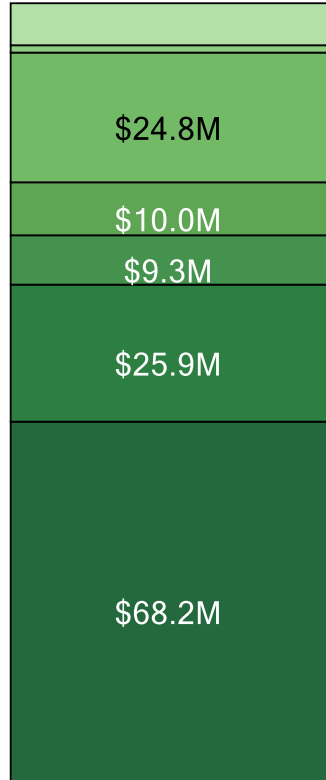
LANCASTER

Sources of Funds^[5]
\$152.8M



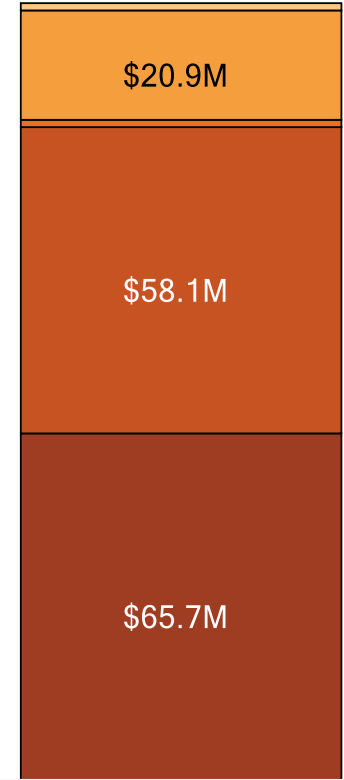
2015-2016

Use of Funds - Type^[3]
\$147.4M



2015-2016

Use of Funds - Function^[3]
\$147.4M



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

LANCASTER

\$147.4M
Total

\$16.3M
In-Scope

\$131.1M
Not In-Scope

11.1% of total spend is within scope of the efficiency review:

	In Scope Spend^[3]	Procurement Component
Finance	\$881,125	\$36,396
Human Resources	\$476,822	\$52,601
Overhead	\$1,376,510	\$333,632
Transportation	\$2,557,398	\$124,001
Procurement (Community Services, Instruction, Support Services)	\$11,009,331	\$11,009,331
TOTAL	\$16,301,186	\$11,555,961

* totals may not tie due to rounding

EXECUTIVE SUMMARY

LANCASTER

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The students of the District will demonstrate the characteristics outlined in the *Profile of the SC Graduate*: exhibit world class skills; communicate effectively; use technology to communicate, gather information, collaborate, and create works for learning; think critically and creatively; and be self sufficient, responsible citizens and contributing members of society.

- **School Climate:** Ensure that 79% of parents agree the District and their child's school provided opportunities to be included in decision-making and increase the student attendance rate from 95.1% to at least 95.6% by 2021.
- **Student Achievement:** Increase test scores in Reading, Mathematics and History through an increase in instructional resources and targeted professional development for the teachers of these subjects.
- **Teacher/Administrator Quality:** Increase the percentage of teachers that are on target to meet the Read to Succeed requirement to 100% by 2021 by providing ample opportunities for staff to complete the required courses and monitoring the certification status of each staff member.

Achievements

- **Student Achievement:** The District improved average composite SAT scores by 14 points from 2014 and 39 points from 2013. Improvements are largely due to improvements made in writing and critical reading.
- **Career Readiness:** 86% of third year high school students received a WorkKeys certificate to signify career readiness.
- **Awards:** The District has received excellent ratings from the state in their past three report cards.
- **Capital Resources:** The District recently passed a \$199 million bond referendum to address capital improvement needs.

Challenges

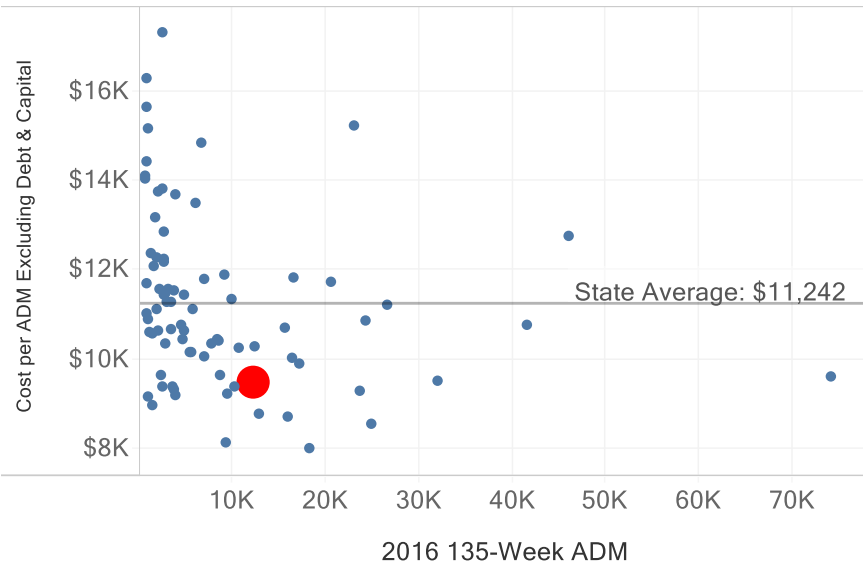
- **Poverty:** The District deals with large disparities between the unemployed/impooverished and wealthy drawn by low tax rates and proximity to Charlotte. Therefore, the District struggles with large gaps in student achievement.
- **Growth:** The District has experienced rapid growth that has lead to increased operational and capital resource needs.
- **Teacher Recruitment:** Similar to many other districts in the state, the District is facing challenges in recruitment and retention of teachers.

EXECUTIVE SUMMARY

LANCASTER

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

LANCASTER

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Management: The District has strong financial management practices. The District regularly has clean audits, strong internal controls, performs regular monitoring of financial performance and regularly seeks ways to improve financial operations. The fund balance is strong at 21.3%, higher than the statewide average of 18.6%. • Staffing / Technology: The Finance team operates on a lean budget and is able to staff the Department adequately. Processes within the Department are heavily automated, leading to additional efficiencies.
Human Resources	<ul style="list-style-type: none"> • Lean Staffing / Processes: The District utilizes technology to support candidate sourcing and absence management, but lacks automation in timekeeping for hourly employees. The Department is able to rely on a lean staffing model to support all operations. • Recruiting and Retention: The District does not encounter the same challenges with recruitment and retention that face many other districts in the state. The District offers supplementary pay to some hard-to-staff positions, such as speech therapists and bus drivers.
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 majority of districts are grappling with a shortage of drivers. • Manual Routing: The District does not have routing software that can be used to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has sufficient resources dedicated to a Procurement function. • Strategic Sourcing: The District is focused on achieving best value with vendors through proactive strategic sourcing strategies. The District would benefit from increased buying power from greater collaboration across districts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent has been with the District for 11 years. • Collaboration: There are varying levels of informal collaboration with other Superintendents. The District participates in the Olde English Consortium.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

LANCASTER

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to financial systems to facilitate integrated timekeeping and payroll functionality.</p> <p>Process Improvements: Continue to modernize processes to limit manual activities and strengthen internal controls.</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 employee 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.</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: Since the District already has Staggered Bell Times, conduct a complete analysis (in conjunction with use of new routing software) to evaluate additional financial benefits.</p> <p>Staffing and Organization: Utilize new routing software to make routes more efficient and potentially reduce the number of bus drivers necessary for operation.</p>

EXECUTIVE SUMMARY

LANCASTER

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

LANCASTER

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

LANCASTER

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	\$57,500	\$143,800	\$85,900	\$257,800
Human Resources	0	0	0	48,200
Procurement	0	0	292,900	626,700
Transportation – District	N/A	N/A	68,000	102,000
District Total	57,500	143,800	446,800	1,034,700
Transportation – State	22,000	96,700	62,700	135,900
Total	\$79,500	\$240,500	\$509,500	\$1,170,600

* 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.

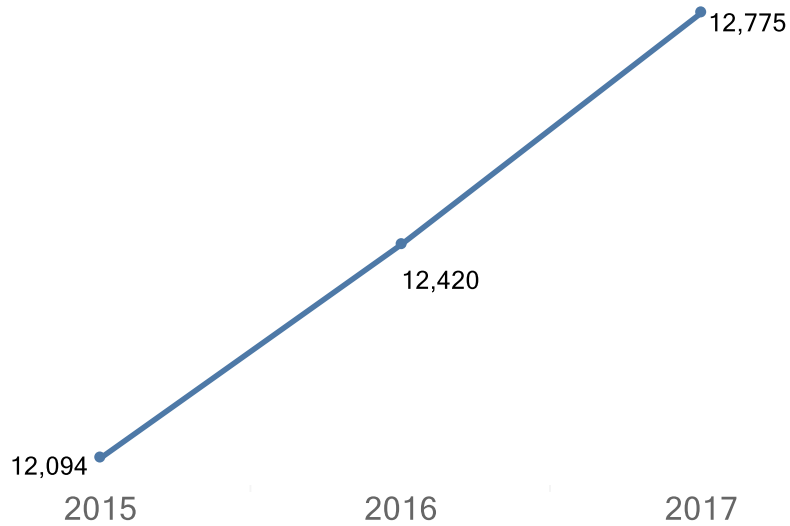


OUTLINE

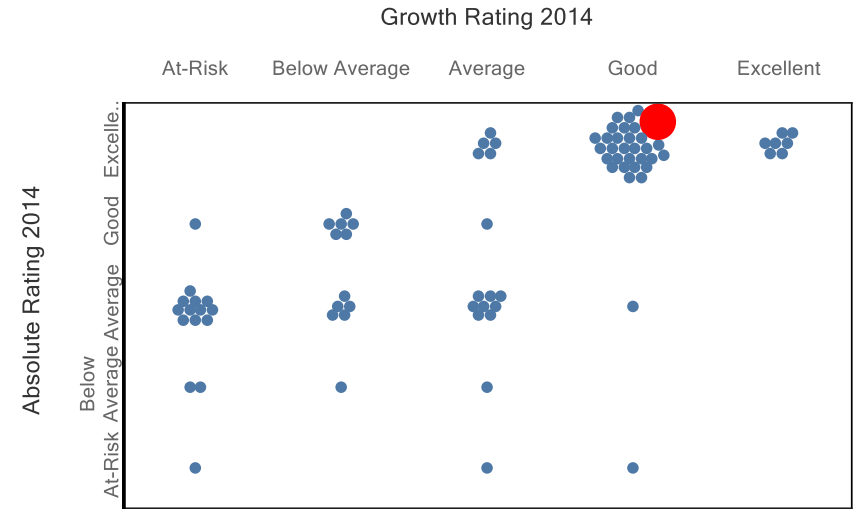
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DISTRICT ADMINISTRATION AND PERFORMANCE LANCASTER

Average Daily Membership^[2]



Student Achievement^[1]



General Info

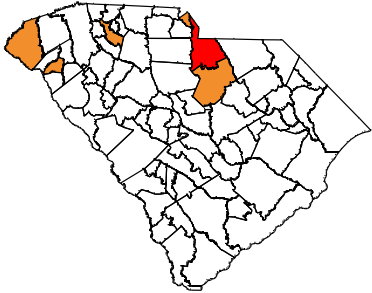
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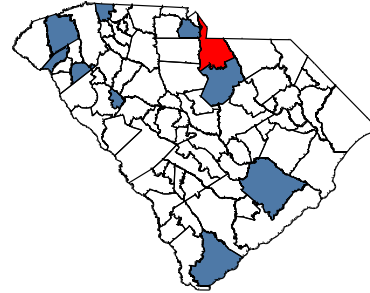
DISTRICT BENCHMARKING LANCASTER

Enrollment (10,000 - 15,000)



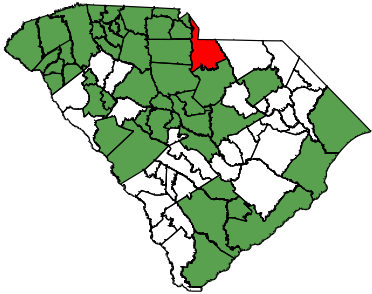
- Anderson 05
- Kershaw
- Lancaster
- Oconee
- Spartanburg 06
- York 04

Poverty (55% - 60%)



- Anderson 02
- Anderson 04
- Beaufort
- Berkeley
- Greenwood 52
- Kershaw
- Lancaster
- Pickens
- Spartanburg 01
- York 03

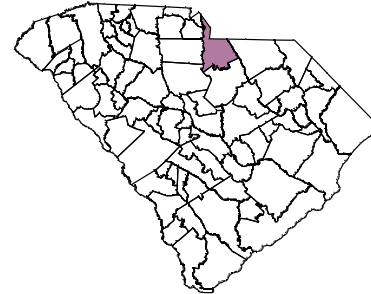
Phase 1 (No)



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

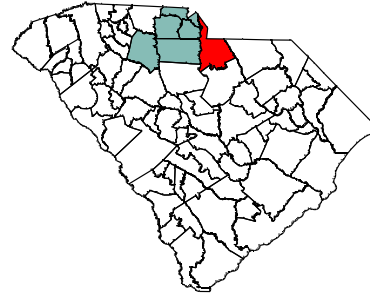
- Sumter
- Union
- York 01
- York 02
- York 03
- York 04

County (Lancaster)



- Lancaster

Region (Catawba)

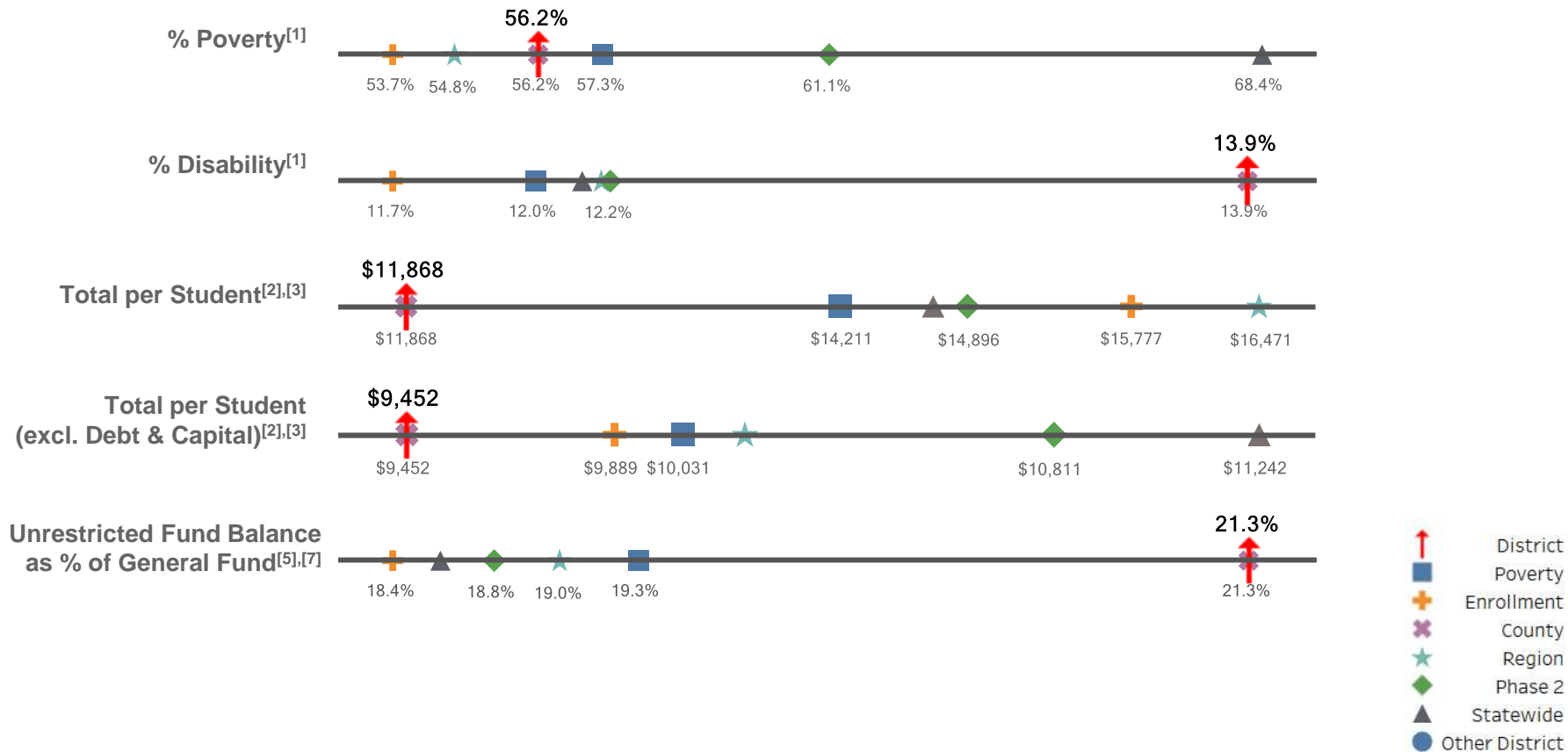


- Chester
- Lancaster
- Union
- York 01
- York 02
- York 03
- York 04

DISTRICT OVERVIEW LANCASTER

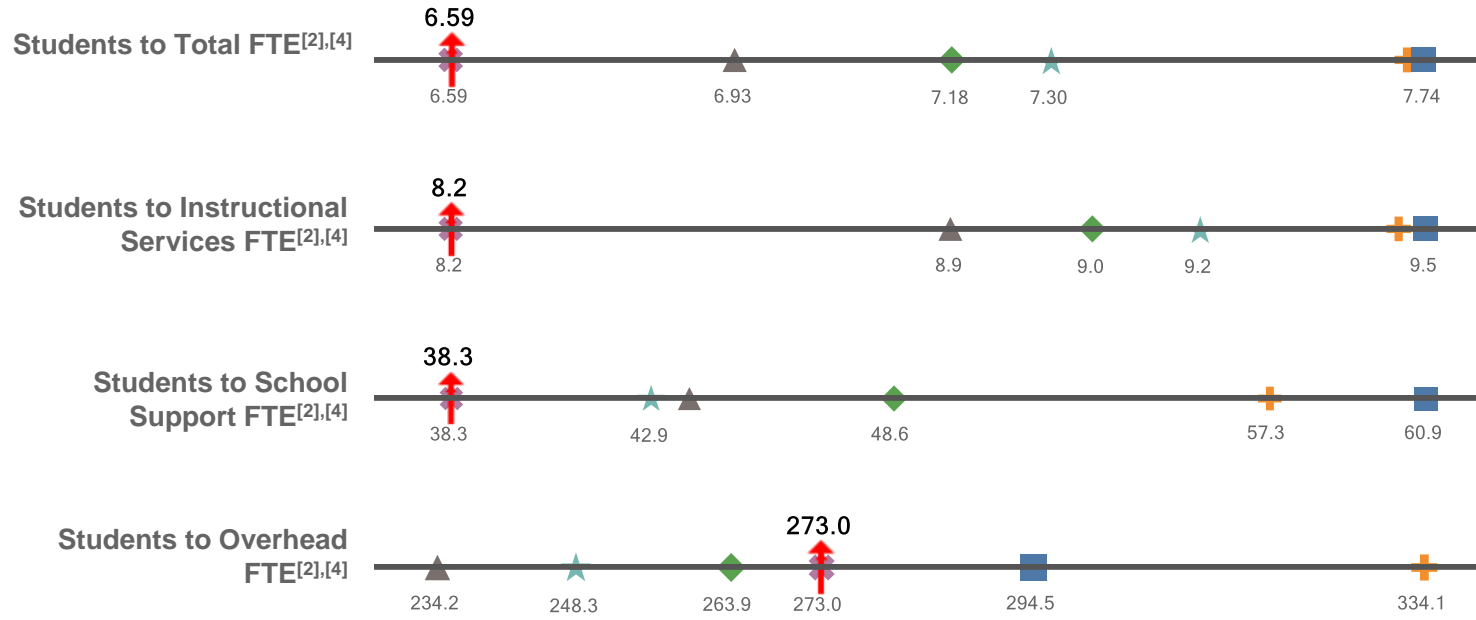
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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



DISTRICT OVERVIEW LANCASTER

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has increased by 681 or 5.6% over the past 3 years. • Student Demographics: The District's level of poverty of 56% is lower than the statewide average of 69% and the regional average 59%. The District's disability percentage of 14% is higher than the statewide and regional averages (both 12%). • Competition: The District only has one Discovery charter school; however, the number of home schooled students is growing. • Long-term Planning: The District prepares long-term enrollment projections to help inform long-term planning and drive all planning processes. 	<ul style="list-style-type: none"> • The District should continue to revise long term planning projections on an annual basis to ensure financial stability. As part of this effort, the District should continue to plan for incremental overhead needs required to support growth in the number of facilities and students served.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: When excluding debt and capital, the District has a low per pupil expense of \$9,452 relative to the statewide average of \$11,242 and enrollment band average of \$9,889. • Unrestricted Fund Balance: The District has an Unrestricted Fund Balance that is 21.3% of revenues. The fund balance is above the statewide average of 18.6%, resulting in strong financial stability. 	

DISTRICT OVERVIEW AND OVERHEAD LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Student to FTE: The District's Student to Total FTEs ratio of 6.59 is lower than statewide average of 6.93 and enrollment band average of 7.72. • Student to Instructional Services FTE: The Student to Instruction ratio of 8.2 is lower than the statewide average of 8.9 and enrollment band average of 9.4 due to a strategic decision to invest in lower class sizes at each school. • Student to Support Services FTE: The Student to Support Services ratio of 38.3 is lower than statewide average of 43.8 and enrollment band average of 57.3. • Student to Overhead FTE: The Student to Overhead Ratio of 273 is higher than the statewide average of 234, but lower than the enrollment band average of 334. 	<ul style="list-style-type: none"> • Expand on the existing resource allocation practices and leverage key performance indicators to estimate reasonable growth requests in District Office staff.
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Superintendent has 9 direct administrative reports that include: (a) Director of Elementary Instruction; (b) Director of Secondary Instruction; (c) Executive Director of Planning and Accountability; (d) and the Directors of each functional area. In addition, the Superintendent oversees the principals of all schools in the District. • Communications Function: The District has a Public Information department supported by a part time Director and an Administrative Assistant that serves to communicate with the District's internal and external stakeholders. 	<ul style="list-style-type: none"> • The District should evaluate streamlining the number direct reports to the Superintendent to enhance governance and organization performance.

DISTRICT OVERVIEW AND OVERHEAD LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Legal: The District has no legal department. If legal advice is required, the District utilizes external firm to provide support. • Turnover: The Superintendent has overseen the District for the past 11 years. 	<ul style="list-style-type: none"> • Given the tenure and success of the current Superintendent, the District should establish a leadership succession plan to ensure past progress is embedded long-term in the organization.
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid \$8,400 annually. • Board Composition: The Board is made up of a diverse cross-section of members from the community. • In addition, most members of the Board have a long tenure and understand the challenges faced by the District and community. • Training: Board members are required to attend SCSBA annual training, and most of them take advantage of several other board member training/conference opportunities. 	
Philanthropy and Business Engagement	<ul style="list-style-type: none"> • The District maintains some informal partnerships with area businesses. • The District has a few philanthropic partnerships; one has helped begin a literacy initiative providing free books to children and libraries. A partnership with the J. Marion Sims Foundation gives all fourth-graders in the District the opportunity to receive 2 weeks of free swim instruction. • The District also partners with non-profit organizations such as the Rotary Club and USCL for sponsorship of at-risk student awards. 	<ul style="list-style-type: none"> • The District should consider establishing a Business and Community Engagement function within the District Office to maintain and cultivate philanthropic and business relationships to generate additional funding and support.

DISTRICT OVERVIEW AND OVERHEAD LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• The District's Superintendent coordinates some with other regional superintendents through participation in the Olde English Consortium.• Career Center: The District does not have a shared career center.• Special Education: The District does not coordinate with other area districts on Special Education programs.• Headcount: The District does not share certain FTEs with area districts.	<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.• Consider shared Chief Development Officer across districts.



OUTLINE

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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.

639 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$71 per Student

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

Key statistics for metrics

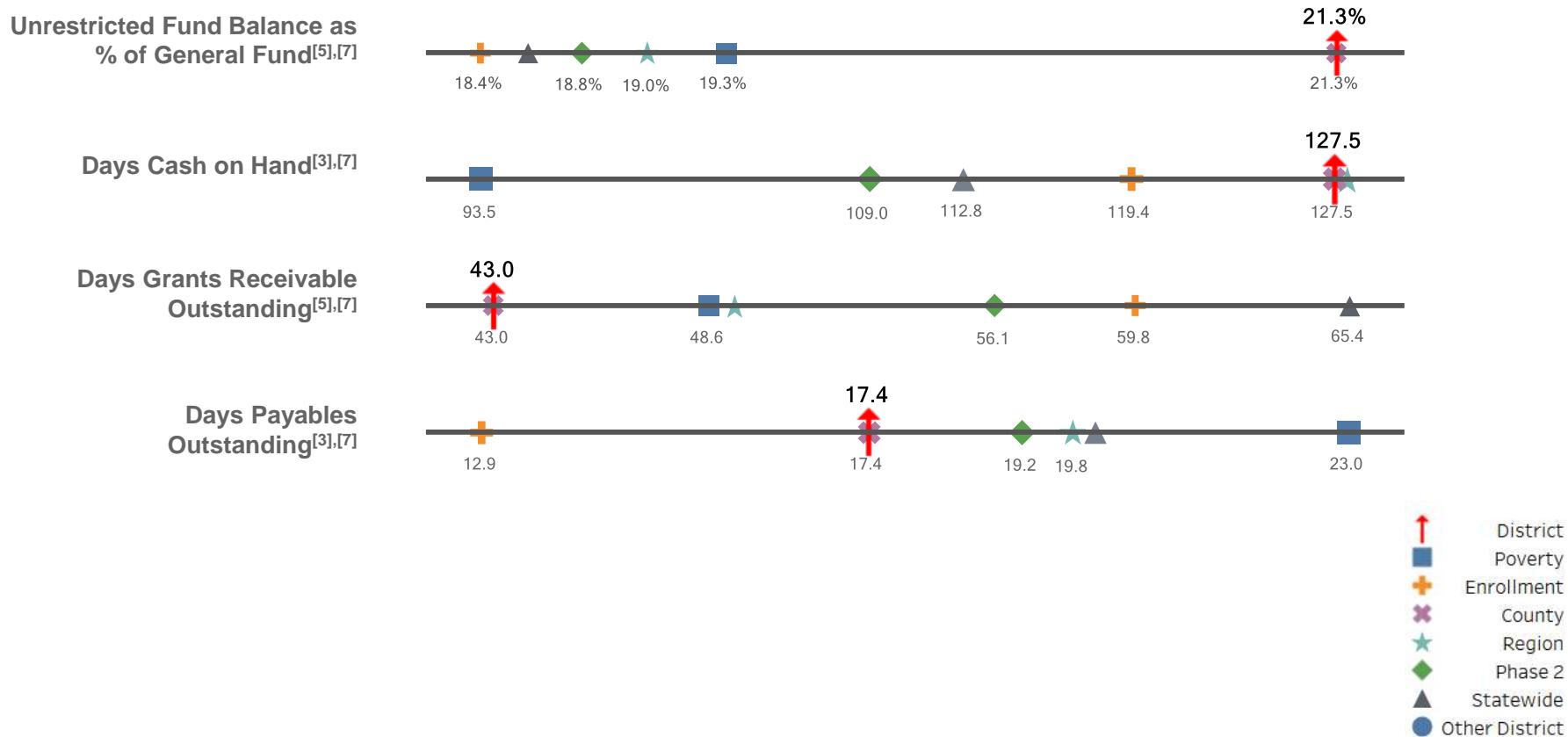
Financial FTEs ^[4]	20.0
Personnel Expense ^[3]	\$843,238
Non-Personnel Expense ^[3]	\$37,887
Total Financial Expense ^[3]	\$881,125

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 LANCASTER

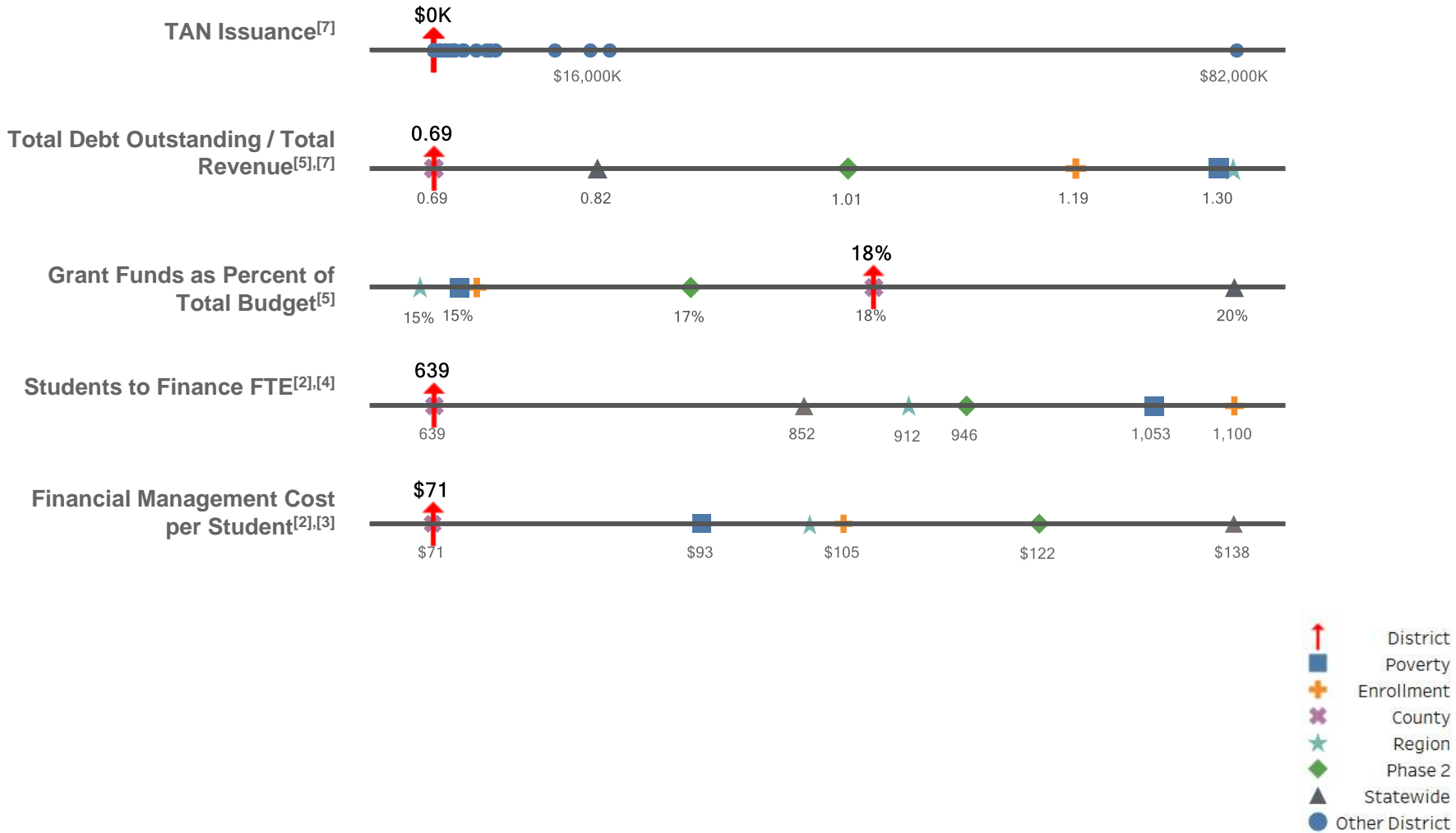
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT LANCASTER

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, procurement and financial reporting. Finance Cost Per Pupil: The Finance Cost per Pupil for the District of \$71 is lower than both the statewide average of \$138 and enrollment band average of \$105. Student per Finance FTE: The Student per Finance FTE ratio of 639 is lower than both the statewide average of 852 and enrollment band average of 1,100. 	<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.
Payroll and Accounts Payable	<ul style="list-style-type: none"> Payroll: The District currently runs payroll on a monthly basis for all classified employees, every 2 weeks for hourly employees and rarely does special runs. 100% of the District's employees receive paychecks through direct deposit. The District uses a self service payroll platform; therefore, employee initiated payroll changes are all processed automatically. Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. Purchasing: The District currently uses a centralized purchase order system. The District utilizes a Pcard program on which they spent \$3,126,489 and received \$20,957 in rebates for FY15-16. 	<ul style="list-style-type: none"> Standardize all payroll to bi-monthly processes and eliminate the need for extra payrolls. This would enable the Finance function to streamline processes and free up time to focus on other key responsibilities. Implement an automated time-tracking functionality, such as a biometric timeclock, that integrates with the payroll system in order to eliminate the need for manual time sheets. The District should seek out opportunities to expand on the use of the Pcard program through increased use of Pcards for centralized spend categories. Consider increasing transaction limit to the Procurement Code limit of \$2,500. To maximize rebates, the District should explore the possibility of paying monthly invoices to larger vendors such as utilities and supply vendors with Pcards in lieu of checks and ACH. Use of Pcards as alternative payment method will be subject to vendors acceptance of the payment type.

FINANCIAL MANAGEMENT LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable (cont'd)	<ul style="list-style-type: none"> • Inventory: The District bar codes technology for asset tracking, and conducts centralized inventory processes. Inventory is managed by the District's Fixed Asset Manager who reports all inventory results to the Procurement Officer for review and finally forwards to Principals, Directors, Building Administrators and the CFO. • The District only performs inventory for items defined as "fixed assets" which includes all IT Equipment and/or tangible property costing \$2,500 or more. • Risk Management: The District does have formal risk management policies in place. 	<ul style="list-style-type: none"> • Expand existing inventory practices to smaller assets such as desks and furniture. • Purchase scanners to help facilitate the inventory process. • Expand on the existing risk management policies and procedures to include: (a) risk assessment and management; (b) safety and loss prevention review; (c) insurance claims handling and processes; and (d) insurance policy review and negotiation.
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 18% of revenue for the District, making them less reliant on grant funding than the statewide average of 20% but more reliant than districts within their poverty band of 15%. • Federal Funds: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance department collaborates closely with grants administrators to ensure that budgets are appropriate and claims are made in a timely manner in order to maximize cash flow. • Indirect Costs: The District charges indirect costs to Federal grants using the state negotiated rate. 	<ul style="list-style-type: none"> • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities. • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances of each grant.

FINANCIAL MANAGEMENT LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management (cont'd)	<ul style="list-style-type: none"> • Grants Monitoring: The program director, program bookkeeper, and the Finance Department all monitor program expenditures for compliance to the budget and grant document. The Fiscal Services Administrator in the Finance department ultimately completes the reimbursement for expenditures and forwards to the CFO for final approval. 	<ul style="list-style-type: none"> • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances of each grant.
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was not found to have any material weaknesses in its latest audited financial statements. The year prior there was an immaterial misstatement due to a failure to record significant capital assets, but actions have since been taken to clean up the recording of fixed assets. • Position Control: The District has a module within the SmartFusion software for position control to avoid over-hiring / spending. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control. • Implement processes to ensure that identified internal control weaknesses are mitigated.

FINANCIAL MANAGEMENT LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was not found to have any material weaknesses in its latest audited financial statements. The year prior there was an immaterial misstatement due to a failure to record significant capital assets, but actions have since been taken to clean up the recording of fixed assets. • Position Control: The District has a module within the SmartFusion software for position control to avoid over-hiring / spending. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control. • Implement processes to ensure that identified internal control weaknesses are mitigated.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance with 128 days cash on hand. The statewide average is 113. • The District reviews cash flow forecasts on a monthly basis. • Grants Receivable Outstanding: The District has a Days Grants Receivable Outstanding of 43 days which is low relative to the statewide average of 65 days. The District submits grant reimbursements quarterly. • Days Payable Outstanding: The Districts Days Payables Outstanding of 17.4 is better than the statewide average of 20.1. • Cash: The District invests cash balances in the state local investment pool. • Debt: The total Debt to Revenue ratio of 0.69 is low compared to the statewide average of 0.82 and enrollment band average of 1.19. • TAN: The District did not issue TANs this past year to assist with liquidity needs during cash low point. 	

FINANCIAL MANAGEMENT LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process is linked with the annual strategic planning process. The District has a robust resource allocation model that is used to determine annual budgets for schools and departments. • The budget team works closely with the Superintendent to garner input regarding educational priorities and budget objectives. The team also works closely with principals to get feedback on resource allocation models. Principals are given the opportunity to meet with peers, discuss budget concerns and brainstorm innovative solutions for the budget team to implement. • During the budgeting process the budget team also creates a five year Capital Plan, Technology Plan, and Arts Focus Plan for review. • Throughout the budgeting process the District weighs the impacts of fiscal efficiency and student and community needs. This represents a best practice in ensuring school level efficiencies and use of tax payer dollars. • Fiscal Monitoring: Schools and departments are responsible for monitoring their own budget to actuals through the Harris SmartFusion reporting functionality. However, the finance team monitors budget to actuals regularly and will circulate reports to schools and departments with large or abnormal variances. 	<ul style="list-style-type: none"> • Expand the performance-based budgeting approach to include key performance indicators and workload drivers, estimate central office staff and expenses. • The District should formalize the process for annual school equity analysis to ensure that each individual school is receiving its fair share of resources based on the student needs of the school. The analysis would compare school-based FTEs, salaries and non-personnel spending across student type, school size, school level and overall across the District. Conducting an equity analysis annually ensures that every student receives sufficient resources to have the same chance to succeed, rather than that every child gets the same level of funding.

FINANCIAL MANAGEMENT LANCASTER

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. They also leverage SoftDocs for automated workflow approval which integrates with the SmartFusion accounts payable module. • In addition, the District uses Harris SmartFusion to facilitate employee self service for payroll matters. They have been able to successfully transition to automated work processing in much of its processes; however, it is still currently using manual processes for time-keeping. They are currently evaluating options for automated time keeping systems. 	<ul style="list-style-type: none"> • Complete process to select an automated and integrated time keeping system and implement prior to start of the next school year.
Regional Collaboration	<ul style="list-style-type: none"> • The District is part of the Olde English Consortium in which the finance directors of individual districts meet quarterly to discuss various topics. • The District participates in South Carolina School Board CFO and finance director quarterly discussions. • The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



OUTLINE

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- V. Procurement
- VI. Transportation

HUMAN RESOURCES OVERVIEW

The Human Resources function is responsible for managing the District workforce and is directly responsible for teacher recruitment and retention, ensuring proper certification of personnel, supporting benefits management and coordinating personnel transactions.

1,825 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$38 per Student

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

Key statistics for metrics

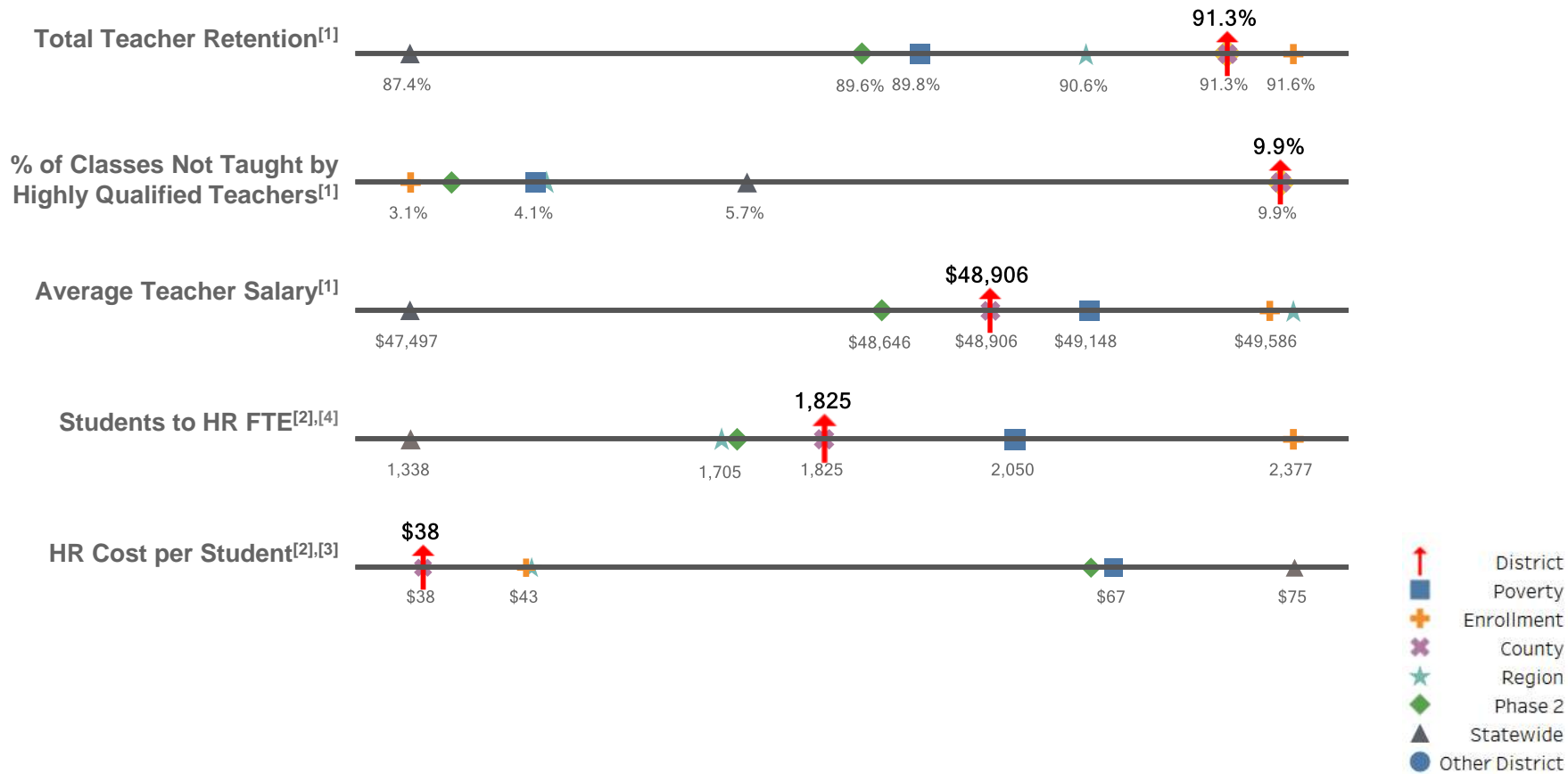
Human Resources FTEs ^[4]	7.0
Personnel Expense ^[3]	\$424,221
Non-Personnel Expense ^[3]	\$52,601
Total Human Resources Expense ^[3]	\$476,822

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 LANCASTER

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Human Resources function operates on a lean budget with limited staff to support recruiting, retention, personnel relations, professional, benefits and professional development activities relative to the District's size. The HR Department's staff consists of: <ul style="list-style-type: none"> HR Director – 1.0 FTEs HR Coordinators – 2.0 FTEs Benefits Coordinators – 2.0 FTEs Administrative Support – 2.0 FTEs Human Resources Cost Per Pupil: The HR Department's per pupil of \$38.4 is low relative to the average for districts with similar enrollment levels of \$42.7 and the statewide average of \$74.6. Student per Human Resources FTE: The District's Student per HR FTE ratio of 1,825 is higher than the statewide average of 1,338 but lower than the enrollment band average of 2,377. 	<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.
Recruiting and Retention	<ul style="list-style-type: none"> Unlike most other school districts in the state, recruiting teachers into the District has not presented huge challenges in the past couple of years. However, the District outsources some special needs services to Cobb Pediatric Therapy Services. The District offers supplements to some hard to staff positions such as Speech Therapy specialists. The average teacher salary of \$48,906 is above the statewide average of \$47,567 but slightly below the regional average of \$49,025. 	<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 incentives; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.

HUMAN RESOURCES LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> The District leverages AppliTrack software systems for recruiting and application screening. The District uses the Frontline – AESOP system for absence and substitute management but does not have a system for hourly employee timekeeping. Softdocs is used for the HR Department’s storage and archiving of employee records. 	<ul style="list-style-type: none"> Implement an automated time tracking system that can interface directly with the payroll system.
Benefits	<ul style="list-style-type: none"> There are 2 Benefits Coordinators within the Human Resources function dedicated to benefits administration. The District has an established process for reviewing medical and dental plans for ineligible dependents. 	<ul style="list-style-type: none"> In collaboration with other large districts in the state, work with PEBA to automate benefits related transaction processing to include: (a) acceptance and processing of electronic signatures; (b) integration of benefit changes into District financial systems.
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 creating a regional recruitment and training center focused on teacher recruitment across the regional group of districts.



OUTLINE

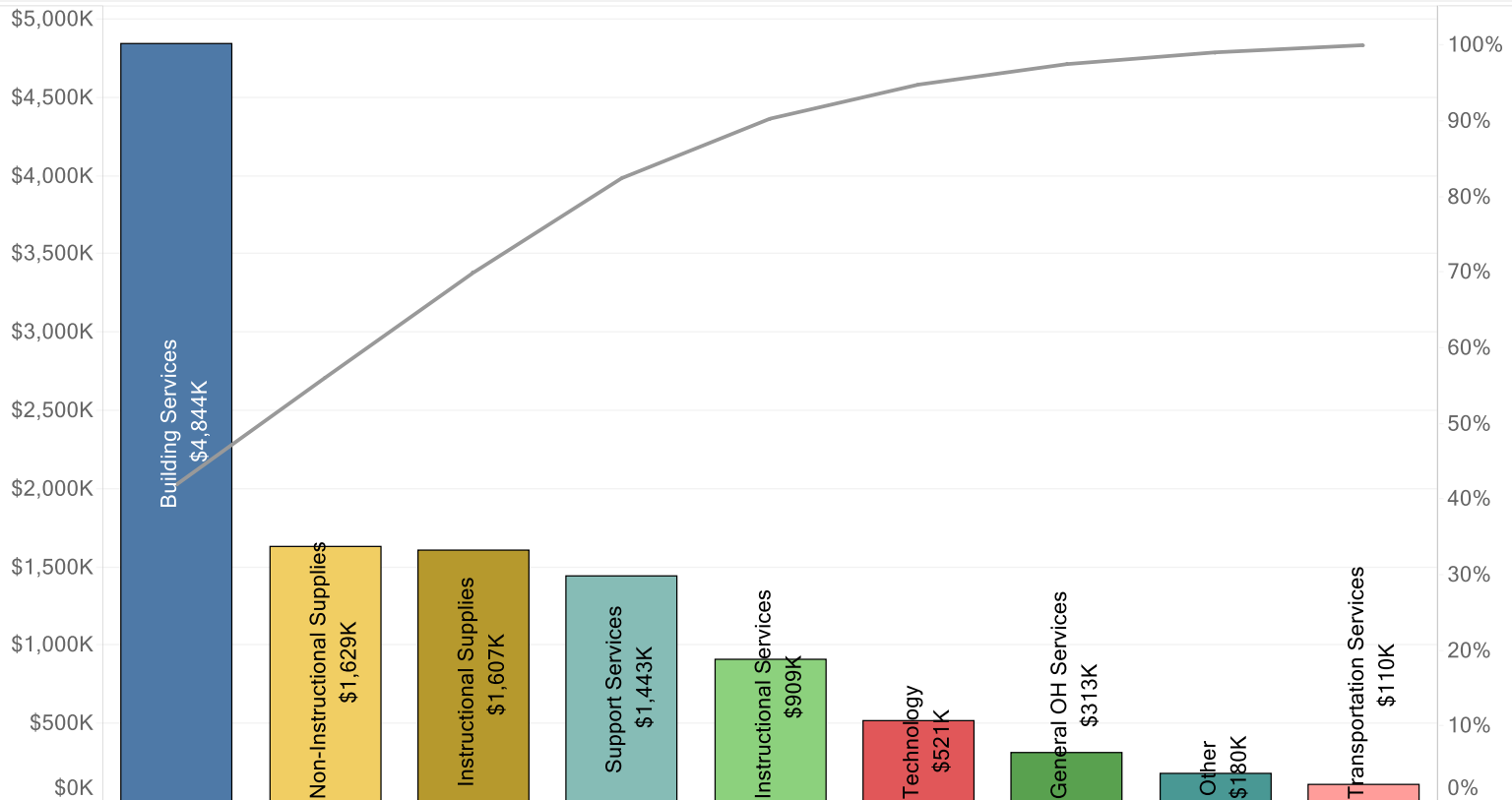
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PROCUREMENT LANCASTER

PROCUREMENT OVERVIEW

The District is responsible for purchasing all goods and services in accordance with procurement regulations. The chart below shows the District's in scope procurement spend by major category for FY16.

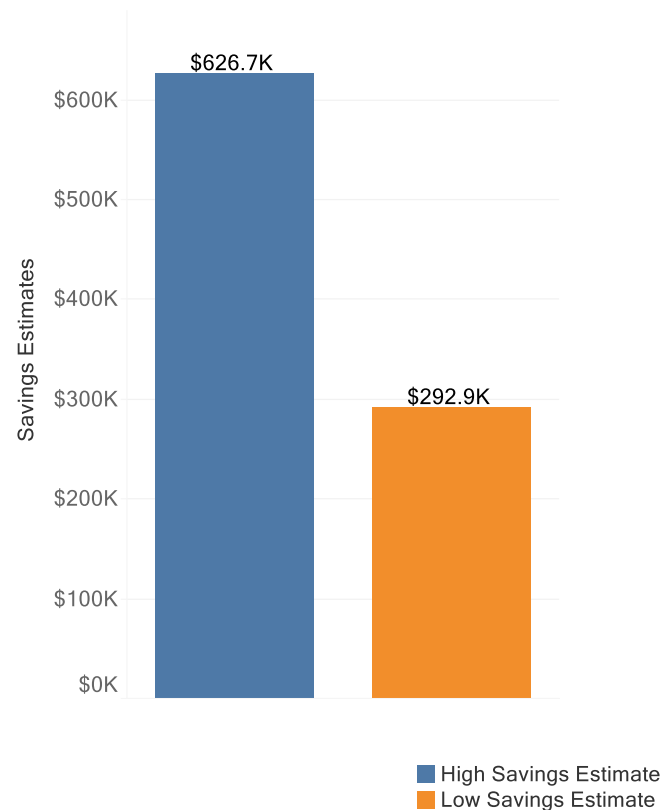
District In Scope Total Procurement Spend^[3] = \$11,555,961



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 LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District has resources focused directly on procurement and is able to rely on these resources to maximize purchasing activities. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across more than 1,900 vendors; however, the top 56 make up more than 80% of total spending. Vendors must be pre-approved and added to the system by administrative employees. The District does not maintain a significant data or analytic function within the procurement organization, relying primarily on experience or anecdotal discussions to drive savings in various procurement categories. Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts could be increased through better contract management on site based procurements and standardization in certain areas such as maintenance and construction. 	<ul style="list-style-type: none"> Standardize requirements and specifications for commonly purchased goods in order to streamline the number of vendors used, aggregate buying power within the District and enable volume pricing discounts. Contract options may take the form of: (a) state contracts; (b) stand-alone negotiated contracts; (c) negotiated contracts done in collaboration with surrounding districts. Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. Where appropriate, include Most Favored Nation (MFN) clauses into contracts that require the vendor to provide the District pricing that is no higher than the price it provides to any other buyer, now or during the term of the agreement. Perform annual review of vendor performance (on time, complete, quality) to assess opportunities to reduce or eliminate non-value add services.

PROCUREMENT LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: Over 13% of the District's vendor spend goes towards the outsourcing of custodial and grounds keeping workers that are contracted for through GCA Services Group. • Food Services: The District collaborates with Ft. Mill School District, Chester and Chesterfield for the purchase of dairy and bread. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software to be placed out to bid, but they use state contracts for science equipment. • The District does not procure these services and software in collaboration with any other districts. • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging state contracts with Lenovo and Dell Marketing to lease and purchase laptops/computer equipment. • The District does not coordinate technology purchases with other nearby districts. 	<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. • 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. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership. • Capitalize on potential for greater discounts on technology that is purchased using state contracts by leveraging special discount provisions that are identified in state contracts that are subject to negotiation. Evaluate opportunities to generate savings on ancillary services (accessories, warranties, break-fix, etc.) as part of procurement negotiations.

PROCUREMENT LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category (cont'd)	<ul style="list-style-type: none"> • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority of its non-instructional supplies outside of available state contracting vehicles, typically purchased using the District Pcard. 	<ul style="list-style-type: none"> • The procurement function should conduct ongoing analysis of non-personnel spending, including review of spending by transaction and dollar volume to determine potential candidates for formal contracting and price negotiation to enable better pricing and cost savings. Examples of metrics that could inform analysis include: (a) vendor concentration (# of vendors comprising 80% of spend); (b) % of vendor spending negotiated through formal RFP process; (c) average POs per vendor.
Regional Collaboration	<ul style="list-style-type: none"> • The District participates in SCAGPO, the SCPA, and the Procurement Directors meeting coordinated with other large procurement districts on RFPs. The District also utilizes state contracts for purchasing but does not employ formal partnerships with guaranteed volume or participation levels with other districts to procure goods and services. 	<ul style="list-style-type: none"> • The District should build upon existing collaborative partnerships and create a formal 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 LANCASTER

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]

\$206 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	104.5
Personnel Expense ^[3]	\$2,431,888
Non-Personnel Expense ^[3]	\$125,510
Total Transportation Expense ^[3]	\$2,557,398

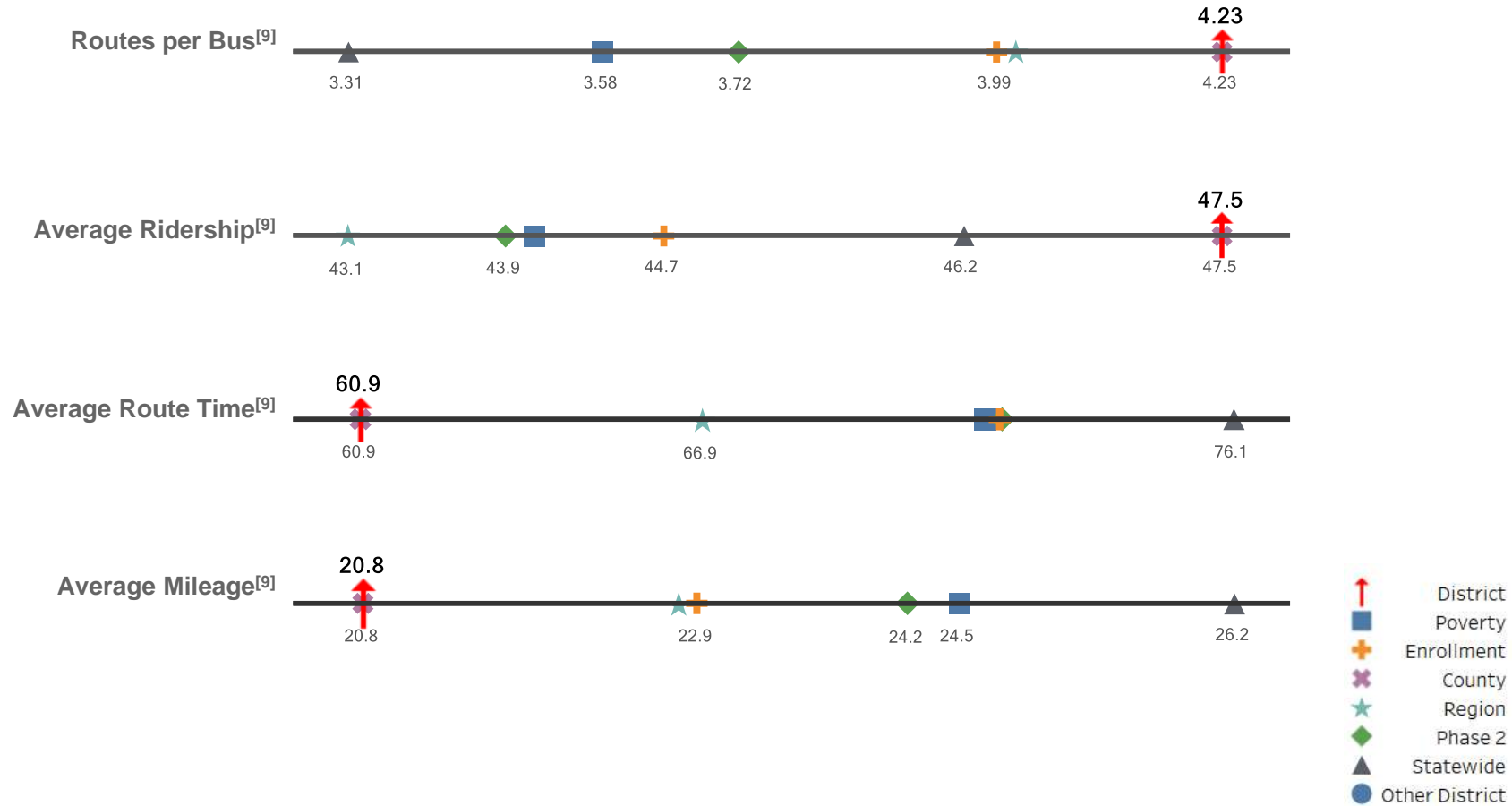
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	59.1	250	4.2	11,885	48	61	21
Special Needs	11.6	50	4.3	313	6	Not-Available	36
Other	0.0	0	0.0	0	0	Not-Available	0
Total	70.7	300	4.2	12,198	N/A	N/A	N/A

TRANSPORTATION LANCASTER

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 LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The District provides drivers with attendance incentives. The District also pays drivers for training and testing. The District has a high driver attendance rate of about 90-95% due to incentives and performance expectations. The District determines driver starting salaries based on overall job experience rather than just bus driving experience. The lowest possible starting salary is \$10 per hour, but most earn above \$12 per hour to start. Transportation is run by one Director in conjunction with four Transportation Coordinators who each oversee one of the geographic areas within the District. 	<ul style="list-style-type: none"> As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts in the State are dual employed serving in aide, food services and / or maintenance roles when not driving buses. Implement a substitute / back up driver pool in collaboration with nearby districts. Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION LANCASTER

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> The District does not utilize routing software. The District has GPS capability on state-owned buses. The District provides cell phones to drivers to contact drivers while on routes. The District has 4-way internal and external security cameras on all buses. Activity Buses: The District does not use the State fuel for activity buses, they buy through a vendor that allows them to use their Pcard. 	<ul style="list-style-type: none"> Implement routing software and use it in conjunction with GPS capability to ensure most efficient routes.
Collaboration	<ul style="list-style-type: none"> The District does not collaborate with surrounding districts for transportation. 	<ul style="list-style-type: none"> Leverage the State maintenance hubs for activity buses. Consider partnering with districts that are also transporting children to other out of district placements

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY LANCASTER

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.

APPENDIX A: SAVINGS METHODOLOGY LANCASTER

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.

APPENDIX A: SAVINGS METHODOLOGY LANCASTER

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.

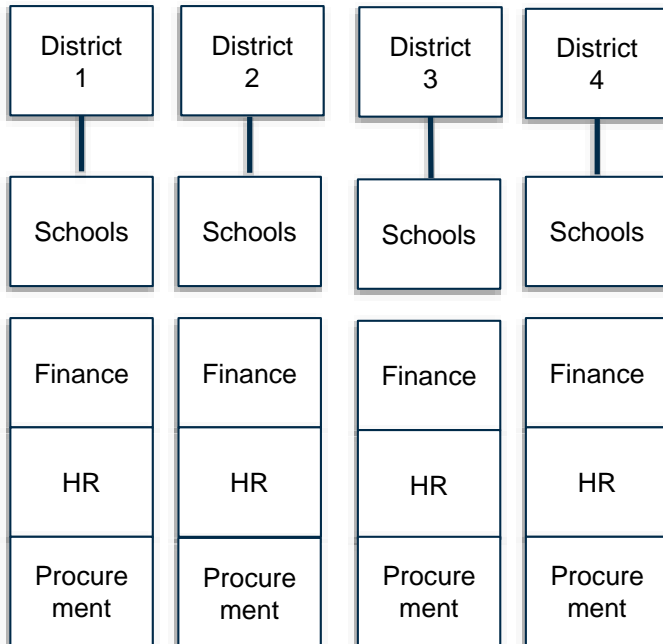
APPENDIX A: SAVINGS METHODOLOGY LANCASTER

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.

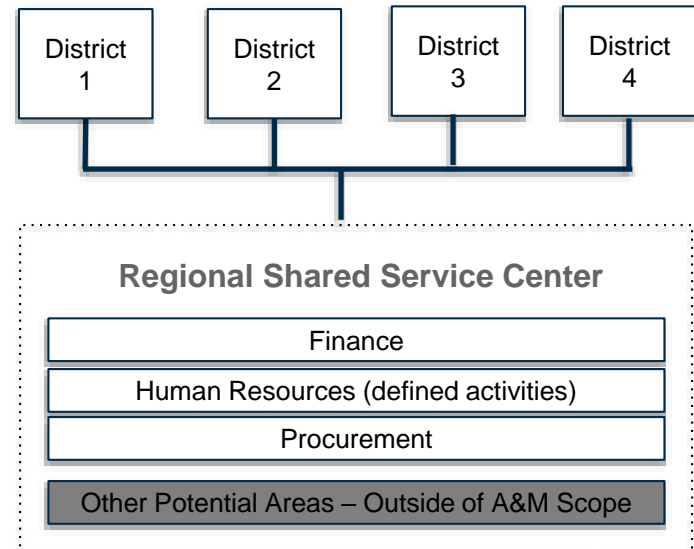
CURRENT STATE: STAND ALONE DISTRICT

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 LANCASTER

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%

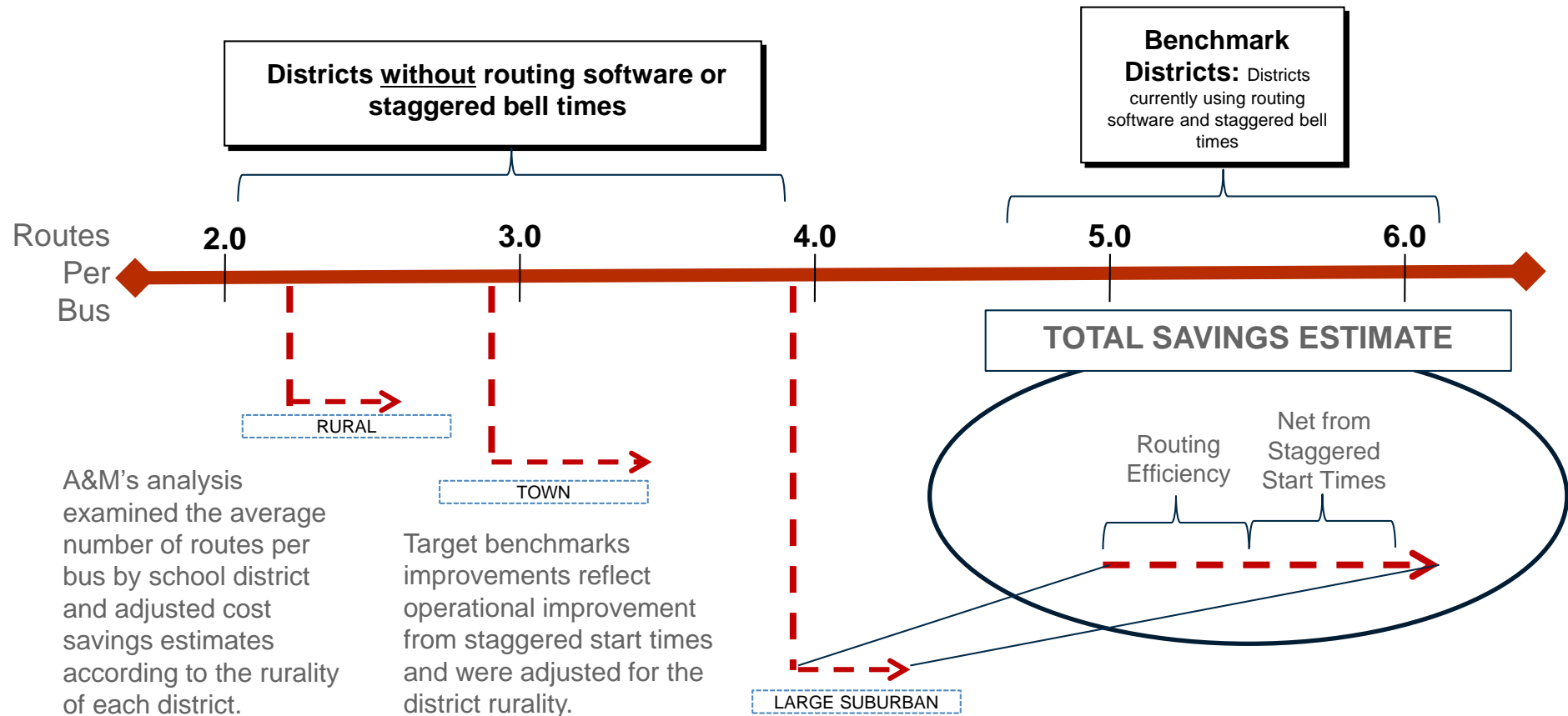
(2) Total FTEs and Total Spend based upon average FTEs and average spend of one large district (>10,000 ADM), one medium district (between 5,000 and 10,000 ADM) and 3 small districts (less than 2,500 enrollment).

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%.

APPENDIX A: SAVINGS METHODOLOGY LANCASTER

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 LANCASTER

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

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 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.

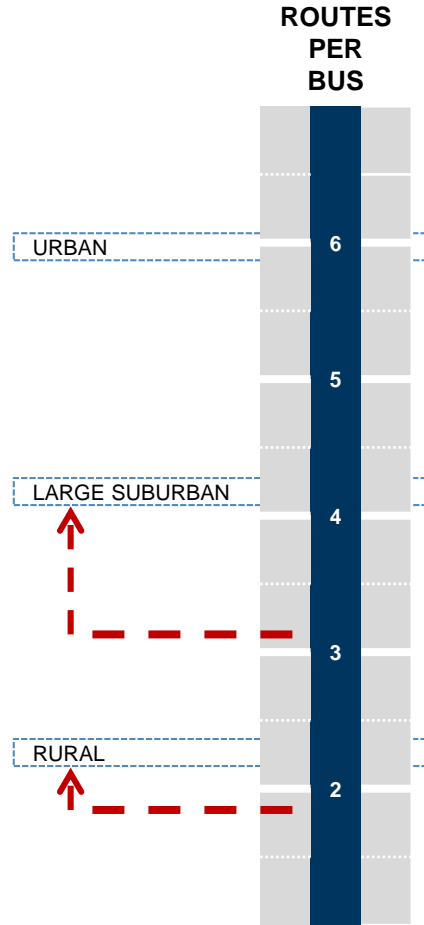
APPENDIX A: SAVINGS METHODOLOGY LANCASTER

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 LANCASTER

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 LANCASTER

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 LANCASTER

[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 LANCASTER

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 LANCASTER

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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