



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Lee

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

LEE

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

LEE

PROJECT OVERVIEW (CONTINUED)

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

PROJECT OVERVIEW (CONTINUED)

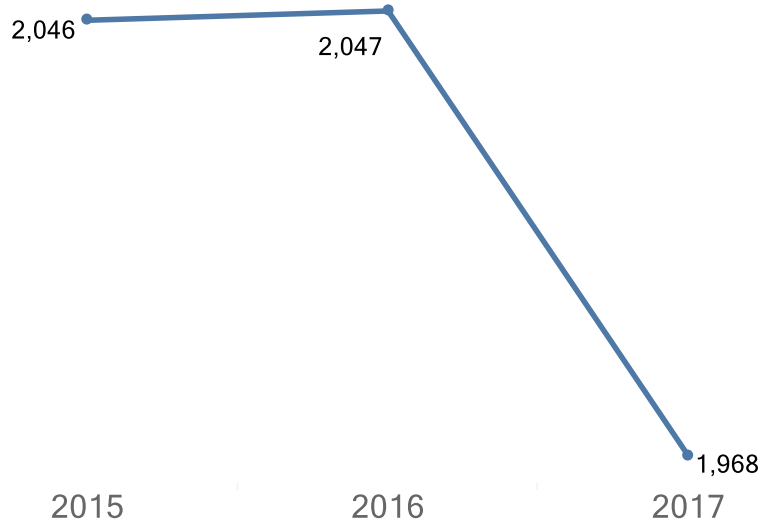
➤ Sources of Data and Savings Estimates:

- A&M based the recommendations included in this report on data received from both the State and the District.
 - State provided data: FY16 revenue and expenditure data submitted by districts to the State, 3-year historical enrollment/average daily membership data, FY16 school transportation routes by district.
 - District provided data: FY17 personnel rosters, FY16 disbursements by vendor, vendor contracts and invoices, and various operational and financial metrics tracked and maintained by the districts.
- Many districts were unable to provide all of the data requested. As a result of data limitations, savings estimates calculated rely on aggregate expenditure data to derive estimates for potential savings.
- Savings estimates are based on a series of assumptions about changes in process and staffing levels (stand-alone and multi-district) that will vary upon implementation. Variation from the amounts presented as net savings are likely in the event a shared services model is implemented.

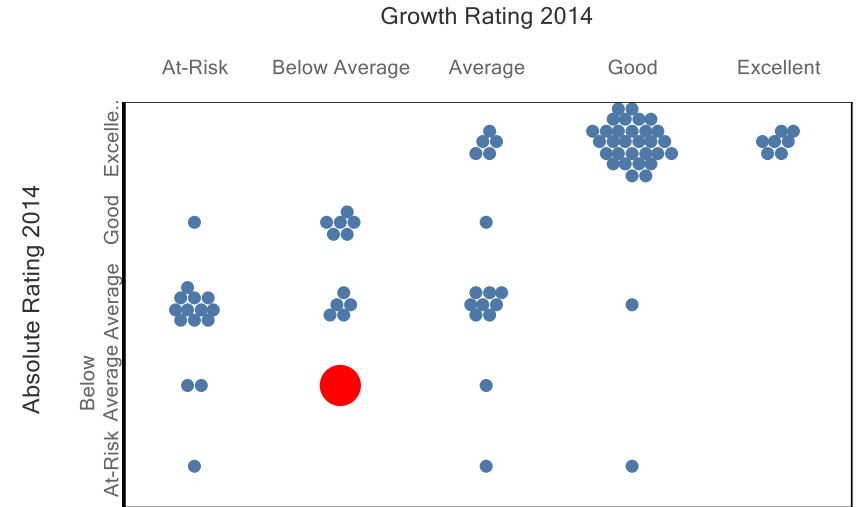
EXECUTIVE SUMMARY

LEE

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	5
% Poverty ^[1]	89.9%
% Disability ^[1]	2.6%
\$ Per Student ^{[2],[3]}	\$14,703
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$12,256

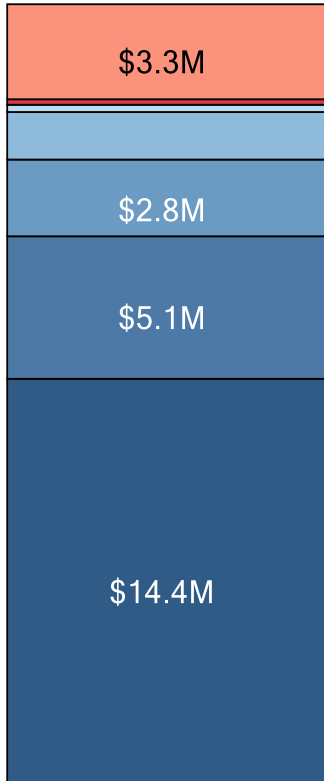
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.8
Students Per Overhead FTE ^{[2],[4]}	138.1
Students Per School Support FTE ^{[2],[4]}	18.0
Students to Total FTE ^{[2],[4]}	5.7

EXECUTIVE SUMMARY

LEE

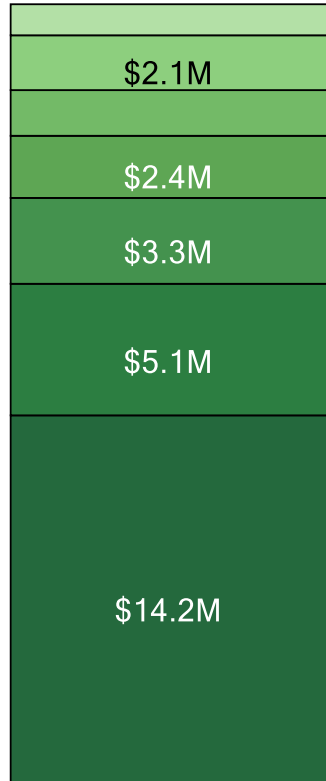
Sources of Funds^[5]
\$27.7M



2015-2016

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

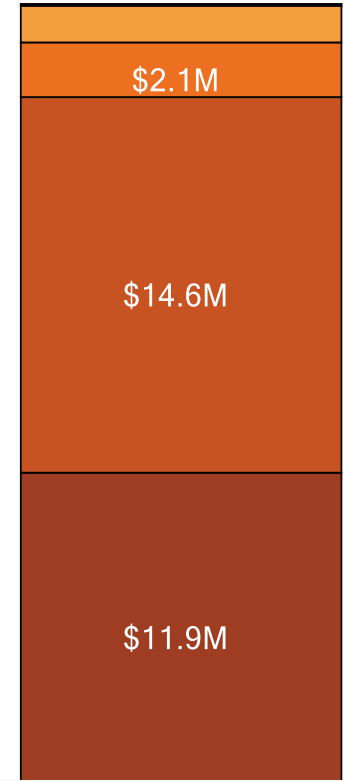
Use of Funds - Type^[3]
\$30.1M



2015-2016

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

Use of Funds - Function^[3]
\$30.1M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

LEE

\$30.1M
Total

\$5.5M
In-Scope

\$24.6M
Not In-Scope

18.3% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$325,645	\$45,289
Human Resources	\$260,354	\$33,669
Overhead	\$555,477	\$233,537
Transportation	\$1,194,902	\$165,772
Procurement (Community Services, Instruction, Support Services)	\$3,167,664	\$3,167,664
TOTAL	\$5,504,042	\$3,645,931

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of Lee County School District is to ensure that all students are successful as members of an ever-changing society through effective teaching of a challenging and relevant curriculum.

1. **Student Achievement:** Implement components of the Read to Succeed District Literacy Plan to increase literacy in the District and thus overall student achievement.
2. **Increase Community Outreach:** Increase community outreach and provide a strong parenting program.
3. **Improve Teacher Recruitment:** Recruit and retain high-quality instructional and non-instructional personnel.
4. **Train Teachers:** Provide quality professional development and training activities and graduate courses for teachers in the upcoming year to deliver character development in their teaching.
5. **Improve Infrastructure:** Improve the technology infrastructure over the long-term.
6. **Consolidate Facilities:** Manage the renovation and/or consolidation of the three elementary schools into one.
7. **Address Capacity:** Address spare capacity resulting from the school consolidation.

Achievements

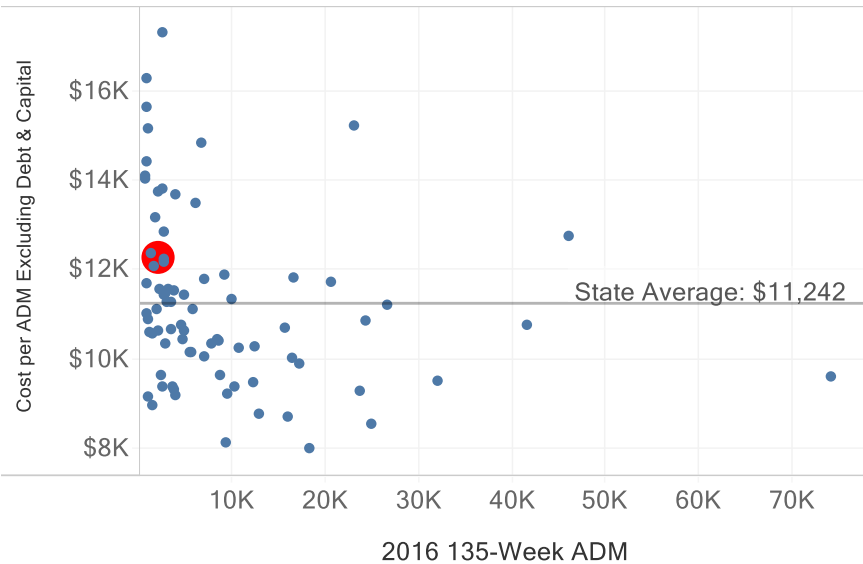
- **Teacher Training:** The District employs instructional coaches at all schools, and teachers are utilizing the services rendered through partnerships that exist with Francis Marion University and Central Carolina Technical College to provide quality professional development activities and graduate courses and early college programs.
- **District Footprint:** Reduced the footprint of the District.
- **School Renovations:** Renovated entryways to improve safety.
- **Programming:** Instituted a fine arts, music and dance partnership through Sumter. The District also has after school programs for all schools and a uniform exchange center.
- **Parents:** The District has Parent Centers at each location.
- **Summer Programs:** The District partners with Auntie Karen Foundation to provide extended personalized enrichment and fine arts activities through summer camps.

Challenges

- **Poverty:** There are high poverty rates in the District.
- **Student Achievement:** Student achievement continues to be a challenge across the grade levels.
- **Student Enrollment:** Many challenges start with getting kids back into school.
- **School Climate:** Decrease in teacher attendance and prime instructional time.
- **Community Climate:** Need to work on parental outreach and community engagement.
- **State of Health:** Need to focus on healthy lifestyles: most obese district in the state and fourth highest in the country.
- **Teacher Retention:** The low rate of teacher retention has affected the ability to build stability in the schools.
- **Act 388:** The net result was that Lee County's revenues were reduced due to the disparity in the property - sales tax swap.

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

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OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Gaps in Financial Management: The District has weakened financial stability with a low Unrestricted Fund Balance of 1% relative to the statewide average, high debt to total revenues, and low Days Cash on Hand. The District has been slowly improving those metrics and will need to continue to do so to stay on a path to financial viability. • Limited Staffing / Manual Processes: Limited staffing and under-investment and under-utilization of technology contribute to the District's gaps in financial processes.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: The District is adequately staffed but relies on several manual processes within the HR function including: substitute management and time tracking. • Challenges with Recruiting and Retention: There is a reliance on agencies for placement of hard to staff positions and use of international teachers to fill numerous vacancies.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The District is 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: There is no department dedicated to Procurement, but one FTE in the finance department takes on purchasing duties. • Strategic sourcing: The District uses State contracts to leverage volume discounts but does not negotiate with vendors beyond the state contract pricing levels.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent's job is spread across many functions and is supported by an administrative assistant. • Collaboration: The District participates in the Pee Dee consortium for minority teacher recruitment, teacher evaluation, mentor training, and other informal collaboration efforts.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

LEE

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to financial systems to facilitate automated and purchase to payments processes, integrated timekeeping and payroll and position control functionality.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing/Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Implement new technologies to automate HR processes, such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</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) to evaluate the potential financial benefits of using routing software.</p> <p>Staffing / Organization: Create dual employment opportunities to help address bus driver shortages.</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

LEE

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

LEE

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$10,000	\$25,000	\$32,500	\$97,400
Human Resources	5,000	10,000	0	26,400
Procurement	0	0	98,900	205,200
Transportation – District	N/A	N/A	68,000	102,000
District Total	15,000	35,000	199,400	431,000
Transportation – State	18,000	62,000	66,900	126,900
Total	\$33,000	\$97,000	\$266,300	\$557,900

* 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.



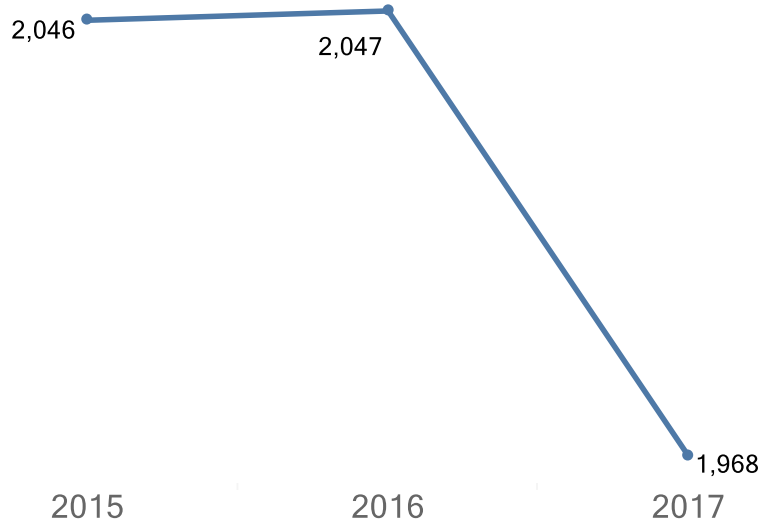
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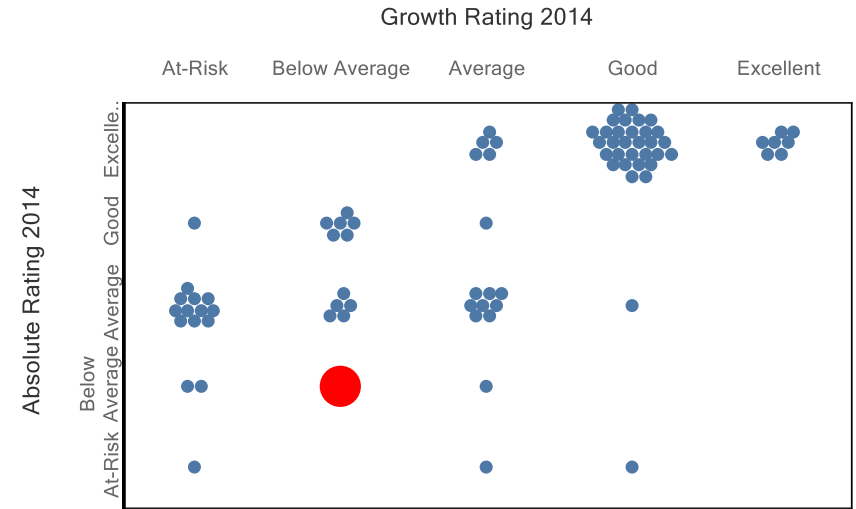
DISTRICT ADMINISTRATION AND PERFORMANCE

LEE

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	5
% Poverty ^[1]	89.9%
% Disability ^[1]	2.6%
\$ Per Student ^{[2],[3]}	\$14,703
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$12,256

Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.8
Students Per Overhead FTE ^{[2],[4]}	138.1
Students Per School Support FTE ^{[2],[4]}	18.0
Students to Total FTE ^{[2],[4]}	5.7

DISTRICT BENCHMARKING

LEE

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%)

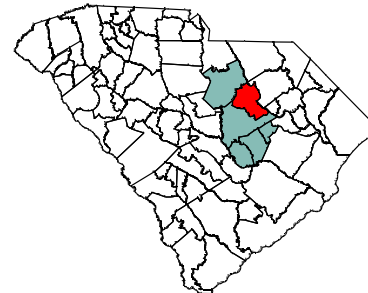
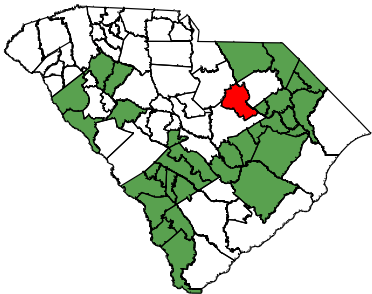
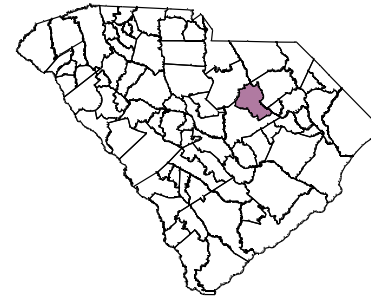
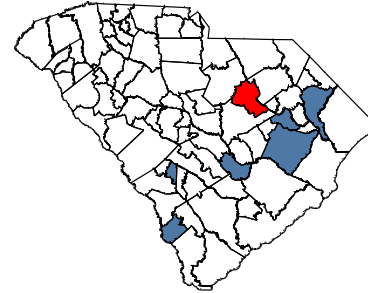
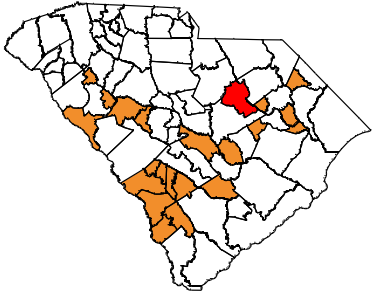
Barnwell 19
 Florence 03
 Hampton 02
 Lee
 Marion 10
 Orangeburg 03
 Williamsburg

County (Lee)

Lee

Region (Santee Lynches)

Clarendon 01
 Clarendon 02
 Clarendon 03
 Kershaw
 Lee
 Sumter



DISTRICT OVERVIEW

LEE

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

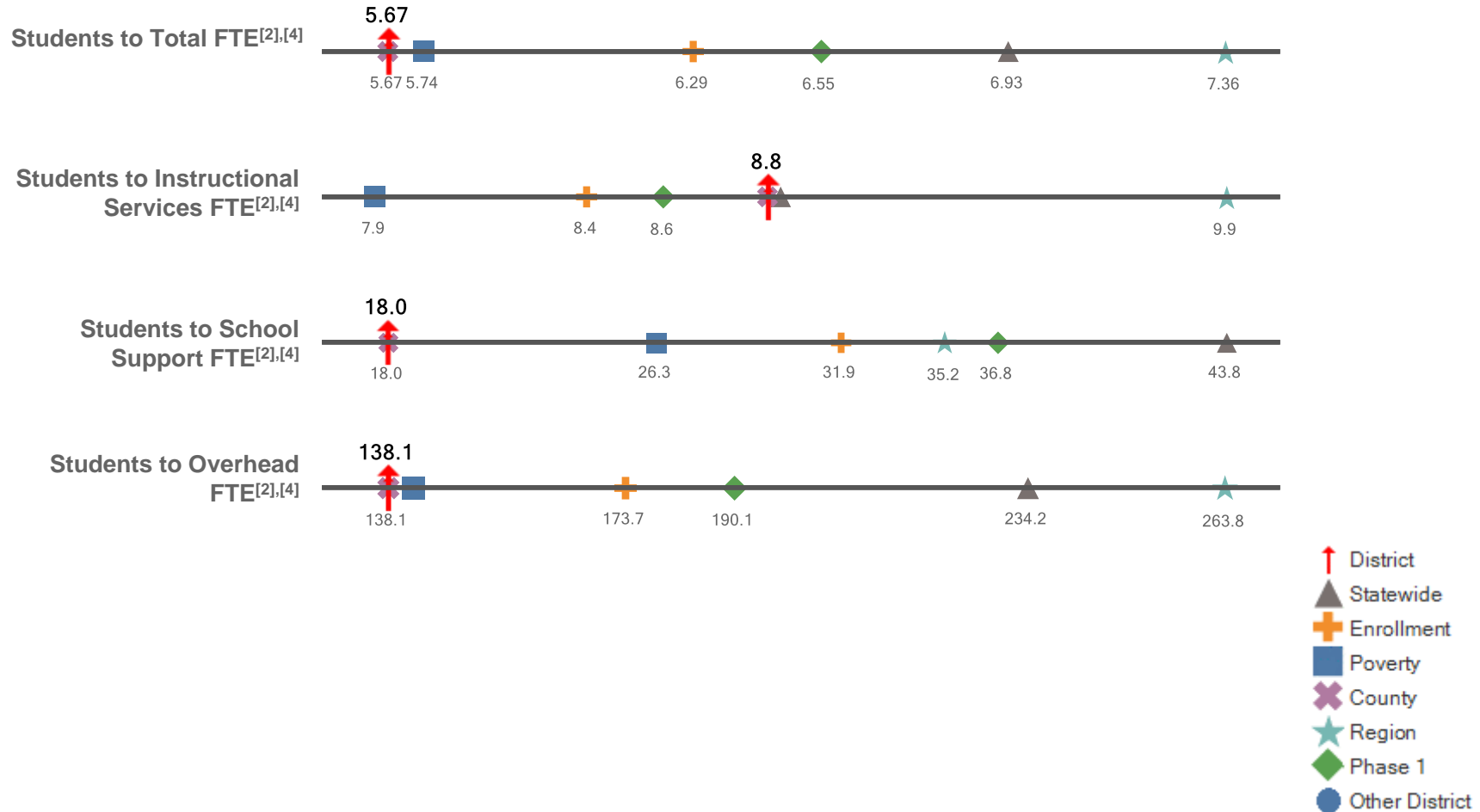
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

LEE

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD LEE

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 78 students, or 3.8%, over the past 3 years. • Student Demographics: The District has an 89.9% poverty rate with a low 2.6% disability relative to peers. • Competition: The District does not have charter schools but faces competition from private schools and out of district charter schools. • Other Demographic: The District must first grapple with issues that may keep children from attending school or living in safe environments before it can focus on performance. • Long-term Planning: The District does not prepare long-term enrollment projections to help inform long-term planning 	<ul style="list-style-type: none"> • Given the recent trends in enrollment the District should develop a long-term enrollment forecast to anticipate and better plan for enrollment changes, ensuring long term financial stability
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: The District's declining enrollment trend combined with its historically low average Unrestricted Fund Balance of 1% leaves the District with limited reserves and sub-optimal overall financial position. • Per Pupil Expenses: When excluding debt and capital, the District has a moderate per pupil spend of \$12,256, which is higher than statewide average of \$11,242. • Unrestricted Fund Balance: The District has an Unrestricted Fund Balance that is 1.3% of revenues. The fund balance is the among the lowest compared to the statewide average, resulting in precarious financial stability. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is improved, the District should utilize the three to five year financial plan to forecast reductions in overall debt levels, improve the position of the fund balance, and allow for investment in critical areas of academics and operations.

DISTRICT OVERVIEW AND OVERHEAD LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Student to FTE: The Student to Total FTEs of the District is 5.7, which is low relative to statewide average. The high per pupil has allowed the District to make investments in FTEs to provide student services and operate the schools. • Student to Instructional Services FTE: The Student to Instruction ratio of 8.8 is on par with the District's peer group, reflecting a balanced approach to teacher staffing levels. • Student to Support Services FTE: The Student to Support Services ratio of 18.0 is significantly lower than peer group due to large number of student services, case compliance personnel needed, instructional support to drive consistency and for improved community engagement. • Student to Overhead FTE: The Student to Overhead ratio of 138.1 is lower than peer group because of the fixed cost structure required to operate this school district. 	<ul style="list-style-type: none"> • The District should seek additional resource support from the State Department of Social Services staff for case compliance and assistance getting the children back into schools.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent spends a significant amount of time dealing with non-academic issues such as parental and community engagement rather than with strategic issues focused on student achievement. • Communications Function: The Superintendent's office handles traditional communications support and oversees a significant outreach program consisting of parent liaisons, case managers, school psychologists, and social workers. 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the Superintendent, which are outside of the scope of this report, in order to optimize resources and bring spending in line with benchmarks.

DISTRICT OVERVIEW AND OVERHEAD LEE

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 4 years. 	
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid about \$4,600 annually. • Board Composition: There are 7 Lee County Board members elected through a partisan election process. • Training: Board members are required to attend training with the Boardsmanship institute under the SCSBA. 	
Collaboration	<ul style="list-style-type: none"> • Coordination: The District coordinates with other regional superintendents. • Career Center: The District participates in the Pee Dee Consortium for training, professional development, and Powerschool training. The Superintendents sit as board members on the consortium. • Special Education: Special education services are provided through the consortium via a program called Project Share. Pee Dee sends out invoices to facilitate servicer and payer payments. • Headcount: The District shares IT staff with Sumter. 	<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.

463 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$159 per Student

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

Key statistics for metrics

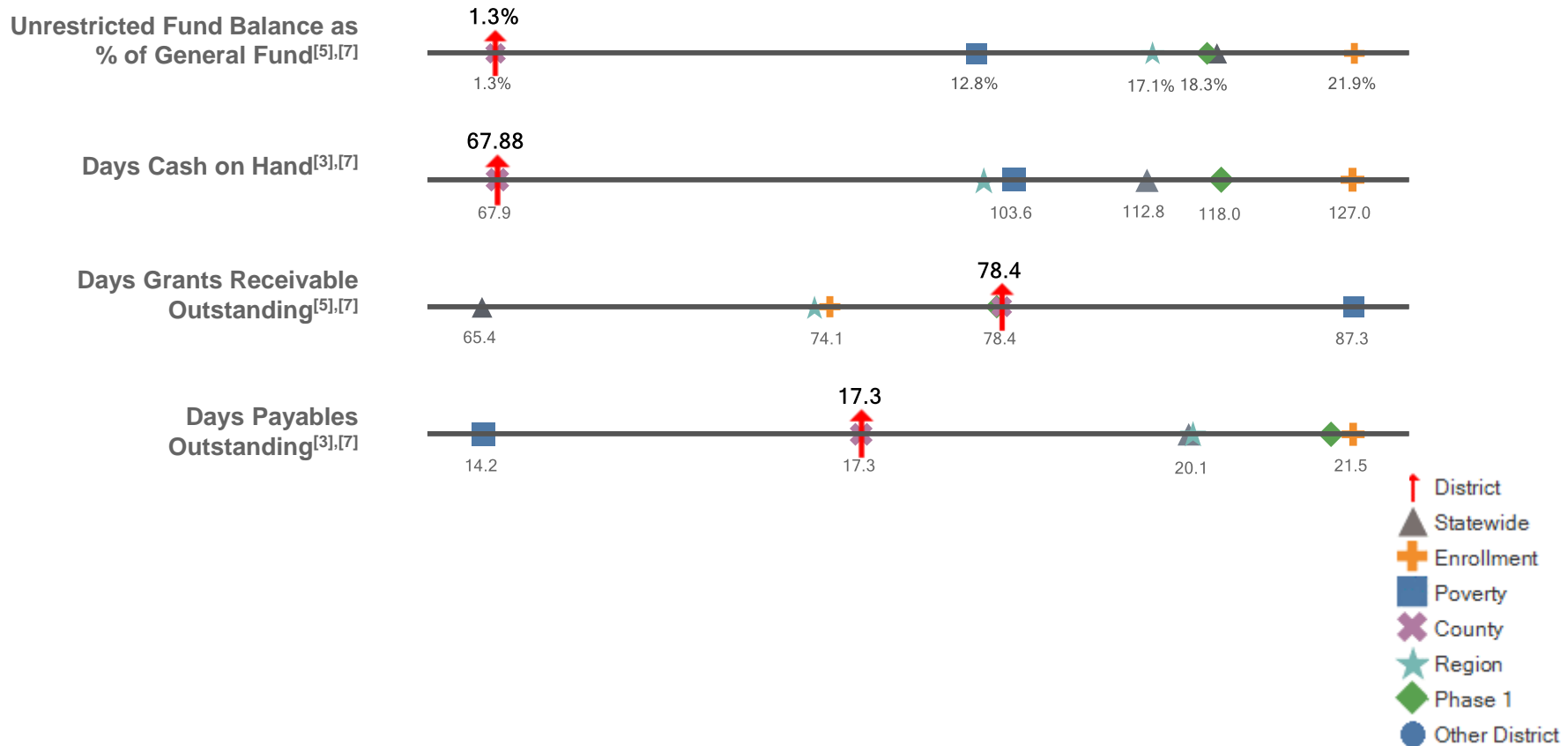
Financial FTEs ^[4]	4.3
Personnel Expense ^[3]	\$280,356
Non-Personnel Expense ^[3]	\$45,289
Total Financial Expense ^[3]	\$325,645

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 LEE

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

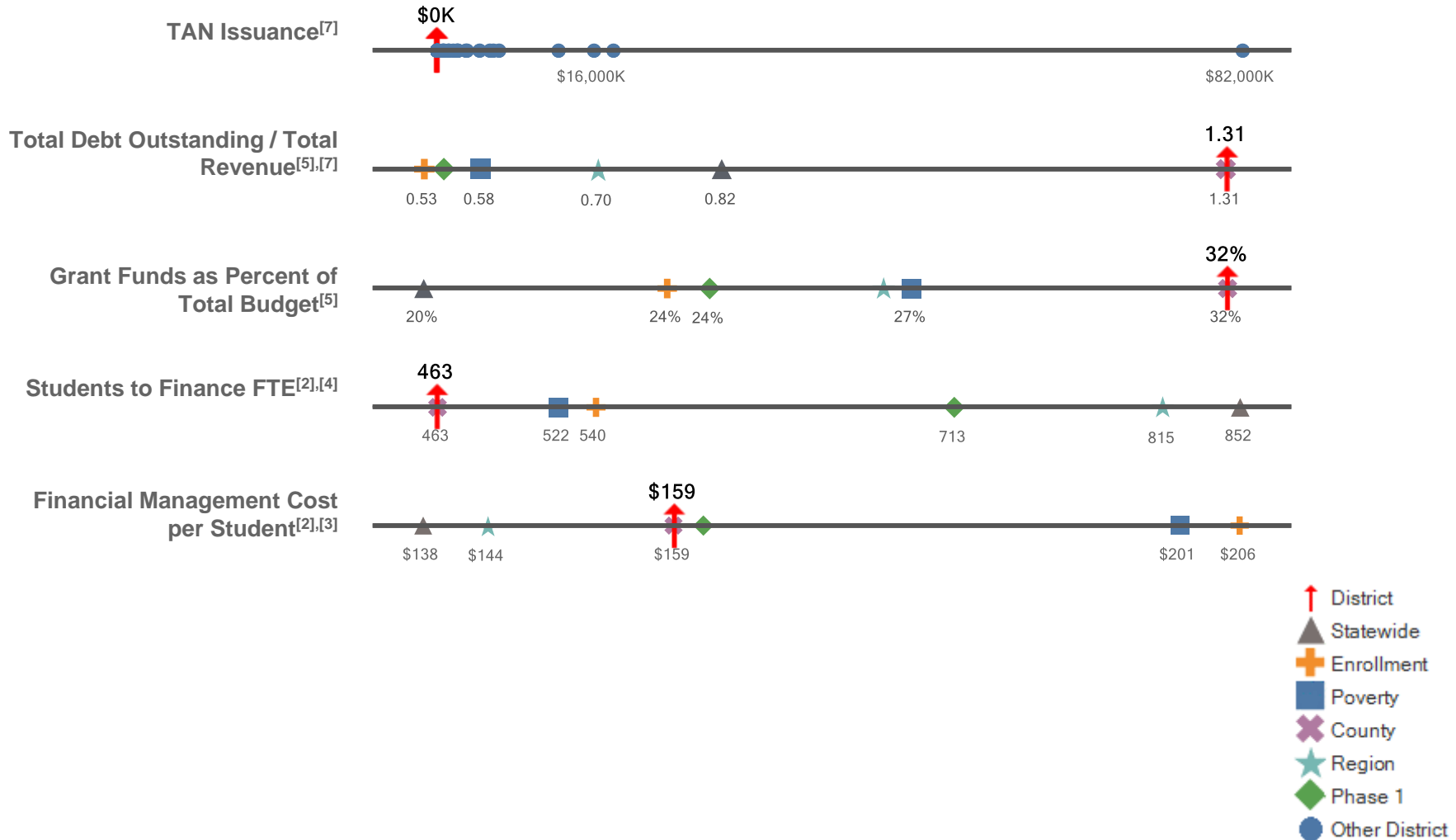
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



FINANCIAL MANAGEMENT

LEE

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Finance organization is reasonably staffed for the size of the district to support its scope of roles and responsibilities that include, budget and accounting, payroll, accounts payable and purchasing. • Turnover: The department is on its fourth finance director in 4 years. The current director has been in place for just over a year. • Finance Cost Per Pupil: The Finance cost of \$159 per pupil for the District is low relative to other districts with similar enrollment levels but is higher than the statewide average of \$138. • Student per Finance FTE: The student to financial management FTE ratio of 463 is low, relative to the statewide average of 851, indicating the possibility for efficiencies in the finance organization. • Other: Index of taxpaying ability presents challenges as the District has one of the largest geographies footprints with low assessed values. 	<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 semi-monthly basis. • Payroll Platform: The District does not use a self service payroll platform; therefore, employee initiated payroll changes are all processed manually. • Timekeeping: Time tracking is currently managed via both manual and electronic processes through EMMA and SmartFusion. 	<ul style="list-style-type: none"> • Invest in enhancements to enable use of the employee self-service functionality available within the Harris SmartFusion system. • 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.

FINANCIAL MANAGEMENT LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Purchasing: The District uses Harris SmartFusion for purchasing. Schools are able to secure items and services in accordance with District and State regulations, with a robust but manual centralized approval process in place. • Procurement Card: The District has a Pcard program, with 4 cards managed with centralized internal controls in place to direct spending. • Warehouse: The District maintains supply in central office headquarters. When orders are filled, the system of record is adjusted to reflect estimated inventory levels. The District conducts inventory twice per year as an internal control. • Inventory: The District tracks inventory of technology and textbooks and maintains an inventory list. The District has a number of fixed assets in inventory including 10+ air conditioning units not fit for the existing schools. • Insurance and Risk Management: The District currently purchases all property and casualty and workers compensation insurance through the South Carolina School Board Insurance Trust (SCSBIT). <ul style="list-style-type: none"> - The District does not conduct independent reviews of the SCSBIT's claims management processes or audit the claims. - The District does not have formal risk management policies in place. 	<ul style="list-style-type: none"> • Implement policies that require use of a centralized purchase order system by schools and administrative personnel. Leverage automated requisition and purchase order work flow systems that can be integrated with the financial systems. • The District should initiate a process to auction or sell off unused inventory, such as the air conditioning units. • The District should implement Risk Management policies and procedures and establish an audit process to assess and evaluate claims (e.g., discovery, investigation, costs/payments) to ensure that favorable resolution alternatives are sought out.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 32% of revenue for the District, making it more reliant on grant funds than its peers. • Grant Receivables Days Outstanding: The District's time to receive grant dollars of 78.4 days is higher than the peer district average of 74.1 days, reflecting a slightly worse cash flow environment. • Grant Awards: The District was awarded an \$8.5 million for 3 school improvement grants to drive both academic and behavioral improvement. The District also wrote grants in the personnel department to establish a recognition program, award stipends to teachers, and to recruit teachers. Through relationships, the District received an additional \$12 thousand in expiring year end money for homelessness. • Collaboration: The District created a Math and Science partnership with Sumter to apply for a Math Track grant. The District wrote the grant and now submits payment requests and provides claims. • Indirect Costs: The District does not have a negotiated indirect cost rate for federal grants. • Grants Monitoring: Grant monitoring is a manual process, documenting grants via a claims folder. Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the finance department. 	<ul style="list-style-type: none"> • Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Consider hiring additional grant writer(s) 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 for each grant. • Consider billing and submitting for grant receivables on a more frequent basis (bi-weekly).

FINANCIAL MANAGEMENT LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was noted for findings relating to controls and compliance in its FY16 financial statements. The auditor specifically identified the finance department's inability to prepare financial statements and note disclosures. Inventory controls over supplies were found to be ineffective. The District has since implemented new inventory controls, and the addition of the new finance director should alleviate the financial statement capabilities. • Other: The District has implemented a number of controls to ensure segregation of duties and to manage and monitor the District's finances. Controls have been established for mail opening / check receipt, deposits, recording of deposits, cash receipts, and bank reconciliation. 	<ul style="list-style-type: none"> • The District has been incrementally addressing the audit findings and has been working to improve the overall financial stability environment. As the District continues to work through issues it should consider contracting for or hiring advisory support from retired school district CFO on a part time basis to bolster the finance department during the District turnaround process.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a low cash balance with 67.8 days cash on hand, when compared to the statewide average of 112.8. • Cash Flow Forecasting: The District conducts long range forecasts to understand future needs and reviews cash flow forecasts on a monthly basis. In addition, it periodically uses Tax Anticipation Notes to help manage working capital through December of the school year. • Refinancing: The District worked with an underwriter and bond insurer to refinance \$30 million, which generated annual savings of approximately \$500 thousand per year. 	<ul style="list-style-type: none"> • Implement processes to file for grant (state and federal) reimbursements on a monthly or bi-weekly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines. • Invest excess cash balances in a Local Investment Pool to maximize earnings at times when cash balances are at peak.

FINANCIAL MANAGEMENT LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with budget request from principals based on staffing, facilities, instructional projections, and class target size. • Fiscal Monitoring: The District produces budget to actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses. As a general rule, the budgets are not materially adjusted. 	<ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Prepare monthly financial reports and variance analysis. Reports should be shared with District leadership and each department head on monthly basis.
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Harris SmartFusion accounting software system; however, the processes remain manual for time-keeping, payroll, invoice approval, contracts and purchasing and also uses EMMA for time tracking. • Approvals: The District uses electronic processes for procurement and buying, but combines this with manual signatures to approve requisitions and purchase orders. All purchase orders are reviewed and approved by the Superintendent. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders, automated time tracking that links directly with the payroll system. Achieving an automated approval process would free up the Superintendent's time to address other district specific challenges. • The District should transition to automated work processing and approval for its processes. The District is currently evaluating options for automated time keeping systems.
Regional Collaboration	<ul style="list-style-type: none"> • Consortiums: The District is part of the Pee Dee Consortium in which the finance directors of individual districts meet quarterly to share knowledge and discuss various topics. • Other: The District is looking to do a pilot with Darlington to generate revenues through cell tower leasing and would like to pool borrowing with other districts to gain access to capital. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



OUTLINE

- I. Executive Summary
- II. District Overview and Overhead
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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.

492 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$127 per Student

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

Key statistics for metrics

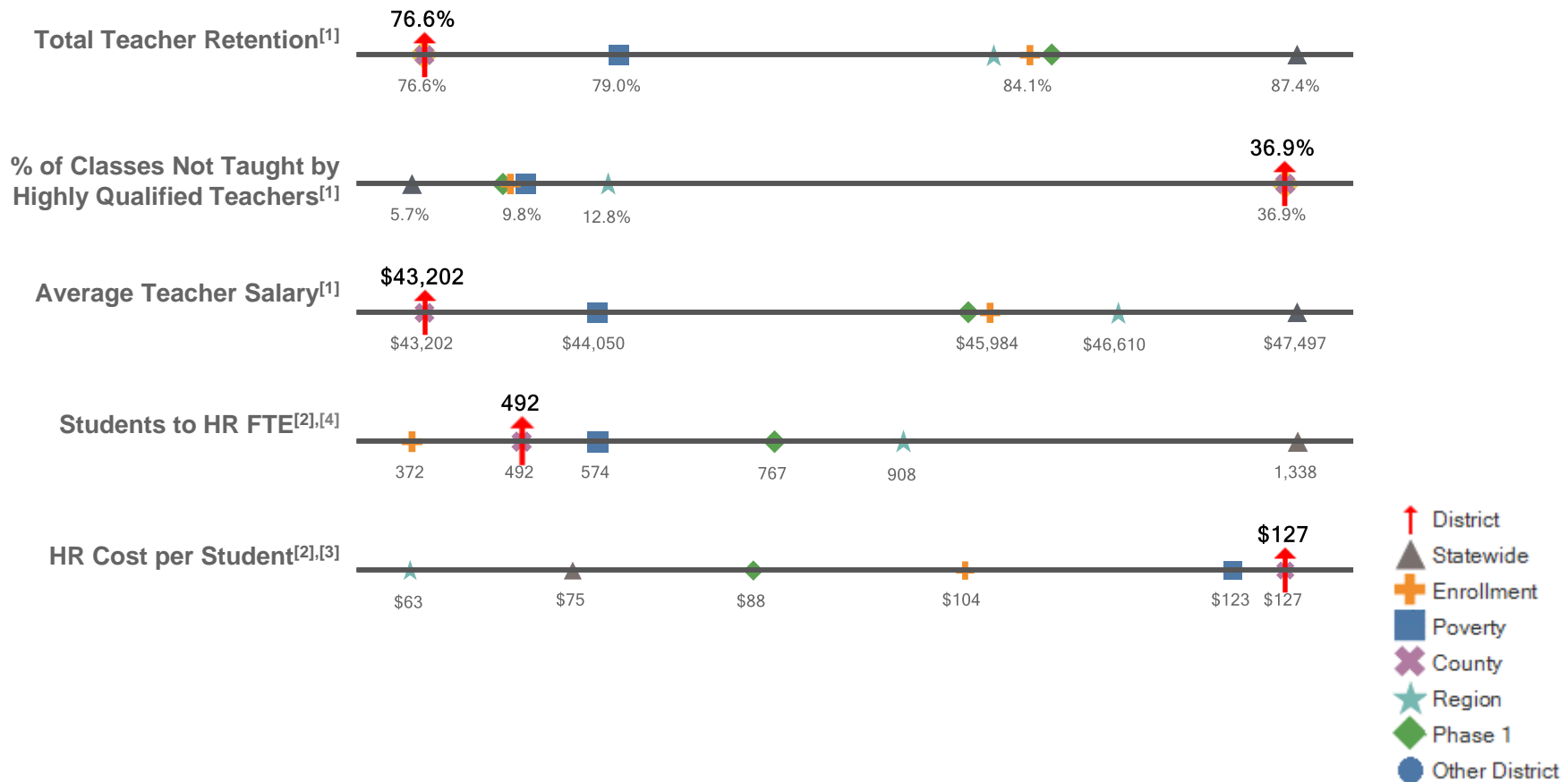
Human Resources FTEs ^[4]	4.0
Personnel Expense ^[3]	\$226,685
Non-Personnel Expense ^[3]	\$33,669
Total Human Resources Expense ^[3]	\$260,354

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 LEE

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

LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. • Turnover: The office has experienced high turnover. There have been several directors in the past few years. • Professional Development: The department oversees a 3-year teacher induction program and new teacher orientation, manages substitute training and coordination, and provides other administrative training. • Human Resources Cost Per Pupil: The HR cost per pupil of \$127 for the District is higher than the statewide average of \$75, necessitated by the high teacher turnover rates. • Student Per Human Resource FTE: The Student to HR FTE ratio of 492 is low relative to the statewide average of 1338 but higher than the average of districts with similar enrollment levels. 	<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"> • Teacher Turnover: The District has a high teacher turnover rate attributable to the combination of teacher pay and high levels of poverty. The low teacher retention rate, 76.6%, stresses the issues of stability and delivery of education services to students. • Recruiting: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District currently employs 12-14 international teachers, or 8-10% of it's total teaching force. In addition, the District leverages the Pee Dee Education Center under the Project Share program for special needs services. 	<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 compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.

HUMAN RESOURCES

LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> • Recruiting Partnerships: The District participates in recruiting fairs across the state and uses the Center for Education Recruitment and Retention and Advancement (CERRA) and the SCASA website. • Teacher Pay: The average teacher salary of \$43,202 is below the statewide average of \$47,497, making it more difficult for the District to compete for incoming teachers. • Incentives: The District was awarded CERRA grants to facilitate signing bonuses for teachers. • Substitutes: The teachers shortage continues during the school year, with several teacher vacancies currently being filled with long-term subs. 	<ul style="list-style-type: none"> • The District uses CERRA grants for to provide signing bonuses / incentive programs to try and attract and retain teachers. The district should consider dividing the bonus into an up front bonus and bonus payable upon a set anniversary date to help address annual turnover. • Conduct exit interviews to gather information on the causes of employee attrition and use the results of the process to formulate an effective teacher retention plan
Technology	<ul style="list-style-type: none"> • Recruiting tools: The District uses TalentEd Recruit and Hire software systems for recruiting, application screening, processing and onboarding. • Substitute Management: Substitute planning is done manually following teacher plans. The District does not use robocalling programs; instead, the secretary handles vacancies through early morning phone calls. 	<ul style="list-style-type: none"> • Implement technology to help enhance and automate recruiting, on-boarding, substitute management and time tracking processes that are currently manual. • Implement software systems to help manage the substitute management process. • Implement an automated time tracking system that can interface directly with the payroll system.

HUMAN RESOURCES

LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> • Staff: Benefit services are handled by a human resources administrator. • Ineligible Dependents: The District is alerted by the State when ineligible dependents are included in the application process every October. 	<ul style="list-style-type: none"> • The Benefits administration process could be automated via establishment of an employee portal. Employees could be responsible for updates and information would be linked directly to payroll. • Establish a process with PEBA to conduct a local review of benefit plans for ineligible dependents.
Collaboration	<ul style="list-style-type: none"> • The District participates in the Pee Dee consortium, which administers a program for recruitment of certified minority teachers. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers • Consider creating a regional recruitment and training center focused on teacher recruitment across a regional group of districts.



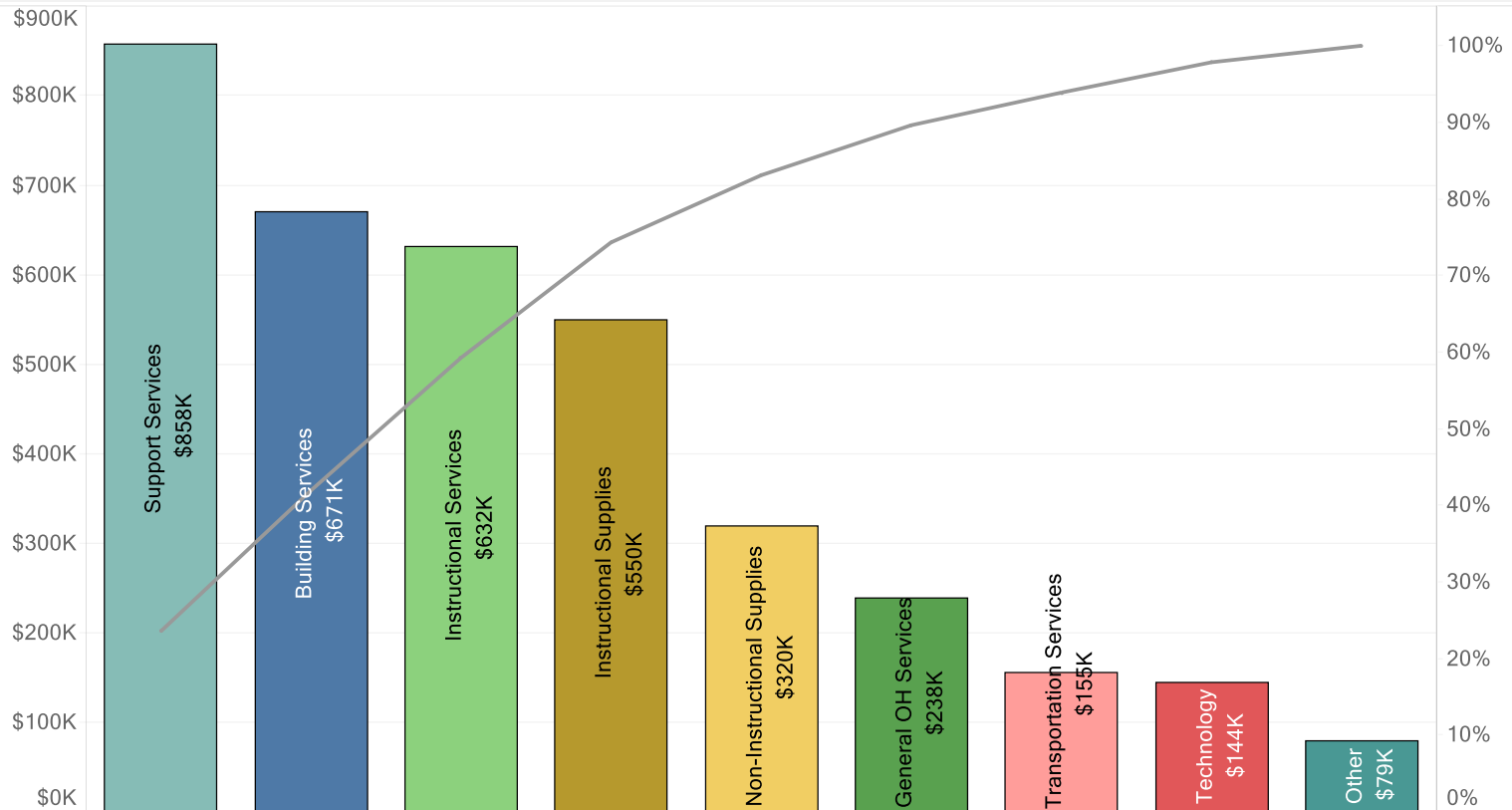
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PROCUREMENT OVERVIEW

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

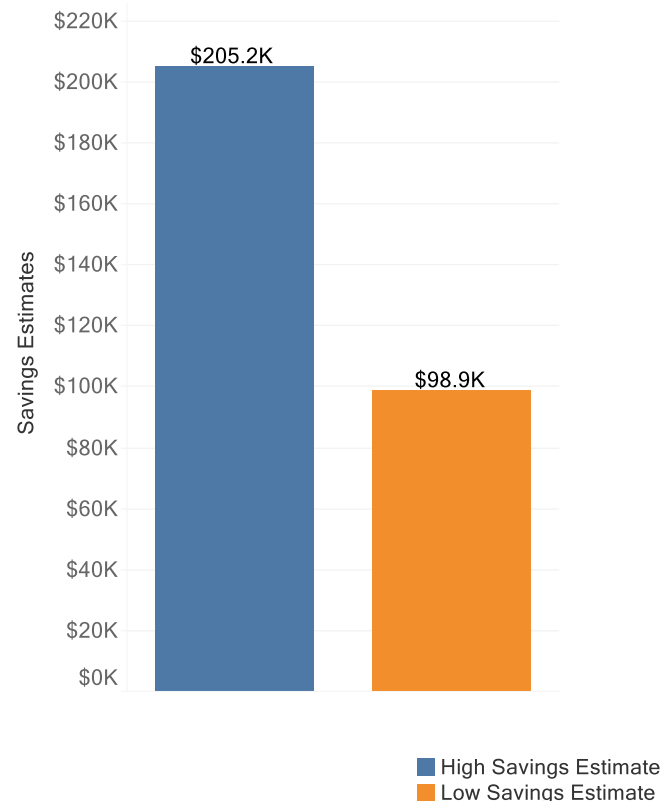
District In Scope Total Procurement Spend = \$3,645,931



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 LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Organization: The District does not have any staff focused on procurement but has one FTE dedicated to purchasing within the financial management function. 	<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"> • Vendors: Spending is fragmented across more than 1,000 vendors; however, the top 60 make up more than 80% of total spending. • Process: Spending efforts are originated from the schools with bookkeepers entering requisitions only, without the ability to place the order. Finance reviews and the Superintendent approves purchasing decisions. • Vendor Selection: Cost is the primary consideration in vendor selection. The District mainly uses State contracts to leverage volume discounts but does not negotiate with vendors beyond the state contract pricing levels. • RFPs: The District will prioritize procurement opportunities based on the amount of spend against those contracts. Recent RFPs directed by the District include copier contract and construction contracts, which were procured through bids. • Pcard: The Superintendent approves Pcard usage with staff required to fill out a purchase order to encumber the funds. • Payment Process: Payment is a manual process with the invoice and purchase order reconciled, stamped, receipted, and signed by the individual. 	<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. • Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts • 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. • 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 LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District put an RFP out for large construction projects and tries to use local vendors for routine maintenance. • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. • Energy: The District does not use natural gas. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software to be placed out to bid. The District does not procure these services and software in collaboration with any other districts. • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging a state contract with a reseller, Applied Data Technologies, to make its purchases. • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority of its non-instructional supplies outside of available State contracting vehicles (Quill) under the belief that it can receive comparable, if not better pricing. • The District issued an RFP for a large scale construction project at the schools and received 28 responses. 	<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 and services with surrounding districts to maximize potential for volume discounts. • Consider establishing fixed rate contract for natural gas

PROCUREMENT LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">• Consortium: The District is part of the Pee Dee consortium.• The District is reducing the leadership participation in the SCASBO finance consortium due to the lack of perceived value from the consortium.• The District has participated in procurements with bigger districts (e.g., furniture) to attain volume pricing by having the District name added to procurements but without required volume discounts to provide vendor incentives to deliver deeper discounts.	<ul style="list-style-type: none">• Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management.• A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include:<ul style="list-style-type: none">- Technology- Instructional Software and Services- Instructional Staffing- Supplies



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TRANSPORTATION LEE

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.

14 Years

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

\$584 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	51.0
Personnel Expense ^[3]	\$1,029,130
Non-Personnel Expense ^[3]	\$165,772
Total Transportation Expense ^[3]	\$1,194,902

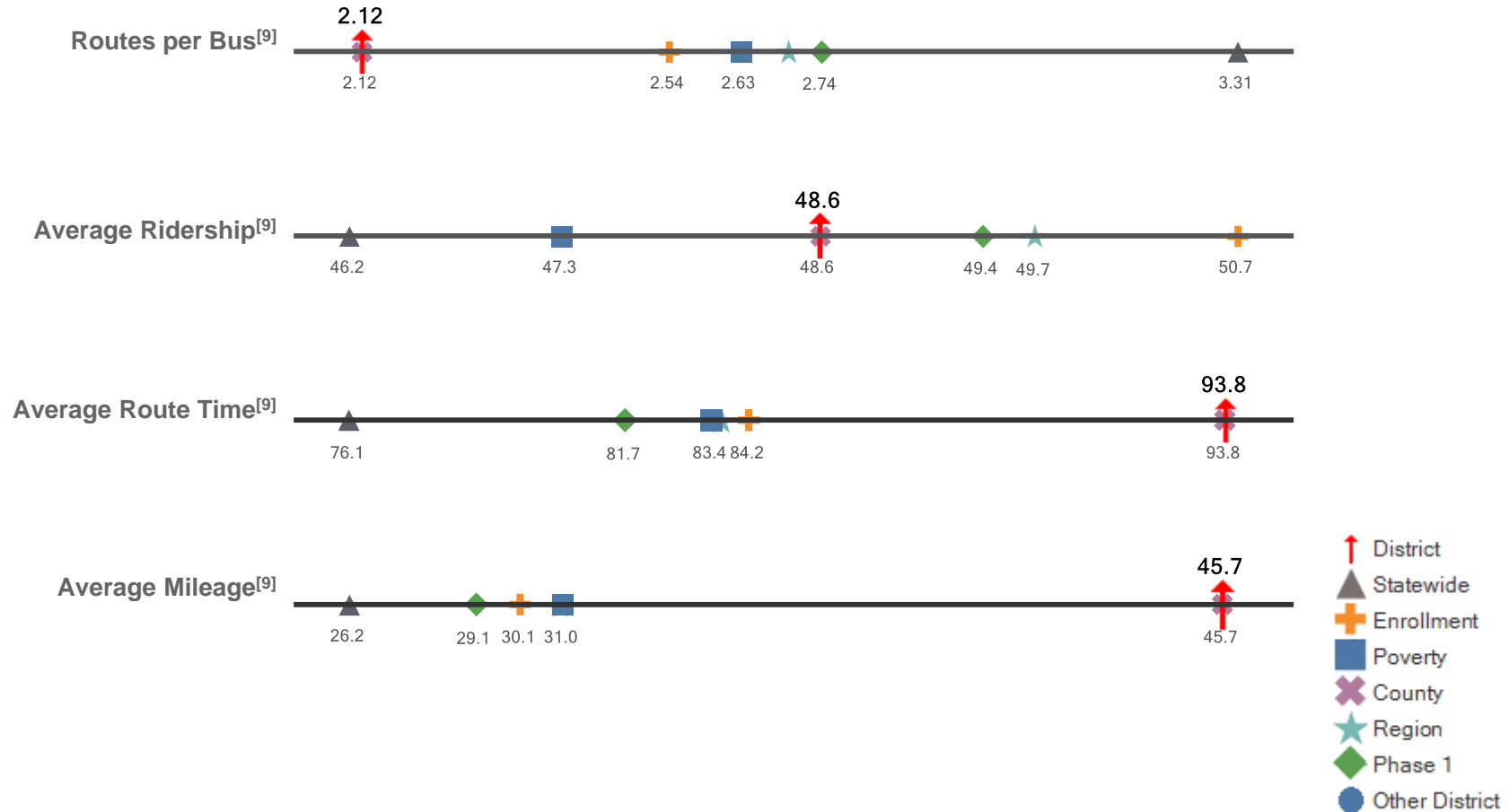
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	31.7	67	2.1	3,257	49	94	46
Special Needs	6.0	13	2.2	103	8	Not-Available	58
Other	2.3	5	2.1	61	12	Not-Available	46
Total	40.0	85	2.1	3,421	N/A	N/A	N/A

TRANSPORTATION LEE

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 LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Management: The District has a transportation supervisor and director of operations. • Driver Shortages: The District experiences driver shortages. The District attempts to have substitute drivers who are already hired, but has a difficult time recruiting bus drivers. Due to the lack of substitute drivers, routes are frequently adjusted daily to deal with the shortage. • Driver Roles: Many of the bus drivers in the District have dual roles and are employed as aides, food workers or custodians to offer full employment opportunities in the District. • Bell Times: The District does not have staggered bell times but runs staggered bus routes, with the earliest routes starting as early as 5:33am. Given all schools start at the same time, students regularly arrive at school up to an hour before school starts. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create additional 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 LEE

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing: The District works with the state routing program to upload route information. • Tracking: The District does not have GPS on its buses. • Communications: The District does not have radios on buses and provides cell phones to drivers for communications while on routes. • Security: <ul style="list-style-type: none"> - The District does not have security cameras on all buses. - The District does not have stop-arm cameras on buses. • Activity Buses: The District uses the State fuel for activity buses. • Hazardous Routes: The District will follow State guidelines unless there is a hazardous route, in which case, the child will be picked up on the route. 	<ul style="list-style-type: none"> • Implementation of staggered bell times will 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students. • Implement routing software to ensure most efficient routes. • Install GPS on buses to monitor bus routes and ensure most efficient route. • Install security cameras on buses and stop-arm cameras to increase child safety and security on buses.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with other districts for transportation services. 	<ul style="list-style-type: none"> • Leverage the state maintenance hubs for activity buses. • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and support bus driver sourcing.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

LEE

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

LEE

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

Functional Review Operating Model Components



PROCESS

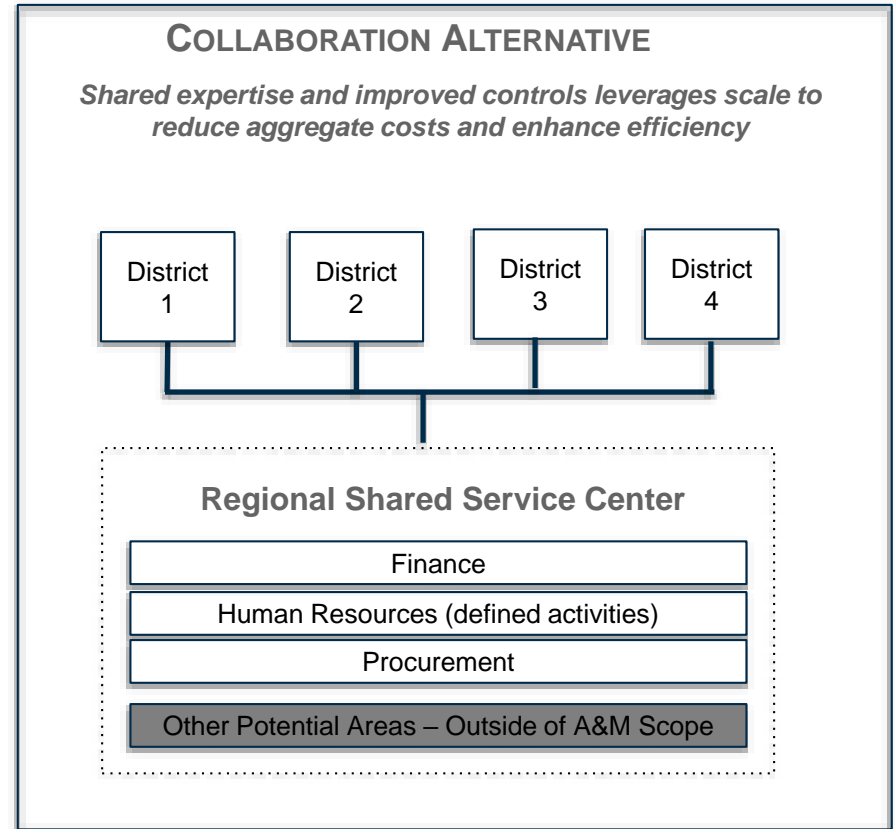
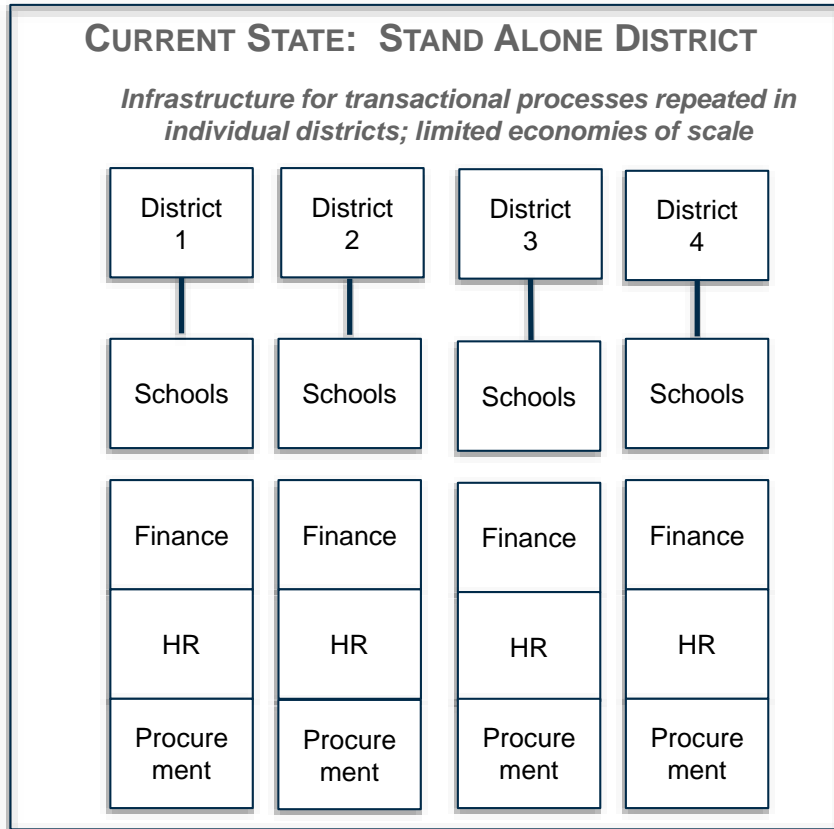
Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

ORGANIZATION

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

COLLABORATION: SHARED SERVICE MODELS

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



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

APPENDIX A: SAVINGS METHODOLOGY

LEE

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).

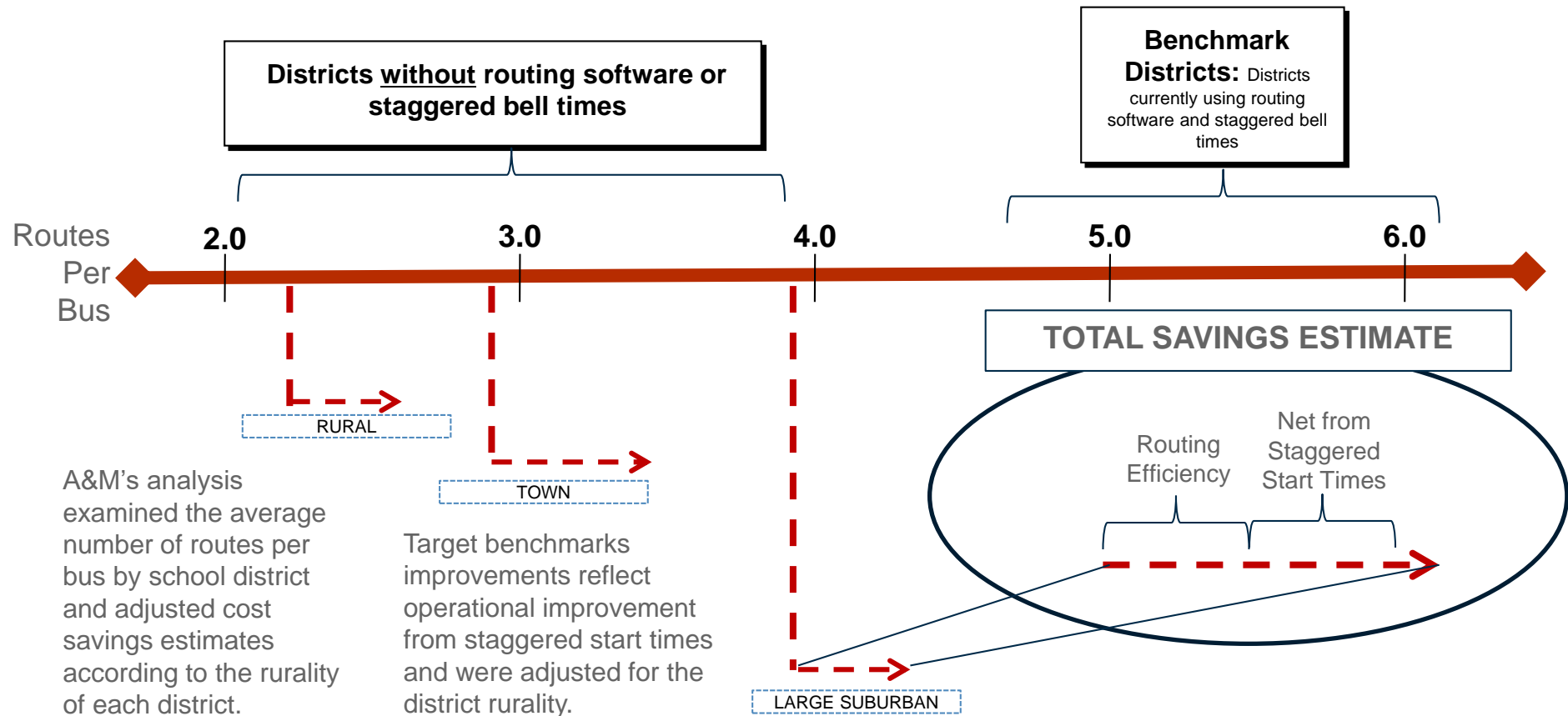
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

APPENDIX A: SAVINGS METHODOLOGY

LEE

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

LEE

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

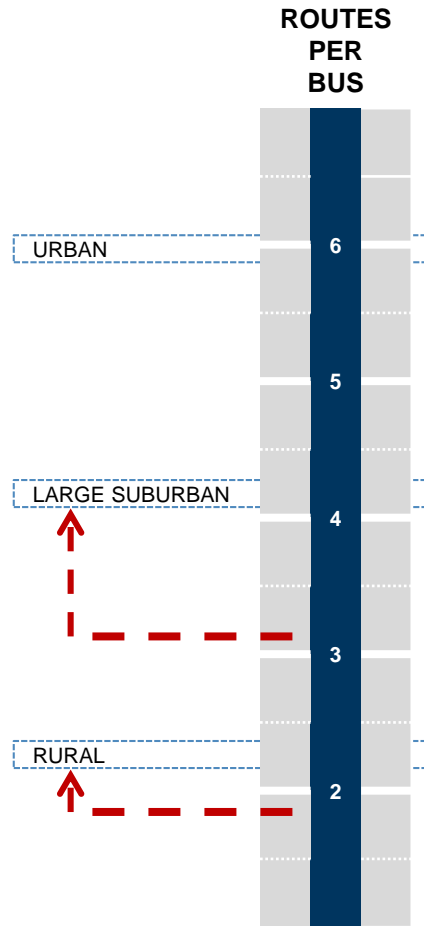
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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 benchmarks improvements are shown in the graphic to the right reflecting operational improvement and adjusting for the district rurality.



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

DISTRICT A	VOLUME	UNIT	DISTRICT	STATE
DRIVERS	2.0	\$ 19,390	\$ 23,133	\$ 15,647
FUEL	-	\$ 0.15	\$ -	\$ -
MAINTENANCE	2.0	\$ 4,138	\$ -	\$ 8,276
BUSES (COST AVOIDANCE)	-	\$ 60,000	\$ -	\$ -
TOTAL			\$ 23,133	\$ 23,923

Staggered bell times would help reduce routes and the number of buses required.

APPENDIX A: SAVINGS METHODOLOGY

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COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

Given the size of many of the individual districts, there is little leverage to negotiate best pricing or invest in resources needed to develop or implement a defined procurement strategy. These districts would benefit from greater purchasing coordination, aggregation of buying power and minimum commitments in order to improve overall pricing.

EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

Example 1: Differentiated Pricing in Professional Services

District	Labor Rate Mark-up for Temporary Staff
District A	0.43 to 0.49
State Contract	0.40
District B	0.39

- At a minimum, many districts could benefit from leveraging State contracts. Districts could additionally benefit from favorable pricing negotiated by other districts.

Example 2: Volume Discounts and Rebates with a Technology Vendor

Minimum \$ Value	Discount
\$50,000	1%
\$100,000	2%
\$200,000	4%
\$500,000	6%
\$1,000,000	8%

- Nearly all districts could benefit from additional discounts by aggregating spend statewide.

APPENDIX A: SAVINGS METHODOLOGY

LEE

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

LEE

[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 LEE

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

LEE

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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