



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Lexington/Richland 05

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

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

PROJECT OVERVIEW (CONTINUED)

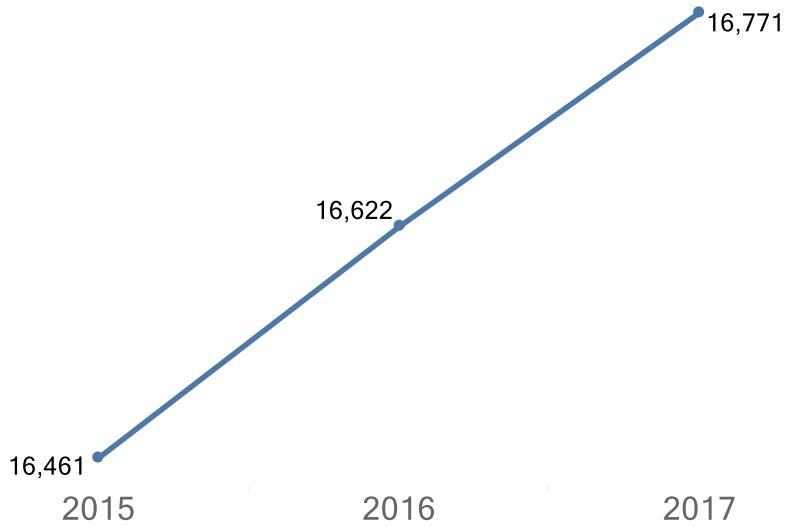
➤ Sources of Data and Savings Estimates:

- 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.

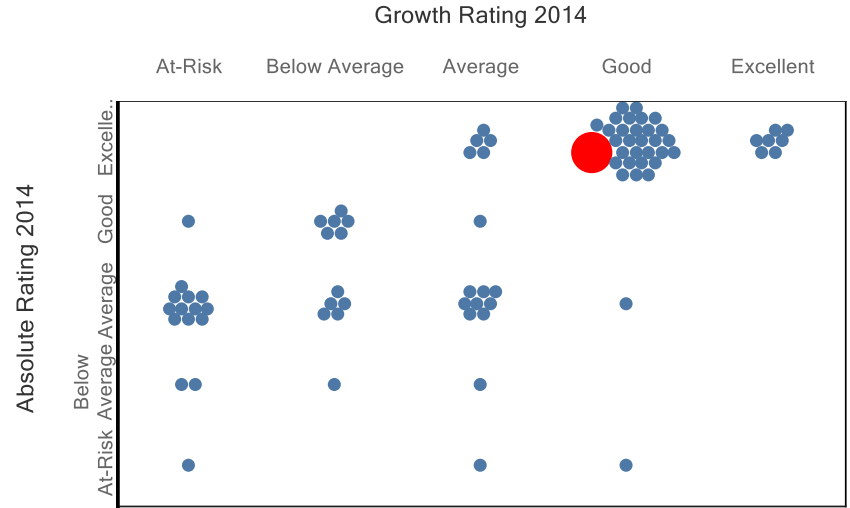
EXECUTIVE SUMMARY

LEXINGTON/RICHLAND 05

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	21
% Poverty ^[1]	37.2%
% Disability ^[1]	12.7%
\$ Per Student ^{[2],[3]}	\$18,037
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,792

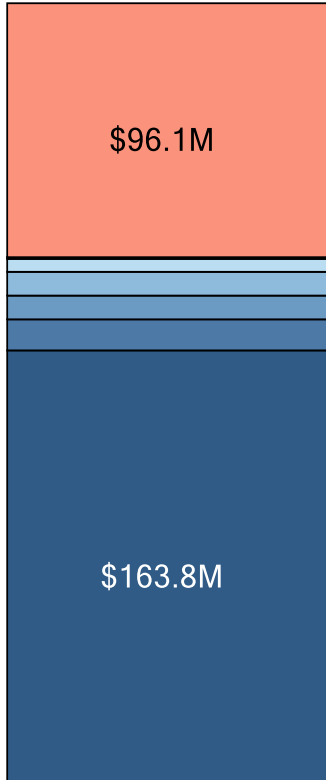
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.4
Students Per Overhead FTE ^{[2],[4]}	217.4
Students Per School Support FTE ^{[2],[4]}	37.0
Students to Total FTE ^{[2],[4]}	6.6

EXECUTIVE SUMMARY

LEXINGTON/RICHLAND 05

Sources of Funds^[5]
\$295.7M



2015-2016

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

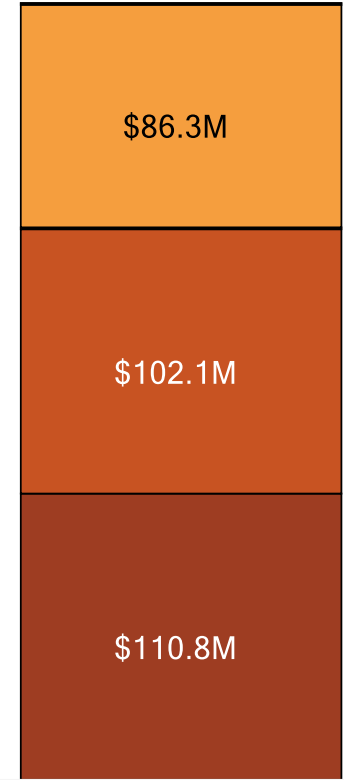
Use of Funds - Type^[3]
\$299.8M



2015-2016

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

Use of Funds - Function^[3]
\$299.8M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

LEXINGTON/RICHLAND 05

\$299.8M
Total

\$28.0M
In-Scope

\$271.8M
Not In-Scope

9.3% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$2,661,381	\$1,174,559
Human Resources	\$958,007	\$37,227
Overhead	\$1,143,679	\$733,664
Transportation	\$5,134,682	\$708,425
Procurement (Community Services, Instruction, Support Services)	\$18,080,541	\$18,080,541
TOTAL	\$27,978,290	\$20,734,416

* totals may not tie due to rounding

EXECUTIVE SUMMARY

LEXINGTON/RICHLAND 05

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

- **Mission:** In partnership with the community, to provide challenging curricula with high expectations for learning that develop productive citizens who can solve problems and contribute to a global society.
- **Vision:** Empower all students to meet or exceed expectations for academic, social and emotional growth and success. We will provide opportunities for students to develop creative and critical problem solving skills, as innovative learners, to meet dynamic global changes. We will maximize our use of resources through collaborative partnerships with our community, our business and education partners. District Five's students will be prepared to pursue excellence for tomorrow's challenges.

Achievements

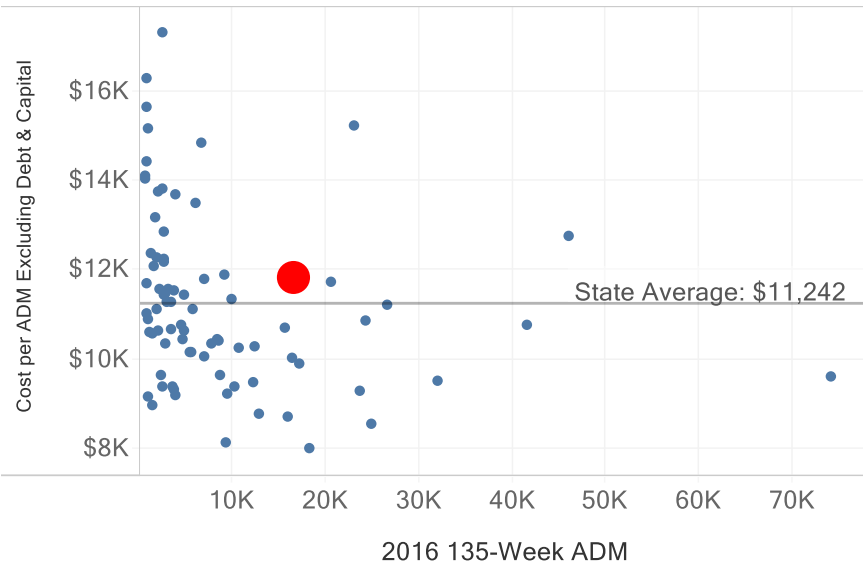
- AdvancED certification
- Magnet Programs that include STEM, International Baccalaureate, Escolares Academy, LEAP, The Leader In Me Program.
- Created a dual enrollment program with Midlands Tech.
- ACT scores above the national average.
- Created a Center for Advanced Technical Studies.
- Delegations from China and Japan have visited to understand how Lexington/Richland 5 has achieved their success.

Challenges

- The geography of the district has provided challenges in satisfying the needs of all the various communities.
- Bond issuance has to be approved by a majority of the District's citizens.
- Population growth in Chapin has caused the need for mobile classrooms.

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

LEXINGTON/RICHLAND 05

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Staffing: The CFO manages Finance, Procurement, Food Services, Technology, Transportation, and Facilities. The team also has a significant amount of people working on payroll and benefits reporting. • Processes: The District has predominately manual processes for time tracking, invoice approval, and procurement. These manual processes add to the amount of resources needed.
Human Resources	<ul style="list-style-type: none"> • Staffing: The Chief Human Resources Officer is in her second year at the District. The Director of Personnel and the Coordinator of Certified Support Personnel have been at the District for 17 and 2 years respectively. • Recruiting and Retention: The District has been aggressive in developing a pipeline of teachers from universities and working to retain them through an rigorous induction program that has resulted in only 4% of first year teachers leaving the district. The District expects approximately 26% of its teaching staff to retire in the next five years.
Transportation	<ul style="list-style-type: none"> • Staffing: The District has a high retention rate of 92% and has been able to build up a substitute pool of drivers where other districts maintain constant openings. • Other: The Transportation department handles all transportation related disciplinary actions.
Procurement	<ul style="list-style-type: none"> • Processes: The District follows all State procurement guidelines and tracks purchasing approvals through Infinite Visions. However, the District also needs to hand create purchase orders to send to vendors. • Strategic sourcing: The District collaborates with the top spending districts in the State for the procurement of some goods and services as well as uses State negotiated contracts where appropriate.
Overhead	<ul style="list-style-type: none"> • Geography: The District is serving multiple communities across two counties. The District office needs to bring together various groups in various communities to satisfy the District's mission. • Collaboration: The Superintendent collaborates with other regional Superintendents. The District does share resources with Richland One for specialized hearing resources.

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

LEXINGTON/RICHLAND 05

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>Time Tracking System: Implement Time Tracking system to reduce the work load on payroll and staff.</p> <p>Invoice Approval: Implement document workflow solutions that will enable for invoice approval and receipt of goods and services that will streamline the accounts payable process.</p>	<p>Time Tracking System: Implement Time Tracking system to reduce the work load on benefits compliance and workforce management.</p> <p>Workforce Planning: Develop a workforce plan for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring high performing teacher training to enable a promotion, and partnering with staffing services to meet the needs of the students in case a gap in employment arises due to the amount of teachers expected to retire in the next five years.</p>	<p>System Improvements: Implement document system that will enable purchase order information in Infinite Visions to be printed in a Purchase Order template and sent to vendors.</p> <p>Method of Payment: Where appropriate, look to use Pcards as a method of payment more often to increase rebates. Other options could include utilities.</p>	<p>System Enhancements: Look to optimize routes through use of Versatrans.</p> <p>Staffing / Organization: Consider additional incentives such as dual employment to ensure that staffing levels remain high while there is a general bus driver shortage around the state.</p>

EXECUTIVE SUMMARY

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

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	\$60,500	\$151,300	\$93,400	\$373,600
Human Resources	0	10,000	0	96,300
Procurement	0	0	543,100	1,144,400
Transportation – District	N/A	N/A	0	0
District Total	60,500	161,300	636,500	1,614,300
Transportation – State	0	0	0	0
Total	\$60,500	\$161,300	\$636,500	\$1,614,300

* 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.



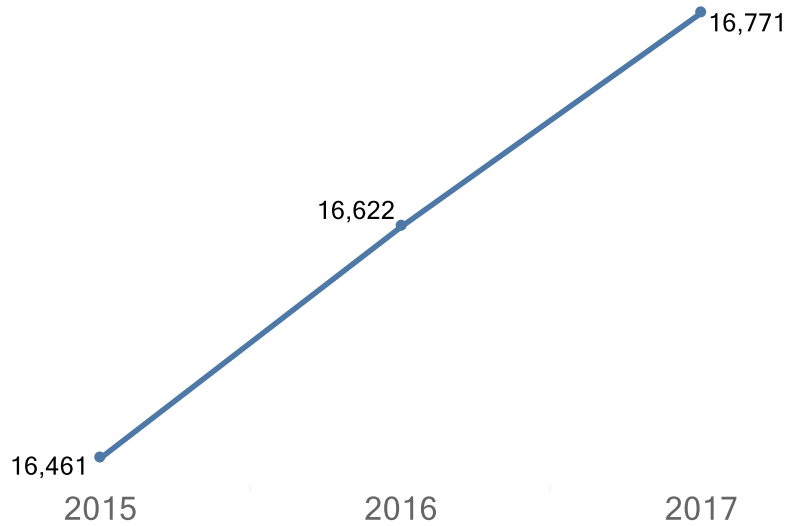
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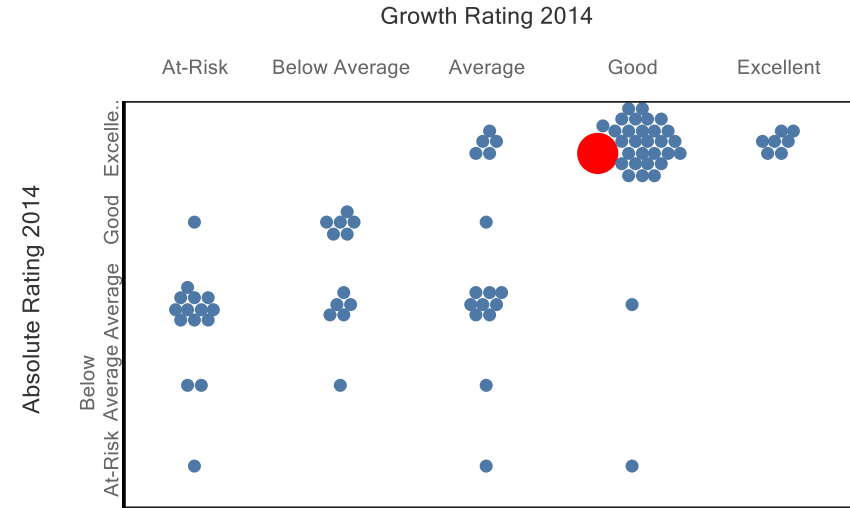
DISTRICT ADMINISTRATION AND PERFORMANCE

LEXINGTON/RICHLAND 05

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	21
% Poverty ^[1]	37.2%
% Disability ^[1]	12.7%
\$ Per Student ^{[2],[3]}	\$18,037
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,792

Administration

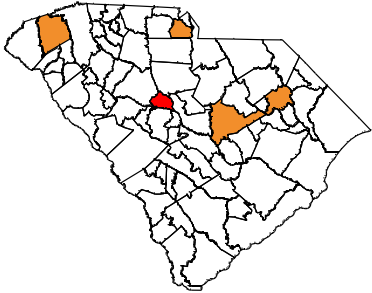
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Students Per Overhead FTE ^{[2],[4]}	217.4
Students Per School Support FTE ^{[2],[4]}	37.0
Students to Total FTE ^{[2],[4]}	6.6

DISTRICT BENCHMARKING

LEXINGTON/RICHLAND 05

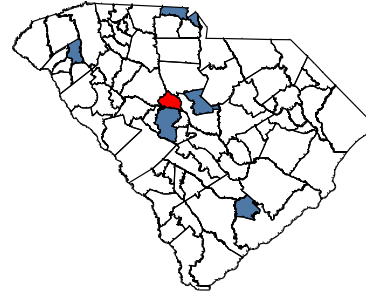
Enrollment (15,000 - 20,000)

Florence 01
Lexington/Richland
05
Pickens
Sumter
York 03



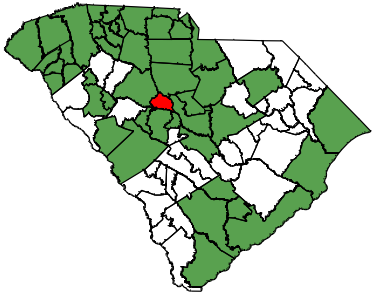
Poverty (<50%)

Anderson 01
Dorchester 02
Lexington 01
Lexington/Richland 05
Richland 02
York 02
York 04

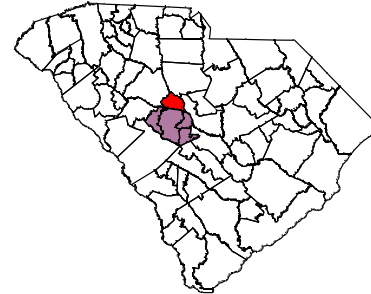


Phase 1 (No)

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



Sumter
Union
York 01
York 02
York 03
York 04

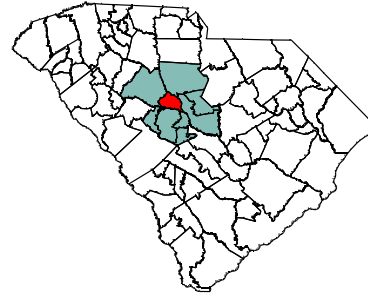


County (Lexington)

Lexington 01
Lexington 02
Lexington 03
Lexington 04
Lexington/Richland 05

Region (Central Midlands)

Fairfield
Lexington 01
Lexington 02
Lexington 03
Lexington 04
Lexington/Richland 05
Newberry
Richland 01
Richland 02

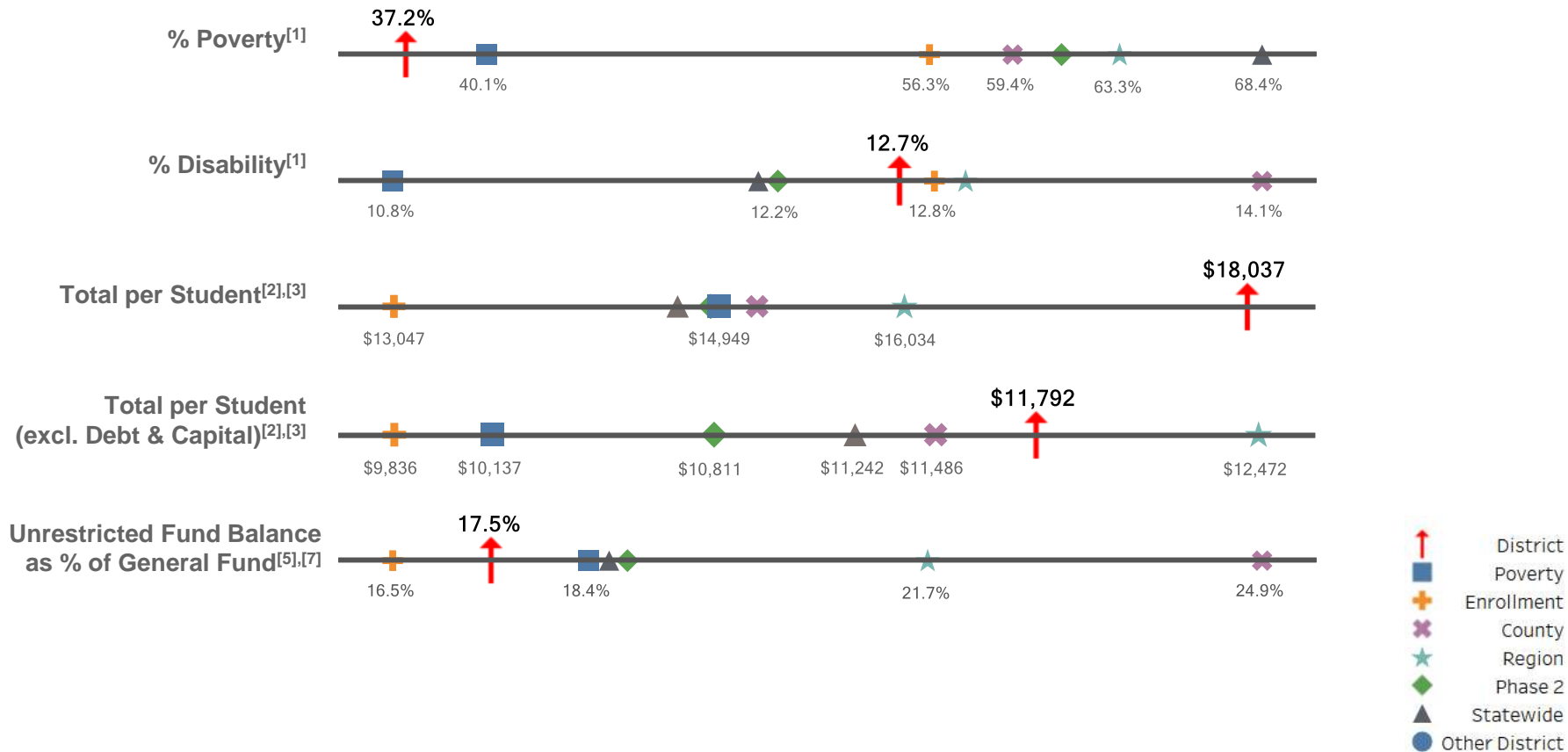


DISTRICT OVERVIEW

LEXINGTON/RICHLAND 05

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

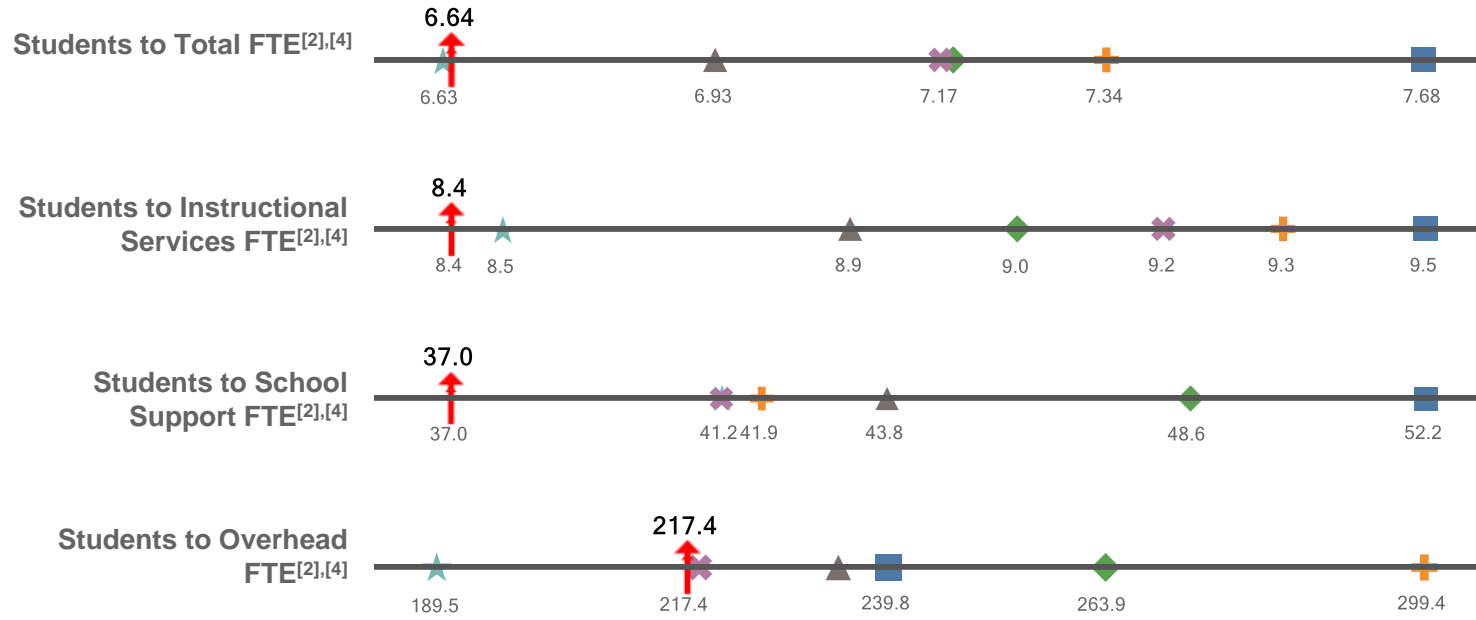
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



DISTRICT OVERVIEW

LEXINGTON/RICHLAND 05

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD

LEXINGTON/RICHLAND 05

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 310, or 2%, since FY15. • Student Demographics: The District has a 37.2% of students with free and/or reduced lunch and 12.7% of students with special needs. The District is well below the state average of 68.4% of students with free and/or reduced lunch but above the state average of 12.2% for students with special needs. • Other Demographic: The District geography spans across two counties (Lexington and Richland) and three cities (Irmo, Chapin, Columbia). Chapin is growing faster than other areas causing the elementary school to have mobile classrooms. The District also has two intermediate schools: one that serves 5th and 6th graders and one that serves just 6th graders. • Long-term Planning: The District does prepare long term enrollment projections to help inform long-term planning. 	<ul style="list-style-type: none"> • Based on expected trends in overall census growth and demographic changes in the county, the District should continue to revise long term planning projections on an annual basis to ensure financial stability over the long term. 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's Per Pupil Expense is \$11,792, which is higher than both the state average (\$11,242) and districts with similar enrollment (\$9,836). • Unrestricted Fund Balance: The District's Unrestricted Fund Balance is 17.5% of general fund revenues. The fund balance is below the State average (18.6%) and higher than districts with similar enrollment (16.5%) resulting in financial stability. 	<ul style="list-style-type: none"> • To prevent excess district office staff and spending with the anticipated enrollment growth, expand on existing resource allocation practices to use key operating metrics to estimate needed resources.

DISTRICT OVERVIEW AND OVERHEAD

LEXINGTON/RICHLAND 05

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 FTE is 6.64 which is lower than the state average (6.93) and districts with similar enrollment (7.34) demonstrating that the District has more employees per student than the average district. • Student to Instruction Services FTE: The District's Student to Instruction Services FTE is 8.41, which is lower than both the state average (8.85) and districts with similar enrollment (9.33). • Student to School Support FTE: The District's Student to School Support FTE is 37.01 which is lower than both the state average (43.82) and districts with similar enrollment (41.86). • Student to Overhead FTE: The District's Student to Overhead FTE is 217.4, which is lower than both the state average (234.1) and districts with similar enrollment (299.4). 	
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: Dr. Hefner believes in accessibility and spends his time maintaining various advisory groups including the following topics: business, faculty, ministerial, parent, realtor, senior citizen, student, and support. Dr. Hefner also spends time working with Chambers of Commerce and rotary clubs. He believes it is important to make himself available to both internal and external stakeholders. • Communications Function: There is Communications support for the Superintendent's office. The Communications team uses social media, newsletter, and the local newspaper as well as their website to communicate with parents, students, and district residents. The website is translated into six different languages. 	

DISTRICT OVERVIEW AND OVERHEAD

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Legal: District has no legal department. If legal advice is required, District utilizes external firms to provide support. • Turnover: Superintendent has overseen the district for the past 6 years. 	
Community Engagement	<ul style="list-style-type: none"> • Philanthropy: The District works with Chambers of Commerce and Rotary Clubs throughout the enrollment area. • Fund Raising: An independent volunteer group called the District 5 foundation was created to raise money for district programs. 	<ul style="list-style-type: none"> • Consider hiring a business development resource to work with local businesses to increase fund raising effort.
Collaboration	<ul style="list-style-type: none"> • The District does coordinate with other regional superintendents (MIDLAND). • Career Center: The District does not have a shared career center. • Special Education: The District does coordinate Richland 1 to provide specialized hearing services for students. • 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 further allows for sharing of resources and systems that involve specialized skills that are hard to recruit.



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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.

932 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$160 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	18.0
Personnel Expense ^[3]	\$1,486,822
Non-Personnel Expense ^[3]	\$1,294,974
Total Financial Expense ^[3]	\$2,781,796

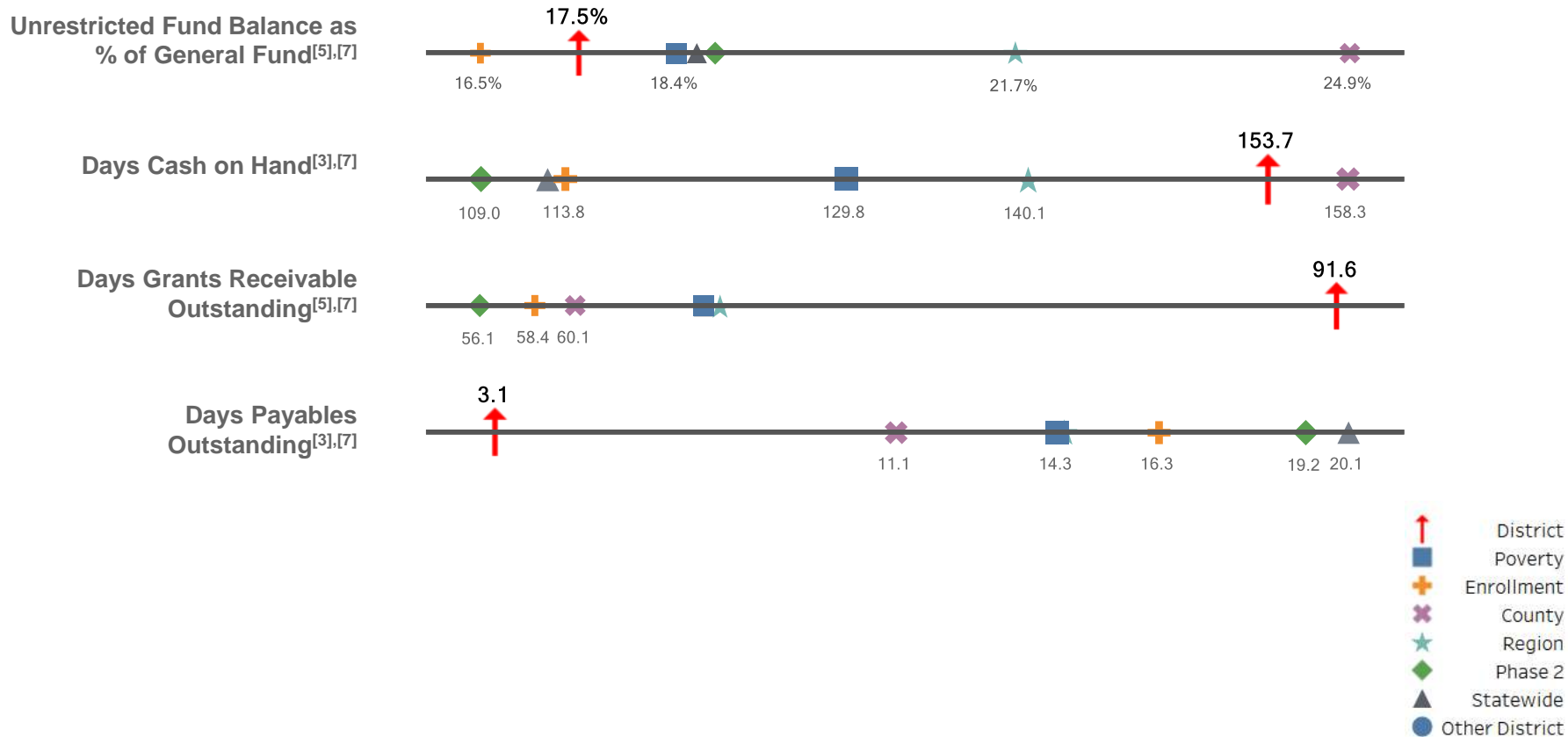
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

LEXINGTON/RICHLAND 05

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

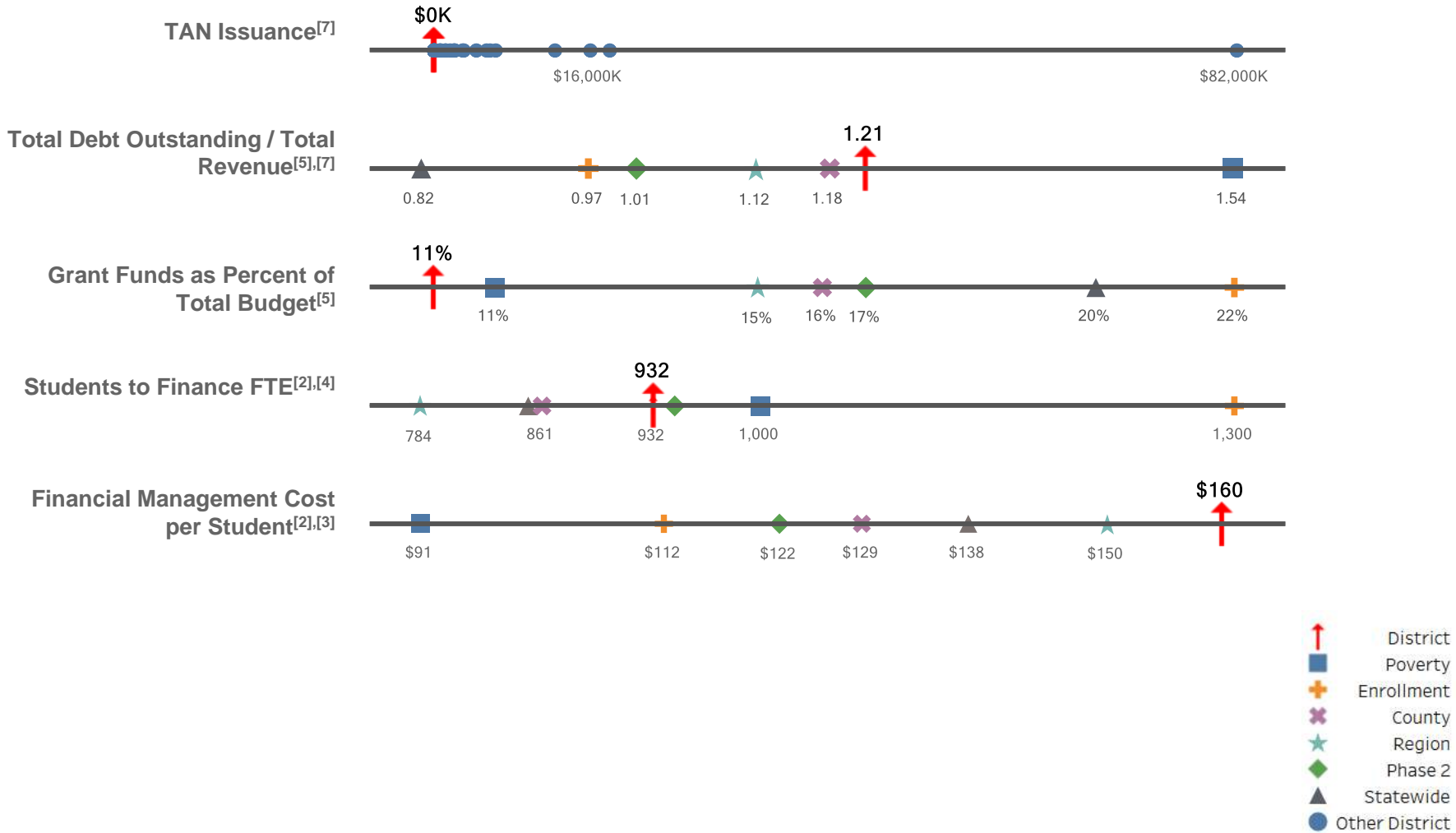
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



FINANCIAL MANAGEMENT

LEXINGTON/RICHLAND 05

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. [Insert district specific language as appropriate] • Turnover: The CFO is in his has been in the organization for 3 years. The Director of Finance and the Coordinator of Purchasing has been with the District for 3 and 1.5 years respectively. • Finance Spend Per Student: The Finance cost per pupil for the district is \$160 which is higher than the state average (\$138) and districts with similar enrollment (\$112). However, included in the District's finance spend is copy and print management, including operating leases and maintenance on devices. If we removed all expenses not related directly to finance, the District's Finance cost per pupil is approximately \$105. This is below both the state average and districts with similar enrollment. • Student Per Finance FTE: The Student to Finance FTE is 932 which is higher than the state average (852) and lower than districts with similar enrollment (1,300). 	<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.

FINANCIAL MANAGEMENT

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a semi-monthly basis. • Direct Deposit: The District has 100% of employees using direct deposit for payroll. • Self Service Portal: The District uses a self service portal through Infinite Visions that enables employees to view check stubs, submit change of address, leave requests, and w2 information. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. Each timesheet is approved by the employee and 2 supervisors. • Accounts Payable: AP is run once per week. All invoices are sitting in stacks until the system says that the purchase order has been received. There is not an automated workflow that sends invoices to appropriate employee for approval and acknowledgement of receipt of goods and services. • Inventory: The District bar codes assets (including sensitive electronics). The District conducts physical inventory count every June. 	<ul style="list-style-type: none"> • 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. • Leverage automated purchase order work flow systems that can be integrated with the financial systems. • Leverage automated invoice approval work flow systems that can be integrated with the financial systems.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Grants Management</p>	<ul style="list-style-type: none"> • Grant Revenue: Grant revenues provide 11% of revenue for the district making this district less reliant on grant funds than its peers. The state average is 20% and districts with similar enrollment average 22%. • Federal Funds: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance department collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the Finance department. 	<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.

FINANCIAL MANAGEMENT

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have material weaknesses in its FY16 audited financial statements. The weaknesses were around controls in relation to accounting for fund usage and in transferring assets to new accounting system. • Position Control: The District has position control. • Spend Control: The District has controls in the ERP that will not allow purchase orders to be approved if it does not fit within the budget. The year to date expense includes encumbrances on Purchase Orders not yet paid. • Pcard: The District reviews every statement and applicable receipts to assure compliance with procurement policies. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District's Days Cash on Hand is 154 days. This ratio signifies a strong cash balance. The District does not have a formalized weekly cash flow forecasting process. • Grants Receivable Outstanding: The District's Grants Receivable Outstanding is 92 Days, which is worse than both the state average (65) and districts with similar enrollment (58). The District submits grant reimbursements quarterly. • Payable Outstanding: The District's Payables Outstanding is 3 Days. The District does not input invoices when received, but as they are being processed to pay driving this metric low. • Cash: The District does invest cash balances in State local investment pool. • TAN: The District did not issue TANs this past year. 	<ul style="list-style-type: none"> • Implement rolling 3 month cash flow forecast to maximize investments earnings. • Implement processes to file for grant (state and federal) reimbursements on a monthly basis in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none">• 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.• Monitoring: The District does not perform formal monthly or quarterly closes. However, financial reports comparing budget to actual are shared in real time with budget owners and also to the Board.• Transfers: Any budget transfer is done through ERP and approved by Finance. That includes transfers of budgets from one account to another.	

FINANCIAL MANAGEMENT

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Infinite Visions accounting software system, however, processes remain manual for time-keeping and invoice approval. • Time Tracking: The District does not have Time Tracking software and is not currently evaluating it. • Purchasing: The District uses Infinite Visions for approval and recording of purchase orders, but the quotes are sent or scanned and not saved inside the ERP. • Accounts Payable: The District uses Infinite Visions for processing payment for all invoices. The receipt of goods and services is also tracked through Infinite Visions. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing Infinite Visions software and / or upgrade to enhanced functionality that enables purchasing quotes to be stored inside the system. • 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 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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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.

1,613 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$58 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	10.4
Personnel Expense ^[3]	\$920,780
Non-Personnel Expense ^[3]	\$37,227
Total Human Resources Expense ^[3]	\$958,007

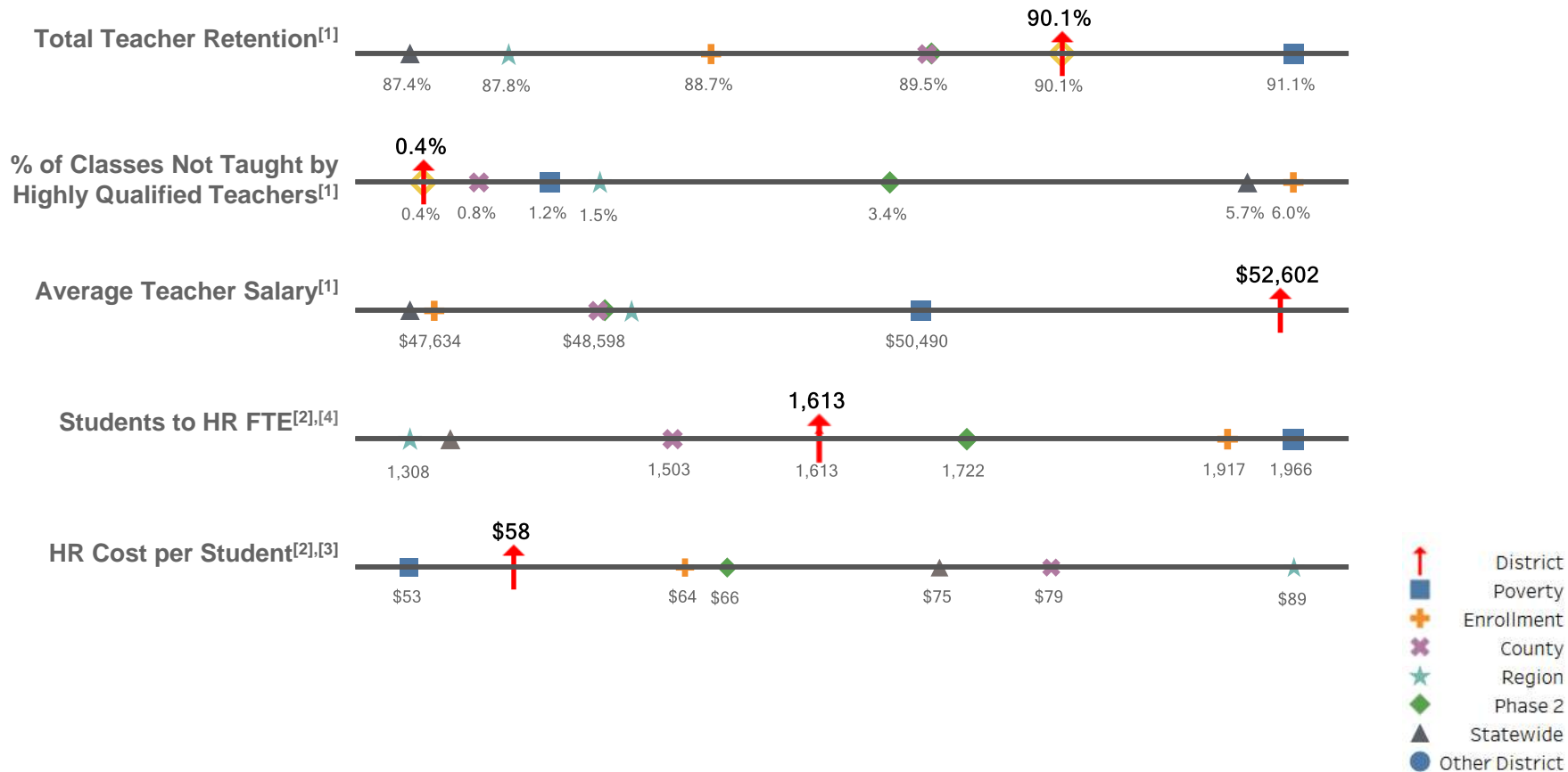
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. • Turnover: The Chief Human Resources Officer is in her second year at the District. The Director of Personnel has been at the District for 17 years (5 of which is in HR) and the Coordinator of Certified Support Personnel is in his second year. • Human Resources Spend Per Student: The HR cost per pupil for the district is \$58 which is lower than both the state average (\$75) and districts with similar enrollment (\$64). • Student Per HR FTE: The Student to HR FTE is 1,613 which is higher than the state average (1,338) and lower than districts with similar enrollment (1,917). 	<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"> • Environment: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District's reputation used to bring teachers to them, but lately it has been getting harder to recruit teachers. • Average Teacher Salary: The District's average teacher salary is \$52,602, which is higher than both the state average (\$47,497) and districts with similar enrollment (\$47,634). The high average is primarily driven by the more experienced and qualified staff. • Incentives/Tactics: The District works with local universities to try to develop a pipeline for new graduates. The District also spends time at South Carolina recruiting fairs, but has not had to venture nationally for recruiting. 	<ul style="list-style-type: none"> • Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Recruiting and Retention</p>	<ul style="list-style-type: none"> • Vacancies: The District has approximately 150 teacher openings every year with a retention rate of 90.1%. • Induction: The first year teacher turnover rate is 4%. The district’s induction program is driven by instructional coaches who monitor the instructional needs of the teachers. • Substitutes: The District uses Kelly Services to manage substitute teachers for both long and short term needs. • Retirement: The District has 88 teachers (7%) of their current teachers in the TERI program and another 350 (26%) approaching retirement in the next 5 years. 	<p>Due to the significant percentage of teachers who are expected to retire in the next five years, develop a workforce plan for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring high performing teacher training to enable a promotion, and partnering with staffing services to meet the needs of the students in case a gap in employment arises.</p>
<p>Technology</p>	<ul style="list-style-type: none"> • Recruiting: The District leverages Frontline software systems for recruiting, application screening, and processing. The district does not have AppliTrack integrated with Infinite Visions to help with onboarding. • Employee Self Service: The District uses Infinite Visions to provide employees the opportunity to change addresses and request leave. 	<ul style="list-style-type: none"> • Implement an automated time tracking system that can interface directly with the payroll system. • Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> • FMLA Compliance: The District has noticed more FMLA requests in the last few years. The team monitors compliance to ensure employees are taken care of and no abuse of the system occurs. • ACA Compliance: The District monitors hourly employees to ensure that benefits are offered to the appropriate resources by reviewing to see if criteria is met. 	
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers • Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts.



OUTLINE

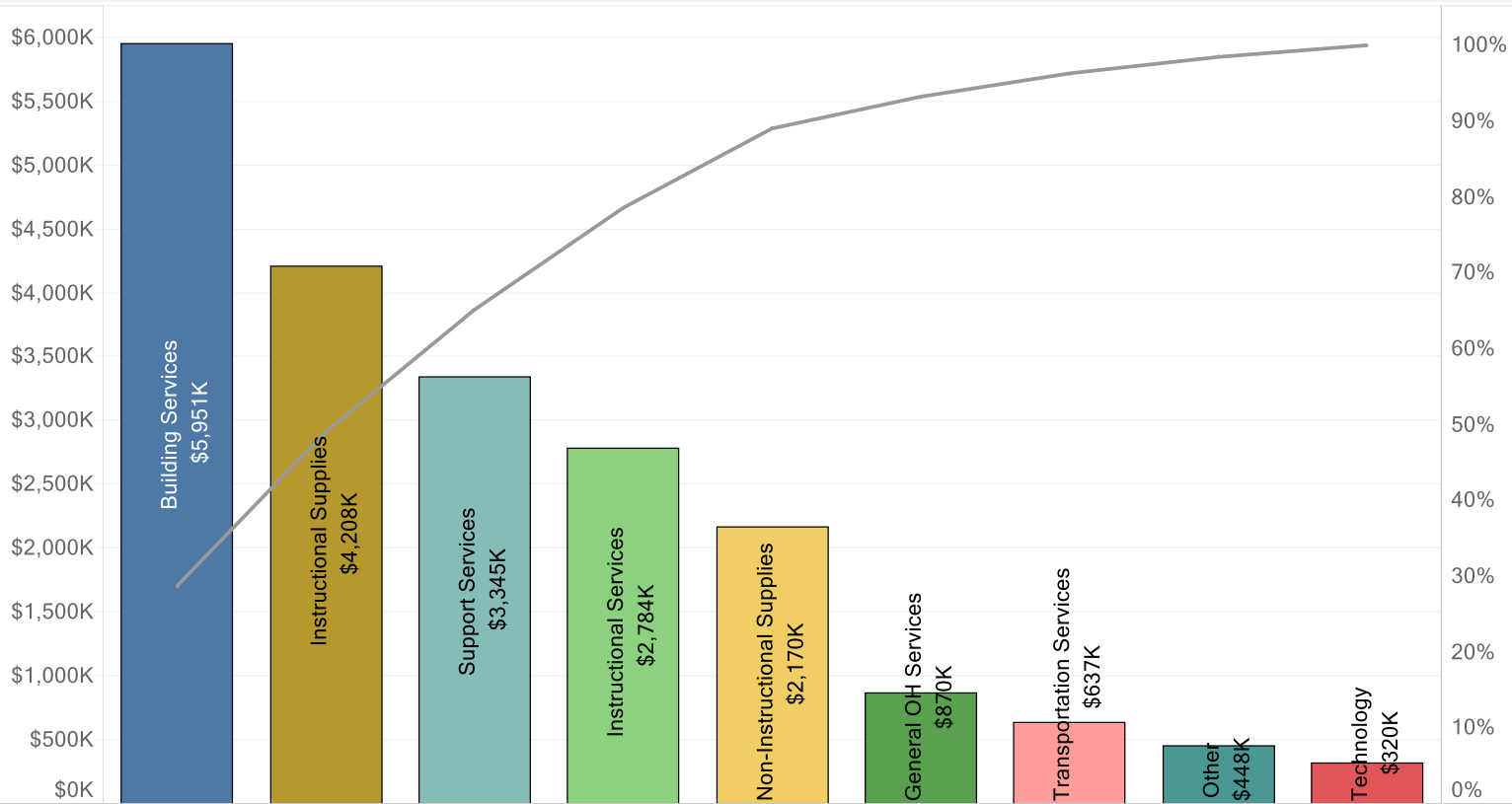
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PROCUREMENT LEXINGTON/RICHLAND 05

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] = \$20,734,416

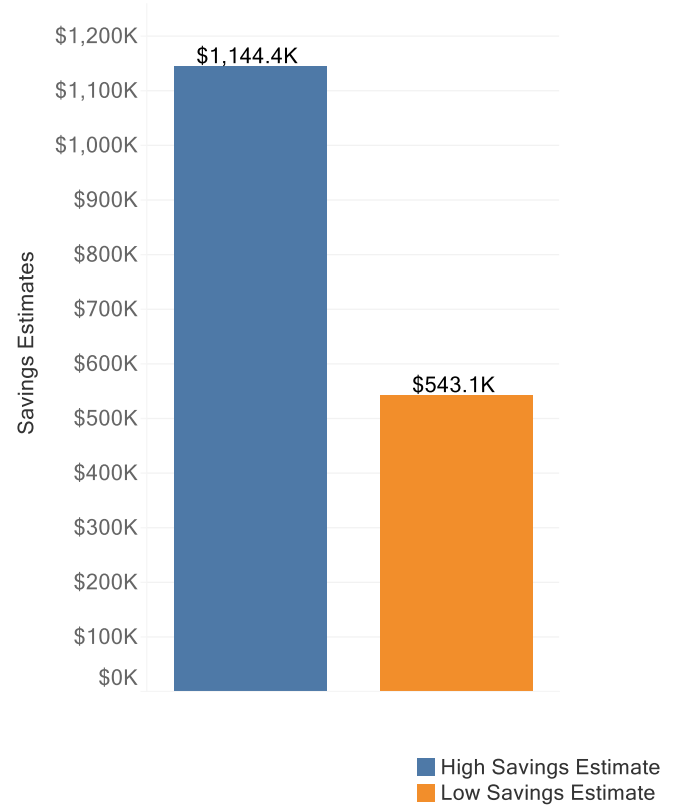


PROCUREMENT LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Staffing: The District has resources focused directly on procurement and is able to rely on these resources to maximize purchasing activities. • Scope: The purchasing team handles all procurement including construction and food services. • Technology: The district currently uses a centralized purchase order system. There are a number of people that submit purchasing requests through the system. The system does not however have a “merge” system that enables purchase orders to be printed from the input form. The District does not have a Pcard reporting integration with Bank of America. • Pcard: The District utilizes a Pcard program. The Pcard program is mostly for principals and coaches with 80 cards issued. The District receives a \$32,000 rebate on \$3.1 million of spend. Receipts are hand delivered or sent via inter-office to the finance team to review. 	<ul style="list-style-type: none"> • Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> • Spending is fragmented across more than 3,100 vendors, however, the top 75 make up more than 80% of total spending. • All purchase orders are reviewed by the finance department. • The District does a quarterly review of spend by vendor to analyze reliance and spend to see if there are any irregularities. 	<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.

PROCUREMENT

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Spending by Category	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District has recently opened a new middle school, a new high school, and renovated a number of facilities. They continue to renovate their older buildings by sending out RFQs and selecting the appropriate vendor to complete the work. The District also collaborates with the largest districts in the state to procure some of these goods and services. • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. • Energy: The District does not fix rates for natural gas contracts • Instructional Support Services and Supplies: The District follows all state procurement regulations in the procurement of Instructional Support Services and Supplies. • Technology: The District has a 1:1 program in grades 6-12. The district continues to purchase infrastructure to support digital software and these devices. The devices have a plan to be refreshed every 4 years. The district has not coordinated technology purchases with any other districts. • Non-instructional Supplies: The District follows all state procurement regulations in the procurement of Non-Instructional Supplies. 	<ul style="list-style-type: none"> • 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. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Consider establishing fixed rate contract for natural gas • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts.

PROCUREMENT

LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">• The District does partner with other large districts to procure goods and services.• The District does not partner with other districts to procure technology items.	<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

LEXINGTON/RICHLAND 05

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]

\$309 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	125.0
Personnel Expense ^[3]	\$4,426,257
Non-Personnel Expense ^[3]	\$908,425
Total Transportation Expense ^[3]	\$5,334,682

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

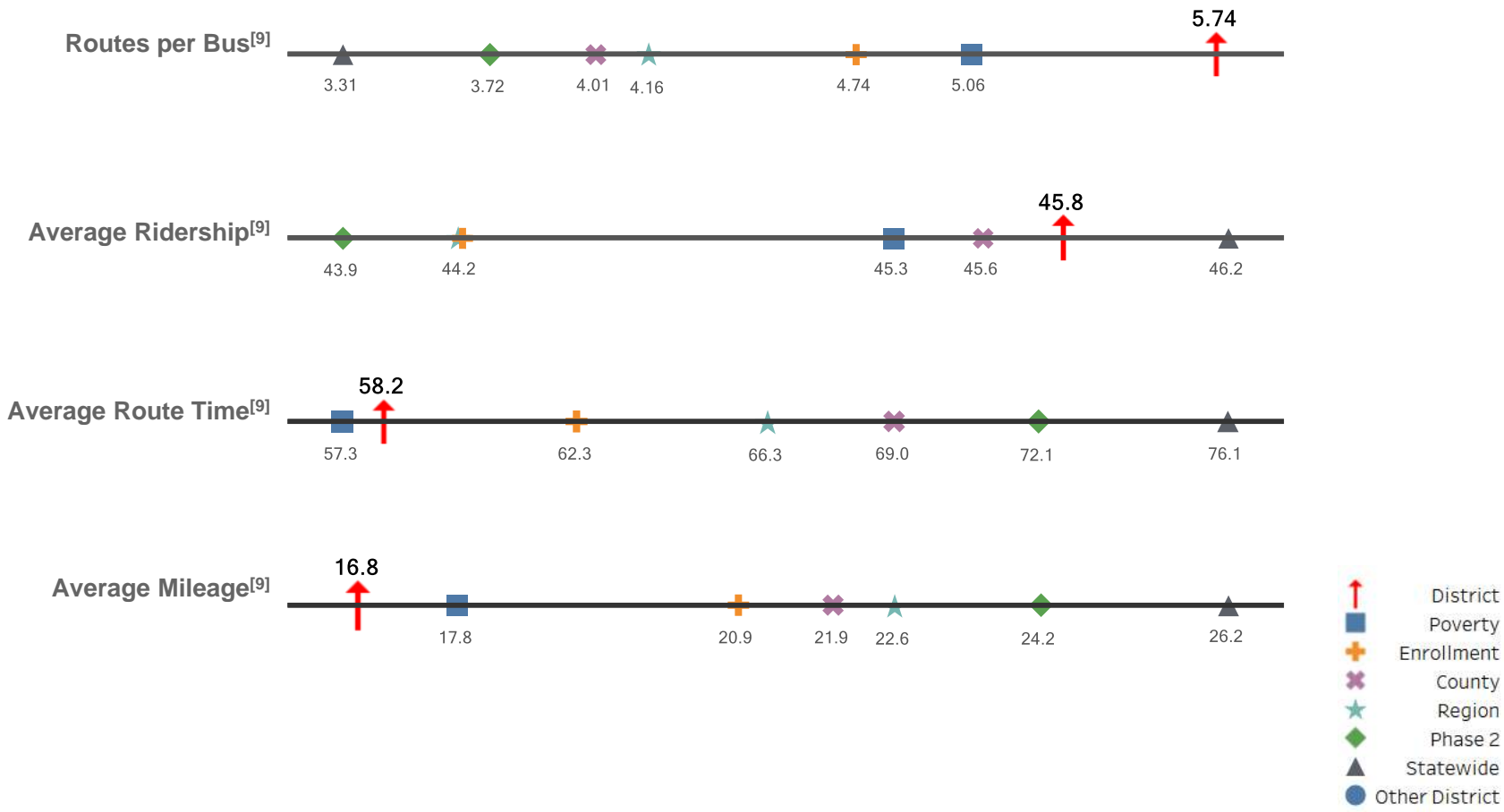
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	58.2	334	5.7	15,295	46	58	17
Special Needs	14.6	71	4.9	603	8	Not-Available	25
Other	27.8	181	6.5	5,943	33	Not-Available	16
Total	100.6	586	5.8	21,841	N/A	N/A	N/A

TRANSPORTATION

LEXINGTON/RICHLAND 05

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 LEXINGTON/RICHLAND 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The District currently has 2 vacancies with 8% annual turnover. Transportation is run by one administrator and one supervisor for each zone. • Substitutes: The District has a pool of 19 substitute drivers. The District has been dealing with more extended leaves due to FMLA. • Pay: Bus drivers are currently paid a starting rate of \$13.24 / hour, approximately \$5.54 above state reimbursement levels. • Other: The Department handles all disciplinary actions and investigations related to activity on buses. 	<ul style="list-style-type: none"> • Consider other opportunities (such as dual employment) to help retain and recruit drivers in an effort to compete with other districts during the statewide bus driver shortage.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Staggered Bell Times: The District runs staggered bus routes with each bus generally running an elementary route first and then a route for middle and high school both in the morning and afternoon. • Routing Software: The District does utilize Versatrans routing software. • GPS: The District does have GPS on its buses. • Security: The District does have security cameras on all buses. • District Buses: The District does not use the State fuel for activity buses. • Hazard Costs: The District spends about \$38,000 per year on hazard routes. The District was spending \$45,000 previously. 	<ul style="list-style-type: none"> • Analyze routes to ensure route optimization.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts 	

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

**Functional Review
Operating Model Components**



PROCESS

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

ORGANIZATION

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

APPENDIX A: SAVINGS METHODOLOGY

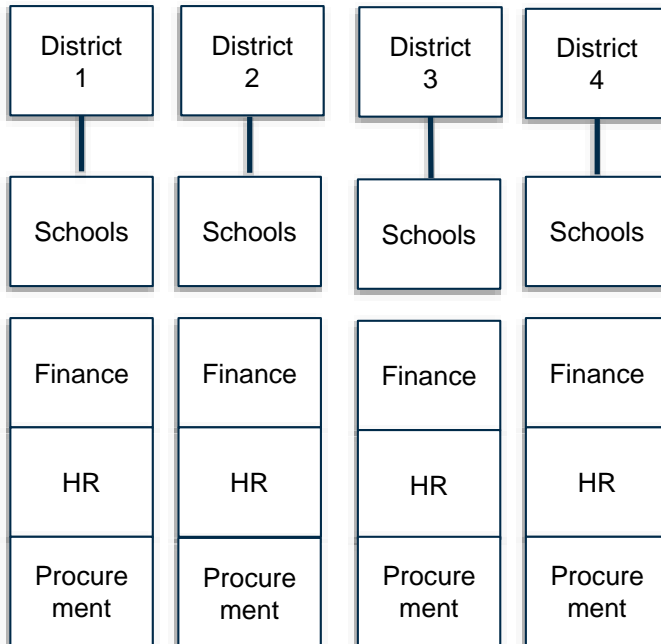
LEXINGTON/RICHLAND 05

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.

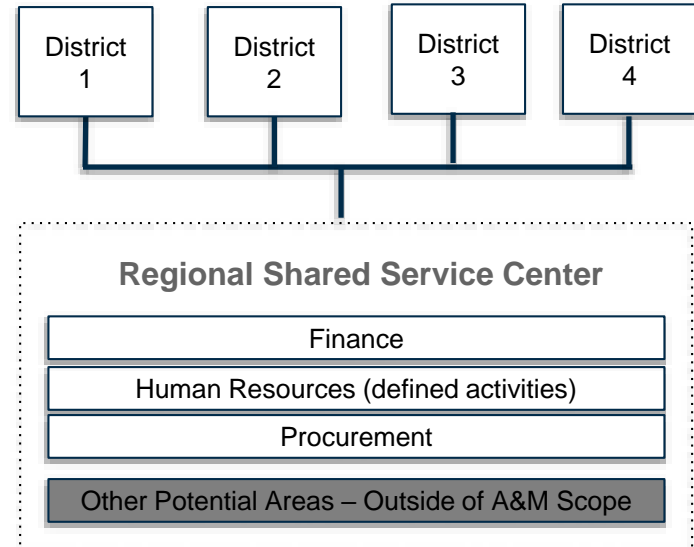
CURRENT STATE: STAND ALONE DISTRICT

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

LEXINGTON/RICHLAND 05

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).

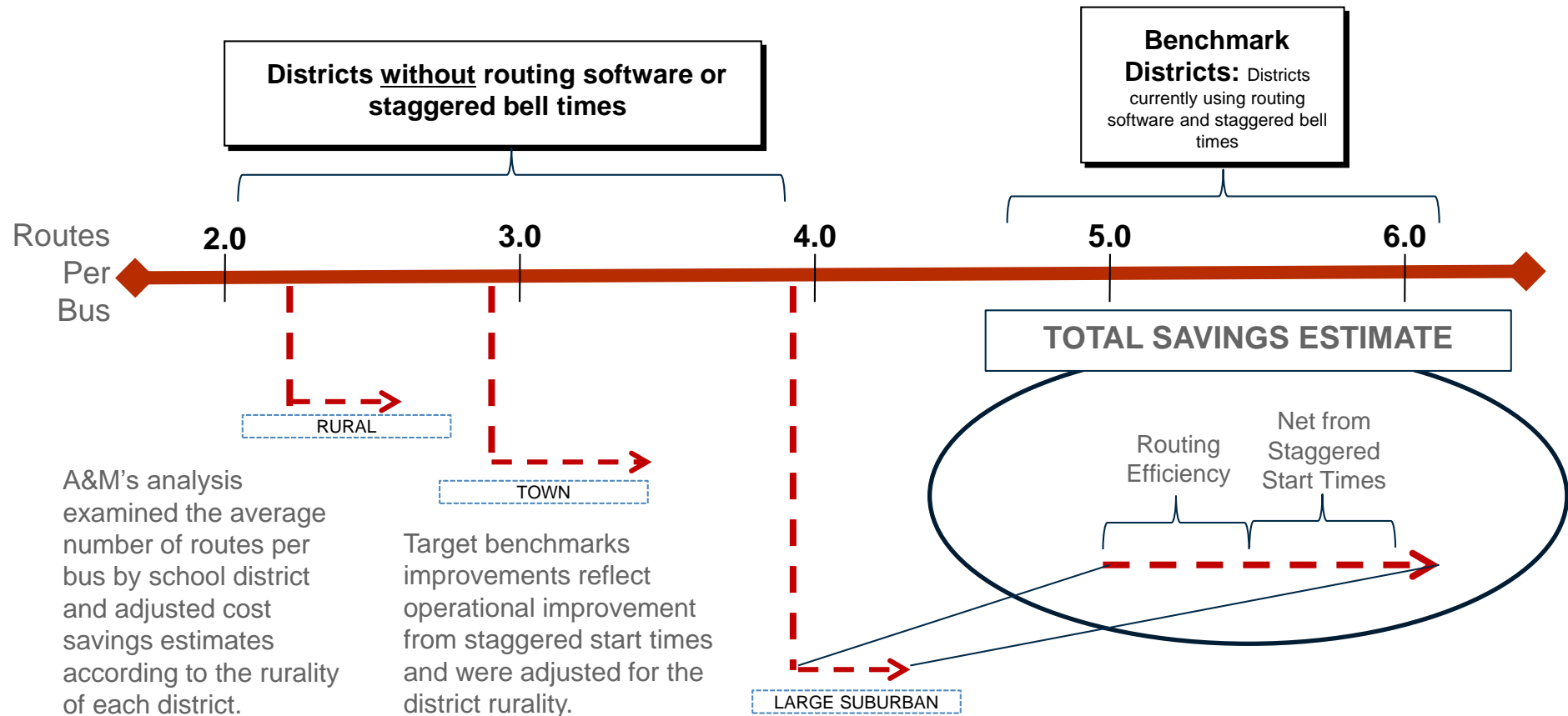
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

APPENDIX A: SAVINGS METHODOLOGY

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

A&M analyzed districts' route mileage, frequency, timing and volume to estimate potential efficiencies available through the implementation of routing software.

This analysis separates the district and state portions of estimated cost savings according to the amount of reimbursement the state provides to each district.

Fuel and maintenance savings are based on state cost per vehicle mile.

The reduction in buses is the result of a reduction in the need to purchase new buses per year across the plaintiff districts.

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

DISTRICT A	VOLUME	UNIT	DISTRICT	STATE
DRIVERS	5.0	\$ 19,390	\$ 55,051	\$ 37,238
FUEL	43,560	\$ 0.15	\$ -	\$ 6,749
MAINTENANCE	43,560	\$ 0.34	\$ -	\$ 14,595
BUSES (COST AVOIDANCE)	1.0	\$ 60,000	\$ -	\$ 60,000
TOTAL			\$ 55,051	\$ 118,582

Cost savings from more efficient routing are significant, with savings shared between the districts and the State.

APPENDIX A: SAVINGS METHODOLOGY

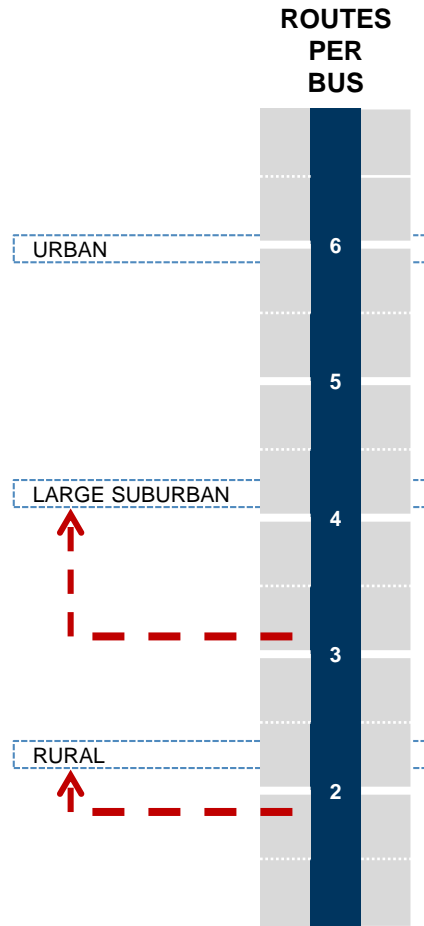
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

A&M's analysis examined the average number of routes per bus by school district and adjusted cost savings estimates according to the rurality of each district.

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



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

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

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

APPENDIX A: SAVINGS METHODOLOGY

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

[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

LEXINGTON/RICHLAND 05

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

LEXINGTON/RICHLAND 05

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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