



# ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION  
SCHOOL DISTRICT EFFICIENCY REVIEW

Lexington 03

**District Report**

6/16/2017





## OUTLINE

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

# EXECUTIVE SUMMARY

## LEXINGTON 03

### PROJECT OVERVIEW

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- 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 03

### PROJECT OVERVIEW (CONTINUED)

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- 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)

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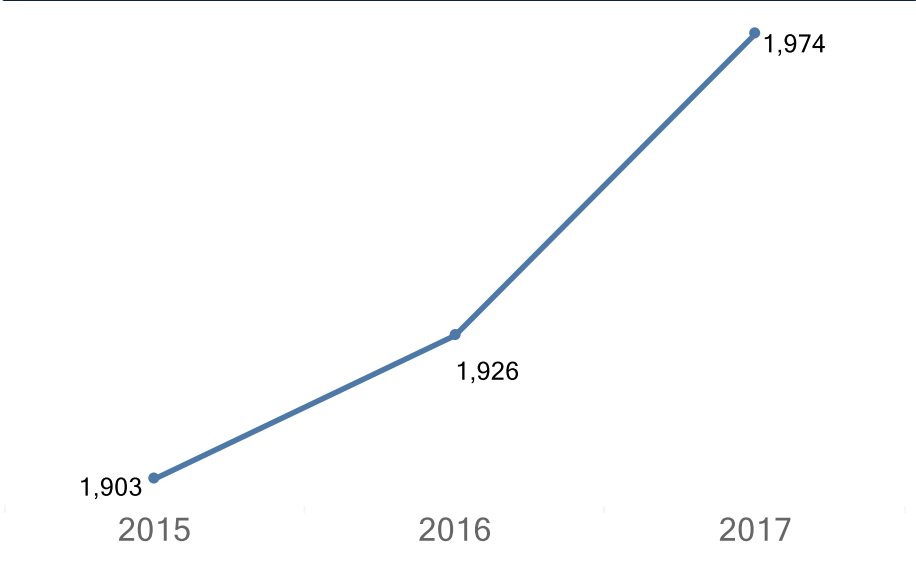
### ➤ Sources of Data and Savings Estimates:

- 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.

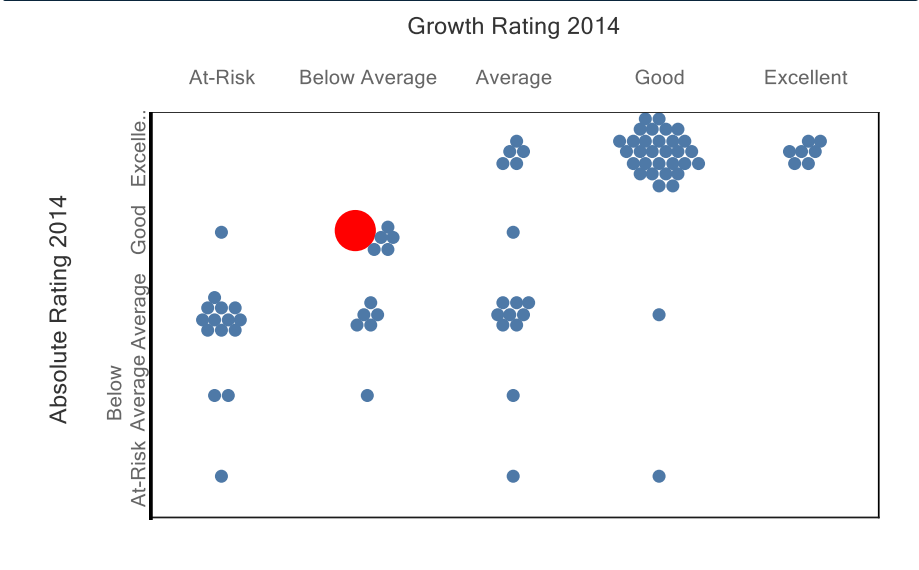
# EXECUTIVE SUMMARY

## LEXINGTON 03

### Average Daily Membership<sup>[2]</sup>



### Student Achievement<sup>[1]</sup>



### General Info

Number of Schools <sup>[2]</sup>	4
% Poverty <sup>[1]</sup>	68.7%
% Disability <sup>[1]</sup>	17.5%
\$ Per Student <sup>[2],[3]</sup>	\$14,040
\$ Per Student Excluding Debt & Capital <sup>[2],[3]</sup>	\$13,136

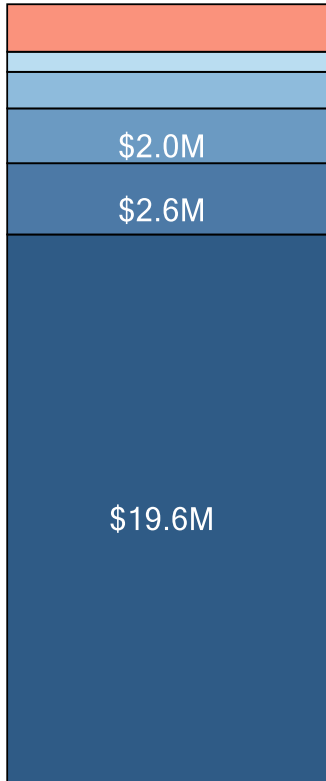
### Administration

Students Per Instructional Services FTE <sup>[2],[4]</sup>	9.4
Students Per Overhead FTE <sup>[2],[4]</sup>	197.4
Students Per School Support FTE <sup>[2],[4]</sup>	26.7
Students to Total FTE <sup>[2],[4]</sup>	6.7

# EXECUTIVE SUMMARY

## LEXINGTON 03

**Sources of Funds<sup>[5]</sup>**  
**\$27.8M**



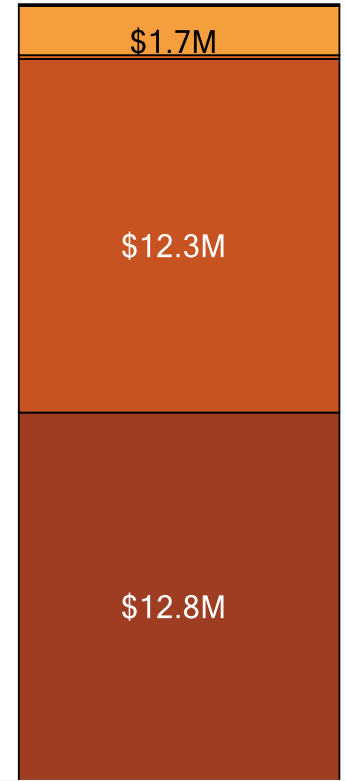
2015-2016

**Use of Funds - Type<sup>[3]</sup>**  
**\$27.0M**



2015-2016

**Use of Funds - Function<sup>[3]</sup>**  
**\$27.0M**



2015-2016

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

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

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

\* totals may not tie due to rounding

# EXECUTIVE SUMMARY

## LEXINGTON 03

\$27.0M  
Total

\$4.9M  
In-Scope

\$22.2M  
Not In-Scope

*18.0% of total spend is within scope of the efficiency review:*

	In Scope Spend <sup>[3]</sup>	Procurement Component
Finance	\$302,409	\$16,001
Human Resources	\$277,863	\$26,074
Overhead	\$545,196	\$157,457
Transportation	\$791,277	\$23,461
Procurement (Community Services, Instruction, Support Services)	\$2,960,171	\$2,960,171
<b>TOTAL</b>	<b>\$4,876,916</b>	<b>\$3,183,164</b>

\* totals may not tie due to rounding

# EXECUTIVE SUMMARY

## LEXINGTON 03

### GOALS, CHALLENGES & ACHIEVEMENTS

#### District Goals

- **Purpose:** The District envisions a district which all students achieve their potential, become lifelong learners, and are productive citizens.
- The Steering Committee reached consensus based on data review and analysis that the following areas are the strategic needs to focus on to achieve the District's purpose:
  - Improve Student Achievement as measured by such metrics as on-time graduation rate, and End-of-Course Assessment Scores.
  - Maintain Teacher/Administration Quality as measured by such metrics as percentage of highly qualified teachers and administrative leadership.
  - Improve District/School Climate as measured by such metrics as satisfaction of environment by parents, students, and teachers as well as disciplinary metrics.

#### Achievements

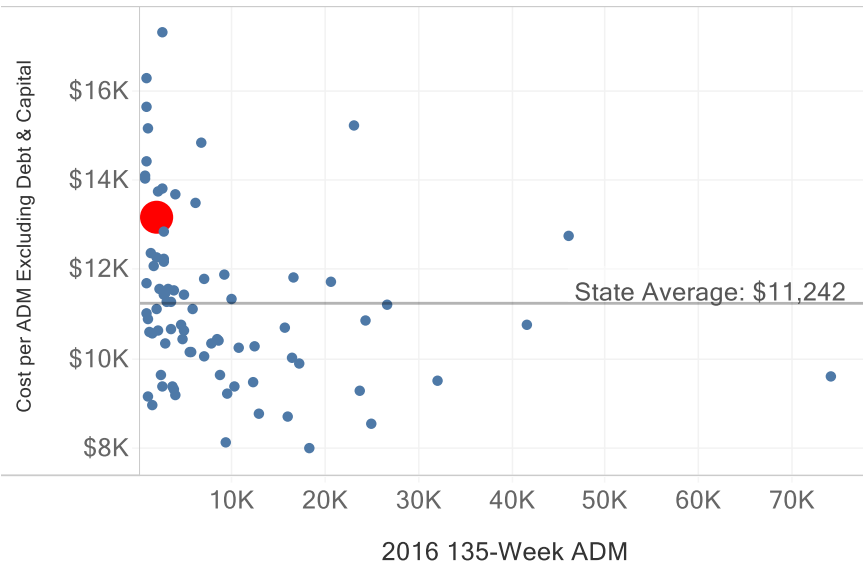
- Implemented 1:1 program with Chromebooks throughout the District.
- The District is a Google Reference Site for their use of Google applications in the classroom.
- Graduation rate has increased to 89%.
- Developed Dual Degree program with Midlands Tech so students can graduate with an Associates Degree.
- Added Montessori program to improve education experience.
- The CATE center has programs including Law Enforcement, Carpentry, Medtronics, Business Ed, BioMed, and an Agriculture program through Clemson.

#### Challenges

- Getting potential employees past the idea that bigger districts are better districts.
- The District can only do bond referendums every even number year.
- Recruiting teachers especially on generally hard to fill positions such as math.
- The District has three buses from 1988 and four buses from 1995.

## 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

## LEXINGTON 03

### OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
<b>Finance</b>	<ul style="list-style-type: none"> <li>• <b>Staffing / Processes:</b> The District is leanly staffed with manual processes for time tracking and invoice approval.</li> <li>• <b>Financial Management:</b> The District has an unrestricted fund balance that is 48% of the general fund expenses for FY16. The District has a limited ability to raise money for facility improvement through bond issuance.</li> </ul>
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>• <b>Staffing / Processes:</b> The District operates with a lean budget that forces them to maximize resources and be cautious about investing in automating processes. The District's Assistant of Personnel and Administration oversees HR, Finance, Food Services, and Transportation.</li> <li>• <b>Challenges with Recruiting and Retention:</b> The District has a higher retention rate than the State average which helps it maximize it's limited budget.</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The District has been 100% staffed for the last 8 years; however, the District has seen a drop in applicants recently.</li> <li>• <b>Route Management:</b> The District does not use routing software and has many students travelling long distances.</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The District does not have a centralized purchasing function, but the finance team does provide some oversight.</li> <li>• <b>Strategic sourcing:</b> Low leverage with vendors due to low purchasing volumes.</li> </ul>
<b>Overhead</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The District has a Superintendent, an Assistant Superintendent and two administrative assistants.</li> <li>• <b>Collaboration:</b> The District participates in job-like groups within the WEPEC consortium.</li> </ul>

## RECOMMENDATIONS

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*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 03

### 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><b>System Enhancements:</b> 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><b>Process Improvements:</b> Modernize processes to limit manual activities and strengthen internal controls.</p> <p><b>Staffing/Organization:</b> Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p><b>System Enhancements:</b> Implement new technologies to automate HR processes such as integrated applicant sourcing, tracking and on-boarding.</p> <p><b>Process Improvements:</b> Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p><b>Staffing and Organization:</b> Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p><b>Process Improvements:</b> Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p><b>System Enhancements:</b> Implement new routing software.</p> <p><b>Staffing / Organization:</b> Consider offering dual employment as the bus driver shortage continues throughout the state and the District starts to experience open positions.</p>

# EXECUTIVE SUMMARY

## LEXINGTON 03

### COLLABORATION RECOMMENDATIONS

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

REGIONAL COLLABORATION OPPORTUNITIES			
FINANCE	HUMAN RESOURCES	PROCUREMENT	OTHER AREAS
<p><b>Accounts Payable and Payroll:</b> Shared Processing; Standardized and automated workflow on approvals</p> <p><b>Potential to add in:</b></p> <ul style="list-style-type: none"> <li>Accounting Entries</li> <li>Financial Reporting</li> <li>General Oversight</li> <li>ERP Systems</li> <li>Grant Compliance and Claiming</li> </ul>	<p><b>Benefits Coordination:</b> Shared Processing and Support</p> <p><b>Potential to add in:</b></p> <ul style="list-style-type: none"> <li>Intl. Recruiting: H1B Process or collaborative</li> <li>System Licenses for Recruiting, Substitute Management, and on-boarding</li> <li>Sharing of instructional resources across varying classroom models</li> </ul>	<p><b>Purchasing Coordination:</b> 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><b>Transportation:</b> Shared administrative resources</p> <p><b>Facilities/ Maintenance:</b> Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing)</p> <p><b>Technology:</b> Shared oversight and support functions</p> <p><b>Curriculum:</b> 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 03

### APPROACH TO SAVINGS

#### GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

#### FINANCE AND HUMAN RESOURCES

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

#### PROCUREMENT

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

#### TRANSPORTATION

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

# EXECUTIVE SUMMARY

## LEXINGTON 03

### CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$17,500	\$32,500	\$30,100	\$90,400
Human Resources	15,000	25,000	0	27,700
Procurement	0	0	81,400	169,500
Transportation – District	N/A	N/A	20,000	31,000
<b>District Total</b>	<b>32,500</b>	<b>57,500</b>	<b>131,500</b>	<b>318,600</b>
Transportation – State	7,000	27,400	17,500	38,000
<b>Total</b>	<b>\$39,500</b>	<b>\$84,900</b>	<b>\$149,000</b>	<b>\$356,600</b>

\* 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.*



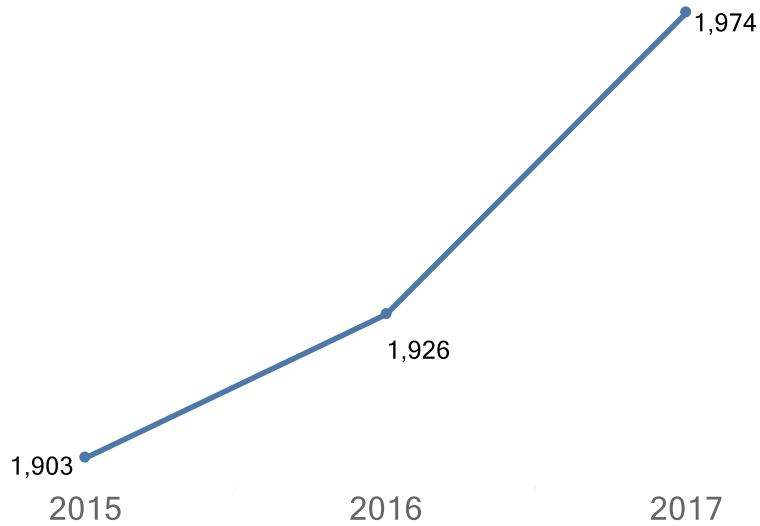
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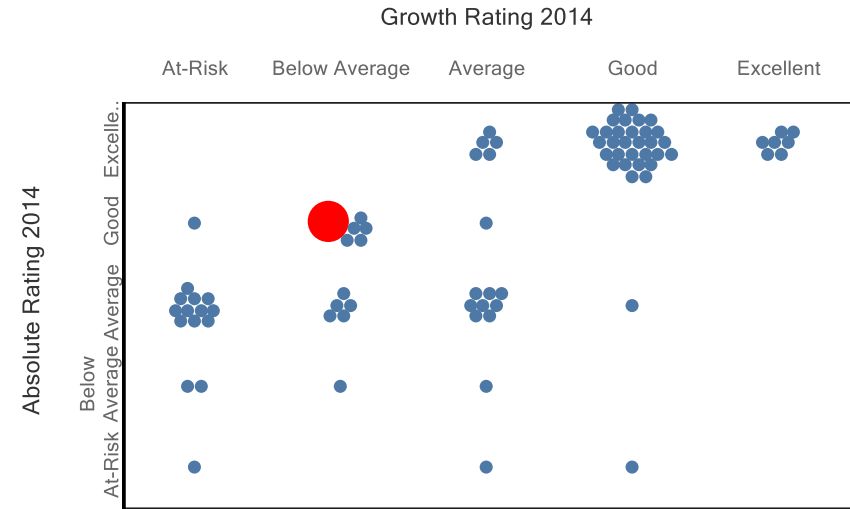
# DISTRICT ADMINISTRATION AND PERFORMANCE

## LEXINGTON 03

### Average Daily Membership<sup>[2]</sup>



### Student Achievement<sup>[1]</sup>



### General Info

Number of Schools <sup>[2]</sup>	4
% Poverty <sup>[1]</sup>	68.7%
% Disability <sup>[1]</sup>	17.5%
\$ Per Student <sup>[2],[3]</sup>	\$14,040
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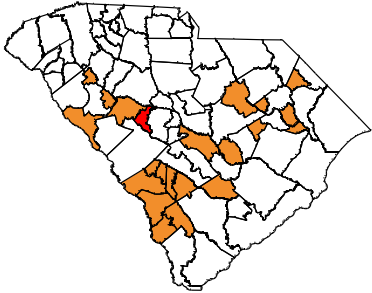
### Administration

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# DISTRICT BENCHMARKING

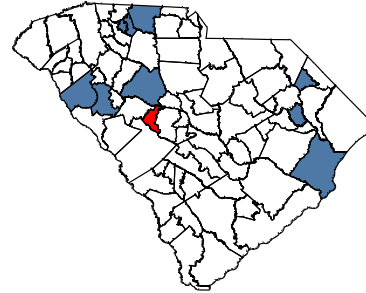
## LEXINGTON 03

### Enrollment (< 2,500)



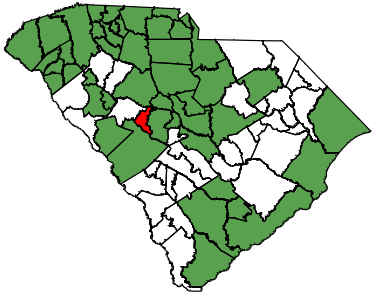
Allendale	Florence 04
Bamberg 01	Florence 05
Bamberg 02	Greenwood 51
Barnwell 19	Greenwood 52
Barnwell 29	Hampton 01
Barnwell 45	Hampton 02
Calhoun	Lee
Clarendon 01	Lexington 03
Clarendon 03	McCormick
Dillon 03	Saluda
Dorchester 04	
Florence 02	

### Poverty (65% - 70%)



Abbeville 60	Spartanburg 07
Cherokee	
Dillon 03	
Florence 02	
Georgetown	
Greenwood 50	
Lexington 03	
Newberry	
Spartanburg 03	

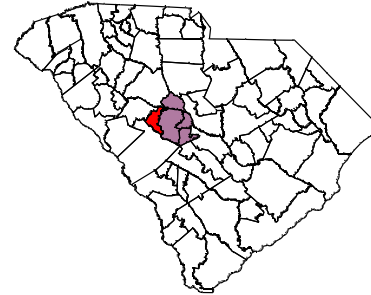
### Phase 1 (No)



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	
Cherokee	Newberry
Chester	Oconee
Colleton	Pickens
Darlington	Richland 01
Dorchester 02	Richland 02
Dorchester 04	Spartanburg 01
Edgefield	Spartanburg 02
Fairfield	Spartanburg 03
Georgetown	Spartanburg 04
Greenville	Spartanburg 05
Greenwood 50	Spartanburg 06
Greenwood 51	Spartanburg 07

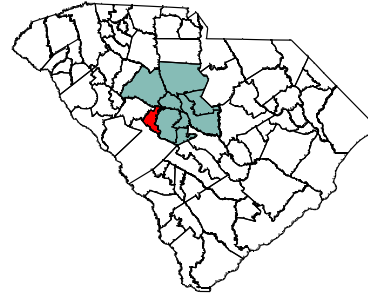
Sumter  
Union  
York 01  
York 02  
York 03  
York 04

### 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 03

### KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

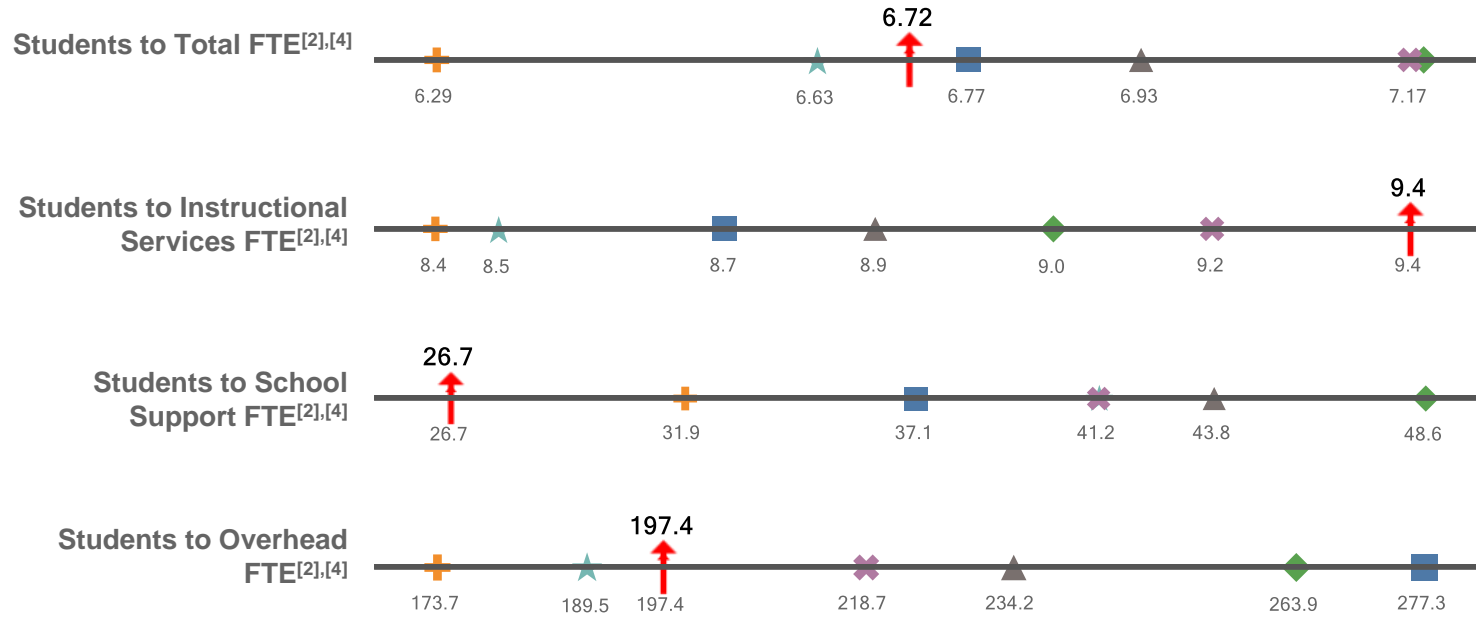
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



# DISTRICT OVERVIEW

## LEXINGTON 03

### KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

# DISTRICT OVERVIEW AND OVERHEAD

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Enrollment Trends</b>	<ul style="list-style-type: none"> <li>• <b>3-year Enrollment Trend:</b> The District's enrollment has increased by 71, or 3.7%, since FY15.</li> <li>• <b>Student Demographics:</b> The District has 68.7% of the enrollment qualifying for free and/or reduced lunch and 17.5% with special needs.</li> <li>• <b>Long-term Planning:</b> The District does prepare long term enrollment projections to help inform long-term planning</li> </ul>	<ul style="list-style-type: none"> <li>• 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 changes in overhead needs required to support the change in the number of facilities and students served.</li> </ul>
<b>District Funding and Resource Allocation</b>	<ul style="list-style-type: none"> <li>• <b>Per Pupil Expenses:</b> The District's Per Pupil Expense when excluding debt and capital is \$13,136, which is higher than the state average (\$11,242) and districts with similar enrollment (\$12,338).</li> <li>• <b>Unrestricted Fund Balance:</b> The District's Unrestricted Fund Balance is 47.9% of general fund revenues. The fund balance is significantly above the State average resulting in good financial stability.</li> </ul>	<ul style="list-style-type: none"> <li>• To prevent excess district office staff and spending with the anticipated enrollment changes, expand on existing resource allocation practices to use key operating metrics to estimate needed resources.</li> </ul>

# DISTRICT OVERVIEW AND OVERHEAD

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>District Funding and Resource Allocation (cont'd)</b>	<ul style="list-style-type: none"> <li>• <b>Student to FTE:</b> The District's Student to Total FTE is 6.72 which is lower than the state average (6.93), but higher than districts with similar enrollment (6.29).</li> <li>• <b>Student to Instruction Services FTE:</b> The District's Student to Instruction Staff Services FTE is 9.402, which is higher than both the state average (8.852) and districts with similar enrollment (8.402).</li> <li>• <b>Student to Support Services FTE:</b> The District's Student to Support Services FTE is 26.68 which is lower than both the state average (43.82) and districts with similar enrollment (31.93).</li> <li>• <b>Student to Overhead FTE:</b> The District's Student to Overhead FTE is 197, which is lower than the state average (234), but higher than districts with similar enrollment (174).</li> </ul>	
<b>Staffing / Organization</b>	<ul style="list-style-type: none"> <li>• <b>Role of Superintendent:</b> The Superintendent spends about 25% of his time in schools where some of that is spent talking to employees and students. As the school year comes to a close, this approaches 50% of the time. The Superintendent also spends a large amount of his time in meetings outside the district with community organizations such as the Rotary Club or other regional educational groups.</li> <li>• <b>Communications Function:</b> The District communicates to students, parents, and the community through a wide variety of platforms. Social Media and the website are the most up to date, while the District also publishes a weekly newsletter and Blackboard Connect to call parents en masse.</li> </ul>	

# DISTRICT OVERVIEW AND OVERHEAD

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Community Involvement</b>	<ul style="list-style-type: none"> <li>• <b>Philanthropy:</b> The District has close relationships with a couple of churches who provide backpacks and food for students.</li> <li>• <b>Businesses:</b> The District does not have a significant amount of funding coming from local business.</li> </ul>	
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>• The District does coordinate with other regional superintendents.</li> <li>• <b>Career Center:</b> The District does not have a shared career center.</li> <li>• <b>Special Education:</b> The District does not coordinate with other area districts on Special Education programs.</li> <li>• <b>Headcount:</b> The District does not share certain FTEs with area districts.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider implementing a regional shared service model that allows for sharing of resources and systems that are specialized skills.</li> </ul>



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- II. District Overview and Overhead
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- IV. Human Resources
- V. Procurement
- VI. Transportation

## 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.*

987 : 1

District Students (ADM)<sup>[2]</sup>

Financial  
FTE<sup>[4]</sup>

\$157 per Student

Cost of Total Financial Spend<sup>[3]</sup> per Student  
(ADM)<sup>[2]</sup>

### Key statistics for metrics

Financial FTEs <sup>[4]</sup>	2.0
Personnel Expense <sup>[3]</sup>	\$282,342
Non-Personnel Expense <sup>[3]</sup>	\$20,067
Total Financial Expense <sup>[3]</sup>	\$302,409

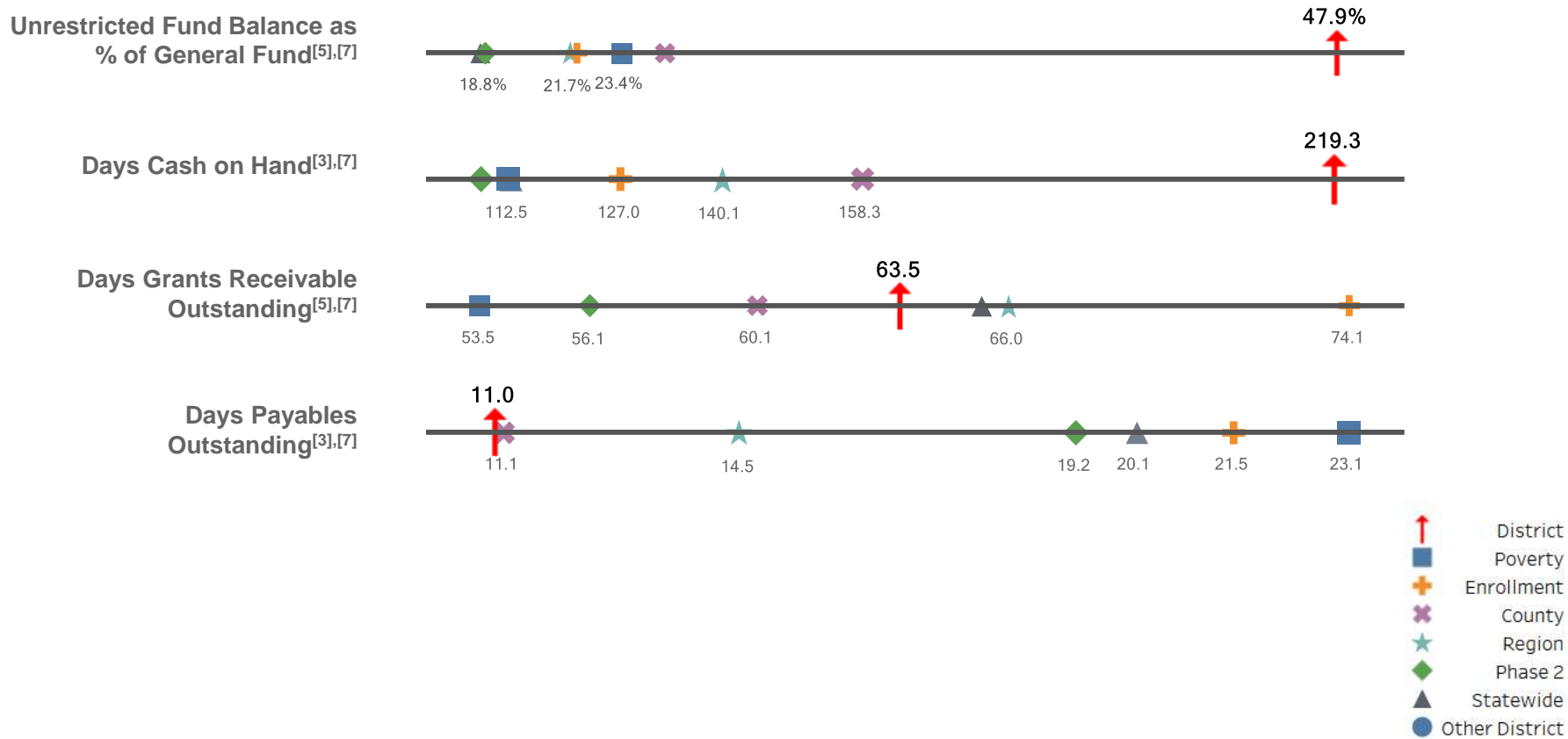
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

# FINANCIAL MANAGEMENT

## LEXINGTON 03

### KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

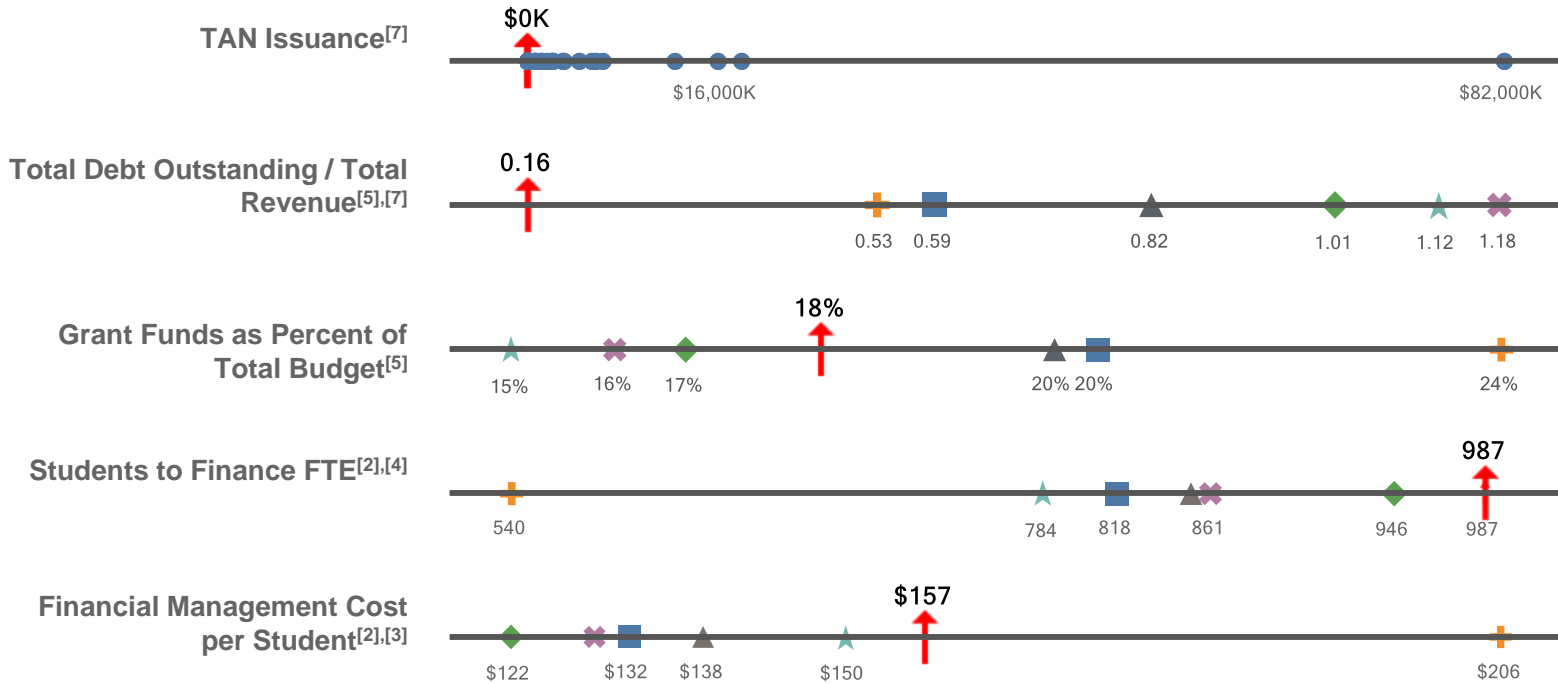
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



# FINANCIAL MANAGEMENT

## LEXINGTON 03

### KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



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

# FINANCIAL MANAGEMENT

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Staffing / Organization</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The Finance organization is operates on a lean budget to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, and financial reporting.</li> <li>• <b>Turnover:</b> The Director of Finance is in her first year at the District after spending 20 years at a neighboring district.</li> <li>• <b>Finance Costs Per Pupil:</b> The District's Finance Costs Per Pupil is \$157, which is higher than the state average (\$138), but lower than districts with similar enrollment (\$206).</li> <li>• <b>Students to Finance FTE:</b> The District's Student to Finance FTE ratio is 987, which is higher than both the state average (852) and districts with similar enrollment (540).</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

**SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

	Observations	Recommendations
<b>Payroll and Accounts Payable</b>	<ul style="list-style-type: none"> <li>• <b>Payroll:</b> The District runs payroll on a semi-monthly basis.</li> <li>• <b>Direct Deposit:</b> The District is 100% direct deposit except for subs and a few hourly employees.</li> <li>• <b>Timekeeping:</b> Time tracking is currently managed via manual processes and approved by the principal at each school.</li> <li>• <b>Purchasing:</b> The district uses SmartFusion for purchasing, but most decisions are managed at the school level.</li> <li>• <b>Pcard:</b> The district does not utilize a Pcard program.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Leverage automated purchase order work flow systems that can be integrated with the financial systems and approvals can be handled centrally.</li> <li>• Consider using centralized Pcards as a method for payment and enable a rebate through a program with a bank.</li> </ul>

**SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

	Observations	Recommendations
<p><b>Grants Management</b></p>	<ul style="list-style-type: none"> <li>• <b>Grant Revenues as a % of Budget:</b> Grant revenues provide 18% of total revenue excluding debt and capital, which is lower than both the state average (20%) and districts with similar enrollment (24%).</li> <li>• <b>Federal Funds:</b> 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 with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow.</li> <li>• <b>Grants Monitoring:</b> Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the Finance department.</li> </ul>	<ul style="list-style-type: none"> <li>• Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants.</li> <li>• Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities.</li> </ul>

# FINANCIAL MANAGEMENT

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>• <b>F/S Audit:</b> The District was found to have one material weaknesses in its FY16 audited financial statements regarding the accounting for capital leases.</li> <li>• <b>Position Control:</b> The District does have position control.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement annual review of processes to ensure segregation of duties over key areas of internal control.</li> <li>• Implement processes to ensure that identified internal control weaknesses are mitigated.</li> </ul>
<b>Cash Management</b>	<ul style="list-style-type: none"> <li>• <b>Days Cash on Hand:</b> The District's Days Cash on Hand is 219 days, which is higher than the state average (113) and districts with similar enrollment (127).</li> <li>• <b>Forecasting:</b> The District reviews cash flow twice per month before payroll goes out.</li> <li>• <b>Grants Receivable Outstanding:</b> The District's Grants Receivable Outstanding is 63.5 days, which is similar to the state average (65.4), but lower than districts with similar enrollment (74.1). The District submits some grant reimbursements monthly.</li> <li>• <b>Payable Outstanding:</b> The District's Days Payables Outstanding is 11.0 days, which is lower than both the state average (20.1) and districts with similar enrollment (21.5).</li> <li>• <b>Cash:</b> The District does invest cash balances in State local investment pool.</li> <li>• <b>Debt:</b> The total debt load per student is low compared to the rest of the state.</li> <li>• <b>TAN:</b> The District did not issue TANs this past year.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement longer term cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings.</li> <li>• 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.</li> </ul>

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"><li>• <b>Planning:</b> The annual budget process begins with a roll-forward of the prior year expenses. The budget team works extensively with department heads to assess any new needs that are anticipated for the new fiscal year.</li><li>• <b>Monitoring:</b> The District produces budget to actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses.</li></ul>	<ul style="list-style-type: none"><li>• Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated.</li></ul>

# FINANCIAL MANAGEMENT

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Technology</b>	<ul style="list-style-type: none"> <li>• <b>ERP:</b> The District uses the Harris SmartFusion accounting software system.</li> <li>• <b>Time Tracking:</b> The District does not have Time Tracking software.</li> <li>• <b>Purchasing:</b> The District uses Harris SmartFusion for recording of purchase orders.</li> <li>• <b>Accounts Payable:</b> The District uses Harris SmartFusion for processing payment for all invoices. The receipt of goods and services and approval of invoices is all done manually through Interoffice mail.</li> </ul>	<ul style="list-style-type: none"> <li>• Explore opportunities to better utilize the existing SmartFusion 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.</li> </ul>
<b>Regional Collaboration</b>	<ul style="list-style-type: none"> <li>• The District does not coordinate with others in the region on any transaction processing or finance related activities.</li> <li>• The District is part of the WEPEC Consortium in which the finance directors of individual districts meet quarterly to discuss various topics.</li> </ul>	<ul style="list-style-type: none"> <li>• 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).</li> </ul>



## OUTLINE

- I. Executive Summary
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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.*

987 : 1

District Students (ADM)<sup>[2]</sup>

Human  
Resources  
FTE<sup>[4]</sup>

\$144 per Student

Cost of all HR personnel<sup>[3]</sup> per Student (ADM)<sup>[2]</sup>

### Key statistics for metrics

Human Resources FTEs <sup>[4]</sup>	2.0
Personnel Expense <sup>[3]</sup>	\$251,789
Non-Personnel Expense <sup>[3]</sup>	\$26,074
Total Human Resources Expense <sup>[3]</sup>	\$277,863

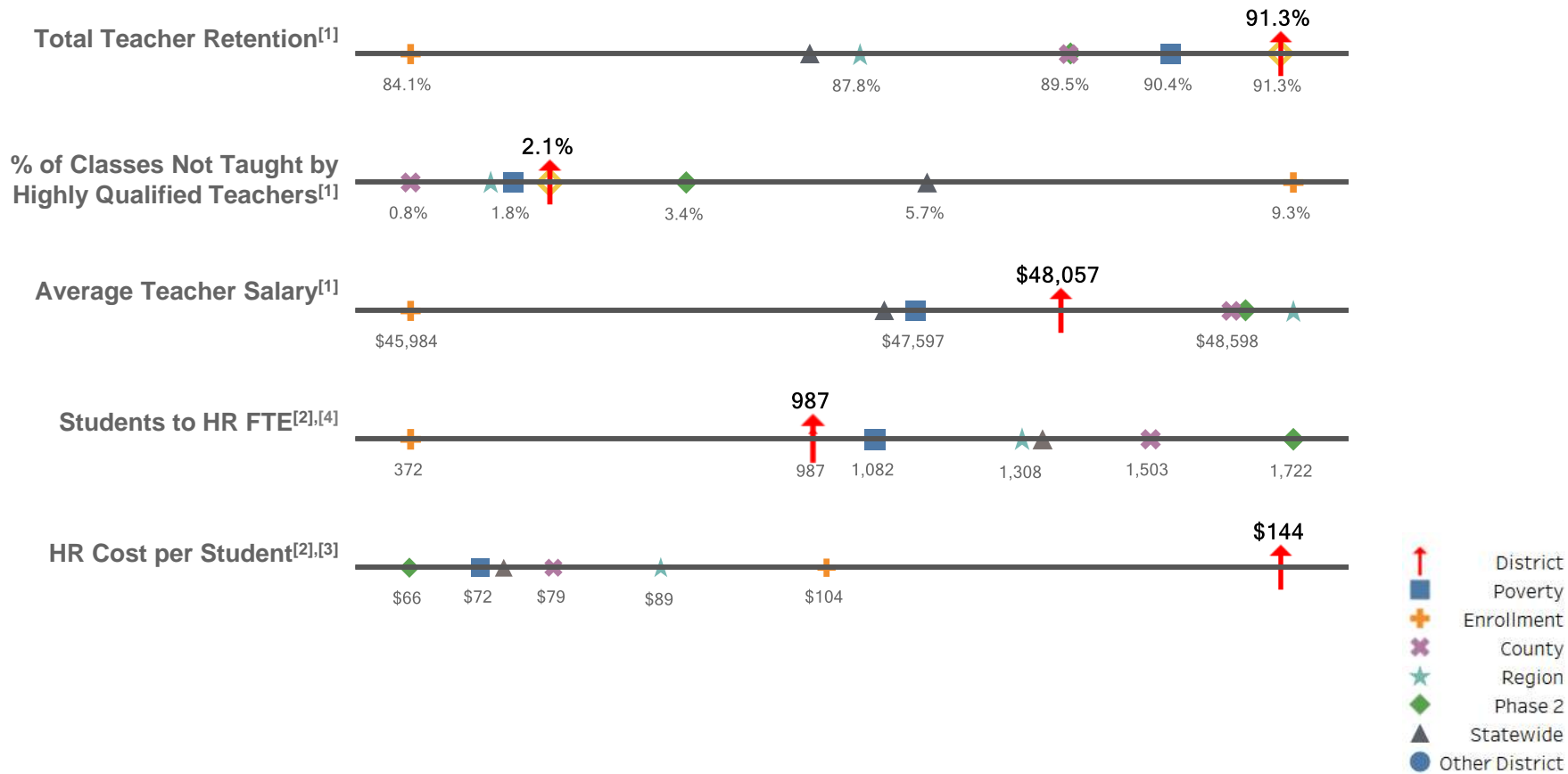
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

# HUMAN RESOURCES

## LEXINGTON 03

### KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



# HUMAN RESOURCES

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Staffing / Organization</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The Human Resources function operates on a lean budget with limited staffing to support recruiting, retention, personnel relations, and benefits.</li> <li>• <b>Turnover:</b> The Assistant Superintendent has been at the district for less than 5 years, while the person who manages benefits has been there longer.</li> <li>• <b>Human Resources Cost Per Pupil:</b> The District’s Human Resources Cost Per Pupil is \$144, which is higher than both the state average (\$75) and districts with similar enrollment (\$104). The cost is higher due to the Assistant Superintendent being charged to HR while he performs many various functions.</li> <li>• <b>Students to Human Resources FTE:</b> The Student to Human Resources FTE ratio is 987, which is lower than the state average (1,338), but higher than districts with similar enrollment (372).</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Recruiting and Retention</b>	<ul style="list-style-type: none"> <li>• <b>Environment:</b> Similar to other school districts in the State, recruiting teachers into the District is challenging. The District is surrounded by larger districts and working to combat the notion that bigger districts are better districts.</li> <li>• <b>Average Teacher Salary:</b> The District’s average teacher salary is \$48,057, which is above the state average (\$47,497) and below the regional average (\$48,798).</li> <li>• <b>Incentives/Tactics:</b> The District attends recruiting fairs and also is working on partnerships with Midlands Tech and College of Charleston.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

# HUMAN RESOURCES

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Recruiting and Retention</b>	<ul style="list-style-type: none"> <li>• <b>Vacancies:</b> The District has approximately 10 teacher openings every year with a retention rate of 92%.</li> <li>• <b>Induction:</b> The District has an induction program that involves first year teachers meeting with mentors and having monthly development meetings.</li> <li>• <b>Substitutes:</b> The District has a substitute pool that satisfies their current needs.</li> <li>• <b>Retirement:</b> The District has 9 employees included in the TERI program, this is less than 7% of their current staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Due to the significant percentage of teachers in special needs and hard to fill roles who are expected to retire in the next five years, develop a workforce plan 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.</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• <b>Recruiting:</b> The District leverages AppliTrack for recruiting, application screening, and processing.</li> <li>• <b>Substitutes:</b> The District currently manages substitutes manually, but is looking into outsourcing this and or adopting a technology tool to assist.</li> <li>• <b>Employee Self Service Portal:</b> The District uses Harris as their ESS portal. This portal gives employees the ability to view and print check stubs.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement software systems to help manage the substitute management process.</li> <li>• Implement an automated time tracking system that can interface directly with the payroll system.</li> <li>• Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process.</li> </ul>

# HUMAN RESOURCES

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• <b>Open Enrollment:</b> Ward services comes in and helps to engage each teacher to make sure they have all the information they need to decide on their benefits.</li> <li>• <b>Medical Claims:</b> The District is seeing an increasing amount of long term medical and FMLA claims. The District also sees about twelve worker’s compensation claims per year.</li> <li>• <b>ACA Compliance:</b> The District monitors the hours worked for hourly employees to ensure compliance with all ACA regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Benefits administration process could be automated via expanded capabilities of employee portal. Employees could be responsible for updates and information would be linked directly to payroll.</li> </ul>
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>• The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies.</li> <li>• The District is part of the WEPEC Consortium in which the human resources directors of individual districts meet quarterly to discuss various topics.</li> </ul>	<ul style="list-style-type: none"> <li>• 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"> <li>- Benefits Coordination</li> <li>- Human Resources System Licenses (Frontline)</li> <li>- H1B Process for International Teachers</li> </ul> </li> <li>• Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts.</li> </ul>



## OUTLINE

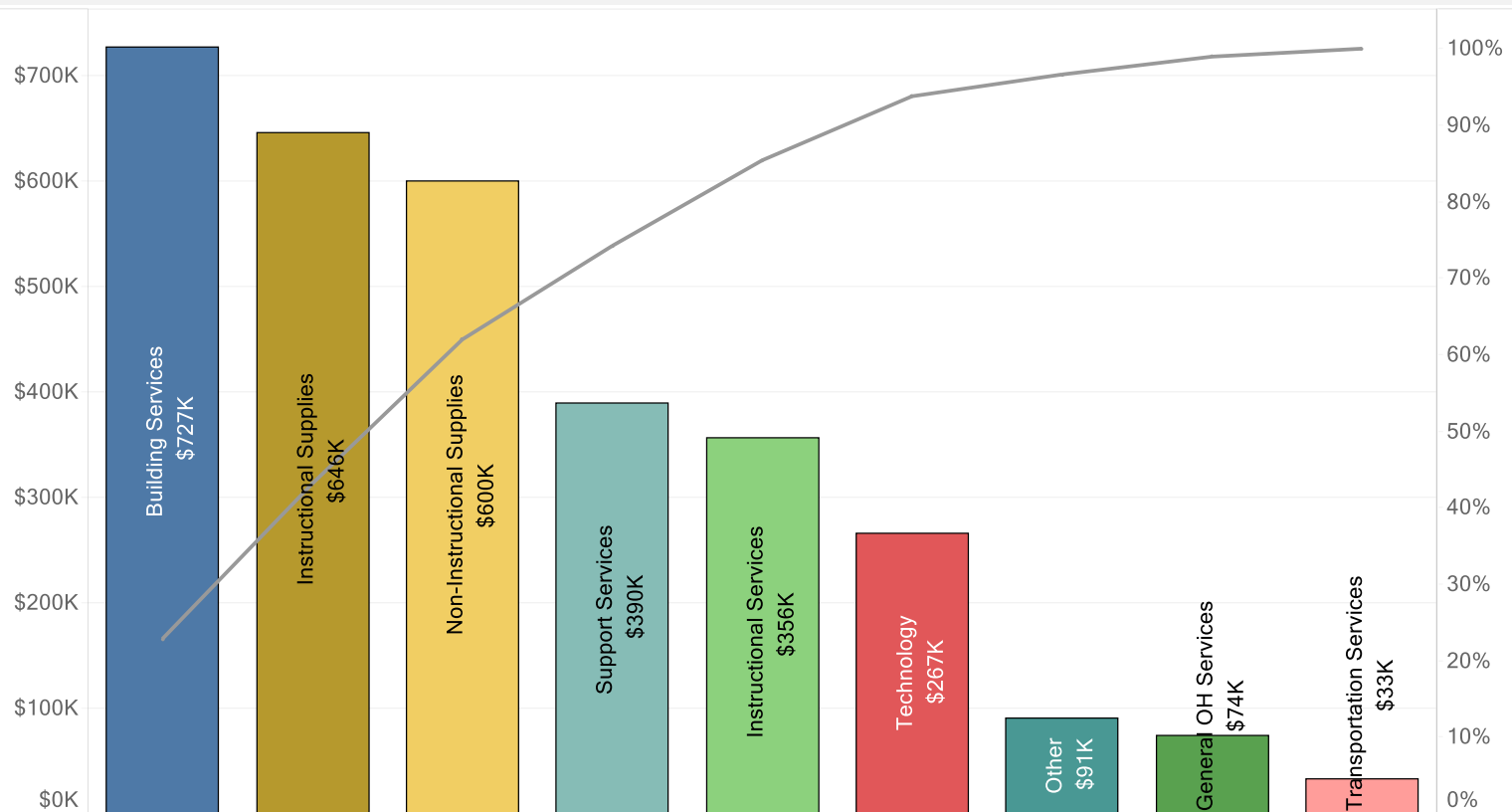
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# PROCUREMENT LEXINGTON 03

## PROCUREMENT OVERVIEW

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

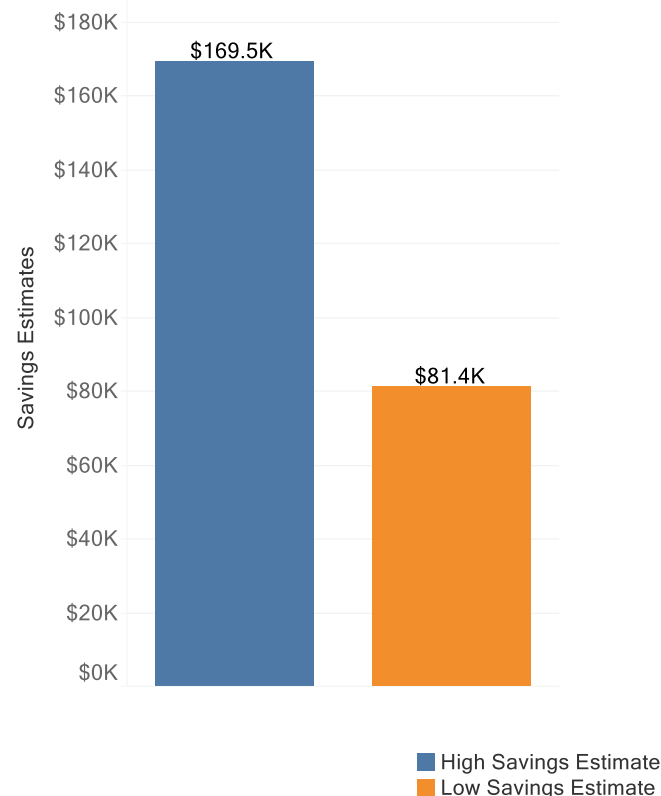
District In Scope Total Procurement Spend<sup>[3]</sup> = \$3,183,164



**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 <sup>[8]</sup>		
	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 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Organization / Staffing</b>	<ul style="list-style-type: none"> <li>• <b>Staffing:</b> The district does not have any staff focused on purchasing and procurement.</li> <li>• <b>Scope:</b> The District has decentralized purchasing which is generally managed at the school level.</li> <li>• <b>Technology:</b> The District uses SmartFusion, but manually approves invoices and receipts of goods and services.</li> <li>• <b>Pcard:</b> The District does not use a Pcard.</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.</li> </ul>
<b>Spending by Vendor</b>	<ul style="list-style-type: none"> <li>• Spending is fragmented across more than 900 vendors, however, the top 100 make up more than 80% of total spending.</li> <li>• Spending efforts are made based upon the individual buyer. Aggregated purchasing decisions across districts are not made.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include: (a) food (if not currently using a GPO), supplies, technology.</li> </ul>

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p><b>Spending by Category</b></p>	<ul style="list-style-type: none"> <li>• <b>Building and Maintenance:</b> The District makes purchasing decisions at an individual level and work to follow state procurement procedures.</li> <li>• <b>Food Services:</b> The District used to outsource food services, but found out it was more effective to manage internally.</li> <li>• <b>Energy:</b> The District does not fix rates for natural gas contracts.</li> <li>• <b>Instructional Support Services and Supplies:</b> The District makes purchasing decisions at an individual level and work to follow state procurement procedures.</li> <li>• <b>Technology:</b> The District has a 1:1 program. The district continues to purchase infrastructure to support digital software and these devices. The district has not coordinated technology purchases with any other districts.</li> <li>• <b>Non-instructional Supplies:</b> The District makes purchasing decisions at an individual level and work to follow state procurement procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts.</li> <li>• <b>Standardization of Technology:</b> 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.</li> <li>• Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts.</li> <li>• Consider establishing fixed rate contract for natural gas.</li> <li>• Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts.</li> </ul>

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Regional Collaboration</b>	<ul style="list-style-type: none"><li>The District does partner with other large districts to procure goods and services.</li></ul>	<ul style="list-style-type: none"><li>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.</li><li>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"><li>- Technology</li><li>- Instructional Software and Services</li><li>- Instructional Staffing</li><li>- Supplies</li></ul></li></ul>



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# TRANSPORTATION

## LEXINGTON 03

### 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
<b>Bus Purchases</b>	<ul style="list-style-type: none"> <li>Provides buses for regular, special needs and other routes. Statute requires buses be replaced every 15 years.</li> </ul>	<ul style="list-style-type: none"> <li>Activity buses and any incremental buses for routing</li> </ul>
<b>Daily Administration</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Student transportation enrollment; daily administration</li> </ul>
<b>Bus Drivers</b>	<ul style="list-style-type: none"> <li>Base pay, certification standards and training</li> </ul>	<ul style="list-style-type: none"> <li>Hiring</li> </ul>
<b>Routing</b>	<ul style="list-style-type: none"> <li>Routing software for districts</li> </ul>	<ul style="list-style-type: none"> <li>Determination of routes</li> </ul>
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>Regional maintenance shops for State-owned buses</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for maintaining district purchased buses</li> </ul>
<b>Fuel</b>	<ul style="list-style-type: none"> <li>Fuel provided for State-owned buses</li> </ul>	<ul style="list-style-type: none"> <li>Fuel must be purchased for district-owned bus</li> <li>District must pay for "hazard" routes</li> </ul>
<b>Safety Cameras</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>District must purchase</li> </ul>
<b>GPS / Bus Tracking</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>District must purchase</li> </ul>
<b>Stop-arm cameras</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>District must purchase</li> </ul>
<b>Radios / cell</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>District must purchase</li> </ul>

TRANSPORTATION OVERVIEW

*The District is responsible for the administration of student transportation which includes bus routing, hiring of bus drivers and daily coordination of student transportation.*

12 Years

Avg. Age of State Provided Bus Fleet<sup>[9]</sup>

\$411 per Student

Cost of District incurred transportation related expenses. State related expenses are excluded <sup>[2],[3]</sup>

Key statistics for metrics

Transportation FTEs <sup>[4]</sup>	23.0
Personnel Expense <sup>[3]</sup>	\$724,490
Non-Personnel Expense <sup>[3]</sup>	\$66,787
Total Transportation Expense <sup>[3]</sup>	\$791,277

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

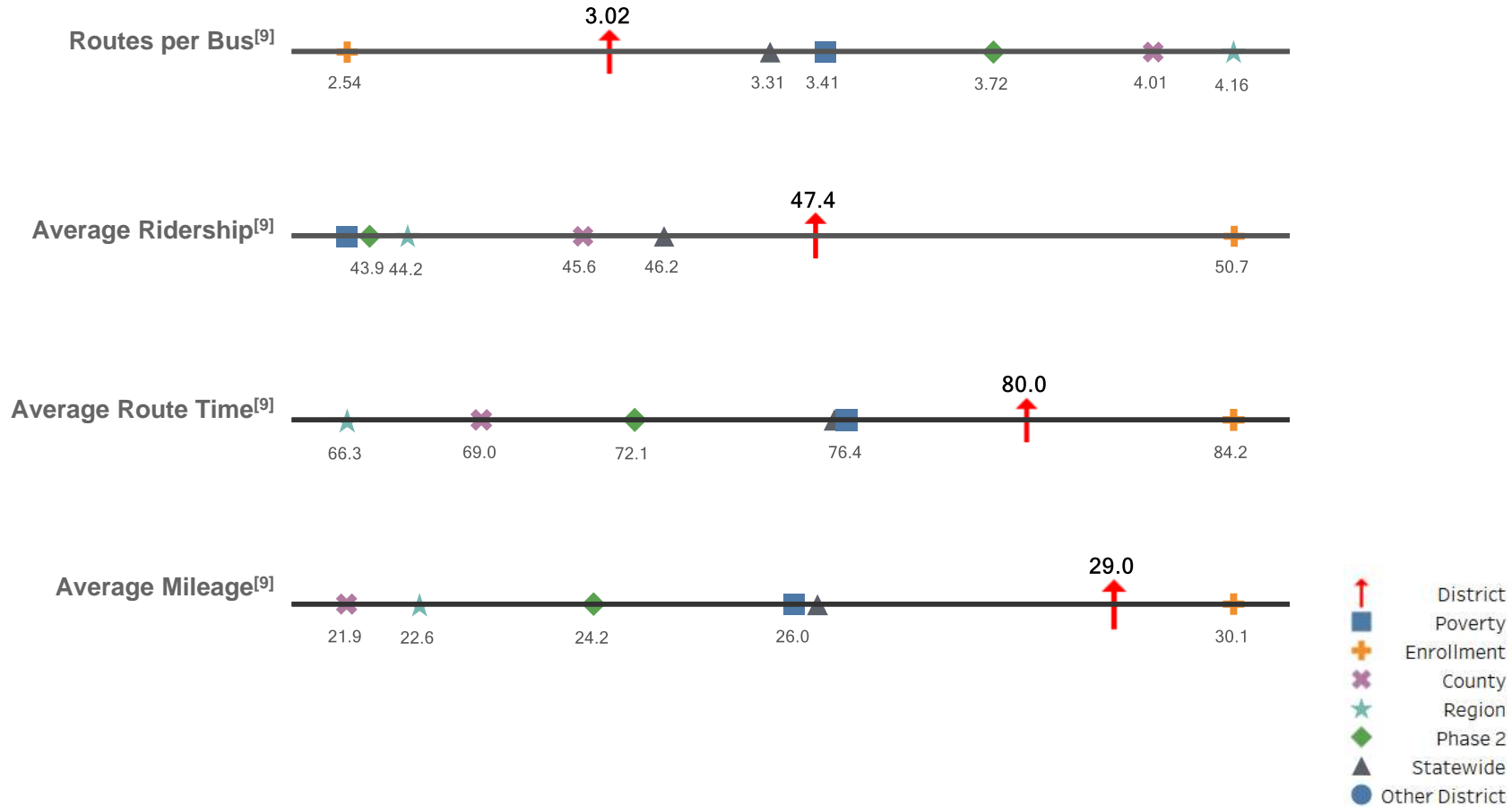
Key statistics for State Routes	# Buses <sup>[9]</sup>	# Routes <sup>[9]</sup>	Routes per Bus <sup>[9]</sup>	Ridership <sup>[9]</sup>	Avg Ridership <sup>[9]</sup>	Avg Route Time (including dead time) <sup>[9]</sup>	Avg Mileage per Bus <sup>[9]</sup>
Regular	14.9	45	3.0	2,134	47	80	29
Special Needs	2.0	5	2.5	54	11	Not-Available	48
Other	1.5	6	4.0	125	21	Not-Available	27
Total	18.4	56	3.0	2,313	N/A	N/A	N/A

# TRANSPORTATION

## LEXINGTON 03

### KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

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



# TRANSPORTATION

## LEXINGTON 03

### SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Staffing / Organization</b>	<ul style="list-style-type: none"><li>• <b>Staffing:</b> The District has been 100% staffed for eight years. The District has seen a large drop in applicants recently. Six of the bus drivers are dual employees with most of them functioning as greeters.</li><li>• <b>Substitutes:</b> The District does not have a pool of substitute drivers, but does use aides and monitors who have CDL to fill in during any absences. The District also has an attendance rate around 96% which makes this arrangement more than manageable.</li><li>• <b>Pay:</b> Bus drivers are currently paid a starting rate of \$11.19, approximately \$3.39 above state reimbursement levels.</li><li>• <b>Retirees:</b> The District has only 4 bus drivers who are near retirement.</li></ul>	<ul style="list-style-type: none"><li>• As the bus driver shortage continues in South Carolina, the District should continue to create opportunities for full-time employment and dual employment.</li></ul>

# TRANSPORTATION LEXINGTON 03

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<b>Routing and Bus Management</b>	<ul style="list-style-type: none"> <li>• <b>Staggered Bell Times:</b> 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.</li> <li>• <b>Routing Software:</b> The District does not utilize routing software.</li> <li>• <b>GPS:</b> The District does have GPS on its buses.</li> <li>• <b>Security:</b> The District does have security cameras on all buses.</li> <li>• <b>District Buses:</b> The District does not use the State fuel for activity buses.</li> <li>• <b>Maintenance:</b> The bus outsources their maintenance on district owned buses. The District has one maintenance worker who can do minor maintenance on buses.</li> <li>• <b>Hazard Costs:</b> The District spends about \$1,500 per year on hazard routes.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement routing software to ensure most efficient routes that will allow for 1) a reduction in the number of drivers needed, 2) eliminate the need for double bus runs, and 3) reduce the number of buses needed.</li> </ul>
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>• The District does collaborate with surrounding districts (Lexington1) for training.</li> <li>• The District is part of the WEPEC Consortium in which the transportation directors of individual districts meet quarterly to discuss various topics.</li> </ul>	

# APPENDIX A: SAVINGS METHODOLOGY



# APPENDIX A: SAVINGS METHODOLOGY

## LEXINGTON 03

### APPROACH TO SAVINGS

#### GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

#### FINANCE AND HUMAN RESOURCES

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

#### PROCUREMENT

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

#### TRANSPORTATION

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

## APPROACH TO SAVINGS: OTHER CONSIDERATIONS

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➤ **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**

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**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

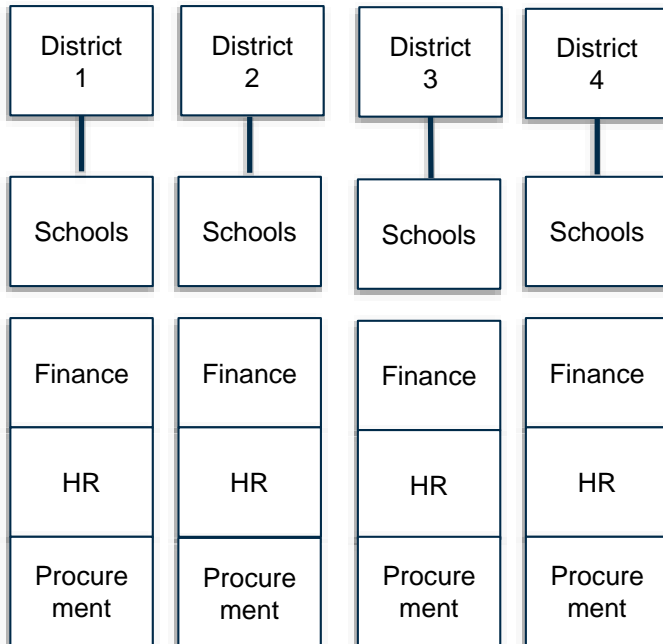
## LEXINGTON 03

### 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.*

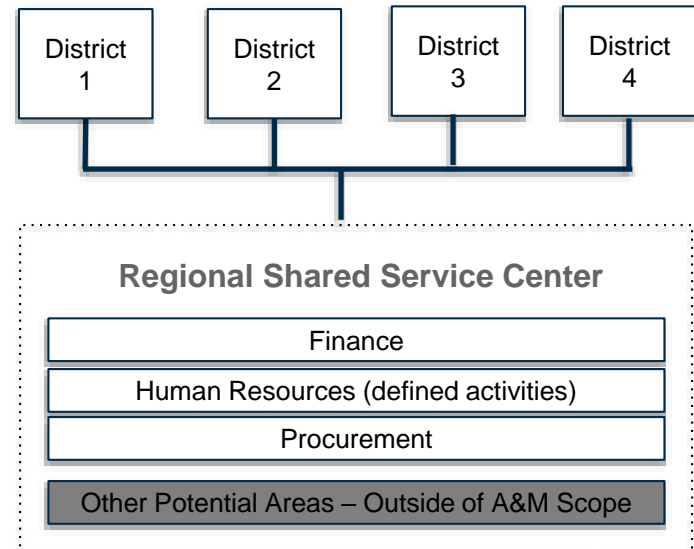
#### CURRENT STATE: STAND ALONE DISTRICT

*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 03

### SHARED SERVICES MODEL: SAVINGS APPROACH

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

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

	Financial Management Collaboration: Two Districts [Both Small]		
	Current State	Collaboration Model	Savings
# of Districts	2	2	NA
Total ADM	2,500	2,500	NA
Total FTEs <sup>(1)</sup>	4.75	4.00	0.75
Total Spend <sup>(1)</sup>	\$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.*

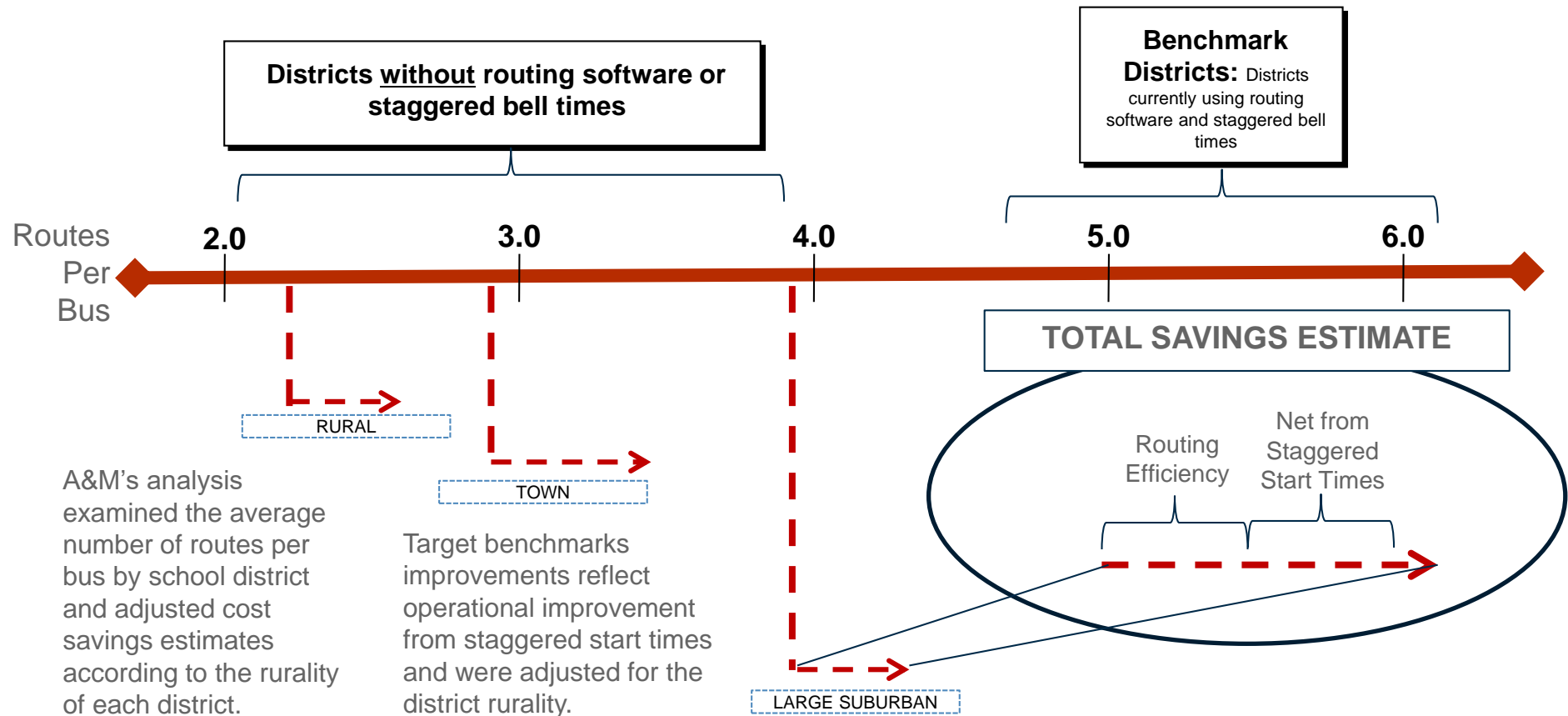
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs <sup>(2)</sup>	18.9	13.0	6.0
Total Spend <sup>(2)</sup>	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH

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



# APPENDIX A: SAVINGS METHODOLOGY

## LEXINGTON 03

### 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

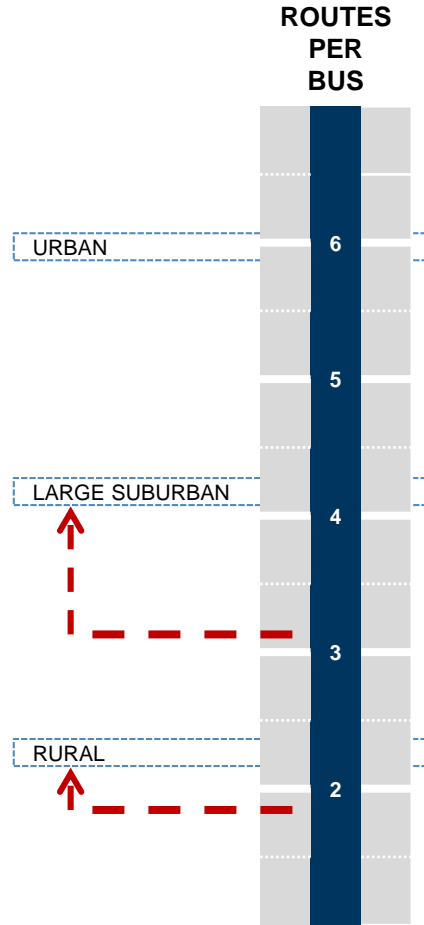
## LEXINGTON 03

### 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
<b>DRIVERS</b>	2.0	\$ 19,390	\$ 23,133	\$ 15,647
<b>FUEL</b>	-	\$ 0.15	\$ -	\$ -
<b>MAINTENANCE</b>	2.0	\$ 4,138	\$ -	\$ 8,276
<b>BUSES (COST AVOIDANCE)</b>	-	\$ 60,000	\$ -	\$ -
<b>TOTAL</b>			\$ 23,133	\$ 23,923

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

# APPENDIX A: SAVINGS METHODOLOGY

## LEXINGTON 03

### COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

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

#### EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

##### Example 1: Differentiated Pricing in Professional Services

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

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

##### Example 2: Volume Discounts and Rebates with a Technology Vendor

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

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

# APPENDIX A: SAVINGS METHODOLOGY

## LEXINGTON 03

### 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 03

### [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 03

### Sources [2],[3]

- \$ Per Student = Total Cost <sup>[3]</sup> / FY 16 135-Day ADM <sup>[2]</sup>
- \$ Per Student Excluding Debt & Capital = Total Cost <sup>[3]</sup> / FY 16 135-Day ADM <sup>[2]</sup> (Where Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”)
- Financial Management Cost per Student = Total Cost <sup>[3]</sup> (Where A&M Functional Group = “Financial Management” and Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”) / FY 16 135-Day ADM <sup>[2]</sup>
- HR Cost / Student = Total Cost <sup>[3]</sup> (Where Function Code = “Human Resources”) / FY 16 135-Day ADM <sup>[2]</sup>
- Transportation Cost / Student = Total Cost <sup>[3]</sup> (Where A&M Functional Group = “Transportation”) / FY 16 135-Day ADM <sup>[2]</sup>

### Sources [2],[4]

- Students Per Instructional Services FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Instruction,” “Instructional Staff Services,” “School Administration,” or “Pupil Services”)
- Students Per Overhead FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Gen Admin,” “Finance,” “Technology,” “Central Services,” or “Human Resources”)
- Students Per School Support FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Food Services,” “Facilities,” “Transportation,” “Support Services” or “Community Services”)
- Students to All Positions = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup>
- Students To Total FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup>
- ADM to Financial FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE<sup>[4]</sup> (Where Category Description = “Finance”)
- ADM to HR FTE = FY 17 45-Day ADM <sup>[2]</sup> / FTE <sup>[4]</sup> (Where Category Description = “Human Resources”)

# APPENDIX B: FORMULAS DEFINED

## LEXINGTON 03

### Source [5]

- Grant Funds as Percent of Total Budget =  $((\text{Total Special}^{[5]} + \text{Special EIA Revenue}^{[5]}) / \text{Total Revenue Excluding})$  Where Fund Name  $\neq$  “Capital Projects Fund” or “Debt Service Fund”
  - \* Special Revenue = Fund Code 200
  - \* Special EIA Revenue = Fund Code 300
  - \* Debt & Capital = Fund Code 400 & 500

### Source [3],[7]

- Days Cash on Hand =  $(\text{Cash: Unrestricted, general fund}^{[7]} + \text{Investments: general fund}^{[7]} + \text{AR: County}^{[7]}) / (\text{General Fund Expenditures}^{[3]} / 365)$ 
  - \*General Fund Expenditures = expenses where fund code = 100
- Days Payable Outstanding =  $(\text{Accounts Payable: General Fund}^{[7]} / (\text{Non-Personnel Expenditures}^{[3]} / 365))$ 
  - \*Non-Personal Expenditures = expenses where Object Code between 300 – 700

### Source [5],[7]

- Unrestricted Fund Balance as % of General Fund =  $\text{Fund balance – unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- Grants Receivables Days Outstanding =  $(\text{Grants Receivable from State}^{[7]} + \text{Grants Receivable from Federal}^{[7]}) / (\text{total grant funds from statewide revenues}^{[5]}/365)$ 
  - \*Total Grant Fund From Statewide Revenue is revenue where fund code = 200 & 300
- Total Debt Outstanding/Total Revenue =  $\text{Total Debt Outstanding}^{[7]} / \text{Revenue}^{[5]}$  (Where Fund Name  $\neq$  “Capital Projects Fund” or “Debt Service Fund”)

### Source [9]

- Routes Per Bus =  $\text{Number of Routes}^{[9]} / \text{Number of Buses}^{[9]}$
- Average Ridership =  $\text{Total Ridership}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Route Time =  $\text{Total Route Minutes}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Mileage Per Bus =  $\text{Total Route Miles}^{[9]} / \text{Number of Buses}^{[9]}$

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