



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

McCormick

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

MCCORMICK

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

MCCORMICK

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

MCCORMICK

PROJECT OVERVIEW (CONTINUED)

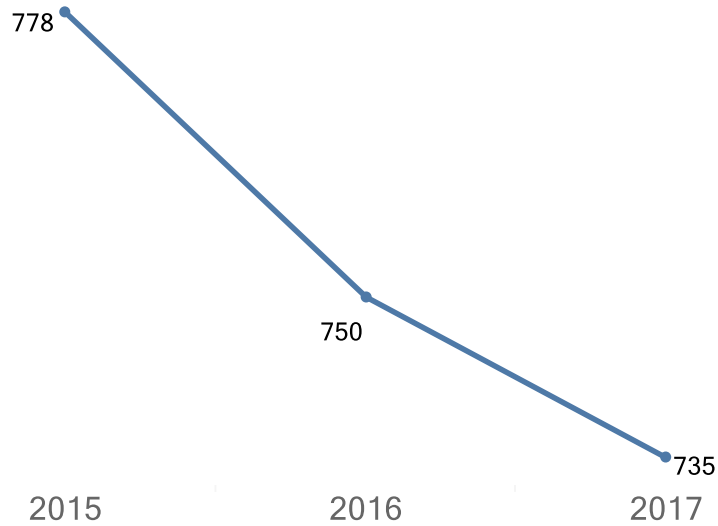
➤ Sources of Data and Savings Estimates:

- 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.

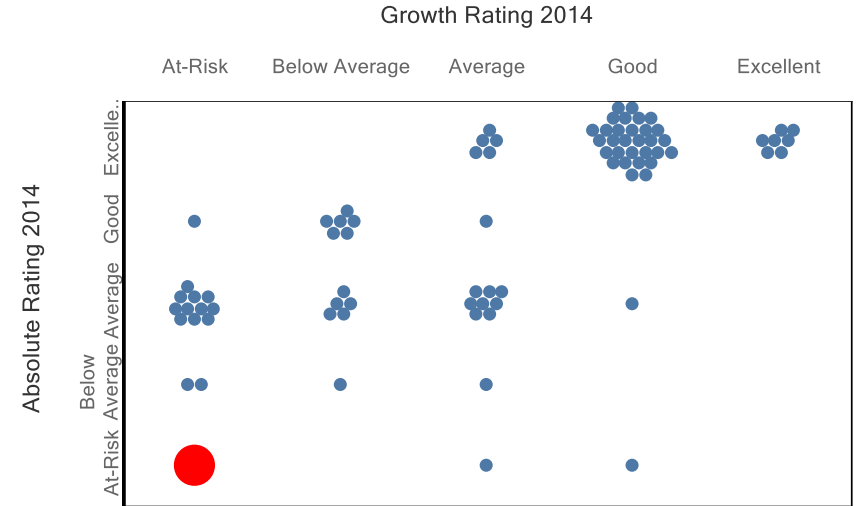
EXECUTIVE SUMMARY

MCCORMICK

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	3
% Poverty ^[1]	81.2%
% Disability ^[1]	14.7%
\$ Per Student ^{[2],[3]}	\$19,599
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$16,267

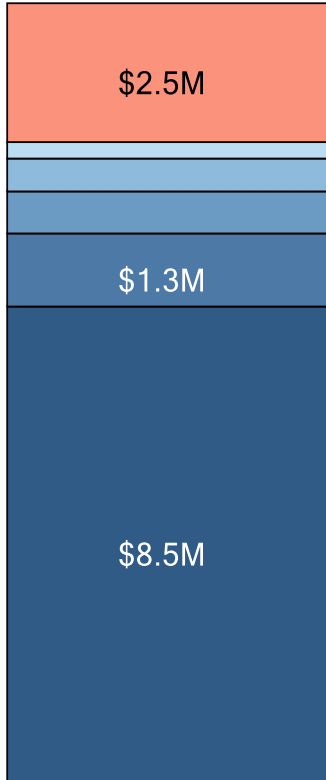
Administration

Students Per Instructional Services FTE ^{[2],[4]}	6.2
Students Per Overhead FTE ^{[2],[4]}	81.6
Students Per School Support FTE ^{[2],[4]}	56.5
Students to Total FTE ^{[2],[4]}	5.2

EXECUTIVE SUMMARY

MCCORMICK

Sources of Funds^[5]
\$14.0M



2015-2016

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

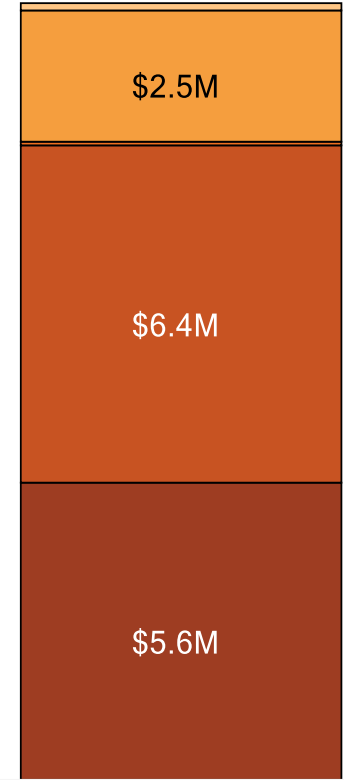
Use of Funds - Type^[3]
\$14.7M



2015-2016

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

Use of Funds - Function^[3]
\$14.7M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

MCCORMICK

\$14.7M
Total

\$3.1M
In-Scope

\$11.6M
Not In-Scope

20.8% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$215,280	\$92,493
Human Resources	\$134,881	\$9,426
Overhead	\$488,728	\$239,833
Transportation	\$454,487	\$31,365
Procurement (Community Services, Instruction, Support Services)	\$1,767,739	\$1,767,739
TOTAL	\$3,061,115	\$2,140,856

* totals may not tie due to rounding

EXECUTIVE SUMMARY

MCCORMICK

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of McCormick County School District is to provide a quality education for every student.

1. **Student Achievement:** Student achievement will continuously improve, as indicated by formative and summative assessment data.
2. **District Environment:** The District will provide a safe and nurturing learning environment.
3. **Resources:** The District will continuously improve teacher and administrator quality by recruiting, inducting, developing, evaluating, and retaining highly qualified teachers and administrators, documented in the interim performance goals, data sources, and overall measures.

Achievements

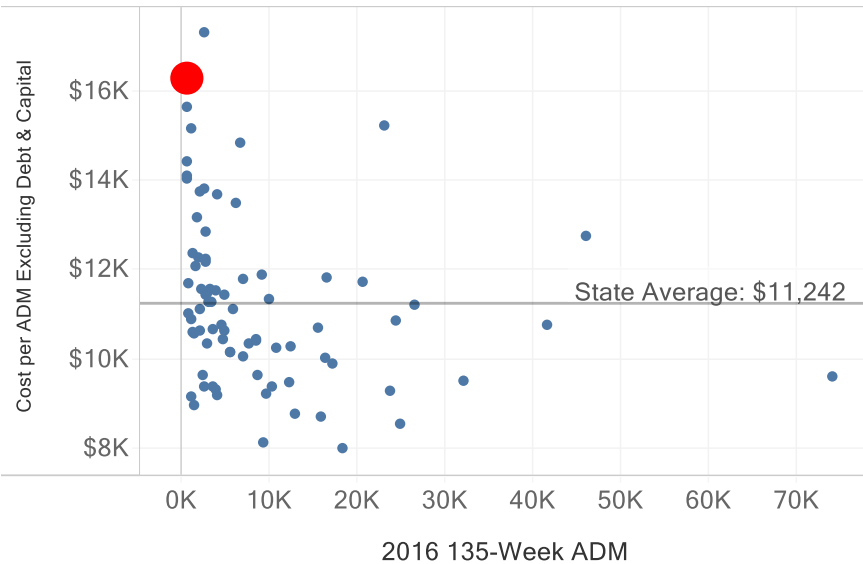
- **Fiscal:** The District built a K-12 complex using a variety of funding options. The District also built a K-8 complex using a facilities foundation and the guarantee of ACT 388 funds to repay the loan. The District plans to repay the loan by 2020. The District has used GOB's for the FY15, 16 and 17 to relieve the general fund operating budget.
- **Instructional Resources:** The District has decreased classroom size and managed to secure a teacher residency grant that will assist in the recruitment and training of teachers in our area of the State.

Challenges

- **Recruitment:** In the rural and very small District, housing is an issue as are availability of jobs for the spouses/significant others.
- **Diverse Needs:** The student population is 95% minority. The District typically experiences the loss of non-minority students between elementary and middle school.
- **Funding:** There is a low -tax base due to the limited local industry. There are trade-offs from Act 388 as the guaranteed \$2.5 million is a positive, but the shrinking student base results in the loss of other funding.

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

MCCORMICK

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Gaps in Financial Management: The small size of the District leaves it vulnerable to drops in enrollment and unanticipated expenses, although these risks are mitigated by high cash reserves. The District's lean staffing and a need for professional financial development appear to contribute to the material weaknesses reported in the District's FY16 audit findings. • Limited Staffing / Manual Processes: An under-investment and under-utilization of technology contribute to the need to modernize financial processes.
Human Resources	<ul style="list-style-type: none"> • Challenges with Recruiting and Retention: General challenges associated with teaching shortages are exacerbated by the rural location of the District. • Limited Staffing / Manual Processes: The District has adequate staffing levels with personnel that are fully dedicated to Human Resources; however, investments in technologies could help reduce manual processes.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The District is grappling with a shortage of drivers. • Manual Routing: The District does not have routing software that can be used to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has limited, if any, resources dedicated to Procurement. • Strategic sourcing: The District has limited leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates. There is significant off-contract purchasing and limited collaboration across districts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: 1.75 FTEs are included in the office of the Superintendent, including the Superintendent. • Collaboration: The District engages in some collaboration with other Superintendents.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

MCCORMICK

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to the financial systems to facilitate both automated and purchase to payment processes, integrated timekeeping, and payroll and position control functionality.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing/Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the team.</p>	<p>System Enhancements: Evaluate technologies to automate HR processes, such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending using minimum buying commitments as appropriate.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>System Enhancements: Implement new routing software, GPS, and security cameras on all buses.</p> <p>Process Improvements: Staggered Bell Times: - Complete analysis (in conjunction with use of routing software) to evaluate the potential financial benefits of using routing software.</p> <p>Staffing / Organization: Implement staggered bell times and routing software to make routes more efficient and reduce the number of bus drivers necessary for operation.</p>

EXECUTIVE SUMMARY

MCCORMICK

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

MCCORMICK

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

MCCORMICK

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$10,000	\$25,000	\$22,200	\$66,600
Human Resources	15,000	25,000	0	14,400
Procurement	0	0	55,600	114,700
Transportation – District	N/A	N/A	30,000	45,000
District Total	25,000	50,000	107,800	240,700
Transportation – State	7,000	22,000	28,100	51,000
Total	\$32,000	\$72,000	\$135,900	\$291,700

* A negative savings amount reflects the need to hire additional resources if collaboration with other districts is not pursued.

Investment and savings ranges shown above reflect preliminary estimates of impacts of A&M recommendations. These amounts are subject to change based upon the implementation strategies selected. In addition, potential costs associated with additional planning activities are not reflected in these estimates.

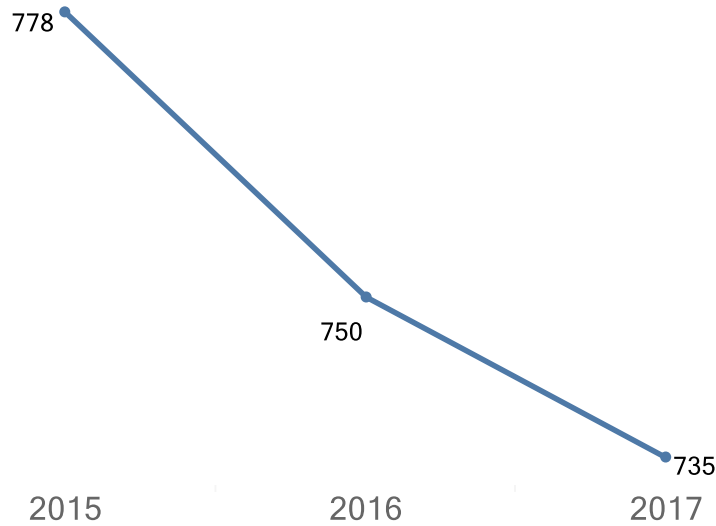


OUTLINE

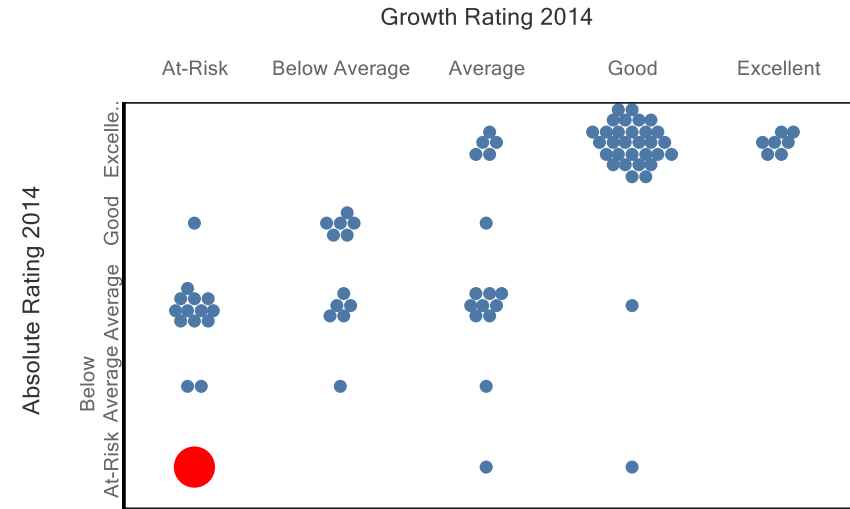
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DISTRICT ADMINISTRATION AND PERFORMANCE MCCORMICK

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	3
% Poverty ^[1]	81.2%
% Disability ^[1]	14.7%
\$ Per Student ^{[2],[3]}	\$19,599
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$16,267

Administration

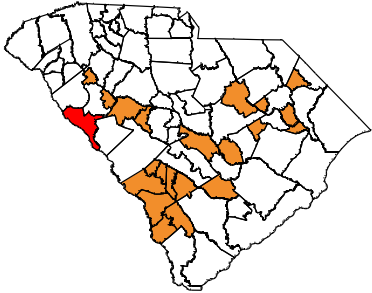
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Students Per Overhead FTE ^{[2],[4]}	81.6
Students Per School Support FTE ^{[2],[4]}	56.5
Students to Total FTE ^{[2],[4]}	5.2

DISTRICT BENCHMARKING

MCCORMICK

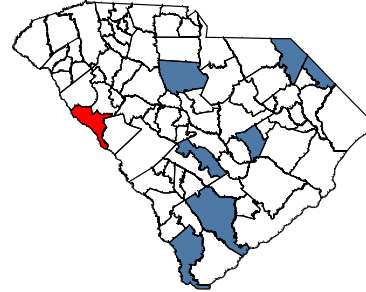
Enrollment (< 2,500)

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	



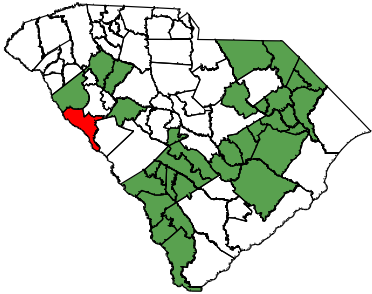
Poverty (80% - 85%)

Clarendon 02
 Colleton
 Dillon 04
 Fairfield
 Jasper
 Marlboro
 McCormick
 Orangeburg 05



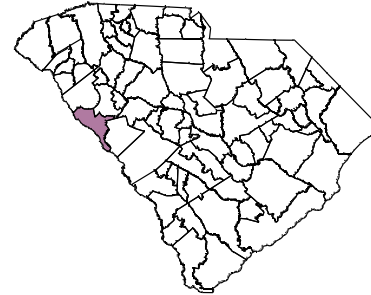
Phase 1 (Yes)

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



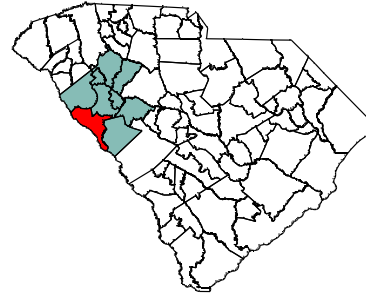
County (McCormick)

McCormick



Region (Upper Savannah)

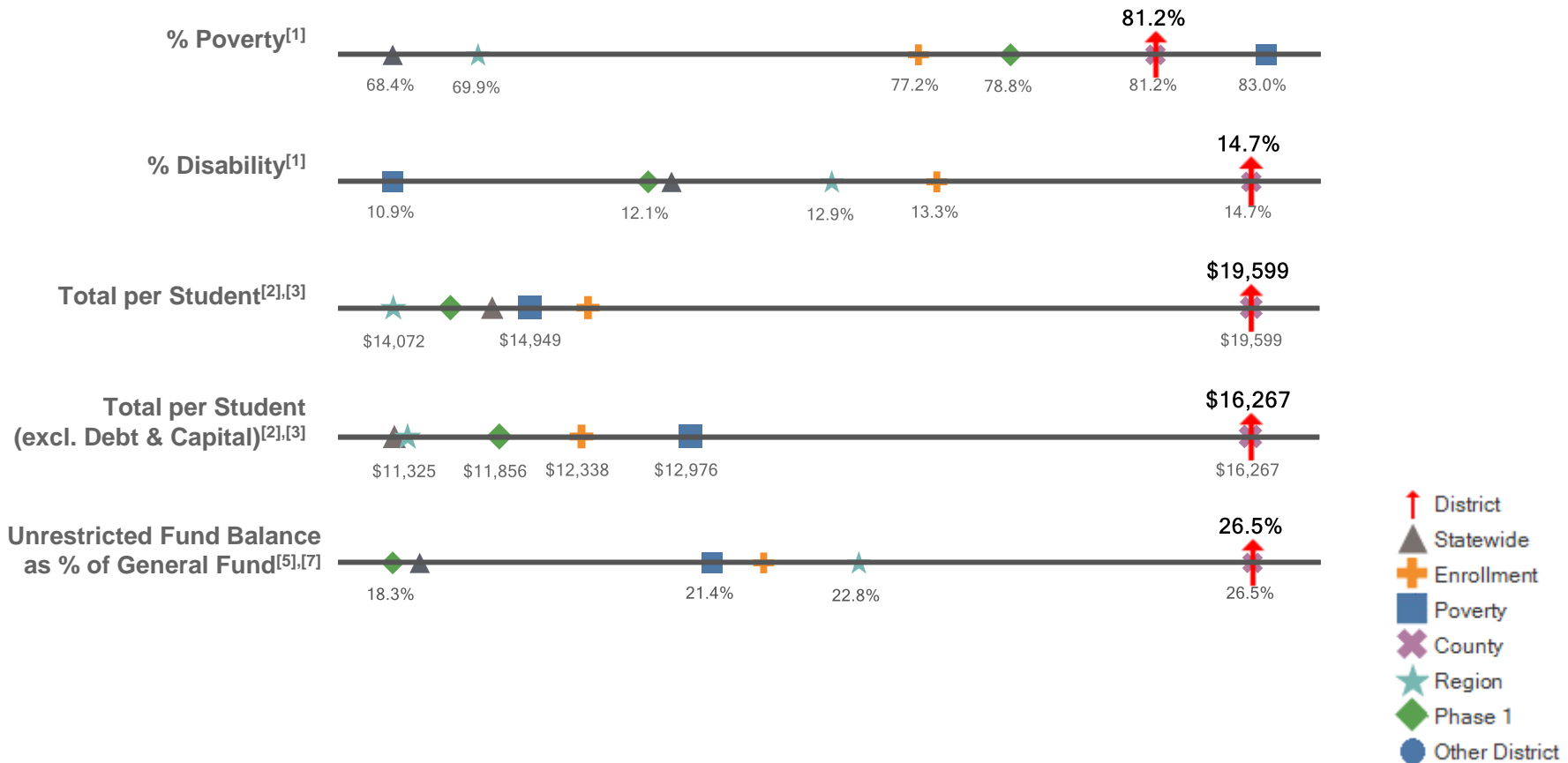
Abbeville 60
 Edgefield
 Greenwood 50
 Greenwood 51
 Greenwood 52
 Laurens 55
 Laurens 56
 McCormick
 Saluda



DISTRICT OVERVIEW MCCORMICK

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

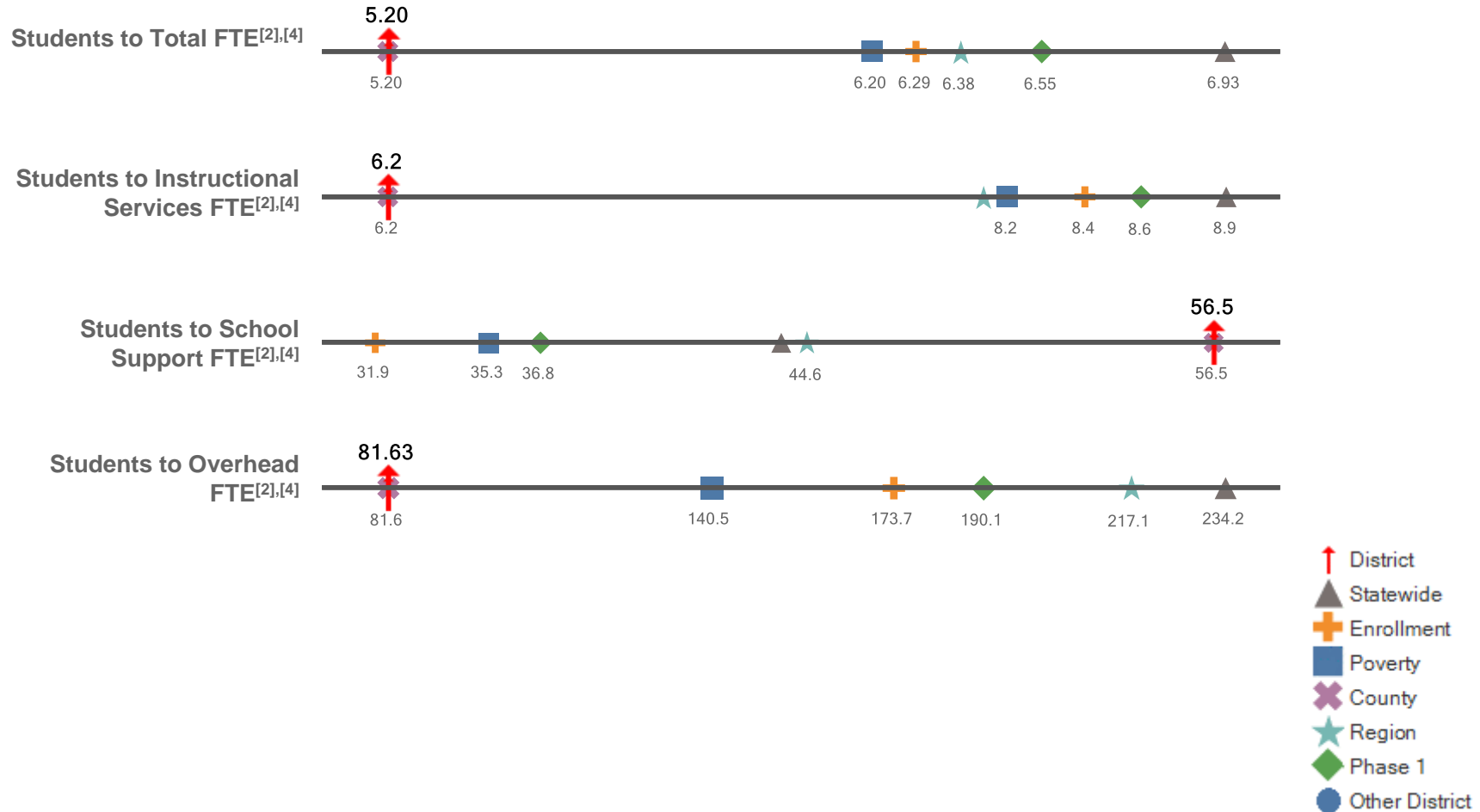
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

MCCORMICK

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD

MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District enrollment has declined 5% over the past three years to 735 students. • Student Demographics: The student population is 95% minority, with an 81.2% poverty rate. The District has a high percentage of special education students at 14.7%. • Competition: The District has observed that students who can afford to travel outside of the county will attend other schools after finishing the elementary level. • Long-term Planning: The District hopes that its stated goals and long term financial plan will coincide with more successfully recruiting teachers and retaining students. 	<ul style="list-style-type: none"> • Given the recent trends in enrollment the District should continue to monitor and refine its long-term enrollment forecast to anticipate and plan for enrollment changes, ensuring long term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: The small size of the District leaves the District vulnerable to drops in enrollment and unanticipated expenses. However, the District does have reserves that are slightly higher than the statewide average, helping the District to manage through unanticipated events. • Per Pupil Expenses: When excluding debt and capital, the District has a significantly higher Per Pupil Expense of \$16,267 relative to peer group by enrollment size of \$12,338 and represents an even greater gap when compared to the statewide average of \$11,242. The high per pupil is a reflection of the high fixed cost structure of the small District . • Unrestricted Fund Balance: The District has an Unrestricted Fund Balance that is 26.5% of revenues, compared to the statewide average of 18.6%. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is maintained, the District should continue to monitor and updates its long term financial plan to allow for investment in critical areas of academics and operations while still maintaining a strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Resource Allocation: The District has more favorable student to FTE ratios both in the areas of instructional support and overhead / school support staff, indicating a relatively efficient allocation of resources. • Student to FTE: The Student to Total FTEs of the District is 5.2, which is lower than its peer group by enrollment average of 6.3 and the statewide average of 6.9. The ratio is a result of the high per pupil funding for the District . • Student to Instructional Services FTE: The Student to Instruction ratio of 6.2 is more favorable than the peer group by enrollment average of 8.4 and the statewide average of 8.9. • Student to School Support FTE: The Student to Support Services ratio of 56.5 is more favorable than the peer group by enrollment average of 31.9 and the statewide average of 43.8. • Student to Overhead FTE: The Student to Overhead Ratio of 81.6 is significantly lower than the peer group by enrollment average of 173.7 and the statewide average of 234.2. The ratio is a reflection of the fixed cost structure that the small District must cover. 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the Superintendent, which are outside of the scope of this report, in order to optimize resources and bring spending in line with benchmarks.

DISTRICT OVERVIEW AND OVERHEAD MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's job is spread across many functions. In particular, the Superintendent spends a significant amount of time dealing more with non-academic issues such as employee investigations or parental complaints than with strategic issues focused on student achievement. • Communications Function: There is no Communications support for the Superintendent's office. The function resides solely with the Superintendent. • Legal: The District has no legal department. If legal advice is required, the District utilizes external firm to provide support. • Turnover: The Superintendent, Doggett, started with the District this year. 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the Superintendent, which are outside of the scope of this report, in order to optimize resources and bring spending in line with benchmarks.
Board of Directors	<ul style="list-style-type: none"> • Board Composition: 8 At-Large members each serve 4-year terms. • Board Compensation: School Board members receive a \$100 stipend per meeting. 	<ul style="list-style-type: none"> • Have the Board of Directors attend an training to enable members to become impactful members of the board.
Collaboration	<ul style="list-style-type: none"> • The District coordinates with other regional superintendents through WEPEC. • Career Center: The District does not have a shared career center. • Special Education: The District does not coordinate with other area District s on Special Education programs. 	<ul style="list-style-type: none"> • Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional.



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FINANCIAL MANAGEMENT OVERVIEW

The Finance organization is directly responsible for overall fiscal management, resource allocation, budgeting, accounting, financial reporting, payroll, purchasing, accounts payable and cash flow and debt management.

367 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$287 per Student

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

Key statistics for metrics

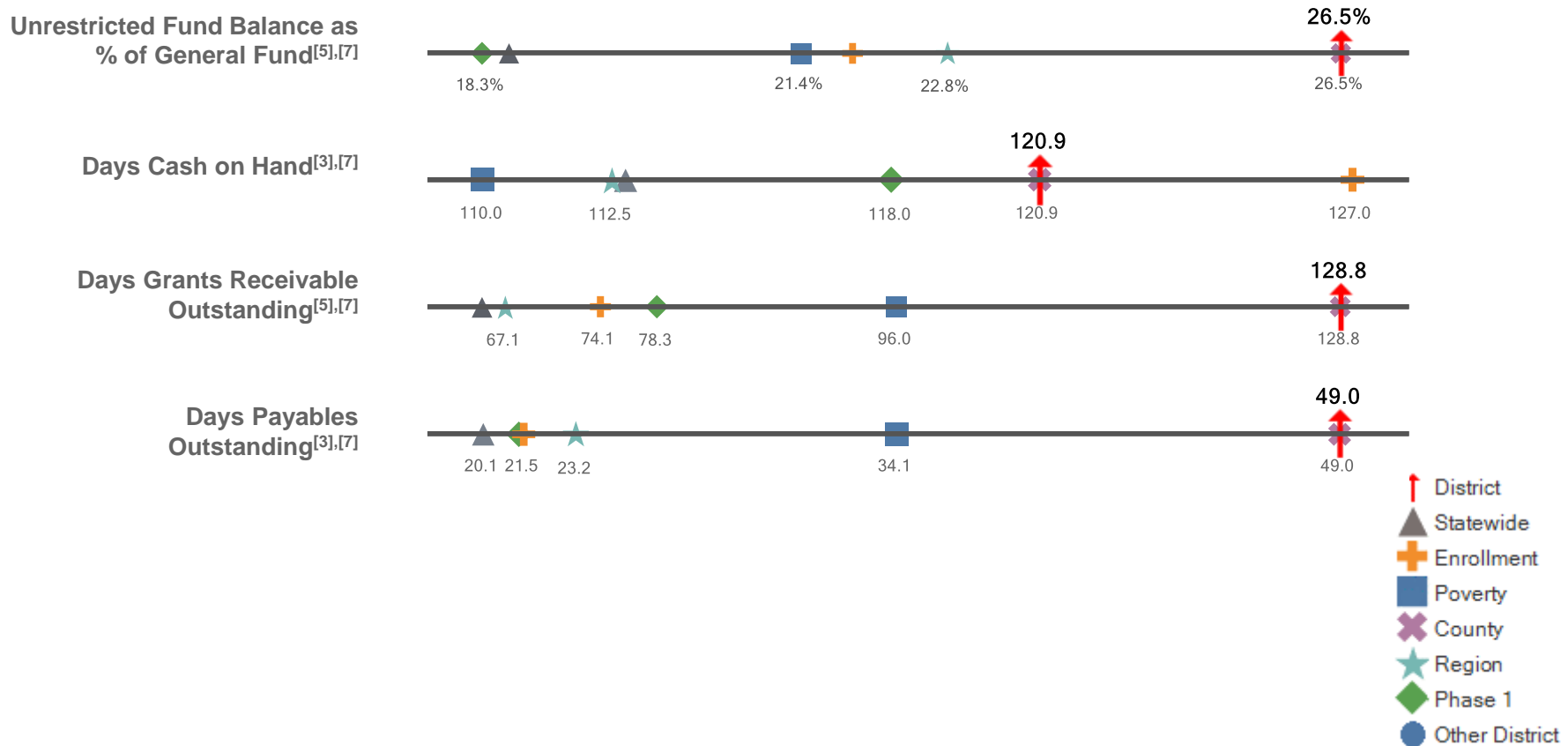
Financial FTEs ^[4]	2.0
Personnel Expense ^[3]	\$122,787
Non-Personnel Expense ^[3]	\$92,493
Total Financial Expense ^[3]	\$215,280

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 MCCORMICK

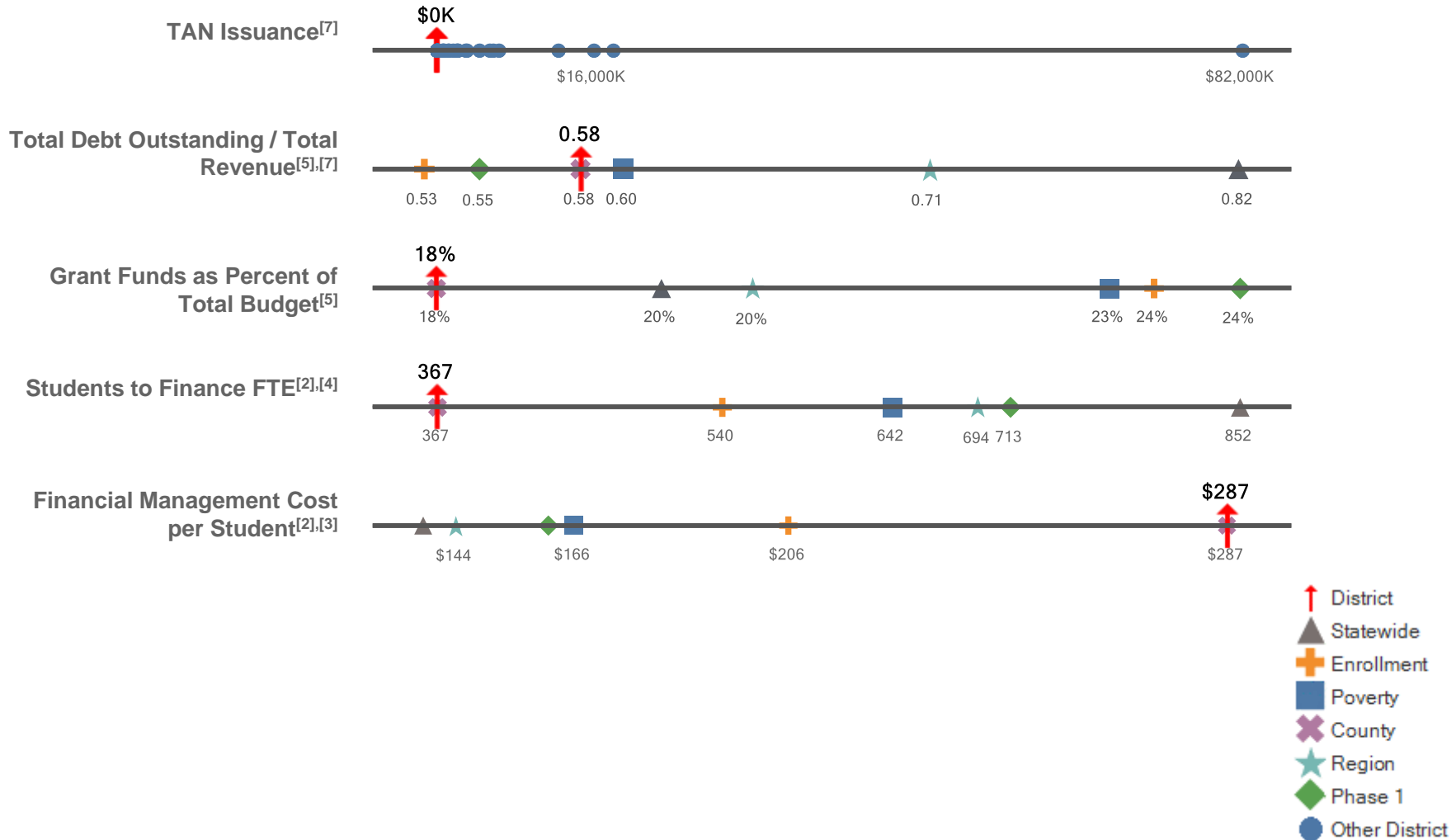
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT MCCORMICK

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Finance organization is thinly staffed to support its scope of roles and responsibilities that include: accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. The less than favorable ratio of students to finance staff is attributable to the small size of the District . • Turnover: The Director of Finance is new this year. • Financial Management Spend per Pupil: The Financial Management Spend per Pupil is higher than peers, at \$287 per student, compared to the enrollment peer group average of \$206 and the statewide average of \$138. • Student to Financial Management FTE Ratio: The Student to Financial Management FTE ratio of 367 is less favorable than that of peer groups by enrollment of 540 and the statewide average of 852. 	<ul style="list-style-type: none"> • Consider adding modules to the existing Harris SmartFusion ERP system to improve efficiency of business functions (purchase order processing, payroll) and better integrate with Human Resource functions (hiring, substitute teacher management, benefits). • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: Payroll is uniformly issued on a bi-weekly basis. The District does not use a self service payroll platform; therefore, employee initiated payroll changes are all processed manually. In addition, check pay stubs are printed manually and delivered to schools / employees directly. • Timekeeping: Time tracking is automated. • Purchasing: Purchase orders are issued through SmartFusion and centrally approved by the finance team. • Pcards: The District does not utilize a Pcard program. 	<ul style="list-style-type: none"> • Require all employees to receive payroll via direct deposit. In addition, eliminate the physical mailing of check stubs to employees and leverage employee self-service functionality available within the Harris SmartFusion system. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process.

FINANCIAL MANAGEMENT MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable (cont'd)	<ul style="list-style-type: none"> • Insurance and Risk Management: The District currently purchases all property and casualty and workers compensation insurance through the South Carolina School Board Insurance Trust (SCSBIT). <ul style="list-style-type: none"> • The District does not conduct independent reviews of the SCSBIT's claims management processes or audit the claims. • The District does not have formal risk management policies in place. 	<ul style="list-style-type: none"> • The District should implement Risk Management policies and procedures and establish an audit process to assess and evaluate claims (e.g., discovery, investigation, costs/payments) to ensure that favorable resolution alternatives were sought out.
Grants Management	<ul style="list-style-type: none"> • Grant Revenues: Grant revenues provide 18% of revenue for the District, making it less reliant on grant funds than its peers. • 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 in a timely manner in order to maximize cash flow. • Indirect Costs: The District does not charge indirect costs against federal grants • 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"> • Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Consider hiring a grant writer that can be shared with other nearby District s to help drive applications for competitive grant opportunities. • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.

FINANCIAL MANAGEMENT MCCORMICK

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: <ul style="list-style-type: none"> - Bank statements for the various cash accounts were not fully reconciled, and the general ledger was not appropriately adjusted on a timely basis. - Funds received for the debt service fund through the County Treasurer and cash balances held with the County Treasurer were not reconciled on a timely basis throughout the entire fiscal year. - During the audit process, numerous adjustments and corrections were made to the financial statements; some adjustments involved were material to the financial statements. - The District did not submit timely requests for reimbursement for all of its IDEA expenditures during the year and; therefore, it did not receive reimbursement for all such expenditures. 	<ul style="list-style-type: none"> • Implement processes to ensure that identified internal control weaknesses are mitigated.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance with 120.9 Days Cash on Hand (the statewide average is 112.8). • Grants Receivable Outstanding: The District has Days Grants Receivable Outstanding that is especially high at 128.8 days. • Days Payable Outstanding: The District's Days Payables Outstanding is 49.0. • Debt: The total debt outstanding as a percentage of total revenue is 58%. That amount of debt is reasonable relative to the revenue of the District. 	<ul style="list-style-type: none"> • Implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and minimize draw on TANs. • Implement processes to file for grant (state and federal) reimbursements on a monthly basis to optimize cash flow.

FINANCIAL MANAGEMENT MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: 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. • Forecast Updating: The enacted budget forecast is updated to coincide with the 45 and 135-day reports. • Fiscal Monitoring: The District runs a monthly revenue and expenditure report (referred to as the board report), with line item account detail for the general fund. 	<ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for.
Technology	<ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable. • Time is tracked through the Identakid application. 	<ul style="list-style-type: none"> • 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 and automated time tracking that links directly with the payroll 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 District s 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.

245 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$180 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	3.0
Personnel Expense ^[3]	\$125,455
Non-Personnel Expense ^[3]	\$9,426
Total Human Resources Expense ^[3]	\$134,881

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 MCCORMICK

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES

MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. The less favorable cost per student and student to FTE ratio is attributable to the size of the District . • HR Spend per Pupil: The HR spend per pupil of \$180 is less favorable than the peer groups by enrollment of \$103.50 and the statewide average of \$75.00. • Student to HR FTE Ratio: The student to HR FTE ratio of 245 is less favorable than the peer group by enrollment average of 372 and the statewide average of 1,338. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
Recruiting and Retention	<ul style="list-style-type: none"> • Recruiting: Similar to other school Districts in the State, recruiting teachers into the District is challenging. The District feels that its rural location and relatively non-competitive teacher salaries are the primary barriers to recruitment. • Teacher Salary: The average teacher salary of \$45,307 is below the statewide average of \$47,497 and also lower than regional peer average of \$46,768, adding to the challenge of recruiting teachers. 	<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.
Technology	<ul style="list-style-type: none"> • The District leverages Applitract in addition to the state application system CERRA. 	<ul style="list-style-type: none"> • Implement technology to help enhance and automate recruiting, on-boarding, substitute management and time tracking processes that are currently manual. • Implement software systems to help manage the substitute management process.

HUMAN RESOURCES MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> Administration is typically done by a secretary or administrative assistant and a coordinator. 	<ul style="list-style-type: none"> Benefits administration process could be automated via establishment of an employee portal. Employees could be responsible for updates and information would be linked directly to payroll.
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 District s 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.



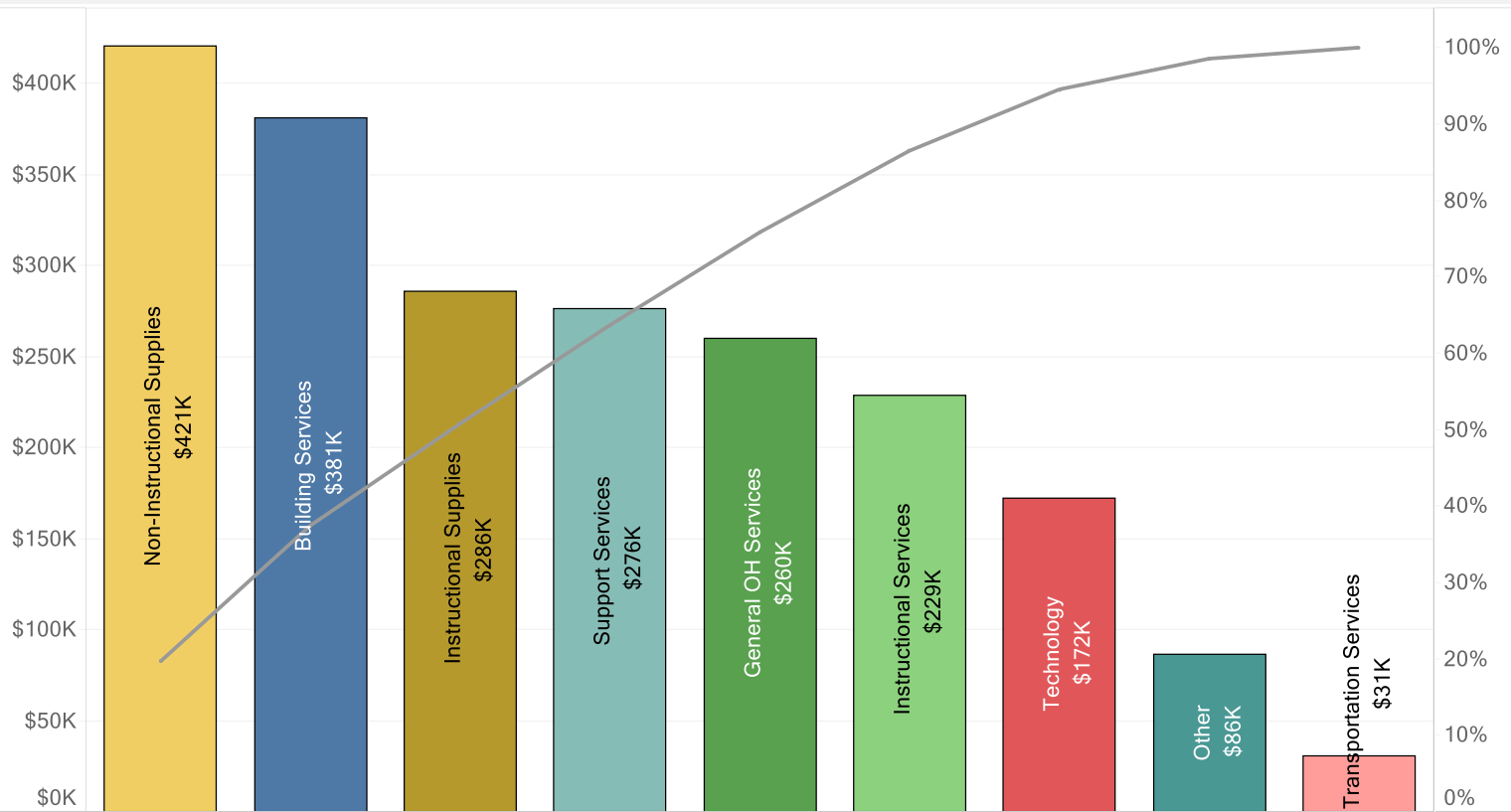
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PROCUREMENT OVERVIEW

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

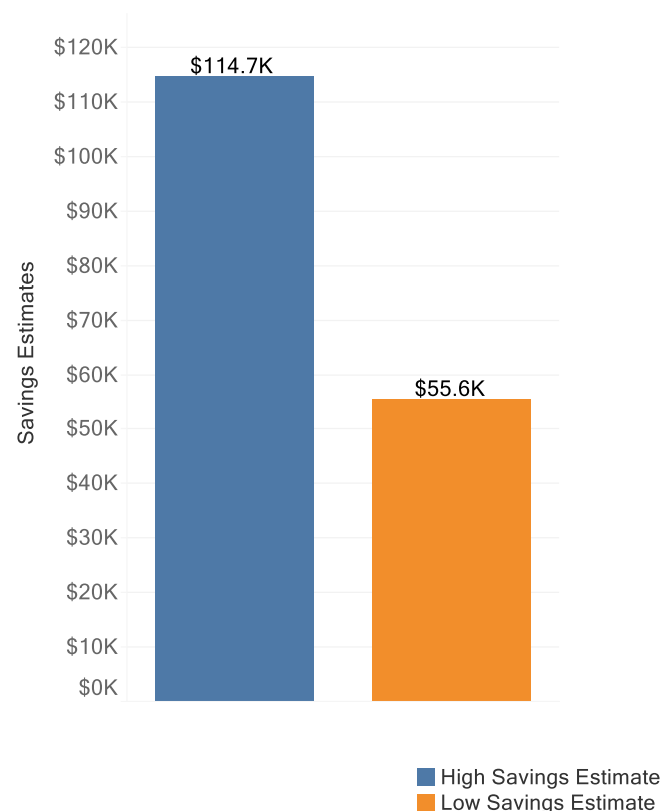
District In Scope Total Procurement Spend = \$2,140,856



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%



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Staffing: The District does not have any staff focused on purchasing and procurement besides the food services and technology directors. 	<ul style="list-style-type: none"> • Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> • Procurement Strategy: Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts are not made. 	<ul style="list-style-type: none"> • Standardize requirements and specifications for commonly purchased goods in order to streamline the number of vendors used, aggregate buying power within the District and enable volume pricing discounts. Contract options may take the form of: (a) state contracts; (b) stand-alone negotiated contracts; (c) negotiated contracts done in collaboration with surrounding districts. • Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. • Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts. • Group Purchasing: Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include Supplies and Technology.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Spending by Category</p>	<ul style="list-style-type: none"> • Building and Maintenance: Discuss the use of local vendors, outsourcing. • Food Services: The District collaborates with other districts for the purchase of food supplies through US Foods through the consortium. • The District purchases dairy from Pet Dairy, a common vendor for this product in Western SC. • Energy: The District does not fix rates for natural gas contracts. • The District does not procure various services and software in collaboration with any other districts, for example: SmartFusion, other technology products, office supplies, or professional services (Kelly Services is a vendor utilized by other districts in the region). 	<ul style="list-style-type: none"> • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Consider establishing fixed rate contract for natural gas.
<p>Collaboration</p>	<ul style="list-style-type: none"> • The District does not partner with other districts to procure goods and services besides food supplies, but it is a member of WEPEC. 	<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 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.

11 Years

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

\$606 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	0.3
Personnel Expense ^[3]	\$423,122
Non-Personnel Expense ^[3]	\$31,365
Total Transportation Expense ^[3]	\$454,487

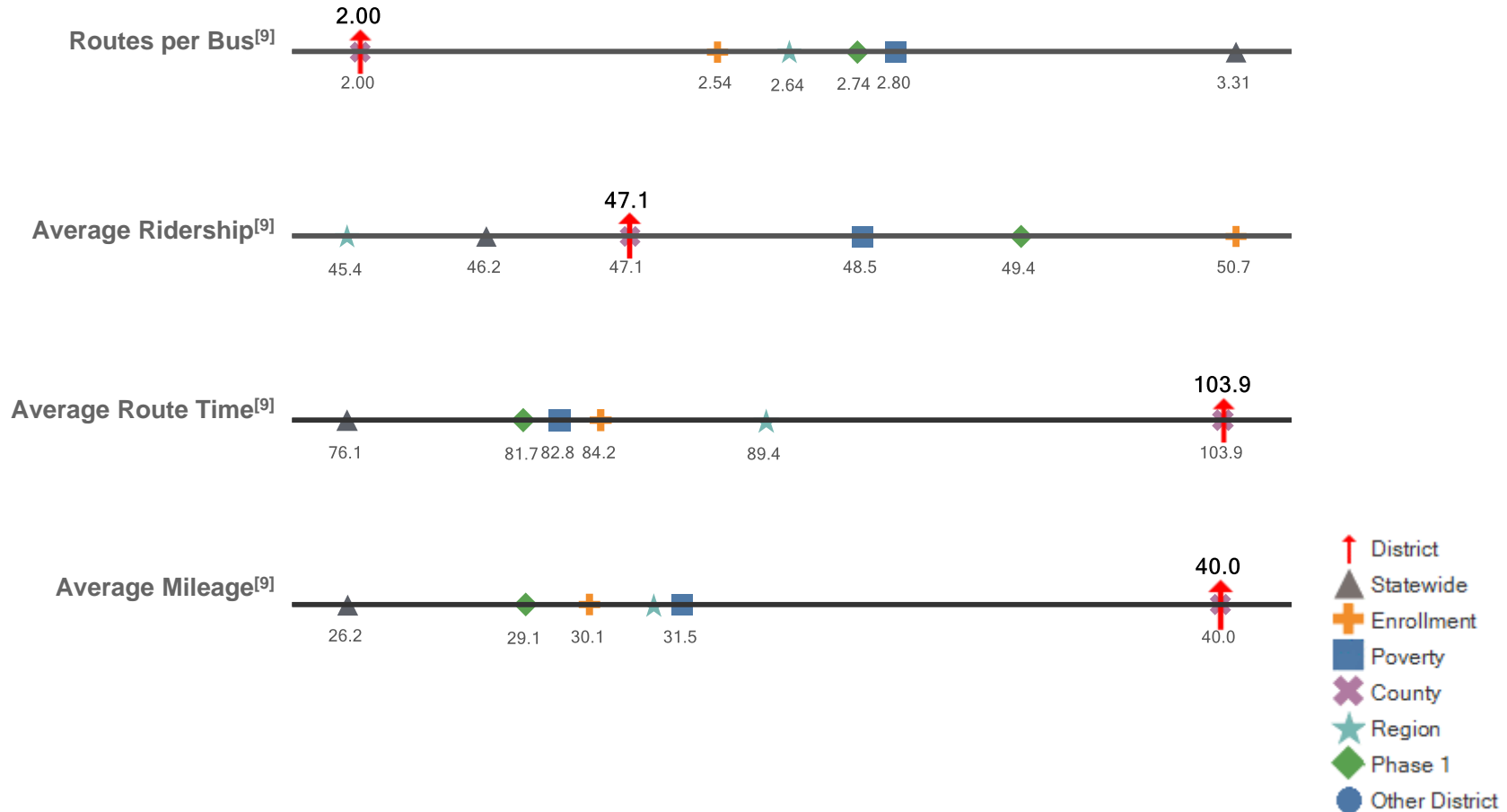
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	11.5	23	2.0	1,083	47	104	40
Special Needs	1.5	4	2.7	21	5	Not-Available	57
Other	0.0	0	0.0	0	0	Not-Available	0
Total	13.0	27	2.1	1,104	N/A	N/A	N/A

TRANSPORTATION MCCORMICK

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 MCCORMICK

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The District has 11 full time employees serving as bus drivers, as well as 13 part time, all reporting to a director of transportation. • Routing: The District runs two staggered pickup times in the morning, the first before 6am and the second before 7am. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other Districts in the State are dual employed serving in aide, food services and / or maintenance roles when not driving buses. • Implement a substitute/back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.
Routing and Bus Management	<ul style="list-style-type: none"> • Routing Software: The District does not utilize routing software. • Tracking: The District does not have GPS on its buses. • Communication: The District provides cell phones (radios or other) to drivers to contact drivers while on routes. • Security: The District has security cameras on all buses. • The District does not have stop-arm cameras on buses. • Activity Buses: The District does not use the State fuel for activity buses. 	<ul style="list-style-type: none"> • Implementation of staggered bell times will 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students • Implement routing software to ensure most efficient routes. • Install GPS on buses to monitor bus routes and ensure most efficient route. • Install security cameras on buses to increase child safety and security on bus. • Install stop-arm cameras for student safety.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and support bus driver sourcing.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

MCCORMICK

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

Functional Review Operating Model Components



PROCESS

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

ORGANIZATION

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

APPENDIX A: SAVINGS METHODOLOGY

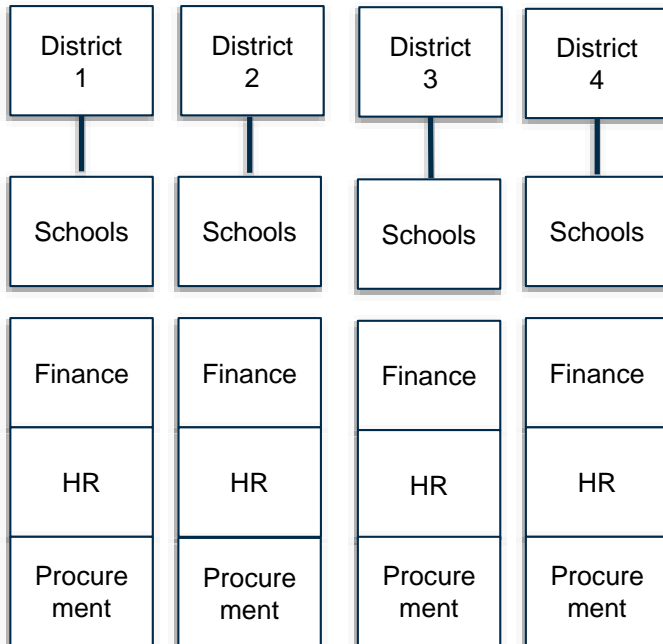
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COLLABORATION: SHARED SERVICE MODELS

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

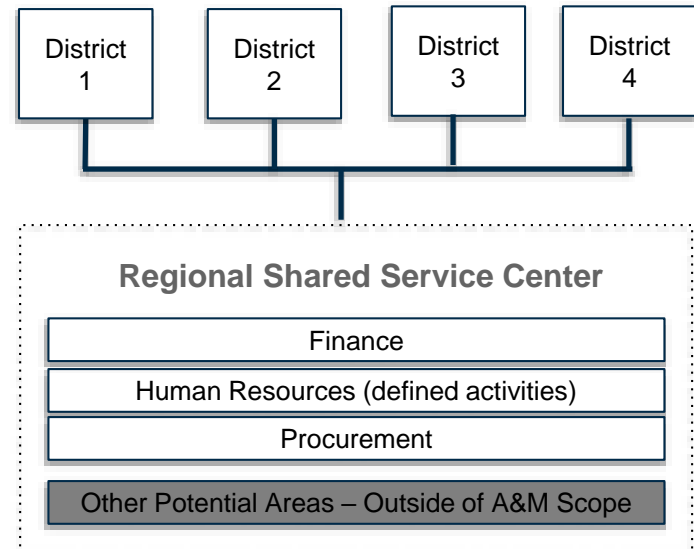
CURRENT STATE: STAND ALONE DISTRICT

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



COLLABORATION ALTERNATIVE

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



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

APPENDIX A: SAVINGS METHODOLOGY

MCCORMICK

SHARED SERVICES MODEL: SAVINGS APPROACH

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

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

	Financial Management Collaboration: Two Districts [Both Small]		
	Current State	Collaboration Model	Savings
# of Districts	2	2	NA
Total ADM	2,500	2,500	NA
Total FTEs ⁽¹⁾	4.75	4.00	0.75
Total Spend ⁽¹⁾	\$468,856	\$427,128	\$41,728
Savings %			8.9%

(1) Total FTEs and Total Spend based upon average FTEs of average spend of two small districts (less than 2,500 enrollment). Actual results may vary depending upon districts opting to collaborate.

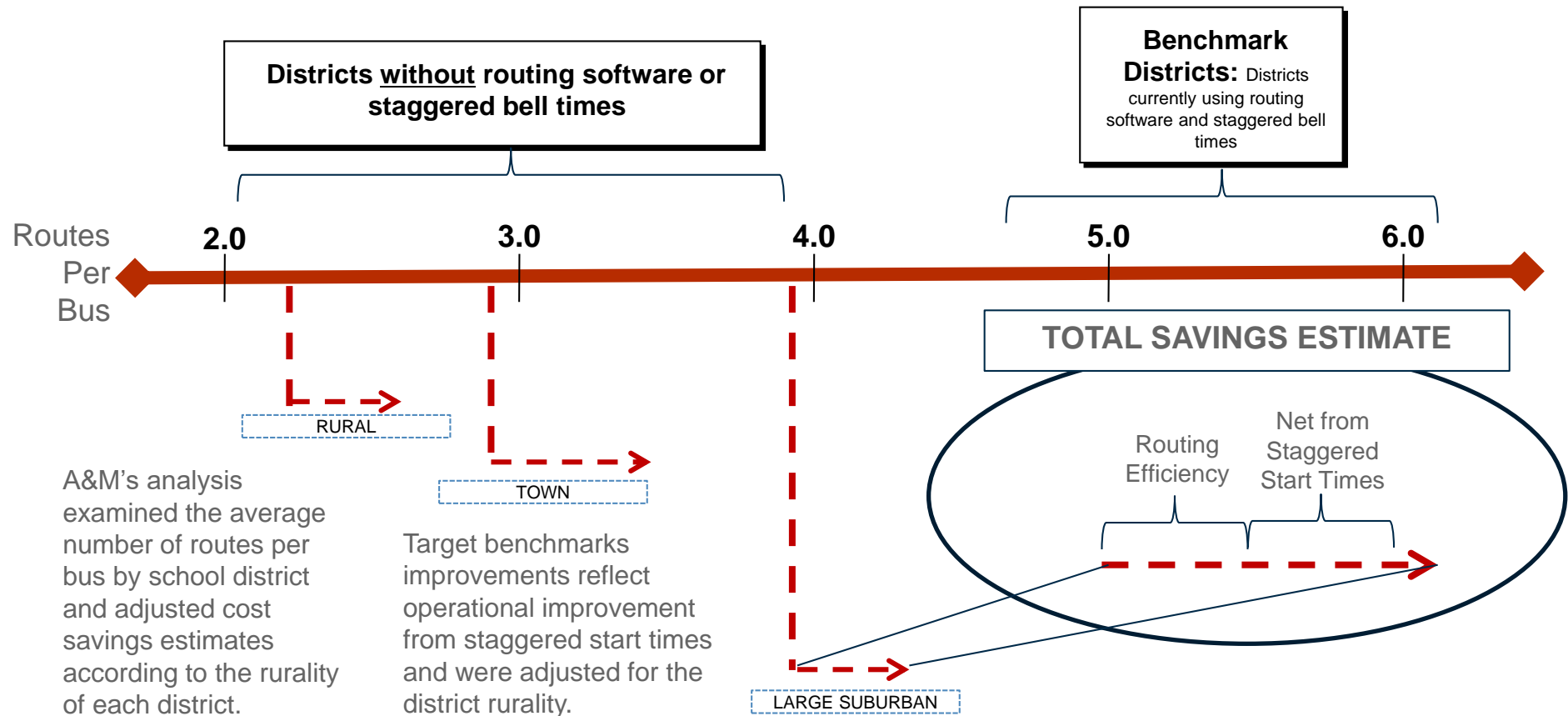
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH

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



APPENDIX A: SAVINGS METHODOLOGY

MCCORMICK

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

Savings from Routing Efficiencies

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

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

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

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

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

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

APPENDIX A: SAVINGS METHODOLOGY

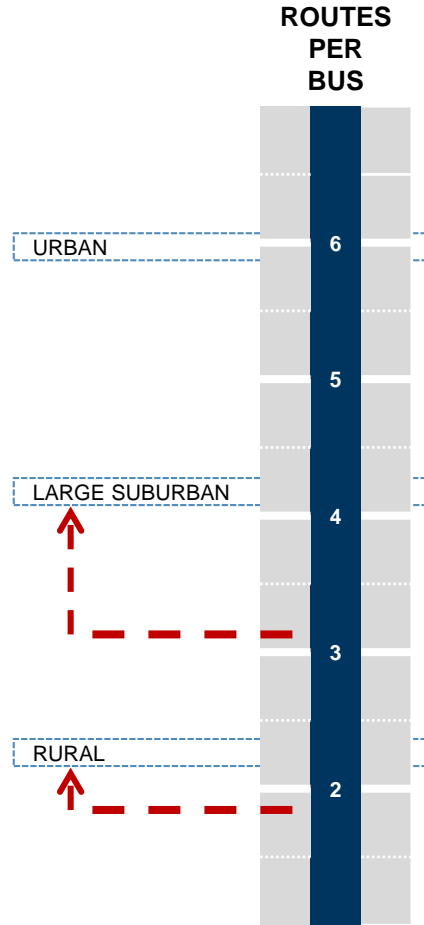
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

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

Target 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

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COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

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

EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

Example 1: Differentiated Pricing in Professional Services

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

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

Example 2: Volume Discounts and Rebates with a Technology Vendor

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

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

APPENDIX A: SAVINGS METHODOLOGY

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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

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[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

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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

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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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