



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Newberry

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

NEWBERRY

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

NEWBERRY

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

NEWBERRY

PROJECT OVERVIEW (CONTINUED)

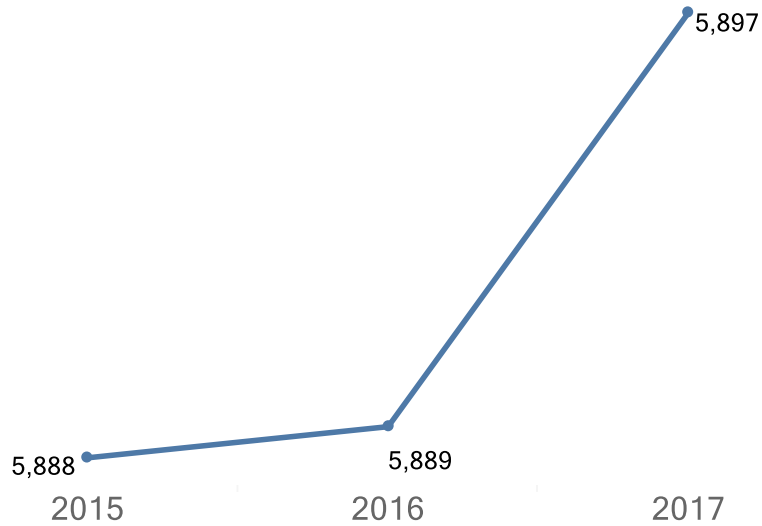
➤ Sources of Data and Savings Estimates:

- 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

NEWBERRY

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	13
% Poverty ^[1]	67.3%
% Disability ^[1]	14.5%
\$ Per Student ^{[2],[3]}	\$14,047
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,101

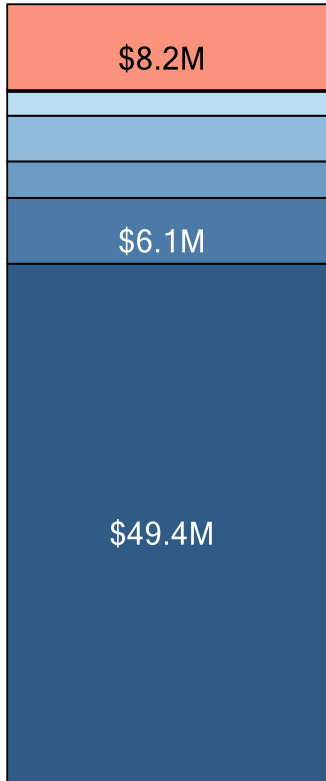
Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.4
Students Per Overhead FTE ^{[2],[4]}	256.4
Students Per School Support FTE ^{[2],[4]}	37.1
Students to Total FTE ^{[2],[4]}	7.3

EXECUTIVE SUMMARY

NEWBERRY

Sources of Funds^[5]
\$74.0M



2015-2016

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

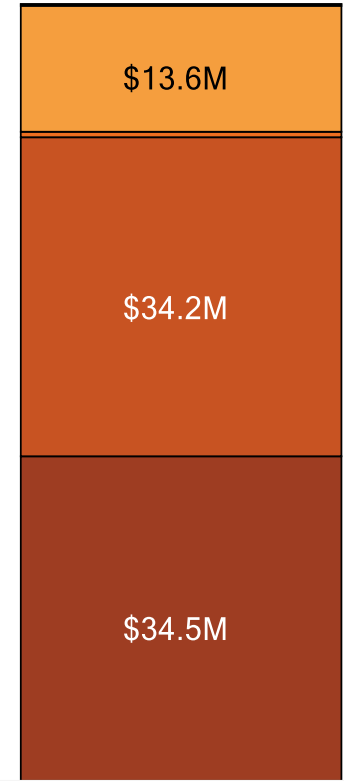
Use of Funds - Type^[3]
\$82.7M



2015-2016

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

Use of Funds - Function^[3]
\$82.7M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

NEWBERRY

\$82.7M
Total

\$10.1M
In-Scope

\$72.6M
Not In-Scope

12.2% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$964,957	\$204,822
Human Resources	\$403,277	\$46,593
Overhead	\$750,558	\$404,939
Transportation	\$1,692,847	\$41,755
Procurement (Community Services, Instruction, Support Services)	\$6,277,726	\$6,277,726
TOTAL	\$10,089,365	\$6,975,835

* totals may not tie due to rounding

EXECUTIVE SUMMARY

NEWBERRY

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

- Mission:** The Mission of Newberry County School District is to prepare all students to be college and career-ready.
- **Instruction:** Utilize data driven instruction to enhance instructional programs and student performance with continued focus on STEM programs.
 - **Staff Retention:** Continue to focus on teacher recruitment and retention initiatives at district and building levels (bus driver recruitment/retention as well).
 - **Technology:** Provide basic infrastructure and equipment to conduct online testing per state requirements.
 - **Facilities:** Address prioritized capital projects and identify funding mechanisms.

Achievements

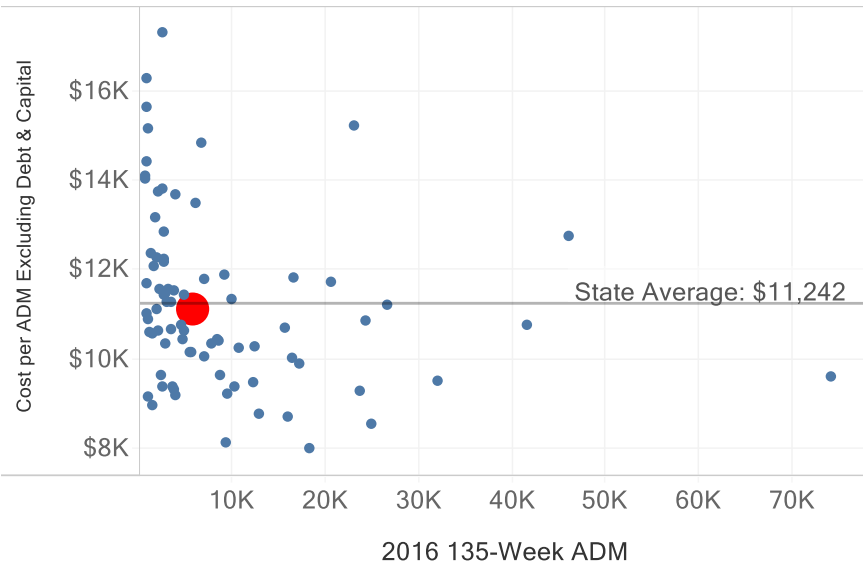
- **Facilities:** Completion of \$78 million dollar building plan – the average age of buildings has been reduced from 30 years to 15 years.
- **Recognition:** Selected as one of nine finalists for Palmetto’s Finest Award by LMES and Named South Carolina School to Watch by MCMS.
- **Technology:** Upgraded necessary infrastructure to support technology initiatives, installed smartboards in all classrooms, achieved 100% online testing for the current school year and completed the computer roll-over program at all levels.

Challenges

- **Teacher Recruitment and Retention:** Maintaining competitive salary schedule with surrounding districts.
- **Financial:** Obtaining funding for future capital projects.

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

NEWBERRY

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Management: The District has strong financial stability, significant cash on hand, a substantial unrestricted fund balance, and a per pupil expenditure slightly higher than its enrollment peer benchmark. • Staffing and Organization: The Finance organization is adequately staffed to support the scope of its roles and responsibilities. The District's steady enrollment, lack of competition for student enrollment, comparable per pupil spend (compared to the District's enrollment peer group) and strong fund balance all indicate financial stability. Under-utilization of technology presents the District with an opportunity to further improve efficiencies.
Human Resources	<ul style="list-style-type: none"> • Staffing and Organization: The Human Resources function includes a 5-person team and is led by the Chief Human Resources Officer. This function includes recruiting, benefits administration and other personnel-related activities and also has a District Receptionist. HR cost per student indicates a comparable allocation of resources relative to peers. • Challenges with Recruiting and Retention: Despite the general challenges associated with teaching shortages, the District fills annual vacancies (teacher retention is 87.4%) and maintains a strong pool of substitute teachers.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The majority of districts are grappling with a shortage of drivers. • Manual Routing: The District does not have routing software to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: There is a Procurement Coordinator in the Finance organization. • Strategic Sourcing: Contract negotiations for volume discounts are uncommon due to low purchasing volumes but completed where possible. There is collaboration across districts in the WPEC consortium.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Office of the Superintendent is well supported by experienced directors. A favorable student to general administration FTE ratio indicates an effective allocation of resources in this area. • Collaboration: Collaboration with other Superintendents through the WPEC consortium.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

NEWBERRY

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to financial systems to facilitate automated and purchase to payments processes, integrated timekeeping and payroll and position control functionality.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing and Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Implement new technologies to automate HR processes such as 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.</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 potential financial benefits of expanding staggered bell times.</p> <p>Staffing and Organization: Create dual employment opportunities to help address bus driver shortage.</p>

EXECUTIVE SUMMARY

NEWBERRY

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

NEWBERRY

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

NEWBERRY

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	\$98,600	\$295,700
Human Resources	0	0	0	300
Procurement	0	0	175,600	375,100
Transportation – District	N/A	N/A	44,000	66,000
District Total	17,500	32,500	318,200	737,100
Transportation – State	20,000	83,000	34,200	86,900
Total	\$37,500	\$115,500	\$352,400	\$824,000

* 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.

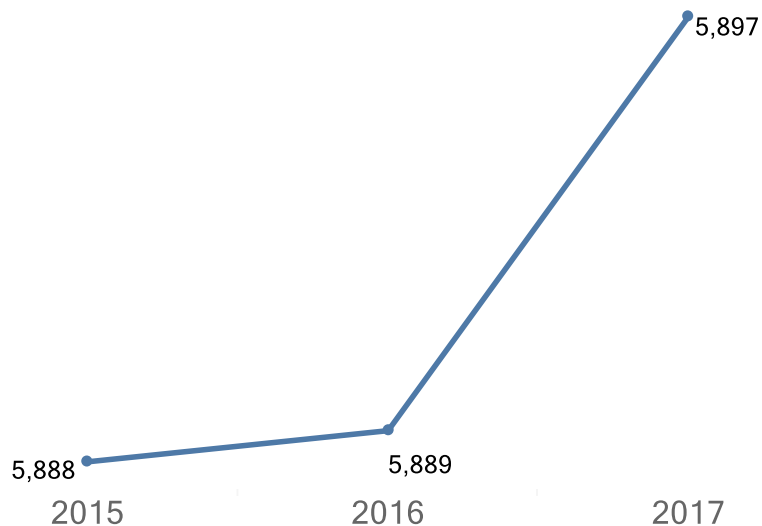


OUTLINE

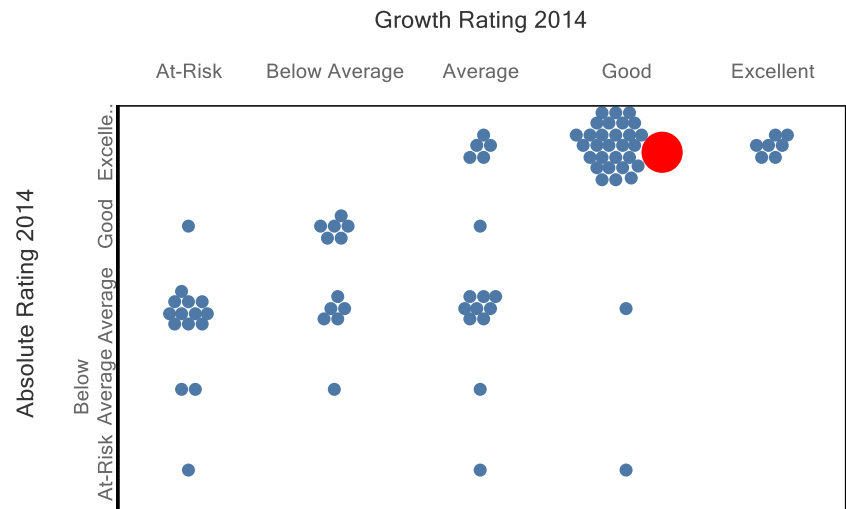
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DISTRICT ADMINISTRATION AND PERFORMANCE NEWBERRY

Average Daily Membership^[2]



Student Achievement^[1]



General Info

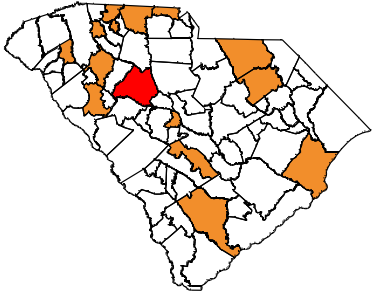
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% Poverty ^[1]	67.3%
% Disability ^[1]	14.5%
\$ Per Student ^{[2],[3]}	\$14,047
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,101

Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.4
Students Per Overhead FTE ^{[2],[4]}	256.4
Students Per School Support FTE ^{[2],[4]}	37.1
Students to Total FTE ^{[2],[4]}	7.3

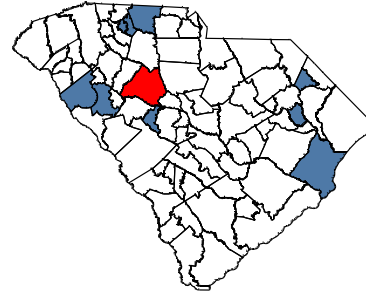
DISTRICT BENCHMARKING NEWBERRY

Enrollment (5,000 - 10,000)



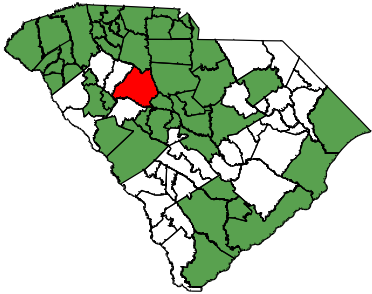
- | | |
|--------------|----------------|
| Anderson 01 | Orangeburg 05 |
| Cherokee | Spartanburg 02 |
| Chesterfield | Spartanburg 05 |
| Colleton | Spartanburg 07 |
| Darlington | York 02 |
| Georgetown | |
| Greenwood 50 | |
| Laurens 55 | |
| Lexington 02 | |
| Newberry | |

Poverty (65% - 70%)



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

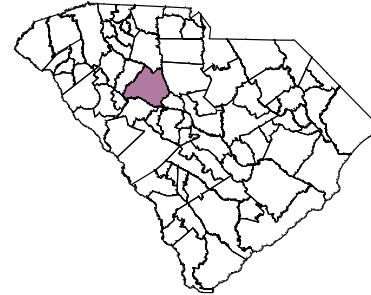
Phase 1 (No)



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

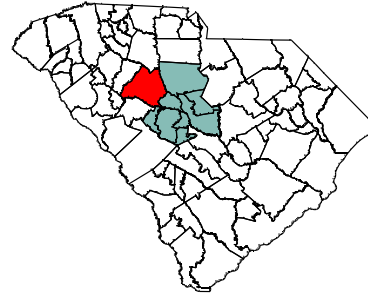
- Sumter
- Union
- York 01
- York 02
- York 03
- York 04

County (Newberry)



- Newberry

Region (Central Midlands)

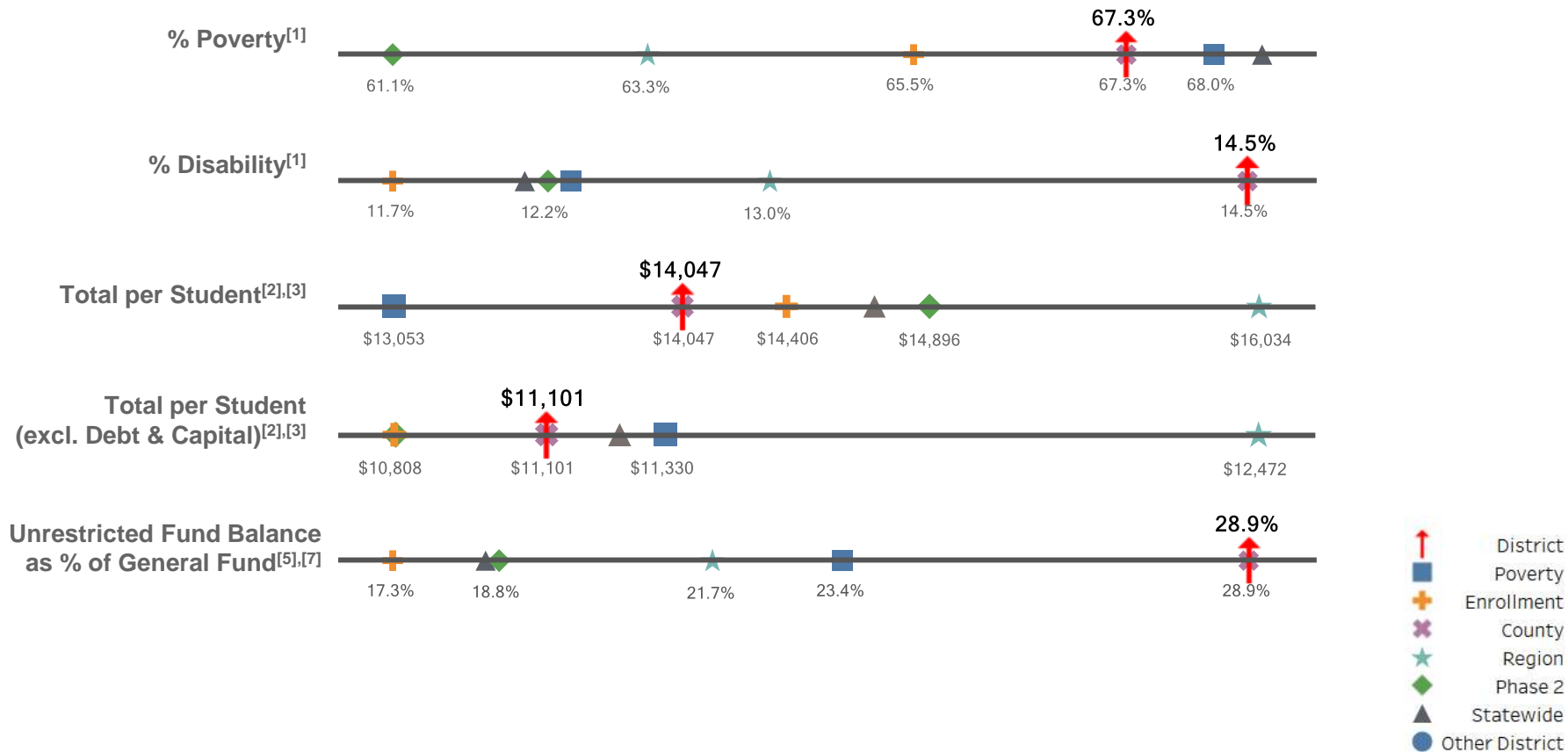


- Fairfield
- Lexington 01
- Lexington 02
- Lexington 03
- Lexington 04
- Lexington/Richland 05
- Newberry
- Richland 01
- Richland 02

DISTRICT OVERVIEW NEWBERRY

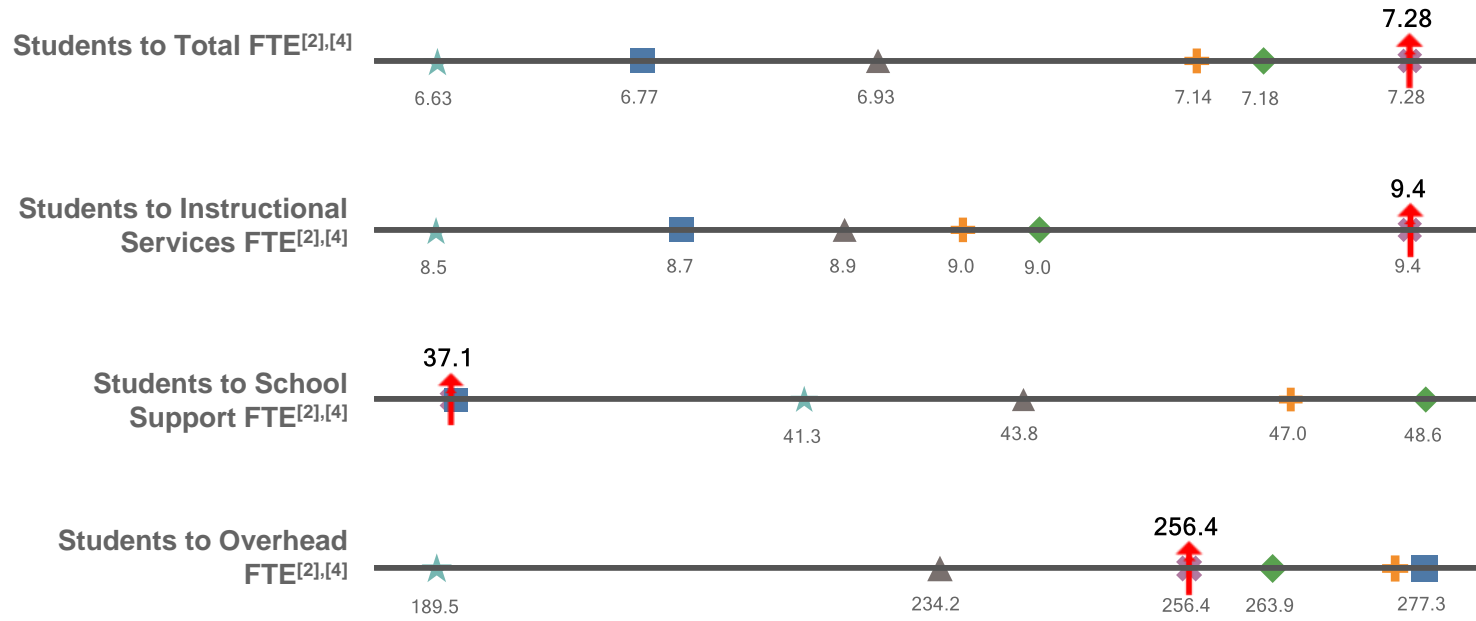
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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 NEWBERRY

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District has seen steady enrollment increase over the past three years with enrollment currently approaching 5,900 students. • Student Demographics: The District reports a slightly lower percentage of students at the poverty level (67.3%) compared to the statewide average (68.4%) and the District’s enrollment peer group (also 65.5%). • Competition: This District competes with 1 private school in the County, although student enrollment has remained steady. • Long-term Planning: The District does not prepare long term enrollment projections to help inform long-term planning. 	<ul style="list-style-type: none"> • As best practice, the District should develop a long-term enrollment forecast to anticipate and better plan for enrollment changes, ensuring long term financial stability.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: The District’s steady enrollment, lack of competition for student enrollment, relatively higher per pupil spend (compared to the District’s enrollment peer group) and strong fund balance all indicate financial stability. • Per Pupil Expenses: When excluding debt and capital, the District has a slightly higher Per Pupil Expenses relative to the District’s enrollment peer group (\$11,101 compared to the peer district enrollment benchmark of \$10,808). • Unrestricted Fund Balance: The District has an unrestricted fund balance that is 29% of General Fund revenues compared to the statewide average of 19%. 	<ul style="list-style-type: none"> • The District should evaluate possible one-time uses of excess fund balance. Funds could potentially be used on capital improvements or one-time investments in academic programs. Use of the fund balance should still be prudent and the District should ensure the fund balance does not dip below a level acceptable to the Board.

DISTRICT OVERVIEW AND OVERHEAD NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Resource Allocation: The District reports a comparable student to total FTE ratio compared to the District’s enrollment peer group, as well as a comparable student to instructional FTE ratio. • The District reports less favorable student to overhead and school support FTEs and ratios compared to the District’s enrollment peer group. • Student to FTE: The Student to Total FTE ratio for the District is comparable to that of the District’s enrollment peer group (7.3 compared to 7.1). • Student to Instructional Services FTE: The Student to Instruction FTE ratio for the District is comparable to that of the District’s enrollment peer group (9.4 compared to 9.0). • Student to School Support FTE: The Student to Support Services FTE ratio is less favorable than that of the District’s enrollment peer group (37.1 compared to 47.0), indicating the potential for improved operational efficiency. • Student to Overhead FTE: The Student to Overhead Ratio is slightly less favorable than that of the District’s peer enrollment group (256.4 vs. 274.8). 	<ul style="list-style-type: none"> • The District should consider opportunities to automate and streamline certain overhead activities, particularly within the finance function. Additionally, the District should consider a regional procurement services model discussed further in this report.

DISTRICT OVERVIEW AND OVERHEAD NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Office of the Superintendent is supported by Director-level administrators across Operations, Finance, Human Resources, Professional Development, and Transportation. • Communications Function: Communications is primarily managed by the Chief Human Resources Officer. • Legal: The District has no legal department. If legal advice is required, the District utilizes an outside firm. • Turnover: The Superintendent stepped into the role last year after an unexpected and untimely departure of the previous Superintendent. 	<ul style="list-style-type: none"> • See collaboration section.
Philanthropy	<ul style="list-style-type: none"> • The District has established several partnerships with various organizations, examples listed below: • Boys/Girls Club of the Midlands – runs after school programs • Local churches have after school tutoring programs • YMCA - after school program • Piedmont Tech – Mechatronics, Welding, Dual Credit • Work with local municipalities and city/county agencies • City/County Rec Programs • Opera House/Dufford Diversity Initiative – NOH educational initiatives • Chamber of Commerce – “Education Breakfast” • Small private donations (Billboards) 	<ul style="list-style-type: none"> • Continue to cultivate partnerships with foundations and local business for donations of money, food, goods, and time.

DISTRICT OVERVIEW AND OVERHEAD NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid \$7,500 year; the chair \$8,850 year. • Board Composition: The board is comprised of 7 non-partisan, Single-member representatives, serving 4-year terms. • Training: Board members are not required to attend training in excess of the State’s minimum requirements. 	<ul style="list-style-type: none"> • Consider having the Board of Directors attend an annual training to enable members to become more impactful members of the board.
Collaboration	<ul style="list-style-type: none"> • WPEC: The District coordinates with other regional superintendents to some degree through the WPEC consortium. • Technology Center: The District has a technology center. • Career Center: The District has a career center. • Special Education: The District does not coordinate with other area districts on Special Education programs. • Headcount: The District does not typically share FTEs with area districts. • City/County Law Enforcement Agencies – (SRO’s, School visits/lunches, Crisis Preparedness, Active Shooter Training). • SMART 911/PANIC Button (School District of Newberry County, Newberry County Sheriff’s Office, Newberry County Memorial Hospital, Newberry County Emergency Preparedness). 	<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.



OUTLINE

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FINANCIAL MANAGEMENT OVERVIEW

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

737 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$164 per Student

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

Key statistics for metrics

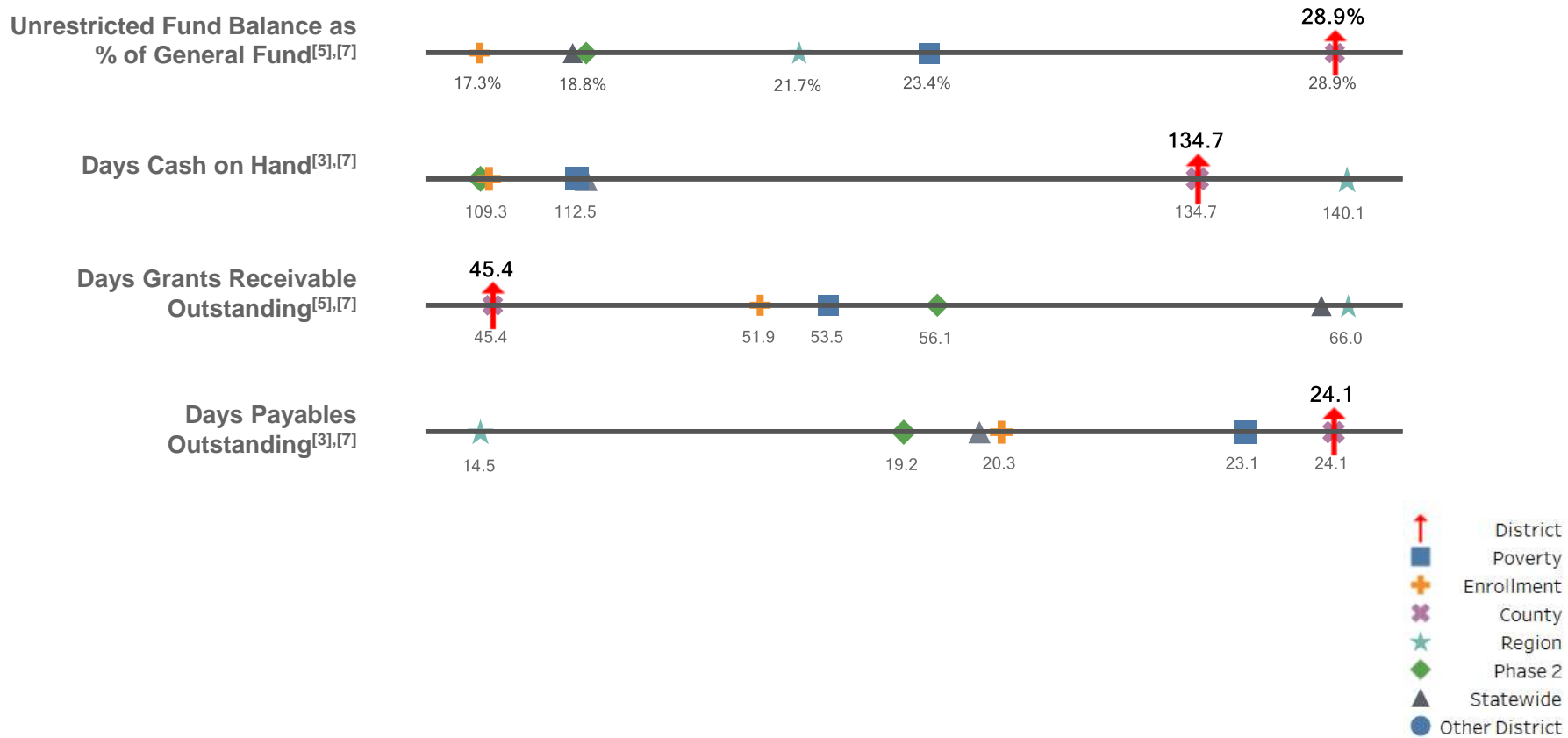
Financial FTEs ^[4]	8.0
Personnel Expense ^[3]	\$760,135
Non-Personnel Expense ^[3]	\$204,822
Total Financial Expense ^[3]	\$964,957

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 NEWBERRY

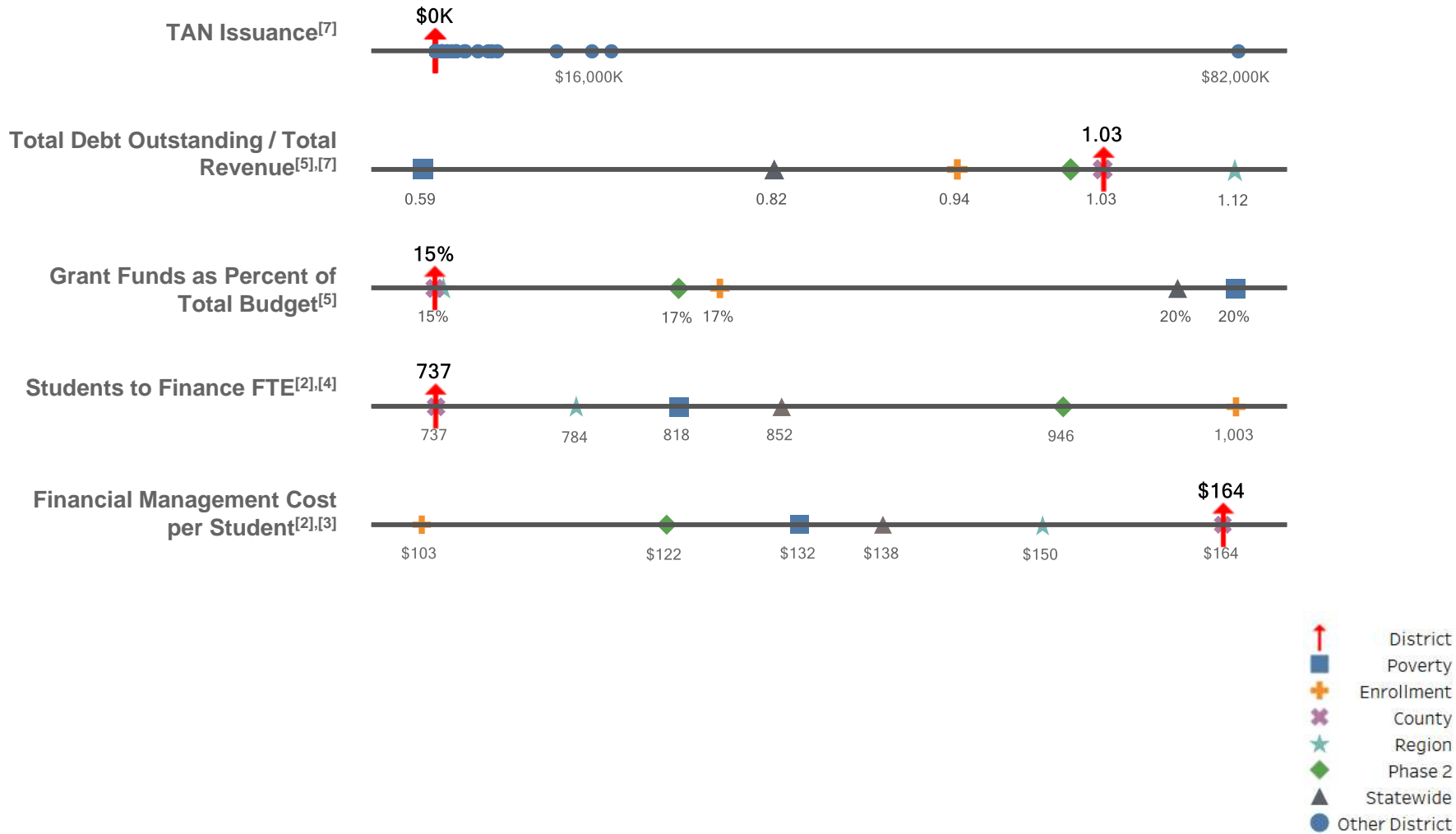
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 NEWBERRY

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement, financial reporting, procurement. • Turnover: The finance supervisor has been with the District for 28 years. • Finance Cost per Pupil: The Finance spend per pupil for the district is less favorable compared to that of the District’s enrollment peer group (\$164 to \$103), indicating the potential for improved operational efficiency. • Student Per Finance FTE: The student per finance FTE ratio is less favorable than that of the District’s enrollment peer group (737 to 1,003). 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.

FINANCIAL MANAGEMENT NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a bimonthly basis (bus drivers are on a separate cycle from other employees). 95% of employees all receive payroll via direct deposit. • Time-tracking: Time-tracking system is not currently automated. • Purchasing: The purchasing process is manual and paper-based, beginning at the schools until all levels of approval have been cleared and the order is entered into the system. • P-cards: The District does not utilize a P-card program. • Inventory: The District leases a small warehouse space to store school supplies. • Risk Management: The District does not have formal risk management policies in place. 	<ul style="list-style-type: none"> • Implement automated time-tracking functionality that integrates with the payroll system in order to eliminate the need for manual time sheet adjustments. • Leverage currently available automated purchase order work flow systems or modules to reduce manual purchase order processing. • Implement risk management policies and procedures to include: (a) risk assessment and management; (b) safety and loss prevention review; (c) insurance claims handling and processes; and (d) insurance policy review and negotiation. • The District should consider implementing a purchase card program to streamline certain purchasing activity and take advantage of rebate offers.

FINANCIAL MANAGEMENT NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 15% of revenue for the District, which is comparable to the District’s enrollment peer group for whom this benchmark is also 17%. • Federal Funds: Grants Coordinators are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance team also has a resource dedicated to ensure that claims are made on a timely manner in order to maximize cash flow. • Indirect Costs: The District does charge indirect costs against federal grants at the standard allowable rates. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator and a dedicated resource within the finance team (as mentioned above) who conducts thorough reviews. 	<ul style="list-style-type: none"> • Consider utilizing a grant writer that could be hired and shared by other nearby districts to help drive applications for competitive grant opportunities. • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant. • The District should consider charging indirect costs against grants at the negotiated state rates.

FINANCIAL MANAGEMENT NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • Financial Statement Audit: The District was found to have no material weaknesses in its latest audited financial statements. • Position Control: Position control has not been identified as an issue for the District. 	<ul style="list-style-type: none"> • Implement an annual review of processes to ensure segregation of duties over key areas of internal control.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District reports 134.7 days cash on hand. The District's enrollment peer group reports 110.2 days. • Reporting: The District does not have a formalized cash flow forecasting process. It increases its monitoring on a seasonal basis (typically in November) when cash flow tightens before annual grant funding is received. • Grants Receivable Outstanding: The District averages 45.4 Day Grants Receivable Outstanding compared to the statewide average of 65.4. • Days Payable Outstanding: The District averages 24.1 Days Payables Outstanding. • Investments: The District maintains cash investments with the Country Treasurer. • TAN: The District did not issue TANs this past year and does not typically engage in this practice. 	<ul style="list-style-type: none"> • 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. • Implement a formalized cash flow forecast (even if only once per year) to gain insight into fluctuation of cash levels.

FINANCIAL MANAGEMENT NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The Finance team practices zero-based budgeting, following a process that begins in January with the cabinet administration and incorporates School Principals in March. The budget incorporates current and project enrollment, with updates driven by the 35 and 145-day reports. • Fiscal Monitoring: The District does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared monthly with the Office of the Superintendent and the School Board. 	
Technology	<ul style="list-style-type: none"> • ERP: The District uses Harris Smartfusion accounting software system. Purchasing and Time-tracking (as already discussed) are not yet automated. 	<ul style="list-style-type: none"> • Consider utilizing the existing accounting software more to leverage enhanced functionality that provides automated and paperless workflow and approval of purchase orders and time-keeping.
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. The District is, however, a member of the WPEC Consortium which practices information sharing among job-alike groups such as fiscal directors. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



OUTLINE

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HUMAN RESOURCES NEWBERRY

HUMAN RESOURCES OVERVIEW

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

1,179 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$68 per Student

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

Key statistics for metrics

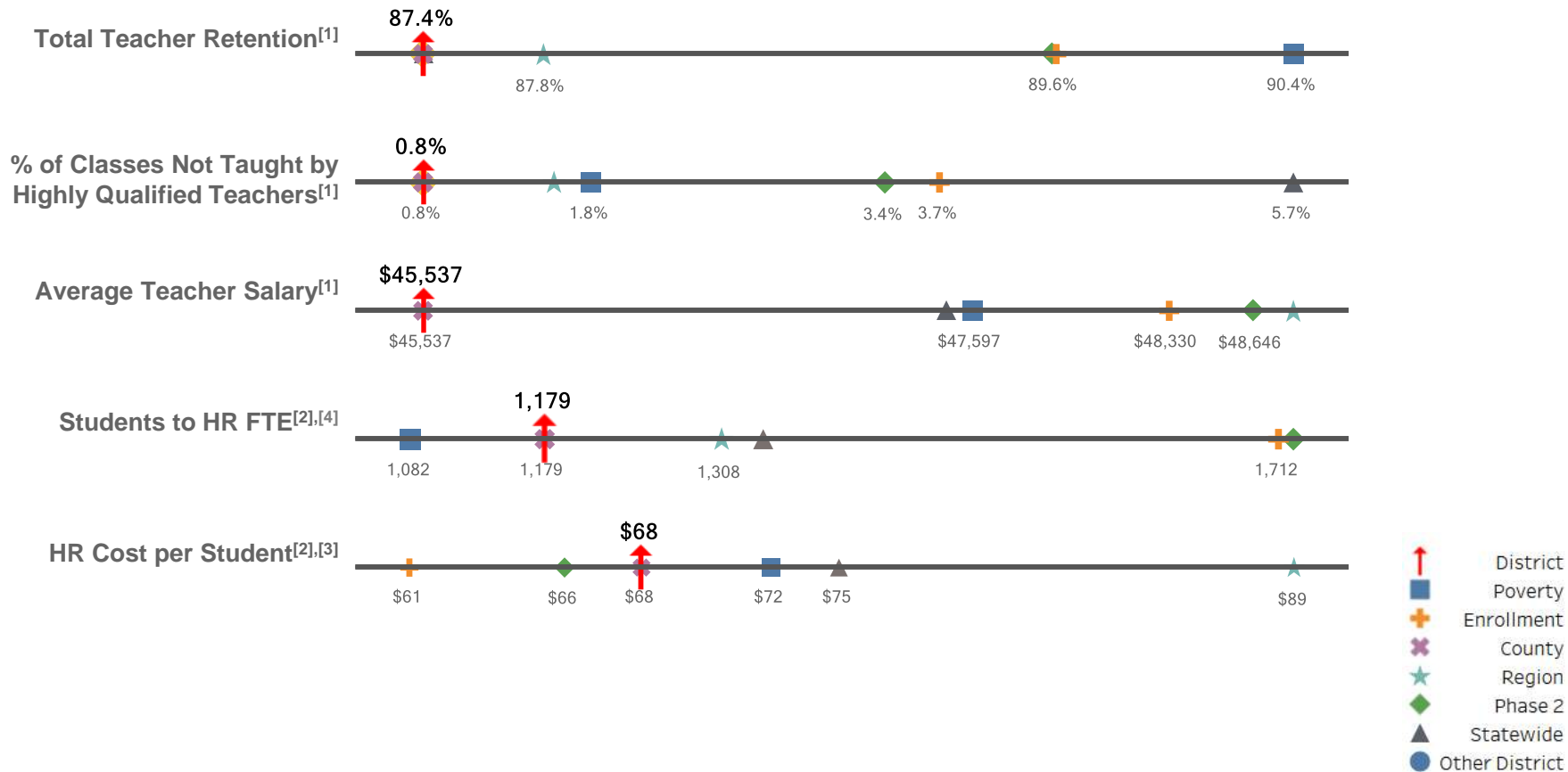
Human Resources FTEs ^[4]	5.0
Personnel Expense ^[3]	\$356,684
Non-Personnel Expense ^[3]	\$46,593
Total Human Resources Expense ^[3]	\$403,277

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 NEWBERRY

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 NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Human Resources function includes a 5-person team led by the Chief Human Resources Officer with responsibilities including recruiting, benefits administration and other personnel-related activities such as the District receptionist. • Human Resources Cost per Pupil: HR cost per pupil is comparable to that of the District's enrollment peer benchmark (\$68 vs. \$61). • Student per Human Resources FTE: Student to HR FTE ratio is less favorable than that of the District's enrollment peer group (1,179 vs. 1,712). 	<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 and Retention: The District focuses its recruiting efforts with the College of Charleston, Clemson University, Lander University and Piedmont Technical, attending 10 career fairs around the state each year as well as hosting a fair on Newberry's campus. The District's teacher retention rate is 87.4% • Teacher Salary: The average teacher salary of \$45,537 is below the state average of \$47,497. • Substitute Management: The District utilizes Aesop and manages substitute assignment internally (does not contract out to an outside firm), maintaining a pool of approximately 125 substitute teachers. • International Teachers: The District currently employs 5 international teachers but is not reliant on them to fill significant staffing gaps. 	<ul style="list-style-type: none"> • Given the success of the current leadership team, the District should establish a succession plan to ensure past progress is embedded long-term in the organization.

HUMAN RESOURCES NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> The District does utilize Applitract and Vertime for recruiting and application processing. The District uses Aesop for substitute management. The District is considering engaging with Kelly Services to manage substitute management which is currently managed in-house. 	<ul style="list-style-type: none"> Implement technology to help enhance and automate recruiting and on-boarding processes that are currently manual.
Benefits	<ul style="list-style-type: none"> Benefits are managed by the Benefits Administrator on the Human Resources team. Employees are not currently able to access Benefits and Payroll information via an automated portal. 	<ul style="list-style-type: none"> In collaboration with other large districts in the state, work with PEBA to automate benefits related transaction processing to include: (a) Acceptance and processing of electronic signatures; (b) Integration of benefit changes into District financial systems.
Collaboration	<ul style="list-style-type: none"> The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with staffing agencies. 	<ul style="list-style-type: none"> Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (e.g. Frontline) - Substitute Management (e.g. Kelly Services)



OUTLINE

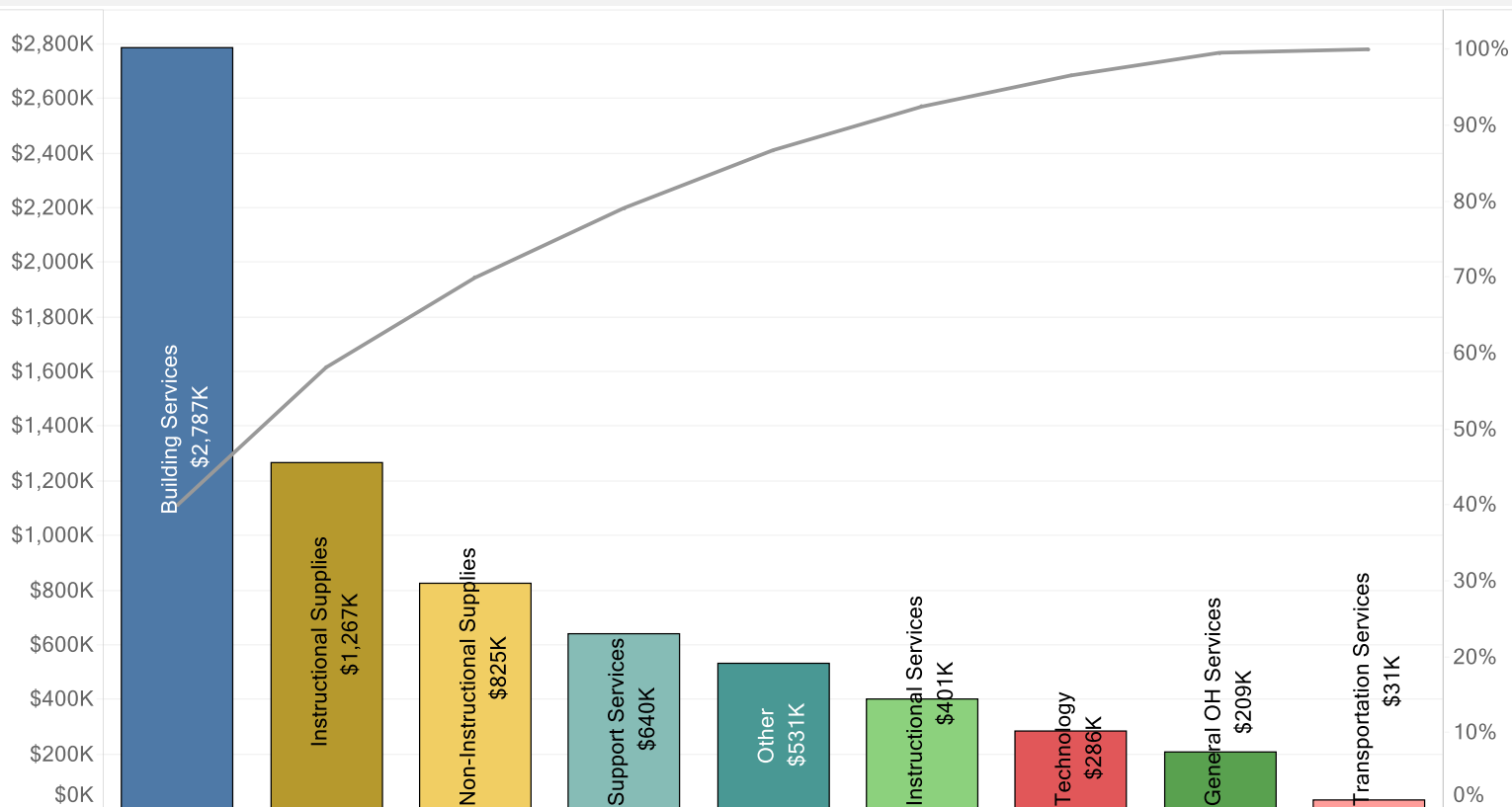
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PROCUREMENT NEWBERRY

PROCUREMENT OVERVIEW

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

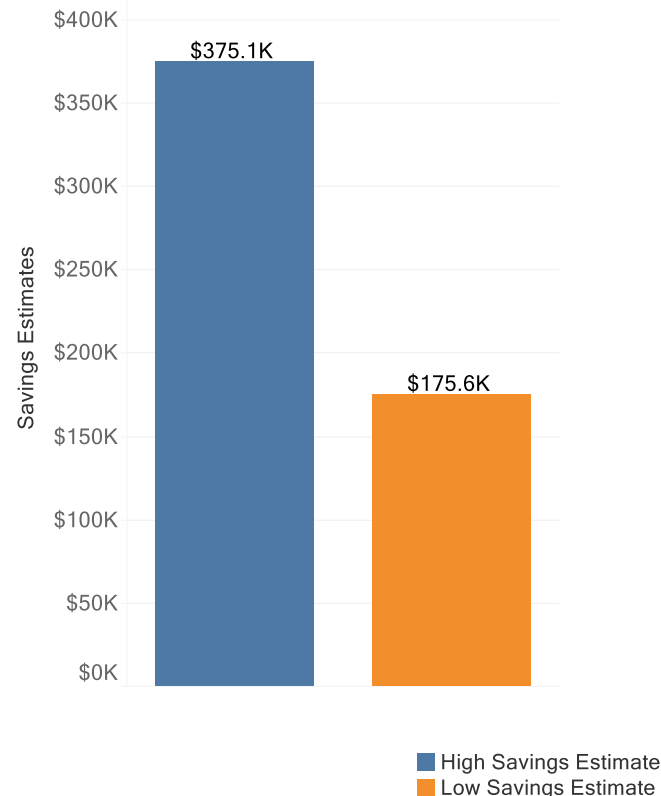
District In Scope Total Procurement Spend^[3] = \$6,975,835



ESTIMATED PROCUREMENT SAVINGS

The FY16 expense totals (shown on the previous page), in conjunction with review of the District’s disbursement register, conversations with the District and A&M past experience help form the basis for savings potential estimated by A&M.

Range of Savings Based A&M Strategic Sourcing Experience ^[8]		
	Low	High
Building Services	2.6%	5.8%
Non-Instructional Supplies	2.0%	4.4%
Instructional Supplies	2.0%	4.4%
Instructional Services	4.8%	8.0%
Support Services	2.1%	5.0%
Technology	2.7%	5.0%
Other	3.0%	5.8%
Overhead Services	2.7%	5.4%
Transportation Services	2.2%	6.8%



PROCUREMENT NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District has a dedicated procurement coordinator within the Finance team. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Spending efforts are made based upon the individual buyer, with local optimization as the main priority. Aggregated purchasing decisions across districts are not typically made, with the exception of some Professional Development opportunities leveraged through the WPEC consortium. 	<ul style="list-style-type: none"> Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. The District's procurement should work with the state to create an advisory board that oversees cooperative purchasing within the state with representation from the State, Districts, and potentially Higher Education institutions to identify and pursue specific sourcing categories. The group would identify categories to pursue collectively, name specific districts as lead on a particular sourcing effort, and consolidate the spend across districts. The procurements would be made available to all districts, but advisory board members would be rotated on a periodic basis with some regular sitting advisory board members from the state, regional cooperatives, and largest districts.

PROCUREMENT NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District utilizes the state contract. • Food Services: The District utilizes the South Carolina Food Alliance for food supplies. • Energy: The District does not fix rates for natural gas contracts. • Non-instructional Supplies - Contracting Vehicles: The District purchases most business / office supplies leveraging the state contract. • Technology and Software: The District utilizes the state contract for technology, with the exception of SW licensing such as Harris. 	<ul style="list-style-type: none"> • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby Districts in order to leverage benefits of coordinated purchasing and volume discounts. • Consider establishing fixed rate contract for natural gas.
Regional Collaboration	<ul style="list-style-type: none"> • The District explores opportunities for acquiring Professional Development Services through the WPEC Consortium. 	<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



OUTLINE

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TRANSPORTATION NEWBERRY

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.

13 Years

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

\$287 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	72.0
Personnel Expense ^[3]	\$1,647,815
Non-Personnel Expense ^[3]	\$45,032
Total Transportation Expense ^[3]	\$1,692,847

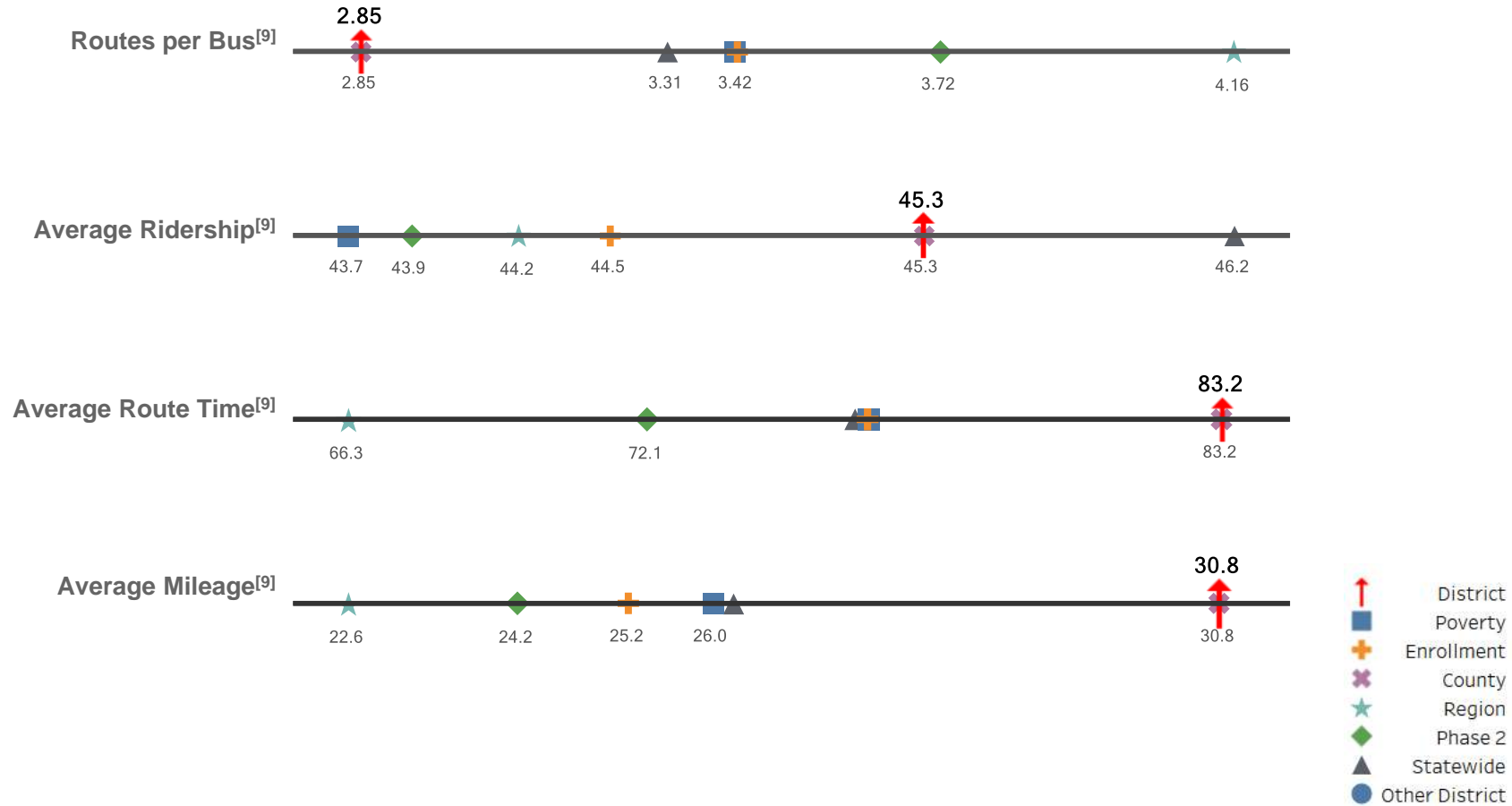
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	38.3	109	2.8	4,943	45	83	31
Special Needs	10.3	27	2.6	365	14	Not-Available	39
Other	10.4	59	5.7	1,606	27	Not-Available	13
Total	59.0	195	3.3	6,914	N/A	N/A	N/A

TRANSPORTATION NEWBERRY

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 NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none">• Recruiting: The District reports difficulty in recruiting bus drivers and managing a substitute as reported by other districts and feels it competes with a large neighboring district for drivers. There are currently 6 vacancies.• Incentives: The District offers dual employment as well as full-time positions with benefits. 23 drivers are dually employed within the District. The starting salary for the District is up to \$11.55 (approximately \$4.00 in excess of the state reimbursement level) to address the need to recruit more drivers.• Substitute Drivers: The District utilizes coaches and teachers for unexpected driver absences.• Compensation: Bus drivers are currently paid a starting rate approximately \$4 above state reimbursement levels.• Management: Transportation is run by two administrators.	

TRANSPORTATION NEWBERRY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Bus Routing: The District currently staggers bell times between the Elementary and Middle / High Schools (buses are double-routed). • Technology: The District does not utilize routing software. • The District does not have GPS on its buses. • The District provides radios to drivers to contact drivers while on routes. • The District has security cameras on all buses. • The District has stop-arm cameras on buses. • Activity Buses: The District does not use the State fuel for activity buses. 	<ul style="list-style-type: none"> • Consider furthering the spread of staggered bell times to increase availability of individual bus capacity. • Consider the implementation of routing software to ensure most efficient routes.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts. 	<ul style="list-style-type: none"> • Consider partnering with districts that are also transporting children to other out of district placements

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

NEWBERRY

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPENDIX A: SAVINGS METHODOLOGY

NEWBERRY

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

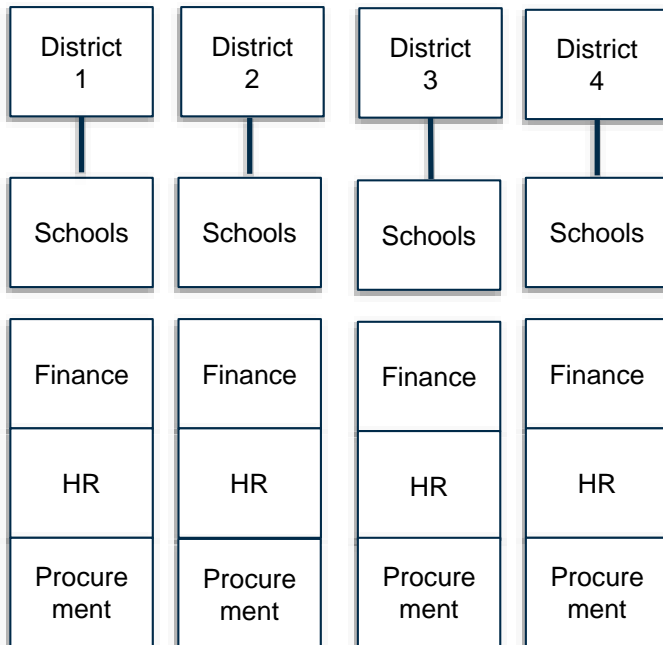
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COLLABORATION: SHARED SERVICE MODELS

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.

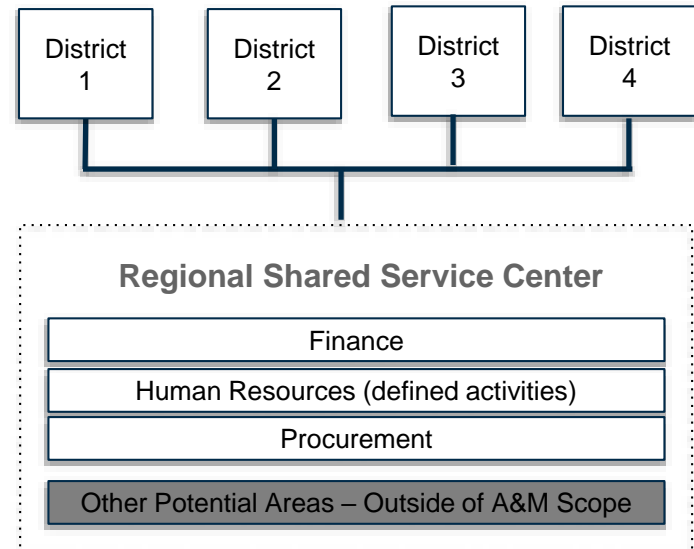
CURRENT STATE: STAND ALONE DISTRICT

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

NEWBERRY

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.

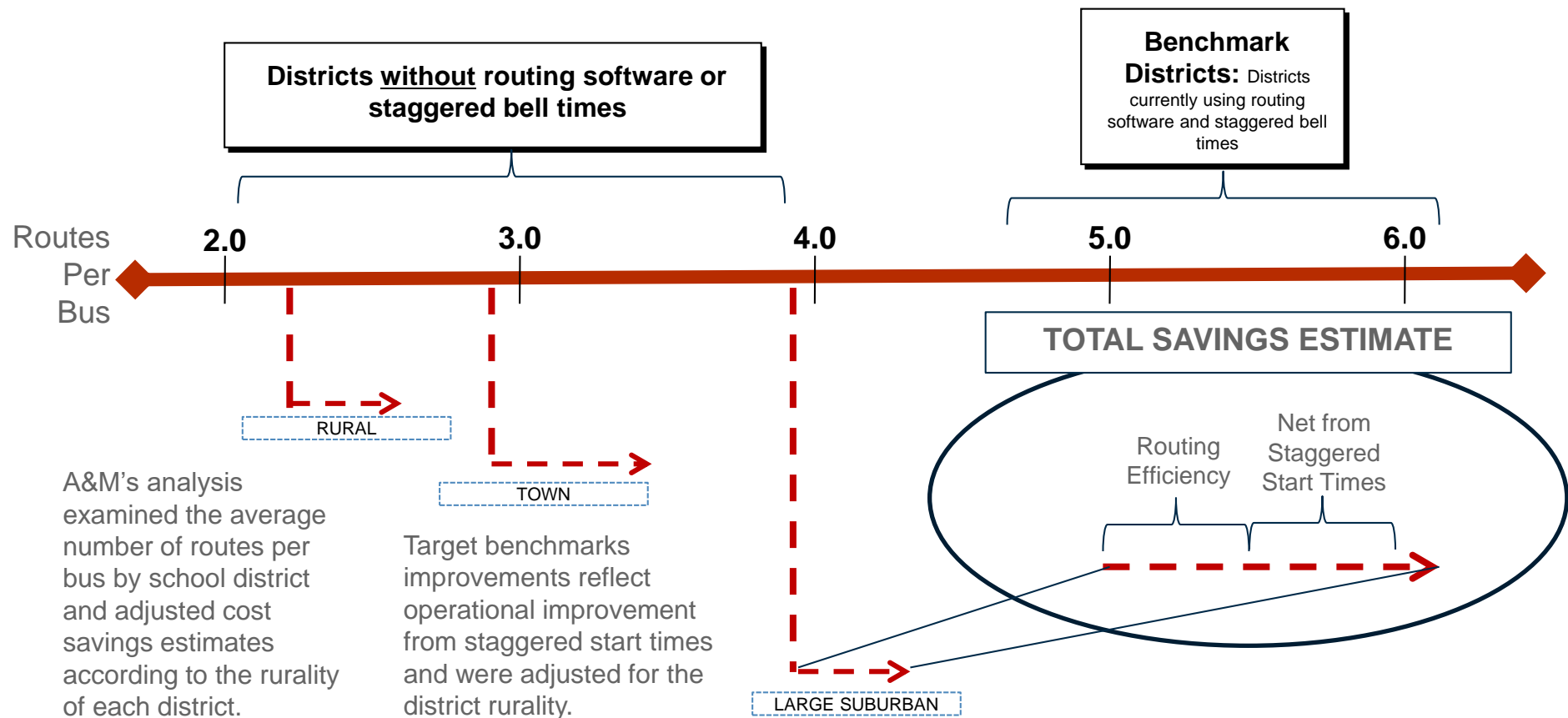
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

NEWBERRY

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.

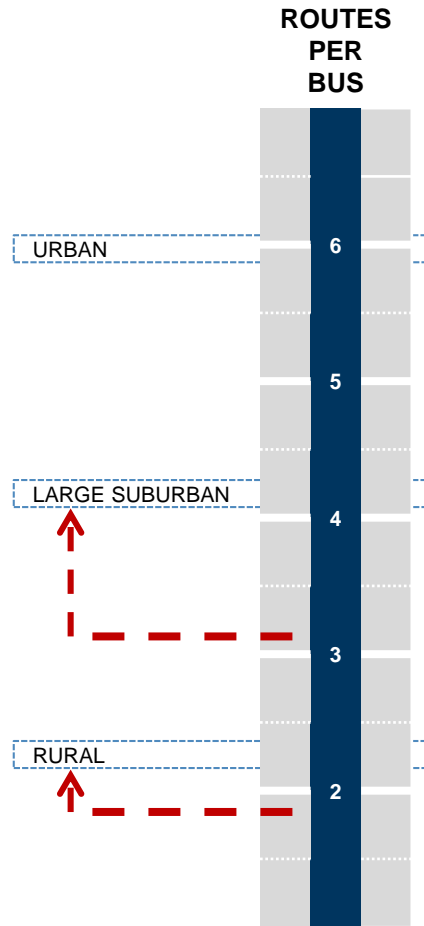
APPENDIX A: SAVINGS METHODOLOGY NEWBERRY

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

NEWBERRY

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

NEWBERRY

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

NEWBERRY

[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 NEWBERRY

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 NEWBERRY

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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