



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Orangeburg 05

District Report

6/16/2017





OUTLINE

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

EXECUTIVE SUMMARY

ORANGEBURG 05

PROJECT OVERVIEW

- This document contains observations and recommendations completed in conjunction with the School Efficiency Review conducted for the South Carolina Department of Education and pursuant to Part 1B Section 1 Proviso 1.92 of the FY2016-17 General Appropriations Act.

- The scope of the District Efficiency Review focused on the following central operations: **(1) Finance; (2) Human Resources; (3) Procurement; (4) Transportation; and (5) Overhead.**
 - Instruction, Food, Facilities and Technology functions were outside the scope of this efficiency review.
 - Facilities and Technology Assessments were completed in accordance with Part 1B of Proviso 1.92 and are separate from this report.

- A&M's review focused on identifying opportunities across the operational areas noted above that would yield:
 - 1. Increased Effectiveness and Efficiency**
 - Improved processes that would enable increased levels of service to the District's students and teachers and enhance financial controls and financial stewardship of the District's funds and assets.
 - A&M considered potential opportunities that could be realized both in the current state and in a situation where the District chooses to collaborate with other nearby or like-minded districts.

 - 2. Cost Avoidance and / or Cost Savings**
 - Enhanced processes and structures that would enable the District to realize savings and/or avoid potential costs in the future, including consideration of potential investments required to mitigate ongoing cost exposure.

EXECUTIVE SUMMARY

ORANGEBURG 05

PROJECT OVERVIEW (CONTINUED)

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

EXECUTIVE SUMMARY

ORANGEBURG 05

PROJECT OVERVIEW (CONTINUED)

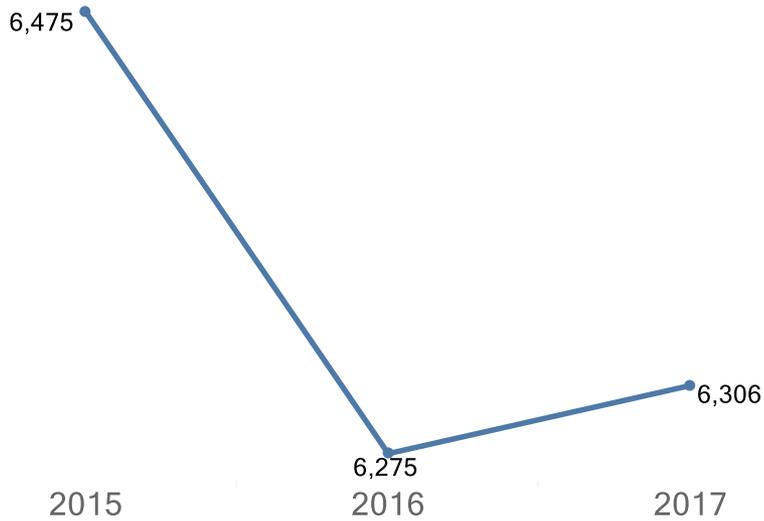
➤ Sources of Data and Savings Estimates:

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

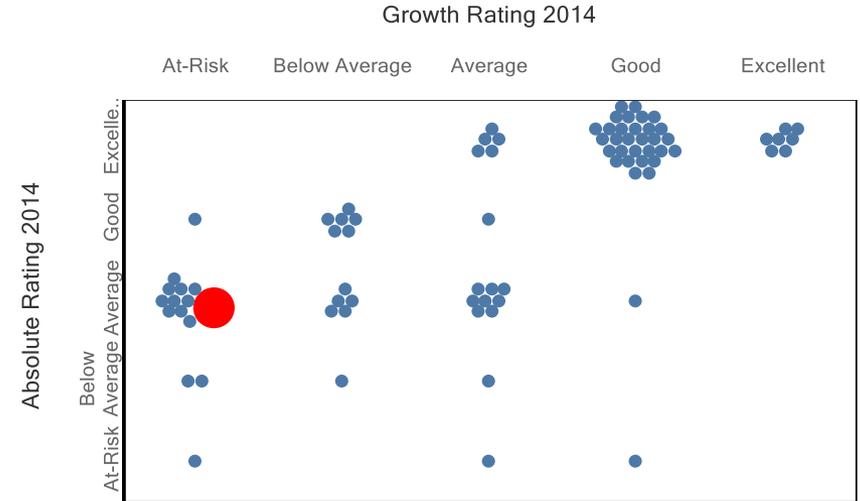
EXECUTIVE SUMMARY

ORANGEBURG 05

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	14
% Poverty ^[1]	83.4%
% Disability ^[1]	12.5%
\$ Per Student ^{[2],[3]}	\$14,113
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$13,482

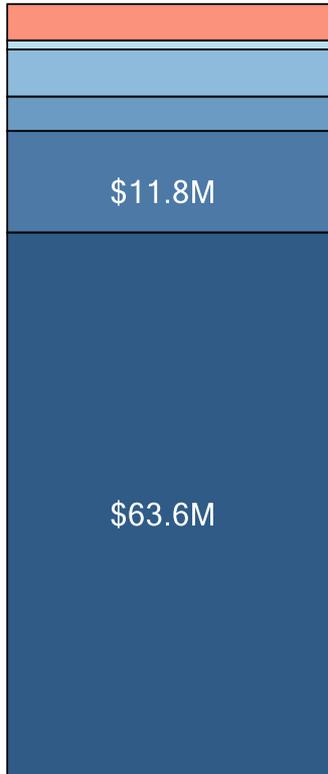
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.1
Students Per Overhead FTE ^{[2],[4]}	130.0
Students Per School Support FTE ^{[2],[4]}	31.1
Students to Total FTE ^{[2],[4]}	6.1

EXECUTIVE SUMMARY

ORANGEBURG 05

Sources of Funds^[5]
\$90.2M



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]
\$88.6M



2015-2016

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

Use of Funds - Function^[3]
\$88.6M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ORANGEBURG 05

\$88.6M
Total

\$17.6M
In-Scope

\$71.0M
Not In-Scope

19.8% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$858,776	\$76,264
Human Resources	\$688,528	\$53,707
Overhead	\$821,144	\$407,519
Transportation	\$2,890,873	\$267,289
Procurement (Community Services, Instruction, Support Services)	\$12,299,393	\$12,299,393
TOTAL	\$17,558,714	\$13,104,172

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ORANGEBURG 05

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: Orangeburg Consolidated School District 5 (OCSD5) exists to ensure academic success for all students.

- 1. Increase Student Learning:** OCSD5 will meet performance standards yearly on local, state and national tests while closing the achievement gap.
- 2. Improve Resource Management:** The District will base all financial decisions on an annual zero based budget protocol to ensure they are matched with District goals and the strategic plan.
- 3. Improve Human Capital:** The District will focus on retaining, training and developing the best personnel at all levels by utilizing a yearly evaluation system, as well as recruiting highly qualified personnel according to national, state, and District guidelines.
- 4. Increase Engagement:** The District will increase support communities that promote stakeholder involvement and engagement each year.
- 5. Safety First:** All stakeholders will be satisfied with the safety and security of the school climate in OCSD5 as measured by national, state, and local data in the areas of learning environment, home-school relations, social and physical environment.

Achievements

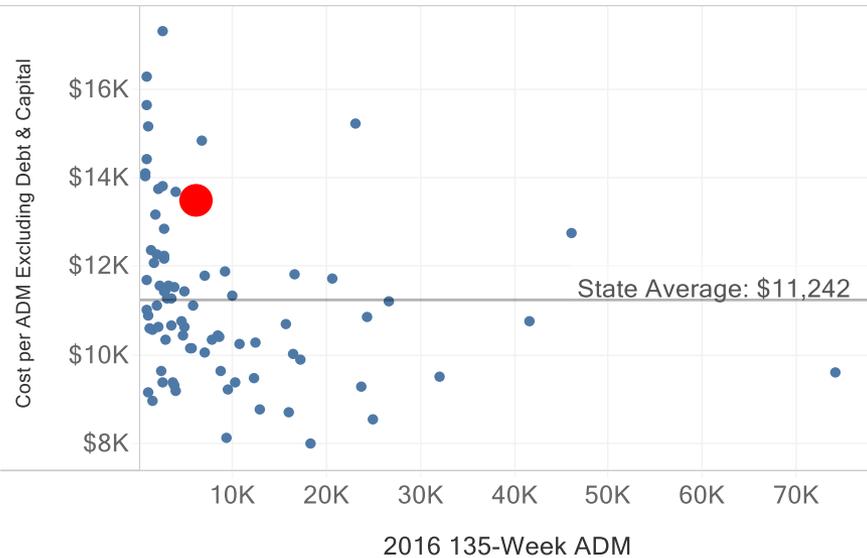
- **Increased Student Achievement:** Over the past 8 years, the District has seen steady improvements to academic performance.
- **Additional Classroom Resources:** Student-to-teacher ratio has improved, dropping to 17:1 from 28:1.
- **Community Engagement:** Strong support from local business community.
- **Communications:** Robust communications and community relations function supports District office.

Challenges

- **Administration:** Modernization and automation needed for most key administrative and financial functions.
- **Teacher Recruitment:** Recruitment and retention of high-quality instruction and non-instructional personnel is difficult.
- **Employee retention:** Many current employees are employed through TERI program, and many vacancies are anticipated when that program expires in 2018.

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

ORANGEBURG 05

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Viability: Despite the drop in enrollment, the District appears financially stable, with high per pupil revenue and a strong unrestricted fund balance relative to other comparable districts. • Manual Processes: Under-utilization of technology contributes to inefficient financial processes that require higher staffing levels than comparable districts.
Human Resources	<ul style="list-style-type: none"> • Challenges with Recruiting and Retention: The District struggles to recruit and retain teachers for hard to staff positions. The District regularly uses international staffing agencies to fill multiple teacher vacancies. • Lack of Technology/ Manual Processes: The District's processes are largely manual, with recruiting, on-boarding, substitute management and time tracking processes in need of automation.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The District struggles to recruit and retain bus drivers. Many of the District's bus drivers are dual employed as aides, food workers or custodians. • Manual Routing: The District does not have software that can be used to identify routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has a procurement coordinator within the Finance division, but requisition and PO processes are manual and time-consuming. • Strategic Sourcing: The District has low leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates, and there is very limited collaboration across districts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The current Superintendent has served for one year. The Superintendent works with the board, provides strategic direction, and oversees the operations of the District. • Collaboration: The District collaborates informally 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.
 - 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

ORANGEBURG 05

MODERNIZATION RECOMMENDATIONS

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

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

EXECUTIVE SUMMARY

ORANGEBURG 05

COLLABORATION RECOMMENDATIONS

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

REGIONAL COLLABORATION OPPORTUNITIES			
FINANCE	HUMAN RESOURCES	PROCUREMENT	OTHER AREAS
<p>Accounts Payable and Payroll: Shared Processing; Standardized and automated workflow on approvals</p> <p>Potential to add in:</p> <ul style="list-style-type: none"> Accounting Entries Financial Reporting General Oversight ERP Systems Grant Compliance and Claiming 	<p>Benefits Coordination: Shared Processing and Support</p> <p>Potential to add in:</p> <ul style="list-style-type: none"> Intl. Recruiting: H1B Process or collaborative System Licenses for Recruiting, Substitute Management, and on-boarding Sharing of instructional resources across varying classroom models 	<p>Purchasing Coordination: Collaborate on market intelligence, pricing opportunities, RFP management, contract negotiations, contract management and minimum buying commitments</p> <p>Capitalize on volume discounts and rebates</p> <p>Shared analysis of spending, monitoring and optimization of pricing</p>	<p>Transportation: Shared administrative resources</p> <p>Facilities/ Maintenance: Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing)</p> <p>Technology: Shared oversight and support functions</p> <p>Curriculum: Shared research and development functions</p>

Governance structures, service level agreements and implementation plans will vary based upon the range of services included and the districts participating in a collaborative model.

EXECUTIVE SUMMARY

ORANGEBURG 05

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

EXECUTIVE SUMMARY

ORANGEBURG 05

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$17,500	\$32,500	\$87,500	\$262,600
Human Resources	5,000	10,000	0	60,600
Procurement	0	0	348,800	701,800
Transportation – District	N/A	N/A	57,000	86,000
District Total	22,500	42,500	493,300	1,111,000
Transportation – State	20,000	87,000	28,000	78,900
Total	\$42,500	\$129,500	\$521,300	\$1,189,900

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

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



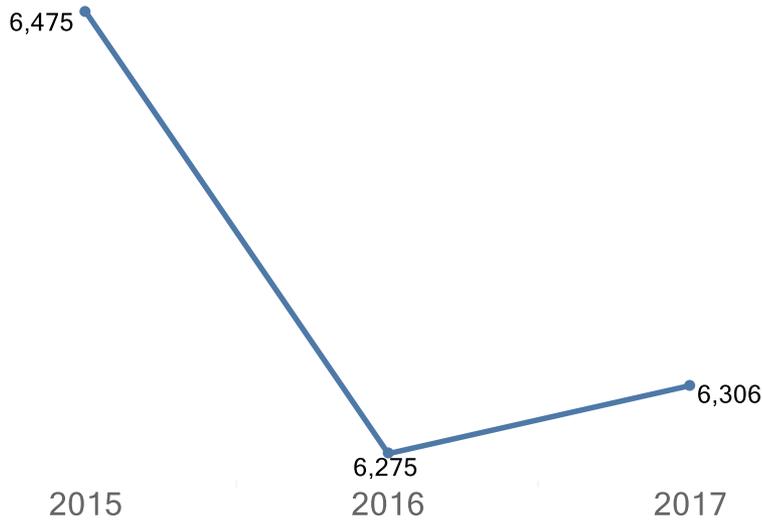
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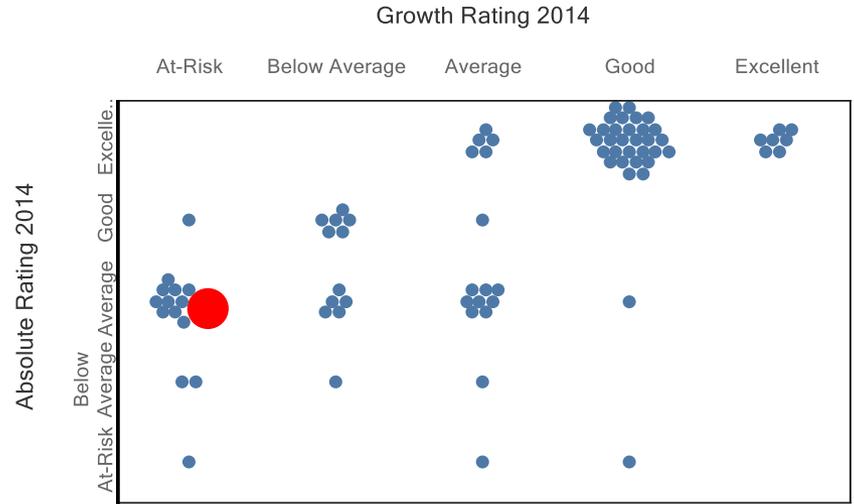
DISTRICT ADMINISTRATION AND PERFORMANCE

ORANGEBURG 05

Average Daily Membership^[2]



Student Achievement^[1]



General Info

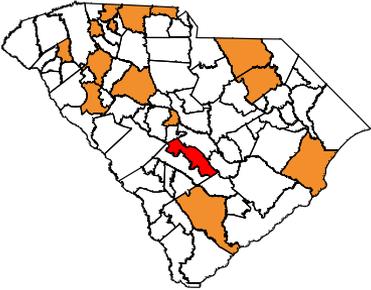
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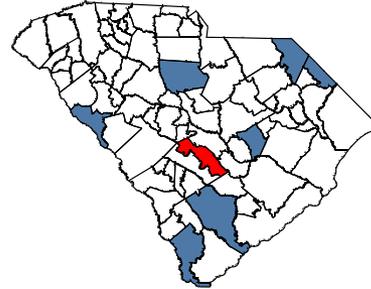
DISTRICT BENCHMARKING

ORANGEBURG 05



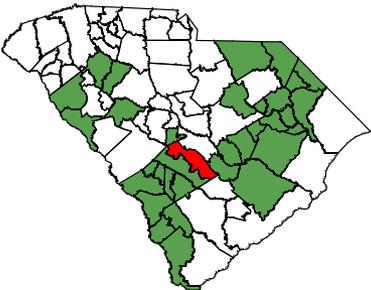
Enrollment (5,000 - 10,000)

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



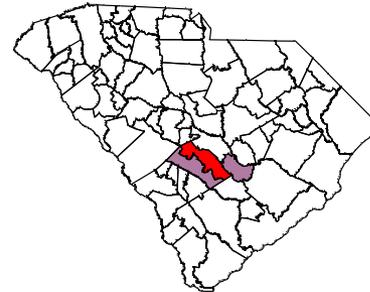
Poverty (80% - 85%)

Clarendon 02
Colleton
Dillon 04
Fairfield
Jasper
Marlboro
McCormick
Orangeburg 05



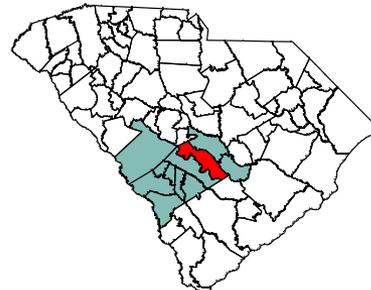
Phase 1 (Yes)

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 (Orangeburg)

Orangeburg 03
Orangeburg 04
Orangeburg 05



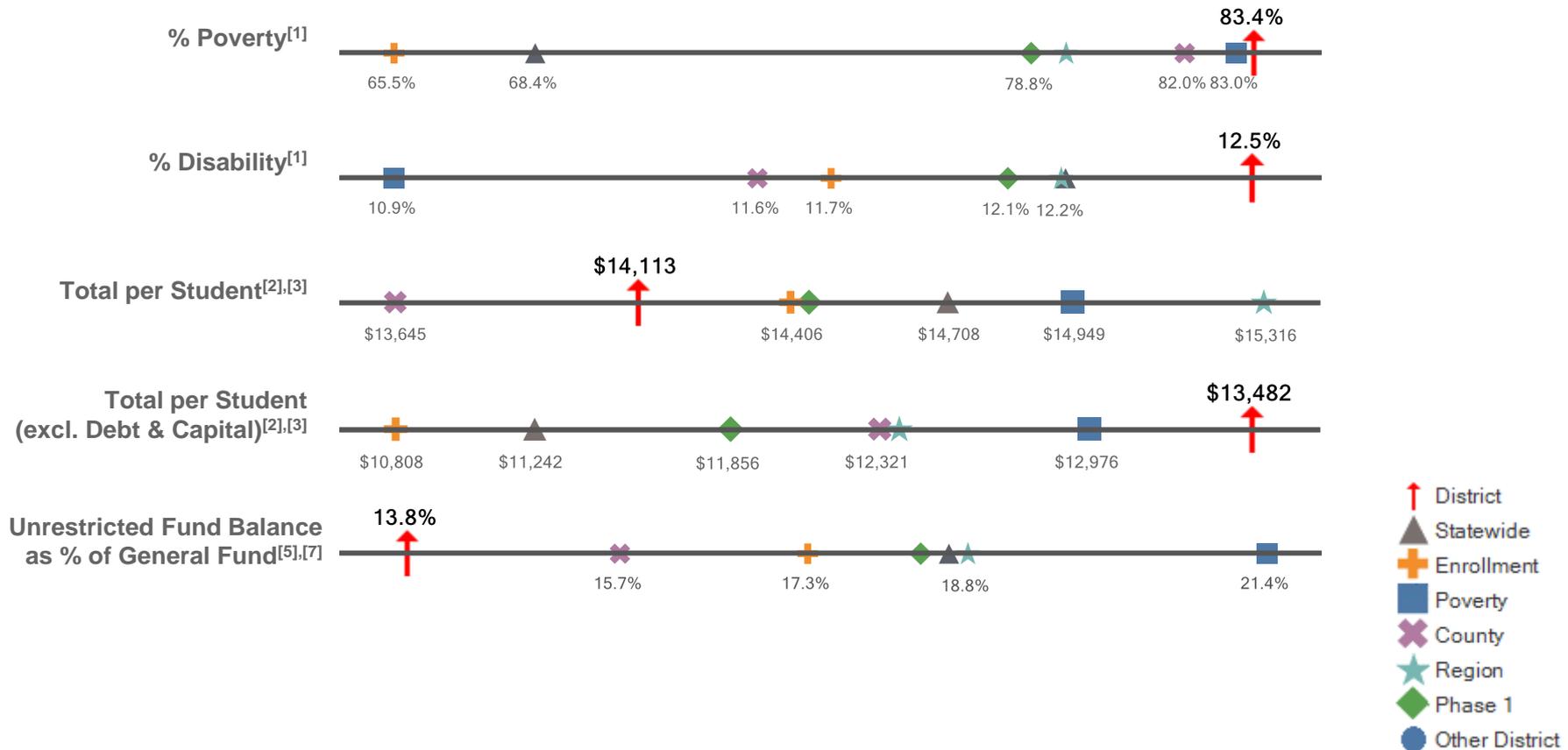
Region (Lower Savannah)

Aiken	Orangeburg 05
Allendale	
Bamberg 01	
Bamberg 02	
Barnwell 19	
Barnwell 29	
Barnwell 45	
Calhoun	
Orangeburg 03	
Orangeburg 04	

DISTRICT OVERVIEW ORANGEBURG 05

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

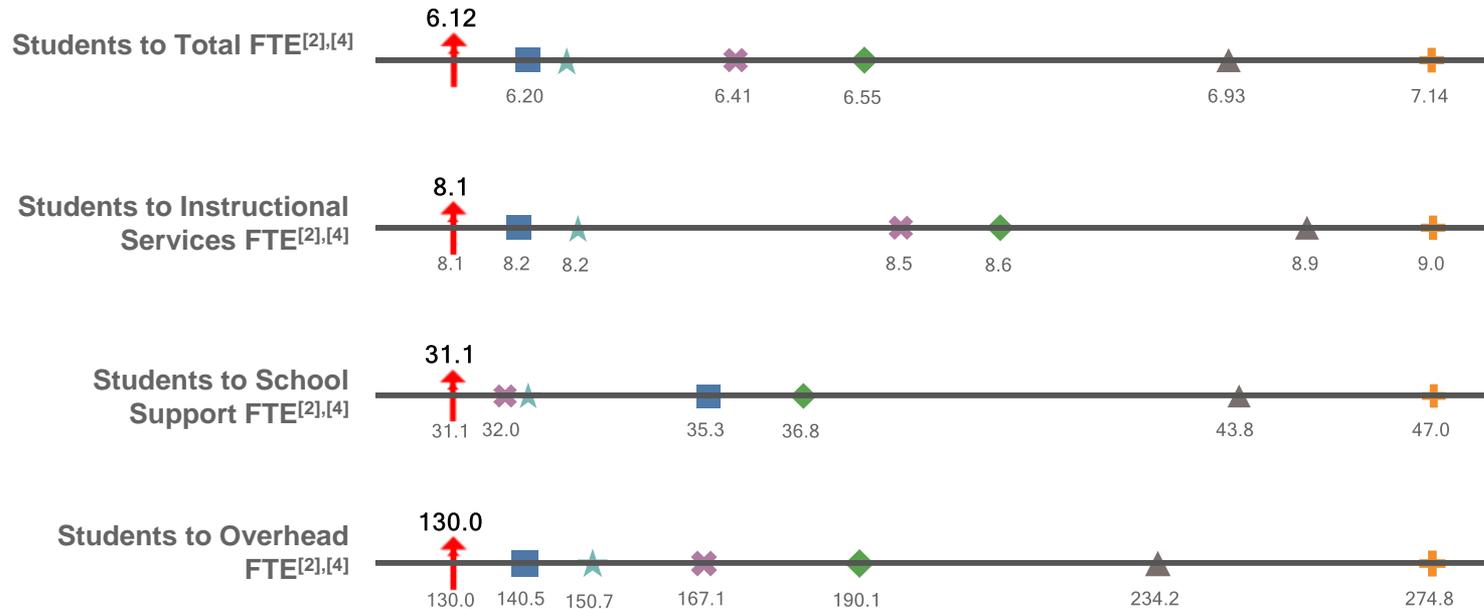
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

ORANGEBURG 05

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



- ↑ District
- ▲ Statewide
- ⊕ Enrollment
- Poverty
- ✕ County
- ★ Region
- ◆ Phase 1
- Other District

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has dropped by 169 students, or 2.6%, over the past 3 years. • Student Demographics: 83.4% of District students live in poverty, well above the statewide average of 68.4%. • Competition: The District operates one charter high school for health professions that serves 353 students in grades 9 through 12. A share of the District's decline in enrollment is attributable to students transferring to private schools in the region. • Long-term Planning: The District does not prepare long term enrollment projections to help inform long-term planning 	<ul style="list-style-type: none"> • Given recent trends in enrollment coupled with anticipated economic decline, 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: Despite a strong fund balance ratio, the District's overall size and declining enrollment trend will require it to be prudent with long term financial planning and fund balance reserves in order to navigate through any unanticipated events. • Per Pupil Expenses: When excluding debt and capital, the District's per pupil of \$13,482 is more favorable than both the statewide average (\$11,242) and districts of similar size, (\$10,808). • Unrestricted Fund Balance: The District's unrestricted fund balance is 13.8% of revenues, which is lower than the statewide average of 18.8%. Districts benefit from a strong fund balance, which enhances their ability to pay for unexpected expenses. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is maintained, the District should prepare a three- to five-year financial plan that allows for investment in critical areas of academics and operations while still maintaining a strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Resource Allocation: The District's favorable revenue per pupil allows investment in personnel. Instructional Student to FTE ratios are in line with peers. However, the Student to non-instructional FTE ratios are lower than the State and peers, thereby, indicating that there may be opportunity for the District to reduce headcount and run more efficiently in non-instructional areas. • Student to FTE: The Student to Total FTEs of the District is 6.12 and is lower than the statewide average of 6.93 and districts of similar size at 7.14. • Student to Instructional Services FTE: The Student to Instruction ratio is 8.1 and is lower than districts of similar size, 9, and lower than the statewide average of 8.9. • Student to Support Services FTE: The Student to Support Services ratio is 31.1 and is lower than districts of similar size at 47 and statewide (43.8). The District Student to FTE ratios are lower in Food, Facilities and Transportation. • Student to Overhead FTE: The Student to Overhead Ratio is 130 and is lower than districts of similar size, 274.8, and statewide at 234. 	<ul style="list-style-type: none"> • The low student to FTE ratios in Food Services and Facilities should be investigated further 1) to understand why ratios are less favorable than peers and 2) to evaluate if additional cost savings are possible (Note: Facilities and Food were outside the scope of this efficiency review).

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent is focused on Board and community relations and attempts to visit each school in the District at least once per month. • Communications Function: The District has a full-time Communications director and a communications administrative assistant who support the Superintendent's office with external communications and community relations. • Legal: The District has no legal department. If legal advice is required, the District utilizes external firm to provide support. • Turnover: The Superintendent has been with the District for one year. 	<ul style="list-style-type: none"> • Modernization and automation of numerous Finance, Human Resources, and Procurement functions could free up resources to add an Assistant Superintendent. This individual could take over some of the duties that frequently fall to the Superintendent but require a great deal of time, such as handling parent complaints and overseeing operational functions, such as Transportation or Food Services, that currently fall under the purview of the Finance department.
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid \$4,800 annually. • Board Composition: The seven-member board, which includes 4 members representing certain areas of the District and 3 at-large members, is elected to four year terms. • Training: Board members adhere to required training for all South Carolina board members. Members often elect to receive additional training through the South Carolina School Boards Association (SCSBA) and/or the National School Boards Association (NSBA). 	

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• Leadership: The District informally coordinates with other regional superintendents.• Career Center: The District does not have a shared career center.• Special Education: The District does not coordinate with other area districts on Special Education programs.• Headcount: The District does not share any FTEs with other districts.	<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.

548 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$137 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	11.5
Personnel Expense ^[3]	\$781,444
Non-Personnel Expense ^[3]	\$77,332
Total Financial Expense ^[3]	\$858,776

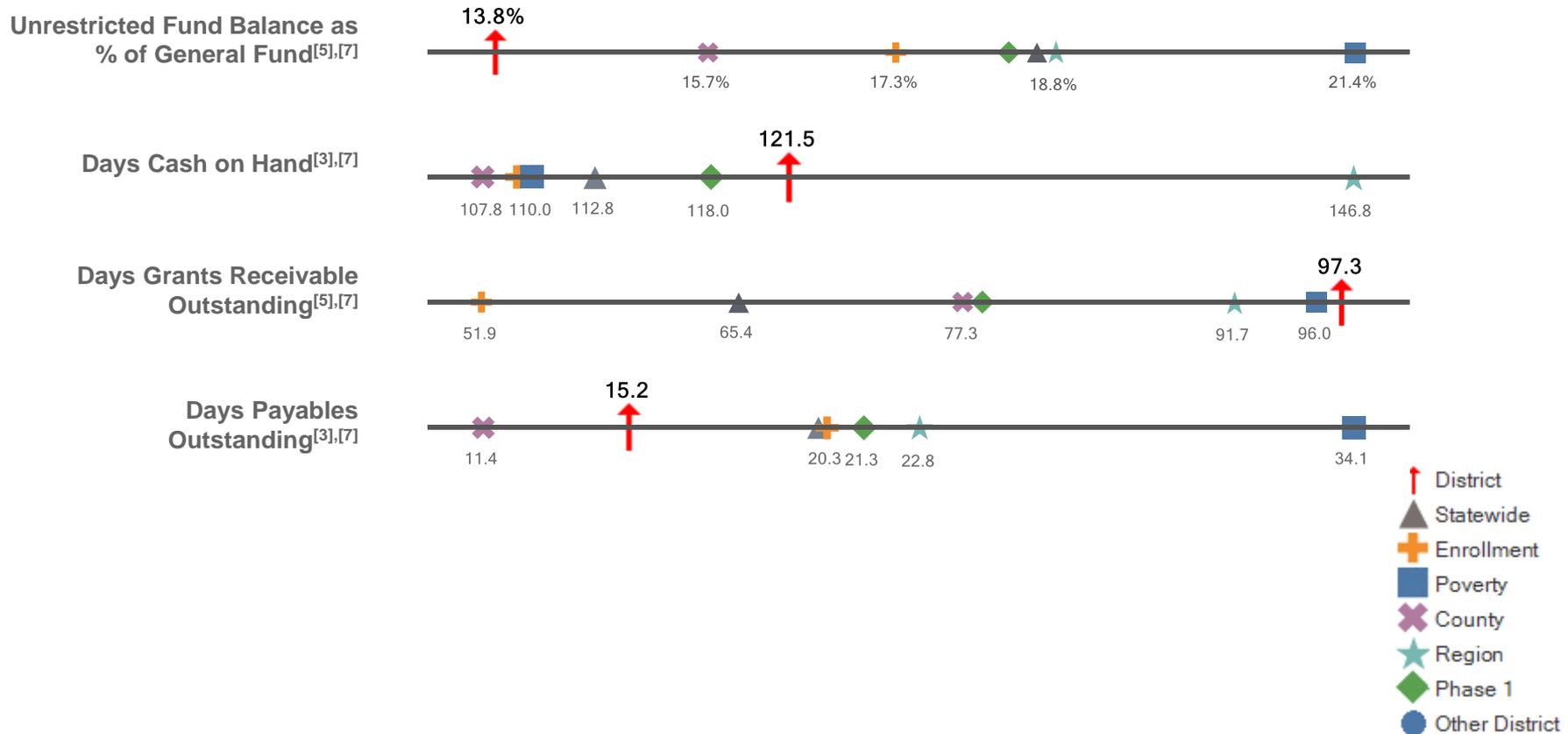
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

ORANGEBURG 05

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

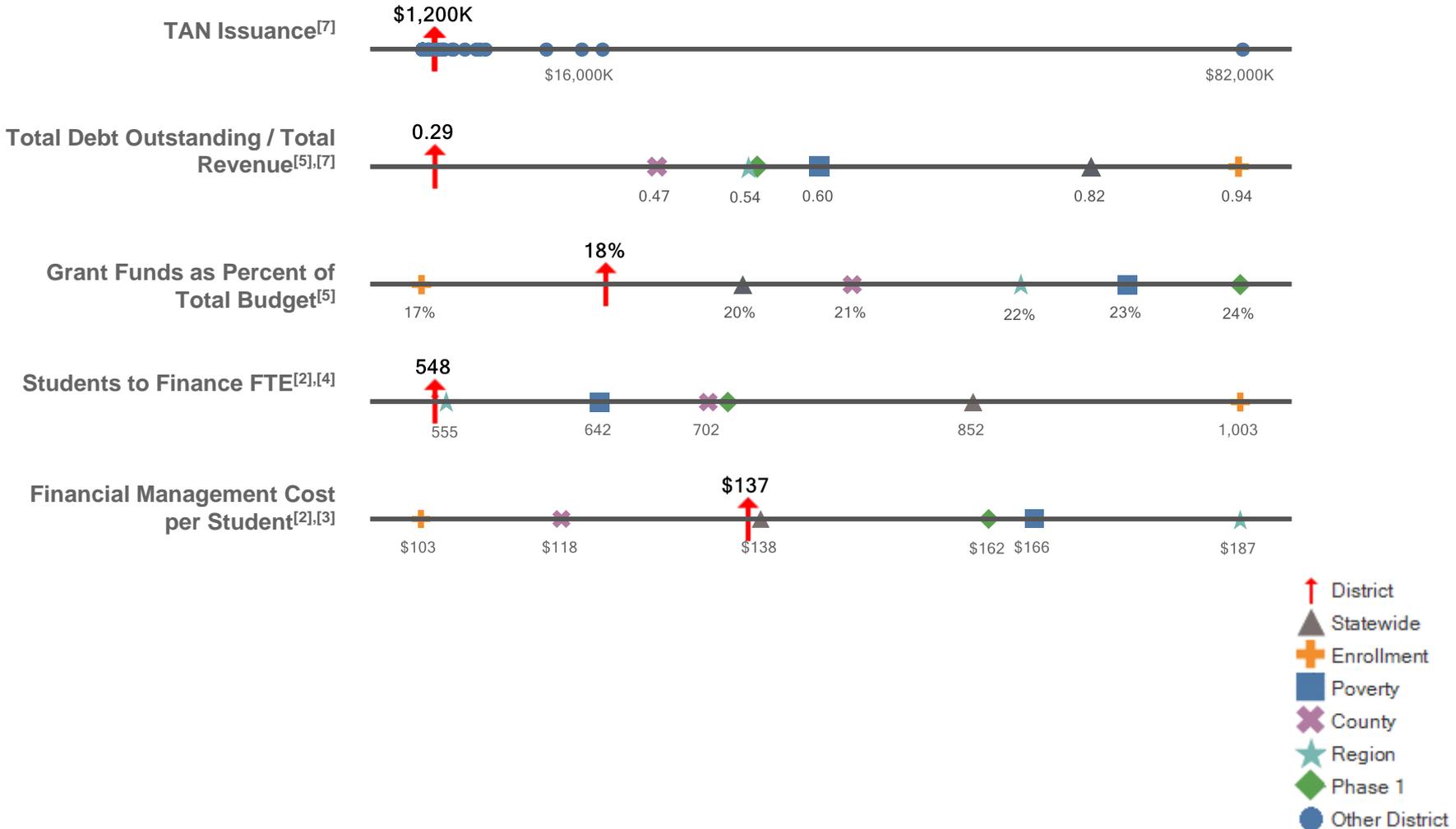
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



FINANCIAL MANAGEMENT

ORANGEBURG 05

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • The Finance organization is staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. However, the department’s processes are largely manual (paper-based), labor-intensive, and outdated. The higher-than-average number of Finance staff is a result of these manual and outdated processes. • Turnover: The Department has had the same lead finance director for the past 30 years and is employed through the TERI program. • Finance Cost Per Pupil: The Finance cost per pupil for the District is \$137 per student which is higher than districts of similar size (\$103) and in line with the statewide average (\$138). • Student per Finance FTE: The student to financial management FTE ratio is 548, which is lower than districts of similar size at 1,003 and the statewide average of 852. • This low student to FTE ratio suggest that cost and personnel efficiencies may be found by modernizing and streamlining financial management processes. 	<ul style="list-style-type: none"> • Consider adding modules or enhancements to existing Harris SmartFusion ERP system to improve efficiency of business functions (purchase order processing and payroll) and better integrate with Human Resource functions (hiring, substitute teacher management, and 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. • As automation and modernization of processes – particularly in payroll and procurement – replace labor-intensive Finance processes, reduce financial management staff of the organization through the reorganization and elimination of payroll and AP positions.

FINANCIAL MANAGEMENT

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District does not use a self service payroll platform; employee-initiated payroll changes are all processed manually through paper based submission of forms and data entry by finance staff. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the Finance department. • Purchasing: Schools initiate requisitions for items and services via a manual process, and the Finance office administers an approval process to ensure procurements are made in accordance with District and state regulations. The Superintendent has final approval. • Pcard: The District does not utilize a Pcard program. • Inventory: The District bar codes technology for asset tracking, but it does not currently conduct centralized inventory processes. • The District does not regularly track inventory of technology, furniture or textbooks, 	<ul style="list-style-type: none"> • Implement the self-service payroll function available for Harris SmartFusion to improve and streamline payroll processing. • Implement an automated time-tracking functionality such as a biometric timeclock that integrates with the payroll system in order to eliminate the need for manual time sheets. • Implement policies that require use of a centralized purchase order system by schools and administrative personnel. Leverage automated purchase order work flow systems that can be integrated with the financial systems. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process. • The District should track all inventory annually in order to assess whether unused items can be liquidated.

FINANCIAL MANAGEMENT

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 18% of revenue for the District, making this District 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 on a timely manner in order to maximize cash flow. • Indirect Costs: The District charges 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. The District's latest CAFR reports that no grant amounts were due to the District, and no unexpended funds were payable to grantors. 	<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. • Create a unified grants tracking report that compares award amounts, budgets, YTD and cumulative expenditures, and outstanding receivable balances for each grant. • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities.
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District had no findings in its most recent audited financial statements. • Position Control: The District does not have position control. Lack of position control can lead to over-hiring / spending and ultimately to an unanticipated deficit. A recent internal review by Human Resources found that current personnel rosters within the district's ERP were considerably outdated and included numerous positions and individuals that are not currently employed. 	<ul style="list-style-type: none"> • Implement budgetary position control to ensure controls around hiring of individuals.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance with 121.5 days cash on hand. • Tax Anticipation Notes: The District has historically utilized Tax Anticipation Notes to help manage working capital through December of the school year. SCAGO is leveraged to perform issuances. • Cash Flow: The District prepares an annual cash flow forecast for use in issuance of Tax Anticipation Notes but does not have a formalized weekly cash flow forecasting process. The District invests excess cash balances in Local Investment Pool to maximize earnings at times when cash balances are at peak. • Grants Receivable Outstanding: The District has 97 days outstanding, higher than districts of similar size (52). • Days Payable Outstanding: The District's Days Payables Outstanding is 15.2 days, indicating the District is meeting obligations within a reasonable time from when they come due. 	<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 in order to maximize cash flow and ensure grant funds are optimized and spent in accordance with appropriate guidelines. • The District's current debt level is sustainable, and the District may need to issue more to address extensive deferred maintenance and facility acquisition needs. • Given the district's strong fund balance, reliance on TANs should be minimized in order to save on borrowing costs.

FINANCIAL MANAGEMENT

ORANGEBURG 05

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 and adjustments for changes in projected enrollment and local revenue collections. The budget team works extensively with department heads to assess any new needs that are anticipated for the upcoming fiscal year. • Fiscal Monitoring: Monitoring is done internally within the Finance office. 	<ul style="list-style-type: none"> • Prepare and circulate monthly financial reports and budget variance analyses with District leadership and each department head. • Increase financial transparency by posting Comprehensive Annual Financial Reports, budget summaries, and other documents of public interest to the District’s website.
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Harris SmartFusion accounting software system; however, processes remain entirely or partially manual for time-keeping, temporary and substitute teacher payroll and invoice approval. • Modules for Human Resources, Finance & Accounting, Contracts & Purchasing, and Budgeting have been implemented, though entry remains manual. The District also uses Follett for some inventory-related processes. 	<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.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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

901 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$110 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	7.0
Personnel Expense ^[3]	\$632,676
Non-Personnel Expense ^[3]	\$55,852
Total Human Resources Expense ^[3]	\$688,528

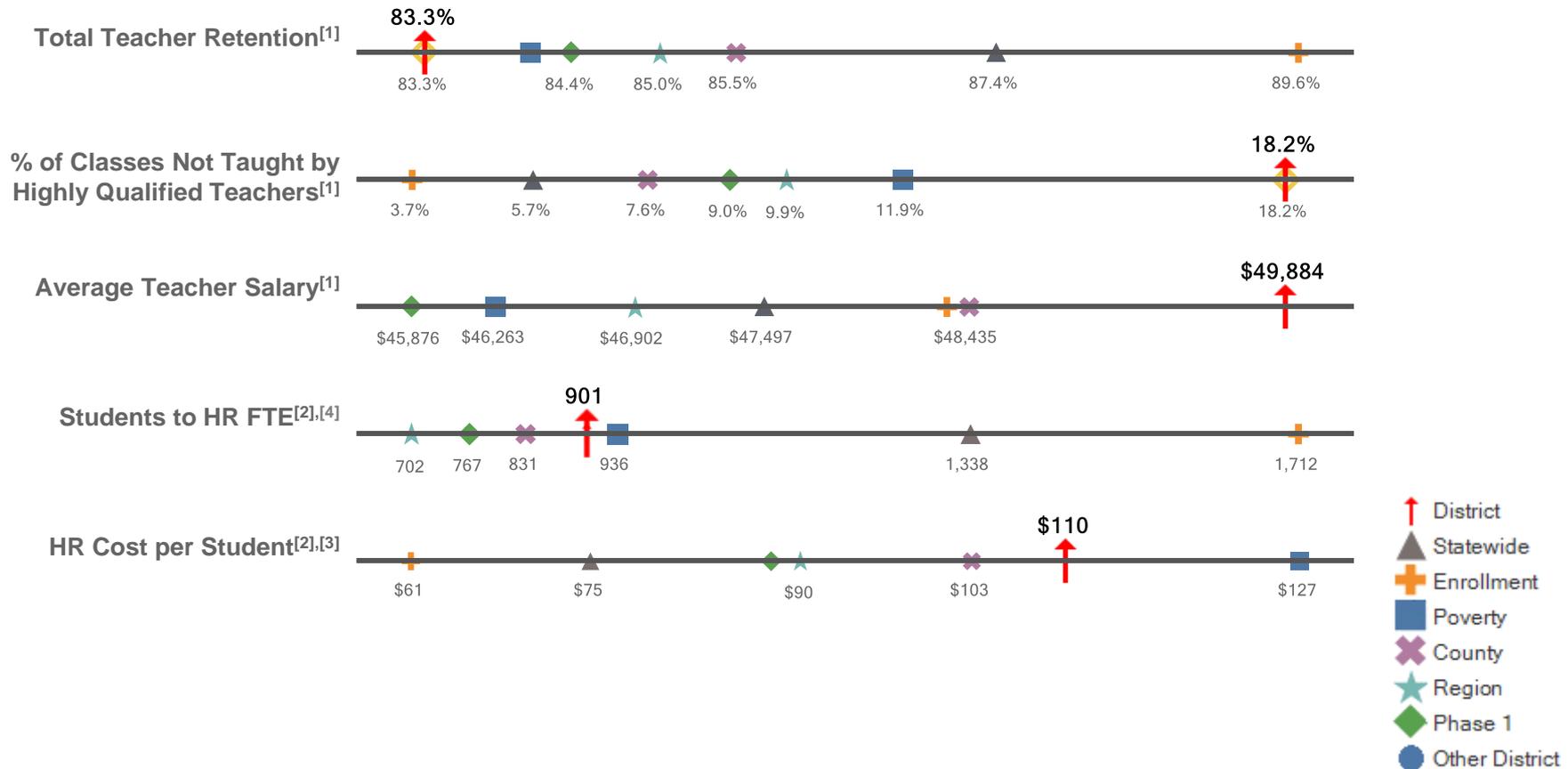
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

ORANGEBURG 05

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Human Resources function supports recruiting, retention, personnel relations, professional, benefits and professional development activities. Many Human Resources functions remain manual processes, which explains the District’s relatively high staffing ratio. Human Resources Cost Per Pupil: The HR cost per pupil for the District is \$110 and is higher than districts of similar size (\$61) and statewide (\$75). Student per Human Resources FTE: The student to HR FTE ratio is 901 and is significantly lower than districts of similar size (1,712) and statewide (1,338). This low student to FTE ratio suggest that cost and personnel efficiencies may be found by modernizing and streamlining Human Resources processes. 	<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. As automation and modernization of processes replace labor-intensive human resources processes, reduce human resources staff through reorganization and elimination of benefits administration and substitute teacher coordinator positions.
Recruiting and Retention	<ul style="list-style-type: none"> Teacher Recruitment: Similar to other school districts in the State, recruiting teachers is challenging. The District currently employs 9 international teachers (1.6% of its total teaching force) and leverages 2 different agencies to provide these positions. Next year, the District is considering adding another firm to fill hard-to-staff foreign language vacancies. Professional Staffing: The District leverages staffing agencies to fill hard-to-staff services (Physical Therapy, Occupational Therapy, etc.). 	<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.

HUMAN RESOURCES

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> • Hiring Incentives: The District uses the following incentive programs to try and attract and retain teachers: \$1,500 signing bonus for upcoming FY17-18; local corporate partnership with Toyota to provide a 1-year car lease to the District teacher of the year; and secondary critical needs subject areas get a \$1,500 annual stipend. • Sponsorship: The District is considering offering H1B visa sponsorship for two high performing international contract teachers in FY17-18. • Teacher Compensation: The average teacher salary of \$49,844 is higher than the state average (\$47,497) and districts of similar size (\$48,330). • Teacher Retention: At 83.3%, teacher retention is lower than the State average (87.4%) and districts of similar size (89.6%). 	<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 or (e) innovative professional development programs. • Conduct exit interviews to gather information on the causes of employee attrition, and use the results of the process to formulate an effective teacher retention plan.
Technology	<ul style="list-style-type: none"> • The District does not leverage technology support systems or SmartFusion for application processing and onboarding processes. Hiring processes and related finance processes are entirely paper-based. 	<ul style="list-style-type: none"> • Implement technology to help enhance and automate recruiting, on-boarding, substitute management and time tracking processes that are currently manual. • Implement software systems to help manage the substitute management process. • Implement an automated time tracking system that can interface directly with the payroll system.

HUMAN RESOURCES

ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> • Benefits Administration: The District employs one full-time benefits administrator. 	<ul style="list-style-type: none"> • Benefits administration process could be automated via establishment of employee portal. Employees could be responsible for updates and information would be linked directly to payroll. • Establish a process with PEBA to conduct a local review of benefit plans for ineligible dependents.
Collaboration	<ul style="list-style-type: none"> • Consortia: The District informally collaborates with other nearby school districts (Charleston, Dorchester 4, and Dorchester 2) on some training and certification-related activities. • Other Collaboration: The District does not collaborate with other districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers • Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts.



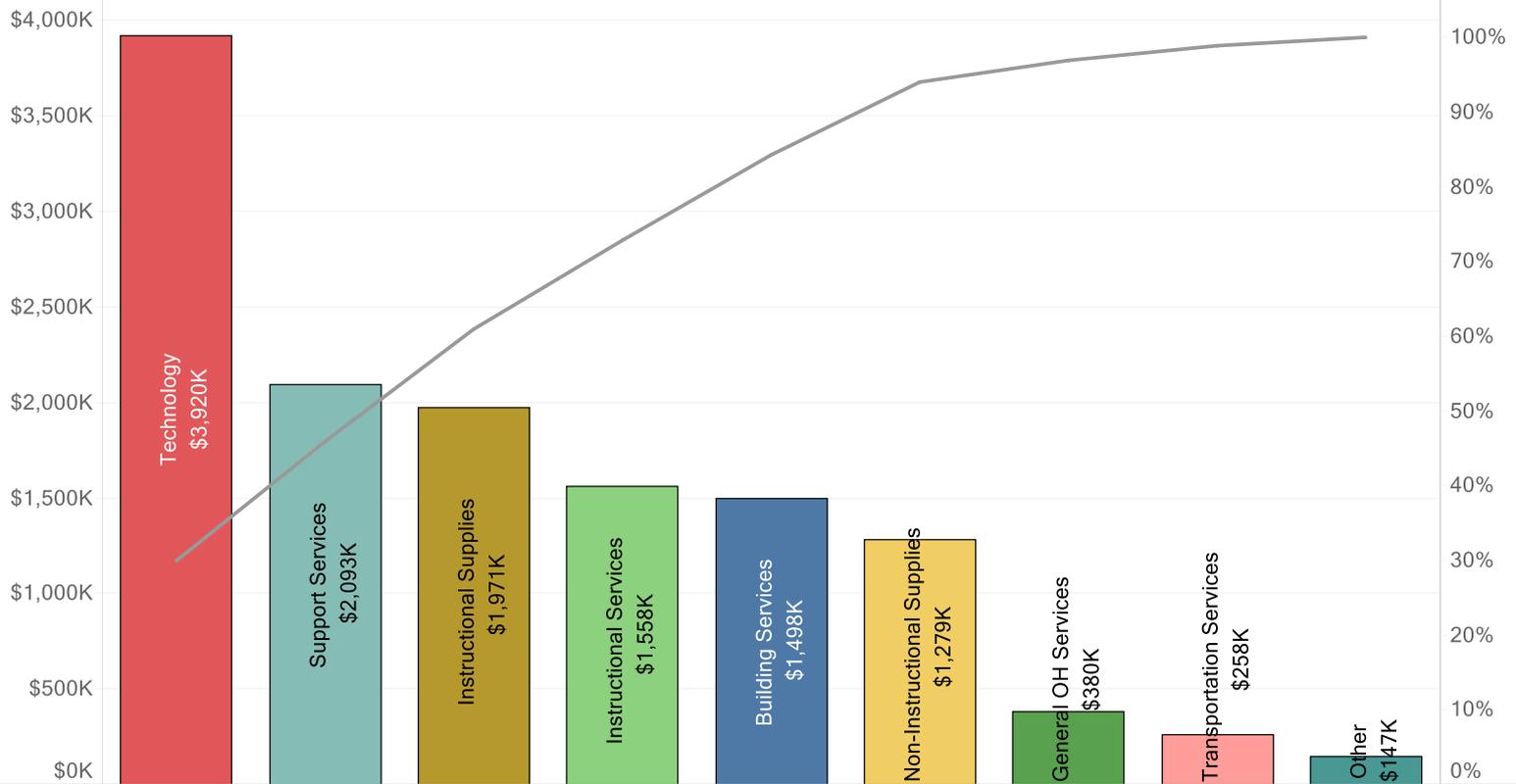
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PROCUREMENT OVERVIEW

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.

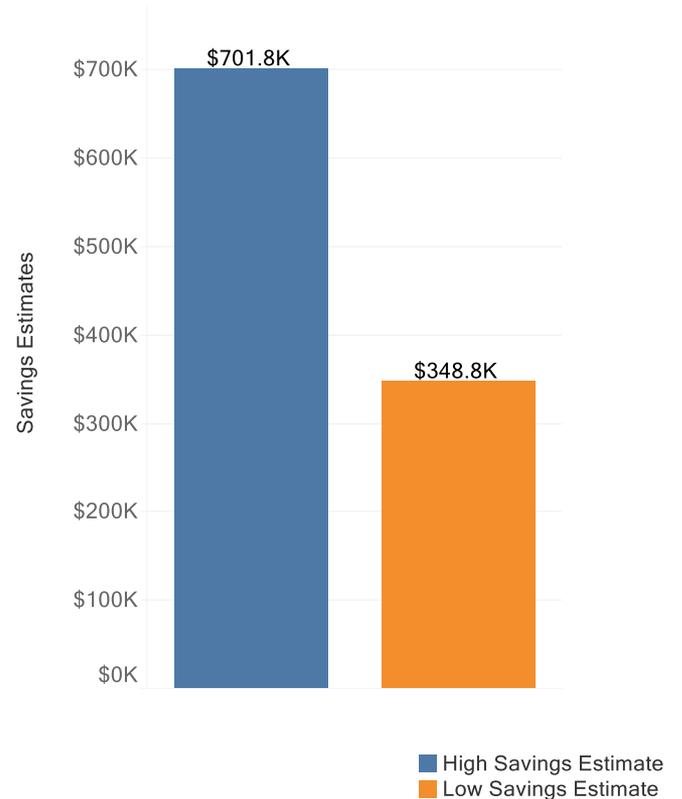
District In Scope Total Procurement Spend = \$13,104,172



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 ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District has resources focused directly on procurement and is able to rely on these resources to maximize purchasing activities. 	<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 is fragmented across more than 2,500 vendors; however, the top 60 make up more than 80% of total spending. Spending efforts are made based upon the individual buyer, with local optimization 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 or (c) negotiated contracts done in collaboration with surrounding districts. Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts. Where appropriate, include Most Favored Nation (MFN) clauses into contracts that require the vendor to provide the District pricing that is no higher than the price it provides to any other buyer, now or during the term of the agreement.

PROCUREMENT ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<ul style="list-style-type: none"> Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include food (if not currently using a GPO), supplies and technology. Based upon experience across other school systems and districts, purchases made through suitable Group Purchasing Organizations for supplies and equipment typically yield savings of between 2.3% and 5.9%.
Spending by Category	<ul style="list-style-type: none"> Building and Maintenance: Multiple vendors for special building and maintenance services are available in the City of Orangeburg, and the Finance department is able to competitively source providers. Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. Energy: The District does not fix rates for natural gas contracts. Instructional Support Services and Supplies - Procurement Exemptions: The District bids out instructional support software and services, but does not procure these services and software in collaboration with any other districts. Specialty Staffing: The District currently relies on several vendors, including TPG and FACES, for international staffing and Soliant for staffing of special education services. Technology: The District does not coordinate technology purchases with other nearby districts. 	<ul style="list-style-type: none"> Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. 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. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership, from 3.4% - 6.3%. Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. Consider establishing a fixed rate contract for natural gas.

PROCUREMENT ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category (cont'd)	<ul style="list-style-type: none"> • Non-instructional Supplies - Contracting Vehicles: The District purchases a significant share of its non-instructional supplies through available state contracting vehicles. 	<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.
Regional Collaboration	<ul style="list-style-type: none"> • The District participates in the statewide food purchasing consortium. • Beyond food, the District does not partner with other districts to procure goods and services. 	<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 and 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 ORANGEBURG 05

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

Responsibility for school transportation operations is uniquely shared by the State and the District. The cooperative relationship allows school transportation to maximize operational efficiencies by leveraging economies of scale and regionalizing bus operations across small districts.

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

TRANSPORTATION OVERVIEW

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

14 Years

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

\$461 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	19.5
Personnel Expense ^[3]	\$2,611,496
Non-Personnel Expense ^[3]	\$279,377
Total Transportation Expense ^[3]	\$2,890,873

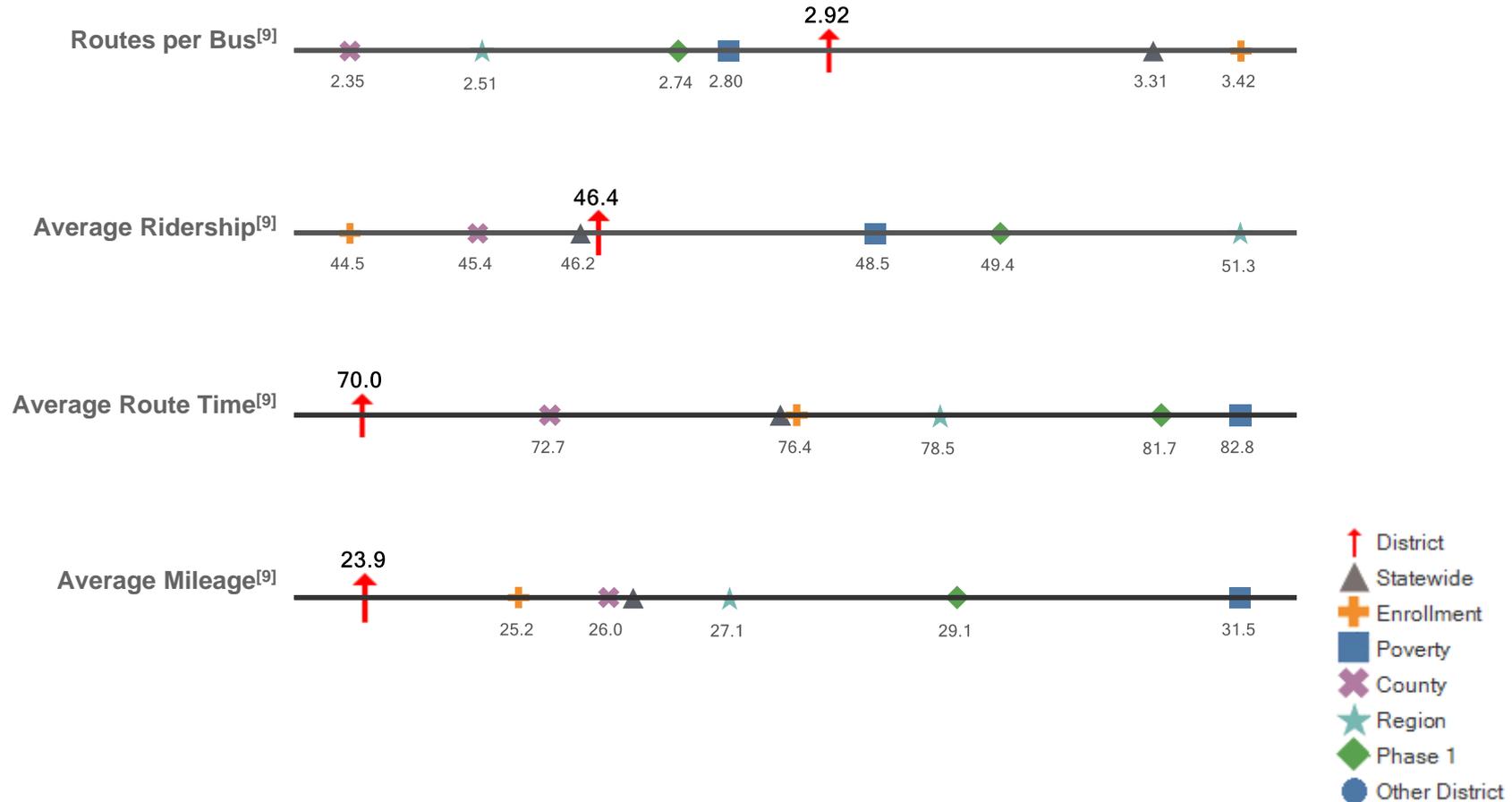
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	43.8	128	2.9	5,935	46	70	24
Special Needs	15.0	30	2.0	280	9	Not-Available	33
Other	4.2	32	7.6	962	30	Not-Available	5
Total	63.0	190	3.0	7,177	N/A	N/A	N/A

TRANSPORTATION ORANGEBURG 05

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

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



TRANSPORTATION ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Recruiting: The District has a difficult time recruiting bus drivers because the pay is not competitive. Bus drivers are frequently dual-employed as aides, food workers or custodians to provide full-time employment and incentivize bus driver applications. • Pay: Full-time bus drivers are currently paid a rate of \$14.91/hour, approximately \$7 above state reimbursement levels. Part-time bus drivers are paid \$11.91/hour. • Bell Times: The District runs 140-145 staggered bus routes daily with the earliest routes starting as early as 5:45 am. However, bell times are not staggered; all schools start at the same time. As a result, students regularly arrive up to an hour before school starts. • Planning: Transportation is overseen by one administrator, who is certified by the state and provides all driver training for the District on location. 	<ul style="list-style-type: none"> • Implement a substitute/back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION ORANGEBURG 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
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. • Communications: The District pays for cell phones so they can contact drivers while on routes. • Security: The District does not have security cameras or stop-arm cameras on all buses. • Activity Buses: The District does not use State fuel for activity buses. • Alternative Transportation: The District will provide financial aid using state mileage reimbursement rates for parents of special needs children that provide their own transportation. No families currently receive aid. 	<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 and stop-arm cameras on buses to increase child safety and security on bus.
Collaboration	<ul style="list-style-type: none"> • Collaboration: The District does not collaborate with surrounding districts for transportation. 	<ul style="list-style-type: none"> • Leverage the State maintenance hubs for activity buses. • Consider partnering with districts that are also transporting children to out-of-district placements.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

ORANGEBURG 05

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

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

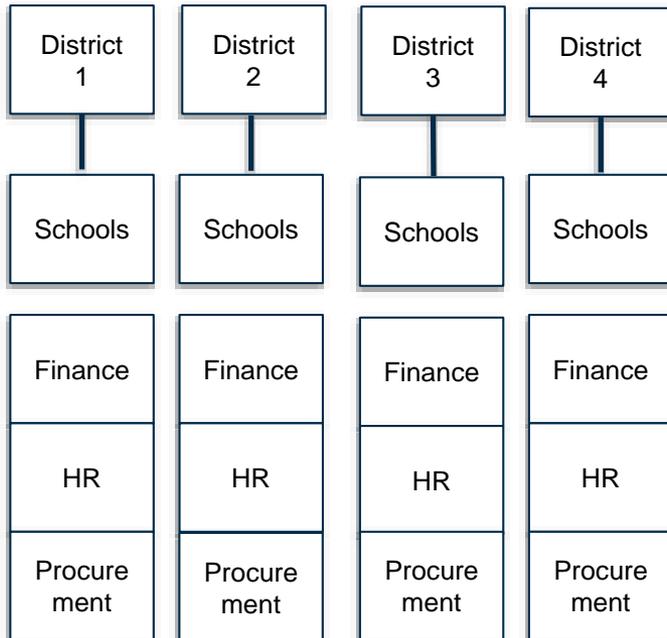
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COLLABORATION: SHARED SERVICE MODELS

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.

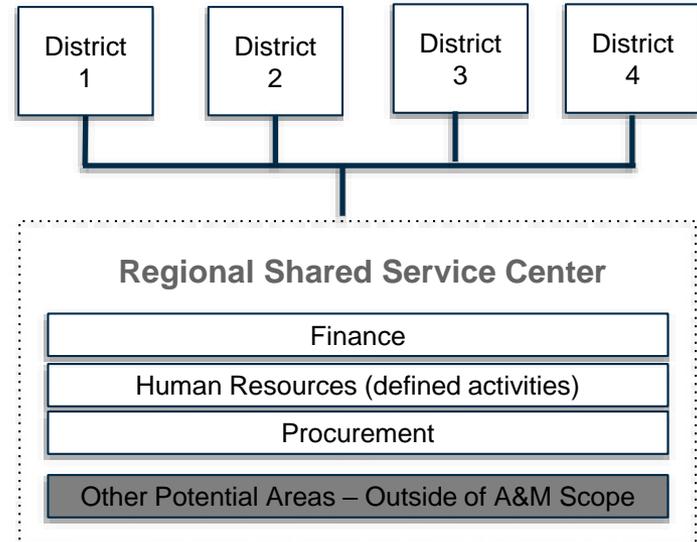
CURRENT STATE: STAND ALONE DISTRICT

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

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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.

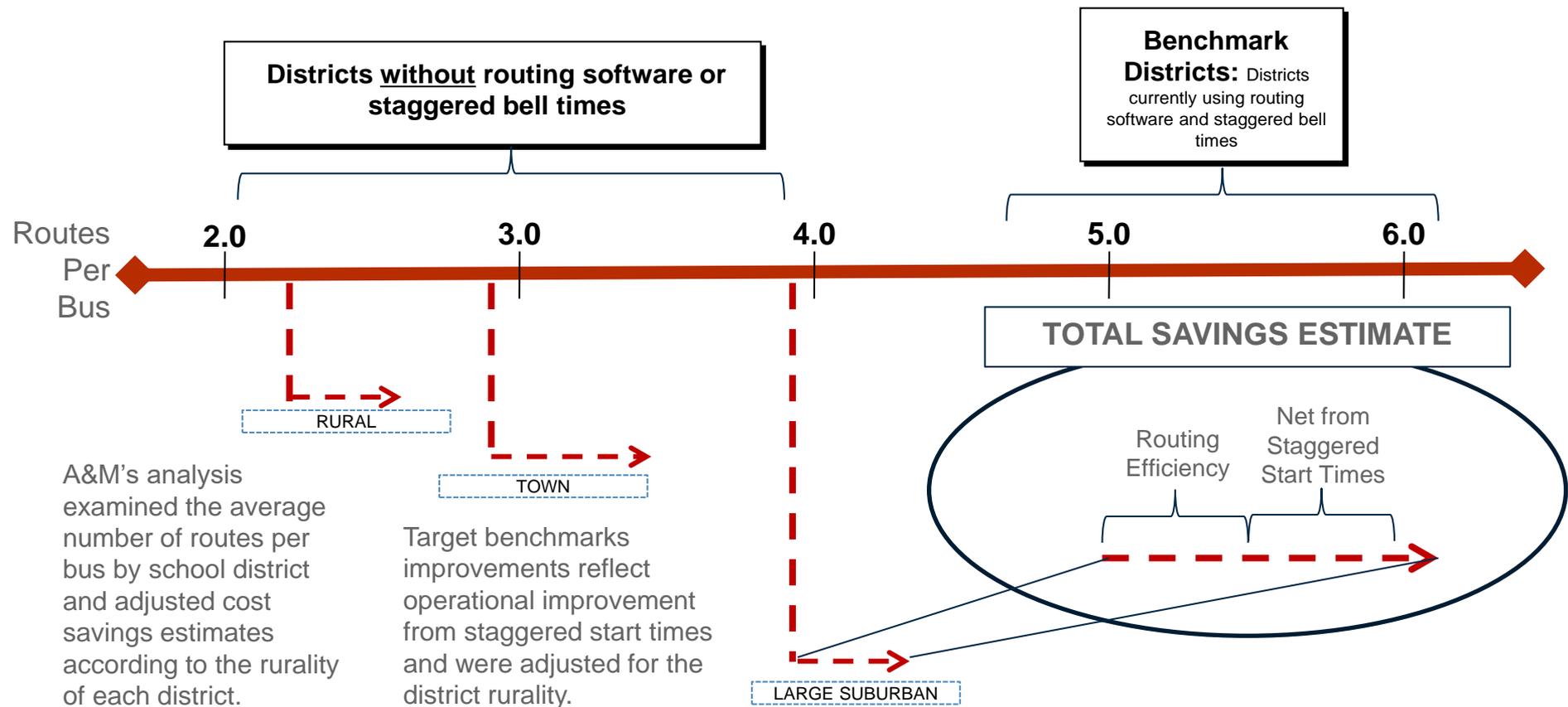
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

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

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

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

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

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

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

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

APPENDIX A: SAVINGS METHODOLOGY

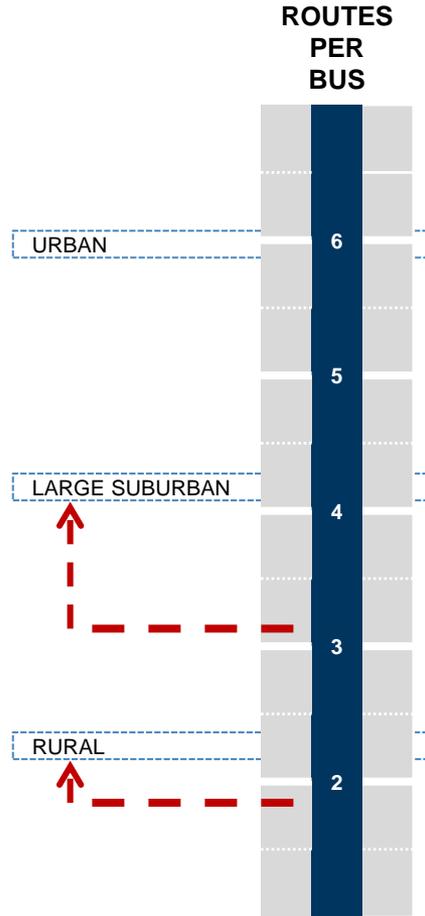
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

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

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



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

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

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

APPENDIX A: SAVINGS METHODOLOGY

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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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