



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Orangeburg 04

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 04

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 04

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 04

PROJECT OVERVIEW (CONTINUED)

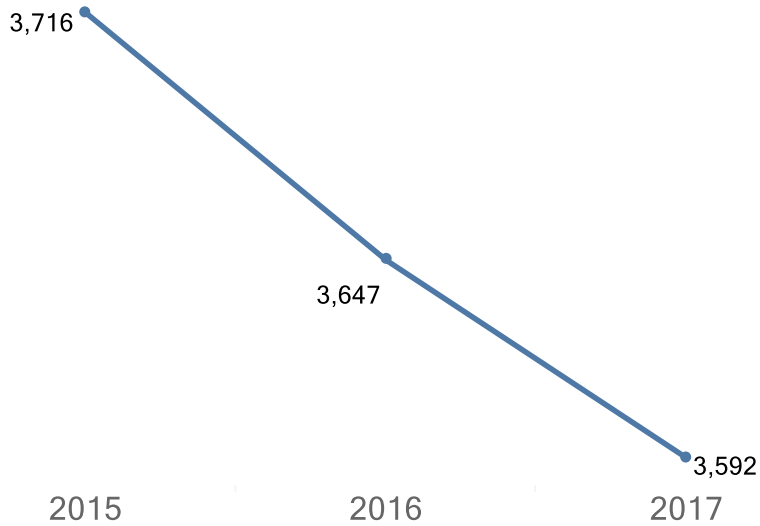
➤ Sources of Data and Savings Estimates:

- 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.

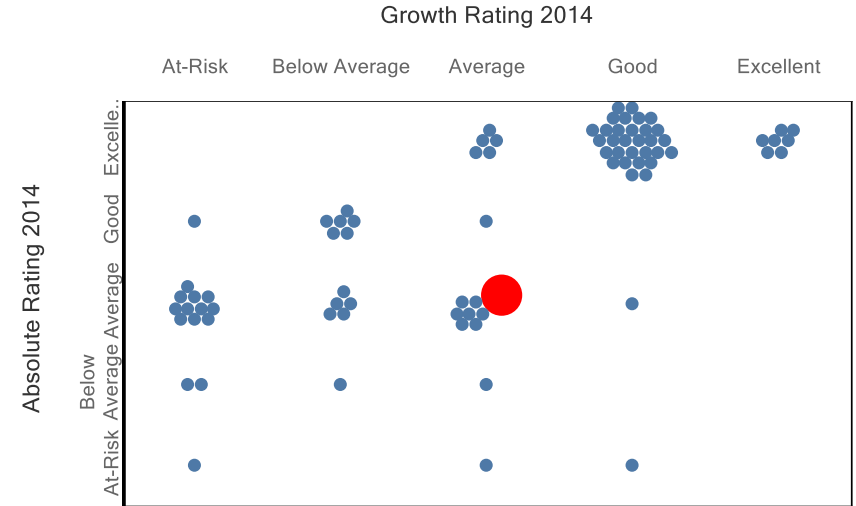
EXECUTIVE SUMMARY

ORANGEBURG 04

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	8
% Poverty ^[1]	74.3%
% Disability ^[1]	9.1%
\$ Per Student ^{[2],[3]}	\$12,044
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,658

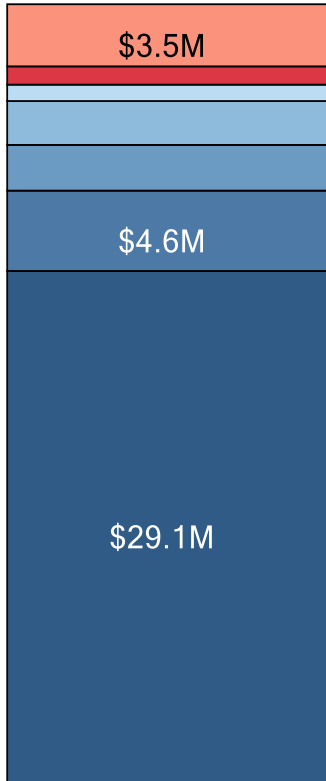
Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.6
Students Per Overhead FTE ^{[2],[4]}	224.5
Students Per School Support FTE ^{[2],[4]}	42.4
Students to Total FTE ^{[2],[4]}	7.6

EXECUTIVE SUMMARY

ORANGEBURG 04

Sources of Funds^[5]
\$44.3M



2015-2016

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

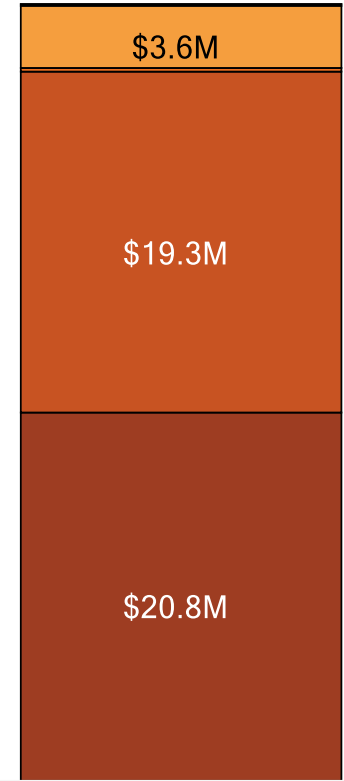
Use of Funds - Type^[3]
\$43.9M



2015-2016

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

Use of Funds - Function^[3]
\$43.9M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ORANGEBURG 04

\$43.9M
Total

\$6.0M
In-Scope

\$37.9M
Not In-Scope

13.8% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$336,606	\$65,747
Human Resources	\$261,351	\$16,551
Overhead	\$638,927	\$405,961
Transportation	\$879,051	\$25,700
Procurement (Community Services, Instruction, Support Services)	\$3,928,235	\$3,928,235
TOTAL	\$6,044,170	\$4,442,194

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ORANGEBURG 04

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of the Orangeburg County Consolidated School District Four, through the combined efforts of the home, school, and community, is to provide quality educational opportunities appropriate for individual learners to help them reach their maximum potential and become successful, productive citizens.

1. **Student Achievement:** The District aims to increase student achievement at all grade levels.
2. **Magnet School:** An aerospace industry-focused magnet school is in development.
3. **Academic Intervention:** The District has prioritized increasing ELA and math intervention resources.

Achievements

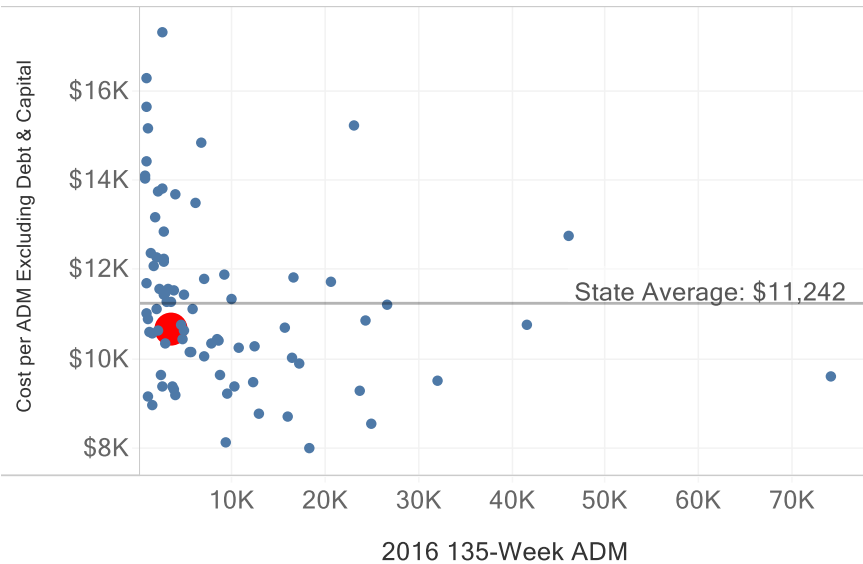
- **Academic Outcomes:** Formative assessments in core areas at mid-year indicate significant improvement.
- **College Readiness:** Seniors completing college applications increased to 58.9%, up from 31.4%.
- **Instructional Technology:** By FY17-18 school year, the District will be at 1:1 for student-to-device at all grade levels.
- **Financial Viability:** Put \$1.1 million back into fund balance after two years of significant budget shortages.

Challenges

- **Teacher Recruitment:** Recruitment and retention of key instructional and non-instructional staff is difficult.
- **Financial Viability:** The District lacks significant business enterprise; local revenues are constrained.
- **Vendor Shortage:** Rural location leaves relatively few options to competitively source services, such as HVAC.

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 04

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Gaps in Financial Management: The District's lower than average unrestricted fund balance coupled with its declining enrollment trend constitute a need for both long term financial planning and increased reserves. Frequent turnover (Finance Director) and manual processes contribute to material weaknesses in internal controls, presenting additional challenges for the organization. • Limited Staffing / Manual Processes: Limited staffing and under-utilization of technology contribute to high numbers of internal control weaknesses and gaps in financial processes.
Human Resources	<ul style="list-style-type: none"> • Challenges with Recruiting and Retention: The District struggles to recruit and retain teachers. As a result, the District currently employs international teachers through different staffing agencies. • Limited Staffing: The Human Resources function operates on a lean budget with limited staffing to support recruiting, retention, personnel relations, benefits and professional development activities.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The District grapples with a shortage of drivers. All but 5% of the District's bus drivers are dual employed as aides, food workers or custodians. • Manual Routing: The District does not have routing software that could be used to identify routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has no full time staff resources dedicated to Procurement. • Strategic Sourcing: The District has low leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates, and there is limited collaboration across districts outside existing Group Purchasing Organizations.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The current Superintendent has served in this role for the past two years. The Superintendent works with the board, provides strategic direction, and oversees the operations of the District. • Collaboration: The District is not active in any consortia but engages in informal collaboration with other superintendents in the region.

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 04

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 dual employment opportunities to help address bus driver shortages.</p>

EXECUTIVE SUMMARY

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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 04

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 04

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$10,000	\$25,000	\$33,700	\$101,000
Human Resources	15,000	25,000	0	25,100
Procurement	0	0	113,200	235,800
Transportation – District	N/A	N/A	44,000	66,000
District Total	25,000	50,000	190,900	427,900
Transportation – State	20,000	83,000	48,200	107,900
Total	\$45,000	\$133,000	\$239,100	\$535,800

* 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.



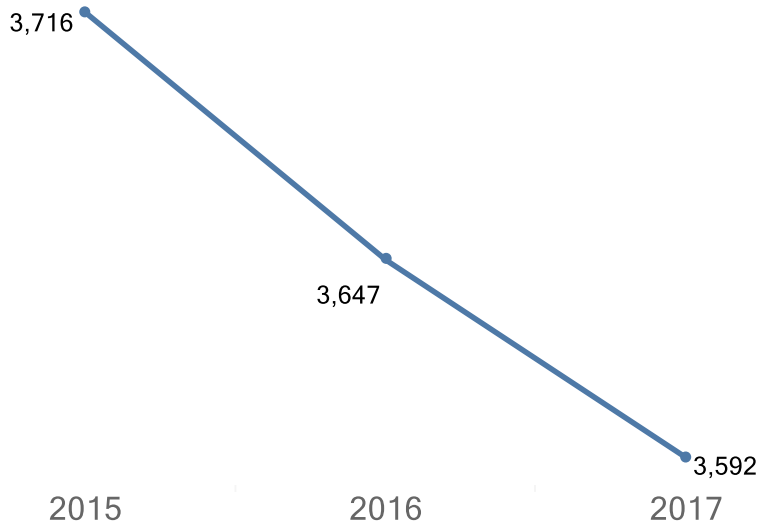
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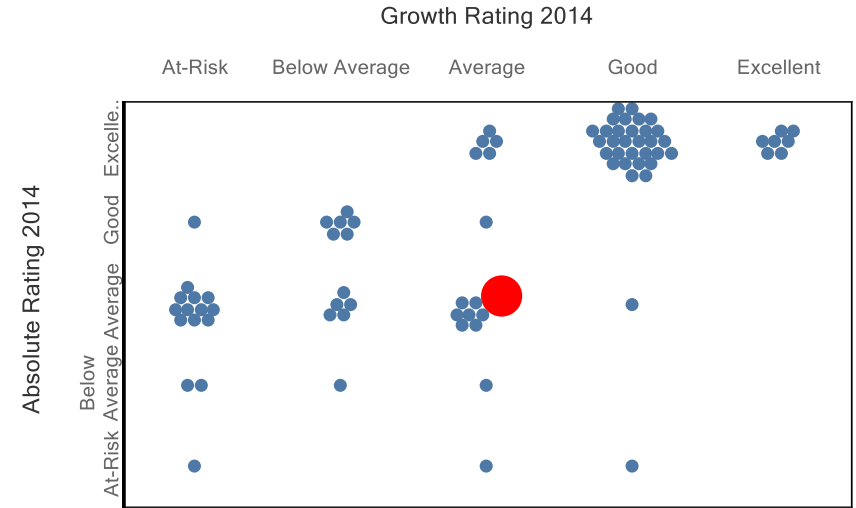
DISTRICT ADMINISTRATION AND PERFORMANCE

ORANGEBURG 04

Average Daily Membership^[2]



Student Achievement^[1]



General Info

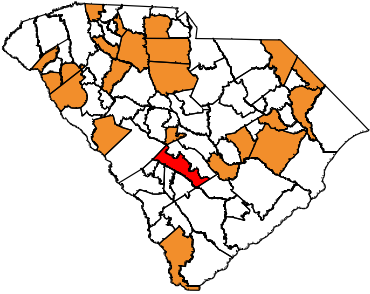
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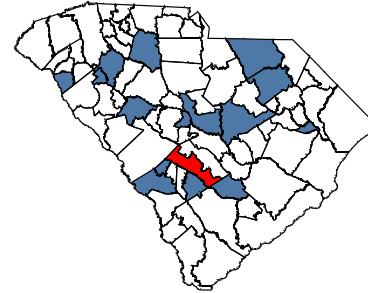
DISTRICT BENCHMARKING

ORANGEBURG 04



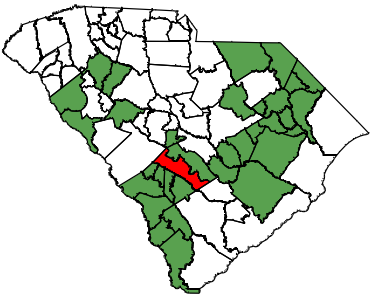
Enrollment (2,500 - 5,000)

Abbeville 60	Lexington 04
Anderson 02	Marion 10
Anderson 03	Marlboro
Anderson 04	Orangeburg 03
Chester	Orangeburg 04
Clarendon 02	Spartanburg 01
Dillon 04	Spartanburg 03
Edgefield	Spartanburg 04
Fairfield	Union
Florence 03	Williamsburg
Jasper	York 01
Laurens 56	



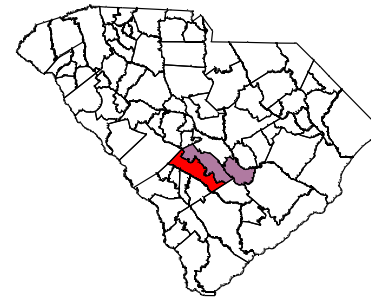
Poverty (70% - 75%)

Anderson 03	Lexington 02
Bamberg 01	Orangeburg 04
Barnwell 29	Richland 01
Barnwell 45	Saluda
Chesterfield	Sumter
Darlington	Union
Dorchester 04	
Florence 05	
Greenwood 51	
urens 55	



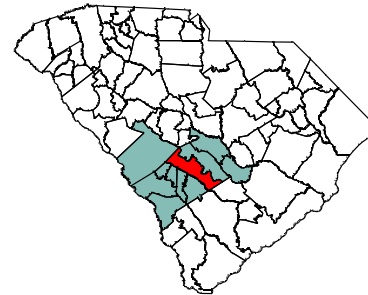
Phase 1 (Yes)

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)

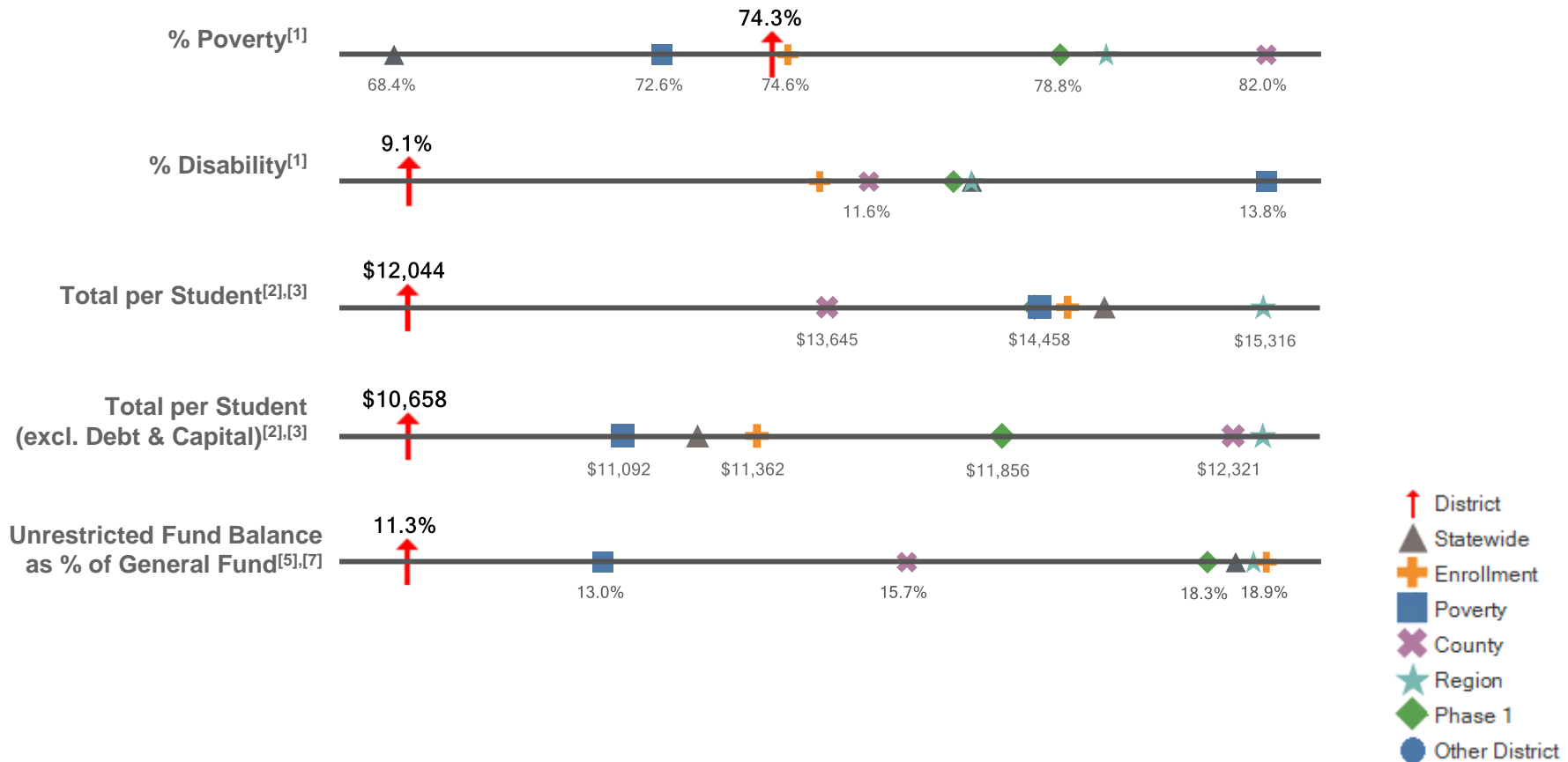
Aiken Orangeburg 05
 Allendale
 Bamberg 01
 Bamberg 02
 Barnwell 19
 Barnwell 29
 Barnwell 45
 Calhoun
 Orangeburg 03
 Orangeburg 04

DISTRICT OVERVIEW

ORANGEBURG 04

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

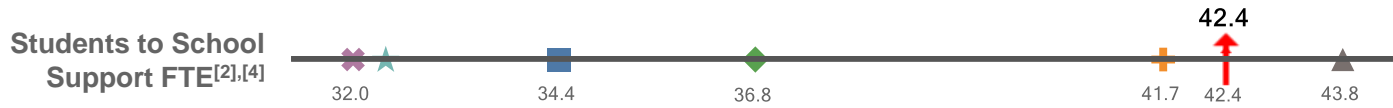
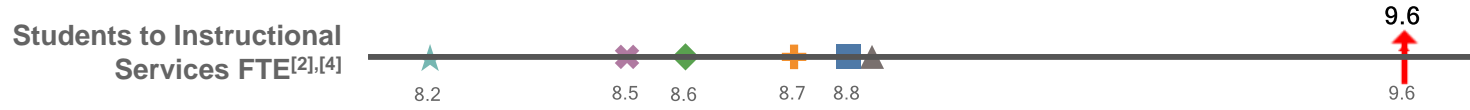
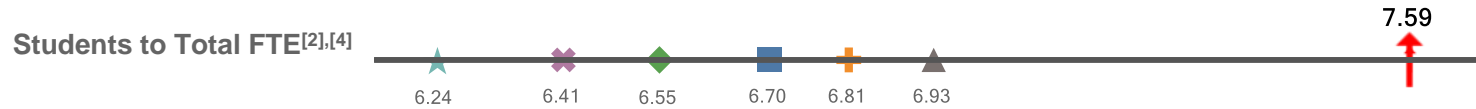
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

ORANGEBURG 04

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



- ↑ District
- ▲ Statewide
- ✚ Enrollment
- Poverty
- ✖ County
- ★ Region
- ◆ Phase 1
- Other District

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has decreased by 124 students, or 3.3%, over the past 3 years. • Student Demographics: 74.3% of District students live in poverty, above the statewide average of 69.2%. • Competition: There are no charter schools in the District, and a portion of the decline in enrollment is attributable to competition from 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 the recent trends in enrollment coupled with continued 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: The District's lower than average unrestricted fund balance coupled with its declining enrollment trend constitute a need for both long term financial planning and increased reserves in order to navigate unanticipated events. • Per Pupil Expenses: When excluding debt and capital, the District's per pupil of \$10,658 is less favorable than both the statewide average (\$11,242) and districts of similar size (\$11,362). • Unrestricted Fund Balance: The District's unrestricted fund balance is 11.3% of revenues, which is below the statewide average of 18.6%. The District made progress towards building a stronger balance by depositing \$1.1 million in unexpended funds last year. A strong fund balance enhances district's ability to pay for unexpected expenses. 	<ul style="list-style-type: none"> • Continue to prioritize rebuilding fund balance with a target of 10% of revenues. Consider deposit of any positive unrestricted General Fund credit balance into reserves at the end of the fiscal year as a first priority.

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Resource Allocation: The low per pupil revenue for the District leaves minimal funds available to investment in personnel. • Student to FTE: The Student to Total FTEs of the District is 7.6, which is higher than the statewide average (6.9) and districts of similar size (6.8). • Student to Instructional Services FTE: The Student to Instruction ratio is 9.6, which is higher than districts of similar size (8.7) and the statewide average (8.9). This is likely the result of the lower per pupil revenue. • Student to Support Services FTE: The Student to Support Services ratio is 42.4 is aligned with districts of similar size (41.7) and slightly lower than the statewide average (43.8). The ratios are lower in Food, Facilities and Transportation. • Student to Overhead FTE: The Student to Overhead Ratio is 224.5 and is higher than districts of similar size (208.5) and slightly lower than statewide (234.2). 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the superintendent which are outside of the scope of this report in order to optimize resources and bring spending in line with benchmarks.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent works with the Board, provides strategic direction and oversees the operations of the District. • Communications Function: There is no Communications support for the Superintendent's office. 	

DISTRICT OVERVIEW AND OVERHEAD

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Legal: The District has no legal department. If legal advice is required an external firm is used. • Turnover: The current Superintendent has overseen the District for the past 2 years. 	
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid an honorarium in the amount of \$2,000 per year. • Board Composition: The seven-member Board is elected to four year terms. • Training: Board members complete all required training for South Carolina school boards and several receive training through the South Carolina School Boards Association (SCSBA). 	
Collaboration	<ul style="list-style-type: none"> • Leadership: The District informally coordinates with other regional superintendents. They do not participate in any regional consortia. • Career Center: The District has a shared career center. • Special Education: The District does not coordinate with other area districts on special education programs. • Headcount: The District shares the cost of one instructional FTE who works with visually-impaired students in Orangeburg 3. 	<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.

898 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$92 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	4.0
Personnel Expense ^[3]	\$270,859
Non-Personnel Expense ^[3]	\$65,747
Total Financial Expense ^[3]	\$336,606

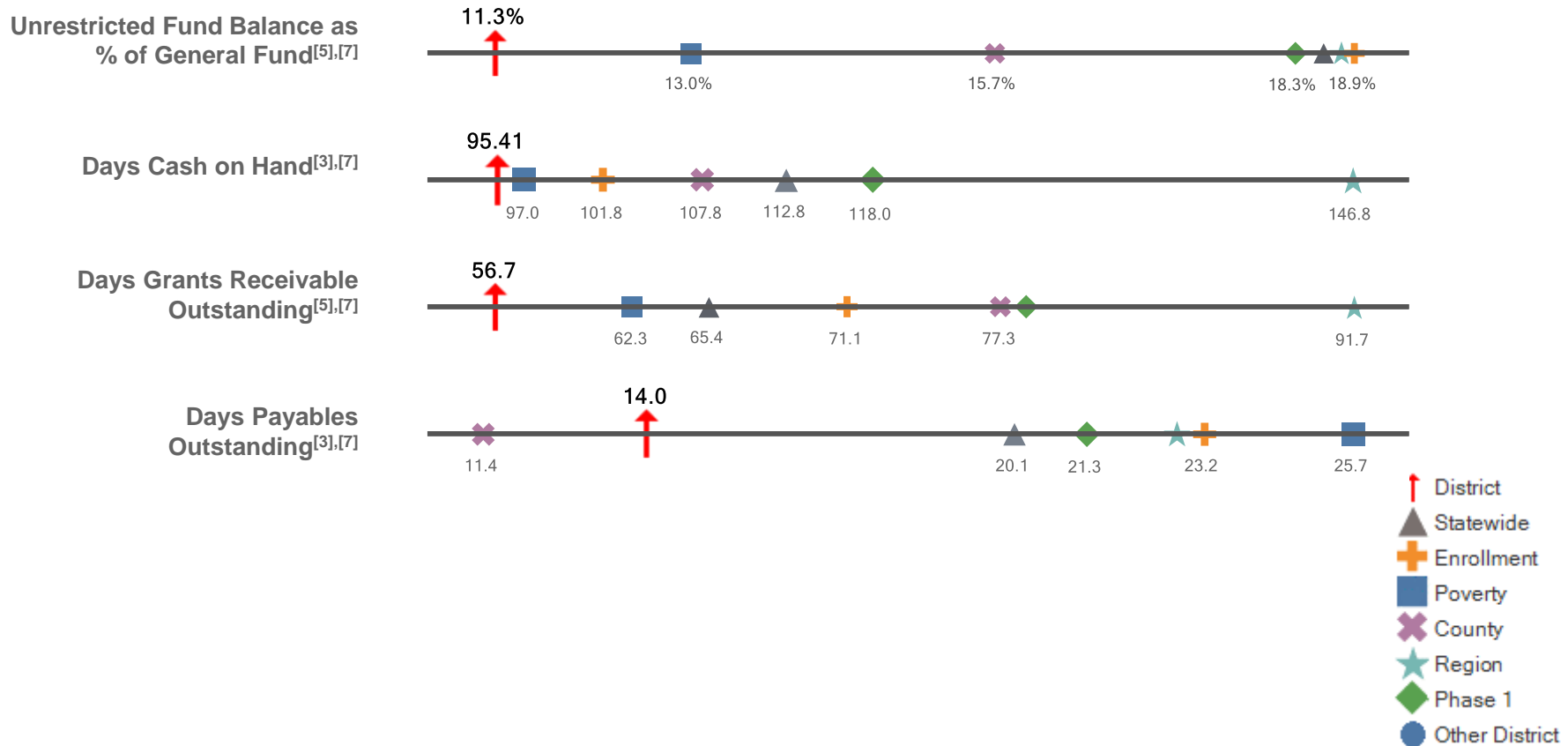
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

ORANGEBURG 04

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

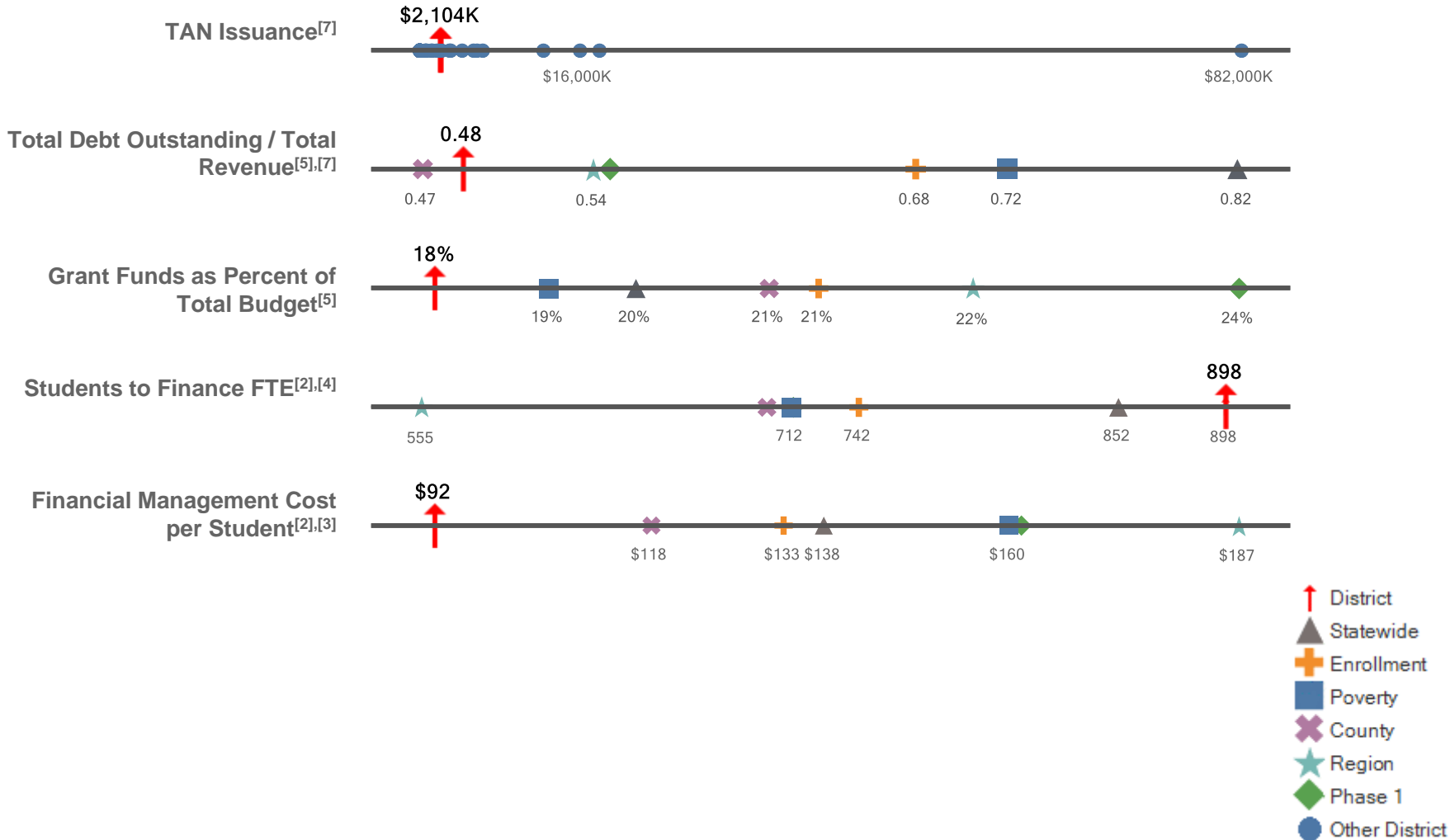
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



FINANCIAL MANAGEMENT

ORANGEBURG 04

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Finance organization operates on a lean budget and is thinly staffed to support its scope of roles and responsibilities that include, accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Turnover: Department had an interim CFO for less than 2 years after the retirement of a longtime CFO. The current finance director has held position for about 1 year. A forensic audit was conducted after the longtime CFO left the District, and numerous material weaknesses were identified. The current finance director is working to remedy these deficiencies but may not be adequately resourced to do so. • Finance Cost per Pupil: The Finance cost per pupil is \$92 and is more favorable than districts of similar size (\$133) and the statewide average (\$138). • Student per Finance FTE: The student to financial management FTE ratio is 898 and is more favorable than districts of similar size at 742 and the statewide average of 852. 	<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.
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: Most employees receive pay via direct deposit but District still has several employees that receive payments via check. • The District does not use a self service payroll platform; therefore, employee initiated payroll changes are all processed manually. In addition, check pay stubs are printed manually and delivered to schools / employees directly. 	<ul style="list-style-type: none"> • Require all employees to receive payroll via direct deposit. In addition, eliminate the physical mailing of check stubs to employees and leverage employee self-service functionality available within the Harris SmartFusion system.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable (cont'd)	<ul style="list-style-type: none"> • 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 sign-off on all purchases; he reviews and signs about 50 procurement requests twice per week and approximately 200 per month. • Pcard: The District does not utilize a Pcard program. • Inventory: The District bar codes technology for asset tracking federally-funded technology and equipment but it does not currently conduct centralized inventory processes. The District does not maintain a warehouse. Inventory is stored at the site of use. The District does not track inventory of furniture or textbooks. 	<ul style="list-style-type: none"> • Implement an automated time-tracking functionality such as a biometric timeclock that integrates with the payroll system in order to eliminate the need for manual time sheets. • Leverage automated purchase order work flow systems that can be integrated with Harris SmartFusion. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process. • Moving forward, perform asset inventory annually at storage sites, and monetize unused and under-used assets (particularly technology) before they lose all value.

FINANCIAL MANAGEMENT

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grant Revenue%: Grant revenues provide 18% of revenue for the District, making this District less reliant on grant funds than its peers. • Federal Funds: Finance is primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. • Indirect Costs: The District charges indirect costs against federal Title 1, IDEA, and Food Service grants per State regulations. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the Finance department. The finance director noted that under the prior CFO, the District had a history of expired grant monies being utilized without regular budget reports. The District owed the State of South Carolina in excess of \$61,000 in unexpended grant funds at the close of FY15-16. The largest unexpended balance (\$41,988) was for Technical Assistance – State Priority Schools, and an additional \$16,002 was due back for State Summer Camps. • Other: The District strives to maximize reimbursement of grants such as Medicaid. 	<ul style="list-style-type: none"> • The District should prepare a quarterly grants report showing grant expenditures to date relative to total award. These reports should be shared with senior leadership and program officers so that they can accelerate spending as needed in order to avoid returning unexpended funds. • Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities. • Create improved grants tracking reports that compares award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.

FINANCIAL MANAGEMENT

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District’s most recent financial statements include findings of material weaknesses in internal controls over financial reporting and significant deficiencies in internal controls over major programs. These findings included: <ul style="list-style-type: none"> - Lack of segregation of duties and financial closeout, which the District is working to remedy with actions including institution of monthly fund balance and activity monitoring; more clearly defined finance roles and responsibilities; and various errors or oversights in recording financial activity. - Pupil activity fund monitoring. The audit recommended that the District allow schools to use the District’s financial software (SmartFusion) to enter pupil activity fund activity, which the District agreed to do. • 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. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control. • Implement processes to ensure that identified internal control weaknesses are mitigated. • Implement budget position control to ensure controls around hiring of individuals.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a moderate cash balance with 95 days cash on hand, less than the statewide average (113). • Cash Flow Forecasting: The District does not have a weekly cash flow forecasting process. The finance director checks bank balance twice per week, accounts payable, and additional expenditures before they go out. 	<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.

FINANCIAL MANAGEMENT

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Investment: The District does not invest cash balances in State local investment pool. 	<ul style="list-style-type: none"> • Invest excess cash balances in Local Investment Pool to maximize earnings at times when cash balances are at peak. • 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. • Issuing debt to finance construction of facilities and purchase of equipment to serve a growing student population may be suitable in districts exhibiting strong economic and revenue growth, but in districts where enrollment is declining and local revenues are stagnant or declining, a high debt-to-student ratio may signify financial distress. Orangeburg 4 has a slightly higher debt-to-revenue ratio than similar districts, due in part to recent bond-funded technology acquisitions, and the District has seen declining enrollment in recent years.

FINANCIAL MANAGEMENT

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with short-term trend analysis (3 years) and comparison of budgeted-to-actual revenues and expenditures. The budget team works with school principals and department heads to assess any new needs that are anticipated for the new fiscal year. The District has not needed to petition the school board for budgetary adjustments in recent years, even with enrollment changes. • Fund Balance: The District aims to maintain a 10% fund balance. • Fiscal Monitoring: The District does not perform monthly or quarterly closes. However, principals and other staff are now provided with monthly budget reports so that they are aware of their spending to date. This is a new practice in the District. 	<ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for. • Prepare monthly financial reports and variance analysis. Reports should be shared with District leadership and each department head on monthly basis. • Post Comprehensive Annual Financial Reports, budget reports, and monthly budget-to-actual reports on the District’s website to enhance financial transparency. The District’s website hosts several financial documents but these are of the most interest to the public, and currently many years worth of recent information are not available publicly online.

FINANCIAL MANAGEMENT

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Harris SmartFusion accounting software system. • The District is using modules for Human Resources, Inventory / Asset Management, Finance & Accounting, Contracts and Purchasing, and Budgeting. • The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable. It also uses Harris SmartFusion to facilitate employee self service for payroll matters. The District has been able to successfully transition to automated work processing in much of its processes; however, it is still currently using manual processes for time-keeping. The District is currently evaluating options for automated time keeping systems. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system. • Complete process to select an automated and integrated time keeping system and implement prior to start of the next school year.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other 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
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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.

898 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$72 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	4.0
Personnel Expense ^[3]	\$244,800
Non-Personnel Expense ^[3]	\$16,551
Total Human Resources Expense ^[3]	\$261,351

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 04

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 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Human Resources function operates on a lean budget with limited staffing to support recruiting, retention, personnel relations, professional, benefits and professional development activities. Substitute Teachers: The District employs about 40 substitute teachers on a daily basis and maintains a roster of 100 potential substitutes. Many are retirees. Human Resources Cost per Pupil: The HR cost per pupil is \$72 and is lower than its peers (\$77) and the statewide average (\$75). Student per Human Resources FTE: The student to HR FTE ratio is 898 and is lower than statewide (1,319). 	<ul style="list-style-type: none"> Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
Recruiting and Retention	<ul style="list-style-type: none"> Recruiting: Similar to other school districts in the State, recruiting teachers is challenging. The District currently employs 8 international teachers (2.3% of its total teaching force) and has leveraged 3 different agencies over the last few years to staff these positions. The District is currently sponsoring 8 international teachers for H1B visas and is considering sponsoring 3 additional international teachers in the upcoming school year. In addition, the District leverages staffing agencies to fill hard-to-staff services (i.e. Physical Therapy and Occupational Therapy). Incentive Programs: The District uses signing bonuses and other one-time pay incentives to encourage retention. 	<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.

HUMAN RESOURCES

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> • Average Salary: The average teacher salary (\$47,186) is slightly higher than the statewide average. However, the average teacher salary is over \$2,000 lower than nearby Aiken County and bordering Orangeburg 5, which creates unfavorable regional competition for a limited domestic talent pool. • Sponsorship: The District is currently sponsoring 8 high-performing teachers for H1B visas in key areas. The Superintendent noted that teachers who have been brought in via sponsorship have tended to remain in the community and teach after becoming permanent U.S. residents. • Teacher Retention: At 88.2%, teacher retention is higher than the statewide average (87.6%) and districts of similar size (85.8%). 	<ul style="list-style-type: none"> • 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 leverages Teacher Match, CERA, and Applicant Track software systems for recruiting, application screening, processing and onboarding. In addition, Aesop is used for substitute management and PayClock is used for other hourly staff. • District has a contract for onboarding with Frontline. 	<ul style="list-style-type: none"> • Review the use of existing Human Resource and Finance systems and assess whether greater integration across systems is possible given their level of interoperability.

HUMAN RESOURCES ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> • Benefits Administration: Benefits are administered by SCSBA. • Workers' Compensation: The District had 23 worker compensation claims in FY15-16. 	<ul style="list-style-type: none"> • 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 Human Resources director participates in a monthly roundtable with other Human Resources directors from Calhoun, Saluda, Anderson 2, Fairfield, and Bamberg 1. • Shared FTEs: The District shares one FTE with Orangeburg 3 (an instructor who works with visually-impaired students). The District serves as the fiscal agent for this individual. • Other Collaboration: The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses - H1B Process for International Teachers • Consider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts.



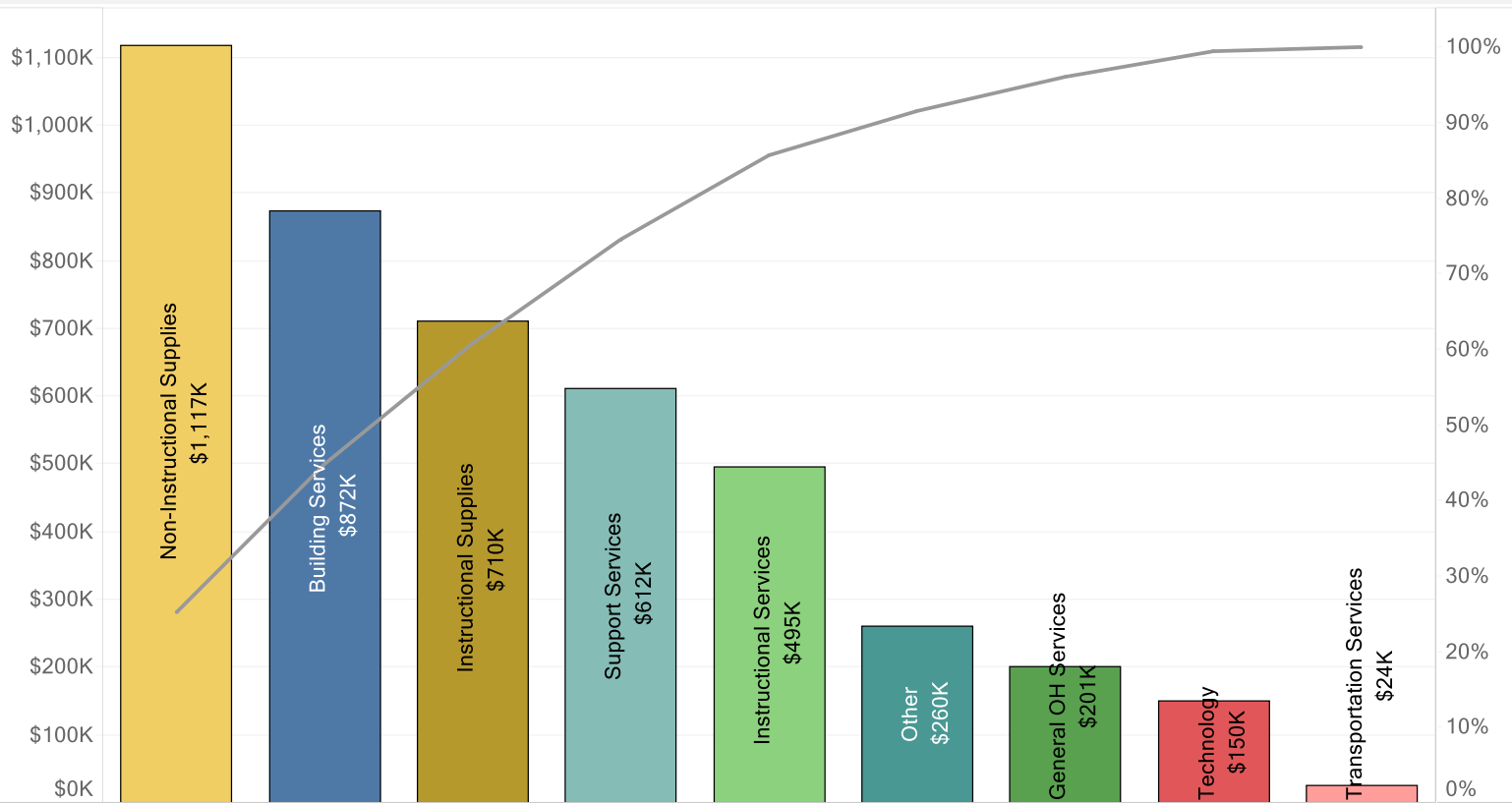
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PROCUREMENT OVERVIEW

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.

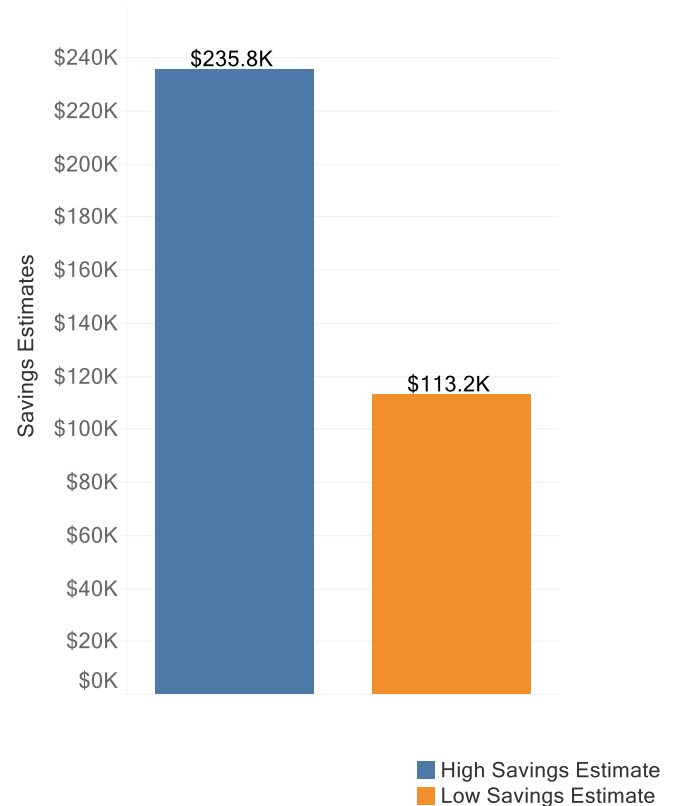
District In Scope Total Procurement Spend = \$4,442,194



ESTIMATED PROCUREMENT SAVINGS

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

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



SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Organization / Staffing</p>	<ul style="list-style-type: none"> • Process: Requisition process is initiated by requestor, often at the school level. Sourcing and due diligence is performed by requestor. • Approval: The Superintendent has final sign-off on all procurements, reviews requests twice weekly and authorizes 200 purchases per month, on average. • Automation: Procurement process is 100% paper-based. 	<ul style="list-style-type: none"> • Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
<p>Spending by Vendor</p>	<ul style="list-style-type: none"> • Spending is fragmented across more than 1,340 vendors; however, the top 40 make up more than 80% of total spending. • Spending efforts are made based upon the individual buyer, with constrained options for location-based service providers due to the District’s rural location. 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.

PROCUREMENT
ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<ul style="list-style-type: none">• 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.• 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 2.3% - 5.9%.

PROCUREMENT ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The remote, rural location of the District means there are relatively few service providers available to do location-based building and maintenance work in the District. There is only one HVAC service provider in the region whose service area includes the District; therefore, it is not feasible to competitively bid for those services. • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. • Energy: The District does not fix rates for natural gas contracts. • Instructional Support Services and Supplies - Procurement Exemptions: The District places procurement of instructional support software and services out to bid, and the District does not procure these services and software in collaboration with any other districts. • Technology – Standardization: The District has a technology plan and aims to have 1:1 student-to-device ratio by the FY17-18 school year. The District does not coordinate technology purchases with other nearby districts. 	<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 and to expand the pool of potentially available suppliers. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals to enable 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, usually from 3.4% - 6.3%. • Coordinate purchasing if instructional services with surrounding districts to maximize the potential for volume discounts. • Consider establishing fixed rate contract for natural gas.

PROCUREMENT

ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<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"> • Consider a review of additional supplier options (i.e. Amazon's new K-12 offering, US Communities, Office Depot).
Regional Collaboration	<ul style="list-style-type: none"> • 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 04

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.

15 Years

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

\$241 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	19.6
Personnel Expense ^[3]	\$853,351
Non-Personnel Expense ^[3]	\$25,700
Total Transportation Expense ^[3]	\$879,051

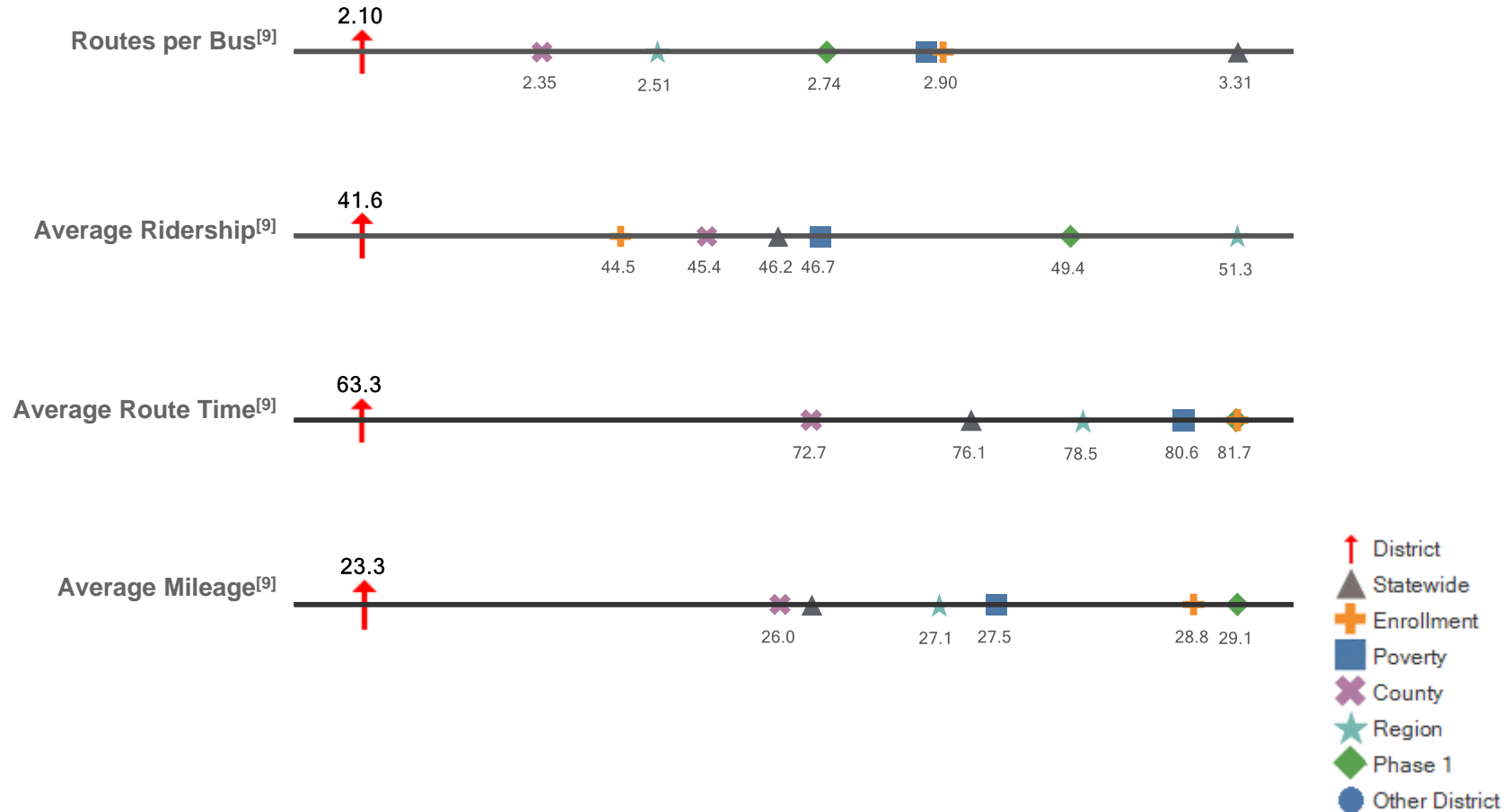
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	49.5	104	2.1	4,331	42	63	23
Special Needs	7.0	14	2.0	235	17	Not-Available	43
Other	2.5	14	5.6	408	29	Not-Available	17
Total	59.0	132	2.2	4,974	N/A	N/A	N/A

TRANSPORTATION ORANGEBURG 04

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 04

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. The District pays \$10/hour for drivers and averages that rate against higher hourly rates for dual employed personnel. This results in a variable hourly rate for drivers, but is significantly higher than the state’s rate. • Dual Employment: 95% of the District’s bus drivers are dual employed as aides, food workers or custodians and are thus full-time employees. • Overtime: Dual-employed drivers clock significant overtime; \$300,000 in FY15-16. • District-Owned Fleet: The District owns 10 activity buses in addition to a state-owned fleet of 58 buses. • Route Management: The State analyzes and re-routes buses periodically; it has been 4 years since this was last done. Routes are only modified with approval from state and when enrollment increases. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts in the State are dual employed serving in aide, food services and / or maintenance roles when not driving buses. • Implement a substitute/back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION ORANGEBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing: The District utilizes the state’s routing database. • Bus Tracking: The District does not have GPS on its buses. • Driver Communications: The District provides cell phones and radios to drivers. • Child Safety: The District has security cameras and stop-arm cameras on all buses. • Activity Buses: The District does not use State fuel for activity buses, sourcing instead from a local provider. • District-Owned Fleet Management: For minor repairs, such as belts, the District uses its repair shop within the career center services building. Annual inspections for District-owned buses are done by local provider at rate of \$2,000 per bus. 	<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.
Collaboration	<ul style="list-style-type: none"> • Orangeburg 4 shares a state-operated bus shop with the other Orangeburg districts. 	<ul style="list-style-type: none"> • Leverage the state maintenance hubs for activity buses. • Consider partnering with districts that are also transporting children to other out of district placements.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

ORANGEBURG 04

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

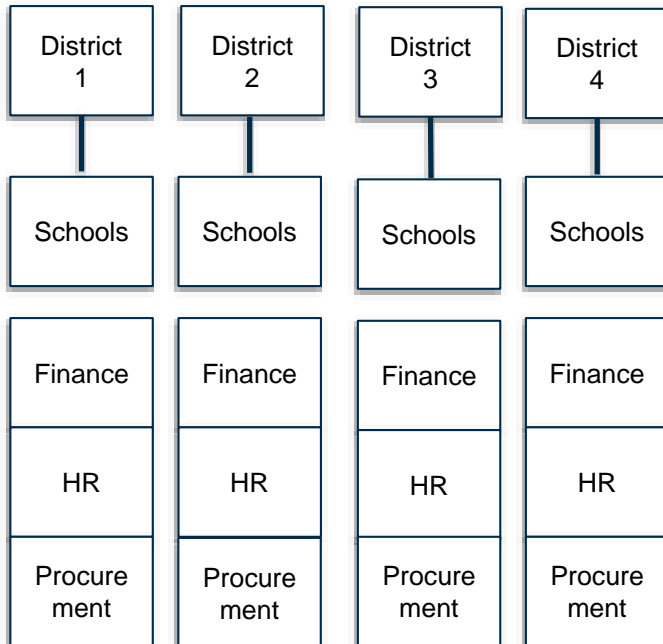
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COLLABORATION: SHARED SERVICE MODELS

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.

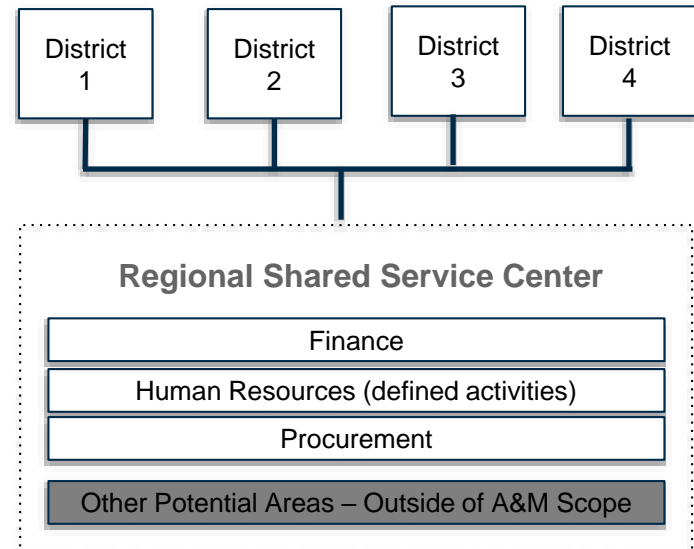
CURRENT STATE: STAND ALONE DISTRICT

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.

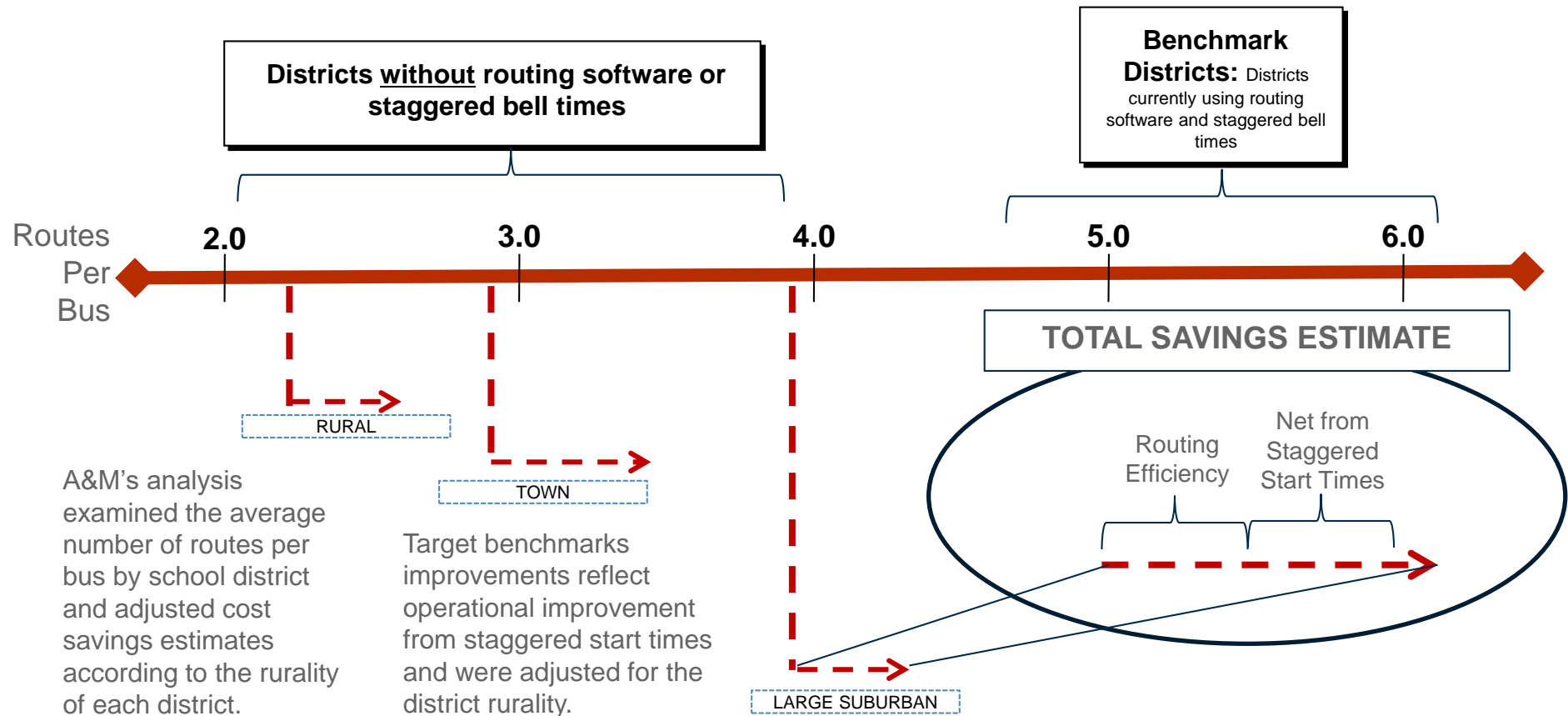
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

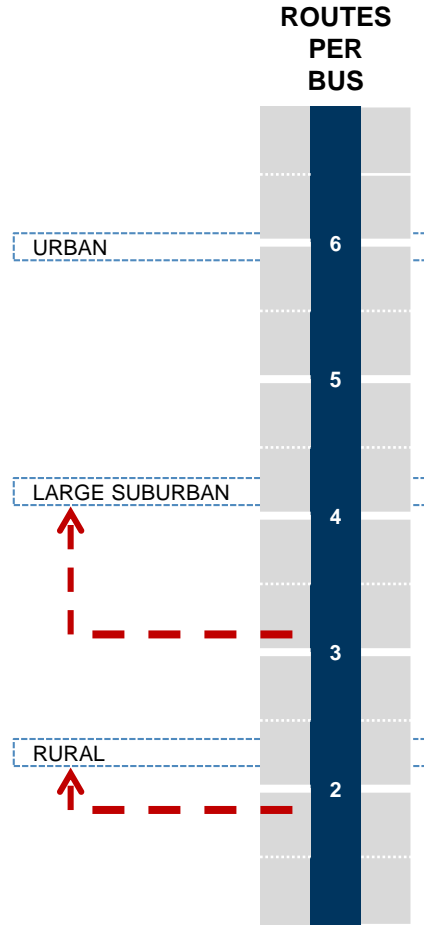
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

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 = $\text{Fund balance – unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- 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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