



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Pickens

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

PICKENS

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

PICKENS

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

PICKENS

PROJECT OVERVIEW (CONTINUED)

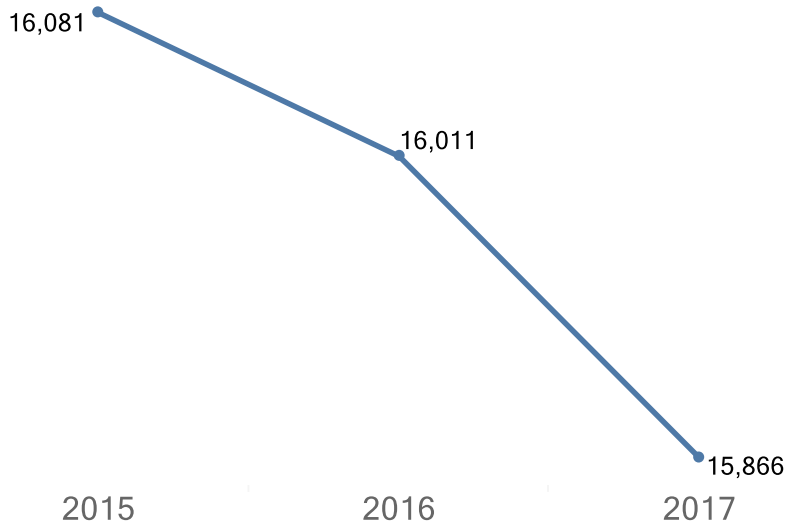
➤ Sources of Data and Savings Estimates:

- 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.

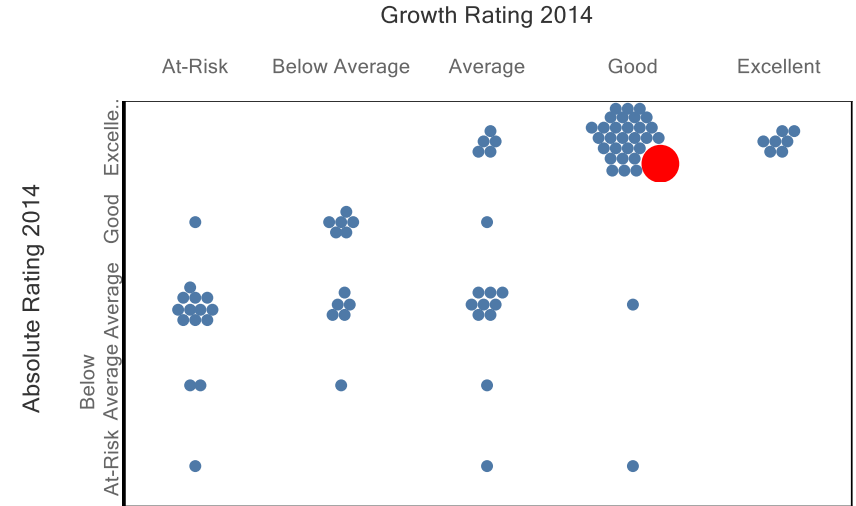
EXECUTIVE SUMMARY

PICKENS

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	23
% Poverty ^[1]	57.1%
% Disability ^[1]	11.8%
\$ Per Student ^{[2],[3]}	\$10,727
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$8,695

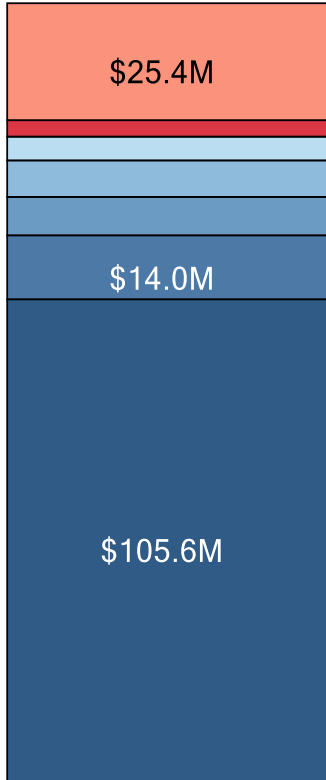
Administration

Students Per Instructional Services FTE ^{[2],[4]}	10.5
Students Per Overhead FTE ^{[2],[4]}	417.5
Students Per School Support FTE ^{[2],[4]}	36.6
Students to Total FTE ^{[2],[4]}	8.0

EXECUTIVE SUMMARY

PICKENS

Sources of Funds^[5]
\$170.5M



2015-2016

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

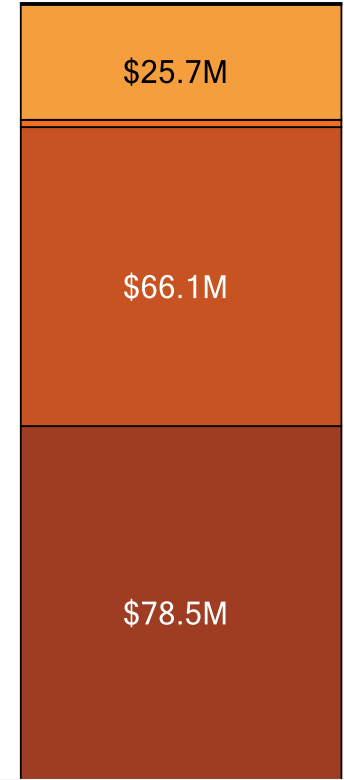
Use of Funds - Type^[3]
\$171.8M



2015-2016

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

Use of Funds - Function^[3]
\$171.8M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

PICKENS

\$171.8M
Total

\$19.5M
In-Scope

\$152.2M
Not In-Scope

11.4% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$664,208	\$29,193
Human Resources	\$2,144,273	\$443,186
Overhead	\$831,386	\$424,223
Transportation	\$3,646,315	\$166,602
Procurement (Community Services, Instruction, Support Services)	\$12,252,984	\$12,252,984
TOTAL	\$19,539,166	\$13,316,188

EXECUTIVE SUMMARY

PICKENS

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The SDPC promotes high achievement, personal responsibility, and character development to prepare students for college, career, & citizenship opportunities.

- **Student Achievement:** Students enrolled in the District will demonstrate a minimum of one year's growth in academic achievement and will demonstrate college and career readiness by the time of graduation.
- **High School Graduation:** Maintain or exceed a graduation rate of 80% and reduce dropout rate to 2% or lower.
- **Attendance:** The attendance rate for students will be at least 95% each year.
- **Discipline:** The District will maintain an expulsion hearing rate of less than 1% each year.
- **Parent Involvement:** The number of parents who will participate in conferences will be at least 98%.
- **Safe and Healthy Schools:** By 2018, at least 95% of teachers, students, and parents surveyed will indicate satisfaction with their school's social and physical environment.
- **Teacher/Administrator Quality:** 100% of teachers who teach core academic subjects will be highly qualified and sustain highly qualified status by 2018.

Achievements

- **Student Achievement:** Advanced Placement participation increased by 20%.
- **Graduation Rates:** The District's graduation rate hit a new high of 83.4% in 2016.
- **STEM:** Project Lead the Way was piloted at 7 elementary schools in FY15-16 and expanded to district-wide in FY16-17.
- **College and Career Readiness:** The Pickens County Career & Technology Center earned a perfect score on the Perkins Federal Accountability system, meeting its goals on all eight performance indicators.

Challenges

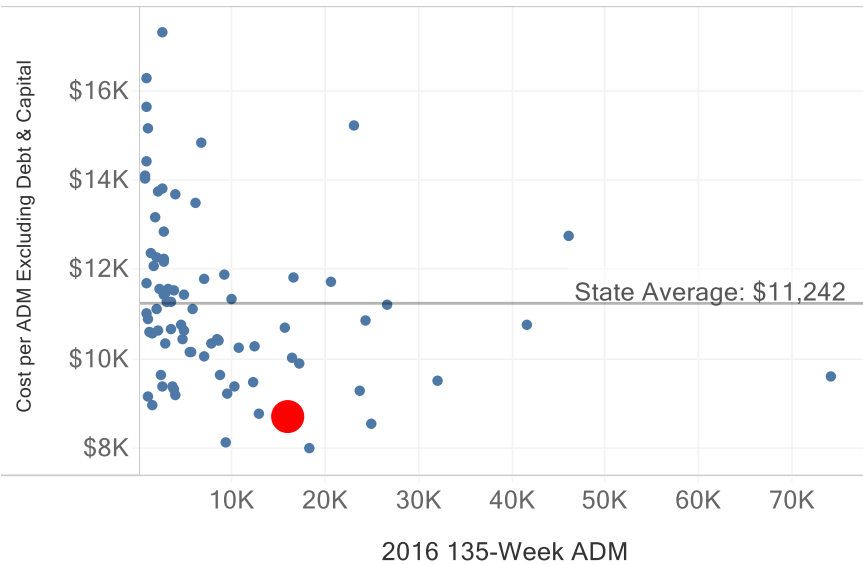
- **Funding:** The low per pupil for the District makes it challenging to invest in instructional programs and maintain aging facilities.
- **Teacher Quality:** Similar to other districts in South Carolina, the District struggles to recruit and retain high quality teachers.

EXECUTIVE SUMMARY

PICKENS

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 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 size of the District, there are a range of 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

PICKENS

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Management: The District has strong financial management practices. The District regularly has clean audits, strong internal controls, performs regular monitoring of financial performance and regularly seeks ways to improve financial operations. The fund balance is strong at 22%, which is higher than the statewide average of 18.6%. • Lean Staffing: The Executive Director of Finance has been in place for 6 years. The stability and knowledge of the finance leadership has allowed the Department to operate with a small team and focus on driving efficiencies in financial operations.
Human Resources	<ul style="list-style-type: none"> • Limited Staffing / Manual Processes: The District utilizes technology to support candidate sourcing through on-boarding, but lacks automation in timekeeping for hourly employees. The Department is able to rely on a lean staffing model to support all operations. • Recruiting and Retention: The District has challenges recruiting teachers and remaining competitive on the pay-scale due to pressure from neighboring metropolitan districts. The District has increased the pay scale by two steps and utilizes university partnerships to fill new teacher needs.
Transportation	<ul style="list-style-type: none"> • Transportation Management: Similar to other districts in the State, the District grapples with bus driver shortages and has to double up routes. The District's issues are also exacerbated by large rural pockets with small numbers of students. • Manual Routing: The District contracted with a vendor for route management software that the District will begin to use to determine routes in Fall 2017.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has sufficient resources dedicated to a procurement function. • Strategic Sourcing: The District is focused on achieving best value with vendors through proactive strategic sourcing strategies.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent has overseen the District for the past 3 years, following inconsistent leadership, and is focused on increasing stability in the District. • Collaboration: The District has varying levels of informal collaboration with other Superintendents.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

PICKENS

MODERNIZATION RECOMMENDATIONS

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

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

EXECUTIVE SUMMARY

PICKENS

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

PICKENS

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

PICKENS

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	\$27,000	\$42,000	\$32,400	\$129,500
Human Resources	15,000	25,000	0	154,300
Procurement	0	0	133,200	665,800
Transportation – District	N/A	N/A	78,000	116,000
District Total	42,000	67,000	243,600	1,065,600
Transportation – State	43,000	156,000	52,500	144,400
Total	\$85,000	\$223,000	\$296,100	\$1,210,000

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

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

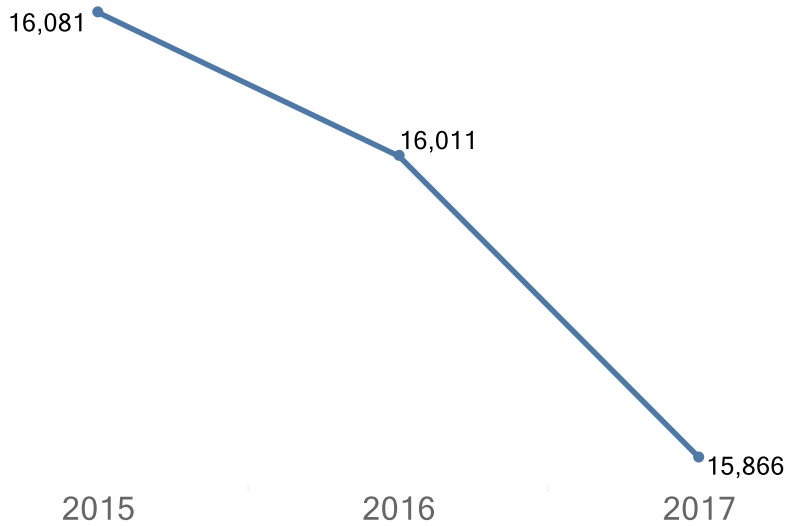


OUTLINE

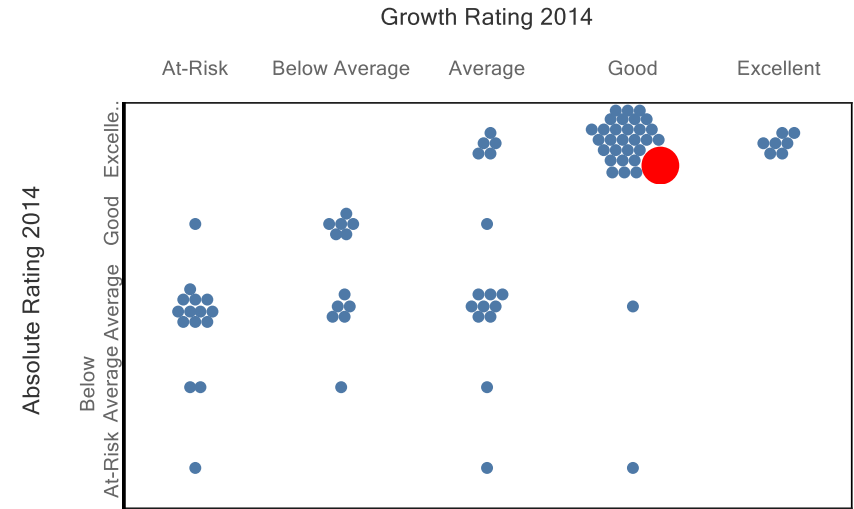
- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

DISTRICT ADMINISTRATION AND PERFORMANCE PICKENS

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	23
% Poverty ^[1]	57.1%
% Disability ^[1]	11.8%
\$ Per Student ^{[2],[3]}	\$10,727
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$8,695

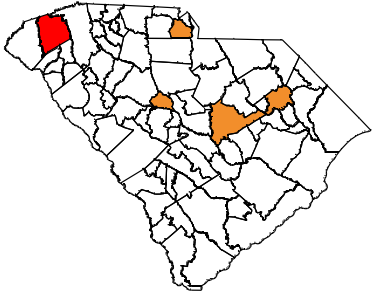
Administration

Students Per Instructional Services FTE ^{[2],[4]}	10.5
Students Per Overhead FTE ^{[2],[4]}	417.5
Students Per School Support FTE ^{[2],[4]}	36.6
Students to Total FTE ^{[2],[4]}	8.0

DISTRICT BENCHMARKING PICKENS

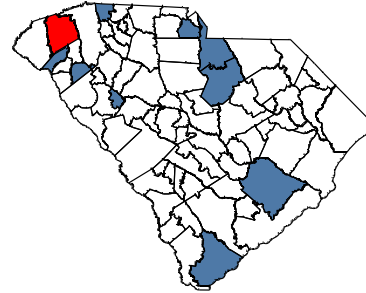
Enrollment (15,000 - 20,000)

Florence 01
Lexington/Richland
05
Pickens
Sumter
York 03



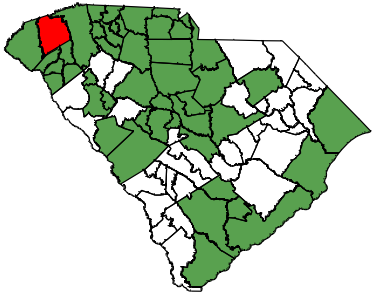
Poverty (55% - 60%)

Anderson 02
Anderson 04
Beaufort
Berkeley
Greenwood 52
Kershaw
Lancaster
Pickens
Spartanburg 01
York 03

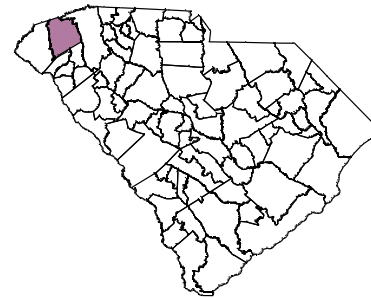


Phase 1 (No)

Aiken	Greenwood 52
Anderson 01	Horry
Anderson 02	Kershaw
Anderson 03	Lancaster
Anderson 04	Lexington 01
Anderson 05	Lexington 02
Beaufort	Lexington 03
Calhoun	Lexington/Richland 05
Charleston	Newberry
Cherokee	Oconee
Chester	Pickens
Colleton	Richland 01
Darlington	Richland 02
Dorchester 02	Spartanburg 01
Dorchester 04	Spartanburg 02
Edgefield	Spartanburg 03
Fairfield	Spartanburg 04
Georgetown	Spartanburg 05
Greenville	Spartanburg 06
Greenwood 50	Spartanburg 07
Greenwood 51	



Sumter
Union
York 01
York 02
York 03
York 04

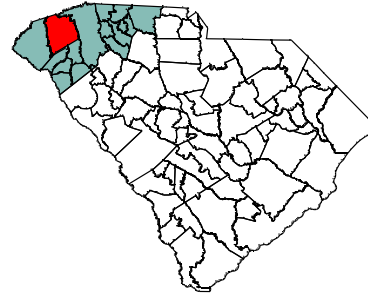


County (Pickens)

Pickens

Region (Appalachian)

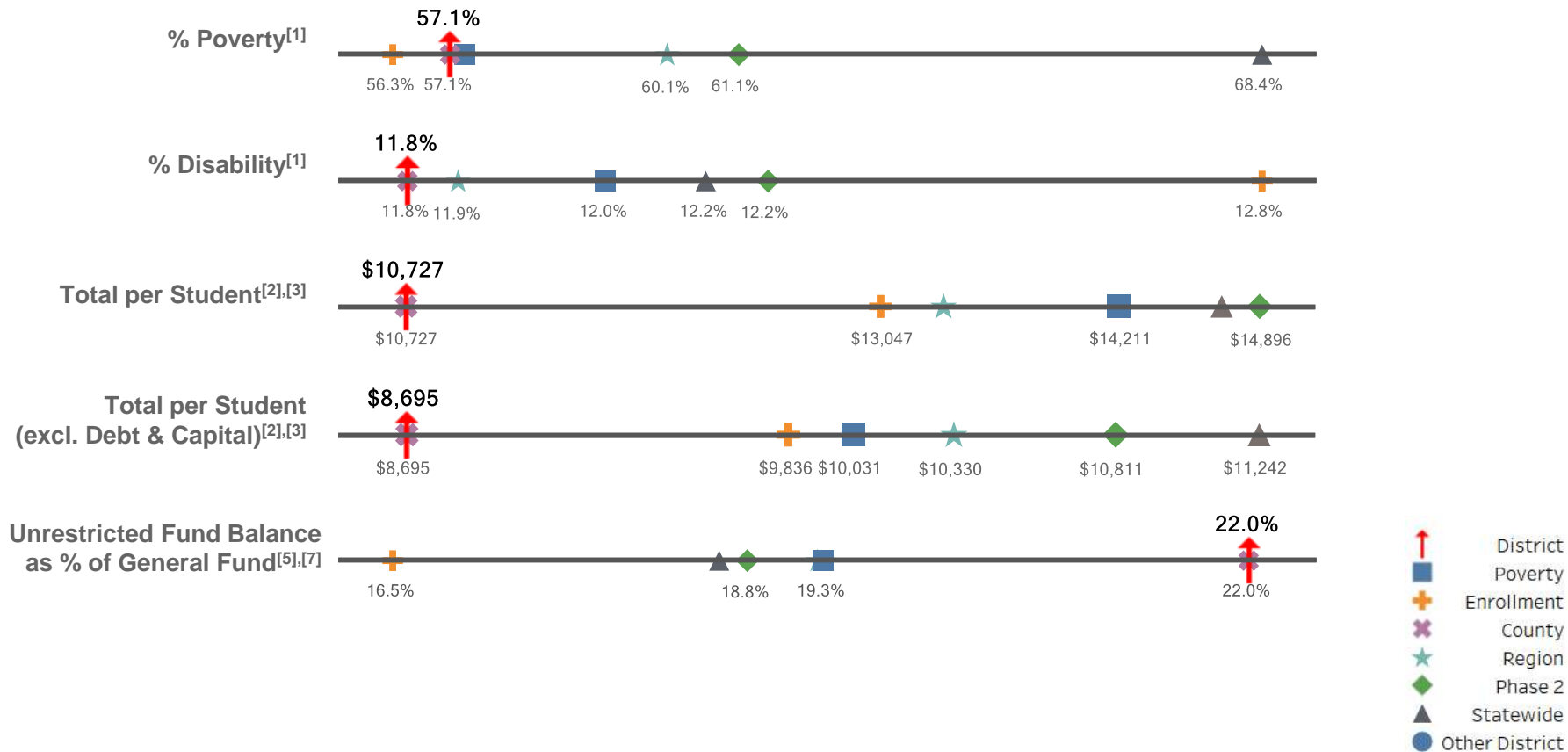
Anderson 01	Spartanburg 02
Anderson 02	Spartanburg 03
Anderson 03	Spartanburg 04
Anderson 04	Spartanburg 05
Anderson 05	Spartanburg 06
Cherokee	Spartanburg 07
Greenville	
Oconee	
Pickens	
Spartanburg 01	



DISTRICT OVERVIEW PICKENS

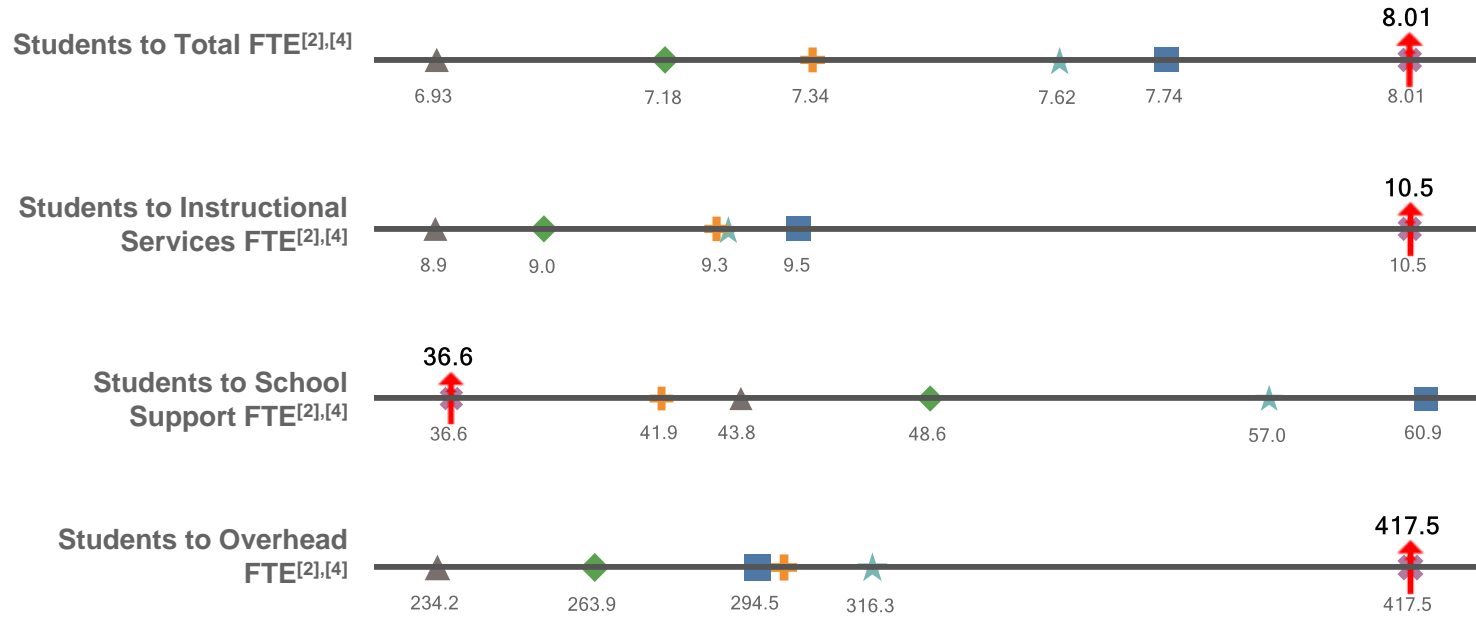
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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



DISTRICT OVERVIEW PICKENS

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD PICKENS

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 215 students or 1.4% since 2015. • Student Demographics: 68% of the District's students live in poverty and 12% are special needs, below and at the statewide averages of 69% and 12%, respectively. • Competition: There is one charter school and a second will open in Fall 2018. Neither charter is sponsored by SDPC. • Other Demographic: The District closed two elementary schools at the beginning of FY17 that served less than 200 students each in rural locations. Savings from school closures were reallocated to operational needs. • 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 potential growth plan of Clemson University and its impact on the District, the District should work closely with the University to 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"> • Per Pupil Expense: When excluding debt and capital, the District has a per pupil of \$8,695, significantly below the state average of \$11,242 and other districts with similar levels of enrollment of \$9,836. • Historically, the Board and leadership have been fiscally conservative and have not raised the millage to fund operations since 2003-2004. • Unrestricted Fund Balance: The District has a strong unrestricted fund balance that is 22% of general fund revenues. The fund balance is above the state average of 18.6%, resulting in strong financial stability. 	<ul style="list-style-type: none"> • Given the low local tax increases, leadership should evaluate the financial benefits of increasing taxes vs. programmatic reductions.

DISTRICT OVERVIEW AND OVERHEAD PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Student to FTE: The Student to Total FTE ratio of 8.0 is higher than the both state average of 6.9 and the average of schools with similar enrollment levels of 7.3. This is partially due to funding struggles and the desire to operate on a lean central office staffing model. • Student to Instructional Services FTE: The ratio of 10.5 is higher than both the state average of 8.9 and the average of schools with similar enrollment levels of 9.3. • Student to School Support FTE: The Student to School Support ratio of 36.6 is lower than both the state average of 43.8 and the average of districts with similar enrollment levels of 41.9. • Student to Overhead FTE: The Student to Overhead Ratio of 417.5 is higher than the state average of 234.2 and the average of districts with similar enrollment levels of 299.4. This is due to the District's desire to run on a lean operating model. 	
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Superintendent has 7 direct administrative reports that include the following functions: Assistant Superintendent of Elementary Education, Assistant Superintendent of Secondary Education, Public Information Specialist, Superintendent's Secretary, Executive Director of Financial Services, Executive Director of Human Resource Services, and the Assistant Superintendent for Instructional Services. • Turnover: Superintendent has overseen the District for the past 3 years and was a principal in the District prior to assuming the Superintendent position. 	<ul style="list-style-type: none"> • Given the tenure and success of the leadership team, the District should develop a succession plan to ensure progress is embedded in the organization long-term.

DISTRICT OVERVIEW AND OVERHEAD PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Communications Function: The District has a Communications department that provides communication, public information, and public relations services to the District, each department and schools. • Legal: The District has no legal department. If legal advice is required, an external firm is utilized to provide support. 	
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District receive a stipend of \$3,000 annually. • Board Composition: The Board is made up of a diverse cross-section of members from the community. • Training: Board members participate in SCSBA trainings. 	
Philanthropy and Business Engagement	<ul style="list-style-type: none"> • The District established a new foundation last year that is focused on raising funds for STEM and reading programs. • In addition, the District relies on the principals to develop and maintain business relationships and sponsorships. • The District works closely with United Way to provide summer reading camp opportunities for over 200 students. 	<ul style="list-style-type: none"> • Work with the School Board to seek greater partnerships with foundations and local business for donations of money, food, goods, time etc.

DISTRICT OVERVIEW AND OVERHEAD PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• The District's Superintendent is a member of the State's Education Oversight Committee. Therefore, the Superintendent is regularly collaborating with many stakeholders across the State. In addition, the Superintendent does informal and relationship-based collaboration with other districts.• Career Center: The District does have a career center.• Special Education: The District does not coordinate with other area districts on Special Education programs.• Headcount: The District does not share certain FTEs with area districts.	<ul style="list-style-type: none">• Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) specialized skills that are required infrequently or 2) are highly transactional.• Consider shared Chief Development Officer across districts.



OUTLINE

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

FINANCIAL MANAGEMENT OVERVIEW

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

1,442 : 1
 District Students (ADM)^[2] Financial FTE^[4]

\$41 per Student

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

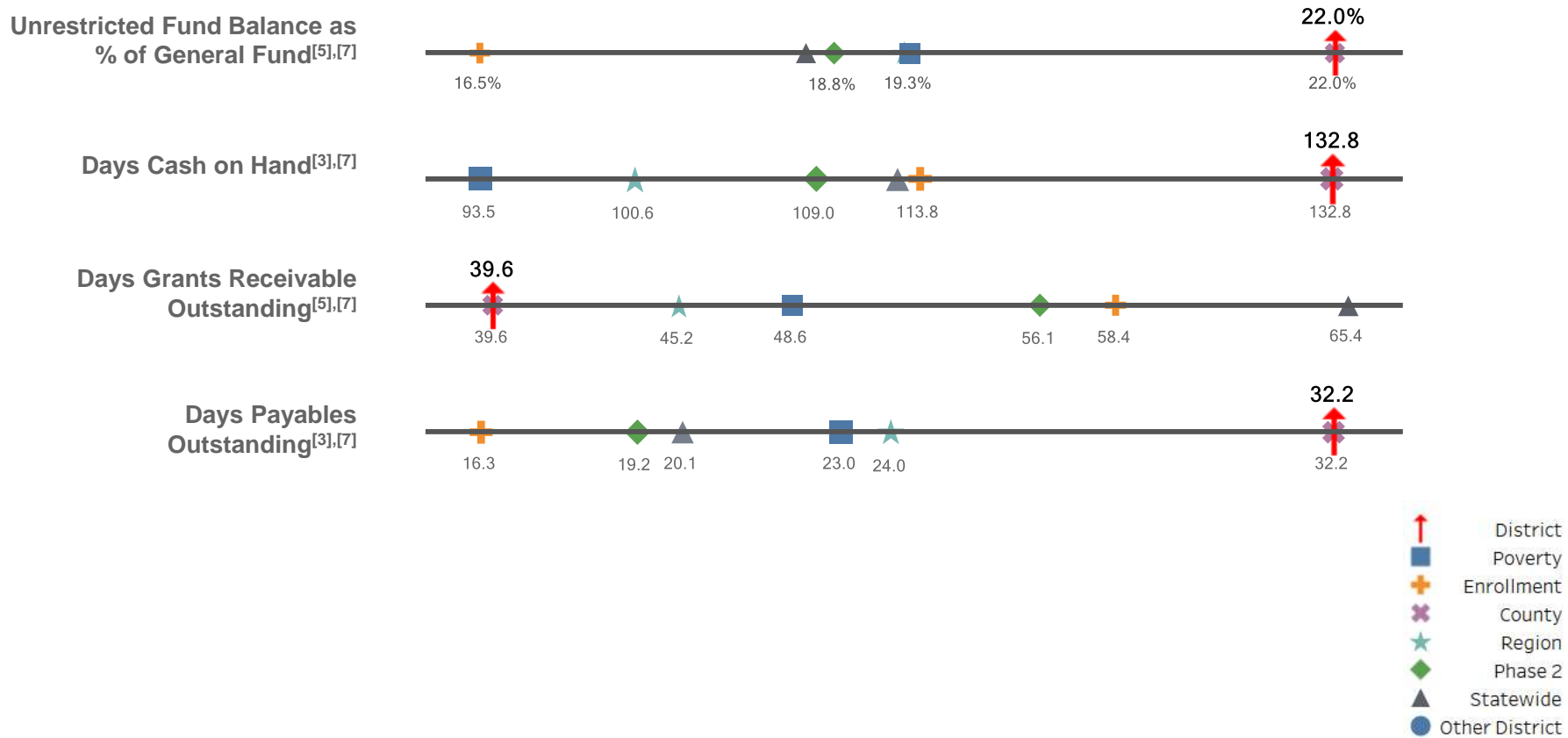
Key statistics for metrics	
Financial FTEs ^[4]	11.0
Personnel Expense ^[3]	\$635,015
Non-Personnel Expense ^[3]	\$29,193
Total Financial Expense ^[3]	\$664,208

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 PICKENS

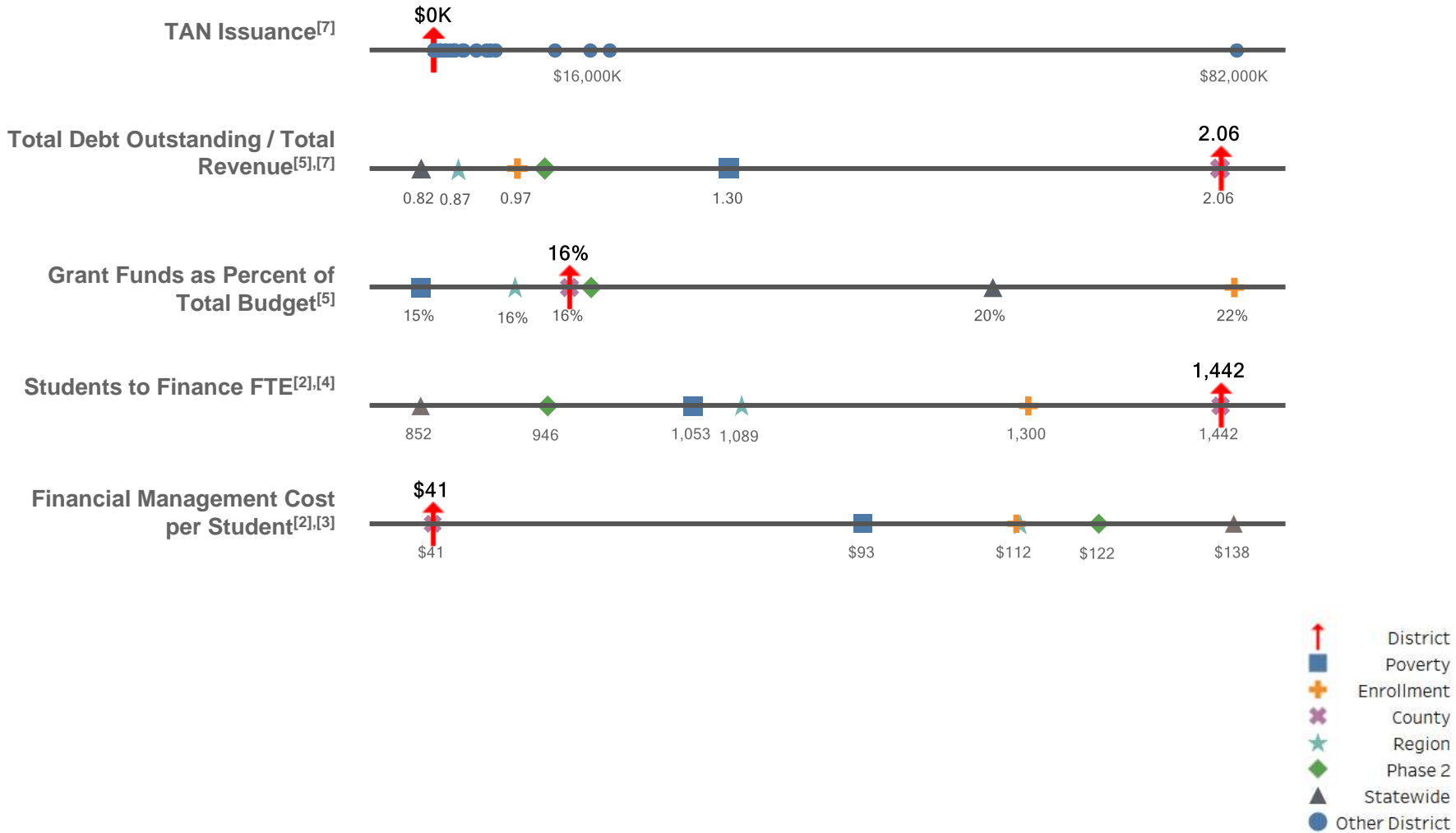
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT PICKENS

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization is lean but adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Turnover: The Executive Director of Finance has lead the District’s Finance department for 6 years and been with the District for 14 years. The District has an informal succession plan in place to ensure past progress is embedded long-term in the organization. • Finance Cost / Pupil: The Finance cost per pupil of \$41 for the District is much lower than the statewide average of \$138 and the average for districts with similar enrollment levels of \$112. However, ERP utilized by the Finance department is being charged to the Data Processing department and therefore is not included in the District’s financial per pupil expense. • Student to Finance FTE: The Student to Financial Management FTE ratio of 1,442 is high relative to the state average of 852 and slightly higher than the average of districts with similar enrollment levels of 1,300. • Other: The District has a very low operating millage rate and runs a conservative budget which limits the districts ability to fund new programs and capital improvement needs. 	<ul style="list-style-type: none"> • Continue to review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes.

FINANCIAL MANAGEMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Overall Processes: The District utilizes Harris Smart Fusion and has implemented automated workflows and approvals in order to streamline processes. • Payroll: The District currently runs payroll on a semi-monthly basis. The District directs 100% of payroll checks through direct deposit, unless there is an exceptional employee circumstance. • The District does use a self service payroll platform; therefore, employee initiated payroll changes are all processed automatically and employees can access pay stubs any time. • Timekeeping: Time tracking for salaried employees is currently managed by Frontline’s AESOP absence management system but remains a manual process for bus drivers in which time sheet details are entered into the payroll system by the Finance department. • Accounts Payable: The District leverages automated requisition and purchase order processes that include electronic workflow approvals that are managed through Harris Smart Fusion. Pupil activity funds do not require the purchase orders. • Invoices are sent to the district office. Given invoices are sent to AP, payment to vendors can be delayed while approvals are obtained and invoices are sent to AP for processing. The District also uses Pcards for small dollar purchases. (See Procurement for additional information.) 	<ul style="list-style-type: none"> • Implement an automated time-tracking functionality that integrates with the payroll system in order to eliminate the need for manual time sheets. • Develop a plan to move towards paperless document retention for financial records. Storage of electronic documents for receiving documents and invoices will help streamline the procure to pay process. In addition, the availability of invoices within the financial system will facilitate improved financial analysis and inquiry. • To streamline the time to process vendor payment, notify vendors that invoices should be sent to the central office where AP clerks can match invoices to receiving documents.

FINANCIAL MANAGEMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Inventory: The District does conduct inventory processes. Inventory is managed directly by schools and is cross referenced against inventory listings maintained by the central office. Technology inventory lists are maintained by Accountability and Information Technology Services department. • Risk Management: The District does have formal risk management policies in place. 	<ul style="list-style-type: none"> • Purchase scanners to facilitate the inventory process.
Grants Management	<ul style="list-style-type: none"> • Grants %: Grant revenues provide 16% of the District's revenue indicating that their reliance on grant funding is lower than districts with similar demographics. • 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 at a negotiated rate. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grant's coordinator, with quarterly review by the Finance department. 	

FINANCIAL MANAGEMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was not found to have any material weaknesses in its latest audited financial statements. • Position Control: The District utilizes position control to prevent over-hiring / spending. 	
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance with 132.8 days cash on hand. • Cash: The District does invest cash balances in State local investment pool. An annual cash flow projection is drawn up at the beginning of the year and monitored weekly. • Grants Receivable Outstanding: The District's Days Grants Receivable Outstanding of 39.6 days is higher than the state average of 65.4 days. The District submits grant reimbursements monthly. • Days Payable Outstanding: The District's Days Payables Outstanding of 32.2 is lower than the state average of 20.1. • Debt: The District's ratio of debt to revenue of 2.06 is higher than the state average of 0.82. • The District utilizes SCAGO to assist with bond issuance efforts. • TAN: The District did not issue TANs this past year to assist with liquidity needs. 	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The budget is a hybrid approach of zero-based budgeting and roll-forward of prior year expenses. • The annual budget process starts with staffing and salary needs, student attendance projections (prepared by HR) and prioritization of instructional goals. Schools are provided a baseline staffing model with non-personnel allocated on a per student basis. The budget team works extensively with Principals to assess any new needs that are anticipated for the new fiscal year and confirm staffing levels. Salary increases are ultimately increased based on the District's ability to afford COLA increases. • The District is conservative in its budgeting approach such that the budget contains sufficient contingency to deal with emergency situations that arise during the fiscal year. • The District currently conducts periodic reviews of sustainability of schools with low and declining enrollments, weighing the impacts of fiscal efficiency and student and community needs. • Fiscal Monitoring: The District produces budget to actual variance reports monthly and posts to their website for transparency. They also perform regular variance analysis and meet with key department heads to review expenses. 	<ul style="list-style-type: none"> • Expand the current budgeting approach to incorporate KPIs and workload drivers, estimate central office staff and expenses, and align with the strategic plan. • The District should consider conducting a school equity analysis annually to ensure that each individual school is receiving its fair share of resources based on the student needs of the school. The analysis would compare school-based FTEs, salaries and non-personnel spending across student type, school size, school level and overall across the District. Conducting an equity analysis annually ensures that every student receives sufficient resources to have the same chance to succeed, rather than that every child gets the same level of funding.

FINANCIAL MANAGEMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable. The District has been able to successfully transition to automated work processing in many processes; however, it is still currently using manual processes for time-keeping. • The District formerly had timeclocks, but recently went back to using timesheets for hourly employee timekeeping. The District is currently looking for a new automated system. In addition, overtime and supplemental pay must be manually keyed into the system. • The District is in the process of evaluating possible software solutions to automate employee reimbursements. 	<ul style="list-style-type: none"> • Develop a plan to move towards paperless document retention for financial records. Storage of electronic documents for receiving documents and invoices will help streamline the procure to pay process. In addition, the availability of invoices within the financial system will facilitate improved financial analysis and inquiry. • Evaluate opportunities to fully automate an integrated time keeping system for all pay types. Consider bringing back the timeclocks, or another paperless way to track hourly employees, and implementing an automated time tracking system that can interface directly with the payroll system.
Regional Collaboration	<ul style="list-style-type: none"> • The District meets with other CFOs in the region twice per year to discuss best practices and any challenges they are facing. Districts include all the Anderson districts and Oconee. • The District does not collaborate 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).



OUTLINE

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

HUMAN RESOURCES PICKENS

HUMAN RESOURCES OVERVIEW

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

1,983 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$134 per Student

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

Key statistics for metrics

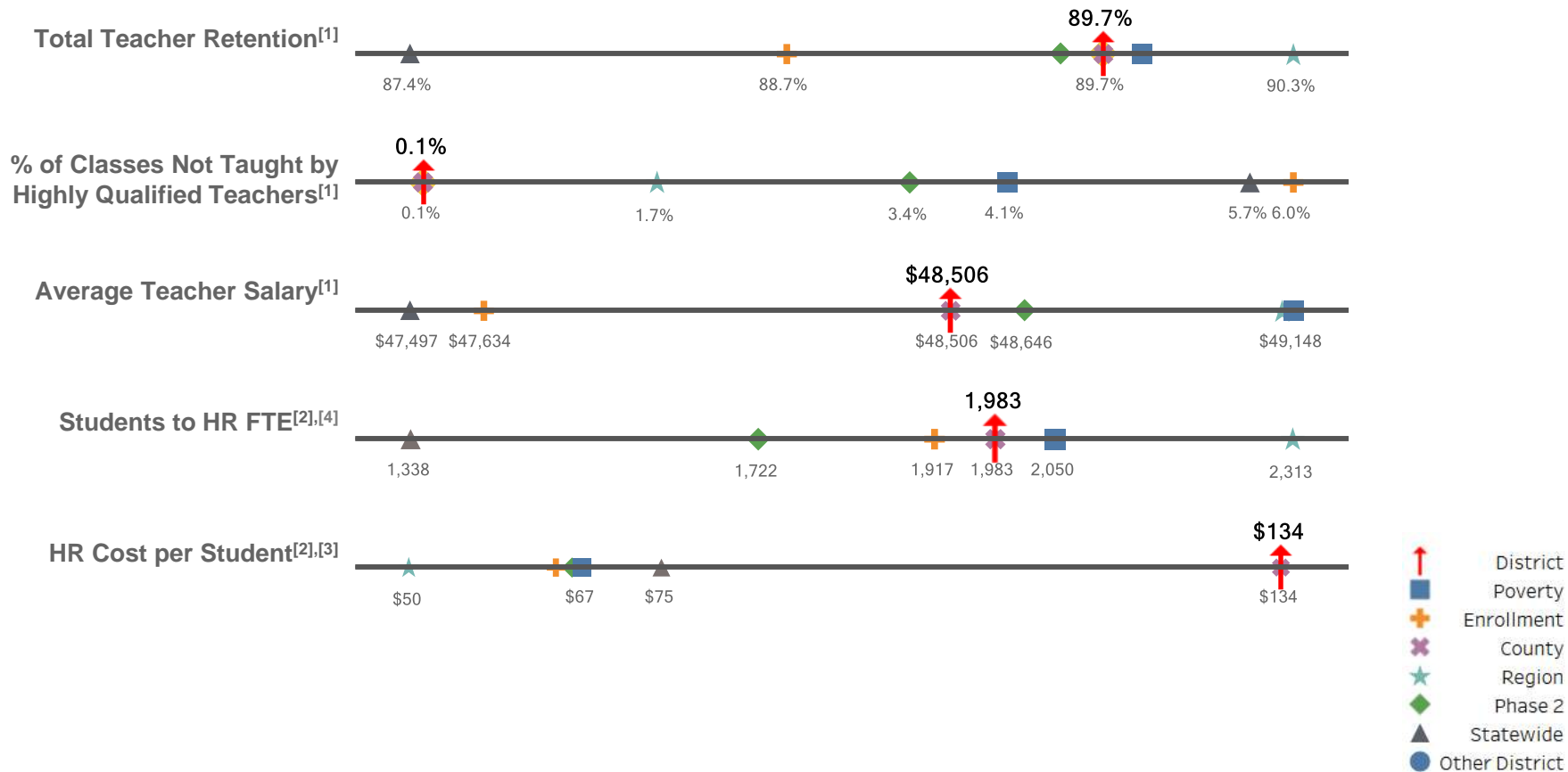
Human Resources FTEs ^[4]	8.0
Personnel Expense ^[3]	\$1,701,087
Non-Personnel Expense ^[3]	\$443,186
Total Human Resources Expense ^[3]	\$2,144,273

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 PICKENS

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources function is lean but adequately staffed with personnel to support personnel relations, benefits, absence management and professional development activities. • Human Resources Cost / Pupil: The HR cost per pupil of \$134 for the District is much higher than the statewide average of \$75 and the average for districts with similar enrollment levels of \$64. • Student to Human Resources FTE: The student to HR FTE ratio of 1,983 is high relative to the state average of 1,338, but on par with the average of districts with similar enrollment levels of 1,917. 	<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"> • Similar to other school districts in the State, recruiting teachers into the District is challenging. However, the District is able to source 85% of its teachers from Clemson University, Furman University and University of South Carolina. Remaining teachers are recruited from Ohio, New York and Pennsylvania. • The District does also rely in international teachers (4) and candidates participating in alternative paths to teaching. • The District does not use incentive programs to try to attract and retain teachers. • The District's average teacher salary is above the state average, and the regional average. The District recently raised its teacher pay scale to stay competitive in recruiting within the region. • Substitute Management is outsourced to Kudzu Staffing Agency. 	<ul style="list-style-type: none"> • Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) Signing Bonuses that Vest over a Period of Time to Encourage Retention; (b) Housing Incentive signing; (c) Tuition Reimbursement; (d) Differentiated Salaries for Hard to Staff Positions; (e) Innovative Professional Development Programs. • 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. • Given the Kudzu substitute staffing agreement has not been bid in many years, the District should competitively bid the contract to ensure best value for the services.

HUMAN RESOURCES PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • Recruiting: The District leverages SchoolRecruiter which is an online system for recruiting, application screening, processing and onboarding. • Absence Management: The District utilizes Frontline, formerly AESOP, a system for absence management. 	<ul style="list-style-type: none"> • Implement technology to help enhance and automate recruiting, substitute management and time tracking processes that are currently manual.
Benefits	<ul style="list-style-type: none"> • The department has two employees dedicated to benefits administration and one leave administrator. 	<ul style="list-style-type: none"> • Consider collaborating with other districts in the region to work with PEBA to automate benefits related transaction processing and employee support.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with other nearby school districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other 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



OUTLINE

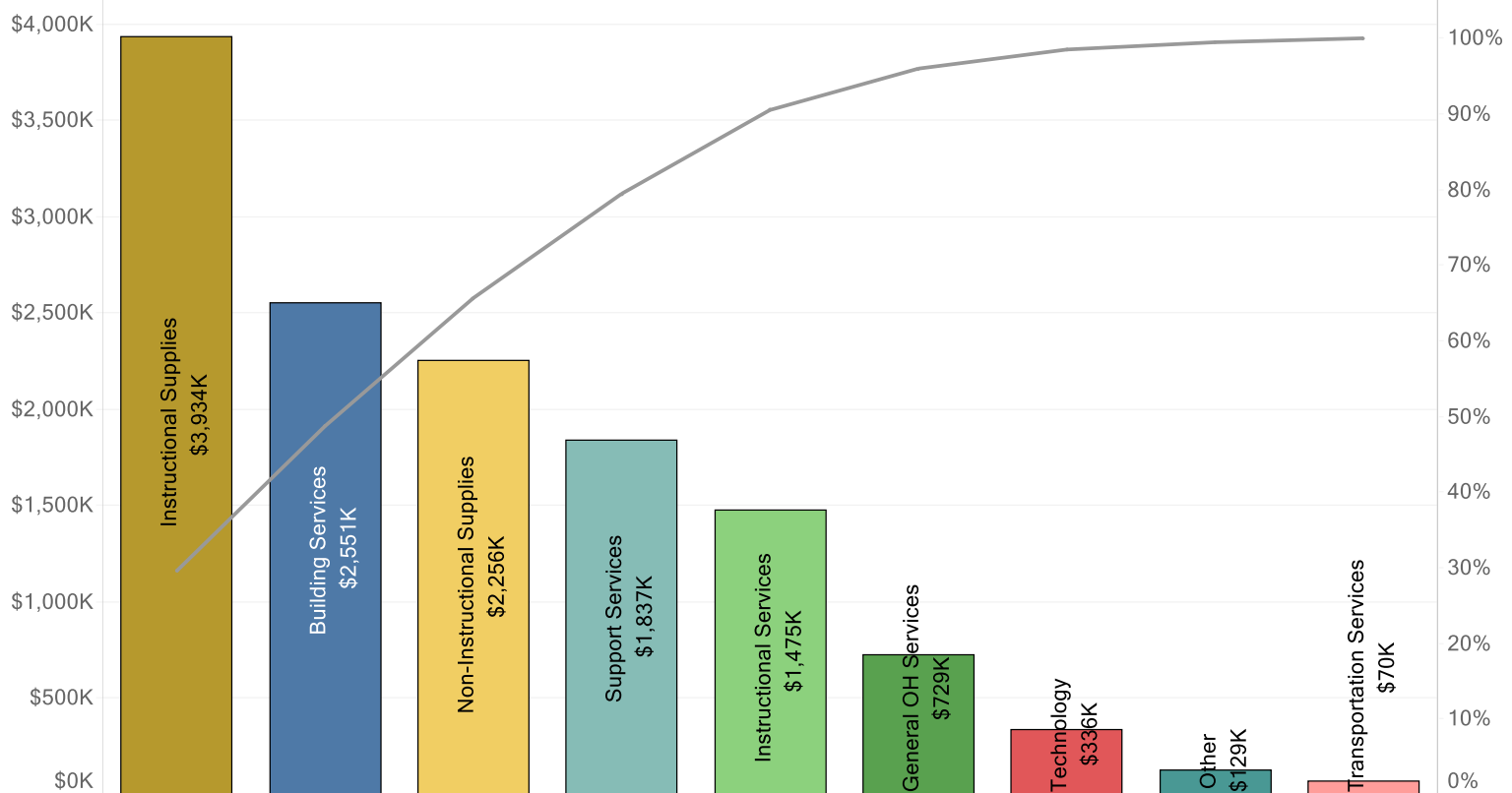
- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

PROCUREMENT PICKENS

PROCUREMENT OVERVIEW

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

District In Scope Total Procurement Spend^[3] = \$13,316,188

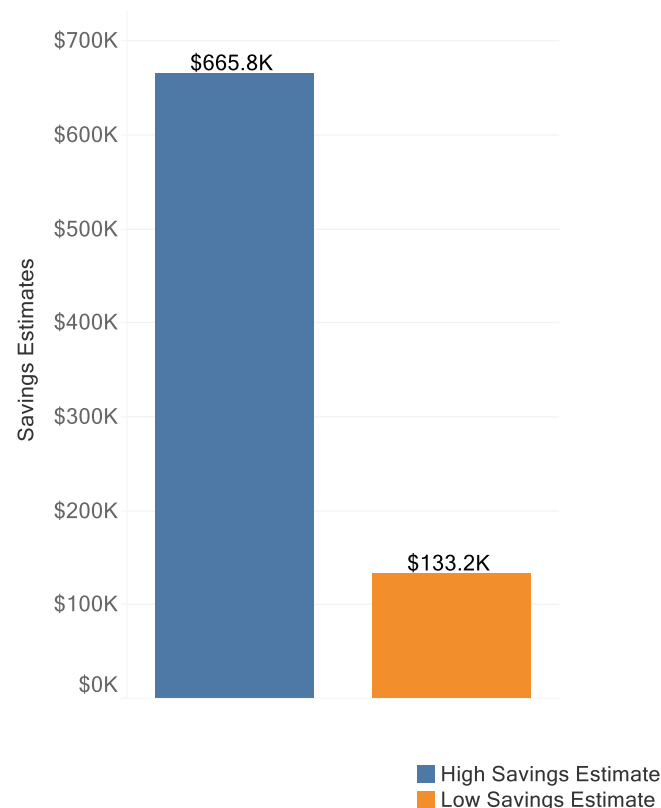


PROCUREMENT PICKENS

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		
	Low	High
Building Services	1.0%	5.0%
Non-Instructional Supplies	1.0%	5.0%
Instructional Supplies	1.0%	5.0%
Instructional Services	1.0%	5.0%
Support Services	1.0%	5.0%
Technology	1.0%	5.0%
Other	1.0%	5.0%
Overhead Services	1.0%	5.0%
Transportation Services	1.0%	5.0%



PROCUREMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District has two resources focused directly on procurement and is able to rely on these resources to execute purchasing activities. The procurement team is very organized and maintains a solicitation log and copies of all contracts. 	<ul style="list-style-type: none"> See General Collaboration and Regional Collaboration below.
Purchasing Methods	<ul style="list-style-type: none"> District Contracts: Schools and department leaders work with the procurement office to identify existing contracting vehicles. The District does not currently provide schools and departments with access to an online catalog of preferred or contracted vendors. State Contracts: The District purchases off state contracts but endeavors to negotiate more favorable District specific deals where possible. PCards: The District encourages the use of PCards for all purchases that are limited to \$2,500 per transaction. PCard spend in FY15-16 was over 9% of vendor spend. 	<ul style="list-style-type: none"> Provide schools with an online listing and e-catalog of available District and State contracts. The District should work with the state procurement officials to promote the value of cooperative purchasing and advertise opportunities through SCBO. Ultimately, the state legislature will need to consider revisions to the code to enable use of this type of collaboration. Analyze Pcard spending transaction and dollar volume on an annual basis to determine potential candidates for formal contracting to enable better pricing and cost savings. The District should continue to research and pursue working with district-wide vendors to migrate high dollar vendors to accept payment via Pcard (or virtual card) in order to maximize rebates. Use of PCards as alternative payment method will be subject to vendors acceptance of the payment type.

PROCUREMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across more than 2,300 vendors; however, the top 100 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"> The procurement function should conduct ongoing analysis of non-personnel spending, including review of spending by transaction and dollar volume to determine potential candidates for formal contracting and price negotiation to enable better pricing and cost savings. Examples of metrics that could inform analysis include: (a) vendor concentration (# of vendors comprising 80% of spend); (b) % of vendor spending negotiated through formal RFP process; (c) average POs per vendor. 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. Perform annual review of vendor performance (on time, complete, quality) to assess opportunities to reduce or eliminate non-value add services.

PROCUREMENT PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District primarily performs HVAC maintenance and repairs in house. • Food Services: The District is a part of the Palmetto Purchasing Group which collaborates on a cooperative contract for the purchase of all food products. • Instructional Supplies: The District leverages discounts through the SC School District Procurement Group which has group contracts with: School Specialty, Office Depot, ACE Educational, Bender-Burkot and Blick Art Materials for Educational Supplies and Materials. The District's spend with these vendors makes up less than 3% of the total instructional supply spend. • Instructional Support Services: The District currently relies on FACES for international staffing services to fill teacher vacancies. In addition, the District outsources substitute management to Kudzu Staffing which is a local temporary staffing vendor. • Technology – Standardization: The District is expanding its 1:1 initiative to include grades 4-12 and has solicited bids to contract with a vendor for Google Chromebooks and Unlimited Accidental Protection. • 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. • 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. • Conduct annual reviews/surveys of substitute performance to ensure that the outsourced substitute management contract is truly providing a best value option. • 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. • Capitalize on potential for greater discounts on technology that is purchased using state contracts by leveraging special discount provisions that are identified in state contracts that are subject to negotiation. Evaluate opportunities to generate savings on ancillary services (accessories, warranties, break-fix, etc.) as part of procurement negotiations.

PROCUREMENT PICKENS

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 the majority of its non-instructional supplies using the available state contracting vehicles. • Buses for Field Trips: The Districts outsources transportation for several long-distance field trips to local bus companies. Given the field trips are paid for out of pupil activity funds, the District does not establish contracts through a competitive bid process. 	<ul style="list-style-type: none"> • The District should competitively bid transportation services for field trips and negotiate contracts to drive best value and savings for pupil activity funds.
Regional Collaboration	<ul style="list-style-type: none"> • The District partners on contracts with other districts to leverage increased buying power in the procurement of select goods and services. • The District is part of the SC School District Procurement Group which made up of 35 school districts in the state. The group has cooperative contracts/pricing agreements for: educational supplies and materials, early childhood supplies, playground equipment repair services, and gymnasium and stage floor refinishing. • The District is also part of a Cooperative Purchasing Agreement with three nearby districts: Anderson 1, Anderson 5, and Lexington 5 for the Group Purchasing of food. 	<ul style="list-style-type: none"> • The District should build upon existing collaborative partnerships and create a formal regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: <ul style="list-style-type: none"> - Technology - Instructional Software and Services - Instructional Staffing - Supplies



OUTLINE

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

TRANSPORTATION PICKENS

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]

\$228 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	123.0
Personnel Expense ^[3]	\$3,479,713
Non-Personnel Expense ^[3]	\$166,602
Total Transportation Expense ^[3]	\$3,646,315

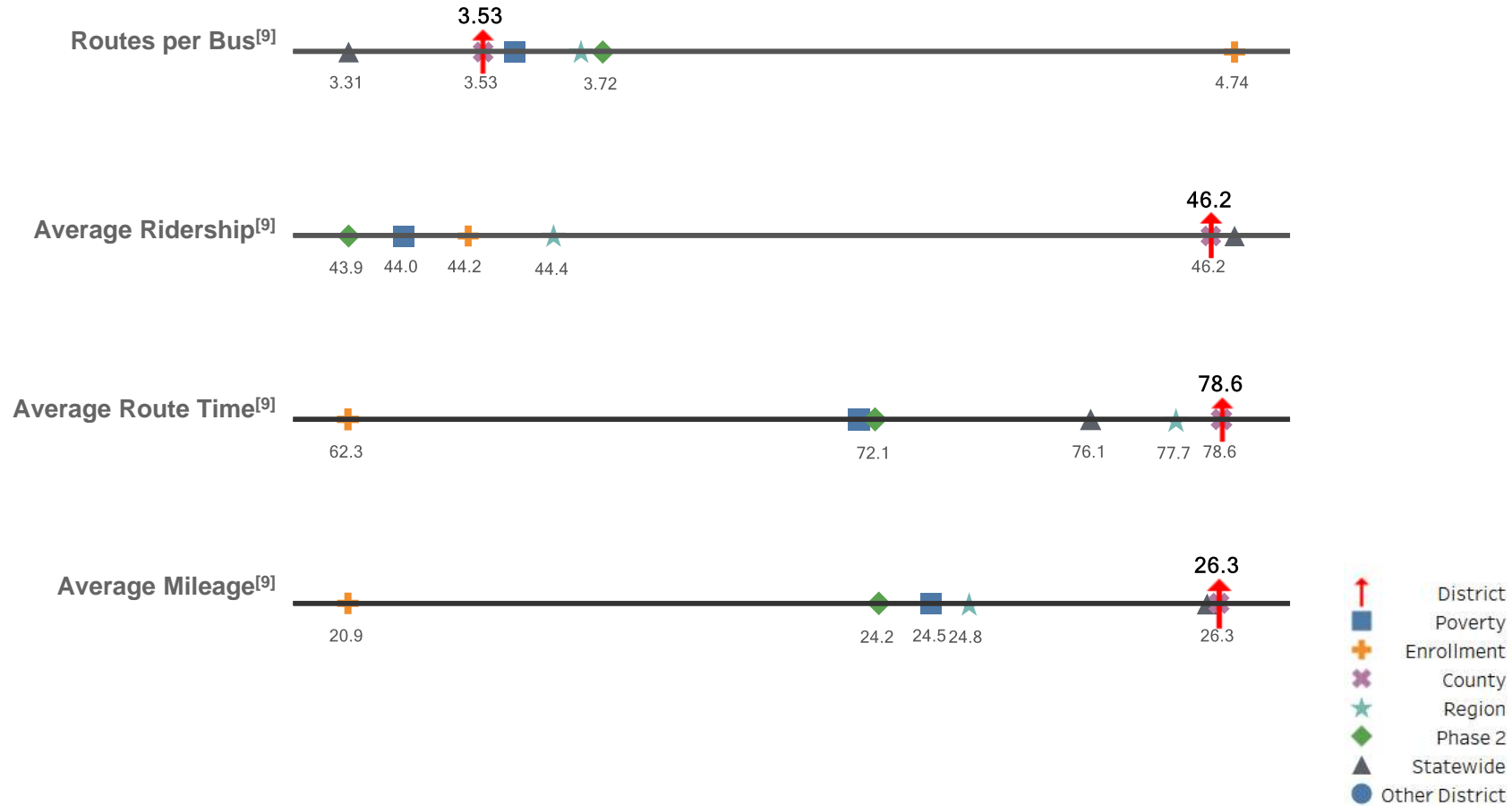
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	66.9	236	3.5	10,895	46	79	26
Special Needs	19.8	67	3.4	441	7	Not-Available	40
Other	16.3	64	3.9	1,490	23	Not-Available	23
Total	103.0	367	3.6	12,826	N/A	N/A	N/A

TRANSPORTATION PICKENS

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 PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none">• The District has a difficult time recruiting bus drivers. The District has an average driver attendance rate of 88% and a small pool of substitute drivers, only a few of which are typically reliable. Routes often have to be doubled up in order to deal with the driver absences.• Only one bus driver has been dual employed.• The District runs slightly staggered bus routes with 2 routes starting as early as 6:00am. Given all schools start at the same time, students regularly arrive at school up to an hour before school starts.• Bus drivers are currently paid a starting rate of \$12 per hour which is \$4.25 above state reimbursement levels.• Transportation is run by a Coordinator of Transportation and three supervisors who manage separate geographic areas within the District.	<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 PICKENS

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • The District recently contracted with Transfinder for route management software. • The District has four buses with GPS systems that are rotated through routes in order to capture the data points needed for new routing software. • The District provides radios to drivers to contact drivers while on routes. • The district does have security cameras on all buses except for 12. • The District does have four stop-arm cameras on buses. • Activity Buses: The District has 31 activity buses and outsources some activity buses for field trips local bus companies. See Procurement section for more information. 	<ul style="list-style-type: none"> • The implementation of Transfinder should yield more efficient routes. The District should conduct a thorough analysis of routes to ensure the most efficient routes and estimate savings for the upcoming school year. • Implement GPS on all school buses. • Install security cameras on the remaining buses to increase child safety and security on bus. • Install stop-arm cameras to assess tickets to drivers passing buses.
Collaboration	<ul style="list-style-type: none"> • The District meets four times per year with surrounding districts. State Directors of transportation meet 	<ul style="list-style-type: none"> • Collaborate with other districts that are currently using bus routing software to understand best practices and lessons learned from implementation of routing software.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

PICKENS

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

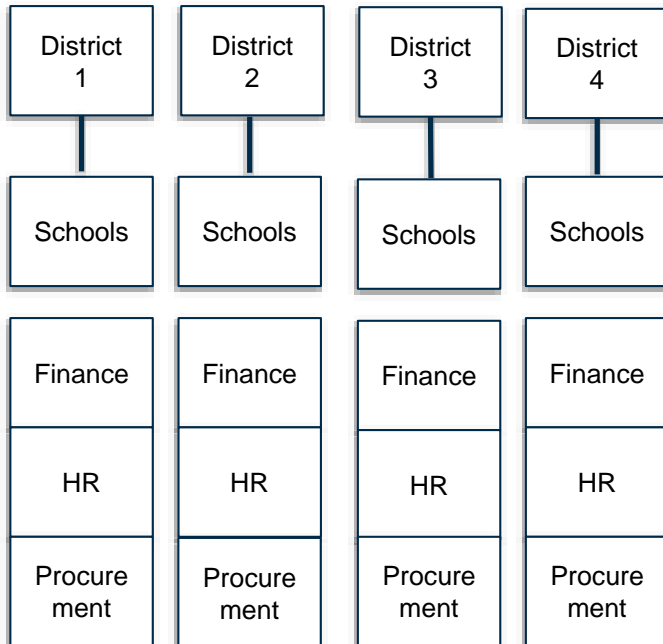
PICKENS

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.

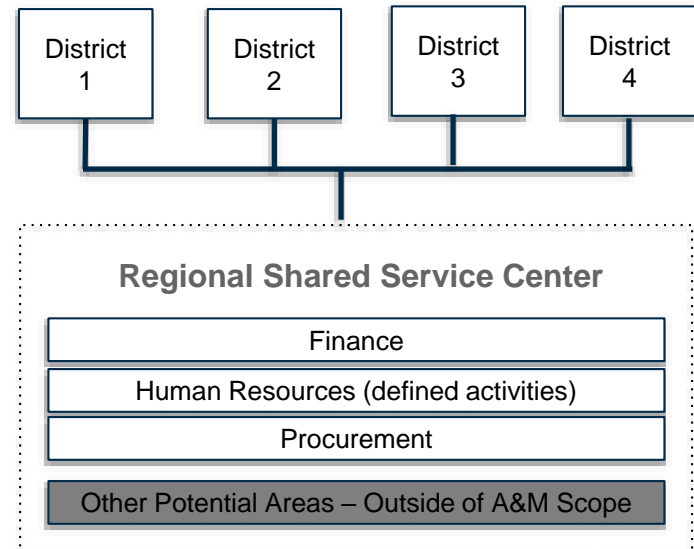
CURRENT STATE: STAND ALONE DISTRICT

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

PICKENS

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).

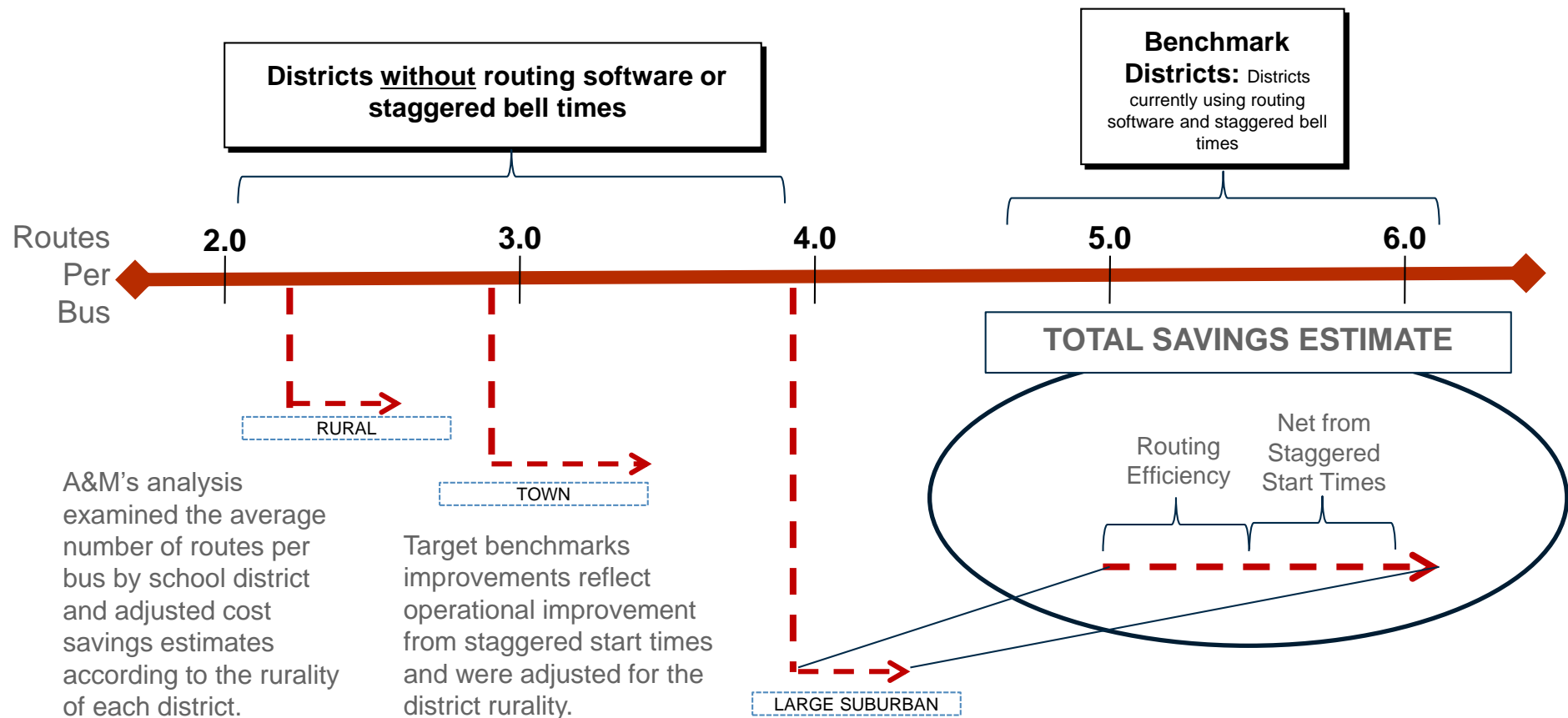
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

APPENDIX A: SAVINGS METHODOLOGY

PICKENS

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 PICKENS

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

Savings from Routing Efficiencies

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

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

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

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

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

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

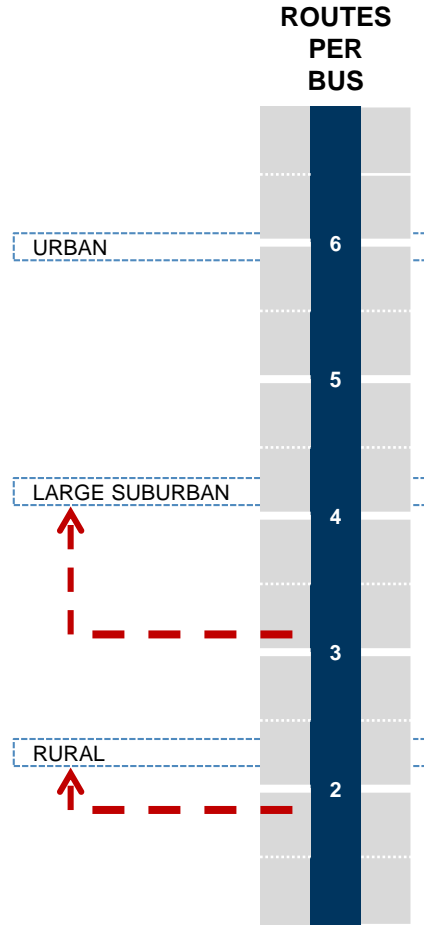
APPENDIX A: SAVINGS METHODOLOGY PICKENS

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

PICKENS

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

PICKENS

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:	
	Low	High
Building Services	1.0%	5.0%
Non-Instructional Supplies	1.0%	5.0%
Instructional Supplies	1.0%	5.0%
Instructional Services	1.0%	5.0%
Support Services	1.0%	5.0%
Technology	1.0%	5.0%
Other	1.0%	5.0%
Overhead Services	1.0%	5.0%
Transportation Services	1.0%	5.0%

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 PICKENS

[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 PICKENS

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 PICKENS

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 = $\text{Total Route Miles}^{[9]} / \text{Number of Buses}^{[9]}$

ALVAREZ & MARSAL

© Copyright 2015. Alvarez & Marsal Holdings, LLC. All rights reserved. ALVAREZ & MARSAL®,
A₁® and A&M® are trademarks of Alvarez & Marsal Holdings, LLC.

www.alvarezandmarsal.com