



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Saluda

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

SALUDA

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

SALUDA

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

SALUDA

PROJECT OVERVIEW (CONTINUED)

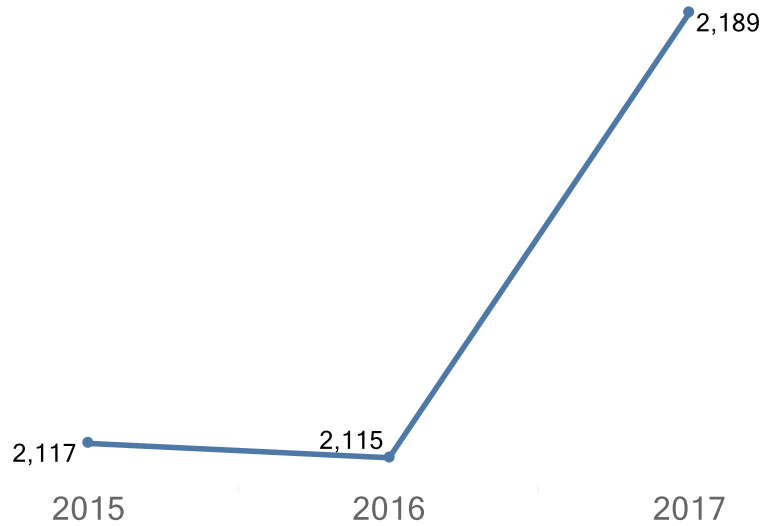
➤ Sources of Data and Savings Estimates:

- 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.

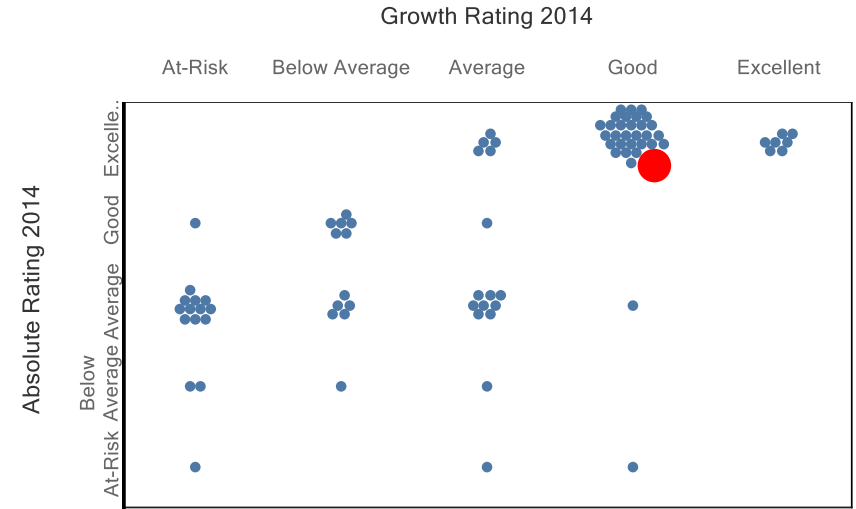
EXECUTIVE SUMMARY

SALUDA

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	5
% Poverty ^[1]	71.8%
% Disability ^[1]	13.9%
\$ Per Student ^{[2],[3]}	\$12,522
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,082

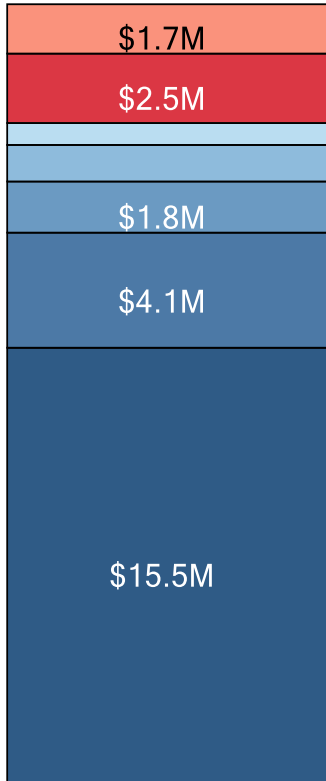
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.8
Students Per Overhead FTE ^{[2],[4]}	175.1
Students Per School Support FTE ^{[2],[4]}	30.9
Students to Total FTE ^{[2],[4]}	6.6

EXECUTIVE SUMMARY

SALUDA

Sources of Funds^[5]
\$27.7M



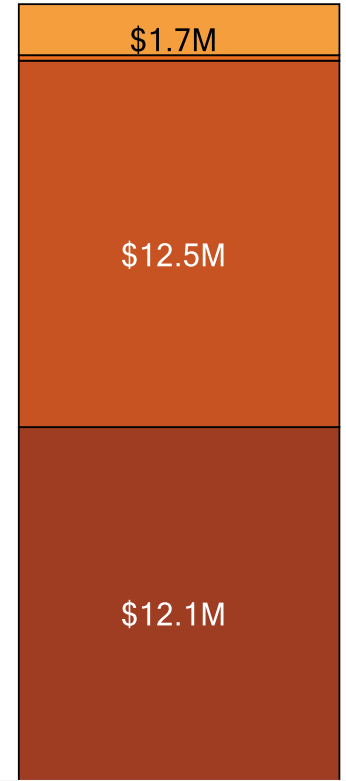
2015-2016

Use of Funds - Type^[3]
\$26.5M



2015-2016

Use of Funds - Function^[3]
\$26.5M



2015-2016

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

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

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SALUDA

\$26.5M
Total

\$4.3M
In-Scope

\$22.2M
Not In-Scope

16.4% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$413,180	\$67,470
Human Resources	\$145,185	\$27,953
Overhead	\$511,540	\$197,433
Transportation	\$661,492	\$33,180
Procurement (Community Services, Instruction, Support Services)	\$2,598,105	\$2,598,105
TOTAL	\$4,329,502	\$2,924,141

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SALUDA

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: The mission of Saluda County Schools is to educate all students by providing a rigorous and relevant curriculum with supportive programs.

1. **Student Achievement:** All students will reach high academic standards, demonstrating at least grade level achievement, and meet standards for state mandated tests or pass end of course assessments.
2. **Graduation Rates:** All students will graduate from high school.
3. **College and Career Readiness:** Students graduating from high school will be college and career ready without the need for remediation in post-secondary school and work.
4. **Teacher Qualifications:** All students will be taught by and work with the most qualified teachers and administrators.
5. **Learning Environment:** All students will be educated in a learning environment that is safe, drug-free, and conducive to learning.
6. **Curriculum:** The District will develop a curriculum that provides a college and career ready focus.

Achievements

- **Academic Performance:** The District typically out-performs schools with similar demographics.
- **Retention:** There is little turnover from a dedicated staff of teachers.
- **Absolute Growth Rating:** The District was rated Excellent on the South Carolina Absolute Rating Scale and Good on the Growth Rating Scale in 2014.

Challenges

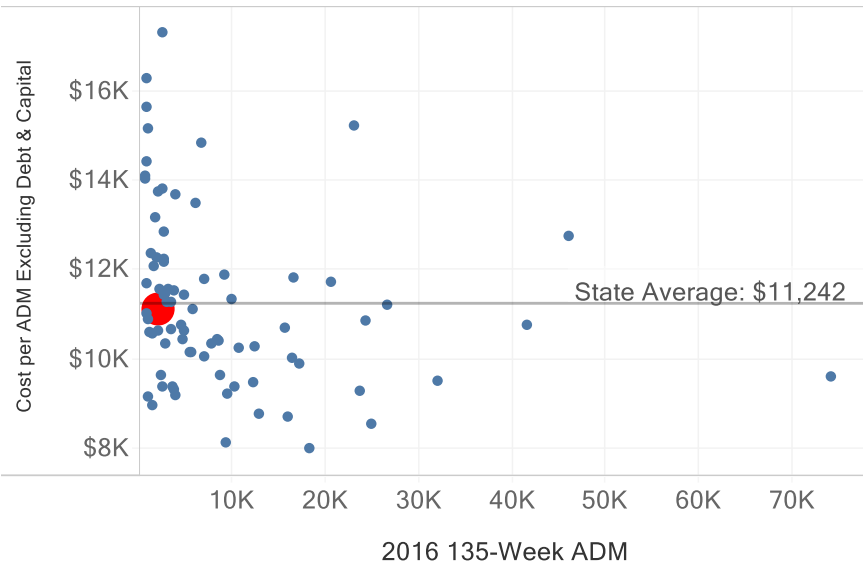
- **Instructional Resources:** Meeting the needs of a growing ESOL population.
- **Fiscal Resources:** Limited fiscal resources are available to provide adequate learning opportunities for students.
- **Facilities:** Buildings are in need of capital improvements.

EXECUTIVE SUMMARY

SALUDA

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

SALUDA

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Gaps in Financial Management: The District’s lower enrollment combined with a very low unrestricted fund balance and days cash on hand leaves the District with limited reserves and a sub-optimal overall financial position. • Limited Staffing / Manual Processes: An under-investment and under-utilization of technology contribute to the need to modernize financial processes.
Human Resources	<ul style="list-style-type: none"> • Challenges with Recruiting and Retention: General challenges associated with teaching shortages are exacerbated by lower teacher salaries compared to neighboring districts, as well as, the need to provide sufficient ESOL instructional resources. • Limited Staffing / Manual Processes: The District has extremely limited staffing levels, with few that are fully dedicated to Human Resources.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The District is grappling with a shortage of drivers. • Manual Routing: The District does not have routing software that can be used to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has limited, if any, resources dedicated to Procurement. • Strategic sourcing: The District has limited leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates. There is significant off-contract purchasing and limited collaboration across districts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: 3 FTEs are included in the office of the Superintendent, including the Superintendent. • Collaboration: The District engages in some collaboration with other Superintendents.

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

SALUDA

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to the financial systems to facilitate both automated and purchase to payment processes, integrated timekeeping, and payroll and position control functionality.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls.</p> <p>Staffing/Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the team.</p>	<p>System Enhancements: 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: Implement staggered bell times and routing software to make routes more efficient and reduce the number of bus drivers necessary for operation.</p>

EXECUTIVE SUMMARY

SALUDA

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

SALUDA

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

SALUDA

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	\$41,000	\$122,900
Human Resources	15,000	25,000	0	14,900
Procurement	0	0	79,800	160,600
Transportation – District	N/A	N/A	36,000	54,000
District Total	25,000	50,000	156,800	352,400
Transportation – State	8,000	32,000	47,400	86,000
Total	\$33,000	\$82,000	\$204,200	\$438,400

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

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

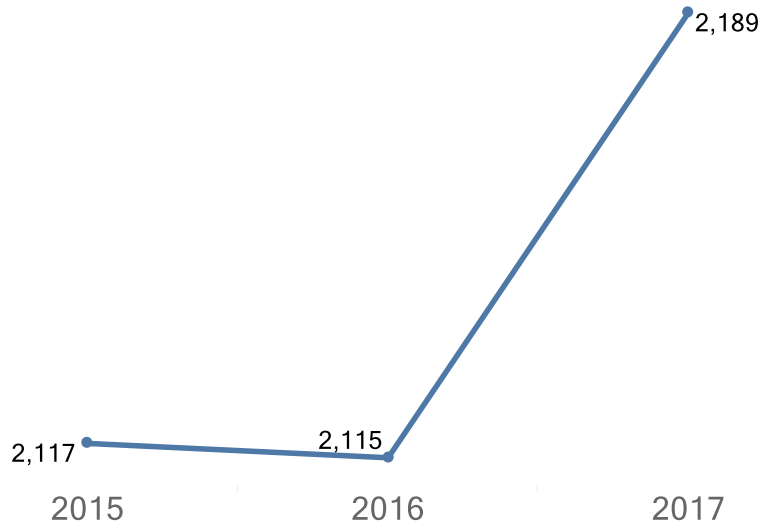


OUTLINE

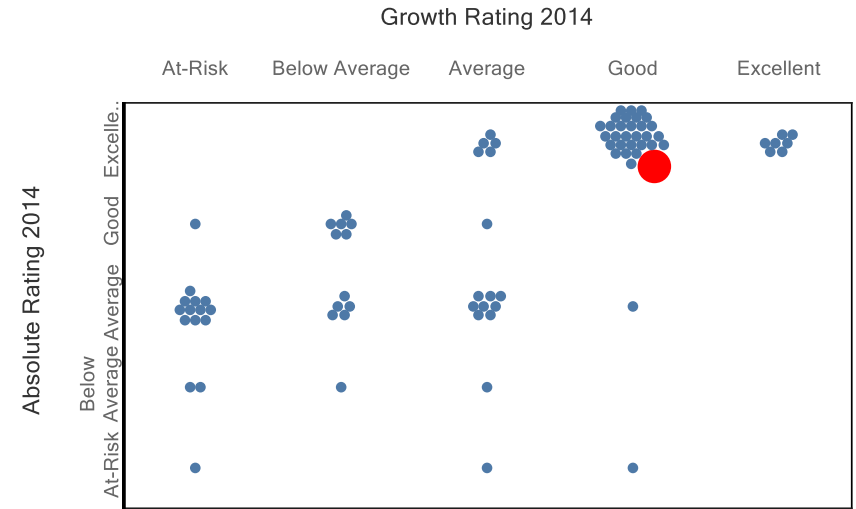
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DISTRICT ADMINISTRATION AND PERFORMANCE SALUDA

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	5
% Poverty ^[1]	71.8%
% Disability ^[1]	13.9%
\$ Per Student ^{[2],[3]}	\$12,522
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$11,082

Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.8
Students Per Overhead FTE ^{[2],[4]}	175.1
Students Per School Support FTE ^{[2],[4]}	30.9
Students to Total FTE ^{[2],[4]}	6.6

DISTRICT BENCHMARKING

SALUDA

Enrollment (< 2,500)

Allendale	Florence 04
Bamberg 01	Florence 05
Bamberg 02	Greenwood 51
Barnwell 19	Greenwood 52
Barnwell 29	Hampton 01
Barnwell 45	Hampton 02
Calhoun	Lee
Clarendon 01	Lexington 03
Clarendon 03	McCormick
Dillon 03	Saluda
Dorchester 04	
Florence 02	

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	

Poverty (70% - 75%)

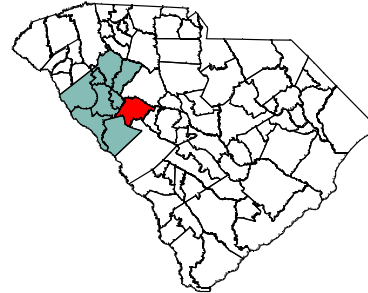
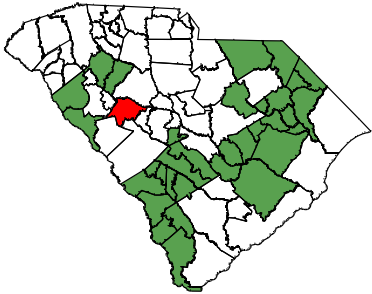
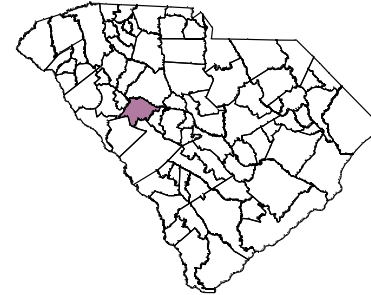
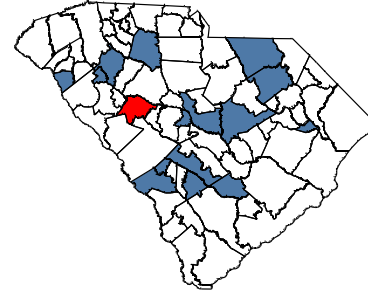
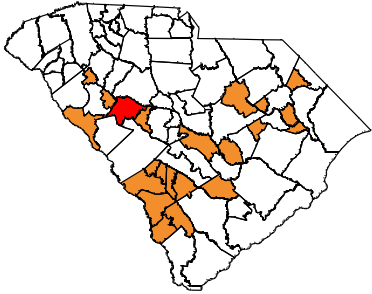
Anderson 03	Lexington 02
Bamberg 01	Orangeburg 04
Barnwell 29	Richland 01
Barnwell 45	Saluda
Chesterfield	Sumter
Darlington	Union
Dorchester 04	
Florence 05	
Greenwood 51	
urens 55	

County (Saluda)

Saluda

Region (Upper Savannah)

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



DISTRICT OVERVIEW SALUDA

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

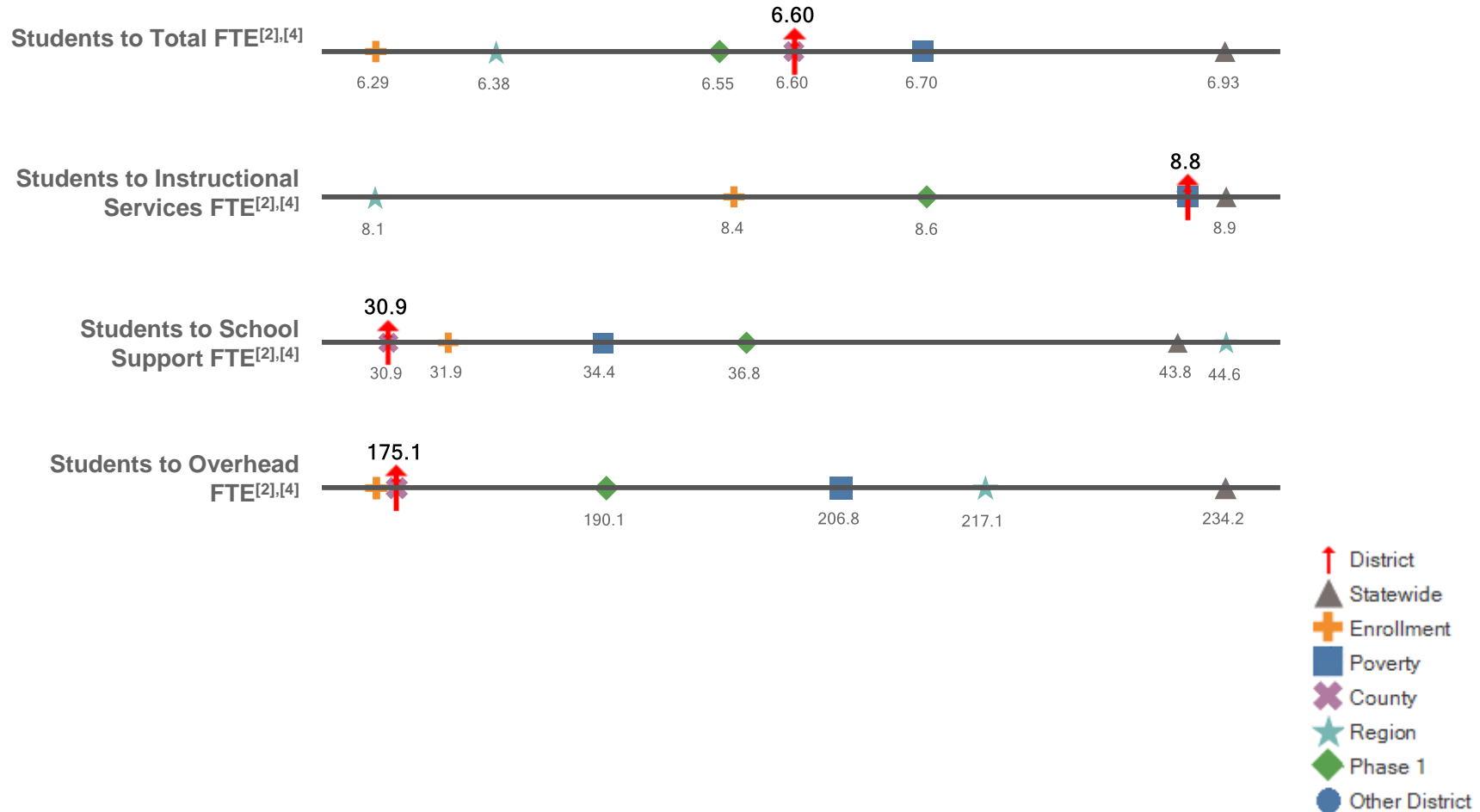
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 1 and (g) other districts.



DISTRICT OVERVIEW

SALUDA

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-Year Enrollment Trend: District enrollment is up to 2,189 students and has increased by 3.4%. • Student Demographics: The District has a high percentage of Latino students (reportedly approximately 28%) and higher special education population 14%. • Charter School Environment: The District does not feel that charter or private schools are pulling down enrollment. • Long-term Planning: The District does not prepare long term enrollment projections to help inform long-term planning. 	<ul style="list-style-type: none"> • The District should continue working to address the long-term need of providing students with adequate ESOL instructional support.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: The District's lower enrollment combined with the a very low Unrestricted Fund Balance and Days Cash on Hand leaves the District with limited reserves and a sub-optimal overall financial position. The financial position leaves the District vulnerable to drops in enrollment and unanticipated expenses. • Per Pupil Expense: When excluding debt and capital, the District has a low Per Pupil Expense of \$11,082 compared to peer group by enrollment which is \$12,338 and the statewide average of \$11,242. • Unrestricted Fund Balance: The Unrestricted Fund Balance for the District is 4.6% of the general fund, which is low compared to the statewide average pf 18.6%. 	<ul style="list-style-type: none"> • To improve the financial viability of the District, the District must develop a three to five year financial plan that allows for the rebuilding of its fund balance and still allows for investment in critical areas of academics and operations.

DISTRICT OVERVIEW AND OVERHEAD SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Resource Allocation: Despite the low per pupil, the District has resource levels that are in line with state averages and with other districts of similar size. • Student to FTE: The student to Total FTEs of the District is 6.6 is lower than the statewide average of 6.9. • Student to Instructional Services FTE : The student to Instruction FTE ratio of 8.8 is slightly higher than the peer group by enrollment (8.4) and lower than the statewide average of 8.9. • Student to School Support FTE: The student to school support FTE ratio of 30.9 is less favorable than peer group by enrollment (31.9) and the statewide average of 43.8. • Student to Overhead FTE: The student to overhead FTE ratio of 175.1 is on par with similar size districts and lower than the statewide average 234.1. 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the Superintendent, which are outside of the scope of this report, in order to optimize resources and bring spending in line with benchmarks.

DISTRICT OVERVIEW AND OVERHEAD SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's job is spread across many functions. In particular, the Superintendent spends a significant amount of time dealing with non-academic issues such as parental complaints rather than with strategic issues focused on student achievement. • Communications Function: The District has an individual who manages Communications through social media and Blackboard Connect. "Push" communications are kept to a minimum. • Legal: The District has no legal department. If legal advice is required, the District utilizes external firm to provide support. 	<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.
Board of Directors	<ul style="list-style-type: none"> • Board Composition: 7 single-member district board members each serve 4-year terms. • Board Compensation: The School Board is reimbursed at a rate of \$25 per meeting. 	<ul style="list-style-type: none"> • Have Board of Directors attend an annual training to enable members to become impactful members of the board.
Collaboration	<ul style="list-style-type: none"> • The District leverages the food consortium to purchase through US Foods and is a member of WEPEC. 	<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.

547 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$195 per Student

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

Key statistics for metrics

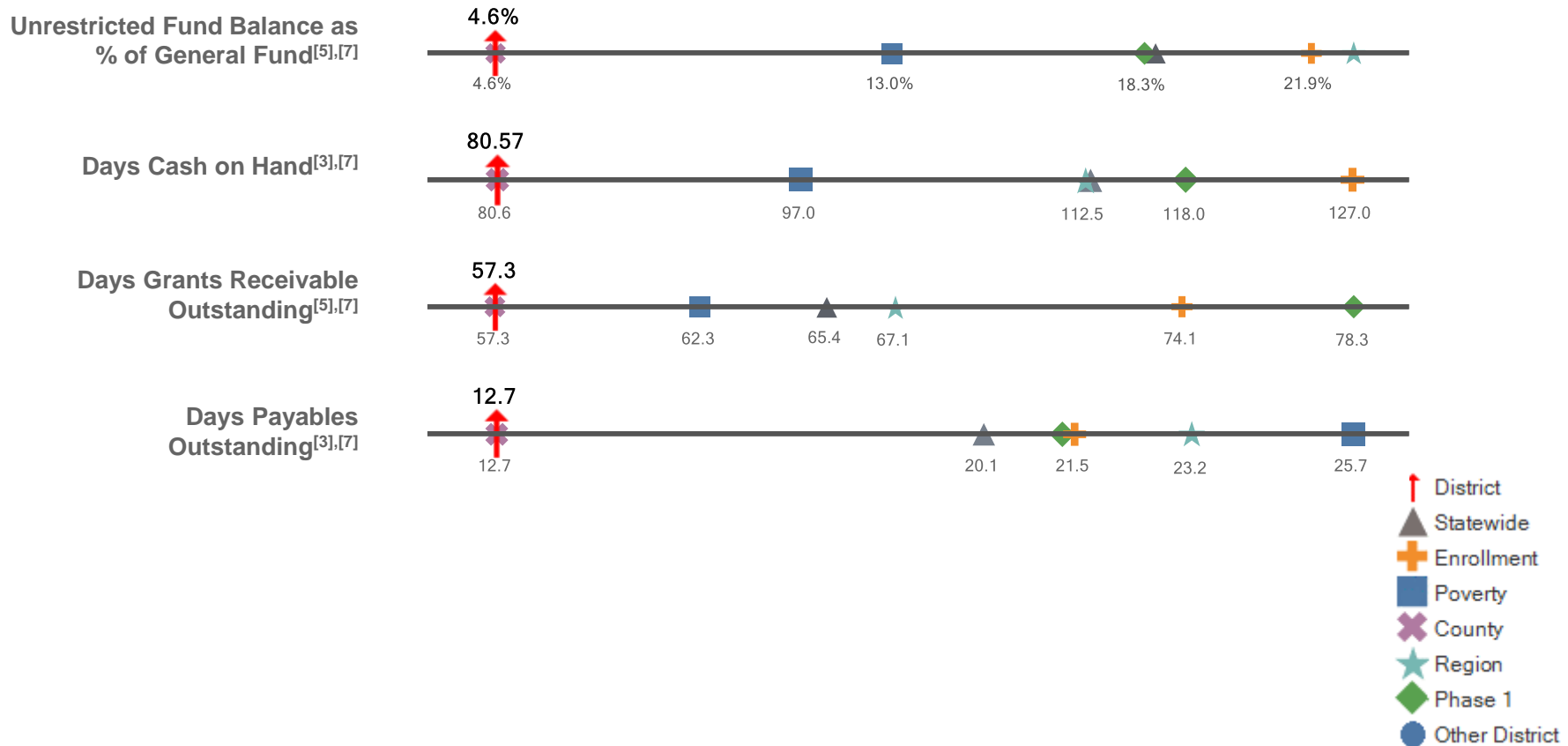
Financial FTEs ^[4]	4.0
Personnel Expense ^[3]	\$345,710
Non-Personnel Expense ^[3]	\$67,470
Total Financial Expense ^[3]	\$413,180

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 SALUDA

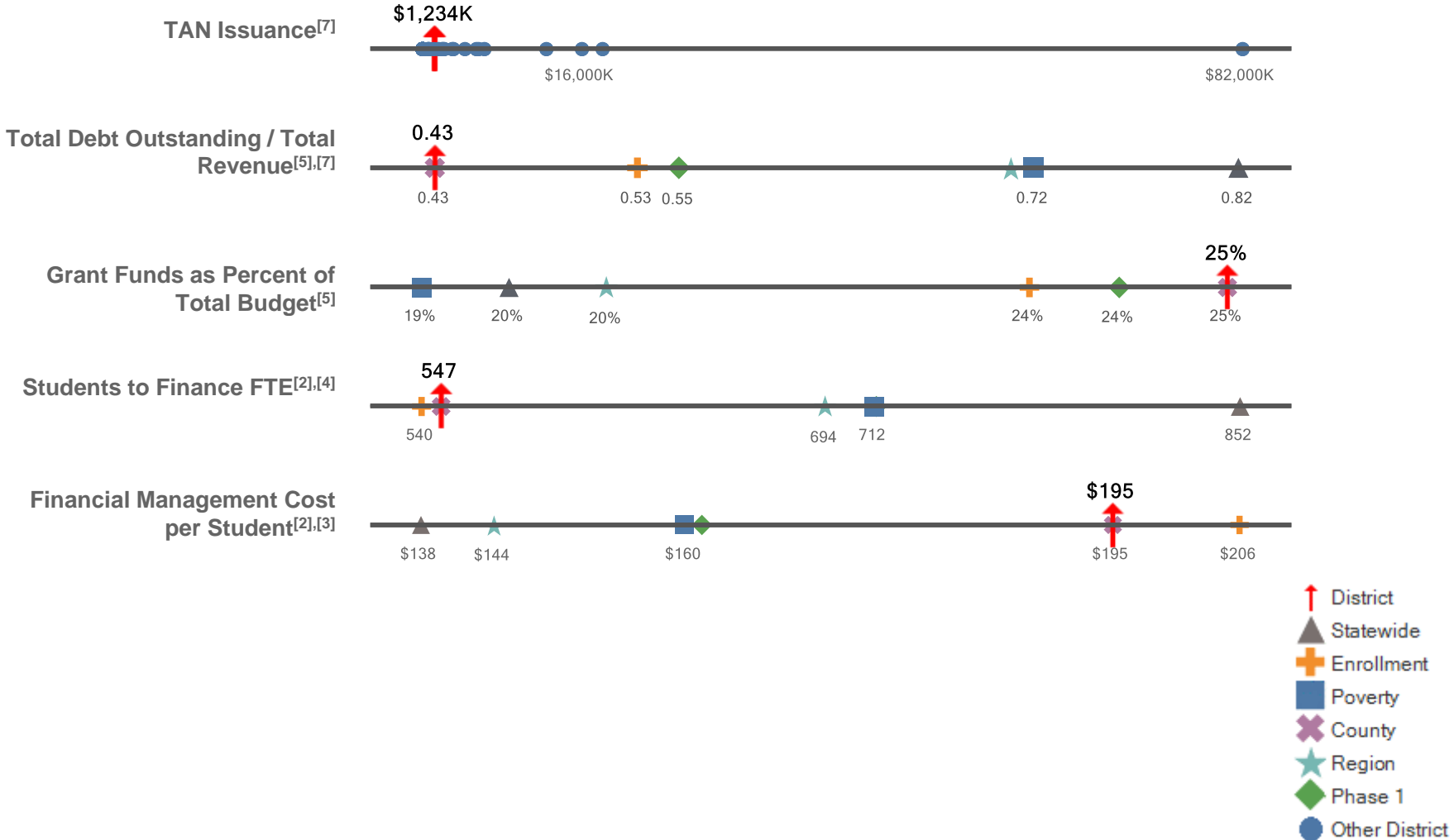
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 SALUDA

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Finance organization is staffed consistently with districts of similar size. The function support is responsible for accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. Finance also manages benefits administration but, nevertheless, shows a slightly more favorable student to finance FTE ratio and finance spend per student than its peers by enrollment. The District, therefore, demonstrates a relatively efficient finance team when compared to its peers, although the statewide average continues to show more efficiency through scale. • Finance Cost per Pupil: The Financial Management Spend per Pupil for the District is \$195, which more favorable than that of peer group by enrollment of \$206 but less favorable than the statewide average of \$138. • Student to Finance FTE: The Student to Financial Management FTE ratio is 547, which is comparable to peer group by enrollment of 540 but much less favorable than 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.

FINANCIAL MANAGEMENT SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a bi-weekly/other basis. The District still has employees that receive payments via check (not direct deposit). • Timekeeping: Timekeeping and payroll are automated (with some exceptions noted above). • Purchasing: The District has centralized purchasing in place and leverages the SmartFusion purchasing module. • Pcards: The District does not utilize a Pcard program. • Inventory: The District bar codes technology for asset tracking, but it does not currently conduct centralized inventory processes. Inventory is managed directly by schools and cross referenced against inventory listings maintained by the technology department. 	<ul style="list-style-type: none"> • Require all employees to receive payroll via direct deposit. In addition, eliminate the physical mailing of check stubs to employees and leverage employee self-service functionality available within the Harris SmartFusion system. • Implement policies that require use of a centralized purchase order system by schools and administrative personnel. Leverage automated purchase order work flow systems that can be integrated with the financial systems. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process.

FINANCIAL MANAGEMENT SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grant Revenues: Grant revenues provide 25% of revenue for the District compared to the statewide average of 20%. • 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. • Indirect Costs: The District does not charge indirect costs against federal grants • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with limited review by the Finance department. 	<ul style="list-style-type: none"> • Require finance to provide for a secondary review process before paying for grant funded activities or submitting claims for reimbursement on grants. • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities. • Create improved grants tracking reports that compare award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have no material weaknesses in its FY16 audited financial statements. 	
Cash Management	<ul style="list-style-type: none"> • Cash: The District invests excess cash balances in a Local Investment Pool to maximize earnings at times when cash balances are at peak. • Days Cash on Hand: The District holds 80.6 Days Cash on hand, which is lower than the statewide average of 112.8. • Days Payable Outstanding: Days Payable Outstanding is relatively low at 12.8. • Days Grants Receivable Outstanding: The District's Days Grants Receivable Outstanding of 57.3 is well below the statewide average of 65.4. 	<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 SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a roll-forward of the prior year expenses. The budget team works extensively with department heads to assess any new needs that are anticipated for the upcoming fiscal year. • Fiscal Monitoring: The District produces budget to actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses. 	<ul style="list-style-type: none"> • Prepare zero-based and / or performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for.
Technology	<ul style="list-style-type: none"> • ERP: The District uses the Harris SmartFusion accounting software system (including time and payroll). • Does not leverage SoftDocs for procurement and automated workflow approval of requisitions. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders and automated time tracking that links directly with the payroll system.
Regional Collaboration	<ul style="list-style-type: none"> • The District does not coordinate with others in the region on any transaction processing or finance related activities. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other Districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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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.

1,459 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$69 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	1.5
Personnel Expense ^[3]	\$117,232
Non-Personnel Expense ^[3]	\$27,953
Total Human Resources Expense ^[3]	\$145,185

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 SALUDA

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 SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Human Resources function is very small with limited staffing to support recruiting, retention, personnel relations, professional, benefits and professional development activities. • HR Director: Splits time and salary between HR and Transportation. • HR Cost Per Pupil: HR spend per student is \$69, compared to \$104 (peer group by enrollment) and the statewide average of \$75. • Student per HR FTE Ratio: The student per HR FTE ratio is 1,459, which is very high compared to districts of similar size, 372 and slightly more favorable than the statewide average of 1,338. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions. This is especially important given that the HR spend per student is slightly lower than peer group by enrollment and the statewide average. • Consider which HR functions could be leveraged through a shared services model across districts in order to let district HR personnel focus on professional development and personnel issues.
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, Saluda faces the added challenge of finding ESOL teachers. • The District teacher salary hovers around the state average (slightly below). 	<ul style="list-style-type: none"> • Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing Incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.
Technology	<ul style="list-style-type: none"> • The District leverages the State system CERRA for recruiting and Frontline for substitute management. 	
Benefits	<ul style="list-style-type: none"> • Benefits is administered by the financial management team. 	<ul style="list-style-type: none"> • Benefits administration process could be automated via establishment of an employee portal. Employees could be responsible for updates and information would be linked directly to payroll.

HUMAN RESOURCES SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">The District does not collaborate with other nearby school districts on recruiting, human resource system licenses.	<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 TeachersConsider creating a regional recruitment and training center focused on teacher recruitment across regional group of districts



OUTLINE

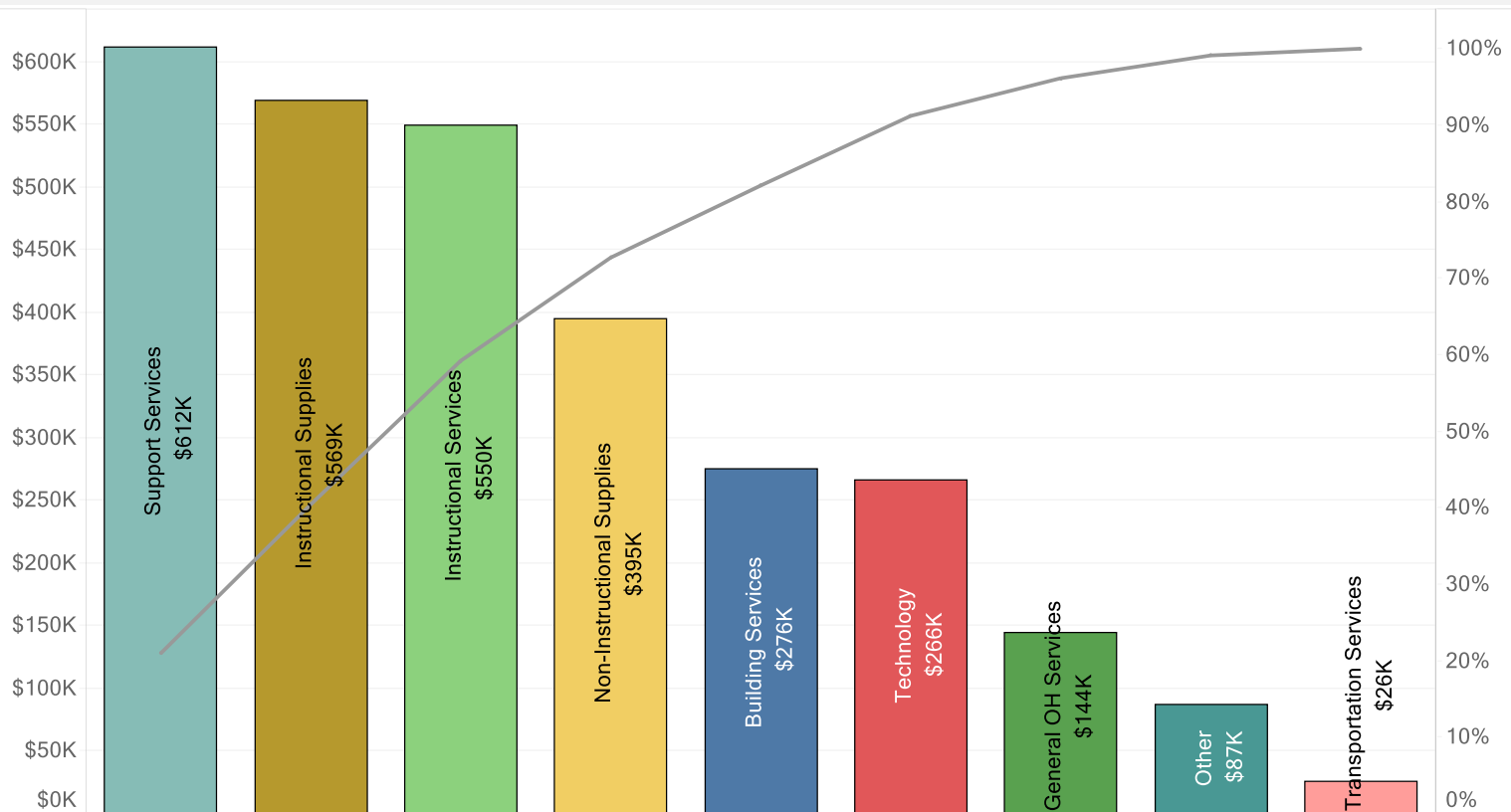
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PROCUREMENT SALUDA

PROCUREMENT OVERVIEW

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

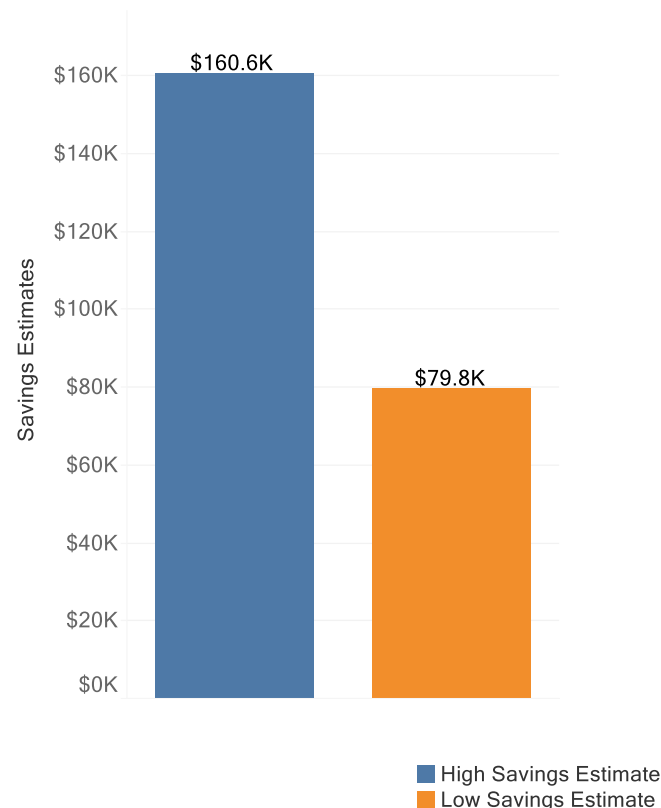
District In Scope Total Procurement Spend = \$2,924,141



ESTIMATED PROCUREMENT SAVINGS

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

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



PROCUREMENT SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

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

PROCUREMENT SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread, but it does appear to use the same vendor (Pet Dairy). • Energy: The District does not fix rates for natural gas contracts. • Other services and supplies: The District does not procure instructional services, software, hardware or supplies in collaboration with any other 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. • Coordinate purchasing of instructional services with surrounding Districts to maximize the potential for volume discounts. • Consider establishing fixed rate contract for natural gas. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Regional Collaboration</p>	<ul style="list-style-type: none"> • Consortiums: The District partners with other districts to procure services through WEPEC and food supplies (excluding dairy) through the regional consortium. 	<ul style="list-style-type: none"> • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: <ul style="list-style-type: none"> - Technology - Instructional Software and Services - Instructional Staffing - Supplies



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TRANSPORTATION SALUDA

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION OVERVIEW

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

14 Years

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

\$313 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	24.5
Personnel Expense ^[3]	\$628,312
Non-Personnel Expense ^[3]	\$33,180
Total Transportation Expense ^[3]	\$661,492

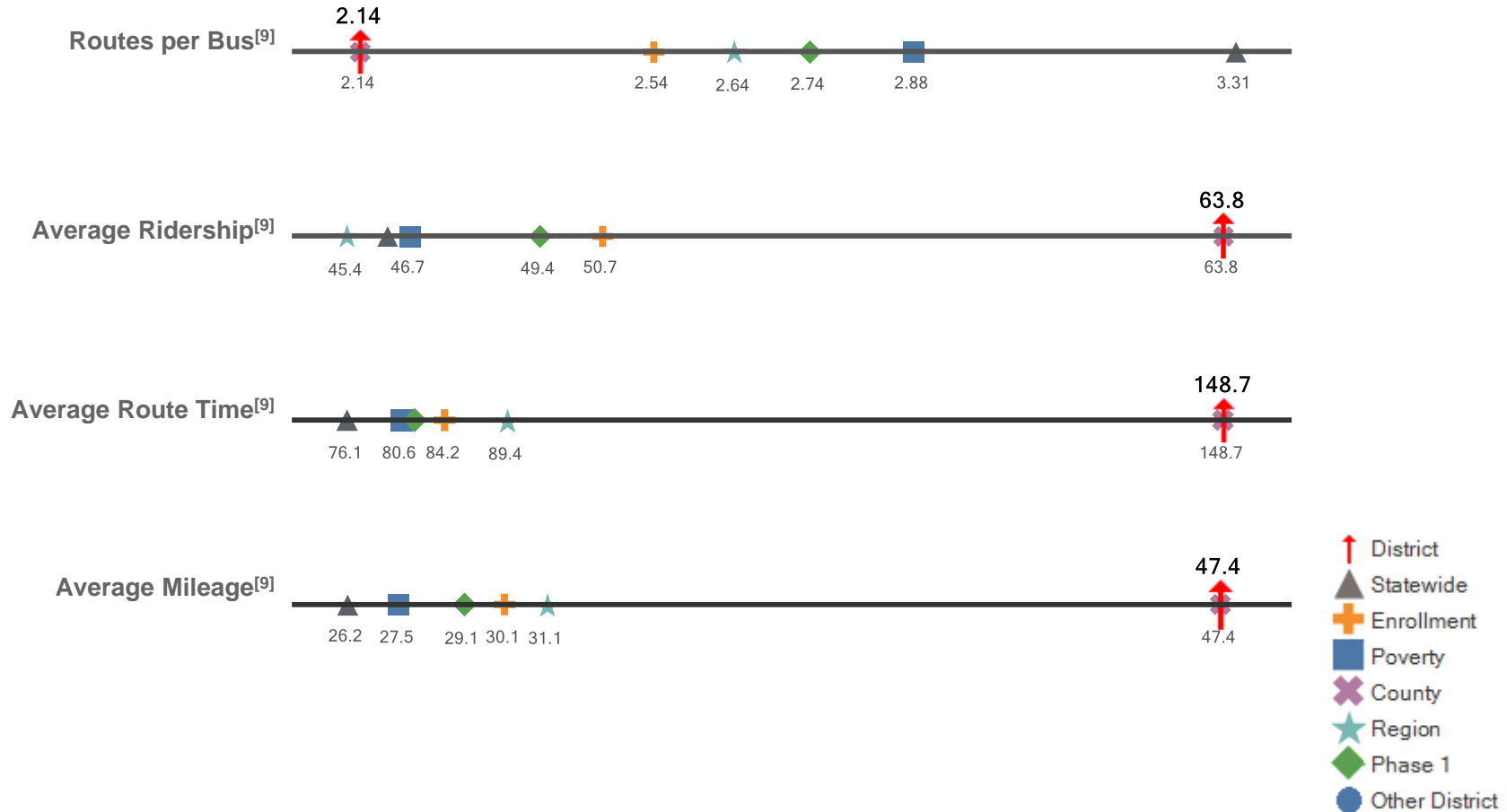
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	18.7	40	2.1	2,550	64	149	47
Special Needs	3.3	10	3.0	100	10	Not-Available	37
Other	0.0	0	0.0	0	0	Not-Available	0
Total	22.0	50	2.3	2,650	N/A	N/A	N/A

TRANSPORTATION SALUDA

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 SALUDA

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. • Substitute Drivers: The District does not have a pool of substitute drivers; therefore, routes are frequently adjusted daily to deal with the shortage. • Staggered Bells: The District does not run staggered bell times for schools, but runs staggered bus routes with the earliest routes starting as early as 4:45am. Given all schools start at the same time, students regularly arrive at school up to an hour before school starts. • Driver Pay: Bus drivers are currently paid a starting rate of \$10.08, approximately \$2.38 above state reimbursement levels. • Organization: Transportation is run by one administrator. 	<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 SALUDA

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing Software: The District does not utilize routing software. • Tracking: The District does not have GPS on its buses. • Communications: The District provides cell phones (radios or other) to drivers to contact drivers while on routes. • Security: The District does have security cameras on all buses. • The District does not have stop-arm cameras on buses. • Activity Buses: The District does not use the State fuel for activity buses. 	<ul style="list-style-type: none"> • Implementation of staggered bell times will 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students. • Implement routing software to ensure most efficient routes • Install GPS on buses to monitor bus routes and ensure most efficient route. • Install security cameras and stop-arm cameras on buses to increase child safety and security on bus.
Collaboration	<ul style="list-style-type: none"> • The District does not collaborate with surrounding districts. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and support bus driver sourcing.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

SALUDA

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

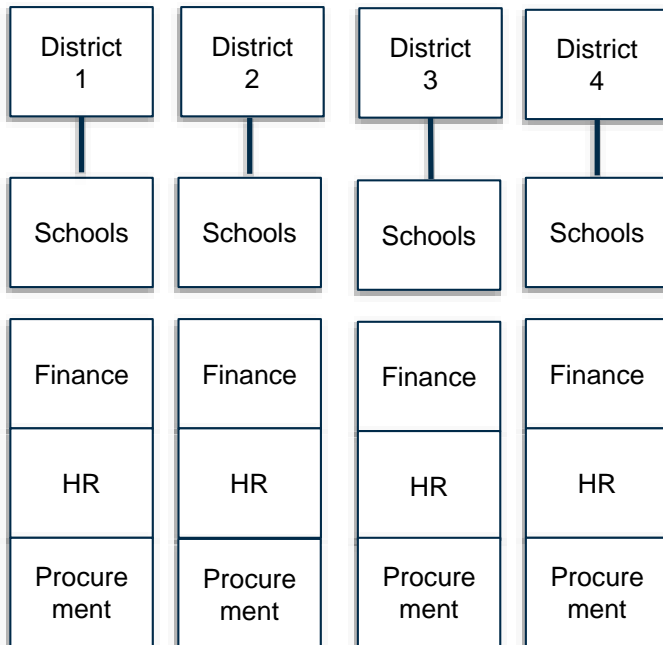
SALUDA

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.

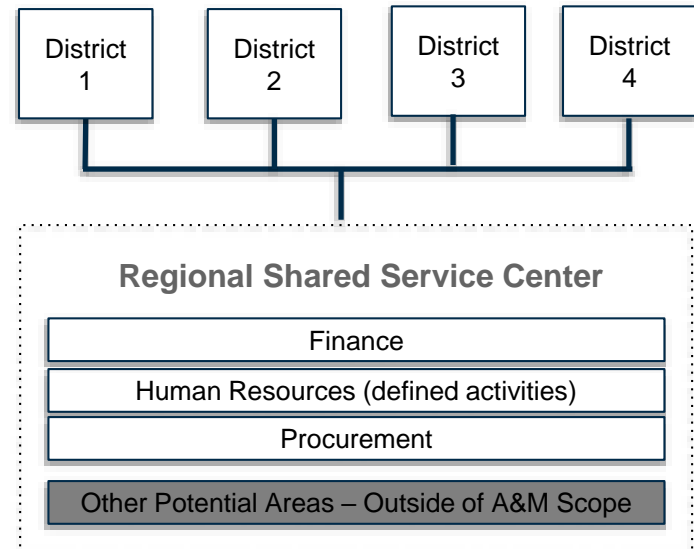
CURRENT STATE: STAND ALONE DISTRICT

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

SALUDA

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.

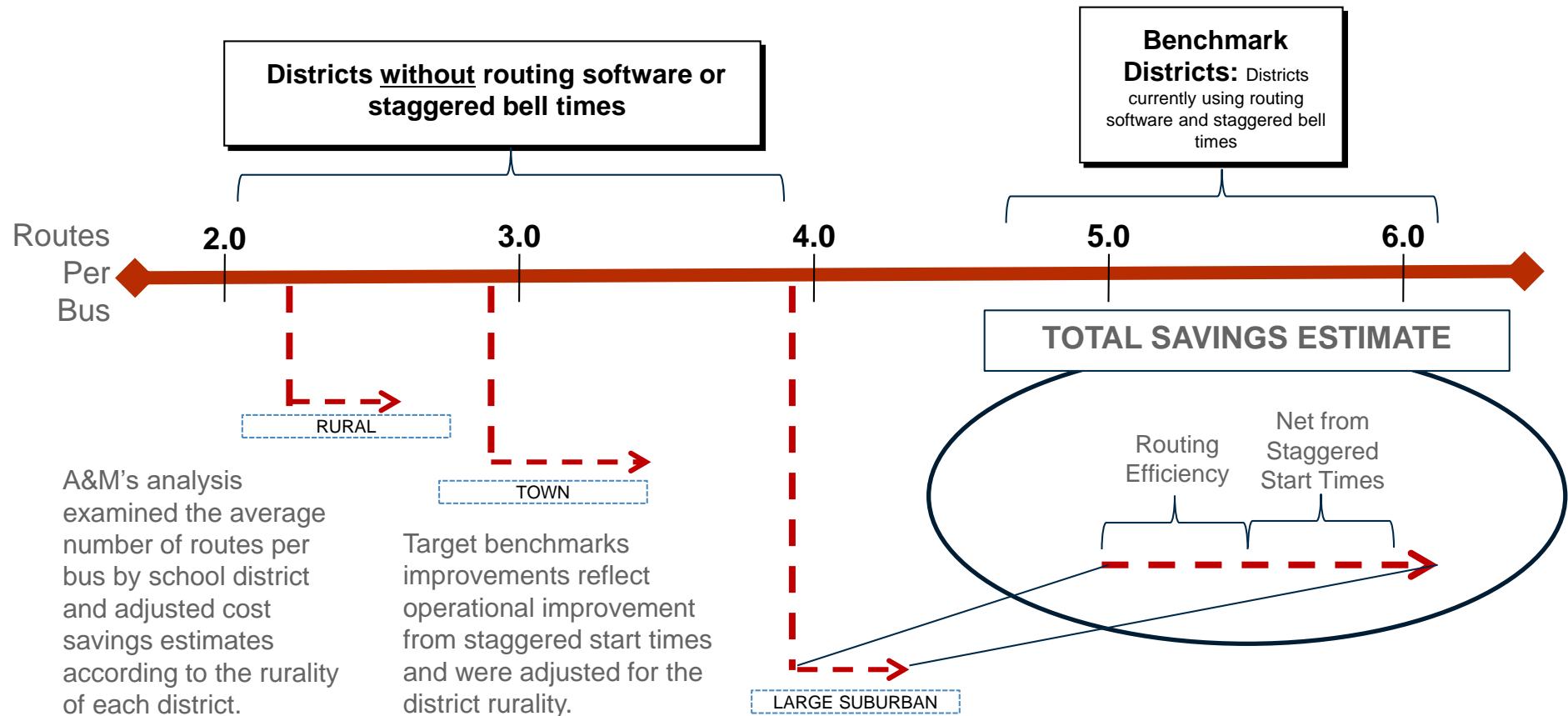
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

SALUDA

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

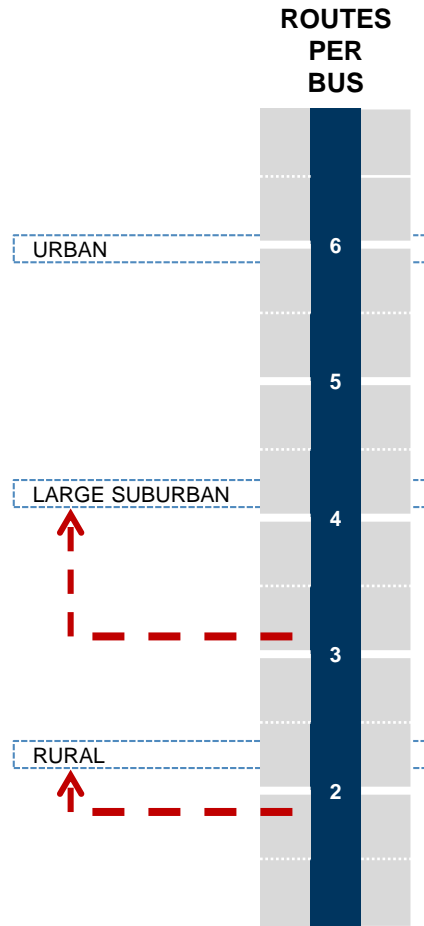
SALUDA

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

SALUDA

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

SALUDA

[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

SALUDA

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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