



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Anderson 05

District Report

6/16/2017





OUTLINE

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

EXECUTIVE SUMMARY

ANDERSON 05

PROJECT OVERVIEW

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

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

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

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

EXECUTIVE SUMMARY

ANDERSON 05

PROJECT OVERVIEW (CONTINUED)

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

PROJECT OVERVIEW (CONTINUED)

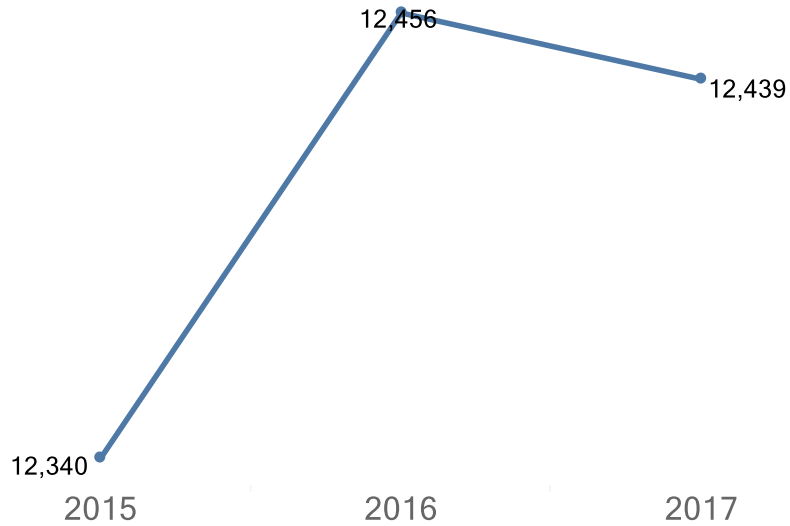
➤ Sources of Data and Savings Estimates:

- 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.

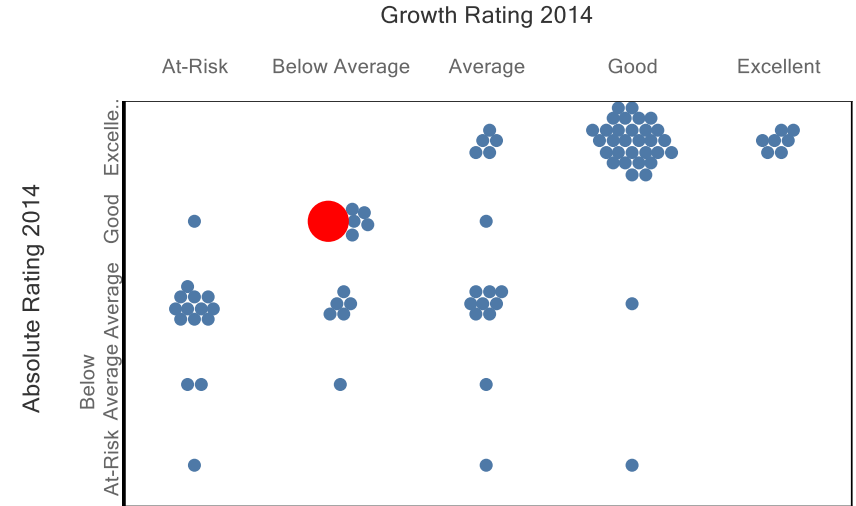
EXECUTIVE SUMMARY

ANDERSON 05

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	19
% Poverty ^[1]	62.5%
% Disability ^[1]	13.1%
\$ Per Student ^{[2],[3]}	\$18,787
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,254

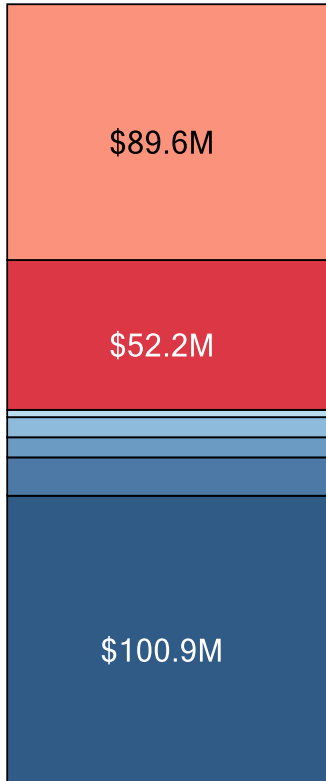
Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.9
Students Per Overhead FTE ^{[2],[4]}	289.3
Students Per School Support FTE ^{[2],[4]}	35.1
Students to Total FTE ^{[2],[4]}	7.5

EXECUTIVE SUMMARY

ANDERSON 05

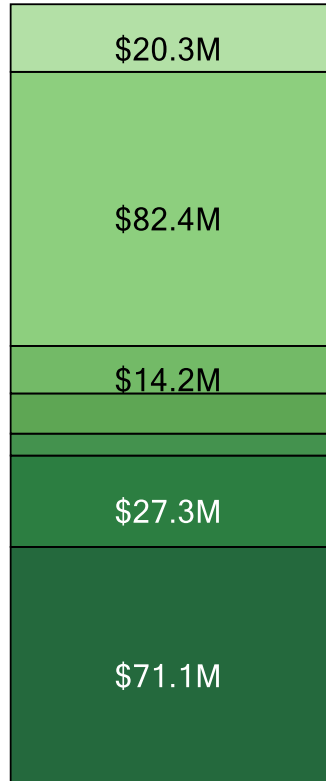
Sources of Funds^[5]
\$272.9M



2015-2016

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

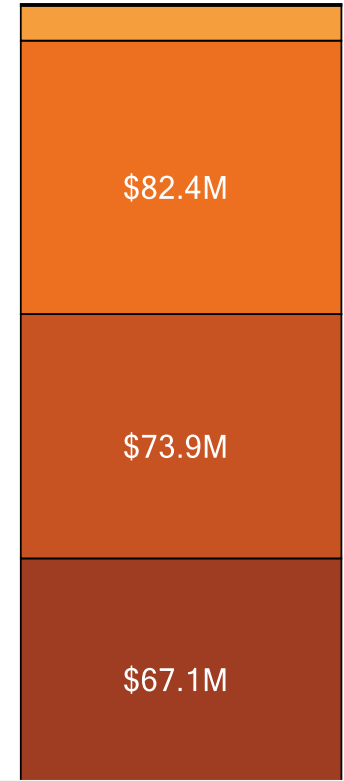
Use of Funds - Type^[3]
\$234.0M



2015-2016

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

Use of Funds - Function^[3]
\$234.0M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ANDERSON 05

\$234.0M
Total

\$19.0M
In-Scope

\$215.0M
Not In-Scope

8.1% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$2,304,529	\$567,813
Human Resources	\$753,069	\$69,856
Overhead	\$583,624	\$141,876
Transportation	\$4,478,215	\$971,070
Procurement (Community Services, Instruction, Support Services)	\$10,880,242	\$10,880,242
TOTAL	\$18,999,679	\$12,630,857

* totals may not tie due to rounding

EXECUTIVE SUMMARY

ANDERSON 05

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: To educate students who are college and career-ready and will positively contribute to an ever-changing world.

Goals:

- 1. Professional Development:** Provide curriculum development and professional development to increase the competency of all South Carolina educators so that research-proven strategies and the effective integration of instructional technology systems can be used to increase student achievement.
- 2. Technology:** Use current and emerging technologies to create learner centered instructional environments that enhance academic achievement
- 3. Implementation Resources:** Expand and support technology resources to assist educators and learners in meeting the state academic standards.

Achievements

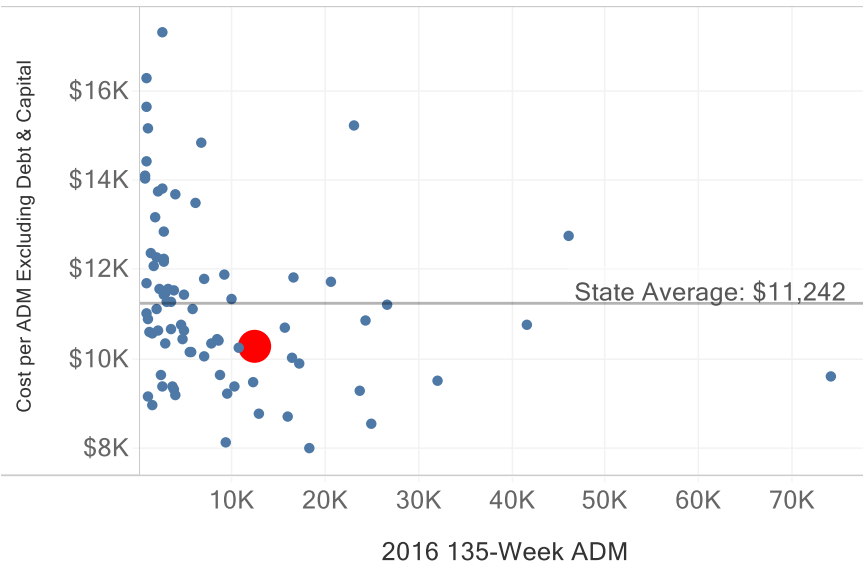
- **AdvancEd:** Achieved AdvancEd. accreditation in 2013.
- **Graduation Rates:** Improved graduation rates across the district.
- **Scholarships:** The graduating class of 2016 earned \$23.1 million in college scholarships.
- **Local Option Sales Tax:** Through partnership, the Anderson County School Districts were able to pass a 1% nominal sales tax to help finance debt service and capital improvement needs. Since its passing, the school districts have collected \$45 million.

Challenges

- **Demographics:** District attendance areas promote skewed demographics—i.e. polarization effect of impoverished, minority children in one high school, wealthier students in other high school.
- **Teaching Force:** Like others in the State, the District is faced with challenges associated with the statewide teacher shortage.
- **Bus Driver Shortage:** The District is faced with a qualified and reliable bus driver shortage, similar to neighboring areas.

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

ANDERSON 05

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Financial Management: The District has a strong financial position with significant cash on hand and a substantial unrestricted fund balance relative to peer districts of similar size. • Staffing / Processes: The Finance department is adequately staffed. However, the District should seek to leverage software to integrate automated timekeeping into payroll and automated purchasing workflow approvals.
Human Resources	<ul style="list-style-type: none"> • Staffing / Processes: The Human Resources organization is a 7-person team overseen by the Assistant Superintendent that manages Professional Development, Recruiting and Retention, Benefits Administration, and personnel issues. The District recently procured technology to streamline application, recruiting and onboarding processes. • Challenges with Recruiting and Retention: The District experiences general challenges associated with teacher shortages. However, the District does not rely on staffing agencies to fill positions and instead uses its close proximity to large universities to help feed the pipeline.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The majority of districts are grappling with a shortage of drivers. • Routing Software: The District utilizes routing software to help map out the most efficient routes.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District has two resources dedicated to Procurement. • Strategic Sourcing: As a larger district, contracts are negotiated with volume discounts when possible.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Office of the Superintendent is adequately staffed including the Superintendent, two Assistant Superintendents, a Director of External Affairs and a secretary. • Collaboration: Formally, the Anderson County Districts passed a Local Option Sales Tax together, providing funding for debt service and capital needs. Informally, the Districts meet regularly to discuss problems and troubleshoot.

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

ANDERSON 05

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 purchase to payments processes and integrated timekeeping and payroll.</p> <p>Process Improvements: Modernize processes to limit manual activities.</p> <p>Staffing and Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.</p>	<p>System Enhancements: Implement new technologies to automate HR processes such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates.</p> <p>Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.</p>	<p>Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Negotiate discounts / rebates for tiered levels of spending.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>Process Improvements: Staggered Bell Times: Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits of expanding staggered bell times and routing software.</p>

EXECUTIVE SUMMARY

ANDERSON 05

COLLABORATION RECOMMENDATIONS

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

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

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

EXECUTIVE SUMMARY

ANDERSON 05

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

EXECUTIVE SUMMARY

ANDERSON 05

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$69,500	\$173,800	\$157,200	\$471,600
Human Resources	0	0	0	74,500
Procurement	0	0	305,000	656,100
Transportation – District	N/A	N/A	0	0
District Total	69,500	173,800	462,200	1,202,200
Transportation – State	0	0	0	0
Total	\$69,500	\$173,800	\$462,200	\$1,202,200

* 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.



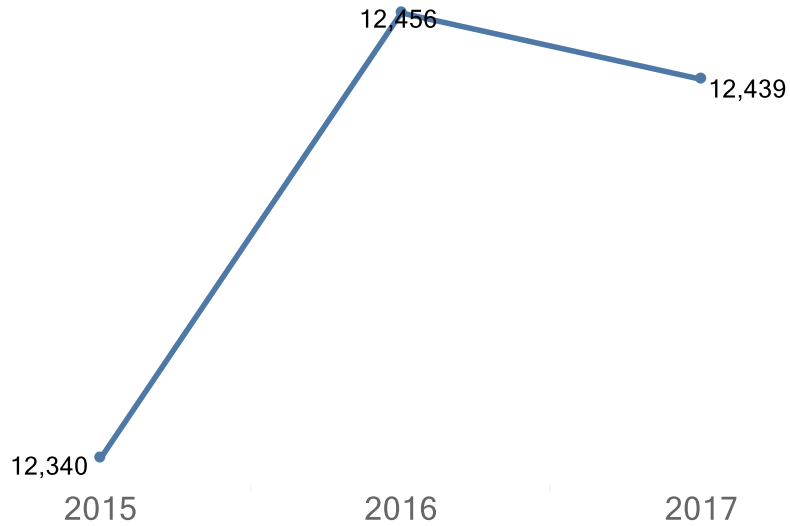
OUTLINE

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

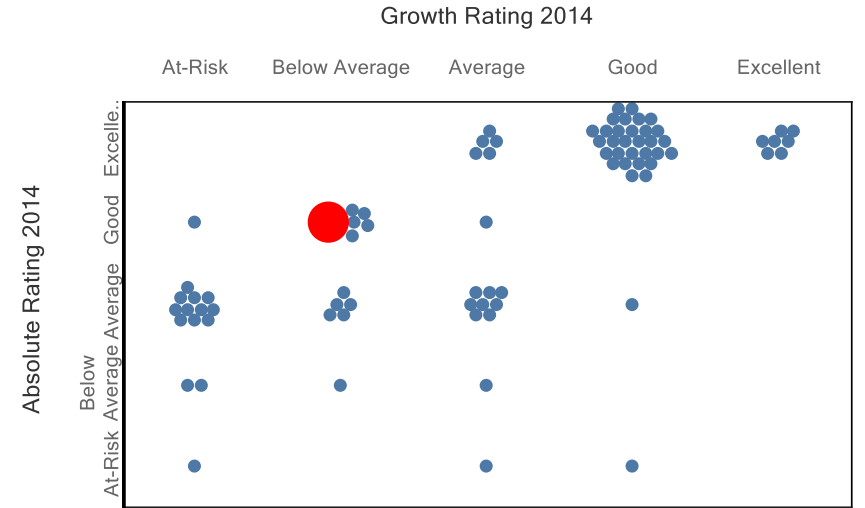
DISTRICT ADMINISTRATION AND PERFORMANCE

ANDERSON 05

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools^[2]	19
% Poverty^[1]	62.5%
% Disability^[1]	13.1%
\$ Per Student^{[2],[3]}	\$18,787
\$ Per Student Excluding Debt & Capital^{[2],[3]}	\$10,254

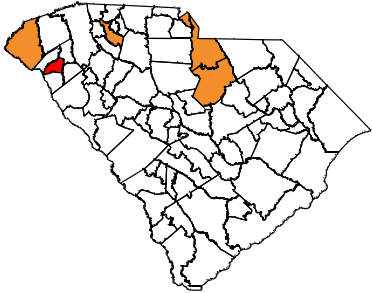
Administration

Students Per Instructional Services FTE^{[2],[4]}	9.9
Students Per Overhead FTE^{[2],[4]}	289.3
Students Per School Support FTE^{[2],[4]}	35.1
Students to Total FTE^{[2],[4]}	7.5

DISTRICT BENCHMARKING

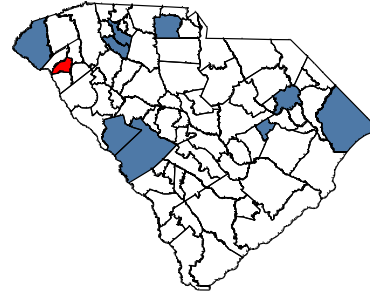
ANDERSON 05

Enrollment (10,000 - 15,000)



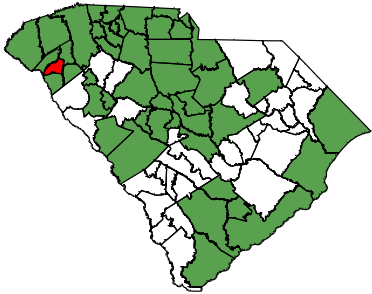
- Anderson 05
- Kershaw
- Lancaster
- Oconee
- Spartanburg 06
- York 04

Poverty (60% - 65%)



- Aiken
- Anderson 05
- Clarendon 03
- Edgefield
- Florence 01
- Horry
- Oconee
- Spartanburg 04
- Spartanburg 06
- York 01

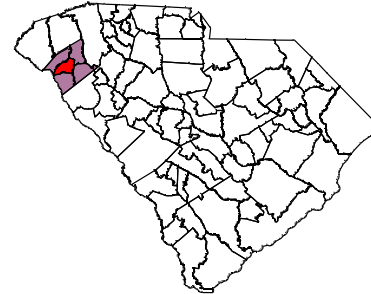
Phase 1 (No)



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

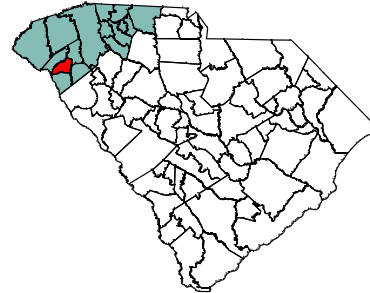
- Sumter
- Union
- York 01
- York 02
- York 03
- York 04

County (Anderson)



- Anderson 01
- Anderson 02
- Anderson 03
- Anderson 04
- Anderson 05

Region (Appalachian)



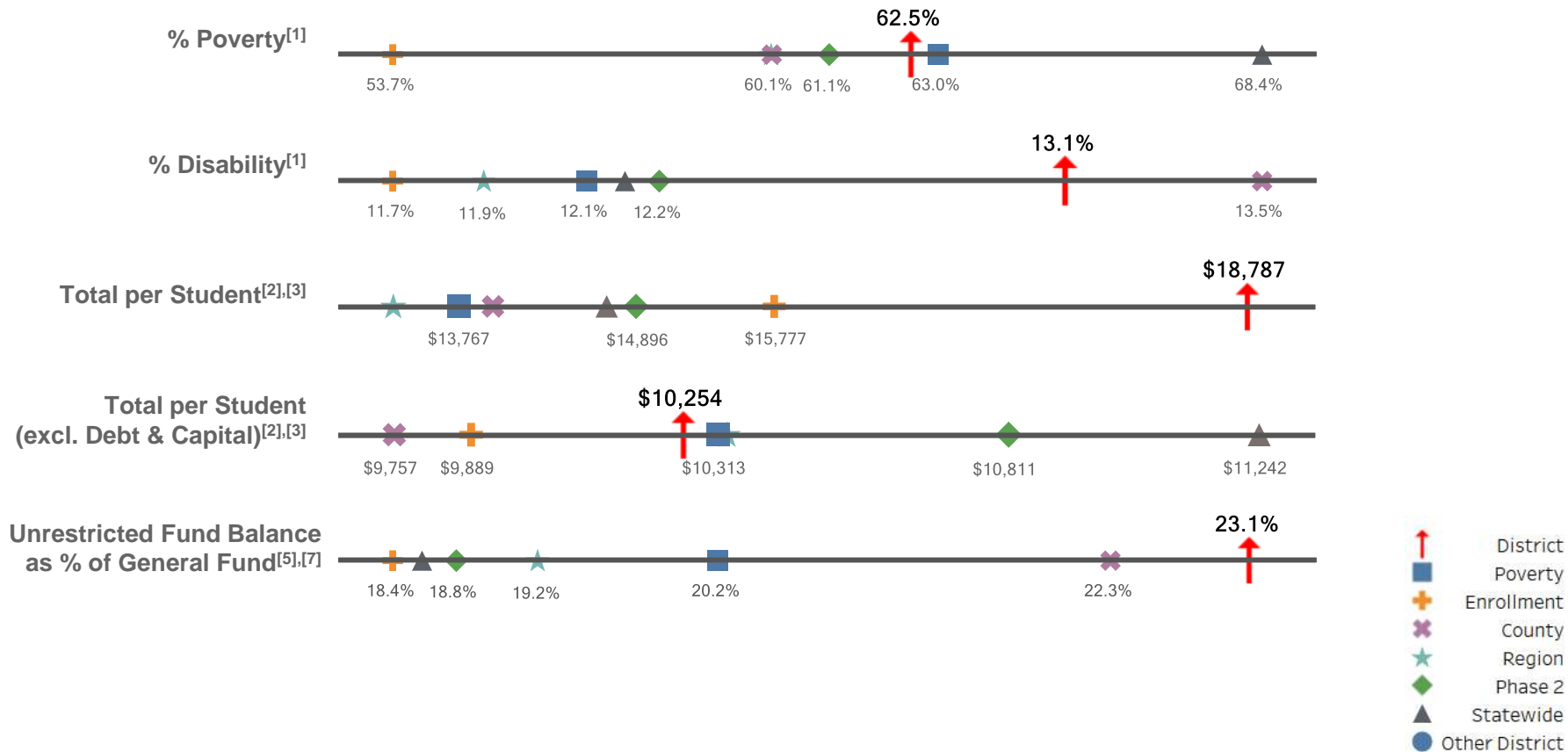
- Anderson 01
- Anderson 02
- Anderson 03
- Anderson 04
- Anderson 05
- Cherokee
- Greenville
- Oconee
- Pickens
- Spartanburg 02
- Spartanburg 03
- Spartanburg 04
- Spartanburg 05
- Spartanburg 06
- Spartanburg 07

DISTRICT OVERVIEW

ANDERSON 05

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

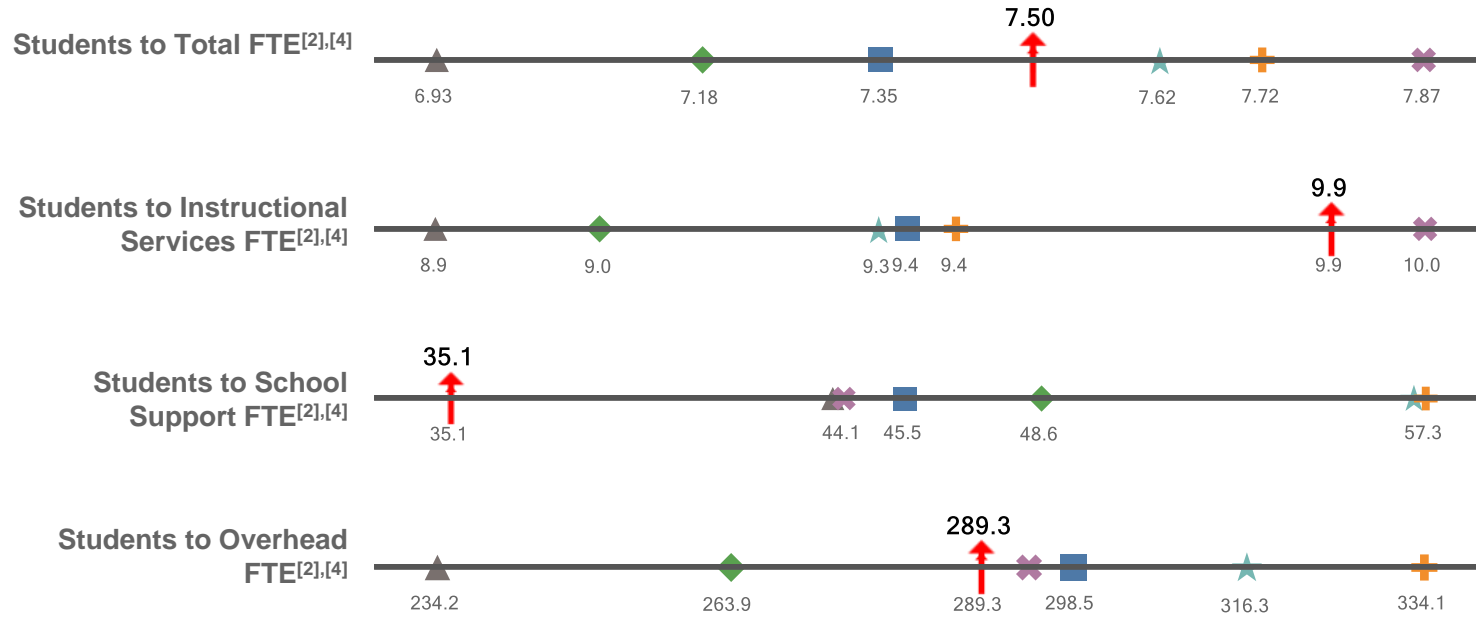
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



DISTRICT OVERVIEW

ANDERSON 05

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD

ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: Anderson 5 is the largest of the district in the County. Enrollment in Anderson 5 has increased by 99 students or approximately 1% over the past 3 years. Enrollment is currently at 12,439 students. • Student Demographics: The District does not operate a separate special education school but does incorporate special education programs into the curriculum for students in need. • Competition: There is one charter school in the district as well as a few other private and catholic schools; however, the area remains a public school district and does not compete for enrollment. • Long-term Planning: The District prepares multi-year enrollment projections to help inform long-term planning. 	
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expense: When excluding debt and capital, the District per pupil expense of \$10,254 is lower than the statewide average of \$11,242 and higher than the county average of \$9,757. • Unrestricted Fund Balance: The District has an unrestricted fund balance that is 23.1% of general revenues which is significantly higher than the statewide average and districts of similar size. 	

DISTRICT OVERVIEW AND OVERHEAD ANDERSON 05

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 FTEs of the District is 7.5 which is similar to enrollment peers but higher than the statewide average. • Student to Instructional Services FTE: The Student to Instruction ratio of 9.9 is on par with county peers and higher than the statewide and enrollment peer average, indicating classroom sizes similar to the rest of the county. • Student to School Support FTE: The Student to School Support ratio is 35.1 which is lower than the statewide average, county and districts of similar size. • Student to Overhead FTE: The Student to Overhead Ratio of 289.3 is similar to county and enrollment peers but higher than the statewide average due to a higher level of support provided to the Superintendent's office. 	
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: With the assistance of Assistant Superintendents, the Superintendent's job is more heavily focused on the academic needs of students and community engagement. • Communications Function: There is dedicated communications support for the Superintendent's office. The function resides with a Public Relations/communication specialist who is responsible for all external affairs. 	

DISTRICT OVERVIEW AND OVERHEAD

ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Legal: District has no legal department. If legal advice is required, the District retains outside counsel to provide support. • Turnover: Superintendent Wilson has overseen the district for the past 4 years. 	
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the district are not paid. • Board Composition: The Board is composed of nine elected members who each serve a four year term. • Training: Board members participate in an annual board retreat; however, they are not required to attend training. 	<ul style="list-style-type: none"> • Encourage Board of Directors to attend annual training to enable members to become impactful members of the board.
Community and Business Development	<ul style="list-style-type: none"> • Relationships: The District maintains formal partnerships with area businesses. Community engagement revenues brought in almost \$130,000 in FY16. • District Foundation: The District has a foundation that provides support to the school district from local businesses. • Business Engagement: The District largest partnership with Bosch provides funding for the science camp as well as additional teacher grants. • Philanthropic Engagement: The District works with United Way for the Backpack Backpack program. 	<ul style="list-style-type: none"> • The District should establish a Business and Community Engagement function within the district office to maintain and cultivate philanthropic and business relationships to generate additional funding and support for the district. • Consider shared Chief Development Officer across districts.

DISTRICT OVERVIEW AND OVERHEAD

ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none"> • Informal Networks: The District regularly communicates with the other Anderson County superintendents. The Anderson School Districts collaborated to pass the 1% Local Option Sales Tax which helps each district fund debt service and capital improvements among other things. • Career Center: The District is building a shared career center in collaboration with Anderson 3 and Anderson 4 expected to open in FY19. Anderson 5 will pay about 70% of the cost (proportional to enrollment) and will serve as the fiscal agent. • Alternative School: The Anderson County School Districts share an alternative school. The county board serves as the fiscal agent and is largely funded by its own county mileage (2 mills). However, the county bills each school district for the remainder of expenses based on enrollment and the exact number of days the student attended alternative school. • Special Education: As the largest district in Anderson County, Anderson 5 provides a more robust special education program in the county. The District does not currently share special education teachers; however, in the past, the district has shared teachers who specialized in a certain area with other districts. • 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) require specialized skills or 2) are highly transactional. • Consider sharing the cost of police officers with the county/town to save on security FTE costs.



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.

1,131 : 1
District Students (ADM)^[2] Financial FTE^[4]

\$185 per Student

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

Key statistics for metrics	
Financial FTEs ^[4]	11.0
Personnel Expense ^[3]	\$1,721,398
Non-Personnel Expense ^[3]	\$583,131
Total Financial Expense ^[3]	\$2,304,529

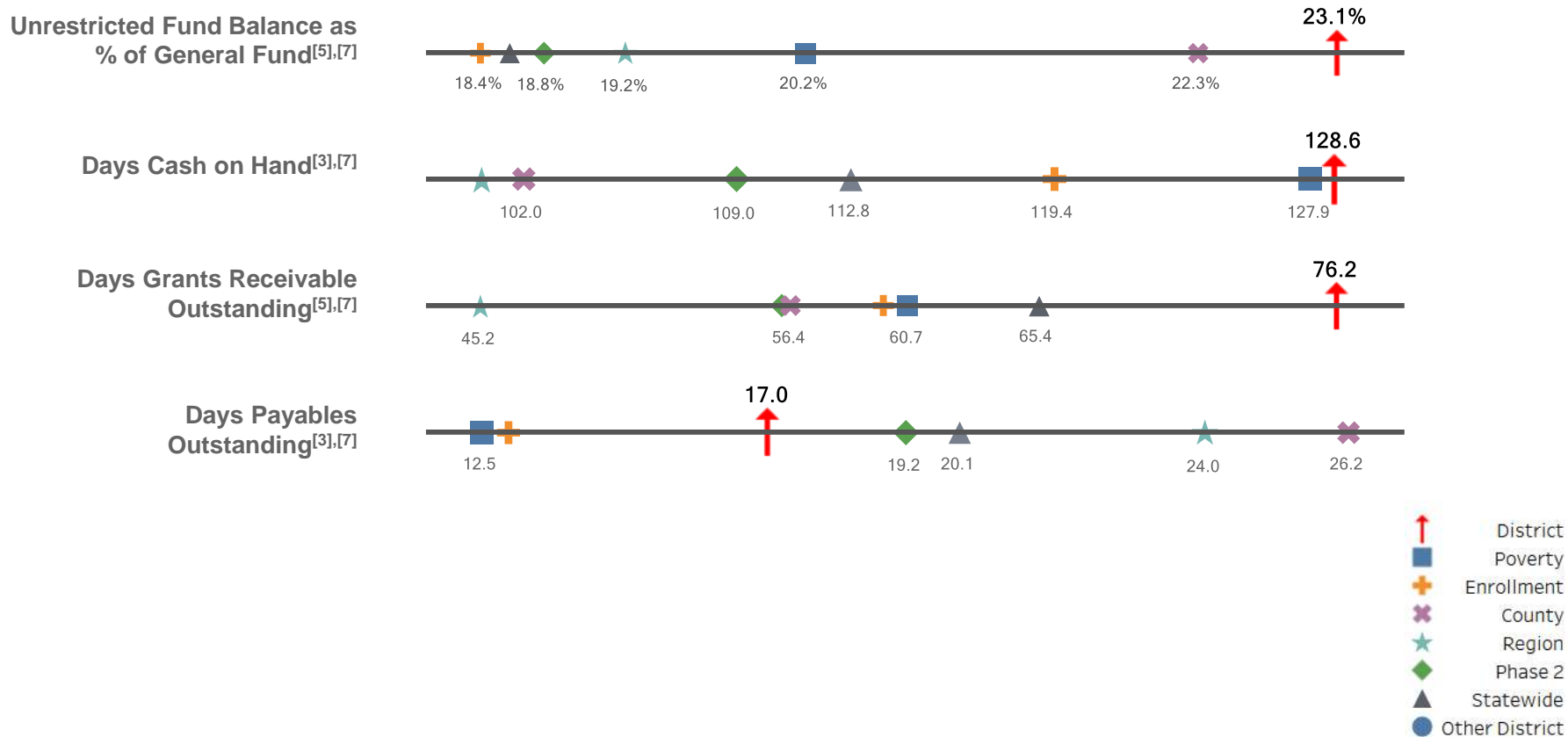
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

ANDERSON 05

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

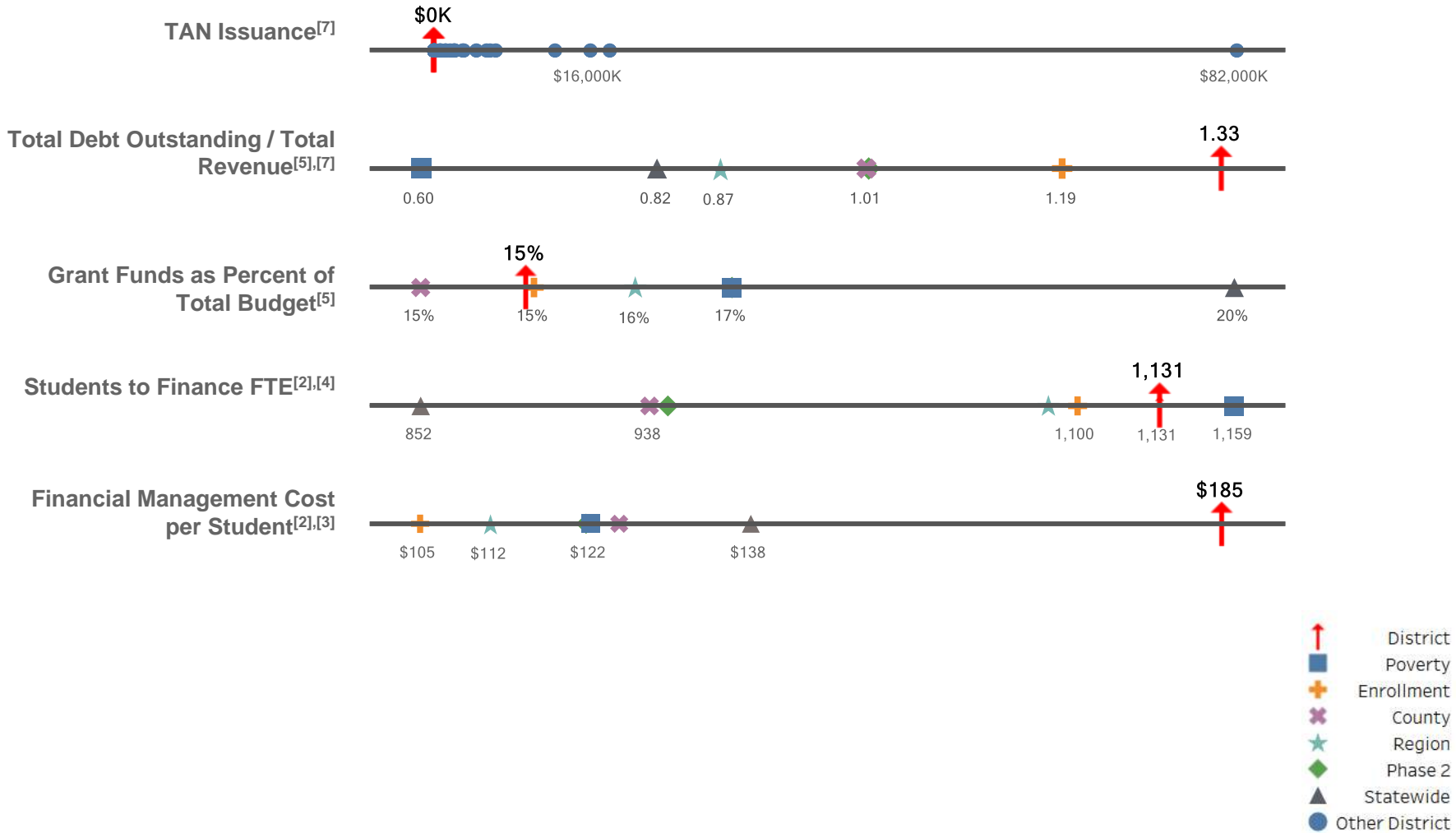
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



FINANCIAL MANAGEMENT

ANDERSON 05

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT

ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. The department is led by the CFO. The CFO is supported by ten additional FTEs dedicated to Accounts Payable, Payroll, Purchasing, and Grants. Staff are adequately cross-trained to ensure business continuity is not affected. • Turnover: The current CFO has been in her position since the inception of the position in 2014. Prior to its inception, the role was split between operations and finance. • Student Per Finance FTE: The student to financial management FTE ratio is higher relative to county and statewide peers but similar to enrollment peers at 1,131 students per FTE indicating lean operations. • Finance Cost Per Pupil: Despite the student to FTE ratio, the Finance cost per pupil for the district is higher than peers at \$185 dollars per student. • School-Based Staff: Each school has an assigned bookkeeper to handle school-based transactions. 	<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. • Provide additional training and professional development to school-based bookkeepers.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Payroll and Accounts Payable</p>	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a semi-monthly basis for all employees. • Direct Deposit: 100% of District's employees are on direct deposit. • Employee Self-Service: The District recently implemented a self service payroll platform; therefore, employee initiated payroll changes are all processed electronically. • Timekeeping: Time tracking is currently managed via manual processes and entered into the payroll system by the finance department. The director's assistant manually reviews and inputs timesheets on a weekly basis. Substitute timekeeping and payroll are managed automatically through AESOP. • Purchasing: The District utilizes a centralized purchase order process for the majority of purchases. Schools are able to secure items and services in accordance with district and state regulations which are then approved by appropriate personnel and district financial management. Workflow approvals are done manually. • Pcard: The District runs a limited Pcard program run by the procurement department. The District has two cards in circulation used for Title-I and McKinney-Vento purchases, respectively. Spend in FY16 did not exceed \$25,000. 	<ul style="list-style-type: none"> • Implement an automated time-tracking functionality such as a biometric timeclock that integrates with the payroll system in order to eliminate the need for manual time sheets. • Implement district-wide policies that require the use of a centralized purchase order system by schools, administrative and maintenance personnel. Enforce existing automated purchase order work flow systems to be used across all departments. • Given the purchasing volume of the District, expand and promote the use of the Pcard program with a single financial institution to leverage a rebate incentive.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Payroll and Accounts Payable</p>	<ul style="list-style-type: none"> • Warehouse: There are two warehouses in the district with total inventory estimated at \$500,000. One warehouse stores instructional materials and office and janitorial supplies. The second warehouse is for surplus materials. The district regularly hosts a public auction to sell off surplus materials. • RFID Tagging: The District bar codes all mobile technology issued to schools and students and any product over \$5,000 for asset tracking. The district does not use RFID tagging for items in the warehouse. The Director of Technology oversees technology inventory. • Inventory: The District conducts frequent, automated centralized inventory processes. Inventory is tracked through the Harris SmartFusion system and the procurement team runs an inventory review and a reorder report weekly. Inventory is managed individually by each school and cross referenced against inventory listings. • Textbooks: Schools directly manage textbook inventory within the state Destiny system. • Risk Management: The District does not have formal risk management policies in place. 	<ul style="list-style-type: none"> • Implement risk management policies and procedures to include: (a) risk assessment and management; (b) safety and loss prevention review; (c) insurance claims handling and processes; and (d) insurance policy review and negotiation.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Grants Management</p>	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 15% of revenue for the district making this District similarly reliant on grant funds as its county and enrollment peers. • Federal Funds: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance department collaborates closely with grants administrators to ensure that claims are made in a timely manner and money is used per the terms of the grant. • Indirect Costs: The District charges indirect costs against larger federal grants at the state rate. • Grant Writer: The District has a full-time, dedicated grant writer who pursues new grant opportunities and applications. The grant writer is a resource often utilized by the other Anderson County districts. • Grants Monitoring: Finance runs a monthly report of budget to actuals. Review of expenditures against grant requirements is conducted by the grant coordinator and end-user, with a secondary review by the Finance department who then submits claims and checks for proper documentation. 	<ul style="list-style-type: none"> • Require that claims are processed monthly for grants that are eligible for monthly submission in order to: (a) maximize cash flow; (b) identify any potential issues with submissions as early as possible.

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 material weaknesses in its latest audited financial statements.• Segregation of Duties: The District actively manages a segregation of duties and seeks to provide checks and balances in all processes.• Position Control: The District has implemented the position control function within Harris SmartFusion.	<ul style="list-style-type: none">• Implement an annual review of processes to ensure segregation of duties over key areas of internal control.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance with 128.6 days cash on hand which is higher than the county and the statewide average. • Cash Flow Monitoring: The District has a cash flow forecasting process that is presented to the board monthly. The district monitors cash balances more frequently in pre-tax receivable months. • Short-Term Borrowing: The District has not needed to utilize Tax Anticipation Notes to help manage working capital through low liquidity months in the past four years. • Grants Receivable Outstanding: The Days Grants Receivable Outstanding is 76.2 which is higher than the statewide average and county peers. The District submits grant reimbursements quarterly. • Days Payable Outstanding: The Districts Days Payables Outstanding is better than county peers at 17.0 days, indicating more timely payments. • Cash: The money the District receives from the state is automatically invested in the local government investment pool, is drawn down as needed. • Debt: The total debt as a percent of revenues is higher than county peers and the statewide average at 133%. 	<ul style="list-style-type: none"> • Require that claims are processed monthly for all grant areas that can be submitted monthly in order to: (a) maximize cash flow; (b) identify any potential issues with submissions as early as possible.

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 school principals and department heads to assess any new needs that are anticipated for the new fiscal year. The annual budget process is also linked with the District’s capital improvement plan. As the budget is being developed and the department sees funds that are available, pieces of the capital improvement plan are incorporated into the budget. • Fiscal Monitoring: The District does not perform monthly or quarterly closes. However, financial reports comparing budget to actual are shared and reviewed monthly with key leaders including the superintendent, school principals, grant coordinators and the school board. • CFO Communication: The Director of Finance proactively communicates with the Superintendent via separate reporting sessions to discuss any risks and to provide budget updates. 	<ul style="list-style-type: none"> • Continue preparing zero/performance based budget annually to ensure resources are aligned with strategic priorities and expenses are anticipated and planned for.

FINANCIAL MANAGEMENT

ANDERSON 05

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. It also uses Harris SmartFusion to facilitate employee self service for payroll matters. The district has been able to successfully transition to automated work processing in much of its processes; however, it is still currently using manual processes for time-keeping and for procurement and automated workflow approval of requisitions. 	<ul style="list-style-type: none"> • Complete process to select an automated and integrated time keeping system and implement prior to start of the next school year. • 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. • Ensure all District employees with purchasing responsibilities are trained and have access to the SmartFusion purchasing module to help streamline the requisition and approval process.
Regional Collaboration	<ul style="list-style-type: none"> • Informal Networks: The District does not coordinate with others in the region on any transaction processing or finance related activities but regularly meets with the rest of the Anderson County CFOs to discuss problems districts are facing and troubleshooting. • Consortiums: The District participates in the Upstate Consortium where the finance directors of various districts meet annually to discuss how to navigate the financial landscape. 	<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 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.

1,777 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$60 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	7.0
Personnel Expense ^[3]	\$683,213
Non-Personnel Expense ^[3]	\$69,856
Total Human Resources Expense ^[3]	\$753,069

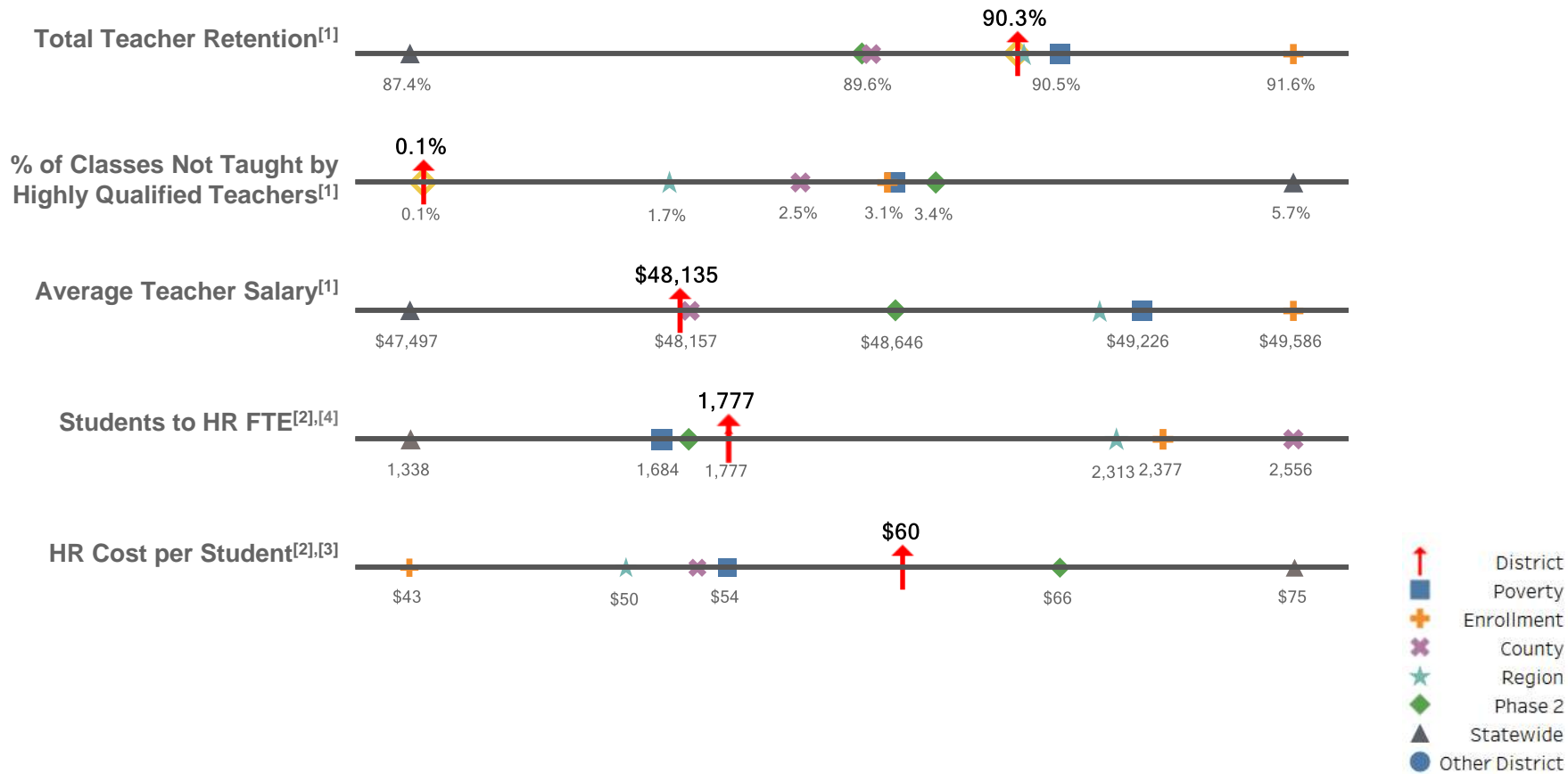
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

ANDERSON 05

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES

ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Organization: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. There are currently seven FTEs dedicated to Human Resources functions including a Director of Human of Resources. • Student Per Human Resources FTE: The student to HR FTE ratio of 1,777 is higher relative to the state average of 1,338 but lower than districts of similar size. • Human Resources Cost Per Pupil: The HR cost per pupil of \$60 for the District is lower than the statewide average but higher than districts of similar size. 	<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"> • Teacher Recruitment: Similar to other school districts in the State, recruiting teachers into the District is challenging. The District does not employ international teachers nor does it leverage staffing agencies to fill positions. However, the District leverages its close proximity to large universities like Clemson, Anderson and Lander to recruit teachers. • Social Media: The District uses social media as a mechanism to advertise open positions to the local community and teacher network. • Average Teacher Salary: The average teacher salary is \$48,135, similar to that of county peers but higher than the state average. 	<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.

HUMAN RESOURCES

ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> • Vacancies: The District filled 130 vacancies prior to the FY17 school year and currently has only one vacancy. • Retention: The District strives to maintain personal relationships with each employee to aid in teacher retention. The District currently has a 90% teacher retention rate. 	<ul style="list-style-type: none"> • Conduct exit interviews to gather information on the causes of employee attrition, and use the results of the process to formulate an effective teacher retention plan
Technology	<ul style="list-style-type: none"> • HR Software: The District recently procured a single platform for recruiting, application screening, processing and onboarding (TalentEd by People Admin). • Substitute Management: The District uses AESOP software for substitute management: from absence recording through payroll. 	<ul style="list-style-type: none"> • Implement an automated time tracking system that can interface directly with the payroll system for hourly employees tracking time via manual processes. • Facilitate training of staff to ensure TalentEd is utilized appropriately to streamline screening, processing and onboarding of new hires.

HUMAN RESOURCES

ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> • Benefits Administration: Administration is typically done by two dedicated FTEs and is facilitated by the employee self-service module. • Dependent Review: The District has an established process with PEBA to conduct a local review of benefit plans for ineligible dependents. 	
Collaboration	<ul style="list-style-type: none"> • Informal Networks: The District informally collaborates with other nearby school districts for recruiting and professional development. Anderson County districts have a 'gentleman's agreement' on mid-year employee transfers. Additionally, the Human Resources directors of five Anderson districts meet regularly to discuss problems, trouble-shoot and knowledge-share. • HR Licenses: The District does not collaborate on 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 (Frontline)



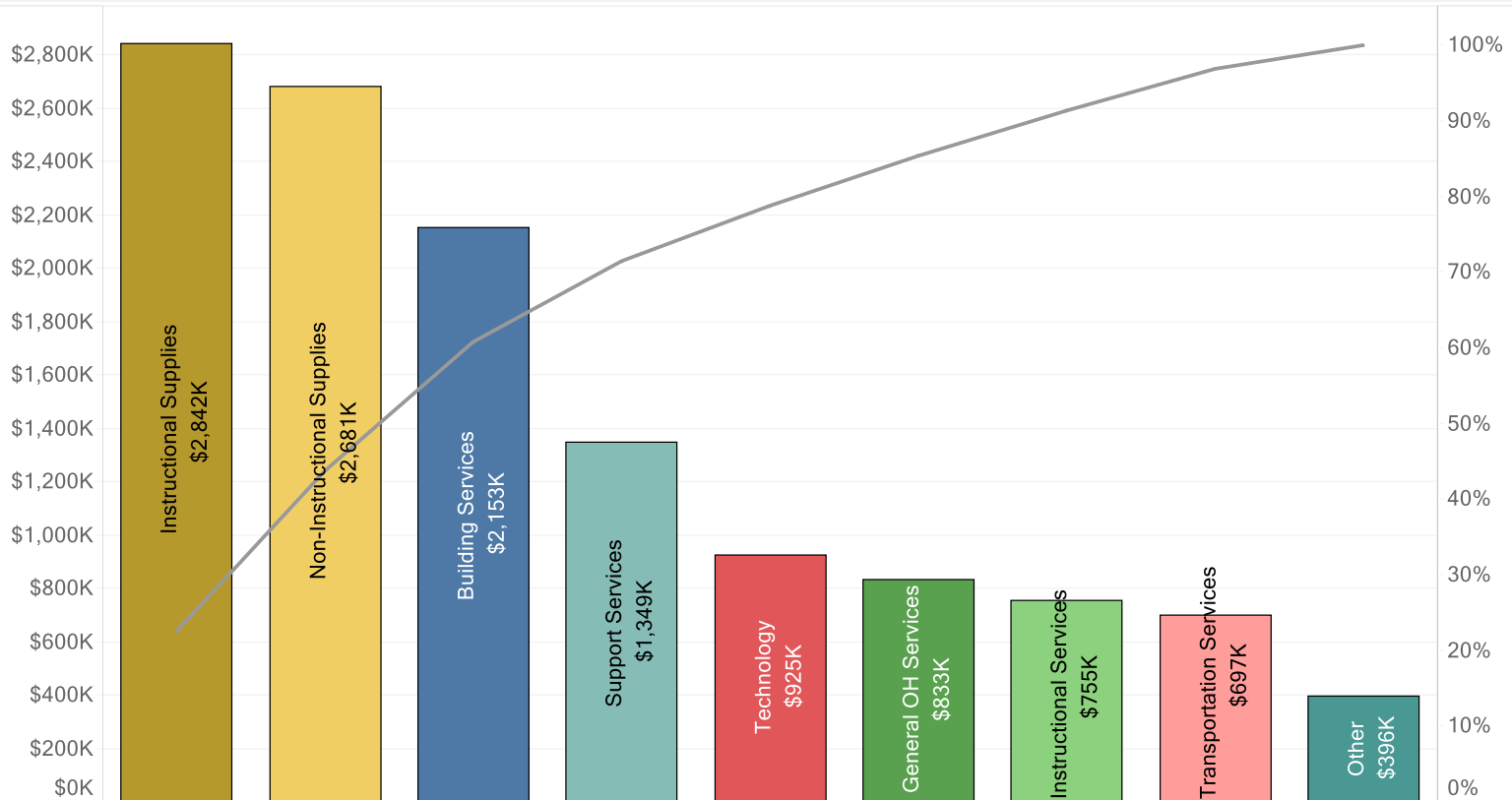
OUTLINE

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

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.

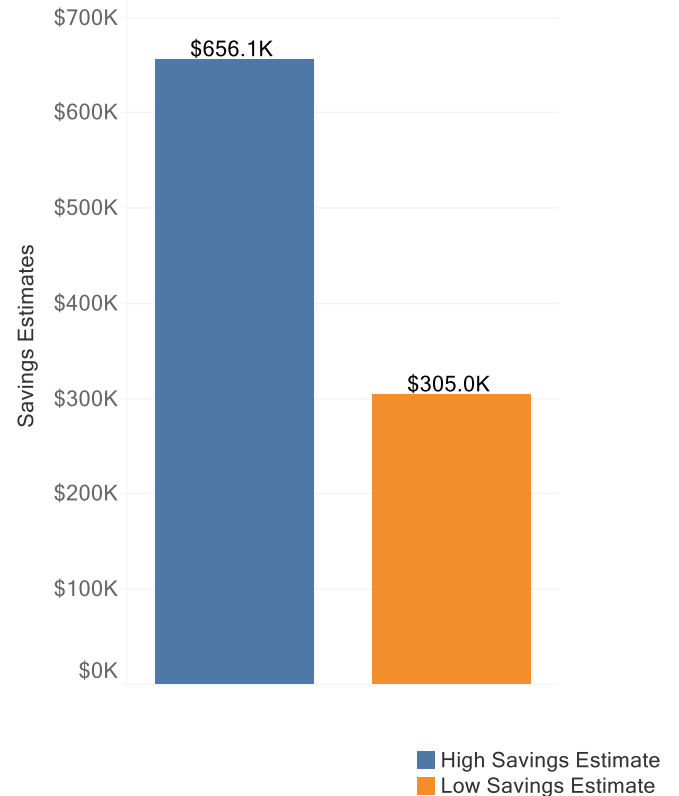
District In Scope Total Procurement Spend^[3] = \$12,630,857



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 ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> • Organization: The District has 2 FTE resources focused directly on procurement, a procurement director and a purchasing agent, and is able to rely on these resources to maximize purchasing activities. In addition to purchasing activities, the district employs a warehouse manager to oversee inventory. 	
Spending by Vendor	<ul style="list-style-type: none"> • Vendors: Spending is fragmented across more than 2,900 vendors; however, the top 50 make up more than 80% of total spending. • Aggregated Purchases: The District makes aggregated purchases for goods that are utilized by multiple schools. Each school is able to buy smaller scale purchases limited by budget allocation and subject to the \$2,500 transaction limit. Anything over \$2,500 must be purchased by the District. • The District coordinates large scale supply purchases in order to leverage volume-bulk purchases. 	<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. • 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. • Perform annual review of vendor performance (on time, completion, quality) to assess opportunities to reduce or eliminate non-value add services. • Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts.

PROCUREMENT ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<ul style="list-style-type: none">• The state procurement districts should work with the state to create an advisory board that oversees cooperative purchasing within the state with representation from the State, Districts, and potentially Higher Education institutions to identify and pursue specific sourcing categories. The group would identify categories to pursue collectively, name specific districts as lead on a particular sourcing effort, and consolidate the spend across districts. The procurements would be made available to all districts, but advisory board members would be rotated on a periodic basis with some regular sitting advisory board members from the state, regional cooperatives, and largest districts.• 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.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Spending by Category</p>	<ul style="list-style-type: none"> • Building and Maintenance: In collaboration with procurement, Facilities and Maintenance are responsible for procurement for their department . If a contract over \$2,500 is needed, the department solicits bids and goes with the lowest bid. The district often purchases parts direct from supplier and only outsources for labor in an effort to cut costs. The district owns its own lifts/tools as well to maintain costs. • Food Services: Dairy is purchased through Palmetto Buying Group, and bread is purchased through both Palmetto Buying Group and US Foods. Palmetto Buying Group is made of up multiple school districts in the Greenville region of South Carolina. • Instructional Support Services and Supplies - Procurement Exemptions: The District requires procurement of instructional support software and services to be placed out to bid. Per district policy, any purchase over \$2,500, regardless of scope of service, must be placed out for bid. The District does not procure these services and software in collaboration with any other districts. • Technology – Standardization: The District is expanding its 1:1 initiative and is leveraging a state contract to purchase technology. The District does not coordinate technology purchases with other districts. 	<ul style="list-style-type: none"> • Coordinate purchasing if 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. • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership. Sized across a geographic region. • 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 ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category (cont'd)	<ul style="list-style-type: none"> • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority of its non-instructional supplies outside of available state contracting vehicles under the belief that it can receive comparable, if not better pricing. 	
Regional Collaboration	<ul style="list-style-type: none"> • Shared Purchasing: The Anderson County districts partner together to procure certain goods and services such as paper goods and waste management services. 	<ul style="list-style-type: none"> • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, 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

ANDERSON 05

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION ANDERSON 05

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]

\$360 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	96.0
Personnel Expense ^[3]	\$3,412,130
Non-Personnel Expense ^[3]	\$1,066,085
Total Transportation Expense ^[3]	\$4,478,215

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

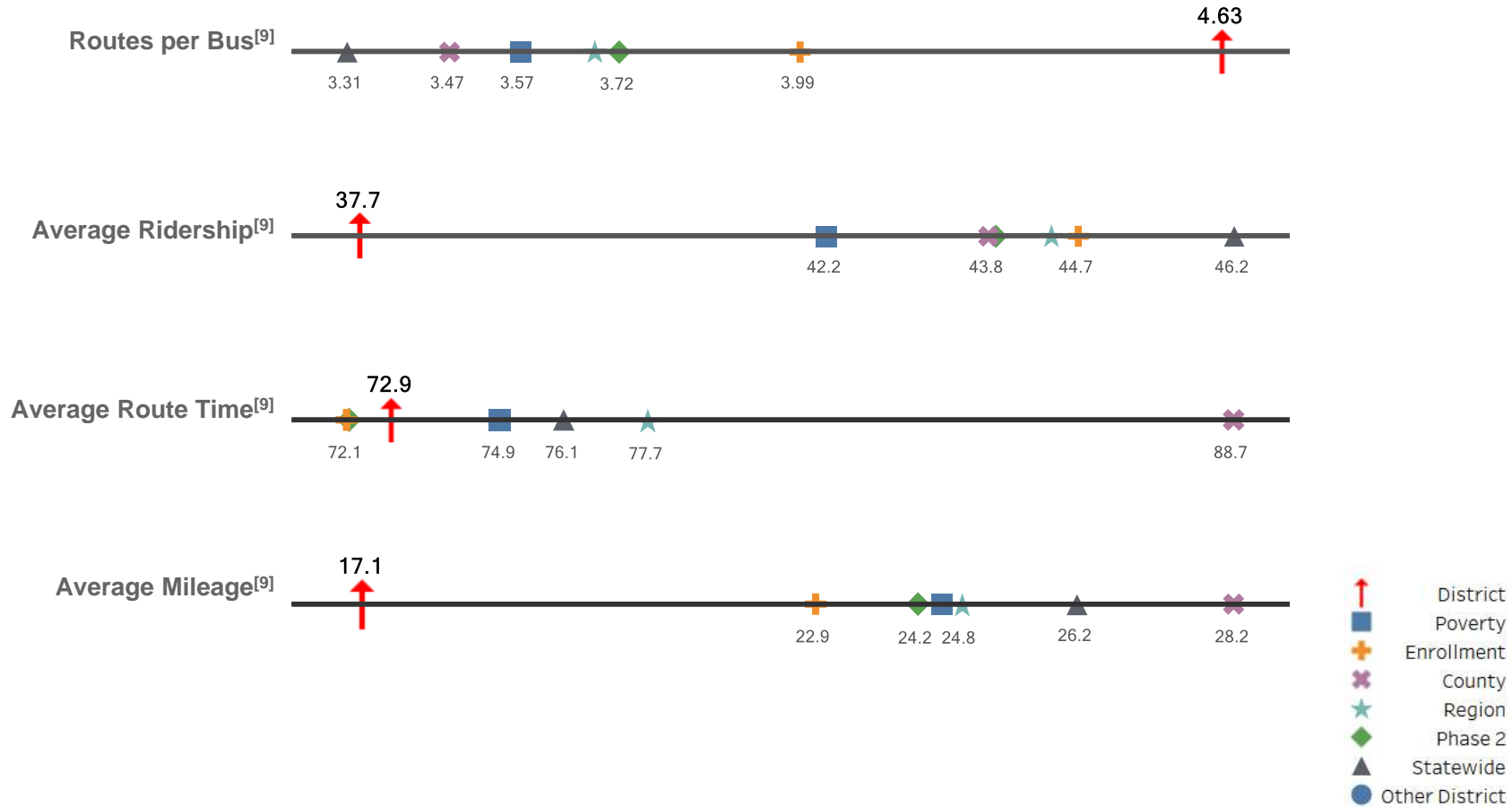
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	46.5	215	4.6	8,100	38	73	17
Special Needs	24.0	92	3.8	804	9	Not-Available	23
Other	12.5	65	5.2	2,274	35	Not-Available	12
Total	83.0	372	4.5	11,178	N/A	N/A	N/A

TRANSPORTATION

ANDERSON 05

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

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



TRANSPORTATION ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Recruiting: The District has a difficult time recruiting bus drivers but actively recruits in the local area and guarantees thirty hours to each driver. • Vacancies: The District currently has 14 vacancies. • Substitute Pool: The District maintains a small pool of 5 substitute drivers. • Dual Employment: The District creates opportunities for full-time employment as an incentive to recruit and retain drivers. Bus drivers are frequently employed as aides, food workers or custodians to offer full employment opportunities at the District. • Routes: The District runs staggered bus routes with the earliest routes starting as early as 6:15am for elementary school students. The first bell for elementary school rings at 8:00am, middle school starts at 8:15am, and high school begins at 8:20am. • Rates: Bus Drivers are currently paid a starting rate of \$11.95, approximately \$4.20 above state reimbursement levels. As of July 1, 2017 the starting rate will be \$12.08 as a measure to recruit new drivers and either match or beat the starting pay of surrounding areas. 	<ul style="list-style-type: none"> • Implement a substitute/back up driver pool in collaboration with nearby districts to supplement the availability of substitute drivers. • Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION ANDERSON 05

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing: The District utilizes Transfinder routing software to map out the most efficient routes across the district. • GPS Tracking: The District provides two-way radios to drivers to contact drivers while on routes. The radios are also equipped with GPS tracking which is supported by NeoTerra software. • Security Cameras: The District has six security cameras on each bus but does not have stop-arm cameras. • Activity Buses: The District does not use the state fuel for activity buses. Activity bus drivers are issued a refuel card for gasoline purchases. The District refuels its own activity buses to decrease refuel time. • Age of Fleet: The District has an aging school-issued bus fleet. Buses require frequent maintenance and routes often need to be augmented to accommodate bus shortages. 	<ul style="list-style-type: none"> • Leverage the State maintenance hubs for activity buses. • Install stop-arm cameras to assess tickets to drivers passing buses.
Collaboration	<ul style="list-style-type: none"> • Informal Networks: The Anderson County transportation heads meet regularly to discuss problems, troubleshooting and general knowledge-sharing. • Out-of-District Placement: The District collaborates with surrounding districts on out-of-district McKinney-Vento homeless student transportation coordination. 	

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

ANDERSON 05

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

- A&M has compiled a robust set of benchmarks and metrics to compare staffing and spending levels at each district. A&M has provided the State Education Department with access to a live database and analytics dashboard to enable cross-district analytics and gain further insights into the rationale behind A&M's observations and recommendations.

➤ **Implementation:**

- Implementation of certain recommendations included in this report will require one-time investments in order to achieve savings. A&M has developed preliminary estimates for these costs that will likely need to be refined as additional information regarding decisions on implementation plans and approach become available.

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

Estimates were developed by function and by sub-function to determine staffing levels on a stand-alone basis and post-implementation of a regional shared services model.

TECHNOLOGY

Technology investments were identified based on the need to automate processes for each function and determination of shared costs by school district.

**Functional Review
Operating Model Components**



PROCESS

Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

ORGANIZATION

An analysis of each organization's staffing levels on an As-Is Basis, against peer benchmarks, and in a regional collaborative model were conducted to assess overall efficiency and effectiveness.

APPENDIX A: SAVINGS METHODOLOGY

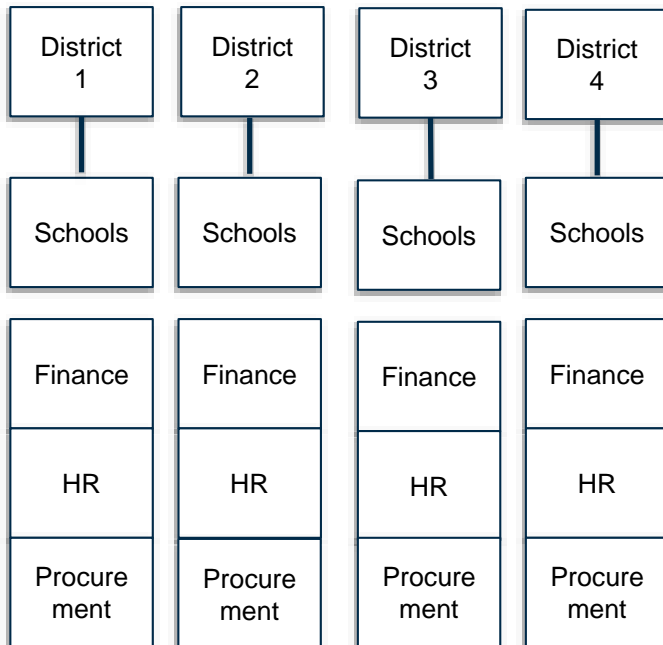
ANDERSON 05

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.

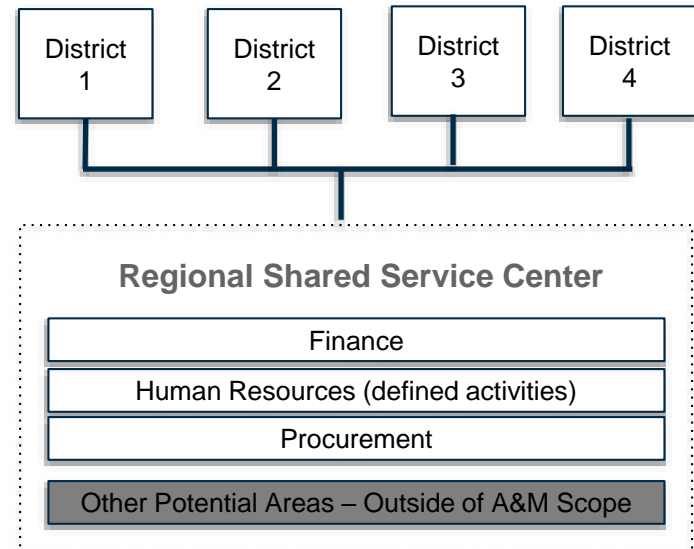
CURRENT STATE: STAND ALONE DISTRICT

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

ANDERSON 05

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.

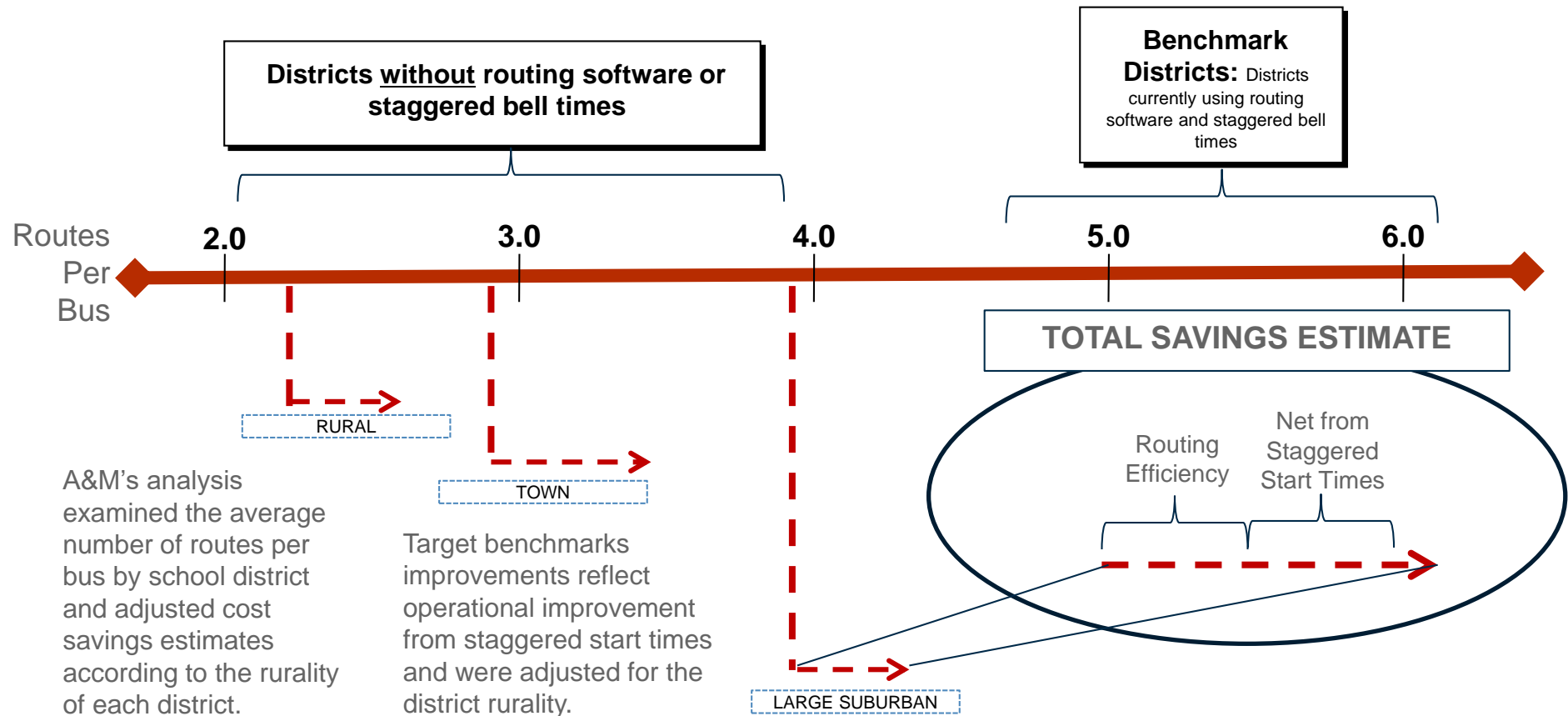
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

(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

ANDERSON 05

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

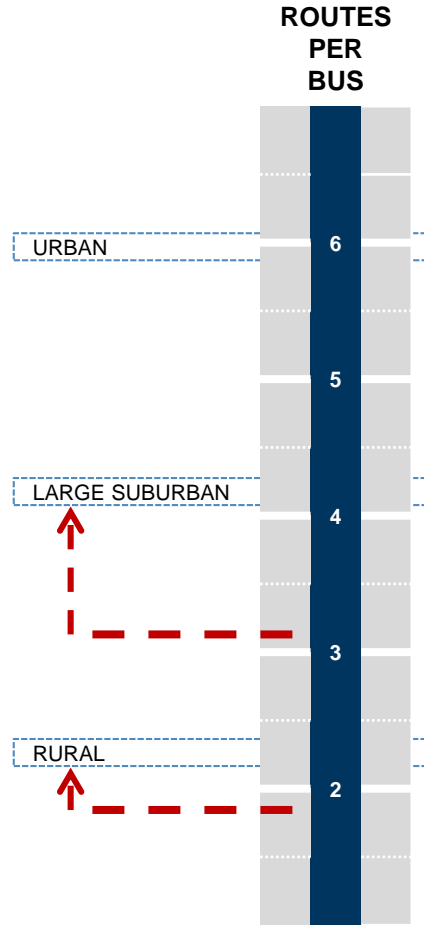
ANDERSON 05

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

ANDERSON 05

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

ANDERSON 05

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

ANDERSON 05

[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

ANDERSON 05

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

ANDERSON 05

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