



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Berkeley

District Report

6/16/2017





OUTLINE

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

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.
- 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 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.

PROJECT OVERVIEW (CONTINUED)

➤ 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.

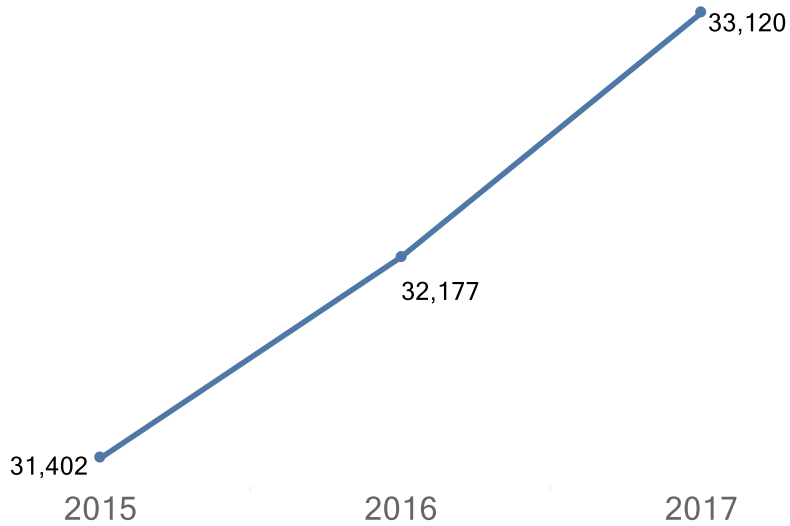
➤ Sources of Data and Savings Estimates

- 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, 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.

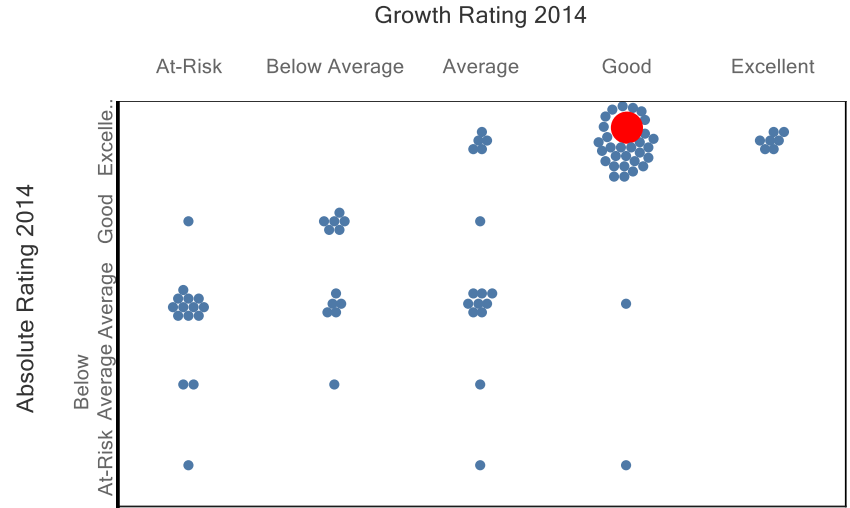
EXECUTIVE SUMMARY

BERKELEY

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	43
% Poverty ^[1]	57.2%
% Disability ^[1]	12.3%
\$ Per Student ^{[2],[3]}	\$13,916
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$9,489

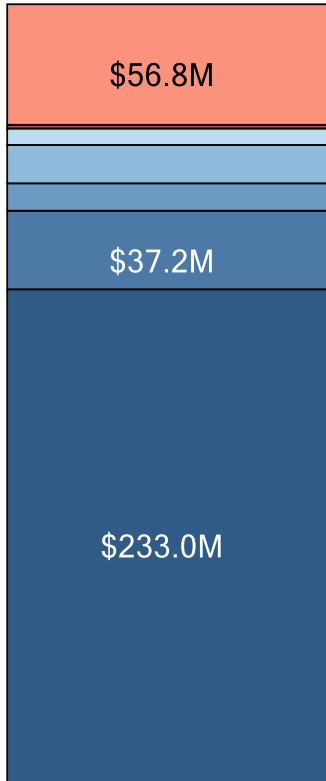
Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.8
Students Per Overhead FTE ^{[2],[4]}	298.4
Students Per School Support FTE ^{[2],[4]}	34.0
Students to Total FTE ^{[2],[4]}	7.4

EXECUTIVE SUMMARY

BERKELEY

Sources of Funds^[5]
\$367.4M



2015-2016

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

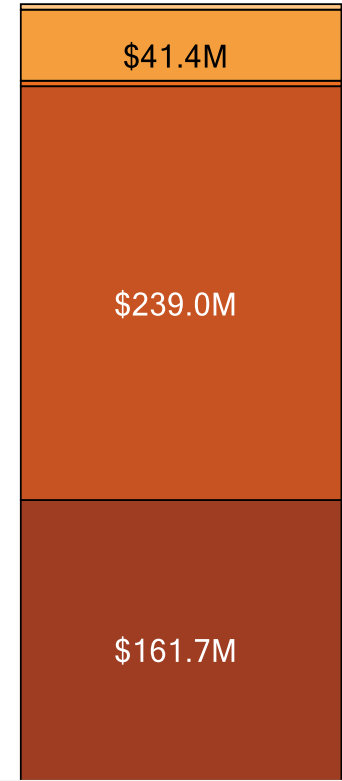
Use of Funds - Type^[3]
\$447.8M



2015-2016

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

Use of Funds - Function^[3]
\$447.8M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

BERKELEY

\$447.8M
Total

\$56.4M
In-Scope

\$391.4M
Not In-Scope

12.6% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$1,810,861	\$416,560
Human Resources	\$1,006,424	\$74,596
Overhead	\$5,710,658	\$844,222
Transportation	\$8,665,513	\$572,865
Procurement (Community Services, Instruction, Support Services)	\$39,197,972	\$39,197,972
TOTAL	\$56,391,428	\$41,106,215

* totals may not tie due to rounding

EXECUTIVE SUMMARY

BERKELEY

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: In partnership with our community, ignite in every student a passion for world-class knowledge and skills through dynamic instruction and personalized educational opportunities.

1. **School Climate:** We will provide a healthy, safe and supportive learning environment.
2. **Student Achievement:** Build upon our unified curriculum, assessment system, and professional learning community practices to prepare students for success.
3. **Communications:** We will partner with stakeholders to build advocacy for our students, families, schools and district to promote transparency and provide accurate information.
4. **Human Resources:** We will attract, recruit, develop and retain quality teachers, administrators and staff.
5. **Fiscal Responsibility:** We will be proactive in obtaining and utilizing resources to provide a world-class education for all students.

Achievements

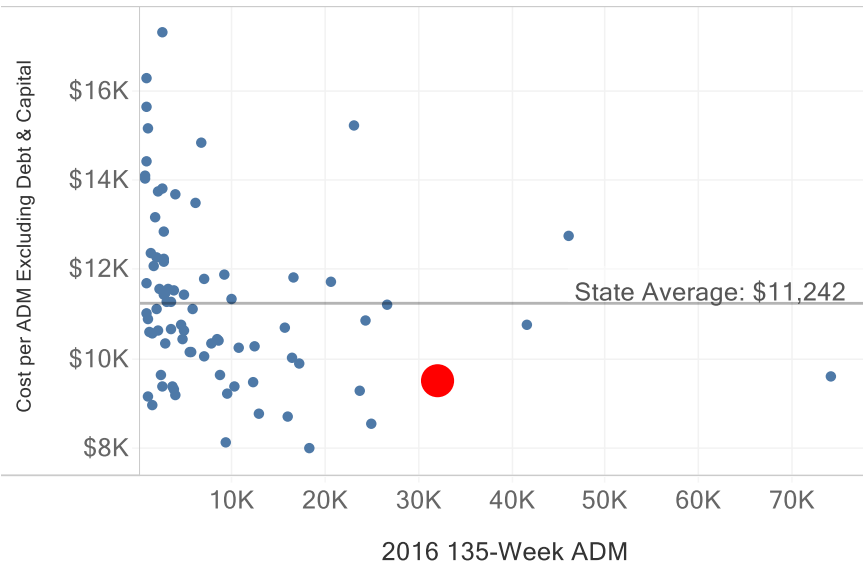
- **Teacher Retention:** 89.1% of teachers returned to BCSD for the current school year, which is in line with the District's retention rate in recent years.
- **Increased Student Achievement:** The high school graduation rate in Berkeley County has steadily increased over time, 100% of seniors completed college applications last year, and over 95% of students completed the FAFSA.
- **Accommodating Enrollment Growth:** The District has brought 2 new elementary schools online this school year and will bring an additional high school online in fall 2017.

Challenges

- **Leadership:** The District's longtime CFO was recently removed pending an investigation. In addition, the district Superintendent resigned in March. Staffing these critical roles is a pressing challenge for the District.
- **Enrollment Growth:** The District's enrollment continues to grow with Berkeley County, creating demand for new schools, more teachers, and expanded transportation services.
- **Teacher Recruitment:** Filling special education positions, as well as critical needs' areas, continue to be a challenge.

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

The larger size of the District enables increased efficiencies and effectiveness for the organization as the fixed cost structure of the District is spread across a large number of students.

Resource Utilization:

In general, the District utilizes its resources in a way that allows for increased efficiencies and effectiveness. Transactional processes are generally centralized creating efficiencies. Resources are able to specialize in functional areas.

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.

EXECUTIVE SUMMARY

BERKELEY

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none">• Financial Management: Even with a strong fund balance, the District's overall debt load and increasing enrollment trend will require it to be prudent with long term financial planning and fund balances. The recent departure of the longtime CFO presents a significant challenge for the organization.• Staffing / Processes: The larger size of the District enables increased efficiencies and effectiveness of the organization. Transactional processes are generally centralized, creating efficiencies. The District's specialization in functional areas improves the effectiveness of the function as overall.
Human Resources	<ul style="list-style-type: none">• Challenges with Recruiting and Retention: As in many plaintiff districts, there is a reliance on agencies for placement on hard to staff positions. While Berkeley has been able to competitively staff most core instructional positions, the local labor market for non-instructional positions is strong and it has been difficult to compete for individuals based on compensation.
Transportation	<ul style="list-style-type: none">• Transportation Management: The State pays for bus purchases, maintenance, fuel and a portion of driver salaries. Berkeley has struggled to staff bus drivers, ending FY16 at 77% staffed. The District has tried aggressive advertising, attendance incentives and supplemental pay to address the shortage.• Manual Routing: Berkeley County has experienced rapid population and enrollment growth over the past ten years; current routes are revisited when new developments come online, but the district has no routing software to maximize efficiency of existing routes.
Procurement	<ul style="list-style-type: none">• Staffing and Organization: The District has a Procurement staff of four, located within the Finance department. The staff oversees and coordinates all purchasing activities.
Overhead	<ul style="list-style-type: none">• Turnover in Leadership: The most recent superintendent for the District resigned in April following removal of the CFO. She had been with the District for less than two years; the prior Superintendent had served for approximately a year.

EXECUTIVE SUMMARY

BERKELEY

EFFICIENCY RECOMMENDATIONS

District investment in people, process and technology will help improve the effectiveness of the district's overall processes and operations.

EFFICIENCY RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software and / or add modules to financial systems to facilitate automated and purchase to payments processes, integrated timekeeping and payroll and position control functionality.</p> <p>Process Improvements: Modernize processes to limit manual activities and strengthen internal controls</p> <p>Staffing and Organization: Create succession plan for key positions and 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: Create succession plan for key positions and 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>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p> <p>Purchasing Coordination: Enable other districts to purchase off individually negotiated contracts. Collaborate on market intelligence, pricing opportunities, RFP management, contract negotiations, contract management and minimum buying commitments. Capitalize on volume discounts and rebates.</p>	<p>System Enhancements: Implement new routing software, GPS and security cameras on all buses.</p> <p>Staffing and Organization: Create dual employment opportunities to help address bus driver shortages.</p>

EXECUTIVE SUMMARY

BERKELEY

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. Actual savings may vary based on implementation decisions.

FINANCE AND HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<ul style="list-style-type: none"> • A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within the District. • A&M estimated potential savings that could be realized after implementation of recommended process, policy and technology changes based upon past experience implementing similar initiatives, comparison of staffing and spend against peer benchmarks and discussion with the District. A&M also estimated investments required to achieve savings based upon prior experience. • In addition, while A&M evaluated potential synergies from a regional shared services model for transactional activities, after considering the District’s size, current staffing levels and uniqueness of processes, policies and technology, A&M is not recommending implementation of this approach at this time. 	<ul style="list-style-type: none"> • A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the Districts 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. 	<ul style="list-style-type: none"> • A&M used data provided by the state to analyze the district route mileage, frequency, timing, and volume to compare with benchmarks across the state. • A&M evaluated opportunities for savings based upon comparison of benchmarks across the state that took into consideration the location, population and geographic profile of the each district. • Savings estimates were not provided in instances where the District was in line with benchmark targets and was using both routing software and leveraging staggered bell times.

EXECUTIVE SUMMARY

BERKELEY

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

Investment and savings ranges shown below reflect estimates of the impacts of A&M recommendations for process, technology and policy changes.

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.

	Est. One-Time Investment		Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$10,000	\$25,000	\$0	\$0
Human Resources	0	5,000	0	0
Procurement	0	0	411,100	2,055,300
Transportation – District	N/A	N/A	186,000	279,000
District Total	10,000	30,000	597,100	2,334,300
Transportation – State	53,000	252,400	129,500	305,400
Total	\$63,000	\$282,400	\$726,600	\$2,639,700

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

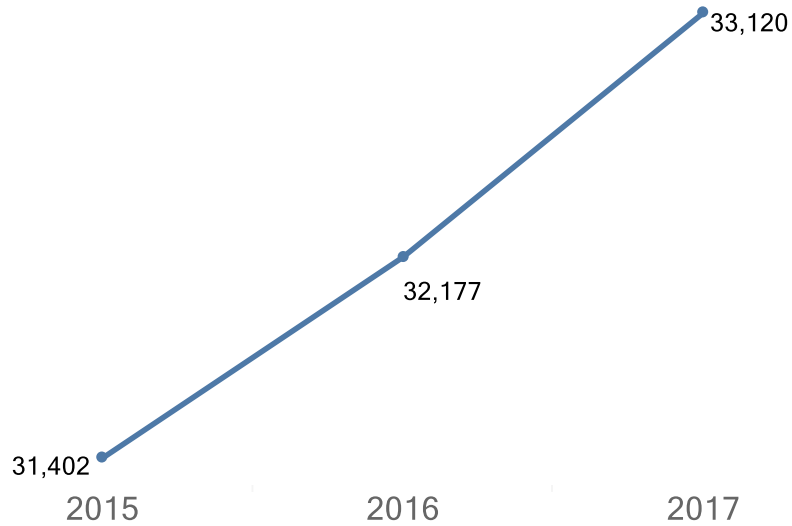


OUTLINE

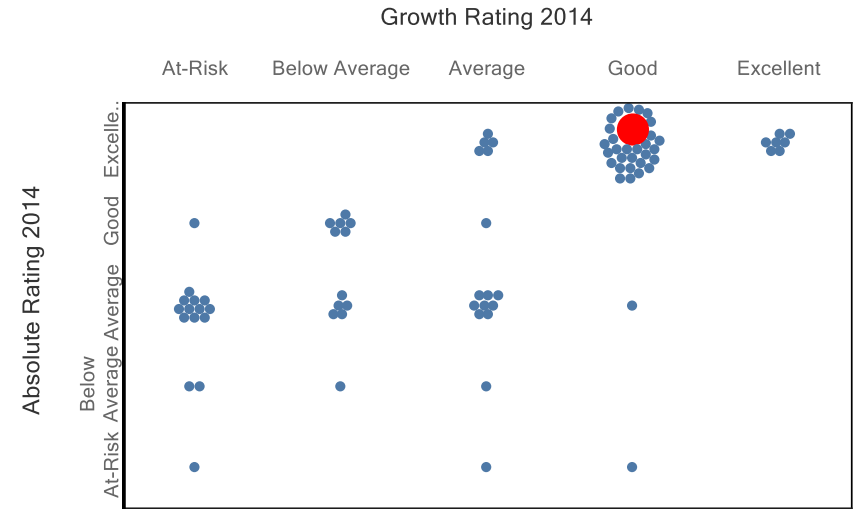
- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

DISTRICT ADMINISTRATION AND PERFORMANCE BERKELEY

Average Daily Membership^[2]



Student Achievement^[1]



General Info

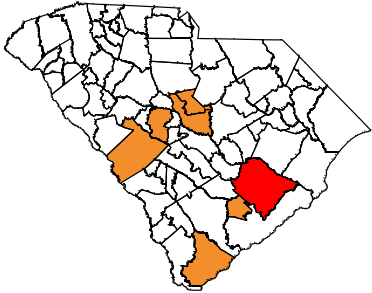
Number of Schools ^[2]	43
% Poverty ^[1]	57.2%
% Disability ^[1]	12.3%
\$ Per Student ^{[2],[3]}	\$13,916
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$9,489

Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.8
Students Per Overhead FTE ^{[2],[4]}	298.4
Students Per School Support FTE ^{[2],[4]}	34.0
Students to Total FTE ^{[2],[4]}	7.4

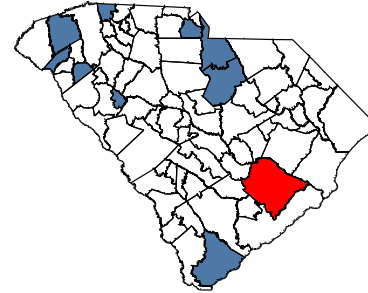
DISTRICT BENCHMARKING BERKELEY

Enrollment (20,000 - 40,000)



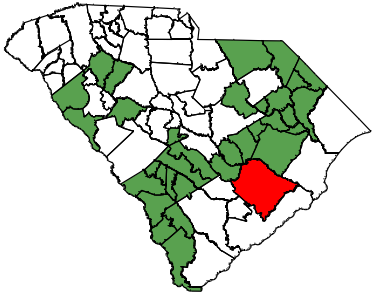
Aiken
Beaufort
Berkeley
Dorchester 02
Lexington 01
Richland 01
Richland 02

Poverty (55% - 60%)



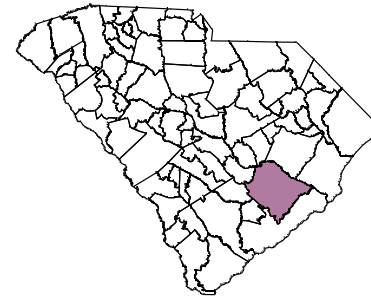
Anderson 02
Anderson 04
Beaufort
Berkeley
Greenwood 52
Kershaw
Lancaster
Pickens
Spartanburg 01
York 03

Phase 1 (Yes)



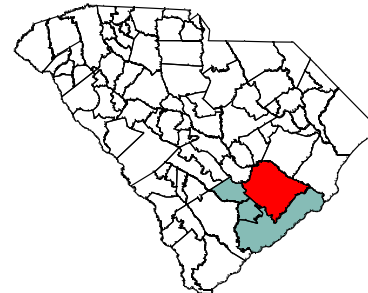
Abbeville 60	Hampton 01
Allendale	Hampton 02
Bamberg 01	Jasper
Bamberg 02	Laurens 55
Barnwell 19	Laurens 56
Barnwell 29	Lee
Barnwell 45	Lexington 04
Berkeley	Marion 10
Chesterfield	Marlboro
Clarendon 01	McCormick
Clarendon 02	Orangeburg 03
Clarendon 03	Orangeburg 04
Dillon 03	Orangeburg 05
Dillon 04	Saluda
Florence 01	Williamsburg
Florence 02	
Florence 03	
Florence 04	
Florence 05	

County (Berkeley)



Berkeley

Region (Berkeley-Charleston-Dorchester)

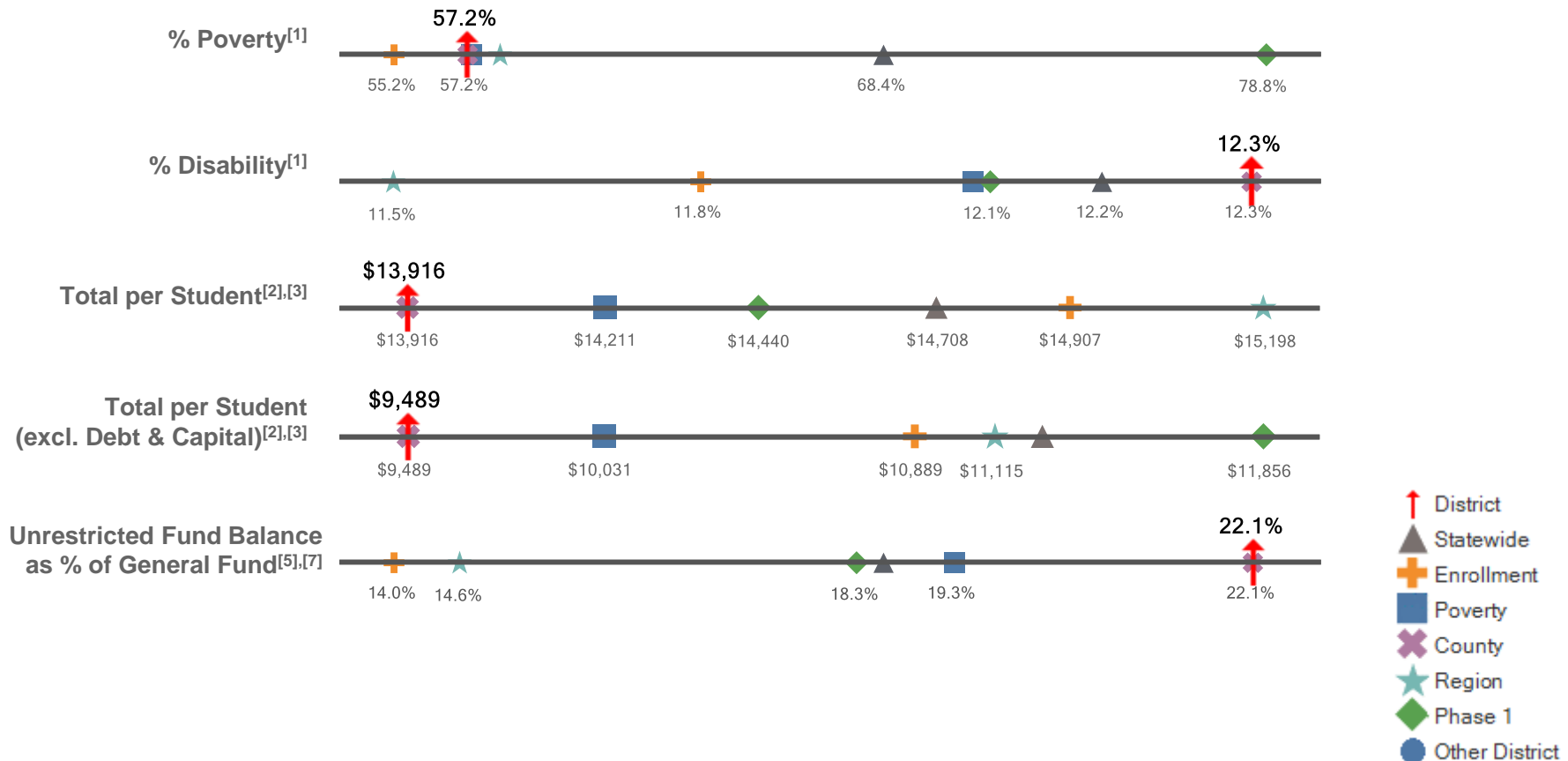


Berkeley
Charleston
Dorchester 02
Dorchester 04

DISTRICT OVERVIEW BERKELEY

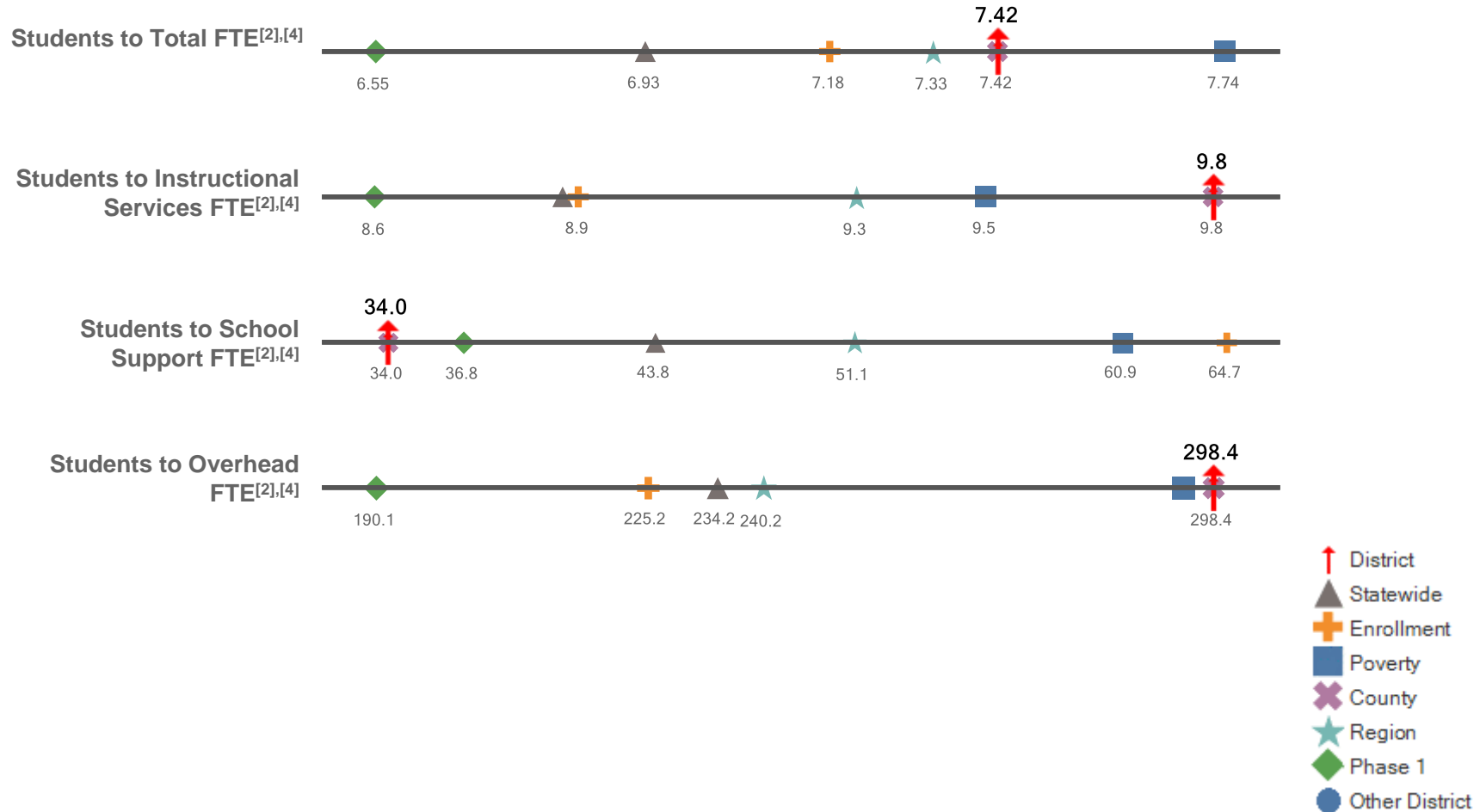
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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 BERKELEY

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has increased by 1,720 students, or 5.5%, over the past 3 years. • Student Demographics: 57.2% of district students live in poverty, below the statewide average of 68.4%. • Competition: The District operates two non-traditional schools. There has been no significant loss of enrollment to private school options. • Long-term Planning: The District commissioned a growth study, completed in 2015, that projected enrollment to grow 9.3% (to 37,672) by 2021 and estimated the District's need for new school construction and debt issuance. 	<ul style="list-style-type: none"> • The district should monitor actual enrollment against the long-term enrollment forecast to plan for enrollment changes and continually reassess school construction and debt issuance needs.
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Financial Viability: Despite a strong fund balance ratio, the District's overall debt load and increasing enrollment trend will require it to be prudent with long term financial planning and fund balance reserves in order to navigate through any unanticipated events associated with the rapid growth. • Per Pupil Expenses: When excluding debt and capital, the District's per pupil of \$9,489 is less favorable than both the statewide average of \$11,242 and districts with similar enrollment, \$10,889. • Unrestricted Fund Balance: The District's unrestricted fund balance is 22% of general fund revenues, slightly above the statewide average of 18.6%. Districts benefit from a strong fund balance, which enhances their ability to pay for unexpected expenses. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is maintained, the District should prepare and maintain a three- to five-year financial plan that allows for investment in critical areas of academics and operations while still maintaining a strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Resource Allocation: Whenever possible, this analysis presents the District compared to both the statewide average and districts with similar enrollment levels. • Student to FTE: The Student to Total FTE ratio in the District is 7.4, which is higher than the statewide average of 6.9. • Student to Instructional Services FTE: The Student to Instruction ratio is 9.8, which is higher than the statewide average of 8.9, indicating an opportunity to invest in classroom staff. • Student to Support Services FTE: The Student to Support Services ratio is 34.0, which is lower than the statewide average of 43.8. The lower student to FTE ratio is driven by the large transportation department required to operate the bus fleet. • Student to Overhead FTE: The Student to Overhead ratio is 298.4, which is higher than statewide at 234, indicating the possibility to drive efficiencies into the overhead functions. 	<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 BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The superintendent resigned in in March 2017. An interim superintendent has been appointed. The superintendent role is focused on the Board and community relations in this District. • Communications Function: The District has a full-time Communications director supporting the Superintendent's office with external communications and community relations. • Turnover: The latest superintendent had been with the district for less than 2 years prior to her resignation in March 2017. 	<ul style="list-style-type: none"> • Hiring of a new superintendent is a top priority for the District. • 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.
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are paid \$4,800 annually. • Board Composition: There are nine members of the Board, each representing certain schools within the District. • Training: Board members attend State-mandated training and also training offered through the South Carolina School Board Association (SCSBA) and the National School Board Association (NSBA). 	

DISTRICT OVERVIEW AND OVERHEAD BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• Leadership: The last superintendent participated in the Transform South Carolina Superintendents' Group, an educational initiative of the South Carolina Council on Competitiveness, and participated in a series of District focus groups with clergy and other faith-based stakeholders. It is currently unclear what strategic initiatives the next superintendent may continue or pursue.• Career Center: The District operates a number of "academies" that provide career focused instruction and support in growing industrial fields.• Special Education: The District does not coordinate with other area districts on Special Education programs.• Headcount: The District does not share any FTEs with other districts.	



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.

1,616 : 1
District Students (ADM)^[2] Financial FTE^[4]

\$57 per Student

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

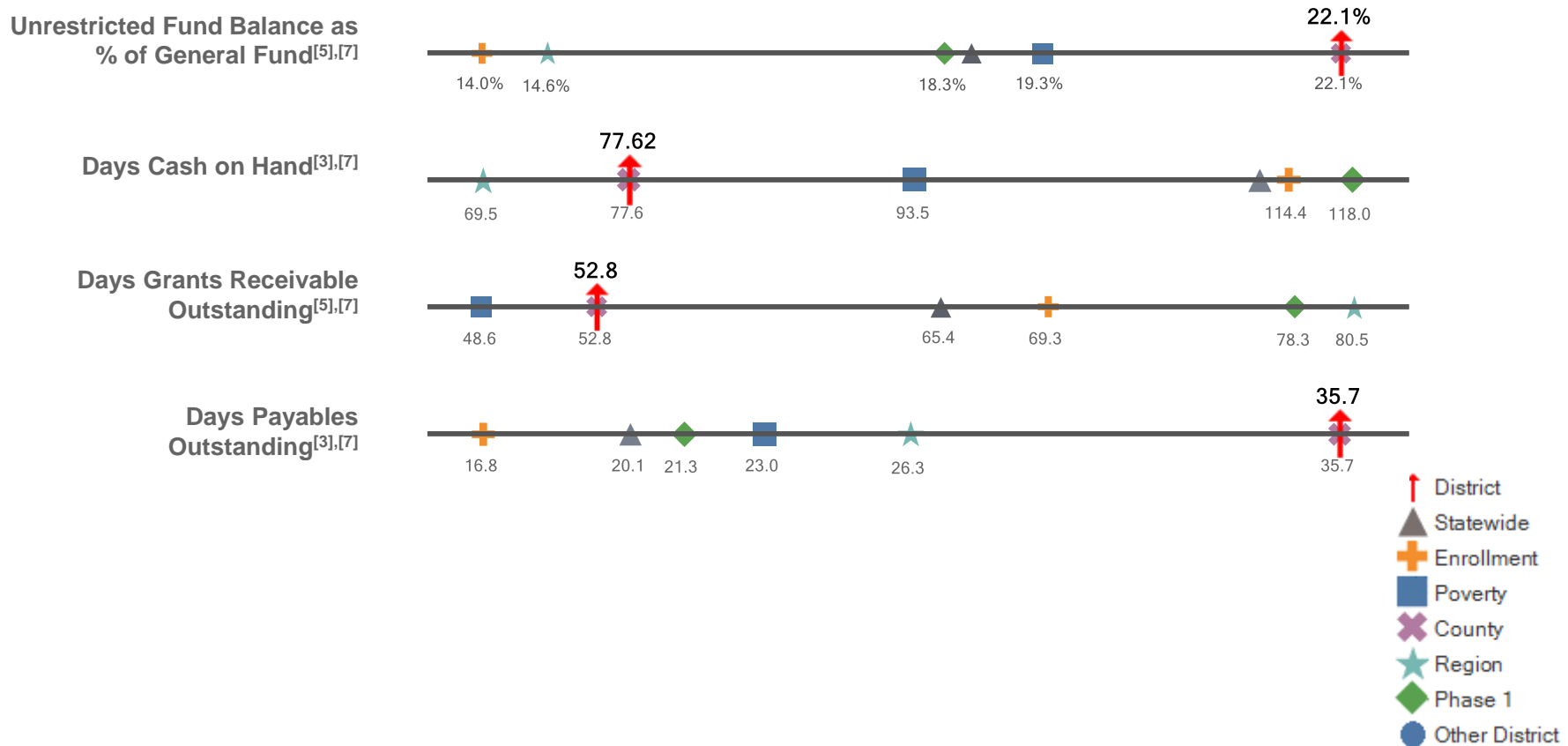
Key statistics for metrics	
Financial FTEs ^[4]	20.5
Personnel Expense ^[3]	\$1,394,301
Non-Personnel Expense ^[3]	\$440,517
Total Financial Expense ^[3]	\$1,834,818

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 BERKELEY

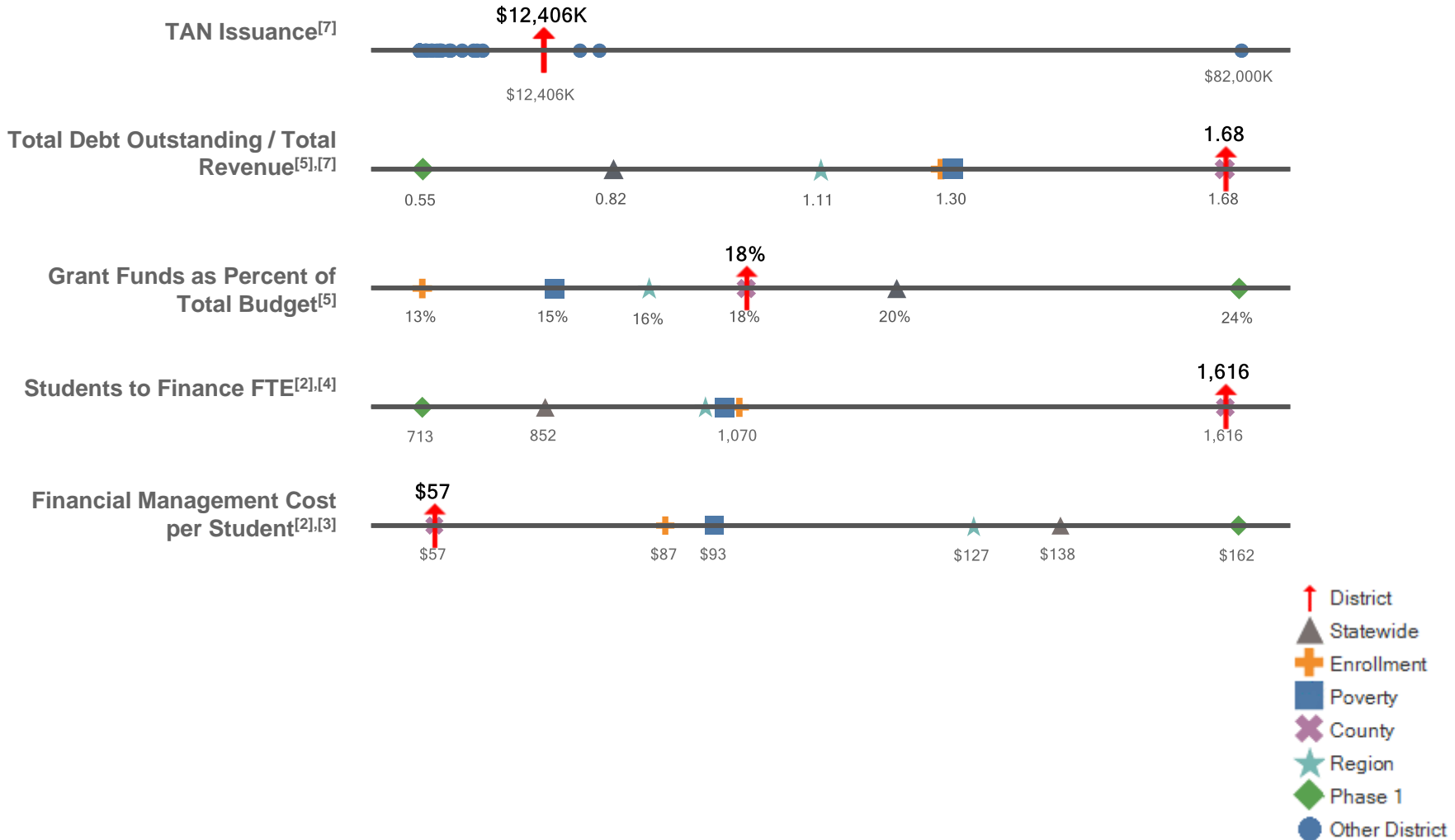
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 BERKELEY

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • The Finance organization is staffed to support its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • This large District benefits from significant economies of scale in its operations. The Finance function is organized in a way that allows for deep functional expertise within areas and automates transaction processing. • Turnover: CFO was recently fired. The finance director currently serves as interim CFO. • Finance Cost per Pupil: The Finance cost per pupil for the District is \$57 per student, which is lower than districts of similar size (\$87) and the statewide average (\$138). • Student per Finance FTE: The student to financial management FTE ratio is 1,616, higher than 852 statewide. 	<ul style="list-style-type: none"> • Prioritize search and selection of a new CFO. • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes and cross-train individuals to be able to do multiple functions.
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District uses a self service payroll platform; employee-initiated payroll changes are all processed automatically. • Timekeeping: Time tracking is automated for most employees. • Purchasing: The District has a robust procurement department that resides within the Finance office. Please see the Procurement section of this analysis for more detail. 	

FINANCIAL MANAGEMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable (cont'd)	<ul style="list-style-type: none"> • Pcard: The District utilizes a Pcard program. In FY16, the District spent \$42.7 million using Pcards on over 101,000 transactions and received \$565,885 in rebates. • Inventory: The District operates two warehouses and bar codes technology for asset tracking. The District tracks inventory of technology, furniture, custodial supplies, and food program inventory on a monthly and annual basis. 	
Grants Management	<ul style="list-style-type: none"> • Grants Revenue %: Grant revenues provide 18% of revenue for the district, below the statewide average of 20%, making the District relatively less reliant on grants than others. • Federal Funds: The full-time grants coordinator works directly with program officers to ensure that special funds are used in compliance with regulations prior to payments being processed, and ensures that claims are made on a timely manner in order to maximize cash flow. • Indirect Costs: The District charges indirect costs against federal grants. • Grants Monitoring: Review of expenditures against grant requirements is conducted by a full-time grants coordinator. The District's latest CAFR reports that no grant amounts were due to the District, and no unexpended funds were payable to grantors. 	<ul style="list-style-type: none"> • Create a unified grants tracking report that compares award amounts, budgets, YTD and cumulative expenditures and outstanding receivable balances for each grant. • Consider hiring a grant writer that can be shared with other nearby districts to help drive applications for competitive grant opportunities.

FINANCIAL MANAGEMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District had no findings in its most recent audited financial statements. • Position Control: The District utilizes position control. 	
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a lower cash balance with 77 days cash on hand as compared to the statewide average of 115. • The District prepares an annual cash flow forecast for use in issuance of Tax Anticipation Notes, but the Finance Director does not have access to the former CFO's cash flow forecast documentation. The former CFO did not share the forecast with other District leadership. • Grants Receivable Outstanding: The District has 52.8 days outstanding, which is below the statewide average of 65.4. • Days Payable Outstanding: The District's Days Payables Outstanding is 35.7 days, which is above the statewide average of 20. • Cash: The District invests excess cash balances in the state's Local Investment Pool. • TAN: The District has historically utilized Tax Anticipation Notes and other short-term issuances to help manage working capital. SCAGO is leveraged to perform issuances. The District issued \$12.4 million in short-term notes in FY16, making it one of the highest utilizers of this form of credit among the plaintiff districts. 	<ul style="list-style-type: none"> • Re-implement cash flow forecast to monitor weekly receipts and disbursements to help maximize investments earnings and minimize draw on TANs. • Share cash flow forecast with key District leadership. • The District's current debt level is high but justifiable given infrastructure needs related to enrollment growth. • Reliance on lines of credit, including TANs, should be minimized in order to save on overall borrowing costs.

FINANCIAL MANAGEMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process begins with a formal budget proposal from the superintendent, who presents budget priorities and provides detail about projected enrollment and local revenue collections. The budget team works extensively with the Department heads to assess new needs that are anticipated for the new fiscal year. • Fiscal Monitoring: Existing fiscal monitoring practices have been temporarily disrupted by the removal of the CFO. 	<ul style="list-style-type: none"> • Prepare and circulate monthly financial reports and budget variance analyses with District leadership and each department head.
Technology	<ul style="list-style-type: none"> • ERP: The District currently uses Harris SmartFusion but has engaged an advisor to help them select a replacement ERP. • Modules for Human Resources, Finance & Accounting, Contracts & Purchasing, and Budgeting have been implemented, though some data entry remains manual. The District also uses Follett for some inventory-related processes. 	
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"> • Given that Berkeley is a higher performing district, consider allowing Finance departments from smaller districts to shadow the Department, so that other districts can learn from best practices related to processes, policies and technology.



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.

2,760 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$31 per Student

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

Key statistics for metrics

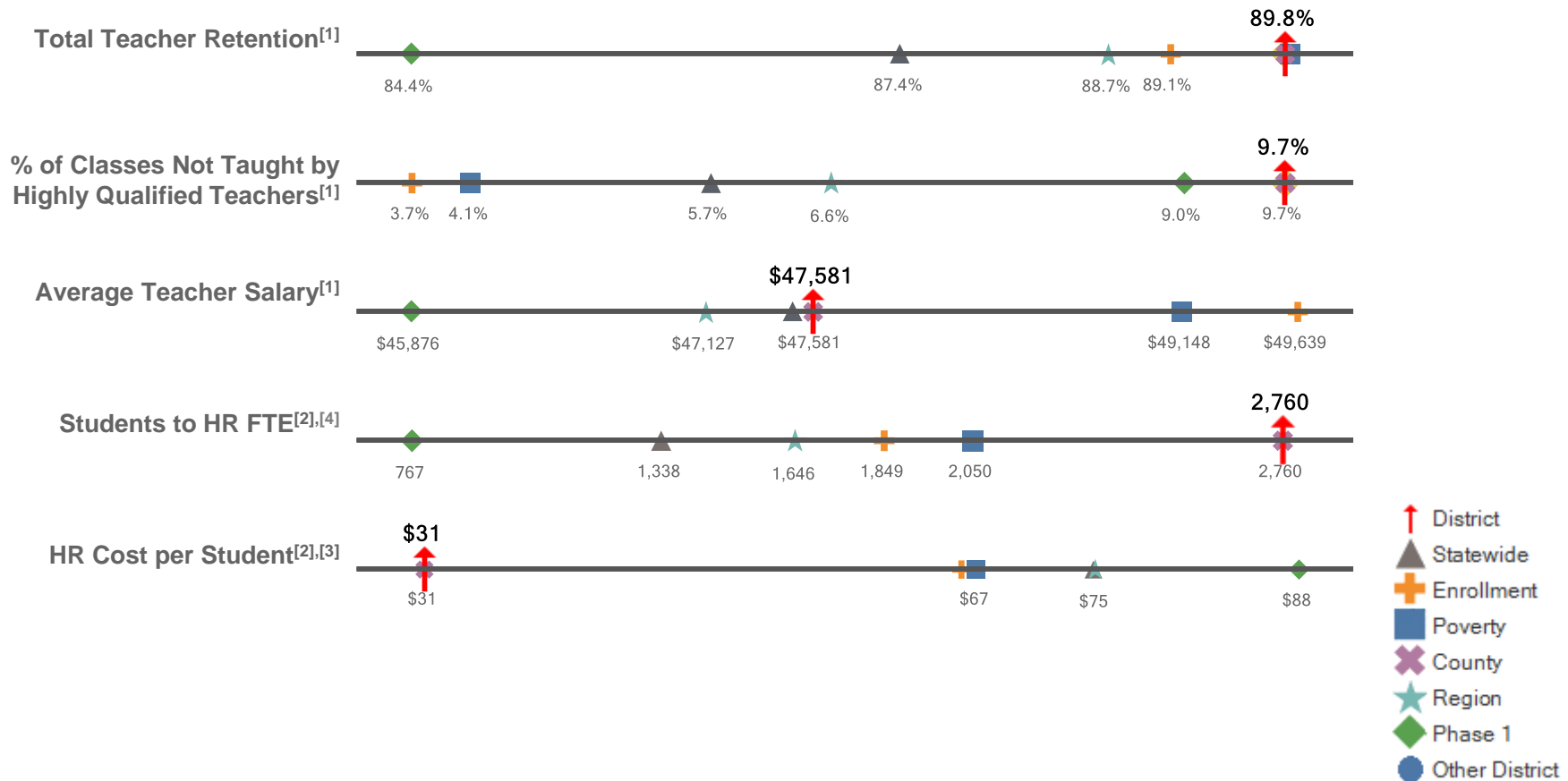
Human Resources FTEs ^[4]	12.0
Personnel Expense ^[3]	\$931,828
Non-Personnel Expense ^[3]	\$74,596
Total Human Resources Expense ^[3]	\$1,006,424

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 BERKELEY

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 BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> The Human Resources function supports recruiting, retention, personnel relations, professional, benefits and professional development activities. Many Human Resources functions remain manual processes. Human Resources Cost Per Pupil: The HR cost per pupil for the District is \$31 per student, which is lower than its peers (\$66) and the statewide average (\$75). Student per Human Resources FTE: The Student to HR FTE ratio is 2,760 which is higher than statewide (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. As automation and modernization of processes replace labor-intensive Human Resources processes, staff can be reorganized to focus efforts on greater value add tasks such as teacher recruitment and retention.
Recruiting and Retention	<ul style="list-style-type: none"> Recruiting: The District leverages staffing agencies (Kelly Service) to provide custodial staff and substitute teachers, as well as hard-to-staff services (Physical Therapy, Occupational Therapy, etc.). Average salary: The average teacher salary of \$47,600 is the same as the state average (\$47,600) but is slightly lower than similarly sized districts (\$49,639). Teacher retention: At 89.8%, teacher retention is higher than the state average (87.6%) and districts of similar size (89.0%). 	<ul style="list-style-type: none"> Consider a 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 and (e) innovative professional development programs. Conduct exit interviews to gather information on the causes of employee attrition, and use the results of the process to formulate an effective teacher retention plan.

HUMAN RESOURCES BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> The District leverages Applicant Track for recruiting and application screening. Substitute management is a manual process. 	<ul style="list-style-type: none"> Implement software systems to help manage the substitute management process. Implement an automated time tracking system that can interface directly with the payroll system. Capitalize on functionality to create employee portal providing platform to simplify and automate all employee transactions.
Benefits	<ul style="list-style-type: none"> The District employs one full-time benefits administrator. 	<ul style="list-style-type: none"> Establish a process with PEBA to conduct a local review of benefit plans for ineligible dependents.
Collaboration	<ul style="list-style-type: none"> The District does not collaborate with other districts on recruiting, human resource system licenses, or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> Consider sharing best practices in human resources processes with other school districts in South Carolina.



OUTLINE

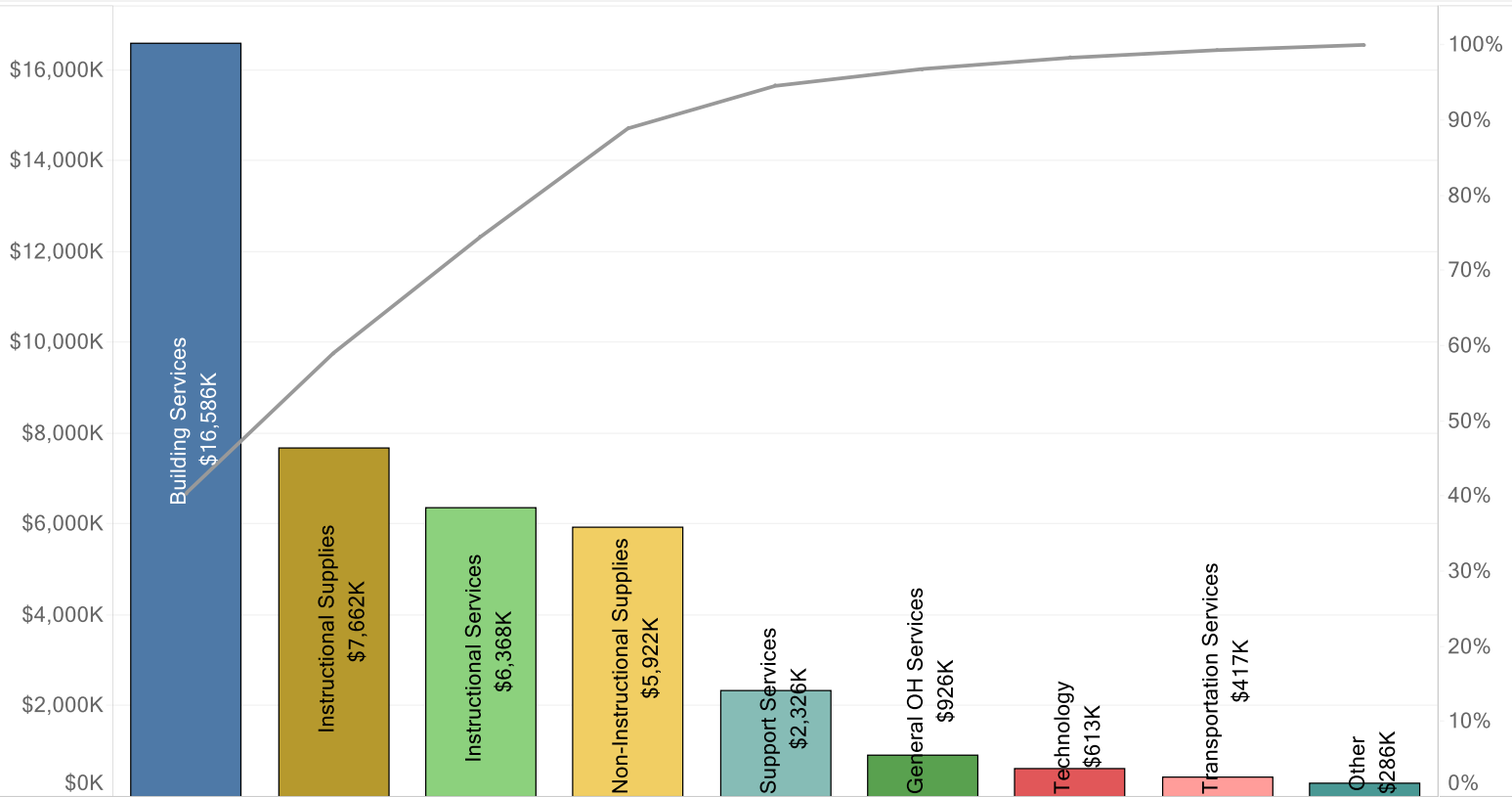
- I. Executive Summary
- II. District Overview and Overhead
- III. Financial Management
- IV. Human Resources
- V. Procurement
- VI. Transportation

PROCUREMENT BERKELEY

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.

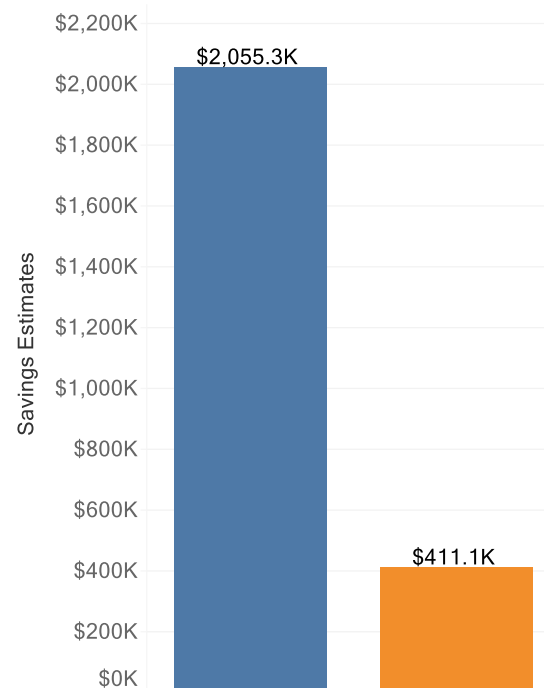
District In Scope Total Procurement Spend = \$41,106,215



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



■ High Savings Estimate
■ Low Savings Estimate

PROCUREMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District is unique in that it has a full team devoted to procurement and optimizing purchasing activities. 	<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.
Spending by Vendor	<ul style="list-style-type: none"> Top Spending: Spending is fragmented across more than 2,500 vendors; however, the top 60 make up more than 80% of total spending. 	<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 and (c) negotiated contracts done in collaboration with surrounding districts. Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts.

PROCUREMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<ul style="list-style-type: none">• Where appropriate, include Most Favored Nation (MFN) clauses into contracts that require the vendor to provide the District pricing that is no higher than the price it provides to any other buyer now or during the term of the agreement.• Seek opportunities to better leverage buying power by participating in Group Purchasing Organizations (e.g. US Communities). Areas to consider for potential collaboration include food (if not currently using a GPO), supplies and technology. Based upon experience across other school systems and districts, purchases made through suitable Group Purchasing Organizations for supplies and equipment typically yield savings of 2.3%-5.9%.

PROCUREMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District uses service providers and is able to competitively bid out for these services. • Food Services: The District does not collaborate with other districts for the purchase of dairy or bread. • Energy: The District does not fix rates for natural gas contracts. • Instructional Support Services and Supplies - Procurement Exemptions: The District bids out instructional support software and services but does not procure these services and software in collaboration with any other districts. • Professional Staffing: The District currently relies on Kelly Services for substitute teaching and custodial staff. • Technology: The District does not coordinate technology purchases with other nearby districts. • Non-instructional Supplies - Contracting Vehicles: The District occasionally purchases non-instructional supplies outside of available state contracting vehicles under the belief that it can receive comparable, if not better, pricing. However, the District does business with many vendors that are under statewide contract (General Sales, Carolina Biological, and others). 	<ul style="list-style-type: none"> • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options, that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of 1:1 initiatives vary greatly in cost per device and total cost of ownership – from 3.4% - 6.3%. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts. • Consider establishing a fixed rate contract for natural gas.

PROCUREMENT BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none"> • Consortia: The District participates in the statewide food purchasing consortium. • State-wide contracts: The District frequently uses state contracts as the basis for negotiating with a vendor. However, they regularly receive better pricing than the contract negotiated by the State. • Other Collaboration: The District frequently collaborates with nearby districts, Dorchester 2 and Charleston, when issuing RFPs. Multiple districts are listed as beneficiaries of the contract negotiated by the lead district in the procurement. 	<ul style="list-style-type: none"> • Given the robust procurement operations of the District, many small, rural districts would benefit from the District’s procurement efforts. The District should consider notifying other small, rural districts of upcoming RFPs, so that these small districts can be listed in the contract and benefit from the favorable terms that Berkeley is able to negotiate. • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations and contract management. • A regional collaboration model would allow for Districts to further capitalize on volume discounts and rebates on areas of spend that would include: <ul style="list-style-type: none"> - Technology - Instructional Software and Services - Instructional Staffing - Supplies



OUTLINE

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

TRANSPORTATION BERKELEY

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION OVERVIEW

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

15 Years

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

\$269 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	260.8
Personnel Expense ^[3]	\$8,092,648
Non-Personnel Expense ^[3]	\$572,865
Total Transportation Expense ^[3]	\$8,665,513

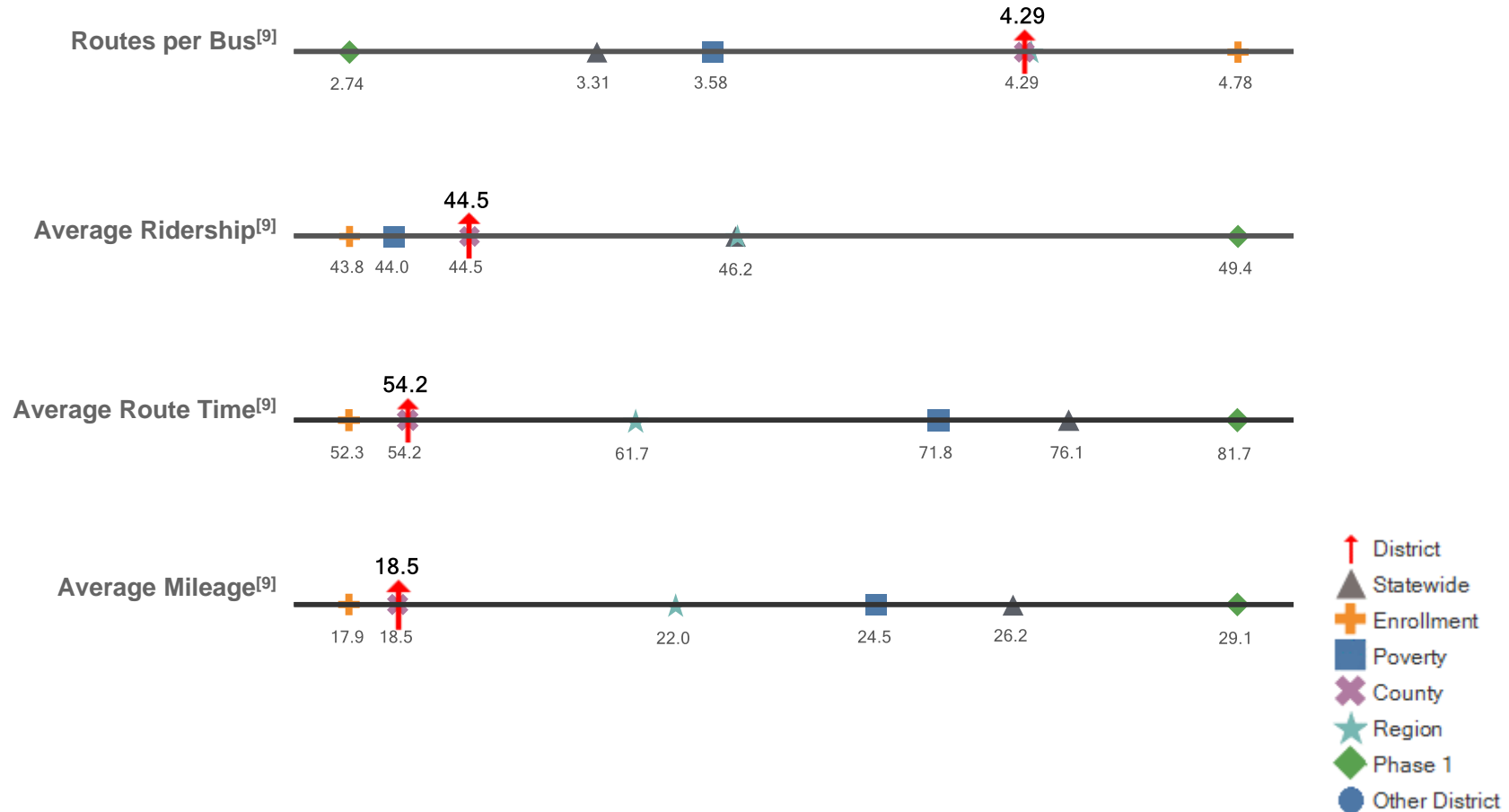
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	148.6	638	4.3	28,406	45	54	19
Special Needs	36.3	137	3.8	1,223	9	Not-Available	34
Other	4.5	16	3.6	549	34	Not-Available	27
Total	189.4	791	4.2	30,178	N/A	N/A	N/A

TRANSPORTATION BERKELEY

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 BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: Transportation is overseen by one director and four area supervisors. There is a special needs transportation supervisor; a training safety supervisor; a driver trainer; a routing clerk; a secretary and three mechanics who maintain the District-owned fleet. The District currently employs 185 drivers and 85 assistants. • Driver Training: The District provides driver training on site. • Recruiting: The District has struggled to recruit and retain bus drivers. The local labor market is strong and pay rates are not seen as competitive. The District finished the FY16 school year at 77% staffed and with a daily absentee rate between 12% and 15%. • Hiring and Retention Incentives: The District has attempted to address driver shortages with aggressive local advertising and increased pay. They have begun to offer incentives tied to attendance as well. • Bell Times: The District runs staggered bus routes that are aligned with staggered school bell times and allows buses to run at least two morning routes and two afternoon routes each day. 	<ul style="list-style-type: none"> • Consider partnering with surrounding districts to evaluate opportunities to better utilize bus fleet, analyze route efficiencies and source bus drivers. • Implement a substitute/back up driver pool in collaboration with nearby districts.
Routing and Bus Management	<ul style="list-style-type: none"> • General: The District already utilizes routing software and runs staggered bell times, district utilization of the buses is higher than the State average (4.3 routes per bus vs. 3.3). • Routing Software: The District utilizes Edulog and Zonar routing software, as well as the State database. 	

TRANSPORTATION BERKELEY

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management (cont'd)	<ul style="list-style-type: none"> • Bus Tracking: The District has GPS on its buses (AngelTrax Video Systems/Zonar). • Security: The District has security cameras on all buses (AngelTrax Video Systems) but does not currently have stop-arm cameras on all buses. • Hazardous Routes: The District provides transportation on a case-by-case basis for students that live within 1.5 miles of their school. The majority of this transportation is provided on one of the District's 58 buses. • District-Owned Fleet: The District only runs 5-6 of its own buses on daily routes. The remainder are primarily for activities. • District-Owned Fleet Maintenance: The District employs three mechanics who perform 90% of maintenance and repairs for the district's own fleet. Only engine replacements are outsourced. • Activity Buses: The District does not use State fuel for activity buses. 	<ul style="list-style-type: none"> • The District should further seek to understand routing practices at Dorchester 2 and Richland 2 (6.1 and 6.3 routes per bus, respectively) to determine if there is additional opportunity to increase the number of routes a bus does daily. • Install stop-arm cameras for safety and security of children.
Collaboration	<ul style="list-style-type: none"> • The district does not collaborate with surrounding districts. 	<ul style="list-style-type: none"> • Leverage the State maintenance hubs for activity buses. • Consider partnering with districts that are also transporting children to out-of-district placements.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

BERKELEY

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. Actual savings may vary based on implementation decisions.

FINANCE AND HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<ul style="list-style-type: none"> • A&M conducted interviews and analyzed personnel rosters and expenses to understand the intersection of people, process and technology within the District. • A&M estimated potential savings that could be realized after implementation of recommended process, policy and technology changes based upon past experience implementing similar initiatives, comparison of staffing and spend against peer benchmarks and discussion with the District. A&M also estimated investments required to achieve savings based upon prior experience. • In addition, while A&M evaluated potential synergies from a regional shared services model for transactional activities, after considering the District’s size, current staffing levels and uniqueness of processes, policies and technology, A&M is not recommending implementation of this approach at this time. 	<ul style="list-style-type: none"> • A&M reviewed the District disbursement register and reviewed a limited sampling of vendor invoices to gain an understanding of the Districts 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. 	<ul style="list-style-type: none"> • A&M used data provided by the state to analyze the district route mileage, frequency, timing, and volume to compare with benchmarks across the state. • A&M evaluated opportunities for savings based upon comparison of benchmarks across the state that took into consideration the location, population and geographic profile of the each district. • Savings estimates were not provided in instances where the District was in line with benchmark targets and was using both routing software and leveraging staggered bell times.

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

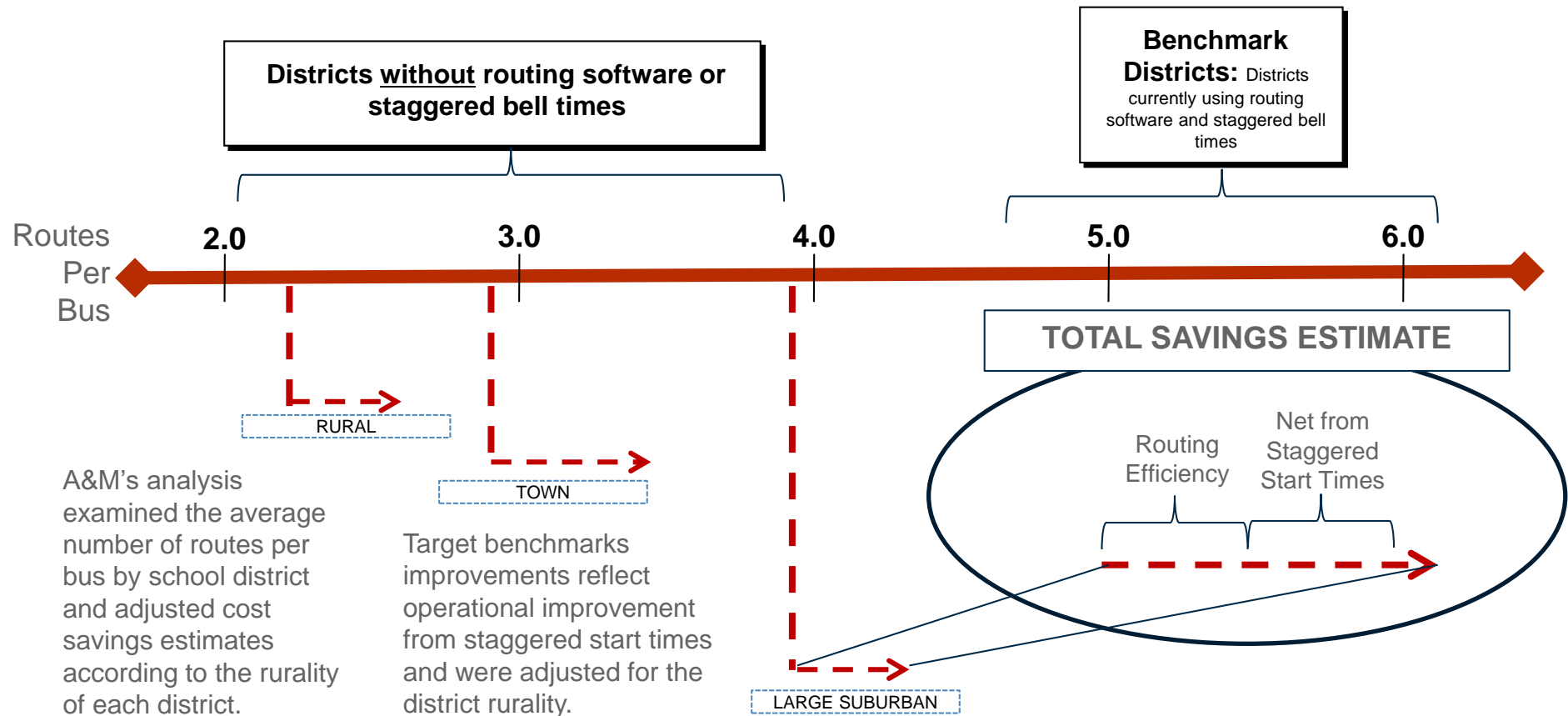
Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

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.

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 BERKELEY

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.

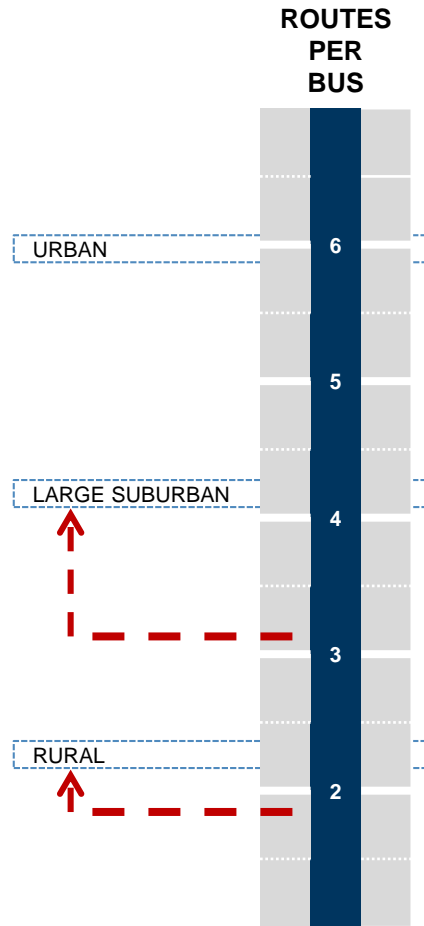
APPENDIX A: SAVINGS METHODOLOGY BERKELEY

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 benchmarks 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 BERKELEY

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 BERKELEY

PURCHASING COORDINATION AND AGGREGATION: SAVINGS APPROACH

In order to develop a range of savings that a purchasing consortium would yield, A&M estimated savings based on current district spend and applied savings ranges based on the experience that our clients have achieved by partnering with A&M on strategic sourcing.

To determine actual savings amounts by District, A&M applied the savings ranges to FY16 expenditure data from the State. The expenditure data from the State is summarized at function and major object codes.

Given the approach to estimate savings was a top-down approach rather than a bottom-up approach of savings by vendor, the estimates of savings achieved through purchasing coordination are high-level estimates.

	Range of Savings:	
	Low	High
Building Services	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 BERKELEY

[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 BERKELEY

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 BERKELEY

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