



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Spartanburg 04

District Report

6/16/2017



ALVAREZ & MARSAL



OUTLINE

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

EXECUTIVE SUMMARY

SPARTANBURG 04

PROJECT OVERVIEW

- This document contains observations and recommendations completed in conjunction with the School Efficiency Review conducted for the South Carolina Department of Education and pursuant to Part 1B Section 1 Proviso 1.92 of the FY2016-17 General Appropriations Act.
- The scope of the District Efficiency Review focused on the following central operations: **(1) Finance; (2) Human Resources; (3) Procurement; (4) Transportation; and (5) Overhead.**
 - Instruction, Food, Facilities and Technology functions were outside the scope of this efficiency review.
 - Facilities and Technology Assessments were completed in accordance with Part 1B of Proviso 1.92 and are separate from this report.
- A&M's review focused on identifying opportunities across the operational areas noted above that would yield:
 - 1. Increased Effectiveness and Efficiency**
 - Improved processes that would enable increased levels of service to the District's students and teachers and enhance financial controls and financial stewardship of the District's funds and assets.
 - A&M considered potential opportunities that could be realized both in the current state and in a situation where the District chooses to collaborate with other nearby or like-minded districts.
 - 2. Cost Avoidance and / or Cost Savings**
 - Enhanced processes and structures that would enable the District to realize savings and/or avoid potential costs in the future, including consideration of potential investments required to mitigate ongoing cost exposure.

EXECUTIVE SUMMARY

SPARTANBURG 04

PROJECT OVERVIEW (CONTINUED)

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

EXECUTIVE SUMMARY

SPARTANBURG 04

PROJECT OVERVIEW (CONTINUED)

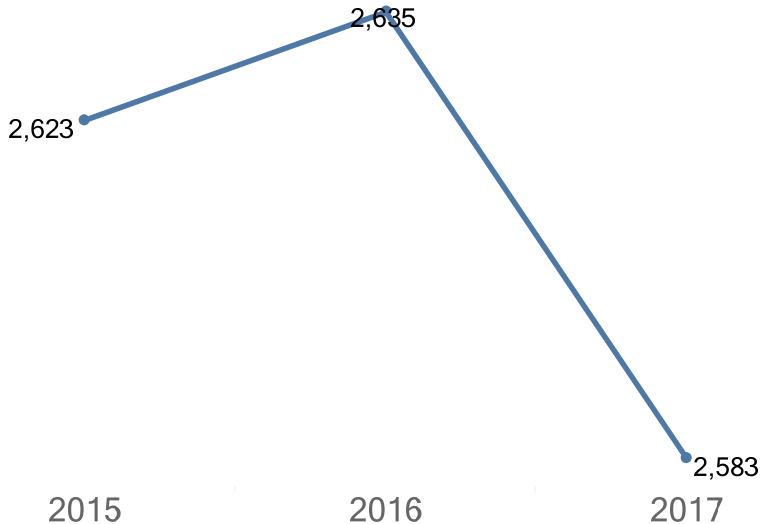
➤ **Sources of Data and Savings Estimates:**

- A&M based the recommendations included in this report on data received from both the State and the District.
 - State provided data: FY16 revenue and expenditure data submitted by districts to the State, 3-year historical enrollment/average daily membership data, FY16 school transportation routes by district.
 - District provided data: FY17 personnel rosters, FY16 disbursements by vendor, vendor contracts and invoices, and various operational and financial metrics tracked and maintained by the districts.
- Many districts were unable to provide all of the data requested. As a result of data limitations, savings estimates calculated rely on aggregate expenditure data to derive estimates for potential savings.
- Savings estimates are based on a series of assumptions about changes in process and staffing levels (stand-alone and multi-district) that will vary upon implementation. Variation from the amounts presented as net savings are likely in the event a shared services model is implemented.

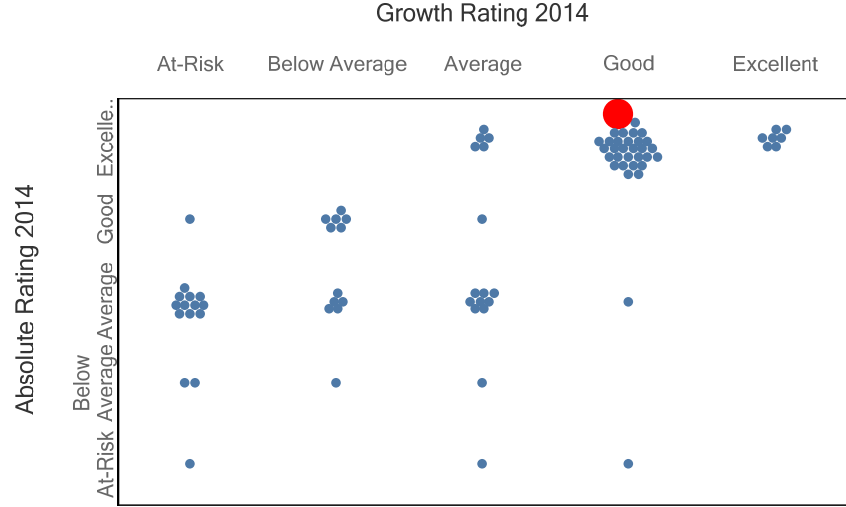
EXECUTIVE SUMMARY

SPARTANBURG 04

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	4
% Poverty ^[1]	62.7%
% Disability ^[1]	0.1%
\$ Per Student ^{[2],[3]}	\$10,108
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$9,348

Administration

Students Per Instructional Services FTE ^{[2],[4]}	9.0
Students Per Overhead FTE ^{[2],[4]}	187.9
Students Per School Support FTE ^{[2],[4]}	32.9
Students to Total FTE ^{[2],[4]}	6.8

EXECUTIVE SUMMARY

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Sources of Funds^[5]
\$28.3M



2015-2016

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

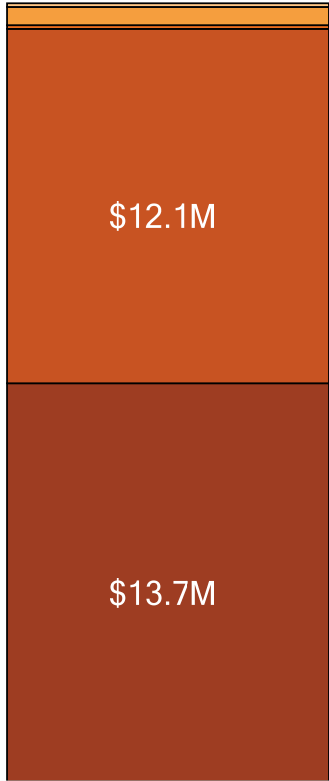
Use of Funds - Type^[3]
\$26.6M



2015-2016

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

Use of Funds - Function^[3]
\$26.6M



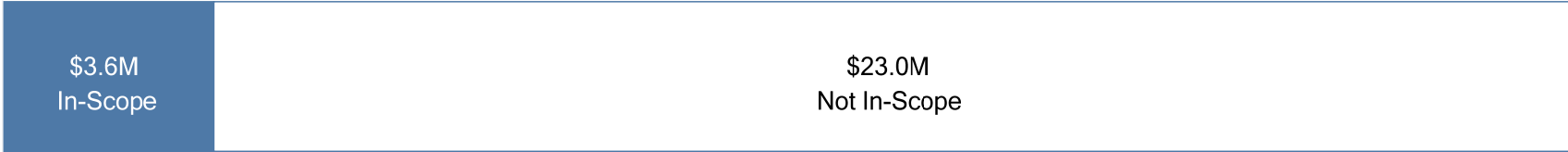
2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SPARTANBURG 04



13.5% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$385,048	\$31,933
Human Resources	\$	\$
Overhead	\$535,363	\$150,715
Transportation	\$529,610	\$25,432
Procurement (Community Services, Instruction, Support Services)	\$2,144,411	\$2,144,411
TOTAL	\$3,594,432	\$2,352,491

* totals may not tie due to rounding

EXECUTIVE SUMMARY

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GOALS, CHALLENGES & ACHIEVEMENTS

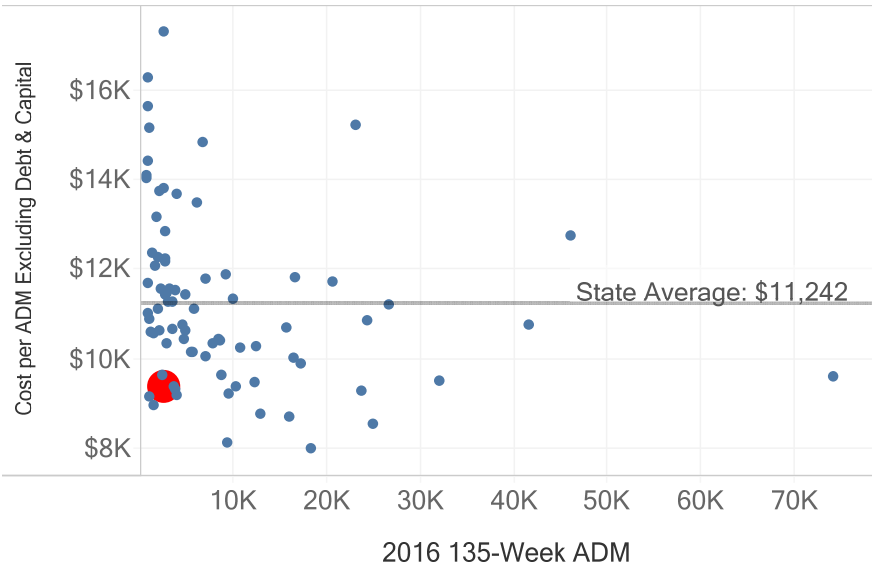
District Goals	
<p>Mission Statement: Impacting and empowering students for the future through high expectations, academic rigor, supportive relationships, and the development of a strong work ethic in a safe and orderly environment.</p> <ul style="list-style-type: none">• Student Achievement: The District aims to increase student achievement on standardized assessments to exceed state averages, national averages and/or Annual Measurable Achievement Objectives (AMAOs).• High Quality Staff: The District aims to provide a highly qualified, motivated, and professional staff focused on continuous improvement to prepare students for future opportunities in a global society.• School Environment: The District is committed to providing safe, healthy, and stimulating learning environments that support students in achieving their goals; specifically, by improving student health through an increase in minutes of physical education, physical activity, sports and a decrease in overweight and obesity rates.• Community Engagement: The District intends to strengthen home-school relations, community partnerships, and district family connections through communication and collaboration.	
Achievements	Challenges
<ul style="list-style-type: none">• Culture of Excellence: The District has built a culture of excellence directly impacting academic outcomes. The District has been recognized for its progress in closing the achievement gap.• Universal Pre-Kindergarten: The District has electively offered universal Pre-K for 4-year-olds for the past 10 years.• Infrastructure: The District recently upgraded all lighting in its facilities to LED technology for \$500,000 less than estimates. This was achieved by insourcing labor and leveraging time-limited rebates on technology.	<ul style="list-style-type: none">• Funding: Act 388 funding has not sufficiently replaced the local property tax revenue previously received by the District. The District is a net beneficiary of the revenue-sharing arrangement in effect in Spartanburg County. However, as with many school districts throughout South Carolina, resources are not adequate to meet the school community’s priorities.

EXECUTIVE SUMMARY

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KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:
The District must perform and support a fixed, minimum cost structure and does not benefit from economies of scale available to larger districts.

Resource Utilization:
The small size of the District requires resources to be leveraged within and across functional areas and often resources wear multiple hats in order to complete key processes.

Opportunities for Improvement

Modernize / Process Improvements:
The District has the opportunity to implement new technologies and streamline processes in order to enhance overall effectiveness of support functions.

Collaboration / Maximizing Efficiencies:
Given the small size and spending base of the District, there are a range of collaboration opportunities for cross-district collaboration that will provide the greatest ability to realize efficiencies and generate the highest level of savings. The greater the number of districts collaborating, the greater the efficiencies and effectiveness.

EXECUTIVE SUMMARY

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OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	<ul style="list-style-type: none"> • Organization: The Finance organization is adequately staffed to support its scope of roles and responsibilities that include, accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Processes / Technology: The District relies on manual processes for time-keeping, payroll, purchase order and invoice approval and check processing.
Human Resources	<ul style="list-style-type: none"> • Staffing and Organization: The District does not have staff focused on Human Resources. Recruiting, retention, employee relations and professional development activities are managed by the Superintendent and the Assistant Superintendent. • Recruiting and Retention: A rich network of regional university partnerships, comparatively higher teacher salaries, and a high Teacher Return Rate of 90% indicate that teacher retention is not currently as challenging for the District as compared with other districts.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel costs and a portion of driver salaries. Many of the District’s bus drivers are legacy employees; shortages are infrequent. • Manual Routing: The District does not have routing software that can be used to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: One partial FTE is dedicated to purchasing. • Strategic sourcing: Low leverage with vendors due to low purchasing volumes. Contracts are negotiated without volume discounts / rebates.
Overhead	<ul style="list-style-type: none"> • Collaboration: The seven Spartanburg County school districts exhibit a high level of collaboration including revenue sharing, a shared teacher salary schedule, multiple county-wide instructional programs, collaborative purchasing, and both formal and informal information-sharing.

EXECUTIVE SUMMARY

SPARTANBURG 04

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.

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MODERNIZATION RECOMMENDATIONS

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

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

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COLLABORATION RECOMMENDATIONS

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

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

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

EXECUTIVE SUMMARY

SPARTANBURG 04

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES	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 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. 	<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 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. 	<ul style="list-style-type: none"> • 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

SPARTANBURG 04

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$32,500	\$47,500	\$39,100	\$117,400
Human Resources	15,000	25,000	0	0
Procurement	0	0	57,500	122,100
Transportation – District	N/A	N/A	40,000	59,000
District Total	47,500	72,500	136,600	298,500
Transportation – State	8,000	32,000	41,400	76,000
Total	\$55,500	\$104,500	\$178,000	\$374,500

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

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



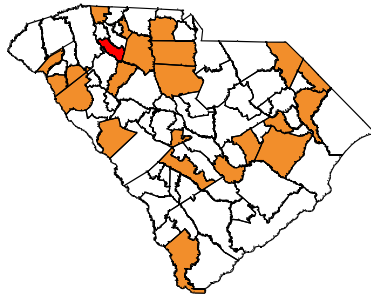
OUTLINE

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DISTRICT BENCHMARKING

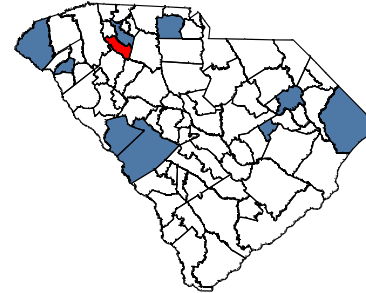
SPARTANBURG 04

Enrollment (2,500 - 5,000)



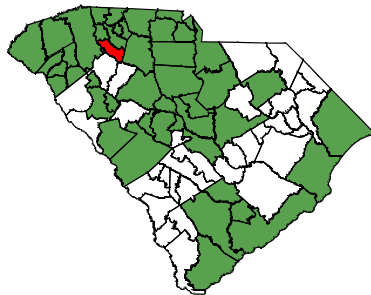
Abbeville 60	Lexington 04
Anderson 02	Marion 10
Anderson 03	Marlboro
Anderson 04	Orangeburg 03
Chester	Orangeburg 04
Clarendon 02	Spartanburg 01
Dillon 04	Spartanburg 03
Edgefield	Spartanburg 04
Fairfield	Union
Florence 03	Williamsburg
Jasper	York 01
Laurens 56	

Poverty (60% - 65%)



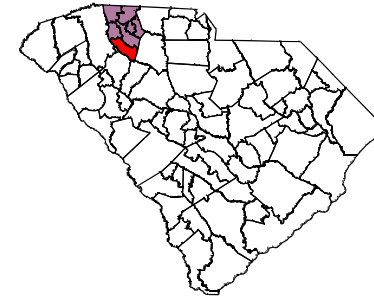
Aiken	York 01
Anderson 05	
Clarendon 03	
Edgefield	
Florence 01	
Horry	
Oconee	
Spartanburg 04	
Spartanburg 06	

Phase 1 (No)



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

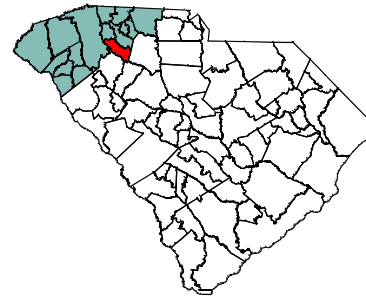
Sumter
Union
York 01
York 02
York 03
York 04



County (Spartanburg)

Spartanburg 01
Spartanburg 02
Spartanburg 03
Spartanburg 04
Spartanburg 05
Spartanburg 06
Spartanburg 07

Region (Appalachian)



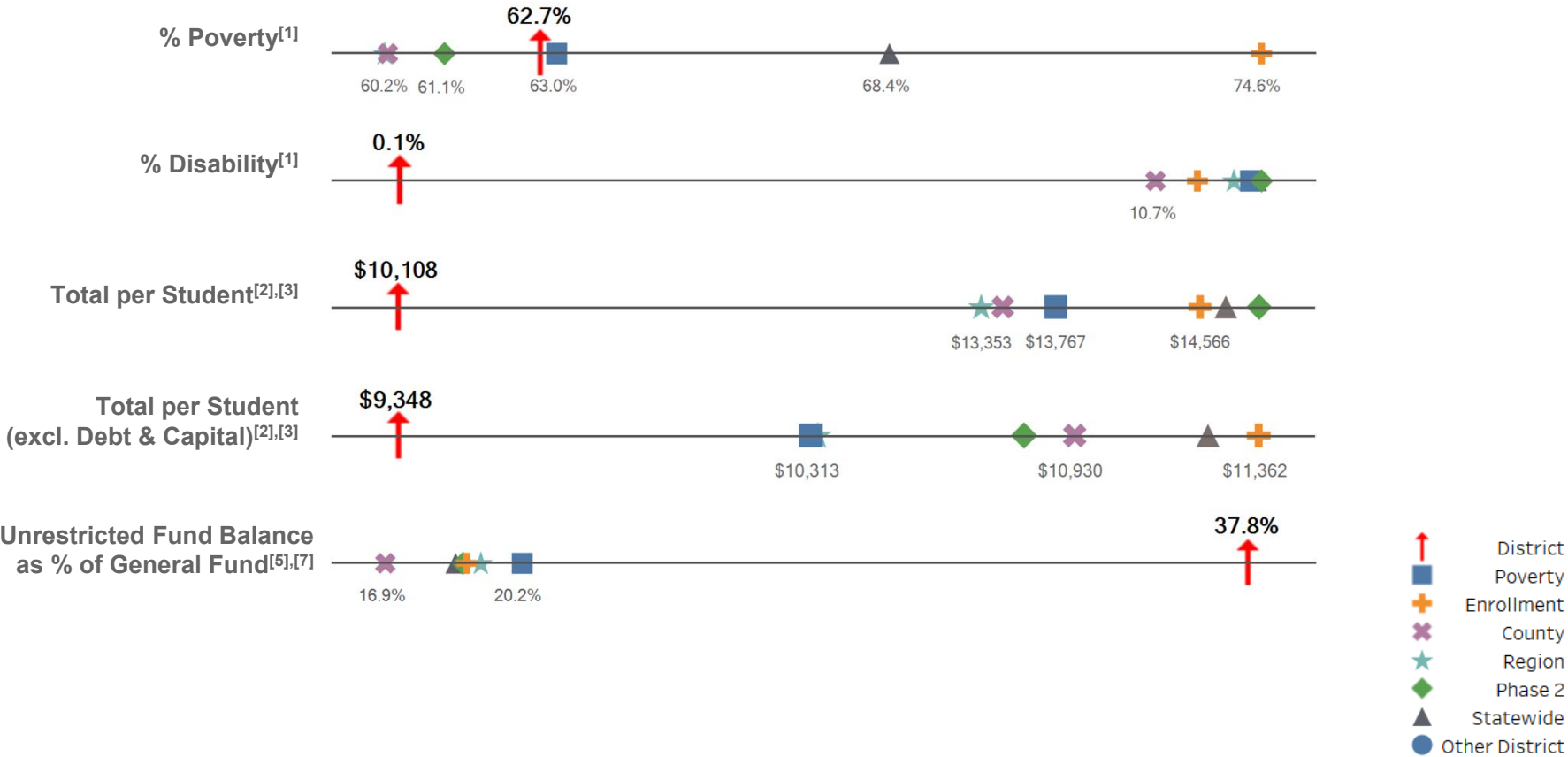
Anderson 01	Spartanburg 02
Anderson 02	Spartanburg 03
Anderson 03	Spartanburg 04
Anderson 04	Spartanburg 05
Anderson 05	Spartanburg 06
Cherokee	Spartanburg 07
Greenville	
Oconee	
Pickens	
Spartanburg 01	

DISTRICT OVERVIEW

SPARTANBURG 04

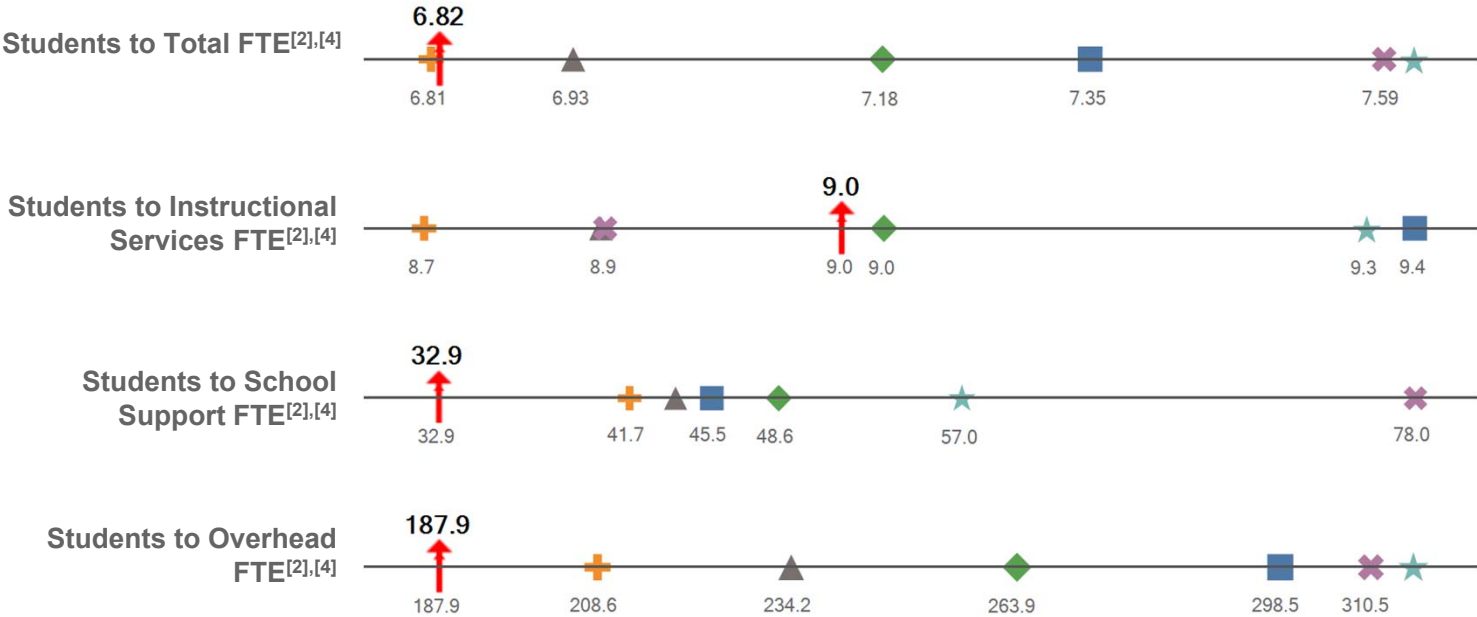
KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

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



DISTRICT OVERVIEW SPARTANBURG 04

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment trend has declined by 40 students, or 1.52%, over the past 3 years. • Student Demographics: The District poverty rate has declined in recent years, from 72% in 2013 to 63% in 2016. • Competition: There is no competition from charter or private schools in the District. The District attracts a number of tuition-paying students from nearby districts outside Spartanburg County; specifically, Greenville and Laurens 55. • Long-term Planning: The District prepares multi-year enrollment projections to help inform long-term planning. These enrollment projects are also used to inform the District's long-term capital plan. 	
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: When excluding debt and capital, the District has a lower per pupil expense (\$9,348) than its benchmark peers. • Unrestricted Fund Balance: The District has a strong unrestricted fund balance that is 37.8% of General Fund revenues. The fund balance is well above the State average of 18.6% and all other benchmark groups. 	<ul style="list-style-type: none"> • The District should evaluate possible one-time uses of its unrestricted fund balance above 18%. Funds could potentially be used on capital improvements or one-time investments in academic programs. Use of the fund balance should still be prudent and the District should ensure the fund balance does not dip below 15% to 18%.

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

District Funding and Resource Allocation (cont'd)	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Student to FTE: At 6.82, the Student to Total FTEs of the District is lower than all its benchmark groups and almost the same as districts of similar enrollment size. • Student to Instructional Services FTE: At 9.0, the Student to Instruction ratio is lower than its regional, poverty, and plaintiff benchmark groups but higher than the State and enrollment benchmarks. • Student to School Support FTE: At 32.9, the Student to Support Services ratio is lower than all benchmark groups. • Student to Overhead FTE: At 187.9, the Student to Overhead Ratio is lower than all benchmark groups, indicating higher staffing levels in non-instructional functions than may be optimal. 	<ul style="list-style-type: none"> • Consider review and reorganization of other direct support areas of the superintendent that are outside of the scope of this report to optimize resources and bring spending in line with benchmarks. • The District is a high-functioning organization with many competent and tenured staff in leadership roles. However, automation and modernization should be an integral part of its succession plan. As technology solutions for currently manual processes are implemented, staffing ratios – particularly in non-instructional areas – may be reduced.

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Staffing / Organization	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent manages relations with the board and guides the strategic direction of the District. The Superintendent has served in this role for 15 years, and was previously a high school principal in the district for 13 years. <ul style="list-style-type: none"> • Deputy/Assistant Superintendents: 1 FTE, Assistant Superintendent • Communications: No dedicated staff resources. The superintendent performs all communications functions. • Administrative: 1 FTE • Other District Staff: 2 FTEs. • Legal: The District has no legal department, retaining external counsel as needed. 	<ul style="list-style-type: none"> • Develop a succession plan that sets a strategy and timeline for external recruitment or development of the next generation of District leadership.
Board of Directors	<ul style="list-style-type: none"> • Spartanburg County Education Oversight Committee: This committee consists of the seven school board chairmen from each of Spartanburg County’s school districts and the seven district superintendents, with the board chairmen as the only voting members. Per state law, the committee approves the revenue-sharing formula as well as adjustments to the county’s unified teacher salary schedule. • Board Pay: As in all Spartanburg County school districts, the District’s Board Members are unpaid. • Training: Board members participate in annual SCSBA training events. 	<ul style="list-style-type: none"> • Although the Education Oversight Committee is an artifact of the South Carolina General Assembly’s abolition of the county-wide school board in 1998, it serves a valuable function by providing a governance structure for consideration and approval of county-wide collaborative efforts like revenue-sharing and salary schedule approval. The State could consider creating similar oversight committees for school districts that wish to pursue similar arrangements.

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy and Business Engagement	<ul style="list-style-type: none"> • Multiple districts within Spartanburg County have cultivated substantial partnerships with local governments, community-based nonprofits, area colleges and universities, and regional foundations and civic organizations to support their educational missions. • Examples of the District’s partnerships include: <ul style="list-style-type: none"> • Through Great Start Woodruff, a coalition of more than 30 churches and ministry organizations provide book bags and school supplies to District students. • The District has longstanding partnerships with civic organizations, the Woodruff Police Department, and other to provide clothing and supplies for children in need. • The District has numerous business partnerships with local firms to support its athletic programs and extracurricular activities. • Spartanburg County school districts have built extensive partnerships with local businesses for job placement and enrichment, particularly through the career centers and the special education program. • College & Career Readiness: All seven districts fund the Spartanburg Academic Movement (SAM) college and career readiness program, which employs four FTEs to coordinate the districts’ numerous partnerships with regional institutions of higher education. 	

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy and Business Engagement	<ul style="list-style-type: none">• Mary Black Foundation: Spartanburg 4 partners with the Mary Black Foundation along with all other Spartanburg school districts to build and provide a comprehensive health curriculum.• Early Learning Partnerships: All Spartanburg districts are in the process of establishing an early learning partnership with the Children’s Museum of the Upstate, a Smithsonian affiliate, which is opening its first satellite museum in downtown Spartanburg.• Community Centers: Most Spartanburg County school districts operate community centers providing child development and family services to community members.• United Way: Most Spartanburg districts, including Spartanburg 4, partner with the United Way through its Gift-In-Kind center in Spartanburg. For \$500 per year, the District can take as much unwanted merchandise collected from Walmarts across the US.	

DISTRICT OVERVIEW AND OVERHEAD

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SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Collaboration	Observations	Recommendations
	<ul style="list-style-type: none"> • Revenue Sharing: At the direction of the Education Oversight Committee, all Spartanburg County school districts participate in a revenue-sharing arrangement where they each contribute 13 mills for distribution via an equalization formula. • Teacher Salary Schedule: All Spartanburg County districts set a unified salary schedule for teachers and is approved by the Education Oversight Committee. This practice reduces competition between districts for highly qualified staff on a purely financial basis; the districts still compete on other tangibles such as community setting, class size, class offerings, etc. • School Calendar: All Spartanburg County school districts share a unified school calendar. The calendar is proposed by a working group of the seven district superintendents and then taken to each of the seven school boards for approval. This practice is not mandated by law and is not business overseen by the Education Oversight Committee, but has been a matter of culture and practice for many years. • Career Center: The District has a shared career center with Spartanburg 6 and 7. • Special Education: The District participates in the county-wide special education program through McCarthy Teszler, and District students who do not attend the main school participate in 2 satellite classrooms located in Spartanburg 5. • Adult Education: The District participates in this county-wide program, which is open to adults throughout Spartanburg County. 	<ul style="list-style-type: none"> • Create a document that sets forth Spartanburg County districts' approach to county-wide resource creation and resource sharing for major endeavors – particularly the special needs program – as a set of best practices for voluntary collaboration between school districts. • A shared Chief Development Officer across all Spartanburg County districts could be a valuable addition and would relieve administrators of some due diligence around pursuit and capture of external philanthropic funding.

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none"> • Alternative School: Spartanburg 7 is the fiscal agent for Whitlock Flexible Learning Center, an alternative school program open to any Spartanburg County child with severe behavioral and/or academic performance issues. This school is one of several county-wide schools operated by various Spartanburg districts to serve special student populations. • Virtual School: Spartanburg 6 is the fiscal agent for the Spartanburg County Public Virtual School, a comprehensive, standards-based program that can be easily accessed anywhere an internet connection is available. Spartanburg 6 is fiscal agent for this offering; effectively, all seven districts "share" FTEs at this institution. • Early College Programs: The Spartanburg County school districts have active partnerships with area colleges and universities, including USC Upstate and Spartanburg Community College, to provide early college opportunities for high-achieving and historically underserved students. • Multi-district Working Groups: Assistant superintendents from all Spartanburg school districts meet regularly. All human resources directors, maintenance directors, special education directors, transportation directors, and secondary school principals maintain standing meetings. District staff from both Union and Cherokee counties attend several of these meeting, including the superintendents' meeting. The groups maintain an active listserv. 	

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Collaboration	Observations	Recommendations
	<ul style="list-style-type: none"> • Extracurricular Activities: Multiple programs are available to Spartanburg County K-12 students regardless of their home district; for example, the Spartanburg Music Foundation, a 4th grade performance program through Carnegie Hall; Spartanburg Sings, a multi-district honors choir; and others. • Professional Development: All Spartanburg County districts collaborate and offer joint professional development opportunities in the form of graduate level courses co-sponsored and co-funded in collaboration with Converse College & USC Upstate. • Truancy Court: The District participates in the countywide truancy court convened by Spartanburg 1. The truancy court is held at the county courthouse. Cases are heard before a chief hearing officer, who is employed at the alternative school. Records are centrally maintained and provides a data trail on children even as they move districts within Spartanburg County. District and county-wide reports are compiled by the clerk monthly and shared with superintendents. Spartanburg is the second county in South Carolina to adopt this practice, which is based on an idea pioneered in Anderson County. 	



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FINANCIAL MANAGEMENT SPARTANBURG 04

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.

795 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$146 per Student

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

Key statistics for metrics

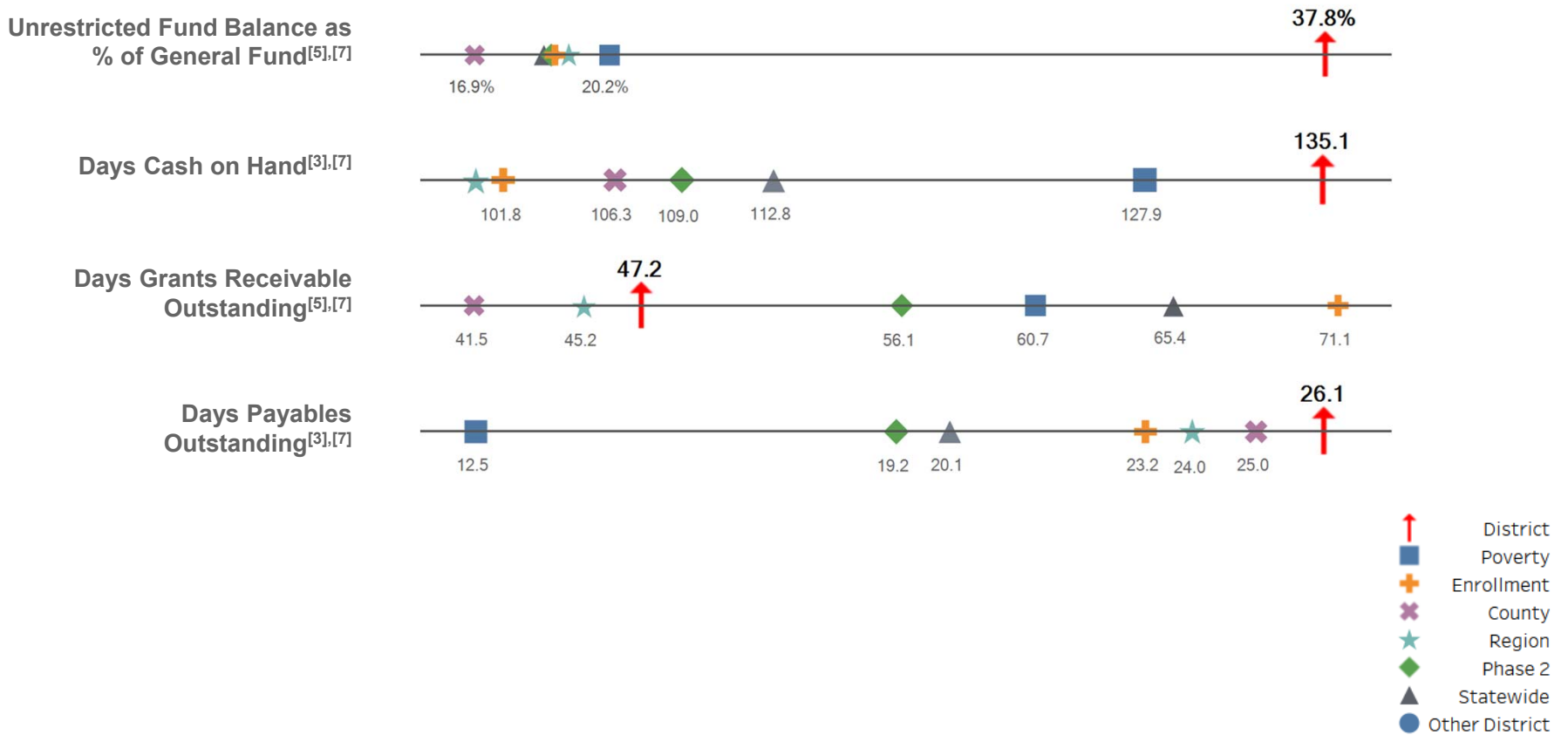
Financial FTEs ^[4]	3.3
Personnel Expense ^[3]	\$353,115
Non-Personnel Expense ^[3]	\$31,933
Total Financial Expense ^[3]	\$385,048

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 SPARTANBURG 04

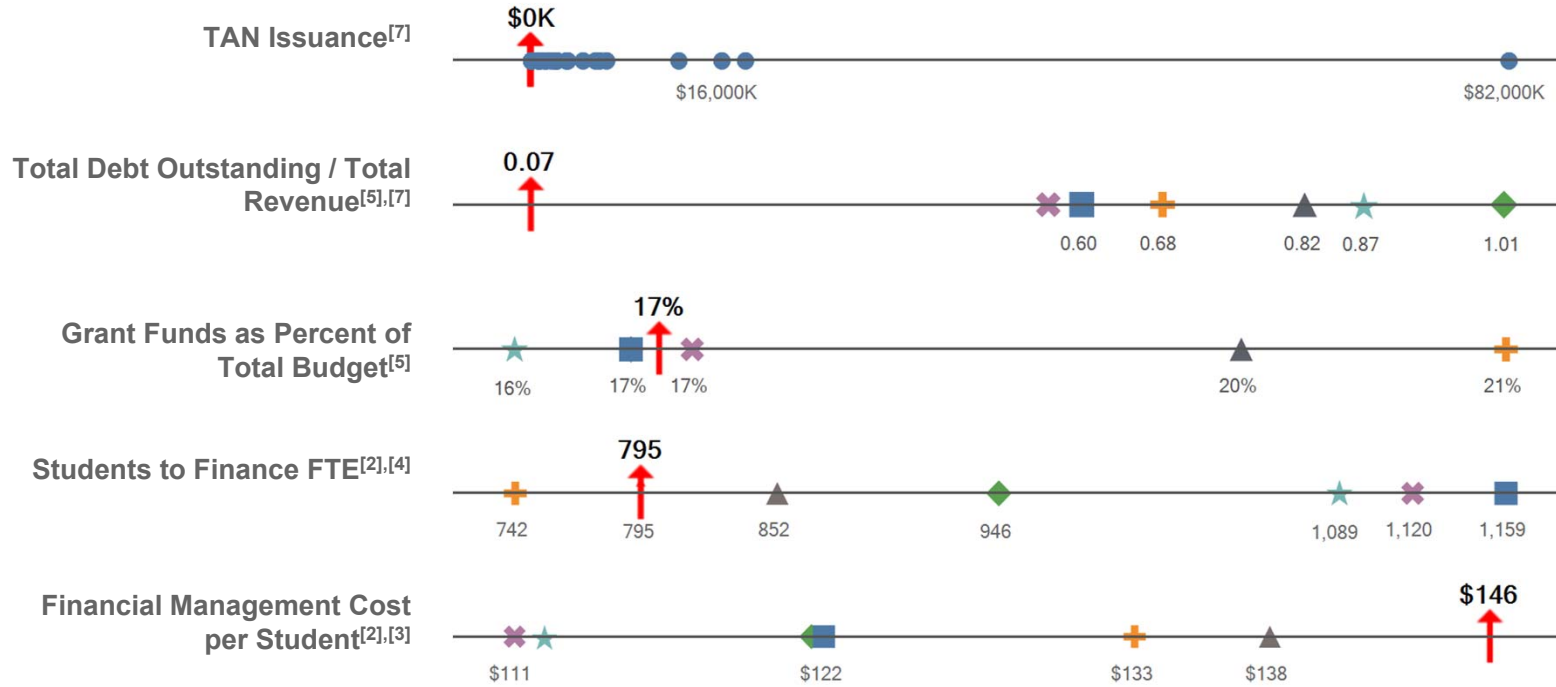
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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



FINANCIAL MANAGEMENT SPARTANBURG 04

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



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

FINANCIAL MANAGEMENT SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Staffing / Organization	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • The Finance organization operates on a lean budget and is thinly staffed to support its scope of roles and responsibilities that include accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. <ul style="list-style-type: none"> • Budgeting & Accounting: 1 FTE, Business Manager. • Payroll: 0.75 FTE. • Accounts Payable: 0.75 FTE. • Purchasing: 1 FTE. The Procurement Director reports to the Assistant Superintendent for Operations. • Insurance Policy Review, Claims Handling & Processing: 0.25 FTE. • Administrative: 0.25 FTE. • Turnover: Turnover in the Finance department has been low. • Finance Cost Per Pupil: The Finance cost per pupil for the district (\$146) is significantly higher than the statewide average. • Student per Finance FTE: The student to financial management FTE ratio, at 795, is less favorable than most of its benchmark peers, but is slightly more favorable than districts of similarly small enrollment size. • Cross-Training: Due to low staffing levels in the Finance function, cross-training on various roles is uncommon. 	<ul style="list-style-type: none"> • Upon implementation of automated payroll processes, re-train existing staff to provide support to other finance functions, such as accounts payable and inventory.

FINANCIAL MANAGEMENT

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs two payroll cycles, one monthly and one weekly. Professional staff are paid monthly; hourly part-time custodial, bus driver, and afterschool program employees are paid weekly. • The District’s payroll process is a hybrid of manual and automated processes. Schools submit paper timesheets for monthly staff payroll and are manually entered into Harris Accounting Plus. Schools submit time cards for weekly staff. • Direct Deposit: 80% of the District’s monthly payroll is paid by direct deposit. The majority of the 20% receiving paper checks are substitute teachers. All weekly and bus driver payroll is delivered by paper check (approximately 75-100 checks). The District has seen low turnover among its hourly non-instructional staff, most of whom are legacy employees. • Timekeeping: Schools generate paper timesheets for salaried staff; food service workers and bus drivers use a paper punch clock; and substitute teachers utilize a paper sign-in sheet. • Purchasing: The District uses a manual purchase order system. Requisitions are generated on paper, sent to the Business Director for review, and the Superintendent for final approval. The District processes 42 purchase orders per month on average. • Pcard: The District does not utilize a Pcard program. 	<ul style="list-style-type: none"> • Standardize payroll to monthly or twice-monthly processes and eliminate the need for extra payrolls. This would reduce annual payroll runs and also enable the finance function to streamline processes and free up time to focus on other key responsibilities. • Implement the automated payroll functionality in Harris Accounting Plus. • Implement timekeeping software, such as Aesop or Timeclock Plus, that integrates with Harris Accounting Plus to significantly reduce the amount of time spent entering payroll data into the ERP. An automated system will also reduce potential for error in data entry. • Phase out issuance of paper checks. Require all new staff to be paid via direct deposit, and provide reimbursements via direct deposit as well. • Consider implementing a Pcard program. Run a pilot program prior to the full roll-out to ensure proper controls are in place.

FINANCIAL MANAGEMENT

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Inventory: The District maintains warehouses containing approximately \$100,000 in supplies such as paper, cleaning supplies, and furniture. All other inventory is stored at its site of use. • The District manually tracks supply levels but does not do formal inventory on its warehoused supplies. The maintenance director and staff work out of that facility and a school resource officer is based in that location as well. • For food supplies, inventory is manual and performed weekly. • Risk Management: The District has formal risk management policies establishing procedures for reporting and investigating incidents, and outlining the escalation process to insurance providers. Workers compensation insurance is provided through SCSBIT. 	<ul style="list-style-type: none"> • Work with current insurance providers to obtain premium discounts through review of existing – or new or improved – safety policies, procedures, and trainings.

FINANCIAL MANAGEMENT SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	<ul style="list-style-type: none"> • Grant Revenues %: Grant revenues provide 17% of revenue for the District and is lower than the State average of 20% but on par with its poverty and county benchmarks. • Federal Funds: The Assistant Superintendent oversees Title I and EIA grants; the Instructional Director oversees Title III grants; and the Special Services Director oversees IDEA grants. The Business Director supports these individuals with monitoring grants and preparing and submitting claims through GAPS. • Grant Writing: These three employees identify and pursue grant opportunities. There is no dedicated grant writer for the District. • Indirect Costs: The District charges some indirect costs against USDA food service grants only. They choose not to bill indirect costs against other programmatic grants so as to not reduce the amount of funding available for FTEs and program activities. • Grants Monitoring: Program officers and the Finance director monitor grant utilization on a quarterly basis. 	<ul style="list-style-type: none"> • Consider hiring a grant writer to help drive applications for competitive grant opportunities. • Create a consolidated grants tracking report that compares award amount, budget, YTD and cumulative expenditures, and outstanding receivable balances for each grant.

FINANCIAL MANAGEMENT

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Internal Controls	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District had no material weaknesses in its FY16 audited financial statements. • A FY15 audit finding related to inaccurate reporting of free and reduced lunches served has been addressed by instituting a new reconciliation process performed by the Food Services Director. • Position Control: The District utilizes position control. 	<ul style="list-style-type: none"> • Implement annual review of processes to ensure segregation of duties over key areas of internal control.
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance with 135.1 days cash on hand. Typically, the District has been able to hold enough cash on hand to avoid short-term debt issuance. • Grants Receivable Outstanding: At 47.2, the District has a more favorable Days Grants Receivable Outstanding than most benchmark groups; however, it is less favorable than its regional and county benchmarks. • Days Payable Outstanding: At 26.1, the District's Days Payables Outstanding is less favorable than all benchmark groups. • Cash: The District reviews cash flow forecasts on a monthly basis and has the county treasurer invest excess cash balances on their behalf. Several of these investments are with First Citizens. 	<ul style="list-style-type: none"> • Automation of internal finance processes, particularly in accounts payable, could improve the District's time to process and send payments to vendors.

FINANCIAL MANAGEMENT SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Debt: The District's total debt as a share of total revenue, at 0.07, is low compared to its benchmark peers. The District issued a series of installment revenue purchase bonds in 2005 but is unable to raise millage to service debt, so it has issued a series of GO bonds to pay the installment bonds in order to keep debt service millage constant. Soon the 2005 series will be retired and this practice will no longer be necessary. • TAN: The District did not issue TANs this past year to assist with liquidity needs during cash low point. The District's only debt issuance has been an annual \$600,000 GO refunding bond. The initial debt this issuance services will soon be retired. 	
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process is linked with the annual strategic planning process. The District has a resource allocation model that is used to determine annual budgets for schools and departments. • Budgeting Basis: The District uses zero-based budgeting. • Fiscal Monitoring: The District monitors its finances informally on a monthly basis, and revises estimates formally on a quarterly basis. These estimates are discussed with the board. Metrics are generated and presented not only to the board but the entire school community via its newsletter. 	<ul style="list-style-type: none"> • The District should consider conducting a school equity analysis annually to ensure that each individual school is receiving its fair share of resources based on the student needs of the school. The analysis would compare school-based FTEs, salaries and non-personnel spending across student type, school size, school level and overall across the district.

FINANCIAL MANAGEMENT SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP: The District uses Harris Accounting Plus for general accounting, payroll and accounts payable. 	<ul style="list-style-type: none"> • Actively explore opportunities to implement automation modules that will allow the District to better utilize its existing Harris Accounting Plus software. Numerous modules are available that could significantly reduce processing time and reduce the risk of error.
Regional Collaboration	<ul style="list-style-type: none"> • All lead finance staff for Spartanburg County school districts meet monthly to discuss issues of interest. They maintain an active listserv in between these meetings. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



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HUMAN RESOURCES

SPARTANBURG 04

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.

No Dedicated HR Personnel

District Students (ADM)^[2] Human Resources FTE^[4]

\$ per Student

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

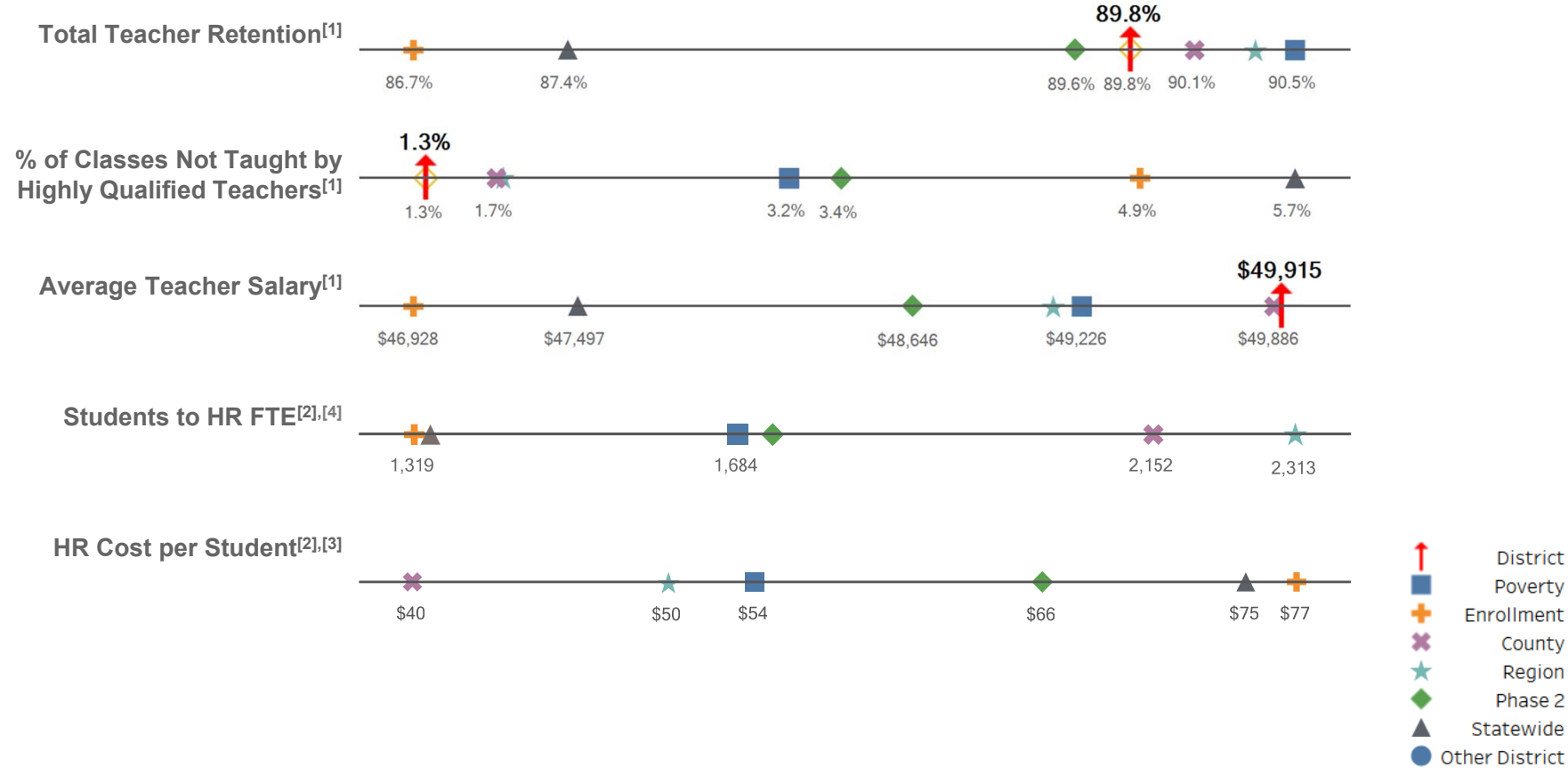
Key statistics for metrics	
Human Resources FTEs ^[4]	0.0
Personnel Expense ^[3]	\$0
Non-Personnel Expense ^[3]	\$0
Total Human Resources Expense ^[3]	\$0

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 SPARTANBURG 04

KEY PERFORMANCE INDICATORS: HUMAN RESOURCES

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



HUMAN RESOURCES

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Staffing / Organization	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources function is handled entirely by the Superintendent and Assistant Superintendent. There are no dedicated Human Resources staff at the District. • Human Resources Cost Per Pupil: The District has no dedicated HR staff. • Student per Human Resources FTE: The District has no dedicated HR staff. 	<ul style="list-style-type: none"> • Consider creating a Human Resources director position to oversee and execute core functions and liaison with the Finance department.
Recruiting and Retention	<ul style="list-style-type: none"> • Recruiting: Due in part to its partnerships with colleges and universities in the community, the District has not faced severe staffing challenges in recent years. The District filled 26 vacancies in advance of the current school year and currently has no vacancies. • International Teachers: The District does not employ any international contract teachers. 	<ul style="list-style-type: none"> • Develop a succession plan for hard to fill positions that may include: hiring early to ensure continuity of student education, sponsoring high performing teacher training to enable a promotion, and partnering with staffing services to meet the needs of the students in case a gap in employment arises. • Consider a compensation study for all instructional and non-instructional staff and / or implementation of incentive programs to recruit and retain staff 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

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	<ul style="list-style-type: none"> • Teacher Pay: At \$49,915, the average teacher salary for the District is above the state average and all other benchmark groups. • Teacher Retention: The teacher retention rate is 90%, above the statewide average and enrollment benchmarks. 	<ul style="list-style-type: none"> • Conduct exit interviews to gather information on the causes of employee attrition, and use the results of the process to formulate an effective teacher retention plan.
Technology	<ul style="list-style-type: none"> • The District leverages its university partnerships and CERRA for recruiting, application screening and processing. 	<ul style="list-style-type: none"> • Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process. • Implement an automated system that integrates with payroll, such as Aesop, for substitute management.

HUMAN RESOURCES

SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	<ul style="list-style-type: none"> • Benefits administration is typically done by an administrative assistant. 	<ul style="list-style-type: none"> • Benefits administration process could be automated via establishment of employee portal. Employees could be responsible for updates and information would be linked directly to payroll. • In collaboration with other districts in the state, work with PEBA to automate benefits related transaction processing to include: <ul style="list-style-type: none"> - Acceptance and processing of electronic signatures - Integration of benefit changes into District financial systems
Collaboration	<ul style="list-style-type: none"> • The District participates in teacher recruiting initiatives coordinated through multi-district partnerships with area colleges and universities. These partnerships are a primary feeder for new teachers into the District. • The District does not collaborate with other school districts on human resource system licenses or arrangements with international or local staffing agencies. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the Region. This could include: <ul style="list-style-type: none"> - Benefits Coordination - Human Resources System Licenses (Frontline) - H1B Process for International Teachers • Consider creating a regional recruitment and training center focused on teacher recruitment across multiple districts.



OUTLINE

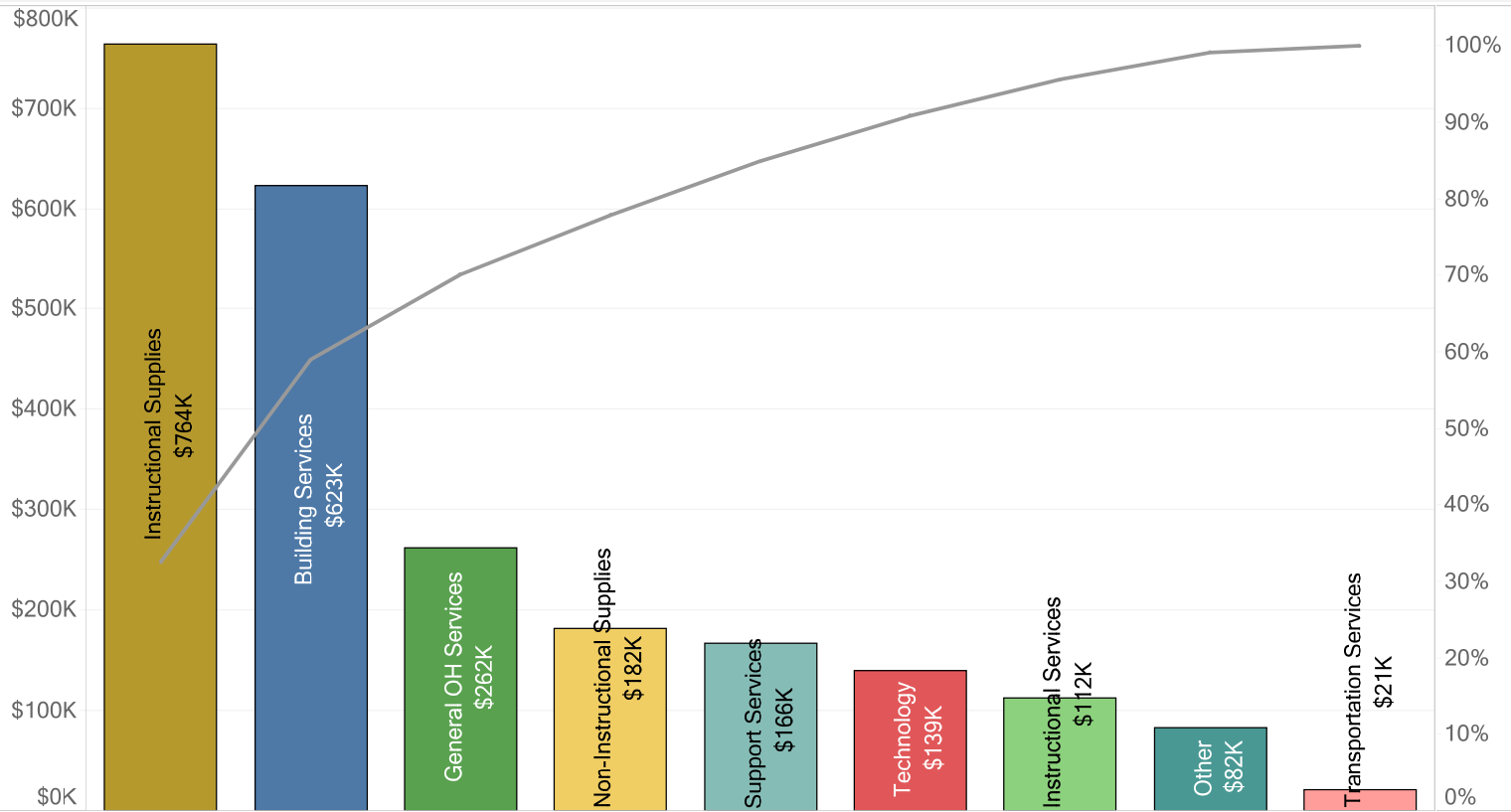
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PROCUREMENT SPARTANBURG 04

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] = \$2,352,491

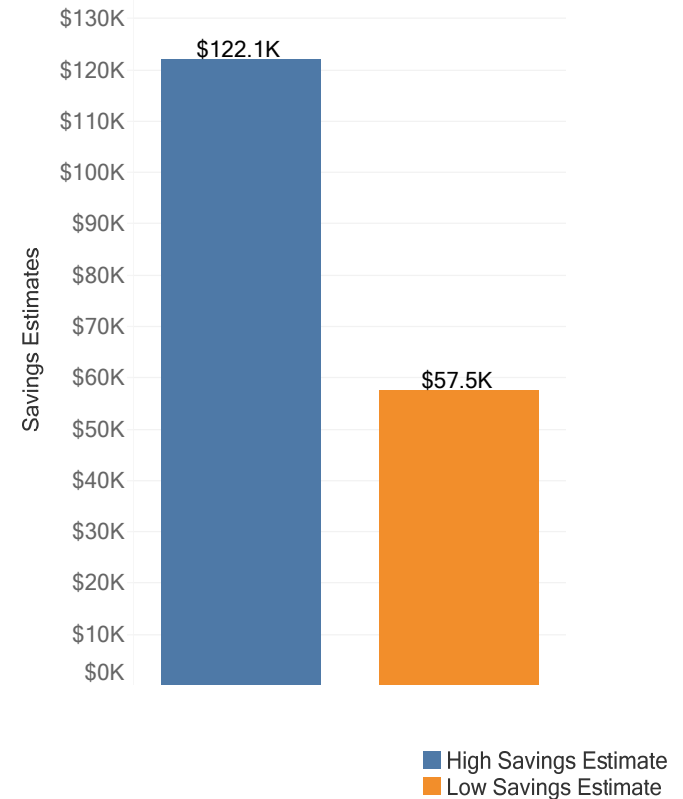


PROCUREMENT SPARTANBURG 04

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 SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District's Operations Director oversees procurement with support from Finance. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across more than 1,291 vendors; however, the top 36 make up more than 80% of total spending. The District does not maintain a significant data or analytic function within the procurement organization, relying primarily on experience to drive savings in various procurement categories. Spending efforts are made based upon the individual buyer, with local optimization the main priority. 	<ul style="list-style-type: none"> The procurement function should conduct ongoing analysis of non-personnel spending, including review of spending by transaction and dollar volume to determine potential candidates for formal contracting and price negotiation to enable better pricing and cost savings. Standardize time frames for major recurring purchases (instructional software, hardware, etc.) to capitalize on bulk ordering discounts. Consider use of commitments of minimum buying levels to facilitate negotiations of discounts and rebates over specified buying thresholds. Add provisions that include tiering and volume discounts/rebates in all new contracts. Perform annual review of vendor performance (on time, complete, quality) to assess opportunities to reduce or eliminate non-value add services.

PROCUREMENT SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Spending by Category	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District primarily contracts with local vendors or performs needed grounds and building maintenance with its own staff. • Food Services: The District is one of two Spartanburg County districts that does not participate in the collaborative contract agreement with Chartwell for comprehensive food services. • Energy: The District does not fix rates for natural gas contracts. • Instructional Support Services and Supplies - Procurement Exemptions: The District places procurement of instructional support software and services out to bid. Typically, the District does not procure these services and software in collaboration with any other districts. • Technology – Standardization: The District has participated in collaborative IT procurements with other Spartanburg County districts at times, including Spartanburg 7. 	<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. • Consider establishing fixed rate contract for natural gas. • Require instructional software purchases to conform to standard procurement guidelines for bids and proposals in order to enable to best pricing. Coordinate purchasing of instructional software with surrounding districts to maximize potential for volume discounts. • Coordinate purchasing of instructional services with surrounding districts to maximize the potential for volume discounts.

PROCUREMENT SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none"> • Collaborative Contracts: Spartanburg County school districts with spending in excess of \$75 million annually (state procurement districts) occasionally collaborate on contract vehicles with other South Carolina school districts. However, Spartanburg 4's procurement spending is well below this threshold. • Minority Vendor Fair: All Spartanburg County districts participate in an annual minority vendor fair coordinated by Spartanburg 7. Spartanburg 7 runs an in-house program to certify minority vendors and/or woman-owned businesses. The District invites qualified vendors doing business with the City of Spartanburg and Spartanburg County as well as those doing business with school districts throughout the county. 	<ul style="list-style-type: none"> • Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations and contract management. • A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include: <ul style="list-style-type: none"> - Technology - Instructional Software and Services - Instructional Staffing - Supplies



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TRANSPORTATION SPARTANBURG 04

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION

SPARTANBURG 04

TRANSPORTATION OVERVIEW

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

14 Years

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

\$201 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	7.0
Personnel Expense ^[3]	\$504,178
Non-Personnel Expense ^[3]	\$25,432
Total Transportation Expense ^[3]	\$529,610

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

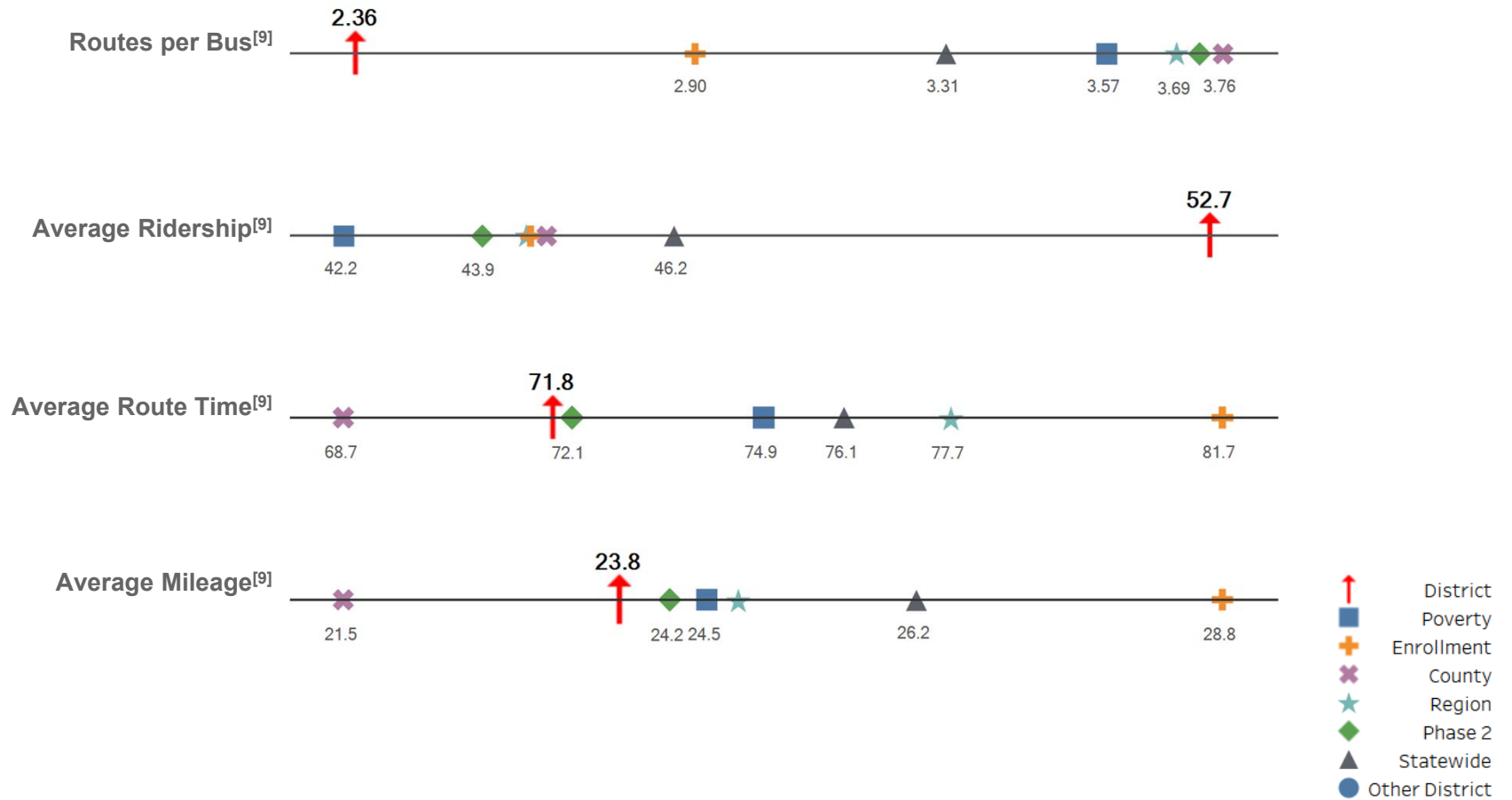
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	17.8	42	2.4	2,214	53	72	24
Special Needs	1.0	3	3.0	8	3	Not-Available	49
Other	3.2	11	3.5	471	43	Not-Available	30
Total	22.0	56	2.5	2,693	N/A	N/A	N/A

TRANSPORTATION

SPARTANBURG 04

KEY PERFORMANCE INDICATORS: REGULAR ROUTES ONLY

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



TRANSPORTATION SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Staffing / Organization	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Driver Recruitment and Retention: The District requires teacher’s assistants to obtain and hold a CDL and to drive bus routes. As a result, they have not had difficulties recruiting or retaining drivers. • Dual Employment: 30 out of the District’s 33 full time bus drivers are dual-employed. The District requires numerous aides to obtain a CDL and drive buses as a condition of employment. Only three employees are full-time dedicated bus drivers. • Substitute Bus Drivers: The District maintains a small pool of 8 substitute drivers, which has proved sufficient. Most are also employed as teacher’s aides. • Staggered Bus Routes: The District runs staggered bus routes and has staggered school bell times as well. • Bus Driver Pay: Bus drivers are currently paid a starting rate of \$11 per hour, approximately \$2.30 above state pay levels. 	<ul style="list-style-type: none"> • Implement a substitute/back up driver pool in collaboration with nearby districts. • Use an automated calling system to fill needed driver substitute vacancies.

TRANSPORTATION SPARTANBURG 04

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	<ul style="list-style-type: none"> • Routing Software: The District does not use routing software. • GPS: The District does not have GPS on its buses. All new state buses are equipped with this capability, so some of the District's buses have this technology as the fleet is renewed. • Communications: The District provides radios to drivers. • Security Cameras: The District does not have electronic security monitoring systems on buses; they employ bus monitors instead. • Stop-Arm Cameras: The District does not have stop-arm cameras on buses. • Activity Buses: The District has one standard activity bus and four non-standard buses in its fleet. They contract out to a local vendor for service to these vehicles. 	<ul style="list-style-type: none"> • Implement routing software and install GPS on all existing buses to create tracking capability, enhance safety, and collect data for later use in route optimization.
Collaboration	<ul style="list-style-type: none"> • The District pays the fiscal agent district for the cost of transportation of in-district students to out-of-district programs, like the alternative school or the special needs school. 	<ul style="list-style-type: none"> • The District should consider sharing route planning functions across all districts.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

SPARTANBURG 04

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPENDIX A: SAVINGS METHODOLOGY

SPARTANBURG 04

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.

APPENDIX A: SAVINGS METHODOLOGY

SPARTANBURG 04

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

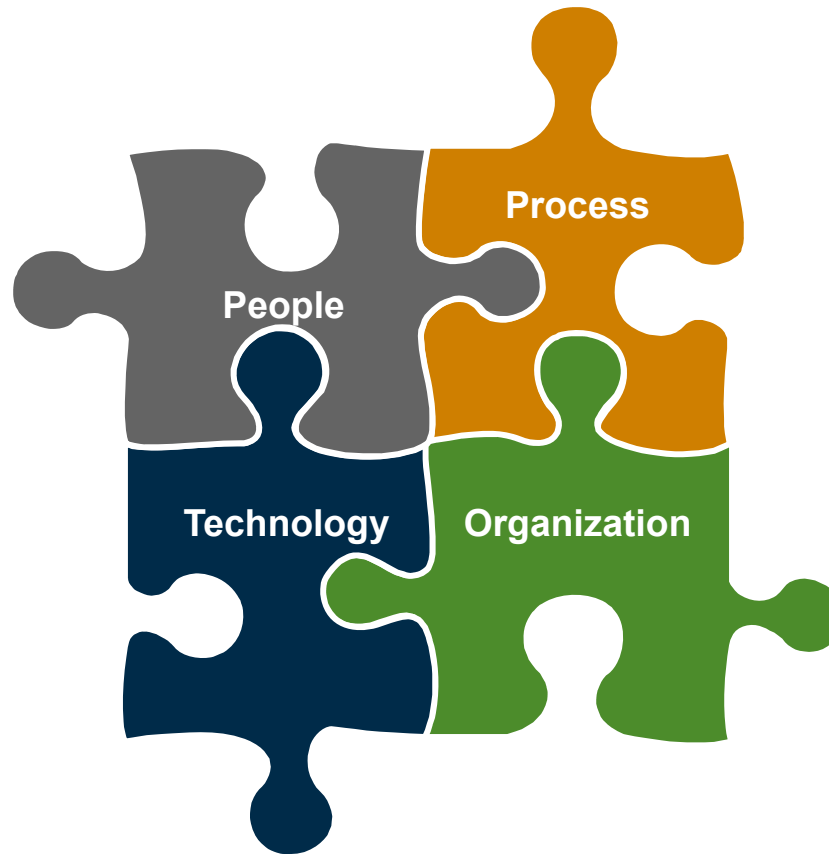
PEOPLE

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

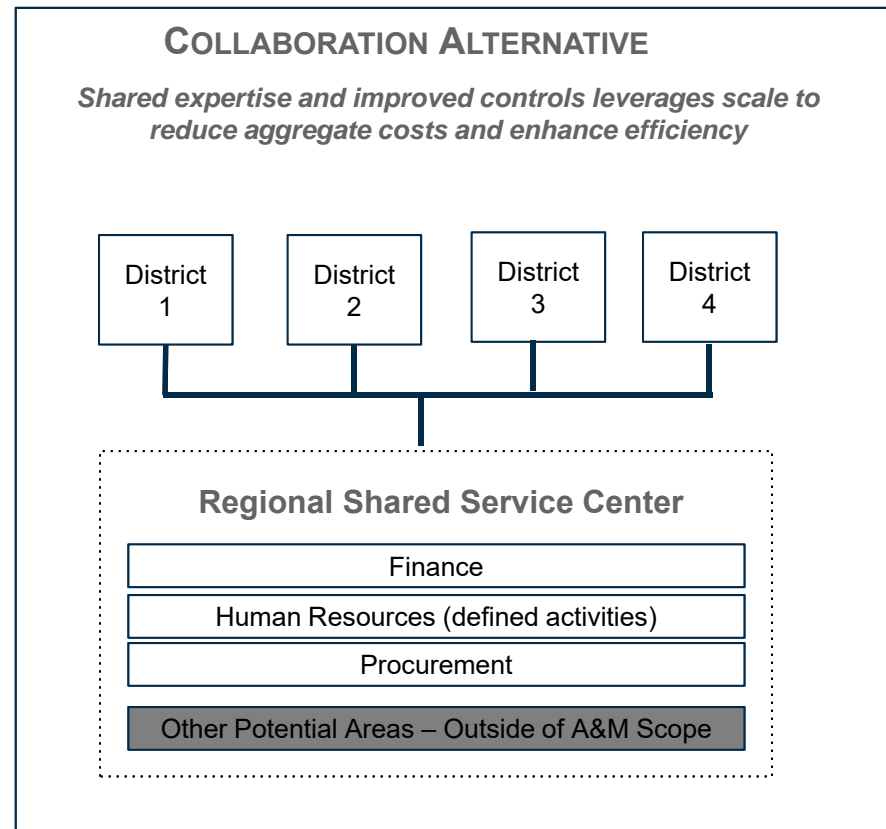
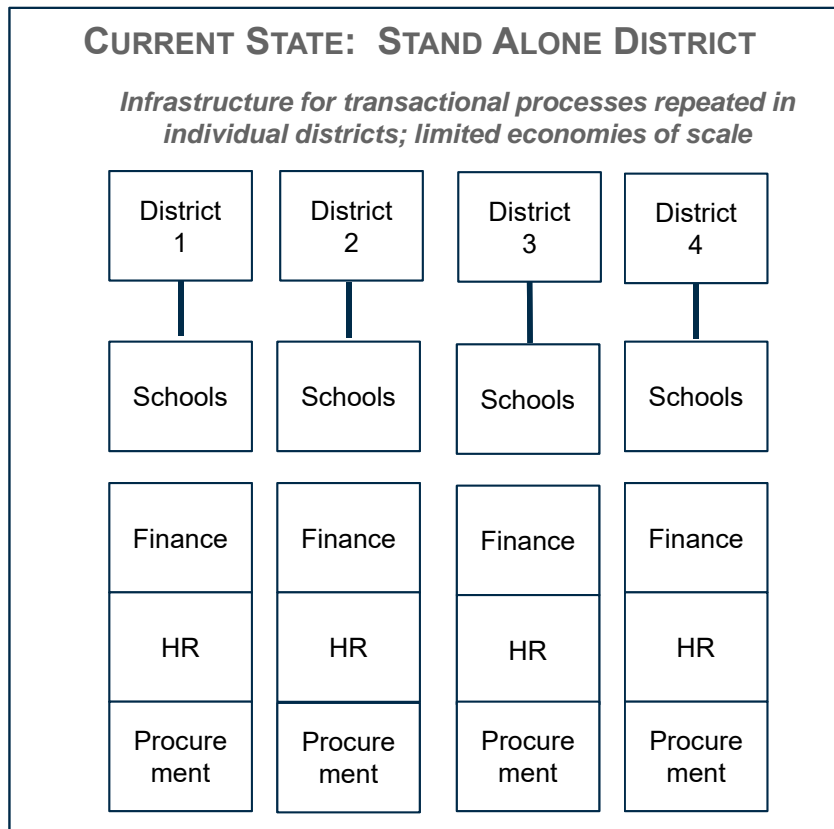
An analysis of each organization's staffing levels on an As-Is Basis, against peer benchmarks, and in a regional collaborative model were conducted to assess overall efficiency and effectiveness.

APPENDIX A: SAVINGS METHODOLOGY

SPARTANBURG 04

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.



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

SPARTANBURG 04

SHARED SERVICES MODEL: SAVINGS APPROACH

Cost savings potential from a Shared Services Model will vary greatly depending upon: (1) the number of districts; (2) the sizes of districts opting to work together and (3) the services functions that are included in the shared services center.

In order to develop a range of savings that a collaboration model would yield, A&M considered collaborations of multiple types and amounts of districts. An example of the range of options considered for financial management collaboration is shown below.

	Financial Management Collaboration: Two Districts [Both Small]		
	Current State	Collaboration Model	Savings
# of Districts	2	2	NA
Total ADM	2,500	2,500	NA
Total FTEs⁽¹⁾	4.75	4.00	0.75
Total Spend⁽¹⁾	\$468,856	\$427,128	\$41,728
Savings %			8.9%

(1) Total FTEs and Total Spend based upon average FTEs of average spend of two small districts (less than 2,500 enrollment). Actual results may vary depending upon districts opting to collaborate.

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

(2) Total FTEs and Total Spend based upon average FTEs and average spend of one large district (>10,000 ADM), one medium district (between 5,000 and 10,000 ADM) and 3 small districts (less than 2,500 enrollment).

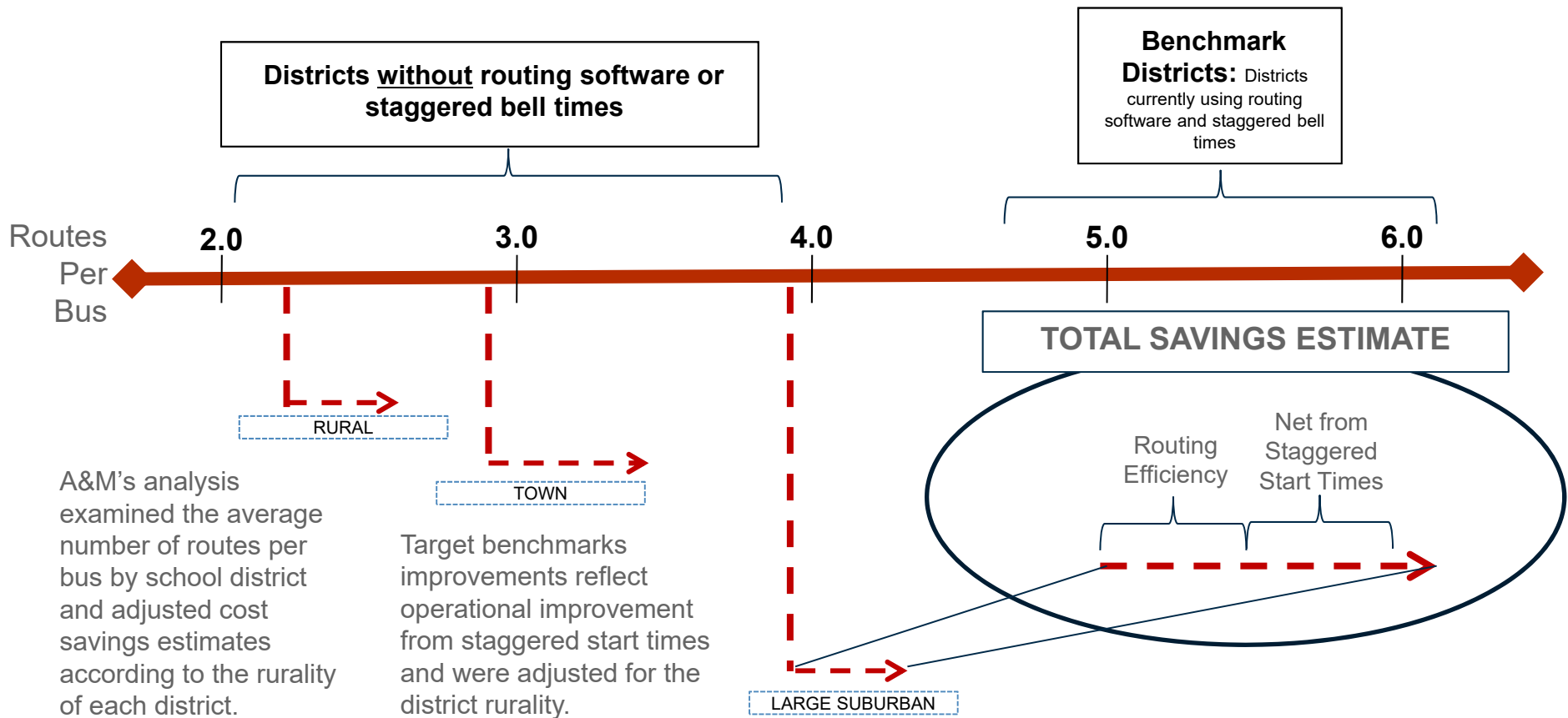
Preliminary estimates, excluding costs of one-time investments related to technology and organizational changes, of potential savings from collaboration of financial management functions across districts range from 8.9% to 30.1%.

APPENDIX A: SAVINGS METHODOLOGY

SPARTANBURG 04

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

SPARTANBURG 04

TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Routing Efficiencies

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

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

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

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

DISTRICT EXAMPLE OF COST SAVINGS OPPORTUNITIES FROM ROUTING SOFTWARE

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

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

APPENDIX A: SAVINGS METHODOLOGY

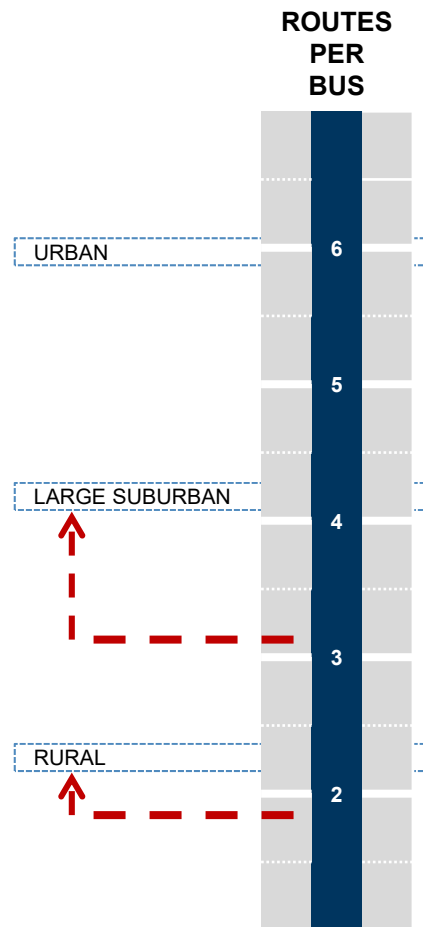
SPARTANBURG 04

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

SPARTANBURG 04

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

SPARTANBURG 04

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

SPARTANBURG 04

[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 SPARTANBURG 04

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

SPARTANBURG 04

Source [5]

- Grant Funds as Percent of Total Budget = $((\text{Total Special}^{[5]} + \text{Special EIA Revenue}^{[5]}) / \text{Total Revenue Excluding})$ Where Fund Name \neq "Capital Projects Fund" or "Debt Service Fund"
 - * Special Revenue = Fund Code 200
 - * Special EIA Revenue = Fund Code 300
 - * Debt & Capital = Fund Code 400 & 500

Source [3],[7]

- Days Cash on Hand = $(\text{Cash: Unrestricted, general fund}^{[7]} + \text{Investments: general fund}^{[7]} + \text{AR: County}^{[7]}) / (\text{General Fund Expenditures}^{[3]} / 365)$
 - *General Fund Expenditures = expenses where fund code = 100
- Days Payable Outstanding = $(\text{Accounts Payable: General Fund}^{[7]} / (\text{Non-Personnel Expenditures}^{[3]} / 365))$
 - *Non-Personal Expenditures = expenses where Object Code between 300 – 700

Source [5],[7]

- Unrestricted Fund Balance as % of General Fund = $\text{Fund balance – unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- Grants Receivables Days Outstanding = $(\text{Grants Receivable from State}^{[7]} + \text{Grants Receivable from Federal}^{[7]}) / (\text{total grant funds from statewide revenues}^{[5]}/365)$
 - *Total Grant Fund From Statewide Revenue is revenue where fund code = 200 & 300
- Total Debt Outstanding/Total Revenue = $\text{Total Debt Outstanding}^{[7]} / \text{Revenue}^{[5]}$ (Where Fund Name \neq "Capital Projects Fund" or "Debt Service Fund")

Source [9]

- Routes Per Bus = $\text{Number of Routes}^{[9]} / \text{Number of Buses}^{[9]}$
- Average Ridership = $\text{Total Ridership}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Route Time = $\text{Total Route Minutes}^{[9]} / \text{Number of Routes}^{[9]}$
- Average Mileage Per Bus = $\text{Total Route Miles}^{[9]} / \text{Number of Buses}^{[9]}$

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