



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

Spartanburg 02

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 02

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 02

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 02

PROJECT OVERVIEW (CONTINUED)

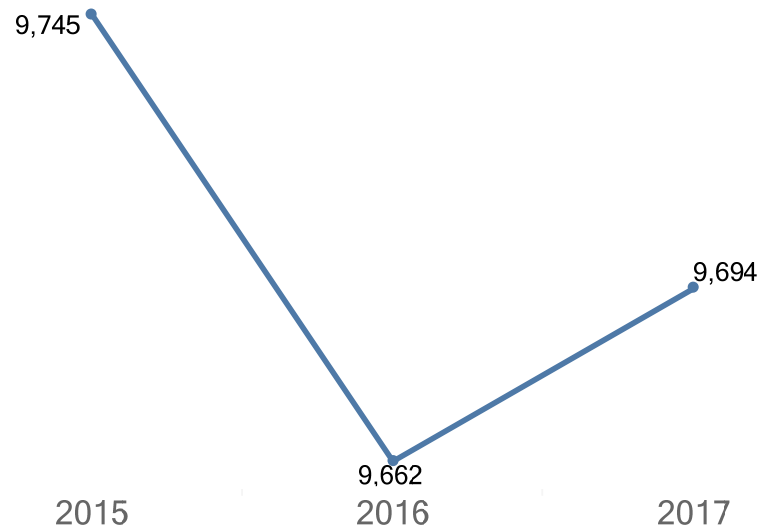
➤ **Sources of Data and Savings Estimates:**

- 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.

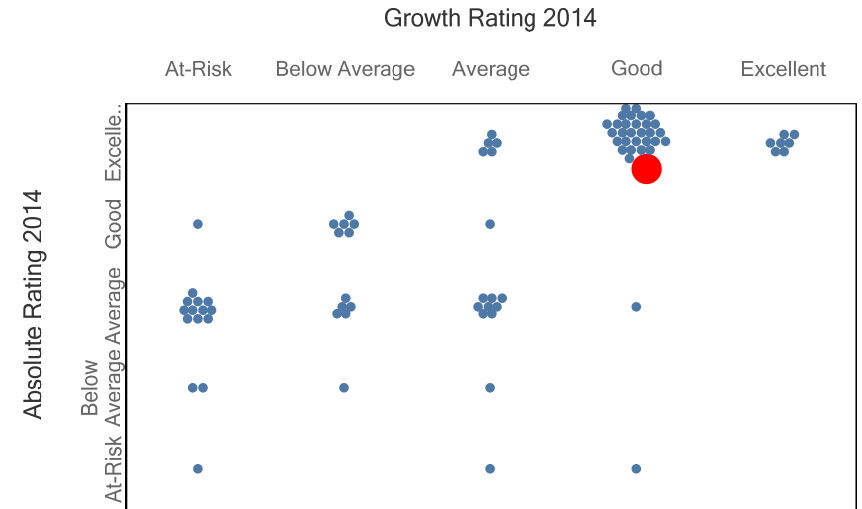
EXECUTIVE SUMMARY

SPARTANBURG 02

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	15
% Poverty ^[1]	53.9%
% Disability ^[1]	11.9%
\$ Per Student ^{[2],[3]}	\$12,912
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$9,184

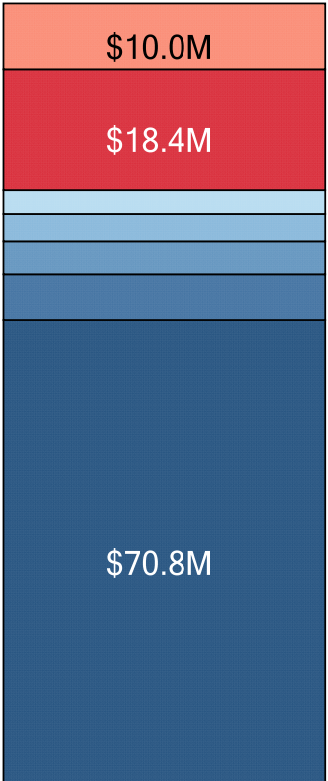
Administration

Students Per Instructional Services FTE ^{[2],[4]}	10.3
Students Per Overhead FTE ^{[2],[4]}	482.3
Students Per School Support FTE ^{[2],[4]}	62.2
Students to Total FTE ^{[2],[4]}	8.7

EXECUTIVE SUMMARY

SPARTANBURG 02

Sources of Funds^[5]
\$119.1M



2015-2016

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

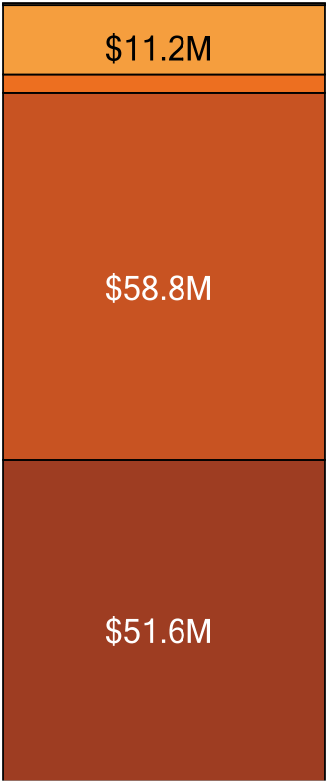
Use of Funds - Type^[3]
\$124.8M



2015-2016

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

Use of Funds - Function^[3]
\$124.8M



2015-2016

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SPARTANBURG 02

\$124.8M
Total

\$10.1M
In-Scope

\$114.7M
Not In-Scope

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

	In Scope Spend ^[3]	Procurement Component
Finance	\$524,138	\$80,587
Human Resources	\$290,529	\$47,343
Overhead	\$517,425	\$141,329
Transportation	\$2,333,649	\$78,258
Procurement (Community Services, Instruction, Support Services)	\$6,393,777	\$6,393,777
TOTAL	\$10,059,518	\$6,741,294

* totals may not tie due to rounding

EXECUTIVE SUMMARY

SPARTANBURG 02

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission Statement: The District Office's mission statement is "Our primary mission is to work as a team with the schools and community to provide support services necessary to ensure the best possible education for all students."

- **Academic Achievement:** The District will continue to increase academic rigor and learning and assess outcomes.
- **Teacher Quality:** The District will endeavor to hire only highly qualified teachers and will invest in development of existing staff to meet or exceed this standard.
- **Student Success:** The District will promote and support opportunities for students to be successful in post-graduation endeavors.
- **School Safety:** The District is investing in upgrading and improving the physical security of its facilities.

Achievements

- **Academic Achievement:** The District was named a top performance in academic achievement in 2013 and has remained in the top 10 in each subsequent year.
- **Technology:** The District has completed rollout of a 1:1 initiative, which has greatly increased student engagement in the classroom.
- **Dual Credit/AP:** Over one-third of graduating students have at least one college credit, and 3,000 college credits have been earned through these offerings.

Challenges

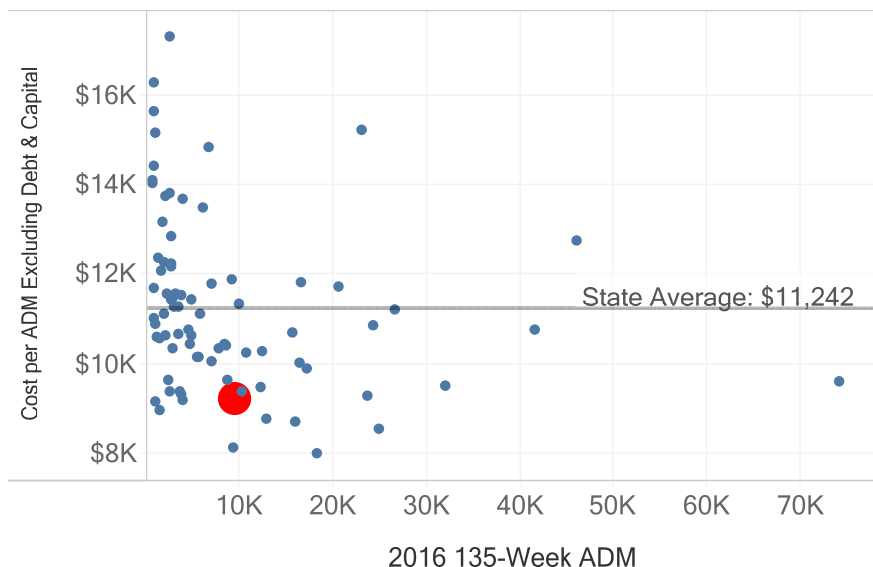
- **Funding:** The District's primary challenge is maintaining consistency in operations and making progress towards education outcomes given funding uncertainty resulting from Act 388.

EXECUTIVE SUMMARY

SPARTANBURG 02

KEY OBSERVATIONS

Per Pupil vs. Enrollment



District Size and Minimum Costs

Minimum Cost Base:

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

Resource Utilization:

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

Opportunities for Improvement

Modernize / Process Improvements:

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

Collaboration / Maximizing Efficiencies:

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

EXECUTIVE SUMMARY

SPARTANBURG 02

OBSERVATIONS: INDIVIDUAL SCOPE AREAS

	Current State
Finance	• Financial Management: The District appears financially stable despite relatively lower per pupil revenue than its peers. They maintain adequate cash on hand and an 18% unrestricted fund balance. • Adequate Staffing / Automated Processes: The department is adequately staffed to support the scope of its roles and responsibilities. The District has effectively leveraged the capabilities of its existing ERP software.
Human Resources	• Limited Staffing / Automated Processes: The Human Resources function has only two FTEs, but the District has effectively leveraged its existing technology to streamline application, recruiting and onboarding processes. • Recruiting and Retention: A rich network of regional university partnerships, comparatively higher teacher salaries as well as a high Teacher Return Rate of 91% indicate that teacher retention is not currently as challenging for the District as compared with other districts.
Transportation	• Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel costs and a portion of driver salaries. They have not struggled to retain bus drivers; staff consistently indicate high levels of satisfaction with the District's Transportation Director. • Routing: The District utilizes routing software to map out the most efficient routes.
Procurement	• Staffing / Automation: The District has one person within the Finance department dedicated to purchasing. Notably, most requisition, PO, and payment functions are automated. • Strategic Sourcing: The District actively seeks to collaborate with other districts on contracts. There is some voluntary contract collaboration across districts, notably for comprehensive food services.
Overhead	• 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 02

RECOMMENDATIONS

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

Modernize School District Operations

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

Collaborate Across Districts

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

EXECUTIVE SUMMARY

SPARTANBURG 02

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
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. Process Improvements: Modernize processes to limit manual activities and strengthen internal controls Staffing/Organization: Train/cross-train personnel on key financial functions to increase the capabilities and effectiveness of the teams.	Process Improvements: Formalize plans to implement and enhance incentive programs to help navigate teaching shortages and increase recruitment and retention rates. Staffing and Organization: Train/cross-train personnel on recruiting, talent management and professional development strategies.	Process Improvements: Leverage state contracts and group purchasing organizations to optimize spend. Enable other districts to purchase off individually negotiated contracts. Negotiate discounts / rebates for tiered levels of spending Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings	System Enhancements: Implement GPS and security cameras on all buses. Process Improvements: Staggered Bell Times: - Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits of using routing software. Staffing / Organization: Create dual employment opportunities to help address bus driver shortages, as needed.

EXECUTIVE SUMMARY

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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
Accounts Payable and Payroll: Shared Processing; Standardized and automated workflow on approvals Potential to add in: - Accounting Entries - Financial Reporting - General Oversight - ERP Systems - Grant Compliance and Claiming	Benefits Coordination: Shared Processing and Support Potential to add in: - Intl. Recruiting: H1B Process or collaborative - System Licenses for Recruiting, Substitute Management, and on-boarding - Sharing of instructional resources across varying classroom models	Purchasing Coordination: Collaborate on market intelligence, pricing opportunities, RFP management, contract negotiations, contract management and minimum buying commitments Capitalize on volume discounts and rebates Shared analysis of spending, monitoring and optimization of pricing	Transportation: Shared administrative resources Facilities/ Maintenance: Shared staffing of key maintenance positions across districts (e.g, HVAC, Electrician, Plumbing) Technology: Shared oversight and support functions Curriculum: Shared research and development functions

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 02

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

EXECUTIVE SUMMARY

SPARTANBURG 02

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	\$72,500	-	\$181,300	\$52,100	-	\$156,300
Human Resources	15,000	-	25,000	0	-	30,100
Procurement	0	-	0	163,700	-	349,300
Transportation – District	N/A	-	N/A	56,000	-	85,000
District Total	87,500		206,300	271,800		620,700
Transportation – State	0	-	0	57,000	-	87,000
Total	\$87,500	-	\$206,300	\$328,800	-	\$707,700

* 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.



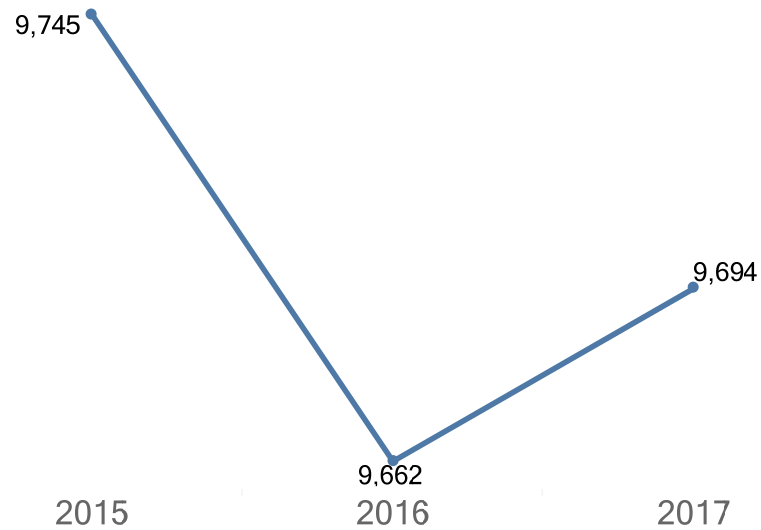
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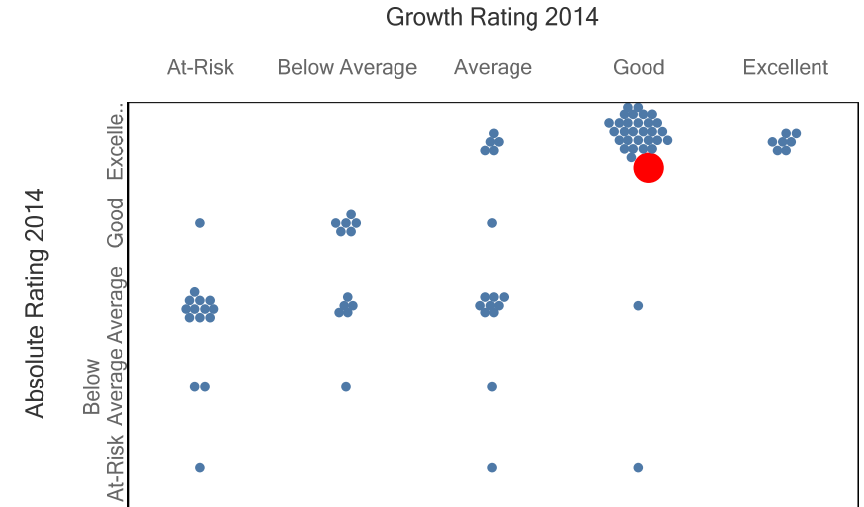
DISTRICT ADMINISTRATION AND PERFORMANCE

SPARTANBURG 02

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	15
% Poverty ^[1]	53.9%
% Disability ^[1]	11.9%
\$ Per Student ^{[2],[3]}	\$12,912
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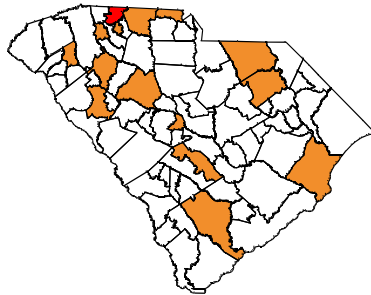
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DISTRICT BENCHMARKING

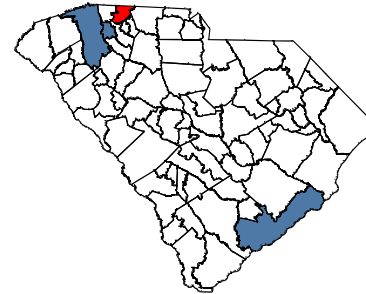
SPARTANBURG 02

Enrollment (5,000 - 10,000)



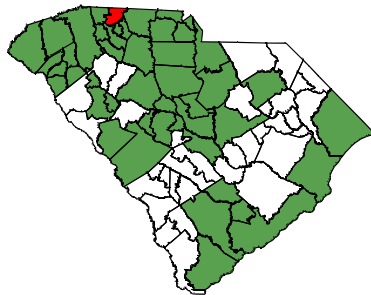
Anderson 01	Orangeburg 05
Cherokee	Spartanburg 02
Chesterfield	Spartanburg 05
Colleton	Spartanburg 07
Darlington	York 02
Georgetown	
Greenwood 50	
Laurens 55	
Lexington 02	
Newberry	

Poverty (50% - 55%)



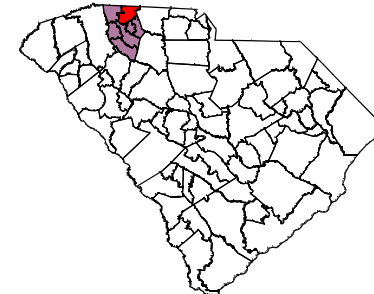
Charleston
Greenville
Spartanburg 02
Spartanburg 05

Phase 1 (No)



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

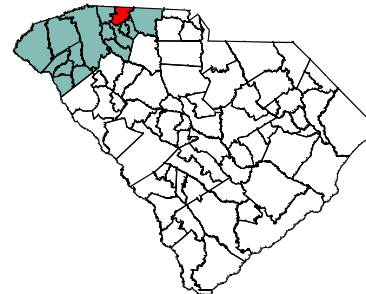
Sumter
Union
York 01
York 02
York 03
York 04



County (Spartanburg)

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

Region (Appalachian)



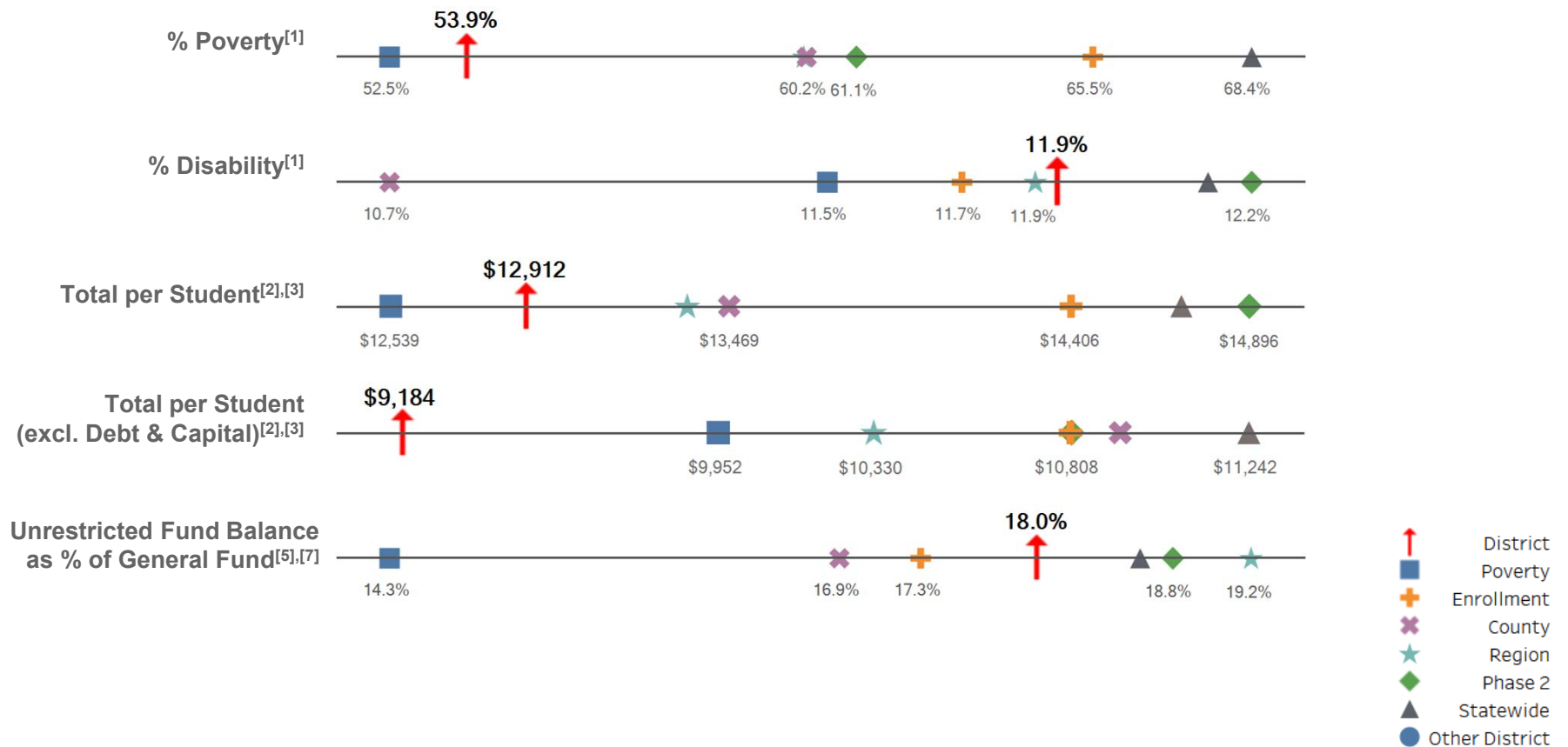
Anderson 01	Spartanburg 02
Anderson 02	Spartanburg 03
Anderson 03	Spartanburg 04
Anderson 04	Spartanburg 05
Anderson 05	Spartanburg 06
Cherokee	Spartanburg 07
Greenville	
Oconee	
Pickens	
Spartanburg 01	

DISTRICT OVERVIEW

SPARTANBURG 02

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

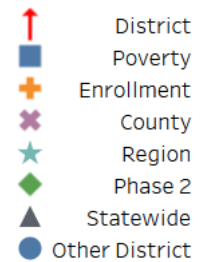
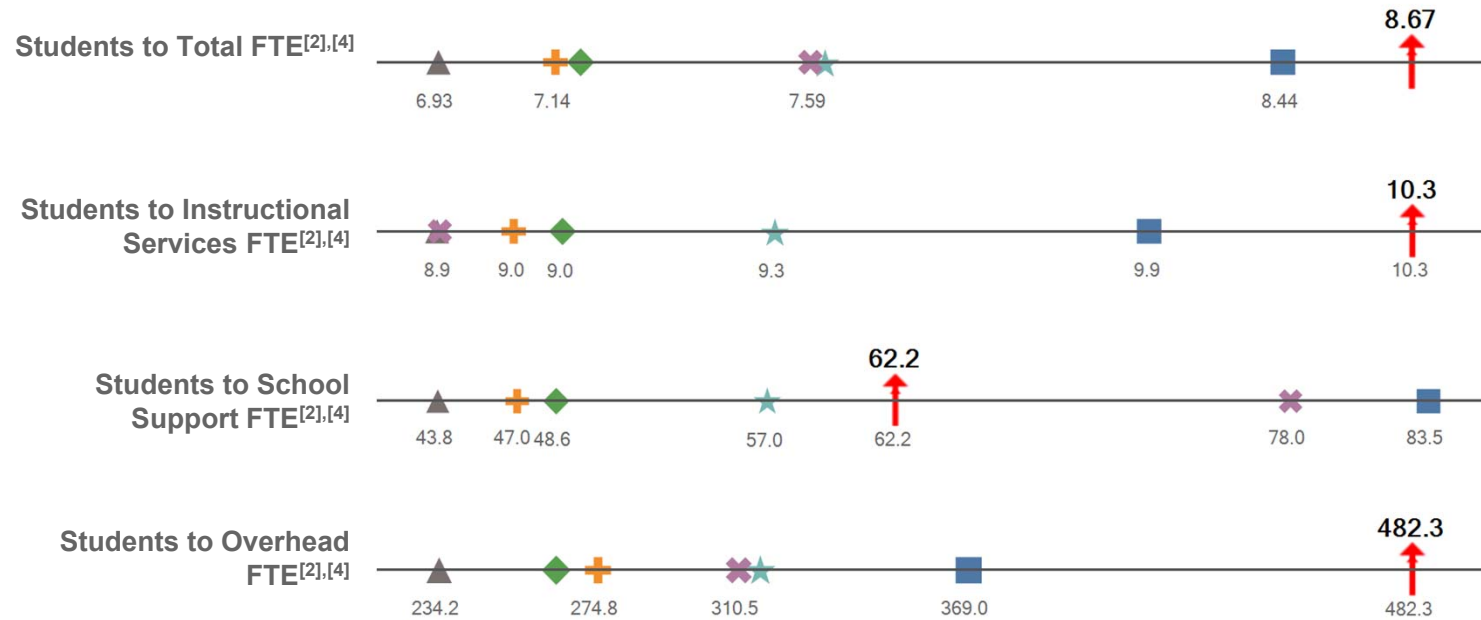
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



DISTRICT OVERVIEW

SPARTANBURG 02

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	• 3-year Enrollment Trend: The District's enrollment trend has dropped by 51 students, or 0.86%, over the past 3 years. • Student Demographics: The District encompasses two communities, one with significant growth and numerous immigrant communities and the other rural, low growth, and low income. The District's enrollment levels have declined over the past 10 years. In response, they opened enrollment to students from other Spartanburg County districts as well as students from Cherokee and Union counties. • Competition: The District competes for students with High Point Academy (charter), also Spartanburg Christian Academy and Spartanburg Day School. Interestingly, Spartanburg Christian Academy is both a competitor and a collaborator; their church is next to one of the District's elementary schools, and the District uses their church and parking lot for programs. Additionally, Spartanburg Christian Academy has given Spartanburg 2 equipment in the past. • Long-term Planning: The District prepares multi-year enrollment projections to help inform long-term planning.	
District Funding and Resource Allocation	• Per Pupil Expenses: When excluding debt and capital, the District has a lower per pupil expense (\$9,184) than its peers. The District acknowledges that it has a relatively lower share of high-needs students than many comparable districts, which accounts for part of why they are able to achieve strong academic outcomes at lower cost.	

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	• Unrestricted Fund Balance: The District has an unrestricted fund balance that is 18% of General Fund revenues. The fund balance is slightly below the State average of 18.6%. • Student to FTE: At 8.67, the Student to Total FTEs of the District is higher than all its benchmark groups. • Student to Instructional Services FTE: At 10.3, the Student to Instruction ratio is less favorable than all its benchmark groups. • Student to School Support FTE: At 62.2, the ratio falls in the middle of its benchmark groups. • Student to Overhead FTE: At 482.3, the Student to Overhead Ratio is more favorable than all benchmark groups.	• 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

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• Role of Superintendent: The Superintendent manages relations with the board and guides the strategic direction of the District. • Deputy/Assistant Superintendents: 4 FTEs. • Communications: 1 FTE. • Administrative: 7 FTEs, most supporting more than one member of the leadership team. • Other District Staff: 7 FTEs. • Communications Function: The District employs a Communications Director within the District office. • Legal: The District has no legal department, retaining external counsel as needed. • Turnover: The District has not struggled to retain key staff in recent years.	
Board of Directors	• 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.	• 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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy and Business Engagement	- 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 this District's partnerships include: - The Spartanburg 2 Community Leadership Council through the Spartanburg Area Chamber of Commerce provides a venue for the District to communicate with business leaders within its footprint. - 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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Philanthropy and Business Engagement	• Mary Black Foundation: Spartanburg 2 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. District 2 provides the building and pays for utilities and \$15,000 in supplies for the Upstate Family Resource Center. As a nonprofit, the center raises its own operating funds and employs three FTEs who provide ESOL, family therapy, and other forms of low-income family assistance. • United Way: Most Spartanburg districts, including District 2, 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 Wal-marts across the US.	

DISTRICT OVERVIEW AND OVERHEAD

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	• 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, which 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 shares a career center with Spartanburg 1. • Special Education: The District participates in the county-wide special education program through McCarthy Teszler. The District also hosts several classrooms for a hearing-handicapped program and shares the cost with Spartanburg 7. • Adult Education: The District participates in this county-wide program, which is open to adults throughout Spartanburg County.	• 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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	• 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; all seven districts pay tuition to the fiscal agent to transport eligible students to the facility. • 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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	• 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. • Extracurricular Activities: Multiple programs are available to Spartanburg County K-12 students regardless of their home district, such as 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, which is held at the county courthouse. Cases are head before a chief hearing officer, who is employed at the alternative school. Records are centrally maintained, which 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 02

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.

1,731 : 1

District Students (ADM)^[2]

Financial
FTE^[4]

\$54 per Student

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

Key statistics for metrics

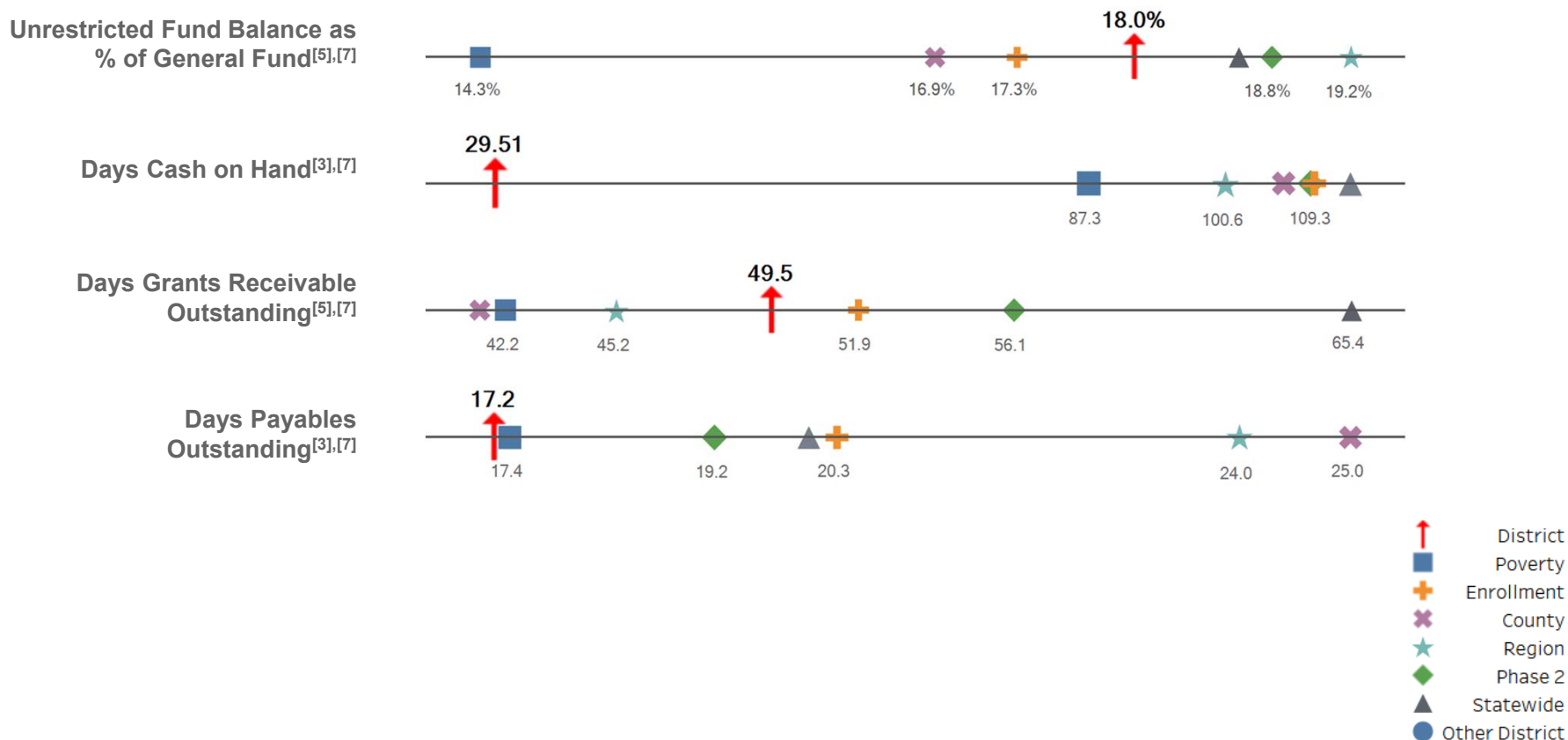
Financial FTEs ^[4]	5.6
Personnel Expense ^[3]	\$443,551
Non-Personnel Expense ^[3]	\$80,587
Total Financial Expense ^[3]	\$524,138

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 02

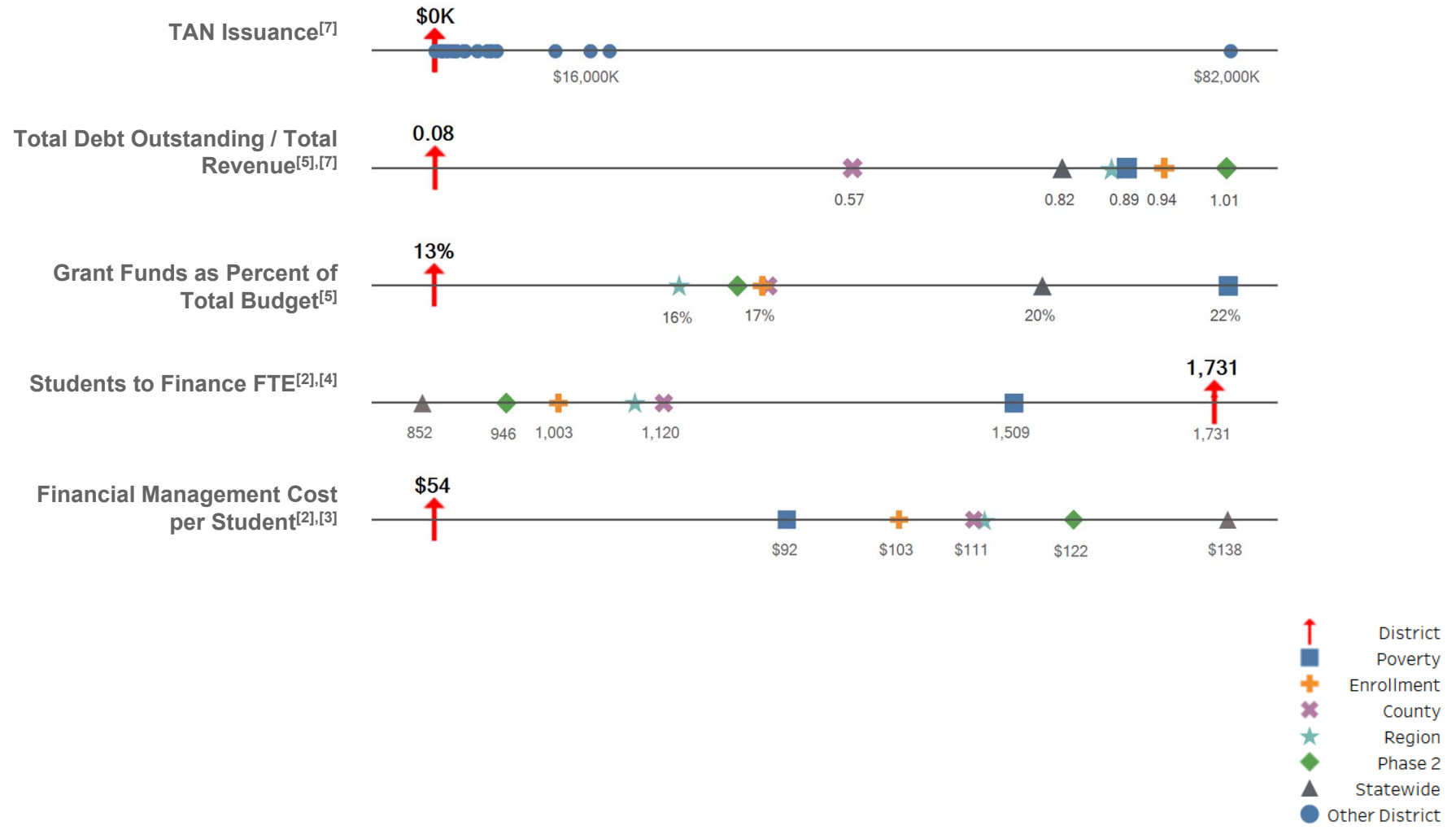
KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT

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 02

KEY PERFORMANCE INDICATORS: FINANCIAL MANAGEMENT



FINANCIAL MANAGEMENT SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	- The Finance organization is adequately staffed to support the scope of its roles and responsibilities over accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. Budgeting & Accounting: 1 FTEs, Budget and Finance Officer. Payroll: 1 FTE. Accounts Payable: 1 FTE. Purchasing: 1 FTE. Procurement Officer. Insurance Policy Review, Claims Handling & Processing: 1 FTE, who administers claims, provides bookkeeping for food services, and monitors student activity funds. Administrative: No dedicated FTEs. Finance Cost Per Pupil: The Finance cost per pupil for the district (\$54) is significantly lower than all benchmark groups. Student per Finance FTE: The student to financial management FTE ratio, at 1,731, is more favorable than its benchmark peers. Cross-Training: The District's administrative support staff are cross-trained on Finance functions or tasks, including accounts payable and payroll. Additionally, the Finance Director was previously Procurement Director for Cherokee County School District and knows procurement procedures and codes well as a result of this prior experience. All Finance staff are currently able to support accounts payable due to a staff absence that necessitated cross-training.	Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes.

FINANCIAL MANAGEMENT

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	• Payroll: The District currently runs one monthly payroll cycle for all staff, salaried and hourly. • The district uses a self service payroll platform that is integrated with its ERP; employee-initiated payroll changes are all processed automatically. • Direct Deposit: Only 12 legacy employees receive payments via check rather than direct deposit. • Timekeeping: Time tracking is currently accomplished with Aesop. Aesop is configured to flow directly into the Harris SmartFusion payroll system. • Purchasing: The district uses a centralized purchase order system. Schools are able to secure items and services in accordance with district and state regulations. Finance administers an approval process workflow. Moreover, school-based personnel (principals and school bookkeepers) are able to view their budgets, expenditures, and grants at any time via the Finance ERP (Harris SmartFusion). • The district utilizes a Pcard program, but only issues 5 cards for limited purposes. Total Pcard spending in FY16 was \$68,000 and no rebate was earned. The District had a more extensive Pcard program in the past but scaled it back.	• The District should consider expanding its Pcard program, potentially allowing schools and other district departments to use Pcards to purchase items.

FINANCIAL MANAGEMENT

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	• Inventory: The District does not maintain a warehouse. • The District tracks inventory for IT, textbooks, library books, and assets worth \$5,000 or more. All these items are bar coded and inventory tracking is automated. Inventory is performed annually. • Risk Management: The District does not have formal risk management policies. Workers compensation insurance is provided through SCSBIT.	• The District should tag and track student IT inventory such as computers and Chromebooks.

FINANCIAL MANAGEMENT

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Grants Management	• Grants Revenue %: Grant revenues provide 13% of revenue for the District, making this district considerably less reliant on grants than its peers. • Federal Funds: The Budget Officer is also the District's grants manager. This individual files grant claims and works with program officers on grant budgets, and monitors grant expenditures. Additionally, all individuals with grant oversight have access to view their reports within the District's ERP without requiring the Budget Officer's assistance. • Grant Writing: The District employs a full-time grant writer on the instructional side. This individual works with program officers and the Budget Officer to identify and pursue grant opportunities. • Indirect Costs: The District charges some indirect costs against Title III and USDA food services grants only. • Grants Monitoring: Program officers and the Budget Officer monitor grant utilization throughout the school year.	• 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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	• F/S Audit: The District had no material weaknesses in its FY16 audited financial statements. • Position Control: The District utilizes position control.	• Implement annual review of processes to ensure segregation of duties over key areas of internal control.
Cash Management	• Days Cash on Hand: The District has a cash balance of 29.5 days cash on hand, well below all benchmark groups. • Grants Receivable Outstanding: At 49.5, the District has a more favorable Days Grants Receivable Outstanding than the State but less favorable than its county, enrollment, and regional benchmark peers. • Days Payable Outstanding: At 17.2, the District's Days Payables Outstanding is more favorable than all benchmark groups. The District's staff resource for accounts payable required a leave of absence for multiple months in FY16, during which time other Finance staff performed this function. • Cash: The District generates and reviews cash flow forecasts on a monthly basis and has the county treasurer invest excess cash balances on their behalf.	

FINANCIAL MANAGEMENT

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	Debt: The District's total debt as a share of total revenue, at 0.08, is favorable compared to its benchmark peers. TAN: The District did not issue TANs this past year to assist with liquidity needs during cash low points.	
Budget	Budget Planning: The annual budget process is linked with the annual strategic planning process. The district has a robust resource allocation model that is used to determine annual budgets for schools and departments. Fiscal Monitoring: The District monitors its finances and revises estimates formally on a monthly basis. These estimates are presented to the board. Additionally, all employees and school-based administrators with budgetary oversight have access to the ERP and can view reports at any time.	- 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. - Prepare zero-based and / or performance based budget for departmental budgets annually incorporating KPIs that would allow for better estimation of central office staff needs and expenses, and align with the strategic plan.

FINANCIAL MANAGEMENT

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	• ERP: The District uses Harris SmartFusion for general accounting, payroll and accounts payable, some procurement functions and workflows, and automated workflow approval of requisitions. It also uses the system to facilitate employee self-service for payroll matters.	• Continue exploring opportunities to better utilize the existing Harris SmartFusion software.
Regional Collaboration	• 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.	• 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 02

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.

3,231 : 1

District Students (ADM)^[2]

Human
Resources
FTE^[4]

\$30 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	3.0
Personnel Expense ^[3]	\$243,186
Non-Personnel Expense ^[3]	\$47,343
Total Human Resources Expense ^[3]	\$290,529

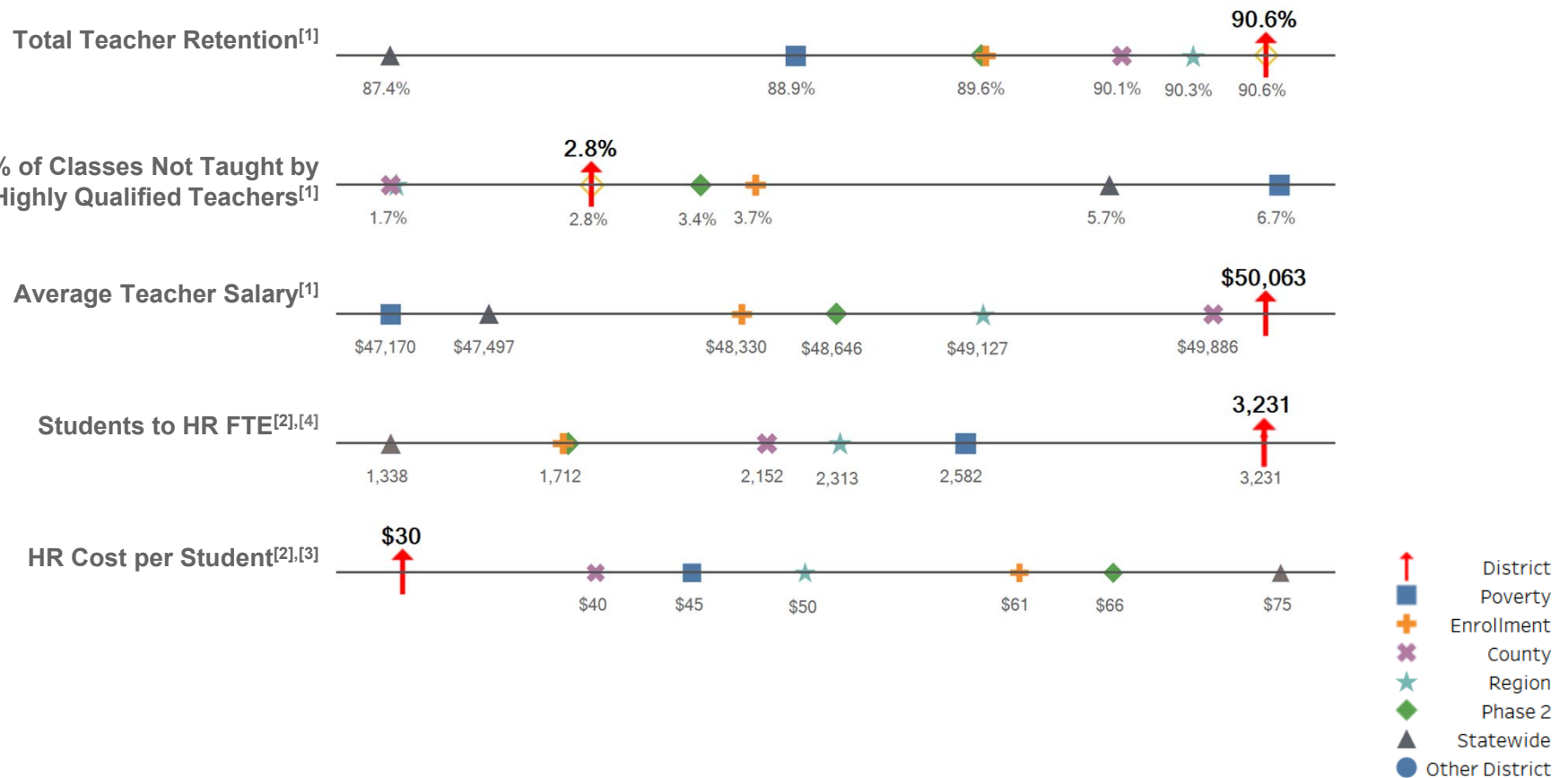
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

SPARTANBURG 02

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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	- The Human Resources function is thinly staffed with the positions required to support recruiting, retention, personnel relations and benefits, but has successfully automated several functions. The Human Resources Director performs multiple core functions and is supported by a benefits coordinator and an administrative assistant. Staffing & Employee Services: No dedicated FTEs Certification and Training: No dedicated FTEs. Talent Management: No dedicated FTEs. Employee Benefits and Retirement Services: 1 FTE. Substitute and Temporary Employment: No dedicated resources; this function is fully automated.. Administrative: 1 FTE Human Resources Cost Per Pupil: The HR cost per pupil for the district (\$30) is significantly lower than all benchmark groups. Student per Human Resources FTE: The student to human resources FTE ratio, at 3,231, is more favorable than its benchmark peers,	- Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes. - Cross-train staff to be able to do multiple functions.
Recruiting and Retention	Teacher Recruitment: 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 60 vacancies in advance of the current school year and currently has no vacancies.	

HUMAN RESOURCES

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Recruiting and Retention	• International Teachers: The District does not currently employ any international contract teachers, although they have in the past. • Teacher Pay: At \$50,218, the average teacher salary for the District is above the state average and all other benchmark groups. • Teacher Retention: The teacher retention rate is 91.2%, well above the statewide average but slightly lower than all other benchmark groups.	• Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs. • Conduct exit interviews to gather information on the causes of employee attrition, and use the results of the process to formulate an effective teacher retention plan.
Technology	• The District leverages Talent Ed for recruiting, application screening, and processing. • Aesop is used for substitute management. • Hourly staff use EZ TimeClock.	• Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process.

HUMAN RESOURCES

SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Benefits	The District employs a full-time benefits coordinator.	- 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 large districts in the state, work with PEBA to automate benefits related transaction processing to include: (a) Acceptance and processing of electronic signatures; (b) Integration of benefit changes into district financial systems.
Collaboration	- The Human Resources director participates in the ongoing multi-district meetings between other Spartanburg County districts and Union and Cherokee county districts. - 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.	- 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: - 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.



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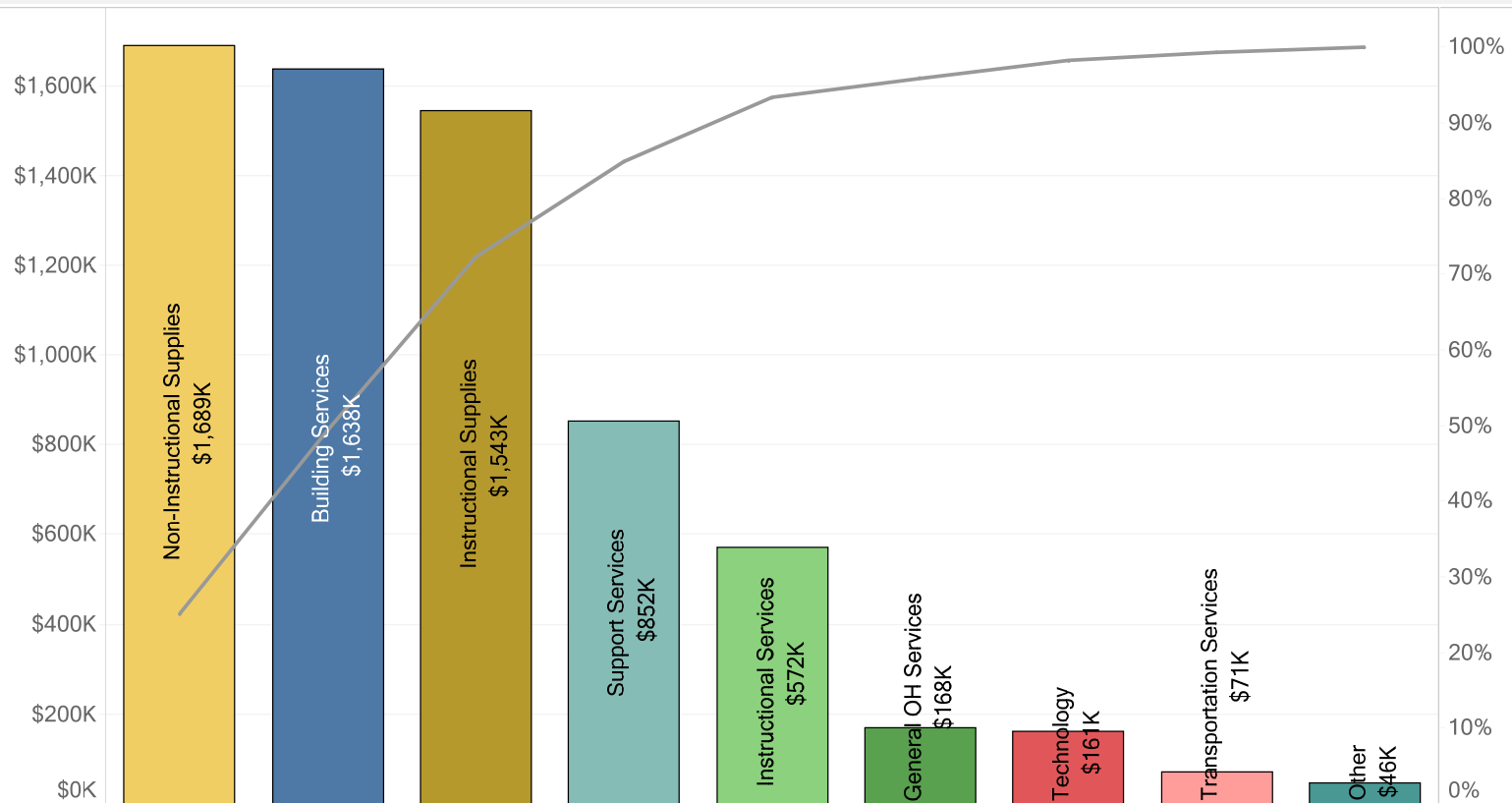
PROCUREMENT

SPARTANBURG 02

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] = \$6,741,294

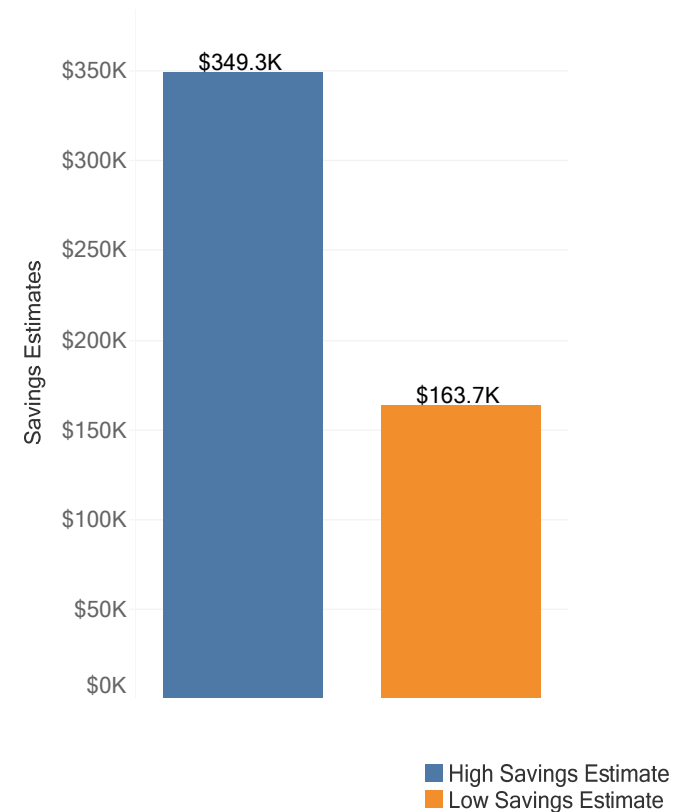


PROCUREMENT SPARTANBURG 02

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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	- The District's Procurement function is housed within the Finance department. - The District employs a full-time Procurement Director.	Leverage additional resources to better optimize procurement functions. See Regional Collaboration below.
Spending by Vendor	- Spending is fragmented across more than 2,098 vendors, however, the top 19 make up more than 80% of total spending. Due to school construction activity in FY16, 44% of total spending was attributable to a general contractor. Excluding that expenditure, the top 64 vendors constitute 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.	- 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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	• Building and Maintenance: These services are bid out using state procurement guidelines. • Food Services: The District has a collaborative contract agreement with Chartwell for comprehensive food services. This agreement is negotiated and awarded in collaboration with Spartanburg districts 1, 2, 3, and 5. • 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.	• 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. • Consider establishing fixed rate contract for natural gas. • Coordinate purchasing of facilities services such as HVAC, electrical and plumbers with surrounding districts to maximize the potential for volume discounts.

PROCUREMENT SPARTANBURG 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	• Collaborative Contracts: The District is currently working on a collaborative contract for waste services in conjunction with Spartanburg 5. Additionally, 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. Recent examples of these contracts include one for flooring, and another for cleaning supplies. • Food Services Contract: Spartanburg County school districts 1, 2, 3, 5, and 7 collectively bid out for comprehensive food services every five years. Bids are collectively reviewed, and all five districts award their business to one contractor, thereby achieving greater economies of scale. • 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.	• Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management. • A regional collaboration model would allow for Districts to further capitalize on volume discounts and rebates on areas of spend that would include: - Technology - Instructional Software and Services - Instructional Staffing - Supplies



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TRANSPORTATION

SPARTANBURG 02

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

TRANSPORTATION

SPARTANBURG 02

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]

\$242 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	62.5
Personnel Expense ^[3]	\$2,254,628
Non-Personnel Expense ^[3]	\$128,790
Total Transportation Expense ^[3]	\$2,383,418

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

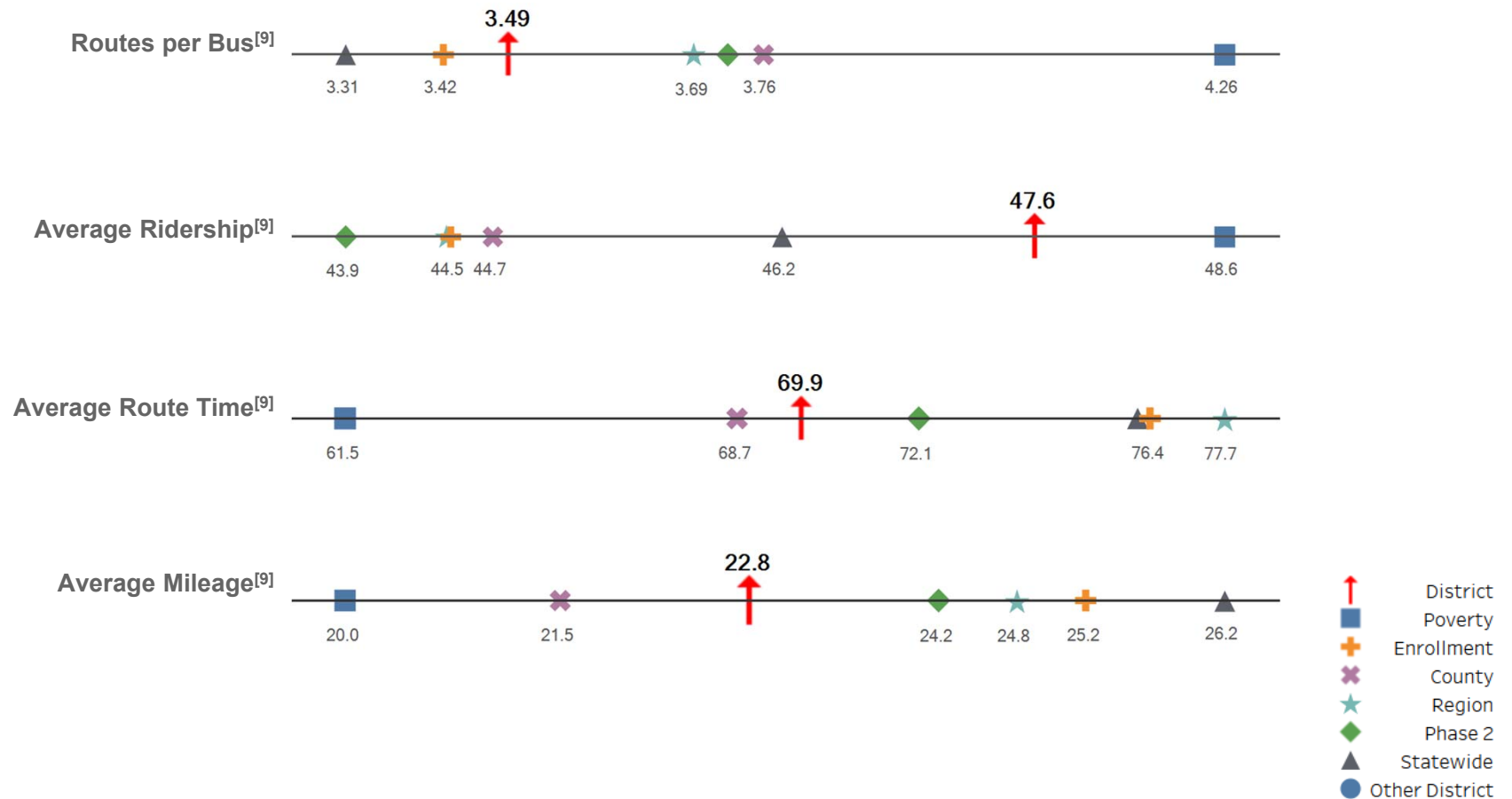
Key statistics for State Routes	# Buses ^[9]	# Routes ^[9]	Routes per Bus ^[9]	Ridership ^[9]	Avg Ridership ^[9]	Avg Route Time (including dead time) ^[9]	Avg Mileage per Bus ^[9]
Regular	38.4	134	3.5	6,375	48	70	23
Special Needs	5.0	17	3.4	157	9	Not-Available	48
Other	8.6	38	4.4	1,120	29	Not-Available	21
Total	52.0	189	3.6	7,652	N/A	N/A	N/A

TRANSPORTATION

SPARTANBURG 02

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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	• Driver Recruitment and Retention: The District has not encountered significant difficulty recruiting or retaining bus drivers. Drivers have consistently reported very high satisfaction with the District's Transportation Director. • Dual Employment: None of the District's 55 bus drivers are dual-employed. • Substitute Bus Drivers: The District maintains a small pool of 4 substitute drivers, which has proved sufficient. • 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 \$10.19 per hour, approximately \$3.10 above state pay levels.	• 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 02

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Routing and Bus Management	• Routing Software: The district utilizes VersaTrans routing software. The District found this resource invaluable for both route optimization and state reporting when rezoning three elementary schools' bus routes in FY16 after bringing a new elementary school online. • GPS: The district does not have GPS on all 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. • Security Cameras: The district has 247 Security camera systems on all buses. • Stop-Arm Cameras: The district does not have stop-arm cameras on buses because there is no enforcement value until State law changes. • Activity Buses: The District has 18 standard activity buses in its fleet. They employ one bus mechanic who handles approximately 15% of all maintenance and repairs for this fleet.	• Install GPS on all existing buses to create tracking capability, enhance safety, and collect data for later use in route optimization.
Collaboration	• 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.	• The District should consider sharing route planning functions across all districts.

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

SPARTANBURG 02

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 02

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 02

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

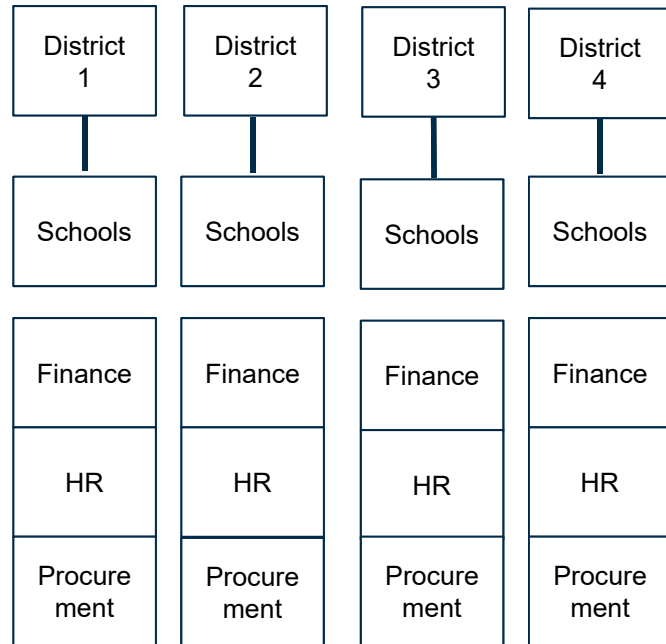
SPARTANBURG 02

COLLABORATION: SHARED SERVICE MODELS

Given the limited spending across the different areas within scope and the fixed cost requirements of these functions, it is necessary to consider collaboration alternatives when looking for ways to optimize efficiency.

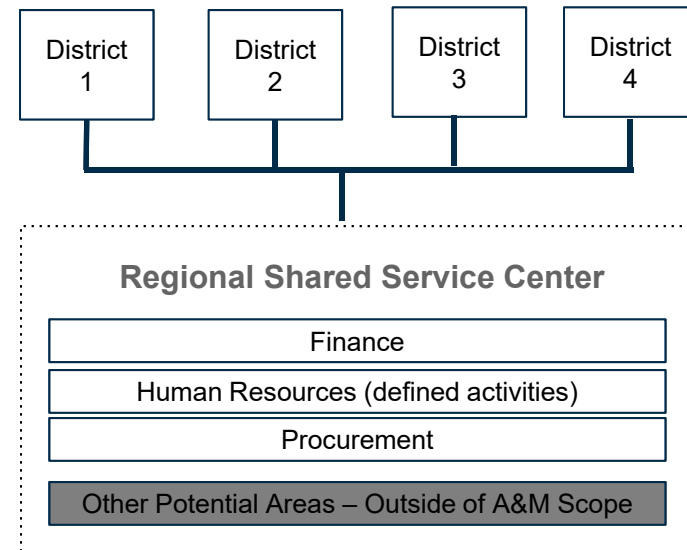
CURRENT STATE: STAND ALONE DISTRICT

Infrastructure for transactional processes repeated in individual districts; limited economies of scale



COLLABORATION ALTERNATIVE

Shared expertise and improved controls leverages scale to reduce aggregate costs and enhance efficiency



Collaboration provides a pathway to optimizing effectiveness and efficiencies across processes, capturing economies of scale, increasing standardization and addressing common challenges faced by all districts.

APPENDIX A: SAVINGS METHODOLOGY SPARTANBURG 02

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%

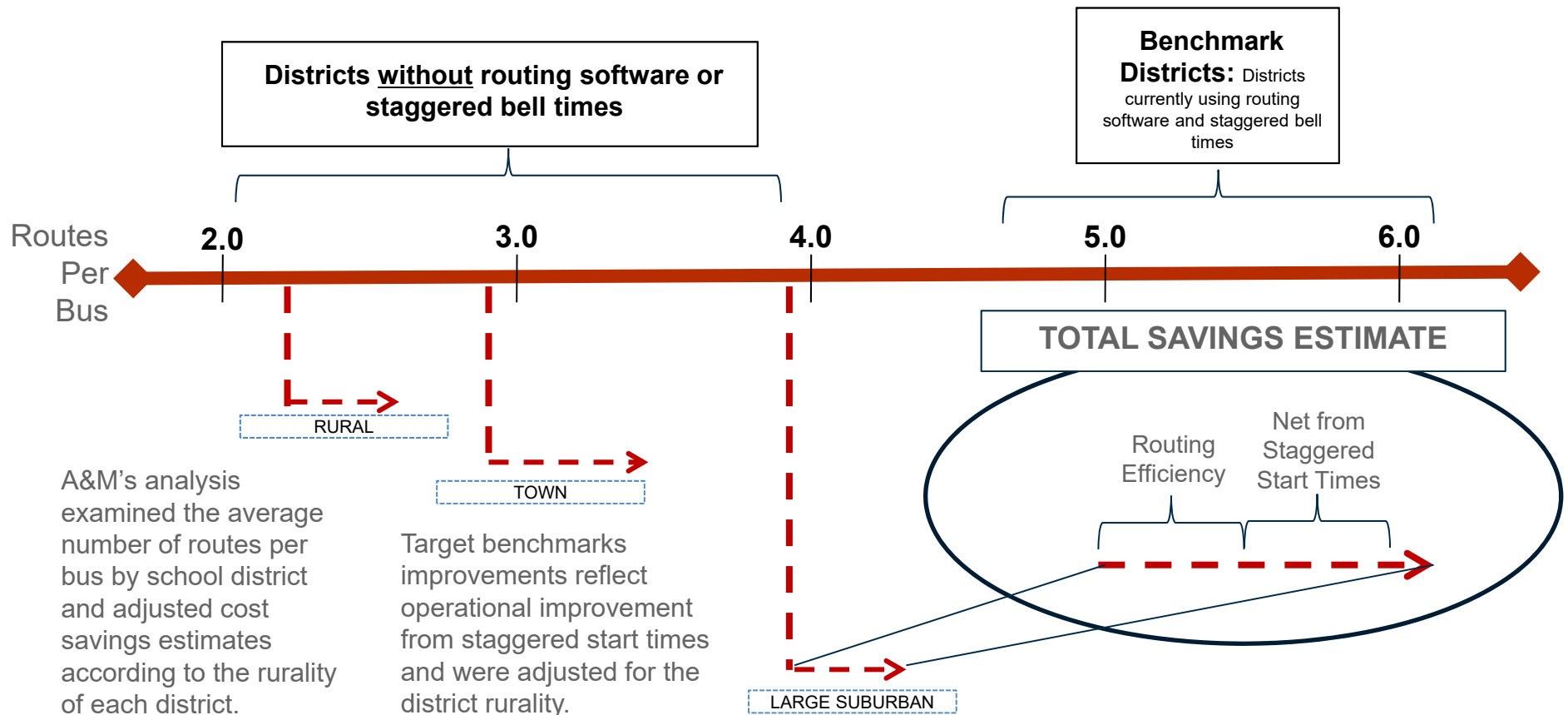
(2) Total FTEs and Total Spend based upon average FTEs and average spend of one large district (>10,000 ADM), one medium district (between 5,000 and 10,000 ADM) and 3 small districts (less than 2,500 enrollment).

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 02

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 02

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.

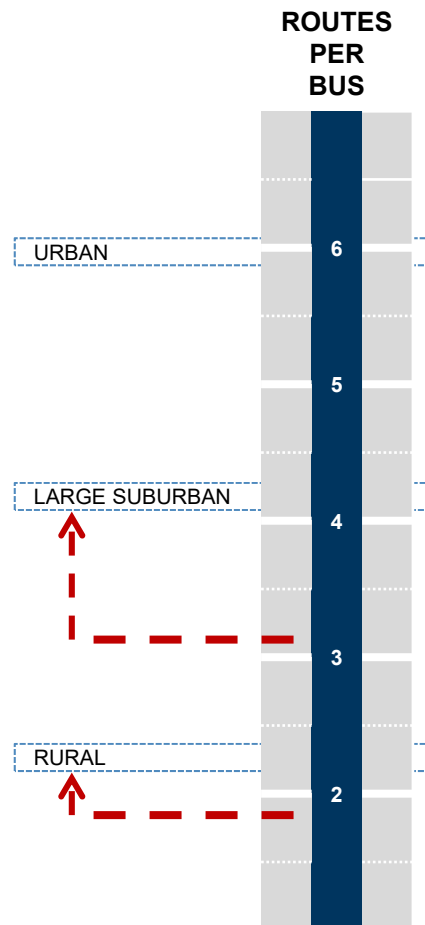
APPENDIX A: SAVINGS METHODOLOGY SPARTANBURG 02

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 02

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 02

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 02

[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 02

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 02

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 = $\text{Fund balance} - \text{unrestricted}^{[7]} / \text{General Fund Revenue}^{[5]}$
- 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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