



ALVAREZ & MARSAL

SOUTH CAROLINA DEPARTMENT OF EDUCATION
SCHOOL DISTRICT EFFICIENCY REVIEW

York 01

District Report

6/16/2017





OUTLINE

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

EXECUTIVE SUMMARY

YORK 01

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.

PROJECT OVERVIEW (CONTINUED)

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

PROJECT OVERVIEW (CONTINUED)

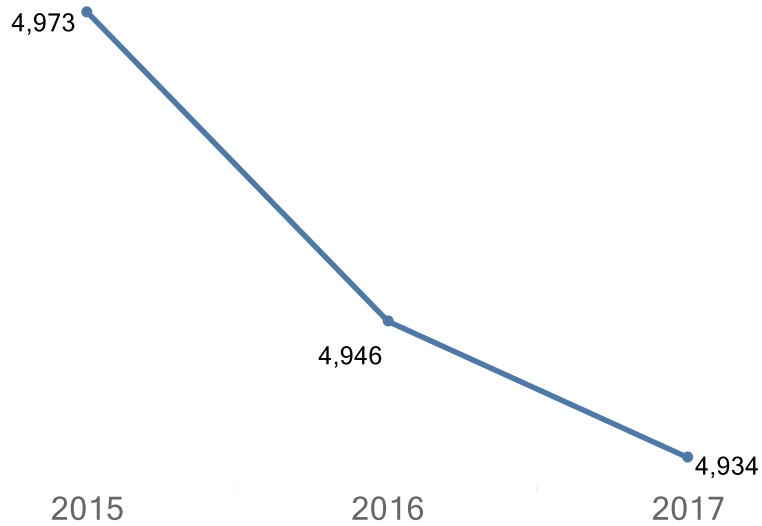
➤ Sources of Data and Savings Estimates:

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

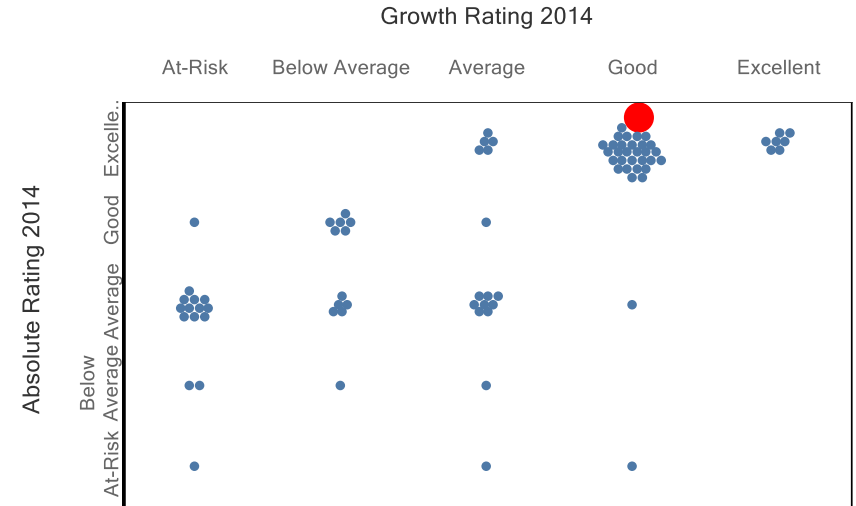
EXECUTIVE SUMMARY

YORK 01

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	8
% Poverty ^[1]	64.5%
% Disability ^[1]	15.4%
\$ Per Student ^{[2],[3]}	\$23,366
\$ Per Student Excluding Debt & Capital ^{[2],[3]}	\$10,597

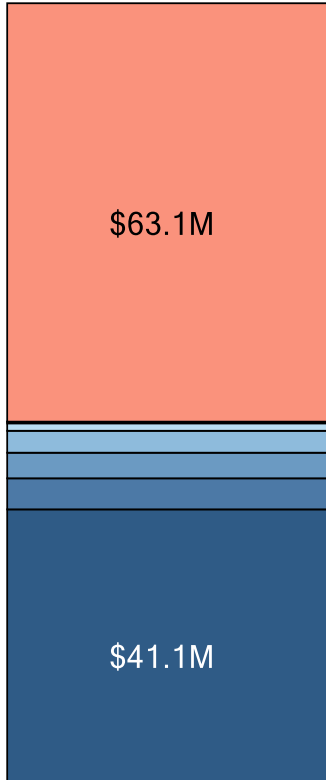
Administration

Students Per Instructional Services FTE ^{[2],[4]}	8.6
Students Per Overhead FTE ^{[2],[4]}	296.4
Students Per School Support FTE ^{[2],[4]}	27.9
Students to Total FTE ^{[2],[4]}	6.4

EXECUTIVE SUMMARY

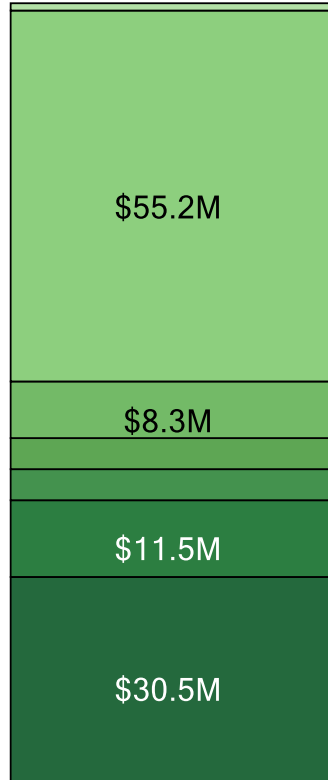
YORK 01

Sources of Funds^[5]
\$117.5M



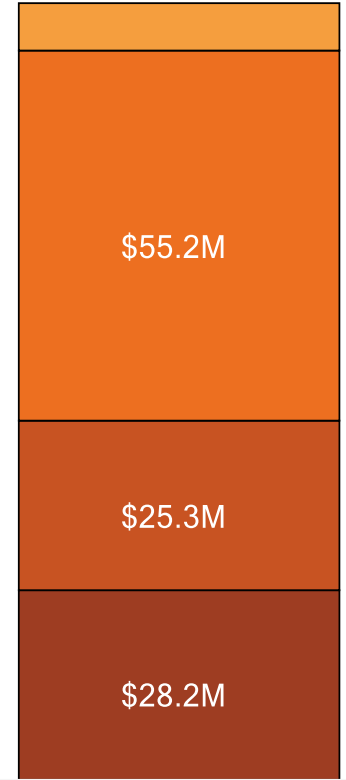
2015-2016

Use of Funds - Type^[3]
\$115.6M



2015-2016

Use of Funds - Function^[3]
\$115.6M



2015-2016

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

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

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

* totals may not tie due to rounding

EXECUTIVE SUMMARY

YORK 01

\$115.6M
Total

\$7.6M
In-Scope

\$107.9M
Not In-Scope

6.6% of total spend is within scope of the efficiency review:

	In Scope Spend ^[3]	Procurement Component
Finance	\$493,198	\$103,947
Human Resources	\$275,681	\$17,310
Overhead	\$703,988	\$155,291
Transportation	\$1,537,231	\$73,798
Procurement (Community Services, Instruction, Support Services)	\$4,628,472	\$4,628,472
TOTAL	\$7,638,570	\$4,978,818

* totals may not tie due to rounding

EXECUTIVE SUMMARY

YORK 01

GOALS, CHALLENGES & ACHIEVEMENTS

District Goals

Mission: Working with the community, we will provide a diverse, innovative education in a safe environment, enabling students to become responsible citizens in a global society.

- 1. Data Driven Decision Making:** The District's decisions will be driven by data when diagnosing, prescribing and responding to the diverse needs of our students.
- 2. Literacy Across the Curriculum:** The District will create an environment that develops passion and the ability to read, write and communicate effectively in a global society.
- 3. Extra Time, Extra Help:** At all levels, the District will provide extra time and extra help for all students in personal, social and academic areas.
- 4. Technology:** The District will keep pace with ever-changing technology.

Achievements

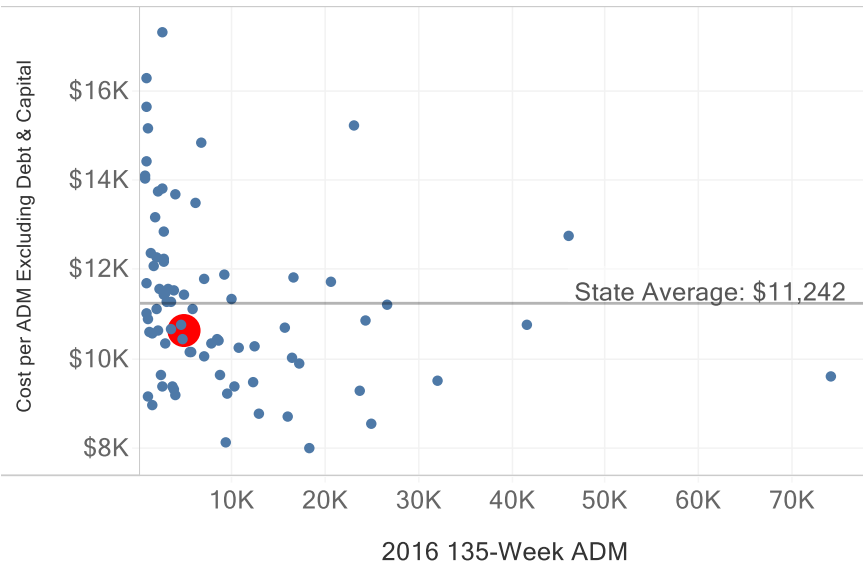
- **Academic:** The graduation rate increased from 76% in 2012 to 91% in 2016. High school students earned 406 college course credits through AP classes and dual enrollment programs.
- **Student Engagement:** Band, chorus and athletics are successful tools of student engagement and paths to higher education.
- **Community:** The Superintendent and leadership have built the trust of the community and created a relationship-based culture.
- **Alternative School:** The District runs an alternative school that has been able to successfully reengage many students, with 90% ultimately graduating.

Challenges

- **Geography:** The District is the most rural in the county. It has the largest area and the fewest students.
- **Demographics:** The District has the highest poverty level in the county, with many students first-time high school graduates.
- **Funding challenges:** The District does not have a strong tax base from business and has the lowest assessed property value in the county.
- **Recruiting and Retention:** The District has challenges recruiting teachers and minority applicants. The impact of the TERI program creates additional challenges for teacher recruiting.

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

YORK 01

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. Finance operates at staffing ratios that are more efficient than similar sized districts and the state average. • Processes: The District leverages Harris SmartFusion software capabilities to automate processes. However, the purchase order work flow is still paper-based.
Human Resources	<ul style="list-style-type: none"> • Staffing and Organization: The Human Resources function includes a 5-person team led by the Director of Human Resources and includes recruiting and onboarding, benefits administration, and other personnel-related activities such as the District receptionist. • Challenges with Recruiting and Retention: Similar to other school districts in the State, recruiting teachers into the District is challenging, particularly for minority teachers. The District benefits from an average teacher salary of \$50,000, which is above the State and regional averages.
Transportation	<ul style="list-style-type: none"> • Transportation Management: The State directly pays for costs of bus purchasing, maintenance, fuel and a portion of driver salaries. The District has mitigated driver shortage issues by improving morale and sense of community. • Routing Software: The District utilizes VersaTrans software to help drive routing efficiencies.
Procurement	<ul style="list-style-type: none"> • Staffing and Organization: The District recently added a Procurement Coordinator within the Finance team. • Strategic Sourcing: The District is focused on achieving best value through participation in US Communities and efforts to negotiate State contracts. The District would benefit from more centralization of purchasing decisions as well as increased buying power from greater collaboration across districts.
Overhead	<ul style="list-style-type: none"> • Staffing and Organization: The Superintendent has overseen the District for the past 8 years. He has 4 direct reports in addition to the school principals. • Collaboration: The District is part of the Olde English Consortium and meets regularly with other regional districts.

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

YORK 01

MODERNIZATION RECOMMENDATIONS

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

MODERNIZATION RECOMMENDATIONS			
FINANCE	HUMAN RESOURCES	PROCUREMENT	TRANSPORTATION
<p>System Enhancements: Update software versions and / or add modules to financial systems to facilitate automated purchase to payments processes.</p> <p>Process Improvements: Modernize processes to limit manual activities and further strengthen internal controls.</p> <p>Staffing and Organization: Develop a comprehensive succession plan for the Finance Department to ensure that past progress is embedded long-term in the organization.</p>	<p>System Enhancements: Implement new technologies to fully automate HR processes, such as integrated applicant sourcing, tracking and on-boarding.</p> <p>Process Improvements: 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: Continue to leverage state contracts and group purchasing organizations to optimize spend.</p> <p>Enable other districts to purchase off individually negotiated contracts.</p> <p>Further negotiate discounts / rebates for tiered levels of spending.</p> <p>Monitor compliance with major contracts and analyze spending distribution on an ongoing basis to identify opportunities for potential savings.</p>	<p>Process Improvements: Further Staggering of Bell Times: Complete analysis (in conjunction with use of routing software) to evaluate potential financial benefits and shorten wait and ride time for students.</p> <p>Staffing and Organization: Create dual employment opportunities to help address bus driver shortages. Work with payroll to monitor overtime.</p>

EXECUTIVE SUMMARY

YORK 01

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

YORK 01

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

YORK 01

CONCLUSION: ESTIMATED ONE-TIME INVESTMENT AND ANNUAL SAVINGS

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

	MODERNIZE Est. One-Time Investment		COLLABORATE Est. Net Annual Savings	
	Low	High	Low*	High
Finance	\$10,000	\$25,000	\$49,200	\$147,500
Human Resources	15,000	25,000	0	28,100
Procurement	0	0	135,300	275,700
Transportation – District	N/A	N/A	0	0
District Total	25,000	50,000	184,500	451,300
Transportation – State	0	0	0	0
Total	\$25,000	\$50,000	\$184,500	\$451,300

* 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.



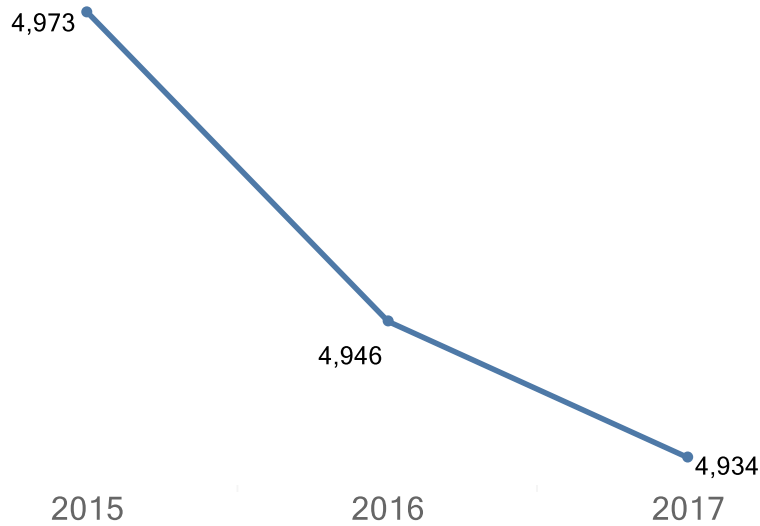
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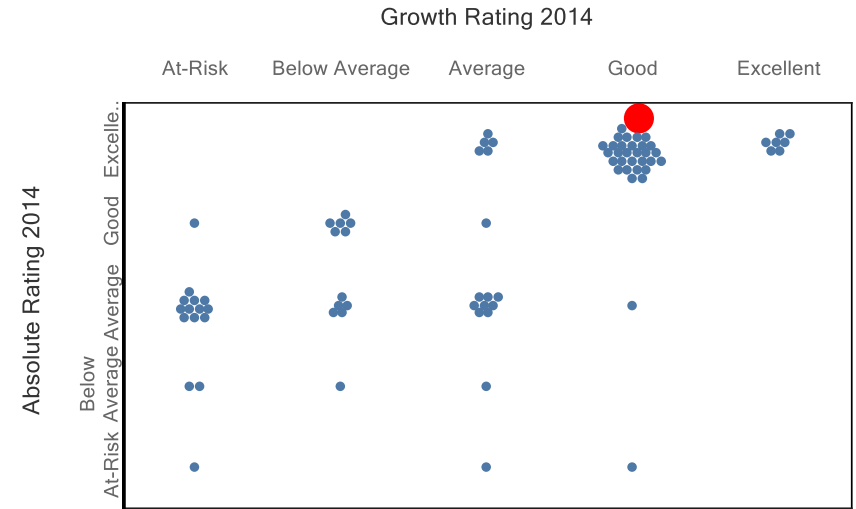
DISTRICT ADMINISTRATION AND PERFORMANCE

YORK 01

Average Daily Membership^[2]



Student Achievement^[1]



General Info

Number of Schools ^[2]	8
% Poverty ^[1]	64.5%
% Disability ^[1]	15.4%
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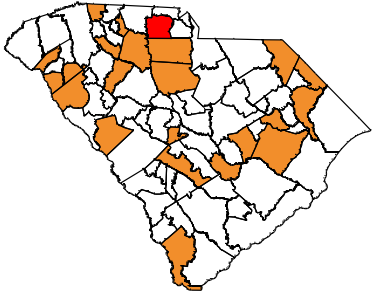
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Students Per Instructional Services FTE ^{[2],[4]}	8.6
Students Per Overhead FTE ^{[2],[4]}	296.4
Students Per School Support FTE ^{[2],[4]}	27.9
Students to Total FTE ^{[2],[4]}	6.4

DISTRICT BENCHMARKING

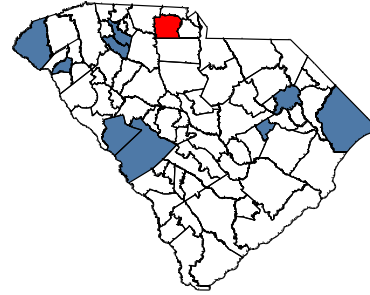
YORK 01

Enrollment (2,500 - 5,000)



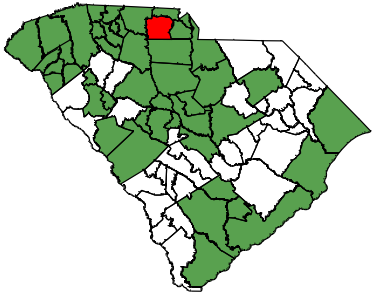
Abbeville 60	Lexington 04
Anderson 02	Marion 10
Anderson 03	Marlboro
Anderson 04	Orangeburg 03
Chester	Orangeburg 04
Clarendon 02	Spartanburg 01
Dillon 04	Spartanburg 03
Edgefield	Spartanburg 04
Fairfield	Union
Florence 03	Williamsburg
Jasper	York 01
Laurens 56	

Poverty (60% - 65%)



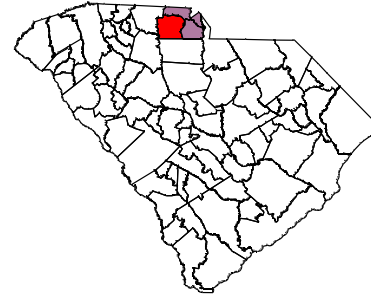
Aiken	York 01
Anderson 05	
Clarendon 03	
Edgefield	
Florence 01	
Horry	
Oconee	
Spartanburg 04	
Spartanburg 06	

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

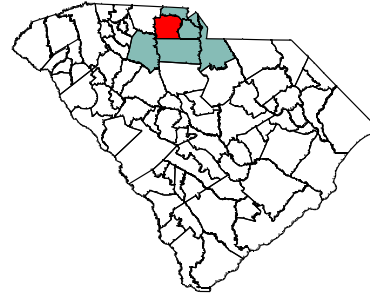
Sumter
Union
York 01
York 02
York 03
York 04



County (York)

York 01
York 02
York 03
York 04

Region (Catawba)



Chester
Lancaster
Union
York 01
York 02
York 03
York 04

DISTRICT OVERVIEW

YORK 01

KEY PERFORMANCE INDICATORS: KEY DISTRICT RATIOS

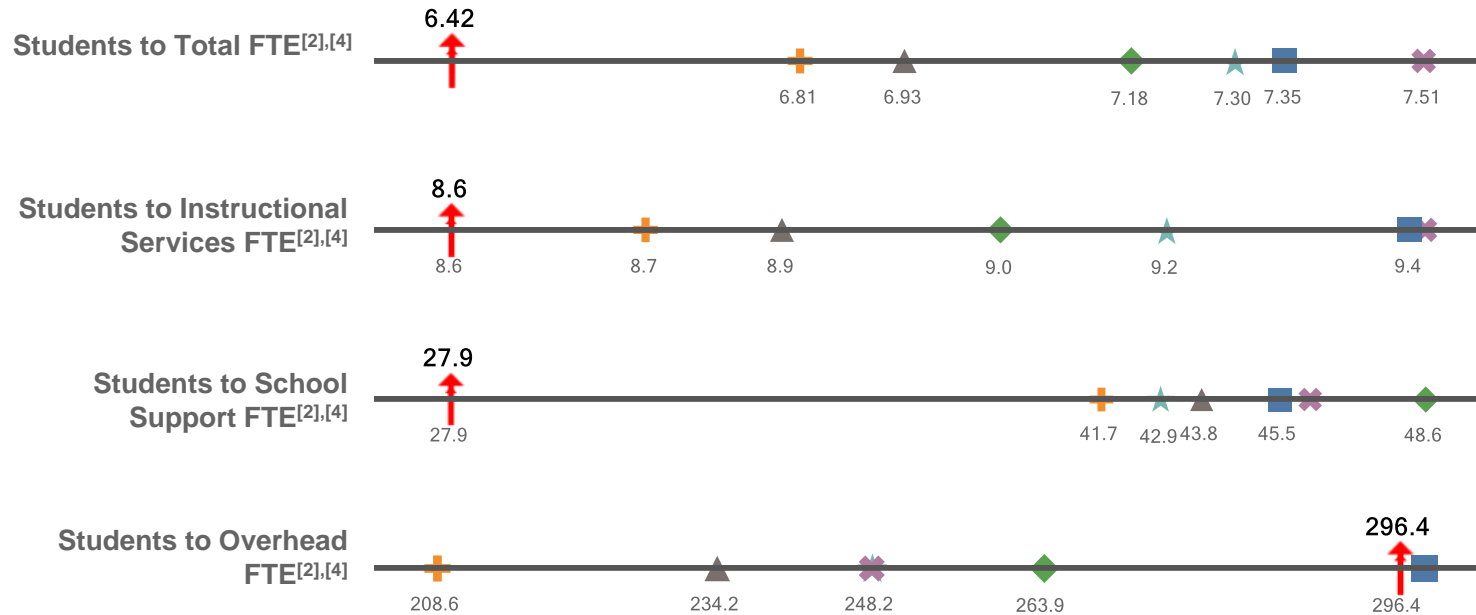
The metrics below show how the District compares to other district peer groups based on: (a) statewide averages, (b) similar enrollment levels, (c) similar poverty levels, (d) county peers, (e) regional peers, (f) Phase 2 and (g) other districts.



DISTRICT OVERVIEW

YORK 01

KEY PERFORMANCE INDICATORS: KEY STAFFING RATIOS



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

DISTRICT OVERVIEW AND OVERHEAD

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Enrollment Trends	<ul style="list-style-type: none"> • 3-year Enrollment Trend: The District's enrollment has remained steady over the past three years, decreasing by only decreasing by 39 students or 0.8%. • Student Demographics: The District has a poverty rate of 64.5% which is low relative to the statewide average of 68.4%. • Competition: The District does not face significant competition from charter or private schools in the area. • Long-term Planning: The District does not prepare long-term enrollment projections to help inform long-term planning. It has experienced stable enrollment due to lack of area development. • The District has a five-year plan for capital and technology. 	
District Funding and Resource Allocation	<ul style="list-style-type: none"> • Per Pupil Expenses: When excluding debt and capital, the District has a per pupil of \$10,597, which is lower than peers of similar enrollment of \$11,362 and the statewide average of \$11,242. • Unrestricted Fund Balance: The District has an Unrestricted Fund Balance that is 20.4% of revenues. The fund balance is above the statewide average of 18.6%, resulting in financial stability. 	<ul style="list-style-type: none"> • To ensure the financial stability of the District is maintained, the District should prepare a five-year financial plan. The plan should outline different revenue scenarios from the State and allow for investment in critical areas of academics and operations, while still maintaining a strong fund balance.

DISTRICT OVERVIEW AND OVERHEAD YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
District Funding and Resource Allocation (cont'd)	<ul style="list-style-type: none"> • Students to FTEs: The District's Student to Total FTE ratio of 6.4 is lower than the average for peers of similar size of 6.8 and the statewide average of 6.9. • Students to Instructional Services FTEs: The Student to Instruction ratio of 8.6 is similar to peers of similar size 8.7 and the statewide average 8.9. • Students to School Support FTEs: The Student to School Support ratio of 28 is lower than peers of similar size of 42 and the statewide average of 44 due to the large number of facilities maintenance workers required to operate the aged school buildings. • Students to Overhead FTEs: The Student to Overhead ratio of 296 is higher than peers of similar size of 209 and the statewide average of 234. 	<ul style="list-style-type: none"> • The District should perform more detailed benchmarking to evaluate areas where investment may be required.
Staffing / Organization	<ul style="list-style-type: none"> • Role of Superintendent: The Superintendent's job is spread across many functions but is particularly focused on managing and providing academic innovation for the District. • Organization: The Superintendent has 4 direct administrative reports. In addition, all school principals report directly to the Superintendent. • Communications: There is no Communications support for the Superintendent's office. The function resides with the Teacher Quality and Technology Integration Coordinator. 	<ul style="list-style-type: none"> • Consider review 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

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization (cont'd)	<ul style="list-style-type: none"> • Legal: District has no legal department. If legal advice is required, the District utilizes external firm to provide support. The District considered a shared legal resource among regional districts but found it to be more expensive. • Turnover: Superintendent has overseen the District for the past 8 years. 	<ul style="list-style-type: none"> • Given the tenure and success of the current leadership team, the District should establish a succession plan to ensure past progress is embedded long-term in the organization.
Board of Directors	<ul style="list-style-type: none"> • Board Pay: The Board Members of the District are not paid. • Board Compensation: Many Board Members are former district employees and are very familiar with challenges the District faces • Training: Board Members attend an annual School Board training in February. 	
Philanthropy and Business Engagement	<ul style="list-style-type: none"> • The District maintains partnerships with area businesses through its manufacturing credentials program. The program is sponsored by area businesses, and all students receive an opportunity to interview with businesses upon completion of the program and high school graduation. • The District has previously received some philanthropic support through the Foundation for the Carolinas and Wells Fargo. 	<ul style="list-style-type: none"> • Consider establishing a Business and Community Engagement function within the District office to further expand and cultivate philanthropic and business relationships to generate additional funding and support for the District. These responsibilities could potentially be part of an expanded role for the Grant Writer.

DISTRICT OVERVIEW AND OVERHEAD

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Collaboration	<ul style="list-style-type: none">• The District is part of the Olde English Consortium and meets regularly with other regional superintendents to discuss challenges and opportunities.• Career Center: The District does not have a shared career center.• Special Education: The District does not coordinate with other area districts on Special Education programs.• Headcount: The District shares FTEs with York 2 and York 4 for its Adult Education program.	<ul style="list-style-type: none">• Consider implementing a regional shared service model that allows for sharing of resources and systems that 1) require specialized skills or 2) are highly transactional.• Consider a shared Chief Development Officer across districts.



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FINANCIAL MANAGEMENT OVERVIEW

The Finance organization is directly responsible for overall fiscal management, resource allocation, budgeting, accounting, financial reporting, payroll, purchasing, accounts payable and cash flow and debt management.

987 : 1

District Students (ADM)^[2]

Financial FTE^[4]

\$100 per Student

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

Key statistics for metrics

Financial FTEs ^[4]	5.0
Personnel Expense ^[3]	\$389,251
Non-Personnel Expense ^[3]	\$103,947
Total Financial Expense ^[3]	\$493,198

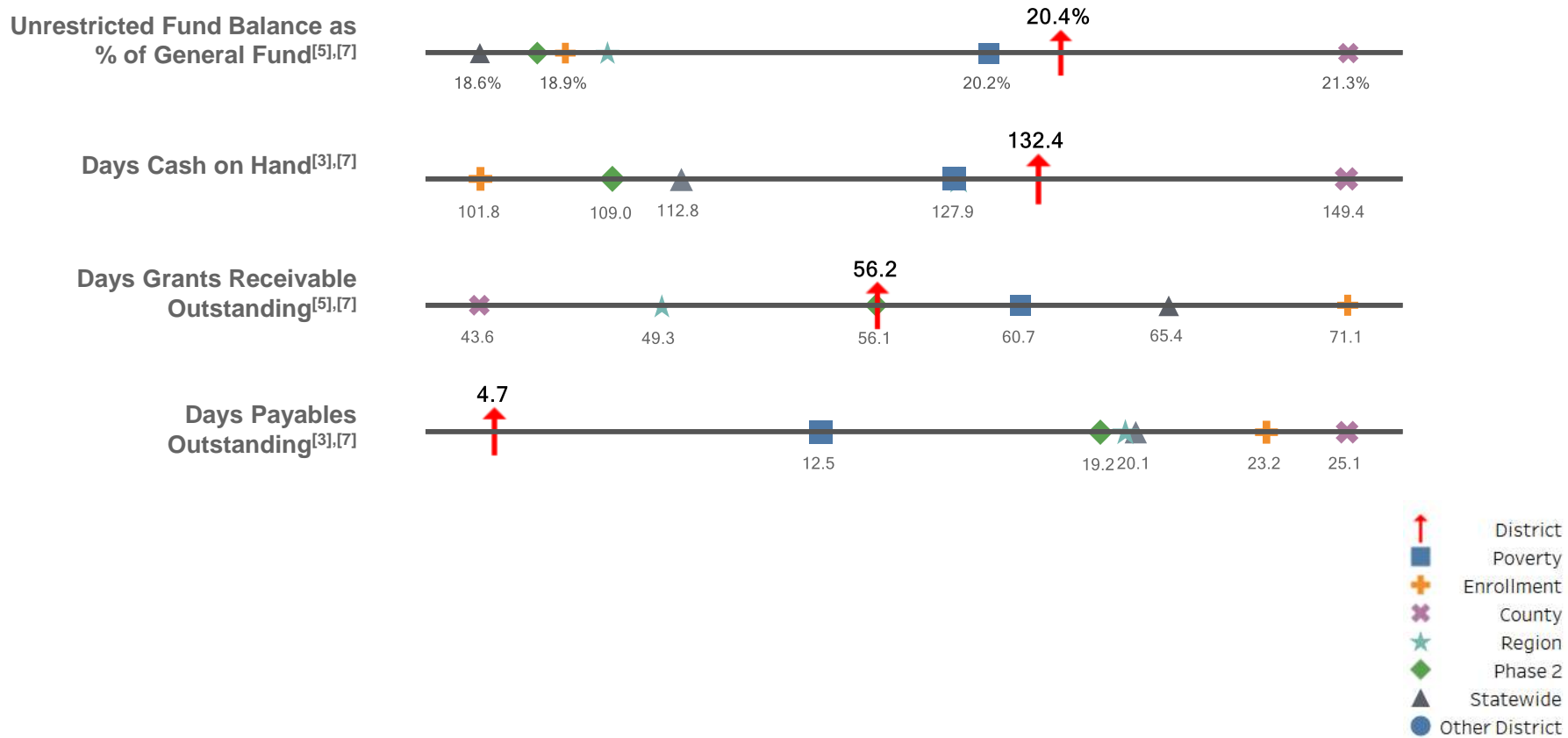
NOTE: FTEs shown in the table above reflect dedicated finance staff only; Financial expenses shown above reflect amounts coded to the finance department. In some instances districts may include salary and benefit related charges that are not related to dedicated Finance costs in their totals.

FINANCIAL MANAGEMENT

YORK 01

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

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Finance organization operates on a lean budget but is adequately staffed to support its scope of roles and responsibilities that includes: accounting, payroll, accounts payable, budget, treasury, procurement and financial reporting. • Turnover: The current Assistant Superintendent for Finance and Operations has been in her position for 2 years after serving as the Director of Finance for the District for 9 years. • Finance Cost per Pupil: The Finance Cost per Pupil for the District is \$100, which is lower than peers of similar size of \$133 and the statewide average of \$138. • Students per Finance FTE: The Student per Finance FTE ratio is 987, which is higher than peers of similar size of 742 and the statewide average of 852. 	<ul style="list-style-type: none"> • Given the tenure and success of the current Finance leadership, the District should establish a succession plan to ensure past progress is embedded long-term in the organization. • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes. • Evaluate staff responsibilities in conjunction with implementation of potential process and technology initiatives.

FINANCIAL MANAGEMENT

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Payroll and Accounts Payable	<ul style="list-style-type: none"> • Payroll: The District currently runs payroll on a monthly basis for all employees. The District requires all employees to receive payments via direct deposit. • The District uses a self-service payroll platform; therefore, employee initiated payroll changes are all processed automatically. • Timekeeping: Time tracking is currently managed via Kronos. • Purchasing: The District does use a centralized purchase order system; however, all purchase orders need to be printed, scanned, and emailed. Schools are able to secure items and services in accordance with district and state regulations. • The District has started an online vendor payment program in order to expedite vendor payments and has had 55 vendors sign on thus far. • The District does utilize a Pcard program. The FY16 spend was approximately \$570,000, or 1.4% of total spending, with about \$4,500 received in rebates. • Inventory: The District utilizes one to one plus for tracking technology assets and tracks fixed assets through SmartFusion, but it does not currently conduct centralized inventory processes for smaller assets. Inventory is managed directly by schools and cross-referenced against inventory listings maintained by the technology department. • Risk Management: The District does not have formal risk management policies in place. 	<ul style="list-style-type: none"> • Leverage automated purchase order work flow systems that can be integrated with the financial systems. • Analyze Pcard spending transaction and dollar volume on an annual basis to determine potential candidates for formal contracting to enable better pricing and cost savings. • Implement standard policies and procedures around managing physical inventory and ensure that the District Finance organization is part of the overall process. • Expand on the existing risk management policies and procedures to include: (a) risk assessment and management; (b) safety and loss prevention review; (c) insurance claims handling and processes; and (d) insurance policy review and negotiation.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Grants Management</p>	<ul style="list-style-type: none"> • Grants Revenue %: Grant funds provide 16% of revenue for the District, making this district less reliant on grant funds than peers of similar size of 21% and the statewide average of 20%. • Federal Funds: Federal program coordinators (outside of Finance) are primarily responsible for ensuring that special funds are used in compliance with regulations prior to payments being processed. The finance department collaborates closely with grants administrators to ensure that claims are made on a timely manner in order to maximize cash flow. • Indirect Costs: The District does charge indirect costs against federal grants. • Grants Monitoring: Review of expenditures against grant requirements is conducted by the grants coordinator, with a secondary review conducted by the finance department. The District maintains an aggregated spreadsheet that shows all grants, budget, expenditures to date, and balance, which is updated monthly. • Other: The District does maximize reimbursement of grants such as Medicaid through the special education department. • The District has a staff member specifically dedicated to grant writing. The Grant Writer attends all budget meetings and subscribes to numerous databases in order to find competitive grants. The Grant Writer has increased competitive grant dollars from about \$380,000 to approximately \$2M within a few years. 	

FINANCIAL MANAGEMENT

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Internal Controls	<ul style="list-style-type: none"> • F/S Audit: The District was found to have no material weaknesses in its latest audited financial statements. The District has received awards for Excellence in Financial Reporting. • Position Control: The District does have position control. 	
Cash Management	<ul style="list-style-type: none"> • Days Cash on Hand: The District has a strong cash balance, with 132 days cash on hand. This is higher than the statewide average of 113 days and peers of similar size with an average of 102 days. • The District reviews cash flow forecasts on a regular basis. It had to issue Tax Anticipation Notes in the past but has not experienced issues with cash flow for the last 2 years. • Grants Receivable Outstanding: The District has a Days Grants Receivable Outstanding of 56 days, which is better than peers of similar size with an average of 71 days and the statewide average of 65 days. The District submits grant reimbursements monthly. • Days Payable Outstanding: The Districts Days Payables Outstanding is 5 days, which is better than both peers of similar size of 23 days and the statewide average of 20 days. • Cash: The District does invest cash balances in a State local investment pool. 	

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Cash Management (cont'd)	<ul style="list-style-type: none"> • Debt: The total debt to revenue ratio of 1.9 is high compared to peers of similar size of 0.7 and the statewide average 0.8. • TAN: The District did not issue TANs this past year to assist with liquidity needs during cash low point. 	
Budget	<ul style="list-style-type: none"> • Budget Planning: The annual budget process is linked with the annual strategic planning process. The budget team works extensively with department heads and principals to assess any new needs that are anticipated for the new fiscal year. The District has a Budget Committee consisting of key leaders across all functional areas of the organization who are responsible for reviewing and approving all new needs requests. • In addition, schools are allocated a per pupil amount for non-personnel expenses. • Fiscal Monitoring: The District produces budget to actual variance reports monthly, performs regular variance analysis and meets with key department heads to review expenses. 	<ul style="list-style-type: none"> • 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

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> • ERP - The District currently uses Harris SmartFusion for general accounting, payroll and accounts payable. It also uses Harris SmartFusion to facilitate employee self service for payroll matters. The District has been able to successfully transition to automated work processing in much of its processes; however, it is still currently using manual processes for procurement and automated workflow approval of requisitions. The District scans documents through Virtual Image Technology. 	<ul style="list-style-type: none"> • Explore opportunities to better utilize the existing SmartFusion accounting software and / or upgrade to enhanced functionality that provides automated workflow and approval of purchase orders.
Regional Collaboration	<ul style="list-style-type: none"> • The District is part of the Olde English Consortium in which the finance directors of individual districts meet quarterly to discuss various topics. The regional finance directors also communicate regularly on budget numbers and to share bids. • The District does not coordinate with others in the region on any transaction processing. 	<ul style="list-style-type: none"> • Consider implementing a collaboration model that allows for sharing of resources and systems that require transactional activities with other districts within the region. This could include the following: (a) accounts payable (including purchasing workflow and approval); (b) payroll processing and (c) financial system licenses (potential for volume discounts).



OUTLINE

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HUMAN RESOURCES OVERVIEW

The Human Resources function is responsible for managing the District workforce and is directly responsible for teacher recruitment and retention, ensuring proper certification of personnel, supporting benefits management and coordinating personnel transactions.

1,039 : 1

District Students (ADM)^[2]

Human Resources FTE^[4]

\$56 per Student

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

Key statistics for metrics

Human Resources FTEs ^[4]	4.8
Personnel Expense ^[3]	\$258,371
Non-Personnel Expense ^[3]	\$17,310
Total Human Resources Expense ^[3]	\$275,681

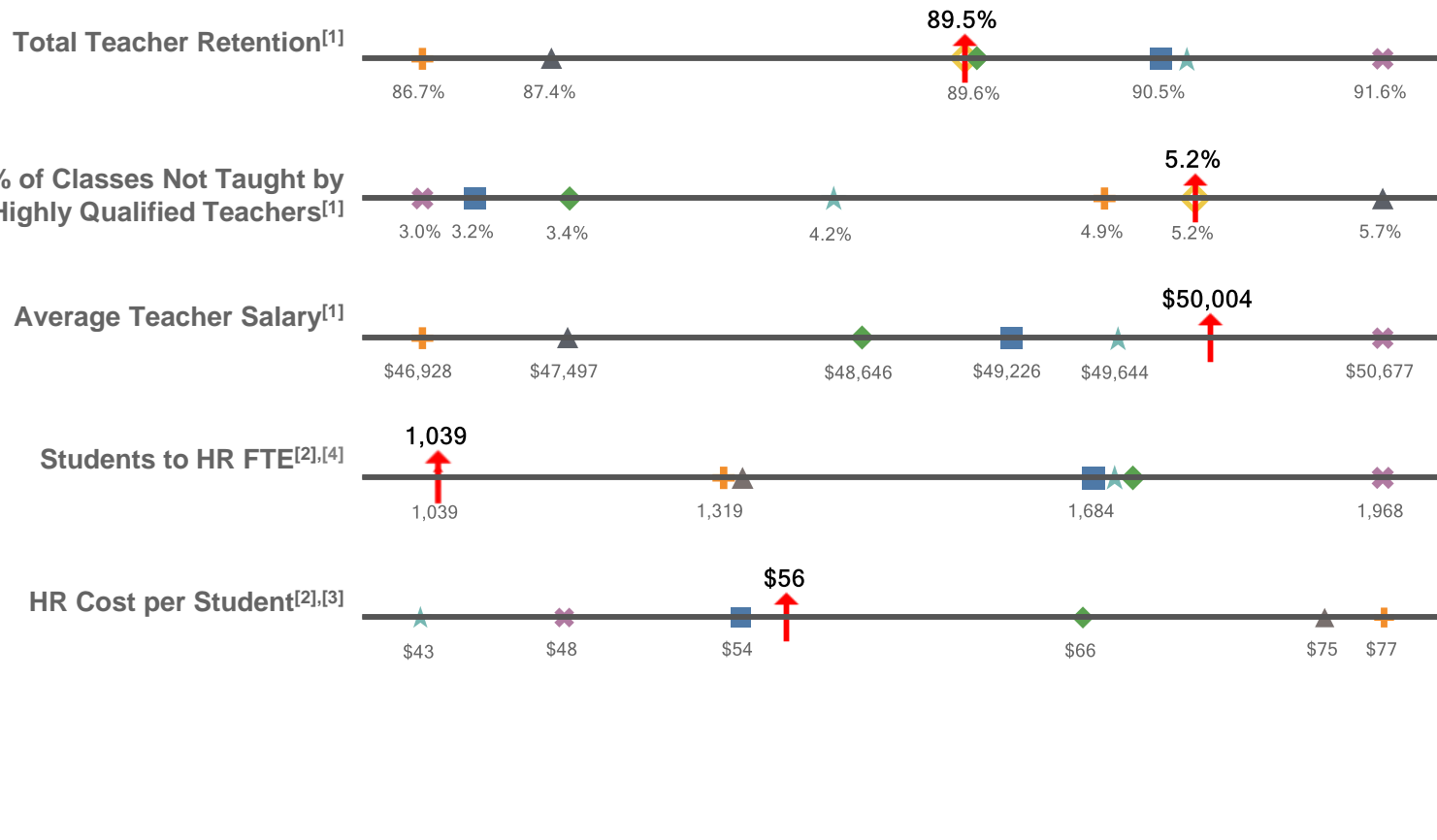
NOTE: FTEs shown in the table above reflect dedicated HR staff only; Financial expenses shown above reflect amounts coded to the HR department. In some instances districts may include salary and benefit related charges that are not related to dedicated HR costs in their totals.

HUMAN RESOURCES

YORK 01

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

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • Staffing: The Human Resources function is adequately staffed with the positions required to support recruiting, retention, personnel relations and benefits. • Human Resources Cost Per Pupil: The HR cost per pupil of \$56 for the District is lower than the statewide average of \$75 and the average for districts with similar enrollment levels of \$77. • Students per Human Resources FTE: The student per HR FTE ratio of 1,039 is low relative to the statewide average of 1,338, and lower than the average of districts with similar enrollment levels of 1,319. 	<ul style="list-style-type: none"> • Review staff capabilities on an annual basis and ensure individuals are provided with training on systems and processes, and cross-train individuals to be able to do multiple functions.
Recruiting and Retention	<ul style="list-style-type: none"> • Similar to other school districts in the State, recruiting teachers into the District is challenging, particularly for minority teachers. However, the District benefits from an attractive location and a high-quality community. The District does not employ any international teachers or utilize staffing agencies. • The District has increased recognition for certified and non-certified staff to improve morale and retention. Specific programs include a “courageous cougar” card handed out to exceptional employees and recognition at an awards banquet. • The average teacher salary is \$50,004, which is above the statewide average of \$47,497 and the regional average of \$49,025. • The District attends 6 recruitment fairs each year to attract candidates. 	<ul style="list-style-type: none"> • Consider compensation study and / or implementation of incentive programs to recruit and retain teachers that could include: (a) signing bonuses that vest over a period of time to encourage retention; (b) housing incentive signing; (c) tuition reimbursement; (d) differentiated salaries for hard to staff positions; (e) innovative professional development programs.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Recruiting and Retention</p>	<ul style="list-style-type: none"> The District uses TeacherMatch software as an automated screening tool for candidates. The District conducts face-to-face exit interviews for all employees to gather information on the causes of employee attrition. The District has an average retention rate of about 90% for certified staff. The District expects to see a wave of retirements in the near term and has staff that are impacted by the TERI program. While the District is working to manage the transition, it does not have a formal succession plan in place. Partnerships: The District hosts about 50 student teachers each year from Winthrop University, as well as a few from online universities. Approximately 15-20 convert to full-time hires. Professional Development: The District has targeted professional development programs based on identified needs. It has a mentoring program for first year teachers and pacing guides for curriculum planning. The District has experienced some challenges with PD as a result of the new teacher evaluation standards. Substitute Management: The District uses Kelly Services for substitute management. 	<ul style="list-style-type: none"> Use the information conducted during exit interviews to formulate an effective teacher retention plan. Due to the significant percentage of teachers who are expected to retire in the next five years, develop a workforce 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 utilizing an online self-paced platform for professional development.

HUMAN RESOURCES

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Technology	<ul style="list-style-type: none"> The District utilizes TeacherMatch for online applications and functionality in SmartFusion to send out contracts. However, the District does not leverage technology support systems for onboarding. 	<ul style="list-style-type: none"> Capitalize on functionality provided by Frontline technology to fully automate the application to onboarding process.
Benefits	<ul style="list-style-type: none"> Administration is typically done by a secretary or administrative assistant. 	<ul style="list-style-type: none"> Benefits administration process could be automated via establishment of an employee portal. Employees could be responsible for updates and information would be linked directly to payroll. In collaboration with other 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	<ul style="list-style-type: none"> The District is part of the Olde English Consortium and meets regularly with other nearby districts to discuss challenges and opportunities. The District will often refer candidates to other districts. 	<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



OUTLINE

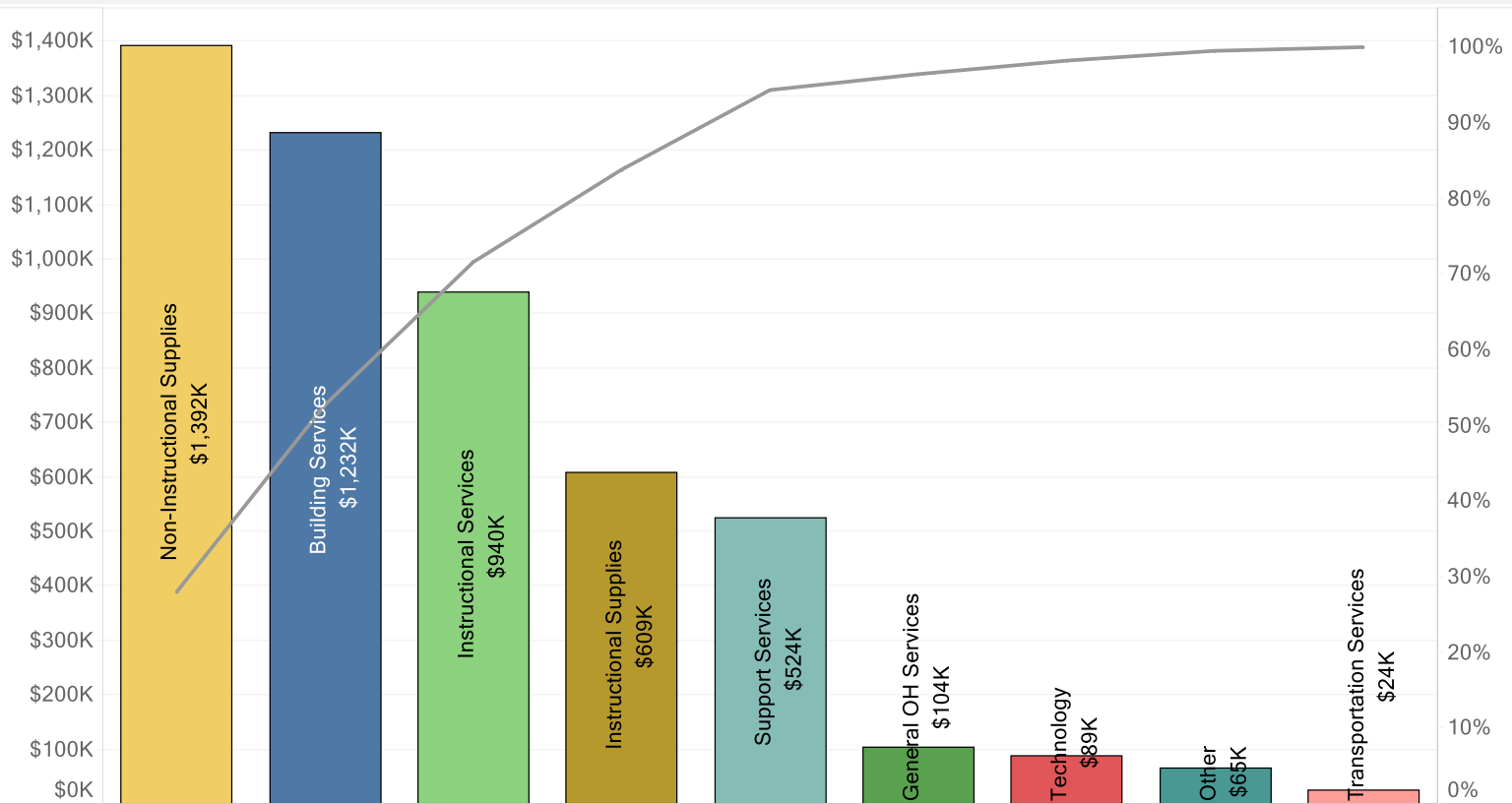
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PROCUREMENT YORK 01

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.

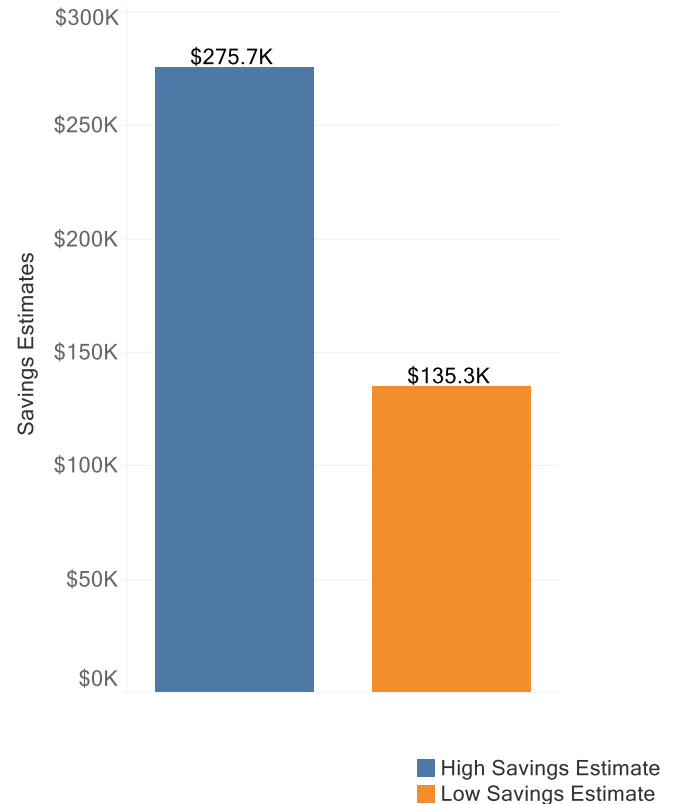
District In Scope Total Procurement Spend^[3] = \$4,978,818



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 YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Organization / Staffing	<ul style="list-style-type: none"> The District recently hired a procurement officer and will rely on this resource to maximize purchasing activities. 	<ul style="list-style-type: none"> Leverage additional resources to better optimize procurement functions. See General Collaboration and Regional Collaboration below.
Spending by Vendor	<ul style="list-style-type: none"> Spending is fragmented across more than 900 vendors; however, the top 20 make up more than 80% of total spending. Spending efforts are made based upon the individual buyer, with local optimization the main priority. Aggregated purchasing decisions across districts are not made. The District leverages US Communities for some purchases. 	<ul style="list-style-type: none"> Standardize requirements and specifications for commonly purchased goods in order to streamline the number of vendors used, aggregate buying power within the District and enable volume pricing discounts. Contract options may take the form of: (a) state contracts; (b) stand-alone negotiated contracts; (c) negotiated contracts done in collaboration with surrounding districts. 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. Where appropriate, include Most Favored Nation (MFN) clauses into contracts that require the vendor to provide the District pricing that is no higher than the price it provides to any other buyer, now or during the term of the agreement.

PROCUREMENT

YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Vendor (cont'd)		<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. Examples of metrics that could inform analysis include: (a) vendor concentration (# of vendors comprising 80% of spend); (b) % of vendor spending negotiated through formal RFP process; (c) average POs per vendor.• Perform annual review of vendor performance (on time, complete, quality) to assess opportunities to reduce or eliminate non-value add services.

PROCUREMENT YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Spending by Category	<ul style="list-style-type: none"> • Building and Maintenance: The District uses BridgeTek Solutions for buildings and maintenance among other vendors. • Food Services: The District outsources its food services to Chartwells. • Energy: The District does not fix rates for natural gas contracts. • Instructional Support Services and Supplies - Procurement Exemptions: The District does not require procurement of instructional support software and services to be placed out to bid unless the cost exceeds \$2,500. • The District does not procure these services and software in collaboration with any other districts. • Technology – Standardization: The District is expanding its technology initiative and is leveraging a state contract with Apple to make its purchases. The District has found that they are usually able to beat the state contract amount. • The District does not coordinate technology purchases with other nearby districts. • Non-instructional Supplies - Contracting Vehicles: The District purchases the majority of its non-instructional supplies outside of available state contracting vehicles under the belief that it can receive comparable, if not better pricing. 	<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 and services with surrounding districts to maximize potential for volume discounts. • Standardization of Technology: The greatest saving potential can be realized through rollout of low cost/high quality technology options that are standardized across a geographic region. Standardize recommended technology options with nearby districts in order to leverage benefits of coordinated purchasing and volume discounts. Decisions made by individual districts regarding roll-out of technology initiatives vary greatly in cost per device and total cost of ownership.

PROCUREMENT YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
Regional Collaboration	<ul style="list-style-type: none">The District has partnered with other districts on a 403(b) provider. However, there are significant opportunities to collaborate on purchases.	<ul style="list-style-type: none">Consider combining resources to create a regional procurement function across districts that is charged with reviewing and optimizing spending through ongoing market intelligence on pricing opportunities, contract RFP management, contract negotiations, contract management.A regional collaboration model would allow for districts to further capitalize on volume discounts and rebates on areas of spend that would include:<ul style="list-style-type: none">- Technology- Instructional Software and Services- Instructional Staffing- Supplies



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TRANSPORTATION YORK 01

TRANSPORTATION OVERVIEW: STATE VS. DISTRICT

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

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

TRANSPORTATION OVERVIEW

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

14 Years

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

\$311 per Student

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

Key statistics for metrics

Transportation FTEs ^[4]	61.0
Personnel Expense ^[3]	\$1,463,433
Non-Personnel Expense ^[3]	\$73,798
Total Transportation Expense ^[3]	\$1,537,231

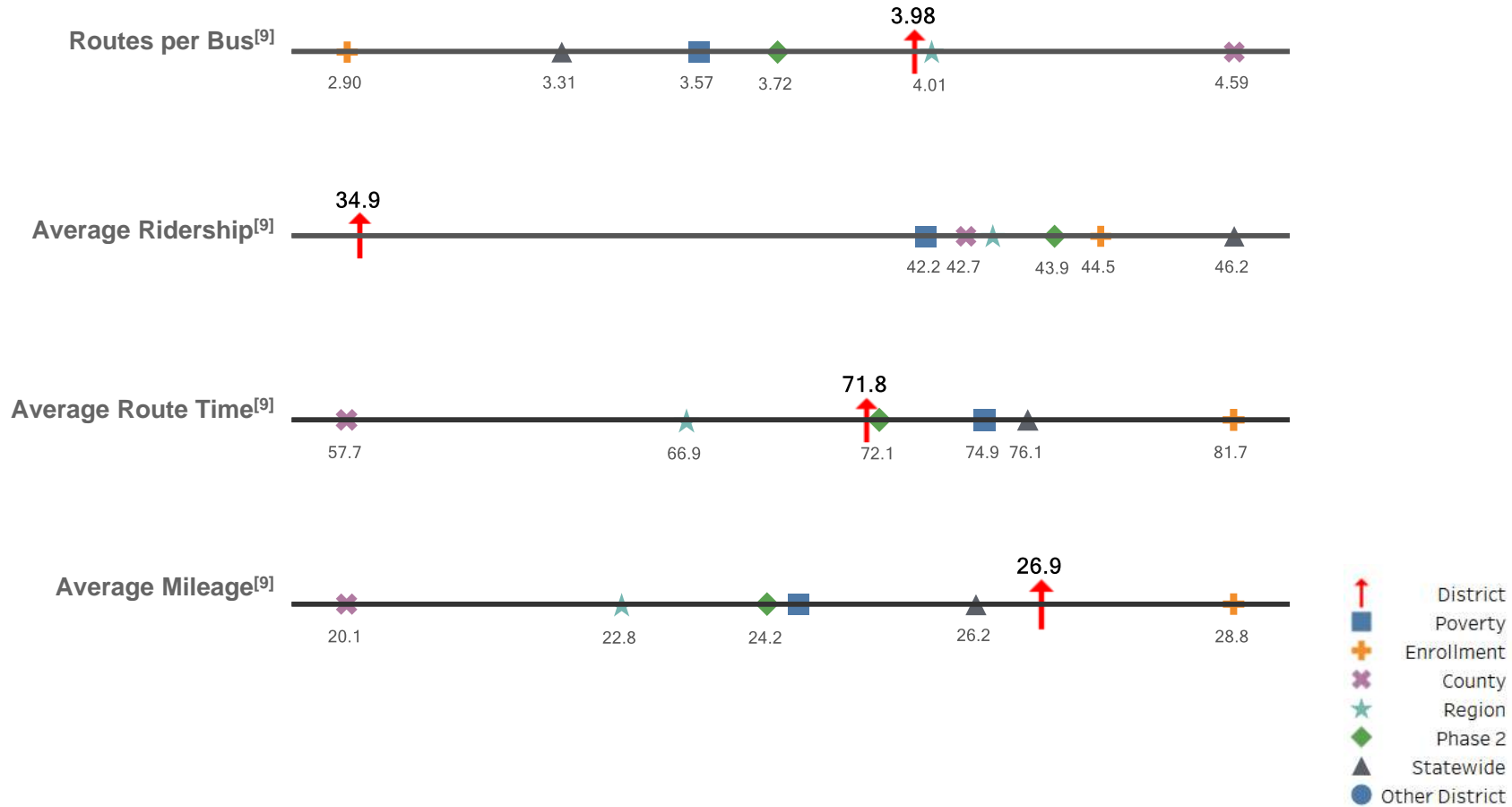
NOTE: FTEs reflected in table above may not reflect dually employed bus drivers.

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	31.4	125	4.0	4,359	35	72	27
Special Needs	6.4	29	4.6	227	8	Not-Available	30
Other	1.4	7	5.1	257	37	Not-Available	23
Total	39.1	161	4.1	4,843	N/A	N/A	N/A

TRANSPORTATION YORK 01

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 YORK 01

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Staffing / Organization	Observations	Recommendations
Staffing / Organization	<ul style="list-style-type: none"> • The District has been able to recruit all needed bus drivers and does not have any vacancies. They credit the success to morale building actions such as monthly dinners and uniforms. • The District has a pool of 5 substitute drivers, which they would like to increase to 10. Each day substitute drivers either drive or ride as a bus aide. • The District does not dual employ any bus drivers. • The District runs staggered bus routes with the earliest routes starting as early as 5:50am. The District also runs staggered bell times, with start times at 7:45, 8:00, and 8:40. Routes are planned so that children will be able to have breakfast at school before the morning bell. • Bus drivers are currently paid a starting rate of \$11.20, approximately \$4 above state reimbursement levels. • Transportation is run by one administrator. 	<ul style="list-style-type: none"> • As incentive to recruit and retain bus drivers, create opportunities for full-time employment. Bus drivers in other districts in the State are dual employed serving in aide, food services and / or maintenance roles when not driving buses. • Use an automated calling system to fill needed driver substitute vacancies. • Consider further staggering of bell times to 1) reduce the number of drivers needed, 2) eliminate the need for double bus runs, 3) reduce the number of buses needed, 4) allow students to ride with peers of their own age, and 5) shorten ride times for students.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

	Observations	Recommendations
<p>Routing and Bus Management</p>	<ul style="list-style-type: none"> • The District utilizes VersaTrans routing software. • The District does have GPS on its buses. • The District provides radios to drivers to contact drivers while on routes. • The District does have security cameras on all buses. • The District does not have stop-arm cameras on buses. It participated in the State pilot program but found that photos from the cameras were insufficient to prosecute violators. • Activity Buses: The District uses the State fuel contract and the State maintenance hubs for activity buses. 	
<p>Collaboration</p>	<ul style="list-style-type: none"> • The District is part of the Olde English Consortium. Regional transportation directors meet regularly to discuss challenges and opportunities and coordinate on bus driver trainings. 	

APPENDIX A: SAVINGS METHODOLOGY



APPENDIX A: SAVINGS METHODOLOGY

YORK 01

APPROACH TO SAVINGS

GENERAL APPROACH TO ESTIMATING INVESTMENTS AND SAVINGS

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

FINANCE AND HUMAN RESOURCES

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

PROCUREMENT

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

TRANSPORTATION

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

APPROACH TO SAVINGS: OTHER CONSIDERATIONS

➤ **State-wide Benchmarking Data:**

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

➤ **Implementation:**

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

SAVINGS ANALYSIS BY FUNCTIONAL COMPONENT

PEOPLE

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

TECHNOLOGY

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

Functional Review Operating Model Components



PROCESS

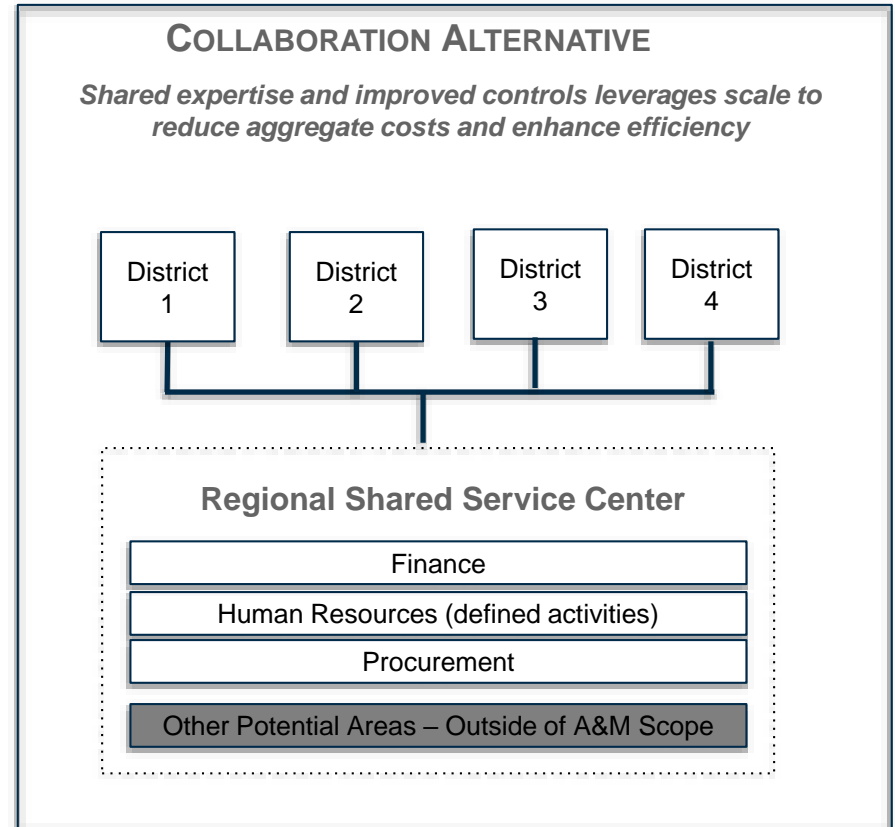
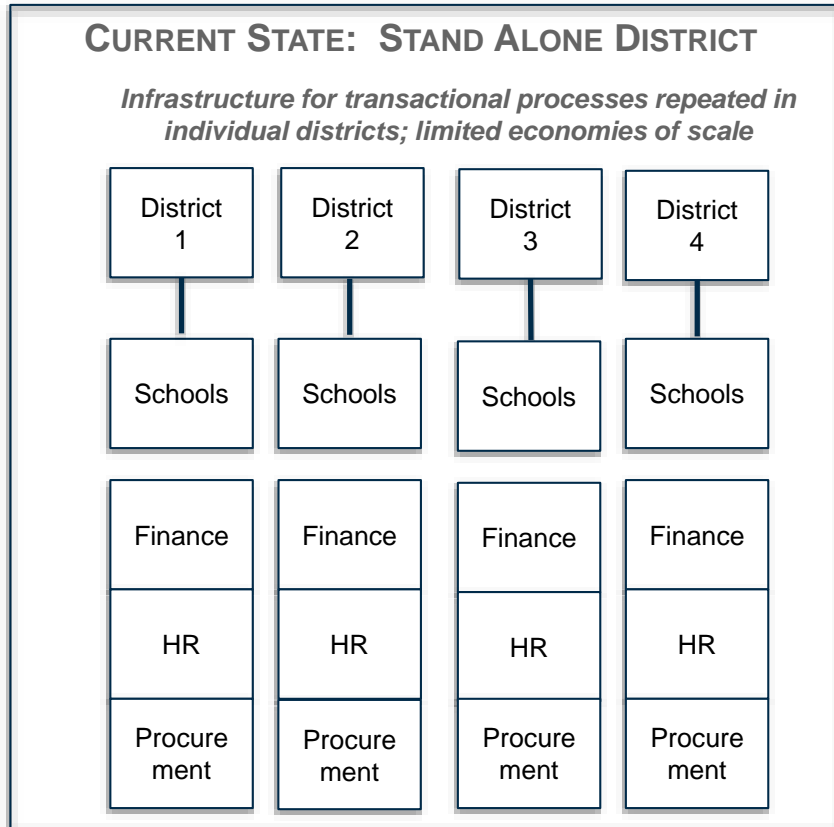
Assessment of the degree of manual processes used by each function, identification of improvements to those functions, and new operating models (such as staggered bell times) were recommended.

ORGANIZATION

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

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

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SHARED SERVICES MODEL: SAVINGS APPROACH

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

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

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

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

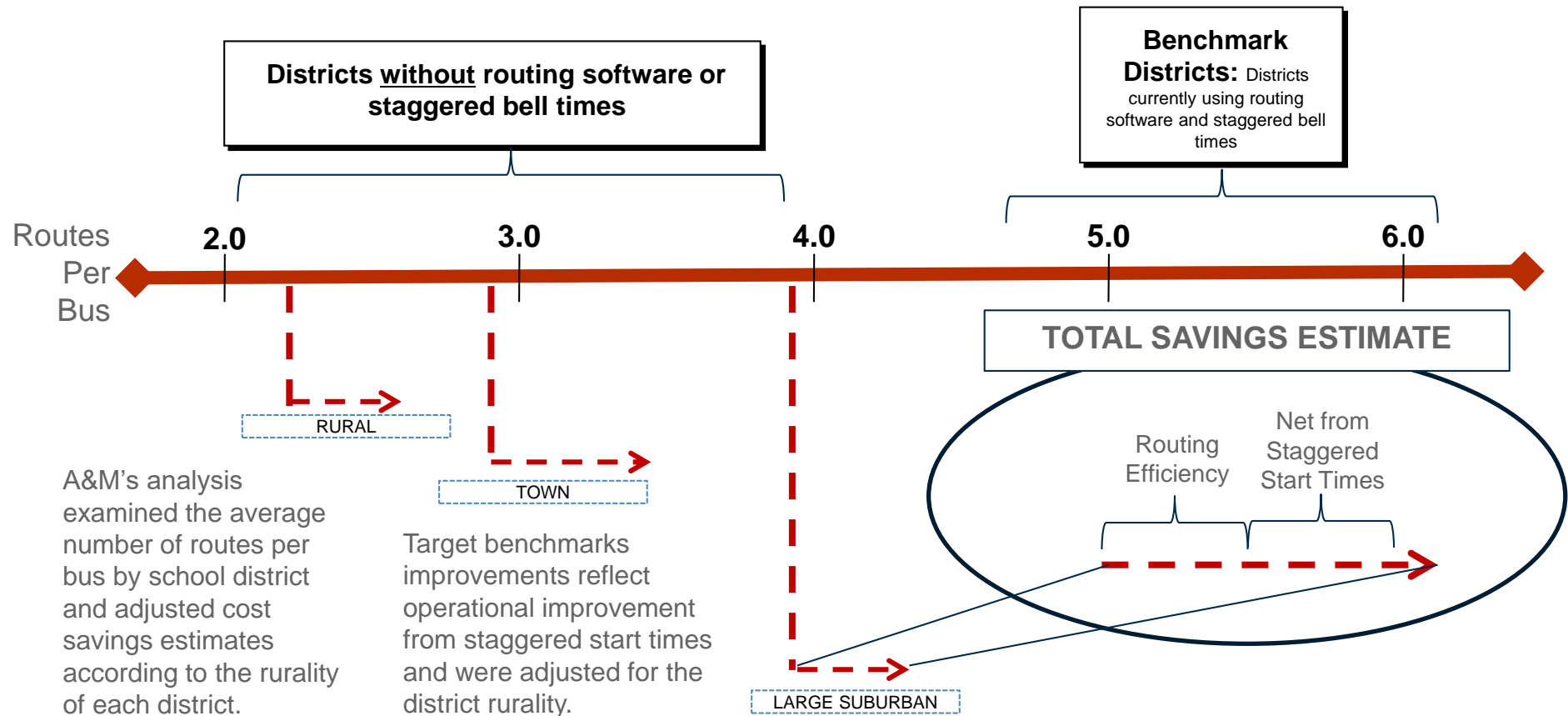
	Financial Management Collaboration: Five Districts [1 Large, 1 Med, 3 Small]		
	Current State	Collaboration Model	Savings
# of Districts	5	5	NA
Total ADM	21,000	21,000	NA
Total FTEs ⁽²⁾	18.9	13.0	6.0
Total Spend ⁽²⁾	\$2,409,840	\$1,684,478	\$725,326
Savings %			30.1%

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

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

TRANSPORTATION ROUTING: SAVINGS APPROACH

Implementation of new routing software can help districts optimize existing routes and evaluate alternative routing strategies, such as staggered bell times.



APPENDIX A: SAVINGS METHODOLOGY

YORK 01

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

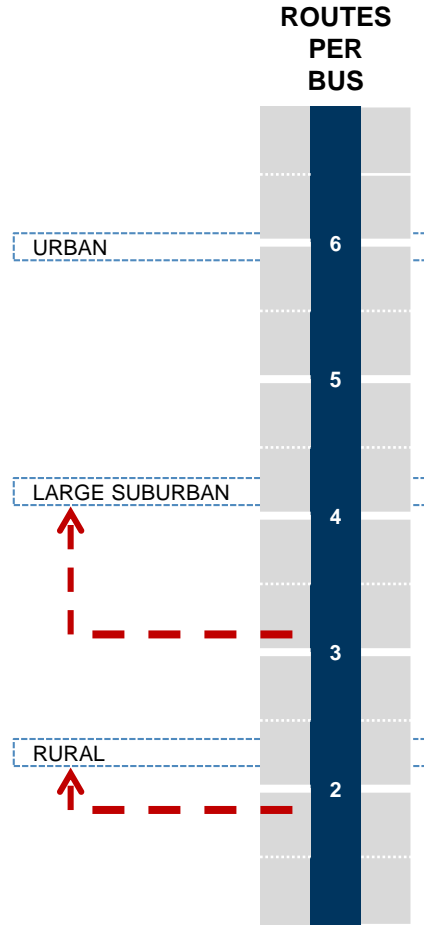
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TRANSPORTATION ROUTING: SAVINGS APPROACH (CONTINUED)

Savings from Increased Utilization:

A&M's analysis examined the average number of routes per bus by school district and adjusted cost savings estimates according to the rurality of each district.

Target benchmark improvements are shown in the graphic to the right reflecting operational improvement and adjusting for the district rurality.



DISTRICT EXAMPLE COST SAVINGS OPPORTUNITIES FROM STAGGERED SCHOOL START TIMES

DISTRICT A	VOLUME	UNIT	DISTRICT	STATE
DRIVERS	2.0	\$ 19,390	\$ 23,133	\$ 15,647
FUEL	-	\$ 0.15	\$ -	\$ -
MAINTENANCE	2.0	\$ 4,138	\$ -	\$ 8,276
BUSES (COST AVOIDANCE)	-	\$ 60,000	\$ -	\$ -
TOTAL			\$ 23,133	\$ 23,923

Staggered bell times would help reduce routes and the number of buses required.

APPENDIX A: SAVINGS METHODOLOGY

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COLLABORATION: PURCHASING COORDINATION AND AGGREGATION

Given the size of many of the individual districts, there is little leverage to negotiate best pricing or invest in resources needed to develop or implement a defined procurement strategy. These districts would benefit from greater purchasing coordination, aggregation of buying power and minimum commitments in order to improve overall pricing.

EXAMPLES OF STATE-WIDE PROCUREMENT OPPORTUNITIES

Example 1: Differentiated Pricing in Professional Services

District	Labor Rate Mark-up for Temporary Staff
District A	0.43 to 0.49
State Contract	0.40
District B	0.39

- At a minimum, many districts could benefit from leveraging State contracts. Districts could additionally benefit from favorable pricing negotiated by other districts.

Example 2: Volume Discounts and Rebates with a Technology Vendor

Minimum \$ Value	Discount
\$50,000	1%
\$100,000	2%
\$200,000	4%
\$500,000	6%
\$1,000,000	8%

- Nearly all districts could benefit from additional discounts by aggregating spend statewide.

APPENDIX A: SAVINGS METHODOLOGY

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PURCHASING COORDINATION AND AGGREGATION: SAVINGS APPROACH

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

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

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

	Range of Savings: A&M Strategic Sourcing Experience	
	Low	High
Building Services	3.2%	7.2%
Non-Instructional Supplies	2.5%	5.5%
Instructional Supplies	2.5%	5.5%
Instructional Services	6.0%	10.0%
Support Services	2.6%	6.2%
Technology	3.4%	6.3%
Other	3.7%	7.3%
Overhead Services	3.4%	6.7%
Transportation Services	2.8%	8.5%

Preliminary estimates of potential savings from increased collaboration of purchasing across districts range from 2.0% to 5.1%.

APPENDIX B: DATA SOURCES



APPENDIX B: DATA SOURCES

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[1] FY 16 District Report Card

[2] State-provided enrollment numbers:

- **FY 15 135-Day ADM:** The only use of the FY 15 enrollment numbers is for the enrollment trend
- **FY 16 135-Day ADM:** All calculations made using FY 16 expense data and enrollment data rely on the FY 16 135-Day ADM
- **FY 17 45-Day ADM:** All calculations made using FY 17 personnel data and enrollment data rely on the FY 17 135-Day ADM

*Number of schools calculated using state ADM files

[3] State-provided FY 16 district expenses

*In-scope procurement and categorization is determined by a mapping completed by A&M based on expense function & object codes. These values exclude all expenses where fund code = 400, 500, or 700 (Debt, Capital, and Pupil Activity funds respectively).

[4] District-provided FY 17 personnel rosters

[5] State-provided FY 16 district revenue

[6] A&M Functional Area Mapping

- If "Function Code" begins with 1## Then "Instruction"
- If "Function Code" = 252, 257, or 259 Then "Financial Management"
- If "Function Code" = 264 Then "Human Resources"
- If "Function Code" = 231, 232, 261, 262, or 265 Then "Overhead"
- If "Function Code" = 251 or 255 Then "Transportation"
- If "Function Code" begins with 2## and not in lists above Then "Support Services"
- If "Function Code" begins with 3## Then "Community Services"
- If "Function Code" begins with 4## Then "Other"
- If "Function Code" begins with 5## Then "Debt"

[7] FY 16 Comprehensive Annual Financial Report (CAFR)

[8] Historical A&M Procurement Savings and assumption of district collaboration in the procurement function

[9] FY 16 State-provided transportation data

APPENDIX B: FORMULAS DEFINED

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Sources [2],[3]

- \$ Per Student = Total Cost ^[3] / FY 16 135-Day ADM ^[2]
- \$ Per Student Excluding Debt & Capital = Total Cost ^[3] / FY 16 135-Day ADM ^[2] (Where Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”)
- Financial Management Cost per Student = Total Cost ^[3] (Where A&M Functional Group = “Financial Management” and Fund Name ≠ “Capital Projects Fund” or “Debt Service Fund”) / FY 16 135-Day ADM ^[2]
- HR Cost / Student = Total Cost ^[3] (Where Function Code = “Human Resources”) / FY 16 135-Day ADM ^[2]
- Transportation Cost / Student = Total Cost ^[3] (Where A&M Functional Group = “Transportation”) / FY 16 135-Day ADM ^[2]

Sources [2],[4]

- Students Per Instructional Services FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Instruction,” “Instructional Staff Services,” “School Administration,” or “Pupil Services”)
- Students Per Overhead FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Gen Admin,” “Finance,” “Technology,” “Central Services,” or “Human Resources”)
- Students Per School Support FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Food Services,” “Facilities,” “Transportation,” “Support Services” or “Community Services”)
- Students to All Positions = FY 17 45-Day ADM ^[2] / FTE ^[4]
- Students To Total FTE = FY 17 45-Day ADM ^[2] / FTE ^[4]
- ADM to Financial FTE = FY 17 45-Day ADM ^[2] / FTE^[4] (Where Category Description = “Finance”)
- ADM to HR FTE = FY 17 45-Day ADM ^[2] / FTE ^[4] (Where Category Description = “Human Resources”)

APPENDIX B: FORMULAS DEFINED

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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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