

# Efficiency Opportunities – Project Overview

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South Bend Community Schools Corporation  
10/12/2020



# Introduction and Overview

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## Budget Summary – Prior to 2020 Referenda Funding

Fund	Projected Remaining Balance 1/1/2020	Budgeted Calendar 2020 Revenue	Budgeted Calendar Year 2020 Expense	Projected Remaining Balance 12/31/2020
Education	19,495,011	120,814,347	130,833,413	9,475,945
Operation	11,650,960	46,542,299*	55,094,703	3,098,556
Debt Service	6,856,751	16,668,139	16,175,766	7,349,124
Pension Debt	1,568,436	2,213,311	3,149,474	650,273
<b>TOTAL</b>	<b>\$39,589,158</b>	<b>\$186,238,496</b>	<b>\$205,253,356</b>	<b>\$20,574,298</b>

\* Operations 2020 revenue amount is the NET amount that includes impact of an estimated \$12,814,841 in property tax caps for 2020.

➤ ***Cumulative expenses exceed cumulative revenue by about \$20M per year and fund balances are being depleted; additional spending on teacher pay increases or other policy objectives appears to require significant further efficiencies.***

# Objective and Approach

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- **Objective:** The Corporation is interested in identifying and estimating the value of opportunities to capture cost savings and new revenues inside the Corporation which it could then use to increase classroom spending and improve educational outcomes, including teacher and principal pay increases.
- **Approach:**
  - Through interviews and data analysis, examine the Corporation's operations, looking at and comparing the organizational structure, staffing, budgets, and performance metrics available for each to local and national peer corporations.
  - Develop and present to the Corporation a **series of viable “tactical” and “strategic”** efficiency projects to enable the Corporation to achieve its cost savings and service improvement objectives.
  - Take feedback from the Corporation on the proposed efficiency projects and finalize a high-level implementation plan.

## Efficiency Project Embedded Concepts

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- High-quality teachers and principals are an important key to improving educational outcomes.
- Our analysis was focused primarily on service cost and quality issues not on other policy goals.
- Our goal was to illustrate the financial and operational tradeoffs associated with decision making.
- The successful referenda provide the District with a unique opportunity to implement its transformation agenda.
- While cost savings ideas are helpful, real success will require a committed and long-term focus on project implementation.

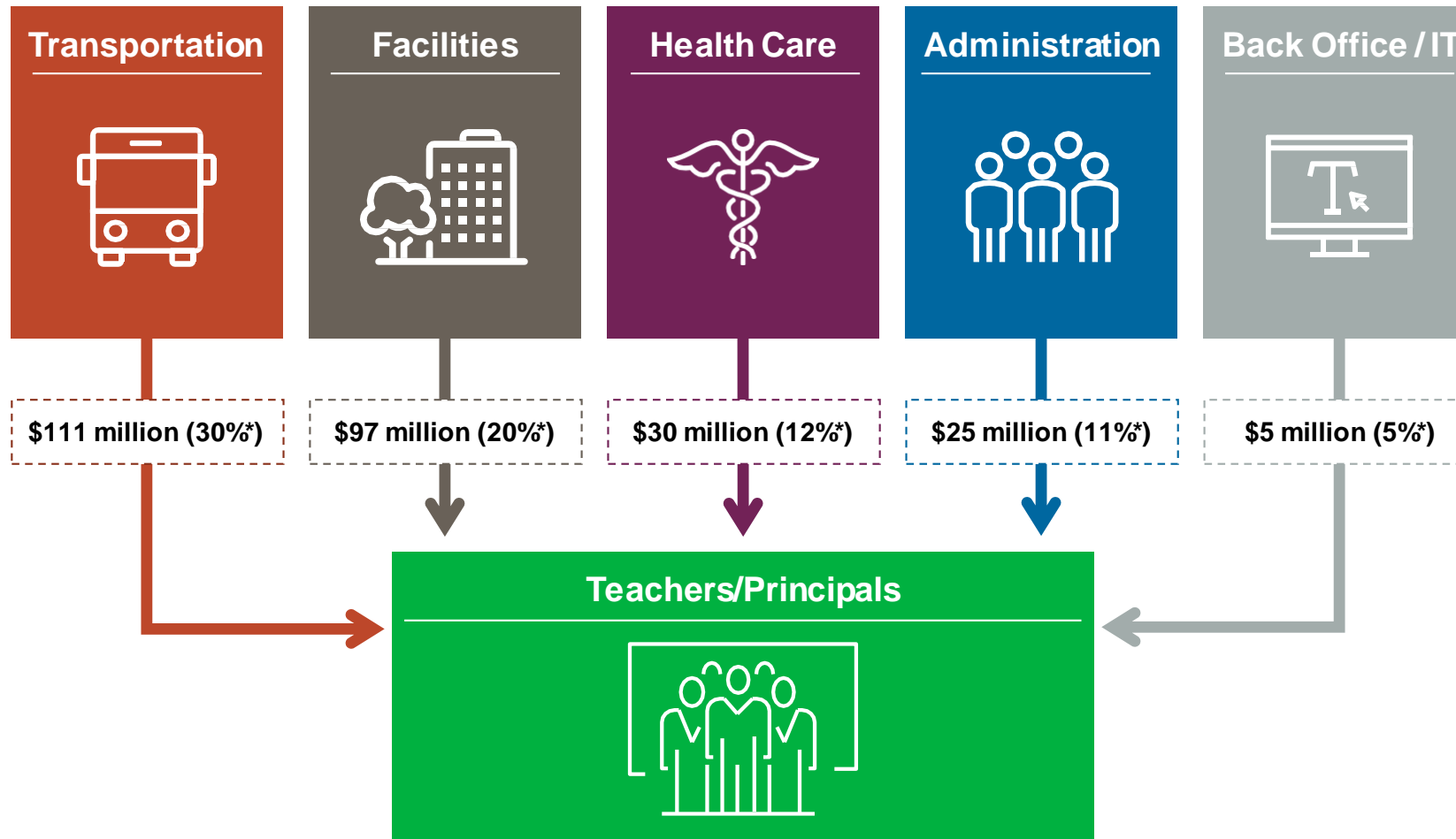
## Key Assumptions Associated with ALL Potential Reforms

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- No layoffs or involuntary transfers - manage attrition
- Requirements for comparable pay and benefits
- Requirements for ongoing union representation where a union exists
- Subject to final legal reviews and approvals
- Subject to compliance with the existing Consent Decree
- Subject to compliance with existing and applicable procurement rules and regulations
- As the District seeks to leverage third-party partners for integrated service delivery, use the opportunity to meaningfully enhance minority-, woman-, and veteran-owned (XBE) firm usage

# Administrative Cost Savings Opportunities in Public School Systems Can Fund Teacher and Principal Pay Increases – An IPS Case Study

IPS identified and agreed to implement \$328 million in cost savings over eight years. At about 8 percent of its annual budget baseline, the savings should eliminate IPS' operating deficit and help fund, along with referendum-generated tax dollars, substantial teacher and principal pay increases (3-9 percent in the first year, with more contemplated in the future). Some of the major areas of savings included:



\*This number represents the percentage savings within the cost category.





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## Key Findings – Positive Attributes and Initiatives Already Underway at SBCSC

### Leadership

- Strong, committed leaders
- Willingness to innovate - Empowerment Zone

### Operations

- Transportation streamlining efforts
- Food service contracting

### Technology

- Improved help desk and service operations
- Successful deployment of Chromebooks and work order system

### Data

- Access to extensive data sources
- Data-driven approach to strategic decisions



## Overall Findings and Takeaways - I

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### ➤ Our initial observations and findings include:

- South Bend is a supportive community willing to increase operating and capital funding for the SBCSC in return for greater transparency and improved outcomes
- There appears to be an openness to new efficiency ideas and to tactically partner
- Sustained enrollment declines over four years of about 10% in total
- Per student transportation spending is very high
- Significant complexity/friction associated with managing many complex issues (the SBCSC spends an enormous amount of time on issues that are not directly core educational activities – e.g., food, transportation, routine administration, other)

## Overall Findings and Takeaways - II

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- Historic inability to fully implement proposed operational reforms due to:
  - Internal resistance to needed changes; and
  - Continued attempts to accommodate unique, customized requests (e.g., time and attendance, AS/400, technology abuse, HR systems, healthcare, transportation, other).
- As a result, most reform plans do not survive first contact with internal opposition
- Reluctance to partner strategically and a strong preference for self-delivery – missing opportunities to leverage third-party partners and simultaneously enhance XBE and local small business usage

# Overview of Findings and Efficiency Opportunities

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## Strategic Versus Tactical Opportunities Defined

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- **Strategic Opportunity** – A major opportunity that will likely take several months to plan and implement and/or one that requires interaction with SBCSC stakeholders such as families, labor partners, and other community organizations.
- **Tactical Opportunity** – An important opportunity that can be decided upon administratively and implemented within a shorter timeframe, although engagement with stakeholders is likely still be advisable.

# Introduction to Efficiency Opportunities

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- Our team reviewed eight areas of focus, mostly non-academic operations
- Our team identified both “strategic” and “tactical” opportunities for efficiencies
- Final vetting of each idea will be required to confirm appropriateness before implementation

Focus Area	Strategic Opportunities	Tactical Opportunities
Transportation	5	3
Facilities	6	7
Administrative Services	6	7
Food Service	3	2
Central Office Senior Leadership	1	4
Employee Benefits	1	5
Academic Personnel	3	5
Other Opportunities	8	0
<b>TOTAL</b>	<b>33</b>	<b>33</b>



# Transportation

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# Transportation Selected Data – Walk Zones

## Walk Zones for Large Indiana Public School Systems (in miles)

School Level	South Bend	Fort Wayne	Evansville	IPS
Elementary School	0.5	1	1	1
Middle School	1	1.5	1.5	1.25
High School	1.5	2	2	1.5

➤ *Even small changes in walk zones can have significant impacts on transportation routes and costs*



## Transportation Selected Data - Staffing

Position	2017- 2018	2018- 2019	2019- 2020	Position	2017- 2018	2018- 2019	2019- 2020
Administrative Assistant	0	0	2	Financial Secretary 12 Month	0	1	1
Bus Driver - NO BENEFITS	12	12	7	Operations Supervisor	1	1	1
Bus Driver Corp Full Time	159	164	174	Router - 12 Month	3	1	3
Bus Maintenance	6	9	6	Routing Supervisor	2	1	1
Bus Para - NO BENEFITS	2	0	0	Sub Bus Driver – Retired	0	1	1
Bus Paraprofessional	50	62	73	Substitute Bus Driver	3	0	1
Dispatcher - 190 Day	5	5	5	Temporary Position	0	2	0
Dvr Training/Recruiter Spvsr	1	1	1	Supervisor- Technology	0	0	1
Mechanic Foreman	1	0	0	Technology Technician	0	0	1
				<b>TOTAL</b>	<b>245</b>	<b>260</b>	<b>278</b>

# Transportation Key Research Findings - I

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- 1) Notwithstanding the positive efforts to capture efficiencies mentioned earlier, **the SBCSC transportation function costs more than it should**. The amount that SBCSC spends on per student transported is about \$1,393 (\$16,500,000/11,844). This is about 42% more than the \$982 national average amount per student transported for 2015, the last year for which we have data.<sup>1</sup> While the SBCSC's magnet school model requires higher costs to make choice a real option for students, there are still likely significant opportunities for efficiencies.
- 2) Transportation staffing is increasing while the student population is declining. **Staffing is up 13% over two years while student attendance at SBCSC schools has declined 5%**. The SBCSC explanation for this is that the number of schools of choice increased and several school closures occurred during this time period. More and longer routes are needed to transport students.

<sup>1</sup> [https://nces.ed.gov/programs/digest/d18/tables/dt18\\_236.90.asp?current=yes](https://nces.ed.gov/programs/digest/d18/tables/dt18_236.90.asp?current=yes)

## Transportation Key Research Findings - II

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- 3) Chief Operating Officer Rene Sanchez described significant improvements made to bus routing during this academic year, including providing (for the first time) training on the Corporation's routing software for its routing employees. He indicates that, as a result of this training, **there has been a significant decrease in bus underutilization.**
- 4) On average, **SBCSC buses are about half-filled with students on standard (non-SPED) daily routes.**
- 5) It appears that the corporation **transports about 290 McKinney Vento students<sup>1</sup> to their schools of record.** The SBCSC is purchasing small buses to transport MV students. If the buses do not arrive by the start of the 2020-2021 school year, the plan is to rent vans to provide transportation.
- 6) It appears that the corporation has a good relationship with the local public transit provider, Transpo. Data provided indicates that **around 125-150 students, on average, ride the transit bus daily.** Transpo provides bus passes at reduced cost to SBCSC high school students. However, it is likely that more can be done to increase Transpo utilization, including eliminating school bus stops for high school students who are conveniently served by Transpo operations.

<sup>1</sup>McKinney Vento students are homeless students for whom the district must provide daily free transportation to their school of origin prior to displacement.

## Transportation Strategic Opportunity – Optimize Collaboration with Transpo

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**Recommendation:** The SBCSC should work with Transpo to identify opportunities to greatly increase collaboration in the transport of high school students and to then eliminate bus stops for high school students who are well-served by a Transpo route(s).

**Justification:** 3 out of the SBCSC's 4 high schools, as well as Rise Up academy, are accessible from Transpo bus stops. Additionally, there are non-school benefits to discounted or free ridership for SBCSC students,<sup>1</sup> who can use Transpo to get to jobs and other activities.

**Opportunity for Efficiencies:** It is likely that a meaningful portion of South Bend's HS student population lives in proximity to a Transpo bus stop and could be served in the future.

**Other Considerations:** For many years, students in Indiana cities relied on city bus transportation to get to school. Multiple large U.S. city "choice-rich" districts (such as Denver, Detroit, and New York City) do not provide yellow bus service for all or some of their high school students. Additionally, in Indianapolis, IPS is seeking to greatly increase collaboration with the local bus service. A recent analysis showed that more than 75% of IPS HS students are within one bus transfer (two rides) or less from their high schools.

<sup>1</sup> <http://sbtranspo.com/news/fall-pilot-program>

## Transportation Strategic Opportunity – Expand Walk Zones to Peer Standard

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**Recommendation:** The SBCSC could increase the walk zone distance for students to the Fort Wayne and Evansville standard of 1 mile for elementary students, 1.5 miles for middle school students, and 2 miles for high school students.

**Justification:** As noted earlier, the SBCSC's walk zones are smaller than those for peer Indiana districts. South Bend's walk zones generally fall at the smaller end of the scale in comparison to districts nationwide.

**Opportunity for Efficiencies:** Smaller walk zones result in more students requiring “yellow bus” transportation. This high level of busing also increases traffic congestion, degrades street infrastructure, and negatively impacts the environment.

**Other Considerations:** The Corporation should implement an exception policy for instances in which students face unsafe walking/biking conditions, including dangerous intersections, lack of crosswalks/sidewalks/lighting, or high traffic volumes. We did not find any studies documenting a decline in school enrollment resulting from an increase in the size of the walk zones, but it is conceivable that there could be an impact at the margin.

# Transportation Strategic Opportunity – Compete Bus and Related Services

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**Recommendation:** After determining the optimum collaboration that can be achieved with Transpo, the SBCSC should develop a competitive RFP to determine whether it should contract for all SBCSC transportation operations.

**Justification:** After rationalizing its facilities inventory, the single biggest step that the Corporation could take to reduce its Operation Fund deficit is to determine whether bus services can be provided more efficiently by a private partner while maintaining or improving service quality. Including both vehicle maintenance and routing in the scope of work may drive further savings.

**Opportunity for Efficiencies:** IPS, with about twice the number of students, recently competed its bus and related services through a competitive RFP process and is expected to capture \$7 million in annual savings versus its current spend, according to local press reports.

**Other Considerations:** The SBCSC should conduct the competitive process so that it prohibits layoffs and requires comparable pay and benefits for incumbent staff as well as ongoing union recognition for employees.





# Transportation Strategic Opportunity – Review School Bell Times and After School and Extracurricular Bus Service Commitments

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**Recommendation:** Consider efficiencies that can be gained from improved alignment of school bell times in order to improve bus efficiencies. Consider the level of service provided for extracurricular and after school activities in order to reduce service costs.

**Justification:** We are aware of districts that have achieved significant transportation savings from reviewing the impact that disparate bell times and after school runs have on transportation complexity and costs. This includes districts with magnet schools, with the imposition of a schedule of “tiered” school start and end times from which magnet school leadership can choose from in order to align with academic goals.

**Other Considerations:** This will likely take community engagement and involvement, as well as Board approval. However, significant savings are possible. It should likely take place following a competitive procurement of overall bus and related services in order to make use of the technical routing expertise that an outside vendor can bring, if an outside vendor is selected. If the routing work is kept in house, engaging a consultant to identify improved routing options may make sense.





# All Transportation Opportunities

Strategic	Tactical
<i>Expand walk zones to peer standard</i>	Eliminate unneeded bus stops
<i>Optimize collaboration with Transpo</i>	Implement policy to reduce unscheduled midday bus runs
<i>Compete bus, routing, and maintenance services</i>	Outsource McKinney Vento student transportation
<i>Review school bell times and after school and extracurricular bus service commitments</i>	
<i>Consider regionalizing school choice options</i>	

# Facilities

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# Facilities Key Research Findings - I

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- 1) Based on a review of the 2020 budget, our team estimates that the SBCSC spends about **45% of its Operation Fund on facilities – approximately \$25 million.**
- 2) According to our interview with facilities staff, the SBCSC has about \$117 million in deferred maintenance and is spending about \$3 million to address this backlog in 2020.
- 3) We estimate the **aggregate utilization of SBCSC school buildings at about 63%** for 2020. We have seen no demographic scenario under which the Corporation would utilize the amount of space available in its current inventory, even under a continued COVID situation.
- 4) The estimated annual facilities **cost to SBCSC per academic “seat” of capacity is approximately \$914**, made up of about \$24 million in facility operating expense (not capital) for academic buildings and a total capacity for about 26,000 students versus an enrolled amount of about 16,000.
- 5) The Corporation’s internal analysis indicates that it **could save about \$2.9 million annually** if it closed but maintained about 15 facilities.
- 6) Compared with survey data, the SBCSC does **NOT appear to be overstaffed relative to other school systems when it comes to custodial staffing.**<sup>1</sup>

<sup>1</sup> <https://explore.schooldude.com/rs/583-IUG-201/images/DOC%20PDF%20Budget-&-Staffing-Survey-Results.pdf>



## Facilities Key Research Findings - II

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- 6) Compared with the same survey data, **the SBCSC does appear to be overstaffed when it comes to maintenance staffing**. The SBCSC has almost double the number of maintenance workers as would be predicted by the number of corporation students (62 versus 32).
- 7) This higher number of maintenance workers employed may be due, in part, to the fact that **the average age of the SBCSC's school buildings is almost 54 years old**. This is about 42% older than the estimated national average building age for schools (38 years old). The Corporation's buildings will continue to age and likely grow increasingly costly to maintain.
- 8) Given its resources and building stock, the SBCSC facilities team is **unable to complete a thorough planned and/or preventive maintenance program**.
- 9) The SBCSC has pursued various energy conservation strategies in the past and is now partnered with the energy management consulting firm Cenergistic. **Their agreement is projected to generate \$2.5 million in savings for the SBCSC over 5 years**. There are, however, other projects that could potentially generate additional energy savings, including converting the remaining 60-70% of the lights which are yet energy optimized.

# Facilities Strategic Opportunity – Adopt a Facilities Asset Management Approach

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**Recommendation:** The SBCSC Board should explicitly endorse and transition to an asset management approach when it comes to facilities ownership and maintenance, clearly placing educational mission and Educational Return on Investment (EROI) as leading priorities when it comes to the Corporation’s stewardship of facilities and resources.

**Justification:** Like most school districts, the SBCSC takes a more traditional “facilities maintenance” approach instead of an “asset management” approach when it comes to the Corporation’s buildings. While important components of the educational process, buildings are a means to an end, not an end unto themselves.

**Opportunity for Efficiencies:** Without an asset management mindset, facility renovations and maintenance can be unfocused. Additionally, facilities may not be considered for disposition in light of how scarce resources could be better allocated. Commitment to assessing and weighing a metric like Educational Return on Investment (EROI) should inform the District’s facility decisions going forward. Many Districts seek to hold onto all their assets (to avoid criticism) and the result is that the whole facility system slowly decays and falls apart. Significant maintenance savings are possible from a wise rationalization of the facility inventory.

# Facilities Strategic Opportunity – Rationalize Facilities Inventory to Save Operation Fund Dollars

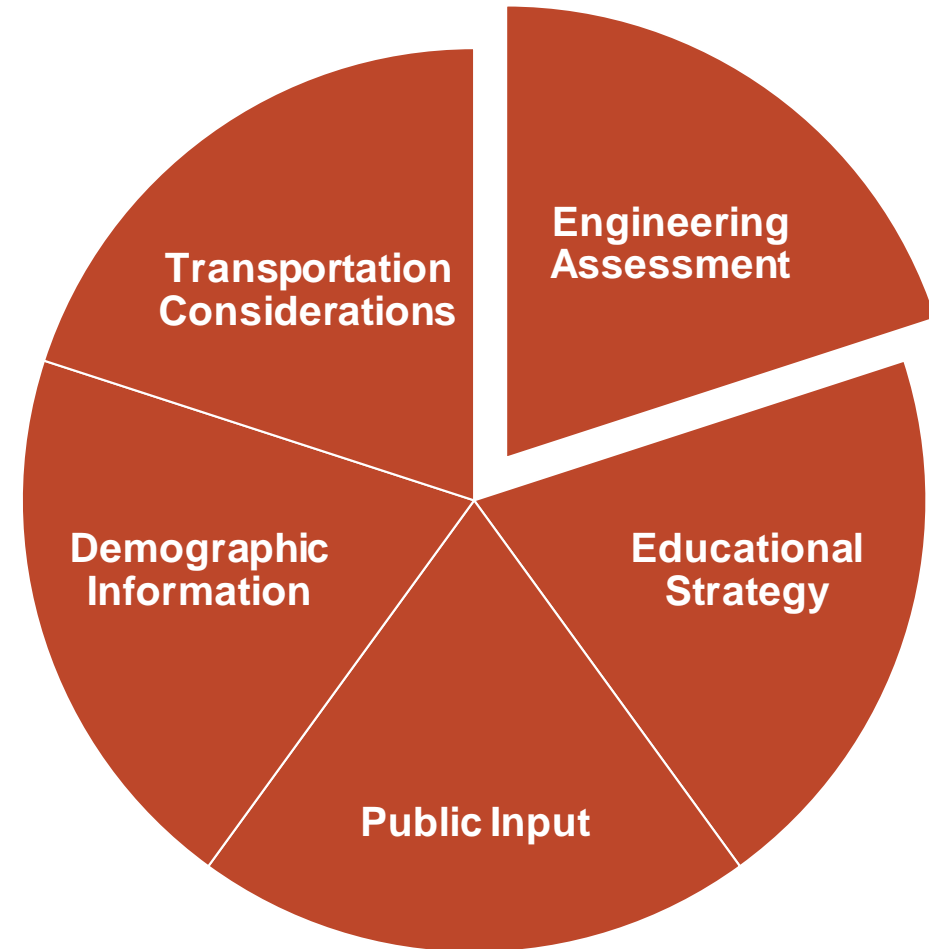
Est. 2020 Facilities Budget*	\$24,007,005	Note: Budget estimate adjusted to account for non-academic buildings.	
Students	16,483	Note: Different documents provided by SBCSC show different enrollment numbers. This number is taken from the Facilities document provided by SBCSC.	
Est. Capacity (Seats)	26,253	Note: Estimated capacity taken as the average of 3 separate capacity estimates provided by SBCSC.	
Estimated Utilization	63%		
Facility Budget/Seat	\$914	Note: This analysis does NOT assume any money from facility sales, only a reduction in annual facilities maintenance budget.	
	Seats at New Cap.	Potential Seat Reduction	Annual Cost Savings Estimated at 70% Variable*
Capacity80pct	20,603	5,650	\$3,618,825
Capacity85pct	19,391	6,862	\$4,390,308
Capacity90pct	18,314	7,939	\$5,079,372
*Assumes 70% of annual cost is variable, 30% fixed.			

- SBCSC Facilities Maintenance is currently analyzing 16 buildings for potential closure
- A necessary first step is to begin with a subset of perhaps 5-8 facilities for which there is the strongest case
- Strategic Facilities Plan development may be desirable for further rationalization

## Facilities Strategic Opportunity – After Initial Facilities Rationalization, Develop Strategic Facilities Plan to Align Facility Inventory and Educational Strategy

**Recommendation:** After closing the 5-8 facilities for which there is the strongest case for closure, the Corporation may decide to engage a consulting firm to lead the development of a strategic facility plan that provides a roadmap for the future. With educational priorities, an engineering assessment, and public input, the Corporation could develop a strategic facilities plan that best aligns facilities and programs to meet future educational needs.

**Cost:** Depending on the specifics of the scope of services, the cost of such a facilities study could range from \$300-\$700K.





# All Facilities Opportunities

Strategic	Tactical
<b><i>Adopt institution-wide asset management approach</i></b>	Commission an energy savings initiative to capture remaining opportunities
<b><i>Rationalize facilities inventory</i></b>	Transfer digital security functions/people to IT org
<b><i>After initial facilities rationalization, develop a strategic plan to align facilities with educational strategy</i></b>	Re-bid major facilities service contracts
<b>Compete custodial services and related work</b>	Auction surplus equipment and furniture
<b>Develop “To Be” Facilities Management organization</b>	Contract intra-district mail delivery
<b>Sell or develop more proactive use for SBCSCHQ</b>	Reduce on-site inventory stores/utilize just-in-time delivery to reduce inventory carrying costs
	Seek to expand the use of local and diverse suppliers

# Administrative Services

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# Administrative Services Key Research Findings - I

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- 1) Several of the SBCSC's **core administrative systems are antiquated**. This likely adds meaningful, recurring cost to the Corporation's business operations. Examples include:
  - a. The Corporation's employee timekeeping and payroll operations are reported to be manual, labor-intensive, and prone to error.
  - b. The Corporation's accounting/budget system is a decades old, "green screen" application that does not support the type of reporting, analysis, and insight required for an organization as complex and large as the SBCSC.
  - c. The corporation's HR processes are largely manual, adding to the difficulty of efficiently hiring hundreds of people every single year – in response to natural attrition.
- 2) There is widespread agreement that core systems require updating but **previous attempts to update the accounting/budgeting and timekeeping systems have failed**.
- 3) The organization is "stove-piped" to some extent, **lacking collaborative decision-making** in some key areas. For example, IT has no formal role in procuring various educational software ("ed tech") packages, which leads to software proliferation and higher support costs.

## Administrative Services Key Research Findings - II

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- 4) The lack of automated processes means that **many administrative functions are more costly and time-consuming** than they need to be, distracting management attention and consuming money that could otherwise be going to teacher and principal pay.
- 5) The SBCSC's formal position headcount generally goes up, rarely down. There is **no formal process for reviewing positions** for continuing necessity or removing open ones when they are no longer needed. There is also no process to study combining, redesigning, or automating jobs as a way to produce innovation, upskill positions to support higher levels of compensation, or to support voluntary transfer or re-training programs. The Corporation's lack of HR technical support constrains it and makes the reallocation of displaced employees very difficult to manage.
- 6) The **HR processes are highly manual and labor-intensive**. The large number of (attrition-driven) new hires each year, including approximately 250 teachers, takes a considerable amount of time and resources.



# Administrative Services Strategic Opportunity – Replace AS/400 with an ERP and Automate Timekeeping

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**Recommendation:** The SBCSC has received informal proposals for new enterprise resources planning (ERP) and automated timekeeping systems. We generally support the Corporation’s plan to evaluate the proposals rigorously and move forward with implementation rapidly. A modernized, integrated financial and HR system and the greater transparency it provides into financial and operational costs is crucial to many of the efficiency projects identified.

## **Justification:**

- The “AS/400” system that the corporation uses for accounting/budgeting was first introduced in 1988. It does not provide the functionality that most complex organizations need from their general ledger/accounting systems. Additionally, AS/400 operation and maintenance talent is increasingly scarce.
- Employee timekeeping is accomplished in different ways throughout the organization, but is ultimately a highly manual process. This sometimes leads to errors, inconsistencies, over- and under-payments, and – in a few instances – accidentally continuing to pay employees after they’ve left the corporation.
- An SBCSC source estimates that time and attendance automation could save 5,000-17,000 hours of staff time annually.



# Administrative Services Strategic Opportunity – Implement Routine Position Review and Control Procedures

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**Recommendation:** Along with receiving true HRIS functionality by way of the new ERP system that it should procure, the Corporation needs to put in place a process to review its organizational structure and open positions on a regular basis. A leader of the effort should be identified, as well as a formal process for review that is ultimately linked to budgeting.

**Justification:** Overall, the SBCSC has increased its total number of employees over the last two years while enrollment has continued to decline. And, payroll costs are, by far, the biggest cost driver for the Corporation. Given the manually intensive nature of HR processes, inconsistent data we received in terms of the true number of “open” positions (estimated at 22% of all budgeted positions), and comments that there is no process for reviewing and rationalizing open positions, it is likely that there are positions being filled that do not need to be filled.

**Opportunities for Efficiency:** There are likely opportunities to eliminate unnecessary positions through position review and control and ongoing natural attrition.



# All Administrative Services Opportunities

Strategic	Tactical
<b><i>Replace AS/400 with an ERP system and automate timekeeping</i></b>	Finish Managed Print Services (MPS) implementation and eliminate print shop
<b>Update and streamline recruitment and associated HR processes</b>	Implement procurement process reforms, including inserting IT role in tech spend
<b><i>Implement personnel position control process to limit hires to essential positions</i></b>	Review and recompete major professional spend agreements
<b>Consider payroll outsourcing</b>	Develop formal on-boarding/off-boarding process within the IT function
<b>Actively bank vacancies, both internally and in cooperation with other local public orgs</b>	Implement various IT policy enhancements – chargebacks, standard technology profiles, damage repayment policies
<b>Reduce administrative support through attrition</b>	Improve financial modeling capabilities
	Actively bank vacancies (internal opportunities)



A photograph of a school cafeteria. The room is filled with round, light-colored tables and red chairs with metal frames. The tables are arranged in a grid-like pattern. In the background, there is a red door, a chalkboard, and some colorful decorations hanging from the ceiling. The lighting is bright, and the overall atmosphere is clean and organized.

# Food Service

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# Food Service Key Research Findings

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- 1) Interviewees from both the SBCSC and Chartwells indicate that, after a challenging transition, the contract is functioning well. The parties **expect further improvement** as each learns more about the SBCSC context and each other.
- 2) Four full-time SBCSC Mechanics Helpers are **assigned to deliver food daily throughout the year**, and they are paid through the Food Service Department. The SBCSC manages their delivery trucks and supplies the substitute drivers when these drivers are on vacation or sick. In the winter these four drivers plow snow before their routes start.
- 3) Data provided by the SBCSC shows a **significant increase in the number of food service employees from 2019 to 2020**, from 127 to 186 employees. The reasons given for this increase include:
  - Expanded menu offerings to increase **student satisfaction and participation, which is currently up 6% from last year**
  - Converted kitchens to support on-site food preparation for fresh, scratch meals daily
  - Added chefs and a nutritionist on site to provide education and additional safety training

# Food Service Strategic Opportunity – Engage Specialized Consultant to Maximize Chargebacks Against Food Service Surplus

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**Recommendation:** The SBCSC should engage a specialized consultant to determine if there are meaningful expenses related to food operations that can be assessed against the Food Service fund balance instead of the Operation Fund balance.

**Justification:** The Chartwells agreement commits to providing the SBCSC with a \$2.5 million annual Food Service surplus. With the proper preparation and documentation, expenses like trash service, utilities, and janitorial work for cafeteria spaces may appropriately be charged to the district's Food Service fund. Many school districts fail to take advantage of this to the extent permitted, leaving excess costs to be covered by an (already-stressed) Operation fund.

**Implementation:** The SBCSC should engage a firm with deep education experience that is suited to do the work. Going forward, separate meters and service agreements might need to be implemented in order to segregate expenses. Alternatively, a more advanced expense allocation model applicable across multiple functions may be required.



# All Food Service Opportunities

Strategic	Tactical
<b>Transition all employees to contractor either through a one-time conversion or contractor hiring all new employees</b>	Incentivize contractor expansion of service to other institutions to generate more revenue
<b>Determine optimized scope for Food Service contractor</b>	If SBCSC doesn't transition employees, reduce in-house cafeteria workers through attrition
<b><i>Engage specialized consultant to maximize chargebacks against Food Service surplus</i></b>	





# Central Office

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# Central Office Senior Leadership and Academic Support Personnel Key Research Findings

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- 1) Since 2018, **staffing in the Superintendent's office has decreased by a net of four (4) positions**, from 19 to 15 (-21%). This evolution has included the elimination of several "Director" positions and the creation of five "Chief" positions: Chief Academic Officer, Chief Equity & Multicultural Office, Chief Operating Officer, Chief of Public & Government Affairs, and Chief of Strategic Initiatives and Program Development.
- 2) The **average cost of the eleven new positions is about \$4,000 more than the fifteen eliminated positions** (\$82,700 vs. \$78,640).
- 3) Curriculum and Instruction directly manages schools, with Instructional Leader Directors serving as principal supervisors, and curriculum facilitators **overseeing curricular development and professional learning**. In addition to curriculum and principal supervision, the department also handles magnet applications, student transfers, and parent meetings/complaints rising above the school level.
- 4) The SBCSC pays the salaries of two costumers in an affiliated costume shop that also serves surrounding school districts; in exchange the district receives costumes for fine arts programming. The district is reimbursed for one half of one FTE's salary. **The Corporation was unable to produce a written agreement between SBCSC and the costume shop.**

## Central Office Strategic Opportunity – Evaluate Central Curriculum and Instruction Function

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**Recommendation:** Consider whether the Corporation's Curriculum and Instruction function is effectively fulfilling its intended role.

**Justification:** Several interviewees questioned the value of the Corporation's Curriculum and Instruction (C&I) function. Additionally, South Bend Empowerment Zone (SBEZ) administrators, after reviewing C&I operations opted not to use a majority of the tasks that C&I provides (using only 6 out of 15). The Corporation should review C&I operations and determine if it is the best model to meet the needs of the schools.

**Potential for Efficiencies:** For 2020, 13 individuals are listed as C&I employees. Total 2021 projected costs are \$2.3 million. An assessment and reconfiguration of the function might result in savings.

**Other Considerations:** This identified opportunity does not imply that a central C&I function is not the best approach, just that it should be reviewed. There may be models that are more responsive to the needs of the schools.

# All Central Office Opportunities

Strategic	Tactical
<i>Evaluate central curriculum and instruction function</i>	Determine whether the literacy professional position should be continued
	Rationalize communications department staffing
	Consider the value of outsourcing the professional development/learning positions
	Revisit the costume shop cost-sharing agreement

# Employee Benefits

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## Employee Benefits Key Research Findings

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- 1) The 2016-2019 annualized increase in per participant total costs has been about 1.5%. **The projected increase for 2020 is 7.8%.**
- 2) The SBCSC has been making modest progress in increasing participation in the “Essential Care” plan, now at about 3% of enrollees. Unlike many large organizations, the **SBCSC does not offer an attractive high-deductible health plan (HDHP)** with a health savings account (HSA) option.
- 3) The SBCSC has taken a **prudent approach to expense management in deciding not to subsidize spousal health care coverage** when spouses can access coverage at their own workplaces.
- 4) Interviewees indicated that the **Health and Wellness Center may not be highly utilized by SBCSC employees**. We are aware of another IN district that ended its clinic for the same reason.
- 5) Benefits consultant Gibson has made several plan change recommendations to SBCSC, including **changing the Rx formulary** and adding another HSA plan option to increase attractiveness.



# Employee Benefits Strategic Opportunity – Offer a More Attractive High Deductible/Health Savings Account Option and Change Rx Formulary

**Recommendation:** The SBCSC should offer a more attractive high deductible plan option combined with a health savings account, as benefits consultant Gibson has suggested. The change to the recommended Rx formulary also has merit.

**Justification:** These plans can benefit both the organization and provide additional options for employees who have fewer medical expenses. In terms of peer districts, Evansville, Fort Wayne, and IPS all offer true high deductible/HSA plans.

**Potential for Efficiencies:** Some studies indicate that an employer organization can save about \$900-\$1,000 annually, on average, per employee family on a high deductible/HSA plan versus a PPO plan.<sup>1</sup> Gibson also has estimated a \$400K annual savings from the formulary change.

**Other Considerations:** The SBCSC can determine how much it seeks to incentivize participation in a high deductible/HSA plan by making a contribution to each employee's HSA. Its third-party healthcare advisor can recommend appropriate levels to optimize quality and savings.



<https://www.insure.com/health-insurance/high-deductible-health-plan-hdhp>



# Employee Benefits Opportunities

Strategic	Tactical
<i>Offer a more attractive high deductible/Health Savings Account option and adopt new Rx formulary</i>	Engage a benefits consultant for a no-cost high-level review of current health insurance offerings
	Re-compete the SBCSC benefits consulting contract
	Determine ROI of having a dedicated SBCSC health clinic
	Conduct dependent healthcare audit
	Encourage use of a prescriptions benefit discount plan

# Academic Personnel

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# Academic Personnel Key Research Findings - I

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- 1) The SBCSC's **student-teacher ratio (12.5:1) is below the approximately 13.9:1 ratio for large schools in Indiana**. "Teachers" includes all positions contractually classified as such though some may not be classroom positions (such as social workers).
- 2) As of January 2020, about 37% of the Corporation's teachers had less than three years' worth of experience. About 46% had less than five years' worth of experience. **The median number of years of teacher experience was between five and six**. As research indicates that teacher experience does correlate with teacher effectiveness<sup>1</sup> and improved academic outcomes, it is important for the SBCSC to do what it can to increase teacher retention.
- 3) Principal longevity is more evenly distributed. **The average principal has about 14 years' of experience**. Only about 24% of SBCSC principals have less than five years' of experience.
- 4) Teacher retention is related to a number of factors, but a few of the most important are teacher compensation and school leadership.<sup>2</sup> The SBCSC, with its 2020 referenda, is **seeking to increase teacher compensation**. Improving the school leadership of principals and the resulting improvements in school environments will also help the Corporation to improve teacher retention.

<sup>1</sup> <https://learningpolicyinstitute.org/product/does-teaching-experience-increase-teacher-effectiveness-review-research>

<sup>2</sup>

[https://learningpolicyinstitute.org/sites/default/files/product-files/Teacher\\_Turnover\\_REPORT.pdf](https://learningpolicyinstitute.org/sites/default/files/product-files/Teacher_Turnover_REPORT.pdf)

## Academic Personnel Key Research Findings - II

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- 5) As evidenced by the 7/2019 teacher culture and climate survey, **SBCSC teacher morale is low in comparison to national averages.**
- 6) As of 5/20/2020, **about one-third of the approximately 100 separate listings for open teacher positions were for SBEZ positions, listings that convey a high level of specificity about the open positions.** For non-SBEZ schools, there were simply general listings for categories like “elementary teacher positions” and “secondary math teacher” positions without reference to specific schools.
- 7) In order to cover its Operation Fund deficit, **the SBCSC transferred about \$18 million from its Education Fund (state per pupil funding).** These Education Fund dollars could potentially fund significant increases in teacher and principal pay.

➤ ***Efficiency opportunities are designed to increase the Corporation’s ability to attract and retain high quality principals and teachers in order to improve academic outcomes for all Corporation students***



# Academic Personnel Strategic Opportunity – Create a Target for Student-Teacher Ratio and Staff Accordingly

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**Recommendation:** Set a target for the student-teacher ratio and attempt to staff at that level to the extent possible.

**Justification:** The student-teacher ratio within the Corporation has fluctuated from 2019 to 2020 (13.2 to 12.5 or about 5%). It does not appear that this reduction in the student-teacher ratio was driven by an explicit or strategic process. However, the SBCSC student-teacher ratio remains under (by about 10%) the 13.9 average student to teacher ratio reported by other large Indiana districts. We are not able to identify the “right” student teacher ratio for South Bend, but we do believe that it is a good business approach to determine the desired ratio as a District policy matter (both for particular grade levels and functions as well as at a macro level) and to staff accordingly to avoid unplanned budget fluctuations.

**Implementation:** Doing this will likely require that the Corporation moves up the teacher hiring process earlier in the school year, which the COO is already doing in anticipation of the next school year. It will also require leadership from the Chief Academic Officer as the target student-teacher ratios are determined both for specific educational functions as well as the Corporation overall.



# All Academic Personnel Opportunities

Strategic	Tactical
Identify teacher and principal future pay increase targets tied to the achievement of efficiencies	Use data analytics to improve teacher retention, especially in early years of their career
<i>Create an explicit target for student-teacher ratio and staff accordingly</i>	Consider teacher retention and cost efficiency incentives for principals
Develop a plan to compensate teachers for voluntarily taking larger class sizes	Track utilization of the substitute teacher agreement – and maximize use of it
	“Civilianize” positions currently filled by a teacher but for which a teaching credential is unnecessary
	Move up annual teacher hiring timeline



# Other Efficiency Opportunities

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## Other Efficiency Strategic Opportunity – Assign Responsible Position for Innovation and Efficiency

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**Recommendation:** The SBCSC should identify a position (either existing or new) in which the incumbent is responsible for leading service transformation efforts with a focus on efficiency and quality improvements.

**Justification:** Ultimately, all of the good recommendations in the world won't matter much if there is no one with the responsibility for planning and implementing them. In the organizations that successfully implement change – a minority of those that attempt to do so – there is usually both an executive champion for change, and also an individual whose position is focused on leading implementation of identified improvements, typically with both *ad hoc*, internal staff support and external, third-party support.

**Implementation:** The right person for this position may or may not already exist within the SBCSC. It should be someone with significant operational experience yet who possesses an innovation mindset. The individual must have the organizational stature and resources comparable to those executives elsewhere in the organization who may have reason to resist changes to the status quo. While this change agent may not win every battle, she or he must be on equal footing with other members of the Superintendent's executive staff in order to identify the opportunity for change and to see it through to completion.

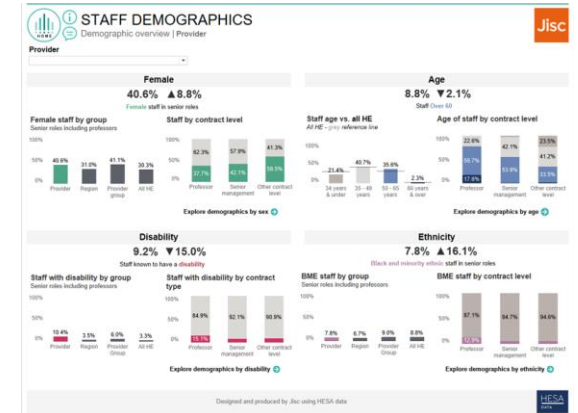


# Other Efficiency Strategic Opportunity - Establish, Monitor, and Report Key Performance Indicators (KPIs)

**Recommendation:** The SBCSC should develop no more than 8-12 key performance indicators (KPIs) covering non-academic operational, and financial metrics that serve to inform internal and external audiences of its priorities and focus resources on the Corporation's most pressing challenges.

**Justification:** Nothing focuses an organization's efforts like a clear articulation of goals, accompanied by understandable metrics. Such also improve stakeholder relationships by promoting transparency and accountability. KPIs must be understandable and able to be reliably measured. They must align with the SBCSC's most strategic objectives – educating its students to achieve success while doing so in a manner that demonstrates responsible stewardship of the community's resources.

**Implementation:** The “raw materials” for such an effort already likely exist in the form of strategic plans, statements of Board priorities, and financial reports. However, the SBCSC would need to work to bring these resources together and prioritize down to the leading 8-12 indicators that reflect a representative view of its operations. Validating such with community stakeholders will be an important part of the process, implicitly also communicating the reality that resource constraints mean that the District cannot be “everything to everybody”.



# Ideas for Non-Academic KPIs

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## ➤ **Transportation**

- Transportation cost per rider
- Daily runs per bus

## ➤ **Food Service**

- Lunch participation rate
- Meals per labor hour

## ➤ **Classroom Teachers**

- Student-teacher ratio
- Starting teacher salary
- Average teacher salary
- Annual teacher retention
- Teacher retention after 5 years

## ➤ **General**

- Cumulative savings from efficiency projects
- Annual rate of health care cost growth versus national average
- Facilities cost per student
- Amount of allowed chargebacks versus the Food Service fund
- Student retention

## All Other Efficiency Opportunities

### Strategic

***Assign position responsible for innovation and efficiency***

***Establish, monitor, and report Key Performance Indicators (KPIs)***

**Increase CTE program investments**

**Make use of greater flexibility allowed with federal title funds to support overall district goals**

**Carefully evaluate any proposed change to K-8 vs. ES/MS school configuration**

**Review the SPED identification process to confirm appropriateness**

**Increase pre-K participation as a pipeline to increase SBCSC elementary student population**

**Create quarterly report communicating progress vs. stated referenda goals**



# Implementation

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From Concept to Completion

## Tactical Projects Identified by SBCSC for Implementation

- 1) Eliminate unneeded bus stops
- 2) Implement policy to reduce impromptu midday bus runs
- 3) Transfer digital security to IT function
- 4) Contract intra-district mail delivery
- 5) Actively bank position vacancies
- 6) Finish Managed Print Services implementation and eliminate print shop
- 7) Implement procurement process reforms, including inserting IT role in tech spending
- 8) Incentivize food service contractor expansion of service to other institutions
- 9) Encourage use of a prescription benefit discount plan
- 10) Consider teacher retention and cost efficiency incentives for principals

# Implementation Planning – 10 High Value Strategic Priorities for Transformation

#	Strategic Opportunity	Est. Amt. of Spend	Possible % Savings Est.	Length of Implementation
1	Compete bus, routing, and maintenance services	High (> \$5M)	10-30%	Medium (6-18 mos.)
2	Review school bell times and after school and extracurricular bus service commitments	High	2-5%	Medium
3	Rationalize facilities inventory to save operation fund dollars	High	15-21%	Long (18+ mos.)
4	Replace AS/400 with an ERP and automate timekeeping	High	10-15%	Long
5	Implement personnel position control process to limit hires to essential positions	High	2-10%	Short (<6 mos.)

# Implementation Planning – 10 High Value Strategic Priorities for Transformation

#	Strategic Opportunity	Est. Amt. of Spend	Possible % Savings Est.	Length of Implementation
6	Engage consultant to maximize chargebacks against the Food Service surplus	High	5-7%	Medium
7	Offer a more attractive high deductible/Health Savings Account option and change Rx formulary	High	2-5%	Medium
8	Create an explicit target for student-teacher ratio and staff accordingly	High	2-5%	Medium
9	Assign and fill a responsible position for innovation and efficiency project implementation	N/A	N/A	Short
10	Establish, monitor, and report Key Performance Indicators (KPIs)	N/A	N/A	Short

# Recommended Implementation Approach

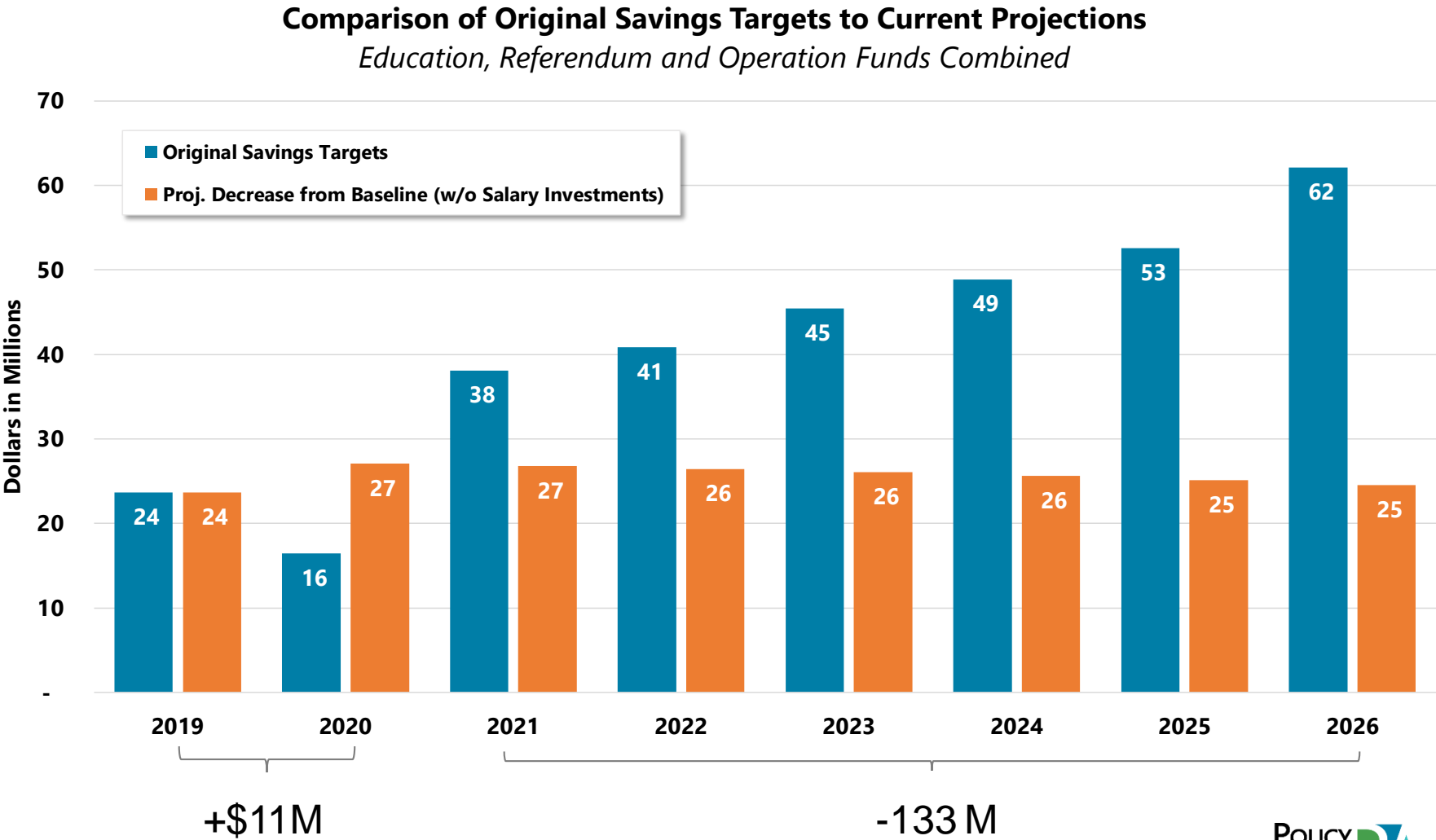
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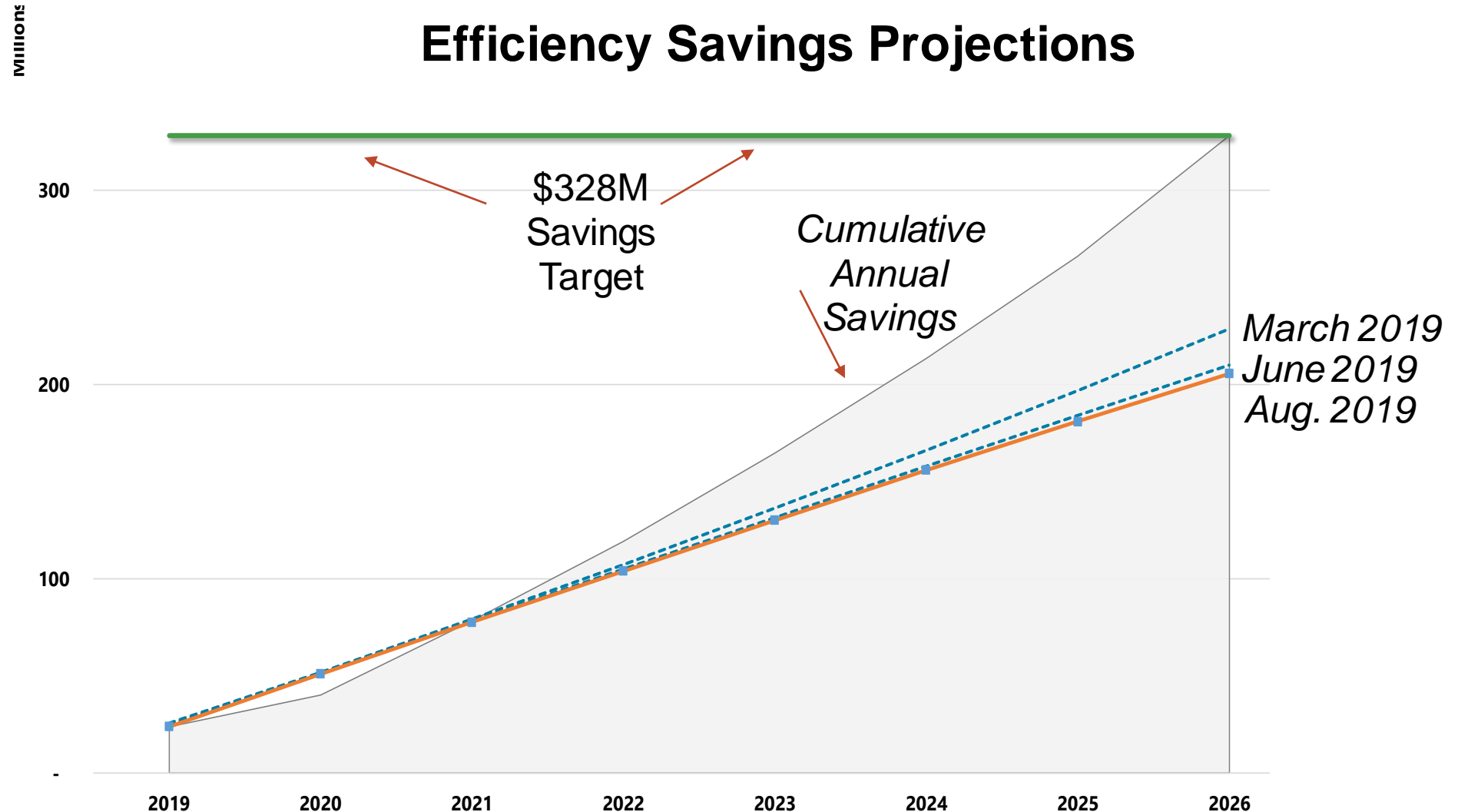
- 1) Assign Innovation and Efficiency Lead**
- 2) Assemble implementation team with consulting assistance – operational and financial**
- 3) Identify savings targets over a period of 8-10 years**
- 4) Commit to key savings areas and specific projects**
- 5) Establish accountability framework (internal meetings, Board updates, reports, savings tracking tools)**
- 6) Establish project charter process (expectation setting for project staffing, ROI, timing, etc.)**
- 7) Integrate related staff-driven efficiency projects**



# IPS Example: Year-by-Year Savings Estimates – August 2019



# IPS Example: Progress Vs. the Savings Target – August 2019



# Focused Implementation Efforts

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- Ideas “sitting on a shelf” are unhelpful
- The likelihood of successful implementation is increased by creating a **team focused on successful implementation**, with K-12 experience
- Criteria for a successful implementation partner:
  - A track record of capturing **cost savings**
  - A commitment to maintaining or improving **service quality**
  - An ability to assist with **communications and accountability**
  - Experience successfully **engaging public employees** to improve implementation success
  - An understanding of and commitment to delivering **public value**

# Overview and Summary

- The SBCSC's recent bond referenda helped to address the structural deficit.
- The District **still needs to capture additional operating savings** to support innovation, enhance teacher/principal pay, and postpone future tax increases.
- The strategies outlined herein can be accomplished **without layoffs and while ensuring comparable pay and benefits and ongoing union representation.**
- It will be challenging to implement these changes, but **they are feasible.**
- The SBCSC would need to commit itself to a **disciplined, two-year implementation process.**
- In addition to cost savings, this process can improve service, reduce administrative distractions, and allow SBCSC leadership to focus on **its core educational mission.**
- With appropriate focus, we expect this process could ultimately generate annually **recurring savings of \$6 - \$8 million per year.**

# Thank you

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