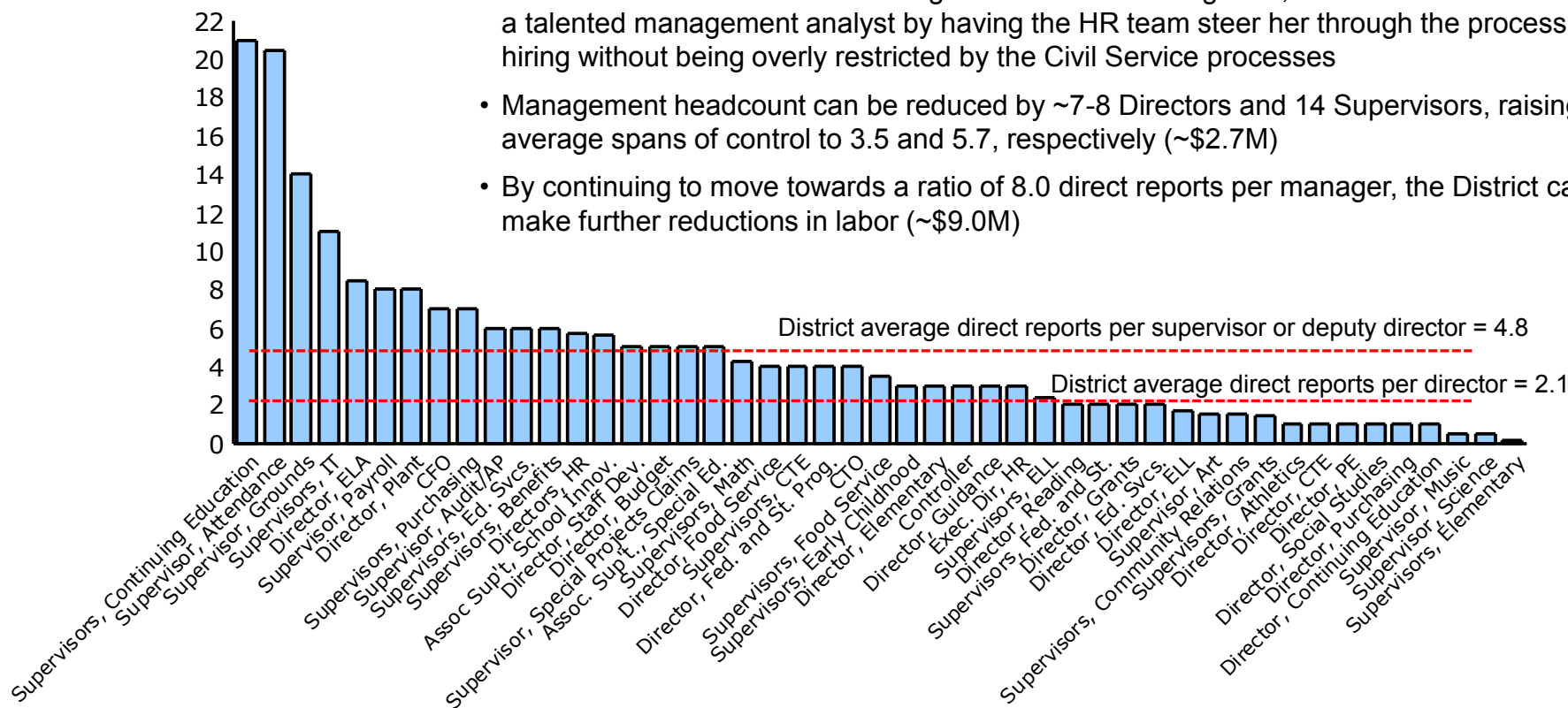


Management Spans of Control Recommendation

Increase Direct Reports per Manager

- Judging by existing spans of control (2.7 to 4.5, versus an expectation of ~8.0), several departments could function smoothly with lower investment in managerial labor
- HR is rarely involved in strategically crafting positions, defining work needs with departments, or even writing new job descriptions, which has led, in the opinion of HR leaders, to some unplanned growth in the director and supervisor roles
- In a notable case in which a manager and HR worked together, the CFO was able to hire a talented management analyst by having the HR team steer her through the process of hiring without being overly restricted by the Civil Service processes
- Management headcount can be reduced by ~7-8 Directors and 14 Supervisors, raising average spans of control to 3.5 and 5.7, respectively (~\$2.7M)
- By continuing to move towards a ratio of 8.0 direct reports per manager, the District can make further reductions in labor (~\$9.0M)

Number of Direct Reports

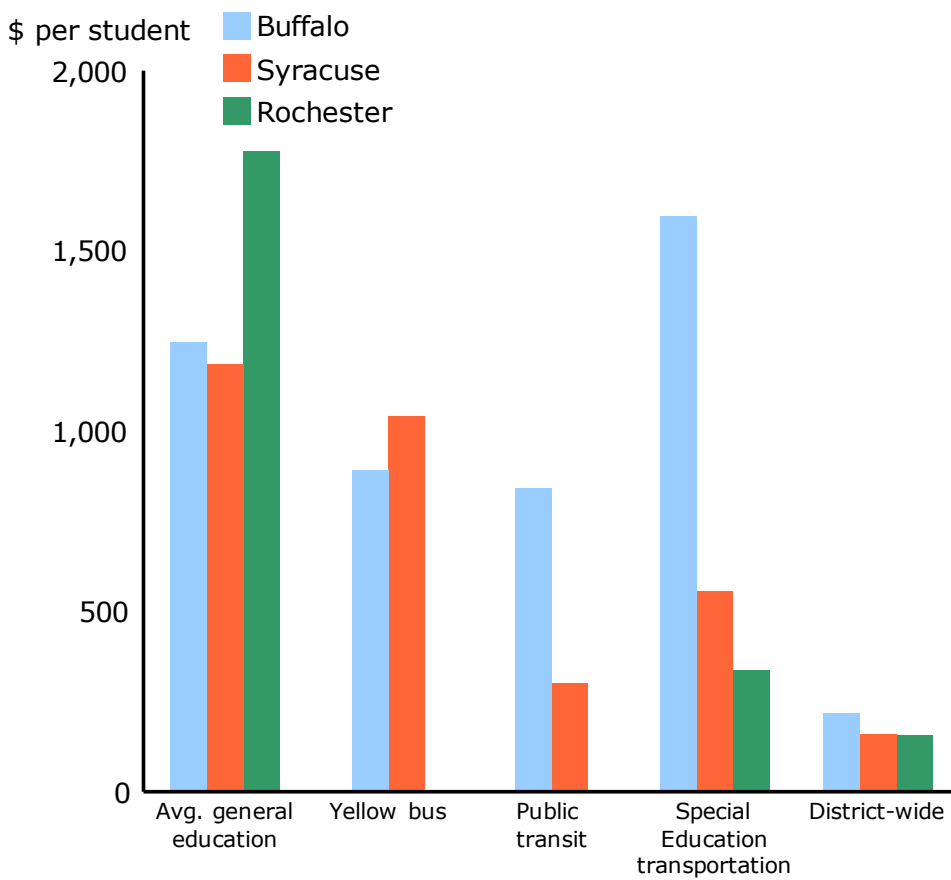


Printing and Copying Recommendation Tie Usage to Individuals to Reduce Cost

- The District has a contract supplying 6.4M black-and-white copies per month and 36,000 color copies per month; the monthly fee is ~\$94,000 (77.2M impressions/year)
- The fee does not cover paper, for which the District pays ~0.5 cent per sheet. Their most recent contract under a New York State agreement with a vendor showed an agreement to spend \$236,389. At current prices, this amount should cover 43M pieces of white copy paper. As of June 2012, the District had bought 12,500 cartons (62.5M pieces) of paper; assuming the same price, this represents ~\$337k
- While each school has budget restrictions on office supply use and postage, school sites do not have such limits for printing. Individuals not have print or copy ID numbers
- Anecdotally, City Hall employees tend to report that there is a great deal of unnecessary printing. For example, the default settings in Munis run large, paper intensive reports after each pay cycle. These are immediately shredded for confidentiality; only a few pages are important for the Controller to review
- More stringent restrictions, enforced through print ID numbers for each person, could easily be applied equally across color and black-and-white printing – though further efforts should be directed at reducing the more expensive color printing. These efforts would save \$67,500 annually on paper and \$225k on printing (20%)
- Such a reduction is equivalent to each employee using 10 fewer sheets of paper each day; especially if the District activates the electronic forms modules that it already pays license fees for, this is clearly feasible
- In addition, the number of color printers should be reduced further going forward to further decrease color printing costs

Source: BPS financial data, 2008-2012; NYSED BEDS data; SHP analysis; interview with Director of Purchasing; New York State agreement to purchase copy paper (<http://www.ogs.ny.gov/purchase/spg/pdfdocs/5021320934ra.pdf>), interviews with Finance, IT, HR, and Accounting staff; Xerox Addendum to City of Buffalo Contract #072372900 (May 28, 2009; in force through June 30, 2014)

Efficiency in Yellow Buses, but not in Public Transit



Category	Buffalo total	Syracuse	Rochester
Avg. general education	\$31.8M	-	-
Yellow bus	\$23.4M	-	-
Public transit	\$8.4M	-	-
Special Education transportation	\$8.5M	-	-
District-wide	\$8.0M	-	-

- The District's efforts to introduce competition into the bidding process through multiple RFPs have led to lower average per-student costs than Rochester, a similarly-sized city (equal enrollment, 5 fewer square miles). The finance, purchasing, and transportation teams should be commended for this success. *This figure includes non-special education transportation and district-wide costs*
- Costs in Buffalo are somewhat higher than in Syracuse on a per-student basis for non-special education riders, but Syracuse has ~64% as many students and ~61% the square mileage to cover
- While Buffalo is comparable to Syracuse on a per-student basis for bus costs (both cities use First Student as their vendor), Buffalo expenses for public transit per high school student are 2.8x those in Syracuse. When considered in light of the limited service offered to BPS students, Buffalo should be able to pay less for access to Niagara Frontier buses
- Finally, Buffalo's per-student district-wide expenses, including overhead and athletic and other bus expenses, are 1.4x those of both other cities

Source: BPS 2013 budget, Syracuse City School District 2013 budget, Rochester City School District 2012 budget, US Census 2012 Statistical Abstract, SHP analysis

Transportation Recommendation

Match Public Transit Price with Service

- In interviews with Say Yes to Education, high school students report low levels of satisfaction with the public transportation
- Students note that the buses do not reliably stop on schedule, and that if they miss a connection then they cannot get to school for hours in some cases
- It is clear that the transportation staff is careful and diligent about optimizing resources to get students to school in the most cost-effective way, and the Niagara Frontier buses are less costly per student than are the First Student yellow buses
- However, the Niagara Frontier contract, which dates to 1990 and was last negotiated before that in 1971, restricts student usage on district-purchased passes to (a) only the hours corresponding to the start and end of school, and (b) only each student's personal route home. Families can request routes until a Fall deadline each year
- Because of this low user satisfaction and because of the restrictions in the offering, the price of a monthly pass should be discounted to be better aligned with service levels
- Students in other large cities can receive discounts of ~50%, and Buffalo's college students enjoy unlimited access with their passes
- A 33% discount to the District would generate \$2.5M for strategic reallocation
- In addition, despite Buffalo's larger size, its cost per student to administer the department is higher than Syracuse's, and these costs can also be reduced

- The District staff has demonstrated a great deal of support for this finance review. In interview after interview, and through numerous requests for data, the staff went out of their way to share information, make District actions transparent, provide new ideas and insights, and respond to frequent clarifying questions
- The CFO, Barbara Smith, and the Controller, Geoff Pritchard, were unfailingly helpful and responsive
- In addition, this team made challenging and thoughtful reductions, as well as key investments, for 2013, in advance of this analysis
- The District manages over 60 school sites for students in Pre-K to 21. It also serves adults with a dedicated site
- The District is also engaged in an ongoing struggle to write and enact an updated contract with several bargaining units, largest among them the Buffalo Teachers Federation (BTF). The BTF contract, enacted in 1999 and officially expired as of 2004, remains in effect under New York State law. It requires numerous provisions that add cost without a clear link to educational attainment for students, from the number of high-speed copiers per teacher to an effective limit of 3 hours and 45 minutes of instructional time per teacher per day
- In addition, the District bears some financial responsibility for the 16 charter schools attended by Buffalo students. Tuition is passed through the District, and several state and federal grants are paid out to charter schools while the District manages the applications
- The District has dedicated millions of dollars and a great deal of management oversight to an extensive building renovation project over the past five years, under the Joint Schools Construction Board. Nearly every school attended by a BPS student will have been renovated under this project
- Enrollment has fallen in the District over time, and for each of the past five years, and so along with these renovations, several buildings were closed. Some remain the responsibility of the District and generate maintenance expenses; others have been returned to the City, which can use, hold, or sell them. The District is not allowed to sell a building

- The District uses a set of Enterprise-level software packages to manage aspects of its work. The largest of these, in terms of expenses and users, is Munis, an Enterprise Resource Planning (ERP) suite used by many school districts. BPS uses it for payroll, finance, accounting, inventory, and position control, among other functions. In addition, BPS uses separate systems for learning management and profession development tracking and job application management. There is weak integration between these systems, which adds costs, especially in the human resources function
- From an historical accounting view, the District appears to invest ~38% of its budget in instruction, down from nearly 46% in 2008. From the value chain view, the level of investment is ~34% and has not surpassed 37% during the period from 2008-2010
- BPS is well on its way to funding some key Say Yes to Education supports, most notably with a ratio of 218 students per counselor or social worker
- That said, after school and summer programming will be harder to roll out. Existing contracts require additional payments to the principals and custodians in each building hosting an after school program. Hours for custodians and security guards are fixed and then often require overtime to adequately staff enrichment activities
- Revenues to support these expenses come mostly in the form of state and federal aid and have grown over time, both on an absolute and per-student basis. In years when state, city, and federal aid have combined to generate less revenue than the District perceived was needed, the District has drawn on its fund balance to boost effective revenues. This is not a long-term solution
- Non-school staffing has fallen from 973 to 867 during this time. Most notably, the Special Education department has cut centralized staff from 188 to 77, moving many into school buildings as part of Student Support Teams
- The differences between spending per student among schools tends to be driven by special education staffing, which is constrained in some extreme cases by the limitations of physical space. Schools also show large variances in physical plant expenses; these track to ongoing construction

- One area of physical plant spending is the building management contract which pays some maintenance staff by the square footage for which they are responsible. These staff purchase tools and materials from this allowance and may keep any surplus. Data on this system exists in scanned copies of years-old contracts and in the collective memory of key staff. This system is concerning from a financial control perspective and may generate excess costs. Even if it is less expensive than a more traditional wage system, the rules and expenses should be made more transparent to allow the finance team to gain visibility into the flow of dollars
- The District has, whether intentionally or not, invested in providing choices (123 different enrichment courses provided in over 2,000 sections) and keeping class size small
- Over 3,000 sections core and enrichment class sections have fewer than 16 students in them
- To fully fund the Interim Superintendent's goals will require \$9.2M. This gap could be closed in the coming year, and certainly by 2014
- HR's reliance on a low-tech management system is emblematic of the District's approach to the use of paper in general. The District uses an immense amount of paper each year. If the ~62.5M pieces of paper purchased this year were piled on top of each other, the resulting stack would be four miles tall. For context, Buffalo has 1.5x the students of Syracuse but uses 3x the paper
- In addition to underenrolled – or, from another perspective, overstaffed – schools, the District has a glut of managers with less supervisory responsibility than expected. We found no evidence of a process for determining the needs of a department; instead, it appears that the transition from coordinator to supervisor to director is a lane system to accompany the seniority-based steps
- When someone is promoted to a new directorship, for example, from a supervisor role, someone else is moved into the supervisor role, and so on down the chain. This process has grown some departments without anyone's intending to do so and should be more closely managed
- Overall, the District has strong managers in many key positions who care deeply about its success. All of these changes, though difficult, are within the District's capabilities

Recommended areas for reallocation towards District priorities:

	Rationale	Opportunity
Reduce low enrollment sections	The District offers >3,000 sections with 16 or fewer students. Many can be combined and still stay below the mandated maximum	\$7.0M
Develop web-based HR processes	The HR team is dedicated and capable. Their ability to do more than process personnel actions is limited by their reliance on paper systems	\$700k
Increase direct reports per manager	The average span of control for most managers is below typical staffing ratios	\$2.7M - \$9.0M
Reduce unnecessary printing and copying	Change some default settings; implement individual ID numbers	\$292k
Align price and service for Niagara Frontier	Service is limited but passes are full price	\$2.5M
Re-purpose funds towards Social Workers	<i>CFO and her team have already made this investment for 2013</i>	\$530k
		\$13.7M – \$20.0M

- Review with management team
- Price priorities developed by incoming Superintendent
- Change areas of focus and cost of addressing those areas as needed. Recommend additional reallocation as needed to support new priorities
- Review with Board
- Share summary of results with City and County when there exists the potential to drive cost-sharing or other efficiency measures
- After completion of City and County review, convene team to make further reallocations by combining resources

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