

Shared Services Among Nassau BOCES Component Districts

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Prepared for:
Nassau County BOCES

Prepared By:
Kent Gardner, Ph.D.
Project Director

1 South Washington Street
Suite 400
Rochester, NY 14614
585.325.6360



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SUMMARY

In 2010, property taxes in Nassau County are the second highest in the nation (after Westchester), according to the Tax Foundation. Although many of the county's residents are prosperous, not all are. And no one pays the property tax bill happily.

Governor Cuomo's "tax cap" has increased pressure on the public sector to constrain costs. For school districts to exceed the cap—which is the smaller of 2% or the change in the Consumer Price Index—the voters must approve the budget by a margin of at least 60%.

New York State has also been reducing state aid to public schools under what is called the "Gap Elimination Adjustment." In 2012-13, the GEA took more than \$2 billion from total state aid.

Finally, the recently-passed NYS Budget includes a property tax rebate proposed by the governor that includes a Year Two requirement that only taxpayers in local governments—including schools—that have taken steps to cut costs through merger or shared service will remain eligible for the rebate.

It is in this context that Nassau BOCES has been exploring shared service options among its component districts. Recipient of a 21st Century Demonstration Project Grant from New York State along with Nassau County, the Grant Steering Committee has spearheaded an exploration of shared services opportunities ranging from technology to transportation.

CGR's role in this discussion was threefold: First, CGR contacted the county's 56 districts to identify remaining sharing options. This included both a survey of superintendents and business officials plus follow-up interviews with interested district leaders.

Second, CGR supported the Steering Committee leadership in promoting additional collaboration in the transportation of nonpublic students attending schools outside their districts. This collaboration yielded a new wrinkle in the sharing of routes among individual districts on district-owned buses.

Finally, CGR conducted interviews and reviewed previous reports for the purpose of developing a plan for the creation of a Central Business Office in Nassau County.

Acknowledgements

We are grateful for the assistance of Dr. Robert Hanna, Deputy Superintendent, Nassau BOCES, members of the staff of Nassau BOCES, plus many superintendents and school business officials from local public school districts in Nassau County.

Staff Team

Kirstin Pryor and Susan Barnes contributed to the research and writing of this report.

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PROJECT OVERVIEW

CGR was engaged by Nassau BOCES and its partners in the 21st Century Demonstration Project Grant to explore shared services opportunities among its component school districts, with an emphasis on shared business services. The engagement encompassed three activities:

- **Assess interest in shared services:** CGR contacted the 56 public school districts in Nassau County to explore interest in shared services
 - As a first step, CGR designed and administered a survey of business officials and superintendents.
 - With the survey results as a basis, CGR staff interviewed interested district officials to identify areas of possible collaboration.
- **Establish a process for shared nonpublic school transportation:** This exploration suggested that the most promising area for cost control was in the area of transportation of district children attending nonpublic schools, a mandated responsibility under NYS law.
 - At the suggestion of Deputy BOCES Superintendent Dr. Robert Hanna, CGR helped organize and facilitate a conversation about shared routes among school districts that owned their own bus fleets.
 - As a consequence of that discussion, Nassau BOCES organized a meeting of interested superintendents and transportation coordinators, including both that did and did not own bus fleets.

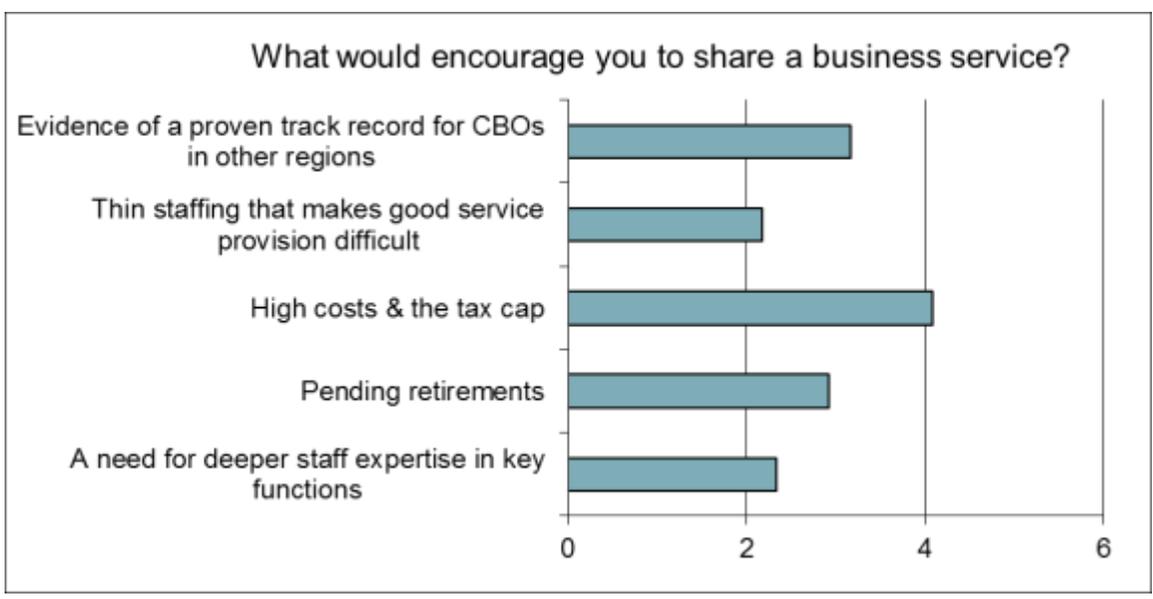
Together, these districts identified routes run on owned buses that could serve students from other districts. As the subsequent bid to private bus companies included fewer routes, it seems likely that the process of matching routes between districts with and without owned fleets saved money. Analysis of actual savings will be part of the now-regular assessment of the impact of private contracting performed by PFM after the bid process has been completed.
- **Develop a plan for the creation of a Central Business Office within Nassau BOCES:** Finally, CGR drew upon its prior experience with shared business service delivery through BOCES and identified the services that seemed most promising. With this information as a foundation, CGR recommended an approach to establishing a shared business service function within Nassau BOCES.

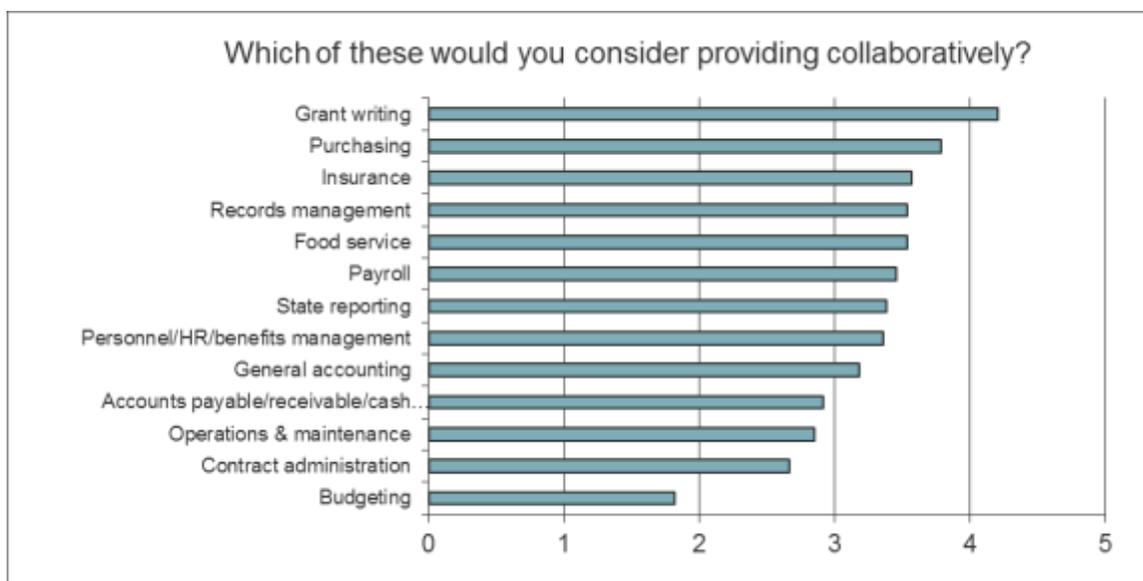
EXPLORING SHARED SERVICE INTEREST AMONG COMPONENT DISTRICTS

This memo outlines findings from districts about the status of shared services, the potential for shared business functions and the reasons a focus on coordination of out-of-district transportation makes sense. It also articulates the approach that we will follow as soon as school starts.

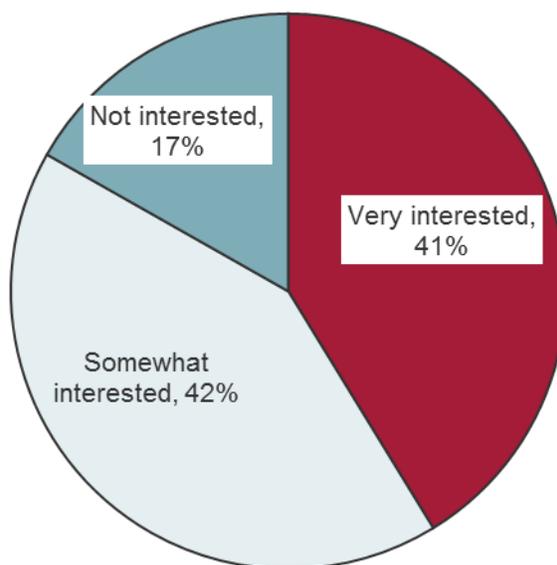
Survey of 56 Districts

Sixteen districts responded to the survey. A dozen identified themselves and four did not. The twelve were Bethpage, Carle Place, Franklin Square, Garden City, Island Park, Island Trees, Levittown, Locust Valley, Malverne, Roosevelt, Roslyn, and Valley Stream 24. The results appear below.





Is your district interested in participating in the study?



Interviews

Districts that participated in follow-up interviews were Bethpage, Carle Place, Franklin Square, Garden City, Island Park, Levittown, Locus Valley, Malverne, Roosevelt and Roslyn.

Our collective conversation and subsequent individual interviews documented:

- Examples in which services are already being shared between districts and municipalities, or in which shared services have been studied and dismissed;
- Willingness to partner under the right circumstances; and
- Plenty of barriers (policy, contracts, costs, personnel) to sharing in substantive ways.

Districts already share a variety of operational services with their municipalities: bus maintenance, plowing, equipment, facilities. At least one “piggybacks” on the County’s purchasing for some supplies and natural gas, although at least one district didn’t seem aware that this was a viable option. Furthermore, some districts have tried to share staff—a purchasing agent, a data person, even school administrators—but we heard of few examples where it actually proved viable.

That said, there are areas in which districts are open (to differing extents) to pursuing shared services, either through BOCES or in other ways:

- Expanding the cooperative RFP process that the Grant Steering Committee has already begun. Writing and managing the RFP process

and vetting the responses is time-consuming and districts would very much like BOCES to do this in more areas; everything from related service providers to architecture and food services. They view the flat fee as money well spent, and are pleased with developments in this area.

- Transportation
 - Most recognized the potential benefits of centrally run transportation, although admittedly the vastness of a centralized fleet and system seem daunting for a single provider, and it would be difficult to move away from the current state of service delivery.
 - There is more immediate promise in the notion of coordinating transportation to nonpublic schools. They find the quadrant consortia or cooperative bidding helpful, but more coordination, even across quadrants, is feasible and desirable. Currently, coordination typically happens based on relationships and results in several “almost empty” buses arriving at the same school, many having passed through several districts en route.
 - Looking collaboratively at converting fleets to natural gas, which requires specialized (and expensive) modifications and also new refueling facilities. This cost might make sense over the longhaul and enable more districts to make this switch.
- Outsourcing maintenance staff to BOCES; again, this is likely to be a long-range solution, but there are several districts that see financial reasons to shift many functions (custodial, grounds, trades) to a workforce that would not be permanent employees. This would be a tough sell in some communities, but we heard that over time, districts will have to focus more and more on the instructional core services.
- Moving into the Affordable Care Act regime is creating short term immediate needs in the areas of legal guidance and data support. The requirement to insure anyone that works 30 hours or more, could increase the willingness to share/utilize BOCES for non-instructional staff. There may be value in BOCES offering specialized assistance during the transition.
- The notion of creating a central business office received mixed reviews from interviewees. Some felt that BOCES could supply claims auditors, some routinized state reporting, and similar functions, which often require districts to pay overtime. We also heard some willingness to share payroll staff, with one district taking on payroll for another, although we also heard that payroll must “have a face” within districts. An opportunity to share services may occur when a retirement or a departure creates a staffing vacancy.
- There are areas in which BOCES could act as a unified voice to advocate, rather than as a service provider. For example, asking Section

8 to say limit or restrict weekend practice days; immediate savings for districts. BOCES could be acting on behalf of districts in these collective ways.

- The idea of a specialized team of negotiators was floated, given that the vast majority of districts' expenses are personnel related.

TRANSPORTATION FOR NONPUBLIC SCHOOL STUDENTS

Cooperative Bidding for Nonpublic School Transportation

The final report from the Transportation Working Group formed as part of the *Nassau BOCES 21st Century Demonstration Project Grant** notes that school districts spend a substantial portion of their transportation budgets on nonpublic school transportation. Moreover, the group reports that out-of-district transportation spending per non-public school student grew at a compound annual growth rate of 6.4% from 2005 to 2010, despite an enrollment decline of 8.3%. The results of a survey conducted by the working group appears below.

Fiscal Year 2010-11 School District Transportation Spending

School District	Total Transportation Spending	In-District/Other Transportation Spending	Out-of-District Transportation Spending	Out-of-District Transportation Spending as % of Total Transportation Spending
Carle Place	\$1,660,284	\$867,469	\$792,815	47.8%
Great Neck	\$11,873,831	\$6,340,054	\$5,533,777	46.6%
Hewlett-Woodmere	\$4,906,037	\$2,505,984	\$2,400,053	48.9%
Hicksville	\$7,965,571	\$3,612,571	\$4,353,000	54.6%
Manhasset	\$4,157,100	\$3,208,885	\$948,215	22.8%
Port Washington	\$4,380,727	\$2,450,979	\$1,929,748	44.1%
Rockville Centre	\$3,138,459	\$1,858,774	\$1,279,684	40.8%
Roslyn	\$3,965,954	\$3,443,746	\$522,208	13.2%
Valley Stream Thirty	\$967,500	\$387,500	\$580,000	59.9%
West Hempstead	\$5,140,607	\$1,498,676	\$3,641,931	70.8%
Average	\$4,815,607	\$2,617,464	\$2,198,143	45.0%

*NASSAU-SUFFOLK SCHOOL BOARDS ASSOCIATION. *Out-of-District Transportation: Final Report*, Spring 2013.

http://www.dos.ny.gov/lg/publications/LGEPProjectReports/2008/08Nassau_Boces_Transportation_Final.pdf

As noted in the report,

Nassau County is an ideal county for out-of-district transportation cooperation for many reasons. First, Nassau County has the second largest population and school enrollment while encompassing only 285 square miles, the 4th smallest land area (not including New York City) in the state. Additionally, there are 56 school districts in Nassau County, the second most in the state. Due to the large number of enrolled students, large number of school districts, and the relatively small square mileage in which they operate, Nassau County is uniquely positioned to benefit from out-of-district transportation cooperation as the county leads the state in number of school districts per ten square miles.

The cooperative bid that emerged from the Workgroup deliberations saved an estimated \$200,000 in the first year (2011).

Expanding the Bid Process to Include Districts Owning Bus Fleets

Although some of the districts that own their own fleets have participated in the nonpublic transportation bid and some have developed arrangements with one another informally, meetings with district representatives suggested that there was value in formalizing such exchanges. The school districts of Nassau with their own buses are Long Beach, Levittown, Herricks, Roslyn, Great Neck, Plainedge, North Shore, Elmont, Franklin Square, Garden City, and Mineola.

Nonpublic Transportation Discussion: Summary

Nassau BOCES convened a meeting on the subject of sharing out-of-district transportation needs among schools that own bus fleets. The meeting included Dan Brenner, Roslyn Superintendent; Al Harper, Elmont Superintendent; Dana DiCapua, Garden City Assistant Superintendent for Business; John Conklin, Herricks Transportation Supervisor; Jack Waters, Asst. Supt. for Finance/Operations Mineola; Bill Gilberg, Asst. Supv. for Transportation Mineola; Bob Hanna, BOCES; and Kent Gardner, CGR.

- Participants appeared convinced that running their own buses is nearly always going to be cheaper than engaging a contractor.
- Nonetheless, some participate in the BOCES bid and/or one of the quadrant bids.
- Dan Brenner indicated that Roslyn has transported another district's child on an existing run in exchange for half of what the cooperating district would have expected to pay the private bus company.

- *What if HIS child stops attending the school?* Roslyn’s understanding of the relevant regulations indicated that they can continue the run if the school year has already begun.
- Roslyn is willing to expand this model and supports the idea of formalizing the arrangement.
- *Couldn’t all the info be put into routing software and solutions identified?*
 - Not all districts use routing software—Roslyn does not, for example.
 - Those that do use routing software don’t necessarily use the same platforms. Mineola uses Edulog, others use Transfinder, etc..
- Savings from a single transaction can be significant—not millions, perhaps, but 10s of thousands.
- Dana DiCapua noted that the nature of the contracts (continuation with a CPI adjuster) may recommend against rebidding. For this reason, some routes are favorably priced,
- Participants agreed that it would be productive to bring all of the transportation directors together to manually review nonpublic routes. Participants need only make one successful match to make the effort worthwhile.
- Plan
 - The participants in this meeting were invited to join the Workgroup conversation about the next BOCES bid (Jan 31 at Rockville Centre).
 - Two meetings were scheduled—one on March 27 and one on April 7—before the BOCES bid—to manually match routes.
 - ◆ Some routes would be arranged with school districts owning fleets
 - ◆ Bringing the two groups of districts together may identify other routes to be included in the private bus company bid.

Outcome

.The two meetings of transportation coordinators and some superintendents in March and April, in advance of the nonpublic transportation bid meeting, yielded a number of shared routes between school districts. These routes did not need to be included in the third nonpublic bid. After the final bids have been submitted, PFM’s Brad Freeman will be able to report on savings achieved from engaging districts with their own fleets.

ESTABLISHING A BOCES CENTRAL BUSINESS OFFICE IN NASSAU COUNTY

Overview of BOCES CBOs

As one element of a prior engagement with Sullivan County BOCES, CGR conducted interviews with existing CBOs in New York State. The interviews focused on the successes and challenges of implementing the CBO model, with particular attention paid to the scale required for the establishment of a CBO. Our findings apply to a large degree to the creation of a CBO in Nassau County.

One difference is scale—the issue of scale was important to Sullivan, as most of the county’s school districts are quite small. Some of the information gathered for this engagement may not apply to a BOCES as large as Nassau.

From a list of 14 existing CBOs provided by the NYS Education Department, CGR interviewed representatives of the following seven:

- Cayuga-Onondaga
- Delaware-Chenango
- Franklin-Essex-Hamilton
- Greater Southern Tier
- Hamilton-Fulton-Montgomery
- Onondaga-Cortland-Madison
- Otsego Northern Catskills

Key Findings

- CBOs start with a vision for providing certain core services and then evolve over time in terms of size, complexity, level of services provided and participating districts;
- Only one of the CBOs studied (Franklin-Essex-Hamilton BOCES) offered a full range of services at inception.
- There is a lack of rigorous cost/benefit assessments of current CBO operations – most of the benefits identified focus on service improvements, the benefits associated with staff reduction at the district level, protection against abuse through improved internal controls and segregation of duties, the local property tax benefits from shifts to BOCES funding, and the generalized efficiency benefits inherent in reducing obvious duplication of functions among multiple districts.

- The impetus for considering the CBO model generally came from the districts. Their respective BOCES were asked to facilitate the process.

Services Provided at Start-Up

Nearly all of the CBOs interviewed started by providing the core services of payroll and accounts payable. Additional services were added over time.

Summary of Central Business Office Operations at Start-Up

	ONC BOCES - Otsego Northern Catskills	Franklin- Essex- Hamilton BOCES	Delaware- Chenango BOCES (DCMO)	Hamilton- Fulton- Montgomery BOCES	Cayuga - Onondaga BOCES	Greater Southern Tier (GST)
No. of Districts	11	2	2	4	2	4
CBO Districts Total Enrollment at Launch	823	1,181	1,741	2,293	6,088	7,270
Participating Districts Separate Enrollment	Charlotte Valley (485) and Jefferson (338)—now 11 districts	St. Regis Falls (353); Brushton (828)	Sherburne-Earlville (1741); second district not identified	Canajoharie (1063); Mayfield (1048); Piseco (18); Wells (164)	Jordan Elbridge (1600); Auburn (4488)	Horseheads (4336); Elmira Heights (1079); Prattsburgh (514); Watkins Glen (1341)
Year Started	1995	2005	1994	2008	2007	2005
CBO FTEs	2 (now 11)	3	1	4.5	4	8
Services Offered	Payroll and A/P	Full Service	Not Provided	Accounting, payroll, A/P, Purchasing	Payroll and A/P	Payroll, A/P, purchasing and claims auditing
Software	WinCap, Finance Manager, SchoolFunds Online	WinCap	InfoMatics	InfoMatics	Budget Sense	Munis, WinCap and Finance Manager

Summary of Existing CBO Current Operations

At the time of our survey in 2009, the CBOs ranged in size of total district enrollment of 870 to over 21,000. CBO staff ranged from 4 to 46 FTE.

Summary of Central Business Office Operations 2009 Operations

	ONC BOCES - Otsego Northern Catskills	Franklin- Essex- Hamilton BOCES	Delaware- Chenango BOCES (DCMO)	Hamilton-Fulton- Montgomery BOCES	Cayuga- Onondaga BOCES	Greater Southern Tier (GST)	Onondaga- Cortland- Madison BOCES
No. of Districts in CBO	8	3	11	4	6	13	7
CBO Districts Total Enrollment	3,343	868	4,855	2,293	10,040	21,431	7,606
Current CBO FTEs	6.5	4	13.5	4	6	46	6.35
Current Services Offered	Full Service	Full Service	Full Service	Payroll, A/P, purchasing, cash management, accounting.	Full Service	Payroll, A/P, accounting budgeting	Full Service
Software	WinCap / InfoFund	WinCap	Finance Manager	Infomatics	Budget Sense	Moving to 1 software	WinCap

Lessons from Established CBOs

- Manage expectations thoughtfully by carefully articulating the roles of the district and the CBO.
- Establish regular communication between the CBO and the districts. Each year should include a formal business service review to allow the districts a structured opportunity to provide feedback of service delivery.
- Retain a business official/treasurer position at each district, separate from the CBO.
- Build a new customer-oriented culture.
- Use a single financial software package.
- Smaller districts often required more assistance in joining a CBO than larger districts and, on an ongoing basis, often required more CBO staff time
- Savings increased over time. CBOs noted that over time their own operations grew more efficient following the initial launch.
- The CBOs interviewed use a range of fee structures to accommodate for the differences in transaction levels, use of CBO staff time, and the types of services provided to each district. Sample fee structures include:
 - Volume based with set rates for a specified number of transactions processed;
 - RWADA (Resident Weighted Average Daily Attendance) basis to share expenses based on the percentage related to the district's size out of the total BOCES;
 - Base fee (to cover expenses not related to volume, such as software licensing fees and server space), PLUS a percentage of the CBO FTE staff required to service the individual district;
 - Set fees for specific services provided such as internal claims auditing or special project work.

A Process for Establishing a BOCES CBO in Nassau County

CGR's survey and interviews, supported by the impressions of Nassau BOCES business services staff, indicate less enthusiasm for the creation of a BOCES CBO than is found in other parts of the state. Two factors explain this: First, the benefits of cooperation are more apparent to small school districts as the "fixed" cost of a business office can be a larger share of the district's budget. Financial pressure is likely to force the school business official to assume broader responsibility with less staff support. Moreover, regions with a weaker property tax base are also under more pressure to cut costs and minimize levy increases.

Nassau County, with 56 school districts, has a higher *density* of districts than any other region in the state. This makes sharing of services easier in some respects (although high traffic volumes increase the effective distance between districts). Large in number, Nassau's districts are also above average in enrollment.

The most active CBOs in NYS are in Otsego, Onondaga-Cortland-Madison, Oneida-Herkimer-Madison, Franklin, and Delaware-Chenango BOCES regions, each of which offered at least 10 services to member districts in 2009. Unlike Nassau County, the average district in BOCES with active CBOs is smaller, less dense and less-well resourced. See the table below:

BOCES	Number Business Services Offered	Total Enroll	2012 (NYS Education Dept)		Median CWR
			Median Enrollment of Districts	Median Density (pop/sq mile)	
Otsego Northern Catskills	18 (2014)	4,935	413	4	0.76
Onondaga-Cortland-Madison	10 (2014)	80,018	1,856	47	0.58
Oneida-Herkimer-Madison	13 (2009)	23,792	1,023	28	0.50
Franklin	11 (2009)	22,712	901	14	0.50
Delaware-Chenango	10 (2009)	13,485	844	7	0.50
Nassau		208,629	3,195	788	1.34

What Services Should be Offered to Nassau County School Districts?

In 2009, the NYS Education Department provided CGR with a summary of the business services offered by established CBOs across NYS. CGR has requested an update of this table, although 2009 provides a credible roadmap for Nassau County. The services offered most frequently include

basic accounting functions like payroll, accounts payable, accounts receivable, and bank reconciliations. All of these services are covered by a Co-Ser at individual BOCES. See the table on the next page.

Build on Internal Capacity

Unlike an entirely new business venture, Nassau BOCES performs nearly all of the functions of a school business office in support of its own operations. With broad business service expertise already in-house, BOCES can offer a range of new business services immediately. Its capacity to respond—thus the timing and cost of service delivery—will be contingent on the presenting needs of the cooperating districts. In some cases, the BOCES business office will be able to respond, at least during a trial period, without adding staff. Where the particular function is at maximum capacity, the decision to add staff (either full time or part time) can be made only after an arrangement with the district has been negotiated.

Nassau BOCES has the core of a CBO already functioning internally. The Department of Curriculum, Instruction and Technology (CIT) already provides payroll processing services to Oceanside, Merrick, Hicksville, Island Park and Locust Valley. The department provides bank reconciliation services, check printing, and manages ACH transfers on their behalf. CIT also supports W-2 and 1099 processing for a number of districts.

Moreover, the Department provides application support for two accounting systems, Finance Manager and Pentamation. Supported by the BOCES Bo-TIE fiber optic network, several districts house these applications at BOCES' Lupinskie Center. The Bo-TIE network makes it possible for BOCES to support the entire range of business service applications remotely. Floral Park already houses its servers at Lupinskie.

Respond to Opportunities

All evidence suggests that individual Nassau district business officials will be reluctant to outsource functions already being performed by existing staff. Jennifer Bolton at Otsego Northern Catskills (ONC) BOCES reports that this perspective is common among ONC member districts, despite the fact that these districts are smaller and have lower property wealth than is true in Nassau County. ONC's CBO began with two district collaborators and expanded to eleven over a decade.

The size, relative sophistication and financial capacity of the Nassau school districts probably reduces the benefit of outsourcing business services and suggests that “take up” among these districts will be slower than in ONC.

Thus the ONC strategy—waiting until circumstances, typically a key vacancy, recommends an outsourced solution—makes even more sense in Nassau.

Focus on Selected Service Needs

Again with the experience of ONC BOCES as context, outsourcing will likely begin with smaller, separable business functions. District business officials are more likely to offload services that require specialized expertise or pose significant liability exposure for the district.

This is a tactical recommendation—Although we believe that there would be a substantial gain in efficiency and effectiveness from a significant centralization of business functions among Nassau’s 56 local school districts, progress toward this goal will be slow. Nassau districts will reach out to the Nassau CBO when confronted with a specific need, likely prompted by an office vacancy. That can begin a relationship with the CBO that can grow over time.

	BROOME	CATTARAUGUS/ ALLEGANY	CAYUGA- ONONDAGA	DELAWARE- CHENANGO	FRANKLIN	MADISON-ONEIDA	ONEIDA- HERKIMER- MADISON	ONONDAGA- CORTLAND- MADISON	WAYNE-FINGER LAKES	OTSEGO	QUESTAR III - BOCES	ST. LAWRENCE	GREATER SOUTHERN TIER (SSCTA)	TOTAL
BOCES	2009	2014	2009	2009	2009	2009	2009	2014	2009	2014	2009	2014	2014	
CURRENT AS OF YEAR	95-96	91-92	07-08	92-93	05-06	97-98	94-95	05-06	99-00	95-96	04-05	99-00	6-May	
PAYROLL	y	Y	y	y	y	y	y	y	y	y	y	y	y	13
PERSONNEL ADMIN			y		y									2
AP	y	Y	y	y	y	y	y	y	y	y	y	y	y	13
AR	y	Y	y	y	y	y	y	y		y	y	y	y	12
ALL ACCOUNTING	y	Y			y		y	y		y		y	y	8
GENERAL LEDGER		Y		y		y	y	y		y		y	y	8
FINANCIAL REPORTG	JD	Y		y			y	y		y	y	y	y	9
GRANT MANAGEMENT	JD	Y		y			y	y		y	y	y		8
PROCUREMENT, VENDOR FILES										y	y	y	y	4
BUDGET PLANNING					y					y		y	y	4
INVENTORY					y								y	2
BUSINESS MGT					y							y	y	3
BANK RECONC		Y		y	y		y	y		y		y	y	8
PURCHASE ORDERS		Y		y								y	y	4
INSURANCE COVERAGE	JD				y									2
CASH MGT, INVEST.	JD	Y					y	y		y		y	y	7
REVENUE ACTNG, PROJECTIONS & ANAL	JD									y		y	y	4
TAX COLLECTION AND TAX REPORTS	JD												y	2
PROCEDURE MANUALS	JD													1
CAFETERIA	JD									y				2
TRANSPORTATION	JD													1
OPER AND MAINT	JD													1
SUPPORT FOR COLLECTIVE NEGOTIATIONS	JD													1
RECORDING OF STAFF ATTENDANCE		Y		y	y		y					y	y	6
BACKUP SERVICES			y				y		y	y			y	5
TAX WARRANTS						y	y			y				3
INTERNAL CLAIMS AUDITING				y						y		y	y	4
ENCUMBRANCE ACCOUNTING						y	y			y		y	y	5
CASH FLOW PROJECTIONS, ECA								y		y			y	3
TOTAL	15	11	5	10	11	6	13	10	3	18	6	17	20	

PROVIDED BY NEW YORK STATE EDUCATION DEPARTMENT: DEBORAH H. CUNNINGHAM (8/18/09) & GREGG DIEFENBACH, 4/23/14

Payroll

Private payroll services like Paychex do not actively solicit local government business due to the complexity, particularly in unionized labor environments. Yet the consequences of mistakes can be significant. Not only can the BOCES CBO reduce cost for districts, but it can also reduce liability.

Payroll services is a staple of BOCES CBOs and should be a leading offering to Nassau's local districts. Fortunately, the Business Services unit can build on an existing payroll processing relationship with five districts through the Department of Curriculum, Instruction and Technology (CIT).

Accounting Services

Every CBO delivers a menu of basic accounting services. One caution: While there is significant potential for cost savings when multiple districts are participating, particularly if they share accounting software, initial enrollment could very well cost BOCES more than it can reasonably charge for the service. Just as private sector business firms set prices consistent with “operational” scale, so should BOCES. Without a view to the long term nature of CBO services, BOCES may set prices that exceed the current spending of early subscribers, thus losing the opportunity to grow and expand.

BOCES use of PeopleSoft internally is not conducive to expanding CBO services. Fortunately, CIT is already providing application support to a number of component districts for Finance Manager and Pentamation*. If the CBO is to offer services more broadly it may be prudent to explore establishing expertise in WinCap, as well. A survey of component districts would be in order to determine which packages are most in need of support.

- Accounts payable: Nassau BOCES could take on this responsibility for a number of districts, starting with the districts for which it now runs payroll. Local approvals would still be required in certain situations, but the “mechanical” components elements of the account payable process can be assumed by BOCES.
- Accounts receivable: This, too, could be managed at BOCES provided that the districts and BOCES build on the good working relationship that already exists with many districts.

* CIT questions the value of continued support for Pentamation—it may be possible to phase out Pentamation support in favor of WinCap.

- Grant management and reporting: Grant accounting services may include ratio value expense methodology, tracking, documentation, and all required financial reporting.

Auditing & Internal Control

Lightly staffed business offices find it difficult to establish the separation of functions recommended for effective internal control. The CBO could feasibly offer

- Claims auditing
- Records Management - Retention and archiving support
- Financial audit and report preparation
- Workers Compensation audit support

Insurance

Nassau BOCES and many of the Nassau districts are already affiliated with the public not-for-profit New York Schools Insurance Reciprocal (NYSIR). NYSIR is an A.M. Best A-rated insurer with specific expertise in underwriting school districts. The reciprocal insurance model offers substantial savings for districts who become policyholder/subscribers. As the reciprocal model is a bit complicated to understand, a CBO could act as a resource for districts interested in learning more about the benefits and risks associated with NYSIR. The CBO would be in a unique position to make a recommendation on joining such an entity and provide reference on their own experience.

Cash Management/Investing

It would be feasible for Nassau BOCES to provide:

- Short term cash management / treasury function
- Banking and bank reconciliations: Once again, BOCES CIT is already providing some of these services.

Implementation

The approach we have recommended assumes that the Nassau CBO will develop organically—and opportunistically. This would be a poor business plan if Nassau BOCES did not already have a cadre of business service professionals on staff to support BOCES' own activities. With some capacity in place already, Business Services could respond to the need of a component district relatively quickly. Providing a service long term may involve some staffing changes, but the ability to be responsive to immediate need is a significant advantage.

Capacity Assessment

As a first step, develop a contingency plan for each of the service offerings noted above.

- Consistent with the proposal to grow organically, develop a strategy to respond swiftly to a contract with a single district
 - Skills analysis: Is the necessary expertise already available in house? If not, is this expertise available on an “as needed” basis from external sources (either the private sector or by arrangement with component districts?)
 - Staffing Capacity: What demands will be placed on the staff to enable the CBO to support a single district client? Can these additional demands be managed with existing staff commitments? If not, might overtime or extra compensation address the gap?
 - Equipment/materials Capacity: Would additional equipment, software or other purchases be required to meet the needs of the single customer?
 - Software: Are the necessary licenses and packages in place to address the need? If not, how quickly can CIT respond to support the new service? What would be the cost?
- With the single customer model as a foundation, assess the implications of expansion—perhaps to five districts—and develop a growth plan accordingly.

Marketing

To launch the Nassau BOCES CBO, the business services staff should develop a list of immediate offerings and initial pricing and package these for distribution to component districts. Established BOCES CBOs would be a good source of information on pricing.

Note that a private sector venture will develop pricing based on *anticipated* scale, not the actual cost of delivering the service to the first customer. Price and cost are not the same thing—while price must exceed cost eventually, the CBO may not get off the ground if pricing is based on “first customer” cost.

Brochure/Survey

Once a set of initial offerings has been developed, a survey of component districts could be used as a marketing tool. To the extent that these service sharing opportunities will satisfy year two service sharing requirements connected to the Governor’s property tax rebate, this possibility should be articulated.

CGR's experience suggests that few districts will respond positively to another survey—the purpose of the survey is more to announce the service and place the opportunity in front of business officials and superintendents.

Summary: CBO Implementation

Despite a lack of expressed enthusiasm for business service sharing, the cost reduction/efficiency potential for a Nassau CBO remains clear. In our experience, the explicit cost saving may be modest, but the quality of the services offered would improve and the trend in cost growth would be moderated.

We recommend that the CBO develop organically—Business Services should develop a list of offered services, complete with pricing, and publicize the possibility to component districts. Districts will respond when the need arises. Just as other BOCES CBOs have expanded their service offerings and market reach over a number of years, we would expect the same outcome in Nassau County.