

# “The Return On Investment Cookbook”



Developed for Charter School Authorizers, State  
Departments of Education, Educational Service Providers  
and Charter Schools

Corporate Computer, Inc.  
1950 Waldorf N.W.  
Grand Rapids, MI. 49544  
616.942.8865

[www.corpcomp.com](http://www.corpcomp.com)

July, 2004

© Corporate Computer, Inc. 2004  
All rights reserved

### ***Introduction***

The Authorizer's Oversight Information System (AOIS) was developed under contract during 2000-2001 by Corporate Computer, Inc. for the Central Michigan University charter school office. Today it is used by 142 charter schools, four Universities and numerous educational service providers (ESP's). The system provides a systematic approach to charter school compliance and automatically documents compliance actions taken by schools, authorizers and ESP's. In addition, the AOIS program employs electronic document imaging that enables the truncation of paper at the school level, yet provides the authorizer and ESP full access to files and documents. AOIS is owned by Central Michigan University and is licensed to other educational institutions and ESP's by their agent, Corporate Computer, Inc.

### ***How AOIS is delivered***

The program runs on twenty-four powerful DELL servers that are hosted in the Corporate Computer data center located in Grand Rapids, MI. Multiple versions are supported using Microsoft versioning control. Industry standard software has been used throughout to insure maximum reliability and lowest operational costs. Other Microsoft products used include SQL Database, Terminal Server, Exchange, Internet Information Server and SharePoint document librarian. Virus protection is included in the offering as well as daily back-up of documents and off-site storage of all back-up tapes. Multiple paths to the Internet are supported and a 175,000 watt diesel generator provides unlimited power to the data center. In 2003, the data center ran at an overall availability percentage of 99.5%.

### ***How AOIS is priced***

This application is school centric, meaning that an individual school is the focal point for documents, compliance history, correspondence and performance evaluation. AOIS is priced at \$3,700.00 per school per year. This pricing level includes 80 hours per year of professional services support and all necessary computer hardware, licenses and software. It also includes an allowance for each school of 600 documents per school per year. This is slightly above the average for the 138 schools currently using the system. If a school uses additional documents, they are priced at \$.65 per page. This includes electronic document receipting, identification, coding of school name and document type, and an optical character recognition (OCR) scan to make faxed or paper documents computer-searchable. All documents contained in AOIS subject to Freedom of Information Act (FOIA) are computer searchable in seconds.

### ***The Need for a Cost/Benefit Template***

In talking with charter school authorizers, educational service providers, school personnel, Board members and State Department of Education staff it quickly became apparent that most schools need assistance in the areas that AOIS supports. Traditional compliance and documentation approaches have included multiple 3-ring binders maintained both at the authorizer site and school and word processing and spreadsheet approaches as well as others. These approaches are extremely labor-intensive, are not sharable by traveling staff members or accessible concurrently by school, authorizer and ESP personnel.

People buy products or services that they deem are of value to them and that help solve a problem. A common way of looking at value is to use the equation

$$\text{VALUE} = \text{BENEFITS less EXPENSES}$$

Since we already know the expense number, it makes sense to develop a better way to define and quantify the benefit amount. That is the purpose of this template. It is easy to figure the annual cost for AOIS, just multiply the number of schools by \$3,600. /year. Subtracting the expense number from the benefit number will equal an annual VALUE amount. Projecting cumulative costs and cumulative benefits five years into the future provides a longer term view of the value of such a project. This template or “ROI Cookbook” will assist you in developing your own five year projection of costs, benefits, ROI and breakeven point. When you have all the numbers, it is much easier to sell your Board that implementing AOIS is a valuable undertaking.

### ***Step #1 – Document Your Current Costs***

1. Identify current compliance tasks done by your schools by document type. ***Appendix A*** contains a list of over two hundred standard documents as used in Michigan that can serve as a guide to develop your own list. Generate a total number of documents created by the school each year. Multiply your list total by the number of schools to estimate the total number of documents AOIS will manage for you.
2. Identify people by name who work at the schools completing forms, filing board meeting minutes, monthly financials etc. Talk with them and ask them to provide their “best guess” of the amount of time they spend each day in document filing, searching for lost documents etc. Be aware that most people will say their filing systems are perfect and they never lose a document. Nationwide studies by Coopers & Lybrand report that one out of twenty documents filed are lost. An office manager many times has a better feel for the amount of time staff is spending in document management.
3. Calculate a current dollar cost for each area studied that includes people cost, square footage cost, the number of filing cabinets and type used for document storage. ***Appendix B*** has industry standards for these items.

4. Ask the school administrator to tell you about some document related problems they have encountered. They want a better system just as much as you do and they will provide real-life stories that you can use to help sell their Board or your own Board. Be sure to ask their permission to use the incident in your report.
5. Apply a growth rate for the current expense areas. This could be based on local inflation rate, national inflation rate, planned staff additions etc. Project the cost out for a five year period.
6. Develop a cumulative cost by school for the next five years. Total all the school, ESP and Authorizer costs to get an overall cost for the area that you have studied. This is what you will spend if you do nothing. This is an important number because it establishes that a large expenditure will be made during the next five years.

### ***Step #2 – Compare to National Norms***

1. Using the national norms percentages developed as part of a Coopers & Lybrand study, calculate the following:
  - a. Multiply total documents count by .05 to get number of lost documents annually. For example, 100,000 documents x .05 = 5,000 lost documents.
  - b. Multiple each lost document by \$120.00, the lost document cost suggested by Coopers & Lybrand. Using the same example above, the 5,000 lost documents x \$120.00 each = \$600,000. This is the annual cost that staff would spend looking for 5,000 lost documents.
  - c. If your user objects to such a high number, offer to cut it in half. It's still very significant. When you present your findings, be sure to note that you cut the amount suggested by a national CPA firm in half based on feedback from your client.
  - d. Document the number of file cabinets used to store documents currently. Ask the client for an estimate of the number of file cabinets they will need during the next five years. Calculate the cost each year to purchase additional file cabinets.
  - e. Calculate the total number of square feet taken up by file cabinets. For example, a lateral file cabinet takes 10.5 sq. ft. with the drawer open and a vertical 4 or 5-drawer file cabinet takes 5 sq. ft. with one of the drawers open. You can eliminate file cabinets by using AOIS document storage.
2. Compare your annual cost with national-norm costs. ***Appendix C*** contains the results from the Coopers & Lybrand study that you can use.
3. Modify your reported actual cost up or down if you wish to more closely comply with the national norms.

### *Step #3 Document the Benefits*

1. Benefits should be listed by type of end user. These include:
  - a. Users at the authorizer level.
  - b. Users at the ESP level.
  - c. Users at the Charter School level.
  - d. School board members.
  - e. State Department of Education users.
2. There will be repeating benefits, sometimes at all levels. For example, Board Meeting minutes are filed by the school, by the ESP and by the Authorizer. They are reviewed by all of the above plus school board members. AOIS changes multiple filings for many documents to a single electronic image accessible using the Internet.
3. One way to gather your data prior to filling out the spreadsheet model is attached as **Appendix D**. This is a sample data gathering sheet that can be used in an interview situation with school personnel, ESP personnel and authorizer personnel.
4. You may wish to make up your own data collection sheets once you have a feel for what is required in your environment. If you do that, we would appreciate your sharing your approach with us and also receiving permission to share the approach (not your name or actual numbers) with others.
5. The next step is to apply costs for each benefit area. Costs can be broken into three types:
  - a. Directly displaceable costs – these will map 1:1. If you can displace one dollar that you are currently paying out, then you should claim one dollar as a benefit of the new approach. An example of a directly displaceable cost might be discontinuing outside storage for historical documents in an off-site storage facility. If you are paying \$250.00 / month for the storage facility and you will no longer need it by using AOIS to store your documents that becomes a \$3,000./ year savings.
  - b. Future cost avoidance – if you had planned to rent a similar outside storage space next year but won't need to do so by using AOIS, you should claim a future cost avoidance of \$3,000./year. Some times, you will need to factor future cost avoidance items by up to 50% to maintain creditability in the eyes of your audience. These costs map between .5 and 1:1 depending upon the strength of the future cost avoidance item.
  - c. Improved productivity – this is a claim that by adopting AOIS, a person such as a school administrative assistant may become more efficient since he or she will not ever loose any documents or have to re-create any documents that have been lost. This is usually expressed as a fairly

conservative percentage and is factored (reduced) by 50%-75% since it is a “soft” benefit.

6. The last area to establish benefits in can be the most important. It is called Intangible Benefits. Some examples include:
  - a. How important is it for us to be able to find every document that has a particular phrase, or for a particular school when requested to do so under a FOIA request or due to a legal discovery procedure?
  - b. How important is it for us to be able to show our auditors every single compliance action for every school? Do you think this might improve our next audit?
  - c. Is it at all important for you to be able to “push” documents and a “best practices” template to the correct person in a pre-defined process and to automatically monitor where the document is within your entire compliance process? Is it of benefit to you that you can have these people physically located anywhere because the address used to push documents to them is their email address?
7. The last step in benefit documentation is to accumulate your benefits for a five year period giving a cumulative value for each year. Cumulative expenses are then subtracted from this to provide a cumulative value. Intangible benefits are not included and are presented after the cumulative ROI and breakeven point has been presented. They serve as “frosting on the cake” to further convince your Board or management team to implement AOIS.

#### ***Step #4 It's Time to Go To Work!***

Here are our suggestions regarding the next steps:

- Read this entire document, particularly Appendix E, a sample final report. This will give you a feel for the power of this approach for defining value. We will send the actual Excel model to you at no charge if you send an email requesting it to: [lbrannan@corpcomp.com](mailto:lbrannan@corpcomp.com) . Larry Brannan at Corporate Computer, Inc. in Grand Rapids, MI. Ph. 616.988.3202.
- Think about your own environment and start a list of documents you prepare, file, audit and archive. This could be a long list – the State of Michigan has over 200 documents associated with schools.
- Think about others in your organization who also use these documents (and others) and list their names as people to talk with. Make a data collection form for each interview.

- Set up your interviews and tell them up front why you are gathering the data. If you don't share this information, they will think you are trying to organize them out of their job and won't cooperate.
- Do two or three initial interviews and then stop to analyze your data. Make sure you understand what people have said. Return for a second interview if necessary. Don't be embarrassed during your final presentation by inaccurately stating current processes and problems.
- You will for sure find some really unbelievable document management situations. Consider taking a digital camera with you to photograph current filing situations. A photograph or two in your final presentation showing boxes stacked on top of boxes will add to your credibility and the necessity for better document management.
- Do a "test flight" of your presentation to the people you interviewed. Make sure they are comfortable with your facts – you don't need to make them look bad.
- Do a second "test flight" of your presentation to your institutions financial person. Make sure you give them the opportunity to verify your ROI and breakeven numbers and method of calculation. You want their support during the major presentation to the management team or to the Board.
- Have someone video tape your third practice presentation. Play it back and consider any changes to make your presentation more credible and professional.
- Have the report and recommendation available for hand-out after the meeting, but present the key findings at the meeting. Once you pass out the report, the audience will start reading it and you have lost control of the meeting. Another option is to send it a week ahead of the meeting asking participants to read it prior to the meeting.
- Be prepared to answer the question "What do you want us to do?". Have the approval motion drawn up and ready to pass out to members.
- Include references in your presentation of other institutions who are using AOIS today. Corporate Computer, Inc. can help you with this – AOIS users are enthusiastic and eager to share their ideas and results with you.
- If you would rather have an outside consultant come in and conduct this type of benefit study, we will do that for you. We charge for this service, but will credit all consulting charges against the cost of AOIS if you purchase it. We charge travel actual expenses for this type of consulting and these charges are not deducted from the AOIS cost. Remember, you are not alone in your quest. There is an entire team of experts ready, willing and able to help you justify AOIS for your institution!

**Appendix A Standard Documents Typically Used by Schools, Educational Service Providers, University Authorizers and State Departments of Education**

Document Type
Account Designation Resolution
Admission Policy and Criteria
Age and Grade Range of Pupils
Amended Bylaws
Annual Education Report
Annual Education Report - Revised
Annual Education Report Review Sheet
Annual Non-Profit Corp. Info. Update
Annual Non-Profit Corp. Info. Update Review Sheet
Annual Operating Budget Resolution Adopted by Board
Application and Enrollment - Legal Notice
Application and Enrollment Information Form
Application and Enrollment of Students
Application and Enrollment Random Selection Drawing
Application and Enrollment Review Sheet
Approval/Disapproval Letter
Articles of Incorporation
Audited Financial Statements
Audited Financial Statements - Draft
Audited Financial Statements Review Sheet
Audited Financial Statements Status Report
Authorizing Resolution
AYP Report
Board Meeting Minutes - Agenda
Board Meeting Minutes - Approved Annual
Board Meeting Minutes - Approved Regular
Board Meeting Minutes - Approved Special
Board Meeting Minutes - Canceled
Board Meeting Minutes - Miscellaneous
Board Meeting Minutes - No Quorum
Board Meeting Minutes - Proposed Annual
Board Meeting Minutes - Proposed Regular
Board Meeting Minutes - Proposed Special
Board Meeting Minutes - Unknown
Board Meeting Minutes Resolution
Board Meeting Minutes Review Sheet
Board Meeting Schedule
Board Meeting Schedule - Meeting Notice
Board Member Application
Board Nominee Interview Questionnaire
Board of Trustees Resolution
Budget - Amended
Budget - Amended Review
Budget - Notice of Public Hearing
Budget - Original
Budget - Original Review

Budget Preparation Timeline  
Bylaws  
Certificate of Continuing Compliance  
Certificate of Continuing Compliance First Semester  
Certificate of Continuing Compliance Second Semester  
Complete Application  
Complete Application Review Sheet  
Compliance Review Sheet  
Contract  
Contract - Cover Sheet  
Contract - Table of Contents  
Contract Amendment  
Contract Amendment - Grade Addition Review  
Contract Amendment Correspondence  
Contract Amendment Request Resolution(s)  
Contract Amendment Review  
Contract Amendment Supporting Documentation  
Contract Conditions  
Contract Conditions Review  
Contract Schedules  
Contract Terms and Conditions  
Corporate Resolution  
Corrective Action Plan  
Correspondence Fax  
Correspondence Letter  
Correspondence Memo  
Correspondence Record of Contact  
Criminal Background Check and Disclosure Form  
Criminal Background Check Review Sheet  
Criminal Background Check/Unprofessional Conduct Validation Report  
Curriculum  
Database Change Form  
Deficit Elimination Plan - DC-4511C  
Deficit Elimination Plan Review Sheet  
Description of Staff Responsibilities  
Designation Signatory Authority Resolution  
Dissolution  
Doc to allow for Application and Enrollment for PSA  
Doc to allow for Board Meeting Minutes  
Doc to allow for Charter Re-authorization for PSA  
Doc to allow for Contract Enforcement Process  
Doc to allow for Fiscal Resolution Process  
Doc to allow for Non-Compliance Process  
Doc to allow for Quarterly Financial Statements  
Doc to allow for sending New Board Member Notification  
Doc to allow for Site Facility Visit  
Doc to allow for Teacher Certification, Criminal Records Check, Unprofessional Conduct Process  
DS-4061 State Aid FTE Count  
DS-4061 State Aid FTE Count Review Sheet  
DS-4061-A State Aid FTE Count

DS-4061-A State Aid FTE Count Review Sheet  
DS-4061-B State Aid FTE Count  
DS-4061SL Supplemental State Aid FTE Count  
DS-4061SL Supplemental State Aid Review Sheet  
DS-4120 Fall FTE Count  
DS-4120 Spring FTE Count  
DS-4168 Clock Hours Report  
DS-4168 Clock Hours Report Review Sheet  
DS-4168B Clock Hours Report  
DS-4168B Clock Hours Report Review Sheet  
DS-4848 General Fund Budgetary Control Report  
DS-4848 Review Sheet  
DS-4898 Preliminary Pupil Membership  
Due Diligence  
Due Diligence Review Sheet  
Education YES - Report Card  
Education YES - Self Assessment  
Educational Goals  
Educational Programs  
Engagement Letter  
Engagement Letter Review Sheet  
ESP Agreement - Contract  
ESP Agreement - File  
ESP Policy Review Sheet  
Fire Marshal  
Fiscal Agent Agreement  
Fiscal Resolutions  
Floor Plan  
FS-4731-C-Counts of Membership Pupils Eligible for Free Breakfast, Lunch or Milk  
General Appropriations Resolution Adopted by Board  
Governance Structure  
Health Inspection  
IM 4203 Pupil Headcount Report  
Incorporators Resolution  
Information Sheet  
Initial Review Sheet  
Inspection Report  
Insurance Certificate  
Insurance Policy  
Insurance Review Sheet  
Lease or Purchase Agreement  
Lease or Purchase Agreement - Review  
Legacy Data  
Legal Documents outline Letter  
Letter of Acceptance  
Letter of Issues  
Letter of Proposed Contractual Changes  
Line Change Request Form  
Listing of PSAs needing Charter Re-authorization  
Litigation

Management Letter  
Management Letter Response  
Management Letter Response Review Sheet  
Management Letter Review Sheet  
Master Calendar of Reporting Requirments  
MDE Foundation Allowance Listing  
Methods of Pupil Assessment  
Miscellaneous  
Monthly Financial Statements  
National Goals  
Non-Compliance Letter  
Notice to Show - Plan of Correction  
Notice to Show Letter  
Notification Letter  
Notification of Authorization letter

Oath of Office Form  
OFS-40 Fire Safety  
Oversight Agreement  
Phase I  
Phase II  
Phase II Decision Letter  
Physical Plant Description  
Public Notice of Exigent Appointment  
Quarterly Financial Statements - 1st Quarter  
Quarterly Financial Statements - 2nd Quarter  
Quarterly Financial Statements - 3rd Quarter  
Quarterly Financial Statements - 4th Quarter  
Quarterly Financial Statements Review Sheet  
Reauthorization Letter  
Reauthorization Review  
Re-Authorizing Resolution  
Recap of Amended Budgets  
Required Information for Public School Academy  
Restated Articles of Incorporation  
Restructuring Plan  
Review Sheet Teacher Certification, Criminal Records Check, Unprofessional Conduct  
Revised Info. About Criminal Records Check  
Safe School Corrective Action Plan  
School Calendar  
School Calendar and School Day Schedule  
School Calendar Review Sheet  
School Improvement Plan  
School Improvement Plan Review  
School Safety Plan  
Site and Facility Visit Review Sheet  
Site Plan  
Site Visit Log  
Special Ed ISD Quarterly Update-2nd Qtr  
Special Ed ISD Quarterly Update-3rd Qtr

Special Ed ISD Quarterly Update-4th Qtr  
Special Education Review Form  
Staff Responsibilities  
State Aid  
State Aid Intercept  
State Aid Payment Agreement  
Student Assessment  
Teacher Certification -CBC -Unprofessional Conduct  
Teacher Certification Validation Report  
Teacher Certification Validation Review Sheet  
Trial Balance  
Working Documents

Total count = 208 documents

## **Appendix B Industry Standards for Document Management**

The following facts are taken from the book listed below: This is an excellent book on records management and we highly recommend you purchase a copy.

Winning Strategies for Successful Records Management Programs Dr. Mark Langemo,  
CRM, FAI  
College of Business and Public Administration  
University of North Dakota  
ISBN 0-929316-59-9

1. 50% - 90% of records remain on paper in many organizations.
2. In the average office, 5% - 20% more paper is usually added to paper filing systems each year.
3. Under Document the current situation (pg. 29). "Build a photographic base as quickly as possible that depicts the records management situations as they exist now. Later, as work is in process to improve systems, and then as model systems are completed, this documentation will be invaluable."
4. "Anytime someone complains about any current records management situation, ask them if you may jot down what they've said and if you may quote them. Gather a base of personnel reactions and customer reactions that can then be used to support making the systems improvements that are necessary."
5. Place log sheets on file drawers and request users to make each use for sample periods of time (e.g. month). From this data, you can approximate the number of people who are accessing the filing systems.
6. Perform a retrieval test to determine how long average file retrieval takes. Make a list of 25 randomly selected files that are in your system and ask one of the staff members to retrieve those records so that retrieval time can be determined.
7. Once you have how frequently a filing system is accessed, how long average retrievals take and how much money is being paid to users, you can approximate annual personnel cost to use filing systems.
8. A lateral file cabinet takes 10.5 square feet of space allowing for one of the drawers to be open.
9. A vertical four-drawer or five-drawer file cabinet takes 5 square feet of floor space allowing for one drawer to be open.

**Appendix C National Norm Costs and Percentages**

**A Coopers & Lybrand study shows that the average office:**

- **Makes 19 copies of each document**
- **Spends \$20.00 on labor for filing each document**
- **Spends \$120.00 searching for every mis-filed document.**
- **Loses 1 out of 20 office documents.**
- **Spends \$250.00 on document re-creation.**

**As reported in – *Inc. Magazine***

**Appendix D Data Collection form samples**

<b>Document Name</b>	<b>Owner</b>	<b>Purpose</b>	<b>School</b>	<b>ESP</b>	<b>Auth</b>	<b>DOE</b>

## **Appendix E Sample Final Report**

Case study example:

### **The Authorizer:**

- The authorizer is a State Department of Education (DOE).
- The Charter School Office within the DOE has a Director and two staff members. Collectively, they are responsible for monitoring the compliance of the 15 charter schools authorized with all State and Federal laws.
- The DOE office uses hanging files in six lateral file cabinets to store records.
- They use three contract field reps (retired school superintendents) to visit the schools and to handle compliance activities.
- The State and Federal document count is 100 different document types.

### **The Education Service Providers:**

- There are three educational service providers who manage ten of the 15 schools.
- Each ESP has one person responsible for their five schools.
- Each ESP person has two five drawer vertical file cabinets for their schools.
- There are three other ESP personnel who frequently review records for each school.

### **The Charter Schools:**

- Each of the 15 schools has an Administrator, an office manager and two office clerks.
- Each school has ten lateral file cabinets for maintaining school records.
- In addition, five of the 15 schools maintain an off-site warehouse for storing prior year records in storage boxes. The off-site storage costs \$50.00/month.

Corporate Computer, Inc. has furnished a quotation for \$54,000.00 per year for the fifteen schools. Two users per school, two users per ESP and three users at the DOE will be licensed. Inflation in this area of the country runs 1.5% per year.

***Your challenge:*** How to get AOIS approved by the DOE and how to present it to the departmental management team. This State does not have any legislation in place that guarantees a percentage of the annual student funding level for charter school compliance. There is no grant money and the Federal 5% funding has already been allocated by the Department for other uses.

**Current Cost Documentation**

Base data:

Number of staff at DOE	3
Number of dedicated staff at ESP's	3
Other staff at ESP who access the records 10% of time	9
Number of staff at schools. 15 schools x 4 people/school	60
Average staff cost at DOE per year	\$30,000
Average staff cost at ESP per year	\$28,000
Average staff cost at schools	\$26,000
State benefit load %	27%
ESP benefit load %	25%
School benefit load %	18%
DOE lateral files	6
ESP vertical files (3 authorizers x 2 file cabinets each)	6
School lateral files (15 schools x 10 cabinets)	150
Off-site storage (5 schools x \$50./mo.) x 12 mos.	\$3,000
Each person spends 45 min./day in document mgm't	0.75
Annual Inflation rate affects salaries and outside storage	1.5%

<b>Department of Education Current Cost Calculation:</b>	Hours	cost/hr. \$	Annual Cost
Doc. Mgm't (3 people x .75 hr/day x 250 days/yr.)	562.5	15.00	\$8,438
Add for benefit load @ 27%			\$2,278
Total DOE personnel cost dedicated to document mgm't.			\$10,716
Six lateral files @ 10.5 sq. ft. each = # sq. ft.	63		
Value of square footage devoted to files at \$20./sq. ft./yr.			\$1,260
Value of three part-time contract field reps @ \$12,000. ea.			<u>\$36,000</u>
<b>Total estimated current cost for DOE</b>			<b>\$47,976</b>

<b>ESP Current Cost Calculation:</b>	Hours	cost/hr. \$	Annual Cost
Doc. Mgm't (3 people x .75 hr./day x 250 days/yr.)	562.5	14.00	\$7,875
Doc. Mgm't (9 people x 10% x .75 hr x 250 days/yr.)	168.8	14.00	\$2,363
Add for benefit load @ 25%			\$2,560
Total ESP personnel cost dedicated to document mgm't			\$12,798
Six vertical file cabinets x 5 sq. ft ea. = 30 sq. ft.	30		
Value of square footage devoted to files at \$20./sq. ft./yr.			\$600
<b>Total estimated current cost for ESP</b>			<b>\$13,398</b>

<b>School Current Cost Calculation:</b>	Hours	cost/hr. \$	Annual Cost
Doc. Mgm't (60 people x .5 hr/day x 250 days/yr.)	7,500	13.00	\$97,500
Add for benefit load @ 18%			\$17,550
Total for school personnel			\$115,050
15 schools x 10 lateral files/school = 150 files@ 10.5 sq.ft	1575		
Value of square footage devoted to files at \$20./sq. ft./yr.			\$31,500
<b>Total estimated current cost for schools</b>			<b>\$146,550</b>
			<b><u>\$207,923</u></b>

### Current Cost Summary

	Base Year	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<b>Department of Education total</b>	\$47,976					
Inflation at 1.5% per year		\$47,976	\$48,695	\$49,426	\$50,167	\$50,920
Cumulative Costs		\$47,976	\$96,671	\$146,097	\$196,264	\$247,183
<b>ESP Current Cost Calculation</b>	\$13,398					
Inflation at 1.5% per year		\$13,398	\$13,599	\$13,803	\$14,010	\$14,220
		\$13,398	\$26,996	\$40,799	\$54,809	\$69,029
<b>School Current Cost Calculation</b>	\$146,550					
Inflation at 1.5% per year		\$146,550	\$148,748	\$150,979	\$153,244	\$155,543
Cumulative Costs		\$146,550	\$295,298	\$446,278	\$599,522	\$755,065

***If you do nothing, this is what you will spend during the next five years...***

<b>Total Cumulative Current Costs</b>	\$207,923	\$418,966	\$633,173	\$850,594	\$1,071,277
---------------------------------------	-----------	-----------	-----------	-----------	-------------

**Step #2 Compare Your Institution to National Norms**

The case study base data indicated that the sample State has 100 different document types. These documents must be handled by the schools, the ESP and the authorizer (in this case, the State Department of Education). We will focus on the areas that AOIS can help these three entities by eliminating filing labor, searching for misfiled documents and eliminating the re-creation of lost documents.

**National Norms Comparison**

Calculating the cost of lost documents that must be re-created

**State Department of Education**

Number of charter schools	15
Number of documents/school/yr.	100
Total number of documents/yr	1500
5% of documents lost each year	75
Cost to re-create lost docs/yr.	\$18,750

**ESP's**

Number of charter schools	10
Number of documents/school/yr.	100
Total number of documents/yr	1000
Number of lost documents/yr	50
Cost to re-create lost docs/yr.	\$12,500

**Schools**

Number of schools	15
Documents/school/yr.	100
Total number of documents/yr.	1500
5% of documents lost each year	75
Cost to re-create lost docs/yr.	\$18,750

Total cost of lost documents \$50,000

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>
Inflation at 1.5% per year	\$50,000	\$50,750	\$51,511	\$52,284	\$53,068
Cumulative Cost per year	\$50,000	\$100,750	\$152,261	\$204,545	\$257,613

**Step #3 Documenting the Benefits**

**Directly Displaceable Costs:**

Savings/yr

*At the State Dept. of Education:*

- 1. Eliminate the three outside part time auditors \$36,000
- 2. Eliminate 3 of 6 lateral file cabinets \$630
- 3. Reduce document mgmt time by half \$5,088

*At the Educational Service Provider:*

- 1. Reduce document mgm't time by half \$6,399
- 2. Reduce floor space req'd by half for file cabinets \$300

*At the Schools:*

- 1. Reduce document mgm't time by half \$57,525
- 2. Reduce floor space req'd by half for file cabinets \$15,751
- 3. Eliminate the off-site storage rental for 5 schools \$3,000

Total directly displaceable costs \$124,693

Increase yearly by 1.5% inflation	Year 1	Year 2	Year 3	Year 4	Year 5
	\$124,693	\$126,563	\$128,462	\$130,389	\$132,345

**Future Cost Avoidance:**

*At the State Dept. of Education:*

- Avoid the purchase of one file cabinet per year \$300
- Avoid hiring an additional person one year from now \$30,000
- Avoid the benefit cost of hiring an additional person \$8,100

*At the Educational Service Provider:*

- Avoid the cost of purchasing one file cabinet per yr. \$300

*At the Schools:*

- Avoid the cost of purchasing one file cabinet per yr. 300

Total future cost avoidance items: \$39,000

Increase yearly by 1.5% inflation	Year 1	Year 2	Year 3	Year 4	Year 5
	\$39,000	\$39,585	\$40,179	\$40,781	\$41,393

**Increased Efficiencies:**

*At the State Dept. of Education*

- Increased productivity of 3 people by 10% \$1,072

*At the Educational Service Providers:*

- Increased productivity of 12 people by 10% \$1,280

*At the Schools:*

- Increased productivity of 60 people by 10% \$11,505

Total Increased efficiencies \$13,857

Increase yearly by 1.5% inflation	Year 1	Year 2	Year 3	Year 4	Year 5
	\$13,857	\$14,065	\$14,276	\$14,490	\$14,707

Total Benefits \$177,550 \$180,213 \$182,916 \$185,660 \$188,445

Cumulative benefits \$177,550 \$357,763 \$540,680 \$726,340 \$914,785

#### Step #4 Determining the Value

$$\text{VALUE} = \text{BENEFITS less COSTS}$$

Subtract cumulative expenses from cumulative benefits for five years

	Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative Benefits	\$177,550	\$357,763	\$540,680	\$726,340	\$914,785
AOIS Costs	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000
Cumulative Costs	\$54,000	\$108,000	\$162,000	\$216,000	\$270,000
Value	\$123,550	\$249,763	\$378,680	\$510,340	\$644,785
<b>Breakeven point</b>	<b>3.6 months</b>				
<b>Return on Investment</b>	<b>329%</b>	<b>331%</b>	<b>334%</b>	<b>336%</b>	<b>339%</b>

AOIS Proposal  
15 schools x  
\$3,600/schl/yr      \$54,000 per yr.