

# City of Philadelphia

## Report on Findings

### Executive Summary

**February 26, 2013**



**F T I**<sup>TM</sup>  
CONSULTING

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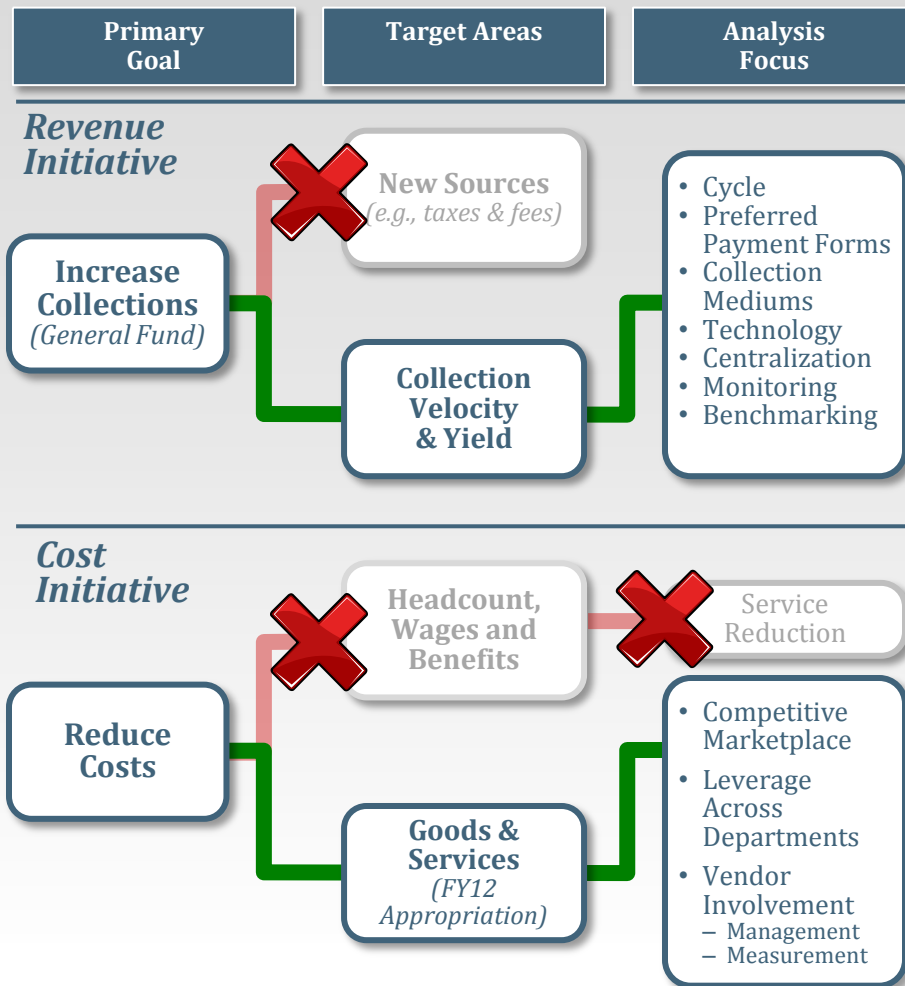
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# Our Scope and Approach

## Scope



## Approach

Hypothesize

Analyze

Validate /  
Adjust  
Hypotheses

Data Driven

Collaborative

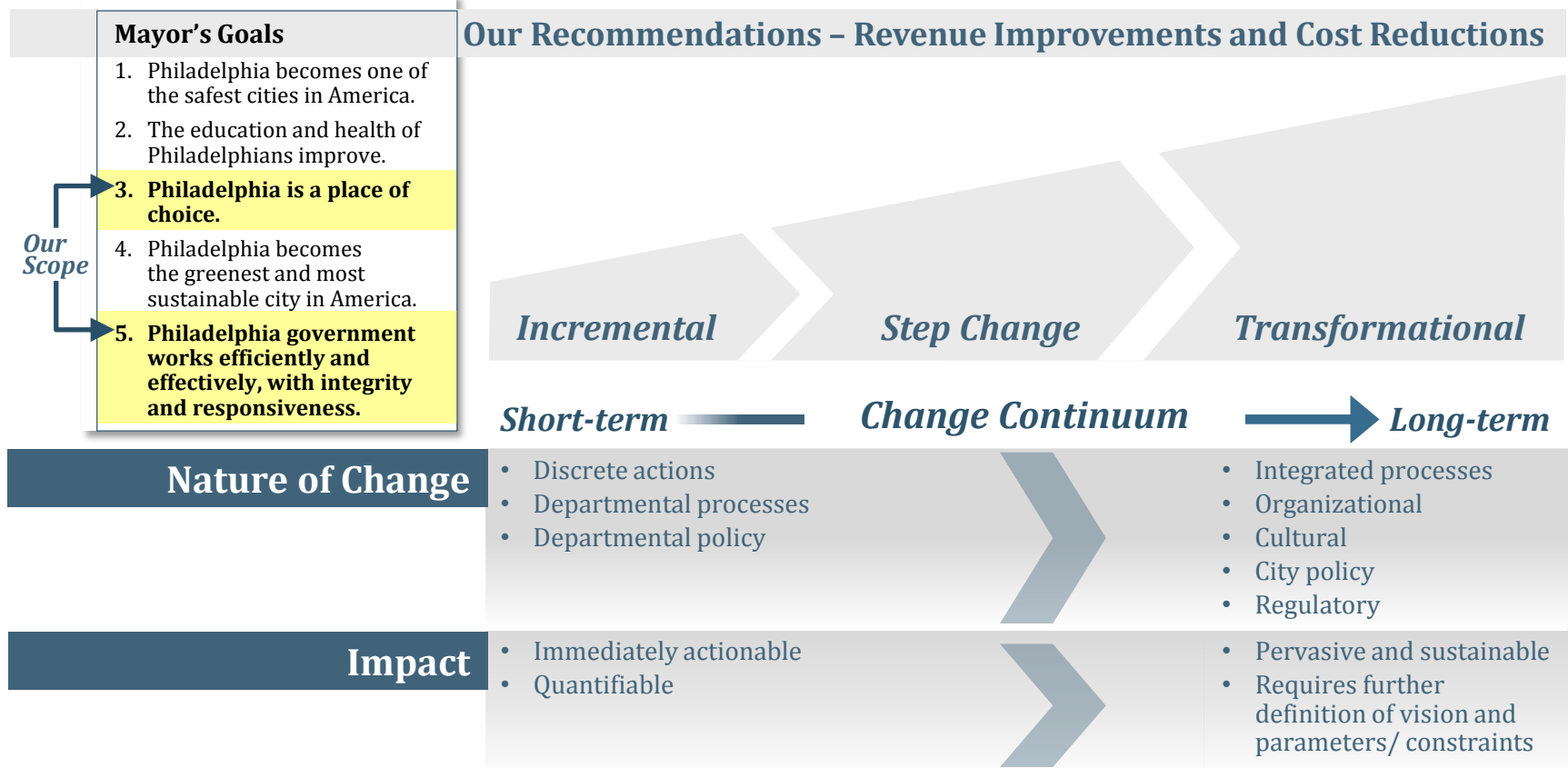
Iterative

**Categorize Recommendations**

**Prioritize Recommendations**

# Framework for Categorization of Recommendations

*Identified savings and revenue improvement opportunities were categorized into three categories along a change continuum, distinguishing longer-term potential transformation changes that rely on further definition of the City's vision for a "re-invented" Philadelphia, from those shorter-term actions that can be more immediately realized within the existing organization, culture, policy directives and regulatory constraints.*



## Executive Summary:

# Estimated Impact from Recommendations

The figures below represent the estimated impact from certain of FTI's recommendations where sufficient data was available for quantification. In addition to the amounts estimated below, FTI expects the City to realize substantial value from our other revenue and cost recommendations identified in this report deemed To Be Realized ("TBR")

| \$ in millions  |             | Low      |         | High     |          |
|---|-------------|----------|---------|----------|----------|
| Department (Category)                                 | Continuum   | One-Time | Annual  | One-Time | Annual   |
| Revenue Initiative                                    |             |          |         |          |          |
| 1. Fire (EMS Transport Fee Collection)                | Step Change | \$ 2.0   | \$ 2.5  | \$ 5.0   | \$ 5.5   |
| 2. OIT (Spectrum Monetization)                        | Incremental | -        | 0.2     | -        | 0.5      |
| 3. Streets (Refuse Collection Fee)                    | Incremental | 3.2      | -       | 3.2      | 1.5      |
| 4. Police (Reimbursable Overtime Program)             | Incremental | -        | 1.4     | -        | 2.7      |
| Subtotal Revenue Initiatives                          |             | \$ 5.2   | \$ 4.1  | \$ 8.2   | \$ 10.2  |
| Cost Initiative                                       |             |          |         |          |          |
| 1. Fleet (Fuel Cost Management)                       | Step Change | \$ -     | \$ 4.3  | \$ -     | \$ 4.3   |
| 2. Prisons (Act 22 Savings)                           | Incremental | 2.3      | 1.0     | 5.0      | 2.6      |
| 3. OIT (Verizon Bill Audit Results)                   | Incremental | 0.7      | -       | 0.7      | -        |
| 4. OIT (Verizon Policy Changes)                       | Step Change | 0.5      | 0.9     | 0.5      | 0.9      |
| 5. OIT (Repurpose Spectrum)                           | Step Change | -        | 0.3     | -        | 1.0      |
| 6. OIT (Eliminate Tower/Backhaul Leases)              | Step Change | -        | 1.0     | -        | 1.0      |
| 7. Energy (Efficiency Incentive Program)              | Step Change | -        | 0.2     | -        | 0.5      |
| 8. Department of Public Property (SEPTA Rebate)       | Incremental | 5.0      | -       | 5.0      | -        |
| 9. Space (Reducing Existing Leased Footprint)         | Step Change | (4.1)    | 3.4     | (16.6)   | 9.9      |
| Subtotal Cost Initiatives                             |             | \$ 4.4   | \$ 11.1 | \$ (5.4) | \$ 20.2  |
| Total Revenue and Cost Initiatives                    |             | \$ 9.6   | \$ 15.1 | \$ 2.8   | \$ 30.4  |
| Annualized over 5-year Strategic Plan                 |             | \$ 9.6   | \$ 75.6 | \$ 2.8   | \$ 152.1 |
| Total over 5-year Strategic Plan for General Fund     |             | \$85.2   |         | \$154.9  |          |
| Non-General Fund Opportunities                        |             |          |         |          |          |
| 1. Water (Unbilled Usage)                             | Step Change | \$ 2.0   | \$ -    | \$ 5.0   | \$ -     |
| 2. Water (A/R Amnesty Program)                        | Step Change | 7.5      | -       | 7.5      | -        |
| 3. Energy (LED Street Lighting)                       | Step Change | -        | 1.0     | -        | 1.0      |
| Total Non-General Fund Opportunities                  |             | \$ 9.5   | \$ 1.0  | \$ 12.5  | \$ 1.0   |
| Annualized over 5-year Strategic Plan                 |             | \$ 9.5   | \$ 5.0  | \$ 12.5  | \$ 5.0   |
| Total over 5-year Strategic Plan for Non-General Fund |             | \$14.5   |         | \$17.5   |          |

### Precision Key

|        |  |
|--------|--|
| High   |  |
| Medium |  |
| Low    |  |

#### Notes:

- The figures above are based on the best available data and the achievement of these savings is based on successful implementation

## Executive Summary:

# Revenue Collection – Process Recommendation

Collection of revenue is spread across many different departments, and all departments (aside from Revenue) are focused on their core purpose (e.g. Police, Fire, Streets) and revenue collection is a secondary duty, often performed by a third party

| Key Recommendations   | Estimated Impact            |   |
|---|-----------------------------|---|
| <p><b>A. Create a culture of accountability around collections (tax and non-tax)</b></p> <ol style="list-style-type: none"><li>1. Appoint a Chief Collections Officer whose duty is to increase collections<ol style="list-style-type: none"><li>i. Collectors of revenue across departments will all be reporting to one person, whose sole duty is to maximize collections through efficient practices</li><li>ii. Quickly identify negative trends in collections for corrective action</li><li>iii. Share best practices among departments and third party vendors</li></ol></li><li>2. Develop central reporting using uniform dashboards</li><li>3. Develop structures to incent departments to increase collections; tailoring incentives by department<ol style="list-style-type: none"><li>i. Work with budget office to set stretch targets with “revenue-share” agreements</li></ol></li><li>4. Require more explanation from departments on budget to actual variances in revenue collected</li></ol> | <p><b>One-Time:</b> N/A</p> | <p><b>Recurring:</b></p> <p><b>A1 – A4:</b> TBR</p> <p><b>Subtotal:</b> TBR</p> |

Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations

TBR = To be realized

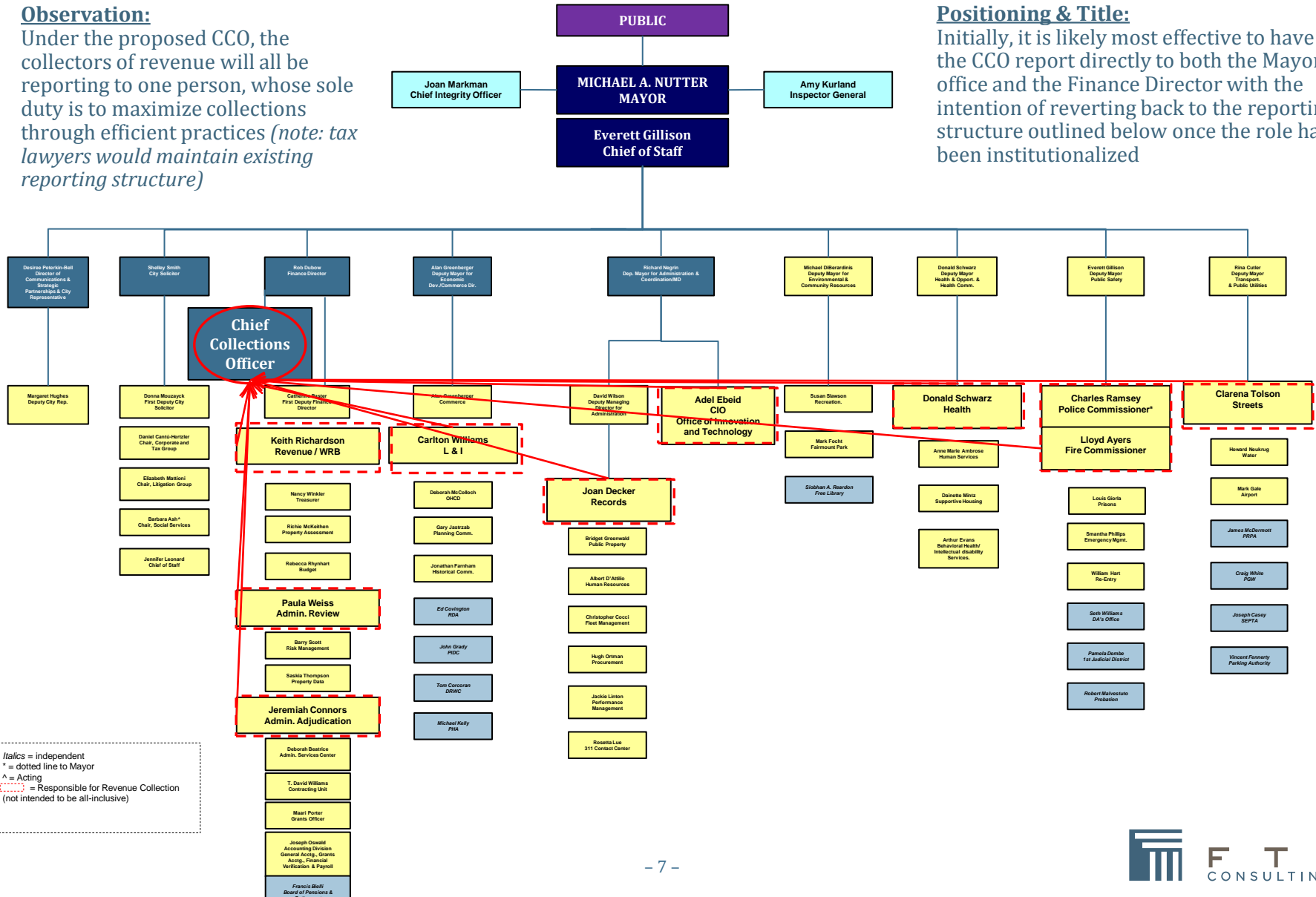
## Proposed Organizational Chart with Chief Collections Officer (“CCO”)

**Observation:**

Under the proposed CCO, the collectors of revenue will all be reporting to one person, whose sole duty is to maximize collections through efficient practices (*note: tax lawyers would maintain existing reporting structure*)

### Positioning & Title:

Initially, it is likely most effective to have the CCO report directly to both the Mayor's office and the Finance Director with the intention of reverting back to the reporting structure outlined below once the role has been institutionalized



# Revenue – Department Specific

| Key Recommendations   |  | Estimated Impact  |  |
|---|--|---|--|
| <ul style="list-style-type: none"> <li><b>Background</b> <ul style="list-style-type: none"> <li>Detailed data requested from the Revenue Department by FTI (other than real estate tax data) was not provided by the department, which cited privacy concerns</li> <li>As a result, FTI's observations with respect to the Revenue Department are limited to specific comments regarding collection improvement strategies with respect to real estate taxes</li> </ul> </li> </ul> <p><b>A. Additional real estate tax strategies</b></p> <ol style="list-style-type: none"> <li>Coordinate with mortgage companies on collecting delinquent real estate taxes</li> <li>Shorten on-time payment window and consider real estate taxes past due on 2/1 or 3/1 (vs. 3/31 today) – <i>(requires changes to the Code and potentially state law)</i></li> <li>Accelerate delinquency status timing (move up from 12/31 to 8/30, which is 5 months after the taxes are due) – <i>(requires changes to the Code and potentially state law)</i></li> <li>Publish delinquent taxpayer list and get press coverage</li> </ol> <p><b>B. Bring best practices to collection of non-real estate taxes</b></p> <ol style="list-style-type: none"> <li>Move more accounts down an enforcement path (86% of dollars are not with a collection agency, TRB, tax court, bankruptcy or payment agreement)</li> <li>Explore the effect of offering discounts for prompt payment</li> </ol> |  | <p><u>One-Time:</u></p> <p><b>A1 – B2:</b> TBR</p><br><p><b>Subtotal:</b> TBR</p> | <p><u>Recurring:</u></p> <p><b>A1 – B2:</b> TBR</p><br><p><b>Subtotal:</b> TBR</p> |
|   |  |   |  |
|   |  |   |  |

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## Executive Summary:

# Fire – EMS Transport Fee Collection

EMS collected \$34.3MM and \$27.2MM in FY11 and FY12, respectively. EMS collections are 21% behind budget for the first four months of FY13 and close to \$100MM in receivables billed by ACS (former collections vendor) in January 2012 and calendar year 2011 have not been actively chased as of November 2012. The City's collection rate through 10/12/12 was 12.9% vs. industry benchmarks of 45-60%

| Key Recommendations  | Estimated Impact   |  |
|--|--|--|
| <b>A. Intermedix (current collections vendor) Compensation Structure</b> <ol style="list-style-type: none"><li>1. Implement scaled pricing structure that increases the commission rate as Revenue to the City reaches certain thresholds</li><li>2. Require monthly meetings to set performance expectations and review results</li><li>3. Remove the fee cap (or increase cap if Charter prevents fee cap to incent Intermedix)</li></ol>  | <b>One-Time:</b><br><b>B1- B5: \$2.0MM - \$5.0MM</b><br><b>C1, C2: TBR</b> | <b>Recurring:</b><br><b>A1 – B5: \$2.5MM - \$5.5MM</b> |
| <b>B. Go Forward Collections &amp; Billing</b> <ol style="list-style-type: none"><li>1. Revise invoices to be more aggressive, encourage payment plans for uninsured, provide notice of referral to collection agencies</li><li>2. Employ collection agencies to collect receivables over 120 days old</li><li>3. Require outbound calling for uninsured; encouraging payment plans or potential settlement discounts</li><li>4. Increase contracting with more insurance companies to ensure payments are sent directly to the City and not through the patient (despite potential rate cap that may ensue)</li><li>5. Increase focus on self-pay, or uninsured, population to improve collections. Only 235 of 46,350 Self Pay accounts that have been billed since February 2012 have made a payment (as of 10/12/12)</li></ol> | <b>Subtotal: \$2.0MM - \$5.0MM</b>   | <b>Subtotal: \$2.5MM - \$5.5MM</b>                     |
| <b>C. Legacy ACS Outstanding Balances</b> <ol style="list-style-type: none"><li>1. Aggressively track the status of claims with Medicare, Medicaid and insurance companies related to ACS receivables</li><li>2. Offer a discount to uninsured accounts for prompt payment of ACS receivables through an outbound calling campaign</li></ol>   |  |  |

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## Executive Summary:

# OIT – Wireless Network

The principal assets comprising the wireless network are spectrum (Public Safety Band Spectrum and 6 GHz backhaul spectrum) and the equipment previously purchased. The Public Safety Band has been allocated to the City by the FCC. The 6 GHz spectrum is unlicensed

| Key Recommendations  | Estimated Impact   |
|--|--|
| <p><b>A. Monetize / Utilize Idle Assets</b></p> <ol style="list-style-type: none"> <li>Develop an RFI to determine interest from carriers to provide the City a managed network service using the 50 MHz of available spectrum (i.e., the Public Safety Band Spectrum), enabling new, high availability services for first responders while minimizing the capital outlay by the City               <ol style="list-style-type: none"> <li>Commercial carriers are interested in the spectrum to migrate video services from their current networks</li> <li>FTI's estimates are based upon an estimated revenue-share model that would enable the carrier to use excess capacity within the Public Safety band for commercial purposes (no current comparable transactions exist)</li> </ol> </li> <li>Where appropriate, implement microwave links (6 GHz spectrum) to replace recurring costs with Verizon               <ol style="list-style-type: none"> <li>i.e., replace service currently provided by Verizon with existing City assets, which would entail implementation costs but yield recurring savings</li> <li>The City must analyze the cost benefit on a building-by-building basis, to include the additional cost of site acquisition for antennas and radio systems</li> </ol> </li> </ol> <p><b>B. Eliminate carry costs for outdated technology whereby investments costs necessary to bring technology current outweigh benefit of network</b></p> <ol style="list-style-type: none"> <li>Eliminate tower/site leases where possible (note - Some sites will have to be maintained to implement the microwave links listed above)</li> <li>Eliminate Zayo (provider of fiber bandwidth services) internet backhaul contract; or repurpose the contract to eliminate other expense               <ol style="list-style-type: none"> <li>Current contract is unused as it was originally intended to support a City wide WiFi rollout</li> </ol> </li> </ol> | <p><b>One-Time:</b> N/A</p> <p><b>Recurring:</b></p> <p><b>A1: \$0.15MM-\$0.5MM</b></p> <p><b>A2: \$0.25MM - \$1.0MM</b></p> <p><b>B1: \$0.6MM</b></p> <p><b>B2: \$0.4MM</b></p> <p><b>Subtotal: \$1.4MM-\$2.5MM</b></p> |

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## Executive Summary:

# Water – Increased Collections

The Water Revenue Bureau's A/R grew 12% over the past 2 years (excluding storm water charges and City accounts). Additionally, over 10,000 accounts have received at least four months of zero use bills (i.e., active accounts that are only being charged service fees and not for their water and sewer usage)

| Key Recommendations   | Estimated Impact  |  |
|---|---|--|
| <p><b>A. Unbilled water usage</b></p> <ol style="list-style-type: none"> <li>1. Water Department should hire additional crews on a temporary basis to deal with with the backlog of zero-read meters, receive readings from these meters and bill for water that has been used</li> <li>2. Waive 50% of charges related to usage over 12 months old (once a meter is properly read) and waive penalties</li> </ol> <p><b>B. Amnesty program</b> <i>(requires passing of an ordinance)</i></p> <ol style="list-style-type: none"> <li>1. Provide a one-time amnesty of penalties in exchange for paying the “principal” in full</li> </ol> <p><b>C. Shorten billing and shut off timeline</b></p> <ol style="list-style-type: none"> <li>1. Revise the billing timeline to payment due in 15 days, with penalties accruing after that point (vs. currently being due in 23 days and penalties accruing at 61 days) - <i>(requires passing of an ordinance)</i></li> <li>2. Revise the shut off timeline to 1 shut-off notice for residential properties (vs. 2 notices today) - <i>(requires changes to state law)</i></li> </ol> <p><b>D. Review and publicize large delinquent accounts more frequently</b></p> <ol style="list-style-type: none"> <li>1. Monitor delinquent accounts over \$15,000 more strategically</li> <li>2. Publish a list of high dollar amount delinquent accounts once a quarter and create a press release for the media each time to help keep focus on the issue</li> </ol> <p><b>E. Encourage automatic monthly payment with Zipcheck</b></p> <ol style="list-style-type: none"> <li>1. Offer a one-time discount for signing up (with a 6 month commitment required)</li> </ol> <p><b>F. Explore termination or modification to moratorium</b> <i>(requires passing of legislation)</i></p> | <p><b><u>One-Time:</u></b></p> <p><b>A1 – A2: \$2.0MM - \$5.0MM</b></p> <p><b>B1: \$7.5</b></p><br><p><b>Subtotal: \$9.5MM - \$12.5MM</b></p> | <p><b><u>Recurring:</u></b></p> <p><b>C1 – F: TBR</b></p><br><p><b>Subtotal: TBR</b></p> |

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Source: FTI Analysis

## Streets – Refuse Collection Fee

*Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations*

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## Executive Summary:

# Police – Reimbursable Overtime Program

The Reimbursable Overtime Program has been established to provide the opportunity for the Police Department to contract out sworn police personnel, not scheduled for district/unit assignment, and equipment at established rates (“cost” plus 10% administrative fee) to serve as an additional deterrent to crime through their presence

| Key Recommendations  | Estimated Impact            |   |
|--|-----------------------------|---|
| <p><b>A. Changes to Billing Rate</b></p> <ol style="list-style-type: none"><li>1. Implement cost recapture adjustment to personnel hourly billing rate to include benefits cost (~20% increase); phased in ratably over two years beginning April 1, 2013<ol style="list-style-type: none"><li>i. With this adjustment, the City’s pricing structure will fully include the cost of putting an uniformed officer “on the street”</li><li>ii. Officers are made available for private hire as a result of their fully loaded cost being borne by the City</li></ol></li><li>2. Communicate plan proactively to top 25 customers</li><li>3. Review pricing of vehicle / equipment rates annually, working in conjunction with the Fleet department and maintain the supporting records on file</li></ol> <p><b>B. Operational Changes</b></p> <ol style="list-style-type: none"><li>1. Implement system to improve controls and automate customer request-to-billing process<ol style="list-style-type: none"><li>i. Currently this is handled through manual paperwork completion</li></ol></li><li>2. Implement online payment function<ol style="list-style-type: none"><li>i. Current ACH process is telephonic and prohibits customers from paying multiple invoices with ease (e.g., have to enter in payer information for each invoice, instead of entering once for all outstanding invoices)</li></ol></li></ol> | <p><b>One-Time:</b> N/A</p> | <p><b>Recurring:</b></p> <p><b>A1: \$1.4MM - \$2.7MM</b></p> <p><b>A2 – B2: TBR</b></p> <p><b>Subtotal: \$1.4MM - \$2.7MM</b></p> |

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Source: FTI Analysis

# OAR – Revenue Streams

| Key Recommendations  |  | Estimated Impact  |  |
|--|--|---|--|
| <b>A. Increased Coordination</b> <ol style="list-style-type: none"> <li>1. Increase coordination with alarm companies OR compel alarm companies to operate in compliance with Code (Burglar Alarm License)               <ol style="list-style-type: none"> <li>i. Philadelphia Code puts the onus for billing and collecting on the alarm company; however, in practice, the City is the party handling the billing / collecting without support from the alarm companies</li> </ol> </li> <li>2. Improve data capturing process at dispatch level to increase accuracy of billing information to translate into higher collections (False Alarm Fine)               <ol style="list-style-type: none"> <li>i. e.g., Provide 911 dispatch a formal guide on the specific information required to be captured</li> </ol> </li> </ol> |  | <b>One-Time:</b><br><b>A1 – C4: TBR</b><br><br><b>Subtotal: TBR</b> | <b>Recurring:</b><br><b>A1 – C4: TBR</b><br><br><b>Subtotal: TBR</b> |
| <b>B. Collections and Billing</b> <ol style="list-style-type: none"> <li>1. Offer a one-time increase in the ACS commission rate (e.g., 25%) for collections of accounts greater than 120 days outstanding as of a certain date (e.g., 12/31/12)</li> <li>2. Require outbound calling, encouraging payment plans or potential settlement discounts</li> <li>3. Employ collection agencies to collect receivables over 120 days old</li> </ol>  |  |   |  |
| <b>C. Amend ACS Compensation Structure</b> <ol style="list-style-type: none"> <li>1. Implement scaled pricing structure that increases the commission rate as annual revenue reaches certain thresholds</li> <li>2. Require monthly meetings to review performance</li> <li>3. Ensure ACS management is well aware of the City's revenue goals and stretch goals for these fees / fines</li> <li>4. Remove the fee cap (or increase cap to improve optics if Charter prevents fee cap)</li> </ol>  |  |   |  |

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# Licenses & Inspections

| Key Recommendations   |  | Estimated Impact        |                          |
|---|--|-------------------------|--------------------------|
| <b>A. Operational Changes</b>   |  | <b><u>One-Time:</u></b> | <b><u>Recurring:</u></b> |
| <ol style="list-style-type: none"> <li>1. In addition to the educational campaign on rationale/benefits of uniform licensing and inspection protocols, administer more aggressive public campaign on ramifications for non-compliance               <ol style="list-style-type: none"> <li>i. Effort will expand self-reporting population, where the overwhelming majority of revenue results from self-reporters and not through enforcement</li> </ol> </li> <li>2. Reorient agents to focus more on enforcement; consider assessing penalties on the operations-side to compel compliance</li> <li>3. Ensure business transformation process is being actively managed in connection with systems upgrade               <ol style="list-style-type: none"> <li>i. i.e., the expected new system is not the sole solution – need to reform business process for effective implementation</li> <li>ii. L&amp;I appears to be keenly aware of the change management aspects of this potentially multi-year project</li> </ol> </li> <li>4. Ensure linkage exists between new system and TIPS               <ol style="list-style-type: none"> <li>1. e.g., automated flags in the system to alert L&amp;I personnel when an application has been submitted do work at an address that is delinquent on its property taxes</li> </ol> </li> </ol> |  | <b>A1 – B2: TBR</b>     | <b>A1 – B2: TBR</b>      |
|   |  | <b>Subtotal: TBR</b>    | <b>Subtotal: TBR</b>     |
| <b>B. Prohibit use of personal checks</b>   |  |                         |                          |
| <ol style="list-style-type: none"> <li>1. On average, approximately \$255,000 in checks have bounced in each of the last four fiscal years from businesses and individuals</li> <li>2. It is unlikely the City would be able to prohibit the use of business checks given the substantial volume of licenses and permits that are currently paid through check; however, the City may be able to incorporate such a policy change in connection with A2 above</li> </ol>  |  |                         |                          |

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## Executive Summary:

# Purchasing

There may be a significant opportunity to reduce the cost of purchased goods and services by re-engineering the purchasing processes

| Key Recommendations  |  | Estimated Impact        |                         |
|--|--|-------------------------|-------------------------|
| <p>A. Expand charter of professional services group to include centralized vendor / contract management of Professional Services contracts and consider consolidating Professional Services and SS&amp;E purchasing functions into a single organization – a <i>Purchasing Center of Excellence</i> – to capture benefits of shared learning, best practices, and organizational development</p> <p>B. Implement vendor / contract management best practices including ongoing compliance monitoring, establishment of key performance metrics for major vendors, linkage of key performance metrics to contracts, implementation of continuous improvement requirements, and implementation of vendor scorecards for key vendors</p> <p>C. Consider expanding the use of major category buyers (i.e., create category buyers for more categories) and continue leveraging in-house department knowledge by teaming with buyers in centralized purchasing functions</p> <p>D. Establish best practices to enhance market research process and capabilities to support major category buyers and process (e.g., conducting exit interviews, regular focus groups for major buying categories and across major buying categories)</p> <p>E. Support implementation of an eProcurement system to automate the purchasing process and provide a richer data environment for the analysis and management of competitively bid SS&amp;E contracts, and to provide a substantially improved unified front-end for both Professional Services and SS&amp;E vendors</p> <p>F. Continue to aggressively pursue co-operative SS&amp;E purchasing opportunities</p> <p>G. Consider multiple rounds of bidding as part of the SS&amp;E purchasing process (i.e., publish winning bid after round 1 and open bidding process again)</p> <p>H. Broaden composition and scope of the PhillyStat working group focused on increasing competition in purchasing</p> <ol style="list-style-type: none"> <li>1. Add vendors to the working group</li> <li>2. Establish a process and identify tools (e.g., “exit interviews” for vendors who elect not to pursue contract opportunities, focus groups, surveys) to understand key drivers of vendor behavior (i.e., decisions to pursue or not pursue opportunities and pricing decisions); utilize this process and toolkit to support the working group’s analyses and transition to the City’s purchasing functions to embed in their processes</li> <li>3. Charter a sub-Committee to the PhillyStat working group to: (i) quantify the impact of suppressed competition on City costs resulting from social policies and practices; (ii) quantify the impact on City costs of each element of current standard terms and conditions and any other identified cost drivers affecting vendor pricing – build Vendor Cost Waterfalls; (iii) utilize these cost assumptions to facilitate a comprehensive review of terms and conditions and other city policies and practices to recalibrate as appropriate</li> </ol> |  | <b>One-Time:</b>        | <b>Recurring:</b>       |
|  |  | <b>A-H: TBR</b>         | <b>A-H: TBR</b>         |
|  |  | <b>Subtotal:</b><br>TBR | <b>Subtotal:</b><br>TBR |

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# Executive Summary:

## Fleet

| Key Recommendations   | Estimated Impact            |  |
|---|-----------------------------|--|
| <p><b>A. Fuel Cost Management</b></p> <ol style="list-style-type: none"> <li>1. Implement hedging program by (i) contracting with a third party for this service (e.g., financial institution, hedging specialty firm), (ii) working with existing fuel supplier (in consultation with external advisor), or (iii) hiring an expert in-house             <ol style="list-style-type: none"> <li>i. FTI's illustrative hedging program (using a financial hedge approach), if employed in FY12, would have reduced the fuel deficit by \$4.3MM (\$2.7MM related to gasoline and \$1.6MM related to diesel)</li> <li>ii. Evaluate current and expected market prices when setting budgeted per gallon fuel costs</li> </ol> </li> <li>2. Form fuel-purchasing partnership with SEPTA to achieve lower per-gallon rates</li> </ol> <p><b>B. Asset Life-Cycle Management (i.e., vehicles)</b></p> <ol style="list-style-type: none"> <li>1. Develop monthly dashboard reporting through new system to track key metrics driving asset-management policies / targets             <ol style="list-style-type: none"> <li>i. Asset management system overhaul is step in right direction to improving operations management</li> </ol> </li> </ol> <p><b>C. Asset Purchasing &amp; Departmental Accountability for Usage</b></p> <ol style="list-style-type: none"> <li>1. Explore budgetary mechanisms to hold departments accountable for the usage and replenishment of Fleet assets (e.g., vehicles) as these interests are currently not aligned</li> </ol> | <p><b>One-Time:</b> N/A</p> | <p><b>Recurring:</b></p> <p><b>A1: \$4.3MM</b></p> <p><b>A2:</b> TBR</p> <p><b>B1:</b> TBR</p> <p><b>C1:</b> TBR</p> <p><b>Subtotal: \$4.3MM</b></p> |

Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations

TBR = To be realized

# Prisons – Act 22 Savings

| Key Recommendations   | Estimated Impact  |  |
|---|---|--|
| <ul style="list-style-type: none"><li>▪ <b>Background</b><ul style="list-style-type: none"><li>• Act 22 caps the fees and rates that medical providers can charge for health care services provided to inmates in county and state correctional facilities; a portion of these costs are funded by the federal government (“Qualified Inpatient Match”)</li><li>• As a result of Act 22, the cost per inmate for inpatient care should decline by 50%, at the very minimum, with additional savings realized from Qualified Inpatient Match inmates</li></ul></li></ul> <p><b>A. Act 22 Savings</b></p> <ol style="list-style-type: none"><li>1. Liquidate any encumbrances remaining from FY12 and FY13 to capture these savings</li><li>2. Decrease FY14 budget to reflect the decreased run-rate</li></ol> | <p><b><u>One-Time:</u></b></p> <p><b>A1: \$2.3MM - \$5.0MM</b></p> <p><b><u>Subtotal:</u> \$2.3MM - \$5.0MM</b></p> | <p><b><u>Recurring:</u></b></p> <p><b>A2: \$1.0MM - \$2.6MM</b></p> <p><b><u>Subtotal:</u> \$1.0MM - \$2.6MM</b></p> |

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# OIT – Verizon Voice and Data Charges

FTI partnered with Technolab Corporation to assist with the Verizon voice and data charge audit

| Key Recommendations                   |   | Estimated Impact         |                          |
|---------------------------------------|---|--------------------------|--------------------------|
| <b>A. Billing Errors</b>              | 1. Enlist 3 <sup>rd</sup> party specialist for comprehensive bill auditing at least annually  | <u>One-Time:</u>         | <u>Recurring:</u>        |
|                                       | 2. Include desired specifications to improve Verizon’s online customer interface during the next contract renewal (or within the RFP) and explore expanding in-house applications to improve tools available to assist OIT with its monthly bill review | <b>A1: \$0.7MM</b>       | <b>A1: TBR</b>           |
| <b>B. Policy Change / Enforcement</b> |   | <b>B2: \$0.5MM</b>       | <b>A2: TBR</b>           |
|                                       |   | <b>B5: TBR</b>           | <b>B1: \$0.3MM</b>       |
|                                       |   | <b>B6: TBR</b>           | <b>B2: \$0.5MM</b>       |
|                                       | 1. Track federal, state and local tax charges on a monthly basis, formally record amounts and require supervisor review / sign-off  |                          | <b>B3: \$0.05MM</b>      |
|                                       | 2. Charge Pension, Aviation and Water for their telecom usage, formally record amounts and require supervisor review / sign-off   |                          | <b>B4: \$0.01MM</b>      |
|                                       | i. Charges related to the Pension and Aviation funds were identified and it is not clear how the charges compare with the Purchase Orders issued towards the beginning of the fiscal year to cover such charges   |                          | <b>B5: TBR</b>           |
|                                       | ii. Charges should be tracked on a monthly basis by OIT (e.g., 215-496 extensions and charges related to 215-937-6800)  |                          | <b>B6: TBR</b>           |
|                                       | iii. Require separate invoicing from Verizon on non-General Fund accounts   |                          |                          |
|                                       | 3. Block outbound 411 calls from City lines   |                          |                          |
|                                       | 4. Apply 3 <sup>rd</sup> party billing block on all accounts that were “slammed” in the past year   |                          |                          |
|                                       | 5. Review usage by user periodically to ensure appropriate business usage   |                          |                          |
|                                       | i. FTI noted there is a wide range of monthly charge amounts for individuals; this may be justified based on usage, but as a matter of policy the City should confirm via selected audits of employee usage   |                          |                          |
|                                       | 6. Verify Local Rate Discount is Being Applied  |                          |                          |
|                                       |   | <b>Subtotal: \$1.2MM</b> | <b>Subtotal: \$0.9MM</b> |

Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations

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## Executive Summary:

# OIT – Architecture Development

FTI participated in an all-day working session with OIT and concurs with the current overall approach of prioritizing the architecture to gain key user awareness of the benefits of unified communications

| Key Recommendations  |  | Estimated Impact                          |  |
|--|--|---|--|
| <p><b>A. Upgrade OC-48 systems with 10G MPLS systems, which will better support implementation of higher reliability network services later</b></p> <p><b>B. Initiate site surveys to develop better understanding of both location and organizational communications requirements</b></p> <p><b>C. Initiate the development of “On Demand” services RFP</b></p> <ol style="list-style-type: none"><li>1. On demand services would enable the City to minimize idle capacity; paying only for what the City uses rather than fixed “pipes”</li><li>2. Baseline architecture needs to be documented, as well as financially modeled, to best leverage the capabilities of on-demand and other cloud services</li></ol> <p><b>D. Concurrent with development of the RFP, OIT needs to refine key policies to ensure the City can support user requirements while managing costs</b></p> <ol style="list-style-type: none"><li>1. Policy definition and enforcement are equally important</li></ol> <p><b>E. Other Areas for Further Analysis</b></p> <ol style="list-style-type: none"><li>1. Implement process such that OIT can identify other City planned fiber builds to better leverage grants to other departments for telecom infrastructure</li><li>2. On-Demand RFP development</li><li>3. Creation of financial model to forecast both capital and operational costs of the targeted network</li><li>4. Opportunities to create value added services for City residents</li></ol> |  | <p><u>One-Time:</u></p> <p>A – E: TBR</p> | <p><u>Recurring:</u></p> <p>A – E: TBR</p> |

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# Energy Office – Energy Efficiency

| Key Recommendations  | Estimated Impact  |                      |  |
|--|---|----------------------|--|
| <ul style="list-style-type: none"> <li>▪ <b>Background</b> <ul style="list-style-type: none"> <li>• The City spends ~\$21MM on electricity for the department’s under the General Fund. Tracking and payment of energy bills is done centrally, therefore departments do not have an incentive to curb their day-to-day energy use</li> <li>• The City spends another ~\$10MM on electricity for street lighting, with ~75% of this cost relating to distribution (including a monthly fee for poles), which depends on PECO’s rates. The City has done extensive work to bring down these costs, even taking legal action. The other 25% of this cost relates to supply, which could be reduced through LED bulbs</li> </ul> </li> <li>A. <b>Energy efficiency measures</b> <ol style="list-style-type: none"> <li>1. Implement an Energy Efficiency Incentive Program                             <ol style="list-style-type: none"> <li>i. Begin a pilot program of a few departments and focus solely on electricity usage</li> <li>ii. Split any savings 50/50 between the General Fund and the department</li> <li>iii. Once all departments are participating, this could result in \$0.2MM - \$0.5MM in savings to the General Fund (assuming a 2% – 5% decrease from current usage)</li> </ol> </li> <li>2. Explore an LED lighting program for street lights                             <ol style="list-style-type: none"> <li>i. On average, other municipalities have experienced 43% energy savings annually by installing LED bulbs in street lights (which we understand to have an average useful life of 10 years, however, the technology is constantly improving)</li> <li>ii. Financing for these programs are available through many sources, including Energy Funds, Federal Stimulus, and local tax dollars with many rebates and credits offered as an incentive to go with selected utility providers</li> </ol> </li> </ol> </li> </ul> | <table border="1"> <tr> <td data-bbox="1290 368 1570 1289"><b>One-Time:</b> N/A</td><td data-bbox="1580 368 1860 1289"> <b><u>Recurring:</u></b><br/><br/> <b>A1: \$0.2MM - \$0.5MM</b><br/><br/> <b>A2: \$1MM</b><br/><br/> <b>Subtotal: \$1.2MM - \$1.5MM</b> </td></tr> </table> | <b>One-Time:</b> N/A | <b><u>Recurring:</u></b><br><br><b>A1: \$0.2MM - \$0.5MM</b><br><br><b>A2: \$1MM</b><br><br><b>Subtotal: \$1.2MM - \$1.5MM</b> |
| <b>One-Time:</b> N/A   | <b><u>Recurring:</u></b><br><br><b>A1: \$0.2MM - \$0.5MM</b><br><br><b>A2: \$1MM</b><br><br><b>Subtotal: \$1.2MM - \$1.5MM</b>  |                      |  |

Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations

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# Energy Office – PECO Bill Review

| Key Recommendations   |  | Estimated Impact        |                          |
|---|--|-------------------------|--------------------------|
| <ul style="list-style-type: none"><li>▪ <b>Background</b><ul style="list-style-type: none"><li>• The City tracks and pays for electricity centrally, though PECO provides a separate bill for each department in PDF and hard copy (and a combined excel version of the bill). Usage is billed monthly, by meter, based on kilowatt hours (“KWh”)</li><li>• Based on the sample comparison of excel and PDF bills, there are variances that need to be explored further by a dedicated energy bill auditor</li></ul></li></ul> <p><b>A. PECO bill auditor</b></p> <ol style="list-style-type: none"><li>1. Finalize and issue an RFP for a PECO bill auditor<ol style="list-style-type: none"><li>i. Review past and incoming bills for overcharges, double billing, usage / metering errors, contract violations, improper application of public regulation, improper application of local, state or federal regulations and statutes, or other billing mistakes</li></ol></li></ol> |  | <u><b>One-Time:</b></u> | <u><b>Recurring:</b></u> |
|   |  | <b>A1:</b> TBR          | <b>A1:</b> TBR           |
|   |  | <b>Subtotal:</b> TBR    | <b>Subtotal:</b> TBR     |

Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations

TBR = To be realized

# Department of Public Property – SEPTA Rebate (Act 44 of 2007)

| Key Recommendations  |  | Estimated Impact  |  |
|--|--|---|--|
| <ul style="list-style-type: none"><li>▪ <b>Background</b><ul style="list-style-type: none"><li>• One of the provisions of the 2007 Act 44 is a requirement for government entities (federal, state and local) to fund SEPTA's expected operating deficit<ul style="list-style-type: none"><li>– Pennsylvania Act 44 of 2007 was implemented in July 2007; therefore, FY08 is the first fiscal year impacted by the legislation</li><li>– The City's General Agreement with SEPTA provides a mechanism for SEPTA to refund any unused City-provided subsidies</li></ul></li></ul></li></ul> <p><b>A. SEPTA "Rebate"</b></p> <ol style="list-style-type: none"><li>1. Apply for refunds or credits against the next fiscal year's subsidy for the total annual contributions to SEPTA that have exceed the City's actual obligations since FY08</li><li>2. Perform this reconciliation on an annual basis for application to the following fiscal year's subsidy</li></ol> |  | <b><u>One-Time:</u></b><br><br><b>A1: \$5.0MM</b><br><br><br><b>Subtotal: \$5.0MM</b> | <b><u>Recurring:</u></b><br><br><b>A2: TBR</b><br><br><br><b>Subtotal: TBR</b> |
|  |  |   |  |

Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations

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Source: FTI Analysis

# Department of Public Property – Capital Projects

*Refer to the body of the report for the supporting analyses and expanded commentary / observations regarding our recommendations*

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## Executive Summary:

# Department of Public Property – Space

The Mayor's Task Force on City-owned Facilities will issue a report on City leases, potential real estate opportunities, maintenance strategies and on facilities that may be sold, closed or merged. FTI met with this Task Force and shaped our scope accordingly so that we would not overlap responsibilities

| Key Recommendations  | Estimated Impact  |  |
|--|---|--|
| <p><b>A. Reduce Existing Leased Footprint</b></p> <ol style="list-style-type: none"> <li>Move employees from leased to owned office space as feasible based on corporate measures of space utilization               <ol style="list-style-type: none"> <li>Corporates are now targeting 160-175 square feet per employee (some even less) vs. 250 sq. ft. where the City is today</li> </ol> </li> <li>Implement “benching” or “hoteling” for field staff               <ol style="list-style-type: none"> <li>Several field staff work outside the office but have the same size office space dedicated to them as employees who work full-time from the office</li> <li>It is becoming the norm in the private sector to deploy policies such as “hoteling” or “benching” for field staff; some companies are targeting square feet per employee ratios of ~60 as a result (moving towards cloud computing is also likely a factor)</li> </ol> </li> <li>Review document retention policy and match department space requirements accordingly; including, migrating to more electronic delivery / retention of documents</li> </ol> <p><b>B. Conduct annual “census” through Budgeting Process</b></p> <ol style="list-style-type: none"> <li>The City is not readily able to quantify the vacant square footage in owned or leased office space</li> <li>Departments do not regularly report changes in headcount / location and resultant space usage to Public Property</li> </ol> <p><b>C. Invest in space management / floor plan optimization software or engage service providers</b> to (i) dynamically capture existing footprint, headcount, etc. within the triplex, (ii) have concrete data to rely upon when faced with space decisions, and (iii) assist public property in pro-actively managing the City's office space</p> | <p><b>One-Time:</b></p> <p><b>A1: (\$4.1MM) to (\$16.6MM)<sup>(1)</sup></b></p> <p><b>A2: TBD</b></p> <p><b>A3 – C: TBR</b></p> <p><b>Subtotal: TBR</b></p> | <p><b>Recurring:</b></p> <p><b>A1: \$2.3MM to \$8.5MM<sup>(1)</sup></b></p> <p><b>A2: \$1.1MM to \$1.4MM</b></p> <p><b>A3 – C: TBR</b></p> <p><b>Subtotal: TBR</b></p> |

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Source: FTI Analysis

(1) – Payback period ranges from 1.7 years to 1.9 years to recoup estimated moving / construction costs necessary to achieve go-forward savings

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