

BUSINESS EFFECTIVENESS

Managing Change

Opportunities for Municipal Efficiency and Effectiveness

City of Tulsa Project Summary
September 1, 2010

ADVISORY



The Need for Change

The Need for Change

External Environment

Coinciding with the arrival of a new Mayoral administration in December 2009, the economic pressures facing the City of Tulsa (City) had grown to historic proportions. A 14.5% year-over-year decline in sales tax revenues was sustained, requiring the City to cut services by 4.4% across all departments, including critical public safety and infrastructure services (source: www.tulsaworld.com).

Project Objectives

Looking for a more strategic response to the external environment, the City of Tulsa (City) and Tulsa Community Foundation (Foundation) engaged KPMG LLP (KPMG) to perform a strategic review of all services provided across the twenty (20) departments under the responsibility of the Mayor and City Auditor. The objectives of the review were to:

1. Develop an inventory of all services provided by the City, providing a comprehensive look into government operations.
2. Systematically identify strategic opportunities to reduce cost, generate revenue, and enhance efficiency to help the City sustain the delivery of its core services while meeting the challenges of a new economic reality.

Project Scope

The scope of this review included the City departments listed below and excluded services provided by the Tulsa Airport Authority, Gilcrease Museum, and City Council. Departments are presented as internal or external based on the primary customer base served.

Internal Departments		External Departments	
Communications	Information Technology	Development Services	Parks and Recreation
Finance	Internal Auditing	Equipment Management	Performing Arts Center
Grants Administration	Legal	Event Centers	Planning
Human Resources	Mayor's Office	Fire	Police
		Human Rights	Public Works
		Municipal Courts	Working in Neighborhoods



The Need for Change

Mayor's Priorities

In response to the external economic pressures impacting the City's financial position, Mayor Bartlett created a set of strategic priorities to define the critical services necessary to sustain the citizens of Tulsa. The Mayor's strategic priorities are described below.

Priority	Description
I. Enterprising Government	Restore the core functions of municipal government through a delivery system that maximizes the limited financial resources yet provides the highest quality of City services expected by the citizens.
II. Economic Development	Promote sustainable economic development and job growth by supporting the retention and expansion of existing businesses and enhancing the marketability of the available usable space for commercial development.
III. Energy Innovation	Promote sustainable energy usage and conservation measures on City of Tulsa buildings and property, to support the deployment of energy innovation to private and commercial property owners, and to promote the economic development of energy industries, both traditional and alternative.
IV. Community Development	To embrace the importance of the quality of life in the community through proactive management and dedicated resources supporting neighborhoods, education, planning, and beautification.
V. Public Safety and Justice	Public safety is one of the key core services of the City. The primary focus is to protect and serve the citizens to the best of our capacity.

Project Leadership

Leadership and guidance was provided by Mayor Bartlett and the Strategic Review Steering Committee, comprised of local business and philanthropic leaders as well as representatives of the City Council, Mayor's Office, and Tulsa Board of County Commissioners. Members provided oversight and approval of the KPMG methodology, validated the potential strategic opportunities identified, and selected the key initiatives to be pursued by the City. KPMG gave consideration to comments provided by the City and Steering Committee members and incorporated revisions as appropriate.



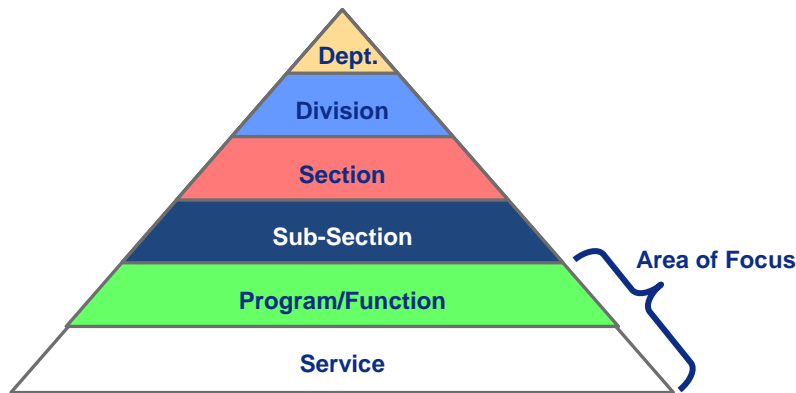
Identifying Opportunities for Change

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Project Approach

A systematic process was employed by KPMG to inventory City services and identify potential opportunities to reduce cost, generate revenue, and enhance efficiency. This approach is based on leading practices in service performance evaluation and improvement employed by both government and commercial sector organizations. Key phases in the process are described below.

- Service Inventory and Budget Allocation:** KPMG worked closely with City personnel to inventory 1,512 services across the twenty (20) departments within scope. City personnel then allocated budgeted cost, full-time equivalent, and revenue figures to inventoried services to identify estimated costs and revenues associated with performing each service as indicated below.



Key Characteristic	Totals
Full-Time Equivalents	3,900.6
Number of Services	1,512
Estimated Services Cost	\$420,388,200
Estimated Services Revenue	\$408,521,000

Estimated service cost and revenues may vary from budgetary totals as amounts related to out-of-scope agencies and capital budgets were not included in this analysis. Figures were provided by City personnel and were not verified or audited by KPMG.

- Survey and Scorecard Process:** A survey questionnaire was distributed to 457 City personnel to gather detailed operational data for each inventoried service. Service-level data was provided by City personnel and was not verified or audited by KPMG. Once received, service-level information was analyzed utilizing a standard scorecard process across four assessment areas: Mandate, Alignment, Structure, and Performance.

Identifying Opportunities for Change

Project Approach (cont'd)

- Opportunity Identification:** Once scorecard results were completed at the service level, potential opportunities were identified based on a systematic approach based on service-level information in surveys and leading practices observed in the government industry. Opportunities were categorized in accordance with the descriptions below.

Category	Strategic Opportunity Description
Cost Savings	<ul style="list-style-type: none"> ✓ Strategic Elimination: Elimination of non-mandated, non-aligned, inefficient and ineffective services resulting in the reduction of associated costs. ✓ Strategic Sourcing / Managed Competition: Competing or sourcing services to achieve reduction in costs, increased productivity and contractual accountability for performance. ✓ Public-Private Partnership: Competing or sourcing services to transfer responsibility of operating and capital costs to a non-profit or private provider, achieve increased productivity and establish contractual accountability for performance.
Revenue	<ul style="list-style-type: none"> ✓ Fee Implementation: Establishment of a fee-for-service or other cost recovery mechanism where cost of service was previously not fully recovered. ✓ Customer Expansion: Acquisition of new fee-for-service customers by expanding the service area to across City or county boundaries. ✓ Public-Private Partnership: Competing or sourcing services based on the highest bidder for the right to operate, maintain and collect revenue to a non-profit or private provider, resulting in current-year lump sum payment to the City.
Efficiency	<ul style="list-style-type: none"> ✓ Internal Consolidation: Consolidation of duplicative services within the City to enhance efficiency, drive consistency in execution, and leverage resources more effectively. ✓ Inter-Agency Partnership: Consolidation or transfer of duplicative services across government agencies or non-profit providers to enhance efficiency, drive consistency in execution, and leverage resources more effectively. ✓ Shared Services / Automation: Consolidation of manual administrative services within the City to enhance efficiency through technology, drive consistency in execution, and leverage resources more effectively.

- Opportunity Selection:** Potential opportunities were then reviewed by the Strategic Review Steering Committee to select those initiatives to be initially pursued by the City. Opportunities were selected based on the potential to re-focus City resources on core service delivery, increase cooperation between various levels of government, and streamline redundant services. Opportunities not initially selected will serve as a guide to the City's future efforts to reduce costs, generate revenue, and enhance efficiency.



Key Opportunities Selected



Key Opportunities Selected

Analysis Takeaways

Several enterprise-level common themes were observed while performing this review based on the analysis of scorecard results.

- **Mandate:** Services that do not appear to be mandated comprise 61% of the City's service portfolio. While such services may be strategically aligned or provide critical support, further opportunities to strategically eliminate services may be present through refinement of the Mayor's strategic priorities.
- **Competitiveness:** Services that should be competitively benchmarked from a cost perspective comprised 69% of the City's service portfolio. 31% of the City's service portfolio was found to not be applicable to competitive benchmarks. While 6% of services demonstrated competitiveness, 2% did not and 61% of services have no basis to determine whether costs are competitive with other private or public organizations. Key opportunities to identify activity-based costs of service and benchmark competitiveness are present through the managed competition process.
- **Performance:** Only 12% of services possessed measurable and time-bound objectives, goals, or performance measures. While 5% of services demonstrated effectiveness relative to performance measure targets, 94% of services do not measure performance. Key opportunities to establish critical success measures and measure performance through a City-wide performance management initiative are present.
- **Customer Service-Level Expectations:** Many customer-service provider relationships observed within the City do not appear to clearly delineate service-level expectations or escalation provisions in cases of non-performance. Opportunities to establish customer service-level agreements are presented with respect to all internal departments as well as for the Parks and Recreation department, which is now served by the Public Land Maintenance section within Public Works.
- **Manual Administrative Services:** Many administrative processes observed across the City are manually intense and require multiple levels of manual supervisory approval, such as time and attendance forms and purchase requisitions. Opportunities to significantly reduce time, effort, and resources associated with administrative services are present through the automation of workflow and approval processes that utilize appropriate technology.

Key Opportunities Selected

Strategic Review Initiatives

The potential opportunities included below were selected by the City and Strategic Review Steering Committee as strategic initiatives for further analysis and implementation. Estimated full-time equivalent (FTE) and cost figures were provided by City personnel. Figures may include salary, benefits, contract, materials, supplies, or utilities costs as applicable.

Opportunity Type	Department	Initiative	Est. FTE	Est. Cost	Description
Strategic Elimination	Public Works	Horticulture Services	21.8	\$ 1,576,000	Services may be strategically eliminated, reduced, or suspended as they are not mandated or aligned as core functions. If maintained, external providers could be utilized to reduce the City's investment in fixed costs.
	Police	Career Development	3.0	\$ 602,000	
	Police	Research and Reporting	4.1	\$ 370,000	
	Police	Training Service	0.5	\$ 65,000	
Strategic Sourcing/ Managed Competition	Equipment Management	Maintenance, Parts and Fuel Management Services	71.6	\$ 11,423,000	Services may be strategically sourced across internal resources and external providers to convert fixed into variable costs. Managed competition may be utilized to help ensure largest extent of savings opportunities are implemented for cost-effective service.
	Public Works	Building Operations Services	69.7	\$ 9,494,000	
	Human Resources	Workers Compensation Claims Administration	3.6	\$ 5,216,000	
	Information Technology	Radio Services and Maintenance	14.4	\$ 1,356,000	
	Information Technology	Mid-Range and Mainframe Server Services	6.3	\$ 1,280,000	
	Information Technology	Directory and Wintel Server Services	7.4	\$ 1,259,000	
	Internal Auditing	Internal Audit Services	10.3	\$ 728,000	

Key Opportunities Selected

Strategic Review Initiatives (cont'd)

Opportunity	Department	Initiative	Est. FTE	Est. Cost	Description
Public-Private Partnership: Cost Savings	Parks and Recreation	Recreation Centers, Programs, Zoo and Nature Center Services	122.4	\$ 7,188,000	Utilize public-private partnerships to offset or transfer the City's investment in operating and capital costs to better partner with local universities and community organizations, enhance cultural and educational outcomes, and establish contractual accountability for performance.
	Performing Arts Center	Performing Arts Services	19.0	\$ 1,634,000	
Public-Private Partnership: Revenue	Public Works	Water Utility Services	652.5	\$ 70,987,000	Competitively bid the right to lease assets, including operation, maintenance, and financing of services, to potentially generate revenue, fund necessary capital asset replacements, create contractual accountability for performance, and reduce costs to the City over the long-term.
Internal Consolidation	Information Technology	911 Emergency Services	100.0	\$ 7,490,000	Strategically realign the City's 911 Center as a public safety function and staff with certified EMT personnel able to provide basic life support (BLS) guidance to citizens in distress.
	Across 5 Departments	Code Enforcement Services	32.8	\$ 3,038,000	Consolidate code enforcement services across the City to create a central point of customer contact, enhance consistency of regulatory processes, and reduce costs to the City over the long-term.
Inter-Agency Partnership	Municipal Courts	Judicial and Probation Services	14.5	\$ 676,000	Collaborate with the Tulsa County Sheriff's Office to potentially obtain booking, warrant, probation, and courtroom services on a fee-for-service basis to convert fixed into variable costs.

Key Opportunities Selected

Strategic Review Initiatives (cont'd)

Opportunity	Department	Initiative	Est. FTE	Est. Cost	Description
Shared Services/ Automation	Across 15 Departments	Supply Chain Services	107.7	\$ 7,888,000	Centralize and enhance automation of processes to enhance visibility, streamline processes, provide consistent governance and monitoring, and leverage shared resources to reduce costs over the long-term.
	Across 14 Departments	Payroll Services	34.3	\$ 2,737,000	
	Across 11 Departments	Grants Services	18.2	\$ 1,419,000	
Civilianize	Police	34 Administrative Services	93.4	\$ 8,724,000	Civilianize administrative services to reduce personnel costs and redistribute sworn personnel to critical public safety functions.



Managing the Change

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Executive Leadership

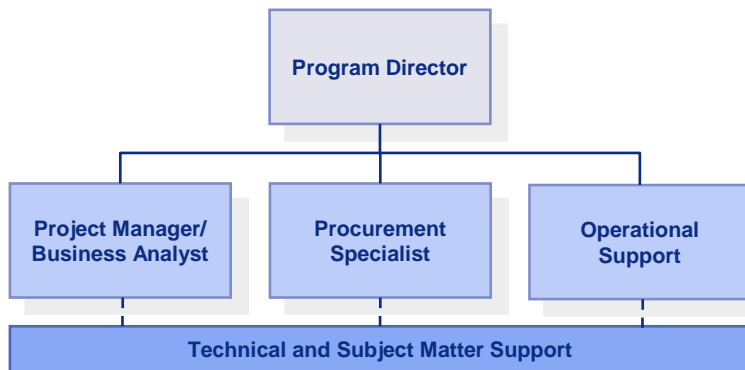
Sustained executive leadership is key to successfully implementing the initiatives selected by the City and Strategic Review Steering Committee. This leadership begins at the top with the Mayor, the City Management Team, and City Department Directors, and includes initial and on-going communication to articulate a clear case for change and vision for the future.

Managing Strategic Initiatives – Management Review Office

The purpose of the Management Review Office (MRO) is to provide centralized evaluation and on-going management of opportunities presented. The MRO should be modeled in the form of a lean Program Management Office (PMO), commonly utilized to implement and sustain change in government and commercial organizations, as illustrated below.

Organization Structure

The MRO should consist of a Program Director, scalable Project Manager/ Business Analyst resources (from other departments as needed), a Procurement Specialist, and Operational Support resources shared from within the Mayor's Office.



Key Roles and Processes

Key roles of the MRO include institutionalizing and sustaining the following strategic processes on behalf of executive leadership. Processes include managing strategic review initiatives, strategic planning, performance management, managed competition.

Role / Process	Description
Strategic Review Initiatives	Planning and implementation of strategic initiatives selected.
Strategic Planning	Coordinating the development of City-wide priorities and strategies to fulfill constituent needs.
Performance Management	Developing and sustaining measurement of progress toward achieving City-wide priorities and strategies.
Managed Competition	Developing a mechanism to allow fair competition of public and private interests to improve services.

Managing the Change

Managing Strategic Initiatives – Transformation Timeline

The strategic initiatives selected by the City and Strategic Review Steering Committee require significant analysis, planning, and execution prior to implementation by the MRO over the coming years. Transformation efforts may follow the high-level phases and potential timeframes presented below.



Managing Strategic Initiatives – Communications

Effective communication is critical to the successful implementation of selected strategic initiatives. Communications should be aimed at generating buy-in among internal and external stakeholder groups, such as City managers and employees, City elected officials, constituent groups, other government agencies, and the media. Timely updates on implementation plans, progress, and successes are necessary to generate buy-in as well as assurance of the continuity of core services to constituent groups. To be effective, dialogue with stakeholder groups should be structured and frequent to understand concerns and resolve any perceived barriers or issues in a proactive manner.