



April 6, 2012

Jeremy Nowak
President
William Penn Foundation
Two Logan Square, 11th Floor
Philadelphia, PA 19103

**STATEMENT OF WORK:
PHASE II OF SCHOOL DISTRICT OF PHILADELPHIA TRANSFORMATION**

Dear Jeremy:

We are extremely pleased that you have asked us to continue to partner with you and the School District of Philadelphia's senior leadership as we move into refinement of the plan and the implementation phase of the district's transformation effort. We believe that our continued involvement will significantly accelerate the pace and enhance the quality of the district transformation.

During this three-week phase, running from April 9, 2012, through April 27, 2012, we will focus our efforts in the following areas:

1. Analysis and support for negotiations to modernize Transportation and Facilities Management services in order to achieve operational savings of ~\$50M per year.
2. Five-year financial plan, with options to achieve structural balance by FY2014.
3. Charter school expansion strategy.
4. Achievement Network pilot and RFP strategy and implementation plan.
5. Integrated plan and communications materials for public presentations and stakeholder briefings (eg, state officials, SRC Working Group).
6. Detailed business cases and implementation plans for key initiatives.
7. Interim organizational structure for overall enterprise and academic offices.

1. Analysis and support for modernizing

Achieving the estimated \$50M in savings from modernizing the school district's Transportation and Facilities Management services are critical to getting to structural budget balance by FY2014. Improving the quality of these services is also critical to enabling charter schools to benefit from the district's scale and purchasing power.



Activities: For Transportation, we will lead the development of supplier-specific negotiation strategies. This will involve synthesizing the district's baseline data (eg, inventory of current routes and assets, current supplier pricing, asset book value) and developing targets for key negotiating points (eg, savings, service, quality). We will assess supplier capacity and interest and conduct a preliminary evaluation of SDP's bus fleet. For both bus contractor negotiations and route planning negotiations, we will develop a negotiation implementation timeline and workplan, and lead the execution.

For Facilities modernizing, which involves a complex Request for Proposals process, we will lead the evaluation of vendor proposals, setting of contractual terms to ensure achievement of financial and quality goals, and implementation planning. In this three-week period, we will develop end-state goals for the vendor term sheet, support development of a contract based on strategic sourcing best practices, design a KPI dashboard for vendors, and evaluate the vendor's initial round 1 responses to proposal.

Deliverables:

Transportation: Negotiation timeline and execution plan; targets for key negotiation points; assessment of supplier capacity and interest; preliminary valuation of SDP bus fleet; evaluation of route planning software supplier RFP responses.

Facilities Management: RFP process timeline and execution plan; prioritized terms of agreement; initial KPI dashboard; evaluation of round 1 vendor responses; working draft of proposed vendor contract.

2. Five-year financial plan, with options to achieve structural balance by FY2014.

With the school district facing \$1.1 billion in cumulative deficits over the next five years, it will need to develop a five-year plan that includes options to achieve structural balance, in order to ensure it can tap financial markets to bridge the FY2013 school year.

Activities: We will work closely with the district's Finance team as well as Public Financial Management to develop financial scenarios that result in structural budget balance in FY2014 and beyond. We will further refine the savings and investment requirements we estimated in Phase I, and integrate those into the scenario assumptions. We will develop potential solutions to close the budget gap and detail the cost implications. We will also develop the final representation of the budget scenarios and cost implications for public briefings.

Deliverable: A 5-year financial plan with estimates of the cost savings and revenues required to achieve structural budget balance while implementing the district's transformation strategy.

3. Charter school expansion strategy.

Charter schools have provided Philadelphia's parents with an increasing array of safe, high-quality options, but there also exist a number of low-performing charters. Meanwhile, the growth of charter schools has an enormous impact on the school district's finances, as it increases the district's cost of education by 70% of the charter school per-pupil payment every time a charter school expands. In Phase I we outlined a set of



principles for managing charter school growth in a way that improves student achievement while minimizing the financial impact on Philadelphia public education.

Activities: We will work closely with the school district's senior leadership, School Reform Commission members, and the Office of Charter Schools to design a charter school expansion strategy. We will then work with the Office of Charter Schools to design and execute a charter school renewal and modification process that aligns with the desire to expand high-performing schools at the least impact on district finances.

Deliverable: Charter school expansion strategy, key principles, and process to manage ~30 renewal and modification requests for FY2013.

4. Achievement Network pilot and RFP strategy and implementation plan.

In Phase I we designed a strategy that includes the creation of an Achievement Networks to manage groups of 25-30 schools. The next step is to develop an implementation plan for an Achievement Network pilot as well as an RFP process.

Activities: We will work with senior leadership to develop an implementation plan leading to the initiation of an Achievement Network pilot in the 2012-13 school year, as well as an implementation plan to develop a Request for Proposals, evaluate applications, select providers, and build capacity for the full launch of Achievement Networks in 2013-14.

Deliverable: Detailed implementation plans for initiating an Achievement Network pilot as well as to assist in the design of an application and selection process to fully launch Achievement Networks in 2013-14.

5. Integrated plan and communications materials for public presentations and stakeholder briefings.

The public release of the school district's proposed FY2013 budget, 5-year financial plan, and new operating model is slated for April 24th, and there will be interim briefings with state officials, the Mayor of Philadelphia, the district's labor unions, and the SRC Working Group, a group of business leaders brought together to suggest reforms to the district's operations. There will be a need for compelling communications materials that tell the story of the district's current situation and transformation strategy.

Activities: We will work with the school district's senior leadership, communications office, and external communications provider (Sage Communications) to develop materials that effectively communicate the current situation and the transformation strategy. We will translate the outcomes of financial scenario analysis into effective public presentations. We will also hire a subcontractor, KSA-Plus, at no additional cost to design the template and color scheme for the final presentation. We will develop a plan that integrates the recommendations of BCG and the Chief Academic Officer's academic sub-committees into a single, unified plan, and develop communications materials reflecting the unified plan.

Deliverables:

- Final presentation for communicating the transformation to the press and general public.



- Develop and lead presentations to key stakeholders (eg, mayor, state officials, Chamber of Commerce, SRC Working Group), presenting BCG's findings and recommendations.

6. Detailed business cases and implementation plans for key initiatives.

Building on Phase I, the school district needs to define and prioritize the initiatives it wants to pursue, and build detailed implementation plans for each initiative in order to ensure success.

Activities: We will articulate the initiatives emerging from both BCG's Phase I recommendations as well as the academic priorities being developed by the Chief Academic Officer. We will build business cases and detailed implementation plans for the high-priority operations, academic, and school consolidation initiatives.

Deliverables: Business cases (rationale, required investment, anticipated savings) and detailed implementation plans for key initiatives.

7. Interim organizational structure for the overall enterprise and academic offices.

For both transition and budgeting purposes, the school district needs to develop an interim organizational structure that can support schools in the 2012-2013 school year while effectively transition to FY2014.

Activities: We will refine our baseline of the current organizational structure and determine the optimal structure to operate within during FY2013. We will design the new organizational structure to include appropriate support and reporting lines for the new Chief Portfolio Officer. We will translate the target organizational structure into specific implications for the FY2013 budgets and position controls, and support the Finance organization in solidifying the FY2013 budget based on the new organizational structure.

Deliverable: Finalized interim organizational structure and translation into FY2013 budget.

BCG Project Team

For this three-week phase we will dedicate three Partners, Allison Bailey (overall management and project execution), J Puckett (overall management), and Robert Tevelson (operations workstreams). Tyce Henry, a Principal and leader in our Education Practice, will execute the project on a day-to-day basis, supported by a team of 5 Consultants. We anticipate the following level of effort per workstream:

- 1. Analysis and support for negotiations to modernize Transportation and Facilities Management services in order to achieve operational savings of ~\$50M per year.** 200% Consultants.
- 2. Five-year financial plan, with options to achieve structural balance by FY2014.** 75% Consultant.
- 3. Charter school expansion strategy.** 50% Consultant.
- 4. Achievement Network pilot and RFP strategy and implementation plan:** 50% Consultant.



5. **Integrated plan and communications materials for public presentations and stakeholder briefings (eg, state officials, SRC Working Group).** 25% Consultant.
6. **Detailed business cases and implementation plans for key initiatives.** 50% Consultant.
7. **Interim organizational structure for overall enterprise and academic offices.** 50% Consultant.

Fees and expenses

Professional fees for this effort are **\$212,121 per week**, plus expenses of 10% of professional fees for expenses related to research, administrative support, telecommunications, and employee travel, for a total weekly fee plus expenses of **\$233,333**. Total professional fees plus expenses for the three-week period covered by this agreement will total **\$700,000**. The terms and conditions agreed to with the School District of Philadelphia during Phase I will apply to this phase as well (terms and conditions appended as previous contract).

We are excited to continue to partner with the William Penn Foundation, United Way of Southeastern Pennsylvania, and the School District of Philadelphia on this transformational effort, and to have such a tremendous impact on the students, parents, and communities of Philadelphia.

Jeremy Nowak
President, William Penn Foundation

Allison Bailey
Partner and Managing Director