



April 30, 2012

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

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

Dear Jeremy:

Thank you for your continued support of our efforts to transform the School District of Philadelphia into a high-performing, fiscally sustainable organization that promotes the development of a system of great schools. We believe that our involvement has significantly accelerated and enhanced the development of a strategic plan, and that our continued involvement will greatly improve the quality and speed of implementation.

This statement of work is set in the context of a broader multi-phase transformation that will last for the next year and beyond. This statement of work covers the 6-week period from May 1, 2012, to June 11, 2012. We will focus our work in the following areas:

1. Facilities Master Plan: Identification of public selection criteria and initial set of top candidates for school facilities and program closures after the 2012-13 school year, to achieve \$33M in annual savings.
2. Establishment of Transformation Management Office and Rigorous Program Management process for enterprise-wide initiatives. Transformation Management Office will also drive refinements to budget and communications; completion of district reorganization; and orchestration of community engagement.
3. Analysis and support for negotiations to modernize Transportation and Facilities Management services in order to achieve operational savings of ~\$50M per year.
4. Refinements to operating model and plan in advance of May 31st SRC vote.
5. Analysis and support for implementation of charter expansion strategy and negotiations with charter schools seeking renewal or modifications for FY2013.



1. Facilities Master Plan: Identification of initial set of candidates for closures.

The School District of Philadelphia needs to close 40 school facilities within the next year to achieve an 85% utilization rate and save \$33M in operating costs, which is critical to achieving structural balance by FY2014. This will be a traumatic change requiring a highly refined analytical approach and deep sensitivity to community needs.

Activities: We will build a cross-functional working team composed of representatives from Assessment and Accountability, Facilities Management, Capital Planning, and Communications/Community Relations, as well as a governing board of district, city and community representatives to make final recommendations on facilities and program closures. We will establish clear selection criteria and targets for closures at the elementary and secondary levels, and perform analyses to identify an initial set of candidates (~60) to consider for closure, using both academic and operational criteria.

Deliverables:

- Governing board and working team stood up and fully functioning.
- Development of criteria and guardrails for closures.
- Clean, validated baseline of facilities, utilization, financials, and student performance data.
- Identification of 60 top candidates for closure.

2. Establishment of Transformation Management Office and Rigorous Program Management process for enterprise-wide initiatives. Transformation Management Office will also drive refinements to budget and communications; completion of district reorganization; and orchestration of community engagement.

Most major change programs fail due to a lack of sufficient program management discipline. To dramatically improve our chances of success, we need to establish a strong Transformation Management Office with the mandate, talent, and tools necessary to drive progress across both BCG- and SDP-led academic and operational initiatives. The TMO is designed to track, coordinate, and support the initiatives throughout the implementation phase. It facilitates the flow of information between project participants, identifies delays and roadblocks, and prepares decision proposals for the Steering Committee.

Activities: The BCG-led TMO will set up initiative-specific implementation roadmaps in a central project management tool and provide initial training to enable District project members to efficiently report progress and roadblocks throughout the project. The TMO will also establish a process for consolidating and reporting aggregate project progress in weekly or bi-weekly progress reports based on the principles of Rigorous Program Management (RPM principles include: Consistency, transparency, tracking delivery and supporting senior management leadership). Based on the reports, areas in which senior management attention is needed to keep the project on track will be identified and intervention strategies developed. Closely linked to timeline tracking, the TMO will track savings for the operations initiatives in order to ensure the maximum amount of savings is captured. Financial project progress will be checked against the District's 5 year plan in order to anticipate and address deviations. The TMO will drive refinements to the budget in advance of the budget and



public communications; completion of district reorganization; and orchestration of community engagement around the plan and future refinements.

Deliverables:

- Establishment of Transformation Management Office
- Detailed Roadmaps for all initiatives.
- Installed program management tool and reporting templates containing initiative Roadmaps and financial savings targets.
- District project members trained and able to report progress and roadblocks.
- Well-defined and reliably introduced process for anticipating, reporting and escalating project issues to Steering Committee.
- Fully operational project management tool and reporting templates.
- Finalized FY2013 budget.
- Completion of interim district reorganization.

3. Analysis and support for negotiations to modernize Transportation and Facilities Management services.

The negotiations and vendor selection process to save the school district \$50M in annual operating costs will continue into this phase, with the goal of having vendors in place by the end of June and a firm transition plan designed.

Activities: We will continue to work closely with operations leaders and staff in seeking to select vendors and agree to terms for contracts in both Transportation and Facilities Management. We will analyze vendor responses to proposals; continue to refine SDP's negotiating strategy to ensure full value is realized; and develop strategies to fully realize value for district assets (eg, buses, maintenance facilities). We will also design the new organization to manage any outsourced services.

Deliverables: Negotiations largely completed and run-rate savings anticipated to meet or exceed targets. New organizational structures designed.

4. Refinements to operating model and plan in advance of May 31st SRC vote.

The operating model will require ongoing refinements and enhancements as we approach the May 31st SRC budget vote.

Activities: We will work with district leadership to continue to evolve key aspects of the operating model in response to public commentary, in particular the Achievement Network concept and the portfolio management office.

Deliverables:

- Refined operating model ready for SRC approval.



5. Analysis and support for implementation of charter expansion strategy and negotiations with charter schools seeking renewal or modifications for FY2013.

With its new renewal process, the school district needs to negotiate renewal and modification terms with ~30 charter schools by July 1st, when their charter agreements expires. These negotiations need to advance the goal of moving students from low- to high-performing schools while keeping within the parameters defined by the district's 5-year financial plan.

Activities: We will work closely with the school district's senior leadership, School Reform Commission members, and the Office of Charter Schools to negotiate terms with charter schools that meet the SRC's twin goals of improving academic achievement while achieving structural balance. We will also capture lessons learned from the process and refine the go-forward renewal process, to ensure a more predictable and effective process in the future.

Deliverable: A well-defined, well-executed renewal process that results in the SRC reaching negotiated deals or non-renewal decisions with all charters in the process.

BCG Project Team

For this 6-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 1 Project Manager and 5 Consultants. For a 2.5-week period in May, Tyce will be on paternity leave and we will ensure project management coverage with a top Project Manager and increased support from the Partners. We anticipate the following level of effort per workstream:

- 1. Facilities Master Plan: Identification of initial set of top candidates for school facilities and program closures after the 2012-13 school year, to achieve \$33M in annual savings. 100% Consultant.**
- 2. Establishment of Transformation Management Office and Rigorous Program Management process for enterprise-wide initiatives. Finalization of FY2013 budget and completion of interim district reorganization. 100% Project Manager + 100% Consultant.**
- 3. Analysis and support for negotiations to modernize Transportation and Facilities Management services in order to achieve operational savings of ~\$50M per year. 200% Consultant.**
- 4. Refinements to operating model and plan, with a focus on Achievement Networks and Portfolio Management. 50% Consultant.**
- 5. Analysis and support for implementation of charter expansion strategy and negotiations with charter schools seeking renewal or modifications for FY2013. 50% Consultant.**



Fees and expenses

Based on our federal MOBIS rates, professional fees for Phase III would be **\$232,232 per week**, including expenses of 10% of professional fees for expenses related to research, administrative support, telecommunications, and employee travel. Total professional fees plus expenses for the six-week period in this phase would total **\$1,393,393**. However, to account for Tyce Henry's paternity leave absence of 2.5 weeks, we will reduce the total fee to **\$1,250,000** for the six week period.

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.

J Puckett
Senior Partner and Managing Director

Allison Bailey
Partner and Managing Director

Robert Tevelson
Senior Partner and Managing Director

Statement of Work accepted on April 30, 2012, by:

Jeremy Nowak
President, William Penn Foundation