

PUBLIC SECTOR CFO SERVICES

Leadership. Action. Results. For CFOs' evolving needs.



U.S. COMMUNITIES®
GOVERNMENT PURCHASING ALLIANCE



ALVAREZ & MARSAL

SUPPORTING PUBLIC SECTOR CFOS

More is expected of today's finance executives. The days of simply overseeing the traditional finance, budget and accounting functions of an organization are long gone. Today's CFO is a critical leader - overseeing the financial health of the organization, creating and managing a flexible operating model and delivering timely and insightful decisions based on trusted analytics and financial information. Against the backdrop of increasing health and benefits costs, sluggish revenue growth, significant infrastructure investment needs, and unprecedented levels of new regulations, public finance professionals are asked to provide for the growing needs of their communities while maintaining financial stability in an era of growing financial, operational and regulatory challenges. A&M provides today's CFOs with leadership, action and results for their evolving needs.

PUBLIC SECTOR EXECUTIVES CALL US WHEN:

- They need a broad, sweeping improvement in core finance and accounting processes such as fund management, level of automation, degree of standardization, cycle times and quality and controls.
- They are considering functional organization shifts or different operating models to improve the delivery of finance and accounting services.
- They need to get out of "Excel churn" and accelerate decision making.
- They are implementing fundamental structural change due to financial pressures, a change in administration or external political pressures.
- They need objective, credible advice to support a key initiative or have a void in senior finance leadership.
- They are struggling to meet reporting requirements or have identified weaknesses in their internal controls.

CORE SERVICES INCLUDE:

FINANCE TRANSFORMATION

- Revenue Management Improvements
- Finance and Accounting Process Improvement
- Organizational Design and Effectiveness
- Shared Services Design and Implementation
- Privatization and Outsourcing of Operations and Improvement
- Rapid Cost Reduction

INTEGRATED PERFORMANCE MANAGEMENT

- Strategic Visioning and Roadmap Development
- Strategic Planning and Modeling
- Budgeting and Multi Year Financial Planning
- Reporting and Analytics
- Technology Implementation Services

ECONOMIC DEVELOPMENT, REAL ESTATE AND ASSET MANAGEMENT SUPPORT

- Real Estate Advisory Services
- Economic Impact Analysis and Market Studies
- Asset Management
- Surplus Asset Review
- Public Private Partnership Assessments

EXECUTIVE ADVISORY AND INTERIM LEADERSHIP

- Executive Advisory Services
- Interim CFO, Budget Director, Controller or Treasurer
- Organizational Management Reviews
- Employee Benefit and Pension Reviews

FINANCE, ACCOUNTING, AND COMPLIANCE SERVICES

- Financial Reporting and Audit Acceleration
- Federal Funds Management
- Budget Analysis and Reporting
- Budget Redesign and Costing Models
- Pension and OPEB Costing and Implementation Strategies
- Cash Flow Forecasting and Financial Modeling
- Internal Controls Review and Critical Action/Remediation Plans

CLIENT SUCCESS STORIES

FINANCE TRANSFORMATION

STATE AND LOCAL GOVERNMENTS DEPEND ON CFOS TO LEAD THE CHARGE FOR LONG TERM FINANCIAL ACCOUNTABILITY AND SUSTAINABILITY. A&M HELPS ORGANIZATIONS RAPIDLY REDUCE COSTS, IMPROVE REVENUE COLLECTIONS AND SIGNIFICANTLY IMPROVE THE SERVICE QUALITY OF FINANCIAL OPERATIONS.

Transforming a School District to Save \$53M

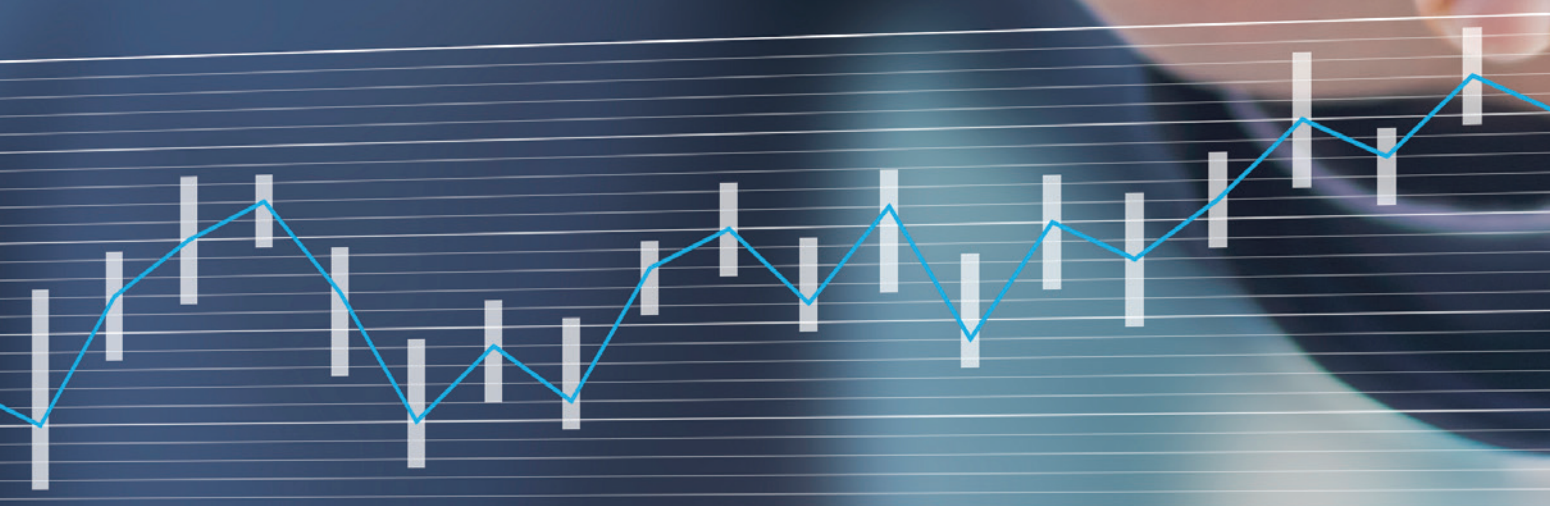
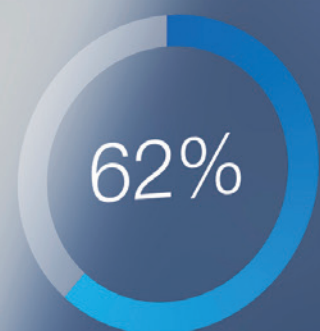
A large urban school district (65+thousand students) was faced with an operating deficit of over \$300M and major academic shortfalls. A&M served in key financial and academic support positions, including Acting Executive Budget Director/Deputy CFO and Acting Director of Special Education; and provided process improvement, internal controls, policy analysis and educational improvement support. A&M reformed and restructured delivery of services while managing costs and adhering to state and federal regulations and mandates to better support students in an environment of decreased enrollment. A&M developed a new school-based budgeting process and improved financial reporting. As a direct result of A&M's work, over a two-year period, the district implemented \$53M in cost savings, which included \$14.8M annual savings in janitorial and maintenance costs, \$8M in transportation, \$4M in security, and \$4.8M in revenue from the sale of a bus fleet, while also achieving unprecedented levels of compliance in special education program efforts leading to more than \$34M in net savings.

Improving City's Processes Yields Rapid Results

A city assessment revealed overdue receivables resulting from outdated billing and collection policies and procedures, ineffective tracking and measurement processes and technology limitations. The City engaged A&M to improve A/R reporting, reduce current outstanding A/R and improve processes and procedures to more effectively manage collections. The implemented program resulted in an increase to incremental revenues of \$20M in 2.5 years, with quick wins realized in the assessment phase enabling the project to pay for itself within four months' time.

Government-wide Efficiencies Drive \$574M in Annual Savings

A state facing a budget deficit sought the support of A&M to assess the operations of nine cabinet agencies to increase savings, improve operational efficiency and maximize revenue. A&M conducted a bottoms-up study of the in-scope departments and identified over \$2.7B in savings over a five year period. Following the completion of the final report, A&M led implementation of the recommendations, expanding successful programs, maximizing federal funding, improving performance, preventing fraud and abuse and identifying new revenue sources. After the four-month implementation period led by A&M, the State achieved real savings of \$182M. In the first full fiscal year of implementation, the State projected it was on track to save \$574M annually without layoffs or reductions in services.





INTEGRATED PERFORMANCE MANAGEMENT

MAKING DECISIONS BASED ON ACCURATE AND CONSISTENT DATA IS CRITICAL TO NAVIGATING TODAY'S COMPLEX ENVIRONMENT. A&M DEFINES A VISION FOR INTEGRATED PERFORMANCE MANAGEMENT THAT LEVERAGES LEADING GOVERNMENT EFFICIENCY AND OPERATIONAL CHANGES.

Laying the Foundation for Government-wide Transformation

In response to declining tax revenues and a gubernatorial mandate to eliminate inefficiency within government, a state government retained A&M to support a statewide efficiency review. A&M performed a comprehensive review and identified over 100 cost saving and new revenue opportunities exceeding \$2B over five years. A&M's recommendations included strategic sourcing initiatives, optimization of real-estate and capital equipment portfolios and consolidation of healthcare benefit plans. Since the issuance of A&M's report in 2016, the state has established a Program Management Office to begin driving the executive order savings recommendations.

Redesigning a State Medicaid Agency to Swing Losses to a Surplus

A&M led the reorganization and turnaround of a state's healthcare program experiencing multi-billion dollar cost overruns in administration of Medicaid programs. In response to audit findings which identified five year overruns of nearly \$2B, the state contracted with A&M to lead the reorganization. A&M led the improvement of key financial processes and practices, established timely and accurate financial reporting and analyzed the key drivers of Medicaid expenditures to forecast and budget appropriately for growing costs. A&M supported the improvement of program integrity by assisting with vendor contract restructuring, organizational redesign, case and audit management and the development of a new strategic plan. As a result of A&M's support, the agency aligned operations to demand for services, identified nearly \$50M in savings and reported audited surpluses for the first time in over five years.

The A&M team brought professional hands-on experience and local government best practices that served us well. They worked closely with our staff and elected town council and provided critical action plans that we used to improve our financial controls and budget planning process. As result of the financial risk and organizational improvement assessment we now clearly understand our current challenges and more importantly we have a road map to address them."

- Mike Rost Town Supervisor

ECONOMIC DEVELOPMENT, REAL ESTATE AND ASSET MANAGEMENT SUPPORT

ANALYZING THE VALUE OF ECONOMIC DEVELOPMENT INITIATIVES, ESTIMATING JOB CREATION AND IMPACT TO THE REVENUE BASE, AND DESIGNING PRIVATE SECTOR DEALS TO MAXIMIZE VALUE TO THE PUBLIC CAN BE COSTLY IF POOR DECISIONS ARE MADE. A&M HELPS STRUCTURE PUBLIC PRIVATE PARTNERSHIPS, CONDUCT MARKET STUDIES AND ESTIMATE THE VALUE OF ECONOMIC DEVELOPMENT PROGRAMS WITH SPEED AND DEDICATION TO MANAGING RISKS AND MAXIMIZING VALUE AT ALL STAGES.

Public Private Partnership/Land Use Planning

A&M has served as a real estate advisor to a large Washington, DC area county since 2008 providing research, analysis and negotiation of transactions involving the use, sale or redevelopment of county-owned real estate to further the public policy and service delivery goals of the Board of Supervisors. A&M's role as a trusted real-estate advisor to this county has included reviewing and validating financial information of the major county redevelopment projects, including the conversion of a former prison facility into an adaptive reuse area. The A&M team reviewed development assumptions and costs, historic and housing tax credits, Community Development Areas and Tax Increment Financing to provide the county with a financial roadmap outlining the strengths and weaknesses of the development's financial plan.

Retail Market Study for Transportation Development District

A&M completed numerous retail market studies and revenue analyses for major retail developments and development districts for various county and cities. The A&M team estimated the incremental sales tax revenue to be generated by new development over the life of the bond issuance. A&M prepared estimates for all related revenue increases as a result of the retail sales tax and transportation district tax for the development district. This study reviewed detailed retail sales data and considered adjacent developments and regional retail developments that could impact the new district's projected revenues. A&M supported the various local governments in meetings with developers, financing groups, investment banks and bond councils and assisted in the negotiation of development incentive agreements.

"The A&M team demonstrated outstanding skills and knowledge in providing technical assistance and consulting services. Their deliverables were always clear and easy to understand and documentation was presented in a professional format and was ready for presentation to the Commissioner and Legislature. The A&M team of professionals worked tirelessly to meet the commitment that they made to the State."

- Former Assistant Commissioner of Administration, Jan Cassidy





EXECUTIVE ADVISORY AND INTERIM LEADERSHIP

CRITICAL INITIATIVES REQUIRE EXPERIENCED OVERSIGHT. A&M'S SEASONED PROFESSIONALS, MANY OF WHOM ARE FORMER CFOS, ARE HERE TO PROVIDE EXPERT GUIDANCE AND TEMPORARY LEADERSHIP TO DRIVE RESULTS WHEN YOU NEED IT MOST.

Interim Leadership during a period of Financial Crisis, Management Transition and Organizational Transformation

A State Department of Health and Human Services, facing a \$250M operating deficit, engaged A&M to improve the long term financial accountability and sustainability of its Medicaid operations. A&M served as interim Director of Policy and Budget Planning and assisted in the recruitment of key management positions to create a robust cost of service forecasting and budgeting process. In this role, A&M assisted the department in addressing internal financial and operational processes, identified cost savings opportunities and proposed a new organizational structure. The team assessed internal controls and developed action plans to bring the department in compliance with legal and regulatory standards. The enhanced accountability and accurate forecasting improved the department's credibility with state legislators and other key stakeholders. Under A&M leadership, the department developed a new model for financial and budgetary planning, assigned performance measures to all major Medicaid programs and increased ending fund balance by \$60M in one year.

Interim Support and Leadership for Transition and Reorganization of the Office of Group Benefits

A state spending over \$2B on human capital and benefits administered through two state agencies engaged A&M to assess organization structure, review benefit and workers' compensation programs and make recommendations to improve structure, utilization of vendors and finances. A&M assessed the strategic direction of the agencies, analyzed expenditures across all programs and recommended the reorganization of the agencies into a modern, cross-functional organization. The new organizational structure supported enhanced services to the State's 200,000+ employees, retirees and their families through modern acquisitions, communications and project management techniques. Proposed program changes resulting in savings of over \$150M in the initial fiscal year and included a five-year strategy to correct the downward trajectory of program finances for over \$1B in total savings over the five-year implementation period.

FINANCE, ACCOUNTING, AND COMPLIANCE SERVICES

MAKE TIMELY, ACCURATE REPORTING A GIVEN, NOT A GAMBLE. A&M HELPS REMOVE ROADBLOCKS THAT PREVENT A TIMELY FINANCIAL CLOSE AND REPORTING OF RESULTS. OUR EXPERTS HELP DESIGN AND DOCUMENT KEY CONTROLS TO MANAGE RISK AND QUICKLY IDENTIFY AND REMEDIATE DRIVERS OF CONTROL FAILURES.

Federal Fund Risk Model to Analyze and Mitigate Risks Associated with a Key Funding Sources

A state legislature engaged A&M to develop a web-enabled Enterprise Risk Management (ERM) system to assess the risks associated with federal funds. The team developed an econometric model and ERM framework using best practices from commercial risk management. The model supported the state's mission for comprehensive risk management by providing scenario-based modeling to assess the economic impacts of direct or indirect reductions to federal grant funding. The state's results were presented in a web-enabled dashboard which provided geographic analytics and drill-down functionality to project the impact on each county and each state business line. A&M developed proactive alternatives to avoid funding loss and manage the impact of unavoidable funding decreases.

"It has been an amazing experience working with A&M and the team members here. . . they have been on top of things, we've had in person meetings or phone calls. I've been taken through every step of the way, and they have been very organized and professional. I've been very, very impressed and very grateful. . . I think this is going to provide a very useful tool for our state and hopefully will help other people be able to look ahead and see the need for planning, not just keeping the blinders on anymore."

- Senator Deidre Henderson, the Chairman of the Federal Funds Commission of Utah

Organizational Assessment and Internal Controls Review

A&M supported a newly elected executive in ensuring sound financial management and fiscal stewardship of a town facing revenue shortfalls. A&M completed an Organizational Risk Assessment and Internal Controls Review encompassing the town's major departments and found that financial management and accounting practices were in need of major improvement. A&M recommended improvements to cash handling procedures, budgetary planning and execution practices and noted required improvements in the segregation of job responsibilities and a need for increased financial transparency. Our assessment included an inventory and compliance risk assessment of the town's compliance risk areas, relevant laws, regulations and government or regulatory body guidance. A&M prepared a Corrective Action Plan (CAP) with over 30 recommendations for remedial action or monitoring, new policies and procedures to meet regulatory or compliance needs and best practices for operational and financial management.



WHY CHOOSE A&M?

SOLVING COMPLEX PROBLEMS IS IN OUR DNA.

After 30 years of resolving some of the most urgent challenges in business history, we've honed critical expertise that clients at all levels of maturity can use to achieve rapid results.

SENIOR-LEVEL LEADERSHIP.

Our senior leaders, many of whom are former CFOs, Budget Directors, Urban Planners and Executive Policy Strategist, bring deep insight into the challenges faced by businesses and governments with practical approaches that work versus theoretical approaches that do not add real-world value.

URGENCY FOR ACTION AND RESULTS.

Our clients frequently comment that we drive change and rapid results where internal teams and other consultants have failed.

OBJECTIVE AND INDEPENDENT.

A&M offers objective, credible advice you can trust to be in your best interest, not ours.

TESTIMONY

We stand behind our recommendations in public when the situation calls for it, before legislative bodies or in the media.





LEADERSHIP ACTION RESULTS

Follow us on:



Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change and achieve results.

Privately-held since 1983, A&M is a leading global professional services firm that delivers performance improvement, turnaround management and business advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who draw upon the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

When action matters, find us at: www.alvarezandmarsal.com

© 2016 Alvarez & Marsal Holdings, LLC. All rights reserved.

ABOUT US COMMUNITIES

Contract No.: 4400005869

Lead Agency: Fairfax County, Virginia

Phone: Toll Free at 844-768-8244

Fax: 202-380-0814

E-mail: uscommunities@alvarezandmarsal.com

<http://www.alvarezandmarsal.com/public-sector-us-communities>



U.S. COMMUNITIES®
GOVERNMENT PURCHASING ALLIANCE

ABOUT U.S. COMMUNITIES

U.S. Communities is the leading national government purchasing cooperative, providing world class government procurement resources and solutions to local and state government agencies, school districts (K-12), higher education institutions, and nonprofit organizations. U.S. Communities was founded in 1996 as a partnership between the Association of School Business Officials, the National Association of Counties, the National League of Cities and the United States Conference of Mayors. More than 55,000 registered agencies, education institutions and non-profits utilize U.S. Communities contracts to procure more than 1.8 billion dollars in products and services annually. This continued growth is fuelled by the programs' proven track record of providing public agencies the best overall government pricing and unparalleled value.