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December 2, 2016

Ms. Brooke Bonnett
City of Orlando
400 S. Orange Avenue
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KPMG LLP (KPMG) is pleased to submit the following engagement letter to conduct a Permitting Assessment and User Fee Study for the City of Orlando's (City). KPMG will assist the City utilizing the RFP15-0074 contract effective December 15, 2015. The contract terms and conditions used the RFP15-0074 is incorporated herein by reference and maintained in the contract manager's file, and all services provided under this Agreement are subject to the terms of that contract. This letter serves to confirm our understanding of the services desired by the City. We appreciate the opportunity to assist the City with this initiative and committed to our relationship. The following highlights KPMG's experience in this subject matter and commitment to serving the City.

Focus on Industry. We rely on a client service-driven engagement approach integrating industry-focused professionals as well as operational subject matter advisors in a way to best serve the City. KPMG has significant experience conducting studies for state and local governments that focused on understanding how governmental processes affect the ability to provide services, as well as the cost to provide services. The project team selected to work on this initiative for the City are experienced in conducting studies for a variety of local government services.

To supplement our KPMG team, we intend to use a Minority Business Enterprise / Women Business Enterprise (MBE/WBE) subcontractor as part of this engagement, which will be contingent on KPMG standard subcontracting procedures.

Focus on Process. We use a process-oriented proprietary approach that responds to today's business realities and to your need for forward-thinking ideas. KPMG has served government clients for nearly 100 years. We will leverage our legacy in serving governments, our network of trained local and national resources, our commitment to customer service and our track record of doing the job right the first time to best serve the City.

Focus on Florida. We have experience working in each of the major counties and cities throughout Florida. The engagement team will be based out of the Orlando KPMG Office, just blocks away from City Hall.

Again, we thank you for the opportunity to work with the City on this important initiative.



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Key Objectives

We understand the City is seeking assistance with two projects related to its Permitting function. The City wants to (I) assess improvements for customer experience, business strategy and internal processes, as well as (II) a user fee study.

Objective I. Permitting Assessment

The objective for the Permitting assessment will be to analyze the effectiveness and efficiency of key processes for the Permitting function. The assessment will provide insights on Permitting's current state, where Permitting function stands on its path to the future state environment, future improvements opportunities, and how it compares to peers and respective industry practices.

This objective will focus on providing the City with recommendations to enhance current workflows, customer experience, and service delivery. Recommendations will focus on opportunities for:

- Increasing process efficiencies,
- Streamlining operations,
- Strategically leverage technology capabilities, and
- Driving customer satisfaction and timeliness of service.

Objective II. Permitting User Fee Study

The objective for the Permitting User Fee Study will be to conduct an analysis to document the full cost of providing services for the City's Building and Planning fee items.

The efforts will provide a full cost of service analysis and identify personnel costs, other direct costs and the indirect costs for activities necessary to deliver a service. Costs incurred for fee items are not limited to the Building and Planning Department, but are based on multi-departmental efforts and costs attributed to providing a service. The fee study will assess service costs attributable to permit fee items, regardless of which department or division incurs the budgeted cost.

Scope

The engagement will analyze current activities, personnel costs, workflows, organization structure, staffing, facilities spacial strategy, and customer service delivery. Key areas that will be assessed as part of the two engagement objectives include:

- *Process mapping and improvements:* Conduct a current state and gap analysis between the current and planned future state, with recommendations to amend planned future state processes, as applicable. Identify processes, bottlenecks, and opportunities for improvement and/or process efficiency for the permitting processes and customer service activities.
- *Customer experience:* Compare customer needs to expectations and services delivered.
- *Industry or peer benchmarks:* Highlight industry leading practices and compare to peer organizations as available.
- *Key performance indicators:* Identify key performance indicators (KPI) frameworks and alignment to business strategy.
- *Risks and controls:* will also be considered for processes and potential recommendations.
- *User Fees:* analysis of full cost of services for Building permit fees to help provide the City an informed basis for management and business decisions.

We understand the Permitting function is not a secular departmental activity. It includes multiple stakeholders involved throughout the process. The engagement will focus on the core permitting function (Building code, Permitting, and Planning areas). The engagement will also take into account other City Programs or Divisions that have a role in the application review and permitting review process.





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Engagement Approach

KPMG will employ a four-phased approach to meet the two objectives for the engagement. The phases are categorized as project initiation, fieldwork, analysis and reporting. Please note activities within each phase maybe performed concurrently to help gain efficiencies throughout the project. A summary of the phases and key activities are as follows.

Phase I. Project Initiation

The project initiation will include a kick off meeting between KPMG and the City. The meeting will introduce key members of the project team, reaffirm project goals, confirm the project scope, work plan, timelines, and deliverables. The meeting will help also serve to refining the project approach to help the City meet the outcomes desired.

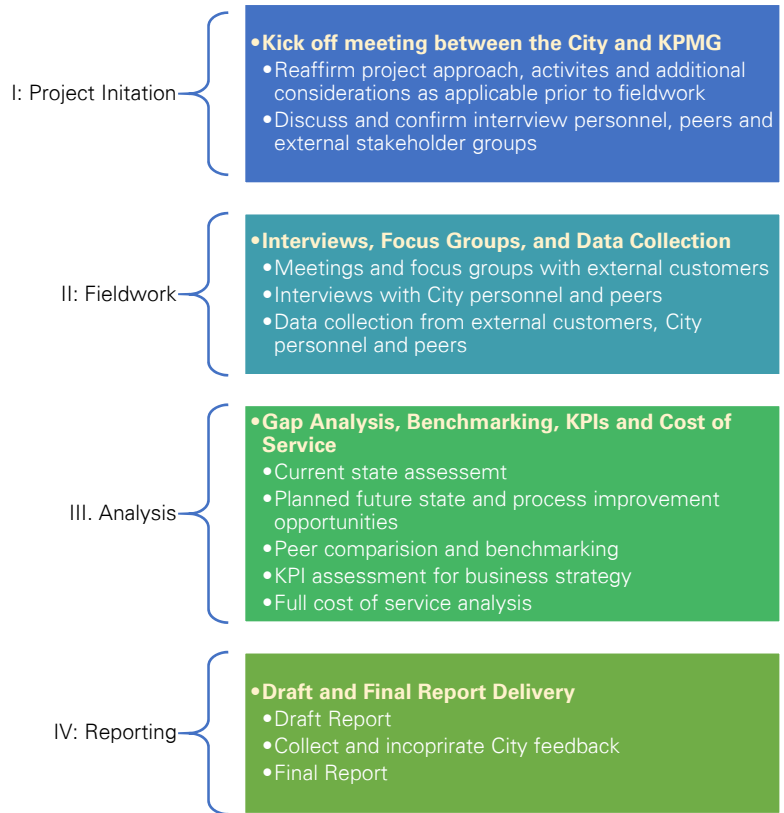
We encourage a collaborative approach and look forward to obtaining feedback at the kickoff meeting to refine as needed prior to fieldwork.

Key activities:

- Conduct a kick-off meeting with the City project sponsor(s)
- Meet with City personnel to confirm the project objectives, timeline and considerations
- Discuss information and documentation availability and needs
- Discuss approach for peer or industry benchmarks

Work output(s):

- List of information needs
- Project Charter
- Communications Plan





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- Risk Register

Phase II: Fieldwork

KPMG will collect qualitative and quantitative information to develop an understanding of the current Permitting function, processes and relational touch-points.

The fieldwork will include collecting information from the City (Permitting function and relating contributing Departments), External Customers, and Peer Industry group. The information collected will be reviewed for understanding of information, and then thoughtfully analyzed within the next phase of the engagement. The fieldwork activities are organized by Data Gathering and Interviews/meetings.

Key Activities:

- Data Gathering - Collect and assess documentation available from the City and peers
KPMG will submit a data request list to the City and Peers for initial collection. The documentation will be assessed for quantitative data points. KPMG will schedule discussion with the City and Peers to gain understanding on the data as needed. Documentation requested may include:

- Organizational charts
- Staffing levels
- Organizational goals or key performance indicators
- Target service levels established
- Functions performed
- Departmental expenditure report detail
- Budget information
- Permitting and application reporting, such as quantities by type
- Existing customer service surveys or tools

- Interviews/meetings - Gain meaningful feedback through interviews

The interview process is an important part of the analysis to understand the current state service functions, service levels, reporting metrics.

KPMG will seek to gain information from stakeholder groups that impact the City's Permitting function. This includes the City's Departmental Staff, Other City Departments, External Customers and Peers.



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Prior to initiating contact with the stakeholders, KPMG will work with the City to confirm internal and external resources and audiences. KPMG will also confirm with the City the peer cities for contact and participation in the project. The following illustration provides an overview of the interview and meeting stakeholder groups and key tasks.

External Customer Meetings	City Permitting Functional Staff and Other Departmental Interviews	Peer Interviews
<ul style="list-style-type: none">• Communicate objectives of the engagement for customer buy-in with the customer Stakeholders.• Conduct focus group meetings with external customer groups, such as professional industry associations.• Identify group or individual follow-up regarding external customer perceptions and desired outcomes.	<ul style="list-style-type: none">• Conduct brainstorming sessions with the City to discuss the cost recovery approach and policies of the Department.• Interview key Department personnel process owners• Document processes and identify involvement by Permitting personnel• Develop process flows and conduct process walk-throughs• Conduct meetings with other City Departments based on Permitting intersection points	<ul style="list-style-type: none">• Interview key personnel process owners• Document processes identified by the Permitting function• Clarify documentation collected as needed• Gain understanding of business strategies and KPIs used within the organization• Understand initiatives, lessons learned for the Permitting function

Work output(s):

- Ongoing status reporting updates to the City
- Status reporting will include current period activities, project next steps, issue and resolution logs, and discussion topics for KPMG and City project sponsor(s)

Phase III. Data Analysis

The information collected from fieldwork will be used within the analysis to focus on each of the engagement objectives.

Objective I: Permitting Assessment

For the Permitting Assessment, KPMG will analyze the information gathered to understand the issues and opportunities associated with the current state, gaps between the current state and planned future state, as well as opportunities for improvements. As mentioned, KPMG



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envisions this to be a collaborative process with the City and share preliminary observations during the process with the City for alignment.

Key activities:

- Gap Analysis

- Current State, “As is” assessment

KPMG will perform a current state assessment of relevant business processes for the Permitting function through the analysis of documentation and interview information. The current state assessment highlights, from beginning to end, the chain of activities required to respond to City and customer needs and current level of performance that is obtained.

The mapping of existing processes is designed to reveal how personnel perform day-to-day work duties and activities applied to complete a service, as well as which tasks may or may not add value. The current state assessment also documents the technology in place to support the processes and interaction with the systems. Key areas that the KPMG team will gain a current state understanding include:

- Permitting functions, services, efforts to services expended by the Permitting function.
- Permit completion timeframes, activities or personnel involved within permit, by permit type
- Resources used and needed for completion of tasks and activities
- Reporting output for existing permitting services, and reporting attributes and reconciliations as applicable
- Supporting documentation for applications and permitting
- Customer intake processes and service experience tools
- Management or supervisory oversight; staffing alignment/ assignment
- Policies and procedures implemented and followed
- Risk and controls related to the application and permitting review and approval functions

- Planned Future State/ Improvement Opportunities

KPMG will then assess observations, or gaps between the City’s current state permitting processes, to the ‘to-be’ planned future state. We will identify where the



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Permitting function stands on its path, with considerations or recommendations for future state operations.

- Benchmarking

In addition to assessing the City's internal processes and improvements, KPMG will leverage knowledge of similar city governments' to identify more effective, or, leading practices. KPMG will provide comparison of the City's operations to similar industry organizations or peers. We will work with the peer municipalities and the City to discuss the key benchmark selections that may be valuable data points and able to capture based on reporting availabilities. As applicable, KPMG may leverage data collection templates that collect organizational and process information and helps provide for "apples to apples" comparisons from organization to organization and process to process.

The combined gap analysis of current processes to the planned future state, and industry/ peer cities will help provide analysis for improvement opportunities.

- KPIs

KPMG will assist the Department in identifying future Key Performance Indicators (KPIs) from a business strategy perspective. We will leverage information gained throughout the data analysis phase to provide the City with suggestions for KPIs. Considerations will include, customer desires to continually monitor, other municipality KPIs used for industry consistency, and City reporting available or needs to accurately track and gather data points with relative ease.

Objective II: User Fee Study

For the User Fee Study, the KPMG team will analyze the current state data collected to capture the full cost of service for the City's Building and Planning permit fees, and comparison to current recovery levels.

KPMG will use a computer-based tool for the analysis of service costs per service item. The computer-based system allows for a structured, consistent and transparent methodology, including an audit trail for project costing. Furthermore, the computer-based tool allows for alternative analyses readily be performed to reflect changing situations.

Cost of service categories will be documented to identify fees and service areas where time, effort and expenditures are associated. This will provide the framework or population of service items the City's costs will be identified. Costs included within the analysis include direct personnel, other direct and indirect costs.



Cost Type	Key Activities
Direct personnel costs	Direct personnel cost based on time and efforts will be captured to identify services supported. Activities include: <ul style="list-style-type: none">– Documenting staff time and effort,– Identifying personnel time availability,– Analyzing individual personnel efforts to services,– Functionalizing personnel efforts associated with service areas for labor distribution,– Assessing administrative and supervisory time attributable to respective personnel functions,– Identifying cross over costs from Departments or Divisions, and– Allocating allowable costs associated within functions or service areas.
Other direct costs	Other direct costs will be captured to identify non-personnel expenditures associated with shared services, or directly attributable to a fee or service items.
Indirect costs	Indirect costs will be included within the full cost of service. The KPMG team will leverage the City’s indirect cost allocation plan to identify administrative City-wide support costs that support the Department involved with permit fees.

KPMG will generate a summary of the full cost of services, and incorporate statistical and unit information. A comparison of service costs will be generated with existing cost recovery levels. The costs and revenues by fee categories on a per unit basis will be compared to identify variances in cost recovery levels. This will include service areas where the City is currently charging for services as well as areas that are not part of revenue collected for service.

Work output(s):

- Ongoing status reporting updates to the City
- Status reporting will include current period activities, project next steps, issue and resolution logs, and discussion topics for KPMG and City project sponsor(s)



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Phase IV: Reporting

The KPMG team will develop two reports that focus on each engagement objective.

Objective I: Permitting Assessment

KPMG will provide a draft report that summarizes the current state environment and recommendations for improvement to the City. The recommendations developed will be designed to identify opportunities for next steps for the City. The draft will identify comparison to industry information and opportunities for improvements.

KPMG will present the draft report to the City for feedback and comments. KPMG will address comments received from the City prior to issuing the final report. KPMG's role in any legislative setting is limited to providing technical explanations of our work at the request of the legislative body. KPMG cannot undertake public-policy-setting meetings with government officials or other parties or otherwise appear in a public or private context that could be fairly interpreted as public policy advocacy, lobbying, or otherwise be perceived as representing the City.

Objective II: User Fee Study

KPMG will provide a draft and final User Fee Study report to the City based on the full cost of service analysis. The report will include summary information on cost recovery for the Building and Planning Departments fees. The draft report will also include detailed schedules that identify each service, its full cost, comparison to revenues received for service items, and suggestions for cost recovery levels.

KPMG will provide a draft report to the City for review and feedback. KPMG will then address comments received from the City prior to issuing the final report.

Key activities:

- Conduct an exit conference to discuss observations and findings
- Obtain feedback and incorporate to analysis and draft reporting
- Issue draft report to the City
- Receive management responses to observations and findings
- Issue the final report to the City

Work outputs:

- In person meeting with the City for discussion and feedback



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- Draft report (One Permitting Assessment draft report and one User Fee Study draft report)
- Final report deliverable (One Permitting Assessment final report and one User Fee Study final report)



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Timeline

We have developed a project timeline that identifies the phased sequence of tasks. The following chart depicts a view of project timeline by phase and activities. As part of our initial projection initiation meeting, we will work with the City to finalize the timeline.

Please note, this time frame is dependent upon the timeliness of requested information furnished by the City. The City will be responsible for the collection of all and submission of documentation and availability for interviews of City personnel. In addition, the City will be responsible for the identification, consideration and applicability to City management approval requirements, regulations and ordinances.

Phase	Activity	Month 1	Month 2	Month 3	Month 4	Month 5
Project Initiation	<ul style="list-style-type: none"> Conduct kick-off meeting, discuss project timeline and refine approach as needed. 	█				
		█				
Fieldwork	<ul style="list-style-type: none"> Conduct interviews and stakeholder meeting; Conduct process walk-throughs, identify fees and support, document effort; Collect and clarify documentation as needed. 		█	█		
			█	█		
Data Analysis	<ul style="list-style-type: none"> Permitting Assessment: Perform analysis of fieldwork information collected, identify gaps, recommendations or improvements as applicable; User Fee Study: Analyze personnel effort and administrative costs, calculate total cost and summaries, gather and incorporate statistical unit information, and assess full cost of service comparison. 		█	█		
					█	█
Reporting	<ul style="list-style-type: none"> Permitting Assessment: Submit draft for city's feedback, update draft as applicable and provide finalized final report; User Fee Study: Develop cost schedules review draft information with the City, incorporate feedback and issue final reporting. 			█	█	
						█



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Project Costs

KPMG believes in providing quality professional services at a fair price. We will seek to maximize efficiencies whenever possible. Our fees are based upon the mix of personnel involved in the engagement at hourly rates commensurate with their level and experience.

The fees include that from KPMG professionals along with our planned subcontractor for the City's KPMG engagement team. We are committed to support Minority/Women-Owned Business Enterprise, thus, our plan is to utilize Ms. Carolyn Binder for up to 24% of the effort performed under this Statement of Work. Carolyn provides contract and professional accounting, auditing, and advisory services primarily to government and not for profit organizations. Carolyn has provided auditing services for small and large entities; she is a subcontractor to KPMG and is a certified women's business enterprise.

The following table identifies our total professional fees for providing the services described for this engagement. The estimated hours to complete the project objectives are identified below and are based upon the assumptions described in below. Additional fee detail is located in the appendix.

Objective	Professional Fees
1. Permitting Assessment	
▪ Performance Review and Improvements	\$ 145,900
▪ Benchmarking	45,610
2. User Fee Study *	
▪ Cost of Service Analysis *	82,370
Total	\$ 273,880

*If management decides to perform the User Fee Study at a later date, than, the associated cost for the single User Fee Study objective is \$105,400.



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City Responsibilities

It has been our experience that the City's participation is necessary for this type of project. The City will provide assistance to help KPMG achieve the successful completion of the engagement. Such assistance may include:

- Assistance in gaining timely access to documentation, systems, and key personnel
- Timely feedback at key decision points
- Active participation to facilitate the timely resolution of project-related issues
- Relevant operational, technical, and background information as required by the engagement team.

By accepting this engagement letter, City management accepts responsibility for the substantive outcomes of this engagement and, therefore, has a responsibility to be in a position in fact and appearance to make an informed judgment on the results of this engagement. The City will comply and is responsible with the following:

- Designate a qualified management-level individual to be responsible and accountable for overseeing the engagement.
- Establish and monitor the performance of the engagement to ensure that it meets management's objectives.
- Make any decisions that involve management functions related to the engagement and accept full responsibility for such decisions.
- Evaluate the adequacy of the services performed and any findings that result.
- The City will be responsible for contact with external resources and audiences and arranging respective meetings, interviews and focus groups.

Deliverables, Considerations and Other Terms

KPMG's services as outlined in this proposal constitute an advisory engagement conducted under the American Institute of Certified Public Accountants ("AICPA") Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report



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or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

This letter confirms our understanding of the services desired by the City. We look forward to working with you in the performance of these services, and would be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, please sign a copy of the letter and return it to me at your convenience.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'D. Jahosky', with a large, stylized flourish at the end.

David G. Jahosky

Managing Director

KPMG LLP

ACCEPTED BY THE CITY:

Authorized Signature _____

Name and Title _____

Date _____