



2018

REVERSING THE MUNICIPAL TIPPING POINT WITH IXP'S MANAGED SERVICES

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THE MUNICIPAL TIPPING POINT

Local governments are increasingly challenged with unprecedented financial and operational decisions that ultimately force them to ask, “Do we raise taxes or cut public services?” In general, people assume their governments function at the **balancing point**: the right amount of public services with the right balanced budget.

However, there are many municipalities that are experiencing hard times - some operating under state oversight, some already going bankrupt, and others unaware of the seriousness of their mounting fiscal problems. The annual challenge of balancing a plethora of public services against the local taxpayers’ ability to pay has reached a **tipping point**. This is especially true in rust-belt states, as well as the high property tax states like Connecticut, Massachusetts, New Jersey, and New York.

In Malcom Gladwell’s book, “The Tipping Point: How Little Things Can Make a Big Difference,” he defines the phenomena of a tipping point as, “that magic moment when an idea, trend, or social behavior crosses a threshold, tips, and spreads like wildfire.” Just as a single sick person can start an epidemic of the flu, so too can a small but precisely targeted push cause a fashion trend, the popularity of a new product, a drop in the crime rate, or a financial disaster. We’ve all seen crowd driven ideas, protests, incidents, and other social behaviors that have tipped the balance of community peace and engulfed towns in chaos.

“THAT MAGIC MOMENT WHEN AN IDEA, TREND OR SOCIAL BEHAVIOR CROSSES A THRESHOLD, TIPS, AND SPREADS LIKE WILDFIRE.”

– MALCOM GLADWELL

For dealing with such social epidemics, Gladwell recommends trying to see things done a different way and stopping trying to fix problems by doing the same unsuccessful things over and over again.

Within municipalities, tipping points can occur surprisingly quickly, they are rarely good, and they usually result in community turmoil, political defeat, and declining towns. However, as we'll see later, some tipping points can be a good thing and spread like wildfire for all the right reasons.

While we cannot address all of the issues that contribute to the tipping point, IXP can assist in the area of public safety. IXP has found that there are six specific public safety problems that are common across many cities and towns in the country. These are the problems that keep town administrators up at night, give police chiefs headaches, and contribute to the municipal tipping point.

PROBLEM 1 | COST OF PUBLIC SAFETY PERSONNEL

Public safety tends to be the largest single line item in municipal budget appropriations, and taxpayers like to see police officers patrolling their towns and providing public safety.

Unfortunately, the pace of public safety costs is growing faster than other budget line items. These costs are under increased scrutiny due to the detrimental effect those are having on funding other infrastructure improvements and community services.

The labor costs associated with police personnel consumes over 95% of most public safety budgets, leaving very little for other needs such as equipment and technology. According to the Bureau of Labor Statistics, the national median salary for police and detectives in 2016 was \$61,600. In comparison, the median pay for the average worker was \$37,040. Typically, after 5-years the fully loaded cost for one sworn police officer grows to well over \$100,000/yr.

Embedded within the overall public safety budget is the cost to staff and operate the life-critical 911 emergency communications center. Communications centers are notorious for their technology intensive environments, high turnover rates, and seemingly endless recruiting, hiring, and training efforts to fill open positions. Most municipalities struggle with providing industry standard training for dispatching and technical support.

Police officers, whom are generally not trained or skilled in telecommunicator operations or complex technologies, are spending an inordinate amount of time overseeing, managing, and staffing communications centers, and training 911 dispatchers. This takes valuable operational policing time away from the department, creating a manpower shortage and takes the Department away from focusing on their primary mission—keeping the peace and enforcing the law. As such, salary and

“IT IS NOT A GOVERNMENT’S OBLIGATION TO PROVIDE SERVICES, BUT TO SEE THAT THEY ARE PROVIDED.”

–MARIO CUOMO

overtime costs have escalated and more pressure is placed on town administrators to become creative in finding ways to staff police operations and stretch an already tight budget.

However, as many counties, cities, and local communities have shown across this country, the call-taking and dispatch function does not require the tactical training and higher salary costs of police officers.

PROBLEM 2 | UNFUNDED RETIREMENT COSTS: PENSION AND HEALTHCARE

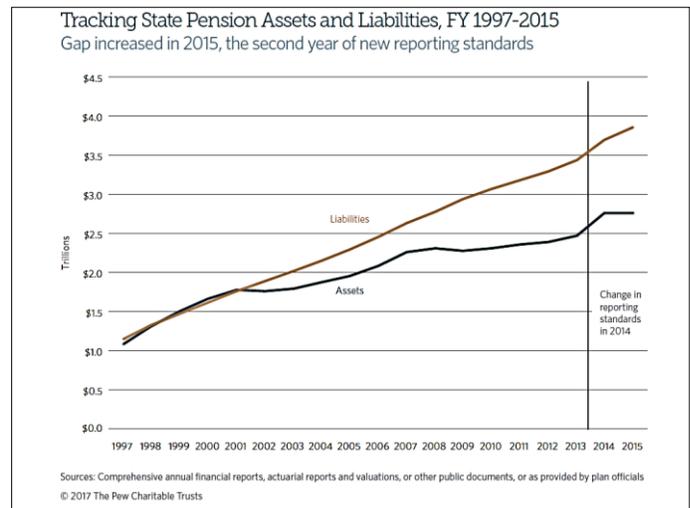
As reported by the Pew Charitable Trusts, even though states may balance their budgets, they still face some long-term, future spending commitments such as debt and unfunded retirement costs. In 2013, states reported that they owed \$968 billion in unfunded pension benefits, \$587 billion in unfunded retiree health care liabilities, and \$518 billion in outstanding debt. A surprising component of these costs is that they include the benefit costs for thousands of personnel that have not just retired, but also moved out of their respective states draining the state's ability to recover any additional revenues from these people. As estimated life expectancy increases, the duration of benefit obligations paid to relatively young retirees continues to approach nearly 50-years into the future. A snowball effect is occurring for municipalities because they're paying more for retiree benefits (and in some cases their surviving spouses) than for their current employees.



The gap between the total assets reported by state pension systems across the United States and the benefits promised to workers reached \$1.1 trillion in fiscal year 2015. New Jersey alone accounted for nearly \$135 billion. This does not include the cost of debt services.

Expected increases in the nationwide funding gap of more than \$350 billion over the next two years will require policymakers in many municipalities and state governments to choose from two options: paying more into state pension plans and potentially crowding out other critical items in their budgets, or letting funding levels drop and continue to grow pension liabilities further out into the future.

According to the Manhattan Institute’s senior fellows Steven Malanga and Josh McGee, the cost of fixing New Jersey’s pension system, worst-funded in the nation according to Pew Charitable Trusts, could consume virtually any new tax revenues created by new administrations and leaves little budget flexibility for other spending. Malanga and McGee report New Jersey’s pension system may have already reached an unfixable tipping point. The system is now missing so much money that even when it achieves its investment goals, it falls far short of the money it needs to remain solvent over time.



PROBLEM 3 | TECHNOLOGY MODERNIZATION DILEMMA

As consumers, we are all familiar with the benefits of technological advancements and improvements. Today’s products are not only better than last year’s models, they are often cheaper. In addition, we are seeing product lifecycles descend from 10-, to 5-, to 2-year end-of-life replacement cycles.

Acknowledging this pace of product lifecycles, CIO’s, CTO’s, and other technology leaders are moving away from recommending large-scale, multi-year capital expenditure technology projects. This reluctance is due to their shrinking budgets and the risks associated with implementing new technologies—especially life-critical technologies (911 dispatch, real-time crime centers, etc.) that could fail and be highlighted in the media. A 911 emergency communications center modernization initiative, including facilities, computing hardware, software applications, radios, and networks, would take many years to encumber funding, plan, design, and implement using government employees and procurement processes.

Compounding this situation is the fact that these lifesaving modernization initiatives are frequently the last activities to be addressed specifically **because** of their life-critical nature. Fear sets in with government officials, election cycles are pondered, and eventually a “**not on my watch**” attitude develops that further stifles change, frustrates the first responder community, and increases the risk to the public. There never seems to be a good time, or enough money, to modernize or improve emergency dispatch environments.

Gradually, the facility, technology, and overall operations deteriorate, providing less and less effectiveness, and requiring even more time, effort, and costs to repair, replace, and renovate.



PROBLEM 4 | EVOLVING INDUSTRY STANDARDS

Another problem is the complexity of the evolving industry standards associated with achieving an integrated national public safety technology vision. This vision encompasses: the NENA i3 architecture for the national implementation and integration of IP-based connectivity for 911; advanced NG9-1-1 data integration to support multimedia for photos and streaming videos; and FirstNet – the migration towards nationwide interoperable public safety broadband networks.

These modifications and refinements to public safety infrastructures have been decades in the making, and tend to be implemented very slowly by municipalities because of their complexity, costs, and lack of expertise.

Further compounding these technical challenges is the fact that there are less and less experienced municipal personnel available to devote to multi-year technology improvement projects. Highly experienced personnel are rapidly retiring due to their unique pension benefit stipulations.

PROBLEM 5 | DRACONIAN PROCUREMENT PROCESS

As if these staffing, technology, and industry standards problems weren't enough, the traditional government procurement process has become oppressive. While its original mission was to ensure the integrity of a fair and unbiased procurement process for goods and services, it has become out of touch with today's rapidly changing technology and business solution landscape.

For example, the need for governments to separate the procurement of goods/products from consulting/technical services has become an antiquated roadblock that doesn't support the business requirements of their constituent departments.

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“IN REALITY, IXP DISPATCHERS KNOW THE AREA JUST AS WELL IF NOT BETTER THAN EXISTING DISPATCH PERSONNEL. ALSO, CONSIDERING THE FREQUENCY OF RETIREMENTS AND DEPARTING LOCAL OFFICIALS, IXP HAS PROVEN OVER OUR NEARLY 20 YEARS IN EXISTENCE THAT WE CONSISTENTLY OUTLAST OUR CLIENT REPRESENTATIVES IN THE LONG RUN.”

—BILL METRO, IXP CHIEF EXECUTIVE OFFICER

However, there are some changes occurring in this realm. Cloud-based email services is one specific example where a combination of goods (hardware, software, networks) and services are combined to deliver an overall operational solution that is cost-effective and curtails the growth of costly technology personnel.

While there is a growing acceptance for this type of “bundling” of goods and services, major roadblocks still exist for procuring creative bundled operational and technical solutions. The biggest benefit of IXP’s managed services is that it combines cost-effective public safety services with customer selected technology to deliver a comprehensive bundled solution.

PROBLEM 6 | COLLECTIVE BARGAINING AGREEMENTS

An interesting problem occurs when the overall cost and quality of 911 dispatch operations is driven by Union supported collective bargaining agreements. Almost immediately, the targeted problems associated with the cost of personnel and quality of public service are attenuated due to political cycles, agendas, local nepotism, and the locally fueled outcry of fear, uncertainty, and doubt. A common local response that IXP hears is: “How could a for-profit corporation know our streets and our unique first responder procedures?” Another common outcry is: “They’ll never stick around. Where will they be in 5-years?”

In reality, IXP dispatchers know the area just as well if not better than existing dispatch personnel. Also, considering the frequency of retirements and departing local officials, IXP has proven over our nearly 20 years in existence that we consistently outlast our client representatives in the long run.

Many states allow for Unions to competitively compete with private companies for their initial services contracts and renewals. However, in this situation the procurement process never seems to follow the mandated RFP process. The Union bid response is typically given preference, is afforded schedule delays and missteps, and allowed to negotiate contracts privately.

Isn’t this the type of bidder preference and procedural modification that the procurement process was intended to prevent?

REVERSING THE TIPPING POINT WITH IXP MANAGED SERVICES

Winston Churchill once said, “You can always count on Americans to do the right thing—after they’ve tried everything else.” The irony of this quote can be seen every day watching one municipality after another struggling to do the same things over and over again.

We believe now is the time for municipalities to do the right thing. **To see things differently, through the IXP lens.**

The tipping point for local government services can be reversed by having a broad array of public safety services delivered more cost-effectively, more efficiently, and more professionally by IXP.

As public safety services evolve and technical complexities increase a growing number of municipalities have turned towards managed service contracts to quickly implement change and stretch their precious budgets. The benefits of this approach are clear. As we have all seen in the business world, those businesses operating with a managed services model can focus on their core mission more effectively and grow their bottom lines more quickly.

Their managed service partners provide an outsourced service that includes expert services and proactive planning, design, implementation, technology refreshment, staffing, and the management of human resources personnel, in many cases for multi-year fixed prices.

911 call taking and dispatch is the logical starting point for building a partnership with IXP because these functions do not require the skills and costs of sworn personnel. And we do it in YOUR facility.



In the local government world, managed services can allow the first responder communities to focus more effectively on their core missions, which includes: enforcing local ordinances; providing law and order; responding faster to emergencies; saving lives; and establishing stronger ties with their community.

Within public safety, 911 call taking and dispatch is the logical starting point for building a partnership with IXP because these functions do not require the skills and costs of sworn personnel. And, we do it in **YOUR** facility. Also, with the 911 emergency communications center becoming the critical nexus for complex technological advances and operational efficiency, a managed service solution is becoming increasingly more attractive.

The IXP services and solution agreement contractually binds us with the customer in a solid partnership that will deliver public safety services **better, faster, and less costly**. IXP's managed services solution for 911 emergency communications centers has been honed over the past twenty years, and typically includes: 24x7x365 staffing; training; management of operations; support and maintenance of technology; support services; and defined service level metrics.

The illustration below demonstrates the array of the services provided under the IXP managed services contract model.

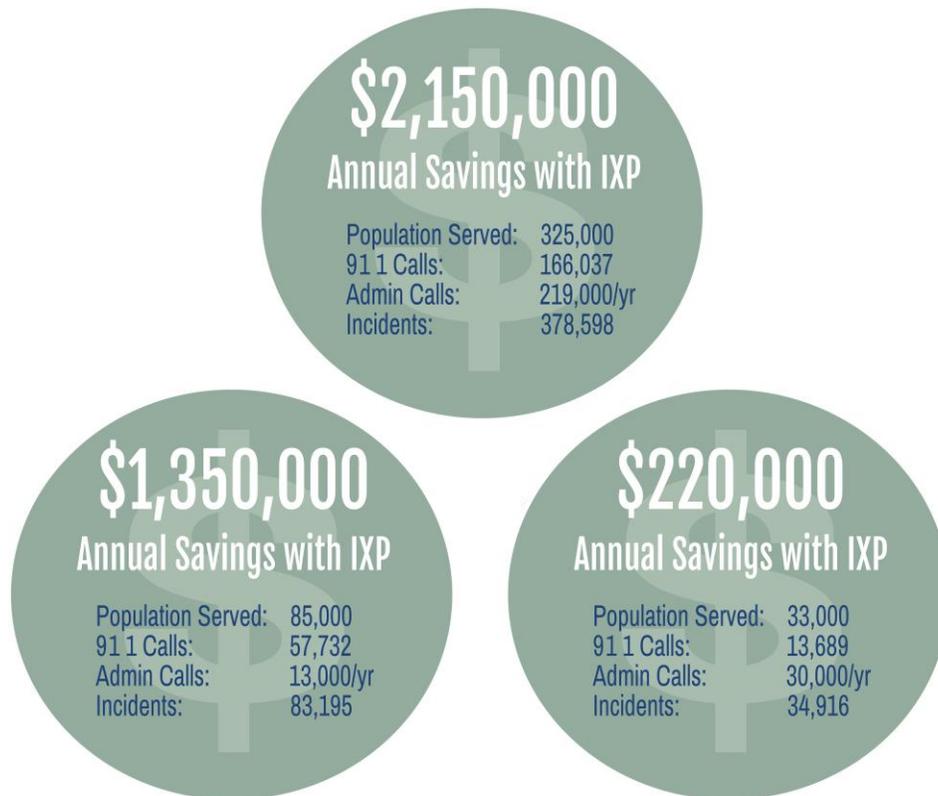


Most importantly, IXP's managed services offer a means to reduce total cost of operation over an extended period of time. By allowing IXP to focus on providing the complete 911 public safety service, the public's experience can be improved, accreditations such as CALEA and IAED can be achieved, and both immediate and long-term costs can be reduced.

As cities and towns approach their financial tipping point, the more important it is for them to critically explore their true cost of services, which should include calculating many less obvious components of their operational costs such as long-term pension and healthcare obligations, human resource management, training, and surge capacity staffing. When these costs are added into the mix with recurring operational staffing costs, the IXP managed services solution can save municipalities millions of dollars.

Managed services bring with it a fundamental change in purchasing philosophy. Instead of using multiple requests for proposals (RFPs) to acquire technology products and professional services individually (which can be well over 50 procurements), IXP's managed services approach focuses on delivering an entire public safety service, which can include advisory services, recruiting, hiring, training, staffing, management, backfill and overtime, technology implementation and upgrades, support services, and facility services. Acquiring this bundle of professional services and solutions under a single contract can be a challenge for some cities and procurement departments. But, there are contractual vehicles that exist, such as the Competitive Procurement Contract, that can be used to facilitate the desired long-term engagement.

Below are three examples of towns that reached their tipping point and hired IXP for 911 managed services. The savings yielded is considered "significant" by their administrators and respective governing bodies. Now, IXP's Managed Services is beginning to spread like wildfire due to local governments seeing things a different way. The IXP Way!



OUR SAIF® METHODOLOGY

We understand how importantly our municipal customers view their life-critical dispatch operations. We've brought together several hundred years of public safety operational and technical experience by subject matter experts, including their valuable lessons learned, under one service delivery methodology called SAIF®.

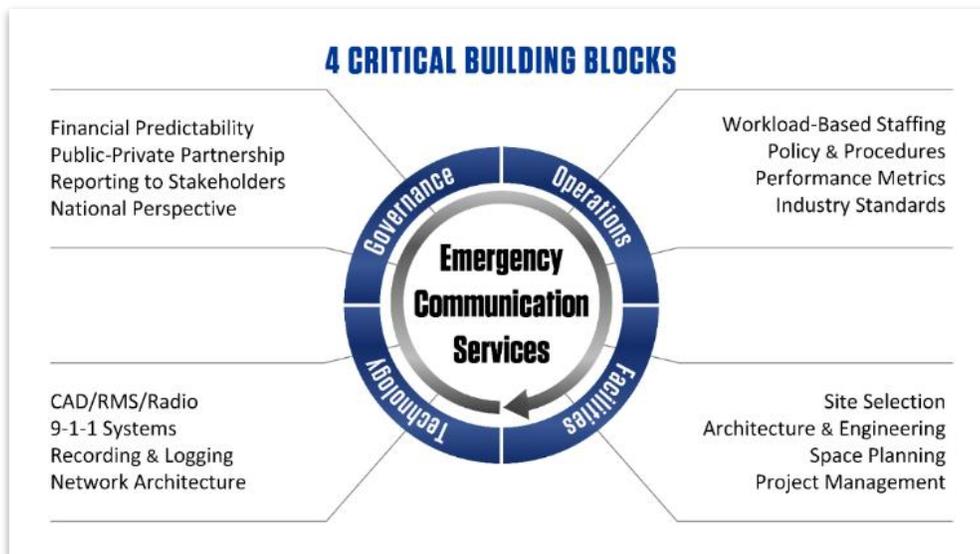
At IXP, we follow our proven SAIF® methodology to define and control everything we do to deliver exemplary managed services to our customers. SAIF® has been refined over many years of public safety project experience. Most importantly, it has been simplified to three cost-effective phases: Assessment, Business Case, and Managed Services.



Our public safety experience and SAIF® project roadmap allows our subject matter experts to quickly perform an assessment of the customer's public safety environment. Then, a more detailed business case analysis follows that helps the customer determine such things as: "Who's involved?" "What will it include?" "When will it be completed?" "Where will it be performed?" "How much will it cost?" and "Why are there so many options?" The detailed business case is what municipalities need to define their vision, achieve political and operational consensus, establish a master plan for execution, and finally implement the changes they are seeking.

Within each phase of our methodology, we focus on achieving the right balance of four critical building blocks that are crucial for delivering high-quality, cost-effective public safety services to communities: Governance, Operations, Technology, and Facilities.

Evaluating these areas is crucial for developing a client-specific over-arching master plan. Not only are these areas important for meeting service level metrics and budgetary goals, they are also important for coordination and integration of technology and operations amongst multiple public safety agencies and jurisdictions. While each customer may not need all four areas to be thoroughly assessed, IXP always keep these four areas in mind because these may need to be addressed sometime in the future.





YOUR TAILORED PUBLIC SAFETY SOLUTION

But, exactly what public safety services can be managed by IXP for your city?

We've found using the notion of the "Blue Line" is a helpful way to determine the boundary between essential law enforcement functions that are required to keep the peace and enforce the law, and the various other support functions. This is a good way to identify a police department's primary mission.

Listed above the line are the generally accepted duties and responsibilities of sworn police officers that require special skills, tactics, training, equipment, and police management. Anything else can be considered below the line.

IXP's managed service offerings are specifically geared towards supporting those functions that can be performed by civilians, such as 911 call taking, dispatch, recruiting, hiring, telecommunicator training, front-window

support, technology support, operations management, scheduling, and overtime support. These functions, performed in your location, can have the greatest positive impact on reducing long-term costs, improving service to the public, and reversing the march towards a tipping point.

Using our SAIF® 3-Phase Methodology described above, we would begin by performing an assessment of the current operations and workload, and review duties and functions that could be provided more effectively and efficiently by IXP under a managed services contract. Then, we would create your Business Case Report which will include a Concept of Operations, Work Load Analysis, Staffing Plan, and Master Plan to clearly explain our value proposition and approach to solving some of your most critical problems. We can complete the transition to managed services within three to six months after contract signing.

AS YOU CAN SEE, ANOTHER TIPPING POINT IS OCCURRING, AND THIS ONE IS A GOOD ONE. IT'S IXP'S MANAGED SERVICE SOLUTIONS GROWING LIKE WILDFIRE. CITIES AND TOWNS ACROSS THIS COUNTRY ARE SEEING THINGS DONE THE IXP WAY!



If IXP's public safety managed services sounds right to you, please contact us to schedule your initial assessment with an IXP subject matter expert.

Start your future today!

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