April 2, 2015

The Honorable Greg Walden
Chairman
Subcommittee on Communications and Technology
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Walden:

Pursuant to your request made at the March 19, 2015, Energy and Commerce Subcommittee on Communications and Technology hearing, “FCC Reauthorization: Oversight of the Commission,” please find enclosed the final consultant’s report regarding the closure and consolidation of the Federal Communication Commission’s field offices. With the help of current technologies and the strategic re-deployment of personnel and equipment, I believe that the proposed approach would give the Commission the necessary tools to get the job done, with greater efficiency. The bottom line of this report is that the FCC’s field office structure is 20 years old, too costly and not effectively focused on 21st century realities.

With a business-like approach, we took a hard look at the Commission’s budget and facilities looking for areas where we could modernize, eliminate redundancies, and realize cost-savings. The field offices quickly emerged as facilities that needed a thorough operational review. It has been over 20 years since the last major reorganization of our Enforcement Bureau’s field activities. It would have been irresponsible not to consider field office consolidation and efficiency improvements as part of the Commission’s overall footprint reduction and long-term management plan. Accordingly, in October 2014, the Enforcement Bureau and the Office of the Managing Director engaged outside, independent consultants to drill down on the data about the field offices’ activities and resources.

As an initial matter, it is important to recognize the high cost of maintaining the current field office structure: our licensees pay over $20 million a year to support 24 field sites and the average administrative overhead cost level to maintain just one field location is $400,000. Overall support costs per FTE for field staff are more than double that of our headquarters staff.

- There is an overabundance of managerial positions. The average field location has just 4.5 full time employees (“FTEs”) (with many having just 1 or 2 FTEs). Yet for every 4 field employees, there is 1 manager.
- There are unaligned resources – some field offices have a 2 vehicle per agent ratio.
- The rent for these field offices is disproportionate. The square footage per employee in field offices ranges from 3,921 to 381 square feet. By comparison, FCC headquarters operates with 272 square feet per employee (with a target to reduce it to 180 after FY2017 as part of our restacking/move).
Against this backdrop of high costs, our field offices are caught in outdated modes of enforcement. Twenty years ago, the field offices were tasked with: (1) inspecting local licensee activities and encouraging compliance; and (2) investigating radio frequency interference and unauthorized radio spectrum usage. These priorities placed a premium on local presence in a relatively large number of locations.

A principal activity of yesteryear was the physical inspection of records and licensees’ offices. Today those records are online. Similarly, much time used to be spent on direct visual inspection of antennas to check paint and lighting. The realities of today are that with modernized equipment, regulatory changes, remote operations, and monitoring capabilities, as well as strategic partnerships with other agencies, these inspections and compliance tasks require far fewer staff and localized resources. Maintaining an office with six people, for instance, where on average each agent only handles one radio interference case every five weeks is not a wise allocation of resources. And current overall activity metrics for our field offices tell the story even more powerfully: less than half of total field personnel time today is spent on any kind of spectrum enforcement activity, and a much smaller amount is spent on the most critical spectrum priorities such as public safety interference.

While interference resolution anywhere in the country is and will remain a top FCC priority, our methods and organization must evolve and improve with industry changes. The central management question therefore is whether it remains necessary to have expensive-to-maintain offices with local staff thinly spread across 24 markets, or instead whether the same results could be produced at lower costs by combining more efficient local scale in a smaller number of locations with the addition of a more mobile, flexibly deployable team of agents?

The answer is a resounding “yes.” Our modernization plan will include:

- Right-sizing our geographic footprint from 24 to 8 field offices that will keep agents productively on the move;
- Strategically placed, pre-positioned direction-finding vehicles and equipment in 9 additional cities to allow agents to fly to those cities, pick up the equipment, and travel to a target area;
- Adjusting the number of agents from 63 to 33 field agents, all of whom will have electrical engineering backgrounds;
- Streamlining the management structure from 21 to 5 individuals, and refocusing on mobile solutions and partnerships.

I am confident that a new alignment of resources will not adversely affect our public interest mission. Our primary goal will continue to be responding to spectrum interference complaints, including responding to any public safety interference within one day, with the vast majority of the nation reachable within 4-6 hours. A newly created “tiger team” in the Columbia, Maryland, office will provide enforcement throughout the country including
inspections that are not complaint-driven and support other field offices in serving their redefined coverage areas.

The plan also recognizes the realities of key markets. New York and Miami, the two most significant hubs for pirate radio, will see a 30 percent increase agents with electrical engineering training, capable of responding to the most complex technical issues.

Our plan of relying more on flexibly deployable agents is not unique. The FAA, for instance, relies on an interference hunting team for all FAA radio communications investigations. This team is comprised of 7 people distributed across 7 cities across the country to cover the entire United States; in 2014 alone this team investigated 2,700 interference cases. Although our mission is much broader, this model demonstrates that the FCC can achieve greater efficiencies with our modernization plan.

Mr. Chairman, we take seriously your admonition to operate more efficiently. We have developed this plan in accordance with this goal, and believe once implemented it will update and overhaul outdated management models, realize significant cost-savings and make the FCC a 21st century agency.

Please don’t hesitate to contact me or my staff with any follow up questions on this matter.

Sincerely,

Tom Wheeler

Enclosure

cc: The Honorable Fred Upton
Chairman, Committee on Energy and Commerce

The Honorable Frank Pallone
Ranking Member, Committee on Energy and Commerce

The Honorable Anna G. Eshoo
Ranking Member, Subcommittee on Communications and Technology
DATE: March 10, 2015

TO: Enforcement Bureau Field Staff

FROM: Travis LeBlanc, Chief, Enforcement Bureau and Jon Wilkins, Managing Director

SUBJECT: Management Recommendations Regarding Enforcement Field Modernization Phase I

CC: Ana Curtis, President, NTEU Local 209

The current model of the Field was adopted approximately 20 years ago. While our field operations have served a vital part of the agency’s mission, significant technological changes and increasing resource limitations require a fresh look at this operating model. In October 2014, the Enforcement Bureau (Bureau) and the Office of the Managing Director (OMD) embarked on an effort to modernize the Bureau’s Field operations. This project sought to ensure that the Field’s structure, operations, expenses, and equipment were properly aligned with the Commission’s overall mission and resources.

As part of this effort, the Commission engaged outside consultants to conduct an independent analysis of the operating model. Over a five-month period, they collected input from more than 160 employees, outside experts, and internal and external stakeholders. They also closely reviewed prior studies, the Enforcement Bureau Automated Tracking System, and the field operations of other government agencies.

The Bureau and OMD management have used this data and analysis as input in formulating a recommendation to the Commission. We believe that our recommendation to the Commission more efficiently uses Commission resources while simultaneously making significant progress in modernizing our methods and meeting our enforcement responsibilities in the 21st Century. The recommendation consists of:

Aligning our Field focus with the priority of securing networks and resizing our Field resources to support this mission:

- Adjusting the primary focus of the geographically deployed Field offices to radio frequency spectrum enforcement
- Adjusting from 63 to 33 field agents in the Enforcement Bureau
- As part of the 33, staffing out of the Columbia, Maryland office a “Tiger Team” of field agents that will be flexible enough to support other high-priority initiatives of Enforcement Bureau or other Headquarters entities
- Requiring all field agents to have electrical engineering backgrounds to support the primary focus on RF spectrum enforcement
- Standardizing both our investigation and sanction processes to facilitate delivering high-impact work for our constituents in an efficient manner and increasing training on such standardized processes
Reducing administrative overhead expended to manage and support Field Operations:

- Streamlining our Enforcement Field management structure from 21 director positions to 5 director positions, increasing the median reports per manager from 4 employees currently to 10 employees
- Reducing from 10 to 3 administrative support positions

Downsizing our field office footprint to improve the efficiency of our resource expenditures:

- Downsizing our geographic footprint from 24 sites to 8 sites, with pre-positioned equipment in several other select cities, with emphasis on population/spectrum use density
  - Maintaining offices in or near New York City; Columbia, Maryland; Chicago; Atlanta; Miami; Dallas; Los Angeles; and San Francisco
  - Pre-positioning equipment in or near several other cities, initially including Kansas City; Denver; Salt Lake City; Phoenix; Seattle; San Juan; Anchorage; Honolulu; and Billings, Montana
- Modifying our current leased facilities to improve our resource efficiency in line with several other federal agencies
  - Working with our lessors in some locations to downsize our footprint
  - Relocating field offices to proximately located FCC owned property in or near Columbia, Maryland; San Francisco; and Atlanta

Focusing the Equipment Development Group on managing the entirety of our deployed equipment and developing mobility solutions to support the Field’s mission

- Consolidating the overall equipment management function into our Equipment Development Group, based in Atlanta, to drive economies of scale and increased utilization opportunity
- Developing agent mobility and equipment portability solutions to increase our response time capability
- Establishing beneficial partnerships between the Field and other organizations that may support increasing our effectiveness in delivering against the mission

Implementing a nationwide outplacement effort to assist all affected employees

- Program will assist displaced employees in finding positions in the public or private sectors, including other vacancies within the Commission for which they are qualified and selected.

We recognize that you undoubtedly have many questions about the recommendation and the process for moving forward. Accordingly, we will have a briefing later this week to discuss the recommendation in more detail.
Some support to other Divisions for other priorities

Enforcement Bureau Priorities

- Spectrum Enforcement Division
- EB Field
- SEC Enforcement
- Market Disputes Resolution
- Telecommunications Consumers
- Investigations and Hearings
- USB Strike Force

Aligning of EB Divisions

1. Policing Integrity (Fraud, Waste, and Abuse)
2. Protecting Consumers
3. Safeguarding Competition
4. Securing Networks

Field aligns to one of Enforcement Bureau's Key Priorities
# Weekly Briefing Sessions with EB and OMD Leadership

### Experts
- Other outside experts
- Regulatory agencies
- Air Force
- Army
- (Interference) (Purposeful)
- PIRRT, Air Force
- FAA
- NIA
- NTA
- CTIA

### Other
- Other outside
- Manufacturers
- Equipment
- Leadership
- Former EB
- Wireless carriers
- NAB
- FCC outside of
- Bureaus and offices
- > 30 interviews
- Entire field
- Surveys of
- Interviews and

### Government
- External
- Enforcement
- Bureau

Team engaged 160+ stakeholders across several groups
Current EB Field: 108 Personnel across 24 Sites

- $21M Annual Expenses
- 108 Personnel
- 24 Sites
- Facility
  - 1 Equipment Development
  - 23 Field offices (21 are leased)
- $1.53M Labor Wages
- $3.7M Office Related
- $1.23M Wages: $3.9M Benefits
- 16 Others
- 8 Equipment Engineers
- 21 Managers
- 63 Agents
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<th>Personnel Subcategory</th>
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<td>Deputy Regional Director</td>
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<tr>
<td>Management</td>
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<td>District Director</td>
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<td>EEC Engineer / Technician</td>
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<td>Chief Electronics Engineer</td>
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<td>Other</td>
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Note: Based on October 2014 employment. Does not include employees at HQ over Field (e.g. Deputy Bureau Chief and Chief Engineer).
Note: Does not include employees at HQ over field. Deputy Bureau Chief and Chief Engineer.


Field Agents

Field Management (FMD) Personnel

Equipment Development (EDG) Personnel

Field Admins

Consuls

Estimated Spend for Field is Approximately $21M; Labor is >70% and office related expenses approximately 20%.

EST: FY14 $21M Field Spend breakdown by cost element
Organizational effectiveness gaps must be addressed under all scenarios.

Evaluating all aspects of Enforcement Bureau Field:

Mission
- What is the expected output and how are they prioritized?
- What cases are addressed?
- What will the process and output of FCC and Enforcement Bureau be?
- What would the expected output of EBP and Enforcement Bureau be?
- Other Bureau
- FCC Mission
- EB Mission

Field Mission
- What is the expected output of the field?
- What personal structure and alignment are needed?
- Where do we locate field?
- What equipment is required?
- Secondary decisions are attributes of the mission.

Result of the mission of Enforcement Bureau Field that are a

Organizational Effectiveness
- Metrics
- Business systems, data, and decision-making
- Team morale, alignment, and engagement
Activities such as administration
Approximately 25% of field time is spent on non-operational activities.

Compliance rules exist or subject matters are outside agent skill sets. This is a significant issue.

Another 12.2% for several other proactive matters where high degree of compliance, limiting the utility of on-site inspections.

Significant field time is spent on matters like tower radio operations. Addresses cellular / LTE interference, and 7% addresses public safety interference, 7%

Only 40% of field time addresses RF spectrum enforcement.

Expenditure high non-
Operational time

Resources
Consuming

Activities
Prioritize

Lower

Limited

Time

RF

Addressing

Specrum

Againt FCC Enforcement mission priorities
Current Enforcement Bureau Field Resources are not aligned
Inefficiencies in terms of time spent and management structure

Note: Based on Q&A 2014 Time Assessment based on Field Survey and level of effort modeling.
Some offices may be overstated for today's case load.

Note: Available time is number of agents multiplied by % of time on case work. The survey modeled time is level of effort average per case type multiplied by the office's agents.

23 Field Offices

Average
Load Lower/Than
Addressed FY14 Case
Example: Office

Address Their FY14 Case Load
The necessary start is
Example: Office had twice
Available Time
Modelled Time

Variance between level of effort by case load and available time

Variation in efficiencies across offices
OMB and GSA are focused on reducing space across all agencies and improving space utilization and flexibility.

Field Offices also require excess space and related costs across our sites.
### Shifting Away from Using the MDF Vehicles as Our Primary Means to Direction

- 1.5 to 2.0 man year equivalents per vehicle for integration
- $90K - $115K each, including vehicle, electronics, and outside services

<table>
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<th>Resources Consumed</th>
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<tr>
<td>Portable equipment</td>
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<tr>
<td>More of our work is necessary</td>
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<td>Vehicles are useful, but more and more vehicles 15-20% of the time</td>
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<tr>
<td>We only need the undercover</td>
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</table>

- We've not as dependent on our cars

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### Quotes about the Vehicles

<table>
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<tr>
<th>Finding Vehicles</th>
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<td>Direction</td>
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<tr>
<td>74 Direction</td>
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</table>

| 63 Agents |
| Finding Vehicles |

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**Significant equipment development time spent on direction**
Employee engagement is critical for success of ongoing field operations and any change — many organizations aim to be in +10-20% net promoter range.

Quotes from interviews:
- Nuclear linkage to mission
- Layoffs perceived lack of feedback, and
- Likely driven by excessive management

Overall morale and retention issues are a risk to the field.
Future Vision for the EB Field
Recommended adjustments to align to future vision

- Beneficial partnerships: Refocus development towards mobility solutions and
  - while reducing our direct office-related costs up to 68%
  - reducing effective coverage from 91% to 81% of US population
  - positioned equipment in other cities
  - the most populous spectrum dense cities plus pre-
  - Downsize geographic footprint from 24 to 8 sites in several of
  - Also, reducing from 10 to 3 admin support positions located in Field
  - reports from 4 employees to 10 employees per manager
  - Lean management structure from 27 to 5, increasing median

- Training:
  - Standardize processes and sanction application with increased
  - Start all agent positions with Electrical Engineering backgrounds
  - Start a "Team to Team" to support other high-priority initiatives

- Spectrum:
  - Adjust from 63 to 33 Field Agents with a primary focus on RF

- Equipment Dev / Sites / Overhead / Administrative / Reduce / Resize Field / Agents
Evaluated a range of mission scenarios

Mission Change

- Outside of FCC headquarters by Field
- Expand enforcement activities addressed

Enforcement Only

- Licenses on RF spectrum
- Use of RF spectrum or interference to
- Only address cases based on unauthorized

Re prioritization

- Field scope
- Emphasize investigation and prioritizing
- Refocus the majority of field resources on RF

Optimization with current scope

- Optimize resource efficiency around full current
- Scope and activities

Support

- High impact, useful for Field to
- Too restrictive; several non-RF

Selected scenario

- Field activities to Commission
- Significant time and clarity
- Priority activities consuming
- Minimizes time spent on lower-

Geographically proximate

- Sets of the Field or the need to be
- For the near future, that align to skill
- Limited opportunities highlighted

Provisions

- Field activities for Commission
- Significant time and clarity
- Priority activities consuming
- Minimizes time spent on lower-

Resize Field Agents
Engaged experts on potential future state of spectrum trends that may change Field's work.

FCC-Mandated Narrowbanding

Increasing Use of Higher RF Bands

Ongoing Transition From Analog to Digital

Increasing Use of Digital Technologies

Specrcum Sharing

First Tier Implementation

Resolve

Interference is more challenging to identify and resolve as our interference events become less likely. As non-narrowbanded land mobile radio phase congestion expected to continue in lower bands, many higher frequency/low power bands remain.

Radius of potential interference decreases in digital, manifest as decreased need for field interference.

Digital signals less susceptible to interference.

Potential short term period of high interference.

Strategies to conduct market surveillance to address evolving uncertainties or improperly certified equipment that need to be resolved.

Operation volume to clean up spectral during initial.
Radio Frequency Spectrum Activities, especially Public Safety ones, drive the need for a geographically dispersed field.

**Team Distribution**

**Team Needs**

- Start
- Addressing

**Staffing Needs**

- Ad hoc for Growth
- Address Completely

**Adapting to**

- Equipment
- Space
- Public Safety Radio

**Examples**

- Equipment
- Response
- Quick Response

**Requirements**

- Adequate
- Personnel
- Personal

**Quick Response**

- Focused on
- Priority

- Quick Response

**Need Significant**

- Adequate
- Response
- Time

- Flexibility

**Need Flexibility**

- Adequate
- Equipment

- Flexibility

**Why Responds**

- Weight
- Inadequate

**Ability to Adjust**

- Time
- Equipment

- Flexibility

**Close Enough**

- Equipment
- Flexibility

- Time

**Need to Be**

- Adequate
- Equipment

- Flexibility

- Time

**Address Initiatives**

- Interference

- Flexibility

- Priority

**Focus on Higher**

- Equipment

- Flexibility

- Priority

**Focus on Lower**

- Equipment

- Flexibility

- Priority

**Interference**

- Flexibility

- Priority

**Lead by Example**

- Equipment

- Flexibility

- Time

**Location**

- Detail

- Decision

**Regularity Change**

- Equipment

- Flexibility

- Time

**Location**

- Detail

- Decision

**Location**

- Equipment

- Flexibility

- Time

**Location**

- Equipment

- Flexibility

- Time

**Location**

- Equipment

- Flexibility

- Time

**Location**

- Equipment

- Flexibility

- Time

**Location**

- Equipment

- Flexibility

- Time

**Location**

- Equipment

- Flexibility

- Time
Pros:
- Easy to re-respond to issue areas
- High visibility to consultants
- Transportation of equipment is simplified
- Quick response time
- Close to the site of issues

Cons:
- Limited flexibility – tied to specific locales
- May drive higher labor cost just to man locations
- Scale-back/relocations can lose offices empty
- Square feet in each office
- Discourages off site – fixed overhead portions of
- Costly – potentially takes away from other priorities

Response Time

Resource Location Selection Requires Balance between Amount of
Office Location and Response Time / Service Level

Amount of Resource Allocated

To Geographical Coverage

Downsize Field Sites
Telework models were evaluated across all office deployment scenarios; however, they limited equipment and case prioritization flexibility. Critical mass of personnel offices; several offices below significant resources consumed by pre-positioned sites.

Selected Scenario:
- 11 Offices
- Pre-positioned sites
- Angeles, San Francisco, Honolulu with 6 equipment offices in Columbia, New York, Chicago.

Selected Scenario:
- 8 Offices
- Pre-positioned sites
- Angeles, Miami, Dallas, Los Angeles, San Francisco.

Selected Scenario:
- 6 Offices
- Pre-positioned sites
- Angeles, Dallas, Los Angeles with 11 equipment offices in Columbia, New York, Chicago.

Selected Scenario:
- 4 Offices
- Pre-positioned sites
- Angeles with 13 equipment pre-positioned sites offices in Columbia, Chicago, Atlanta.

Selected Scenario:
- No Field Offices
- Case
- Agents travel out of FCC Headquarters.

Evaluated a range of office deployment scenarios.
Eight site model with pre-positioned vehicles covers ~80% of US population within one day.

100% of US population ensures response to frequently visited pre-position 9 radio

FCC-owned space consolidate 2 sites into transportation

Transportation - availability of current - density - spectrum / population

Spectrum / population from 24, selected for: consolidate to 8 sites

Recommendations:
Office Space

Recommended maintaining eight physical locations
as more mobile equipment solutions are developed.

The entire country can be reached within a day from these offices.
Organizational design to allow flexibility in supporting other divisions, bureaus, and offices in evolving missions and priorities.

Recommended: Optimizing the go-forward organization

**Org Structure**

- Adjust overall Field size from 108 to 50
- Reduce Agents from 63
- Improve required skills to 33

**Columbia**
- Director
  - Field Director
  - Region 1
  - Region 2
  - Region 3

- Satellite
  - Dallas
  - San Fran.
  - Chicago
  - Miami
  - New York

**Recommendations**

- Eliminate compliance specialists: staff all EES specialists. Start all.
- Add dedicated Field Agent pos. with EES.
- Highlight Tier 1.
- Staff a Tier 1 team in from 21 to 5

**Lean Management**
Partnerships
Establish beneficial partnerships

Strategies
Medium-term and Future Strategies

Equipment
Manage entirety of deployed equipment

Training and Procurement
Staging, maintenance and calibration, inventory, refresh plans, deployment and equipment

Equipment Portability
Develop strategies for agent mobility

Integrations
Developed to direction finding vehicle spectrum enforcement, reduce resources, equipment portability and shared

Engage other organizations to increase effectiveness, potentially sharing data.

Best practices, equipment or procurement

Refocus Equipment Development on more strategic role of managing entirety of deployed equipment and planning for future
Case Management System

- Collect data for policy making and performance measurement.

- Develop training and evaluation procedures.
- Standardize processes and procedures.
- Increase field participation in decision-making.
- Strengthen communication linkage.

In addition, address organizational effectiveness during change.
Having clear mission supports more limited-hub based model and efficiency impact of local personnel near dense flight activity across 7 cities.

7 person team, distributed cases:

- Engage FCC on 40% of cases in 2014
- 2,700 RF interference

FAA radio comms (voice)

Investigate interference to

Case Study: FAA Interference Hunting Team
GS14
Reports per GS15 or
Management spans: ~15
Locations

Dense Class I track
Located personnel near

Across 8 cities
~400 persons, distributed

Inspectors for safety
Accidents and proximately
Investigations complaints or
Also recently

Track over 5-year cycle
Inspect every mile of

Case Study:

Case Study: Railroad Safety Field
Without a decline in service or field’s most important matters
Enables FCC to address emerging priorities within current budget environment

Priority initiatives
- aligned other high
- be redeployed
- resources that can
- free up
- activity
- enforcement
- impact
- priority, highest
- highest
- aligns personnel

Improve efficiency
- processes to
- standardized
- policy making
- of metrics or inform
- support tracking
- improved systems
- sized
- appropriately
- management
- locations

Commission’s
- priorities
- aligned with
- evolving
- mission
- work more closely
- with enforcement
- and role for field
- defined mission
- more clearly

Recommendations provide several benefits for EB and FCC

{image}
<table>
<thead>
<tr>
<th>Category</th>
<th>Savings (M)</th>
<th>Key Changes (M)</th>
<th>Annual Run-rate Financial Impact of Recommendations is $9M-$10M</th>
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<td>Field Staff Support</td>
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Estimate up to ~$22M - $4M in one-time costs required to implement

- System
  - Additions to EBTAS (Case Management)
  - Development costs for functionality
- San Francisco owned office space
  - Spaces where field agents will move, e.g.
  - Construction costs for refurbishing equipment, files, and office supplies
- Lease exit costs and shipping costs, e.g., lease payout
- Estimate of potential personnel exit

Improvements
- System
- Space Refurbishment
- Shut Down of Spaces
- Adjustments
- Personnel Related

Depending upon how FCC decides to proceed, there are a variety of one-time costs to implement recommendations.