



Midpeninsula Regional
Open Space District

R-14-112
Meeting 14-23
August 28, 2014

AGENDA ITEM 6

AGENDA ITEM

Professional Services Contract Authorization for a Financial and Operational Sustainability Model Study

GENERAL MANAGER'S RECOMMENDATION

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Authorize the General Manager to enter into a professional services contract with Management Partners, of San Jose, CA, for a not-to-exceed amount of \$118,690, which includes the project proposal amount of \$107,900 and a ten percent contingency amount of \$10,790, to complete a Financial and Operational Sustainability Model Study.

SUMMARY

Completion of an organizational management study is identified as a major project in the Fiscal Year 2014-15 Action Plan and Budget. On June 27, 2014, following the successful passage of Measure AA, the District released a Request for Qualifications and Proposals (RFQP) for a Financial and Operational Sustainability Model (FOSM) study. The purpose of the FOSM study is to evaluate existing District workflow processes, staff capacity, and organizational structure and identify options to accelerate completion of high priority projects while continuing to carry out the daily on-going business of the District in a financially prudent and sustainable manner. Eight consulting firms attended the mandatory pre-proposal meeting on July 8 and seven firms submitted proposals before the July 24 deadline. Following proposal review by a five member staff team, the top three firms were interviewed by a four member staff panel on August 12. Following interviews, thorough reference checks were performed for the top two firms. The interview team then presented their top-recommended firm to the General Manager. The General Manager recommends to the Board the selection of Management Partners to conduct the FOSM study for a not-to-exceed amount of \$118,690.

DISCUSSION

Background

In 2011, the Board of Directors adopted a Strategic Plan that purposefully balances the activities of the District between the restoration, public access/education, and acquisition legs of the Mission. Subsequently, the District's Vision Plan was completed, with broad public input, identifying 54 significant projects to pursue over the next 30 or more years. In order to fund the capital costs of the 25 highest-priority projects, a general obligation bond measure was placed on

the June 3, 2014 ballot. Measure AA successfully passed, and the District is now authorized to issue up to \$300 million in bonds over the next 30 years to finance the capital costs of the high priority projects. The District is now at a point in its history where it needs to look ahead and assess how its current staffing levels, structure, and processes need to be augmented or reconfigured to best deliver the priority actions of the Vision Plan in a responsive manner to the public's interest: efficiently and effectively, within required project timeframes, and in a financially sustainable manner. The Financial and Operational Sustainability Model study has been designed to address the following central question:

How should the District be structured (department and division structures and work flow processes), and staffed to most effectively and efficiently implement the top 25 Vision Plan projects, while affording on-going operational costs created by those projects and continuing the District's current operational workload and projects that are not part of the top 25 Vision Plan projects?

To answer this question, the FOSM study will:

1. Develop and analyze critical organizational structure, workflow, and staffing questions;
2. Study the District's existing financial and organizational conditions;
3. Research and evaluate other similar agencies' and industry standard best practices;
4. Develop a set of options for improvements with relative advantages and disadvantages for each.

Results and recommendations from the FOSM study will be considered by District management and inform into the future the General Manager's organizational improvement recommendations to the Board of Directors.

Selection Process

The process for identifying and selecting a qualified firm to conduct this study began with staff research into the design of other agencies' organizational studies, development of a detailed Request for Qualifications and Proposals (RFQP) setting forth the envisioned scope of work for such a study for the District, and creation of a list of more than 20 known consulting firms that may be interested in the project. The RFQP was finalized following review by Department Managers, the Vision Plan Implementation Guide team (now known as the Measure AA Projects team), and the Assistant General Managers, General Manager, General Counsel, and Controller.

The RFQP was released on June 27, 2014 (directly sent to 22 firms and posted on the District's website), and eight firms attended the mandatory pre-proposal meeting on July 8. The following seven firms submitted proposals by the July 24 deadline, with cost proposals that ranged from \$71,000 to \$149,000:

- CPS-HR Consulting
- Harvey M. Rose Associates, LLC
- LA Consulting, Inc.
- Management Partners
- Matrix Consulting Group
- Olive Grove
- The Wilfred Jarvis Institute

These proposals were reviewed and rated by a five-member team consisting of the Controller, both Assistant General Managers, the Planning Manager, and the Skyline Area Superintendent. Proposals were evaluated according to the Evaluation Criteria specified in the RFQP:

- a. Quality of Proposal
 - Consistency with project and RFQP objectives
 - Demonstrates a thorough understanding of the project and the District
 - Fulfills proposal requirements as described in this RFQP
 - Overall presentation of proposal: clear, concise, and relevant
- b. Project approach
 - Proposed approach to executing the project
 - Proposed approach to coordination with District project team
 - Ability to meet project schedule
- c. Implementation Expertise
 - Proven track record and technical ability to accomplish the purpose of the study
 - Background, qualifications, experience, and expertise on similar projects, including track record of completing similar projects on schedule and within budget (or clear explanations of cost overruns).
- d. Project Fee & Insurance
 - Reasonableness of the fee requested to do the work and comparability of the fee to similar services offered by other qualified consultants.
 - Ability to provide appropriate insurance in required amounts.

The review panel arrived by consensus on a clear top three list of proposers to advance to the interview phase. Interviews were held on August 12, 2014. The panel consisted of Assistant General Manager Woodhouse, Planning Manager Mark, Skyline Area Superintendent Malone, and Skyline Area Maintenance Supervisor Beckman. The consensus top two firms following the interviews were then reference checked through a process involving conversations with four references for each of the two firms. The interview team then presented their final recommendation to the General Manager, who affirmed Management Partners as the top selection.

Management Partners is a national consulting firm with offices in San Jose and Costa Mesa, CA, and Cincinnati, Ohio. They were founded in 1994 with the specific mission to help local government leaders improve their service to the public. Management Partners is staffed with 80 professionals who are experienced public service managers as well as qualified management consultants. They have served more than 200 California local governments and through this experience have insight into best practices and industry standards with respect to all public services. For this project, they have assembled a robust team of 11 members, which will be led and managed by their Regional Vice President Andrew Belknap. Mr. Belknap has been with the firm for fourteen years and has extensive prior experience as a city manager, public works director, and public finance and economics, as well as land conservancy experience with the Ojai Valley Land Conservancy.

Project Workplan Summary

Based on the Scope of Work identified in the RFQP and augmented with their experience on similar projects, Management Partner's proposal includes six workplan activities, summarized as follows:

1. *Project kick-off, scoping, and scheduling*: This activity will carefully define expectations and roles and responsibilities, including background information and logistics related to scheduling staff interviews, regular update meetings with the project team, and a project launch communication to staff and the Board;
2. *Finalize Work Plan*: A project work plan showing detailed tasks and sub-tasks will be finalized based on the project kick-off meeting results;
3. *Research Phase*: The details of this significant activity are summarized in Attachment 1, an excerpt from the draft scope of work for the contract. In summary, this activity includes review of all key documents, interviews and focus groups with staff and workgroups, review of financial information, identification of key project types and project delivery issues, field tours as necessary, identification of evaluation criteria, and a preliminary benchmarking plan. At the conclusion of this activity, Management Partners will have a complete understanding of the District's current and future responsibilities, its organizational culture, and the challenges for where the District is headed;
4. *Analysis Phase*: The details of this significant activity are summarized in Attachment 2, an excerpt from the draft scope of work for the contract. In summary, this activity will analyze the results of the research phase, further develop the evaluation criteria/performance objectives, and conduct benchmarking with other agencies' best practices. *A critical milestone during this activity will be a check-in and update with the full Board of Directors or a Board Committee.* At the conclusion of this activity, Management Partners will have developed potential options for how the District moves forward, which will be further developed in the next activity;
5. *Develop Sustainable Organization Models*: This activity will develop two or three model options for organizational restructuring and revisions to workflow processes, along with staffing recommendations for consideration by the District. Each model will have a detailed rationale, explaining advantages and disadvantages;
6. *Preparation of Draft and Final FOSM Study Reports*: This final activity entails preparation and review of the report, a study session with the Board, drafting of an implementation plan for the recommendations, and a final presentation to the Board for acceptance of the report.

These activities constitute the core of the FOSM study as identified in the RFQP and Management Partners' proposal, and will be confirmed and refined during activities 1 and 2 at the beginning of the project.

FISCAL IMPACT

Approval of the General Manager's recommendation will cost the District a not-to-exceed amount of \$118,690, which includes the project proposal amount of \$107,900 and a ten percent contingency amount of \$10,790, to complete a Financial and Operational Sustainability Model Study. The FY2014-15 Adopted Budget includes \$100,000. The remaining \$18,690 will be covered by savings elsewhere in the Services and Supplies budget.

The General Manager recommends a ten percent contingency amount for this study in the event important activities arise, such as additional research, analysis, or modeling, that were not anticipated in the original scope of services. However, unless any such unanticipated activities come to light and are approved by the General Manager, staff anticipates that Management Partners will complete the study within the base budget amount.

BOARD COMMITTEE REVIEW

This study was included in the Fiscal Year 2014-15 Action Plan and Budget, which was reviewed by the Action Plan and Budget Committee and recommended to the full Board in late February, 2014. Due to the magnitude and importance of this study, the scope of work anticipates full Board input during the study, unless the Board directs this input to a Board Committee.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

Upon Board authorization, the General Manager will enter into a contract with Management Partners to conduct the FOSM study. The project kick-off meeting is anticipated to occur by the week of September 29, 2014. Completion of the FOSM study is targeted by January 31, 2015, and in time for Board consideration of initial implementation recommendations through the budget and action plan development process for Fiscal Year 2015-16.

Attachments

1. Research Phase Scope of Work
2. Analysis Phase Scope of Work

Responsible Department Head:
Steve Abbors, General Manager

Prepared by:
Kevin S. Woodhouse, Assistant General Manager

Activity 3: Conduct Organization-wide Scan for Stabilization Issues and Opportunities (Research Phase)

This activity will represent the start of substantive work on the project. The goal of this activity is to completely understand the District's current and future responsibilities, as well as its organizational culture. We will focus on gaining this understanding so we can begin to formulate what elements will be required for a stable, efficient and effective future organization.

In our many years of work we have found that virtually all organizations have evolved "best practices" in some facet of their operations. We have found that is better to build from these existing best practices within the organization than to "import" some new management or organizational system, so during this activity we will be identifying what the District currently does well, with an eye to growing these capacities as the organization expands to meet Measure AA requirements.

A good deal of work in this activity will center on conducting interviews and focus groups with District staff and workgroups. Before we begin these activities in earnest, Management Partners' team will review important District documentation such as the Strategic Plan, budget and financial information, the Vision Plan, the Coastal Annexation Service Plan and other relevant documents. During this work we will build a repository of data to be used throughout the analysis phase of the project. We will include the above information and also previous budgets, budget analysis work, organization charts, position classifications and appropriate contracts.

We will also familiarize ourselves with the open-space assets of the District by visiting representative preserves and projects. As will be shown in the section describing our proposed project team later in this proposal, our team includes planning, parks, and engineering experts that will gain a great deal of understanding from seeing the assets that the District must manage and the challenges inherent in restoration and public access projects. We know the assets are often on sensitive lands with numerous regulatory issues.

After we have gained familiarity on the District from work described above we will interview District leaders (including elected officials, as appropriate) to understand their perspectives on the challenges ahead.

Because a critical focus of this work is to develop the organization to successfully implement the Vision Plan we will interview the Vision Plan Implementation team to understand the challenges ahead and how they differ from the District's historical work program. Specifically we will gain an understanding of all 54 Vision projects with particular emphasis on the 25 priority projects and the priorities as projected by staff over the next ten years.

As part of this task we will also work with staff to identify key project types, which will be analyzed in more detail to gain an understanding of project delivery issues and to define appropriate project delivery objectives. This will help us develop the organizational capacity to meet objectives for the variety of projects for which the District is responsible.

Another critical part of the research phase will be to meet with District financial staff to understand the financial model. We will need to understand the assumptions used in the model and the degree to which the District has flexibility with current operating revenues in the new Measure AA environment.

During our interviews we will discuss with the District staff potential peer agencies and criteria for comparisons. We will explore what characteristics will make comparisons with other similar agencies beneficial. As explained in the next activity, peer benchmarking will be an important part of the analysis work.

Another important part of our work during this activity will be preparing for and holding focus groups with representative groups of District workers, especially frontline field staff involved in maintenance and ranger activities. Part of Management Partners' methodology for focus groups is to develop two or three important questions for the focus group participants to discuss. These questions and the overall agenda for the focus groups will be developed based on the initial interview and research stage. Another part of our methodology for gathering input from important stakeholders is to develop and execute an online survey instrument. This tool will be discussed during our project start activities.

At the conclusion of Activity 3 we do not expect to have answers as to the best organizational arrangements for the District, but we will have a complete list of issues and the "specifications" for what the District needs to become. Specifically we will have completed the following:

- Obtained an understanding of the financial model and conducted sensitivity testing, so as to appreciate the constraints and opportunities facing the District.
- Completed field tours to understand open space property in all stages of development and operations. Met with the VPIG team to understand the Vision Plan and project types and delivery issues.
- Modeled workload and planned outcomes from Vision Plan including top 54 Vision Plan projects and 25 priority projects, including coastal annexation service plan obligations, as well as current activities.
- Diagramed typical projects to understand workflow and issues associated with the package of projects the District is tasked with delivering.
- Identified performance measures, other criteria and competencies critical to successful project delivery.
- Developed draft guidelines/criteria for successful "going forward" organization.
- Developed a preliminary benchmarking plan.

At the conclusion of work on this activity, Management Partners will prepare a presentation to serve as the basis of a discussion with the project team. It will outline the sustainability issues that need to be addressed in the next phase of work.

Activity 4: Develop and Execute Analysis Plan to Create Innovative Options to Resolve Sustainability Issues

Now we begin the primary analysis phase of the project. Our predominant task during this activity will be to take the preliminary guidelines/criteria developed in Activity 3 for the “going forward” organization and to finalize them. This will allow the project team to begin focusing on organizational models that would provide the District with a sustainable, efficient and effective organization.

Many sustainability issues or questions will have been identified in Activity 3. Now Management Partners will “run these issues to ground” through the application of various analytical methodologies. This work will start with a thorough analysis of focus group and interview themes completed in the research phase. This analysis will disclose sustainability issues and also suggest potential solutions. The potential solutions developed by the Management Partners team, will now be tested with empirical analysis, using benchmarking and best practice identification/application methodologies.

Benchmarking against the best state and national practices will be a thread that runs through this entire project. To ensure that the benchmarking work is of maximum utility, as discussed previously, early in the project we will define the appropriate criteria to be used in defining peer agencies, as well as national best practices. By focusing on the criteria that makes for valid comparisons, we will be able to identify peers that are meaningful and objectively derived. Since the service delivery profile of the District will vary across program areas, we will work with the GMO project team and staff to ensure benchmarks and best practices are measured in service delivery environments similar to that faced by the District.

At this stage in the project we will also complete a research survey of how comparable agencies measure their performance and optimize resources. Since we are charged with ensuring that how agencies similar to Midpeninsula achieve maximum productivity and measurable performance at the least cost. This research will provide meaningful comparisons on such issues as capital project delivery, project planning and permitting, real estate operations, maintenance, and public access management. Alternative service delivery, such as contracting for services, and other ideas identified by the project team will be evaluated for potential utility to the District. Specific areas for benchmarking will include:

- Identifying best practices relative to service, systems, and management in comparable agencies.
- Identifying best practice mechanisms for measuring mission effectiveness.
- Identifying best practice tools for optimizing resource allocation towards mission and for achieving maximum cost efficiencies.
- Identifying staffing and service level norms in comparable agencies.

In addition to identifying best practices via benchmarking we also use industry sources for such information. For example the process of delivering capital projects of various types has been examined by a variety of industry organizations such as the California Multi-Agency CIP Benchmarking Study, a group of large public agencies working to optimize project planning and delivery. Data sources exist for many of the types of project and administrative work accomplished by the District.

(At this juncture we want to mention that our final project cost budget slightly exceeded the District's budget of \$100,000, by approximately \$7,900. In looking at ways to reduce costs we concluded the logical place would be in the best practices and benchmarking area because we recommend a robust approach and this requires a significant investment of time. However, in the fee proposal section we offer two approaches: one that will meet the budget constraint by scaling back benchmarking while still meeting the needs of the District, and an "enhanced" benchmarking approach at a slightly higher cost.)

Another tool Management Partners utilizes is the use of case studies to identify how other agencies have created best practice approaches. An example would be the CIP best management practices document created by the San Diego County Water Authority. Finally, Management Partners' work with public agencies all over the State of California is another source of best practice information. Having worked with over 70% of the cities in California with populations of over 100,000, we know what systems are being successfully utilized.

This work will allow us to finalize the draft evaluation criteria/guidelines previously developed. We envision an evaluation criteria matrix that provides the criteria developed, the rationale for the criteria and a discussion of potential alternatives for meeting the criteria. Because these will become crucial assumptions going into development of a master plan for the "going forward" organization, we expect it will be appropriate to present the results of the analysis to the Board of Directors or a Board Committee. Management Partners will develop an appropriate presentation and review it with the GMO project team.

Once the guidelines/criteria for successful "going forward" organization have been developed and approved we will be in position to finalize organizational concepts. Essentially we will overlay the criteria and what we have learned about other successful organizations on the District's current organization to get a sense of what the realigned organization will look like. There will still be design work to do but the question of what needs to be accomplished will have been answered and we will have solid ideas about how the organization needs to develop to meet the sustainability objective. At this stage we will also be using the District's financial model to do some sensitivity testing and provide a "reality check" with respect to the future organization. Options developed in the next phase will have to fit within the umbrella of fiscal sustainability.

To summarize, during Activity 4 we will have accomplished the following:

- Analyzed results from interviews and focus groups, to determine potential sustainable organizational issues and solutions.
- Conducted focused peer agency benchmarking.
- Applied best practices from applicable fields (financial practices, CIP management, project planning, real property, infrastructure maintenance / operations) to further develop and refine evaluation criteria.
- Developed performance objectives for successful sustainable organization, and created matrix of attributes of future organization together with rationale and options.
- Review preliminary observations with GMO team.
- Hold a workshop to discuss the performance objectives (evaluation criteria and guidelines with associated matrix) to be used in drafting organizational master plan.
- Overlay best practices and other analytical work (evaluation criteria and guidelines) on Vision Plan working with VPIG team. Develop a preliminary idea of organizational attributes necessary for successful implementation, including preliminary costs and cost/benefit analyses.
- Conduct a fiscal sustainability stress test using district financial model and needs identified in the task above.
- Develop a presentation for GMO that discusses challenges in developing the optimal organizational approach to resource constraints. Outline possible options for study during Activity 5.