



Midpeninsula Regional
Open Space District

R-14-140
Meeting 14-32
November 12, 2014

STUDY SESSION AGENDA ITEM 1

AGENDA ITEM

Financial and Operational Sustainability Model Study Update

GENERAL MANAGER'S RECOMMENDATION

A handwritten signature in black ink, appearing to be "JLD".

Receive an update on the Financial and Operational Sustainability Model Study that is being conducted for the District by Management Partners.

SUMMARY

The Board of Directors authorized a contract with Management Partners on August 28, 2014, to conduct the Financial and Operational Sustainability Model (FOSM) Study, which is identified as a major project in the Fiscal Year 2014-15 Action Plan and Budget. 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. Management Partners has completed the organizational scan/research phase of the study, which included extensive review of District information, benchmark surveying of peer agencies, other best practices research, interviews and focus groups with District employees and work teams, and a comprehensive tour of District preserves and key projects. The purpose of the November 12, 2014, study session is for Management Partners to update the Board on several themes that emerged from the research phase of the study, receive/respond to Board member comments and questions, and inform the Board about the next steps for the study.

DISCUSSION

A FOSM update memorandum from Management Partners is provided as Attachment 1. Although it is too early in the project scope to present detailed recommendations for staffing, process changes, or organizational changes, there are several consistent themes that have emerged from the research phase: development of business and management information systems, enhancing capacity to handle a tripling of capital project and acquisition spending, and preparing for a longer term transition to an operational focused agency. The presentation to the Board on November 12 will focus on these themes.

One specific recommendation Management Partners is prepared to make at this early stage of the study is to begin focusing sooner than later on the development of an Information Technology Strategic Plan and priority business systems. To this end, the General Manager anticipates recommending a mid-year budget change to the Board in December to begin funding consultant

assistance on an IT Strategic Plan. The General Manager also anticipates a few staffing recommendations at mid-year, priority yet to be determined, that will provide critical staff capacity to begin implementation of the FOSM recommendations.

FISCAL IMPACT

The cost to complete the FOSM study is 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. The FY2014-15 Adopted Budget includes \$100,000. The remaining \$18,690 will be covered by savings elsewhere in the Services and Supplies budget.

At contract authorization in August, the General Manager recommended 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.

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

Management Partners has begun the analysis phase of the study and will be developing two to three sustainable organization models with associated financial projections. These draft models will be presented to the Board at a study session in mid-December, currently scheduled for December 17, 2014.

Attachments

1. FOSM Update from Management Partners

Responsible Department Head:
Steve Abbors, General Manager

Prepared by:
Kevin S. Woodhouse, Assistant General Manager

Management Partners



To: Steve Abbors, General Manager, Midpeninsula Regional Open Space District

From: Management Partners

Subject: Board of Directors Study Session 11/12/14 –Financial and Operational Sustainability Model (FOSM) Update

Date: November 3, 2014

FOSM Scope:

The District engaged Management Partners to develop two to three organization models that will position the agency to successfully implement the Measure AA projects but also organize itself for long term sustainability. The organization scan/research phase of the study is complete.

Data Collection:

In this initial phase of the project, Management Partners reviewed extensive background information related to services and functions of the District along with information specific to the Vision Plan and Measure AA priority projects. We administered a benchmarking survey of peer agencies to obtain insight on the organization structure, staffing and practices of similar organizations and conducted extensive employee engagement, including a day-long field tour hosted by department staff.

The peer survey included agencies with similarities to the District. Peers were selected based on their mission, assets (such as preserves, trail services and total acres), total expenditures, and organization size. Of the seven agencies contacted, five responded including East Bay Regional Park District, Marin County Parks and Open Space, Santa Clara County, Boulder County and Jefferson County, Colorado. We are in the process of evaluating the responses. We are also reviewing best practices used by the other agencies that may be applicable to the District.

More than 25 District employees participated in individual interviews, including members of the leadership team and staff responsible for various District programs. As all District employees were offered an opportunity to provide input, 60 frontline staff participated in five focus groups. An additional large group interview was offered to those who were unable to participate in earlier discussions. Our team also joined District field staff in a dawn to dusk tour of the 62,000 acre territory and facilities. To aid in information collection and understanding, Management Partners met with teams of agency experts on specific topics, including: Measure AA Project Group, Operational Impact Group, Capital Projects Group, Acquisitions Group, Coastal and Grazing Group and the Financial Modeling Group. Finally, we conducted several additional interviews to take a deeper look at the District's current information technology systems and capabilities.

In interviews, discussions focused on *what's working, what's not working, and what needs improvement to build a sustainable organization and implement the MAA projects*. It is clear that employees working for the District believe in the agency's mission to preserve natural resources.

Each individual and group we met with clearly communicated their commitment to the agency's mission and purpose. Employee commitment and alignment with an agency's mission is critical to building a high performing organization. The District has successfully accomplished this component of organizational sustainability. As we probed deeper, other themes emerged that are typical of agencies in the midst of rapid growth.

3 Sustainability Challenges:

The Measure AA success provides additional revenue to the District for projects that will increase public access to preserve land, enhance habitat restoration and provide for more property acquisition. It represents a major infusion of resources to support the District's mission, and the District will be challenged to accomplish more work than it ever has. In the private sector, one might compare the District to a "start-up" company which has just secured venture capital funding. The challenge for the organization is now to execute and grow its capabilities to perform in an effective and efficient manner. The themes that emerged in interviews parallel the issues that "start-ups" face with a rapid increase in service demand. To meet the pace of unprecedented growth, the District must solve three sustainability challenges:

1. Develop business and management information systems (i.e., maintenance, client and project management systems);
2. Address the expectations and project demands created by the success of Measure AA (i.e., tripling capital and acquisition spending); and,
3. Gradually transform the District's primary focus from acquisition to new long term operational responsibilities.

We'd like to focus our discussion with the Board of Directors on November 12, 2014 on these three areas.

Management Partners Recommendations:

We recommend that the District move quickly to begin building business systems and develop an Information Technology (IT) Strategic Plan. The Board will have the opportunity to consider a mid-year budget recommendation as early as December 2014 to jumpstart IT strategic planning. Also, based on the significant increase in the volume of work with Measure AA projects, additional staff will be necessary, along with facilities to accommodate the position increases. Upcoming District budget discussions for the FY 2015-16 budget will include recommendations related to these needs.

Next Steps:

As we begin the process of analyzing the data collected in the first phase of the study, we are developing the framework to construct two to three sustainable organization models with associated financial projections. The Board of Directors will have an opportunity to review draft models in mid-December and a final report in January 2015.

