



Midpeninsula Regional
Open Space District

R-15-23
Meeting 15-03
January 28, 2015

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 completed the organizational scan/research phase of the study in November and, at a study session on November 12, 2014, updated the Board on several themes that emerged from the research phase of the study. Since that time, Management Partners has been engaged in the analysis and model development phase of the study. The purpose of the January 28, 2014, study session is for Management Partners to update the Board on their analysis and model development work, including discussion of guiding principles to frame organization structure options and progress to date on the development of organizational structure options. Management Partners will also present preliminary information on an approach to phasing organizational changes, as well as receive Board member comments, respond to Board member 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. The study session presentation will cover Management Partners' research and analysis to date, organized according to the following outline:

I. Project Update

Review the work completed to date and the areas of emphasis and focus.

II. FOSM Guiding Principles that Frame Organization Structure Options

Review of a set of guiding principles and strategic objectives that are intended to guide the development of recommendations and decision-making regarding alternative organization structures.

III. Observations of the Current Organization

Present study observations about the current organization, with a focus on the macro-organizational structure and systems. The organization review assessed current structure in light of the demands of implementing Measure AA with specific attention to scalability, alignment of functions and supporting systems, and accountability of project delivery.

IV. Design and Evaluation of Organization Structure Options

Review of pros and cons related to different macro-organization structures analyzed by Management Partners, with a focus on a preliminarily recommended option.

V. Review Organization Phasing Approach

Review recommended implementation approach intended to effectively phase in organizational changes and communicate priorities.

VI. Next Steps

Review of next steps for completing the FOSM study, as well as priority implementation actions.

As the General Manager stated in an update to the Board and all employees on December 12, 2014, the schedule for the FOSM study has been extended in order to allow time to carefully consider development of an implementation plan to effectively phase in organizational changes. Originally, this update was scheduled for mid-December, 2014. The additional time has allowed more review and input from District management, as well as additional briefings from Management Partners to the Department Managers team, and two meetings for all employees that are scheduled during the day on January 28 before this evening study session with the Board of Directors.

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. Due to the extended project scope and timeline beyond the initially anticipated January 31, 2015, completion date, as well as the possibility of Management Partners assisting the District with specific implementation actions that were not part of the FOSM study scope of work, the General Manager anticipates returning to the Board in February for consideration of extending the term and increasing the amount of Management Partners' contract. Staff and Management Partners will be discussing the specifics of the contract extension following this study session.

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 will continue the model development phase of the project, including the financial analysis related to more detailed organizational structure build-out and District process improvement. It is anticipated that the Draft FOSM Study report will be presented to the Board in late February, followed by the final report in March.

Attachments

1. January, 2015, 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 1/28/15 –Financial and Operational Sustainability Model (FOSM) Update

Date: January 23, 2015

Project Status and Overview of Current Organization

The District engaged Management Partners to develop two to three organization models that will position the agency to successfully implement Measure AA projects and organize itself for long-term sustainability.

Since our last presentation to the Board of Directors on November 12, 2014, the team completed the environmental scan and benchmarking activities and developed alternative organization models for consideration. In conjunction with the Executive Team, Management Partners developed guiding principles and strategic objectives to serve as decision-making criteria to construct and analyze different organization structure alternatives. These guiding principles reflect the learning and the goals of this engagement. Management Partners worked closely with members of the Executive Team to develop several organization models that a) enhance business and corporate systems; b) spotlight the project delivery function and responsibility within the organization; and, c) clearly define business lines and group similar functions together to enhance information flow, decision making and accountability. The focus of work to date has been on macro organization structure. Departmental-specific organization work, staff build out and other process improvement recommendations will occur during the next phase of work.

In the construction of organization models, special attention was given to scalability. This concept provides for a sustainable organization structure that can grow, shift and adapt over time. Additionally, the organization has a culture which values collaboration and teamwork and the models build on these attributes as underpinnings of future success. We developed a recommended strategy to phase the organization changes and system improvements and ensure time and opportunities for further employee engagement.

FOSM Guiding Principles that Frame Organization Structure Options

High performing organizations share certain structure characteristics. They are designed around outcomes, not individual specialties and reflect how the team is expected to work together. Such organizations are structured with a clear chain of command but have an

expectation of horizontal teamwork to achieve desired outcomes. Finally, they create boundary-crossing partnerships that encourage collaboration.

Through the lens of these effective organization concepts, our team developed a set of guiding principles unique to Midpen that provide a framework for organization alternatives.

Guiding Principles

1. The goals outlined in the Vision Plan will drive the work of the organization and it will be structured to be transparent and accountable to the taxpayer.
2. Functions will be structurally aligned in a manner that ensures successful program and project management that clearly delineates roles and responsibilities to build accountability and promotes efficiency and effective operations.
3. The organization will utilize integrated and effective business, administrative and information systems to enable a sustainable and fiscally viable organization.
4. The District's project delivery objectives will be achieved through a team-based, matrix delivery system that relies upon clear hand-offs and resource allocations from across the organization.
5. Leadership, decision making authority and information flow will encourage organizational effectiveness, performance and accountability.
6. The organization will facilitate employee development and growth including through career-paths that provide opportunities for advancement.
7. The organization will be scalable to ensure sustainable alignment of core functions and meet changing demands for service over time.

Each alternative organization model was evaluated against these principles as well as observations of current organizational opportunities and gaps identified during the learning phase of this engagement.

Observations of Current Organization Structure:

The District's mission, to preserve and protect the region's natural resources and provide greater access for public enjoyment of these resources, serves to help attract and retain high quality employees. However, the current structure does not fully leverage the team's capacity to meet the new work of Measure AA projects nor is it easily scalable. Through the environmental scan and benchmarking work completed by Management Partners a number of areas were identified as opportunities for improvement. These observations informed the design and analysis of organization models presented in this transmittal. These observations include the following:

- Administrative Services functions are split under two AGMs which can limit strategic focus
- There are not functionally aligned core businesses for which the AGMs are responsible

- Part-time Controller fills financial management gaps that should be provided by a Chief Financial Officer level position given the size and complexity of financial management that is required of the organization
- Project Delivery is not an established, accountable function on the organization chart and is necessary to deliver on Measure AA as well as other capital projects
- Project management is inconsistent and not always coordinated, leading to inefficient project delivery
- The scale and complexity of the District's project and program delivery warrants an in-house engineering component
- Procurement is decentralized and uncoordinated which is inefficient and may inhibit potential economies of scale.
- Information Technology is not providing the basic tools for a modern organization or performing a strategic role
- Natural Resources informs both policy/planning and operational work and requires defined working relationships
- The maintenance function requires systems and professional development opportunities to meet the organization's future
- Trail and small construction projects performed by maintenance teams results in less staff time for routine field maintenance
- Demand for visitor services will increase as the organization grows and greater public access is available
- GIS should be positioned to meet the opportunities and strategic initiatives across the entire organization
- Special projects and program management capacity is key to implementing recommended improvements and meeting ongoing reporting requirements
- Human Resources requires additional capacity to meet internal service demands (i.e., recruitments)
- Public Affairs should provide the voice of the entire organization as well as MAA
- Internal communication is critical to organizational success in the short and long term

Design and Evaluation of Organization Structure Options:

Since late November, Management Partners has developed a variety of organization models. As noted earlier, Management Partners worked closely with the Executive Team to develop and analyze the alternatives. The alternatives fall into three categories: parallel organization, matrix organization, and integrated or core business organization. An evaluation of each is listed below using the guiding principles as the "yard stick" or measurement of effectiveness. The models will be reviewed with the Board of Directors at the Study Session.

1. *Parallel Option* – creates a parallel organization around MAA project delivery intentionally doubling functions to support increased project delivery and clear accountability.
 - Strengths*
 - a) Clear MAA responsibilities
 - b) Transparency and accountability for MAA

c) Integrated business and information systems

Challenges

- a) Duplicative and inefficient
- b) May undermine teamwork culture of District
- c) Non MAA project delivery roles and responsibilities unclear

2. *Matrix Option* – establishes a leadership position related to MAA projects that draws all resources from within current organization structure.

Strengths

- a) Clear MAA responsibilities
- b) Integrated business and information systems
- c) Staff development and succession opportunities

Challenges

- a) Lacks functional alignment
- b) Lacks transparency and accountability for all other project delivery
- c) Staff may become challenged to focus on priorities
- b) Less scalable

3. *Integrated Core Business Option* (i.e., project planning and delivery; visitor and field services; administrative support) – clusters like functions to capture synergies, maximizes information flow and enhances capacity to deliver three times the output as well as integrates MAA projects implementation into a core business model.

Strengths

- a) Clear MAA responsibilities
- b) Transparency and accountability for MAA
- c) Aligns functions by three core business lines of the District
- d) Scalable and provides for long term sustainability
- e) Staff development and succession opportunities
- f) Integrate business and information systems

Challenges

- a) Absent effective leadership, commitment to new roles, and implementation of improved systems, organization can fall into old patterns of inadequate accountability

Management Partners observed that Midpen delivers three primary lines of service: planning and project delivery; operations and field services; and the administrative internal support provided for the first two. Based on all these considerations and in consultation with the District Executive Team, we recommend that the District implement the Integrated Core Business Option as the preferred organization structure.

Review Organization Phasing Approach:

Finally, we recommend that the organization change occur in three phases. Phase I aligns the administrative functions and project planning and delivery functions. This includes filling a variety of key positions related to these functions, including: Chief Financial Officer,

Engineering and Construction Manager, Information Technology Manager, as well as Special Projects support in both the General Manager and Finance and Administrative Services areas. Other action items include development of a detailed reorganization plan, issuance of a request for proposal for an information technology strategic plan, project management system development and the design of a recruitment plan.

Phase II focuses on implementing the remaining alignment of the functions along business lines and filling the remaining positions to complete assembling the teams. Phase III implements the practices defined in Phases I and II and continues hiring as needed (operationalizing the changes). Full implementation is anticipated in 2016.

Next Steps:

All of the phases will be incorporated in to an Implementation Action Plan (IAP) that will be developed over the next several months. Along with the Final FOSM Study Report, which will include model build-out, financial analysis, and other process improvement recommendations, the FOSM IAP will be presented to the Board of Directors in late March outlining future policy issues and budgetary decisions.

ATTACHMENTS:

Guiding principles

Macro-level recommended organization chart



Midpeninsula Regional Open Space District Guiding Principles for Organizational Design

Effective organization structures should:

1. Be designed around desired outcomes, not specialties.
2. Be based on clear outcomes of the organization and how the team is expected to work together to achieve them.
3. Be clear about the chain of command, but expect horizontal teamwork to achieve desired outcomes.
4. Create boundary-crossing partnerships that encourage collaboration.

Guiding Principles

A set of principles to guide decision-making regarding alternative organization structures.

1. The goals outlined in the Vision Plan will drive the work of the organization and it will be structured to be transparent and accountable to the taxpayer.
2. Functions will be structurally aligned in a manner that ensures successful program and project management that clearly delineates roles and responsibilities to build accountability and promotes efficiency and effective operations.
3. The organization will utilize integrated and effective business, administrative and information systems to enable a sustainable and fiscally viable organization.
4. The District's project delivery objectives will be achieved through a team-based, matrix delivery system that relies upon resource allocations from across the organization.
5. Leadership, decision making authority and information flow will encourage organizational effectiveness, performance and accountability.
6. The organization will facilitate employee development and growth including through career-paths that provide opportunities for advancement.
7. The organization will be scalable to ensure sustainable alignment of core functions and meet changing demands for service over time.

Organizational Design Strategic Objectives

The following are intended as strategic objectives related to the District's need for organizational change and increased capacity to meet a demanding work program.

1. *Administrative Systems:* Develop administrative and information systems required for efficient and effective management, accountability and strong customer service.

2. *Program and Project Delivery:* Position the organization to deliver programs and projects efficiently through effective and accountable systems, defined responsibilities and a capable and collaborative workforce.
3. *MAA Program:* Integrate MAA program and project delivery within a defined Capital Improvement Program (CIP) with oversight that ensures accountability and facilitates the delivery of projects within a team-based framework.
4. *Further Develop the Organization's Capacity to Change and Adapt:* Expand capacity and develop the District staff's ability to adapt and scale up over time.



Midpeninsula Regional Open Space District
 Alternative Functional Organization Chart
DRAFT

Attachment

