



Midpeninsula Regional
Open Space District

R-23-116
Meeting 23-29
October 11, 2023

AGENDA ITEM 10

AGENDA ITEM

Preliminary Report on the Financial and Operational Sustainability Model (FOSM) Refresh

GENERAL MANAGER'S RECOMMENDATIONS

Receive the preliminary report on the Financial and Operational Sustainability Model Refresh and provide feedback.

SUMMARY

Subsequent to voter passage of Measure AA in 2014, the Midpeninsula Regional Open Space District (District) embarked on a Financial and Operational Sustainability Model (FOSM) study in 2015 to evaluate existing District workflow processes, staff capacity, and organizational structure to support the Measure AA-funded projects while continuing to carry out daily District business in a financially prudent and sustainable manner. The 2015 FOSM provided detailed staffing growth plans for the first five years, with broader projections out to 2045. Given the expansion of programmatic needs not envisioned in 2015, and a desire to refer to a new, detailed short-term growth plan, the Board requested a refresh of the FOSM study in late 2021, which was then added to the Fiscal Year 2022-23 work plan. The contract for the FOSM Refresh was awarded to Baker Tilly (formerly Management Partner) in spring 2023, the same team that conducted the original FOSM in 2015.

This preliminary report provides the findings from interviews held with staff and the Board, including focus group meetings, about existing work processes, gaps, challenges, and high-level recommendations to best position the agency for the next ten plus years. This preliminary report will provide the Board an opportunity to check-in with the consultants and provide feedback on the findings and high-level recommendations. A more detailed report with final recommendations will follow in November.

DISCUSSION

Introduction

On June 3, 2014, voters approved Measure AA (MAA) authorizing the District to issue a \$300 Million General Obligation (GO) Bond over a 30-year timeframe to help fund the implementation of capital projects from the top Board-approved 25 Vision Plan projects. Subsequent to the passing of the bond measure, the District engaged a consulting firm to develop the FOSM that has shaped the organizational structure, staffing growth, and business systems to best position the District for meeting Measure AA commitments.

Since 2015, project and program delivery has grown significantly, focused on the following:

- Implementing Measure AA projects, including opening new preserve areas and trails to the public;
- Addressing expanding operational needs, such as vegetation management and maintenance and patrol of newly opened public areas and facilities;
- Growing the Interpretive and Education Program to expand environmental education opportunities for the public.
- Putting into place numerous new business systems for improved data management, tracking, and reporting (including for Measure AA), and to better support staffing growth (i.e., scalable).

New Emerging Demands

Recently, the District acquired Cloverdale Ranch in Pescadero as a wholly new additional preserve on the coastside, expanding total District land acreage by 10%. Most of the land growth in the last five years has occurred on the San Mateo County coast, a geographic area that was annexed into the District's jurisdiction in 2004, and the majority of future land growth is expected to continue on the coast.

A number of other new emerging issues not previously or fully anticipated in the 2015 FOSM that are also impacting District resources are attributed to a changing climate. In the last five years, the District has shifted and expanded its resources to address a heightened fire risk that is exacerbated by extended periods of drought, is securing new water sources for domestic and agricultural uses to provide redundancy when water levels are low, and establishing safe wildlife corridors to allow animals to move across the landscape in response to changing temperatures.

Broadly stated, the scope of the new 2023 FOSM Refresh is to build on the 2015 FOSM report; review and reassess the District's projected operational growth to meet current and emerging needs; and provide an updated report and revised projections to guide future organizational growth in a fiscally responsible manner.

Consultant

After a competitive RFP process, the contract for the FOSM Refresh was awarded to Baker Tilly, with Andy Belknap and Nancy Hetrick as project leads, supported by an extensive project team. Both Andy and Nancy were the managers of the 2015 FOSM, providing continuity for this second phase of work. Their prior work allows them to proceed swiftly, given their strong prior knowledge of the District. The scope for the FOSM Refresh is Attachment A.

Organizational Review Process

The review process was kicked off with a tour of the Administrative Office, Skyline Field Office, La Honda Creek Open Space Preserve, and the new South Cowell and Johnston Ranch properties. The consultants interviewed 23 people, including the Board, executive management, controller, department managers and several senior professionals. Additionally, eight focus groups were conducted on a variety of topics, including maintenance, capital projects, facilities and property management, rangers and visitor services, project delivery, natural resources, and administration. In all, more than half of the staff was either interviewed in small groups or

participated in larger focus groups. An extensive list of background documents was requested and provided by staff.

Major Themes

Several major themes have emerged from the interviews, focus group meetings, review of documentation, and peer group learning:

- The pro-active, ‘can-do’ Organizational Culture occasionally results in undertaking efforts that may deviate from the primary mission. The organizational strive for excellence may be slowing down processes. There is also a tendency to adhere strictly to the FOSM, which has limited overall flexibility.
- Current staffing is insufficient to meet current and future needs, recognizing the size (acreage, facilities, etc.) and continuous land growth of the District. This is particularly evident in the Land & Facilities Department, particularly within the property management and facilities management programs, the Ranger workforce, and the Planning and Engineering and Construction Departments.
- To expand Project Delivery and the workflow of capital projects, including Measure AA projects, additional staff are needed to move projects along at the rate expected, in part to manage permitting demands, increased project complexity, and increased community engagement.
- Greater support and centralization of internal administrative tasks is needed (i.e., accounts payable and receivables processing, contracting, etc.) to avoid drawing time away from departments who need to stay focused on programmatic and project delivery work. Reliance on technology has increased and is likely to further expand.
- Financial Takeaways are positive with the District’s strong financial position and grant funding exceeding expectations.

Preliminary Recommendations

The following high-level recommendations have been identified to date. These will be further detailed in a subsequent report later this calendar year:

- The proposed new Staffing Model will address short term growth for project delivery and long-term growth for land management and visitor services utilizing a distinction between urban (preserves near urban/suburban centers) and rural facing (preserve on the coastside and ridgeline) requirements.
- General Recommendations focus on maintaining a clear and defined focus on the District’s mission, continued investment in technology, and taking advantage of a broad swath of self-governing authority.
- Planning & Project Delivery needs an increase in staffing capacity in Planning and Engineering and Construction to meet the time demands of project delivery, as well as the creation of a Project Management Office as a resource for improving project coordination and workflow.
- Field Operations needs to address staffing gaps in facilities, establish greater career ladders, and establish Resource Management & Wildfire Resiliency crews, as well as a Coastal Field Office. There may also be the need for additional leadership and support for the visitor service programs, investing in volunteer programs to engage communities and build preserve advocates, as well as examine the role of the ranger to increase consistency of roles and responsibilities and clear expectations across each field office.
- Natural Resources should be engaged early in the planning of projects, with natural resource awareness and understanding maintained within the Engineering and

Construction department to identify and address potential natural resource issues early on, as well as establishing a permitting function to ensure consistency of permits with regulatory agencies.

Results and recommendations from the FOSM Refresh will be considered by District management, reviewed and validated by the Controller to confirm financial sustainability, and inform the General Manager's organizational improvement recommendations to the Board of Directors (Board). Presentation of the completed report with the recommended organizational improvements and growth projections is scheduled for a special board meeting on Tuesday November 14, 2023.

FISCAL IMPACT

There is no direct fiscal impact at this point, however, as the final report is presented with implementation recommendations, it should be anticipated that the staffing levels will need to increase and therefore the operational expenses. The Controller will test the recommendations, when available, in his 30-year cash flow model to ensure fiscal sustainability.

PRIOR BOARD AND COMMITTEE REVIEW

February 22, 2023: Board approved a contract for the FOSM Refresh to Baker Tilly ([R-23-26, meeting minutes](#))

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

No compliance is required as this action is not a project under the California Environmental Quality Act.

NEXT STEPS

November 14, 2023 – Report Delivery at Special Board Meeting

November 28, 2023 – Follow-up Board Discussion on the FOSM Refresh Report (tentative, if needed)

Attachments:

1. Scope of Work

Responsible Department Head / Prepared by:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

FOSM Refresh Scope of Work

The scope of work below would be further refined and confirmed as part of final negotiations prior to fully executing the recommended contract. If contract award is approved by the Board, these final negotiations would occur at the end of February/early March with final contract execution by end of March to commence work in April.

1) *Review the Organizational Structure*

The current organizational structure was implemented based on recommendations from the original FOSM report. This structure has been in place for approximately seven years. In light of past Midpen growth and the additional/expanded tasks and functions Midpen performs, the organizational structure needs to be revisited and reviewed for its optimal effectiveness and efficiency and, if applicable, optional improvements proposed.

2) *Examine if there are existing positions that can be repurposed*

While reviewing the Midpen-wide and business line/departmental structures, examine existing positions for their effectiveness and alignment, and where applicable, recommend what positions to consider repurposing/reassigning or realigning.

3) *Review if additional positions should report directly to the board*

Per the enabling legislation, Midpen has the positions of General Manager, General Counsel, and Controller report directly to the Board of Directors. Based on peer review of similar organizations in size, mission, or structure, should any additional positions report directly to the Board versus the General Manager?

4) *Review assumptions and projections of the Coastal Management Plan (CMP)*

In light of Midpen's significant expansion in the San Mateo County Coast over the past 5-7 years, staff developed the five-year CMP to identify near-term operational needs for coastal properties and the staffing/facility recommendations to meet these emerging needs (see attachment 4). The CMP includes specific assumptions and projections for staffing levels for the Natural Resources, Land & Facilities, Visitor Services, and Planning Departments. These assumptions need to be reviewed and, if needed adjusted, and the projections validated. In addition, these assumptions and projections should be evaluated to determine if the added capacity can also address needs in other areas of Midpen's jurisdiction, or whether additional staffing is further needed to meet needs in these other geographic areas.

5) *Review assumptions and projections of Docent and Volunteer Management Plan*

As part of Midpen opening additional preserves to the public, and the increased demand for docent-led hikes, volunteer efforts for certain projects, etc., Midpen developed a Docent & Volunteer Management Plan (see attachment 5). The Docent & Volunteer Management Plan has assumptions and projections for staffing levels and docent and volunteer engagement for programs managed by the Visitor Services Department. These assumptions need to be reviewed and, if needed, adjusted, and the projections validated.

6) *Review if certain contracts should be insourced*

Midpen has outsourced certain tasks and expertise via consultants and contractors. Whereas some are more related to specialized expertise and knowledge that Midpen does not need on staff full-time, certain other tasks have grown to encompass multiple, multi-year contracts

that may be able to be handled more efficiently and cost-effectively by in-house crews and staff. A large part of this work is vegetation related for restoration and fuels management and includes both initial large-scale work and ongoing annual maintenance of the initial work sites. An evaluation of the cost of these contracts, including the cost to manage the contracts, versus in-house crews and staff plus equipment, as well as the timing of the work, is requested for efficiency and effectiveness, as well as organizational integration.

7) *Evaluate MAA progress and timeline to ensure delivery of commitments by 2044*

In 2014, voters approved Measure AA, an authorization to issue \$300 million of bonds within 30 years to accomplish the top 25 portfolios of Vision Plan projects. Approximately \$80 million has been expended to date with several Measure AA Portfolios completed. An evaluation of the rate of progress in implementing the projects and completing the portfolios is warranted to confirm whether Midpen has sufficient staffing and other resources to accomplish all the commitments and expend the bond proceeds by 2044. If issues are identified, provide recommendations that will position Midpen to ensure full accomplishment per the bond schedule.

8) *Evaluate Property Management, Facilities Management, and Fleet Management Programs*

Review the property, facilities, and fleet management programs to determine proper staffing levels, capacity and organizational structure to manage the increasing demands on these programs. Include an evaluation for expanded outsourcing versus insourcing and recommendations to cost effectively and successfully address the increasing demands. Major elements of property management for evaluation are conservation grazing and other agricultural leases, non-grazing agricultural leases, residential leases, and easement monitoring. Facilities management is limited to staff facilities and assisting the property management program.

9) *Evaluate the Integrated (IPM) Pest Management Program and Wildland Fire Resiliency Program*

Review the IPM and the Wildland Fire Resiliency Programs to determine proper staffing levels, capacity, and organizational structure to manage the increasing demands of both programs. Include an evaluation for outsourcing versus insourcing and recommendations to cost effectively and successfully address the increasing demands. Consider that at this time, Midpen is able to secure significant grant dollars to conduct the work given heightened public concerns regarding fire risk. In an economic downturn or if other issues rise in priority, these funding streams may no longer supply Midpen with the same amount of support funding in the future. (Cal Coastal WFRP assessment review)

10) *Effective deployment of organizational resources across Midpen's geographic spread*

Midpen manages and operates from several locations: Administrative Office (AO) in Los Altos, Foothills Field Office (FFO) in unincorporated Santa Clara County, Skyline Field Office (SFO) at the border of San Mateo and Santa Clara County, South Area Field Office (SAO) in Campbell, and Coastal Field Outpost (CAO) near La Honda. FFO, SFO, and SAO are the most established field offices, with the SAO newly constructed. The CAO operates as a small outpost with the intent to construct a regular, full-service coastal field office at a location to be determined in the near future. Are the resources at each field office deployed

effectively versus the geographic spread and demands on the Land & Facilities and Visitor Services Departments that exist within the various regions? Considering recent changes that improves videoconferencing for the field offices, and to a certain degree, from ranger vehicles, are there operational changes that Midpen can implement to maximize the deployment for each field office to address future staffing growth in the ranger and maintenance ranks?

11) Develop composite metrics for NR, L&F and VS staffing levels

The Midpen has three departments that are primarily involved in the ongoing operations and maintenance of the preserves: Natural Resources, Land & Facilities, and Visitor Services. Midpen needs metrics to manage staffing level growth commensurate with acquisition of additional lands and/or opening of additional preserves or trails as well as meeting demands for resource management, fuels management, and public access management. Rather than relying on single metrics, such as miles of trails or acres managed, composite metrics need to be developed for each of the departments that include acres and miles, but also take the geographic spread, increased fuel management needs, resources management needs, increases in visitation and more intensive use sites that require more management.

12) Develop staffing growth projections for next 5, 10, and 30 years

The 2015 FOSM report provided for staffing growth recommendations for the first 5 years (through 2020) and broader projections through 2045. For this update and Refresh of the FOSM, Midpen is interested in revised and refreshed staffing growth projections for the next 5 and 10 years, as well as broader projections out to 2053 to coincide with the 30-year financial model the Controller generates.

13) Review Project Delivery Process

One of the recommendations coming from the original FOSM study, to develop a Project Delivery Process (PPD) in support of Measure AA project implementation, was completed by Midpen in 2016. The PPD needs to be reviewed based on the current organizational structure and workflow to evaluate if any adjustments are recommended to optimize its effectiveness. This includes optimizing how projects move from one department to another (hand-offs) as projects flow from one phase to another (i.e., early planning and design to construction), offering the right project management tools, oversight, and training to keep projects on track, on budget, and meeting deadlines, and ensuring that there is a steady flow of projects moving into construction year after year to keep internal crews consistently busy. More specific questions include:

a) Do we need a central Project Management Office (PMO) coordinator?

Would Midpen benefit from a centralized PMO? If so, what would be the duties and the staffing requirements to ensure enhancement to the process and a value-added coordination.

b) Pipeline bottlenecks – review the PPD for any bottlenecks or opportunities to improve the efficiency.

c) Do we have the right balance and scale of Natural Resources projects (capital project support vs protection and restoration of natural resources)

Review the organization and workload of the Natural Resources Department. Does the current structure and allocation of projects work to support NR regulatory permitting support of Measure AA and other time sensitive capital projects versus restoration and management of natural resources, particularly as this relates to the delivery of the mission to protect and restore natural environment and to PPD efficiency and effectiveness.

14) Organizational improvements

With recruitment and retention becoming more complicated in the aftermath of the pandemic, Midpen's classification grid appears to have certain limitations that complicate recruitment and retention.

- a) Classification grid* – review the grid structure (range and step) and provide suggestions for improvement based on best-practices.
- b) Standardization of classifications* – review the classification grid and provide suggestions for standardization of classifications augmented with business titles to improve flexibility and expedience when classifying new positions.
- c) Retention and recruitment Strategies*
Review the recruitment process and propose strategies to enhance the recruitment process and improve retention.

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