



Midpeninsula Regional
Open Space District

R-15-82
Meeting 15-14
May 27, 2015

AGENDA ITEM 8

AGENDA ITEM

Acceptance of the Financial and Operational Sustainability Model Study Final Report

GENERAL MANAGER'S RECOMMENDATION

A handwritten signature in black ink, appearing to be "J. G. G.", written over the end of the "GENERAL MANAGER'S RECOMMENDATION" header.

Accept the Financial and Operational Sustainability Model Study Final Report prepared by Management Partners.

SUMMARY

The Financial and Operational Sustainability Model (FOSM) Study began in August 2014 following a competitive consultant selection process and the Board's authorization of a contract with Management Partners. The purpose of the FOSM Study is to strategically evaluate the District's 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. This study was implemented at a critical time in the District's history, following completion of the Vision Plan and the successful passage by the voters of Measure AA to fund priority Vision Plan capital projects.

At a Study Session on March 25, 2015, Management Partners updated the Board about the FOSM Study final recommendations and confirmed the short- and long-term financial sustainability of these recommendations. As part of the FY2015-16 Budget and Action Plan adoption that night, the Board approved several high-priority new positions recommended by the FOSM Study to begin the organizational restructuring, as well as specific near-term FOSM implementation tasks. Management Partners has now completed the FOSM Study Final Report, memorializing the study scope, process, conclusions and implementation recommendations in a thorough report that will help guide the District's growth and transformation for years to come. The General Manager recommends Board acceptance of Management Partners' final report.

DISCUSSION

The FOSM Study Report Executive Summary is provided as Attachment 1. The full study report, which is nearly 100 pages long, was provided to Board members electronically, and is available electronically through the District's website. The FOSM Study is the most comprehensive District-wide organizational study that has been conducted in the District's 43 year history.

The study began with an organizational scan and research phase, 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. Management Partners provided an update to the Board of Directors on November 12, 2014, about the themes that emerged from this initial phase of work. The study then entered its analysis and model development phase. On January 28, 2015, Management Partners updated the Board of Directors on this phase, including discussion of guiding principles to frame organization structure options and progress on the development of organizational structure options. The final phase of the study was to refine the recommended organizational structure and apply the fiscal model to confirm short- and long-term financial sustainability. Management Partners presented the final FOSM Study recommendations and confirmed the financial sustainability of the recommendations at a study session with the Board on March 25, 2015.

During the course of the FOSM Study, in addition to the three presentations to the Board of Directors summarized above, numerous written updates were provided to all employees. In addition, during the critical analysis phase, the General Manager recommended and the Board approved on February 25, 2015, a scope and schedule extension for the study to allow additional engagement with District staff required to carefully develop the final recommendations. The additional time and resources allowed more review and input from District management, additional briefings from Management Partners to the Department Managers team, as well as two meetings for all employees that were held on March 25, 2015, before the study session with the Board of Directors.

The FOSM Study Report discusses in detail the study methodology, the changing environment of the District, operational sustainability challenges and opportunities across all core business functions, guiding principles and strategic objectives to be applied to the organization structure options, financial sustainability of the recommended option, and a road map to implementation. Numerous FOSM implementation steps have already begun following Board approval of a master implementation contract with Management Partners and FY2015-16 Action Plan and Budget approvals.

FISCAL IMPACT

The cost to complete the FOSM study is a not-to-exceed amount of \$128,675, which includes the initial project proposal amount of \$107,900, a ten percent contingency amount of \$10,790, and an amendment of \$9,985 (R-15-34) which was adopted by the Board at its February 25, 2015 regular meeting.

BOARD COMMITTEE REVIEW

This study was included in the FY2014-15 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, full Board input was sought at several key milestones 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

Following the Board's acceptance of the FOSM Study Report, the General Manager's Office will continue its focus on implementing priority steps of the FOSM, including critical position recruitments, reorganization transition plans, and other focused studies.

Attachments

1. FOSM Study Report Executive Summary

Responsible Department Head:
Steve Abbors, General Manager

Prepared by:
Kevin S. Woodhouse, Assistant General Manager

Midpeninsula Regional Open Space District Financial and Operational Sustainability Model

May 2015





May 22, 2015

Mr. Steve Abbors
General Manager
Midpeninsula Regional Open Space District
330 Distel Circle
Los Altos, CA 94022

Dear Mr. Abbors:

Management Partners is pleased to provide this report of Financial and Operational Sustainability Model (FOSM) study. This report is the culmination of work completed over the past nine months and reflects extensive learning, research and analysis, application of best practices, and importantly, collaboration with the District to develop a preferred organization structure that aligns functional responsibilities in a manner that supports the District's mission and Vision for the future. The analysis and recommendations contained in this report have been reviewed with staff and were presented to the Board over the course of three public study sessions (November, 2014 and January and March 2015).

We appreciate your collaboration and the collaboration of other individuals in the District throughout this engagement. Each person's candor, energy and ideas for improvement were helpful as we carried out this important work.

To assist with implementation, we are providing an Implementation Action Plan under separate cover. The plan will identify key steps needed to complete each recommendation, the individual who will be responsible, the estimated task time for completion as well as the suggested priority (short-, medium- or long-term). Nancy Hetrick and other members of the Management Partners team remain available and committed to working with you and your team as the District moves into the implementation phase of FOSM.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald E. Newfarmer", written in a cursive style.

Gerald E. Newfarmer
President and CEO

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Executive Summary

In 2014, the Midpeninsula Regional Open Space District (District) adopted an ambitious 30 year Vision Plan based on extensive constituent engagement and secured broad public support to implement the plan with the passing of Measure AA. The initiative brings \$300 million in bond capacity to implement the plan’s elements. To support the District’s commitment to connect the public with an additional 47,000 acres of preserve land and over 180 new miles of trails, and position the agency to develop additional facilities to open new preserve areas for public enjoyment, the agency chose to evaluate its structure, capacity, and financial readiness. This has come to be referred to as the FOSM (Financial and Operational Sustainability Model).

The growth in size, scale and impact of the District is significant. Every dimension of District work must scale up in order to keep pace with Vision Plan goals and the obligations that come with issuance of bonds. Significant change is anticipated with the implementation of the Vision Plan and this requires strategic thinking and thoughtful implementation.

The Financial and Operational Sustainability Model is a proactive effort to address the changing demands on the organization. It is unprecedented work that requires commitment, careful pacing, and a deliberate change management process. Through FOSM the District is committing to a strategic approach to planning for the future that:

- Anticipates change
- Is action-oriented
- Is necessarily dynamic and interactive
- Provides a framework that is scalable
- Allows for sustainable staffing in the short and long term

Three Sustainability Challenges

The Measure AA success provides additional revenue to the District for capital projects that will increase public access to preserve land, enhance habitat restoration, and increase the acreage of protected open space

lands. 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 during extensive 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.

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, Management Partners developed a set of guiding principles unique to Midpeninsula that provide a framework for organization alternatives. The guiding principles reflect the unique challenges and opportunities facing the organization and serve to guide and inform the implementation of FOSM changes.

The recommendations contained in this report inform, reflect, and accompany the change that has already begun at Midpeninsula. FOSM requires a new way of doing business, including greater accountability, investment in systems and tools, and a reporting structure that benefits from clear lines of responsibility and functional alignment. At the same time, FOSM maintains the existing culture of passion and teamwork and is firmly grounded in the organizational values that make the District special.

Structure of the Report

This reports reflects the results of seven months of collaborative work. In the first section, Management Partners reviews the methodology used. The process began with extensive outreach and engagement with staff. This collaborative and iterative approach continued throughout as observations were made and recommendations developed.

Next, we present the drivers of Midpeninsula's changing environment. Reflecting on these drivers provides context to the review of organizational challenges and opportunities that follow.

In the Changing Environment section of this report we observe that as a result of Vision Plan implementation, the District can plan to transition over the course of the next few decades from an organization largely focused on land acquisition to one focused on project delivery, and then to one focused on operations and maintenance. Each step along this continuum will require staffing adjustments and organizational change and development. Short-term efforts to prepare for Vision Plan implementation will largely be focused on staffing to ensure that project delivery can be carried out with efficiency. And to ensure that policies are developed so that operations and maintenance functions are being appropriately built up as preserves are opened to the public and more land is acquired, while also addressing current workload needs.

In the short term, implementation will require the District to focus more heavily on capital improvement project delivery as it works to make more lands publically accessible by constructing staging areas and trails. This transition will put immediate strain on the organization's planning, construction, and project delivery functions, which will likely require immediate support. Making District lands publically accessible will also create long-term effects on visitor and field services which must be hat will be required, and the individuals responsible for ensuring n time" staff increases and insufficient capacity to manage an increasing workload.

Following the Changing Environment, Management Partners reports on the sustainability challenges and opportunities facing Midpeninsula. This section of the report is organized by service area in the following manner:

- Planning and project delivery
- Land and property acquisition
- Operations
- Management support and systems

Each section contains observations based on qualitative input and data analysis and includes corresponding recommendations. The observations have been reviewed with staff at all levels and presented to the Board in earlier study sessions. The complete set of FOSM recommendations are presented as Attachment A.

First and foremost, achievement of the Vision Plan and the obligations of Measure AA put significant pressure to deliver projects as well as additional expectations for transparency on the District. As a result of Measure AA, the District will have to more regularly report how much money has been spent and what tasks have been completed for the various key projects. This expectation will require a significant investment in business and management systems used to track projects and their corresponding costs, as well as an investment in the staff necessary to develop, implement, and monitor these systems. Setting up and implementing these systems should be considered the first and foremost priority to prepare for the full implementation of Measure AA.

The facilities that house the District's headquarters along with the Skyline and Foothills field offices are essentially at capacity. The District has been waiting for the results of this FOSM study to inform the development of a facilities plan that will lay out how District facilities will expand or be reconfigured to allow for a robust staffing augmentation that will be required as a result of Measure AA planning and implementation.

There is a tension within the organization between the need to focus on program and project delivery and ongoing operations to sustain existing and future infrastructure. This needs to be managed proactively. Gradually adding operations staff and addressing the systems and facility deficits in the near term, and creating a project delivery process that systematically considers operational impacts early in the process, will help alleviate this tension.

Supporting employees with the significant organization changes in mission and structure will be as important as getting project delivery right. Thinking about and creating a strategy to supply employees with the resources they need to do the work, regular communication regarding the agency's changes, successes and lessons learned as well as regularly celebrating milestones, will allow the agency to deliver results and maintain the momentum over the long term. Due to the 30-year time horizon of the Vision Plan, the agency will continue to evolve and shift to respond to the changing needs. To sustain the work necessary to connect the public to open space areas and improve access to lands, succession

planning will play a key role in building the agency's capacity to meet these ongoing commitments to citizens.

Key Recommendations

The recommendations presented in this report will begin a process of organizational change that will fundamentally alter the operating environment within the District. More specifically, the funding attached to Measure AA and the implementation of the Vision Plan will prompt:

- A balanced organizational focus on public access and education, restoration, and continuing acquisition of land
- Greater attention to visitor services and customer engagement
- Focus on project delivery and greater pressure to complete projects on time and under budget
- Stronger commitment to transparency in efforts to report Measure AA funding usage
- Scaled up operation with significantly more employees and more contracts to manage
- Structural reorganization of district functions

Management Partners developed guiding principles in conjunction with Midpeninsula's Executive Team to inform the evaluation of various organization models. These principles and the model options that were explored are contained in the report section that follows the sustainability challenges and opportunities: Building a Sustainable Organization Structure. Management Partners' analysis of three structure options resulted in a preferred model referred to as the Integrate Core Services Model. The model has been reviewed with staff at all levels and received Board input during its January 28 study session. Key components of this model include:

- Alignment of finance and administrative services within a single department under the leadership of a CFO/Administrative Services Director
- Centralization of information systems and technology under an IST manager that reports to the CFO
- Formation of an Engineering and Construction department that together with Planning and Real Property reports to a single Assistant General Manager
- Splitting of the Operations department into two to address greater demand for visitor services, growth, and increases in District assets that require regular, ongoing maintenance

- Alignment of the new Visitor Services and Land and Facilities departments with the Natural Resources department under a single Assistant General Manager
- Moving of the Public Affairs team to the General Manager's office to leverage the capacity and resources it provides District-wide

Also as part of the Building a Sustainable Organization Structure section, Management Partners offers staffing projections by major service area. These are based on criteria established using data obtained from the District and current workload ratios. The projections demonstrate anticipated growth in the near term (next five years) and long-term (30 years). Management Partners recommends the District periodically and systematically re-evaluate these projections over time. The Board will have an opportunity to assess organizational staffing needs through annual budget requests made by the General Manager.

In light of the staffing projections, Management Partners conducted a stress test of the District's robust fiscal model to determine the reasonableness of its assumptions and the ability for the organization to increase staff at the rate that is projected. Based on the stress test and the conservative nature of the assumptions built into the model, Management Partners concluded the District is well-positioned to fund its anticipated growth.

The changes proposed through FOSM will not happen easily and must take time. The FOSM report contains 60 recommendations. Just as the process to identify these recommendations was thoughtful, engaging, and evolutionary, so must the implementation process be deliberate, adaptive, and paced to reflect and adjust to the changing environment. The Road Map for Implementation provides a framework for moving forward. In addition, the District - with Management Partners' support - will develop implementation plans that detail the steps that must be taken, the resources that will be required, and the individuals responsible for ensuring successful completion.

Management Partners looks forward to continuing to support Midpeninsula on its inspired journey. This is a time of great opportunity. The organization is filled with smart, capable, and committed people who believe in the work they do and with the right tools and support will carry Midpeninsula successfully into the future.

Midpeninsula Regional Open Space District Financial and Operational Sustainability Model

May 2015

Management
Partners





May 22, 2015

Mr. Steve Abbors
General Manager
Midpeninsula Regional Open Space District
330 Distel Circle
Los Altos, CA 94022

Dear Mr. Abbors:

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We appreciate your collaboration and the collaboration of other individuals in the District throughout this engagement. Each person's candor, energy and ideas for improvement were helpful as we carried out this important work.

To assist with implementation, we are providing an Implementation Action Plan under separate cover. The plan will identify key steps needed to complete each recommendation, the individual who will be responsible, the estimated task time for completion as well as the suggested priority (short-, medium- or long-term). Nancy Hetrick and other members of the Management Partners team remain available and committed to working with you and your team as the District moves into the implementation phase of FOSM.

Sincerely,

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Gerald E. Newfarmer
President and CEO

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1. Develop business and management information systems (i.e., maintenance, client, and project management systems);
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This reports reflects the results of seven months of collaborative work. In the first section, Management Partners reviews the methodology used. The process began with extensive outreach and engagement with staff. This collaborative and iterative approach continued throughout as observations were made and recommendations developed.

Next, we present the drivers of Midpeninsula's changing environment. Reflecting on these drivers provides context to the review of organizational challenges and opportunities that follow.

In the Changing Environment section of this report we observe that as a result of Vision Plan implementation, the District can plan to transition over the course of the next few decades from an organization largely focused on land acquisition to one focused on project delivery, and then to one focused on operations and maintenance. Each step along this continuum will require staffing adjustments and organizational change and development. Short-term efforts to prepare for Vision Plan implementation will largely be focused on staffing to ensure that project delivery can be carried out with efficiency. And to ensure that policies are developed so that operations and maintenance functions are being appropriately built up as preserves are opened to the public and more land is acquired, while also addressing current workload needs.

In the short term, implementation will require the District to focus more heavily on capital improvement project delivery as it works to make more lands publically accessible by constructing staging areas and trails. This transition will put immediate strain on the organization's planning, construction, and project delivery functions, which will likely require immediate support. Making District lands publically accessible will also create long-term effects on visitor and field services which must be anticipated and gradually addressed to prevent the need for "just in time" staff increases and insufficient capacity to manage an increasing workload.

Following the Changing Environment, Management Partners reports on the sustainability challenges and opportunities facing Midpeninsula. This section of the report is organized by service area in the following manner:

- Planning and project delivery
- Land and property acquisition
- Operations
- Management support and systems

Each section contains observations based on qualitative input and data analysis and includes corresponding recommendations. The observations have been reviewed with staff at all levels and presented to the Board in earlier study sessions. The complete set of FOSM recommendations are presented as Attachment A.

First and foremost, achievement of the Vision Plan and the obligations of Measure AA put significant pressure to deliver projects as well as additional expectations for transparency on the District. As a result of Measure AA, the District will have to more regularly report how much money has been spent and what tasks have been completed for the various key projects. This expectation will require a significant investment in business and management systems used to track projects and their corresponding costs, as well as an investment in the staff necessary to develop, implement, and monitor these systems. Setting up and implementing these systems should be considered the first and foremost priority to prepare for the full implementation of Measure AA.

The facilities that house the District's headquarters along with the Skyline and Foothills field offices are essentially at capacity. The District has been waiting for the results of this FOSM study to inform the development of a facilities plan that will lay out how District facilities will expand or be reconfigured to allow for a robust staffing augmentation that will be required as a result of Measure AA planning and implementation.

There is a tension within the organization between the need to focus on program and project delivery and ongoing operations to sustain existing and future infrastructure. This needs to be managed proactively. Gradually adding operations staff and addressing the systems and facility deficits in the near term, and creating a project delivery process that systematically considers operational impacts early in the process, will help alleviate this tension.

Supporting employees with the significant organization changes in mission and structure will be as important as getting project delivery right. Thinking about and creating a strategy to supply employees with the resources they need to do the work, regular communication regarding the agency's changes, successes and lessons learned as well as regularly celebrating milestones, will allow the agency to deliver results and maintain the momentum over the long term. Due to the 30-year time horizon of the Vision Plan, the agency will continue to evolve and shift to respond to the changing needs. To sustain the work necessary to connect the public to open space areas and improve access to lands, succession

planning will play a key role in building the agency's capacity to meet these ongoing commitments to citizens.

Key Recommendations

The recommendations presented in this report will begin a process of organizational change that will fundamentally alter the operating environment within the District. More specifically, the funding attached to Measure AA and the implementation of the Vision Plan will prompt:

- A balanced organizational focus on public access and education, restoration, and continuing acquisition of land
- Greater attention to visitor services and customer engagement
- Focus on project delivery and greater pressure to complete projects on time and under budget
- Stronger commitment to transparency in efforts to report Measure AA funding usage
- Scaled up operation with significantly more employees and more contracts to manage
- Structural reorganization of district functions

Management Partners developed guiding principles in conjunction with Midpeninsula's Executive Team to inform the evaluation of various organization models. These principles and the model options that were explored are contained in the report section that follows the sustainability challenges and opportunities: Building a Sustainable Organization Structure. Management Partners' analysis of three structure options resulted in a preferred model referred to as the Integrate Core Services Model. The model has been reviewed with staff at all levels and received Board input during its January 28 study session. Key components of this model include:

- Alignment of finance and administrative services within a single department under the leadership of a CFO/Administrative Services Director
- Centralization of information systems and technology under an IST manager that reports to the CFO
- Formation of an Engineering and Construction department that together with Planning and Real Property reports to a single Assistant General Manager
- Splitting of the Operations department into two to address greater demand for visitor services, growth, and increases in District assets that require regular, ongoing maintenance

- Alignment of the new Visitor Services and Land and Facilities departments with the Natural Resources department under a single Assistant General Manager
- Moving of the Public Affairs team to the General Manager's office to leverage the capacity and resources it provides District-wide

Also as part of the Building a Sustainable Organization Structure section, Management Partners offers staffing projections by major service area. These are based on criteria established using data obtained from the District and current workload ratios. The projections demonstrate anticipated growth in the near term (next five years) and long-term (30 years). Management Partners recommends the District periodically and systematically re-evaluate these projections over time. The Board will have an opportunity to assess organizational staffing needs through annual budget requests made by the General Manager.

In light of the staffing projections, Management Partners conducted a stress test of the District's robust fiscal model to determine the reasonableness of its assumptions and the ability for the organization to increase staff at the rate that is projected. Based on the stress test and the conservative nature of the assumptions built into the model, Management Partners concluded the District is well-positioned to fund its anticipated growth.

The changes proposed through FOSM will not happen easily and must take time. The FOSM report contains 60 recommendations. Just as the process to identify these recommendations was thoughtful, engaging, and evolutionary, so must the implementation process be deliberate, adaptive, and paced to reflect and adjust to the changing environment. The Road Map for Implementation provides a framework for moving forward. In addition, the District - with Management Partners' support - will develop implementation plans that detail the steps that must be taken, the resources that will be required, and the individuals responsible for ensuring successful completion.

Management Partners looks forward to continuing to support Midpeninsula on its inspired journey. This is a time of great opportunity. The organization is filled with smart, capable, and committed people who believe in the work they do and with the right tools and support will carry Midpeninsula successfully into the future.

Methodology

Management Partners began work on the Financial and Operational Sustainability Model (FOSM) with a thoughtful and engaging learning phase. The firm 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 the East Bay Regional Park District, Marin County Parks and Open Space, Santa Clara County Parks and Recreation Department, and Boulder County Parks and Open Space and Jefferson County Open Space, Colorado. This review included an assessment of 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. All District employees were offered an opportunity to provide input and 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 District's preserves 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. These themes are explored throughout the report.

The data collection phase provided the substance to construct a framework to evaluate the organization models. To do this, we created guiding principles, strategic objectives, and identified the agency's key services areas. With these tools, the Management Partners' team spent November 2014 through January 2015 reviewing comparable agency organization models and designing a variety of organization structure alternatives. Each model reflects a sustainable strategy to build agency capacity in the following areas:

- Administrative Systems;
- Program and Project Delivery;
- Delivery of the Vision Plan – Measure AA Projects; and
- Change and Adaptation.

This process was highly iterative and involved collaboration with the Executive Team, Controller, and department managers as the three organization options evolved. The Board of Directors received a briefing regarding this information at a Study Session on January 28, 2015.

Next, Management Partners tested Midpeninsula's fiscal model. We found that the assumptions built into the current fiscal model support the staffing projections anticipated of the recommended structure. Even with the inclusion of a major future recession, similar to the Great Recession of 2008, Midpeninsula's expenditures do not exceed revenues until 2043. The test showed there is ample time to make financial adjustments and respond should such a downturn occur again. Moreover, Midpeninsula's history of conservative revenue and expenditures assumptions along with the pattern of spending less than budgeted each year, provides further assurance of sustainability. Finally, the financial model includes a "self-correcting" component so if revenues decline expenditures will correspondingly decrease.

Lastly, the FOSM included the development of ratios or multipliers to provide a system to calculate additional staff needs based on workload growth over time within the preferred organization structure. The criteria reflect a combination of best practices and Midpeninsula's past performance. As such, the criteria are different across the array of department and divisions. For Visitor Services and Land and Facilities Services, the number of miles of trail was used. For Planning, Engineering and Construction, and Natural Resources, the number of projects provides a meaningful calculation. We relied on staff ratios to calculate internal service department needs. Despite the lack of available models, staff projections for Real Property, Public Affairs, and the General Manager's Office reflect our best professional estimates.

Management Partners worked closely with Midpeninsula throughout this engagement utilizing the Executive Team and an internal project team structure to inform understanding, test assumptions, and affirm recommendations. Midpeninsula's internal project team consisted of managers in addition to a couple of key staff. In addition, Management Partners briefed all staff and the Board in open public session as major milestones in the engagement were achieved. Study session check-ins with the Board occurred in November 2014, and January and March 2015.

The positive working relationship developed between Midpeninsula and Management Partners over the past seven months continues as work shifts into implementation.

The Changing Environment of the District

As a result of a 1972 voter initiative, the Midpeninsula Regional Open Space District was established to preserve the regional greenbelt in northwestern Santa Clara County. Since then, through a number of additional voter initiatives, the District's acreage expanded to include significant portions of San Mateo County and a small portion of Santa Cruz County.

With a determined focus on preservation, the District spent the subsequent decades building a network of open space preserves with diverse ecosystems. Its preserves include redwood, oak, and fir forests, chaparral-covered hillsides, riparian corridors, grasslands, and wetlands. Up until the last few years, the District remained steadfastly oriented around its foundational goal of preservation, with a special emphasis on land acquisition and environmental restoration.

Developing a Strategic Plan

In September 2011, the Board adopted the Midpeninsula Regional Open Space District Strategic Plan. The plan signaled a policy shift from an overriding focus on acquisition to a balanced focus on all three legs of the mission – acquisition, restoration, and public access/education, marking a considerable shift in organizational priorities for employees. With the Strategic Plan, the organization began to place greater focus on developing its preserves and introducing the necessary infrastructure to facilitate public access, such as parking lots, restrooms, and other staging area amenities.

With “public enjoyment and education” written into the organization's mission, the Strategic Plan also presented the District as a much more outwardly focused organization. The plan acknowledged a need to better understand and connect with the District's communities and partners by establishing three core goals:

1. Promote and establish a common conservation vision with partner agencies

2. Connect people to open space and a regional vision
3. Strengthen financial and staffing resources to fulfill the mission

In short, the District's Strategic Plan marked an important shift in the trajectory of the organization and provided the foundation for the Vision Plan and Measure AA.

Developing a Vision Plan and Presenting Measure AA to Voters

With the organization's direction articulated in its Strategic Plan, the District embarked on a subsequent effort in 2012 to develop a long-term organizational vision that reflects the interests and needs of its communities and partners. The Vision Plan became a major priority for the District as it realized a need to build alignment and understanding with its major stakeholders and create an informed public.

Over an 18-month period, 2,200 participants provided input in the design of a roadmap for future District work. Although the organization had historically focused its attention on conservation and restoration of preserves, the 2014 Vision Plan built off the strategic plan and articulated a number of specific projects designed to open up the District's closed acres to the public by developing staging areas, trails, appropriate signage, and other amenities.

To fund these projects, the District presented Measure AA, a \$300 million general obligation bond measure, to voters in June 2014. The bond measure was approved by over two-thirds of voters, authorizing the District to use Measure AA funding to support four major goal areas:

- Protecting natural open space lands
- Opening preserves or areas of preserves that are currently closed
- Constructing public access improvements such as new trails and staging areas
- Restoring and enhancing open space land, including forest, streams, watersheds, and coastal ranch areas

The Challenge of Measure AA Funding

The success of Measure AA will give the District the financial resources to fully implement its long-term Vision Plan. While it represents a major infusion of resources to support the District's mission, it will entail a dramatic increase in workload, especially in the area of project delivery and construction.

Figure 1 shows the dramatic growth in anticipated land and trails that will require conservation, restoration, and access based on the 2014 Vision Plan. Publicly accessible miles of trail is anticipated to nearly double from 230 to over 400 miles, while land acreage will grow from 62,300 to more than 100,000 acres.

Figure 1. Current and Projected Workload

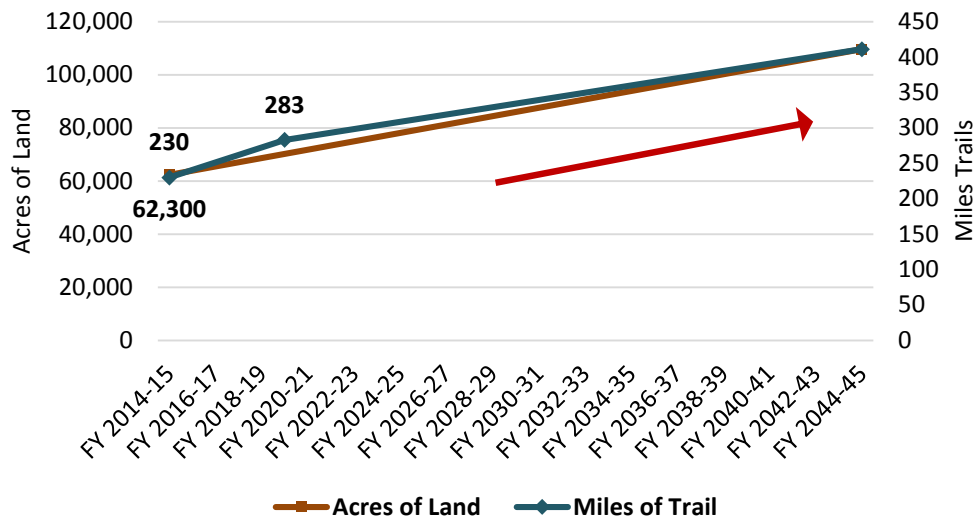
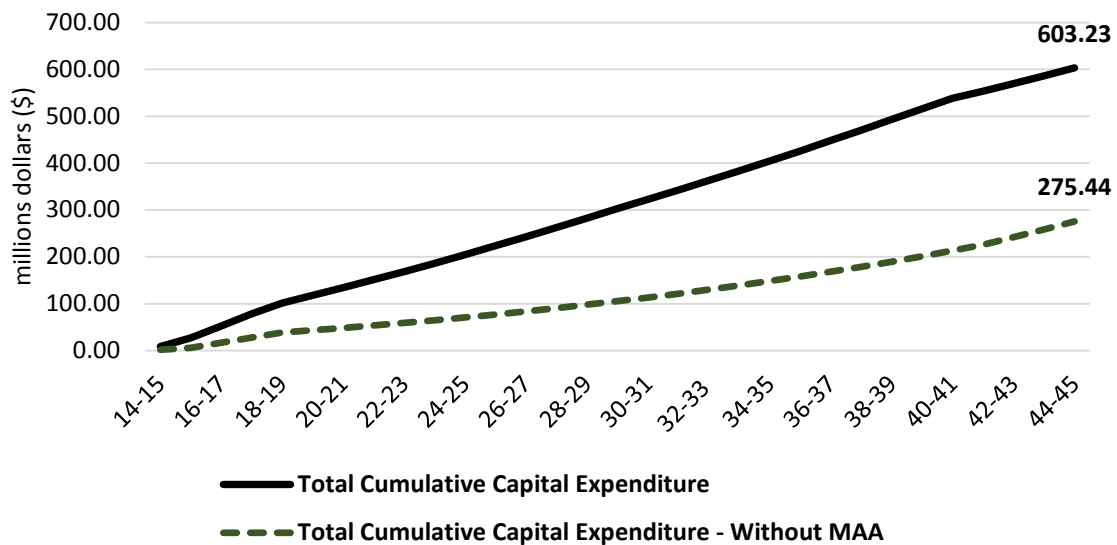


Figure 2 depicts the District’s capital expenditures over the next 30 years based on its current work plan, with and without Vision Plan projects funded through Measure AA. The work plan that includes Measure AA proposes \$603 million in capital expenditures by 2044, which essentially doubles the District’s current, non-Measure AA work plan projections. These statistics are particularly important because the District has historically expended only about 50 to 70% of its planned annual capital expenditure budget, meaning that even without Measure AA funding, the District has been challenged to meet capital expenditure commitments each year.

Figure 2. Projected Cumulative Capital Expenditure with and without Measure AA



A parallel to the District’s current situation can be drawn from the private sector. One might compare the District to a “start-up” company which has just secured substantial venture capital funding. The District has traditionally described itself as a small organization whose success has been built from the expertise and success of its high-performing employees. The challenge for the organization is now to execute and grow its capabilities to perform in an effective and efficient manner.

Operating with Greater Public Visibility

Prior to the Strategic Plan, District staff felt they operated in a space that was less visible to the public. Despite compliance with all Brown Act requirements, without a mission focused around public access and education, much of the preservation work has been pursued with little public input and minimal public attendance at Board meetings.

The Strategic Plan, Vision Plan, and Measure AA each solicited public outreach above and beyond what is required and memorialized the public’s interests for greater access to preserves, causing the organization’s visibility to grow dramatically over the past several years. As for the future, District staff understands that public expectations will only continue to grow, especially as more preserves are developed for public access.

Introducing the FOSM

The District engaged Management Partners to help develop a strategy to give current employees the tools and resources they need to effectively absorb this added workload and successfully implement the Vision Plan projects in a way that supports long-term organizational sustainability. Every recommendation incorporated into this FOSM report has emerged from this fundamental question: what changes need to occur in the short and long term to prepare the District for the significant and urgent pressure exerted by Measure AA funding and the Vision Plan project schedule?

Sustainability Challenges and Opportunities

The Financial and Operational and Sustainability Model (FOSM) is a strategic and deliberate approach to manage how the District plans to grow over the next several decades. This section of the report presents the major challenges and opportunities around organizational sustainability with a focus on core District functions, including project planning and delivery, land and property acquisition, operations, and management support and systems.

Defining Sustainability

Because the term sustainability can carry different meanings for different individuals, it is worth clarifying what is meant by the term in this report. For the FOSM, sustainability implies an organizational commitment to the “double bottom line,” meaning the District must embody and work towards two key forms of sustainability, including:

- **Economic sustainability:** the District must be financially viable in the long-term
- **Organizational sustainability:** the District must build an optimal organizational structure that supports high quality performance and results in the long-term

Committing to a double bottom line strategy involves assessing risks and challenges to the organization’s success over time, identifying ways to build staff capacity across the organization, and engaging in systems thinking at a macro-level. The FOSM approach outlined in this report identifies both short and long term recommendations involving strategic investments in organizational resources and staffing, as well as structural changes to better align complementary functions and achieve greater efficiencies.

Project Planning and Delivery

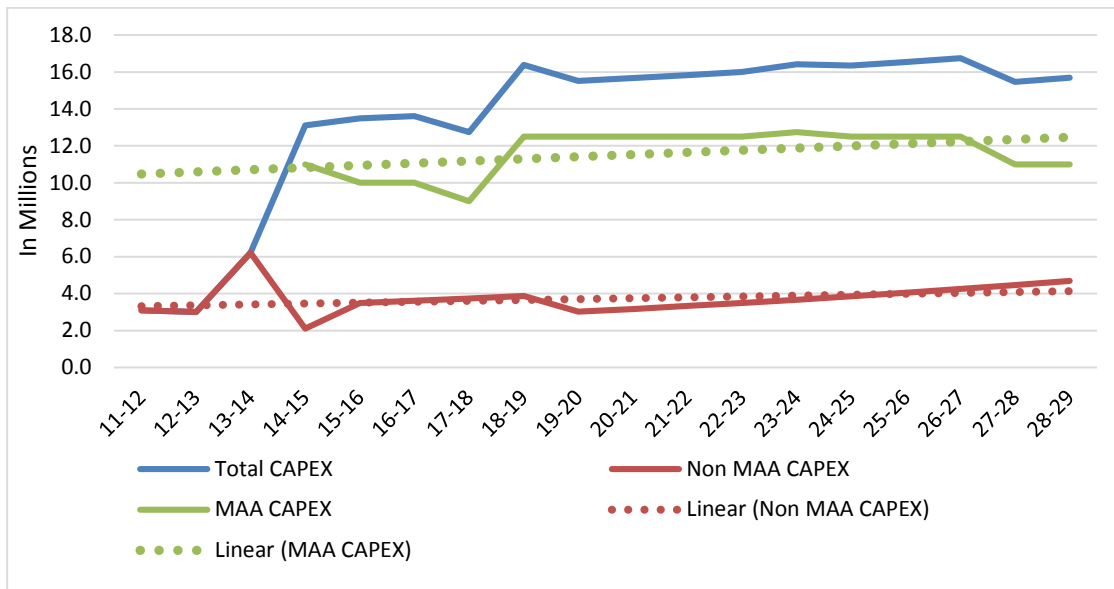
The implementation of the District’s Vision Plan and the additional funding from Measure AA will have a significant impact on how District projects are managed and delivered. The implementation of the Vision

Plan and Measure AA will require a significant shift in priorities for staff. For decades the District has been focused around preservation and acquisition, which are long-term endeavors that require persistent follow-up, but take time to materialize. Over 60% of the projects listed in the five-year work plan for Measure AA (dated March 25, 2015) result in greater public access to District lands, meaning the District will be more focused on project delivery of public access projects (building staging areas and trails) than it has been in the past. A greater focus on public access project delivery requires staff to operate under more short-term time horizons and with greater transparency to the public. This transition will require District staff in every department and function to cultivate new skill sets, but more importantly, the transition will require an organizational culture shift that embraces realistic work planning and holds staff accountable for completing projects on time and on budget. More specifically, the organization will have to be more diligent in monitoring project milestones and holding staff accountable for results, while managing a more robust workload.

Increased Pressure to Deliver Projects on Time and On Budget

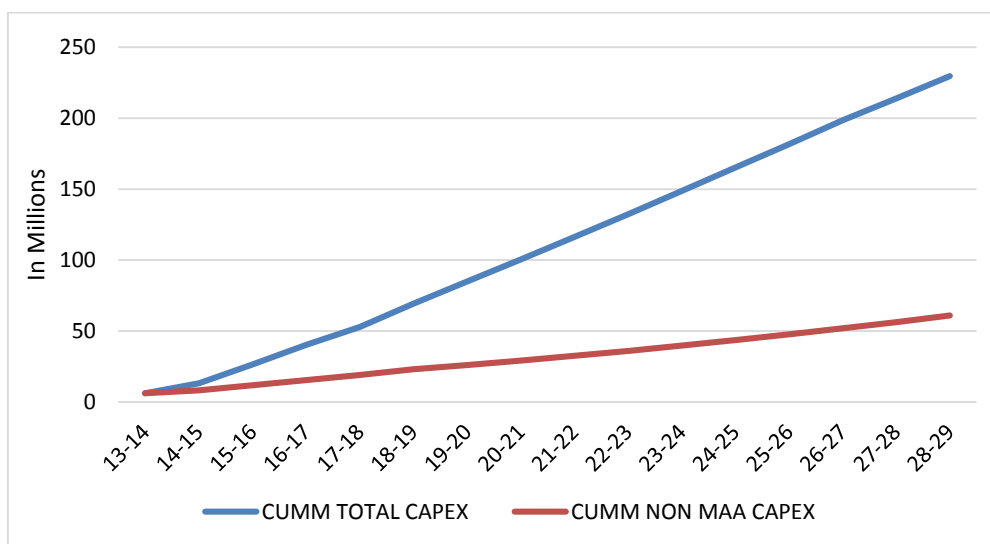
Measure AA projects will be funded through a combination of tax exempt and taxable bonds. For projects funded through tax exempt bonds issued under Measure AA, the District must show a reasonable expectation of spending 85% of bond proceeds within the three-year period following each bond issuance. This means that the District must reasonably schedule sufficient Measure AA project work and allocate an average of \$10 million of corresponding project spending per year over 30 years in Measure AA capital spending. Moreover, in addition to Measure AA capital projects, the District will also be carrying out capital projects that are not supported by Measure AA. Figure 3 shows projected annual expenditures for capital projects that will be implemented as part of Measure AA and those that are expected to come from alternative funding sources. Figure 4 shows the cumulative projected capital expenditures with and without Measure AA, which effectively conveys the magnitude of additional project delivery work that will be required over the next 30 years. The District's ability to meet the challenge of Measure AA in the area of project delivery will depend on a number of changes to its organizational systems and culture.

Figure 3. Annual Capital Expenditure Projection for the District



Source: Financial forecast provided by the Midpeninsula Regional Open Space District Controller.

Figure 4. Cumulative Projected Capital Expenditures with and without Measure AA



Source: Financial forecast provided by the Midpeninsula Regional Open Space District Controller.

Establishing Clear Priorities for Staff

Based on the forecasted increase in project delivery work and expectations, establishing clear priorities and maintaining a focus on these priorities will be essential as employees aim to successfully carry

out this work. Historically, the District has been able to execute only 55% to 74% of its capital improvement projects annually.

Across the District, staff reported that projects are often placed on hold due to changing priorities, often times resulting in reworking the plans when the project is picked up again. This practice appears to be woven into the District's culture to respond as Board priorities shift and opportunities emerge. In order to create a more mature organization with systems capable of managing a more expansive project delivery workload, the District will have to first learn to commit to its short and long terms plans and create priorities that are more consistent over time.

Recommendation 1. Develop mechanisms that periodically clarify and reinforce organizational priorities for staff, so that work can be planned and managed in alignment with those priorities. Such mechanisms include annual or semi-annual Board workshops that present progress toward existing District priorities, solicit feedback from Board members on how future priorities should change or evolve, and importantly, communicate tradeoffs that must occur if priorities shift or new priorities are added.

Recommendation 2. Develop a communication strategy to regularly provide information updates to the Board and public regarding project progress and results, and promote transparency to build public trust. This will also supply the Board of Directors with key messages and allow them to remain focused on "big picture" policy issues and Board-approved priorities to empower the General Manager to focus on the implementation of the Board's policy direction to reduce the temptation to shift Board priorities midstream.

A New Project Delivery Approach

Balancing the broadened mission generates a sense of urgency and creates pressure to deliver more projects. The Vision Plan and Measure AA increase visibility of District projects. There will be greater public interest around spending and greater need to monitor the number of projects being delivered. As such, to respond to the urgency and pressure, the District will need to add capacity (people, expertise, services) in the area of project planning and delivery to meet the increased demands.

The District lacks an established, uniform, and shared project delivery approach that is shared among all project managers. Without a path for project delivery from inception to completion, it is unlikely the District will keep pace with the added workload.

Currently, project delivery teams are organized on an ad-hoc basis. Projects are managed using a “cradle to grave” approach where the project planner develops the preliminary project, design and follows through with construction management. This model for project delivery is appropriate for a small-scale organization with a limited number of projects. Scaling up project delivery efforts to match Vision Plan commitments requires a strategic approach that increases staff efficiency and leverages their abilities by assembling project teams and dividing the workload in accordance to staff skill and expertise.

Heightening efficiency of project delivery will require comprehensive project planning to assess the departments, divisions and contractors working to move the project forward. A comprehensive project delivery approach requires staff to delineate project scope, cost, schedule, staffing, staff capacity, risk factors, goals and objectives, third party agreements, regulatory issues, public input, and project owners through the life of the project, along with the appropriate ownership hand-off points. Critical to this approach is the fact that the project leader will change over the life of the project.

Building a comprehensive approach to project delivery requires that a project team is formed at the start with designated leads to carry specific phases of the project through to completion. Each project lead transfers responsibility for project management at the completion of their phase of implementation (i.e., from a lead in project planning to a lead in engineering and construction). Each project team member remains involved through to the end. This approach ensures each department or division “owns” parts of a project for a specific period of time and delivers a fixed set of services while ensuring that institutional and technical project knowledge is retained and accessible throughout the life of the project. In this way, the project ownership belongs to the team, rather than an individual.

This approach provides several enhancements to the District’s current process, as it:

1. **Retains a high degree of organizational collaboration.** The comprehensive review of the projects from start to finish requires that representatives from all departments involved in the project

from start to finish are at the table in the initial planning phase. Project owners are clearly identified along with their respective roles and responsibilities early in the project's life cycle.

2. **Promotes clear and continuous communications throughout the project's life cycle.** The comprehensive approach allows for proper "hand-off" of a project from one lead to another lead, with clear communication of roles and responsibilities to facilitate effective and efficient decision-making. Communications horizontally as well as vertically within the organization are needed to ensure successful delivery of the project.
3. **Improves quality and quantity of information exchanged.** The comprehensive approach to project delivery improves the quality and quantity of information exchanged throughout the organization on a given project. This allows team members to anticipate and incorporate the project responsibilities in their individual work plans. More importantly, establishing a shared understanding of the project, owners, timing, and roles and responsibilities reduces reprioritization of work, improves the focus on project management, and ensures alignment amongst all project team members.
4. **Mobilizes problem-solving and trouble-shooting resources.** The comprehensive approach to project delivery assembles a cadre of problem-solving and trouble-shooting resources led by a technical expert that has the greatest experience and knowledge during that particular phase of work to facilitate problem-solving. Delivering projects comes with anticipated and unanticipated issues. This approach provides adaptive and responsive resources to problem solving related to scope, budget and scheduling and puts projects back on course. Designing project solutions also has the benefit of potentially leveraging lessons learned from concurrent and past work.
5. **Empowers employees.** High functioning organizations "give the work back to the employee." With decision-making authority vested in the project delivery team, problem solving happens within its members. If an organization depends on one person or even a limited number of individuals to make organizational decisions, projects stop and the backlog of work grows and undermines the overall work plan of an organization.

Recommendation 3. Convene internal stakeholders to develop a refined, comprehensive project delivery approach that ensures proper oversight, clarity of roles, prioritization, predictability, and follow-through. Such an approach should move away from a generalist model with a single project manager carrying the project through to completion to a team-based, specialist model that enables multiple technical experts to move the project forward.

To illustrate the benefits of a specialist model, it is worth exploring how the District currently manages the California Environmental Quality Act (CEQA) review process and how the process would be affected by a more comprehensive project delivery approach. Currently, the District lacks a uniform environmental review process to inform project management and project delivery and ensure consistency. This can create project delays and inefficiencies, forcing managers to “reinvent the wheel” whenever a new review is required. Without a uniform process, project managers may not anticipate all steps involved in CEQA review and underestimate the time it takes to complete the process and/or incorporate mitigation measures that differ for very similar projects.

Recommendation 4. Integrate specialized functions, such as CEQA review, that play a critical role in project delivery and integrate them into the District’s project delivery approach and identify procedural changes and methods of centralization that lead to greater consistency and efficiencies Another area ripe for this type of centralization and specialization is contract administration for certain functions such as trail and staging area construction, habitat restoration, etc.

Project Management Systems and Tools

The District’s work plan efforts have been described as aspirational, with general agreement that staff incorporate more projects into their annual work plans than can be successfully managed with current resources. Changing the current District project management dynamic will require a focus on retooling certain aspects of the organization’s culture and also institutionalizing new practices for developing project budgets and work plans and holding staff accountable to project milestones.

Staff reported that each employee relies on their own approach to managing a project. This leads to inconsistent project management and

delivery in the organization. It also makes internal accountability unrealistic and reduces the likelihood of timely project delivery. Elements of successful project management structures include: defined project scope, timeline and milestones, project participants, clearly defined roles and responsibilities, identification of anticipated barriers or challenges along with corresponding strategies to overcome them, and a mechanism to alert team members when the project veers off course to allow for timely problem solving and course correction.

Lack of project management tools and systems severely impact Measure AA planning, accountability and decision making at both the administrative and policy levels. Currently, the District's project budgets and action plans are recorded, stored, and monitored differently across the organization. Many managers are leading projects without clear and measureable milestones to which they are held accountable and without a clear understanding of the resources necessary to carry out the work. Comprehensive and integrated project management tools understood and accessible across the organization will provide the platform from which information, decision-making, and accountability will flow. Without such tools, projects will continue to lack a formal project structure that would otherwise ensure on-time/under-budget project completion.

Currently, project budgets that are assembled to inform work planning do not accurately or consistently account for the total cost of project delivery, including staff time and indirect costs associated with administrative support functions and organizational overhead. Without documented direct and indirect costs, it is impossible to create a prioritized work plan that realistically considers the capacity of existing staff and the availability of organizational resources.

The lack of an organization-wide uniform project management system also diminishes the ability for individuals and different groups across the organization to review, monitor, and document project budgets and action plans. This has a negative effect on the organization in a number of ways. Without a project management system, many managers are leading projects without a detailed project schedule that includes measureable milestones to which they are accountable, and without a clear understanding of the resources necessary to get the work done. The District is currently looking at Projector as a project management tool to integrate with the finance and accounting system, New World System. As the organization expands its workload and it becomes necessary to more frequently report on the status of projects, more uniformity in project

management will create efficiencies within the organization and work groups or individual staff members will no longer have to look for their own solution.

Recommendation 5. Complete a comprehensive requirements analysis and establish a plan to procure and implement a uniform Project Management System.

The District is currently evaluating the implementation of a project management system to improve management and reporting of project schedules, budgets, milestone, etc. The District should ensure that clear requirements exist and vendor solutions are accurately mapped against those requirements. The system should incorporate agreed-upon formal project planning elements such as the creation of a documented project purpose and scope, resource requirements, timeline, success criteria, etc.

Recommendation 6. Develop a consistent format for project budgets using a procured project management system that informs work planning and accounts for the total cost of project delivery, including staff time and indirect costs associated with administrative support functions and organizational overhead.

Increasing Staff Capacity through Contractors

The increase in the number of District projects over the next several decades will require more people and additional expertise, both of which can be made available to the District if it solicits qualified contractors who can assist in the short and long term. Adding to short-term staff capacity by developing an ongoing list of qualified contracts, including planning, engineering, construction, and project delivery firms, is considered a best practice and should be pursued immediately. This is particularly essential as the number and variety of capital improvement projects expands as Measure AA funding is made available.

Recommendation 7. Expand the list of pre-approved, on-call consultants and contractors that can be available to support the District in its planning, engineering, construction, and project delivery functions. An

expanded list that includes services beyond the current available on-call list of biological and hazardous materials experts will give the District greater flexibility and through-put by having a ready team of outside experts

available to support all aspects of project delivery and remain in compliance with District policy and state law regarding contractor selection processes. Board approval of an on-call list of experts for not-to-exceed contract amounts will streamline the hiring process and allow staff to quickly retain the necessary services as needs arise.

Recommendation 8. Review current contracting/bidding policies/practices to identify opportunities to streamline these policies/practices.

Building a Dependable Engineering/Construction Management Function

The 2014 Vision Plan calls for an increase in the number of projects that will involve engineering and construction services. Creating a professional, on-staff engineering capability and increasing the existing construction project management capability would allow the District to efficiently and effectively oversee and manage such projects.

As the District focuses more on project delivery, the need for in-house engineering and construction management staff capacity will grow. More specifically, the planning function should not be burdened with the responsibility of overseeing the execution of projects. An engineering and construction unit, with expertise in project delivery, should be responsible for design and construction. Such a transition will require not only additional staff but a restructuring of the organization as well.

Recommendation 9. Create an Engineering and Construction Department and hire an Engineering and Construction Manager to oversee the following project delivery functions: design, permitting and engineering; construction management; and Measure AA project delivery oversight. This department will report to the Assistant General Manager for Project Planning and Delivery. Initially, staffing would be minimal as the Engineering and Construction Manager would manage a small team of project managers and be responsible for managing consultant project managers/inspectors.

Cultivating Collaboration and Partnerships

The District has been challenged to meet project timelines due to lengthy reviews by outside permitting agencies. A number of projects that will be implemented as part of Measure AA will require a strong partnership

with agencies that provide additional regulatory review such as San Mateo County. A more careful consideration of the time it takes to complete the permitting process should be taken into account when formulating project budgets.

Recommendation 10. Meet with local jurisdictions to discuss opportunities to improve the permit processing time associated with certain types of permits.

Land and Property Acquisition

The project planning and delivery process often begins with the acquisition of land. The success of the Vision Plan as funded by Measure AA depends partly on the District's ability to identify and acquire new land and property. This work is important and time consuming, and requires a deliberate approach with criteria and strategies that guide and inform the process.

Land acquisition is becoming more complicated and difficult to manage as time passes. Newly acquired assets are less pristine, with structures that need rehabilitation or demolition, remediation to resolve contamination issues, tenants that need services and monitoring, along with natural resource management needs. Such purchases require more staff time in the pre-purchasing period as well as additional site evaluations prior to purchase. Measure AA will require a strategic focus on land acquisition, despite these challenges.

Over the past six years, Real Property staff have assisted with District-wide projects including the Strategic Plan, Vision Plan and Measure AA. These efforts have left the small acquisitions team with less capacity to pursue strategic land purchases. With the results of these planning efforts now in place, the time is right to establish additional guidance beyond the Vision Plan priorities to further inform the land acquisition strategy and to better assess the long term management and maintenance requirements, costs, and potential liabilities that may accompany new purchases (i.e., existing tenants/uses, condition of property improvements, known contaminants) to further inform the decision making process. The design of a property acquisition plan provides a strategic framework with defined policies and goals.

Recommendation 11. Create a Property Acquisitions Plan that clearly communicates District acquisition policies and goals that provides a road map for strategic land acquisition. The Plan should reflect the Board-approved Vision Plan priorities and communicate internal processes and a system for assessing short-term and long-term maintenance and management requirements, costs, and potential liabilities for new properties.

The Real Property department currently has responsibility for managing leases and tenants as a result of acquisition efforts. The District maintains lease agreements for residential homes, horse stable operations, wineries, communication towers, agricultural property, and grazing. This responsibility is time-intensive and pulls Real Property staff from proactive acquisition efforts.

Operations staff is often involved in supporting this work. Operations staff is responsible for responding to work order requests that involve maintenance of leased land and buildings, securing properties, monitoring tenant compliance with lease terms in the field, and alerting both the tenant and the Real Property group when violations are observed. Based on how the District delivers property management services, relocating this function will promote better alignment. Bringing all District staff involved in management and day to day operations of the lease agreements will improve information flow, problem solving, and service delivery. Moving responsibility for ongoing property management activities to a new Land and Field Services Department where the responsibility for facilities resides will free up staff time for this purpose.

Recommendation 12. Restructure the Real Property function to focus on land and property acquisition, and move the property management function to a Facilities division in the new Land and Field Services Department. This shift will allow Real Property staff to focus more specifically on pre-acquisition assessments, strategic acquisition, and the development of appropriate lease agreements, and Land and Field Services will monitor lease agreements and work with the rest of the operations team to ensure District assets are well maintained and cared for.

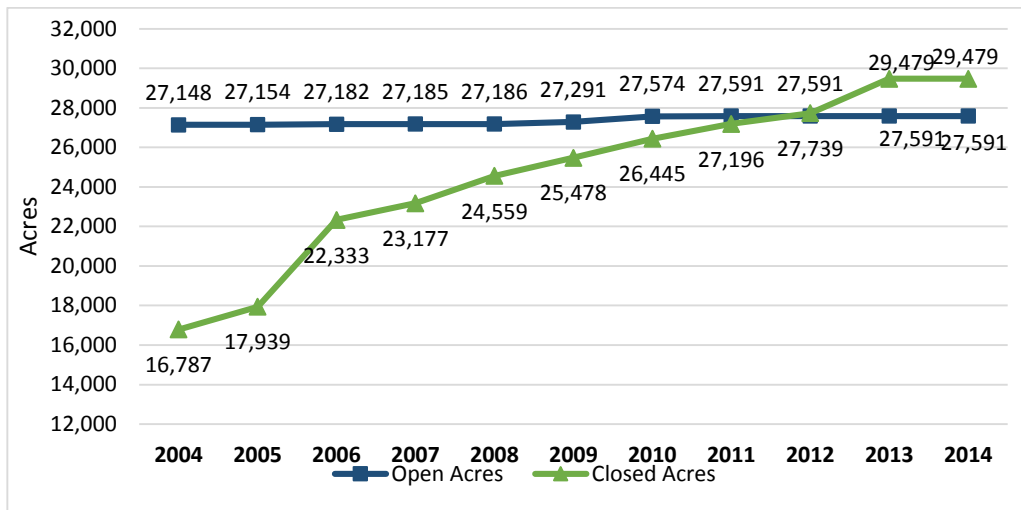
Operations

As the District transitions from an organization focused on land preservation to one with a balanced mission directed toward preservation, restoration, and public access, it will need to reconsider how it manages and deploys its operational resources. A preserve that is open to the public, for example, will absorb more staff capacity in terms of maintenance and patrol functions than one that is closed to the public. The District must plan for this as it begins opening more of its closed preserves for public access. Moreover, the expanded Measure AA capital improvement program will exert tremendous pressure on both District rangers and maintenance staff as the number of assets to patrol and maintain grow over the next 30 years. Such an expansion in existing workload will require a restructuring of current operations, a modernization of how workload is managed and monitored, a reassessment of how resources are deployed, and a careful consideration of how facilities ought to expand.

District Growth Over the Last Ten Years

The District's expansion over the last ten years has been impressive. As indicated in Figure 5, acres closed to the public have expanded from 16,787 in 2004 to 29,479 in 2014, while the number of acres open to the public have remained relatively constant during the same period. In fact, nearly all expansion over the last ten years has been driven by the acquisition of lands that remain closed to the public. This rapid growth in closed preserves reflected the District's primary focus on land preservation.

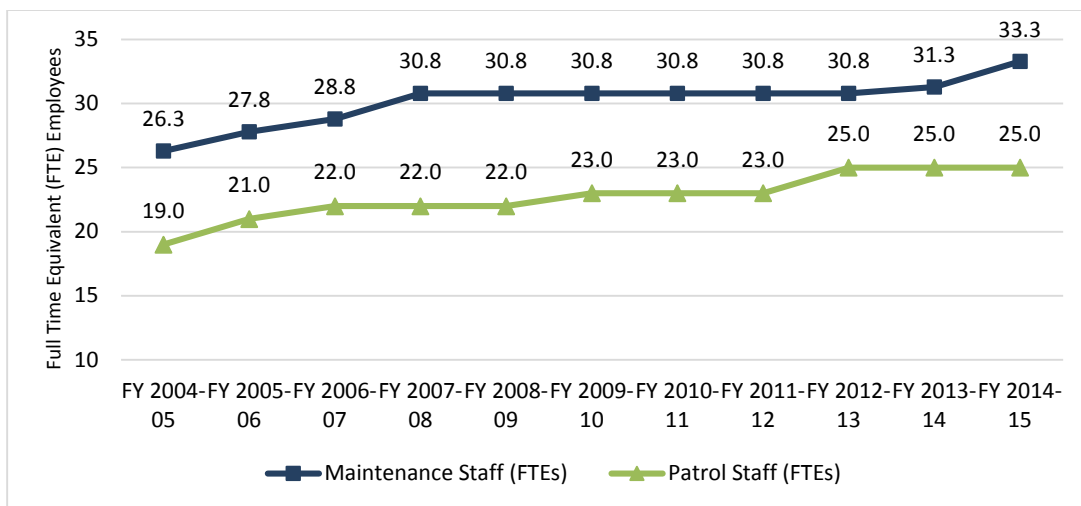
Figure 5. Ten-year History of District Acreage by Type



Source: Midpeninsula Regional Open Space District Operations Department.

Figure 6 presents a ten-year history of staffing levels within the Operations department by type of staff. The numbers of both patrol staff and maintenance staff have been steadily rising over the last ten years. As Measure AA is implemented and more preserves are opened for public access, the District must strategically invest in operational staffing resources in the long term (see section on *Staffing Projections*). How the district should approach this investment, what factors it should consider when developing new positions, and how it should structure the work of these employees, is explored throughout this section of the report.

Figure 6. Ten-Year History of Operations Staffing Levels



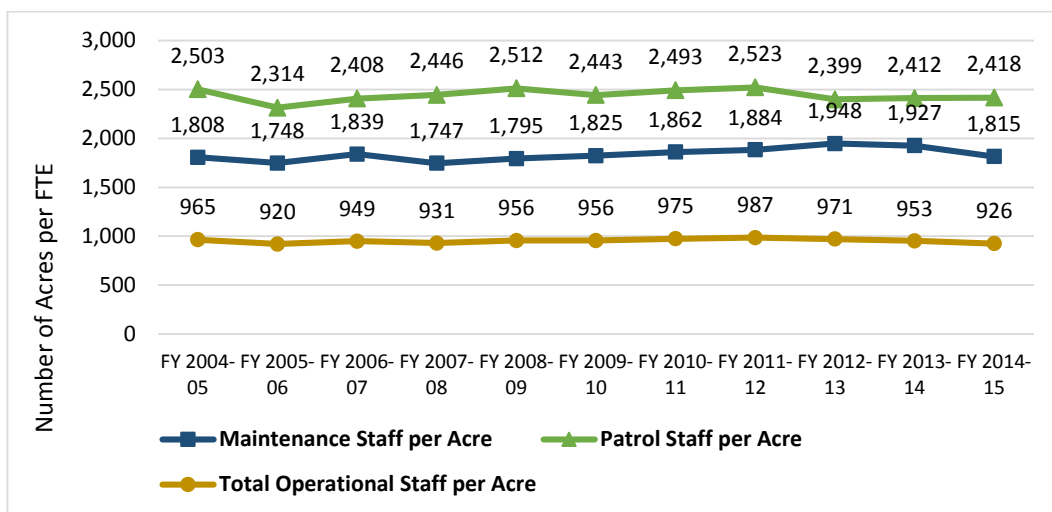
Source: Midpeninsula Regional Open Space District Operations Department.

Determining Operational Staffing Needs

Existing Operational Staffing.

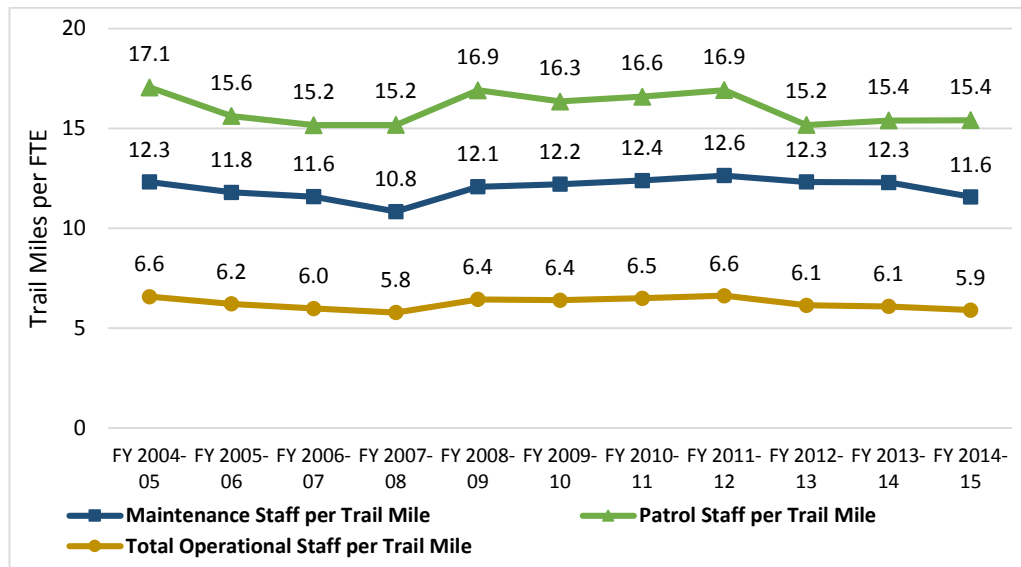
Existing operational staff, including rangers and maintenance employees, has gradually increased over the last decade at pace with the expansion of the District’s managed land assets. Figure 7 shows operational staffing levels compared to total acres and Figure 8 shows operational staffing levels compared to total trail miles. Based on these figures, the District operations staffing history indicates that ranger and maintenance staffing is generally keeping pace with workload demands; however, increases in special projects and/or other assignments like public outreach and events can stretch staffing thin.

Figure 7. Acres of District Land per Operations FTE



Source: Midpeninsula Regional Open Space District Operations Department.

Figure 8. Miles of District Trails per Operations FTE



Source: Midpeninsula Regional Open Space District Operations Department.

The appropriate staffing levels for the maintenance and ranger functions is challenging to determine based on the District’s own history because Operations has not consistently measured its workload to gauge how well staff are keeping up with demands and how quickly they are completing assigned tasks. Measuring workload beyond simple indicators such as land acreage and trail miles requires a capable work order management system and systematic documentation of the patrol function, both of which are lacking in the District (See Recommendation 17).

Peer Staffing Analysis

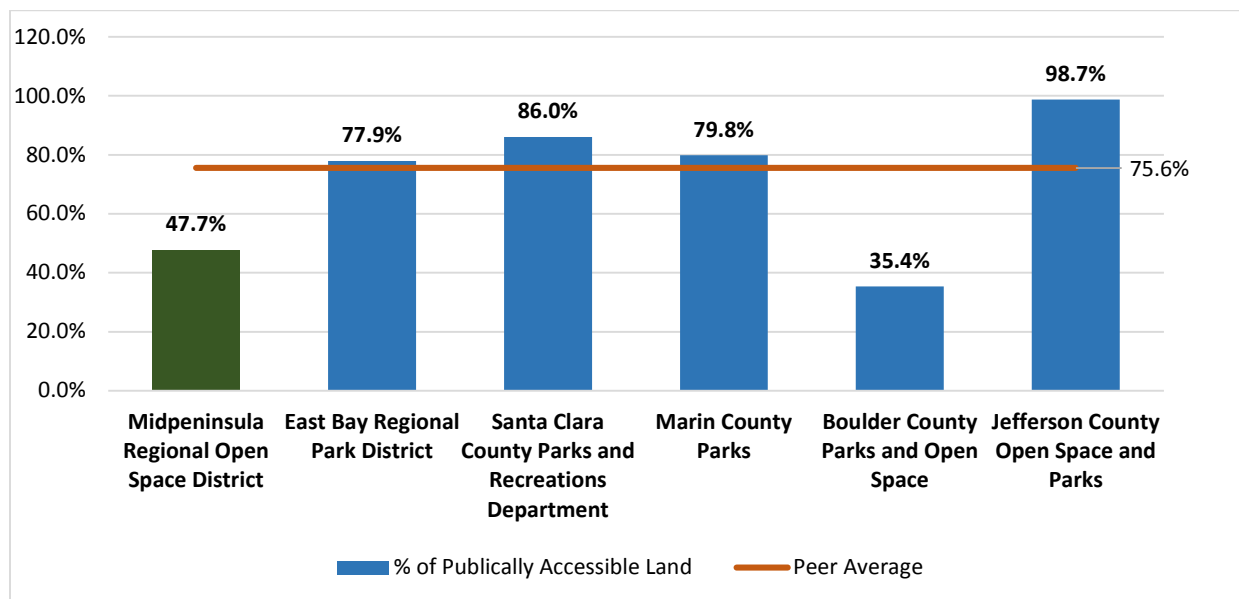
The District hoped that a peer agency analysis would help develop indicators to guide appropriate operational staffing as the District expands, but each peer has very different operational realities that make such indicators difficult to establish. For example, Table 1 and Figure 9 show that the District is relatively unique in its ratio of publically accessible acreage compared to non-publically accessible acreage. The degree to which an acre of land will require regular patrolling or maintenance is dependent on its usage and the types of facilities and equipment it houses.

Table 1. Acres of Owned and Managed Lands

	Midpeninsula Regional Open Space District	East Bay Regional Park District	Santa Clara County Parks and Recreation Department	Marin County Parks	Boulder County Parks and Open Space	Jefferson County Open Space and Parks
Publically Accessible	28,925	114,000	42,372	15,572	35,138	53,051
Not Publically Accessible	31,682	32,349	6,889	3,940	64,165	700

Source: As reported by each agency.

Figure 9. Percentage of Publically Accessible Land



Source: As reported by each agency.

A peer comparison of ranger staff is also complicated by the fact that organizations have rangers perform different sets of responsibilities, making straightforward benchmarks challenging to identify. As noted in Table 2, it is common within the District’s peer organizations to have rangers perform duties associated with patrol, emergency response, and enforcement. The degree to which rangers also perform maintenance responsibilities (trail, park and facilities maintenance), or interpretive responsibilities (educational programming, visitor services), however, varies from peer to peer. More specifically, the District’s rangers have fewer responsibilities compared to their peers with regard to maintenance and interpretative duties.

Table 2. Peer Comparison of Ranger Staffing Levels and Responsibilities

	Midpeninsula Regional Open Space District	East Bay Regional Park District	Santa Clara County Parks and Recreation Department	Marin County Parks	Boulder County Parks and Open Space	Jefferson County Open Space and Parks
# FTEs	24	256 ¹	49	29 ²	14	11 ³
Patrol⁴	Yes	Unavailable	Yes	Yes	Yes	Yes
Emergency	Yes	Unavailable	Yes	Yes	Yes	Yes
Enforcement	Yes	Unavailable	Yes	Yes	Yes	Yes
Maintenance	Low	Unavailable	Low	High ⁵	Low	Medium ⁶
Interpretive	Low	Unavailable	High	High	High	High

Source: As reported by each agency.

Note: "Low" indicates tasks are performed as needed. "Medium" indicates there is an expectation to perform the task on a regular basis. "High" indicates an integral part of their function.

¹ This number includes 90 FTEs in the police department.

² There are 13 rangers for Open Space division and 16 rangers for the Parks division.

³ This number does not include 2 seasonal rangers.

⁴ Patrol of non-publically accessible spaces varies depending on the agency. Boulder County has scheduled check-ins for its closed lands. However, its 37,296 acres of easements are monitored by volunteers. Marin County's easements are also monitored by volunteers. Jefferson and Santa Clara County's closed lands are patrolled at the discretion of the rangers.

⁵ Two rangers in the Open Space division are assigned to construction. Parks rangers are expected to perform regular ground maintenance.

⁶ The rangers collectively perform maintenance duties as needed, but 5 of the rangers are expected to perform regular maintenance.

The District has had a relatively small portion of its land open to the public and has outsourced interpretive functions to docents. As Measure AA and other capital projects are implemented, more District acreage will be open to the public which will present additional expectations for interpretive programs. As outreach programs attract users and programming grows, visitor service resources including naturalists and interpretive staff will increase. Looking at peer organizations like Jefferson County Open Space and Parks, the most natural place for docent and volunteer program responsibilities to fall is aligned with the ranger function, who will be more involved in front line service delivery activities that include public safety, education, and interpretive services. Joining the public facing functions of volunteer and docent programs with rangers (patrol) brings like services together in alignment and leads to improved performance of growing educational services planned by the District. This new unit will be positioned to meet the challenge of increased access and public use of the preserves and equipped to respond to their demands.

Recommendation 13. Establish a “visitor services” function of the organization to provide public facing services and activities. Restructure the organization to align docents, volunteers, and rangers to meet the array of visitor services.

The other major division of the Operations department is maintenance. Maintenance staff are charged with the maintenance and upkeep of the District’s assets. This includes trails, facilities, and other assets. This purpose is distinctly different from the mission of visitor services. Further, the current structure of operations does not provide the opportunity for maintenance staff to advance to leadership positions in the department. Current practices dictate that to be a superintendent of operations you must also be a peace officer with specific classification and licensing. Although an Operations Manager currently oversees maintenance and patrol, as it grows, the District will require additional supervision of this group.

As new preserves and public assets become available through the implementation of the District’s vision plan, both maintenance and patrol will experience significant increases in staffing. The formation of discrete organizational units reporting to a single Assistant General Manager provides the District capacity to grow in both size and skills (i.e., field maintenance, facilities maintenance, trails and construction) and to strengthen the management practices for each.

Recommendation 14. Separate the patrol and maintenance functions into two distinct organizational units, Visitor Services (for patrol staff) and Land and Facilities Services (for maintenance staff).

Recommendation 15. Create Manager-level positions to lead the Visitor Services and Land and Facilities Services groups. Having the maintenance function supervised by a different manager will give it a greater voice, level of authority, leadership, and strategic role within the agency as well as provide maintenance staff greater opportunity to advance into leadership positions.

Policy to Guide Operational Staffing

The District lacks a policy framework to estimate long term operating costs that address staffing needs or expanding the number and variety of service contracts to align staffing and workload responsibilities. This

policy framework is different from the internal project delivery work flow system also referred to as the project delivery conveyor belt. The former aids in long term policy-level decision making and the later provides operating-level details about the steps and hand-offs necessary to deliver a project.

Measure AA will have a long-term effect on the District that will significantly increase patrol and maintenance responsibilities associated with its growing assets over the next three decades. In order to prepare for this in advance, the District would be wise to establish a long term operating cost framework that contemplates staffing adjustments into a project vetting process and is regularly reviewed by the Board. An example of this is the Pipeline program developed and instituted in the East Bay Regional Park District (EBRPD), as described in Figure 10.

Figure 10. East Bay Regional Park District Pipeline Program

Description of EBRPD Pipeline Program

In order to ensure ongoing financial sustainability, EBRPD has developed its “Pipeline” program to carefully forecast future operating costs to ensure that the district can support its modest but active efforts to acquire and develop new park assets in the long term. In addition to listing the potential funding source for each active project in the active capital improvement plan (CIP) project schedule, the pipeline program requires that staff develop estimates for:

1. **Start-up costs** – estimated costs for vehicles, office, or maintenance equipment necessary to purchase at completion of project
2. **Personnel requirements** – estimated number of full-time equivalent (FTE) employees required to support assets upon completion of project, including a combination of Operations, Public Safety, and Maintenance employees.
3. **Total wages** – estimated annual salary cost to be incorporated into base-budget appropriations
4. **Total base supplies and services** – estimated cost associated with maintenance of new facility on an ongoing basis to be incorporated into the base-budget appropriations
5. **Revenue** – estimated new revenue to be collected from assets, if significant

Adding pipeline estimates to the CIP project schedule allows the Board to consider future land acquisitions and development projects in relation to their anticipated long-term effect on the organization. Pipeline

projects are only identified as priorities for funding when financial capacity is available and the project is considered in the context of all budget requests. As part of its annual budget, EBRPD performs a five-year forecast that integrates pipeline estimates for each active capital improvement project, making the forecast much more realistic.

As the District scales up its operation, it would be wise to build policy around how to ensure that future land acquisitions and development projects are undertaken with long-term organizational sustainability in mind.

Recommendation 16. Develop guiding policy similar to the East Bay Regional Park District Pipeline Program that requires District staff to develop estimates for start-up costs as well as ongoing maintenance, safety, and staffing costs for each development project or future land acquisition before the Board commits to the project or purchase.

Modernizing How Workload is Managed

In absence of a capable work order management system and reliable workload and performance indicators, operational decision-making has not been informed by reliable data. In preparation for Measure AA implementation, the Operations Department collected over 15 years of data on its staffing levels (full-time equivalent positions or FTEs) and evolving workload (land acres and trail miles by type). Additional information was consolidated around preserve visitation, patrol patterns, maintenance responsibilities, and enforcement incidents. This information was only recently made available to the District and could be very valuable from a management perspective if collected and monitored regularly.

A computerized work order management system would not only produce reliable data, but it could help guide staff deployment and effectively prioritize competing projects. Staff indicated that priorities are unclear and the District lacks a system for forecast work over 30-, 60-, or 90-day periods. Currently, the Skyline team uses a white board to map out two weeks' worth of work on a regular basis, a practice that staff appreciates yet does not produce a record of the work that has been accomplished.

Recommendation 17. Purchase and implement a computerized maintenance management system (CMMS) and provide training on its use.

The remote nature of preserves makes it challenging to secure technology that provides for field staff communication and project tracking. The District was testing mobile laptops for use in the field when interviews were conducted, but sporadic connectivity issues were generating skepticism among staff of the utility of such an investment.

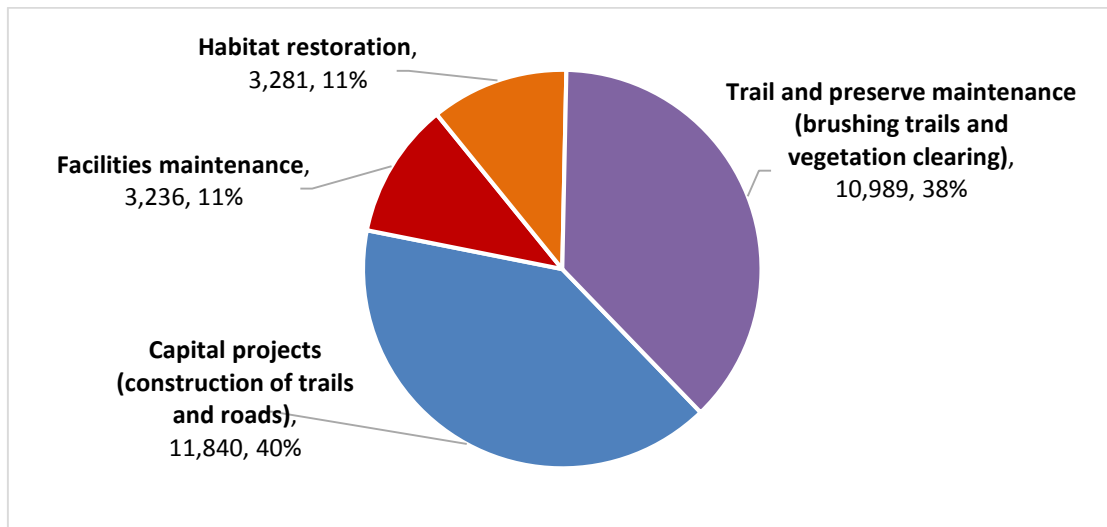
Recommendation 18. Explore new reliable communication technology (i.e., email, voice and visual systems, tough books) to ensure field staff have the information and tools to effectively perform their job responsibilities.

Operations Staff Deployment

The District has relied on contractors to perform a range of operational roles and responsibilities involving both routine maintenance and capital improvement projects. More specifically, the District frequently relies on contractors to perform road maintenance (potholes, sweeping, paving, and repairs), fleet maintenance, sign construction, parking lot and restroom construction, environmental reviews, and some trail construction.

Conversely, the District has frequently relied on its operational staff to implement certain types of special projects which most typically involve the construction or refurbishment of District trails. These special projects invariably divert the attention of maintenance staff away from scheduled maintenance responsibilities and habitat restoration. Figure 11 shows that maintenance staff estimate that 40% of total crew hours for FY 2013-14 has been dedicated to capital projects, including the construction of trails and roads.

Figure 11. Maintenance Crew Hours by Responsibility Type for FY 2013-14



Source: Midpeninsula Regional Open Space District Operations Department.

Assigning maintenance staff to these special projects reduces the number of full-time equivalent (FTE) employees who are actively managing the existing trail networks and attending to maintenance work orders. As a result, deferred maintenance is growing, trail maintenance schedules are falling behind, and the maintenance backlog has continued to grow despite recent increases in maintenance staffing levels. Moreover, having operational staff frequently brought into special projects also makes traditional efficiency measures (the number of trail miles managed per FTE and the number of acres maintained per FTE) less meaningful and difficult to benchmark across other agencies.

Recommendation 19. Establish a special projects/construction team that is dedicated to the delivery of special projects like trails construction. This team can be staffed on a rotational basis to allow a greater number of maintenance staff the opportunity to work on special projects and will increase maintenance capacity for routine maintenance work.

Recommendation 20. Explore opportunities to partner with the private sector to provide existing staff with the capacity to address maintenance backlogs and deferred maintenance. Specifically, the District should explore the potential to outsource the following tasks: road and parking lot resurfacing (i.e., least complex in nature); brushing work around existing buildings; maintenance of

existing buildings (i.e., painting district offices); tall tree trimming and maintenance (e.g., requiring a bucket truck); vehicle maintenance; and water system maintenance.

It is worth noting that having habitat restoration as an important goal of the District complicates trail construction as it requires that workers building trails have the knowledge to identify non-native species and carry out the appropriate eradication techniques. In order to ensure habitat restoration is kept in mind as a goal during trail construction, the District has relied on its own staff to construct and refurbish trails on a fairly regular basis. Throughout interviews, employees commented on the high-quality work that District maintenance crews have carried out with regard to habitat restoration and trail construction. A number of employees also noted that contractors who have been hired to build trails for the District have not delivered services of the same quality as District staff members.

Recommendation 21. Develop a field staff onboarding/training program that outlines the variety of details and standards used for trails construction and maintenance work throughout the District.

Ranger Deployment

District rangers do not follow a routinized patrol schedule, but travel freely from preserve to preserve, visiting high visitation preserves more frequently than preserves with fewer visitors. Rangers are expected to maintain a log of their patrols which are reported to supervisors regularly. In terms of planning patrol routes ahead of time, intuition and experience are the primary tools relied upon to direct rangers, both of which are difficult to institutionalize and are vulnerable in the face of staff turnover.

District rangers have a good relationship with local police departments. Because District rangers do not carry firearms, having service agreements in place is an additional measure that could be explored to better ensure the safety of preserve visitors as more sites are opened to the public.

Recommendation 22. Maintain effective working relationships with local police and fire departments and as the District expands periodically evaluate automatic aid protocols and response.

The Operations Department expects a number of retirements, which could create an issue with regard to operational staff capacity if the

District is not proactive in its recruitment efforts. Because ranger staff does not rely on temporary or seasonal workers to back-fill staff shortages, a few retirements could have a large effect on the District's enforcement capacity in the short term. Given that it takes approximately six months to recruit a ranger and six additional months to have the new staff member fully trained, the District should consider planning for this as soon as possible.

Recommendation 23. Develop a seasonal employment program for patrol work. The program should support increased project and visitor demands during the busiest months and provide for succession planning to build knowledge and capacity as position vacancies occur over time.

Natural Resources Support to the District

The Natural Resources function is involved in all facets of District services and projects. Based on our analysis, this function falls within the Operations business line or service area given the field orientation of much of the department's work. It is poised, within the current structure, to adapt to near and long term growth projections. However, to ensure that it contains the full array of expertise to support the project work plan and inform District conservation and restoration policies, it will be necessary to evaluate position descriptions to ensure the District has the appropriate staffing classifications.

Recommendation 24. Complete a Natural Resources Position Classification Study to ensure appropriate staffing types and levels are in place and recruited for in the future. (Underway)

Lands leased to grazing tenants now total over 11,000 acres, or nearly a sixth of the District's total land acreage. These are lands that have been added over the last 10 years and represent a significant shift in District land management. The District's purchase and management of rangeland properties has outpaced the capacity of the Rangeland Ecologist and Real Property Specialist positions to manage and restore these properties while also working with the District's grazing tenants to manage their grazing operations.

The creation of the Land and Facilities Department, comprised of the maintenance functions currently housed in the Operations department along with the lease and rental management function of the Real Property

department, will allow the District to incorporate these working landscapes into the maintenance operations of the District, using the technical expertise of the Rangeland Ecologist position from the Natural Resources Department to support land management and maintenance decisions.

Recommendation 25. Expand grazing property management as a function of the new Land and Facilities Management department

Field Office Challenges

The District has two field offices that structurally mirror one another in terms of their staffing levels and operational resources but do not take advantage of economies of scale and could improve their resource sharing. Each field office has its own maintenance and patrol staff and operate independently from one another. In fact, in many cases the field offices have each developed their own home-grown solutions to operational problems such as the lack of a District-wide work order management system. The result has been creating systems or processes that are not compatible and can sometimes be duplicative. There also exists, to some degree, a reluctance to share equipment between the two field offices. This may lead to an overinvestment in the District's fleet and equipment. These inefficiencies are structurally embedded within the organization due to the organizational separation of the two field offices. Greater efficiencies can be achieved by organizing staff by work function, rather than location.

Recommendation 26. Create crews that focus on specific work functions and incorporate a rotational program that allows for continued professional growth and development of staff. Areas of expertise include resource/pesticide management, trails and patrol, visitor programs, etc. Assigning staff to specific work functions will also allow them to deepen their knowledge in a given area and work more productively as they gain more experience.

Planning for Facilities to Meet Operations Staff Expansion

Within the next several years, the District will need to reevaluate its utilization of its existing facilities and develop a plan for expansion that will likely include the opening of additional office space for project delivery and administrative staff as well as additional field offices or

outposts. While planning for this expansion, it will be important to re-consider where staff is located to try and reduce the amount of time that is spent going to and from destinations as acreage continues to increase.

Recommendation 27. Complete a facilities needs study to determine mid and long term field facility needs and investigate alternate maintenance facilities to accommodate future growth.

Maintenance and upkeep of District facilities that house agency staff and equipment are a functional responsibility of Operations. With the anticipated growth in facilities, the function needs to be developed to meet the growing number of facilities and corresponding maintenance that will be required. Developing a Facilities division or unit within Operations provides this focus. And, as discussed in the Land and Property Acquisition portion of this report, as the property management function for District acquired land is relocated to Operations, the organization's resources will be maximized by housing facilities maintenance and the property management function within the same unit.

Further, to deliver efficient and effective services, high performing facilities management systems depend on the development and maintenance of resources like facilities inventories, facilities maintenance schedules, and multi-year facilities improvement plans. These tools inform staff work plans, budgets, and long term financial plans. The District would benefit from creating and maintaining these tools.

Recommendation 28. Consolidate facility maintenance/property management into the Land and Facilities group.

Recommendation 29. Create a facilities maintenance and improvement plan to guide work plans and inform financial decision making.

Management Support and Systems

Over the next three decades, the District anticipates its preserved land will expand to 100,000 acres with over 400 miles of trails. To manage this expansion and also begin opening a greater portion of its acres and trails to the public, the District will need to scale up its operations, and expand its facilities to make room for new personnel. Supporting this significantly larger workforce will require a considerable investment in

the District's management and information systems. This investment will include a modernization of the District's approach to information technology (IT), financial management, human resource management, facility management, and document management. The vision tied to Measure AA cannot be implemented unless these support functions, and the management and information systems that support them, are in place. Moreover, the efficiency and productivity of these support functions have a direct bearing on the District's ability to keep pace with Measure AA's implementation schedule. After all, in order to construct a staging area or open new trails, the District must have a well-trained and qualified workforce, audited financial statements, appropriate systems in place to support cost accounting and grant reporting, policies and procedures to govern contract relationships and purchasing decisions, appropriate IT systems for monitoring project expenditures, and much more.

In addition to strong internal support functions, a sustainable and scalable organization also depends on clear leadership and direction from the General Manager's office. Organizational functions such as real property, planning, natural resources, project delivery, patrol, maintenance, and property management all require a corporate support system that sheds light on organizational priorities (through executive leadership and management) as well as the foundational tools and support of internal support functions (such as accounting, human resources, and information technology).

Aligning internal support functions, such as human resources, finance, purchasing, information technology, and GIS requires shifting internal reporting relationships to support and keep pace with organizational needs. Having these operations centralized into a single administrative unit will build capacity within the organization and create economies of scale. In this section, Management Partners reviews the systems and alignment of these critical functions as they relate to the anticipated growth and corporate support needs of the organization.

Peer Comparison

Table 3 compares the District's internal support staffing profile with peer agencies. The table suggests that the District's finance function is understaffed, particularly considering that County-supported park systems can often rely on centralized finance personnel in addition to the finance staff they have internal to their own Department. Even those park systems with centralized, County-wide finance support have a more robust finance operation internal to their departments as compared to the District.

Table 3. Internal Support Staffing Among Peer Organizations

	Midpeninsula Regional Open Space District	East Bay Regional Park District	Santa Clara County Parks and Recreation Department	Marin County Parks	Boulder County Parks and Open Space	Jefferson County Open Space and Parks
Information Services	2 ¹	7	1, with county support	7, with county support	1, with County Support	1, with County Support
Human Resources	5.0	15.3	3, with county support		1, with County Support	1, with County Support
Finance	3.3 ²	18.3	6, with county support		6, with County Support	
Public Affairs	11.0	20.2	1	2 ³	12, with County Support	3.5

Source: As reported by each agency.

¹ This number includes IT Administrator and IT Technician of the administrative services division.

² This number includes Controller, Accountant, Accounting Technician, and Sr. Accounting Technician.

³ This number is projected to change to 4.

Financial Management

On July 1, 2012 the District implemented an enterprise resource planning software (ERP) to provide the District with an integrated platform for financial and human resources management. As with any ERP system, there was a major change in business processes, as well as the fact that a large number of staff were required to become proficient in its use. The District has made large strides in its adaptation to use the system and continues its efforts to improve and streamline business processes. In that regard, the 2014 Management Letter prepared by the external auditor proffered several suggestions for further improvement in areas of fund accounting, grant management and project accounting. During the 2014-2015 fiscal year, the District has made the recommended changes to its fund accounting and has also set up a project numbering structure to facilitate reporting of Measure AA expenditures. Also, the District has undertaken a review of its chart of accounts to provide improved cost accounting of its projects.

Recommendation 30. Document the business and technology requirements for an integrated budget and cost accounting system that enables the District to perform 1) general ledger and fund accounting; 2) project accounting; 3) grant billing and reconciliation; and 4) grant documentation and organization. Each of these functionalities were identified as recommended changes in the findings from the 2014 Audit Letter and are critical to the success of Measure AA implementation and reporting.

Implementing the above recommendation and supporting the District in setting up the systems necessary to report Measure AA expenditures will require the full-time leadership of a finance professional well-versed in public accounting best practices. The part-time Controller position does not provide the necessary support for a rapidly growing organization.

Recommendation 31. Create a Chief Financial Officer (CFO)/Director of Administrative Services executive level position responsible for the realigned administrative services functions to provide financial and other administrative services expertise and leadership in these areas within the organization.

Recommendation 32. Develop a transition plan to shift financial responsibility and management for the District, including managing the Controller's fiscal model, from the part-time Controller to the new CFO/Director of Administrative Services. Typically, a Board-appointed District Controller performs a financial oversight function but does not provide direct supervision over finance and accounting staff.

The District has invested significant time and cost in implementing the New World Systems financial software. This software platform provides a solid foundation for the District's financial system and should be viewed as a long-term solution. To this end, the District should remain at or near the most current release of the software, invest in ongoing staff training, and attend annual user conferences. In addition, the District should continue to explore opportunities to further leverage the New World Systems software. As an example, the District is currently migrating fixed assets into this software system. There are likely other opportunities to streamline or replace offline systems by improving the use of the New World Systems financial software.

Recommendation 33. Maintain the New World Systems financial software at or near the current release and continue to leverage the system to its full potential. The ability to leverage the system will likely require an investment in finance and IT staff training and will be addressed in the District Information Systems and Technology plan to be developed in the summer/fall 2015.

The District recently updated its financial policies that guide its overall strategy in planning for a sustainable future. In November 2014, the District adopted a Fund Balance Policy in Accordance with GASB Statement No. 54 to identify the required components of fund balance, the level of management authorized to approve or change target balances in each fund, the amounts that the District will strive to maintain in each fund, and the conditions under which fund balances may be spent, reimbursed, and reviewed. In December 2014, the District adopted revisions to its Capital Expenditures and Depreciable Fixed Assets policy. Continuing to track, and update as necessary, financial management policies and procedures is a significant best practice.

Recommendation 34. Review, update, or develop financial management policies and procedures to enable appropriate, accountable, and fiscally sound decisions at the lowest possible level within the organization.

Purchasing

An organization's purchasing function can bolster staff capacity or absorb it. A helpful and supportive purchasing function requires focus, structure, and processes. Currently, the District is supported by a decentralized purchasing function with a very limited set of policies to guide staff in their purchasing decisions. Centralizing the function within the Finance Division will provide accountability and the system support structure necessary to position the organization for success.

Recommendation 35. Centralize the purchasing function within the Finance and Administrative Services Department. The Finance division should build a requisition system, identify opportunities to aggregate purchases to gain economies of scales, and develop the ability to analyze trends to ensure effective use of resources.

Information Technology and Systems

While existing IT systems appear to be meeting basic business and operational needs, the District's IT function has not been managed strategically. Consequently, the District has assembled a number of standalone access systems over the years, including a contract database, a training database, and a permits database. However, no single division or manager is responsible for ensuring these resources are adequately maintained, accessible, and non-duplicative. The use of multiple systems, including both commercial-off-the-shelf and in-house developed applications, inhibits information access and sharing. Moreover, these relatively isolated technology solutions and non-integrated databases significantly impact staff and organizational efficiency. To obtain the benefits from technology that many peer agencies are enjoying, the District needs to make technology planning, implementation, and support a priority.

The current informal approach to technology planning and management treats information technology as a "back office" function instead of a strategic one. Day to day technology management activities are left to the IT Administrator, with limited guidance and input from departments or management. Existing staff are at capacity responding to daily information technology needs and are unable to dedicate time to developing strategic goals or improvement projects. As a result, existing and planned technology projects are not being executed within a formal and accountable structure necessary to actually achieve results. A Technology Strategic Plan would provide the District with a guide for how technology will be planned, procured, implemented, and managed.

Recommendation 36. Develop and implement a Technology Strategic Plan to provide a roadmap for the District's short and long term implementation and management of technology. The Plan should focus heavily on core systems (cost accounting, payroll, human resource, project management, and document management) including those on the critical path to support Measure AA. It should also establish the foundation for a highly integrated environment where systems have automated interfaces to share information without staff intervention. In order to develop a successful Technology Plan, the District must allow for an objective evaluation of the existing technical infrastructure, applications, and technology service delivery capabilities.

In addition, it must allow department stakeholders to have a voice in the plan and in the prioritization of the projects within the Plan. (Note: the District has already drafted a request for proposals (RFP) to solicit a consulting firm to develop a Technology Strategic Plan).

Management and information technology systems improvements have been inconsistently valued or championed by the organization's leadership which inhibits initiative and real progress in meeting critical system needs. A united, consistent, and visible voice regarding the strategically critical need for good management and information technology systems across the organization will be required for the aggressive action needed to address these needs.

Recommendation 37. Implement an IT governance structure that promotes effective planning, priority setting, and accountability of District technology resources (staff, funding, hardware and software) with business priorities. For example, for each technology project, the District should identify the operational or business leader ultimately responsible for the use of the technology and success of the technology projects. This approach ensures the involvement of user department staff in project planning, implementation, and ongoing management.

The existing Information Technology (IT) Services Group consists of an IT Administrator, IT Technician, and a part-time IT Intern. Over the past few years, it has become more challenging for IT to provide quality support and deliverables to the District as staffing increases and technology needs mature. With day-to-day operations that demand immediate attention, IT staff are often unable to proactively plan and work on extended projects that would ensure application of best practices that are common to other businesses and government agencies. When considering the upcoming technology procurements and implementation needed to support a much larger District workforce, it becomes clear that additional IT leadership and support staff are needed. Moreover, the District should recognize that as more technology is implemented, and the overall reliance on technology increases, the IT budget will likely need to increase in order to support ongoing operations and maintenance. If technology is implemented correctly, the increase in District-wide staff efficiency and effectiveness should offset the cost of the technology.

Recommendation 38. Augment the existing IT staff with an IT Division Manager and an additional IT Specialist.

The geographic information system (GIS) program is a core and critical function for the District. The GIS program serves the District by enhancing the understanding of ecosystem processes, providing data analyses to improve land protection efficiencies and effectiveness, facilitating integration of baseline data, serving as a feature location database, and providing valuable information and visuals for presentations. The GIS program serves the entire District and assists in a significant percentage of all action plan projects. Currently, however, the program is housed in Planning and the current GIS group is unable to meet the growing demands of the District. These demands are now felt from all District departments who now rely on GIS to access a large variety of geo-based data and visual products. As the GIS group continues to increase the number of functions it supports and takes on a larger role in large District-wide projects, it becomes more important that this group be adequately staffed and appropriately positioned and integrated within the Information Technology organizational structure to best serve all divisions.

Recommendation 39. Integrate the GIS Services group into a new Information Systems and Technology department to better reflect its District-wide service role and augment existing GIS staff with one GIS specialist position.

While the District is performing periodic backup of the current servers to a neighboring facility, it is not a sufficient disaster recovery strategy, particularly as the District increases reliance on technology for day-to-day business and operational activities. While the current approach provides redundancy for a site specific failure, it does not provide adequate protection from an area disaster. The District should establish business continuity requirements, then implement a long-term disaster recovery plan that meets those requirements.

Recommendation 40. Develop and implement a formal technology disaster recovery plan sufficient to address protection from an area (not site specific) disaster.

Implementation of an effective disaster recovery plan includes installing the hardware, software, equipment, and/or services necessary to support a recovery according to business continuity requirements. A key component to establishing a disaster recovery plan is to fully document

recovery processes such that a recovery can be successfully performed by an experienced IT professional with little or minimal knowledge of the District. Once a plan is implemented, the District should test the plan on a bi-annual basis to ensure that a recovery can be successful.

The District is currently not using a help desk management solution to manage requests for technology services. It is important the District establish the use of a formal help desk software solution to track, prioritize, monitor, and report on help desk activities to establish a knowledge base and develop appropriate documentation.

Recommendation 41. Implement a desktop management (help desk) solution to manage requests for technology to track, monitor, and report on help desk activities. This would establish a database of frequently asked questions, reduce the reliance on IT staff, automate updates, develop appropriate documentation, and improve inventory tracking. (The District currently has a tool, SpiceWorks, capable of providing this functionality.)

The District's Information Technology function is also understaffed to meet the current key information technology needs of the organization, strategically plan for the future, and provide the leadership to move the IT platform to 2015 expectations. The District's information technology needs have moved well beyond help desk service levels. While staff may be interested in meeting such needs, there is no capacity as a result of the need to respond to urgent, but not strategically important issues, on a daily basis.

Recommendation 42. Create a Special Projects Manager position to provide project management support for internal support systems (i.e., IST implementation plan, records management system, purchasing process and procedures). This position will report to the Chief Financial Officer/Director of Administrative Services and provide special projects capacity and support beyond Information Technology project.

Human Resources

A variety of personnel and critical staffing needs will require Human Resources to be more innovative as well as efficient to meet the demands of the organization. The organization needs to increase staffing on an expedited basis, review impacted classifications, and address employee

and labor relations issues. This will require a re-positioning and rethinking of how Human Resources work gets done. Expanding capacity in Human Resources will help ensure employees are supported through the initial FOSM implementation and in creating a long standing culture and organization climate that is adaptive. Human Resources will require greater visibility in the organization.

Recommendation 43. Establish a Human Resource management level position responsible for planning and meeting critical recruitment issues and sustaining a committed workforce.

District staff levels have grown at an annual rate of 4.8% since Fiscal Year (FY) 2004-05 which challenge Human Resource's ability to forecast workload requirements and hire qualified staff. Current Human Resources capacity and systems will be unable to meet the demand without updated classification and employee relations policies and procedures along with innovative hiring strategies.

Recommendation 44. Hire interim, temporary, or contract Human Resources staff to meet the need for recruitment of positions on the organization's critical FOSM implementation path.

A number of key human resource policies have not been developed within the District or are not fully understood across the management team. Examples include the process for filing and addressing an employee grievance, the process of handling acting assignments and people working out of class, procedures for requesting and authorizing a reclassification, and the process for establishing new positions and new classifications.

Recommendation 45. Develop reclassification policies and procedures to streamline classifications and effectively respond to organization staffing needs.

Facility Management

Facilities management planning and maintenance responsibilities are spread across the organization. Having a decentralized facilities management function is an inefficient use of staff. IT and maintenance staff are regularly called upon to address facility maintenance issues which can impact up to 25% of their capacity to perform regular line duties. Moreover, existing office space is severely constrained and planning for an expanded work force must become a priority.

Recommendation 46. Reassign facility management responsibilities to Operations and develop a resource allocation plan which includes existing staff and contract services to maintain District facilities.

Recommendation 47. Complete a facility master plan to address the District office and operational needs for the next decade.

Document Management

A core technology for virtually all public agencies is an electronic document management system (EDMS). This technology has many benefits (e.g. reduction of hardcopies, improved information sharing, increased transparency, facilitating easier searching of documents, supporting retention standards, etc.) for an organization. The full value of an EDMS is realized when it is tightly integrated with other core systems such as finance, HR, payroll, GIS, etc. Document management system implementations are inherently risky and expensive. To mitigate the project risk, the District should establish clear business requirements to ensure the best fit vendor solution is purchased and implemented. In addition, it is important that District staff have clear expectations as to what is being implemented and how they will be expected to use the system.

Recommendation 48. Complete a comprehensive requirements analysis and establish a formal project plan to procure and implement a document management system.

General Manager's Office

The General Manager's Office will play a critical role in guiding the organization through the transformation that will occur with implementation of the FOSM recommendations as the organization pursues its vision. It will take leadership and a careful focus on clear, internal communication. District staff must understand the rationale behind changes as they occur and the General Manager's Office will be unilaterally responsible for communicating a compelling case for change. To accomplish this, the General Manager's Office must restructure itself to build additional leadership capacity and further enhance internal and external communication.

Building Leadership Capacity

The District's executive leadership team has included the General Manager and two Assistant General Managers together with the Board-appointed General Counsel and Controller. In the recent past, the Assistant General Managers have played a tactical role in the implementation of special projects. These tactical assignments are appropriate for a small, stable organization with strong systems to support existing staff. However, the District will soon be undergoing a period of tremendous transition and growth which creates a pressing need for organizational leadership. To build this leadership capacity within the executive team, the Assistant General Managers must delegate the tactical implementation of key special projects to skilled managers elsewhere in the organization.

Recommendation 49. Assign the tactical implementation of special projects to skilled managers elsewhere in the organization. This delegation will require a clear communication of expectations regarding special project implementation, routine check-ins, and project updates to the executive management team, genuine employee empowerment to perform the analytical tasks associated with project work, and constant support and communication from the executive management team. These efforts will create capacity within the executive management team to focus more on strategy and organizational leadership.

Even with the tactical implementation of special projects reassigned to District managers, the General Manager's Office will need additional analytical capacity to track and monitor all annual projects, especially those related to capital improvements tied to Measure AA funding. This monitoring should happen centrally to ensure the executive management team is fully aware when projects are off track and require problem solving.

Recommendation 50. Establish a senior management analyst position that reports directly to the General Manager to monitor District project delivery, provide annual CIP project oversight

The District's enabling language limits the General Manager's spending authority by not allowing staff to make decisions at the lowest possible level and be accountable for results. As a result of the \$25,000 purchasing

authority limitation, for example, staff spends an unnecessarily significant amount of time processing Board staff reports for bid awards or professional services contracts instead of program or project delivery. Having to present staff reports to the Board for such contracts unnecessarily pulls staff capacity from the executive management team.

Recommendation 51. Increase the General Manager's spending authority.

Enhancing Communication

Implementing the recommendations tied to this report will require a focused, united, and consistent voice across the organization. The District's executive management team will have to regularly communicate the organization's plans for the future, including the rationale behind changes as well as how change will be carried out over time. Implementing the Vision Plan will also demand closer attention on District branding, constant project progress reporting, creating public relations opportunities to market District assets, and continued connecting with the public. All these goals can be most effectively accomplished by bringing Public Affairs into the General Manager's Office.

Recommendation 52. Locate the Public Affairs team within the General Manager's Office and establish expectations for the team to focus on both external and internal communication. This restructuring will expand the focus of the Public Affairs team to District-wide issues and communication challenges.

Office of the General Counsel

The Office of the General Counsel is staffed by a full-time, board-appointed General Counsel and two support positions, including an assistant general counsel (approximately 0.8 FTE) and a risk management coordinator (0.5 FTE). This team of three employees provides sufficient legal and risk management services to the District at this time, given the existing workload across the organization. Nevertheless, land acquisitions are becoming more complicated as time passes, with many newly acquired properties coming to the District with legal issues related to contamination, encroachment, maintenance, or tenant eviction.

As the District's workload expands and Measure AA enables an even more robust effort to acquire new properties, this will generate additional

demands for legal services. The District may consider looking into opportunities to supplement existing legal services staff with contracted legal support. Similarly, there will be a concurrent increase in the number of contracts for goods and services, more employees brought on board, and more interactions with the public and neighbors, all with attendant increases in need for every day legal services and increasing potential for legal disputes to avoid or manage. As the District's profile increases, and its property inventory expands, there will be an increasing demand for risk management services and general and special legal services. This support will need to be scaled accordingly, though it is difficult to estimate at this juncture.

Recommendation 53. Maintain existing staffing levels within the Office of the General Counsel; as workload expands with Measure AA implementation and the growth of complex land acquisitions, evaluate opportunities for supplemental contracted and/or in-house legal and risk management support over time.

Recommendation 54. Assess the need for a centralized risk management function under the direction of a risk manager as the size and scale of District operations increases over time.

Building the Sustainable Organization Structure

High performing organizations share certain structural 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, Management Partners developed a set of guiding principles unique to Midpeninsula that provide a framework for organization alternatives. These guiding principles were reviewed with the Board during its January 28, 2015 study session.

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

The following set of principles was developed as a guide for 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 disciplined project management approach with clearly defined roles and responsibilities reflecting areas of expertise.
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

In addition, the following set of strategic objectives form the basis of FOSM implementation priorities and highlight 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 Measure AA 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's ability to adapt and scale up over time.

Organization Structure Options

The District's mission to preserve natural resources and provide greater access to them serves to attract and retain high quality employees. However, the existing structure does not fully leverage the team's

capacity to meet the demands of Measure AA projects or fulfill the District's Vision. The current model is not easily scalable and relies on broad skills that are tapped as needed to get the job done.

To enable reliable growth the District must structure itself in a manner that aligns similar services to improve business performance so that work is completed more quickly, with less effort, and provides for improved results. An aligned organization structure visually depicts and defines the reporting relationships and clear workflow paths within an organization. It also provides a roadmap for promotions and creates employee advancement tracks. More significantly, effective alignment makes the organization flexible and scalable. The result in a more sustainable structure.

Management Partners observes that Midpeninsula has three key service areas: planning and project delivery (front end work), operations and visitor services (back end work), and administration and internal support, which provides the foundation and support necessary for the other service areas to be successful. These three business lines and the structure and accountability to service them are not easily identifiable on the current organization chart.

The existing structure is designed around functional specialties and employee relations objectives which results in less efficient operations and a lack of accountability for results. Core organization functions need to be in alignment to enable effective program management, project delivery, and efficient operations. The following recommendations to structure the District's three primary service areas with clear lines of accountability and leadership apply to each of the organization models that follow.

Recommendation 55. Align the District's administrative services functions of finance, human resources, and information technology under a new Chief Financial Officer (CFO)/Director of Administrative Services.

Recommendation 56. Ensure collaboration, effective communication, and project completion by having the managers of Real Property, Planning, and Capital Projects/Engineering report to the same Assistant General Manager.

Recommendation 57. Align the field-focused functions under the same Assistant General Manager to maintain open communication, shared resources, and a customer-driven approach.

Management Partners worked closely with the Executive Team to develop and analyze alternative structures that could best meet the objectives laid out in the guiding principles and strategic objectives and address critical needs of the organization. The resulting alternatives fall into three categories: parallel organization, matrix organization, and integrated core business organization. An evaluation of each is listed below using the guiding principles as the “yard stick” or measurement of effectiveness. The models were reviewed in detail with the Board of Directors at their January 28, 2015 Board study session.

Option 1 – Parallel Organization for Measure AA

The first option that Management Partners considered placed a bright spotlight on the delivery of projects funded by Measure AA. It created a parallel structure that would operate with a single mission of delivering Measure AA projects. All functions associated with the delivery of this work program from planning through construction would report to a single manager charged with delivery of projects. Measure AA demands throughput; a reliable and transparent structure; and full accountability. This model achieves that result, but at a cost to efficiency and with the risk of establishing a competing, rather than collaborative, team environment.

In addition to setting up the parallel Measure AA department, this model addresses the business need for integrated business and information systems by aligning all administrative functions under a single leader. It also creates a Capital Improvement Program (CIP) engineering and construction team and divides the existing Operations department into two departments to address growing demand for visitor services and increases in workload for maintenance staff. The pros and cons of this model were reviewed with the Board during a study session and are summarized below.

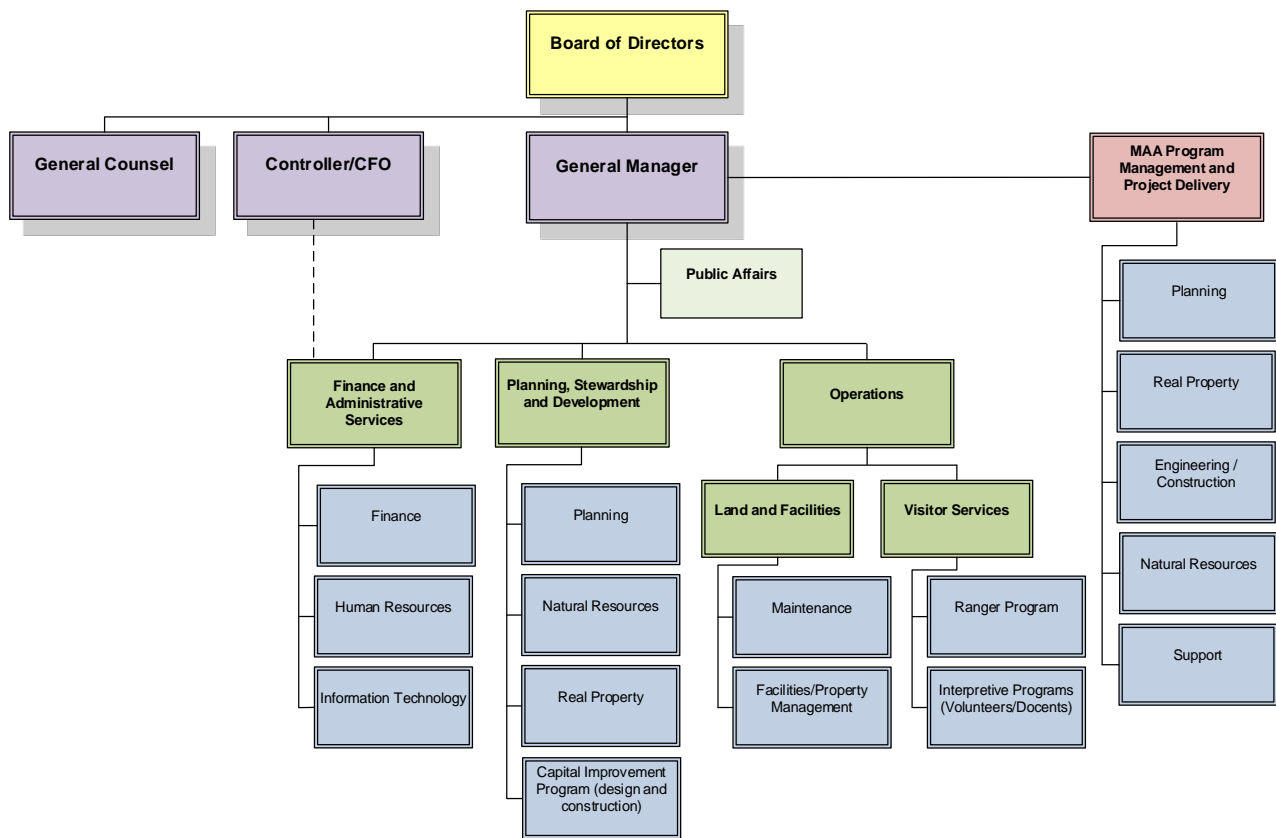
Parallel Option – creates a parallel organization around Measure AA project delivery intentionally doubling functions to support increased project delivery and clear accountability (Figure 12).

- Pros*
- a) Clear Measure AA responsibilities
 - b) Transparency and accountability for Measure AA

c) Integrated business and information systems

- Cons
- a) Duplicative
 - b) Highly inefficient
 - c) May undermine teamwork culture of District
 - d) Non-Measure AA project delivery roles and responsibilities unclear

Figure 12. Parallel Measure AA Structure



Option 2 – Matrix Organization

The second option applies a matrix structure that draws upon resources from within the organization to deliver projects through a Measure AA Program Manager that reports to the General Manager. Matrix models have proven to be highly effective for organizations charged with delivering a major project or initiative. The model maintains accountability through defined leadership but allows for other regular operations to continue uninterrupted. The challenge in this case is that Midpeninsula is not implementing one or two large projects after which

regular activities resume. Midpeninsula has an ambitious, long-term commitment to deliver a multitude of projects. The matrix model may aid in short term delivery demands as the organization shifts and changes, but this is not preferred long-term solution.

Matrix Option – establishes a leadership position related to Measure AA projects that draws all resources from within current organization structure. (Figure 13)

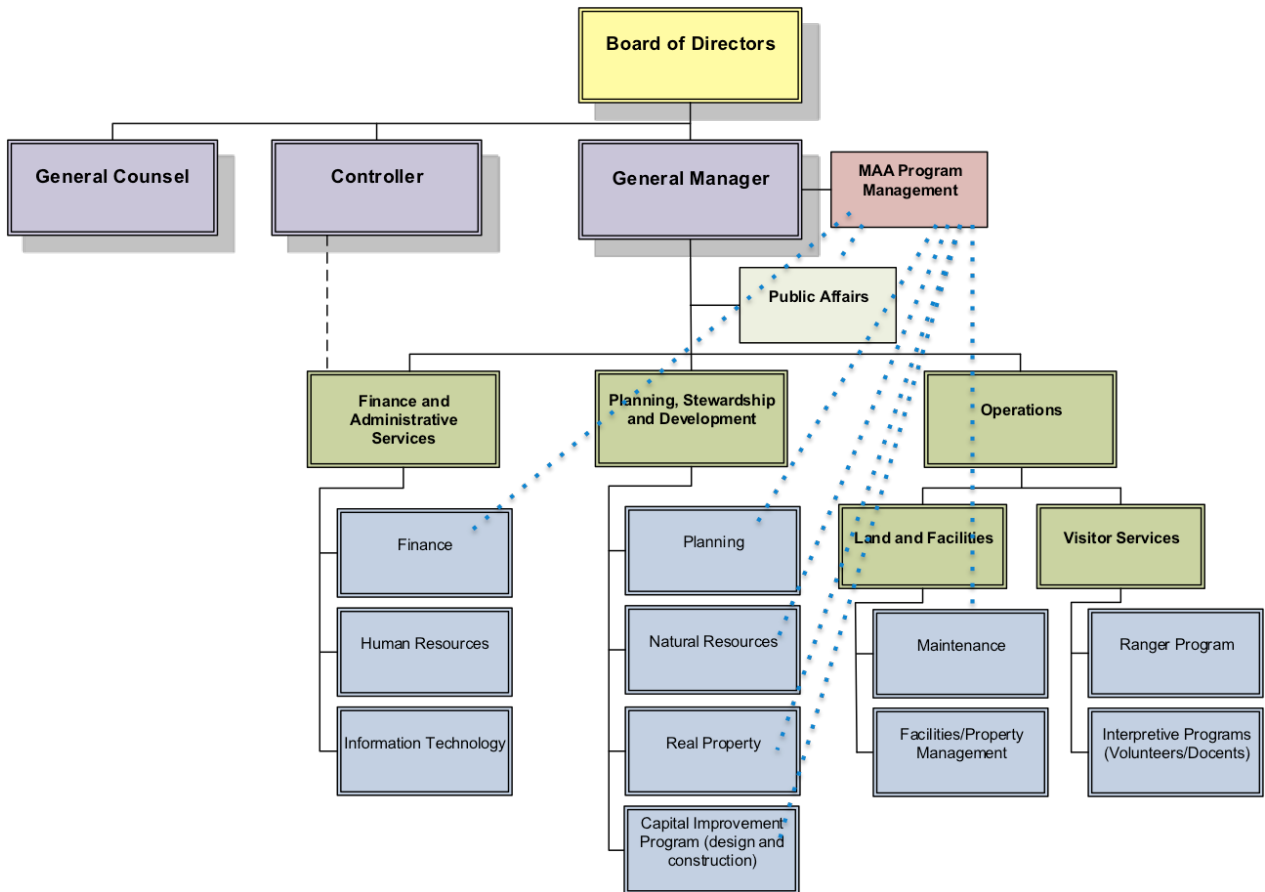
Pros

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

Cons

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

Figure 13. Matrix Measure AA Structure



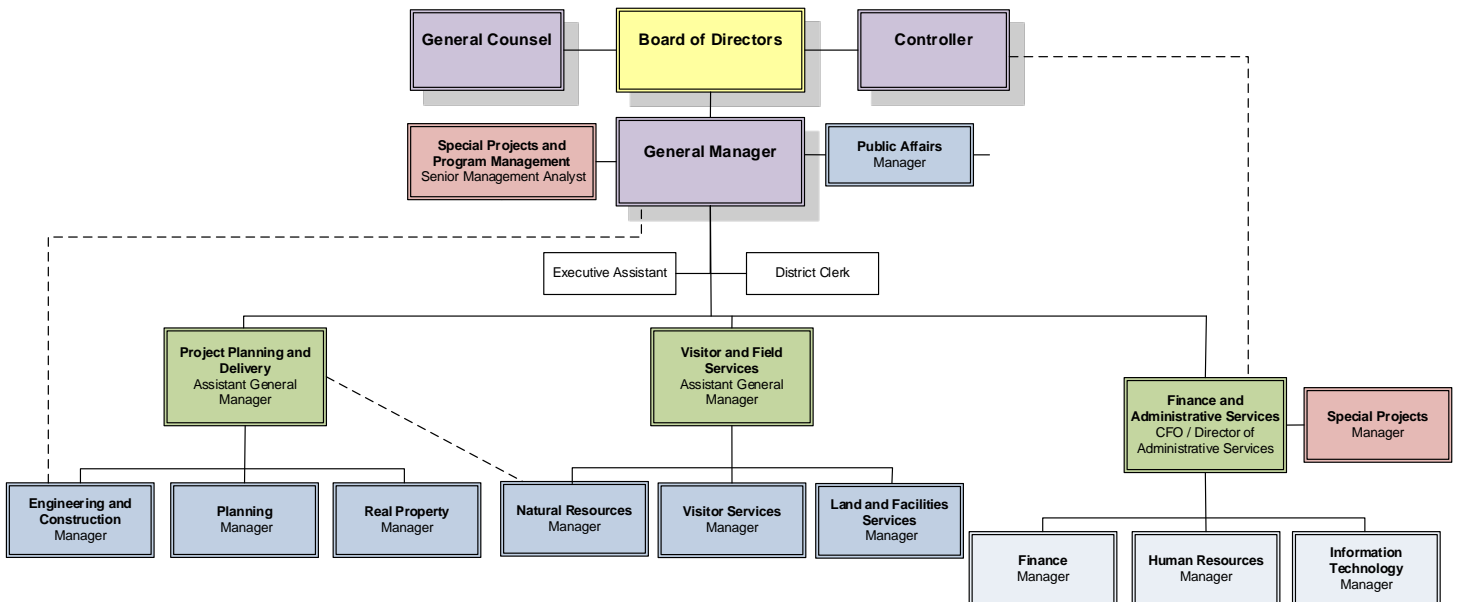
Option 3 – Integrated Core Business Model

The final model incorporates the culture of collaboration at the heart of Midpeninsula while establishing a framework for scalable growth, clear lines of responsibility and accountability, and identifiable paths for succession. This model recognizes that despite the incredible impact Measure AA has on the organization’s ability to grow and expand, it is simply one funding source for delivery on the promise outlined in the Vision Plan. As such, Midpeninsula must organize itself in a manner that supports an integrated approach to delivering both projects and services in the long term. Separating Measure AA does not support that need.

Integrated Core Business Option (i.e., project planning and delivery/visitor and field service/administrative support) – clusters like functions to capture synergies, maximize information flow, and enhances capacity to deliver three times the output as well as integrates Measure AA projects implementation into core business model. (Figure 14)

- Pros*
- a) Clear Measure AA responsibilities
 - b) Transparency and accountability for Measure AA
 - 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
- Cons*
- a) Absent effective leadership, commitment to new roles and improved systems, organization can fall into old patterns of inadequate accountability and slow decision making

Figure 14. Integrated Core Service Structure



The organization charts shown on the next two pages (figures 15, 16, 17, and 18) present the alignment of functions by major business area and the General Manager's Office. Discussion regarding the organization structure within these departments has begun and will be developed during the implementation stages of the FOSM.

Figure 15. Planning and Project Delivery

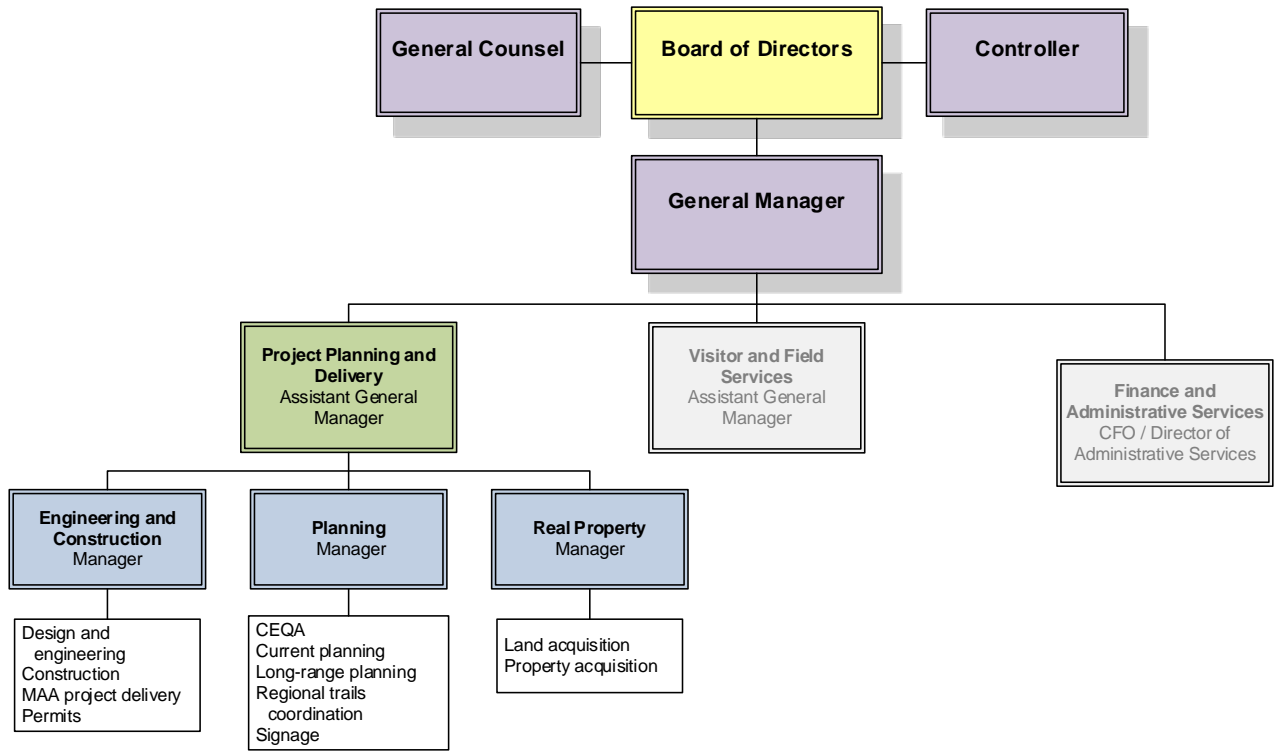


Figure 16. Operations and Visitor Services

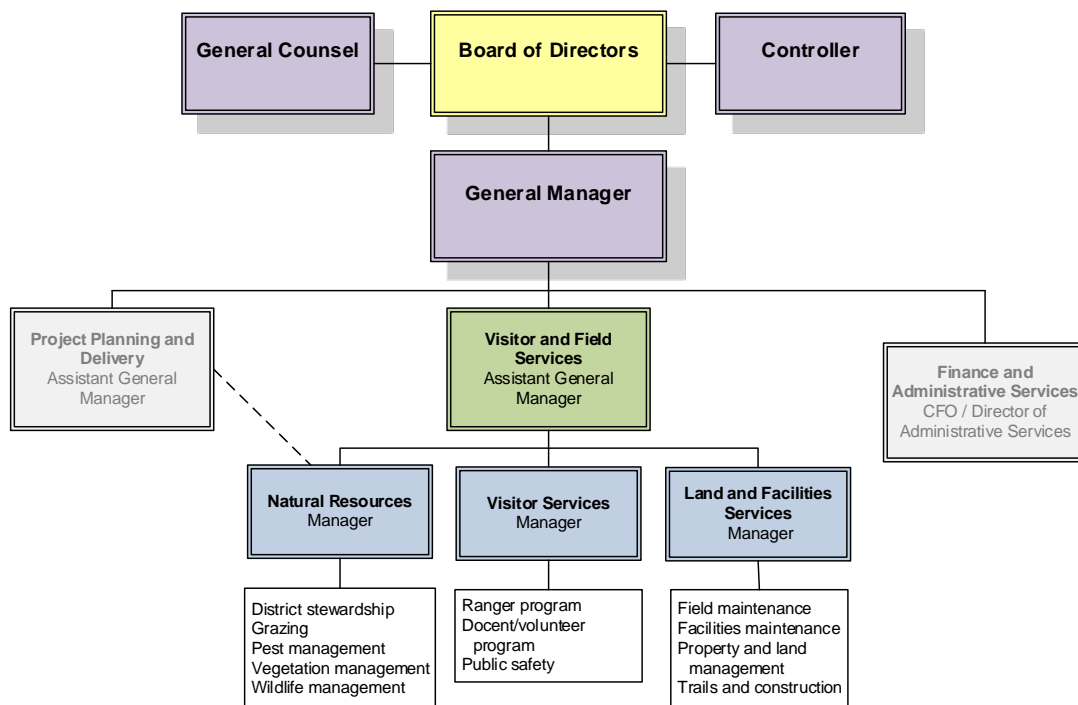


Figure 17. Finance and Administrative Support

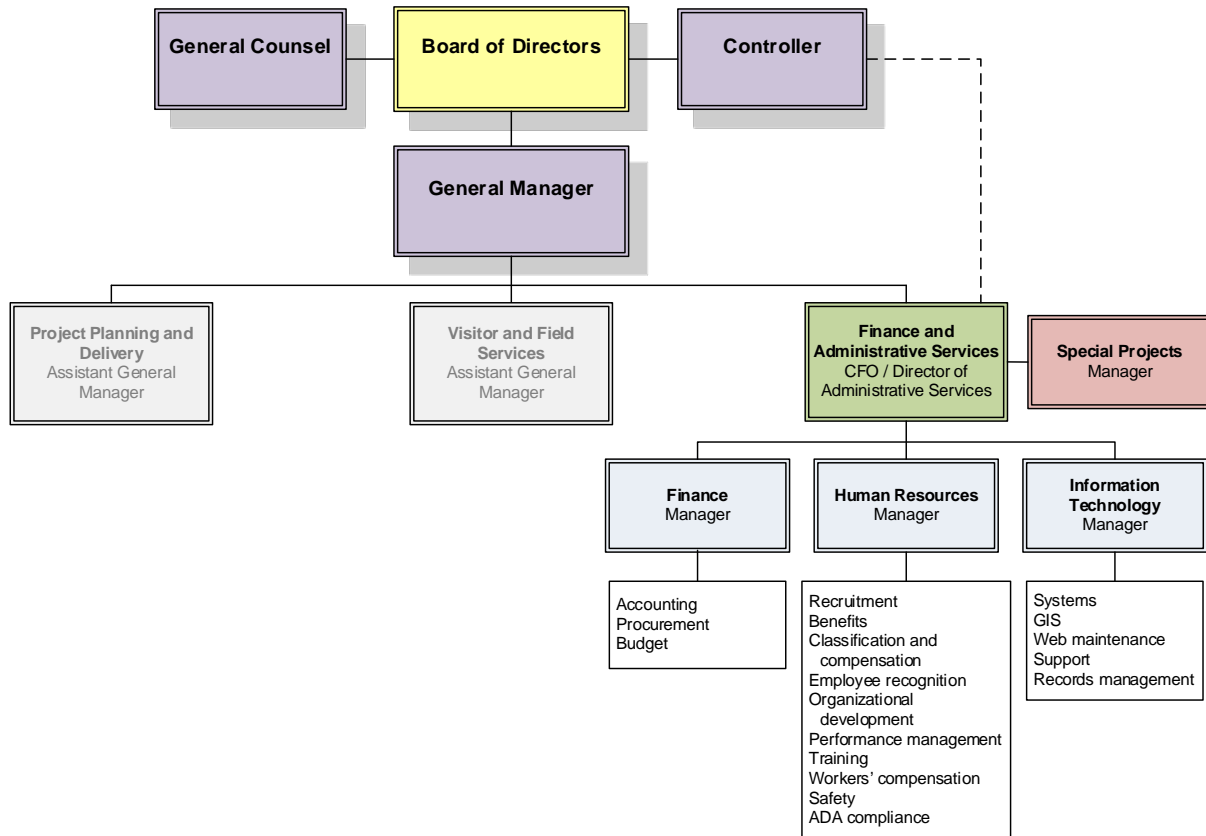
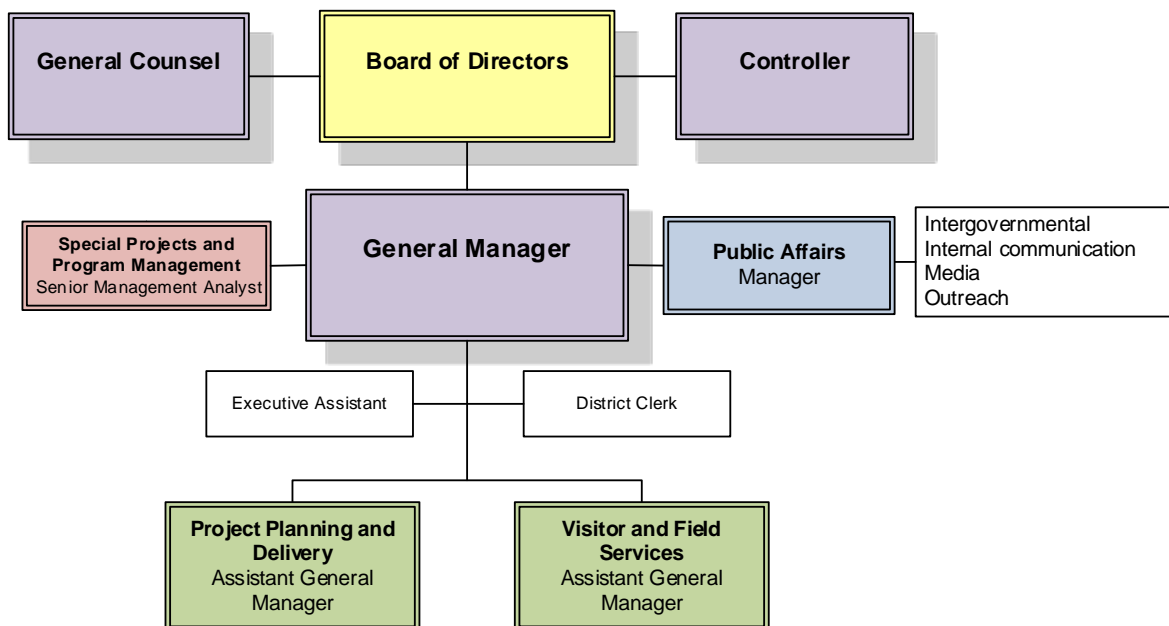


Figure 18. Office of the General Manager



Staffing Projections

In addition to developing a recommended organization structure that allows for significant growth in staffing and a shift in mission, the FOSM calls for a high-level projection of staffing needs over the next 30 years. Such a projection is a reasonable best estimate given the many factors that may alter the trajectory of the District over 30 years. However, using existing assumptions from the Vision Plan, which identifies specific projects and goals, and based on current staffing ratios, Management Partners developed a series of operating assumptions for staffing projections that are based on objective criteria. These criteria are based on analysis of workload projections and current operating practices, including gaps and limitations.

Based on Management Partners’ analysis, the following operating assumptions were applied:

- Planning and project delivery workload will ramp up in the near term and then plateau
- The greatest area of growth over time will be in Visitor and Field Services (“Operations” under the organization model)
- Finance and Administrative Services must keep pace with the growing organization
- Demand for in-house natural resources expertise will be ongoing with support for both project planning and visitor and field services

The staffing projections are organized by business lines (service area) and department, as summarized in Table 4.

Table 4. Business Lines and Corresponding Departments

Business Line	Departments
Project Planning and Delivery	Engineering and Construction Planning Real Property
Visitor and Field Services	Natural Resources Visitor Services Land and Facilities Services Administrative Support
Finance and Administrative Services	Finance Human Resources I.T.
Office of the General Manager	

Projections Methodology

In order to provide projections for anticipated staffing, Management Partners established scaling criteria as shown in Figure 19. The new Visitor Services and Land and Facilities Services departments are scaled based on projected increases in miles of trail. Planning and Natural Resources are scaled based on the number of projects. The number of projected Engineering and Construction staff that will be needed is linked to the increases projected in the Planning department. The administrative support for the organization is scaled based on the size of the organization. A scaling criterion is not applied for other departments. The model accounts for an increase of two staff members in the Office of the General Manager based on anticipated support required to implement internal special projects and monitoring and report of Measure AA project delivery.

Figure 19. Applied Scaling Criteria by Department



The miles of trail is used as a workload measure to scale staffing levels for Visitor Services and Land and Facilities Services departments. The trail-miles data is used as a proxy to indicate future workload of visitations, patrol, maintenance, and other-related factors. Two separate ratios are calculated based on the number of existing trail miles and the current number of staff for Visitor Services and Land and Facilities services. The ratios are then applied to the projected number of trail miles in 2020 and in 2045 to derive projections for staffing levels of Visitor Services and

Land Facilities Services departments. The trail mile data and its sources are summarized in Table 5.

Number of projects is used as a workload measure to scale staffing levels for Planning and Natural Resources departments. The model anticipates an initial increase in the number of projects and then remains constant until the completion of Measure AA due to the staggered and phased nature of the projects. Separate ratios are calculated based on the sum of projects of specific categories in FY 2013-14 (Real Property, Planning, Natural Resources, and Operations) and the current number of staff for Planning and Natural Resources departments. The ratios are then applied to the sum of projects from the designated categories in FY 2015-16 to derive projections for staffing levels of the Planning and Natural Resources departments. The staffing in these departments is projected to remain at FY 2015-16 levels until the completion of the Measure AA assuming no additional infusion of funds or policy direction to deliver projects at a faster rate. The project data used and its sources are summarized in Table 5.

As the functions of the Engineering and Construction department closely support the functions of the Planning department, the staffing projections are directly correlated. The projections model assumes one additional Engineering and Construction staff for every three to four additional Planning staff.

Table 5. Workload Data Used for Scaling Ratios

Workload Data	Base year	2020	2045
Trail Miles	230 ¹	283 ²	411 ³
# of Projects	46 ⁴	102 ⁵	102 ⁵

¹ 2015 trail miles provided by the District.
² 53 miles to be added within the first 5 years of Measure AA project implementation according to Planning Manager’s Memo (2/19/2015).
³ 181 miles of trails added to 2015 trail miles by tabulation of “Top 25 Projects” hard and soft cost spreadsheets.
⁴ FY 2013-14 project count from Year-End Action Plan (Real Property, Planning, Natural Resources, and Operations).
⁵ Increased number of projects from Measure AA implementation as indicated by FY 2015-16 Action Plan Key Projects (Real Property, Planning, Natural Resources, and Operations).

The number of operations staff is used as a workload measure to scale administrative support staffing levels. The model assumes that the support needs will uniformly increase. A ratio is calculated based on the current number of support staff and the current number of operation staff in the business line (Visitor Services, Land and Facilities Services, and

Natural Resources departments). The ratio is then applied to the projected staffing levels of the operational staff to derive the projections for the administrative support staff of Visitor and Field services.

The number of total staff is used as a workload measure to scale staffing levels for Finance and Administrative Services business line. The model assumes that the support needs will uniformly increase. Separate ratios are calculated based on the current number of staff for each support function (finance, human resources, and information systems and technology) and the current size of the organization. These ratios are independently applied to the projected size of the organization to derive projections for the staffing levels of Finance and Administrative Services.

Using the scaling criteria, the projection methodology establishes ranges of staff increases to compensate for the imprecise nature of long-range staffing forecasts. These projections will need to be reviewed and refined over time, with specific staffing requests occurring primarily during the annual budget process.

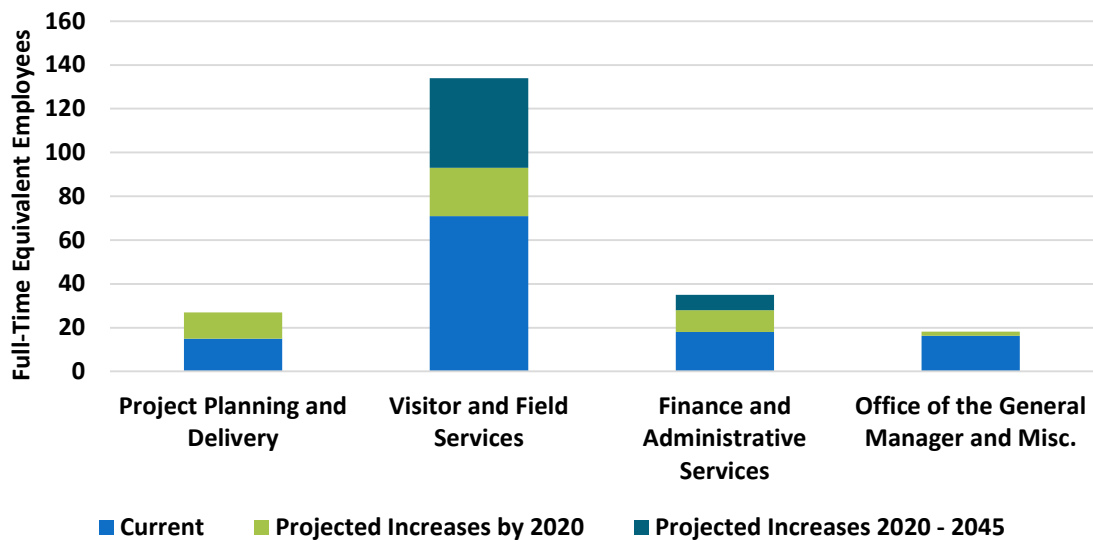
Projections

The results of the staffing model reported in Table 6 project that the District will need to increase staffing by 41 to 51 positions over the next five years (a 10% margin is used to create the range) to fully realize the five-year vision plan objectives and ensure adequate staff support. The staffing increases in business areas of Project Planning and Delivery and Finance and Administrative Services are expected to plateau after the five year mark, while in Visitor and Field Services staffing needs will continue to increase as Vision Plan projects come online and require long term operation and maintenance. The District's projected staffing profile by business line is shown in Figure 20. Changes in the number or type of projects to be completed within this time period could alter the position counts (i.e., fewer projects that result in new trail miles to be maintained or a reduction in the number of overall projects delivered by planning and project delivery teams).

Table 6. Staffing Model Projected Staffing Increases by Business Line

Business Line	Departments	Projected Increase by 2020	Projected Increases 2020 to 2045	Total Projected Increase
Project Planning and Delivery	Engineering and Construction Planning Real Property	10 to 13	TBD	10 to 13+
Visitor and Field Services	Natural Resources Visitor Services Land and Facilities Services Administrative Support	20 to 25	37 to 45	57 to 70
Finance and Administrative Services	Finance Human Resources I.T.	9 to 11	6 to 8	15 to 19
Office of the General Manager		2	0	2
Projected Staffing Increase (Range)		41 to 51	43 to 53	84 to 104

Figure 20. Projected Staffing by Business Line



Specific positions and the timing of the additions will be assessed and recommended to the Board by department managers based on justified need. To justify new staffing needs, managers will be equipped to use the criteria applied by Management Partners as well as enhanced workload metrics as real-time workload data become available with the development of new information management systems.

Financial Sustainability

The District must grow significantly to fully achieve the goals outlined in the Vision Plan. A key driver for pursuing the FOSM study was to assess the organization’s ability to financially meet the workload demands of implementing its ambitious Vision Plan. The District’s Controller maintains a 30-year financial model that is continuously updated to address the changing environment of the District and reflect the most currently information available. The fiscal model applies a series of assumptions that drive the forecast. There are several risk-factors that require monitoring over time; however, the organization will have ample time to respond and take corrective action if one or more of the risk-factors materialize.

Midpeninsula’s Fiscal Model

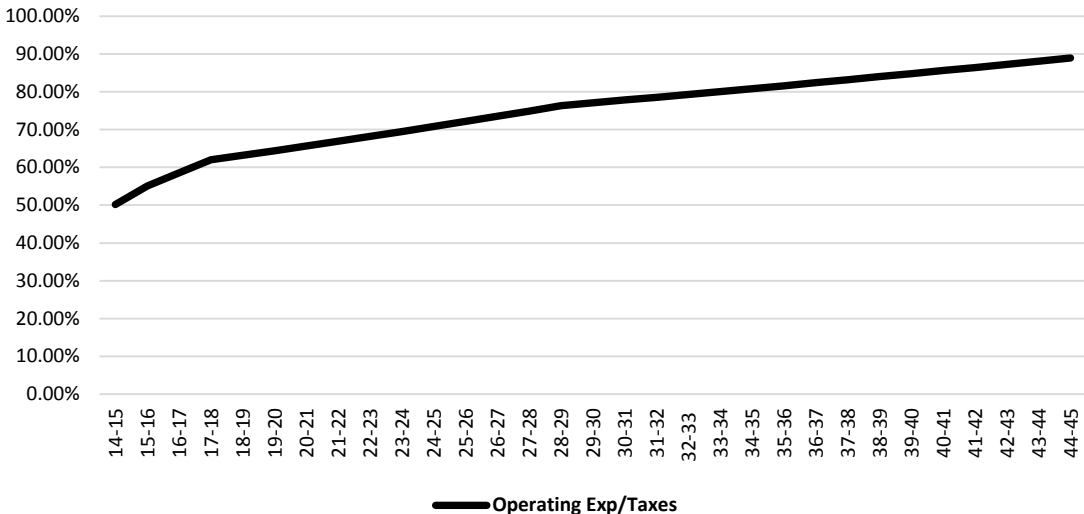
The District Controller’s 30-year financial model is driven by assumptions in four main categories: tax revenues, operating expenditures, non-Measure AA capital expenditures, and Measure AA-related expenditures. The Controller assumes an annual tax revenue growth rate of 5.0% in the first ten years and a lower rate of 4.5% in the years that follow. These tax rates are lower than the 20-year historic average annual growth rate of 6.4%. The expenditure side of the model includes aggressive assumptions for operating and capital costs. The Controller assumes an ambitious addition of 40 employees by FY 2017-18 and non-Measure AA capital expenditure assumptions include a \$20 million investment by FY 2018-19 for anticipated facility costs. Finally, the Measure AA-related expenditure assumptions include labor costs and a generous assumption for contingency costs. The details of these assumptions are outlined in Table 7.

Table 7. Summary of Key Assumptions of the Fiscal Model

Category	Key Assumptions	Notes
Tax Revenues	FY 2015-16 base: \$36.3 million FY 2015-29 annual growth rate: 5.0% FY 2030-45 annual growth rate: 4.25%	The average annual growth rate of assessed valuation in the District for the last 20 years is 6.4%.
Operating Expenditure	FY 2015-18 accounts for 40 additional employees FY 2017-18 base: \$24.8 million FY 2015-29 annual growth rate: 7.0% FY 2030-45 annual growth rate: 5.25%	The average annual growth rate of operating expenditure over the past 5 years is 6.0%.
Non-Measure AA Capital Expenditure	FY 2016-19 accounts for \$20 million in new facilities. FY 2015-16 base: \$3.9 million FY 2015-29 annual growth rate: 5.0% FY 2030-45 annual growth rate: 4.25%	The average annual growth rate of capital expenditure has a fluctuating historic trend.
Measure AA Expenditure	Bond proceeds every 3 years. Measure AA labor expenditures are 12.5% of total Measure AA expenditures. Grant income will fund 8.0% of the Measure AA project expenditures.	Bond debt service is calculated based on economic assumptions by the Controller. Measure AA capital expenditure is informed by work plans, which includes generous contingencies. Measure AA grant income projections amount to \$24 million over 30 years.

The fiscal model forecasts a stable future under the Controller’s conservative assumptions. Even with an increase of 40 positions in the next three years and ongoing expenditure increases, the operational expenditures remain below 90% of projected tax revenue over the full 30 year period as shown in Figure 21. In other words, the tax revenues will be sufficient to support the growth of the organization’s operational expenses in the defined time frame.

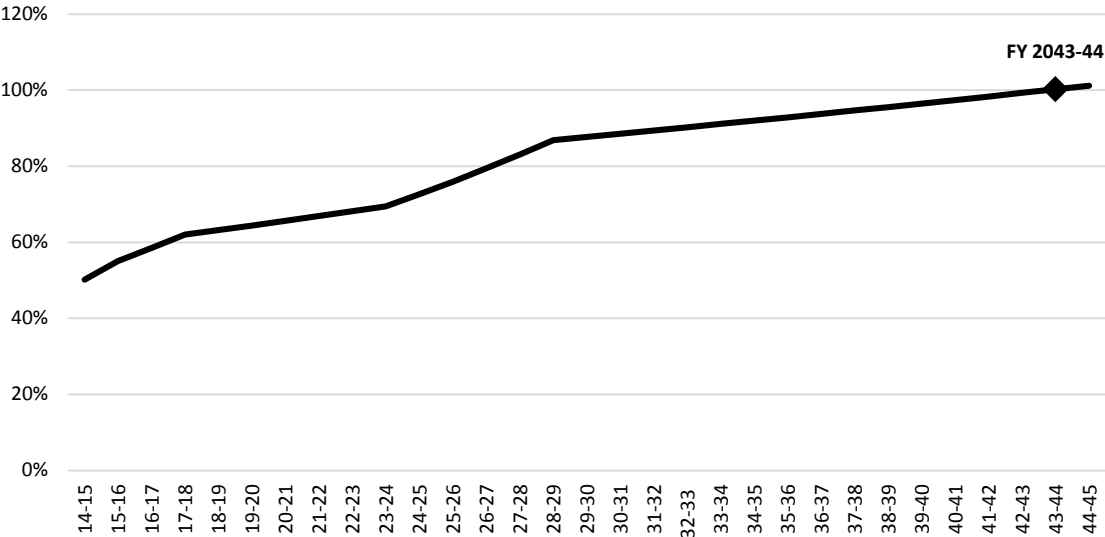
Figure 21. Operational Expenses as Percentage of Tax Revenue



Model Stress Testing

The Controller’s fiscal model was tested with a “Great Recession” scenario to assess the District’s capacity to respond to drastic economic scenarios. The test applied a worst-case scenario by inserting the tax rate realized by the District during the worst years of the Great Recession for a four years period and making no reductions to expenditures. While this scenario is unlikely since the District would likely constrain or reduce expenditure as revenue decline, the test reveals the strength of the District’s financial position. As shown in Figure 22, the District reaches 100% of tax revenue approximately ten years following the major recession. This affords the District ample time to adjust for the economic correction.

Figure 22. Operational Expenses as Percentage of Tax Revenue With One Great Recession



Note: Great Recession-level 2.27% AV growth occurs from FY 2025-29

Risk Factors

There are several risk factors to monitor regardless of the strong financial position forecast by the Controller’s fiscal model. First, if the assessed value does not grow as predicted, the organization may experience resource constraints, as 75% of current revenue is from property taxes. Second, if the organization takes on more non-General Obligation (GO) debt than it is able to service, the resulting debt service expenditure could threaten the fiscal health of the organization. Third, if operational expenditures grow faster than projected, the ongoing tax revenue will not be sufficient to support the operations of the organization. The last risk factor is the organization’s inability to spend down bond proceeds. While important to monitor the potential for these risks, the dynamic nature of the Controller’s fiscal model allows the District to predict, plan, and adapt to the economic conditions and respond before a risk becomes detrimental to the financial health of the organization.

Road Map to Implementation

The District has a number of goals and objectives across several critical plans for action (annual Action Plans, Measure AA top 25 projects, administrative and business improvements). Strategies for implementing them require close coordination and clear priorities to enable staff to be accountable and for projects to be successfully implemented. Two tools will facilitate successful implementation: 1) a change management approach and 2) phasing actions.

District staff is committed, engaged, and enthusiastic about the work and mission of the organization. This provides a good platform from which to launch organization change and institute business and system improvements that position the organization to achieve its ambitious vision. Staff are committed to the vision and mission. However, many feel challenged by the current and proposed work program and implementation of Measure AA.

Change Management Strategy

Managing change is not enough. Organizational change needed to develop an effective Measure AA implementation plan and new administrative systems will require dedicated executive level leadership, a continuing sense of urgency, and adequate resource allocations.

There are five components to successful change management:

- Planning
- Defined governance
- Committed leadership
- Informed stakeholders, and
- Aligned workforce¹

¹ Change Management Best Practices: Five Key Factors Common in Managing Organizational Change, Queensland Government, 2009 available at www.psc.qld.gov.au/publications/subject-specific-publications/assets/change-management-best-practice-guide.pdf

Planning

Proper project planning requires high quality systems, full team engagement, clearly defined outcomes, thorough risk assessments, autonomy and delegation of decision making, timely problem solving, and proper monitoring. As the District proceeds with the recommendations to institute management and information systems and develop a systematic project delivery approach, the organization will be successfully positioned to deliver results.

Defined Governance

The Board and senior and executive management seek extensive analysis and detailed information before decisions are made, which can be both ineffective and inefficient. Delegating work that belongs to division heads and managers frees up time for senior and executive management to focus on “big picture” Vision implementation and support the needs of elected officials and policy decision-making. Performance plans that cascade from the Board to the General Manager to Assistant General Managers to department heads play a critical role in aligning high-level goals down into the organization.

Clarification regarding roles and responsibilities of the District governance system further positions the agency for successful results. The Board, leadership team, and staff each own different parts of the governance continuum. The Board provides policy level review and decision-making. This should include revising existing policies and procedures regarding Board relationships with staff. Staff is charged with focusing on implementing the vision and administering the District work plan through Board-established clear work plan priorities and direction.

Recommendation 58. Support effective Board and staff working relationships by defining clear roles and responsibilities and reviewing and updating policies and procedures that effect these interactions. When adequate role definition, policies, and systems are in place, trust and accountability within and outside the organization will increase. This will enable policy makers to focus on policy and strategic direction instead of operations and administration.

Committed Leadership

By forming a coalition of change leaders throughout the organization, District leadership should ensure staff has the tools, training, and resources to complete the work and achieve the defined outcomes.

To achieve alignment through all levels of the organization, it is crucial to provide staff policies and procedures (personnel, purchasing, project management, property acquisition) that frame and clarify the performance expectations, employment boundaries, and the work climate. Establishing clear meeting management practices will help ensure purpose driven, productive and meaningful results. As work becomes more complex, effective and efficient meeting management will be critical to administrative success. Likewise, delegating problem solving and decision making to employees that are aligned at all levels of the organization improves work flow processing and keeps.

Recommendation 59. Establish meeting management and delegation practices that ensure productive and meaningful results and utilize the expertise and skills of staff.

Informed Stakeholders

Measure AA implementation and change management will require a coalition of committed, accountable leaders, with a common vision of what success looks like and clear outcomes that are thoroughly communicated.

Creating and communicating a vision for organization change accompanied by a sense of urgency enables staff members to connect incremental tasks to the broader purpose of their work. Frequent and regular communication (i.e., employee newsletter, shared calendars, joint administration and field staff events) will help staff understand what is being asked of them and set a context for future directives, planning and associated action plans.

Recommendation 60. Establish an internal and external communication strategy for FOSM Implementation.

Clear and frequent communication from management about how organizational changes will affect the workforce is seen as underdeveloped by many employees. Having many District operations based in different buildings and different areas can make communication challenging without an intentional, organized effort.

Aligned Workforce

As reviewed in detail within the organization structure section of this report, alignment is a critical component of an agency's success. We previously recommended a structure that will include the reorganization of some activities and the addition of functional capacities consistent with the three business lines: Planning and Project Delivery, Operations and Visitor Services and Administration and internal Support.

Phasing: How do we get started with these changes?

Phase I

As has been discussed, the foundational management and information systems must be developed first. Since it is necessary to supporting operations, project delivery, and the District's institutional infrastructure, conducting an information systems and technology (IST) study and designing an implementation plan regarding the study findings will help to immediately address three vital systems: maintenance management, project management, and client management.

Also, developing position descriptions and beginning the recruitment process for the Chief Financial Officer/Administrative Services Director and the Information Technology Manager positions, will allow the District to align the administrative functions and move quickly to implement the IST plan. This action builds the administrative leadership team quickly.

To support the District project planning and delivery structure, recruitment of an Engineering and Construction Manager will provide an owner of this critical new function in the District. This position will be responsible for moving projects from the planning phase to building and construction. This will offer staff the structure and direction for work and will provide critical resources to support problem solving.

An additional phasing plan is necessary to define the transition steps to align the operations team structure that will lead to the new Visitor Services and Land and Field Services departments. The phasing plan will address both the timing and relocation of positions from Public Affairs and Real Property groups.

Refinements to positions and titles in Natural Resources and Human Resources will ensure the District has the expertise and confirm each function is properly resourced to perform the new volume of work.

Phase II and III

Following completion of Phase I, the organization will be positioned to formalize the new organization structure, consistent with the District's business lines, and establish the new Engineering and Construction Department, communicate the phasing plan and detailed changes plus timeline regarding the Operations function along with the timing of IST implementation work.

The change envisioned through the FOSM will take time and ongoing commitment. An implementation plan that prioritizes the recommendations contained in this report will be developed in conjunction with management and will be used to guide, inform and track progress.

Conclusion

The Financial and Operational Sustainability Model report is the final component of a deliberate and thoughtful four piece strategy to transform the District to meet new constituent interests and build a long term strategy for sustainable operations. Positioning the organization to use its current and Measure AA resources responsibly in the long run is unprecedented work for typical organizations and reflects a best practice. The study identified a number of opportunities to position the District to accomplish the 2014 Vision Plan. The District workload is proposed to more than double over the next 30 years through Measure AA funding. Focusing resources, attention, and recommended changes on three key areas will position the District to achieve its work plan:

- 1) Developing core management and information systems will increase staff efficiency and provide data necessary to monitor, adapt, and inform stakeholders regarding Vision Plan progress.
- 2) Aligning organization functions within the Districts by its three business lines (Project Planning and Delivery; Operations and Visitor Services; and Administration and Internal Support) will improve the efficiency and effectiveness of operations.
- 3) Delineating and documenting a structure for the workflow of District projects will allow the organization to deliver results and meet public expectations.

Capitalizing on these opportunities requires a renewed commitment to roles and responsibilities. Foremost, a commitment to clear priorities and direction as well as patience and persistence is required by leaders in the organization. Change is hard. However, the ambiguity that is inherent in the midst of change can be diminished through disciplined practices that include planning (timing, training, tools, problem solving), defined governance, committed leadership, aligning the workforce, and regular communication with stakeholders.

District employees reported that the mission of the agency keeps them inspired and engaged in preservation, restoration, and expanding public access opportunities. Most agencies spend decades investing in resources

to establish and build employee commitment to its mission. Valuable, unique, and refreshing, the District can check this leadership challenge off its list. Although significant, FOSM recommendations can harness the commitment to the mission to fuel the tasks ahead. This is an exciting time in the District's history and an opportunity for each individual to contribute to the legacy of the agency's transformation.

Attachment A – List of Recommendations

Recommendation 1. Develop mechanisms that periodically clarify and reinforce organizational priorities for staff, so that work can be planned and managed in alignment with those priorities.

Recommendation 2. Develop a communication strategy to regularly provide information updates to the Board and public regarding project progress and results, and promote transparency to build public trust.

Recommendation 3. Convene internal stakeholders to develop a refined, comprehensive project delivery approach that ensures proper oversight, clarity of roles, prioritization, predictability, and follow-through.

Recommendation 4. Integrate specialized functions, such as CEQA review, that play a critical role in project delivery and integrate them into the District’s project delivery approach and identify procedural changes and methods of centralization that lead to greater consistency and efficiencies

Recommendation 5. Complete a comprehensive requirements analysis and establish a plan to procure and implement a uniform Project Management System.

Recommendation 6. Develop a consistent format for project budgets using a procured project management system that informs work planning and accounts for the total cost of project delivery, including staff time and indirect costs associated with administrative support functions and organizational overhead.

Recommendation 7. Expand the list of pre-approved, on-call consultants and contractors that can be available to support the District in its planning, engineering, construction, and project delivery functions.

Recommendation 8. Review current contracting/bidding policies/practices to identify opportunities to streamline these policies/practices.

Recommendation 9. Create an Engineering and Construction Department and hire an Engineering and Construction Manager to oversee the following project delivery functions: design, permitting and engineering; construction management; and Measure AA project delivery oversight.

Recommendation 10. Meet with local jurisdictions to discuss opportunities to improve the permit processing time associated with certain types of permits.

Recommendation 11. Create a Property Acquisitions Plan that clearly communicates District acquisition policies and goals that provides a road map for strategic land acquisition.

Recommendation 12. Restructure the Real Property function to focus on land and property acquisition, and move the property management function to a Facilities division in the new Land and Field Services Department.

Recommendation 13. Establish a “visitor services” function of the organization to provide public facing services and activities. Restructure the organization to align docents, volunteers, and rangers to meet the array of visitor services.

Recommendation 14. Separate the patrol and maintenance functions into two distinct organizational units, Visitor Services (for patrol staff) and Land and Facilities Services (for maintenance staff).

Recommendation 15. Create Manager-level positions to lead the Visitor Services and Land and Facilities Services groups.

Recommendation 16. Develop guiding policy similar to the East Bay Regional Park District Pipeline Program that requires District staff to develop estimates for start-up costs as well as ongoing maintenance, safety, and staffing costs for each development project or future land acquisition before the Board commits to the project or purchase.

Recommendation 17. Purchase and implement a computerized maintenance management system (CMMS) and provide training on its use.

Recommendation 18. Explore new reliable communication technology (i.e., email, voice and visual systems, tough books) to ensure field staff have the information and tools to effectively perform their job responsibilities.

Recommendation 19. Establish a special projects/construction team that is dedicated to the delivery of special projects like trails construction.

Recommendation 20. Explore opportunities to partner with the private sector to provide existing staff with the capacity to address maintenance backlogs and deferred maintenance.

Recommendation 21. Develop a field staff onboarding/ training program that outlines the variety of details and standards used for trails construction and maintenance work throughout the District.

Recommendation 22. Maintain effective working relationships with local police and fire departments and as the District expands periodically evaluate automatic aid protocols and response.

Recommendation 23. Develop a seasonal employment program for patrol work.

Recommendation 24. Complete a Natural Resources Position Classification Study to ensure appropriate staffing types and levels are in place and recruited for in the future. (Underway)

Recommendation 25. Expand grazing property management as a function of the new Land and Facilities Management department

Recommendation 26. Create crews that focus on specific work functions and incorporate a rotational program that allows for continued professional growth and development of staff.

Recommendation 27. Complete a facilities needs study to determine mid and long term field facility needs and investigate alternate maintenance facilities to accommodate future growth.

Recommendation 28. Consolidate facility maintenance/property management into the Land and Facilities group.

Recommendation 29. Create a facilities maintenance and improvement plan to guide work plans and inform financial decision making.

Recommendation 30. Document the business and technology requirements for an integrated budget and cost accounting system that enables the District to perform 1) general ledger and fund accounting; 2) project accounting; 3) grant billing and reconciliation; and 4) grant documentation and organization.

Recommendation 31. Create a Chief Financial Officer (CFO)/Director of Administrative Services executive level position responsible for the realigned administrative services functions to provide financial and other administrative services expertise and leadership in these areas within the organization.

Recommendation 32. Develop a transition plan to shift financial responsibility and management for the District, including managing the Controller’s fiscal model, from the part-time Controller to the new CFO/Director of Administrative Services.

Recommendation 33. Maintain the New World Systems financial software at or near the current release and continue to leverage the system to its full potential.

Recommendation 34. Review, update, or develop financial management policies and procedures to enable appropriate, accountable, and fiscally sound decisions at the lowest possible level within the organization.

Recommendation 35. Centralize the purchasing function within the Finance and Administrative Services Department.

Recommendation 36. Develop and implement a Technology Strategic Plan to provide a roadmap for the District’s short and long term implementation and management of technology.

Recommendation 37. Implement an IT governance structure that promotes effective planning, priority setting, and accountability of District technology resources (staff, funding, hardware and software) with business priorities.

Recommendation 38. Augment the existing IT staff with an IT Division Manager and an additional IT Specialist.

Recommendation 39. Integrate the GIS Services group into a new Information Systems and Technology department to better reflect its District-wide service role and augment existing GIS staff with one GIS specialist position.

Recommendation 40. Develop and implement a formal technology disaster recovery plan sufficient to address protection from an area (not site specific) disaster.

Recommendation 41. Implement a desktop management (help desk) solution to manage requests for technology to track, monitor, and report on help desk activities.

Recommendation 42. Create a Special Projects Manager position to provide project management support for internal support systems (i.e., IST implementation plan, records management system, purchasing process and procedures).

Recommendation 43. Establish a Human Resource management level position responsible for planning and meeting critical recruitment issues and sustaining a committed workforce.

Recommendation 44. Hire interim, temporary, or contract Human Resources staff to meet the need for recruitment of positions on the organization’s critical FOSM implementation path.

Recommendation 45. Develop reclassification policies and procedures to streamline classifications and effectively respond to organization staffing needs.

Recommendation 46. Reassign facility management responsibilities to Operations and develop a resource allocation plan which includes existing staff and contract services to maintain District facilities.

Recommendation 47. Complete a facility master plan to address the District office and operational needs for the next decade.

Recommendation 48. Complete a comprehensive requirements analysis and establish a formal project plan to procure and implement a document management system.

Recommendation 49. Assign the tactical implementation of special projects to skilled managers elsewhere in the organization.

Recommendation 50. Establish a senior management analyst position that reports directly to the General Manager to monitor District project delivery, provide annual CIP project oversight

Recommendation 51. Increase the General Manager’s spending authority.

Recommendation 52. Locate the Public Affairs team within the General Manager’s Office and establish expectations for the team to focus on both external and internal communication.

Recommendation 53. Maintain existing staffing levels within the General Counsel’s Office; as workload expands with Measure AA implementation and the growth of complex land acquisitions, evaluate opportunities for supplemental contracted and/or in-house legal and risk management support over time.

Recommendation 54. Assess the need for a centralized risk management function under the direction of a risk manager as the size and scale of District operations increases over time.

Recommendation 55. Align the District’s administrative services functions of finance, human resources, and information technology under a new Chief Financial Officer (CFO)/Director of Administrative Services.

Recommendation 56. Ensure collaboration, effective communication, and project completion by having the managers of Real Property, Planning, and Capital Projects/Engineering report to the same Assistant General Manager.

Recommendation 57. Align the field-focused functions under the same Assistant General Manager to maintain open communication, shared resources, and a customer-driven approach.

Recommendation 58. Support effective Board and staff working relationships by defining clear roles and responsibilities and reviewing and updating policies and procedures that effect these interactions.

Recommendation 59. Establish meeting management and delegation practices that ensure productive and meaningful results and utilize the expertise and skills of staff.

Recommendation 60. Establish an internal and external communication strategy for FOSM Implementation.