

A MUNICIPAL- MILITARY PARTNERSHIP MODEL



**MONTEREY
MODEL**

June 2017



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PREFACE

MISSION EFFECTIVENESS AND READINESS

A municipal-military partnership model established to provide cost efficient services that increase installation mission effectiveness



The Monterey Model as described in this paper presents a multidimensional approach for a local government to develop a relationship with its military installation that cost effectively sustains and, where possible, increases the mission effectiveness of the installation. An important secondary effect of the effort is that this public-public partnership assisted the Monterey City organization in becoming far more effective in providing cost efficient services to the City population as well.

The Monterey Model leverages a wide range of federal and local government authorities (financial, land use, police, real estate, etc.) to accomplish this objective. The Monterey Model is not a one-time project. Rather, it is a long-term engagement approach in which the relationship between the community and the military leadership moves beyond social courtesy to a focus on “military mission and mission readiness.”

This paper describes how the City of Monterey approached the organizational, legal, cultural and administrative obstacles on both sides of the installation fence that had to be overcome to successfully implement this concept. The success of the Monterey Model is due in large part to Monterey and its military partners assuming a shared sense of ownership and responsibility for, and resulting pride in, the mission capability and success of the community’s military installations in their community.



EXECUTIVE SUMMARY

The Monterey Model has been the benchmark for public-public partnerships since its initial authorization in the FY1995 National Defense Authorization Act (NDAA). Current Department of Defense (DOD) budget constraints, coupled with the authorities for Inter-Governmental Support Agreements (IGSA) contained in the 2013 and 2015 NDAA have moved the Monterey Model concept back into the forefront of a national discussion of new paradigms for the military's base operations in the future. The Monterey Model, integrating several federal authorities, such as IGSA's, Enhanced Use Leases (EUL), and real estate licenses, with state and local authorities has created a system of operation and maintenance capabilities that allow both the installation and the city to benefit from high-quality services at historically low costs. The recently approved IGSA authority has provided an opportunity to create reciprocal relationships allowing installation mission capabilities to be provided to the community on a cost-reimbursable basis.

The fundamental objective of the Monterey Model is very simple: The relationship allows the installations to focus their critical resources on the unique missions of the military. The community, applying its core expertise in municipal management, creates a mission supportive environment of land uses, personnel services and the delivery of other high-quality traditional municipal services to the installation on a cost-reimbursable, but very cost-effective basis. This model leverages the community's capability to be a mission force multiplier. Success is realized by leveraging each partner's strengths to create and maintain mission capability in the most operationally and cost effective manner.

CONCEPT AND BEGINNINGS OF THE MONTEREY MODEL

The closure of Ft. Ord in 1991 and the threatened closure of the Presidio of Monterey during the 1993 BRAC made it very clear to the City that it must do everything it could to assure that the military missions located in the Region were more mission capable and cost effective because they were located in Monterey. The Monterey Model concept had its start in 1997 when the Presidio of Monterey and the City of Monterey implemented an innovative program intended to save the military money, while also recapturing Monterey's full costs. The initial efforts involved the City assuming responsibility for fire alarm and elevator maintenance at the Presidio. These initial contracts were so successful that the Army soon expanded the contract to include maintaining the Presidio's street, sewer, storm drain, and fence systems.

Through this initial small partnership, the Army immediately benefited from noticeable cost savings in maintenance, with increased quality and responsiveness of maintenance services. In 2000, Monterey requested that the Army audit the partnership effort to document its effectiveness. The audit, completed by the Army Audit Agency (AAA), found that the Presidio of Monterey Garrison, through the partnership with Monterey, saved a remarkable 41 percent of its budgeted maintenance dollars (almost \$2.5 million). This savings was recognized even while the city was substantially increasing the service quality and responsiveness to the mission needs of the installation.

In 2012, another internal audit conducted by the Presidio concluded that the Monterey Model saved approximately 22 percent of costs when compared to other available means of obtaining services through traditional competitive base operation and maintenance contractors or in-house workforce.

The audits also provided Monterey a better understanding of direct operational costs and indirect costs driven by a cost-reimbursable contract. The city used this opportunity to re-evaluate the operational and cost effectiveness of its own internal procedures. This military-municipal partnership has led to an increase in the operational capabilities and lower operational costs for both the Presidio and the City of Monterey.



CREATING AND DEVELOPING THE JOINT VISION

Monterey's relationship with the installations in the region was based on a strategic vision that, short of subsidizing the DOD, the city should undertake all opportunities to make the defense missions in the community more mission capable and cost effective because of the services provided by the city.

Monterey's vision involved developing an organization with a culture that provided extraordinary public service while operating with the efficiency of a private sector business. Monterey accomplished this through a management philosophy that a city could provide exceptional, cost-effective service if it hired great people, invested in their tools, equipment, training and education and provided them with high-quality, mission-driven leadership. This philosophy was focused initially on the workforce supporting the Army contract, but it became so successful that it was infused into all parts of the city organization.

The Monterey City Council and the community came to realize that they could best ensure Monterey's long-term economic prosperity by ensuring that all businesses and organizations in the city could operate both costs effectively and mission effectively because they were located in Monterey.

When the relationship with the Army started, Monterey was maintaining approximately 300 thousand square feet of city-owned building space and approximately 621 acres of parks and open space. The city building maintenance workforce was rather small and limited in capability. The workforce was rapidly expanded and trained to meet the requirements of the growing relationship with and service needs of the Army. In addition to the city-owned property and facilities, Monterey is now maintaining 2.2 million square feet of Army-owned buildings of all types and just less than 400 acres of Army-owned land. In a typical year, Monterey will respond to nearly 20,000 Army work orders. The maximum value of the contract has reached as high as \$20 million with the city receiving just under \$1 million in reimbursable overhead. A win-win relationship was created and continues to grow.



Vector truck crew at the Presidio of Monterey

HOW CIVILIAN GOVERNMENT SUPPORT HAS WORKED WELL

Strong Monterey City Council political and policy support, management leadership and effective teamwork with the city employee units, enabled Monterey to build capability and capacity that have served both the DOD and the community very well. The key measure of success has been that the Presidio of Monterey was evaluated for closure in every Defense Base Closure and Realignment Commission (BRAC) round since 1991. It was put on the closure list in 1993 and 2005, but came off the list after BRAC did its analysis of the added mission capability and cost-effectiveness of the Presidio mission being in Monterey. When Ft. Ord closed, the communities struggled to maintain the Army's abandoned infrastructure due to its poor maintenance state and their unfamiliarity with the facilities. If the Presidio had been closed, the Monterey Model would have assured the city was very well positioned to immediately start the reuse process because of the high state of facility maintenance and its intimate knowledge of the Army real property assets.

The Monterey Model concept has led to the city and the Army developing several other formal and informal relationships and agreements. These agreements with the Installation have made possible such things as the city funding, upgrading, operating and maintaining the installation's child-care facility for military and community families. The city has also financed, built, operated, and maintained a set of ballfields and the installation parade ground on the installation for joint use of the community and military.

Through another set of real estate transactions, the city operates and maintains a 20-plus-acre historic park that contains a city developed military museum and an 81-acre wildlife/nature preserve and trail system on the installation. Monterey has also played an instrumental role in assuring that military families have access to convenient, high-quality medical care, recreational services, and base transportation using Monterey-Salinas Transit. The city organization and leaders took a political and financial leadership role to help create an array of veteran services ranging from homeless veterans' family housing, to a joint Army-VA Medical Clinic to a veterans' cemetery at the former Fort Ord.

In the public safety and emergency preparedness realm, Monterey has dramatically reduced fire-suppression service costs of the installations while significantly increasing service capability for the nearby Naval Postgraduate School (NPS), and the Presidio. The police and fire services of the NPS and the Presidio, along with their public affairs and communications personnel, now routinely drill and conduct emergency exercises with the other public safety agencies on the Monterey Peninsula.



Lower Presidio Historic Park's New Public Signage and the Sloat Monument

CHAPTERS THAT REMAIN TO BE WRITTEN INTERGOVERNMENTAL SUPPORT AGREEMENTS (IGSA)



IGSA Signing Ceremony, October 11, 2016

The next chapters of the Monterey Model are still being written. In October 2016, the Assistant Secretary of the Army for Installations, Environment and Energy, Kathryn Hammack, and Monterey City Manager Mike McCarthy signed a new IGSA that was written under the 2015 IGSA Authority.

The development of the Department wide authority for IGSA's can be directly linked to the success of the Monterey Model. DOD and the Congress were convinced by the result of the Monterey demonstration of the effectiveness of this Public-Public Partnership, to create the authority for all military installations to build on the foundation of the Monterey Model success.

This IGSA authority allows for a very wide range of services to be provided by the city to the Army as with the previous Federal Acquisition Regulation (FAR) contract, but without many of the bureaucratic clauses and processes involved in a FAR contract. In 2016, the Monterey Model of collaboration between a community and the Army was formally recognized by the secretary of the Army for excellence. Monterey was also honored in 2016 by Association of Defense Communities as a "Defense Community of Excellence.

The Monterey Model has evolved into a new business model for the city to operate for the benefit of its

residents and businesses while simultaneously providing exceptional value to the installation. The Naval Post Graduate School (NPS) installation staff is now exploring the feasibility of entering an agreement with the Army and the city to also tap into the Army IGSA to allow the city to provide requested maintenance service at NPS.

The IGSA authority, used in conjunction with other federal real estate authorities, has been coupled with local government's land use, police, utility service, community service and economic development powers to effectively assist the military mission commanders be more mission and cost effective.

The IGSA authority opens many more opportunities, at an ideal time. The years working together have fostered a strong relationship that has been weaved into the fabric of our local civilian culture. For example, the community has many special events throughout the year and the military personnel participate in many ways, including providing key volunteer support that benefits many agencies and thus the whole area.

The IGSA provides the military motivation to brainstorm on other mutually beneficial collaborations, which is already taking place with enthusiasm. Also enthusiastic is the local community who understands and appreciates the cultural and educational value the installation brings, as well as the economic benefit. This strong community support nurtures the momentum for success.

“ What really happened here in Monterey, and what continues to happen, is an example for the rest of the United States.

Assistant Secretary to the Army Katherine Hammack, October 11, 2016



THE DETAILS



MONTEREY MODEL



BRAC THREATENED ECONOMY, CULTURAL HERITAGE

In 1991, BRAC designated Fort Ord for closure. Losing the base's population of 35,000 people, and their substantial local financial impact when it closed in 1994, was a major blow to the regional economy and the community's social fabric. As Fort Ord reuse planning got underway in 1991, it became obvious that the preservation of the Defense Language Institute (DLI) mission at the Presidio of Monterey and the graduate school and other missions of the NPS would play a key role in the success of the new university-based reuse of Fort Ord, and the long term economic recovery of the greater Monterey region. Further military downsizing would be another significant threat to the local communities that had to be avoided at all costs.

JEOPARDY OF HIGH COSTS IN FUTURE BRAC ROUNDS

Once Fort Ord was closed, the local garrison command at the Presidio and city management decided to pro-actively explore creative ways to partner. Understanding the metrics of the BRAC costing model, the city knew that the military's high-maintenance costs for its installations in Monterey could make the bases very vulnerable in the future scheduled BRAC rounds coming in 1993 and 1995. Early on it became clear that the DLI/Garrison core mission was to train linguists and that Monterey's core capability was to operate and maintain infrastructure and other physical assets. The challenge was to identify a collaborative strategy, one that would allow a federal agency to sole-source contracts with a local government. While this is a very common activity between the city and other local and state governments, regulatory barriers precluded a city relationship with a DOD entity.

Monterey officials worked with local Congressman Sam Farr and his staff to develop the necessary legislative authority to allow a military-municipality demonstration project. In 1994, Public Law 103-337, Section 816, was passed to allow the DOD to enter into a demonstration project with the City of Monterey. The new legislation permitted the DOD to purchase firefighting, security guard, police, public works, utility and other municipal services from government agencies located within the county of Monterey.

THE MUNICIPAL JOINT POWERS AGENCY AT WORK

The Presidio installation lies in both the adjoining Cities of Monterey and Seaside. The two cities formed the Presidio Municipal Services Agency (PMSA) as the single agency interfacing with the Army. Monterey was designated the lead agency for the Joint Powers Agency (JPA) as most of the work performed would be in Monterey. To test the IGSA concept, this JPA started with several small equipment maintenance contracts. These were so successful for both parties; the JPA was soon assigned a wide range of projects and services by the installation. The growth in service provided to the Army was directly tied to the Commander's observation, later validated by the AAA audit, that the PMSA was providing great value to the mission and the installation. Over time, the garrison commander further expanded the services purchased from the JPA to include many of the garrison's maintenance responsibilities at a critical satellite communication facility at Camp Roberts, some 120 miles south of Monterey.

The business principle underlying the JPA is both simple and comprehensive: Each member community will apply its own procedures, standards and resources when servicing the military installations within its jurisdiction. The agencies involved also augment each other's workforces when the military service level requires certain resources or expertise. As the lead agency, Monterey was responsible for the overall

performance of contractual obligations.

The PMSA provides the military with a wealth of specialized skill and expertise -- essentially all the resources needed to maintain and operate the public works of the installation.

A few of the many specialized services provided under this unique contract authority include the following:

- Facilities maintenance
- Street and surface area management
- Storm water collection system management
- Elevator maintenance
- Heating, ventilation and AC maintenance
- Wastewater collection system management
- Pest control
- Energy efficiency and management
- Emergency lighting
- Facilities management
- Fire detection/suppression
- Project engineering and management
- Other municipal projects

Using US Code, Title 10 real estate authorities, Monterey also operates and maintains for joint community use the installation's ballfields, a child-care facility, a nature preserve, an historic park and a military



Staff person working on HVAC system at the Presidio of Monterey

museum. The city has appropriated several millions of dollars of city funds to upgrade and operate these facilities on the installation. Post 9/11 security has increased the administrative burden of gaining access to the facilities, but the Installation leadership has worked closely with the city to maintain the viability of these real estate partnerships

In the public safety arena (and via separate authorities), Monterey provides fire-suppression services to both the Presidio and the NPS. The three entities often conduct coordinated emergency exercises to ensure the capability to share a common operating picture and smooth command and control in real emergencies.

The installation's military missions and needs were always, and continue to be, given a high priority by the Monterey City Council and staff in any consideration of the city's overall operations, land-use planning, economic development strategy and strategic planning processes. This way of thinking about the military mission as a key part of the city's mission contributed to making Monterey a highly efficient location for DOD to conduct its language training and research and educational missions at the Presidio and the NPS.



PMSA engineer at a construction site

PRESIDIO OPERATIONS IMPROVE CITY OPERATIONS

The military-municipality partnership has been so successful because operating procedures, work management and the workforce have grown together to create a strong public enterprise. This new role of "contractor" has caused Monterey to better assess its use of cost and performance information as the key to a more thorough understanding of the dynamics of infrastructure needs and costs.

The cost-based contract structure demanded improved business practices. Monterey was required to fundamentally rethink what could be offered and at what cost. It also caused city leadership to more thoroughly evaluate the strengths and weaknesses of its own organizational units. That leadership considered questions such as whether there could be value added from changed or added work schedules; what cost efficiencies could be recognized for the Army and/or the city; how reductions in water and energy use could be incorporated into the cost efficiencies; would it be more efficient to buy or lease equipment; and, what projects should be kept in-house or subcontracted?



Locksmith at his shop

CHANGES MONTEREY MADE IN ITS OPERATIONS



Event at Soldier Field

To address this need for a new way of business thinking, Monterey implemented changes that began with the aggressive use of its work management system to support managerial decisions with the Army. To ensure transparency, the Army was provided read-only access to all city work management and financial data bases. Such transparency would never be allowed in a traditional FAR-based contract with the private sector.

Realizing that they could not manage effectively without information, Monterey implemented a reporting system to help department heads, division chiefs, supervisors, clerical staff and other city employees access to near real-time cost information for various city services. This system utilized asset and work management information generated by the INFOR proprietary software. A cost reporting system was developed that allowed the creation of any type of data view and supported an audit trail. As a result, the needs for decisions for possible adjustments or corrective actions were identified long before an issue emerged as a crisis. This was a significant aspect of the military-municipal relationship. A secondary benefit was that the management information was also available for meeting the contract requirements for various reports. The city provided the Army full "read only" access to all of the city's project management and financial data. This transparency helped build trust between the partners.

MAINTENANCE STAFFING – OWNERSHIP TEAMS

Award of the Base Operations and Maintenance contract in August 2001 was a significant milestone in Monterey's transformation to cutting-edge business practices and thinking. Because the unique demonstration authority for the Army to negotiate a sole source contract with the City of Monterey was about to lapse, the commander decided that the work would be competed in the open marketplace. The Request for Proposals (RFP) was structured as a cost-plus award fee transaction, so the city decided to compete against the private sector for the work. The competition included some of the privatized base maintenance industry's foremost companies. Monterey's cost proposal was clear, transparent and easy to understand. Its proposal was selected as the best value by the Army. The 2001 competitive process demonstrated that the private sector did not have a monopoly on the capability to provide high quality, responsive and cost effective services.

Monterey continued to invest in its people, its systems and its equipment. The Army continued to obtain excellent services due to the new systems and workforce capability. During a visit to Monterey, the Army's Installation Management Command (IMCOM) sergeant major described the Presidio barracks maintenance program as the best he had seen in the Army, proclaiming that "Monterey's maintenance program is the Gold Standard for the Army." At the same time, Monterey was also providing community residents better, less costly and more responsive services. This was clearly a win-win relationship.

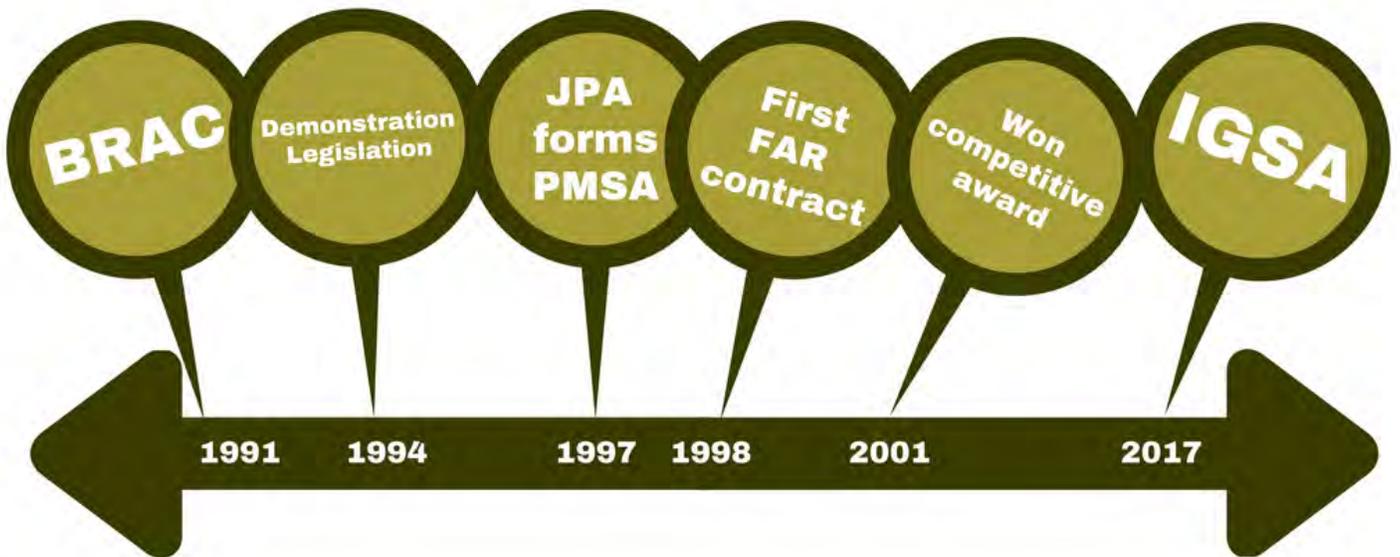


The Defense Appropriation Bill for FY 2004 recognized the success of the Monterey demonstration and permanently authorized the military installations on the Monterey Peninsula to contract with the local municipalities on a sole-source basis under the FAR. The Department of the Army was also authorized two additional installations to further demonstrate the potential of the concept. They were Fort Gordon, located next to Augusta, Georgia, and Fort Huachuca, located close to Sierra Vista, Arizona.

Both of those communities, by leveraging lessons learned from the Monterey Model, developed unique partnerships that further proved the concept's viability. Fort Gordon and Augusta developed a water/wastewater partnership that saved the Army millions of dollars. Fort Huachuca developed a set of partnerships that provided for shared recreational and library services, greatly improving quality of life for service members and their families. The Monterey Model was working elsewhere.

The Defense Authorization Bill for FY 2013 permanently codified the partnership concept pioneered by Monterey. Section 331 of that bill, modified Chapter 137 of Title 10, United States Code to permit sole-source IGSA's for Base Operations services to be purchased from local governments throughout DOD. The authority for IGSA's was further amended in FY15 NDA to address minor concerns expressed by service contracting authorities and service general counsels about the wording of the FY13 Authority.

MONTEREY MODEL MILESTONES



MILITARY-MUNICIPAL TIES: COST SAVINGS FOR ALL



By using a number of tools and techniques, the military-municipal partnership can bring great value to all participants. When a partnership is first forming with small projects, it may not be necessary to mobilize all of these management information tools, but Monterey found great value in applying these information management tools across all of the city's asset management activities.

The key tools and techniques used by Monterey are as follows:

- Activity-based costing
- Identification of all maintenance and operation costs
- Work management system installed and databases well maintained
- Preventive rather than breakdown maintenance strategy
- Aggressive warranty enforcement
- Strategic water and energy use efficiencies

The activity-based work management system owned by the city is rooted in a complete inventory of assets. Every work order is broken down in the following categories:

- Location of job performed
- Activity performed
- Labor costs
- Material costs
- Vehicle and equipment costs
- Contractor costs

Monterey also owns and operates a variety of heavy equipment and specialized vehicles for all aspects of maintenance that no longer must be duplicated by the military. Last, but not least, Monterey employs a

fully mobilized and experienced local workforce, whose labor data is captured through the work management system by job class, job qualification, labor rate, fringe benefits and other indirect costs.

The following examples show how dollars can actually be saved:

Example	Benefit for City of Monterey	Benefit for Presidio of Monterey
Street Sweeping	Lower operational costs	No costs for ownership and operation
Street Maintenance	Annual resurface program includes military quantities	Benefits from lower unit costs as quantities are combined with City's
Public Works Employee	Maximize use of existing workforce	No need to keep costly in-house workforce

ENERGY SAVINGS

The Monterey Model has also been able to create additional savings for the Army through an energy performance program. Since 2002, the garrison leadership and Monterey have worked together to identify energy-saving projects throughout the installation. The basic paradigm for the energy collaboration was to identify utility costs as a variable cost to be reduced, rather than looking at it as a fixed cost as had been done by the Army. The dramatic reduction in energy usage and energy expense produced by the City's programs reduced the Installation's overall energy costs but also reduced its greenhouse gas emissions. This collaboration resulted in major dollar savings through reductions in energy use. Unlike other providers, the city has also been able to leverage rebates from the State of California and the local energy provider, Pacific Gas and Electric (PG&E), for the benefit of the Army. Another funding source for federal energy projects is being provided through Monterey's affiliation with the Association of Monterey Bay Governments (AMBAG), which consists of elected officials from all 24 cities and counties within the region. This unique funding method is only available because of the Army's partnership with a local government.

The Monterey Model utilizes the combined expertise of Monterey and military personnel to manage this energy program rather than contracting for the services of Energy Savings Performance Contractors (ESPC). The military has seen substantial benefits from this program since its inception. In the traditional model, an ESPC would finance the initial upgrades to the installation's utility systems. When the upgrades are complete, the contractor amortizes its investments through the savings realized in the installation's utility costs. The profit received by ESPC contractor is obtained from the energy savings.

The Monterey Model eliminates the ESPC by utilizing the expertise of its city personnel (engineers, craft workers and electricians). The model calculates the up-front investments and the amortization after the receipt of the discounts and reduction and utility costs. In many cases, it only takes 6 to 18 months to amortize the energy improvements. Instead of being contractually obligated to an ESPC for up to 10 to 15 years, the installation can recognize all the savings directly and without sharing them with the energy contractor. The partnership is not a one-way street. Monterey has learned to utilize the same energy program for its own facilities such as its Sports Center, Conference Center, library, and several community centers.

ARMY'S AUDITING AGENCY CONFIRMS THE SUCCESS

In the fall of 2000, the AAA conducted an audit of the costs and operations associated with the contract for base operations and maintenance. The auditing agency compared the costs of the services provided by the municipalities to the costs of previous maintenance providers from the in-house federal workforce and private industry. The base had previously utilized a mix of federal workers and private industry services for the operations and maintenance. For example, the heating, ventilation and air condition contract was subcontracted to a local private contractor while the other building maintenance functions were performed by a civilian federal workforce. The AAA concluded that the Presidio had decreased expenses by a significant 41 percent through the contract with the PMSA while increasing quality of service.



Building Maintenance Warehouse - the Green Team

IMPORTANCE OF CONTRACT FORMAT FOR SUCCESS

Federal contracting is regulated by the FAR. This set of complex rules and regulations, supplemented by Defense Federal Acquisition Regulations Supplement (DFARS), govern the contractual relationship between the federal government and other federal agencies, private industry and local governments. It is important to elaborate on these perhaps daunting rules and regulations as they tend to discourage local governments from entering a contractual relationship with the military. The FAR also often requires processes, reports and other information that have costs to develop or to collect, but add little or no value to the service provided or the installation mission. It was these non-contributing aspects of the FAR that caused the city to lead the effort for the new legislation allowing Inter-governmental Support Agreements (IGSA) based on the Federal system of Inter-service Support Agreements (ISSA). The IGSA authority allows for the elimination of low/no value FAR processes or reporting requirements.

The FAR contains thousands of rules and regulations pertaining to all types of contracting. From the start, Monterey was concerned about recovering its full costs for the services offered to the military. In 1997, when the negotiation process started, the local contracting office offered a firm fixed price contract. In short, a firm-fixed price contract guarantees that the contractor will receive a firm price for the services supplied. It also requires the contractor to determine a price that covers all eventualities for the delivery of the service. Usually, a contractor inflates a firm fixed price by “ensuring” his profits through additional safety mark-ups. The bottom line is that the federal government ends up paying the marked-up price in exchange for budgetary certainty regarding the requested services.

“ Best barracks maintenance and management program in the Army.

Office of IMCOM Inspector General, CSM Aubrey during a visit in March 2009

regulations of the FAR, Monterey successfully negotiated a cost-reimbursable contract. The advantage of this format is the guaranteed recovery of all allowable costs for the services delivered and, much more importantly, the military installation only pays for the actual costs of the service (and not buffered, inflated costs).

Monterey did not want to inflate contract prices to cover its risk, since the prime objective of the partnership is to lower the operational costs of the base. Adding to the aversion to a firm-fixed price contract was the fear that the Army’s 1997 metrics, which measured the work and services required, were not reliable.

By utilizing the broad range of rules and



Mowing the lawn at Soldier Field

COMPARISON OF CONTRACT FORMATS

Cost Reimbursement	Firm-Fixed Price
Army pays for actual delivered services	Army pays for pre-determined number of services calls
Contractor and Army adjust services	Contractor allocates entrepreneurial risks on Army
Entrepreneurial risks are minimized and shared	Contractor locks the Army into a limited number of services
Still allocates a financial ceiling	Adjusts increases of service volumes through contractual negotiations, which are cost costly

While the contractual rules and regulations are complex, the very complexity of the FAR also offers a great opportunity for both partners to select the best set of options possible based on specific local requirements.

CITY OF MONTEREY'S GENERAL FUND INCREASED

One of the contractual requirements was to assure all incurred charges would meet the requirements of the OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." This circular specifically states what is and isn't allowed as far as indirect costs for invoicing "Indirect Costs" must be fully substantiated by a cost-allocation plan (often prepared by an independent auditor). For Monterey, these costs are reimbursed to the city's general fund. At times, during peak work efforts, this reimbursement reached as high as \$75,000 per month.

The scope of the base operations and maintenance services contract sometimes exceeds in-house capacity, skill set, or equipment capability. As it does with its own work, the city offers this work to the private sector. Averaging several million dollars each year, these contracts have been a boon for local small business contractors. Often, the city has helped these small businesses become certified as state, federal small and sometimes disadvantaged businesses. This certification positions them to compete directly for state and federal small business set-asides.

A UNIQUE PARTNERSHIP AND A UNIVERSAL APPLICABILITY

Monterey's partnership with the Department of the Army is certainly unique in terms of its genesis and scope. However, an analysis of this successful partnership demonstrates that the Monterey Model lessons learned can be adopted by local government agencies and military installations throughout the Nation. These include:

- Recruit/transform the workforce from a municipal budget orientation to a cost orientation (what we spend vs. what things cost).
- Measure and recognize performance.
- Be innovative and cutting edge.

MONTEREY MODEL: BECOMING A MUNICIPAL CORPORATION

The City of Monterey had to invest in hiring and retaining qualified management skills from both the public and private sectors. This mix of experiences and management styles helped Monterey compete with private companies by allowing Monterey to quickly adapt to the successful strategies of its private competitors. Once Monterey was awarded the contract with the military, it had to implement strategies to continuously foster a relationship with the customer. Benchmarking became a necessity for survival rather than a term used to impress policymakers. Value-added services such as Internet access to Monterey's work management system streamlined daily interactions between the military and Monterey. Information technology, training, quality control, and out-of-the-box thinking characterized and continuously enhanced the business relationship.

TRANSFORMATION OF THE WORKFORCE

Historically, the work setting for municipal workers is not competitive like it traditionally is in the private sector.

The effectiveness of these employees is usually not rated on:

- Units of production
- Quality of work
- Efficient use of newest practices and technology
- Responsiveness Efficiency
- Courtesy
- Customer satisfaction

This new partnership between the Presidio and Monterey required city leaders to develop a staff attitude that was willing to continuously compete with private sector efficiencies.

Aside from some public safety services, nearly all municipal services are commodities that can be outsourced at any given time if the political will to do so exists. The newly formed workforce understood these facts and realized that the Army could always replace them with a private sector contractor workforce.

The workforce quality and leadership servicing the Presidio compares favorably to any private workforce in the country. The work of the employees is tracked by labor hours, activity, location and materials used. Every month a team of 20 field staff, and 8 warehouse, office, and administrative staff members complete over 1,600 work orders ranging from simple maintenance tasks such as leaking faucets and light bulb changes to more complicated tasks such as installing energy-efficient heating system controllers.

The services provided are regularly compared to private industry costs based on submitted cost proposals. The existing FAR regulations require the federal contracting officer and now the IGSA Manager to prepare an Independent Government Estimate (IGE) that is based on the scope of work and industry costs. Only if Monterey's cost proposal is equal to or less than the IGE is the project awarded to Monterey. The message being sent to the military customer and the work force is simple: Monterey will compete with private industry in order to keep the partnership alive. The military customer will allocate its resources to

the contractor who offers the best value.

Additional employees had to be hired since the size of the existing workforce was based on the city's assets and services. Maintaining 2.2 million square feet of Army buildings required a substantial workforce expansion as Monterey owned and maintained fewer than 300,000 square feet of buildings.

THE CULTURE OF THE MONTEREY WORKFORCE

The Monterey workforce on the Presidio reflects a culture of excellence, innovation, cost-consciousness and dedication to supporting the military mission. The staff takes pride in their work. The performance result is outstanding as reflected in the several Army audits. The high-quality city workforce is the main asset of the relationship between the military and Monterey. A measure of this quality is demonstrated by an analysis of over 100,000 work orders under \$2,500 that showed 65 percent of the work orders were completed in 24 or fewer hours and that more than 97 percent were completed within 30 days.



Building Maintenance Supervisor showing staff process for replacing historically accurate windows

MEASURING PERFORMANCE OF WORKERS

Monterey's work and asset management system became a critical tool for the partnership. The system not only created and tracked the various work orders, it also was able to forecast future maintenance needs and costs. This system is based on the methods and process of activity-based costing.

A reporting system extracts the data to show costs by location, activity, system, and defined category or by employee. Monterey's network structure allows many users to access the data simultaneously. The Army has also been given access to the same cost information in real time. At any given time, the Army's contracting officer, quality assurance inspector or any other garrison representative can check Monterey's

resource allocation and expenditures. The cost data is being used jointly to define the scope of work and adjustments done on a regular basis.

The city maintains a quality-control program to complement the Army's. The city's quality-control inspector inspects 10 percent of all work orders. The results of the inspections are logged in the work management system and, if necessary, any required corrective actions as well. Trend analysis tools further interpret the results. After the completion of each work order, the customer is asked to rate the services

received. The return rate of the customer survey is around 15 percent. The data associated with the survey is analyzed through statistical software but, more importantly, the data is shared with the employees during the weekly crew meetings. The hiring of a quality control inspector had a significant impact on the partnership. The military acknowledged that Monterey had taken an important step ensuring quality work and quality standards. It also reinforced the concept to the workforce that a quality product had to be delivered each and every time. The 25 employees hired by Monterey replaced a previous workforce of 73 federal government employees.





SUMMARY



**MONTEREY
MODEL**

The Monterey Model has worked well for the community and for the military Installations it supports. It was not created overnight but was the product of many hours of planning, resourcing and team building. With strong political and administrative leadership, any community can develop a version of the Monterey Model that fits its community's capabilities and desires to provide high-quality and cost-effective service to its military and civilian constituents.

When community leadership teams and their military installation leadership counterparts contemplate the idea of a robust partnership, there are a few key things that must be aligned. One is an understanding of culture and time horizon of each party. The community must understand that for the military leader, mission readiness and capability is the Number One priority. The community must become fluent in its understanding of the military mission and threats to that mission capability. That fluency will better allow the community to speak the language of the military when partnership proposals are being evaluated.

Time horizon is another key element. The commander is normally only in command for a two- to

three-year period. The community professional leadership horizon is a much longer period of time.

The community leadership must work very hard to develop fluency in understanding the military's mission and culture. The city staff's understanding of the military mission must be as integral a part of doing its daily job as understanding the needs and culture of its residential and business constituencies. The city's continual dedication to the concept of increasing the base's mission capability will provide the persistence sometimes required to overcome the inertia of the federal processes and the seeming revolving door of commanders.



From my experience in Monterey, I know that close partnerships between the DOD and communities are absolutely essential.

*Secretary of Defense and CIA Director
Leon Panetta, June, 2012*

The Community's patience, understanding and support of the military mission and way of doing things will, over time, build a culture of trust between the partner agencies. The relationship between the community and the installation should be thought of as a framework based on shared mission, trust, mutual respect, collaboration, negotiation and information sharing. As the connection strengthens, the installation becomes like another community neighborhood enriching the whole community and helping the local economy while making the military mission more capable and resilient. This relationship must be continuously nurtured or it will fall far short of its potential. If done correctly, the collaboration will pay great dividends to the community and the installation.



Learn more about the Monterey Model:

- ▶ Call us, (831) 646-3760
- ▶ Ask us to host your team in Monterey
- ▶ Let us set up a conference call
- ▶ Go to MontereyModel.org
- ▶ Email us, montereymodel@monterey.org
- ▶ Drop in, 580 Pacific Street, Monterey



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