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**New Public Management: A Study of a New Model of Government
and Running a National Park to Achieve Financial Self Sufficiency,
the Presidio of San Francisco**

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AN INNOVATIVE MODEL OF GOVERNMENT:

New Public Management: A Study of a New Model of Government and Running a National
Park to Achieve Financial Self Sufficiency, the Presidio of San Francisco

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EMPA 396

Fall 2008

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Abstract

There has never been a time when the national budget has not been of concern to the American people; economic conditions and initiatives impact the national budget, and usurp the funding of other programs and agencies, to include National Parks, especially newer costly national parks like the Presidio. Budget constraints and the impetus for reinventing government in the 1990's caused Congress to look at new ways to manage and fund agencies.

The Presidio Trust was created by Congress to run the Presidio National Park, in San Francisco, with a financial and management model that would enable it to achieve financial self sufficiency. Through interviews and an evaluation of secondary data, this paper will look at the effectiveness of this model to determine if the Trust is reaching financial self sufficiency or if this model needs to be expanded even further so that the Trust can operate more like a business, with less of the constraints placed on a federal agency, and become successful at reaching long-term financial self sufficiency.

Introduction

The Presidio of San Francisco is a 1,491 acre national park that is part of the Golden Gate National Recreation Area (GGNRA) (Trust, 2008). The Presidio was founded by the Spanish military in 1776 and had been a military post until 1994 when the Army left the Presidio for the last time. The Presidio has been a challenge to turn into a park due to many unique characteristics: it is located in the urban setting of San Francisco, it is a national historic landmark, and it has a rich abundance of natural resources, all of which called for a lot of repair, attention, rehabilitation, and renovation.

In 1972, the GGNRA was formed by Congress, and the Presidio was earmarked to become part of the GGNRA. In 1989 it was announced that the Presidio of San Francisco was on the base closure list, and the Presidio was transferred to the National Park Service (NPS) in 1994. The regulations and laws that govern the NPS were not conducive to running the Presidio. "The Presidio is hardly the vignette of early America that defines the park service ideal." (Fairfax, p. 448)

Initially, the NPS went through a planning process which birthed the General Management Plan (GMP) to guide the management and the rehabilitation of the Presidio. The GMP was a plan that elucidated how the Presidio would be developed through planning the reuse of the buildings but further and more importantly projecting the costs associated with the development (Fairfax, 2004). The NPS was not equipped to run such a large physical plant and knew from the beginning another entity would manage the leasing and maintenance (Ordano, 1993). The NPS GMP called for an innovative organizational structure to run the Presidio, a federally chartered partnership institution that would take on leasing and property management, as well as fund raising initiatives, all of which were responsibilities outside of the NPS' ability

and statutory authorities (Fairfax, 2004).

As mentioned an important feature of the GMP was the projected costs, and even though the GMP called for tenants to pay for a portion of the rehabilitation the costs of rehabilitating and maintaining the Presidio were staggering (Fairfax, 2004). Congresswoman Nancy Pelosi introduced the bill to Congress related to the management of the Presidio, but the initial bill was soft and Congress had just been taken over by the Republican Party, some of whom added several hard provisions to the bill. "When the magnitude and estimated costs of the building rehabilitation and other development needs of operating the Presidio largely with appropriated funds became clear to Congress and NPS, Congress created a wholly owned, independent government corporation—the Presidio Trust Corporation (the Trust) to manage the Presidio and its transformation." (National Academy of Public Administration [NAPA], 2004, p. 5) The Presidio would have been the most expensive national park in the nation which meant that Congress had to become innovative in its funding strategy (Political Economy Research Center [PERC], 1999). The Presidio Trust Act was passed by Congress in 1996 to form a management and financial model specifically to manage Area B (the interior) of the park.

The agency must become self sufficient by the year 2013, self sufficiency was one of the hard provisions that was added to the bill Pelosi introduced as it worked its way through Congress. The Presidio is a trust formed at the federal level, and it was not forced to be self sufficient immediately as it was established with a declining appropriation which ends in 2013 (PERC, 1999). "The arrangement is intensely controversial because it requires that the Trust become self-sufficient by 2013 and involves the Presidio Trust in commercial and residential development in one of the hottest, and most volatile, real estate markets in the nation. Moreover, as an urban park at the scenic edge of San Francisco, where observers describe planning as a "blood sport," any proposed change is guaranteed to inspire opposition." (Fairfax, 2004, p. 447)

If the Trust fails at meeting self sufficiency the lands will revert to the General Services Administration for disposition (Trust, History, 2008). The self sufficiency clause and the political climate are two very difficult factors that the Trust has had to work within. The Trust has had mixed results in the political climate, largely due to a perception of the Trust of being interested only in revenue generation.

The other element at play in getting the Trust Act passed, besides ardent Presidio supporters, was the movement that was going on inside the government spurred by the Clinton administration. The Presidio itself would likely have been overlooked by Congress as a whole, except that it had been championed by Speaker Pelosi, and it is a model of the paradigm of new public management. During the birth of the Presidio, the Clinton administration, and in particular Vice President Gore, were championing the reinvention of government and the National Performance Review (NPR). The time was ripe for the invention of an innovative agency to manage an unusual park. "In his 1993 Reinventing Government program, Vice President Al Gore encouraged the proliferation of federal government corporations, obscure government devices whose legal status remains unclear even after 200 years as part of our national life" (Froomkin, 1996).

A government corporation to manage a park was new indeed, and according to Craig Middleton, Executive Director of the Presidio Trust, "We've had to learn in a fishbowl, how to keep our eyes open for financial opportunities." (Richardson, 2007, p. 8) The fishbowl is everyone watching the experimental agency to see if can succeed. In fact, there are currently only two national parks using this model, the Presidio and the Valles Caldera. The Valles Caldera's primary revenues are related to permits, its governing structure while similar lends itself to some comparability, but the Trust, is unique as the Valles Caldera has a "soft" self sufficiency mandate (Fairfax, 2004).

Ten years after Congress created the Presidio Trust to run the fledgling national park, a new town is incubating within its borders at the foot of the Golden Gate Bridge. Some 2,600 people now call the Presidio home, as do a bank, a health club, numerous cafes, four preschools and a high school. More than 3,500 people work in the Presidio, which has millions of square feet of office space to lease. (Cart, 2006, p. B1)

Given the revenues, the number of tenants and the appearance of the park the Trust seems to be on a road to success, but is the model it has in place successful? The problem is the need to achieve financial self-sufficiency; the Trust's executive director sees the model as being experimental.

The Presidio's Middleton cautioned against applying the self-sufficiency model to other parks. "It's a smart solution, it's working for us," he said from his office overlooking the historic Main Post parade grounds. "The beauty of this solution for the Presidio, and what makes it interesting, it was an approach that looked at a specific spot and the needs of that specific place and what would be done to save it. It created an authority designed specifically for that place." (Cart, 2006, p. B1)

To achieve financial self-sufficiency an agency needs the freedom to operate like a business, for example, most federal agencies turn over funds that they earn to the United States Treasury and do not get to use them for their own operations. An agency that has been trying to attain self-sufficiency would need to be able to manage its funds, which the Presidio does through its founding statute, but it may also need to be able to make investments in securities other than Treasury securities. There are many elements involved in this study of the Presidio's operating model and the ability to attain self-sufficiency by being operated as a business entity, rather than a typical government agency.

The elements of the problem that need to be defined are financial self-sufficiency and operate like a business entity. Financial self-sufficiency can mean many things and can be reached in many ways. For the purpose of this research project, financial self-sufficiency will be defined as the ability to earn enough revenue to operate the Presidio National Park. This would

entail earning enough revenues to cover those expenses defined as operating expenses in the Presidio's budget. Revenue is defined as those monies earned from the various business lines, which are elucidated in the Trust's public budget documents. Further, under self sufficiency, revenue should incorporate building a reserve, through allowances or by other means, to be used to fund unexpected occurrences and maintain a capital replacement program. Operating expenses are further defined as those expenses that must continue to be incurred to run the park. The renovation of a building is a capital project. A capital project is a cost incurred one time, another cost may occur at a later date when the capital item falls under a capital replacement program, but it is not an annual expense. Operating expenses would include maintaining the buildings (e.g. work orders, repairs, etc), operating the administration, running the plant nursery, etc. all of those items that are incurred annually as part of normal operations.

Operating like a business means that the Trust should operate in a way that shows a motive to earn revenue, for example innovative financing approaches should be developed (NAPA, 2004). Further, operating like a business would mean mitigating the bureaucracy that constrains many agencies, for example a cumbersome procurement processes imposed by federal regulations, mandates that are placed on agencies regardless of agency size, and allowing for business practices that enhance efficient and effective operations.

By analyzing primary and secondary data, this paper has examined the impact of an agency operating like a business, on the finances of that agency, but more specifically on that agency reaching financial self sufficiency. This study has ascertained what changes should be made to the Presidio Trust's management model, to ensure business continuity. An earlier dissertation written on the Presidio Trust stated, "Appropriate accounting measures should be put into place to verify annual expenditures and revenue. This would enable the projected and actual revenues and expenses to be benchmarked for future use by the Trust, Congress and future

properties that may use the Trust organizational structure as a model” (Blackburn, 2003, p. 148).

The Trust must be this model, and still be able to maintain public accountability.

Literature Review

Reinvention of Government

There was a movement in government that was especially profound during the Clinton administration. Government was being viewed in different light and the “reinvention of government” was in the news again. Vice President Gore made a pledge to create a government that worked better and cost less (Kettl, 1998). Reinvention was not really just a set of new practices it was an exercise that could have fundamentally altered the roles of the Executive Branch and Congress in the oversight and management of government (Moe, 2000).

The underlying premise of much of the “reinventing government” exercise is that the governmental and private sectors are essentially alike in their characteristics and best managed according to certain generic business sector principles. The entrepreneurial management model outlined first in Osborne and Gaebler’s popular book, *Reinventing Government*, and later in Vice President Al Gore’s *National Performance Review Report*, seeks to replace the “old, broken way,” their phrase, with the “new entrepreneurial management.” To their mind, the executive branch of the future should be managed in much the same way as large private corporations are managed today. Good government managers, for instance, should be risk takers. In the new government management model, “four key principles” of reinvention should guide behavior: (1) cast aside red tape, (2) satisfy customers, (3) decentralize authority, and (4) work better and cost less. (Moe, statement, 2000)

Some scholars attacked the move toward a more business oriented government stating that it was an aggressive attack on democratic accountability while others said the movement was not aggressive enough (Kettl, 1998). Traditionally government has been thought of in a very different manner than private business.

The traditional theory of government management, in contrast to the contemporary entrepreneurial theory, is based on the premise that the governmental and private sectors are fundamentally distinct. The foundation of governmental management, according to traditionalists, is to be found in public law, not in behavioral principles of management. The fact is, they argue, that the private and governmental sectors are distinct with the distinctions to be found in legal theory. (Moe, statement, 2000)

With the above understanding of the traditionalist view of government, an agency like the Trust, although not the first and only government corporation, still would be considered experimental because of the unique asset that is being managed by it, to include: the unique mission, and the self sufficiency model which is a very different model than the traditionalists espoused.

The movement toward reinvention of government has largely died under the Bush administration as it was not the result of statute but rather executive fiat (Light, 2008). Be that as it may, there was a significant impact on agencies and processes. The Trust is an example of that.

Federal Entities ~ Federal Corporations

Although this study is about the Presidio Trust, an example of another agency follows. This is to illustrate that there are many agency formations within government and that there are different models that are work even for two agencies that need to be self supporting. There is not a one size fits all approach. An example of an agency that was looked at for change was the Patent and Trademark Office (PTO). PTO was slated to become the first performance-based agency in 1999 (Anonymous, 1999). The PTO operates in a business-like manner as it earns revenue associated with fees related to patents and trademarks. In the late 1990's, there was proposed legislation to turn the PTO into a corporation, but it stalled due to labor-management

issues (Anonymous, 1999). NAPA recommended that the organization move slowly due to the distrust that had grown in the organization while at the same time praising its performance based management plans (Anonymous, 1999). In the 1990s one of its greatest challenges was that it was difficult to run an organization that should be performance based in the larger structure of government when the overall government framework was not performance based (Anonymous, 1999). Today the PTO is still part of the Department of Commerce, it was not made into a corporation, the only flexibility allowed it is that it is fully fee based (PTO, 2008) as it has been for the last eighteen years. While it seems that the PTO is meeting its performance goals, could it do better? Could it retain more employees, one of its management challenges, if it were in a different organizational form?

This is an issue that can be recognized throughout government especially in those entities that have sufficient revenue streams or potentially sufficient revenue streams to allow for the agency to be self-supporting. The background on the PTO is illustrative of one type of agency that provides a service and must support itself. There are agencies that have been moved in this direction other than Government Sponsored Entities (GSE) who largely operate outside of government constraints (Froomkin, 1996). Some of the issues faced by the PTO are similar to those issues faced by the Trust. In fact retaining and recruiting talent, an issue for the PTO, was one of the issues that the sponsors of the Trust Act considered and one of the reasons it has taken on the form it currently has. Operations within a standard government agency can be successful, but it seems to have been a difficult road for PTO. Can the Trust be as successful with its model? The major difference between PTO and the Trust is the self sufficiency mandate.

Congresswoman Pelosi in her floor statement recommending the Trust be formed discussed the model the Trust is based on:

Capital improvements would be financed primarily from private sources and tenant financing. The concept of a trust has already been proven in the successful renovation of the Avenue of the Presidents through the Pennsylvania Avenue Development Corporation (PADC). The PADC, charged by Congress to restore and redefine Pennsylvania Avenue reaching from the White House to the Capitol, has successfully completed its mission in Washington DC. The transformation from derelict buildings to stately historic monuments along the avenue is a tribute to our nation.

The Presidio is unique from other areas included in our national park system. Its building space is the size of downtown Toledo; it is located in a diverse, urban area and yet it possesses a mixture of natural character and historical quality that invite innovation. It presents a challenge unlike any other national park. The paradigm for the Presidio Trust could well be applied to other areas of government as a model of public and private cooperation and effectiveness. (Pelosi, statement, 2008)

With the above model in mind, the first issue to tackle with regard to the Trust would be to understand what it is as an organization versus what it is not. In the initial draft legislation it was proposed that the Trust should be a non-profit public benefit corporation within the Department of Interior (DOI) and it would manage the bulk of the building rehabilitation and leasing while the NPS would manage the open space (Government Accountability Office [GAO], 1995). Much of the initial idea was retained; however the Trust became independent from DOI and gained authority over both open space and buildings within its area of the Presidio. The Trust was created as a wholly owned corporation subject to the Corporation Control Act (CCA) (Trust Act, 2008) and an independent agency in the executive branch.

The question to be asked here is what does being a government corporation mean in the context of the Trust, and is it really innovative enough to be an efficient organization? "In wholly owned federal corporations, such as the Commodity Credit Corporation, the federal government holds 100% of the equity and exercises 100% of the votes on the board of directors or other governing body. Several statutes creating wholly owned government corporations identify the body as an "agency," and most wholly owned FGCs are subject to large portions of

the Administrative Procedure Act.” (Froomkin, 1996) Corporations seem to be rather nebulous under the Corporation Control Act and to really understand a corporation’s regulatory leeway one must look to the corporation’s founding statute; however as defined by Froomkin (1996) federal corporations are subject to the Administrative Procedures Act and therefore while most federal corporations are required to recover most of their operating expenses they may not have the necessary leeway to do so.

A wholly owned corporation has more oversight than other types of federal corporations, such as mixed-use corporations, as it is required to submit a budget to the President, annual reports to Congress, and it is subject to annual financial audits (Froomkin, 1996). Froomkin points out the looseness of this type of entity in describing the reasons Vice President Gore proposed federal government corporations.

The classic reason given for creating an FGC instead of an agency, one echoed in the Vice President's proposals, is that an FGC will be more efficient at achieving a specific national goal, especially if the program envisioned involves market transactions. The national goal is ordinarily stated in the FGC's charter. Thus, the Farm Credit System, for example, exists to improve "the income and well-being of American farmers and ranchers by furnishing sound, adequate and constructive credit and closely related services." One of Sallie Mae's public purposes is to assure nationwide liquidity and insurance for student loans. In the abstract, FGCs seem to promise an alternative that everyone, from fiscal conservatives to democratic socialists, might find attractive. FGCs conjure up an image of business efficiency as opposed to the traditional bureaucratic cabinet department. Proponents of small government may welcome the introduction of an element of private control into most realms of public administration as a means of preparing for the privatization of federal functions. Democratic socialists may view wholly or even partly owned government corporations as a means of capturing the rents and profits from public activities or natural monopolies for the benefit of the public fisc. (Froomkin, Efficiency Section, 1996)

Froomkin’s assessment leads one to think that being a corporation means excess freedom from the constraints of government processes, procedures, and regulations, that could lead to the

ability of an agency to operate with business practices and efficiencies and he is largely correct. "There is little managerial oversight at present of government corporations as an institutional category by either the President or Congress. What oversight there is tends to be corporation-specific." (Kosar, 2008, p.16) Any restraints the Trust has would be specific to its legislation, oversight bodies, and federal regulations.

In 1995, during the move to reinvent government the Office of Management and Budget (OMB) issued a memorandum to all agencies regarding the analysis that should be done with regard to performance based organizations and of those which should become corporations. The OMB memorandum (1995) stated that the challenge in designing a government corporation revolved around the issue of balancing the need for autonomy and flexibility with the need for accountability and oversight.

Financial Self Sufficiency ~ Planning Evolution

A search for literature relevant to the Presidio Trust becoming financially self sufficient proved was quite abundant. There were three major reports located that stand as a basis for supporting government entities operating in a business-like manner. The reports are entitled: Public-Private Partnerships Key Elements of Federal Buildings and Facility Partnerships. (GAO, 1999), National Parks: Significant Progress Made in Preserving the Presidio and Attaining Financial Self Sufficiency (GAO, 2001), and The Presidio Trust: Developing a National Park While Attaining Self Sufficiency (NAPA, 2004). The GAO Report from 2001 and the NAPA were significant in making recommendations to the operations and financial model used by the Trust.

In 1999, the Presidio had just been transferred from the NPS to the Presidio Trust, but already it was abundantly clear that a different operation was needed. "As federal agencies find themselves under budgetary constraints with increasing demands to improve service, the

importance of making the most effective use of capital assets grows. To do this, federally owned buildings and land should be strategically acquired, managed, and disposed of so that the taxpayers' return on the investment is maximized. To maximize returns on buildings and facilities, federal agencies are increasingly interested in managing them in a more businesslike manner, including exploring the formation of partnerships through contracts or agreements between the federal government and the private sector." (GAO, 1999, p. 3) The NPS developed both the Presidio and Fort Mason with partnerships. Government reforms and community pressures were the catalyst for change, and Congress enacted special statutory authority to allow for private partnerships (GAO, 1999). The partnerships that the NPS took on were those initial ground leases and partnerships to develop buildings that became the basis of the transfer of the Presidio to the Trust. According to GAO, (1999) there were several facilitating and constraining factors in regard to the Presidio project that came up in interviews with the Park Service personnel; they indicated that there was a general reluctance on the part of the private sector to consider government a viable partner in a business venture.

As required by the Trust Act, the GAO visited the Trust and analyzed its operations in 2001. At the time that GAO visited the Trust was redefining the GMP developed by the NPS, and was developing what was called the Presidio Trust Implementation Plan (PTIP) (GAO, 2001). This plan was needed because of three significant developments that occurred and were described to the GAO (2001) by the Trust:

- The Park Service's 1994 General Management Plan Amendment assumed that annual appropriations in the range of \$16 million to \$25 million would be received. However, Public Law 104-333, which created the Trust, mandated that the Trust become financially self sufficient by 2013.
- Even after the Presidio closed, the 6th U.S. Army had been expected to occupy up to 30 percent of the Presidio's buildings; however, it has vacated the Presidio.

- The University of California at San Francisco had planned to locate its research facilities at the Letterman Hospital, but did not do so.

The Trust being a public entity had to go through a public comment period with regard to the PTIP and it was not well received.

The Trust's analysis of the public comments it received before releasing the Draft Plan Alternative, indicated that many of those commenting noted concerns with the proposed plans compatibility with the Park Service's 1994 General Management Plan Amendment. Public reaction when the Draft Plan Alternative was released indicated that many believed that the Draft Plan Alternative contained too much development and that the Trust should not have abandoned the Park Service's 1994 General Management Plan Amendment. (GAO, 2001, p. 14)

This comment period ultimately lead to the development of the current management plan. The Presidio Trust Management Plan (PTMP). Decisions with regard to the buildings and development needed to be made to move the organization toward self sufficiency, as such the Trust's plan analyzed six alternatives including the GMP, and under all of the alternatives the Trust would reach financial self sufficiency although the GAO recommended that the Trust have its model reviewed by an independent outside source (GAO, 2001).

The Trust's current guiding document, the PTMP, was not met without criticism. Park neighbors and preservationists were not happy with it. They felt the park could be run with less financial resources than called for in the plan (Sample, 2002)

By the time that the NAPA Panel reviewed the Presidio, the Trust had been in operation for five years. "The Academy Panel fully concurs with the Trust Board's own assessment that the Trust must meet its statutory financial self-sufficiency mandate and its broader national park site goal if it is to successfully fulfill its overall mission. The Trust can achieve its mandate to become financially self-sufficient by 2013 in a number of ways, but how the Trust achieves that mandate is critically important." (NAPA, 2004, p.14) The Trust was given wide latitude to

operate as a different type of federal agency.

According to NAPA, (2004) recommendations by the panel can contribute to the achievement of financial self sufficiency of the Presidio Trust. "The Trust must achieve self-sufficiency, but must also address issues involving historic preservation, natural resources issues such as reforestation, environmental remediation, visitor access, changing real estate market conditions, and cooperation with the public and NPS. Despite the complexities and fiscal challenges, the Trust has made progress in many areas." (NAPA, 2004) NAPA made many recommendations relative to the Presidio Trust's policies and the outcome of that study was a financial model. Further, the conclusion that came out of the study while positive was stern as it stated that the Trust could succeed but that the margin of error was slim (NAPA, 2004).

In Congressional testimony regarding NAPA's report Dr. Royce Hanson, a member of the panel that reviewed the Trust reiterated the bottom line of the study as follows.

The Panel and project staff intensively reviewed the Trust's long range financial projections, the assumptions underlying them, and the policies and practices guiding Trust operations. They also used a financial projection model to evaluate the Trust's financial viability under a range of alternative economic scenarios. This analysis confirmed that the Trust can meet its 2013 financial self-sufficiency mandate and maintain a modest cash reserve to meet financial contingencies. But, the margin of safety—that is the size of the annual cash reserve—is small, especially given the considerable challenges and financial risks confronting the Trust. (Hanson, statement, 2004)

Even in 2006, articles were being written about the Trust that questioned the financial stability. "The main challenge for the Presidio Trust over the next six years is to transform dilapidated 150-year-old military barracks, stables and hangars into profit centers -- a \$600-million undertaking. The Trust will also have to spend an estimated \$118 million to clean up an unknown quantity of hazardous materials left behind by the U.S. Army" (Cart, 2006, p. B1). In addition, to the financial issues, Cart went on to discuss the fear that National Park officials have

that the Presidio may become a model for corporate partnerships as a means to run national parks, and further “Though he stopped short of calling the Presidio's money-making mandate a model for the future, Jon Jarvis, director of the Park Service's Pacific West region, said all parks are looking at previously unexplored financial options to augment insufficient congressional appropriations” (Cart, 2006, p. B1).

In 2007, the Trust started receiving some favorable press and has been noted as being closer to financial self sufficiency (Richardson, 2007). According to Richardson, in a San Francisco Business Times article, the Trust has no other choice but to become financially self sufficient, as it was mandated to do so, and that it is an admittedly difficult task because it was also designated as an historical landmark; two mandates that seem at odds with each other. Further, while new tenants are pushing the Trust closer to self-sufficiency, according to the tenants the Trust is difficult to work with, partly because of the historical landmark restrictions, but partly because of the rules the Trust imposes (Richardson, 2007). Further, Trust representatives admit that while the Trust is covering its current operating expenses it is not able to meet any capital expenses, and to meet its mission it must rehabilitate the buildings (Richardson, 2007).

Methodologies

It was always understood that some kind of public private arrangement would be necessary to transform the Presidio from post to park (Rothman, 2002). This statement leads directly to the hypothesis of this project. The hypothesis for this project is that if the Presidio is operated more like a business and less like a federal agency it will attain long-term financial self sufficiency. The independent variable is the Presidio Trust being operated like a business, and while the Trust is not operated like a typical federal agency, as its statute grants many

exemptions from the rules placed on federal agencies, it still has many federal rules that constrain it beyond what a normal business would operate under. The dependent variable is attaining long-term financial self sufficiency. Operational definitions are needed for long term financial self sufficiency and operate like a business. Some of this has been elucidated earlier in this paper, but simply stated, financial self-sufficiency is the ability to earn enough revenues to cover the Trust's operating costs. Financial self sufficiency would need to lend itself to financial integrity which means that not only should the Trust earn enough revenues but it should also optimize costs. Operating like a business means that the entity operates with a motive to earn revenues rather than just incur costs like agencies funded through taxes.

Three subquestions spring from this hypothesis and have been answered in this paper. The first question is how effective is the Trust at covering the costs of operations? The definition of effective is the ability to cover the cost of its operations. Operating costs as defined in the introduction are those costs that are incurred in the maintenance and operations of the park excluding capital improvements. The next term that needs to be defined is effective. Effective would be the ability to cover current operating costs while maintaining a trajectory to continue to meet those costs since they will rise as more of the Presidio becomes renovated.

The second question is how does being a federal corporation impact the operations of the Trust? Earlier in this paper in the introduction and literature review federal corporations were discussed at length. Federal Corporations have sometimes been Congress' answer when they wanted an agency to cover its own expenses although the self sufficiency mandate is atypical. What latitudes has being a corporation allowed the Trust? What limitations exist?

The third question is what government regulatory requirements are impacting the Trust's ability to operate with maxim efficiency? This question goes further than looking at the limitations placed on the Trust by statute but other regulations, for example might the Trust gain

more efficiency in analyzing its operations if it could produce financial reports that allowed it to look at its business operations rather than federal financial statements? Efficiency would be the ability to operate with best business practices and a decision making process that allows for a decision to be made timely to further the goal of self sufficiency.

Current business practices that should be explored are: the Trust's inability to finance capital projects through any finance method other than borrowing from the Treasury, the "partnership" with the NPS and the mandates in place surrounding where the Trust is to "buy" its public safety services, the requirement that the Trust report its finances on a federal budgetary basis, the requirements of following federal appropriations law with not latitude, etc.

In order to determine if the Presidio's financial and management model is effective, interviews with key informants have been conducted with individuals with knowledge of the Presidio Trust, current management, former employees, and others key to the formation/operation of the Trust of the Trust. The purpose of the interview questions (Appendix A) was to determine what aspects of their area of responsibility or relationship with the Trust are working well, identification of areas that need improvement, and identification of areas that are constrained because of the federal atmosphere, policies, and regulations.

The first three questions in the interviews may seem to have been perfunctory given that both the author and the interviewees have a relationship with the Trust, but actually it allowed the author to gain an understanding of backgrounds and roles of the key informants. This is important because it allows one to gain the spectrum over which the interviews were performed. The fourth item related to the informed consent process. The interviews have been completely anonymous and voluntary. Participants were informed that the interview was voluntary and that no personal information was used in the study. This lead to frank and open discussion and reduced the feeling of risk to the participants (Blackburn, 2003). The background of

interviewees and roles within the organization can be found in Appendix B; it is important to understand the make-up of the key informant interviewees to understand the comments generated through the interview process.

The meat of the interview starts with questions five through seven. These questions surround the interviewees' impression of the operating model, and an assessment of four areas of the Trust. The assessment of the various areas is meant to get the interviewee talking about the Trust in the context of its model. The question regarding the length of time the interviewee has been involved in the Trust allows for an understanding of the depth of the assessment. Question eight is related to the current business lines or revenue generating business processes. This allows the interviewee to put forth ideas for new business lines and to speak about their area within the Trust and the regulatory practices that impact it. Questions nine through thirteen explore the financial model and the financial decision making processes surrounding finance. This leads to the understanding of financial stability and self sufficiency. Questions fourteen through eighteen explore the business processes that are working well versus those that are not and probed the interviewee with questions regarding the federal regulatory impact on business processes. In essence, what is working well and what is not? Is the organization efficient and effective? Finally, the interview is completed with the two questions regarding financial self sufficiency which is the mandate that is part of what this study has explored.

The primary data gathered through the interviews was transcribed (Appendix C) and analyzed. The results of the information garnered in these interviews follows in the findings section of this paper.

Once the data was collected, an analysis of answers related to the current organization and federal requirements was performed to determine if there were changes to procedure, policy,

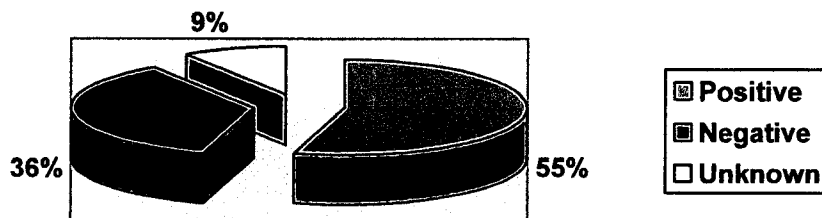
or statute that would allow for more flexibility. Items identified were recommended for further study if there was a potential financial impact on the Trust was deemed possible. Policy changes have been identified and it would be recommended that in the future potential financial impact be put into the financial model outlined in the NAPA study to determine the impact of the changes on long-term self sufficiency. It has been impossible for the researcher alone to have a fully developed complex financial model in the time that was allotted for this project. Since the NAPA study developed a model, this research study has focused on possible policy changes and the potential impact of that policy on the agency's finances and operations.

A brief analysis of current finances using the budget documents and actuals over the last ten years has been done, and changes that have taken place in the agency, have been considered with regard to policy recommendations.

Results and Findings

Operating Model

Figure #1 - Operating Model



The hypothesis that the Trust needs to operate more like a business presumes that there is something within the operating model that needs to change. Is the operating model sufficient?

Does the operating model need substantial change or minor modification? In conducting the key informant interviews, each interviewee was asked about their impression of the operating model.

The operating model of the Trust was espoused by a group of people that were very passionate about the GGNRA. It was supposed to be a “best of both worlds” model, a hybrid of the not-for-profit Golden National Parks Conservancy and the NPS. All of the interviewees understood the uniqueness of the model and the experiment that the Trust represents. As displayed in Figure One, over fifty percent of those interviewed felt it is a positive model and that it is working; however thirty-six percent felt it was a negative model and that the organization had some dysfunction perpetuated by the hybrid model. Negative comments from interviewees surrounded organizational communication and leadership issues. Regardless, of what the interviewee ultimately thought of the model, overall there seemed to be a general consensus that the Trust had a “freedom” that other agencies do not have and had the ability to make a decision quickly and with an agility that does not necessarily exist in most government environments. It seems that the Trust does not always fully utilize the benefits of the model.

Dichotomy of Mission versus Self Sufficiency

A further result in this area of inquiry that was brought to light in every interview was the dichotomy of the Trust’s mission versus its self sufficiency mandate. It came to the surface that the Real Estate Department is under tremendous pressure to perform due to the need to make deals and bring in revenue. Further, the Trust seems to be giving the public the perception of not being “in this” for the park, for example the Five Year Construction Plan shows the park projects as a separate group of projects rather than integrating them with the revenue or building projects in a way that does not make them appear to be an afterthought. The right way to think about this is everything the Trust does really supports ensuring that the Presidio is an enduring resource for the American public.

In support of the finding regarding the challenge of self sufficiency versus the mission of preserving the park, the view of the park partners is an important component. The NPS is not subject to a self sufficiency mandate and so has the potential to have a very different view of park management, the following is an excerpt from an interview with Brain O'Neil, NPS Superintendent for the GGNRA.

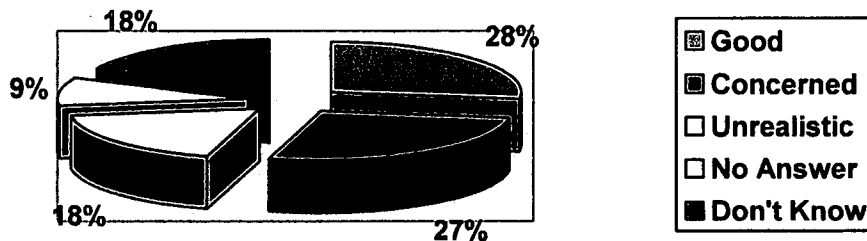
When the Presidio Trust was going to be established as a Government Corporation by the US Congress back in 1986, we were fighting to save the Presidio as a unit of the Park System. The Park Service developed a master plan that looked at different governance models that could work for the Presidio and out of that work we had proposed a partnership arrangement to create a Presidio Trust. Congress took that idea and reworked it, and there were some major requirements that had not been envisioned by us. The most important of that was the fact that it needed to be self-sufficient after 15 years of operation, which put a whole different level of burden of responsibility on us.

So I think the Park Service is immensely respectful of what the Presidio Trust challenge is in order to meet that financial obligation. But I think we've been equally insistent that it could be accomplished in a way that fully protected the resources and provided for program content. And I think if there have been differences over the years, it's been how you draw that balance and how you make it economically self-sufficient as required by Congress, but in a way that allows some wonderful institutions carrying out some terrific programs to occur there, so the site becomes distinctive from the quality of the program.

As we found at the GGNRA, there are many properties that simply cannot and should not make a good business deal. Not every building and not every structure at the Presidio can be seen as a business opportunity. Their ability to be reused will never be achieved until you find a partner who has the passion to create a program idea, who is willing to raise the funds to assist in the rehabilitation of the buildings. (SPUR, 2004, p. 12)

The NPS does not look at the business opportunities the same way the Trust does and this definitely drives business making decisions as the relationship is an important partnership in the management of the park. It sometimes impacts financial solvency in favor of the mission.

Figure #2 - Financial Solvency



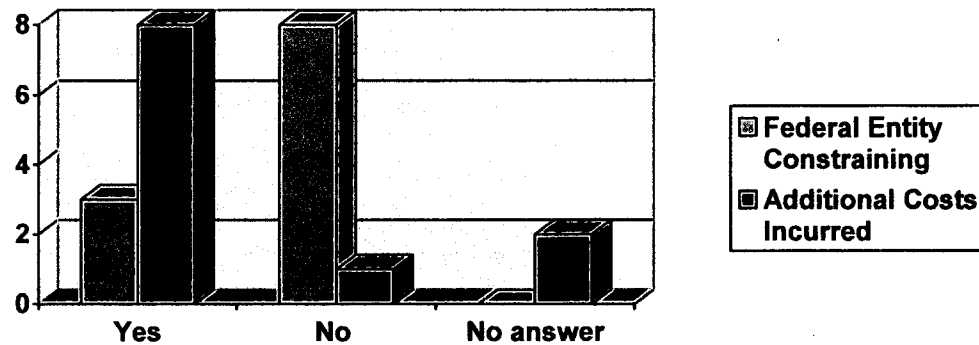
In discussing the operating model an assessment of four areas was presented as an option. While some of the interviewees touched on natural resources, managing operations, and real estate, the most responses garnered were relative to financial solvency (Figure Two). With the Trust moving toward having no appropriation in fiscal year 2013, financial solvency looms large on the horizon and is at the forefront of decision making with regard to projects and processes. Interestingly, the group was split into several factions. Those that felt the Trust was doing a good job at striving for financial solvency still expressed some of the same concerns as those that were concerned about it or thought that the Trust was being unrealistic about it. Issues raised were the need to have a “rainy day fund” for down times, the large amount of deferred maintenance and the need to plan for capital replacement, and the need to employ cost recovery for services provided to developers, tenants, park users, etc.

Federal Regulations

In direct answer of the hypothesis that the Trust needs to operate more like a business entity there were questions aimed specifically at federal regulations. The subquestions regarding how being a federal corporation impacts the Trust and what regulations impact the Trust’s ability to

operate with maximum efficiency are also directly related to these federal regulations and mandates impacting job performance.

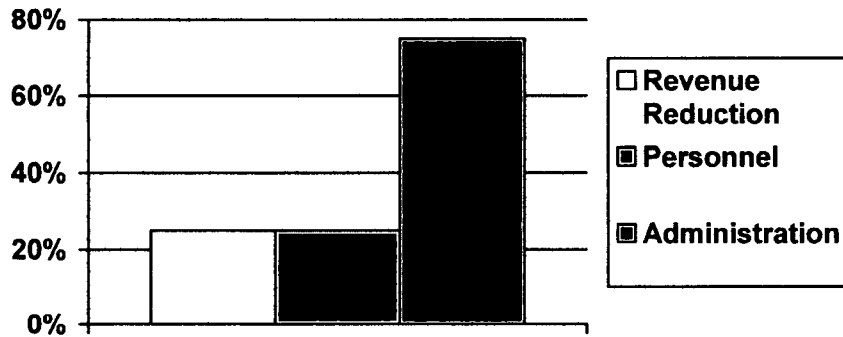
Figure #3 - Federal Constraints vs. Costs



As displayed in Figure Three the same number of respondents that felt that being a federal entity did not constrain the Trust in its operations recognized that the Trust incurs an additional level of costs due to being a federal agency. Comments regarding the federal environment ranged from “we do not use the environment to our advantage” and it is “no worse than having corporate regulations”. It seemed to be largely understood that the form of the organization allowed freedom and although there were additional costs being borne by the organization; the form of the organization is protecting the unique asset.

Interestingly, the cost issue poses a dichotomy. If the agency has to bear costs due to federal mandates it does not have the full freedom to cut costs. Overhead is potentially larger than necessary directly impacting the financial self sufficiency mandate. Of the eight respondents that stated that additional costs were incurred three key areas as identified in Figure Four were identified. Some respondents identified more than one area.

Figure #4 - Areas of Cost



Respondents spoke with regard to the political aspects of the Trust. Relationships with other federal agencies can negatively impact revenue as special privileges have been put into place to accommodate partnerships, for example, revenue could be generated from buildings the NPS resides in. A reduction in revenue potential is the same as increased cost. Further if the buildings occupied by NPS are taken as an example, the Trust not only receives no rent, but also must bear the cost of maintaining a building. A regular tenant would have to pay rent, service district charges, utilities, and operating expenses for maintenance. The NPS pays only portion of utilities as many of its services are billed back to the Trust because they provide public safety services.

Political pressures and outside forces many times drive the agency's business rather than good business decisions. For example, if there is pressure not to do layoffs in the Congressional District, but the Trust needed to reduce costs, the Trust would elect to reduce personnel costs through attrition rather than do layoffs. Would this be the best business decision? Maybe attrition would work well, but more likely than not you would lose positions in areas that you needed to keep staffed and programs would suffer or costs may not be sufficiently cut to maintain an adequate level of operations. The simple fact is in that in a political organization

the business is sometimes driven by the political wind and there is a cost to be borne or an opportunity to be lost due to this type of decision making process. The cost of this is hard to quantify as political maneuvering can be subtle and suspect; however, it is something that needs to be understood.

As can be seen from Figure Four the area identified as being perceived as the most costly is the administration of running a government entity. Items identified in this area were enforcement of the Davis-Bacon Act, federal reporting, OMB requirements, federal budgetary accounting, systems compliance, etc. The Trust faces difficulties on two fronts, first that it is a small agency so enforcing something like the Davis-Bacon Act, an act put into effect in the 1930's, that is more easily enforceable in larger agencies, is difficult to enforce for a small agency with minimal resources. The Trust suffers from being a small organization trying to be successful and run many different business lines. The second front is that trying to administer federal requirements causes the Trust to incur an added layer of costs. An example, is that the OMB mandated that all federal agencies would implement use of an electronic travel system, and the Trust complied, but the costs were staggering and it did not work well given the limited agency travel. It seemed a burdensome, costly requirement. The Trust has since elected to abandon use of the system, citing its mandate to be self sufficient and the necessity of being cost conscience as the reason, and has notified the OMB of this decision.

Presidio Trust Act Limitations

As mentioned previously in this paper under the section about federal corporations, the Trust could face limitations based upon its own founding statute. The Trust Act has been analyzed and limitations have been listed in Appendix D. One area mentioned by the finance

staff interviewed was related to borrowing of funds for capital projects. This has been further supported by secondary data. Constrained timeframes prohibited an interview with the Executive Director of the Trust but the following information was an interview given by Craig Middleton to a news letter regarding base reuse and privatization. The question asked is a pivotal question in this study and similar to questions asked of all of the interviewees.

Norris: The Presidio Trust has special authorities granted by Congress as well as special obligations. To what extent have these helped or hindered the Trust's ability to reuse the former base?

Middleton: On the plus side, we have the flexibility to manage the Trust in a way responsive to both the market and our specific needs as we discover them. In particular, with personnel issues, we have the ability to compensate, hire, fire and promote more easily than in an ordinary civil service environment. This has been key when we needed to expand and contract our work force in response to particular needs, such as the housing renovations that occurred early on. One of the things I have always been careful to do is keep payroll as a manageable portion of our overall operating costs. On the negative side, we have been hindered by our inability to borrow money. As a federal agency, the Trust cannot borrow money except from the government itself. We have treasury borrowing capacity up to \$150 million. However, in reality we can't really borrow that money because it is scored against the federal budget as if it were an outlay, akin to an appropriation. (Norris, 2008, pp. 1-4)

Financial Data

The first sub question was given the model and structure how was the Trust doing financially. Was it able to meet operating expenses? It appears that the Trust is meeting its self sufficiency mandate, given the current array of its operating budget. The following two charts, Figures Five and Six were derived from budgetary and actual financial data from fiscal years 1999 through 2009 available on the Trust's website.

**Figure #5 Budgeted Operating Expenses and Earned Revenues
(in millions)**

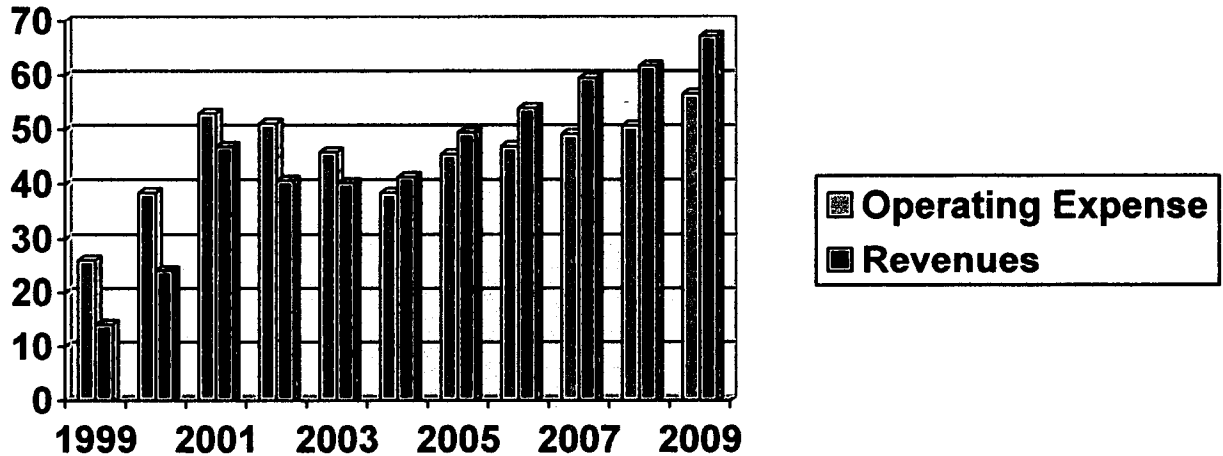
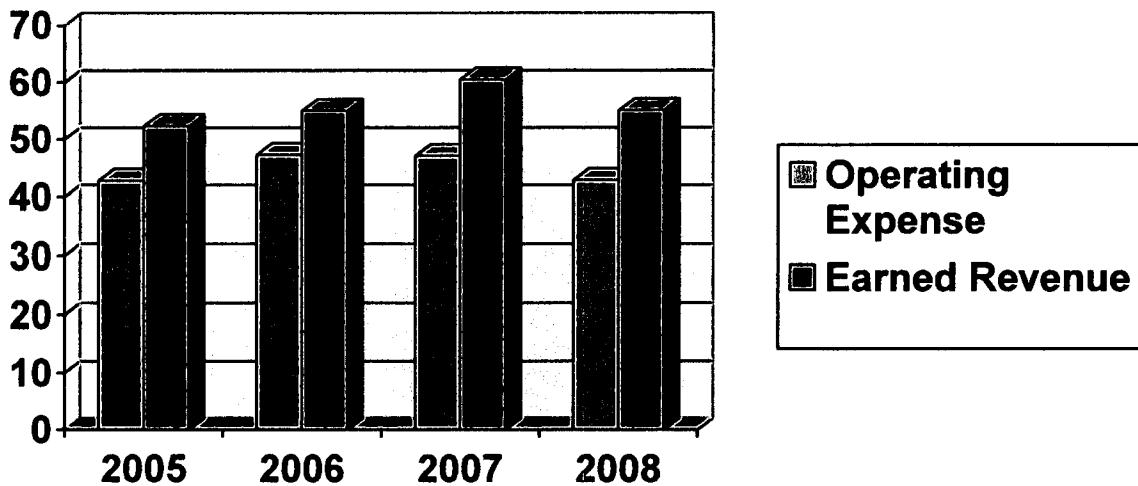


Figure Five reflects budgeted expenses and revenues. The amounts picked up include only those items designated as operating expenses and earned revenues. The amounts received as an annual appropriation are not included. It should be noted that in fiscal year 2008 there still remains a substantial amount of rehabilitation to do. (Presidio Trust Budgets, 2008)

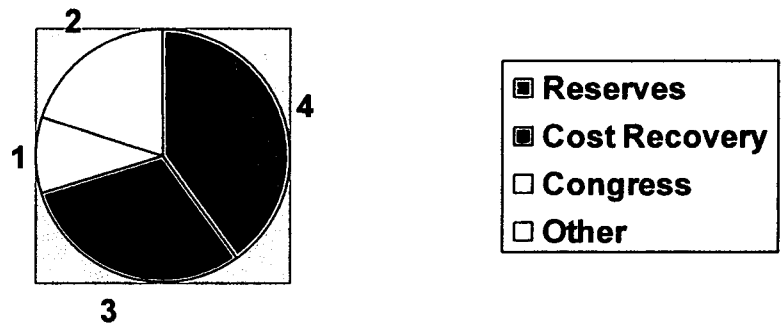
**Figure #6 - Actual Operating Expenses and Earned Revenues
Fiscal Year 2005 through July 2008 (in millions)**



This chart, Figure Six, represents actual operating expenses and actual earned revenues as posted on the Presidio Trust’s website. As with the chart on budget, Figure Five, it reflects that the Trust is meeting its operating expenses with the current array and identification of operating expenses. (Presidio Trust Budgets, 2008)

Figures Five and Six represent actuals on a budgetary basis but it should be understood that if the Trust elects to categorize a project as a capital project even though it should truly be an operating expense the operating expenses could be skewed. A budget is a subjective policy document. With this in mind key interview questions were also asked about financial self sufficiency and the financial model. All of the key informant interviewees stated that they believed that the Trust either would reach or had already reached financial self sufficiency. This is supported by the budgetary and actual operating expenses in Figures Five and Six. The real key to financial self sufficiency is long term self sufficiency. The Trust could bankrupt the future of the organization by not being stewards of the resources now. Areas of concern and the number of respondents that had those concerns are depicted in Figure Seven:

Figure #7 - Concerns Surrounding Long Term Financial Sustainability



These areas of concern have a direct impact on whether the Trust can sustain long term financial self sufficiency. Four interviewees identified the fact that the Trust should be ensuring there are funds for a “rainy day” or reserves for capital replacement for both buildings and infrastructure. Without these additional reserves replacement of infrastructure may be accomplished through an increase in utility rates, but building replacement and maintenance will have to come from operating funds. The Trust currently has \$15 million in building deferred maintenance (Presidio Trust 2008 Annual Report, 2008). Maintenance can be deferred for some time but cannot be left undone indefinitely without a negative impact to the asset.

Next, three interviewees identified cost recovery as an area of concern. In order to ensure financial self sufficiency the Trust needs to continue to identify areas in which a portion of or all costs can be recovered. Utilities are an example of this. The Trust rolled out utility billing for residential units in the past year, as an attempt to recover costs and move to a point where the utilities pay for themselves.

Only one interviewee identified Congress as a concern, but it was a significant enough point that it warrants mention. As the Trust becomes self sufficient and does not use all of its funds, say it does keep them for a “rainy day” Congress or OMB could take additional funds from the Trust to use elsewhere in government. In fact, GAO (2001) stated that the Trust’s finances should be revisited for exactly that purpose.

A last area to be looked at with regard to the financial self sufficiency is the long range financial model. Some managers outside of Finance knew something of the model and realized it guided the financial decision making process. It appears that the model is not used as a planning tool the way other business modeling tools/plans are used. Those managers in Finance felt the model needed change to strengthen it as a decision making tool.

Business Practices

Quite a few business practices not mentioned in the other findings were brought up; however, none of them were so gargantuan as to make one think the Trust will not make to financial self sufficiency. The issues that came up were related to internal processes: communication within the organization, dysfunction between levels of management and staff, paralytic decision making, lack of focus, working in starts and fits, and an unwieldy budget process. Six out of the eleven interviewees also identified that there is no true understanding of the organizational goals.

Accountability

At the end of the day, using more and better business practices may lead to enhanced functionality and larger revenue streams, but what does it mean with regard to the level of accountability the Trust should have to the public? The key informants were unanimous in the idea that accountability to the public was very important. Comments ranged from staff understanding the public service aspect of working at the Trust to the fact that in being a federal agency the Presidio is being protected as an enduring resource for the American public and that a duty was owed to the public. This accountability hearkens back to Woodrow Wilson stating public service is a public trust. It is the single idea that the Trust needs to keep in mind in starting any process, making any decision, or implementing any new program.

Conclusions and Recommendations

Through the key informant interviews and the process of evaluating the data major findings were put forth in the previous section of this paper. From these findings the major conclusion to be drawn is that the Trust could continue to operate as it is and attain financial self sufficiency; however some changes to allow the entity a bit more freedom would enhance its ability to operate and manage its finances. Being a federal corporation has allowed it enough

flexibility to survive although some changes would allow it to be more in line with business than with standard government practice. The model appears to be working, financial self sufficiency is attainable; however efficiencies could be gained.

The Trust has been in operation for ten years and it is working. In July 2008, Craig Middleton testifying before a committee in the House of Representatives said,

A decade has passed since the Presidio Trust assumed jurisdiction over 80% of the Presidio, and the message I have to share with you is a positive one: the unique model for reinventing a renowned military post as a financially self-sustaining national park is indeed working. In fact, ten years after our assumption of jurisdiction over the Presidio, there is very significant progress not only in accomplishing the financial goals that Congress set out for the Trust, but also in preserving the 469 historic buildings and the landscapes that comprise the Presidio and in creating more opportunities for all segments of the public to enjoy this incomparable park at the Golden Gate. The Trust has developed strong partnerships with the National Park Service and the Golden Gate National Parks Conservancy to implement various aspects of our plan for the park. (Middleton, 2008)

Recommendation 1

To enhance the financial progress the Trust has made, alleviate some of the administrative burden, and allow it for effective operations, recommend that the Trust continue to pursue a technical corrections bill. If not a technical corrections bill, the Trust should pursue an amendment to the Trust Act. Possibly the Trust could pursue both over a period of time. There may be a good window of opportunity when self sufficiency is reached. The items that the Trust should pursue being incorporated in this amendment/bill are as follows:

- Elimination of borrowing restrictions – allow the Trust to borrow from other entities so that capital projects can be funded into the future. This would allow the Trust the flexibility to renovate parts of the park that will not be finished by the time appropriations run out. Congress has denied additional borrowing for the Trust every year even though there is an additional \$100 million of borrowing authority available to the Trust (Trust Annual Report, 2008).

- Elimination of the requirement to follow the Davis-Bacon Act. The Davis-Bacon Act has been suspended by President's in the past (Gill, 2008), so there is precedent for not following it. This would reduce administrative processes and would allow flexibility in contractor hiring. There is also a potential for cost savings that should be explored further.
- Return of Building 102 to Area B. This building is in the heart of the Presidio and has the potential for increasing Trust revenues as part of the entire Main Post project. While this was not identified through the interview process as a result from primary data was something the Trust pursued in a technical correction bill in July 2008 (HR 6305, 2008).
- Removal of mandate to US Park Police or continued funding for public safety. Middleton (2008) spoke with regard to the U.S. Park Police as part of testimony given for a technical corrections bill that was not passed earlier this year.

A critical part of the financial equation is, of course, projecting and controlling operating costs. The Trust has sought to limit annual increases in the costs we control to 3% in order to create enough net operating income to continue our efforts to rehabilitate remaining buildings, landscapes and infrastructure within the park. A key component of cost is related to law enforcement. The Trust Act requires the Trust to contract with the U.S. Park Police for law enforcement services. The costs and level of service are negotiated annually with the U.S. Park Police and formalized through an Interagency Agreement. The arrangement has worked well for the Presidio; the U.S Park Police do an admirable job of protecting the park. However, annual costs have averaged \$3.6 million since 2000. Fixed costs, reflecting salary, retirement, and other costs have escalated within the federal government by over 3.5% per year. Despite this, the U.S. Park Police has worked with the Trust to provide appropriate law enforcement services within operating budgets. Additionally, as activity on the Presidio as increased under the Trust's purview with more tenants, more special events, and a growing resident population, law enforcement needs are increasing and the Park Police is handling an increasing number of service calls and property crimes. HR 6305 attempts to address these 4 issues by shifting the cost of law enforcement from the limitation on appropriations that is otherwise applicable to the Trust's operations. (statement, 2008)

Recommendation 2

The Trust should pursue a study with regard to federal regulatory administration of the agency. This study should be twofold; it should look at costs and it should look at the requirements surrounding administration due to federal requirements. Some suggested areas of study are: financial reporting, federal system mandates, payroll processing, human resources, and compliance. Other areas should be identified by gathering data from the larger Trust staff. The cost should be identified and then assigned to each area or subsection of an area, so that the Trust can gain an understanding of the additional overhead being borne due to federal mandates. It might be impossible to pursue gaining exemption from certain administrative responsibilities, for example, the buildings on the park are historic landmarks so there may be a level of administration for historic landmark status with which the Trust must comply. Those areas versus areas that could be pursued for exemption should be identified. Once these areas are identified the Trust can make the decision how best to pursue it any exemptions (e.g. administrative exemption from the appropriate regulatory agency or amendment to the Trust Act.

Recommendation 3

The current business lines were mostly deemed as being viable although no one business line could stand on its own and support the operations of the Presidio, but taken as a whole they are strong. Those areas that are likely to grow are venue rentals and areas related to cost recovery. The Trust started cost recovery efforts in the last year by rolling out utility billing to residential tenants. This was a recommendation given in the NAPA study, "The Trust began billing separately for utility costs once buildings are individually metered." (NAPA, p. xviii) Cost recovery is not enough. Reserves to ensure that there are funds for lean times as well as reserves for designated activities should be established, for example over the next few years utility rates will need to increase to cover costs, and once the rates are sufficient enough to cover

the costs the rates should be raised to allow for a reserve for infrastructure replacement. Further the Trust should guard against uncertainty, but with the mindset that any contingent reserve must be transparent and current budgetary carry forwards reflecting the current inability to spend funds effectively cannot be designated as a reserve.

NAPA's report in 2004 made a similar recommendation:

The Panel also believes that the Trust must guard against unexpected financial contingencies that could jeopardize its ability to meet its financial self-sufficiency and national park site goals. The Trust staff can use its improved financial forecasting model to identify the effect of changes in current economic conditions and key financial variables on the Trust's long-term financial projections. The Board can establish tolerance limits for the amount of financial risk they will plan to accommodate given these projections results. The Panel therefore recommends that: The Trust staff propose and the Board approve a contingency reserve large enough to absorb expected adverse effects from various alternative economic scenarios, including costs stemming from the aging of the infrastructure and the stock of historic buildings, and periodically review the size of that reserve as changes in future conditions warrant. Further, the contingency reserve should be explicitly funded by obtaining mandatory borrowing authority, establishing a contingency reserve within available corporate reserves, or using another permanent funding source. (NAPA, p. xx)

To date the Trust has not enacted any such reserve procedure or policy, and NAPA's recommendation is reiterated as part of the policy recommendation in this report.

Recommendation 4

The long term financial model is a significant part of the decision making process; however during the interview process it came to light that managers with significant financial decision making influence had not seen the model in quite some time. The model should be a living breathing tool that the Trust can update and mold as decisions change, recommend that the Trust continue to revise and update this model to strengthen it. Whether this model is by business line, based on actual spend rather than budgetary data it should continue to be strengthened and used for decision making within the organization. At the time that NAPA

studied the Trust they also made recommendations regarding the model and while some of the recommendations were implemented it is worth noting that the model has such importance to the organization.

The Panel believes that a long-term financial forecasting model is an essential tool for meeting the Trust's strategic goals and objectives. The Trust's current financial forecasting model has rich detail and provides reasonable forecasts and estimates of the impact of current policies and alternatives on the ultimate viability of the Presidio Trust after 2012. While the Trust model has been more than adequate for past needs, it is time that the modeling process anticipate and address the full range of the Presidio mission, revenue, and spending alternatives in long-term financial plans.

The Panel believes that while the Trust has effectively used external real estate experts who are familiar with the Trust to develop, extend, and run its current model, it now needs to expand the model to include aspects of park planning and management that extend beyond real estate operations. While the Trust can continue to rely on contractors to help develop this enhanced model, there may be some advantages to establishing greater in-house operation and control. This could ensure that the broader scope of a planning and forecasting model is fully addressed. In addition, model development often increases knowledge about the internal operations and can facilitate improvements or more efficiency in those operations.

Enhancing the forecasting model will require the involvement of the Presidio Trust Board and senior management at the earliest stages of further model development. The Panel made several recommendations to improve the current Trust financial projection model including that:

Senior management develop and the Board approve model requirements before additional model development takes place. The requirements should provide direction and guidance to ensure that the revised model best meets the needs of the Trust. The Trust document its current financial forecasting model. The documentation should include a full description of the model's logic flow, the sources of its data inputs, the key assumptions underlying model results, and any critical decisions made outside the model that are required for its operation. The Trust replace the constant dollar assumption with an assumption that applies appropriate inflation rates to those cost and revenue components that are sensitive to inflation. (NAPA, 2004, pp xix-xx)

While the current thinking is that the model move to a more business line model; the model needs continued work. Even after 2012 the decision making will need to encompass the long

term financial planning to ensure continued success. The financial model is integral to this planning process.

Recommendation 5

One of the findings that came up in the interview process was that there seems to be several internal management issues. The most senior management within the organization, the Executive Management Team (EMT), is made up of the Executive Director (ED), the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the General Counsel, the Human Resources Director, the Director of Public Affairs, and the Chief Planning, Parks, and Programs Officer (CPO). This team is organized in a much more efficient manner than it has been in the past, but somehow it does not seem to be used efficiently. There was mention of communication issues between management and staff.

Further, there were several mentions of silos within the organization, and that leadership needs to help staff come together to form a more cohesive team that supports the Presidio as the project rather than each individual area. The staff needs to communicate both vertically and horizontally (in all directions) within the organization and the EMT could help break down those barriers. This leads into the issue regarding the dichotomy that exists in the organization the financial self sufficiency and real estate development versus the protection and revitalization of the open space and natural resources. This issue helps engender a breakdown in communication because it naturally pits select groups against each other. The question is how do we enhance the organization to make it better and overcome these issues? An answer could be strategic planning.

“Strategic planning is a tool to help organizations make decisions consistent with its approach to achieving an organization’s mission, goals, and objectives. It is an action-oriented process of making and implementing decisions about the use of human and financial resources. This process helps management better position an organization to respond to changes in its environment.” (ASPA, p.7)

Accompanying all of the issues above was also mention of the fact that the organization had guiding documents but that staff did not truly understand them. Many people had not even seen the strategic plan as posted on the web site. This was supported by the employee survey results from 2007 that was conducted by Human Resources and continues to be a problem (Presidio Trust Employee Survey, 2007). There is a draft strategic plan, but it was not developed with members throughout the organization. True strategic planning involves the organization at all levels. The Trust should strive to continue the cultural change to engage in true strategic planning and engage staff in development of performance measures. This would enhance communication, break down barriers between EMT and staff, and should move the organization toward performance budgeting, an improved budget process, and possibly performance management of personnel. This would help create a high performing organization.

Besides allowing for internal organizational performance enhancements, strategic planning can be used to ensure that external stakeholders are involved in the organization. This would help ensure that the level of accountability within the organization stays at the highest level possible. The public process could be further enhanced and projects can be discussed in public forums as the current project for the proposed museum has been. Objectives can be set to ensure public involvement as the Presidio must be preserved for future generations and regardless of the business form of the organization.

Conclusion

The Trust is ten years old. As an organization it is no longer a “start-up” and it has made positive progress over the last ten years and has grown tremendously. The Trust is truly an experiment in the management of a unique federal asset, and it should be reevaluated periodically to determine the progress it has made, how well the model is operating, and if the financial success of the organization becomes long-term. It would indeed be interesting to study this model in five years at the brink of the organization’s self sufficiency mandate.

Middleton’s (2008) words at his testimony to the subcommittee for national parks in the House of Representatives on the need for a technical corrections bill sums it up best:

The Presidio’s transformation into a national park is one of the most interesting and remarkable base realignments in the country – one that is bringing together funding and expertise from government, the private and non-profit sectors, and the philanthropic community. Congress created the Presidio Trust to lead this effort.

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Appendix A~ Interview Questions - Presidio Trust Operations

1. Introductions
2. Background of interviewee (public administrator, business, area of expertise)
3. What is your role with the Presidio Trust?
4. Purpose of the Interview (explain voluntary nature, expectations of privacy).
5. What is your impression of the operating model?
6. Were you involved in the formation of the Presidio Trust?
7. If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee’s assessment of the following:
 - Natural & Cultural Resources
 - Managing Operations
 - Financial Solvency
 - Real Estate Management
8. Identify the current business lines.
 - Are all of the business lines viable?
 - When have the business lines been brought on?
 - What are future business lines?
 - Are these business lines hampered by federal mandated actions?
 - Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes?
9. Explain the current financial model as you understand it.
10. Do you think that the financial model is viable?
11. Do you have recommended changes for the financial model?

Appendix A ~ Interview Questions - Presidio Trust Operations ~ Continued

12. What other financial plans, besides the model, outline the future for the Trust?
13. Do you play a role in making decisions that impact Trust finances?
 - If so, how do you analyze these decisions?
 - Do you consider return on investment? Cost benefit Analysis?
 - How are these factors determined? Independently, consultants, management?
14. What business processes are you involved in?
15. What business processes work well at the Trust? Why?
16. What business processes do not work well? Why?
17. Are there standard business practices that you think would benefit the Trust that we do not employ?
18. Do federal regulations make your job more difficult?

If so, which ones?
19. What level of accountability do you think is important for the Trust to maintain?
20. Do you think the Trust will reach financial self sufficiency?
21. What changes if any need to be made to business practices to reach long-term self sufficiency?

Appendix A ~ Project Definitions for Interviews

Federal Regulations – Regulations or Laws enacted specifically for the management of the federal governmental agencies, for example, the Trust is governed by the National Historic Preservation Act (NHPA) which is part of the compliance regulations/laws that the Trust must follow when renovating the historical buildings in the park. Regulations include Presidio Trust policies as posted on the Presidio Trust’s public website.

Financial Self Sufficiency – the ability to support the operations of the Trust and maintain the park to include necessary maintenance for buildings and infrastructure with revenues earned.

Park Users – Anyone who uses the park for recreation or those people that live or work on the park are considered park users for purposes of this survey.

Park Partner – An employee of an agency that is considered to be in a partner relationship with the Presidio Trust, for example, the Golden Gate National Parks Conservancy.

Park Neighbor – A person that lives in a neighborhood adjacent to the Presidio, for example, Pacific Heights.

Public Accountability – Operating with the Public’s best interest at the forefront, and operating in a manner acceptable to safeguard the public’s asset, in the case the park itself.

Trust – Independent federal executive agency known as the Presidio Trust. The Presidio Trust is the agency that is responsible for Area B of the Presidio of San Francisco.

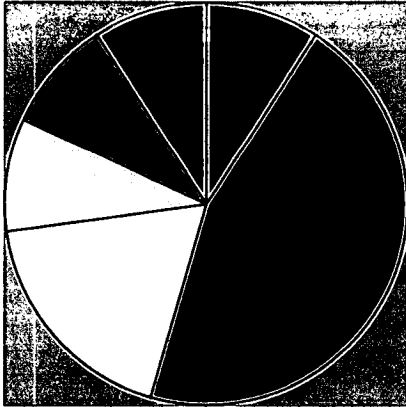
Trust Administration – Employees of the Presidio Trust in position to make management decisions.

Trust Mission – To enhance and preserve the park for future generations of the American Public.

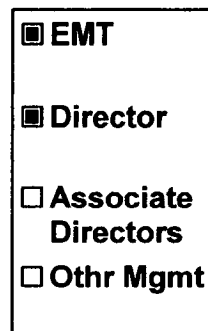
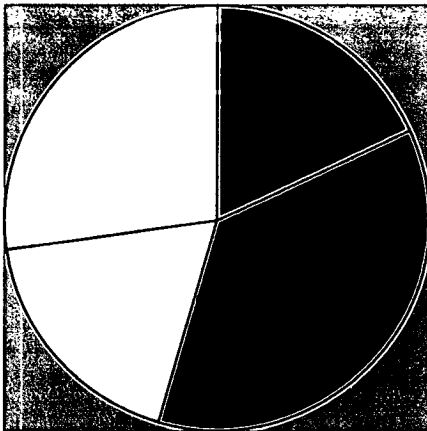
Trust Staff – Any employee of the Presidio Trust.

Appendix B

Background of Key Informant Interviewees



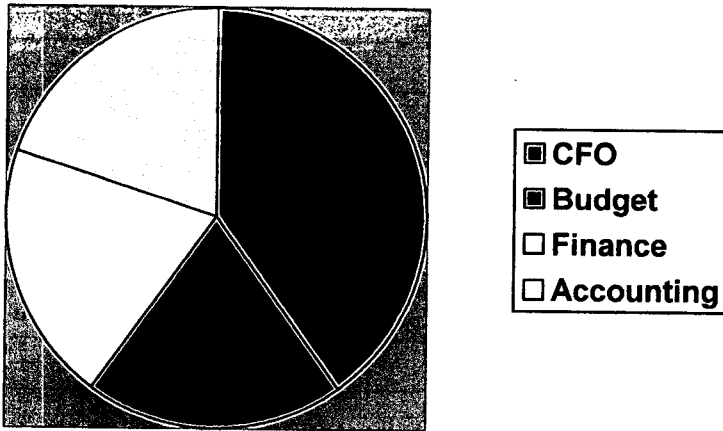
Management Levels of Interviewees (both current and former employees)



Note: Other category includes key contractor relationships

Appendix B ~ Continued

Breakdown of Finance Key Informant Interviewees



As Finance is a key division in understanding self sufficiency several respondents were from this area. Within the area of Finance the understanding of self sufficiency and the financial model is managed overall by the CFO but financial management crosses several key disciplines and departments within the Finance Division so it is important to have a spectrum of within the financial management arena.

Appendix C ~ Interview Transcriptions

Interviews have been transcribed as answers to key questions only as data was ransacked to determine answers to the relevant questions. Title/Role, background, and business process involvement of interviewee have been eliminated for anonymity. Each interviewee has been assigned a number designated by the author. Background demographics may be found in Appendix B.

Interviewee #1

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy) – Informed Consent.

What is your impression of the operating model? Good model that needs work. The model is a hybrid of the Conservancy and business model - best of both worlds.

Were you involved in the formation of the Presidio Trust? Yes - the untold story is that the Conservancy really worked to form the Trust. In 1989 BRAC came out and the Presidio Council was formed. Luminaries included dignitaries like Maya Lin, Lori Olin, Jim Harvey, Tulley Freeman. NPS brought a team from Denver not using a local team (mistake) GMPA was influenced by the Council. Council testified in D.C.

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources (see below)
- Managing Operations (see below)
- Financial Solvency (see below)
- Real Estate Management (see below)

Divisive nature in the Trust divides the business lines. From a meta-level perspective the revenue generating lines need to be disbursed and merged into the mission of the organization. This would call for tenants like Tides Center to be part of an "ecology business" line. The divided nature of the Trust has a definite impact on the image the Trust has with the Public.

Identify the current business lines (or discuss business line interviewee has knowledge of).

Interviewee #1~ Continued

- Are all of the business lines viable? Yes. Real Estate has always been the main line. Too much pressure on that line not enough diversification.
- When have the business lines been brought on? Various times.
- What are future business lines? Expansion of business lines into youth recreation, outdoor recreation, audio tours, etc.
- Are these business lines hampered by federal mandated actions? No – it isn't bad that we are a federal agency, we have not plunged the depths of the richness it could afford us
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? NA

Explain the current financial model as you understand it. All revenues and operating costs are factored into the model to determine the likelihood of self sufficiency.

Do you think that the financial model is viable? Yes.

Do you have recommended changes for the financial model? Yes – should be used as a living breathing planning tool and updated to ensure the correct mix of park uses.

What other financial plans, besides the model, outline the future for the Trust? The Five Year Construction Plan.

Do you play a role in making decisions that impact Trust finances? Yes.

- If so, how do you analyze these decisions? Looks at the returns with a mixture of park uses/cost/return.
- Do you consider return on investment? Cost benefit analysis? Every decision is made with the financial model in mind.
- How are these factors determined? Independently, consultants, management? Myriad of ways.

What business processes work well at the Trust? Why? Processes are generally good; however, we are our own worst enemy in trying to get a decision made at a staff level programs are understood – too divisive a senior level.

What business processes do not work well? Why? NA

Are there standard business practices that you think would benefit the Trust that we do not employ? No – private businesses may do things more quickly but not-for-profits looking for the cost break do not. Still get bids etc.

Interviewee #1~ Continued

Do federal regulations make your job more difficult? NA

If so, which ones?

What level of accountability do you think is important for the Trust to maintain? Public Service is known element throughout the organization but we need to change the public image that we have as the public would like us to ensure that a certain community is developed in the park.

Do you think the Trust will reach financial self sufficiency? Yes. Greatest challenge and our greatest asset as our resources will be under our own destiny.

What changes if any need to be made to business practices to reach long-term self sufficiency? Internal processes.

Interviewee #2

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy) – Informed consent.

What is your impression of the operating model? Flaws in operating model, for example 501C3 designation adds to confusion, not needed because it is in the statute. Competition and conflict between the objectives, the model is not designed well enough for an intersection that overcomes that dichotomy. It is possible to manage both, but they do not seem to be on parallel tracks.

Were you involved in the formation of the Presidio Trust? No

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources (see below)
- Managing Operations (see below)
- Financial Solvency (see below)
- Real Estate Management (see below)

Financial Solvency is not managed realistically. The Trust puts out misinformation with regard to solvency.

Interviewee #2 ~ Continued

Real Estate Management – adds to the conflict of being a park and a federal agency and operating a business. The model is really to turn units or churn units to ensure that higher rents can be attained. The Trust does a poor job of finding balance and achieving social responsibility.

Being a federal agency is what it is. It may be a detriment to making the most money if you look at it purely in that light. There is very little done to serve the public interest. The dichotomy of being a park versus the real estate management issue.

Identify the current business lines. Real Estate, Utilities, Golf Course

- Are all of the business lines viable? No - The Trust should not be in the utility business. Not a main line of business. No expertise in managing a golf course. Residential is viable. Commercial – Real Estate and management takes too long to make decisions. It is the internal decision process to include the Board of Directors (e.g. the decision to build Bldg 215 Transit Center – it is a restaurant not a transit center) “Build it and they will come”.
- When have the business lines been brought on? Various times
- What are future business lines? NA
- Are these business lines hampered by federal mandated actions? No there are plenty of agencies that are in the business of real estate. Look at GSA. The Trust tends to reinvent the wheel.
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Yes – regulations add to cost but the cost of doing business under Sarbanes Oxley for a corporate firm would be substantial. It is really the same thing.

Explain the current financial model as you understand it. The financial model is a market driven model. It is built to show those results.

Do you think that the financial model is viable? No – it is not a viable model because it does not take into account current economic conditions. Model does consider different mixes of tenants but it is based on the PTMP which is old and the “landscape” has changed.

Do you have recommended changes for the financial model? It would be enhanced by taking the current economic conditions into account (e.g. stagflation, recession, depression) Also, the Trust should ensure that they understand how the current economic conditions impact the financial picture overall (e.g. how economic conditions impact the tenants – not for profits the trickle effect on the Trust)

Interviewee #2 ~ Continued

What other financial plans, besides the model, outline the future for the Trust? NA – Budgeting tool (currently use excel) that instills more discipline and efficiency in the process and that decentralizes the process a lot. Too much control in the hands of one person.

Do you play a role in making decisions that impact Trust finances? Yes – when employed there.

- If so, how do you analyze these decisions? ROI – IT expenditures, Cost/Benefit,
- Do you consider return on investment? Cost benefit Analysis? - Yes
- How are these factors determined? Independently, consultants, management? – Financial analysis driven by management. These tools are not used across the board.

What business processes work well at the Trust? Why? Accounting – operational day to day processes.

What business processes do not work well? Why? – Budget Execution – the priorities keep shifting – no alignment of goals and objectives to strategic plan. On the commercial real estate side there are many starts and stops (e.g. PSHH, Water Reclamation)

Are there standard business practices that you think would benefit the Trust that we do not employ? Performance reporting, budgeting

Do federal regulations make your job more difficult?

If so, which ones? No – not difficult without many of the regulations “everything runs amok”.

What level of accountability do you think is important for the Trust to maintain? Highest level of accountability. A corporation is subject to being accountable to shareholders, and federal agencies to tax payers. More transparency needed and more scrutiny from federal funders. The physical location impacts lack of accountability.

Do you think the Trust will reach financial self sufficiency? Yes – but it is sketchy

What changes if any need to be made to business practices to reach long-term self sufficiency?-

Business Model needs work – cannot continue to be an exclusive high rent developer – types of projects drive sustainability; cannot continue to be a high rent real estate developer.

Interviewee #3

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy). – Informed consent

What is your impression of the operating model? Dysfunctional – entity is working within the program, but there is no connectivity between the mission and the program. It works somehow but not efficiently. The Trust is definitely a work in progress. Seems to be a lack of accountability.

Were you involved in the formation of the Presidio Trust? No

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources - NA
- Managing Operations - NA
- Financial Solvency - NA
- Real Estate Management – Things happen at the Trust that do not happen at any other property. Atypical property to manage. Normal functions such as 3 Day pay or quit are not used at the Trust. The clients are a special mix especially for the park.

Identify the current business lines.

- Are all of the business lines viable? Not necessarily viable on their own. The non-res market does not readily translate into “best value” because an interested tenant needs a lot of money. Seem to have hit a wall, a lot harder.
- When have the business lines been brought on? NA
- What are future business lines? Unknown
- Are these business lines hampered by federal mandated actions? No same as a normal property “landlord” rules. Audited a lot.
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes?

Interviewee #3 ~ Continued

Explain the current financial model as you understand it. Don't know

Do you think that the financial model is viable? Unknown

Do you have recommended changes for the financial model? NA

What other financial plans, besides the model, outline the future for the Trust? Budgeting tools

Do you play a role in making decisions that impact Trust finances? Yes – prepares revenue budget.

- If so, how do you analyze these decisions? Against known rents and current market conditions.
- Do you consider return on investment? Cost benefit Analysis? NA
- How are these factors determined? Independently, consultants, management? Unknown outside of role.

What business processes work well at the Trust? Why? NA

What business processes do not work well? Why? NA

Are there standard business practices that you think would benefit the Trust that we do not employ? Three day pay or quit, utility cutoff.

Do federal regulations make your job more difficult? Not necessarily federal regulations but public perception. The Trust being a federal agency is worried about what the public thinks and it binds their actions.

If so, which ones? Fairness in tenant selection, “a lot of waste” with regard to political tenants. More uniform practices with regard to tenants (e.g. small leases all done differently).

What level of accountability do you think is important for the Trust to maintain? High level – tenant selection is an example, bowling alley lease will not be extended but yet we will do solar panels for Monte Vista.

Do you think the Trust will reach financial self sufficiency? Possibly.

Interviewee #3~ Continued

What changes if any need to be made to business practices to reach long-term self sufficiency? Be fairer in our practices; draw more people to the park. Keep the big picture in mind, make the park a destination and keep the military history in mind as that is what created the Presidio.

Interviewee #4

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy). – Informed Consent

What is your impression of the operating model? - Management is done well, day to day operates well, but when there is a decision to be made it becomes a 'big issue' (e.g. rodent problems) so many departments to make a decision, loses efficiency. Real Estate Investment Trusts (REITS) are based on the bottom line helps the decision making but the Trust is not wholly focused on that.

Were you involved in the formation of the Presidio Trust? Yes

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources - NA
- Managing Operations - NA
- Financial Solvency - Revenues in terms of housing strong, commercial market is weak. The Trust is "not there" on expense. Sense that the Trust does not know where it stands with regard to expense to operate a business line.
- Real Estate Management – Early days the goal was to fill units, just "get it started" already picked off the low hanging fruit – plus had the good fortune of a great market from 1998 – 2001

Identify the current business lines.

- Are all of the business lines viable? Most of the lines are viable even utilities, 2.5 – 3M in utility revenue smart thing to do, Non-res – bit more shaky needs a high level of capital and the Trust seems to want to rent at top dollar. What is the IRR on empty space?
- When have the business lines been brought on? Various times – utilities just rolled out.

Interviewee #4~ Continued

- What are future business lines? NA
- Are these business lines hampered by federal mandated actions? Some things are hampered by federal processes, administrative in nature, couple of extra steps (e.g. paper check conversion for deposits)

Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Yes – the overhead of federal employees would seem to be able to contract cheaper. Overall the Trust should move closer and closer to a business model.

Explain the current financial model as you understand it. Seems to be a transparent model, financial information available on the public website, NOI seems to be covering operating expenses.

Do you think that the financial model is viable? Yes

Do you have recommended changes for the financial model? There is always a little more that can be done. Vigilance on expenses.

What other financial plans, besides the model, outline the future for the Trust? Budget neighborhood by neighborhood, plan for the future to protect against the down years. There is a lot of history. The impact of the current economic condition remains to be seen. At this point you cannot tell if the low rentals are seasonality or the economic impact, will be able to tell at the beginning of the year.

Do you play a role in making decisions that impact Trust finances? Yes

- If so, how do you analyze these decisions? Budget based on known revenue plus market impact. Ten years of history.
- Do you consider return on investment? Cost benefit Analysis? NA
- How are these factors determined? Independently, consultants, management? NA

What business processes are you involved in? Residential Property Management

Interviewee #4~ Continued

What business processes work well at the Trust? Why? Day to day processes, collections, refunds, accounting, processes have come a long way.

What business processes do not work well? Why? In general need to increase efficiencies. While processes such as 4/10 flexible work schedule work well for the morale of employees it decreases the efficiency of getting units fixed/ready or repairs done. Fair amount of middle management makes it difficult to get a decision made. In addition, there is a dichotomy park versus real estate, politics versus public relations.

Are there standard business practices that you think would benefit the Trust that we do not employ? Standard eviction process, but this is restricted by federal regulation. Must go through federal arbitration.

Do federal regulations make your job more difficult? Very little. Most landlords have their own rules. By and large the Trust is efficient if compared to the IRS on one end and the private sector on the other we operate at a midpoint.
If so, which ones?

What level of accountability do you think is important for the Trust to maintain? The Trust operates at a high level of accountability should learn to say no to specific issues.

Do you think the Trust will reach financial self sufficiency? Yes

What changes if any need to be made to business practices to reach long-term self sufficiency? The Trust should build a rainy day fund, possibly operate at a surplus or with a reserve. There are enough revenues to operate the Trust.

Interviewee #5

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy). – Informed Consent

What is your impression of the operating model? The structure of the model maintains balance. Good and bad – not subject to local rules and laws but does add cost.

Were you involved in the formation of the Presidio Trust? Yes

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources - NA

Interviewee #5~ Continued

- Managing Operations - NA
- Financial Solvency - the trickiest part of self sufficiency is to reach self sufficiency and meet the mission. The dichotomy of the mission versus the real self sufficiency mandate.
- Real Estate Management - NA

Identify the current business lines.

- Are all of the business lines viable? Yes – although we need to get better at operating them.
- When have the business lines been brought on? Most recently utilities and infrastructure, greatest risk.
- What are future business lines? NA
- Are these business lines hampered by federal mandated actions? No
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Yes – there is a huge layer of added administration. Reporting to the government. The cost of maintaining federal personnel is high plus the Trust is subject to outside forces such as Nancy Pelosi's stating she doesn't want any layoffs. The business is driven that way rather than by good business decisions. The public process with the supplemental environmental impact statement is an example of the federal environment impacting the process. It was the same with the Public Health Service Hospital remodel; the Trust ended up agreeing to fewer units than originally planned. Not a financially practical decision.

Explain the current financial model as you understand it. Projects costs and revenues to include estimates for capital, maintenance, cyclical maintenance and it takes into account mandates such as the mandate to demolish the Baker Beach apartments and to ensure that environmental remediation is completed. Model assumes a flat rent increase of 3-4% per year; cost is capped at a specified growth percentage. Model perpetuates false operating cap.

Do you think that the financial model is viable? Yes

Do you have recommended changes for the financial model? Should move to a business line model the old model is on a budgetary basis to move to the real world we need to look at actual costs. We have started that but federal budgetary accounting prohibits the move happening quickly.

Interviewee #5~ Continued

What other financial plans, besides the model, outline the future for the Trust? Performance reporting. No one has a real handle on what it costs to do things at the Trust. There is currently no accountability through reporting. Strategic plan is currently lip service to the process. It seems to be an afterthought to refer to the documents that are supposed to be defining documents within the organization. This will create unity and get rid of silos.

Do you play a role in making decisions that impact Trust finances? Yes – has a unique perspective because of the data seen in the role.

- If so, how do you analyze these decisions? If we stay on the current path and bring up more buildings now we will have more money to invest in the park for the future.
- Do you consider return on investment? Cost benefit Analysis? Financial Model, IRR, Cost benefit etc.
- How are these factors determined? Independently, consultants, management?

What business processes work well at the Trust? Why? Day to day operations. Risk Management, accounting, operational.

What business processes do not work well? Why? The structure of the EMT is set up well, but it doesn't seem to be working well as a decision making body. The budgeting process needs substantial work. Budgeting is seen as a necessary evil rather than as part of the policy of the organization. This point really drives back to performance reporting. Planning is not substantial at the Trust.

Are there standard business practices that you think would benefit the Trust that we do not employ? Employee reviews should be performance based. There is a lack of knowledge of the goals and objectives throughout the organization. Incentive plans should be used.

Do federal regulations make your job more difficult? Yes

If so, which ones? Financial Reporting, Davis-Bacon, FISIO compliance, Oracle, Payroll Processing being a designated payroll center, etravel, MAX reporting.

What level of accountability do you think is important for the Trust to maintain? Important – must stay a federal agency to ensure the park is protected but we would have a level of accountability from a business stand point as well.

Do you think the Trust will reach financial self sufficiency? Yes – we are there.

Interviewee #5~ Continued

What changes if any need to be made to business practices to reach long-term self sufficiency?
Yes – it is sustainable the unknown factors are that we do not know what congress will do if we have extra money.

Interviewee #6

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy). Informed Consent

What is your impression of the operating model? - Seems like there are too many layers for such a small organization, example is Finance Division. The Division is broken up awkwardly between the CFOs office, Asset Financing, Budget, and the Controller's Office.

Were you involved in the formation of the Presidio Trust? – No

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources
- Managing Operations
- Financial Solvency
- Real Estate Management

Real focus and real drive in reaching financial solvency, and resources are being put into it. Preservation is important.

Identify the current business lines. Real Estate, Residential, Non-Residential, Utilities, Venue rentals

- Are all of the business lines viable? – Yes
- When have the business lines been brought on? – Various times
- What are future business lines? – Unknown
- Are these business lines hampered by federal mandated actions? No – because the Trust does not have to abide by rules set by other jurisdiction (e.g. local and state rental and property laws)

Interviewee #6 ~ Continued

- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Costs incurred due to the unique property (e.g. remediation) – not because of federal mandates.

Explain the current financial model as you understand it. – No sense of the model during time of employment.

Do you think that the financial model is viable? - NA

Do you have recommended changes for the financial model? - NA

What other financial plans, besides the model, outline the future for the Trust? – The Five Year Construction plan seemed good, but no real sense or understanding of how it all came together. The one thing that the Trust isn't doing that it should be doing is performance measurement. Should fill the vacant position of the business analyst and use performance measurement.

Do you play a role in making decisions that impact Trust finances? NA

- If so, how do you analyze these decisions? NA
- Do you consider return on investment? Cost benefit Analysis? NA
- How are these factors determined? Independently, consultants, management? NA

What business processes work well at the Trust? Why? Overall the Trust is ahead of the game a lot of areas.

What business processes do not work well? Why? Budget process, rather nebulous, and an unknown to employees. Performance measurement needs to be enhanced. The Trust is set up to gather the information.

Are there standard business practices that you think would benefit the Trust that we do not employ? The Trust should employ reporting tools to allow for performance measurement.

Do federal regulations make your job more difficult? Yes

If so, which ones? It seems that the Trust has to generate reports due to federal reporting requirements. In other words, reporting for the sake of reporting with no real value. This causes the creation of new processes which are burdensome.

Interviewee #6 ~ Continued

What level of accountability do you think is important for the Trust to maintain? Highest level of accountability should be maintained. While it is nice that the Trust has the ability to do things (e.g. roll out utility billing) the Trust needs to ensure the public process is thorough, enhance the public process, and partner with the people/community around the Trust. Seems like with the proposed museum that the Trust was doing the right thing: public meetings, the ED meeting with members of Congress, going to DC, etc.

Do you think the Trust will reach financial self sufficiency? Yes – is attainable

What changes if any need to be made to business practices to reach long-term self sufficiency? Did not know enough about it – seem to make money in every area that we are attempting this will allow for preservation.

Interviewee #7

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy). Informed Consent

What is your impression of the operating model? Model is a hybrid and it is still a test like a living laboratory. The results are still out.

Were you involved in the formation of the Presidio Trust? No

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources - NA
- Managing Operations – NA
- Financial Solvency – Thinks about financial solvency as the ability to support our operations and renew in perpetuity – since there will be no appropriation in 2012. Will be a reach to cover our operating with earned income. We need to ensure that we generate net operating income with an annual amount for long term replacement.
- Real Estate Management – A lot of progress has been made in this area. Challenged by constraints of being a national park. Protection of cultural, historic, and natural resources. Dichotomy of the mission versus finances. The proper way to think of it is the primary mission is the protection of resources. Real Estate chafes under these restraints at times.

Interviewee #7 ~ Continued

Identify the current business lines.

- Are all of the business lines viable? Yes – all will survive over the long run. Leasing of residential and non-residential property is in the desirable San Francisco Market.
- When have the business lines been brought on? Various times
- What are future business lines? Venue rentals could be enhanced and built to continue for a long time. The Trust should also explore selectively adding new construction within the constraints of the PTMP. Do the development ourselves instead of going through a third party. Paid parking, AT&T/Comcast franchise fees, and lodging are all potential sources of income.
- Are these business lines hampered by federal mandated actions? They are constrained on two fronts: the first is the mission revenue is supposed to support this and the second is the constraints of working in a federal administrative environment.
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Operating costs are due to the federal status: Bookkeeping, Technology, and Compliance.

Explain the current financial model as you understand it. Primarily focused on estimating revenue based on existing leases, lease growth rates are nothing more than estimates; it incorporates growth rates based on PTMP. The expenses are held at a specific growth rate. The model output is net operating income based upon mixed uses desirable for the park.

Do you think that the financial model is viable? The financial model is viable but it is so-so as it does have weaknesses and probably strains the limits of what excel can do.

Do you have recommended changes for the financial model? The expense assumptions need to be looked at carefully as they are a challenge to live with and are not significantly detailed for use in actual operations plan (e.g. cyclic and deferred maintenance).

What other financial plans, besides the model, outline the future for the Trust? Five Year Plan should be continued, manage and plan for maintenance and replacement. Tools like the models developed by Booz Allen for infrastructure important.

Do you play a role in making decisions that impact Trust finances? Yes

- If so, how do you analyze these decisions? Traditional tools

Interviewee #7 ~ Continued

- Do you consider return on investment? Cost benefit Analysis? IRR, Cash on Cash, ROI are relevant and useful but financial analysis advises larger decision making, and there is a range of priorities between preservation and business opportunities.
- How are these factors determined? Independently, consultants, management?

What business processes work well at the Trust? Why? Remediation, Federal Financial Reporting, Compliance, Residential

What business processes do not work well? Why? Performance Reporting, Internal Communications, there are a lot of silos within the organization, project management process.

Are there standard business practices that you think would benefit the Trust that we do not employ? Performance reporting, performance based compensation. Linkage of goals and objectives from management to employees is not there.

Do federal regulations make your job more difficult? Yes

If so, which ones? Federal Financial Reporting, although we have to meet a higher standard of financial transparency because we are an experiment so it would be prudent to be slow in recommending changes, but change to performance based reporting would be the direction to head.

What level of accountability do you think is important for the Trust to maintain? Very high standards.

Do you think the Trust will reach financial self sufficiency? Yes.

What changes if any need to be made to business practices to reach long-term self sufficiency? Comfortably on the road to reaching financial long-term self sufficiency. Must operate more efficiently to be able to increase funds available to invest in the park. Focus on performance and reduce operating costs through improvements in compliance which will ultimately increase the benefit to the public.

Interviewee #8

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy). – Informed Consent

Interviewee #8 ~ Continued

What is your impression of the operating model? Hybrid – operates like a non-profit plus a municipality

Were you involved in the formation of the Presidio Trust? - No

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resource - NA
- Managing Operations - NA
- Financial Solvency - ways to go on cost recovery, starting to gear up. Municipal services are a long way from breaking even. Deferred maintenance is large and capital replacement need to be in long range plans.
- Real Estate Management - NA

Identify the current business lines. Identified business lines in accordance with business line performance metrics: land stewardship, remediation, natural resources, visitorship

- Are all of the business lines viable? Basic lines are viable - but the four lines identified above are viable
- When have the business lines been brought on? Various times but are in transition – being reorganized
- What are future business lines? None
- Are these business lines hampered by federal mandated actions? Federal budgetary accounting (e.g. utilities cannot easily be accounted for as an enterprise with reserves)
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Yes – costs are incurred. Being an agency adds a layer of management. Due to being an agency relationships with other agencies are handled “differently”. We get less revenue because it is an “intergovernmental” transaction (e.g. GGBD, NPS free rent).

Explain the current financial model as you understand it. Has seen the current model.

Interviewee #8 ~ Continued

Do you think that the financial model is viable? Not deep enough understanding.

Do you have recommended changes for the financial model? Believes that the model probably doesn't appropriately align revenues and expenses.

What other financial plans, besides the model, outline the future for the Trust? Performance reporting. Outcomes with measurable results tied to projects. Plus budgeting needs to be reformatted.

Do you play a role in making decisions that impact Trust finances? Yes

- If so, how do you analyze these decisions? Look at alternatives. Costs, existing revenues, change, unit cost.
- Do you consider return on investment? Cost benefit Analysis? Use these but not exclusively.
- How are these factors determined? Independently, consultants, management? Internally.

What business processes work well at the Trust? Why? At will employment, ability to institute change quickly. "Move agile when we have to"

What business processes do not work well? Why? Strategic planning, having general terminology and a shared vision, outcomes

Are there standard business practices that you think would benefit the Trust that we do not employ? Strategic Planning

Do federal regulations make your job more difficult? Yes If so, which ones? Federal Real Property Database (OMB requirements).

What level of accountability do you think is important for the Trust to maintain? High – but needs improvement, more involvement of the stakeholders.

Do you think the Trust will reach financial self sufficiency? Yes

Interviewee #8 ~ Continued

What changes if any need to be made to business practices to reach long-term self sufficiency? Long-term can be reached but we need cost recovery and in order to sustain it we need to engage in cost recovery, maintaining infrastructure, but worse than utilities are the buildings. Life cycle cost replacement.

Interviewee #9

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy).

What is your impression of the operating model? Great idea, one of the few examples of government trying to do something different.

Were you involved in the formation of the Presidio Trust? No

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee’s assessment of the following:

- Natural & Cultural Resources - NA
- Managing Operations - NA
- Financial Solvency – NA
- Real Estate Management - NA
- Planning & Construction Management – they are working hard to get as good as they can to make the projects better. Although project management process does not work.

Identify the current business lines.

- Are all of the business lines viable? We are working toward making these lines better, the trust is striving to be a better organization
- When have the business lines been brought on? Various times
- What are future business lines? No – may get out of our area of expertise.

Interviewee #9 ~ Continued

- Are these business lines hampered by federal mandated actions? Most of it gone with the statutory exemption from the Federal Acquisition Regulations (FAR).
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Yes – goes with the territory, Davis-Bacon – dollars are well spent when looked at from the accountability side.

Explain the current financial model as you understand it. – Limited understanding

Do you think that the financial model is viable? NA

Do you have recommended changes for the financial model? NA

What other financial plans, besides the model, outline the future for the Trust? Resource loading tools such as the Finance Division has used for its business planning process. Need to tie resources to goals and objectives.

Do you play a role in making decisions that impact Trust finances? Yes – through contracting.

- If so, how do you analyze these decisions? Not through value engineering that is the technical process, but from a best value perspective. Must keep the best interest of the Trust in mind.
- Do you consider return on investment? Cost benefit Analysis? NA
- How are these factors determined? Independently, consultants, management? Uses risk assessment.

What business processes work well at the Trust? Why? Residential Real Estate Processes, the Trust does a good job with tenants. Finance is disciplined. Planning is sketchy, COO business making assessments, Real Estate is cutthroat, and this is the dichotomy of the Trust (mission vs. financial self sufficiency)

What business processes do not work well? Why? Relationships with our park partners need work/strengthening.

Are there standard business practices that you think would benefit the Trust that we do not employ? Develop a project management process. Changing the structure in procurement (inventory) – a procurement expert is needed. Best practice dictates warehouse and procurement process are linked and they are not.

Interviewee #9 ~ Continued

Do federal regulations make your job more difficult?

If so, which ones? Davis-Bacon (developed in the 1930's) hard to monitor.

What level of accountability do you think is important for the Trust to maintain? High level. Public outreach for CAMP speaks to this.

Do you think the Trust will reach financial self sufficiency? Yes

What changes if any need to be made to business practices to reach long-term self sufficiency? We need to tighten things up to maintain cost savings.

Interviewee #10

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy). – Informed Consent

What is your impression of the operating model? - Amateur, inconsistent and internally the organization are largely uniformed. As a federal agency we should be sophisticated around certain issues; it should be better because we have flexibilities (e.g. not subject to the local laws and freedom from some federal constraints)

Were you involved in the formation of the Presidio Trust? – No

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee's assessment of the following:

- Natural & Cultural Resources – NA
- Managing Operations – NA
- Financial Solvency - the Presidio is a valuable asset, an attractive asset almost can't help becoming self sufficient. Lease financing is a risk to the solvency.
- Real Estate Management - Run more like a development company, not employing industry best practices. Tenant/Landlord relationship – basic things become very difficult (e.g. being able to agree on signage). An example of best practice or cost saving initiative is to use brokers instead of employing a leasing staff. A broker gets paid when they perform.

Identify the current business lines.

Interviewee #10~Continued

- Are all of the business lines viable? – None of them are viable standing alone. We do not fully understand our business lines because we do not assign expense to revenue. We are not using a typical model, for example in the residential program we need to line up revenue to expense to fully understand it.
- When have the business lines been brought on? Various times.
- What are future business lines? The Trust should explore the technology aspect to expand our lines (e.g. Wi-Fi, tours, etc.) Add extensions to our programs.
- Are these business lines hampered by federal mandated actions? No we can get around these issues. Not the biggest obstacle the organization has. It takes longer, in some cases.
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Not in most cases. Issues/regulations like Davis-Bacon take bandwidth to perform follow and impacts us financially because we have to use union labor. It should be kept in mind that corporate regulations eat up bandwidth in that model as well. On the financial side budgetary accounting is definitely a different way of counting beans, but even at that we should be able to

Explain the current financial model as you understand it. – The model has costs going forward both capital and operating. Ongoing maintenance does not seem to be reflected in the plan. Reflects reduction of operating costs but as buildings are rehabilitated maintenance goes up. The model is not shared that much. Nothing since one early look at it.

Do you think that the financial model is viable? - Not shared enough.

Do you have recommended changes for the financial model? Long range plan is not an active tool. Since we are market driven it needs to be adjusted to reflect the market. If there is a dip it needs to reflect that.

What other financial plans, besides the model, outline the future for the Trust? Guiding documents such as the PTMP and the strategic plan are not a part of daily life at the Trust. Metrics are not aligned with these plans. Previous experience in these areas allowed the interviewee to align the area he managed with the overall business plan. Management initiatives are not completed – many false starts. The Five Year Construction Plan could be a powerful tool. Following the plan is important. Many times we follow the market rather than the plan contributing to our inability to spend project money and having a carry forward. The Trust acts like a “deer in the headlights” when it comes to decision making.

Do you play a role in making decisions that impact Trust finances? Yes.

Interviewee #10~Continued

- If so, how do you analyze these decisions? These are difficult in the construction area because of the historic component to the buildings which has a significant impact on costs. In addition our projects are now being done as LEED certified projects which dictate certain requirements.
- Do you consider return on investment? Cost benefit Analysis? Consider the scope of the projects.
- How are these factors determined? Independently, consultants, management?

What business processes work well at the Trust? Why? Procurement – we have moved from a Design – Bid-Build model to a GC at Risk model. DBB – makes the project cost more as contingencies are built into the project and you pay them regardless. GC at Risk – means that the GC finishes the design and bids to subs. This moves the GC to the same side of the table. This improves performance. The project stays on schedule we get revenue faster, and the project is built better so it reduces the maintenance and increases the life reducing the life cycle maintenance cost.

Permitting Process – improving the process by using more than one provider and working toward total cost recovery.

Project Controller Function established – keep the projects on schedule –creates linkage between projects and management.

Infrastructure Utilities – SDC bill units directly, correct business model. Buy power cheaper, charge appropriate rates – municipality operations. Financial Risk is large.

What business processes do not work well? Why? Strategic Planning/Performance reporting – not being used.

Are there standard business practices that you think would benefit the Trust that we do not employ? Incentive programs for employees, performance management. In this are the Trust has an expectation of private sector performance with a federal mentality.

Do federal regulations make your job more difficult? Not really (Davis-Bacon mentioned above)

If so, which ones?

What level of accountability do you think is important for the Trust to maintain? Public participation is a must. Nature of what the beast is...

Interviewee #10~Continued

Do you think the Trust will reach financial self sufficiency? Yes – will ‘bumble’ into it because we can t help ourselves.

What changes if any need to be made to business practices to reach long-term self sufficiency? Due to the uniqueness of the asset ideas will come /be generated.

Interviewee # 11

Introductions

Purpose of the Interview (explain voluntary nature, expectations of privacy) Informed Consent

What is your impression of the operating model? The operating model is working. It is still a baby. Although it is ten years old it still is a work in progress. Would not find it someplace else. “Tail wagging the dog” We have our own administrative problems it is not necessarily the model. We need leadership to state “The Presidio is the Project”.

Were you involved in the formation of the Presidio Trust? Yes – came early on and worked for NPS however they were not able to maintain the buildings.

If so, how has the Trust changed since its inception in the following areas – If not ask for interviewee’s assessment of the following:

- Natural & Cultural Resources – Planning has improved immensely
- Managing Operations – More renovations, more landscaping no additional support.
- Financial Solvency – We are looking for unrealistic rate of return. In this economic crisis/environment a return n investment is better than an empty building.
- Real Estate Management – difficult developing like crazy, huge shift in the real estate department- quite a few directors. It is an environment of unpredictability.

Identify the current business lines.

- Are all of the business lines viable? Unknown for other business lines but overall not in current format. Headed in the right direction. Utilities not even recovering costs. Massive amounts of infrastructure development/investment that needs to be completed. Not supporting current technologies, in 25-30 years we will not have kept the investment up.

Interviewee #11~Continued

- When have the business lines been brought on? Various times.
- What are future business lines? Unknown.
- Are these business lines hampered by federal mandated actions? No
- Are costs incurred simply because the Trust is a federal agency? Are there areas that you think we could cut cost but cannot due to federal processes? Probably but much more freedom in this agency than other agencies.

Explain the current financial model as you understand it. Maintain development

Do you think that the financial model is viable? Not realistic due to the maintenance piece.

Do you have recommended changes for the financial model? Plan for the maintenance, not just deferred but overall growth in maintenance. Giving them the barebones budgets and they are still being cut so cyclic and regular maintenance is not done. "Things run away from you" lose developed landscapes etc.

What other financial plans, besides the model, outline the future for the Trust? NA

Do you play a role in making decisions that impact Trust finances? Yes

-
- If so, how do you analyze these decisions? Regular financial tools
-
- Do you consider return on investment? Cost benefit Analysis? Yes – but that isn't all – some risk needs to be involved, kitchen bath less than 13% return on investment they Ops is not allowed to do the upgrade, but the level of work orders is not taken into consideration. Total cost is not really considered.
-
- How are these factors determined? Independently, consultants, management? Hire talented people but keep using consultants.

What business processes are you involved in? Operations/Facility maintenance

What business processes work well at the Trust? Why? Budget & Finance

What business processes do not work well? Why? Cost of doing business having to use other agencies for things like payroll.

Are there standard business practices that you think would benefit the Trust that we do not employ? Hard to apply – peculiar organization.

Interviewee #11~Continued

Do federal regulations make your job more difficult? No – the need is to find the right process.
If so, which ones?

What level of accountability do you think is important for the Trust to maintain? High Level

Do you think the Trust will reach financial self sufficiency? Yes – we have reached it if we stop
development

What changes if any need to be made to business practices to reach long-term self sufficiency?
Need to be able to take care of what you created.

Appendix D

Presidio Trust Act Analysis

Business Area	Limitation/Restriction in Act
Finance	Borrowing from Treasury Only
Finance	Loan Guarantees subject to approval by Secretary of the Treasury
Procurement	Subject to Davis-Bacon Act
Finance	Limitation on Appropriations
Leasing	Requirement to lease housing units to DOD
Leasing	Building 102 designated as part of the NPS Area A although on main post
Public Safety	Must use United States Park Police

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