

The Presidio of Monterey Partnership

This appendix provides an overview of the long-running and comprehensive public-to-public partnership between the Presidio of Monterey (POM) and the Cities of Monterey and Seaside, California. For about 20 years, the Department of Defense (DoD) and the City of Monterey have been working together to develop and maintain a mutually beneficial partnership that began when DoD closed Fort Ord, which had been providing municipal services to the POM. Over time, modest proposals developed into a well-established working relationship that has saved money for both the installation and the city and has supported the provision of high-quality municipal services.

The Presidio of Monterey and the Surrounding Area

The POM lies within the City of Monterey. It became a separate installation when Fort Ord closed in 1994.¹ The Presidio of Monterey is nearly 400 acres with approximately 3,500 military, DoD civilian, and Coast Guard personnel. It is home to the Defense Language Institute Foreign Language Center and other tenant organizations. There are instructional buildings, a learning center, barracks, dining facilities, a fitness facility, a recreation center, a chapel, a troop store, and a small number of family housing units on the installation. The POM Annex, located at the former Fort Ord site where some military facilities remain, is eight to ten miles away in the City of Seaside. Comprising nearly 800 acres, the POM Annex hosts a reserve center, commissary, post exchange, main chapel, Youth Services Center, Army Community Service, Army and Air Force Exchange Service (AAFES) gas station, thrift shop, library, Child Development Center, grammar school, and middle school, as well as family housing.² Two other DoD installations are in the region and also have relationships with the POM and the City of Monterey. Camp Roberts, 110 miles to the south, hosts a satellite facility and the National Guard and receives some services from the City of Monterey. The Naval Postgraduate School is also within the City of Monterey, approximately two miles from the POM. Immediately after Fort Ord was closed and the POM became an independent installation, the school provided support services to the POM. Today, it receives some municipal services from the city.³

¹ Prior to 1994, the POM was a subinstallation to Fort Ord.

² The POM Annex lies on approximately 5 percent of the Fort Ord original land holdings.

³ Presidio of Monterey, "About Us," updated April 15, 2014.

Beginnings of the Partnership

The genesis for the Monterey-Presidio partnership came out of the base closure and realignment process in the early 1990s. In response to the potential closure of the POM, the City of Monterey proposed a “Community Installation Partnership” to the Base Realignment and Closure (BRAC) Commission, which would allow the city to manage and perform select base operating services for the installation. The commission supported this proposal, and ultimately the city worked with Congress to obtain the specific authority to proceed.⁴ The 1995 Defense Authorization Act permitted a demonstration project as the following states:

The Secretary of Defense may conduct a demonstration project . . . under which any fire-fighting, security-guard, police, public works, utility or other municipal services needed for operation of any Department of Defense asset in Monterey County, California, may be purchased from government agencies located within the county of Monterey.⁵

The first projects developed using this authority were between the city and the Army. The first was a lease of several land parcels for use as a historic park and nature preserve. The city leased the land for \$1.00 per year and maintained the parks at no cost to the Army. Following this lease was the lease for three ball fields and a child care center. These facilities were upgraded, operated, and maintained by the city and were available to both Army personnel and city residents.

In 1998, a separate nonprofit organization called the Presidio Municipal Services Agency (PMSA) was established by the cities of Monterey and Seaside to provide municipal services to the POM and the POM Annex. The PMSA was created through a joint powers agreement and can be extended to include other governmental entities, and signed its first contract for municipal services with the POM in 1998.⁶ In 2003, legislation was passed that gave the POM permanent authority to contract with local governments for municipal services.

To date, there have been three separate cost-reimbursable contracts between the POM and the PMSA for municipal services (building maintenance, street maintenance, sewer and water line maintenance, storm drain maintenance, and other special projects) that have averaged around \$7 million annually. Services for Camp Roberts were added in the third contract. This is further discussed in the next section.

⁴ The initial proposal was for the Navy to close its fire stations at the Naval Postgraduate School and combine its fire suppression capability with the City of Monterey. The Navy was spending an estimated \$1.7 million per year for its two stations, while the city already had three fire stations surrounding the installation. However, the Navy did not believe it had the authority to do this, which led the city to pursue the congressional language. While the Navy ultimately did not contract with the city for fire protection services, it has since performed an A-76 analysis and reduced manning so that costs are approximately \$900,000 per year. Then, the Naval Postgraduate School fire station was closed. For comparison purposes, the city provides fire protection to the POM for a cost of \$340,000 per year.

⁵ U.S. Congress, 103rd Cong., 2nd Sess., National Defense Authorization Act for Fiscal Year 1995, Sec. 816, Washington, D.C., S. 2182, October 5, 1994.

⁶ Prior to closure, Fort Ord had a large civilian staff that provided municipal services and facility maintenance to the POM. After Fort Ord was closed in 1994, the Naval Postgraduate School provided municipal services from 1994 to 1997 through an interservice support agreement and the Fort Ord staff was not retained.

Additionally, Monterey has provided firefighting and medical response services to the Presidio since the 1950s.⁷ The Naval Postgraduate School also contracts with the city but on a more limited basis.

Partnership Activities and Benefits

As mentioned previously, the PMSA was created by a joint powers agreement between the cities of Monterey and Seaside (although others can join). It is a separate agency that is responsible for overall management and coordination of the contract between the POM and the cities of Monterey and Seaside. The PMSA has no employees and draws resources from the cities of Monterey and Seaside in an 80:20 ratio.⁸ The mission given to the PMSA by the Monterey City Council is to reduce costs to operate the military installation. The City of Monterey provides services to the POM, while the City of Seaside provides services to the POM Annex. Proposals and contracts are developed and administered by the PMSA, and each city is reimbursed by the PMSA for work performed.

The POM and the PMSA have entered into three cost reimbursable contracts, the last of which was extended through 2014. The first contract ran from 1998 to 2001, the second from 2001 to 2005, and the third from 2006 to 2011 (extended through November, 2013). The city successfully competed for the second contract after the garrison commander opened it to competitive bid, since the demonstration language was set to expire. The existing contract covers operations, maintenance, and repair for 2.2 million square feet of building space in 160 facilities in Monterey and 24 in Camp Roberts (added in the 2006 contract). These are cost-reimbursement contracts that also provide the platform for the garrison commander to access other services provided by the city. The last contract was valued at \$8.2 million.

The municipal services that have been obtained through the PMSA contract are

- facility maintenance and repair
- locksmith
- elevator, generator, and heating, ventilation, and air conditioning (HVAC) system repairs
- fire detection and alarm system
- street and storm water system maintenance
- capital improvement projects
- pest and animal control
- tree maintenance.

⁷ The permanent authority allows DoD in Monterey to purchase municipal services from government agencies located in the county. It does not provide an exception to the prohibition on purchasing firefighting or security guard services (although the city firefighting services to the POM is grandfathered in because the agreement predates the prohibition). Public Law 108-136, Sec. 343, Permanent Authority for Purchase of Certain Municipal Services at Installations in Monterey County, California, November 24, 2003.

⁸ A copy of the joint powers agreement may be found at City of Monterey, "Military-Municipal Partnerships," undated; Presidio Municipal Service Agency, *Basic Financial Statements for the Year Ending June 30, 2013*, December 2013.

Other services that are available through the city are

- traffic and parking studies
- Americans with Disabilities Act access
- planning and engineering
- refuse and recycling
- energy and water conservation.⁹

With respect to energy and water conservation, for example, the city was able to identify and install several energy and water savings projects related to the boiler systems, HVAC systems, lighting, and vending machine energy use—which, according to one estimate, led to a cost avoidance of more than \$1 million.¹⁰ These projects came about in part because the city engineering staff goes in the field with the maintenance staff to assess the facility, but also because of practices that were initiated by the partnership back in the late 1990s.

In the late 1990s, utility costs were viewed as fixed costs. At that time, the city and the Presidio staff were looking for ways to fund facility improvements, such as improved sidewalks, crosswalks, and showers. The savings that could be attained from simple investments in energy efficiency were identified as a potential source of funds for these facility improvements. While individual buildings were not metered at the time, it was clear that simple changes, such as turning off power after working hours, would reduce energy use. The savings in utility bills were then reinvested in building improvements. Later, when energy providers were offering energy-savings improvements, the city and the Presidio used already-established asset management approaches to building maintenance that had been developed within the partnership to assess the potential energy and water savings investments. They ultimately determined that it was cheaper to self-fund some of these investments, given the amortization rates that utility providers were offering. Instead of contracting through an Energy Savings Performance Contract (ESPC) for expertise and financing, for example, the city used its expertise to identify upgrades and estimate savings, finding that it often takes between six and 18 months to recover the initial investment through reduced utility bills.

As a result, the Presidio in effect “saves” the profits that an ESPC provider would have received over a typical contract commitment of ten to 15 years. The city also gains in this partnership, since it has applied the same approach to city buildings (such as the sports center, conference center, library, and community centers) to conserve energy and reduce utility bills.¹¹ Within the last decade, rebates offered by the State of California and utility companies are placed into an internal fund that may be used to help pay for other energy-savings projects. The practices that led to energy and water conservation exemplify several characteristics of a successful “partnership” relationship, such as joint problem-solving, contributing to long-term goals, and organizational trust.

⁹ James Willison, “U.S. Army Garrison, Presidio of Monterey,” briefing, July 31, 2013.

¹⁰ George Helms, “Monterey Model: Strategies for an Efficient Public-Public Partnership, Case Studies Toward Success,” briefing slides, City of Monterey, April 2013; and Hans Uslar, “Presidio Partnership: Detailed Overview by the Numbers,” presentation, ADC Public-to-Public Partnerships Bootcamp, Monterey, Calif., April 26, 2013.

¹¹ ICMA, “Local Government Partnerships for Serving Military Bases: Monterey, California,” ICMA Best Practices 2005 conference, Austin, Texas, April 27–28, 2005.

Other partnership-related activities with the City of Monterey include:

- Army Huckleberry Hill Nature Preserve (81 acres)
- Lower Presidio of Monterey Historic Park (25 acres)
- child development center
- ball fields on Soldier Field
- fire protection at Presidio of Monterey¹²
- use of PMSA contract to maintain Larkin School, leased from Monterey Peninsula Unified School District
- the POM-Monterey-Salinas Transit Partnership.¹³

There have been two estimates of cost savings resulting from the contracts with the PMSA. In 2000, after the first two years of the contract between the POM and the PSMA, an Army Audit Agency (AAA) audit determined the contract achieved an estimated 41 percent cost savings, almost \$2.5 million, over the interservice support agreement with the Naval Postgraduate School, which used in-house civilian labor.¹⁴ Later, a 2010 garrison audit performed by the Department of Public Works estimated there to be 22 percent cost savings over previous federal and commercial providers utilizing firm fixed-price contracts.¹⁵ In addition to the estimated cost savings on the contract with the PMSA, there were savings from the leases established early on in the partnership. As mentioned earlier, the parks, followed by the ball fields and child care facility, were leased to the city and subsequently upgraded and maintained by the city. Estimates of cost avoidance for these leases between the city and the POM include capital and annual operations and maintenance (O&M) costs, which are shown in Table A.1.

Table A.1
Cost Avoidance Estimates

Activity	Capital (thousands of \$)	Annual O&M (thousands of \$)
Huckleberry Hill Nature Preserve	15	12
Lower Presidio Historic Park	350	25
Presidio of Monterey Child Care Facility	508	40
Ball fields on Soldier Field	410	25

SOURCE: Fred Meurer, "Municipal Partnership Opportunities," presentation, ADC Public-to-Public Partnerships Bootcamp, Monterey, Calif., April 26, 2013.

¹² The city had been providing fire protection services to the Presidio of Monterey since 1956; when the prohibition on outsourcing of this function was established, it was grandfathered in.

¹³ Willison, 2013.

¹⁴ Uslar, 2013; Willison, 2013. A synopsis of Army Audit Agency Audits reports the first year of the PMSA contract was for \$2,276,460, compared with the Navy's costs of 4,811,022 (adjusted to fiscal year 1999 dollars); suggesting this savings may be larger, closer to a 47-percent reduction (Office of the Assistant Secretary of the Army, Financial Management and Comptroller, *Synopsis of Significant Internal Review Reports FY00—Volume II*, undated).

¹⁵ Uslar, 2013.

Reasons cited for cost savings through the PMSA contract and partnership include:

- economies of scale in use of staff and equipment for public works activities (street maintenance, sweeping, and storm drain maintenance, etc.) as well as staff for planning and assessing special issues (sustainability, efficient public works, energy and water conservation, etc.)
- the ability to draw additional public works employees during emergencies without paying a premium
- city policies and procurement processes, such as no profit charge, lack of a surcharge on materials costs, use of warranty tracking, and use of competitive bidding on city contracts
- city practices of employee cross-training in commonly used skills, rotating crews in part to generate new ideas, joining engineering staff with maintenance operations staff, and the overall culture of cost reduction and improvement
- use of activity-based cost accounting principles that facilitates cost-conscious managerial decisionmaking
- a cost-reimbursable contract, which eliminated the need to build in contingency funds to cover a firm fixed price.

The city has also benefited from the partnership in many ways. Largely due to improved management processes, benchmarking with other cities and private contractors, and cost accounting procedures required in order to perform on the POM contract, additional cost savings have been achieved for the city as well as the POM. Improved cost reporting and statistical information, for example, has aided managerial decisionmaking for considering the lease or purchase of equipment, or the outsourcing of work. Improved cost information has allowed workers to assess operations and procedures to reduce cost. For example, the city was able to use the cost accounting system to determine that the cost of maintaining streetlights could be reduced by 45 percent by creating a technician position to perform this function.¹⁶

In addition to cost savings for the partners, customer service ratings and response time data indicate that the quality of services is high and is considered “the best barracks maintenance” program in the Army.¹⁷

Success Factors

Throughout the literature on the Presidio of Monterey partnership with the city, there were several factors that were identified as facilitating the success of the partnership. First and foremost was the motivation to act presented by the threat of base closure. Second was the persistence and creativity of the staff in pursuing the approach despite potential hindrances, such as the perceived lack of authority and the preference stated in the Federal Acquisition Regulation (FAR) for firm fixed-price contracts in lieu of cost-reimbursable contracts. Once the demonstration project was under way, key contributors to success were the city’s focus on cost reduction and continuous improvement (in part motivated by term contracts and the threat

¹⁶ ICMA, 2005.

¹⁷ In March 2009, the IMCOM Inspector General, CSM Aubrey, commented that the POM has the “best barracks maintenance and management program in the Army” (Uslar, 2013).

of competition) and on hiring high-quality, well-trained building maintenance technicians. These technicians are craftsmen who are cross-trained in different function areas and have the skills necessary to address common maintenance issues, which ensures the city provides efficient maintenance services. The work order system and activity-based costing methods provide the data that supports managerial decisions. City management and staff understanding and caring about installation goals and needs was another part of this partnership's success. Finally, frequent and proactive communication between the POM (the customer) and the city staff (contract provider) were also key.