

Agenda Item No.:	10
Work Plan:	State Forests Work Plan
Topic:	Improved State Forests Business Practices
Presentation Title:	Business Improvements Update
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Background

This update discusses the State Forests Work Plan topic to Improve Business Practices and explains the division's work to identify, prioritize, and implement business improvements.

Context

The division has identified opportunities to modify business practices. While business improvements are standard practice for any successful business, the division is increasing our pace and scale of this work in response to pressures that are having significant impacts on our operating fund combined with a changing workforce and continued limitations created by managing a complex land base.

The field, Area and Salem staff identified over 100 possible cost reduction, revenue maximization and workforce improvements. Priorities were established based first on the potential to increase revenue or decrease expenditures. Secondly, we focused on projects that keep our division relevant during these times of rapid change, attracting highly qualified employees that are looking for leadership opportunities and investing in our workforce. These priority topics are: (1) marketing; (2) recreation, education, and interpretation; (3) intra-agency coordination; (4) workforce planning; (5) implementation plan revisions; and (6) South Fork Camp. Priorities may adjust as the division continues to implement these improvements and realize cost-savings goals.

Summary

Our current financial, legal, policy and operational environment creates both challenges and opportunities for the division and calls for adaptive management. The six key areas align with and will be executed within the context of the agency's mission, values, and principles. These business improvements will help the division to best fulfill the board's policies and the agency's mission. The following summarizes the six key business improvement areas.

Marketing. This effort seeks to improve how the division markets timber and forest products in order to maximize profit. Current timber sale contracts and marketing practices need to be adjusted to meet current and future economic conditions and business standards. Finding ways to better manage cash flow, while increasing net revenues will help alleviate the division's financial strains. Some examples that are currently being implemented as pilot projects include sort sales, reducing project work expenses, midpoint payments, and changes to contract length. These are technical, operational adjustments that have been used in the past. The goal of marketing is to use contracting and other business tools more strategically to capture additional value out of the same amount of sold timber volume. There is an extensive list of improvements and the division continues to identify the scope of work and priorities as they relate to Marketing our timber. The division expects a core group to lead this effort for several years to adjust the scale of work based on priorities and capacities.

Recreation, education, and interpretation. This multi-faceted approach includes developing partnerships and a policy option package to deliver high-demand public benefits that connect Oregonians to the outdoors. State Forests Division combines recreation, education, and interpretation programs to educate children and members of the public about forestry. These programs afford an opportunity to demonstrate that managing forests result in a range of social, economic, and environmental benefits and that recreational activities can be achieved in the context of a working forest. The policy option package asks for general funds, to offset State Forests' \$3.5 million yearly expenditures associated with implementing these programs. Public benefits include experiences such as fishing, hiking, camping, equestrian activities, mountain bike riding, off-highway vehicle recreating as well as education and interpretation at the Tillamook Forest Center. The State Forests team leading this project is prioritizing and developing the key elements with a current focus on outreach regarding the policy option package.

Intra-agency coordination. This initiative explores contributions of the State Forests Division to the agency in terms of capacity, funding or costs. Some examples for this initiative include evaluating how positions are funded to administer the Forest Practices Act on State Forests, recovering advanced fire training costs, and assessing the appropriate billing for non-fire program equipment utilized on fires. This group anticipates completing its plan to do more intra-agency coordination by early 2017.

Workforce Planning. This initiative will complete strategic workforce planning to ensure current division requirements are being achieved, while planning ahead to ensure the workforce stays relevant as the division's business modernizes. This effort will evaluate and identify the high priority, necessary work performed by each position, looking for ways to increase efficiencies and effectiveness. Along with assessing the organization's structure, position duties and responsibilities, the division seeks to create a scalable workforce that can address dynamic business needs. Developing ways to empower and invest in the workforce will ensure the division remains a competitive and relevant employer able to effectively manage Oregon's state

forests now and into the future. The division started defining the scope of work for this initiative and is in the process of assembling a diverse project team. The team leaders expect to ramp up efforts before the year's end with the goal of beginning to implement recommended changes in fiscal year 2019.

Implementation plan revisions. A two tiered approach is being used to make revisions. The top priority, Western Lane District is revising its plan based on entering a Safe Harbor Agreement with U.S. Fish and Wildlife Service. The primary change will be to adjust the mapped landscape design to better align with the conservation and baseline sites shown in the Safe Harbor Agreement. Modeling will be done to update sustainable harvest levels. The second priority is considering updates for other Northwest Oregon Area districts. Changes to these other districts' plans will be based on the magnitude of the changes considered and available staff capacity.

South Fork Camp. This initiative will conduct a cost-benefit analysis of the camp and recommend necessary changes. Items the division will assess include: the highest and best use of crews, labor replacement costs, and assign quantitative and qualitative values to camps production; evaluating the funding structure; and ways to diversify South Forks' customer base with associated offsets, income and cost-savings opportunities. Camp staff have been laying the ground for this project since February 2016 by refining and expanding the production databases, and gathering information from recreation and reforestation district staff. Staff are assessing customer base diversification with the development of an intergovernmental agreement with ODOT to do roadside vegetation management work.

Recommendation

Information only.

Next Steps

The division will continue working with the Board on policy solutions while executing six high-priority business improvement strategies.

