



Minnesota Transportation Strategic Management and Operations Advisory Task Force

December 15, 2008

The Honorable Tim Pawlenty
Governor, State of Minnesota
130 State Capitol
Saint Paul, Minnesota 55155

The Honorable Senator Steve Murphy, Chair
Senate Transportation Committee
Minnesota Senate
Capitol Building, Room 325
Saint Paul, Minnesota 55155

The Honorable Rep. Bernie Lieder, Chair
House Transportation Finance Committee
Minnesota House of Representatives
423 State Office Building
Saint Paul, Minnesota 55155

The Honorable Rep. Frank Hornstein, Chair
House Transportation Policy Committee
Minnesota House of Representatives
437 State Office Building
Saint Paul, Minnesota 55155

Dear Governor Pawlenty, Senator Murphy, and Representatives Lieder and Hornstein:

The Transportation Strategic Management and Operations Advisory Task Force was created by the 2008 Minnesota Legislature, Chapter 152, Article 6, Section 9, to "advise the governor and the legislature on management and operations strategies that will improve efficiency in transportation." This letter and the following enclosure record the work of the task force to date.

The Task Force has met four times during since October 2008. We have listened to presentations about and held valuable discussions around a number of areas in the operation, management, and structure of MnDOT's work. The discussions led members to suggest various ideas for improving operations, and the task force has honed those ideas to four key areas of focus in which it will work to develop specific recommendations. While task force members have not formally voted or agreed on these areas, our discussions have certainly led us to concentrate there. The enclosure outlines our focus to date.

The task force will meet again in January 2009 to continue our work and develop recommendations. Following that meeting, we will provide you with a full report by the end of January 2009 on our efforts and results.

Sincerely,

Handwritten signature of Clay Parker in black ink.

Clay Parker, Co-Chair
Governor's Private Sector Representative

Handwritten signature of Adam Duininck in black ink.

Adam Duininck, Co-chair
Senate Organized Labor Representative

Enclosure

c: Senate Majority Leader Sen. Larry Pogemiller
Senate Minority Leader Sen. Dave Senjem
Speaker of the House Rep. Margaret Anderson Kelliher
House Minority Leader Rep. Marty Seifert
Thomas K. Sorel, Commissioner, Minnesota Department of Transportation
Members, Transportation Strategic Management and Operations Advisory Task Force

Transportation Strategic Management and Operations Advisory Task Force

Focus Areas

Developed at the December 8, 2008 Meeting

Overview

The Transportation Strategic Management and Operations Advisory Task Force, created by the 2008 Legislature, identified the following focus areas under four main topic headings to advise policy makers on improving efficiency and effectiveness in the management and operations of transportation in Minnesota. None of these areas have yet been approved by the Task Force but members are looking to identify specific recommendations in these areas at a future meeting in January 2009. The numbered items in each of the focus areas are suggested ideas by task force members. Items task force members thought are particularly key within a focus area are identified by an asterisk (*). Further, members acknowledged points or questions that create the rationale for why these areas are important for the task force deliberation.

Critical Topic – Planning, process and structure

A. Validate Statewide Interests in Allocation Process (review centralized/decentralized)

1. Allow more centralized decision-making regarding funding allocation
2. Improve consistency and standards by centralized decision making (Strategic Plan vs. Consensus Plan; no big picture plan; too many stakeholders)
3. Review process of setting priorities by delegation to districts; gather more information on how priorities are set and how the process with districts operates
4. Develop a more balanced formula (focus on high priority projects in the areas of: safety, preservation, mobility, and, regional/community priorities)

Rationale points or key questions identified by task force members leading to the selection of this area as a critical topic

- Tension between how we allocate the funds and the limited amount of money available
- Currently there does not seem to be a broad understanding outside of MnDOT of how this system works; stakeholders do not have a comfort level in this process
- Need to develop a greater balance between statewide and regional priorities; it is unclear if statewide priorities are reflected in the current process
- What is the organizational effectiveness in a MnDOT/District structure? Is it the most effective and efficient process for funding and operating a transportation system?
- Potential to radically restructure government in the future and improve its operation

- Need to understand what a centralized decision-making process and management structure would look like and how changing either would improve upon the current approach.
- Note that there may be connections between this area of focus and the topics of the municipal consent process and the right-of-way acquisition process (highlighted in X below)

Critical Topic – Practice and Implementation Perspective

B. Establish and Use Best Practices for Business Operations (Maintenance and Construction)

1. *Incorporate lessons learned from design-build and best value into design-bid-build projects (use some of the strategies that worked to manage risk, minimize cost and accelerate delivery)
2. *Consider other financing, purchasing, and contracting methodologies and how to do them (pilot projects)
3. Design-Build (DB)/Design-Bid-Build (DBB) progress; invest in training and quality assurance (best practice equals balance of methods)
4. Create a task force within MnDOT (with outside support) to incorporate DB best practices across MnDOT
5. Develop (over time) a more cost-effective way to do construction (it is currently based on funds allocated)
6. Conduct detailed review of any modification suggestions for legislation on contracting methods; DB, contractor at risk

Rationale points or key questions identified by task force members leading to the selection of this area as a critical topic

- The use of best practices to improve effectiveness and efficiency will bolster public trust and confidence
- Design Build has a great track record but is not a solution for all transportation issues; lessons learned in Design Build can be embedded in appropriate areas throughout MnDOT
- Use of best practice helps to ensure the best return on investment; a new, historic investment in transportation has been put in place with Chapter 152 funds
- Is our limited amount of dollars used as efficiently as possible?
- The best practice concept can be used throughout MnDOT to get the most value out of the transportation funding
- Use of best practices in Minnesota creates a model for federal transportation operation

Critical Topic - Data Driven Decision-making

C. Establish a Culture of Evidence

1. Install analytics across all functions

2. Collect information on effectiveness of past practices to establish benchmarks for new ones; enable before/after comparison
3. Audits of estimation and regional projects vs. STIPS

D. Provide Financial Accountability

1. *Implement a better financial information system that will drive better decision-making and determining set aside areas, etc.
2. *Use best practices analytics (for example, units of measurement for projects)
3. Create a legacy system (for example, finance)
4. Use more detailed project metrics for construction and planning construction activities
5. Use billable hours to track time spent on projects, or phases of a project
6. Legislative oversight/audit of MnDOT finances

E. Strengthen Leadership in Program Management and Development

1. Develop performance management analytics; adopt two to four-year "post go" implementation plan (cost estimation project critical)
2. Track milestones; audit current estimation initiatives for two years

Rationale or key questions identified by task force members leading to the selection of this area as a key area of focus

- Provides accountability to taxpayers
- MnDOT has identified a number of basic systems and processes it needs to work on and has taken various steps to address these areas. Focus on the work that still needs to be done to complete these efforts and have them generate the desired impact.
- Closing these gaps is critical for any high performing billion-dollar contracting organization.
- There is a need to have basic funding and process data to judge operational effectiveness
- Clear metrics have a positive impact on employees; staff have a clearer understanding of what they need to do or accomplish
- Now is a critical time because of a greater competition for resources and the increased expectation of stewardship of our state's resources
- Generation of a better performance management system in MnDOT with better data

Foundational Areas to Ensure Change

There were a number of foundational areas which taskforce members felt were key enablers and without strong attention would likely compromise other critical topics.

F. Develop a Human Resources Plan

1. Tie the strategic plan on human resources to the execution strategy
2. Determine the right balance of internal staff and outsourcing
3. Competency and continuity in workforce plan: determine the appropriate level of workforce

G. Employ Leadership Sponsored Change Management

1. *Create a "change mindset" within MnDOT organization (culture and skill-set vs. quantity)
2. *Employ "best practices" tone at the top leadership level (Strategic Transportation Plan)
3. Implement new culture and tie new practices to performance evaluation (coordinated by top-level leadership)

Rationale or key questions identified by task force members leading to the selection of this area as a foundational area of focus

- Acknowledging that state employees are a valuable resource and they need to be supported by leadership. Further staffing levels needs to be sufficient and employees have a responsibility to embrace efforts to improve the operation of MnDOT
- Planning is a key resource in getting the work done and it needs to be carefully considered into the future; the state needs a steady, flexible workforce to do the work; a staffing plan would determine what needs to be done and to identify the critical skills necessary to do the work
- A change in the culture at MnDOT facilitates, encourages, and supports the improvement initiatives
- The changing demographics of the Minnesota workforce require MnDOT to change its methods for recruiting and operating the transportation system in Minnesota.
- MnDOT needs to better balance the volatile fluctuations from year to year in projects and needed staff to do the work.
- A plan provides confidence in managing the third-party spending
- Planning focus on training and/or adapting skill sets for alignment with projected work areas
- Note: A number of the factors brought up in this rationale list are outside the control of MnDOT; some areas MnDOT can control but many other they cannot.

Other Areas Considered by the Task Force

H. Re-examine Process on Approval from Outside System (relationships)

1. Focus on costs of utilities and right-of-way
2. Revisit municipal consent process
3. Track deviations to MnDOT standard municipal consent cost share formula
4. Review the right-of-way acquisition process

I. Collaborate with Metro Planning Organizations (MPOs/entities)

1. Strengthen collaboration with Met Council; increase support for transit