



## Minnesota Department of Transportation

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Adam Duininck  
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Dear Mr. Parker, Mr. Duininck and Mr. Olson:

The final report of the Transportation Strategic Management and Operations Advisory Task Force (Task Force) was submitted to Governor Pawlenty and chairs of the legislative transportation committees on January 23, 2009. A joint House and Senate legislative hearing was also held on February 5, 2009 to present the Task Force recommendations. For details regarding each of the three recommendation areas, please refer to the full report online at [www.dot.state.mn.us/updates/transportationtaskforce.html](http://www.dot.state.mn.us/updates/transportationtaskforce.html).

This letter presents a status report on the Minnesota Department of Transportation response to recommendations made by the Task Force.

### **Recommendation 1. Planning and Policy Making Perspective – Validate Statewide Interests in Mn/DOT Regional Structure and Allocation Process**

This recommendation required that further assessment be completed to determine if and specifically how the current decentralized organizational and funding structures are optimal for the future, and if they are not optimal, identify those aspects that could be enhanced.

Mn/DOT is working the American Society of Civil Engineers regarding the use of their peer review services to conduct this assessment. The peer review service is designed to review processes and provide recommendations to public agencies for the improvement of management and quality of their operations. Mn/DOT has utilized this service previously with success.

ASCE has proposed to establish an outside team of top level transportation professionals from around the country to:

- Review Mn/DOT annual reports, strategic plans, budgets, organization structure and other written materials pertinent to the department's resource allocation. This preliminary assessment will also include a detailed review of the Task Force report and several telephone interviews with key Mn/DOT staff.
- Conduct an on-site assessment that will consist of interviewing key staff within Mn/DOT and other agencies that impact the department's ability to carry out its mission.

- Present an oral report upon conclusion of the on-site assessment
- Prepare a complete written report which will be delivered approximately 30 days after the on-site assessment.

The Center for Transportation Studies will also coordinate with ASCE during this peer review. CTS recently completed a project management peer review for Mn/DOT that looked broadly at project management across all areas of the department, including the entire lifecycle of transportation projects from planning through development, construction and maintenance. There are similarities between the issues raised during the project management peer review and issues raised by the Task Force. For example, tracking and keeping track of project commitments as projects are transitioned from planning through maintenance, and clarifying performance measures, accountability and authority were areas of challenge noted by both efforts. CTS will identify and correlate similar findings between the peer reviews and they will conduct a high-level scan of resource allocation practices from other departments of transportation with an eye toward identifying areas for improvement.

The peer review related to Recommendation 1 is tentatively scheduled to begin this month and be complete in May. It is expected that Mn/DOT will coordinate actions from the peer review with decisions being made in preparation for distribution and direction of funding received through federal transportation reauthorization. We will also tie existing internal efforts to identify statewide priorities for projects and programs to the results of the peer review.

### **Recommendation 2. Foundational Areas to Ensure Change – Develop a Continuous Improvement Process in Mn/DOT**

The Task Force acknowledged many examples of excellent progress in the use of metrics and data driven decision making at Mn/DOT. However, it was also noted that where cost is part of the decision process, systemic barriers and cultural resistance may result in less organizational drive for continuous improvement compared with high performing private businesses. The Task Force recommended that Mn/DOT implement a continuous improvement process throughout the organization.

Mn/DOT has undertaken several activities in the past year related to this recommendation. In December 2008, the department adopted a new strategic plan that outlines desired outcomes for its five strategic directions – safety, mobility, innovation, leadership and transparency. The strategic plan further identifies a series of flagship initiatives that most closely support the department's vision and the outcomes desired for each of its strategic directions. These initiatives are of particular importance because they are transformational and cut across the department. For example, Major Projects Management is a flagship initiative that has been identified for the leadership direction. Reviewing and strategically evaluating progress on major construction projects with the greatest risks of exposure – both positive and negative – is important for the department to demonstrate its transportation leadership responsibilities and its value to the public. All of the flagship initiatives will be regularly monitored by the Commissioner, Deputy Commissioner and Division Directors to ensure balance and progress toward the department's directions and vision.

Related to identifying desired outcomes and flagship initiatives for the department, Mn/DOT has also continued to refine its performance management efforts. Upon release of the Statewide Transportation Policy Plan: 2009-2028 in August, agency performance measures are being adapted to better align with key transportation policy areas and the department's five strategic directions. Nine new measures have been added to better reflect the increasing importance of infrastructure preservation, multimodalism, community development and environmental implications for transportation. Mn/DOT leadership will issue an annual performance report in March 2010 to share its progress in these and several other areas.

In addition to establishing strategic directions and measuring performance, the department has also begun working with the Department of Administration to use Enterprise Lean as a continuous improvement tool. Enterprise Lean is a coordinated state government initiative for improving the organizational performance and results in Minnesota's state government agencies. Using time-tested process Lean approach, while also embracing Six Sigma tools and total quality management philosophies, Enterprise Lean has a simple goal of helping state government work better for its customers and employees.

With assistance from the Department of Administration, Mn/DOT has completed three Lean Kaizen events in the past year. One event reduced implementation time by 56% for the department's Electronic Document Management System. The second event reduced the average time to closeout a federal construction project from four years to 2.75 years. The most recent Kaizen event is expected to decrease the number of days for processing design exceptions from an average of 84 days to an average of 13. Several Mn/DOT staff have also attended Kaizen facilitator training and efforts are underway for next assessing Mn/DOT operational functions. Specifically, right of way platting, hiring and railroad agreement processes are being further assessed. The next Kaizen is scheduled for March/April and will focus on hiring.

Together, these efforts create a more holistic approach to continuous improvement within the department. We also expect that federal transportation reauthorization will further emphasize performance management as an aspect of delivering quality transportation throughout the nation.

### **Recommendation 3. Practice and Implementation Perspective – Establish and Use Best Practices for Business Operations**

The Transportation Task Force observed that while design-build contracting and construction is not appropriate for all Mn/DOT projects, the department's experience and knowledge of the unique project management processes and practices related to design-build should be more broadly utilized. Much of this learning can be used to improve overall Mn/DOT project management practices, regardless of the contracting or construction method. The task force recommended that Mn/DOT address internal structural barriers to implementing innovative project management approaches and cultivate best practices.

To this end, Mn/DOT has continued implementation of its Cost Estimating and Cost Management effort. Training designed for estimators, project managers, functional managers and others who provide information to estimators and project managers has been delivered throughout 2009 and will continue into 2010. The training sessions provide staff with information and tools to consistently estimate and manage costs. Requirements have also been established for all bridge projects associated with Chapter 152 funding and

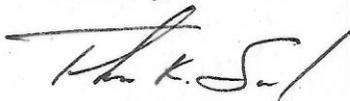
all projects in the 2010-2013 State Transportation Improvement Plan. Requirements address items such as scoping reports, cost estimate files, total project cost estimates, applying risk and contingency, documenting assumptions and creation of one-page project summaries. Additionally, project management plans, including project level risk management plans, are being developed for the major bridges receiving Chapter 152 funds.

The Office of Project Scoping and Cost Estimating remains a focal point for this and other activities associated with best practices. This past summer and fall, two peer reviews were conducted in relation to project management. The first peer review was noted earlier in this letter and it focused on evaluating the department's project management practice. The second peer review was specifically focused on assessing the department's public engagement efforts for the Highway 62 Crosstown reconstruction project. Both yielded valuable information about strengths and weaknesses in Mn/DOT's project management and public involvement practices. Findings from the Highway 62 Crosstown project review were folded back into the project and Mn/DOT's public involvement program – Hear Every Voice – to expand opportunities for improvement statewide. Recommendations from the project management peer review are currently being reviewed for next steps related to implementation.

In addition to these continued efforts to identify best practices internally, Mn/DOT maintains relationships with other transportation agencies through organizations such as the American Association of State Highway and Transportation Officials and the US Department of Transportation. The department values these relationships to conduct research and exchange best practices throughout the industry.

Innovation and leadership are two important strategic directions for Mn/DOT that will support efforts to continuously improve and apply best practices. We are also following through on our commitment to validate the department's organization and resource allocation process by conducting a peer review. As we progress with our efforts in these areas, please let me know if you have any questions.

Sincerely,



Thomas K. Sorel  
Commissioner

cc: Governor Tim Pawlenty  
Senator Steve Murphy, Chair, Senate Transportation Committee  
Representative Bernie Lieder, Chair, House Transportation Finance Committee  
Representative Frank Hornstein, Chair, House Transportation Policy Committee  
Bernie Arseneau, Director, Policy, Safety and Strategic Initiatives-Mn/DOT  
Scott Peterson, Director, Government Affairs-Mn/DOT