

# Performance and Accountability through Reforms

Governor Inslee promised the citizens of Washington that he would serve as a change agent, building a team that shares his commitment to leaner, more effective operations across state government. WSDOT Secretary Lynn Peterson was appointed because of her track record for implementing reforms that improve performance in all modes of transportation – bringing the disruptive change necessary to WSDOT to build a more responsive and cost-effective system.

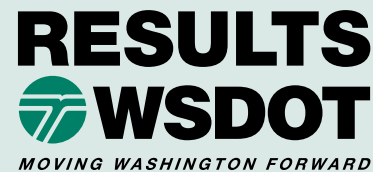
Every citizen in Washington depends on WSDOT to keep the state's economy moving – by road, rail, air, water, transit, bike, or walkway, our services are fundamental to the state's economic health and quality of life. That is why WSDOT operations are a crucial component in every part of Gov. Inslee's *Results Washington* initiative.

In order to support the Governor's initiative for Washington, WSDOT must implement common-sense changes that foster efficient, effective, and accountable government for those we serve.

While the department is poised to deliver a record number of projects across our state, including two internationally significant megaprojects, the SR 520 floating bridge replacement and the SR 99 deep bore tunnel, there is room to improve how we build and maintain an effective system. There are many things to be proud of with respect to improvements in contracting, oversight, and accountability, on the two megaprojects and in other programs, we've made mistakes. Effective management means taking a hard look at the lessons learned and ensuring that we apply them quickly, changing systems and structure as necessary to avoid making those same mistakes again.

Effective management also means taking a hard look at the fiscal reality facing the agency in the coming years. Without new revenue, WSDOT faces stark decisions about how to maximize existing capacity and prioritize maintenance and preservation needs across the state. The agency must have a conversation with the citizens of Washington about how to set those priorities and how best to serve the state's transportation needs given the limited funding available.

The ten reforms presented here have the potential to make WSDOT even better at achieving our mission



## Vision

The Washington State Department of Transportation's vision is to be the best in providing a sustainable and integrated multimodal transportation system.

## Mission

WSDOT provides and supports safe, reliable, and cost-effective transportation options to improve livable communities and economic vitality for people and businesses.

## Values

**Safety:** Promote the safety of the public and employees at all times

**Inclusion:** Ensure a wide array of perspectives, disciplines and backgrounds are represented in our outreach, decision making and workforce

**Innovation:** Foster an environment of trust that encourages creativity, finding solutions for challenges and leveraging opportunities

**Integrity:** Build trust with each other and our communities by being ethical, accountable, responsive and honest

**Leadership:** Inspire, motivate and support to give each other the confidence to do great things

**Sustainability:** Make decisions and take actions that promote the conservation of resources for future generations by focusing on the balance of economic, environmental and community needs

## Goals

**Strategic Investments:** Effectively manage system assets and multimodal investments on strategic corridors to enhance economic vitality

**Modal Integration:** Optimize existing system capacity through better interconnectivity of all transportation modes

**Environmental Stewardship:** Promote sustainable practices to reduce greenhouse gas emissions and protect natural habitat and water quality

**Organizational Strength:** Support a culture of multi-disciplinary teams, innovation and people development through training, continuous improvement and Lean efforts

**Community Engagement:** Strengthen partnerships to increase credibility, drive priorities and inform decision making

**Smart Technology:** Improve information system efficiency to users and enhance service delivery by expanding the use of technology

of providing and supporting safe, reliable, and cost-effective transportation options to all Washingtonians. Some are directed at a specific program or department while others will be implemented agency-wide.

Secretary Peterson and the newly-appointed executive team at WSDOT recognize that the methods of transportation project and program delivery must change in order to meet the needs of our citizens today. Twentieth century methods and processes for financing, planning, designing, constructing and communicating have become cumbersome and potentially cause overbuilding, increased delivery times and increased risk.

Under Secretary Peterson's leadership, a mega-project assessment was recently completed and some elements of that assessment have already been implemented, including:

- A new chief engineer has been appointed with mega project experience, and a deputy chief engineer position has been created to ensure there is capacity to provide oversight and support of both mega projects and regional offices.
- A more robust evaluation of how the agency contracts for work and how risk is shared with contractors, including review by the chief engineer, is being developed.
- A new quality assurance manager position is being created that will report directly to the chief engineer to ensure a high level of quality across the agency.
- Opportunities will be created for agency staff to gain mega project experience so that lessons learned on current projects can be applied to future investments.

This review also made several recommendations that would require legislative action, including enabling the use of a general contractor/construction management delivery approach to better be able to encourage innovation, accelerate delivery, decrease traffic impacts and establish a fair price for taxpayers and the contractor.

In addition, WSDOT worked in support of HB 2070, legislation that contained tools to hold WSDOT accountable in providing more cost effective projects including:

- Design error reporting
- Streamlining of environmental permitting processes
- Eliminating redundancies between federal and state requirements and expediting review for all projects requiring an EIS
- Improving environmental training and compliance
- Increased coordination with tribal stakeholders and partners
- Increased use of expert review panels for independent assessment of mega project delivery processes.

The reforms outlined below represent a cross section of opportunities available to and being implemented by the agency. Many were identified by external stakeholders and internal staff as necessary to be more accountable and cost-effective. Others have been suggested by members of the Legislature and some warrant further discussion. Expectations and performance measures will be incorporated as next steps in our strategic plan.

Some of these reforms can only be implemented with action from the legislature and WSDOT will be drafting several legislative requests to implement these reforms. We will work closely with Governor Inslee and the Washington State Legislature on these reforms and other ideas that were presented to the public during the 2013 Senate Transportation Committee forums.

## Proposed Reforms

### Develop a team committed to expedited project delivery

- Reform I:** Ensure efficiency and accuracy through strong management direction
- Reform II:** Reward innovation in cost-effective design and construction management
- Reform III:** Develop workforce
- Reform IV:** Increase opportunities for disadvantaged business enterprise (DBE)

### Implement programs that save money and mitigate risk

- Reform V:** Implement Practical Design
- Reform VI:** Strengthen quality assurance protocols for increased accountability
- Reform VII:** Expand and strengthen construction contracting methods and protocols
- Reform VIII:** Implement vessel construction and maintenance improvements suggested by State Auditor's Office

### Establish cost-effective and efficiency measures to improve performance

- Reform IX:** Lean, more cost-effective operations
- Reform X:** Streamline tolling operations, costs and efficiencies

# DEVELOP A TEAM COMMITTED TO EXPEDITED PROJECT DELIVERY



## Reform I: Ensure efficiency and accuracy through strong management direction

### Strategic objective

Deliver projects and programs for our customers effectively and efficiently, building public trust through transparent reporting of clear performance measures, which will be developed in a strategic planning effort.

*Responsible for oversight: Assistant Secretary Katy Taylor*

### How will we achieve it?

WSDOT's most recent plan – a business plan developed in 2011 – contained good information, but did not provide strong direction for the agency's future investments, particularly given the coming financial shortfall. Secretary Peterson directed the development of a strategic action plan that is concise, straightforward, and outlines the challenges facing WSDOT and how agency resources will be prioritized. The agency faces significant funding shortfalls in the coming years. These shortfalls will require us to make difficult decisions on how to maximize existing capacity and where to spend limited maintenance and preservation dollars. The strategic plan will provide a clear assessment of the trade-offs that must be considered as these decisions are made.

This document will serve as a working roadmap for WSDOT, providing staff with a clear description of agency priorities and achievement of the established goals will be tied to employee performance evaluations. The plan will align with legislatively-mandated goals as well as to Gov. Inslee's *Result Washington* performance measures.

WSDOT's strategic plan will identify specific outcome measures and leading indicators to support each of the agency's goal areas. Performance measures will be quantifiable, demonstrating progress toward achieving the agency's priorities, and will be tracked over time to illustrate WSDOT's progress in accomplishing the goals outlined in the strategic plan. Lean principles will be incorporated into each portion of the strategic plan.

Employees, focus groups and stakeholder outreach will be used to further define the outcome measures and leading indicators for each of the goals as well as comment on the draft.

Our executives and senior leadership are developing the strategic plan framework, including the vision, mission, values and goals.

The final strategic plan will be released in January 2014. Implementation plans will be developed with cross-functional teams to facilitate coordination and integration in work efforts within divisions and across the agency.

After the plan is complete, each division of WSDOT will be evaluated on their part of the strategic plan implementation through review by division as well as the individual managers within the division.

### How will we measure it?

WSDOT is committed to providing a responsive, innovative and data-driven culture of continuous improvement, utilizing data across the agency to drive and inform process improvements. Performance information will be reported quarterly in the *Gray Notebook* which is currently under transformation, so that the contents include both the current data reporting and ongoing analysis about agency trends and record on meeting performance measures.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

When completed, savings from each component of the strategic plan will be determined. Reforms listed in this document will be key components of the strategic plan; this document outlines expected efficiencies.



## Reform II: Reward innovation in cost-effective design and construction management

### Strategic objective

Reward contractors for innovative, cost-effective design and construction management.

*Responsible for oversight: Chief Engineer Linea Laird*

### Projected efficiencies

Based on savings reported by other state departments of transportation, WSDOT projects cost reductions of up to five percent on identified pilot projects.

### How will we achieve it?

Under Secretary Peterson's leadership, we are actively evaluating options for rewarding innovation in design and construction incentives by allowing reinvestment of savings on other high-priority regional needs such as safety projects.

In addition, the agency is developing a contractual approach to allow alternate technical concepts during bidding for design-bid-build projects.

We are also evaluating options to allow contractor-led value engineering and constructability reviews after a contract is executed and before work is started.

### How will we measure it?

Savings realized through innovation incentives will be tracked by the WSDOT HQ Construction, Design, and Capital Program Development and Management Offices. Design savings will be described in design award documents. Construction-phase savings will be identified through the annual reports on Cost Reduction Incentive Proposals and Alternative Technical Concepts.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.



## Reform III: Develop Workforce

### Strategic objective

Create and implement workforce development programs that ensure a top-workforce for the agency and provide ongoing professional development for staff.

*Responsible for oversight: Assistant Secretary Katy Taylor*

### How will we achieve it?

Training a workforce is an investment not just in the employee, but in the very delivery process of projects and services vital to economic development. Two trends put the agency in jeopardy of being able to take advantage of financial, planning, maintenance, design and construction best practices as they develop through the industry.

First, an aging workforce has been trained in methods that achieve some of the objectives of the agency, but not all of them. Currently 77 percent of WSDOT employees are over the age of 40. Second, a lack of adequate training and succession planning limits the agency's ability to ensure talent exists within the organization that is responsive to the transportation needs of the state using the latest trends and best practices.

When Secretary Peterson joined the agency, these trends were known and cause for concern. She directed staff members to make a development plan a priority and we are currently exploring cost-effective ways to begin working on the following:

*Workforce Development:* Training staff members in innovative technology and trends will only improve our ability to deliver our services to the state. Programs within WSDOT will be provided training that emphasizes best practices and emerging trends, optimizing delivery of services with a special emphasis on business, science, engineering and technology.

*Leadership Development and Succession Planning:* Beyond current requirements of introductory supervisory training, WSDOT will develop two additional phases of leadership training in partnership with the University of Washington's Executive Leadership program. Additional training will focus on managing staff within larger organizations, which will prepare the right employees for future executive level positions, and retaining talent within the agency.

*Internship Programs:* For entry-level engineering positions, the organization will actively recruit interns that are currently enrolled in science, technology and engineering programs – building tomorrow's workforce. WSDOT will seek to build relationships with professors within these programs, both locally and regionally, to seek out the most innovative candidates for this program.

### How will we measure it?

WSDOT will measure effectiveness using three particular tools:

- The Learning Management System (LMS) which will support learning plans for each program outlined above.
- The Human Resources Scorecard, which tracks and monitors activities to ensure performance goals are met.
- A newly-developed performance management system which integrates with the LMS system and reviews performance based on achievement of goals established throughout the state.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

By focusing efforts on effective staff training in best industry practices – such as effective management tools, practical design, efficient and innovative contracting methods, and quality assurance, WSDOT is investing in the future ability of the agency to construct and maintain safe, reliable transportation infrastructure. Without effective workforce development, WSDOT will not be able to achieve the other reform areas identified in this document.



## Reform IV: Increase opportunities for disadvantaged business enterprise (DBE)

### Strategic objective

Maximize disadvantaged business enterprise (DBE) participation in WSDOT projects.

*Responsible for oversight: Secretary Lynn Peterson, Chief Engineer Linea Laird, and Assistant Secretary for Community and Economic Development Amy Scarton*

### How will we accomplish it?

Secretary Peterson made it clear early in her tenure that the agency's DBE program would be a priority for the agency and all staff members, as improving DBE participation reflects the values of the agency and is a reform that must be implemented. To that end, she has committed that necessary resources will be provided to improve DBE utilization, and directed those involved with the program to identify areas and processes where reform is necessary.

Under WSDOT Secretary Lynn Peterson's direction, the AWW Replacement Program hired a consultant with extensive experience in DBE program implementation and project goal compliance to assess and report on STP efforts to date. The consultant has completed a report with recommendations for maximizing DBE utilization through project completion. The consultant is now reviewing DBE participation efforts on other projects and at a programmatic level.

Work is underway with several focus areas as keystones for project and programmatic reform:

- Delineate clear process for establishing and documenting progress toward DBE participation goals on WSDOT projects.
- Clarify roles and responsibilities across WSDOT for DBE goal-setting, attainment, and necessary support services.
- Review and update contract language for best practices to be used on all WSDOT projects which utilize federal funds and have mandatory DBE participation goals.
- Review and design a best practices manual for DBE goal-setting process specific to design-build contracts.
- Increased executive-level outreach to stakeholder groups within the minority and tribal communities.
- Increase the scope and agency emphasis on the new voluntary goals for Small Business Enterprise.

The Secretary's office, the Office of Equal Opportunity and staff members from the regional offices and mega-projects will work together to ensure that WSDOT maximizes DBE participation in agency projects.

### How will we measure it?

On projects that receive federal funds, USDOT tracks and assesses DBE utilization, determining if the goal has been achieved through a combination of participation and good-faith efforts. WSDOT will track DBE utilization on all projects across the agency and report results in quarterly performance report, the *Gray Notebook*, and Results Washington.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

The goal for the DBE program is to meet or exceed federal requirements for DBE utilization. If established DBE goals are not met, WSDOT could be found in non-compliance, which in turn could result in the loss of federal funds.

# IMPLEMENT PROGRAMS THAT SAVE MONEY AND MITIGATE RISK



## Reform V: Implement Practical Design

### Strategic objective

Decrease the scope and cost of projects by increasing flexibility within WSDOT project development process and design guidelines, doing so without sacrificing operations, performance, community livability, economic development and environmental stewardship.

*Responsible for oversight: Chief Engineer Linea Laird*

### How will we achieve it?

Under Secretary Peterson's leadership, WSDOT has made progress implementing Practical Design principles throughout the agency. Practical Design is known within the industry as an effective tool for providing flexible parameters so that a project provides the necessary results and improves the overall system, without unnecessary costs.

Practical Design principles require a systematic assessment of all components of project design, truly reforming how an agency approaches projects from the earliest stages.

In order to determine what specifically needs to change, Secretary Peterson designated a Professional Engineer, on-staff, to review our practices and determine where to provide more direction to staff on expected outcomes including project cost reduction. The review has included design policies; increasing the use of engineering tools that increase design flexibility; developing new guidelines for roadside restoration, guidelines that will minimize long-term maintenance costs; and examining emerging technologies that could both save money and make the system better for all who use it. Other Practical Design components – such as working more closely with local stakeholders on defining scope to ensure that their input is given at the right stage of project design – are also under development.

### How will we measure it?

WSDOT is tracking the moneys saved by implementing Practical Design principles. These cost savings will be reported in the agency's quarterly performance report.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

Based on savings achieved by other state DOTs that have implemented practical design, WSDOT projects a cost savings of up to 15 percent on selected projects during the initial implementation of this new practice. HB 1957, considered during the 2013 legislative session, would provide the agency with the necessary flexibility in scope, timeline and cost estimating. Efficiencies gained would benefit future transportation investments.



## Reform VI: Strengthen quality assurance protocols for increased accountability

### Strategic objective

Enforce quality assurance protocols throughout the agency and strengthen the compliance requirements for all project managers.

*Responsible for oversight: Secretary Lynn Peterson*

### How will we achieve it?

When Gov. Inslee appointed Secretary Peterson, he instructed her to both identify how mistakes such as the pontoon design error could happen and to determine how to prevent such errors from happening again. WSDOT has a statewide quality assurance system in place to identify and address problems early and document required changes. Was this system not followed and if not, why not?

Peterson called for an assessment of systems and procedures in place on WSDOT's mega projects and that report was recently completed. That assessment found that while the agency had established protocols in place to govern SR 520 bridge design and contracting issues, they were not followed. During the course of that review, Peterson directed the agency to begin implementing several changes, including:

- Develop a new construction workmanship audit program.
- Implement a systematic auditing program to review design processes, plan constructability, material, and contractual requirements.

This independent audit verification program will provide assurance that our requirements are creating the level of service system users both expect and deserve. We are streamlining quality assurance guidance to ensure it can be most effectively and efficiently implemented, including clarifying roles and responsibility for quality assurance. Lean principles will be utilized so that the general special provision process is streamlined and standardized.

We are also creating a position for a quality assurance manager that will report directly to the Secretary Peterson. The position will also work closely with the Chief Engineer on daily operational issues. Regular reporting will help ensure that our quality assurance program is being effectively implemented. This position will also proactively evaluate opportunities for improvement when a change order identifies a design or plan error. It will also assess and implement training opportunities within existing resources, such as e-learning, webinars, traditional training, resource sharing and prioritization of courses that are in need of update.

### How will we measure it?

The new quality assurance position will track, monitor and report to the chief engineer change orders that are the result of design or plan errors. The program to audit construction workmanship will systematically review and report where there are potential issues that need correction. Training and other communications will also be tracked to determine where changes in guidance documents or the quality assurance program are needed.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

Reduction of errors in design, contracting, and construction requirements avoids unnecessary costs for the agency.





## Reform VII: Expand and strengthen construction contracting methods and protocols

### Strategic objective

Implement a thorough risk analysis protocol for choosing the appropriate contracting platform for all WSDOT projects and expand the contract methods available for WSDOT projects.

*Responsible for oversight: Chief Engineer Linea Laird*

### How we will achieve it?

Secretary Peterson's call for a review of mega-project delivery by John Njord and Ron Paananen revealed a real need for WSDOT to have more contracting methods available to be able to reduce risk more effectively.

WSDOT currently utilizes two primary options for project contracting: Design-Bid-Build (DBB) and Design-Build (DB). DBB is the primary contracting model utilized by the Highway Construction Program. DB, a contract method which minimizes risk to the agency, has been utilized successfully on 20+ projects statewide. The mega project assessment directed by Secretary Peterson specifically highlighted WSDOT's need to have an additional contracting method available.

In order to maximize innovation and cost-effectiveness as well as manage risk aggressively, WSDOT needs authority to utilize additional contracting methods – in particular, the General Contractor Construction Management (GCCM) method. The objectives of GCCM are to encourage innovation, accelerate delivery, decrease traffic impacts and, through risk identification/mitigation, establish a fair price. GCCM is being utilized successfully at other state DOTs and by other public agencies in Washington, including the Seattle Department of Transportation.

Secretary Peterson is preparing agency request legislation to grant the agency the necessary authority for GCCM utilization during the 2014 legislative session.

Other actions necessary to implement this reform:

- Identify project specifications that are based on project performance criteria and transfer risk from the agency to the contractor without restricting work methods or limiting innovation.
- Perform constructability review and cost savings prior to the start of construction on design-bid-build projects.
- Formalize processes and contractual templates for use on design-build projects throughout the agency.
- Monitor progress as project is under construction, identifying possible issue and mitigating risks for the agency.

- Require an end-of-project report on both the contractor and WSDOT team on how issues were addressed and suggestions for improvement.
- Explore system requirements for measuring and enforcing warranty specifications.

### How will it be measured?

In addition to ongoing project cost and schedule tracking throughout the agency, WSDOT will compare project delivery on schedule, cost and traffic impacts according to contract method – assessing the effectiveness of the risk analysis protocol in determining the appropriate contract method for a project.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

Utah Department of Transportation reports that use of GCCM has resulted in savings of five to seven percent on its projects where GCCM is used. Based on Utah's experience and reports by other states, and coupled with agency efforts for increasing efficiencies, WSDOT forecasts reducing project delivery costs by three to five percent when GCCM is used as the contracting approach.

### Contracting methods

**Design-Bid-Build (DBB):** Project owner (WSDOT) either designs the project in-house or contracts with an engineering consultant for design services. Plans, specifications and estimates are prepared and bids are accepted. The lowest responsible bidder is awarded the contract. The owner is responsible for risks such as unforeseen conditions or other complications.

**Design-Build (DB):** Project owner (WSDOT) combines the design and construction phases of a project into a single contract. The contractor's proposal serves as the basis for the contract between the owner and contractor. As aspects of design are completed, construction begins on those portions, accelerating the delivery schedule. The contractor is responsible for most risks of the project.

**General Contractor Construction Management (GCCM):** A general contractor is chosen, based on qualifications, for the project at the start of design. The contractor contributes to design, contributing innovative ideas or methods that could reduce both cost and risk. The contractor, owner (WSDOT) and designer work together throughout the design process. An independent cost estimator validates the estimates of the designer and contractor. At the end of the design phase, the selected general contractor submits a bid; if the owner rejects the bid, it will be rebid in a traditional fashion. GCCM has been used by other state DOTs and by the City of Seattle to encourage innovation, accelerate delivery, decrease traffic impacts, and establish a fair price.



## Reform VIII: Implement vessel construction and maintenance improvements suggested by State Auditor's Office and develop cost-effective protocols to staff every scheduled ferry sailing

### Strategic objective

Improve vessel construction and maintenance procedures by strengthening budget development and contracting methodology.

*Responsible for oversight: Assistant Secretary David Moseley*

### How will we achieve it?

*Vessel construction and maintenance:*

In Jan. 3, 2013 the State Auditor's Office (SAO) released an audit report on Washington State Ferries (WSF) vessel construction costs. In this report, SAO identified 15 leading practices in ferry vessel construction. The report found that WSF effectively utilized eight of the 15 leading practices, utilized five of the leading practices in part but that the use could be strengthened, and that WSF did not use two of the best practices.

The five leading practices that the SAO audit identified that WSF "could be strengthened" are:

- Use a formal process to ensure "lessons learned" activities are completed and effectively utilized on subsequent projects.
- Develop project budgets based on improved estimation of project costs to reduce the use of large contingency amounts.
- Use chosen contracting method effectively.
- Use a fixed price contract.
- Owner places all responsibility on contractor to deliver project quality.

WSF has implemented or is actively working to strengthen and improve all five of these leading practices in the following ways:

- In the Olympic class new vessel construction project "lessons learned" are specifically identified and documented and those lessons from the first vessel have been applied to the second vessel. These "lessons learned" are reviewed between the shipyard and owner and documented in monthly progress meetings.
- WSF is working to improve estimating costs that would reduce the use of large contingency amounts. We have already reduced the contingency on the Olympic-class vessels. The contingency for the Tokitae has been reduced from 17.9 percent initially to 7.1 percent currently and the SAMISH contingency has been reduced from 7.8 percent to 4.6 percent currently. The current combined contingency on both vessels is 5.9 percent.

For the Olympic-class vessel construction program, WSF:

- Implemented the recommended improvements. For this project, WSF utilized only one contract with Vigor Industrial to cover the vessel design and construction.
- Utilized a fixed-price contract with Vigor Industrial.
- Placed most of the responsibility on the contractor to deliver a quality project with the shipyard accountable for errors and omissions. The only exception to this is the use of owner furnished equipment where WSF would be held accountable for errors and omissions. While some minor risk is assumed this allows for elimination of shipyard mark-up on purchased equipment thus reducing costs. Responsibility for successful integration remains with the contractor.

*Staffing:*

Secretary Peterson requested a plan to staff up to the appropriate level so that the situation is rectified as quickly as possible. WSF will actively recruit 81 able-bodied seamen and ordinary seamen positions. This includes 42 journeyman positions. To do this we are taking the following proactive measures:

- We are in discussions with the appropriate unions about the possibility of retaining new hires from summer 2013. The current contract requires that new hires be laid off with the start of the fall season, which makes it difficult to retain staff after they have been trained as there is no assurance of full-time employment.
- Changes to the dispatching process will be pursued during the next round of negotiations. A new electronic system will improve the effectiveness of the dispatch process.
- We are also developing curriculum and contracting with a commercial training source so that those qualified deckhands with appropriate license and some pilotage are encouraged to finish pilotage endorsements and another mates' orientation will be held in early 2014.
- "Stand-by pay" is being implemented to assure that staff is available at selected terminals.
- Labor relations are being developed between the new Secretary, the Director of the Ferry System and the labor unions to establish a proactive, trusting, working partnership.

## **How will it be measured?**

WSF will continue to document and track lessons learned and monitor their utilization in future projects. WSF will also restrict contingency to five percent in future project unless specific rationale is provided for the need for a higher contingency. All other leading practices recommended have been implemented.

WSDOT will track the staffing levels over the next year, the outcome of customer satisfaction surveys, and whether the requirement of 450 daily sailings is met.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

## **Projected efficiencies**

As noted above, efforts to reduce contingency amounts on new vessel constructions have been successful, reducing contingency on construction of new vessels by 15 percent. In addition, WSDOT has implemented a fixed-price contract with Vigor Industrial.

# ESTABLISH COST-EFFECTIVE AND EFFICIENCY MEASURES TO IMPROVE PERFORMANCE



## Reform IX: Lean, more cost-effective operations

### Strategic objective

Make WSDOT processes more productive by removing duplicative tasks or unnecessary steps.

*Responsible for oversight: Assistant Secretary Katy Taylor*

### How will we achieve it?

Gov. Inslee has directed all state agencies to increase efficiency and cost-effectiveness throughout their operations, utilizing Lean principles as guiding objectives. WSDOT is a large agency and by necessity an agency of our size must develop multiple layers of systems to support operations. However over time, those systems can become cumbersome and include unnecessary redundancies and delay.

Prior to Secretary Peterson's leadership, Lean was a voluntary activity. Because the effectiveness of Lean management processes is only recognized when it is internalized at all levels, Peterson directed the agency to prioritize these efforts. Under her direction, we will achieve the goal by training appropriate management staff in Lean management and asking them to identify areas where cost savings can be gained and our work can be more efficient.

The agency is developing a new strategic plan that will be straightforward and more easily understood by employees. One component for growth was identified immediately: creating a culture of multi-disciplinary teams and innovation supported by staff skills, development and commitment to the continuous improvement that Lean management practices instill.

In the past several months, WSDOT launched 15 projects utilizing Lean principles and committed significant resources to staff training and development in them. WSDOT employees have 24/7 access to Lean training through the WSDOT's online SkillSoft portal and are encouraged to utilize those resources frequently.

### How will we measure it?

The most important measurement for any reform is, "Did it improve efficiency and cost-effectiveness?" WSDOT is tracking the results from each project and publishes them in the agency's quarterly performance report, the *Gray Notebook*, ensuring accountability and transparency from project launch through completion.

WSDOT is also tracking the number of Lean projects and the number of employees with Lean training and certification using the agency's Learning Management System. Additional tools for measuring, quantifying and comparing project results are being developed.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

WSDOT's experience with several pilot projects, combined with third-party studies by management consulting firms (McKinsey and Accenture), indicates that implementation of Lean practices throughout the agency will result in increased efficiencies of five to fifteen percent across the agency.

### Lean principles at work

WSDOT's sign shop in Yakima is one of the initial 15 projects identified for early adoption of Lean principles. The team did a thorough analysis of processes and procedures, looking for all areas where systems could be redundant or where a process could be made more efficient or cost-effective. The result? Sign prices have been reduced by 25 percent per square foot and the team has doubled the number of signs manufactured within a specified time period.



## Reform X: Streamline tolling operations, costs and efficiencies

### Strategic objective

Make tolling operations more efficient and cost-effective by reducing overhead and eliminating duplicative tasks.

*Responsible for oversight: Assistant Secretary Craig Stone*

### How will we achieve it?

Efforts to streamline tolling operations have been underway for some time. Secretary Peterson made development of these action steps a priority, directing staff to expedite these efforts so that changes could be implemented as quickly as possible. There are four specific actions underway within the tolling program: Lean management, contract negotiations, toll collection efficiency and toll facility planning.

We are specifically implementing Lean practices within the toll program to streamline and improve how new toll facilities are brought online by eliminating inefficiencies and redundancies. The recent State Auditor's Office performance audit report provides feedback and lessons learned that are being incorporated into department operations. Results from the forthcoming Cost of Service Study prepared by the toll program will be used to conduct operations more efficiently and effectively. A plan for a continuous Lean management program within the toll program is being prepared with a team of Lean trained staff that has identified seventy potential improvements.

Lessons learned are being applied to contract negotiations with the tolling program vendors as some vendor contracts expire next year. The tolling program is reviewing contracting methods and risk management strategies to improve the effectiveness of the vendor providers to improve customer service.

Today, tolls on the Tacoma Narrows Bridge can be paid using cash collected at toll booths on the eastside of the bridge. Cash toll collections cost more than all electronic toll collections. Our goal is to continue to improve the cost effectiveness of our collection system so we are maximizing the return on the tolls paid by drivers. We will draft agency request legislation to analyze the opportunities and challenges with removing the cash toll collection method on the Tacoma Narrows Bridge.

The toll program provides a wide range of services that includes toll facility planning. With the creation of the new division within WSDOT of Community and Economic Development, development of tolling plans will be evaluated to ensure the most cost-effective delivery process.

### How will we measure it?

Potential measures will be identified in the strategic plan. These measures could include: goal for tolling administrative overhead costs, customer satisfaction survey results and project delivery time.

For all reforms listed in this document, measures will be developed that align with the *Results Washington* performance matrix under development.

### Projected efficiencies

The Tolling Division is implementing a five percent reduction in non-vendor budget for the FY 2013-2015 biennium as directed by the legislature. However, upcoming contract negotiations this biennium will require additional funding in the short-term. The actions noted above will maintain this reduction as we move through implementation of performance audit recommendations. In addition, changes to vendor operations are forecast to reduce costs by \$1.5 million to \$4.8 million over the course of five years.

**Americans with Disabilities Act (ADA) Information:** This material can be made available in an alternate format by emailing the WSDOT Diversity/ADA Affairs team at [wsdotada@wsdot.wa.gov](mailto:wsdotada@wsdot.wa.gov) or by calling toll free, 855-362-4ADA(4232). Persons who are deaf or hard of hearing may make a request by calling the Washington State Relay at 711.

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