

Report on WSDOT Organization Review and Efficiency Savings

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Ongoing efforts to improve WSDOT

We have had and welcome ongoing efforts to improve the effectiveness and efficiency of WSDOT

- Self-initiated agency strategic plan
- Nine performance audits and reviews completed in the last two years
- Governor and Legislature policy direction

Our management goals:

- Maintain agency competency for our core functions to perform our mission.
- Maintain or improve customer service levels.
- Challenge the status quo, seek innovation, and take appropriate risks.
- Establish and accomplish overhead reduction and efficiency targets.
- Develop improved budgeting mechanisms for fixed and variable overhead.
- Meet **program, project, and service delivery expectations.**

WSDOT's organization has changed over time

We strive to create and maintain an adaptive organization

- Nimble and flexible

Changes over the past decade have been tailored to specific drivers at specific times

- Public outreach, communications, performance reporting and accountability expectations, and accountability challenges
- Evolving environmental regulations and practices
- Project delivery innovation, such as design-build contracting and integrated WSDOT consultant teams
- Nickel and TPA revenue packages increased highway construction program by 271 % in a six-year period

Ongoing evaluation of:

- Organizational structure
- Staffing levels and Critical Knowledge Skills and Abilities
- Methods and means (processes)

WSDOT will continue to change in the future

And the future will continue to influence the changes at WSDOT
...the question is, what future is it?

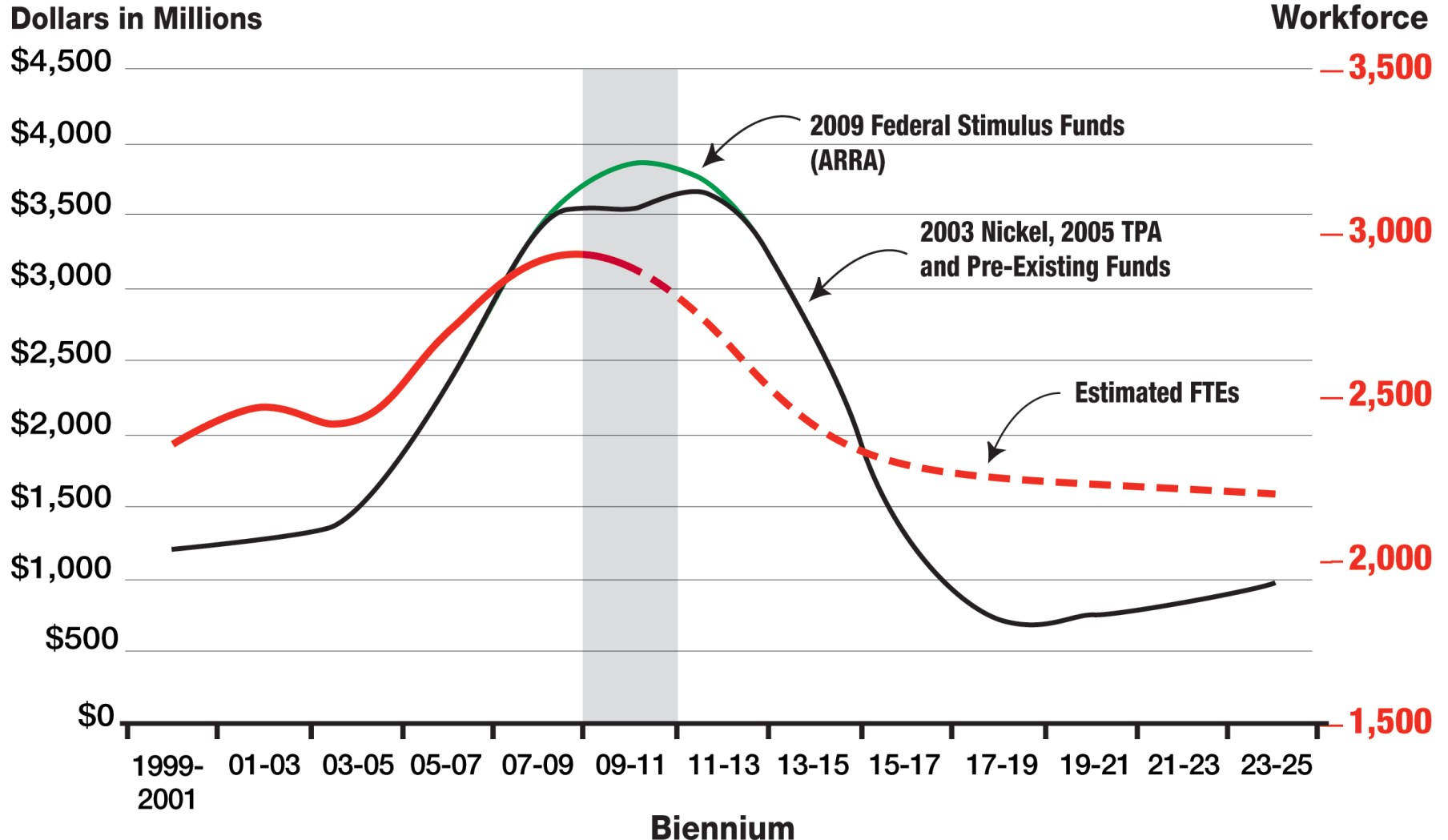
We are in a time of transition:

- State transportation investments (Nickel and TPA Program) are nearing completion .
- Federal transportation funding future is in doubt.
- Federal and state energy policy is evolving (climate change).
- Our approach to investment decisions has evolved: Moving Washington (strategic capacity investment, demand management, efficiency improvements).
- Transportation funding mechanisms are likely to evolve (tolling, HOT lanes).

Highway Construction Program, by Type of Funds, with Workforce Projection

2009 Legislative Final Budget - April 2009

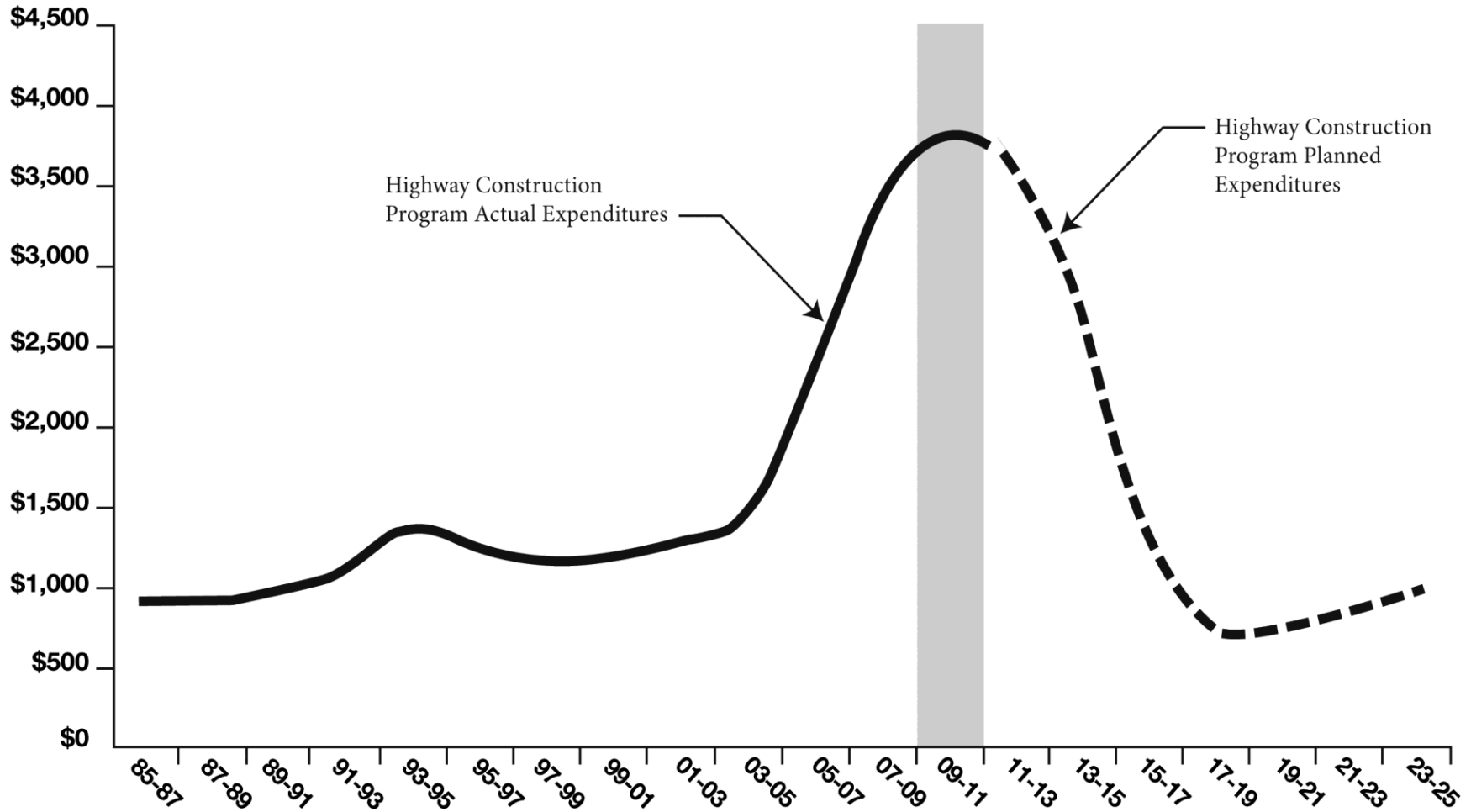
Includes Preservation and Improvement Programs with two exceptions: Excludes expenditures for the Tacoma Narrows Bridge and expenditures in the Improvement Program reimbursed by Sound Transit



Highway Construction Program: *Actual and Planned Expenditures*

2009 Legislative Final Budget - April 2009

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2009-2011 Budget bill

ESHB 5352 Direction

In the 2009 legislative session, the Washington State Legislature and WSDOT discussed options to:

- Generally, improve the efficiency and effectiveness of the Washington State Department of Transportation.
- Specifically, reducing administrative overhead through re-organization by changing/reducing the number of WSDOT's geographic regions.

That discussion led to a budget proviso in ESHB 5352 that directed the department to:

- Identify and take \$6.7 million in savings related to re-organization
- Identify and take \$15 million from operating and overhead programs across the agency
- Report how those savings were accomplished in January 2010.

Other efficiency initiatives align with ESHB 5352

The WSDOT Secretary Paula Hammond directed staff to identify and implement efficiency measures in early 2008 as a result of:

- a thorough review of the department's six-year financial plan and recognition of the declining capital program in 2011-2013,
- the 2009-2011 budget building process, and
- ongoing initiatives to continue to improve WSDOT program and service delivery efficiency.

The Governor and Legislature provided direction to cabinet agencies implementing restrictions on hiring, travel and purchasing to help address the state's overall budget shortfall.

Approach to meeting target savings

The primary means of efficiency savings identified for the 2009-2011 Biennium was accomplished through abolishment of funded positions:

- Eliminated the Urban Corridors Office
- Combined a number of smaller work units/positions throughout the agency
- Eliminated positions in overhead programs
- Reduced expenditures for travel and other items

Some key drivers:

- Eliminate layers/middle management positions
- Restructure work under fewer managers for the mega projects
- Implement a shared services model in department support organizations (like Human Resources, Payroll, Accounting, etc.)
- Strategically position ourselves for future reductions in 2011-2013 and beyond as Nickel and TPA programs wind down
- Remain ready to deliver additional program (reauthorization, jobs bill, other)
- Accommodate new Toll Division

Funded position reductions - 2009-2011

Approximately 134 funded engineering and administrative positions have been cut from the department's 2009-2011 budget, as follows:

- 14 positions from Headquarters
- 25 positions from Washington State Ferries
- 21 positions from Northwest Region
- 18 positions from Eastern Region
- 16 positions from North Central Region
- 14 positions from South Central Region
- 7 positions from Southwest Region
- 2 positions from Olympic Region
- 17 positions (net savings) from Urban Corridors Office dissolution

About the cuts:

- About 49 positions were in the WMS classification.
- About 90 positions had been filled previously, were currently vacant and were eliminated .
- About 44 positions were funded but vacant positions intended to be filled in 2009-2011 (for delivery of peak highway construction period) and were eliminated.
- About 10 people were RIF'd.

NOTE: * While not filling these positions is appropriate given the uncertainty in mid-term and long-term funding, it does create additional challenges for on-time, on-budget program delivery especially in the highway construction program. Care will be taken to closely monitor our delivery record to ensure delivery commitments are accomplished.

Savings achieved

Operational Efficiencies – \$6.7 million reduction in Programs I,P,H and T. WSDOT achieved this savings through minor reorganizations and abolishing the Urban Corridors Office and associated functions.

- The Alaskan Way Viaduct and Seawall Replacement Program, and the SR 520 Bridge Replacement and HOV Program were transferred to the HQ Engineering and Regional Operations office.
- The I-405 Congestion Relief and Bus Rapid Transit Program was transferred to Northwest Region.
- A Statewide Tolling office, reporting to the Chief Operating Officer, was created to consolidate all tolling functions, including planning, design, operations, maintenance, and customer service. This specifically includes Tacoma Narrows Bridge, SR 167 HOT lanes, SR 520 and the Columbia River Crossing Project, Alaskan Way Viaduct and I-405, assuming tolling is a part of those projects.
- UCO support services, such as human resources, project management, and consultant services, were absorbed by the units into which they were transferred.
- Seventeen WMS positions were eliminated due to UCO dissolution.

Savings achieved (continued)

Overhead and administrative program efficiencies - \$15 million

Governor-directed line item savings

- **Elimination of approximately 40 administrative and overhead positions**
- **Reduction in base-level funding for operating programs**
- **Out of state travel reduced by 50%**
- **Deferred equipment purchases**

Implementing audit recommendations

Approximately \$1 million saved from implementing recommendations from the State Auditor's 2007 Administration and Overhead Audit. The cuts resulted from centralizing human resource functions and consolidating ferries payroll functions into headquarters.

Information Technology consolidations

\$2 million in savings through consolidating and reducing network cost, reducing purchased services and training costs.

Key action to achieve savings and meet delivery requirements

Workload balancing

The agency was able to maintain successful program delivery with limited staff resources by creating a soft boundaries approach to workload distribution, particularly relating to engineering design.

- For example, if one region has more design work than staff available, work is sent to another region with staff capacity. This allows WSDOT to maximize effective use of staff availability and expertise.

This same strategy has been used to improve agency response to winter weather, often on the east-west passes.

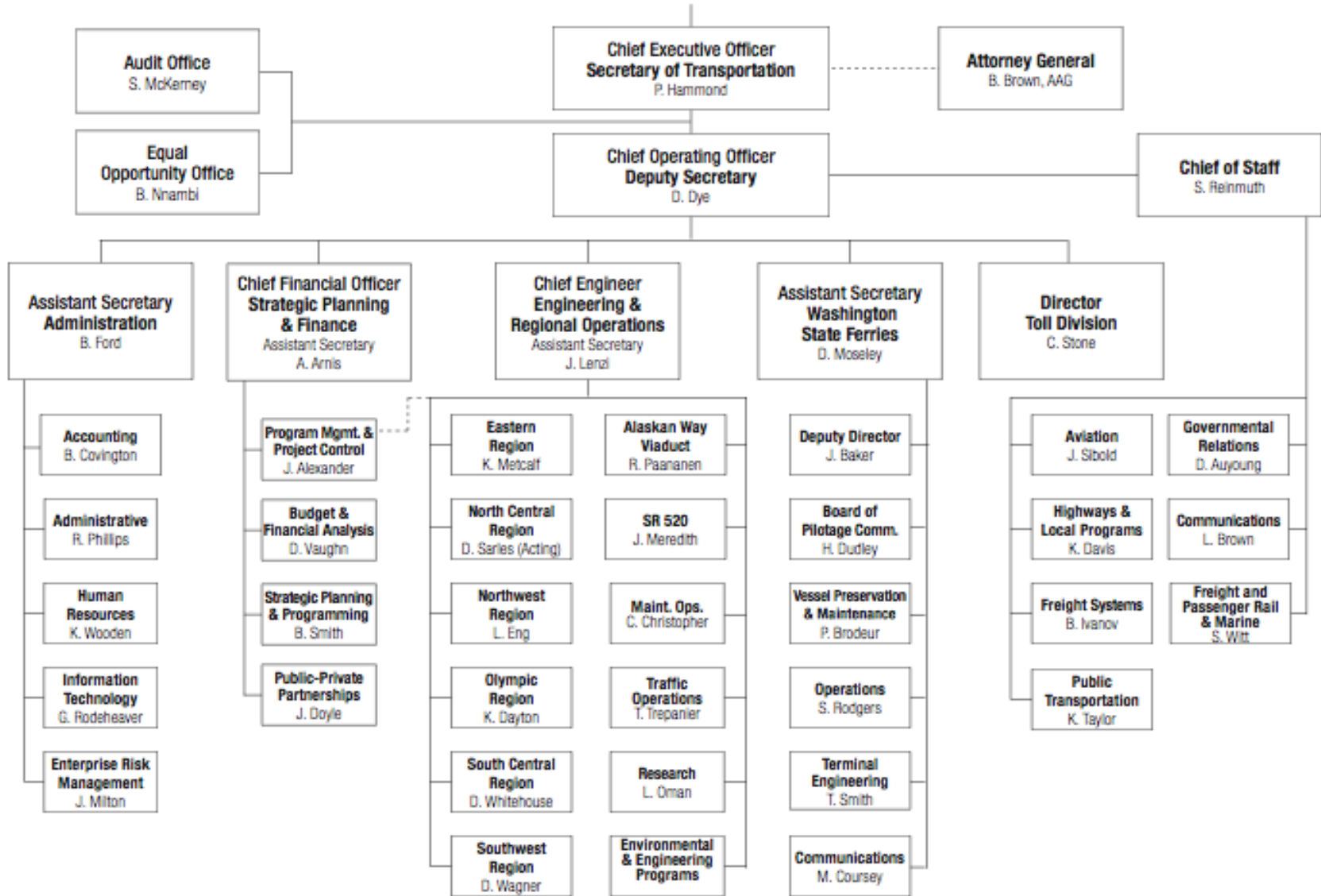
- Maintenance staff from North Central, South Central and Northwest regions communicate closely to determine who has the resources available where it is most needed to de-ice, sand or plow, to keep the passes open to traffic.

Region boundaries and organizational structure

We also examined the adequacy of WSDOT's overall organizational structure to see if additional efficiencies could be gained.

The fundamental questions we asked ourselves are these:

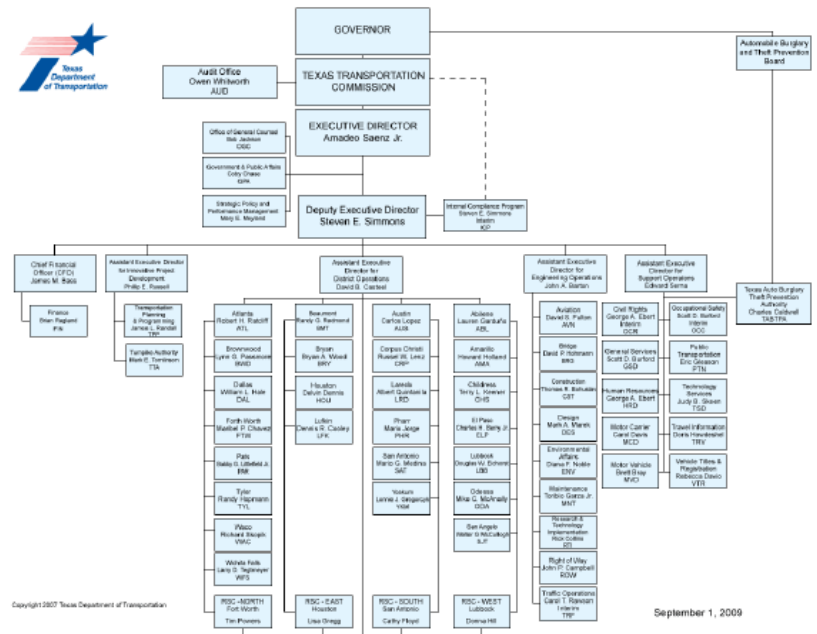
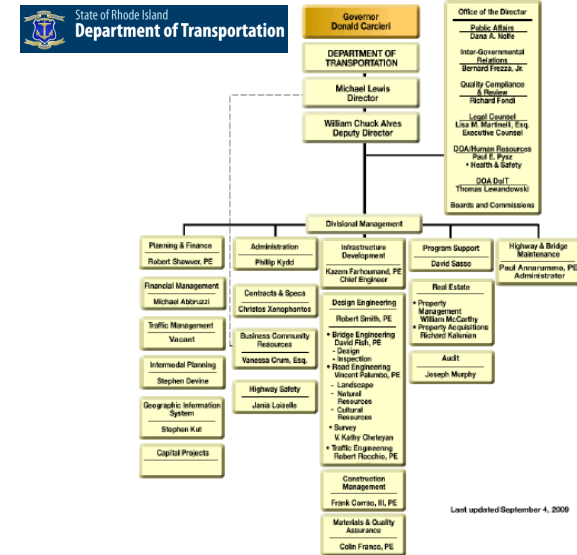
- 1) Does WSDOT need a major change in its organizational structure?**
- 2) Is it necessary to change WSDOT's region boundaries at this time?**



Organization of State DOTs

- Number of regions ranged from 0 in Rhode Island to 29 in Texas
- The scope of work managed by regions varies from maintenance only to most functions and modes
- NO correlation was found between the number of regions and the number of:

- counties
- road miles
- capital budget
- population



Organizational research

- The Research Office gathered information about Departments of Transportation across the country.
- A variety of literature has been published about how to organize and structure public and private agencies.
- **The most compelling concept from the material is that the structure of the organization is secondary to its leadership.**
- Strong leadership that provides a clear vision, solid direction and clear communication on initiatives and organization issues will be successful regardless of the structure.
- An effective organizational structure or business model can facilitate or hamper organizational effectiveness but will not guarantee success.

Region boundaries and organizational structure

(continued)

Therefore, we arrive at the following:

1) Does WSDOT need a major change in its organizational structure?

We don't believe so. The current structure provides for strong central leadership, and a OneDOT model that creates consistency in policies, procedures and specifications, while also providing flexibility to respond to program changes.

2) Is it necessary to change WSDOT's region boundaries?

Not at this time. The three eastern regions have increased their use of shared resources and consolidation of functions and are working to find other means to do so in the future. The geography, terrain and lane miles for which WSDOT is responsible requires a physical presence across the state in order to provide service to our customers.

Region boundaries and organizational structure

(continued)

That said, if no new revenues are identified by 2015, consolidating three regions on the east side of the state into two may be appropriate.

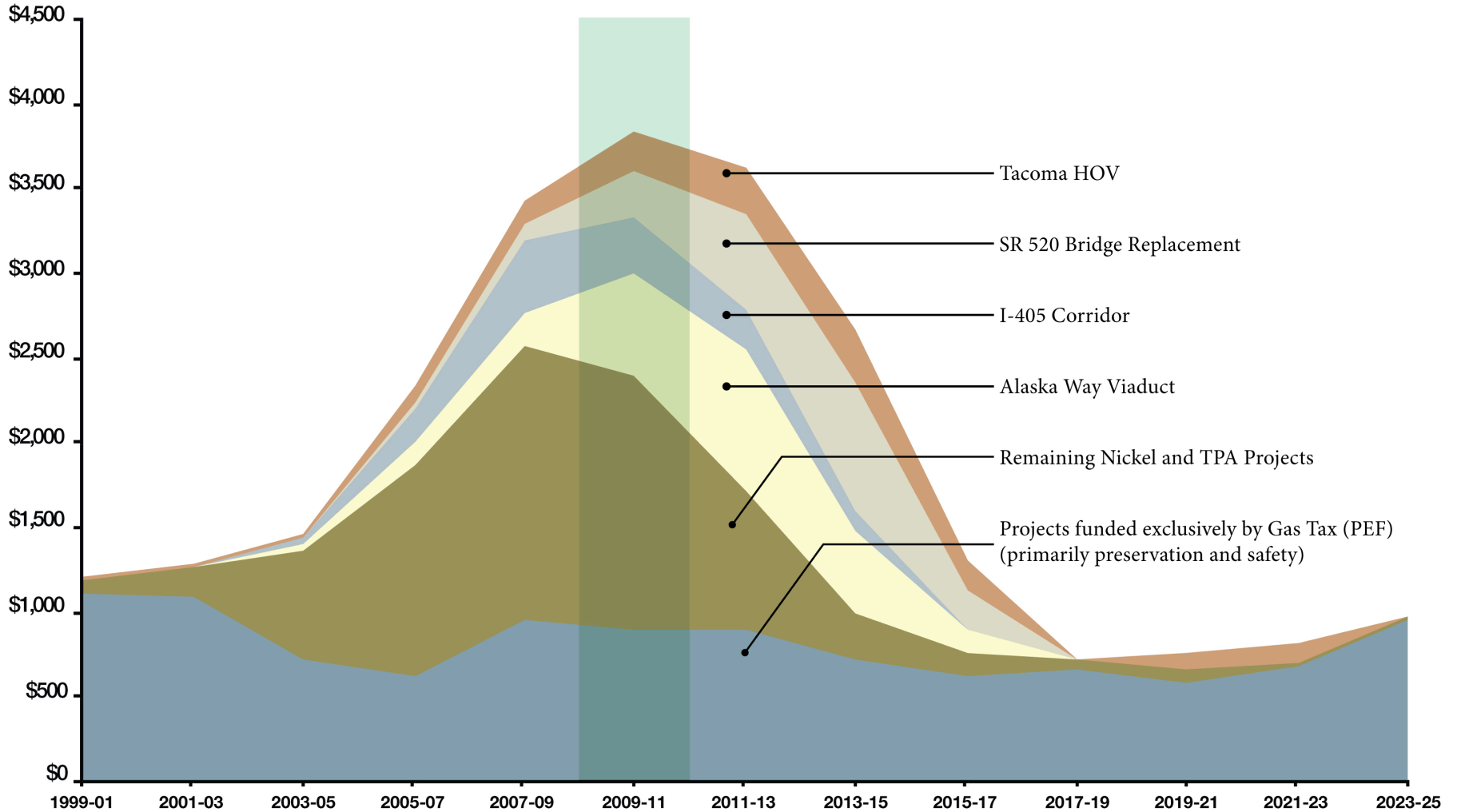
In addition, further efforts should be made to continue to soften the regional boundaries to promote work sharing and resource balancing throughout the state.

A “Current Law” future (beyond nickel and TPA program delivery) could also drive additional significant organizational changes:

- A “maintenance and preservation” organization would likely look a lot different:
 - Fewer regions
 - Higher degree of centralization
 - Elimination of significant construction development and administration capabilities

Highway Construction Program: *Historical & Projected Spending*

2009 Legislative Final Budget



Highway construction program management

As projects move to the construction phase, design work, right of way work, and associated supporting functions are declining in the next biennium and the biennia that follow.

This means a decline in the engineering and technician workforce. To help manage this challenge we are implementing the following measures:

- Extending the hiring freeze in the engineering and technician classifications.
- Continuing work sharing between regions to balance workforce
- Reassigning work, and assign available workforce between the Northwest Region, the Washington Tolling Division, the 520 Project, and the Viaduct Project.
- Exploring a reduction to projects' PE and CE budgets.
- Exploring further cuts in DPS and program support (including DPS distributed to projects).
- Reducing the highway construction project costs, using new (lower) inflation factors.
- Continuing efforts to reduce WMS positions throughout the agency .
- Managing downward the engineering and technician workforce through attrition and transfers to the extent possible. Implement necessary reductions in force, expected to be very limited around the state between now and the end of the 2010 construction season.
- In a current law budget scenario, those RIF numbers grow between 2011 and 2014
 - Approximately 300 to 400 RIF
 - Plus another 200 due to attrition

Conclusions

- WSDOT has succeeded in implementing legislative direction to cut at least \$6.7 million in by eliminating the Urban Corridors Office and associated functions. Cuts were made across the agency to achieve the remaining \$15 million in cuts required in the 2009-2011 budget.
- These savings will be carried forward in future biennia.
- The department will continue to look for ways to step down spending through attrition, using shared services and soft boundaries in operations and maintenance.
- WSDOT is evaluating additional ways to adjust staff to meet projected budget levels. By focusing attention on the construction program – reducing PE, CE and DPS costs, WSDOT is positioning itself now to meet reduced revenues as Nickel and TPA projects are complete. Even so, without new revenues, reductions-in-force will be necessary to meet the budget curve.
- WSDOT will adjust spending and find efficiencies within an already functional organizational framework. While centralization can and has been useful in many areas, the thousands of miles of roadway in Washington State also need hands-on maintenance and support currently provided by the regional offices.