



**Continuous Improvement
Advisory Committee
Activities and
Recommendations
2018-2019**

***Oregon Transportation Commission Report to the Joint
Committee on Transportation***

DECEMBER 2019

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Background

Sections 10 and 45 of House Bill 2017 as amended (2017) directed the Oregon Transportation Commission (OTC) to appoint a Continuous Improvement Advisory Committee (CIAC) to advise the OTC on:

- maximizing the efficiency of ODOT to allow for increased investment in state's transportation system;
- developing key performance measures to assess the impacts of ODOT investments towards achieving desired outcomes ;
- increasing efficiency within both ODOT and the OTC; and
- reviewing and reporting to the OTC on all completed projects costing \$50 million or more.

HB 2017 further directed the OTC to submit a report to the Joint Committee on Transportation each odd-numbered year, beginning in 2019, describing the activities and recommendations of the CIAC and the actions taken by the OTC and ODOT to implement these recommendations. This report is submitted in response to this requirement.

Advisory Committee Establishment

In March 2018, the OTC formally established the CIAC, composed of members of the OTC and employees of the Department of Transportation (ODOT), and the committee held its first meeting on March 20, 2018. It currently meets bimonthly. Per the CIAC charter, the committee consists of eight to ten voting members appointed by and serving at the pleasure of the OTC. The committee composition includes two OTC members, three or four ODOT representatives (by title, and including the ODOT Director, ODOT Highway Division Administrator, and ODOT Chief Administrative Officer) and three or four external transportation stakeholders. To fill these seats, the Commission recruits members with the skills and attributes necessary to help the agency improve and specifically looks for experience in collaboration, expertise in continuous improvement, understanding of the multimodal transportation system, familiarity with ODOT's work, and knowledge of ODOT's mission.

Since its establishment in the spring of 2018 and in addition to deciding on its strategic direction, the committee has devoted a significant portion of its meeting time to educating members on transportation-related issues in order to establish the shared baseline of knowledge necessary for the committee to carry out its legislative charge.

Areas of Focus

In April 2019, CIAC members approved a [committee charter](#) and [work plan](#). As described in these strategic documents, the committee has identified four core areas to focus on initially—project delivery, audits, performance management and improving departmental efficiencies. Of these four focus areas, the CIAC chose to focus chiefly on project delivery in 2019, in light of the increased project volume resulting from HB 2017 and the importance of ensuring these projects are of the highest quality and delivered on time and on budget.

Project Delivery

As a result of HB 2017, ODOT's project volume will increase significantly over the next several years and, given the continued expectation that the Department deliver these projects on time, on budget, with high quality, and minimized impacts on the traveling public, ODOT has realigned its organizational structure for project delivery and is undertaking a large number of initiatives designed to ensure the agency meets this challenge of increased project volume.

The CIAC's primary objective related to project delivery is to ensure ODOT has a skilled workforce, effective processes, and modern information systems that will allow the agency to deliver transportation projects effectively and efficiently. To that end, the Committee has focused its collective attention on the following aspects of project delivery:

Review of Major Projects

- Reviewing recently completed major projects costing \$50 million or more and lessons learned during delivery of the Jobs and Transportation Act (JTA) projects, to understand lessons learned by ODOT and provide recommendations on ways to continue improving delivery of major projects.

Project Delivery Dashboard

- In April 2019, the CIAC recommended that ODOT develop a project delivery tracker and dashboard reporting with performance metrics for active projects, including those under construction as well as those in the preliminary engineering/environmental, and design phases.
- Incorporating indicators for identified risks as well as mitigation strategies for each.
- ODOT is developing this dashboard as part of the department's ongoing broader project delivery refinement efforts, being led by ODOT's newly established State-Wide Project Delivery Branch office

Certified Firm/Minority Contracting/Disadvantaged Business Enterprises

- The CIAC will learn about ODOT's efforts to increase utilization of Disadvantaged Business Enterprises (DBEs) and explore ways to improve ODOT's performance.
- This work will include a focus on growing the number and capabilities of minority firms through mentoring opportunities.

Project Delivery Workforce: Recruitment, Retention, and Capabilities.

- Assessing ODOT's challenges in recruiting, training, and retaining a skilled project delivery workforce, particularly in the Portland metro region with its higher costs of living and greater competition with local governments and the private sector.
- Exploring ways to ensure ODOT project managers across the state have the training opportunities as well as partnership training opportunities with industry professionals to ensure successful project delivery.

Project Delivery Activities/Recommendations and ODOT Implementation:

- **Project Delivery Dashboard:** In April 2019, the CIAC recommended that ODOT develop a project delivery dashboard that tracks delivery performance, identifies risks and also mitigation strategies to address these risks for all projects. ODOT already includes project delivery on time and on-budget performance information on the Transparency, Accountability and Performance website and provides updates on major to the OTC and CIAC as part of its Quarterly Performance Report. ODOT is developing the requested dashboard and report structure as part of the department's ongoing broader project delivery refinement efforts, being led by ODOT's newly established State-Wide Project Delivery Branch office.
- **Project Bundling and Phasing:** In its major project review, the CIAC learned how ODOT bundled projects under the OTIA III State Bridge Program for efficiency while still keeping bundles small enough for Oregon firms to successfully bid on projects. ODOT also broke some big projects—such as the Newberg-Dundee Bypass Phase 1 construction—into smaller contracts to both speed construction and allow Oregon firms to successfully compete for work. The CIAC recommended that ODOT continue these bundling and phasing practices, balancing efficiency with providing opportunities for Oregon firms.
- **Alternative Delivery Methods:** In its major project review, ODOT explained how it has used alternative delivery methods with mixed success. For example, ODOT used a construction manager/general contractor delivery method successfully on the I-5 Willamette River Bridge but was unsuccessful using design-build on the US 20 Pioneer Mountain to Eddyville project. Based on this discussion, the CIAC recommended that ODOT, using findings from peer review studies with Washington, Utah and Minnesota, develop objective criteria for using alternative delivery methods like design-build in

appropriate situations where there is a likely benefit to quality or delivery date and the risk is manageable.

- **Third Party Review:** ODOT explained how it has used third-party reviewers on large complex projects—this oversight was critical to getting US 20 Pioneer Mountain to Eddvville project back on track and completed. The CIAC recommended that ODOT continue to utilize external third-party review on all major projects, such as the I-5 bridge.
- **Workforce:** ODOT is struggling to hire and retain skilled professionals in a number of key professions, including professional engineers, professional land surveyors, and electricians among others. This problem is particularly acute in areas of the state with high cost of living and competitive labor markets, particularly in the Portland metro region. The CIAC recommends that ODOT explore options to ensure competitive pay for critical positions, such as locality pay differentials for certain classes of positions or new classifications with appropriate and competitive pay.

Audits

Audits are a vital tool for identifying and addressing deficiencies and recommending actions to improve ODOT. While ODOT's Chief Auditor reports to the ODOT Director and the OTC, the CIAC and its Audit Subcommittee play a key role in reviewing audit activity, following up on management's corrective actions, and providing input into the audit plan. The CIAC, through the Audit Subcommittee, receives completed audit reports, monitors audit recommendation implementation, and will review completed transportation projects costing \$50 million or more.

Since its establishment, the CIAC has received the results of audits. Project delivery has been a priority with audit coverage of construction contract change orders, construction bidding, design quality control, STIP amendments, and Right-of-Way condemnation. The findings of these audits informs the CIAC's recommendations to the OTC for the department's biennial audit plan and potential opportunities for further exploration and/or improvement. The CIAC has defined its primary objective as gaining insight on improvement opportunities through reviewing audits and providing input into key areas needing further review as well as topics for audit activities.

Reviewing Audit Findings

- In March 2018, the CIAC reviewed the plan for establishing the Audit Subcommittee, which held its first meeting in July 2018 and has met quarterly since.
- The Audits Subcommittee receives all audits in order to ensure findings are considered and corrective actions are implemented effectively and also provides input to the ODOT Chief Auditor on risks that should be addressed in the Audit Plan.

- The full CIAC receives an audit briefing at each of its meetings and discusses progress on individual audits as well as the department's Audit Plan.

Project Delivery Audits

- ODOT's auditors are undertaking a number of audits of key elements of the project delivery process, including construction change orders, construction bidding process, and design quality control.
- The CIAC will receive the results of these audits to help inform its work on improving project delivery.

Audit Activities/Recommendations and ODOT Implementation:

- **Audit Subcommittee Establishment:** In March 2018, the CIAC reviewed the plan for establishing the Audit Subcommittee, which held its first meeting in July 2018 and has met quarterly since. The OTC has approved new audit governance policies, and an OTC member serves on the Audit Subcommittee.
- **Project Delivery Audit Review:** The CIAC has received the results of audits. Project delivery has been a priority with audit coverage of construction contract change orders, construction bidding, design quality control, STIP amendments, and Right-of-Way condemnation. The findings of these audits will inform the CIAC's recommendations to the OTC for the department's biennial audit plan.

Performance Management

Recognizing that performance measures are an important tool to monitor ODOT's effectiveness in delivering on the agency's mission, the CIAC is charged with evaluating the Department's KPMs to determine if they accurately capture the Department's performance related to core business processes. This work includes assessing the agency's success in meeting its current KPMs as well as other performance targets and proposing new and/or modified Key Performance Measures (KPMs) for the department.

The CIAC has defined its primary objective as ensuring ODOT is making meaningful progress toward meeting identified performance targets across all modes of the transportation system and in serving customers.

Monitoring Performance

- Reviewed ODOT's performance in 2017 and 2018 on ODOT's meeting of targets defined in the legislatively-approved Key Performance Measures and determined if targets should be modified.

- In March 2018 the CIAC reviewed and approved proposed changes to the OTC on progress to meet performance targets. The CIAC receives the agency's department's 2019 KPMs, which the legislature approved during the 2019 legislative session.
- Reviews the Department's Quarterly Performance Report, which provides insight into the agency's performance in areas of safety, project delivery, customer service, and passenger rail, among others.

Updating Key Performance Measures

- Reviews and provides input to ODOT's performance management structure overall—including KPMs, program-level measures in critical areas, and federally-required measures—to ensure that the agency has a streamlined, consistent, and meaningful set of measures that align with agency goals and programs.

Performance Management Activities/Recommendations and Department Implementation

- **TAP Website:** In April 2019 the committee received an update on the department's Transparency, Accountability, and Performance website. The CIAC recommended that ODOT explore whether it would be possible to put reasons for late/not on-time project delivery on the TAP on-time/on budget page. ODOT is developing a plan to do this.
- **2019-2021 Key Performance Measures Update:** Based on a budget note and the McKinsey management review, ODOT undertook a review of its Key Performance Measures to better align them with agency priorities and goals. In March 2018 the CIAC accepted ODOT's recommendation on updating the department's 2019-2021 KPMs. The OTC accepted this recommendation, with the exception of adding back Rail-Highway Crossing Incidents as a KPM; the Legislature approved this recommendation from the OTC as part of ODOT's 2019-2021 budget.
- **Performance report:** ODOT reported to the CIAC on its progress toward reaching its performance targets. The department reported that 12 of 19 KPMs met performance targets, and 12 showed steady or improving performance. ODOT's report focused on the five KPMs where performance was both worsening and not meeting targets. Four of these—fatalities, serious injuries, large truck-at-fault-crashes and rail crossing incidents—were safety measures where nearly all states are seeing an increase in crashes; ODOT explained its safety investment strategies designed to reverse this trend. The fifth measure is public transit vehicle condition, where ODOT is investing additional resources to ensure the fleet meets condition targets.
- **2021-2023 Key Performance Measure Update:** Throughout 2019, the CIAC has conducted several KPM development exercises to develop a set of KPMs strongly aligned with the department's goals to recommend to the OTC. The committee anticipates concluding this work in late 2019 and presenting these recommended KPMs to the OTC for consideration in early 2020. In the spring of 2020 ODOT anticipates

submitting these OTC-approved KPMs to the Legislative Fiscal Office for legislative review during the 2021 Legislative Session. Monitors internal activities related to agency process improvement and performance tracking.

Efficiency

HB 2017 directs the CIAC to advise the OTC on ways to maximize the efficiency of the department to allow increased investment in the transportation system over the short, medium, and long term. Within this broad charge, the CIAC has decided to focus on a number of areas that will address challenges, including areas noted in McKinsey's 2017 review of the agency.

Throughout 2018 and 2019 the CIAC has received educational briefings on specific areas of opportunity for efficiency areas but has not yet made any formal recommendations to the OTC. The committee's primary goal is to identify opportunities across ODOT's portfolio to improve efficiency in program delivery and administration in order to stretch scarce taxpayer resources as far as possible, including identifying potential statutory changes that would enhance efficiency.

Regulatory Inefficiencies

The CIAC will work with ODOT employees to identify opportunities to streamline inefficient regulations and processes, including those owned by both ODOT and other state and federal agencies, in ways that will help ODOT be able to more efficiently and effectively complete its work, particularly in project delivery.

Procurement

The CIAC will examine opportunities to improve the efficiency of ODOT's architectural and engineering, and construction procurement processes, including addressing opportunities to streamline the legal sufficiency review by Oregon's Department of Justice that is required by statute. The Committee is exploring options up to and potentially including recommending statutory changes.

Fleet

The CIAC will provide ongoing monitoring of the results of the ODOT Management Review fleet initiative, providing any feedback and input on potential efficiencies that can be gained, to include carbon reduction.

Information Systems

The CIAC will receive information from a recent benchmark review on staffing, spending within ODOT's Information Systems Branch, including recommendations from the consultant on how to improve the agency's efficiency and effectiveness.

Efficiency Activities/Recommendations and Department Implementation

Procurement Process Streamlining (Legal Sufficiency Review): The CIAC heard a presentation from ODOT Procurement Office and Oregon Department of Justice about Oregon's unique statutory requirements around DOJ performing legal sufficiency reviews on contracts, which can add time to the procurement process. By law, all contracts with a dollar value greater than \$75,000 must undergo a DOJ legal sufficiency review. By Administrative Rule, DOJ has set the legal sufficiency review threshold to \$150,000 for the state. On occasion lengthy timelines associated with this process present challenges for the department in delivering projects on time and on budget.

The CIAC recommends that ODOT work with DOJ to streamline the legal sufficiency review process for procurements and contracts, while continuing to adequately manage risks. This could include considering a higher threshold for review, DOJ attorneys specifically assigned to review ODOT procurements and contracts, and other process improvements and may require statutory changes. ODOT and DOJ are currently discussing options for streamlining this process.

Other Issues Affecting ODOT's Efficiency

The CIAC recognizes its charge as helping ODOT improve its performance and further recognizes that the department's efficiency and effectiveness is impacted by both internal and external factors. Therefore, in addition to the above mentioned internal areas of focus for the department, the committee has identified the following external issues impeding ODOT's performance that warrant action or additional review:

Legal Sufficiency Review

As discussed above.

Geographic Pay Differences

ODOT faces challenges filling key project delivery positions, most notably experienced and licensed professional engineers and land surveyors and specifically in and around the state's urban regions. The committee assesses that among the causes of these difficulties are greater competition by local agencies and the private sector as well as higher costs of living in urban areas. Due to existing legislation and unlike neighboring states' departments of transportation, ODOT is currently unable to address these challenges through geographically differentiated pay and compensation.

Looking Ahead

As the committee looks ahead to 2020 and beyond, the CIAC anticipates continuing to focus its efforts on the four key focus areas described throughout this report, focusing most heavily on exploring and making recommendations for improving departmental efficiencies in 2020.

Appendix A – CIAC Activities, Recommendations to the OTC and Department Implementation

Focus Area	Recommendation to the OTC	ODOT Implementation	Future Plans
Project Delivery	Department needs a project delivery dashboard to track performance metrics	Data warehouse and dashboard are under development	Progress will be reported to CIAC in 2020
	Dashboard should address monitoring and mitigating identified risks		
	Third-party reviews, alternative delivery methods, and progress bundling and phasing should be used when practicable	Utilizing third-party reviews, alternative delivery methods, project bundling and phasing when practical	Progress will be reported to CIAC in 2020
	Explore competitive pay options to retain workforce, especially in urban areas	Exploring locality pay differentials for certain classes of positions and/or new classifications with appropriate and competitive pay	Progress will be reported to CIAC in 2020
Audits	Establish Audit Subcommittee and develop governance policies	Established subcommittee and developed governance policies. OTC has approved governance policies	CIAC will use audit findings to inform process improvement recommendations to the department and refinement of additional audits
Performance Management	Explore possibility of putting reasons for late/not on-time project delivery on the TAP website	ODOT is developing an implementation plan	Progress will be reported to CIAC in 2020
	Refining 2021-2023 Key Performance Measures	CIAC and ODOT will refine proposed KPMs by late 2019	Proposed KPMS will be presented to the OTC for review and approval in early 2020
Efficiency	Work with DOJ to streamline the legal sufficiency review process to streamline the procurement process	Working with DOJ to explore potential higher thresholds for reviews and assigning specific DOJ personnel to review procurements and contracts	Progress will be reported to CIAC in 2020