



DATE: April 15, 2015

TO: Joint Ways and Means Subcommittee on Transportation and Economic Development

FROM: Tom McClellan, Administrator, Driver and Motor Vehicle Services (DMV) Oregon Department of Transportation

SUBJECT: DMV Service Transformation Program

INTRODUCTION

In 2014, the legislature created a DMV Customer Service Task Force to recommend ways to improve DMV service delivery. The task force's primary recommendation was to modernize DMV's computer systems.

DMV's Service Transformation Program will ultimately enable customers to complete more transactions online instead of waiting in line at a field office. Kiosks may be made available for people without Internet access, or for simple convenience. Improvements will allow for issuance of electronic vehicle titles, customers receiving individualized notices of which documents they need to provide, and additional payment options. Law enforcement and courts will have real-time and clear display of driver license and other records so they can effectively perform their duties. Legislative changes will be far simpler and less expensive to implement, so good policy decisions can drive changes rather than being stymied by inflexible and expensive systems.

BUSINESS CASE FOR TRANSFORMATION

Employees of ODOT's DMV Division consistently receive high marks for their customer service. However, the organization cannot serve customers as well as they would like to be served because it is saddled with inefficient and time-consuming business processes that are driven by inflexible and obsolete technology that was first developed in the mid-1960s.

Summary of key system limitations and risks include:

- Customers want more on-line services, which are difficult and costly to provide within the current outdated environment.
- DMV's key business partners are impacted by DMV system constraints; this hinders their efforts to improve their business systems and processes.
- Changes to these legacy systems over many years have resulted in a patchwork of code modules and segregated system applications that are increasingly difficult and costly to maintain and update.
- Employees with in-depth knowledge and skills to operate these aging systems are retiring creating a critical void in the staff knowledge base.
- It is difficult for DMV to keep pace with new legislative requirements both at the federal and state levels.
- DMV systems face increasing risks. A critical computer system failure would not only create hardships for Oregonians but may also result in adverse fiscal consequences to the State Highway Fund and local governments.

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Delaying the implementation of the Service Transformation Program is costly for the following reasons:

- Costs increase more each year to maintain current services and meet future demand
- Risk of a system failure increases as time passes
- Customer expectations are not met, which may result in decreased customer satisfaction
- State and federal legislative mandates are not met in a timely manner

EXAMPLE OF POTENTIAL EFFICIENCIES FROM SERVICE TRANSFORMATION

ODOT will focus initial business transformation efforts on the vehicle title and registration processes, and, preliminary research suggests that the efficiencies gained can be significant. The following example illustrates where we are today and what might be possible through system transformation.

*Vehicle Title and
Registration Today:*

- Predominately paper driven, manual processes.
- Approximately 6.5 tons of paper moves through the process each month.
- Current capacity is approximately 70,000 titles per month; the volume is currently 90,000 per month and trending upward.
- Turnaround time target is 19 days; the current average is 25 days.
- DMV must resort to paying staff over-time and/or bringing in temporary employees to meet growing demand.
- About 20 percent of all transactions need some form of special processing. Most special processing issues are fee related as DMV's fee structure is extremely complex and all these calculations are currently done manually. It is estimated there are 30,000 potential fee variations possible given the current fee structure. Oregon is not unique in this arena. Utah recently developed a "fee quilt" to illustrate to their legislature the complexity of their fees; the line item listing of fees extended 12 feet. A new fee calculator tool is about to be deployed, that will provide an interim fix to this issue with a permanent solution to be included in the procurement of a point of sale and new vehicle system.

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*Vehicle Title and
Registration in the
Future:*

Specific improvements are still being studied. We know from our research into other state DMV agencies that the potential improvements are significant. Utah recently updated their vehicle system and transformed their vehicle title process. As a result, they are now able to produce a title in three to four days. DMV expects that service transformation in the vehicle title process will achieve the following process improvement goals:

- Enable DMV to keep pace with growing demand without hiring additional staff
- Significantly reduce use of paper, special processing, errors and turnaround times
- Increase accuracy of fees and improve revenue collection
- Improve information security
- Enhance overall customer satisfaction

Efficiencies gained from service transformation will be tracked throughout the program. As manual processes are automated, staff may be redeployed to other areas within DMV to help keep up with growing numbers of transactions, which will mean that DMV will have less need for new staff resources to meet growing demand. DMV anticipates needing to periodically balance staffing needs between service transformation and operations; having flexibility to accomplish this will be a key to success. Classification realignments will also have to occur as new business processes and workflows are defined; existing classification structures will need to be evaluated and adjusted to the new business requirements. To ensure success, DMV must prioritize maintaining some stability in the workforce, so, any reductions in positions will be managed through attrition. Agency leadership has committed to all DMV employees that no one who wants a job will lose their job due to service transformation; it just may not be the same job. By committing to and investing in people, DMV is mitigating an important project risk of having the core business expertise leave the division rather than be actively engaged and helping to ensure the success of service transformation.

DMV OF THE FUTURE

The Service Transformation Program goals are:

- **Service Excellence.** Expand services, improve performance, adapt nimbly to changes, and comply with federal and state requirements.
- **Efficiency.** Improve business processes to enhance accuracy, responsiveness, convenience, and quality, while maximizing available resources.
- **Accountability.** Invite and use perspectives of customers and business partners, apply rigorous project management, report on performance, including time, cost, and quality.
- **Modernization.** Upgrade outdated methods and technology through an incremental approach to create flexible business systems that can respond to changing customer, stakeholder and employee needs.

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Specifically, the program will:

Service Transformation Program Benefits
Improve customer services <ul style="list-style-type: none">• More online, less time in line• Mobile device access and transactions• DMV2U portal with 24/7 access• More time solving customers' problems versus waiting on systems to respond
Utilize more efficient business processes <ul style="list-style-type: none">• Increased automation of business processes – less paper• Improved workflow and system integration – reduced redundancy• Reduced errors and time spent on rework• Reduced costs for implementing legislative and regulatory changes• Eliminate ever-increasing maintenance costs of antiquated systems• Reduced costs for staff training on overly complex services support system
Increase flexibility <ul style="list-style-type: none">• Increased payment and other service options• Improved responsiveness to new legislation and changing business needs• Eliminates system capacity constraints
Enhance fraud protection, business security and controls <ul style="list-style-type: none">• Reduced manual processing, increased system-embedded business controls• Increased capacity to identify fraudulent activities• Improve options for ensuring business continuity
Improve access to data and information <ul style="list-style-type: none">• Real-time answers to customer and business partner inquiries• Enhanced information availability to support effective program management and continuous improvement activities• Reduced archiving and data storage costs of paper

Figure 1: Service Transformation Program benefits

FUNDING SERVICE TRANSFORMATION

DMV proposes a phased approach over several years to procure replacement technology systems that enable significantly improved business performance and greater adaptability to changes in policy. The Governor's Budget for the 2015-2017 biennium requests just over \$30 million for the first phase of the Service Transformation Program. This is the first of an estimated five biennial requests, for a projected total of \$90 million over 9-10 years.

The Service Transformation Program will be funded with State Highway Fund revenues. The 2014 legislatively created DMV Customer Service Task Force recommended that DMV "increase fees to fund replacement of computer systems." Estimates indicate that a \$3 surcharge applied to most DMV transactions would cover the cost of the program. Legislative task force members were Senator Edwards, Representative Gorsek, and Representative Thatcher.

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SUMMARY OF 2015-2017 BUDGET REQUEST

DMV's initial budget request was for \$32.8 million and 46 FTE. This request was recently reduced to \$30.4 million and 30 FTE to reflect the most current program schedule and an increased emphasis on comprehensive upfront readiness planning, early organization change management, and effective program leadership.

Budget	2015-2017 Governor's Recommended Budget	2015-2017 Updated Package
Personal Services	7,461,177	5,121,240
Services and Supplies	5,145,599	5,145,599
Capital Outlay	20,179,624	20,179,624
Totals	32,786,400	30,446,463
Pos/FTE	48 Pos/45.83 FTE	42 Pos/29.91 FTE

Figure 2: Updated policy package information

Adjustments made to the package do not impact total program cost estimates of \$90 million spread out over 9-10 years.

The program deliverables for the 2015-2017 biennium will be:

- Complete readiness planning activities—more in-depth business readiness planning and development of complex RFP for the vendor procurement.
- Procure vehicle title and registration system—rollout planned for 2017-2019 biennium.
- Launch online transaction center, DMV2U—improvements will be made throughout the life of the program.
- Procure point of sale and dealer systems—rollout planned for 2017-2019 biennium.

Much of the 2015-2017 activity requires complex procurement activities. In spring 2014, DMV issued a request for information (RFI) that led to 17 vendors informing DMV about their available technology products and services. DMV is in the process of inviting back four of these vendors with the expectation that they provide a more detailed overview of the integrated services they might provide based on experiences they have serving other DMV offices in other states. These presentations do not commit DMV to a specific vendor; however, they are helpful for creating a broader understanding for available technology options. DMV has developed the following strategies to mitigate the risks associated with procurement activities; thoroughly research and evaluate options, leverage ODOT procurement experts, partner with Department of Administrative Services (DAS), use deliverables based contracts, and follow procurement laws and best practices.

DMV recently submitted the required materials to the Office of the State Chief Information Officer (CIO) for Stage Gate Level I endorsement. During 2015-2017 DMV will be preparing the documentation that will move the first phase of the program through Stages II and III of the Stage Gate process. DMV is committed to working collaboratively with the State CIO, DAS and LFO to meet any oversight requirements that are proposed through this process.

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APPROACH TO TRANSFORMATION

Program of Manageable Projects

In 2012, the legislature recognized the need for DMV to change, and lawmakers authorized funding to begin planning to address shortcomings and deliver a more effective and efficient experience to customers and business partners. The result of this work was a modernization execution strategy for a “program of manageable projects” over 9-10 years. The strategy breaks the work into manageable chunks and lessons learned can be incorporated throughout the life of the program.

The initial years would focus on developing the foundation and base systems that support DMV’s business systems. Examples of foundation and base systems include data warehousing, imaging, point of sale, and transaction processing. In addition, DMV would begin working on the vehicle title and registration and dealer systems because these business areas bring in the majority of DMV revenues and contain more manual processing than other DMV business areas. The final system development schedule for the “program of manageable projects” will be established when a vendor is procured. DMV plans to minimize enhancements to the legacy systems during the modernization process.

Risk identification and mitigation

Another key to success is a commitment to effective risk identification and mitigation. DMV leadership is focused on four key risk management strategies during the planning phase of the program; learning from the past, benchmarking best practices, developing rigorous project management practices and communicating often and effectively

Learning from the past:

In the early 1990s, DMV embarked on a similar effort to modernize business processes. Many Oregonians still remember the incident as it made front-page news and the project was ultimately shut down with few benefits ultimately being achieved from this work. Nevertheless, this experience provided several lessons learned that have informed the planning for this program.

Key issues identified from the 1990’s effort that were addressed and will continue to be managed in the current program are:

- Poor data management planning
- No comprehensive approach to business work flows
- Lack of sufficient testing of the new system
- Staff not properly trained
- Size and scope of project underestimated, scope creep
- Project staff segregated between new and old systems
- Vendor and agency project management roles unclear
- Inadequate independent quality assurance
- Unclear priorities: emphasis on savings not service
- Poor communication
- Organization was not prepared for change

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Benchmarking best practices:

DMV is committed to benchmarking best practices both within Oregon and across the nation and learning from the work of DMV's peers. DMV's project team meets regularly with the Department of Revenue, and DMV's IT Manager sits on the DOJ Child Support Division Project Steering Committee. DMV is also actively monitoring an effort underway at the American Association of Motor Vehicle Administrators (AAMVA), a professional organization that supports North American motor vehicle and law enforcement agencies in achieving their missions. AAMVA recently formed a system modernization working group to develop a best-practices document related to the procurement, design, development, database migration and purification, testing, implementation, and maintenance of a system modernization effort. Lessons learned will be solicited from those with system redesign experience. Oregon DMV will closely track this effort.

Rigorous project management:

Over the last 15 years, DMV has established and refined a rigorous project management process that is supported by a project management office. DMV has implemented hundreds of small and large IT projects in that time, whether to meet state and federal requirements, to improve service, or to make stay-in-business updates to old systems. For example, the major system project to expand customer numbers was a 3.5-year project that included eight full-time staff, touched three million lines of code and cost \$3 million. The project came in ahead of schedule and under budget.

Based on existing project management processes and past experience, DMV has identified several best practices to ensure effective project management:

- Establish a strong governance structure to define priorities and review progress
- Develop deliverable-based contracts (not time-and-materials)
- Apply rigorous analysis of requirements
- Ensure business needs are foremost with IT as a tool
- Use independent quality assurance and be responsive to issues raised
- Embrace oversight by DAS, the State CIO, and Legislative Fiscal Office
- Establish reasonable estimates of time and cost
- Have transparent reporting of both positive and negative news
- Implement industry best practices

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Effective communications:

DMV is committed to effective and frequent communications. A preliminary communications plan has been developed to achieve four goals; building awareness, gathering feedback, ensuring transparency, and gaining support.

The plan considers the needs of DMV's key target groups, which include:

- **Policymakers:** Elected officials and other policymaking bodies, including the Oregon Transportation Commission.
- **Key business partners:** Primarily organizations that use DMV services or access DMV systems, such as law enforcement, Department of Environmental Quality, courts, financial institutions, auto dealers and dismantlers, other jurisdictions' DMV agencies.
- **Customers:** All Oregon residents age 15 and older – the people who use DMV's services.
- **Employees:** All DMV employees and many others elsewhere in ODOT who are participating in or impacted by the coming changes.

Communication tools developed to date include budget and legislative documents, preliminary project documents, a video, presentation slides, a monthly column in the DMV employee newsletter, and a Service Transformation Program intranet site.

Building in accountability

A key element for ensuring effective oversight of the Service Transformation Program is to develop a comprehensive governance structure. DMV envisions establishing a governance framework with three levels of oversight:

- External Strategic Advisory Committee to support strategic communications, enterprise risk management and stakeholder engagement. Members may include representatives from the legislature, Department of Administrative Services, customers and other key stakeholders.
- ODOT and DMV steering committees to support strategic prioritization and oversight, resource attainment and allocation, issue resolution and change management. Members will be senior ODOT and DMV leaders.
- DMV IT User Council to support IT project management (scope, schedule, budget), risk identification and mitigation, and project team coordination. Members will be DMV leadership, business leads, technical experts, business subject matter experts and IT vendors.

Governance also includes coordinating closely with the DAS CIO's Office and Legislative Fiscal Office.

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The Service Transformation Program will be measured by how well it achieves agency strategic goals and the efficiency with which it does so. Specific program metrics are still being developed; however, anticipated areas of focus for performance measurement include:

- Process simplification – fewer steps, delays and manual controls
- Efficiencies – more with less, faster turnaround times, stop doing some activities
- Project oversight – scope, schedule, budget
- Customer service – surveys, wait times, service delivery shifts

DMV is also committed to transparently reporting on project progress and program outcomes throughout the life of the program. As part of the biennial budget development process, DMV anticipated providing:

- Program updates and performance evaluations
- Scope, schedule, budget, status reports for approved projects within the program
- Updated transformation roadmap
- Policy packages for new investments
- Cumulative reports on scope, schedule and budget for Service Transformation Program.

CONCLUSION

Transforming DMV's service delivery is critical to improving customer service and business processes. Initial planning for transformation is well underway. As part of the planning process, risk identification and mitigation have been a priority and key strategies are being deployed to mitigate risk. The road map forward is to execute service transformation by investing in technology, reinventing business processes to maximize efficiency and planning for organizational change, which includes supporting DMV's employees through this transition to ensure success. The strategy is to create a "program of manageable projects," so the work is broken into manageable chunks and lessons learned can be incorporated throughout the life of the program. DMV is requesting approximately \$30 million for the 2015-2017 biennium to launch the program, which will run 9-10 years for a total cost estimate of \$90 million.