

## EXHIBIT A - STATEMENT OF WORK

### PART I. BACKGROUND

Oregon Governor Kate Brown has requested an independent third party's assessment of the Oregon Department of Transportation's (ODOT) current management practices, including ODOT's strengths, and any recommendations for areas that show a need for improvement and alignment to best practices for state departments of transportation. Contractor shall examine the ODOT's organizational structure and staffing levels; decision making paths and communication method; and commission support.

The final report from this review and assessment will be delivered and presented to DAS, the Oregon Transportation Commission ("Commission" or "OTC"), Oregon's Governor, and Oregon's Legislature.

#### **Acceptance Process for Deliverables (Services and Deliverables):**

Contractor shall submit a draft version of all Deliverables to DAS for review and feedback prior to developing the final version of the Deliverable. Once Contractor has considered or addressed the feedback, or both, and developed a final version of the Deliverable, Contractor shall submit the final Deliverable to DAS, for DAS acceptance and approval ("Final Acceptance"). Deliverables obtain the status of Final Acceptance upon DAS' written notice of acceptance and approval of the Deliverable to Contractor.

If DAS determines that the Deliverables are not acceptable, DAS shall notify Contractor in writing of rejection of the Deliverable, and shall describe in reasonable detail in such notice the basis for rejection. Within five (5) days following Contractor's receipt of notice of rejection, Contractor shall modify the rejected Deliverables, at Contractor's sole expense, to satisfy the acceptance criteria for the Deliverables and re-tender the Deliverables to DAS. DAS shall review the modified Deliverables within ten (10) days of receipt of the modified Deliverables from Contractor. Contractor's failure to deliver Deliverables that meet the acceptance criteria after the first rejection notice is a default by Contractor. Upon such default, DAS may either (i) notify Contractor of such default and instruct Contractor to again modify the Deliverables to meet the acceptance criteria or (ii) notify Contractor of such default and pursue available remedies for default.

#### **Description:**

Contractor shall review and assess the current status and practices of ODOT in the following areas:

- **Operations, Organizational Structure and Staffing**

Contractor shall review and assess ODOT's organizational structure, management practices, staffing and stakeholder involvement for effectiveness and alignment with best practices recommended for state departments of transportation with mission and functions similar to those of ODOT. Contractor's review and assessment must include, but is not limited to, addressing the following:

- Is ODOT structured in a way that allows for efficient and effective operations?
- Are the staffing levels and distribution appropriate to the tasks directed to ODOT in its statutory mandate?



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- Are major stakeholders and advisory bodies (including but not limited to the Area Commissions on Transportation (ACT's) engaged with ODOT, and is the advisory bodies' input being considered and valued?
- Is ODOT's process for stakeholder input easy to find and follow?
  - Is the stakeholder input transparent and accessible?
- Does ODOT inappropriately influence or control advisory groups created or overseen by ODOT staff, or are the advisory groups functioning effectively with appropriate independence and autonomy?
  - Are conflicts of interest clearly identified?
  - What are the means by which problems within ODOT can be appropriately conveyed to internal decision makers?
- What are the means by which problems within ODOT can be appropriately conveyed to the Commission, to the Governor and to the Legislature?
- **Decision making paths and communications methods**  
 Contractor shall review and assess the current ODOT decision making processes, including how decisions made are distributed, how projects are selected, and the effect on ODOT's policy development, planning and contracting. Contractor's review and assessment must include, but is not limited to, addressing the following:
  - Is there is a clear chain of command?
  - Are decisions forwarded with clear authority?
  - Are specific individuals identified as being responsible for the decisions for purposes of clarification and response?
  - Are there procedures in place whereby employees responsible for making decisions and carrying out functions are held accountable for such decisions and actions, and;
    - Are such procedures being effectively implemented?
  - Are the right people at ODOT making decisions (deputy level versus Director)?
  - Are decisions being made at the right level within the ODOT organization?
  - Are decisions and the dissemination of decisions clearly documented?
  - Is there too much concentration of authority at ODOT, leaving ACT's and advisory group's too little authority?
  - What should the role of the OTC be in oversight and the decision making process?
  - How active should the OTC be in the decision making process, for example: should consent items be unbundled?
  - What processes are built into the decision making process to ensure there has been an opportunity for external and internal input?
  - What processes are built into the decision making process to ensure there has been an opportunity for external and internal input?

- **Commission Support**



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Contractor shall review and assess the flow of information provided by ODOT to OTC including actions taken, activities engaged in, policies adopted and decisions made by ODOT and its divisions, leaving preparation time for formal actions to be taken by OTC. Contractor's review and assessment must include, but is not limited to, addressing the following:

- Is the time provided for OTC commissioners to evaluate actions adequate?
- Is the information provided clear and comprehensible?
- Is OTC provided documentation of arguments in support and in opposition that are received by ODOT regarding the action?
- Is OTC provided information regarding the impact of the decision upon adopted OTC policies?
- Is notice provided to stakeholders, interested parties and advisory groups like ACTs, such that they have the time to prepare and provide input to aid the OTC in determining the impact of its decisions?

Contractor shall conduct structured interviews with public and private stakeholders and partners of ODOT and ODOT staff. Interviews must cover a range of ODOT activities that include planning, design, construction, maintenance, operations, finance, management, and communications with state and federal officials, transportation industry, business interests and the public. In order to encourage frank comments, all interviews must be conducted anonymously and only by Contractor's team.

Based on structured interviews and analysis of the results, Contractor shall summarize opportunities for ODOT to improve its overall management practices, governance and decision-making structure, and program performance. Contractor shall identify activities that appear to have straight forward improvement opportunities and identify those (if any) that represent significant structural concerns. Where relevant, Contractor shall identify actions that would help ODOT adjust to future changes including new technologies, new institutions, and changes in available funds.

Contractor shall deliver to DAS monthly (at a minimum) Service and Deliverable status reports. Contractor shall complete all tasks ("Tasks") and deliver all Deliverables described in this Exhibit A.

## **PART II. TASKS AND DELIVERABLES**

### **A. Contractor shall complete the following Tasks and deliver the associated Deliverables to DAS:**

#### **Task No. 1: Detailed Work Plan and Meeting**

Contractor shall hold an initial kickoff meeting with the DAS Project Manager and any other appropriate senior leadership or stakeholders as determined by DAS. The goal of this meeting is to review the project infrastructure, schedule meetings, align on overall approach and work plan, and launch initial data requests. Contractor shall develop and deliver a preliminary, comprehensive proposed work plan detailing Contractor's approaches and



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processes for completing the Services ("Work Plan") and shall deliver the Work Plan to DAS during an in-person subsequent meeting with the DAS Project Manager. In this meeting, the parties will review and comment on Contractor's proposed Work Plan. Contractor shall develop a Stakeholder Engagement Plan that identifies the approach to engaging stakeholders to include timing and cadence of interactions and strategies to facilitate feedback.

**Deliverable 1 for Task No.1:** Contractor shall develop and deliver a *draft* Work Plan to the DAS Project Manager at a kickoff meeting, no later than twenty five (25) calendar days following the Effective Date. Contractor shall meet with the DAS Project Manager to review the *draft* Work Plan and discuss feedback regarding the *draft* Work Plan.

**Deliverable 2 for Task No.1:** Contractor shall develop and deliver an electronic copy of the *final* Work Plan to the DAS Project Manager no later than ten (10) calendar days from the kickoff meeting for this Task.

**Deliverable 3 for Task No.1:** Contractor shall develop and deliver a detailed, written data request within seven (7) calendar days from the kickoff meeting for this task.

**Deliverable 4 for this Task No.1:** Contractor shall develop and deliver a Stakeholder Engagement Plan within seven (7) calendar days from the kickoff meeting for this task.

**Task No. 2: Review Literature Including Previous Relevant Work for ODOT and Management Studies of Other DOTs.**

Contractor shall identify possible performance measures and best practices, review existing legislative mandates and relevant federal mandates (including new regulations called for under the FAST Act and MAP-21), and organize findings that are relevant to the three chapters specified in Task 6 for the Final Report:

- Operations, Organizational Structure and Staffing
- Decision making paths and communications methods,
- Commission support

In conducting this work, Contractor shall review relevant ODOT materials (including performance measures), leverage case studies and best practices from other state governments, departments of transportation and the private sector, utilize Contractor's proprietary OrgLab tool to identify spans of controls and organizational layers, interview Contractor experts, develop a map of decision authorities for key decisions, map ODOT organization and key processes relative to ODOT's mission and strategy and assess if there is appropriate alignment.

**Deliverable for Task No.2:** Contractor shall develop and deliver a report that includes Contractor's progress on literature review, case studies, and interview outcomes. The report shall also contain a progress report on identifying ODOT spans and layers, and decision authorities for key decisions. The report must be delivered to the DAS Project Manager by the date agreed to in the Work Plan.



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**Task No. 3: Define ODOT Activities.**

Contractor shall review a cross-section of the technical functions of ODOT, including planning, design, construction, maintenance, operations, as well as other specialties. Contractor shall identify individual ODOT activities and group activities within the broader areas described in the three chapters specified in Task 6 for the Final Report (listed in the description).

Contractor shall set priorities, shape questions, and recognize key people for the interviews and analytic process in Task 5.

Contractor shall look at ODOT's project selection process, including between competing modes and the role of emerging technologies, support functions, finance and accounting, budget and funds management, contracting practices, and human resources. Contractor will use its proprietary SG&A 360 tool to provide cost benchmarking in back office functions.

**Deliverable 1 for Task No. 3:** Contractor shall develop and deliver a report on Contractor's Task 3 progress to the DAS Project Manager by the date identified in the Work Plan.

**Deliverable 2 for Task No. 3:** Contractor shall develop and deliver materials for a facilitated review of the activities with DAS and DAS-identified stakeholders by the date identified in the Work Plan.

**Task No. 4: Prepare Draft Questionnaire.**

Contractor shall prepare two (2) or more questionnaires in order to capture management activities and to match up those activities with the three chapters specified in Task 6 for the Final Report. Contractor shall match the questionnaires with potential interviewees and prepare a preliminary list that must include contact information.

Contractor shall include, but is not limited to, questions on subjects such as:

1. Are they satisfied with ODOT's performance?
2. Are they satisfied with their jobs and opportunities for advancement?
3. What is ODOT's greatest strength? What is ODOT's greatest weakness?
4. What areas need improvement?
5. What specific suggestions do they have for improvement?

In addition, Contractor shall utilize Contractor's proprietary Organizational Health analysis tool to deploy a survey and assess organizational health.

**Deliverable for Task No. 4:** Contractor shall develop the questionnaires and a written report on Contractor's Task 4 progress to the DAS Project Manager no later than the date identified in the Work Plan.

**Task No. 5: Schedule and Conduct Interviews.**

Contractor shall conduct a series of interviews with ODOT managers and staff, partners and stakeholders. Contractor shall conduct the interviews with the highest standards of objectivity to provide a fact-based approach to understanding stakeholder opinions. In



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conducting these interviews, Contractor shall organize findings that are relevant for the three chapters specified in Task 6 for the Final Report.

Early in the interview process Contractor shall interview the Chair of the Oregon Transportation Commission and other OTC Commissioners, the immediate former Chair (a former Oregon house of Representatives Speaker) of the Governors Transportation Vision Committee, the Governor's Transportation Policy Advisor, and a representative sample of sitting and former members of the Oregon Legislature, construction contractors, consultants, truckers, and economic developers, to gain further insights into the issues and concerns with ODOT. The Contractor shall focus on the following key areas:

**1. Operations, Organizational Structure and Staffing Levels**

Contractor shall compare the ODOT organizational chart to those of other state's departments of transportation, along with a comparison of specialties needed on staff versus using the private sector.

Contractor shall evaluate the efficiencies and effectiveness of ODOT's the central office and region functions, to include numbers of construction and maintenance staff, construction offices, maintenance yards, other facilities and the equipment fleet. Contractor shall give special attention to assess the Highway Division, Motor Carrier Division, and Transportation Development Division.

**2. Decision Making Paths and Communications Methods**

Contractor shall interview Oregon's government leaders, law makers, and business leaders, identifying specific leadership within ODOT to gain clarification regarding the degree to which decision making authority is clear and whether that authority should be held at a higher level or delegated further down in the organization.

Contractor shall incorporate feedback loops both in formal written reports and documents but also in personal interaction. Contractor shall review and benchmark reports and documents, including performance measures, against other state departments of transportation.

Contractor shall assess the strengths and weaknesses of decision making paths and communications methods within and outside ODOT and make recommendations for improvement.

**3. Commission Support**

Contractor shall assess whether advisory groups and the general public are given sufficient notice to allow informed input, review the relationships between ODOT, the Commission and advisory groups, identify strengths and weaknesses, and make recommendation for improvement.

**Deliverable 1 for Task No.5:** Contractor shall complete interviews and deliver a report on Contractor's Task 5 progress to the DAS Project Manager no later than the date identified in the Work Plan.

**Task No. 6:** Prepare Final Report.



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Contractor shall immediately begin writing a final report using an iterative process with feedback loops to information developed and obtained under Tasks 2, 3, 4, and 5 ("Final Report"). Beginning with a draft of the Final Report, as Contractor gathers more information through Tasks 2 through 5 about ODOT's organization, operations, decision-making paths, and commission support, Contractor shall continuously update the draft Final Report. During periodic reviews, Contractor and DAS may decide to expand the interview list and questionnaires to uncover new topics of interest.

Contractor shall meet with the DAS Project Manager to review the draft Final Report, and DAS will have the opportunity to offer feedback regarding the Task 6 draft Final Report. Contractor shall include an executive summary and three (3) chapters, as follows, in the Final Report:

Chapter 1: Operations, Organizational Structure, and Staffing Levels

Chapter 2: Decision Making Paths and Communications Methods

Chapter 3: Commission Support

For each chapter, Contractor shall assess the fact base and report its independent findings with regard to ODOT current state performance, and Contractor will aggregate, assess and make preliminary recommendations.

**Deliverable for Task No. 6:** Contractor shall develop and review a *draft* Final Report to the DAS Project Manager no later than the date identified in the Work Plan.

**Task No. 7: Final Report.**

Contractor shall develop and deliver the *final* Final Report based upon the *draft* Final Report developed under Task 6. Contractor shall include with the Final Report written briefing materials that may be used by DAS and others, as determined by DAS for briefing the media and the public on the Final Report.

**Deliverable for Task No. 7:** Contractor shall develop and deliver the Final Report to the DAS Project Manager no later than February 28, 2017.

**B. Roles and Responsibilities:**

a. DAS is responsible for the following:

- Attendance at appropriate meetings and work sessions;
- Facilitating Contractor's access to available, relevant information pertaining to ODOT;
- Reviewing progress to confirm adherence to this Contract and delivery schedule;
- Notifying Contractor of any known delays above and beyond the control of Contractor;
- Providing appropriate and timely review of Contract Deliverables supplied by Contractor to confirm they meet objectives and requirements of the Contract;



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- Determining when tasks and Deliverables require DAS approval and when Services may proceed;
- Providing input to Contractor in a timely manner and adjusting Contractor's Deliverables deadlines when delays outside of Contractor's reasonable control.

**b. Contractor**

Contractor's roles and responsibilities are listed below in general terms and include but are not limited to the following:

- Providing staff, materials, and resources to complete all assigned tasks and prepare quality products, of the highest industry standard, and within compliance of all requirements of this Contract, on or ahead of the schedule established in the Statement of Work.
- Notifying (verbally and in writing) DAS Project Manager upon discovery by the Contractor of any changes in the Contract's scope, schedule, or timelines.
- Presence of Contractor staff at project meetings, whose skill sets meet or exceed the specific knowledge, skill, and ability requirements of each specific Service provided and to be discussed at the meetings.
- Contractor shall attend meetings as scheduled by the DAS Project Manager.
  - Meeting logistics shall be determined as mutually agreed upon by Contractor and DAS Project Manager.

**C. Delays**

Contractor shall provide to the DAS Project Manager verbal and written email notice within ten (10) calendar days upon discovery by Contractor of any delays in Services that are caused by forces outside of Contractor's reasonable control. The written notification shall include, to the extent available, the following:

- The reasons or causes for the delay;
- The estimated duration of the delay and the estimated resulting cumulative delay; and
- Whether or not Contractor expects to request additional compensation due to the delay.

**D. Compensation**

Compensation is based on fixed-firm price model for all Deliverables under each Task:

<b>TASK</b>	<b>Firm Fixed Price</b>
Task 1: Detailed Workplan/Kickoff Meeting	\$ 85,000
Task 2: Literature Review	\$165,000
Task 3: ODOT Activities Defines	\$165,000
Task 4: Draft Questionnaire	\$165,000
Task 5: Interviews	\$135,000



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Task 6: Draft Final Report	\$135,000
Task 7: Final Report	\$140,000
<b>TOTAL</b>	<b>\$990,000</b>

### **PART III. SPECIAL CONSIDERATIONS**

#### **A. Contractor's Key Persons and Subcontractors:**

##### **i. Key Persons**

- a. Garo Hovnanian, Engagement Manager (100% dedicated to this engagement)
- b. Associate (100% dedicated to this engagement)
- c. Tyler Duvall, Partner (25% dedicated to this engagement)
- d. Shannon Peloquin, Engagement Director (50% dedicated to this engagement)
- e. Rob Palter, Senior Partner, and other McKinsey Experts as needed

##### **ii. Subcontractors**

For purposes of the Part III, section A, DAS approves the following subcontractors of Contractor to perform the specified Services:

Contractor shall provide written notice to DAS Project Manager and DAS Contact when any approved subcontractor is no longer performing the specified Services, if those Services have not been successfully completed.



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