

## OPERATIONAL PLANS

A factor leading to division and conflict within the WCHA has been the operational orientation of member counties. All Wisconsin counties do system preservation (maintenance). In addition to system preservation, many counties perform improvement work and provide services to local governments. County operational plans can range from predominantly maintenance to predominately improvement with most counties somewhere in between. All counties provide maintenance services to the state and many counties provide both maintenance and/or improvement services to local units of government.

The perceived impacts to county operational structure from Motion 352 and the concepts proposed in the Summit discussions have led to counties viewing themselves as winners or losers. Generally those counties with a primary maintenance orientation seeing the proposals as beneficial while those with a heavy improvement emphasis seeing them as detrimental.

### ORIGINS OF OPERATIONAL PLANS

Generally, the determining factor on whether an operational plan has taken on a system preservation (maintenance) or improvement orientation is the tradition in an individual county. Operational plans generally change through evolution, gradually over time, rather than through revolution, abrupt changes in direction. The Task Force believes current trends are pushing highway departments away from an improvement orientation towards a system preservation orientation. This is due largely to budget limitations and political forces that favor private sector forces doing improvement work.

### COST EFFECTIVENESS

The Task Force believes that cost-effectiveness can be defined simply as the delivery of the best quality services within the funding provided. While the private sector might consider cost-effectiveness as the most profitable method of delivering a service or product, government agencies strive to deliver the highest quality service within budget guidelines set by the governing authority. The level of service is defined by the funding available, as well as by the managers who develop the operational plan that delivers the services. The goal of the manager is to develop an operational plan that will maximize service. An operational plan for a government manager encompasses all services they have been directed to perform by their County. In the case of a Highway Department, this could include maintenance, improvements and intergovernmental work.

### OPERATIONAL MODELS

The Task Force believes that there is no one operational model that can be created for Highway Departments. For the most part, individual counties have developed their own operational plan over decades. Generally, these plans serve the County interest and a County's plan may not work at all when superimposed over another County.

The Task Force believes that a number of models can be cost-effective. Neither, a maintenance predominant model or an improvement predominant model is inherently cost-effective, nor are they inherently ineffective.

The Task Force identified a number of factors that contributed to a predominant "maintenance" orientation as follows:

- Budget and funding issues that prevent County from making the investment in labor and equipment necessary to take on improvement projects
- Political philosophy at the local level that supports use of private sector for improvement work
- Small system counties that can't justify investment in labor and equipment necessary for improvement work
- High volume systems where maintenance and service levels provide more than ample work for year round work force
- Competitive private sector marketplace that provides improvement work at costs below what Counties could do in-house
- Lack of expertise to deliver improvement projects
- Lack of local government work support for equipment and labor needed
- Commissioners and County operational philosophy

All Counties are "maintenance" counties. System preservation is the basic service provided by all counties to the State and County system and in some cases to local governments. All counties labor and equipment resources are geared, at a minimum, to do system preservation. Current political and economic conditions are pushing Counties towards system preservation.

The Task Force identified a number of factors that contribute to a predominant "improvement" orientation as follows:

- Lack of private sector competition leading to single bids and pricing above County in-house costs (County is only competition in marketplace)
- History and tradition of Counties providing such services (Have always done improvement work)
- Demand for improvement services from public, local governments, state and other County governments
- Need to have improvement work in construction season to maintain work force needed for winter maintenance activities
- Sufficient local resources (budget) to support equipment and labor required
- Better control of budget and improvement costs (cost control)
- Political philosophy at local level that supports in-house improvement work including support for "local" employment
- Quality and accountability from County operations (bad experience with private contractors)
- Commissioner and County operational philosophy

While the above items are for a predominant improvement orientation, many counties perform improvements to one degree or another. While a county may not have an asphalt plant, they may purchase hot mix asphalt from the private sector and place it themselves. The degree to which a county provides improvement services is a reflection of what they have found to be cost-effective in their particular situation. The ability of a county to decide what is cost-effective is being challenged by political and economic forces which favor the private sector.

## OPERATIONAL CHANGE

The Task Force believes that each County should formally review their operational plan at least every year as part of their budget process. Operational plans should not be static, but should be continuously refined and adapted. Given current political and economic conditions there will be internal and external pressures that will require change. Failure to anticipate change could result in an operational failure at a Department level.

The Task Force members are representative of the WCHA membership. As such they recognize that change can be difficult. Highway operations, by their nature, are generally run conservatively and change for change sake is not sought out. The Task Force identified a number of barriers to change including the following:

- Aversion to risk (change implies risk)
- Unwillingness to change at a number of levels (County Leadership, Highway Commissioners, and crew)
- Union restrictions that impede or defeat manager's ability to adjust operations
- Change is seen as a negative (comfort with the status quo)

## INCORPORATION OF PRIVATE SECTOR

The Task Force members all agreed that private sector forces should be considered for inclusion into a County Highway Department's operational plan. How private sector forces are utilized is dependent on what is cost-effective for an individual County. Where private sector services are less expensive or more cost-effective they should be used.

The Task Force also recognized that there are a number of barriers to incorporating private sector forces into County Highway Department operations as follows:

- Private sector may cost more than in-house work
- Lack of private sector competition in areas that leads to single bids and non-competitive pricing
- Cost of contract development and contract administration adds significant costs not required for in-house projects
- If a County opts to use the private sector for improvements, the result could be a permanent loss of personnel and equipment. Once the labor and equipment is lost, there is little chance of reestablishing an in-house improvement operation.
- Private sector work can supplant County employees needed for winter maintenance
- Private sector is primarily interested in improvement work and cannot provide assistance in the area of maintenance

## INTERGOVERNMENTAL COOPERATION

The Task Force members have seen more interest in intergovernmental cooperation and more demand for county services from local governments. Counties need to engage local governments and expand services offered to them. Services to local government could offset some of the losses counties are experiencing due to flat STH Funding and limitations on improvement funds

## LOCAL FORCE ACCOUNT (LFA) WORK

All Task Force members believe the future availability of Local Force Account (LFA) work is questionable. With respect to the potential for LFA's continuing, opinions ranged from unknown, but not positive, to LFA's will soon cease to exist. There were no positive expectations for long term LFA usage.

There continues to be pressure from the private sector to curtail public sector usage of LFA's. Where federal dollars are being used, the private sector has pointed out that Federal Highway Administration Rules state a preference for private sector and that LFA work should be "rare". The political climate, which promotes private sector jobs is also a pressure point.

The WCHA has pursued a policy of trade-off of LFA dollars for GTA or LRIP dollars. There is some recognition, that at some point, legislation or agency rules could be used to end LFA's. This could occur without any trade-off.

A review of the use of LFA's (past 5 years) shows that a number of counties use the program on an almost annual basis, while a majority of the counties either use the program for small projects or do not use the program at all. For those counties who have continuously used the program, the LFA program has become a part of their annual budget. Eliminating the LFA program would have serious implications from an operational standpoint for those counties. The heaviest users of the LFA program are also generally "improvement" orientated operations. For those counties that do not use LFA's, or use them on small projects (less than \$100k), a trade for GTA or CHIP dollars would be seen as being very beneficial.

A five year (2007-2011) review of the LFA program by the Task Force Chair showed the following statistics:

- The top 10 user counties used 68.5% of the dollars available
- 46 counties participated in the program over the 5 years
- On average, 21 counties use the program per year
- 18 counties had only one project over the 5 year period
- A significant number of projects done by counties yielded under \$30k for non-excluded costs (total of 88 out of the 226 projects - 39% )
- A majority of projects yielded less than \$100k for the county doing the project (non-excluded costs). Out of 226 projects, 159 (70%) were under \$100k
- Based on a \$100k "project threshold, under Motion 352, 108 projects out of 226 (48%) would have been allowed

## MAINTAINING OPERATIONAL FLEXIBILITY

The Task Force believes that there is no question that changes will have to be considered at the operational level. While Highway Department's may have gone decades without major operational changes in the past, the current environment for government services is dynamic. Highway managers will have to anticipate change and make rapid adjustments.

Current economic and political trends are moving counties toward system preservation. Economically, construction inflation and constrained government revenue are limiting system improvement. Reduced system improvement dollars increase the need for system preservation to lengthen the usable life of the

existing system. Politically, unemployment and the economic downturn have led to advancing private sector interests. In transportation, private sector interest includes doing improvement work presently being done by the public sector. Fortunately, system preservation work is not as important to the private sector given the public sector's long history of providing maintenance services and the difficulties associated with privatizing such work.

The emphasis on system preservation will have little impact on counties that are presently maintenance oriented. Counties that have a significant improvement orientation will face more challenges to their operations and can anticipate more change.

Many "improvement" oriented counties view changing their operation to a more "maintenance" orientation as being destructive. Yet, there are many stable, functioning counties utilizing a maintenance orientation.

In order to meet this challenge, the WCHA must work to maintain as much flexibility as possible in the operational options for counties. Failure to stay engaged in to legislative process could open the door to imposition of operational changes by misguided decisionmakers. The recent imposition of bans on intergovernmental cooperation at the County level are examples of what can happen if Counties loose an opportunity for input or are unable to counter questionable initiatives.

