



South Carolina
Department of Transportation

Secretary of Transportation
Janet P. Oakley
(803) 737-1312 Fax (803) 737-2038

January 12, 2015

Office of Senate Oversight
Attn: Ms. Andrea Truitt
Post Office Box 142, Suite 406
Columbia, SC 29202

Re: 2015 Restructuring Report and Cost Savings Plan

Dear Ms. Truitt,

On behalf of the South Carolina Department of Transportation (SCDOT) please accept the Agency's annual submittal for the "Restructuring Report and Cost Savings Plan" for 2015. This report expands on the key programmatic areas of SCDOT as required for both restructuring and cost savings categories.

Following my confirmation as Secretary of SCDOT on May 22, 2014, almost eight months ago, and in previous administrations, restructuring occurred at SCDOT. However, for the purposes of this report, there are currently no recommendations for restructuring in any of the programmatic areas. This has been noted on the report and is not to be deemed as an oversight.

Enclosed please find the respective submittals from SCDOT for this report. If you have any questions, please do not hesitate to contact me.

Sincerely,



Janet P. Oakley
Secretary of Transportation

Enclosures

JPO/scj





Office of Senate Oversight
P.O. Box 142, Suite 406
Columbia, SC 29202

Department/Agency	Date Submitted
South Carolina Department of Transportation	January 2015
Report Submitted by: Wendy Nicholas	Title: Chief of Staff

Department/Agency Information
For each programmatic area, please provide the requested information.

Name of Programmatic Area	<u>Administration</u>
---------------------------	-----------------------

Restructuring

Brief Description of Current Program: At this time there are no recommendations for restructuring in Administration.

State and/or federal statutory authority for this activity:

To which goal(s) in the Agency's Annual Accountability Report does this program relate?

How does this program substantially address the legislative intent and the stated goals of the department/agency as set forth in statute?

Describe the impact that eliminating this programmatic area would have on the mission of the department/agency and the citizens of South Carolina:

Do any other governmental entities provide similar or related services? If yes, please explain.

Could/should this function be eliminated, combined with another area or transferred to another department/agency in order to achieve greater efficiency or eliminate redundancy? If yes, please explain.

Cost Savings and Increased Efficiencies (#1 of 3 submitted below.)

What, if any, changes would the department/agency recommend to generate cost savings or efficiencies in this program?

- 1) SCDOT will pursue a Guaranteed Energy Savings Contract (GESC) to upgrade the existing HVAC system for the Headquarters Building located at 955 Park Street in Columbia. This contracting method is advantageous to the state because it requires no initial capital investment for equipment. Costs for the new system are paid from the savings realized in reduced energy bills. The new system will replace a system with many components that are outdated, inefficient and replacement parts are no longer available as the system is over 35 years old.

What are the anticipated cost savings/efficiencies that would be achieved?

The solicitation for the GESC will request energy conservation measures for the Headquarters Building to reduce energy use and to provide an on-site energy plant. The building is presently conditioned with steam and chilled water supplied by the State Energy Plant located on College Street, several blocks away. SCDOT owns the steam

and chilled water lines from the Headquarters Building to the east side of Assembly Street (one block away). The lines are over 35 years old and without the construction of an on-site energy plant, these lines will need to be replaced in the near future at a cost estimated of over \$1.5 million dollars. Unless SCDOT has its own energy plant, the full savings by implementation of energy conservation measures will not be realized.

Until a proposal is received, the exact amount to be saved will not be known. However, the deferred cost for utility line replacement will be saved, as well as the energy savings, after the cost of the capital investment is re-paid, for the full life cycle of the equipment. The payment for the capital investment will be re-paid within 10-12 years after construction.

Is legislative action required to allow the department/agency to implement these recommendations?

Yes, approval of the GESC by the Joint Bond Review Committee and the Budget and Control Board will be required to enter into a Guaranteed Energy Savings Contract.

If legislative action is required, explain the constitutional, statutory or regulatory changes needed.

No changes required.

Describe the department/agency action that will be implemented to generate the desired outcomes.

SCDOT to enter into a Guaranteed Energy Savings Contract with an Energy Service Company to implement energy conservation measures.

What is the timeline for implementation of the change and realization of the anticipated benefits?

Begin the process in early 2017 with construction completed during calendar year 2017.

Cost Savings and Increased Efficiencies (#2 of 3 submitted below.)

What, if any, changes would the department/agency recommend to generate cost savings or efficiencies in this program?

- 2) SCDOT is responsible for the regulation of advertising along interstate and primary systems which includes billboard and vegetation management. Staff currently manages the system through the utilization of an automated permitting system. SCDOT IT staff is internally upgrading the permitting system to automate processes for permit management, customer information management, customer billing, and customer information submission.

What are the anticipated cost savings/efficiencies that would be achieved?

The system update will reduce the cost and manpower associated with mailing both applications and permits, as well as, manual billings completed annually. It will also increase the efficiency of outdoor advertising staff by providing real-time data to the approving authority, which will reduce turnaround time for permit approval.

Is legislative action required to allow the department/agency to implement these recommendations?

No action required.

If legislative action is required, explain the constitutional, statutory or regulatory changes needed.

N/A.

Describe the department/agency action that will be implemented to generate the desired outcomes.

SCDOT IT Services, working in conjunction with outdoor advertising staff, will develop an automated solution to combine all current permitting processes into a single, modern system. The redevelopment will address automated processes for permit management, customer information management, customer billing, and customer information submission.

What is the timeline for implementation of the change and realization of the anticipated benefits?

SCDOT anticipates the system to be ready in July 2015. Activities for the next billing cycle will begin in October 2015, so benefits will be seen immediately.

Cost Savings and Increased Efficiencies (#3 of 3 submitted below.)

What, if any, changes would the department/agency recommend to generate cost savings or efficiencies in this program?

- 3) SCDOT is responsible for issuing permits to operate or move vehicles/loads exceeding legal size, weight, and/or load restrictions. The Department is updating its sole-proprietary automated oversize/overweight routing and permitting system to assist in efficiencies.

What are the anticipated cost savings/efficiencies that would be achieved?

The new system will automate many routine functions that currently must be performed manually by staff. It will allow external users to set up accounts, request permits, request routes, and submit payment.

Is legislative action required to allow the department/agency to implement these recommendations?

No action required.

If legislative action is required, explain the constitutional, statutory or regulatory changes needed.

N/A

Describe the department/agency action that will be implemented to generate the desired outcomes.

No action, other than to test and deploy the system.

What is the timeline for implementation of the change and realization of the anticipated benefits?

SCDOT anticipates "going live" in early 2015; benefits would be realized within one year.



Office of Senate Oversight
P.O. Box 142, Suite 406
Columbia, SC 29202

Department/Agency	Date Submitted
South Carolina Department of Transportation	January 2015
Report Submitted by: Wendy Nicholas	Title: Chief of Staff

Department/Agency Information
For each programmatic area, please provide the requested information.

Name of Programmatic Area	<u>Highway Administration</u>
---------------------------	-------------------------------

Restructuring

Brief Description of Current Program: At this time there are no recommendations for restructuring in Highway Administration.

State and/or federal statutory authority for this activity:

To which goal(s) in the Agency's Annual Accountability Report does this program relate?

How does this program substantially address the legislative intent and the stated goals of the department/agency as set forth in statute?

Describe the impact that eliminating this programmatic area would have on the mission of the department/agency and the citizens of South Carolina:

Do any other governmental entities provide similar or related services? If yes, please explain.

Could/should this function be eliminated, combined with another area or transferred to another department/agency in order to achieve greater efficiency or eliminate redundancy? If yes, please explain.

Cost Savings and Increased Efficiencies

What, if any, changes would the department/agency recommend to generate cost savings or efficiencies in this program?

1) SCDOT is developing a performance and risk-based Transportation Asset Management Plan which supports the goals of the agency's Strategic Direction.

What are the anticipated cost savings/efficiencies that would be achieved?

The effort will increase efficiency by implementing a performance and risk-based asset management plan that promotes the efficient use of resources and strategic management of the Department's assets. Performance targets will be set and closely monitored to provide management with current and future system conditions. The results of this analysis will be used to quantify system needs. Risk-based asset management maximizes the useful life of physical assets by optimizing the Department's investment across all assets. It involves preservation and preventive maintenance, well planned rehabilitation, and cost effective replacement at the appropriate stages of an

asset's life. No cost savings are anticipated as a result of implementing a Transportation Asset Management Plan.

Is legislative action required to allow the department/agency to implement these recommendations?

No action required.

If legislative action is required, explain the constitutional, statutory or regulatory changes needed.

N/A.

Describe the department/agency action that will be implemented to generate the desired outcomes.

SCDOT established an Asset Management Division within the Office of Planning and hired an Asset Management Engineer. A Steering Committee has been established to oversee the development of the Transportation Asset Management Plan and the Department has executed a contract with a consultant to assist in this effort.

What is the timeline for implementation of the change and realization of the anticipated benefits?

The Transportation Asset Management Plan is scheduled to be complete in January of 2016. As the Agency moves forward, additional physical assets will be added to the plan to manage the lifecycle of the agency's assets proactively. The benefits of the recommendation will be realized incrementally over the first few years of the plan's implementation. Subsequently, increased benefits will be realized as the Department is able to shift more resources to programming methods to promote preservation, preventive maintenance and rehabilitation in lieu of reconstruction and replacement of assets before reaching their maximum life cycle.



Office of Senate Oversight
 P.O. Box 142, Suite 406
 Columbia, SC 29202

Department/Agency	Date Submitted
South Carolina Department of Transportation	January 2015
Report Submitted by: Wendy Nicholas	Title: Chief of Staff

Department/Agency Information
For each programmatic area, please provide the requested information.

Name of Programmatic Area	<u>Toll Operations</u>
---------------------------	------------------------

Restructuring

Brief Description of Current Program: At this time there are no recommendations for restructuring in Toll Operations.

State and/or federal statutory authority for this activity:

To which goal(s) in the Agency's Annual Accountability Report does this program relate?

How does this program substantially address the legislative intent and the stated goals of the department/agency as set forth in statute?

Describe the impact that eliminating this programmatic area would have on the mission of the department/agency and the citizens of South Carolina:

Do any other governmental entities provide similar or related services? If yes, please explain.

Could/should this function be eliminated, combined with another area or transferred to another department/agency in order to achieve greater efficiency or eliminate redundancy? If yes, please explain.

Cost Savings and Increased Efficiencies

What, if any, changes would the department/agency recommend to generate cost savings or efficiencies in this program?
At this time there are no cost savings to be implemented in Toll Operations.

What are the anticipated cost savings/efficiencies that would be achieved?

Is legislative action required to allow the department/agency to implement these recommendations?

If legislative action is required, explain the constitutional, statutory or regulatory changes needed.

Describe the department/agency action that will be implemented to generate the desired outcomes.

What is the timeline for implementation of the change and realization of the anticipated benefits?



Office of Senate Oversight
P.O. Box 142, Suite 406
Columbia, SC 29202

Department/Agency	Date Submitted
South Carolina Department of Transportation	January 2015
Report Submitted by: Wendy Nicholas	Title: Chief of Staff

Department/Agency Information
For each programmatic area, please provide the requested information.

Name of Programmatic Area	<u>Non Federal Aid Fund</u>
---------------------------	-----------------------------

Restructuring

Brief Description of Current Program: At this time there are no recommendations for restructuring in the Non Federal Aid Fund.

State and/or federal statutory authority for this activity:

To which goal(s) in the Agency's Annual Accountability Report does this program relate?

How does this program substantially address the legislative intent and the stated goals of the department/agency as set forth in statute?

Describe the impact that eliminating this programmatic area would have on the mission of the department/agency and the citizens of South Carolina:

Do any other governmental entities provide similar or related services? If yes, please explain.

Could/should this function be eliminated, combined with another area or transferred to another department/agency in order to achieve greater efficiency or eliminate redundancy? If yes, please explain.

Cost Savings and Increased Efficiencies

What, if any, changes would the department/agency recommend to generate cost savings or efficiencies in this program?
At this time there are no cost savings in the Non Federal Aid Fund.

What are the anticipated cost savings/efficiencies that would be achieved?

Is legislative action required to allow the department/agency to implement these recommendations?

If legislative action is required, explain the constitutional, statutory or regulatory changes needed.

Describe the department/agency action that will be implemented to generate the desired outcomes.

What is the timeline for implementation of the change and realization of the anticipated benefits?



Office of Senate Oversight
P.O. Box 142, Suite 406
Columbia, SC 29202

Department/Agency	Date Submitted
South Carolina Department of Transportation	January 2015
Report Submitted by: Wendy Nicholas	Title: Chief of Staff

Department/Agency Information
For each programmatic area, please provide the requested information.

Name of Programmatic Area	<u>Mass Transit</u>
---------------------------	---------------------

Restructuring

Brief Description of Current Program: At this time there are no recommendations for restructuring in Mass Transit.

State and/or federal statutory authority for this activity:

To which goal(s) in the Agency's Annual Accountability Report does this program relate?

How does this program substantially address the legislative intent and the stated goals of the department/agency as set forth in statute?

Describe the impact that eliminating this programmatic area would have on the mission of the department/agency and the citizens of South Carolina:

Do any other governmental entities provide similar or related services? If yes, please explain.

Could/should this function be eliminated, combined with another area or transferred to another department/agency in order to achieve greater efficiency or eliminate redundancy? If yes, please explain.

Cost Savings and Increased Efficiencies

What, if any, changes would the department/agency recommend to generate cost savings or efficiencies in this program?

SCDOT will utilize the Transit Asset Management System recently developed by the Office of Public Transit (OPT) to optimize replacement of public transit vehicles. OPT currently has a Statewide Vehicle Utilization Review and Capital Needs Assessment underway to determine transit agencies' actual asset needs based on optimized service levels. Vehicles that have satisfied useful life requirements will be identified by transit agency, with additional validation that such replacement vehicles are still needed to support ongoing services. OPT will identify areas where transit vehicles are being underutilized for no-cost transfer to other areas in the state with documented need. Once all available vehicles have been transferred, OPT will then initiate a capital asset replacement plan that utilizes available toll revenue credits as soft match to available federal funding specifically dedicated for the acquisition of new public transit vehicles.

What are the anticipated cost savings/efficiencies that would be achieved?

As of July 1, 2014, the cost to replace SCDOT-titled public transit vehicles past their useful life was estimated at \$15 million. The estimated cost to replace all SCDOT-titled public transit vehicles as of July 1, 2014 was \$47 million. South Carolina currently receives approximately \$3.7 million in annual Federal funding specifically designated for vehicle acquisition, with no state funding dedicated for the same purpose or required match. SCDOT estimates that over 90% of the current SCDOT-titled public transit vehicles can be replaced at no cost to the state.

Is legislative action required to allow the department/agency to implement these recommendations?

No action required.

If legislative action is required, explain the constitutional, statutory or regulatory changes needed.

N/A.

Describe the department/agency action that will be implemented to generate the desired outcomes.

Agency leadership and the SCDOT Commission recently approved the vehicle replacement plan. Further action will consist of ongoing reporting and monitoring to ensure successful implementation.

What is the timeline for implementation of the change and realization of the anticipated benefits?

Over 7 years, it is estimated that we can replace over 90% of the current SCDOT-titled public transit vehicles at no cost to the state. Anticipated benefits will be realized and accumulate throughout this timeframe.