COMMISSION ON SERVICE INNOVATION

Meeting Minutes/Monthly Report

Governance Team:	Commission on Service Innovation		
Date of Meeting:	September 16, 2010	**Location:**	Association of Minnesota Counties
Minutes Prepared By:	Taylor Joseph	**Time:**	9:30 a.m. – 3:00 p.m.

Attendance

Member:	Representing:
Steve Dahl	Minnesota Chamber of Commerce
Mike Kirst	Minnesota Business Partnership
Alok Gupta	McKnight Foundation (does not speak for McKnight)
Paul Mattessich	Wilder Foundation
Jeannie Fox	Minnesota Council of Nonprofits
Sean Kershaw	Citizens League
Dave Bentrud	League of Minnesota Cities
Randy Maluchnik	Association of Minnesota Counties
Darrel Huish	Minnesota State Colleges and Universities
Al Lehrke	AFSCME Council 5
Steve Giorgi	AFSCME Council 65
Richard Kolodziejski (Chet Jorgenson designee)	MAPE
Carol Nieters	SEIU
Bob Azman	Minnesota High Tech Association
Steve Cawley	University of Minnesota
Peter Hutchinson	Bush Foundation
Gopal Khanna	State Chief Information Officer
Sen. Terri Bonoff	State Senator, District 43
Sen. Ann Rest	State Senator, District 45
Rep. Phyllis Kahn	State Representative, District 59B
Rep. Keith Downey	State Representative, District 41A

Other Attendees/Staff:	
Sara Schlauderaff	Office of Enterprise Technology
Mike Muilenburg	Office of Enterprise Technology
Taylor Joseph	Office of Enterprise Technology

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Decisions Made

Decision
1. Adopted minutes/monthly report from the August 19 meeting.
2. The December meeting was moved from December 16 to December 9.
3. Established a sixth advisory workgroup to focus on the final report, led by Peter Hutchinson.

Action Items

Action	Assigned to	Due date
1. Solicit member names to serve on the new, sixth workgroup.	Mike Muilenburg	Prior to October meeting

Agenda

Topic	Presenter	Time	Decision Item
Welcome; Recap of Second Meeting & Adoption of Minutes; Overview of Agenda	Gopal Khanna	9:30	Yes
Presentation: MN Redesign Project	Ryan O'Connor, Association of Minnesota Counties	9:45	No
Presentation: Enterprise Continuous Improvement – LEAN	Commissioner Sheila Reger, MN Dept. of Administration	10:15	No
Member Discussion of Presentations, Opportunities	All	10:45	No
Advisory Workgroup Reports; Member Feedback & Discussion	All	11:15	No
Lunch Break		12:15	
Continue Workgroup Reports	All	1:00	No
Report Outline/Writing the Report	Gopal Khanna/All	1:45	No
Next Meeting Agenda Ideas	Gopal Khanna/ All	2:45	Yes
Adjourn		3:00	

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Meeting Minutes/Monthly Report

Next Meeting

Date:	October 21, 2010
Time:	9:30 a.m. – 3:00 p.m.
Location:	Centennial Office Building Blazing Star Room, Ground Floor 658 Cedar Street St. Paul, MN
Agenda items:	Submit proposed agenda items to Mike Muilenburg.'

Minutes

[Note: Members comments are summaries, not direct quotes.]

Welcome; Minutes Adoption; Agenda Overview:

Gopal Khanna, the State Chief Information Officer and lead co-chair of the Commission on Service Innovation, convened the meeting at 9:36 am. A quorum was present.

Mr. Khanna thanked the Association of Minnesota Counties (AMC) for hosting and Sen. Terri Bonoff and Representatives Phyllis Kahn and Keith Downey for attending. He also thanked Commissioner Sheila Reger (Dept. of Administration) for attending and making a presentation.

Mr. Khanna motioned to approve the previous meeting's minutes. It was seconded and approved unanimously. He gave a rundown of the day's agenda and introduced Ryan O'Connor, AMC, who gave the first presentation via video feed.

Minnesota REDESIGN Project Presentation:

An Unsustainable Status Quo:
For years Minnesota's leaders have been aware of pending fiscal challenges.

During the past 10 years multiple reports reached similar conclusions about the long-term unsustainability of government (i.e. – "Minnesota's Bottom Line").

So if we were all aware of a pending fiscal crisis, why didn't we focus all of our time and effort on preventing it?

Multiple reasons contributed to the avoidance:
- The economic boom of the 1990s;
- The security focus of the early 2000s;
- The sheer magnitude of the pending challenges.

The decision to remain passive proved politically expedient for years, but September 15, 2008 ushered in a new economic reality faster than originally projected.

While the recent economic recession has officially ended, Minnesotans now face a long and slow recovery.

Even once the economy has recovered to pre-recession levels in a few years, long-term growth is projected to be subdued when compared to past decades.

So why will we not be returning to the way things were before the recession?

- Demographic changes are driving growth in public service expenditures and reducing the pool of available workers.

A Troubling Dependency Ratio:
The dependency ratio, which is a measure of the population that is traditionally active in the labor force versus those who are not, is currently at a record low.

As baby boomers reach retirement age and Minnesota's labor force growth rates start to decline, the dependency ratio will begin to rise.

This will mean that the earnings of the working age population will need to be stretched further to support the state's economically dependent population.

As the demand for services targeted toward seniors increases there will not be a corresponding decrease in the demand for other essential state services, such as K-12 education.

Current trends signify that by 2020 the number of seniors in the State of Minnesota will exceed the number of school age children for the first time.

Minnesota's future budgets will be affected by these unavoidable demographic shifts.
- 2012-2013 biennium: An estimated $5 billion deficit is being projected, and spending is projected to continue outpacing revenue beyond the next biennium.

So what's the bottom line?
- Assuming policymakers increase revenue by raising taxes and vigorously cut programs and services, it remains highly improbable that the state will be able to structurally balance long-term revenue and spending projections.

Transformational reform—REDESIGN—must be part of the long-term solution.

The Beginnings of AMC's REDESIGN Initiative:
In 2003, the AMC Board began a movement to cultivate a culture of innovation and setup programs at AMC to explore and embrace innovative proposals.

County officials recognized that without significant changes to the status quo, all levels of government would begin struggling to meet citizen expectations.

In 2008, the culture of innovation at AMC led to the formal creation of the Minnesota REDESIGN Project. Project goals were:
- To devise means for serving citizens within a future of significantly reduced resources;
- To enhance governance, transparency and flexibility within local and state government;
- To demonstrate that county officials could provide leadership devoid of partisanship to improve the long-term outlook of MN.

There has been agreement during the past two years from a vast array of stakeholders about the need to REDESIGN government so that it can sustainably meet the needs of its citizens.

Significant ideological, institutional and statutory barriers to innovation still exist, yet AMC members remain resolute in their support for the REDESIGN initiative.

During the summer of 2010, AMC will continue developing potential REDESIGN policy initiatives and cultivating an innovative culture amongst county officials and others committed to a sustainable future for MN.

Ultimately, by initiating multi-stakeholder discussion in non-partisan forums, the likelihood for successful outcomes will remain high.

Opportunities to Partner and Collaborate:
Efforts to REDESIGN government are—and should be—challenging, and counties realize that they alone will be unable to achieve their desired ends of a sustainable future for MN.

AMC spent the first two years of the REDESIGN Project focusing its efforts on fostering a culture of innovation within counties and pursuing a limited number of initiatives.

The need to develop stronger partnerships is now the highest priority.

Some REDESIGN initiatives will be intra or inter-county, but others should be county-city, county-union, city-township, etc.

Five suggestions on how we can work together:
1. Continue regular conversations such as what is occurring at the CSI meetings.
2. Encourage your associations to engage and partner with AMC on REDESIGN initiatives. Counties cannot come up with a full list of good ideas without the input and support of other stakeholder organizations.
3. Actively engage in any REDESIGN discussions that pertain to your jurisdiction. Many of AMC's initiatives require participation from outside the county community.
4. Support individuals that are willing to take informed, calculated risks that are intended to improve the long-term sustainability of MN. REDESIGN is hard, but a future devoid of innovative, sustainable solutions is something no citizen or elected official wants to experience.
5. Determine the highest priority, long-term outcomes for your organization and discuss those priorities with your county and AMC. REDESIGN does not mean that all groups will get everything they desire, but it is an opportunity to identify and ensure the long-term sustainability of core priorities.

Question and Answer:
Mr. Khanna: You talked about values and challenges. Please share some examples.

Mr. O'Connor: Turf protection is a big challenge, not wanting to give up autonomy or authority. To overcome that get good data, dialogue about the changes and work to change the culture. We need to get everyone to the table and past the "we've tried before and can't do it" mentality.

Sen. Bonoff: Have you considered partnering with school districts in regards to public health?

Mr. O'Connor: I believe there are required differences with what a public health nurse does in a school as opposed to a county. We need to start a better dialogue, but it's not one of our major initiatives at this point.

Steve Giorgi: What have been the efforts to engage the employees and give them a seat at the table?

Randy Maluchnik: We sat down with AFSCME this summer and tried to discuss what we are doing. The best ideas in redesign come from the practitioners. If you are not including the employees, you are making a huge mistake.

Mr. O'Connor: You have better knowledge of what the employees need. We want you to be at the table and want to engage with you.

Jeannie Fox: You have welcomed us when we've tried to engage with you. I think there are 84 service delivery authorities. The governor proposed 15. Have you landed on a magic number?

Mr. O'Connor: No, to answer it simply. Southeast is our first test case to see how many counties can get involved in a service delivery authority. These numbers might be different depending on geography and service.

Mr. Maluchnik: We got involved because it's not sustainable. We want to make it known there is a better way to do business. We need to get these doors and windows open and talk to each other in a way to make things happen.

Mr. Khanna thanked Mr. O'Connor for presenting. He also recognized State Sen. Ann Rest and Richard Kolodziejski, who was filling in for Chet Jorgenson.

Mike Kirst then introduced Commissioner Sheila Reger to give a presentation on LEAN.

Enterprise Continuous Improvement—LEAN:

Challenges We Face:
- Customers' expectations around the quality and timeliness of services continue to rise.
- Meeting customers' demands with fewer budget dollars.
- Increased pressures to be more accountable and transparent to citizens.
- Aging workforce with an unprecedented number of retirements in the next few years.

What is LEAN?
LEAN is a set of tools that identify and reduce waste and defects within processes by engaging employees to improve productivity, reliability, staff morale and customer service.

Eliminating Waste:
- Eliminating waste is the greatest potential source of improvement in process performance and customer service.
- Once was has been identified, processes are redesigned to allow services (child support, veterans care), information (financial reports, demographics) or products (drivers licenses, work permits) to flow through a new, improved process.
- Kaizen – Japanese for improvement.

Our Approach:
- Creation of the Enterprise LEAN Program (1 staff person and a student).
- Used outside consultants to get started (develop and provide training materials, do training, Kaizen event facilitation).
- Engage the willing. There is no mandate that any agency do this. We had to sell the concept.
- Use Kaizen events as a selling toll...the results do the selling.
- Provide free training.
- Have a small (very small) central staff, but help agencies build their own infrastructure.
- Interagency LEAN Steering Team.
- Communicate continuously.
- Create a continuous improvement culture.

Engage Willing Partners:
- Invite other public sector entities to participate in our training and events (counties, cities and the University of Minnesota have been in our training).
- Reach out to the private sector; ask them for advice, materials and other support (e.g. General Mills).

Status of Efforts to-date:
- 9 agencies have instituted a formal CPI effort.
- 18 agencies have had at least one LEAN Kaizen event (Dept. of Corrections – 26 events).

- 19 agencies have trained kaizen facilitators (307 total).
- 22 agencies have staff that has received LEAN 101 training (900+ total).
- Nearly 1400 staff has participated in 145 kaizen events since 11/07.
- Nearly 300 senior leaders have participated in the Leadership Symposium.

Summary of Results:
- Average reduction in elapsed/lead time per event was 66 percent (high of 99.7%, low of 37%).
- Average reduction in task time was 45 percent.
- Average cost avoidance per event was $90,000.
- Estimated implementation and sustainment level is about 80 percent.

Examples:

MN Department of Health—Duplicate Birth Certificate Process Improvement Kaizen:

	Quantity before/after		Time before / after	
Tasks	18	11	14 hours	5.25 hours
Waits	5	1	32 hours	2 hours
Handoffs	8	6		
File/Store	3	1	This represents the time needed to process 45 applications.	
Decisions	4	4		
Totals			46 hours 5.75 days	7.25 hours 1 day

MN Dept. of Human Services Health Care Operations – Personal Care Attendant (PCA) Enrollment:

Business Issues:
- Approximately 40,000 individual PCAs enrolled in Minnesota Health Care Programs.
- Turnaround time for enrollment was 3 to 6 weeks.
- Average volume of the queue was approximately 3,000 applications on any given day with roughly 150 new applications per day.

Old Metrics:

	Mailed		Faxed	
	Qty.	Time	Qty.	Time
Tasks	30	12.03 hrs	27	7.5 hrs
Waits	7	451.75 hrs	5	441.5 hrs
Handoffs	4		4	
File/Store	0		0	
Decisions	5		5	
Totals		463 hrs = 58 days		449 hrs = 56 days

New Metrics:

	Future	
	Qty.	Time
Tasks	7	.6 hrs
Waits	1	10 hrs
Handoffs	1	
File/Store	0	
Decisions	1	
Totals		10.6 hrs = 1.5 days

97.8% Improvement!!!

Situation Today:
- There are still approximately 40,000 individual PCAs enrolled.
- Turnaround time for enrollment is now 2 to 3 days.
- Average volume of the queue is approximately 400 on any given day with roughly 150 new applications per day.

Question and Answer:
Mr. Khanna thanked Commissioner Reger for presenting and asked Mr. Kirst to discuss the use of LEAN at General Mills.

Mr. Kirst: It started within the manufacturing departments, examining waste and loss on the factory floor. There was interest among senior leaders to unearth the reasons for those losses, and ten years ago a common approach was desired to address them.

Five years later we looked at taking that approach from the factory floor to the front office/administrative functions. The benefits that have come from those changes more than make up for the human resources commitment needed.

One of Mr. Kirst's General Mills colleagues discussed the need for leadership to commit to the program and also discussed the three pillars:
1. Zero waste
2. Total employee involvement
3. Learn, do, teach

She said her department has three people dedicated to LEAN and drove out $34 million in waste last year alone.

Rep. Downey asked about the mechanisms for employees giving feedback.

Commissioner Reger: They are bringing the issues to their own agencies. We have incorporated LEAN in our core training and will now include it in our young leaders training.

Mr. Kirst: Can you talk about managing the portfolio of Kaizen event ideas?

Commissioner Reger: We have a website where we share information and results with anyone who wants it. We share information on every Kaizen event.

Steve Giorgi: Is there a funding mechanism?

Commissioner Reger: We have a small general fund appropriation. We don't know what will happen with the next budget.

Rep. Kahn: We need to document these cost savings. We need to know the stats.

Mr. Khanna: Are there recommendations we can come up with to award innovation rather than penalize it, like in the private sector?

Mr. Kirst: (At General Mills) successes are broadly recognized. Some fraction of savings or cost avoidances is captured to build the brand and some is reinvested in continuous improvement.

Mr. Khanna thanked the presenter again and welcomed Peter Hutchinson of the Bush Foundation.

Members took a BREAK

Advisory Work Group Reports:

Problem Definition – Alok Gupta (lead):
[See Appendix for the full report.]

Member Discussion:
Dr. Gupta: In light of the financial crisis we are looking to redefine the processes of government, but we want to be aware of the impacts.

We collected information for justification on why we must look at the problem now and information on other states. Minnesota is in a good position for government reform. Discussion has largely focused on

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streamlining processes. When looking at the budget, 85 percent goes back to services. If we can extract 10 percent in fraud and waste that is $5 billion right there.

Rep. Downey: This body should lift its vision to more transformational change rather than just process improvement, like shifting from defined benefit to defined contribution. We really need to look at model changes. It's what we are desperately in need of.

Sen. Bonoff: We need to look at transformational change in how we approach HHS and Education. That's where the bulk of the money goes.

Mr. Khanna: Do you think there's an appetite for those kinds of ideas in the legislature?

Sen. Bonoff: Yes, definitely. We don't have a choice. We are going to do everything in our power to make sure your ideas are heard in the legislature.

Mr. Hutchinson: We must make the case that the current system is not sustainable. The driving ambition is to keep things the same. People don't want to change if they don't have to.

Dr. Gupta: Looking at projections, changing demographics, etc., that case can easily be made. I think what is challenging is defining something actionable, and that is our goal.

Mr. Hutchinson: There are multiple campaigns telling people you don't have to change much. One guy says you just raise taxes, while the other says it's easy to cut. The pressure not to change is stupefying. What are the systemic levers that need to be pulled to make change the norm rather than the exception?

Paul Mattessich: There is little incentive for people to change the model. What are the incentives in place for leaders to buy in, rather than just the right now benefits of getting elected? We need to help the look long-term.

Sean Kershaw: The outcomes we were achieving weren't sufficient before the budget crisis.

Mr. Hutchinson: All the people that are going to be hurt will scream like crazy, but the people who won't be hurt don't care. You need to get everyone to see the whole. There are too few people who look at the whole. We need to develop a structural way for people to do so. We all need to reach an agreement on what we are going to do.

Citizen Engagement – Sean Kershaw (lead):
[See Appendix for the full report.]

Mr. Kershaw: We are trying incorporate two themes – 1. Good customer service; 2. Changing the role of citizens in solving problems.

How do you have a better customer management strategy? We could have a single citizen account for all agencies. It is a relationship management strategy that is beneficial to both citizen and government. It would provide enough information to enable a better push-pull of information.

Darrel Huish: There are 3 things to keep in mind:
1. Engage for service improvement;
2. Once a service is asked for the onus is now on government for successful resolution;
3. Is engagement a desirable outcome in and of itself?

Mr. Kershaw: In regards to low-income citizens, the number of people they need to go to acquire services needs to be looked at. They can literally spend half their day doing it, rather than looking for a job or taking care of their kids.

What lever can we pull now within the timeframe we have for this commission?

I think we know where citizens are, and they are unhappy. Look at the state fair poll; they absolutely want to reduce the size and cost of government.

Mr. Khanna: The intent of this commission is about the delivery of services. Once something becomes law it is up to operations to be efficient and effective. It's up to us to think of new ways to improve that model.

Mr. Huish: Broader access to knowledge is what is useful. We must convert data into meaningful information.

Steve Dahl: Let's think about a couple of scenarios that would be meaningful engagement and walk through them.

Process Governance – Randy Maluchnik (lead):
[See Appendix for the full report.]

Mr. Maluchnik discussed the findings in the Process Governance report.

Mr. Khanna: We need transformational change, but we also need continual process improvement so we are not doing the same thing in 10 to 20 years.

Members discussed the role of mandates in government.

Dave Bentrud: Minnesota mandates require unique record management systems. This increases the cost because companies have to rewrite the software. There's a whole list of mandates placed on cities and counties. Some of them have value, but they all add cost.

Workforce Culture – Paul Mattessich (lead):
[See Appendix for the full report.]

The Workforce Culture group presented their PowerPoint to commission members.

Mr. Dahl: We are going to have a lot of people leaving government service over the next few years. We need to look out how we manage the workforce of the future by managing that transition. How should we plan for and manage that as 35 to 50 percent reach retirement age. What should that process/framework look like?

Shared Services – Steve Dahl (lead):
[See Appendix for the full report.]

Mr. Dahl discussed the findings of the Shared Services group.

Members talked about getting local units of government to adopt a shared service platform.

Mr. Bentrud: We could have incentive grants or tie it to LGA (local government aid). We need to have those funds available to allow for that type of initiative to take place.

Mr. Khanna: What are some next step opportunities this group could look at?

Mr. Dahl: We want to spend some time with the governance and process team on the budget. Looking at things from a statewide/citizen perspective is a big change.

Mr. Giorgi: I'm very hesitant to have a mandated process and have penalties when they aren't met. State agency reviews are not possible. Whatever outcome you want is the outcome you get.

Mr. Khanna: Can we extract funding and use it where it needs to be used?

Mr. Hutchinson: We should develop a model proposal that can be presented to cities on consolidation. What would it look like? What would be the citizen reaction? Obstacles to overcome?

Mr. Maluchnik: Rather than mandates we need to have a carrot. Folks like that better.

Mr. Huish listed some themes and talked about tying threads together.
- Build citizen trust
- Bring people to the table
- Take the whole view, not the microview
- Frame a challenge for the state
- Where do we want to be in 2020?
- Create a document more about reaching future goals rather than what needs to happen immediately
- Change staffing through attrition, so people aren't afraid of losing their jobs

Mr. Kershaw: That last point makes the problem part of the solution.

Mr. Hutchinson: The federal government was very interested in sharing back office services. They told agencies they were free to outsource service to other agencies. An agency that excelled in accounting can offer those services to other agencies. It is all an inside deal. There's no actual outsourcing. Also, the budget office in San Francisco provides services to other cities.

Next Steps:

Mr. Khanna: Let's figure out what we do moving forward. We talked about barriers to getting things done. We also talked about structural/transformative reform, but I don't think we have done enough thinking in these areas.

Barriers discussed:
- Funding/resources
- Fear of buzzwords (i.e. consolidation)
- Human resistance
- Willingness of government entities to consider new ideas
- Autonomy for those workers exploring innovation/accountability
- Lack of vision
- Time crunch
- Failure to see government as one enterprise
- Lack of tools for steering, difficult to get institutions aligned for common objective
- Lack of incentives/disincentives in the financial models

Comments:
Mr. Giorgi: A huge barrier is not knowing who our next governor is.

Rep. Kahn: If we are doing something to help solve the budget problem then I think we will have the support of any of them.

Mr. Kershaw: We should think about barriers in particular incentive areas. What are the barriers that would keep the levers from moving?

Carol Nieters: We should look at examples of success, so we can put the same things in place. Another barrier is resources.

Mr. Hutchinson: Human resistance is a big barrier. We need to get people to say they will talk about consolidation.

Ms. Nieters: The conversation needs to be more about what you can gain, not what you will lose. Staff can be pooled and utilized by multiple localities.

Mr. Kershaw: If the workforce is going to shrink because it's aging, what is the mechanism to make the remaining workforce as creative as possible?

Mr. Dahl: Maybe pooling resources is an idea to bring forward. We could also look at the managed competition at the federal level.

Mr. Khanna: A lot of tools are already available. We just have to use them. There should be a compelling case. We all agree the status quo won't work. We need to define the new structure and provide recommendations that leverage the existing workforce.

Mr. Hutchinson discussed the difference between steering and rowing.

Mr. Hutchinson: We have all the rowing we need, but we must steer differently. In Iowa, cities and counties that collaborated were rewarded.

Mr. Khanna: Does it make sense to have a sixth group to start putting together a roadmap?

Mr. Dahl: It would be helpful to have a group pulling together common elements and starting to shape the end report.

Mr. Khanna: Everyone must be on board for transformation to happen.

Mr. Kershaw: Transformation and incentives should be embedded in each group.

Rep. Kahn: This is the most varied group that has ever looked at something. It will have a big effect on the legislature.

Mr. Hutchinson: We need to talk about health care too. It's driving local budgets crazy. We also need to talk about education.

Mr. Hutchinson was asked to lead the group to start crafting the final report. One member from each workgroup will take part. Members agreed it would serve as an executive committee.

Group leads were asked to email Mike Muilenburg with who would be serving on the executive committee.

Final Business:

Members voted unanimously to move the December meeting to the 9th to help prepare the final report.

Mr. Khanna asked members to send any ideas for the next meeting agenda to him.

There was a motion to adjourn. It was seconded. The meeting officially adjourned at 2:44 p.m.

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APPENDIX:

The workgroup reports are attached.

Commission on Service Innovation
Advisory Work Group Template: Problem Definition/Opportunity

A. Group Name: Problem Definition/Opportunity

B. Members:
Alok Gupta (lead)
Bob Azman
Peter Hutchinson
Sen. Terri Bonoff

C. Scope: How would you summarize the focus area of your group?

The financial crisis and projections of prolonged deficits in MN state budgets require rethinking of government role, delivery of services and eliminating waste to enhance performance and efficiency to most effectively leverage finite state resources. The group is interested in defining opportunities and challenges by recognizing risks and costs in an impactful way so that both citizen led and public employee led initiatives create streamlined processes with minimal negative impact on citizen and employee morale.

D. Findings: What key themes, facts and/or background information has your group discovered so far?

The group's primary objective is to define the problem with respect to the framework of Public Engagement, Governance Structure, Workforce and Culture, and by leveraging technology to create shared services infrastructure to identify a coherent impactful and compelling rationale to recommend and summarize key initiatives. Towards this end the group has gathered some preliminary data regarding: i) Demographic Trends; ii) Economic Forecasts; ii) Technology Trends; iv) similar initiatives; and v) localized efforts in MN such as consolidation of judiacial system and efforts related to shared services.

Some High level findings are:

i) Population Growth is slowing and is projected to be 4% in the next decade compared to 6.3% in the previous decade due to aging population and slower birth rates. Labor force will grow by 9.7% from 2005-10 but will have lower growth rates after 2015.

ii)   Number of elderly people will increase rapidly in the next decade with more than 18% being older than 65 by 2020. This will result in a relative smaller percentage of working population having to support a larger percentage of elderly.

iii)   MN is generally higher than 50th percentile in most categories compared to other states.

iv)   Similar initiatives from Florida, Indiana, Michigan, New Jersey, New York, Pennsylvania and Ohio have been identified.

v)   Some initiatives on Single data point and shared services have been identified.

E. Potential Recommendations: What potential reforms ideas is your group considering for further exploration and vetting?

Upon further reflection, one of the issues that we have encountered is that approximately, 85% of 54 billion budget of state of MN is spending related or goes out to constituents. Therefore, focusing purely on creating efficient government structure and processes may have relatively little impact on overall financial picture. Perhaps we should be focused on deliver & monitoring of spending since many estimates put the Fraud/Waste percentages as high as 30% to 50% in these areas. The subgroup has not had the chance to discuss this issue but also this needs to be vetted with other subgroups before deciding on whether or not this should be the focal point of the effort.

F. Standout Considerations: What do you most want the members of the full Commission to know about your group and its work so far?

The problem definition is dependent upon other subgroups for the consistency and coherence of problem definition and thus would like to have access to findings and recommendations of the other subgroups to continually refine its working definition.

G. Next Steps: How do you intend to proceed and what will you focus on?

We will review the initiatives that the other states have taken and try to better define the scope of our effort through discussions with the subgroups and among our subgroup.

[Please do not exceed 1 page front and back. Adjust spacing as needed. You can, if you prefer, use PowerPoint to report back to the full Commission.]

Commission on Service Innovation
Advisory Work Group Template: Citizen/Customer Engagement

A. Group Name: Citizen/Customer Engagement

B. Members:
Sean Kershaw (lead)
Darrel Huish
Steve Cawley/Bernard Gulachek

C. Scope: How would you summarize the focus area of your group?

1. Creating a new "**platform**" for citizen engagement in government services that would be useful now and in the near term.
2. Ensuring that this platform responds to the changing **role** of government *and* citizens (see part "D" below).
3. Making **data more accessible and usable to the public** (for engagement in government and governance) and to agencies, so that traditional organizational silos and program boundaries are not a barrier to transformation of government services

D. Findings: What key themes, facts and/or background information has your group discovered so far?

1. We need a new type of state government that serves the changes in society and all other institutions.
2. With these changes, the roles of government and citizens have changed substantially.
   a. Government is less about the delivery of services and regulation, and more about ensuring that governance outcomes are met in many institutions and sectors (more 'steering' and less 'rowing' to quote David Osborne).
   b. Citizen expectations are less about good customer service from government (although this should be assumed to improve), and more about seeing citizens as 'producers' – partners in governance and producing outcomes that are good for Minnesota.
3. Two conditions for these changes are the availability of data that is useful to the public (information), and the ability of citizen expectations and demands to have an influence on government.

E. Potential Recommendations: What potential reforms ideas is your group considering for further exploration and vetting?

- All state data that is public in nature should be made available in a format that can be used and manipulated by citizens. Example: Raw data on water quality for a particular waterway should be accessible regardless of it's location within state government.
- Within government, information on particular outcomes and particular citizens should be accessible across programmatic and organizational boundaries (respecting the need to protect privacy). Example: Information on a students that are accessing services through DHS should be accessible to Dept of Education staff working to close the achievement gap.
- To build demand and political support for these changes, and "good government user group" should be created to
    - Help coordinate and facilitate these types of demand-expectations and changes;
    - Make best-practice information across government available to citizens and leaders in all sectors that work with the government; and
    - Coordinate this work with other types of government and leadership from other sectors.

F. Standout Considerations: What do you most want the members of the full Commission to know about your group and its work so far?

- The dynamic of what can be accomplished *now* because of the coming transition in leadership and state government and what changes need to be put in place for the *next* administration to be successful is very important.
- Focus on the changes that make other changes in citizen engagement and service redesign possible.

G. Next Steps: How do you intend to proceed and what will you focus on?

[Please do not exceed 1 page front and back. Adjust spacing as needed. You can, if you prefer, use PowerPoint to report back to the full Commission.]

Commission on Service Innovation
Advisory Work Group Template: Process/Governance

A. Group Name: Process/Governance

B. Members:

Mike Kirst	MN Business Partnership (General Mills, Inc.)
Kent Sulem	MN Assoc of Townships, General Counsel
Randy Maluchnik	Assoc of Minnesota Counties, Carver County Commissioner
Rep. Phyllis Kahn	House of Representatives, State of MN

C. Scope: How would you summarize the focus area of your group?

Identify a go-forward Process by which Service Innovations can be . . .
- Surfaced,
- Valued / Prioritized,
- Funded / Implemented,
- Success Measured, and
- Sustained,

. . . leveraging common methodology, including common tools and 'language'

Recognize any 'new' such Process requires leadership commitment - that builds necessary Cultural change.

D. Findings: What key themes, facts and/or background information has your group discovered so far?

Key Themes that need to be addressed include . . .

- **Common Process /Tools /Training, Why?**
  - No over-arching governing body to lead/sustain an 'innovations management' Process across all Governing Levels
  - Cost of a Common Process Unclear, including Training and Who Funds
  - Benefits of a Common Process Unclear, including Who Benefits

- **Benefits / Metrics / Evaluation Funding, How ?**
  - o Benefits Analysis Lacks Consistency, Promotes Prolonged Funding Debate
  - o Misaligned Incentives
  - o Performance Measures Lacking – and/or Not Timely, Broadly Visible
  - o No evidence of Funding Agility, i.e., Funding one-time Resources to implement 'highest return' Changes

- **Agency 'Silos' / Overlapping-Conflicting Agendas**
  - o Service Ownership, 'Turf Battles'
  - o An Agency belief that it alone will not Make a Difference the Change is for some Other to explore/implement
  - o Too many 'Innovation Groups' trying to meet similar Objectives

- **Workforce Culture / Rewards**
  - o Employees not Valued, not Empowered to Innovate/Change
  - o Employee perception that 'Must Innovate' implies 'Currently Failing', not 'Good to Great'
  - o Lack of Trust and Rapport, Successes (and Failures) not Visibly Celebrated
  - o Fear of Change
  - o Leadership Turnover Leads to Loss in Focus, Commitment

- **Leadership Alignment**
  - o Coalition (across Party Lines) that shows Commitment to Fueling Innovations does not Exist
  - o Political Agendas derail Service Innovation Agenda

- **Statutory**
  - o Balanced State budget (2-Year Horizon) 'Constraint'
  - o Lack of Enforcement of 'whistle-blower' Laws
  - o Outdated Part-time Legislative Schedule Rules
  - o Rigid Work Rules

E. Potential Recommendations: What potential reforms ideas is your group considering for further exploration and vetting?

See item G, below

F. Standout Considerations: What do you most want the members of the full Commission to know about your group and its work so far?

1) Mission remains on <u>describing a common Process</u> (and Tool Set) that will drive Service Innovation within AND across governing bodies – and describing it's Implementation Costs/Benefits (multi-year) Roadmap

2) Eager to <u>ensure synchronization</u> with other Advisory Groups

3) <u>Limit further 'Best Practice' benchmarking</u> to 'Close to Home', Fewer vs Many, including,
   - State (Mike K.)
   - Counties/Cities (Randy M.), and
   - Townships/Schools (Kent S.)

 3) <u>Seek additional CSI member involvement</u>, particularly, Employee representation

G. Next Steps: How do you intend to proceed and what will you focus on?

1) Complete 'Lite' Benchmarking

2) Address two (of above) Key Themes , specifically,

   - Common Process / Tools – across Agencies

   - Benefits / Metrics – across Agencies

. . . pending assessment of other CSI Advisory Work Groups' Action Plan Recommendations

Commission on Service Innovation
Advisory Work Group Template: Workforce/Culture

A. Group Name: Workforce/Culture

B. Members:
Paul Mattessich (lead)
Jeannie Fox
Al Lehrke
Steve Giorgi

C. Scope: How would you summarize the focus area of your group?

Our group chose to focus on three distinct areas under this topic:

1) Changing demographics in Minnesota and their implications for the workforce;
2) Examples of innovation in the workplace; and
3) The public's perception of government and why it matters.

D. Findings: What key themes, facts and/or background information has your group discovered so far?

In focus area 1)

Major statewide trends include:
- Suburbanization of metro areas from 1950s through the present
- Growth in area from Rochester to St. Cloud, with some declines elsewhere in state
- Diversification of the population – growth in number and percent of person of color
- Aging – major increase in the population over age 65, and major increase in the "dependency ratio", especially in some counties

State government workforce trends include:
- Of approximately 390,000 public sector employees in 2007:
  - Fewer than 10% work for State Government
  - About one-third work for local government

- o About one-third work for local education
- o About 15% work for higher education
- In Executive branch of State (excluding MNSCU), the percent of the workforce at normal retirement age is expected to rise from 9% in 2008 to 24% in 2013.

In focus area 2)

When given the opportunity to actively participate with key management personnel who have the authority to implement and act on innovative changes developed via labor/management teams, employees will embrace changes in service delivery systems. Employees do take pride in quality of services and as proven in Ohio with OCSEA and state employee management efficiencies and improved services can be developed and implemented without the threat of job losses or a compromise on quality services. When the parties (labor & management) can commit to a process that allows for innovation such as the Lean and Kaizen principles being utilized in Ohio for the past 18 years, and more recently in Minnesota, positive outcomes are attainable and proven.

In focus area 3)

In order to maximize opportunities for innovation, the State of Minnesota will need to restore public citizens' faith in government. A recent Pew Research Center survey revealed that by almost all indicators, the general public is less positive and more critical of government than they have been in decades. Our group's report will include recommendations to increase a "public understanding of the purpose and possibilities of government action – an approach that emphasizes problem-solving, long-term thinking, and a genuine concern for the common good." (Michael Lipsky)

E. Potential Recommendations: What potential reform ideas is your group considering for further exploration and vetting?

In focus area 1)

We must understand and plan for the needs of major portions of our state where the dependency ratio is growing, and resources may be declining.

We must meet the challenge of having a very high proportion of state employees reaching retirement age during the next few years. How can we preserve and improve a competent workforce?

In focus area 2)

About Lean Ohio

LEAN●hio
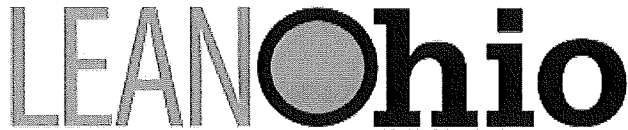
Ohio's state agencies are dramatically improving their core businesses processes -- reducing process times, cutting red tape, saving money, and delivering higher quality more quickly. They're doing so by using the principles and tools of Lean Six Sigma and Kaizen. These are the same best practices used by top organizations in the private sector.

During the first two years of Lean implementation in Ohio state government (from May 2008 to May 2010), more than 25 Kaizen events have produced big improvements at some of our biggest agencies. Cumulatively for all these projects, the changes eliminate up to 62% of the process steps and 72% of the delays. On average, the start-to-finish process time has been cut by 45%.

These improvements are benefiting citizens, families, and businesses in practical ways -- speeding up the process for moving health services from grant stage to delivery, adding safeguards to our child-care centers, enabling businesses to obtain workers' compensation coverage more quickly, ensuring timely delivery of child support, and much more.

In focus area 3)

> A communications plan that would include a public education campaign to coincide
> with other internal attempts to maximize efficiency and relevancy in government.

F. Standout Considerations: What do you most want the members of the full Commission to know about your group and its work so far?

Demographic trends in our state have created an imperative to innovate. We must do so in a way that maintains a high quality level of service for the people of Minnesota, makes government as productive as possible, and preserves a highly competent workforce to meet the State's needs in a time of level, or declining, resources.

Culture and perceptions matter, there are better and worse ways to initiate changes in the workplace, the state needs to adapt to a changing citizenry.

In order for innovation and change to occur, the State must commit to the development of the vehicle that will allow for the incubation of ideas to be fostered, nurtured and developed to the

point wherein they can be implemented into the service delivery system. The Lean program currently in place in Minnesota needs to become a staple for the State and expanded to all corners of the many agencies that make up State government. A commitment from the highest office in the State is critical to drive the Lean initiative and funding for the practice of Kaizen is prudent and necessary for success.

G. Next Steps: How do you intend to proceed and what will you focus on?

At the full meeting on September 16, 2010, our group will present a PowerPoint, with our ideas so far.

We are also putting together a longer paper that will include research, data and recommendations in the three areas of focus.

A. Group Name: Shared Services and Consolidation

B. Members:

Steve Dahl (lead)   Chet Jorgenson
Carol Nieters   Dave Bentrud

C. Scope: How would you summarize the focus area of your group?

We are looking to answer three basic questions –

1. How do we help units of government that have decided they want to share or consolidate but lack the funding, expertise or capacity to complete a project to make that a reality?
2. How do we drive shared services and consolidation when the case for it is clear yet action is not taken?
3. How do we foster an environment for collaboration between state and local government when the current budgetary and oversight environment (such as unfunded mandates and cuts to LGA part of the way into the fiscal year of local governments) often drives a wedge between those levels of government?

D. Findings: What key themes, facts and/or background information has your group discovered so far?

*   Most of the shared services/consolidation should be done with state and local government staff, outsourcing should be limited.
*   Outsourcing is a needed option for select specialized or otherwise unique areas.
*   Investment in training of staff is critical to success in any change to shared services or consolidations.
*   Investment dollars are needed up front to fund these activities to make them successful so some type of innovation funding needs to be provided through bonding or dedicated funds of some type.
*   Grants from the State are needed that don't have extensive state regulatory requirements.

E. Potential Recommendations: What potential reforms ideas is your group considering for further exploration and vetting?

What do we need to have to better enable Counties, Cities, Townships, Schools, Higher Education, Special Entities and the State to work better together in Shared Services and Consolidation?

*   Website that consolidates available contracts, service center offerings, tools – an information clearing house for Minnesota Government.
*   Specialized staff/entity to assist entities in developing ideas in these areas – many entities lack the time or expertise to identify and define ideas.
*   Specialized staff/entity to assist in evaluating options and determining an action plan – there are many contracts, technologies and options available for Minnesota State and local government to utilize, evaluation of those ideas and developing value on investment business cases along with implementation plans/roadmaps is often not something that can be done without specialized help.

- Specialized staff/entity to assist in implementing shared services and consolidation – Reorganization, process design, technology standardization and implementation, information security, change management and training along with strong project management are needed for larger scale efforts and often not available to units of government in today's environment.

What do we need to enable Consolidation and Shared Services when local and state entities do not act on their own?

- Create an entity that has a mandate to drive consolidation and shared services within certain agreed upon value on investment parameters.
- Develop a process to follow to gain the mandate, such as placing items on the ballot, creating incentives based on moving forward or penalties (like loss of LGA) for not proceeding.
- Provide for reviews of every entity in the State on a routine rotational basis to determine if they should be consolidated, moved to shared services in select areas or left untouched.

How can the budget be reconfigured to be statewide and enable views to the opportunities while not creating shifts that harm trust and services without a plan?

- Develop a single committee in the Senate and House to oversee funding in shared services areas for state and local funding.
- Define a leader for the shared services areas for the entire state (state and local) with a level of control over those resources and related budgeting processes.
- Example Services –
    - Information technology
        » Utility Services
        » Shared Services
        » Specialized Applications
    - Fleet and Dispatch (Transportation)
    - Procurement and Food Service
    - Facilities and Real Property
    - Developing/Providing Analytics and Reporting
    - Basic Services such as: Law Enforcement, Firefighting, Snow Removal, Parks, Libraries
    - Finance, Human Resources and Administration
    - Specialized Knowledge Positions and Teaching/Training
    - Leadership/Management Positions.
- Develop and implement an outcome based process for defining budgeting priorities and expectations along with consideration for some type of zero based budgeting where programs need to rejustify their existence every few years.
- Develop and implement-ability check point in the legislative process whereby the implications of new legislation is evaluated prior to votes. This would help with the challenge of lack of standards and with rules constantly changing in legislation without being fully vetted prior to acting on.

F. Standout Considerations: What do you most want the members of the full Commission to know about your group and its work so far?

Good ideas and collaboration and general agreement on the framework noted above in a short window of time. We would like to develop these ideas further with the help of the other work groups in CSI.

G. Next Steps: How do you intend to proceed and what will you focus on?

- Governance Committee to help with the Budget Framework Area noted above.
- Prototyping of scenarios for the first two areas noted above.