

**DEPARTMENT OF
FINANCE**

ARNOLD SCHWARZENEGGER, GOVERNOR

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MAR 17 2004

Mr. Tony Harris, Chief Deputy Director
Department of Transportation
1120 N Street
Sacramento, CA 95814

Dear Mr. Harris:

The Project Resource and Scheduling Management Project—Work Plan, Project Number 2660-160

The Department of Finance (Finance) has completed its review of the Project Resource and Scheduling Management (PRSM) Project Work Plan. Based on our review, the Department of Transportation (Caltrans) is approved to proceed with the Value Analysis portion of the Work Plan.

The purpose of the Value Analysis is to review and validate the project objectives and requirements originally approved in the PRSM Feasibility Study Report (FSR). Additionally, the Value Analysis will assess the relative business value of each objective and requirement looking for opportunities to scale back the project scope while maintaining the most critical project objectives. Finance understands Caltrans will perform the following steps as part of the Value Analysis:

- Establish a cross-functional evaluation team consisting of key business personnel from Caltrans' headquarters and districts.
- Hire an Independent Project Oversight Consultant (IPOC) to monitor and ensure a sound and objective Value Analysis process.
- Review the objectives and functional requirements listed in the FSR in light of any subsequent changes to the Department's business processes since the FSR was published.
- Modify any objectives and/or functional requirements as required by the Department's current business processes and fully document the business justification for any such changes.
- Assign a weighted value to each objective indicating the objective's relative importance.
- Assign a weighted value to each requirement indicating the requirement's relative importance.
- Identify all functional requirements that are necessary to ensure project success and therefore constitute a minimum set of requirements needed to address PRSM's key objectives.
- Identify opportunities for a phased implementation of PRSM functionality.

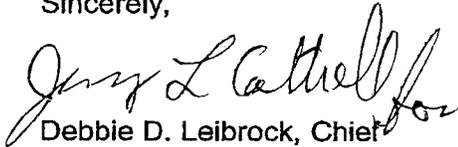
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Caltrans must contract for IPOC services and the selected consultant must be fully engaged prior to initiating the Value Analysis process. The IPOC will submit their monthly reports, as defined in the Finance Oversight Framework, concurrently to Finance and Caltrans. Upon completion of this portion of the Work Plan, Caltrans will submit the Value Analysis results to Finance for review. Caltrans will not proceed with any subsequent PRSM Work Plan activities, beyond those outlined above, without written approval from Finance.

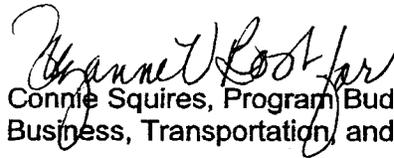
The Work Plan is being accepted in lieu of a Special Project Report (SPR) at this time. Finance expects Caltrans will submit an SPR at the conclusion of the Work Plan activities.

Any questions regarding the PRSM Project, the PRSM Work Plan, or the instructions identified above should be referred to Richard Gillihan, Technology Investment Review Unit at (916) 445-1777 ext. 3223, or via electronic mail at richard.gillihan@dof.ca.gov.

Sincerely,



Debbie D. Leibrock, Chief
Technology Investment Review Unit



Connie Squires, Program Budget Manager
Business, Transportation, and Housing Unit

cc: Mr. Michael Liang, Deputy Secretary for Information Technology, Business, Transportation, and Housing Agency
Ms. Barbara Timmer, Chief Information Officer, Department of Transportation
Ms. Ann Evans, Chief, Information Technology Program and Project Management Division, Department of Transportation
Mr. Nigel Blampied, PRSM Project Manager, Department of Transportation
Ms. Anna Brannen, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
Ms. Sue Bost, Assistant Program Budget Manager, Department of Finance
Mr. Brian Annis, Principal Program Budget Analyst, Department of Finance
Mr. Mark Monroe, Budget Analyst, Department of Finance
Mr. Mark Larsen, Technology Oversight Manager, Department of Finance