



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000

David S. Ekern, P.E.
COMMISSIONER

November 30, 2006

The Honorable Timothy M. Kaine
Members of the General Assembly

Dear Ladies and Gentlemen:

Chapter 420 from the 2006 Acts of Assembly requests the Commonwealth Transportation Commissioner to report annually on all actions and initiatives of the Virginia Department of Transportation (VDOT) in the preceding and current fiscal year that involved outsourcing, privatization, and downsizing.

The work comprising this report represents a comprehensive investigation of initiatives involving outsourcing, privatization and downsizing within VDOT. The findings indicate that VDOT's expenditures for fiscal year 2006 totaled \$2.9 billion and reflects the following:

- Private Sector Vendors – 59%
- Payments to Localities and other Transfers – 14%
- Payroll – 19%
- Debt Service Payments – 8%

These categories indicate that 73% of expenditures either go to the private sector or to localities/ other agencies.

VDOT currently has several privatization initiatives aimed at granting the private sector with operational control over specific services or activities. The Public Private Transportation Act of 1995 (PPTA), as amended, is the legislative framework enabling VDOT to enter into agreements authorizing private entities to develop and/or operate transportation facilities. The report provides information on current PPTA projects and proposals.

In addition, VDOT is considering downsizing in the following four different ways:

- Create efficiencies through business reengineering
- Outsource or privatize functions previously performed in-house
- Devolve service delivery responsibilities to localities
- Lower the level of service provided to customers
- Reduce or eliminate products and services no to be longer provided.

Attached is a copy of the report for your review. If you have questions or need additional information, please let me know.

Sincerely,

A handwritten signature in black ink that reads "David S. Ekern".

David S. Ekern

Attachment

cc: The Honorable Pierce R. Homer VirginiaDOT.org
WE KEEP VIRGINIA MOVING

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Executive Summary

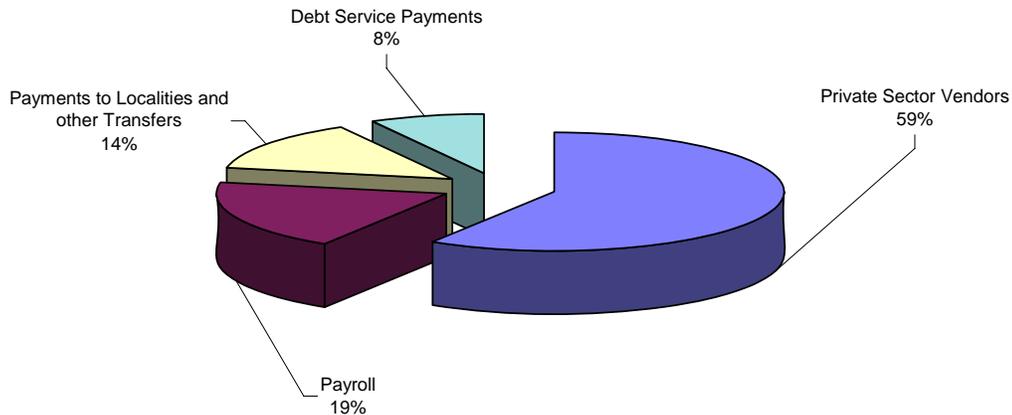
The work comprising this report represents a comprehensive investigation of initiatives involving outsourcing, privatization and downsizing within the Virginia Department of Transportation (VDOT). The findings used to produce this report have shown that VDOT spending for fiscal year 2006 had the following breakdown:

Private Sector Vendors – 59%
Payroll – 19%
Payments to Localities and other Transfers – 14%
Debt Service Payments – 8%

This breakdown indicates that 73% of all VDOT expenditures either go to the private sector or to localities/ other agencies.

During fiscal year 2006, VDOT had expenditures totaling \$2.9 billion. A breakdown of these expenditures is shown below.

FY 2006 VDOT Spending



* For private sector breakdown of expenditures, see pages 5- 8 of report.

The following shows the present and planned status for each initiative:

	<u>FY 2006</u>	<u>FY2007</u>
Outsourcing	<ul style="list-style-type: none"> • Spent \$1.735 billion with private vendors. 	<ul style="list-style-type: none"> • Outsourcing opportunities to be evaluated by committee and recommended to Commonwealth Transportation Commissioner. • Nine candidates defined for outsourcing evaluation.
Privatization	<ul style="list-style-type: none"> • Four active PPTA projects valued at \$3,845M. • Four additional PPTA projects under review valued at \$4,513M. 	<ul style="list-style-type: none"> • Seven contracts planned to outsource all of Virginia's interstate maintenance by July 1, 2009. • Review of the area headquarters, moving toward more streamlined operations.
Downsizing	<ul style="list-style-type: none"> • Reduced deployed Maximum Employment Level (MEL) from 10,320 to 9,822. 	<ul style="list-style-type: none"> • Continue business re-engineering. • Development of a plan for pursuing more devolution strategies. • Plans to eliminate 150 to 200 positions in fiscal year 2007. • Development of plan to reduce or eliminate products and services no longer to be provided.

A portion of the information in this report is included in the report submitted by VDOT to meet the requirements stated in HB 5002 Item 444 B.

Introduction

The Virginia Department of Transportation (VDOT) faces a rapidly changing and uncertain operating environment. Some of these environmental factors are:

- Flat or declining revenues
- Increasing costs
- Aging maintenance facilities
- “Graying” workforce
- No clear alternative for emergency transportation response in critical situations/disasters
- Need to maintain engineering, technical and technology and operations expertise.
- Changing mix of workforce skills

In the face of this environment, VDOT must continue to carry out its mission: To plan, develop, deliver, operate and maintain, on time and on budget, the best possible transportation system for the traveling public. While the mission will not change, the way VDOT delivers the transportation system will. To accomplish this, VDOT will, where it makes good business sense, outsource, privatize, and downsize. For the purposes of this report:

Outsourcing is defined as: A method of contracting with the private sector to provide a service or good. The government retains ownership and control over operations.

Privatization is defined as: A method of contracting with the private sector to provide a service or good. The government divests itself of all assets and has limited control over operations.

Downsizing is defined as: An organization’s reduction in the number of employees, number of bureaucratic levels or overall size in an attempt to increase efficiency and resulting change in its product and service mix.

Section 1: Outsourcing

Outsourcing is defined as a method of contracting with the private sector to provide a service or good. The government retains ownership and control over operations.

VDOT lets contracts at the statewide, district, region, and residency levels. Due to the large number and variety of contracts let by VDOT, this report summarizes VDOT's outsourcing activity using standard categories established by the Department of Accounts (DOA).

This report is based on the integration of VDOT financial data with specific activity. VDOT's financial data is organized by account code within its Financial Management System (FMSII). DOA defines the account codes used and these codes form the guideline which VDOT uses to record financial activity. Within FMSII, there are 11 categories that define general areas of expenditure. Within each of these categories expenditures are broken down further into specific areas which allow detailed allocation.

The following coded expenditures indicate all areas of VDOT spending. Although all areas of spending indicate outsourcing of some form, only those codes of categories which are considered as true outsourcing will be used to provide report data. Those account codes are: 1200, 1300, 1500, 2100, 2200 and 2300.

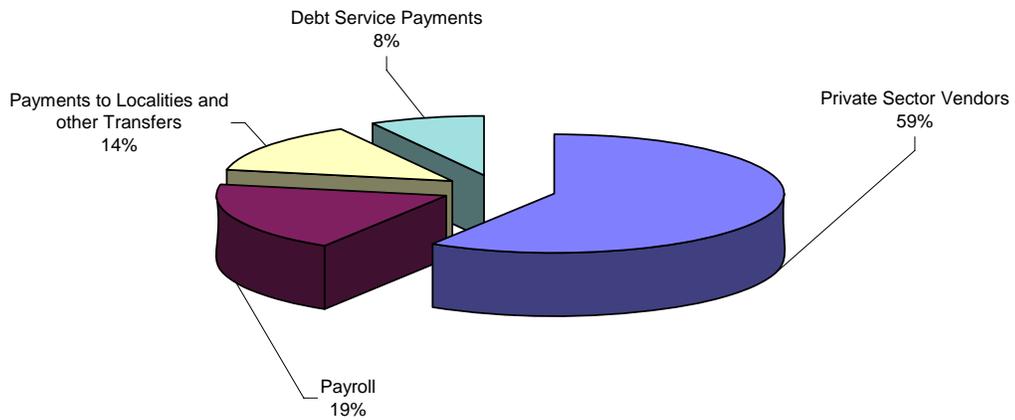
<i>CODE</i>	<i>EXPENDITURE DEFINITION</i>
1100	Personal Services
1200	Contractual Services
1300	Supplies & Materials
1400	Transfer Payments
1500	Continuous Charges
2100	Property & Improvements
2200	Equipment
2300	Plant & Improvements
3100	Obligations

This section of the report will provide each of these categories in two levels: the first level being at the overall category and the second being the detailed breakdown within each category. A summary of outsourcing activity by account follows. The detailed breakdown within each category is shown in Appendix A.

Fiscal Year 2006 Expenditures

During fiscal year 2006, VDOT had expenditures totaling \$2.9 billion. A breakdown of these expenditures is shown below.

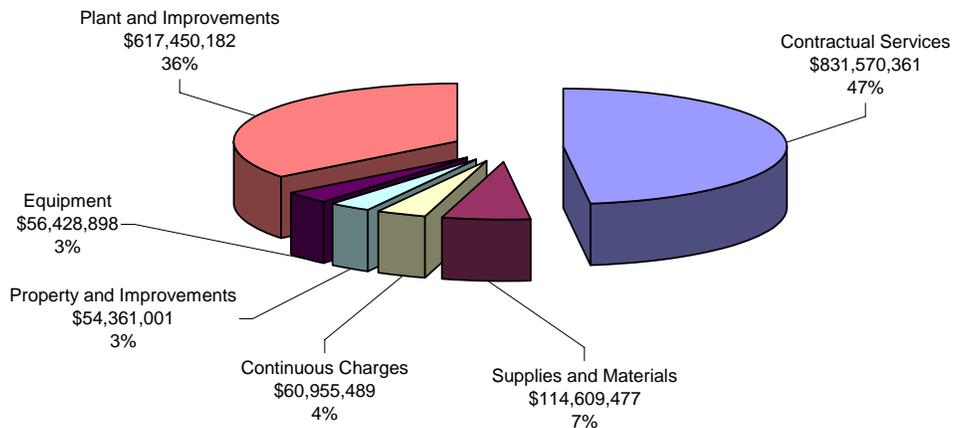
FY 2006 VDOT Spending



VDOT spent \$1.735 billion dollars in fiscal year 2006 with private vendors. These expenditures can be further broken down into six main categories as defined by DOA.

Contractual Services	\$ 831,570,361
Supplies and Materials	\$ 114,609,477
Continuous Charges	\$ 60,955,489
Property and Improvements	\$ 54,361,001
Equipment	\$ 56,428,898
Plant and Improvements	\$ 617,450,182
Total	<u>\$1,735,375,408</u>

FY 2006 VDOT Private Sector Spending



A detailed explanation and breakdown of each of these six categories follows.

Contractual Services

DOA defines contractual services as expenditures for communication services, employee development services, health services, management and informational services, repair and maintenance services, support services, technical services, and transportation services.

Communication Services	\$ 18,410,802
Management and Information Services	\$ 63,842,590
Repair and Maintenance Services	\$ 483,149,291
Support Services	\$ 222,606,025
Technical Services	\$ 25,101,077
All Other Contractual Services	\$ 18,460,576
Total	<u>\$ 831,570,361</u>

Communication services and technical services include services provided by VITA. Management and information services include audit and fiscal services. Repair and maintenance services includes custodial services, as well as outsourced highway repair and maintenance services such as guardrail repair, mowing, ditch cleaning, and sign maintenance. Support service expenditures include all outsourced design work, toll collection labor, and other skilled temporary labor services. The detailed breakdown is shown in Appendix A.

Supplies and Materials

DOA defines supplies and materials as expenditures for administrative supplies, energy supplies, manufacturing and merchandising supplies, medical and laboratory supplies, repair and maintenance supplies, residential supplies, and specified use supplies.

Energy Supplies	\$ 26,476,862
Repair and Maintenance Supplies	\$ 75,257,674
Specific Use Supplies	\$ 8,925,186
All Other Supplies	\$ 3,949,755
Total	<u>\$ 114,609,477</u>

Supplies and materials may include any building, custodial, electrical, mechanical, or vehicle supplies, as well as coal, gas, gasoline, oil, and steam used by the agency. It also includes highway repair and maintenance items such as stone, sand, and marking paint. Specific use supplies include materials for emergency operations such as salt and abrasives. The detailed breakdown is shown in Appendix A.

Continuous Charges

DOA defines continuous charges as expenditures for insurance-fixed assets, insurance-operations, capital and operating lease payments, installment purchase and service charges.

Insurance-Fixed Assets	\$ 1,205,006
Operating Lease Payments	\$ 22,452,654
Service Charges	\$ 25,748,058
Insurance-Operations	\$ 10,856,645
All Other	\$ 693,126
Total	<u>\$ 60,955,489</u>

Expenditures in the services charges category include utility related charges such as electricity, refuse, and water and sewer bills. The detailed breakdown is shown in Appendix A.

Property and Improvements

DOA defines property and improvements as expenditures for property and improvements acquisition, natural resources acquisition, and site development.

Acquisition of Property and Improvements	\$ 48,574,563
Site Development	\$ 5,676,346
All Other	\$ 110,091
Total	<u>\$ 54,361,000</u>

The detailed breakdown is shown in Appendix A.

Equipment

DOA defines equipment as expenditures for computer, educational, cultural, electronic, photographic, medical, laboratory, motorized, office, specific use, and stationary equipment.

Computer Hardware and Software	\$ 3,163,048
Electronic and Photographic Equipment	\$ 6,720,278
Motorized Equipment	\$ 31,852,329
Specific Use Equipment	\$ 5,140,432
Stationary Equipment	\$ 5,594,847
All Other	\$ 3,957,964
Total	<u>\$ 56,428,898</u>

The detailed breakdown is shown in Appendix A.

Plant and Improvements

DOA defines plant and improvement as expenditures for acquisition and construction of plant and improvements. These are VDOT’s construction expenditures.

Total \$ 617,450,182

Expenditures within this group include road and bridge construction
The detailed breakdown is shown in Appendix A.

Intelligent Transportation Systems

Intelligent Transportation System functions and services incorporate all the areas of “Smart Traffic Centers” to aid and support further operational monitoring, control, reporting and response on the areas covered by the respective STC (Smart Traffic Center).

VDOT’s Intelligent Transportation System is operated statewide by five System Operations Regions. These five regions are: Southwestern, Northwestern, Northern, Central and Eastern each of which contain partially or completely an existing VDOT district. Each System Operational Region contains a Smart Traffic Center (STC).

The following table shows the approximate fiscal year 2006 outsourced expenditures for the five regions.

Systems Operations Region	Southwestern	Northwestern	Northern	Central	Eastern
Expenditure	\$2,062,948	\$1,960,000	\$22,703,114	\$403,615	\$11,555,740

Along with each regions expenditure, there exist some centrally administrated outsourcing efforts. These centrally administered expenditures consist of statewide effects directed at all STCs. The approximate total for fiscal year 2006 was \$5,760,000 and covers functions and services such as cameras, 511 Traveler Information System, Roadway Weather Information Systems and technical on-call response.

Asset Management

Asset Management, within VDOT, is defined as the systematic process of operating and maintaining the state system of highways by combining engineering practices and analysis with sound business practices to achieve cost-effective outcomes.

The function of asset management is to maintain the roads and is becoming a larger portion of spending each year. In fiscal year 2006, maintenance spending was approximately 25% of total expenditures.

VDOT is constantly changing from an internal to an outsourced workforce. In fiscal year 2006, VDOT outsourced roughly \$742 million for asset management which equates to 43% of VDOT's total private sector spending.

Turnkey Asset Maintenance Services (TAMS)

The 2006 General Assembly passed a law requiring all interstate maintenance to be outsourced by July 2009. VDOT already has outsourced 77 percent of interstate maintenance expenditures. Seven contracts are planned to outsource all of Virginia's interstate maintenance by July 1, 2009. The new contracts will be different from those previously used to outsource maintenance. In the new contracts, called Turnkey Asset Maintenance Services (TAMS), VDOT will maintain control of the pavement and bridge rehabilitation and reconstruction work by bidding it on a project-by-project basis.

TAMS contractors will be primarily responsible for roadside work, incident management, snow removal, emergency response and incidental repair work, such as pothole repair. The first of these contracts is already in place on I-64 from Richmond to the Hampton Roads Bridge-Tunnel. The Commonwealth Transportation Board awarded the second contract on July 20, 2006 to extend from Route 288 west of Richmond to the I-81 interchange in Augusta County. By July 1, 2007, VDOT will outsource all interstate mileage using TAMS contracts in five districts: Richmond, Hampton Roads, Culpeper, Salem, and Bristol. By July 1, 2008, Virginia's Staunton, Fredericksburg, and Northern Virginia districts will outsource their interstate systems with TAMS contracts. VDOT's remaining district, Lynchburg, does not contain interstate roads.

Concurrent with this timeline, VDOT will economize by consolidating facilities, equipment, and overhead that are currently associated with maintaining the interstate system. VDOT will look at a general consolidation of the area headquarters, moving toward more streamlined operations.

Fiscal Year 2007 Outsourcing

Starting in fiscal year 2007, all outsourcing initiatives will be evaluated by a central outsourcing committee, which will make a recommendation to the Commonwealth Transportation Commissioner. Candidate outsourcing proposals will be evaluated on, among other criteria, the cost-benefit to VDOT and the adverse impact on protected classes of employees. Outsourcing candidates include, but are not limited to:

- Equipment Repair and Maintenance
- Primary and Secondary System maintenance (already partially outsourced)
- Safety Service Patrols (already partially outsourced)
- Sign Production
- Smart Traffic Centers (already partially outsourced)
- Special Facilities
- Surplus Equipment Auctions
- Toll Collection Facilities
- Records Retention

A decision will be made during fiscal year 2007 and fiscal year 2008 as to whether or not these candidates will be outsourced. The cost of outsourcing any work will be paid for by reducing direct and overhead costs.

Section 2: Privatization

As previously stated, privatization is defined as a method of contracting with the private sector to provide a service. The Government divests itself of all assets and has limited control over the operation of the activity.

VDOT currently has several privatization initiatives aimed at granting the private sector with operational control over specific services or activities.

Public Private Transportation Act

The Public Private Transportation Act of 1995 (PPTA), as amended, is the legislative framework enabling VDOT to enter into agreements authorizing private entities to develop and/or operate transportation facilities.

In fiscal year 2006, VDOT implemented a concession agreement with Transurban (895) LLC. Under this agreement, Transurban agreed to assume the rights and obligations to manage, operate, maintain and collect tolls on the Pocahontas Parkway (Route 895, Richmond region) for a period of 99 years. The agreement also allows VDOT and Transurban to pursue innovative refinancing practices to build the Airport Connector, a vital transportation link in the area. Under the agreement, Transurban is responsible for the following:

- Financing and building the Airport Connector subject to obtaining federal government loans
- Paying off all existing debt, approximately \$500 million, of the Pocahontas Parkway Association
- Reimbursing VDOT's costs incurred to operate, maintain and repair the Pocahontas Parkway
- Taking responsibility for the cost and management of all operations and maintenance of the toll facility, including upgrading the existing electronic tolling equipment
- Establishing limits on toll levels and increases
- Sharing revenues with the Commonwealth if the facility exceeds expectations

VDOT continues to own the road, and retains significant oversight and approval rights on Transurban's ongoing management of the Parkway. The agreement specifies requirements for hand back of the facility in acceptable condition at the end of the 99-year contract term.

Active PPTA Projects

VDOT currently has five PPTA projects underway:

Route 28

On October 3, 2002 VDOT signed a Comprehensive Agreement with The Clark Construction Group, Inc., and its road and bridge construction subsidiary, Shirley Contracting Company, LLC, to develop, design and build six high-capacity grade-separated interchanges on Route 28 in Fairfax and Loudoun Counties. The agreement provides a combined commitment of \$200

million in improvements to the Route 28 corridor over the next four years. VDOT hopes to initiate construction of an additional four grade-separated interchanges in November 2006. Ultimate plans call for the construction of a total of 10 interchanges and widening Route 28 from six to eight lanes between Route 7 and Interstate 66.

Coalfields Expressway

The Coalfields Expressway – U.S. Route 121 – will not only provide a modern, safe and efficient highway through the Coalfields region of Southwestern Virginia, but the new road is expected to be an economic lifeline for a region experiencing double-digit unemployment and a declining population. Designated as part of the National Highway System, the new road will link Interstates 64 and 77 in West Virginia with Route 23 in Virginia, which links to interstates in Kentucky and Tennessee. Specifically, the Coalfields Expressway will stretch 51-miles from Pound in Wise County, through Dickenson and Buchanan counties, and will link with the West Virginia Coalfields Expressway near Slate, Virginia. VDOT's preliminary estimated price tag for the roadway is \$2.5 billion (2005 estimate). This is a broad working cost estimate, without the benefit of total design.

Capital Beltway

VDOT is in the planning stages to add four High Occupancy Toll (HOT) lanes to 14 miles of the Capital Beltway between Springfield and the Dulles Toll Road. Carpoolers and buses would have free HOT lane access, while all other drivers would pay a variable toll to use the lanes. On April 28, 2005, Commonwealth Transportation Commissioner Philip Shucet signed a Comprehensive Agreement along with exhibits with Fluor Enterprises, Inc. and Transurban (USA) Inc. to improve the Capital Beltway (I-495) in Northern Virginia. The agreement establishes a business relationship between VDOT and the project team to move ahead on future project decisions, such as construction.

Route 58

In December 2003, VDOT signed a Comprehensive Agreement under PPTA with Branch Highways, Inc. to develop, design, and construct improvements to U.S. Route 58 from Hillsville to Stuart. Branch Highways completed Phase I of this corridor in May 2006, which consisted of approximately 2.7 miles of new four lane divided highway bypassing the community of Meadows of Dan and a new crossing for the Blue Ridge Parkway. Authorization for subsequent phases is anticipated as funding is identified.

I-95/395 Hot Lanes

An unsolicited proposal was submitted on September 24, 2003, by Clark Construction Group, Inc., Shirley Contracting Company, LLC, and Koch Performance Roads, Inc., to develop, finance, design and construct new high occupancy toll (HOT) lanes on the I-95/395 corridor from Northern Virginia to the Fredericksburg region. On March 1, 2004, Fluor Virginia Inc., submitted a competing proposal to expand and/or extend the I-95/395 HOV lanes from the 14th Street Bridge to Massaponax and provide a transit component which links Massaponax to Dulles Toll Road corridor and other transit facilities in the Northern Virginia area. The CTB approved both concepts on January 20, 2005, and recommended both proposals for further review and evaluation by the Advisory Panel.

On November 18, 2005, the Advisory Panel recommended to the Commonwealth Transportation Commissioner to enter into negotiations with Fluor-Transurban for improvements to approximately 56 miles on I-95/395 from the 14th Street Bridge to Massaponax. The Commissioner directed VDOT to enter into negotiations with Fluor-Transurban for the proposed improvements on December 19, 2005. An interim agreement was signed with Fluor-Transurban on October 24, 2006.

Active PPTA Proposals

VDOT is currently reviewing proposals for three additional PPTA projects. They are:

I-81 Widening

Three initiatives are targeted to improve travel on Interstate 81. An Interstate 81 Freight Rail Study by the Department of Rail and Public Transportation (DRPT), a variety of short-term safety improvements along existing I-81, and the completion of the I-81 Corridor Improvement Study all were approved by the CTB during its monthly business meeting, held Wednesday, Oct. 11, 2006 at Hotel Roanoke.

Short-term safety improvements will include building dedicated truck climbing lanes and extending on- and off-ramps at interchanges, among others. Improvements will be prioritized based on demonstrated safety needs. Many of these improvements could be designed quickly with some construction under way within two years.

Hampton Roads Third Crossing

The project was initiated to relieve congestion at the I-64 Hampton Roads Bridge Tunnel and other transportation facilities in the Hampton Roads region. A multimodal solution was developed and unanimously endorsed by the members of the Metropolitan Planning Organization (MPO). This solution, known as Candidate Build Alternative 9 was then selected by the CTB to be further developed. The alternative is divided into five segments, each aiding in the reduction of regional traffic congestion. The project is envisioned to carry vehicles and light and heavy passenger rail across Hampton Roads, thereby relieving congestion while improving accessibility, mobility and the movement of goods in the region. Another important benefit is that by carrying rail across Hampton Roads, Southside Virginia would be directly connected to the High-speed Rail Corridor via Newport News to Richmond to Washington, D.C.

This project is nationally and regionally significant for several reasons including national defense, regional evacuation, economics and air quality and conformity.

VDOT issued a Request for Detailed Proposals (RFDP) on August 29, 2005. At the request of the private sector proposers, the Detailed Proposals due date has been extended to December 15, 2006.

US Route 460 Corridor Improvements

In 2000, the Virginia Transportation Act designated Route 460 as a “High Priority Corridor” between I-295 in Petersburg and the Route 58 Bypass in Suffolk. VDOT initiated a Location

Study in 2003 for Route 460 and the General Assembly also passed legislation requiring a PPTA solicitation for improvements to the highway. The Federal Highway Administration (FHWA) signed the Draft Environmental Impact Statement (DEIS) in the Spring 2005. In November 2005, the CTB selected the preferred alignment for the new highway, triggering the requirements of the 2003 PPTA legislation.

VDOT issued a Solicitation for Proposals (SFP) on February 15, 2006 for the development and/or operation of the new U.S. Route 460 and received 3 conceptual proposals on September 15, 2006. The proposals are currently being evaluated in Phase 1 - Quality Control.

Section 3: Downsizing

Downsizing is defined as a company's reduction in the number of employees, number of bureaucratic levels or overall size in an attempt to increase efficiency and profitability. VDOT can downsize four different ways:

1. Create efficiencies through business reengineering
2. Outsource or privatize functions previously performed in-house
3. Devolve service delivery responsibilities to localities
4. Lower the level of service provided to customers
5. Reduce or eliminate products and services no to be longer provided.

In fiscal year 2006, VDOT reduced its deployed Maximum Employment Level (MEL) from 10,320 to 9,822 through a concentrated effort to reduce the number of positions deployed by 5%. Strength (the number of positions filled) was reduced from 9,130 to 9,089. In the first three months of fiscal year 2007, VDOT's strength has fallen to 8,908. Made primarily through attrition, these reductions were made to reduce the size of VDOT on the whole. The Fiscal Year 2007 Business Plan lays a path that shows how VDOT plans to streamline its business to become a more nimble agency and better provide services. As a result, it anticipates that the number of VDOT employees needed to complete the mission will decrease. A copy of the Fiscal Year 2007 Business Plan is included in Appendix B.

Business Re-engineering

The business plan focuses on business re-engineering as a way to primarily increase the level of service VDOT provides. The focus is process improvement and process efficiency vs. job elimination. However, the changing nature of the program will have an impact on administration staffing, both in the central office and the field. As the construction program slows, VDOT will have fewer projects to finance, design, acquire right-of-way, and construct. During fiscal year 2007, VDOT will examine the impact of this shift on staffing.

Outsourcing and privatizing functions previously performed in-house

This report has already outlined the functions VDOT currently outsources and what VDOT plans to outsource this fiscal year. Most of this work has been done by contractors for some time and will not result in any new staffing cuts. However, the Turnkey Assets Management System (TAMS) initiative is new. VDOT plans to eliminate 175 positions in the area of interstate maintenance as TAMS contracts are let. VDOT is also reducing its overhead associated with those positions by reducing the administrative budget.

Devolve service delivery responsibilities to localities

VDOT may also devolve its responsibility for the secondary system to localities. Additionally, VDOT has several programs that enable localities to administer part of their construction programs.

- **Full Devolution:** In FY06, VDOT completed devolution of Suffolk's secondary system to the local government. This resulted in the closure of the Suffolk Residency and the reduction of 42 positions. Spotsylvania and James City Counties are

currently working with VDOT to determine if they wish to pursue full devolution of their transportation program.

- **Partial Devolution:** The General Assembly has given localities the option to take greater control of their construction dollars through initiatives such as the Local Partnership and Urban Construction Initiatives. While these initiatives have enabled localities to experiment with administering their own construction projects, they have not significantly reduced VDOT's workload to the point of downsizing.

During fiscal year 2007, VDOT will develop a plan for pursuing more devolution strategies. As of now, devolution is an option for localities. Ultimately, each locality has to decide if it wants to be responsible for delivering transportation services.

Appendix A

Fiscal Year 2006 Spending by Account Detail

The following six tables show the expenditures for fiscal year 2006 distributed across the detailed accounts. This shows the further breakdown of the overall account group totals.

Account Code	FY06 Expenditure	Account Definition
1205	<u>Seat Management Services</u>	\$7,258,481
1208	<u>Inspector Training - misc</u>	\$110
1209	<u>Charge Card Purchases of Contractual Services</u>	\$181,162
1211	<u>Express Services</u>	\$142,494
12111		-\$65
1212	<u>Outbound Freight Services</u>	\$210,063
12121		-\$477
1213	<u>Messenger Services</u>	\$68,235
12131		-\$6
1214	<u>Postal Services</u>	\$521,617
12141		-\$2,187
1215	<u>Printing Services</u>	\$764,517
12151		-\$386
1216	<u>Telecommunications Services (provided by DIT)</u>	\$13,887,112
12161		-\$11,148
1217	<u>Telecommunications Services (provided by Non-State vendor)</u>	\$2,735,593
12171		-\$4,871
1218	<u>Telecommunications Services (provided by another State agency)</u>	\$3,177
12181		-\$202
1219	<u>Inbound Freight Services</u>	\$97,356
12191		-\$22
1221	<u>Organization Memberships</u>	\$422,899
12211		-\$773
1222	<u>Publication Subscriptions</u>	\$203,611
12221		-\$3,631
1224	<u>Employee Training Courses, Workshops, and Conferences</u>	\$2,422,162
12241		-\$10,841
1225	<u>Employee Tuition Reimbursement</u>	\$51,191
12251		-\$2,471
1226	<u>Employee Training Consulting Services</u>	\$2,042,776
12261		-\$50
1227	<u>Employee Training - Transportation, Lodging, Meals, and Incidentals</u>	\$1,986,953
12271		-\$8,460
1228	<u>Employee Information Technology (IT) Training Courses, Workshops, and Conferences</u>	\$297,784
1231	<u>Clinic Services</u>	\$22,068
1232	<u>Dental Services</u>	\$1,161
1233	<u>Hospital Services</u>	\$4,248
1234	<u>Medical Services</u>	\$352,193
12341		-\$50
1236	<u>X-ray and Laboratory Services</u>	\$41
1241	<u>Auditing Services</u>	\$2,062,172
1242	<u>Fiscal Services</u>	\$7,686,362
12421		-\$16,801
1243	<u>Attorney Services</u>	\$2,936,884
12431		-\$1,001
1244	<u>Management Services</u>	\$46,006,323
12441		-\$138,176
1245	<u>Personnel Management Services</u>	\$322,234
12451		-\$275
1246	<u>Public Informational and Public Relations Services</u>	\$2,082,316
1247	<u>Legal Services</u>	\$1,115,371
12471		-\$40,685
1248	<u>Media Services</u>	\$1,835,141
12481		-\$1,666
1249		-\$5,608
1251	<u>Custodial Services</u>	\$13,020,729
12511		-\$1,423
1252	<u>Electrical Repair and Maintenance Services</u>	\$955,872
1253	<u>Equipment Repair and Maintenance Services</u>	\$5,045,454
12531		-\$7,629
1254	<u>Extermination/Vector Control Services</u>	\$75,093
12541		-\$133
1255	<u>Highway Repair and Maintenance Services</u>	\$455,103,897
12551		-\$60,096
1256	<u>Mechanical Repair and Maintenance Services</u>	\$3,515,941
1257	<u>Plant Repair and Maintenance Services</u>	\$2,075,222
12571		-\$148
1258	<u>Reclamation Services</u>	\$103,886
1259	<u>Vehicle Repair and Maintenance Services</u>	\$3,324,009
12591		-\$1,384
1261	<u>Architectural and Engineering Services</u>	\$184,932,627
12611		-\$123,980
1262	<u>Aviation Services</u>	\$105,787
1263	<u>Clerical Services</u>	\$1,209,354
12631		-\$8,391
1264	<u>Food and Dietary Services</u>	\$365,111
12641		-\$1,006
1265	<u>Laundry and Linen Services</u>	\$15,958
1266	<u>Manual Labor Services</u>	\$8,443,477
12661		-\$1,732
1267	<u>Production Services</u>	\$185,086
12671		-\$20
1268	<u>Skilled Services</u>	\$27,492,251
12681		-\$8,497
1272	<u>Information Management Design and Development Services (provided by vendor - Non-State)</u>	\$8,302,923
1273	<u>Information Management Design and Development Services (provided by another State agency)</u>	\$3,267,497
12731		-\$28,303
1274	<u>Computer Hardware Maintenance Services</u>	\$116,140
1275	<u>Computer Software Maintenance Services</u>	\$3,331,404
12751		-\$1,265
1276	<u>Computer Operating Services (provided by DIT)</u>	\$1,911,603
1277	<u>Computer Operating Services (provided by vendor - Non-State)</u>	\$563,994
1278	<u>Computer Operating Services (provided by another State agency)</u>	\$6,987,567
12781		-\$194
1279	<u>Computer Software Costs</u>	\$649,711
1281	<u>Moving and Relocation Services</u>	\$513,558
12811		-\$500
1282	<u>Travel, Personal Vehicle</u>	\$248,301
12821		-\$308
1283	<u>Travel, Public Carriers</u>	\$145,108
12831		-\$1,898
1284	<u>Travel, State Vehicles</u>	\$2,202,575
1285	<u>Travel, Subsistence and Lodging</u>	\$717,292
12851		-\$1,686
1287	<u>Travel, Meal Reimbursements - Reportable to the IRS</u>	\$28
1288	<u>Travel, Meal Reimbursements - Not Reportable to the IRS</u>	\$549,032
12881		-\$705
1289	<u>Audit Costs</u>	\$486
1290	<u>Advertising</u>	\$15,078
1292		-\$9,576
1293	<u>Materials Testing</u>	\$20,476
1294		-\$17,596
1295	<u>Undistributed Contractual Services</u>	\$1,315
1296	<u>Indirect Cost recoveries from Auxiliary Programs for Contractual Services</u>	-\$6,036
1297	<u>Late Fees</u>	\$195
1299	<u>Intra-Agency Recoveries for Contractual Services</u>	-\$1,111,707
12991		-\$23,620
	TOTAL	\$831,570,361

Account Code	Account Definition	FY06 Expenditure
1309	<u>Charge Card Purchases of Supplies and Materials</u>	-\$10,869
13091		-\$2,771
1311	<u>Apparel Supplies</u>	\$1,377,555
13111		-\$888
1312	<u>Office Supplies</u>	\$1,239,176
13121		-\$925
1313	<u>Stationery and Forms</u>	\$273,296
13131		-\$182
1321	<u>Coal</u>	\$42
1322	<u>Gas</u>	\$1,282,836
13221		-\$3,437
1323	<u>Gasoline</u>	\$24,877,005
13231		-\$1,359
1324	<u>Oil</u>	\$319,811
13241		-\$141
1325	<u>Steam</u>	\$13
1326	<u>Wood Fuels</u>	\$2,092
1331	<u>Alcoholic Beverages</u>	\$20
1332	<u>License Tags</u>	\$11,196
1333	<u>Manufacturing Supplies</u>	\$1,586,960
1334	<u>Merchandise</u>	-\$72,460
1335	<u>Packaging and Shipping Supplies</u>	\$40,738
1341	<u>Laboratory Supplies:</u>	\$278,602
1342	<u>Medical and Dental Supplies</u>	\$37,846
1343	<u>Field Supplies</u>	\$41,214
1344	<u>Pharmaceutical Drugs</u>	\$181
1351	<u>Building Repair and Maintenance Materials</u>	\$2,254,469
13511		-\$674
1352	<u>Custodial Repair and Maintenance Materials</u>	\$970,178
13521		-\$288
1353	<u>Electrical Repair and Maintenance Materials</u>	\$2,400,511
1354	<u>Mechanical Repair and Maintenance Materials</u>	\$3,661,917
13541		-\$364
1355	<u>Vehicle Repair and Maintenance Materials</u>	\$12,121,796
13551		-\$11,307
1356	<u>Highway Repair and Maintenance Materials</u>	\$53,869,876
13561		-\$8,441
1361	<u>Clothing Supplies</u>	\$1,123
1362	<u>Food and Dietary Supplies</u>	\$161,542
13621		-\$1,520
1363	<u>Food Service Supplies</u>	\$17,953
13631		-\$7
1364	<u>Laundry and Linen Supplies</u>	\$3,442
1365	<u>Personal Care Supplies</u>	\$2,221
1371	<u>Agricultural Supplies</u>	\$2,132,217
13711		\$0
1372	<u>Architectural and Engineering Supplies</u>	\$501,180
13721		-\$540
1373	<u>Computer Operating Supplies</u>	\$457,081
13731		-\$2,777
1374	<u>Educational Supplies</u>	\$119,987
13741		-\$84
1375	<u>Fish and Wildlife Supplies</u>	\$8,106
1376	<u>Law Enforcement Supplies</u>	\$23,489
1377	<u>Photographic Supplies</u>	\$87,701
13771		-\$10
1378	<u>Recreational Supplies</u>	\$622
1379	<u>Highway Emergency Operation Materials</u>	\$5,598,214
1396	<u>Indirect Cost Recoveries from Auxiliary Programs for Supplies and Materials</u>	\$182
1397	<u>Late Payment Penalties for Supplies and Materials</u>	\$1,308
1399	<u>Intra-Agency Recoveries for Supplies and Materials</u>	-\$1,022,237
13991		-\$12,943
	TOTAL	\$114,609,477

Account Code	Account Definition	FY06 Expenditure
1511	<u>Aircraft Insurance</u>	\$25
15111		-\$753
1512	<u>Automobile Liability</u>	\$892,626
1513	<u>Flood Insurance</u>	\$13,355
1515	<u>Marine Insurance</u>	\$202,470
1516	<u>Property Insurance</u>	\$97,184
1517	<u>Boiler and Machinery</u>	\$100
1521	<u>Computer Capital Leases</u>	\$9,999
1522	<u>Central Processor Capital Leases</u>	\$35
1523	<u>Computer Software Capital Leases</u>	\$423,548
1524	<u>Equipment Capital Leases</u>	\$3,775
1527	<u>Land and Building Capital Leases</u>	\$235,605
1531	<u>Computer Rentals (not mainframe)</u>	\$215
1532	<u>Computer Processor Rentals</u>	\$265
1533	<u>Computer Software Rentals</u>	\$43
1534	<u>Equipment Rentals</u>	\$17,152,778
15341		-\$13,530
1535	<u>Building Rentals</u>	\$1,929,016
15351		-\$100
1536	<u>Land Rentals</u>	\$67,231
1537	<u>Land and Building Rentals</u>	\$3,316,736
1541	<u>Agency Service Charges</u>	\$11,756,822
15411		-\$1,501
1542	<u>Electrical Service Charges</u>	\$11,302,531
15421		-\$43,896
1543	<u>Refuse Service Charges</u>	\$1,497,622
15431		-\$504
1544	<u>Water and Sewer Service Charges</u>	\$1,181,589
15441		-\$1,380
1545	<u>DGS Parking Charges</u>	\$62,807
15451		-\$6,627
1547		\$594
1551	<u>General Liability Insurance</u>	\$45,906
1553	<u>Medical Malpractice</u>	\$1,795,044
1554	<u>Surety Bonds</u>	\$49,239
15541		-\$110
1555	<u>Workers' Compensation:</u>	\$8,966,566
1562	<u>Computer Processor Installment Purchases</u>	\$870
1564	<u>Equipment Installment Purchases</u>	\$16,485
1565	<u>Building Installment Purchases</u>	\$920
1572	<u>Cost Containment</u>	\$72
1597	<u>Late Payment Penalties for Continuous Charges</u>	\$1,817
	TOTAL	\$60,955,489

Account Code	Account Definition	FY06 Expenditure
2111	<u>Acquisition, Property</u>	\$18,725
2112	<u>Acquisition, Rights-of-Way</u>	\$82,662,721
21121		-\$34,110,382
2113	<u>Acquisition, Waterways and Improvements</u>	\$3,500
2122	<u>Minerals</u>	\$58
2123	<u>Plants</u>	\$120,835
2131	<u>Site Improvements</u>	\$2,985,647
21311		-\$11,843
2132	<u>Site Preparation</u>	\$160,295
2133	<u>Utilities</u>	\$2,552,005
21331		-\$9,759
2197	<u>Late Payment Penalties for Property and Improvements</u>	\$25
2199	<u>Intra-Agency Recoveries for Property and Improvements</u>	-\$10,825
	TOTAL	\$54,361,002

Account Code	Account Definition	FY06 Expenditure
2209	<u>Charge Care Purchases of Equipment</u>	\$559
2211	<u>Desktop Client Computers</u>	\$110,907
2212	<u>Mobile Client Computers</u>	\$24,255
2214	<u>Mainframe Computers and Components</u>	\$2,698
2215	<u>Network Servers</u>	\$37,328
2216	<u>Network Components</u>	\$106,777
2217	<u>Other Computer Equipment</u>	\$2,766,514
2218	<u>Computer Software Purchases</u>	\$114,570
2221	<u>College Library Books</u>	\$18,741
2222	<u>Educational Equipment</u>	\$41,154
2223	<u>Exhibit Equipment</u>	\$1,638
2224	<u>Reference Equipment</u>	\$100,928
2228	<u>Educational and Cultural Equipment Improvements</u>	\$16,596
2231	<u>Electronic Equipment</u>	\$4,466,537
22311		-\$525
2232	<u>Photographic Equipment</u>	\$350,322
22321		-\$100
2233	<u>Voice and Data Transmission Equipment</u>	\$1,107,853
22331		-\$412
2238	<u>Electronic and Photographic Equipment Improvements</u>	\$796,603
2241	<u>Laboratory Equipment</u>	\$328,323
2242	<u>Medical and Dental Equipment</u>	\$1,185
2243	<u>Field Equipment</u>	\$581,889
22431		-\$317
2248	<u>Medical and Laboratory Equipment Improvements</u>	\$363
2251	<u>Agricultural Vehicular Equipment</u>	\$174,273
2252	<u>Aircraft Equipment</u>	\$2,482
2253	<u>Construction Equipment</u>	\$17,371,310
22531		-\$18
2254	<u>Motor Vehicle Equipment</u>	\$12,470,130
22541		-\$475
2255	<u>Power Repair and Maintenance Equipment</u>	\$880,755
22551		-\$135
2256	<u>Watercraft Equipment</u>	\$855,520
2258	<u>Motorized Equipment Improvements</u>	\$98,489
2261	<u>Office Appurtenances</u>	\$286,241
2262	<u>Office Furniture</u>	\$2,248,484
22621		-\$3,287
2263	<u>Office Incidentals</u>	\$80,542
2264	<u>Office Machines</u>	\$205,832
22641		-\$653
2268	<u>Office Equipment Improvements</u>	\$4,169
2271	<u>Household Equipment</u>	\$121,535
22711		-\$50
2272	<u>Law Enforcement Equipment</u>	\$92
2273	<u>Manufacturing Equipment</u>	\$630,142
2274	<u>Non-Power Repair and Maintenance Equipment</u>	\$1,982,681
22741		-\$5
2275	<u>Recreational Equipment</u>	\$19,007
2276	<u>Traffic Control Equipment</u>	\$2,154,216
22761		-\$1,837
2278	<u>Specific Use Equipment Improvements</u>	\$234,650
2281	<u>Built-in Equipment</u>	\$31,714
2282	<u>Fixtures</u>	\$685,819
2283	<u>Mechanical Equipment</u>	\$543,918
2288	<u>Stationary Equipment Improvements</u>	\$4,333,397
2296	<u>Indirect Cost Recoveries from Auxiliary Programs for Equipment</u>	\$7
2299	<u>Intra-Agency Recoveries for Equipment</u>	\$45,614
22991		-\$47
	TOTAL	\$56,428,898

Account Code	Account Definition	FY06 Expenditure
2311	<u>Acquisition, Bridges</u>	\$29,990
2312	<u>Acquisition, Buildings</u>	\$10,993
2313	<u>Acquisition, Highways</u>	\$727
2321	<u>Construction, Bridges</u>	\$191,954,531
2322	<u>Construction, Buildings</u>	\$7,809,699
23221		-\$37
2323	<u>Construction, Highways</u>	\$404,323,943
23231		-\$849,083
2327	<u>Construction, Bridges and Highways Improvements</u>	\$2,333,763
2328	<u>Construction, Buildings Improvements</u>	\$11,839,037
2389		-\$2,179
2399	<u>Inter-Agency Recoveries for Plant and Improvements</u>	\$5,886
23991		-\$7,086
23999		\$0
	TOTAL	\$617,450,182

Appendix B

Fiscal Year 2007 Business Plan

 VDOT

FY 07 Business Plan

Gregory Whirley
VDOT Chief Deputy Commissioner
September 21, 2006

 VDOT **Overview**

Purpose
Defining VDOT's Business
Reforms for Improved Performance
Strategies for Efficiencies
Summary



Purpose of the Business Plan

- Focus energy and resources on effective and efficient core business delivery
- Unite policy makers and practitioners
- Continue the transparency theme in all VDOT actions
- Respond to Appropriations Act
- Be a “nimble” business, able to respond to changing business conditions



Core Business

Mission Statement:

VDOT will plan, develop, deliver, operate and maintain, on time and on budget, the best possible transportation system for the traveling public.

- Plan - design the network for an effective ground transportation program
- Develop – provide the engineering, technical and financial expertise necessary to implement the planned program
- Deliver – effectively & efficiently manage construction program delivery
- Operate – manage the operation of a safe, effective and efficient ground transportation system
- Maintain – effectively and efficiently manage and preserve transportation infrastructure assets



Future Business Environment

- Long term financial uncertainty
- Increasing maintenance cost
- Declining construction program
- Aging maintenance facilities
- “Graying” employee pool
- No clear alternative candidate for foundation responsibility for emergency transportation response in critical situations/disasters
- Need to be a “nimble”, flexible business
- Need to maintain strong engineering, technical and technology expertise to respond to complex environment



Reforms for Improved Performance

We have:

- Developed an award winning Dashboard that monitors real time project performance and places VDOT at the forefront of living the theme of “Open Government”
- Implemented an Asset Management System that tracks asset condition and develops a needs based maintenance budget
- Eliminated \$867 million of project deficits
- Set realistic cost estimates through the development of the Project Cost Estimation System
- Established realistic revenue estimates based on the official state forecast
- Re-established financial integrity and accountability for all to see
- Imbedded an on-time, on-budget mentality in all aspects of VDOT business
- Established an internal dashboard to measure executive level performance



Reforms for Improved Performance (continued)

We have:

- Established Innovative Project Delivery business unit to focus on encouraging PPTA and private investment in transportation
- Implemented recommendations made by the APA Cash Management Audit
- Received an additional \$30 million federal dollars as a result of obligating all of our federal dollars
- Become one of the few state DOT's to have established a System Operations program that is focusing on incident management, the use of technology to manage and reduce congestion and improve safety
- Established operations measures that will help us squeeze efficiencies out of the existing transportation network
- Established a keen focus on getting better without getting bigger



Reforms in Action—On Time, On Budget

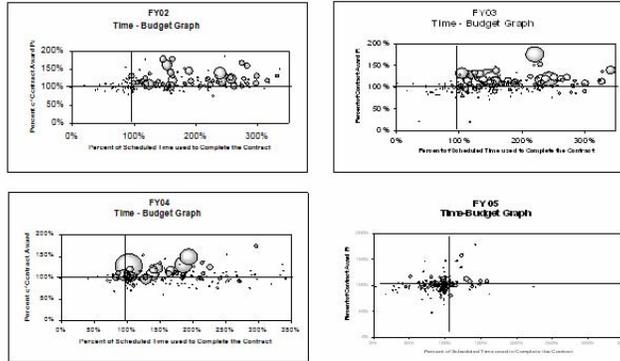
Measure Type	FY01	FY02	FY03	FY04	FY05	FY06
Construction On-Time	20%	30%	27%	36%	75%	84%
Construction On-Budget	51%	61%	65%	73%	78%	86%
Maintenance On-Time	38%	43%	38%	51%	74%	79%
Maintenance On-Budget	59%	71%	80%	81%	80%	88%

FY07	Target
Construction On Time	70%
Construction On Budget	85%
Maintenance On Time	75%
Maintenance On Budget	90%

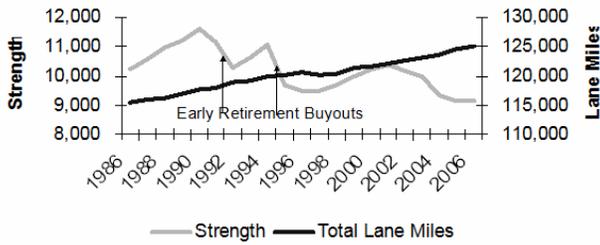


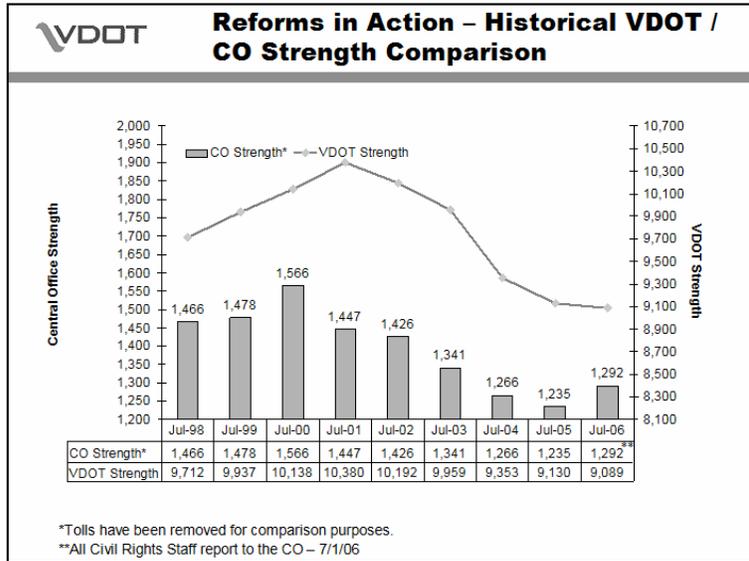
Reforms in Action—On time, On Budget (continued)

Each Bubble Represents a Completed Project



Reforms in Action--VDOT Strength vs. Lane Miles





- VDOT Business Plan Guiding Principles**
- Establish a floor on field maintenance staffing to ensure ability to respond to emergencies
 - Staff at levels to manage core business efficiently and effectively--reasonable cost, high quality, timely delivery
 - Maintain strong engineering, technical, technology expertise to ensure proper management, oversight and innovation
 - Outsource in a rational, financially prudent manner
 - Continue to evaluate administrative support requirements for potential reductions
 - Take maximum advantage of retirements to restructure and staff with skills for the future
 - Use technology wherever feasible to reduce costs and improve efficiency



Business Plan Strategies

- Improve internal business processes
- Encourage private investment
- Continue, where feasible, to transfer program delivery to localities
- Increase use of research and innovation
- Outsource where financially prudent
- Adjust staffing, facilities, other resources appropriately



Improve Internal Business Processes

Linking Land Use and Transportation Planning

We will:

- Design rules and procedures for reviewing local comprehensive plans and land development proposals
- Evaluate VDOT staffing and skill set requirements for analyzing comprehensive plans and development
- Provide technical assistance and training to localities on managing the impacts of land use on transportation
- Move forward with a state access management program to reduce traffic congestion and improve safety



Improve Internal Business Processes (cont.)

Program Delivery

We will:

- Establish a goal of reducing construction engineering and inspection (CEI) costs
 - Savings will be shifted to construction projects
- Reduce project delivery timeframes by examining current PE processes
 - Expand the use of "No Plan" projects to speed delivery and reduce costs
- Convene industry CEO forums to solicit suggestions on best practices to expedite project delivery
- Coordinate and provide technical assistance to localities as part of plan review in accordance with Acts of the General Assembly Chapter 527- in order to foster effective transportation planning and mitigate impacts of growth



Improve Internal Business Processes (cont.)

System Operations

We will:

- Improve highway safety to drive down deaths and fatalities by leading and implementing the Governor's Strategic Highway Safety Plan
- Institute primary route safety corridors
- Start the Safe Roads to Schools Program
- Continue to improve the needs assessment system and reporting of asset conditions to ensure maintenance funds are distributed to address the critical maintenance needs statewide.
- Partner with other state and local agencies to continue a high level of emergency preparedness and responsiveness



Improve Internal Business Processes (cont.)

System Operations

We will:

- Deliver Maintenance Projects on time and on budget; Institute other performance measures for maintenance and operations.
- Reduce congestion by expanding safety service patrols and instituting a quick incident clearance capability on all major travel corridors
- Improve traveler information with improved 511 service coverage and start providing travel time information on critical corridors
- Consolidate district operations functions into regional service areas based on traffic patterns to better manage traffic operations
- Utilize traffic engineering research and new products to improve sign visibility and other safety features on highways
- Employ economic solutions to congestion management (HOT Lanes)



Improve Internal Business Processes (cont.)

Asset Management Biennial Performance Report

	FY06 Targets	FY06 Results	FY07-08 Targets
% of Interstate Pavement Rated Deficient	No more than 18%	17.1%	No more than 18%
% of Primary Pavements Rated Deficient	No more than 18%	15.8%	No more than 18%
% of Bridges rated as needing repair/rehabilitation	No more than 40%	38.6%	No more than 40%



Improve Internal Business Processes (cont.)

Administration

We will:

- Examine the impact of reduced 'program' staffing on the need and level of 'administrative & support' staffing
 - Initially targeted a minimum of \$15 million reduction in administrative expenditures for FY 07 (out of \$250 million administrative budget) – anticipate additional reductions in FY 08
- Benchmark and align administrative support staffing levels and costs to industry standards
- Effectively manage staffing and skills sets to support the changing role of VDOT
 - Establish workforce and development plans which assess current and needed skill sets and develop staffing strategies to fill skill gaps



Improve Internal Business Processes (cont.)

Administration: SWAM

We Will:

- Maintain focus on Statewide goal of 40%
- Identify specific SWAM goals for districts and Central Office based on level of discretionary spending (included in the District Administrators performance evaluation)
- Identify strategies to increase SWAM bidding and networking opportunities
- Achieve FY07 interim goal of 20%
 - Q4 FY06: 12.35%
 - Q4 FY05: 9.06%
 - Performance monitored on internal dashboard



Improve Internal Business Processes (cont.)

Administration: Internal Controls

- Have addressed or are implementing 50 recommendations from Special Review of Cash Management and Capital Budget Practices
 - Cash Management
 - Six-Year Improvement Program
 - Planning
 - Project Estimation & Budget Monitoring
 - Systems Environment
 - Project Management
 - Maintenance Asset & Project Management
- As the Department re-evaluates programs and implements outsourcing and downsizing initiatives, ensure that proper internal controls are maintained to promote accountability, stewardship, and fiduciary responsibilities.



Encourage Private Investment

We will:

- Continue with the Transportation Partnership Opportunity Fund
- Proceed with FY07 Scheduled PPTA and Design Build Projects:

PPTA

- Pocahontas Parkway - implemented concession agreement June 29, 2006 and met the financing requirements for the airport connector
- Coalfields Expressway - Project assigned to coal companies
- Hampton Roads Third Crossing - receive detailed proposals - December 15, 2006
- I-81 Corridor - Secure record of decision for Tier 1 EIS in early 2007
- I-95/395 HOT Lanes - Execute interim agreement by December 2006
- I-495 HOT Lanes - amend and restate comprehensive agreement by early 2007
- Midtown Tunnel - solicit conceptual proposals - Late 2007
- Route 460 PPTA [Petersburg - Suffolk] - receive conceptual proposals - September 14, 2006
- Route 28 - Received a \$20 million TPOF loan which will help finance the completion of the remaining four interchanges



Encourage Private Investment (cont).

We will:

- Proceed with FY07 Scheduled PPTA and Design Build Projects:

Design-Build

- Route 164, Portsmouth - complete interchange improvements for access to APM Terminals - November 2006
- Route 164 – Median Rail Project (Virginia Port Authority) – awaiting federal approval
- Route 609, Mathews County - complete procurement and issue contract - September 2006
- Gilbert's Corner, Route 50, Loudon County - solicit proposals and award contract - July 2007



Encourage Private Investment (cont).

We will:

- Identify candidate design/build and PPTA projects through the innovative project team
- Candidate PPTA projects under review:
 - Southeastern Expressway, Chesapeake to Virginia Beach
 - Midtown Tunnel, Portsmouth to Norfolk
- Candidate Design-build projects under review for feasibility and funding:
 - Route 713 Bridge, Giles County, Salem District
 - Third Street Bridge, Farmville, Lynchburg District
 - Givens Lane, Blacksburg, Salem District



Continue, where feasible, to transfer program delivery to localities

We will:

- **Continue with First Cities Initiative**
 - The 8 cities in or about to join the initiative make up 35% of the Urban Program
 - Newport News filed a notice of intent to join (no date)
 - Lynchburg filed notice of intent to join July 1, 2007
 - Harrisonburg and Bridgewater joined July 1, 2006
 - Charlottesville joined July 2005
 - Hampton, Richmond, Virginia Beach joined July 2004
- **Consider more aggressive devolution initiatives**



Research and Innovation

- **Increase emphasis on using latest research, engineering technology and other technical knowledge to design and build longer lasting facilities, reduce cost, and improve practices**
 - The project "A Performance Baseline for Stone Matrix Asphalt" helps VDOT save \$14 million per year
 - The project "First Bridge Structure with Lightweight High-performance Concrete Beams and Deck in Virginia" saved VDOT \$2 million
 - The project "The Impact of Smoothness Incentives/Disincentives on Hot Mix Asphalt Resurfacing Costs" documents savings by VDOT of \$4.68 million per year
- **Knowledge Management Center developed a Project Record Keeping System for field inspectors which increases inspectors' productive time by 10%**



Outsource Where Financially Prudent

We will:

- Define Core Business Functions

- Determine base level resources where VDOT must retain capability

- Determine the most cost effective way to deliver services

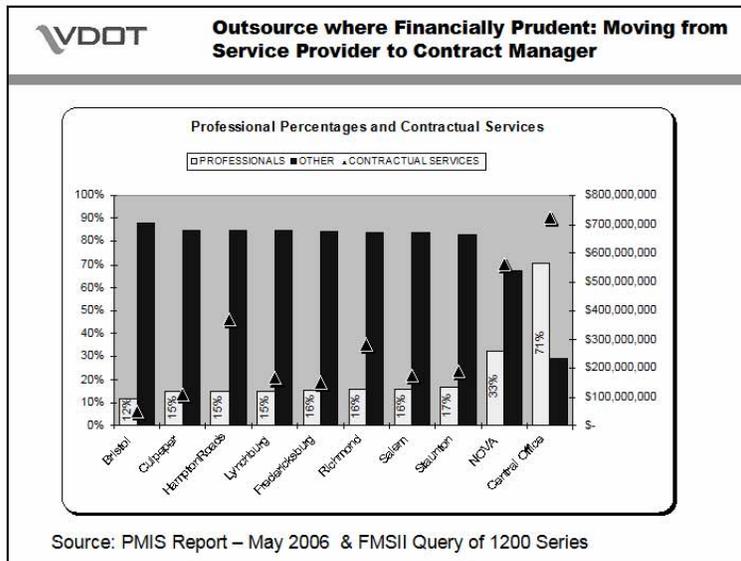
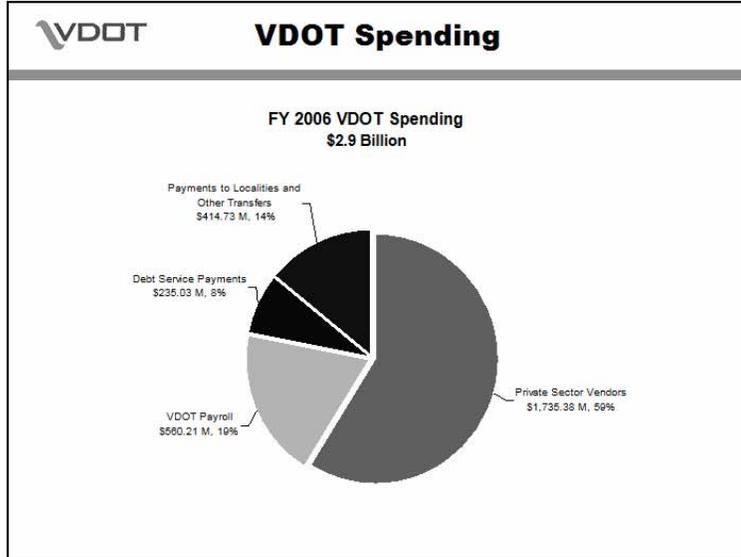
- Move from a service provider to a contract manager



Outsource Where Financially Prudent (continued)

- Chapter 544 of the 2006 Acts of Assembly requires the Commissioner to report in November 2006 on past and future plans for outsourcing, privatizing and downsizing of the agency

- VDOT Executive staff has established a methodology to evaluate operational areas for outsourcing. Candidate areas include:
 - Equipment repair and maintenance
 - Primary and Secondary System maintenance (already partially outsourced)
 - Safety Service Patrols (already partially outsourced)
 - Sign production and installation
 - Smart Traffic Centers
 - Special Facilities
 - Surplus equipment auctions
 - Toll Collection Facilities





Adjust Staffing, Facilities, Other Resources

- These strategies will have a cumulative impact on the Department's staffing, facilities and organization.
 - In FY06, VDOT developed a methodology and decision making process for determining appropriate number and location of Area Headquarters – potential for at least 40 to be closed/consolidated
 - Study of Regionalizing Right of Way function completed. Recommendations under consideration
 - Optimize the mix of consultant and Department personnel for preliminary engineering and construction inspection
 - Staff will evolve from “do’ers” to program managers
 - Review Central Office and Field Administration for overhead reductions



Adjust Staffing, Facilities, Other Resources (continued)

- Within the next 24 months:
 - VDOT will determine the benefits of candidate outsourcing proposals.
 - All proposals with a significant financial impact will be reviewed by an outsourcing steering committee. All analyses will include a section on the adverse impact to employees.
 - Contract costs will be paid for by reducing direct labor and overhead costs
- Department will constantly review organizational impact as strategies are implemented



Adjust Staffing, Facilities, Other Resources (continued)

- We will continue to look for opportunities for efficiencies as they present themselves
 - Outsourcing – changing role of service provider to contract administrator may change not just the size, but also the shape of field and Central Office components
 - Funding – May have to reduce PE and Construction personnel if funding stays at or below current levels
 - Retirement – as key staff retire, will use opportunity to examine organization structure
- We will establish a methodology for determining the appropriate number and location of district facilities



Transitioning our Workforce and Changing the VDOT Culture

- Accountable, Adaptable, and Results-focused
- Greater Transparency with our employees:
 - Improving and increasing communication between employee and management to keep them informed of business decisions impacting them
- Defining performance measures and expectations and holding people accountable
 - District quarterly performance reviews with Commissioner
 - Leadership goal setting for next performance cycle
- Workforce strategies to close skill gaps
 - Leadership development to include managing performance of others and leading them to successfully implement change and drive continuous improvements
 - Increase Contract Administration, Business analysis, and Project Management skills
- Workforce Reduction strategies which phase/consolidate/minimize employee impacts and increase assistance to them
 - Outplacement assistance
 - Negotiation of outsourcing contracts to include transition of employees



Summary

- Continue to reform all areas of the business to improve performance
- Focus on Results
- Measure and report performance to the public
- Increase accountability at all levels of the organization
- Change the organizational culture from service delivery to program management
- Invest in changing employee skills to meet new demands of the workplace
- Measured, logical, incremental changes that become part of the culture without creating chaos throughout the organization
- 90% of leadership responding to survey felt prepared or very prepared to deliver change message and lead employees
- 87% of employees responding (n=4,347) indicated that leadership helped them to understand VDOT is changing

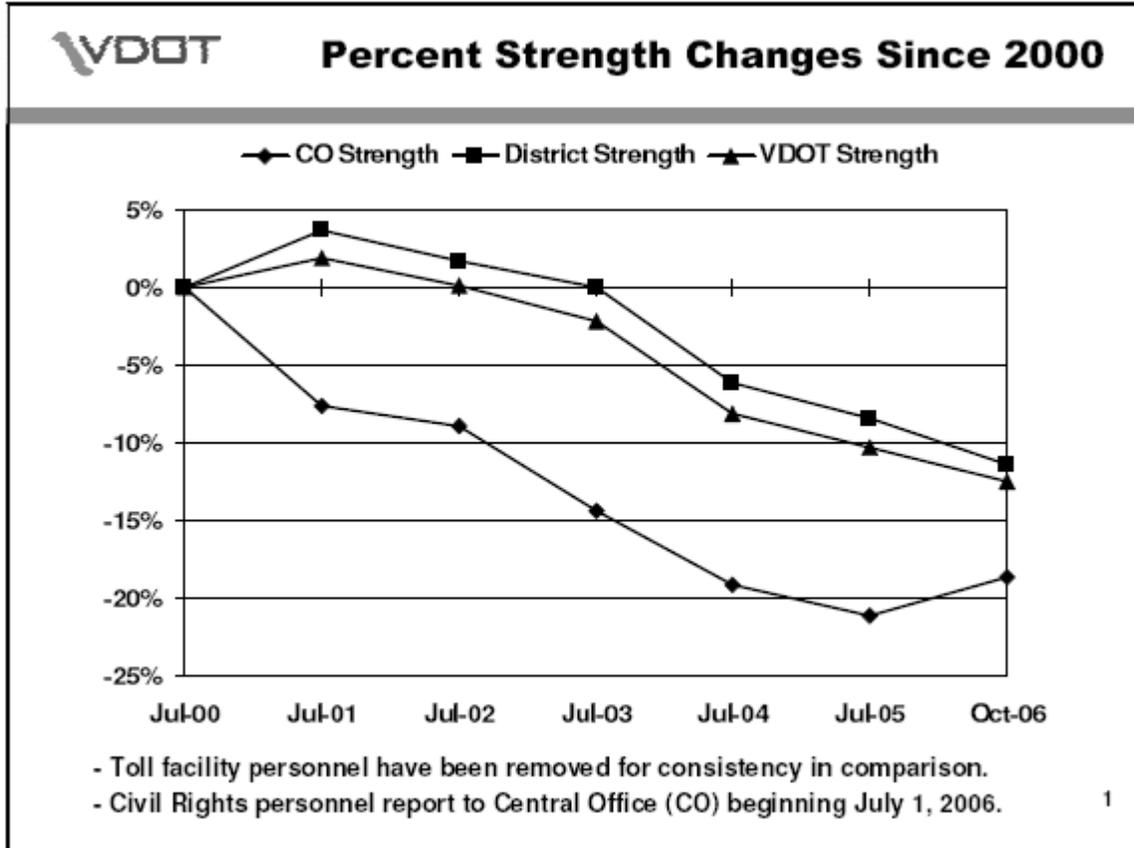


FY 07 Business Plan

Gregory Whirley
VDOT Chief Deputy Commissioner
September 21, 2006

Appendix C:

Percent Strength Change Since 2000



Appendix D

House Bill 676, Chapter 420 and House Bill 677, Chapter 544

CHAPTER 420

An Act to direct the Commonwealth Transportation Commissioner to report on certain actions and initiatives of the Virginia Department of Transportation.

[H 676]

Approved March 31, 2006

Be it enacted by the General Assembly of Virginia:

- 1. § 1. The Commonwealth Transportation Commissioner shall annually report in writing to the General Assembly, no later than November 30 of each year, on all actions and initiatives of the Virginia Department of Transportation in the preceding fiscal year that involved outsourcing, privatization, and downsizing. Further, the Commissioner shall provide, in writing to the General Assembly, detailed and specific plans for outsourcing, privatization, and downsizing in the current fiscal year.*
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CHAPTER 544

An Act directing the Commonwealth Transportation Commissioner to report on certain accomplishments, actions, and initiatives of the Virginia Department of Transportation.

[H 677]

Approved April 4, 2006

Be it enacted by the General Assembly of Virginia:

- 1. § 1. That the Commonwealth Transportation Commissioner shall annually report in writing to the General Assembly, no later than November 30 of each year, on all actions and initiatives of the Virginia Department of Transportation in the preceding fiscal year that involved outsourcing, privatization, and downsizing. Further, the Commissioner shall provide, in writing to the General Assembly, detailed and specific plans for outsourcing, privatization, and downsizing in the current fiscal year, including, but not limited to, appropriate asset management and intelligent transportation system functions and services.*
-

Appendix E

Cross Reference

This report provides similar information pursuant to
2006 General Assembly HB-5002, Items 444 B.2 which states:

2) A report on all actions, accomplishments, achievements, and initiatives of the Virginia Department of Transportation, in the preceding fiscal year that involved outsourcing, privatization, and downsizing, as required pursuant to Chapter 420, Acts of Assembly of 2006;

Appendix F

Definitions

Communication Services

Communication services and technical services include services provided by VITA.

Continuous Charges

DOA defines continuous charges as expenditures for insurance-fixed assets, insurance-operations, capital and operating lease payments, installment purchase and service charges.

Contractual Services

DOA defines contractual services as expenditures for communication services, employee development services, health services, management and informational services, repair and maintenance services, support services, technical services, and transportation services.

Equipment

DOA defines equipment as expenditures for computer, educational, cultural, electronic, photographic, medical, laboratory, motorized, office, specific use, and stationary equipment.

Management and Information Services

Management and information services include audit and fiscal services.

Plant and Improvements

DOA defines plant and improvement as expenditures for acquisition and construction of plant and improvements. These are VDOT's construction expenditures.

Property and Improvements

DOA defines property and improvements as expenditures for property and improvements acquisition, natural resources acquisition, and site development.

Repair and Maintenance Services

Repair and maintenance services includes custodial services, as well as outsourced highway repair and maintenance services such as guardrail repair, mowing, ditch cleaning, and sign maintenance.

Supplies and Materials

DOA defines supplies and materials as expenditures for administrative supplies, energy supplies, manufacturing and merchandising supplies, medical and laboratory supplies, repair and maintenance supplies, residential supplies, and specified use supplies.

Support Services

Support service expenditures include all outsourced design work, toll collection labor, and other skilled temporary labor services.

Technical Services

Technical service expenditures include IT related services such as systems design, hardware and software maintenance and packaged software acquisition.