



COMMONWEALTH of VIRGINIA

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

David S. Ekern, P.E.
COMMISSIONER

October 1, 2009

The Honorable Timothy Kaine
Governor of Virginia
Office of the Governor
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

The Honorable Yvonne B. Miller
Chair, Senate Transportation Committee
General Assembly Building, Room 315
Capitol Square
Richmond, Virginia 23219

The Honorable Joe T. May
Chair, House Transportation Committee
General Assembly Building
P.O. Box 406
Richmond, Virginia 23218

The Honorable Charles Colgan
Chair, Senate Finance Committee
General Assembly Building, Room 626
Capitol Square
Richmond, Virginia 23219

The Honorable Lacey E. Putney
Chair, House Appropriations Committee
The General Assembly Building
P.O. Box 406
Richmond, Virginia 23218

Through:

The Honorable Pierce R. Homer
Secretary of Transportation
1111 East Broad Street - 3rd Floor
Richmond, VA 23219

In accordance with Item 462.05C of Chapter 781 of the 2009 Acts of the Assembly, attached is the First Quarterly Report of progress and implementation to address appropriations reductions resulting from the economic crisis facing transportation in the Commonwealth.

The vision outlined for VDOT in the Comprehensive Plan (Blueprint) and memorialized in Chapter 781 clearly articulates an agency whose mission and program are focused on safety, service and preservation of our assets. A VDOT, that while smaller, will necessarily be proportioned differently and providing services through partnership and collaboration both externally and internally. It requires that we continue to move boldly in making the final changes to live this new stronger vision in the next nine months. The first quarterly report clearly shows the significant progress we have made on this journey.

As I send this report to you, the primary generators of transportation revenues, automobile sales, and motor fuels, continue to slide downward. Moreover, without Congressional action, the Commonwealth will need to address a \$230.5 million rescission of unobligated federal balances in the federal transportation programs. While impacts resulting from a continued decline in revenues dedicated for transportation purposes and the rescission will be more specifically addressed as the impacts are identified and in future reports, absent new or improved revenues, at federal and state levels, the actions we are implementing will continue to impact the citizens of the Commonwealth.

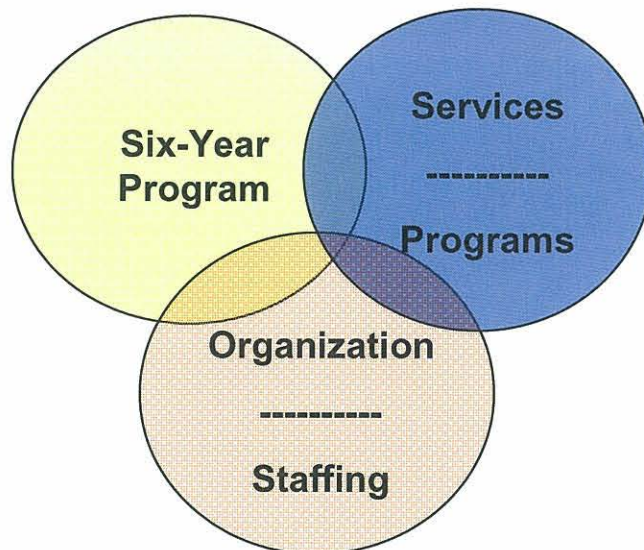
I am available to discuss this report at your convenience.

Sincerely,

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

David S. Ekern, P.E.
Commissioner

A Long -Term Comprehensive Plan to Respond to the Downturn in Virginia Transportation Revenues



*Prepared in Response
To Chapter 781 of the 2009 Acts of Assembly
Item 462.05
(Appropriation Act)
Approved April 8, 2009*

First Quarterly Report

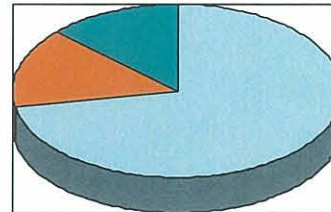
October 1, 2009

CHAPTER 781 OF THE 2009 ACTS OF ASSEMBLY, ITEM 462.05

- A. *Appropriation reductions in this item and specified in § 4-1.08 of this act shall apply notwithstanding any language and amounts to the contrary within other items of this act.*
- B. *1. The Commonwealth Transportation Commissioner shall implement actions as necessary to carry out the appropriation reductions contained in this item pursuant to the terms and limitations set forth in the following paragraphs and in compliance with the intent and provisions of Item 436 of this act. The Director, Department of Planning and Budget, is authorized to transfer appropriations in this act as necessary to carry out the budget reductions contained in this item.*
- 2. In carrying out the appropriation reductions contained in this item, the actions implemented will be based on a Comprehensive Plan developed by the Commonwealth Transportation Commissioner which follows the outline documented in "VDOT's Blueprint" as presented to the Commonwealth Transportation Board on February 13, 2009. The Commissioner shall present the proposed Comprehensive Plan to the Governor, the Chairmen of the House Appropriations, House Transportation, Senate Transportation, and Senate Finance Committees prior to implementation. The Plan shall define the relative proportion of reductions that shall be achieved through reductions in the Six-Year Program, changes to the department's organizational structure at both the administrative and operational levels in both the field and central office, and adjustments to service levels for maintenance and operational programs provided by the department. Implementation of these actions will begin in fiscal year 2009 and continue through fiscal year 2010. The Plan shall be phased so as to ensure that the necessary savings are achieved to meet the budgetary reductions set out in this item.*
- 3. Such plan shall also:*
- a. ensure that maintenance and operations of existing highway infrastructure is focused on emergency response, congestion mitigation, pavement rehabilitation based on the lowest pavement condition ratings, and bridge repair and replacement based on structurally deficient structures;*
 - b. set service and staffing levels for VDOT programs that have clear and measurable performance requirements;*
 - c. ensure contractual spending of VDOT funding comprise no less than 70 percent of total VDOT expenditures each fiscal year;*
 - d. reconfigure, including the elimination and consolidation of organizational units and VDOT facilities, to achieve at least a 30 percent reduction in the number of 1) central office divisions, 2) residency offices, and 3) equipment and repair shops;*
 - e. as part of the consolidation of organizational units, ensure that the supervisory layers between the lowest line staff and the leadership position reporting directly to the Commissioner or Deputy Commissioner shall be no more than five;*
 - f. use an objective methodology on which to base all actions and take no actions until public input has been considered;*
 - g. ensure that appropriate accountability, compliance, and oversight by auditors is conducted on all programs and functions on a periodic basis; and*
 - h. have no more than 7,500 full-time positions filled on June 30, 2010.*
- C. *The Commissioner shall provide a quarterly progress report detailing each action and its impact on the VDOT budget to the Governor, the Chairmen of the House Appropriations, House Transportation, Senate Transportation, and Senate Finance Committees, and the Commonwealth Transportation Board. Such reports shall include a detailed enumeration of progress that has been made to reduce the department's expenditure levels in order to meet the reduction levels required by this item, an update on the next phase of actions planned to address the reductions, any obstacles encountered in implementing these reductions, and any adjustments to the Plan are required by the Commonwealth Transportation Board.*

THE BLUEPRINT

- **3 Parts to Blueprint**
 - *Six-Year Program*
 - *Organization/Staffing*
 - *Services/Programs*



- Construction Program
- Admin & Support Program
- Maintenance Program

A Business:

- that will be smaller, proportioned differently, providing its services differently
- that values partnership and does not replicate every function and service throughout the organization.

HIGHLIGHTS OF QUARTERLY ACTIVITY

- Submitted Comprehensive Plan to Achieve June 2010 Targets on July 1, 2009.
- Implemented FY 10-15 Program/Project Reductions of \$3.1 billion.
- Implemented Maintenance/Operations Service Reductions totaling \$278 million for F.Y. 10-14.
- Initiated First Organizational Consolidations and Facility Closures.
 - Learning Center, Multi-Modal Office consolidated at Virginia Transportation Research Council
 - Local Assistance Division transferred to Chief of Policy and Environment
 - 36 Equipment Repair Facilities Closed
- Completed Stage 1 Wage Employee Reductions
 - 393 Positions Reduced from Benchmark Date of September 2008
 - 157 Positions Reduced through Attrition
 - 236 Employees Separated in June 2009
 - Continuing Reviews through FY 2010
- Initiated Stage 2 Classified Employee Involuntary Separations.
 - First Notices provided to 640 employees
 - 240 Employees Separated as of September 30, 2009

SIX YEAR HIGHWAY PROGRAM REDUCTIONS

	FY 2008-2013	FY 2009-2014	Revised FY 2009-2014	FY 2010-2015
Interstate	\$2.1 billion	\$2.1 billion	\$1.4 billion	\$1.3 billion
Primary	\$2.0 billion	\$1.6 billion	\$1.3 billion	\$1.0 billion
Secondary	\$1.3 billion	\$1.0 billion	\$0.6 billion	\$0.5 billion
Urban	\$1.1 billion	\$0.8 billion	\$0.5 billion	\$0.4 billion
Federal Maintenance	\$0.9 billion	\$1.0 billion	\$1.2 billion	\$1.2 billion
MPO	\$0.6 billion	\$0.6 billion	\$0.5 billion	\$0.6 billion
Safety, Enh, Rail, Other	\$0.6 billion	\$0.8 billion	\$0.5 billion	\$0.5 billion
Total	\$8.6 billion	\$7.9 billion	\$6.0 billion	\$5.5 billion

SIX YEAR SERVICES REDUCTIONS

1. Emergency and Safety Response Services

1. Incident Response/Clearance
 - Crashes and Accidents
 - Hurricane and Severe Weather Events
 - Hazardous Materials Spills
 - Terrorist Events

2. Snow and Ice Control*

3. Traffic Operations/SSP

2. Roadway Services

1. Road Surface Repair
2. Bridges
3. Tunnels

3. Traffic Control Services

1. Signals, Signs, and Pavement Marking Management
2. Lights and Guardrail Management

4. Roadside Services

1. Drainage
2. Vegetation Control
3. Mowing Services
4. Obstruction/Debris
5. Sound Barriers
6. Fence Management

5. Facility Services

1. Safety Rest Area and Waysides
2. Park & Ride Lot
3. Sidewalks/Trails

6. FERRY SERVICES

***No changes to snow and ice guidelines**

SERVICE REDUCTIONS IMPLEMENTED

•	ROADSIDE SERVICES	
	- Reduced base-level mowing schedules	
	- Savings being achieved (FY10-14)	\$120 Million
•	SAFETY SERVICE PATROLS	
	- Reduced service – limited to NOVA and Hampton Roads	
	- Savings being achieved (FY10-14)	\$21 Million
•	FERRY SERVICES	
	- Operational changes and service adjustments	
	- Savings being achieved (FY10-14)	\$7.8 Million
•	REST AREAS AND WELCOME CENTERS	
	- Reduced facilities to 23	
	- Savings being achieved (FY10-14)	\$54 Million
•	MAINTENANCE RESERVES REDUCTION	
	- Reduced reserves for major event response	
	- Savings being achieved (FY10-14)	\$75 Million
	INTERIM TOTAL	\$277.8 Million

The Agency has implemented budget reductions in 5 of the 6 services proposed for F.Y. 10 and continuing through F.Y. 14. Outsourced Interstate Maintenance Services (TAMS) reductions are in contract negotiations.



ORGANIZATION AND STAFFING STAGE 2 INVOLUNTARY SEPARATION ANALYSIS

(Employment Level)	BENCHMARK 9/01/08	As of 9/30/09	TARGET 7/01/10
Classified	8,464	7,833	7,500
Classified – Central Functions	1,332	1,217	1,020
Classified – Field	7,132	6,616	6,480
Wage	503	110	N/A

Separation Status as of 9/01/08 to 9/30/2009

District	Benchmark 9/1/2008	Attrition 9/1/08-9/30/2009	Involuntary Separation 9/30/2009	Reduction Summary 9/30/2009	Current Staffing
Central Office	1,331	68	46	114	1,217
Bristol	748	26	24	50	698
Salem	941	39	33	72	869
Lynchburg	629	22	28	50	579
Richmond	1,013	51	19	70	943
Hampton Roads	1,041	53	14	67	974
Fredericksburg	550	39	24	63	487
Culpeper	510	24	20	44	466
Staunton	764	28	16	44	720
NOVa	937	41	16	57	880
Summary	8,464	391	240	631	7,833

* Stage 2 Separation Process will not be completed until 10/24/2009.

ORGANIZATION AND STAFFING ANTICIPATED SCHEDULE FOR NEXT QUARTER

-Involuntary Separations-

- **Completion of Stage 2 Separations**
- **Initiate Stage 3 Separation Process**
 - **Notification December 2009**
 - **Anticipated Separation March 2010**
 - **400 – 600 positions affected**
 - **Functions Affected:**
 - **Central Office/District Business Support**
 - **Completion of Central Office Consolidation**
 - **Finance**
 - **Programming**
 - **Planning**
 - **Innovative Finance and Revenue Operations**
 - **Fiscal**
 - **Equal Business and Employee Opportunity**
 - **Operation/Maintenance**
 - **Management Services**
 - **Administrative Services**
 - **Human Resources**
 - **Safety & Health**
 - **Inspector General**
- **Residency Reduction/Closure**
- **Field Maintenance Staffing Adjustments**
- **Operations Reductions**

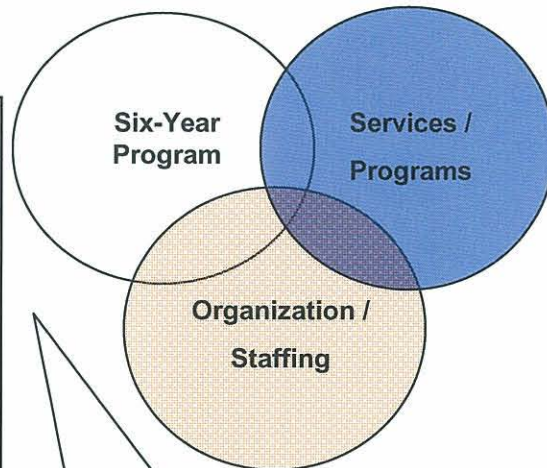
On the Horizon Revenue Forecast Update

The U.S. Economy deteriorated more than was anticipated in Fiscal Year 2009

- Similar to the nation, the Virginia economy shed more jobs than was expected.
- The depression in housing continued to adversely affect Virginia's economic performance.
- The Governor ordered the Secretary of Finance in mid-June to conduct a reforecast of revenues.
- The August 2009 interim revenue forecast is based on the updated economic outlook for Virginia as approved by the Governor's Advisory Board of Economists (GABE) and the Governor's Advisory Council on Revenue Estimates (GACRE)
- The dedicated state transportation revenues have been greatly impacted by the economy
- The estimate for the FY 2010 Motor Fuels Tax, the largest state transportation revenue source, is only slightly above FY 2003 receipts
 - Gasoline consumption is down largely due to high unemployment rates and reduced consumer spending
 - Most diesel fuel is purchased by motor carriers which respond to the general economy more than passenger traffic
- The second largest state revenue dedicated to transportation is a portion of the Retail Sales and Use Tax. Also impacted by reduced consumer spending, the FY 2010 forecast is comparable to FY 2006 collections.

Revenue 6 Year Reductions Since Spring 2008

Spring 2008	Reduction Underway
\$1.1 billion	
February 2009	Reduction Underway
\$2.6 billion	
August 2009	?
<u>\$0.743 billion</u>	
TOTAL	\$4.44 billion

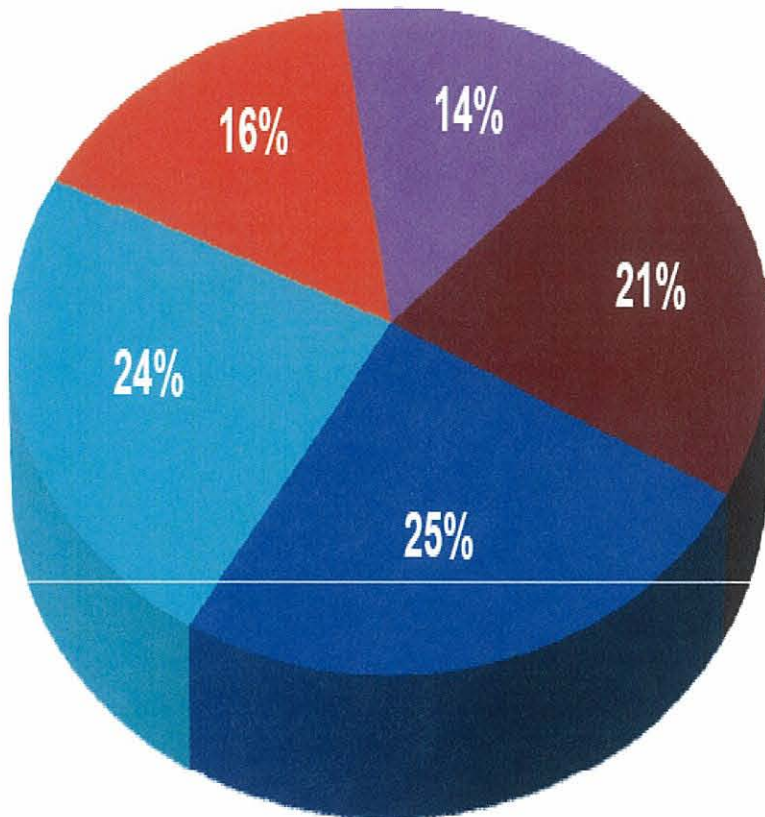


* Of the \$743 million additional REDUCTION NEEDED for F.Y. 2010 to 2015 approximately \$43 million has been identified from furloughs and pay raises in F.Y. 2010 – 2012. the remaining needed reductions are under consideration.

DRPT	\$105 million
*VDOT	\$743 million
VPA	\$22 million
DOAV	<u>\$13 million</u>
Total	\$883 million

Transportation Revenues

Almost 2/3s of transportation revenues are tied to fuel purchases and auto sales



■ VA Motor Fuels

■ Sales & Use

■ Other Revenues

■ Federal Fuels and Others

■ Motor Vehicle Sales & Use



Commonwealth Transportation Fund Revised June FY 2010- 2015 Forecast (Preliminary) (amounts in millions)

	2010	2011	2012	2013	2014	2015	Total
State Transportation Revenues							
HMO	\$1,260.3	\$1,289.5	\$1,325.3	\$1,366.7	\$1,401.0	\$1,428.0	\$8,070.8
TTF net interest	795.4	805.5	838.1	881.4	928.1	966.9	5,215.4
PTF (From TTF)	149.1	148.2	154.0	162.1	170.5	170.5	954.4
Local and Other Revenues	367.5	271.7	242.0	224.4	221.1	218.7	1,545.4
Total	2,572.3	2,514.9	2,559.4	2,634.6	2,720.7	2,784.1	15,786.0
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<i>Original FY 2010 Revenues</i>	2,728.2	2,687.9	2,714.5	2,778.3	2,843.5	2,916.8	16,669.2
<i>Difference</i>	(155.9)	(173.0)	(155.1)	(143.7)	(122.8)	(132.7)	(883.2)
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Federal Revenues	919.8	901.7	907.7	913.8	919.8	925.9	5,488.8
<i>Federal Contingency/Reserve</i>	(85.2)	(85.7)	(86.2)	(86.8)	(87.3)	(87.8)	(519.0)
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Total Revenues (Net Federal Contingency/Reserve)	3,406.9	3,330.9	3,380.9	3,461.5	3,553.3	3,622.2	20,755.7
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Other Financing Sources							
Capital Improvement Bonds	206.1	240.8	212.4	207.8	208.3	146.6	1,222.1
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Total Revenues and Other Financing Sources	\$3,613.0	\$3,571.7	\$3,593.3	\$3,669.4	\$3,761.6	\$3,768.9	\$21,977.8
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<i>Original FY 2010 Revenues</i>	\$3,768.9	\$3,744.7	\$3,748.4	\$3,813.1	\$3,884.4	\$3,901.6	\$22,861.0
<i>Difference</i>	(\$155.9)	(\$173.0)	(\$155.1)	(\$143.7)	(\$122.8)	(\$132.7)	(\$883.2)

BLUEPRINT FINAL THOUGHTS

- **Additional and Immediate Fiscal Year 10 Reductions Needed**
- **The plan is changing as we move forward**
- **Implementation completed in 12 months**
- **No function or service remains off the table**
- **Customers will begin to feel the effects of experience loss in transportation programs and services**
- **Six year cuts must be sustainable.**