



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION

1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000

David S. Ekern, P.E.
COMMISSIONER

January 1, 2010

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 Charles Colgan
Chair, Senate Finance Committee
General Assembly Building, Room 626
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 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 Second 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 second quarterly report clearly shows the significant progress we have made on this journey.

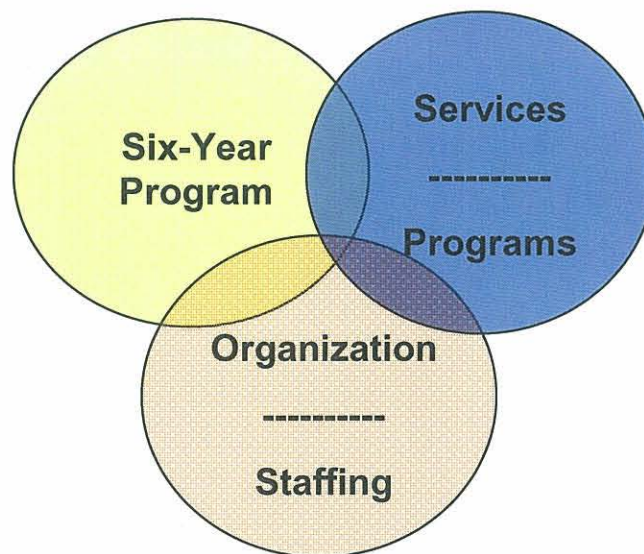
As you receive this report, the primary sources of transportation revenues federal funds and state automobile sales and motor fuels purchases continue to decline. VDOT continues to respond with the utmost professionalism and dedication with a significantly smaller staff; nevertheless, the actions we have taken and must take to respond to the revenue situation will necessarily result in reductions in the construction program and transportation services to the citizens of the Commonwealth.

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*

Second Quarterly Report

January 1, 2010

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.*

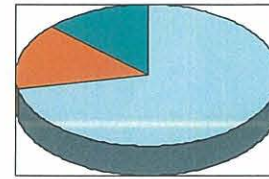
Cumulative Impact of Transportation Revenue Forecast Reductions (Six Year Estimates)

Spring 2008	\$1.11 billion
February 2009	<u>\$2.57 billion</u>
Through FY 2009	\$3.68 billion
August 2009	\$0.88 billion
November 2009	<u>\$0.05 billion</u>
FY 2010 Revisions	\$0.93 billion
Total	\$4.61 billion

THE BLUEPRINT

Three Parts to the 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

- Overall, since spring 2008, available transportation revenue has now been reduced by \$4.61 billion.
- The CTB approved a budget adopting VDOT's plans to cut an additional \$88.7 million in programs and services in Fiscal Year 2010. Additional Fiscal Year 2010 cuts will include:
 - Reductions in administrative costs
 - Reduced equipment purchases
 - Reduced capital outlay for facility improvements
 - Reduced payroll for employees already laid off as part of staffing reductions
 - Reduced maintenance including cutting payments to localities that maintain their own roads
 - Reduced paving operations
- To address the additional \$893.5 million reductions in Fiscal Years 2011-2015, the CTB adopted cuts to programs including:
 - Ground transportation planning and research
 - Highway system acquisition and construction
 - Highway system maintenance
 - Commonwealth toll facilities
 - Financial assistance to localities
 - Non-toll supported debt service
 - Administrative and support services
 - VDOT capital outlay
 - Public transportation
 - Rail
 - Aviation
 - Ports
- The CTB adopted the Revised Six-Year Improvement Program for Fiscal Years 2010-2015. The program includes significant changes to the slate of proposed construction and maintenance projects to address available funding sources and commonwealth priorities. The \$7.6 billion revised program reflects policy and revenue changes prompting significant alterations to the mix of projects included in the program and delayed project schedules.
- The revised program focuses on:
 - Replacing and improving bridges
 - Eliminating formula distribution of certain federal highway funds
 - Maximizing the use of available federal funding for ongoing projects
 - Completing projects already under way and those that will begin in FY 2010
 - Covering increased estimates and rising project costs on projects under way
- VDOT completed stage two of the three-stage employee reduction and restructuring program to reshape the department to 7,500 employees by July 2010. 529 staff left the agency as of November 1, 2009 through involuntary separation.



COMMONWEALTH TRANSPORTATION FUND REVENUE OUTLOOK REVISED FY 2010 – 2015 (IN MILLIONS)

During this Blueprint reporting period expected revenues were reduced an additional \$1.0 billion for the period 2010 – 2015. Since the spring of 2008 this brings the total revenue reduction to be accommodated to \$4.61 billion.

	2010	2011	2012	2013	2014	2015	Total
State Transportation Revenues							
HMO	\$1,265.2	\$1,305.0	\$1,332.6	\$1,367.1	\$1,397.9	\$1,430.5	\$8,098.3
TTF net interest	801.9	822.6	847.8	880.0	914.1	950.9	5,217.3
PTF (From TTF)	149.1	148.2	154.2	162.1	169.7	177.1	960.4
Local and Other Revenues	368.0	232.7	223.3	206.6	202.8	200.1	1,433.6
Total	2,584.2	2,508.5	2,557.9	2,615.8	2,684.5	2,758.6	15,709.6
Original FY 2010 Revenues							
	2,728.2	2,687.9	2,714.5	2,778.3	2,843.5	2,916.8	16,669.2
Difference	(144.0)	(179.3)	(156.5)	(162.5)	(159.0)	(158.2)	(959.6)
Federal Revenues							
	958.3	901.7	907.7	913.8	919.8	925.9	5,527.3
<i>Federal Contingency/Reserve</i>	<i>(85.2)</i>	<i>(85.7)</i>	<i>(86.2)</i>	<i>(86.8)</i>	<i>(87.3)</i>	<i>(87.8)</i>	<i>(519.0)</i>
Total Revenues (Excludes Federal Contingency/Reserve)							
	3,542.5	3,410.3	3,465.7	3,529.5	3,604.4	3,684.5	21,236.9
Other Financing Sources							
Capital Improvement Bonds	207.9	226.8	214.2	207.1	203.5	190.1	1,249.6
Total Revenues and Other Financing Sources							
	\$3,750.5	\$3,637.1	\$3,679.8	\$3,736.7	\$3,807.8	\$3,874.6	\$22,486.5
Original FY 2010 Revenues							
	\$3,854.1	\$3,830.4	\$3,834.6	\$3,899.9	\$3,971.7	\$3,989.4	\$23,380.0
Difference	(\$103.6)	(\$193.2)	(\$154.8)	(\$163.2)	(\$163.9)	(\$114.8)	(\$893.5)

COMMONWEALTH TRANSPORTATION FUND REVENUE CHANGES

- In addition to the updated state revenue forecasts, the budgets are being revised to include:
 - Planned use of CPR bonds
 - Receipt of \$28 million of federal bonus obligation authority
 - Notice of \$8 million of federal open container funds
 - Reduced local revenues related to the revenue sharing program
 - Reduced general fund support to the Route 58 program
- These revisions bring the total to \$893.5 million over the six years in addition to the reductions enacted previously.
- The revised FY 2010 – 2015 financial plan totals \$22.5 billion - a four percent reduction from the June 2009 plan.

SIX YEAR HIGHWAY PROGRAM REDUCTIONS (W/O FED RESERVE)

	Approved FY 2008- 2013	Approved FY 2009- 2014	Revised FY 2009- 2014	Approved FY2010- 2015	Revised FY2010- 2015	Final FY 2010- 2015
Interstate	\$2.1 b	\$2.1 b	\$1.4 b	\$1.3 b	\$1.4 b	\$1.4 b
Primary	\$2.0 b	\$1.6 b	\$1.3 b	\$1.0 b	\$1.1 b	\$1.1 b
Secondary	\$1.3 b	\$1.0 b	\$0.6 b	\$0.5 b	\$0.3 b	\$0.3 b
Urban	\$1.1 b	\$0.8 b	\$0.5 b	\$0.4 b	\$0.3 b	\$0.3 b
Federal Funds Maintenance	\$0.9 b	\$1.0 b	\$1.2 b	\$1.2 b	\$1.3 b	\$1.3 b
MPO	\$0.6 b	\$0.6 b	\$0.5 b	\$0.6 b	\$0.6 b	\$0.6 b
Safety, Enh, Rail, Other	\$0.6 b	\$0.8 b	\$0.5 b	\$0.5 b	\$0.5 b	\$0.5 b
Total	\$8.6 b	\$7.9 b	\$6.0 b	\$5.5 b	\$5.5 b	\$5.5 b

Principles for SYIP FY 2010-2015 Update

- Maximize use of funds to meet federal strategy
- Fund under way project phases as well as project phases that start in federal FY 2010
- Eliminate formula distribution of federal STP funds to individual localities and regions
 - Concentrate federal formula STP funds on major projects
- Congress is still working on legislation for the Highway Trust Fund authorization for FY 2010 forward
 - Existing authorization expired in September
 - Congress passed two continuing resolutions, current resolution expires on December 18, 2009
- The \$627 million reserve may become available for programming either through a final federal appropriation (as opposed to a continuing resolution) or a new surface transportation authorization
- Should funds become available, they may be aggregated and used for a small handful of key projects. Candidate projects include:
 - Mandatory regional STP, CMAQ, enhancement and safety programs
 - Midtown Tunnel PPTA project enhancement and project oversight
 - I-95 PPTA project oversight
 - Coalfields Expressway PPTA project enhancement
 - High-Speed Rail project enhancement



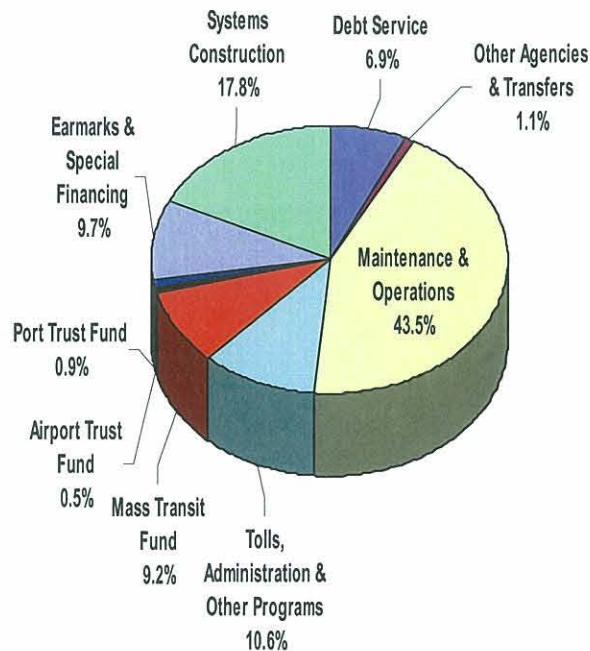
COMMONWEALTH TRANSPORTATION FUND ADDITIONAL REVISED FY 2010 BUDGET REDUCTIONS (IN MILLIONS)

	FY 2010		
	Approved June 2009	Revised FY 2010	Increase (Decrease)

Agency Funding Summary:

VDOT	\$ 3,467.0	\$ 3,378.4	(\$88.7)
<i>Less Support to DRPT & Ports</i>	(23.1)	(24.1)	(1.0)
VDOT (Net)	3,443.9	3,354.3	(89.6)
DRPT	353.1	344.0	(9.0)
Ports	36.8	33.7	(3.1)
Aviation	20.3	18.5	(1.8)
<hr/>			
Grand Total	\$ 3,854.1	\$ 3,750.5	(\$103.6)

Recommended Distribution of Revenues Revised FY 2010





VDOT'S FY 2010 REVISED BUDGET (IN MILLIONS)

VDOT's share of the FY 2010 CTF additional reductions for the remainder of Fiscal Year 2010 is \$88.7 million. The following are the related program adjustments in addition to cuts previously enacted:

Program	FY 2010 Adjustments	
Environmental Monitoring and Evaluation (514)		(\$0.1)
Payroll Reductions	(\$0.1)	
Ground Transportation Planning and Research (602)		0.7
Payroll Reductions	(0.3)	
New Grant	1.0	
Highway System Acquisition and Construction (603)		7.2
Revenue Sharing	(20.0)	
Miscellaneous Adjustments	(2.2)	
Payroll Reductions	(0.5)	
Dedicated additions from Bonus OA and Open Container	29.9	
Highway System Maintenance (604)		(67.9)
State Funded Paving Projects	(45.0)	
Equipment Purchases - One year delay	(10.0)	
Additional reductions required from Final November Revenue Estimate	(7.2)	
Payroll Reductions	(4.7)	
Mancon	(4.6)	
Statewide Operational Improvements and Corporate Initiatives	(3.8)	
Additional Funding from Bonus OA	7.3	
Program	FY 2010 Adjustments	
Commonwealth Toll Facilities (606)		(1.6)
Interest	(1.6)	
Financial Assistance to Localities (607)		(17.1)
Reduce Locality Maintenance Payments to 2009 amount	(10.1)	
Access Programs	(7.0)	
Non-Toll Supported Transportation Debt Service (612)		0.9
Net change in debt service	0.9	
Administrative and Support Services (699)		(6.2)
Miscellaneous Adjustments	(4.7)	
Payroll Reductions	(1.5)	
VDOT Capital Outlay (998) - Half of FY 2010		(5.5)
Additional \$14.5m released from prior balances	(5.5)	
Support to Ports	1.0	1.0
Match for CMAQ and Earmarks, previously only reflected in CTF budget		
Total Budget Adjustments		(\$88.7)

ORGANIZATION AND STAFFING VDOT IN 2010 AND BEYOND

Plan, deliver, operate and maintain a transportation system that is safe, enables the easy movement of people and goods, enhances the economy, and improves the quality of life.

- **Focused** –
 - Mission centered on maintenance, operations and emergency response
 - Integrated Program Planning and Project Development – “Project is a Project”
 - A tightened and universal General Administration.
- **Scaled Services** –
 - First priority to the highway network that connects people and places of the Commonwealth
 - Serves 85% of users and where the majority of crashes occur
- **A Business** –
 - That values, integrates and streamlines partnerships
 - Does not replicate every function and service throughout VDOT's organization
- **Driven by** -
 - Rapid deployment of research, technology, and training to ensure best and consistent practices and services
- **Recognizes**
 - That construction funding will be focused on safety, reconstruction and bridge replacement
 - Major new construction being episodic
- **An Agency**
 - That will be smaller, providing its services differently and proportioned differently.

STAFFING OVERVIEW July 2010 Targets

	CORPORATE FUNCTIONS	FIELD FUNCTIONS	TOTAL
Planning, Programming Finance Research/Education	206	283	489
Project Engineering Development/Delivery	374	1,089	1,463
Maintenance and Operations	178	4,378	4,556
Business Support Special Functions	303	616	919
TOTAL	1,061	6,366	7,427

THE CORE SHAPE

- 181 Area Headquarters
- 29 Maintenance Area Headquarters
- 37 Equipment Facilities
- 5 Operations Centers
- 9 Districts
- Virginia Transportation Research Center
- Central Office

STAFF COMPOSITION

- 3,400 Maintenance Staff
- 550 Operations Staff
- 400 Tunnels/Ferries/Tolls
- 440 Bridge Staff
- 1,470 Project Staff
- 280 Planning Staff
- 90 Research/Education
- 800 Business Functions

} Focused on emergency response services and using private sector for asset maintenance/repair. Started in FY 10 budget

WHAT IT MEANS

Not Just About Size, But Changing How We Do Business

- Focuses the agency on its core mission of system maintenance and operations, planning and investment management, project development and delivery.
 - 86% of the staffing in the field
 - 62% focused on maintenance and operations of the existing system
 - 19% focused on developing and delivering projects for the system
 - 10% in general administration/business support
- Preserves MAINTENANCE AND EMERGENCY RESPONSE mission and adding *MORE* staffing to teams in the field to support these areas
- Maintains a commitment to bridge inspection and repair
- Streamlines ways to deliver projects development services
 - Regionalizes right of way to improve efficiency and reduce staff
 - Strengthens the programming process at the district level
 - Uses PPTA and design/build method to expedite projects and address any short-term increase in workload (such as ARRA)
- Maximizes expertise and 24-hour staffing of TOCs to better serve customers using 1-800-VDOT approach and improved technology to route customer inquiries
- Emphasizes planning and investment management across all programs and funding sources to achieve performance and policy goals
- Proportions project development to match the reduced size of the program and its episodic nature
- Creates an organization that is scaleable and balances program size by effective use of private sector outsourcing
- Creates the ability to more effectively use resources by capitalizing on economies of scale
- Increases accountability of districts
 - Focuses planning and investment decision-making at district level to more closely link land use and spending from a regional point of view
 - Allows new ways of coordinating land use through a regional (district office) liaison approach to improve consistency
- Streamlines decision-making by reducing layers of management
- Achieves 7,500 filled classified positions by June 30, 2010
- Reduces/consolidates the number of facilities and organizational units by at least 30%
 - 22 core central office divisions
 - 29 residency offices
 - 37 equipment and repair facilities
- Reduces management and supervisory layers to no more than five between Commissioner and lowest line staff
- Maintains focus on emergency response, congestion mitigation, pavement rehabilitation and bridge repair
- Outsources appropriately to ensure contractual spending comprises no less than 70% of total agency spending
- Allows fine tuning and adjusting the organization post July 2010.

STAGE 2

-Recap of Involuntary Separations-

Stage 2—Classified Employees

- Notification in July 2009
- Separation in September/October 2009
- Functions affected:
 - Right of Way
 - Location and Design and Project Management
 - Innovative Project Delivery
 - Structure and Bridge
 - Environmental
 - Construction Inspection and Management
 - Materials
 - Policy
 - Local Assistance
 - Information Technology
 - Knowledge Management
 - Learning Center
 - Multi-modal Office
 - Public Affairs
 - Virginia Transportation Research Council
 - Equipment Shops

RESULTS

-NOVEMBER 1, 2009-

640 Notices Given

• Central Office	128	•272 – requested no placement
• Richmond	68	•368 – requested placement
• Bristol	76	– 224 substituted
• Salem	60	– 109 placed through vacancies
• Lynchburg	71	– 12 declined placement
• Hampton Roads	50	– 23 not placed for other reasons
• Fredericksburg	46	
• Culpeper	45	
• Staunton	47	
• NOVA	49	

STAGE 3 INVOLUNTARY SEPARATIONS January 2010- April 2010

Primary Focus:

- Enhancing Frontline Maintenance Operator Staffing
- Aligning Operations and Special Facilities Staffing
- Consolidating/Closing Residencies
- Reducing Supervisory Layers
- Streamlining/Reducing Business Support Staff
- Consolidating/Reducing selected Central Functions

Functions Affected:

- Residency Consolidation
- Maintenance and Operations
- Business Support/Administrative Consolidation – Central/Field
- Central Functions Consolidation
 - Finance
 - Programming
 - Planning
 - Innovative Finance and Revenue Operations
 - Fiscal
 - Equal Business and Employee Opportunity
 - Operations and Maintenance Management
 - Management Services
 - Administrative Services
 - Human Resources
 - Safety & Health
 - Inspector General

ESTIMATED AFFECTED EMPLOYEES

• Stage 3 Anticipated Employee Notices	680
• Functional Areas:	
– Planning & Investment	50
– Maintenance/Operations	240
– Business Support	390
• Buffered by:	
– Current vacancies from Stage 2 and 3	140
– “New” positions created by restructuring	325
– Employees interested in substitution	450

ANALYSIS OF EMPLOYEE NOTICES

GEOGRAPHIC AREA	STAGE 2 (640 NOTICES)	STAGE 3 (680 NOTICES)	CUMULATIVE (1,320 NOTICES)
CENTRAL OFFICE	128	30	158
RICHMOND	68	65	133
BRISTOL	76	75	151
SALEM	60	85	145
LYNCHBURG	71	65	136
HAMPTON ROADS	50	90	140
FREDERICKSBURG	46	60	106
CULPEPER	45	60	105
STAUNTON	47	60	107
NOVA	49	90	139

BLUEPRINT FINAL THOUGHTS

- This organization is necessarily different than the VDOT of 10,000.
- This organization will emphasize service, performance, quick decision-making, and on-time, on-budget performance over bureaucracy and paperwork.
- This organization will operate and maintain the road network for the Commonwealth using the best mix to staff, private sector resources, and technology for emergency response, safety and customer service.
- This organization will link good planning with sound spending at the local level to achieve performance standards and community goals.
- This organization is strong for today and can adapt for any future – up or down
- This organization, based on system size, will be among the most cost effective in the country.
- This organization and staffing approach creates opportunities and new career potential for a professionally driven organization.
- Uncertainty of the funding levels that will be provided by the next federal transportation legislation, and could be significantly less than the plan based on SAFETEA-LU funding levels
- Future price escalation could significantly impact costs, reducing the maintenance and construction work that can be performed with the anticipated revenues.
- The inability to sell CPR bonds would have a significant impact on case flow and require major adjustments to the SYIP. In this uncertain economic climate, there are concerns that the FY2010 sale may not be made as planned.
- The plan will change as it moves forward.
- Implementation completed by July 1, 2010.
- No function or service remains off the table.