COMMONWEALTH of VIRGINIA

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

Gregory A. Whirley
Commissioner

November 30, 2010

The Honorable Robert F. McDonnell
Members of the General Assembly

Dear Governor McDonnell and Members of the General Assembly:

Chapter 7 of the Acts of Assembly of 2006, Special Session I, requires 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, downsizing and privatization, as well as efforts to maximize the generation of revenue from existing assets.

The attached report documents that VDOT's expenditures in fiscal year 2010 totaled $3.07 billion. VDOT spent 75% ($2.29 billion) either with private sector vendors ($1.87 billion) or in transfer payments ($0.42 billion) made to localities who prefer to maintain their own roads. When debt service payments ($0.25 billion) are included, VDOT's external expenditures represent 83% of the FY 2010 total.

Since July 1, 2002, VDOT has downsized by 3,383 people. Pursuant to Item 462.05 of Chapter 781 of the Acts of Assembly of 2009, the Department met the requirement to reduce classified staffing to no more than 7500 by July 1, 2010.

VDOT continues to address a $4.6 billion revenue shortfall projected over the next six years. A series of reductions taken thus far include reductions to the six-year construction program, administrative and support programs including staffing reductions, and reductions to the maintenance and operations programs. VDOT reduced the FY10 budget by $327,590,097 compared to the FY09 budget.

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

Sincerely,

Gregory A. Whirley

Gregory A. Whirley, Sr.
Commissioner

Attachment

cc: The Honorable Sean T. Connaughton

PREFACE

The Virginia Department of Transportation (VDOT) is required to report annually on its outsourcing, privatization, and downsizing activity and on efforts for maximizing the generation of revenue from existing assets of the Department.

> *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. Such report shall include a description of efforts that have been made, are under way, or are to be undertaken for maximizing the generation of revenue from existing assets of the Department of Transportation, including but not limited to real estate, and increasing the role of the private sector and public-private partnerships in the leasing of real estate and other assets in the development of highway projects.*
>
> Chapter 7 of the Acts of Assembly of 2006, Special Session I

VDOT is undertaking a fundamental change in the way we do business as we streamline operations and address reductions in staffing and funding. Although these changes are significant, we will not stray from our mission to plan, build, operate and maintain a safe and efficient transportation system for the citizens of the commonwealth.

VDOT has three key areas of focus:

- The Six Year Improvement Program
    - Funding deficits on projects under way
    - Maximizing the use of federal funds
    - Funding projects already under way and those with new phases starting in Fiscal Year 2011
    - Funding deficient bridges and pavements
- The Organization and Staffing
    - Rebuild the organization in key areas
    - Being flexible and accountable
- Services and Programs
    - Deliver emergency and safety services to efficiently operate the system
    - Work with partners, vendors, customers and citizens to redefine how the agency provides customer service

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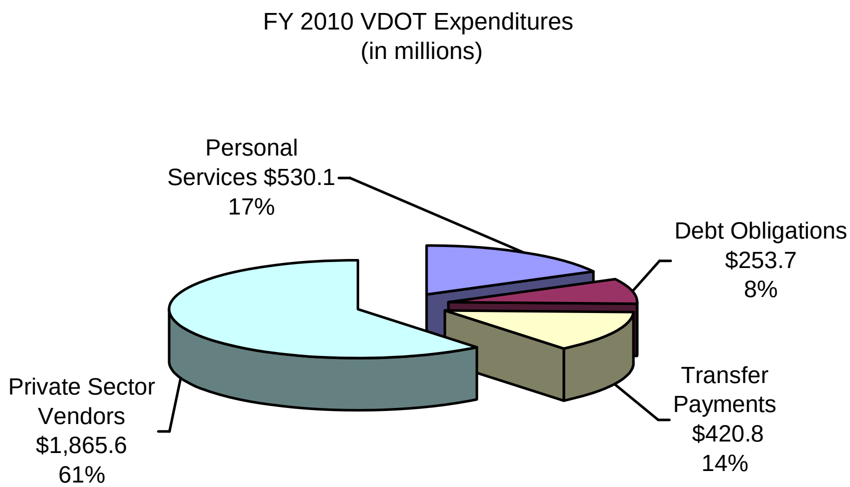
EXECUTIVE SUMMARY

The Virginia Department of Transportation's (VDOT or The Department) FY 2010 expenditures totaled $3.07 billion. The Department spent $2.29 billion, or 75% of those expenditures externally: $1.87 billion with private sector vendors (61%), and another $0.42 billion in transfer payments (14%) made to localities who maintain their own roads. When debt obligations are included, VDOT's total external expenditures in FY 2010 comprised 83%, or $2.54 billion of the $3.07 billion. Figure A below reflects the breakdown of expenditures.

Figure A: Breakdown of FY 2010 VDOT Expenditures by Department of Accounts Category



The Department continues to expand outsourcing, privatizing, or downsizing where supported by good business practices. Highlights of activities in these areas are set forth in Table 1.

Table 1.0: Highlights of FY 2010 and FY 2011 Outsourcing, Privatization and Downsizing Activity

	FY 2010	**FY 2011**
Outsourcing	▪ 100% of Interstate Maintenance outsourced by April 2009, ahead of July 2009 schedule. ▪ Interstate Maintenance Outsourcing expenditures $209 million.	▪ Plans for outsourcing management, maintenance, inspections and operations of the Woodrow Wilson Bridge (WWB) have begun through a request for proposal (RFP). The RFP covers a portion of I-495 (4 miles in VA currently under contract) and the WWB under joint agreement with Maryland. The contract ($36.6 million) was awarded in June 2010 and will be managed by VDOT.

Table 1.0: Highlights of FY 2010 and FY 2011 Outsourcing, Privatization and Downsizing Activity (cont.)

	FY 2010	FY 2011
		▪ VDOT will issue an RFP for the staffing, maintenance, and repairs of 39 Safety Rest Areas and Welcome Centers throughout the Commonwealth. Current contracts are due to expire December 2010. The expected award date is late 2010 and will be managed by VDOT.
Privatizing	▪ Received solicitation and executed interim agreement with Elizabeth River Crossings, Inc. for Downtown/Midtown/Martin Luther King PPTA project and determined the project was operationally and technically feasible. ▪ Cancelled previous procurement of Route 460 Improvements project and solicited Route 460 project with revised commercial terms. ▪ Continued development of the I-95/395 HOT Lanes projects.	▪ Implementation of the Interim Agreement Phase 2 Deliverables in the support of a Comprehensive Agreement with ERC, Inc., etc. ▪ Continue Procurement on the Route 460 Project. ▪ Continue development of the I-95/395 Hot Lanes Project. ▪ Setting up separate PPTA office.
Downsizing	▪ Met the Appropriation Act requirement that the Department's full-time filled positions do not exceed 7,500. ▪ Completed transfer of Dulles Toll Road to Metropolitan Washington Airports Authority on October 1, 2009. This affected the transfer of 43 full time employees.	▪ Undergo targeted hiring to rebuild the organization in key areas

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 relies on contracting to deliver its transportation program. VDOT lets contracts at the statewide, regional, district and local levels. Due to the number and variety of contracts, this report summarizes VDOT's outsourcing using Department of Accounts (DOA) account code categories.

VDOT employs nine categories of account codes to define its expenditures (See Table 2.0 below). Each expenditure category includes some charges to private sector vendors, but seven main categories encompass the majority of outsourced expenditures (in bold).

Table 2.0: VDOT Expenditures by Department of Accounts Code, Expenditures and Percent

Code	Expenditure Category[1]	FY 2010 Expenditures (in millions)	FY 2010 Percent of Total
1100	Personal Services	$530.1	17%
1200	**Contractual Services**	$654.6	21%
1300	**Supplies & Materials**	$128.5	4%
1400	**Transfer Payments**	$420.8	14%
1500	**Continuous Charges**	$57.5	2%
2100	**Property & Improvements**	$74.5	3%
2200	**Equipment**	$29.4	1%
2300*	**Plant & Improvements**	$921.2	30%
3100	Obligations	$253.7	8%
All	Total	$3,070.3	100%

* "Plant" in accounting terms typically means physical facilities and infrastructure. This category includes construction expenditures for bridges, highways and buildings.

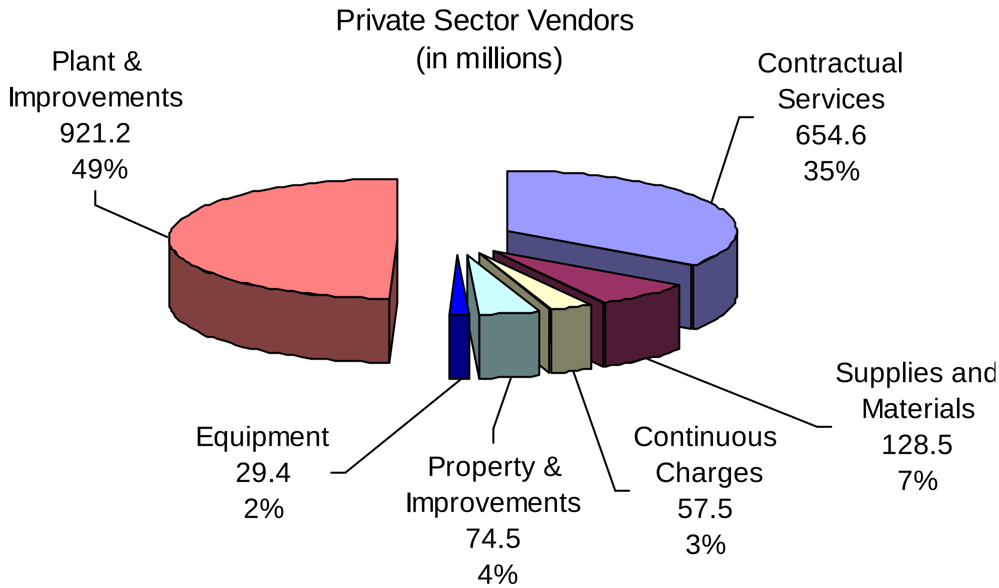
VDOT recorded expenditures of $3.07 billion in FY 2010, a decrease of $0.25 billion from FY 2009. Of that total, VDOT spent 75% ($2.29 billion) either with private sector vendors ($1.87 billion) or in transfer payments ($0.42 billion). When debt service payments ($0.25 billion) are included, VDOT's external expenditures represent 83% of the FY 2010 total.

<u>FY 2010 Expenditures with Private Vendors</u>

VDOT spent $1.87 billion in FY 2010 with private sector vendors. These expenditures are charged to six account categories as defined by the DOA: Contractual Services, Supplies & Materials, Continuous Charges, Property & Improvements, Equipment, and Plant & Improvements. A detailed definition for each category, explanation of specific charge sub-categories, and breakdown of expenditures is displayed in Appendix A: *Breakdown of Categories of VDOT's FY 2010 Private Sector Spending*. Figure B displays each category relative to VDOT total private sector vendor contracts.

[1] Appendix A includes expanded definitions of Department of Accounts Categories.

Figure B: Breakdown of Expenditures Private Sector Vendors



VDOT decreased its total expenditures with private sector vendors from $2.01 billion in FY 2009 to $1.87 billion in FY 2010. This represents a decrease of 7% since FY 2009.

In addition to this overview of private sector spending, VDOT has tracked specific activity related to outsourcing initiatives. These activities are presented below.

Highway Maintenance

VDOT maintains and operates the state system of highways by combining engineering practices and analysis with sound business practices to achieve cost-effective outcomes. The highway maintenance budget absorbs a large portion of total Department spending each year. In FY 2010, VDOT maintenance expenditures, including VDOT payments to localities, comprised approximately $1.47 billion (48%) of the $3.07 billion total expenditures.

VDOT has entered into contracts with the private sector to deliver many maintenance and operations related projects and services. In FY 2010, VDOT had maintenance expenditures (Program 604) of $1.13 billion, of which $835 million (74%) were paid to the private sector. Of the $835 million in private sector payments, $403 million (48%) were delivered directly through private contracts, while $432 million (52%) were paid to vendors for supplies, materials, fuel and non-contracted services that support maintenance and operations. VDOT also provided $339 million in payments to counties and cities to support maintenance expenditures by localities. The difference between the $1.87 billion and the $835 million in maintenance outsourcing is predominately for construction expenses, and to a lesser degree items, such as debt service, service contracts, etc.

Interstate Maintenance
Chapter 782 of the Acts of Assembly of 2006 requires all interstate maintenance to be outsourced by July 2009. As of April 2009, 100% of the maintenance of the interstate system was outsourced. A primary tool to achieve this legislative mandate is Turnkey Asset Maintenance Services (TAMS).

The TAMS contractor is required to provide ordinary and preventive maintenance services to include repair, replacement and restoration activities on right-of–way assets and the following services:

- Severe weather operations services
- Emergency response
- Safety operations management and traffic control
- Third party claims
- Hazardous materials management and disposal

Examples of ongoing maintenance and operations by private contract outside the TAMS system include:

- Pavement resurfacing;
- Bridge painting, deck repair and replacement, superstructure and substructure repair;
- Bridge inspection;
- Guardrail upgrades and replacements; and
- Signals, electronic sign installations, mowing, and roadside maintenance.

Partnerships with Localities and the Urban Construction Initiative
VDOT negotiates and authorizes localities to assume full control of their roads, where localities prefer to assume this responsibility. VDOT has several programs that enable localities to administer all or a part of their construction and maintenance programs.

In 2006, VDOT partnered with Stafford and James City Counties to develop a model and guidebook that provide tools to counties interested in pursuing devolution. Over the past year, VDOT has provided information on devolution options to several counties that are exploring the concept. More information on devolution options can be found at http://www.virginiadot.org/business/LAD_devolution.asp.

The General Assembly has given cities and towns the option to take greater control of their construction dollars through initiatives such as the Urban Construction Initiative (First Cities). This initiative enables localities to administer their entire construction program.

To date, eleven municipalities have taken responsibility for their entire construction program by joining the Urban Construction Initiative (First Cities). The City of Newport News is the latest municipality to execute the programmatic agreement, joining the initiative on July 1, 2010. The City of Chesapeake and Town of Purcellville have expressed interest to join the initiative in FY 2011.

Item 455 D. of Chapter 874 of the 2010 Acts of Assembly states that for any city or town that assumes responsibility for its construction program as outlined in § 33.1-23.3 D, *Code of Virginia*, the matching highway fund requirement contained in § 33.1-44, *Code of Virginia*, shall be waived for all new projects approved on or after July 1, 2005. This provision eliminates the requirement that cities or towns match 2% of highway construction funding with local funding, once the municipality assumes responsibility for their construction program. More information can be found at http://www.virginiadot.org/business/local-assistance-firstCities.asp

SECTION 2: PRIVATIZATION

Privatization is defined as a method of contracting with the private sector to provide a service or good. At VDOT, this occurs either through traditional contracting with private vendors or through the Public Private Transportation Act process.

Public Private Transportation Act

The Public Private Transportation Act of 1995 (PPTA) is the legislative framework enabling VDOT to enter into agreements authorizing private entities to develop and/or operate transportation facilities. VDOT has several PPTA initiatives in different stages of development..

Table 3.0: Active PPTA Projects under Contract

Project	District	Type of Project	Estimated Dollar Value (in millions)	Project Expenditures	Comments
I-495 Hot Lanes Capital Beltway Express LLC will construct, manage, maintain and operate four High Occupancy Toll (HOT) lanes along 14 miles of the Capital Beltway in Fairfax County. HOV 3, motorcycles, carpoolers, and buses will have free HOT lane access without payment of the applicable toll.	Northern Virginia	Toll Road with 80 year concession period (5 year construction and 75 years of operations and maintenance)	$2,000 (Construction, operations & maintenance (O&M))	Capital Beltway Express LLC expenditures as of 6/30/10 is approximately $874 million VDOT public subsidy payment as of 10/1/10 is approximately $321.4 million VDOT's oversight expenses during the construction period is approximately $40 million as of 9/30/10	Contract Executed December 19, 2007. Project currently under construction with an anticipated December 2012 completion. VDOT contract obligations are approximately $524 million in construction phase.
Coalfields Expressway (CFX) Proposed four-lane highway coal synergy project stretching approximately 50 miles from Pound, Virginia in Wise County through Dickenson and Buchanan Counties, and linking with the West Virginia Coalfields Expressway near Paynesville, West Virginia. Alpha Natural Resources is currently constructing the Hawks Nest segment of CFX, approximately 2 miles of earthwork to prepare rough grade of road.	Bristol	Not a toll road. Using Coal Synergy Concept which will assist in reducing the cost of the project by almost half.	$4,700 without Coal Synergy Concept ($2,600 with Coal Synergy Concept) (VDOT contract obligations for Hawks Nest are $10 million for construction. VDOT retains O&M))	Hawk's Nest Contract with Alpha – expenditures are approximately $1.5 million as of 9/10/10. Hawk's Nest – VDOT oversight expenses are approximately $700,000 as of 9/10/10.	Contract executed for Hawks Nest on September 10, 2008. Anticipated completion of Hawks Nest in 2012. VDOT to negotiate other segments of CFX as funds become available.

Table 3.0: Active PPTA Projects under Contract (cont)

Project	District	Type of Project	Estimated Dollar Value (in millions)	Project Expenditures	Comments
Route 28 Development of 10 interchanges and roadway widening along the Route 28 Corridor between I-66 in Fairfax County and Route 7 in Loudoun County.	Northern Virginia	Not a toll road. Project Cost sharing arrangement between the State Route 28 Highway Transportation Improvement District Commission and the Commonwealth Transportation Board.	$350 (VDOT retains future O&M)	First Six Interchanges cost approximately $207 million as of 9/30/10. Final Four Interchanges cost approximately $142 million as of 9/30/10.	Contractor is completing the final interchange. Completion scheduled for October 2011.
Route 895 Concession agreement with Transurban to manage, maintain, operate, and collect tolls on Pocahontas Parkway, and construct the Airport Connector.	Richmond	Toll Road with a 99 year concession period	$45	Transurban has expenditures of approximately $27.2 million as of 6/30/10. VDOT has oversight expenditures of approximately $200,000 as of 10/31/10.	Concession agreement signed in 2006 and Airport Connector construction began in 2008. Estimated completion date May 2011.
Route 58 Corridor Widen from 2-lanes to 4-lanes along segments of route 58 between Stuart and Hillsville in the Salem District	Salem	Not a Toll Road.	$110 (VDOT retains future O&M)	Phase 2 contract has spent approximately $72 million as of 10/15/10.	Phase 1 – Meadows of Dan completed in May 2006. Phase 2- Hillsville Bypass currently under construction. Estimated completion date November 2011.

Table 4.0: PPTA Active Proposals

Project	District	Estimated Dollar Value (in billions)	Comments
I-95/395 Hot Lanes Develop and operate new high occupancy toll (HOT) lanes on the I-95/395 corridor from Northern Virginia to the Fredericksburg district.	Fredericksburg / Northern Virginia	$1.50	Flour-Transurban considering options to improve financial feasibility. Current contract obligations under the interim agreement approximately $30 to $50 million.
U.S. Route 460 Development and/or operation of the new U.S. Route 460 from I-295 in Petersburg to Route 58 in Suffolk.	Hampton Roads, Richmond	$2.00	Received three conceptual proposals on September 7, 2010. Presently evaluating the three conceptual proposals with an estimated completion of procurement January 2011.
Downtown Tunnel/Midtown Tunnel/Martin Luther King Blvd Extension (MLK) Development and operation of a new two-lane tunnel parallel to the existing Midtown Tunnel and extending the MLK from London Boulevard to Interstate 264 (I-264), with an interchange at High Street. Maintenance and operation of the entire facility.	Hampton Roads	$1.90	Proposal submitted September 29, 2008. Currently Implementing Phase 2 of Interim Agreement. Financial closure anticipated in Summer 2011.

SECTION 3: DOWNSIZING

VDOT completed major portions of its reorganization in April 2010 in order to reach a mandated staffing reduction to 7,500 full-time employees by July 1, 2010 and to streamline the way it does business around the Commonwealth. The restructuring program changed business practices and altered the way citizens, developers, localities, businesses and transportation industry contacts will do business with the agency.

Actions taken to date include:

- Consolidating 15 residency offices around the state and expanding the geographic scope of our remaining 29 residency offices
- Transitioning customer service activities from area headquarters and residencies to a coordinated customer service center
- Reorganizing and downsizing VDOT's land-use, permitting, construction and project development activities in our district offices

Implementing this reorganization and additional budget reductions contributed to an 8% reduction in Administrative and Support Services from the Revised FY 2010 Budget.

VDOT's Restructuring

VDOT's plan for restructuring has three major components:

- The Six-Year Improvement Program
- Organization and Staffing
- Services and Programs

The Six-Year Improvement Program

VDOT worked with the Commonwealth Transportation Board (CTB) to reduce the size of the Six-Year Improvement Program (SYIP). In June 2008, the SYIP for Highway Construction totaled $7.9 billion. The SYIP adopted in June 2010 totaled $5.7 billion.
With the necessary revisions, VDOT and the CTB continued to:

- Emphasize safety, reconstruction and bridge replacement projects.
- Finish current projects before adding new ones.
- Maximize the use of federal aid on eligible projects.
- Look to public-private partnerships to drive capacity improvements.

Additionally, funding levels that will be provided by the next federal transportation legislation are uncertain. Future funding levels could be significantly less than the plan based on SAFETEA-LU funding levels.

Organization and Staffing

VDOT implemented the vision outlined in the Comprehensive Plan (Blueprint), resulting in a VDOT that is smaller and re-proportioned to meet its mission through partnerships and collaboration both internally and externally.

Since July 1, 2002, VDOT has downsized by 3,383 people. VDOT met the requirements of the 2009 Appropriation Act (Item 462.05 of Chapter 781) that the Department's full-time filled positions do not exceed 7,500 by July 1, 2010 by eliminating classified positions and restructuring operations. As of July 1, 2010 the Department had 6,809 classified employees. The Department has made significant progress highlighted by the following:

- Implemented an organizational structure that maintains no more than five supervisory levels between the lowest line staff to the Commissioner or Deputy Commissioner, for a significant majority of the Department;

    - Reduced the number of equipment repair facilities from 73 to 37. Consolidated maintenance area functions located in the residency offices from 44 to 29;
    - Maintained 181 area headquarter locations and 5 operations centers among 9 districts;

- Established Customer Service Centers located in both the Salem (main site) and Northern Virginia Districts. Both locations use agency staff and outsource with contract staff in the interim mode until all business and technology issues are completed.

- Established a Planning and Investments Management function in each of the districts to continue building partnerships with local governments for local planning, land use activities, and construction project development and delivery.

<u>VDOT's Staffing Implementation Plans</u>

- (July 1, 2002 to July 1, 2010) Staff reduced from 10,192 to 6,809 (3,383 fewer classified employees).
- VDOT implemented Stages 2 and 3 of the Blueprint staffing plan in FY 2010:
    - 642 notices of layoff given in Stage 2 and 674 notices of layoff given in Stage 3, for a total of 1,316 notices given; 42 were later rescinded.
    - 529 in Stage 2 and 354 in Stage 3 for a total of 883 employees were separated under layoff
        - This includes individual programs outsourced in areas such as construction inspection, Dulles Toll Roads and some facilities roles.
        - Includes individuals who chose not to be placed under layoff, individuals who substituted for another employee impacted by layoff and those who were unable to be placed by layoff.
- VDOT staffing for FY 2011:
    - Classified MEL has been reduced to 7,500 by Appropriations Act
        - July 1, 2010 position allocations equal 7,572 across VDOT functional areas based on Blueprint authorization adjustments.
        - Continuing Blueprint Adjustment will cause this number to fluctuate and the overages to be addressed.
        - Strength will not exceed the 7,500 MEL authorizations.
    - July 1, 2010 vacancies 750+
        - Major staffing/recruitment initiatives underway to address gap in staffing
            - 350+ "Boots on the Ground" core function positions (e.g., transportation operators).
            - 120 Management, Administrative and Professional positions in Round 1 with additional rounds planned.

            - Recruitment and hiring is being conducted regionally to provide synergy in recruitments and to facilitate a faster more efficient hiring process.
  - Wage Employees:
    - Regular supplemental wage staffing continues to fluctuate based on staffing needs but is reduced from 352 supplemental to 99 allocated positions with a strength of 63.
      - A number of these positions particularly in IT related areas have been outsourced and are now filled by contractors.
      - Regular supplemental wage position requests and staffing are expected to increase in FY 2011 temporarily to adjust for staffing gaps in classified resources.
    - Emergency staffing positions were all eliminated in April 2009 as part of the Blueprint Stage I Implementation in October 2009. An evaluation of this staffing was completed and 495 wage positions and additional temporary employee hiring was authorized to support snow emergency operations.
      - A decision was made to allow these employees to be placed in idle status at the end of the emergency operations season in order to streamline effective response and recruitment in anticipation of the FY 2011 season.
      - Anticipated emergency staffing requests for FY 2011 are expected to increase.

Services and Programs

VDOT is:

- Prioritizing services to maximize safety and customer service.
- Ensuring that VDOT does not lose emergency response capability.
- Maximizing the use of federal funds.
- Eliminating, reducing, or consolidating services and contracts performed by both private-sector partners and VDOT personnel.

In FY 2010, VDOT continued with the following service reductions with implementation of the Blueprint. For example:

- Reducing the reserve fund for major emergencies by $75 million over the next six years to help minimize the impact on district budgets.
- Evaluating VDOT’s Jamestown-Scotland Ferry service, and making operational and service changes to save $7.8 million over the next six years.
- Evaluating new statewide service levels for maintenance operations to cut spending.
- Prioritizing services from centerline to the right-of-way edge.
- Evaluating safety rest area property management contracts to reduce costs and offset a portion of the $7 million/year required to operate 19 sites re-opened in the second half of FY 2010 (previously closed during implementation of the Blueprint).

In FY 2011, the Department will implement recommendations from various external audits designed to further improve operations. As operational improvements are implemented, the Department will ensure and monitor progress through performance management.

SECTION 4: REVENUE GENERATION FROM VDOT ASSETS

VDOT generates revenue from the Department's assets where prudent, and where consistent with the VDOT mission to plan, deliver, operate and maintain a transportation system that is safe, enables easy movement of people and goods, enhances the economy and improves Virginians' quality of life.

Right-of-Way Land Sales

VDOT offers highway right-of-way properties for sale that were previously purchased but are no longer needed. VDOT offers any properties suitable for independent development to the public via the VDOT Web site and by advertising locally. Properties not suitable for independent development are offered for sale to owners of adjoining land. In FY 2010, VDOT conveyed 49 deeds comprising 36.7 acres and received $0.9 million in revenues.

Tenant Revenues on Right-of-Way Property

When VDOT determines that property purchased for highway right-of-way will be needed in the future, but not the near future, VDOT leases such land and improvements. For example, if funding for a highway construction project is delayed, VDOT will seek tenants for any houses on the associated right-of-way properties. In FY 2010, VDOT collected $1.2 million from the lease of right-of-way land and improvements.

Table 5.0: Tenant Revenues on Right-of-Way Property

District	Number of Leases	Revenue FY 2010
Bristol	3	$ 12,225
Salem	6	$ 33,200
Lynchburg	2	0
Richmond	0	0
Hampton Roads	7	$ 88,858
Fredericksburg	2	$20*
Culpeper	38	$434,727
Staunton	0	0
Northern Virginia	4	$638,701
Total	**62**	**$1,207,731**

*Annual Payments on two agreements for signs @ $10 ea.

Cell Tower Leases at VDOT Sites

VDOT leases sites for cell towers at the request of telecommunications companies where alternatives are not commercially available. Cell tower revenue in FY 2010 was $4.5 million; the FY 2011 projection is $4.6 million.

TAMS Leases of VDOT Facilities

On an as requested basis, VDOT began leasing facilities to TAMS vendors for the duration of a maintenance contract in October, 2007. TAMS leases yielded approximately $0.6 million in FY 2010 revenues.

Interstate Rest Area Vending Machines

Vending revenues are collected at those Interstate Rest Areas with vending shelters. This is accomplished through a contract with Business Opportunities for the Blind (BOB) and the VDOT Maintenance Division. VDOT and BOB generally share the commissions equally. The exception to this is for new vending shelters when VDOT has not yet recovered its costs; in that case, VDOT receives a higher than normal share of the commissions (approximately 75%:25%) until VDOT recoups its costs. VDOT's vending machine revenue at Interstate Rest Areas amounted to $1.0 million in FY 2009. As expected, vending revenues decreased for FY 2010 as a result of closing 19 Interstate Rest Areas/Welcome Centers. VDOT's revenue for FY 2010 vending amounted to $0.7 million.

Land Development Impact Studies

VDOT also recoups partial costs incurred in providing services to local governments and land developers. As authorized by Chapter 527 of the 2006 Acts of Assembly, VDOT can charge a fee (up to $1,000) to recoup costs associated with reviewing land development impact studies. In FY 2010, VDOT collected $0.09 million in these fees.

Table 6.0: Summary of FY 2010 VDOT Revenues

Source	**FY 2010 Revenue** *(in millions)*
Right of Way Land Sales	$0.90
Tenant Revenues on Right of Way Property	$1.20
Cell Tower Leases at VDOT Sites	$4.50
TAMS Leases of VDOT Facilities	$0.60
Interstate Rest Area Vending Machines	$0.70
Land Development Impact Studies	$0.09
Total	**$7.99**

Outsourcing Report Cost

The approximate cost to complete this report was $7,587.

APPENDIX A: BREAKDOWN OF CATEGORIES OF FY 2010 PRIVATE SECTOR SPENDING

VDOT's private sector spending is comprised of the following six categories: Contractual Services; Supplies and Materials; Continuous Charges; Property & Improvements; Equipment and Plant & Improvements. Note that VDOT's construction expenditures are captured in the category of Plant & Improvements. The tables below provide a further breakdown of charges using more detailed DOA sub-category account codes.

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.

Table A-1: Contractual Services Expenditures

Account Code 1200	Contractual Services Description	FY 2010 Expenditures (in millions)	Percent of Category Total
1210	Communications Service	$15.7	2%
1220	Employee Development Service	$3.6	1%
1230	Health Service	$0.5	0%
1240	Management and Informational Services	$69.1	11%
1250	Repair and Maintenance Services	$321.4	49%
1260	Support Service	$198.0	30%
1270	Technical Services	$42.6	6%
1280	Transportation Services	$3.9	1%
1290	Other Contractual Services or Refunds	-$0.2	0%
All	**Total**	**$654.6**	**100%**

Communications services and technical services include services provided by Virginia Information Technologies Agency (VITA). Management and information services include audit and fiscal services. Repair and maintenance services include 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.

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.

Table A-2: Supplies and Materials Expenditures

Account Code 1300	Supplies and Materials Description	FY 2010 Expenditures (in millions)	Percent of Category Total
1310	Administrative Supplies	$1.9	2%
1320	Energy Supplies	$24.4	19%
1330	Manufacturing and Merchandising Supplies	$1.0	1%
1340	Medical and Laboratory Supplies	$0.2	0%
1350	Repair and Maintenance Supplies	$70.2	54%
1360	Residential Supplies	$0.1	0%
1370	Specific Use Supplies	$31.6	24%
1390	Other Supplies and Materials	-$0.9	0%
All	**Total**	**$128.5**	**100%**

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 Department. It also includes road repair and maintenance items such as stone, sand and line paint. Specific use supplies include emergency materials such as salt and abrasives.

Continuous Charges

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

Table A-3: Continuous Charges Expenditures

Account Code 1500	Continuous Charges Description	FY 2010 Expenditures (in millions)	Percent of Category Total
1510	Insurance-Fixed Assets	$1.2	2%
1520	Capital Lease Payments	$7.8	14%
1530	Operating Lease Payments	$10.7	18%
1540	Service Charges	$20.7	36%
1550	Insurance-Operations	$16.0	28%
1560	Installment Purchases	$1.1	2%
1570	Payments for State Employee Health Insurance Programs	$0.0	0%
1590	Other Continuous Charges	$0.0	0%
All	**Total**	**$57.5**	**100%**

Service Charges include utility related charges such as electricity, refuse, water and sewer payments.

Property and Improvements

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

Table A-4: Property and Improvements Expenditures

Account Code 2100	Property and Improvements Description	FY 2010 Expenditures (in millions)	Percent of Category Total
2110	Acquisition of Property and Improvements	$71.3	96%
2120	Natural Resources	$0.0	0%
2130	Site Development	$3.5	4%
2190	Other Property and Improvements	-$0.3	0%
All	**Total**	**$74.5**	**100%**

Equipment

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

Table A-5: Equipment Expenditures

Account Code 2200	Equipment Description	FY 2010 Expenditures (in millions)	Percent of Category Total
2210	Computer Hardware and Software	$3.1	11%
2220	Educational and Cultural Equipment	$0.2	1%
2230	Electronic and Photographic Equipment	$6.0	20%
2240	Medical and Laboratory Equipment	$0.2	1%
2250	Motorized Equipment	$13.9	47%
2260	Office Equipment	$1.2	4%
2270	Specific Use Equipment	$3.3	11%
2280	Stationary Equipment	$1.3	4%
2290	Other Equipment	$0.2	1%
All	**Total**	**$29.4**	**100%**

Plant and Improvements

DOA defines this category as expenditures for acquisition and construction of plant and improvements. These are VDOT's outsourced highway construction expenditures.

Table A-6: Plant and Improvements Expenditures

Account Code 2300	Plant and Improvements Description	FY 2010 Expenditures (in millions)	Percent of Category Total
2310	Acquisition of Plant and Improvements	$1.4	1%
2320	Construction of Plant and Improvements	$919.9	99%
2390	Other Plant and Improvements	-$0.1	0%
All	**Total**	**$921.2**	**100%**

Expenditures within this group include road and bridge construction.