

FY 07 Business Plan

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VDOT Chief Deputy Commissioner

September 21, 2006

Purpose

Defining VDOT's Business

Reforms for Improved Performance

Strategies for Efficiencies

Summary

- 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

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

- 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

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

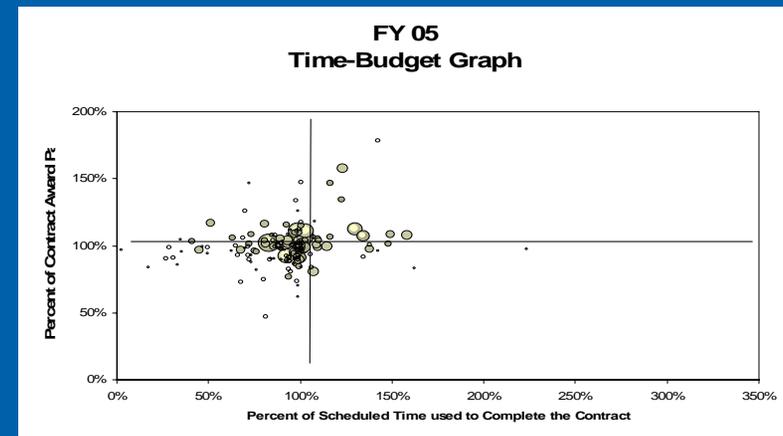
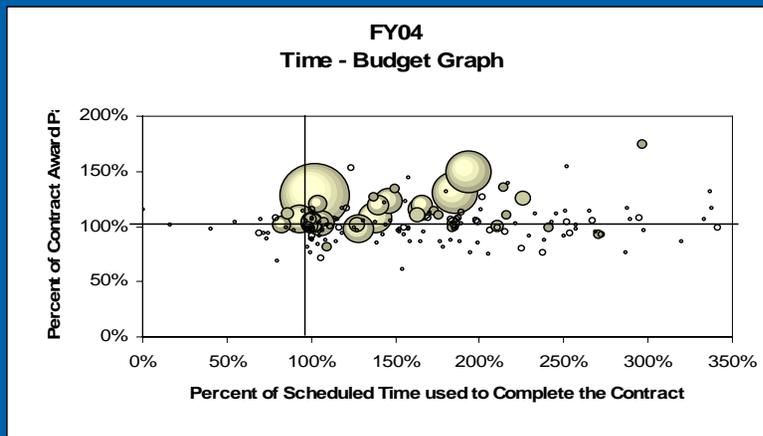
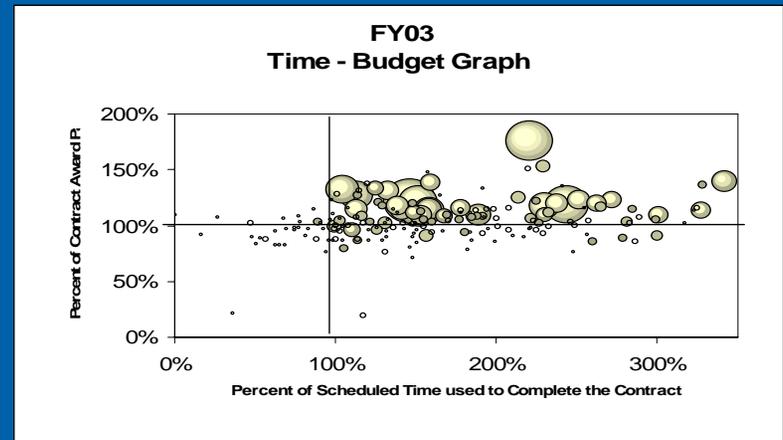
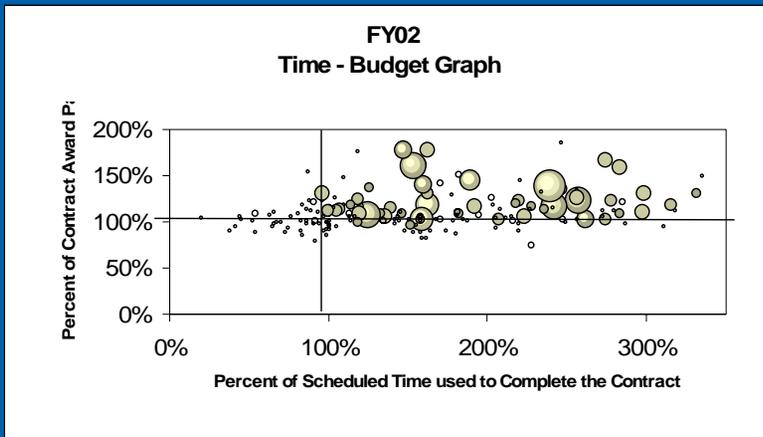
We have:

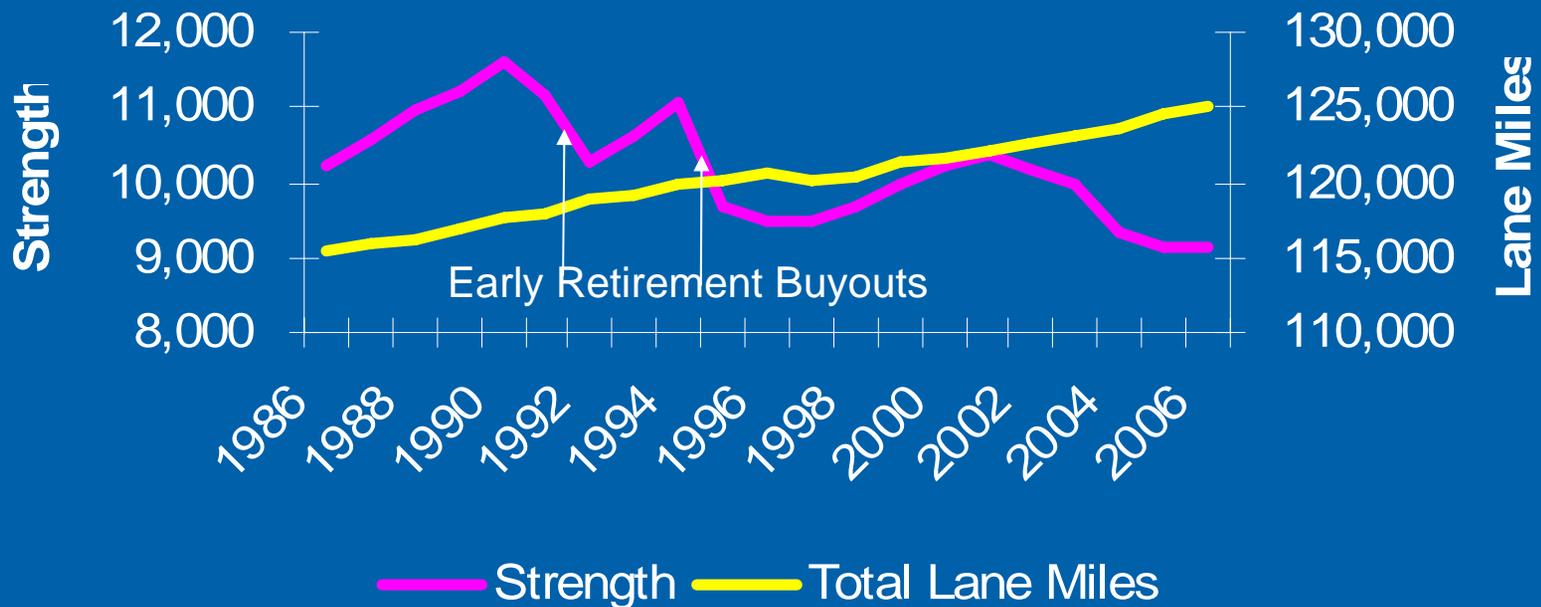
- Established Innovative Project Delivery business unit to focus on encouraging PPTA and private investment in transportation
- Implemented recommendations made by the APA Cash Management Audit
- Received an additional \$30 million federal dollars in FY 06 and \$60 million in FY 07 as a result of obligating 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

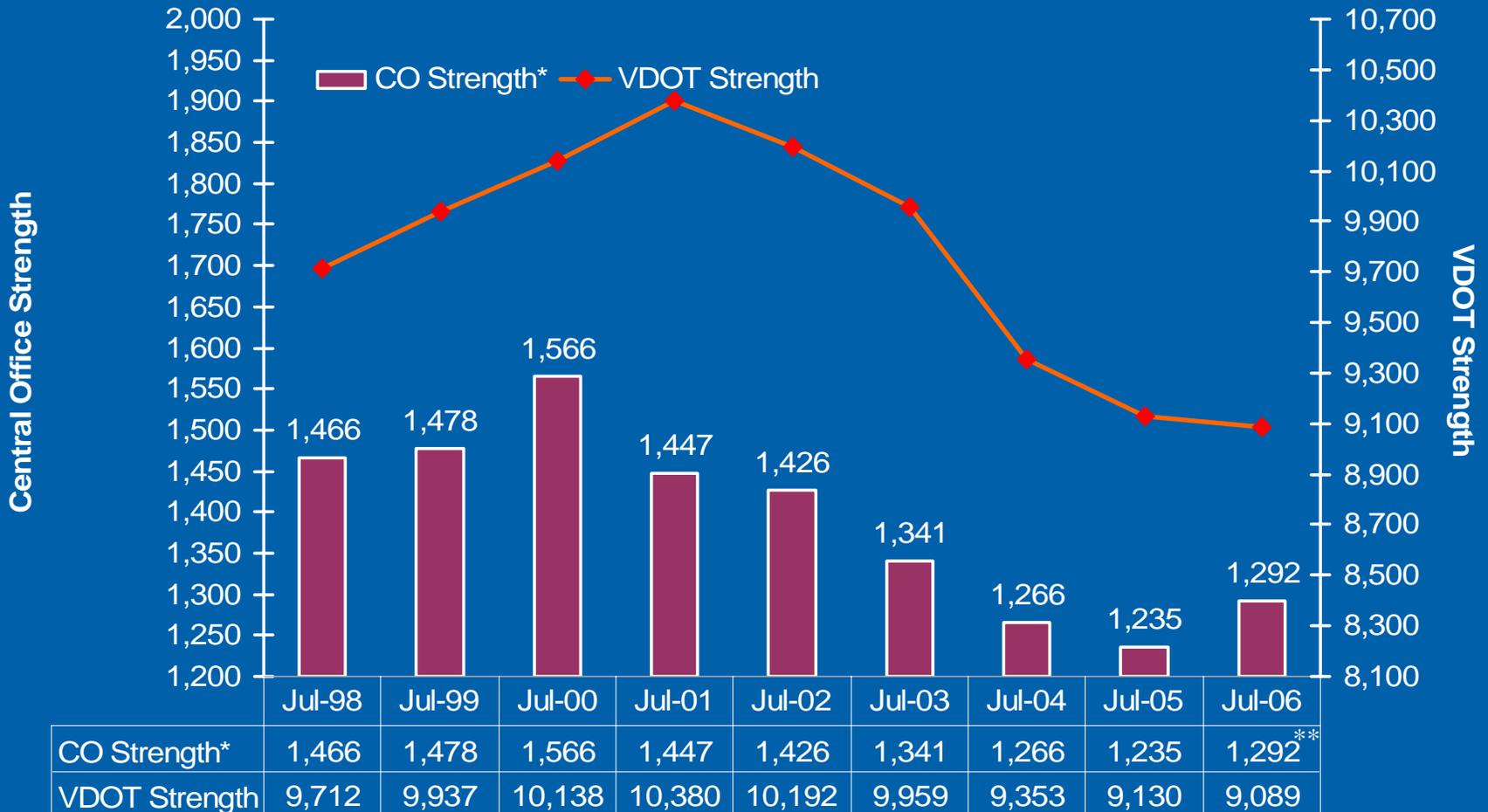
Measure Type	FY01	FY02	FY03	FY04	FY05	FY06
Construction On-Time	20%	30%	27%	36%	75%	84%
Construction On-Budget	51%	61%	65%	73%	78%	86%
Maintenance On-Time	38%	43%	38%	51%	74%	79%
Maintenance On-Budget	59%	71%	80%	81%	80%	88%

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

Each Bubble Represents a Completed Project







*Tolls have been removed for comparison purposes.

**All Civil Rights Staff report to the CO – 7/1/06

- 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

- 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

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

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

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

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)

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%

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

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

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.

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

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

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

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**

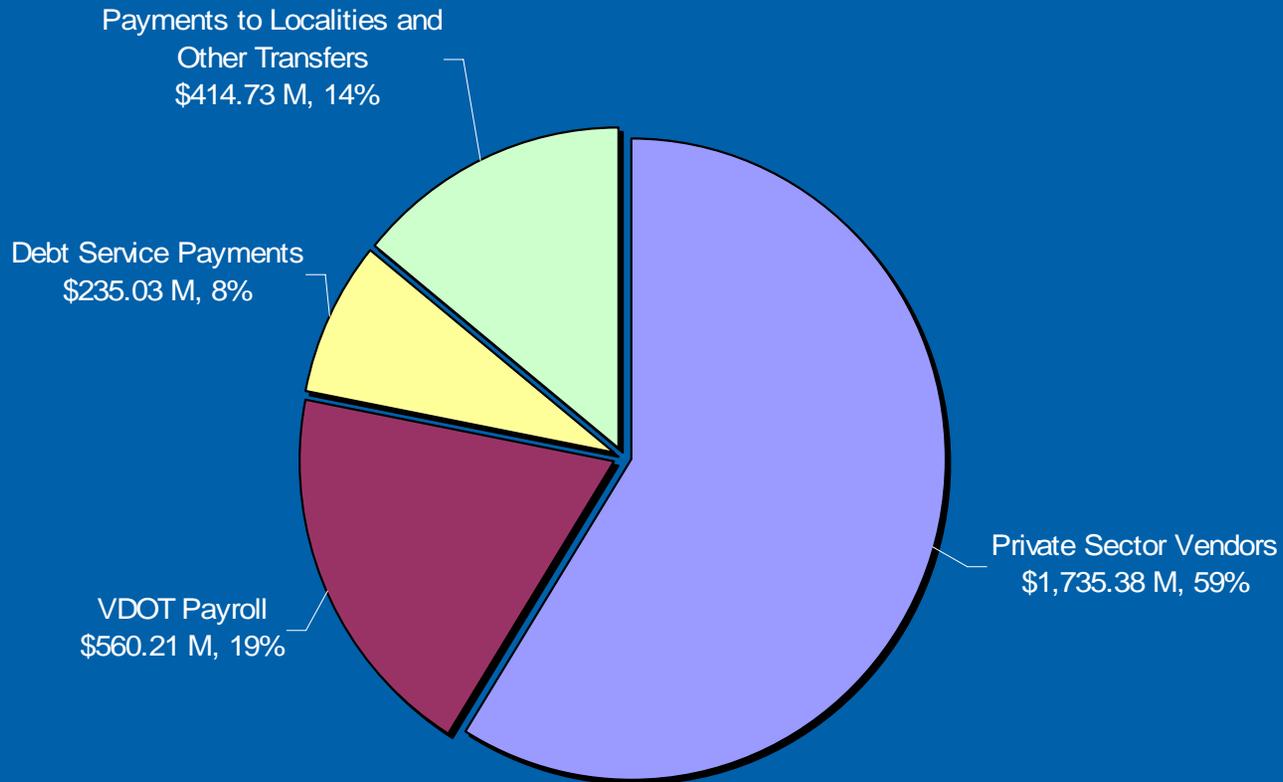
- Increase emphasis on using latest research, engineering technology and other technical knowledge to design and build longer lasting facilities, reduce cost, and improve practices
 - The project “A Performance Baseline for Stone Matrix Asphalt” helps VDOT save \$14 million per year
 - The project “First 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%

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

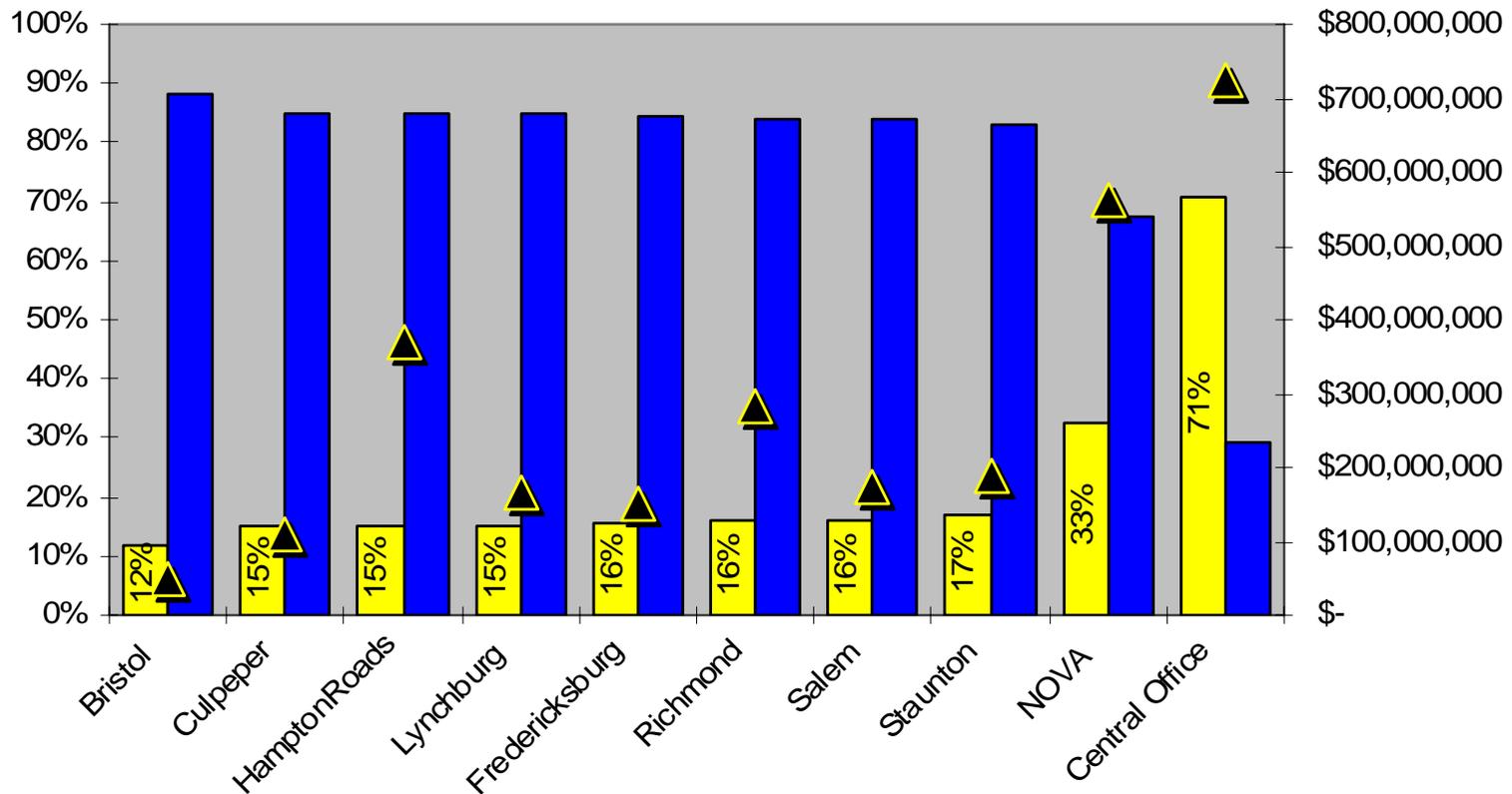
- Chapter 544 of the 2006 Acts of Assembly requires the Commissioner to report in November 2006 on past and future plans for outsourcing, privatizing and downsizing of the agency
- VDOT Executive staff has established a methodology to evaluate operational areas for outsourcing. Candidate areas include:
 - 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

FY 2006 VDOT Spending \$2.9 Billion



Professional Percentages and Contractual Services

■ PROFESSIONALS
 ■ OTHER
 ▲ CONTRACTUAL SERVICES



- 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

- 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

- 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

- 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

- 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

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