



COMMONWEALTH of VIRGINIA  
*Office of the*  
SECRETARY of TRANSPORTATION

**Transportation Update  
Senate Finance Committee**

June 17, 2010  
Sean T. Connaughton  
Secretary of Transportation



# Today's Briefing

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**Port Authority PPTA Project/APM Transaction**

**I-95 Corridor Improvement Project**

**Independent Audits of Virginia Transportation Programs and Agencies**

**VDOT Staffing Reductions**

**Highway Maintenance Needs and Budget**

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## Port Authority PPTA Project/APM Transaction

# Port Authority PPTA Project/APM Transaction

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The Virginia Port Authority has received proposals from Carrix/Goldman Sachs, the Carlyle Group, and Centerpoint Properties to operate the Commonwealth's port facilities.

Consideration of these proposals is on hold until the APM transaction is complete. The VPA Board is expected to finalize the transaction at its June 24<sup>th</sup> meeting.

# Port Authority PPTA Project/APM Transaction

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On May 13, Governor McDonnell announced that APM Terminals and the VPA had reached an agreement in principle for a 20 year operating lease of the APM facility.

APM's facility, completed in 2007, is the most efficient and technologically advanced terminal in the entire country. Operating this facility will greatly expand VPA's container capacity and allow for more cost effective and efficient container handling.

As part of the lease, APM will assign its existing contracts to VIT, who will be responsible for operations, maintenance, sales, and marketing of the APM facility. VIT will also assume APM's ILA contract and acquire the rights to APM's intellectual property.

VPA may stop using the Portsmouth Marine Terminal as a container facility, and convert PMT into a bulk and or break-bulk facility, further increasing capacity and expanding the Ports ability to attract new economic development opportunities.

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## **I-95 Corridor Improvement Project**

# I-95 Corridor Improvement Project

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Virginia has requested FHWA's consideration to substitute the Interstate Route 81 Corridor Improvement Project in the Interstate System Reconstruction and Rehabilitation Tolling Pilot Program with the Interstate Route 95 Corridor Improvement Project

Virginia's request is to include the entire Interstate 95 Corridor from the border of North Carolina to the Maryland state line in the Pilot Program

Virginia is proceeding with capacity improvements in the northern portion of the I-95 corridor through the I-95/395 HOT Lanes Project.

FHWA's approval of the substitution will allow Virginia to start an improvement program in the southern portion of the corridor which will focus on improvements to the existing facility

Southern portion starts at the border of North Carolina (Mile Post 0) and ending south of U.S. Route 17 By-Pass at Massaponax in Spotsylvania County (Mile Post 126).

After improvements are complete between Mile Post 0 to Post 126, Virginia will consider capacity improvements throughout the corridor and operational improvements north of Mile Post 126.

# I-95 Corridor Improvement Project

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Preliminary numbers show tolling of I-95 will assist in generating between \$30 million and \$60 million in revenues each year with only one toll facility at the border of North Carolina

A preliminary list of improvement projects on the existing facility has been compiled

The projects are not funded except for a minimum amount for structure and bridge maintenance

The tolls collected would assist Virginia in covering the funding gap for the needs in the corridor

# I-95 Corridor Improvement Project

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The improvement program will focus on projects involving the following:

## Improvements

- **Safety Improvements - \$176m**  
Upgrading existing assets to new standards, additional safety features and interchange modifications
- **Pavement Improvements - \$155.8 m**  
Functional improvements and structural improvements
- **Structure and bridge Improvements - \$382m**  
Improve the current General Condition Rating (GCR) to 7 or above
- **Operational improvements - \$56m**  
Dynamic message signs, overheight detectors, fiber optics, cameras, etc.

## Administrative, Operating and Maintenance Costs

- **Administrative and Operating Costs on the toll facility – estimated \$2.7m annually**  
Includes staffing, incidentals, annual equipment maintenance and interface with E-ZPass Virginia
- **Routine Maintenance – approximately \$25m annually**  
Includes snow removal, grass cutting, guardrail, preventive maintenance and inspection costs on structures and bridges, operational project costs such as safety service patrols.  
Preventive maintenance, inspection costs and annual operational needs were discussed in the letter.

# I-95 Corridor Improvement Project

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## Next steps include:

- Develop design, engineering, and implementation plans
- Prepare a traffic and revenue study
- Further refine and prioritize the improvement lists which will continue to evolve over time
- Develop any necessary documentation required by FHWA including the environmental studies

Continue efforts on the Interstate 95 in conjunction with NCDOT and other states within the Corridors of the Future Program

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## **Independent Audits of Virginia Transportation Programs and Agencies**

# Independent Audits of Virginia Transportation Programs and Agencies

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The Governor has requested a series of independent audits aimed at improving transportation performance and the efficiency of Virginia's transportation agencies

The transportation reviews underway include:

- A program assessment of the Virginia Public-Private Transportation Act program to develop standardized goals, processes, priorities and program delivery tools for public-private projects. This review will be conducted by KPMG Corporate Finance, LLC.
- An independent performance audit of operations and maintenance, the VDOT blueprint, and project development practices conducted by Cherry, Bekaert and Holland, LLP.
- A review of research programs conducted by the Turner Fairbanks Highway Research Center at the Federal Highway Administration.
- A JLARC review of VDOT's planning and programming activities conducted in accordance with HB 42 and SB 201

# Independent Audits of Virginia Transportation Programs and Agencies

## JLARC

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The scope and methodology of the JLARC review will be determined after the review team interviews the Secretary and Acting Commissioner

According to Glen Tittermary, Deputy Director at JLARC, the review will start in the next two weeks

# Independent Audits of Virginia Transportation Programs and Agencies

## Performance Audit

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Cherry, Bekaert & Holland, LLP (CB&H) officially started the performance audit on May 3, 2010

This independent audit firm is reviewing four primary areas of our operations, including:

1. **Blueprint to:**
  - a. Assess the implementation of plan
  - b. Review compliance with stated objectives and legally-required performance measures
  - c. Review reporting
  - d. Validate the methodologies used to make decisions
2. **Maintenance and Operations to:**
  - a. Review the allocation of funds (including the distribution, spending, and process to evaluate effectiveness of allocation)
  - b. Identify potential cost-saving strategies
  - c. Review performance metrics
  - d. Audit the utilization of funds
3. **Project Development and Execution to:**
  - a. Identify project development streamlining opportunities
  - b. Identify potential cost-saving strategies
  - c. Evaluate performance metrics
  - d. Ensure proper utilization of funds
4. **Prior studies, audits, reviews to consider implementation of previous recommendations which could promote monetary savings, reduce duplication of effort, or improve efficiency**

CB&H is scheduled to complete their review and issue a report by August 2010

# Independent Audits of Virginia Transportation Programs and Agencies

## Review of Research Programs

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**The Turner-Fairbanks Highway Research Center review was established to:**

- Conduct an objective, independent assessment of the Virginia Transportation Research Council
- Provide findings that address the effectiveness and cost efficiency of the VTRC research, development and technology program activities
- Compare VTRC activities with other state or national practices and approaches as appropriate
- Validate successful practices and identify opportunities for improvement
- Assess the advantage or disadvantage of transferring activities to other VDOT divisions or universities

**This review is nearing completion**

- The Secretary of Transportation and Acting Commissioner are scheduled to receive a detailed briefing by the end of June
- A draft and final report will follow the briefing

# Independent Audits of Virginia Transportation Programs and Agencies

## PPTA Program Assessment

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The objective of KPMG's assessment of the Commonwealth of Virginia's Public-Private Transportation Act ("PPTA") program is to identify potential opportunities for process improvement

The PPTA program assessment is organized into three phases

1. Phase I included an assessment of the current program that focused on a comparative analysis of other Public-Private Partnership ("PPP or P3") programs and a summary of opportunities for improvement. Phase I is complete.
2. Phase II will include the preparation of a PPTA implementation manual that will encapsulate the updated standard processes and methodologies for the future PPTA Program
3. Phase III will include developing PPTA project screening and prioritization criteria and the identification of a list of projects meeting the criteria.

# Independent Audits of Virginia Transportation Programs and Agencies

## PPTA Program Assessment

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Five major recommendations were identified during Phase I of the PPTA Program assessment.

- 1. Establish a separate PPTA program office with empowered leadership**
  - Enhanced program leadership, accountability and timeliness of decision-making
  - Bring technical, financial and procurement disciplines together into one team and focus across modes
- 2. Develop standard processes and methodologies for “Project Screening and Prioritization” for solicited projects**
  - Gain control over the PPTA agenda and priorities
  - Create a pipeline of projects to ensure long term private sector interest
- 3. Develop a programmatic approach to procurement and delivery of PPTA projects**
  - Standardize terms and procurement documents to enhance speed of execution
  - Establish a common understanding among all parties on key commercial terms
- 4. Revise the existing PPTA Implementation Guidelines**
  - Reduce the number of steps in the current procurement process
  - Identify and evaluate candidate PPTA projects prior to soliciting PPTA proposals from the private sector
- 5. Establish a dedicated funding source for the PPTA program office**
  - Reflects the true financing challenges of the PPTA program
  - Brings funding stability to the PPTA program

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## **VDOT Staffing Reductions**

# VDOT Staffing Reductions

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The Virginia Department of Transportation (VDOT) has experienced a significant decline in revenue over the last few years

To offset the declining revenues, strategies to reduce cost and transform the Department's operation were identified

The General Assembly incorporated these strategies into Chapter 781 of the 2009 Virginia Acts of Assembly, with an effective date of July 1, 2010

One of the strategies was to reduce filled positions and Maximum Employment Level (MEL) to 7,500

In September 2008, the Department had a MEL of 9,500 and a strength of 8,464 classified employees

The current strength is 6,878 compared to an authorized MEL of 7,500

The Department has eliminated 2,000 classified positions and restructured operations to better meet anticipated future business needs

# VDOT Staffing Reductions

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VDOT's goal was to minimize the number of employees forced to leave the agency while meeting the mandatory 7,500 MEL target. The plan to accomplish the goal included:

## Three primary tools

1. Place staff into existing vacancies where possible
2. Provide affected employees an opportunity to opt out of the placement process in exchange for severance benefits allowed under the Workforce Transition Act (WTA)
3. Provide non affected employees an opportunity to substitute for those employees receiving layoff notices. Substitute employees are eligible for severance benefits under the WTA

## Proposed layoff were planned in three phases

1. Phase I - Focused on wage employees
2. Phase II - Focused on program areas related to preliminary engineering functions, project delivery and equipment shops
3. Phased III - Focused on restructuring field operations, support functions and Central Office Divisions

# VDOT Staffing Reductions

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The results of the layoff process was as follows:

Complied with the mandated 7,500 authorized MEL before the July 1, 2010 deadline.

Current employees count is 6,850. The strength is below the targeted MEL due to a higher attrition rate (primarily retirements) than anticipated. We plan to increase our employee count to the targeted MEL level. Laid off employees will be recalled where appropriate.

1,272 classified VDOT employees were given an initial notice of layoff

Only 44 employees were not placed - 3.5% of the affected employee population

**Stage 1 – Completed April 2009 - 450 wage employees released**

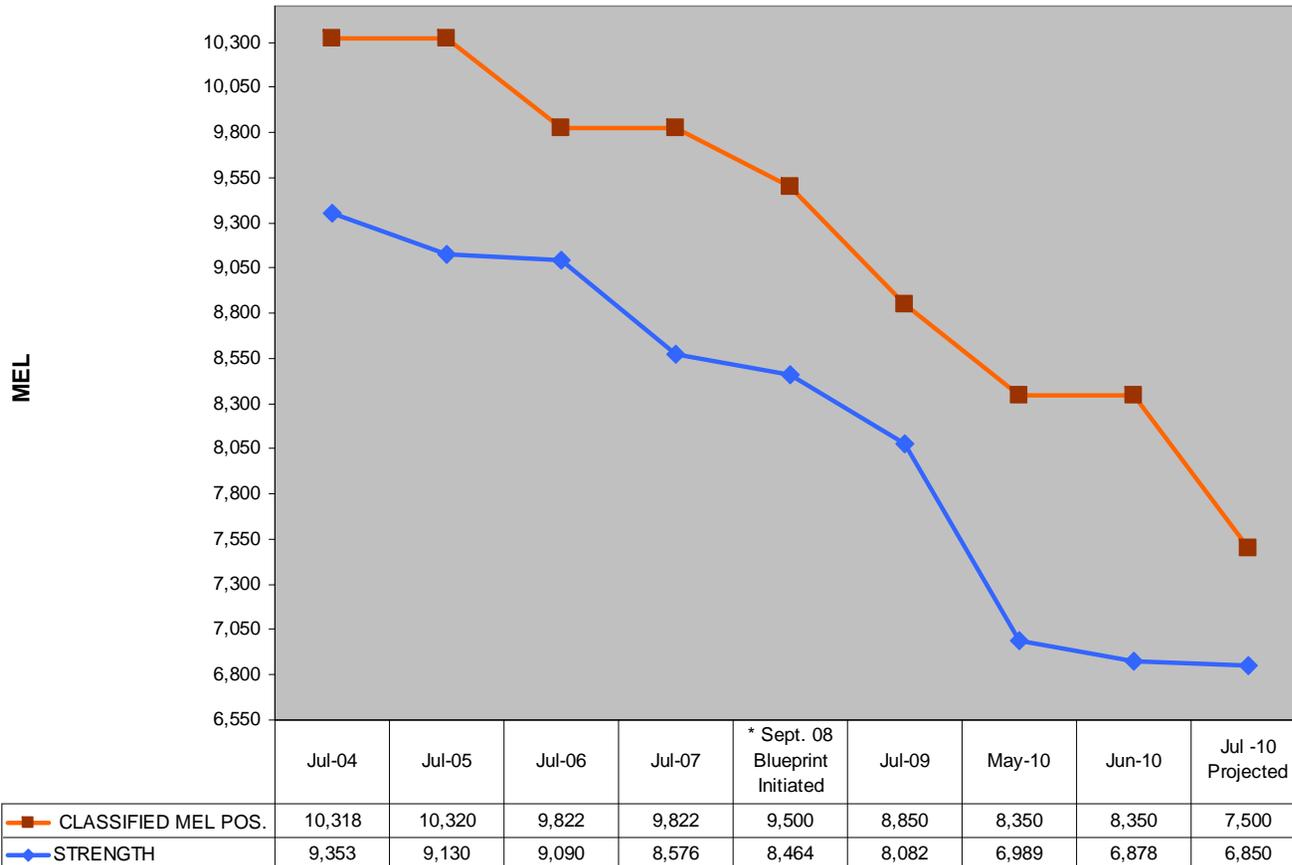
**Stage 2 – Completed July 2009:**

- Focused on program areas related to preliminary engineering functions, project delivery and equipment shops
- 640 filled classified positions were eliminated
- Resulted in 529 classified employees leaving the agency in October 2009

**Stage 3 – Completed April 25, 2010:**

- Focused on restructuring field operations, support functions and Central Office Divisions
- Reduced 632 filled classified positions
- Released 357 classified employees on April 25, 2010
- Minimized the classified staff released through utilizing the over 275 vacancies

# VDOT HISTORICAL STAFFING/CLASSIFIED POSITIONS



# VDOT Staffing Reductions

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Observations of layoff process:

1. Attrition was not factored into the planned reductions and has resulted in an employment strength of 6,878 which is significantly below the authorized MEL of 7,500.
2. Targeted hiring must be undertaken to rebuild the organization
3. The Department plans to hire approximately 330 core maintenance positions
  - Required to respond to emergencies and perform routine maintenance
  - Includes maintenance crew members, safety service patrollers, and essential bridge and tunnel operations staff
4. The Department's secondary focus is to fill approximately 190 management, administrative, & professional positions - professional engineers, designers, planning and investment staff, bridge engineers and financial / managerial positions

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## Highway Maintenance Needs and Budget

# The Approach to Addressing the Snow Costs

The excessive snow amounts and costs this year could not be predicted

- Not reasonable for each district to individually be responsible for its own expenditures (especially Northern Virginia and Staunton)
- Therefore, the issue was viewed as a statewide event

	(in millions)
<b>Snow Expenditures</b>	<b>\$ 263.3</b>
Less: FY 2010 Snow Budget	(79.7)
<b>Budgetary Shortfall</b>	<b>\$ 183.6</b>

	(in millions)
<b>Amounts Provided and Distributed from a Statewide Perspective</b>	
Amount Provided from Administrative and Other Programs through the Revised Budget	\$ 20.6
Amounts Provided from Statewide Maintenance Funds	
Statewide Maintenance Reserves	20.0
Statewide Programs, Projects and Maintenance Management	20.0
Total from Statewide Maintenance Funds	40.0
District Contributions based on share of FY 2010 Maintenance Budget	
Maintenance Projects	68.9
Asset Maintenance and Services Budgets	30.8
Total District Contributions	99.7
<b>Total Provided and Distributed from a Statewide Perspective</b>	<b>160.3</b>
<b>Remainder Provided by Individual District</b>	<b>23.3</b>
<b>Total of Amounts Redirected to Snow</b>	<b>\$ 183.6</b>

# Maintenance and Operations Program Goals

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## **Deliver emergency and safety services to efficiently operate the system**

- Emergency response for snow, flood and other weather related emergencies
- Incident management activities such as safety service patrols
- Operate and maintain the 24/7 facilities: traffic operations centers, river and mountain tunnels, movable bridges, safety rest areas, ferries, parking lots
- Ordinary maintenance on pavements, bridges, tunnels, traffic & safety, and technology assets, response to citizen calls for service
- Maintain drainage, vegetation, barriers, equipment

## **Maintain and extend the useful life of core highway assets**

- Perform corrective and restorative maintenance, and rehabilitation of pavements and bridges
- Perform major repairs and equipment replacement based on life-cycle cost for tunnel systems, traffic & safety, and technology assets

# Performance Measures and Targets

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## Pavements:

- No more than 18 percent of interstate pavements rated deficient
- No more than 18 percent of primary pavements rated deficient

## Bridges:

- No more than 8 percent of bridges and culverts rated as structurally deficient

## VDOT's performance (based on most recent data):

- 20.1 percent of interstate pavements rated deficient
- 24.3 percent of primary pavements rated deficient
- 31.1 percent of secondary pavements rated deficient
- 8.5 percent of bridges and culverts rated as structurally deficient

# FY 2011 Needs and Proposed Budget (\$ million)

	FY 2011 Needs	FY 2011 Budget
<b>Investment</b>		
<b>Pavement</b>	<b>\$708.9</b>	<b>\$318.3</b>
Interstate Pavement	119.1	92.6
Primary Pavement	251.6	164.9
Secondary Pavement	338.3	60.7
<b>Bridges<sup>1</sup></b>	<b>142.9</b>	<b>131.1</b>
<b>Tunnels</b>	<b>32.0</b>	<b>24.6</b>
<b>Traffic and Safety</b>	<b>200.4</b>	<b>116.5</b>
<b>TOC &amp; Technology</b>	<b>48.6</b>	<b>23.3</b>
<b>Sub-Total</b>	<b>\$1,132.8</b>	<b>\$613.8</b>
<b>Services</b>		
<b>Emergency and Incident Mgt Services</b>	<b>\$155.1</b>	<b>\$157.7</b>
<b>Traffic and Safety Services</b>	<b>84.5</b>	<b>70.4</b>
<b>Roadway Services</b>	<b>185.4</b>	<b>173.5</b>
<b>Roadside Services</b>	<b>149.4</b>	<b>137.9</b>
<b>Facility and Other Services</b>	<b>207.6</b>	<b>192.1</b>
<b>Sub-Total</b>	<b>\$782.0</b>	<b>\$731.5</b>
<b>Total</b>	<b>\$1,914.7</b>	<b>\$1,345.3</b>

FY 11 Needs are net of ARRA funds - \$694M – 73 projects

ARRA Funds used for:

Enhancement \$21M  
 BRAC \$77M  
 Bridges \$97M  
 Pavements \$143M  
 Rail \$37M  
 Congestion Mitigation \$189M  
 Contingency projects \$124M

<sup>1</sup> Bridge needs updated April 2010. Bridge reconstruction needs to replace structurally deficient bridges are not included

# Expected Performance for the FY 2011 – 2012 Biennium

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## We will deliver emergency and safety services to efficiently operate the system

- Emergency response for snow, flood and other weather related emergencies
- Incident management activities such as safety service patrols
- Operating the 24/7 facilities: traffic operations centers, river and mountain tunnels, movable bridges, safety rest areas
- Ordinary maintenance on pavements, bridges, tunnels, traffic & safety, and technology assets
- Maintain drainage, vegetation, barriers, equipment, rest areas, ferries, parking lots

## Expected performance outcomes

### Pavements:

- Anticipate meeting interstate pavement performance target of no more than 18 percent rated deficient
- Anticipate no more than 22 percent of primary pavements rated deficient
- Anticipate secondary pavement condition will continue to decline

### Bridges:

Anticipate no more than 8.5 percent of bridges and culverts rated as structurally deficient