

BUSINESS PLAN UPDATE

Commonwealth Transportation Board

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- Improving our internal business processes is a major strategy for increasing efficiency and effectiveness
- We will continue to evaluate how we deliver our core products and services
- AHQ Consolidation and TAMS initiative are just two ways to improve our business
- Over the past year, we have captured numerous efficiencies without significantly impacting the agency, employees, or the traveling public

Date	Strength	Change	Cummulative Change	Cummulative Annual Cost Avoidance*
July 2002	10,192	-	-	-
July 2003	9,959	233	233	\$14,446,000
July 2004	9,353	606	839	\$52,018,000
July 2005	9,130	223	1,062	\$65,844,000
July 2006	9,090	41	1,103	\$68,355,000
Oct. 2006	8,908	182	1,284	\$79,608,000

* Based upon 2007 Estimated Costs

- Other initiatives
 - Area Headquarters consolidation expected to produce salary reductions of approximately \$4 million annually
 - Outsourcing interstate maintenance is expected to produce approximately \$8.9 million in salary reductions annually
 - Implemented overhead and administration reductions of approximately \$16 million in FY 2007
- Process for continuous improvement continues...
 - Next round of changes may further impact how we deliver services, levels of service, and staffing

- Area Headquarters & Interstate Outsourcing
- Staffing Trends
- Financial Implications

- Briefing given at September 21 CTB meeting
- Key actions underway
 - Area Headquarters consolidation
 - Interstate Outsourcing
 - Other initiatives aimed at internal cost reductions and business improvements

- Number of superintendents needed to manage work
- Number of facilities

- Lane miles and traffic volumes
- Population and growth
- Response time
- Deicing chemical storage requirements
- Extensive review and involvement by districts
- Review by Commissioner & Executive staff
- Public outreach

- Target reduction from 335 to 244
- 176 retained as area headquarters
- 12 AHQ retained for other uses—will not operate as AHQ
- 56 other facilities retained
- 19 area headquarters potentially not retained
- 17 sub-areas potentially not retained
- 17 chemical storage lots potentially not retained
- 38 other lots potentially not retained
- Reference color coded handout

- Approximately 600 positions impacted by area headquarters consolidation and interstate outsourcing
- Approximately 425 employees could either change work location or type of position as a result of consolidation
- Approximately 175 positions to be eliminated with implementation of interstate maintenance contracts
- Approximately 50 employees could be laid off following these changes
- Reference handout summarizing district results

- HB 667 requires outsourcing interstate maintenance by June 30, 2009
- Contracts for Turnkey Asset Maintenance Services (TAMS) include ordinary maintenance for roadway, drainage, structures, signs, vegetation control, traffic services, incident management, snow and ice control, other inclement weather events
- VDOT will contract separately for pavement resurfacing and bridge rehabilitation

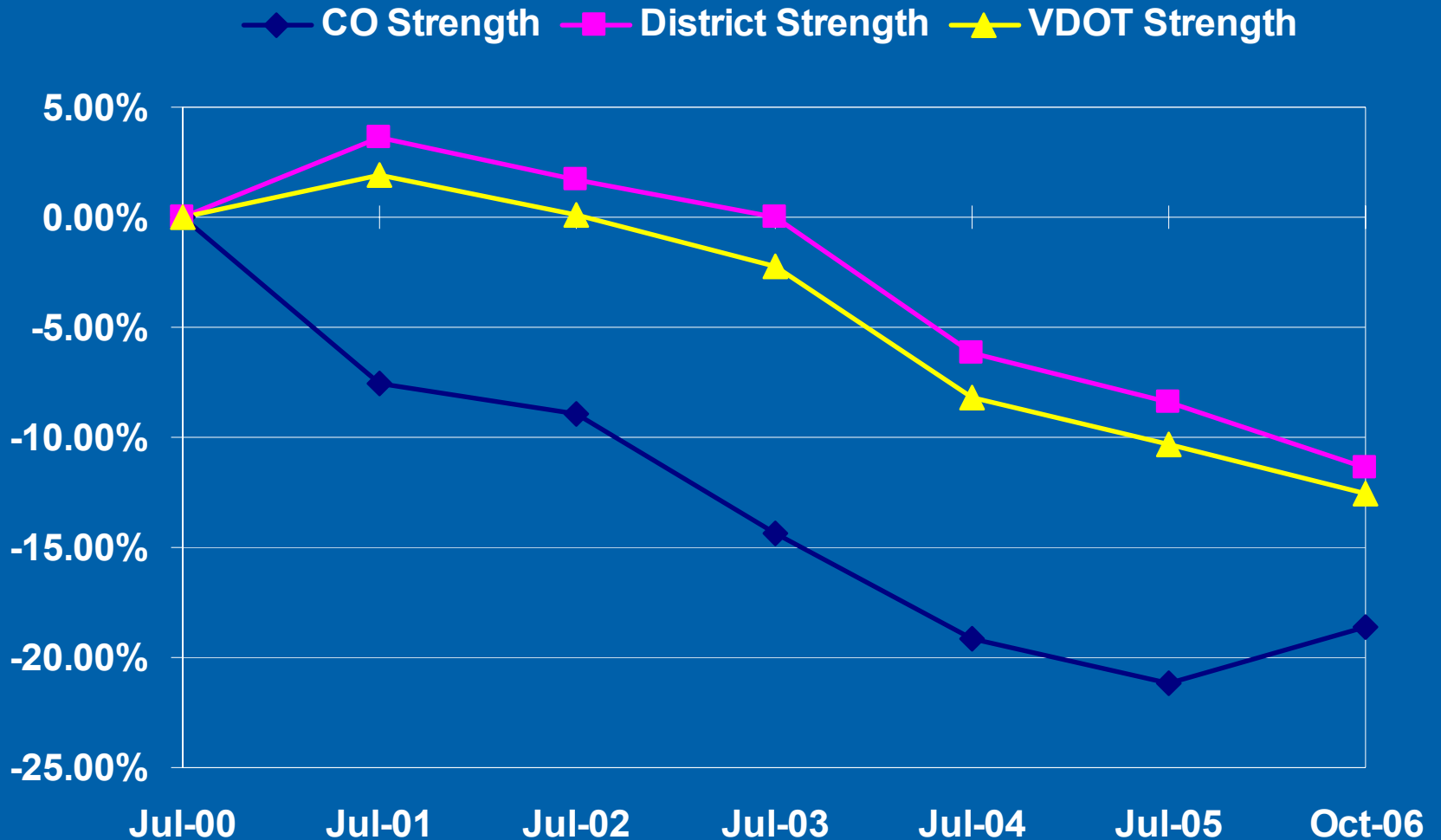
- I-64 from I-295 to Hampton Roads Bridge Tunnel—68 miles—awarded to Infrastructure Corporation of America in 2005
- I-64 from Route 288 west to I-81—90 miles—awarded to TME Enterprises (SWAM vendor)

- Bristol and Salem regional contracts-
July 1, 2007—258 miles
- Richmond regional north and south—
July 1, 2007—308 miles
- Hampton Roads regional—October 1,
2007—110 miles
- I-81 North and I-64 West—207 miles—
November 1, 2007
- I-95, I-66 & NOVA—100 miles—July 1,
2008

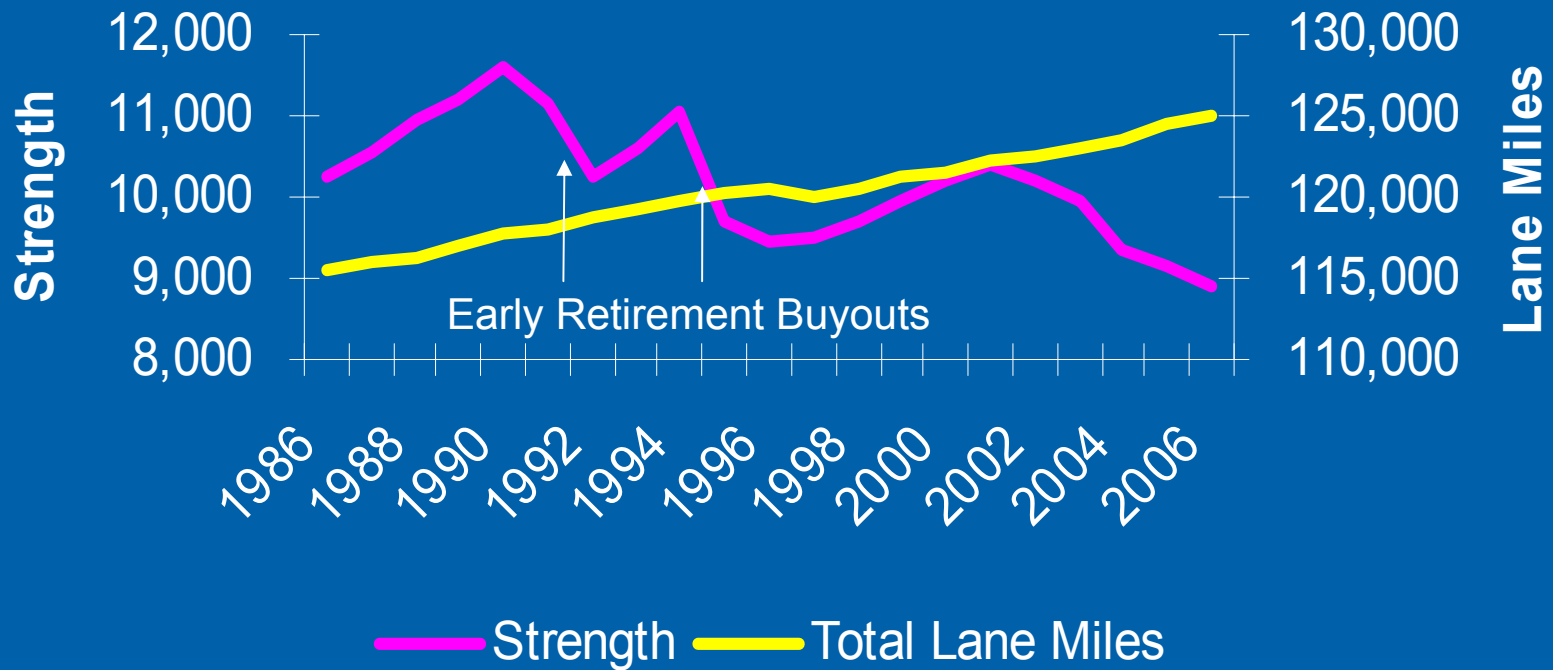
	Under Contract
	October 1, 2006 Contract Start Date
	July 1, 2007 Contract Start Date
	September 1, 2007 Contract Start Date
	July 1, 2008 Contract Start Date



- Adjusting staffing is a key component of the business plan
- Since 2000, Strength has been reduced
 - Districts: 8,617 to 7,634 – 11.4%
 - CO: 1,566 to 1,274 – 18.6%
 - VDOT: 10,183 to 8,908 – 12.5%



- Tolls have been removed for consistency in comparison
- Civil Rights personnel report to CO beginning July 1, 2006



- DE: Admin: \$198,634,000 Total: \$797,903,000 Percent: 24.9%
- NC: Admin: \$425,703,000 Total: \$3,435,789,000 Percent: 12.4%
- WV Admin: \$85,734,000 Total: \$1,055,786,000 Percent: 8.1%
- VA Admin: \$189,492,000 Total: \$2,739,048,000 Percent: 6.9%

- 2,572 Positions statewide
- 861 in Central Office
- 1,711 Field positions
- 28% of total strength
- For engineering/technical oriented business does not shock the senses

Oct 2006	Strength
Field Maintenance	3,409
Field Equipment	459
Field Facilities	49
Total	3,917

- MAJOR IMPLICATIONS FROM
REVIEWING STAFFING DATA
AND TRENDS

- VDOT has been on a steady march to downsize in the past 15 years
- In the past 20 years, maintenance staffing is down 22% and lane mile coverage per maintenance employee is up 40.8%
- Since 2000, total VDOT strength is down 12.5% and district strength is down 11.4%. Central office strength is down 18.6%. This reduction of 1,275 employees is 1.3 times the reduction in strength that resulted from the 1995 WTA buyout and 1.9 times that of '92 buyout

- General administration costs are at 7% of total budget
 - NC at 12.4%, WVA at 8.1%, DE at 25%
- Total employees in general administration is 5.8% - approximately 40% of these employees are in the districts

- Engineering, technical & technology staffing at VDOT represents 28% of all staffing and this, one can argue, is not unreasonable, given the core business requirements and the technical nature of VDOT work
- If additional outsourcing proves to be cost-effective, engineering, technology and technical skills become even more important for the future

- The fact that there are a number of general administration functions in both the field and the central office may offer opportunities for efficiency improvements
- Examples: HR, Fiscal, Payroll, Procurement

- District and residency administration represents approximately 8.3% of field staffing and appears to have grown over last decade
- Part of this growth can be traced to additional responsibility in land development and internal controls

- Target ferries, interstate maintenance, safety service patrols, equipment and additional administrative and other support functions in central office and districts where consolidation, combinations of business units and other efficiencies can be achieved
- Review entire PE and construction function to properly balance staffing with program financial outlook and outsourcing.
- Maintain strong engineering/technical/technology, & research expertise and strength

- Expand outsourcing on primary and secondary in a selective and financially prudent manner
- Set a floor of 3200 for field maintenance
- Use attrition and retirements to maximum extent
- Use vacancy pool to ensure proper skills are in proper place

- Other initiatives
 - Area Headquarters consolidation expected to produce salary reductions of approximately \$4 million annually
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- Internal cost reductions resulting from these initiatives provide funding to:
 - Help support additional contract services
 - Help support critical expanding business areas such as system operations and land development
 - Help offset the rising cost of maintenance associated with inflation in materials and contract prices

- VDOT is continually looking for efficiencies such as AHQ Consolidation and TAMS
- Over the past year, we have captured numerous efficiencies without significantly impacting the agency, our employees, or the traveling public
- Next round of changes may be more difficult to implement,
 - May require a significant change in how we deliver services (more outsourcing, privatization, devolution)
 - May impact levels of service

QUESTIONS?