Annual Report on Initiatives for Outsourcing, Privatization and Downsizing within VDOT

HB 5063 (Special Session I, 2006)

Report to the General Assembly of Virginia

Virginia Department of Transportation
1401 East Broad Street
Richmond, Virginia 23219

December 2008

COMMONWEALTH of VIRGINIA

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

David S. Ekern, P.E.
COMMISSIONER

December 1, 2008

The Honorable Timothy M. Kaine
Members of the General Assembly

Dear Governor Kaine 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.

The attached report documents that VDOT's expenditures in fiscal year 2008 totaled $3.47 billion. VDOT spent 76% ($2.62 billion) of this amount either with private sector vendors or in transfer payments. Debt service obligations comprised another 7% of VDOT expenditures; therefore, VDOT spent 83% ($2.88 billion) with external entities.

Since July 1, 2002, VDOT has trimmed its work force from 10,192 filled positions to 8,472 as of July 1, 2008. VDOT continues to reduce overhead expenditures at the Department, replacing seven local sign shops with one high volume sign facility and consolidating maintenance and operations in response to outsourcing the Department's ordinary interstate maintenance. Technology, process streamlining and modernized business practices continue to drive VDOT's business improvement activities.

The country is in a period of financial turmoil and confusion unlike anything VDOT has experienced in decades. State and federal revenues are projected to be between $2.1 and $2.6 billion less over the next six years. VDOT will reduce $227 million from current spending levels before the end of FY 2009. However, VDOT does not expect a temporary downturn; temporary actions are insufficient. VDOT will not address these revenue shortfalls by simply offering fewer traditional programs and services. Instead, VDOT is constructing a permanent blueprint to deliver an excellent transportation services program with higher efficiency and fewer funds.

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

Sincerely,

David S. Ekern

David S. Ekern

Attachment

cc: The Honorable Pierce R. Homer

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.

This report has been created pursuant to:

> *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

The Virginia Department of Transportation (VDOT) is on a journey of innovation and improvement. Facing a long term economic decline, VDOT has sharpened its focus on developing the best possible roadway system, business priorities, and workforce organization to fulfill its mission:

> *The Department will 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.*

VDOT has three key areas of focus:

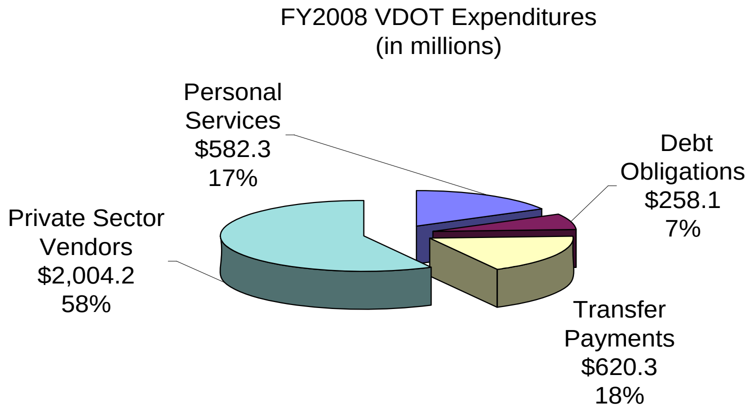
- The System
  - Getting customers there safely and reliably
  - Giving customers choices
  - Delivering projects on-time and on-budget, with high quality
- The Business
  - Embracing high-value technology
  - Privatizing where it can
  - Retaining public responsibility where it should
- The Workforce
  - Employing the right skills
  - Working smarter
  - Being flexible and accountable

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Virginia Department of Transportation's (VDOT or The Department) FY2008 expenditures totaled $3.47 billion. The Department spent $2.62 billion, or 76% of those expenditures externally: $2.00 billion with private sector vendors (58%), and another $0.62 billion in transfer payments (18%). When debt obligations are included, VDOT's total external expenditures in FY2008 comprised 83%, or $2.88 billion of the $3.47 billion. Figure A below reflects the breakdown of expenditures.

Figure A: Breakdown of FY2008 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 include:

Table 1.0: Highlights of FY2008 and FY2009 Outsourcing, Privatization and Downsizing Activity

	FY2008	**FY2009**
Outsourcing	▪ Outsourced 85% of interstate mileage maintenance to Turnkey Asset Management Services (TAMS contracts).	▪ VDOT is scheduled to reach 100% of TAMS outsourcing by May, 2009.
Privatizing	▪ Developed and negotiated privatization ventures valued at $5.34 billion. Executed Capital Beltway HOT Lanes Project valued at $1.40 billion.	▪ Developing or soliciting new highway construction proposals for Downtown Tunnel/Midtown Tunnel/MLK and Route 460 in Hampton Roads valued at $3.55 billion.
Downsizing	▪ Reduced VDOT positions to 8,472 from 8,576 full time employees.	▪ Reshaping the organization and streamlining staffing. ▪ Restructuring services and customer programs.

The cost to complete this study was $25,550.

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 2008 Expenditures (in millions)	FY 2008 Percent of Total
1100	Personal Services	$582.3	17%
1200	**Contractual Services**	**$775.3**	**22%**
1300	**Supplies & Materials**	**$139.8**	**4%**
1400	**Transfer Payments**	**$620.3**	**18%**
1500	**Continuous Charges**	**$81.2**	**2%**
2100	**Property & Improvements**	**$202.2**	**6%**
2200	**Equipment**	**$57.7**	**2%**
2300	**Plant & Improvements**	**$748.0**	**22%**
3100	Obligations	$258.1	7%
All	Total	$3,464.9	100%

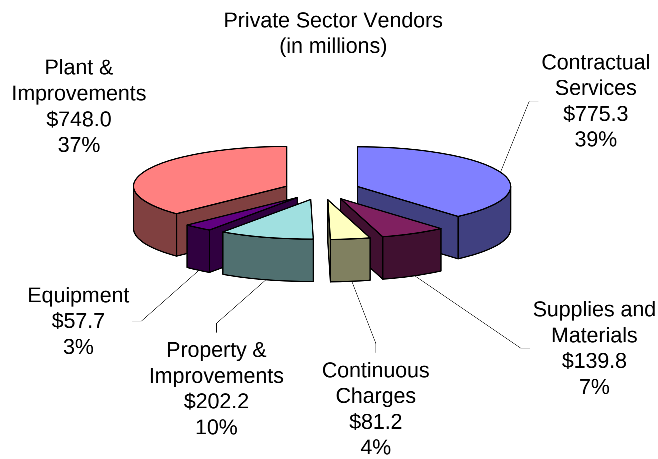
VDOT recorded expenditures of $3.47 billion in FY2008. Of that total, VDOT spent 76% ($2.62 billion) either with private sector vendors ($2.00 billion) or in transfer payments ($0.62 billion), an increase since FY 2007. When debt service payments ($0.26 billion) are included, VDOT's external expenditures represent 83% of the FY 2008 total, an increase since FY 2007.

FY2008 Expenditures with Private Vendors

VDOT spent $2.00 billion in FY2008 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 FY2008 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 increased its total expenditures with private sector vendors from $1.73 billion in FY2007 to $2.00 billion in 2008. This represents an increase of 13.7% since FY2007.

In addition to this overview of private sector spending, VDOT has tracked specific activity related to outsourcing initiatives. These reports 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 FY2008, maintenance expenditures (both VDOT and VDOT payments to localities) comprised approximately 46% or $1.58 billion of the $3.47 billion spent.

VDOT has entered into contracts with the private sector to deliver many maintenance and operations related projects and services. In FY2008, $891 million of $1.20 billion, or 74% of these expenditures, were paid to the private sector. Of the $891 million in payments to the private sector, $534 million or 60% were delivered directly through private contracts, while $357 million or 40% were paid to vendors for supplies, materials, fuel and non-contracted services that support maintenance and operations. VDOT also provided $328 million in payments to counties and cities to support maintenance expenditures by localities.

Interstate Maintenance

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

TAMS contractors are responsible for ordinary interstate maintenance: roadside work (mowing, litter removal), incident management, snow removal, emergency response and roadway surface repair. As of July 1, 2008, VDOT had executed nine (9) fully operational TAMS contracts covering 85% of Virginia's interstate mileage. During FY2009 VDOT will add four TAMS contracts (See Table 3.0 below) in the Northern Virginia district, thereby privatizing ordinary maintenance on 100% of Virginia's interstate system.

Table 3.0: Additional TAMS contracts in FY2009

Interstate Route	Projected Start Date
I95/395	12/15/2008
I66	3/1/2009
I495	4/1/2009
Woodrow Wilson Bridge	5/1/2009

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 programs.

- VDOT has partnered with Stafford and James City Counties to develop a model and guidebook that provide tools to counties interested in pursuing devolution. James City County passed a resolution to accept certain responsibilities for their secondary system starting in FY2009 –FY2010. More information can be found at http://www.virginiadot.org/business/LAD_devolution.asp.

- The General Assembly has given localities the option to take greater control of their construction dollars through initiatives such as the Local Partnership, Urban Construction Initiative (First Cities) and Urban Transportation Service Districts. These initiatives have enabled localities to administer their own construction projects and programs.

To date, nine municipalities have taken responsibility for their entire construction program by joining the Urban Construction Initiative (First Cities). The Town of Leesburg and the City of Colonial Heights have each passed a resolution stating their intent to join the Urban Construction Initiative (First Cities) in July 2009. Item 458 D. of Chapter 879 of the Acts of Assembly of 2008 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, outsourcing can occur 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 to contract with companies for operation of service facilities. (Table 4.0: Active PPTA Projects Under Contract)

Table 4.0: Active PPTA Projects Under Contract

Project	District	Estimated Value (in billions)	Comments
I-495 Hot Lanes Fluor-Transurban will add and operate four High Occupancy Toll (HOT) lanes to 14 miles of the Capital Beltway. Carpoolers and buses would have free HOT lane access.	Northern Virginia	$1.40	Contract Executed December 19, 2007. Project is currently under construction with an anticipated 2012 construction completion.
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	$1.00	Environmental review in process. Contractual Documents are being developed for an anticipated 2009 Financial Closure on Northern Phase.
Route 895 Concession with Transurban agreement to manage, maintain, operate, and collect tolls on Pocahontas Parkway, and construct Airport Connector.	Richmond	$0.55	Concession agreement signed in 2006 and Airport Connector construction began in 2008.

Table 5.0: PPTA Active Proposals

Project	District	Estimated Value (in billions)	Comments
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	$1.80	Detailed proposals will be requested December, 2008 from three bidders.
Downtown Tunnel/Midtown Tunnel/Martin Luther King Blvd Extension (MLK) Development and operation of a new two-lane tunnel under the Elizabeth River parallel to the existing Midtown Tunnel; maintenance and safety improvements to the existing Midtown Tunnel; minor modifications to the interchange at Brambleton /Hampton Boulevard in Norfolk; maintenance and safety improvements to the existing Downtown Tunnel; and extending the MLK from London Boulevard to Interstate 264 (I-264), with an interchange at High Street.	Hampton Roads	$1.75	Proposal submitted September 29. 2008. Independent Review Panel being formed by Secretary of Transportation.

SECTION 3: DOWNSIZING

The country is in a period of financial downturn unlike anything VDOT has experienced in decades. State and federal transportation revenues are projected to be between $2.1 and $2.6 billion less over the next six years. VDOT will reduce $227 million from current spending levels before the end of FY 2009. It is clear the downturn will be long term, sustained, and require structural changes in the Virginia transportation business. VDOT is constructing a permanent "blueprint" to deliver an excellent transportation services program with higher efficiency and fewer funds.

<u>VDOT's Blueprint</u>

The blueprint has three major components:

- Reshaping the organization and streamlining staffing.
- Restructuring services and customer programs.
- Restructuring the construction program.

Reshaping our Organization and Streamlining Staffing

For the last 10 to 15 years, VDOT has gotten smaller. In that time period, through several independent and in-house studies, VDOT has received recommendations on conducting business more efficiently and effectively. However, many of these recommendations were never fully implemented. Now is when these lessons and recommendations will be integrated into VDOT's organization. Faced with harsh economic realities, VDOT has no choice but to adapt its organization and workforce.

VDOT's blueprint has set goals to guide staffing reductions and streamlining. VDOT is:

- Maintaining staffing levels to preserve our emergency response capability.
  - Traffic Operations Centers (TOCs)with emergency operations call centers will remain open and operational 24/7/365.
  - VDOT will reduce the number of TOCs from 6 to 5.
- Retaining the agency's core competencies.
  - Streamlining the purpose, form, function, location and staffing of VDOT residencies.
  - Retaining core customer service points of contact but reducing the number of residencies by 30% and reducing layers of supervision.
- Eliminating or consolidating redundant functions.
  - Reducing central office divisions by 30%.
  - Reducing equipment repair facilities by 40%.

Since July 1, 2002, VDOT has downsized by approximately 1,720 people. In late 2008, VDOT eliminated vacant positions and developed a blueprint for further reductions in response to lower expected revenues in 2008 and over the next six years. VDOT will pursue further position reductions, while retaining an employment level which addresses core responsibilities and emergency response capabilities.

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

- (July 1, 2002 to July 1, 2008) Staff reduced from 10,192 to 8,472 (1,720 fewer employees).

- VDOT has implemented a hiring freeze in FY 2009, with limited exemptions for critical vacancies.
    - Classified vacancies have been reduced by 1,000.
    - Wage and Temporary Vacancies have been reduced by 800.
- VDOT has set the following staff reduction targets for FY2009.
    - Classified staff reductions from 8,400 to 7,500.
    - Wage and Temporary Employee reductions from 1,200 to 500.
    - Field and Central Office Senior Management reduced by 20%.
    - Central Office salaried staff reductions from 1,300 to 1,000.

Restructuring Services and Customer 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.

VDOT is moving forward with implementation of its blueprint. For example:

- Reducing the reserve fund for major emergencies by $15 million to help minimize the impact on district budgets.
- Evaluating VDOT's Jamestown-Scotland Ferry service, and deferring a replacement ferry to save $10 million.
- Evaluating rest area operations to potentially save up to $21 million annually.
- Evaluating new statewide service levels for maintenance operations to cut spending.
- Prioritizing services from centerline to the right of way edge.

Restructuring the Construction Program

Beginning this fall, VDOT will work with the Commonwealth Transportation Board (CTB) to reduce the size of the six-year improvement program once again. Given revenue projections VDOT must cut approximately $1.1 billion in state and federal funds through 2014. These six-year plan reductions are in addition to the reductions in state revenues of $1.1 billion the CTB implemented this past summer.

As VDOT implements these revisions, the construction plan will:

- Emphasize safety, reconstruction and bridge replacements in all 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.
- Change contract administration to increase VDOT's purchasing power.

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 FY2008, VDOT conveyed 96 deeds comprising 204.2 acres and received $2.9 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 FY2008, VDOT collected $0.7 million from the lease of right-of-way land and improvements.

Table 6.0: Tenant Revenues on Right-of-Way Property

District	Number of Leases	Revenue FY2008
Bristol	1	$ 18,000
Salem	7	$ 3,050
Lynchburg	3	$ 3,600
Richmond	0	$0
Hampton Roads	9	$ 86,047
Fredericksburg	4	$ 40*
Culpeper	35	$ 457,922
Staunton	0	$0
Northern Virginia	4	$ 118,497
Total	63	$ 687,156

*Annual Payments on four 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 FY2008 was $3.7 million; the FY2009 projection is $3.6 million.

TAMS Leases of VDOT Facilities

VDOT developed a pricing guide in October 2007 for TAMS vendors who wish to lease VDOT facilities for the duration of a maintenance contract. TAMS leases yielded $0.6 million in FY2008 revenues (Table 7.0).

Table 7.0: Price List for Property Leases to TAMS Vendors

Recommended Price List By Property Type For Use By TAMS Contractors	
Property Type	**Rent Per Month**
Area Headquarters	$3,900
Chemical Storage Site	$1,250
Storage Lot	$600

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 FY2008.

Pocahontas Parkway Electronic Tolls

In FY2008, VDOT received $0.2 million from the Pocahontas Parkway PPTA from electronic funds received in tolls that are returned to VDOT to recover the cost of the electronic toll collection.

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 FY2008, VDOT collected $75,500 in these fees.

Table 8.0: Summary of FY2008 VDOT Revenues

Source	FY2008 Revenue (in millions)
Right of Way Land Sales	$2.9
Tenant Revenues on Right of Way Property	$0.7
Cell Tower Leases at VDOT Sites	$3.7
TAMS Leases of VDOT Facilities	$0.6
Interstate Rest Area Vending Machines	$1.0
Pocahontas Parkway Electronic tolls	$0.2
Land Development Impact Studies	$0.1
Total	**$9.2**

APPENDIX A: BREAKDOWN OF CATEGORIES OF FY2008 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	FY2008 Expenditures (in millions)	Percent of Category Total
1210	Communications Service	$18.3	2%
1220	Employee Development Service	$5.5	1%
1230	Health Service	$0.4	0%
1240	Management and Informational Services	$81.3	10%
1250	Repair and Maintenance Services	$438.0	56%
1260	Support Service	$192.9	25%
1270	Technical Services	$35.6	5%
1280	Transportation Services	$4.3	1%
1290	Other Contractual Services or Refunds	-$0.9	0%
All	**Total**	**$775.4**	**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	FY2008 Expenditures (in millions)	Percent of Category Total
1310	Administrative Supplies	$2.7	2%
1320	Energy Supplies	$31.2	22%
1330	Manufacturing and Merchandising Supplies	$1.6	1%
1340	Medical and Laboratory Supplies	$.5	0%
1350	Repair and Maintenance Supplies	$94.5	68%
1360	Residential Supplies	$.2	0%
1370	Specific Use Supplies	$8.7	7%
1390	Other Supplies and Materials	$.5	0%
All	**Total**	**$139.9**	**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	FY2008 Expenditures (in millions)	Percent of Category Total
1510	Insurance-Fixed Assets	$1.4	2%
1520	Capital Lease Payments	$8.3	10%
1530	Operating Lease Payments	$31.4	39%
1540	Service Charges	$26.4	32%
1550	Insurance-Operations	$13.7	17%
1560	Installment Purchases	$.0	0%
1570	Payments for State Employee Health Insurance Programs	$.0	0%
1590	Other Continuous Charges	$.0	0%
All	**Total**	**$81.2**	**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	FY2008 Expenditures (in millions)	Percent of Category Total
2110	Acquisition of Property and Improvements	$192.3	95%
2120	Natural Resources	$.1	0%
2130	Site Development	$9.5	5%
2190	Other Property and Improvements	$.3	0%
All	**Total**	**$202.2**	**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	FY2008 Expenditures (in millions)	Percent of Category Total
2210	Computer Hardware and Software	$2.9	5%
2220	Educational and Cultural Equipment	$.3	1%
2230	Electronic and Photographic Equipment	$7.3	13%
2240	Medical and Laboratory Equipment	$2.5	4%
2250	Motorized Equipment	$34.1	59%
2260	Office Equipment	$1.6	3%
2270	Specific Use Equipment	$4.8	8%
2280	Stationary Equipment	$4.1	7%
2290	Other Equipment	$.0	0%
All	**Total**	**$57.6**	**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 2200	Plant and Improvements Description	FY2008 Expenditures (in millions)	Percent of Category Total
2310	Acquisition of Plant and Improvements	$0.1	0%
2320	Construction of Plant and Improvements	$748.0	100%
2390	Other Plant and Improvements	-$0.1	0%
All	**Total**	**$748.0**	**100%**

Expenditures within this group include road and bridge construction.