

**Draft Minutes**  
**Commonwealth Competition Council**  
**Tuesday, January 5, 2010, 10AM**  
**Patrick Henry Building,**  
**Conference Room Two**  
**Richmond**

**Members present:** Senator Emmett W. Hanger, Jr., Chairman  
Geoffrey Segal, Vice Chairman  
Christopher Andreano  
Lana Ingram Digges  
Samuel Hayes, III  
Daniel R. Odio-Páez (via phone)  
Roger Ortega, Sr.  
David N. Smith  
David A. Von Moll

**Members absent:** Robert A. Archer  
Senator R. Edward Houck  
Delegate Timothy D. Hugo  
Delegate Thomas Davis Rust

**Vacancies:** Two

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**Others present:** Joe Damico, DGS  
Jacob Porter, VDOT  
Connie Sorrell, VDOT  
Daniel Timberlake, DPB  
Jerry J. Gentile, Executive Director  
Cari Corr, DPB

Notice of the meeting appeared on the Commonwealth Calendar on the Internet. A quorum was present and Senator Hanger called the meeting to order at 10:04 AM. He presided over the meeting.

**Public Comment**

None

**Minutes**

The minutes of the January 7, 2009, meeting of the Council were presented for approval. Senator Emmett W. Hanger, Jr. made a motion to accept the minutes as presented and the motion was seconded and passed unanimously. In addition, draft minutes appear on the Internet as soon as possible but not later than ten working days following the meeting in accordance with § 2.2-3707.1 of the Code of Virginia. In addition, Commonwealth Competition Council minutes are posted in accordance with the above to the Council web page at <http://www.egovcompetition.com>.

## **Overview of proposed budget – Daniel Timberlake**

Mr. Daniel Timberlake, Director of the Department of Planning and Budget (DPB) was invited by the Council to provide an overview of the proposed budget.

Mr. Timberlake began by thanking the Council for working with the Department. He said that he appreciated the Council's support of DPB staff since their availability has been limited due to other DPB responsibilities. Mr. Timberlake stated that his presentation is similar to the one provided to the General Assembly on December 18, 2009 and that there are more details on DPB's website at <http://dpb.virginia.gov/>. His presentation is attached and is made part of the minutes.

At the conclusion of his presentation, Mr. Timberlake asked for questions, and Senator Hanger asked if there was more detailed information available regarding the reduction strategies. Mr. Timberlake responded by saying that the reduction strategies are detailed by Secretariat and then by agency, and they are also in the Appropriation Act. Mr. Segal asked, "is there a forecast for three, four, or five years out? Does the hole become bigger?" Mr. Timberlake responded by saying that DPB is working on a long-term forecast. He pointed out that there are \$2.1 billion in savings strategies that will mostly be permanent reductions; there will also be revenue growth. He said that the forecast, however, does become more tentative the further out you go.

Mr. Odio-Páez asked, "How should we interpret this information?" Senator Hanger replied saying that the budget overview gives the Council a baseline as to where the State is financially. He went on to explain that the Council's work is to find savings through privatization that is not in conflict with private enterprise. He conveyed that the Council has been restrained because DPB staff working with the Council are spread thin. He explained that some prior work of the Council did not have an emphasis on cost reduction because of different economic times; however, the Council's cost-cutting work was controversial because we were making recommendations to make cuts when the economy was not suffering financially. He pronounced that the Council can be helpful in looking for efficiencies. He said that the Council needs to figure out how to best maintain services; that they can engage as a think-tank and make recommendations and have legislators introduce bills and adopt strategies as policy.

Mr. Andreano asked if the budget bills will look like this [as presented today by Mr. Timberlake], and Senator Hanger said that they will. Senator Hanger explained that the Governor-elect will have an opportunity to offer amendments to the bills. He said that people are telling him how to restore costs, but not how to save them. Senator Hanger remarked that he hopes that the revised revenue forecast will be a positive one.

Senator Hanger thanked Mr. Timberlake for his presentation.

## **Introductions**

The Council and guests in the audience introduced themselves. One new Council member was present, David N. Smith. Mr. Smith is Deputy Secretary of Commerce and Trade. The Council has two vacancies.

Senator Hanger stated that the mission of the Council could be significant and that he hopes that this work session will develop an agenda that the Senator can use in conversations with the Governor-elect to see how the Council can be used. He further explained that the Council developed a working model, called COMPETE, years ago to evaluate cost efficiencies. This

model has been adopted in other states. Senator Hanger remarked that it would be good if the Council revisited what was embedded in COMPETE.

### **Discussion of proposed privatization of ABC stores**

Senator Hanger discussed the history of the recommendation to consider privatization of ABC stores. ABC privatization recommendation was part of the Wilder Commission Report, which was partly staffed by the Council's staff. The Governor-elect's agenda includes looking at this recommendation.

The Senator said that the Council needs to look at it and see if it makes sense. Senator Hanger discussed the Virginia Department of Alcoholic Beverage Control (ABC) 2009 Annual Report, which was distributed via e-mail to Council members on January 4, 2010. He said that this report makes the argument that the ABC are doing a good job. He said that the question is "Can Virginia make more money if the ABC is privatized?" This is the item that decision makers are not sure about. Substance abuse is another issue that needs consideration. Senator Hanger asked the Council if anyone on the Council had any notion if the privatization of ABC stores was a good idea or not. Mr. Andreano said that he supported the recommendation but that it depended on how the privatization was structured. Mr. Segal said that Ontario and West Virginia are also looking into privatization of their ABC stores.

Senator Hanger said that the Council could consider examining what others like Ontario and West Virginia are doing regarding privatization of their ABC stores and examining substance abuse concerns. They could also look at the value drivers in an effort to help the administration and the General Assembly with their decision. Senator Hanger said that if the Council finds that the recommendation "makes sense" considering these elements, "what other considerations should be made?"

Senator Hanger revealed that he did not know if he would push this recommendation during this session. He remarked that the prior work on this recommendation has been surface level and that no one has gotten into the framework of privatization of the ABC stores.

Mr. Segal affirmed that there are lots of ways to accomplish privatization that would need to be considered. He suggested that the Council ask the transition team how the Council can be helpful in examining privatization of the ABC stores. Mr. Andreano made a motion to have the Council ask the transition team how the Council could be helpful in this area. The motion was seconded by Ms. Digges, and the Council voted unanimously to offer the Council's services to examine this issue. Senator Hanger remarked that financial and staff support would have to be provided if the Council was asked by the transition team to take the lead on examining privatization of the ABC stores. The Senator remarked that he may seek a resolution to have examining the privatization of the ABC stores assigned to the Council.

### **Discussion of VITA**

Senator Hanger said that VITA is probably a bigger issue than the Council can examine. Senator Hanger discussed his concerns regarding Virginia School for the Deaf and Blind and their VITA requirements. He said that the School should be exempt as other K-12 institutions are from these requirements. The Council discussed the VITA contract and some members expressed their concerns with how the contract is costing agencies more than if they had directly contracted for the work. Mr. Von Moll pointed out that the problem is that the Commonwealth does not own

any of the equipment and the financial impact of buying the equipment would be very costly. He stated that this was one of the known factors when the Commonwealth entered the contract. Senator Hanger remarked by saying that centralization is good to a point but that sometime decentralization also makes sense. He said that the Council will keep VITA on the agenda and perhaps make some recommendations on how it can be improved. Mr. Odio-Paez mentioned that there are certain groups that would want to push the Commonwealth one way or the other. He recommended that the Council consider soliciting feedback from these groups.

### **Discussion of rest area privatization and other privatization issues related to VDOT**

Senator Hanger welcomed Ms. Connie Sorrell and Mr. Jacob Porter from the Virginia Department of Transportation (VDOT) to the Council meeting and asked if they had anything that they would like to present to the Council regarding this topic.

Ms. Sorrell, Chief of System Operations for VDOT said that she did not have a formal presentation but that she could provide some information. Ms. Sorrell provided a brief overview of the rest area situation in Virginia. She said that VDOT has over 20 rest areas and that they have tried for over a decade to have the federal law changed to allow for commercialization of them. She said that some facilities that were closed due to budget reductions were ones in close proximity to retail establishments at interchanges. She stated that their options were limited regarding making reductions: 1) pave less 2) lay off 3) close rest areas; so they chose to close the facilities. She said that one problem with the revenue stream is that they just do not have the state money. The debt that they are issuing is to makeup for the lack of revenue. VDOT has 7,500 employees, which is fewer than most other transportation departments within other states. They do a lot of outsourcing, particularly for interstate maintenance. They have \$78 million in performance contracts with private firms for interstate maintenance. She explained that VDOT cannot afford that level of services any more so they are trying to get the firms to reduce their fees. She said that construction firms are also finding that there is not enough new construction or maintenance for infrastructure opportunities in Virginia.

Ms. Sorrell stated that the rest areas cost \$22 million a year when they are all open to pay for water, sewer, etc. VDOT has outsourced the cleaning of the facilities. She said that the incoming administration wants to re-open some of the facilities that were recently closed but that there are some that VDOT would not recommend opening due to their condition; the capital needs are enormous at \$80 million.

She further explained that the federal law prohibits the privatization or commercialization of the rest areas with the exception of those that were grandfathered in such as Maryland and New Jersey. She proclaimed that there are also other issues such as safety and truck parking. She expressed that any help or guidance from the Council on privatization of the rest areas would be appreciated.

Senator Hanger remarked that the concept of privatization of state rest areas is a good one but that it may not work because other facilities are available close by to most of the rest areas. Mr. Segal said that he suspected Congress would not allow it. Mr. Andreano asked if the state was obliged to sell the property if they are not using it, and Senator Hanger responded that they were not. Ms. Sorrell clarified that this was due to "limited access."

Senator Hanger said that the Council might want to keep this topic on its agenda because it is not likely to be resolved – that it is more complicated than just taking down the barriers. Ms. Sorrell

said that even if Virginia were to add a toll to Interstate 95, Virginia would still be prohibited from commercializing the rest areas.

Ms. Digges asked if the closing of the rest areas had adversely affected tourism in Virginia. Mr. Smith responded that Tourism is under Commerce and Trade so he can say that they have received complaints about it but that it would be difficult to say if tourism was directly impacted by the closing or not.

Mr. Segal reported that the commercialized rest areas were grandfathered in because they were paid for with tolls. Senator Hanger said that we will have to pay for the highway system somehow. He reiterated that the issue will not be resolved quickly so the Council will keep it on their agenda.

Senator Hanger thanked Ms. Sorrell for the presentation.

### **Old Business**

Senator Hanger welcomed Mr. Joe Damico from the Virginia Department of General Services (DGS) to the Council meeting and asked if he had anything to present to the Council. Mr. Damico said that DGS has been working with VDOT on examining how fuel is purchased. As a result, they have authorized in the Appropriation Act to allow localities to purchase fuel through the statewide contract. They have released a solicitation for bids on Bulk and Commercial Motor Fuel/Fuel Cards, and twelve vendors have responded. DGS is now reviewing the proposals. The review team is set to meet in February. If they find that the proposals cannot make fuel purchase better, than DGS will stay with their existing structure.

Mr. Damico reported that DGS is working on outsourcing the maintenance management piece of their fleet management. These services are now also available to local governments.

### **Member discussion of New Business or proposed legislative initiatives**

Senator Hanger pronounced that he wants the Council to develop a working agenda during this meeting. The Council had a brief discussion regarding the number of vacancies, and Ms. Digges remarked that it would be good to have one of the vacancies filled by someone with expertise in the areas that the Council is looking at examining. The two vacancies are one employee of an executive branch agency to be appointed by the Governor and one member of the private sector to be appointed by the Governor.

Mr. Segal mentioned that Indiana has an effectiveness and efficiency program that could be merged into what COMPETE and the Council have done. He added that the Council could look at how this program could be used.

### **Adjournment**

Senator Hanger asked if there was any other business. Since there was no response, he thanked everyone for their attendance and the meeting was adjourned at 11:58 AM.

Jerry J. Gentile  
Department of Planning and Budget