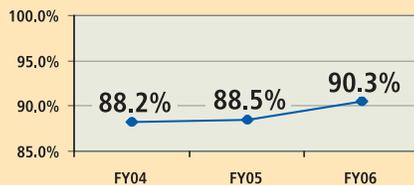




The first vehicles crossed the first new Woodrow Wilson Bridge in June. One of the nation's largest public works, the \$2.4 billion Woodrow Wilson Bridge Project demonstrates that mega-contracts can be managed on schedule and on budget while protecting the natural environment and neighboring communities.

Statewide Construction Quality Compliance



Construction quality, as evaluated by VDOT's Construction Quality Improvement Program (CQIP), measures project compliance with contract quality requirements. The evaluation is made through a critical assessment, guided by a checklist of more than 1,100 construction quality checkpoints. The results show VDOT's commitment to building quality roads and bridges while seeking opportunity for continuous improvement. In FY 06, the full-year 90.3 percent CQIP result surpassed the 90 percent target.



OVERVIEW

I am pleased to report that VDOT continues to improve performance by delivering a greater share of contracts on time and on budget. VDOT ended FY 06 with 84 percent of construction contracts finished on time, an improvement from 75 percent in the FY 05 Quarterly Report and a significant increase compared to 36 percent in FY 04. We also finished FY 06 with 86 percent of construction contracts on budget (compared to 78 percent in FY 05), 79 percent of maintenance contracts on time (74 percent in FY 05) and 88 percent of maintenance contracts on budget (80 percent in FY 05).

Not only are our results improved over prior years, but this is the first time VDOT has achieved three of the four challenging on-time and on-budget targets by fiscal year end. We will continue to raise the bar.

While meeting budgets and deadlines is a fundamental responsibility, maintaining project quality is just as important. In FY 06, VDOT's construction quality compliance was 90.3 percent (compared to 88.5 percent in FY 05), exceeding the 90 percent target. The graph to the left shows more detail.

We have turned our attention to getting better and more efficient. By leveraging the innovation and efficiencies the private sector has to offer, VDOT will continue to

get better – not bigger. Our plan is set to outsource 100 percent of interstate maintenance work by July 1, 2009. We are looking at other outsourcing opportunities where it makes good business sense.

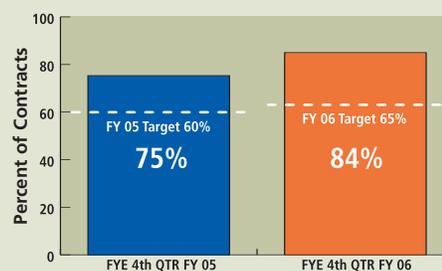
Financial closure was reached with Transurban LLC to assume the rights and obligations to manage, operate, maintain and collect tolls on the Pocahontas Parkway (895) in the Richmond region. This transaction pays off the debt and brings the construction of the Airport Connector a significant step toward reality. The Airport Connector will offer easier access to thousands of travelers using the Richmond International Airport. With the adoption of the Six-Year Improvement Program, we will continue to provide critical services, but will be impacted by the 36 percent revenue decline for primary, secondary and urban road system improvements.

Regardless of the transportation funding picture, VDOT is running a business based on efficiency and integrity. We hold ourselves accountable to the bottom line, and we invite taxpayers to watch us closely as we improve our business.

Thank you,
Gregory A. Whirley
Acting Commissioner

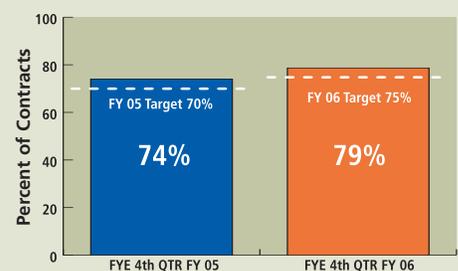
SCHEDULED CONTRACTS PLAN-TO-ACTUAL PERFORMANCE

CONSTRUCTION ON-TIME PERFORMANCE



162 construction contracts were scheduled to be completed by the end of the fourth quarter of FY 06. Of those contracts, 136 (84 percent) were completed on time, exceeding the target of 65 percent.

MAINTENANCE ON-TIME PERFORMANCE



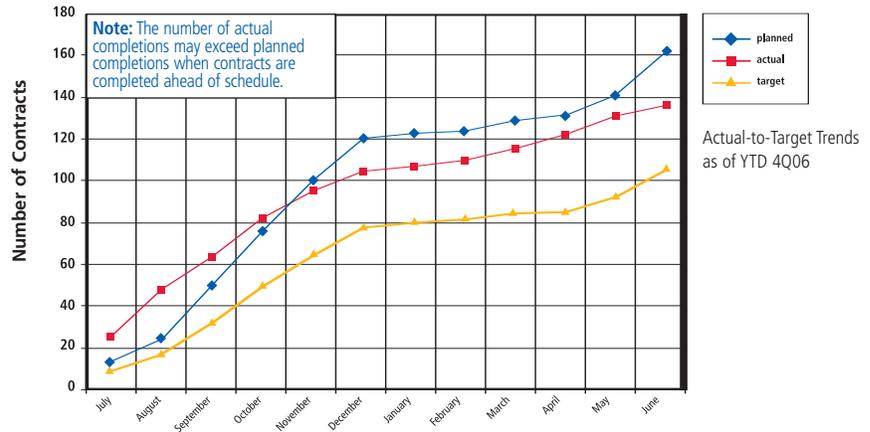
95 maintenance contracts were scheduled to be completed by the end of the fourth quarter of FY 06. Of those contracts, 75 (79 percent) were completed on time, exceeding the target of 75 percent.

QUARTERLY NOTES

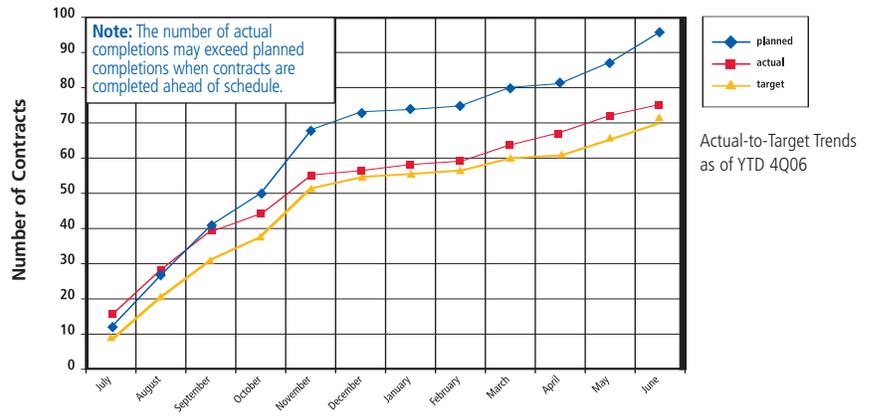
- The Commonwealth Transportation Board approved a \$4.3 billion budget for FY 2007. The budget funds roadway maintenance and construction, as well as administrative costs and debt payments. Mass transit, airports and seaports receive part of their funding from the transportation budget. The CTB also approved the Six-Year Improvement Program for FY 2007-2012. The program allocates \$7.1 billion over six years to transportation contracts managed by VDOT. With minimal revenue growth, growing maintenance needs and rising asphalt and other costs, less money is available for much-needed highway improvements.
- VDOT began work on the I-64 Battlefield Boulevard Project in Chesapeake. The project will replace the Battlefield Boulevard Interchange with a wider facility to help improve traffic flow and safety on a two-mile stretch of roadway. The project, awarded for \$98.6 million, is scheduled for completion in Summer 2009.
- Citizens and VDOT traffic engineers now have access to more timely traffic information on the interstate system. Thirty-three cameras were added to portions of I-64 (including more over Afton Mountain), I-66 and I-81 in the Shenandoah Valley region. In Hampton Roads, 54 cameras and 10 overhead variable message signs were added to cover I-64 west of the High Rise Bridge and I-664 south of the Monitor Merrimac Memorial Bridge-Tunnel. Citizens can view images from cameras in those regions and the Richmond and Northern Virginia areas on VirginiaDOT.org.
- Smart Tag/E-ZPass issued its one millionth transponder in May. Smart Tag first became available on the Dulles Toll Road in 1996 and now is accepted on seven toll systems in Virginia as well as several other states in the northeast.
- The U.S. interstate highway system marked its 50th anniversary June 29. A nearly 30-vehicle convoy ended its cross-country trek by traversing the new Woodrow Wilson Bridge.

VDOT's PERFORMANCE

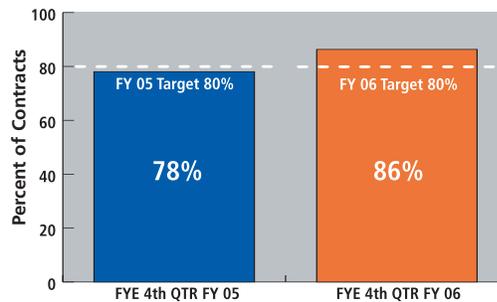
FY06 CONSTRUCTION CONTRACTS COMPLETED (ON TIME)



FY06 MAINTENANCE CONTRACTS COMPLETED (ON TIME)

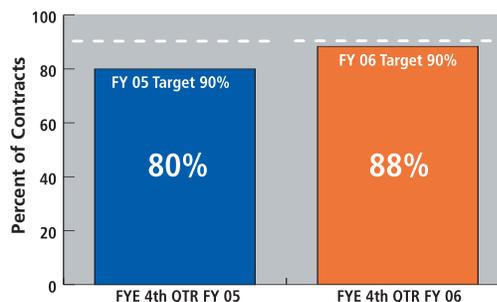


CONSTRUCTION CONTRACTS COMPLETED WITHIN BUDGET



By the end of FY 06, 139 (86 percent) of the 162 construction contracts were completed within 110 percent of their original contract award amounts.

MAINTENANCE CONTRACTS COMPLETED WITHIN BUDGET



By the end of the FY 06, 84 (88 percent) of the 95 maintenance contracts were completed within 110 percent of their original contract award amounts.