

ALASKA LEGISLATURE

1893

HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

Performance Measurement: EFFECTIVENESS

Example PROGRAM LEVEL Measures*:

- Average wage at successful closure/living wage - VRD
- % of Title XIX LT care clients served in community care - SDS
- Energy savings per Tax Credit Dollar - ENERGY
- % of Food and Dairy Inspections non-compliant-AGRICULTURE
- % of Former clients returning to Welfare within 18 months - AFS
- % of Industry Reviewed - DIF
- % of Non-performing assets - DVA
- Highway and Bridge condition rating - DOT
- Missing Children Recovered - OSP
- At fault truck accidents - PUC

* *State of Oregon*



Example Program Performance Measures:

Program: Welfare to Work

Efficiency:

- *Cost per client that gets a job.*

Effectiveness:

- *Average time to move from Welfare to Work.*
- *% of clients placed above minimum wage.*
- *% of repeat clients*

Detail Behind the Measures

*Example: Useable Harbor**

For each measure determine the following;

Definition

Example: % of time harbors are available for use as designed without closures or restrictions.

Demonstrates

Example: Effectiveness in providing harbors which sustain the requirements of users.

Reporting Frequency

Example: Quarterly - Programmatic (tactical)

Aligning "Programs" with Results

Programs

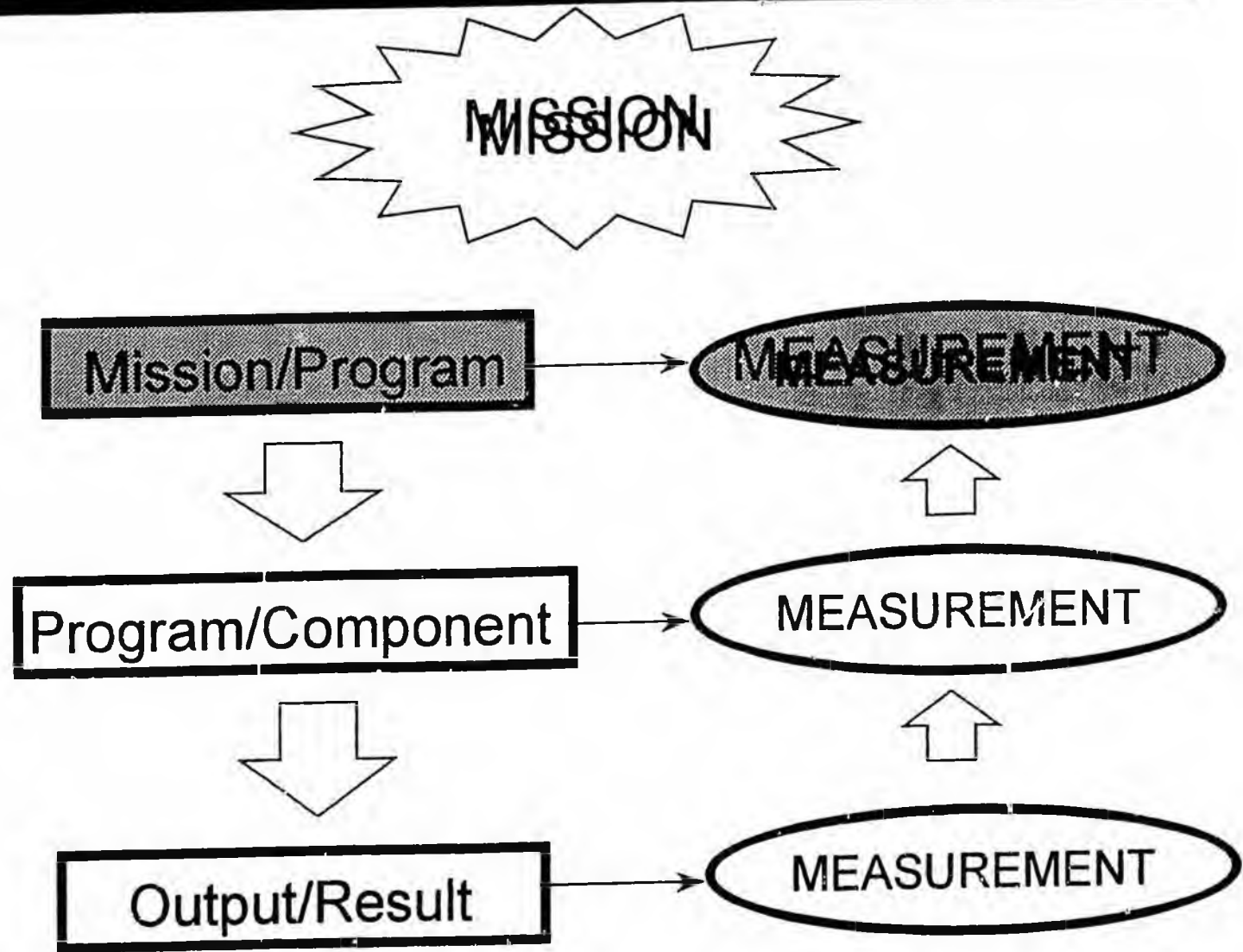


Job Training
 "Assistance"
 Job Retention
 Admin. Services
 Assessment

	\$ per client	% clients get job	% client return	client load/ FTE
Job Training "Assistance"	✓	✓	✓	
Job Retention	✓		✓	
Admin. Services	✓			✓
Assessment	✓	✓		

Department: Family & Youth Services

Cascading Performance Measures



Why Cascading Measurement is Important

Total Profits	1993	1994	NET
PepsiCo	<u>1st Quarter</u>	<u>1st Quarter</u>	<u>Difference</u>
	\$543.1	\$572.7	\$29.6

Major Business Lines

Snackfoods	\$217.5	\$270.3	\$52.8
Beverages	\$180.2	\$177.1	(\$ 3.1)
Restaurants	\$145.4	\$125.3	(\$20.1)

Major Restaurants

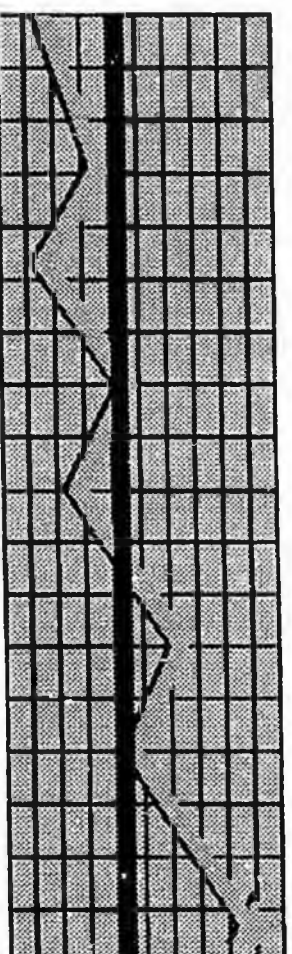
Taco Bell	\$31.1	\$33.7	\$ 2.6
KFC	\$32.4	\$24.8	(\$ 7.6)
Pizza Hut	\$81.9	\$66.8	(\$15.1)

Source: Wall Street Journal, July 18, 1994

Baseline Targets that make sense

- Historical 3 year rolling average
- Average for industry
- Take a guess, and update quarterly

Note: Recalculate annually, **NOT** monthly.



MTTP

USES of PERFORMANCE MEASURES

Measures contained within Budget Document(s)

Dallas, TX - (1,000,000)

Indianapolis, IN - (741,000)

Milwaukee, WI - (628,000)

Phoenix, AZ - (983,000)

Portland, OR - (437,000)

San Antonio, TX - (935,000)

Seattle, WA - (516,000)

Used By Council to Make Budgetary/Priority Decisions

Dallas, TX

Indianapolis, IN

Milwaukee, WI

Phoenix, AZ

KEY QUESTIONS - for Discussion with Agencies...

1. What's your Mission?
2. What are your programs and how do they contribute to the Mission?
3. Who are your customers?
4. What are your Program Result Performance Measures?
5. How did you do last year?
6. What do you intend to do differently this year?
7. What are your strategies/priorities for this next year?
8. Which measures are you going to use to validate and monitor our investment?
9. * *Is there duplication between agencies?*
10. * *Are other options viable to accomplish these results?*

Caution - Simplify to Succeed

Resist the urge to over complicate for perceived completeness. Begin by having each program unit submit the following;

- At least one efficiency & one effectiveness measure for each program result.
- Brief narrative to support measure.
- Graph depicting baseline, actual & potential results.
- Quarterly reporting to OMB

Managing for Results Model - City of Seattle

Make it simple to comprehend - Develop measures that managers and staff find meaningful.

Keep to a short Development time - Get it into use QUICKLY.

Focus it on management use - Integrate it into the mainstream of management decision making.

Core Questions for Annual Performance Plans*

1. To what extent does the agency's performance plan provide a clear picture of intended performance across the agency?
2. How well does the performance plan discuss the strategies and resources the agency will use to achieve its performance goals?
3. To what extent does the agency's performance plan provide confidence that its performance information will be credible?

**Source: GAO - Feb 98 - Assessment Guide to Facilitate Congressional Decision Making*

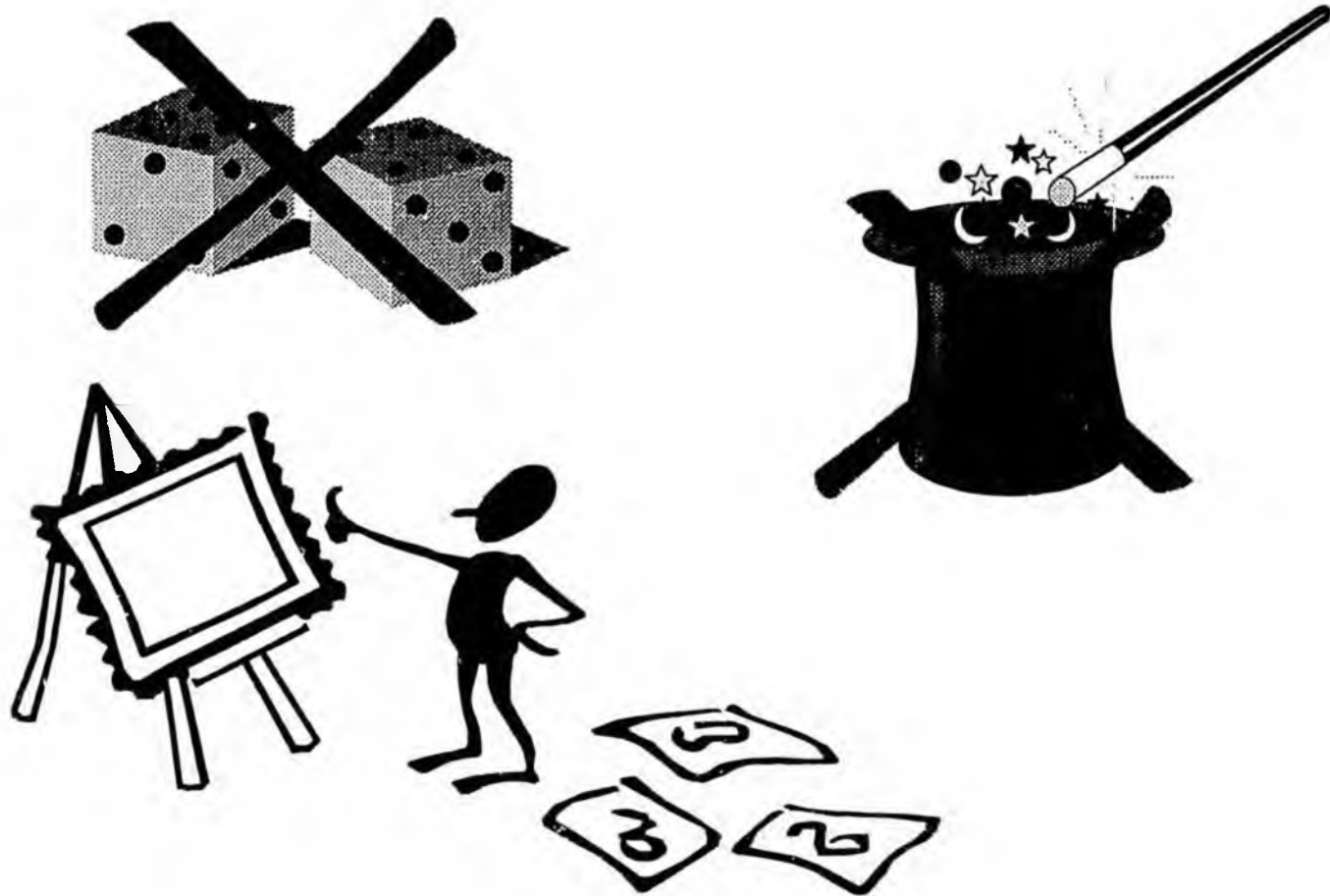
PIT FALLS (Lessons from the Pit)

- ✓ There **MUST** be agreement by the committees that they will follow an agreed upon approach - Speaker and President **KEY**.
- ✓ Legislative and Executive **MUST** agree on a shift from spending to investing. The debate on where to invest will still remain.
- ✓ Create accountability mechanisms - between the Executive and Legislative. (Performance Contracts)
- ✓ Not everyone (Executive and Legislative) will want to change. Predetermine the consequences.
- ✓ Reward appropriate behavior (Executive and Legislative)

PIT FALLS (Lessons from the Pit)

- ✓ Focus is to improve - not keep score. Resist the urge to judge the numbers too quickly.
- ✓ Build in a quarterly review process, and be ready to make mid-course corrections.
- ✓ Most Financial Systems count things and will probably have to be modified, to provide results based information
- ✓ Remember- no one wins -if poor investments are made!

Parting Thought.



KEEP FOCUSED, DON'T STOP TILL IT'S RIGHT!

Is this just another "management fad"?

NO! For the first time ever, a management principle is now included in federal, state, and in some cases local legislation. The citizens of our country are wanting "accountability" in government, like never before. With government getting smaller, it's critical that managers and staff know how well they are delivering their services. This is also politically neutral, everyone wants "outcome" oriented government.

Is this just another way to weed out poor performers?

NO! Since performance measures are tied to results, not activities, experience shows that results are typically accomplished by a group of individuals. It's the end result that is measured, NOT the effort of specific individuals.

Who's going to be involved in developing performance measures?

Those that are responsible for delivering the products/services being measured are the ones who will develop the measures.

What if the measures that we develop, don't measure what I do?

Typically, individuals are responsible for specific activities necessary to accomplish an end result. Since only end results are measured, it's quite possible that the specific activity that you do WON'T have a performance measure. The focus should not be on what you do, but how what you do effects the end result.

Is it fair to measure things that I have no control over ?

Since performance measures are derived from the mission of your organization/workgroup, if you feel you are accountable for the mission, then whether you have control over all aspects related to accomplishing the mission DOESN'T matter. Fairness is typically tied to effort, where as accomplishment is tied to results.

Isn't performance measurement degrading to professionals?

Most professions have ethical/legal codes of conduct. Performance measurement isn't about measuring the ethical/legal aspects of your job, just the results that are accomplished. It's hard to imagine that measurement of accomplishments is degrading to anyone.

Do we really want to measure the things that we aren't any good at?

The presumption is that you currently know your doing a "bad job". IF, and I repeat IF, that is true, then a decision needs to be made on how to change the situation, including stopping the work. This decision typically has to be made by management, and some indicators are required before such a decision can be made.

How is this information going to be used?

Depending on the level you are at in an organization. Typically, strategic measures are used by Senior Managers and Key Stakeholders. Programmatic and operational measures are used by managers and staff within an organization to assist in making decisions on ways to improve service delivery. Measurement is about getting better, not just keeping score.

Who's going to be reviewing my performance measures?

Typically measures are used by the program/workgroup that develops them. Additionally the management level immediately above the workgroup will review them as well, to validate that action is being taken based on the information being produced.

Who's responsible for our performance measures?

The workgroup or manager who is responsible for delivering the products/services being measured are the ones who will be responsible for "using" the measures. A facilitator typically is used to assist in developing the measures, but the responsibility to gather the data and report on the measures rests with the workgroup or manager.

How does performance measurement "fit" with TQM?

They complement one another. TQM is a process-oriented action which focuses on improving work processes. Performance measurement makes sure that the work processes targeted for improvement are aligned to an end result, and that measures are in place to demonstrate the improvement to work processes.

How does performance measurement "fit" with Strategic Planning?

The methodology that is being used first focuses on alignment to mission and programs, both of which are key aspects of strategic planning. Thus measurement becomes the "operational" aspect of strategic planning, not something different.

How does performance measurement "fit" with Business Planning?

Performance measurement becomes part of any business planning process. As business objectives and strategies are identified, performance measurement becomes the mechanism to monitor/validate that the strategies you chose to employ are working.

How does performance measurement "fit" with Customer Satisfaction?

Customer Satisfaction is the perception of the services received, as viewed by the customer. The methodology that is being used identifies customer satisfaction as a key measurement for ALL products and services.

Managing with Measures: Using Performance Measures for Operational Management and Budgeting

By

Craig Holt, CIO

Oregon Department of Transportation - June 6th, 1995

To quote Financial World Magazine, May 12, 1992, "Historically, government initiation of programs has been based on politics and intuition, with little idea of how effectively or efficiently they will work for taxpayers."

As a result, the Oregon Department of Transportation (ODOT) has taken a hard look at itself and its programs using performance measurement program to manage for results. Building on a team environment, performance measures help continuous improvement infiltrate the department from program level to the front line.

Interwoven through several organizational processes, this program becomes the "dashboard" for managing for results and measuring to get better just like the dashboard of a vehicle which shows vehicle performance.

I. Background/History

The driving force behind ODOT's Performance Measurement Program was a strong desire to be accountable for our products and services provided to our customers. It began as a pilot project combining performance measures with an incentives program. The initial pilot began with 7 crews demonstrating \$76,000 in savings in the first year of monitoring their performance. Expansion of the pilot to include 20 additional crews ballooned the total savings to over \$3.8 million in the final year of the pilot (these 27 crews amounted to 350 FTE or seven percent of ODOT work force).

We learned that incentives weren't the sole catalyst for the dramatic savings but that the act of measuring performance was the key foundation for what was accomplished. We also learned that the process of developing measures paved the way for cultural change. A broader field of vision for many ODOT employees helps them to understand who we are, what we do, and why we do it. In addition, teams consisting of managers and staff are learning to be accountable for positive public influences from their programs. Consequently, measures developed by teams enable them to continuously monitor their progress.

Full implementation of performance measurement began in 1991 beginning with our maintenance business function (around 1300 FTE) and eventually expanding to construction, project development and all support functions (close to 5000 FTE at that time).

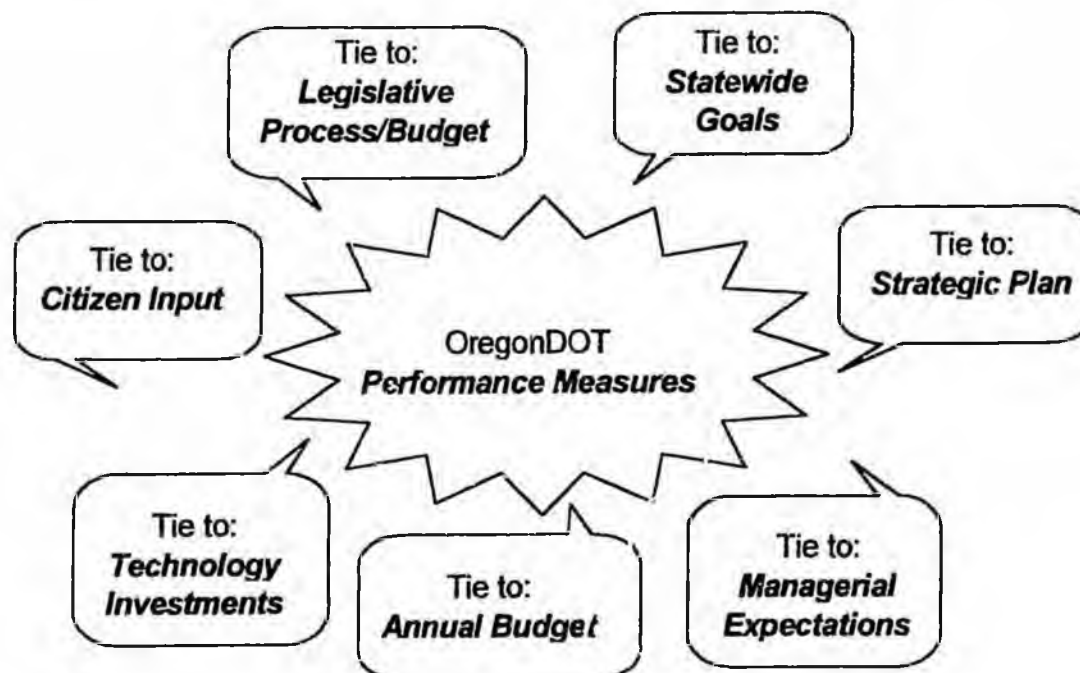
II. Description of Key Elements

The basic philosophy of Performance Measurement is to focus on end results. Crews are facilitated through an exercise that reevaluates their purpose, their products and services and their customers. Focusing on group and not individually based, crews then build their performance measures around the efficiency of their functions and their effectiveness in terms of accomplishment, cost and quality as well as team goals. Measures must align with the mission and, at a minimum, align with department key result areas: Supports Cost Per Unit, Labor Utilization, Timeliness, Actual Spent vs. Planned Budget, Program (Quality) Effectiveness, and Customer Feedback.

Focusing measures into these key areas will enable management decisions to be based on shared performance information, moving the department to performance based budgets, positioning our performance to be benchmarked with contractors, and retaining ties into other organizational processes.

III. Ties to Organizational Processes

ODOT has mapped a route to continuous improvement using a comprehensive Performance Measurement Program to manage for results. The graphic below illustrates other organizational process for which the program has become the foundation.



Strategic Plan: It supports ODOT's number one priority in the Strategic Plan, with the Strategic Goal of demonstrating that we are good stewards of public resources through the development of benchmark performance measures that have meaning to the public.

Statewide Goals: ODOT's mission supports several statewide indicators (Oregon Benchmarks) measuring progress toward broad strategic goals.

Managerial Expectations: Every manager has a performance plan containing six accountabilities. Performance measures are key in demonstrating senior and middle managers ability to meet two of these six accountabilities: managing effectively and producing and delivering results.

Technology Investments: Performance improvement, demonstrated by performance measures, is one of the criteria used by ODOT's Resource Allocation Committee in determining technology investments.

Annual Budget: The Annual Budget process requires managers to demonstrate, with performance measures, a 3-4 percent productivity improvement while maintaining quality; provide supporting performance data for budget enhancement packages and allocate resources based on service levels in our maintenance function. This increase in productivity has offset inflation reducing the need for revenue increase.

Legislative Process: Although ODOT has yet to implement full performance based budgeting, we have over the last two Legislative budget sessions supported our department's \$1.5 billion budget with performance measures. The 1995 Legislative budget discussion for ODOT, originally scheduled for six weeks passed within an unprecedented five days. A combination of clear department goals, supporting performance measures and demonstrated use, all helped to pave the way to an expedited decision by the legislative committee. After several successful presentations on actual use of measures, one legislator commented, "....this is brilliance. there is no better way to show your management leadership than through your art of practice (organizational alignment around measurement)..."

Citizen Input: Recognizing the importance of the customers' perspective, a core element of the Performance Measurement Program has been a focus on customer satisfaction. For many years Driver and Motor Vehicle Services has been conducting customer satisfaction surveys to get feedback from field office customers around the state. Highway maintenance crews have been seeking input from their customers on a statewide scale for the past three years. On a larger scale, The Gallup Organization, conducted four surveys for ODOT over the

last three years to gain insights from the public about travel habits, transportation priorities, views about the state gas tax and general perceptions about ODOT.

IV. Proof That it's Working

Performance measures is more than a programmatic process, it has evoked cultural change within ODOT's organization. Prompted by performance measures and the focus on efficiency and effectiveness, ODOT's senior management team has streamlined the organization's management ranks with 400 less managers. Our infrastructure has changed to be more outcome and customer oriented, realigning our labor resources to support our new focus. According to the latest Gallup Organization survey, 83% of our customers were satisfied with ODOT's management of the infrastructure with an overall customer satisfaction of ODOT's services at 85%.

V. Validation Through Transferability

Success can be judged internally in how ODOT has mastered the use performance measures for continuous improvement. If imitation can be considered a measure of success externally then ODOT can be proud:

Other Oregon Agencies: ODOT has taken the lead to train more than 115 Oregon state agency coordinators on our process. To date, 30-40% of these agencies are managing with performance measurement. This captured the attention of our state executive body, Department of Administrative Services, to pursue what now is known as Senate Bill 1130. The highlight of this bill provides budget incentives to those state agencies that demonstrate savings through management decisions supported by performance measures. Agencies are able to retain 50% of those savings to reinvest in training or equipment for their employees.

Other States: After having visited ODOT and reviewing our methodology, the New York Department of Transportation implemented performance measurement for their maintenance function. As follow-up, New York DOT hosted several different testimonials from ODOT's Deputy Director and Chief Information Officer, a Performance Measurement Program Manager, and a Front-line Manager as a part of their continuous education and review.

Federal Agencies: Recently, ODOT received honors from the U.S. Army Corps of Engineers for our effort in transferring our program methodology to Corps performance measurement experts. Over the past year, ODOT collaborated with the Corps on the implementation of performance measurement within their Operations and Maintenance business. The successful partnership resulted in 75 facilitators trained on the performance measurement methodology, 10,000 employees involved in the development of performance measures, and the

development of the Validation/Verification filters that both the Corps and ODOT will use. At the national level, the accomplishment that the Corps has achieved is being used to exemplify that other federal level agencies can also achieve the same success.

VI. Conclusion

The value of any performance program relies on the demonstrated use. As evidence, ODOT's director uses performance measures contained in performance plans to hold managers accountable for program results. He also illustrates the relationship of performance measures to department mission and goals in employee forums throughout the state, demonstrating management policy and decisions based on information. The following are a few examples of how ODOT managers follow the director's lead:

- ⇒ A major program, project selection and development, built a case for reengineering their process on past performance data and now seeks an improved process via performance measures.
- ⇒ An ODOT district merged their maintenance function with the county, sharing resources to improve efficiency and increase level of service.
- ⇒ A maintenance crew, previously disillusioned in the value of performance measures, developed a unique format that allows them flexibility in the visual display of their performance measurement data. This has enhanced their ownership and use of their measures, generating excitement in their work planning and monitoring of results. It has since become the template to roll out to the rest of the maintenance crews.
- ⇒ Outcome Indicators
 - Pavement Infrastructure condition went from just over 50% to over 80% fair or better
 - Organizational Efficiency
 - * Management layers decreased from 9 to 5
 - * Eliminated one-third of all management positions
 - * "Doing more with less" (Over the past 10 years, revenues have increase by 13% while workforce was decreased by 5%)

"Highway revenues must not only be sufficient to meet costs but must, in addition, be warranted and backed up by corresponding *benefits* else the setup eventually collapses for lack of public support and sanction", from *The Economics of Highway Planning*, a 1937 ODOT technical bulletin. Building on our forefathers' vision, ODOT has taken the lead to bring our focus back to customers, quality products & services and performance accountability.

Performance Based Budgeting: Can It Really Be Done?

Craig L. Holt

Oregon embarked on a "standard" process to be used to develop performance measures, modeled after a successful pilot program.

When asked recently to make a presentation on the topic of performance management, I enthusiastically agreed, eager to share my experience on the methodologies that I had "experimented" with over the past few years. The state of Oregon has been a nationally recognized leader in the areas of benchmarking and performance measurement and had broken ground in the arena of truly performance based budgeting. In fact 10 percent of the state's general fund budget was allocated to outcomes tied to performance—Oregon benchmark initiatives—by the 1993 legislature.

Further, the Oregon legislative assembly had mandated linkage of mission, measures, and objectives for each budgetary program unit. I was ready to "preach" with missionary zeal about our success and ready to motivate all who cared to be in the room to a higher calling! It was at that moment that I had a flashback to a legislative presentation I had given. I was giving testimony to our legislative ways and means committee, when I was asked directly and specifically:

I'm not so much interested in your strategic measures (Oregon benchmarks); what I want to know is are you actually measuring your performance at the work group level, and where's your proof?

Fortunately we had the proof and our budget was approved! We also tied our strategic measures to our operational measures and had to work to get our legislative committee to engage in the strategic discussion.

Some agencies had similar experiences to ours, others were different, wanting a thorough discussion of the Oregon benchmark implications, while others were into a "line item" discussion, talking about out-of-state travel, dues and subscriptions, and the like.

It was upon that reflection that I began to wonder whether the public sector can ever truly move to performance based budgeting, or whether the political environment is so unique that this concept could never be applied—at least successfully. But it was time to perform, i.e.,

the present, and these thoughts would have to be explored at another time.

That time came shortly after, when a professor of public administration approached me after my performance (I mean presentation) and asked if I would be interested in writing an article about performance based budgeting, based on my experience working with many federal and state bodies; I took the challenge!

To begin, I think it's important to put in context the process the state of Oregon has used to develop Oregon benchmarks—standards for measuring statewide progress and institutional performance, and performance measurement—outcome-based measures of performance.

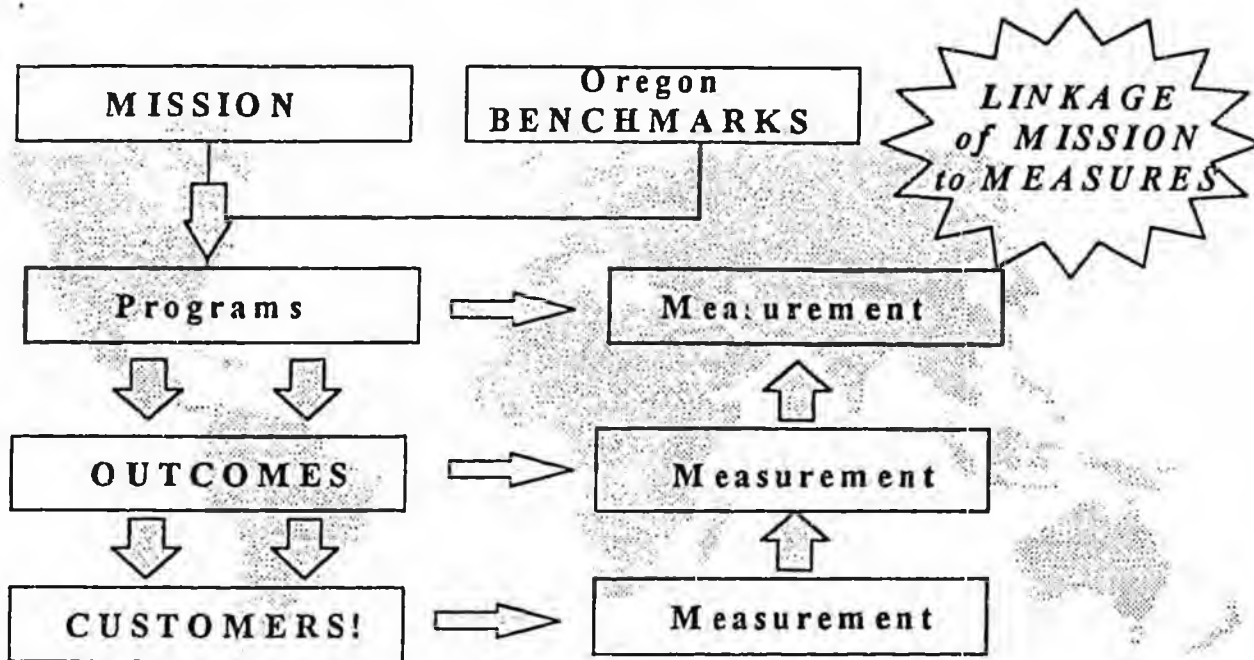
Oregon Benchmarks

These measures were driven by an economic development focus, largely from 12 key industry advisory groups. Hundreds of citizens were involved in refining these measures of strategic indicators of statewide significance. The Oregon state legislative assembly adopted the benchmarks in statute and a governor's task force recommended integration into all aspects of government. There are now three primary categories of benchmarks: for people, quality of life, and the economy. If recognition is any indicator of success, the Oregon benchmarks were a 1994 winner of the Innovations in State and Local Government Award, presented by the Ford Foundation and the Kennedy School of Government at Harvard University.

Performance Measurement

The state of Oregon embarked on a "standard" process to be used to develop performance measures, modeled after a successful pilot program at the Oregon Department of Transportation. Key aspects of the process include:

Craig L. Holt is the chief information officer, Oregon Department of Transportation.



Oregon Department of Transportation - Craig Holt

- measurement of results, not activities;
- team-based measures, not individual measures; and
- comparisons made to industry or three-year averages.

Affected work groups, through a facilitated process, developed their specific measures. The training of all state agencies (110+) followed a three-month process, complete with facilitators and mentors, and was conducted in four phases. The entire process took 18 months and was done with no increase in staffing or use of external consultants!

A key aspect of these two processes is the linkage between the mission of an organization, the Oregon benchmark ties, program alignment with the mission, identified outcomes that flow from the programs, and clear linkages of program outcomes to customers. The above graphic pictorially demonstrates the linkage.

Current Status

At most recent count the number of state agencies that employ results-oriented performance measures stands at 39 percent, up from 25 percent in 1992. This demonstrates that the use of performance measures has lived beyond the "program du jour" orientation to management change initiatives. Oregon's ranking in *Financial World Magazine's* annual appraisal of state governments has moved from 17th in 1991, to 7th in 1993. (Note: 1994 information is not available at the time of this writing.)

The president of the United States' budget narrative for 1996 includes a results-oriented approach to intergovernmental service delivery. Under the redesigned system—which reduces red tape and administrative burdens for state and local governments—the state (Oregon) will set clear

performance goals for government programs and hold itself accountable for achieving results. This is a national pilot, agreed to at a signing ceremony between Vice President Gore and Governor Roberts in Washington, DC this past fall.

Key Culture Change Events

The governor's budget and management (BAM) group moved to a position of coaching state agencies on the proper use of performance measures, resisting the urge to find fault with initial measurement efforts by some state agencies. BAM worked with some agencies for over a year, helping them understand good performance measurement. Part of the coaching include mandatory attendance by agency directors at several all-day training sessions on performance measurement. Further, agency directors were requested to appoint an agency coordinator for performance measurement development.

State legislators were provided training on the linkage of Oregon benchmarks and performance measurement. Further, they were provided the same training the state agency directors received, with the explanation that all agency directors had been exposed to the same information. This, in my view, caused two very important things to happen. First, agency directors and legislators could now speak the same vocabulary regarding Oregon benchmarks and performance measurement. This alone saved much term definition time and created consistency between agency budget presentations. Second, it put agency directors in a position of understanding the importance of performance measurement in managing the performance of an agency. As with any endeavor of this magnitude, some agencies were very successful and others failed, of which more later in the lessons learned portion of this article.

State agencies were used as the focal point for change. Instead of beginning this process with a legislative mandate or directive from the governor's office, state agencies were used to teach other state agencies. This caused very candid discussions to occur about the use of performance measures, the process used to develop them, and any value that agencies had received from following the process, without fear of reprisal by the governor's office or the legislature. In my opinion this led to a more rapid acceptance and use of measurement to improve agency focus and performance.

Problems and/or Opportunities

As with any public agency life cycle, it begins and ends with the legislative assembly. The use of the "numbers" also falls into this life cycle. Some agency directors and legislators were quick to judge the numbers, picking out a single measure and focusing on why that specific measure was below baseline, when an examination of the remaining measures would provide an explanation. This created both opportunities and problems. In one specific situation the ways and means committee co-chair took the opportunity to teach his peers on the use of a "family" of measures. It also created problems, in one case dropping down into line item analysis when the answer resided in a corresponding increase in another measure.

Lack of uniform understanding, though training was provided, also led to confusion and distrust. Agency staff would be talking about Oregon benchmarks and legislators would be looking for the operational measurement, and vice versa!

It takes time to change cultures and institutions. Oregon has a biennial budget and legislative process. Legislators are part-time, leaving the state scene for at least 18 months between sessions. With mostly institutionalized processes as the consistency to span the time not spent in session, it makes it that much more of a challenge to change those processes.

Accountability for demonstrated increases in program performance *must* be integrated into the management structure. The Oregon Department of Transportation has performance plans with all senior managers. The key accountability areas included in those plans are; producing and delivering results, staff development, changing the culture, and leading strategically. It's through this process that management is forced to lead the change in culture from entitlement to producing and delivering results.

As a preacher friend of mine once said, "when you have a key point that people don't want to hear, but they need to, you tells them, you tells them, and you tells them again." The truth of that statement rings loud as we move from a system of *getting* resources, to one of *stewardship* of resources. The above are some of the key problems/opportunities that I have observed or experienced. Each could warrant further discussion, but I have space limitation for this article, and I need to tell you about what's worked well.

What's Worked Well

I thought it only fitting that this article end on a positive series of notes. The following are my observations of what has worked well in this arena of performance based budgeting.

First, those who understood the alignment of mission to outcomes and measures, and who committed to use these as a tool to manage their organizations, were successful with the legislative assembly. One ways and means committee co-chair called a press conference after hearing an agency's presentation and stated that the agency had just set the standard of standards on how to manage a public agency.

The standard development process, though not completely understood by all, did create a common language of understanding around Oregon benchmarks and performance measurement. In some states only one, if any, expert existed to teach/develop good performance measurement information. Now literally hundreds of people in most states understand the concepts of performance measurement and accountability.

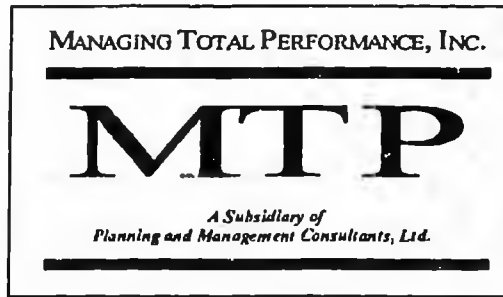
There is a much stronger linkage of agency mission to Oregon benchmarks than ever before. Along with this, there is more discussion around "alignment" than ever before.

Summary and Key Thoughts

The title of this article is Performance Based Budgeting: Can It Really Be Done? If you have stayed with the article to this point you might be asking yourself why the specific question wasn't addressed? Bottom line, I believe it *can* be done! I just shared with you what I believe to be the key aspects of organizational and institutional change that need to be addressed *before* trying to tie dollars to outcomes. Once an organization has a clear alignment of mission to customers, agreement with key stakeholders/legislators on this alignment, and good programmatic and operational measurement processes in place, *then* aligning the resources (inputs) to the products and services delivered by the organization (outputs) begins to function like performance based budgeting.

There are many obstacles that stand in the way of doing this, especially in the public sector. Yet who can argue that the current "process" of investing the public's money in those programs that reflect the many different perspectives that entangle public priority setting is working? Further, with a continued reduction in available funding becoming more like the norm doesn't it behoove the rest of us in public service to find some way to focus the public policy debate on "good investments" versus "program spending?"

I would propose to you that we cannot engage the public policymakers in an meaningful discussion if we haven't *first* prepared our organizations. Any attempt to do so would be meet the same fate as other management initiatives...and who doesn't still use quality circles? ★



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Resume

Key Qualifications:

Mr. Holt is a National Expert in the field of Government Accountability, with respect to Performance Management & Measurement. Craig is sought-out by many state and federal agencies and associations to present his models and methodology, and was quoted in the Vice President of the United States National Performance Review (From Red Tape to Results, Creating a Government that Works Better & Costs Less - September 1993). The following is a sampling of the organizations Mr. Holt has served as a consultant and/or advisor to;

United States General Accounting Office (GAO)
National Performance Review (NPR)
National Association of Public Administrators (NAPA)
U.S. Army Corps of Engineers
State of Alaska - Office of Management and Budget
State of New York - Governor's Office

United States Office of Management and Budget (OMB)
National Council of Governor's Policy Advisors (NCGPA)
U.S. Department of Agriculture
U.S. Department of Transportation
State of Connecticut - Office of the Legislative Auditor
D.C. Financial Control Board

HONORS:

National Excellence Award (11/95) - LBJ School of Public Affairs, University Texas
Oregon Department of Transportation - Performance Management/Measurement Process

Investing in People Award (9/95) - Governor - State of Oregon
Oregon Department of Transportation - Performance Management/Measurement Process

Superior Civilian Service Award (6/95) - US Army Corps of Engineers - GPRA Pilot
Craig Holt - Assistance in Development of Corps Performance Measurement Process

Public Service Award-Special Recognition (5/93) - Public Employees Roundtable
Oregon Department of Transportation - Performance Management/Measurement Process

Investing in People Award (6/92) - Governor - State of Oregon
Craig Holt - Training ALL state agencies in the use of Performance Measurement Processes

Vision and Innovation Award (5/92) - Governor - State of Oregon
Craig Holt - Valuable assistance with State Performance Measurement Initiative

MEMBERSHIP of COMMITTEES and PANELS:

- 1993-1995 Member of the American Association of State Highway & Transportation Officials' (AASHTO) Standing Committee on Quality.
- 1994-1995 Member of the American Association of State Highway & Transportation Officials' (AASHTO) Business Process Reengineering Taskforce.
- 1994 Member of the National Council on Highway Planning & Research (NCHRP) Customer Based Quality in Transportation Panel.
- 1995-1996 Member of the National Academy of Public Administration (NAPA) Use of Benchmarking for Public Works Infrastructure Advisory Panel .
- 1994-1995 Member of the Oregon Transportation Quality Initiative Steering Committee.
- 1992-1995 Member of the American Association of State Highway & Transportation Officials' (AASHTO) Information Systems Sub-Committee

WORK EXPERIENCE:

<u>Month /Year</u>	<u>Name of Employer/POC Phone</u>	<u>Title</u>
11/95 to Present	Managing Total Performance, Inc. (503) 371 - 7224	President

Description of Major Assignments:

- Lead project team in a management review for the District of Columbia - Department of Public Works
- Project Director for 15 improvement projects within DC-Department of Public Works (\$6M),
- Developed Performance Contracting process for: DC Department of Public Works, New York State Education Department, Clark County Sanitation District, and South Dakota DOT,
- Developed IT Investment and Accountability Strategy for New York DOT,
- Developed the Information Resource Management prioritization process for NY State Education Dept.
- Developed Strategic Implementation Process for the DC Financial Responsibility Authority,
- Designed the Performance Measurement Process for the South Dakota Department of Transportation,
- Designed the Performance Measurement Process for the Santa Clara Valley Water District,
- Lead the Design and Implementation of the Strategic Planning process for NY Dept. of Tax & Finance,
- Designed the Customer Assessment process for NY Dept. of Tax & Finance,
- Developed Information Technology/Resource prioritization for Federal Trade Commission (FTC),
- Executive Coaching to the Commissioner and Deputy Commissioners at NY State Education Dept.,
- Executive Coaching to the Director and Administrators, for the DC Department of Public Works,
- Facilitated workshops with; the Colorado Transportation Commission, NY Board Of Regents, Salem Keizer School Board, Johnson County (KS) Commission, and the Alaska State Legislature,

<u>Month /Year</u>	<u>Name of Employer/POC Phone</u>	<u>Title</u>
2/92 to 11/95	Oregon Department of Transportation Information Services Division Don Forbes - Director (503) 743 - 3515	Chief Information Officer

Description of Duties/Accomplishments:

- Served as a member of the Senior Management Team (SMT) for ODOT
- Introduced Team Management to the Information Systems Organization.
- Developed and managed 11 direct report managers using Performance Plans.
- Implemented Strategic Information Planning through out ODOT .
- Integrated 4 separate Information Systems Organizations into One.
- Reduced the number of managers from 27 to 9, eliminating 2 layers of management.

4/91 to 11/95	Oregon Department of Transportation Information Services Division Don Forbes - Director (503) 743 - 3515	Manager - Office of Productivity
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Description of Duties/Accomplishments:

- Facilitated the Senior Management Team (SMT) of the Operations and Maintenance Program Directorate of Civil Works, for the U.S. Army Corps of Engineers.- A GPRA PILOT
- Facilitated the Senior Management Team (SMT) of the Directorate of Civil Works for the U.S. Army Corps of Engineers.
- Served as KEY facilitator in the reorganization of the Department of Transportation, involving the Senior Management Team(SMT) of the Department.
- Develop Methodology for Performance Measurement
- Develop Performance Measurement Information System
- Lead the development of Performance Measures for all department functions
- Assisted other State, Federal and other governmental entities in the development of Performance Measurement Systems and Methodologies.

7/90 to 4/91	Oregon Department of General Services Director's Office Dan Simmons - Director (former) (503) 363 - 2074	Assistant Director
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Description of Duties/Accomplishments:

- Developed the Strategic Planning Process, involving Mission, Major Functions, Goals , and Objectives. Facilitated the Senior Management Team (SMT) through-out the process.
- Served as a member of the DGS Senior Management Team (SMT).
- Developed a Customer Satisfaction Survey and Analysis Process
- Developed a performance measurement methodology and performance measures for 27 separate business functions at DGS, including Mission statements.
- Developed the State of Oregon Methodology to develop and implement Performance Measures for ALL State Agencies.
- Assist in Training of 100 state agencies in Performance Measurement development

5/89 to 7/90 Oregon Department of Transportation
Office of the Chief Administrative Officer
Don Forbes - CAO (former) (503) 743 - 3515

Manager, Management Info.

Description of Duties/Accomplishments:

- Developed and facilitated performance measurement seminars focused at Senior and Top Management, Middle Management, and Supervisors and Employees.
- Developed the Management Information Methodology and System to track performance within the Department.

9/87 to 5/89 Oregon Department of Transportation
Planning Division - Preliminary Studies Section
Von Hemmert - former boss (503) - 378- 3707

Preliminary Studies Engineer

Description of Duties/Accomplishments:

- Develop and managed the annual Performance Plan for the Preliminary Studies Section
- ODOT wide responsibilities for 5 programs, including Highway Performance Monitoring Program

11/84 to 9/87 Oregon Department of Transportation
Planning Division - Systems Studies Section
Melvin Makin - former boss (503) 378 - 2645

Senior Transportation Analyst

Description of Duties/Accomplishments:

- State of Oregon Liaison with the Metropolitan Planning Organization (MPO), including annual plan development.
- Project Management responsibilities to direct and lead teams of engineers and technicians in transportation planning, analysis, and forecasting.

EDUCATION & PROFESSIONAL REGISTRATION:

<u>Degree</u>	<u>Year</u>	<u>Institution</u>	<u>Major Field</u>
Bachelor of Science (Cum Laude)	1982	Oregon Institute of Technology	Civil Engineering
Associate of Arts	1979	Oregon Institute of Technology	Engineering
Professional Land Surveyor	1986	State of Oregon #2228	

Selected Readings on PERFORMANCE MANAGEMENT

- Caudle, S. L. Reengineering for Results: Update, Alliance for Reinventing Government, March 1995.
- GOVERNMENT REFORM: Goal-Setting and Performance (GAO/AIMD/GGD-95-130R, March 1995).
- Gore, A. Common Sense Government: Works Better & Costs Less. Third Report of the National Performance Review: Government Printing Office, 1995.
- Holt, C. L. "Performance Based Budgeting". The Public Manager, 1996, 24 (4), 19-21.
- Holt, C. L. "Gentlemen, this is a Football". Information Week, January 29, 1996, 96.
- MANAGING FOR RESULTS: State Experiences Provide Insights for Federal Management Reforms (GAO/GGD-95-22, December 1994)
- MANAGING FOR RESULTS: Experiences Abroad suggest Insights for Federal Management Reforms. (GAO/GGD-95-120, May 1995)
- MANAGING FOR RESULTS: Status of the Government Performance and Results Act. (GAO/T-GGD-95-193, June 1995)
- Measuring State Transportation Program Performance, NCHRP Report 357, Transportation Research Board and National Research Council, National Academy Press 1993.
- PERFORMANCE BUDGETING: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, February 1993)
- PERFORMANCE MEASUREMENT: An Important Tool in Managing for Results. (GAO/T-GGD-92-35, May 1992)
- PROGRAM PERFORMANCE MEASURES: Federal Agency Collection and Use of Performance Data. (GAO/GGD-92-65, May 1992)
- Posner, B.G. and Rothstein, L.R. "Reinventing the Business of Government: An Interview with Change Catalyst David Osborne." Harvard Business Review, 1994, 72 (3), 133-141.
- Using Performance Measures in the Federal Budget Process, Congress of the United States, Congressional Budget Office, July 1993.
- Moravec, M., "Bringing Performance Management Out of the Stone Age." Management Review: The American Management Association Magazine. Feb. 1996, 39-42.

2/11/99

Overview:

AK

Railroad

Corp.

SFIN

FILE



Eight horizontal lines for writing.



Eight horizontal lines for writing.



Eight horizontal lines for writing.








Goals for 1999

- Another 25 percent drop in injuries
- Cut expenses to meet potential drops in freight volume
- Nail down export coal contract
- Increase and diversify passenger business

Alaska Railroad Corporation 


Goals for 1999

- Develop real estate master plan
- Better use real estate to stabilize revenues over the long term
- Increase revenue in base freight business through efficiency, customer service
- Manage capital program successfully

Alaska Railroad Corporation 

Gov. Knowles' vision, plan

- Transportation is a fifth of national economy, probably more in Alaska
- Maximize Alaska's access to federal funds for roads, bridges, ports, airports
- Motor fuels tax supplies match for roads
- Railroad revenues supply match for rail improvements


Alaska Railroad Corporation 

1999-2000 capital plan


- \$75 million in Railroad revenues and federal funds (*no state funds or taxes*)
- Includes:
 - New locomotives
 - New depots
 - Track straightening
 - Airport terminal design
 - Roadbed maintenance

Alaska Railroad Corporation






Port of Seward



Build true passenger, state ferry dock

Alaska Railroad Corporation






Whittier overpass




Safety measure

Alaska Railroad Corporation






Denali depot



Enclosed, full-service facility at park entrance

Alaska Railroad Corporation





Fairbanks intermodal



Bus, rail, taxi facility

Alaska Railroad Corporation





Motive power



New locomotives for more power, less operating cost

Alaska Railroad Corporation



Anchorage International




\$28 million rail facility

Alaska Railroad Corporation




Line changes



- Cut running time from Wasilla by 40 minutes
- Helps freight, passenger service
- Sets stage for commuter rail
- Girdwood on track as well

Alaska Railroad Corporation



It all fits together

- Basic line changes improve train speed, traffic capability, safety
- New depots and intermodal facilities serve growing visitor industry
- Faster trains, good facilities make commuter service possible


Alaska Railroad Corporation



1999 and beyond

- Looking east to Canada, north to Arctic, west to Nome
- Alaska's transportation system central to Gov. Knowles' plan for growth
- The Alaska Railroad is a growth center for public transportation system


Alaska Railroad Corporation



The Alaska Railroad

A catalyst for growth

Alaska Railroad Corporation



2/25/99

Overview:

AK

Aerospace

...

SFIN

FILE

Confidentiality Agreement

Being first duly sworn, I agree and stipulate as follows:

1. I acknowledge that I have read and understand the following paragraph and that I will be subject to any penalties provided by law for breach of this trust:

In accordance with **AS 14.40.881, Article 1, Section 2 of the Alaska Constitution, AS 09.25.120(a)(4) and AS 11.56.860**, it is a crime punishable by law for any person having confidential trade secrets or other proprietary technical information to use that confidential information for personal gain or in a manner not connected with the performance of official duties other than by giving sworn testimony or evidence in a legal proceeding in conformity with a court order.

2. I understand that in the course of my duties, I will or may be exposed to trade secrets or other proprietary technical information owned or possessed by the **Aerospace Development Corporation** of the State of Alaska entitled to confidential treatment under **AS 14.40.881, Article 1, Section 2 of the Alaska Constitution, and AS 09.25.120 (a)(4)**; I will not discuss any such information, or in any manner transmit or cause to be transmitted either the text or terms of any such information, or to the extent that such information becomes publicly available from other sources, other than to persons who have also signed copies of this confidentiality agreement; and
3. To the extent that I may be involved in the handling or storage of any such information, I will handle and store such information in a manner calculated to prevent its exposure to any person who has not signed a copy of this confidentiality agreement.

DATED: 2-25-99

SIGNATURE: 

Printed Name: Pete Kelly

APPEARED before me this day: _____

Witness signature: 

Title: _____

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

AS 11.56.860. Misuse of confidential information.

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3. To the extent that I may be involved in the handling or storage of any such information, I will handle and store such information in a manner calculated to prevent its exposure to any person who has not signed a copy of this confidentiality agreement.

DATED: 2/25/99

SIGNATURE: Loren D. Leman

Printed Name: Loren D. Leman

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry J. Sotlani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

AS 11.56.860. Misuse of confidential information.

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DATED: 2/25/99

SIGNATURE: Jean R. Parnell

Printed Name: Jean R. Parnell

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Solitani

Title: SFC Jerry L. Solitani

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

AS 11.56.860. Misuse of confidential information.

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DATED: 2.25.99

SIGNATURE: _____

Lyda Green

Printed Name: _____

LYDA Green

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Sotlani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

AS 11.56.860. Misuse of confidential information.

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3. To the extent that I may be involved in the handling or storage of any such information, I will handle and store such information in a manner calculated to prevent its exposure to any person who has not signed a copy of this confidentiality agreement.

DATED: 2/25/99

SIGNATURE: 

Printed Name: 2-25-99

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Soltani

Title: SFP Jerry

References:

- AS 14.40.881. Trade secrets confidential.**
- Article 1, Section 2 of the Alaska Constitution. The Legislature.**
- AS 09.25.120(a)(4). Public records; exceptions; certified copies.**
- AS 11.56.860. Misuse of confidential information.**

Uniform Rule 22.

Confidentiality Agreement

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3. To the extent that I may be involved in the handling or storage of any such information, I will handle and store such information in a manner calculated to prevent its exposure to any person who has not signed a copy of this confidentiality agreement.

DATED: 2/25/99

SIGNATURE: 

Printed Name: Drue Pearce

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Saltani

Title: SFC SFC

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

AS 11.56.860. Misuse of confidential information.

Confidentiality Agreement

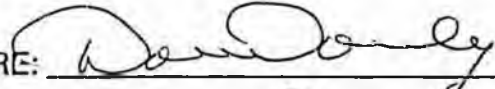
Being first duly sworn, I agree and stipulate as follows:

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2. I understand that in the course of my duties, ^{today} I will or may be exposed to trade secrets or other proprietary technical information owned or possessed by the **Aerospace Development Corporation** of the State of Alaska entitled to confidential treatment under **AS 14.40.881, Article 1, Section 2 of the Alaska Constitution, and AS 09.25.120 (a)(4)**; I will not discuss any such information, or in any manner transmit or cause to be transmitted either the text or terms of any such information, or to the extent that such information becomes publicly available from other sources, other than to persons who have also signed copies of this confidentiality agreement; and
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DATED: 2/25/99

SIGNATURE: 

Printed Name: Dave Donley

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Soltani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.
Article 1, Section 2 of the Alaska Constitution. The Legislature.
AS 09.25.120(a)(4). Public records; exceptions; certified copies.
AS 11.56.860. Misuse of confidential information.

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DATED: 2/25/99

SIGNATURE: _____

Printed Name: _____

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Soltani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

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DATED: 2-25-99

SIGNATURE: *Marveen Corbins*

Printed Name: MARVEEN CORBINS

APPEARED before me this day: 25 Feb 1999

Witness signature: *Jerry L. Soltani*

Title: SFC Secretary

References:

AC 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

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2. I understand that in the course of my duties, I will or may be exposed to trade secrets or other proprietary technical information owned or possessed by the Aerospace Development Corporation of the State of Alaska entitled to confidential treatment under AS 14.40.881, Article 1, Section 2 of the Alaska Constitution, and AS 09.25.120 (a)(4); I will not discuss any such information, or in any manner transmit or cause to be transmitted either the text or terms of any such information, or to the extent that such information becomes publicly available from other sources, other than to persons who have also signed copies of this confidentiality agreement; and
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DATED: 25 FEB 99

SIGNATURE: _____

Printed Name: STEPHANIE J SZYMANSKI

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Soltani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

AS 11.56.860. Misuse of confidential information.

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DATED: 25 Feb 99

SIGNATURE: 

Printed Name: HAYWARD P. LADNER

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Soltani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

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3. To the extent that I may be involved in the handling or storage of any such information, I will handle and store such information in a manner calculated to prevent its exposure to any person who has not signed a copy of this confidentiality agreement.

DATED: 2/25/99

SIGNATURE: Kristal Murphy

Printer Name: Kristal Murphy

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry Z. Sottani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

AS 09.25.120(a)(4). Public records; exceptions; certified copies.

AS 11.56.860. Misuse of confidential information.

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DATED: 2-25-99

SIGNATURE: _____

Printed Name: _____

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Saltani

Title: SFC Secretary

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DATED: 2/25/99

SIGNATURE: George King

Printed Name: George King

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Soltani

Title: SFC Secretary

References:

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Article 1, Section 2 of the Alaska Constitution. The Legislature.

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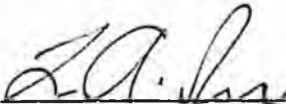
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DATED: 25 Feb 1999

SIGNATURE: 

Printed Name: LAWRENCE A. PRICE

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry T. Soltani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

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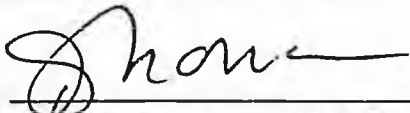
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DATED: 25 FEB 99

SIGNATURE: 

Printed Name: John S. Thomas

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Koltani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

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DATED: 2/25/99

SIGNATURE: _____

Printed Name: MICHAEL J. MACHUJSKY

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Saltani

Title: SFC Secretary

References:

AS 14.40.881. Trade secrets confidential.

Article 1, Section 2 of the Alaska Constitution. The Legislature.

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Confidentiality Agreement

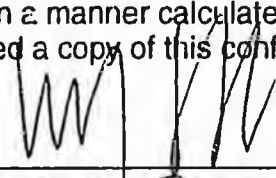
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DATED: 2/25/99

SIGNATURE: 

Printed Name: CLIFF SEUNG

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Keltane

Title: SFC Secretary

References:

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Article 1, Section 2 of the Alaska Constitution. The Legislature.

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DATED: 2/25/99

SIGNATURE: 

Printed Name: Laura L. Gould

APPEARED before me this day: 25 Feb 1999

Witness signature: Jerry L. Soltani

Title: SFC Jerry L. Soltani

References:

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DATED: 2/25/99

SIGNATURE: *James Kenneth*
Printed Name: JAMES KENNEDY

APPEARED before me this day: 25 Feb 1999

Witness signature: *Donny L. Soltani*

Title: SFC *retail*

References:

AS 14.40.881. Trade secrets confidential.

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LOCKHEED MARTIN

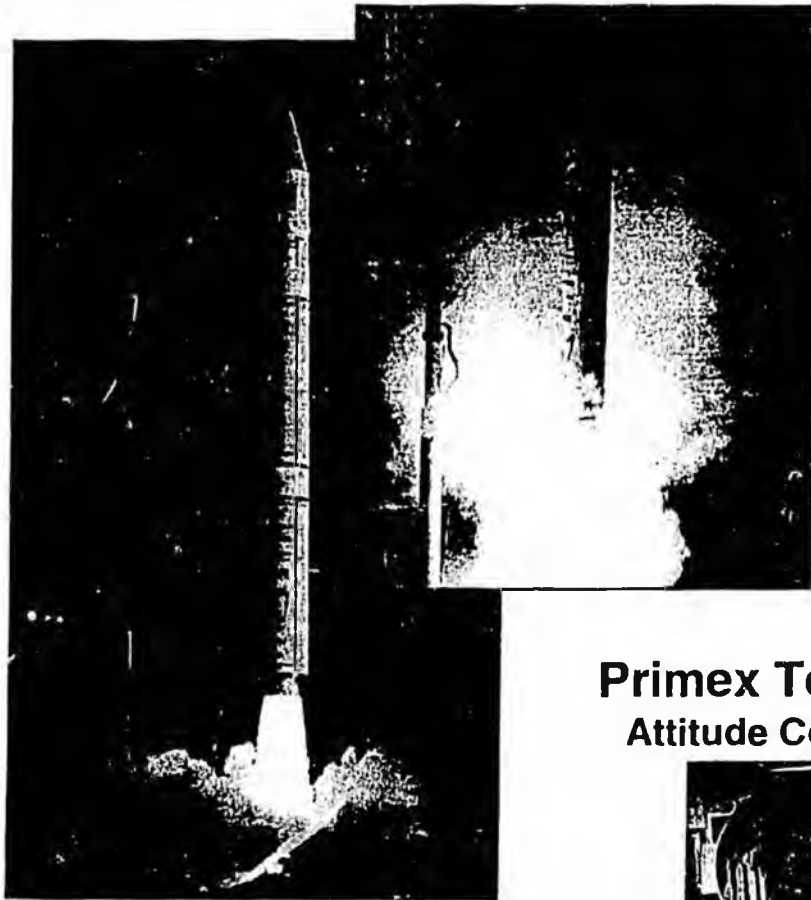
Athena
Launch System





Athena Program Overview

Athena Commercial Partnership



Lockheed Martin Astronautics

- Business Operations
- Vehicle Integration and Analysis
- Launch Operations
- Structures
- OAM Assembly and Checkout

Thiokol
Castor®120



Pratt & Whitney
SPO

Orbus 21®D



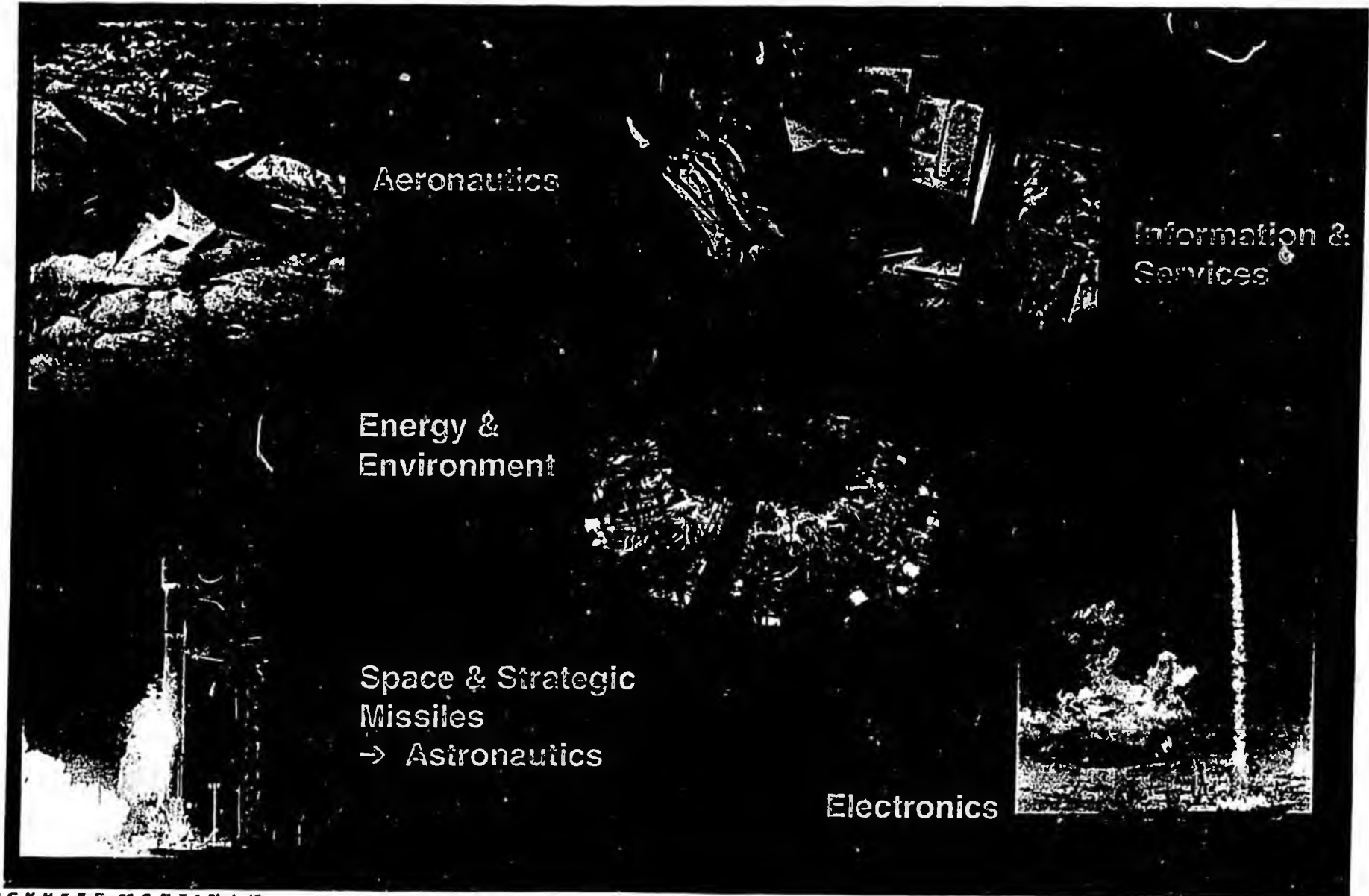
Primex Technologies
Attitude Control System



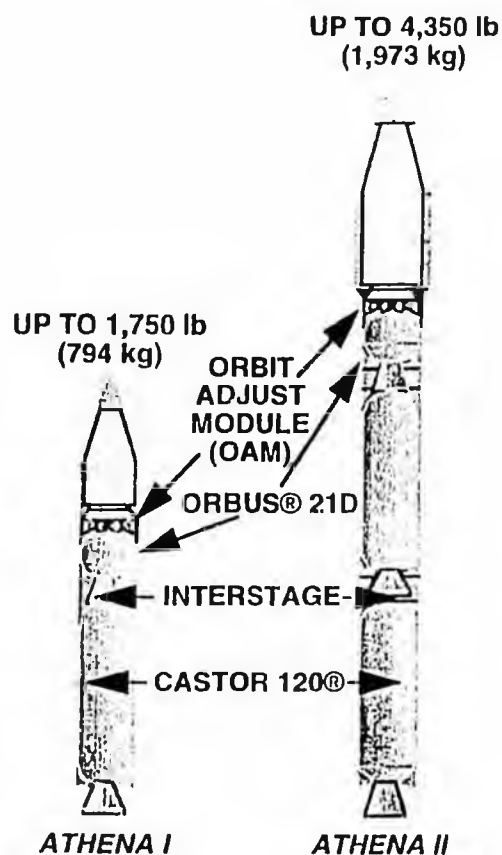
Athena Provides Reliable Low Cost Access to Space

The Athena is the first operational launch system developed without government funding

Lockheed Martin Corporation



Athena Overview



- Development began in 1993 as wholly-commercial partnership: Lockheed Martin, Thiokol, Pratt&Whitney and Primex
- Modular design to reduce costs and maximize reliability
- 2 Configurations and 2 Launch Sites Currently Operational With Success of:
 - › Lewis (A-I) 8/22/97 VAFB
 - › Lunar Prospector (A-II) 1/6/98 CCAS
 - › ROCSAT-1 (Athena I) 1/26/99 CCAS
- Currently planning to bring additional launch site on-line: Kodiak Island
- Accommodates Up to 12 Launches/Year
- 4 launches remaining on current manifest
 - › IKONOS I (Athena II) 2Q'99 VAFB
 - › IKONOS II (Athena II) 4Q'99 VAFB
 - › SBIRS-LADS (Athena II) 1Q'00 CCAS
 - › VCL (Athena I)* 2Q'00 Kodiak

"CASTOR 120®" is a registered trademark of the Thiokol Corporation

"ORBUS® 21" is a registered trademark of United Technology Corporation, Chemical Systems Division

* Awarded and currently negotiating

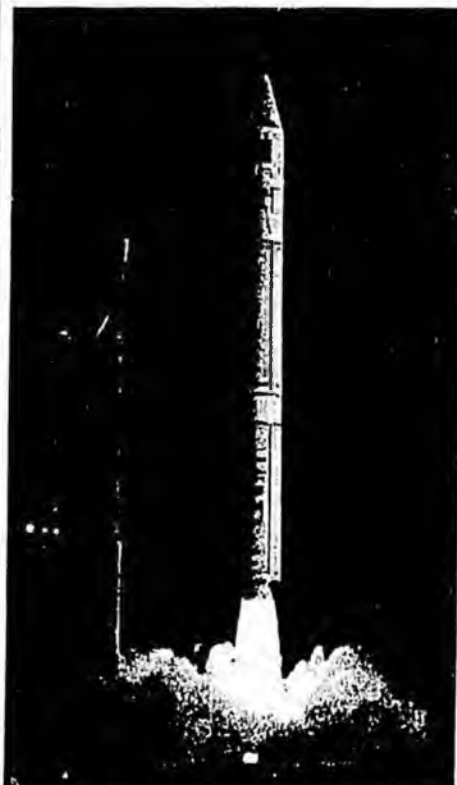
Athena Flight Successes



SSTI Lewis



ROCSAT-1



Lunar Prospector



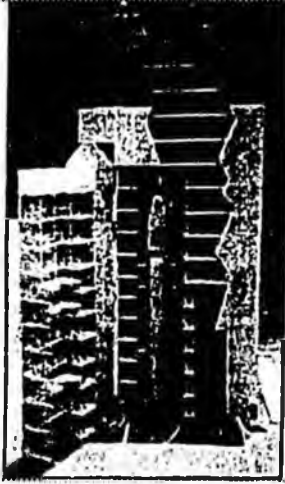
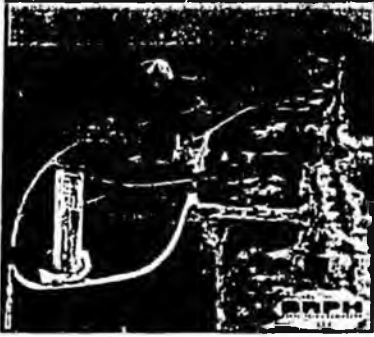
- Three Highly Successful Launches
- Two Vehicle Configurations
- Two Launch Site Activated and Demonstrated

	Requirement		Result	
	Nominal	Tolerance	Achieved	Error
<i>Athena I SSTI-Lewis, 22 August 1997 (note 1)</i>				
Apogee	300 km	+/- 10 km	300.8 km	0.8 km
Perigee	300 km	+10/-83 km	300.1 km	0.1 km
Inclination	97.550°	+/- 0.1°	97.552°	0.002°
<i>Lunar Prospector, 06 January 1998 (note 2)</i>				
Apogee	201.3 km	+/- 10 km	201.8 km	0.5 km
Perigee	153.1 km	+/- 10 km	152.7 km	0.4 km
Inclination	29.186°	+/- 0.2°	29.185°	0.001°
<i>ROCSAT-1, 26 January 1999 (note 3)</i>				
Apogee	600 km	+/- 50 km	600.2 km	0.2 km
Perigee	600 km	+/- 50 km	599.8 km	0.2 km
Inclination	35.00°	+/- 0.2°	34.987°	0.013°
Note 1: Source - Ground track data from NASA Goddard Space Flight Facility				
Note 2: Source - Ground track data from Ascension Island Tracking Station				
Note 3: Source - Athena Guidance Unit, Currently being confirmed by tracking data				

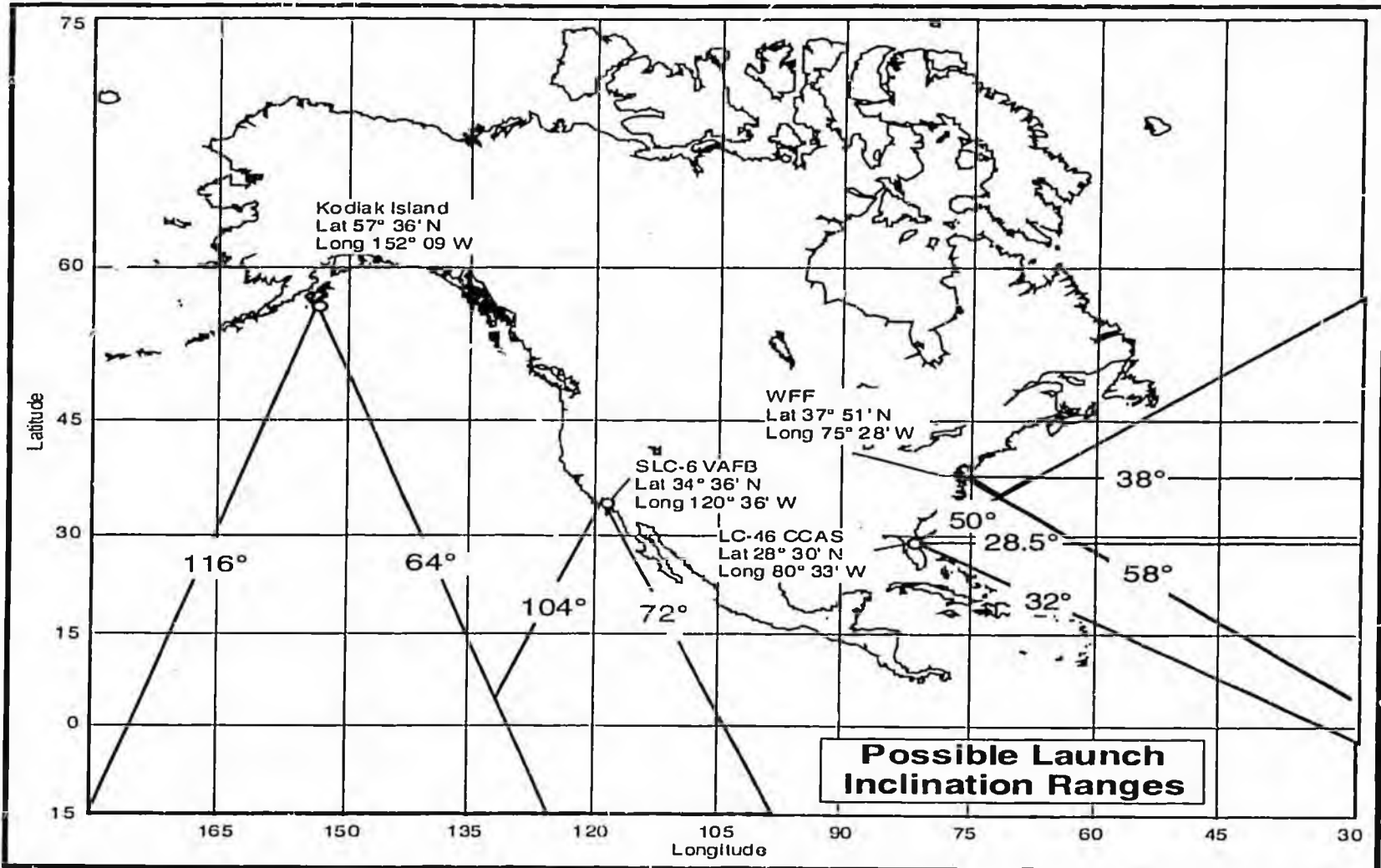
Athena Design Validated

Launch Sites - Current and Future



			
SLC-6 at VAFB	Spaceport Florida Launch Complex 46	AADC-Kodiak Launch Complex (KLC)	VCSFA Wallops Island Launch Complex-0B
<u>Status</u> Operational Until End of '99	<u>Status</u> Operational	<u>Status</u> Operational Beginning in 1999	<u>Status</u> Operational Beginning in 2000
<u>Inclination Range</u> 70°-104°	<u>Inclination Range</u> 28.5°-50°	<u>Inclination Range</u> 64°-116°	<u>Inclination Range</u> 38°-58°
<u>Processing Facilities</u> IPF or Astrotech	<u>Processing Facilities</u> Astrotech	<u>Processing Facilities</u> Kodiak Launch Complex (KLC) On-Base	<u>Processing Facilities</u> On-Base NASA Facilities
<u>Scheduled Launches:</u> IKONOS 1 IKONOS 2	<u>Scheduled Launches:</u> ROCSAT 1 SBIRS-LADS	<u>Scheduled Launches:</u> VCL	<u>Scheduled Launches:</u>

Athena Provides Full Range of Launch Inclinations

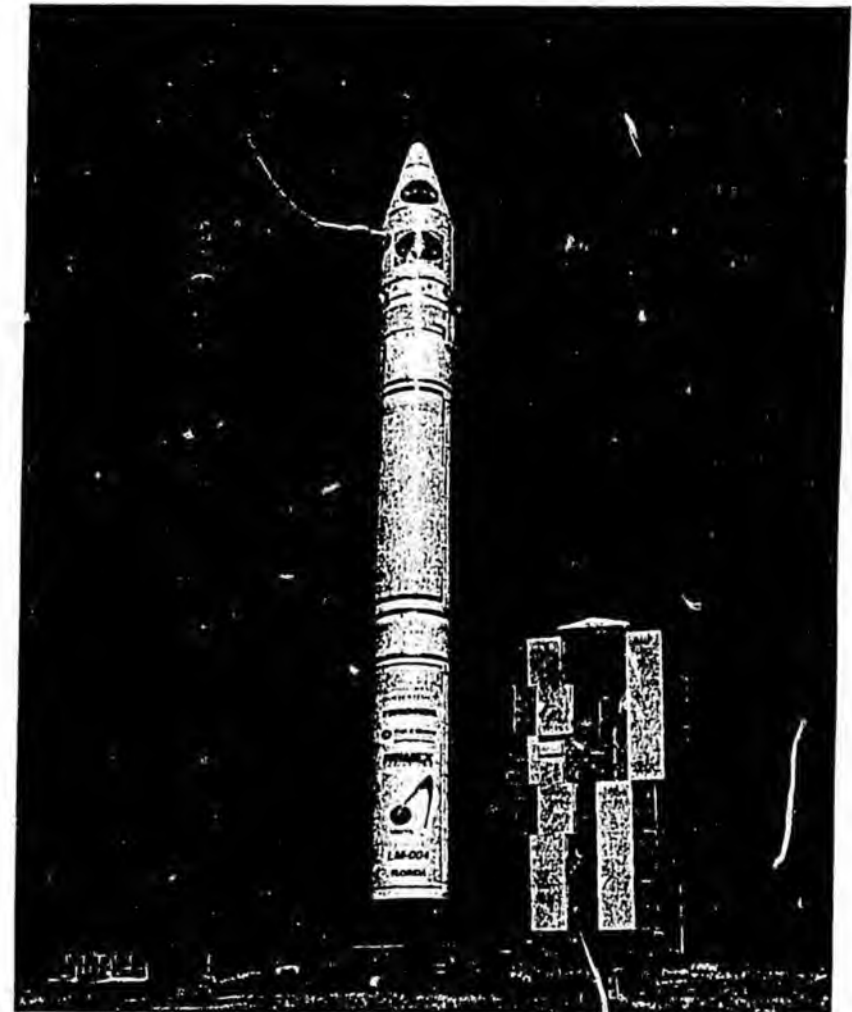


Athena Can Meet The Widest Range of Inclination Requirements

In Summary



- Athena Launch System is Operational and Stands Ready to Meet Customer's Launch Needs
- Athena Can Meet The Greatest Range of Launch Requirements
- Athena Provides Complete Launch Service For One Time Price
- Lockheed Martin Commitment To Mission Success Demonstrated
- Athena Provides Reliable and Cost Effective Low Earth Orbit Access



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Printed Name: _____

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Witness signature: _____

Title: _____

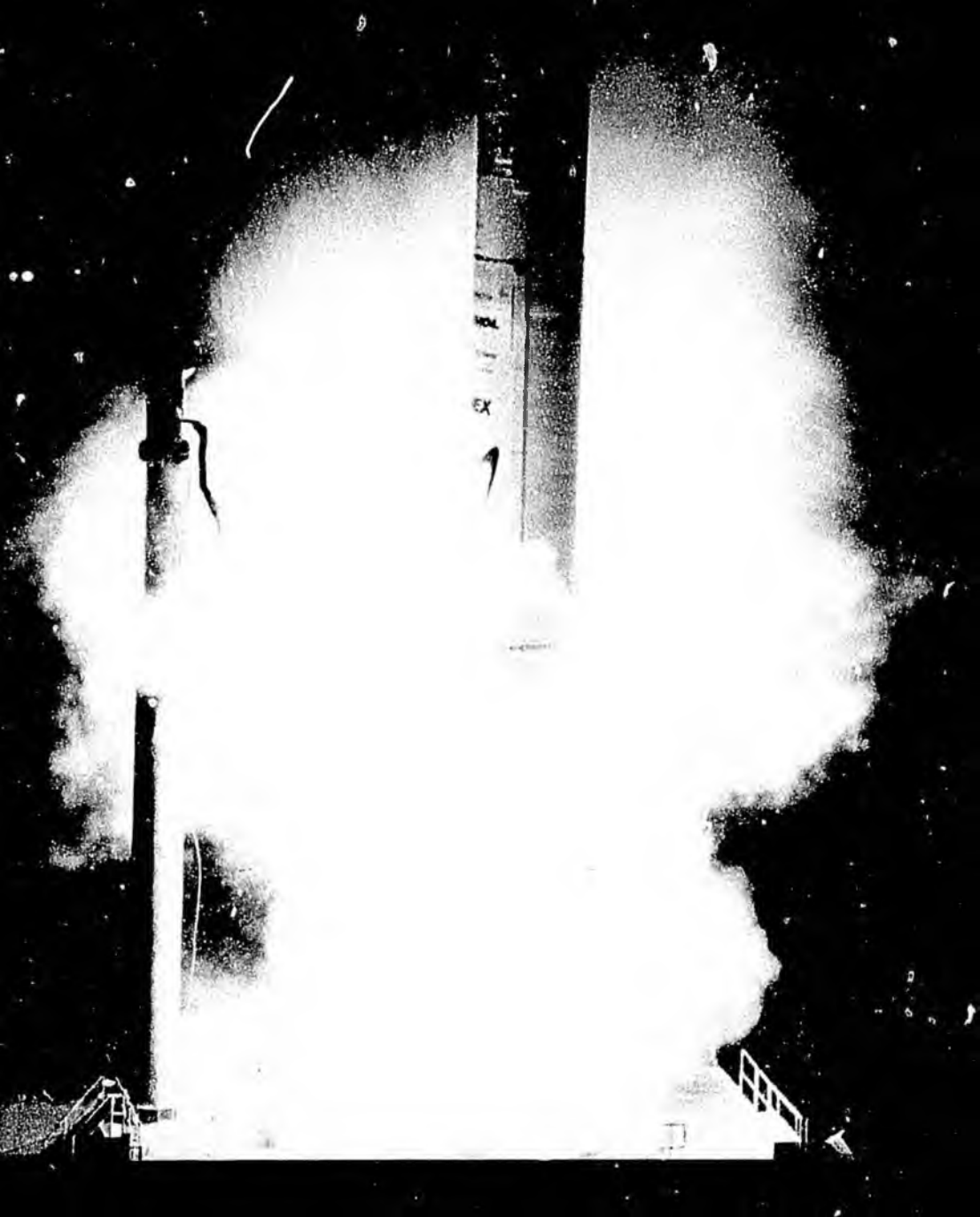
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**ECONOMIC EFFECT OF THE NOVEMBER 1998 LAUNCH
ON THE KODIAK ISLAND BOROUGH
AND ON THE STATE OF ALASKA**

In November 1998, the Air Force launched a missile from the Alaska Aerospace Development Corporation's (AADC) facility at Narrow Cape on Kodiak Island. The total economic effect of that launch was an estimated \$1.3 million in sales and \$450,000 in payroll. It created the equivalent of 19 year-round jobs. About 55 percent of that effect was on Kodiak Island and about 45 percent in Anchorage.

Those estimates include both the direct effects of the launch and the additional effects of re-spending within Alaska. AADC estimated total expenditures for the launch at \$1 million. ISER estimated that people visiting Kodiak to work on the launch spent an additional \$14,000 for recreational and personal expenses. Based on those figures, ISER used its input-output model of the Alaska economy to estimate economic effects.

Of the \$1 million in expenditures for the launch, close to \$200,000 left the state almost immediately, mostly to purchase goods sold in Alaska but manufactured elsewhere. That left about \$820,000 in Alaska—\$550,000 in Kodiak and \$270,000 in Anchorage. This was the launch's direct effect. Alaska households and businesses in turn re-spent that money, creating an additional effect of \$500,000 in sales and \$400,000 in payroll.

The estimated 19 jobs resulting from the launch are the equivalent of year-round jobs; in fact, the launch created roughly 58 jobs that were concentrated in just a few months of activity associated with the launch. About 60 percent of those jobs were on Kodiak and 40 percent in Anchorage.

TABLE 1. ECONOMIC SIGNIFICANCE OF NOVEMBER 1998 LAUNCH

	STATE	ANCHORAGE	KODIAK
TOTAL EXPENDITURES	1,015,591	216,357	799,234
Expenditures outside Alaska	-194,876	-16,226	-178,650
Expenditures from Kodiak to Anchorage	-	+68,497	-68,497
DIRECT EXPENDITURES AFFECTING REGION	820,716	268,628	552,087
Payroll	\$46,804	\$0	\$46,804
Procurement	\$773,912	\$268,628	\$505,284
Direct Employment (annual average)	2.0	0.0	2.0
EFFECT OF RESPENDING			
Output (sales)	\$506,684	\$310,831	\$195,852
Payroll	\$401,689	\$183,894	\$217,794
Employment (annual average)	17.4	7.5	9.9
TOTAL EFFECT			
Output (sales)	\$1,280,595	\$579,460	\$701,136
Payroll	\$448,493	\$183,894	\$264,598
Employment (annual average)	19.4	7.5	11.9

Source: ISER estimate based on Alaska I-O model

**KODIAK LAUNCH COMPLEX
 TOTAL BUDGET (TOTAL PROJECTED COST)**

A. Owner Administration	\$865,247
B. Project Management Support	\$1,078,103
C. Architect/Engineer Construction Administration	\$1,645,467
D. Construction	\$28,993,654
Site I	\$3,145,971
General Construction II	\$16,899,984
Launch Tower III	\$8,947,700
E. Microwave Communications	\$500,000
F. Project Infrastructure, FF & E	\$1,644,555
G. Operations Intercom System	\$1,156,564
H. Working Capital	<u>\$1,000,000</u>
SUB TOTAL	\$36,883,590
I. Range Safety (in-kind)	<u>\$6,500,000</u>
SUB TOTAL	\$43,383,590
J. Program Contingency (9% at remaining cost to complete as of 1/1/99)	<u>\$2,417,889</u>
GRAND TOTAL	<u>\$45,801,479</u>

**KODIAK LAUNCH COMPLEX
CASH NEEDS ANALYSIS**

TOTAL CAPITAL BUDGET **\$45,801,479**

FUNDS AVAILABLE **\$40,897,010**

Federal Funding	\$18,110,000*
NASA	\$4,899,960
ASTF	\$5,000,000
Federal Interest Earnings	\$1,587,050
Federal Grant #2	\$4,800,000
Federal In-Kind	\$6,500,000

FUNDS NEEDED TO COMPLETE **(\$4,904,469)**

NOTES:

- A. 32% EXPENDED TO DATE
- B. ALL MAJOR CONTRACTS IN PLACE
- C. 40% COMPLETE CONSTRUCTION
- D. CONSERVATIVE CONTINGENCY TO COMPLETE 9%
- E. TOTAL COST TO COMPLETE ANALYSIS
- F. COORDINATION WITH AIT LAUNCHES SUCCESSFUL
- G. SCHEDULE TO COMPLETE APPEARS SECURE

*Please note the \$18.11 million in federal funds depicted here differs from the \$17.91 million shown in the total KLC capital appropriation summary. The additional \$200,000 was a one-time, customer paid facility modification funded through AADC's launch operations appropriation.

2/8/99



Financial Counsel to Governments,
Non-Profits & Public Private Ventures

CLANCY,
GARDINER,
& PIERCE, LLC

KODIAK LAUNCH COMPLEX REASONABLENESS REVIEW

February 3, 1999

Clancy, Gardiner & Pierce, LLC, acting as advisor to the Alaska Industrial Development and Export Authority (the "Authority"), has been asked to perform a reasonableness review of the existing status and future projections related to the Kodiak Launch Complex ("KLC"). This review is being undertaken to consider the reasonableness of existing construction estimates and financial projections. This review is not intended to be a comprehensive financial viability and due diligence analysis of the variety ordinarily performed by the Authority in approving development finance projects or in underwriting loans under the Authority's credit programs. Rather, the review has consisted of a limited investigation of existing project information to determine its reasonableness.

There are essentially two components to the scope of the Authority's review, an engineering/construction review, and a financial review. The Authority's in-house engineering staff has conducted the engineering/construction component of the review, which is attached as Exhibit A, while the financial review component has been conducted by Clancy, Gardiner & Pierce, LLC.

Executive Summary

Based on a review of available information related to the construction, engineering, funding and operation of the KLC, we consider the assumptions used in the financial projections and construction estimates to be reasonable. While there remains significant uncertainty in the actual viability of the private rocket launch market, KLC has used reasonable caution in its provisional operating budget.

Financial Review

We reviewed numerous documents provided by Alaska Aerospace Development Corporation ("AADC"). These documents included excerpts from the draft AADC 1999 Business Plan, confidential KLC cash flow projections, audits for 1997 and 1998, proprietary documents from Lockheed Martin, market projections prepared by the FAA, grant agreements, and bank statements. In addition to review of the above documents, we contacted Lockheed Martin, AADC and Rise Alaska personnel.

Operations

We have reviewed the analysis we prepared regarding KLC in 1995. The projections used in the prior analysis have been refined in KLC's current operating model. The model now suggests a less aggressive launch schedule, with much more detailed operating costs. While the initial model had a vague notion of how the facility would function, the current model has been developed with an actual operating plan in mind. Cost estimates have been provided by firms that are currently providing similar services to other launch sites. The operating cash flow has been broken into two sections, one which deals with administrative costs, which are projected to remain flat regardless of the number of launches, and the second group of expenses deals with launch operations. It is expected that the latter of these two categories will be managed on a contract basis with an outside firm during the first few years of operation. This will allow rapid staffing increases or decreases in response to increased or decreased demand. These costs appear to be reasonable and were developed in conjunction with Lockheed Martin and further refined by review with Orbital Science (a company that provides these types of services). These costs are likely to be born by the actual users but have been budgeted as an un-reimbursed expense in the pro-forma. Non-personnel expenses also appear reasonable. Electricity is the largest non-personnel item and is based on current Kodiak Electric Association rates.

The cash flow pro-forma shows an untapped Working Capital Liquidity Fund. Operating revenues, using AADC's launch projections, remain sufficient on a yearly basis to cover all yearly cashflow. Should a launch be delayed or fail to materialize during the early operation of the facility, it is anticipated that the Liquidity Fund might be used but is not necessary using the current projections. The \$1 million fund balance provides a reasonable balance to cover a delayed launch.

Revenues are based on the concept of 4 launches per year. The original business plan called for 6 launches per year. Cash flow remains sufficient when launches are reduced to 3 times a year and are very strong at 5 launches per year. The number of launches each year seems reasonable. In 1995, several competing sites were considered. The world is better known now. Launch facilities in Alabama, Hawaii, and California have not proceeded. The facility in Manitoba has closed. The Florida facility is not a direct competitor. International launch facilities are distant from the US and make them less likely competitors. Launch demands, as projected in the May 1998 FAA report, have remained constant from the earlier analysis with a baseline of between 30 and 45 launches per year in demand. The KLC site serves a unique market which has both governmental and commercial application. Lockheed Martin has reached agreement with AADC and the parties are formalizing a Memorandum of Agreement ("MOA") to use the KLC facility. Lockheed Martin is projecting launches in excess of the number used in the pro-forma. Both the MOA and the launch projections have been discussed with Lockheed Martin. They concur with the feasibility of the facility. We, therefore, believe the assumptions used for the number of launches per year to be reasonable.