



Oregon

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The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Peter Buckley, Co-Chair
The Honorable Representative Dennis Richardson, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request:

I respectfully submit this report from the Oregon Department of Aviation (ODA) as required by the budget note associated with HB 5004... The budget note requires ODA to provide answers to the following 5 questions on a quarterly basis.

1. How the organization (ODA) will achieve its mission within a smaller organization?
2. How the organization will resolve issues raised in the audit report?
3. How the organization will address the issue of registering pilots and aircraft?
4. What other actions will the organization take to improve leadership and the consistent application of policies and practices?
5. What the financial condition is of each of the major programs of the organization?

Agency Action:

ODA has taken the following actions to address the 5 questions in the budget note:

1. How the organization (ODA) will achieve its mission within a smaller organization?

ODA reduced staff size from 17 FTE down to 11.5 FTE in order to become sustainable over the 2011-2013 biennium. We achieve our mission by contracting services from other state agencies. As a result of a multiagency management review, Department of Administrative Services (DAS) provided a number of services under interagency agreements (IGAs) including leasing, contracting, financial services and human resources. DAS did a great job in offsetting the loss of personnel through their proactive support of lost FTE. As part of SB 939, ODA is shifting administrative services from DAS to ODOT. An orderly and systematic transition has been in process since July 1, 2011 and is scheduled to be completed by Dec 31, 2011. See attachment (1) for current status. ODOT Central Services and other departments have been exceptionally cooperative in making this transfer go smoothly with no loss of service to aviation constituents.

The Oregon Aviation Board is also conducting a roles and missions evaluation of the Department of Aviation which will include:

Identification and assessment of core functions.

Reduction in scope or elimination of non-core functions
 Evaluation of personnel structure to determine optimal staff organization
 Process mapping core functions for financial and work efficiencies
 Review Position Descriptions for allocation of duties.

2. How the organization will resolve issues raised in the audit report? A cross-agency management team conducted a management review that was completed in May of 2010. ODA management implemented a number of significant changes in policy and practice to comply with the recommendations of the report. The Legislative Fiscal Office for ODA required ODA to provide a status report of actions taken on each of the recommended changes in the management review. ODA has successfully achieved almost all of the recommended changes as detailed in the attached matrix. See attachment (2).

3. How the organization will address the issue of registering pilots and aircraft? ODA has instituted an aggressive campaign to ensure the agency maximizes revenue from pilot and aircraft registration. ODA has taken the following actions:

- Updated the pilot and aircraft registration database to eliminate duplication of registrations, modernize the data collected and retained and streamline the invoicing process for billing.
- Instituted a notification process for renewal (aging list) of overdue payments with a notification postcard sent to notify pilots and aircraft owners when payment is due. ODA pilot and aircraft registration administrator also sends out 30-60-90 day letters for people with overdue payments.
- Maintain an extensive follow through on letters sent to maximize payment and evaluate non-responsive renewals.
- Instituted an education and outreach program to educate the aviation community that pilot and aircraft registration are required.
- Directed agency staff to spot check aircraft during visits to Oregon airports to identify aircraft not registered in Oregon for letters of notification.
- ODA intends to reintroduce a legislative concept to allow the agency to impose civil penalties for failure to register.

Results of the initiatives above have been an increase in revenue for both pilot and aircraft registration. Pilot registration revenue for 2011 slightly trailed 2010 by \$3,195. This is attributable to the 2011 economic recession, which has caused a number of general aviation pilots to discontinue flying for budget reasons. See matrix below:

Fiscal Year	Pilot revenue	Aircraft revenue
Year ending June 2009	\$40,525	\$241,959
Year ending June 2010	\$58,109	\$272,305
Year ending June 2011	\$54,914	\$298,622

4. What other actions will the organization take to improve leadership and the consistent application of policies and practices? ODA has taken significant steps to improve communication flow between agencies, DOJ, DAS, ODOT, LFO and BAM. Organizational relationships with these agencies have strengthened the institutional expertise and will continue to do so through IGAs and emphasis on team building and transparent communications. There is significant Oregon Board of Aviation involvement and oversight. Board meetings are held monthly. The Director meets or

teleconferences with the OAB Chairman on at least a weekly basis. As mentioned previously, the Board will be conducting a core function review. The management team is using LEAN/Six Sigma concepts to map processes, develop actionable data and cost drivers for the agency. The net effect institutionalizes processes, minimizes impact of personnel turnover, and job tasks will be repeatable by anyone who does them.

5. What the financial condition is of each of the major programs of the organization?

State agencies including ODA have just completed their second month of the new biennium. It is early in the biennium to determine financial condition of each of the major programs. However, ODA entered the 2011-2013 Biennium with a strong beginning cash balance of \$1.1 Million largely due to position vacancy savings and judicious spending over the course of the past year.

The table at attachment (3) shows the status of the major programs of Oregon Department of Aviation.

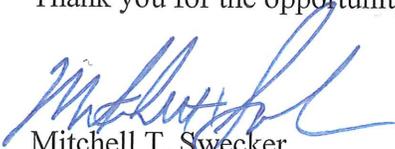
Action Requested:

I respectfully request that the Interim Joint Committee on Ways and Means accept the report as submitted.

Legislation Affected:

HB 5004 Budget Note

Thank you for the opportunity to address the committee.



Mitchell T. Swecker
Director

Weekly Status Report (Updated on Aug 26, 2011)

No.	Type of Work	Details	Date Work Initiated	Target Handoff Date	Status	Cost for Services	Task Owner	Current Service Provider	Comments
1.	Audits	Marlene and Mitch meet and discuss Audit Services available to Aviation.	23-Aug-11	1-Oct-11	Completed	Included in assessment	Marlene Hartinger	DAS	Requested handoff memo, due September 8. Joanna received draft and will send to Mitch and Clyde for review on Monday.
2	Contracts and Procurement	Need to begin subgroup meetings.	10-Jun-11	1-Oct-11	In progress	Included in assessment	Michelle Remmy	ODOT	Held meeting on 09/11/11 that outlined the transition process and OPO's piece of the IGA. ODOT is providing service on most of Aviation's procurement needs. There are still a few key projects that DAS will continue to work on because they are so close to completion it does not make sense to transition them over.
3	Facilities and Fleet	Once ODOT Financial Services has Aviation set up in TEAMS, we can set them up in our work order system and begin to offer Facilities and Fleet services. Aviation may choose to use some, all or none of these services.	10-Jun-11	1-Oct-11	In progress	Additional cost (detail in comments)	Virginia Carey	AVIATION	The services will be optional for Aviation to use if the price makes sense for their needs. Requested handoff memo, due September 8. Rates for Fleet and Facilities services: One-time \$29.00 per fleet vehicle fee to buy into system and \$5.00 (same as DAS) per month ongoing rate to manage fleet within system. Average \$38.00 per hour for building maintenance, including tenant services. Average \$52.00 per hour for construction project management and space design services. Fuel tank management: \$8,500 for first year and then \$4,000 per year ongoing. Joanna requested handoff memo, due September 8. Have not yet received a draft.
4	Financial Services	Most of the tasks are in progress and the remaining tasks have meetings scheduled to initiate them.	19-Jul-11	15-Oct-11	In progress	Included in assessment	Clay Flowers	DAS	The aviation workgroup team decided to slip the transition date for Financial Services to October 15. Right now we are on track for the handoff.
5	Financial Transaction Processing		10-Jun-11	15-Oct-11	In progress	Included in assessment	Joe Bonawitz	DAS	Estimate \$28,000 one-time cost for IT programming to bring Aviation into TEAMS. This would not be direct billed if Aviation pays a 24-month assessment.
6	Human Resources	Transfer Aviation's files and start providing HR services (recruitment, layoff, bumping, and open investigations) and access to HR tools (intranet, PPDB, e-recruit).	10-Jun-11	2-Aug-11	Completed	Included in assessment	Jane Lee	ODOT	HR has completed the necessary migration steps to transition Aviation work from DAS to ODOT. HR held a meeting on August 2 to finalize the transition. Mitch and Clyde will send a memo to DAS memorializing the handoff. ODOT is now the current HR service provider for Aviation.
7	Information Systems	Set up temporary access to ODOT intranet, HR and financial systems for ODA. Completed security forms have been received from ODA users, and users activated. Currently identifying mid-term and long-term solutions to providing IT services and support to Aviation. .	10-Jun-11	1-Oct-11	In progress	Additional cost (detail in comments)	Jeff Smith	DAS	from DAS IS to ODOT IS. Estimate \$13,000 for network, server and infrastructure start up. These will not be direct billed if Aviation pays a 24-month assessment. Not included in assessment: PC purchases, cost estimates range from \$10,000 to \$10,800 depending on the type of PC's chosen by Aviation. All of the initial discovery tasks have been completed. Mitch and SDC have discussed server location and performance; decision between Aviation and SDC needed ASAP. Network analysis done on 8/11, performance data is accumulating. Remedy to be used for ODA Incident communication. TAD has identified applications to be revised in two phases; 10/11 and 01/12: prioritization in process.

8	Leasing	20-Jul-11	The scope of work for leases has changes. ODOT and DAS are gathering information to re-estimate what it would cost for ODOT to provide leasing services and what it would cost for DAS to provide leasing services. ODOT, ODA and DAS need to decide if the leases will move to ODOT or if we will ask LFO if they can stay with DAS.	In progress	Additional cost (detail in comments)	Dee Jones	DAS	Estimates for DAS and ODOT provision of leasing services completed and provided to Aviation. Aviation to make decision on which direction they want to go with service provision.
9	Legislative Budget	10-Jun-11	Need to work towards having ODA through ORBITS/PICS Audit by September.	In progress	Included in assessment	Amber Taylor	DAS	Proposed ODA pays 24 months of assessment, instead of direct bill + prorated assessment, because it's more affordable and consistent for Aviation. Waiting for Aviation's review, comments and confirmation that the assessment amount is ok.
10	Records	10-Jun-11		Completed	Included in assessment	Chris Warden	ODOT	ODOT is the current records service provide for Aviation. A draft handoff memo is completed and in the process of being finalized.
11	Rulemaking	10-Jun-11	File temporary ODOT rule for legislative intent and update Aviation's rules.	In progress	Included in assessment	Lauri Kunze	ODOT	Lauri and Aviation are meeting monthly July through December to work on update of Aviation's rules. Joanna has drafted ODOT's temporary rule and gotten Aviation and DOJ approval. It will go to OTC in September for approval and filing in October.
12	Risk Management	1-Aug-11	Penny and Mitch meet and discuss Aviation's risk history and risk management services available to Aviation.	In progress	Included in assessment	Penny Repline	ODOT	Requested handoff memo, due September 8. Joanna and Penny spoke to each other this week and she will provide the draft next week.