

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

Title: MEETING WITH NRC EXECUTIVE COUNCIL --
PUBLIC MEETING

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1 UNITED STATES OF AMERICA
2 NUCLEAR REGULATORY COMMISSION

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4 MEETING WITH NRC EXECUTIVE COUNCIL

5 ***

6 PUBLIC MEETING

7 ***

8 Nuclear Regulatory Commission
9 Commission Hearing Room
10 11555 Rockville Pike
11 Rockville, Maryland
12

13 Thursday, August 7, 1997
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15 The Commission met in open session, pursuant to
16 notice, at 9:35 a.m., the Honorable SHIRLEY A. JACKSON,
17 Chairman of the Commission, presiding.
18

19 COMMISSIONERS PRESENT:

20 SHIRLEY A. JACKSON, Chairman of the Commission
21 GRETA J. DICUS, Member of the Commission
22 EDWARD McGAFFIGAN, JR., Member of the Commission
23 NILS J. DIAZ, Member of the Commission
24
25

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1 STAFF AND PRESENTERS SEATED AT COMMISSION TABLE:

2 JOHN C. HOYLE, Secretary

3 KAREN D. CYR, General Counsel

4 JOSEPH CALLAN, Executive Director for Operations

5 ANTHONY J. GALANTE, Chief Information Officer

6 JESSE L. FUNCHES, Chief Financial Officer

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P R O C E E D I N G S

[9:35 a.m.]

CHAIRMAN JACKSON: Good morning, ladies and gentlemen.

We are pleased to have the Executive Council here to provide its first briefing to the Commission. The three members of the Executive Council are the Executive Director for Operations, Mr. Joe Callan, who chairs the Executive Council. The other members are Mr. Anthony J. Galante, Chief Information Officer and Mr. Jesse L. Funches, Chief Financial Officer.

The Executive Council was established as part of the NRC realignment of senior management. This realignment included the establishment of the position of the Chief Information Officer as part of the NRC implementation of the Information Technology Management Reform Act of 1996, referred to as ITMRA. In addition to establishing the position of the Chief Information Officer, the position of the Chief Financial Officer was separated from that of the Executive Director of Operations.

We are seeing many changes in the expectations for government agencies to manage responsibly. Some of these changes have been spurred by congressional action, such as the Government Performance and Results Act, referred to as GPRA and the Information Technology Reform Act. However, I

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1 am convinced that we recognize the importance ourselves of
2 managing responsibly and that many of the changes we are
3 taking would be occurring even if such legislation were not
4 in place.

5 It is undisputable that the NRC must plan and
6 manage its activities effectively and efficiently and the
7 Executive Council was established in order to bring a more
8 comprehensive agencywide perspective to NRC decisionmaking
9 and to ensure well-planned and executed programs. Although
10 the Executive Council initiated its activities in January of
11 this year, the three current members of the Executive
12 Council have only been operating as a unit since April 1997,
13 when Mr. Funches was named Chief Financial Officer. So the
14 Commission is interested in hearing this morning about the
15 progress of the Executive Council and your plans for the
16 future.

17 I understand that copies of the presentation are
18 available at the entrances to the meeting room and, unless
19 my colleagues have any opening comments they wish to make,
20 Mr. Callan, please proceed.

21 MR. CALLAN: Good morning, Chairman. Good
22 morning, Commissioners.

23 With me this morning, as you said, Chairman, are
24 Jesse Funches, the Chief Financial Officer, and Tony
25 Galante, the Chief Information Officer. I have encouraged

1 my colleagues to contribute as we go through the
2 presentation. I will lead the discussion but I have asked
3 them to weigh in at any point.

4 We are pleased to discuss this morning the
5 activities of the NRC's Executive Council. As you
6 mentioned, Chairman, even though the EC was formally
7 established in January, we really only have about four
8 months working together as a permanent group. And as you
9 are wont to do, you have covered almost all my points that I
10 was going to open with.

11 CHAIRMAN JACKSON: The meeting is adjourned.

12 [Laughter.]

13 MR. CALLAN: But, having said that, I think it is
14 worthwhile, though, before we launch into a discussion of
15 the EC to just take a couple minutes to really reflect on
16 the decision, first of all, to split the functions of the
17 EDO, the CIO and the CFO because I think that decision --
18 the extent to which you accept that notion of splitting
19 those functions is fundamental, I think, to accepting the
20 notion of having an EC because, in my view, with those
21 functions split, as I have said many times in many forums,
22 the decision to formulate something like an EC is just a
23 logical progression. As I have said to the staff before, if
24 an Executive Council had not been formally established, we
25 would have had to invent something like it.

1 From an EDO perspective, clearly the decision to
2 split the CFO and CIO functions was the right thing to do.
3 It was probably the right thing to do last fall or a year
4 ago. Since I don't have the experience base to compare the
5 way things used to be with the way things are now, because
6 the way things are now is the only way I know, all I can say
7 is that certainly with the advent of the Government
8 Performance and Results Act and the Information Technology
9 and Management Reform Act, the two acts you spoke of,
10 Chairman, there is just no question regarding the need to
11 separate the functions. In my view, had the EDO's office
12 and the deputy EDOs been tasked with implementing those
13 statutes as well as the 1990 Chief Financial Officer's Act,
14 the result in terms of distraction from our regulatory
15 mission and regulatory programs would have been
16 unacceptable. That is a point we will touch on later as we
17 go through the presentation.

18 Let me give my colleagues a chance just to provide
19 any perspective on this fundamental question.

20 MR. FUNCHES: In terms of the three offices, I
21 think the need for that separation and a council to bring to
22 bear those three components of the agency is absolutely
23 necessary. I think to have the finance piece there, to
24 integrate with the program and then have the CIO bring in
25 the resource, the information resource to make things more

1 efficient, I think that combination is absolutely necessary
2 to provide advice to the Chairman and to the Commission in
3 terms of how best to have the most cost-effective programs
4 to achieve the Agency mission.

5 So I fully support the concept and think it is
6 necessary and, as we talk today, I think we will see how it
7 has been effective in helping us achieve that goal of better
8 programs and the cost effective programs.

9 MR. GALANTE: If I can talk from a CIO
10 perspective, I think as the IT function has matured over
11 time and the CIO positions have come into being, management
12 was faced with two major issues and that was, number one,
13 how do you get the visibility of the CIO function and how do
14 you assure that you align that function with business
15 objectives. Those have been two major organizational issues
16 with the industry.

17 I think the industry has succeeded on the first
18 one, the visibility, by escalating the CIO in reporting to a
19 very high office in any of the companies, similar to the way
20 I report to the Chairman here. Most of the industry has
21 failed in trying to align the function to the business
22 objectives. That has been quite difficult. Some companies
23 have, some haven't.

24 I think here, in allowing the CIO to sit on the EC
25 is very similar to allowing a CIO to sit on an executive

1 committee of a company and, to me, that is very, very
2 effective. I look forward to working with these gentlemen.

3 MR. CALLAN: Can I have slide 1, please?

4 In addition to the three what I will call voting
5 members of the Executive Council, we have several nonvoting
6 members, what we call the extended membership of the
7 Executive Council. Three of those listed essentially attend
8 every session and those three are the General Counsel, Karen
9 Cyr, the Chairman's Staff Deputy Director, Ms. Jackie
10 Silber, who is there to represent the Commission level
11 offices and I guess we would like to say last but not least
12 Jim Blaha. I think this has -- oh, no, we have changed it.
13 He is listed as Executive Secretary on the slide that is up
14 there. We had him -- we have been trying to come up with
15 the right title for him but I think Executive Secretary
16 captures the role he plays.

17 He is very pivotal to the operation of the
18 Executive Council. He does the normal things that the
19 secretariat function would normally do, put together the
20 agenda, the schedule and do that sort of stuff. But, in
21 addition, he has been pivotal in putting together our
22 planning framework which we will get into later on a later
23 slide. He has visited Tony's old company, Mobil, he has
24 visited DuPont, he was scheduled to visit MCI yesterday but
25 that was postponed. He has also visited other government

1 agencies to survey how they do business, synthesized that
2 input and has helped us tremendously in coming up with a
3 vision of not only how to organize and conduct our business
4 as an EC but how to put the Agency on a sounder planning
5 framework.

6 I think it is important to note that despite the
7 extended membership, the EC does not have an assigned staff
8 other than Jim Blaha. We do not have an infrastructure.
9 So, as a consequence, we avoid assigning action directly to
10 the EC except in very rare circumstances and, instead, the
11 action is assigned to one of the three members of the EC so
12 that we have clear lines of accountability, responsibility
13 and then we -- then the action assignee has the support of
14 their staff.

15 The other extended members of the EC that don't
16 attend all the meetings attend typically as their schedules
17 permit and also certainly as the agenda dictates. Any time
18 the agenda covers areas of interest affecting their activity
19 areas, our expectation is that they attend the meeting and
20 contribute. In fact, we frequently have them lead the
21 discussion if the agenda topic is in their activity area.

22 Jesse, do you have anything you would like to
23 contribute?

24 MR. FUNCHES: No.

25 MR. CALLAN: Tony?

1 MR. GALANTE: No.

2 MR. CALLAN: Slide 2.

3 We have made available the draft Executive Counsel
4 charter and procedures. I hope everybody has a copy. The
5 draft charter provides -- describes four purposes of the
6 Executive Council. Just referring to the slide, the second
7 bullet and the last bullet, purposes 2 and 4, are the two
8 that have been the most exercised and of course the last
9 purpose, which is to facilitate communications amongst the
10 EDO, CIO and CFO, of course, was the purpose that I probably
11 refer to when I say we would have had to invent an EC if we
12 didn't have one because we need a forum, a structured forum
13 for that communication. Ad hoc communications, one-on-one
14 communications for the types of issues we deal with would
15 most likely be insufficient. That has been a tremendous
16 boon. The EC has been a tremendous boon in this regard.

17 We, of course, have the one hour or so, sometimes
18 two-hour structured session weekly to facilitate those
19 communications but, within that framework, we also look for
20 other opportunities and one opportunity that comes up every
21 morning that we exercise frequently is the sometimes five or
22 10 minutes we have between 7:30 and a quarter to 8:00 when
23 we meet with the Chairman. We frequently use that period,
24 that has been -- in fact, when the Chairman is out, we
25 notice the difference because we don't have that time any

1 more and we have grown to really depend on that for
2 communication. So we don't just rely on the one or two
3 hours of the formal meeting for that.

4 The second bullet, of course, is one that also
5 comes into play day in and day out. Recent Commission
6 papers, you probably noticed, frequently in addition to
7 saying this paper was coordinated with the Office of General
8 Counsel now will say this paper was coordinated with the
9 Office of the Chief Financial Officer or the Office of the
10 Chief Information Officer as appropriate. Kind of the joke
11 around is that OGC feels like some of the heat is off OGC
12 now on the delay and --

13 MS. CYR: Never the delay.

14 [Laughter.]

15 MR. CALLAN: But we have a ways to go here. We
16 still have a lot of problems with that coordination. The
17 papers come up, everybody is pretty well trained now, we
18 know to give OGC sufficient time but too often we give the
19 CFO three hours. So we -- this is an area that we have
20 exercised a lot but we certainly have a ways to go.

21 CHAIRMAN JACKSON: I think we may have a question
22 here.

23 COMMISSIONER DICUS: I didn't know if we wanted to
24 take them as we go along or wait to the end. A quick
25 question about the decisionmaking or the decisions that are

1 made.

2 I notice from the minutes, they are mostly what
3 the topics were that were discussed. They are really not
4 minutes, per se, of discussions and so forth and I don't
5 know that they should be. I don't necessarily have an
6 opinion of that. But I know, for example, in the budget
7 process you had to make quite a few decisions and other
8 decisions that are made. How -- is there some record of
9 those decisions or is it strictly just the oral
10 communication and this is what we have decided to do?

11 MR. CALLAN: Commissioner, it is more of the
12 latter at this point. We -- you know, the first bullet
13 refers to -- captures the budget process. We haven't had
14 that many opportunities. In fact, the budget process really
15 was the first major opportunity that we have had to grapple
16 with significant operational matters and policy matters and
17 the budget process has its own built-in process that we
18 accommodated so we -- I will let Jesse address any other
19 aspects but let me just say one other thing.

20 As we tackle or grapple with other significant
21 operational issues, I think the question of to what extent
22 does our record or do the minutes capture the ebb and flow
23 of the deliberations is a good question. We haven't really
24 confronted that yet and we haven't had an opportunity.

25 MR. FUNCHES: I think one of the things we do try

1 to do where there is a decision, for example in the budget
2 process, the outcome of that is the EC's decision and we try
3 and sometimes we might not reflect that in the memorandums
4 coming forward to the Commission that say this is the EC's
5 recommendation and say this reflects the EC. We don't try
6 to have all three people sign it; it might be signed by
7 myself and in the case of the budget coming forward. But in
8 that case, that is a reflection of the EC's decision. If
9 there were any disagreements, we obviously would indicate
10 those also.

11 Also, for example, when we came forward with the
12 strategic plan, I think in that particular case we did say
13 it was the EC's decision. I can recall one instance where
14 we all three signed a document. We had -- I will talk about
15 that later -- a plan of how we were going to proceed in
16 developing the integrated resource management system and in
17 that case we kind of signed the plan but there was a
18 covering memorandum indicating that it reflected the EC.

19 I think in some cases there might be discussion
20 and the recognition of agreement and it is not recorded and
21 I think in those cases it is more of kind of word of mouth.

22 CHAIRMAN JACKSON: Commissioner Diaz.

23 COMMISSIONER DIAZ: Just a comment here, when you
24 are making decisions on significant operational matters and
25 recommendations on policy, do you have a policy meter when

1 you are making decisions that determines when is something a
2 policy? That is something that maybe you need to develop.

3 CHAIRMAN JACKSON: Maybe you could speak to it
4 within the context of how papers get developed that come up
5 straight through the EDO line because it is basically the
6 same thing.

7 MR. CALLAN: Well, right, we do have staff policy
8 for making those distinctions in developing papers. We
9 don't discuss all papers at EC meetings, clearly. Which is
10 an important point. The charter and these purposes don't
11 necessarily -- and are not implemented only in the two-hour
12 meetings, which is the only portion of our activity which
13 really has a written record. I would say the second
14 purpose, the second bullet, the coordination and integration
15 and implementation program resource planning, at least 50
16 percent of that occurs outside the meeting and in just
17 processing the papers and the less formal communications.

18 But getting back to your question, Commissioner,
19 in terms of the agenda, as we put together the agenda, we do
20 not consciously parse the issues and say this is policy. We
21 don't bin them by these purposes and say this agenda topic
22 is a major -- is a decision on a significant operation -- we
23 don't do that. That's an interesting point.

24 I think, you know, which reflects a lot of the
25 inexperience we have because we haven't grappled with that

1 many issues of substance. In fact, you know, this briefing
2 has been postponed until after the budget so we would have
3 something of substance to talk about other than just our
4 vision. But that is an interesting input. We have not --

5 COMMISSIONER DIAZ: From the Commission
6 perspective, I think a policy meter is an interesting
7 concept.

8 CHAIRMAN JACKSON: Why is it more of an
9 interesting concept here as opposed to in papers that come
10 up on normal regulatory matters?

11 COMMISSIONER DIAZ: Are you asking me?

12 CHAIRMAN JACKSON: Yes.

13 COMMISSIONER DIAZ: Oh. I think it is of interest
14 across the board, not more here than elsewhere. It is the
15 same interest.

16 CHAIRMAN JACKSON: Go on.

17 MR. CALLAN: The third bullet there, facilitate
18 strategic planning process, that speaks to the long-range
19 planning of the Agency. The Chairman has made it quite
20 clear and, even had she not, it is obvious that that has to
21 be probably the most important function of the Executive
22 Council, a mature, robust Executive Council. This is the
23 area that is least developed, least mature of all.

24 The next slide that we are going to touch on, and
25 in fact Jesse has already talked about it, that has to do

1 with the planning framework that comes from the strategic
2 planning effort is really our first foray into this
3 long-range strategic planning process. It is somewhat
4 modest. But this is an area where, I think, if the
5 Executive Council is to add significant value to the Agency,
6 we really have to get more into long-range planning, looking
7 over the horizon.

8 In fact, one of the more important purposes of Jim
9 Blaha's visits to outside corporations and also within the
10 government is to learn more about how they do that function
11 probably more than any of the other functions.

12 COMMISSIONER DICUS: Let me ask a question about
13 that since he has, I guess, had two visits and maybe a third
14 one planned. Is much difference being seen? Two maybe
15 isn't enough for much of a comparison. There wasn't too
16 much information about the first visits.

17 MR. CALLAN: I can let Jim but if I had to capture
18 my impressions in a couple sentences, I would say we were --
19 certainly all of us who don't have corporate experience like
20 Tony does were probably very surprised at the degree and the
21 energy that these corporations pour into high-level
22 planning, executive planning, executive council activities.
23 A tremendous amount of resources and opportunity costs, you
24 know, top corporate officers spending a lot more time than
25 we spend per week on this sort of stuff.

1 And the other aspect that surprised me was the
2 resources and energy put into succession planning. You
3 know, how they work succession planning, how important that
4 is to these corporations. I had no idea. I mean, I knew it
5 was important, clearly, but I didn't realize the extent to
6 which.

7 So those were the two major insights that -- of
8 course, there were a lot of other details but after
9 listening to Jim debrief his visit to Mobil and then to
10 DuPont, I didn't -- I am less apt to begrudge the two or
11 three hours a week that we were spending.

12 Jesse?

13 MR. FUNCHES: I think, conceptually, what they
14 were trying to do was essentially the same but they might
15 have organized and used different people to achieve that
16 goal. But in general, the ones we have been debriefed on,
17 they had a very top level of people involved in the planning
18 and typically the type of people we have involved in our
19 group are the same.

20 MR. GALANTE: The executive committees when they
21 go through their planning processes in these large
22 corporations are quite extensive, as Joe says. They are
23 normally five or six years out in front of the curve and
24 obviously having a profit motive they are looking very
25 heavily at the industry and the competition as to what they

1 are doing. So they normally look in 10-year horizons where
2 they go back four or five years to track history and how it
3 is moving the current year and then they go four or five
4 years out. Normally, they are looking at a 10- or 11-year
5 horizon as part of the entire process. So when they are
6 strategically presenting something, they are not presenting
7 it in a fairly narrow window, they are -- it is a rather
8 large window and they get, I think, a much better
9 perspective. From there, they move on to the budgeting
10 process once they have locked in their plan. A very
11 effective way of doing business. And the executive
12 councils, from my experience, meet weekly and lots of them
13 meet an entire day if they have to and that is when the
14 different divisions and line presidents come forward and
15 present a lot of their major programs for approval.

16 MR. CALLAN: Let's go to the third slide.

17 The rest of the presentation will consist of each
18 of us reviewing areas -- significant areas of contribution
19 within our areas of responsibility. But before we do that,
20 I wanted to just summarize, kind of cull out of those
21 individual lists some more global areas of contribution that
22 the EC has been a party to. Several of them we have talked
23 about.

24 The second bullet there, you know, to my own
25 selfish motives, is quite important. By having clear lines

1 of accountability and responsibility for the CFO, CIO
2 functions separate from the EDO has been a tremendous boon
3 to me, particularly being new on the job to focus on mission
4 areas.

5 Jesse touched on the contribution of the EC to the
6 strategic plan, performance plan process and the budget
7 development and, Jesse, you are going to talk about the
8 planning framework next so I will go ahead and let you,
9 unless there are any questions on that, I am going to let
10 you lead the discussion on that.

11 MR. FUNCHES: As Joe mentioned earlier, one of the
12 activities we have under way is to put in place a planning
13 framework, both strategic and program planning, fiscal
14 planning. The chart you have before you is a schematic of
15 our thinking as of today and what we hope to get to in a
16 steady state situation. I would like to focus on not just
17 the specifics of the chart but just our objectives and our
18 approach to achieving those objectives.

19 Kind of the vision that we have as a group in
20 terms of what we would have liked to see for the agencies is
21 a process where policy that is our strategy, strategic plan,
22 drives what our programs should be and then, from those
23 programs, we develop a budget and we price it out. Then we
24 would have a continuing assessment process during the
25 execution to ensure that we are meeting our goals at the

1 lowest cost and that if changes need to be made, we can make
2 changes either in the policy programs or in the resource
3 allocation. That is our vision. I think each one of us on
4 the Executive Committee is committed to putting that process
5 in place.

6 What we are attempting to do is build on where we
7 are today. We have a strategic plan and performance plan.
8 We want to build on those decisions that the Commission has
9 made and make that -- make both of those documents better
10 and more useful in articulating our policies to the staff.

11 We are looking at putting in -- we plan to put in
12 place operating plans which would provide us the means to
13 assess whether we are meeting the goals that we have
14 established for ourselves and if we are not, why not and
15 what changes do we need to make. We would also do
16 assessments, self-assessment, broader assessments of our
17 programs with the goal of determining, one, should they be
18 changed and, if so, how? Should they be sunsetted? Have
19 they achieved their purpose and therefore we don't need to
20 continue the programs?

21 Those assessments and the operating plan reviews
22 will provide then an input both to the program planning and
23 to the strategic planning so that the Commission can make
24 those changes that are necessary from a policy point of view
25 and also give us guidance in terms of program.

1 After we complete those assessments, what we would
2 end up with going into the budget process would be a set of
3 program guidance and, obviously, a strategic plan and
4 program plan. That -- those planning documents then would
5 give us the basis of what we need to price out. So the
6 budget process then would become a process of pricing out
7 what we need to accomplish and you wouldn't be in a process
8 where you are trying to price and make program decisions at
9 the same time. I think that concept of planning, strategic
10 and program, leading into a budget that you price out is
11 where we are getting to.

12 That is the concept and I don't know, Joe and
13 Tony, if you have any comments. I think that is consistent
14 with what Tony mentioned earlier.

15 MR. CALLAN: It is our intention in the
16 December-January time frame to inform the Commission --

17 MR. FUNCHES: Yes.

18 MR. CALLAN: -- of where we are with respect to
19 program guidance and the revised strategic plan.

20 MR. FUNCHES: Right.

21 MR. CALLAN: Before we launch into the pricing
22 part of the budget cycle. And this has been a major
23 marketing part of this effort, the time framework, that the
24 promise to the staff is the extent to which we can get
25 Commission buy-in of program guidance early in the cycle

1 will greatly facilitate what historically has been a
2 terribly painful, agonizing process of hammering out a
3 budget in the April, May, June time frame. So a lot of the
4 decisions we are grappling with now, even this week, would
5 ideally be grappled with in January, February. So that is
6 the promise and it is a major -- as I said, it is a major
7 aspect to our ability to bring the staff on board to this
8 process, to make the process less onerous, not more onerous.

9 MR. FUNCHES: Next slide, please.

10 This chart lists areas that the EC has addressed
11 in the financial management area. What I would like to do
12 is to discuss several of these just to give you an
13 indication of how the EC has functioned and then be prepared
14 to answer any questions about any of the other areas. What
15 I would like to do is to talk about the first three.

16 In the budget review area, one of the things we
17 wanted to do this year is to assist the Commission in its
18 decisionmaking on the budget and the approach we were taking
19 was to develop scenarios. It says prioritization but it is
20 the scenarios that we talked about that we met with you on,
21 to develop those scenarios and to bring to the Commission
22 that information so that they have it as part of their
23 decisionmaking.

24 I think that this effort is a good example of how
25 we use both the EC and extended EC, even though the extended

1 EC was called the BRG in this case. But I think both
2 brought to bear information on putting that package together
3 and presenting it to the Commission. What it required was
4 integration of both financial consideration, which I and my
5 staff brought to the table. What programs there are and
6 also the information resources and how that fit in to
7 help -- information technology and how that fit into helping
8 us be more efficient and how they contributed to the
9 program.

10 I think the process allowed us to bring all three
11 of those to the table for the deputy CFOs and the extended
12 BRG and from those various perspectives we came up with a
13 set of scenarios or priorities that I think was
14 representative across the Agency as opposed to, here is how
15 the CFO would view things, here is how the EDO would view it
16 or here is how the CIO would view it. I think the
17 perspective we brought to the table and the document we
18 produced was an agencywide prioritization.

19 The second area is one where it reflects both the
20 first issue where the EC came together to deal with the
21 operational issue and also an integration issue. What we
22 were looking at as the CFO was trying to put in place a
23 system that served the CFO needs of accounting and certain
24 financial management information. It became clear to the
25 CFO and discussing it with the Chairman that you really

1 don't want an accounting system or a system to meet the
2 CFO's needs. You need a system that provides financial
3 information across the Agency and I think that system also
4 fit in with the concept of improved planning and improved
5 decisionmaking and implementation of GPRA.

6 So it quickly became clear that what we needed was
7 an agencywide integrated resource management system. And
8 that was a conclusion that the EC came to. The second thing
9 that became very clear was to bring up such a system and
10 make it function and meet the agency need, we needed to have
11 people from the CIO's organization, the EDO's organization
12 and the CFO's organization involved and we needed the very
13 best people, especially on the front end where we were
14 defining what the requirements should be. I think in that
15 situation, to get those good people because, obviously, the
16 good people have more work than they probably can do, the EC
17 recognized that need and facilitated getting the right
18 people from all three organizations.

19 I think we have been very successful, we have made
20 progress and so I think in that case the EC both identified
21 a need and served the facilitation process in making the
22 project work.

23 The last area is a third area I want to briefly
24 touch upon. We are looking at some resource management
25 training for our managers and supervisors and I think that

1 was -- that training is necessary to support the planning
2 process again and also to improve the day-to-day management
3 considerations of our managers. The EC identified a need
4 for such training and then working together with the Office
5 of Personnel, the Office of the CFO, we have developed a
6 training plan that is going to be briefed to the EC for
7 their review and approval in the near future.

8 I think this is the case, for example, where it
9 was very good, you know, to have the program people involved
10 because, one, you want to make sure that you are not putting
11 on training that is too onerous, one that the training is
12 useful to them. The identification of the need actually
13 came from the program people of, if we aren't going to move
14 in this direction and become better business managers, that
15 is, looking both for effectiveness and looking for in
16 considering costs, we need to be trained in how to do that
17 and, as a result of that, we will have a good training
18 program starting in October.

19 Those are the three items I would mention. Any
20 questions or I will give Joe and Tony an opportunity to make
21 some comments.

22 MR. CALLAN: I might add that the last point that
23 Jesse made about the resource management training became
24 apparent to us on the EC that that would play right into our
25 succession planning scheme, to broaden and develop the next

1 generation of managers. So it is going to be a linchpin in
2 the succession planning process.

3 Although Tony doesn't have a bullet on his slide,
4 which he will talk to next, he also has an initiative to
5 provide training in his area to our managers. So we are
6 trying to bring our managers along in these important areas
7 as well as their technical domain.

8 Tony?

9 MR. GALANTE: Thank you, Joe. I plan to cover
10 just the first two bullets on my slide.

11 Can we have the next slide, please?

12 One of the cornerstones of an IT organization, I
13 think, is good project management. In coming into this
14 position, I obviously took a good, hard look at where have
15 we been with project management and how do we perform that
16 particular process. Looking back at some of the history, it
17 wasn't so pleasant. We had some projects that had
18 significant overruns, took a lot more time than they should
19 and we began to pull apart a lot of the whys and the
20 wherefores, even going through a lot of the IG reports,
21 which were quite comprehensive.

22 What I found was that we had made, I guess, some
23 mistakes, traditional mistakes. We are not alone in that.
24 We turned the entire project management effort over to what
25 was then the IRM organization to manage. This is a mistake.

1 Number two, not enough time was spent in defining the
2 requirements of what was to ultimately be built and that
3 was, obviously, a second mistake.

4 So what I suggested in going to the EC was to put
5 in place what today is considered best practices by most
6 organizations and that is that the organization sponsoring,
7 requesting the application to be built will in fact put up a
8 project manager, a business person to run that project and
9 that person would be supported by a technical team and a
10 technical manager from my organization.

11 Number two, before we would be in a position to
12 define how much a system would cost or how long it would
13 take to build and what the resource requirements are and
14 whether we would buy versus build, we would invest what I
15 call some seed money in defining what our requirements are,
16 and this is what Jesse touched on earlier in his comments,
17 in bringing to the table the right people, the people that
18 have to work with this system, that have to interact with
19 it. Once those requirements are defined, we lock them up,
20 we don't change them and then we can scope the project, we
21 can put a price tag on it, we can staff it and hopefully
22 deliver in the time frame that we put on the table.

23 Again, in bringing that to the EC, there was a lot
24 of conversation about the investment on the front end versus
25 the dividend that you get on the back end and through some

1 hefty conversations, we finally agreed that we would put
2 some good people on this and we would invest on the front
3 end the way we should. I think we are going to have some
4 very successful results. Jesse's system is, I guess, the
5 pilot system to see how this works but I am quite optimistic
6 about it.

7 The second item, the year 2000 program, I am sure
8 everyone is aware of that by now, a rather extensive effort
9 for any agency. OMB, as you are probably aware, has given
10 us some guidance, has proposed milestones that the various
11 agencies use. They have broken up the work through an
12 awareness phase, assessment phase and you go into
13 renovation, you go into validation which is your testing and
14 then you ultimately go to implementation and all of that,
15 obviously, done by the year 2000.

16 Our initial program had about a three-month lag on
17 each one of those milestones, if you will, and we have been
18 working toward those milestones and got into a little bit
19 of, I guess, a discussion with whether or not we were behind
20 or on time. We are going to accelerate our program to get
21 in line with OMB's milestones and try to stay on track.
22 Obviously, we have a smaller operation from a systems
23 perspective than a lot of the large agencies so our work
24 hopefully will be done and expedited, in place well before
25 the year 2000.

1 CHAIRMAN JACKSON: Commissioner McGaffigan.

2 COMMISSIONER McGAFFIGAN: This morning as I was
3 driving in, I heard a news article about a company suing
4 their information technology supplier because every time a
5 customer uses a card with an expiration date of 2000 or
6 after, the system crashes and they can't make the sale and
7 so -- which traces the question to when does the year 2000
8 problem get to us? In that company's case, it is on them
9 right now.

10 Every time you have to -- before 2000, we are
11 going to have to start entering numbers that have dates that
12 are 2000, 2001, 2002. When does the 2000 problem actually
13 start hitting us?

14 MR. GALANTE: It has started already. There's --
15 let me back up to try and put it in perspective.

16 There are two ways of dealing with the year 2000
17 problem. You can open up all your systems in a sequence and
18 a plan and go forward and take them one at a time and get
19 through the process. The other way to correct the year 2000
20 problem is to not only do that but, as you open up systems
21 for normal maintenance, and that is what the year 2000 is,
22 it is normal maintenance, it is just that it touches a lot
23 of systems, once a system is open for maintenance, that is
24 the time to go in and check to see if you have a year 2000
25 problem. We, in fact, have been doing that, as the staff

1 has advised me, which is a good practice. So we have been
2 dealing with the year 2000 problem, on a small scale. Only
3 those systems that we have gone in and done some maintenance
4 on where we had enough money assigned to the particular
5 project where we could deal with it before we shut it down,
6 tested it and put it back into production.

7 So to answer your question, it is continuous. We
8 hope that we don't get surprises prior to the year 2000 but
9 in making my next point about the systems and how critical
10 they are, we have categorized our systems into three major
11 categories. Number one, mission critical. Those systems
12 that get addressed first and foremost, that cannot be down.
13 The second category is what I call business essential.
14 These are things like payroll systems and financial type
15 systems where if they do go down because of the year 2000
16 problem, we have time to correct them. They can be down
17 three or four weeks and we can do workarounds, as we call
18 it, to still get done what the system is intended to do.
19 And the third category is noncritical, those systems that
20 are systems we have to have but in reality if we have a year
21 2000 date problem, it is something we can attend to at the
22 appropriate time. We are not in any way jeopardizing our
23 mission.

24 Categorically, going back to mission critical, we
25 have seven systems that have been identified as mission

1 critical. Four of those systems will be renovated. One of
2 them is on the way right now. The other three systems will
3 be, in fact, replaced rather than renovated because of the
4 nature of the work and what we have to do.

5 Again, going back categorically, this is large
6 scale because we have to worry about our own systems, those
7 my office maintains. There are the systems to offices
8 maintain themselves. There are vendors who we buy software
9 from that have year 2000 problems. We have interagency
10 systems, about 58 of those systems that we use, other
11 agencies in which they have the responsibility to correct.
12 And we also have to look after our licensees and giving them
13 some guidance, which we are working on right now.

14 I brought this all to the EC and if I could just
15 quote Joe, we gave a rather extensive presentation to get
16 everybody on board to understand the magnitude and the
17 participation that is going to be required across the entire
18 agency and Joe's comment was this was very enlightening and
19 it was the first time he had seen the entire view of what
20 the year 2000 problem is about.

21 So everybody has been very supportive of what we
22 have to do across the agency and we've got two-and-a-half
23 years to get it done.

24 COMMISSIONER DICUS: I understand we are not in as
25 bad a shape on the year 2000 problem as I guess the GAO

1 reporter said. Where are we in the pack, though, relative
2 to the other agencies?

3 MR. GALANTE: There are two answers to that
4 question. I am not trying to avoid answering.

5 OMB came out with very specific guidelines that
6 dealt with mission critical systems only. Our approach was
7 to respond on a quarterly basis to OMB how we are
8 progressing for the entire suite of systems, which was
9 several hundred.

10 If we look at mission critical only, we have
11 completed our assessment as of August 1 and, as I said
12 earlier, we have begun renovation of one of the four that
13 has to be done. When you take that yardstick, the OMB
14 yardstick, we are very well along and I am optimistic that
15 we will probably have our four systems up to speed quite
16 early compared to, you know, the deadline that we have.

17 If you take the entire suite of systems, we still
18 have a lot of work there to do in the renovation and when I
19 had told Chairman Jackson early on in my presentation to her
20 that we were in the middle of the pack, I was taking
21 everything into consideration, that we were assessing all
22 systems, including mission critical, and that we had begun a
23 lot of work in renovation, even though we were still
24 assessing. So we were leap frogging the dates, if you will.

25 I think we are in a very good position. If we

1 have exposure, I think it is with our vendors, our smaller
2 vendors, not our larger vendors, in continuing to nudge
3 them, making sure that they give us what we need on a timely
4 basis because when we get a new release of software that has
5 a correction in it, we need that time to get it into our
6 system. Delivering it on New Year's Eve is not going to
7 help us so we need that front end time to do it and that may
8 have some exposure.

9 COMMISSIONER McGAFFIGAN: Just to comment, we are
10 behaving just like licensees. We are managing two
11 performance indicators. OMB has given us one and we are
12 going to manage to -- there's nothing bad about that, but --

13 CHAIRMAN JACKSON: Actually, I think though, if
14 you listened very carefully to what he said, we're doing
15 more.

16 COMMISSIONER McGAFFIGAN: We're doing more.

17 MR. GALANTE: Correct.

18 CHAIRMAN JACKSON: So we are managing to OMB
19 performance indicators because that is what gets the public
20 look and scrutiny and plays into the political arena. But
21 what he is telling you is, in fact, we have a comprehensive
22 approach that they have outlined for not only assessing but
23 renovating. But in any area where we might look like we are
24 not in conformance with OMB's dates, you know, we have some
25 acceleration going on to ensure that that apparent gap is

1 not there.

2 But, in fact, we are doing a much more
3 comprehensive job than those indicators --

4 COMMISSIONER McGAFFIGAN: Would we help OMB with
5 their performance --

6 [Laughter.]

7 CHAIRMAN JACKSON: This is not a briefing on OMB
8 or its performance indicators. You know, we are just
9 playing into the reality of what exists and it is also
10 something that members of Congress have taken an interest in
11 so there is no need to have any exposure in that regard and
12 I think we have addressed those issues.

13 MR. GALANTE: If I can just make two more comments
14 with respect to this, because this is a very interesting
15 subject, depending upon the perspective you come from, the
16 milestones that OMB printed, when they first came to us for
17 instructions, they wanted the agency milestones and that is
18 what we gave them, we gave them our milestones. When
19 Congress got into it, they were no longer agency milestones;
20 they were the ones that OMB had nailed down as final so
21 there was a switching of horses in midstream and we got
22 caught right in the middle of it and what are you going to
23 do?

24 I am still optimistic on the overall program and
25 where we are right now. We should do fine.

1 CHAIRMAN JACKSON: Let me just ask one question.
2 You mentioned seven mission critical systems.

3 MR. GALANTE: Correct.

4 CHAIRMAN JACKSON: Four of which are being worked
5 on. That is because the other three --

6 MR. GALANTE: Will be replaced with new systems --

7 CHAIRMAN JACKSON: No, no, no, you talked about
8 the work on four systems.

9 MR. GALANTE: Correct.

10 CHAIRMAN JACKSON: And one is done, basically.

11 MR. GALANTE: No, one is being worked on.

12 CHAIRMAN JACKSON: One is being worked on and
13 three are being replaced. But you started out talking about
14 seven mission critical. So what about the three that were
15 left from the original seven?

16 MR. GALANTE: The four that require work --

17 CHAIRMAN JACKSON: So three don't require work.

18 MR. GALANTE: No, they are going to be discharged.

19 CHAIRMAN JACKSON: Then I have my answer to my
20 question. Great. I understand.

21 Thank you.

22 MR. GALANTE: I don't plan to talk about the
23 balance of this slide. However, if you have questions
24 specific to any of these, I would be more than happy to try
25 to respond.

1 MR. CALLAN: I might just add, the fourth bullet
2 down, the CPIC process, as the Executive Council learns more
3 about the CPIC process, we are beginning to appreciate its
4 merits and are attempted to apply that same kind of rigor,
5 thought process, in other areas. Obviously not to the
6 extent we apply it for hardware acquisitions, computer
7 hardware acquisitions but it is a very powerful process.

8 Can we have the next slide?

9 This is somewhat of an eclectic grouping of issues
10 that the Executive Council has been involved in. I would
11 characterize the Executive Council's role in these five
12 areas as having launched the programs. In the case of a
13 few, we have ongoing oversight of implementation but,
14 largely, the Executive Council played the role of the forum
15 that just launched the programs. We formulated them and
16 launched them.

17 The last couple bullets there, though, the
18 formulation of a charter for the DOE project task force and
19 the initiative represented by DSI 14, the EC's role there
20 was not unlike the role that Jesse described in assisting
21 him with his integrated financial management system and Tony
22 with respect to the task force that he has put together.
23 What the EC can do is provide quality people for these
24 various task forces and avoid the historical challenge of
25 having lower level staff go around with hat in hand and try

1 to get the individuals they want from various offices.

2 What we have done is, for these very important
3 task forces, is that we have set ourselves up as the arbiter
4 of determining who goes on the task forces and then we make
5 it happen in our areas. And for a couple of them, it was
6 very, very painful because it involved key staff members
7 being sequestered for six months in the case of Tony's task
8 force, for example, and not unlike that for yours too. And
9 the historical pattern was once the office director
10 realizes -- it's like jury duty. Once you realize what is
11 entailed, you don't necessarily get the person you want.

12 I think we can say that the Executive Council has
13 ensured that we got the people we wanted and it is making a
14 difference. I think it is really making a big difference in
15 the quality.

16 With that, I will just stop with this slide and
17 respond to any questions.

18 And finally, just to summarize, just looking
19 ahead, the near term challenge we have clearly is
20 implementing -- developing and implementing a planning
21 framework for the agency like the one that Jesse talked
22 about. The longer term challenge, of course, is the
23 challenge to become more effective at long-range planning
24 from an agencywide perspective, not unlike the description
25 that Tony provided about the way business is done on the

1 outside of government, looking five, 10 years ahead. We
2 don't do that now, we don't do it well. We need to do that.
3 So that is the long-range challenge.

4 But I am encouraged. I think the Executive
5 Council process actually has been much of a burden for the
6 EDO's office. I look forward to the interactions. It has
7 actually been a major assist to me in carrying out my duties
8 and I will let CFO and CIO speak for themselves.

9 MR. FUNCHES: I would say the same thing. I am
10 very positive in looking forward to the two challenges that
11 Joe mentioned. I think if we can deal with those two
12 challenges, we are going to have a, I think, better
13 programs, we will be able to meet requirements such as the
14 Results Act. We are also going to have more efficient
15 programs so I look forward to the two major challenges that
16 Joe laid out and I think to this point the EC has worked
17 very well in a very open and in a positive way, looking
18 across, looking out for the Agency.

19 MR. GALANTE: I guess I am a little selfish in
20 that I certainly enjoy the opportunity to begin to talk
21 about technology and what it can do for the Agency with
22 these gentlemen that environment. It is a platform where
23 not only can I present what we want to do but we can also
24 get into an excellent dialogue of truly understanding the
25 whys and the wherefores and the type of investments and

1 changes that we have to make because a lot of what we will
2 be doing is, in fact, cultural change and it is masked maybe
3 by process change but, in fact, it is culture change and to
4 have the buy-in at this level for these things is critical
5 and I certainly enjoy the opportunity to be on the EC.

6 CHAIRMAN JACKSON: Commissioner Dicus?

7 COMMISSIONER DICUS: Do you have questions?

8 CHAIRMAN JACKSON: No, I'm going to let you.

9 COMMISSIONER DICUS: I have heard -- this is a
10 two-part question and I think I have heard the answer to
11 part of it from each of you in one way or the other. But I
12 would like for each of you to answer the question. And the
13 question is, the first part and the second part, what do you
14 think the single greatest strength of the EC structure is?
15 And the second part is, what do you think the single
16 greatest weakness of the structure is? And, toward the
17 latter question, what do you see to do about that or what
18 role you might see for the Commission to address what you
19 think might be a weakness in the structure?

20 MR. CALLAN: Well, I was hoping you would start --
21 [Laughter.]

22 COMMISSIONER DICUS: I don't care where you start.
23 I didn't mean for it to be that difficult.

24 MR. CALLAN: Let me just say, actually I touched
25 on some of it but there is one aspect I really haven't

1 addressed and it is really a kind of under-the-table issue
2 and it wasn't apparent until the budget cycle but the EC
3 provides a degree -- it is not unlike the separation of
4 powers that we have in the United States. The budget
5 process drove home the fact that had there not been
6 separation of powers, the temptation for the EDO to take
7 inappropriate cuts in areas that were not mission related
8 would have been so seductive. And those cuts could have
9 occurred early enough in the process that they would have
10 been buried. And I am not sure, in all honesty, that those
11 decisions would have been apparent to the Commission. I am
12 not sure the process would have brought that before the
13 Commission for you all to second guess the staff on some of
14 those decisions.

15 But by having the separation of powers, what that
16 ensures for the Commission, from your perspective, it
17 ensures that key decisions about to what extent do we parse
18 scarce resources amongst these three areas, that you have --
19 you have a pass on those decisions. And in the case of this
20 cycle, there was a very, very important decision as you know
21 that is quite controversial that never would have gotten --
22 I can just tell you, I was going to say "never" but it
23 probably would not have gotten -- seen the light of day and
24 that was the decision to carry forward Adams because of the
25 pain that that caused in terms of accommodating cuts in

1 other areas. So that is the kind -- I mean, the separation
2 of powers that the EC provides I think serves the Commission
3 quite well, in addition to the EDO.

4 It helps me a lot because it frees me up, as I
5 said. But I think it really serves you all quite well.

6 COMMISSIONER DICUS: What about a weakness?

7 MR. CALLAN: Well, I think any time you have a
8 collegial body, a five-person Commission or a three-person
9 EC, I think there is inherent in that a degree of friction,
10 obviously. I mean friction not in a negative sense but
11 infrastructure and inefficiency. It is always -- you know,
12 democracies are less efficient than dictatorships, that kind
13 of thing.

14 But I think that's clear and I think that
15 concern --

16 CHAIRMAN JACKSON: I understand that.

17 [Laughter.]

18 MR. CALLAN: That concern was at the forefront of
19 the staff's minds. In fact, I think quite frankly there are
20 a lot of staff who still are concerned that we, in effect,
21 become a choke point and another mini-commission. I wish --
22 we ought to cycle everybody through one of our EC meetings
23 to dispel that myth because we are anything but that. But I
24 think there is that concern out there and it was certainly a
25 concern that I had at the outset. I think all of us shared

1 that to a degree and that is something we have to guard
2 against.

3 I think we are all very sensitive to that and we
4 are always second checking ourselves. The thing we have to
5 guard against is making the EC too bureaucratic. So we
6 deliberately keep it as informal as we can. We
7 deliberately, for example, avoid having a staff, you know,
8 keeping ourselves lean, enforcing that so we don't take on
9 action, so we don't become that type of a bureaucratic
10 organization.

11 There is always that temptation, it think. Any
12 human endeavor like this is always pressured to become that,
13 so we have to fight that tendency.

14 Tony?

15 MR. GALANTE: I think truly the strength, from my
16 perspective, is just the attitude and the approach by the
17 three of us. I mean, we all have a common goal that we want
18 to approve things. We are open to change. It is not that
19 we are at each other and debating and fighting. We are all
20 welcoming improvement of the process. That type of harmony,
21 I think at this level, facilitates the process to work
22 exceptionally well.

23 If there is a weakness, I will talk about my own
24 for a moment. And that is, unfortunately, I don't have the
25 background that most of you have in this particular area and

1 that is a significant weakness for me. I mean, it is a
2 tremendous learning curve for me. But staying with the
3 concept of learning curve, I think our weakness is that we
4 have not been through this one whole cycle yet and we are
5 all new to the process and there is so much change going on
6 that we are learning as we go and trying to nail things
7 down. And I think the second time around and the third time
8 around this process gets refined and gets improved. So I
9 guess timing is our weakness at the moment, not having been
10 through it once before.

11 CHAIRMAN JACKSON: Yes.

12 MR. FUNCHES: I will build somewhat on what Tony
13 said. I think the value of the EC, and I think I said
14 earlier, is that what you are able to do is that you are
15 able to bring -- they are not components but you are
16 bringing a different perspective to the table. I think that
17 came through very clearly when we were making the decision
18 and recommendation on Adams and I think those perspectives
19 of three different people, different training, different
20 background and looking at things in a different way puts on
21 the table a better decisionmaking process or results in
22 better decisions or recommendations to the Commission.

23 I think at this point, I would totally agree with
24 Tony. We have been very open, we have debated the issues as
25 opposed to positions drawn in the sand. I think people who

1 have come to the table have been very open to the discussion
2 and then leading to, you know, the best decision, not a
3 compromise decision to make everybody happy but a decision
4 that is best for the Agency.

5 From a weakness point of view, I guess my -- it is
6 more of a concern, I guess. One is that we never get into a
7 process where we do become proponents or defenders of a
8 particular, you know, I'm going to defend IT to the end or
9 going to defend this program to the end or defend cuts to
10 the end. I think that is my biggest concern is that we
11 avoid that. That we continue to be a group that is there to
12 try to look at the information and get to the best decision
13 that we can. I think in terms of a learning curve, we are
14 on a learning curve. I think we will -- it will take us
15 time to get to where I think we want to go and that is to be
16 looking out into the future. I would agree with Tony that
17 right now the timing and learning is our biggest weakness.

18 MR. CALLAN: We had an opportunity to study the
19 Commission, see, and learn. So we are a consensus body. We
20 don't vote. We don't vote. I mean, we don't have -- in
21 that sense, we talk the issues and so far it has worked.
22 There is always that potential that we encounter an issue
23 where we don't reach a consensus but then that is where our
24 interactions with the Chairman, our weekly interactions with
25 her as a body, as an EC, comes to play.

1 We have not exercised that yet but that is always
2 a potential. I think a consensus approach, at least for
3 three people, works, is probably better for the staff than
4 any other.

5 CHAIRMAN JACKSON: Commissioner Diaz?

6 COMMISSIONER DIAZ: I think I just have a minor
7 comment. But I have been concerned and I am much more
8 familiar with Joe's functions than Jesse's or Tony's, that
9 our top managers are, you know, getting very loaded with a
10 lot of things to do and, of course, the Executive Council
11 creates a leveling which, again, has added to the burden.
12 But, again, I think you said the burden has not been heavy.

13 But as it becomes better in doing what it should
14 do, it probably will become better. And I think part of
15 your planning should consider the fact that you need to
16 allocate a proper amount of time and maybe some
17 reorganization in your areas so you can really look at
18 agencywide issues and actually we want to make sure that you
19 guys remain healthy and don't burn yourselves out. So those
20 are considerations.

21 CHAIRMAN JACKSON: Commissioner McGaffigan?

22 COMMISSIONER MCGAFFIGAN: I would like to ask a
23 question about how you see the strategic plan and budgeting
24 process working, just a little more detailed. What I think
25 Mr. Funches said was that you would try to make -- in the

1 fall you will have program reviews and then you will seek
2 guidance and updating of the strategic plan, guidance from
3 the Commission in the January/February time frame and then
4 the budget exercise becomes a pricing exercise.

5 The thing that may not get done in that January
6 time frame unless we add some element to that is top line
7 discipline because I am afraid we may make program decisions
8 that are unrelated to budget reality in the January/February
9 time frame. I looked at the budget that has been approved
10 by the Congress and the President, the balanced budget
11 through the year 2002. In FY '99, domestic discretionary --
12 non-Defense discretionary spending increases 1.4 percent
13 which is less than inflation. And then the following years,
14 they lump Defense and non-Defense together just for total
15 discretionary spending and the increase is less than 1
16 percent a year, 0.8 percent in 2000, 0.7 percent in 2001.

17 So the overall reality for federal spending is
18 going to be very, very severe. The notion that if we make a
19 bunch of program decisions in January and February and then
20 you just sort of price them and the budget falls out and
21 everything is hunkey-dory, may not bring in this big
22 strategic factor. The other thought I have had as I
23 listened to the briefing is it is almost -- this budget is
24 now a reality, the White House ceremonies, everybody patting
25 themselves on the back. The overall constraint, that is a

1 challenge I am not sure we have mentioned in our strategic
2 plan, where we are living with, if we get a somewhat
3 proportional element of that, living with a budget that may
4 increase at less than the inflation rate in the years ahead.

5 So if you have any thoughts -- I'm catching you by
6 surprise, I know. But if you have any thoughts about how in
7 the January/February time frame as we make program decisions
8 and update the strategic plan we also get some element of
9 fiscal discipline at that point because what forces
10 discipline is actually seeing the numbers. When the pricing
11 comes out and how you see that interaction working.

12 I guess it is Jesse's question.

13 MR. FUNCHES: Yes. I think in that decisionmaking
14 process you do have to make some order of magnitude estimate
15 of, you know, what these programs look like and I think you
16 do have to have those discussions early on in terms of, you
17 know, what is realistic as you do the program guide and if
18 you make a program decision or not. I don't think you have
19 to get down and what I will call price it out but I do think
20 you have to have some idea of the order of magnitude of what
21 you are buying into as part of that decisionmaking.

22 CHAIRMAN JACKSON: Included with that, is
23 prioritization and scenario planning part of that?

24 MR. FUNCHES: Yes, it would be part of that again
25 when you come forward to understand just where you want to

1 go, how it meets the program and some idea of where these
2 programs take us.

3 COMMISSIONER MCGAFFIGAN: So the idea would be
4 despite that we make program decisions in January and
5 February, still perhaps in broad terms but scenarios would
6 come forward at the pricing point where you would say this
7 is how much program you can buy for different prices.

8 MR. FUNCHES: Yes, I think that would happen. But
9 I think also we would want to get some indication as part of
10 the development of program guidance the relative importance
11 of the programs that we are looking at.

12 COMMISSIONER MCGAFFIGAN: It is going to be a
13 challenging process.

14 CHAIRMAN JACKSON: It is going to be challenging
15 for us, too. So we have to be as disciplined as we expect
16 them to be.

17 I would like to thank the members of the Executive
18 Council for a very informative briefing. There is clearly
19 much work to be done and therefore I will insert what
20 Commissioner Diaz said about as we get more mature that the
21 hope is and expectation is to help you do your jobs and not
22 have you be burned to become toast. But I am confident, in
23 fact, that your efforts will provide the leadership that we
24 are expecting for implementing Commission policy as well as
25 giving the agency perspective to the management of the NRC

1 staff and will make a major contribution to our ability to
2 continue to meet our health and safety mission, to regulate
3 effectively and to position ourselves for the changes that
4 we face every day and the changes to come.

5 So if there is nothing more, we are adjourned.

6 Thank you.

7 [Whereupon, at 10:49 a.m., the meeting was
8 concluded.]

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CERTIFICATE

This is to certify that the attached description of a meeting of the U.S. Nuclear Regulatory Commission entitled:

TITLE OF MEETING: MEETING WITH NRC EXECUTIVE COUNCIL
-- PUBLIC MEETING

PLACE OF MEETING: Rockville, Maryland

DATE OF MEETING: Thursday, August 7, 1997

was held as herein appears, is a true and accurate record of the meeting, and that this is the original transcript thereof taken stenographically by me, thereafter reduced to typewriting by me or under the direction of the court reporting company.

Transcriber: Christophe Br. Cutchall

Reporter: Jon Hundley

U.S. NRC Executive Council Charter and Procedures

Introduction

The U.S. NRC Executive Council was established by the Commission approved management restructuring which became effective on January 5, 1997. The Council will ensure that the Agency planning, budgeting, financial and human resource management, information technology and programmatic decisions, and implementation are fully integrated.

Membership

The Executive Council (EC) will consist of the Executive Director for Operations (EDO) who will serve as chairman, the Chief Information Officer (CIO), and the Chief Financial Officer (CFO). In the absence of a principal member, the person serving as Acting EDO, Acting CIO or Acting CFO may participate in meetings on behalf of the principal member.

The Deputy EDO's, the Deputy CFO, the Deputy CIO, a representative of the Chairman's office and the Office of the General Counsel will serve as non-voting members of the Executive Council and will normally lead the discussion for agenda items that are primarily under their purview.

Purpose

The Council will:

1. Make corporate decisions or recommendations on matters that significantly affect agency strategic plans and related, policies, and programs and/or resources.
2. Ensure that program and resource planning and implementation are closely coordinated and integrated.
3. Facilitate the Agency Strategic Planning Process.
4. Facilitate communications between the EDO, CIO and CFO.

WORKING DRAFT

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Procedures

The Council Chairman will designate a Secretary who will be responsible for administrative matters concerning the Council to include scheduling meetings, preparing agendas, and documenting taskings, decisions, actions and recommendations made by the Council.

Agenda items may be proposed by EC members and will be published in advance of meetings. Other management officials and staff will be invited to discuss specific topics as appropriate.

As a general rule, meetings will be scheduled when 2/3 of the principal members are available. Normally, at least one meeting per month will be dedicated to planning, policy, and program review. Selected areas of the agency operating plan will be reviewed to monitor the progress in implementing existing plans and policies and to consider the need for revisions or management attention.

The NRC Chairman will be kept fully informed of Council activities including dissenting views. The Council will brief the Commission on significant matters but at least semiannually on such subjects as the budget, strategic planning, the performance plan, information technology issues,.....

Matters for Consideration

The Council will consider significant activities and plans in the following areas and other areas as deemed appropriate:

Financial Management (Lead: CFO)

- Budget Guidance and Strategy
- Budget Proposals and Modifications
- Budget Execution
- The Financial Statement and Audit
- The Fee Program
- GPRA -- Performance Measures

Management Controls (Lead: CFO)

- Annual Review
- Material Weaknesses

WORKING DRAFT

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Strategic Planning (Lead: CFO)

- Strategic Plan Updates (each Fall)
- Performance Plans (March)
- Multi-Year Implementation Plan (June)

Human Resource Management (Lead: EDO)

- Human Resource Planning
- FTE Strategy
- Organizational Issues
- Significant Personnel Programs/Policies

Matters for Consideration (Continued)

Information Technology (Lead: CIO)

- IT Strategic Plan (linkage to NRC Strategic Plan)
- IT Performance Measures
- IT Project funding
- Capital Investment Planning Control (CPIC) Process
- Investment Portfolio (Feb/Mar)
- "At Risk" Major and Capital Projects

Program Performance (Lead: EDO)

- Program Reviews (Vis-a-Vis Strategic Plan)

Facility and Operations Support (Lead: EDO)

- Physical Plant
- Contracts/Procurement

WORKING DRAFT



**EXECUTIVE COUNCIL
BRIEFING TO THE COMMISSION**

AUGUST 7, 1997

EXECUTIVE COUNCIL MEMBERSHIP

EC

- EDO
- CIO
- CFO

EXTENDED MEMBERSHIP/SUPPORT

- GENERAL COUNSEL
- CHAIRMAN'S STAFF DEPUTY DIRECTOR
- THREE DEPUTY EDO'S
- CIO REPRESENTATIVE
- DEPUTY CFO
- EXECUTIVE SECRETARY

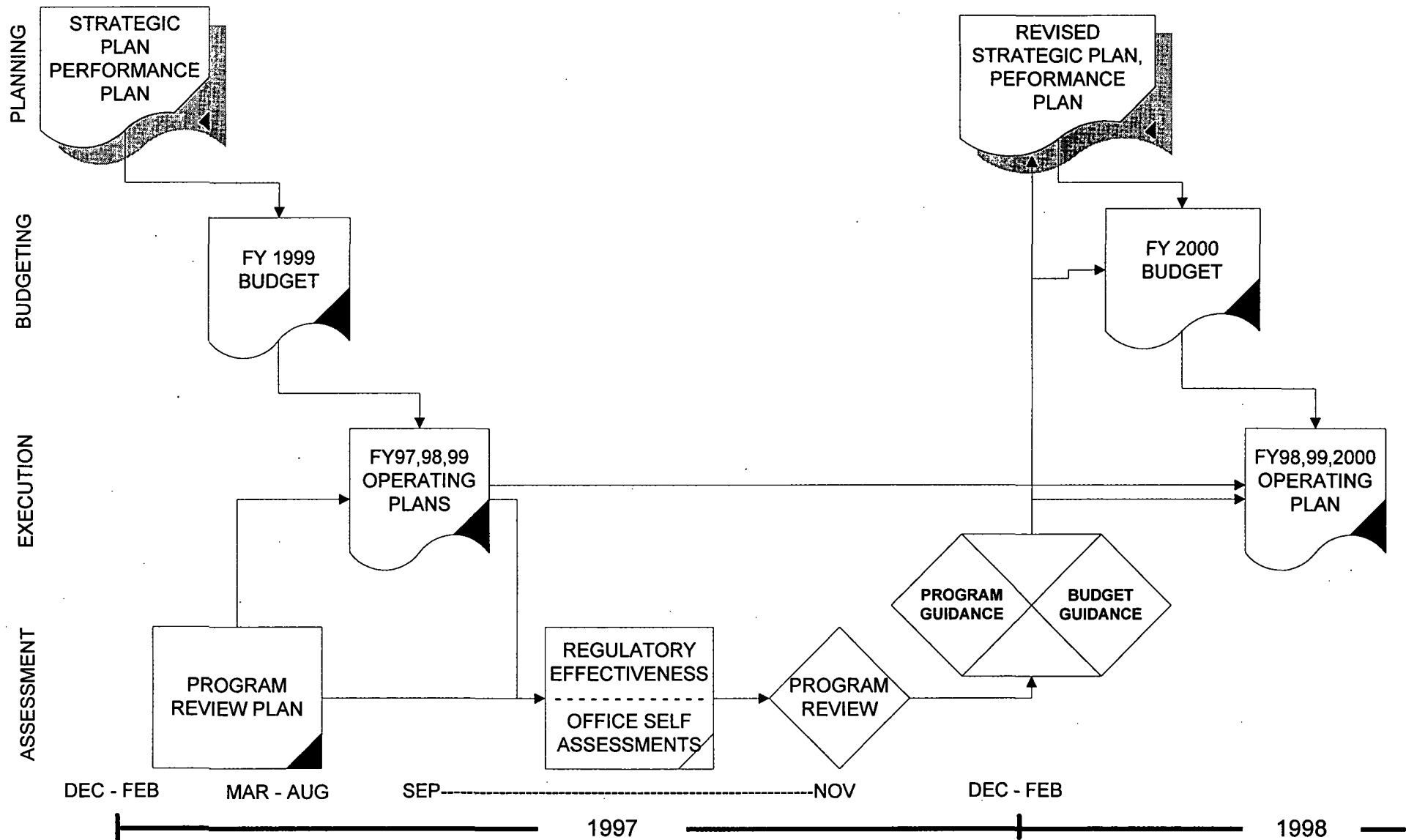
PURPOSE OF EXECUTIVE COUNCIL

- **MAKE DECISIONS ON SIGNIFICANT OPERATIONAL MATTERS AND RECOMMENDATIONS ON POLICY**
- **COORDINATE, INTEGRATE, AND IMPLEMENT PROGRAM AND RESOURCE PLANNING**
- **FACILITATE STRATEGIC PLANNING PROCESS**
- **FACILITATE COMMUNICATIONS**

SIGNIFICANT AREAS OF CONTRIBUTION

- **COMMUNICATIONS/SUPPORT**
- **ABILITY OF EDO TO FOCUS ON REGULATORY PROGRAMS**
- **STRATEGIC PLAN/PERFORMANCE PLAN**
- **BUDGET DEVELOPMENT**
- **PLANNING FRAMEWORK**

NRC PLANNING FRAMEWORK



OTHER AREAS OF DISCUSSION

CFO

- **BUDGET (REVIEW PRIORITIZATION)**
- **INTEGRATED RESOURCE MANAGEMENT SYSTEM**
- **RESOURCE MANAGEMENT TRAINING FOR MANAGERS & SUPERVISORS**
- **MANAGEMENT CONTROL ISSUE-DESIGN BASIS CONTROLS**
- **MID-YEAR REVIEW**
- **STRATEGIC PLANNING PROCESS**

OTHER AREAS OF DISCUSSION

CIO

- **IT PROJECT MANAGEMENT**
- **YEAR 2000 PROGRAM**
- **IMPROVED AGENCY IT COST MANAGEMENT**
- **IT CAPITAL PLANNING AND INVESTMENT
CONTROL (CPIC)**
- **CIO ORGANIZATION**

OTHER AREAS OF DISCUSSION

EDO

- **SES RECERTIFICATION**
- **SUCCESSION PLANNING**
- **GUIDANCE ON HUMAN RESOURCES STREAMLINING**
- **CHARTER FOR DOE PROJECT TASK FORCE**
- **DSI-14 PUBLIC COMMUNICATION INITIATIVE**

CHALLENGES FOR THE FUTURE

- **DEVELOPMENT OF PLANNING FRAMEWORK**
- **CONTINUED FOCUS ON AGENCY-WIDE PERSPECTIVE**