

# **State of Alaska FY2009 Governor's Operating Budget**

## **Department of Commerce, Community, and Economic Development Alaska Aerospace Development Corporation Results Delivery Unit Budget Summary**

## Alaska Aerospace Development Corporation Results Delivery Unit

### Contribution to Department's Mission

Promote aerospace related economic growth and development and strengthen Alaska technological infrastructure.

### Core Services

- Provide rocket launch venue
- Provide rocket launch support services to customers

End Result	Strategies to Achieve End Result
<b>A: Maintain or improve launch services operating revenue</b>  <u>Target #1:</u> Increase launch services operating revenue <u>Measure #1:</u> Amount of launch operating revenue	<b>A1: Expand launch services offered</b>  <u>Target #1:</u> Add one new service annually <u>Measure #1:</u> Number of new services added
End Result	Strategies to Achieve End Result
<b>B: Maintain or improve contribution level to Alaska economy</b>  <u>Target #1:</u> Increase level of operating spending in Alaska economy <u>Measure #1:</u> Amount of expenditures on in-state spending compared to total spending	<b>B1: Increase spending on Alaska payroll, goods and services</b>  <u>Target #1:</u> Hire and train in Alaska <u>Measure #1:</u> Number of additional AADC personnel  <u>Target #2:</u> Purchase Alaska goods and services <u>Measure #2:</u> Amount of operating spending with Alaska vendors compared to total vendor spending
End Result	Strategies to Achieve End Result
<b>C: Strengthen Alaska's technological infrastructure</b>  <u>Target #1:</u> Continue investment in capital assets <u>Measure #1:</u> Amount of cumulative investment in capital assets	<b>C1: Develop Kodiak Launch Complex (KLC) facilities and services.</b>  <u>Target #1:</u> Launch Pad 3 and Rocket Missile Storage Facility construction complete by September 2013. <u>Measure #1:</u> % Complete - Construction of Launch Pad 3 and Rocket Missile Storage.

### Major Activities to Advance Strategies

- Expand launch services provided
- Maintain or improve contribution level to Alaska economy
- Develop infrastructure to enhance capabilities

### FY2009 Resources Allocated to Achieve Results

FY2009 Results Delivery Unit Budget: \$28,252,000

**Personnel:**

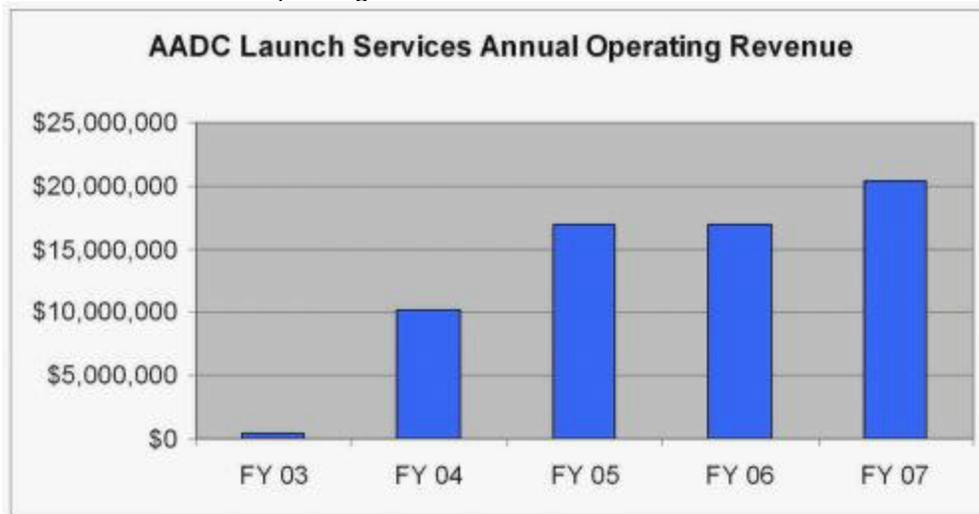
Full time	53
Part time	0
<b>Total</b>	<b>53</b>

### Performance Measure Detail

#### A: Result - Maintain or improve launch services operating revenue

**Target #1:** Increase launch services operating revenue

**Measure #1:** Amount of launch operating revenue

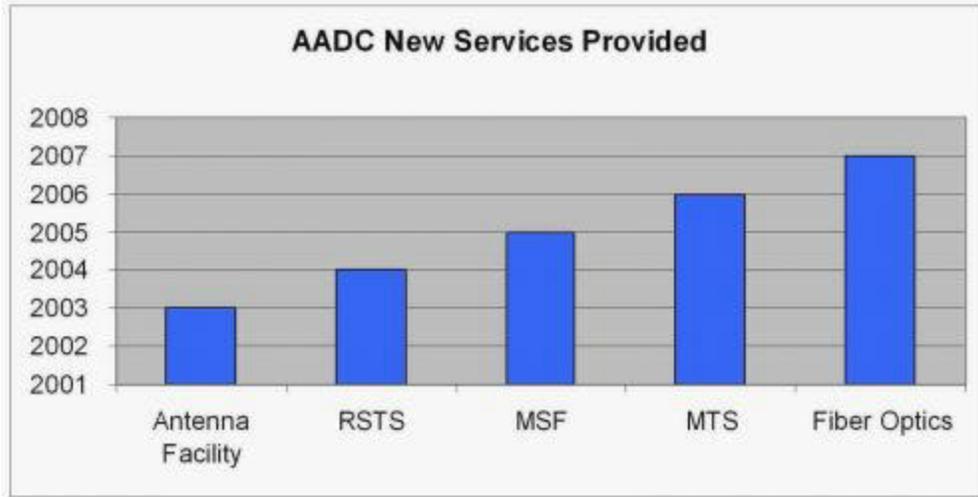


**Analysis of results and challenges:** Launch operating revenue for the Kodiak Launch Complex (KLC) increased from \$16.9 million in FY06 to \$20.5 million in FY07. There are three launches forecasted for FY08 with launch operating revenue projected at \$26 million. Additional launch services will be offered in order for the launch services operating revenue to increase.

**A1: Strategy - Expand launch services offered**

**Target #1:** Add one new service annually

**Measure #1:** Number of new services added

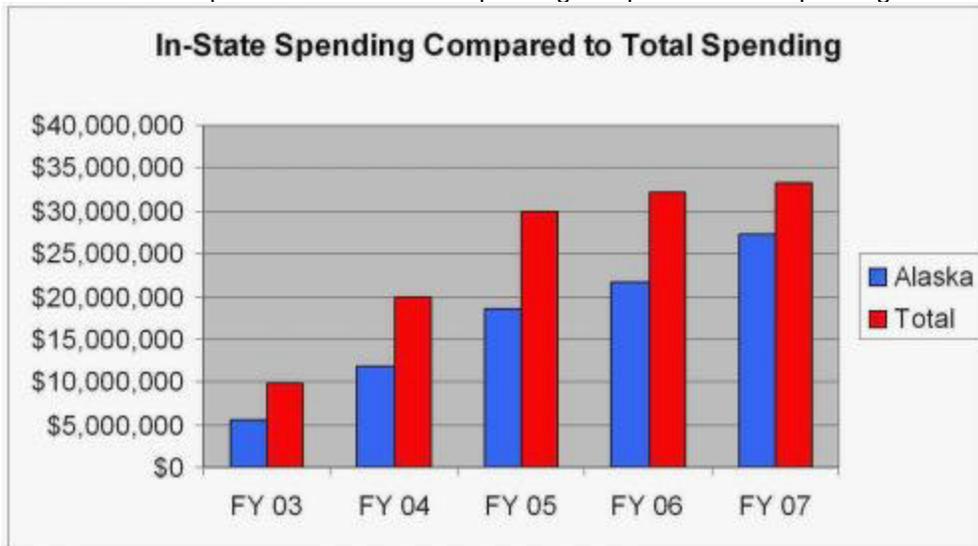


**Analysis of results and challenges:** In FY07, AADC spearheaded the development of an extensive submarine fiber optic cable network project designed to bring secure and dependable high-speed voice, data and internet connectivity to Kodiak and the Kenai Peninsula. This major infrastructure development for Alaska connects the Kodiak Launch Complex, the Kodiak Island Borough, the nation's largest Coast Guard facility and the entire Kenai Peninsula to the existing fiber optic network that runs throughout the state. The fiber optic network provides a secure communication network required by AADC's customer and ensures that AADC will continue to expand the necessary communication connectivity to meet customer's launch requirements. This effort contributes to AADC's overall operating revenues which add to economic growth for the state.

**B: Result - Maintain or improve contribution level to Alaska economy**

**Target #1:** Increase level of operating spending in Alaska economy

**Measure #1:** Amount of expenditures on in-state spending compared to total spending



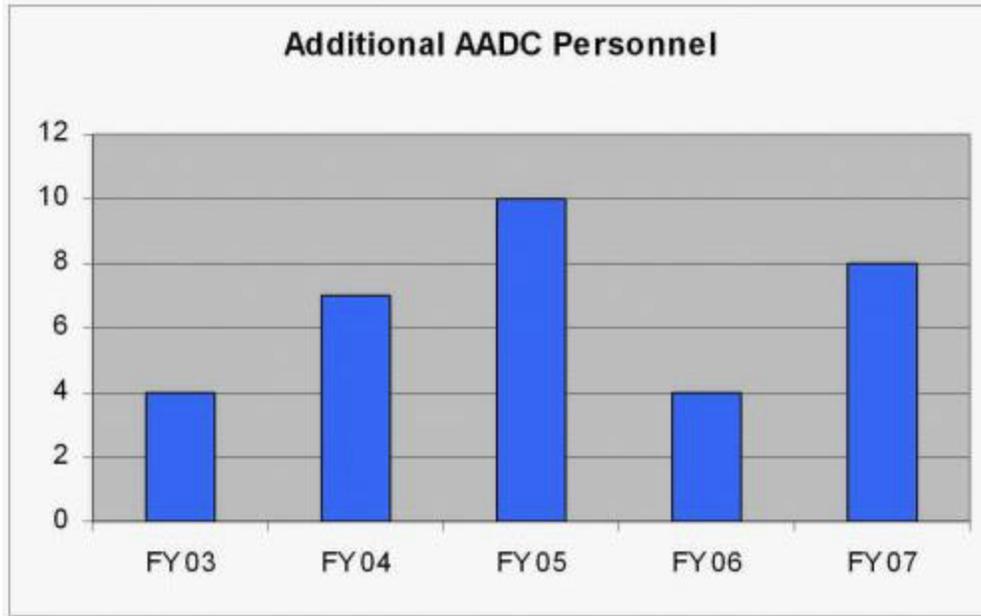
**Analysis of results and challenges:** In FY07, AADC spent \$27.3 million in Alaska (or 82%) compared to \$33.4 million in total expenditures. This represents a 14% increase over FY06 and an average of 6% increase per year from FY03. This increase in the percentage of in-state spending supports AADC's mission to promote aerospace

related economic growth by maintaining or improving contribution levels to Alaska's economy. This in turn has a significant, positive impact on the Alaska economy through local purchases of goods and services and the creation of indirect jobs to support these goods and services.

**B1: Strategy - Increase spending on Alaska payroll, goods and services**

**Target #1:** Hire and train in Alaska

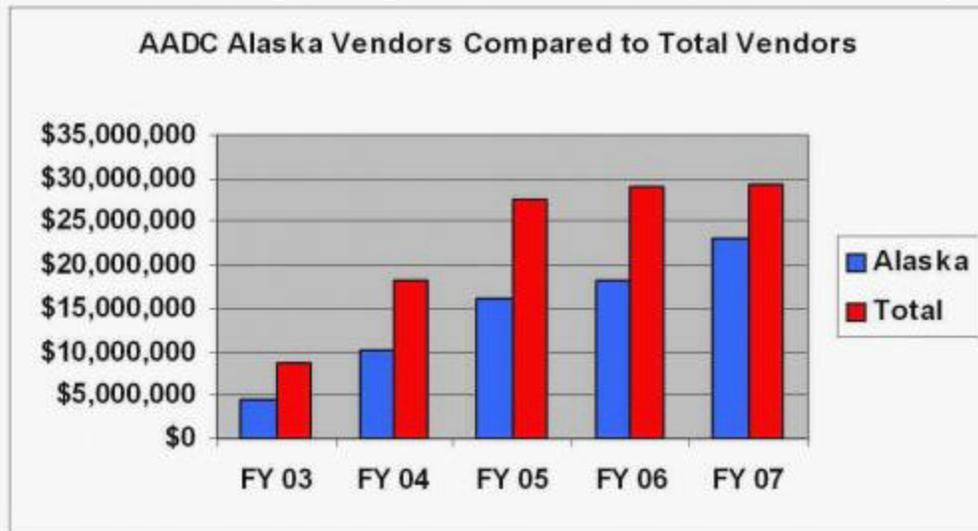
**Measure #1:** Number of additional AADC personnel



**Analysis of results and challenges:** In FY07, AADC hired 8 new personnel. AADC plans on hiring 6 new employees in FY08. This is a positive impact to the State's economy by adding personnel with wages that are higher than the Alaska average wage. This direct spending on AADC employees has a positive multiplier effect by increased spending into the Alaska economy.

**Target #2:** Purchase Alaska goods and services

**Measure #2:** Amount of operating spending with Alaska vendors compared to total vendor spending



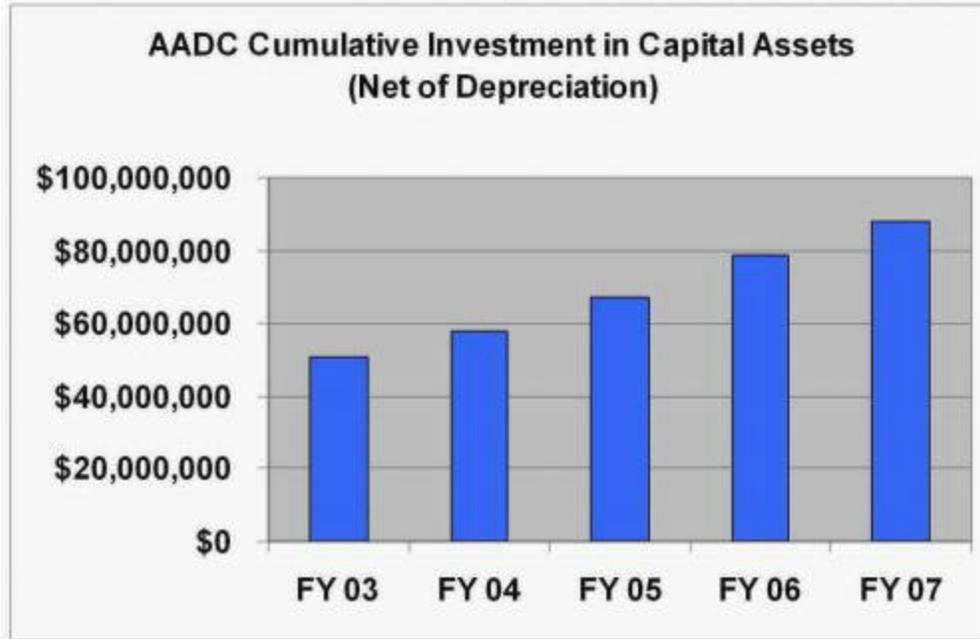
**Analysis of results and challenges:** AADC spent \$23 million out of \$29 million with Alaska vendors in FY07, an 18% increase over FY06 and an average increase of 7% per year since FY03. AADC plans to continue to

focus on utilizing Alaska goods and services. The use of local vendors for purchases of goods and services has a positive impact on the Alaska economy through creating additional jobs to support the delivery of these goods and services.

**C: Result - Strengthen Alaska's technological infrastructure**

**Target #1:** Continue investment in capital assets

**Measure #1:** Amount of cumulative investment in capital assets



**Analysis of results and challenges:** Cumulative investment in capital assets, taking into consideration the cost of depreciation through FY07 was \$88 million. This represents an increase of 12% over FY06, and an average increase of 15% per year since FY03. Investment in capital assets for FY07 included funds for the fiber optic system. Investment in capital assets is projected to continue in FY08.

**C1: Strategy - Develop Kodiak Launch Complex (KLC) facilities and services.**

**Target #1:** Launch Pad 3 and Rocket Missile Storage Facility construction complete by September 2013.

**Measure #1:** % Complete - Construction of Launch Pad 3 and Rocket Missile Storage.

**% Complete - Construction of Launch Pad 3 & Rocket Missile Storage**

Year	% Complete
FY 2009	0
FY 2010	0
	0%

*Project is anticipated to begin in fiscal year 2009. Measures will be provided as they become available.*

**Analysis of results and challenges:** AADC has infrastructure requirements to provide increased launch capability and support customer's future requirements. The two additional facilities needed are the Launch Pad 3 (LP3) and the Rocket Missile Storage Facility (RMSF). It is imperative that AADC expand its infrastructure to remain competitive in the aerospace launch services. LP3 would enable the Kodiak Launch Complex (KLC) to continue supporting MDA and concurrently support additional customers. The RMSF would support storage of multiple rockets that are ready for launch. This would allow customers to ship multiple rockets on a single barge, reducing transportation costs.

If AADC does not expand the infrastructure to create an increased customer base, there will be limited economic growth in Alaska's aerospace launch industry. Currently, AADC has serious inquiries of three or more potential

customers (Air Force, Navy and commercial entities) that are interested in the spaceport. The economic benefit to the State of Alaska with the additional facilities would ensure future expansion of the aerospace industry, increased operating revenue for AADC and increased job opportunities from sources outside Alaska.

Meeting this target is based on obtaining all funding for this project by December 2010.

## **Key RDU Challenges**

The challenge in the coming year is to increase the infrastructure at the Kodiak Launch Complex (KLC) in order to support additional launch customers and to increase the number of launches from the KLC per annum. AADC's anchor tenant, the Missile Defense Agency (MDA), totally utilizes the infrastructure of LP1 and/or LP2 for their launch operations. An additional Launch Pad (LP-3) and a Rocket Missile Storage Facility (RMSF) is needed in order to service additional customers.

The current launch pads are used by MDA and AADC also has serious customers who want to launch from KLC. However, scheduling around the MDA mission is impossible without an additional launch pad and a rocket missile storage facility to reduce the logistics cost associated with shipping single rockets versus shipping five or more at a time. KLC has the other infrastructure (Launch Control Center, the Range Safety System, Payload Processing, etc. which equates to the airport's air traffic control systems, passenger terminals, baggage handling, etc. that can support additional customers). Without an additional launch pad (runway) and the missile storage facility, KLC will not expand its customer base and will see minimal to no operational growth, which will prevent any revenue and job increases in the community of Kodiak and the State of Alaska. Currently, AADC has serious inquiries from the Air Force, Navy, and several commercial entities that are interested in the Spaceport. However, this is not possible without having the additional launch pad (runway) and storage facility. The economic benefit to the State of Alaska with the additional facilities would ensure future expansion of aerospace industry, increased operating revenue and increased job opportunities and revenue to the community of Kodiak, Anchorage and the state.

## **Significant Changes in Results to be Delivered in FY2009**

AADC is currently performing the fifth year of a five-year support services agreement with the Department of Defense Missile Defense Agency. MDA continues to request launch feasibility studies and launch services support. AADC is currently in negotiations to extend the current support services contract or possible enter into a new five year contract with MDA as the continued anchor tenant.

AADC is actively marketing the Spaceport's capabilities to the space launch community to provide launch feasibility studies and launch support services in the near future.

## **Major RDU Accomplishments in 2007**

AADC successfully executed the fourth year of providing services for its anchor tenant, MDA, under a five year contract. Kodiak Launch Complex (KLC) continues launching tests of the nation's missile defense system. The fifth Flight Test Ground-Base Midcourse Defense, FTG-03, was launched from KLC on May 25, 2007. The sixth Flight Test Ground-Base Midcourse Defense, FTG-03a, was successfully launched from KLC on September 28, 2007.

AADC entered a contractual agreement with Kodiak-Kenai Cable Company, LLC for fiber optic connectivity for the KLC, Kodiak Borough, and the entire Kenai Peninsula. The fiber optic network project was completed during the summer of 2007. The extensive submarine fiber optic cable project brought secure and dependable high-speed voice, data, and internet connectivity to Kodiak and the Kenai Peninsula. This major infrastructure improvement project created secure communications meeting AADC's customer requirements.

AADC continues to meet the demands of launch services support, providing to our customer a full array of services and management support. In an effort to meet the customer's requirements, AADC has successfully hired six additional full time employees in 2007.

AADC continues to enhance their community relations program. Management coordinated efforts with the local community of Kodiak to support community functions, supported an open house of the KLC facilities for visitors and residents of Kodiak with approximately 1,500 guests touring the facilities, provided support for the Challenger Learning Center of Alaska and supported the space explorers program that brings to the classroom science and mathematics to Alaska's youth.

AADC continues to support continuing education in the aerospace industry through an agreement with the University of Alaska Scholarship Foundation to provide scholarships to benefit Alaska's youth wishing to pursue an advanced education in Alaska and the aerospace industry. By providing this opportunity, AADC is helping to develop a valuable resource for our state and nurture the growth of a highly technical workforce within the state.

Contact Information
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**Alaska Aerospace Development Corporation  
RDU Financial Summary by Component**

*All dollars shown in thousands*

	FY2007 Actuals				FY2008 Management Plan				FY2009 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b><u>Formula Expenditures</u></b>												
None.												
<b><u>Non-Formula Expenditures</u></b>												
AK Aerospace Development Corp	0.0	0.0	3,924.2	3,924.2	0.0	2,628.7	1,097.3	3,726.0	0.0	2,972.3	1,105.8	4,078.1
AADC Facilities Maintenance	0.0	0.0	15,970.8	15,970.8	0.0	20,172.9	1,084.4	21,257.3	0.0	23,088.3	1,085.6	24,173.9
<b>Totals</b>	<b>0.0</b>	<b>0.0</b>	<b>19,895.0</b>	<b>19,895.0</b>	<b>0.0</b>	<b>22,801.6</b>	<b>2,181.7</b>	<b>24,983.3</b>	<b>0.0</b>	<b>26,060.6</b>	<b>2,191.4</b>	<b>28,252.0</b>

**Alaska Aerospace Development Corporation  
Summary of RDU Budget Changes by Component  
From FY2008 Management Plan to FY2009 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2008 Management Plan</b>	<b>0.0</b>	<b>22,801.6</b>	<b>2,181.7</b>	<b>24,983.3</b>
<b>Adjustments which will continue current level of service:</b>				
-AK Aerospace Development Corp	0.0	2.7	1.5	4.2
-AADC Facilities Maintenance	0.0	4.0	1.2	5.2
<b>Proposed budget increases:</b>				
-AK Aerospace Development Corp	0.0	340.9	7.0	347.9
-AADC Facilities Maintenance	0.0	2,911.4	0.0	2,911.4
<b>FY2009 Governor</b>	<b>0.0</b>	<b>26,060.6</b>	<b>2,191.4</b>	<b>28,252.0</b>