



UNITED STATES MINT

Implementation of the United States Mint Public Enterprise Fund, P.L. 104-52 Through December 31, 2000

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INTRODUCTION

Public Law 104-52, enacted November 19, 1995, created the United States Mint Public Enterprise Fund (PEF), consolidating the circulating coin and numismatic operations of the United States Mint into one revolving fund. Additionally, the Act exempted Mint operations from the provisions of law and regulation governing procurement and public contracts and granted the Mint gift and bequest authority. Effective FY 1996, the sole source of funding for the Mint has been revenue generating programs rather than an annual appropriation. In its conference report to the legislation, Congress directed the Mint to report quarterly on implementation of the PEF. Since that time we have reported on PEF implementation and how we have used these flexibilities to transform the Mint into a market-driven public enterprise. This twentieth quarterly report covers the first quarter of FY 2001; however, because this is the first report submitted under our new Administration and to a new session of Congress with

changes in committee assignments, we have added additional information, highlighting our major achievements from inception of the PEF in FY 1996 through FY 2000.

ACCOMPLISHMENTS UNDER THE PEF, FY 1996 - FY 2000

In the five years since we gained budgetary and procurement flexibility to operate effectively as a business enterprise, we have become a vigorous, profitable example of what a federal agency can be. We have examined every aspect of our operations to find ways to do things quicker, more effectively, and more efficiently. The cumulative outcome of our efforts has been to bring the American people a national Mint governed by a public sector sense of service and a private sector insistence on results.

The growth of the Mint's business since the inception of the PEF in FY 1996 has been remarkable and would not have been achieved without the flexibilities provided the Mint by P.L. 104-52. Since the inception of the PEF our revenues increased from \$1.4 billion in FY 1995 (pre PEF) to \$3.7 billion in FY 2000, our profits have soared from \$727 million to \$2.6 billion and deposits to the General Fund nearly tripled, from \$732 million to \$2.28 billion. Our coin production increased from 19.5 billion in FY 1995 to over 27 billion in FY 2000 and the composition shifted from 69 percent being pennies to 50 percent being non-pennies, notable in that non-pennies are significantly more difficult to manufacture than are pennies. The financial flexibilities provided by P.L.104-52 allowed us to respond to the dramatic increases in demand and permitted much needed investments in outdated and neglected capital that, in turn, resulted in record profits and returns to the General Fund. And, the procurement flexibilities granted the PEF enabled us to streamline our procurement process to be more timely in acquiring the goods and services needed to keep up with increasing demand and to make the infrastructure changes that transformed the Mint into a world class business.

In the sections that follow, we have highlighted the changes we have made to our operations and the results we have achieved.

Operational Changes

Because the single revolving fund made us financially self-reliant, we rededicated ourselves to managing our business and financial resources consistent with the best in business. As a pilot agency for the implementation of the Government Performance and Results Act of 1993, we were one of the first government agencies to develop a strategic plan and performance measures. We then built upon the initial strategic plan by formulating derivative business and capital investment plans. As part of this process, we benchmarked ourselves against the best in private industry to set our goals and desired outcomes and to learn from first class business enterprises. Taken together, these plans provide both a long-term strategic vision and blueprints for accomplishing our mission goals and objectives. Our focus not only has resulted in operational improvements and cost savings but also has resulted in our receiving clean audit opinions every year we have operated under the PEF. Moreover, we will soon be receiving another clean opinion for FY 2000, our **seventh consecutive**.

In FY 1998, we implemented a Mint-wide enterprise resource planning system, the **Consolidated Information System (COINS)**, the first organization-wide enterprise resource planning system (E-R-P) in the federal sector. For the first time, planners and managers have point-to-point information about customers, costs, production, promotion, inventory, sales, revenues, and profits for every program and product. With the implementation of COINS, we were able to eliminate 14 mission-critical (non-Y2K compliant) systems, meet the Mint's Y2K requirements and close all FMFIA material weaknesses and audit findings related to the need for a better business-wide information system. Since the implementation of COINS in 1998, the Mint has had no FMFIA material weaknesses.

With the procurement flexibilities granted by P.L. 104-52, we reduced procurement lead times from 9 months to 2 months for larger, complex procurements and from 10 days to 3 days for commercially available products. We continue to achieve tangible, measurable results by balancing the profit/loss realities of business with the highest integrity and responsibility of government. Using a Balanced Scorecard Model to measure performance for the last five years, we achieved in FY 2000 an internal customer service rating of an impressive 86 percent, in part due to innovative contracting practices such as awarding performance-based contracts and using standard industry purchasing techniques for high-value metals contracts. We continually strive to improve and streamline our procurement operations by benchmarking to best-in-business organizations, conducting annual spend analyses, and analyzing e-commerce opportunities. As a result of our many improvements, other government agencies look to us as a leader in procurement innovation for resources and guidance.

Under the revolving fund, we are making long-needed improvements in our capital base a high priority. P.L. 104-52 has given the Mint two tools -- the revolving fund and the procurement waiver -- to modernize capital investments that, prior to FY 1996 under the appropriation process, had to be sacrificed in order to meet the demands of commerce for coinage. As a result of years of neglect, our production equipment was aged, unreliable and inefficient. Further, our facilities were both overcrowded and old, increasing the risk of injury to our employees and resulting in OSHA and EPA citations. We have focused on improvements to increase production capacities and efficiencies; address health, safety, environmental and energy conservation issues; enhance information technology utilization; and upgrade telecommunications and security.

We implemented an aggressive Mint-wide safety program to reduce the frequency and severity of workplace injuries, which is particularly crucial in a manufacturing environment. Our goal is to match the best in business in minimizing health and safety risks and promoting employee wellness. Our year 2000 injury rates (per 100 employees) have significantly decreased from previous highs in 1994 and 1995 -- 30 percent fewer "lost time" and 40 percent fewer "recordable" incidents. We have launched additional safety and process flow programs that will further improve this performance.

We became more customer focused. We established written customer service standards for answering calls, returning calls, responding to customer correspondence, and processing refunds or replacements against which our customers can judge us. We re-engineered operations to achieve significant reductions in cycle time to fulfill customer mail orders. As a result of this customer focus, the Mint has consistently recorded world class customer satisfaction ranking on the American Customer Satisfaction Index, equaling or exceeding scores of the very best in

business, including Hershey Foods, H.J. Heinz, GM-Cadillac, BMW, Colgate Palmolive, and Mercedes Benz.

With the support of the Administration and Congress, we introduced two highly successful coin programs -- the 50 State Quarters™ Program and the Golden Dollar Program. The 50 State Quarters™ Program has resulted in an average annual increase in the number of quarters shipped from 1.6 billion annual average (FY 1996 - FY 1998) for the George Washington quarter to 4.5 billion annual average (FY 1999 - FY 2000) for the 50 State Quarters™ -- with an average annual increase in revenues of \$735 million and profits of \$611 million. In FY 2000, we shipped 979 million Golden Dollars, more dollar coins than were put in commerce during the 21-year history of the Susan B. Anthony (SBA) dollar coin program. Both the 50 State Quarters™ Program and the Golden Dollar Program, along with the strong U.S. economy, drove Mint coin production, shipments, revenues and profits to record highs in FY 2000. In addition, we developed new products and used the 50 State Quarters™ Program to change coin collecting from a languishing hobby into one with the hottest collectible in history. Current estimates are that 125 million Americans are collecting the 50 State quarters™.

We launched secure online shopping on our Web site in April 1999, and have quickly become one of the most successful e-retailers in the Nation. Further, our e-retail program allows us to reduce our cost of operations and pass the savings onto our customers, including waiving shipping and handling charges that are the common practice of other e-retailers.

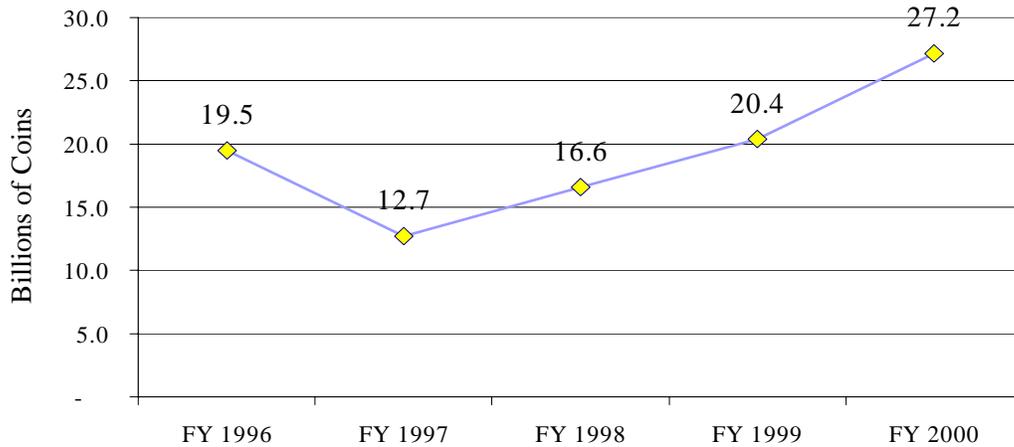
We developed the H.I.P. Pocket Change™ Web site for children, an interactive online learning community for children and teachers using coins as tools to teach American history, mathematics and language arts. The site, geared to grades K through 8, seeks to build interest in coins as tangible artifacts of history, art and math, as well as encouraging young people to build their own coin collections.

We became proactive on energy and water conservation. Among our noteworthy accomplishments was the negotiation and award of Energy Savings Performance Contracts with our suppliers--a first within the Treasury Department.

Under the PEF, attitudes and approaches to the workplace changed. We developed a true partnership between management and our union, AFGE, including union participation in the development of our strategic plan. One of our strategic goals is to invest in our employees and the PEF has enabled us to do that. We are providing more funds for workforce training, including college tuition assistance, and programs aimed at their well being, such as telecommuting, the LifeCare program, and the child care assistance program (begun first quarter FY 2001), which provide support to employees in a wide range of services. The Mint, like other world class businesses, believes that investing in the development and well being of its employees pays off in a more stable and rewarding work place and a more productive workforce. With the support of the dedicated men and women of the Mint, many of whom were asked to help support a 24/7 production schedule, we were able to sustain our record production levels over the past several years.

Following the all-time record of 20.4 billion coins shipped set in FY 1999, we topped that record in FY 2000 with over 27 billion coins shipped.

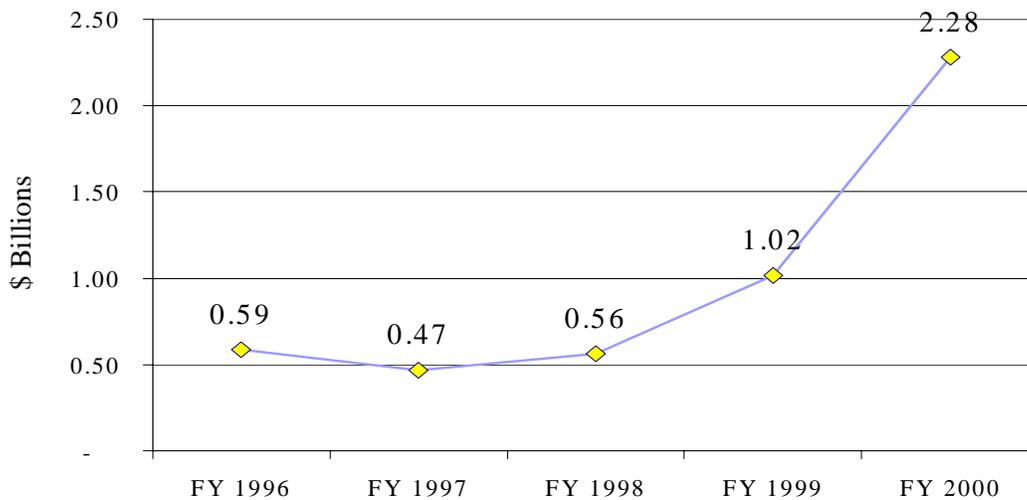
U. S. Mint - Circulating Coin Shipments



NOTE: Prior to the PEF, revenue was recognized as seigniorage when circulating coins were produced and was deposited directly to a Treasury account. Under the PEF, revenue from circulating coinage is recognized by the PEF when the coinage is shipped to the Federal Reserve.

By FY 2000, we had surging revenues and profits and broke every previous record for yearly profit. We contributed nearly \$2.3 billion of profits to the Treasury General Fund.

U. S. Mint - Deposits to the Treasury General Fund



Promoting Mint Products through Partnerships with the Private Sector

The Mint has partnered with many of the most popular icons in U.S. business and culture, including the Jim Henson Company (Kermit the Frog), Reader's Digest, National Geographic, General Mills (Cheerios), Hallmark, Wal-Mart, and Sam's Club. These partnerships have contributed to the success of the 50 State Quarters™ Program. In addition, some of these partnerships have been instrumental in promoting use and acceptance of the new Golden Dollar coin. We have been able to protect, monitor, and profit from the commercial use of the obverse design of the Golden Dollar coin, in particular, largely because of the unique process by which we acquired the private designer's copyrights -- an avenue that is not currently available for designs created by Mint sculptor-engravers which, by law, must remain in the public domain.

Awards and Recognition

Many have applauded our efforts in improving our operations and seeking to match best-in-business practices that have taken place since the inception of the PEF. Among the awards we collectively or individually had received from FY 1996 through FY 2000 were:

- Thirteen Hammer Awards (making our grand total through FY 2000, fifteen, counting two earned before the PEF) from former Vice President Gore's National Partnership for Reinventing Government (NPR) (and two final Hammers in FY 2001, noted in the latter part of this report).
- The Sturdivant National Partnership Award four times for our management and union partnering which led to improved operations and cost savings.
- CIO Top 100 Award from *CIO* magazine "for making customers central to doing business and setting benchmarks for others to follow."
- Arthur S. Flemming Award (1999) to Coleen Vogel, former Assistant Director for Procurement and now Deputy Chief Financial Officer, for her outstanding leadership in the procurement community.
- American Society for Public Administration--Government Executive Leadership Award to John Mitchell, Deputy Director, and former Mint Director Philip Diehl for their efforts to "break down barriers in government, develop strong partnerships in the executive and legislative branches, and improve the public's view of government."
- Safety Professional of the Year (2000) from Metropolitan Washington Federal Safety and Health Council to Tom Altvater, Mint Safety and Occupational Health Manager, for raising employee awareness of workplace safety and training all supervisors and union stewards to reinforce program goals, thereby reducing accidents.
- American Numismatic Association Outstanding Government Service Award to David Pickens, Associate Director for Numismatics for advancing numismatics through his efforts to rekindle interest in collecting.
- Teacher's Top Ten by *Learning In Motion, Inc.*, an educational Web-site
- Bronze Medal – Maryland Quality Award from the Maryland Center for Quality and Productivity/University of Maryland
- National Postal Forum's Mailing Excellence Award (First government agency to win for outstanding achievement in effective use of mail to meet business objectives)
- "Best Feds on the Web" from GovExec.com
- Exceptional Service Award from Federal Energy Management Program

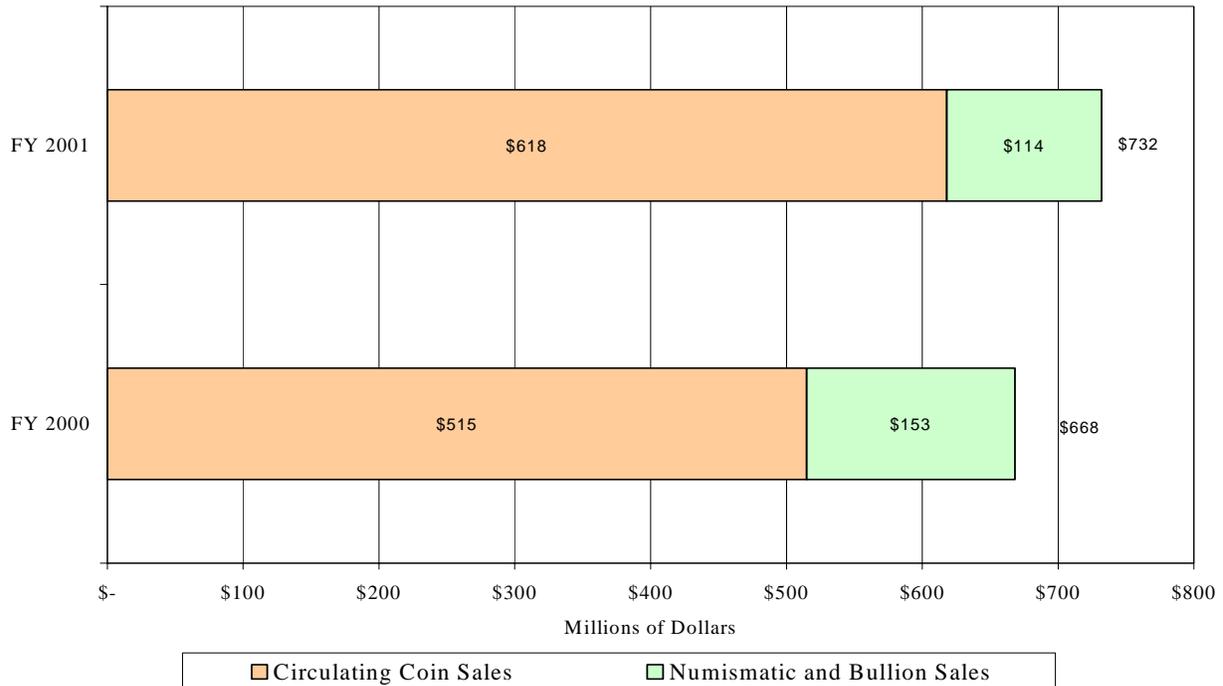
Stories of our achievements and programs have appeared on the Today Show, ABC World News Tonight, NBC Dateline, CNN, CNBC, National Public Radio's Marketplace, the History Channel, The Late Late Show with Craig Kilborn and the Discovery Channel. We have also earned rave reviews in the *Wall Street Journal*, *The Washington Post*, *Fast Company*, *Worth*, *CIO Enterprise* and *Government Executive*.

FINANCIAL PERFORMANCE, FIRST QUARTER FY 2001

The Mint's three lines of business are producing circulating coinage; manufacturing and marketing numismatic and bullion coins; and safeguarding bullion reserves at Fort Knox and elsewhere. The revolving fund is financed by the sale of circulating coins to the Federal Reserve Bank (FRB) and the sale of numismatic and bullion coins and products worldwide.

Consolidated first quarter FY 2001 revenues of \$732 million exceeded the first quarter of FY 2000 by nearly 10 percent, as illustrated in the following chart.

**U.S. MINT REVOLVING FUND REVENUE
Comparison of First Quarter Revenue, FY 2001 to FY 2000**



Revenues from Circulating Coinage

Circulating coinage revenues in the first quarter FY 2001 were \$618 million, 20 percent higher than revenues in the first quarter FY 2000, which were already at elevated levels. First quarter FY 2001 shipments to the FRB of approximately 6.9 billion coins were up 17 percent from 5.9 billion coins shipped to the FRB in the first quarter of FY 2000.

Coin demand from the Federal Reserve System for the first quarter FY 2001 continued to be strong. The public continued its excited search to find and collect coins in our 50 State Quarters™ Program. The Virginia quarter dollar coin, tenth in the series and last coin to be released in the second year of the program, made a grand entrance during the period.

In FY 2000 we launched the very successful Golden Dollar program and placed into circulation in excess of 700 million dollar coins, far exceeding the annual demand for SBA dollar coins, which peaked at an average 60 million coins per year. Because the public has embraced the design and is collecting or "hoarding" these coins, we are continuing to refocus our efforts in improving the distribution and circulation of the Golden Dollar and have identified eight sectors (retail, banking, vending, transit, grocery, fast food restaurants, entertainment, and government) which can, through further development, maximize the opportunities for increased circulation of the Golden Dollar coin. We are working with businesses and financial institutions to place the coin in cash drawers across the country (using the slot currently used to hold coin wrappers or wrapped coin) so that the public can find these coins more available and choose for themselves how many to keep and use in their daily transactions. At the end of the quarter we were close to formalizing an agreement with Safeway and its nationwide chain of 1,500 stores, and will report in more detail in the second quarter report. Presently 500 businesses in 225,000 locations are already using Golden Dollars.

We continued our outreach efforts in the banking sector, which resulted in thousands of inquiries and the identification and resolution of hundreds of questions along with the correction of numerous accounts of misinformation regarding Golden Dollars availability. We were able to capitalize on the resolution of many of these problems of distribution in the banking sector and use this as a springboard to the recent launch of our outreach efforts in the retail sector. In addition, we continued to provide "Mint wrapped" Golden Dollars through the end of December to ensure a sufficient supply of readily usable coin for the retail sector.

Revenues from Numismatic and Bullion Products

Total revenue for bullion and numismatic coins was \$114 million in first quarter FY 2001, compared to \$153 million in FY 2000. The decline was primarily attributable to lower gold bullion coin sales. Sales of bullion coins in first quarter FY 2001 were \$35 million compared to \$74 million in the first quarter FY 2000 when Y2K concerns elevated sales. Sale of gold and platinum bullion coins decreased \$41 million and \$1 million respectively in the period while silver increased \$3 million for the period. Sales of the non-bullion products in first quarter FY 2001 and in first quarter FY 2000 were both \$80 million. Sales of 50 State Quarters™ Program products continue to excite our customers.

Looking at straight-line trends, first quarter FY 2001 revenues from the sale of bullion and numismatic coins were up \$15 million from fourth quarter FY 2000 (\$114 million vs. \$99 million). The increase was a result of higher sales (\$20 million increase) of both gold and silver one-ounce bullion coins, which typically occurs during this holiday and major gift-giving period. Revenues from numismatic products were down \$5 million for the quarter, as sales from commemorative and recurring programs which were offered in prior quarters were winding down at year-end. Of particular note is the strong results produced by the 2000 Holiday Catalog, which was launched during the latter half of September. The Catalog carried the introduction of the Silver Proof Set and Platinum American Eagle programs, both of which combined for over \$33 million in revenue alone during the first quarter. Other new catalog offerings included a new Mint jewelry line and the Virginia State quarter dollar coins.

COINS II

In continuing to build upon the improvements achieved with the implementation of our enterprise resource planning system, **C**onsolidated **I**nformation **S**ystems (COINS), we are well into the implementation of the second stage of our long-term business systems improvement plan. In December 2000, we successfully completed the upgrade portion of the project, COINS 2.0, a series of interconnected projects designed to upgrade and improve the functionality provided by the systems that were put in place during the COINS I project. This included an upgrade to our core PeopleSoft E-R-P, and to the Maximo (plant and equipment schedule optimization) and MACS (mail order and catalog system) software packages. In addition, the installation of ADCS, an automated data collection system to capture shop floor production data, was also completed in December 2000.

50 STATE QUARTERS™ PROGRAM

Legacy Ad Campaign

On October 9, 2000, Americans met the U.S. Mint employees behind the 50 State Quarters™ Program through a 10-week ad campaign. The ads carried a "Legacy" theme and featured Mint employees promoting the quarters that honor America's states and touting the Mint's legacy of craftsmanship in creating all of the nation's coinage. Communicating the pride they take in their work, the Mint employee ads described the uniqueness of the quarters and the excitement of the program. This enthusiasm translated to the 125 million Americans now collecting the quarters. This campaign was created in part to respond to requests from many financial institutions across the country that we identify our Web site, www.usmint.gov, as an avenue for the public to acquire each new state's quarters in collectible quarter bags or rolls.

The 50 State Quarters™ Program is one of the most popular programs in the history of the Mint. However, research earlier in 2000 revealed that despite the quarters' popularity, people knew very little about the program's details, nor did they understand how to get involved. The ads changed that. Recent post-advertising research revealed that 62 percent of Americans liked the ads, and another 31 percent were able to recall the messages in the ads. Now, more Americans are collecting, and more Americans understand the details of the 50 State Quarters™ Program.

Concluding 2000 Program, Previewing 2001 Program

On October 16, 2000, the tenth state quarter was launched amid cannon fire at Jamestown -- the Virginia quarter honoring the Jamestown Quadricentennial in 2007. This completed the second year of the ten-year 50 State Quarters™ Program. Now we are preparing to enter the third year of the 50 State Quarters™ Program.

Each of the quarters issued under this program has been enormously popular, and the 2001 coins will be no exception. We are planning production of four times the normal level for circulating quarters. The designs for the next five states to be honored and the anticipated release dates are as follows:

**2001 CIRCULATING COMMEMORATIVE QUARTERS
Date of First Shipment to Federal Reserve Banks**



**New York
January 2**



**North Carolina
March**



**Rhode Island
May**



**Vermont
July**



**Kentucky
October**

During the first quarter FY 2001, the New York quarter was previewed on our Denver Mint Stagecoach float which appeared in the Macys Thanksgiving Day Parade™. This is the 11th quarter in the 50 State Quarters™ Program. The float, manned by Macys employees dressed in vintage U.S. Mint Police uniforms, is a replica of the historic stagecoaches that transported America's gold nearly 150 years ago.

CAPITAL INVESTMENT PLAN

After years of foregoing improvements to facilities and equipment prior to the PEF, in FY 1997 we began a major re-capitalization effort. We continue to implement our capital investment plan to upgrade circulating coinage production capacity and improve operational effectiveness; improve numismatic facilities and upgrade equipment; address health, safety, environmental and energy conservation issues; enhance security; and upgrade and enhance communications and information technology. In the sections that follow, we briefly discuss the improvements planned.

U.S. Mint Capital Investment Plan FY 2000 and FY 2001 (Dollars in Millions)		
Category	FY 2000*	FY 2001**
Health & Safety	2.9	3.1
Physical Plant & Productivity Improvements	15.6	16.8
Energy	0.4	1.5
Environmental	1.0	0.4
Protection (Facilities related)	1.4	0.3
Total Land & Structures	21.3	22.1
Health/Safety/Environmental	11.4	4.2
Replacements & Productivity Improvements	28.4	32.0
R&D Projects	---	0.4
Subtotal Equipment Capital	39.8	36.6
Protection (Equipment related)	1.1	2.4
Information Technology	20.5	6.9
Furniture/Fixtures	0.2	1.0
Total Equipment	61.6	46.9
TOTAL CAPITAL INVESTMENTS	82.9	69.0

*Actual

**Currently under Review with Department and OMB

Circulating Coinage

Since FY 1997 we have experienced increasing demand for circulating coinage, with a record shipment of 20.4 billion coins in FY 1999, immediately eclipsed by a dramatic surge in demand and our production of 27 billion coins in FY 2000. And, in FY 2000 for the first time, clad and nickel coinage production equaled penny production. This is a significant milestone since clad coin production is more complex and places more demands on manufacturing capacity. In response to this coin demand explosion, we implemented 24-hour-per-day, seven-day-per-week production schedules that relied on the use of extraordinary amounts of overtime as well as contracted employees in an effort to make up the difference. These measures implemented by the FRB, Commercial Banks, and the Mint are stopgap at best and are not sustainable. In response to these challenges, we have implemented a capital plan that addresses the Nation's

immediate and longer-term circulating coinage needs. Our plan combines the acquisition of new equipment with the extension of the life of some of our equipment to increase our overall production capacity. Additionally, we are modernizing our materials handling systems. This strategy is conservative, prudent, and grounded in a sound business case.

At our Philadelphia and Denver Mints, we have 28 high-speed modern presses that are beginning to wear out, so we plan to refurbish or replace them over the next ten years. Another part of our strategy involves safety improvements and upgrades meeting OSHA standards and regulations. Our fire and life safety improvements project is designed to decrease the risk of fire hazards and further life safety by modernizing the fire protection system at the Philadelphia Mint. Additionally, we are in the process of replacing a labor intensive, injury prone, nineteenth century coin bagging process with a modern, OSHA-certified, automated, twenty-first century bulk coin bagging process that can handle the record coin volumes shipped from our factories.

Numismatics

Numismatic production requirements also have reached all time highs and this necessitates crucial facility improvements and equipment upgrades--areas that have received limited attention in the past. In addition, to remain competitive in the marketplace, we must continue to put customer satisfaction first and foremost in a "customer-centric" organization that efficiently accommodates the upsurge of our numismatic business.

Our plan encompasses specific facility renovations and upgrades at our San Francisco and West Point Mints, and numismatic equipment refurbishment or replacement at Denver, Philadelphia, West Point and San Francisco Mints.

To advance the West Point Mint's bullion coin production role, in FY 2000 we completed Phase I construction, consisting of relocations and preparations for the start of major expansion construction, and continued work on Phase II, covering the start of construction for north and south additions. To improve coin quality and increase productivity, we installed a number of pieces of new equipment in FY 2000. The installations included: a new shipping labeling system which interfaces with our computerized mail order system (MACS) at the Denver, Philadelphia and San Francisco Mints and tripled daily shipment levels; the first of three proof coining presses at the West Point Mint; an automated rotary basket-washing unit to clean uncirculated coins at the Denver Mint; and a new annealing furnace at the San Francisco Mint.

In FY 2001, we are undertaking major portions of the West Point Mint renovation and upgrade. Phase II covering expansion of the building shell and Phase III covering construction of the interiors of the north and south additions and the relocation of coin production equipment will be completed. Work will continue with completion of the entire project scheduled for October 2002. Equipment installations planned in FY 2001 include new coining presses for the Denver, Philadelphia and San Francisco Mints and new blank washing equipment at San Francisco to automate the proof blank preparation process and reduce the amount of manual labor to wash and rinse blanks. In FY 2001 we will also be developing and examining options to improve the uncirculated coin set packaging.

Protection

To minimize interruption to our critical business processes and safeguard employees, visitors and the assets in Mint custody, it is imperative we have proper equipment and advanced technology. Our Protection Strategic Business Unit is planning to replace aging physical security systems, augment police equipment with advanced technology, upgrade communication and command and control centers, and renovate, repair, expand and improve facility perimeters.

Information Technology

A comprehensive Information Technology solution that integrates applications through enterprise-wide technical infrastructure is critical to fulfilling our exponentially increasing demand. And, like all twenty-first century organizations, we must guard against cyber threats that would undermine the integrity of our Information Technology systems. Our Internet success has strained the existing infrastructure and further growth and demand will be constrained until the technology resources are expanded.

To meet these challenges, we will implement a robust customer self-service capability on our Web-site, enhanced performance network reliability, renewed cyber security, upgrades to maintain COINS as state-of-the-art, further expansion of our enterprise resource planning system, and telecommunication upgrades. These improvements are part of our capital plan for the period FY 2000 through FY 2005.

HUMAN RESOURCES INITIATIVES

As we discussed in previous reports, we have pursued designation as a Performance-Based Organization (PBO) -- a draft bill was transmitted to Congress in August 1999 -- but no action has been taken. We still need PBO status to provide us the necessary flexibilities to recruit and retain highly qualified individuals with the specialized skills related to our unique function in government, i.e. a profit-driven manufacturing and marketing organization. Until we receive such designation, we are aggressively seeking to employ all flexibilities currently available to us. For example, among the initiatives we are utilizing are recruitment and relocation bonuses, retention allowances, speedhiring pilots, childcare subsidies, and expanded executive management and trades development programs. We put together a team of project experts dubbed the Human Resources Flexibilities Team, to study our hiring and retention efforts. The Team is developing a quick reference guide and comprehensive handbook for using these flexibilities, and will be assessing and recommending how to maximize their effectiveness.

AWARDS AND RECOGNITION

National Partnership Award for the San Francisco Mint

This quarter we were recognized by the National Partnership Council for the fourth time when the San Francisco Mint's Local Partnership Council received the John N. Sturdivant National Partnership Award for initiating an extensive automation project. The project was developed in

partnership and implemented without costly formal negotiations, avoiding significant labor relations costs traditionally associated with organizational changes of this magnitude. The joint effort scrapped and retooled production lines, replacing old presses and packaging equipment and a manual mailing assembly process with an \$11 million robotics system. Employees were offered promotion opportunities and training support to operate the high-tech equipment. As a result of these upgrades, productivity skyrocketed and worker compensation claims fell. This system allowed us to keep pace with expanding orders and set packaging records from a high of 39,367 sets per day in 1998 to a high of 84,040 sets per day in 2000. These achievements had previously gained the San Francisco Mint a Hammer Award (cited in the 2nd quarter FY 2000 PEF Report) and public recognition from San Francisco Mayor Willie Brown.

Hammer Awards

We received two additional Hammer Awards in the first quarter FY 2001 from former Vice President Gore's National Partnership for Reinventing Government (NPR) -- our sixteenth and seventeenth. According to former NPR Director Mr. Morley Winograd, the Mint has been awarded more Hammer Awards than any other Federal agency over the past eight years, with the exception of several larger agencies, such as the Department of Defense.

Our 16th Hammer Award recognized the full partnership forged by Mint management and our union, American Federation of Government Employees (AFGE), in negotiating an agency-wide labor management agreement. Not only was our negotiation partnership a first among federal agencies, but the process occurred in record time -- just 90 days versus the standard one-to-two years in federal government -- and cost one-quarter of the historical norm, an estimated saving of \$125,000 during direct negotiations. The completed document, our 6th National Partnership Agreement, was created using interest-based bargaining and is transformational in its content and impact on our ongoing success. Most importantly, the five-year contract calls on partners to discuss issues, keep each other informed, and explain and jointly explore issues as opposed to justifying positions.

The Golden Dollar is the honoree of our 17th Hammer Award. The Golden Dollar was recognized as an achievement highlighting extraordinary outreach to the private sector and the public in creating a new coin. In developing the new alloy for the Golden Dollar, we worked to ensure the same electromagnetic-signature as the SBA, which significantly reduced retooling costs to the Postal Service, transit authorities and the vending industry. We also implemented a customer quality focused process that solicited input from design to distribution -- even utilizing the Web in the process. As a result, the Golden Dollar debuted to overwhelming excitement and enthusiasm. More than one billion Golden Dollars were struck and released into circulation in CY 2000, with us besting by August the previous record of 920 million that it took the SBA 21 years to accomplish. In addition, the more than \$800 million in profit deposited in the Treasury General Fund is benefiting the American public by reducing the debt the Government issues.

CONCLUSION

The record of our accomplishments from the inception of the PEF in FY 1996 through FY 2000 has shown that Congress' faith in us plus our determination to use the granted flexibilities prudently and in the best interest of the American taxpayer has made the Mint one of the most stunning success stories in government. From the successful introduction of major new programs to record production, revenues, and profits to a string of awards and recognitions, we have demonstrated how seriously we take the operational flexibilities we have been given.

In the first quarter of FY 2001, we continued this tradition. By the quarter's end, we had shipped nearly 6.9 billion circulating coins in response to strong demand and had achieved higher revenues from numismatic and bullion products than the fourth quarter FY 2000. We continued to aggressively invest in plant and equipment to renovate and upgrade facilities, extend current equipment life, increase overall production capacity, automate or modernize processes, safeguard people, assets and buildings, and enhance information technology and telecommunications capabilities. We also continued implementation of the second stage of our long-term business systems improvement plan. We launched a "Legacy" ad campaign for the 50 State Quarters™ Program to tout the craftsmanship of Mint employees in creating the nation's coinage and increased to 125 million the number of Americans collecting the quarters. We formed a team of human resource project experts to ensure we employ all flexibilities currently available to us to recruit and retain the high-caliber individuals our operations demand. We received support from the Citizens Commemorative Coin Advisory Committee for our continuing pursuit of copyright protection. We are proud of our accomplishments and remain committed to continuous improvement and striving to reach the highest standards of excellence.